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**Memorandum**

To: Vail Town Council

From: Vail Local Marketing District

Date: October 15, 2019

Subject: Vail Local Marketing District 2020 Operating Plan and Budget

## **I. BACKGROUND**

The Vail Local Marketing District approved the 2020 Operating Plan and Budget at the September 3, 2019 meeting and no changes have been made since then.

The mission of the Vail Local Marketing District is to market and promote Vail to attract overnight destination guests primarily during the non-ski season time frame, creating economic vitality by increasing the visitor base, sales tax and lodging tax revenues. To date, 2019 summer sales tax collections through August total \$4.8 million, a decrease of 1.6% over prior year. Summer results have shown a flattening in sales tax performance, with decreases in May and July with only slight increase in July and August as compared to the same time period in 2018. Year to date sales tax collections total \$20.8 million, up 4.66% over prior year.

The overarching goal of the VLMD is to strengthen Vail's position as a year-round destination that appeals to a broad audience by elevating the summer brand position.

The marketing objectives outlined in the VLMD operating plan are:

Continue the momentum and build on the powerful leadership position of the year-round Vail brand in order to:

- Increase Non-Ski Season Timeframe occupancy
- Increase sales tax revenue
- Increase lodging tax revenue
- Increase group occupancy

## **II. BUDGET DETAIL**

Budgeted revenue from lodging tax collections is proposed at \$3,590,000 for 2020. This is a 2% increase over the 2019 forecast. The assumptions for this projection are conservative and consistent with the town's expected sales tax revenue for 2020. Proposed budgeted expenditures are \$3,500,000 for 2020 programs. This is a flat budget from the 2019 amended budget (excluding the \$302,000 for the new summer

database). The 2020 ending fund balance is projected to be \$1,054,453 which is 29% of annual revenues, and within Council's directive of 25% of annual revenues.

The VLMDAC is recommending a strategic plan and budget that will empower the VLMDAC to succeed in its goals and objectives, while initiating bold tactics that will allow us to effectively market our destination for years to come.

When comparing the 2020 budget to the 2019 budget categories, the percentage of spend allocations remain very consistent year over year:

- Overall resources allocated to driving overnight visitation remains at 72%, while resources for strategy, branding, research, assets and fees remains at 28%.
- The ratio of Destination Marketing vs. Front Range vs. International has shifted only slightly with small increases in Destination and International, offset by a slight decrease in Front Range efforts.
- Allocations toward Group efforts remains consistent at 26%,
- Allocations toward Public Relations remains consistent at 4%.
- Digital and Traditional media efforts across the Destination and Front Range markets shifted slightly with digital at 57% (vs. 55%) and traditional at 43% (vs. 45%).

The VLMDAC recommends the following shifts from the 2019 budget to the 2020 budget to address past successes and opportunities and to align with the established strategies:

- Data-driven marketing – Develop an owned web and data solution for the VLMDAC to more effectively market Vail as a summer destination
- Establish a clear theme in all messaging across all efforts
- Use research to establish meaningful differentiators
- Allocate new funds for continuation of web development, data warehousing and 3<sup>rd</sup> party data sourcing efforts started in 2019
- Implement new Paid Email program to ensure email program continues
- Increase asset capture by 33% to ensure tactical asset capture
- Decrease of 6% in traditional and digital paid media in Destination markets
- Decrease of 21% in traditional paid media in the Front Range; focusing on need times and event-driven messages
- Reconfigure and increase Mexico efforts by 23% to include targeted one-on-one in-market events, FAM tours and direct to consumer paid media

- Decrease social efforts by 28% by streamlining influencer approach and capitalizing on 2019 social video productions/investments with postdates scheduled in 2020
- Research reduced by 44% with removal of Burke Brand Research (happens every other year) and Family Audience research conducted in 2018
- Reduction by 38% in paid marketing efforts for the Vail App by focusing on drive guests and promotion on new website
- Slight increased allocation for contingency funds to be deployed as needed for need time period(s), crisis and/or opportunities as they may arise

### **III. ACTION REQUESTED OF VAIL LOCAL MARKETING DISTRICT**

Vail Local Marketing District recommends that the Vail Town Council approve the 2020 budget of \$3,500,000.