

Mammoth Lakes Tourism Business Improvement District Budget Analysis and Recommendations

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TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

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Executive summary

Key Findings

The Mammoth Lakes TBID has been evidently effective at raising the profile of the destination and generating marked returns on investment that are benefiting the businesses being assessed. Given the clear success of these investments and the importance of tourism to Mammoth Lakes economy, we recommend a reauthorization.

- Specifically, reauthorization makes economic sense as it provides a competitive and stable source of funding, enabling Mammoth Lakes to support its most important industry through investments in proven destination marketing.
- Case studies across the state and rest of the country support the thesis that destination marketing is indispensable to competitiveness and overall economic development. The TBID funding for Mammoth Lakes enables the tourism industry to leverage the existing expertise as well as the creative and technical infrastructure to produce returns well in excess of the assessment paid. This is a net win for the tourism industry, the broader economy, and the government.
- All tourism industry performance metrics since the inception of the TBID re-enforce the notion that TBID investments have been effective at driving incremental travel spending. This is evident in TOT receipts, retail spending, and TBID proceeds on the industry side. The results of MLT marketing initiatives support the conclusion that these increases have been driven in large part of the increments marketing investments funded by the Mammoth Lakes TBID.

Executive summary

Overview

The town of Mammoth Lakes instituted a Tourism Business Improvement District (TBID) in 2013. Tourism Economics, an Oxford Economics Company, has evaluated the economic rationale and the benefits of the TBID since its inception to determine if the program should be reauthorized for continuation. Below are the key findings:

1. Destination marketing is fundamental to economic development and is especially critical for Mammoth Lakes.

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy, and acts as a catalyst for broader economic development. Given the central position of tourism in the Mammoth Lakes economy, it is paramount that destination marketing be well-funded and be supported by the broad range of businesses benefiting from these marketing initiatives.

2. TBID-funded marketing campaigns have been remarkably successful across the state of California

With 96 TBIDs, California has led the nation in the development of industry-funded destination marketing. The benefits have been pronounced and widespread. A Tourism Economics analysis found that the California economy would lose 3.3 billion in visitor spending and \$460 million in state & local taxes if TBID funding were eliminated.

3. Continued investments in destination marketing are critical for Mammoth Lakes to compete effectively.

The Mammoth Lakes TBID is vital to effectively competing with other regional destinations. The amount of funding dedicated to marketing Mammoth Lakes as a destination is small in absolute terms compared to numerous destinations with whom it competes. MLT's total budget ranks 9th out of 18 regional destinations. In terms of bed tax rate, Mammoth Lakes also places 9th out of 18 regional destinations, suggesting that the TBID rate is not contributing to any lack of pricing competitiveness.

Adjusted for the size of the destination, the MLT budget is consistent with that of competing destinations of similar size.

4. The Mammoth Lakes tourism industry has experienced extraordinary performance over the past two years

Across all industry metrics, Mammoth Lakes has been outperforming the competition over the past two years in a reversal of previous trends. TOT, retail, and international markets all confirm a turnaround in the industry that coincided with the increased TBID-funded investments in destination marketing.

5. The destination promotion campaigns of Mammoth Lakes Tourism (MLT) have shown increasing effectiveness and impact with the added leverage of TBID funds

MLT advertising has increased campaign awareness in 2015-16 to 44% from 37% in key visitor markets. These campaigns have generated significant impacts over the past two years.

Other marketing channels, including social media and earned media are augmenting the success of traditional campaigns with exponential growth across key metrics.

Conclusion: The Mammoth Lakes TBID has been evidently effective at raising the profile of the destination and generating marked returns on investment that are benefiting the businesses being assessed. Given the clear success of these investments and the importance of tourism to Mammoth Lakes economy, we recommend a reauthorization.

1. The vital role of destination promotion

The vital role of destination promotion

Challenge #1: The Mammoth Lakes visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail, transportation, recreation/skiing), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, the benefits of destination marketing accrue across the economy rather than to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Destination marketing plays an integral and indispensable role in the competitiveness of the Mammoth Lakes economy by addressing its unique challenges.

Solution: TBID-funded destination promotion provides the scope and strategic vision supporting a wide array of individual businesses.

Destination promotion organizations play a role furthering the strategic potential of the visitor economy. Destination marketing organizations ("DMOs") can take a long term view of the development of the destination, and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand, and help fill slower days of the week, supporting a more stable base of spending and helping ongoing operations achieve a "break even" level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

The vital role of destination promotion (continued)

Challenge #2: The primary motivator of a visit to Mammoth Lakes is the experience of the entire destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to Mammoth Lakes is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience comprises a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; skiing and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not adequately address the core motivation for potential visitors.

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination.

Solution: TBID-funded destination promotion articulates the brand message that is consistent with consumer motivations

Through coordinated destination promotion, the destination is represented collectively, driving demand for all segments of the visitor economy. Concerted destination marketing builds a brand as well as conveys messaging that speaks to potential travelers' core motivations.

The vital role of destination promotion (continued)

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding and long term planning with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of social media advertising, public relations efforts, or group sales, scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, more specialized efforts.

As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses would accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

Solution: the TBID pools resources to provide the economies of scale and marketing infrastructure required to generate impact

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination which has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to support independently.

Through these channels, destination promotion expands the visitor economy and drives employment, income generation, and local tax revenues, and helps to build the types of opportunities that are a critical part of economic development.

Destination promotion helps drive economic development

In recent research, Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

1) *Raising the destination profile*

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

“We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development.”

Brook Taylor
Deputy Director
Governor’s Office of Business and Economic Development (GO-Biz)

2) *Building transport networks*

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

“Air service is profoundly important to corporate investment and location decisions... This is one of tourism’s most significant contributions since the levels of air service at New Orleans far exceed what local demand could support.”

Stephen Moret
Secretary
Louisiana Economic Development

Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development.

3) *Raising the quality of life*

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

“Traveler attractions are the same reason that CEOs choose a place.”

Jeff Malehorn
President & CEO, World Business Chicago

4) *Attracting strategic events and industries*

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

“Economic clusters and conventions have become synergistic”

Tom Clark
Metro Denver Economic Development Corporation

Oxford Economics (2014, November) “Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development.” Produced in connection with Destination & Travel Foundation.
[Link](http://www.oxfordeconomics.com/engine) to <http://www.oxfordeconomics.com/engine>

Destination promotion helps drive economic development

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing raises the profile of a city among potential investors, builds transport accessibility, raises the quality of life for residents, and attracts major events that build awareness. Raising the destination profile can also help to attract businesses in strategic industries that drive growth.

As a result, places that succeed as destinations are more likely to succeed in broader economic terms.

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation.



Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
[Link](http://www.oxfordeconomics.com/engine) to <http://www.oxfordeconomics.com/engine>

Destination promotion “halo effect”

Destination marketing contributes to a “halo effect”, as advertising campaigns positively impact perceptions of a region.

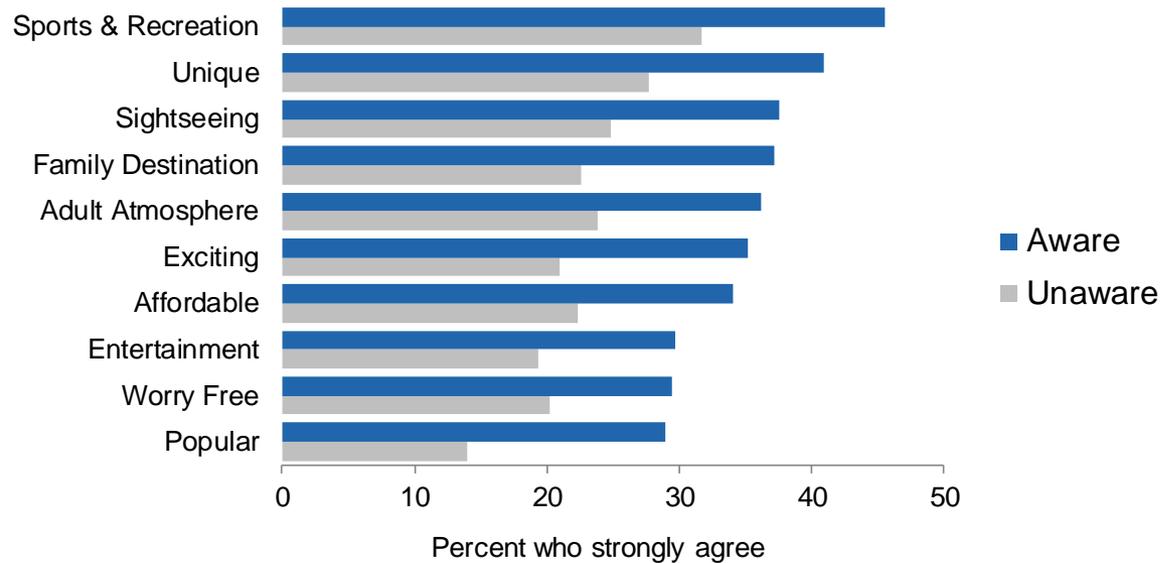
Longwoods International recently undertook research to measure how image lift was created by tourism ad awareness and the experience of visiting the destination. The research was conducted through an online survey of more than 18,000 respondents across advertising markets for seven states and two metropolitan areas.

The results show that many of the messages of destination marketing advertising campaigns work in parallel with economic development goals. For example, as shown in the graph to the right, the “Pure Michigan” campaign positively impacts perceptions of the state that can be helpful in attracting skilled workers and new businesses.



Marketing positively influences perceptions of a region

Pure Michigan 2014 campaign impact on perceptions of Michigan as a national tourism destination



Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion “halo effect”

Affecting perceptions of a region through destination marketing can influence decision criteria that are important to skilled workers and new businesses.

For example, Lake Erie Shores and Islands's 2014 tourism marketing campaign boosted perceptions of the area as a good place to start a career. Among those who were aware of the advertising, 43.2% strongly agreed with the statement that the area was a good place to start a career, representing a 173% increase relative to the 15.8% who strongly agreed among those unaware of the advertising.

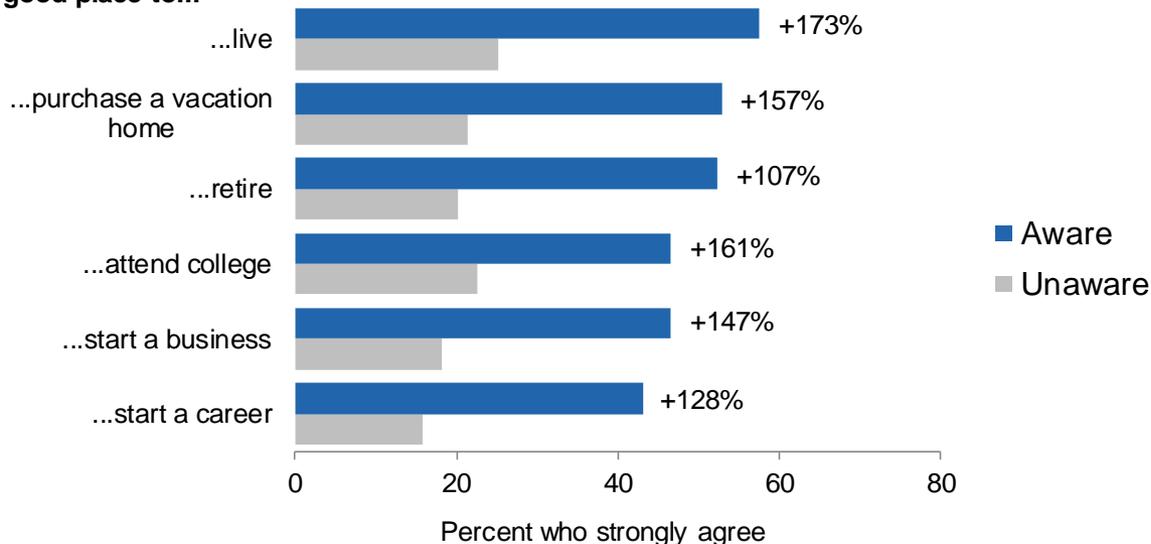


Tourism marketing can directly impact decision criteria that are key to economic development.

Marketing influences perceptions on key decision criteria

Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image

"A good place to..."



Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Case study 1: Colorado cuts state funding

Changes in promotion budgets in other U.S. destinations provide case study examples of what has happened when destination marketing spending is increased or reduced. We have summarized several of these case studies in this section, beginning with Colorado, which represents a powerful example of the impact of a dramatic reduction in destination marketing spending:

- Prior to 1993, the Colorado Tourism Board (CTB) had a \$12 million marketing budget, funded by a 0.2% tax on most tourism spend.
- Within two years of repealing its tourism funding in 1993, Colorado lost 30% of its US visitor market share, which translated into the equivalent of over \$1.4 billion annually in lost revenues. By the late 1990s, this had escalated to \$2.4 billion a year.
- After having moved from 14th to 1st position in the states' summer resorts category, Colorado slipped to 17th in 1994. It also shifted back to being more of a regional drive destination opposed to being a national fly-in venue and attracting fewer international visitors.
- The subsequent establishment of the Colorado Travel & Tourism Authority, which was an attempt to market the state with private sector funding in co-operation with the CTB, failed. This was attributed to the fact that private sector companies had separate priorities.

Within two years, Colorado lost 30% of its U.S. visitor market share.

- The new Colorado Tourism Office opened with a \$5 million budget, and in 2003 approved funding for tourism promotion increased to \$9 million. A campaign conducted from October 2003 through December 2004 resulted in 5.3 million incremental visits, representing 17% of total visitation to the state. In 2004, this generated \$1.4 billion of additional spend and \$89.5 million in state and local taxes.
- These estimates are equivalent to an implied visitor spending return-on-investment (ROI) per marketing dollar of \$140 (i.e. each dollar change in marketing spending resulted in a change in visitor spending of \$140).

Case study 2: San Diego TMD funding frozen by litigation

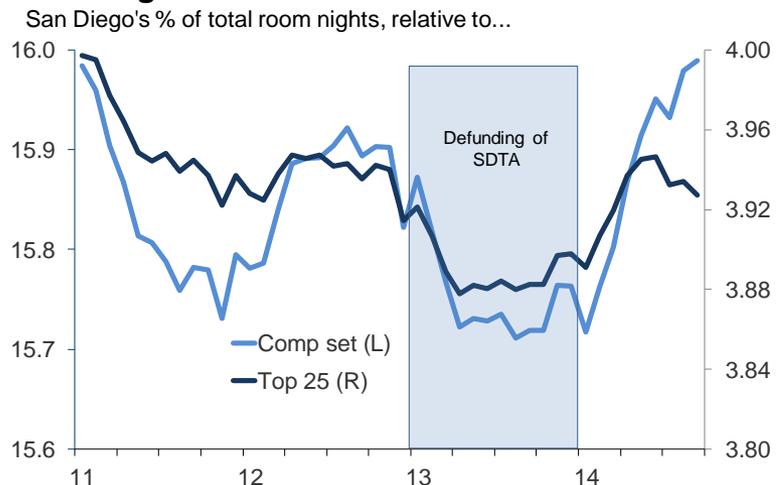
A series of events in San Diego resulted in a temporary reduction in tourism marketing spending, providing a case study of short-term impacts:

- The San Diego Tourism Marketing District (SDTMD) was established in 2008 with the support of the lodging sector to provide stable funding for marketing and promotion based on a hotel room assessment. For example, in FY2012, the SDTMD allocated more than \$25 million in assessment funds.
- As a result of litigation-related risks, funds intended for the SDTMD were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.
- The San Diego Tourism Authority (SDTA), the region's primary destination marketing organization, was one of the groups impacted. SDTA depends largely on SDTMD funding and was forced to cancel its important spring 2013 advertising campaign.
- Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to function as a bare-bones operation with only 15% of the funding that it previously received from SDTMD.
- Ultimately, in late-November 2013, the local city council released a portion of the funds previously being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.

San Diego market share declined when tourism marketing was curtailed in 2013.

- The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and price levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs. Further, occupancy tax revenues that would have been generated during this time were lost.
- The graph below shows San Diego's reduced hotel room demand market share relative to a competitive set (Los Angeles, San Francisco, Anaheim, Phoenix and Seattle) and top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

San Diego room demand market share



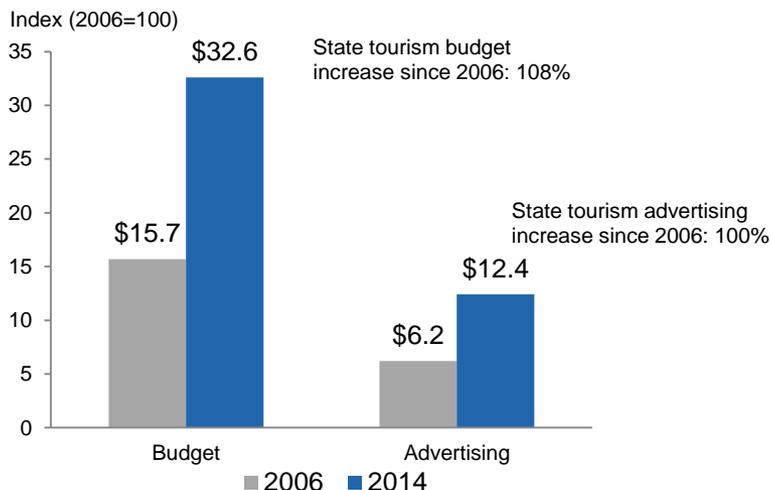
Sources: STR, Tourism Economics

Case study 3: Pure Michigan success

“Pure Michigan” is a nationally recognized advertising campaign. Less appreciated are the important decisions the state took during a period of economic recession to expand the campaign as an investment in future growth.

Bill Siegel, CEO of Longwoods, recently summarized this success story in a widely cited paper, “The Power of Destination Marketing” ([link](#)). The following highlights key points.

Michigan state tourism budget



Source: Longwoods International

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

- The “Pure Michigan” campaign had its fledgling start in 2006 as a regional campaign in an environment of relatively low funding. In preceding years, Michigan’s state tourism budget had declined, falling to as little as \$7.9 million in FY2005 according to US Travel data. For several years, as the campaign ran in regional markets, research demonstrated that it was building equity in the marketplace, impacting Michigan’s image positively and generating positive financial returns.
- In 2009, with the national economy still in recession, and Michigan’s manufacturing base hit particularly hard, the state legislature saw tourism as a potential growth opportunity, and approved a one-time doubling of the Travel Michigan budget to \$28 million. This allowed the state to promote itself nationally for the first time, and “Pure Michigan” was well-suited to the opportunity.
- In its first year, the national campaign dramatically increased unaided awareness of Michigan as a place in the Midwest US “you would really enjoy visiting”, and three out of ten national travelers were aware of the campaign. The campaign was recognized by Forbes as among the 10 all-time best travel campaigns, and Michigan moved to 2nd place among competitors after the campaign, from 9th place before the campaign.

Case study 3: Pure Michigan success

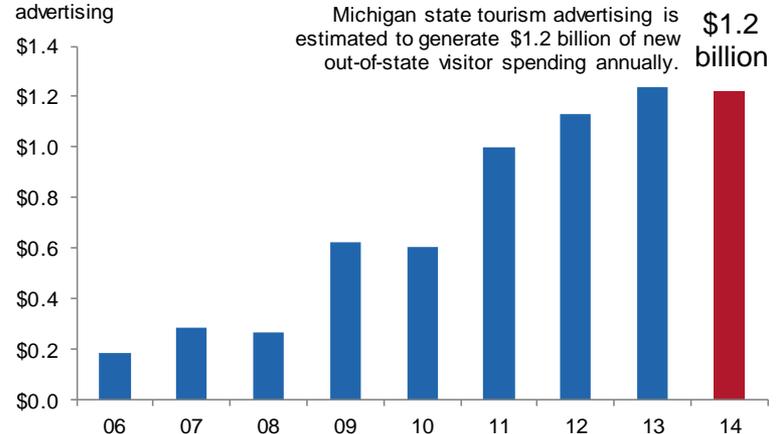
- The summer 2009 campaign was estimated to have generated almost two million additional trips to Michigan. As a result, based on a \$12.2 million media budget, the campaign is estimated to have generated \$588 million of incremental visitor spending and \$41.0 million of state taxes, equivalent to \$3.36 of state taxes per ad dollar.
- In total from 2006 to 2014, Longwoods estimated that “Pure Michigan” results generated 22.4 million out-of-state trips to Michigan and \$6.6 billion of visitor spending at Michigan businesses. This implies a visitor spending return on investment (“ROI”) of \$69 based on out-of-state visitors, and a state tax ROI of \$4.81.

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

Michigan built on the initial success by maintaining annual funding slightly ahead of \$30 million. From 2006 to 2014, Michigan invested over \$95 million in “Pure Michigan” advertising. As a result, “Pure Michigan” has become the singular brand for Michigan, with the state expanding its use across multiple lines of business to promote state objectives, such as economic development.

New visitor spending in Michigan

Annual out-of-state visitor spending generated by advertising



Source: LongwoodsInternational

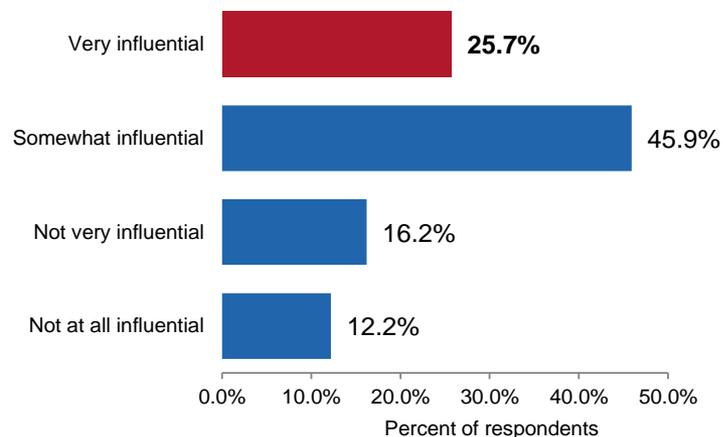
Case study 5: Influence of DMO content

Among respondents who had made an overnight visit to Mendocino County, 25.7% reported that the Visit Mendocino website had been “very influential” in their decision.

Of approximately 160,000 unique website visitors (April 2013 to March 2014), 47.8% made a trip to Mendocino County, of which an estimated 20.2% were influenced to visit by the website.

Website information influences traveler decisions

Visit Mendocino follow-up survey of website visitors



Question: How influential was the Visit Mendocino website in your decision to take an overnight trip to Mendocino County in the past six months? (Follow-up survey to website visitors, among those respondents who had made an overnight trip to Mendocino County.)
Source: Strategic Marketing Group "DMO Influence/Conversion Study", on behalf of Visit Mendocino/Mendocino County Lodging Association

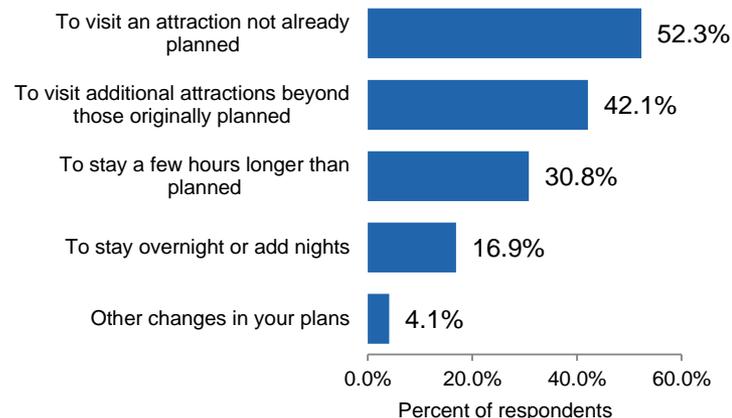
Visitor information supported by TBID funding consistently influences potential visitors.

38% of prospective visitors who received information from Visit Oceanside were influenced by the content and subsequently visited Oceanside.

Among those visitors who were influenced by the visitor information, more than half indicated that they decided to visit an attraction or site that they had not already planned to visit and 17% added additional nights to their stay.

Visitor information influences visitors to stay longer

Visit Oceanside visitor survey



Question: Which of the following were you influenced to do in Oceanside based on information you received from Visit Oceanside? (Among visitors to Oceanside whose plans were influenced by CWC or Visit Oceanside information.)
Source: Horizon Consumer Science (2013, May) "Visitor Profile/Economic & Fiscal Impacts study - CY2012", on behalf of Visit Oceanside California

2. The Importance of California TBIDs

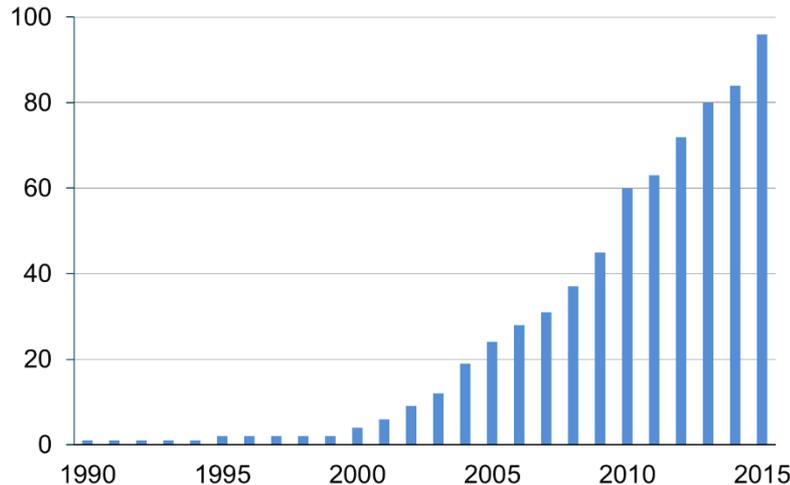
California leads the US

Other states are following with TBID approval accelerating nationally

Since its introduction in 1989, the Tourism Improvement District (TID) has grown in popularity as an industry-funded mechanism for supporting tourism promotion. As of mid-2016, there are 96 active TIDs in California, and another 58 operating in ten other states. Together, California's TIDs generate an estimated \$207 million in annual revenue, a large proportion of which is dedicated directly to destination marketing and promotion efforts.

96 California TBIDs with a combined assessment of \$207 million

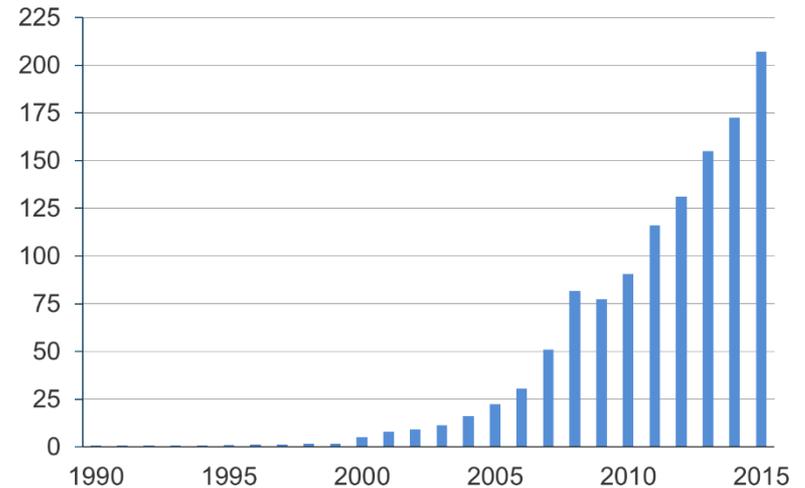
Rapid expansion of California TMDs



Source: Civitas

Total California TID Revenues

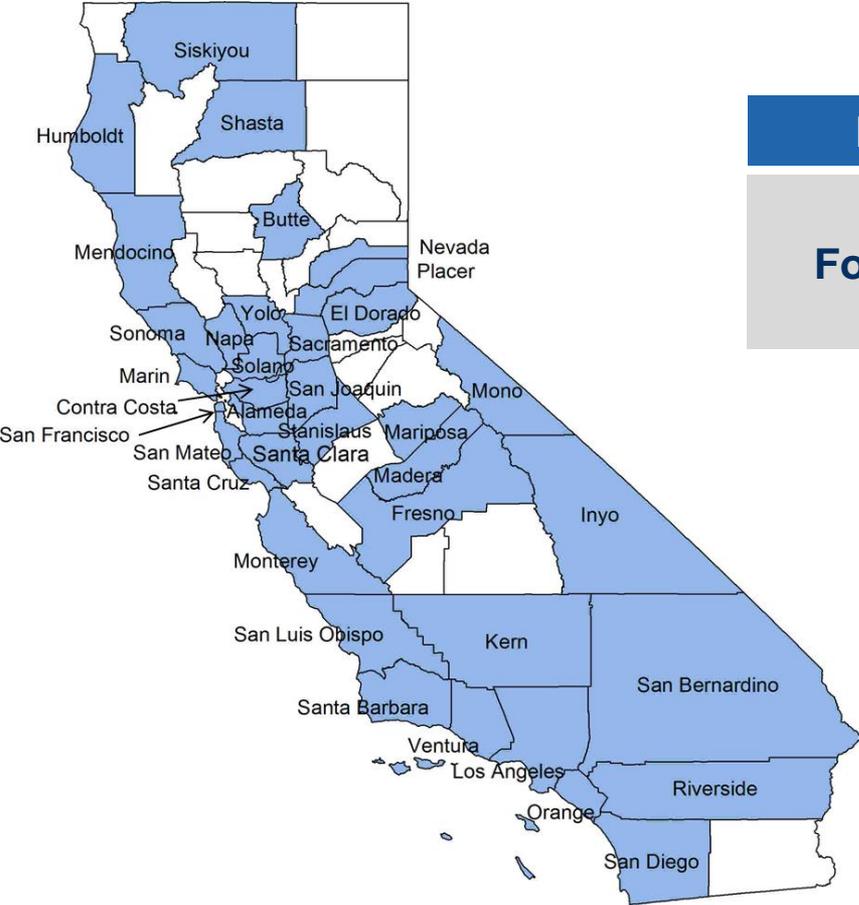
\$ millions



Sources: Civitas, STR, TE Calculations

Model adopted throughout California

96 California TBIDs have been formed across 32 counties due to the model's intrinsic benefits



Notable Benefits of the TBID model		
Focused	Stable	Accountable

Economic impact analysis: Elimination of TBID funding

A scenario analysis was developed to identify what would happen if TBIDs funding of destination marketing was eliminated

Scenario parameters

Entire elimination of \$207 million of annual TBID funding for CA destination promotion

Proportionate reduction in destination marketing, such as group sales and leisure marketing

Net loss in visitor spending driven by TBID-funded marketing

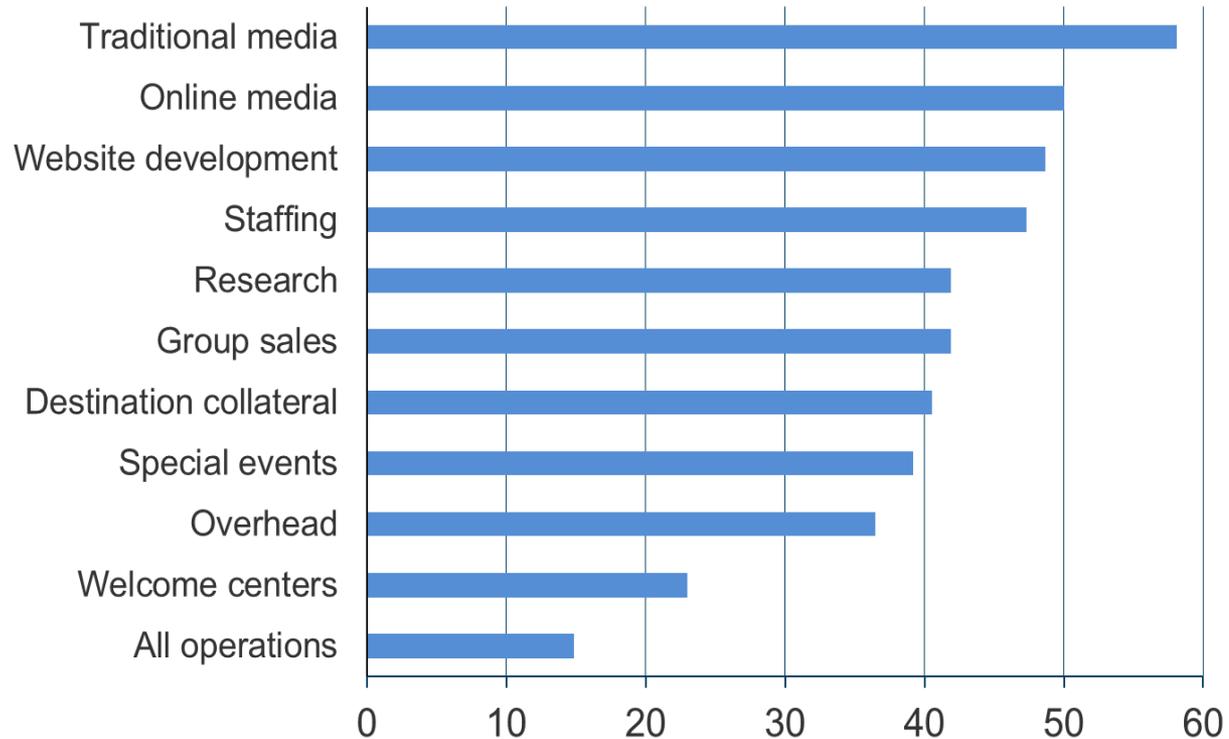
Loss of California jobs, income and tax revenues in tourism and downstream sectors

Reduction in DMO activities

Destination marketing organizations indicated that all major activities would be undercut by a loss in TBID/TID funding

Impact of Elimination of TID Funds

Share of respondents, more than one answer allowed, %



Source: Civitas, Tourism Economics

Total visitor spending reduction

By reversing the benefits generated by TBIDs, Tourism Economics models calculate large potential annual losses

Elimination of \$207 million of TBID funding results in:

8.2 million fewer out-of-state visitors

**22.8 million fewer visitor nights,
including 10.4 million fewer hotel
room nights**

\$3.3 billion reduction in
visitor spending

Total economic impact results

As a result, acute losses would be felt by businesses, households, and government.

Elimination of \$207 million of TBID funding results in:

Annual impacts	Tourism (direct)	CA economy (total)
Lost output (business sales)	\$3.3 billion	\$6.4 billion
Lost jobs	32,000	52,000
Lost labor income	\$1.0 billion	\$2.1 billion
Lost state and local taxes	\$177 million of lodging taxes	\$460 million

3. Benchmark analysis of marketing funding

Methodology

A benchmark analysis was conducted to assess how Mammoth Lakes TBID funding compares to key regional competitors.

Approach

To evaluate the level of destination marketing funding of the Mammoth Lakes TBID, we conducted a benchmark analysis relative to other destinations. This benchmark analysis consisted of several steps in which we:

1. Identify a set of competing destinations;
2. Calculate a comparative measures of funding per unit of hotel revenue; and
3. Benchmark current Mammoth Lakes Tourism funding to its competitors.

Comparing budgets

Mammoth Lakes Tourism ranks 9th out of 18 destinations in terms of absolute budget.

The annual level of destination marketing organization (DMO) funding ranged from a low of \$0.4 million in Truckee to a high of \$46 million in Los Angeles. In absolute budget size, Mammoth Lakes ranks 9th out of 18 destinations.

The average funding of the competitive set is \$9.1 million.

The competitive set was selected as competitors that offer a similar experience, located in the same region of California or close by, or could draw from the same pool of potential visitors.

DMO Budgets			
Rank	Geography	DMO	Budget, \$mils
1	Los Angeles	LA TCB	45.7
2	San Diego	SD TMD	33.5
3	Anaheim	Anaheim/OC VCB	14.8
4	Palm Springs	Palm Springs CVB	13.1
5	Long Beach	Long Beach CVB	9.9
6	Santa Monica	Santa Monica TT	7.0
7	Newport Beach	Newport Beach Inc.	6.9
8	Monterey	Monterey Co DMO	6.9
9	Mammoth Lakes	ML Tourism	6.2
10	West Hollywood	WH Marketing Corp	4.4
11	Huntington Beach	H. Beach MVB	3.6
12	Beverly Hills	Beverly Hills CVB	3.5
13	Pasadena	PCOC CVB	2.6
14	Greater Ontario	GOTMD	2.4
15	So. Lake Tahoe	SLT TID	2.2
16	Coronado	Coronado TID	0.7
17	Carlsbad	Carlsbad CVB	0.6
18	Truckee	Truckee COC	0.4
Group average			9.1

Mammoth Lakes hotel taxes in context

The effective lodging tax rate paid in Mammoth Lakes at 14%, is consistent with the overall group average of 14.7%.

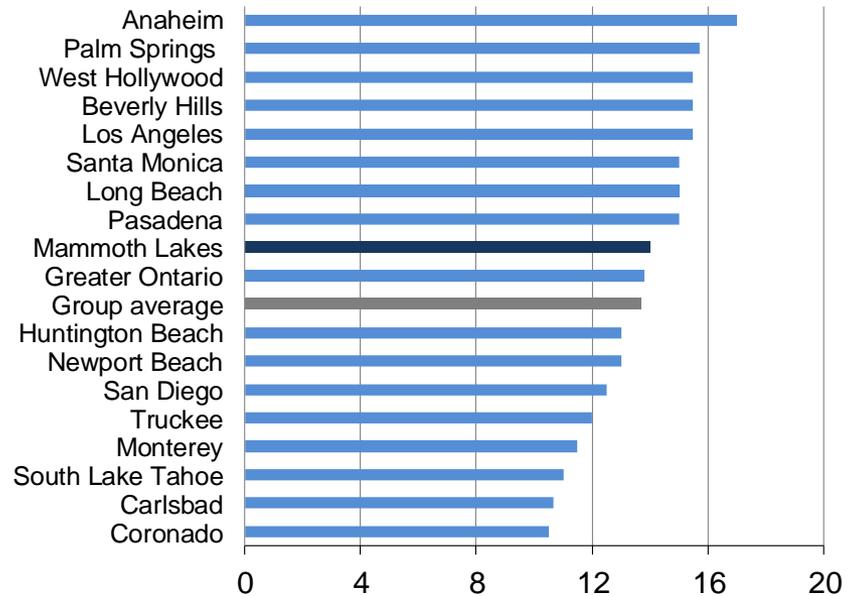
Lodging taxes and TBID assessments in Mammoth Lakes amount to an effective rate of 14.0%. This consists of a 13.0% TOT tax and a 1.0% TBID assessment .

The effective tax rate in Mammoth Lakes is just above the average tax rate of 13.7% for the for the competitive set.

Mammoth Lakes ranks 9th among the competitive set, higher than selected destinations Huntington Beach, Newport Beach, San Diego, Monterey, Carlsbad, and Coronado in terms of tax burden on lodging.

Lodging Tax Rates by Destination

FY 2015, includes TBID assessments, %



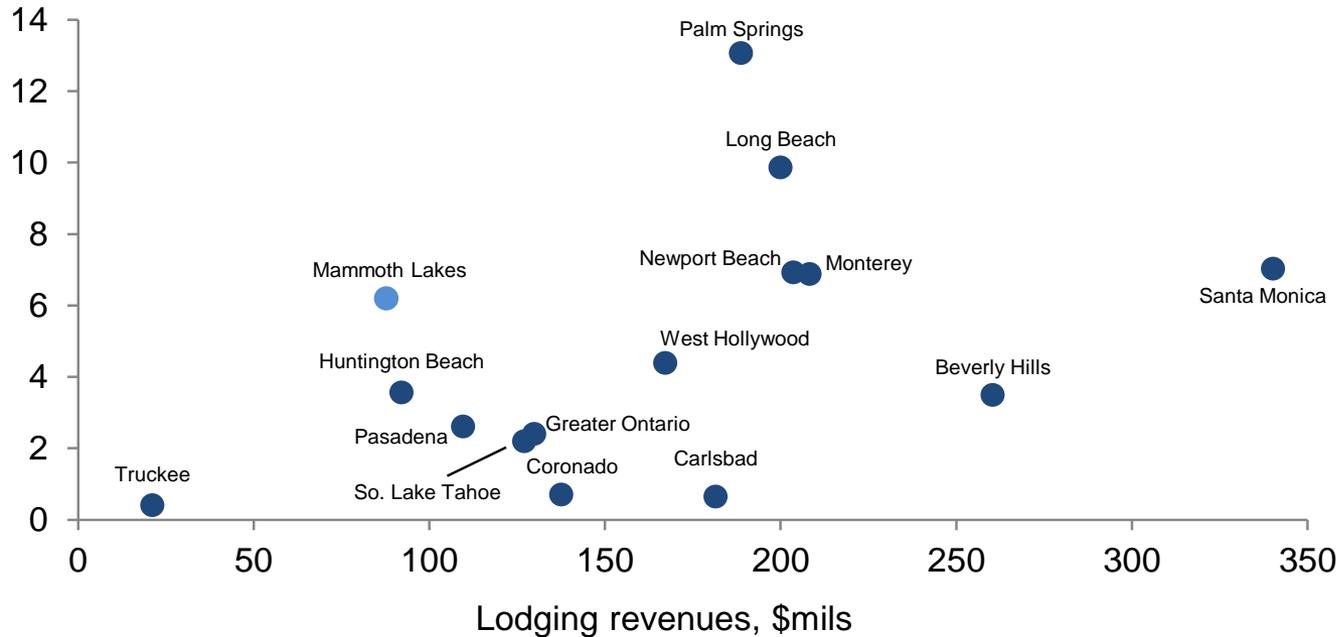
Source: Visit California, Civitas, Tourism Economics

Funding metrics

The level of destination marketing funding in Mammoth Lakes is relatively low but consistent with that of competing destinations of similar size.

DMO funding compared to lodging revenues

\$ millions



Source: STR; DMAI; Tourism Economics

4. Mammoth Lakes performance metrics

TBID funding has extended capacity of MLT

Along with this increased funding has come added efficiencies.

Overhead represented just 2% of total expenses in 2015/16 and 7% in 2012/13.

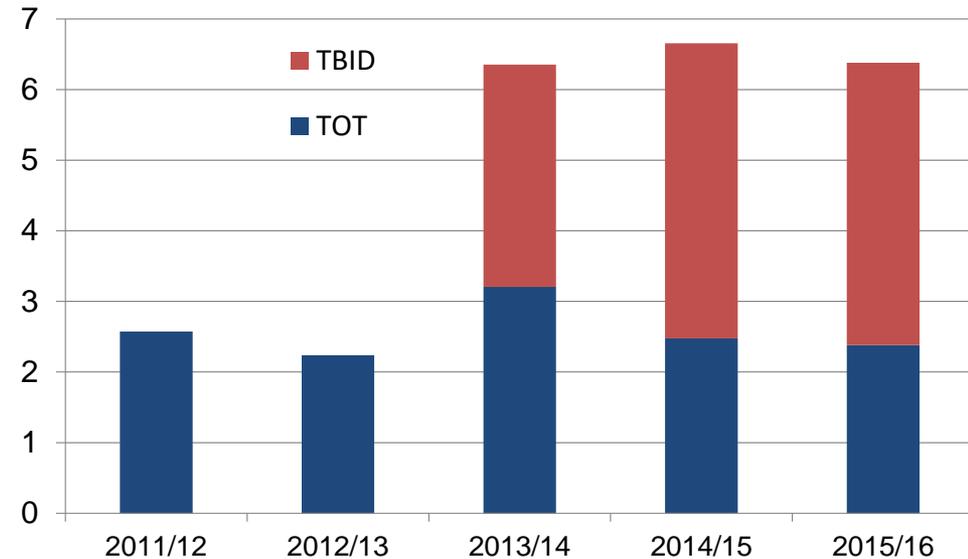
Wages and benefits have also fallen to 12% of expenses last year from 28% in 2012/13.

This is a product of incremental funding from TBID revenue going exclusively to marketing, sales, and interactive media.

Total marketing funding available to promote Mammoth Lakes has increased from just over \$2 million in 2012/13 to more than \$6 million in each of the past three years.

TOT and TBID Funding

\$ millions



Source: Visit Mammoth Lakes

Competitiveness has been restored

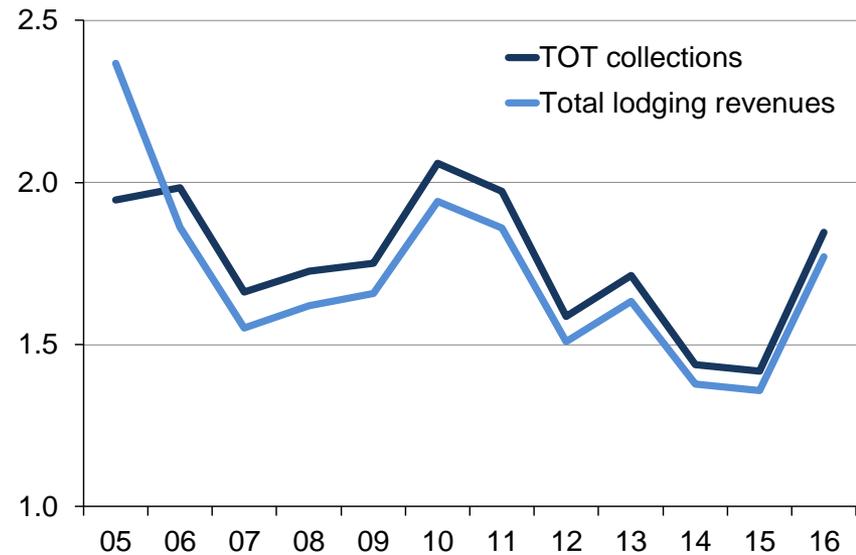
After years of falling market share, Mammoth Lakes is showing signs of recovery

Since the 2009/10 fiscal year, Mammoth Lakes has consistently lost market share on the basis of TOT collections and lodging revenue across a competitive set of regional destinations.

In the 2015/16 fiscal year, Mammoth Lakes wiped out four years of market share declines.

Market Share has rebounded

Mammoth Lakes as a share of comp set total, FY, %



Sources: Visit California, Tourism Economics

TOT revenue has expanded rapidly

Over the last two years, since the introduction of the TBID, TOT has increased over 50%

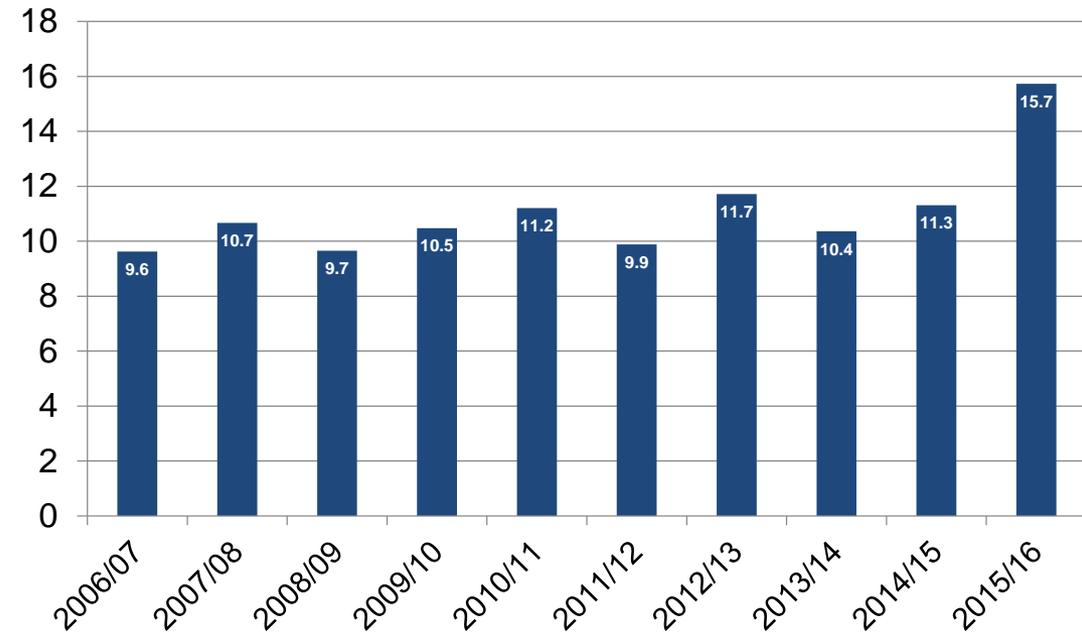
Over the past decade, TOT revenue has averaged about \$10 million per year.

In the 2014/15 fiscal year, TOT revenue increased 9% to reach \$11.3 million.

In the 2015/16 fiscal year, TOT revenue increased 39% to reach \$15.7 million, a new record.

Mammoth Lakes TOT Revenue

\$ millions



Source: Visit Mammoth Lakes

TBID investments are driving increases in TOT

Mammoth Lakes is enjoying extraordinary growth in traveler activity with growth continuing into this year

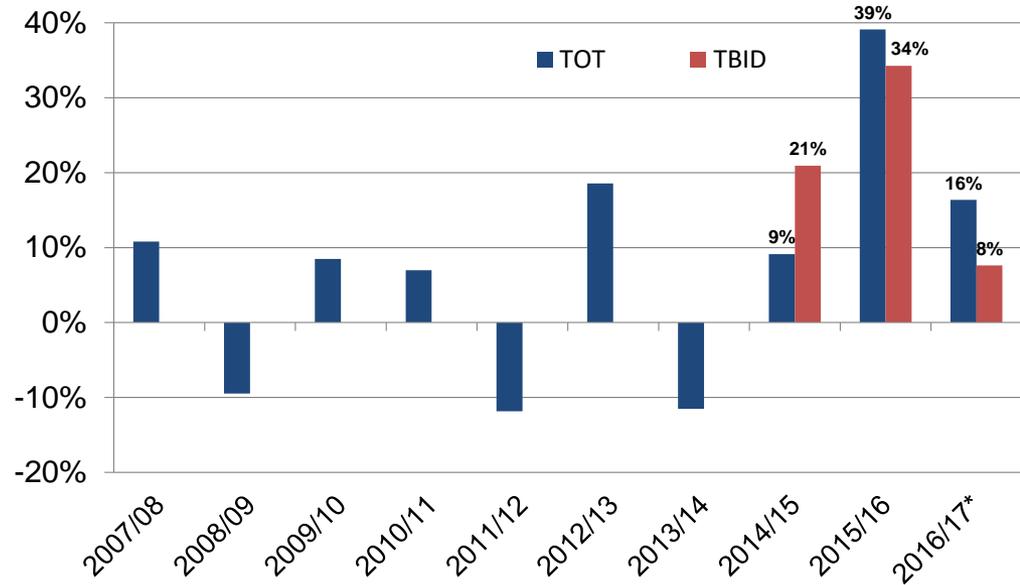
Growth in TOT has been uneven for most of the past decade, with no growth from 2006 to 2013.

The advent of increased TBID-funded marketing expenditures has coincided with a wave of growth, now in its third year.

This year continues a run of strong growth with a 16% expansion in TOT and 8% expansion in TBID revenue during the first two months of the 2016/17 fiscal year.

Mammoth Lakes TOT and TBID Revenue

% change year ago



Source: Visit Mammoth Lakes

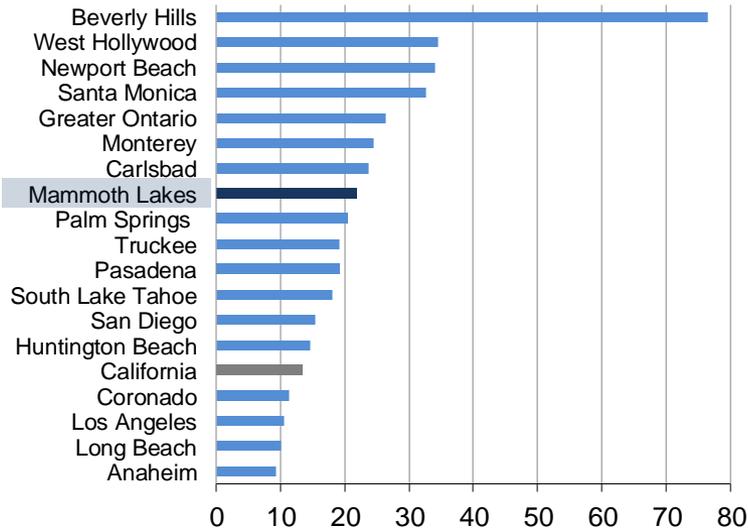
* Jul-Aug 2017 vs July-Aug 2016

Retail sales are expanding

Visitors account for a significant share of total retail sales in Mammoth Lakes. The importance of visitor retail spending in the town is reflected in average per capita sales. **In FY2016, per capita retail sales were nearly \$22,000 per resident, more than 60% above the state average of \$13,400.**

Visitors spend on Retail in Mammoth Lakes

Retail sales per capita, FY 2016, \$ths



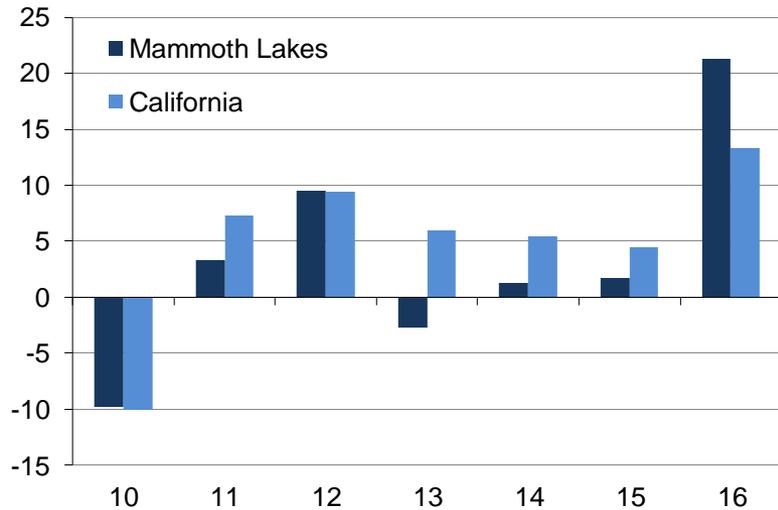
Sources: CA Board of Equalization, Census, Tourism Economics

Retail sales expanded more than 21% in FY2016, significantly stronger than at the state level.

After several years of relatively slower growth in retail sales, the recent boost to sustained marketing efforts are likely drawing in more spending and helping to drive growth. **Retail sales jumped 21.3% in FY2016, compared with 13.3% for the state overall.**

Retail Sales growth

Annual change, FY, %



Sources: California State Board of Equalization, Tourism Economics

International markets are expanding

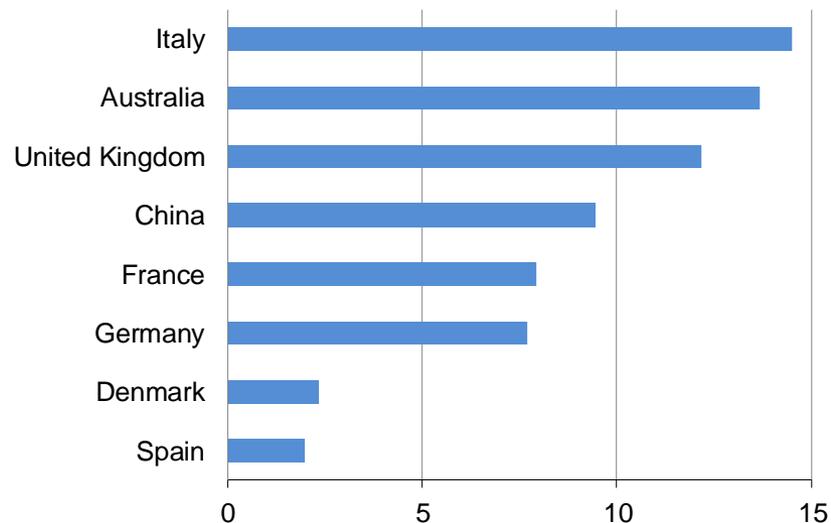
A boosted international presence by Mammoth Lakes Tourism is drawing more visitors from key markets such as the U.K., Australia, and China.

The International market accounts for a relatively small share of total visitors, less than 2%. However, international visitors are likely to stay longer and spend more, and international visitation to California overall has expanded faster than domestic.

International visitors are therefore an important growth opportunity. Mammoth Lake's boosted international efforts appear to be having some success. As of the middle of 2016, growth in international visitation was impressive across most markets, including the U.K., Australia, and China, at roughly 10% or greater.

International visitor volume is expanding

Visa card holders, CY 2016Q2, % change year ago



Sources: Visa Vue Travel, Tourism Economics

ROI of TBID-funded promotions

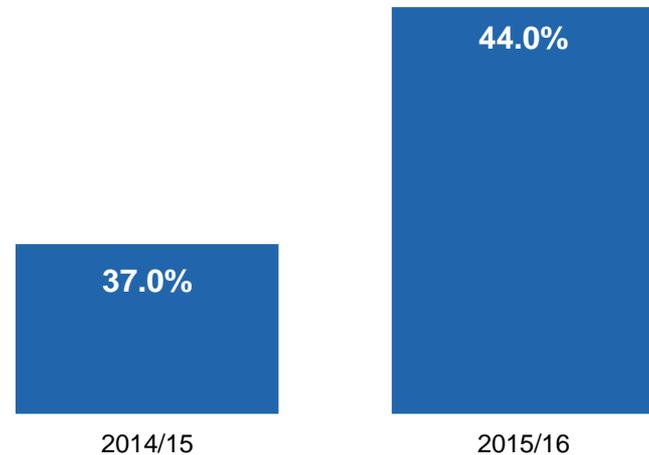
Campaigns are successfully building awareness of Mammoth Lakes. In 2015/16, 44% of travelers in key visitor markets were aware of MLT's campaigns.

According to surveys of potential travelers in Mammoth Lakes' key target markets, more than a third of respondents were aware of MLT 2014/15 advertising campaigns. This was with a budget of \$636,000.

In 2015/16, the MLT summer and winter campaigns increased awareness to 44% of respondents. The effects of the budget increase are evident with \$1 million invested in the fiscal year.

MLT Campaign Awareness

Including both summer and winter campaigns



(On-line survey of 3,000 travelers in ML target markets.)
Source: SMRI "Mammoth Lakes 2015/16 Advertising Effectiveness Research", (August 2016)

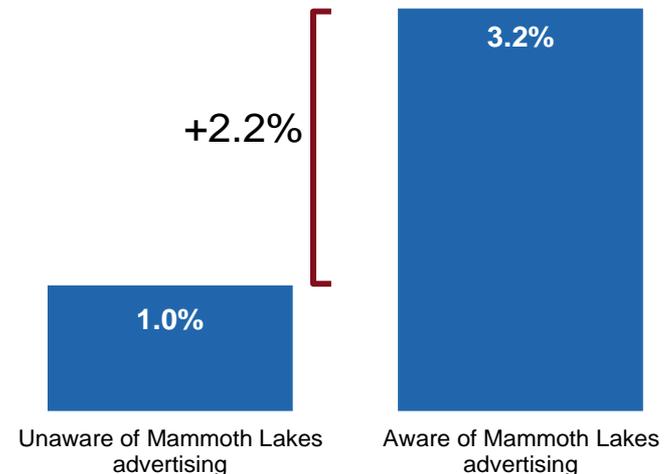
ROI of TBID-funded promotions (2014/15)

An online survey of representative households was conducted with sufficient lag after the advertising campaign that households had time to have traveled to Mammoth Lakes. The results showed that households that were aware of the advertising had traveled to Mammoth Lakes at a rate that was 2.2 percentage points higher than unaware households. This represents incremental travel to Mammoth Lakes. In addition, the advertising was estimated to have influenced some households to make repeat trips. In total, the advertising was estimated to have generated almost 123,000 incremental trips to Mammoth Lakes and \$133.4 million of incremental visitor spending. In relation to media spending on the campaign of \$636,000, this represented an ROI of 210-to-1.

3.2% of households in key ML visitor markets who were aware of MLT advertising actually visited. This compares with just 1% among households that were unaware of the campaign – representing a 2.2 percentage point lift.

Marketing influences traveler decisions

Visited Mammoth Lakes with overnight stay in paid accommodations



(On-line survey with 1,007 respondents among households representative of traveling population, conducted after travelers had had time to visit.)
Source: SMRI "Mammoth Lakes 2014/15 Advertising Effectiveness", within Mammoth Lakes. (2015, May) "Mammoth Lakes Tourism Spring Open House"

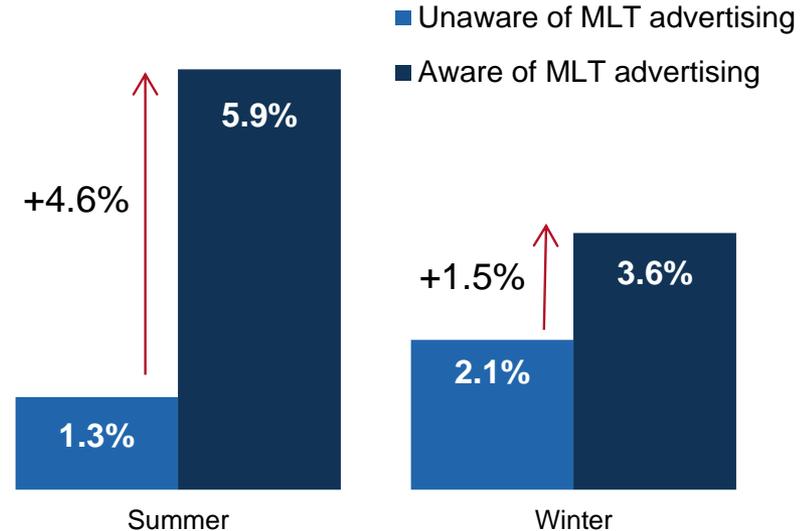
ROI of TBID-funded promotions (2015/16)

In the latest fiscal year, these figures continued to show a large influence of MLT marketing. In 2015/16, households that were aware of the advertising had traveled to Mammoth Lakes at a rate that was 4.6 percentage points higher than unaware households. The lift in travel behavior was 1.5 percentage points or the winter campaign. In total, the advertising was estimated to have generated almost 199,000 incremental trips to Mammoth Lakes and \$273 million of incremental visitor spending. In relation to media spending on the campaign of \$1.04 million, this represented an ROI of 262-to-1.

Significant impacts are evident for the 2015/16 campaigns as well. Those households that were aware of MLT advertising were much more likely to visit Mammoth Lakes after each campaign.

Marketing influences traveler decisions

Visited Mammoth Lakes with overnight stay in paid accommodations



(On-line survey of 3,000 travelers in ML target markets.)
Source: SMRI "Mammoth Lakes 2015/16 Advertising Effectiveness Research", (2016, August)

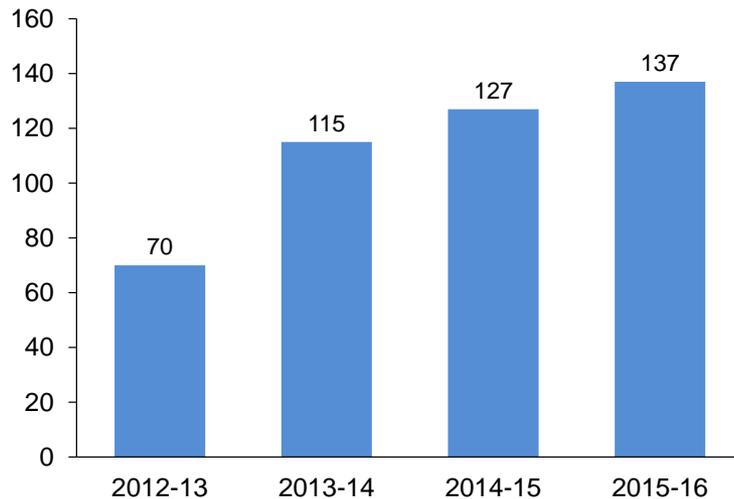
Earned media

By developing stories and content for the media, MLT is generating exposure well beyond its paid campaigns

The number of stories placed through direct MLT activities has nearly doubled over four years, reaching 137 media placements in the 2015-16 fiscal year.

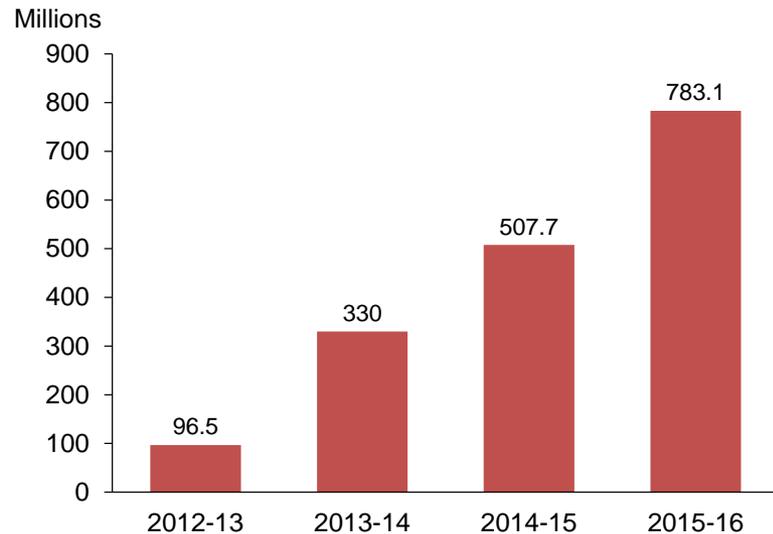
The number of impressions generated by these stories has increased more than seven-fold over this same period of time.

PR Media Placements



Sources: Mammoth Lakes Tourism

PR Media Impressions



Sources: Mammoth Lakes Tourism

Other measures of MLT effectiveness

The benefits of additional funding are evident across a range of key performance indicators (KPIs)

- Welcome Center: 116,277 visitors in 2015-16 (14% growth)
- Social media presence: large increases across all platforms over a short period of time, including a nearly 300% increase of Instagram followers, a 111% increase in Twitter impressions (to 1.5 million), and a 227% increase in Facebook reach.

Mammoth Lakes Tourism Social Media Statistics

Instagram			
	<u>Jul-15</u>	<u>Jul-16</u>	<u>Increase</u>
Followers	5,103	20,078	293%
Twitter			
	<u>Sep '14-Jul '15</u>	<u>Aug '15-Aug '16</u>	<u>Increase</u>
Tweets	1,237	2,661	115%
Impressions	707,000	1,489,500	111%
Profile Visits	15,030	28,811	92%
Mentions	1,419	2,428	71%
Facebook			
	<u>Aug-15</u>	<u>Aug-16</u>	<u>Increase</u>
Page likes	33,537	43,891	31%
Weekly total reach	22,608	73,868	227%

5. Conclusions

Conclusions

The Mammoth Lakes TBID has been evidently effective at raising the profile of the destination and generating marked returns on investment that are benefiting the businesses being assessed. Given the clear success of these investments and the importance of tourism to Mammoth Lakes economy, we recommend a reauthorization.

- Specifically, reauthorization makes economic sense as it provides a competitive and stable source of funding, enabling Mammoth Lakes to support its most important industry through investments in proven destination marketing.
- Case studies across the state and rest of the country support the thesis that destination marketing is indispensable to competitiveness and overall economic development. The TBID funding for Mammoth Lakes enables the tourism industry to leverage the existing expertise as well as the creative and technical infrastructure to produce returns well in excess of the assessment paid. This is a net win for the tourism industry, the broader economy, and the government.
- All tourism industry performance metrics since the inception of the TBID re-enforce the notion that TBID investments have been effective at driving incremental travel spending. This is evident in TOT receipts, retail spending, and TBID proceeds on the industry side. The results of MLT marketing initiatives support the conclusion that these increases have been driven in large part of the increments marketing investments funded by the Mammoth Lakes TBID.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 200 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.