

THE COMMUNITY BENEFIT FUNDING MODEL: IF THEY VALUE YOU, THEY WILL FUND YOU.

Destinations International Advocacy Team

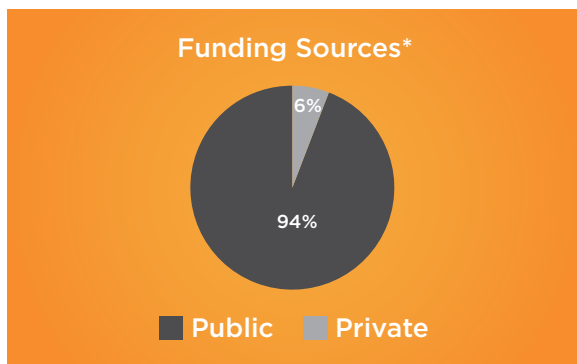
We are in what we call the Great Interruption. A pandemic, civil unrest, widespread unemployment, a recession, natural disasters—all made worse by the trend to politicize everything. Normalcy has been upended. Patterns of behavior and supply chains that we relied on have been disrupted. Government budgets are wrecked. Deficits are at an all-time high. Serious rebuilding will need to take place — rebuilding of confidence and of structure.

These realities can draw all our focus if we allow it. However, we cannot stop thinking about the future that will come. We need to start thinking — not about a return to normal — but about the next normal. And we should use this time to not only think about what things may look like but what changes will have occurred that are not going away. We need to think about how we would like them to look so that we can begin that work as we navigate this Great Interruption.

Where better to start than with funding? It is core to what we do, it is our biggest concern and, frankly, it is overdue to kick some ideas around.

OUR CURRENT FUNDING MODEL

Before we begin to discuss our funding model evolution, it's important for us to take stock of our current funding model. How are destination organizations currently funded?



According to our data, over 90% of destination organization funding comes from public sector sources.

Let's break down this further: The mainstay of every destination organization is the hotel, transient occupancy, or room-night tax. This "heads in beds" levy is collected at the hotel and remitted to the government to allocate in its entirety or some percentage to the destination organization. This "transaction" through government, no matter the level, makes the destination organization the recipient of public money.

Many destination organizations have worked to expand their funding beyond the hotels, with money levied from the traditional sales tax or taxes on transactions on food and beverage, short-term auto rentals, airport livery fees or convention centers.

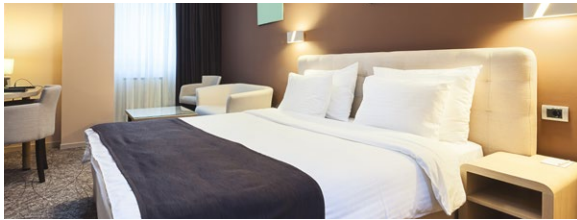
We argue that through destination stewardship and brand promotion, destination organizations strengthen the community's economic position and vitality, which provides opportunity for all the people in the destination.

*Source: Destination Organization Performance Reporting

WHO BENEFITS?

When we ask ourselves to re-imagine a funding model for destination organizations, we should start with the question, who benefits from our success?

We'll start with the usual suspects. These are the guys that we've always known will benefit from your organizations.



The Usual Suspects

First there are hotels. An effective destination organization puts heads in beds. That's so obvious that hotel room-nights has been the metric of success of for destination organizations for a century. We are such a valuable partner to the hospitality industry that they are happy to fund our work with their occupancy taxes. When occupancy taxes don't generate enough revenue, they create TIDs or join membership programs to kick more funding our way.

Then we've got venues. Sports arenas, theaters, cultural centers and conventions centers all rely on destination organizations to sell tickets and fill their seats. In many of your destinations, venues charge a levy on ticket sales that to help fund your destination organization.

Likewise, there's events. Again, dependent to a large extent on destination organizations and often contribute to their funding.

We've got car rentals. Restaurants. Attractions. Taxis. Tour operators.

We can think about this as the whole tourism vertical, all obviously benefitting from the destination organization. And we as an industry have gotten good at developing models to fund our organizations based on the benefit they deliver to these stakeholders.

But by focusing exclusively on the tourism vertical, we ignore any number of

industries, organizations, businesses and other stakeholders in your community who benefit from your work. What we could call the unusual suspects.



The Unusual Suspects

Let's start with an obvious one: Airports. Clearly these benefit from the destination organization. It's no leap to say that more destination marketing means more business for airports. But our research shows that very few airport authorities kick anything into destination marketing budgets through departure fees or any other kind of assessments.

But let's think even more outside the box. Start with the truism that a great place to visit is a great place to live — and a great place to live is a great place to work. Then we need to look at companies putting people to work in your community. Employers in your community rely right now on the strength of your brand to attract and retain the best employees. When they go out recruiting, they talk about what a great place to live your community is. They depend on your effectiveness and have a vested interest in your success. And yet, the vast majority of you have no mechanism that commits major, bedrock employers in your community to the success of your organization.

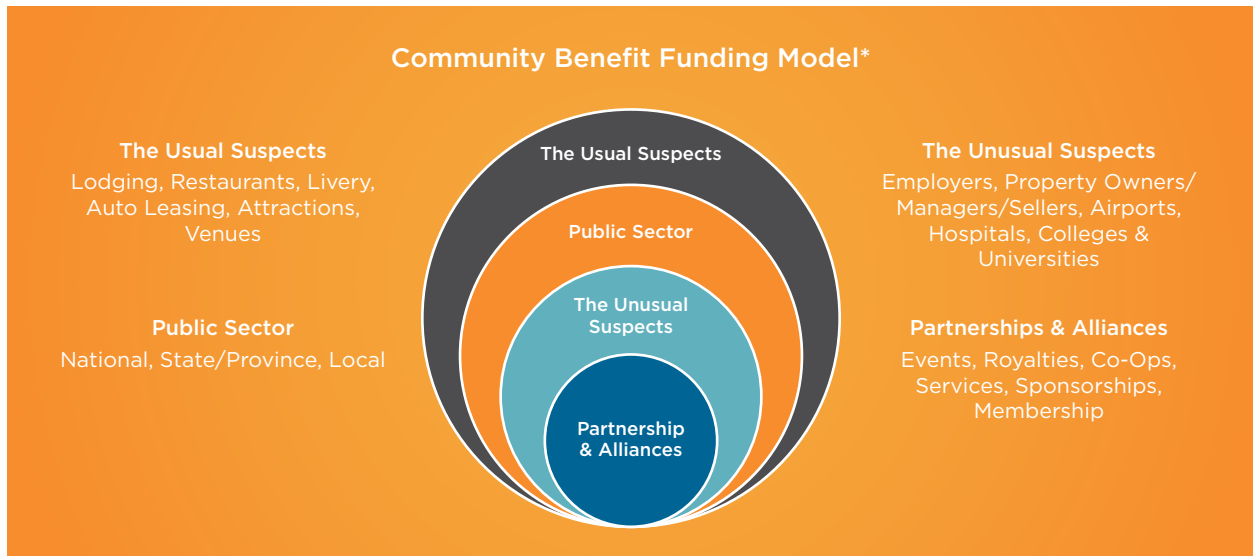
Let's look at one example.

In countless communities — especially small communities — hospitals and healthcare networks are the largest employers in town. When they go out to recruit doctors and other staff, they talk about the high quality of life in your community. Not only that, in some cases, they fall back on the strength of your brand to attract patients. But we're not aware of any destination organization that collects funding from hospitals.

The same can be said for colleges and universities in your destination. Think about every piece of marketing material that universities in your destination put out that talk about what a great place your destination is to go to school. A destination organization with a brand that resonates to young people is an invaluable asset to universities. And don't forget that they are also in competition with every other school to attract the best faculty—and one of the strategies that they use is to talk about what a great place to live your community is.

We could go on and on picking out industries that benefit from your work. The fact of the matter is that when you define a stakeholder by whether they derive benefit from your organization, then your network of stakeholders is much wider than your funding models suggest. This means there are many, many stakeholders in your destination benefitting from your work, but who have no skin in the game.

So how do we get them to value the benefit you deliver and to fund the work you do?



You are their competitive advantage, but you have no mechanism for them to support your great work.

So you're out there demonstrating what a great place to live your destination is, and when you've got all these partners attracting investment, attracting business, and attracting workers, what is the effect on real estate in your destinations?

More demand for real estate naturally means higher property values. That means homeowners — even if they've never heard of you — suddenly benefit from your great work. Commercial real estate prices rise, which means commercial real estate investors, developers and building managers all have a stake in your organization. Realtors benefit from more demand for property and higher sales prices.

THE COMMUNITY-BENEFIT MODEL

We argue that a destination organization is a community asset responsible for programs promoting a community as an attractive travel destination and enhancing its public image as a dynamic place to live and work. Everyone benefits — some more directly than others, some much more directly than others. If that is the case, then our funding should represent that.

James W. Frick, an administrator at the University of Notre Dame was famous for saying "Don't tell me where your priorities are. Show me where you spend your money, and I'll tell you what they are." If we are the priority, as we say we are, it is time to reflect that in our funding.

*Source: Destinations International Foundation 2020

We believe that destination organizations must look beyond the Usual Suspects and find ways to generate funding from the Unusual Suspects — as well as from the public sector and from traditional partnerships. We do not recommend any specific percentage that these four groups should represent of your funding. Conditions on the ground in each destination would influence that. The point here is that there are more sectors that should be contributing to your efforts than just hotels and a general membership.

Let's start in the largest circle — the usual suspects. This is a group that I would think should make up the biggest chunk of your budget. These entities are impacted in a greater amount and are, frankly, are first in line in terms of receiving an impact of what you do.

Lodging — hotels, bed & breakfasts, shared housing and campgrounds — there should be no argument there. Restaurants — perhaps only in a section of the destination or those of a certain size — but while these restaurants serve residents, many cannot operate at a profit without the visitor and, therefore, would not exist without visitors. The same is true of livery, auto leasing, attractions and venues. All of these can be structured to limit their impact on residents, but all should be at the table. Many of these are already at the table with membership dues, many at higher rates than the average member. But they should be there, along with the hotels, at higher numbers.

There are three way to collect this money — voluntary assessment, often problematic; a sales tax on transactions, a very effective means but subject to diversion by the taxing authority; or a Tourism Improvement District where the money is outside of government and you contract with the government to collect and enforce. The final one is my preferred approach and has been successfully be enacted, primarily with hotels, in many places. But if the industry will not step up, government action may be your only resort.

The second circle is government. Beyond the sales-based tax collected on from the usual suspects, government should chip in an additional amount, for they in the end

benefit the most. A vibrant and growing economy means vibrant and growing tax revenues and low unemployment means saving in many other places in the budget. Whether from the general fund, a special (and probably new) grant program or portions of departments and sub divisions budgets (perhaps from the public relations or communications budget lines), the key here is that there is a benefit to every level of government and therefore, every level should be throwing in resources.

The third circle is the Unusual Suspects. These folks have a vested interest in your success, but they are not throwing in resources. The reason will need to be explained to them, the benefit quantified, and a relationship between you and them developed. But it is time they have skin in the game. This can be done through fees on transactions or some other kind of sales tax on services or it can be a direct contribution from their budgets — but it needs to be done.

Finally, the smallest circle is the destination organization itself. Through events, royalties, co-ops, services, sponsorship, membership — and creative monetizing of non-revenue generating assets — the destination organization shows that it is willing to carry part of the burden themselves.

THE TIME TO START WORKING

We believe that the more diverse and the more broad-based your funding sources are and the more your funding truly represents a community investment in your efforts, the safer and more robust your revenues will be.

The Great Interruption that we are in will not end soon, but it will end. That is why now is the time to start the conversation. The time to evaluate our options. The time to develop a plan. And the time to start working on changes.