

Special Tourism Advisory Committee Meeting
July 13, 2017
Training Room
455 Wallace Street, Nanaimo

Twenty31 and Left Coast Insights Presentation
Greg Klassen
Ray Freeman

Consultant's Interim Report: Agenda

Agenda Item

5b. Project Review and Update on Phase 1: Project Planning

5c. Project Plan Timelines

5d. Project Review of Phase II: Situational Review

5e. In-depth Review of Plan and Timelines for Phase III: Stakeholder and Committee Engagement

Communications Objectives

5b. Follow up on Phase I. Key Learnings; Information

5c. Key Project Milestones

5d. Follow up on Phase II. Key Learnings; Information

5e. Update on Preparation and Objectives for Phase III

5b. Phase I: Project Planning

Objectives:

- Launch Plan and Approach to Stakeholder Engagement
- Develop Project Communication Plan
- Confirm Parameters for Situational Review

Tasks:

- Project Kick Off; agreement on governance of project; plan and Terms of Reference: Complete
June 8, 2017
- Confirm Peer Review Program: Complete
- Identify Primary Stakeholder Groups: TAC (confirmed) + Key Stakeholders (confirmed) + Key City Officials (in progress)
- Identify List of Key Stakeholder Groups to Survey, invite to Town Hall: Complete
- Develop Project Communications Plan: Complete; Chair and Vice Chair; Presented to Mayor and Council on Project and Terms of Reference, June 26, 2017

5c. Project Plan Timelines:

Phase II: Situational Review

Presentation to TAC Committee: July 13, 2017

Phase III: Stakeholder and Client Engagement

Conduct Key Stakeholder Interviews—July 11 to August 8th

Town Hall Session—Proposed August 14: 4:00 pm to 7:00 pm Evening Session

Key Stakeholder Innovation Workshops—Proposed August 28: 2 workshops: 1 —Key Stakeholders/City Council 9 to 12 and 1-Key Stakeholders/City Council: 1:00 to 4:00.

Online Survey—Weeks of August 7th to 21st

Social Listening—July 31st to August 21st

Phase IV: Delivering the Common Vision and Business Case for Tourism in Nanaimo

Topline Report: Proposed September 13th

Final Options and Options for Recommendation to Council: Proposed Sept 22nd

5d. Project Review of Phase II: Situational Review

Objectives:

- Assess Nanaimo's previous tourism development and governance model(s)
- Identify best-practice in tourism development governance and management
- Identify and prioritize industry and market trends impacting destination governance and management

Tasks:

1. Review Legacy model for Nanaimo
2. Review destination organization trends
3. Review of Destinations Governance Models
4. Competitive Assessment and Alternate Governance Models

1. Review Legacy Model for Nanaimo

Objectives:

- Review where Nanaimo has Been, Legacy Model, previous SWOTs, and relevant documentation
- Summary of previously identified Options for the Future
- Summary of current tourism delivery in Nanaimo

Prior to 2011

Tourism Nanaimo: membership-based, non-profit organization overseen by a volunteer Board of Directors. Functions: tourism/visitor marketing, visitor services, visitor centre operation, print map and visitor guide production

Destination Nanaimo: department within the City of Nanaimo, providing media relations and hosting familiarization tours (FAM).

Tourism industry stakeholders expressed **confusion** on the respective roles and responsibilities of tourism functions between these two entities.

Both entities were dissolved and functions were consolidated within Nanaimo Economic Development Corporation (NEDC) with a mandate to deliver tourism services on a stakeholder model in partnership for marketing with the Regional District of Nanaimo (RDN).

Review of Legacy Model for Nanaimo: Transition

- 2013 NEDC commissioned a *Nanaimo & Region Tourism Economic Impact Study* to understand supply and demand indicators and reveal the contributions tourism makes to the economy.
- 2013 Tourism Strategic Plan identified five (5) key initiatives for Tourism in Nanaimo, including:
 - 1) Product Development (tourism attractions / experiences)
 - 2) Fostering Industry Partnerships
 - 3) Marketing & Public Relations
 - 4) Enhancement of Community Pride
 - 5) Accountability & Transparency
- 2014: City of Nanaimo commissioned a Core Services Review of NEDC.
- November 2016: City of Nanaimo announced a transition of Tourism Nanaimo to be segregated from NEDC.

Current Tourism Delivery Model in Nanaimo

City of Nanaimo

Oversight of Tourism Functions
Funding Management /
MRDT Administration
Visitor Centre Services
Oversight of Conference Centre

Tourism Vancouver Island

Destination Marketing/Mgmt
Destination Development
Conference Marketing
Strategic Planning
Tourism Development Program
Stakeholder Relations
Research
Destination BC Programs

Vancouver Island Conference Centre

Administered by Spectra
(Comcast Spectator
Sales Management
Marketing

Nanaimo Hospitality Assn.

Grow Overnight Visitation
Festivals & Events Admin
Sports Tourism Admin
MRDT Administration
Other interim DMO functions

Nanaimo Port Authority

Trade Show Marketing
Cruise Operational Services

Regional District of Nanaimo

Administration of Electoral Areas
A, B (Gabriola), & C
Gabriola, Mudge, & DeCourcy
Islands

Snuneymuxw First Nation

Newcastle & Protection Islands
Tourism Development

Other Entities

Old City Centre Association
Nanaimo Chamber of Commerce

Strengths

- Governance of each separate organization to achieve mandates
- Stakeholders are making an effort to support tourism
- Willingness to invest
- Changing perceptions
- Many passionate groups
- Diverse tourism product
- Interim activities are working
- Improving accommodations performance

Weaknesses

- Mis-aligned Nanaimo brand to potential consumers
- Duplication of resources
- Disagreement on how to invest marketing efforts
- No Meetings, Incentives, Conventions, and Events strategy
- Confusion around roles & responsibilities
- Legacy perception/reputation of Nanaimo
- Core foundation/framework missing to steer tourism
- Product development missing
- Too much focus on marketing only

SWOT Analysis on Nanaimo's Current Tourism Model

Opportunities

- Common destination strategy for Nanaimo
- More efficient leverage of pooled resources
- Identification of competitive advantages
- Common brand
- Reduced duplication of efforts
- Investment in tourism activities as advantages realized
- Singular, clear voice for tourism advocacy
- Cultural activities can be coordinated
- Sports and Event tourism strategy can leverage growth opportunities

Regional Collaboration

Threats

- Tourism underperforms against potential and market peers/competitors
- Missing out on high growth industry
- Catalyst for economic development and diversification
- No single voice for tourism reduces opportunities

2. Review Destination Organization Trends

Objective:

- Review key insights and trends impacting other Destination Marketing Organizations in order to evaluate organizational and governance direction for Nanaimo

What is a DMO?

Traditional Role:

A Destination “Marketing” Organization

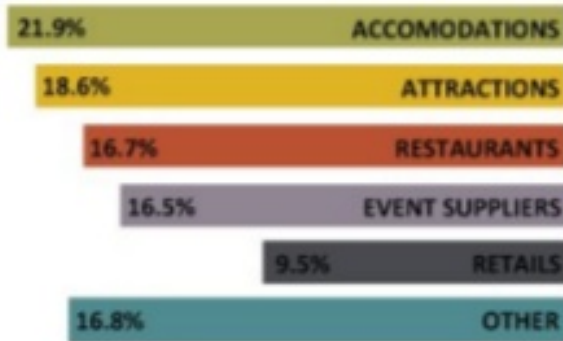
- Mandated with marketing a destination for tourism. In practice for more than 100 years
- Generally served as intermediaries between hotels, small tourism business and prospective travelers
- Tourism Vancouver is, in fact, one of the world’s oldest DMO’s
- While starting with leisure expanded to meetings and conventions, incentive travel, sport tourism, events and other ways of attracting overnight visitors

Role in Transition:

Increasingly transitioning to a Destination “Management” Organization or a Destination Development and Management Organization

- Mandated with marketing a destination for tourism but also in managing the destination—advocating with governments, industry, communities, etc. to manage the **destination brand**, and encourage investment in **product development, and destination development** as role in marketing diminishing due to technology.

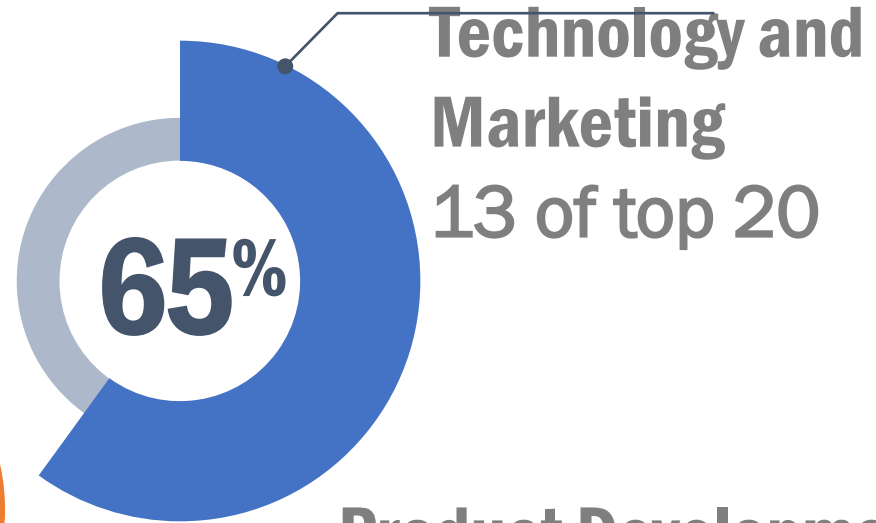
DMOs AT A GLANCE



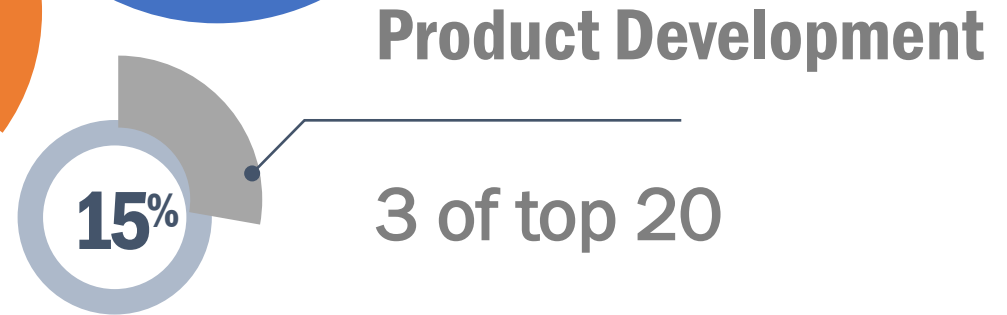
Source: Destination Next-DMAI

Destination Next Impact on DMO's

**Economic/Community/
Government**
4 of Top 20



**Technology and
Marketing**
13 of top 20



Product Development
3 of top 20

Source: Destination Next-
DMAI

Destination Next Transformational Opportunities

Over the next 5 years for competitive advantage:

1. Dealing with the New Marketplace—broadcast to engagement; **technology** and **millennials**
2. Building and Protecting the **destination brand**—destination managers of local, authentic, sustainable, cultural visitor experiences
3. Evolving the DMO business model—collaboration and partnerships—tourism centric to vibrant economies and **communities**

Source: Destination Next-
DMAI

Top 20 Strategies DMO's will have to embrace:

Dealing with the new marketplace:

“Broadcast to Engagement”

- Technology will significantly alter DMO role
- Greater emphasis on engaging customers in two-way conversations
- New strategies to refocus on millennial market
- Market segmentation & personalization
- Focus on mobile platforms

Building and Protecting the Destination Brand:

“Destination Managers”

- Play central role in advocacy for destination
- Connect visitor experience with quality of life of residents
- Greater role as cultural champion of destination
- Participate in building platforms for the visitor experience
- Balance need for growth with responsible and sustainable development
- Play a greater role in policy and product development
- My national tourism organization will encourage local brands

Evolving the DMO Business Model:

“Collaboration and Partnerships”

- More involved in broader economic development initiatives
- Adopt uniform operating standards and consistent measures of performance
- Agree on uniform methodology to measure economic impact
- Better understanding of economic impact of industry
- Collaborative technology will be core strategy
- Engage more closely with non-traditional stakeholders

Destination Next Driving Factors for Success



Source: Destination Next-DMAI

3. Review Destination Governance Models

Objective:

- Evaluate governance models (delivery of tourism services) of Destinations across North America to get a perspective on most commonly used models.

North American DMO Governance Models

DMAI study of North American DMO Organizational and Financial Profiles:

- 75% are independent, not for profit organizations
- 15% are government agencies (city ,regional or state/provincial governments)
- 5% Chambers of Commerce
- 5% other

Generally speaking:

- Major cities, major communities where tourism plays a strong role in the economy, and resort destinations across North America are most likely to be independent, not for profit, private sector style organizations.

British Columbia Tourism Delivery Governance Models

Chemistry Consulting review of 117 destination websites across BC:

- 33% of destinations are independent, not for profit organizations
- 31% are government agencies (city ,regional governments)
- 21% run by Chamber of Commerce
- 5% Economic Development organizations
- 1% other

Generally speaking:

- Major, well established destinations across BC where tourism is a major contributor to the local economy are independent and not for profit.

Tourism Industry Association of BC-Feb. 2017 Position

- Supports the premise that community DMOs should be governed by an industry-led board with some local government representation as appropriate. It is TIABC's view that tourism experts must drive and execute promotional programs and projects that are designed to advance the tourism industry within a community
- Community DMOs should be structured as a not-for-profit society with the full weight of transparency and accountability outlined in the B.C. Societies Act. The board of the society must support management in executing its programs, and hold management of the community destination marketing association accountable for the proper use of funds and the outcome of results against its five-year plan

Review of Destination Governance Models: Traditional or Informal

Strengths

- Work can proceed quickly, unencumbered by the formalities of a regular board process
- Often made up of the most engaged and passionate members of a tourism community that can do the lion's share of work to support its success

Weaknesses

- Potential for conflict of interest rather than in the interests of the organization or destination
- high potential for long serving, overly assertive or antagonistic board members with high levels of influence over the strategy of the organization
- Insecure governance leads to challenging oversight of management teams and strategies
- Little governance in terms of board member expiry dates and meetings, minutes or guidelines. Where these do exist in terms of reference, guidelines are often ignored

Review of Destination Governance Models: Membership Based

Strengths

- Drawing from membership means that those that stand to benefit from the investment in tourism are those that govern the organization mandated to develop and execute the strategy
- Tried and true model found across DMO's around the world

Weaknesses

- Little opportunity for other vested interests in the success of a DMO for board membership when they cannot be board members (ie. City or regional investments, government investments, foundation investments, etc.)
- Members don't always hold the competencies required for modern board governance (finance, nominations, audit, marketing, governance)
- Inherent bias common in decisions related to DMO strategy and execution (ie. Higher end hotels may lead organization to focus on marketing to higher end market segments, lower end to lower end segment, etc.)

Review of Destination Governance Models: Appointments

Strengths

- “Political” appointments can often be strong representations of political offices wielding a great deal of influence which can support the interests of the destination for additional policy or investments.
- Strong regional, gender or skills based representation draws from a much wider pool of resources can be very supportive to progressing a tourism DMO mandate

Weaknesses

- The tourism industry can get left out as other shareholder interests take precedence
- Board representation, when aligned with priorities other than tourism growth for a region, can have a bias inconsistent with the best interests of that region
- Broader tourism industry stakeholders have little respect for the board and reduce their support for the organization
- Board members can change frequently depending on political changes

Review of Destination Governance Models: Pay to Play

Strengths

- Funders in the tourism industry, expected to have the most stake in its success are the board members directing the strategy

Weaknesses

- Board members representing hotels and attractions can hold a short term view of the tourism industry and can direct funds to support filling hotel rooms next week and month, rather than the longer term view a destination may require to sustain the success of a destination
- Changes in management and representation of these organizations can frequently change those who sit on the board

Review of Destination Governance Models: Skills-based

Strengths

- Highly competent board members with a modern cross-section of skills to direct an organization
- Limited inherent bias as board members are recruited from industries and not necessarily tourism so don't necessarily benefit nor are impacted directly by board decisions taken
- Limited inherent bias may support the short, mid AND long term strategies for a destination
- Volunteers to board positions supporting not-for-profit and government organizations can hold an inherent sense of public service and act in the best interests of the organization
- Wide range of directors from other industries and government may bring parallel ideas and thinking to a destination

Weaknesses

- Lack of understanding of the tourism industry may slow the direction and decisions of a board
- Board members with no stake in the outcome may become lazy or disengaged
- Recruitment of board members with these competencies, often on a volunteer basis may be a significant challenge, resulting in frequent and long term board vacancies
- With fewer possible board members in the tourism industry, there may be a disconnect between those who are fully engaged in the industry and those on the board

Alternative (Multiple) Funding Models

1. Municipal and Regional District Tax (MRDT)
2. Destination Management Fund (DMF)
3. City/Regional Government Appropriations
4. Grants and Contributions (City, Region, Federal, etc.)
5. Membership Fees
6. Partnerships/Program Investments
7. Advertising Sales
8. Commission Revenue

Alternative Funding Models

Destination Marketing Organization (DMO) Best Practices and Benchmarking Study.

- Report done for Tourism Vancouver by InterVISTAS consulting in 2009. Study of more than 22 DMO's from across Canada on, among other subjects, their sources of funding.
- The study suggest that the smallest of the DMO's (less than \$2M in funding), from communities most similar to Nanaimo have a higher proportion of their organization funding from public grants and other public sources, while the larger DMO's garnering a greater proportion of their funding from hotel levies.

For DMO's less than \$2 Million in funding the following is the breakdown in source of funds:

- Hotel Levies: 21%
- Public Grants and Other Public Sources: 58%
- Member Fees, commissions and other revenue: 20%

4. Competitive Assessment and Alternate Governance Options

Objective:

- **Review governance options adopted by other DMO's and the strengths and weaknesses of each option**

Prairie City DMO-smaller city, small tourism support

- Under \$5 budget funded from City, Destination Marketing Fund (DMF) and some partnerships.
- Leisure, Meetings/Conventions, Sport, Education/Youth tourism under single Tourism Entity but reporting to CEO of City Economic Development.
- Economic Development holds two broad mandates: 1) Economic development competitiveness and attraction of business, and 2) Tourism.
- CEO has strong tourism background and Economic Development background.
- CEO reports into board of directors on both key areas (Economic Development and Tourism).
- Little sharing between Tourism and ED. Some common brand and social media. Some business events and conventions will be leveraged by ED.

View from the CEO:

- “This doesn’t work. Tourism and Economic Development are so different that if I had the opportunity to recreate this mandate, these would be separated, each with their own board of directors.” “My (private sector) board has a hard enough time understanding Economic Development, let alone tourism.”
- “Ensure you have a mostly private sector board. It gets more challenging when city politics have too much sway.”

Alberta City DMO—mid sized city/high tourism support

- Under \$10 million per year operating budget funded from City, DMF, Memberships and Partnerships.
- Leisure Tourism under single organization. MOU with Hotel Association to support organization. Has private sector combination of skills-based and member based board of directors.
- Meetings and Events under separate organization and separate again from convention centre.
- Sport Tourism under Leisure tourism has its own board of directors with ambiguous reporting to Leisure Tourism entity board of directors.
- Economic Development separate organization with own board of directors.

Comments:

“Feel that the model works “ok” but acknowledge that improvements can be made. Ultimate goal may be a single organization for leisure, meetings and sport, but accept that this may take time. Short term goals to better align organizations (TBD but could be through common scorecard and/or MOU) and even potentially share resources (CFO, etc.) for efficiencies”.

Central Canadian City—Major city/tourism

- Total DMO operating budget above \$10 million per year from City, DMF, Regional funding, memberships/ partnerships.
- Engaged in leisure tourism, sport, meetings and conventions and other aspects of tourism.
- 22 board members meeting quarterly, each with a 3 year team (with an option for one term renewal).
- Representation board based on industry sector coverage.
- Five board committees—Marketing, Governance, Audit, Sales, Industry Relations (non-active).
- “DMO underwent a governance review 5 years ago moving from a large board comprised of political appointments to a board half the size comprised of directors drawn from the industry membership base.
- 3 board seats reserved for funding and infrastructure partners including the Hotel Association (main funder), Convention Centre and Airport, the membership base nominates and votes for a majority of the director positions.
- Ministry of Tourism (secondary funding partner) and local city government (non-funding partner) are appointed to the board as non-voting observers.

Central Canadian City—Major city/tourism

- Checks and balances are also in place staggering term appointments and ensuring directors serve a minimum of three years before being considered for the Board and Committee Chair positions.
- Has executive committee in place comprised of the Board Chair, Chairs of each of the four active committees and the CEO.”

View from the Vice President Marketing & Communications:

- “We have a stakeholder-based board effectively representing our industry membership base. We are also very fortunate to have largely eliminated political appointments thereby allowing for industry-led decisions. Stakeholder-based boards can be just as effective as skills-based boards if they provide for a balanced representation of the membership.”

Saint John, New Brunswick (127K people)

- Similar size, economy to Nanaimo—forestry, tourism, cruise ships, convention centre.
- Discover Saint John: Not for profit, public-private corporation created in partnership with City, Saint John Hotel Association and Industry members.
- Mission: To increase tourism revenues in Saint John by marketing our unique and competitive tourism experiences to high potential markets
- 8 Employees

Note: Call with Executive Director on Friday for more information

Tourism Victoria Governance Transition

- **Vision**

Tourism Victoria will be *internationally recognized as a leader* in sustainable tourism development, ensuring Greater Victoria *remains one of the top destinations in the world*.

- **Objectives**

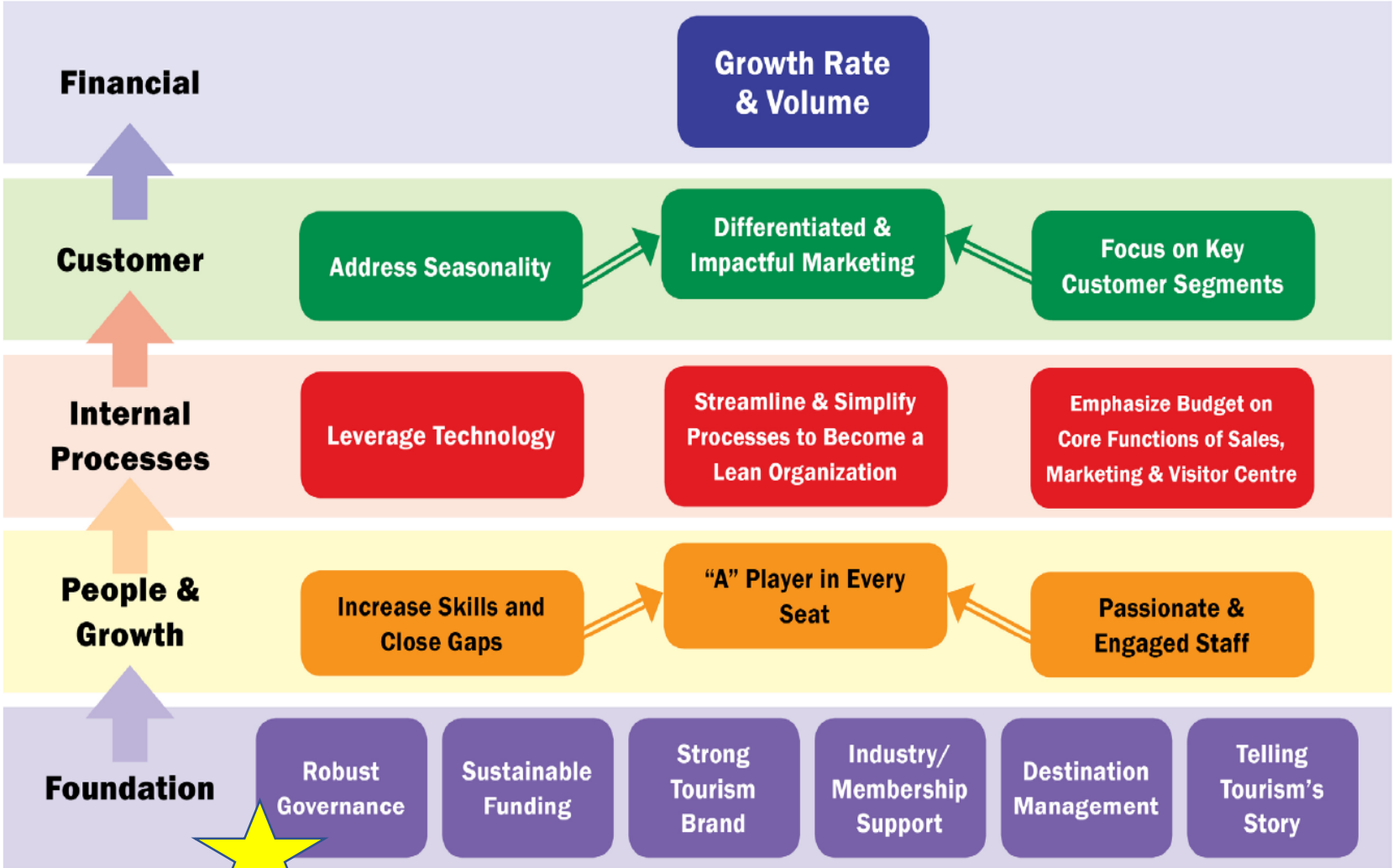
Grow Rate and Volume.

Address Seasonality.

Destination Management (transportation, attracting investment in product).

Telling Tourism's Story (research local tourism factors, develop experiential tourism, highlight economic contributions of tourism to the community, support investment development).

Tourism Victoria Strategy Map



How Tourism Victoria is Funded

- Municipal and Regional District Tax (MRDT) 3%
- Membership and Membership Buy-Ins
- Grants (Destination BC for Visitor Services, City of Victoria, District of Saanich)
- Destination Marketing Fee (DMF), in partnership with 21 hotels, 1%
- Visitor Centre Revenues

How Tourism Victoria is Governed

- 16 person Board of Directors (11 members elected, 6 appointed).
- Robust Governance: “An engaged Board of Directors that provides oversight, strategic advice and support to Tourism Victoria’s management team and their governance function. The Board of Directors will be engaged at the strategic level to provide the optimum contribution”.
- Advisory Committees:
 - Transportation Committee
 - Finance and Membership Committee
 - Sales & Marketing Committee
 - Governance, Human Resources & Risk Committee
- President/CEO leads operations and is accountable for execution of the strategy, reporting to the Board. Control Measure: two officers with fiduciary accountability in the organization.

Governance Transition

Context

2012: Tourism Victoria Executive and Board recognized the need to change from a focus on **Policy** to a focus on **Strategy** to improve capacity and collaboration with partner organizations.

Process

Engaged Consultants and their Board to review policies and identify sustainable funding opportunities, best practices, trends, options, and priority initiatives.

Outcomes/Opportunities

Short-term: focus on partnerships, marketing and advocacy alignment.

Medium-term: expand/increase MRDT and DMF.

Commercial: engage in revenue generating businesses to leverage the unique skills and knowledge within Tourism Victoria. Includes commercializing marketing, strategy, visitor services operations, conference services.

5e. In-depth Review of Phase III-Stakeholder and Committee Engagement

Objectives:

- Understanding and guidance in the critical stakeholder engagement phase.
- Risk assessment of engaging stakeholders
- Assessment of the tools and methodology to evaluate the objectives of this phase

Review of Consultations:

1. Key Stakeholder Interviews—July 11 to August 8—TAC, 7 Key Stakeholders, City Council members wishing to participate.
2. Town Hall Session—Proposed August 14: 4:00 pm to 7:00 pm Evening Session—Tourism Industry and Community. Special invitation to list of industry stakeholders
3. Key Stakeholder Innovation Workshops—Proposed August 28: 2 workshops: 1 —Key Stakeholders/City Council 9 to 12 and 1-Key Stakeholders/City Council: 1:00 to 4:00.
4. Online Survey—Weeks of August 7th to 21—Key industry and community. Advertise/invitation for participation
5. Social Listening—July 31st to August 21st

Key Stakeholder Engagement Objectives:

Get a perspective from key Nanaimo stakeholders on the following:

- Briefly review the business models for delivery of tourism services adopted in the past, their strengths and weaknesses.
- Tourism Opportunity/Vision for Nanaimo in the future?
- What kind of tourism delivery model (governance/ business model) will help Nanaimo achieve that vision?
- Which are the key organizations & stakeholders that are best positioned to support collaborative efforts in Nanaimo?
- How should this be managed and what role should the City of Nanaimo play, Hotel Association, Tourism Industry, Community?

Key Stakeholder Engagement Tools:

Town Hall

Key Stakeholder Workshops

Presentations/ Powerpoint—Education
on Role of DMO's; best practices, etc.

Discussion and Q&A

Visioning Exercise

- Visioning Exercise
- Roles & responsibilities
- Collaborative destination leadership modeling
- Leverage regional partnerships
- Strengthen capacity
- Enhance sector sustainability
- Enhance communications