



**Rural Destination Marketing Fund
(RDMF)
Research Project**

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PROJECT PURPOSE AND TERMINOLOGY

This section summarizes the overall reason for conducting this study along with definitions of terminology contained within this document.

As outlined in the Terms of Reference, “the project is to research the best method of establishing Northern Alberta’s first voluntary Rural Destination Marketing Fund (RDMF) to help level the playing field in tourism marketing and product development.”

The main goals for this particular study are:

- to understand similar programs that have been utilized by other jurisdictions;
- to identify best practices that can be transferred to the rural Northern Alberta setting;
- to assess the anticipated participation of local businesses; and,
- to analyze the feasibility of a Northern Alberta Rural Destination Marketing Fund (RDMF).

The following are definitions for terminology contained in this report:

Destination Marketing Fund (DMF) – is a fund voluntarily charged and collected by an agreed-upon organization and used to support tourism development, marketing and/or infrastructure for the region¹.

Destination Marketing Organization (DMO) - are not-for-profit organizations charged with representing a specific destination and helping the long-term development of communities through a travel and tourism strategy. Destination marketing organizations are usually membership organizations bringing together businesses that rely on tourism and meetings for revenue².

Tourism Destination Regions (TDRs) – are pre-defined geographic segments of Alberta (“Alberta North,” “Alberta Central,” “Edmonton & Area,” “Canadian Rockies,” “Alberta South,” and “Calgary & Area”). As identified by Travel Alberta, “the primary role of these six tourism destination regions is to provide marketing funding that will ultimately boost tourism within their geographic region. Each of the region’s marketing plans reflect the individual needs of their industry and demonstrate collaborative initiatives between destination marketing organizations and tourism operators³.”

Stakeholder Group – is a group including members of DMOs and government associations who have a direct/indirect stake in this project. Moreover, these members have been involved in this research project from the beginning of the study as they are

¹ Hotel Association Canada Website (January 19, 2009) - <http://www.hotelassociation.ca/site/news/faq.htm>.

² Destination Marketing Association International (January 19, 2009) - <http://www.destinationmarketing.org/page.asp?pid=105>

³ Travel Alberta (January 19, 2009) - <https://industry.travelalberta.com/en/IndustryContent/Pages/MarketingOpportunities-Regions.aspx>

effected by the project results. A full list of all stakeholder group members can be found in Appendix B.

Northern Alberta (as determined for the development of this RDMF) – consists of the northernmost region of the province down to the Yellowhead Highway (Highway 16).



Travel Operators – include all businesses that cater to the travel population (including those that focus on industry-based clientele and/or tourism-based clientele). For the purpose of this report, travel operators include all hotel, motel, bed and breakfast, cabin, campground and tourist attraction businesses in Northern Alberta.

EXECUTIVE SUMMARY

This section gives an overview of the report.

This project was conducted to research the best method for establishing Northern Alberta's first voluntary Rural Destination Marketing Fund (RDMF). The main objectives are to understand similar programs utilized by other jurisdictions, identify best practices that can be transferred to the rural Northern Alberta setting and to analyze the participation and feasibility of the RDMF.

To achieve the objectives of the project, Leger Marketing used three research methods:

- Phase 1: Extensive Secondary Research: To understand other DMF structures and identify best practices.
- Phase 2: In-Depth Interviews: To obtain experience based information on DMFs and Tourism funding in Alberta.
- Phase 3: Online / Telephone Survey: To assess the level of participation from local businesses in Northern Alberta.

Based on the secondary research and in-depth interviews, seven 'Critical Success Factors' for a successful DMF have been identified:

1. DMFs should be voluntary and have a significant critical mass [participation of at least two-thirds (66%) of the travel operators in the region].
2. Multiple levels of accountability are required including an appropriate DMF structure and having a third party 'Trustee' hold the funds.
3. DMFs cannot function in isolation. Local tourism bodies need to be involved but should be involved at arm's length.
4. Clear communication is required between travel operators, the DMF Advisory Committee, and any others involved in the fund usage.
5. The structure of a DMF is largely dependent on the tourism structure for that area and the component of flexibility needs to be built in the structure of the DMF.
6. The marketing structure should clearly benefit all the DMF contributors.
7. The DMF should not be implemented in haste and necessary ground work needs to be done before implementation.

The following are key findings from the online survey of 40 respondents:

- The overall response rate was 23% indicating limited interest in the implementation of a RDMF in the North at this particular time. There was especially limited response from the western part of Northern Alberta.
- Most of the respondents own or manage small businesses. Industry based clientele are the main source of revenue for 66% of the respondents, 26% mainly derive their revenue from Tourist based clientele and 8% from both Tourist & Industry clientele alike.
- Almost two-thirds (65%) of respondents are not familiar with the concept of a DMF and only 20% have previous experience with DMFs.
- Only 13% overall find the DMF concept appealing (tourism based operators find it more appealing than industry based operators).

- One-half (50%) feel they do not have the necessary resources to submit the paperwork if they are involved in a DMF.
- 31% are likely to join if a Rural DMF is implemented in the region at this time. Notably, tourism based operators are more likely to join the RDMF (likely 63%) compared to industry based operators (likely 19%).

For feasibility of the DMF in a region, 6 key question needs to be asked. The key questions along with the answers are as follows:

1. *Is there strong support from local travel operators?*
 - Based on survey results, only 13% of operators feel it is an appealing concept.
2. *Are you a strong tourism destination?*
 - The region is mainly industry-based. It has a multitude of diverse tourism products but it is difficult to identify key target markets.
3. *Is there a critical mass to support the DMF?*
 - Online survey results show that only 31% would likely join if a DMF was implemented and 50% do not have the necessary resources to participate in a DMF. But a minimum of two-thirds (66%) of travel operators are needed to join for the RDMF to be a success.
4. *Have clear goals been defined in the region?*
 - No clear marketing plan developed to date for the RDMF.
5. *What is the role of local tourism bodies and DMO's in the DMF?*
 - Given the multitude of DMO's and other tourism bodies located in the region, proper coordination needs to be done for identifying their roles in the DMF.
6. *Who will be the Trustee for the Fund?*
 - A separate economic development body needs to be appointed as a Trustee for proper fund management.

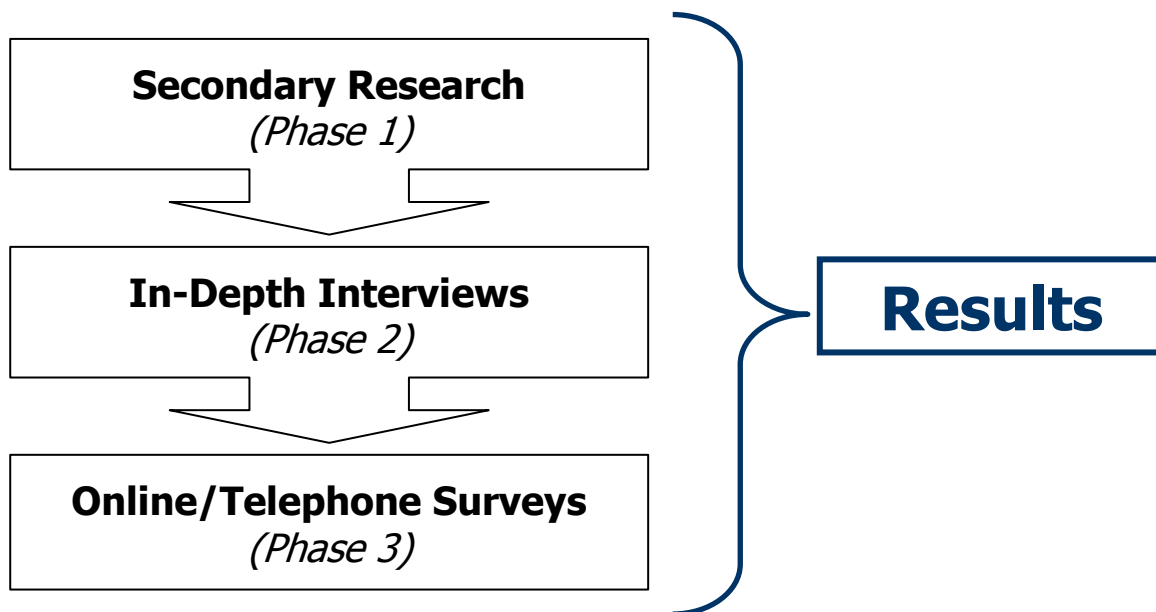
Based on the three phases of research, Leger Marketing's recommendations are:

- *The short term creation of a Rural Destination Marketing Fund in Northern Alberta is **not recommended** as there is limited support from local travel operators stemming from a minimal understanding of the DMF concept, dominance of Industry based revenue over Tourism based revenue and a lack of a proper marketing strategy.*
 - *Though the concept is still unfamiliar to many, there is some interest among groups of individuals for a DMF. Tough economic times might bring some decrease in the industry based revenue of these travel operators and hence force them to take more interest in Tourism.*
- *The concept is very likely to gain more support if the local travel operators are educated on the RDMF concept by arranging workshops and preparing the groundwork for the next one year. The marketing plan also needs to be clearly decided upon before proceeding. The participation and coordination of local bodies are also crucial to the success of a RDMF when implemented.*
- *A minimum travel operator participation level of two-thirds is strongly recommended prior to moving forward with any DMF structure. Evidence indicates that this will provide the necessary critical mass.*

PROJECT METHODOLOGY

This section outlines the methodological approaches used by Leger Marketing to fulfill the research objectives.

To conduct this research, Leger Marketing utilized three (3) research methods:



Extensive Secondary Research

The purpose of the secondary research was to understand other DMF structures and identify best practices.

Pre-existing data was reviewed to identify DMF structures currently in place or in the development stages. Moreover, this included identifying the types of participants in these structures, the organizational models, the fee percentages, the fund collection/remittance processes and fund usages (where possible).

The key findings from the secondary research were used to develop the in-depth interviewing guide and the survey.

Secondary research continued throughout the duration of this project.

A summary of these findings can be found in Appendix C.

In-Depth Interviews

The purpose of the in-depth interviews was to obtain experience-based information on DMFs and tourism funding in Alberta.

Eight (8) in-depth interviews (IDIs) were conducted in October and November 2008. These interviews were conducted with people involved in DMFs around Alberta, including members of DMOs, governmental organizations, and travel operators.

The interviews were approximately 20 minutes in length and were conducted by telephone.

An interviewing guide was followed to ensure the interview remained directed and focused.

Online/Telephone Survey

The purpose of the survey was to assess the level of participation from local businesses in Northern Alberta.

The questionnaire was developed using key findings from the secondary research and the in-depth interviews. It consisted of four (4) major sections: property information, present and future trends, knowledge of DMFs, and demographics.

A draft version of the questionnaire was submitted to the stakeholder group prior to implementation to ensure that all areas of interest are covered. Once finalized, the online survey was distributed to email addresses provided by the stakeholder group, which included a total of 108 companies, including hotels, motels, bed and breakfasts, cabins, campgrounds and local tourist attractions.

The online surveys yielded a low response rate. To combat this, a telephone survey methodology was pursued for all respondents that had not completed the online survey.

A total sample of 176 was used (this included additional contact names not sent the online survey due to a lack of email address or timing issues). Of the 176, 34 completed the survey, 20 refused to complete the survey and the rest were not reachable.

The telephone surveys were conducted from December 5, 2008 to January 5, 2009.

The overall response rate for this project was 23% (including 6 online surveys and 34 telephone surveys).

Results from this study produced a margin of error of $\pm 15.5\%$, 19 times out of 20. In other words, if this study were replicated 20 times, survey results would likely fall within the stated margin of error in 19 out of the 20 polls. Given the nature of online surveys, in that respondents must proactively complete the survey, the low response can likely be attributed to a limited interest in the topic area.

KEY LEARNINGS OF THE ONLINE/TELEPHONE INTERVIEWS

This section lists the major findings of the online/telephone survey.

Respondent Profile

- 16% of the respondents are Hotel owners/managers, 36% own/manage Motels, 11% are Bed & Breakfast facilities, 26% are Campgrounds, and 5% are Cabins and Tourist Attractions, respectively.
- Nearly 60% of the respondents have small businesses (with less than 50 rooms).
- 37% reported that they have less than 10 visitors per day, 21% had 11 to 50 visitors while 51% had 51 to 100 visitors per day.
- 58% of the respondents have been in business in that area for less than 10 years, and 24% from 11 to 20 years. Only 16% reported being in business for more than 20 years.
- 24% charge less than 25 dollars for their accommodation facility while 50% charge between 25 to 100 dollars for their facilities per night.
- 90% of the respondents have independently owned businesses while 10% are Franchises.
- The Industry is the main source of revenue for 66% of the respondents, 26% mainly derive their revenue from tourists while 8% obtain revenue from both Tourist and Industry equally.

Familiarity and Experience with DMFs

- Almost two-thirds (65%) of the respondents are not very familiar with the concept of DMF (including those who rated it with a 0, 1, or 2 score on a ten point scale where 0 is “not at all familiar” and 10 is “very familiar”). Mean score was 2.6 on a 10 point scale.
- The businesses whose main revenue is from industry are less familiar with the concept of DMF (73% rated it with a 0, 1, or 2) than businesses whose main source of revenue is tourism (36% rated it with a 0, 1, or 2).
- Only two-in-ten (20%) of the respondents have some previous experience of DMFs.
 - However, the businesses whose main source of revenue is from tourism are more experienced (45% have some previous experience with DMF) than the industry based businesses (12% have previous DMF experience).

- Only 13% think that the DMF is a very appealing concept (including those who rated it with a 8, 9, or 10 score on a ten point scale where 0 is “does not appeal at all” and 10 is “very appealing”). Mean score was 3.5 on a 10 point scale.
 - As expected, the DMF concept appeals more to the tourism based business (mean of 5.4 out of 10) than industry based business (Mean of 3.0 out of 10).
- The reasons stated for not finding the DMF concept appealing can be grouped under the following headings:
 - Trust and lack of confidence in the DMF.
 - Does not consider the region as a tourism destination.
 - Not clear about the concept of DMF.
 - Happy with the current marketing efforts.
 - Do not want to implement additional charges.

Importance of Various DMF Aspects

- Respondents were given a list of six (6) key aspects of a DMF and asked to rate them on a scale of 0 to 10 where 0 was “not at all important” and 10 was “very important.” The table below outlines the mean scores.

	Tourism Based	Industry Based	Overall*
Base	11	26	40
The DMF should have a correct marketing plan developed prior to any funds being collected	9.1	7.1	7.3
The ability to influence how funds are used	7.8	5.7	6.1
The decisions are made by a group of representatives from the participating businesses and representatives from DMOs in the region	8.3	5.3	5.9
The decisions are made by a group of representatives from participating businesses. The DMO are not directly involved in the decision making	5.8	4.7	4.9
The fund should be managed by an outside company	4.1	3.1	3.2

- The most important aspect of the DMF according to the respondents is: “The DMF should have a correct marketing plan developed prior to any funds being collected” (mean score of 7.3 out of 10). This is followed by the statement “The ability to influence how the funds are used” (mean score of 6.1 out of 10).
 - Also of interest is the fact that the respondents who have previous experience with DMF rate the importance of aspects like the involvement of the DMO and the management of funds by a third party higher than those with no experience with a DMF.

Model for Fund Allocation and Utilization

Two models were suggested to the respondents regarding the utilization of the fund:

Model 1: All funds are used for promoting and marketing the region as a whole

Model 2: The bulk of the funds are used to promote and market the region as a whole and the rest of the funds are distributed to pre-identified clusters within the region. These clusters then use these funds to promote their own area specifically.

There was a unanimous choice of Model 2 (60% overall) among both tourism and industry based businesses.

Joining the DMF and Fee Percentage

- 63% of the businesses mainly based on tourism want more than 60% of the travel operators to participate in the DMF for them to comfortably get involved. The businesses based on industry were less cautious (39% said that at least 60% of the travel operators should join for them to comfortably get involved).
- In terms of having necessary resources to submit the paperwork if they get involved in the DMF, one-half (50%) of the respondents feel that they do not have adequate resources (tourism based businesses=64%, industry based=42%).
- More than one-half (55%) of the tourism based businesses want the DMF fee to be 2% while 36% said they “don’t know.” The industry based businesses are not sure (46%), while 31% want 1% DMF fee.
- Most of the tourism based businesses (45%) and the industry based businesses (46%) “don’t know” about the maximum DMF fee they want to pay.

Likelihood of Getting Involved

- Respondents were asked to rate the likelihood of joining a DMF in Northern Alberta using the scale of “very likely,” “somewhat likely,” “somewhat unlikely,” and “very unlikely.” The table below outlines the responses.

	Tourism Based	Industry Based	Overall*
Base	11	26	40
Very Likely	18%	4%	8%
Somewhat Likely	45%	15%	23%
Likely (Very+Somewhat)	63%	19%	31%
Very Unlikely	18%	62%	48%
Somewhat Unlikely	18%	19%	23%
Unlikely (Very+Somewhat)	36%	81%	71%

- 71% of the respondents are unlikely (“very unlikely” 48%, “somewhat unlikely” 23%) to join a DMF if implemented in the region. Notably, tourism based operators are more likely to join the RDMF (likely=63%) compared to industry based operators (likely=19%).
- The main reasons stated for “not joining” the DMF were:
 - Small business, not be able to afford cost.
 - Happy with current marketing.
 - Do not want to charge clients extra.
 - Lack of trust how DMF funds are going to be used.
 - Do not consider region as a tourist destination.
 - Failed attempts in places like Calgary.

KEY LEARNINGS OF THE SECONDARY RESEARCH AND IN-DEPTH INTERVIEWS

This section identifies key findings pertaining to DMFs as uncovered through the secondary research and the in-depth interviews. Additionally, it views these key findings and applies them to the Northern Alberta region.

Best Practices: Critical Success Factors

Based on the secondary research and in-depth interview findings, seven (7) “Critical Success Factors” have been associated with a successful DMF.

1. DMF should be voluntary and the community where it is implemented must have a significant critical mass of support and be an active Tourist Destination.
 - The threshold of having at least two-thirds (66%) of participating travel operators in the region to be involved is an important criterion.
 - Edmonton, Vancouver and several other places having ample tourism products have the support of more than two-third of the operators within the region which is one of the reasons for success of the DMF in these regions.
2. DMF’s create issues of accountability – those providing the funds need assurance they are being used effectively on high priority programs.
 - The issues of accountability can be dealt with by having a proper DMF structure following the Best Practices in the industry.
 - In an ideal DMF structure, the participating travel operators form a DMF advisory committee and has the final say about how funds should be used for marketing.
 - However, to build the trust of other travel operators who are participating in the program but are not on the advisory board and to have transparency with the funds, a third party (Trustee) should be collecting and holding the funds. The participating businesses enter into Legal contract with the Trustee and transfer the DMF fees to the Trustee after a regular interval of time. The Trustee keeps the amount collected from each individual business confidential.
 - The third party is there just to collect and manage the funds. It can be a government body such as the Edmonton Economic Development Corporation (used in Edmonton) or the Canada Hotel & Lodging Association (used in several Ontario Provinces). It can also be a separate management committee who manages and oversees the funds as is done in Vancouver whereby The Vancouver Hotel Destination Organization uses its management committee to function as the third party. Sometimes the regional DMO collects the money and puts it in a separate account but only the DMF committee has the right to decide usage of the funds (DMF in Sault Ste. Marie, ON).

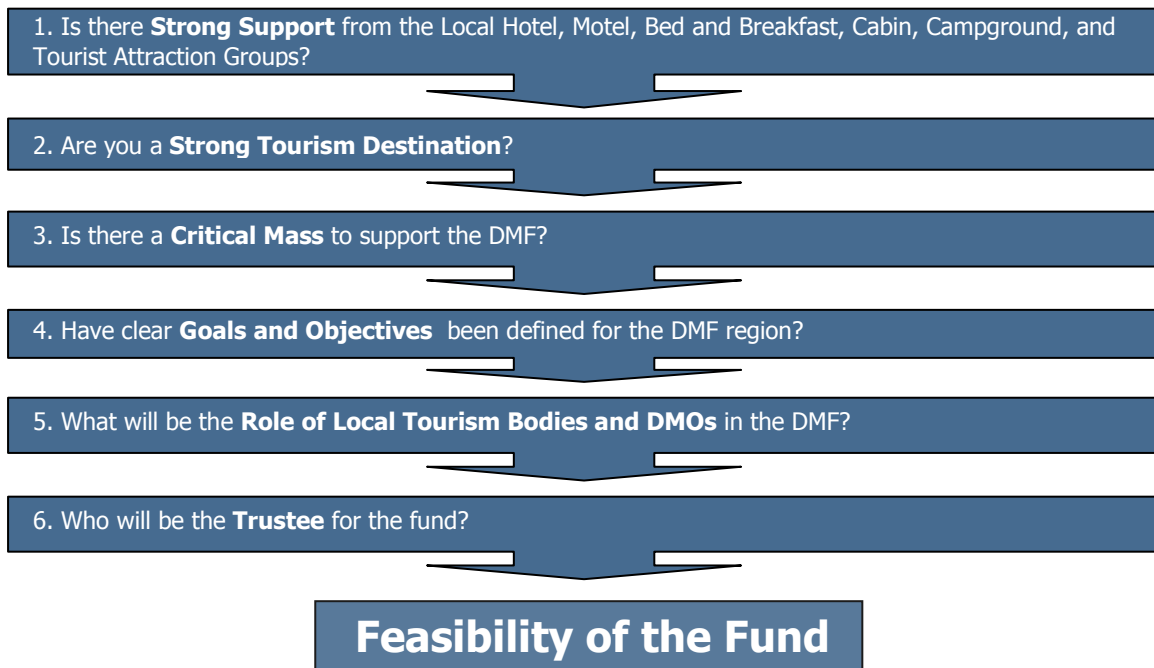
3. A DMF cannot function in isolation. It has to work in close collaboration with other players in the region like local DMO's.
 - An ideal structure followed in many successful DMFs could be that the DMO or other government body in charge of tourism in the region undertake a five-year strategic planning session and identify priorities for marketing with assistance from industry partners. Once the plan has been approved, it will be presented to the DMF Advisory Committee. The DMF Advisory Committee has the option to partner with the DMO or government body or use that marketing as a backbone to conduct regionally tailored marketing.
4. Clear Communication is required between travel operators, the DMF Advisory Committee and any others involved directly or indirectly with the DMF.
 - The programs which the DMF decides to fund needs to be agreed upon in advance and clear connections between the money and program must be maintained to build the trust of small and big businesses alike.
 - Also a third party audit of the DMF fund (a professional auditing firm conducts an annual audit for the Edmonton DMF) is essential to have flawless management of the fund and the results of this audit need to be accessible and communicated to all businesses participating in the DMF.
 - Although the DMF will be independent of the DMOs and other government bodies, open lines of communication need to be maintained. The DMOs and any other governmental bodies need to be involved to have a proper marketing strategy but they should not have any influence over the DMF funds. They can sit in the advisory boards as non-voting members.
 - Aligning of the DMF's marketing efforts with the other bodies marketing efforts based on a concrete plan will reduce wastage of funds and decrease redundant marketing efforts.
5. Scope of Flexibility within the structure needs to be tailored to region in question.
 - Generally, the DMF in a region is greatly affected by the tourism structure in the region.
 - The local DMO could be a member based organization (Red Deer, Grande Prairie, Calgary) or the organization may be a part of an economic development entity (Edmonton and Lethbridge) or part of the Chamber of Commerce (Kelowna and Medicine Hat). No one approach appears to be better than the rest but the structures needs to be considered while implementing a DMF in a region.
6. The marketing strategy must clearly benefit the DMF contributors.
 - The participating operators are funding the DMF. So the DMF funds must be clearly used so that travel operators will receive direct marketing benefits of the DMF funds.
 - Another Best Practice with respect to usage of funds could be Edmonton, where the DMF fund is utilized as follows:
 1. 75% of funds collected goes to the central marketing initiatives, focusing on general destination awareness for the region.

2. The remaining 25% of funds collected goes to the geographic clusters (West, South, Downtown etc) to support marketing initiatives specific to that area.

7. And finally, DMF's should not be introduced quickly.
 - The ground has to be made ready so that the critical mass can be attained and trust can be built with a proper structure of the DMF. According to Tourism Red Deer, the setting stage for a DMF can take at least one year so that the significant critical mass is achieved and a proper governance plan of the DMF is in place to build the trust of the participating businesses.

Best Practices: Key Questions

Before implementing a DMF in a region the following points should be considered in the decision making process:



FEASIBILITY OF THE RDMF IN NORTHERN ALBERTA

This section calculates the overall feasibility of setting up an RDMF in Northern Alberta based on the research findings.

To find the feasibility of setting up a RDMF in the North, let us try to answer the questions that need to be considered in the decision making process of setting up a DMF (as outlined on page 16).

Consideration 1: Is there strong support from the local Hotel, Motel, Bed and Breakfast, Cabin, Campground and Tourist Attraction groups?

- Based on the participants interviewed, at the present time there is not strong support from local travel operators. Only 13% of survey respondents think a DMF is a very appealing concept. In addition to this survey finding, the lack of responsiveness of the travel operators to conduct the study also demonstrates a low level of support.
- The primary reasons for low support relate to the limited knowledge of DMFs in general and an unclear understanding of how the Northern Alberta RDMF would work and benefit them as a participant.

Consideration 2: Are you a strong Tourism Destination?

- Based on the survey and other research conducted in this area, a large proportion of Northern Alberta travel operators are mainly dependent on industry clients, like oil sands, for their revenue. Promoting the region as a tourist destination is not of importance to these operators.
- The large geographic region of Northern Alberta contains a multitude of diverse “tourism products” which may draw upon different types of travelers. This makes it difficult to identify key target market travelers for the region as a whole.
- In terms of tourism, Northern Alberta is deemed as a “short-haul” travel destination typically attracting travellers from within Alberta. These visitors often travel to Northern Alberta for family/friend related events such as reunions and weddings.

Consideration 3: Is there a Critical Mass to support the DMF?

- From the survey inputs, 71% of the respondents said that if a Rural DMF is implemented, they will not join the DMF. Also previous research carried out at Fort McMurray show that although the operators thought the DMF was an innovative idea, they showed reluctance in actually joining the DMF when it was planned to be implemented. Thus the critical mass (at least two-thirds of the travel operators in the region) might be difficult to achieve in case of the Northern Alberta Rural DMF.
- Many stated that they are small businesses and the advertising and word of mouth referrals they have is enough to sustain them. They do not want to charge their guests extra. Small businesses also felt they may not have the resources to complete the paperwork necessary to take part in the DMF. These are important

- to highlight as they will affect the critical mass of the region given the large proportion of small operators in Northern Alberta.
- All evidence indicates that there is not a critical mass to support the DMF at this time.

Consideration 4: Have clear goals and objectives been defined for this region?

- At the time of this report, a marketing plan for the RDMF does not exist.
- Successful DMFs have either a 2 or 5 year marketing plan prior to the DMF being implemented. This plan answers the following questions for the region as a whole:
 - What are travelers to the region looking for? / What experiences are sought after?
 - What are the differences between the destination visitor and those simply adding experiences to an existing holiday?
 - What are groups and convention planners looking for (sports, corporate bookings, etc.)?
 - What will be the goals and objectives for the fund?
 - How can you effectively partner with other areas in Northern Alberta, neighboring provinces or the Northwest Territories?
 - What marketing efforts will assist Northern Alberta grow as a tourism destination?

Consideration 5: What will be the Role of Local Tourism Bodies and DMOs in the DMF?

- Given the large number of DMOs and other travel related government bodies functioning in the Northern Alberta region, their integration into the RDMF structure and role within the structure must be clearly identified.
- Coordination of these bodies may be difficult due to the high proportion.
- Marketing plans for the RDMF should take into account what other tourism marketing bodies are conducting as it gives the RDMF the opportunity to “piggy-back” on marketing efforts (although localizing the efforts to focus specifically on the Northern region). Also, by remaining up-to-date on other marketing efforts being conducted in the province, the potential for duplicated marketing is eliminated.

Consideration 6: Who will be the Trustee for the fund?

- Within North Alberta, there are very good candidates (not currently being used) to trustee the fund.
- It is imperative that the trustee chosen be deemed as professional and trustworthy.

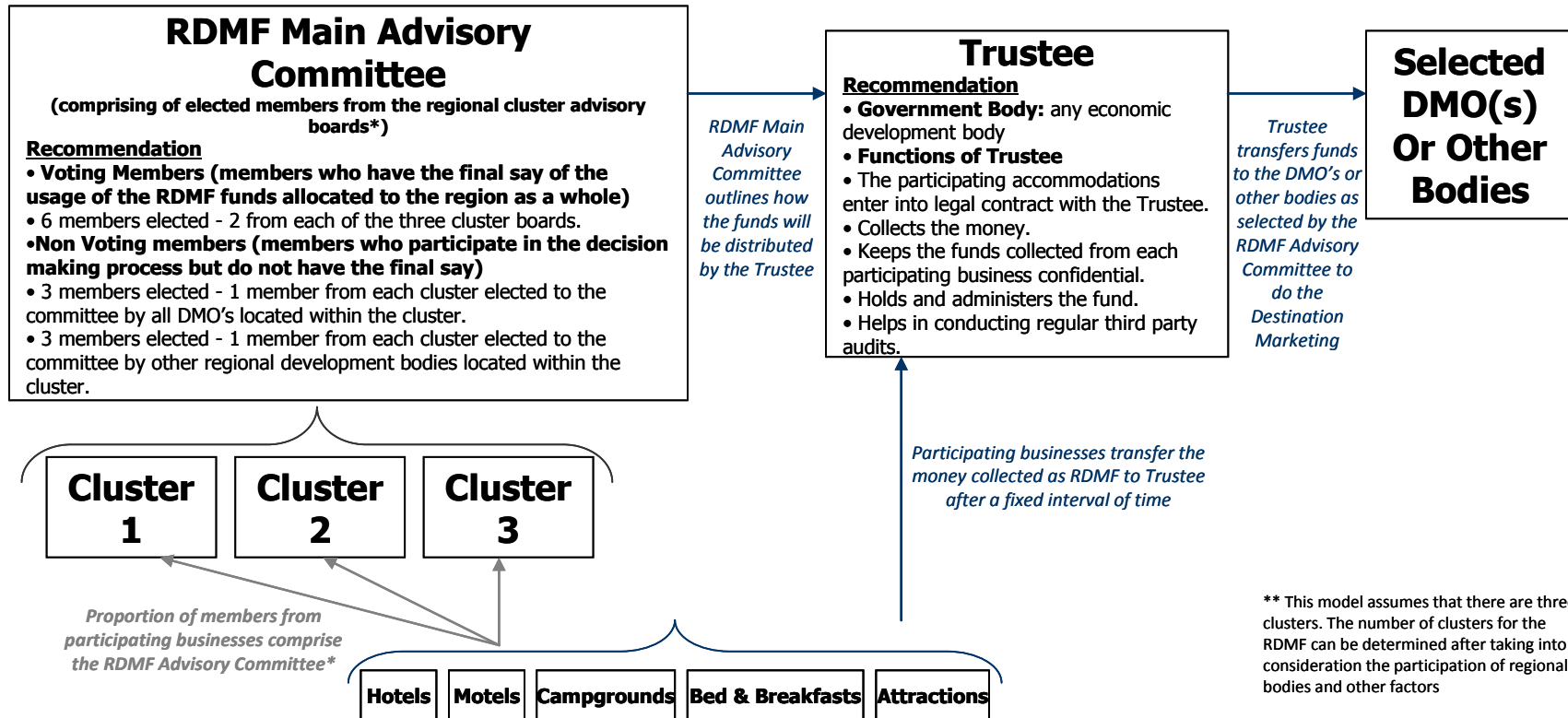
APPROPRIATE RDMF STRUCTURE FOR NORTHERN ALBERTA

Identified in this section is the appropriate RDMF structure based on the project findings.

Based on the research findings, Leger Marketing has outlined an appropriate RDMF structure for Northern Alberta. Notably, this model should only be used if the DMF concept is deemed as feasible in the region (refer to section “Feasibility of the RDMF in Northern Alberta on pages 17-18).

In addition, we anticipate that discussion and negotiation in the context of reaching a state of feasibility may identify desirable refinements.

Appropriate RDMF structure for Northern Alberta



** This model assumes that there are three clusters. The number of clusters for the RDMF can be determined after taking into consideration the participation of regional bodies and other factors

*Cluster Advisory Board Structures (one advisory board in each cluster)

Recommendation

- **Voting Members (members who have the final say of the usage of the "cluster" funds)**
- 3 members elected to the board by all the participating Hotels/Motels.
- 1 member elected from Bed and Breakfasts.
- 1 member elected from Campgrounds.
- 1 member elected from Tourist Attractions.
- **Non Voting members (members who participate in the decision making process but do not have the final say)**
- 1 member from each DMO located within the region.
- 1 Member from other regional development bodies.

1. Types of Operators:

- Hotels, Motels, Campgrounds, Bed & Breakfast, Cabins and Tourist Attractions.

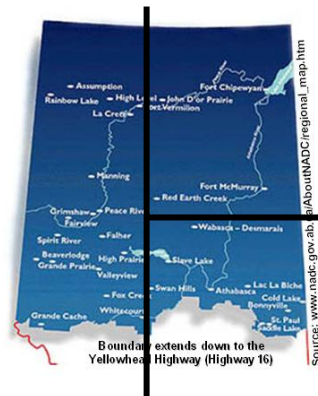
2. Governance Organization Model:

2a. Trustee

- An Economic Development Body is recommended as a Trustee of the DMF funds collected. Notably, the Trustee has NO SAY on how the funds will be used. The main functions of the Trustee are:
 - The participating accommodations enter into legal contract with the Trustee.
 - The Trustee collects the money, keeps the funds collected from each participating operator confidential.
 - Holds and administers the fund and helps in conducting regular third party audits.

2b. RDMF Clusters

- Alberta North will be divided into geographic clusters to facilitate Destination Marketing. These clusters may be based on regions having similarities in terms of Tourism Products. Based on our understanding of the region, three clusters have been identified⁴:



- Each cluster will have an RDMF Advisory Board consisting of voting members (members who have the final say in the usage of funds) and non-voting members (who participate in the decision making process of the usage of funds). The cluster will be charged with the task of promoting their specific region.
- A pre-defined proportion of elected members of the three Cluster Advisory Boards will then form a “Main RDMF Advisory Committee” consisting of voting and non-voting members. The purpose of this main committee is to market Northern Alberta as a whole.

⁴ The final number of clusters and the area of the clusters used in the RDMF should be based on infrastructure and negotiation.

- **2b.1 Structure for each “Cluster RDMF Advisory Board”:**

Voting Members (members who have the final say of the usage of the “cluster” funds)

- 3 members elected to the board by all the participating Hotels/Motels.
- 1 member elected from Bed and Breakfasts / Cabins.
- 1 member elected from Campgrounds.
- 1 member elected from Tourist Attractions.

Non-Voting members (members who participate in the decision making process but do not have the final say)

- 1 member from each DMO located within the region.
- 1 member from other regional development bodies participating in Tourism Activities within the region.

- **2b.2 Structure for the “Main RDMF Advisory Committee”:**

Voting Members (members who have the final say on how funds are to be used)

- 6 members, 2 from each of the three cluster advisory board.

Non Voting Members (members who participate and give input in the decision making process).

- 3 members elected - 1 member from each cluster elected to the board by all DMO’s located within the cluster.
- 3 members elected - 1 member from each cluster elected to the committee by all other regional development bodies located within the cluster.

2c. Advisory Board Election and Terms of Service

- **2.c.1 Election of the Cluster RDMF Advisory Board**

- Each participating property in the cluster has the right to nominate one person as representative for the sector in which that Participating Property is included. The nominations can be submitted to a government body who conducts the election in each cluster and the voting members to the board are elected by the participating businesses in each cluster.
- After the first year, the outgoing Advisory Board members can take over the task from the government body for hosting the election.
- The DMOs and the regional development bodies in the region appoint their members to the Board.

- **2.c.2 Election of the Main RDMF Advisory Committee**

- Each regional cluster RDMF Advisory Board elects its representatives to the Main RDMF Advisory Committee.

- **2.c.3 Terms of service**
 - Each member to the Advisory Boards and the Advisory Committee is elected for a term of two years. Terms will be staggered.
 - In case a vacancy arises in any of the Cluster Boards or the Main Committee due to inadvertent situations, the Main Advisory Committee will spearhead to find a replacement within 45 days of being notified of the vacancy. In making the replacement, the Committee will take into account the needs of the sector in which the vacancy has occurred, the required skills of the Committee and the interest of each clusters and participating businesses.

3. Fund Usage:

3a. Segmentation of the Funds

- The fund is to be used for marketing activities and tourism product development as decided by the Advisory Committee.
- Only participating operators will receive direct marketing benefit of the DMF funds. At present we recommend the following usage of funds:
 - 65% of funds collected goes to the central marketing initiatives, focusing on general destination awareness for the region.
 - 5% of funds collected are placed in an administration fund.
 - The remaining 30% of funds collected are divided equally among the geographic clusters to support marketing initiatives specific to that area.
- This can be changed in subsequent years, pertaining to the need of individual clusters and the allocation of funds at that point in time will be decided by the Main Advisory Committee.

3b. Marketing and Product Development Plan

- A strategic one year plan for marketing the region as a whole and using 65% of the fund will be drawn by the main DMF Advisory Committee with inputs from NADC's five year Tourism plan, regional DMO marketing plans and also inputs from the three regional DMF Advisory Boards.
- Each regional DMF Advisory Board will draft its own plan with inputs from regional bodies for using the 10% fund allotted specifically to the cluster.
- Clear communication of marketing and product development plans is necessary between the main DMF Advisory Committee and the cluster Advisory Boards to ensure the plans are aligned where necessary and no duplication occurs.

3c. Clauses for Amendment

- In case the Advisory Committee or Boards feel that the strategic one year plan drafted needs to be changed due to changing financial conditions or other changes encountered in the region, the redrafted plan needs to be properly framed in the same manner as the main plan was drafted. The Trustee needs to be notified of the amendment so that it can carry on the proper remittance of the DMF fund to the marketing bodies selected for the marketing activities

4. Fund Collection and Remittance:

4a. Fund Collection

- The participating operators enter into a legal contract with the Trustee.
- After a fixed interval of time (3 months, 6 months or as decided for convenience), the property shall provide the Trustee with a Remittance Form, which shall include a written certification by an officer of the property that the Destination Marketing Fee was calculated on the base rate charged for the unit and the cheque for the applicable amount owing for such period.
- The Trustee will hold the money in a separate account. Also according to the legal agreement between the participating operators and the Trustee, the Trustee will keep the amount collected from each participating business confidential.
- To facilitate the understanding of guests, the DMF can be termed as Regional Marketing Levy on the hotel bill.

4b. Fund Remittance

- Trustee transfers funds directly to the DMOs or other bodies as selected by the RDMF Advisory Committee to do the marketing. The Fund will also be subject to audits from third party professional accounting firms.

5. Ideal DMF Fee Percentage:

- From the online survey results and secondary research conducted, 2% of the base rate charged for each unit by participating travel operators seems to be the ideal DMF fee percentage. The fee shall be 2% of the guest unit revenues prior to calculation of either the Alberta Tourism Marketing Levy or the Goods & Service Tax (GST).
- The fee will not apply to rooms which were booked by individual guests or organizations prior to the date the Agreement was signed for the Destination Marketing Fund.

6. Legal Clause:

- The DMF is a voluntary fund collected and used to promote the region on top of the funds given by the government. There should be a clause that if the government decreases the funding for the region, the DMF can be dissolved at the discretion of the participating operators.
- There should be a Trust & Governance Agreement between the Trustee and the participating businesses stating clearly the obligations and responsibilities of either party.
- There should be another Trust & Governance Agreement between the Main Advisory Committee & the Trustee stating clearly the administration, collection and remittance of funds and the obligations and responsibilities of either party

The following table outlines the benefits and drawbacks of the appropriate RDMF structure detailed in this section.

Benefits of this RDMF Structure	Drawbacks of this RDMF Structure
The incorporation of an economic development body as the funds' Trustee enhances participating travel operators' trust in the model because it is a body external to the RDMF Advisory Committee, and enhances coordination with other economic initiatives.	The voluntary nature of the elected positions can pose uncertainties as board members can chose to opt-out or not be able to perform all necessary functions due to circumstances such as time constraints.
The cluster model allows the region to be marketed on the macro (whole region) and micro (individual clusters) level. This model takes into account the diversity of the Northern Alberta region.	This model assumes there is no physical location whereby the RDMF Committee and Boards can situate themselves which makes it difficult to achieve an identity.
The inclusion of the DMOs and other Tourism Bodies as non-voting members maintains the open lines of communication while still ensuring the sovereignty of the RDMF.	This model involves extensive coordination due to multiple interested parties.
The governance model allows for fair representation of tourism operators (namely, the hotels, motels, bed and breakfasts, cabins, campgrounds and tourist attractions).	The non-voting status of the DMO and regional development body members may decrease the eagerness to participate in the RDMF Committee and Boards.
All elected members of the Main RDMF Advisory Committee sit on the Cluster Advisory Boards to ensure open lines of communication are maintained between all four electoral bodies of the RDMF.	There are currently DMFs being developed/implemented in Northern Alberta. If these cannot be incorporated into the RDMF, it will be difficult to attain the necessary critical mass. Also, their existence creates competition in terms of geographic boundaries and tourism offerings.

CONCLUSIONS AND RECOMMENDATIONS

The following section identifies strategic conclusions and recommendations based on the project findings.

Based on the project findings, the following are Leger Marketing's conclusions and recommendations:

- Destination Marketing Funds (DMFs) offer many advantages, such as additional marketing dollars, the ability to do focused marketing, the opportunity for local tourism operators to have input into marketing, the leveling of playing fields between tourist regions, and the ability to bring the community together.
- That being said, the short-term creation of Rural Destination Marketing Fund (RDMF) in Northern Alberta is not recommended as of the time this study was conducted for the following reasons:
 - There is limited support from local tourism operators with only 13% of survey respondents believing the RDMF is a very appealing concept. From our secondary research and in-depth interviews we found that the threshold of having at least two-thirds (66%) of participating travel operators in the region involved is an important criterion for a successful DMF.
 - Over seven-in-ten (71%) of survey participants said that if a RDMF was implemented, they would not join at this time.
 - Weak support seems to be stemming from a limited understanding of both the DMF concept and the structure/organization of the proposed RDMF.
 - A large proportion of Northern Alberta tourism operators are primarily dependant on industry clients thereby not seeing the need to invest time/money in Tourism marketing.
 - No clear marketing plan has developed to outline how the funds will be used (including actionable goals and objectives of the RDMF).
- However, Leger Marketing believes this concept may gain more support if tourism operators are made aware of:
 - The advantages of the RDMF specific to their business including anticipated “pay-offs” such as projected increase in Tourism traffic to the region.
 - The details of the proposed marketing plan(s) for the region and clusters including the goals and objectives and what products/services are planned to be the “central focus” for the region.
 - The anticipated organizational structure of the RDMF including details of the participating businesses responsibilities and all committee, board and trustee roles and responsibilities.
- One recommended way to make travel operators more aware is to host multiple workshops throughout the region over the next year. These workshops will help lay the groundwork and help travel operators fully understand what the specific advantages are for them as a fund contributor. If this value is not clearly

- demonstrated, then it will be difficult to gain the support required to implement the fund.
- These workshops can be facilitated by volunteers from the stakeholder group and funded by government bodies who participate in the development of Northern Alberta.
 - After a concerted effort has been made over a period up to one year to inform tourism operators of the intention of the fund, Leger Marketing recommends again reaching out to operators to gauge their level of interest.
 - A minimum travel operator participation level of two-thirds is strongly recommended prior to moving forward with any DMF structure in order to obtain the necessary critical mass.

APPENDICES

- Appendix A: Online/Telephone Survey Results
- Appendix B: List of Stakeholder Group Members
- Appendix C: Working Papers
- Appendix D: Bibliography

APPENDIX A: ONLINE/TELEPHONE SURVEY RESULTS

Because of the limited number of respondents, it is important to use the online and telephone survey results with caution.

Respondent Profile

Type of Business	n=40
Motel	37%
Campground	26%
Hotel	16%
Bed and Breakfast	11%
Cabins	5%
Tourist Attraction	5%

- 90% of the respondents who answered the survey have independently owned businesses, while 10 % are franchises.
- Two-thirds of respondents rely primarily on Industry clients, over one-quarter rely on Tourist clients, and less than one-in-ten (8%) cater to industry and tourism clients equally.
- There is only minimal change expected by the respondents in terms of distribution of revenues generated from Tourism or Businesses one year from now.
- 42% of businesses whose main source of revenue is Industry are very interested in expanding their Tourism business volume in next two years whereas 45% whose main source of revenue is Tourism business are very interested in increasing their Industry business volume.

Number of rooms or campsites available	n=40
Less than equal to 10	18%
11 - 30	16%
31 - 50	24%
51 - 70	18%
71 - 100	8%
greater than 100	16%

Average number of visitors per day	n=40
Less than 10 visitors per day	37%
11 - 50 visitors per day	21%
51 - 100 visitors per day	21%
More than 100 visitors per day	13%
Don't Know	8%

How long has your business been in operation	n=40
Less than equal to 5 years	21%
6 - 10 years	37%
11 - 20 years	24%
21 - 50 years	8%
More than 50 years	8%
Don't Know	3%

Average price of rooms / services / products / campsites	n=40
Less than 25 dollars	24%
26 - 70 dollars	24%
75 - 100 dollars	26%
100 - 500 dollars	21%
More than 500 dollars	3%
Don't Know	1%

- 32% of the respondents' businesses are seasonal, while 68% operate all year round.

Findings from the Survey

Q17) Please rate how familiar you are with Destination Marketing Funds.
Scale: (0 = not at all familiar, 10 = very familiar)

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry	Total
Base	11	26	3	40
Top Three Box (scalepoint 8,9,10)	36%	15%	0%	8%
Bottom Three Box (scalepoint 0,1,2)	36%	73%	100%	65%
Mean	4.5	2.2	0	2.6

Q18) Do you have direct experience with DMFs?

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry	Total
Base	11	26	3	40
Yes	45%	12%	-	20%
No	45%	85%	100%	75%
Don't Know	9%	4%	-	5%

Q19a) How appealing the DMF is to you as a business owner / manager?
Scale: (0 = does not appeal at all, 10 = very appealing)

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry	Total
Base	11	26	3	40
Top Three Box (scalepoint 8,9,10)	27%	8%	0%	13%
Bottom Three Box (scalepoint 0,1,2)	18%	46%	67%	40%
Mean	5.4	3	1.7	3.5

Q19b) Reasons for not finding the concept of DMF appealing (Recorded verbatim)

Trust and lack of confidence

- “Because I would like to see where the funding is going.”
- “Little trust in the proper use of the funds for our business. 1% can become 3% and we will drive away tourists we are struggling for now.”
- “I feel that a lot of the money goes to the marketers and they are the only ones benefiting from that.”
- “Very poorly done in Calgary.”

Not a tourist destination

- “What drives this town is logging. I don’t think that there are a lot of reasons that would bring people here.”
- “Because we do work more with industrial and people in town.”
- “It is not my type of clientele.”
- “The town is not the tourist type; maybe if they fixed up more people would come.”

Not clear about the concept of DMF

- “Need more explanation.”
- “I would need more information, before going ahead.”
- “Not sure what to answer.”
- “Maybe lack of familiarity with it.”

Happy with current marketing efforts

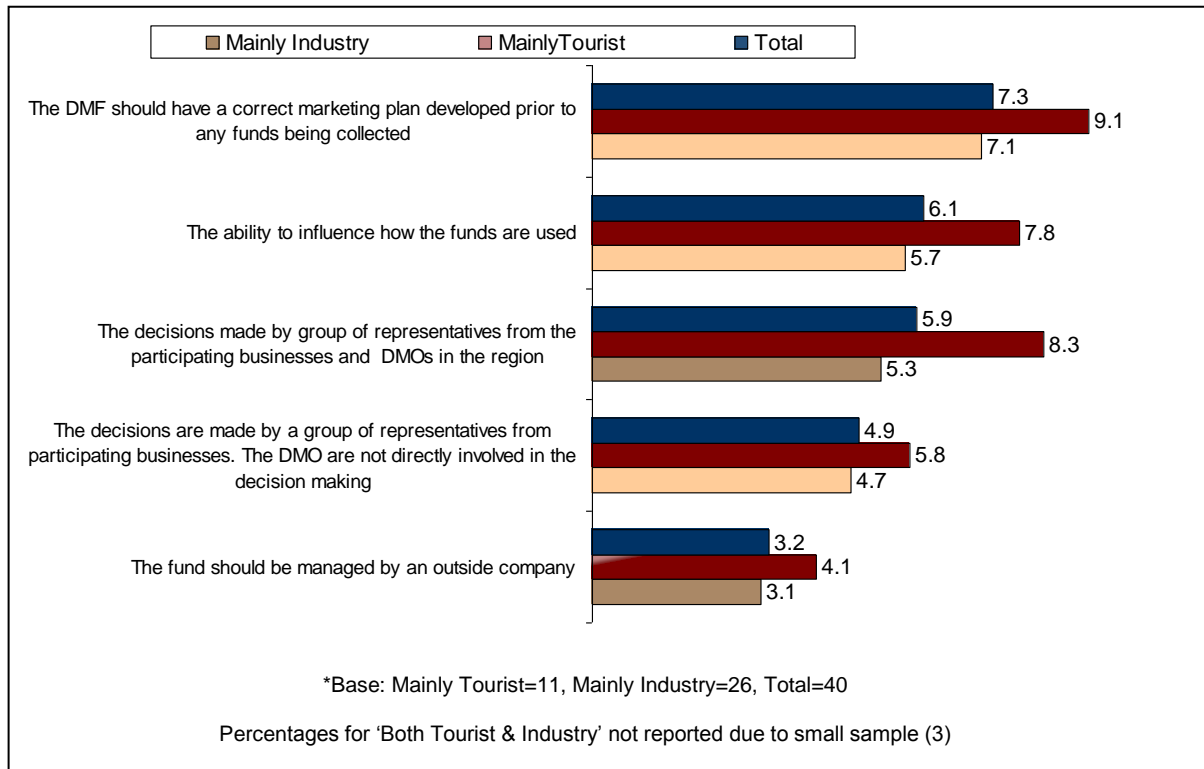
- “Advertising has to be done through head office.”
- “I like it the way it is right now.”
- “The advertising and marketing I have is enough being we are in a busy area.”
- “My business is quite established by referrals - word of mouth.”
- “Because we get an awful lot of things from Travel Alberta and they help with the funds.”

Do not want additional charges

- “We have enough taxes already.”
- “I don’t like collecting money for the government.”
- “Because I don’t feel I need to be collecting funds to market other entities or businesses.”

Q 20) How important are the following items for your decision to become involved or not**?

Scale: (0 = not at all important, 10 = very important)
Graph below depicts mean score



Q21) Two models for allocation and utilization of funds were suggested to the respondents:

Model 1: All funds are used for promoting and marketing the region as a whole.

Model 2: The bulk of the funds are used to promote and market the region as a whole and the rest of the funds are distributed to pre-identified clusters within the region. These clusters then use these funds to promote their own area specifically.

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry**	Total
Base	11	26	3	40
EXAMPLE 1-funds used to promote region as a whole	36%	31%	-	30%
EXAMPLE 2- a certain portion of fund to promote region as a whole & then promote preidentified clusters in the region separately	64%	62%	33%	60%
Don't Know	-	8%	67%	10%

- Model 2 is clearly the more preferred model across all types of businesses.

Q23) What percentage of local businesses would you like to see involved in order for you to be comfortably involved?

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry**	Total
Base	11	26	3	40
80% - 100%	27%	31%	33%	30%
60% - 79%	36%	8%	-	15%
40% - 59%	18%	23%	-	20%
20% - 39%	9%	8%	-	8%
0% - 19%	-	15%	33%	13%
Don't Know	9%	15%	33%	15%

- 63% of the businesses mainly based on Tourism clients want more than 60% of the travel operators to participate in the DMF for them to comfortably get involved.

Q22) Do you have the necessary resources to submit the fee / paperwork for the DMF once a month?

	Business mainly driven by Tourism	Business mainly driven by Industry	Business driven by both Tourist & Industry**	Total
Do not have required resources to submit DMF fee / paperwork	64%	42%	67%	50%

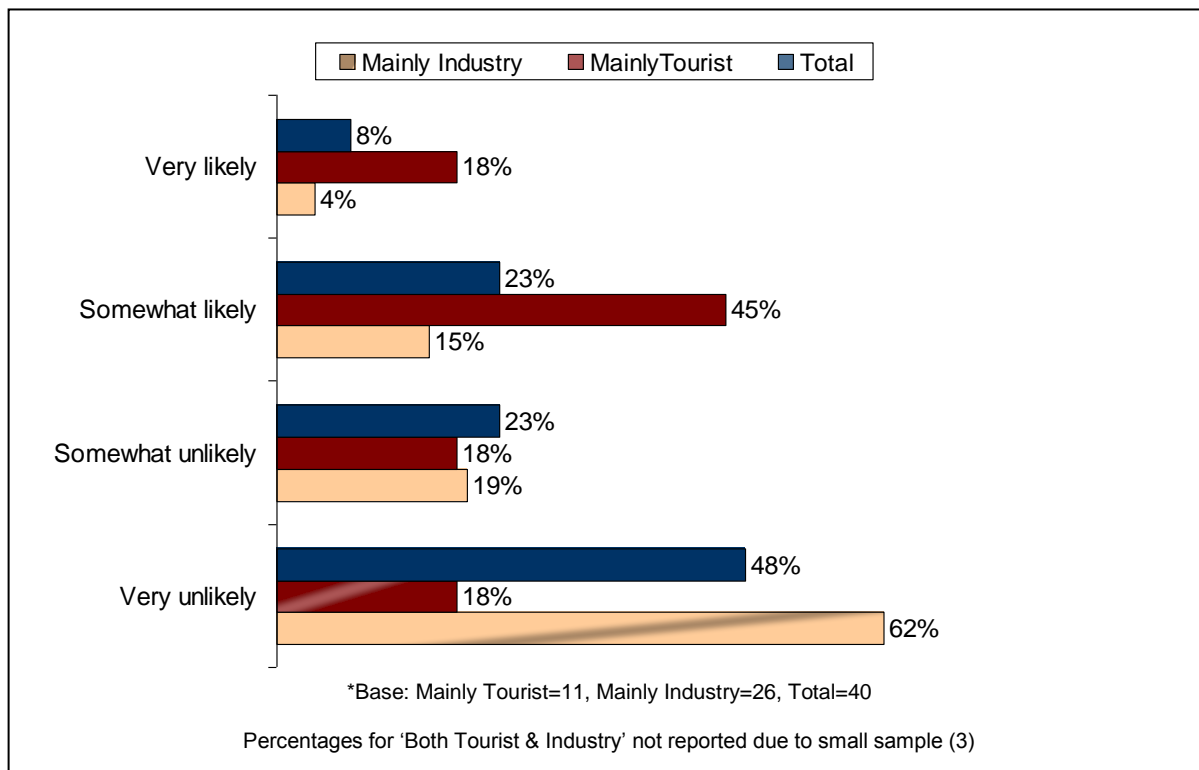
Q25) What fee % (based on your room rates) do you think is reasonable for the region?

- More than one-half (55%) of the mainly Tourist based businesses wanted the DMF fee to be 2% while 36% said 'Don't Know'. The Industry based businesses were not sure (don't know 46%), while 31% wanted the DMF fee to be 1%.

Q26) What do you think is the maximum fee percentage (based on your room rates) you would support?

- Neither the Tourism based businesses nor the Industry based businesses were sure about the maximum DMF fee they wanted to pay (Tourism based businesses 'don't Know' 45%, Industry based 'don't Know' 46%).

Q 27a) What is the likelihood that your business being involved in Northern Alberta Rural DMF ?



Q27b) Why is it unlikely that you would be involved? (Recorded verbatim)

Small Business, not be able to afford the cost

- “I imagine that I will not be able to afford the cost.”
- “Because of the size of our operation.”
- “This is a family business.”
- “Because it’s a private business.”
- “I don’t have enough business to be involved and a small business can not compete.”

Happy with the current marketing efforts

- “Does not need anymore advertising.”
- “We just go along by ourselves. Development like that wouldn’t help business.”
- “It is not my type of marketing.”
- “Don’t see a need right now.”
- “Advertising word of mouth is sometimes not considered marketing but it is sometimes more effective.”

Do not want to charge extra DMF fee

- “Too much for everyone to pay.”
- “No one wants to pay extra taxes.”
- “The charging of the clients.”

- “With the economy the way it is, they are trying to cut costs not make more. Reduce taxes and leave it in the consumer’s pocket.”

Miscellaneous

- “The marketing will go to the bigger players.”
- “We are not a Tourist Destination.”
- “Because there is a lot of companies that have tried - very expensive they fall through.”
- “Because our campground is owned by the municipality and they make the decisions.”
- “Because we are not volunteering.”

APPENDIX B: LIST OF STAKEHOLDER GROUP MEMBERS

Paul Pelletier – Community Futures St. Paul - Smoky Lake

Mike Osborn – Community Futures Northwest Region

Randy Hodgkinson – Community Futures Peace Country

Norm Bates – Community Futures Tawatinaw Region

David Paul – Community Futures Lac La Biche

Frank Ponto – Community Futures Lac La Biche

Ward Read, Community Development – Community Futures Lloydminster Region

Bill Kondro – Community Futures Lloydminster Region

Bernice Sambor – Community Futures Elk Island Region

Ross Jacobs – Community Futures Wood Buffalo

Mel Kuprowsky – NADC (Northern Alberta Development Council)

Marianne Price – Alberta's Lakeland Destination Marketing Organization

Kevin D. Kisilevich – Kalyna Country Destination Marketing Organization

Nadine Hallett – Athabasca Country Tourism

Jerry Chomiak – REDI (Regional Economic Development Initiative Northwest)

Crystal Draper – REDI (Regional Economic Development Initiative Northwest)

George Wright – Big Lake Country Tourism

APPENDIX C: WORKING PAPERS

All information in this section is based on secondary research from the Internet and has not been validated in person.

Best Practices - Edmonton, Vancouver and Various Ontario DMF

Destination Marketing Fund - Edmonton⁵

Contractual Agreement: Each individual hotel property will enter into a contractual agreement with Edmonton Tourism (a division within Edmonton Economic Development Corporation) agreeing to collect and remit 1% voluntary Destination Marketing Fee. The collection terms of the 1% voluntary DMF follow the same rules as 4% Provincial Tourism Levy.

Collection of DMF funds: DMF is collected through Edmonton Tourism (a department of EEDC) and is held as a segregated fund within EEDC. These dollars are 100% dedicated to marketing and will not be subject to administration fees.

Driver of the DMF Program: All strategic decision is taken by the DMF advisory committee consisting of the Hotel & Motel Owners of Edmonton elected to the advisory board. This advisory committee works in close association with Tourism Edmonton regarding strategic marketing plans for the region. However, the decision of usage of the funds is entirely with the Advisory committee. However, Tourism Edmonton is kept in the loop for all decisions.

Administering the DMF Fund: The DMF fund is administered under current Tourism Partnership Council and EEDC but only in accordance with the strategic decision set by the advisory board. Regular audits by a third party auditor is also conducted of the DMF fund and the results are transparent to both Edmonton Tourism and all participating operators in the DMF.

Usage of the fund: Only participating operators will receive direct marketing benefits from the DMF funds. At present the DMF committee recommends the following usage of funds:

- 75% of funds collected goes towards the central marketing initiatives, focusing on general destination awareness for the region.
- The remaining 25% of funds collected goes to the geographic clusters (West, South, Downtown etc) to support marketing initiatives specific to that area.

Legal Clause: The City of Edmonton is currently very supportive of the initiative and encourages operators to participate in generating substantial marketing fund. Although highly unlikely, should the City of Edmonton reduce their core tourism funding, participating operators will be given the opportunity to reassess their support of the municipal voluntary DMF.

⁵ Source: Edmonton Tourism Destination Marketing Fee
<http://webdocs.edmonton.ca/OcctopusDocs/Public/Complete/Reports/CC/Elected-1995/2005-04-19/2005EEDC01.doc>

Reason for Success:

- More than 72% of the Hotels and Motels in Edmonton participate in the program (as of March 2005). The Advisory committee is also pursuing other hotels and motels. So the critical mass needed for the success of the DMF is well achieved.
- Transparency between the functioning of the DMO (Edmonton Tourism) and DMF. However, the DMO does not have any say over how the DMF funds should be used.
- Involvement of a body like EEDC gives the participating hotel members who are not members of the advisory board an assurance that their funds are not being used for vested interest of the people in the advisory group.
- Marketing the region by clusters also leads to better usage of the funds.

Destination Marketing Fund - Vancouver⁶

Contractual Agreement: Each individual hotel property enters into a contractual agreement with Vancouver Hotel Destination Organization (VHDO), which is a legal entity consisting of Travel Operators in the region, for a minimum of 3 years term. Each hotel adds 1.5% Destination Marketing Fee on their hotel room sales and the remittance schedule coincides with the same date as the provincial sales tax is paid to the province.

Collection of DMF funds: The voluntary Destination Marketing Fee is collected through Vancouver Hotel Destination Association (VHDA).

Driver of the DMF Program: The VHDA works closely with Tourism Vancouver (the Destination Marketing Organization) in the region and some funds are utilized to augment existing marketing programs while some monies may be spent initiating new programs coordinated closely with Tourism Vancouver, government and other marketing agencies in the region. However, the way the funds are used is decided entirely by VHDA.

Administering the DMF Fund: The VHDA retains a third party to oversee the collection, disbursement and accounting of the DMF. The administrative expense is not to exceed 5% of the DMF collected which should be strictly used for Destination Marketing.

Usage of the fund: The VHDA which is a legal entity has several committees within its structure like Marketing and Convention Committee, Management Committee etc. The Marketing and Convention Committee recommends initiatives for leisure marketing and convention marketing. Annually, the Marketing and Convention Committee presents a three year Strategic Plan with a one year tactical plan to the DMF Management Committee who reviews, discusses and approves the funding for one year after keeping Tourism Vancouver and other agencies in the region in loop.

Legal Clause: Tourism Vancouver will not decrease its level of funding for the region. If it decides to do so, then VHDA has the right of dissolving the DMF. The DMF is not a tax but a voluntary fee. So if a guest questions it and refuses to pay it, he or she has to be exempted from paying the DMF.

⁶Vancouver Destination Marketing Fee <http://www.vanhda.ca/DMF_Card_web.pdf>

Reason for Success:

- More than two-third of the operators in the region participate. So the essential critical mass needed for the DMF is achieved. Vancouver is essentially a spotlight as a tourist destination and the future host of the Winter Olympics.
- VHDA is well organized in committees and it works in close association with Tourism Vancouver. So all Tourism bodies in the region are involved. At the same time, VHDA (with its Management Committee) keeps a strict vigilance on the funds. A third party transparent audit is also carried out thus building the trust of the travel operators in the region.

Destination Marketing Fund – Toronto⁷

Contractual Agreement: Participating accommodation businesses sign a three year DMF agreement with the Greater Toronto Hotel Association, a body formed by elected members of the travel operators participating in the program. Transparency and accountability are defined clearly in the agreement.

Collection of DMF funds: Participating accommodation businesses remit DMF funds on a quarterly basis to Greater Toronto Hotel Association.

Driver of the DMF Program: Participating accommodation businesses nominate representatives and form a DMF committee of Tourism Toronto. The Chair of the committee sits on the Tourism Toronto Board. The DMF committee set priorities for the DMF as well as key performance indicators. Tourism Toronto prepares an annual marketing plan based on priorities established by DMF committee.

Administering and Usage of the DMF fund: The Greater Toronto Hotel Association transfers the money to Tourism Toronto on a quarterly basis against a pre-approved marketing plan. The fund is used only for Destination Marketing. Participating DMF accommodation businesses are given preferred status. Tourism Toronto promotes DMF businesses first. Participating accommodation businesses are given the first right of refusal for new business generated.

Legal Clause: The City will not decrease its level of funding for the region. If it decides to do so, then the DMF can be dissolved at the discretion of the participating operators.

Reason for Success:

- Initially there has been significant confusion about whether the Destination Marketing Fee is an industry initiative or government-driven. However subsequent clarity about how the revenues are collected and how they are being put to work for the benefit of the community and involvement of Tourism Toronto (although GTHA has the final say) proved beneficial. Almost all the travel operators in the region are involved in the program now.

⁷ Tourism Toronto & Destination Marketing Fee <http://www.toronto.ca/budget2004/pdf/edctbn_dnftoursimtoronto_edited.pdf>

Destination Marketing Fund – Various other Ontario Communities^{*8}

Communities: The following Ontario Communities have successful Destination Marketing Funds: Ottawa, Toronto, Sault Ste. Marie, Kenora and Kingston. Many other communities like Muskoka are in the process of implementing one. The first four communities charge 3% per room per night as the Destination Marketing Fee. Kingston charges \$1 per room night.

Various Ontario DMF Model: As can be expected, various structures exist to manage the DMF:

- *Kingston:* A marketing committee made up of Kingston Accommodation Partners Inc. members and other interested parties such as the Downtown BIA initiate and approve campaigns for Board consideration. Funds are utilized for public relations, research, new product development, media and administration in Kingston.
- *Sault Ste. Marie:* The Tourism Sault Ste. Marie Management Committee undertook a five-year strategic planning session and identified priorities for product development and marketing, then with assistance from industry partners the Tourism Sault Ste. Marie staff put together a draft plan and budget and this was further developed at another Tourism Sault Ste. Marie Management Committee meeting. Once it was approved at that level, it was then presented to the accommodation partners (who already sit on the Management Committee). But since the accommodation partners actually control the Destination Marketing Funds, they must approve the plan and the budget before the plan can be implemented by Tourism Sault Ste. Marie as no vendors are paid out of the Destination Marketing Fund. Rather, funds in lump sums are transferred to the Tourism Sault Ste. Marie bank account. The Funds are typically used for product development and marketing but have been used on a special case basis for infrastructure development.
- *Ottawa:* Participating operators are represented on the management committee. Funds are used only for Destination Marketing.

*Niagara DMF*⁹

Status of the Destination Marketing Fund in Niagara: Provincial Tourism Minister Peter Fonseca doesn't consider Niagara Falls a destination marketing community at all. He says 14 Ontario municipalities participate in a destination marketing fee program as the government sees it, including Toronto, Ottawa, Burlington, Kingston and Sault Ste. Marie. Niagara Falls is not on the list, Fonseca says.

Participation of the Local Businesses: Some Hotels like “Embassy Suites” and “Hilton” and Motels like “Blue Moon” charge a 3% DMF whereas others like “Great Wolf Lodge” and “Niagara Falls View Casino Resort” does not. There is no formal legal entity to monitor or pursue the hotels and motels in the area to become a part of the DMF or obtain a registration from the government. To add to the problem in Niagara, places not generally intended to collect DMF – such as souvenir shops and restaurants - charge it because there is no legislation to tell them they cannot.

⁸ Fast Forward Thunder Bay Community Development Research <<http://www.thunderbay.ca/docs/fastforward/2573.pdf>> Dated February 2006

⁹ Niagara Falls Review. September 2008

Usage of the Funds: The operators who collect the DMF form some sort of an informal body. The large hotel owners who charge a DMF usually want to use the money for their own marketing campaign. So the basic focus of marketing the region as a Destination is lost.

What went wrong?

- DMF implemented in haste without the proper groundwork to form a formal legal entity by the travel operators. There is no collective monitoring of the funds.
- Keeping Tourism Niagara and other local bodies completely out of the process.
- Lack of trust in the DMF and the lack of communication and implementation plan.

DMF's in the Process of Being Implemented - Red Deer¹⁰

Implementation of the DMF: is a part of the Renewing Tourism Red Deer Initiative taken by Tourism Red Deer, the regional DMO consisting of voluntary members elected to the board and working as not-for-profit.

Issues concerning Tourism Red Deer: Issues or organizational challenges were identified. These were:

- Destination Marketing Fund: Implementation of the Fund
- Regional/Municipal Focus: Focus on broader consumer appeal of marketing the region as opposed to the city
- Governance: Defining proper governance and adequate private and public sector representation. At present Tourism Red Deer is an independent owned not-for-profit organization unlike Tourism Edmonton, whose basic ownership is with an economic development agency. In terms of implementing a DMF, this factor comes into play for proper governance of the DMF fund.

Although the Stakeholder assessment indicates a go forward, Tourism Red Deer is considering critical factors before implementation.

Tourism Red Deer is trying to ensure that significant critical mass of supporters be established – a clear majority of accommodation providers must be willing to support the initiative. It is also trying to increase the critical mass by increasing its focus to the region beyond just the city.

A proper governance plan of the DMF is in place so that those providing the funds are given the assurance that the funds are being used effectively on high priority programs. The Best Practices in the industry are being considered before implementation of the DMF.

According to the 'Renewing Tourism Red Deer' report, we believe that setting the stage will take at least one year – from 2007 through to 2008. An introduction of a DMF could take place in 2008 or 2009, depending on how quickly an acceptable level of agreement can be reached.

¹⁰ Tourism Red Deer website

Previous Efforts of DMFs in Northern Alberta

A Destination Marketing Fund is in effect in the Grande Prairie region and two others are in the process of being implemented in the Fort McMurray and Peace River areas.

According to a Peace Region Economic Alliance Development report dated February 2008, Mighty Peace Tourist Association (MPTA) hosted another round of meetings with operators in the Peace Region concerning Destination Marketing Funds (DMF). Interested travel operators are being invited to be a part of the DMF.

Rural Destination Marketing Fund¹¹

The concept of Destination Marketing Fund (DMF) is more common in the US and Canada than in any part of the globe. However, the successful DMFs have only been implemented in the cities. The concept of Rural DMF is still not very popular.

Through secondary research we came across the fact that a Rural Tourism Improvement Fund and Rural Access Grant is more common when it comes to rural tourism than a Rural Destination Marketing Fund.

Rural Tourism Improvement Fund - capital grants to help improve the quality and range of facilities that will attract more visitors to the area, especially out of season including upgrading facilities, quality improvements, and additional facilities to encourage greater tourism outside the main season. New accommodation may be eligible if a clear case can be made by the applicant of a new or special niche market. Additional accommodation for an existing tourism business may be eligible where the applicant can show they are diversifying from their existing market. The work eligible for funding is capital investment including building and groundwork, landscaping and infrastructure. Applications covering several phases are encouraged.

Rural Access Grant - covers improved access to the countryside for visitors to tourism businesses including farm trails, access for disabled people, small-scale environmental measures, and recycling.

A Rural Tourism Improvement Fund has been implemented in Northern British Columbia through Tourism Research Innovation Project (TRIP). The vision of TRIP is 'enhancing rural tourism development in British Columbia through research and innovation'. The goal of TRIP is to locate and share resources that support tourism development in rural areas among community leaders, tourism entrepreneurs, government agencies, students and academic institutions. It is funded by local community leaders and government agencies.

Other areas where a Rural Tourism Improvement Fund has been implemented is Cornwall (Northern Ontario).

Another interesting structure followed in a rural, popular tourist destination is Fernie. Due to its small expanse, the local DMO charges a voluntary levy on all Tourism products as

¹¹ <http://www.trip-project.ca/>, <http://www.somersetarts.com/cmfiles/4947/Briefing%20Papers%20No.%2010.doc>

opposed to only accommodations so that the critical mass is achieved. But the main advantage of Fernie over Northern Alberta is that it is already a popular all year-round tourist destination.

APPENDIX D: BIBLIOGRAPHY

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