

A Business Plan for the Marketing Telluride Inc.

May 5, 2005

Presented by OCG and TRC



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Introduction

The Towns of Telluride and Mountain Village, along with San Miguel County, commissioned the team of OCG/TRC to conduct an analysis and create a summary business plan for the Marketing Telluride Inc. (MTI) to identify and address challenges and opportunities for achieving greater economic impact as a visitor destination.

The analysis and summary business plan represent an appropriate response to the complexities involved in a successful destination marketing and sales effort within an evolving industry. MTI's performance in this effort involves a unique set of challenges based on diverse and often conflicting constituencies, the broad scope of issues that must be addressed, and the symbiotic nature of the relationship between the success of MTI and that of the destination.

In response, the OCG/TRC team has begun a 5-phase approach that includes a comprehensive analysis of these issues and that will culminate in the creation of the MTI Summary Business Plan:

- Phase I Review Existing Data, Systems & Processes
- Phase II Gather Additional Data
- Phase III Organizational Review
- Phase IV Data Synthesis, Report Preparation, Presentations
- Phase V Business Plan Development

This document presents the results of Phases I-IV of this process, including OCG/TRC's observations, conclusions, and recommendations to be considered in developing the Summary Business Plan in Phase V.

During Phase V, OCG/TRC will incorporate information gleaned from the analysis to ensure that the Summary Business Plan provides a clear framework for success, to include the following:

- ❖ Mission and value statements;
- ❖ Governance structure, including configuration, roles and responsibility;
- ❖ Staff organization and structure, including job descriptions for key members of the management team;
- ❖ Business strategies and objectives, including web strategies, funding mechanisms, group sales and research requirements; and
- ❖ Financial requirements, including operating and capital budgets.

Sources of Data

Information for the analysis was compiled from the following sources, including entities and individuals who have knowledge of the CVB, the travel industry and/or the community.

1. Interviews (*Board members, elected officials, other key constituents*)
2. Focus groups (*four groups: retail/restaurant, festival/arts, realtors, and general public*)
3. General observations
4. Contracts with governmental entities
5. Vendor contracts/advertising, PR, publishing, website, central reservations.
6. Discussions with vendors
7. By-laws
8. All print collateral
9. All electronic collateral
10. 2005 Marketing Plan
11. Budget/resource allocations
12. Staff job descriptions
13. Group sales reports
14. Quarterly reviews
15. Sales tax reports
16. Occupancy statistics
17. 2004 winter and summer conversion analysis
18. Meeting planner survey
19. Tour of destination: conference center, retail, restaurants, accommodations, gondola, museum, galleries, etc.
20. Blind shop of central reservation systems

List of Interviewees

John Arnold	Jay Harrington
Andrea Benda	Dawn Ibis
Richard Betts	Nina Kothe
Lynn Black	Liz Lance
J. Michael Brown	Henry Lystad Cathy
Paulo Cancelini	Mahoneys
Kerri Cardin	Bill Marshall
Vern Ebert	Roberta Peterson John
Davis Fansler	Pryor
Rube Fellicelli	Frank Rugeri
Elaine Fischer	Linda Rogers
Zack Frangos	David Schroeder
Stu Frazier	Johnnie Stevens
Dan Garner	Ken Stone
Penelope Gleason Keith	John Sweet
Keith Hampton	Steve Swenson
Tom Hess	N. Trakas
Steve Hilliard	Mollye Wollahan
Chad Horning	Michael Zibian
Chuck Horning	

Overview

Any destination marketing organization (DMO) faces multiple constituents with vested interests in the outcome of its efforts. The key challenge for the DMO is to manage the multitude of diverse expectations effectively and garner the collective support of all its constituents.

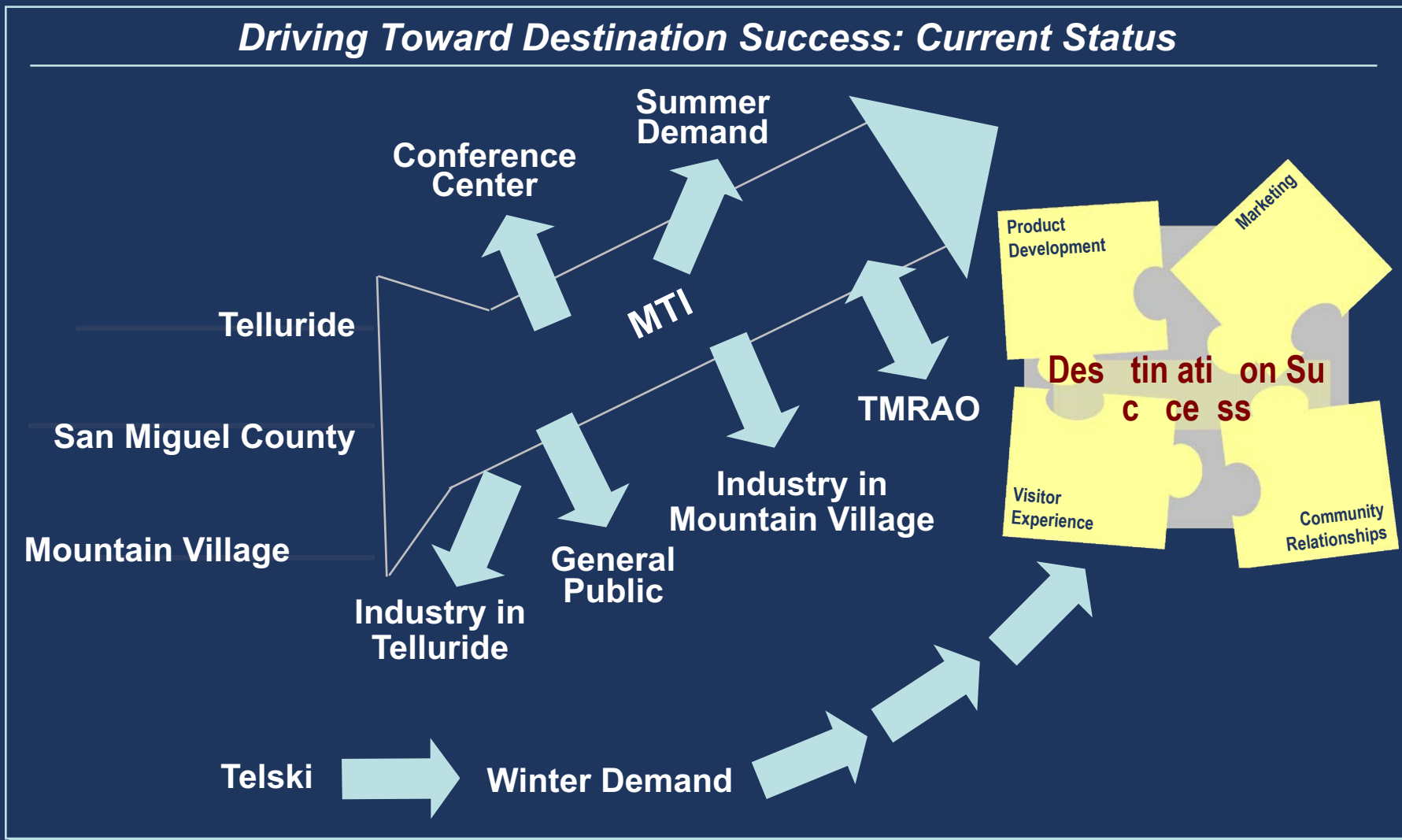
The illustration below depicts an ideal situation in which the dynamics between the MTI and its constituents drives the destination toward success.

Driving Toward Destination Success: Ideal



(Continued)

The illustration below depicts the current status of MTI and its constituents. As indicated, MTI is being pulled in many different and often opposing directions and is having difficulty generating momentum needed for success.



As a DMO, MTI is currently operating within a limited scope and with limited capacity to respond to current challenges and opportunities. Thus, its contribution to destination success is also limited.

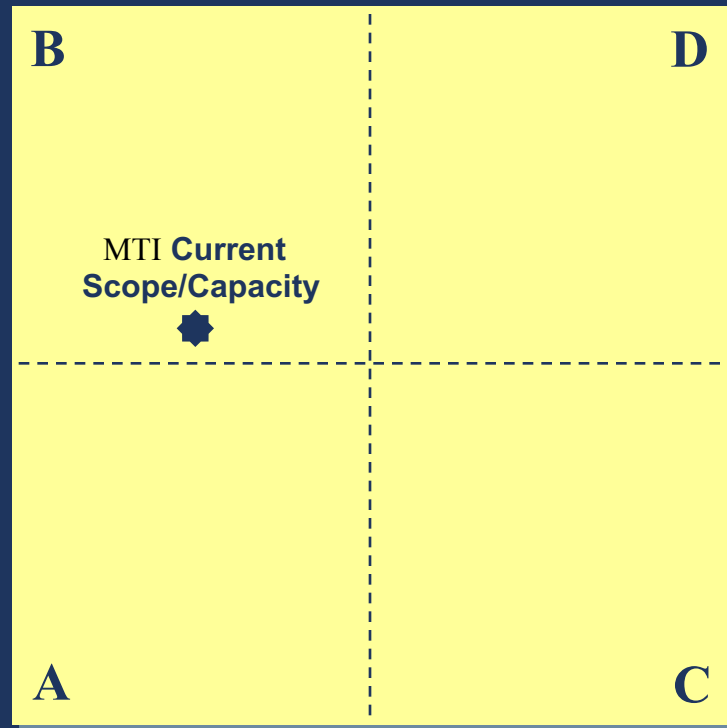
As noted on previous slides, the CVB can and should lead the collective effort toward destination success, but its leadership capabilities are severely compromised when scope and capacity are limited.

MTI Current Scope/Capacity

- Multi-Dimensional
- Providing leadership
 - Pursuing all appropriate markets
 - All marketing functions in place



- One-Dimensional
- Limited marketing options
 - Focus on sales



Under-Resourced
Personality-Driven



Well-Resourced
Process-Driven

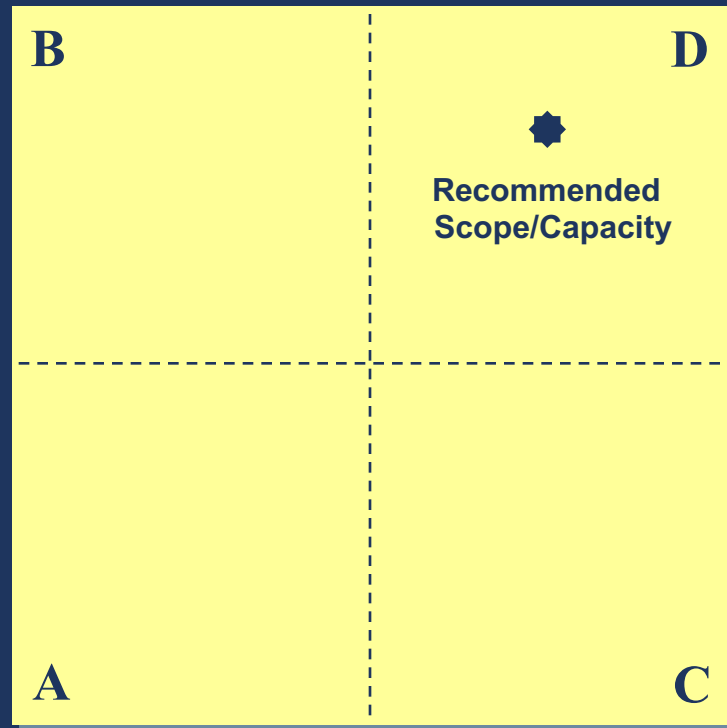
OCG/TRC recommends that the TMCVB become a full service DMO by expanding its scope and capacity to achieve success for the destination and the CVB itself.

Implementation of the Business Plan will result in the development of the CVB into quadrant D. Multidimensional and fully resourced, the CVB will be able to provide effective leadership and the marketing capability that the destination needs for success to be realized.

Recommended Scope/Capacity

- Multi-Dimensional
- Providing leadership
 - Pursuing all appropriate markets
 - All marketing functions in place

- One-Dimensional
- Limited marketing options
 - Focus on sales



Under-Resourced
Personality-Driven



Well-Resourced
Process-Driven

Observations, Conclusions & Recommendations

Organizational Structure

The organizational structure review considered both the structural and functional dimensions of the organization. The review included 1) Corporate structure; 2) Board role, responsibilities, make-up and function; and 3) Mission, vision and scope of the CVB.

Corporate Structure

Observations/Conclusions

- The TMCVB is currently a 501c6 Colorado corporation with not-for-profit tax status. By-laws dated May 12, 2004 define board make-up, membership, policy, etc. The by-laws are fairly standard for a CVB. The organization holds existing contracts with San Miguel County, Town of Mountain Village and Town of Telluride that call for the performance of marketing services for the respective entities.
- A successful CVB functions like a business while maintaining a not-for-profit tax status. A business responds quickly to changing market conditions and is judged by a set of performance measures. The TMCVB is currently pressured to respond to bureaucratic requests and processes that limit its success. The corporate structure should free the CVB to function like a business rather than a governmental agency or department.
- All business license holders are members by mandate, not by choice. This structure seems to fuel expectations of entitlement by members. Membership either by choice or mandate sets up the question, “Is the TMCVB a marketing organization or a trade association?”

Recommendations

- 1) Maintain the 501c6 corporate structure. This is the structure most conducive to functioning like a business. However, due to the current lack of respect and confidence in the CVB, OCG/ TRC recommends that a new corporation be established with a different name... one that reflects the business aspect of the organization and its geographic responsibility (e.g. “Telluride, Inc.” or “Telluride Tourism Marketing Corporation”).
- 2) Set up a 501c3 subsidiary that allows for tax-deductible contributions, particularly from individuals and entities that are outside of the tourism industry. The same board could provide governance over the 501c3.
- 3) The two separate corporations will give the new entity more flexibility and options for resource development strategy.
- 4) The new organization must function like a marketing organization, not a trade association, which means that it should not have membership defined as individuals or entities who are entitled to service in exchange for a contribution. Those individuals or entities who believe in the mission of the new organization can partner in its marketing efforts.

Further, functioning like a business involves using terminology that more accurately describes business relationships and activities; e.g., “investors” rather than “funding sources”.

Observations, Conclusions & Recommendations: Organizational Structure

(Continued)

Board of Directors Role, Responsibilities, Make-up, and Function

Observations/Conclusions

- By all accounts, from constituents and the board members themselves, the board is perceived to be too large, self-serving, and micro-managing the organization. This was evident as well when the consultant team attended a board meeting.
- There was no evidence of Board member job descriptions, code of conduct, orientation, or performance measures for the board. The boundaries between board and staff are blurred, which is a sign of organizational dysfunction and may be due to recent upheaval with staff leadership.
- Most constituents believe the answer is to reduce the size of the board. However, the issues with the board go beyond size. Any size board can be self-serving and and guilty of micro-management.
- Board composition as called for in the by-laws appears to be overly concerned with representation of special interests. There appears to be little attempt to garner the necessary skills and experience within the board to help make the CVB a success.
- Board members describe themselves as representing specific member segments. There seems to be little awareness of the board regarding their responsibility for the organization as a whole.

Recommendations

- 1) The board's primary role is to remove obstacles for the CVB and to secure resources to achieve the mission. The board will constantly monitor the outputs of the organization and should *never*, under any circumstances, enter into a discussion regarding the color of the cover of the visitor guide.
- 2) A seven-member board is an ideal number for the size of the organization and the destination. This is the most highly volatile issue and one that deserves close scrutiny.
- 3) The three primary "investors" (San Miguel County, Town of Telluride, and Town of Mountain Village) should appoint the initial board. Thereafter, the board should elect its own successors, according to new by-laws in an effort to depoliticize the board and CVB functions.
- 4) The board should have staggered three-year terms to allow for partial turnover and consistency. No elected official should be allowed to serve on the board. Selection of board members should focus on strategic thinking skills, level of influence and experience.

Continued

Board of Directors Role, Responsibilities, Make-up, and Function *Recommendations (continued)*

Suggested board make-up

2 from accommodations
1 from attractions
1 from restaurants
1 from retail
2 from general non-tourism related businesses *(non-tourism industry members add perspective and influence that is not considered biased)*

Geographic consideration is also vital. An approximate split between Mountain Village and Telluride is ideal.

- 5) Board duties and responsibilities should be clearly defined and used in an annual board orientation that includes existing and new board members. See addendum #1 for a list of recommended board duties and responsibilities to be included in the by-laws.
- 6) One of the primary roles of the board is to assess the overall performance of the organization and the executive leadership. In addition, the board should set annual goals for the board and assess the board's performance relative to the goals and other functions. See addendum #2 for a board evaluation form that should be used annually.

- 7) All boards are vulnerable to criticism regarding members' objectivity in making strategic decisions for the organization. It is imperative that those criticisms be addressed proactively. See addendum #3 for a board disclosure statement that should be completed by each board member. This eliminates all surprises and provides a data point for the board chair to manage organizational risks.
- 6) Duties and responsibility statements, board disclosure statements and evaluation instruments are useful structural tools to manage the level of board functioning. Ultimately, it falls to the Board chair and individual board members to manage their own behavior and to provide feedback to fellow board members who may be acting out of line or failing to perform.

A mission statement and set of guiding principles need to be continually and consistently referenced as the board acts on its responsibilities.

Mission, Vision and Scope

Observations/Conclusions

- There is general consensus that the current mission of the CVB is the marketing and promotion of the destination during the summer season. The mission statement makes no distinction between the seasons or market segments.
- There is no evidence of a set of organizational values or guiding principles to guide CVB actions and to insure that it does the “right things”.
- The lack of a strategic plan and focus has resulted in the CVB trying to please everyone and not actually pleasing anyone, which reduces its chances for success.
- The contracts the CVB has with the three primary investors are all similar yet call for differing roles and functions. For example, the Mountain Village contract calls for a specific amount of resources to be deployed selling the conference center, yet there is no language calling for specific performance goals related to the conference center.

The contracts begin to focus on outcomes but are currently primarily focused on tasks. The reporting processes detailed in the contracts are burdensome for staff. Staff spends an inordinate amount of time preparing for meetings and reports rather than marketing. Furthermore, the lack of contractual performance measures increases the likelihood of micro-management from the primary investors.

- The bifurcation of the marketing efforts makes integrated marketing more difficult; and integrated marketing gets the best return on marketing resources invested.

Recommendations

- 1) The destination could and should benefit from a full service year round destination marketing effort. Those efforts need to be integrated to the extent possible. This integration is better accomplished when there is structural integration.

To that end, it is recommended that the new organization adopt a version of the following mission. It answers the two key questions: What business is the CVB in? and Why does the CVB exist?

Mission

To market the Telluride region as a year round destination for the economic benefit of the community as a whole.

- 2) Defining and measuring success is a fundamental task for any organization, especially a business. “What are we getting for our investment?” is a legitimate question for any investor and one that should be readily answered with a degree of credibility that is unquestioned. Investors that have that question credibly answered will not micromanage.

Continued

Mission, Vision and Scope

Recommendations (continued)

Return on investment (ROI) is a concept that allows investors and other constituents to monitor the outputs of the organization. ROI formulas need to be adopted by investors as the way to calculate their return. The agreed upon formula should be included in any contract with a primary investor. See addendum #4 for recommended ROI formula.

- 3) There is a distinction between performance indicators and performance measures that any destination marketing organization must make to investors and other constituents.

Performance Indicators are mechanisms that determine the success of the tourism industry within a given destination and “indicate” the impact of the DMO’s efforts.

Performance Measures are mechanisms over which the CVB has complete control that, when targets are applied, determine the DMO’s success.)

The following are examples of performance indicators and measures. The new organization needs to adopt indicators and measures as soon as possible. Setting targets for individual measures may take a little time, as some benchmarks will need to be identified.

Performance Indicators

(Mechanisms that determine the success of the tourism industry within a given destination and “indicate” the impact of the DMO’s efforts.)

- ⇒ Economic impact of tourism
- ⇒ Occupancy
- ⇒ Lodging tax collections
- ⇒ Per person expenditures
- ⇒ Visitor Satisfaction

Performance Measures

(Mechanisms over which the CVB has complete control that, when targets are applied, determine the DMO’s success.)

- ⇒ Return on Investment (ROI)
- ⇒ Inquiries generated/fulfilled/converted
- ⇒ Cooperative resources generated
- ⇒ Bookings (room nights)/pace
- ⇒ Leads generated and converted
- ⇒ Packages sold
- ⇒ Brand awareness
- ⇒ Media (reach, quality, volume)

Continued

Mission, Vision and Scope

Recommendations (continued)

- 4) Any organization can benefit by adopting a set of guiding principles that govern its every action and that focus the resources and actions of the organization, including staff and board. Most DMO's are challenged by multiple expectations by multiple constituents with multiple agendas. Guiding principles define the scope of the organization, what the organization does and how it does those things. In a word, the principles allow the organization to say "no" to opportunities.

The guiding principles need to be adopted by the board by consensus. Recommended guiding principles are provided on the following page.

- 5) There should be one contract with the three investors, which could be an intergovernmental agreement.
- 6) The contract between the primary investors and the CVB needs to clearly outline the responsibilities and performance expectations for both parties. The investors need to be able to track the results of the CVB's efforts and their investment. A new contract with primary investors needs to call for a full-service DMO.

Other recommended characteristics of the contract are as follows:

- The scope of services to include the proverbial three legged stool of marketing, sales and visitor services
- Year round marketing responsibility
- Performance measures and targets for each of the 3 roles; for example defined results related to the conference center not amounts of resources devoted to its sales
- Reporting processes that are not cumbersome; recommend quarterly reporting as outcomes change little from month to month
- An ROI target that has a minimum threshold of compliance
- A cancellation clause for non-performance

(See addendum #5 for recommended contract language.)

Continued

Mission, Vision and Scope

Recommendations (continued)

Guiding Principles

1. The TMCVB adheres to the highest professional standards in all its actions.
2. The TMCVB holds itself accountable for achieving its mission and objectives.
3. The TMCVB's efforts and decisions will be responsive to market conditions, research data and cost/benefit analyses.
4. The TMCVB takes a leadership role in pursuit of its mission.
5. The TMCVB will make the *right* decisions for the destination, not necessarily the most popular decisions.
6. The TMCVB recognizes which constituent groups represent its customers, partners, and beneficiaries; and responds to their needs and expectations accordingly.

Customers = visitors, travel trade, and planners

Partners = hospitality industry and governments

Beneficiaries = the community and the hospitality industry

7. The TMCVB expands existing markets, while taking advantage of new market opportunities for the Telluride area.
8. The TMCVB primarily maintains a long-term, strategic marketing focus; and partners with others to respond to short-term marketing opportunities.
9. The TMCVB's primary marketing responsibility is to generate overnight visitation to the Telluride area.
10. The TMCVB creates two-year marketing plans and measures R.O.I. on a three-year cycle.
11. The TMCVB will seek the visitor that represents the best possible ROI.

Observations, Conclusions & Recommendations

Destination Marketing

In the world of marketing, *destination marketing* stands out as unique in that it relates not to a single product or entity, but an entire destination. The product can be quite diverse, which is an advantage in attracting a diverse visitor base; but it also makes the task much more complex and can be a disadvantage when crafting a marketing message and strategy.

A fundamental question for the TMCVB and the destination is, “How big is the job?,” which means how many visitors are necessary for destination success to be achieved? Most all constituents agree that the destination is successful when the accommodations are near capacity. How many visitors are needed to reach 75% year round occupancy?

$$\begin{array}{r} 1500 \text{ available rooms} \\ \times 365 \text{ days} \\ \hline = 547,500 \text{ room nights} \end{array}$$

$$\begin{array}{r} \text{Divided by 3.5 length of stay} \\ = 156,428 \text{ visitor parties for full occupancy} \\ \times .38 \text{ for occupancy at 75\%} \\ \hline = 57,878 \text{ incremental visitor parties needed} \end{array}$$

Considered in this way, the task does not seem as daunting. As an example, Orlando needs 35 million visitor parties to reach 75% occupancy. The size of the job for Telluride is similar to that for Lake Placid.

What strategies need to be accomplished to attract 57,878 more visitor parties while protecting the current base?

What level of resources will be needed to accomplish these strategies?

These are the questions and challenges that are the responsibility of destination marketing and thus the TMCVB. Destination marketing is its primary role and ultimately its measure of success

For purposes of the analysis, destination marketing has been broken down into five key elements:

- Research
- Market Segmentation
- Web Marketing and eCommerce
- Visitor Services
- Integrated Marketing

Research

Any destination marketing program is an integrated initiative requiring several critical functional elements including market research, an understanding of competitive position, direct sales initiatives, media relations, destination advertising and brand development, and product assessments. The glue that often holds the marketing program together is an ongoing effort to conduct and maintain appropriate research data to drive sales and marketing initiatives, advertising decisions and for tracking purposes.

Most destination marketers seek customer and market data from two perspectives. Scientific research, which at the minimum would include critical visitor profile data including a comprehensive view of the market demographics, is particularly important to destinations trying to maximize limited advertising budgets.

The second approach is supplemental and generally referred to as “gorilla marketing”. These efforts apply non-scientific approaches to understand the competition and how competitive destinations are approaching their customer. Website reviews and “blind shopping” other destinations to gather market intelligence are common and valuable exercises.

during the course of this analysis, several references were made by interested parties as to the collective marketing expenditures. TMCVB should make every effort to bring together all area marketers in an effort to combine resources and increase reach.

Observations/Conclusions

- TMCVB has not made an ongoing commitment to market research.
- The most recent research efforts by the TMCVB consist of an advertising conversion study. Although valuable in assessing advertising effectiveness by publication, this type of research does not offer key data about the target customer. Other entities in the Telluride region are conducting significant market research, yet these efforts do not appear to be coordinated, nor is the data widely shared among interested parties.
- Although customer profile data is being collected by various private sector entities including the real estate industry and Telski, no apparent efforts to share data have been realized.
- TMCVB’s recent advertising conversion study does provide an assessment of the most recent ad campaign’s immediate effectiveness.
- Limited marketing and advertising budgets have required the staff and Board to limit ongoing research in lieu of advertising.
- There is some evidence that destination branding research has previously been contemplated by the TMCVB

Research *(continued)*

Recommendations

- 1) TMCVB should make an annual commitment to ongoing research efforts of its own. At a minimum, this commitment should consist of a biannual visitor profile research program by season.

In addition, staff resources should be dedicated to regular gorilla marketing techniques, shopping competitive destinations and conducting regular website reviews.

- 2) TMCVB's research program can and should be offered to the business license holders in the destination in an effort to assist other businesses in targeting their individual efforts to attract new business to the area.
- 3) TMCVB should continue to subscribe to visitor data prepared by the state of Colorado, as it offers important insights into how visitors to the state are distributed. More importantly, it can indicate travel trends in the state that, when overlaid with primary research collected by TMCVB, will present valuable competitive information as well as indicate where cooperative and strategic marketing opportunities may reside.
- 4) Periodic advertising conversion studies should also be conducted in cooperation with the TMCVB advertising agency. This effort can help refine placements that offer the best possible return on the advertising investment.

- 5) TMCVB should entertain broad efforts to bring all tourism and real estate marketers together at least annually to review customer profile and other research data. These efforts to share valuable market information may enhance the TMCVB's effort to expand its cooperative advertising efforts and help maximize the impact of the region's collective expenditure to attract visitation.
- 6) In the long term, TMCVB should consider research programs that can assist in a community consensus building process resulting in a unified commitment to a destination brand and associated brand promises that can be executed by individual marketers in the region.

Market Segmentation

Building successful destination marketing programs requires effective understanding and approaches to various market segments in order to maximize business generation. Most DMO's begin the segmentation process by starting with a thorough destination audit to assess key product offerings and destination infrastructure.

This process is usually followed by some type of SWAT analysis that overlays the existing product against the primary competition in each market segment. This analysis is relatively simple but important in building justification for the targeted segments. Additionally, this process allows TMCVB to begin to match destination characteristics (attractions) with vertical markets and/or markets that match those characteristics.

Other successful destinations are drilling down even further by data mining available databases and then using electronic technology to address specific promotions to customers who either fit an existing targeted profile or match up with new segments targeted for different reasons. This type of segmentation usually requires additional data gathering beyond the typical demographic analysis and focuses on psychographic analyses and special interests like hiking, mountain biking, fishing, birding, etc. It may be important to keep in mind that efforts to expand the market and attract new segments to the destination could require product development considerations.

Assuming TMCVB will commit to an ongoing data gathering program, the organization's marketing personnel, together with other area marketers, can build defensible strategies to target and prioritize appropriate market segments.

Observations/Conclusions

- Although TMCVB's marketing plan has delineated target segments, there is a lack of empirical evidence to support marketing and advertising decisions.
- Telski and other hospitality industry marketers have determined in broad, general terms their target customer in peak season.
- TMCVB's consumer advertising placements during the past two years reflects a commitment to the winter target, yet its focus admittedly has been the summer season.
- Many community representatives describe the current summer guest profile as significantly different than the winter guest.
- There is little evidence that a destination audit has been conducted to ascertain new segment potential.
- Telluride's off-season may offer expanding opportunities in the geo-tourism market.
- The conference/meetings segment appears to be largely small corporate meetings and state and regional associations.
- The Telluride region may offer attractive options to some segments that have not been targeted.
- Some product development considerations are being reviewed and pursued by both the public and private sectors.

Continued

Market Segmentation *(continued)*

Recommendations

- 1) TMCVB research initiatives should include proper market segment analysis, including special interest and psychographic profiling.
- 2) The Telluride hospitality industry, with the support of the public sector funding partners, should consider a long range strategic tourism development plan that may address key product development options.
- 3) TMCVB research initiatives should include cooperative research opportunities with summer festival and event promoters to enhance potential segment understanding and reach.
- 4) TMCVB research initiatives should include cooperative research opportunities with Telski to enhance efforts to reach the winter targets.
- 5) TMCVB marketing personnel should recognize that the sales and promotional approaches to summer targets may require different approaches than the winter targets.
- 6) TMCVB should prioritize segments in each season and build a corresponding sales and marketing approach accordingly.

Web Marketing and eCommerce

The World Wide Web is the travel product distribution vehicle of choice for most destination marketers actively selling in today's marketplace. The availability of direct access to consumers pre-qualified by personal interests, as expressed to the local CVB or available from other databases, allows marketers to construct targeted promotions and instantaneously deliver key sales messages with the click of a mouse.

The exciting element associated with this new technology is its relative cost per thousand. In the recent past, most marketers evaluated distribution vehicles and advertising reach in the tens to hundreds of dollars to reach thousands of potential customers, whereas new technology allows marketers to send highly qualified messages to millions of consumers for pennies!

Destination websites have also advanced incrementally as other technologies have become more available. The CVB website offers a critical marketing tool that is rapidly becoming not only a critical information distribution platform, but more importantly a revenue generator that allows the CVB to actually "sell" destination product.

Booking engines of differing types permit unique visitors to the destination site to confirm and pay in advance for hotel rooms, rental cars and other ground transportation, restaurant reservations, tee times, airline tickets, special event and attraction tickets, and many other destination products and services.

The leading CVB's in the market today are rapidly expanding the research efforts by qualifying visitors to their site and then establishing an ongoing database marketing program that allows them to speak directly to qualified consumers and deliver promotional messages that produce trackable results.

Significant discussions in the Telluride/Mountain Village area have occurred during the past year regarding the destination's presence on the WWW and the feasibility of consolidating various websites. On the surface, a consolidation of destination sites may appear to create important economies of scale and increase reach and search results.

Currently, there are at least three destination sites receiving top billing when searched using Google, yet the CVB site did not appear on the first page using the MSN search engine. Other engines produced varying results, but at no time did the visittelluride.com site appear first as a search result.

Web Marketing and eCommerce *(continued)*

Observations and Conclusions

- TMCVB current technological resources are not current and limit the marketing and management functions.
- Tellurideticket.com is an important eCommerce marketplace and represents an important vehicle for the distribution of special event and attraction tickets. This site is currently linked to visittelluride.com, but not vice-versa.
- Although visittelluride.com, tellurideski.com, and telluride.com all receive favorable results when searched, there is no apparent linkage between the three sites.
- Telluride.com is a privately held proprietary site supporting a commercial enterprise, yet to the average visitor, its use of the term “official” may create some confusion.
- Tellurideski.com is also a privately held proprietary site offering both winter ski packages and summer activity information. This site does offer a link to tellurideticket.com.
- TMCVB is not currently using database marketing technology to support its overall destination marketing efforts.
- There is no apparent search engine optimization efforts currently supporting visittelluride.com nor tellurideticket.com.
- The visittelluride.com site does not employ the latest functionality found on other destination websites. It does offer booking capability for both individual accommodations and travel packages, but no additional eCommerce options.

Recommendations

- 1) If financially feasible, TMCVB should consider the purchase of telluride.com. If it is not feasible, TMCVB should maximize marketing efforts to support visitelluride.com.
- 2) Visittelluride.com needs the designation by the municipal governments as the official site for visitor information/service and once achieved, it should be promoted as such.
- 3) Efforts should be initiated to consolidate tellurideticket.com and visittelluride.com.
- 4) Linkages should be pursued among visittelluride.com, tellurideski.com and any existing festival and special event sites.
- 5) Linkages should be pursued between visittelluride.com and local real estate sites.
- 6) TMCVB should pursue enhanced technological tools to support both the website and the organizational operating systems and CRM systems.
- 7) Efforts should be pursued to produce a master calendar of events that is managed centrally by TMCVB and made available to other destination and commercial sites.
- 8) TMCVB should investigate digital marketing tools that support database marketing efforts. Website power tools including 3-D technology and optimization should also be pursued.

Visitor Services

Most destination marketing and management organizations view visitor services as an integral part of their overall mission. In fact, many DMO's have increased their commitment to this function through the construction of new, high tech equipped VIC facilities. Some see the VIC as a critical distribution point to insure that visitors are educated about all the destination has to offer, thereby influencing the extension of visitor stays and maximizing visitor expenditures.

Generally, visitor services are defined as influencing the visitor prior to and upon their arrival into the destination. There are four primary objectives for visitor services:

1. To coordinate information distribution to potential visitors who inquire about the destination in the trip planning process. Although the WWW has become an important distribution vehicle, many consumers still seek information by traditional means via the USPS or telephone.
2. To educate the visitor upon arrival about the full range of attractions and visitor-oriented business in an effort to meet expectations and maximize visitor satisfaction. These efforts are intended to result in the development of an extended marketing force through word-of-mouth.
3. To act as a community resource for meeting planners to help insure a successful conference experience for delegates.
4. To maximize the length of stay and increase the direct expenditures of visitors so that the highest possible economic benefit can be realized.

Measurement of these objectives is not easy, and typically not a great deal of effort is spent tracking the results that can be directly attributed to the CVB. Overall visitor satisfaction is an indicator of destination success and needs to be tracked through an ongoing research program.

Once a benchmark is established, this data gathering process can assess how service efforts may be impacting average length of stay. Direct expenditures will be likely tracked as well, but the increase due to visitor services may be difficult to determine unless formal research efforts are initiated.

Services can be provided to both individual and group visitors. Typically, the services for a meeting are quite different than for the individual visitor. Meeting planners usually expect assistance from the destination in conducting their meeting or event.

Important strategic considerations regarding visitor services:

Is it an appropriate role for the CVB?

How much of the limited resources of any CVB should be deployed providing visitor services?

How should those resources be deployed?

Observations, Conclusions & Recommendations: Destination Marketing

(Continued)

Visitor Services *(continued)*

Observations and Conclusions

- The Visitor Center in Telluride is a new structure that also houses the offices of the TMCVB. Parking is limited, and nearby construction will impact its effectiveness in the short term.
- There is some concern that the VIC in Telluride does not serve the needs of visitors to Mountain Village and that any influence on the visitor is biased toward Telluride. There is a visitor center in Mountain Village that is not staffed by the CVB.
- Constituents view the VIC as an important vehicle to capture more visitors, particularly in the summer season. The VIC appears to have a greater impact on summer visitors, as more arrive by auto and more will be touring without plans already set in advance.
- Some constituents believe the TMCVB should provide training for the staffs of various industry entities such as hotels, retail, etc. This would serve to enhance visitor satisfaction by providing better service.
- The VIC sells tickets thru tellurideticket.com and secures accommodations for visitors for which they are commissioned by area hotels.
- There was no evidence of volunteers staffing the VIC.
- There is a perception that the VIC could be better organized regarding its calendar of events and the communication it conducts with constituents.

Recommendations

- 1) Manage the expectations of constituents regarding visitor services by the VIC. The primary role of the TMCVB is to get more visitors to the destination and maximize revenue while they are in the destination. The VIC is an extension of the overall marketing effort; however, it is not a generator of new business.
- 2) The VIC function should become the clearinghouse for visitor information by acting as a repository of collateral for all attractions and visitor-oriented businesses, and by maintaining a centralized calendar of events for the destination. The CVB has an opportunity to expand its role and support function for community events and festivals through the VIC.
- 3) Create and maintain up-to-date print collateral that describes the various product choices for visitors, including a user-friendly map.
- 4) Pursue the feasibility of utilizing community volunteers to assist in servicing visitors to the VIC, thereby maximizing limited financial resources.
- 5) In an effort to serve visitors headed to Mountain Village as well, consider relocating the VIC to the roadside out near the intersection of the road to Mountain Village. In the interim, allow the CVB to staff and manage the MV visitor facility to insure consistency of information distribution and service.

Continued

Visitor Services

Recommendations (continued)

- 5) Until resources increase do not begin an external staff-training program. Even if not that costly in terms of dollars, it will be very labor intensive.
- 6) Expand the merchandising effort at the VIC to capture as much commitment from the visitor as possible before they leave the VIC. The importance of selling tickets and booking accommodations cannot be overstated.

Integrated Marketing

Integrated marketing is defined as...

Mobilizing multiple “marketing functions” in a coordinated way in pursuit of a target market segment.

It is clearly the most efficient and effective use of marketing resources, especially if resources are limited and a market segment strategy makes the most sense for the destination product. It is, however, often misunderstood and not implemented properly even within one organization. When trying to integrate marketing efforts within two or more organizations, the challenge is even greater.

The integrated marketing task is easier if the destination has “sustainable differentiators” to separate itself from competitive destinations... something that is unique to the destination and is sustainable over time. (For example, an event like the Olympics is a differentiator but it is not sustainable. Mount Rushmore is totally unique *and* sustainable.)

Marketing functions considered for integration are as follows:

- Advertising
- Public Relations/Communications
- Promotions
- Sales

The level and combination of marketing functions employed are determined by the characteristics of the target segment and the vehicles available to communicate to the segment.

Observations and Conclusions

- There is little evidence of integrated efforts in the current marketing plan. However, there reportedly has been some discussion of integrated marketing in preparing the plan.
- The integrated marketing effort is limited due to the bifurcated structure, with TMCVB marketing the summer and Telski marketing the winter.
- Marketing resources are limited for the size of the job. Certain marketing infrastructure, such as the website, print collateral, fulfillment, office space, etc. must be maintained for any destination marketing effort. As resources increase, those costs become less of a percentage of the budget. Thus once the infrastructure is in place, any increase in resources can be deployed almost exclusively for direct marketing.
- The Telluride brand enjoys what appears to be some level of equity in the marketplace. The depth of that equity has not been clearly established.
- Many constituents expressed displeasure with the most recent imagery and content of print advertising.
- Telluride enjoys a sustainable differentiator in its combination of scenic beauty, history, town character and ease of movement within the destination.

Continued

Integrated Marketing *(continued)*

Recommendations

- 1) Deploy a two-pronged marketing strategy:
 - Brand the destination in broader markets as well as targeted segments.
 - Develop very targeted, integrated efforts at specific market segments using direct marketing strategies to the extent possible.
- 2) Use geographic, demographic, travel pattern and psycho-graphic characteristics to identify target market segments. Product characteristics and segment characteristics need to match up.
- 3) Develop supporting promotions to incorporate into most segment strategies. These promotions extend the impact of the strategy for fewer resources and are typically helpful in building databases for follow-up direct contact.
- 4) Formulate a two-year marketing plan to force longer-term strategy development and to allow partners a longer window of time to commit cooperative marketing resources.
- 5) Lay out the marketing plan around market segments, not marketing functions. (See sample form on the following page.)
- 6) Formulate regional and state marketing partnerships only when the partnership opens up new market segments or allows for deeper penetration of existing markets.
- 7) Use the summer events to expand brand awareness and thus demand for off-event and off-season times.
- 8) Determine current brand awareness thru market research. Some may perceive this as a costly undertaking; however, with the unique characteristics of the product, branding becomes an excellent opportunity for marketing the destination and will need to be tracked.
- 9) To extend the brand message, partner with other groups or entities marketing Telluride, such as the realtors.

Observations, Conclusions & Recommendations: Destination Marketing

(Continued)

Target Market:			Expected Economic Impact:							
Rationale:										
Action/Responsibility	Start Date	Complete Date	Resources					Expected Outcome	Tracking Mechanism	Status
			Public	In-Kind	Co-op	Other	Total			
1										
Resp:										
2										
Resp:										
3										
Resp:										
4										
Resp:										
5										
Resp:										
6										
Resp:										
Total:										

Observations, Conclusions & Recommendations

TMCVB Staffing Structure

The current staffing structure at the Telluride/Mountain Village Convention and Visitors Bureau consists of a total of five full-time and several part-time staff positions: the Executive Director, Director of Conference Sales, Sales Manager (vacant), Sales and Special Projects Coordinator, and VIC manager, plus several part-time VIC assistants. Several accounting and marketing functions are outsourced to various vendors including advertising, central reservations, public relations and website development and hosting.

Observations and Conclusions

In recent years, staff positions have been added and deleted largely as a function of available resources and not necessarily consistent with any long-range organizational development strategy. Additionally, executive staffing has seen several transitions in recent years leading to inconsistent management oversight, leadership and direction, resulting in an erosion of staff morale and substantial turnover in human resources.

The lack of management stability has required significant involvement by the Board of Directors both as a body and as individuals, further contributing to inconsistent direction and frustration for employees.

Most outsourced functions at the TMCVB are similar in nature to what is seen in most CVB organizations throughout the country; however, the lack of consistent organizational leadership and direction, coupled with the Board's micromanagement style, has impeded cost-effective performance by incumbent vendors.

The evolving organizational culture has also minimized effective performance evaluation of the contracted vendors contributing somewhat to a dilution of limited marketing resources.

Staff Role Responsibilities, Make-up and Function

- Although many of the current marketing functions being outsourced are similar to what is seen in many other organizations, there does appear to be a lack of experienced human resource talent with oversight responsibilities for managing vendors who provide critical program functions.
- There appears to be an adequate job description for the current staff make-up; however, there is no evidence that an effective performance evaluation system is in place.
- Existing public funding contracts and monthly board meetings impose significant reporting requirements that demand excessive staff time, which impacts program effectiveness.
- Conference sales performance has improved in the past year; however, an inordinate percentage of financial resources is currently dedicated to this function. It is questionable as to whether the destination amenities can support an acceptable ROI.
- Although leisure marketing for the summer season is the agreed upon primary function for the TMCVB, limited staff resources are currently dedicated to this function.

Continued

Observations, Conclusions & Recommendations: Staffing Structure

(Continued)

- There is substantial interest in the community that TMCVB should represent the tourism marketing function on a year round basis.
- There is broad acceptance in the community that the visitor service function is important to the organizational mission and that the function is performed with moderate success, although the current facility may be inadequate to meet higher performance standards.
- The central reservation function appears to be effectively managed by the incumbent vendor, yet there is some evidence that the community may be better served by a local agency. This vendor relationship is generating important operating income for the TMCVB, and the existing contract with the vendor is favorable.
- The public relations contract with the incumbent vendor does not contain adequate performance stipulations.
- The OVG, TMCVB's primary fulfillment collateral and visitor service tool, is outsourced to a local publisher. The contract does not give TMCVB effective control over content and advertising placement and limits income potential.
- The advertising agency provides important marketing advice, media placement and creative for collateral development. TMCVB makes substantial financial investment in this relationship, yet the execution of these marketing services is the source of some controversy in the community.

- Website hosting and development for visittelluride.com and tellurideticket.com is outsourced. There is limited marketing resource currently dedicated to any digital marketing function, while most DMO's are increasing web-based marketing expenditures to increase competitiveness.

Recommendations

The existing staff structure does not represent effective linkages with desirable functional requirements and should therefore be reconfigured. The OCG/TRC team suggests that consideration be given to the following staff structure and function:

1) **President** (*see addendum #6 for job description*)

Reports to the Board

Overall administrative & organizational leadership responsibility

- a. All financial and accounting
- b. Employee compensation and benefits
- c. Insurance
- d. Office
- e. Primary Investor relationships
- f. Business community relationships
- g. Vendor contract management
- h. Strategic marketing and organizational management

Continued

Observations, Conclusions & Recommendations: Staffing Structure

(Continued)

2) Vice President, Marketing

Reports to the President
Overall destination marketing responsibility

- a. Website management and development
 - b. Public/media relations
 - c. Collateral development
 - d. Destination advertising
 - e. Visitor information and service
 - f. Leisure marketing and interface with booking services
 - g. Market research
-

3) Vice President, Sales

Reports to the President
Overall destination sales responsibility for both group & leisure

- a. Conference center sales
 - b. In-house meetings
 - c. Leisure group sales
-

4) Visitor Information Supervisor

Reports to the Vice-President, Marketing
Overall responsibility for information database and distribution

- a. Visitor information and service
 - b. Website listings and activity calendar coordination
-

5) Senior Sales and Service Coordinator

Reports to the Vice President, Sales
Overall support for sales and customer service responsibility

- a. Special project management
 - b. Website content management
-

6) Sales Manager (Option)

Reports to the Vice President, Sales
Contract employee, home office (Denver)

- a. Conference Center sales
 - b. In-house meetings
 - c. Leisure group sales
-

7) Office Support (1)

Reports to the President
Supports the President and Vice Presidents
Manages and coordinates workflows

Continued

Observations, Conclusions & Recommendations: Staffing Structure

(Continued)

Vendor Relationships

As stated earlier, TMCVB has outsourced substantial marketing functionality to several vendors who are charged with program execution. OCG/TRC believes that even with the implementation of the recommended staff changes, many of these outsourced functions should continue with minor contractual amendments.

1) Advertising Services - Recommendation

Once a permanent executive has been identified, review contractual relationship with advertising vendor to insure a favorable business relationship. Confirm competitive cost/value ratios are in line with the expanded marketing program and the competition. Generally, an agency review and bid process is recommended every three years. (The existing contract appears favorable on the surface, yet no detail regarding mark-ups on production is provided. It also appears that the agency rebates media commissions in lieu of a monthly retainer. Although it is not clear in the agreement, it appears that there is a business relationship between the agency and the incumbent public relations agency).

2) Public Relations - Recommendation

Since OCG/TRC is recommending amendments in the TMCVB staffing structure to include PR responsibility for a new VP of Marketing, the existing PR contract may be somewhat redundant. We believe professional, third-party assistance should be retained, yet much of the functionality of the current vendor can and should be managed by the new VP. We recommend further evaluation of the existing vendor relationship in time, following the implementation of the proposed structural changes.

3) Internet Hosting, Marketing - Recommendation

OCG/TRC recommends expanded priority for web-based marketing initiatives, and the proposed budget reflects this shift along with necessary revenue generation programs. The President should reevaluate the cost/value ratio associated with the existing contracted relationship and pursue expanded services to reflect the structural and marketing recommendations. Initially, we recommend a consolidation of the two existing CVB sites with increased functionality and potential site optimization services to ensure favorable search results.

4) Central Reservations - Recommendation

OCG/TRC recommends that the Central Reservations function continue to be outsourced to a competent provider. The current vendor relationship appears to be favorable for the TMCVB, although there is some sentiment in the community that the function could be better served by a local company. The current provider is an experienced firm with significant reach and influence in the ski market. Ongoing evaluation and booking performance should be monitored by the President to insure acceptable marketing and service. Management should seek competitive review at the end of the current contract period.

Observations, Conclusions & Recommendations

TMCVB Budget

The TMCVB current operating budget is approximately \$1.1M, and revenues come from contracts with three municipal jurisdictions: the Towns of Telluride and Mountain Village, and San Miguel County. Limited private sector revenues are generated from commissions on the sale of hotel rooms through a central reservations vendor and the VIC. The operating budget is generally regarded as inadequate to meet the needs of the destination as is evidenced by the relatively small marketing and advertising budget.

The Town of Telluride contributes 80% of the business license fees collected by the town, less a 6% administrative fee. The Town of Mountain Village contributes 100% of its business license fees and lodging taxes to the TMCVB. San Miguel County contributes 100% of the lodging taxes collected in the county, including the Town of Telluride and excluding the Town of Mountain Village.

The TMCVB enters into a separate marketing services agreement as a subcontractor with each jurisdiction annually. Each jurisdiction contract stipulates performance benchmarks and reporting requirements, and in some cases restricts expenditures of funds to certain program functions performed by the TMCVB.

As a result of the business license fee contribution from both Towns, all licensed businesses in both towns are de facto members of the TMCVB. This appears to create a sense of entitlement for services provided by the TMCVB.

Observation/Conclusions

- By most accounts in the destination, the TMCVB does not have adequate financial resources.
- The TMCVB budget contains limited direct marketing resources as a percent of the total operating budget.
- It is not apparent that the TMCVB maintains competitive compensation and benefit offerings for current employees
- Most direct marketing expenditures are outsourced to third-party vendors.
- There is no capital nor operating reserve represented in the 2005 budget.
- There is little budget dedicated to sales and marketing tools including digital/web marketing programs and/or sales collateral.
- There is no evidence of anticipated technological infrastructure upgrades or enhancements in the current budget.
- There is limited ongoing budget commitment to market research.

Observations, Conclusions & Recommendations: TMCVB Budget

(Continued)

Recommendations

The OCG/TRC team believes that the target budget for the TMCVB should be approximately \$2M, insuring a year round marketing mission. Since much of the existing program deficiencies are a direct result of available financial resources, new operating and marketing funds must be identified to advance the marketing function and the ROI to the community.

In reviewing available options for increasing revenue, most DMO's and their corresponding funding partners, look to one or more of the following options: increasing lodging tax rates, imposing a restaurant tax, and/or increasing private sector revenue generating programs.

TRC/OCG also believes that the potential for private sector increases can be realized through fund-raising efforts associated with the 501c3 arm of the CVB and through various co-op marketing programs including expanded eCommerce and product merchandising through visittelluride.com. The existing commission revenue should increase proportionately with increased direct marketing as defined in the proposed budget.

The Telluride/Mountain Village region has benefited from significant residential growth in the fractional and second home market. The case can be made that a large percentage of these new residential buyers have discovered the attractiveness of the region as a vacation home location as a result of a pleasure trip to the area.

The OCG/TRC team suggests that a viable source of additional marketing revenue should be considered by linking residential sales to the visitor marketing function.

A review of the historical performance of the real estate transfer fees collected by both towns would indicate that even a very small percentage of these fees allocated to support the destination marketing function could generate adequate supplemental funds to markedly improve competitive position.

If Telluride and Mountain Village would allocate .05% of the real estate transfer fee, an additional \$500K could be made available to enhance destination marketing and generate not only additional lodging taxes but real estate transfer fees as well.

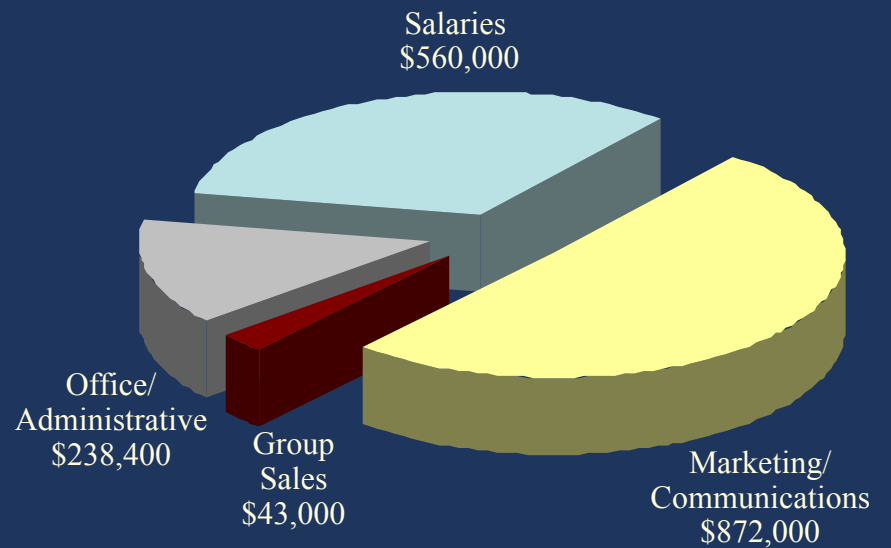
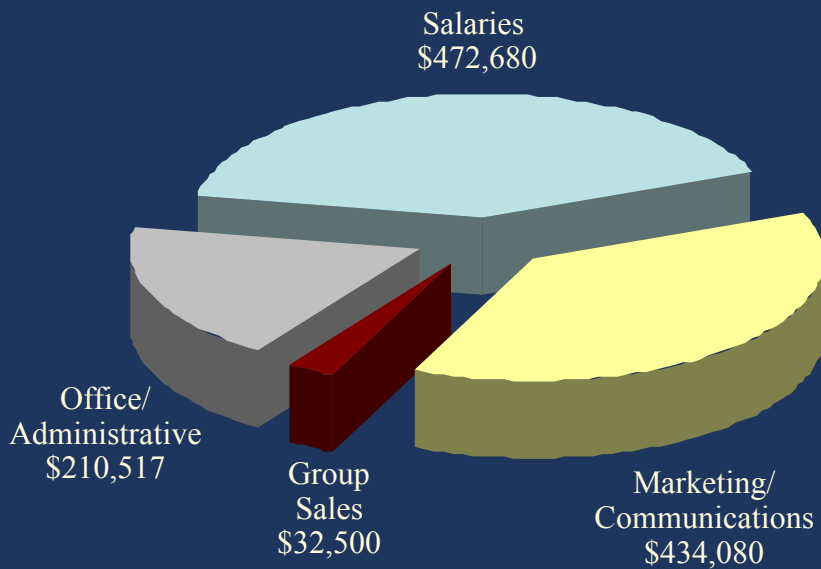
Recommendations (continued)

- 1) Increase program functionality that generates private sector investment and income (Web-based).
- 2) Increase direct marketing expenditures that support the destination on a year round basis.
- 3) Re-tool employee compensation practices and consider incentive compensation supplement to reward exemplary performance, reduce turnover and attract superior talent.
- 4) Reorganize staff structure to improve functional linkages with outsourced marketing services.
- 5) Develop budgeting philosophy that institutes operating reserves, and commit to annual contingency budget that allows for unforeseen market opportunities.
- 6) Revisit all outsourced service contracts for cost saving opportunities; institute annual performance goal setting and performance reviews with third party contractors.
- 7) Evaluate current VIC facility and develop long-range planning process to prepare for appropriate capital improvements.

TMCVB Budget

Current: \$1,149,777

Proposed: \$1,713,400



Implementation
