



How To

SURVIVE

**The Upcoming
Tourism Funding**

CRUNCH

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Of**

"Tourism Learning Center"

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THIS IS A SHORT SAMPLE OF THIS IMPORTANT BOOK

Prologue

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OLYMPIA, Wash. (AP) -- Like a business trying to sell a product, Washington state has for years attracted visitors by promoting stunning images of some of the nation's most majestic scenery -- from the snowcapped peaks of the Cascades to the rainforests and thundering waterfalls of the Olympic Peninsula.

That marketing is now coming to an abrupt end.

By the end of this week (June 2011), Washington will close its official tourism agency and become the only state to cease all state funding for self-promotion.

It's just one example of how states are coping with budget deficits brought on by slumping tax revenue.

"When you're taking kids off health care and raising tuition, you have to make some tough decisions," said Senate Republican Leader Mike Hewitt, who has for years sat on a commission that guides Washington's tourism strategy.

In May, the state Legislature eliminated the remaining funding for the tourism agency, about \$2 million for the coming fiscal year. State support had been as high as \$7 million in years past.

Not all states are following Washington's approach. Some view tourism as a key industry that will contribute to an economic rebound, one that is worthy of state support even in an era of declining revenue for other services.

Michigan, surrounded by the Great Lakes, is pouring millions of dollars into marketing campaigns, hoping for any advantage in the competition for the small amount of discretionary cash consumers are willing to spend on travel.

Even though Michigan has consistently had one of the nation's highest unemployment rates, it will spend about \$25 million this year on marketing. That is five times the budget it had for self-promotion just six years ago. The state's tourism industry contributes a small amount.

Michigan is now in the middle of its largest national advertising buy -- spending more than \$11 million to splash its "Pure Michigan" message on cable. George Zimmermann, vice president for Travel Michigan, said research indicates that a dollar spent on out-of-state advertising returns \$3.29 cents in tax money alone -- and much more for businesses.

"It's a bit of a no-brainer," Zimmerman said. "Tourism is not the answer to restoring the Michigan economy, but we do believe it's one of the answers."

Some states have established public-private partnerships to share the cost of marketing.

California state government pays for just a fraction of a tourism budget that relies on assessments paid by hotels, restaurants, rental car companies and other tourism-related businesses. The annual budget for promoting travel to California is about \$50 million, but only about \$200,000 of that will come from the state in the fiscal year that begins July 1.

Marsha Massey, Washington state's departing tourism director, said her state should follow that model, allowing the industry to be responsible for its own promotions.

"It is going to be a positive for the state's tourism industry to really be in charge of their own destiny," Massey said. "The process of getting here to there is going to take a little time."

To fill the void, Washington's tourism industry has established a new promotional organization. It will take over some state assets -- such as the tourism website -- but is still trying to identify a way to fund a sustained marketing campaign.

The group has raised more than \$300,000, said Kim Bennett, chief executive officer of the Vancouver Regional Tourism Office in southwest Washington. She would like to see a minimum of \$15 million.

"We cannot continue to operate and be competitive with other states without appropriate funding," Bennett said. "Everyone who is selling a good or a service or a destination, you have to get out and market. Your competitors are out there marketing."

Visitors to Washington spent some \$15.2 billion in 2010, according to state figures.

About half the states are shrinking their marketing budgets, while the other half plan to increase them, according to the U.S. Travel Association.

New York's spending is down 60 percent to \$5.5 million, while Arizona is down 40 percent to \$8 million. Even Hawaii, one of the world's leading tourism destinations, is trying to redirect tourism money to other uses.

Gov. Neil Abercrombie said this year that tax dollars spent on promoting tourism in the state were disproportionate to other needs. He vowed to spend more of that money on social programs, environmental protection and infrastructure improvements.

Marketing money comes from a 9.25 percent tax on Hawaii hotel rooms and other accommodations. The amount to be spent from that pot on tourism will be capped at \$69 million for the next four fiscal years.

While that's still a healthy budget, the cap is projected to divert a significant amount to other state priorities.

Alaska, Louisiana and Michigan had the largest increases in marketing dollars between this year and last, according to the travel association.

"What Washington has done puts that state on an island," said Geoff Freeman, executive vice president of the travel association.

"No state at this point in time has been, with all due respect to Washington, as short-sighted as those leaders have been."

The only other state that comes close to rivaling Washington's cuts during the recession is Connecticut, which essentially eliminated its tourism budget for two years but maintained its staff. Connecticut is reversing itself, with a new budget for the next two fiscal years that proposes restoring \$15 million to the program.

The state's tourism industry has been limping along and struggling to stay competitive, said Randy Fiveash, Connecticut's tourism division director.

"We know we lost market share," he said.

Introduction

Do you think the title of this book is maybe a little bit overboard? Do you think I just threw that title together to try to sell a lot more books?

That title is very literal and was specifically designed to say exactly what it says!

A funding crunch IS coming to the tourism field...and, in some places, it's already here. If it hasn't hit YOUR area yet, then you have some time to get proactive BEFORE your funding slows to a trickle or dries up entirely.

If your funding has diminished noticeably over the last couple of years, you need to get your head out of the sand (or anywhere else you might have it) and start thinking like a survivor because the odds are VERY high that your funding levels will get worse before they start getting better.

I know some of you you don't believe me or don't want to believe me but maybe I can get you to see what's coming down the road if I appeal to the logical side of your brain.

Here's what's happening and the historically correct reason WHY it's happening to us...

In the past, and right up to this very moment, funding mechanisms for tourism organizations has been nearly the same since way back in history when someone figured out that getting tourists to visit an area was good for the businesses and general economy of that area.

Since that time, tourism organizations have had two basic ways of getting funding for the programs they had developed to accomplish their goal of attracting more visitors, and therefore, money, to their area.

The first time tested technique that tourism professionals employed was implementing a membership fee for area businesses. That worked well for a while, and still works to some degree today.

The fact that a business is a member of a CVB or chamber DOES ensure, to a certain degree, that business's interests will be taken care of. The trouble began when techniques for attracting visitors to an area became more expensive...in most cases, much more expensive...and personnel costs started increasing as well. CVBs and chambers all over the United States needed more money than memberships fees could bring in.

In order to continue their efforts to attract tourists, CVBs and chambers turned to government for funding. First, the local city government and then, the local county government and finally, the state government. At that point, it seemed like things were getting really good!

And it WAS really good for a while!

I'll be talking about West Virginia because I have first hand knowledge of what's been happening here in the mountain state for many years now. West Virginia is by no means unique! All 49 other states in our republic have similar funding processes...and similar, if not worse, problems.

West Virginia, like many other states, has a state approved lottery system which encompasses lottery tickets, video poker machines, dog and horse racing as well as casino table gaming. A portion of all the proceeds of this lottery system were allotted to travel and tourism efforts throughout the state.

For the first few years, money flowed through the system extremely well and tourism literally boomed in the state!

Then, surrounding states jumped on the lottery bandwagon to fund initiatives they wanted to advance in their states. Suddenly, West Virginia had competition for gambling money...and NOT just from other gambling operations in others states!

The slowdown in the American economy...and the world economy...brought down the amount of income people had with which to gamble, so gambling revenues fell which meant that the states' share of that revenue fell along with it.

It got to be a very vicious cycle which squeezed many programs...tourism among them!

Even though West Virginia was one of only **SIX STATES** in the whole republic to **NOT** have a budget deficit, the state government **STILL** ended up cutting tourism dollars by 50%! So, if you were a tourism professional in West Virginia, there went HALF of YOUR budget!

Those same cuts are happening all over the country.

You need to lift your nose up off the grindstone a moment and think about this.

You can't suddenly start charging more for your memberships...the economy in your area just won't let that happen.

If business costs are going up...and you KNOW they are...what can you do to justify charging that business more to be a member of your CVB or chamber? What would be their reactions if you DID increase your membership fee by 50%?

You know the answer to that one as well as I do! You suddenly would have a lot less members. So, using the membership funding technique to increase your funding isn't going to work.

Now, think about the government funding technique. Are you seeing increases in how much funding your organization is going to get next year? How about 2 years from now? 5 years? You KNOW that funding levels aren't going to increase any time soon!

Odds are, things aren't going to get better financially for any state OR the entire republic for quite a few years. BUT, odds are good that the costs of marketing and advertising in order to attract visitors to your area are NOT going to decrease but rather increase!

So, there you go. For the great majority of us, traditional funding sources are looking pretty bleak for the near future. What are YOUR plans for the "lean years" that are coming to everyone in the tourism field?

I know there are some out there that are saying, "Our state government will NEVER let tourism funding go down very much!" I just heard that the other day!

When times were good and money was plentiful, I would have agreed with her. But times "ain't" good and money is NOT plentiful anymore...at least money coming in. We all have PLENTY of money promised to go out every year. Money promised to Medicaid, public employees pensions, infrastructure, just to name a few that every state faces.

If you think that state budget makers will cut Medicaid, public employee pensions and infrastructure to give tourism organizations MORE funding, then PLEASE bring me back a lollipop from Candy Land when your visit there is through!

It ain't gonna happen!

You can't raise your membership fees and you can't count on the state to give you more funding BUT the new programs...heck, just the same old programs you're using now...are all costing more and more all the time.

So, what are you gonna do? Just hide your head and hope that your organization can make it through this tough time? Just do the minimum your organization can afford and hope that visitors will come to your area anyway?

Here's probably a more meaningful question: Do you believe that the techniques your organization is using right now or plans to use in the near future are worthwhile and WORTH the money you're spending on them?

If you believe the techniques you're using or plan to use are good, worthwhile and WILL work for your area, how are you gonna pay for them? **THAT'S the real question! How are you gonna pay for them?**

Here's a novel idea: instead of going to your local area businesses and begging for more money in membership fees OR going to your state government with hat in hand begging for more funding, how 'bout your organization EARNs the money?

"We make money the old fashioned way, we EARN it!"

Now, I'm NOT talking about fund raisers, banquets, bake sales or selling cookies! All of those things work and you're welcome to do all that any time you want but you just can't base a budget on bake sales!.

I AM talking about offering much needed, business growing services to businesses in your area.

Tell me this...who in your area knows the needs and problems of business owners more than you and your staff? You know what they can afford and, more importantly, what they CAN'T afford. You know the problems and successes they face every day. **You are the area experts on area businesses!**

Here's another one: who in your area...unless you have Microsoft or Apple or Google in your area...knows more about the effective use of the Internet than you and your staff? You use Internet marketing techniques everyday and quite effectively!

So, why aren't you offering Internet based services to businesses in your area for a fee? You know their problems and what they want...they tell you that every time you see them. Who better to do "Internet stuff" for them?

I'm talking about technologies that will show your business owners an almost IMMEDIATE, NOTICEABLE profit! AND, at a cost that's HIGHLY affordable for ANY business!

I'm talking about technologies that YOU can pick up and run with TODAY...at little or no cost to your organization.

Here's just ONE little example: A technology that doesn't cost your organization or anyone in it one thin dime. It's one of those "no-brainer" kind of things where the business owner says "Let's do it!" right away. It's easy to get 5 businesses started using this new technology every day. Here's the good part. Your organization makes \$200 per business right up front PLUS \$20 a month for as long as they use that service...and they won't want to ever leave the service because they make so much new profit from it!

Let's use some round numbers here. 200 businesses in your area start using this technology. That's \$40,000.00 right upfront AND \$4,000.00 a month in recurring profits for YOUR organization! 200 is NOT a pipe dream! I've seen a brand new person get 15 businesses started using this technology IN ONE DAY!

The psychology behind a local CVB or chamber offering good, quickly profitable, inexpensive services to local area businesses ought to be apparent.

If what your organization is doing for the business owners is less expensive and works better than any other service they could find any place else AND they know that the money they are paying your organization will go right back into developing more tourist visits to THEIR local area...why WOULDN'T they have your organization get them started using this service? That's a classic "win-win"!

This technology is such a "no-brainer" that, even if your organization has all the funding in the world, you need to take a look at it since it will make such a BIG difference to the businesses in your area that choose to use it. When they make money from this technology, you've earned every dollar of your fee.

That's just ONE idea!

There are plenty of others that would be appropriate for any tourism organization in any area of the country.

The remainder of this book is going to be just a brief look at some of the technologies and services you need to be taking a close look at. The businesses in your area are hurting financially just like your organization is. By implementing some of these technologies and offering some of these services, you can help the local businesses while at the same time earning a good, solid, recurring income for your CVB or chamber!

Let's dig in to the details...that's coming up next!

For the remainder of the book, I go into detail about things you can do RIGHT NOW to start a "nest egg" for your CVB/chamber.

If things somehow magically turn around, the worst case scenario would be that you end up with some extra money in your budget.

More and more conversations I have with CVB/chamber professionals start with "...man! The budget is really getting tight. Those ideas of yours look pretty smart and make such good common sense. I wish I'd started on them a LOT sooner than this!"

I URGE you to get, at least, yourself a copy of this book. Ideally, you need to make sure that every person on your board of directors has a copy of this book AND reads it!

I've offered to make CVBs and chambers a group buying special price. Take advantage of it.

Just a thought, but a copy of this book may be the absolute BEST Christmas present you could ever purchase for your staff and board members.

I wish you and your staff and your families a MERRY CHRISTMAS and a great 2012!

Dennis Lively

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