

**Tourism Industry Study
Prepared for the City of Carlsbad**



*In collaboration with Carlsbad Tourism Business Improvement District
January 2015*

Strategic Advisory Group

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Introduction

Strategic Advisory Group (SAG) in conjunction with the City of Carlsbad, Carlsbad Tourism Business Improvement District (CTBID) and tourism industry stakeholders has completed an eight-month collaborative process that has included extensive research, ongoing input and collaboration, and a review of current practices. We have created a series of recommendations that have been developed from competitive destination research, collaboration with Carlsbad stakeholders, consumer research, Industry best practices and SAG's overall experience. SAG has presented draft recommendations to key tourism stakeholders and the CTBID Board of Directors to gain additional insight prior to drafting this report.

Stakeholder Communication and Involvement

SAG would like to thank all of the participants in this study. The input and support that has been shown throughout this process has demonstrated a high degree of interest and willingness to be involved going forward. In particular, SAG would like to thank Christina Vincent (City of Carlsbad) and Sam Ross (Visit Carlsbad) for their involvement. A steering committee was formed to monitor the overall progress of the study and SAG would like to thank Hector Becerra, Nancy Nayudu, and Vikram Sood who participated with Ms. Vincent and Mr. Ross in over 25 weekly calls during the past eight months.

SAG also spoke to current contracted vendors of Visit Carlsbad to understand their approach and gain their insight. SAG would like to thank Mindgruve, DCI Group and Resonate for their time and insight.


June 9, 2014

Tourism Industry Study - Stakeholder Update

Carlsbad Tourism Industry Stakeholders,

This is the first edition in a series of monthly updates you will receive as the Tourism Industry Study evolves. As vested members of the industry we want to keep you informed on the process as we study the tourism and hospitality landscape and hear your thoughts throughout the next few months. Below you will find information regarding our current efforts through research, additional conversations with individuals like yourself.

Stakeholder Sessions

SAG visited and met with over 20 individuals from different industries to learn about the current situation. There was feedback from those conversations was incredibly insightful. Conversations will follow up phone calls and a survey of the industry and local trends. SAG developed an initial Survey of Stakeholder conversations.

Stakeholders also provided valuable insight into the current situation of direct competitive destinations as well as group market trends, benchmarking research. We will look at resources, marketing, and competitive destinations and their respective tourism offerings.

SAG has created a supplemental stakeholder survey for the stakeholder sessions. The survey is based on initial research and stakeholder input and focus groups. We encourage your feedback and participation. (Survey Link: Carlsbad Stakeholder Survey)

Research

SAG reviewed previously completed Visitor Profile Studies, Annual Reports, survey research, marketing and branding documents, and additional past tourism information to understand previous efforts in the Carlsbad market. SAG reviewed past research and current property amenities. We have a foundation of understanding into the demographics in this market and who has historically been visiting Carlsbad. SAG's foundation of understanding includes where they have historically come from and how they arrive in market.

We are building a Carlsbad-wide template with inventory, amenities, etc. for comparison with other destinations. SAG has begun the comparison for benchmarking research based on stakeholder input of competitive destinations. We are reviewing those competitive destinations and their organizations. SAG will be breaking out organizational assets, budgets, spending on marketing and promotional material, etc. to contribute to our comparison and eventual Strategic Action Plan to better compete locally, regionally and nationally.

PRIZM

SAG proposed to take a deeper look into the current visitor to the Carlsbad market and with support from the City and the industry we are moving forward. The PRIZM Study is an important part of this overall study to determine which segments should be our future target market. PRIZM will allow us to build a profile of past visitors. We will be reviewing the most recent data. Each segment will have its own respective guest profiles. This report will highlight potential opportunities. PRIZM results will allow us to evaluate the characteristics of these new segments.

Our goal is 100% participation from accommodation providers. The more valuable the results and more information we receive, the more valuable the results and more information we receive. Please submit the results by July 15, 2014.

Next Steps

In the coming weeks SAG will be continuing to work on the following:

- SAG will continue to have conversations with stakeholders
 - Additional stakeholder conversations
 - Retail

Timeline

As SAG continues to work through this study we would like to have further conversations with you as stakeholders in the industry. You will receive updates similar to this one each month with progress and opportunities to get involved further. We value your opinions, feelings and your experiences here. Please do not hesitate to send us an email or give us a call, our contact information is below.

Description	Month											
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Immersion												
External Analysis												
Destination Comparison												
Carlsbad Tourism Analysis												
Strategic Action Plan												
Report on Analysis												
Draft Final Report												
Presentation & Recommendations												
We're Not Done Yet												

We Are Here!

The above timeline shows our current progress and path through this Tourism Industry Study.

Thank You

We appreciate your time and interest in the Tourism Industry Study and thank you for participating thus far. We are excited to continue working with you all and moving a beautiful destination like Carlsbad into the future. Again, we encourage fluid dialogue and would love to hear from you as we move forward. Please feel free to contact us with additional information.

Sample Monthly Stakeholder Update
Eight monthly updates were sent to a broad spectrum of stakeholders.

SAG produced monthly progress updates that were circulated to over 75 stakeholders through email correspondence. The purpose of this communication was to provide information on the progress of the study and gain additional feedback throughout. The email updates were opened and read by nearly 50% of the targeted audience on a consistent basis. There were follow up comments and input from stakeholders throughout the study process, which provided important insight and feedback.

The overall communication plan was successfully completed and proved to be very beneficial in maintaining contact and gaining insight throughout the process.

Ongoing Communication must continue

The ongoing dialogue and reporting to the tourism industry and broader business community must continue as part of the successful implementation of the recommendations. SAG encountered many stakeholders who were not well informed about current activities and results. SAG recommends that electronic updates with newly recommended metrics for results continue to be distributed monthly. The communication should also include brief updates on the implementation of the approved recommendations. The monthly communication should be formatted to be reviewed in three to five minutes by the recipient.

In total, the study process included over 175 “points of contact” between focus groups, surveys, one-on-one interviews, group meetings, and draft presentations. This process has ensured that all interested parties have had the opportunity to give input and share perspectives. This input has been valuable and has helped craft the overall recommendations.

Opportunity for Transformation

The recommendations in this report create a foundation for the transformation of the tourism sales and marketing efforts as well as an approach to future tourism product development. The process has uncovered opportunities to focus future efforts and monitor results. This approach will create an ongoing platform to continue to refine, monitor and evolve tourism efforts in the future. Recommendations are throughout the document and consolidated in the conclusion of this report.

Executive Summary

SAG has completed an extensive analysis that has included internal and external research and input from the City of Carlsbad, CTBID, Visit Carlsbad, and numerous tourism stakeholders. This process has uncovered many recommendations that are detailed in the full report and summarized in the Executive Summary.

SAG would like to thank everyone who has been involved in the collaborative process throughout the past eight months. The level of interest and support for the future of tourism in Carlsbad is outstanding. This creates a solid foundation for the effective implementation of the approved recommendations.

Overall, SAG recommends a significant transformation in the direction of tourism for Carlsbad. There is an opportunity to focus future tourism efforts in a manner that will impact results and utilize resources in areas where there is a clear need to drive demand. In conjunction with this, SAG has recommended items to be considered to enhance the Carlsbad tourism experience in the future.

A successful tourism sales and marketing effort must have accountability and measurement built in as a fundamental practice. SAG has recommended a plan to ensure these characteristics begin immediately upon adoption of the recommendations. Initial goals have been presented in collaboration with industry stakeholders, CTBID and Visit Carlsbad. An effective measurement plan involves the tourism industry as well as Visit Carlsbad and will require ongoing collaboration.

The following list is an overview of the recommendations contained in this report. The subsequent sections in the report will describe these recommendations in more detail as well as describe implementation strategies.

Re-Focus a Majority of the Tourism Resources on Impacting the Shoulder Season

Carlsbad enjoys strong tourist demand over the summer months. June, July, and August consistently produce hotel occupancies over 80% and the average daily hotel rate continues to grow over this period. SAG recommends shifting sales and marketing resources to measurable group and leisure efforts focused on increasing demand from September through March.

Reallocate Marketing Resources – Group vs. Leisure Transient

The current funding allocation of sales and marketing resources from Visit Carlsbad focuses 90% of the overall resources on increasing awareness in the individual travel leisure market. The recommended approach will include the development of an effective group sales and marketing effort, as well as developing a more targeted approach with individual leisure travel.

Develop a Highly Targeted Approach for Leisure Sales and Marketing

The combination of available research coupled with the outcome of the Nielsen lifestyle research creates an opportunity to focus on market segments that have shown interest in Carlsbad during the shoulder periods (September through March). SAG recommends utilizing a direct marketing approach to increase awareness and drive conversion of overnight stays from these markets.

Institute a New Approach to Measurement and Reporting

It is recommended that there is a new approach to tracking and reporting tourism results in the future. This includes a broader stakeholder report that will track quantitative results on a monthly basis and how the overall performance compares to annually approved goals.

Refocus Target Markets for Leisure travel

SAG has evaluated current online data, past visitor profile studies, as well as completed an analysis of over 50,000 hotel guest records to determine the market segments that present the highest potential for Carlsbad's future leisure sales and marketing efforts. The research has indicated that there is a significant difference in who has shown interest in Carlsbad during the shoulder periods (September through March) and the highly occupied summer months. This underscores the need to focus on those segments where Carlsbad can build increased visitor activity during the times of year that warrant proactive efforts.

In summary, the segment (called "Uppercrust" by Nielsen) that surfaced in the analysis can be characterized as higher income (over \$100,000), over 55 years old, and without kids in the house. The top three Shoulder Season markets are outlined in this report. This research and data creates an opportunity to target this segment with specific offers as recommended earlier.

Create and Implement a new Group Sales and Marketing Effort

With 287,000 square feet of meeting space in Carlsbad and after receiving consistent stakeholder feedback, SAG has conducted an analysis of a national meetings database and determined that there is an opportunity to develop a group sales and marketing plan to increase awareness and develop new business for Carlsbad.

Create a Unified Approach to Governance

The current governance model that encompasses two governing boards of directors for the CTBID and Visit Carlsbad can be more efficient and effective. The recommendation is to create a singular governing board that will provide the oversight and guidance for both CTBID and Visit Carlsbad. In conjunction with this, the formation of active committees to oversee the group sales and leisure sales and marketing efforts will help support the implementation of the recommendations in these areas.

Funding

The benchmarking data indicated Carlsbad ranked very low in amount of tourism dollars expended based on the overall size of the tourism industry in comparison with cities of similar size and quality. The opportunity exists to bring additional industry partners into the funding model over time. The restaurant industry is a natural partner due to the direct benefit it receives from successful tourism marketing.

SAG recommends a performance-based approach to expending future transient occupancy tax (TOT) dollars for use on tourism marketing efforts. The other recommended opportunity is to increase the current fees that are paid for the CTBID in conjunction with industry support of the future direction.

The overall approach of the report recommendations creates an effective platform for determining the return on investment for future expenditures.

The Carlsbad Experience

The quantitative and qualitative research reinforced the challenge of increasing awareness and interest in the balance of tourism opportunities in Carlsbad beyond LEGOLAND and the beach. The current and proposed retail development will greatly improve the Carlsbad shopping experience. SAG has evaluated other potential investments to enhance the Carlsbad experience. Investments in the Carlsbad Aqua Hedionda Lagoon, transportation, a new approach to beach camping, and a conference/event center are

highlighted in this report. An increased collaboration with the Carlsbad Village is recommended. This will highlight current events as well as maximize the opportunities to leverage marketing efforts and support future funding and capital plans.

Conclusion

The collaborative and research-based approach that we have employed in this process has uncovered many exciting opportunities for the future of tourism in Carlsbad. The recommendations that are contained in this report can be achieved within the current resources that are available. This does not include the resources needed to impact the tourism assets outlined in the report. The need for additional funding will increase awareness of the destination and the conversion of new business for Carlsbad.

The key stakeholders including the City of Carlsbad, CTBID, Visit Carlsbad and the tourism industry have demonstrated interest in transforming the future approach to tourism. The recommendations contained in this report create the roadmap to increasing the overall effectiveness of future efforts.

SAG recommends the approval and adoption of the recommendations contained in this report.

The State of the Carlsbad Tourism Economy

SAG has reviewed the current tourism economy to understand current trends and determine opportunities for future growth. Tourism is a major economic driver for the City of Carlsbad and benefits multiple industries and attractions within the City. In 2013, Carlsbad saw nearly 3 million tourists, according to an annual survey of visitors to San Diego County completed by CIC Research Inc. This is a 10% increase over 2011 generating millions of dollars in spending and revenue for the City.

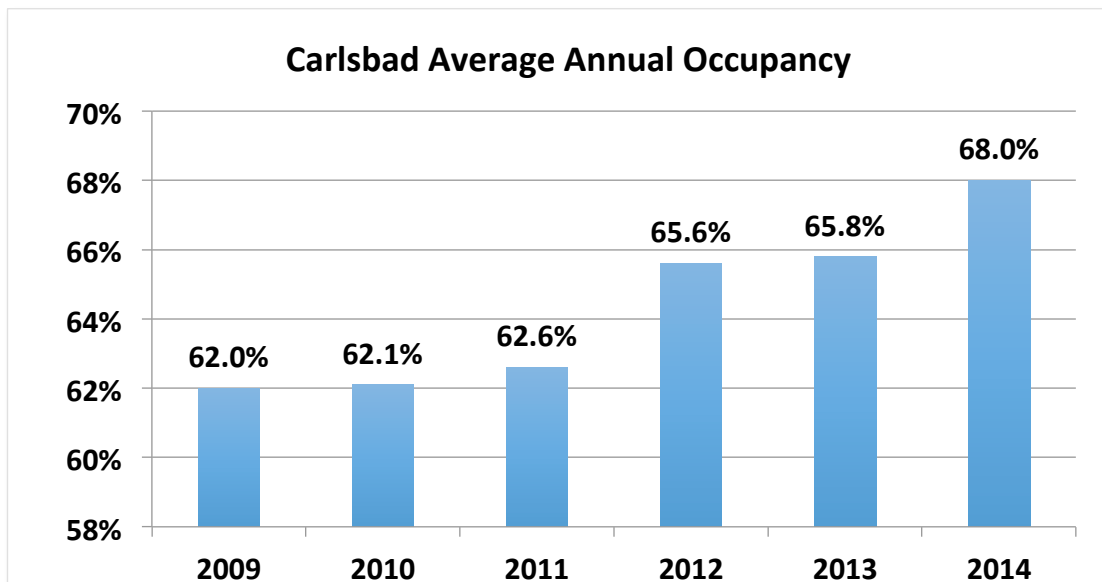
The following is an overview of key indicators of the Carlsbad Tourism Economy:

Current Target Market:

Families with children under 12 years old with a median household income of \$79,800. This determination was made based on the results of past visitor profile studies. These were findings based on a year round aggregate of Carlsbad visitors. SAG has conducted research to distinguish future target markets for different times of year. This will be reviewed later in this report.

Occupancy

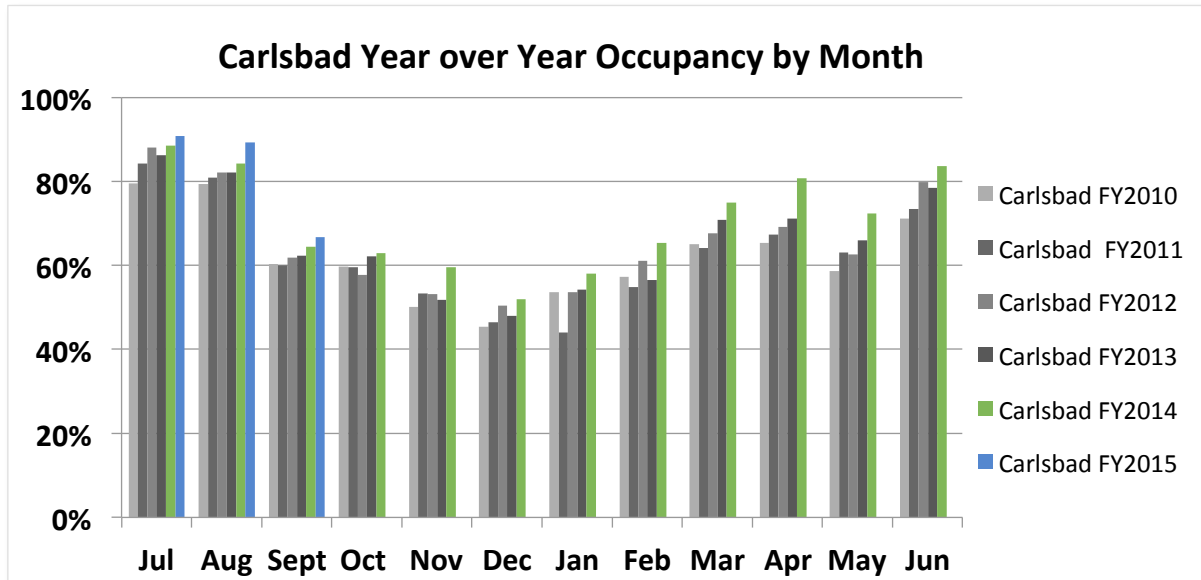
Carlsbad is seeing an increase in annual occupancy. The chart below shows the trends of occupancy growth over the past five years. The year-to-date occupancy for Carlsbad is 68%. While the trends are positive, this demonstrates that there is opportunity to improve year-round occupancy. The occupancy during summer months is 87% and only 62% in the shoulder season according to 2014 occupancy reports tracked by Visit Carlsbad. This indicates an opportunity for growth. The focus of recommendations contained in this report is on increasing visitation during non-summer periods.



Source: Visit Carlsbad

*Data for 2014 only through September

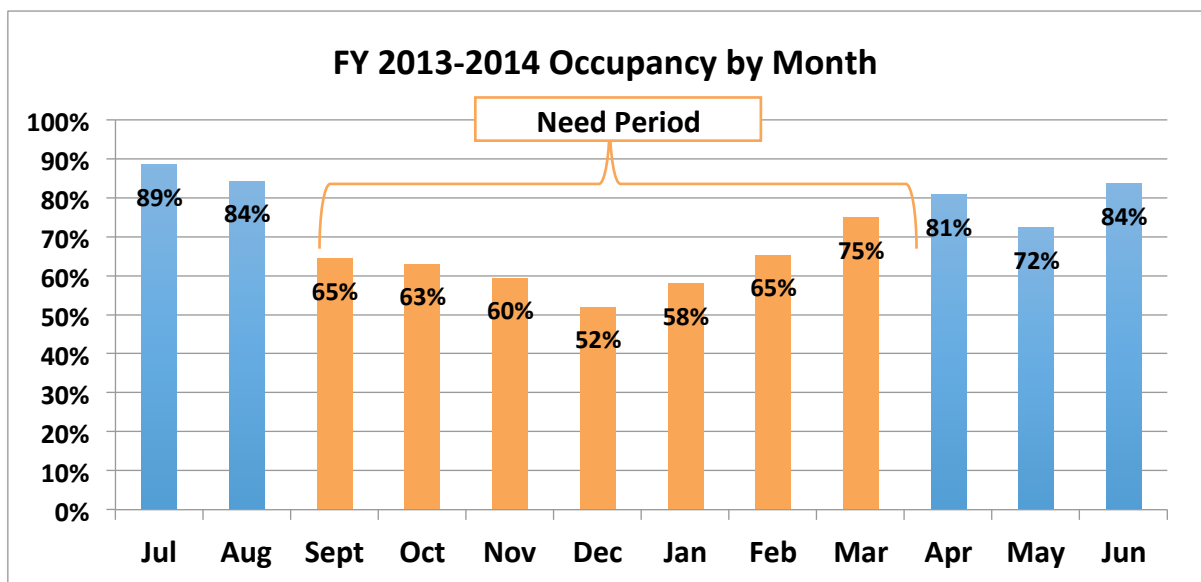
The chart below shows last fiscal year(FY) 2014 in green and the beginning of FY 2015 in blue. Carlsbad’s monthly occupancy trends are rising each year respectively each month.



*Carlsbad FY2015 (blue) – data only through September 2014

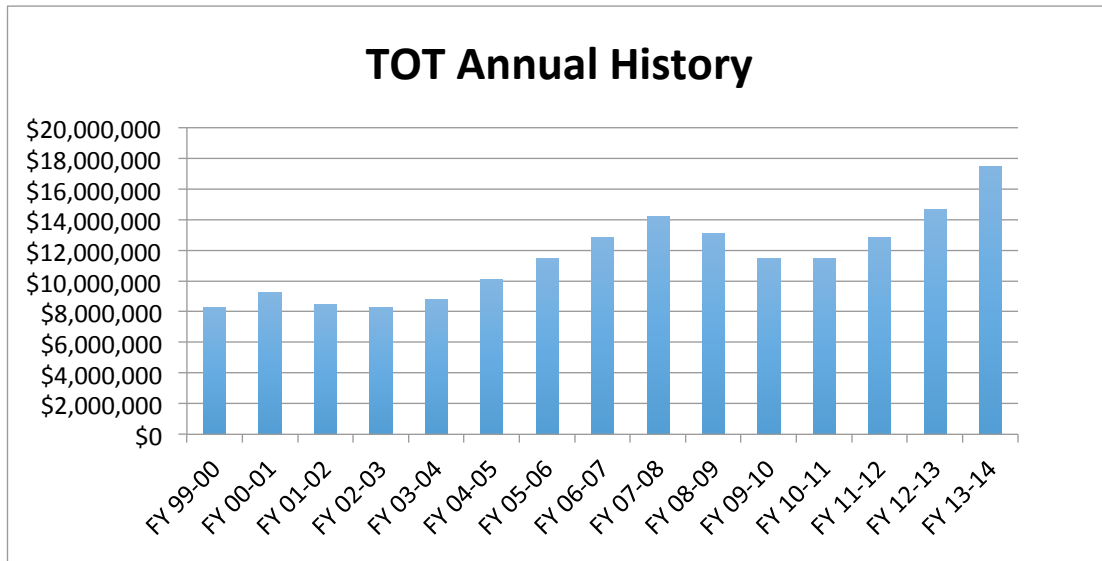
Seasonality

Carlsbad experiences a high Summer Season and a lower Shoulder Season for hotel and visitor demand. High season, summer, begins after Easter, typically in May and continues through August. During these months, Carlsbad’s hotels experience high demand and high occupancy. Conversely, the Shoulder Season months of September through March experience much lower demand and therefore lower occupancy. The need period for hotels and for the City is the Shoulder Season of September through March. The chart below illustrates the Shoulder Season that must be a focus of future tourism efforts.



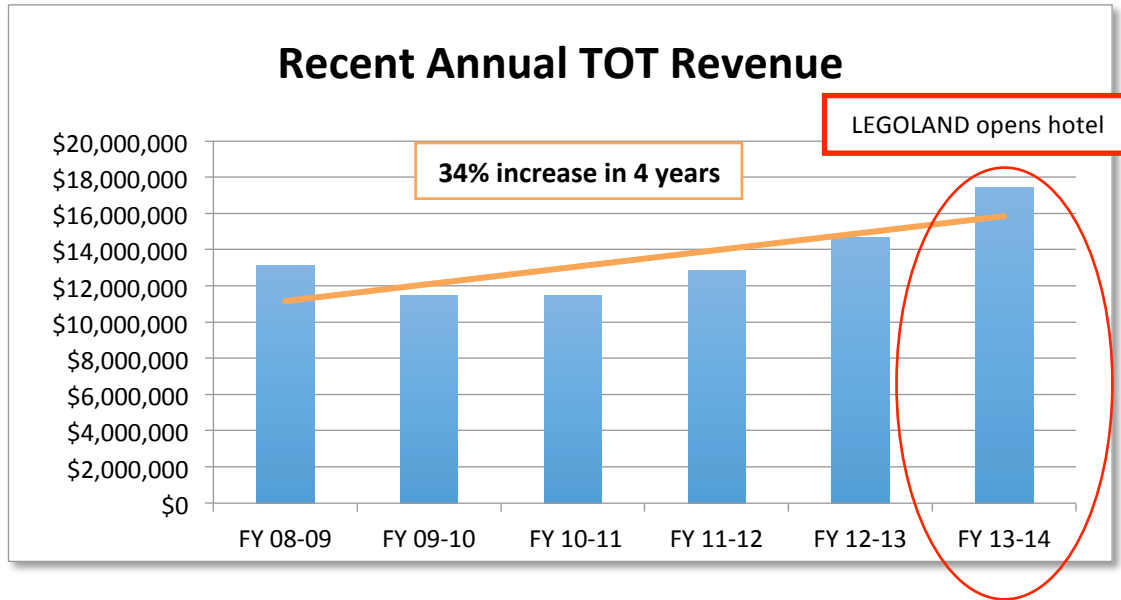
Transient Occupancy Tax Collection

The Transient Occupancy Tax (TOT) revenue has steadily increased since Fiscal Year 2009-2010. Year over Year the average increase is about 15% in TOT revenue. Last Fiscal Year (2013-2014) the City of Carlsbad collected \$17,453,760 in TOT and is on pace to beat that number in the current fiscal year (2014-2015). All of the TOT revenue collected by the City goes into the City's General Fund and does not resupply the tourism effort. The TOT revenue accounts for 7% of the City of Carlsbad's annual revenue, which is projected to increase in FY 2014-2015. The opening of the LEGOLAND hotel in spring 2013 provided a new demand generator, which helped increase occupancy and overall tax collection. The growth of the TOT presents an opportunity for future tourism funding. This is reviewed later in the report.



Recent Growth

The chart below highlights the growth of TOT revenue over the past six years, in spite of coming out of the Great Recession (Dec. 2007 – June 2009). It is important to note that during this time revenues quickly rebounded and grew 34%. This trend opens the possibility of using TOT as a vehicle to increase tourism marketing resources in the future.



Tourism Spending

Carlsbad’s local economy benefits from tourism direct spending in the City at restaurants, shops, hotels, amenities, and attractions year round. In the last Visitor Profile Study, conducted by the San Diego Tourism Authority in 2013, it was determined the average spend per person, per day was \$328 and the average visitor group size was 3.1 people. Based on the Visit Carlsbad website statistics, the most frequent visitors to the Carlsbad website had a household income of \$150,000+ with children; significantly different from \$77,000 according to the Visitor Profile Study in 2013. In addition, most visitors are staying overnight for an average of two nights.

With the recent uptick in the economy and strengthened recovery from the recession, SAG would estimate that the tourism economy in Carlsbad is poised to grow stronger in time with a focused marketing effort.

Stakeholder Immersion – Focus Groups

Stakeholder Involvement

SAG engaged over 100 tourism, business and regional stakeholders invested in Carlsbad during this process. SAG held three in-person focus groups, conducted dozens of one-on-one phone interviews, distributed monthly stakeholder updates via email to 75 stakeholders, and conducted two targeted surveys for feedback and perception of Carlsbad as a tourism destination.

The Good News

Stakeholders in Carlsbad are engaged and interested in the future of the City and the tourism market. The feedback we received repeated several themes around inclusion in future planning, target markets, and interest in development and funding. The responses demonstrated that a stakeholder-supported approach will garner stronger participation and involvement. This is a critical ingredient in the successful implementation of the final recommendations.

The Important News

Stakeholders firmly believe the marketing efforts need to be reevaluated and refocused. SAG spent time on this topic with stakeholders and with Mindgruve as well as DCI, both marketing and public relations partners of Visit Carlsbad, to understand the current efforts, targets, and goals. More detail is provided in the Leisure Sales & Marketing section of this report as well as the Public Relations section. Stakeholders also believe that the tourism efforts are underfunded and would support new funding initiatives if they had the opportunity to review and contribute to a new plan.

Stakeholder comments around interest in the tourism plan and future funding:

“The importance of tourism marketing should be embraced by entities and businesses that benefit from tourism dollars. It is a fact that Carlsbad does have competitors and those competitors that have a city who embraces destination marketing will be the big winners.”

“We would want to see other organizations joining in and see a better return on investment.”

“It would depend on the funding models, but we support a greater level of funding.”

“I would have to see the plan first and it would need to be presented to the appropriate channels.”

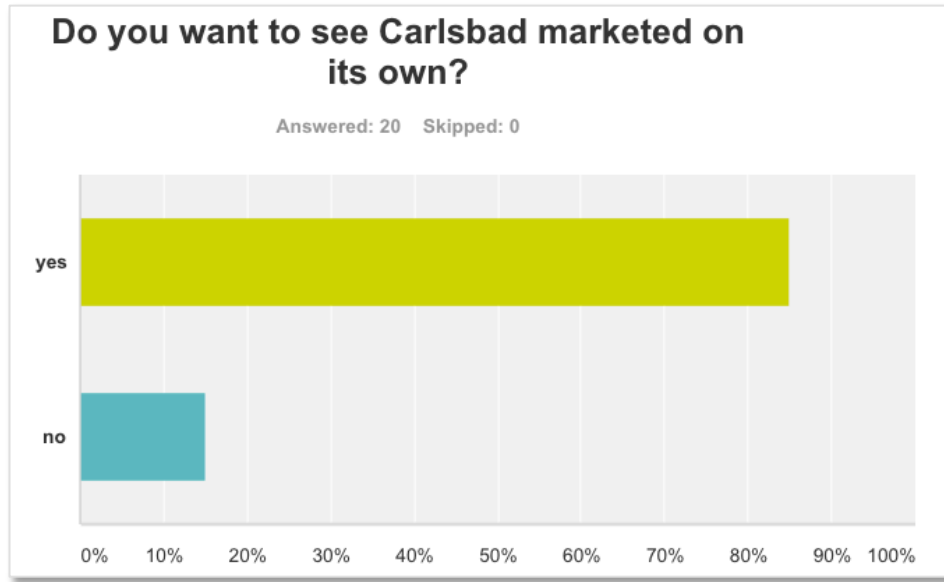
“I believe there is an opportunity to create a platform for increased funding.”

These comments show that the stakeholders are engaged and interested in growing tourism in Carlsbad, and most importantly, being a part of the planning process. The comments above also point out a reluctance to increase their financial participation until a new direction is implemented. Carlsbad has a unique opportunity with a majority of stakeholders willing to come to the table to plan together for the future of the destination.

Stakeholder Survey

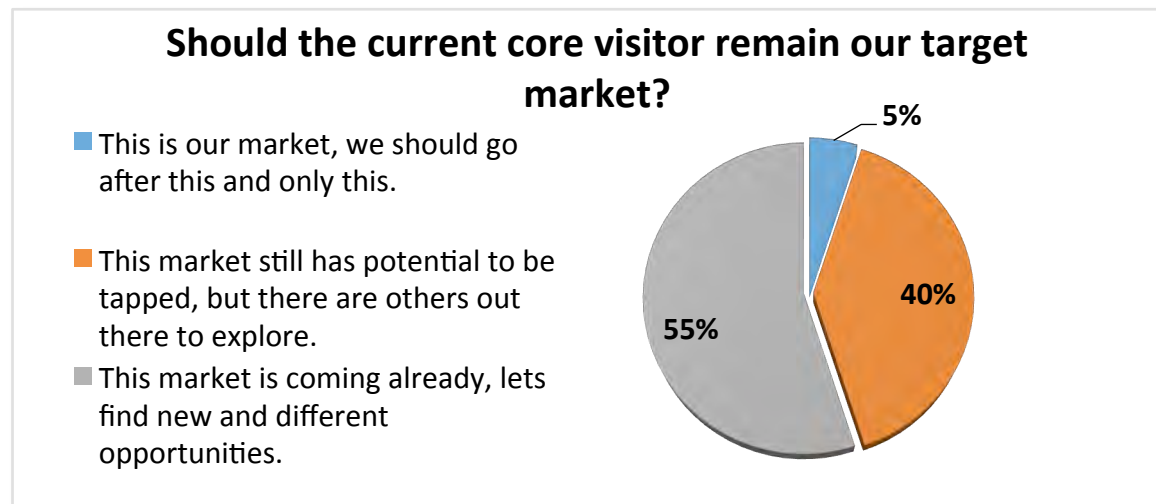
SAG conducted a quantitative survey and reached out to over 75 Carlsbad tourism stakeholders. Stakeholders are made up of people that have knowledge of the tourism industry through hotel properties, restaurants, amenities, or civic engagement. There was a 30% response rate, which provided a representative sample. The following is a recap of the responses to the survey.

Stakeholders believe Carlsbad is a true destination worthy of its own brand and marketing efforts.



Stakeholders also felt that the current Visitor Profile Study supported information should not necessarily remain as Carlsbad's primary target market. The stakeholders indicated an interest in evaluating which markets would impact the shoulder periods.

Currently, Carlsbad is targeting families with children under 12 years old and stakeholders believe there is more out there for this destination as 55% of respondents want to pursue "new and different opportunities" for Carlsbad. The chart below depicts the strong opinion that there is a need to diversify future marketing efforts.



Regional Targets

SAG also asked stakeholders about regional targets and what areas they thought should be pursued to increase tourism results. According to the survey, stakeholders felt that the following locations were the top priorities for regional marketing:

- Southern California (drive in)
- Northern California
- Arizona and Mountain States
- Mexico

There was consistent feedback and survey responses that supported the “drive in” Southern California market was the highest priority. According to the latest Visitor Profile Study conducted by the SDTA, nearly 70% of the current visitors are driving to Carlsbad.

In addition to these four core areas, stakeholders also felt that there were new opportunities in a geographically larger space including Texas, Colorado, Washington, Nevada, and Utah.



The current geographical markets and stakeholder suggested markets are depicted above.

Gold – Current Markets

Blue – Stakeholder Suggestions

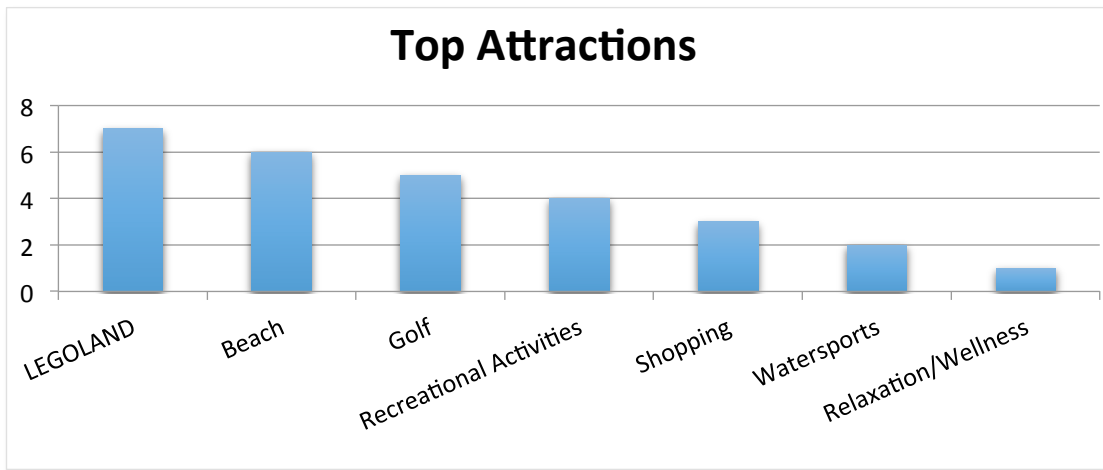
Target Market Segment

Stakeholders expressed strong interest in finding new target markets, as 55% of respondents said “let’s find new and different opportunities in addition to this market.” Stakeholders were asked to suggest target market segments they believed were opportunities for Carlsbad above and beyond the current target of families with children under 12. Stakeholders suggested multiple new target market segments. Repeated suggestions included the theme of childless households including older and younger demographics. Specific groups included: retirees, young couples, business travelers, groups and conventions.



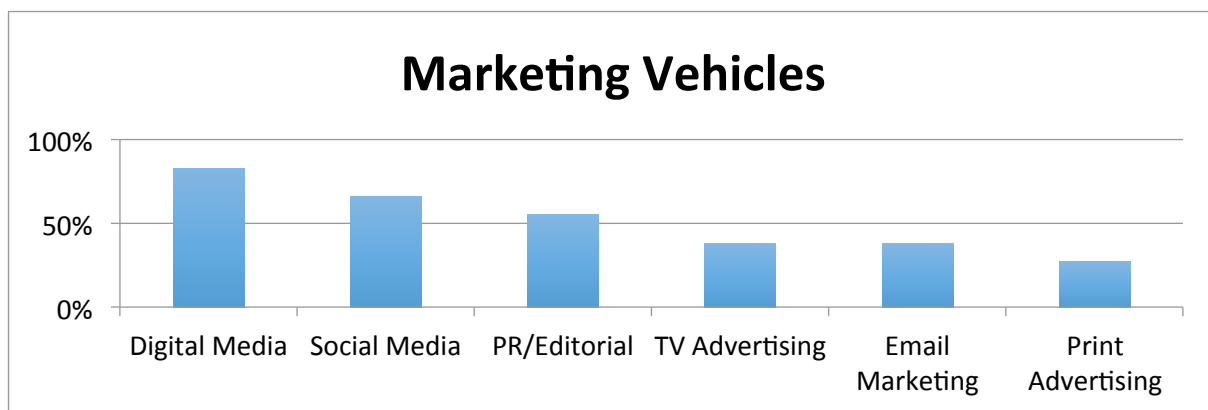
Attractions

Carlsbad has a multitude of attractions and entertainment options for visitors coming to the area. Stakeholders were asked to rank the attractions that came out of the focus groups. The results indicated that LEGOLAND and the Beach are Carlsbad’s top attractions according to hospitality and tourism stakeholders. Golf rounded out the top three, followed by recreational activities, shopping, watersports and relaxation and wellness. This response indicated an opportunity to develop new experiences and or potentially enhance current Carlsbad visitor options.



Marketing

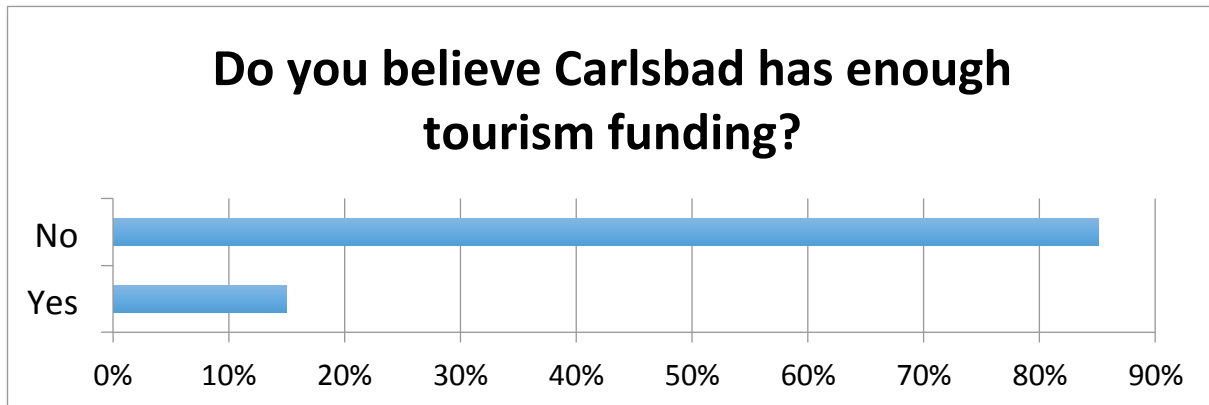
Carlsbad is currently utilizing digital media, social media and email marketing as the primary vehicles to promote the destination. Carlsbad’s tourism and hospitality stakeholders reiterated that choice and expressed a high level of support for digital media marketing and well as social media and public relations through editorial content. This effort is reinforced by the 2013 SDTA Visitor Profile Study, which states that 85% of those surveyed utilized the internet as their information source for travel to Carlsbad.



Over 80% of the stakeholders rated Digital Media as an important vehicle in future tourism marketing efforts.

Funding

Stakeholders felt strongly that the level of funding for marketing Carlsbad as a destination is not enough to compete in the Southern California tourism marketplace. Currently Visit Carlsbad has a budget of \$755,500 for Fiscal Year 2015. Over 85% of the tourism industry in Carlsbad want to see more funding for marketing and of those, over 50% would support a new model for marketing financially if they could be involved in the process. This is a further indication of the strong level of stakeholders' desired engagement in planning for Visit Carlsbad's future. The additional message was the interest in a new plan as part of the support for more funding.



Almost 85% of the stakeholder respondents felt there was a need for more funding.

Stakeholder Feedback Conclusions

Based on the tourism industry stakeholders' feedback in focus groups, phone calls and the survey, SAG has drawn the following conclusions:

1. Carlsbad's tourism stakeholders are engaged and have strong interest in planning for the destination's future.
2. Stakeholders have appreciated the regular communication and updates SAG has provided and would like to see ongoing effective communication continue.
3. Stakeholders believe Carlsbad is a true destination with valuable assets to promote.
4. Smart development and growth were important topics for stakeholders who felt there could potentially be too much hotel inventory in the market already.
5. Stakeholders felt the purpose of Visit Carlsbad should extend past broad awareness and move in the direction of measurable increased conversion.
6. Stakeholders want to see increased reporting from Visit Carlsbad on tracking marketing efforts through conversion.
7. Some stakeholders were concerned with the overall ability of all constituents to implement and execute a new plan.

Stakeholder participation in this study has demonstrated an interest in engagement in the future. There is an understanding that their participation in the implementation of a new direction is critical for its success.

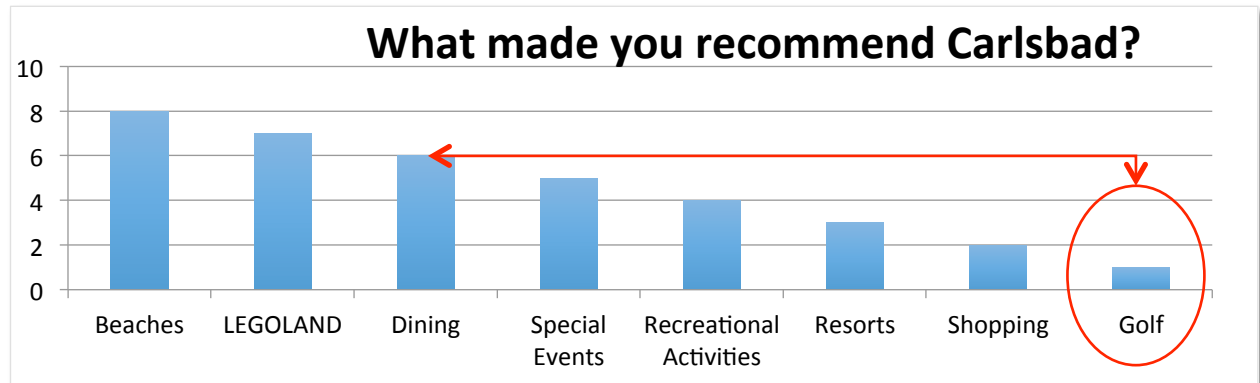
Regional Industry Stakeholder Survey

SAG created a regional perception survey to better understand the broader business community's thoughts and perceptions of Carlsbad as a tourism destination within the greater Southern California area. The regional stakeholders gave valuable feedback on how the perception of Carlsbad currently is positioned and how that could be enhanced.

Regional stakeholders felt informed only 50% of the time about tourism events and activities going on within the destination. Most of these stakeholders are getting their information from email subscription updates and word of mouth as well as social media and informational City signage. This group also felt there could be more done to keep them informed through increased direct mail and increased use of social media.

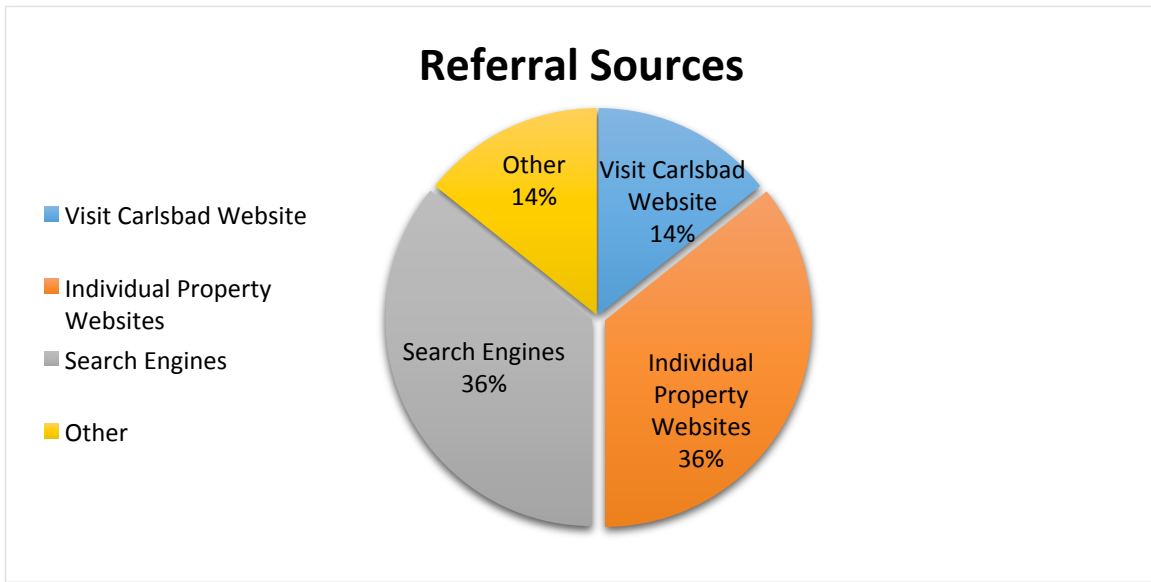
Regional stakeholders also have a strong influence on groups who visit Carlsbad and over 80% of respondents had referred business to stay in Carlsbad. Regional stakeholders had positive things to say about Carlsbad and their referrals received strong positive feedback about their stays.

Regional stakeholders ranked Carlsbad's assets and attractions differently than the industry stakeholders, most notably golf fell from 3rd to 8th. This tells us that while Carlsbad has golf opportunities, there is enough competition in the market that it is not a top of mind attraction to recommend the destination as one of the top three primary strengths.



Referral Platforms

Regional stakeholders also utilized multiple sources when looking into and/or booking hotel reservations for their groups. Most used individual property websites and third party search engines i.e. Kayak, Priceline, Expedia, etc. Only 14% used Visit Carlsbad’s website to get information. This was an indication of the variety of options available when making a hotel reservation and the potential to raise awareness of the Visit Carlsbad booking engine.



Regional stakeholders provided insight into how the destination could be enhanced through additional attractions and amenities. Themes from regional stakeholder feedback included dining and entertainment, recreation, wine and beer tours and sports tournaments. Additional comments included:

- “more music concerts”
- “upgrade the theatres for top entertainment”
- “easier access for food along the beach”
- “meeting space in one location for more than 1,500 people”

Regional Stakeholder Feedback Conclusions:

The regional group surveyed perceived Carlsbad as a Southern California beach destination and is interested in continuing to refer business to the area. They are looking for ways to engage with their clients and improve Carlsbad’s visibility among its competition and provide an enhanced experience for their visitors. Regional stakeholders were also very interested in future development decisions and believe there is a way to work together for the future of Carlsbad as a destination.

Benchmarking

SAG reviewed with stakeholders, City staff, CTBID, Visit Carlsbad staff, and others the competitive and comparable destinations to profile and study during this process. The goal was to use a sampling of destinations, which are competitors of Carlsbad and have similarities in their visitor experience.

SAG studied the following destinations for the Tourism Industry Study:

1. Newport Beach
2. Huntington Beach
3. Laguna Beach
4. Santa Monica
5. Santa Barbara
6. Monterey County
7. Del Mar
8. Coronado
9. Oceanside

SAG researched these destinations and gathered data on the DMO in the following criteria:

- Destination Property Mix
- Number of hotel rooms by type
- Annual average hotel occupancy rate and TOT Revenue
- Tourism marketing spending
- Return on Investment from tourism marketing spending
- Target markets and market segmentation
- Destination assets
- Funding
- Budgets

SAG's approach to gathering data included interviewing the respective DMO's, reviewing annual reports, Smith Travel Research reports and researching available data and reports.

On the following pages SAG has created the destination profiles of each competitive destination.

Destination Profile: Newport Beach



Visit Newport Beach

Visit Newport Beach is a DMO under contract by the City of Newport Beach. It is a membership-based organization operating within a Business Improvement District with 19 staff members and 23 board of directors representing hotels, restaurants, resorts, marketing & travel firms, entertainment, and fashion.

Annual DMO Revenue:

FY 15: \$4,350,841*

*Projected

Annual Budget:

FY 15: \$3,332,841

Budget : Rooms Ratio

About \$1,388.10

TOT Annual Collection:

\$16,400,000 - 2013

Budget Breakdown

Not provided

Leisure Research

- 79.2% of survey respondents who visited in last 2 years visited for leisure. Of those 52.3% came for vacation and 26.9% came to visit friends and family. 10.8% came for personal reasons and 7.7% came for business.
- The average survey respondent stayed 3.7 days and 3.2 nights in Newport Beach. Markets from a greater distance stay up to a week.
- During their ideal trip to Newport Beach, respondents would most likely stay in commercial lodging, such as a hotel (61.4%) or resort hotel (37.7%). 39.2 percent would stay overnight in a motel (23.9%) or inn (15.3%).

Funding Structure

Visit Newport Beach is funded primarily by the city through Transient Occupancy Tax (TOT), as well as through a Tourism Business Improvement District (TBID) and private sector membership dues from the hospitality industry or other related businesses.

Funding Sources

- TOT – 10% (City collection rate)
- TBID – 2% assessment
- Membership dues

Visitor Services

Includes a Visitor Center with visitor guides, maps, directions, and information on activities and attractions in Newport Beach.

Online Service

Includes digital visitor guide, online maps, and a mobile app. There is also a booking engine for hotels, attractions, flights, and car services. Listings by multiple areas of interest, holidays, and regions. Custom group packages are available upon inquiry.

Target Audiences

The demographic profile of Newport's domestic traveler:

- They primarily reside in state (75%)
- Affluent (49% have an annual household income of over 75K)
- Mature (56% are over 45 years old)
- Married (68%)
- White or Asian
- Over one in four of these travelers have children living at home (26%).

Visit Newport Beach Group Sales Efforts

Budget Overview

Forecasted Revenue:

\$3,057,283

Operating Expenses:

\$1,392,585

Advertising:

\$279,312

Conference/Group Sales:

\$1,366,800

Research:

\$18,586

Strategy

- Recruit experienced sales manager with contacts in the region
- Work with TBID hotels to create equal opportunities to host events and showcase hotels
- Rolling out of new conference service “tier” structure, which differentiates the service level for each incoming group, which will actively engage each client at least 13 months before their group, arrives to Newport Beach.
- Develop advertising and promotional campaigns that are on brand and are integrated with the other marketing disciplines in order to encourage submission of RFPs and convert RFPs into confirmed bookings.

Destination Profile: Huntington Beach



Visit Huntington Beach

Visit Huntington Beach (Huntington Beach Marketing and Visitors Bureau) is a private, non-profit, non-membership, mutual benefit corporation. Visit Huntington Beach is composed of 19 Board of Directors representing, hotels, event planning, music, transportation and the Chamber of Commerce, in addition to 9 regular staff members. Huntington Beach's tagline "Surf City USA" has a strong focus on surfing, sports and an active lifestyle.

Budget Overview

Annual DMO Revenue:

FY13: \$2,283,000

Annual Budget:

FY13: \$2,535,000

Budget : Rooms Ratio

About \$1,304

Annual TOT Collection

\$7,700,000 - 2013

Budget Breakdown

Revenues	
Tourism Occupancy Tax	\$763,000
Hotel/Motel Business Improvement District	\$1,519,000
Website/Interest/Other	\$1,000
TOTAL REVENUE	\$2,283,000

Expenses	
Media Advertising	\$397,000
Printed Marketing Collateral	\$131,000
Collateral Distribution	\$36,000
Public Relations	\$246,000
Travel Trade	\$64,000
Website	\$141,000
Event Hosting	\$4,000
Local Partner/Community/Other	\$55,000
Familiarization Tours/Site Visits	\$28,000
Film & Sports Commissions	\$23,000
Trade Shows & Travel	\$140,000
Salaries & Benefits	\$994,000
Administration	\$276,000
TOTAL EXPENSES	\$2,535,000

Funding Structure

The City of Huntington Beach funds the Marketing and visitors Bureau with 2% of Transient Occupancy Tax (TOT).

Funding Sources

- TOT – 10% (City collection rate)
- BID – 1% assessment

Visitor Services

New welcome center at International Surfing Museum. The Visitor Information Kiosk is staffed by paid employees of Visit Huntington Beach and offers the following amenities:

- Huntington Beach Visitor Guides and Maps
- Huntington Beach Dining Guides
- Downtown Huntington Beach Historical Walking Tour
- City Beach Map
- Downtown Huntington Beach maps in French, German, Japanese and Spanish
- Huntington Beach monthly event calendars and upcoming event flyers
- Coupons for local businesses and attractions
- Transportation information
- Restaurant and shopping recommendations
- Southern California attraction information

Online Services Include

- Surf Report, social media, blog, virtual tour, listings, visitors guide, newsletter, maps, booking engine for hotels, events, and packages, weather, and additional languages.

Target Audiences

- Regional Targets: California affluent families with teenagers
- International marketing to UK, Ireland, Germany, Switzerland, Canada, Austria, Australia, and New Zealand.
- Staff attends domestic trade shows and events for support.

Destination Profile: Laguna Beach



Visit Laguna Beach

Visit Laguna Beach (VLB) is a private, non-profit, member/partner industry association. VLB has a partnership organization structure. Basic partnerships are complimentary for visitor-serving Laguna Beach businesses; however, there are also paid tiered partnership levels based on marketing goals and objectives.

Staffing includes 5 members and 9 Board of Directors representing private hotels, resorts, and hospitality services.

Budget Overview

Annual DMO Revenue:

FY13: \$5,761,200

Annual Budget:

FY13: \$1,520,000

Budget: Rooms Ratio

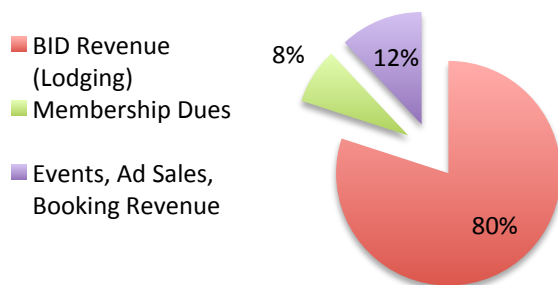
About \$1,169

Annual TOT Collection:

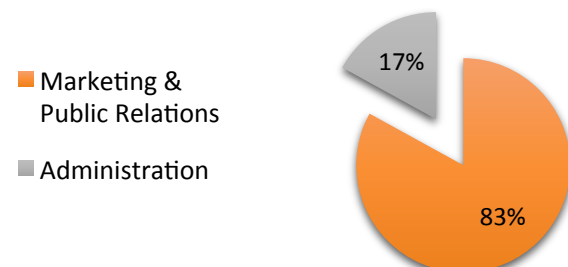
\$8,537,100 - 2013

Budget Breakdown

2013 Revenue Distribution



2013 Expense Distribution



Funding Structure

VLB receives its funding from the Business Improvement District (BID). The BID charges a 2% hotel tax and VLB receives half of that, or 1%. This makes up 80% of VLB revenue. *VLB does not receive TOT collected by the City.*

Funding Sources

- BID – 2% assessment

Visitor Services

Includes Visitors center, mobile app, calendar of events, highlighted attractions, trip planner, blog and online booking engine provided by Travelocity for hotels, flights, and rentals.

California Welcome centers, John Wayne Airport, Disneyland Hotel, and car rental companies distribute VLB official visitors guides, dining guides, maps, and menu books.

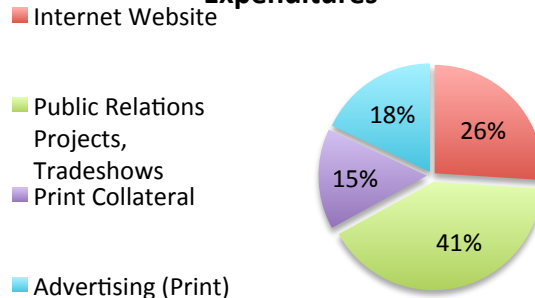
TOT Revenue Growth

In FY 2011-12, transient occupancy tax revenue increased 11% compared to the year before and last year (FY 2012-13) it is expected to grow another 5.6%.

Target Audiences

Almost all efforts are focus on Leisure Services. New partnership with Orange County Visitors Association to "reach the highly-affluent China market." Orange County offices in Beijing and Shanghai are now stocked with Laguna Beach information.

2013 Advertising/Promotional Expenditures



Destination Profile: Santa Monica



Santa Monica Convention & Visitors Bureau

The SMCVB is a private, non-profit, non-member corporation. There are 14 staff members and a various number of employees at 4 visitor centers. The Board of Directors is made of 11 professionals who represent hotels, restaurants, marketing & brokerage firms, and the City of Santa Monica.

Budget Overview

Annual DMO Revenue:

Estimated \$5,600,000*

**SMCVB did not provide the DMO revenue. Figure above is estimated based on 2012/2013 City budget data and approval of the SMTMD in 2012.*

Annual Budget:

FY13: \$2,600,000

Budget: Rooms Ratio

About \$696.12

Annual TOT Revenue:

TOT: \$42,300,000

Budget Breakdown

Not provided

Leisure Research

- 7,298,857 visitors in 2013.
- Average length of stay: 1.56 days.
- Total annual visitor spending: \$1.63 Billion
 - 574 Million on shopping/gifts
 - 345 Million on lodging
 - 340 Million on meals
- Hotel tax revenue to city: \$42.3 Million
- Santa Monica jobs supported by tourism: 12,908

Funding Structure

The SMCVB is funded by TOT collected by the City and the Tourism Marketing District fund the SMCVB. Funding Sources

- TOT – 14% (City collection rate)
- BID – \$2 for rooms rented at \$100 - \$200
– \$3 for rooms rented at \$200 - \$300
– \$4 for rooms rented at \$300 - \$400

Visitor Services

Includes a Visitor Center with visitor guides, maps, directions, and information on activities and attractions in Santa Monica.

Online Services

Includes digital visitor guide, online maps, and e-newsletters. There is also a booking engine for hotels, attractions, flights, and car services.

Visitor Profile 2013

- 53% International
- 32% U.S. Resident (Non-California)
- 14% California Resident
- 64% Visit for Leisure
- Median Household Income: \$86,500
- Average daily visitor spending per person: \$143

Marketing Efforts

- \$2.6 million marketing budget
 - Focus on international travelers, who accounted for 63 percent of the \$1.53 billion spent by visitors to Santa Monica in 2012.
- Targets a specific type of traveler who is comfortable getting around by foot, bike or public transit and who is, in general, drawn to Santa Monica's healthy lifestyle.
- Primarily digital marketing efforts domestically.
- Hired full time reps in Australia, Brazil and England.

Santa Monica Group Sales Efforts

Services Available:

- Personalized Meeting Planners
- Hotel Suggestions
- Group Dining Leads
- Team-building
- Event Planning
- Group volleyball tournaments, bike tours, etc.
- Request for publications

Strategy

- The SMCVB strongly focuses on Leisure Sales
- Most Group Sales are handled via inquiry over the phone or an online RFP

Meeting Planner Fact Sheet	
Sales Tax	9.25%
Room Tax	14%
No. of Hotels	36
No. of Hotels with Meeting Space	14
No. of Hotel Rooms	3,735
No. of Restaurants	428
Average Room Rate	\$240
Largest Event Space	Barker Hangar (36,000 sq ft)
Average Daytime Temp in Summer	75-85 °
Average Daytime Temp in Winter	65-75 °
Distance from Downtown Los Angeles	13 miles (21 km)
Travel Time to Downtown Los Angeles	30 minutes
Distance from LAX	8 miles (13 km)
Travel Time to LAX	30 minutes
Average Taxi Fare from LAX to Santa Monica	\$35 North of I-10 \$30 South of I-10
Average Bus Fare from LAX to Santa Monica	\$1
Average Shuttle Fare from LAX to Santa Monica	\$20-\$30
Nearest Golf Course	Penmar Golf Course (2 miles/3.2 km)

Destination Profile: Santa Barbara



Visit Santa Barbara (VSB)

VSB is governed by the Santa Barbara City Council, which is composed of a Mayor and six Council Members. VSB is membership-based. Members receive benefits such as website and publication promotion, referrals, access to VSB member networking events, newsletters, and access to national & local market research.

Budget Overview

Annual DMO Revenue:

Figures not provided

Annual Budget:

Adopted FY14: \$4,000,000

Budget: Rooms:

\$153.38

Annual TOT Revenue:

\$16,821,995 – 2013

Budget Breakdown

Not provided

Funding Structure

Visit Santa Barbara is funded through an annual contract with the City and through a BID.

Funding Sources

- TOT – 12% (City collection rate)
- BID – \$0.50 rooms rented at less than \$100
– \$1 for rooms rented at \$100 - \$150
– \$1.50 for rooms rented at \$150 - \$200
– \$2 for rooms rented at \$200 or more

Visitor Services

Includes a Visitor Center with visitor guides, maps, directions, various brochures, and travel listings.

Online Services

Includes digital visitor guide, e-newsletters, a calendar of events, special offers, easy to success social media, referrals, and membership login. Booking engine for hotels, resorts, and campgrounds.

Visitor Profile

About 2,000 collected surveys showed the below information:

- Female (58%)
- Caucasian (72%)
- Married (53%)
- Mid-life (avg. age 48 years).
- The average household income is \$119,428.
- The Los Angeles - Riverside - Orange County metropolitan statistical area (MSA) is by far the largest feeder market for tourism to the Santa Barbara South Coast (50% of all respondents),
- Followed by the San Francisco - Oakland - San Jose MSA (8%).
- 4 percent of visitors reside in the San Diego MSA.

Destination Profile: Monterey County



Monterey County Convention & Visitors Bureau

The Monterey County CVB is governed by a Board of Directors (30), an Executive Committee (5) and other committees to aid in sales and marketing initiatives for the destination. Membership includes businesses in the lodging, hospitality, entertainment and recreation industries.

Budget Overview

Annual Revenue:

FY12-13: \$6,002,342

Annual Budget:

FY23-13: \$5,152,450

Budget: Rooms Ratio:

About \$429

Annual TOT Revenue:

\$40,000,000 – 2013

Budget Breakdown

Monterey County CVB 2013-2014 Budget REVENUE	
Jurisdiction Revenue	
Monterey County	998,728
City of Monterey	992,179
City of Carmel-by-the-Sea	125,987
City of Pacific Grove	83,228
City of Seaside	61,188
City of Marina	42,000
City of Salinas	47,799
Sand City	2,000
City of Del Rey Oaks	1,000
Sub Total	\$2,354,109
TID/HID Revenue	
Monterey County	778,983
City of Monterey	1,897,413
City of Carmel-by-the-Sea	263,224
City of Salinas	170,881
City of Seaside	214,221
City of Pacific Grove	193,145
City of Marina	139,262
Sub-Total TID/HID	\$3,657,128
Private Revenue	\$302,370
TOTAL REVENUE	\$6,313,607

Funding Structure

The MCCVB is funded through a partnership with Monterey County and the listed in the below chart.

Funding Sources

- TOT – 10.5% (County collection rate)
- BID/HID – 1% assessment per participating jurisdiction
- Membership dues

Visitor Services

Includes brochures, maps, and a TV slideshow.

Online Services

Extensive social media integration, listings, hotel booking engine, calendar of events, blog, digital travel guide, photos, videos, desktop wallpapers, webcams and an eNewsletter.

Monterey County CVB 2013-2014 Budget EXPENSE	
Marketing Communications	3,339,442
Brand Launch	1,500,000
Media Relations	200,000
Talent & Marketing Initiatives	1,519,942
Group Sales	2,368,152
Trade Shows & Mission	265,000
Client Events	115,000
Trade Media	500,000
FAMs & Sponsorships	135,000
Third Party Partnerships	130,000
Sales Initiatives & Talent	1,223,152
Membership	107,288
Visitor Services	438,236
Administration	799,803
TOTAL EXPENSE	\$7,052,921

Monterey County Group Sales Efforts

Group Sales Info Points – Facilities

- Monterey hotel owners approved a plan to tax themselves to pay for the \$32M renovation of the Monterey Conference Center (MCC).
- MCC has 41K sq. ft. meeting space & can hold 1,700 guests.
- 28 Golf Courses
- Also hosts: 8K sq.ft. Sunset Center
- 32K sq.ft. Fair & Event Center
- 13K sq.ft. Salinas Sports Complex.

Group Sales Partnership Initiatives 2014

Monterey has always benefited from a high level of collaboration with community stakeholders. In the coming year collaboration will advance exponentially through:

- Introduction of the Monterey Room Night Index (RNI), an industry trend-setting measurement tool
- Involvement in sales program development, execution and evaluation from RNI participants
- Yielding Return on Experience (ROE) with the creation of the Strategic Client Services team which will utilize the power of extraordinary service as a competitive differentiator
- Focused development of partnerships with third party companies such as HelmsBriscoe and ConferenceDirect.

Budget

Monterey County CVB Goals by fiscal-year end (June 30, 2014) GROUP SALES GOALS	
New Business Leads	460
Room Night Index	100%
RevPAR	Third in Comp Set
Marketing/Communications	
Unaided Brand Awareness	82%
Intent to Visit	32%
Advertising Effectiveness	3.8 Score
Earned Media	\$34,500,000
Facebook Fans	43,750
Twitter Followers	9,775
Website	
Website Visits	1,114,9092
Page Impressions	4,011,372
Referrals to Stakeholder Pages	328,224
Visitor Database	40,820
Membership	
Member Retention	85%
Visitor Services	
Visitor Center Inquiries	123,000

Destination Profile: Del Mar



Del Mar Tourism Business Improvement District (TBID)

The TBID is composed of 5 Board Members, all representing hotels. In the last two years the public and stakeholders in Del Mar have become frustrated and have demanded additional transparency in the organization. “Dream Del Mar” was recently created out of the TBID and launched a new website.

Budget Overview

Annual Revenue:

Figure not provided

Annual Budget:

FY 13: \$ 185,000

Budget: Rooms Ratio

About \$678

Annual TOT Revenue:

\$1,934,020 - 2013

Budget Breakdown

Not provided

Group Sales Efforts

According to the website Dream Del Mar is focused on group meetings and events. They leverage the San Diego airport and ability to be in and out of the big city quickly

They promote six hotels with meeting space. Specifics of those properties are not listed on the organization’s website.

Structure

Del Mar mandates a 1% assessment on overnight stays at lodging facilities within the district’s boundaries.

Funding Sources

- BID – 1% assessment

Organization Stats:

Dream Del Mar recently launched marketing and branding campaign along with new tourism website in May 2013. Del Mar “Your California Dream” campaign launched in April 2013. City Council and stakeholders have been dissatisfied with reporting from the organization.

According to recent articles the City’s tourism efforts include the below:

- \$213,000 for efforts including marketing, web development, photography, direct mail and administrative costs.
- About \$30,000 is set aside for streetscape

Destination Profile: Coronado



Coronado Tourism Improvement District (CTID)

The CTID was established to fund, implement and measure strategies that promote Coronado as a year-round destination for visitors from across the bridge and across the country. Specifically, the CTID works to improve occupancy in Coronado hotels and as a by-product, the vitality of our community. Off-season growth is the primary focus of the Advisory Board.

Budget Overview

Annual Revenue:

FY13: \$546,530

Annual Budget:

FY14: \$545,000

Budget: Rooms Ratio

About \$230

Annual TOT Revenue:

\$10,366,000 - 2013

Budget Breakdown

Not provided in full

- \$196,674 national advertising budget

Funding Structure

The CTID is funded by a .5% guest assessment at hotels with over ninety (90) rooms. No funding comes from the City of Coronado, local businesses, residents or the State of California. The CTID does not fundraise, pursue grants or accept donations. Funding Sources

- BID – 0.5% assessment

Visitor Services

Includes:

- Visitor Center
- Digital Visitor Guide
- Online Map
- Mobile App.

Partnership

The \$328,000 partnership with San Diego Tourism Authority in FY13 has resulted in:

- \$138,843 in added-value (bonus) media from precise negotiation
- 266 million impressions obtained from hosting press and media outreach
- 339,413 page views from media campaigns (first 9 months of partnership)

Target Audiences

Leisure guests typically between 25-54 in age

- Average household income of \$110,000 or more
- Residing in LA, Orange County, Phoenix and San Diego
- Mostly available to visit Coronado outside of summer
- Guests with an appreciation for resort accommodations

Destination Profile: Oceanside



Visit Oceanside

Visit Oceanside is a membership-based destination marketing organization. Staffing includes 4 Members on the Executive Committee representing major hotels. Board of Directors represent LEGOLAND, resorts, restaurants, and the City of Oceanside. There are also 7 Community Liaisons.

Budget Overview

Annual Revenue:
FY12-13: \$691,800

Annual Budget:
FY12-13: \$691,800

Budget: Rooms Ratio
About \$370

Annual TOT Revenue:
\$4,100,000 – 2012

Budget Breakdown
Percentages provided in chart below

Funding Structure

Visit Oceanside is primarily funded through the Oceanside Tourism Marketing District and through annual membership fees from \$330-\$5,000. Visit Oceanside does not receive any of the TOT collected by the City.

Funding Sources

- BID – 1.5% assessment
- Membership dues

Visitor Services

California Welcome Center in Oceanside. State, regional, and local info available. Hotel reservations and discounts available.

Online Services

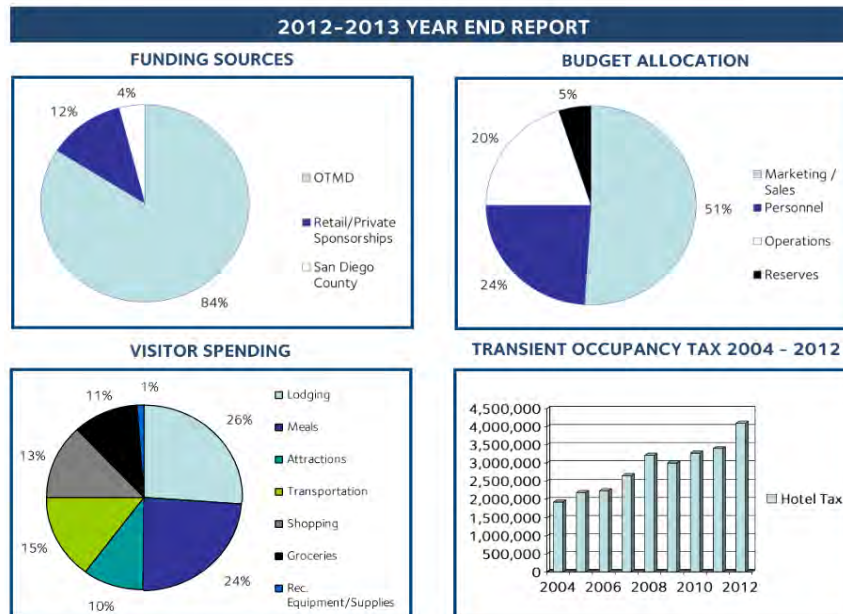
Includes blog, social media, visitors guide, calendar, and booking engine for lodging.

Target Audiences

- 6k+ citywide event nights generated last FY
- 200k expenses in ad campaigns and 60k in public relations FY13

Group Business Highlights

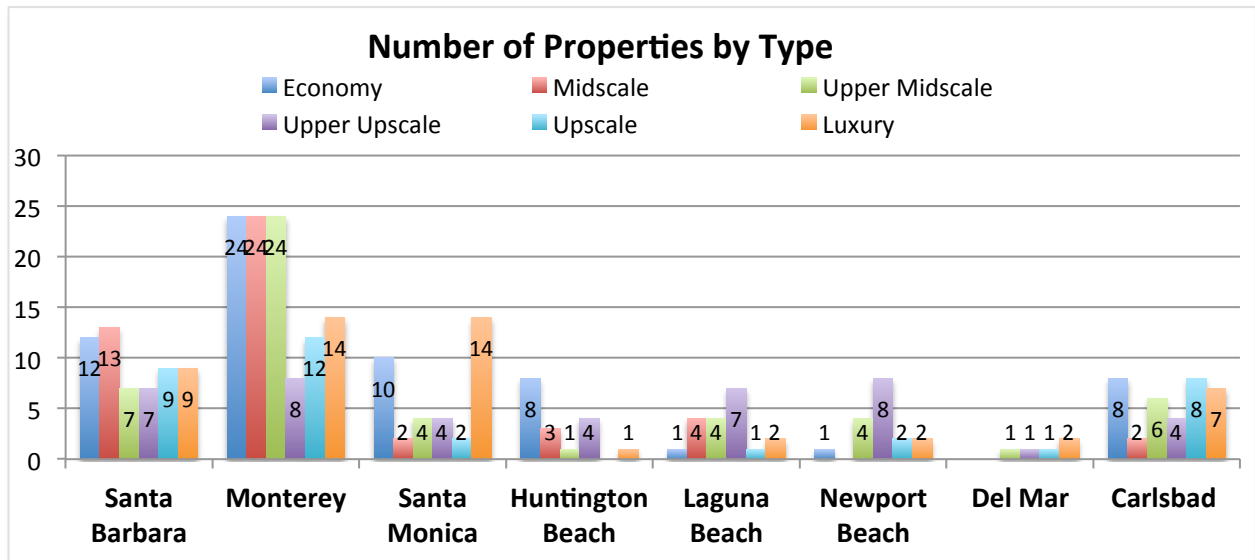
- Group Leads: 39
- Meeting & Event Leads: 17
- Groups Booked: 10
- Room Nights Generated (groups): 3,318
- Room Nights Generated (citywide events): 6,500



Benchmarking Results

After compiling all of the data in the profiles above, SAG compared all the information gathered to Visit Carlsbad. Below are charted examples of how Carlsbad compares to the competitive destinations studied. *Please note not all destinations provided information for each question and the charts below reflect the available data.

Of the comparable destinations, Carlsbad is a medium sized destination with 30+ properties in the market. Comparing the hotel properties that report to STR, Carlsbad is the fourth largest destination behind Monterey County, Santa Barbara and Santa Monica, respectively.

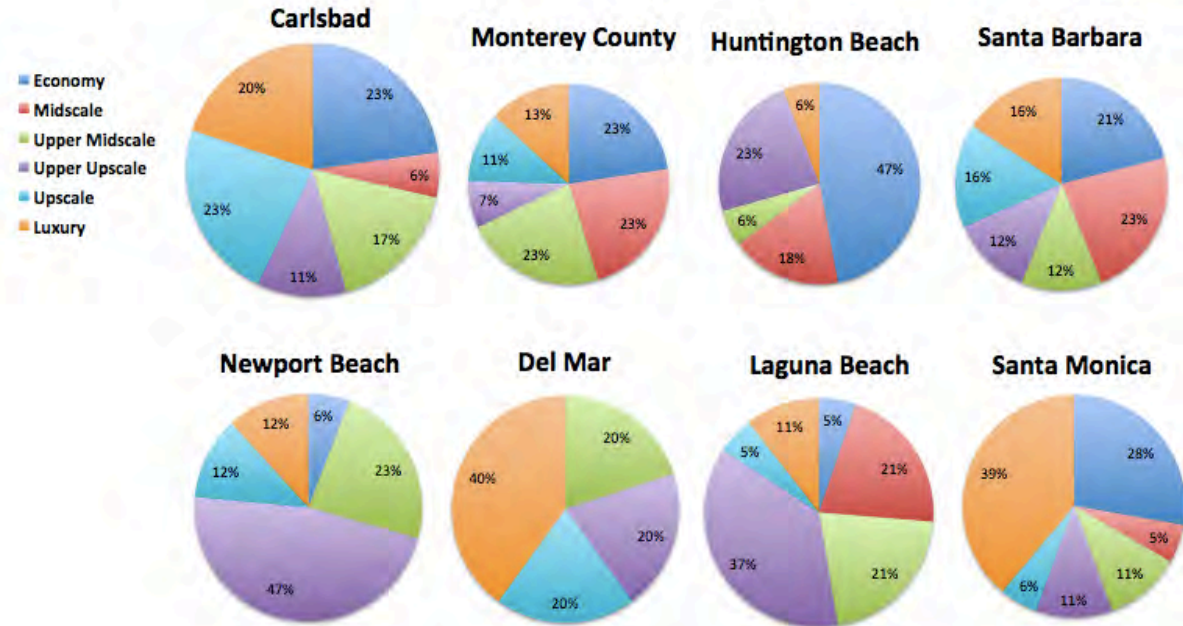


Class Definitions according to STR:

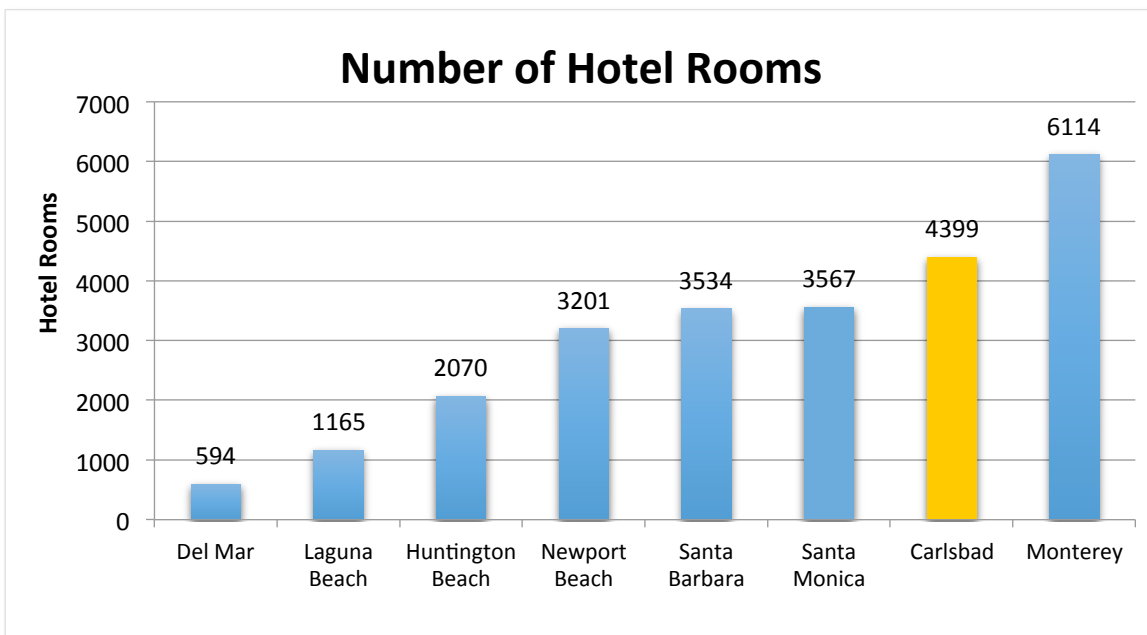
Market Class —Hotel classes are scaled through a method by which branded hotels are grouped based on the actual average room rates. Independent hotels are assigned a class based on the ADR, relative to that of the chain-affiliated hotels in its geographic proximity. The chain scale segments are:

- Luxury – example Ritz Carlton
- Upper Upscale – example Hilton
- Upscale – example Hyatt Place
- Upper Midscale – example Clarion
- Midscale – example La Quinta
- Economy – example Days Inn

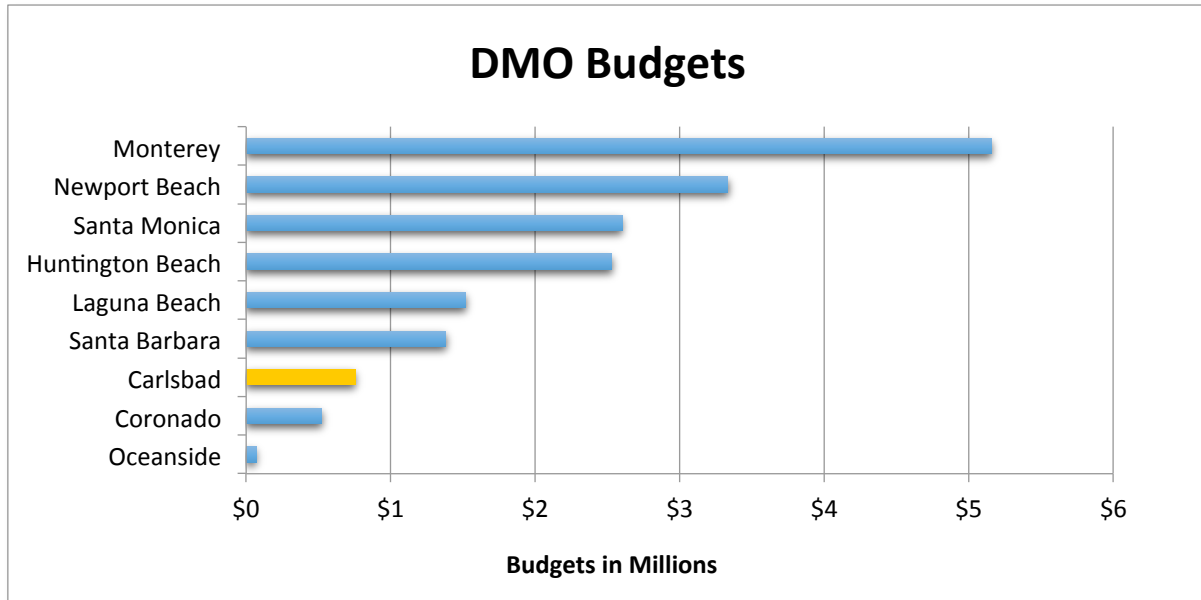
SAG also found that more than half of Carlsbad’s properties are in the Upscale, Upper Upscale, and Luxury classification. This also indicated Carlsbad’s inventory is the third largest in the upscale market of destinations studied. The breadth of property types in Carlsbad creates an opportunity to confirm that the future marketing efforts are focused on a spectrum of market segments.



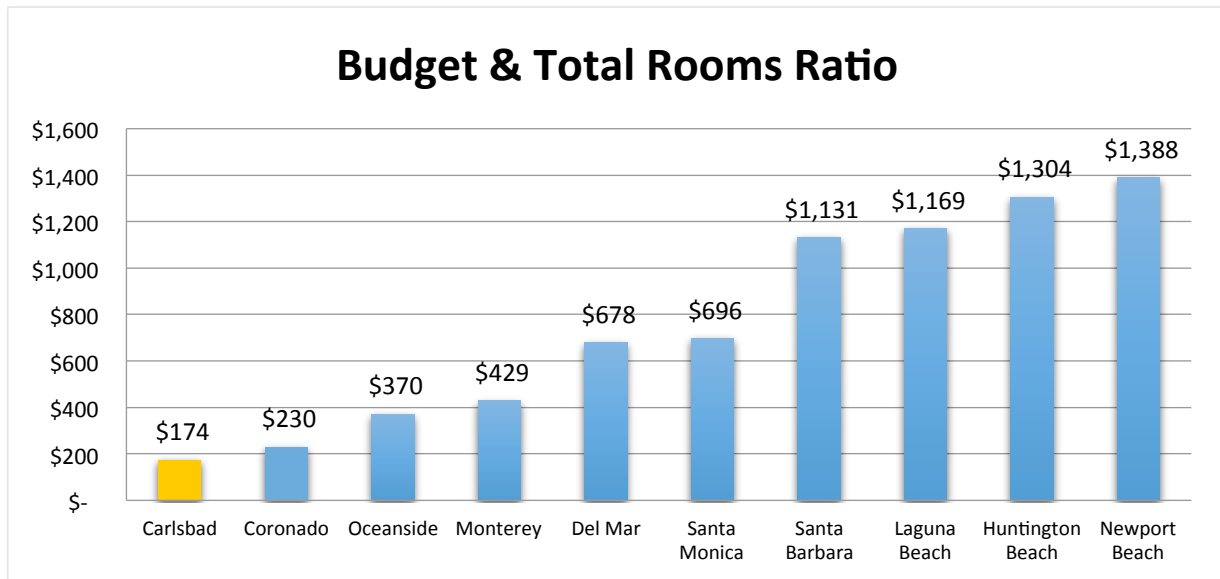
In looking at destinations as a whole, SAG found that Carlsbad has more hotel rooms than most comparable and competitive destinations. Currently, Carlsbad has 4,057 rooms in the market with 3,994 of properties that report to STR. In the next year, Carlsbad will have three new hotels in the market bringing the total to 4,399 rooms in the City. This number makes it the second largest destination in terms of hotel rooms in the competitive set.



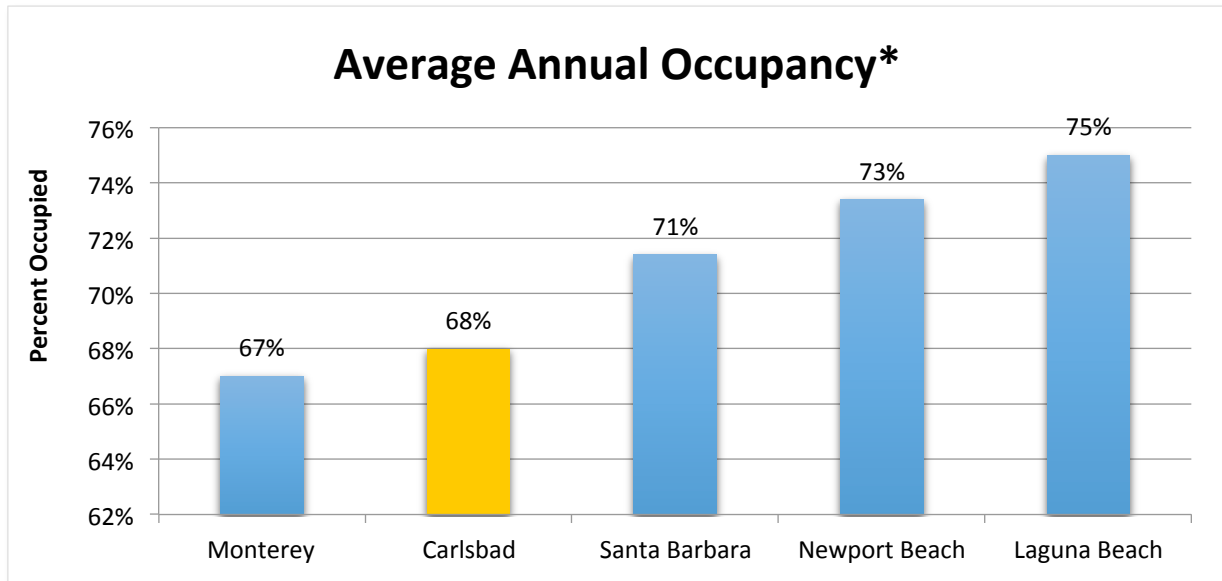
Budgets and funding are critical components for Destination Management Organizations (DMO)s to make an impactful difference in marketing the destination. While the size and scale of the operation and destination all vary and impact the budget number, SAG decided to look at the budgets side by side. While this is not an apples to apples comparison, it does begin to exhibit, based on the charts above, how under-funded Visit Carlsbad is as a marketing organization. Carlsbad has the third smallest DMO budget of the destinations studied.



In order to make a true comparison between budgets and levels of funding, SAG studied those budgets by contrasting how many hotel rooms are in each respective destination. This analysis provides insight to how the level of funding is allocated per room. In this regard, Carlsbad is spending the least amount per hotel room at \$174 per room.



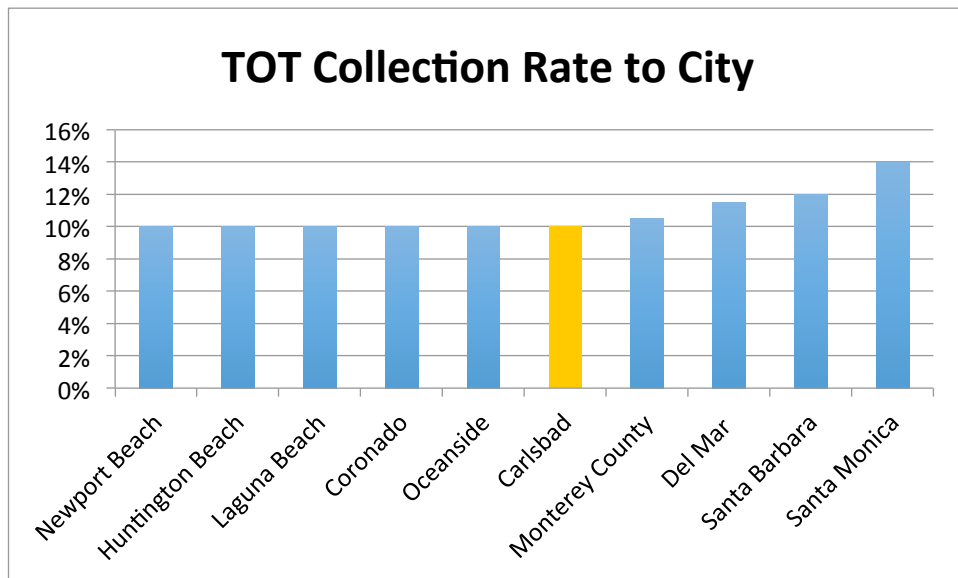
As noted above, Carlsbad has the second largest inventory of hotel rooms of the destination locations studied. In comparing occupancy of competitive destinations, Carlsbad has the second lowest average annual occupancy rate at 68% compared to Laguna Beach, which is highest at 75% annually.



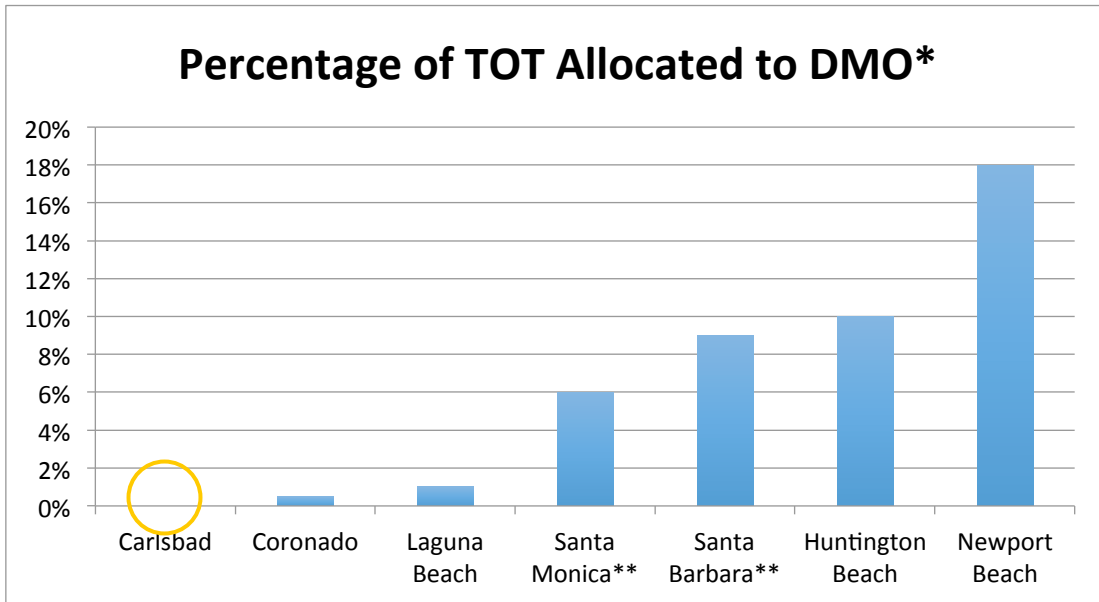
*Not all cities in the original research set were able to provide Average Annual Occupancy.

A key component of DMO revenue and sustainable funding is the Transient Occupancy Tax (TOT) leveraged on hotel room nights. This TOT is handled differently in each destination.

The first chart below illustrates the rate by which the City/County collects TOT per transient room.



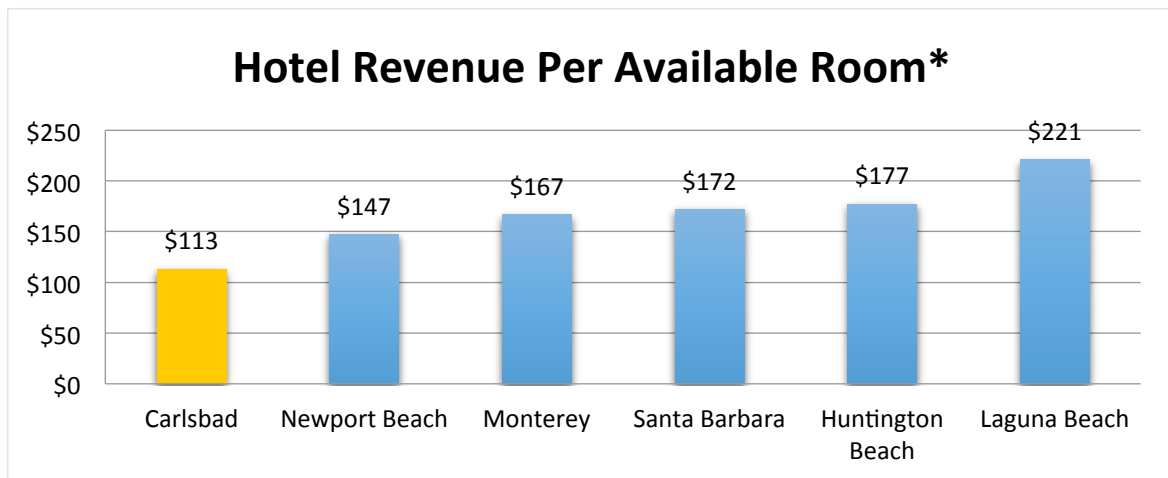
The second chart below illustrates the level of support from the same TOT that the City/County is allocating back to the DMO. Competitive destinations receive between .5%-18% of the TOT collected by the City. Visit Carlsbad does not receive any TOT funding.



*TOT percentage varies annually. Figure above represents 2013 adopted budget percentage.

**Not all cities in the original research set were able to provide this data

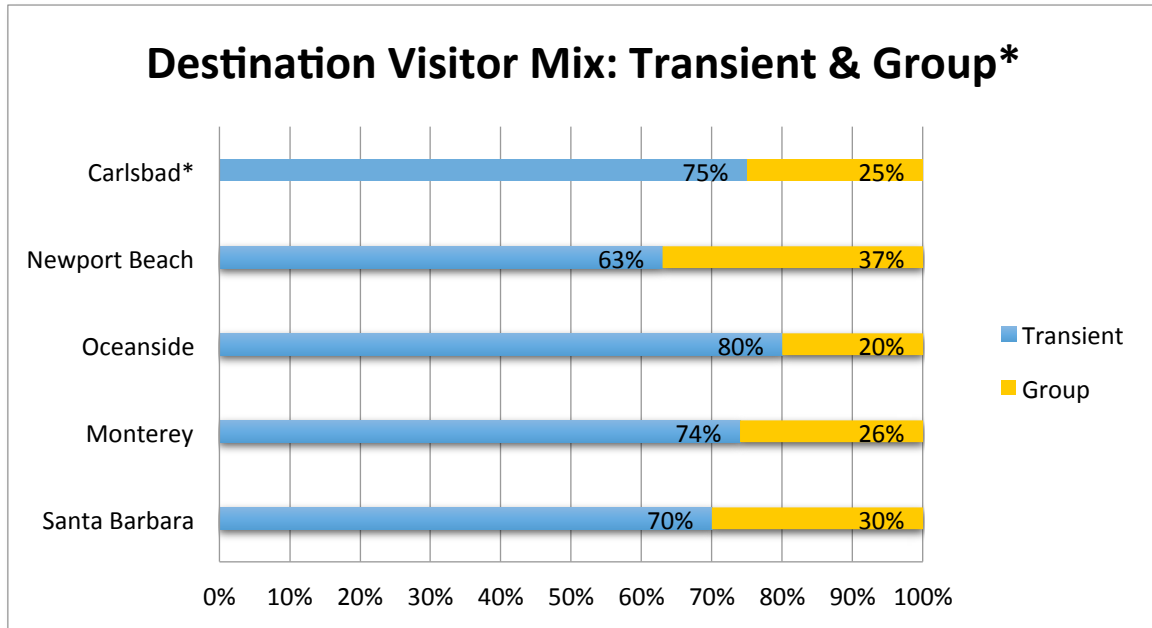
SAG also studied hotel Revenue per Available Room (RevPAR) to create another comparison and measure how Carlsbad is doing based on those in the comparable set. Carlsbad averages \$113 in RevPAR compared to its competitors who average close to \$160 or better year round. The gap in comparable RevPAR is an indicator of the potential to increase overall visitors as well as the hotel rates through targeted marketing designed to increase demand in the shoulder periods. If Carlsbad was to achieve the average RevPar for the competitive set (\$166) that would represent a 47% increase or over \$8 million in increased TOT. SAG has laid out goals for growth in the funding section of this report.



*Source DMO provided data

**Not all cities in the original research set were able to provide hotel RevPAR.

SAG reviewed destinations by their current business mix of transient and group segments. Of the destinations studied, the largest destination group mix by percentage was Newport Beach at 63% transient and 37% group and the smallest was Oceanside at 80-20% respectively. Carlsbad fell in line with the majority of the competition at 75% transient and 25% group. However, it is important to note that these numbers are not currently tracked by Visit Carlsbad. The Carlsbad number was determined based on Visit Carlsbad and hotel industry feedback.



*Carlsbad’s numbers are estimated based on monthly data provided by Visit Carlsbad.

Conclusion – Benchmarking

Carlsbad is situated in a very competitive market. All of the destinations studied are comparable and competitive because they are coastal, California beach destinations, mostly suburban and within a 2-3 hours drive of a major California city. All of the destinations studied have a significant share of the California tourism market and are becoming increasingly popular. Carlsbad competes directly with these cities and is positioned to improve its share of the tourism market based on the benchmarking research completed.

The destinations studied all experience a similar seasonal swing between the summer and non-summer months. The destinations respective marketing organizations are all thinking critically about how to improve return, reach more visitors and connect with new target markets. SAG compared destinations on key areas and points of comparison for Visit Carlsbad and believes that Carlsbad has an opportunity to improve its position in the market.

Overall, Carlsbad is a medium-sized destination with a year-round population of about 110,000 within 40 square miles of the City. The City’s tourism assets include the 7 miles of coastline, which welcomes over 2 million visitors each year. Of the competitive destinations, Carlsbad is one of the largest in terms

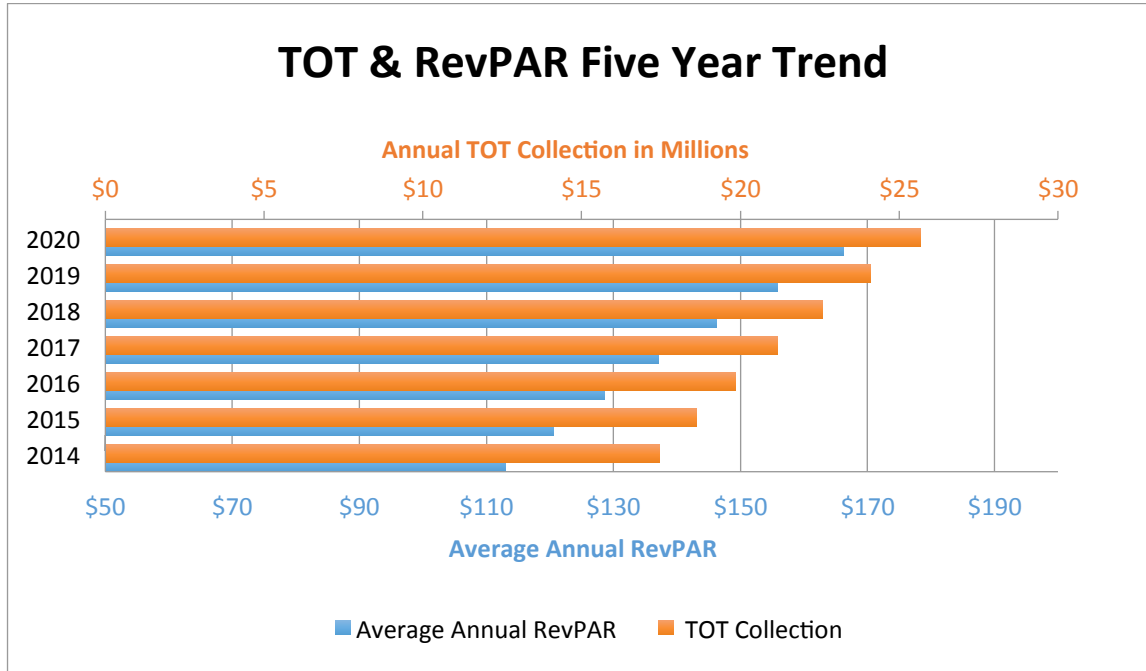
of year-round population and square miles. The competing cities were typically between 10-20 square miles and had a smaller year-round population. In the competing destinations' DMO websites, a reoccurring theme of community was expressed, as the marketing organization believes these residents are important aspects of why tourists repeatedly visit these destinations. With a smaller community, this is more manageable, however, SAG found that the connection to the community above and beyond the stakeholders was important to the competition.

Of the competitive destinations studied, Carlsbad is the third lowest DMO in terms of overall funding. Carlsbad is also the destination with the second highest number of hotel rooms at 4,392 (including the three new properties coming into the market). The only destination with more hotel rooms is Monterey County, with over 6,000 rooms and includes over eight contributing municipalities. These statistics were important in comparing the level of funding for each hotel room. In making a clear comparison, SAG created ratios for the total budget of each destination and the number of hotel rooms in each respective destination. This comparison shows that Carlsbad has the second lowest expenditure per hotel room at \$174. The highest expenditure per room is \$1,388 and the average among 10 competitors is \$659 per room. The differences in levels of funding reveals that not only do the competing destinations have a higher level of funding, but are drastically outspending Carlsbad on a per room basis.

A second key result from the benchmarking study is average annual occupancy. Carlsbad is currently averaging 68% percent occupied annually. Of five destinations, the annual average ranges from 67% to 75% occupied. Carlsbad is the second lowest above Monterey County. The highest average was 75% in Laguna Beach.

SAG also compared the Revenue Per Available Room (RevPAR) for these competitive destinations. Carlsbad's average RevPAR is \$113 and is the lowest of six competitive destinations. The average RevPAR among six destinations is \$166 and the highest RevPAR is \$221 in Laguna Beach. Carlsbad has a healthy mix of property types, however, as stated above it has more hotel rooms than much of the competition. This level of availability makes it important to create and cultivate demand from the market in order for the destination to see an increase in occupancy and RevPAR.

Two consistent differences in the structure of the competitive destinations versus Visit Carlsbad are both the way they are funded and the way they are governed. All of the competitive destinations receive a percentage of the TOT revenue to be funneled back into marketing the destination. The TOT funding in competitive destinations shows strong support for the organizations on behalf of the respective cities and allows the DMOs to compete on a higher level. The competitive destinations also have more than one source of funding. The other sources include assessments, business improvement districts, private revenue, event sales and membership dues. As shown in the above hotel RevPAR chart, Carlsbad's average annual RevPAR is \$113 compared to the average of \$166 across the competitive destinations. Carlsbad could attain the average annual RevPAR number over time with the recommended changes in the targeted marketing efforts addressed in the following sections. If Carlsbad set a target of reaching \$166 for the average annual RevPAR over 5 years (an increase of \$53 and 47%) it would increase the TOT collection to the City significantly. A 47% increase in TOT would be an additional \$8.4 million to the City, increasing the total TOT to \$26.4 million. The below chart illustrates the increases in both TOT (shown in orange) and the average annual RevPAR (shown in blue) over 5 years with a target of incrementally increasing both respectively by 6.6 percent annually.



If Carlsbad were to attain the average RevPAR of \$166, the TOT collection shown above supplies an additional \$8 million dollars to the City of Carlsbad. SAG believes this is attainable with the recommended shifts in targeted marketing and new market segments over the next five years. With these shifts the City of Carlsbad will see increased TOT collection, which could support new funding mechanisms for Visit Carlsbad and tourism product development.

In addition to being funded differently, many of the organizations are overseen by one board. In the event that there was additional funding from a BID or TID, the DMO did not report to that board and the budgeting was approved by the DMO board. In theory, this is similar to the Visit Carlsbad organization, however, SAG has found redundancies in the work done by the CTBID board and the Visit Carlsbad board. The most effective organizations have strong oversight by one streamlined process of governance. This is addressed later in the governance section of this report.

After completing in-depth research on these competitive destinations, SAG believes there is a strong opportunity for Carlsbad to grow in many categories and see a higher return for all stakeholders.

Lifestyle Segmentation Analysis

SAG partnered with Nielsen to conduct a Lifestyle Segmentation Analysis also known as a PRIZM analysis on recent Carlsbad hotel visitor data. Lifestyle Segmentation allows SAG to review the types of visitors who have recently stayed in Carlsbad. The data is run through Nielsen’s consumer profile database and is broken down to understand consumer behaviors, income levels, travel habits and more. The insights gathered from this segmented data allowed SAG to understand the types of people who have visited and where they are coming from. This will inform future efforts and which segments will create the highest return for Carlsbad.

The Lifestyle Segmentation Analysis is broken out into 66 segments which are numbered according to socioeconomic rank (which takes into account characteristics such as income, education, occupation and home value) and are grouped into 11 Lifestage Groups and 14 Social Groups.

SAG collected hotel data from seven individual hotel properties and the Visit Carlsbad ARES booking engine, which included results from 25 properties. SAG would like to thank the Pelican Cove Inn, Carlsbad by the Sea Resort and the Grand Pacific Resorts properties for submitting data for this analysis. SAG collected over 50,000 anonymous hotel records sorted by property, address, zip code, date of stay and lead source. These categories were key to understanding what segments come to Carlsbad, when they come, and where they live. This data allows SAG to geocode and map potential segments, which are target markets for Carlsbad’s future growth.

Visit Carlsbad is currently targeting its marketing effort to a specific segment of families with children 12 and under with a household income of around \$87,000. Utilizing the Lifestyle Segmentation Analysis, SAG was able to validate when these families are coming to Carlsbad and explore new opportunities.

It is important to note that this Lifestyle Segmentation Analysis did not include hotel records from the most family oriented hotel, LEGOLAND Resort. Also, Sheraton, Hilton properties, Omni and the Park Hyatt were unable to provide detailed hotel records. While the reporting would have been enhanced with data from these properties, SAG believes that the data gathered provided key insight because these properties are less family dominant, especially in the summer months. SAG also recommends that a lifestyle analysis be conducted on a biannual basis. This will create an opportunity for more participation in the future. The hotels that have participated will receive an individual report with their specific market segment breakdown. The following is a breakdown of the top market segments based on current visitation to Carlsbad. The names of each segment are provided by Neilson.

Top Carlsbad Segments

Families

SAG believes that the strongest segment of Carlsbad’s visitor during the summer season is families with children, which is supported by the zip code data LEGOLAND was able to provide from LEGOLAND Resort. Family travel in Carlsbad is strong and SAG is confident that this market is returning each summer to enjoy the attractions and amenities of the destination. The following are descriptions of the

family segments that currently visit Carlsbad in the summer months. Please note that each segment that is listed is attached to a broader social and lifestage group. The detailed descriptions of these can be found in the appendix of this report.

Upward Bound

Upscale Middle Age with Children

More than any other segment, Upward Bound appears to be the home of those legendary Soccer Moms and Dads. In these small satellite cities, upscale families boast dual incomes, college degrees, and new split levels and colonials. Residents of Upward Bound tend to be kid obsessed, with heavy purchases of computers, action figures, dolls, board games bicycles and camping equipment.



Social Group: 08 – Second City Society

Lifestage Group: 05 – Young Accumulators

Demographic Traits

- Urbanicity: Second City
- Income: Upscale - Median HH Income \$86,901
- Income Producing Assets: High
- Age Range: 35-54
- Presence of Kids: Household with Kids
- Homeownership: Mostly Owners
- Employment Levels: Management
- Education Levels: College Graduate
- Ethnic Diversity: White, Asian, Hispanic, Mix

Lifestyle & Media Traits

- Order from zappos.com
- Vacation at national parks
- Read *Outside*
- Watch America’s Funniest Home Videos
- Drive Mazda SUV

Kids & Cul-de-sacs

Upper Mid Younger with Children

Upper-middle-class, suburban, married couples with children – that’s the skinny on Kids & Cul-de-sacs, an enviable lifestyle of large families in recently built subdivisions. With a high rate of Hispanic and Asian Americans, this segment is a refuge for college-educated, white-collar professionals with administrative jobs and upper-middle-class incomes. Their nexus of education, affluence and children translates to large outlays for child-centered products and services.



Social Group: 05 – The Affluentials

Lifestage Group: 05 – Young Accumulators

Demographic Traits

- Urbanicity: Suburban
- Income: Upper Mid – Median HH Income \$71,830
- Income Producing Assets: Above Average
- Age Range: 25-44
- Presence of Kids: Household with Kids
- Homeownership: Mostly Owners
- Employment Levels: Professional
- Education Level: College Graduate
- Ethnic Diversity: White, Black, Asian, Hispanic, Mix

Lifestyle & Media Traits

- Order from target.com
- Play fantasy sports
- Read *Parents Magazine*
- Watch X Games
- Drive Honda Odyssey

Non-Family Segments

SAG reviewed the highest indexing segments for both summer and Shoulder Seasons that were not families and not part of the current target market in order to determine viable opportunities for new targets. The data received on visitors who were already coming to Carlsbad is insightful as to who these visitors are and what aspects of their lives might fit Carlsbad in the future. The top non-family segments were a high percentage of the visitors during the shoulder periods. Below are the top non-family segments:

Upper Crust

Upper Crust

Wealthy Older without Children

The nation's most exclusive address, Upper Crust is the wealthiest lifestyle in America—a haven for empty-nesting couples over the age of 55. No segment has a higher concentration of residents earning over \$100,000 a year and possessing a postgraduate degree. And none has a more opulent standard of living.



Social Group: 04 – Elite Suburbs

Lifestage Group: 08 – Affluent Empty Nests

Demographic Traits

- Urbanicity: Suburban
- Income: Wealthy— Median HH Income \$110,117
- Income Producing Assets: Millionaires
- Age Range: 55+
- Presence of Kids: Household without Kids
- Homeownership: Home Owners
- Employment Levels: Professional
- Education Level: Graduate Plus
- Ethnic Diversity: White, Asian, Mix

Lifestyle & Media Traits

- Shop at Saks Fifth Avenue
- Vacation in Europe
- Read The Atlantic
- Watch Golf Channel
- Drive Lexus LS

The Upper Crust segment visits Carlsbad in both the Summer Season and the Shoulder Season of September to March. This segment was 20% of the Shoulder Season visitor compared to only 13% of those visiting in the Summer Season. This data shows that Carlsbad should be targeting non-family households over 55 years in age that are living in wealthy suburban areas. This empty nest segment enjoys recreational activities including golf and sightseeing. This segment has disposable income for high end shopping, fine dining and most importantly regular travel.

Movers & Shakers

Movers & Shakers

Wealthy Older without Children

Movers & Shakers is home to America's up-and-coming business class: a wealthy suburban world of dual-income couples who are highly educated, typically between the ages of 45 and 64, and without children. Given its high percentage of executives and white-collar professionals, there's a decided business bent to this segment: members of Movers & Shakers rank near the top for owning a small business and having a home office.



Social Group: 04 – Elite Suburbs

Lifestage Group: 01 – Midlife Success

Demographic Traits

- Urbanicity: Suburban
- Income: Wealthy– Median HH Income \$101,517
- Income Producing Assets: Elite
- Age Range: 45-64
- Presence of Kids: Household without Kids
- Homeownership: Mostly Owners
- Employment Levels: Management
- Education Level: Graduate Plus
- Ethnic Diversity: White, Asian, Mix

Lifestyle & Media Traits

- Shop at Nordstrom
- Play tennis
- Read Yoga Journal
- Watch NHL Games
- Drive Land Rover

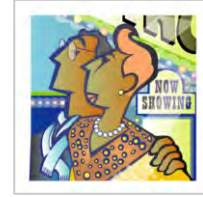
The Movers & Shakers segment was prevalent in both the Summer Season and the Shoulder Season of September through March. The Movers & Shakers segment showed a strong presence in the Summer Season with 19% of the visitor mix compared to 3% in the Shoulder Season. This segment as described above is a wealthy, highly educated couple, without children. This segment is active, healthy and interested in recreational activities. This segment is also likely to have a high level disposable income because they are childless. The presence of this segment in the summer months also indicates an appreciation for quick getaways in a clean, safe, active destination like Carlsbad.

The Cosmopolitans

The Cosmopolitans

Upper Mid Older Mostly without Children

Educated, upper-midscale, and ethnically diverse, The Cosmopolitans are urbane couples in America's fast-growing cities. Concentrated in a handful of metros--such as Las Vegas, Miami, and Albuquerque--these households feature older, empty-nesting homeowners. A vibrant social scene surrounds their older homes and apartments, and residents love the nightlife and enjoy leisure-intensive lifestyles.



Social Group: 01 – Urban Uptown

Lifestage Group: 09 – Conservative Classics

Demographic Traits

- Urbanicity: Urban
- Income: Upper Mid– Median HH Income \$58,313
- Income Producing Assets: High
- Age Range: 55+
- Presence of Kids: Mostly without Kids
- Homeownership: Home Owners
- Employment Levels: White Collar, Mix
- Education Level: Graduate Plus
- Ethnic Diversity: White, Black, Asian, Hispanic Mix

Lifestyle & Media Traits

- Shop at Macy's
- Vacation abroad
- Read Audubon Magazine
- Watch Masterpiece
- Drive Lincoln Town Car Flex Fuel

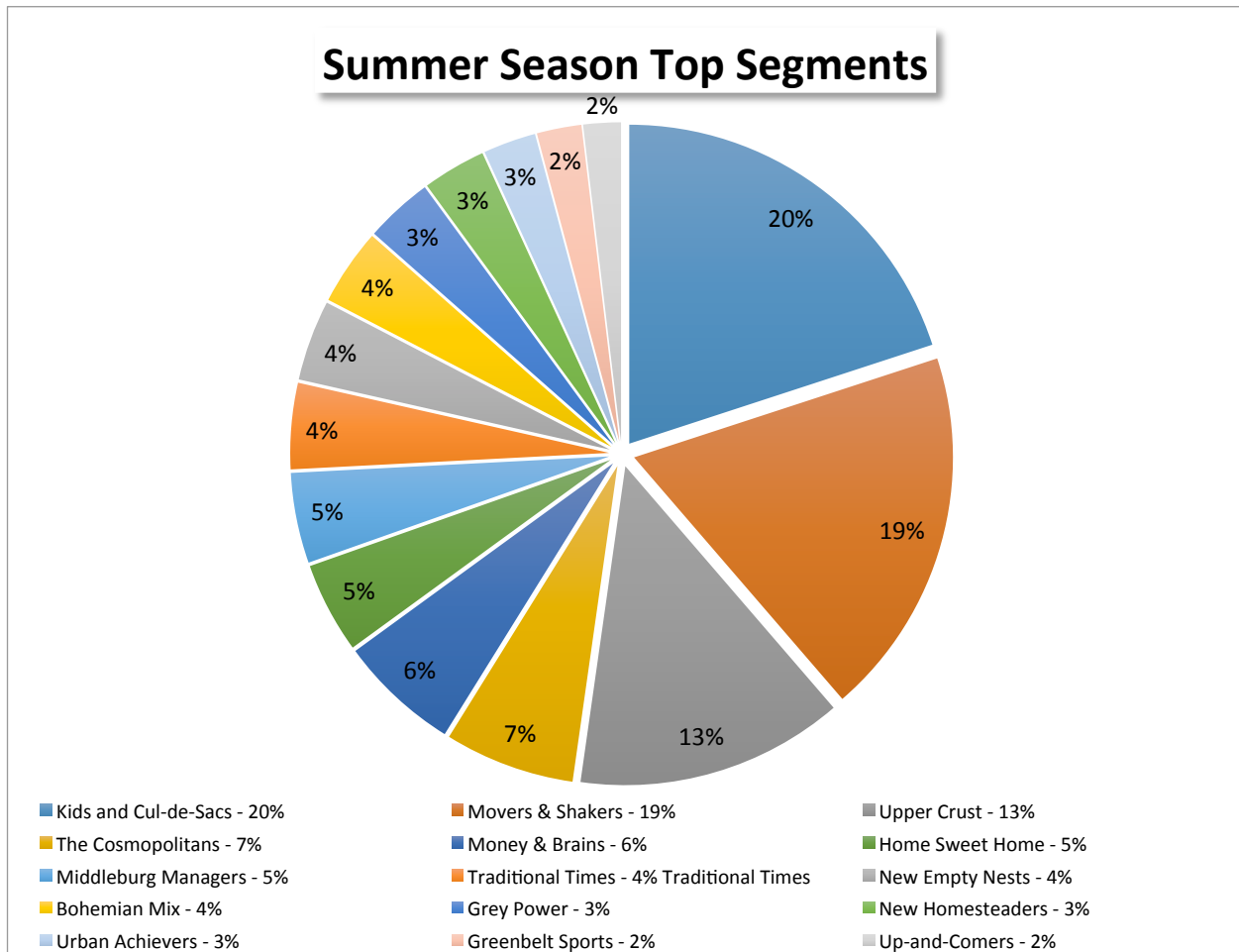
The Cosmopolitan segment was prevalent in both the Summer Season and the Need Period. The Cosmopolitans made up 7% of the visitor mix in the Summer Season and 9% during the Shoulder period. This segment of empty-nesters has an upper to mid-level household income and live in more urban areas. This segment enjoys being able to up and go now that their children are out of the house. They are social couples who enjoy leisure activities. For Carlsbad, this market would enjoy the walking and hiking trails around the lagoon, yoga, stand-up paddle boarding, and golf. This is a potential growth market for Carlsbad.

Seasonal Segments Overview

SAG sorted the segmented data by month to determine which types of visitors were coming to Carlsbad during the Summer Season versus the Shoulder Season. SAG defined the Summer Season by May-August and the Shoulder Season by September-March. The results of this seasonal sorting indicates that there are distinct differences between those segments who travel to and have interest in Carlsbad in the summer and those who are visiting in the Shoulder Season. SAG has determined, based on these results that the marketing should be re-focused at these segments during the appropriate season.

Summer Season Segments

As mentioned above, SAG is confident that the segments including families with children 12 and under are a key component of Carlsbad’s summer visitor mix. Those segments are visiting attractions, buying packages, and frequenting family hot spots like LEGOLAND and the Beach. Of the data records SAG was able to segment, the top 15 Summer Season segments of Nielsen’s 66 segments accounted for 65% of the Summer Season visitor mix. It is also important to note that the second largest segments were households with no kids. This indicates an opportunity to diversify our summer information. The below chart shows the breakdown by percentage of the top 15 segments that visit Carlsbad in the Summer Season:

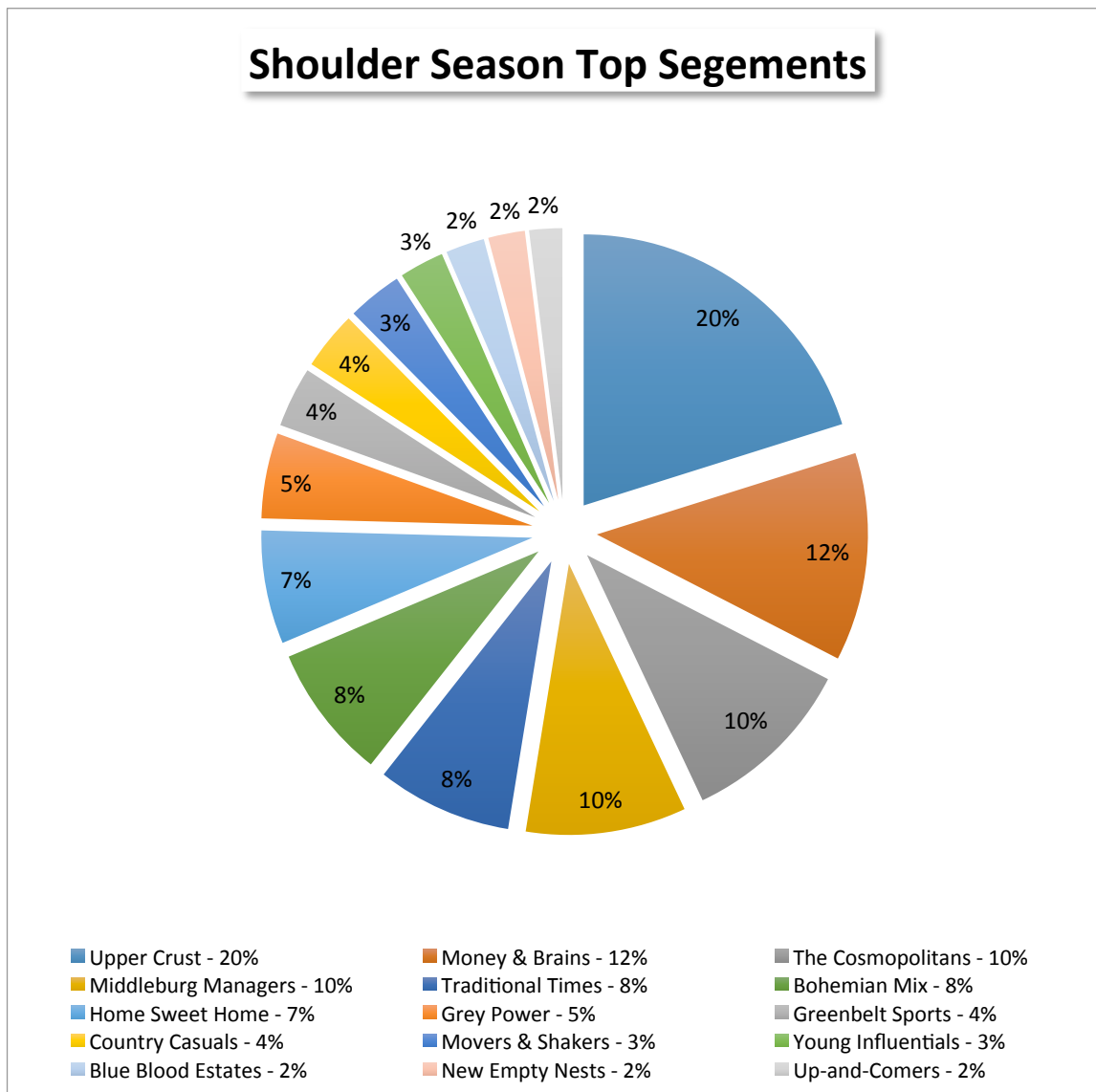


The top three segments for the summer were:

- **Kids and Cul-de-Sacs (20%)** – upper middle class families with children living in the suburbs. These families have a household median income of \$71,830 and the parents’ range in age from 25-44. The parents are college educated and hold professional positions. These families are in the “melting pot” category and are White, Black, Asian, Hispanic and Mixed. These families order on target.com, watch the X Games on TV and drive minivans like the Honda Odyssey.
- **Movers & Shakers (19%)** – wealthy, older households without kids living in the suburbs. These households are 45-64 with a median income of \$101,517. This segment is college educated carrying graduate degrees and holding management positions. They are mostly White and Asian. These households play tennis, shop at Nordstrom and drive higher end SUVs i.e., Land Rover.
- **Upper Crust (13%)** – significantly wealthy, older households without kids living in the suburbs. This segment is 55+ with a median household income of \$110,117 and classified by Nielsen as millionaires. These households are college educated with graduate degrees in upper management positions. They are mainly White. This segment shops at high end store like Saks Fifth Avenue, have vacationed in Europe, watch and play golf and drive luxury vehicles i.e., Lexus LS.

Shoulder Season Segments

SAG was able to sort the segments by the time of year they visited and determined that the Shoulder Season of September-March had distinct segments that visited Carlsbad. These segments differ from the segments above and also vary in percentage. These segments were typically households without children who have disposable income and enjoy recreation and leisure activities. These segments would likely be spa-goers, golfers, hikers, shoppers and diners. These segments have flexibility to travel at will and are comfortable enough to do so regularly. Of the data records SAG was able to segment, the top 15 Shoulder Season segments of Nielsen’s 66 segments, which accounted for 75% of the Shoulder Season visitor mix. The below chart shows the breakdown by percentage of the top 15 segments that visit Carlsbad in the Shoulder Season:



The top three segments in order were:

- **Upper Crust (20%)** – significantly wealthy, older households without kids living in the suburbs. This segment is 55+ with a median household income of \$110,117 and are classified by Nielsen as millionaires. These households are college educated with graduate degrees in upper management positions. They are mainly White. This segment shops at high-end stores like Saks Fifth Avenue, have vacationed in Europe, watch and play golf and drive luxury vehicles i.e., Lexus LS.
- **Money & Brains (12%)** – wealthy, older family mix within the household, living in urban areas. The older family mix means the children are mostly older teenage or college age dependents. The parents are 45-64 with a median household income of \$88,837 and are college educated in management positions. These households are classified as a “Melting Pot” and include White, Asian, Black, Hispanic and Mixed. This segment shops at stores like Banana Republic, travel for business occasionally, watch tennis and drive luxury SUVs i.e., Mercedes Benz E Class.
- **The Cosmopolitans (10%)** – wealthy, mid to older age range, mostly without kids living in urban areas. This segment is 55+ with a household income of \$58,313 working in white collar settings. This segment is classified as a “Melting Pot” and includes White, Asian, Black, Hispanic and Mixed. These households shop at Macy’s, have vacationed outside the US, watch Masterpiece Theatre and drive upper midclass vehicles i.e., Lincoln Town Car - Flex Fuel.

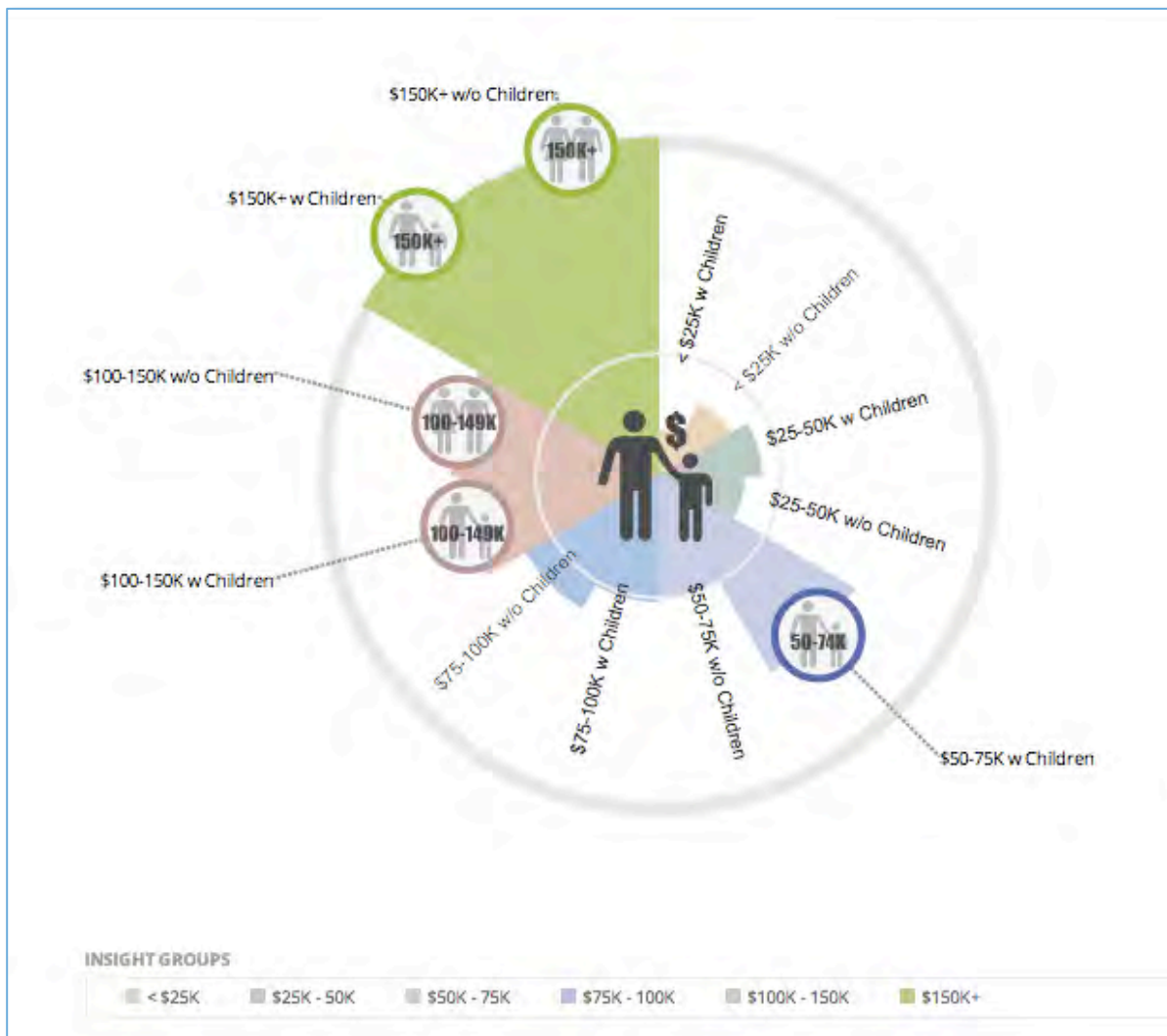
The results of this analysis support the shifting of resources to focus on the top segments that have been identified in this analysis. The opportunity is to increase Carlsbad’s share of these markets that have demonstrated interest in visiting in the shoulder periods.

Comparable Segmentation Research

SAG, in conjunction with Mindgruve, met and talked with the research firm Resonate which has been monitoring audiences visiting the Visit Carlsbad website during the summer campaign from April to September. SAG analyzed the data collected by Resonate through the pixels embedded in each page. These pixels allow Resonate to capture data on the individuals using visitcarlsbad.com.

Resonate Audience Insights:

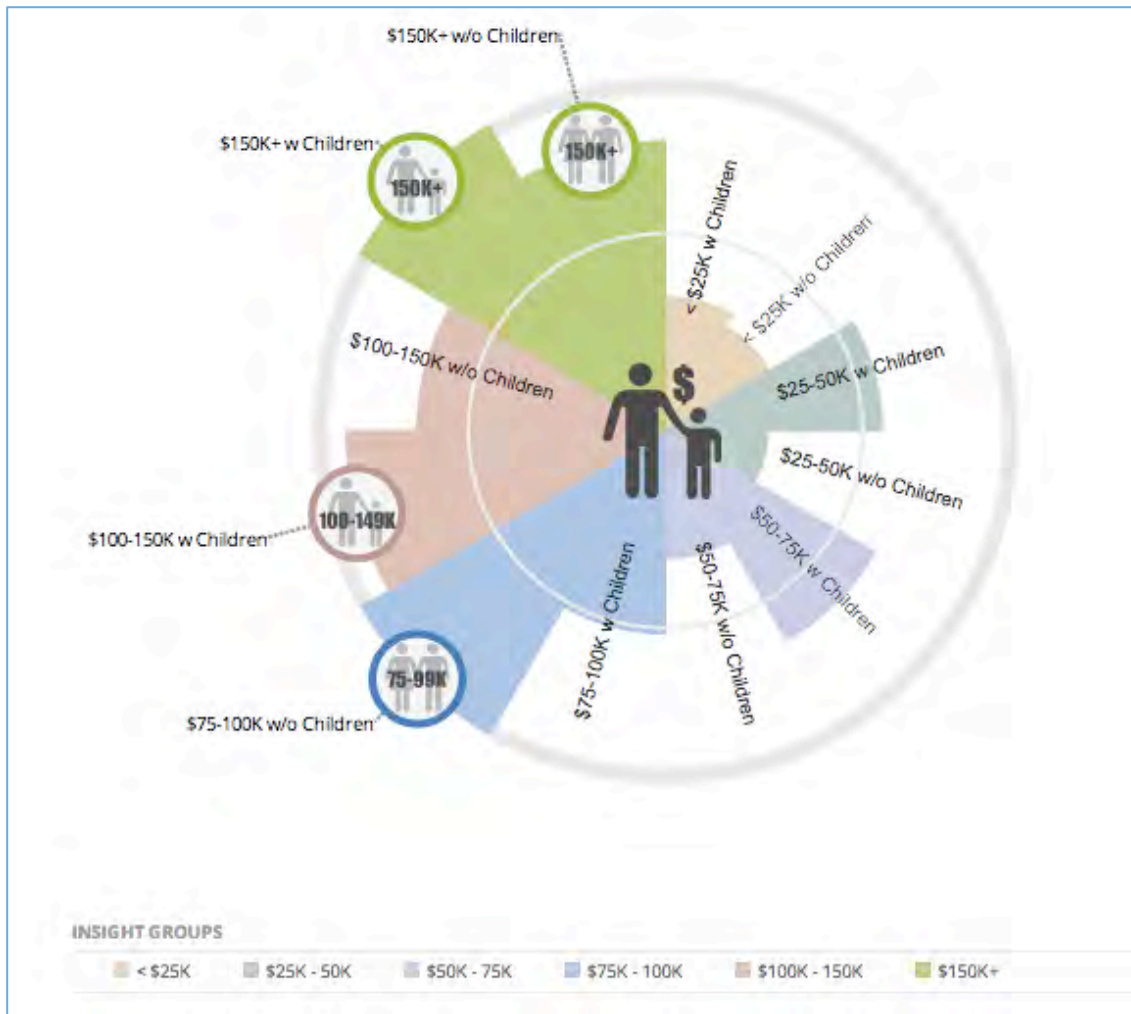
Resonate’s data showed different segments of people were actively going to the Visit Carlsbad website during different times of the campaign. The campaign began April 1, 2014 and ran through September 18, 2014. Below is a snapshot of Income and Household data collected on people who visited the DMO website during the month of April:



This data shows the Insight Groups who visited the DMO website in the month of April were more affluent than the current target market. The current target market actually indexes in the sixth position. The visitors that indexed the highest are ranked in order by income and presence of children in the household below (all segments indexed above 100 showing strong presence):

1. \$150,000+ annual income with children – highest index - 279
2. \$150,000+ annual income without children – index - 276
3. \$50,000-74,000 annual income with children – index - 185
4. \$100,000-150,000 annual income without children – index - 169
5. \$100,000-150,000 annual income with children – index – 162

Below is a snapshot of Income and Household data collected on people who visited the Visit Carlsbad website between the months of June and August:



This data shows the users who visited the DMO website between the months of June to Augusts were more affluent than the current target market. This data captures the current target market as the

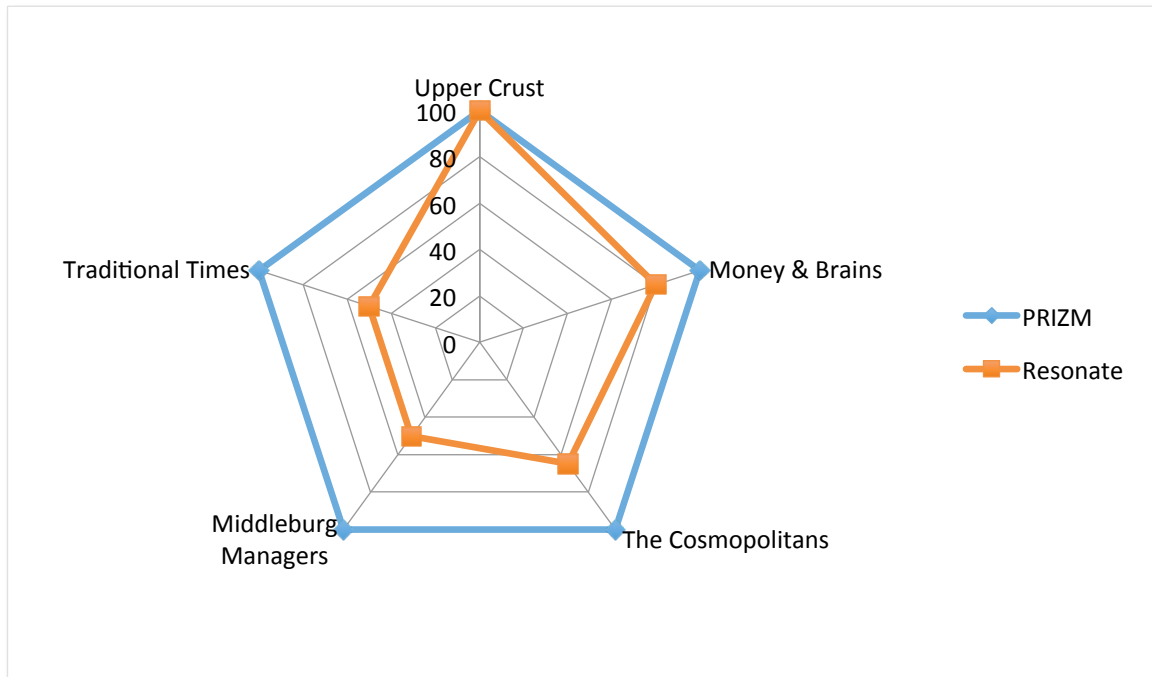
eighth highest indexing segment. This data also shows that there are additional segments actively interested in the Carlsbad product, which are viable targets. The visitors that indexed the highest are ranked in order by income and presence of children in the household below (all segments indexed above 100 showing strong presence):

1. \$150,000+ annual income with children – highest index
2. \$75,000 - \$100,000 annual income without children
3. \$100,000 - \$150,000 annual income with children
4. \$150,000+ annual income without children
5. \$100,000 - \$150,000 annual income without children

The current target market of Visit Carlsbad indexed in eighth place.

SAG compared the Resonate Audience Insight Groups data above to the Summer Season and Shoulder Season results from the Lifestyle Segmentation Analysis and developed the below profile. The charts below are the highest indexing segments for each respective season overlaid with the Resonate Audience Insight Groups.

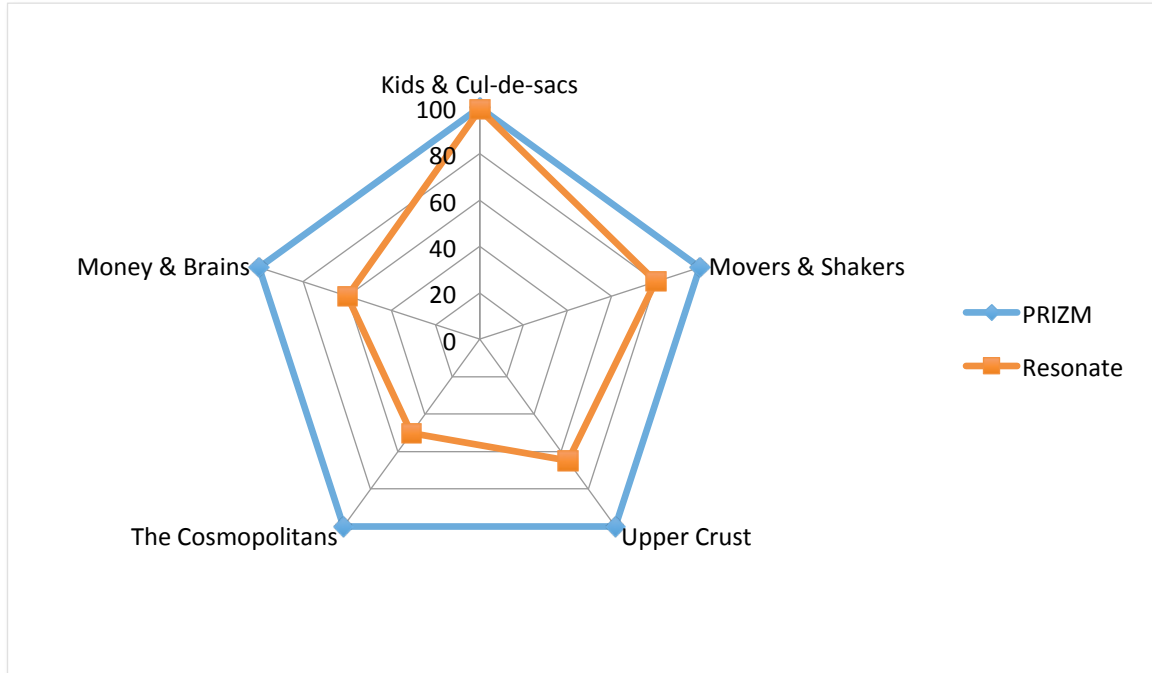
Shoulder Season Segments & Audience Insights Groups



This overlay of the PRIZM results from the Lifestyle Segmentation Analysis with the Resonate Audience Insight data is an illustration of similar segments interest in the Carlsbad tourism product. During the Shoulder Season, the Upper Crust PRIZM segment indexes the highest and correlates directly to the Resonate Audience Insight data profiles of those visiting the website.

This validates further the need to refocus the marketing resources on the markets indicated in the Lifestyle Segmentation Analysis and reinforced with the Resonate data gathered from recent web activity.

Summer Season Top Segments & Audience Insight Data



During the Summer Season the overlap of the results shows that the PRIZM segments that had the strongest market-share in Carlsbad were also indexing the highest against the Resonate results from the Visit Carlsbad website. Kids & Cul-de-sacs had the highest market share during the summer season and matches directly with the top profile of the Resonate Audience Insights data.

Lifestyle Segmentation Analysis Conclusions

This comparable analysis confirms and supports SAG’s research and recommendation of a new direction in target markets. The overlapping data of specific segments clearly show a presence of new and different segments, which should be targets for future marketing initiatives. These segments are all affluent households with relatively high incomes. The key targets for the shoulder periods are households without children. This allows Carlsbad to diversify the tourism product and create specific experiences that these markets will enjoy. The overall focus on the shoulder periods combined with the results of the segmentation study creates a clear path for future marketing efforts.

Conclusion – Research

The research that was conducted by SAG provides the foundation for the recommendations contained in this report. It is clear that Carlsbad has an opportunity to improve its position in comparison to the destinations that were analyzed. Growth in the level of funding will increase Carlsbad’s ability to strengthen its position in the new target markets.

The segmentation research creates a clear path for future marketing. It is recommended that specific campaigns with relevant experiences and packages be created to drive more visitation from these market segments.

SAG Research



The above chart illustrates the multifaceted approach to research for this report. This approach has created broad based input and participation coupled with market and competitive destination analysis.

Research Plan – Recommendation

It is recommended that an annual research plan is developed as part of the overall tourism effort. The results of the research underscored the importance of an ongoing plan. A sustainable research plan will create research-based decision making for future marketing efforts. This investment can also be very valuable in refining future target markets. Research will give insight on the overall visitor experience in Carlsbad. The types of research that would be beneficial include:

Visitor Profile Study – Every Three Years

A visitor profile study is designed to gain information on visitors to Carlsbad as well as gain insight on the overall visitor experience. The current visitor profile study questions should be reviewed to ensure a more thorough understanding of the overall visitor experience in Carlsbad. The current visitor profile study focuses on key characteristics of the surveyed travelers but doesn't probe the level of satisfaction or additional experiences that a visitor is interested in. Another dimension of the visitor profile study must entail a comparison of the demographics of visitors based on the time of year they have visited Carlsbad.

Benchmarking Study – Biannually

The foundation for benchmarking that has been established with this process should be updated on a biannual basis. This could be accomplished internally and would evaluate the positioning of Carlsbad relative to the competitive set in a broad spectrum of areas. The benchmarking study could be conducted internally.

Target Audience Study – Biannually

This study would be a continuation of the research conducted for this study to utilize hotel and inquiry guest data to further refine the demographics and interests of targeted audiences. The results of the study conducted for this report have been informative. The goal would be to have a greater level of participation by Carlsbad Hotels in future studies. This will help understand the trends in market mix and whether there is an increase in targeted markets visitation of Carlsbad. The expense associated with this study can be reduced if the data from the analysis is reviewed and reported internally.

Meeting Planner Survey – Biannually

This study would focus on the desirability of Carlsbad as a meetings destination. The study would also focus on amenities and services that would enhance Carlsbad's competitiveness. SAG recommends conducting this study at the point that the implementation of the group sales plan is complete. This will help refine the messaging and approach of the group sales and marketing effort. The meeting planner survey will also give an indication of attendee trends by target group markets. Through the use of the Visit Carlsbad group database and MINT, this survey can be completed with minimal expense.

SAG has recommended an increase to the budget for research in order to create an ongoing research plan. The baseline that is created through consistent effective research will become the foundation for future marketing and advocacy.

Leisure Sales and Marketing – A New Direction

SAG has reviewed the current activities and resources dedicated to Individual Leisure Sales and Marketing. SAG has met with the current digital advertising agency and public relations firm. Mindgruve and DCI have provided helpful analysis and insight for this study. SAG has reviewed the most current marketing plans and reports that are generated from both firms.

In conjunction with the research conducted that has identified potential new target markets for Carlsbad to increase visitors during shoulder periods, SAG evaluated the current approach in leisure sales and marketing. The proposed restructuring of the overall budget and resources for the development of a new groups sales and marketing effort has an impact on the approach and resources dedicated to leisure marketing.

The more compelling purpose of re-evaluating the current approach is to have a more targeted approach with a viable mechanism of tracking the actual conversion of future marketing efforts into overnight visitors. The plethora of options that exist for consumers to book their travel makes this challenging, however it must be aggressively pursued to demonstrate return on investment (ROI) of future activities. The current key measurements of success are focused on increasing online activity and overall impressions for Carlsbad.

The following is an overview of the current approach to measurement:

Online/PR Activity Measures

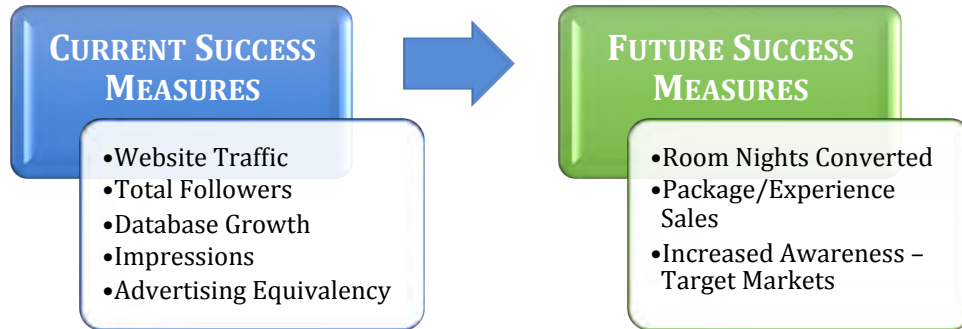
The following are the listed performance measures from the most recent annual report for Visit Carlsbad.

- ❖ Google Analytics
 - Direct & referral traffic
 - Time on Website
 - Page Views
- ❖ Social Media
 - Total Likes, followers & video views
 - Social referral traffic to website
- ❖ Email Marketing
 - Open & Click through ratios
 - Subscriber database growth

The most recent report shows an increase in web traffic, an increase in social media followers, and other indicators of increased traffic due to the digital marketing efforts. The investment that has been made in online marketing has been successful in increasing overall activity and awareness of Carlsbad as a destination. The reports generated by DCI focus on overall impressions generated by the public relations efforts and determine the value of those impressions in advertising dollars. These results also demonstrate that the public relations efforts are driving increased awareness of Carlsbad as a destination.

Future Direction

SAG recommends refining the future focus and measurement to determine impact that sales and marketing efforts have had on driving room nights or incremental visitors to Carlsbad. The other measure would be on increasing awareness of Carlsbad with agreed-upon targeted markets.



The increased focus on targeted marketing with a collaborative effort to track results is an important new direction for Carlsbad leisure meeting efforts. The more focused effort has the potential to produce more impactful results in the timeframes that have been determined as a priority.

Direct Marketing

In conjunction with the outcome of the research on future target markets, SAG recommends shifting the current marketing approach from online advertising to a focused direct marketing approach. The benefit of this approach is the ability to create specific experiences designed to appeal to targeted audiences. This will include developing specific experiences and offers for the targeted market segments and utilizing e-marketing techniques to reach the desired audience. According to the 2013 SDTA Visitor Profile Study, 85% of the current visitors coming to Carlsbad are using the internet as their information source and are likely to be receptive to a targeted direct marketing approach.

The information gathered about the likes and interests of the targeted market segments create the opportunity to develop Carlsbad experiences that appeal to them. An example of this is the “Uppercrust” market segment that has shown a high interest in Carlsbad during the shoulder periods. They enjoy activities like golf and like to dine out. Carlsbad experiences would be developed with these components and sent directly to them through direct e-marketing.



Uppercrust

Tracking Room Nights – Leisure Sales and Marketing

SAG recognizes the challenge of tracking room nights that have been generated from leisure sales and marketing activities. The plethora of options that a potential visitor has to book a room in Carlsbad is vast. Many studies have indicated that only a small percentage of visitors will book a room through a Destination Marketing Organization website. The opportunity exists to more predominantly position the booking engine as a vehicle to buy specific offers and gain insight through this activity as to the

success of future direct marketing campaigns. The booking engine, powered by aRes, will be an indicator of the success of a campaign.

Online Hotel Referrals – Recent Activity

The following chart is a recent indicator of the number of monthly visitors to the Visit Carlsbad website that “clicked through” to specific Carlsbad hotels. The chart below indicates that there were 2,404 web users that have taken action to review and possibly book hotel rooms.

Outbound Traffic Sent to Hotel Sites		
	Hotel	Outbound Clicks
1	Ocean Villas	172
2	Beach Walk Villas	169
3	Seashore on the Sand	169
4	Oceanfront Carlsbad	109
5	Carlsbad Inn Beach Resort	74
6	Grand Pacific Palisades	69
7	Marbrisa Resort	66
8	LEGOLAND Hotel	64
9	Scandia Motel	64
10	Beach View Lodge	63
Total		2,404

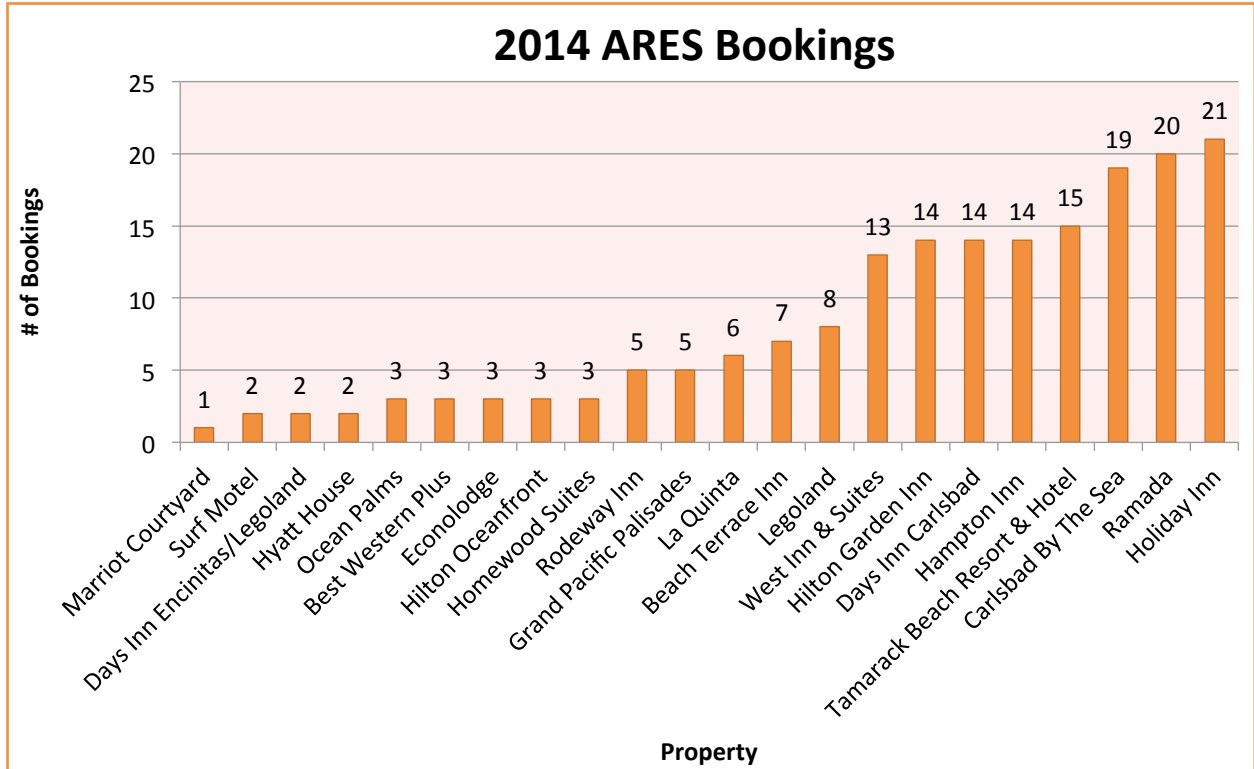
SAG recommends that a system is designed through specific offers and collaboration with the individual hotel web analytics to determine how many Visit Carlsbad website users made reservations through the hotels’ online reservations platforms.

SAG discussed potential approaches with Mindgruve for the ability to track actual conversion from the Visit Carlsbad website. The following recommendation was developed in collaboration with Mindgruve.

It is recommended that current individual hotel Google analytics are evaluated to determine goal tracking around bookings. Filters can be created specific to Visit Carlsbad referring traffic to view the number of conversions. The hotels will need to give access to this data, but once set up, an automated report can be created that can detail specific results to the stakeholders.

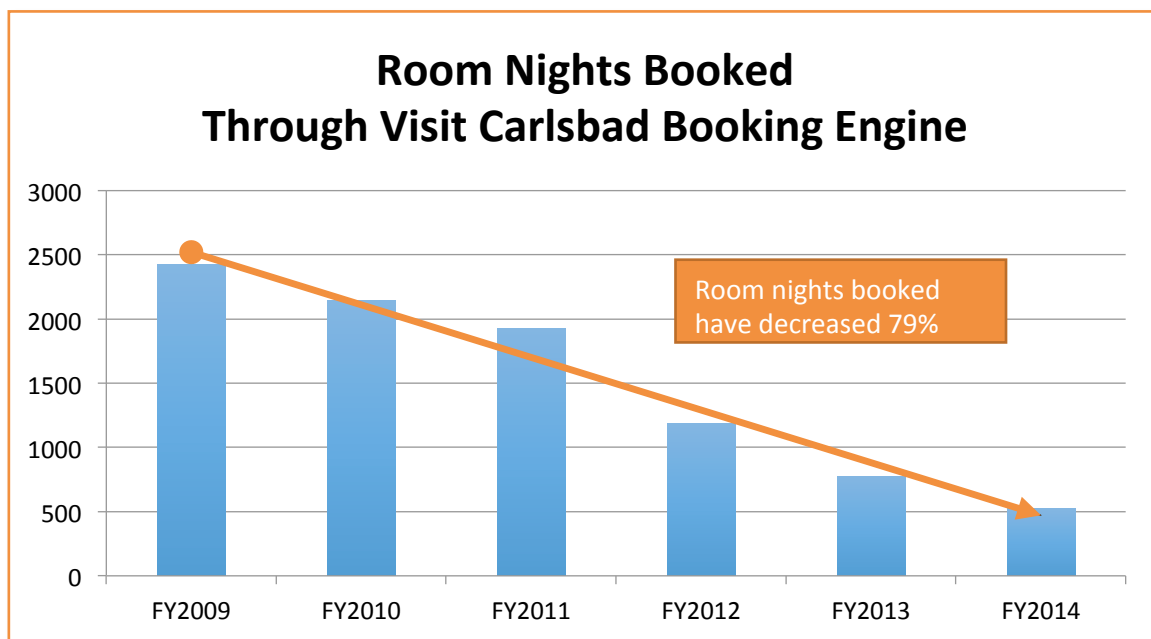
Booking Engine

While a DMO booking engine is only one vehicle that a visitor can use to reserve hotel rooms in Carlsbad, the utilization can be an indicator of the success of a campaign or overall effort. Visit Carlsbad has contracted aRes Travel which supports the booking engine on the Visit Carlsbad website. The following is a breakdown of the hotel bookings made through the booking engine in 2014.



The total reservations that have been booked year to date is 186 and the total room nights are 424. This represents less than .001 percent of the unique visitors that have visited the website in 2014.

The following chart shows the past five years of room nights booked through the booking engine:



SAG recommends using the activity on the booking engine as a performance measure. A goal would be set annually to review growth in the booking engine activity. The recommended shift in marketing focus will position the booking engine more predominantly in the reservation process.

Package/Experience Sales

An active package sales component is an important aspect of an effective leisure sales and marketing plan. The data that has been supplied from the research gives an indication of the priority leisure markets and their interests. SAG recommends that packages are created that are focused on driving new targeted visitors during the shoulder periods. These packages can also be utilized directly by the hotels in their reservations platforms.

Year to date 2014 package sales are as follows:

Package Name	# Sold	Total Amt	Room Nights	Tickets
The Ultimate LEGOLAND® Family Fun Vacation	24	\$22,161.63	63	108
The Best of San Diego! Fabulous Four Combo Package	2	\$2,510.00	10	16
Romance Package - Holiday Inn Express and Suites Carlsbad Beach	1	\$445.00	3	0
Go Wild at the San Diego Zoo Safari Park - Holiday Inn Express and Suites Carlsbad Beach	1	\$1,272.65	5	4

There were 28 “trackable” packages sold in the first 10 months of 2014, which accounted for 81 hotel room nights. In combination with a newly focused direct marketing campaign, this number will grow in the future.

Deals Page

SAG also reviewed the “trackability” of the Deals Page on the Visit Carlsbad website and found that the click through rate (CTR) was low. During the 2014 calendar year the CTR for the deals page was .07% with the total page views at 648 and the total click throughs to the unique pages at only 51. This underscores the opportunity to monitor referral activity and adjust offerings on an on-going basis.



Visitor Services – Visitor Experience Sales and Service

Currently the Visit Carlsbad Information Center functions as an information and fulfillment operation for a visitor who walks in, calls in, or makes an online request for information. Year-to-date in 2014, the Visitor Services team has handled 8,360 inquiries. The Information Center has brochures from the attractions in Carlsbad and the San Diego region.



SAG recommends that the Visitor Information function evolve to Visitor Experience Sales and Service. The focus of this area will be to handle any inquiry as a “lead” and work closely with potential visitors to “convert” them to actual overnight visitors through directly booking future stays and packages. This will also be accomplished through referrals with follow up and confirmation. Destination software packages have the capability to support this type of effort. SAG has recommended the implementation of new software.

SAG recommends that goals are set for both inquiries and room night conversion from the Visitor Services efforts.

Goal Setting – Leisure Sales and Marketing

The overall recommendations for Leisure Sales and Marketing create the opportunity to set annual quantitative conversion goals. SAG has created preliminary goals for the first year of the new direction.

The following is a chart that depicts the components of annual goal tracking:

Activity	FY2014 Actual	FY2015 Goal
Package/Experience Sales	81	1,100
Booking Engine Hotel Bookings	424	1,500
Online Referral Room Nights	NA	750
Visitor Experience Sales and Service – Inquiries /Room Nights	NA	250
Total Room Night Goal – 2015		3,600

The projected 3,600 new “trackable” room nights assumes the approval of the recommendations in February and the ability to have new targeted marketing efforts in full implementation by March 1st.

Public Relations

SAG had informational meetings with the current public relations contractor to understand the current activities. DCI was very informative and helpful in gaining an understanding of current activities.

The following is an illustration of the metrics that are currently used in measuring success and a sampling of the publications that are targeted for Carlsbad news.

PUBLIC RELATIONS	
Total Impressions:	37,465,502
✓ Broadcast Impressions:	3,518,406
✓ Print Impressions:	521,000
✓ Online Impressions:	33,426,096
✓ Advertising Equivalency:	\$830,862
✓ Return-On-Investment: Ad Equiv/ (\$5,000 x 12)	14:1
Key Message Dissemination	
✓ Carlsbad: California's Quintessential Oceanside Getaway	3,019,491
✓ In Carlsbad, LEGOLAND Anchors A Week of Family Fun in SoCal	9,262,408
✓ Carlsbad: Fostering Healthy Living Since 1882	28,023,050
✓ Carlsbad Woos Corporate Execs with Accessible, Pro Quality Golf	14,050
Call To Action Placement	
✓ visitcarlsbad.com	26,744,392
✓ 1-800-227-5722	102,028



The current four top line measures of success are:

1. Return on investment
 - a. Ad Equivalency / DCI Contract Amount
2. Circulation/Impressions
 - a. Verified circulation from media where PR efforts drove Carlsbad articles or features
3. Advertising Equivalency
 - a. The cost of the PR placements if they were to be purchased as advertising.
4. Call to Action
 - a. The level of activity driven from PR efforts on the Visit Carlsbad website.

The overarching goal of the current PR efforts is to increase awareness of Carlsbad nationally in a wide variety of travel related media, as well as general media. The illustration above shows the variety of media where Carlsbad has received publicity in conjunction with the current PR efforts.

SAG Recommendation – Focused Public Relations

In conjunction with the overall focus on key markets and with an emphasis on the shoulder periods, SAG recommends a focused approach to public relations. This will include gaining an understanding for the most effective vehicles to drive awareness to the target market segments. The Nielson Lifestyle Segmentation research indicates the most popular vehicles for reaching the key segments and with that information Visit Carlsbad can deploy public relations efforts in a targeted manner. This will contribute to a more focused plan going forward. The proposed budget has a smaller allocation for PR however a more targeted approach that will create more awareness in the top market segments.

Conclusion – Leisure Sales and Marketing

There is an opportunity to re-focus the future efforts in leisure sales and marketing for Carlsbad. The research has identified the top segments to pursue to increase shoulder period visitation. The development of Carlsbad experiences that will raise awareness and create specific options for the targeted market segments create an effective and measurable approach for the future.

The recommended refocused targeted approach will be effective in driving increased awareness to the targeted markets while resources are reallocated for the development of the group sales and marketing plan.

Group Sales and Marketing

The input received in the stakeholder focus groups as well as the review of competitive destinations mix of visitors uncovered the need to study the potential of conventions and meetings as a future target for tourism marketing. Currently, Visit Carlsbad utilizes empowerMINT (a subscription to the MINT database) to procure RFPs for group business through visitcarlsbad.com. Below are the 2014 leads generated through the Visit Carlsbad website:



SAG met with Visit Carlsbad's executive director along with the City's economic development manager and the Directors of Sales (DOSes) for the hotel properties that have larger amounts of meeting space in order to gain their insight on the potential of the group market and how tourism resources could be utilized most effectively. As is the overall recommended strategy of this report, the focus was to understand the current group sales efforts and the potential to focus future efforts on increasing the Shoulder Season visitation. The DOSes were very interested and supported a recommendation to work together on behalf of Visit Carlsbad to market the destination.

The following Carlsbad hotel leaders have participated in this process:

1. Vikram Sood, Hilton Oceanfront Resort & Spa
2. Julie Zahner, Sheraton Carlsbad Resort & Spa
3. Patsy Bock, Omni La Costa Resort & Spa
4. Jason McLaughlin, Park Hyatt Aviara Resort
5. Michael Swyney, Hilton Oceanfront Resort & Spa

The opportunity in creating a new group sales and marketing effort is to determine how to implement an approach that is complimentary to the current sales efforts of the individual hotels and resorts. SAG facilitated a discussion with the DOSes to determine how to create a new effort that was focused on raising awareness and bringing new groups that were not already being marketed and sold by Carlsbad hotels. This is a common concern for other destinations. The consensus was that the new group effort must be very open and transparent to allow for the oversight committee, in conjunction with Visit Carlsbad, to monitor and re-focus the business development efforts on a monthly basis. The recommendations in this area have been developed in conjunction with the participating DOSs.

The following are key components of the recommended new approach to attracting new group business to Carlsbad:

Oversight

An oversight committee will be formed as a committee of the Board of Directors. This committee will be made up of the hotels with meeting space which can provide expertise and support in the development of a successful group sales and marketing program. This committee would monitor progress on a monthly basis as well as review and recommend the group sales budget and goals. The level of engagement of this committee will have a direct impact on the success of the program. The goal is that this group sales initiative will be a collaborative process.

Goal Setting

The goal setting process will include initial research by the Visit Carlsbad Business Development Manager with review by the Executive Director. The goals will then be presented to the oversight committee for review and recommendation for the goals to be presented to the Visit Carlsbad Board of Directors and the TBID Board of Directors.



Metrics

The primary metric for success of the group sales effort is definite room nights booked as a result of the sales and marketing efforts. The tracking of these room nights will require collaboration between the hotels booking the groups and Visit Carlsbad. Other important metrics will include the number of qualified leads generated as well as the number of new customers that have come to Carlsbad to learn about the destination from a meetings standpoint.

Key Group Sales Metrics

- *Definite Room nights Booked*
- *Qualified Leads Generated*
- *New Customers coming to Carlsbad*

Staffing

The recommended approach to staffing is the hiring of a Business Development Manager as a full time employee of Visit Carlsbad. This position would report to the Executive Director and be responsible for the driving awareness of Carlsbad as a meetings destination and identifying new customers in identified markets to bring to Carlsbad.

The job functions of this position would include:

1. Researching and developing the list of top group markets for Carlsbad
2. Developing an annual plan for external marketing events
3. Prospecting for new clients who have potential for Carlsbad
4. Organizing Familiarization trips to bring new clients to Carlsbad
5. Creating and implementing an awareness plan, including direct marketing
6. Coordinating a targeted PR effort for the Group Market
7. Developing a group database for Visit Carlsbad
8. Developing a group “Brand” for Carlsbad
9. Developing an approach to present the group experience in Carlsbad through a virtual presentation
10. Developing a complete online space for meeting planners that will include tools and meeting space specifications for all Carlsbad meeting options

This position would have the title of “business development” to signify that the role would be to work on uncovering new customers for Carlsbad and then coordinating with the hotels for the actual closing and contracting of business. The position would be measured based on the number of groups that actually booked Carlsbad from the new sales and marketing efforts. This makes it very important that there is a coordinated approach to tracking the new customers and whether they held a meeting in Carlsbad.

Meetings that take place from Sunday through Wednesday during the previously mentioned shoulder period (September through March) will be a primary focus of this new effort.

Vertical Markets

SAG recommends that there is a facilitated session in conjunction with the sales department to finalize the top vertical markets for Carlsbad. The DOS’s have reviewed the current business mix and the following are the preliminary list of key group markets for Carlsbad:

1. Biotech
 - a. Medical device industry
 - b. Lifestyle companies
2. Sports business – examples: SKLZ*, Golf Manufacturing Companies
3. Retail – Corporate - example: Reef*
4. Incentive
 - a. Pharmaceutical
 - b. Financial
 - c. Insurance
 - d. C-level
5. Social, Military, Educational, Religious and Fraternal (SMERF)

6. Healthcare/Hospitals

**SAG understands that both SKLZ and Reef are current clients bringing group business to Carlsbad hotel properties. These companies are good examples of markets that work in Carlsbad.*

The importance of finalizing the top vertical markets is to give direction for the new sales efforts and where to focus resources.

Initial Demand Review

SAG conducted a search of the industry national meetings database (Mint) and found that there are 2,300 groups that have met in Southern California with a peak room night requirement of 25 – 500 rooms. This is an indicator of strong demand and opportunity for group business in Carlsbad.

Technology

It is also recommended that Visit Carlsbad obtain an effective Sales and Marketing software platform to support the new effort. The development of a database of contacts that have been identified as having potential for Carlsbad as well as the ability to develop targeted direct marketing programs are two examples of the benefit of an effective sales software platform. SAG has contacted an industry software supplier who has given a preliminary budget estimate that has been factored into the budget below.

SAG also recommends that Visit Carlsbad continue to be a subscriber to MINT. MINT is an industry driven database with over 40,000 meetings from 20,000 organizations. This will be an important tool to support the prospecting efforts. The cost for the subscription is \$5,000.

Budget

The following is an initial draft of the budget for the first year of the new Group Sales and Marketing effort:

Staffing – Business Development Manager (total with benefits)	\$150,000
Familiarization Trips (two trips annually)	\$20,000
Sales Calls	\$15,000
Technology/MINT	\$15,000
Website Development	\$20,000
Digital Sales Tools (photos, video)	\$20,000
E-marketing	\$7,500
Total	\$247,500

As noted in the introduction, this represents approximately 50% of the available budget dollars. It is recommended that this budget is finalized as part of the implementation plan.

Goals Setting

SAG has reviewed a preliminary approach to setting goals for the new sales and marketing effort. There will be a period of time needed for organizational items. The following is an approach to setting goals for the first full year of operation:

Activity	Frequency	Desired result
Familiarization Trips	2 in the first year	20 qualified new clients annually to attend
External Events/Shows	1 in the first year	15 new qualified clients annually
Business Development Activity	Ongoing throughout the year	60 new qualified clients annually (5 per month)
Direct Marketing	3 awareness campaigns annually	30 new qualified clients annually
Total new qualified clients - first year:		125
Total Room Nights Booked – first year:		1,875

Each client represents 150 total room nights on average.

The new qualified clients represent 18,750 new room nights.

The percentage of new clients who have been exposed to Carlsbad who will book in the first year is projected at 10%.

The first year of the new Sales and Marketing effort will generate 1,875 new room nights. This number will grow in future years as more qualified clients are added to the database and book meetings in the future.

Raising Awareness of Carlsbad as a Group Destination

Together with the business development recommendations, the new Group Sales and Marketing effort must focus on how to raise awareness of Carlsbad as a meetings destination. In conjunction with the identified markets that will produce the highest return, a focused plan must be finalized that will move Carlsbad to a group's destination of choice.

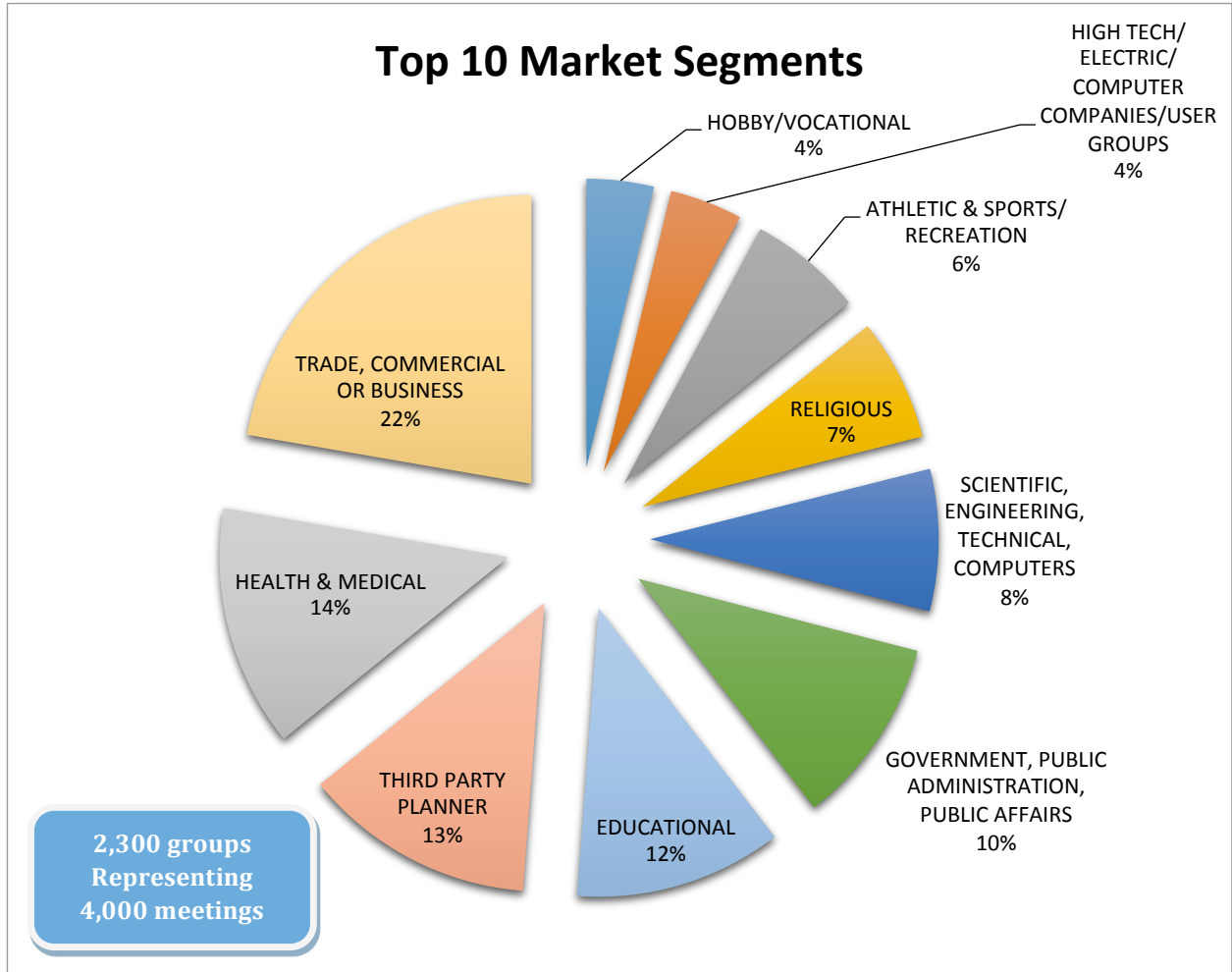
Components of the approach to increase awareness will include:

1. Social Media
 - a. The social media platforms can be used to target meeting planners.
2. Direct Marketing
 - a. The development of a qualified client database will create a platform for an ongoing direct marketing effort. A consistent effort will keep Carlsbad top of mind with targeted meeting planners.
 - b. The customers found in the MINT database should also receive a direct marketing piece re-introducing Carlsbad as a meetings destination.

SAG has conducted surveys of over 10,000 meeting planners and the most recent surveys point out the need to create meaningful attendee experiences. This includes the attendee understanding the “brand” of the destination and experiencing the unique attributes as part of the overall meeting plan. The further development of the Carlsbad brand and unique experience for the group market will be an integral part of the first year.

Group Demand for Carlsbad

SAG, in conjunction with Visit Carlsbad, conducted a search of the MINT database to gain a preliminary understanding of the group demand for Carlsbad. The parameters for the search were groups that needed 25 to 500 rooms on their “peak” night and had met in Southern California (and the central coast). The following chart shows the breakdown of the market segments of the groups that met these criteria as a result of the MINT search:



The breakdown of market segments demonstrates that many of the segments correspond to the segments identified by the hotel Directors of Sales who participated in the development of the Group Sale and Marketing Plan. The overall universe of 2,300 groups representing 4,000 meetings demonstrates a significant market for future meetings in Carlsbad.

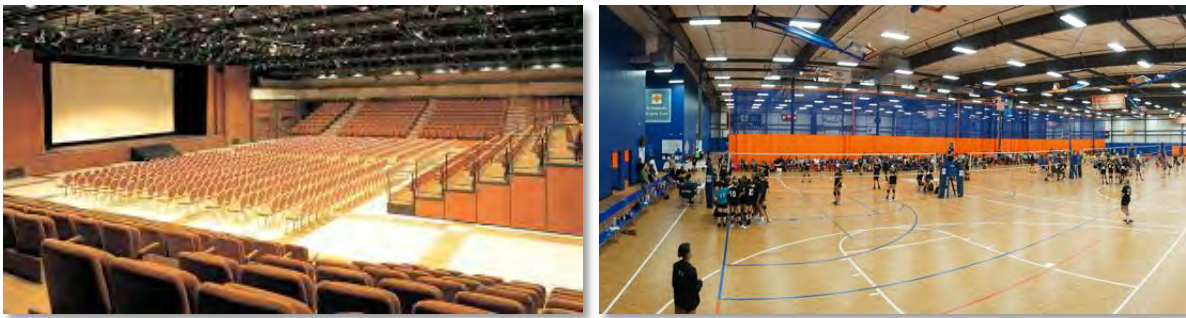
Carlsbad Conference Center

There is an opportunity to explore the feasibility of a Conference Center being built in Carlsbad. There are many factors to consider in determining if a conference center would have an overall positive impact for Carlsbad. Those factors include the availability of a suitable site, a concentration of hotel rooms to create a viable room block within close proximity, sufficient demand, adequate funding and a viable ownership and operating model.

SAG conducted a search of meetings that had met in Southern California and required 500 to 1,000 hotel rooms simultaneously with an attendance of 800 to 2,000. These parameters were selected because these groups would need more than one hotel in Carlsbad and potentially a Conference Center for meeting space. The search produced over 750 groups, which indicates a large overall demand since the MINT database has relatively small percentage of the universe of meetings that would fall into this category.

*Large Group Demand
750 Groups identified in a national
meetings database*

The next steps are to determine if there are available viable sites and conduct a full feasibility study. It should be noted that there are a wide range of models and facilities that should be considered. A new facility could be developed that was flexible to handle multiple uses. This is important in attracting private investment. The feasibility study should take into account the combinations of uses from meetings and conferences to sporting activities and project the implications of different models.



Examples of multiuse facilities designed to host a wide range of events.

Conclusion - Group Sales and Marketing

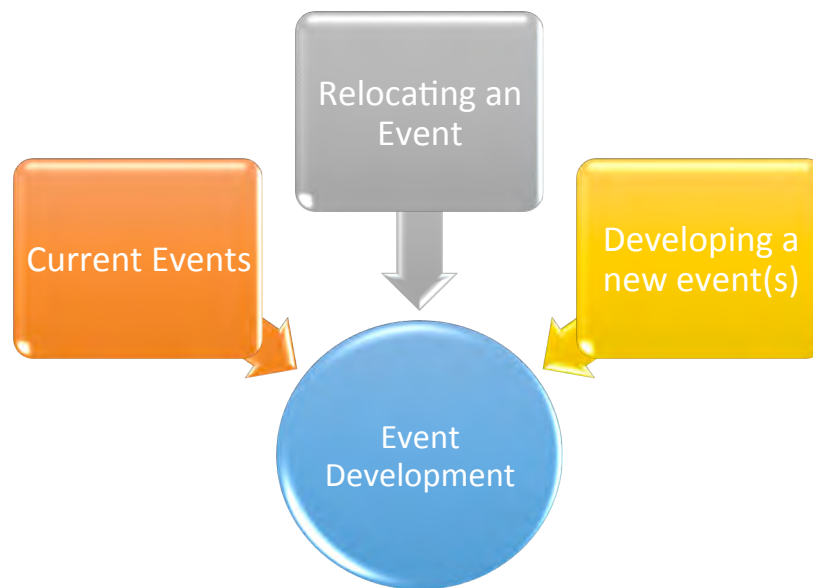
The development of a new and effective group sales and marketing plan will require the collective input and oversight of the Board of Directors, a designated committee, and Visit Carlsbad. The opportunity to recruit a new staff member and finalize the overall parameters is important in ensuring that the efforts are complimentary to the current group sales efforts of the Carlsbad hotels.

With this in mind, SAG recommends the development of a group sales and marketing plan as outlined above. With a successful effort, the definite room night bookings will grow significantly as qualified client databases are created and developed.

Event Development

The development of events that will bring visitors to a destination during periods of softer demand is an important aspect of a tourism plan. There are three approaches to consider in the development of an overall event plan:

1. Are there current events that could develop into stronger tourism events with support and resources?
2. Are there events in other destinations that would be successful in Carlsbad? Can Carlsbad entice the event organizers to relocate or create a similar event in Carlsbad?
3. Should Carlsbad develop its own signature event to attract visitors? Could a new event that was unique to Carlsbad have a larger impact on the Carlsbad brand?



SAG recommends that all three approaches are used in developing an annual event plan. The current grant program that is administered by the CTBID Board of Directors should support a new overall approach to event development. Visit Carlsbad, in conjunction with the CTBID staff, would present a proposal annually that would encompass the overall approach to event development and how it supports the overall direction of the marketing plan.

The current events that are funded through the CTBID grant process are:

	Date	Room nights generated	Attendance
2. Marathon	January 19, 2014	379	13,855
3. Carlsbad 5000	March 29-30, 2014	2,686	7,333
4. Film Festival	September 18-21, 2014	75 (La Costa)	4,500
5. Carlsbad Music Festival	September 19-21, 2014	n/a	3,500

Event Measurement and Reporting

It is critical to have a measurement and reporting plan for all events. This should include support for the event organizers in the best mechanisms to collect the data that is needed. SAG discussions with the CTBID staff indicated there was an opportunity to develop a consistent approach for the measurement requirements for events that receive support. SAG recommends the development of a required projection and measurement component as a requirement for all events receiving CTBID support.

Metrics would include:

1. Projected Attendance
2. Marketing Plan Metrics
 - a. Traditional Advertising Reach
 - b. Online activity
 - c. Social Media reach
3. Room Nights Generated – Tracking Method
4. Economic impact – (pre-approved formula)
 - a. Direct Spending
 - b. Tax Generation

The implementation of an event development plan will have quantitative goals. The data was not available for all of the currently funded events. This goal needs to be developed in conjunction with the overall annual goals.

In the area of larger event recruitment, a goal of one new large event every two years would be aggressive, yet achievable. SAG recommends establishing a goal for ongoing event development.

The Carlsbad Experience

The development and prioritization of the Carlsbad tourism product is an integral part of the long-term strategic plan. The following are recommendations related to opportunities to continue to develop and enhance the overall visitor experience in Carlsbad.

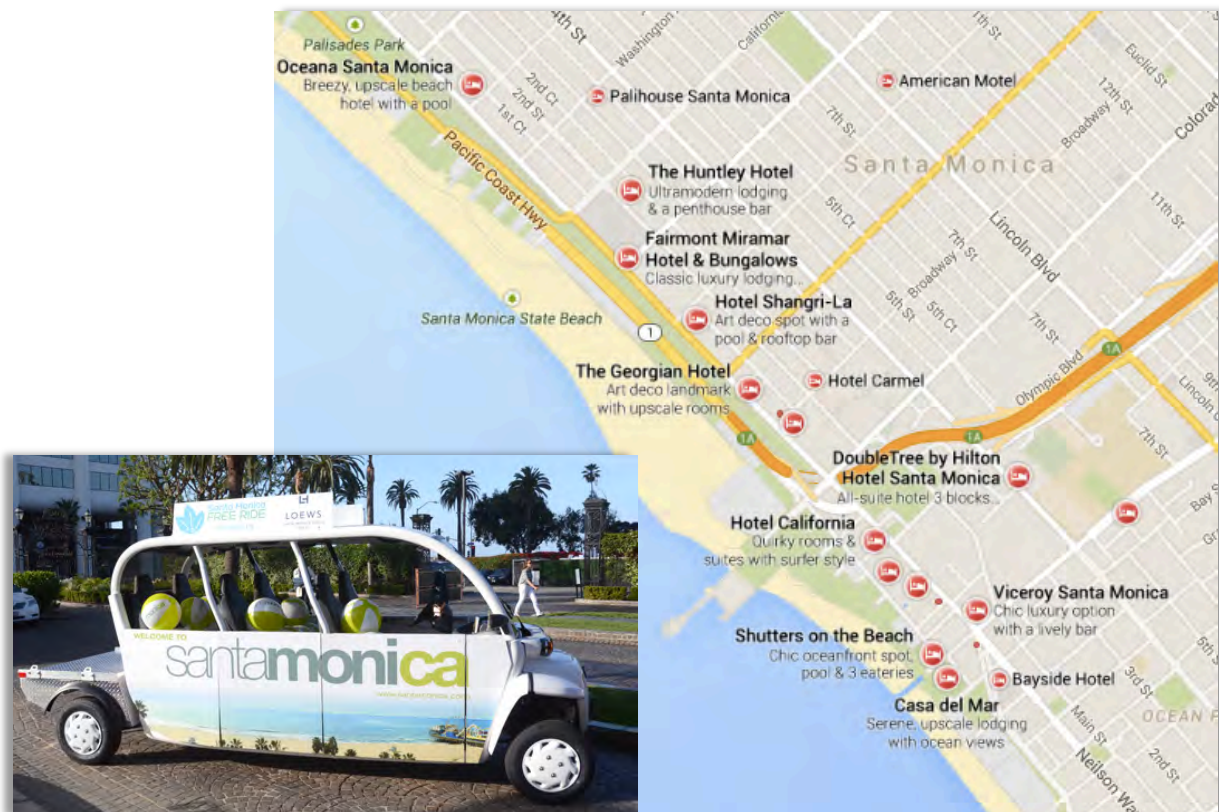
The results of the research highlighted the fact that after the beach and LEGOLAND, the recognition of other attractions or amenities dropped off significantly. The opportunity going forward is to determine the highest priorities and development of funding and recruitment plans.

The following are opportunities SAG recommends for future capital and marketing investment.

Transportation System

The development of a transportation system to connect key points of interest such as the Carlsbad Village, retail, and hotels would provide an opportunity for visitors to experience Carlsbad without driving and navigating parking. This system could be funded through multiple businesses and business districts.

Competitive destinations have launched and implemented shuttles and services for tourism purposes to accommodate visitors transportation needs. Santa Monica is a good example of a hotel-sponsored tourism shuttle that was launched in May of 2014. The Santa Monica shuttle is free to visitors and its route covers Downtown Santa Monica, the Santa Monica Pier, Main Street, and Montana Avenue areas and is available at select hotels. Pedestrians can flag down the vehicles to be transported within the service area. The service runs seven days a week from 11:30am until at least 8pm, later on weekends and for special events.



Carlsbad Lagoon – Agua Hedionda

The Agua Hedionda and neighboring lagoons create an opportunity for a new experience and are currently a fairly popular visitor experience. The below graphic delineates the different entities which currently have rights to areas of the Agua Hedionda Lagoon.



Based on research and stakeholder conversations, there are questions surrounding the rights and ownership of different parts of the Lagoon. Following is a description of each entity that operates on the lagoon and their rights to the space:

- **City of Carlsbad** – The City does not own the land or the water but has the right to grant permits for motorboat usage.
- **California Watersports** – California Watersports is a private operator who pays rent to a private landowner to maintain his business on private land along the lagoon. California Watersports also pays the City \$1.00 per boat launch for individual boats and personal watercrafts. California Watersports is considered a vendor of the City because of the existing agreement in place.
- **NRG (Power Company)** – NRG claims ownership of the surface of the water of the lagoon.
- **YMCA** – The YMCA entry point is on the north side of the middle section of the Lagoon. The YMCA leases the rights to use the Lagoon from the power company (NRG). It is understood that the YMCA lease is on an annual renewal with a 60-day notice. In previous years, the City used to lease the space from NRG and sublease to the YMCA. The current agreement is directly between NRG and the YMCA.
- **Hubbs Sea World Research Institute** – The Hubbs Sea World Research institute owns the land where the building is located and claims ownership of the surface of the water of the Lagoon.

- **Carlsbad Aquafarm** – the Carlsbad Aquafarm is a private company that cultivates Mediterranean Blue Mussels, Pacific Oysters and Ogo for sale to wholesalers and regional restaurants. The Aquafarm also raises different “live feed” for the aquaria trade industry.
- **Carlsbad Desalination Plant** – The Carlsbad Desalination Plant is owned, operated and maintained by Poseidon and will be operational in 2016. The site of the desalination plant is a 6-acre parcel in a portion of the site that leaves the majority of the EPS property open for potential recreational or redevelopment activity.

The entities described above own, lease, or have access to the Lagoon and are all separate from each other. The current organization of the Lagoon lacks continuity and oversight. The City has an opportunity to negotiate and/or increase oversight in certain areas to improve the Carlsbad experience when it comes to visitors of the Lagoon. SAG feels strongly that the Lagoon is a unique asset to the community and the tourism industry and the City is positioned to capitalize on this opportunity. SAG would recommend the following steps to improve the tourism product of the Agua Hedionda Lagoon:

1. Increase the parameters and quality requirements of the contract with California Watersports. The City collects revenue from the vendor and has an agreement with the operator although the lease is to a private landowner. At the next opportunity, the City should require higher quality standards of the operator in order to clean up the site and increase the quality of the patron experience. In conjunction with this, Visit Carlsbad would collaborate in the development of the annual marketing plan to include the overall approach to promoting the lagoon as a visitor experience. Visit Carlsbad would also proactively obtain visitor feedback to evaluate the quality of services.
2. Begin discussions with NRG and the YMCA about the current agreement and the best way for the City to make improvements for tourism and access for visitors. While the YMCA is an important community organization, they currently have sole rights to the middle section of the Lagoon, which is not maximizing the asset from the City’s perspective. Based on SAG’s research, the lease with NRG is year-to-year, which presents an opportunity to the City to get involved either directly with NRG or sublease from the YMCA.
3. Invest in a capital project on the Lagoon to increase the visitor experience. SAG conducted research and through stakeholder conversations, learned that the YMCA’s portion of the Lagoon is largely empty and presents an opportunity for an investment. SAG recommends completing further due diligence on the opportunity to invest in a capital project such as a Cable Wake Park (pictured below). A Cable Wake Park is a tow line operated by an electric motor on a series of towers. This creates a course that riders on wakeboards, wakeskates, waterskis, and wakesurfs follow on a tow line. The courses can be changed and updated to allow for different levels of difficulty. There are only seven Cable Wake Parks in California and none along the coast. Carlsbad is uniquely positioned to host a Cable Wake Park and would be the only coastal California destination to have an asset of this kind. An investment in a Cable Wake Park would also diversify the Carlsbad tourism product because the age range for riders is typically older than the current target market. The minimum age for riders at most Cable Wake Parks is 8 years old. Typically riders are in their teens and older.

The following images show a Cable Wake Park and how it could impact the Lagoon product:



Conference/Convention Center

As mentioned in the previous section, SAG recommends conducting a more in-depth feasibility study to determine the viability of a conference/event center for Carlsbad. The preliminary demand analysis demonstrated a potential groups market for a conference center. The feasibility study should include site selection, flexible uses and the range of ownership and management models. This study could be completed in a cost effective manner with support from Visit Carlsbad in demand validation.

Carlsbad Village

The Carlsbad Village provides a central business district for visitors staying in all areas of Carlsbad to enjoy. SAG has reviewed the current collaborative marketing between Visit Carlsbad and the Village. This was illustrated in the low referral numbers from the Visit Carlsbad website. There is an opportunity to fully integrate the collective marketing resources and activities.



One important note in reviewing feedback received by visitors and stakeholders is that Carlsbad Village is not mentioned often as an “attraction” when describing Carlsbad as a destination. This could be due to the ongoing need to expand the experiences as well as a lack of a cohesive marketing approach to increasing awareness and driving visitation.

SAG met with Urban Place Consulting to gain additional insight on current activities. The Village has had capital investment in streetscapes, way finding and lighting. They have also developed an active event schedule as a tool to increase visitation.

The recent plan developed for the Village included the intent to have an ongoing collaborative relationship with Visit Carlsbad. SAG recommends that this is established in the future. The collaboration should include the development of a joint marketing plan annually and involvement in

both organizations by the Executive Directors. This should include participation in both boards of directors.

The Village is also undertaking the challenge of gaining support and ultimately creating a PBID designed to produce an ongoing funding stream to support future economic development activity as well as marketing. The suggested budget for the Property-based Improvement District (PBID) should be reviewed and supported by the tourism industry after any suggestions are made for modifications.

In 2014, there were 100 total web referrals from the Visit Carlsbad website to the Carlsbad Village website. This is an indicator of a future opportunity to increase the collaboration and cross promotional opportunities.

In the area of product development, the current capital requests that will have the greatest impact on the visitor experience in the village should be a priority for advocacy support by Visit Carlsbad. These would include items that will improve the look and feel of the Village. The ongoing development of the Village creates a more viable Carlsbad experience for visitors

SAG also reviewed the potential of a transportation system that would connect the Carlsbad Village to retail opportunities as well as hotels and spas. There was support for this and an interest in being involved with the development of a plan.

SAG recommends the following

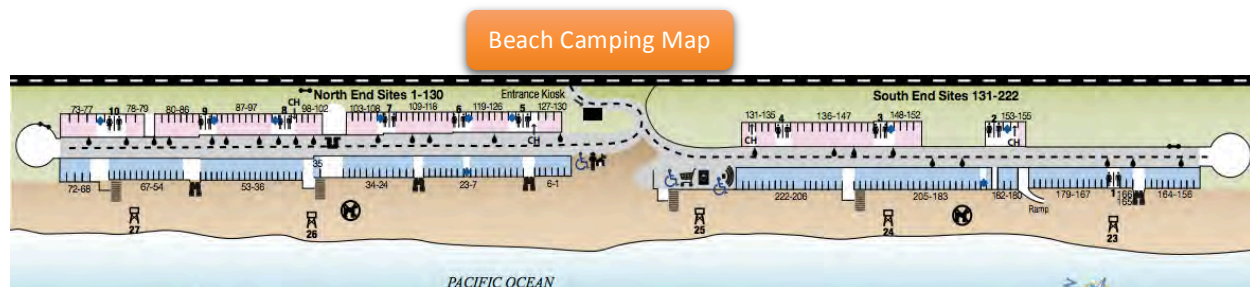
1. A more collaborative approach to marketing including the development of an annual marketing plan
2. A determination of which proposed capital projects warrant support and have the highest tourism value.
3. Review and support of the current proposed PBID based on agreed upon funding strategies
4. Participation in Visit Carlsbad and the Carlsbad Village Association board of directors by each organization.

Beach Camping

Beach Camping is a popular activity in Carlsbad with over 200 spaces available on a daily basis. The program is administered by the State of California with rates ranging from \$35 to \$50 per day with second and third vehicles at \$15 each for entry. The opportunity exists to add landscaping and/or create new standards on the types of vehicles that are allowed on the site. Currently, the state-operated park is open year-round and experiences a similar seasonal swing the Carlsbad hotel properties experience. Reservations for beach camping are made through ReserveAmerica.com and can be made up to seven months in advance. Reserve America lists the following state-approved vendors for RV delivery: Albert's RV, Luv 2 Camp, MLG Enterprises RV Rentals, and Travel Time RV.

The State of California limits the size of RV's and campers to 35 feet in length. Each campsite can hold up to three vehicles and eight people. During the peak beach camping season (March-November), campers are limited to seven consecutive nights and must vacate the park for 24 hours before returning for additional nights. During the off season, campers are limited to 14 consecutive nights before having to vacate the camp. The maximum stay for campers is 30 days annually.

As of December 2014, over 80% of the campsites available to book are sold out. Historically, the beach camping reservations from June-August will be sold out by March. The images below show the length of the beach camping sites and also how the sites look from the nearby hotel properties:





Beach Camping is a valuable asset to Carlsbad and also presents a different type of product for different segments of visitors not staying in the hotels. SAG understands that while it is valuable to the specific segments it could, at times, have negative implications on hospitality properties on the beach and the overall beach experience. The view from an oceanfront room is not what guests expect when paying for an oceanfront view. This could have an impact on rates and the percentage of return visitors. SAG recommends the City begin dialogue with the California Department of Recreation and Parks to understand the City's rights in increasing guests' requirements and the City's ability to plant taller privacy shrubs and hedges in order to differentiate the spaces and provide an added level of quality for the patrons of the camp and the patrons of oceanfront hotel properties. SAG also recommends the CTBID facilitate further discussions with the State of California to increase the quality of the beach camping product to convert some of the RV sites to rental safari tents, yurts, mini-cabins, or furnished AirStream "retro" RVs. Similar products are currently offered in Santa Barbara. Packages developed in concert with the state could include partnerships with area hotels for spa services, dining experiences, etc. to further increase the beach camping product.

The recommendations delineated above, in conjunction with the current retail projects that are under development, will continue to advance Carlsbad as a destination. SAG recommends adopting these recommendations and determining the steps needed to begin the respective processes.

Governance

SAG has researched and developed several governance models in tourism organizations nationally. The funding models as well as type of organization are practical factors in determining the most effective approach. There are key principles to consider in determining the most effective governance model. These include:

1. Governance and Accountability
2. Financial Oversight
3. Legal Compliance and Public Disclosure

Effective Governance and Accountability

The success of the proposed approach will depend on the level of accountability and effective oversight of the governing body. This includes engagement and involvement in setting annual measurable goals and monitoring results on a regular basis.

Effective governance also includes industry leaders committing to invest the time in providing support and guidance to the executive director. There have been many stakeholders who have expressed interest in the future of tourism in Carlsbad. The success of the implementation of the recommendations will also depend on the level of commitment from the tourism industry in accepting governance roles and actively participating.

Strong Financial Oversight

The fiscal oversight of the resources allocated to Carlsbad tourism is an area of focus in effective governance. This includes the compliance with General Accepted Accounting Principles (GAAP) as well as instituting processes to evaluate the effectiveness of key expenditures. SAG's recommendations include significant re-allocation of resources with an emphasis on key metrics and a focus on monitoring quantitative results. The governing body must actively participate in the development of this approach to ensure success.

Legal Compliance and Public Disclosure

The area of legal compliance is generally overseen by a board and outside legal counsel working collaboratively with the City Attorney. The area of public disclosure includes the importance of communicating the results of the tourism efforts in a manner that is easily understood by a broad base of stakeholders. An effective governance model will monitor industry communications and solicit input on the overall effectiveness of this effort. The feedback that has been received in this process indicates a need to increase and focus future communication.

These areas point out the importance of an active and effective governance approach for the future of tourism. The current model creates a scenario where there are effectively two governing boards. Below are the current stated purposes of the CTBID and Visit Carlsbad:

Current stated purpose of the Carlsbad Tourism Business Improvement District (CTBID)

- *To administer marketing and visitor programs to promote the City of Carlsbad as a tourism visitor destination and to fund projects, programs, and activities, including appropriate administrative charges that benefit hotels within the boundaries of the District.*

Current stated purpose of Visit Carlsbad

- *The main purpose of the Carlsbad DMO is to execute an annual business plan on behalf of the City of Carlsbad Tourism Business Improvement District (CTBID). The DMO shall target commercial and leisure travelers and other potential hotel guests in order to stimulate demand of Carlsbad's hotel community and other services. This business will result in direct commercial benefit of the tourism community and will indirectly benefit the City of Carlsbad and its citizens. The DMO's vision for Carlsbad is to become a well-recognized travel destination in California and a preferred family destination in the Southern California Region.*

In review of these two statements above it is clear that the CTBID and Visit Carlsbad have very similar purposes. Both governing bodies are responsible for the oversight of Tourism Marketing for the City of Carlsbad. This includes the fact that both boards approve the annual marketing plan and budget for tourism expenditures.

Boards of Directors – CTBID and Visit Carlsbad

The following are current members of the CTBID Board:

- Hector Becerra, Holiday Inn Carlsbad by the Sea
- Bill Canepa, Hilton Garden Inn Carlsbad Beach*
- Larry Magor, Omni La Costa Resort and Spa*
- Kim Akers, West Inn and Suites*
- Nancy Nayudu, Pelican Cove Inn Bed & Breakfast
- Timothy Stripe, Grand Pacific Resorts*
- Vacant Position, Park Hyatt Aviara Hotel

Updated January 2015

The following are current members of Visit Carlsbad Board of Directors:

- Mike Swyney, Hilton Garden Inn Carlsbad Beach*
- Patsy Bock, Omni La Costa Spa and Resort*
- Julie Zahner, Sheraton Carlsbad Resort & Spa*
- Peter Kock, LEGOLAND California
- Jason McLaughlin, Park Hyatt Aviara Resort*
- Linda Hopkins, West Inn & Suites
- Janissa Reyes, Carlsbad Premium Outlets*

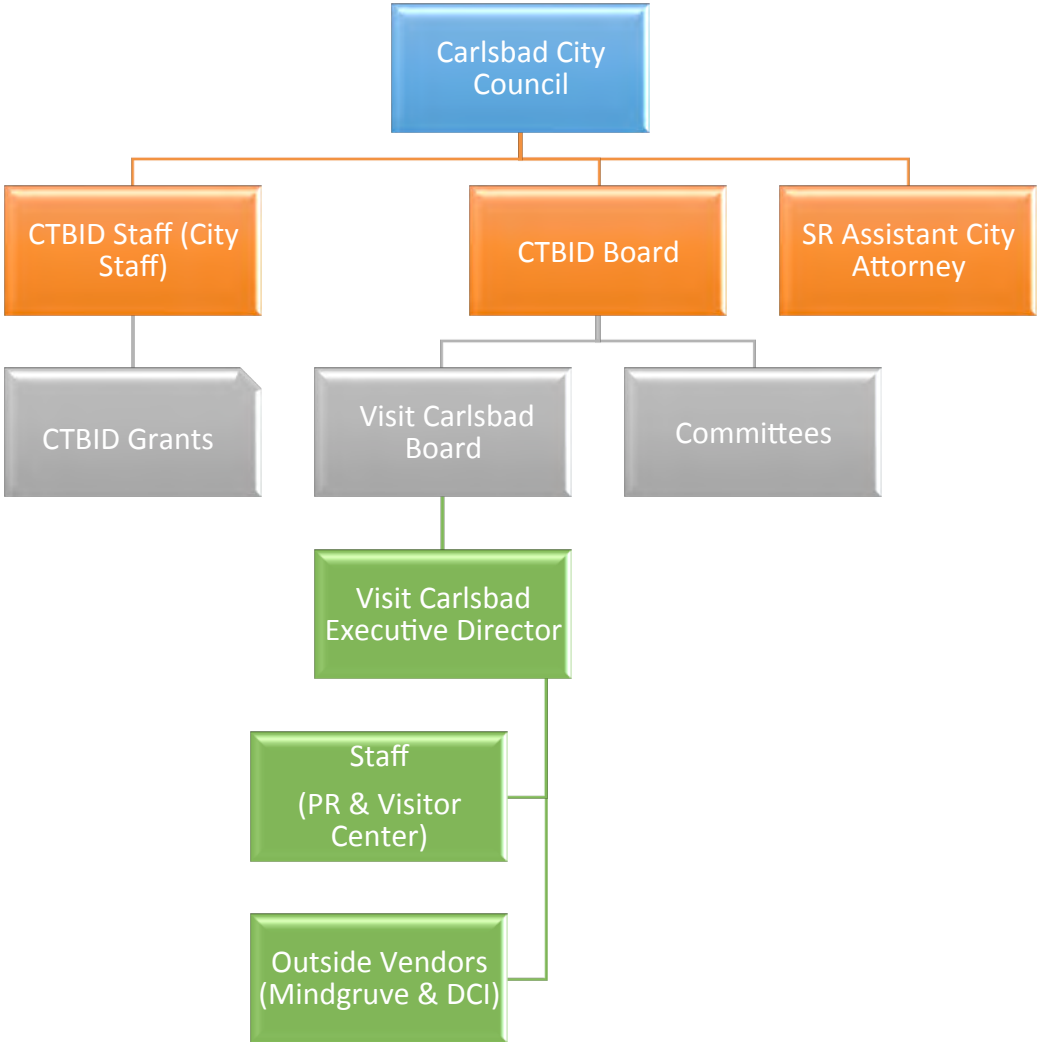
**Board members from the same organizations
Updated January 2015*

The composition of both Boards of Directors is primarily hotel industry leaders and those designated above are members who come from the same organization. This indicates a potential opportunity to create a singular governing body with committees that are focused on the key areas for Carlsbad tourism. This would concentrate the oversight of the key planning tools and overall accountability with one Board of Directors. This restructuring would also allow for industry leaders to focus on specific sales and marketing initiatives through a committee structure. In the proposed structure, the respective entities would remain separate, however they would have common oversight.

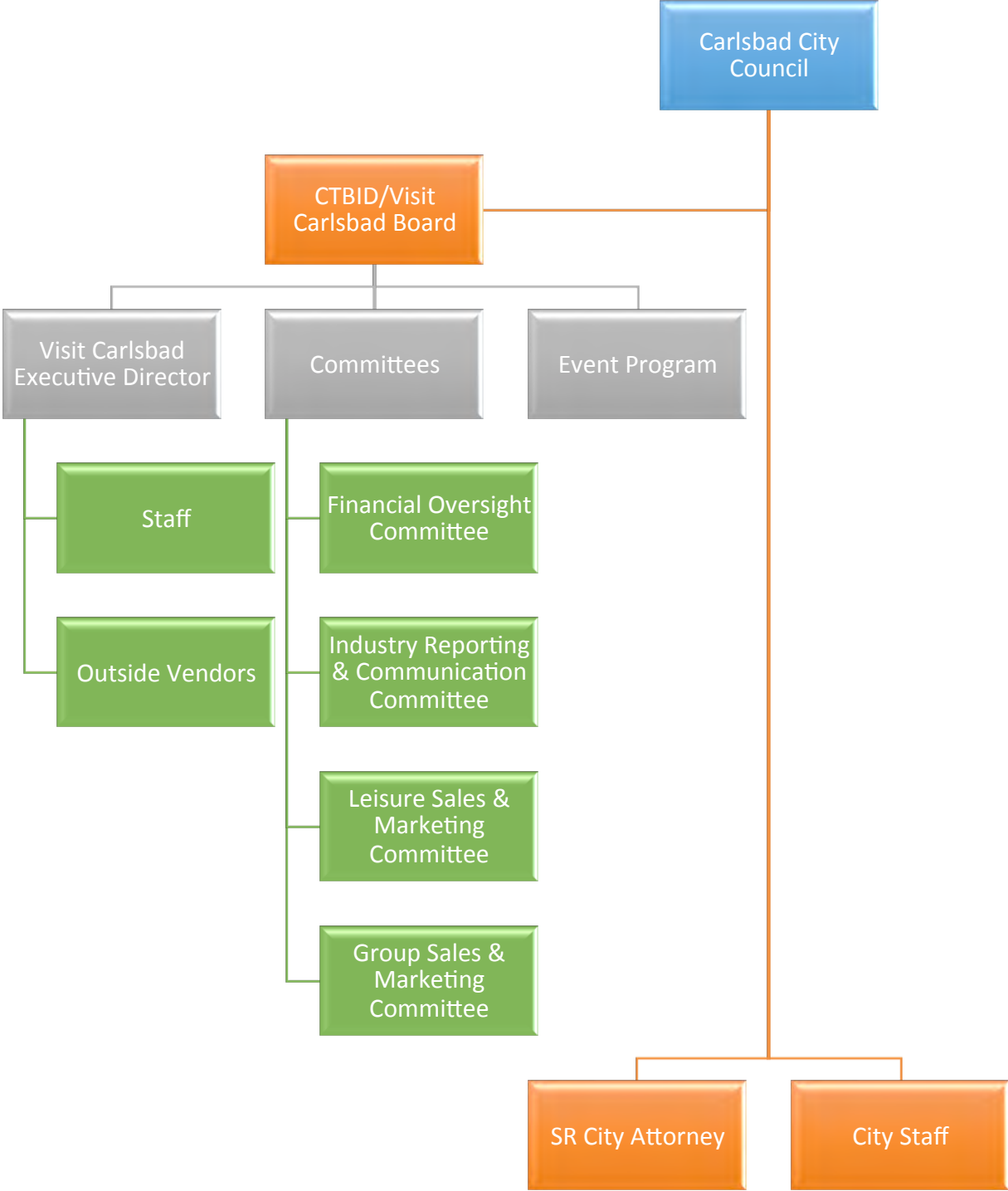
Another benefit of a streamlined governance model is the increased opportunity for the Visit Carlsbad staff and City staff to collaborate in supporting agreed upon tourism initiatives.

Four committees are recommended to focus on financial oversight, industry reporting and communication, leisure sales and marketing, and group sales and marketing.

Current Governance Model – Carlsbad Tourism



Recommended Future Carlsbad Tourism Governance Model



SAG recommends the implementation of the above illustrated governance model. This will streamline the oversight of tourism marketing activities and increase the opportunity for active involvement in key initiatives as part of effective implementation and on-going success.

Budget

The recommendations contained in this report relative to future sales and marketing initiatives can be implemented within the current resources of the CTBID and Visit Carlsbad. The proposed increases in funding create the opportunity to increase the penetration in targeted markets and develop a capital fund to support product and event development.

The following is an overview of the proposed budget that encompasses the sales and marketing recommendations

Highlights of these recommendations include:

Develop a Group Sales and Marketing Effort

The proposed budget takes into account the resources needed to develop a Group Sales and Marketing initiative. The approach creates an equal division of resources between Group Sales and Marketing and Leisure Sales and Marketing.

New Position – Business Development Manager

The proposed budget has an added senior position. The proposed Business Development Manager position is outlined in the groups sales and marketing section of the report. This senior level position would be responsible for the oversight and execution of the group sales and marketing plan as well as a focused approach to group business development.

Refocus of Leisure Sales and Marketing

The overall resources dedicated to Leisure Sales and Marketing have been reduced and refocused on direct marketing. There is an increase in resources tied to Direct Marketing and the creation of Carlsbad experiences and packages. There is a reduction in the resources allocated to awareness campaigns and a reallocation of resources tied to Search Engine Optimization and Social Media Management.

Targeted Public Relations Effort

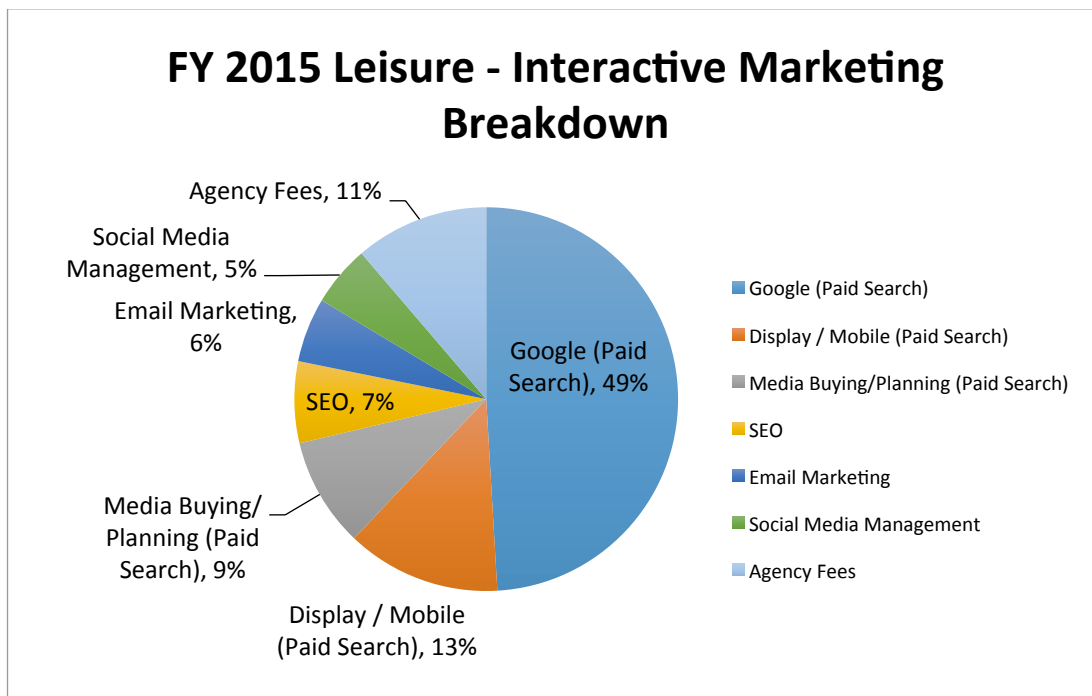
The budget has been reduced and the recommendation is to focus all PR efforts in the vehicles that are effective with the targeted audiences in both the leisure and group sales efforts.

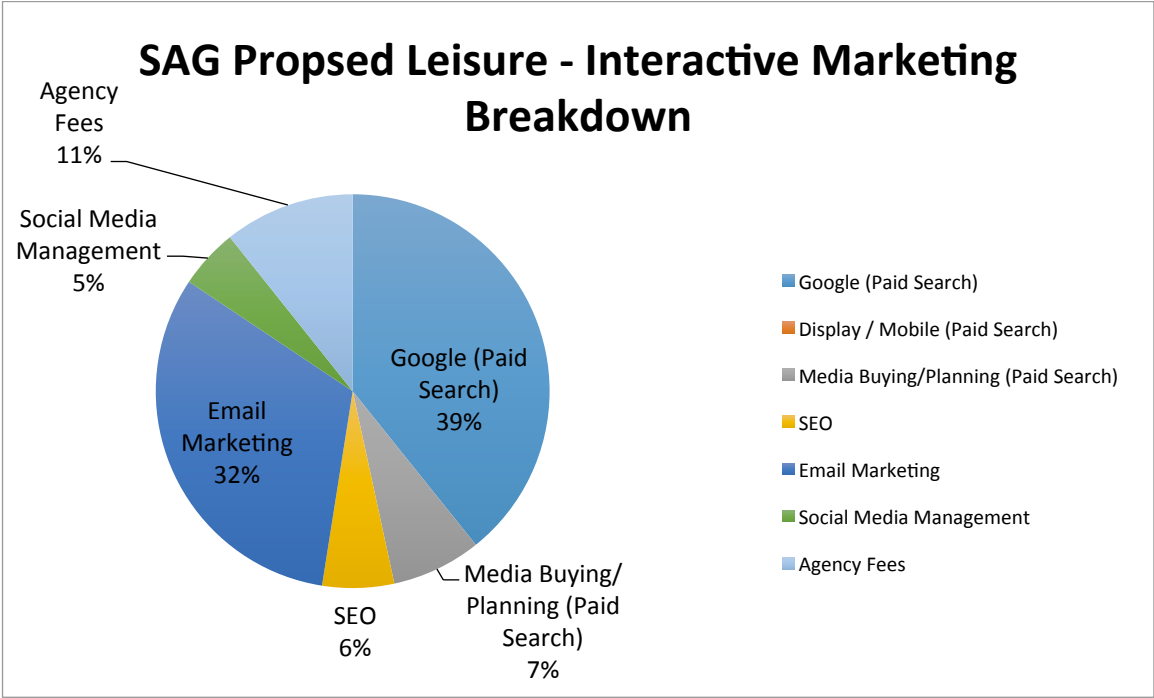
Research

The proposed budget has an increase in annual resources for research. This will enable Visit Carlsbad to refine target markets on an annual basis.

The chart below is a summary of the reallocations of the current Visit Carlsbad budget to support the implementation of the recommendations.

Leisure – Interactive Marketing Breakdown			
	Visit Carlsbad FY2015	SAG Proposed	Variance
Leisure-Interactive Marketing	331,609	182,000	149,609
• Google (Paid Search)	162,737	80,000	82,737
• Display / Mobile (Paid Search)	43,155		43,155
• Media Buying/Planning (Paid Search)	30,555	15,000	15,555
• SEO	22,807	12,000	10,807
• Email Marketing	18,000	65,000	-47,000
• Social Media Management	17,000	10,000	7,000

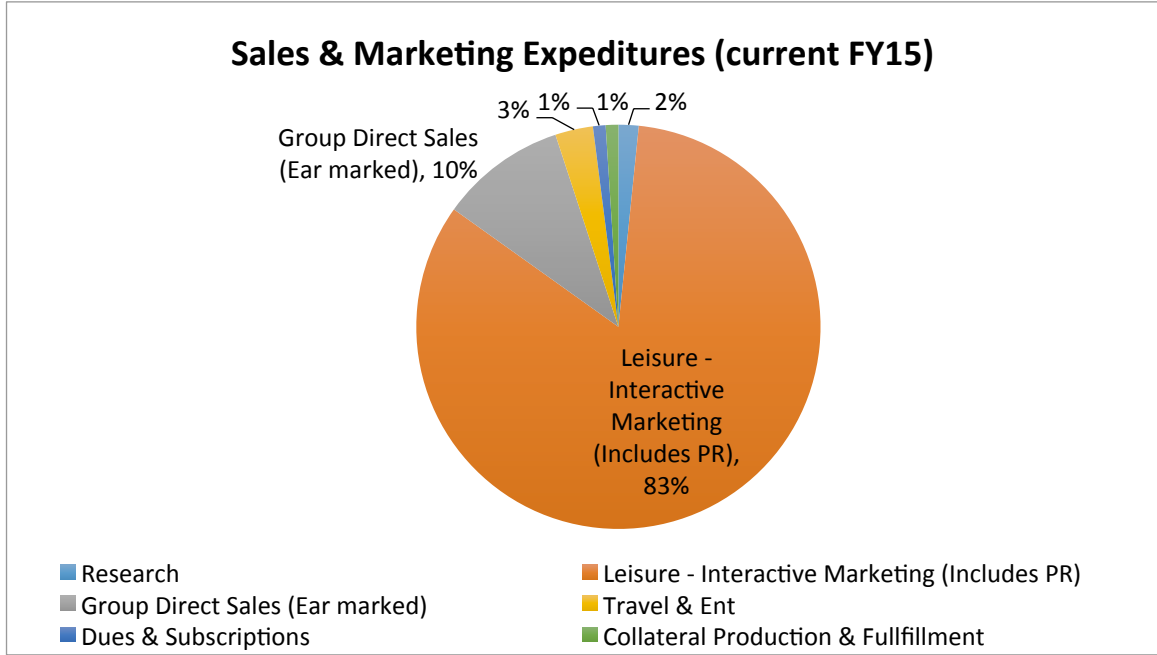


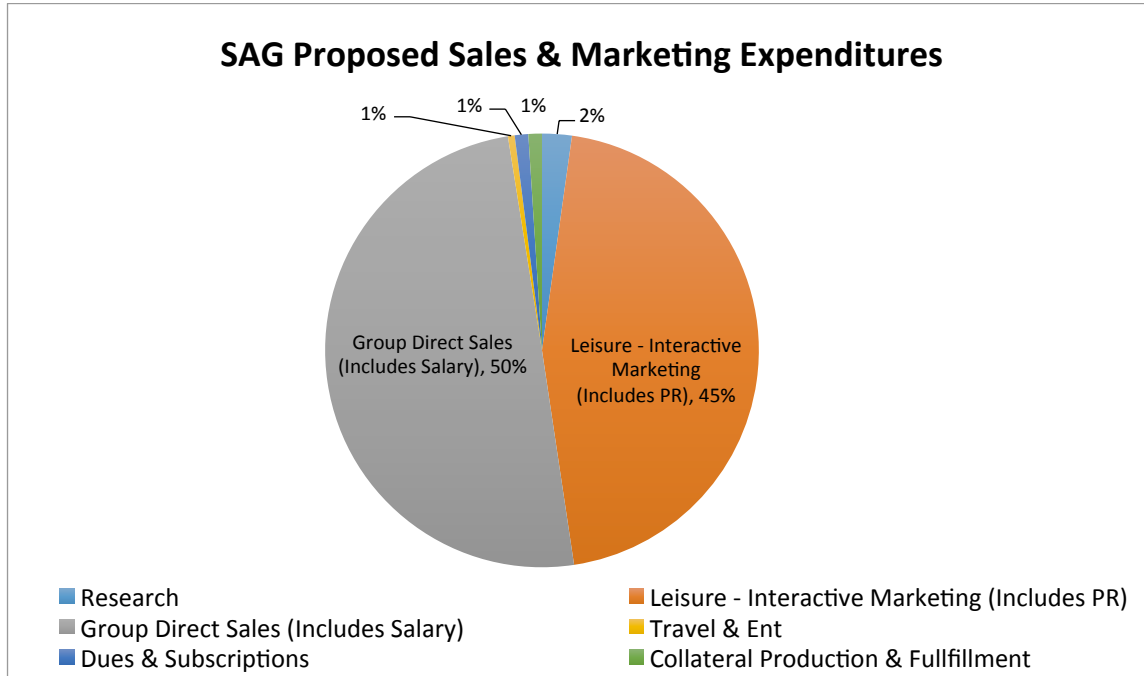


The charts above reflect the shift in focus for future Leisure Sales and Marketing. This reflects the shift to a direct marketing approach with a smaller budget that is focused on the shoulder periods.

Overall Sales and Marketing Expenditures

The following charts demonstrate the overall shift in resources from the current budget to a proposed reallocation of resources to support the overall recommendations





The charts above and the table below reflect the proposed shift in resources.

Current FY15 Promotional Programs Breakdown		SAG Proposed Promotional Programs Breakdown	
Research	8,000	Research	11,000
Leisure -Interactive Marketing (Includes PR)	412,609	Leisure - Interactive Marketing (Includes PR)	225,500
Group Direct Sales (Earmarked)	50,000	Group Direct Sales** Includes Salary	247,500
Travel & Ent	15,000	Travel & Ent	2,500
Dues & Subscriptions	5,000	Dues & Subscriptions	5,000
Collateral Production & Fulfillment	5,000	Collateral Production & Fulfillment	5,000
Total	\$495,609	Total	\$496,000

It reflects a 50/50 allocation of resources between the group and leisure group sales and marketing activities. SAG recommends this allocation in conjunction with stakeholder input and recommended shift in approach in Leisure Sales and Marketing.

Overall Current and Proposed Budget

The following reflects the current line item budget for Visit Carlsbad and the recommended reallocations to support the proposed new directions in leisure and group sales and marketing.



	Adopted FY15 Budget	SAG Proposed Budget	SAG Variance to FY15 Budget Dollars Difference	SAG Variance to FY15 Budget Percent
INCOME				
Public Sources				
CTBID Revenues	755,500	755,500	755,500	
Private Source Income				
Total Public Sources	755,500	755,500	755,500	
Carry Over from 2013				
TOTAL INCOME	755,500	755,500	755,500	
EXPENSE				
Labor				
Salaries	189,817	\$ 289,817	\$ 100,000	35%
Payroll Taxes	17,000	27,000		37%
Works Comp	4,000	6,100		34%
Benefits	23,000	37,500		39%
Total Labor	233,817	\$ 360,417.00	\$ 126,600	35%
Promotional Programs				
Advertising & Production	5,000	\$ 5,000.00	\$ -	0%
Research	8,000	\$ 11,000.00	\$ 3,000	27%
Leisure-Interactive Marketing				
Google (Paid Search)	162,737	\$ 80,000.00	\$ (82,737)	-103%
Display / Mobile (Paid Search)	43,155	\$ -		
Media Buying/Planning (Paid Search)	30,555	\$ 15,000.00	\$ (15,555)	-104%
SEO	22,807	\$ 12,000.00	\$ (10,807)	-90%
Email Marketing	18,000	\$ 65,000.00	\$ 47,000	72%
Social Media Management	17,000	\$ 10,000.00	\$ (7,000)	-70%
Agency Fees	37,355	\$ 21,840.00	\$ (15,515)	-71%
Group Direct Sales	50,000	\$ 92,500.00	\$ 42,500	46%
Familiarization Trips (2 annually)	-	\$ 20,000.00	\$ 20,000	100%
Sales Calls	-	\$ 15,000.00	\$ 15,000	100%
Technology/MINT	-	\$ 10,000.00	\$ 10,000	100%
Website Development	-	\$ 20,000.00	\$ 20,000	100%
Digital Sales Tools	-	\$ 20,000.00	\$ 20,000	100%
Emarketing	-	\$ 7,500.00	\$ 7,500	100%
Outside Services-Public Relations	70,000	\$ 35,000.00	\$ (35,000)	-100%
Public Relations Events	6,500	\$ 3,500.00	\$ (3,000)	-86%
Travel & Entertainment	15,000	\$ 2,500.00	\$ (12,500)	-500%
Dues & Subscription	5,000	\$ 5,000.00	\$ -	0%
Collateral Production & Fulfillment	5,000	\$ 5,000.00	\$ -	0%
Total Promotional Programs	496,109	\$ 363,340.00	\$ (132,769)	-36.5%

General Administration				
Bank Charges	1,000	1,000	\$ -	0%
Equipment Rental & Maintenance	3,000	3,000	\$ -	0%
Facility Repair & Maintenance	150	150	\$ -	0%
Insurance	1,200	1,200	\$ -	0%
Grounds Maintenance			\$ -	
Office Supplies	2,000	2,000	\$ -	0%
Postage	974	974	\$ -	0%
Taxes	150	150	\$ -	0%
Telephone	5,000	7,500	\$ 2,500	33%
Professional Services	5,600	5,600	\$ -	0%
Volunteer Program	1,000	1,000	\$ -	0%
Miscellaneous	1,000	3,500	\$ 2,500	71%
Utilities	2,500	2,500	\$ -	0%
Computer Expense	2,000	2,000	\$ -	0%
Total G&A	25,574	\$ 30,574.00	\$ 5,000	16%
TOTAL EXPENSE				
	755,500	\$ 754,331.00	\$ (1,169)	0.7%

The proposed budget above includes the recommended changes in the leisure sales and marketing efforts as well as group sales and marketing. The proposed budget does not include capital/product recommendations from the previous sections including:

- Feasibility study for conference center
- Feasibility study for Lagoon improvements
- Implementation of beach camping improvements
- Any capital improvements related to product development

Funding

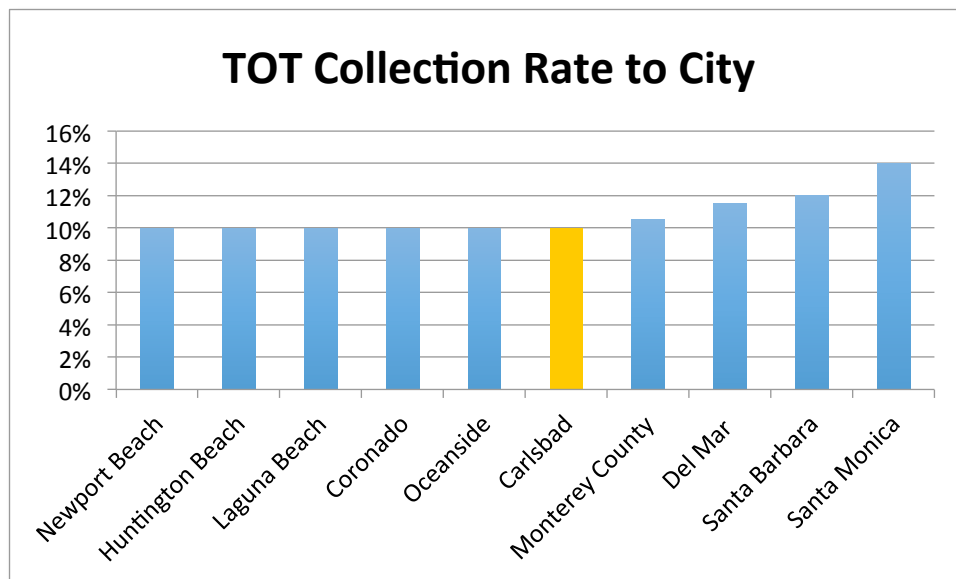
The results of the benchmarking research indicated that the level of funding for tourism marketing was low compared to other comparable destinations. The current visitor levels during the shoulder periods signify the importance of dedicated tourism resources in the future. The ratio of tourism dollars to hotel rooms was a key indicator as Carlsbad was the second lowest in the competitive set that was reviewed.

Another important outcome of the benchmarking study was the fact that Carlsbad was the only city with no TOT funding for tourism marketing.

SAG recommends taking a comprehensive approach to finalizing a new funding plan for the future of tourism. A combination of broad stakeholder involvement and a restructuring of the current approach to TOT funding is the foundation of the recommendation. The funding recommendations are predicated on the approval, adoption, and implementation of the stakeholder supported recommendations contained in this report. Without stakeholder support for future tourism efforts, SAG does not recommend instituting new funding strategies.

Currently the TOT percentage in Carlsbad is 10%. This provides an opportunity to potentially increase the TOT in Carlsbad for dedicated marketing and tourism product development efforts. The below charts, also included in the benchmarking section of this report, illustrate the competitive destinations' handling of TOT collection and distribution.

The chart below shows the TOT collection rate imposed on hotel rooms by the competitive city governments.



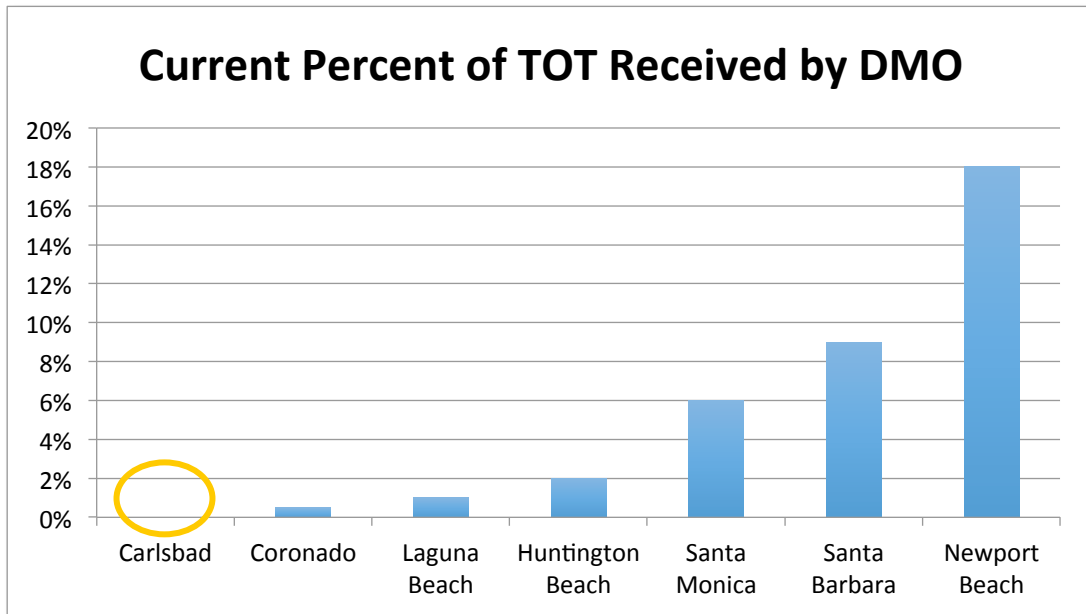
New Funding Approach Components

The following are viable components of a new approach to funding:

1. Transient Occupancy Tax Options

- a. Increase the current TOT rate charged to Carlsbad Hotels
 - i. In conjunction with a dedicated commitment to spend the incremental dollars on agreed upon marketing efforts as well as Tourism product development, the TOT rate can be increased to 12%. This will raise two to three million dollars annually. The review of competitive destinations indicates an opportunity to raise the TOT percentage collected without a significant impact on occupancy.

- b. Reallocate a portion of the Transient Occupancy Tax to Tourism Marketing
 - i. SAG recommends in addition that a portion of the current TOT is allocated to tourism marketing. The formula for this would expand and contract based on the overall TOT collected. This allocation would also be predicated on the achievement of agreed upon goals. This “pay for performance” approach will support the overall goal of supporting measurable tourism activities in the future. The below chart shows in ascending order the destinations that receive a percentage of the TOT funding.



SAG recommends that 10% of the TOT is allocated in the first year with an incentive plan in place that could increase this to 20%.

2. Create a larger “district” to include the Carlsbad restaurant industry

Restaurants in Carlsbad are beneficiaries of effective tourism marketing. They are featured in all of the tourism marketing materials and sales tax revenues show an increase in restaurant activity during times with strong visitor demand. The segments that have been identified in the lifestyle segment study are also inclined to dine out when they are traveling. The success of these targeted efforts will have a direct impact on the restaurant industry. The restaurants that

would be included in an expanded district would be those that are the most positively impacted by tourism efforts.

Similar DMOs have included restaurants and other industries to support the tourism organization. For example, Mammoth Lakes Tourism in California leverages the following assessments on non-hotel entities to support the tourism industry:



Also, Visit California applies an assessment to multiple industries that partner with the state organization. The current assessment rate for accommodations, restaurants, retailers, attractions, transportation companies and travel service providers that have gross California receipts of \$1 million or more is 0.065%, and is applied only to tourism-related revenues. SAG also recommends that additional industries are considered for inclusion in the CTBID in the future

3. Increase or modify the current CTBID fees

Feedback from the hotel community indicated little interest in increasing the current CTBID fees until an industry supported plan was adopted. In conjunction with the approval and adoption of the agreed upon recommendations, SAG recommends an increase of 50 cents per occupied room to begin in the fiscal year of 2016. The implementation of the recommendations would be well underway at this point.

Another option would be to modify the current CTBID format to a percentage of the participating hotel rate. This could potentially raise additional funds and reallocate funding based on the overall revenue generation.

SAG estimates that the combination of the recommended funding would raise between \$1.5 and 3 million dollars. With the new additional revenue raised, Visit Carlsbad's budget could increase to \$1,755,500 with an additional fund developed for future Carlsbad tourism product development. This would move Carlsbad to \$399 marketing dollars per hotel room.

The goal for increased funding is to create more frequency in impacting the targeted markets that have been identified through research and stakeholder input. The increased funding would warrant increasing the leisure and group room night goals. The other important opportunity would be to have more resources for recruiting or developing new signature events.

The development of a tourism capital development fund creates the opportunity to support projects including a new transportation system, the Carlsbad Village efforts, the feasibility study of the

conference center and enhancement to the lagoon experience. SAG recommends this from a portion of the fund raised with the above recommendations.



Return on Investment

The goal of an increased funding stream for Carlsbad’s tourism efforts is to create an increased, measureable return on investment. The new recommendations for future tourism marketing efforts will provide “trackable” data to determine the overall economic return. Based on a blended spending multiplier for a visitor to Carlsbad of \$328 per person*, the new recommended funding must generate an additional 3,050 visitors annually to “breakeven” on the new marketing expenses (assumes 1 million in new marketing revenue). Many destinations strive for 7 to 1 rate of return for dollars expended compared to direct spending generated. With that in mind, the newly funded tourism efforts would need to generate over 21,000 incremental visitors

* 2013 SDTA Visitor Profile

Conclusion

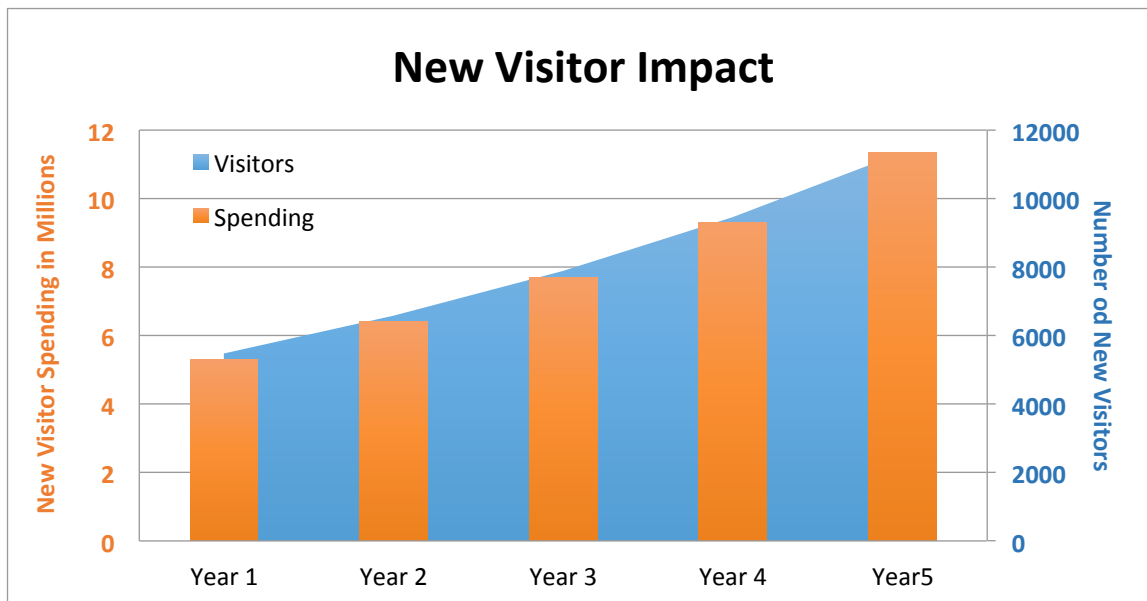
A comprehensive approach to gathering information, conducting extensive research and consistent stakeholder involvement has produced a new direction for tourism sales and marketing in Carlsbad. The direction that has been developed and recommended in this study process is designed to maximize the effectiveness of the current tourism resources and create a path for further investment. The interest in future increased investment will be validated by the intent to create a sales and marketing approach that is razor focused and highly measurable.

Carlsbad is a destination with many unique attributes that appeal to distinct audiences. The results of the market segment research in conjunction with Nielson and Resonate demonstrates the ability of Carlsbad to appeal to an upscale audience without kids as well as a family audience with kids who are interested in theme park type activities. The findings have uncovered an opportunity to focus on the upscale market segment and bring new visitors during the much needed shoulder periods.

The development of an aggressive and complimentary group sales and marketing plan will be another cornerstone of the direction. This plan has been developed in collaboration with the hotel community and is ready for implementation. This will take a few years to develop and can pay large dividends including validating the value of a new conference/event center for Carlsbad. The unique Carlsbad experience will provide a great differentiator for attracting group business.

First Year Goals – Raising Awareness

The combination of the proposed goals for room nights generated for the first year (3,600 leisure and 1,875 group) is 5,475 room nights. This equates to the “trackable” room nights for the first year that will include a significant amount of implementation activity. These numbers should grow significantly in future years as databases are developed and the marketing efforts produce higher conversion. The full development of these efforts should increase annual room night production by twenty to thirty percent. The below is an illustration of “trackable” new visitors to Carlsbad over 5 years and the estimated visitor spending based on the 2013 SDTA Visitor Profile Study, which equates to 32,857 new visitors and \$39.7 million in new spending.



It is important to note that the proposed efforts will also increase the awareness of Carlsbad with the targeted individual and group markets with consistent frequency and a customized message. This will influence visitation beyond the visitors that can be tracked directly.

The successful implementation of the recommendations contained in this report will take a broad base of support from the City of Carlsbad, CTBID, Visit Carlsbad and the tourism stakeholders. The development of the direction that is recommended has been created with on-going input. This will lead to consensus that will be the foundation of future success. The recommended governance model will provide consistent oversight coupled with active committee involvement. This will increase the efficiency of the implementation process.

A full assessment of the needs and roles of each of the above partners should be conducted in conjunction with the implementation process. A first step would be a structured longer session to review all of the recommendations and assess and define the roles and accountability of the above-mentioned stakeholders.

Strategic Advisory Group would again like to thank the individuals who committed time and gave important insight during this process. The high level of engagement provided critical guidance for this report and the final recommendations.

Recommendation Matrix

Recommendation	Strategy	Report Pages	Tactic	Timeframe
<i>Communication</i>				
Regular stakeholder communication	Keep stakeholders informed and part of the process. Allows for fluid communication to a large audience and provides transparency of the organization.	2	<ul style="list-style-type: none"> • Monthly 1-2 page email outreach with updates and updates on metrics tracking. • Annual report on success measurements 	<ul style="list-style-type: none"> • Immediate
<i>Research</i>				
Research plan	Budget resources to execute research initiatives. Continue to refine target marketing efforts. Determine success of on-going efforts	54	<ul style="list-style-type: none"> • Conduct a Visitor Profile Study every three years • Conduct a benchmarking study biannually • Conduct a Target Audience Study biannually • Conduct a Meeting Planner Survey biannually 	<ul style="list-style-type: none"> • Approve research plan for 2015-2016 fiscal year • Conduct first series of research plan accordingly
<i>Resources</i>				
Refocus a majority of the tourism resources on impacting the Shoulder Season	Allocate more of the marketing budget for targeted Shoulder Season campaigns	4, 8, 55-62	<ul style="list-style-type: none"> • Confirm direction for Shoulder Season • Develop direct marketing campaigns for specific segments during the Shoulder Season • Measure success 	<ul style="list-style-type: none"> • Begin to plan immediately • Budget approval 2015-2016 fiscal year
Reallocate marketing resources for group business	Utilize the current budget to support a group sales effort	4, 63-70	<ul style="list-style-type: none"> • Confirm/adopt group sales plan • Form the oversight committee • Set and agree upon goals 	<ul style="list-style-type: none"> • Begin to plan immediately • Budget approval 2015-2016 fiscal year

<i>Measurement</i>				
Institute a new approach to measurement and reporting	Keep a broad base of stakeholders informed through a monthly report	2, 4	<ul style="list-style-type: none"> • Create/continue the monthly email report to stakeholders tracking quantitative success measures • Include room nights converted, packages sold • Include qualitative feedback on awareness 	<ul style="list-style-type: none"> • Have agreed upon goals and metrics in place by 2015-2016 fiscal year • Have plan in place for adoption 2015-2016 fiscal year
<i>Leisure Sales and Marketing</i>				
Develop a highly targeted approach for leisure sales and marketing	Utilize a direct marketing approach to new and expanded target markets for leisure travel	4, 40-54, 55-62	<ul style="list-style-type: none"> • Select and confirm top 5 new segments from Nielsen results to pursue for the first 1-3 years • Create specific experiences for the targeted market segments • Work closely with an e-marketing partner to develop a platform for implementation and creative support • Set and agree upon goals • Utilize new success measures to track progress 	<ul style="list-style-type: none"> • Decide on top segments immediately • Have plan approved for fiscal year 2015-2016 • Have creative partner in place for 2015-2016 fiscal year • Have implementation tools in place by August 2015 • Track success in the selected segments for years 1-3 • Reevaluate market segments after three years
Refocus target markets for leisure travel	Utilize the Nielsen segmentation results to target new markets that have already indicated presence in Carlsbad for tourism growth in Shoulder Season	5, 40-54	<ul style="list-style-type: none"> • Select and confirm top 5 new segments from Nielsen results to pursue for the first 1-3 years • Keep family-friendly attitude, but add targets direct marketing for these new segments • Track success in new markets 	<ul style="list-style-type: none"> • Decide on top segments immediately • Have plan approved for fiscal year 2015-2016 • Reevaluate target markets after three years

<i>Group Sales and Marketing</i>				
Create and implement a new group sales and marketing effort	Utilize MINT search results to target group business. Reallocate resources with measurement plan	5, 63-70	<ul style="list-style-type: none"> Recruit staff member Approve a vertical market approach and establish targets Obtain and implement a sales and marketing software platform Execute a group destination awareness campaign Complete a feasibility study on the possibility of adding a conference center for Carlsbad 	<ul style="list-style-type: none"> Begin recruiting staff member in July 2015 with new hire starting in August 2015 Implement new plan September 2015 Obtain software platform by January 2016 Complete feasibility study on conference center by year 3 (2018-2019 fiscal year)
<i>Governance</i>				
Create a unified approach to governance	Bring the CTBID and Visit Carlsbad boards together by creating a singular governing board with active committees	5, 82-86	<ul style="list-style-type: none"> Perform the necessary legal actions to change the bylaws of Visit Carlsbad and the CTBID to meet as one board Create one mission on behalf of the organization to market the destination and drive revenue to the City Create/elect one board of 7-10 people Create four committees to form accountability measures and delegate responsibilities including: finance, communication and reporting, leisure sales and marketing and group sales and marketing committees. 	<ul style="list-style-type: none"> Bring to City Council for review and adoption by March 2015 City Council time to select board members and City Attorney to reevaluate the legal entity by budget approval period for 2015-2016 fiscal year Have new board in place by July 2015

<i>Funding</i>				
Implement a performance-based approach to new funding	Utilize TOT funds through an increase and reallocation.	5, 92-94	<ul style="list-style-type: none"> • Set and approve goals for TOT annual collection • Increase the current TOT to 12% • Allocate 10% of the current TOT collected to support tourism marketing 	<ul style="list-style-type: none"> • Approve funding increases by mid year 2016
Create a larger district to include additional partners and increase funding	Involve restaurants and additional beneficiaries of tourism spending to include a tourism tax on sales	5, 92-94	<ul style="list-style-type: none"> • Develop applicable partners for tourism funding, i.e., restaurants, retail and attractions • Begin with restaurants as first industry to be included • Create and approve percentage tax for relative partners 	<ul style="list-style-type: none"> • Partners support by June 2015 • Implementation by 2016-2017 fiscal year
Increase the current fees for the CTBID	Incrementally add a small amount to the CTBID fees	5, 92-94	<ul style="list-style-type: none"> • Increase current CTBID fees by \$0.50 	<ul style="list-style-type: none"> • Implementation of the \$0.50 increase should be in place by 2017-2018 fiscal year

Tourism Product Development

<p>Create unique Carlsbad experiences</p>	<p>Invest in Carlsbad's assets to develop additional tourism experiences</p>	<p>5, 73-81</p>	<ul style="list-style-type: none"> • Develop and implement a transportation system to connect key points for tourists • Utilize the City's position to negotiate terms for rights to the Agua Hedionda Lagoon • Increase the parameters of the contract with California Watersports for higher quality standards • Negotiate terms with NRG and the YMCA for tourism access to the Lagoon • Invest in a capital project to increase the visitor experience • Develop a long-term partnership with the Carlsbad Village for increased marketing, and packaging and advocacy • Engage the California Department of Recreation and Parks to understand the City's rights in increasing requirements and adding privacy shrubs 	<ul style="list-style-type: none"> • Have transportation system outlined and approved in 2015-2016 fiscal year with contractor in place by 2016-2017 • Have terms for rights to the Lagoon by City/Visit Carlsbad by fiscal year 2016-2017 • Invest in a feasibility study/RFP process for a capital project on the lagoon by fiscal year 2016-2017 • Solidify the Carlsbad Village as a partner in marketing and transportation by January 2016 • Finalize beach camping rights on City's behalf by January 2016 • Plan in place to augment the visibility issue of beach camping by 2016-2017 fiscal year • Implement beach camping augmentation in fiscal year 2016-2017 with completion prior to January 2017
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Addendum

SAG would like to thank all of the properties and individuals in the City, hospitality and tourism industry staff who participated in this study.

Carlsbad City Council

Steve Sarkozy, City of Carlsbad

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Christina Vincent, City of Carlsbad

Christie Marcella, City of Carlsbad

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Denise Chapman, Omni La Costa

Sam Ross, Visit Carlsbad

Tim Stripe, Grand Pacific Resorts

Renato Alesiani, Wave Crest Motels and Resorts

Vikram Sood, Hilton Oceanfront Randal Chapin,
Carlsbad Inn Beach Resort

Tom McMahon, Carlsbad Village Theater

Peder Norby, City of Carlsbad

Ryan Ross, North County Transit District

Nancy Nayudu, Pelican Cove Inn

Joli Hatch, Carlsbad Inn Beach Resort

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Randy Chapin, Grand Pacific Resorts

Regie Brown, Hilton

Joe Anderson, Grand Pacific Resorts

Frank Idris, LEGOLAND Hotel

Ted Owen, Carlsbad Chamber of Commerce

Hector Becerra, Carlsbad by the Sea

Bill Canepa, Wave Crest Resorts

Celine Cendras, Henry Schein Ortho Organizers

Michael Collins, Zimmer Dental

Stephen Morisseau, GIA

Jim Caraccio, Logic PD

Tim Sinnott, Legend 3D

Josh Cantor, California Watersports

Gary Glaser, The Crossings

Terri Howard Mannes, Carlsbad Premium Outlets

Steve Gibson, Urban Place Consulting

Ashley Westman, Urban Place Consulting

Summer Season Top 15 PRIZM Segments

- **Kids and Cul-de-Sacs** – upper middle class families with children living in the suburbs. These families have a household median income of \$71,830 and the parents’ range in age from 25-44. The parents are college educated and hold professional positions. These families are in the “melting pot” category and are White, Black, Asian, Hispanic and Mixed. These families order on target.com, watch the X Games on TV and drive minivans like the Honda Odyssey.
- **Movers & Shakers** – wealthy, older households without kids living in the suburbs. These households are 45-64 with a median income of \$101,517. This segment is college educated carrying graduate degrees and holding management positions. They are mostly White and Asian. These households play tennis, shop at Nordstrom and drive higher end SUVs i.e., Land Rover.
- **Upper Crust**– significantly wealthy, older households without kids living in the suburbs. This segment is 55+ with a median household income of \$110,117 and are classified by Nielsen as millionaires. These households are college educated with graduate degrees in upper management positions. They are mainly White. This segment shops at high end store like Saks Fifth Avenue, have vacationed in Europe, watch and play golf and drive luxury vehicles i.e., Lexus LS.
- **The Cosmopolitans** – wealthy, mid to older age range, mostly without kids living in urban areas. This segment is 55+ with a household income of \$58,313 working in white-collar settings. This segment is classified as a “Melting Pot” and includes White, Asian, Black, Hispanic and Mixed. These households shop at Macy’s, have vacationed outside the US, watch Masterpiece Theatre and drive upper midclass vehicles i.e., Lincoln Town Car - Flex Fuel.
- **Money & Brains** – wealthy, older family mix within the household, living in urban areas. The older family mix means the children are mostly older teenage or college age dependents. The parents are 45-64 with a median household income of \$88,837 and are college educated in management positions. These households are classified as a “Melting Pot” and include White, Asian, Black, Hispanic and Mixed. This segment shops at stores like Banana Republic, travel for business occasionally, watch tennis and drive luxury SUVs i.e., Mercedes Benz E Class.
- **Home Sweet Home** – Widely scattered across the nation's suburbs, the residents of Home Sweet Home tend to be upper-middle-class married couples living in mid-sized homes without children. The adults in the segment, mostly under 55, have gone to college and hold professional and white-collar jobs. With their upper-middle-class incomes and small families, these folks have fashioned comfortable lifestyles, filling their homes with exercise equipment, TV sets, and pets. The Home Sweet Home Segment has a median household income of \$ 68,555 and is in the Melting Pot category made up of 5 White, Black, Asian and Mixed ethnicities. This segment shops from buy.com, download music from iTunes, watch shows like The Amazing Race, read Wired Magazine and drive middle class vehicles like the Mazda CX-7.

- **Middleburg Managers** - Middleburg Managers arose when empty nesters settled in satellite communities, which offered a lower cost of living and more relaxed pace. Today, segment residents tend to be middle class with solid white-collar jobs or comfortable retirements. In their older homes, they enjoy reading, playing musical instruments, indoor gardening, and refinishing furniture. This segment is upper middle class with a median household income of \$53,379. Middleburg Managers are mostly home owners without children. The main ethnicity in this segment is White and includes Black and Asian. Middleburg Managers shop at Pottery Barn, vacation on cruise lines, read Travel + Leisure, watch Washington Week and drive cars like the Hyundai Elantra Touring.
- **Traditional Times** - This segment is mostly middle-aged without children in the household. Traditional times are in the upper middleclass income level with a median household income of \$57,949. Traditional Times is the kind of lifestyle where small-town couples nearing retirement are beginning to enjoy their first empty-nest years. Typically in their fifties and older, these upper-middle-class Americans pursue a kind of granola-and-grits lifestyle. On their coffee tables are magazines with titles like Country Living and Country Home. But they're big travelers, especially in recreational vehicles and campers. This segment shops at Sam's Club, contribute to PBS, Read Southern Living, watch Antiques Roadshow and drive affordable cars i.e., Toyota Avalon.
- **New Empty Nests** - With their grown-up children recently out of the house, New Empty Nests is composed of upper-middle income older Americans who pursue active--and activist--lifestyles. Most residents are over 65 years old, but they show no interest in a rest-home retirement. This is the top-ranked segment for all-inclusive travel packages; the favorite destination is Europe. New Empty Nests are a mature segment, which is mostly White and retired with a median household income of \$71,212. This segment shops at T.J. Maxx, vacations for 2+ weeks a year, reads the Smithsonian magazine, watches golf, and drives luxury vehicles i.e., Cadillac sedan.
- **Bohemian Mix** - A collection of mobile urbanites, Bohemian Mix represents the nation's most liberal lifestyles. Its residents are an ethnically diverse, progressive mix of young singles, couples, and families ranging from students to professionals. In their funky row houses and apartments, Bohemian Mixers are the early adopters who are quick to check out the latest movie, nightclub, laptop, and microbrew. This upper middle class segment has a median household income of \$56,676 and mostly rent their homes or apartments. College graduates in professional positions, Bohemian Mix is in the Melting Pot category and have a race and ethnicity mix of 6 White, Black, Asian, Hispanic and mixed. This segment shops at the Gap, reads GQ, watches foreign films and drive vehicles like the Audi S4.
- **Gray Power** - Gray Power is a midscale mature segment in a household without children. The steady rise of older, healthier Americans over the past decade has produced one important by-product: middle-class, mostly home-owning suburbanites who are aging in place rather than moving to retirement communities. Gray Power reflects this trend, a segment of older, midscale singles and couples who live in quiet comfort. This segment is mostly White with a median household income of \$52,936. Gray Power shops at Lord & Taylor, read Barron's, own a stationary bike, watch Frontline and drive upscale vehicles like the Mercedes-Benz Sprinter.

- **New Homesteaders** - Young, upper-middle-class families seeking to escape suburban sprawl find refuge in New Homesteaders, a collection of small rustic townships filled with new ranches and Cape Cods. With decent-paying jobs in white and blue-collar industries, these dual-income couples have fashioned comfortable, child-centered lifestyles; their driveways are filled with campers and powerboats, their family rooms with PlayStations. This segment has a median household income of \$58,997 and is a white-collar employee. New Homesteaders are mostly white, black or mixed. They are child focused and drive affordable family friendly vehicles like this Kia Sedona.

Shoulder Season Top 15 Segments

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- **Green Belt Sports** - A segment of upscale exurban couples, Greenbelt Sports is known for its active lifestyle. Most of these older residents are married, college-educated, and own new homes. Few segments have higher rates for pursuing outdoor activities such as skiing, canoeing, backpacking, boating, and mountain biking than this one. The Green Belt Sports segment is an older household between 45-64 without children and a median household income of \$59,646. This segment has white-collar jobs and is has a racial and ethnic mix of White and Asian. Green Belt Sports orders from ebay.com, vacations in tropical destinations, read More magazine and watch hockey.
- **Country Casuals** - There's a laid-back atmosphere in Country Casuals, a collection of older, upscale households that have started to empty-nest. Most households boast two earners who have well-paying management jobs or own small businesses. Today, these Baby-Boom couples have the disposable income to enjoy traveling, owning timeshares, and going out to eat. Country Casuals are mostly White and older between 45-64 with a median household income of \$74,208 and in a household without kids. This segment shops at Eddie Bauer, buy collectibles, read Backpacker magazine, watch the Big Bang Theory and drive sports cars i.e. Corvette.
- **Movers & Shakers** – wealthy, older households without kids living in the suburbs. These households are 45-64 with a median income of \$101,517. This segment is college educated carrying graduate degrees and holding management positions. They are mostly White and Asian. These households play tennis, shop at Nordstrom and drive higher end SUVs i.e., Land Rover.
- **Young Influentials** – Once known as the home of the nation's yuppies, Young Influentials reflects the fading glow of acquisitive yuppiedom. Today, the segment is a common address for middle-class singles and couples who are more preoccupied with

balancing work and leisure pursuits and who live in apartment complexes surrounded by ball fields, health clubs, and casual-dining restaurants. This segment is classified as middle aged and is under 55 with a median household income of \$49,942. The racial and ethnic mix is White, Black, Asian and Hispanic. Young Influentials shop at Best Buy, play racquetball, read Details magazine, watch American Dad and drive affordable cars i.e. Mazda 3.

- **Blue Blood Estates** - Blue Blood Estates is a family portrait of suburban wealth, a place of million-dollar homes and manicured lawns, high-end cars and exclusive private clubs. The nation's second-wealthiest lifestyle is characterized by married couples with children, graduate degrees, a significant percentage of Asian Americans, and six-figure incomes earned by business executives, managers, and professionals. Blue Blood Estates are 45-64 with children and a median household income of \$119,595. This segment shops at Crate & Barrel, goes skiing, watch HBO and drive luxury vehicles i.e. Acura RL.
- **New Empty Nests** - With their grown-up children recently out of the house, New Empty Nests is composed of upper-middle income older Americans who pursue active--and activist--lifestyles. Most residents are over 65 years old, but they show no interest in a rest-home retirement. This is the top-ranked segment for all-inclusive travel packages; the favorite destination is Europe. New Empty Nests are a mature segment, which is mostly White and retired with a median household income of \$71,212. This segment shops at T.J. Maxx, vacations for 2+ weeks a year, reads the Smithsonian magazine, watches golf, and drives luxury vehicles i.e., Cadillac sedan.
- **Up-and-Comers** - Up-and-Comers is a stopover for younger, upper-midscale singles before they marry, have families, and establish more deskbound lifestyles. Found in second-tier cities, these mobile adults, mostly age 25 to 44, include a disproportionate number of recent college graduates who are into athletic activities, the latest technology, and nightlife entertainment. This segment has a racial and ethnic mix of White and Asian with a median household income of \$52,930. Up-and-Comers typically order from priceline.com, travel to South America, read Cigar Aficionado, watch South Park, and drive cars like the Nissan Altima Hybrid.