

Colorado Springs Destination Marketing Funding Analysis and Recommendations



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Hypotheses


- The promotional budget for the Pikes Peak region is substantially lower than most destinations in our competitive set.
- There is room to grow LART collections without eliminating our competitive edge.
- Increasing tourism promotion will have a dramatically positive impact on revenue, tax collections and jobs.
- Destination development (completed & planned) needs marketing support for strong ROI.
- Increased marketing of the region will increase airport usage and service, and fill more seats.

Funding Analysis

- **Why did we commission the analysis?**
 - Anecdotal evidence of low tax rate
 - New tourism development throughout the region
 - Spreading marketing dollars even thinner
- **What will we do with the information?**
 - Share with the industry & community
 - Start a discussion
 - Listen to feedback and develop a plan
- **How will it guide our decisions?**
 - Provides a benchmark against competition
 - Objective data
 - Equitable solution for the good of the region

Tourism Contributes to our Vitality

The region attracts more than **5.2 million** overnight visitors per year



Economic impact of tourism in the region is


\$1.35 billion

Visitors spend more than


\$43 per second

Visitors pay more than **\$56 million** in local taxes per year



Visitor tax revenue saves each family of 4


\$340
in taxes per year

Tourism promotion is an **investment**, with a return of **\$60 for each dollar invested**



Tourism is our **3rd** largest industry providing **17,000** jobs



The industry payroll is more **\$474 million**



Sources:

- Colorado Blueprint Region 4 Profile 2014
- Dean Runyan Associates "The Economic Impact of Travel on Colorado" 1996-2011
- The U.S. Travel Association

Destination Marketing = Economic Development

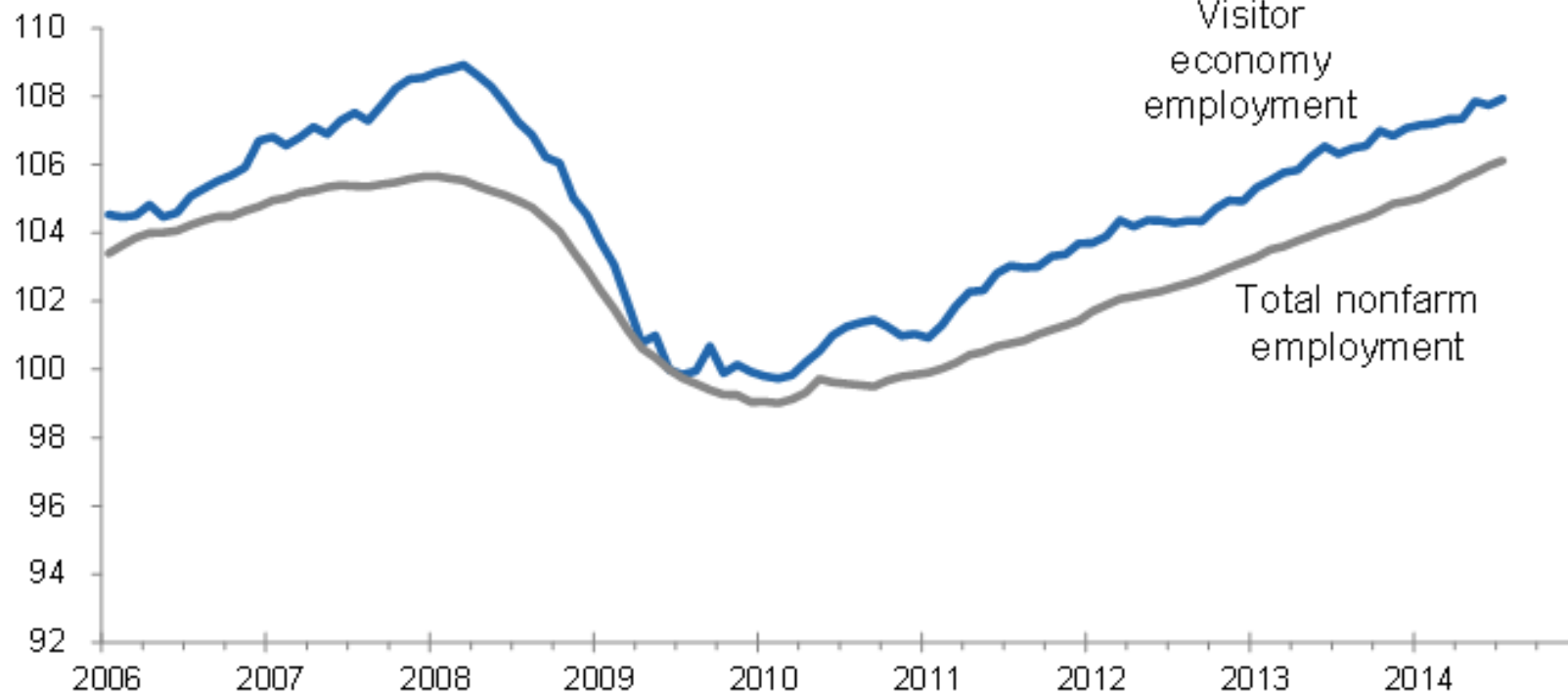


Travel Industry is Resilient

Visitor economy employment trends

Compared to total nonfarm employment

Index (June 2009=100)

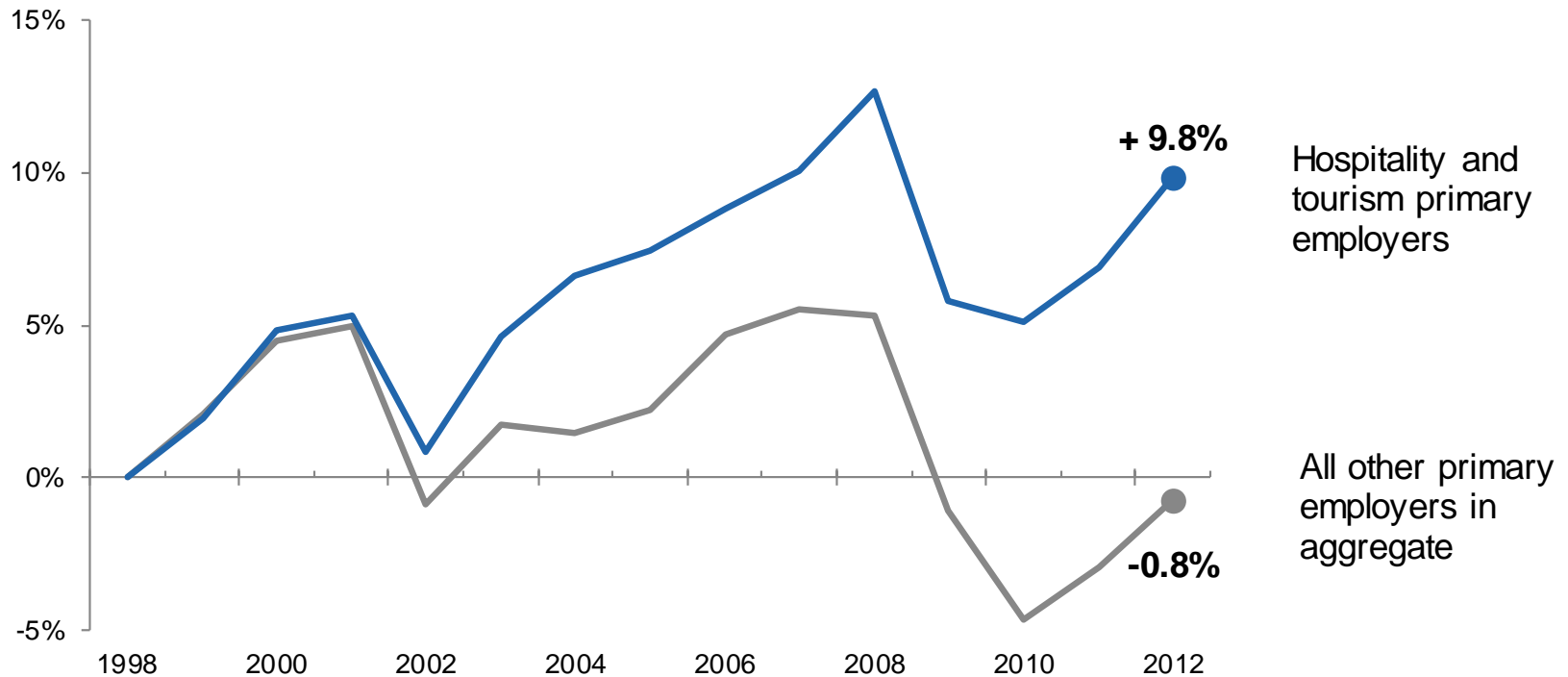


Source: Bureau of Labor Statistics; Tourism Economics

Travel Industry is a Primary Employer

Primary employer employment gains over time

Index, cumulative percentage points of employment growth since 1998



Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Annual Economic Impact of Tourism Colorado Springs & the Pikes Peak Region



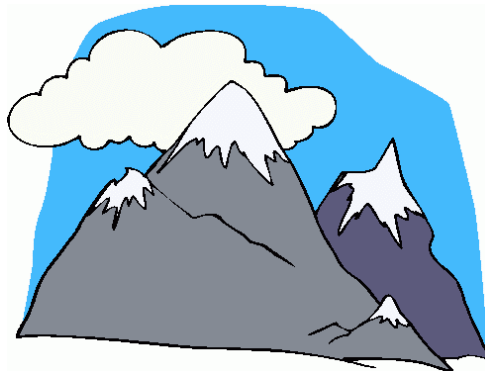
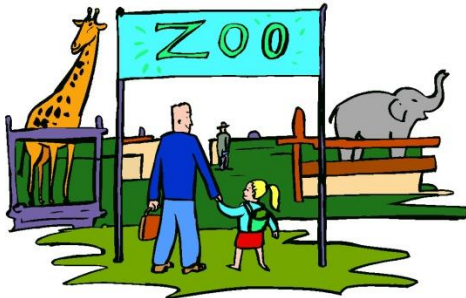
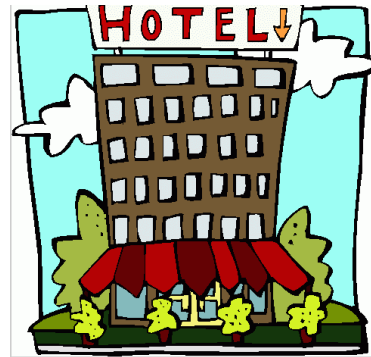
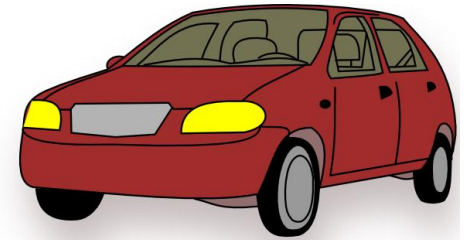
\$187,785,384.36

Date: March 10, 2015

Time: 8:00 AM

Tourism contributes \$1.35 billion to the regional economy each year; that translates to \$43 per second. This counter on the CVB website tracks this annual spending.

They Visit & Spend Their Money...



...then they go home



How Do We Benefit form Tourism Dollars?



Road Maintenance



Strong Property Values = Strong Schools



Road Construction



Park Maintenance

How Do We Benefit form Tourism Dollars?



Airport Usage & Service



Public Safety - Fire



Storm Water Projects

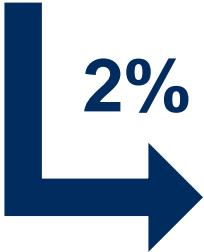


Public Safety - Police

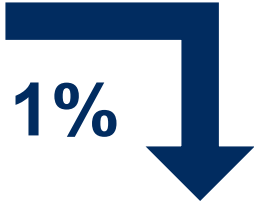
How the Funding Works



Lodging &
Automobile Rental Tax
(City of Colorado Springs only)



2%



1%



Application Process



1/3

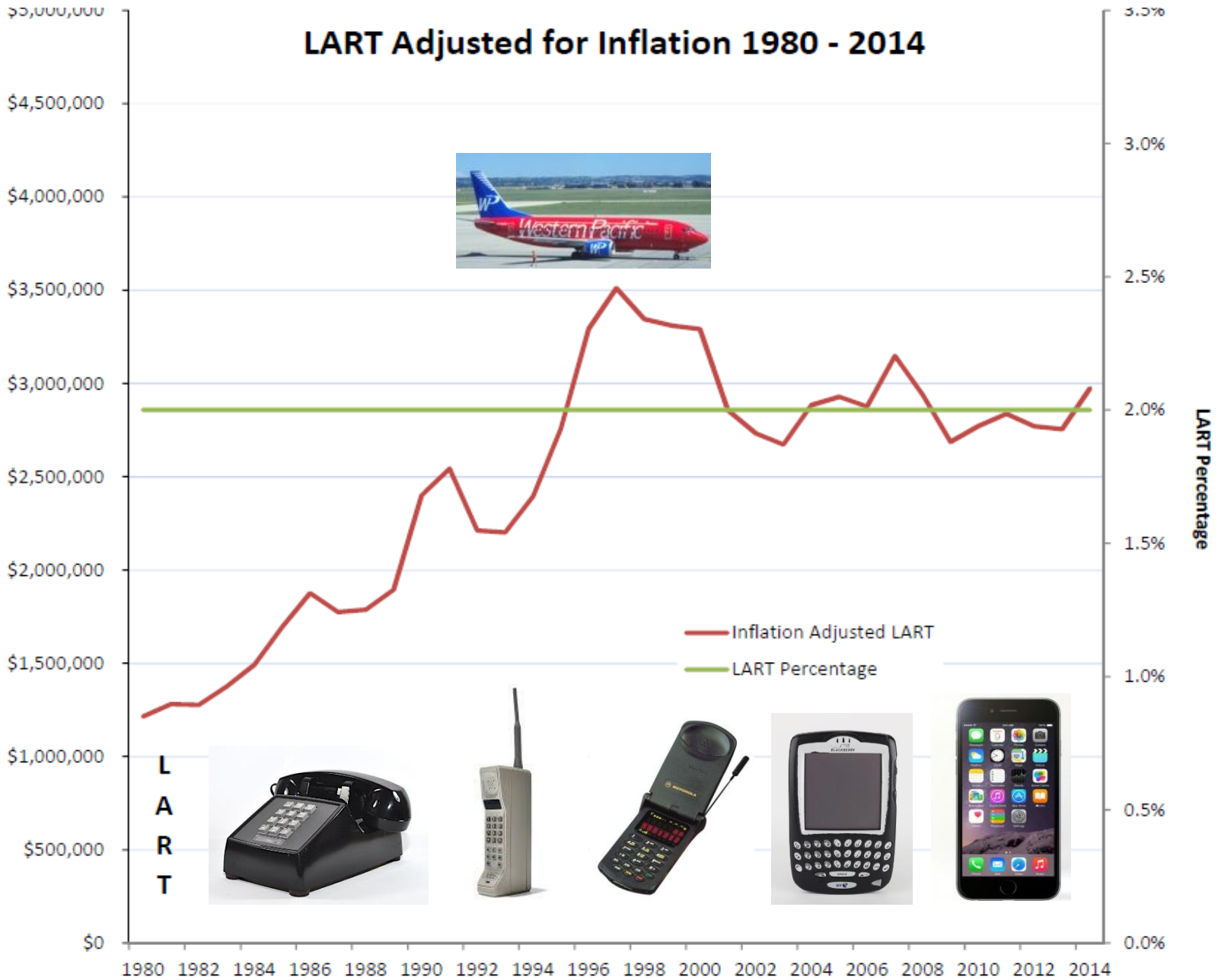
Contract between
City & CVB



2/3



LART Adjusted for Inflation 1980 - 2014



What is a DMO?

Destination Marketing Organization

- Promotes a town, city, region or country (the “perfect place”)
- Promotes the development of a destination
- Focuses on convention sales, leisure travel, sports & group tours
- Conducts marketing, PR & sales activities
- Goal is to increase the number of visitors and amount of spending



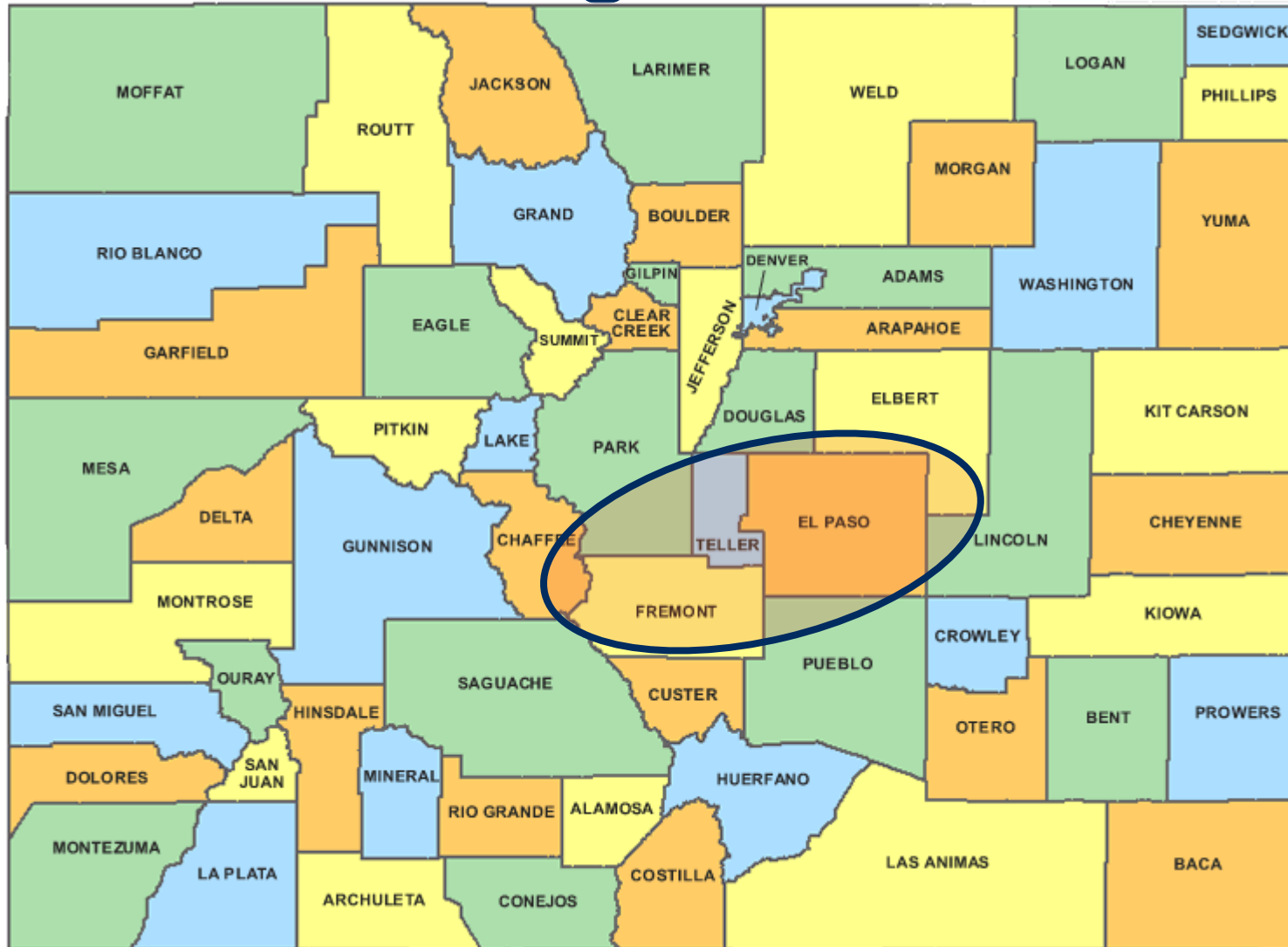
We bring more visitors to Colorado Springs at Pikes Peak.



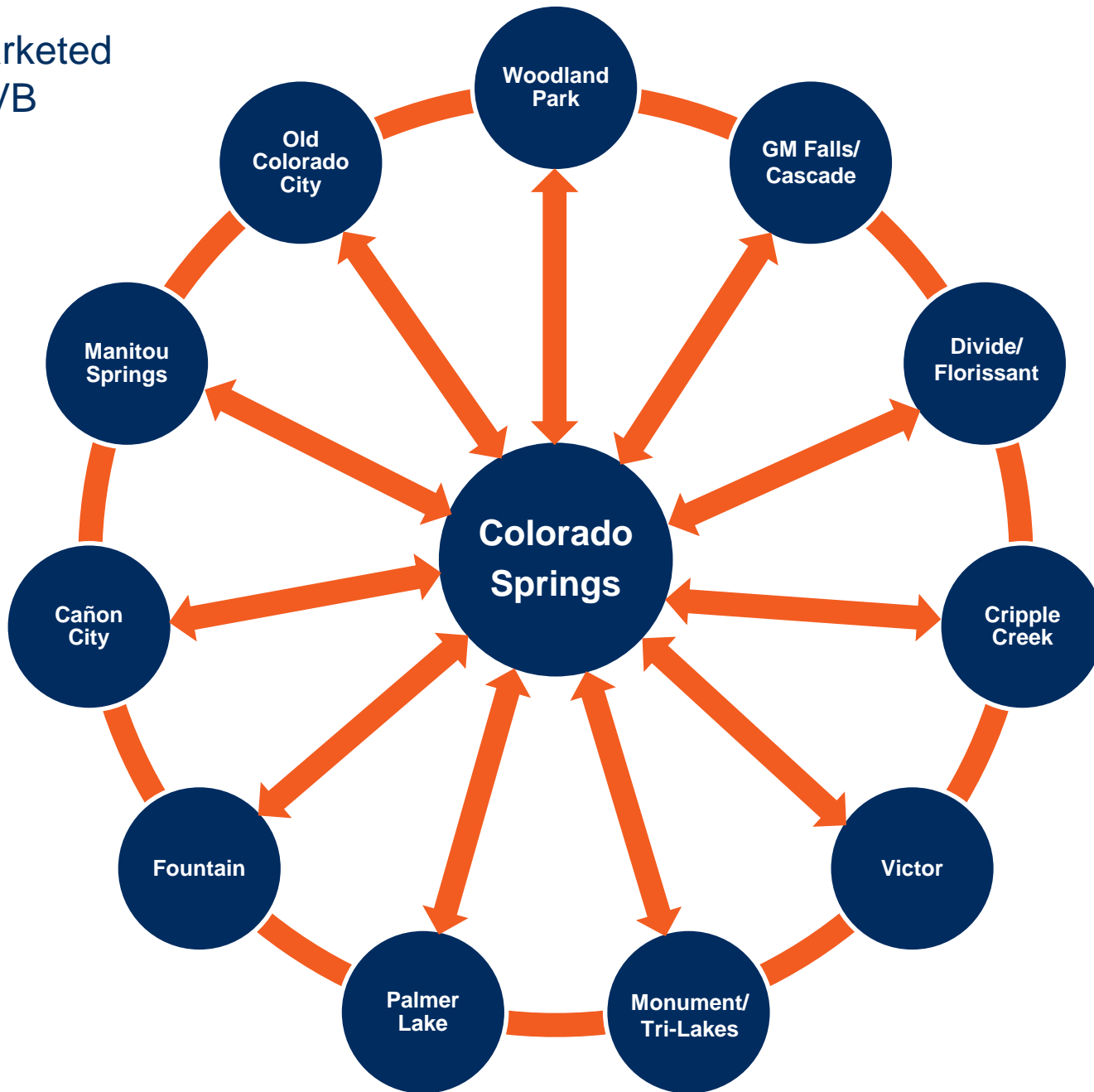
**COLORADO
SPRINGS**
**CONVENTION &
VISITORS BUREAU**

- Private 501(c)(6) nonprofit organization
- Established in 1980
- Currently have a 3-year contract: 2015-2017 with City of Colorado Springs to market the Pikes Peak region

Pikes Peak Region (El Paso, Teller & Fremont)

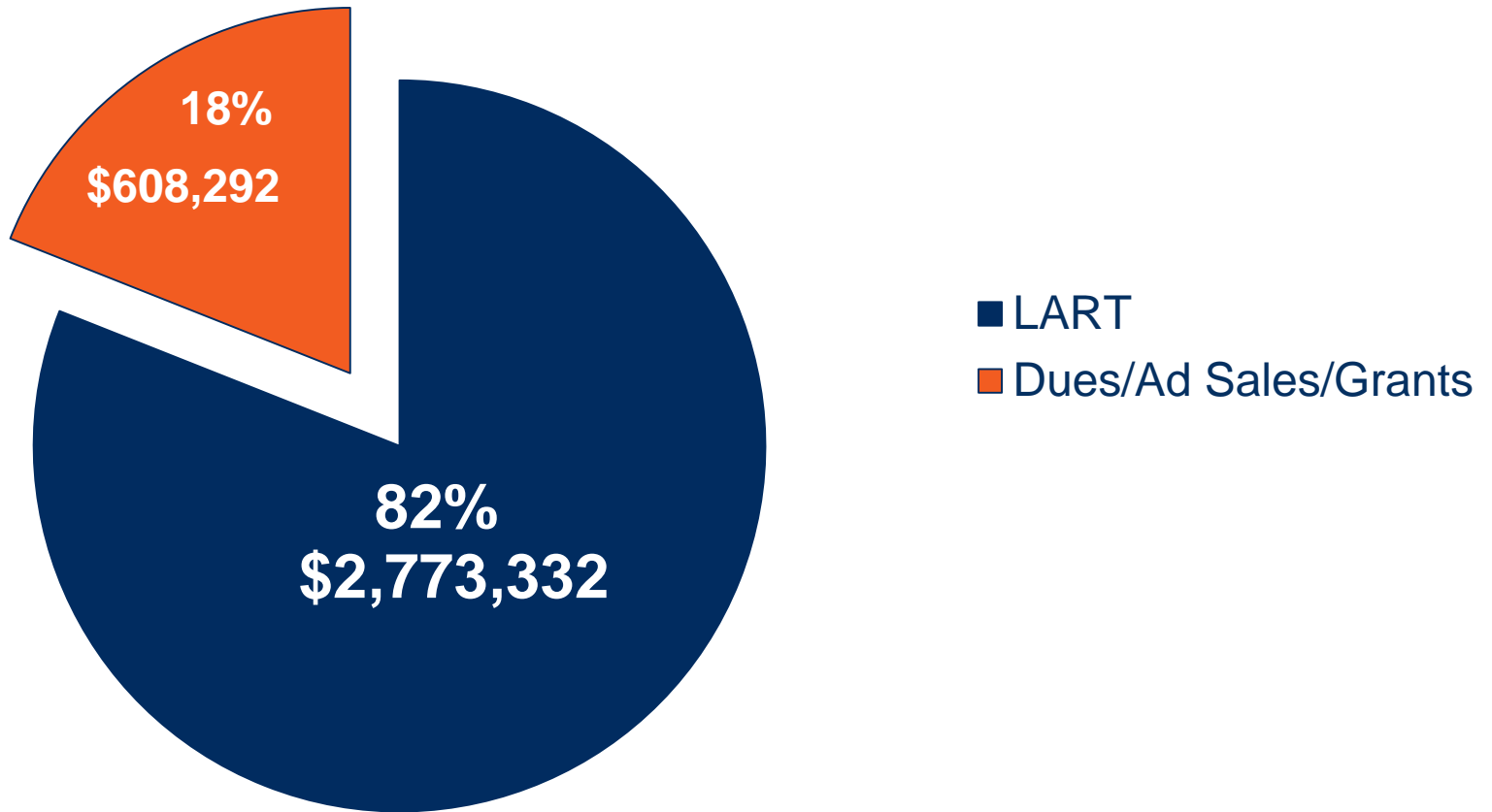


Cities marketed by the CVB

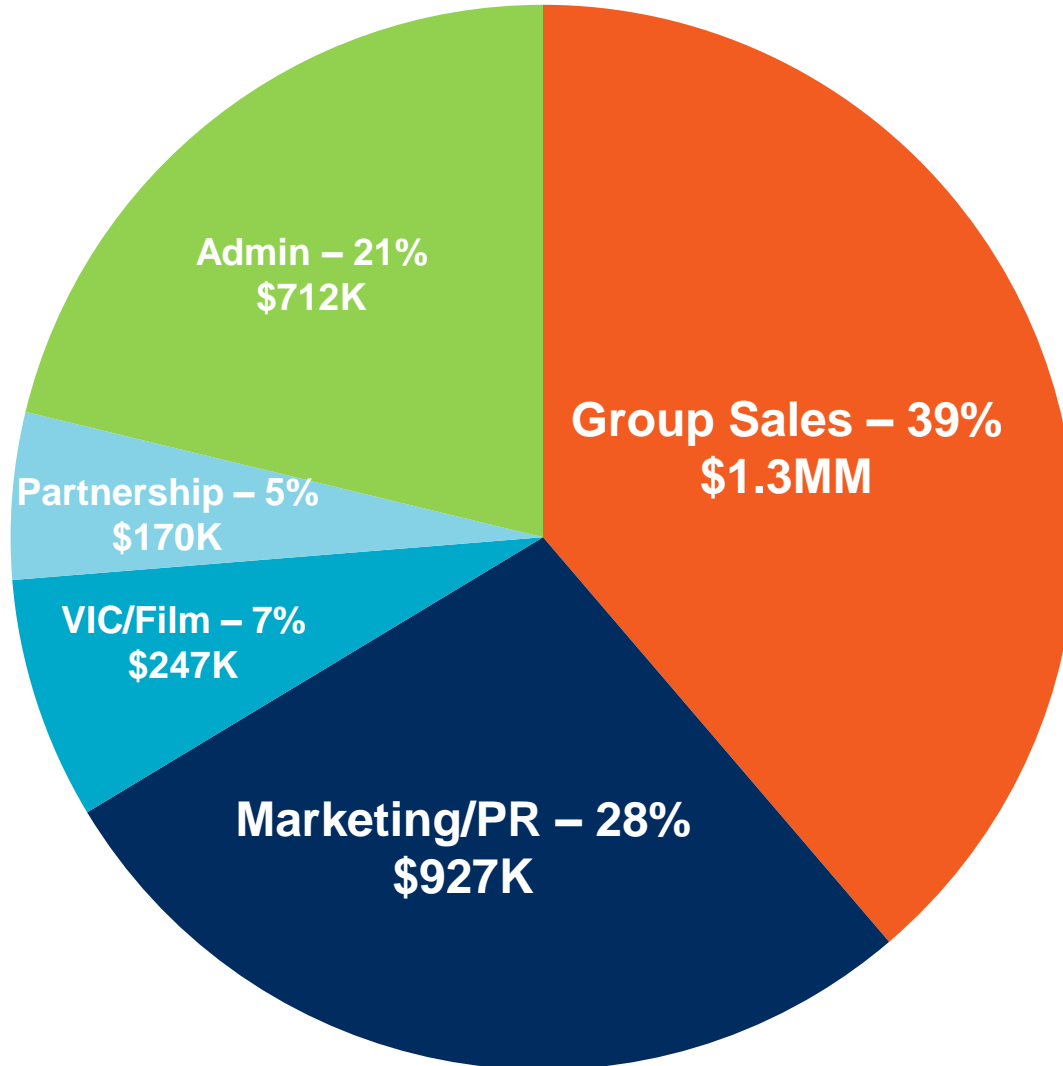


2015 CVB Revenue Sources

\$3,381,624



CVB 2015 Budget \$3,356,000





Group Sales

- Building Relationships
- Attending Trade Events
- Booking Group Business



Marketing & PR

- VisitCOS.com website & mobile app
- Print & online advertising
- Public relations & social media



Visitor Services & Film Commission

- Official Visitor Guide / Dining & Shopping Guide
- Visitor Information Centers & Kiosks
- Promoting region as a filming location

The CVB is an accredited organization, meeting 57 mandatory rigorous industry standards.



SM



**COLORADO
SPRINGS**
CONVENTION &
VISITORS BUREAU



The Colorado CVB marketing plan provides a consolidated, strategic approach to promoting the Pikes Peak region.

Study Sponsors & Supporters

Major Study Sponsor

- Private Source

Presentation Sponsors

- Best Western Executive Inn & Suites – Hitesh Patel
- Best Western Plus Peak Vista Inn & Suites – Hitesh Patel
- Cultural Office of the Pikes Peak Region (COPPeR)
- El Paso County
- Manitou Springs Chamber
- Old Colorado City Associates
- Pikes Peak Country Attractions Association (PPCAA)
- Pikes Peak Lodging Association (PPLA)
- Garden of the Gods Club

Study Supporters

- Arkansas River Outfitters Association
- The Broadmoor
- City of Colorado Springs
- City of Green Mountain Falls
- City of Manitou Springs
- City of Monument
- Colorado Restaurant Association – Pikes Peak Chapter
- Colorado Springs Downtown Partnership
- Colorado Springs Fine Arts Center
- Colorado Springs LART Advisory Committee
- Colorado Springs Regional Business Alliance
- Fremont County
- Fremont County Tourism Council
- Glen Eyrie / The Navigators
- Regional Leadership Forum
- Tri-Lakes Chamber of Commerce

Stakeholder Interviews



CITY OF COLORADO SPRINGS

Jan Martin
Bob Cope



Sallie Clark
Jeff Greene

THE
BROADMOOR

AMERICA'S PREMIER RESORT



Steve Bartolin
Jack Damioli
Jeff Johnson
Andre Gutierrez



NORWOOD

Chris Jenkins
Fred Veitch



Lyda Hill
Nancy Lewis



Katherine Loo



Andy Neinas



CULTURAL OFFICE
OF THE PIKES PEAK REGION

Andy Vick



Tom Osborne

Tourism Promotion

Why is it vital to a destination's economy?

What are the regional benchmarks?

What is the optimal level of funding?

What are the funding scenarios & mechanisms?

What are the expected outcomes of higher funding?

What are the next steps?

Aran Ryan
Director



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key Points

1. Pikes Peak marketed as a region
2. Low LART = discount for visitors
3. 1,400+ new jobs

Regional Benchmarking

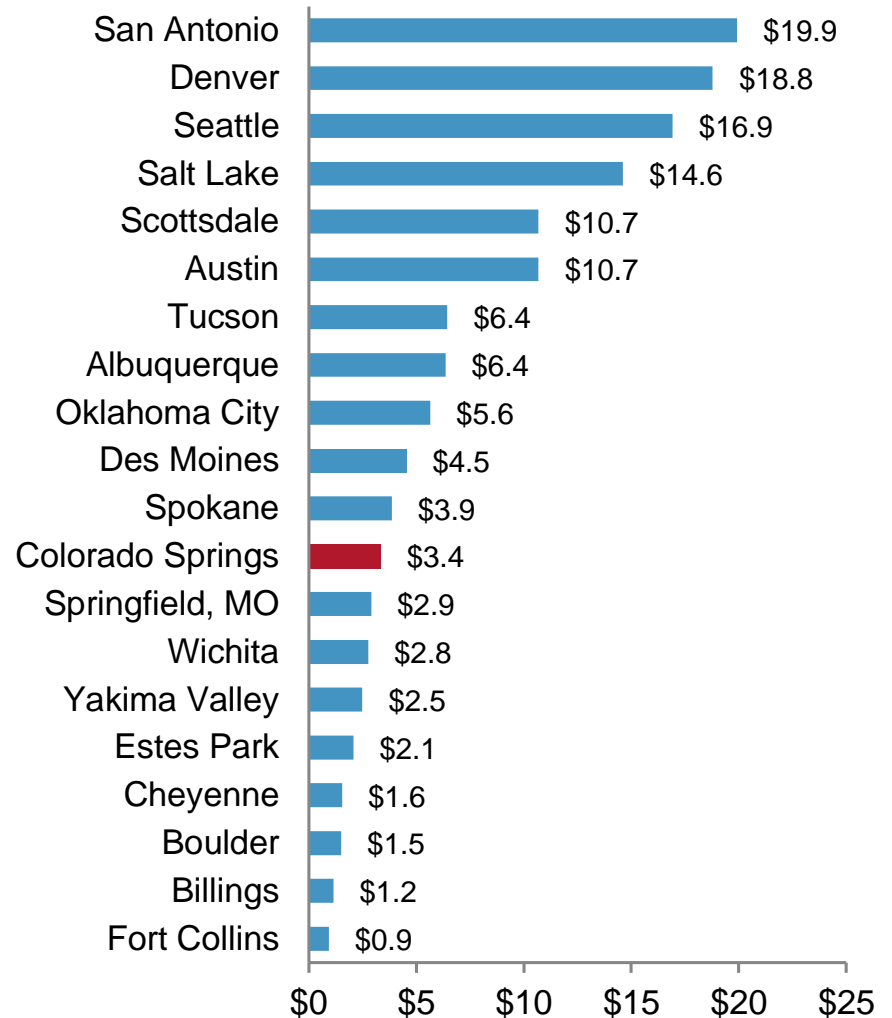
Key term:

**DMO =
Destination
marketing
organization**

This is the role currently fulfilled by the Colorado Springs CVB.

DMO funding

Average annual funding, in millions

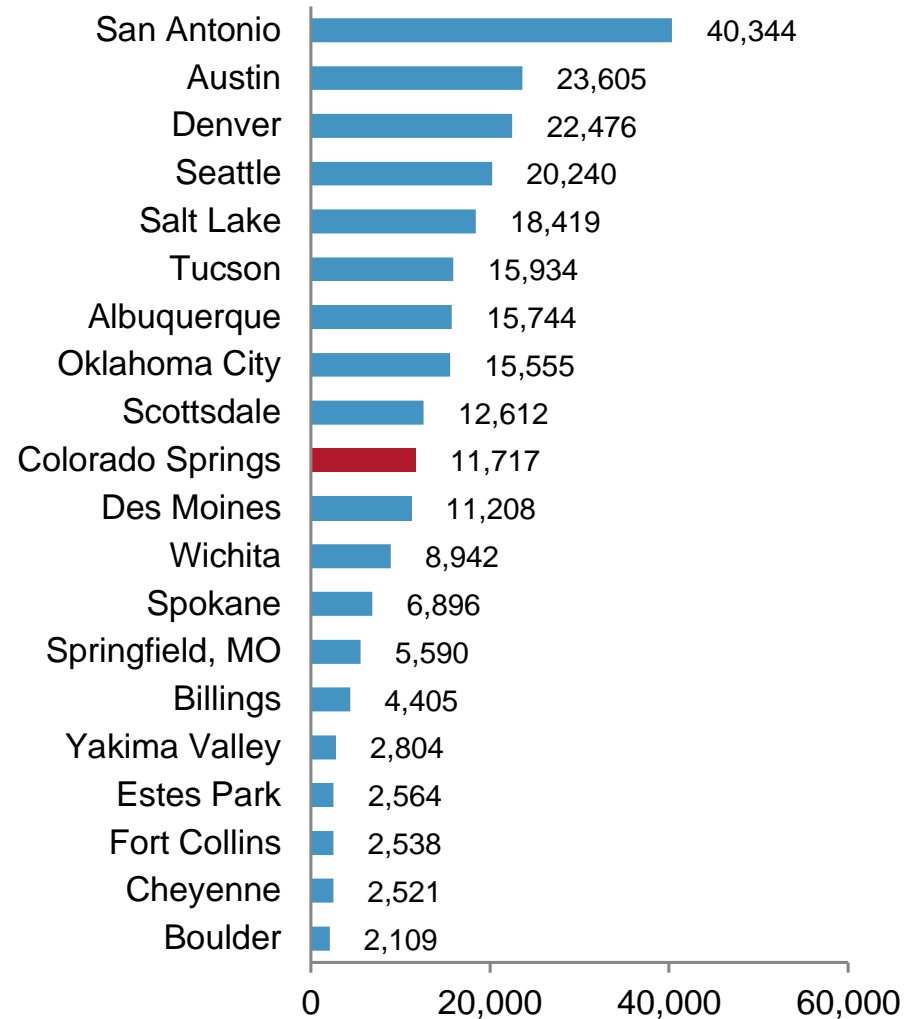


Source: DMAI; Tourism Economics

Regional Benchmarking

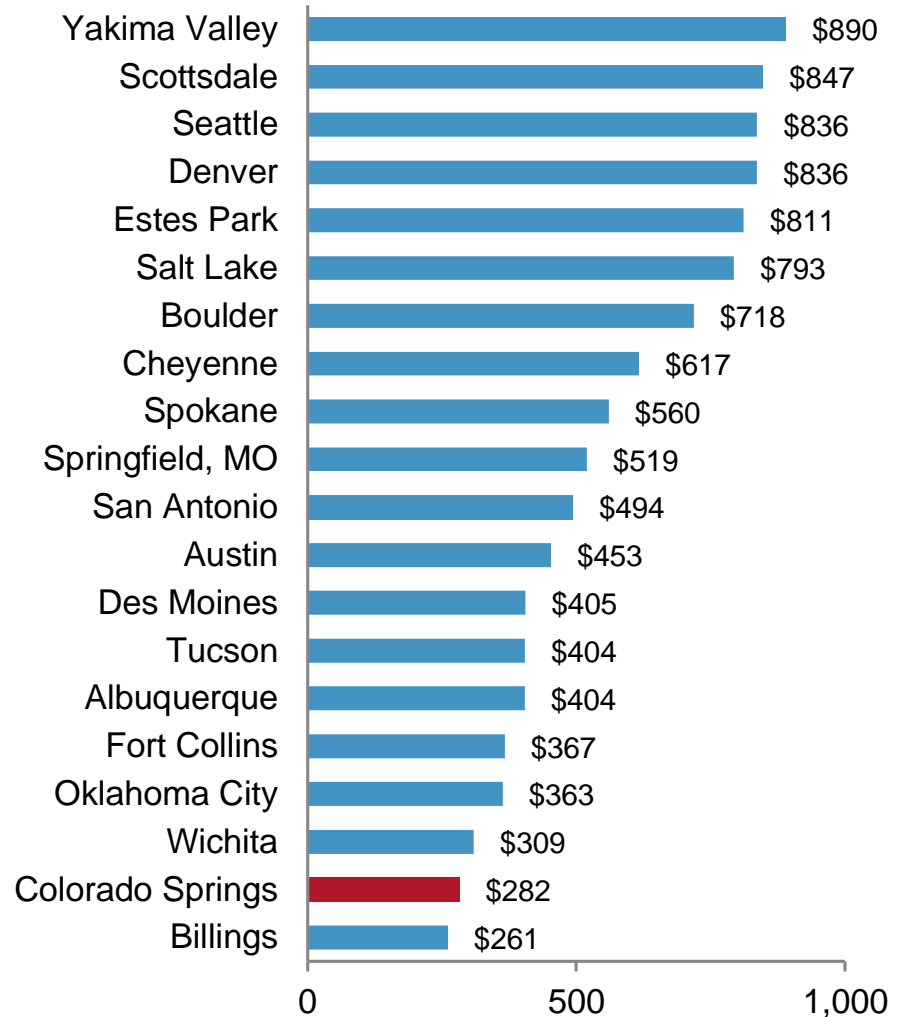
Hotel rooms

Hotels in primary area for DMO



Regional Benchmarking

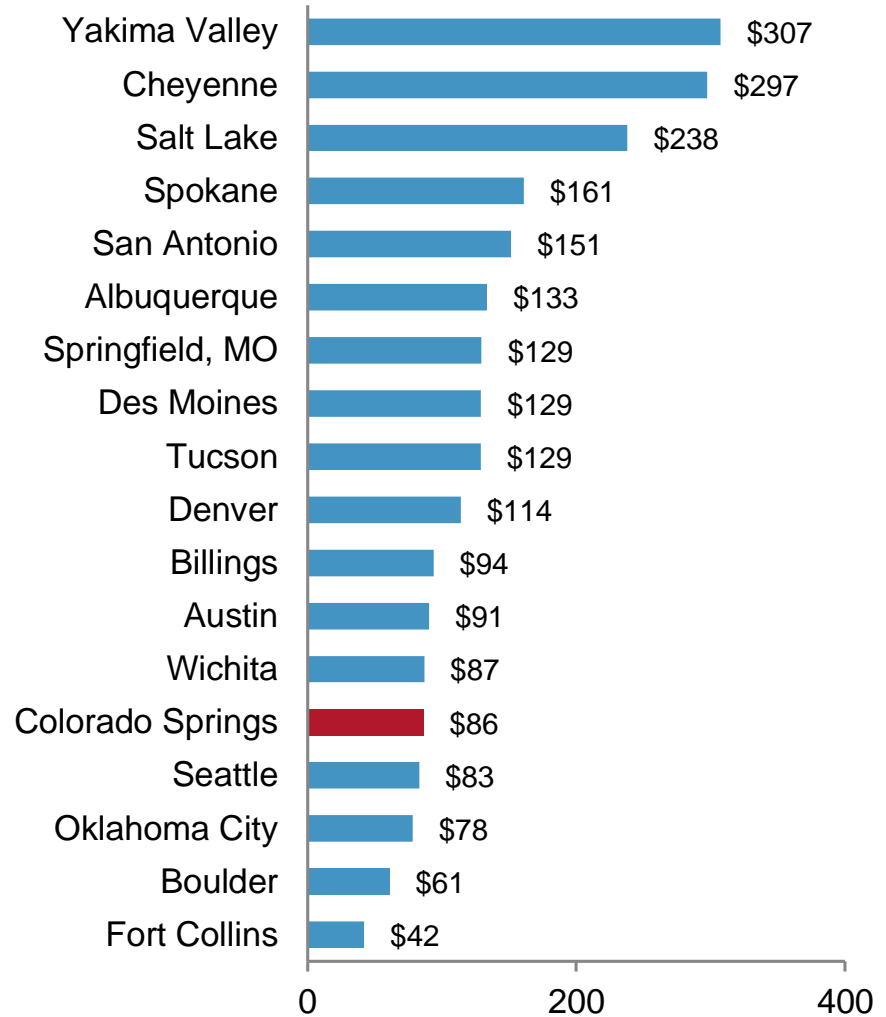
DMO funding per hotel room Annual average funding



Regional Benchmarking

DMO funding per job

Annual average DMO funding as a ratio to leisure and hospitality employment in MSA



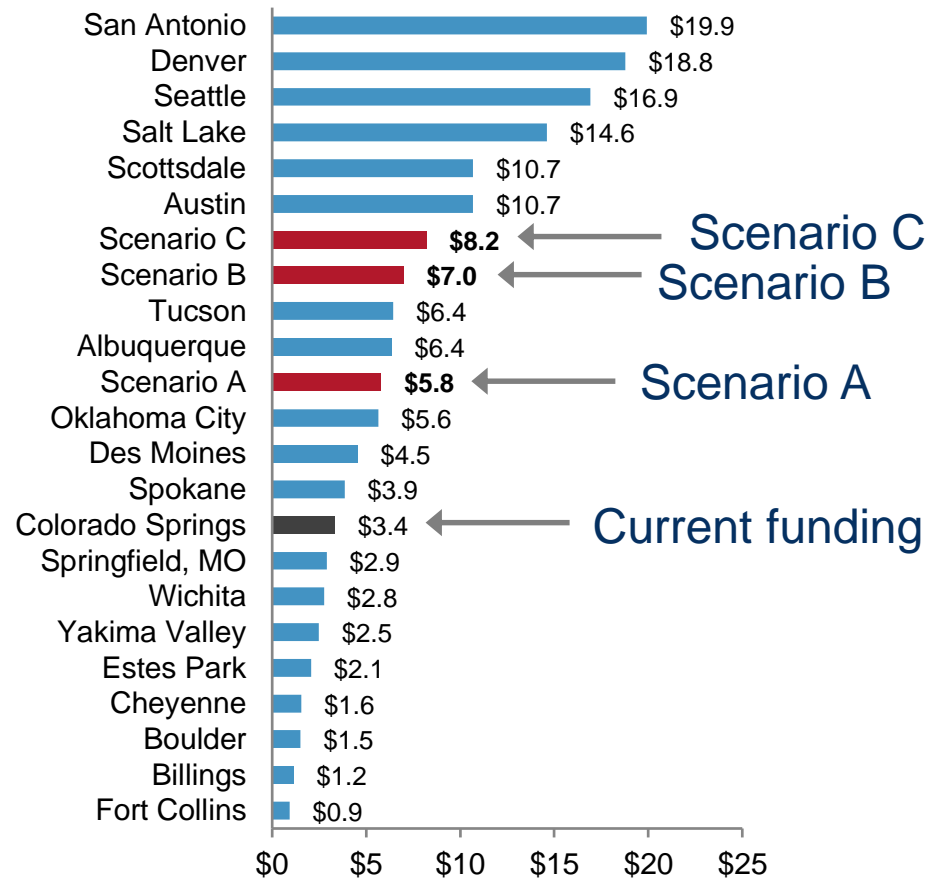
Funding Scenarios

	Current Colorado Springs CVB budget	Optimal DMO Funding for Pikes Peak Region
Annual funding for destination marketing (i.e. total CVB budget)	\$3.4 million	Scenario A: \$5.8 million Scenario B: \$7.0 million Scenario C: \$8.2 million

Funding Benchmarks

DMO funding

Annual average funding, in millions

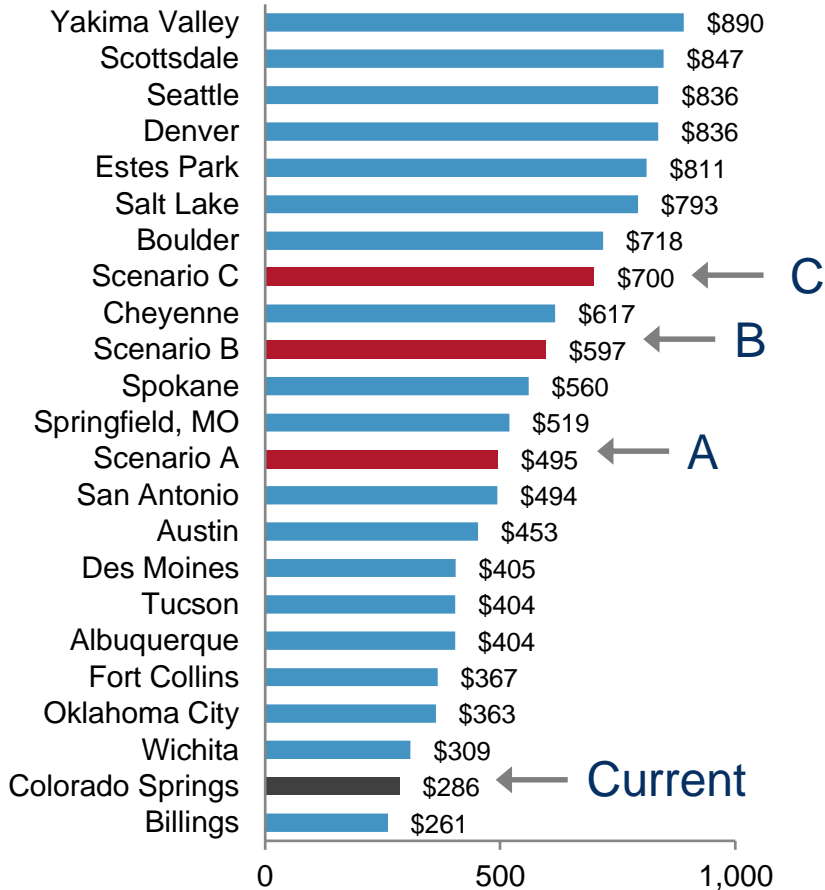


Source: DMAI; Tourism Economics

Funding Benchmarks

DMO funding per hotel room

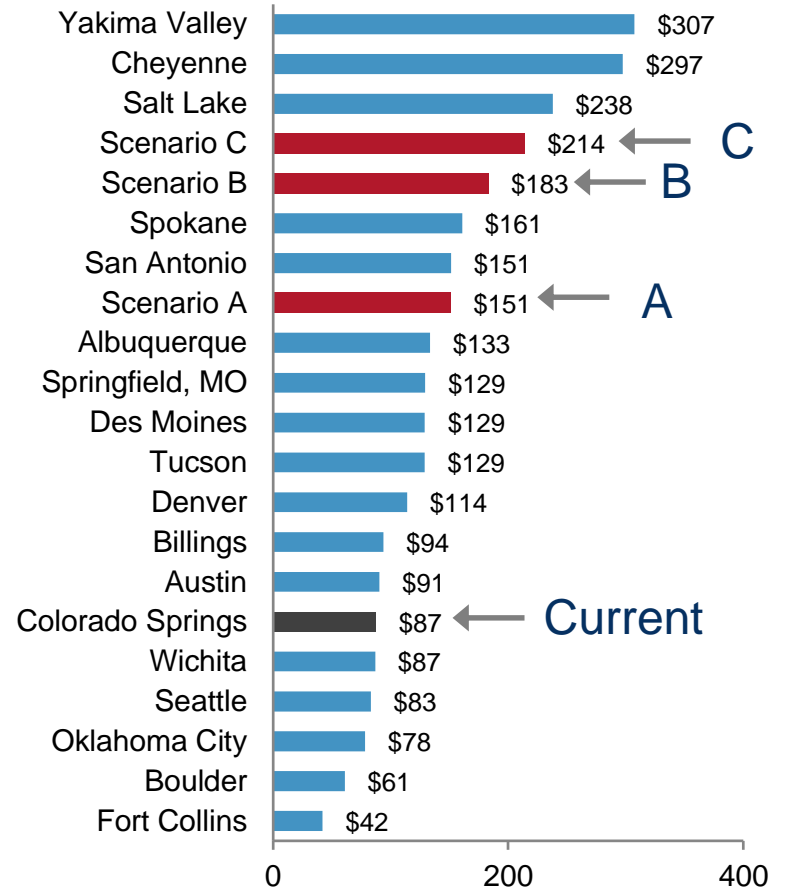
Annual average funding



Source: STR; DMAI; Tourism Economics

DMO funding per job

Annual average DMO funding as a ratio to leisure and hospitality employment in MSA



Source: Bureau of Economic Analysis; DMAI; Tourism Economics

Funding Mechanisms

Alternative 1: Expand LART

Increase existing Colorado Springs LART, and expand to include attractions

- Increase LART tax rate (e.g. 4.0%)
- Expand tax to attractions
- Specifically dedicate 2/3 share to DMO
- Multi-year DMO contract

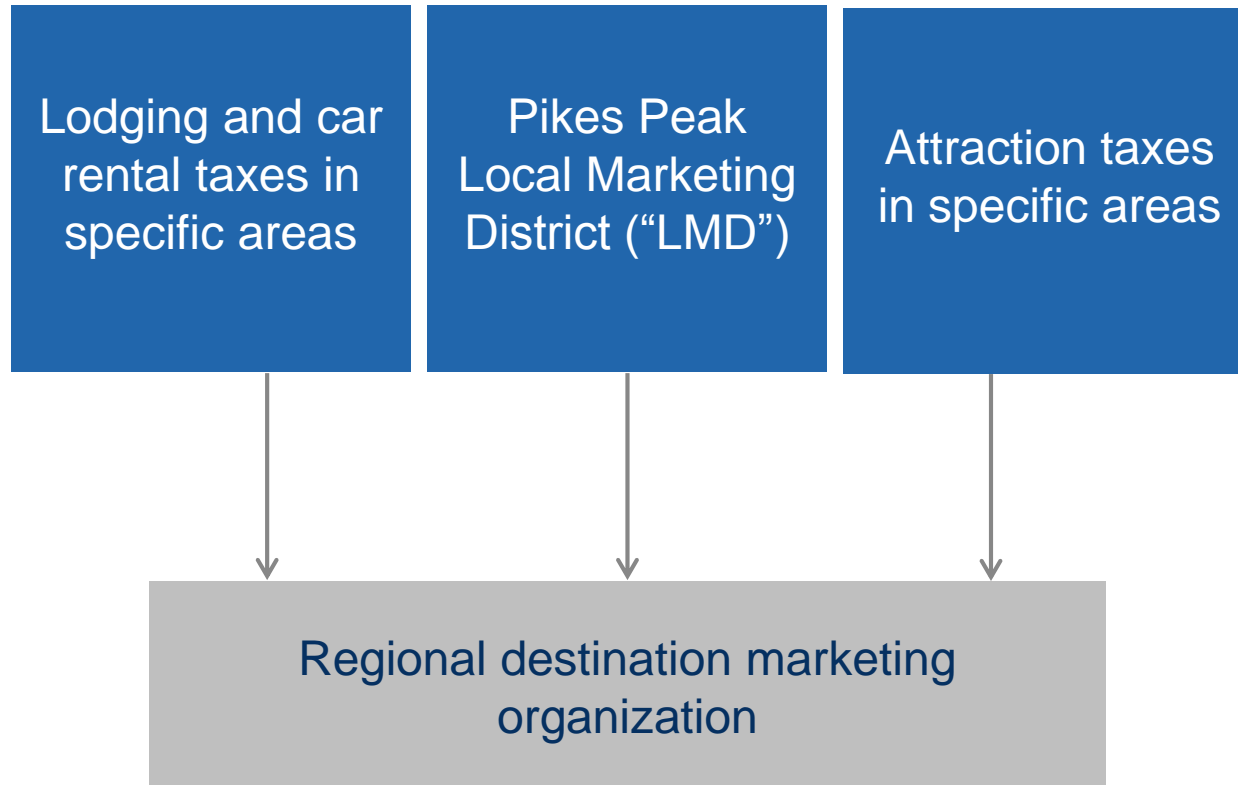
Alternative 2: Create LMD

Establish a local marketing district (“LMD”) and implement local taxes on rental cars and attractions

In addition to Alternative 1:

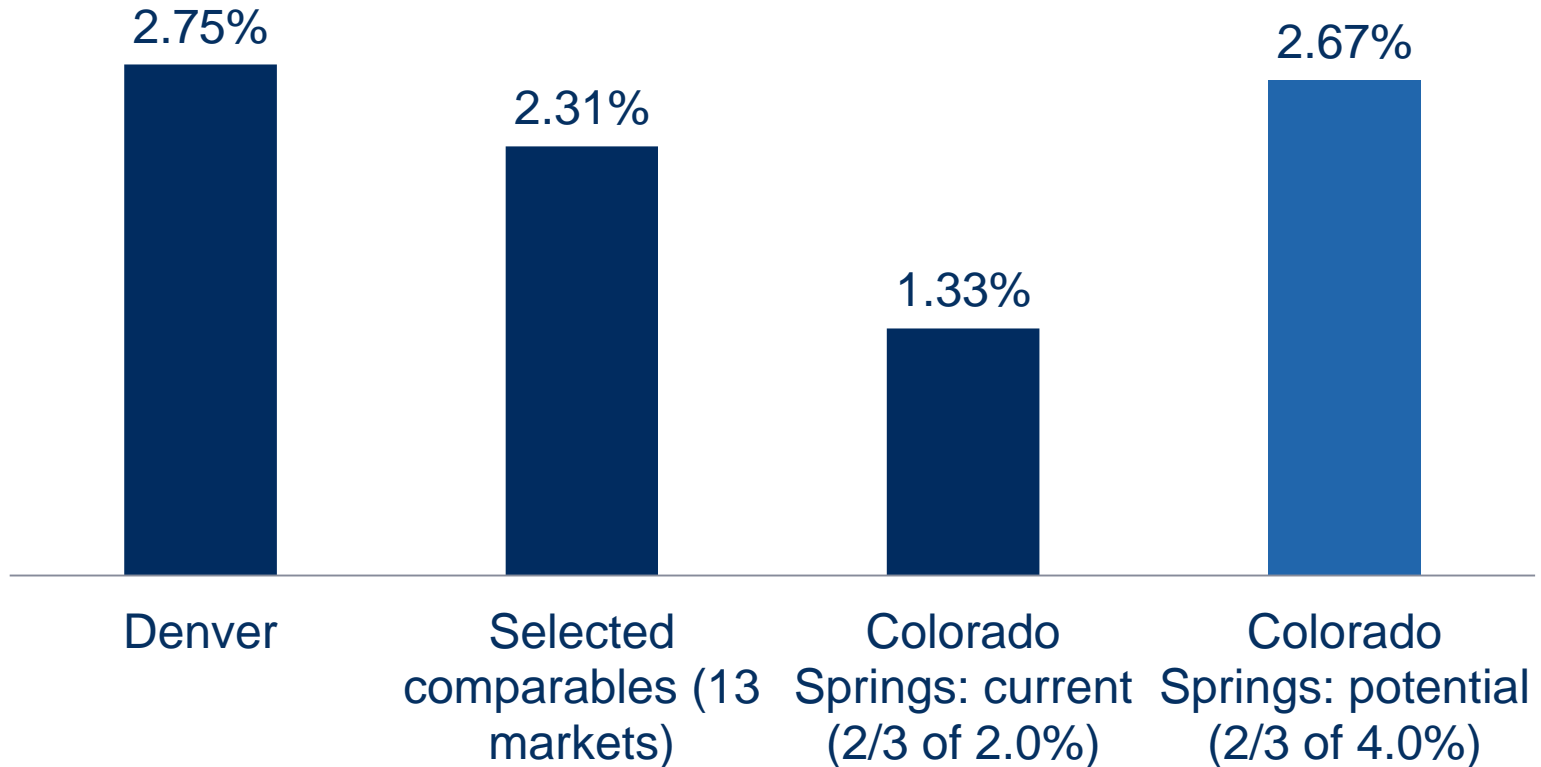
- Create LMD including selected areas of the Pikes Peak Region

Hypothetical Structure



Lodging tax share for DMO

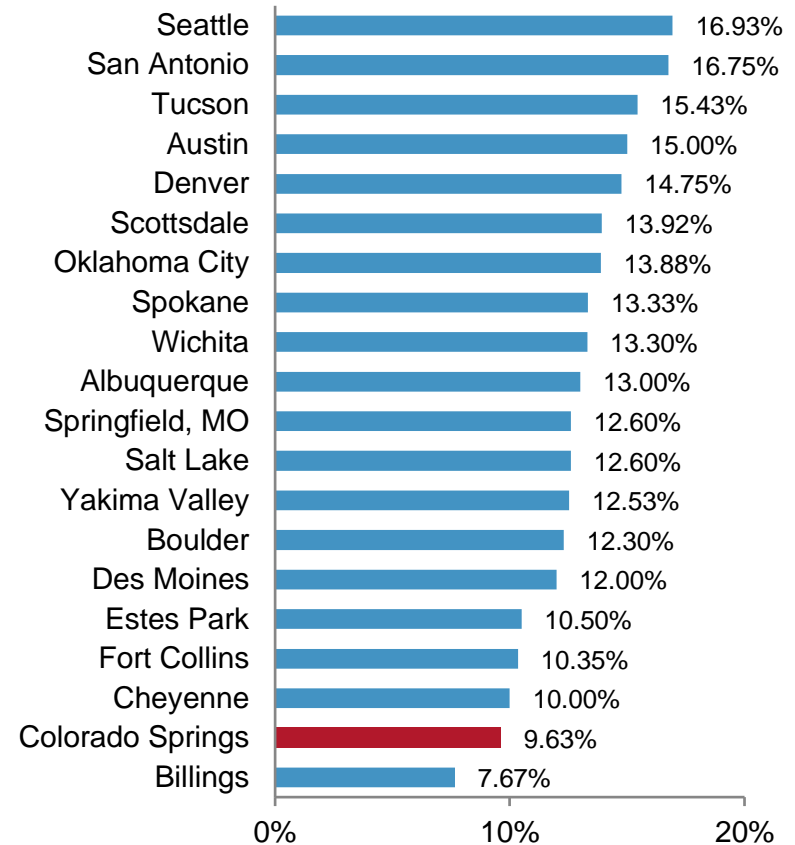
Percentage points of lodging tax contributed to DMO



Source: Tourism Economics

Lodging tax “discount”

Lodging taxes and assessments



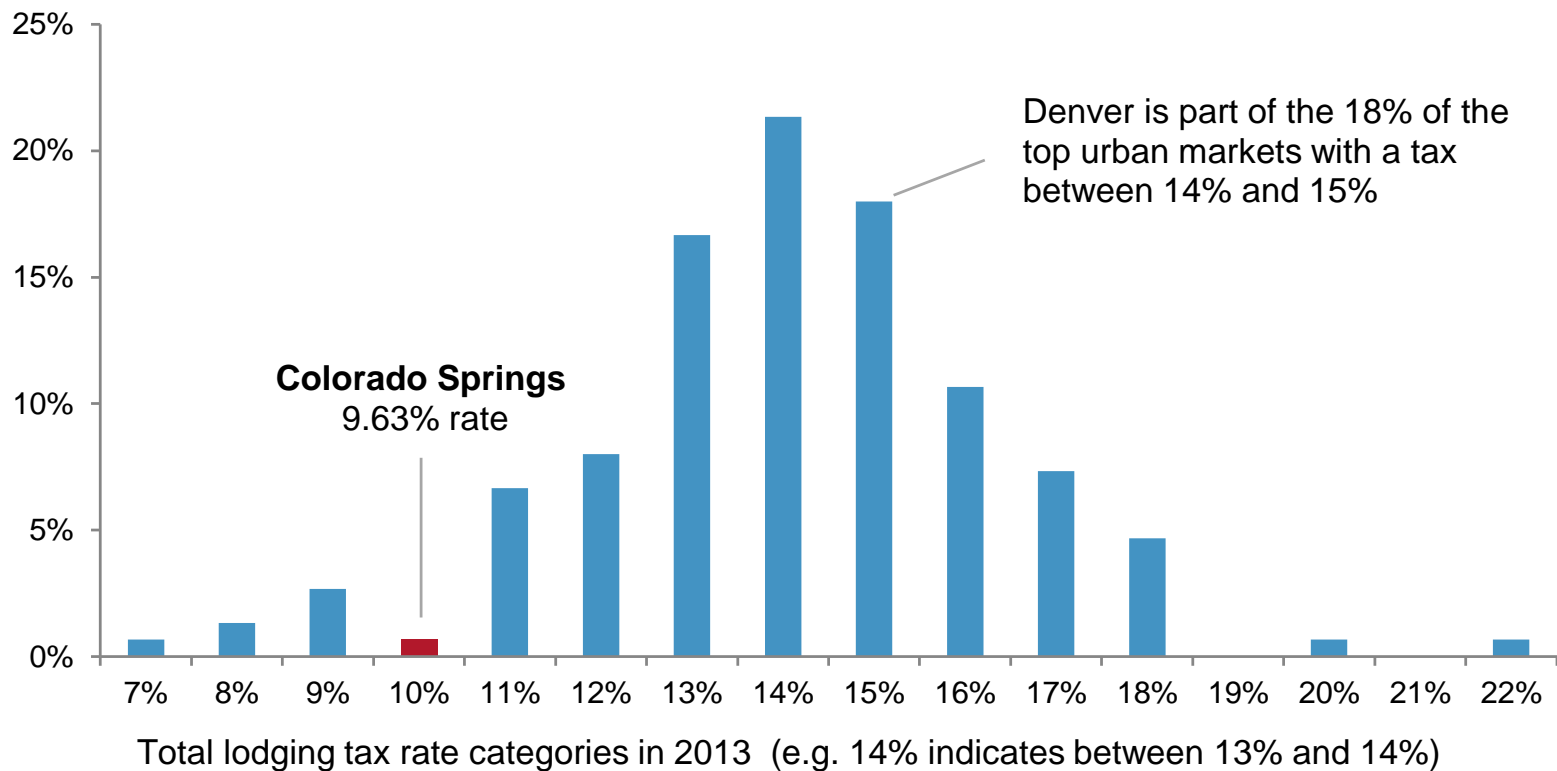
Note: Total amount of tax on lodging. Includes dollar per room assessments by assuming average room rate of \$150.

Source: DMAI; Tourism Economics

Regional Benchmarking

Lodging tax rates in top 150 US urban markets

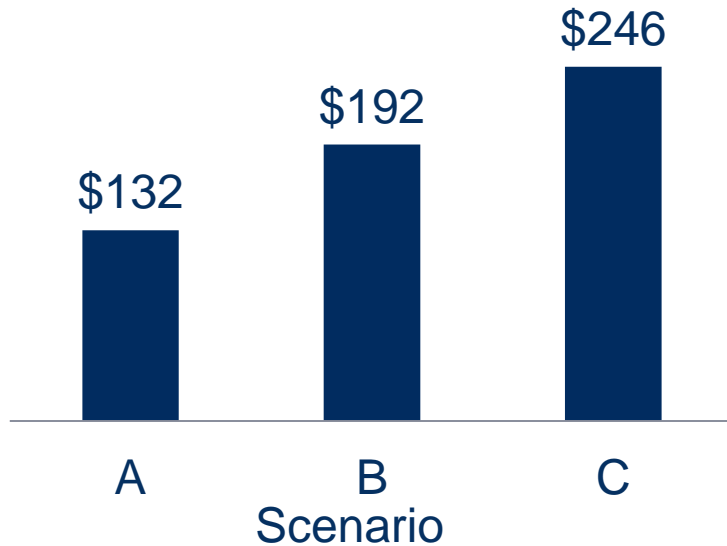
Share of markets in each rate category



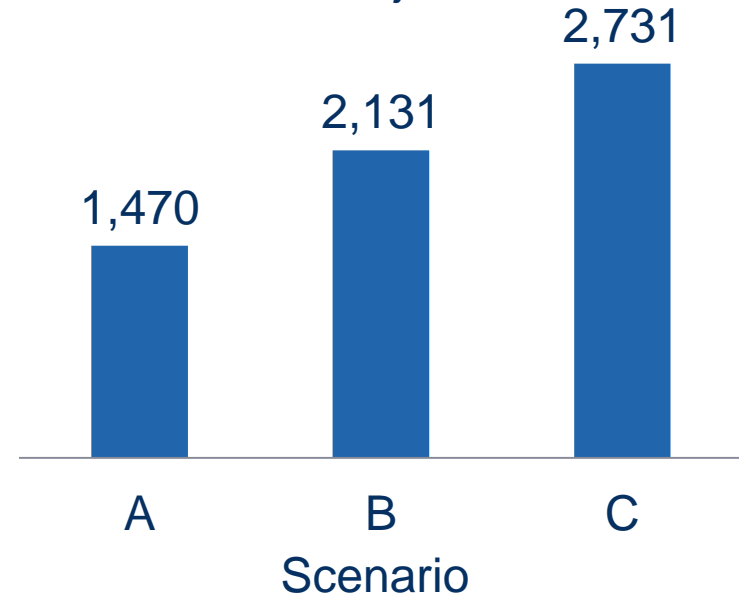
Source: HVS

Outcomes

Increase in Pikes Peak region
visitor spending (in millions)



Increase in Pikes Peak region
tourism-sector jobs



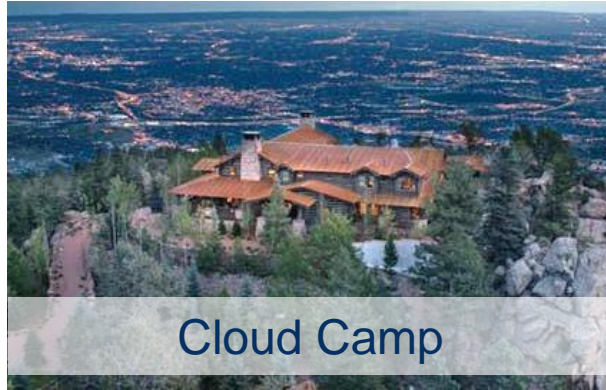
- + General fund revenues
- + Purchases at other local businesses
- Tax burden for local households

The Pikes Peak Region Investing in Tourism

The BRO^ADMOOR



Broadmoor West



Cloud Camp



Ranch at Emerald Valley



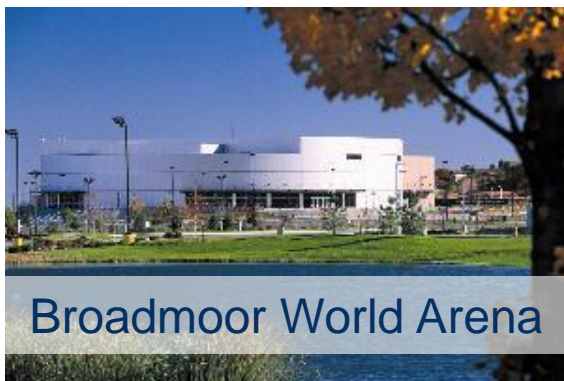
Fly Fishing School



Seven Falls Experience



Fly Fishing Camp



Broadmoor World Arena



Broadmoor Stables

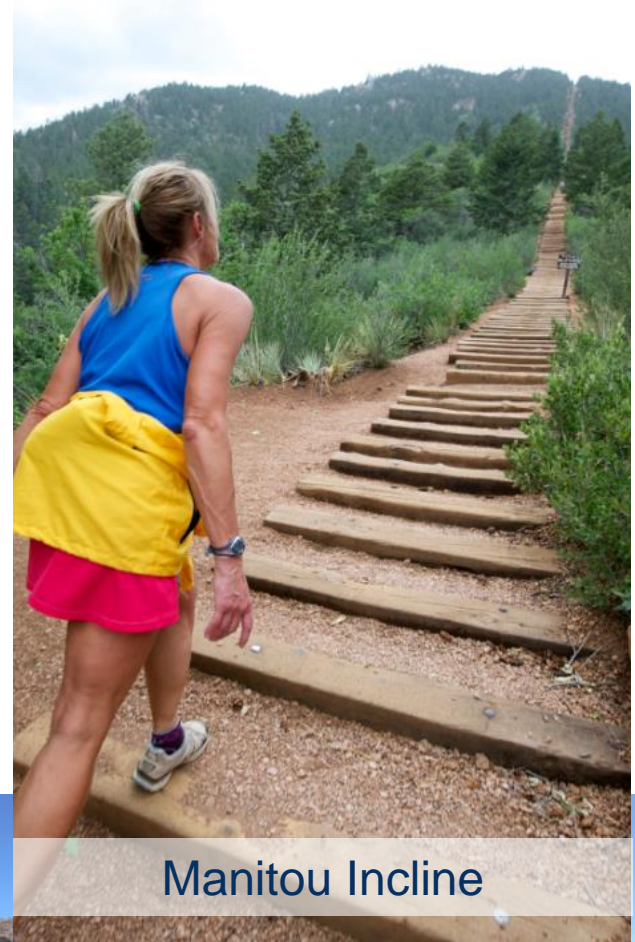


Penrose Heritage Museum

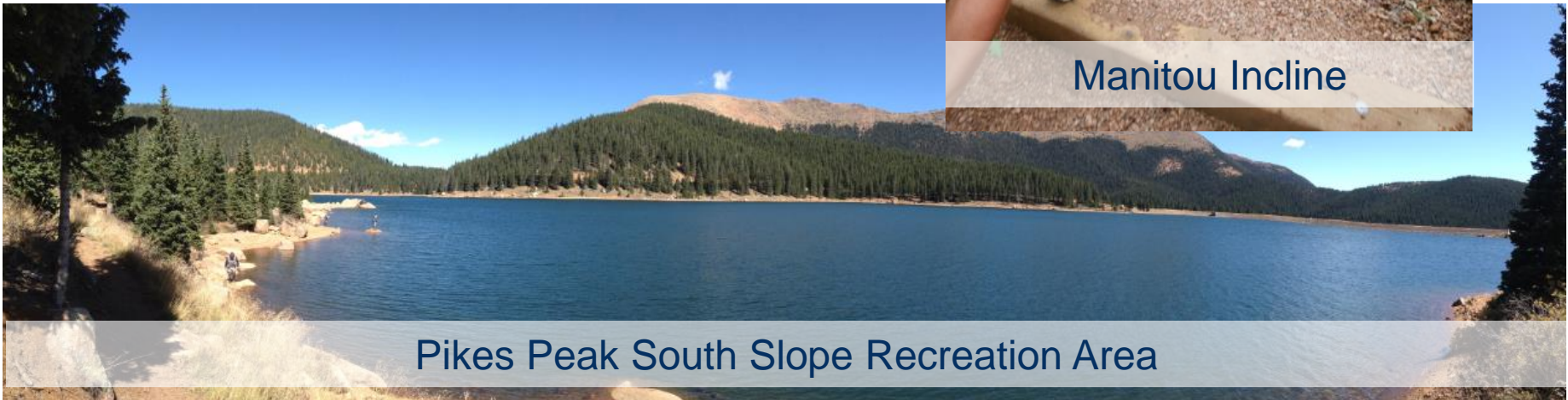
Recently Opened & Renovated



Terror-Dactyl
Cave of the Winds



Manitou Incline



Pikes Peak South Slope Recreation Area



Royal Gorge Bridge & Park



Phantom Canyon



Ivywild

Under Renovation & Planned



**UNITED STATES
OLYMPIC MUSEUM**



Garden of the Gods Visitor & Nature Center



Pikes Peak Summit House



WWII Aviation Museum



Mountain Post Museum



UCCS Sports Medicine & Performance Center



Children's Museum



North End Hotel and Water Park



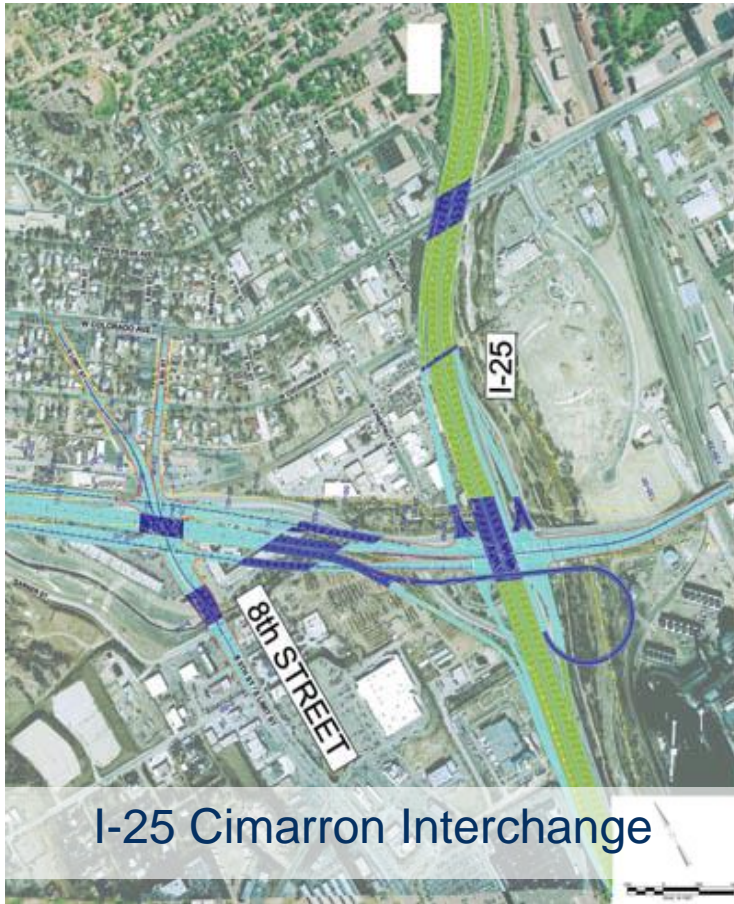
USAFA Gateway Visitor Center



Colorado Sports & Event Center



Over the River Art Project



I-25 Cimarron Interchange



Colorado Springs Public Market



Colorado Springs Science Center

Total Investments

\$640,700,000

“If you build it, they will come” does not apply to the travel industry.

Marketing is essential for sustained success.



Uses of Additional Funds

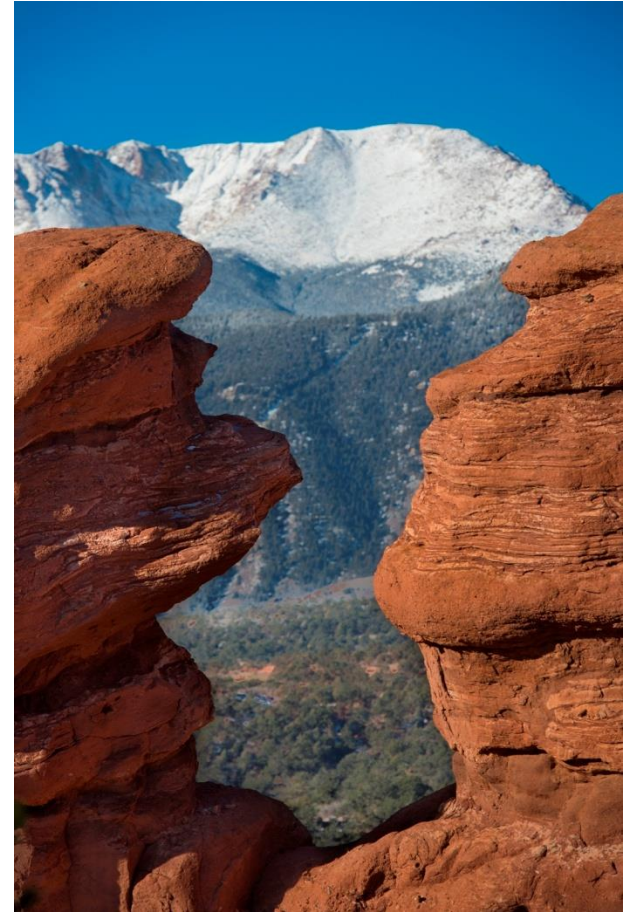


TV Advertising

Print Ads in National Publications



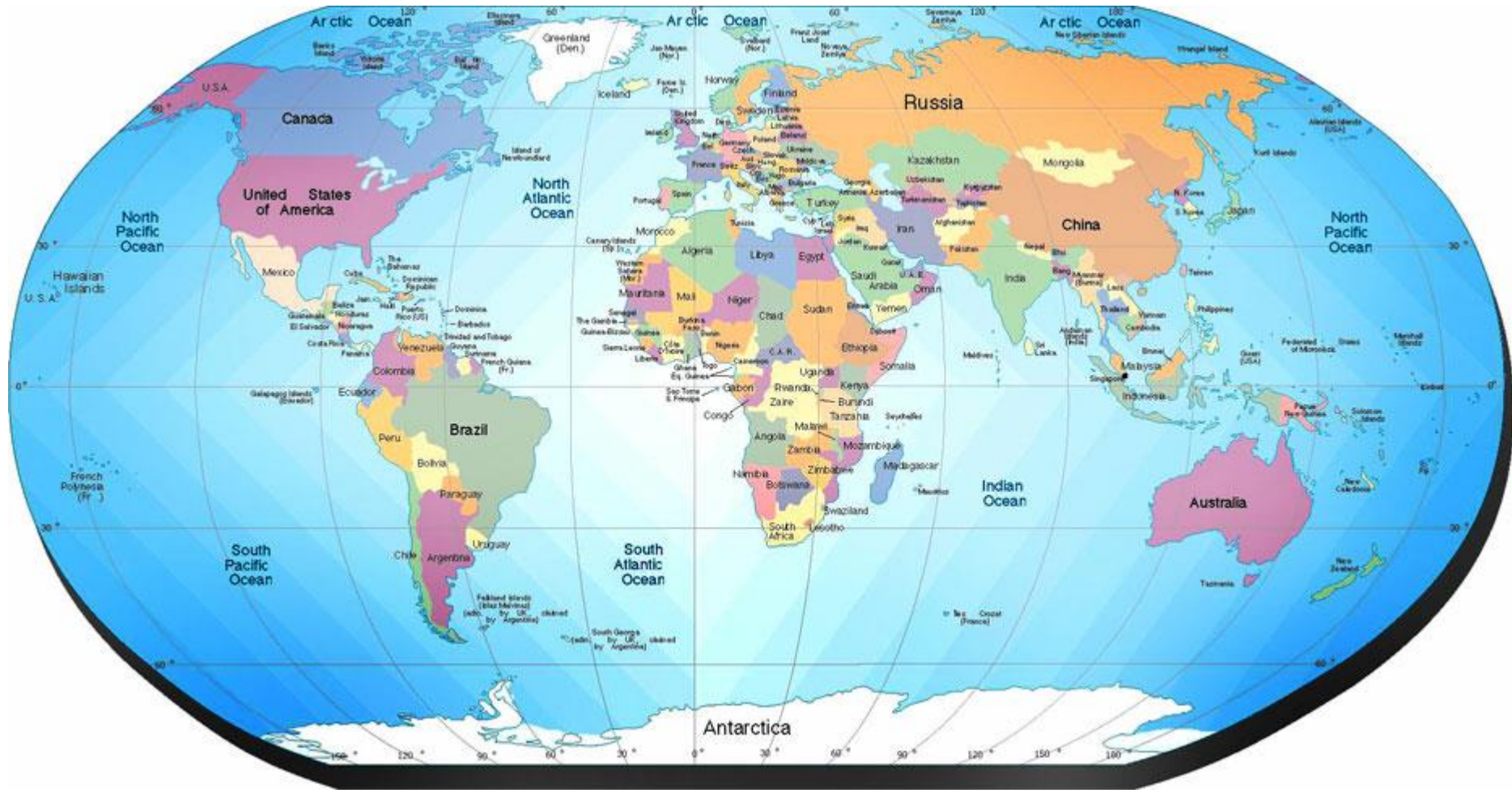
Shoulder & Off-Season Marketing



Expand U.S. Geographic Reach



Expand International Reach



Trade Show Presence



OCTOBER 13-15, 2015
LAS VEGAS

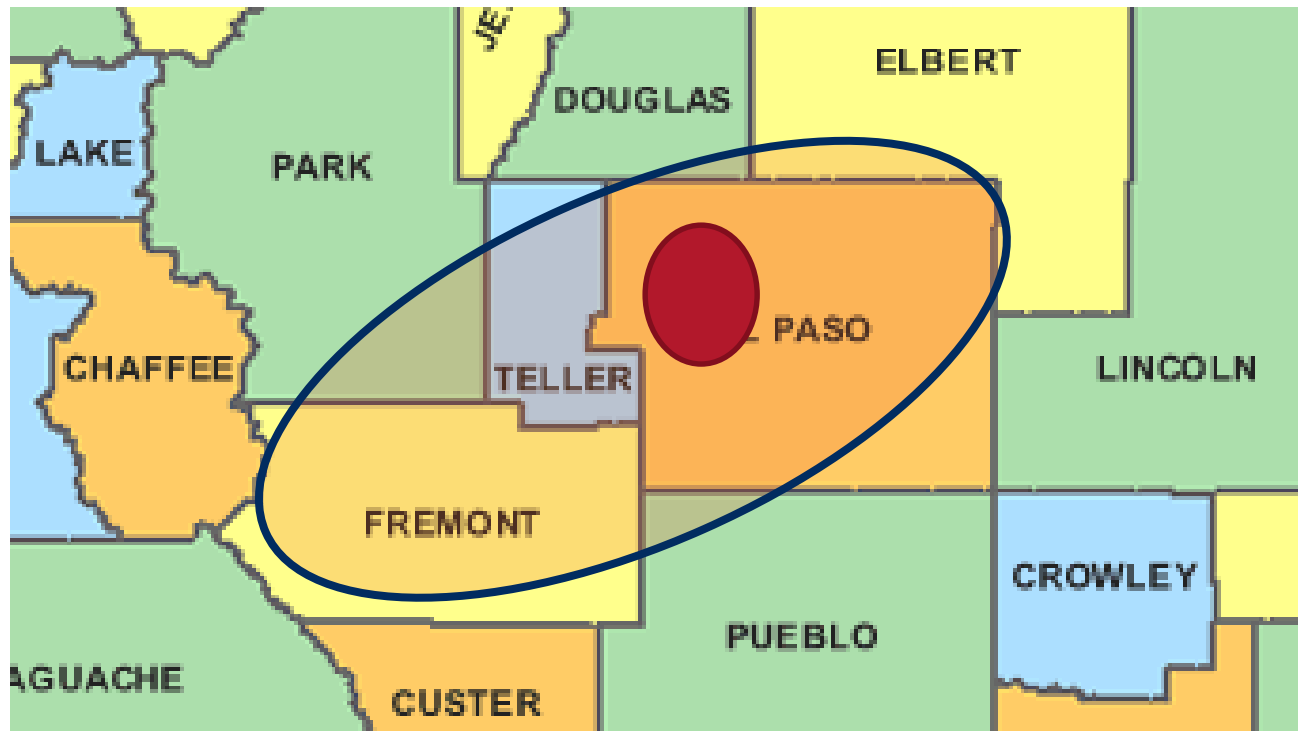


AMERICAN BUS ASSOCIATION

Representing the motorcoach, tour and travel industry

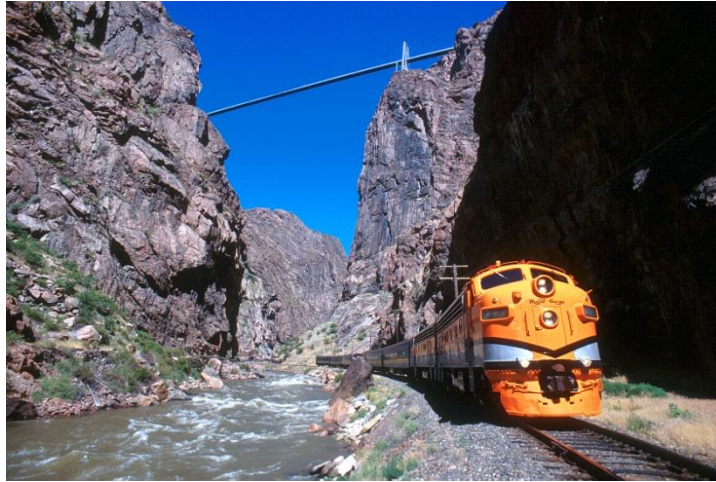


Pikes Peak Region

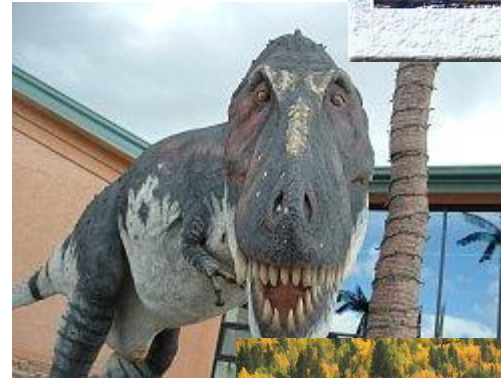
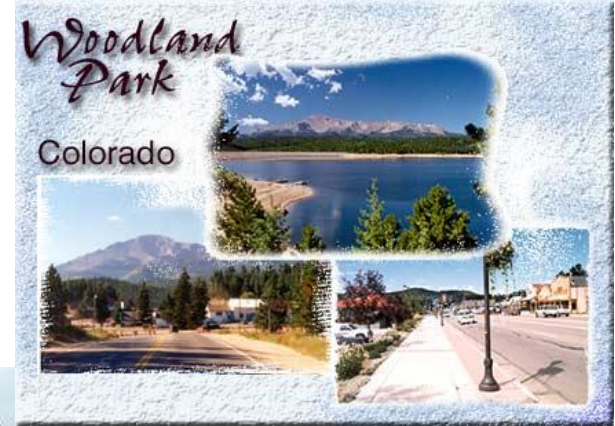


The CVB markets the entire region, but 95% of funding comes from within the boundaries of the City of Colorado Springs.



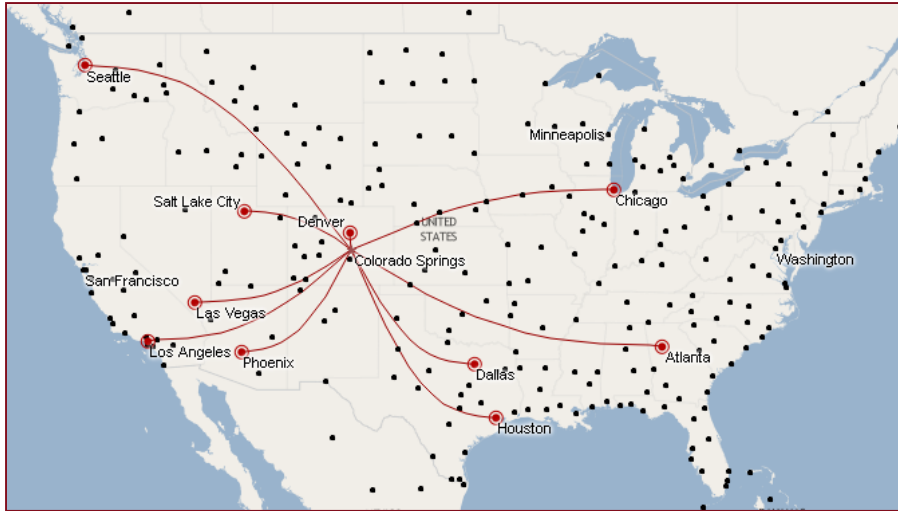
River Communities




Mountain Communities





COS Airport










DIRECT FLIGHTS TO
BIG MOMENTS
Daily Non-Stop Flights from
Seattle to Colorado Springs



START PLANNING TODAY



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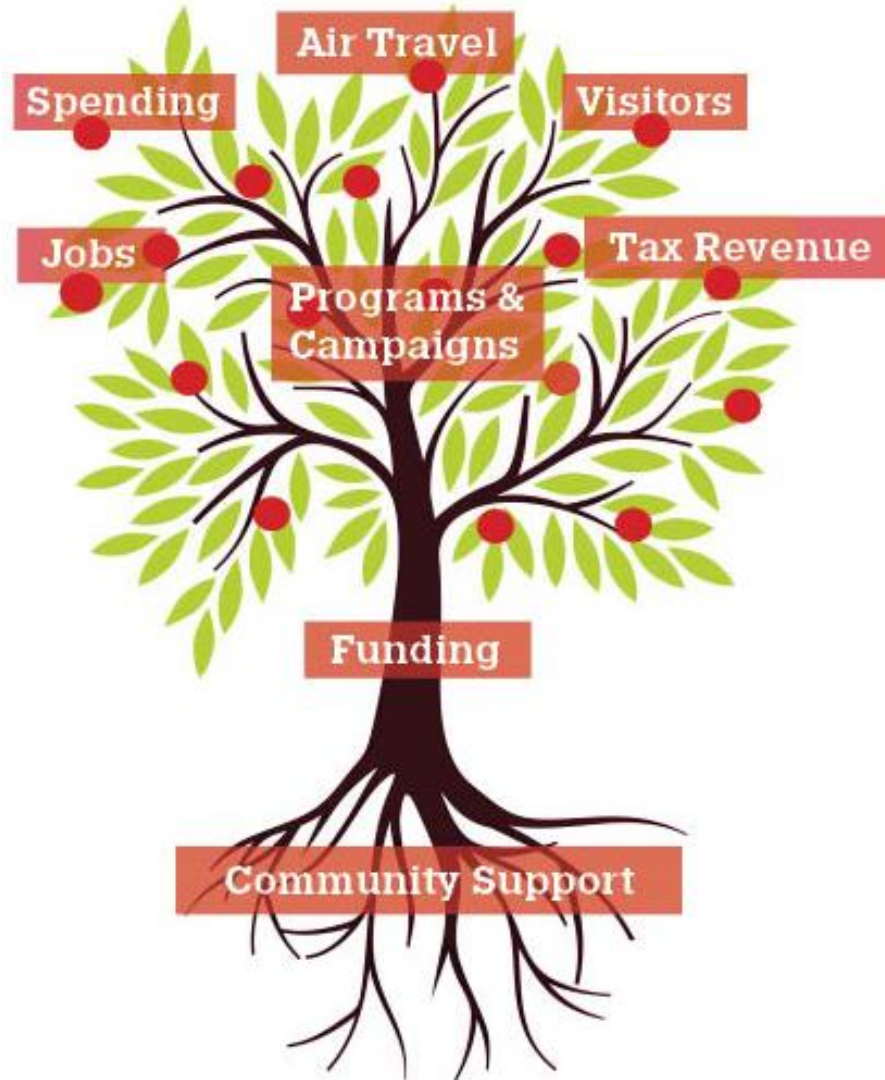
City-Funded Events



Full Report

[VisitCOS.com/TourismFundingAnalysis](https://www.visitcos.com/TourismFundingAnalysis)

Tourism Growth Model



Annual Economic Impact of Tourism Colorado Springs & the Pikes Peak Region



\$187,922,704.75

Date: March 10, 2015

Time: 9:00 AM

In just one hour, the tourism industry has taken in \$154,800.

What's In it for Us?

- More vibrant economy
- More jobs
- Lower tax burden on citizens
- Improved air service
- Improved infrastructure
- Better quality of life

Key Stakeholders

- Hotels / Pikes Peak Lodging Association
- Attractions / Pikes Peak Country Attractions Association
- Restaurants / Colorado Restaurant Association – PP Chapter
- Arts Industry / Cultural Office of the Pikes Peak Region (COPPeR)
- State, regional & city parks
- El Paso County
 - Colorado Springs & Old Colorado City
 - Manitou Springs & Green Mountain Falls
 - Monument & Tri-Lakes area
- Teller County
 - Woodland Park
 - Divide & Florissant
 - Cripple Creek & Victor
- Fremont County
 - Cañon City
 - Royal Gorge Region
- Elected Officials – Cities & Counties
- LART Committee
- Regional workforce & Pikes Peak Workforce Center
- Voters

Next Steps

Sustained Vitality

Funding Solutions

Public Votes

Plan
Development

Industry & Community
Conversations



Colorado Springs Destination Marketing Funding Analysis and Recommendations



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ECONOMICS₆₈

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