STAFF REPORT

Meeting Date: June 18, 2013

To: Honorable Mayor & City Council

From: Cheryl Friedling, Deputy City Manager for Public Affairs
Megan Roach, Marketing & Economic Sustainability Manager MR

Subject: Presentation by the Beverly Hills Conference and Visitors Bureau for Fiscal Year 2013-2014 Scope of Work and Funding Request

Attachments: 1. CVB Fiscal Year 2013-2014 Proposal

INTRODUCTION

The Beverly Hills Conference and Visitors Bureau ("CVB") is contracted by the City to conduct a variety of tourism and marketing programs promoting Beverly Hills. Their mission is to promote Beverly Hills worldwide as a stay/shop/dine destination, with particular emphasis this year on the Centennial, through marketing programs that build awareness, activation and drive traffic and revenue to the city.

DISCUSSION

On May 20, 2013, the CVB/Marketing Liaison Committee (Mayor Mirisch and Vice Mayor Bosse) met with CVB representatives to review the proposed Fiscal Year 2013-14 scope of work and corresponding funding request of $4,591,000. The $4,591,000 reflects operating and program costs and represents a 72% increase to the CVB's base budget from the prior fiscal year. On June 12, 2013, City staff received a revised funding request and scope of work from the CVB totaling $3,996,000, which is included as Attachment No. 1 to this report.

During the next fiscal year the CVB's objectives are to leverage the Centennial Celebration to bring worldwide recognition to the city and generate trips to Beverly Hills; drive traffic and revenue to the city by capturing market share from competitors; strengthen the brand in all key target markets; and attract new businesses that contribute to the social and economic vitality of the city. The CVB has prioritized its scope of work and budget as follows:

1) **Centennial Specific Activities and Local Marketing** – *Suite 100* hotel marketing program and related local marketing and toolkits.

2) **Holidays and Local Marketing** – holiday ice skating rink, activities and marketing.

3) **Events** – Chinese New Year, Beverly Hills Under the Stars, and support of partner and City events such as the Rodeo Drive Concours d'Elegance, Greystone Concours d'Elegance, and Concerts on Canon.

4) **Domestic Marketing** – destination marketing (Centennial, Annenberg Center opening), partnership marketing, New York Sales Mission (media breakfast, incentive planners reception, travel agent reception), and domestic public relations.

5) **International Marketing** – sales missions, trade shows, and incentive programs.

6) **Expanded Online Presence** – international website content, search engine optimization, and social media.

7) **Collateral** – marketing brochures and publications and Visitor Center collateral.

8) **Continued Evaluation and Assessment** – travel insight reports, tourism economic impact study and CVB strategic plan.

9) **Visitor Experience** – ambassador program.

10) **Visitor Services** – advertising and incentives, display materials, marketing collateral, and Visitor Center staff.

FISCAL IMPACT

The City's Finance Department projects $32,062,800 in TOT revenue for the 2013-2014 Fiscal Year, which results in a Tourism and Marketing budget of $5,561,204. This amount includes $980,804 in budgetary carryover from Fiscal Year 2012-2013. The funding is budgeted in the Tourism and Marketing Program account 0101311. The CVB is requesting $3,996,000 for tourism and marketing programs and operational expenses. The fulfillment of this funding request, along with the other Tourism and Marketing budget program allocations, would create a shortfall of $1,688,046 in the Tourism and Marketing budget and would require augmentation from the General Fund.

RECOMMENDATION

Staff recommends that the City Council review the scope of work and funding request from the CVB in the context of the other requests included on the June 18 agenda and provide direction on the Fiscal Year 2013-2014 funding amount. Since the CVB's current fiscal year funding will end June 30, 2013, it is recommended the City Council provide interim funding to the CVB to meet ongoing expenses through August 2013. A two-month interim funding agreement is included on the formal meeting agenda this evening for City Council consideration.

Don Rhoads Finance Approval	Cheryl Friedling Approved By

Attachment 1

Fiscal Year 2013/14
Scope of Work Presentation
June 18, 2013

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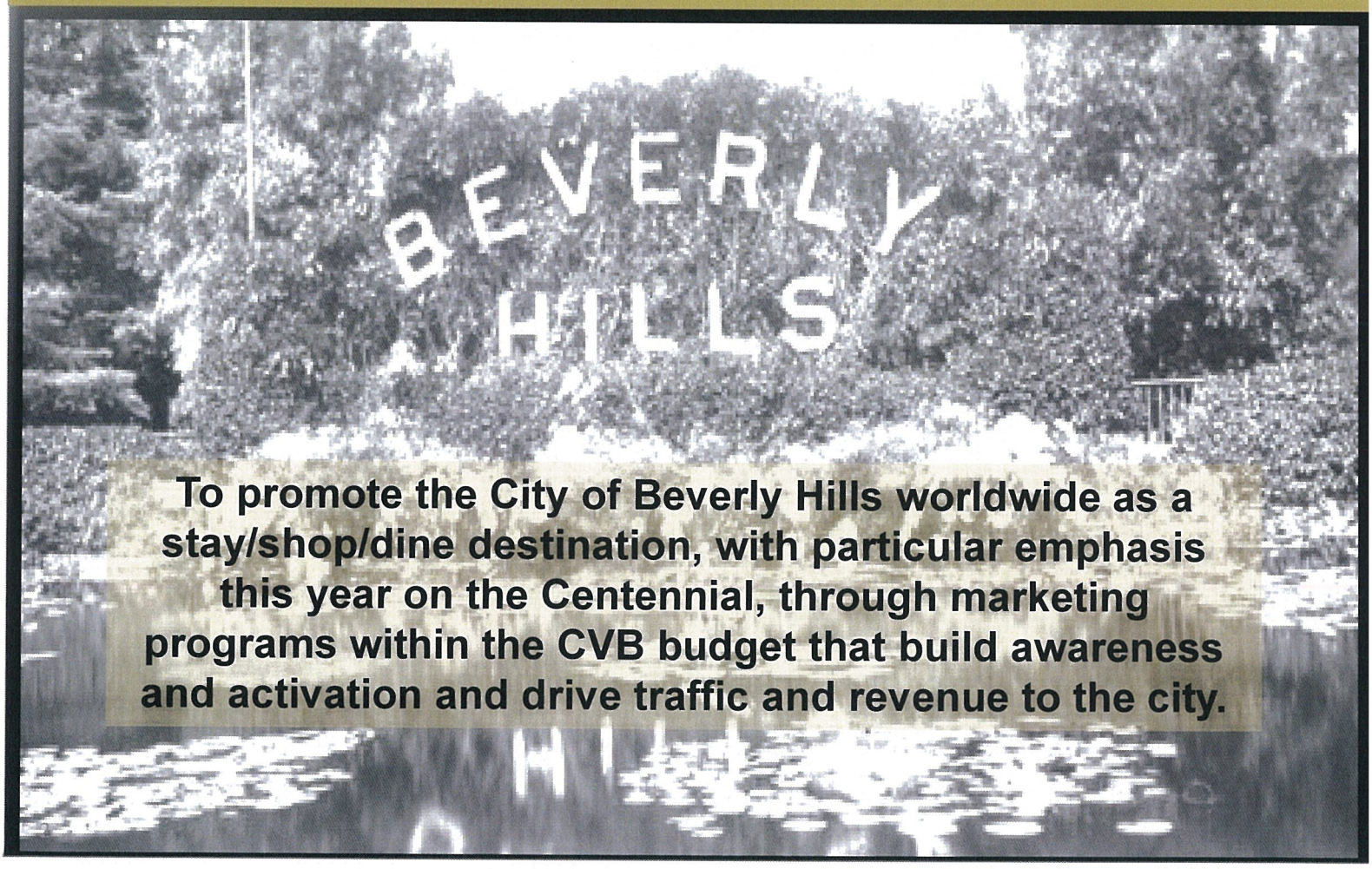
Key Objective



To promote the City of Beverly Hills worldwide as a stay/shop/dine destination, with particular emphasis this year on the Centennial, through marketing programs within the CVB budget that build awareness and activation and drive traffic and revenue to the city.

Areas of Focus

- Feeder markets/target areas:
  - International
  - National
  - Regional (drive markets)
  - Local

- Constituents/Stakeholders:
  - Hotels
  - Retailers
  - Restaurants

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Return on Investment

- Maximize opportunities as the economy shifts back to a healthier climate.
- Leverage the Centennial to bring worldwide recognition to the city and generate trips to Beverly Hills.
- Drive traffic and revenue to the city by capturing market share from competitors.
- Strengthen the brand in all key target markets.
- Attract new businesses that contribute to the economic and social vitality of the city.

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Board of Directors

- Our Board of Directors is comprised of leading business owners and operators in the hospitality and retail industries. Hoteliers alone are responsible for running and marketing entities that gross $230mm in annual revenue for room nights alone.
  - Offer Nissenbaum – Chair: Managing Director Peninsula
  - Sandy Murphy – Vice Chair: General Manager Beverly Hilton
  - Ben Trodd – Marketing Chair: General Manager Beverly Wilshire
  - Eliot Finkel – Treasurer: City Treasurer Beverly Hills
  - Clif Smith – Secretary: Publisher Beverly Hills Courier
  - Tom Blumenthal – Owner Gearys
  - Peter Garland – Owner Porta Via
  - Hermann Elger – General Manager Montage
  - Charles Nelson – Owner Sprinkles Cupcakes
  - Dene Nui – General Manager Thompson
  - Jay Newman – Athens Group
  - Linda Briskman – Former Mayor of Beverly Hills and Business Consultant
  - Dick Rosenzweig – Executive VP Playboy and Centennial Committee Chair
  - Bill Wiley – General Manager Two Rodeo
  - Sal Abaunza – General Manager L'Ermitage
  - New July 1 – Ed Mady Director Western USA Dorchester and General Manager of Beverly Hills Hotel

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Historic Budget Overview

Fiscal Year	City TOT (14% of Hotel Revenue)	City Sales Tax	Combined Revenue	Actual CVB Contract	2% of Total Hotel Revenue
2009/10	$ 23,447,458	$ 19,671,000	$ 43,118,458	$ 2,158,160	$ 3,383,065
2010/11	$ 24,283,657	$ 22,052,861	$ 46,336,518	$ 2,050,000	$ 3,469,094
2011/12	$ 26,594,808	$ 23,093,800	$ 49,688,608	$ 2,120,000	$ 3,799,258
2012/13	$ 30,600,000	$ 25,200,000	$ 55,800,000	$ 2,665,000	$ 4,371,429
2013/14	$ 32,063,000	$ 26,080,000	$ 58,143,000	$ 3,996,000	$ 4,580,429

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Competitive Outlook – Shopping Budgets

Destination	Budget	Advertising
South Coast Plaza	$9,000,000	$1,550,000+
The Grove	$2,250,000*	$450,000+

*Does not include the Holidays.

+Primarily in Southern California including *Los Angeles Magazine, Los Angeles Times, Orange Coast Magazine, San Diego Tribune, Orange County Register.*

Information was gathered from industry contacts and Nielson statistics for FY 2012/13. Information was not available for Westfield Century City, Santa Monica Place or the Beverly Center. Budget increases are estimated at a conservative 11% in line with TOT and sales tax revenue increases.

Competitive Outlook – Destinations 2012

Organization	Budget	4 & 5 Star Rooms
COMPETING GROUP AND INCENTIVE MARKETS		
New York	$60,000,000	N/A
San Diego CVB++	$29,000,000++	22,000
Los Angeles CVB	$29,000,000	6,934+
San Francisco CVB	$24,000,000	25,000
COMPETING ALL TRAVELERS		
Scottsdale	$4,500,000	7,400
Newport Beach	Over $5,000,000	2,488
Santa Barbara	$4,200,000	974
Santa Monica	$2,700,000*	2,341
Napa	$4,500,000	2,270
Beverly Hills	**$2,665,000**	**2,255**
West Hollywood	$2,000,000**	2,766

+Represents downtown and West LA and includes budget with new TBID.

++San Diego BID is in the process of being renewed at this time and budget is not yet confirmed.

*2013/14 Budget will double to more than $5mm.

**West Hollywood is exploring increase to BID which will double budget.

Information was provided from Western Association CVB CEO Budget Survey and Smith Travel Research.

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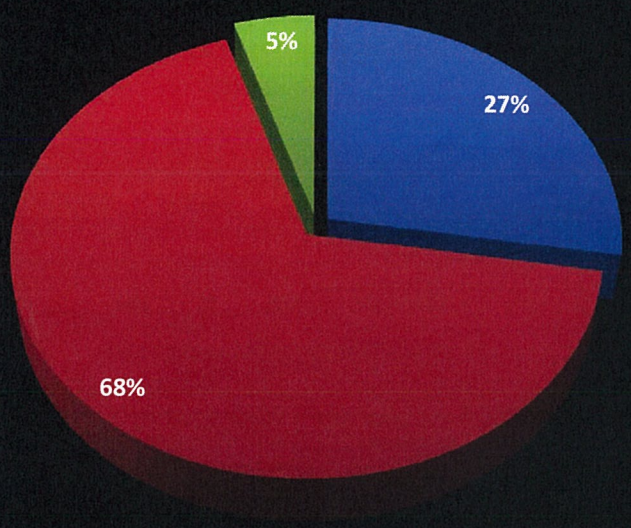
Budget – FY 2013/14 Overview

Total Budget = $3,996,000



Operations $1,100,000	27%
Marketing $2,701,000	68%
Visitor Services $195,000	5%

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Strategic Categories of Focus

1. Centennial Specific Activities and Local Marketing
2. Holidays and Local Marketing
3. Events
4. Domestic Marketing
5. International Marketing
6. Expand Online Presence
7. Collateral
8. Continued evaluation, assessment and redirection as required
9. Visitor Experience
10. Visitor Services

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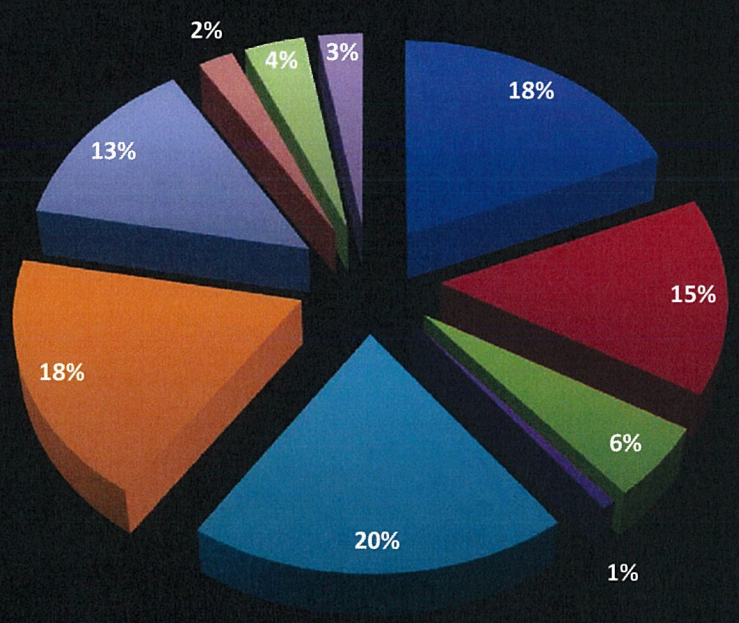
Budget – Marketing Programs Overview

Marketing Total $2,701,000



Centennial	$500,000	18%
Holidays/Local	$400,000	15%
Events	$150,000	6%
Experience	$20,000	1%
Domestic	$535,000	20%
International	$499,000	18%
Interactive	$360,000	13%
Collateral	$60,000	2%
Metrics	$102,000	4%
Special Programs*	$75,000	3%

*Special programs include, include contingency, marketing support, and reserve for office improvements

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Centennial Specific New Activities

Activities

- Suite 100 –
  - Create a hotel specific program that will transform one suite from each hotel into a historic interactive experience.
  - Each room will represent a period from the past with design and amenities. Roaring 20's, Noir 40's, Mad Men 60's, etc.
  - Program will be marketed worldwide and rooms will be sold for one year only.
  - Hotels will invest their own dollars to transform the rooms for press and consumers to experience and then transform them back at the end of the year.
  - BHCVB will market with global advertising and events and activities targeted to consumers, media and trade.

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Centennial Specific New Activities

Activities

- Suite 100 (cont'd)
  - Photos and video taken will capture the project and used to document and promote via social media and cable.
- Local Marketing to promote era themed offers at local businesses and restaurants (902*100*) and city sponsored events to include traditional advertising (LA Magazine, Los Angeles Times, Beverly Hills Courier, Angelino, etc.), online programs and social media.
- Partner Tool Kit –Turn key guide for Beverly Hills businesses providing them with information and ideas on how to get involved in the Centennial (902*100*) including shelf offers, templated designs for communications and point of sale materials, and themed window dressing to represent the eras of Suite 100 hotels.

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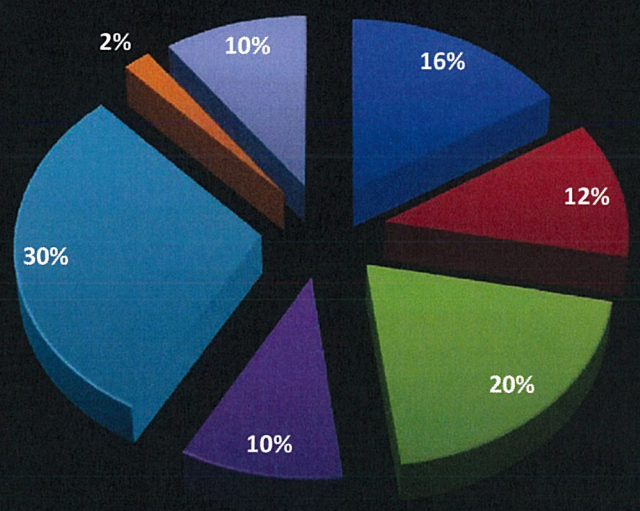
Budget – Centennial $500,000



- Suite 100 Project Management
  $80,000 16%
- Suite 100 In-Hotel Give-Away
  $60,000 12%
- Suite 100 Marketing Events
  $100,000 20%
- Suite 100 Video and Photography
  $50,000 10%
- Suite 100 Domestic Advertising
  $150,000 30%
- Partner Tool Kit
  $10,000 2%
- Local Advertising
  $50,000 10%

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Holidays

Activities

- Ice Skating Rink – location to be determined. Plan to include sponsorship opportunities, signage and frequent/consistent messaging throughout the season.
- Activities at the Rink
  - Entertainment to include Santa and the Mrs., figure skating characters, etc.
  - Kick-off/opening celebration
  - Food and beverage options that would provide skaters with refreshments during their activity as well as contribute to the winter wonderland feel.

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Holidays

Marketing Support

- Rink local marketing
  - Advertising in local papers and magazines including LA Weekly, LA Times, Beverly Hills Courier, Beverly Hills Weekly, Los Angeles Magazine and Angelino Magazine.
  - Resident postcard mailing
  - Collateral to promote the rink, including posters, point of sale post cards
  - Street pole banners and signage

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LAWEEKLY

Beverly Hills Weekly

Los Angeles Times CALENDA

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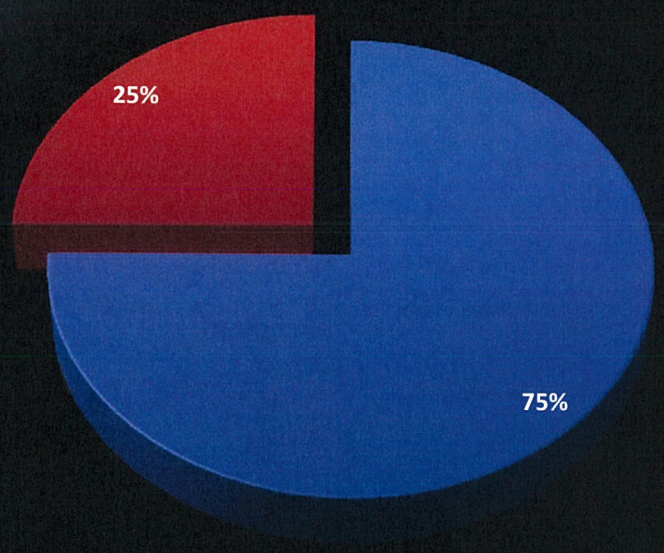
Budget – Holidays $400,000



Ice Rink 75%
$300,000

Local Marketing Support 25%
$100,000

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Events

Activities

- Chinese New Year – expand the event to include daytime celebration honoring Chinese traditions, culture and food and providing attendees with an opportunity to shop.
- Beverly Hills Under the Stars – Outdoor white picnic on August 21st that will transform Rodeo Drive into an elegant outdoor celebration.
- Rodeo Drive Concours – Support of Centennial themed event with local advertising.
- Support City Events – promotion of city ongoing events through advertising and communication through BHCVB channels (Art Show, Greystone Concours, Concerts on Canon, etc.)

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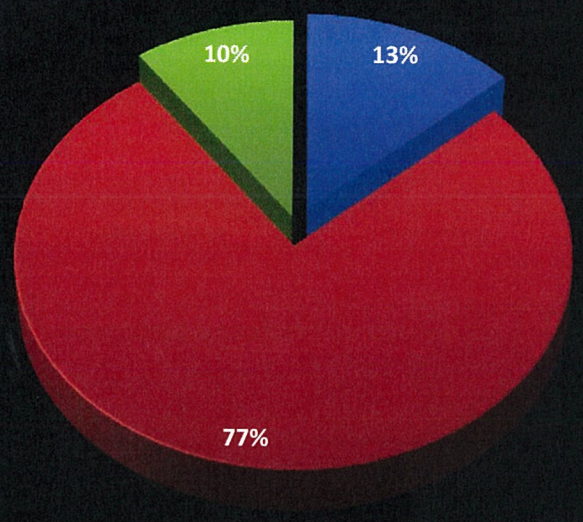
Budget – Events $150,000



Beverly Hills Under the Stars $20,000	13%
Chinese New Year $115,000	77%
RDC Concours $15,000	10%

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Domestic Marketing

Activities

- Destination Marketing – Branded advertising to build awareness of the following during particularly during hotel shoulder seasons:
  - Centennial, Annenberg opening, destination highlights and key message points, Southeast Region growth.
- Partnership Marketing – to cover any costs for cooperative initiatives with other local CVBs including LA Tourism website coverage, joint Westside CVB programs, etc.
- New York Sales Mission – to include a Media Breakfast announcing the Centennial and Annenberg Opening, Meetings and Incentive Planners Reception and Travel Agent Reception with hotel representatives.

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Domestic Marketing – Continued

Activities

- Meetings Incentives Conferences and Exhibitions (MICE) Marketing – Programs to drive Meetings and Incentive bookings via advertising, training, association fees and targeted marketing initiatives facilitated through SalesForce.com. (Tradeshows are under International)
- Domestic PR -- to cover Media Road Shows in San Francisco, Los Angeles and New York as well as costs for familiarization trips by visiting media.

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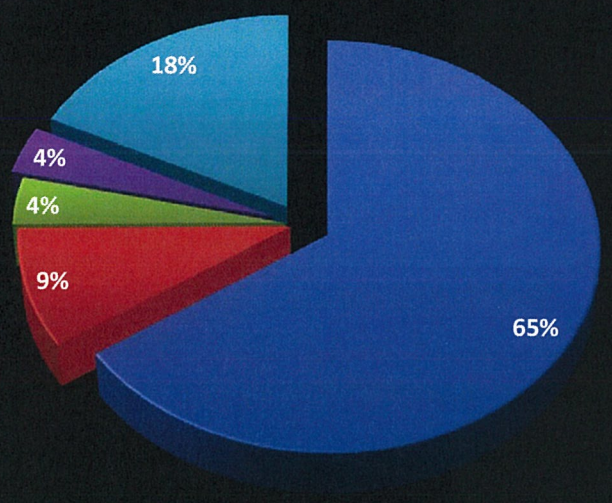
Budget – Domestic Marketing $535,000



- Brand/Centennial Advertising 65%
  $350,000
- Meetings/Incentives Marketing 9%
  $50,000
- Domestic PR 4%
  $20,000
- CVB Partnership Marketing 4%
  $20,000
- New York Sales Mission 18%
  $95,000

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International Marketing

Activities

- In-country Representation
  - Travel trade and public relations staff dedicated to building awareness and increasing presence of Beverly Hills in foreign itineraries and publications.
- Sales Missions – work with Visit California and LA Tourism as well as travel independently to strengthen Trade and Press relationships in key international feeder markets:
  China, Japan, Mexico, UK, Europe, Australia and emerging markets of Brazil and India.
- Tradeshows – Attend global trade shows that target Luxury Travel Trade as well as Meeting and Incentive Planners including:
  ILTM, WTM, IMEX, Pow Wow, etc.
- FAMs – host international travel trade and press in Beverly Hills so they can write about the city and convey key message points.
- Incentive Programs – training, give-aways and incentives to stimulate group business.

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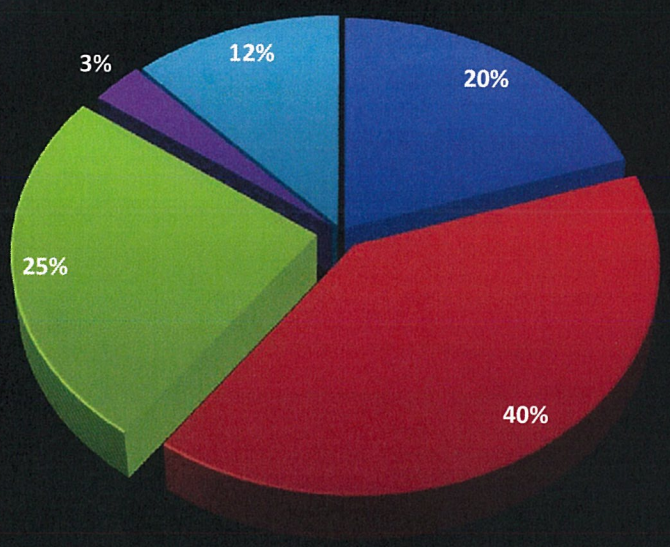
Budget – International Marketing $499,000



- In-Country Representation $99,000 — 20%
- Sales Missions $200,000 — 40%
- Trade Shows $125,000 — 25%
- Media FAMs $15,000 — 3%
- Incentive Programs $75,000 — 12%

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Interactive

Activities

- Site upgrade due to migration – site to be repurposed in PHP code which will allow for more flexibility in future development. Content will be expanded to include more history (in preparation for Centennial), video and customizable destination information.
- Social acquisition – establish international social pages and develop programs to acquire new followers in both domestic and international markets.
- International website content – develop in-country websites that support online press and social media as well as allow international prospects to research the destination prior to booking travel.
- Pay-per-click – online advertising that pulls traffic to the website based on consumers' interests.
- Search engine optimization – proper coding and tagging that signals relevant content on the site when people are conducting searches, ultimately pulling them to the site.
- Ongoing maintenance, email and account management.

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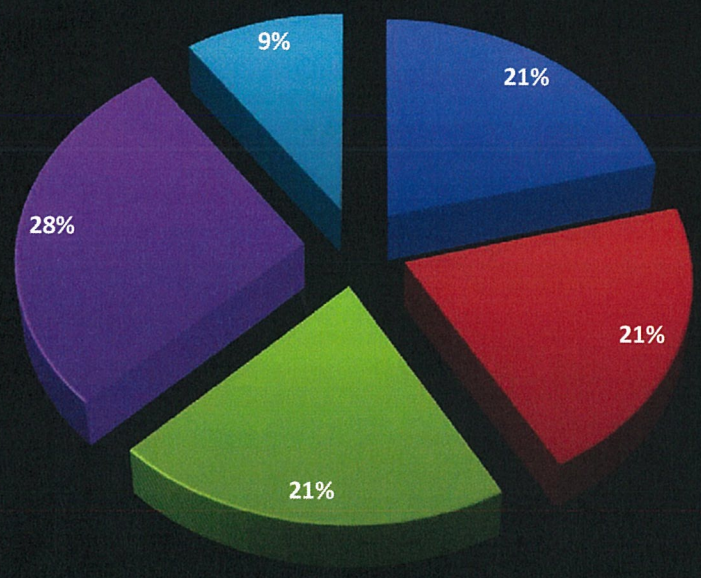
Budget – Interactive $360,000



Content $75,000	21%
Social Acquisition $75,000	21%
International $75,000	21%
SEO/SEM $100,000	28%
Maintenance/ eComm $35,000	9%

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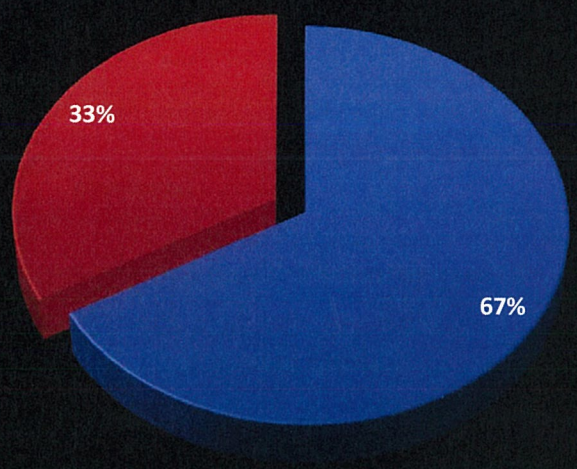
Collateral

Activities

- Brochure update/refresh – reprint existing materials with updated content and Centennial identity.
- Visitor Center specific collateral under Visitor Services.
- Premiums and giveaways for promotional purposes to include items featuring the Centennial logo.

Budget – Collateral $60,000



Visitor Guide 67%
$40,000

Promotional Giveaways 33%
$20,000

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Research/Metrics

Activities

- American Express – American Express Domestic and International Destination Insights (representing about 40% of Beverly Hills Market Share) provides insight on credit card spend in Beverly Hills.
- STR – Smith Travel Research Lodging Industry Competitive Metrics reports Beverly Hills continues to lead against competing DMOs in REVPAR (revenue per available room) – one of the key indicators of success in the hospitality industry.
- Economic Impact – Complete study to begin June 2013 which will determine the value that travelers bring to the city, what types of travelers spend the most (day trippers on tour busses vs. overnight guests verses independent foreign travelers). Information will be used to help set the tone for future strategies. See next bullet point.
- Strategic Plan – as part of the final stages of the study mentioned above, BHCVB will use customer feedback and industry trends to help define future opportunities for growth in a competitive environment.

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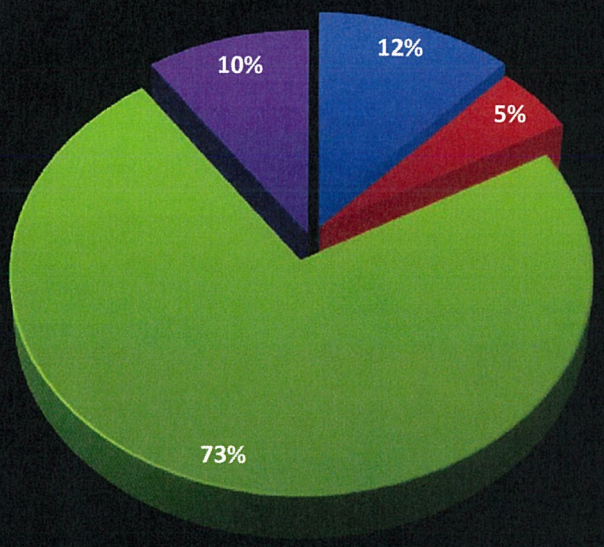
Budget – Research/Metrics $102,000



- Destination Insights $12,000 12%
- Smith Travel $5,000 5%
- Strategic Plan $75,000 73%
- Competitive PR Tracking $10,000 10%

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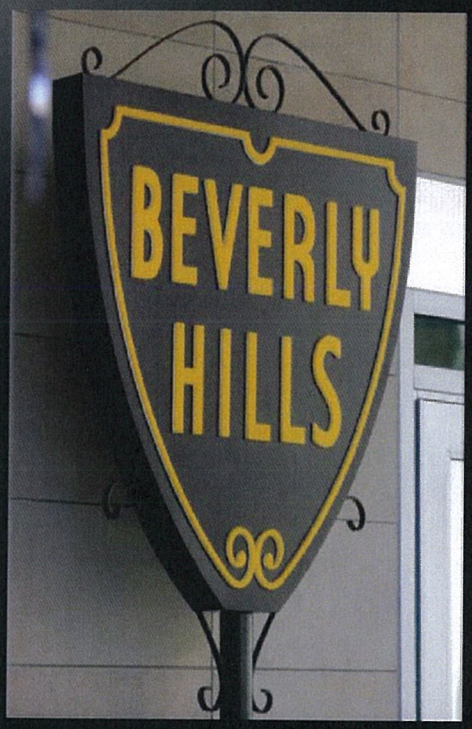
Visitor Experience



Activities

- Ambassador Program – develop a training program for employees who work in Beverly Hills that makes them destination experts and helps them drive traffic to the Visitor Center. Program to include online modules, brochures and incentives.

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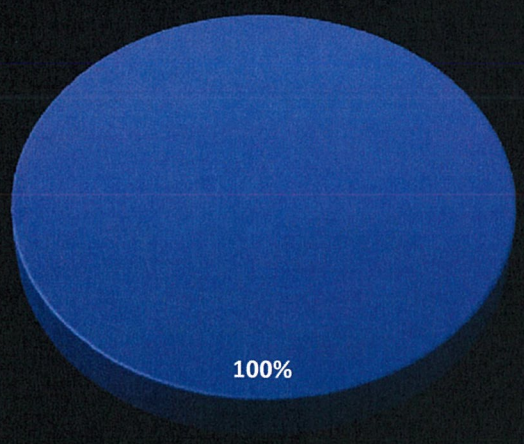
Budget – Experience $20,000



Ambassador Program $20,000 100%

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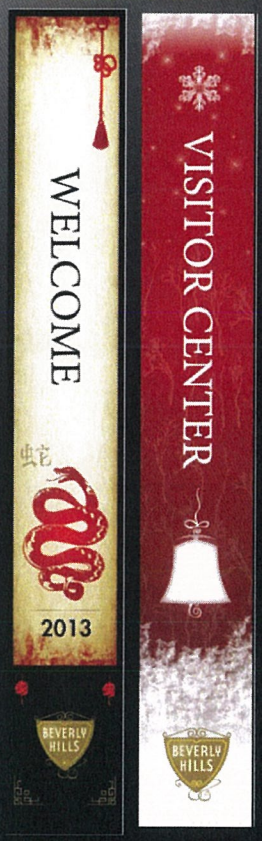
Visitor Services



Activities

- Advertising and incentives to continue to build awareness of the center and direct traffic to the South Santa Monica location.
- Display materials including costumes and art to promote activities at the Annenberg, Historic Photos and Memorabilia, Window Clings for Events and items promoting local businesses.
- Collateral – brochure development to include in-language materials, walking tours, and maps.
- Staff – one full time and one part time employee to interact with guests and assist when necessary.

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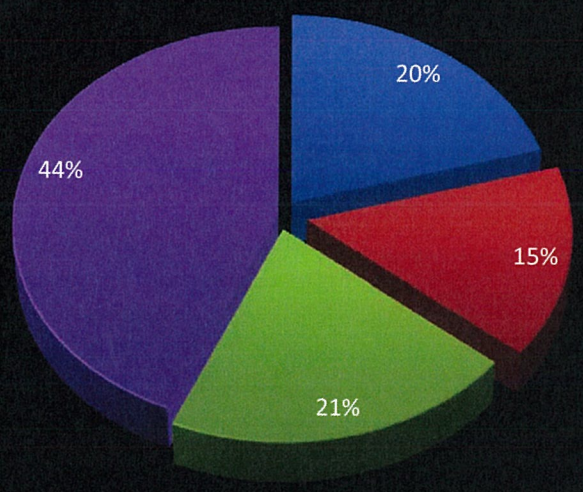
Budget – Visitor Services $195,000



Advertising $40,000	20%
Display $30,000	15%
Collateral $40,000	21%
VC Staff $85,000	44%

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Budget – FY 2013/14 Summary

Description	2013/14 Amount	2013/14 % budget	Projected 2013/14 TOT	2012/13 Amount	2012/13 % budget	Projected 2012/13 TOT	2011/12 Amount	2011/12 % Budget	2011/12 TOT
Marketing	$2,701,000	68%	$32,063,000	$1,365,000	51%	$30,600,000	$1,159,000	54%	$26,594,808
Centennial	$500,000			N/A			N/A		
Holidays	$400,000			N/A			N/A		
Events	$150,000			$305,000			$180,000		
Experience	$20,000			$15,000			$50,000		
Local Marketing				$35,000			$120,000		
Domestic Marketing	$535,000			$350,000			$400,000		
International Marketing	$499,000			$275,000			$200,000		
Interactive	$360,000			$215,000			$100,000		
Collateral	$60,000			$55,000			$41,000		
Special Programs/	$75,000			$70,000			$68,000		
Metrics/Research	$102,000			$45,000					
Operations including Salaries, Taxes & Benefits	$1,100,000	27%		$1,010,000	37%		$891,000	41%	
Visitor Center	$195,000	5%		$290,000	12%		$100,000	5%	
TOTAL	$3,996,000			$2,665,000			$2,150,000		

Holidays are broken out separate FY2013/14. Holidays were included in Events in prior years.