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# Tourism 2020: Findings and Recommendations for the City of Fredericksburg VA

ZEITGEIST CONSULTING

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# Table of Contents

<b>THE ASSIGNMENT</b>	<b>1</b>
<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>SITUATIONAL ANALYSIS</b>	<b>5</b>
<b>DESTINATION MARKETING IN AMERICA IN 2020</b>	<b>11</b>
<b>FINDINGS</b>	<b>15</b>
<b>RECOMMENDATIONS / ACTION PLAN</b>	<b>23</b>
<b>CONCLUSION</b>	<b>34</b>
<b>PLAN OF ACTION</b>	<b>37</b>
<b>APPENDIX: 2017 Tourism Advisory Council Report</b>	<b>38</b>



# The Assignment

In late 2016, City of Fredericksburg staff organized a public forum to discuss regional tourism. The following year, the Fredericksburg Regional Tourism Partnership (FRTTP) convened a group of regional tourism stakeholders (called the Tourism Advisory Council) to review the region's tourism efforts. Among its recommendations was to "examine the regional structure and assets and make recommendations based on national-level industry knowledge."

Following the report (found as an appendix to this document on page 38), which also urged Fredericksburg and the Counties of Spotsylvania and Stafford to commit to a more aggressive regional approach to Tourism marketing, the City of Fredericksburg issued a Request for Proposal (RFP) to firms experienced in advising communities on appropriate organizational structures and funding mechanisms for Destination Marketing Organizations (DMOs), also known as Convention & Visitor Bureaus or Local Tourism Offices. DMOproz was selected to conduct an analysis of the efficacy of its investment into Destination Marketing.

The City communicated to DMOproz that it expected the consultancy to propose an approach to tourism management and marketing that best suits the City's desire to capture a larger share of the Commonwealth of Virginia's growing tourism-related spending. Specifically, they asked DMOproz to evaluate and offer recommendations on the following key questions:

*A. Factoring in the economic impact that tourism provides, is the City dedicating appropriate resources (staffing, budgetary, etc.) to its tourism operation? And, is it doing so in a way that gives due attention to heritage tourism, while maximizing sports/arts/eco/foodie-related/outdoor recreation tourism efforts? Are the existing tourism-related staff roles/workloads appropriate? If additional tourism-related personnel are added, what are the key professional qualifications and skills required to enhance the region's/City's tourism program?*

*B. Is the bifurcated approach to tourism working well, or should the City consider focusing all of its efforts/resources solely on the City?*

*C. Should the City's tourism and economic development operation be under one department, or should they be separated?*

*D. Should the City consider privatizing its tourism operation through a Convention and Visitors Bureau structure, or should this function remain under the governmental umbrella?*

Readers of this document should at all times keep in mind that these findings and recommendations are provided as a response to a request for guidance from the City of Fredericksburg. As such, the majority of our work and recommendations will be Fredericksburg-centric. This in no way is meant to be dismissive of the attractions and assets of Stafford and Spotsylvania Counties, of which there are many. However, this report focuses on how the City should address enhancing its Visitor Economy in the years ahead.

# TOURISM DEVELOPMENT IN FREDERICKSBURG

  
**1991**  
Fredericksburg enacts a Hotel & Lodging Occupancy Tax



  
**1994**  
Fredericksburg Regional Tourism Partnership (FRTTP) is first formed.



  
**2005**  
FRTTP is formalized by a Memorandum of Understanding between Fredericksburg and the Counties of Spotsylvania & Stafford.



  
**2016**  
Over 100 attend a Regional Tourism Forum with Tourism experts from around Virginia.



  
**SPRING 17**  
Tourism Advisory Council formed to study Regional Tourism Efforts.



  
**NOV 17**  
Tourism Advisory Council recommends engaging a consultant to guide regional vision and strategy development.



  
**DEC 18**  
City of Fredericksburg issues RFP for a study to help create a top-tier tourism effort.



  
**MAR 19**  
City contracts with DMOProz to perform the Tourism Study.



  
**JUN 19**  
DMOProz travels to Fredericksburg for the Stakeholder interviews & Focus Group portion of the study.



  
**SEP 19**  
DMOProz unveils draft recommendations at a City Council Work Session.



**1991**  
**2019**

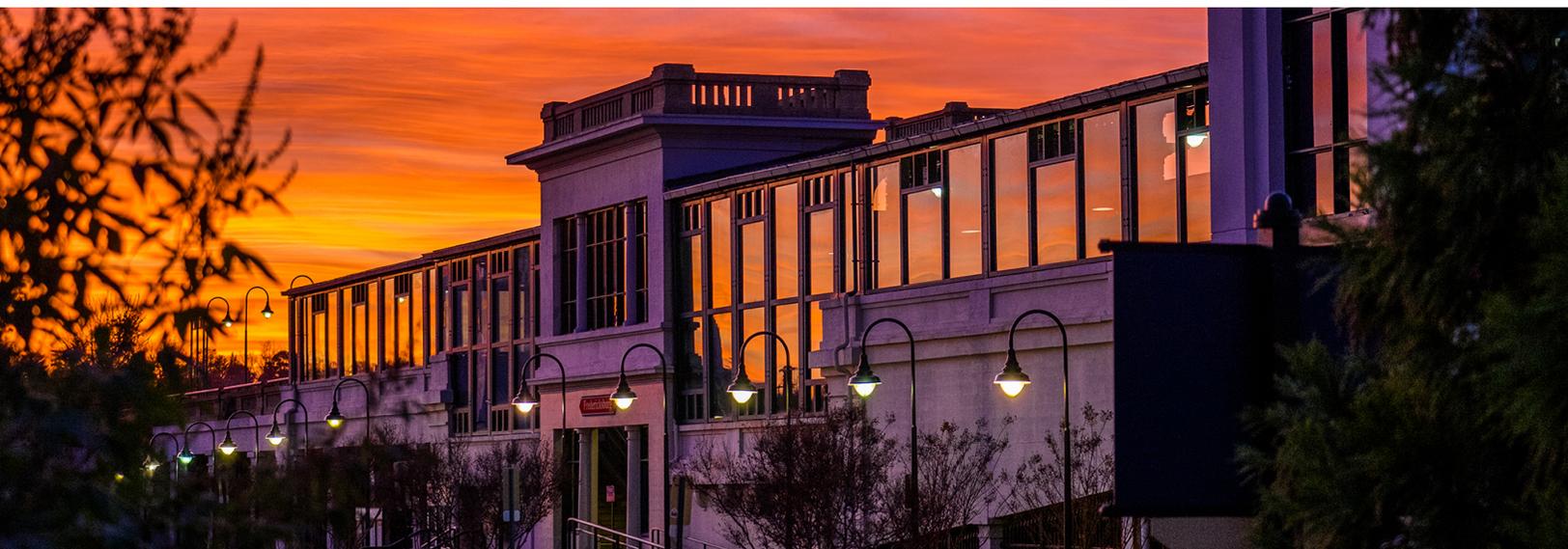
# Executive Summary

During the Spring of 2017, a committee of area residents and stakeholders was formed to study how the region was marketing itself to potential visitors and event clients. The work of the committee culminated in a recommendation that a consultant be engaged to review its findings and do an even deeper dive, from an outside perspective, into how the region could be more successful in building its Visitor Economy.

DMOproz is a nationally recognized firm that, for over 20 years, has been advising Destination Marketing Organizations (and the communities they serve) on this question. Through a comprehensive RFP process, DMOproz was selected in 2019 to advise the City of Fredericksburg on the efficacy of its current program and ways to enhance its efforts in this arena.

## FINDINGS

- The City of Fredericksburg’s philosophical approach to Tourism promotion is in alignment with best practices found around the country: It does not recognize geo-political boundaries and, thus, offers a more compelling invitation to potential visitors by including attractions outside its borders.
- At the same time, the City’s financial investment in Destination Marketing is significantly less than that of destinations with which it competes: Williamsburg, for examples, invests eleven times what Fredericksburg does in its attempt to attract visitors and Valley Forge invests four times as much.
- The City’s investment in the regional collaboration known as the Fredericksburg Regional Tourism Partnership has provided an effective platform for joint collaboration in marketing the region as a whole and the majority of stakeholders with who we talked appreciate its past accomplishments.



## RECOMMENDATIONS

- Fredericksburg should elevate the importance of Destination Marketing in its Community Development Strategy: Combining Tourism with Economic Development offers certain synergies and cost-efficiencies, but Destination Marketing needs to be more than just a division of Economic Development if the community is to meaningfully benefit from the Visitor Economy.
- Fredericksburg should encourage its collaborators in the Fredericksburg Regional Tourism Partnership to take the effort to the next level: Solidifying the partnership into an independent, non-profit organization will enhance governance and program execution and provide a platform for significant private-sector investment. The Fredericksburg Regional Alliance could provide the umbrella organization needed for such an initiative.
- Fredericksburg should dramatically increase its investment into Destination Marketing: Today, it's much more than just "heads in beds," as Destination Marketing encourages investment, workforce development and student interest. And, Fredericksburg is being significantly out-gunned by those communities with which it competes.
- Fredericksburg has a compelling opportunity to seriously "up its game" by considering a new Visitors Center. As the role of Destination Marketing has changed, so has the role of today's Visitors Center...and the present location isn't well suited for that future.



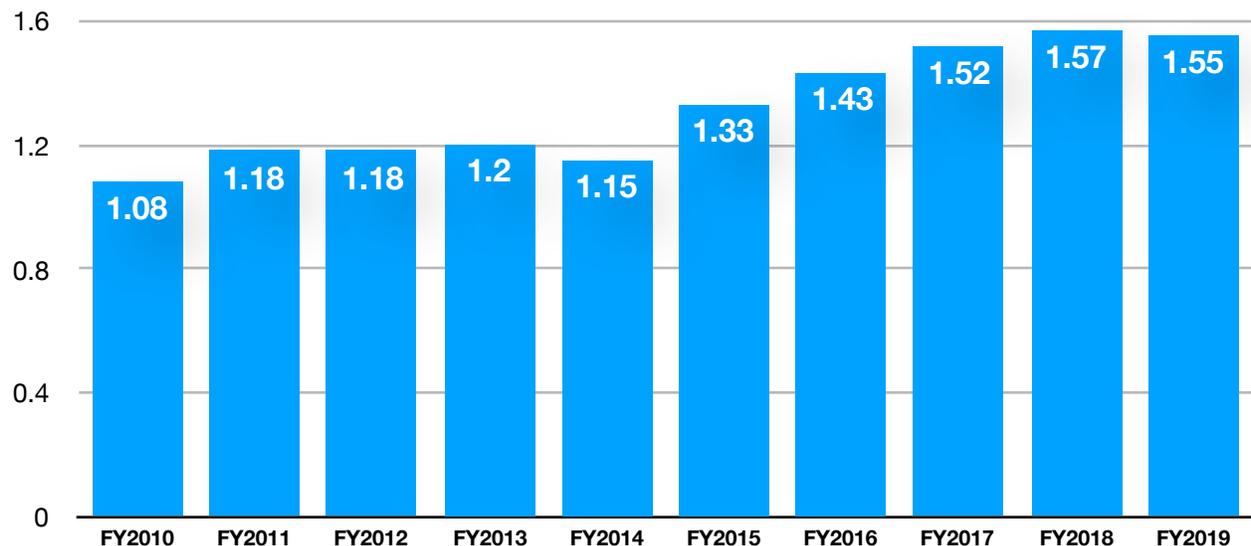
# Situational Analysis

**Fredericksburg** is a city located in the Commonwealth of Virginia. Virtually equidistant from Washington DC and Richmond VA on Interstate 95, the city's population is estimated at roughly 30,000 residents.

Founded in 1728, Fredericksburg has played a key role in the development of the nation. The city and region were the sites of four bloody battles during the Civil War that are preserved and interpreted by the National Park Service, giving the region an invaluable asset that attracts visitors from all over the world. Much of that tradition has been preserved in a 40-block downtown Historic District (which contains more than 350 buildings dating to the 18th and 19th centuries) that provides a strong sense of place so important to visitors and the local economy. The City also benefits from its strategic location halfway between Richmond and Washington DC and along the Rappahannock River.

Thus, it is not surprising that Tourism is a major part of the economy. According to the City of Fredericksburg, approximately 1.5 million people visit the area annually to enjoy its eclectic vibe, exceptional urban walkability, specialty retail shops and independent culinary offerings, heritage sites, art galleries and museums, recreational and outdoor activities and robust festival and event calendar. Tourism-related spending and the resulting lodging, sales and meals tax revenue produce significant budgetary resources for the City.

## **HOTEL OCCUPANCY TAXES GENERATED (in millions of dollars) City of Fredericksburg (FY2010 - FY2019)**



Source: City of Fredericksburg

Over the past ten years, Hotel Occupancy Tax revenues have increased by over 47%, according to records provided by the City of Fredericksburg. And, over the past 5 years of available Visitor Expenditure reports (CY2013 - CY 2017), Visitor Spending in the City of Fredericksburg has increased 19.5% as compared to the destination represented by the Fredericksburg Regional Tourism Partnership (15.2%), and the Commonwealth of Virginia (13.3%).<sup>1</sup>

Nearby points of interest include the Ferry Farm historic site across the Rappahannock River in Stafford County where George Washington spent his boyhood. The historic community of Falmouth lies across the Rappahannock to the north and includes the historic house Belmont, home of American Impressionist artist Gari Melchers. The region is home to four Civil War battlefields that were significant in their strategic importance to both sides in the conflict. In 2017, visitors to the City of Fredericksburg spent an estimated \$186 million, and a total of \$612 million in Fredericksburg, Spotsylvania County and Stafford combined. This spending supported over 6,250 jobs in the region.<sup>2</sup>

New tourism assets on the horizon include the now under-construction Minor League Stadium next to the existing 120,000 sq. ft. Expo Center, which should open up a number of synergistic opportunities. In addition to the attendance generated from the 183 event-days (games, concerts, etc.) promised by the Stadium, video, scoreboard and program advertising for Fredericksburg by the Stadium could provide as much as \$400,000 of promotional value to the City.

A roller-hockey rink is currently being built, in partnership with Washington Capitals. The long-awaited Downtown Riverfront Park is coming online along with improvements to the city's trail system (VCR Trail, Rappahannock River Heritage Trail, Chatham Bridge rebuild with 10-foot separated multi-use trail). The community is also hosting more and more festivals and events; 274 special events (those requiring a permit) were staged in 2018.

<sup>1</sup> Virginia Tourism Corporation

<sup>2</sup> Virginia Tourism Corporation

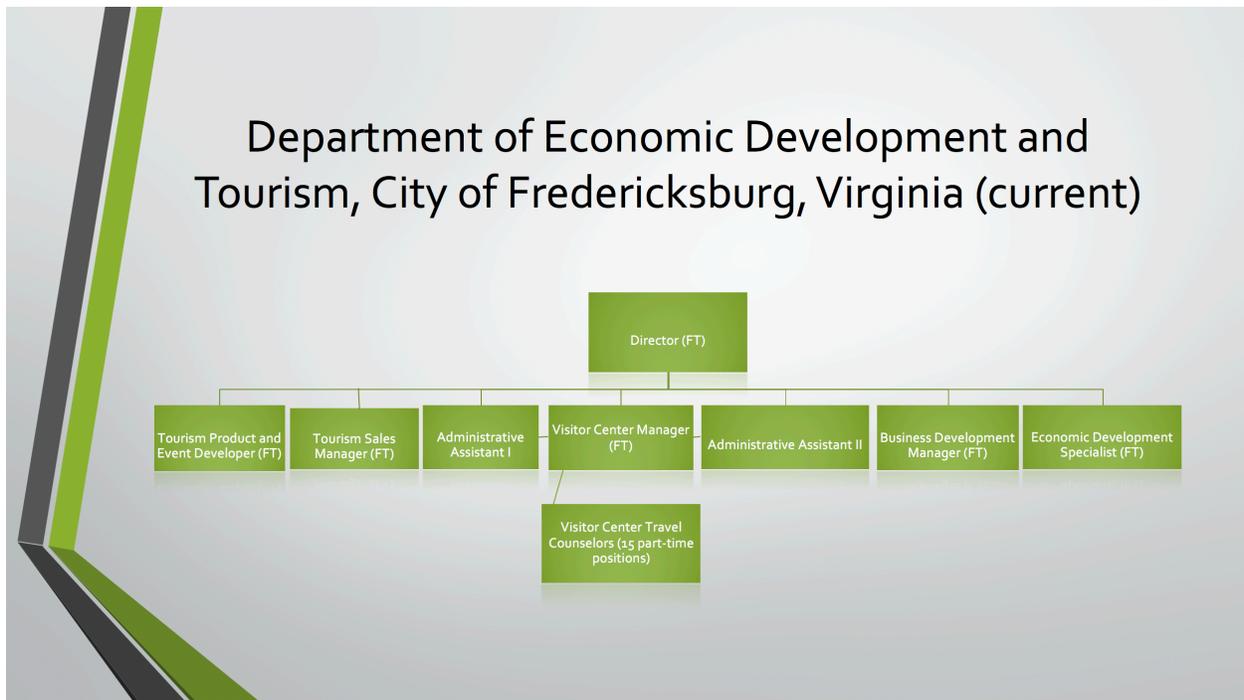


In its RFP, the City stated that it employed a bifurcated approach to marketing the destination – one focused on the region and the other focused solely on the City:

*“The regional approach involves a cooperative program shared by the governments of the City of Fredericksburg and Counties of Spotsylvania and Stafford. The Fredericksburg Regional Tourism Partnership (FRTTP) oversees the production of a variety of marketing activities (including digital and print advertising, visitor publications and maps, public relations and tradeshows) that are designed to promote the region to travelers and the travel-trade. The FRTTP works with a tourism-marketing firm to conduct its advertising campaigns. The FRTTP does not have staff nor is it an actual organization; rather the three participating localities each contribute staff time and financial resources (\$171,000 each annually) to the partnership. The partnership has been in place in some form since 1994, and since 2005 has been governed by a Memorandum of Understanding.*

*“The City-only approach to tourism is conducted through the City organizational structure. The City’s tourism and economic development efforts are conducted under one single department. There are two full-time staff members who are dedicated solely to tourism and who run the day-to-day tourism operation. Two additional full-time staff members and two part-time personnel have responsibilities for both economic development and tourism. The City of Fredericksburg runs its own Visitor Center, which is located downtown and is staffed by another approximately 15 part-time Travel Counselors. The Economic Development and Tourism Office (EDT) has its own budget for advertising, professional services, promotional materials, printing and more; spending is split about in half between City-only economic development and tourism promotion.”*

### Current Fredericksburg EDT Organizational Chart



## **STAKEHOLDER VIEWS**

DMOproz spent time in Fredericksburg and the region in June 2019 to gain a better understanding of the destination and its stakeholders. Through face-to-face interviews and focus groups, our team sat down and spoke with over 60 community leaders and stakeholders to gather their thoughts on the past, present and future of marketing Fredericksburg to the world. In addition, we fielded an online survey to gather additional intel from those with whom we were unable to meet face-to-face.

If there was a pervasive theme in those conversations, it was that the staff of the Fredericksburg Tourism Office was given universally high marks in our discussions. At the same time, stakeholders lamented the lack of budgetary resources and staffing required to do the job at hand. All with whom we spoke seemed to understand that a competitive budget was all that stood between the city and increased visitation.

Those with some history in the community pointed to a time when Tourism wasn't a part of Economic Development. There was a longing for a return to those days where Tourism was a singular focus of professional staff and not a hodgepodge of shared duties that resulted in mission creep. And many, regardless of their tenure, opined that Destination Marketing would be more effective if it wasn't under Economic Development.

To be sure, this is not an uncommon opinion. Those in the Tourism industry often believe that economic development is seen as more valuable to a community's health and growth than is Tourism. Thus, when the two are combined, there is a general opinion that the majority of a joint agency's effort will lean towards traditional economic development. That said, EDT staff estimates that the division of effort and revenues are split roughly 50-50 within the EDT's budget.

Among the other opinions shared during our conversations, we believe these to be the most compelling in the formulation of our recommendations.





**Support for Continuing a Regional Marketing Initiative.** Most of those with whom we spoke wanted to see the regional approach to marketing the region continue. Those with interests in the hospitality and tourism field were more adamant that the regional approach was the most strategic move available, given the diversity of product throughout the area. Other community stakeholders were less supportive, believing that the regional approach diluted the unique brand essence of Fredericksburg.

**Lack of a Dedicated Effort.** Virtually every stakeholder outside of City government believed the Tourism Office was underfunded and understaffed for the job at hand. Several believed that Tourism existed as a step-child to Economic Development and should be a separate office to ensure it received the respect and support it deserves. As one person said, “Tourism needs a champion and dedicated funding.”

**The Visitor Center Discussion.** Those with whom we talked were fairly evenly split on whether the Visitor Center should be relocated from its present location. There is clearly a lot of affection for having a Visitor Center in a historic building in a historic downtown. While there was some reticence about moving to a new location for some, most agreed the present space wasn’t large enough and didn’t have the technological assets that many of this nation’s visitor centers are now employing. The majority of respondents also believed the Travel Counsellors were highly dedicated and providing a valued service.



Artist Rendering of a Proposed Visitor Center  
at the Fredericksburg Executive Plaza

# Destination Marketing in America in 2020<sup>3</sup>

The importance of an aggressive and strategically crafted effort to market communities is increasingly being recognized, not only in America but, around the world. As municipalities, counties, regions, states and nations find themselves in a competition for investment, workers, students and residents, it has become clear that none of those goals happen organically.

Just as community leaders are becoming more sophisticated in their view of the need for broad-based promotion, the art and science of Destination Marketing has evolved from “old-school push marketing” to an integrated approach utilizing traditional advertising, social media, digital content curation and public relations. For those communities that have sufficient meeting and event space and/or tournament-grade sports facilities, DMOs need to have a tech-savvy and service-heavy approach to package and market these assets with area hotel rooms to attract event planners. And, increasingly, DMOs have also been entering the Destination Management field, coordinating and collaborating with area businesses to create and communicate a compelling story to attract prospective visitors who no longer believe the ads they see or hear.

That this evolution is already underway across the nation, Fredericksburg finds itself in a perfect position to join the revolution, as it were, and affect appropriate changes to the way it markets itself to the world. Through our work with over 200 destinations, here’s what we believe the successful DMO of 2020 will look like:

## **ORGANIZATIONAL STRUCTURE.**

The Commonwealth of Virginia is somewhat of an outlier when it comes to the organizational structure of the majority of its DMOs. 61% are structured as agencies within government.<sup>3</sup> The vast majority of American DMOs exist as independent 501(c)(6) non-profit associations operating under a contract with one or more units of government.

According to a recent study from Destinations International (the Destination Marketing industry’s trade association), 67% of its member DMOs are organized as independent, non-profit agencies (over 90% in Fredericksburg’s current budget range).<sup>4</sup> Just 11% operate as a unit of city or county government (3% in Fredericksburg’s current budget range) and less than 3% exist as Divisions of another agency, such as Chambers of Commerce or Economic Development agencies. The remainder are a mix of State, Authority and Public-Private partnership models that are unique to the State in which the destination is located.

<sup>3</sup> Virginia DMO Budget Survey, Virginia Association of Destination Marketing Organizations (2017)

<sup>4</sup> Organization & Financial Profile, Destinations International (2017)

The preference for the independent nonprofit Association model (we'll call them 501s for brevity, as that is the most common IRS designation) finds its rationale in three primary considerations. First, 501s are much more adept at securing private sector revenue streams than government agencies. From corporate sponsorship to member / partner programs and co-op ad sales to monetizing DMO assets such as websites and visitor centers, 501s are increasingly able to diversify their budgets in ways that government simply isn't prepared to do. And, as public investments in destination marketing can be tenuous at times, given an uncertain economy, private-sector revenues are critical for today's DMO.

The second consideration are the policies that, while appropriate for some governmental departments, are unnatural for a sales and marketing department. Restrictions on entertaining convention and event planners with dinner or a glass of wine (a common and client-expected practice among 501 DMOs) causes representatives from a government DMO to appear unsophisticated to some clients. Again, there are good reasons for these policies in most governmental departments...but not when a Department is expected to lure valuable group clients to town.

Finally, community engagement is almost always more apparent with a 501 DMO than its governmental counterpart. Part of this dichotomy stems from the 501s need to build strong relationships with area businesses and attractions in order to keep private sector revenue streams flowing. And, for 501 DMOs with Boards made up of engaged community leaders, local businesses and attractions know that they have access to individuals with whom they are able to share suggestions and concerns. While it certainly shouldn't be that way, private sector business people often do not believe they have the same access through a City Council that is often only peripherally aware of its DMO's programs and activities.

While we can point to a number of government DMOs around the country that do an excellent job, the reality is that 501s are more adept at raising private sector revenue to augment government's investment, operate more entrepreneurially and maintain generally better relations with their industry partners.



## **DIVERSIFIED REVENUE STREAMS.**

Given the uncertainty of the availability of government funding for destination marketing, DMOs across the nation are turning to alternative revenue streams to both diversify and increase their operating budgets. Even if a government's investment of tax revenue is rock solid, private sector revenues provide the opportunity for a DMO to reinforce its message and make a bigger mark in an increasingly competitive marketplace.

The next generation DMO will have at its disposal a number of private sector revenue streams. Over 150 communities across the country have developed an assessment program, not unlike business improvement districts, called Tourism Improvement Districts. These districts are typically formed by hotel consortiums to raise additional revenue for destination marketing efforts by imposing a modest assessment on occupied rooms over and above the hotel occupancy tax. As an example, a one dollar assessment on occupied rooms in Fredericksburg could generate an additional \$300,000 towards destination marketing. And, these Improvement District assessments are not limited to hotels. Restaurant, Craft Brew and Wine Improvement Districts are beginning to pop up around the country.

Private sector employers struggling with workforce development and talent acquisition are increasingly looking to their DMO to help promote their regions for more than just visitation. For example, private sector interests in Northwest Indiana have pledged up to \$200,000 toward a DMO-led campaign to encourage people to *move* from Illinois. Over the past eight years, over 50 corporations in Tulsa have collectively invested \$2 million a year into their DMO with the request to "make us look cool." The DMO of the future will not be limited to only attracting visitors but residents and investment, as well.

And then, there are the opportunities to monetize DMO assets. Allowing local businesses and attractions to upgrade their visibility within the website, visitors guide and visitor center for an investment is increasingly enabling DMOs to increase their budget and, thus, their positive impact on the community.

There was a time when many DMOs were supported 100% by government investment. Recent research places that dependence today at roughly 80%.<sup>5</sup> And, for some DMOs, the goal is to operate with a budget that is 50% public and 50% private revenue.

## **A NEW PHILOSOPHY OF DESTINATION MARKETING.**

The majority of small to medium-size community DMOs in this country were formed in the 1980s and 90s. In those early days, likely because these fledgling organizations were operating with a newly imposed hotel room tax, hoteliers were awarded with the majority of board seats. For them, anyone who lived within 50 miles of the destination was of no real interest, as they would likely drive home at the end of their day in the community. Thus was initiated an unwritten rule that DMOs would do no marketing within an hour's drive of a destination.

<sup>5</sup> Organization & Financial Profile, Destinations International (2017)

This philosophy set up an interesting dynamic. On one hand, if the local community never experienced the agency's marketing efforts, political will to continue to invest in the program became tenuous. But more importantly, the initial premise was patently wrong. Just because someone lives within driving distance of getting home after a day in the destination doesn't mean they will. Research we performed in Fort Worth in 2011 indicated that as many as 75% of the overnight weekend visitors to that city resided within the Dallas-Fort Worth Metroplex.

Taking this a step further, if the residents of the community aren't aware of all there is to see and do, they may be reticent to invite family and friends for a visit. And as 50% of leisure visitation involves visiting friends and relatives, to not give local residents a reason to invite these friends and relatives to town results in a forfeiture of a significant amount of visitor spending. Thus, DMOs are increasingly using social media and PR to build a greater level of community pride to transform residents into brand ambassadors.

Indeed, the next generation DMO will be about marketing the positive aspects of the destination to every possible person for every possible reason regardless of their zip code. This is not to say that DMOs should actively purchase traditional media advertising within their community (although the occasional buy *might* be warranted), but, rather, that it doesn't block local and regional residents from the content being created and the inspiration to visit parts of the destination and support the businesses that are so vital to the regional economy.

## **ENGAGEMENT AND CONNECTIVITY.**

Finally, a next generation DMO will be an active and engaged partner in telling compelling stories about local businesses and entrepreneurs to inspire both visitation to see these treasures as well as attracting new entrepreneurs to join the community. DMOs will increasingly assist attractions and businesses as they manage and curate experiences that will define the culture of the community and, thus, serve to attract visitors to the destination.

Today's successful DMOs deploy individuals throughout the community to gather great stories and build lasting relationships with local businesses. Recently, Chattanooga went as far as deploying a staff person to chronicle and connect the players in the nighttime economy. In doing so, a once competitive nightclub scene is now collaborative, looking for ways to grow the pie rather than get their slice.

It is what separates DMOs from online plays like TripAdvisor, Yelp! and other travel review sites. They all do a masterful job of sharing the point-of-view from previous visitors. Those online sites create lists. But, what the online services cannot do is tell a compelling and inspiring story. That is the space in which the DMO of the future must excel. And, that is why destination marketing will increasingly be a people-powered initiative rather than one or two people placing ads, directing a marketing agency and attempting to sell to the group market.

# Findings

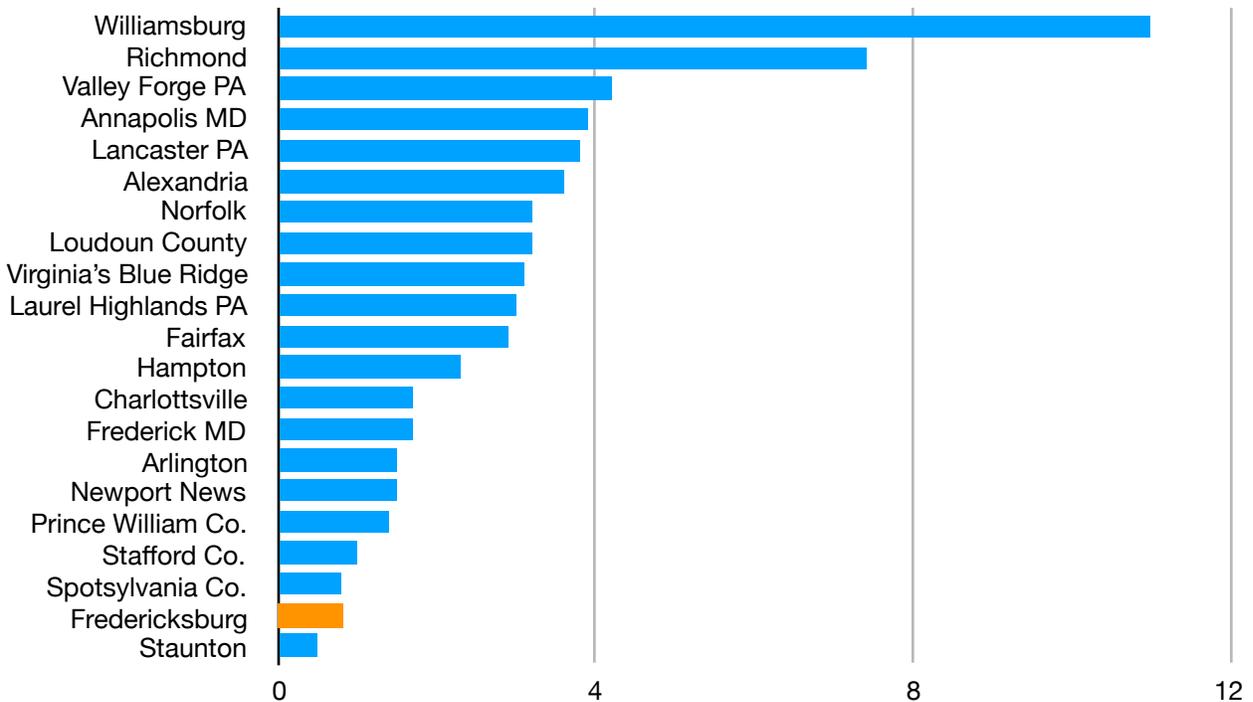
DMOproz principals Bill Geist and Terri White took lead on this project, poring over more than a hundred documents and leading face-to-face conversations with over 60 stakeholders and community leaders from around Fredericksburg, Spotsylvania County and Stafford County. Mixing the intel gathered through our work with our experience with over 200 destinations across the Americas, we offer the following findings:

## The City's Investment into Tourism Promotion & Development

Virtually every weakness we found in the City's strategy for enhancing the Visitors Economy can be traced back to the absence of a competitive budget for its Tourism Office.

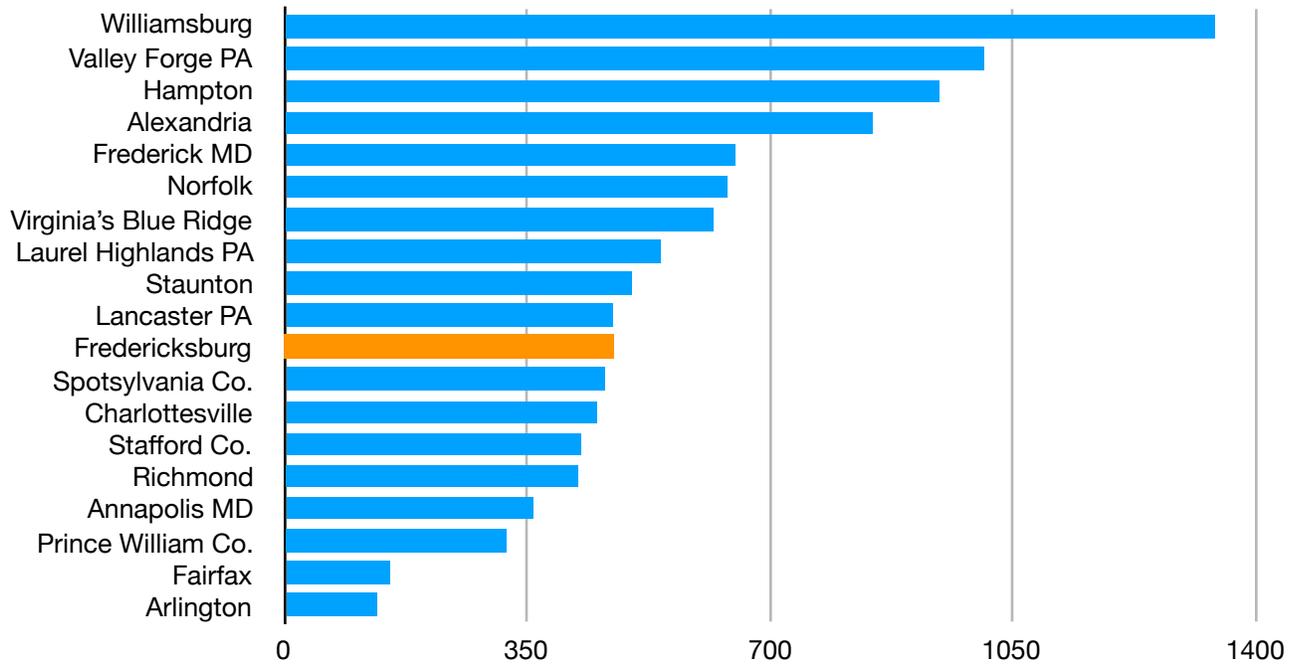
Indeed, among destinations with which Fredericksburg competes for visitors, groups and events, it invests a fraction into the effort that other communities do.

### DMO Budgets of Destinations in Fredericksburg's Competitive Set (in Millions of Dollars)



Sources: Destinations International, Virginia Association of Destination Marketing Organizations & DMOproz

That said, when one compares the amount invested into Tourism Marketing based upon the number of hotel rooms that exist in the market, Fredericksburg compares more favorably with its peer competitors, investing roughly \$470 per room. The average for the competitive set is \$567, with a high of \$1,341 per room for Williamsburg and a low of \$133 per room for Arlington.



Sources: Destinations International, Virginia Association of Destination Marketing Organizations & DMOProz

Regardless of which lens one chooses to use in this analysis, the bottom line is clear. Virtually every community with which Fredericksburg competes invests more in attracting the Visitor Economy...and that means that many have a significantly larger opportunity to achieve greater reach and frequency of their message to the very same consumer and group markets Fredericksburg covets.

The City of Fredericksburg annually collects roughly \$1.6 million in hotel occupancy tax.<sup>6</sup> Most communities around the country segregate this fund from general-purpose revenue to make it easier to track how the revenues are deployed. Fredericksburg chooses to deposit its hotel occupancy tax (and Food & Beverage Tax) into the General Fund with other tax revenue streams, which makes it more difficult to identify where these visitor generated taxes actually reside.

Such a format is common in most communities because it makes the investment into Destination Marketing more defensible for the Mayor and City Council. Indeed, Joe and Jill Public aren't paying for what some residents might believe is a frivolous waste of resources. By keeping the funds separate, City officials are able to assure citizens that they are using non-resident taxes for these investments to grow the economy.

## **Organizational Structure**

Fredericksburg's Tourism Office is currently combined with the City's Economic Development Office and goes by the name "EDT" (Economic Development & Tourism). While it would appear to make sense for these two distinct but parallel offices to be co-managed, the reality is that this is not the norm throughout America (although it does seem to be fairly prevalent in Virginia). When these two offices are combined, there is rarely parity in resource allocation or attention. And, as Tourism is often seen as less important than Economic Development, Destination Marketing is often viewed as the younger cousin. While Fredericksburg EDT Management maintains that resource allocation is split 50/50, stakeholders with whom we spoke believe that it is Economic Development that gets the most attention by the City.

## **Organizational Programming**

Due to recent staff reassignments, Tourism Staff is struggling to keep up with the group-sales work-product previously attained. Especially in convention and event sales, where the office has gone from three salespeople (one full-time and two part-time) to one full-time position, production has decreased. This is due, in part, to a shifting focus to tourism-oriented events. One of the two part-time sales directors recently became the full-time Tourism Product and Event Developer. This position is increasingly tasked with generating private-sector sponsorships to fund tourism-related events and amenities, in addition to recruiting events and other tourism-related products. The other part-time position became the full-time Supervisor of Special Events within the Department of Parks, Recreation and Events. Some support for the group sales market is being provided to the Tourism Sales Manager from other part-time EDT personnel. However, professional staff is having to cut back on the number of trade shows attended and services offered to inbound group clients because of a lack of time or staff to do them.

This reassignment in personnel has also resulted in the remaining staff not having the time to be strategic in its work. They are reacting rather than proactively pursuing the highest ROI business. Case in point: In the past, each sales person was given a specific market to sell and service. Now one person handles all sales markets and is the same individual that services the client. And, as the level of requested services continues to grow from existing customers, it creates a situation where sales efforts to attract new clients decrease.

There is a lack of a solid Mission Statement along with a Business (Sales and Marketing) Plan for Tourism. The Marketing Plan for the City has essentially been relegated to the Partnership and its Agency of Record, The Meridian Group. To the staff's defense, there simply has not been time to step back and take control of its situation. The Tourism Office is a little bit like a hamster on a treadmill due to lack of sufficient financial resources and recent staff reassignments. But, City management has been pushing this conversation since 2016, leading up to this study, which will recommend two new full-time Tourism positions to address these concerns.

<sup>6</sup> City of Fredericksburg FY 2019 Adopted Budget



**VISION** This is what you would like the Destination to become.



**MISSION** This is what the Organization does to achieve that Vision.



**STAFF MEMBERS**

A Business (Sales & Marketing) Plan guides staff in its daily activities to execute the Mission.



**BOARD OF DIRECTORS**

A Strategic Plan is the Action Plan for the leaders of the Organization in its efforts to execute the Mission.



**OTHER COMMUNITY ORGANIZATIONS**

Collaborating with others allows us to work towards that Vision in a cohesive, united community.

### **City-centric vs. Regional Marketing**

The City asserts that it has been employing a bifurcated approach to Destination Marketing, investing in the Regional Partnership while also focusing on Fredericksburg-centric activities. This is true to a point...as that is how the City budgets for both programs. There are also numerous Fredericksburg-centric events and activities with which the EDT is intimately involved, such as twice annual Restaurant Weeks, Slide FXBG, Window Wonderland, the Fred Focus newsletter, Holidays in the Burg promotions, the Marine Corps Historic Half and a multi-pronged social media strategy.

However, from a marketing perspective, virtually everything that the Fredericksburg EDT does in the leisure tourism market supports the regional approach. Everything that emanates from EDT under the “Timeless” banner (website, visitors guide, collateral, social media, etc.) is regional in scope. This is unlike the tourism websites of Spotsylvania and Stafford Counties, which do not feature hotels lying outside their borders, while the site that Fredericksburg relies on (the FRTP website) lists hotels in all three jurisdictions.

We believe this to be short sighted on the part of Stafford and Spotsylvania Counties, as their destinations are enhanced by assets in Fredericksburg (just as the reverse is true, as evidenced by Fredericksburg’s decision to use the FRTP website as its own). And, most destination marketing professionals would agree with this approach. Anything that makes a destination look more attractive to a prospective visitor is a good thing, regardless of its geo-political location. Fredericksburg is a more complete destination with Ferry Farm and Lake Anna, just as Stafford and Spotsylvania Counties are more appealing choices by having Fredericksburg serve as their downtown.

In our opinion, the Fredericksburg EDT’s regional approach is the correct path. The only thing that could enhance it would be the addition of even more content.

### **The Fredericksburg Regional Tourism Partnership**

Presently in the midst of a one-year extension on a three-year memorandum of understanding, the FRTP is not unlike siblings growing up in a very competitive household. There is a degree of mistrust between the three agencies, there is the occasional duplication of effort at trade shows and on the website and, in one case, a partner agency failing to link back to the regional partnership’s website from their site. As one participant quipped, “it can be exhausting at times.”

However, when it’s in their best interest, we are impressed at how well the three offices work together toward a common goal. Each realizes that they become a more complete destination, with more assets to attract the potential visitor, by partnering with the other two. The division of duties (each agency taking point on a facet of the overall marketing plan), while somewhat inelegant in execution, has also produced solid results.

The division of duties among the partners has the City of Fredericksburg acting as the Fiscal Agent for the consortium. It also handles Group Sales and manages the VisitFred.com website. Spotsylvania County handles Public Relations and Visitors Guide Content & Distribution. Stafford County heads up Social Media, the Golf Co-op and Sports Sales. All three co-manage the marketing contract with The Meridian Group.

## Meetings, Event and Sports Sales

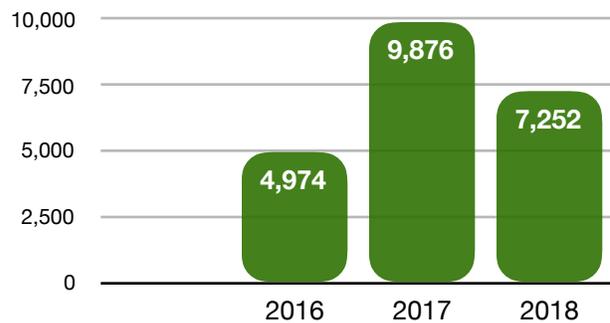
The pursuit of meetings, events and sports tournaments is a common strategy for DMOs around the world. Securing group business for a destination clearly helps hotels in booking groups of rooms months in advance, allowing them to more aggressively manage room rates and revenues. It is also beneficial to a community, as these kinds of events introduce people who may never have considered the destination to the community for the first time.

Fredericksburg's EDT currently addresses this market by deploying one of its full-time professional staff members to attend trade shows and other activities in order to develop leads and relationships with event planners. The costs of these trade shows are borne with the budget of the Fredericksburg Regional Tourism Partnership.

The results of this effort to secure group events has been mixed over the past three years. 2017 saw a significant uptick in the number of Room Nights and economic impact facilitated by the efforts of the Fredericksburg EDT, more than doubling results in both categories. Unfortunately, those numbers sagged in 2018, and staff reports that numbers from 2019 are further off pace from last year.

While roughly half of 2018's decline can be attributed to the loss of the Historicon Convention (one of Fredericksburg's largest biddable events), the reduction of the Group Sales-oriented staff from three salespeople (one full-time and two part-time) to one full-time position with some limited staff support has likely had an impact. While the remaining salesperson should be commended for maintaining the level of sales and service that was previously handled by three, such a scenario is not sustainable

Meetings, Events & Tournament Room Nights Facilitated by EDT



Source: Fredericksburg EDT

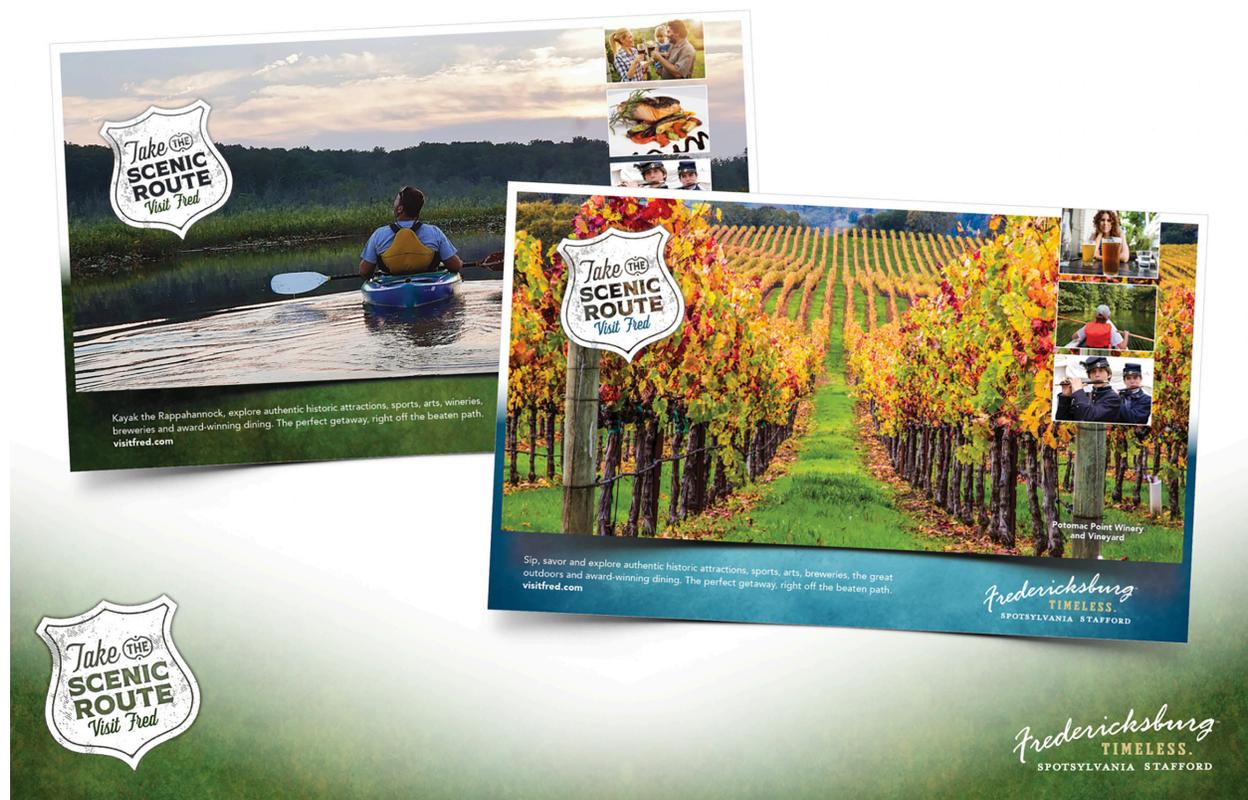


## Leisure Marketing

Fredericksburg relies on the FRTP (and its \$400,000 contract with The Meridian Group) for the lion's share of its promotion to the Leisure Travel Market. From website to visitors guide and traditional media advertising to public relations, the Fredericksburg message mirrors that of the Partnership.

And, in that regard, we find that the creative marketing messages being directed to potential visitors are appropriately diverse for a destination that has evolved to being about much more than its rich heritage. Below is just a sample of the advertising that was produced in the past year by The Meridian Group, under contract with the Fredericksburg Regional Tourism Partnership:

## CURRENT CAMPAIGN



## Hotel Room Availability

Within the Fredericksburg Region, the City of Fredericksburg boasts the least amount of hotel rooms of the Partnership. While Fredericksburg may be “the region’s Downtown,” it only offers 1,300 hotel rooms with which to host visitors to the community. For large events (such as Historicon) or even welcoming thousands for purely leisure activities, Fredericksburg needs the hotel rooms in Spotsylvania County (1,700) and Stafford County (2,500) to satisfy its appetite for rooms in which visitors can spend the night.

That said, according to EDT staff, there are at least 300 additional hotel rooms in the immediate pipeline for development within the City of Fredericksburg...and even more are in discussion.

## Current Hotel Occupancy & Profitability

According to STR (the hotel industry’s barometer of health), Year-to-Date Hotel Occupancy for the Fredericksburg Region in 2019 is trending down, while the ADR (average daily rate charged for a hotel room in the region) is up. This counterbalance generally indicates that regional lodging properties are holding their own. However, the 3.3% decrease in occupancy is greater than the 0.1% uptick in room rate, resulting in a 3.2% decrease in hotel room revenue through the first two quarters of 2019 as compared to 2018.

To be sure, the Commonwealth is also down just under a percentage point in Occupancy during the first two quarters of 2019, while the nation is up 2.1%. But, Fredericksburg is experiencing one of the largest declines in the State while Richmond is up 5.7%, Staunton up 9.9% and Lynchburg up 2.9%.

To be sure, this is but a snapshot in time, easily impacted by federal governmental shut-downs, inclement weather and other factors. However, a robust destination marketing program is often the antidote for random acts to ensure that hotel business (and thus, Visitor spending) stays strong.



# Recommendations / Action Plan

While we strongly believe there should be one Destination Marketing Organization for the region, we are not naive enough to believe that such a recommendation, coming from a study funded by only one of the three partnering governments, would find political support at this moment in time.

Local community pride is a wonderful thing...and we found it in ample supply in Fredericksburg, as well as Stafford and Spotsylvania Counties. Individuals within all three governmental entities believe they need their own separate DMO to ensure that their message is heard, their unique brand is supported and that their residents are the beneficiaries of a targeted marketing campaign that focuses solely on their businesses and attractions. As much as we can argue that a regional approach makes each community stronger, we completely understand that such a concept only exists when there is a higher level of trust between the partners than there is today.

So, if not a singular regional approach...what should the future of Fredericksburg Destination Marketing look like?

We believe, in the short term, it looks similar to the current arrangement...but with significantly more structure, measurements and provable ROI:

**1) FREDERICKSBURG SHOULD ELEVATE THE IMPORTANCE OF DESTINATION MARKETING IN ITS COMMUNITY DEVELOPMENT STRATEGY.** Like its neighboring counties, Fredericksburg has merged its Economic Development and Tourism offices into one department. While there are some operational synergies in such a format (especially as the relationship between the two are increasingly seen as complementary <sup>7</sup>), the reality is that, in most cases around the country, the true work of each discipline is very different.

Fredericksburg deserves a singularly dedicated effort to focus on the sales and marketing of the city. It deserves dynamic leadership that is not forced to wear other hats. The oversight and management of a Destination Marketing Organization requires a full-time commitment of someone who is devoted to marketing the destination 24/7. And, presently, that is not the case.

This, in no way, should be construed as a criticism of the current director of the Fredericksburg EDT. Indeed, in our conversations with stakeholders throughout the community, he received high marks from virtually everyone with whom we talked. But, not unlike the concerns that the present Tourism staff is overburdened due to lack of staff resources, even if the EDT director spent half his time on tourism, it simply isn't enough to provide the leadership the City deserves.

<sup>7</sup> "The Halo Effect," Longwoods International 2015 (Longwoods-intl.com).

We do not believe, as many in the community have suggested, that this means the Economic Development and Tourism office must be split into two separate entities. While such a move would certainly streamline the budget and programming, it would likely add duplicative administrative costs and other overhead that could be avoided by keeping the department whole. However, there would need to be the creation of a position that would be completely dedicated to the management of the visitor economy in Fredericksburg.

The Tourism Manager of the future needs to be interacting on a regular basis with business and industry partners as well as government officials. It is an individual that works with government officials on destination policy decisions such as wayfinding and welcome signage and future developments that could enhance the community's magnetism. It is an expert in sales and marketing that can interact with and inspire other community and business leaders (and other community development organizations) to collaborate on ways to enhance the region's economy and livability. And, it's a person that can relate to the interests of residents, as every community walks a fine line between a robust tourism economy and one that becomes onerous for its citizens.

The bottom line is that Fredericksburg needs and deserves a dynamic, passionate, dedicated and professionally influential individual to lead the visitor economy going forward on a full-time basis; someone who can inspire industry partners to create exceptional experiences. And, someone who can lead a staff of sales and marketing professionals to promote those experiences within the community's brand.

**2) FREDERICKSBURG SHOULD ENCOURAGE THE FRTP TO TRANSITION INTO AN INDEPENDENT 501(c)(6) NON-PROFIT ASSOCIATION.** Since 1994, what is now known as the Fredericksburg Regional Tourism Partnership has endeavored to collaboratively promote the region as a compelling visitor destination. Since 2005, this initiative has been codified by an intergovernmental agreement. That agreement, extended by one year, is set to sunset on June 30, 2020.

As noted earlier in this report, the work of the FRTP has been generally supported and appreciated by the majority of the stakeholders with whom we spoke. While ROI is somewhat difficult to ascertain by the three DMOs who are adding regional responsibilities onto their plates while trying to maintain their own destination marketing function, very few stakeholders believed that the regional initiative should be discontinued. And, that public support is at the crux of this recommendation.

The failure of the Partnership to absolutely prove its value is not dissimilar from the issues at play at the Fredericksburg Tourism Office. There is no one central individual that manages the operation on a full-time basis. Each of the FRTP's participant organizations have volunteered to manage a portion of the marketing plan. We believe that the current structure puts undue burden on the existing tourism staffs and results in a haphazard program of work.

To rectify the situation and produce the highest possible ROI, we recommend that the FRTP evolve beyond a voluntary structure, governed by a memorandum of understanding, to become an independent, non-profit organization under contract with each of the three tourism offices.

The advantages of such a move are several:

- 1) Unlike governmental DMOs, a non-profit DMO is better positioned to generate private sector investment in its program of work, increasing the organization's reach and frequency. A well designed non-profit play should be able to generate significantly more private sector revenue (Eau Claire WI's DMO generated over \$200,000 in partnership revenue from a significantly smaller population base than the footprint of the current Partnership).
- 2) This additional revenue will allow the organization to employ dedicated destination marketing professionals, rather than the present dependence on employees from other DMOs volunteering their time and talent on behalf of the initiative.
- 3) The City of Fredericksburg, Spotsylvania County and Stafford County can all be assured of even representation through the design of the new organization's Board of Directors. Assuming investment levels remaining equal between the three governmental partners, the allocation of Board seats should mirror that investment, thus ensuring an equal voice on marketing strategies and tactics.

Day-to-Day management of the new organization would be provided either by an employee hired by the association's Board of Directors or an individual under a third-party, independent contract with the organization. This individual would be expected to manage the contract with the advertising agency(ies) engaged by the organization, establish no less than weekly conversations with each local tourism office to gather content with which to manage and populate Social Media, the website and other in-house marketing activities and provide budgetary transparency and accountability. This will streamline regional marketing on behalf of its member agencies and provide the daily attention and leadership that is presently lacking.

We see this new, evolved DMO to be purely focused on regional brand awareness and the targeting of leisure travel consumers to the region. We believe group sales can and will be handled by the individual Tourism Offices as each believes to be appropriate. When it is in best interests to collaborate on bids or trade show appearances, those collaborations can certainly be handled outside the Regional Office.

In time, we would expect that the size of the staff would grow as its budgetary resources increased. And, we envision a day when this new organization will be so well resourced and successful that the governments of Spotsylvania County, Stafford County and the City of Fredericksburg recognize the advantages of investing in a single Destination Marketing Organization for the region.

How will this day come to pass? It comes back to the advantage of being a 501-style DMO, enabled to generate private-sector revenue. To launch the new organization, we would encourage Fredericksburg to continue to invest in this new regional Association with Stafford and Spotsylvania Counties. The \$171,000 investment level has been static for several years, despite growth in hospitality taxes and increasing costs to successfully market the region.

**To launch the new organization we suggest that each government increase that investment by \$29,000.** Such an increase could be used to hire the new organization’s first director without decreasing existing current sales and marketing initiatives.

While the first director will be dedicating a sizable portion of his or her time to enhancing and expanding marketing activities on behalf of the region, this individual will also be responsible for developing partnership and sponsorship programs to augment the public sector investment with private-sector dollars. It is from these private sector revenues that the organization will, over time, be able to add additional staff to provide increased levels of community collaboration, content generation and destination marketing.

If Fredericksburg and its partners would each invest \$200,000 for the first three years, providing the revenue to hire a full-time director or manager, and that director was able to generate \$75,000 in private sector revenues through co-op marketing, the new agency would have a budget of \$675,000. Assuming the program goes as planned, we would anticipate an additional \$50,000 of private sector revenue could be developed in each of the next two years, bringing the 2022 budget to \$775,000.

## PRO FORMA REVENUE MODEL FOR A NEW REGIONAL DMO

	2020	2021	2022	2023	2024
<b>Revenues</b>					
Fredericksburg	200,000	200,000	200,000	250,000	250,000
Spotsylvania Co.	200,000	200,000	200,000	250,000	250,000
Stafford County	200,000	200,000	200,000	250,000	250,000
Private Sector	75,000	125,000	175,000	200,000	250,000
<b>TOTAL</b>	675,000	725,000	775,000	950,000	1,000,000
<b>Anticipated Personnel</b>	1-2	2-3	3-4	4-5	5

Should the new regional DMO be successful in its goal of achieving \$175,000 in private sector revenue by 2022, we would encourage the three governmental partners to reward that growth by increasing their investment to \$250,000 in 2023. While there will come a time when private sector revenues will likely level off, we believe that the regional DMO's budget could hit \$1 million by 2024. And, remember that this is marketing above and beyond what each partner government will be able to achieve with their own Tourism Offices, which one could reasonably expect will also see budget increases by 2024. Thus, it will not be out of the realm of possibility that, collectively, over \$4 million in marketing resources would be available to promote the region, making it competitive with Loudoun County, Virginia's Blue Ridge (Roanoke), Valley Forge, Lancaster and Alexandria (refer back to the chart on page 10).

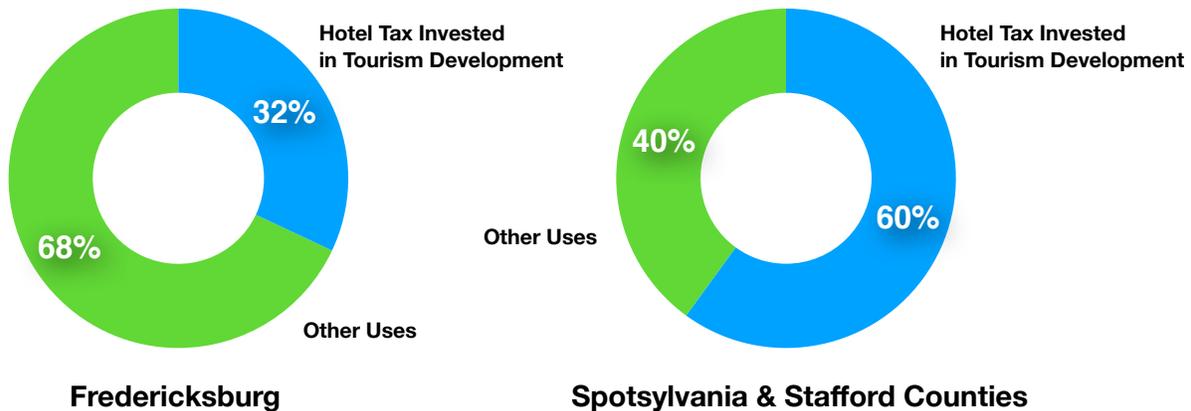
This regional association should also consider expanding its geographic footprint to include Caroline and King George counties (creating the same five-county partnership as the Fredericksburg Regional Alliance, which could serve as the host for the regional tourism program). Such a move would instantly increase the Association's budget, hotel and asset inventory and diversity and the number of businesses that could join into co-op marketing opportunities. It would also create opportunities for a more synergistic level of collaboration with the FRA.



### 3) INCREASE THE CITY'S INVESTMENT INTO TOURISM DEVELOPMENT

The City collects Visitor-related taxes from a number of sources. It should view the availability of these non-resident generated revenues as a way to continue to “prime the pump” in order to generate more visitor spending and job opportunities in the community.

The Hotel Room Tax generates \$1.6 million a year, as identified in the City’s 2019 Budget, with roughly \$1 million being invested in its EDT Department (just under 65% of collections). EDT Management estimates that half of its budget is dedicated to Destination Marketing, or just over 32% of collections. By statute, both Spotsylvania and Stafford Counties invest 60% of these hotel collections in Tourism Development.



The Meals Tax is expected to add \$12.3 million to City coffers in FY 2020. Local Sales Tax revenue is also expected to come in at \$11.7 million. <sup>8</sup> According to a 2016 study of credit card transactions in Alexandria, 71% of “consumption tax revenues” (hotel, culinary and sales) came from outside the city. Of that, 43% was from “regional” visitors (those from within an hour’s drive) and 28% was from “destination” visitors (those from outside an hour’s drive). Indeed, residents were only responsible for 29% of consumptive sales in Alexandria.<sup>9</sup>

If spending patterns in Fredericksburg are similar to those in Alexandria and one were to only consider the impact of “Destination Visitors” (a conservative approach, to be sure), that would mean that \$8.8 million of hotel, meals and sales tax revenues in Fredericksburg are the result of overnight visitors. Thus, no less than 9% of the City’s total annual revenue (not counting the percentage of property tax that is remitted from businesses that are profitable, thanks to the Visitor Economy) is generated directly from visitors. Put another way, this is \$8.8 million that residents do not have to pay to maintain the level of government services they have come to appreciate and expect.

Thus, it is possible to logically suggest that at least a portion of this non-resident revenue could / should be available to invest back into programs that aim to increase these non-resident generated taxes.

<sup>8</sup> City of Fredericksburg.

<sup>9</sup> Visit Alexandria’s 2018 Annual Report.

We understand that earmarking certain revenue streams for dedicated purposes runs counter to the historic culture of Fredericksburg government. However, this custom is fairly rare across the nation, especially when it comes to hospitality taxes. These taxes, layered on top of sales tax, were generally adopted with a specific intent in mind, often to fund something to which residents would object using their taxes. As Destination Marketing is woefully misunderstood by residents, lawmakers across the nation have turned to special hospitality taxes to fund the critically important job of marketing their communities.

**We recommend that the City establish funding guidelines for its Destination Marketing function, pledging to match the Commonwealth’s mandate to Counties that 60% of Hotel Room Tax be invested in Destination Marketing.**

**Room Tax portion of future Fredericksburg Tourism Budgets  
Should 60% of Revenues be Invested\***

	FY 2021	FY 2022	FY 2023	FY 2024
<b>60% of Room Tax</b>	960,000	1,008,000	1,018,464	1,049,018

\* Assumes an annual 3% growth in revenues and does not factor in fluctuations in ADR (Average Daily Rate) paid on hotel rooms within the city or the anticipated growth in hotel room inventory.

Some units of government around the country also dedicate a portion of the annual growth in their Meals Tax. Just half of the annual growth in that tourism-related revenue stream would likely add roughly \$175,000 to its annual Tourism budget, should the City of Fredericksburg wish to pursue that strategy at a later date.

Such a budget would place Fredericksburg in a much more competitive situation with its regional partners (if, indeed, the City believes itself to be in such a position) as well as destinations such as Prince William County, Arlington and Frederick MD. It would also permit an increase in professional sales and marketing staff to more effectively promote the community.

Which brings us to an important crossroads at which the City is about to arrive...the new Fredericksburg “Brand.” That the City’s destination marketing website is the region’s website, there is a dilemma. Regardless of whether or not one believes that the “Timeless” brand works or does not, the new brand needs to be unveiled, given air and allowed to bloom. The regional partners will reject, out of hand, using the new Fredericksburg brand as the masthead of the FRTP website, social media efforts and PR. They already bristle that the name “Fredericksburg” is bigger than theirs.

Thus, an increase in the investment in the Tourism effort in Fredericksburg is critical if the launch of the brand is to succeed. And, that will mean the creation of a Fredericksburg-centric website, Social Media strategy, etc., that prominently features the new brand identity. Indeed, this is the moment in time where the Tourism Office must develop its own Marketing Plan for the City that includes how it will extend the brand through print, electronic, digital, PR and other promotional platforms.

Make no mistake, this is not a repudiation of our stance on the regional approach being the correct strategy for Fredericksburg. The City cannot miss this chance to give the new brand life. But, it doesn't need to be as short-sighted as its regional partners in limiting the information it offers to consumers. The beauty of the Tourism Office developing its own website (and associated marketing vehicles) is that it can pick and choose what destination assets it elects to include on its site. Unlike the FRTP site, it won't be limited to an equal number of images or features. A Fredericksburg Tourism Office website and Social Media vehicles can be all about Fredericksburg...and then choose which assets (Lake Anna, Ferry Farm, other Battlefields, Craft Breweries, etc.) that it believes makes the City a more compelling destination. Visitors couldn't care less about geo-political boundaries and rarely recognize them. The Fredericksburg Tourism Office should think like a visitor and include what makes sense...and disregard the rest.

#### **4) RELOCATE THE VISITOR INFORMATION CENTER**

While not part of the scope of this study, the potential relocation of the Visitor Information Center was a hot topic while we were in market. We offer here our thoughts on the dilemma:

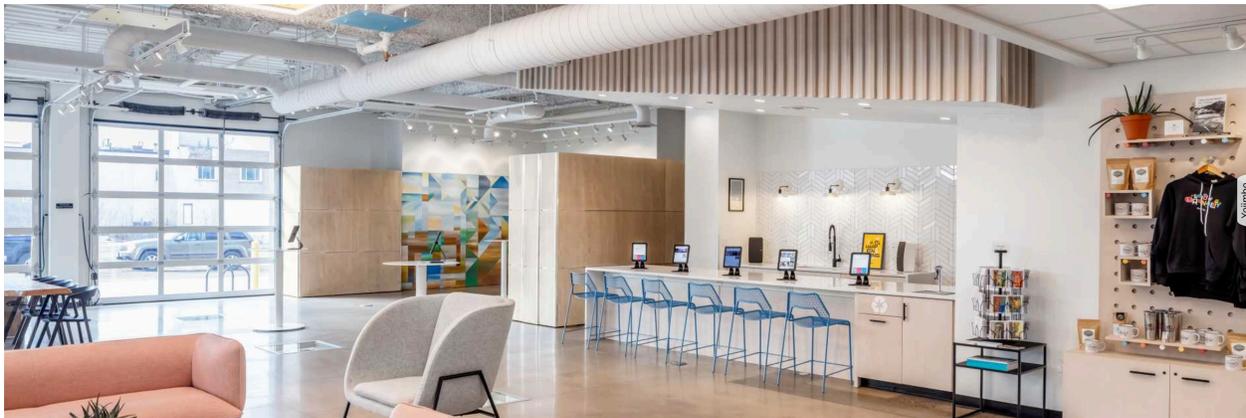
The present Visitor Information Center at 706 Caroline Street does not match-up competitively with successful visitor centers we have toured around the country. While there are those we met who believe its location in a historic structure is a critical component to telling the region's story, the unfortunate truth is that the Center is too small to be effective on busy days. It is not technologically up-to-date, is not ADA-compliant and it does not offer the amenities and space that other communities are devoting to their welcome centers.

This is in no way an indictment of Fredericksburg's travel counselors, who do a sensational job of inspiring visitors to the Center to do more while they are in town. Indeed, we believe they would be even more successful in their role as community ambassadors if they had the space and technology that other visitor centers around the nation currently employ.

Part of the impetus behind this discussion is the present availability of the ground floor of the Executive Plaza office building two blocks away (we particularly enjoyed the new nickname given the building by the guys in the Planning Department, calling it the "Tower of Power" rather than the building's current nickname). We had an opportunity to tour the space and believe it could be wonderful setting for a new visitor center. The high ceilings and plentiful natural light would be a significant improvement over the current space (however historic) of the existing Visitor Center. Its abundant square footage (5,500 sq. ft. versus the current Center's 1,750 sq. ft.) would also allow the creation of amenities that we are beginning to see employed in visitor centers around the country, such as performance space, tasting areas and ticketing booths along with tables with

installed iPads for those consumers that prefer to secure their information digitally. Typically absent in these new visitor centers is the help counter, which separates counselor from consumer. Instead, today's visitor centers are increasingly being designed to resemble Apple stores, where counsellors are free to roam from visitor to visitor, offering assistance when desired...but not requiring interaction if a person just wants to browse. The opportunity to create a viewing platform for visitors on the roof is an added bonus.

Across the nation, destinations are re-imagining their Visitor Centers as more than serving only visitors. The Eau Claire WI "Experience Center" also targets parents of prospective and first-time students to the area's Universities and Colleges as well as potential investors and site selectors. The Economic Development agency there routinely brings prospects to the Experience Center, as do HR professionals hoping to create a stellar first impression for potential executives and their families.



***The Eau Claire WI Experience Center***

Several Visitor Centers have added extensive Gift Shops to sell locally produced goods. Some, like Knoxville and Nashville (images next page), have developed performance stages for local and regional artists to gain recognition. Some (like Baltimore) have created reception space for small group clients. And others, (like Macon) share their heritage in an engaging format.



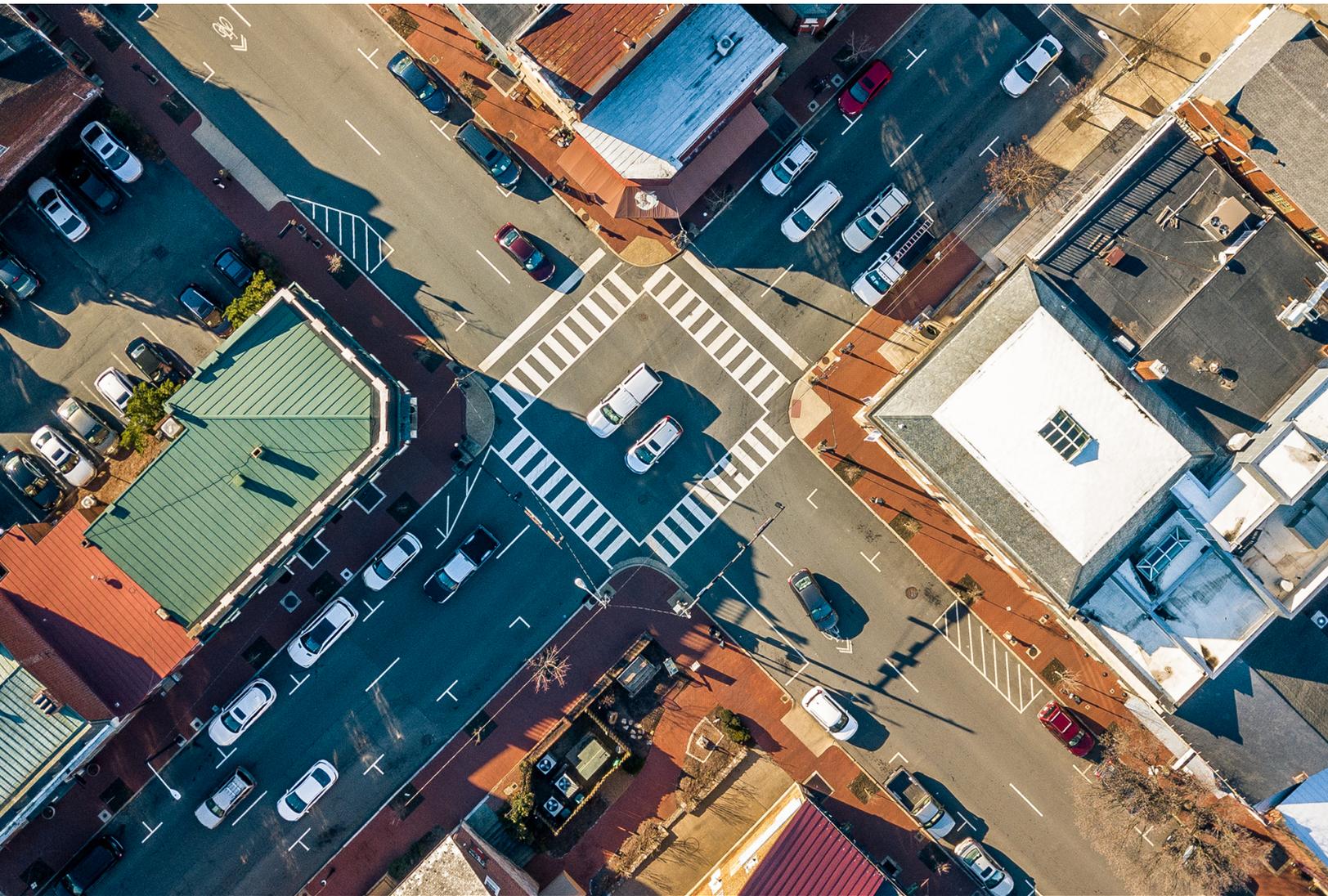
**The Baltimore Visitors Center**  
Image courtesy of Wohlson Construction



**The Knoxville Visitors Center Stage**

The next generation visitor center will be designed for more than just visitors. It will be a place in which economic development professionals will welcome potential investors, where parents considering the University of Mary Washington for their children will learn about the community and where new area residents can come to learn about their new home. As noted previously, Destination Marketing is significantly more than heads and beds. Thus, our visitor centers need to be more than just about visitors.

Of course, there are other options besides the Tower of Power. A number of stakeholders with whom we met suggested that a more appropriate location for a visitor center would be near the new ballpark. Regardless of where the Visitor Center may be, we only support such a move if the City of Fredericksburg is willing to invest in ensuring that the new center has the best tech, the highest finishes and is a space in which the community can be proud. If it is only willing to relocate the counselors, their brochure racks and outdated technology, it should keep the Visitor Center where it is.



# Conclusion

When the City of Fredericksburg engaged DMOproz to study the present execution of its Destination Marketing program, it asked a series of questions:

**Is the City dedicating appropriate resources (staffing, budgetary, etc.) to its tourism operation?** No. Given the amount of hospitality taxes (the primary vehicle for funding Destination Marketing in America) being generated by the City of Fredericksburg, we believe it should *at least* double its investment in Destination Marketing.

**Is the City doing so in a way that gives due attention to heritage tourism, while maximizing sports/arts/eco/foodie/outdoor recreation-related tourism efforts?** In our review of marketing materials, the VisitFred website and placed advertising, we believe that the EDT, through the FRTP's contract with The Meridian Group, is providing an extremely balanced and diverse message to the travel consumer that balances the City's heritage assets with experiences that those without an interest in this nation's past can enjoy.

**Are the existing tourism-related staff roles/workloads appropriate and, if not, what are the key professional qualifications and skills required to enhance the region's/City's tourism program?** The current deployment of professional staff barely scratches the surface of what the EDT could achieve, if it had additional resources. Expecting a single salesperson to generate the business once facilitated by one full-time person and two part-time people is not a sustainable solution. To compete more effectively for the Visitor Economy, the Tourism portion of the EDT budget should be closer to \$1 million and support a staff of no less than 4 full-time employees (and optimally six):

## **Tourism Manager**

An experienced professional in Directing a Destination Marketing Organization will be necessary to jump start the new effort. The Manager should have a firm grasp on today's destination marketing philosophies and strategies and be adept at community relations and partnership building.

## **Marketing & Communications Director / Content Manager**

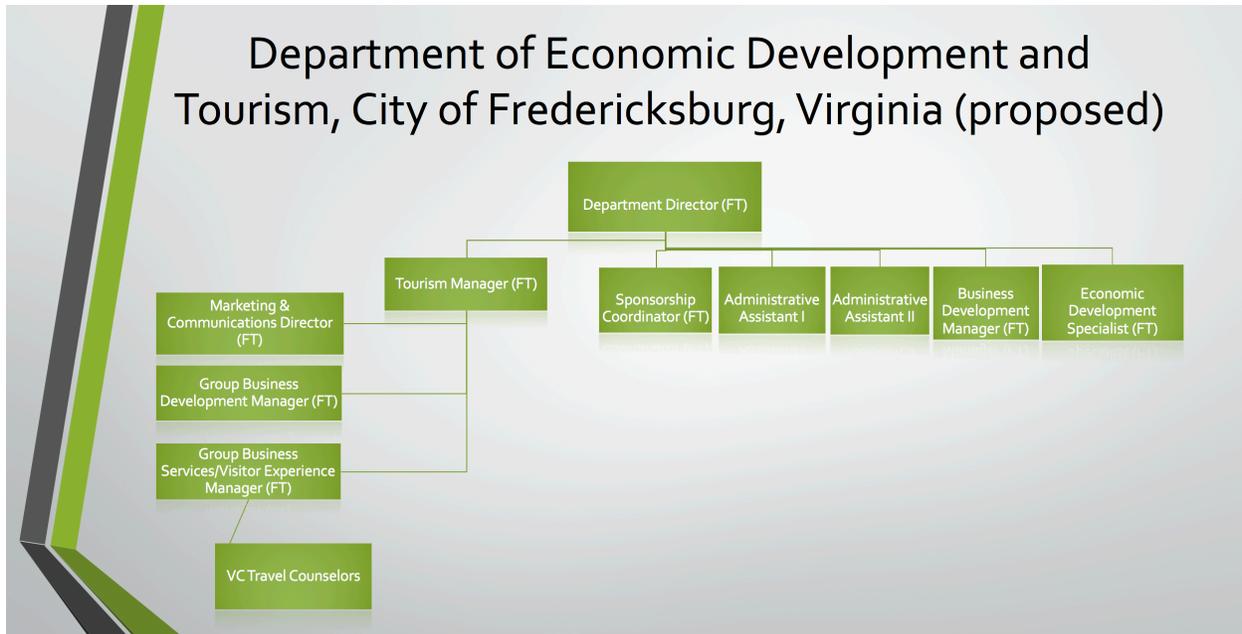
Someone with a background in consumer marketing and PR, preferably with DMO experience. This position (which easily could be split into two full-time positions given the anticipated workload) would also require someone with a deep knowledge of Social Media and an inquisitive mind. This will be the person that is out and about the city, searching for the stories and images that will inspire consumers to consider Fredericksburg for a visit.

## **Group Business Development Manager**

Someone with a background in hotel or DMO sales that has a successful track record of facilitating group business in a competitive environment.

### Group Business Services / Visitor Experience Manager

A Group Services Manager will be necessary if an additional salesperson is not added to the team. In an ideal world, salespeople sell and services people service. In this way, those that are charged with identifying and facilitating new group business can focus on this critical aspect of Destination Marketing. A Services Manager will allow the Sales Manager to devote all their time to identifying new group business for the community. This individual could also oversee the Visitor Center, until such time as either duty becomes large enough for a second individual.



Proposed EDT Organizational Chart (showing two additional full-time positions. The first priority is to fill the Tourism Manager position to be in place for the start of FY 2021 (July 1, 2020).

**Is the bifurcated approach to tourism working well, or should the City consider focusing all of its efforts/resources solely on the City?** The regional approach to marketing has been adopted by Fredericksburg as its own; the City really doesn't have its own separate marketing strategy. So, the answer is, "yes," to the extent that the budget allows. While we believe Fredericksburg needs to become more intentional about marketing itself (and, therefore, requires a full-time Tourism Manager within the EDT), we believe a regional approach is critical to the success of Fredericksburg's Visitor Economy.

**Should the City's tourism and economic development operation be under one department, or should they be separated?** There are advantages to having the two operations under one department...but only if the Tourism operation is headed by its own senior level executive. If the Tourism operation cannot have a dedicated professional to provide full-time leadership to the operation, the two should split.

**Should the City consider privatizing its tourism operation through an independent, non-profit structure or should this function remain under the governmental umbrella?** As noted on pages 11-14, there are advantages to both governance structures. However, the private, non-profit agency (under a performance contract to a governmental entity) is the preferred model throughout much of the country. From possessing a greater ability to secure private sector revenues to augment the City's investment to gaining an enhanced level of market agility to the ability to more successfully engage industry partners, the "501" model has more advantages than the government model. A change in governance is not a critical step at this moment in time for Fredericksburg; the current structure is not the fatal flaw (the lack of a competitive budget is). But, should it consider the 501 model for the future? The City should always consider opportunities to improve its services to its community.

The question regarding privatization, however, is really at the crux of the City's question regarding the FRTP. We strongly believe that the regional consortium should move beyond a memorandum of understanding and become a private, independent, non-profit organization under contracts with Fredericksburg, Spotsylvania County and Stafford County. We encourage all three to commit to a three year experiment in which the efficacy of a 501's ability to generate private-sector matching dollars can be tested and vetted. With the right Director or contractor, we are confident that the new regional entity could double its present budget on behalf of the region within three or four years. The FRA could provide the umbrella organization for this experiment as a first step.

Assuming the model works, *that* would be the time for the City of Fredericksburg to revisit the question of how it handles growing the Visitor Economy. For, if the regional entity can expand to a million dollar budget and its three investing partners have also increased their budgets to a million dollars each, combining under a single masthead would produce an operating budget in excess of \$4 million. And, that's the kind of budget that can make big things happen.

To be sure, we would expect each of the three partners to maintain visitor centers and a presence within their own communities. But a singular brand message backed by \$4 million will attain greater reach and frequency than three separate messages backed by \$1 million each.

Optimism is in the air in Fredericksburg and throughout the region. We felt it in our conversations with community leaders and industry partners. Now is the time for Fredericksburg to reassess its strategy for building the visitor economy...and we hope that our work on your behalf helps set a course forward.

Bill Geist & Terri White  
DMOproz  
9 September 2019

# Plan of Action

These are the actions recommended by DMOproz, designed to enhance the City of Fredericksburg's Destination Marketing strategies in order to increase Visitor spending in the region:

- 1) Hire a dedicated Tourism Manager to lead the City's Destination Marketing Program.
- 2) Allocate an amount equal to 60% of annual Lodging Tax revenues to Destination Marketing (the Tourism side of EDT).
- 3) Develop a more Fredericksburg-centric website, advertising and collateral materials and social media platforms to help drive the new Fredericksburg brand.
- 4) Work with neighboring Counties to establish an independent regional Destination Marketing Organization to enhance upon the past work of the F RTP, encouraging all participating units of government to invest \$200,000 each per year (an increase of \$29,000 in FY 2021 for existing partners).
- 5) Hire a Marketing & Communications Director.
- 6) Relocate the Visitors Center, so long as there is a solid commitment to upgrade the visitor experience with higher end technology and other amenities.



# Appendix

## **TOURISM ADVISORY COUNCIL REPORT TO the CITY OF FREDERICKSBURG & the COUNTIES of STAFFORD and SPOTSYLVANIA November 28, 2017**

### **Executive Summary**

In spring 2017, the City of Fredericksburg invited the Counties of Stafford and Spotsylvania to nominate tourism stakeholders to join a Tourism Advisory Council with a purpose to spend six months examining current regional tourism efforts and make recommendations to the localities.

A cross-section of geographic and vocational experts representing all regional tourism activities was supported by tourism staff and management for six months of discovery and discussion. A complete list of members is provided at the bottom of this report.

This cross-jurisdictional group examined current organizational and marketing efforts, met with state-level tourism experts regarding other regional joint organizations, consulted their larger community memberships and created a consensus list of recommendations in this report. Staff from all three jurisdictions provided details and answered questions of the Advisory Council and are aware of the recommendations made by the stakeholders.

The primary concern of these stakeholders is the need for expertise in regional vision and strategy development. The current partnership marketing agreement will require a new RFP be issued in January 2018 with this group strongly recommending some urgency to create a vision and strategy prior to awarding this significant contractual funding.

Members of this advisory council recommend the Fredericksburg Regional Tourism Partnership (FRTTP consisting of Stafford County, Spotsylvania County, and the City of Fredericksburg) hire a nationally-recognized tourism strategic consultant as soon as possible to examine and analyze the regional ability to double impact growth in the region to \$1 billion by 2028.

This advisory group of tourism stakeholders appreciates the 10-year success of the current regional partnership and strongly applauds the regional approach to tourism. It is building on this locally grown success and the knowledge that even more is possible that helped drive this effort. We recommend more joint emphasis on regional tourism. Tourists don't see borders and the region is stronger working together than it is as individual members.

Locality staff have created a regional working arrangement which is supporting and provides benefits to tourists and stakeholders but a consolidation of resources and efforts will strengthen and lift all entities higher. Group tourism efforts have been consistent and regional for more than a decade culminating most recently with a large soccer tournament resulting in 5100 room nights across geographic districts. There is a consensus that these regional efforts are an example of the strength to be gained by addressing Tourism similarly to the Fredericksburg Regional Alliance.

The Tourism Advisory Council has agreed and committed to ten basic recommendations moving toward a more collaborative effort on a regional level as presented here. All members are committed to supporting these goals. Additionally, some specific area experts have provided supporting papers from larger organizations and interests they represent which are attachments to this document.

The members of the Tourism Advisory Council stand available to support and discuss these recommendations at your convenience.

## **Recommendations from the 2017 Tourism Advisory Council**

Generally, recommendations fall into one of two areas: a) Definition/Vision – While rich in organically grown talent within each jurisdiction, the region would benefit from true expertise in the planning, organization, and implementation of a cross-jurisdictional tourism entity; and b) Strengthening communications on all levels to include consumers, constituents, and stakeholders.

### **Recommendation 1**

#### **Accept the recommendation of state level officials and hire a consultant to guide regional vision and strategy development.**

Without a doubt, the entire council recommends the need for expertise in regional vision and strategy development as warranted and necessary for any future growth of the program in individual localities and regionally. Specifically requested is to examine the regional structure and assets and make recommendations based on national-level industry knowledge.

Current strategy is little more than marketing efforts led from the marketing consultants and not from the regional tourism industry. This council recommends regional vision, strategy and measurable goals be developed to proceed with any activities. To be clear, the current measured indicators (hotel tax revenues, etc.) show growth. The council believes these indicators don't accurately measure the depth of current tourism conditions nor the ability to grow into a larger tourism effort. Further, regardless of using expert consultants for tourism strategy development or not, a regional vision and strategy should be developed in house and communicated to stakeholders and the public at large.

### **Recommendation 2**

#### **Broaden marketing efforts to include a greater cross-section of regional assets.**

Historic resources are universally agreed to be the bedrock of regional tourism and should be reinforced with newer, and sometimes more transient, assets to include outdoor recreation, cultural/arts related opportunities, sports, culinary and beverage industries. More is more with all having a place in the larger pie.

A complete resource list of all tourism-related activities and interests has been created and is maintained on the VisitFred.com website. However, current marketing program goals lean toward trends and do not always address all available assets. The expectation is consultants would address the balance of these assets as part of their strategy development. The FY18 Media Marketing Approach presentation is attached to this report.

### **Recommendation 3**

#### **Confirm regional locality commitment to a more aggressive regional approach.**

The interest of this council to increase regional tourism revenues and activities needs to be coordinated more broadly by all three localities to succeed similarly to transportation coordination or waste management programs with appointed jurisdictional representatives.

This is not to say a major change to existing FRTP agreements is either inevitable or preferred rather to recommend undertaking a proper analysis and study with concurrence and approval of the governing bodies for whom it benefits.

Council members are convinced with commitment from regional jurisdictions to enhance and approve a more aggressive regional approach, the City Council and Boards of Supervisors will benefit both in visitation and economic development by greater regional strength.

#### **Recommendation 4**

##### **Develop measurable goals for all levels of the tourism industry to track and contribute.**

Currently, tourism activities are measured by the Virginia Tourism Council on a quarterly basis using revenue generation as a primary tool. The most recent assessment is attached to this report. Additionally, the FRTP maintains a listing of zip codes of visitors and statistics of number of group tours, event participation estimates and visitation to Visitors Centers. Some of these statistics are used for regional marketing efforts but none are regularly communicated to stakeholders.

The region lacks measurable goals at all levels. The current statistics should be available as a baseline for which to develop goals which are then disseminated to stakeholders, and the community at large, to allow individual tourism assets, i.e. hotels, museums, commercial recreation activities, restaurants, etc. to understand their portion of the regional efforts and adjust internal goals accordingly. Currently, while many are succeeding, there is no coordinated effort to which all stakeholders can clearly strive.

#### **Recommendation 5**

##### **Target a strong financial impact goal for the region.**

Consensus indicates a goal of reaching \$1 billion in regional tourism impact in currently measurable revenues by 2028 would be worth forward motion to strengthen the regional efforts. The goal should be to increase revenues to the localities to better support the regional effort. This represents a 6% annual growth over ten years from the current \$571 million impact as determined by the Virginia Tourism Corporation annual statewide assessments.

This council is committed to regional growth and believes with strong vision and leadership these goals are reasonable and attainable.

#### **Recommendation 6**

##### **Increase regular communications with stakeholders.**

Regular/recurring communications with stakeholders to encourage participation and goals is strongly recommended. Engaging regional stakeholders with information, possible skill enhancement training and network opportunities would strengthen the entire tourism community.

Members of this council have indicated an appreciation for the increased knowledge they have from participating. Example: One member said at a meeting, "If I had known there was no marketing outreach to North Stafford for example, I would have put some of my efforts that direction to balance."

### **Recommendation 7**

**Improve signage coordination for regional tourists to follow.** It is presumed with a cohesive strategy for regional tourism there would be better ways to direct travel for all travelers throughout the region. Current efforts are jurisdictional and not always complimentary. Tourists don't see borders and are not cognizant of the differences. This council recognizes the challenge but recommends a regional signage strategy with some standardization would greatly enhance the tourist experience.

### **Recommendation 8**

**Increase marketing efforts to local and state-level tourists.** While individual localities are marketing locally, particularly for event-based activities, we strongly need to inspire more locals to visit – due to traffic and growing population base. There is recognition this isn't a currently measurable track, i.e. TOT revenues. There is no regional marketing effort currently in place for these potential tourists.

Statewide tourism numbers indicate the largest percentage of visitors come from Virginia (29%) – more than any other location. While not directly contributing to current measurable tracks, local tourism creates a robust level of attendance at all venues and attractions as well as creating ambassadors for visitors. This concentration will have a side benefit of informing constituents in all three localities of the value and importance of tourism to the local economy.

Additionally, with significant concerns regarding transportation challenges, specifically the I95 corridor, we cannot recommend marketing concentration within the corridor. As one member suggested, “They fight traffic to get here, have a wonderful time experiencing our hospitality and are left with a sour taste trying to get back home with the result being ‘It’s a great place but we’re not doing that again.’”

### **Recommendation 9**

**Regionally lead the transformation to digital and virtual tourism.**

By becoming a center for education, training, and experimentation, and utilizing our assets and resources as models for comparing virtual and real experiences the region can become a leader in the future.

The council is keenly aware of societal pressures on tourism and looks forward to leading the charge. “The next generation is enthralled with electronic gadgets, electronic check-ins at hotels and electronic keys so they don't have to go to the desk. How are we going to market to them? How are we going to connect with them? What will attract them?”

In the greater scheme of time marching on, the council recognizes the need to include virtual and digital tourism in the vision and strategy. These changes will happen with or without our action and we prefer to be ahead of the curve. It is noted that within our region are major technology experts who may be of assistance if we determine the goals to succeed in this arena.

### **Recommendation 10**

**Appoint a Regional Tourism Council.** This temporary council recommends a more permanent council be created with equal representation from all three localities. It is recommended at least three members per locality to include a County Administrator/City Manager-level management member, a tourism professional and a stakeholder from each jurisdiction be appointed.

It is recognized the first level of business for such a body would be to advise and coordinate with any consultant agency addressing regional tourism strategy and vision development.

## **Conclusion**

Statewide heritage and cultural assets remain a strong base to tourism according to recent VTC studies. We have attached two of these studies to this document. More than 100,000 jobs are directly supported by heritage tourism spending generating a statewide \$6 billion+ economic impact. The regional economic impact is also clear as evidenced by the quarterly VTC impact studies as attached for our localities.

The Heritage Tourism report suggests expansion of marketing efforts should include Virginia tourists (29% of current visitors), North Carolina (10%) as well as the current efforts to Pennsylvania (7%) and Maryland (7%). Rounding out the top six current visitors to the state are Florida and New York with 5% each. We note our current efforts concentrate only on two of those markets (PA/MD).

The Tourism Advisory Council thanks the City of Fredericksburg and Counties of Spotsylvania and Stafford for encouraging this effort to better understand current conditions and practices. All members have found the process informative learning more than they knew about various aspects of current FRTP efforts.

Current staff are commended for their efforts to bring as many details and answers to the table during this six-month process. The efforts and recommendations of this Council are not meant in any way to demean the contributions of this hard-working staff or current operations.

The goal of this council was to examine current tourism operations and make recommendations from an informed perspective as to how to greatly increase and strengthen tourism in the region to benefit all. During completion of this, constructive criticism is inevitable.

We believe tourism will become even more important to the region as technology diminishes the value of retail and even business-related activities. Building on an extremely healthy and strong foundation of heritage tourism ably increased by cultural, recreational and culinary assets, the Rappahannock Region stands to continue to grow with tourism becoming a significantly larger economic engine. These recommendations have been created with an intention to grab the reigns and lead the charge rather than become reactionary to changing conditions. There is no doubt the region can rightfully take its place in the top of Virginia destinations with proper vision and management.

Respectfully submitted by

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