

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 7, 2008  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER   
SUBJECT: BUDGET MEMO # 20 : BACKGROUND INFORMATION FOR WORK  
SESSION WITH THE ALEXANDRIA CONVENTION AND VISITORS  
ASSOCIATION

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The attached memorandum has been provided by Stephanie Brown, President and CEO of the Alexandria Convention and Visitors Association in preparation for the work session scheduled for Tuesday, March 11, at 5:00 p.m.

Alexandria Convention & Visitors Association

MEMORANDUM

DATE: MARCH 7, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: STEPHANIE BROWN, PRESIDENT & CEO, ACVA

SUBJECT: BACKGROUND INFORMATION FOR WORK SESSION WITH ACVA, TUESDAY, MARCH 11

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This memo provides background information about tourism in Alexandria and the activities of ACVA to serve as a reference during our Work Session on Tuesday, March 11 at 5:00. We are looking forward to talking with you and hope to have a lively discussion, so we plan to keep the "presentation" brief.

The City Manager's budget includes funding for a new initiative, "Regional Marketing," to market the businesses in the City of Alexandria to its residents and neighbors. We believe that ACVA is well positioned to implement a regional marketing strategy in addition to our mission which is, "to increase tourism and conventions that generate revenues and promote the City of Alexandria and its assets."

This memo contains overviews of: 1) Alexandria's tourism economy, 2) measurements of ACVA programs, and 3) explanation of a regional marketing approach.

**ALEXANDRIA'S TOURISM ECONOMY**

The Travel Industry Association estimates that visitors (traveling from 50+ miles away) spent \$562 million in Alexandria (FY06), generating \$101 million in payroll, and \$18 million in local excise tax receipts. Visitor spending supports more than five thousand jobs in the City.

Alexandria's 24 hotels are the core of the tourism economy; collecting \$8 million in transient lodging tax (FY 07). The hotels also contributed retail, meals and business taxes, including more than \$7 million in real estate taxes (FY07).

*The City of Alexandria collected \$19 million in taxes from its hotels in FY2007.*

In recent years, occupancy in Alexandria hotels has decreased (Chart 1) while room rates have increased (Chart 2) to maintain revenue growth (Chart 3).

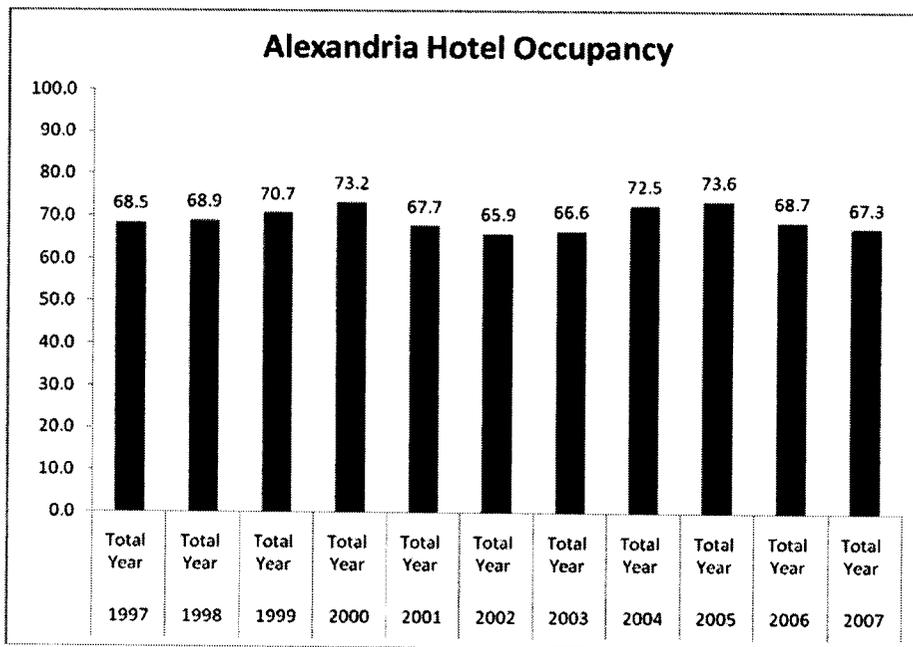


Chart 1

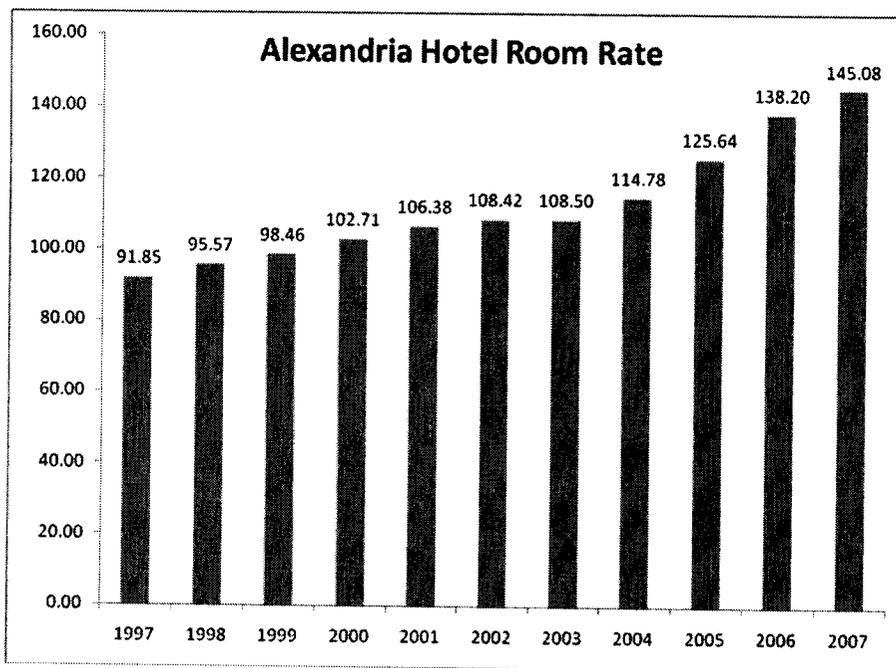


Chart 2

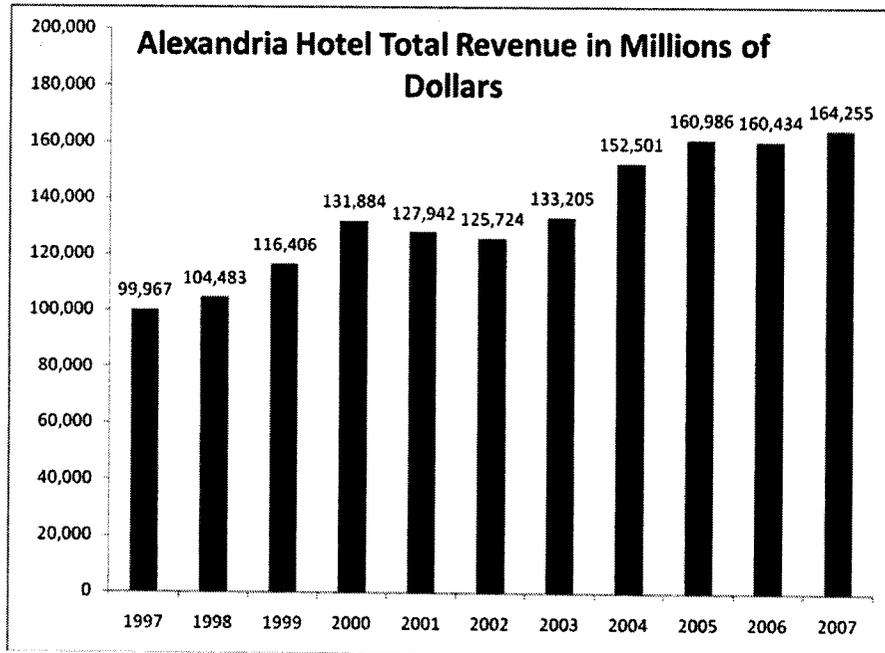


Chart 3

The Westin and Hotel Monaco Alexandria have brought an exciting new dynamic to our brand and the City maintained strong occupancy in January (up 6.4%). Combined, these hotels add 560 rooms to supply in the coming year. The increase in supply combined with sagging occupancy add pressure to generate demand.

*140,000 more room nights have to be sold in 2008 just to maintain occupancy;  
however, at average rates, total revenue would increase \$21 million.*

Approximately 70 percent of occupancy is attributed to business travel including government travel which typically slows in an election year. High gas prices and low consumer confidence also threaten the success of the coming tourism season, creating concern among businesses that rely heavily on visitor spending. The chart on the following page illustrates that demand has decreased slightly while supply will jump in 2008.

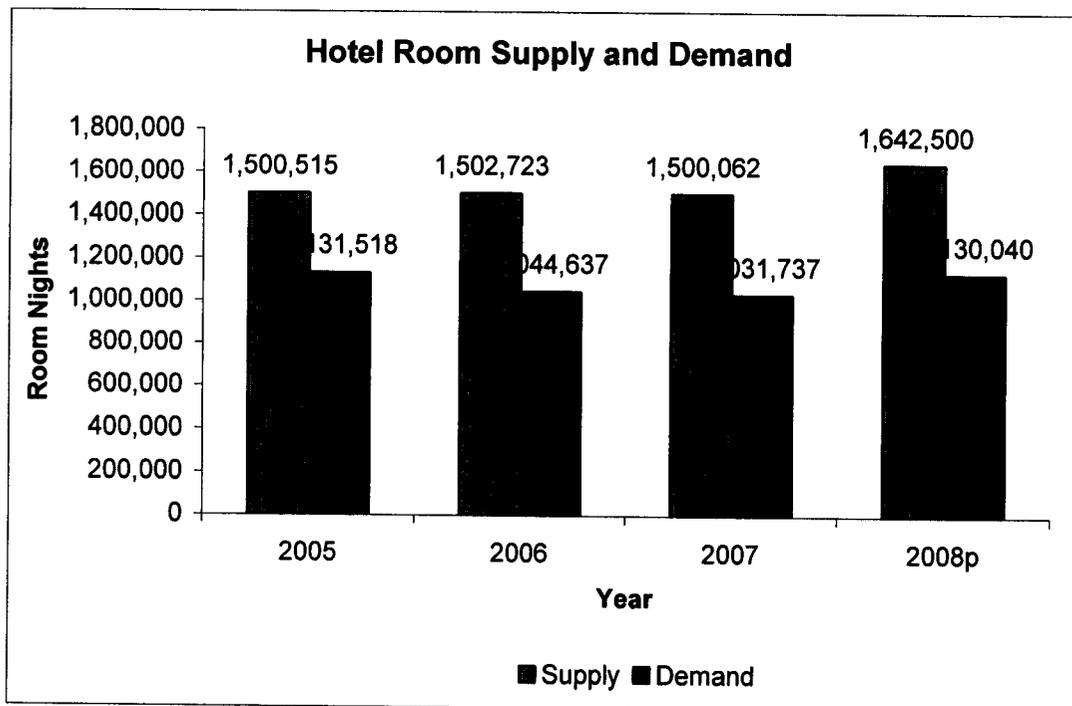


Chart 4

### ACVA ACTIVITIES AND MEASUREMENTS

The staff of ACVA is comprised of 10 full-time staff working in sales and marketing, and 14 part-time staff working at the Visitors Center.

#### *Convention and Meetings Sales*

The Sales Team includes a VP of Sales and two Sales Managers. In FY 2007, they sold meetings and group activities that generated \$2.3 million of revenue; a 19 percent increase over FY 2006. Actualized revenue during the first eight months of FY 2008 stands at \$1.3 million; a 37 percent increase YTD.

- During FY 2007, the team generated 698 qualified group tourism leads and 490 trade show leads; they personally met 719 contacts on FAM tours, site inspections, sales calls and events; and 33,086 contacts were made through direct mail and other marketing initiatives.

#### *Media Relations*

In FY 2007, the ACVA media relations team of two successfully placed more than 125 stories highlighting Alexandria as a travel destination and promoting the tourism industry in the City. The estimated value of the press coverage from FY 2007 totals more than \$4,510,000. Next steps for our media relations department is to develop strategies to target online and social media, and to generate more links from travel-related websites to VisitAlexandriaVA.com.

### *Alexandria Visitors Center*

The Alexandria Visitors Center served more than 63,000 visitors in FY 2007; an alarming decrease from 115,000 ten years ago, and 77,000 annually FY 2003-2006. We cannot be certain about the reasons. The use of the Internet to plan travel must play a role. The Visitor's Center is being revitalized to optimize the City's investment and make it a more productive environment for selling Alexandria's attractions, hotels, restaurants, and shops. Planned improvements include:

- Introducing "menu boards" with prices to promote ticket sales
- Replacing information desk and removing bookcases that have been used as merchandise fixtures
- Removing most merchandise (which does not make a profit) to focus on information, ticket sales, and services
- Staff training to encourage more selling
- Camera, door opener, and intercom on lower level for ADA compliance
- Addition of plasma monitor to play video on the lower level
- Replacing exterior signs to include benefits-oriented text and add a sign on the Fairfax Street side of the building.

The Visitor Center Manager position, vacant for more than a year, has been reassigned as Manager of Visitor Services to better integrate oversight of operations at the Visitors Center with Guide distribution, motorcoach parking, and other services.

### *Marketing*

A Director of Marketing and Director of Membership comprise ACVA's Marketing Department which is responsible for directing about half of ACVA's budget including leisure advertising, website, and publications. The website is the foundation of destination marketing. During calendar 2007, ACVA's website served 264,000 unique visitors and received 351,000 total visitors. Total website visitation declined 19 percent – a tell tale sign that our marketing plan must be modernized. This strategy will be presented at the Work Session.

### **REGIONAL MARKETING INITIATIVE: STIMULATING SHOPPING AND DINING IN ALEXANDRIA**

Currently, the City does not fund a sustained campaign to market the City's businesses to the City's residents and neighbors. Nearby cities have engaged in significant retail development supported by sustained regional marketing campaigns that attract regional shoppers and diners while Alexandria has not had a voice in this marketplace.

Recognizing this gap and acknowledging the significant potential to increase spending by residents and neighbors, the ACVA recommends adding responsibility and funding to its existing programs. One hundred percent of the additional funding would be allocated to the creation of a regional campaign to promote shopping and dining in the City. Having a sustained voice in the marketplace would bolster existing efforts, including those funded by the Marketing Fund, by sustaining awareness of Alexandria.

#### *Foundation for Success*

ACVA's base budget will support foundation resources needed to make the supplemental funding worthwhile. First, the VisitAlexandriaVA.com website is being redesigned with existing funds to become a much more dynamic tool for selling Alexandria. Second, a full service advertising agency with substantive tourism experience will be retained in July to recreate our brand (based on the results of the Brand and Image Study) and develop a professional and contemporary advertising strategy. Without these important resources, a supplemental investment in the regional market would have limited potential for success.

If funded, the regional campaign will be bolstered by ACVA's destination campaign which will include magazines and other media purchased for the east coast, but also viewed by residents and neighbors.

#### *Allocation of Funds*

Advertisers from across the nation compete for the attention of the affluent and influential residents of the capital region, making Washington, D.C. among the most expensive media markets in the country. The challenge is to create *effective* advertisements and an *efficient* media schedule with a realization that there is a threshold of investment that is necessary to produce a consumer response.

The expertise of an advertising agency is necessary to develop a strategy, but some rules of thumb apply.

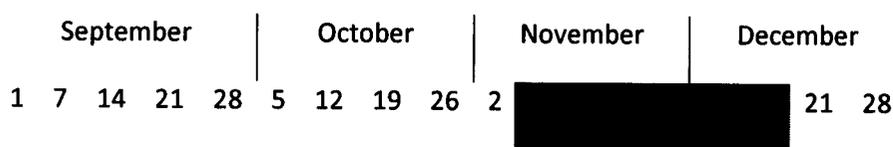
- Newspaper and radio with an online component is the most likely media mix for this region.
- Television will be expensive during an election year, production costs could erode the budget, and the media environment may be unappealing (although the footage shot for the water taxi video make this an option for a spring campaign).
- \$100,000 generally buys four to six weeks of radio and newspaper. A sustained campaign would typically start with the heaviest frequency, decreasing the cost per week as awareness builds.
- Each unit of investment is incrementally more productive because it builds upon the awareness created by the preceding unit of investment.
- August is an advertising dead zone to avoid, and the new brand is scheduled to launch in September.

The first step in selecting the timeframe of the campaign is to identify the need period. The City has already acknowledged a desire to market the holiday season by allocating \$100,000 for this campaign through FY 2008. In the past, the media buy has tried to target both regional and destination markets and has probably fragmented the money and decreased the potential of the investment. The ACVA

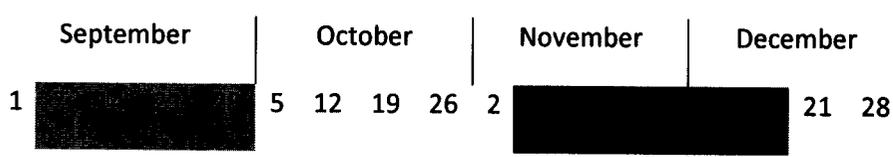
investment. The ACVA Board of Governors realizes that this campaign cannot serve both objectives and recommends to Council that future investments in the Citywide Holiday Marketing Campaign be directed to the region and focused on shopping and dining (vs. hotel stays).

The following schedules are offered simply to visualize how much media can be purchased at various levels of investment.

Schedule A -- \$100,000 Existing Holiday Campaign



Schedule B -- \$100,000 Supplemental + Holiday Campaign



Schedule C -- \$200,000 Supplemental + Holiday Campaign

