

Developing an Entity to support tourism services for Nanaimo

A strategic framework (DRAFT Report) and options for consideration to the Tourism Advisory Council of the City of Nanaimo

**Submitted by: Twenty31 Consulting Inc. in association with Left Coast Insights
September 29, 2017**

Agenda

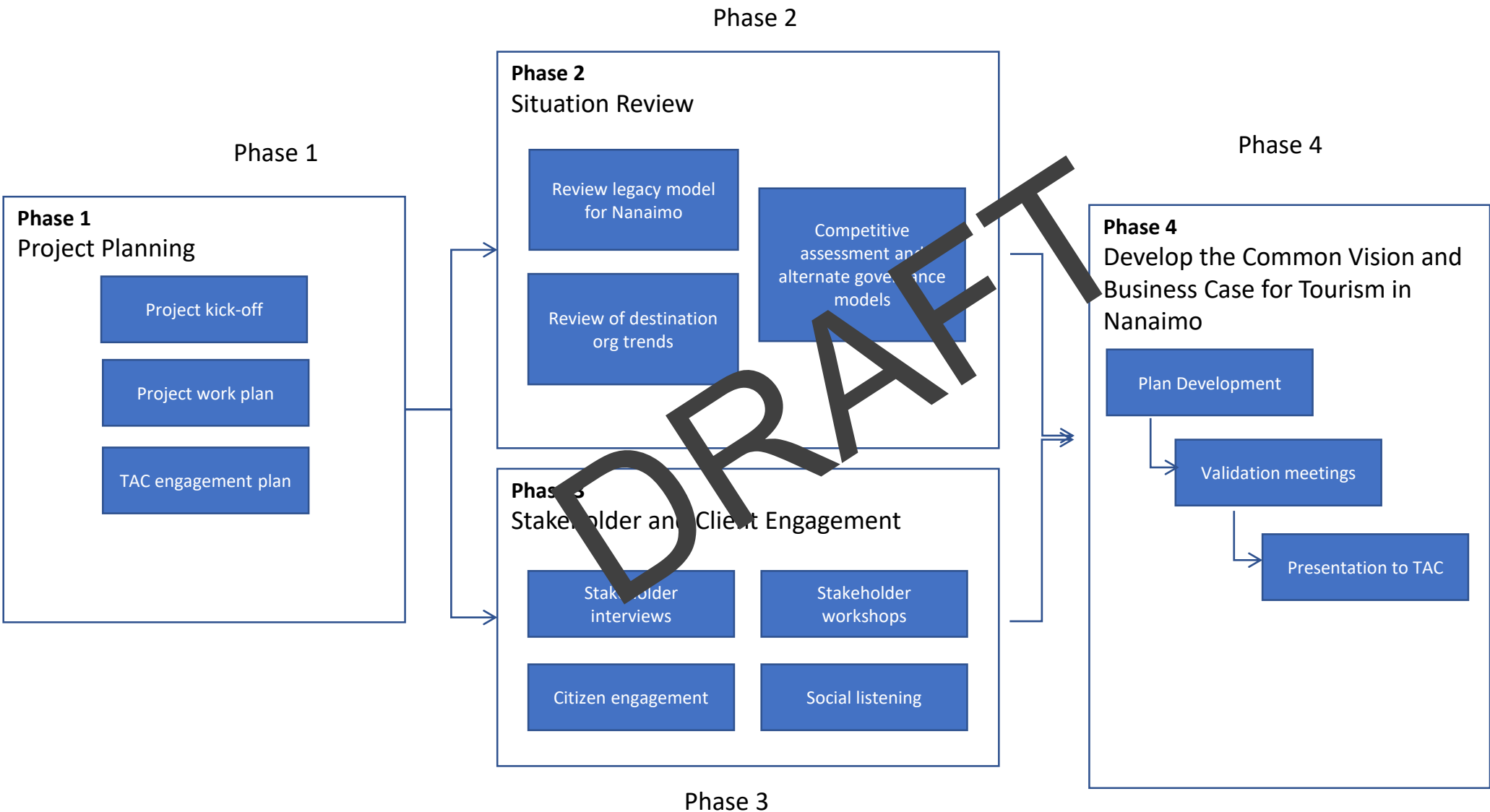
+ Background on
Methodology and
Consultations

+ Review of Outcomes and
Decision Criteria

+ Governance Options—Board of
Directors

+ Governance
Options—Entity/Organization

Summary of Project Methodology



Stakeholder Engagement

	Communique	In-depth Interviews	Tourism Industry Survey	Town-Hall Session	Digital Listening	Local Government Workshop	Tourism Industry Workshop	Draft Review	Final Presentation
TAC		X					X	X	X
External Stakeholders		X					X	X	X
All Tourism Industry	X		X	X					
Local Government						X			
Citizens	X		X	X	X				

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Vision for tourism

Mandate

To establish an entity that provides direction and proactive leadership; encourages private and public sectors to undertake programs and projects that will foster destination marketing and sales, tourism management and tourism development for the City of Nanaimo.

The Organization

The entity will champion the implementation of the vision, desired outcomes and strategic and priority initiatives

DRAFT

Vision for tourism

By 2020, Nanaimo's tourism industry will embrace the following accomplishments in support of developing Nanaimo's tourism competitive advantage

Engaged and Aligned Industry

The new Entity has instilled trust in the industry which is eager to engage, collaborate, lead and partner with tourism in Nanaimo .

Optimize ROI

The tourism industry and hotel industry sees significant return on its investment in tourism. Hotel rate and occupancy have seen a steady increase. New tourism product developed and thriving. Shoulder and off season performance significantly improved . .

Engaged Community

Nanaimo's business community and citizens understand the value and potential of tourism and get behind initiatives. City pride is evident and investments made in private and public sector product and service .

Nanaimo's Tourism Brand

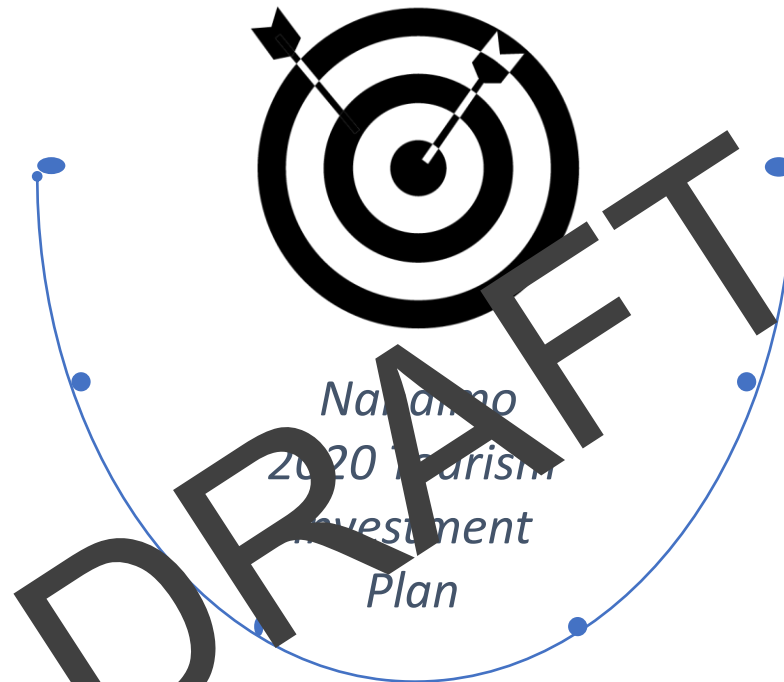
Nanaimo has developed a tourism brand which is beginning to resonate with travelers and tell Nanaimo's tourism story.

Tourism Management

The organization is seen as an effective manager of all aspects of tourism. From leisure to Meetings and Conventions; sports tourism and events marketing to destination development and enhancement. Nanaimo is successful in attracting tourism investment

Funding

The City of Nanaimo sees return on their tourism investment; the NHA continues to support investing in the tourism entity. Both funds are stable and predictable. Organization with support from the City and NHA preparing for a new MRDT with thoughts on increasing to 3%. Alternative funding sources considered



Criteria to support options to consider

Questions?

+ Is there a net benefit for Nanaimo to combine their tourism investments and efforts into a single organization?

+ What would be the role of the stakeholders and shareholders in governing, collaborating, supporting and investing in the entity?

+ Is there a net benefit for Nanaimo to manage all parts of tourism from a single organization or to outsource some aspects of those roles to other professional organizations?

+ What would be the funding source(s) to execute the programs and the terms of that funding?

+ What would be the optimal timeframe to develop this entity or governance of tourism investments?

+ What would be the role of the shareholders and stakeholders in the management of that investment?

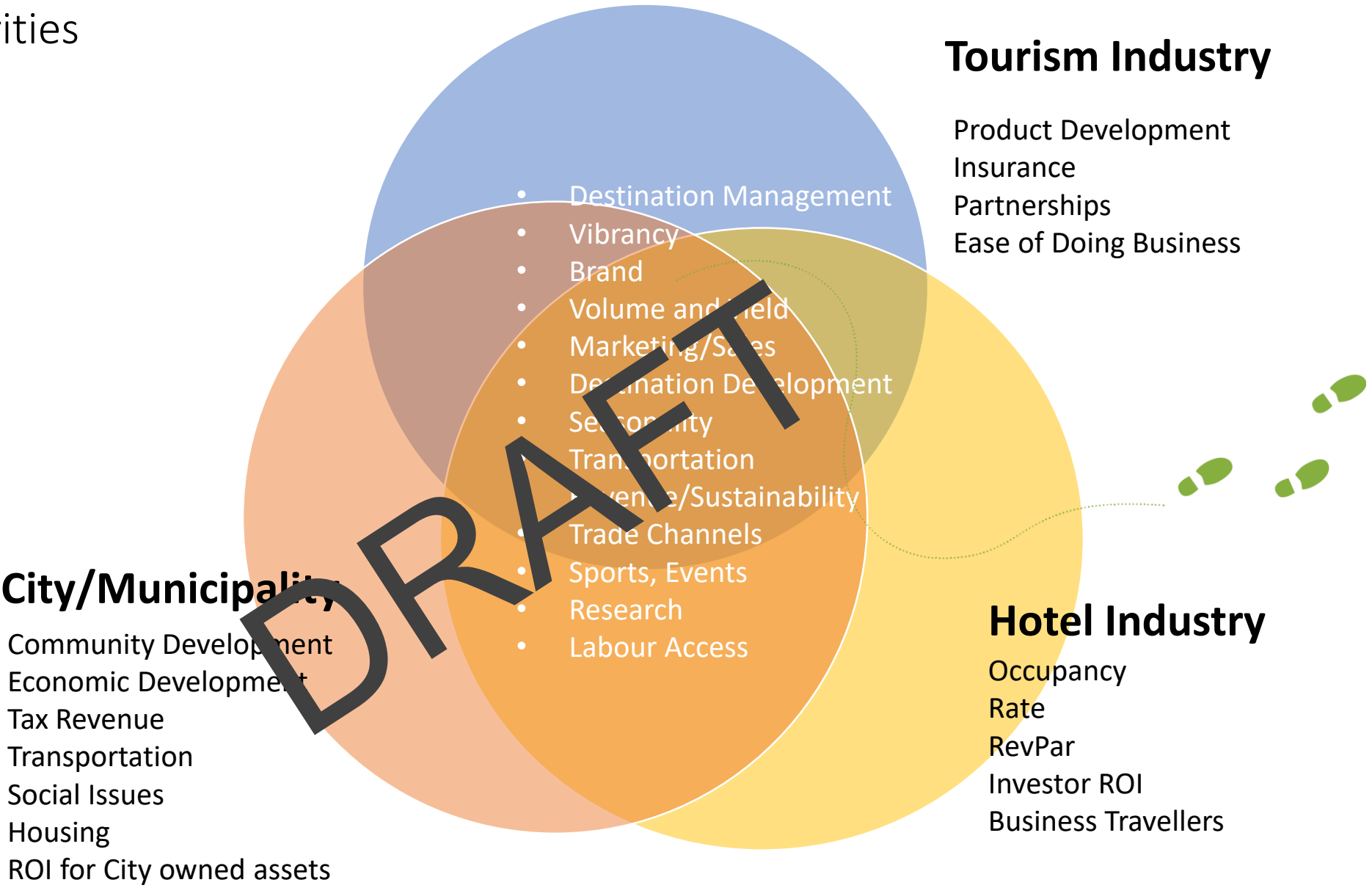
+ If a single entity, what tourism role would that organization play?

+ Which organizations would transfer their entire mandates to a separate organization and which would engage in a less formal way?

Tourism Industry Association of BC-Feb. 2017 Position on DMO Governance

- ☐ Supports the premise that community DMOs should be governed by an industry-led board with some local government representation as appropriate.
- ☐ Community DMOs should be structured as a not-for-profit society with the full weight of transparency and accountability outlined in the B.C. Societies Act.
- ☐ Tourism experts must drive and execute promotional programs and projects that are designed to advance the tourism industry within a community
- ☐ The board of the society must support management in executing its programs, and hold management of the community destination marketing association accountable for the proper use of funds and the outcome of results against its five-year plan

Tourism Sector Priorities



Guiding Principles: Key Points Derived from Consultations

<i>The Organization</i>	<i>The Terms</i>
+ A not for profit society/organization	+ Acknowledge and include the Snuneymuxw First Nation in strategy and planning
+ A Destination Management Organization with strong governance and leadership	+ All of tourism approach unified under a single brand, vision, and message (VICC, leisure, VIC's events, Sports, etc.)
+ An entity with a priority focus on the "business of tourism" ie. Sales and marketing	+ Must define and champion tourism's role and contribution in Nanaimo
+ Strategy signed off by board of directors and communicated to shareholders and stakeholders	+ NHA leads on the MRDT but supports, along with the City, a stable, predictable 3 year funding base
+ Organization with key performance indicators; measurable and accountable results with a board holding Entity to Account	+ Be inclusive of the core values of the community and ideally be developed with the community

Summary of Consultations and Discovery

Consultant Views

- ☐ Trust is critically important in this collaborative business and lacking in many jurisdictions across Canada
- ☐ Understand the decision-drivers of each of the industries supporting tourism; support them when possible and debate them when they are in conflict for the greater good of the destination
- ☐ Regardless of the model, the right leadership will accomplish key objectives. Choose the CEO carefully with leadership and not only tourism experience
- ☐ Leadership creates compelling strategy, engagement of industry, alignment with City and industry goals, attracts talent AND attracts investment in tourism
- ☐ Board governance, terms of reference are critical to success. Without these it's the 'Wild West'
- ☐ Consider the importance of the 'M' in DMO. To be competitive in the future, the destination must be managed as well as marketed.

Role of Tourism Entity?

A medium to long term “wish list”

Budget = \$1M-Destination Management

Tourism Focus	Sources of Funding	Organization Priorities	Organization Governance	Foundation/Tone
<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
<div><div></div>Leisure*</div>	<div><div></div>City of Nanaimo</div>	<div><div></div>Destination Marketing and Sales</div>	<div><div></div>Stakeholder Board</div>	<div><div></div>Collaboration</div>
<div><div></div>VICC</div>	<div><div></div>MRDT (2%)</div>	<div><div></div>Memberships and Partnerships</div>	<div><div></div>Membership</div>	<div><div></div>Partnerships with City, Events, DBC, TAVI, Destination Canada etc.</div>
<div><div></div>Sports Tourism</div>	<div><div></div>Memberships</div>	<div><div></div>Destination Development</div>	<div><div></div>Appointments</div>	<div><div></div>Communication</div>
<div><div></div>Festivals and Events</div>	<div><div></div>Grants/Contributions</div>	<div><div></div>Product Development</div>	<div><div></div>Representation</div>	<div><div></div>Accountable to board, shareholders and industry</div>
<div><div></div>Cruise**</div>	<div><div></div>Partnerships</div>	<div><div></div>Market Research</div>	<div><div></div>Skills Based</div>	
<div><div></div>Visitor Servicing**</div>	<div><div></div>DMF</div>	<div><div></div>Stakeholder Management</div>	<div><div></div>Pay to Play</div>	
	<div><div></div>Sales/Commissions</div>	<div><div></div>Community Engagement</div>		
		<div><div></div>Funding</div>		

*Leisure tourism inclusive of First Nations, Attractions, Outdoor, Culture, etc.

Role of Tourism Entity

Working together, the broad primary mission of the entity

Brand/Sense of Place

What is the essence of Nanaimo?

What is its sense of identity that differentiates it from other places and a compelling reason to visit?

Sales and Marketing

A strategy to sell Nanaimo.

Increase revenue during peak months and attract customers during shoulder season. Taking the key experiences aligned with the Nanaimo brand and creating compelling and inspiring messages to visit Nanaimo as a tourist, attend a sporting event, or for a convention.

Destination Development

Developing Nanaimo's tourism potential.

Improving the sense of place, downtown experience. Shops, galleries and museums. Special events. Signage, guest servicing and transportation. New product and experiences

Industry Leadership

Collaboration

Working with key partners from across the community and tourism industry. Chamber, First Nations transportation, port, downtown businesses; Ambassadors, Sports Associations, VIU City and Hotel communities to develop a shared tourism vision for the City

Funding

A sustainable, predictable multi-source funding mechanism must be found and a primary role of the entity

Primary Funding Sources

Nanaimo Hospitality Association (NHA)-Municipal Regional Destination Tax (MRDT)

City of Nanaimo Appropriations

Other City Funding Sources (ie. Festivals, projects, etc.)

Explore Secondary Funding Options

Increase MRDT to 3%

Voluntary Destination Management Fee (DMF)

Destination BC grants

Partnerships with Industry

Commission Sales

Funding Terms

3 Year contractual commitment between NHA and City averaging a percentage of MRDT funds and city appropriations

Destination Management Organization (DMO) supports MRDT applications and reporting

DMO explores potential to increase MRDT to 3%

DMO seeks other funding options

Key Stakeholders

	Primary/Shareholder	Secondary Stakeholders	Other?
	<div>City of Nanaimo</div> <div>Snuneymuxw First Nations</div> <div>VI Conference Centre</div> <div>Nanaimo Hospitality Association</div> <div>Tourism Membership</div> <div>Cruise Sector</div> <div>Transportation</div> <div>Tourism Industry Members</div>	<div>Communities</div> <div>Events</div> <div>Gabriola Island/</div> <div>Surrounding Communities- Parksville, Nanoose, etc</div> <div>Nanaimo Chamber of Commerce</div> <div>Nanaimo Airport Authority</div> <div>BC Ferries</div> <div>Airlines</div> <div>TAVI, VU, BCN</div>	<div>Destination British Columbia</div> <div>Nanaimo Port Authority</div>
Role	<div>Formal</div> <div>Strategic Oversight</div> <div>Governance /Board</div> <div>Funding</div> <div>Partnerships</div>	<div>Supporting</div> <div>Memorandum Of Understanding (MOU)?</div> <div>Consultation</div> <div>Engagement and Advice</div> <div>Partnership</div>	

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Board of Directors

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Recommended Options: Two Step Process

1

Create a Board of Directors for oversight of tourism investment in Nanaimo; establishing the strategy, metrics and accountabilities of how that investment is spent. Board comprised of combination of appointed “shareholders” and key stakeholders” along with elected representatives of industry.

- *Not for profit BC Registered Society*
- *Appointed “shareholder” board and elected “stakeholder” board*

2

Board of Directors to determine oversight of an entity to develop and execute the vision and strategy of the Board.

3 Options

Organization Governance (Options 1, and 2a., 2b.)

- Dual Board Structure: Appointed (Primarily shareholders) and Elected (primarily stakeholders)
- Representative of Key Industry; skills based where possible
- 12 to 16 person board
- Fixed (Two or Three) Year Terms
- All members of the board voting members
- Committees of the Board but no executive committee

Appointed-Key Organization Primarily Shareholders—9 Persons

- 1 Chair of the NHA
- 2 NHA Hotelier Members
- 2 City of Nanaimo Appointments
- 1 VI Convention Centre
- 1 SFN
- 1 Port Authority
- 1 Managing Director of the entity*

**if option considered to create a separate entity*
Ensure Marketing skills are part of the elected or appointed board member skillset

Elected—Key Organization Primarily Stakeholders—7 Persons

- Representation from:
- 1 Arts/Festivals
 - 1 Attractions
 - 1 Retail
 - 1 Transportation
 - 1 Outdoor/Nature
 - 1 At Large

Definitions

- *Stakeholders: businesses, persons, associations or government bodies with a vested interest in tourism with an active business in the Nanaimo Metropolitan area.*
- *Shareholders: Organizations responsible for investing in the organization or with a high contributing stake in its success*
- *NHA Hotelier members must be from hotels that collect the MRDT tax*

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Governance: 3 Options

Option 1: Current Status Quo

Invest with TVI

Board for Entity negotiates investment of combined City and NHA financial resources with Tourism Vancouver Island to deliver sales, marketing of tourism services for Nanaimo and potentially other roles determined by the Board and TVI.

Option 2.1

Create New Full Service DMO

Board would create an organization to develop full service tourism services for the City of Nanaimo and the hotel and tourism industry.

Board would hold new organization accountable through Managing Director, evaluate organization's strategy, mandate, and performance metrics.

Option 2.2

Create New (small DMO organization) and contract most services

Board would create new organization to develop the strategic direction and investment for tourism for Nanaimo to be executed by third party entities either appointed or through competitive process (ie. Marketing, advertising, sales, brand, etc.).

Board would hold Managing Director to account; agree on service fees, and performance metrics.

Governance Options—Option 1

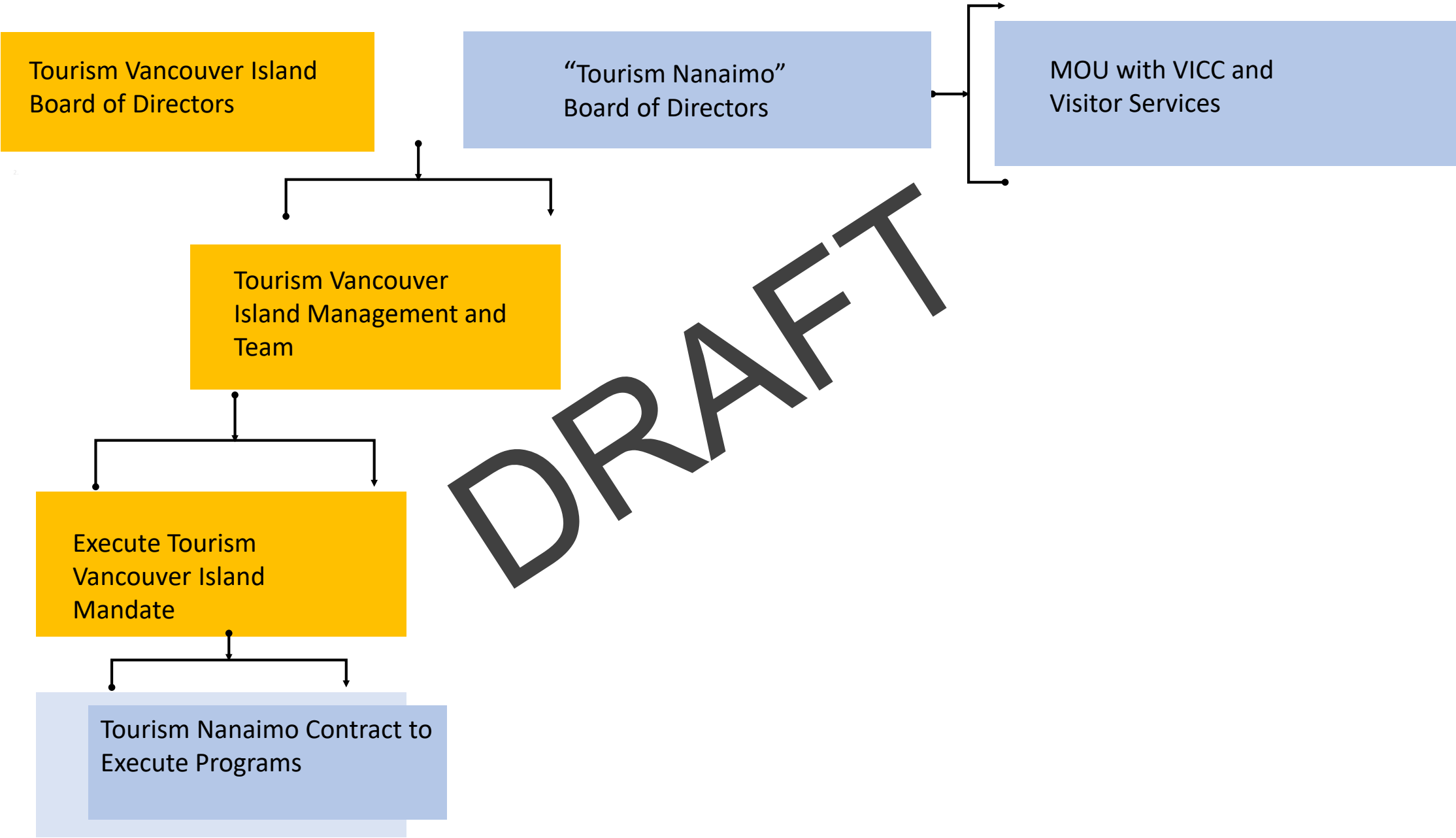
Status Quo:

- City continue to invest financial resources under contract with Tourism Vancouver Island to deliver leisure tourism services
- NHA continues to invest financial resources under contract with Tourism Vancouver Island to deliver leisure tourism services.
- Meetings and Conventions Servicing through VICC
- Visitor Servicing delivered through the City

With following adjustments

- City and NHA develop board governance oversight structure (A board of directors) to manage investment
- City and NHA, through governance structure, combine investment and jointly manage strategy, performance
- Develop collaboration/MOU with VICC and Visitor Servicing to ensure alignment

Governance Options-Option 1



Governance Option 1: SWOT Continue Agreement with TAVI

Strengths

- Known entity. Working well
- TAVI gets tourism
- Strong management team and track record
- No need to reinvent wheel
- Strong marketing and sales acumen and results in 2017
- Cost –effective. Shared administration costs; pooled resources

Weaknesses

- Can TAVI be the champions for tourism for the City?
- Fragmentation of the tourism opportunity
- Challenge to fulfil destination management objective including destination development, city building, vision and branding

Opportunities

- Learning from other destinations supported by TAVI
- Developing core competency for TAVI
- Strong, seasoned team

Threats

- Change in leadership at TAVI
- Distraction from core business
- With limitations on city branding and destination development, will Nanaimo be left behind? Who will pick up that role?

Governance Options—Option 2

Develop and incorporate a not for profit Destination Management Organization for the delivery of all tourism services for Nanaimo

Developed in collaboration with key shareholders of organization—City of Nanaimo and NHA through the collection of the MRDT

Governance a combination of appointed shareholders and elected key stakeholders

Not a membership based organization but one that attracts key stakeholders

Two Delivery Models for Consideration

2.1. Create a New, Full Service Separate Entity professional DMO

Organization would be new, incorporated not for profit society charged with the delivery of tourism services for Nanaimo's tourism industry.

A separate board of directors with oversight of organization, hiring, firing and performance management of the CEO, strategy and accountable measures.

Delivery of tourism services the discretion of the entity; through RFP or conducted in-house.

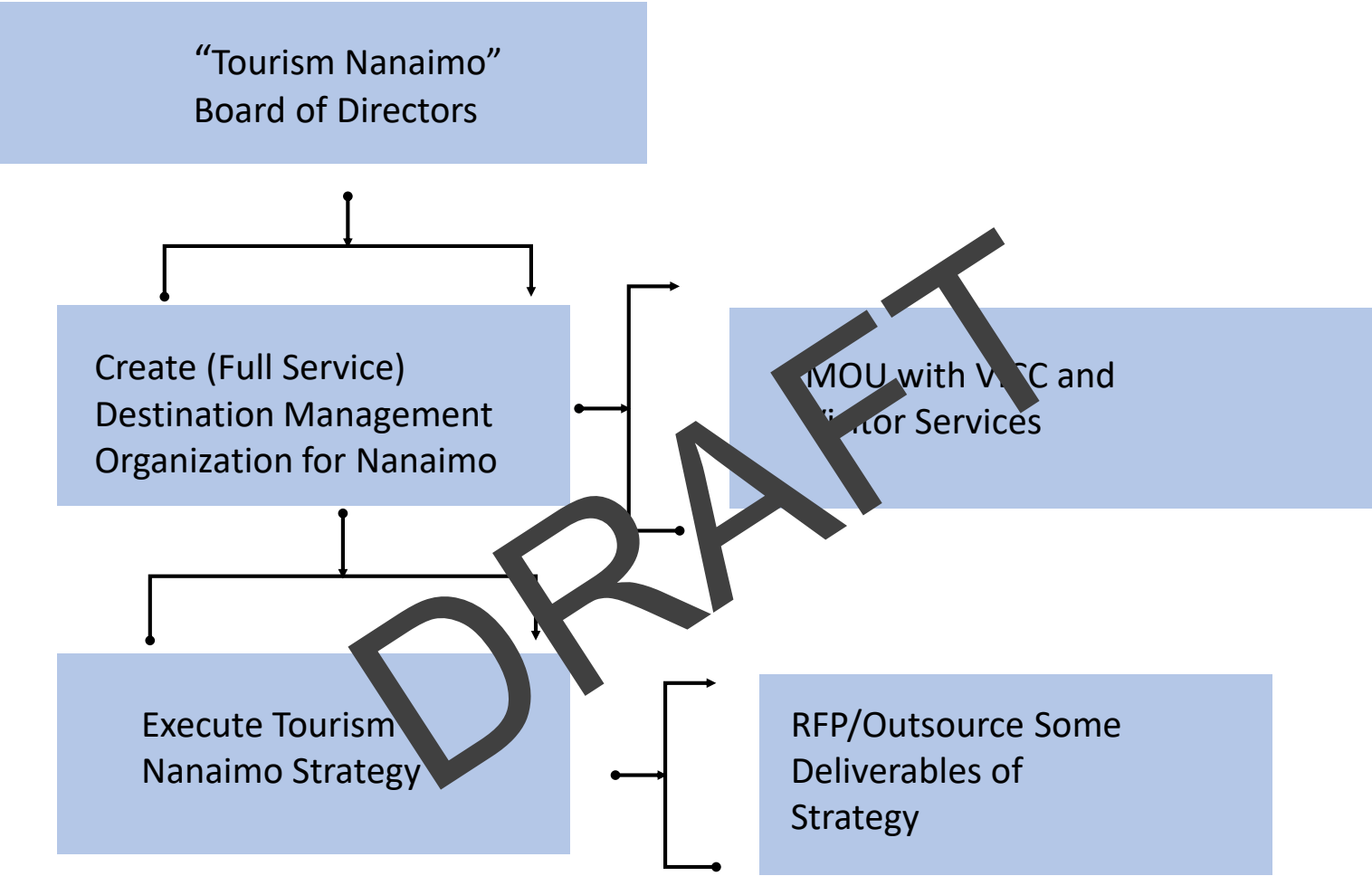
2.2. Create new separate entity professional DMO with delivery of select DMO services through formal agreement with TVI

Organization developed as a new, incorporated, not for profit society charged to invest in certain aspects of destination management

Invested in multi year service agreement with either Tourism Vancouver Island and/or with alternate organizations appointed or through competitive process.

Entity would be a DMO, but with a smaller team charged with overall representation of tourism, developing strategy and oversight of outside organizations for execution

Governance Options-Option 2.1



Option 2a. SWOT Create a New, Separate Full-Service Entity

Strengths

- Fulfills many of the Industry's and Community's wishes for a full service Destination Management Organization

Weaknesses

- Brand New Organization could take two years to start up
- New organization expensive; administrative costs and start up costs considerably higher percentage of budget

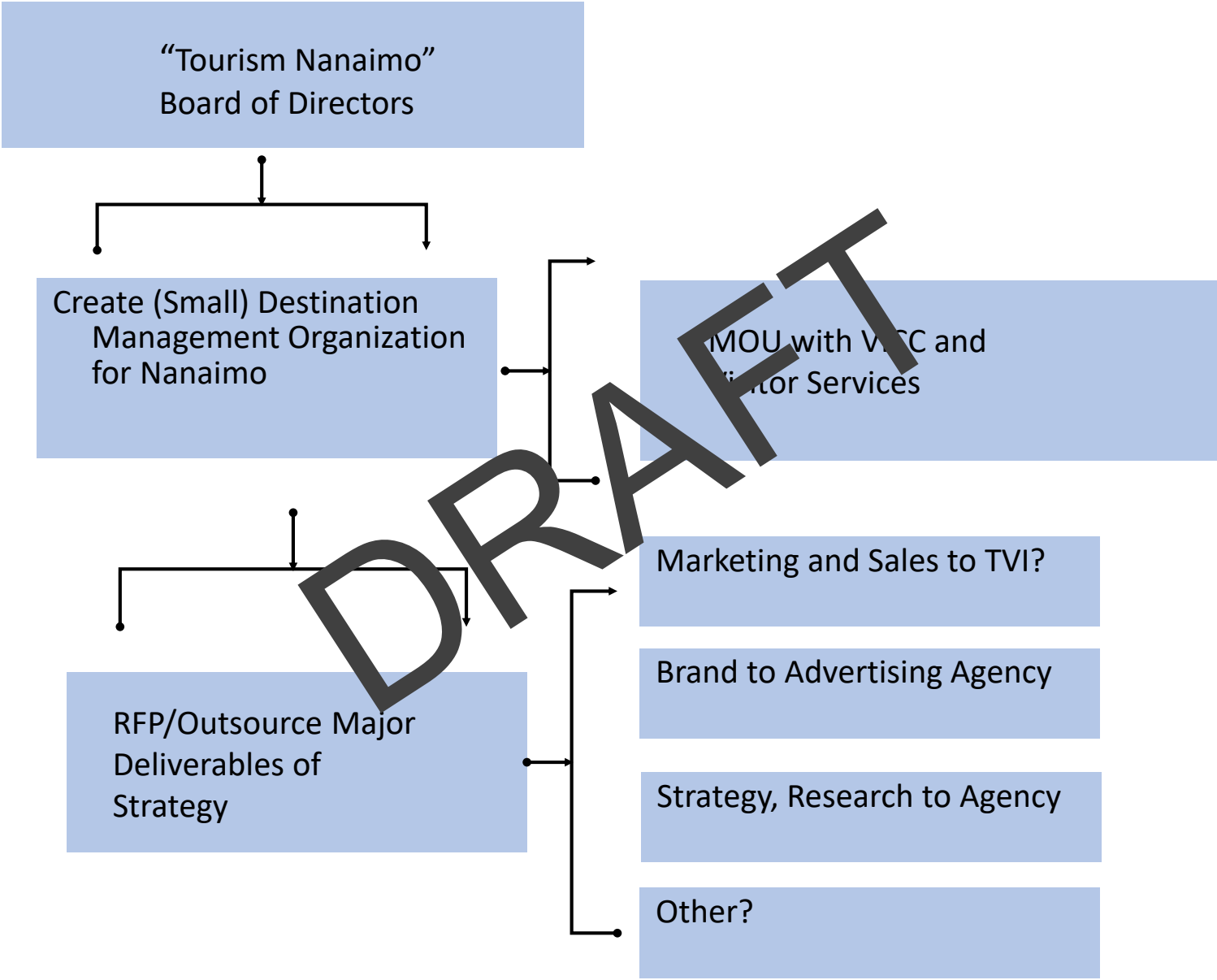
Opportunities

- Start from scratch and create organization custom fit to Nanaimo's tourism culture/opportunity
- Serious about leveraging the opportunity for all aspects of tourism for Nanaimo, including community/product and destination development

Threats

- Securing the "wrong" Managing Director
- Lack Industry, Community and City Support
- Nanaimo "politics" will intervene
- Missing the biggest wave in tourism performance Canada has seen in several decades

Governance Options-Option 2.2



Option 2b. SWOT

Strengths

- Agreement with TVI or other key suppliers would streamline and speed up marketing and sales side of DMO during critical start up phase.
- Less expensive administration/ employee costs
- Hiring “experts” to fulfil key aspects of destination development
- Less risk in hiring vs. contract

Weaknesses

- Less “control” over the organization balancing multiple suppliers and contractors

Opportunities

- Securing the best experts in destination marketing, sales, branding, research and strategy
- Allows Managing Director to focus on community building, partnerships and fundraising and “leadership”

Threats

- Less control over expert resources which may leave/ render DMO vulnerable
- Challenge to impart a fully aligned vision for Nanaimo tourism through multiple suppliers/ business cultures

Summary of Key Differences between Options 1, 2.1 and 2.2

	Option 1	Option 2.1	Option 2.2
Board of Directors	Yes	Yes	Yes
Separate Organization	No	Yes	Yes
Destination Management	No	Yes	Yes
Some/All Execution Outsourced	Yes	Possible	Yes
All of Tourism Approach	No	Yes	TBD
Complexity of Execution	Simple < 1 year	Challenging 2-3 Years	1-2 Years
Administrative Costs	Low	High	Medium
Accountability and Control	Low	High	Medium
Fundraising	Low	High	Low
Product/ Dest Development	Low	High	Low

Governance Summary: 3 Options

Option 1: Current
Status Quo
Invest with TVI

City and NHA create
Board of Directors to
oversee investment

Invest in sales and
marketing with TVI

Option 2.1
Create New Full
Service DMO

Create new full
service destination
management
organization with full
accountability to
appointed and
stakeholder board of
directors

Combination of hired
employees and
investments through
contracts to execute
strategy

Option 2.2
Create New (small DMO
organization) and
contract most services

Create new (smaller)
destination
management
organization with full
accountability to
appointed and
stakeholder board of
directors.

Small number of
employees managing
external contracts
with TVI and other
organizations to
execute strategy

Next Steps

Next Steps

- ☐ Today: Discussion, Clarification—Twenty31 and Committee
- ☐ Today: Direction to Consultants in developing final options and final report
- ☐ October 13: Final Report Delivered to Chair/ Vice Chair of TAC
- ☐ October 19: Proposed TAC Committee Meeting
 - ☐ TAC to consider options, priorities and possible recommendation(s)
- ☐ TBD: TAC Chair and Vice Chair Meet with Council on progress and Industry, Stakeholder and Public Consultation
- ☐ TBD: Results of Consultations/ Final Recommendations from TAC
- ☐ TBD: Final Recommendation to Council