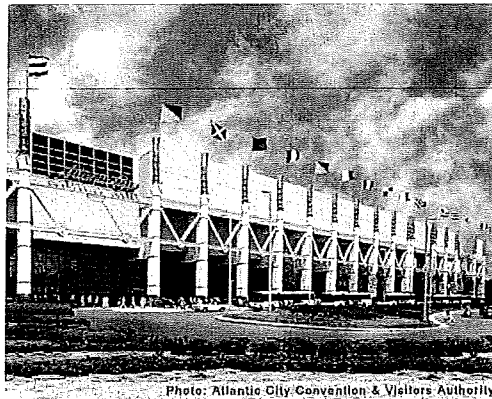


**ATLANTIC CITY**  
CONVENTION & VISITORS AUTHORITY  
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## **Atlantic City Convention & Visitors Authority Convention Center Strategic Sales Analysis**



**Final Report  
May 2013**

**Submitted by:**



4427 W. Kennedy Boulevard, Suite 200  
Tampa, FL 33609

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May 31, 2013

Ms. Elizabeth B. Cartmell, President & CEO  
Atlantic City Alliance  
2314 Pacific Avenue  
Atlantic City, NJ 08401

Dear Ms. Cartmell:

Crossroads Consulting Services LLC (Crossroads) has completed our analysis of the convention center sales strategies currently utilized by the Atlantic City Convention and Visitors Authority. This report summarizes our research and analysis which is intended to provide guidance related to the future operations of the organization in terms of convention center sales efforts.

The research, conclusions, and recommendations provided in this report are based on an analysis of historical Atlantic City Convention and Visitors Authority operations, current conditions, best practices utilized by peer destination marketing organizations, input from key stakeholders as well as other related research. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. All information provided to us by others was not audited or verified and was assumed to be correct.

We have no responsibility to update this report for events and circumstances that occur after the date of this report. The accompanying report is restricted to internal use by the Atlantic City Alliance and the Atlantic City Convention and Visitors Authority or its successor organization the Casino Reinvestment Development Authority and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed serving you on this engagement and look forward to the opportunity to provide you with continued service.

Sincerely,

*Crossroads Consulting Services LLC*

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## Introduction

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Atlantic City is a resort city primarily known for gambling, hospitality, and entertainment. Often referred to as the "Gambling Capital of the East Coast," Atlantic City currently has 12 casinos. The destination is also known for its beach and Boardwalk. The City has a population of nearly 40,000 and a median household income of approximately \$28,500. The Atlantic City-Hammonton Metropolitan Statistical Area consists of nearly 275,000 people.

The Atlantic City Convention and Visitors Authority (ACCVA) was established in 1993 through the merger of the Atlantic City Convention Center Authority and the Atlantic City Convention & Visitors Bureau to promote the tourist, resort, convention and casino industries in addition to operating and maintaining the Atlantic City Convention Center (Convention Center), Boardwalk Hall, and the West Hall through a third party private management company. The ACCVA operated under the New Jersey Sports & Exposition Authority (NJSEA) until 2008 when the two agencies began to separate. The ACCVA is a State authority with a total marketing budget of approximately \$10.6 million. The ACCVA is an accredited Destination Marketing Organization (DMO).

Opened in 1997, the Convention Center consists of 486,000 square feet of contiguous exhibition space, 45 meeting rooms with 109,100 square feet of meeting space, and a 1,500 space parking garage. The facility serves as the primary convention/exhibition venue in the market and hosts diverse event activity including conventions, tradeshows, meetings and consumer shows.

Over the last several years, Atlantic City has faced several challenges including increased gaming competition from other regional destinations and negative perceptions related to safety, cleanliness and the overall street-level experience. In addition, Hurricane Sandy made landfall at Atlantic City in October 2012 which had a negative impact on the destination and economy.

As competition for gaming dollars in the region continues to increase, it is even more important for Atlantic City to enhance its marketability as a convention and tourism destination. In an attempt to reinvigorate the industry in Atlantic City, the New Jersey Legislature adopted Bill S 11, P.L. 2011 c.18 which created the Atlantic City Tourism District and transferred the ACCVA and the Atlantic City Special Improvement District including all of their functions, powers and duties to the Casino Reinvestment Development Authority (CRDA).

Established in 1984 by State legislature and funded by casino gaming revenues, CRDA is an independent authority whose historic mission was to provide capital investment funds for economic development and community projects that respond to the changing economic and social needs of Atlantic City and the State of New Jersey. It historically focused on encouraging business development and permanent job creation, promoting opportunities for business expansion; and facilitating a vibrant economic investment and employment environment for the State.

The new legislation expanded CRDA's rights and responsibilities which now include the ability to impose land-use regulations, implement development and design guidelines, employ initiatives that promote cleanliness, commercial development and safety, undertake redevelopment projects, and institute public safety improvements in tandem with security and law enforcement personnel. Once the boundaries for the State-run tourism district were defined, CRDA initiated a Tourism District Master

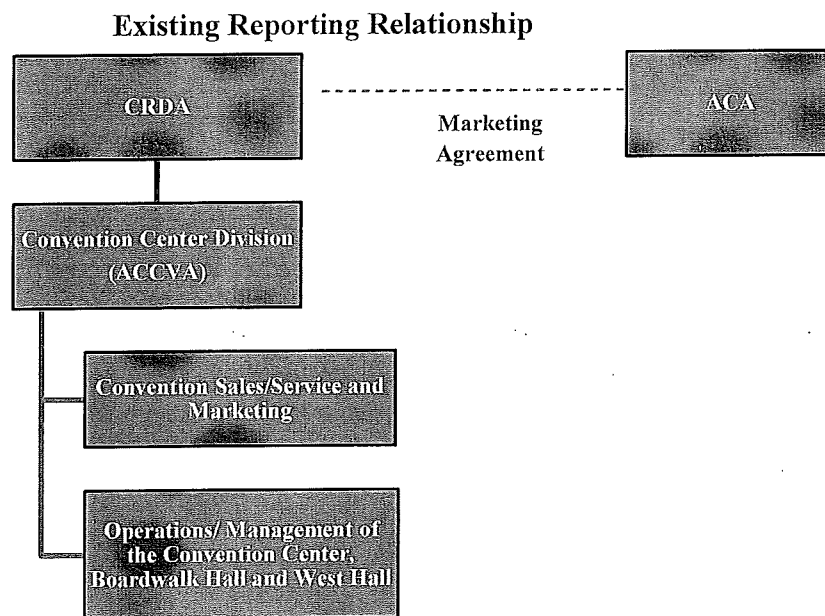


Plan to provide short-, mid-, and long-term strategies to enhance the visitor experience, stimulate private investment, and improve the financial stability of Atlantic City. Improvements related to safety, beautification and infrastructure are a priority in order to attract new business.

State legislation in 2011 provided for the creation of a private, non-profit entity to enter into a marketing agreement with CRDA. The Atlantic City Alliance (ACA) was organized by its casino members to comply with the State's legislative provisions and entered into a marketing agreement with CRDA in November 2011. Overseen by the City's casinos, the ACA's mission is to revitalize and rebuild Atlantic City's reputation and to broaden the destination's appeal beyond a gaming area to a multi-night, year-round destination in order to drive increased visitation. The ACA is funded at \$30 million per year for a five-year period from casino contributions mandated by the Tourism District Act. The ACA is responsible for the multi-million dollar tourism marketing campaign; "Do Anything, Do Everything, Do AC" that was launched in spring 2012. The ACA is also responsible for creating destination-wide events and working with the private industry, the CRDA, the City and the State on a range of programs.

Prior to the Tourism District Act and the formation of the ACA, the marketing division of the ACCVA served as the destination's principal marketing arm, stimulating economic growth through convention, business, and leisure tourism development. Effective April 1, 2013, CRDA absorbed the ACCVA, including its assets and liabilities (i.e., Convention Center, Boardwalk Hall, and West Hall), at which time the ACCVA's Marketing and Convention Development (or Convention Sales) divisions became the Convention Center Division of CRDA.

The following graphically depicts the current reporting relationship between CRDA, ACCVA, and ACA. For purposes of this report, references to ACCVA and the Convention Center Division are used interchangeably.



Note: The above organizational structure does not include other CRDA divisions such as Project Implementation & Management, Planning, Real Estate & Development, Special Improvement District, Communications, Community Development Partnerships, etc.



A primary objective of this transition is to create a unified, streamlined approach to promoting and marketing Atlantic City that maximizes available human and financial resources and increases the overall efficiency of the organization.

Convention/meeting planners have a variety of facilities and destinations to choose from when deciding where to host their event. In addition, attendees have diverse options where they can spend their discretionary income. Given the competitiveness in the industry, DMOs and convention centers need to operate in a manner that is consistent with well-established industry practices, which includes the ability to quickly react to changes in industry trends.

Given this backdrop, Crossroads was retained to conduct a convention center strategic sales analysis that assists the ACA and ACCVA in identifying target markets, sales strategies, performance measures, and necessary resources that seek to maximize optimal short and long-term market opportunities for the Convention Center. This analysis does not constitute a performance evaluation but rather an assessment of internal and external factors impacting the ACCVA's convention sales function.

Specific tasks conducted for this project include:

- Conducted interviews with key stakeholders including representatives from ACA, ACCVA, and CRDA as well as area hotels.
- Reviewed and analyzed ACCVA operations in terms of mission statement, booking policy, organizational structure, staffing levels, marketing efforts/strategies, key performance metrics (e.g., occupancy, average daily rate (ADR), tourist development tax collections, bookings, economic impact, room nights generated, etc.), amount and allocation of the budget as well as partnerships.
- Reviewed and analyzed select Convention Center operations including historical utilization by event type, customer service surveys, lost business reports, financial operations, etc.
- Benchmarked attributes of the Convention Center and Atlantic City to competitive and comparable facilities and DMOs.
- Interviewed representatives at and analyzed data on competitive and comparable DMOs related to their organizational structure, staffing levels, incentive compensation, convention center sales efforts, budget, travel/entertainment policies, and performance measurements.
- Benchmarked ACCVA Convention Center sales efforts to other peer DMOs in key areas to identify strengths, weaknesses, and opportunities as well as industry best practices.
- Reviewed available data from secondary sources such as Destination Marketing Association International (DMAI), which is the largest association of DMOs in the world.
- Summarized findings and recommendations.

The remainder of this report summarizes the key findings and recommendations from our research and analysis which can serve as a tool for on-going planning decisions related to future Convention Center sales efforts.

## Executive Summary

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According to DMAI, DMOs come in many different forms, but all are the principal organization of a given political division or subdivision that is organized to promote its respective destination to attract visitors and/or to solicit and service conventions; and that is defined and authorized by its appropriate incorporated government entity as the representative organization exercising those functions. Typical functions of a DMO include, but are not limited to, the following:

- Convention sales and marketing in convention center and hotels
- Convention destination services (i.e., coordination of hotels, special event spaces, transportation, etc.)
- Leisure group sales and marketing (i.e., tour operators, etc.)
- Individual leisure sales and marketing
- Visitor center operation
- Destination branding

Although less common, in some cases the DMO is also responsible for management of the primary convention center and/or other public assembly venues similar to the current Convention Center Division's structure under CRDA.

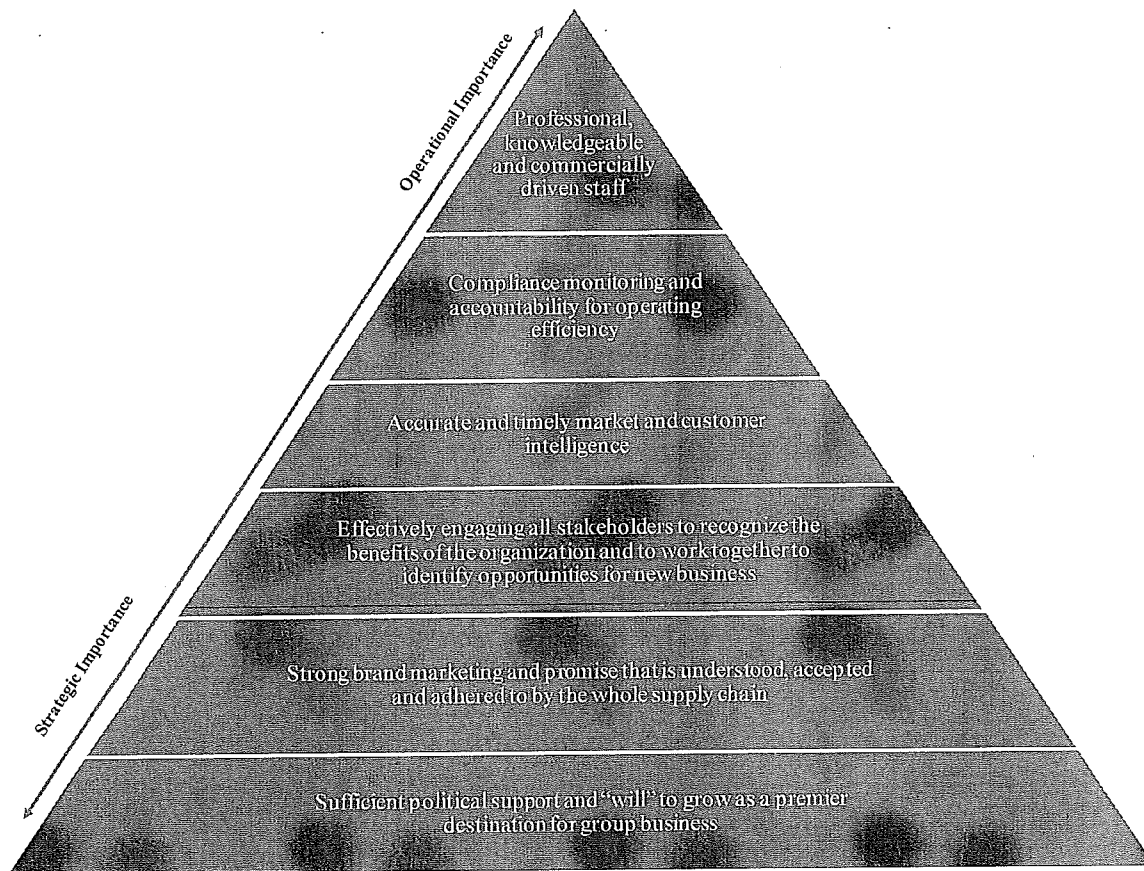
Ideally, a DMO's structure allows it to aggressively sell its destination and convention center in order to attain its fair market share of business. The majority of profiled DMOs with budgets greater than \$10 million are structured as 501(c)(6) not-for-profit organizations. Some DMOs including those in Atlantic City, Charlotte, Las Vegas and St. Louis are structured as independent authorities and have direct or indirect oversight roles related to the operations of their primary convention center.

### Industry Best Practices

The ACCVA operates in a very competitive market for convention/tradeshow/meetings business. Consequently, taking advantage of organizational, operational and/or external opportunities to increase this activity, room nights and economic impact is imperative to the organization's long-term ability to fulfill its mission as an economic driver in the State.

The diagram that follows summarizes the key strengths that serve as a foundation for "leading destinations" in the area of group sales. Our research indicates that there are a number of key strategic strengths, particularly those at the base of the pyramid, that are important to supporting other activities undertaken and services provided by DMOs. Without these, the best practices become less effective. While the pyramid highlights general strategies that foster successful group sales, specific recommendations for the ACCVA in relation to the organization's Convention Center sales efforts are discussed in more detail throughout the report.

## Pyramid of Industry Best Practices



The following discusses these best practices from a macro-level perspective which served as a guide for the specific recommendations outlined in this report.

### Professional, knowledgeable and commercially driven staff

In order for any DMO to succeed in achieving its mission, it must create policies and an overall environment that foster a workforce prepared and empowered to drive group sales. Objectives should be to hire and maintain experienced staff, strengthen decision-making at all levels, provide consistently high customer service and maintain operating efficiency. Employees must have timely communication in order to maintain high standards, morale and effectively/efficiently book group business. Performance measurement helps organizations focus on achieving stated objectives. This strategy is perhaps the most important tier because it will drive the other objectives that follow and is a critical area in terms of supplying the appropriate resources to implement the other objectives. Key strategies include stabilizing the organizational structure, improving training at all levels, improving internal and external communication, articulating performance measures and productivity expectations and implementing formal performance evaluations.

### Compliance monitoring and accountability for operating efficiency

Accountability is critical for any successful business. Establishing and communicating formal policies and procedures that provide guidance for handling a wide range of organizational and programmatic issues, and will establish a framework for both management and staff decision-making.

### Accurate and timely market and customer intelligence

Leading DMOs strive to collate reliable and regular statistics to enable better market analysis and customer intelligence in order to more effectively and efficiently market and deliver service. Common analysis includes those associated with industry trends, sales results, and customer feedback. The annual results are widely distributed amongst industry stakeholders and government partners to raise awareness of the value of the group sales function, relevant key trends and to support annual planning processes. Strategies include compiling an annual situational analysis and refining lost business tracking/reporting.

### Effectively engaging all stakeholders to recognize the benefits of the organization and to work together to identify opportunities for new business

Forming and maintaining strategic partnerships and/or alliances is an effective way for a DMO to draw upon other companies' and agencies' expertise, market profile, channels to market, contacts and networks. Strategic alliances can take a number of different forms but are typically with public partners, the business community, hospitality related agencies and organizations, professional associations and service providers. The benefits can include improved coordination and consistency of marketing campaigns, group sales efforts, and service delivery for the facility. Establishing effective and efficient communication forums can facilitate immediate coordination of strategic partners and provides a useful vehicle/mechanism to ensure that stakeholders are engaged in the organization's activities. The main objectives should be to maintain high levels of customer service, provide transparency of key operational functions, communicate value and to encourage participation and opportunities for partnership support to book events and deliver service. Quantifying achievements and the impact of activities enables DMOs to demonstrate results to internal and external stakeholders. The key to successful consensus building is to keep stakeholders (both internal and external) involved, engaged and informed. Strategies include hosting annual Board retreats, involving convention center management in group sales, and leveraging stakeholder relationships.

### Strong brand marketing and promise that is understood, accepted and adhered to by the whole supply chain

Leading group sales destinations have a strong and common brand that integrates all aspects of the destination and the facility and can be used across all of its marketing activities; both internally and externally by the DMO. Essentially, it requires having common values and core messages that can be taken to the market that customers and suppliers can instantly recognize and associate with the facility. Strategies include developing annual marketing, strategic and business plans. These efforts are already underway in Atlantic City with the establishment of CRDA and the ACA. The new group sales organization should coordinate efforts with these entities to ensure cohesive messaging about Atlantic City to all types of visitors.

Sufficient political support and “will” to grow as a premier destination for group business

The most successful DMOs operate with the full support of their local, regional, and/or State governments as well as the broader business community. The examples of industry best practices highlight that this can only occur where there is actual visible endorsement and direct interaction by local and State governments and where there is real engagement by the business community through an understanding of the benefits that convention/group business can bring to a destination. Board representation is a key factor along with conveying return on investment.

**SWOT Analysis**

Since its opening, the Convention Center has generated economic and fiscal impacts to the local and State economies. Based on our research including, but not limited to, a review of existing ACCVA operations, a benchmarking analysis to peer organizations, and discussions with industry representatives regarding evolving industry trends and best practices, the following summarizes relative strengths, weaknesses, opportunities, and threats (SWOT analysis) of the ACCVA relative to its convention sales function.

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**SWOT Analysis – ACCVA Convention Center Sales**

		Positive	Negative
		Strengths	Weaknesses
Internal		<ul style="list-style-type: none"> <li>• Overall DMO funding in line with peers</li> <li>• Overall DMO staffing in line with peers</li> <li>• Convention center product</li> <li>• Destination attractions – beach, boardwalk, casinos</li> <li>• Variety of hotel properties and price points</li> <li>• Affordability of the destination</li> <li>• Special event activity/shows occurring in the market</li> <li>• Well-known destination</li> <li>• Sales and service staff is highly rated by customers</li> </ul>	<ul style="list-style-type: none"> <li>• Conventions/tradeshows/meetings bookings have steadily declined over the past five years</li> <li>• Both Convention Center room night goals and actual numbers achieved are below profiled peer organizations</li> <li>• Number of Convention Center sales staff has been declining</li> <li>• Several existing State-mandated policies and procedures are designed for organizations that do not operate in competitive sales environments</li> <li>• Lack of sales staff incentive pay</li> <li>• Travel/entertainment policy limitations</li> <li>• Some ACCVA marketing functions appear duplicative with ACA efforts</li> <li>• ACCVA receives a greater portion of its funding from public sources than profiled peers</li> <li>• Relatively limited dedicated convention development fund</li> </ul>
External		Opportunities	Threats
		<ul style="list-style-type: none"> <li>• Increasing room nights through expanded/enhanced Convention Center sales force and re-allocated funding to maximize effectiveness</li> <li>• Leverage external partners to increase convention center bookings</li> <li>• Implementation of Tourism District Master Plan recommendations will improve destination</li> <li>• New Harrah's conference center will add new product for convention/meeting business and diversity offerings</li> <li>• Miss America Pageant returning</li> </ul>	<ul style="list-style-type: none"> <li>• Limited direct air access relative to peer convention destinations</li> <li>• Seasonality of casino business impacts hotel availability and room rates for group business as well as the number of sellable dates</li> <li>• Image/perception of Atlantic City</li> <li>• Convention Center labor rates/policies</li> <li>• Limited convention quality hotel rooms within easy walking distance</li> <li>• Increase in gaming destinations/opportunities reducing visitation to Atlantic City</li> <li>• More convention center space being developed/expanded nationally</li> <li>• General economic conditions</li> </ul>

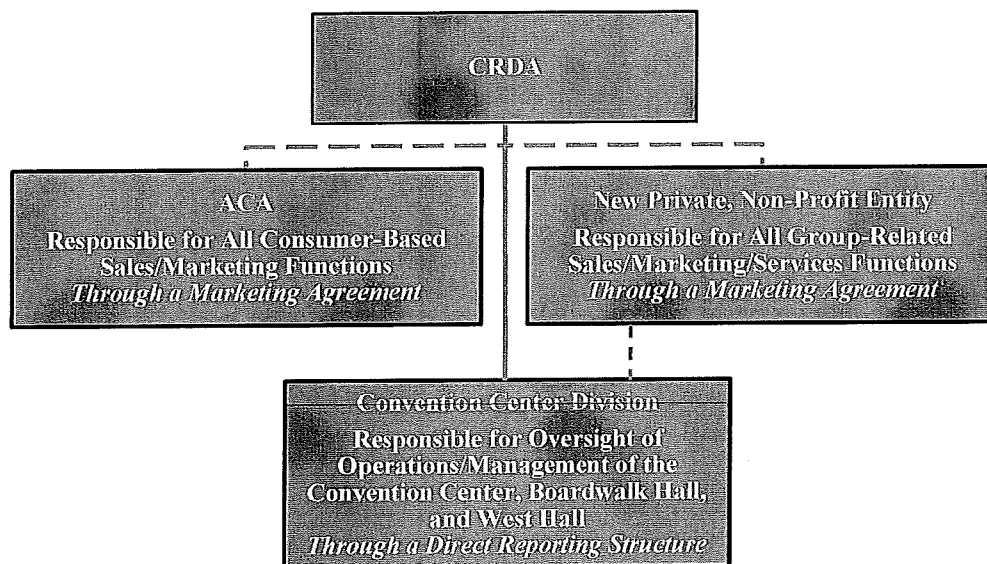
As indicated by the SWOT analysis, there are several threats of the Atlantic City market to convention center sales. By their nature, these factors are external and outside the direct control of the ACCVA; however, there are policies and action steps that can be taken to mitigate these challenges and place the organization in a more competitive position among convention destinations. Although the remainder of this report provides the detailed analysis, findings, and recommendations resulting from our efforts, this section focuses on the primary recommendations that can positively impact the ACCVA's convention center sales function.

## Recommendations

- As part of the ACCVA's integration as a division under CRDA, it is recommended the merits of creating a new 501(c)(6) specifically charged with group sales (i.e., convention, meeting, tradeshow, leisure-group), marketing, and services be explored. The public portion of funding would flow from CRDA via a fee-for-service contract that would maximize available human and financial resources. This not-for-profit structure would afford benefits that exist by operating as an independent entity rather than under the auspices of a State authority including, but not limited to: providing greater latitude in staffing, compensation, travel/entertainment, contracts and incentive pay; and stakeholders tend to be more vested in its operations by nature of the structure. Creating an independent entity would be consistent with other DMOs nationwide, particularly those with budgets similar in size to the ACCVA.
  - Further research should be conducted to consider the legal ramifications of creating a private, non-profit entity to ascertain the impacts to existing employee benefits (e.g., current pensions) and contractual obligations.
  - CRDA would oversee management of the Convention Center, Boardwalk Hall, and West Hall via the new Convention Center Division.
  - The ACA would be responsible for all consumer-based sales/marketing functions including individual leisure and destination branding.
  - The proposed new private, non-profit entity would be responsible for all group-related sales/marketing/services functions.
  - It is recommended that visitor center operations fall under the purview of the proposed new private, non-profit entity in the short-term – shifting this function under CRDA can be evaluated after other changes to convention center sales efforts have been implemented.

The following graphically illustrates the recommended new structure from a macro perspective. This reporting relationship and related roles and responsibilities would lend itself to physically relocating all or most of the new entity's personnel to the Convention Center rather than Boardwalk Hall. As part of the ACCVA's integration, CRDA is currently seeking an advisor to assist with developing the organizational and reporting structure.

### Recommended Reporting Relationship



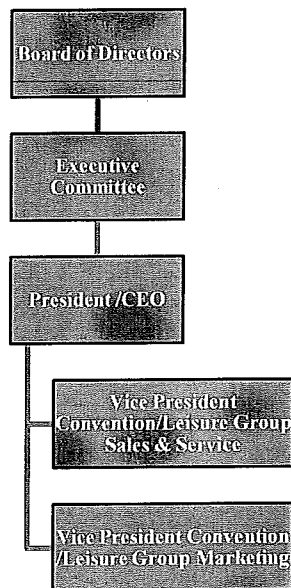
- With the recommended change in governance, a Board of Directors should be established as the single governing body exclusively responsible for the overall conduct and operation of the proposed new non-profit entity. This Board of Directors should be representative of the hospitality industry, government leaders, and law enforcement. Representatives should include a mix of public and private sector members with experience in the convention and leisure-related group business industry and related stakeholders that have a solid understanding of the unique aspects of this specialized industry in order to provide insightful strategic planning to the organization. The Board should have representation from CRDA staff and/or CRDA Board members.
- A set of bylaws should be developed that outlines roles, responsibilities and expectations of the organization and the Board should select a President/CEO of the organization based on a national search. In addition, a strategic plan should be developed that complements other similar initiatives and sets short and long-term goals for the entity consistent with its industry peers and the market capabilities.
- The new structure seeks to ensure that the constituents involved in the convention/meetings industry are vested in the entity's strategic planning from a group sales and marketing perspective. In addition, these constituents become directly involved in oversight of the operation. Further, giving stakeholders a voice in the organization's strategic planning could improve their perception of its role and impact on their individual businesses.



- The graphic that follows presents a hypothetical organizational structure for the recommended new entity. Given the focus of this study effort, our analysis does not provide input on integrating existing ACCVA/Convention Center Division individuals within the new structure nor does it address any transition of other departments such as administration and finance.

Having said that, a cursory analysis of other functions suggests there may be duplication of efforts among the existing ACCVA and CRDA in administration, finance and human resources as well as with the ACCVA and ACA relative to certain marketing efforts. A separate analysis should be conducted to assess how to best merge/allocate existing resources in a manner that benefits all entities and meets legal commitments. There are several options utilized throughout the industry. One option is for CRDA to provide these core administrative, finance and human resource functions through some formalized agreement (e.g., a management fee agreement) that clearly outlines the roles, responsibilities and services provided to the entity which sets expectations for both parties. In this approach, the recommended new entity is focused on group sales efforts and resources can be streamlined.

#### **Hypothetical Organizational Structure for the New Group Sales/Marketing Entity**



- A mission statement should be developed that accurately reflect the roles and responsibilities of the recommended new group sales/marketing entity which may include focusing on sales/marketing efforts related to convention and leisure group business as well as working in tandem with area partners to stimulate economic growth of Atlantic City. Further, this new entity's mission statement should be aligned with that of the Convention Center which is important since events that generate economic impact to the community may not always result in positive financial performance for the facility, particularly given the competitiveness of the convention and meetings industry.

- The Convention Center management team, including the food/beverage provider, should be actively involved in short-term bookings at the facility – particularly those that do not generate significant room nights (e.g., consumer shows, food functions, social events). In addition, its contract should reflect any future changes to performance expectations.
- Operating policies and procedures for the new entity should be reflective of those employed at other similar entities. As a point of reference, Appendix A provides a synopsis of current ACCVA travel and entertainment policies/guidelines compared to those at select peer DMOs.
- Sales staff should be trained in tracking lost business for each lead in a standardized manner and reason codes clearly defined and consistent with industry practices. Lost business reports should be maintained in a spreadsheet format that allows for timely tracking and trend reporting. Adjustments to sales staff targets and/or additional training needs can be ascertained from results. The new CRM system upgrade that is being installed should provide a more effective tool for identifying and developing solicitation plans for lost business.
- In order to more accurately assess the Convention Center’s competitive position with regard to labor cost, a more detailed analysis of costs/labor policies employed at other regional facilities should be conducted.
- Although the ACCVA’s total marketing budget is consistent with peer facilities, opportunities to increase private sector funding other than through membership dues should be actively explored. One option is to strategize with CRDA and ACA to identify additional partnership opportunities that may exist within the casino industry.
- Recommended adjustments to existing staffing levels include filling the existing vacant sales manager position with an experienced hire, creating a dedicated research analyst position for immediate hire, and re-assigning appropriate sales staff to long-term group sales efforts.
- Group room night goals should be increased. Market research suggests that a range of 225,000 to 250,000 room nights is an achievable short-term (i.e., within three years) goal assuming that overall staff productivity is increased, the staff is re-aligned in appropriate target markets, and the amount/availability of incentives for sales staff to use to attract group business is increased.
- As the new business model evolves, the long-term group room night goal can be gradually ramped up to be more in line with comparable DMOs. However, in order for the room night goal to be significantly increased, several factors need to occur such as a commitment from the hotels to have greater flexibility in terms of dates, rates, room blocks, sales philosophy of layering business, etc.; providing sales staff with the necessary resources to generate leads and book the business (e.g., travel, bid enhancements/incentives); and building a sales team capable of generating significantly more business.
- Sales efforts such as targeted calls, attendance at tradeshow, hosting client events and familiarization (FAM) tours, should be realigned to place more focus in the following marketing segments: national association, corporate meetings, and trade/expo, respectively.
- As such, future group sales efforts should seek to host more that place more emphasis on face-to-face selling and allow meeting planners to experience Atlantic City first-hand.

- Sales effort for target markets can be aligned geographically (e.g., Mid-Atlantic, Northeast, Midwest, Southeast, and West). Because the Mid-Atlantic will encompass the majority of the national association market, it needs to be assigned to an experienced, aggressive sales person who has a firm understanding of the market and has consistently met or exceeded their goals.
- Specific performance measures and productivity expectations should be clearly established that result in recognition/rewards for exemplary service (e.g., compensation) or performance improvement plans for poor performance along with a schedule for tracking improvement.
- An increased Convention Center incentive fund should be established through public and/or private means, perhaps by leveraging strategic partnerships. Parameters should be established that measure the group's relative value to Atlantic City and the ACCVA's mission to the relative incentive cost. Common metrics include the number of delegates, peak room nights, booking during shoulder seasons/dates, and estimated economic impact. This fund should be longer-term in nature than the current ACA initiative.
- Conduct a compensation analysis that provides more detailed, market specific data regarding potential salary/bonus structures.
- Model the sales incentive program after those of comparable DMOs with larger budgets and similar convention centers. Tie incentive compensation to metrics that directly impact the organization's mission to generate group room nights.
- The ACCVA conducts a significant amount of research and produces valuable reports regarding the visitor industry as a whole and its own organizational performance measurements. It is recommended that a more concerted effort be made to clearly delineate the value that the Convention Center and its activities produce in terms of events, attendees, spending, and economic impact to area stakeholders. Specific reference should be made to the Convention Center's return on investment.
- It is critical that the President/CEO of the proposed new entity be a dynamic leader who serves as the face of the organization and is responsible for conveying the quantitative and qualitative benefits that group business produces to Atlantic City and New Jersey to internal and external stakeholders.

Because the information presented in the executive summary is extracted from the more detailed analysis, it is important for the reader to review the report in its entirety in order to gain a better understanding of the research and methodology used.

## Overview of Historical ACCVA Operations

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This section of the report profiles ACCVA operations in terms of mission statement, booking policy, organizational structure and staffing levels as well as select industry-based performance measurements which serves as a basis for the benchmarking analysis.

### **Mission Statement**

The mission statement for a DMO serves as a guide to establish how its goals and operations should provide value to the community. The ACCVA's current mission statement is to serve "as the destination's principal marketing arm, stimulating economic growth through convention and leisure tourism development." This mission statement is consistent with other DMOs across the country that are typically responsible for marketing their destinations to both convention/meeting business and leisure visitors for the purpose of positively impacting their region's economy.

The mission statement is a critical element in any convention center's operation because it dictates the booking policy, utilization and financial performance of that facility. As with any publicly owned facility, the goals and objectives may change with each political cycle. For instance, the number and diversity of events may be the primary objective of one political official and financial performance may be the priority of another. These changes in facility objectives can be counter-productive if not managed effectively. Clearly defining a mission statement that reflects community consensus and primary goals can allow a facility to set forth an operating and marketing strategy that is consistent and long-term in implementation. It also sets expectations for the management team.

Going forward, the mission statement should be refined to accurately reflect the roles and responsibilities of the recommended new group sales/marketing entity which may include focusing on sales/marketing efforts related to convention and leisure group business as well as working in tandem with area partners to stimulate economic growth of Atlantic City. Further, this new entity's mission statement should be aligned with that of the Convention Center. This is particularly important since events that generate economic impact to the community may not always result in positive financial performance for the facility, particularly given the competitiveness of the convention and meetings industry.

### **Convention Center Booking Policy**

For any convention center to be successful it is important for the booking policy to appropriately support and implement the mission statement through its prioritization of events. Irrespective of the management approach utilized, a well-defined mission statement and booking policy can help reduce the potential for perceived differences in the facility's role by various stakeholders.

State legislation established the booking policies for both the Convention Center and Boardwalk Hall in 2007. As stated previously, the ACCVA currently has all booking responsibilities for the Convention Center. The legislation cites that when scheduling events, consideration should be given to the following factors:

- Level of economic impact
- Projected revenue
- Time of year
- Potential for repeat booking
- Event history and organizer's experience in similar facilities
- Relative quality of the event
- Event's potential for economic expansion
- Overall benefit of the event to the region
- Business goals of the ACCVA
- Other significant factors that the ACCVA and/or any other venue operator determines significant and in accordance with the stated objectives for operation of the venue

Long-term bookings are defined as conventions, tradeshow, and other events that are booked more than 14 months in advance. Public shows can only be booked within 14 months with prior approval from the Vice President of Convention Development.

The following summarizes scheduling priorities for the Convention Center:

*First Priority*— First priority for scheduling events and the use of the facility and dates in the Convention Center is available to regional, national and international conventions, tradeshow and similar activities that are not open to the general public and which, in the sole discretion of the ACCVA, shall have a significant economic impact on the Atlantic City hospitality industry. The ACCVA shall consider the evaluative factors previously mentioned. Conventions, tradeshow and similar activities held in Atlantic City on an annual basis shall be given additional preference within this category of events.

*Next Priority*— Next priority for scheduling events and the use of the facility and dates in the Convention Center is available to consumer or public exhibitions, local tradeshow, corporate meetings, entertainment events and other activities that generally draw a local audience. These events can petition the ACCVA for first priority status following a review of the economic impact to Atlantic City's hospitality industry. These events can book the facility up to 14 months in advance. Consumer or local tradeshow which are held on an annual basis may, at the sole discretion of the ACCVA, obtain tentative scheduling on a longer-term basis. The ACCVA shall consider the same evaluative factors outlined earlier.

Although the booking policy supports the mission statement through its prioritization of event bookings, it is relatively broad in nature. It is recommended that the booking policy is revised to align with the new group sales entity's mission statement through its prioritization of events. The booking policy should continue to allow the appropriate group sales personnel the discretion to modify the application of the policies, namely the booking priorities, as necessary in order to meet the stated objectives of both the new group sales entity and the Convention Center.

When multiple events are interested in booking a venue for the same dates, priority should continue to be established based on factors such as anticipated room night generation, potential economic impact, projected revenue generation at the center, season, potential for repeat and/or additional bookings as well as the history of the event as is currently done at the Convention Center. These nuances within the booking policy are consistent with industry best practices and are generally required to help maximize bookings.

As shown in the table below, the ACCVA's current responsibility for booking all events at the Convention Center is consistent with the approach used at the Charlotte Convention Center and the Las Vegas Convention Center, both of which are operated by authorities. Conversely, convention center management has short-term booking responsibilities at the other five profiled facilities ranging from 14 months out in Providence to 18 months out at the other four facilities. The Washington Convention Center also has room night parameters associated with its booking window.

<b>Summary of Booking Responsibility at Profiled Peer Facilities</b>		
<b>Facility</b>	<b>Location</b>	<b>DMO Booking Window</b>
<b>Atlantic City Convention Center</b>	<b>Atlantic City, NJ</b>	<b>All</b>
Baltimore Convention Center	Baltimore, MD	18 months +
Boston Convention & Exhibition Center <sup>1</sup>	Boston, MA	18 months +
Charlotte Convention Center	Charlotte, NC	All
Las Vegas Convention Center	Las Vegas, NV	All
Pennsylvania Convention Center	Philadelphia, PA	18 months +
Rhode Island Convention Center	Providence, RI	14 months +
Washington Convention Center	Washington, D.C.	18 months +; 2,500+ room nights

Notes: Sorted alphabetically.

<sup>1</sup> In Boston, Center/DMO joint venture Boston Convention Marketing Center is responsible for Convention Center marketing.

Source: Management at individual facilities/DMOs.

In recent years, economic trends have caused the booking window to fluctuate as some convention/tradeshows/meeting business has booked their events within shorter timeframes. Management at profiled facilities indicated that conflicts sometimes arise over the center's booking when events from each organization are vying for the same dates. In most cases; however, a formal policy is established to resolve the conflicts with priority typically given to groups generating economic impact outside 12 months. Within a year of scheduled events, a fee may be required to move other shows in order to secure a convention/tradeshow. In most cases, there is a defined party responsible for conflict resolution that is sensitive to the center's mission and customer relations.

In order to further maximize resources, it is recommended that the Convention Center management team, including the food and beverage provider, have an active role in booking short-term business at the Convention Center.

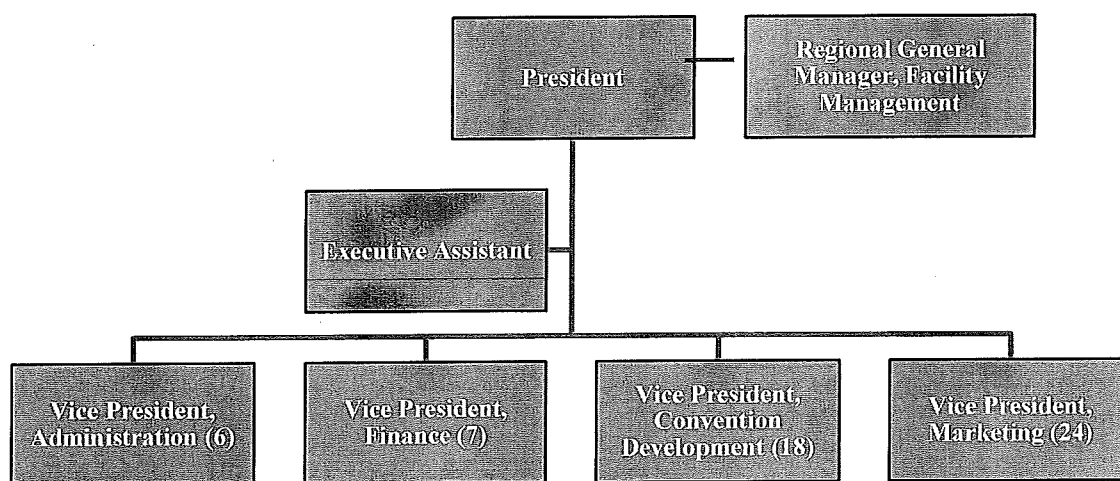
Irrespective of the ultimate decision regarding the booking policy parameters, it is critical that the new group sales/marketing entity and Convention Center management team have a strong working relationship and for both parties to work towards the common goal of booking group business into the Convention Center that attracts out-of-town visitors and positively impacts the area economy.

## Organizational Structure

One of the driving forces of this study is to provide specific guidance as to how future Convention Center sales/marketing functions may be structured. As such, this section profiles the organizational structure of the ACCVA prior to its recent transition to become a division of CRDA.

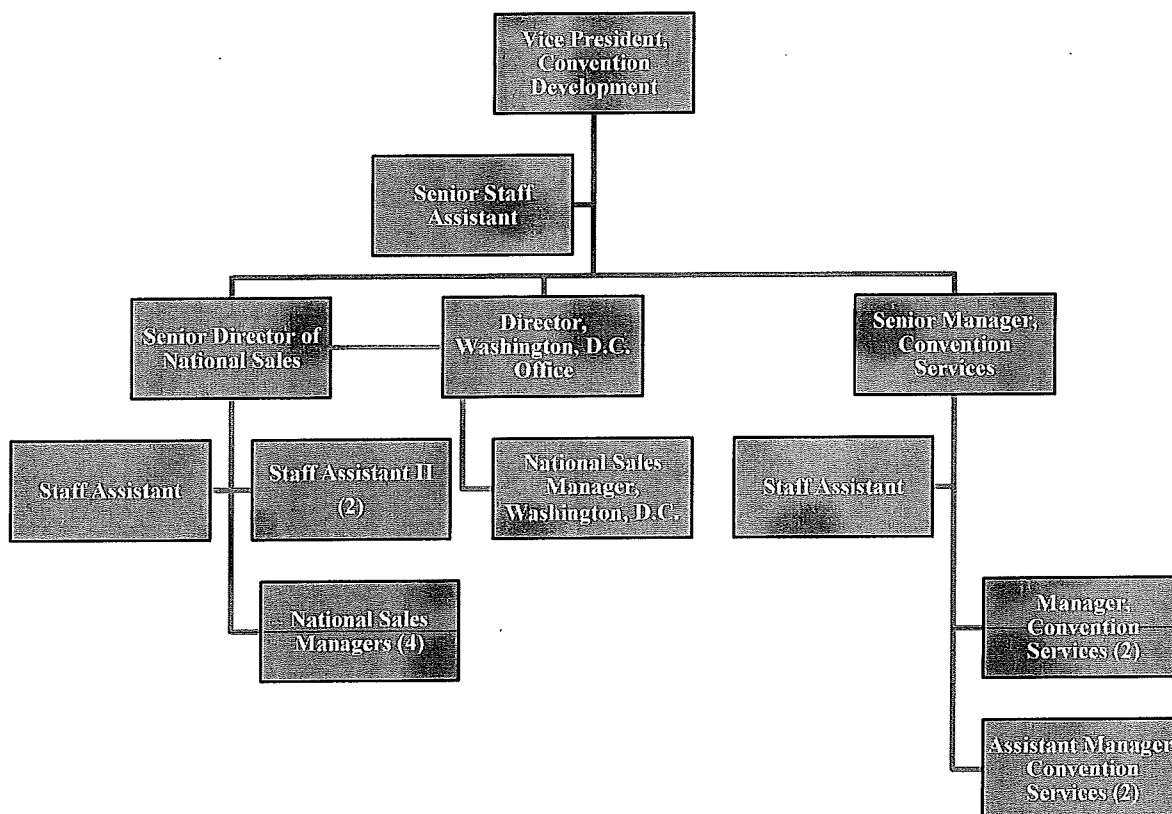
Historically, the ACCVA has been led by a President with four departmental head direct reports. The Regional General Manager of the private management company that operates the facilities also reported to the President. The organization has 57 full-time employees in the following departments:

### ACCVA Organizational Structure



The Convention Development department focuses on sales and marketing efforts for convention, meeting and tradeshow business in Atlantic City. The two primary functions are sales/marketing and services. In addition, the Convention Development department supports projects for the Marketing department and the ACCVA as needed. Given the focus of this report on convention center sales, the following graphic depicts the current structure of the Convention Development department.

### ACCVA Convention Development Department Organizational Structure



The ACCVA's Convention Development department's organizational structure, staffing levels, and sales responsibilities are compared to other competitive and comparable DMOs in Section 4 of this report.

### General Performance Measurements

Performance reporting is crucial to communicating the role and relevancy of the DMO to its stakeholders. Effective reporting provides an opportunity to convey a positive story as well as a key resource management tool for guiding sales and marketing decisions and staff development. In most cities, destination marketing involves a DMO acting as a steward of public funds and requires fiduciary responsibility including consistent and transparent performance reporting. With the adoption of industry standards, DMOs have recognized benchmarks for assessing internal performance and identifying opportunities for success.

In 2011, the Destination & Travel Foundation partnered with Red 7 Media Research & Consulting to conduct an online survey to 670 DMO and convention center executives that focused on their marketing budgets, strategies and initiatives. The response rate was 16.5% (111 of 670) – 70% of which were DMOs. The following table summarizes the top four measures of success for DMOs identified in the survey:



Measurement	%
Total number of hotel rooms booked by DMOs	79%
Hotel community occupancy levels at destination level	71%
Visitor-related tax revenues generated by the DMO bookings	63%
Total number of visitors to the destination	58%

Source: Destination & Travel Foundation.

This section profiles the ACCVA's performance relative to the above measurements.

### Total Number of Hotel Rooms Booked by DMOs

Atlantic City offers a total of 20,474 hotel rooms including the newest property, Revel, which added 1,800 rooms in 2012. Casino properties account for 18,959 rooms or 93% of the total supply. Casino properties typically have their own internal sales staff that is supported by ACCVA efforts.

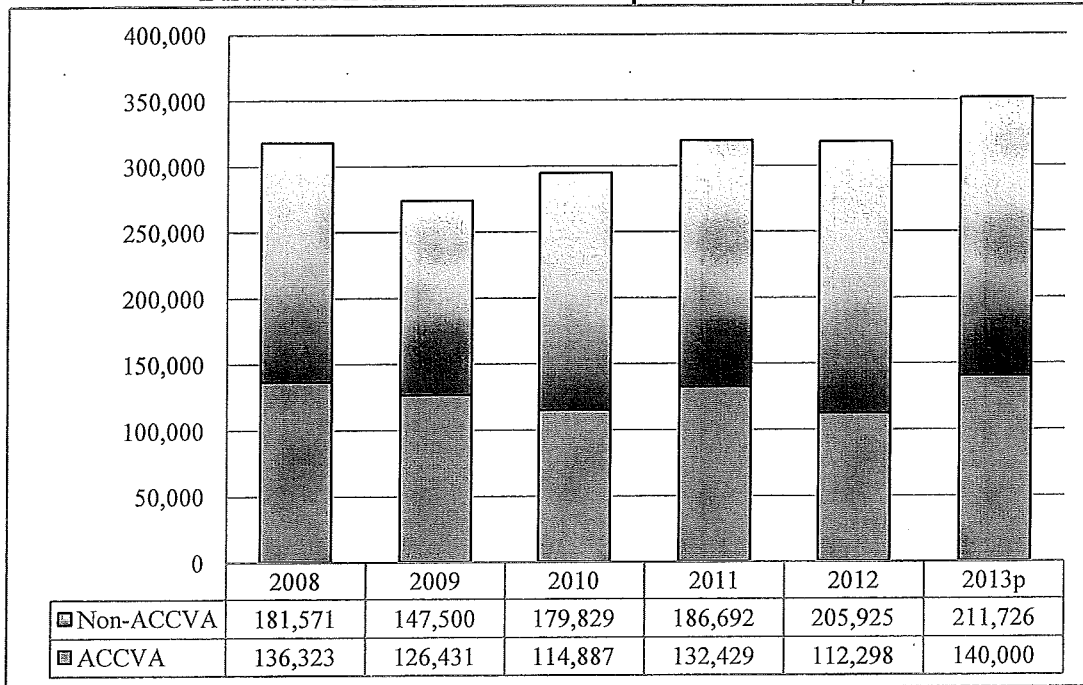
The following table shows the aggregate number of ACCVA and non-ACCVA convention/group room nights for the last five years as well as projections for 2013. After experiencing a 14% decrease in 2009, the total number of convention/group market room nights, including both ACCVA and non-ACCVA bookings, increased by 8% in both 2010 and 2011 and remained constant in 2012 despite the loss of 23,000 room nights due to Hurricane Sandy. The 2013 projection calls for a 10% increase over 2012.

Total Convention/Group Hotel Room Nights in Atlantic City						
Category	2008	2009	2010	2011	2012	2013 p
Number	317,894	273,931	294,716	319,121	318,223	351,726
% Change		-14%	8%	8%	0%	10%

Source: ACCVA.

ACCVA-booked room nights have averaged 41% of total convention/group room nights over the last five years. As depicted in the graph that follows, the number of ACCVA-booked hotel rooms fluctuated between 2008 and 2012. The decline in bookings in 2009 and 2010 was likely attributable to economic conditions and Hurricane Sandy negatively impacting hotel room bookings in the fourth quarter of 2012. The 2013 projection for ACCVA-booked hotel rooms reflects an anticipated increase of 25% over 2012 figures which would yield the highest number of hotel room nights since 2008.

**Distribution of Convention/Group Hotel Room Nights**



Note: p denotes projected.

Source: ACCVA.

As a point of reference, the table below illustrates the total number of occupied room nights at casino properties in Atlantic City. In general, the ACCVA is responsible for booking a relatively minimal amount of the total number of occupied rooms.

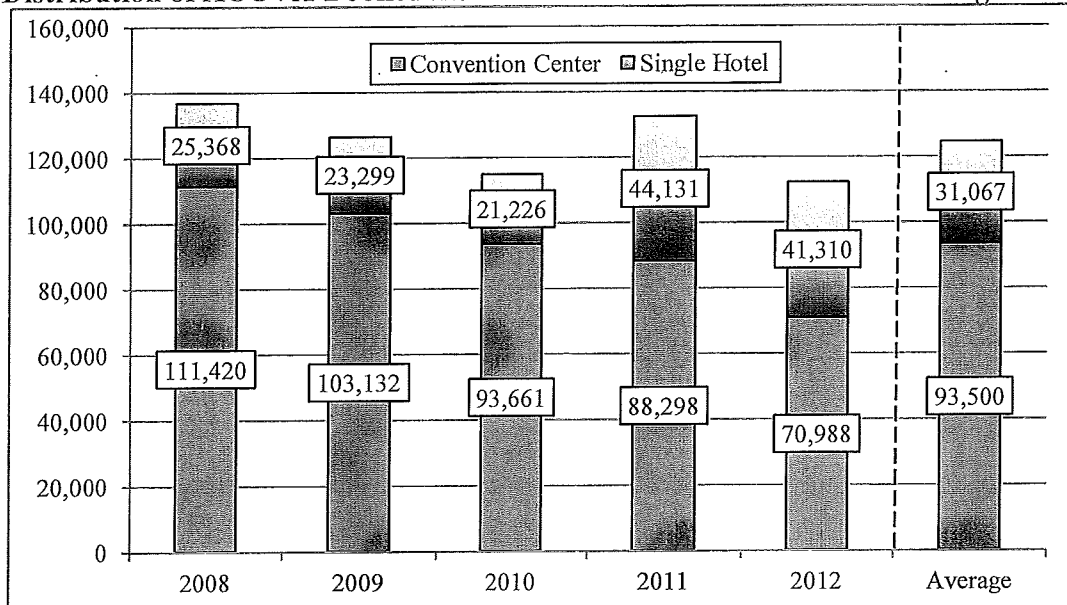
Trends in Occupied Room Nights					
Category	2008	2009	2010	2011	2012
Occupied Room Nights	5,055,093	5,148,684	5,127,242	5,075,900	5,206,942
% Change		2%	0%	-1%	3%

Note: Occupied room nights only reflect casino properties in Atlantic City.

Source: New Jersey Division of Gaming Enforcement.

The following graph illustrates the distribution of ACCVA-booked hotel rooms in terms of convention center and single hotel bookings. As shown, the number of convention center booked room nights has steadily declined since 2008 – representing more than 80% of total room nights from 2008 to 2010 down to only 67% in 2011 and 63% in 2012. This decline could potentially be due to the recent recession as well as a decrease in ACCVA Convention Development sales positions. By contrast, hotel booked room nights more than doubled between 2010 and 2011 which could be partially attributable to an increase in short-term bookings as the recession came to an end. Despite the decrease in single hotel bookings in 2012, figures remained significantly higher compared to those achieved in 2008, 2009 and 2010.

**Distribution of ACCVA-Booked Hotel Rooms – Convention Center vs. Single Hotel**

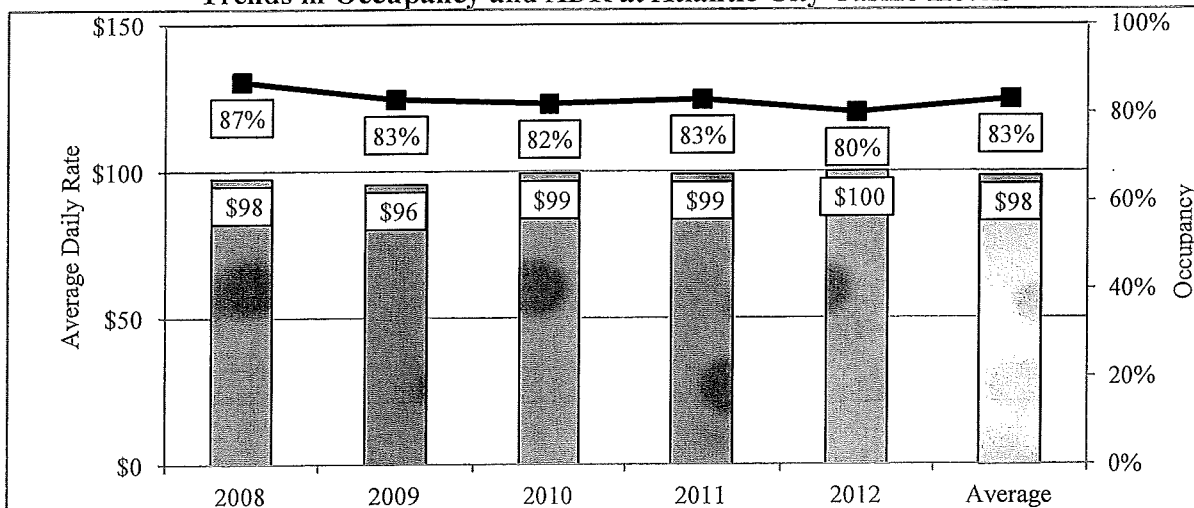


Source: ACCVA.

#### Occupancy Levels and Average Daily Rate (ADR)

The following graph shows trends in occupancy and ADR at Atlantic City casino properties. As shown, casino property hotel occupancy decreased by four points between 2008 and 2009, remained relatively consistent through 2011 and decreased by three points in 2012 which was likely impacted by Hurricane Sandy in the fourth quarter. Occupancy averaged 83% over the past five years. Overall, ADR remained relatively consistent between 2008 and 2012. The addition of Revel resulted in a record number of occupied room nights. A separate analysis suggests that Revel's opening in April 2012 negatively impacted overall occupancy by approximately one point and positively impacted ADR by \$2.50.

**Trends in Occupancy and ADR at Atlantic City Casino Hotels**



Note: Statistics for 2008 – 2011 reflect 11 hotel properties while 2012 includes those and nine months of Revel operations.

Source: New Jersey Division of Gaming Enforcement.

As a point of reference, the table below illustrates trends in hotel occupancy and ADR for the two most popular gaming destinations in the U.S. and the national average. Atlantic City's occupancy rates have exceeded the national average. Similar to Las Vegas, Atlantic City casino properties commonly provide complimentary hotel rooms for gaming attendees which artificially inflates overall occupancy and deflates ADR. Despite this nuance, Atlantic City's ADR has been relatively consistent with the national average. In general, national hotel occupancy and ADRs experienced a decline during the recession but are increasing again nationwide suggesting that the economy is recovering. Increasing convention group business would positively impact both occupancy and ADR in Atlantic City.

<b>Trends in Hotel Occupancy</b>					
<b>Destination</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Atlantic City	87%	83%	82%	83%	80%
Las Vegas	86%	82%	80%	84%	84%
<b>United States</b>	<b>60%</b>	<b>55%</b>	<b>58%</b>	<b>60%</b>	<b>60%</b>
<b>Trends in ADR</b>					
<b>Destination</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Atlantic City	\$98	\$96	\$99	\$99	\$100
Las Vegas	\$119	\$93	\$95	\$105	\$108
<b>United States</b>	<b>\$107</b>	<b>\$98</b>	<b>\$98</b>	<b>\$102</b>	<b>\$102</b>

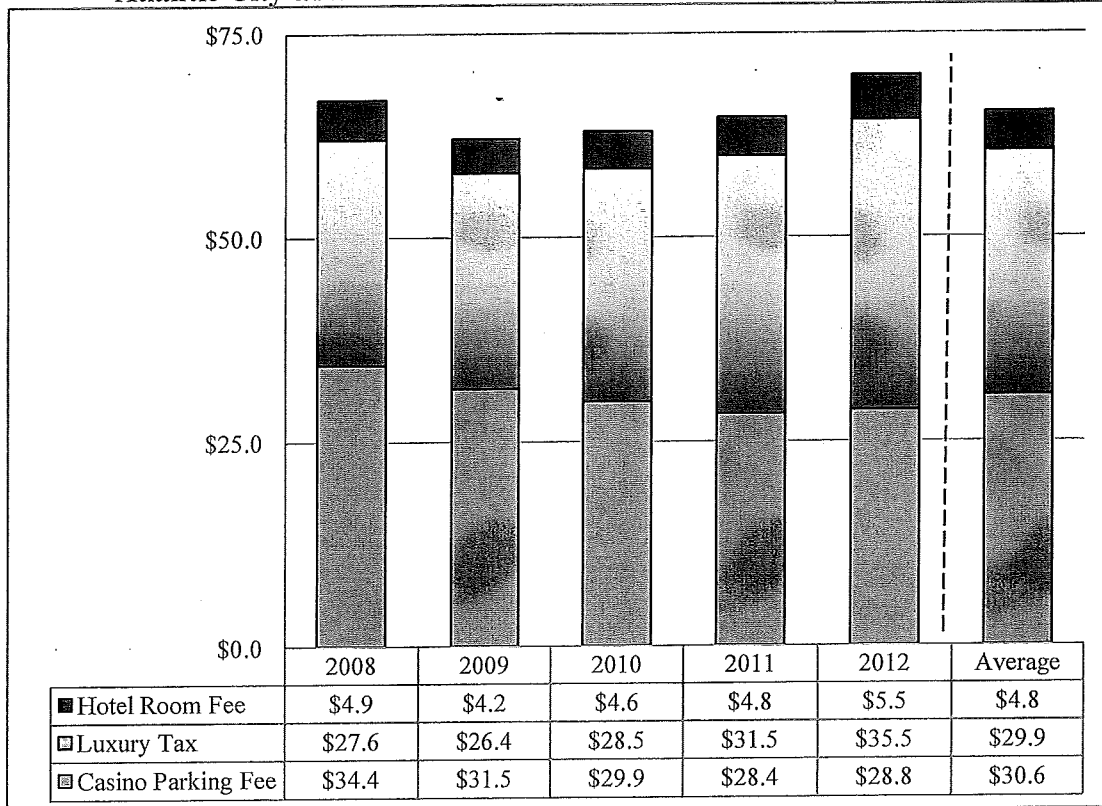
Note: Hotel occupancy and ADR amounts only reflect casino properties in Atlantic City and Las Vegas.

Sources: New Jersey Division of Gaming Enforcement; Smith Travel Research.

### Visitor-Related Tax Revenues

Visitor-related tax revenues are another indicator of a DMO's success as they are generated by visitors to a community whether leisure or group related. The following graph outlines collections from visitor-related tax revenues including the luxury tax, the parking tax, and the hotel room fee. Since declining from \$66.9 million in 2008 to \$62.1 million in 2009, total visitor-related tax revenues in aggregate have steadily increased. The 8% increase in 2012 is partially attributable to the increase in hotel supply from Revel. Luxury tax collections increased by 8% in 2010, 11% in 2011, and 13% in 2012. Hotel room fee collections have steadily increased since 2009. Although the hotel room fees shown reflect countywide amounts, they are generally reflective of Atlantic City tourism impacts. The casino parking fee collections have steadily decreased between 2008 and 2011 before realizing a minimal increase in 2012.

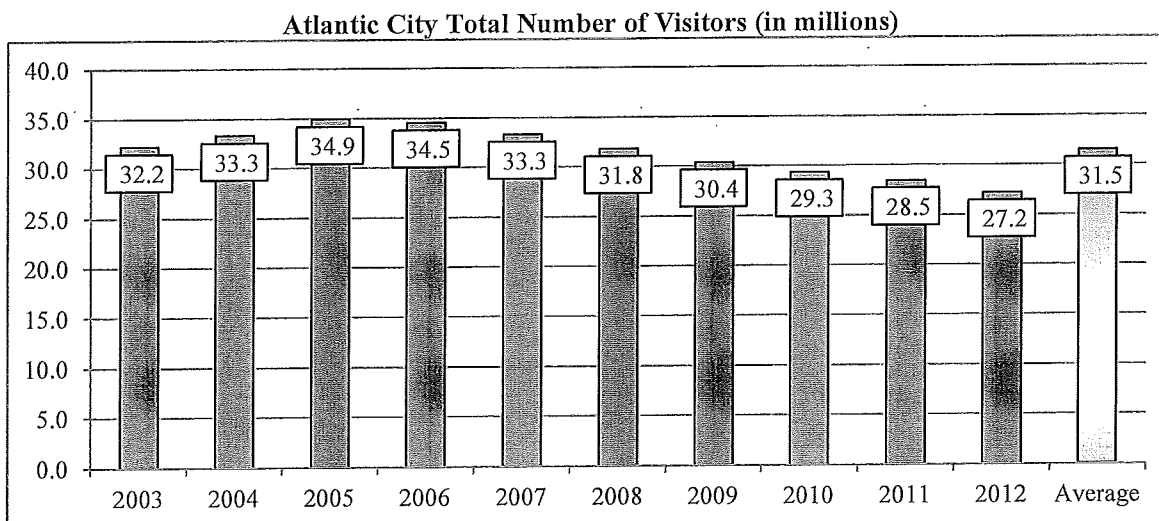
**Atlantic City Trends in Visitor-Related Tax Revenues (\$ in millions)**



Notes: The hotel occupancy fee is 1% of the room rental in Atlantic City (which already imposes a local luxury tax) on hotel/motel occupancies. This fee is in addition to any other taxes and /or fees imposed.  
The luxury tax applies to the receipts from specified retail sales within Atlantic City. The tax rate is 3% on sales of alcoholic beverages sold by the drink and 9% on other taxable sales.  
The casino parking fee consists of a fee of \$3.00 per day for each parking space used by patrons in their facility.  
Sources: State of New Jersey Casino Control Commission; New Jersey Division of Taxation.

### Total Number of Visitors

As shown in the following graph, there has been a steady decline in the total visitors to Atlantic City since 2005. Several factors have affected Atlantic City's tourism industry including the nationwide recession and rapid expansion of gambling into nearby markets. Additionally, high gas prices may have deterred some visitors from traveling as frequently as in previous years.



Source: ACCVA.

DMAI has produced a document outlining the standard for DMO performance reporting. The metrics mentioned in this report are common for overall reporting and, in some cases; factors outside the control of the DMO (i.e., hotel rates, discounting convention center rental/event service rates, party size, economic data, etc.) can positively or negatively affect these results. Other metrics documented in the report provide a closer look at the effectiveness of the sales and marketing efforts of the DMO.

### ACCVA Convention Center Bookings

While broader statistics such as hotel rooms booked, hotel occupancy and ADR, visitor-related tax revenues, and total visitors to a community are common metrics to measure DMO performance, the focus of this study is on Convention Center sales efforts.

The following table illustrates the five-year average of ACCVA Convention Center bookings along with other related statistics. Conventions, tradeshow and meetings represent 90% of convention center bookings over the past five years, 92% of room nights, 67% of delegates, and 91% of delegate spending. These events generated an average of \$534 in spending per delegate which is significantly higher than for public shows.

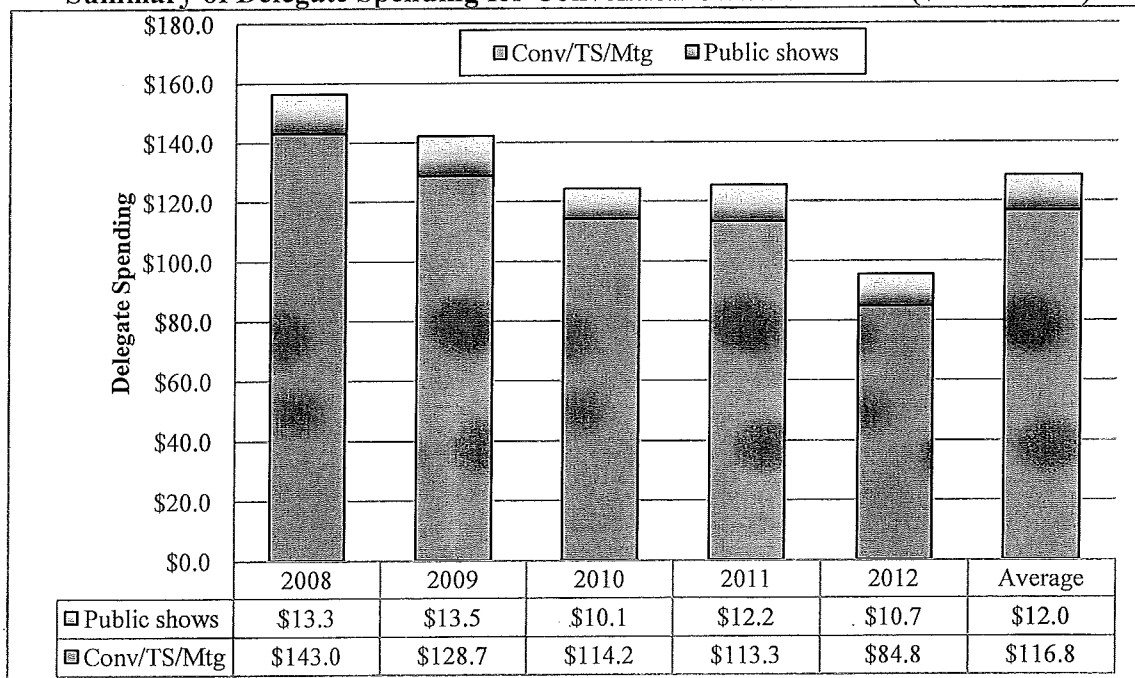
Distribution of Convention Center Bookings - Five-Year Average					
Category	Convention/Tradeshows/Meetings		Public Shows		Total
	Number	%	Number	%	
Number of Shows	106	90%	12	10%	117
Number of Room Nights	86,169	92%	7,331	8%	93,500
Number of Delegates	218,543	67%	108,259	33%	326,802
Average Number of Delegates	2,070		9,333		
Delegate Spending	\$116,787,200	91%	\$11,968,300	9%	\$128,755,500
Room Nights/Delegate	0.39		0.07		0.29
Spending/Delegate	\$534		\$111		\$394
Spending/Room Night	\$1,355		\$1,633		\$1,377

Source: ACCVA.

Delegate spending is a measure of the impact of group related visitors (i.e., convention/tradeshow/meeting attendees) who spend money on Atlantic City hotels, restaurants, retail, entertainment and transportation services. The ACCVA currently uses DMAI spending numbers and methodology to calculate economic impact estimates. The organization is in the process of upgrading its customer relationship management (CRM) system. Once complete, the upgraded CRM system will include the new DMAI calculator which will have more recent spending data for attendees, sponsoring organizations/event producers, and exhibitors that reflects Atlantic City-specific figures rather than national surveys conducted in the past.

Delegate spending associated with convention center business has declined significantly between 2008 and 2012. Public shows, which typically attract local attendees, generate significantly fewer room nights per delegate and associated spending. On the contrary, ACCVA's convention/tradeshow/meeting sales efforts are significant to the City's economy. As such, future Convention Center sales efforts should place more emphasis and resources on this type of event activity as it has a greater impact on Atlantic City. As mentioned previously, 2012 amounts were negatively impacted by Hurricane Sandy.

**Summary of Delegate Spending for Convention Center Business (\$ in millions)**



Source ACCVA.

### Lost Business

A potential event in the lead or tentative stage that was subsequently lost by the destination is considered lost business. This does not include venue changes within the destination. DMOs typically track the number of estimated room nights, attendance and attendee spending and the reason associated with the lost opportunity.

Possible lost opportunity reasons suggested by DMAI include, but are not limited to:

- Dates not available at hotels
- Hotel room rates too high
- Lack of hotel interest
- Dates not available at convention center
- Convention center costs too high
- No hotel adjacent to convention center
- Safety concerns
- Meeting was cancelled/postponed
- Union/labor costs
- Transportation/access issues
- National/international incidents
- Board preference/internal politics

The ACCVA maintains lost business reports for events that considered hosting their event at the Convention Center. Events that were lost include groups that had previously met in Atlantic City as well as those considering the destination for the first time. The table below summarizes the tracked lost business reports for groups that contacted the ACCVA in 2012 to book a future event:

Summary of ACCC Lost Business - 2012							Percent of Total			
Reason	Number of Events	Total Attendance	Room Nights	Economic Impact			Number of Events	Total Attendance	Room Nights	Economic Impact
				Total	Per Attendee	Per Room Night				
Location	16	46,400	30,130	\$35,142,521	\$757	\$1,166	17%	10%	20%	17%
No Response	21	160,770	29,727	\$65,066,538	\$405	\$2,189	22%	33%	20%	32%
Air	5	9,500	19,966	\$13,279,454	\$1,398	\$665	5%	2%	13%	7%
Conv Ctr Availability	6	28,650	16,140	\$19,256,269	\$672	\$1,193	6%	6%	11%	9%
Cancelled	9	56,053	15,818	\$24,264,213	\$433	\$1,534	10%	12%	10%	12%
Economics	2	13,200	10,636	\$7,804,330	\$591	\$734	2%	3%	7%	4%
Room Rate	2	10,200	8,570	\$6,198,006	\$608	\$723	2%	2%	6%	3%
Option	10	37,493	7,446	\$11,846,574	\$316	\$1,591	11%	8%	5%	6%
Existing	3	32,600	7,237	\$4,881,057	\$150	\$674	3%	7%	5%	2%
Conv Ctr Rate	6	30,050	2,685	\$5,322,445	\$177	\$1,982	6%	6%	2%	3%
Hotel	3	8,700	1,435	\$3,681,702	\$423	\$2,566	3%	2%	1%	2%
Commit	1	1,500	1,103	\$1,153,997	\$769	\$1,046	1%	0%	1%	1%
Attend	1	4,500	722	\$483,750	\$108	\$670	1%	1%	0%	0%
No Payment	2	22,500	175	\$2,418,750	\$108	\$13,821	2%	5%	0%	1%
Availability	4	7,600	52	\$2,114,896	\$278	\$40,671	4%	2%	0%	1%
Budget	2	8,200	-	\$683,616	\$83	-	2%	2%	0%	0%
Labor	1	4,200	-	\$451,500	\$108	-	1%	1%	0%	0%
<b>Total</b>	<b>94</b>	<b>482,116</b>	<b>151,842</b>	<b>\$204,049,618</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Notes: Gray shading represents destination related factors.  
Pink shading represents facility related factors.  
Many reasons are too vague to categorize by destination or facility-related reasons.  
Sorted in descending order by room nights.  
Source: ACCVA.

Although the ACCVA does track lost business for both convention center and hotel leads, not all of the reasons provided are clear. For instance, more than 30,000 room nights were lost because of “location” or “no response”. Unfortunately, “location” does not clearly indicate whether the group preferred another destination or if the venue’s location within Atlantic City was not preferable. Air access accounted for nearly 20,000 of lost room nights.

In general, lost business reports for 2012 indicate that 28% of lost events and 40% of lost room nights were attributable to destination attributes compared to 12% and 13%, respectively, due to facility availability or rate.

Multiple lost business reports are accessible via ACCVA systems. However, summarized lost business reports outlining trends are not readily available delineating key statistics by market segment such as sales manager, seasonality, scope, reasons lost, attendance, room nights, estimated economic impact, and exhibit space needs.



It is recommended that sales staff be trained in tracking lost business for each lead in a standardized manner and reason codes clearly defined and consistent with industry practices. Lost business reports should be maintained in a spreadsheet format that allows for timely tracking and trend reporting. Adjustments to sales staff targets and/or additional training needs can be ascertained from results. The new CRM system upgrade that is being installed should provide a more effective tool for identifying and developing solicitation plans for lost business.

### Client Satisfaction

Providing quality customer service is imperative to overall competitiveness and ultimately the success of a convention center. Electronic surveys provide a forum to identify areas for improvement as well as to obtain a better understanding of specific requirements that meeting planner have for a facility and/or a destination.

There are two surveys that are conducted at the conclusion of a Convention Center event. One is a summary report done by Convention Center management - a Post Event Evaluation – which only covers services in the building but also includes attendance numbers and some other logistics. The second survey is a web-based customer service survey sent by the ACCVA Convention Sales group that seeks to obtain input on all aspects of the meeting planner's experience – a Post Convention Survey. The response rate is generally 30%. Once responses are received, they are reviewed by the Vice President of the Convention Development department who directly addresses any negative responses with the client and the appropriate ACCVA and/or facility management staff.

Over the past two years, 51 event planners responded to the survey – 33 in 2011 and 18 in 2012. The survey contains approximately 60 questions asking the respondent to rank their experience relative to the following:

- Sales
- Convention services
- Registration
- Media/public relations
- Restaurant reservation services
- Convention Center
- On-site parking garage
- Business Center
- Meeting/banquet facilities
- Exhibit halls
- Event manager
- Security
- Electrical services
- Food service
- In-house audio-visual (AV) services
- Hotel experience
- Air services
- Convention center shuttle service
- Overall impression of Atlantic City

The following summarizes key input deemed most relevant to this study effort. According to 2011 and 2012 results, 97% and 89% of respondents rated convention sales staff as “Excellent”. Results indicated that 80% and 100% of respondents rated convention services as “Excellent” or “Good” in 2011 and 2012, respectively. However, survey results appear to be trending downward in terms of satisfaction with specific Convention Services functions – particularly in the differences between “Excellent” and “Good”. Responses as to whether the Convention Services Manager offered alternative and unique venues to help the customer's experience in Atlantic City meet their expectation declined significantly between 2011 and 2012.



Although the Convention Center received relatively solid customer service ratings in 2011, the percentage of “Excellent” responses declined in 2012 in overall cleanliness, signage, exhibitors’ set-up/tear-down experience, and event management staff. The value of electrical services and in-house audio-visual services rendered relative to price paid did not rank particularly well in 2011 or 2012. Again, there were less responses in 2012 than 2011 making percentage shifts appear greater.

### Summary of Select Responses from Post-Convention Surveys

Sales Experience			
Account Handled to Your Satisfaction		Convention Services Experience	
Rating	2011	2011	2012
Excellent	97%	70%	43%
Good	3%	10%	57%
Fair	0%	3%	0%
Poor	0%	0%	0%
N/A	0%	17%	0%

Account Sales Manager - Professional, Courteous, Knowledgeable			
Rating	2011	2011	2012
Excellent	100%	77%	43%
Good	0%	13%	43%
Fair	0%	0%	14%
Poor	0%	0%	0%
N/A	0%	10%	0%

Effective Communication of Program Requirements			
Rating	2011	2011	2012
Excellent	97%	60%	29%
Good	3%	13%	29%
Fair	0%	3%	14%
Poor	0%	0%	0%
N/A	0%	23%	29%

Receipt of Necessary Information to Select Atlantic City			
Rating	2011	2011	2012
Excellent	85%	60%	29%
Good	3%	13%	29%
Fair	0%	3%	14%
Poor	0%	0%	0%
N/A	12%	23%	29%

### Summary of Select Responses from Post-Convention Surveys (cont'd)

Atlantic City Convention Center		
Clean and Well-Maintained		
Rating	2011	2012
Excellent	75%	59%
Good	22%	35%
Fair	3%	6%
Poor	0%	0%
N/A	0%	0%
Sufficient Signage to Provide Ease of Access		
Rating	2011	2012
Excellent	69%	53%
Good	22%	41%
Fair	6%	6%
Poor	3%	0%
N/A	0%	0%
Experience by Exhibitors During Show Set-Up/Tear Down		
Rating	2011	2012
Excellent	66%	56%
Good	22%	44%
Fair	3%	0%
Poor	0%	0%
N/A	9%	0%

Electrical Services		
Value of Services Rendered Relative to the Price Paid		
Rating	2011	2012
Excellent	28%	19%
Good	28%	44%
Fair	19%	31%
Poor	22%	6%
N/A	3%	0%
In-House Audio-Visual Services		
Value of for Price Paid Meet Expectations		
Rating	2011	2012
Excellent	43%	50%
Good	29%	33%
Fair	21%	17%
Poor	4%	0%
N/A	4%	0%
Overall Impression of Atlantic City		
Rating	2011	2012
Excellent	100%	100%
Recommend Atlantic City as a Tourist Destination to Friends/Family		
Rating	2011	2012
Yes	100%	100%

Customer service surveys can be a strong marketing tool for booking repeat and new business in the Convention Center. Consequently, ACCVA management should continue to aggressively monitor survey results and address any concerns quickly and directly with the customer to better understand what issues are controllable through change versus non-controllable (e.g., perception-based) and share feedback and accountability with both ACCVA and facility management staff on a regular basis.

## Benchmarking Analysis

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As a destination, Atlantic City competes with a spectrum of markets. Benchmarking ACCVA operations to other competitive and/or comparable DMOs provides context for evaluating specific areas of performance. However, there are market attributes that a DMO does not control such as air access and hotel supply that can impact the overall performance levels of any DMO. Consequently, any comparison among DMOs needs to be considered relative to the market product and available resources that each destination offers including the type/supply of facilities, destination attributes, DMO organizational structure, budget, staffing levels and allocation, convention sales staff compensation, and convention sales efforts. As such, while several of the profiled DMOs may not be directly comparable to the ACCVA, their organization and operations can still lend insight to certain industry best practices.

### Profiled DMO Set

Based on input from the ACCVA and other market research, the following DMOs comprise the profiled set used in this analysis.

- Charlotte Regional Visitors Authority
- Destination DC
- Greater Boston Convention & Visitors Bureau
- Las Vegas Convention & Visitors Authority
- Nashville Convention & Visitors Corporation
- Philadelphia Convention & Visitors Bureau
- Providence Warwick Convention & Visitors Bureau
- St. Louis Convention & Visitors Commission
- Visit Baltimore
- Visit Indianapolis
- Visit Pittsburgh

Crossroads obtained and analyzed operating data from the profiled set as well as conducted interviews with management at select DMOs. Not all data was available for each of the profiled organizations. Information from other secondary sources such as DMAI was also reviewed. Individual bureaus are not identified in the comparative tables because information was provided confidentially.

This section of the report discusses general convention/meeting industry trends that impact DMO performance and compares select attributes of the Convention Center, Atlantic City, and ACCVA to those of the profiled set to assess the strengths, weaknesses, opportunities, and threats of the ACCVA and identify best practices that may augment future convention center sales performance. For comparative purposes, ratios are used throughout this analysis to mitigate differences among organizations, facilities, and destinations.

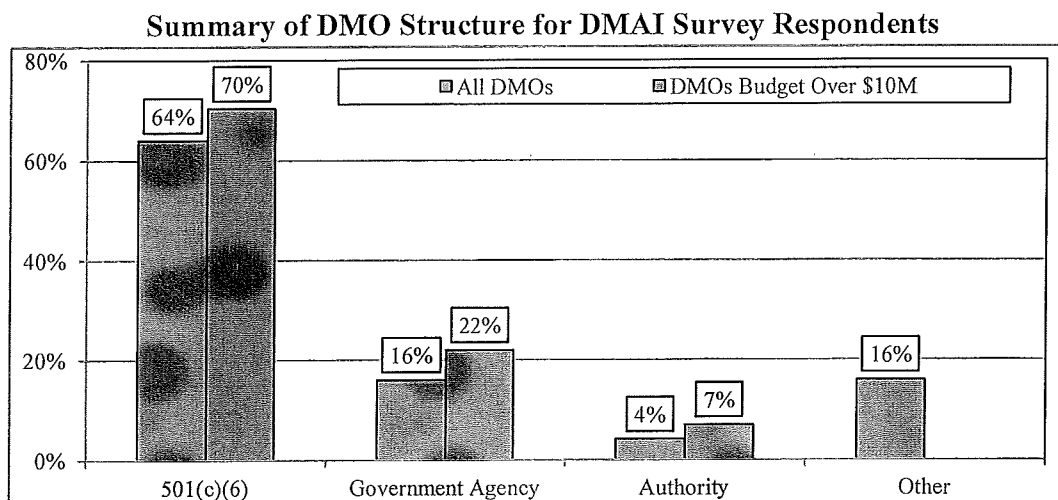
## DMO Operating Structure

A DMO's operating structure is important because it typically impacts all aspects of the organization's operations and performance. Typically, one specific entity plays a significant role in oversight, establishing and administering policy and maintaining accountability for a DMO in order for it to be effective. Objectives of governance generally include the following:

- Providing a stable structure for DMO operations insulating it from political influence and involvement;
- Providing an independent entity that focuses on operating the DMO in a proper, efficient, economical and business-like manner;
- Establishing policies that are consistent with DMO industry standards to maximize a destination's competitive position, particularly with regard to convention/meeting sales;
- Ensuring that the DMO is serving the public needs while being fiscally responsible; and
- Providing strategic business planning for the DMO that is measurable and periodically evaluated for performance.

Historically, many DMOs were operated as a division of the Chamber of Commerce given both organizations' missions to promote economic development within a destination. However, over the years, DMOs have increasingly separated themselves from Chambers of Commerce primarily due to the different markets they serve. Many DMOs chose to become independent entities in order to receive dedicated funding for destination marketing. In addition, some DMOs like the ACCVA operate other related entities such as convention centers, arenas, parking facilities and cultural arts facilities.

DMAI conducts a bi-annual organizational and financial survey of DMOs. A total of 195 DMOs responded to the most recent survey during 2011. The following graph illustrates the structure of all participating DMOs as well as those with budgets of \$10 million or more which include most of the profiled competitive set.



Source: DMAI 2011 Organization & Financial Profile Study.

As shown, 64% (124 of 195 respondents) of DMOs are structured as 501(c)(6) organizations which allow for more independence and flexibility in making operational changes while still receiving funding from public and private sources. Only 4% of survey respondents are structured as authorities. The table below outlines the structure of the profiled DMOs – all but two of which have budgets of \$10 million or greater.

DMO Structure for Profiled Destinations	
Destination	DMO Structure
Atlantic City, NJ	Authority
Baltimore, MD	501(c)(6)
Boston, MA	501(c)(6)
Charlotte, NC	Authority
Indianapolis, IN	501(c)(6)
Las Vegas, NV	Authority
Nashville, TN	501(c)(6)
Philadelphia, PA	501(c)(6)
Pittsburgh, PA	501(c)(6)
Providence, RI	501(c)(6)
St. Louis, MO	Authority
Washington, DC	501(c)(6)

Sources: DMAI 2011 Organization & Financial Profile Study; individual DMOs.

Many DMOs are membership organizations that charge an annual fee for local business partners in return for marketing, networking, and other services that support visitation to area businesses. As shown in the following table, 10 of 11 profiled DMOs are membership-based organizations with an average of 700 members. Although there does not appear to be a direct correlation between the number of DMO members, the number of firms in a market, and/or the percentage of private funding that membership fees comprise, the Atlantic City MSA has significantly less firms than the profiled set which inherently limits the ACCVA's potential membership base and related opportunity to maximize private funding through membership fees.

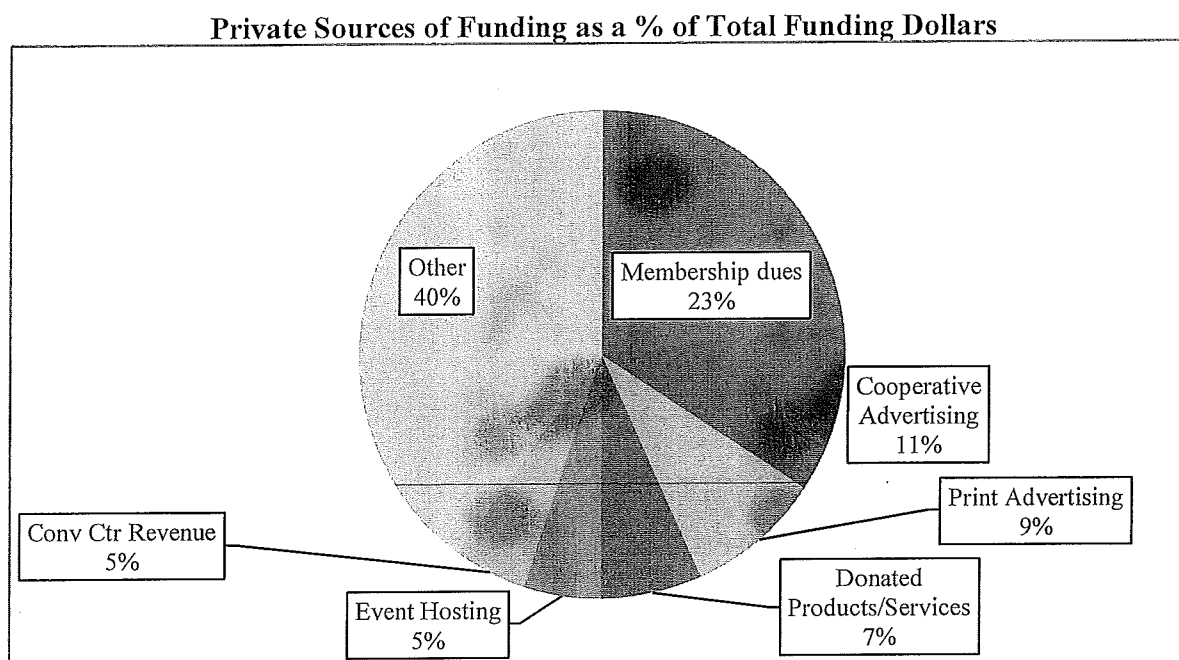
Summary of Membership Attributes for Profiled DMOs					
DMO	Membership Organization	Number of Members	Membership Fees as		Ratio of Firms/Members
			a % of Private Funding	Total Firms in the MSA	
DMO 1	Yes	1,250	17%	99,400	80
DMO 2	Yes	830	5%	116,000	140
DMO 3	Yes	820	15%	111,200	136
DMO 4	Yes	700	n/s	55,500	79
DMO 5	Yes	700	3%	53,200	76
DMO 6	Yes	700	5%	32,800	47
DMO 7	Yes	630	6%	46,500	74
DMO 8	Yes	600	n/s	34,900	58
DMO 9	Yes	500	5%	29,400	59
Atlantic City	Yes	390	1%	5,600	14
DMO 10	Yes	305	6%	34,800	114
DMO 11	No				
Average - Profiled Set		700	8%	61,400	88

Notes: Sorted in descending order by number of members.

MSA denotes Metropolitan Statistical Area and n/s denotes not supplied..

Sources : DMAI; individual DMOs; U.S. Census Bureau.

As shown in the following pie chart, membership dues are the primary source of private funding at DMOs followed by print/cooperative advertising combined. The other category includes private funding accounting for less than 5% from sources such as visitor information centers, corporate sponsorships, promotional participation, publication sales, DMO website advertising/links, investment income, service fees, etc.



Source: 2011 DMO Organizational & Financial Profile.

### Findings

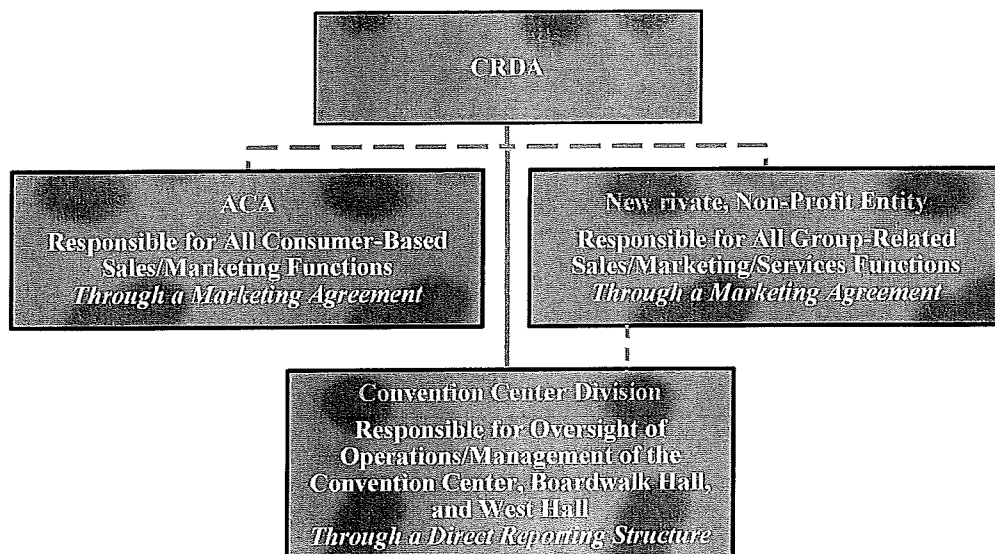
- Eight of the 11 (73%) profiled DMOs operate as a private, non-profit agency.
- Similar to the ACCVA, the remaining three profiled DMOs operate as authorities and oversee operations of their primary convention center.
- The ACCVA Board currently consists of seven members: six public members, at least two of whom shall be representatives of the New Jersey Casino Industry.
- Profiled DMOs have a Board of Directors comprised of representatives from the hospitality industry, area government agencies, and the private sector that provide oversight and strategic direction to the organization including financial accountability.
- More than 90% of the profiled DMOs, including the ACCVA, are membership organizations. Although not a direct correlation, the number, size and composition of a market's employment base inherently impacts a DMO's membership base and related private sector income from this source. From this perspective, Atlantic City is at a competitive disadvantage with its peer set.

## Recommendations

- As part of the ACCVA's integration as a division under CRDA, it is recommended the merits of creating a new 501(c)(6) specifically charged with group sales (i.e., convention, meeting, tradeshow, leisure-group), marketing, and services be explored. The public portion of funding would flow from CRDA via a fee-for-service contract that would maximize available human and financial resources. This not-for-profit structure would afford benefits that exist by operating as an independent entity rather than under the auspices of a State authority including, but not limited to: providing greater latitude in staffing, compensation, travel/entertainment, contracts and incentive pay; and stakeholders tend to be more vested in its operations by nature of the structure. Creating an independent entity would be consistent with other DMOs nationwide, particularly those with budgets similar in size to the ACCVA.
  - Further research should be conducted to consider the legal ramifications of creating a private, non-profit entity to ascertain the impacts to existing employee benefits (e.g., current pensions) and contractual obligations.
  - CRDA would oversee management of the Convention Center, Boardwalk Hall, and West Hall via the new Convention Center Division.
  - The ACA would be responsible for all consumer-based sales/marketing functions including individual leisure and destination branding.
  - The proposed new private, non-profit entity would be responsible for all group-related sales/marketing/services functions.
  - It is recommended that visitor center operations fall under the purview of the proposed new private, non-profit entity in the short-term – shifting this function under CRDA can be evaluated after other changes to convention center sales efforts have been implemented.

The following graphically illustrates the recommended new structure from a macro perspective.

### **Recommended Reporting Relationship**





- With the recommended change in governance, a Board of Directors should be established as the single governing body exclusively responsible for the overall conduct and operation of the proposed new non-profit entity. Major duties of this Board of Directors include, but are not limited to, the following:
  - Ensuring a well-defined mission statement;
  - Approving the strategic plan and marketing plan;
  - Developing and monitoring performance indicators that relate directly to the strategic plan and marketing plan which can be accurately measured, monitored and reported;
  - Hiring the President/CEO; and
  - Establishing functional committees (e.g., finance, marketing, tourism, communications, public relations) to advise the Board of Directors on all major areas of operations and decisions that impact the 501(c)(6) and group business sales/marketing efforts, particularly in terms of strategic planning efforts and financial matters. This would include reviewing monthly reports summarizing progress of marketing plan goals, action items, timelines and performance measures to ensure that they are being achieved.
- This Board of Directors should be representative of the hospitality industry, government leaders, and law enforcement and:
  - Include a mix of representatives from the public and private sectors with experience in the convention and leisure-related group business industry and related stakeholders that have a solid understanding of the unique aspects of this specialized industry in order to provide insightful strategic planning to the organization.
  - Possess a broad mix of talents, skills and community connections in order to increase its value and to facilitate effective governance of the organization.
  - Have representation from CRDA staff and/or CRDA Board members.
- A set of bylaws should be developed that outlines roles, responsibilities and expectations of the organization and the Board should select a President/CEO of the organization based on a national search. In addition, a strategic plan should be developed that complements other similar initiatives and sets short and long-term goals for the entity.
- The new structure should seek to ensure that the constituents involved in the convention/meetings industry are vested in the entity's strategic planning from a group sales and marketing perspective. In addition, these constituents become directly involved in oversight of the operation. Further, giving stakeholders a voice in the organization's strategic planning could improve their perception of its role and impact on their individual businesses.

- A mission statement should be developed that accurately reflects the roles and responsibilities of the recommended new group sales/marketing entity. Further, this new entity's mission statement should be aligned with that of the Convention Center.
- The booking policy should also be created that gives Convention Center management booking responsibility for the facility within a 12 to 18-month window. The new group sales/marketing organization would be responsible for Convention Center bookings outside of 12 to 18 months. The ideal situation is when both parties work in tandem to maximize bookings, financial performance and economic impact to the community irrespective of the booking guidelines. CRDA's oversight role in both entities should assist in fostering this relationship.
- Operating policies and procedures for the new entity should be reflective of those employed at other similar entities. As a point of reference, Appendix A provides a synopsis of current ACCVA travel and entertainment policies/guidelines compared to those at select peer DMOs.

### **General Convention/Meeting Industry Trends**

Relative to convention and meeting sales, a DMO's success is somewhat dependent on the attributes of the industry as a whole. Over the last 20 years, the U.S. convention and meetings market experienced tremendous growth in the supply of exhibit and meeting space through both new construction and expansion. This increased supply led to a more competitive marketplace where numerous facilities can accommodate meeting planners' needs strictly in terms of the amount of space required. Industry trends suggest that facilities located in destinations offering an attractive package in terms of overall appeal, hotel supply, accessibility, and cost have been better able to maintain, grow and/or diversify their business during challenging economic times.

Similar to the broader economy, the convention and meetings industry has experienced a downturn in recent years. However, several sources are projecting positive economic and industry growth in key metrics. While convention/meetings industry demand trends have generally correlated to those of the broader economy, there tends to be lag of between 12 and 18 months. As such, it is important that Atlantic City's marketing entity be positioned to take advantage of this positive shift in convention and meetings business.

While the supply of exhibition and meeting space has experienced significant growth over the past decade, demand has been less aggressive. In fact, overall economic conditions have led to a larger gap between the supply of and demand for space. The result has been a buyer's market in recent years with larger convention centers vying for more moderately sized events and hotels aggressively marketing their function space. As a result, convention centers have had to compete on the overall package price. Meeting planners are comparing destinations on their facility rental, hotel room rates as well as other financial concessions to attract their business. As such, a DMO's structure must allow it to aggressively sell its destination and convention center in order to attain its fair share of convention sales.

As a point of reference, the following table illustrates the venue and destination selection criteria that meeting planners considered most important and their relative ranking. Overall cost, space requirements, location and overall value rank highly in terms of both the site and venue selection.

Most Important Decision Factors When Choosing a Venue		Most Important Decision Factors When Choosing a Destination	
Factor	%	Factor	%
Meeting space requirements	45%	Overall cost	42%
Overall cost	41%	Available venues which meet space requirements	42%
Location	38%	Ease of access/travel	39%
Condition and quality of venue	37%	Overall value	33%
Overall value	31%	Attractive location to attendees	32%
Flexible contracts	26%	Proximity to members/delegates	29%
Attractive location to attendees	24%	Travel cost to destination	29%
Customer service	24%	Area hotel rates	22%
Meeting room rates	19%	Distance between airport and venue	20%
Flexible and dedicated staff	16%	Public perception	14%
Incentives and concessions	15%	Attractions and activities	11%
Amenities and services offered	11%	Availability of airlift	11%

Note: Sorted in descending order of importance.

Source: MPI 2012 Business Barometer



## Convention Center Attributes

Given the ACCVA's mission to generate economic impact through group business and its oversight responsibility of the Convention Center which is the City's largest venue for convention/meeting business, it is useful to compare building program characteristics with the profiled set.

Comparison of Building Program Characteristics at Profile Peer Convention Centers									
Facility	Location	Operator	Exhibit Hall SF	Ballroom SF	Meeting Room SF	Total Function SF	Ratio of Ballroom/Meeting SF to Exhibit SF	Divisible Meeting Rooms	Average SF / Meeting Room
Las Vegas Convention Center	Las Vegas, NV	Authority	1,940,600	0	251,000	2,191,600	13%	140	1,793
Pennsylvania Convention Center	Philadelphia, PA	Authority <sup>1</sup>	679,000	122,400	152,000	953,400	40%	73	2,082
Indiana Convention Center	Indianapolis, IN	Authority	749,600	57,100	117,600	924,300	23%	104	1,131
Washington D.C. Convention Center	Washington, D.C.	Authority	703,000	52,000	150,000	905,000	29%	66	2,273
Boston Convention & Exhibition Center	Boston, MA	Authority	516,000	40,000	160,000	716,000	39%	84	1,905
Cervantes Convention Center	St. Louis, MO	Authority	502,000	27,600	126,700	656,300	31%	59	2,147
<b>Atlantic City Convention Center<sup>2</sup></b>	<b>Atlantic City, NJ</b>	<b>Private</b>	<b>486,000</b>	<b>0</b>	<b>109,100</b>	<b>595,100</b>	<b>22%</b>	<b>45</b>	<b>2,424</b>
Music City Center	Nashville, TN	City/County	350,000	75,000	90,000	515,000	47%	60	1,500
David L. Lawrence Convention Center	Pittsburgh, PA	Private	313,400	31,600	78,500	423,500	35%	51	1,539
Baltimore Convention Center	Baltimore, MD	City	300,000	36,700	85,000	421,700	41%	50	1,700
Charlotte Convention Center	Charlotte, NC	Authority	280,000	75,300	57,100	412,400	47%	45	1,269
Rhode Island Convention Center	Providence, RI	Private	100,000	20,000	14,000	134,000	34%	23	609
<b>Average (Excluding ACCC)</b>			<b>584,900</b>	<b>48,900</b>	<b>116,500</b>	<b>750,300</b>	<b>34%</b>	<b>70</b>	<b>1,600</b>
<b>Median (Excluding ACCC)</b>			<b>502,000</b>	<b>40,000</b>	<b>117,600</b>	<b>656,300</b>	<b>35%</b>	<b>60</b>	<b>1,700</b>

Notes: <sup>1</sup>Pennsylvania Convention Center is currently exploring private management.

<sup>2</sup>The Atlantic City Convention Center does not have a dedicated ballroom. Rather, it typically utilizes Hall A as required for this purpose/function.

Sorted in descending order by total function space.

Prefunction, concourses and lobby spaces are excluded from all centers.

Indianapolis and St. Louis total exhibit space include adjacent stadium floors.

Music City Center is currently under construction.

Sources: Management at individual facilities; secondary research.

## Findings

- The majority of profiled convention centers are managed by an authority. Authorities in Charlotte, Las Vegas, and St. Louis are similar to Atlantic City in that they also have oversight roles of their convention center.
- A sample of 64 convention centers in the U.S., including Atlantic City and all of the profiled peer facilities, shows that 39% (25 of 64) outsource operations to a third party management company. In addition, other facilities such as the Pennsylvania Convention Center and the Los Angeles Convention Center are actively pursuing third party private management through a Request for Proposal (RFP) process.
- Although the Convention Center offers a comparable amount of exhibit and meeting space, it offers significantly less meeting rooms (45) than the average (70) of the profiled peer facilities. The adjacent Sheraton Atlantic City hotel has 23 meeting rooms which can augment the supply at the Convention Center.
- Neither the Las Vegas Convention Center nor the Atlantic City Convention Center has a dedicated ballroom. The Convention Center typically utilizes Hall A, which has 29,400 SF, for events/functions requiring this type of space. As such, its ratio of ballroom/meeting space (22%) is significantly less than the average for the profiled peer facilities (34%).
- While ballroom space at Boardwalk Hall and area hotels can augment this gap, this option may not be desirable for some groups that want to exhibit, meet and eat in one location.

## **Convention Center Labor Rates**

National industry research conducted by Red 7 Media indicates event management is most concerned about rising costs, date protection, exclusives and city or venue labor policies. In contrast, venue managers are concerned about events negotiating too much and asking for too much added value especially relative to space discounts. These trends are consistent with experience at the Atlantic City Convention Center and results of recent client satisfaction surveys.

The cost of utilizing a convention center for convention/tradeshow activity is comprised primarily of facility rental, food/beverage charges, and event services. Although convention centers have published rental rates for various areas of the facility, effective rates realized are typically lower than published rates due to several factors including: some rates may be negotiated to attract quality, high-impact events; meeting rooms or other space may be complimentary in conjunction with rented space or food functions; move-in/move-out days are often priced at one-half the normal rate; and/or some facilities offer reduced rental rates to special groups such as local, non-profit, and charitable organizations.

In contrast, labor rates represent a real cost of convention center usage that is rarely discounted or waived. In Atlantic City and its primary competitive convention destinations, union labor wages are charged for exhibitor services provided inside the convention center including: general/display, rigger, electrician, plumber, and forklift operator.



Crossroads sponsored a labor rate survey of management and General Service Contractors (GSCs) in competitive destinations that was conducted by Red 7 Media, a privately-held business media company that publishes magazines and newsletters, as well as produces conferences and tradeshow in the Event and Media industries. The Red 7 Media Research and Consulting Practice helps leaders in the event and media industries analyze data and information to make more informed business decisions and gain a competitive advantage. It leverages all of their brands, industry leading data and market expertise to provide clients with insights and improve their business performance. Its team has conducted thousands of assignments and projects for some of the leading event, venue and media organizations in the world as well as in the financial and consulting communities. In addition, the Red 7 Media Research and Consulting Practice is headed by a former Vice President of Research and Consulting at Tradeshow Week who has managed more than 2,500 studies and assignments for organizations in every segment of the industry as well as leaders in the investment and consulting community and is well-respected in the industry.

The table that follows summarizes the advance order rates charged to corporate exhibitors at conventions, exhibitions and tradeshow based on information provided by general service contractors, event producers and venue order forms. The rate data provides averages from multiple events often in the main municipal convention centers as well as large hotel event facilities. The data should not be viewed as the rates charged only in the main convention centers in each city.

It is important to note the rate data should only be used to develop general order-of-magnitude estimates. It is common for convention, exhibition and tradeshow labor and service rates to vary widely, even for similar types of events held in the same facilities at the same time of year. The size of the event, the move-in and move-out periods, and if shows fall over or near holiday periods can impact these rates significantly. Convention center design and functionality issues, labor union rules, and the manpower and time required to fulfill services can also impact rates and final charges to exhibitors. Additionally, the number and capacity of loading docks and freight elevators in venues, for example, can also impact rates, time required to load/unload, and overall costs.

Comparison of Labor Rate Charged at Select Regional Competitive Convention Centers							
Category	Atlantic City	Baltimore	Boston	Philadelphia	Pittsburgh	Washington, D.C.	Average
<b>General Display Labor/Hour</b>							
Regular	\$86.00	\$88.00	\$117.48	\$129.35	\$93.45	\$84.75	\$99.84
Overtime	\$129.00	\$131.75	\$186.80	\$190.12	\$140.20	\$127.38	\$150.88
Sunday	\$172.00	\$176.25	\$207.48	\$251.82	\$186.90	\$183.88	\$196.39
<b>Rigger/Hour</b>							
Regular	\$83.00	\$88.00	\$117.48	\$131.47	\$93.45	\$91.00	\$100.73
Overtime	\$124.50	\$131.75	\$186.80	\$196.02	\$140.20	\$174.00	\$158.88
Sunday	\$166.00	\$176.25	\$207.48	\$259.15	\$186.90	\$174.00	\$194.96
<b>Electrician/Hour</b>							#DIV/0!
Regular	\$113.00	\$80.00	\$100.55	\$99.00	\$76.00	\$108.00	\$96.09
Overtime	\$226.00	\$120.00	\$155.45	\$149.00	\$110.00	\$174.50	\$155.83
Sunday	\$226.00	\$120.00	\$196.80	\$149.00	\$141.00	\$174.50	\$167.88
<b>Plumber/Hour</b>							#DIV/0!
Regular	\$85.00	n/a	n/a	\$90.00	\$65.25	\$91.00	\$82.81
Overtime	\$170.00	n/a	n/a	\$135.00	\$95.00	\$174.00	\$143.50
Sunday	\$170.00	n/a	n/a	\$180.00	\$116.00	\$174.00	\$160.00
<b>Forklift-Operator/Lowest/Hour</b>							
Regular	\$145.00	\$248.75	\$308.20	\$422.17	\$257.75	\$257.75	\$273.27
Overtime	\$185.00	\$348.25	\$446.88	\$562.30	\$300.50	\$300.50	\$357.24
Sunday	\$225.00	\$448.00	\$488.33	\$682.52	\$342.95	\$342.95	\$421.63
<b>Advance Shipments to Official Service Contractor Per CWT</b>	\$68.00	\$86.63	\$134.43	\$150.77	\$111.50	\$179.55	\$121.81
<b>Direct Crated Shipments to Exhibit Hall CWT</b>	n/a	\$82.13	\$123.35	\$129.73	\$105.10	\$99.50	\$107.96
<b>Direct Crated Shipments to Exhibit Hall Requiring Special Handling Per CWT</b>	n/a	\$106.77	\$160.38	\$168.66	\$136.65	\$129.35	\$140.36
<b>Direct Uncrated &amp; Loose Shipments to Exhibit Hall Per CWT</b>	n/a	\$123.19	\$185.18	\$194.58	\$157.65	\$149.25	\$161.97

Sources: R7M Research & Consulting; Exhibitor Manuals; GSC, Event and Venue Websites.

In addition to standard hourly labor rates charged by convention centers, some facilities utilize a third-party labor broker (e.g., Philadelphia). In other cities, the General Service Contractors either individually or collectively bargain with labor unions. The standard labor mark-up at major U.S. cities is 20% to 30%, meaning the difference between the laborer cost with fringe benefits and the prices charged to events and corporate exhibitors. General Service Contractors stress that part of this mark-up is to cover “free” services negotiated by convention and exhibition event producers such as registration desks, show management office areas on show floors, signage, etc. The rates shown in the above table represent the standard hourly labor rates and do not include any mark-up nor do they provide the impact of work rules which can dramatically impact the effective labor rates experienced in a facility.

## Findings

- The Convention Center's standard and overtime hourly labor rates for general/display, rigger, and forklift operator are below the average of profiled competitive centers.
- Hourly electrician and plumber labor rates at the Convention Center, particularly those for overtime and Sundays, are higher than the average for profiled centers.

## Recommendation

- In order to more accurately assess the Convention Center's competitive position, a more detailed analysis of labor costs/policies employed at other regional facilities should be conducted. For instance, while the standard hourly rates may not be out of proportion with competitive facilities/markets, the mark-ups and/or impact of work rules can impact the overall effective labor rates. Depending on the results, these findings could serve as a tool to market Atlantic City's relative competitive position in key labor rates and/or provide sales staff training on the nuances of labor rate charges in competitive destinations to overcome perceived differences.

## Convention Center Usage

The convention/meetings industry has experienced significant change over the last several years. More specifically, the overall nature of the competitive market has changed. Convention centers are no longer only competing with facilities similar in size and destination attributes. Management at many facilities and destination marketing agencies have re-positioned and re-branded their product in an effort to increase event activity. For instance, management at larger convention facilities is frequently targeting smaller groups in order to maximize utilization. In addition, many convention facilities, particularly those that have recently expanded, are increasingly offering meeting planners various financial concessions and other incentives, such as multiple year contracts at current or reduced rates, in order to attract business. Some facilities even offer local meeting planners special incentives for short-term business.

The following table compares convention/tradeshow activity to the total number of events and attendance held at the Convention Center and profiled peer facilities.

Summary of Convention Center Event Activity - Profiled Peer Facilities							
Facility	Events			Total Attendance			Average Attendance
	Conventions/ Tradeshows	All	%	Conventions/ Tradeshows	All	%	Conventions/ Tradeshows
Facility 1	167	334	50%	534,700	774,500	69%	3,200
Facility 2	36	198	18%	326,600	1,155,300	28%	9,100
Facility 3	66	233	28%	289,000	1,034,500	28%	4,400
Facility 4	29	116	25%	285,100	431,700	66%	9,800
ACCC FY 2012 (Scheduled)	73	109	67%	233,700	338,300	69%	3,200
Facility 5	50	161	31%	221,600	462,300	48%	4,400
ACCC FY 2012 (Actual)	66	100	66%	162,300	266,300	61%	2,500
Facility 6	22	350	6%	64,800	438,800	15%	2,900
Peer Average	62	232	26%	287,000	716,200	42%	5,600

Notes: Sorted in descending order by total convention/tradeshow attendance.  
Hurricane Sandy negatively impacted ACCC event activity in FY 2012 including the loss of nine (9) events totaling approximately 72,000 attendees - the majority of which were conventions/tradeshows.  
ACCC Scheduled line accounts for the events that were scheduled to occur but cancelled because of Hurricane Sandy.

Sources: Management at individual facilities; other secondary research.



### Findings

- The Convention Center held 57% less total events (100 vs. 232) and 63% less total attendance (266,300 vs. 716,200) than the average of the profiled peer facilities.
- Relative to its total activity, the Convention Center hosted a higher percentage of convention/tradeshows (66%) and related attendance (61%) compared to peer facilities.
- Although the Convention Center hosted more conventions/tradeshows (66 vs. 62) than the average of profiled convention centers, these events attracted 43% less total attendance (162,300 vs. 287,000). However, if the scheduled events that canceled due to Hurricane Sandy had occurred, the ACCC would have only hosted 19% less (233,700 vs. 287,000) in convention/tradeshow attendance relative to the average of peer facilities.
- Average attendance at conventions/tradeshows was 2,500 or 55% less than the peer average of 5,600. If ACCC scheduled activity had not been impacted by Hurricane Sandy, average attendance at conventions/tradeshows was estimated to be 3,200.

### **Destination Attributes**

The increase in supply combined with broader economic conditions such as higher unemployment, increased costs associated with travel and lower corporate returns has resulted in a downward trend in overall demand for convention and meeting space in recent years. However, the current environment provides a competitive edge to those facilities located in destinations offering an attractive amenities package and proximate to a broad industry base of conventions and meetings hosted for a variety of geographic segments (i.e., State, regional, and national).

### Overall Cost at a Destination

The following table provides a comparison of per diem amounts for the profiled peer destinations for two different categories: corporate travel and government spending rates. The corporate travel index is based on actual prices paid in 2012 by corporate clients for 100 U.S. cities. Although the per diem amounts are different, the trend is generally the same among profiled markets: Washington, D.C., Boston, Philadelphia and Baltimore are the most expensive and Indianapolis is the least expensive. Atlantic City and Las Vegas tied for 9<sup>th</sup> in terms of total government per diem cost. Only Indianapolis and Charlotte offer a total government per diem rate lower than Atlantic City.

Comparison of 2012 Corporate Travel Index Per Diem Costs				
DMO Location	Average Food Costs	Average Daily Car Costs	Average Hotel Costs	Total Cost
Washington D.C.	\$101	\$48	\$321	\$470
Boston	\$103	\$54	\$283	\$440
Philadelphia	\$94	\$50	\$208	\$352
Baltimore	\$94	\$54	\$198	\$346
Providence	\$89	\$43	\$183	\$315
Pittsburgh	\$99	\$48	\$165	\$312
Las Vegas	\$93	\$48	\$159	\$300
Charlotte	\$82	\$48	\$156	\$286
Nashville	\$79	\$46	\$154	\$279
St. Louis	\$87	\$46	\$145	\$278
Indianapolis	\$73	\$49	\$138	\$260
Atlantic City	not supplied			
Average of Peers	\$90	\$49	\$192	\$331
Median of Peers	\$93	\$48	\$165	\$312

Comparison of 2013 Government Per Diem Spending Costs			
DMO Location	Lodging Costs	ME&I Costs	Total Cost
Washington, D.C.	\$ 206	\$ 71	\$ 277
Boston	\$ 197	\$ 71	\$ 268
Philadelphia	\$ 141	\$ 66	\$ 207
Baltimore	\$ 137	\$ 71	\$ 208
Providence	\$ 121	\$ 71	\$ 192
Pittsburgh	\$ 119	\$ 71	\$ 190
Las Vegas	\$ 96	\$ 66	\$ 162
Charlotte	\$ 97	\$ 51	\$ 148
Nashville	\$ 107	\$ 66	\$ 173
St. Louis	\$ 104	\$ 66	\$ 170
Indianapolis	\$ 91	\$ 61	\$ 152
Atlantic City	\$ 96	\$ 66	\$ 162
Average of Peers	\$129	\$66	\$195
Median of Peers	\$119	\$66	\$190

Notes: Sorted in descending order of total cost of Corporate Travel Index per diem.  
Corporate Travel data was not available for Atlantic City.  
ME&I denotes meals, entertainment and incidentals.  
The average was used when multiple amounts were provided.  
Sources: 2013 *Corporate Travel Index*; *U.S. Government*.

### Available Venues with Appropriate Space Requirements

As previously discussed, the Convention Center generally compares favorably with the profiled set with the exception of the number of meeting rooms and ballroom space, both of which can be augmented by the adjacent Sheraton hotel, Boardwalk Hall, or other area hotels. Lost business reports tracked during 2012 indicated that Convention Center availability accounted for more than 16,140 (or 12%) of lost room nights.

### Ease of Access/Travel

Accessibility via air and highway are important factors to event and meeting planners. In addition, the location and accessibility of a facility relative to hotels, restaurants, entertainment establishments and the general population base can impact its marketability for certain types of events such as conventions/tradeshows and public shows.

Atlantic City is within easy driving distance of a third of the population of the U.S. Depending on the direction of travel, there are major interstate highways that connect with the Garden State Parkway, the North-South Freeway, and the Atlantic City Expressway to provide vehicular access.

Although the Atlantic City International Airport is located proximate to the City, it has very limited access. Spirit Airlines currently provides the only commercial airline service. As such, most groups utilize the Philadelphia International Airport which is a 60-minute drive via the Atlantic City Expressway. In many instances, groups require shuttle service which is an added cost to the event, the attendee or the ACCVA if it provides transportation as part of the sales package. Limited air access accounted for nearly 20,000 (or 13%) of the lost hotel room nights tracked in 2012.

The New Jersey Transit Rail runs direct from Philadelphia's 30th Street Station to Atlantic City. The Atlantic City rail station adjoins the Convention Center and free casino shuttle service is available from the Atlantic City terminal to all casinos.

### Overall Value

Customers tend to make buying decisions based on their highest perceived value. A customer's perceived value is the difference between its evaluation of benefits relative to costs of an offering and the perceived alternatives which may include overall destination image, perceived quality of service, and the perceived value for money. Ultimately, products and services offering value for money influence a customer's behavior prior to the event (e.g., attendance, length of stay, bring family/friends) and after the event (e.g., overall satisfaction, willingness to recommend the facility/destination to others, likelihood of returning as an attendee or as a tourist).

For instance, a meeting planner may measure value as the overall cost of hosting their event in terms of facility rental, exhibitor/event services costs, hotel room rates, transportation, food/beverage costs, etc. An attendee may measure the value as the overall cost he/she pays relative to attending the event in terms of registration, hotel rates, food/beverage, transportation as well as other destination attributes such as available entertainment, retail, and attraction opportunities. Factors such as a safe, secure and clean environment; friendly people; weather; cost; and traffic can influence a person's perceived value of a destination. As such, it is important for DMOs to sell both the real and perceived value of a facility and a destination.

As mentioned previously, certain costs and services provided at the Convention Center were noted as high relative to the price paid which is a challenge in attracting events. The diversity of available hotels and related price points are likely considered positive attributes of Atlantic City as a destination. Although most hotels in Atlantic City typically have availability and offer affordable rates Monday through Thursday, these dynamics change on weekends when rates are significantly higher and availability is scarce. As such, it can be difficult to negotiate favorable financial deals for convention and meeting business during those times. Traveling the one hour from the Philadelphia International Airport may be viewed as a negative for some groups/attendees even given the advantages such as the number of direct flights to/from the airport. Market advantages such as the beach, the boardwalk, special events, and Tanger Outlets as well as exceptional customer service can help mitigate negative perceptions of the market. Continuing the consumer branding campaign and implementing recommendations outlined in the Tourism Improvement District Master Plan will continue to enhance Atlantic City as a convention and leisure destination.

### Attractive Location to Attendees

Atlantic City offers visitors a variety of hotels, restaurants, entertainment, retail and recreational opportunities. In both 2011 and 2012, all (100%) of the post-convention customer survey respondents answering the question responded that their visitor experience met or exceeded expectations and that they would recommend Atlantic City as a tourist destination. Identifying what specific destination attributes are appealing to these groups and using their input to target other group business with similar desirable amenities can help both the sales team and destination marketing efforts.

Contrary to the strong post-convention customer survey ratings, 2012 lost business reports indicated that location accounted for 17% of lost events and 20% of the lost hotel room nights. As cited previously, location is a vague reason that could refer to the destination or the venue location within Atlantic City.

As stated previously, several initiatives are underway that seek to enhance the visitor experience. Specific improvements related to safety, beautification and infrastructure were identified as a priority in the Tourism Improvement District Master Plan in order to attract new business. In addition, the ACA's marketing and branding campaign focuses on revitalizing and rebuilding Atlantic City's reputation including broadening the destination's appeal beyond a gaming area to a multi-night, year-round destination.

### Hotel Attributes

The following table compares select hotel attributes of Atlantic City to those in profiled destinations. Profiled destinations generally offer significantly more headquarter hotel rooms and citywide hotel rooms than Atlantic City. However, the hotel room supply within walking distance of the Convention Center (5,200 rooms) is the same as the average for the profiled destinations. Based on data provided by Smith Travel Research, Atlantic City hotels are relatively affordable compared to profiled destinations. Hotel room occupancy is higher than the average of the profiled set which can impact convention/group business bookings. Although Atlantic City's total tax on hotel rooms is lower than most of the profiled destinations, there may be additional taxes and/or fees charged on some hotel rooms which impact overall cost.

Summary of Select Destination Attributes for the Profiled Set							
Facility	Hotel Supply				Hotels Within One Mile		Total Tax on Hotel Rooms
	HQ Hotel(s)	HQ Hotel(s) Rooms	Within Walking Distance	Citywide	ADR	Occupancy	
Las Vegas Convention Center	no	n/a	8,400	132,600	\$108	84%	20.10%
Cervantes Convention Center	yes	875	8,000	38,000	\$86	61%	17.74%
Music City Center <sup>1</sup>	under construction	800	2,150	33,000	\$97	66%	15.25%
Indiana Convention Center	yes	575	4,700	32,000	n/s	n/s	17.00%
Charlotte Convention Center	yes	1,110	4,000	32,000	\$142	67%	15.25%
Washington Convention Center	under construction	1,165	11,255	29,000	\$214	76%	14.50%
Atlantic City Convention Center <sup>2</sup>	yes	500	5,200	18,448	\$100	80%	14.00%
Boston Convention & Exhibition Center	yes	795	1,690	16,994	\$235	80%	14.45%
Pennsylvania Convention Center	yes	1,410	6,400	10,463	\$166	74%	15.20%
Baltimore Convention Center	yes	1,600	5,400	9,300	\$149	62%	15.50%
Providence	yes	564	2,200	5,500	\$137	68%	13.00%
David L. Lawrence Convention Center	yes	615	3,550	4,320	\$146	67%	14.00%
Average (Excluding ACCC)		1,000	5,200	31,200	\$150	71%	15.64%
Median (Excluding ACCC)		800	4,700	29,000	\$140	68%	15.25%

Notes: Sorted in descending order by citywide hotel supply.

<sup>1</sup>Nashville also applies a \$2.50 surcharge per room night.

<sup>2</sup>Atlantic City hotel stays are subject to a City luxury tax, a State sales tax, a State occupancy fee and/or certain other taxes and/or fees.

Sources: Management at individual facilities; destination marketing organizations; Federal Aviation Administration; Smith Travel Research; secondary research.

## Findings

- Atlantic City is an affordable destination, particularly in terms of year-round hotel rates which is a significant decision factor for group business.
- The majority of convention/meeting attendees drive to Atlantic City. Limited air service to Atlantic City is a competitive disadvantage. The Atlantic City International Airport, which is only serviced by Spirit Airlines, had approximately 669,000 passenger enplanements in 2011 compared to an average of 9.9 million at airports in profiled destinations.
- Hotel room availability and inflated room rates on Friday and Saturday from casino-based demand presents a challenge to booking some group business. The ACCVA has approximately 200 available days to book business in the Convention Center that desires affordable, competitive hotel room rates and a significant number of rooms during the prime weekend days.
- The negative perception of Atlantic City as an unsafe, unclean environment for convention delegates is offset by the perception that Atlantic City is a vibrant city.

## DMO Budget

Any organization requires the appropriate financial and human resources in order to be successful. The following table compares funding amounts among profiled DMOs. Regardless of the organizational structure or budget size, the majority of DMO funding is derived from public sources, the majority of which is from hotel room tax.

Comparison of DMO Funding						
DMO Location	DMO Structure	Amount of Funding			% of Funding	
		Public	Private	Total	Public	Private
DMO 1	501(c)(6)	\$14,760,000	\$1,789,000	\$16,549,000	89%	11%
DMO 2	501(c)(6)	\$10,364,000	\$3,675,000	\$14,039,000	74%	26%
DMO 3	501(c)(6)	\$9,530,000	\$4,341,000	\$13,871,000	69%	31%
DMO 4	501(c)(6)	\$9,741,000	\$1,709,000	\$11,450,000	85%	15%
Atlantic City	Authority	\$10,100,000	\$535,000	\$10,635,000	95%	5%
DMO 5	501(c)(6)	\$5,969,000	\$4,602,000	\$10,571,000	56%	44%
DMO 6	501(c)(6)	\$8,785,000	\$1,350,000	\$10,135,000	87%	13%
DMO 7	501(c)(6)	\$7,250,000	\$1,565,000	\$8,815,000	82%	18%
DMO 8	501(c)(6)	\$1,765,000	\$1,031,000	\$2,796,000	63%	37%
Average - Profiled Set		\$8,521,000	\$2,508,000	\$11,028,000	77%	23%
Median - Profiled Set		\$9,158,000	\$1,749,000	\$11,011,000	83%	16%
Average - DMAI Budget > \$10M		\$12,421,000	\$4,080,000	\$16,500,000	75%	25%

Note: Sorted in descending order by total funding.

The DMO budget for Las Vegas was excluded as it is an outlier.

Detailed funding data was not available for DMOs in Charlotte and St. Louis.

Sources: DMAI 2011 DMO Organizational & Financial Profile Study; individual DMOs; secondary research.

## Findings

- The ACCVA has the fifth largest budget among the profiled DMOs.
- The ACCVA receives a significantly higher percentage of its funding from public sources compared to the profiled set which is somewhat impacted by the size and composition of the employment base in Atlantic City.

## Recommendations

- The proposed new group sales/marketing entity should evaluate opportunities to increase private sector funding other than through membership dues. One option is to strategize with CRDA and ACA to identify additional partnership opportunities that may exist within the casino industry.

## DMO Budget Allocation

The following table summarizes profiled DMO spending by major expense line items.

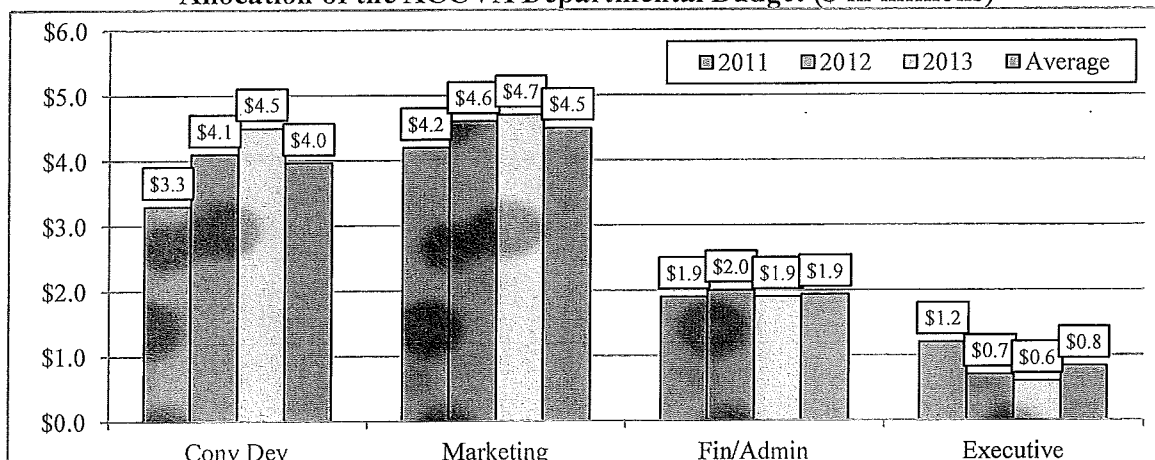
Comparison of DMO Budget Distribution					
Profiled Set	Total Budget	Personnel Costs	Sales/Marketing/Promotion Costs	Admin/Gen Ops Costs	Total Costs
DMO 1	\$16,524,000	44%	49%	8%	101%
DMO 2	\$14,083,000	45%	41%	14%	100%
DMO 3	\$14,039,000	46%	29%	25%	100%
DMO 4	\$12,268,000	42%	50%	9%	101%
DMO 5	\$11,500,000	52%	34%	14%	100%
DMO 6	\$10,735,000	51%	40%	9%	100%
Atlantic City	\$10,635,000	49%	44%	7%	100%
DMO 7	\$8,738,000	59%	30%	11%	100%
DMO 8	\$2,745,000	57%	34%	9%	100%
Average - Profiled Set	\$11,329,000	48%	39%	13%	100%
Median - Profiled Set	\$11,884,000	49%	37%	10%	100%
Average - DMAI > \$10M	\$17,113,000	39%	50%	11%	100%

Note: Sorted in descending order by total DMO budget.

Sources: DMAI 2011 DMO Organizational & Financial Profile Study; individual DMOs; secondary research.

As shown below, the allocation of the ACCVA departmental budget has averaged 40% to marketing; 35% to convention development; 17% to finance/administration; and 7% to executive over the last three years. The funding allocation for Convention Development increased in 2012 and 2013 specifically to support marketing efforts associated with the Atlantic 10 Men's Basketball Tournament and the ECAC Men's Hockey Championship. As such, this reflects a short-term increase that was dedicated to particular sporting events rather than convention center sales efforts.

Allocation of the ACCVA Departmental Budget (\$ in millions)



Source: ACCVA.

As shown in the following table, the ACCVA has one of the lowest ratios of personnel costs per FTE among the profiled peer set. Personnel costs include salaries, wages, payroll taxes, and benefits. Research indicates a correlation between the personnel costs per FTE shown in the table below and median household income.

Comparison of Personnel Costs Per FTE			
Profiled Set	Personnel Costs	Total FTEs	Personnel Costs/FTE
DMO 1	\$6,424,000	55	\$117,000
DMO 2	\$7,199,000	64	\$112,000
DMO 3	\$5,940,000	58	\$102,000
DMO 4	\$6,296,000	63	\$100,000
DMO 5	\$5,127,000	52	\$99,000
DMO 6	\$5,470,000	60	\$91,000
DMO 7	\$5,139,000	59	\$87,000
<b>Atlantic City</b>	<b>\$5,175,000</b>	<b>60</b>	<b>\$86,000</b>
DMO 8	\$1,577,000	21	\$75,000
<b>Average - Profiled Set</b>	<b>\$5,397,000</b>	<b>54</b>	<b>\$98,000</b>
<b>Median - Profiled Set</b>	<b>\$5,705,000</b>	<b>59</b>	<b>\$100,000</b>

Note: Sorted in descending order by personnel costs/full-time employee.

Sources: DMAI; individual DMOs; secondary research.

### Findings

- The ACCVA spends a slightly higher percentage of its budget (44%) on sales/marketing/promotional costs compared to the profiled peer DMOs (38%).
- On average, DMAI survey respondents with budgets exceeding \$10 million spend 50% of their budget on sales/marketing/promotion costs.
- Personnel costs as a percentage of ACCVA's total budget are consistent with the average and median for the profiled set.
- The Convention Development's allocation of the ACCVA departmental budget has increased each of the last three years.
- The ACCVA has the second lowest ratio of personnel costs to FTE, which is likely due to multiple factors including the disparity in income characteristics and cost of living among comparable markets as well as the fact that the ACCVA does not offer incentive pay to its employees like many other DMOs. In general, compensation, and particularly incentive based compensation for sales staff, is a motivation for performance.

### Recommendations

- The recommended changes related to creating a new entity for group sales/marketing/services, developing new operating policies and procedures regarding travel/entertainment and compensation as well as revising the organizational structure should address the disparity in personnel costs/FTE at ACCVA relative to peer DMOs.

## Staffing Levels and Allocation

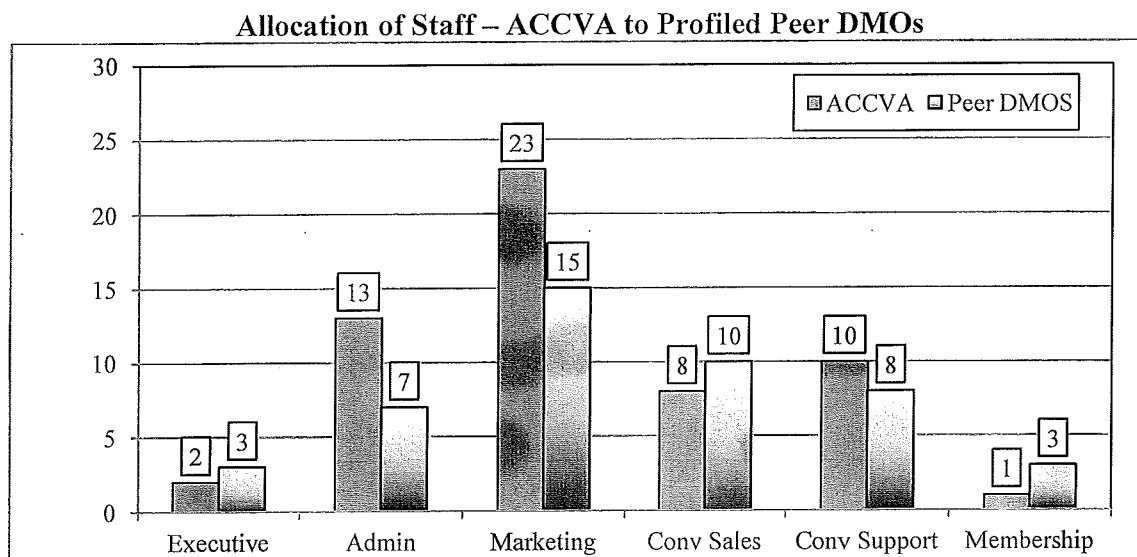
A successful sales organization needs an experienced staff with sound decision-making skills that are accustomed to consistently providing high customer service. As shown in the following table, the ACCVA has 12% more FTEs than the average of the profiled DMOs which is likely attributable to two primary factors: 1) the ACCVA provides all sales/marketing efforts for the Convention Center which requires a larger sales force than other DMOs that share this booking responsibility with the facility operator; and 2) the ACCVA has historically had oversight of the Luxury Tax Reserve Fund which was created in 2010 to account for all of the luxury tax related cash, restricted cash, restricted investments, fixed assets, and the related debt of the Convention Center, Boardwalk Hall, and the West Hall.

Comparison of DMO Staffing Levels	
Profiled Set	Total FTEs
DMO 1	64
DMO 2	63
<b>Atlantic City</b>	<b>60</b>
DMO 3	60
DMO 4	59
DMO 5	58
DMO 6	55
DMO 7	54
DMO 8	52
DMO 9	45
DMO 10	21
<b>Average - Profiled Set</b>	<b>53</b>
<b>Median - Profiled Set</b>	<b>57</b>

Note: Sorted in descending order by FTEs.

Sources: DMAI; individual DMOs; secondary research.

Despite a similar number of full-time equivalent positions, the ACCVA has fewer staff dedicated to convention sales than profiled DMOs. The following graph illustrates the average allocation of staff at profiled DMOs compared to the ACCVA.



Note: Table above reflects full-time employees, not FTEs.

Sources: Individual DMOs; secondary research.



Given the focus of this study effort, the following table illustrates the distribution of the convention sales departments between convention sales and convention support/services staff (i.e., staff dedicated to convention services and sales administrative tasks).

Comparison of Convention Sales Department Full-Time Staff Count		
DMO	Convention Sales	
	Sales Personnel	Support/ Service Personnel
DMO 1	15	13
DMO 2	13	7
DMO 3	12	10
DMO 4	12	11
DMO 5	10	14
DMO 6	9	5
<b>ACCVA</b>	<b>8</b>	<b>10</b>
DMO 7	8	8
DMO 8	6	6
DMO 9	6	2
<b>Average (excluding ACCVA)</b>	<b>10</b>	<b>8</b>
<b>% of Total ACCVA</b>	<b>-20%</b>	<b>25%</b>

Notes: Sorted in descending order by sales staff.

Unlike ACCC, some peer facilities also have dedicated sales staff at their centers.

Sources: Individual DMOs; secondary research.

Despite having one vacant position, the ACCVA has 20% fewer positions dedicated to convention sales compared to the profiled peers. This disparity in staffing levels is even greater when factoring in that the ACCVA convention sales staff has all marketing responsibilities for the Convention Center whereas other peer organizations are supported by a dedicated sales staff at the facility.

By contrast, the convention services function has 25% more staff than the average of the profiled DMOs. The ACCVA convention services department is currently structured to support a larger sales staff as it was assumed that the open sales position would be filled. In addition, the convention services staff supports projects for the marketing and tourism departments as well as the broader ACCVA as needed.

### Findings

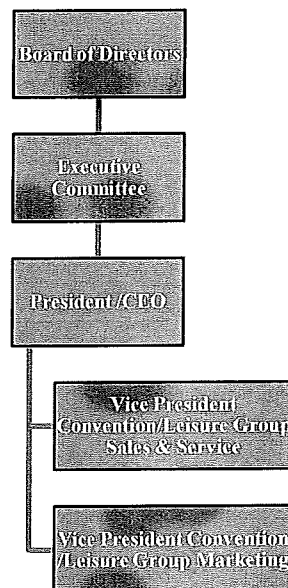
- The ACCVA has nearly double the administrative staff (including finance and human resources) which is partially attributable to the differences in each organization's structure and specific responsibilities. For instance, the ACCVA has historically had oversight of the Luxury Tax Reserve Fund which accounted for all of the luxury tax related cash, restricted cash, restricted investments, fixed assets, and the related debt of the Convention Center, Boardwalk Hall, and the West Hall.
- Profiled DMOs employ an average of 10 convention sales personnel compared to eight at the ACCVA. It should be noted that the number of convention sales manager positions at the ACCVA has declined from 11 in 2003 to the current seven positions.

- By contrast, the ACCVA has slightly more personnel dedicated to convention services/support for the reasons previously described.
- In aggregate, the ACCVA has 18 positions in the convention sales department which is consistent with the average of profiled peers.
- Five of the profiled DMOs for which data was available employ research staff to collect market intelligence for strategic sales deployment and maintain records for performance measurement and publication.
- As a point of reference, an industry survey conducted in 2011 cited that “people-based” marketing including funding of the internal sales force (i.e., employees) and attending industry tradeshows, conventions, and conferences accounted for 44% of the average DMO’s total marketing budget. These two marketing mediums and activities were identified as those that drive the highest quality leads and received the most increased investment.

#### Recommendations

- Create President/CEO position job description that includes serving as a liaison between the new private, non-profit group sales entity and stakeholders to convey the value of group sales to area businesses and the City/State economies.
- The following graphic presents a hypothetical organizational structure for the recommended new entity.

#### **Hypothetical Organizational Structure for the New Group Sales/Marketing Entity**



Given the focus of this study effort, our analysis does not provide input on integrating existing ACCVA/Convention Center Division individuals within the new structure nor does it address any transition of other departments such as administration and finance.

Having said that, a cursory analysis of other functions suggests there may be duplication of efforts among the existing ACCVA and CRDA in administration, finance and human resources as well as with the ACCVA and ACA relative to certain marketing efforts. A separate analysis should be conducted to assess how to best merge/allocate existing resources in a manner that benefits all entities and meets legal commitments. There are several options utilized throughout the industry. One option is for CRDA to provide these core administrative, finance and human resource functions through some formalized agreement (e.g., a management fee agreement) that clearly outlines the roles, responsibilities and services provided to the entity which sets expectations for both parties. In this approach, the recommended new entity is focused on group sales efforts and resources can be streamlined.

- Fill the existing vacant sales position with an experienced sales staff.
- Add a research analyst position to support sales and marketing efforts, create reports for conveying the value of group business to area businesses and economy, as well as manage the CRM database input/output.
- Assign short-term Convention Center bookings to the private management firm at the facility and re-assign appropriate sales staff to long-term convention sales efforts.

### **Convention Center Sales Efforts**

DMOs are the primary marketing entity for the destinations they represent. As such, their sales and marketing efforts are the basis by which they achieve their mission. The ACCVA develops an annual marketing plan that sets convention sales goals by department with associated strategies to achieve stated objectives. In addition, performance is tracked by sales manager on a regular basis including number of convention center and hotel bookings, the number of room nights booked as well as the convention center square footage generated from these activities. This section of the report focuses on the marketing efforts of the convention sales department.

#### Breadth of the Industry

There is no one single industry source that provides a measure of the universe of potential demand. As such, several sources are presented to show the order-of-magnitude demand that exists in the broader marketplace as well as the Convention Center's potential to grow its current share. The various sources do not represent mutually exclusive demand potential.

Red 7 Media identified the market potential for events requiring various amounts of exhibit space. Excluding groups that require 100,000 SF of exhibit space or less given that these events are often accommodated by hotel properties, the potential universe of events requiring 100,001 to 400,000 SF of exhibit space is nearly 2,200.

Gross SF Used by Convention & Exhibit Market - Industry Wide		
Exhibit Space Gross SF	Share	Number of Events
Under 100,000	47.0%	2,112
<b>100,001 to 200,000</b>	<b>27.1%</b>	<b>1,220</b>
<b>200,001 to 400,000</b>	<b>21.3%</b>	<b>958</b>
400,001 to 600,000	2.6%	115
600,001 to 800,000	0.7%	33
800,001 to 1,100,000	0.5%	22
Over 1,100,000	0.8%	35
<b>Total Between 100,000 and 400,000 SF</b>	<b>48.5%</b>	<b>2,178</b>
<b>Total Aggregate Total</b>	<b>100.0%</b>	<b>4,495</b>

Sources: Red 7 Media, Tradeshow Week, Tradeshow News Network.

According to the 2011 State & Regional Associations of the U.S. and National Trade and Professional Associations of the U.S., there are 420 associations headquartered in New Jersey – 225 State/Regional Associations and 195 National Associations. Surrounding states are home to 1,415 additional State/regional and 3,380 national association headquarters that represent potential group business for the Convention Center.

State and Regional Association Headquarters	
State	Number
New York	305
Pennsylvania	260
Virginia	242
North Carolina	231
<b>New Jersey</b>	<b>225</b>
Maryland	192
Rhode Island	65
Delaware	60
Washington, D.C.	60
<b>Total</b>	<b>1,640</b>

Note: Sorted in descending order by number of associations.  
Source: 2011 State and Regional Associations.

National Trade and Professional Association Headquarters	
State	Number
Washington, D.C.	1,082
Virginia	925
New York	559
Maryland	421
Pennsylvania	228
<b>New Jersey</b>	<b>195</b>
North Carolina	135
Rhode Island	16
Delaware	14
<b>Total</b>	<b>3,575</b>

Note: Sorted in descending order by number of associations.  
Source: 2011 National Trade and Professional Associations.

### Comparison of Group Room Nights – ACCVA vs. Profiled Peer DMOs

The following table compares the ACCVA's group room night goals and actual room nights achieved to peer DMOs for both 2011 and 2012 which was impacted by Hurricane Sandy.

Comparison of Group Room Night Goals & Actuals - 2011									
Profiled Set	Total Room Nights			Per Convention Center Exhibit SF		Per Convention Sales Staff		Per Hotel Room Within Walking Distance	
	Goal	Actual	Actual/Goal	Goal	Actual	Goal	Actual	Goal	Actual
DMO 1	810,000	745,900	92%	1.19	1.10	81,000	74,600	127	117
DMO 2	725,000	735,000	101%	0.97	0.98	40,300	40,800	154	156
DMO 3	675,000	675,600	100%	1.93	1.93	37,500	37,500	314	314
DMO 4	345,000	455,300	132%	1.23	1.63	26,500	35,000	86	114
DMO 5	315,000	340,000	108%	1.05	1.13	26,300	28,300	58	63
DMO 6	251,800	243,700	97%	0.80	0.78	31,500	30,500	71	69
ACCVA	145,000	127,800	88%	0.30	0.26	18,100	16,000	28	25
Average - Profiled Set	520,300	532,600	102%	1.20	1.26	40,500	41,100	140	140
Median - Profiled Set	510,000	565,500	111%	1.12	1.12	34,500	36,300	110	120

Comparison of Group Room Night Goals & Actuals - 2012									
Profiled Set	Total Room Nights			Per Convention Center Exhibit SF		Per Convention Sales Staff		Per Hotel Room Within Walking Distance	
	Goal	Actual	Actual/Goal	Goal	Actual	Goal	Actual	Goal	Actual
DMO 1	810,000	810,000	100%	1.19	1.19	81,000	81,000	127	127
DMO 2	750,000	750,000	100%	1.00	1.00	41,700	41,700	160	160
DMO 3	750,000	725,000	97%	2.14	2.07	41,700	40,300	349	337
DMO 7	541,000	498,000	92%	1.08	0.99	45,100	41,500	68	62
DMO 5	325,000	342,000	105%	1.08	1.14	27,100	28,500	60	63
DMO 4	310,000	319,000	103%	1.11	1.14	23,800	24,600	78	80
DMO 6	248,000	249,000	100%	0.79	0.79	31,000	31,100	70	70
ACCVA	153,000	115,000	75%	0.31	0.24	19,100	14,400	29	22
DMO 8	110,000	83,000	75%	1.10	0.83	18,300	13,800	50	38
Average - Profiled Set	480,500	472,000	98%	1.19	1.14	38,700	37,800	120	120
Median - Profiled Set	433,000	420,000	100%	1.09	1.07	36,400	35,700	70	80

Notes: Sorted in descending order by room night goal.  
DMO references correlated between the two years. 2011 data was not available for DMO 7 and DMO 8.  
Amounts are rounded.  
Sources: DMAI; TAP report; individual convention centers, individual DMOs.

The ACCVA group room night goals and actual results per exhibit space SF, conventions sales staff and proximate hotel rooms are significantly below the average of the profiled set. In addition, the majority of profiled DMOs met or exceeded their room night goals – all but one of which was higher than those for the ACCVA.

#### ACCVA Productivity Analysis

The ACCVA's aggregate room night goal for all sales managers was 153,000 in 2012. The following table summarizes the ACCVA convention sales room night goals as compared to actual results for 2011 and 2012.

ACCVA Group Room Night Booking Goals vs Actual									
Staff	2011					2012			
	Goal	% of Total	Actual	% Goal Achieved	% of Total	Goal	% of Total	Actual	% Goal Achieved
Sales Manager 1	20,000	14%	10,117	51%	8%	20,000	13%	9,468	47%
Sales Manager 2	36,000	25%	28,433	79%	22%	36,000	24%	-	0%
Sales Manager 3	29,000	20%	30,476	105%	24%	29,000	19%	30,501	105%
Sales Manager 4	20,000	14%	17,511	88%	14%	20,000	13%	12,850	64%
Sales Manager 5	12,000	8%	30,042	250%	24%	12,000	8%	26,082	217%
Sales Manager 6	16,000	11%	11,258	70%	9%	16,000	10%	18,989	119%
Sales Manager 7	12,000	8%	-	0%	0%	20,000	13%	16,990	85%
Total Group Sales	145,000	100%	127,837	88%	100%	153,000	100%	114,880	75%

Source: ACCVA.

While the convention sales team room night goal increased 6% from 2011 to 2012, actual room nights booked decreased by 10% during this period. Over the last two years, the convention development department has achieved approximately 88% and 75% of its room night goal. In each of the last two years, there was one vacant sales manager position and several sales managers did not meet their goal. Although external factors outside of a DMO's control (e.g., natural disasters, economic conditions) can impact convention sales and related room night goals, overall sales manager productivity is a key factor.

#### ACCVA Historical Bookings by Market Segment

An analysis of ACCVA historical bookings illustrates that tradeshow/expo, national association and corporate markets combined have accounted for 70% of total room nights and 72% of economic impact over the last three years.

Summary of ACCVA Historical Bookings by Market Segment - Three-Year Average (2010 - 2012)							
Market Segment	Events	Event Days	Avg Exhibit SF/Event	Total Attendance	Average Attendance	Room Nights	Economic Impact
Trade Show/Expo	17	41	161,500	64,400	3,900	30,600	\$42,825,000
National Association	9	22	127,100	45,400	5,200	16,700	\$25,787,000
Corporate	25	59	61,200	41,400	1,700	10,800	\$13,542,000
State Association	5	12	97,000	14,200	2,700	8,200	\$8,784,000
SMERF	15	24	56,900	13,400	900	6,300	\$5,927,000
Public	9	24	242,600	90,900	10,100	6,000	\$9,769,000
Regional Association	4	7	36,100	3,300	900	3,000	\$2,917,000
Sports	6	12	80,700	22,400	3,700	2,100	\$4,637,000
Labor Union	6	9	10,600	4,200	700	100	\$394,000
<b>Total</b>	<b>95</b>	<b>210</b>		<b>299,600</b>		<b>83,800</b>	<b>\$114,582,000</b>
Percent of Total							
Market Segment	Events	Event Days		Total Attendance		Room Nights	Economic Impact
Trade Show/Expo	18%	20%		21%		37%	37%
National Association	9%	10%		15%		20%	23%
Corporate	26%	28%		14%		13%	12%
State Association	5%	6%		5%		10%	8%
SMERF	16%	11%		4%		8%	5%
Public	9%	11%		30%		7%	9%
Regional Association	4%	3%		1%		4%	3%
Sports	6%	6%		7%		3%	4%
Labor Union	6%	4%		1%		0%	0%
<b>Total</b>	<b>99%</b>	<b>99%</b>		<b>98%</b>		<b>102%</b>	<b>101%</b>
<b>Total of Top Three</b>	<b>53%</b>	<b>58%</b>		<b>50%</b>		<b>70%</b>	<b>72%</b>

Notes: Sorted in descending order by room nights.

Hurricane Sandy negatively impacted ACCC event activity in FY 2012 including the loss of nine (9) events estimated to generate approximately 72,000 attendees - the majority of which were conventions/tradeshows.

Source: ACCVA.

#### ACCVA Lost Business by Market Segment

Consistent with historical bookings, an analysis of lost business indicates that national association, corporate and trade/expo market segments have accounted for 73% of lost room nights and 76% of economic impact.

Summary of ACCVA Lost Business by Market Segment							
Market Segment	Events	Event Days	Avg Exhibit SF/Event	Total Attendance	Average Attendance	Room Nights	Economic Impact
National Association	14	54	139,500	29,000	2,100	46,300	\$33,431,000
Corporate	18	54	95,600	29,800	1,700	29,800	\$26,334,000
Labor Union	3	7	97,900	4,400	1,500	14,700	\$8,263,000
Trade Show/Expo	7	24	184,700	34,000	4,900	10,400	\$24,635,000
Public	6	20	165,400	67,800	11,300	9,800	\$7,586,000
Regional Association	1	8	486,600	2,400	2,400	4,400	\$3,157,000
SMERF	11	30	71,700	8,500	800	4,300	\$4,136,000
Sports	2	4	290,200	30,000	15,000	200	\$3,225,000
State Association							
<b>Total</b>	<b>62</b>	<b>201</b>		<b>205,900</b>		<b>119,900</b>	<b>\$110,767,000</b>
Percent of Total							
Market Segment	Events	Event Days		Total Attendance		Room Nights	Economic Impact
National Association	23%	27%		14%		39%	30%
Corporate	29%	27%		14%		25%	24%
Labor Union	5%	3%		2%		12%	7%
Trade Show/Expo	11%	12%		17%		9%	22%
Public	10%	10%		33%		8%	7%
Regional Association	2%	4%		1%		4%	3%
SMERF	18%	15%		4%		4%	4%
Sports	3%	2%		15%		0%	3%
State Association	0%	0%		0%		0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>	<b>100%</b>
<b>Total of Highlighted</b>	<b>63%</b>	<b>66%</b>		<b>45%</b>		<b>73%</b>	<b>76%</b>

Note: Sorted in descending order by room nights.

Source: ACCVA.

### Convention Booking Financial Incentives

Given the current buyers' market in the convention/meeting industry, destinations have established financial incentive funds for certain groups. This is a common practice in the industry whereby a group is assessed on its relative value to the destination and offered financial incentives such as convention center rental rebates, hotel room rebates, and/or fixed amounts for certain event services or transportation costs. These costs are sometimes shared between the convention center and DMO. The ACCVA currently has an existing annual budget of \$100,000 for this purpose. By comparison, Visit Charlotte budgets \$1.6 million and Visit Baltimore budgets \$200,000 annually for convention booking incentives. Providence does not have a specified budget for incentives but commonly gives incentives where appropriate, and budgets necessary amounts for future years in order to remain competitive and achieve stated objectives.

The ACA recently started a \$1 million incentive program to attract more conventions and group business. However, this program is relatively short-term in nature in that new conventions or other groups must meet in Atlantic City in 2013. In addition, the business must generate at least 1,000 room nights at casino hotels. Priority is given to midweek, non-summer and first-time business in an attempt to fill gaps during normally slow times of year and to showcase the City to first-time groups. Meetings or groups may use facilities at the Convention Center, Boardwalk Hall or the 12 casino hotels. Priority will be given to groups that hold events at the convention facilities. These funds can be tailored to each group and can be used for a variety of reasons such as offsetting costs related to transportation, facility rent, food and beverage, etc.

## Findings

- Similar to the broader economy, the convention and meetings industry experienced a downturn in recent years. However, several sources are projecting positive economic and industry growth in key metrics. While convention/meetings industry demand trends have generally correlated to those of the broader economy, there tends to be lag of between 12 and 18 months.
- Although no single industry source quantifies the potential universe of the convention and meetings business, multiple sources convey its significance in terms of the number and diversity of events.
- Historically, the ACCVA has booked significantly less room nights than profiled peer facilities which can be attributable to a combination of external factors such as facility and destination-related attributes as well as internal sales-related efforts such as the number and productivity of sales staff, focus/allocation of sales staff in appropriate target markets, and the amount/availability of incentives for sales staff to use to attract group business by mitigating market challenges.
- An analysis of ACCVA historical bookings and lost business by market segments suggests that there are opportunities to increase market penetration of the convention/tradeshow/meetings market with a more targeted sales force, a strong marketing strategy and consistent messaging that outlines the benefits of both the destination and the Convention Center, as well as an increased fund for convention center rebates/transportation allowances, etc.
- No State association business and relatively few regional association business was cited in the lost business reports by market segment which could be a function of receiving a limited number of leads in these two markets.
- Lost business reports by market segment do not include reasons why which would help assess why sales efforts are not effectively reaching certain market segments.
- Relative to incentive funds, the 2011 industry survey sponsored by Destination & Travel Foundation yielded the following results:
  - 37% of DMOs and 71% of convention centers maintain a separate fund to cover discounts and incentives for qualified events and groups that book local hotels.
  - The average incentive fund was \$156,000 at DMOs and \$466,000 at facilities.
  - Over half of DMOs anticipated their incentives funds to stay the same and 29% expected an increase.
  - Approximately 20% of event clients and groups qualify to be offered incentive funds, rebates, or discounts which are primarily used to cover convention center rent and provide transportation for attendees.

## Recommendations

- Develop a strategic plan outlining short and long-term goals for the group sales function.



- Sales/marketing efforts and related messaging should tout Atlantic City as New Jersey's largest convention center destination and all its benefits to State/regional associations, communicate the current and planned efforts underway to improve the destination, proactively address the existing transportation options to make the travel to/from Philadelphia as simple as possible, and partner with casinos to have consistent messaging regarding these nuances in their internal sales/marketing material, etc.
- Group room night goals should be increased. Market research suggests that a range of 225,000 to 250,000 group room nights is an achievable short-term (i.e., within three years) goal assuming that overall staff productivity is increased, the staff is re-aligned in appropriate target markets, and the amount/availability of incentives for sales staff to use to attract group business is increased.

Recommended Room Night Goal		
Category	Room Nights	
ACCVA Five-Year Average Actual	124,600	124,600
ACCVA 2012 Goal	153,000	153,000
ACCVA 2013 Goal	140,000	140,000
<b>Recommended Room Night Goal</b>	<b>225,000</b>	<b>250,000</b>
% Increase from Five-Year Average Actual	81%	101%
% Increase from 2012 Goal	47%	63%
% Increase from 2013 Goal	61%	79%

As a point of reference, this recommended room night goal is approximately one-half that of profiled peers in 2012 (480,500).

As the new business model evolves, the long-term room night goal can be gradually ramped up to be more in line with comparable DMOs. However, in order for the room night goal to be significantly increased, several factors need to occur which include, but are not limited to, the following:

- A commitment from the hotels to have greater flexibility in terms of dates, rates, room blocks, sales philosophy of layering business (i.e., booking large groups further out and smaller ones closer in).
- Providing the sales staff with the necessary resources to generate leads and book the business (i.e., travel, bid enhancements/incentives).
- Building a sales team capable of generating significantly more business by increasing the number of experienced sales staff, offering an incentive compensation plan, realigning the team to focus on core markets, etc.

It is important to reiterate that these changes are longer term in nature as they will require time to implement and to yield the desired results.

- Sales efforts should be realigned to place more focus in the following market segments: national association, corporate meetings, and trade/expo, respectively.
- Sales efforts should also specifically target new business that fills Mondays – Thursdays.

- Target markets could be aligned geographically as follows:
  - Mid-Atlantic (Washington, D.C., VA and MD)
  - Northeast (MA, NY, NJ, PA, RI, CT, NH, ME, OH)
  - Midwest (IL, IN, MI, MN, WI, IA, MO)
  - Southeast (FL, NC, SC, GA, LA, AL, TN, KY, AR)
  - West (Everything not listed above)

Because the Mid-Atlantic will encompass the majority of the national association market, it needs to be assigned to an experienced, aggressive sales person who has a firm understanding of the market and has consistently met or exceeded their goals.

- Specific performance measures and productivity expectations should be clearly established that result in recognition/rewards for exemplary service (e.g., compensation) or performance improvement plans for poor performance along with a schedule for tracking improvement.
- Given the dynamics of the market, a goals committee should be established with the task of oversight on: a) development of the overall team room night goal, both meetings and leisure; b) development of staff incentive plan that will work for the greater good of the community; c) direction on types of metrics to be implemented by the DMO, as listed in the DMAI handbook on performance measures.
- Utilize the Trends Analysis Projections (TAP) report to track room nights by key metrics by month which can better reflect seasonality changes and allow for contrasts to peer cities already in the plan.
- An increased Convention Center incentive fund should be established through public and/or private means, perhaps by leveraging strategic partnerships. Parameters should be established that measure the group's relative value to Atlantic City and the ACCVA's mission to the relative incentive cost. Common metrics include the number of delegates, peak room nights, booking during shoulder seasons/dates, and estimated economic impact. This fund should be longer-term in nature than the current ACA initiative.
- The ACCVA convention sales and services staff received high customer service ratings. The Convention Center has a high level of repeat business and in both 2011 and 2012 all (100%) of the post-convention customer survey respondents answering the question responded that their visitor experience met or exceeded expectations and that they would recommend Atlantic City as a tourist destination. As such, future group sales efforts should seek to host more familiarization (FAM) tours that place more emphasis on face-to-face selling and allow meeting planners to experience Atlantic City first-hand.
- Modify the annual report to focus on Convention Center results including the number of conventions, tradeshow, and meetings; attendance; financial performance; room nights; and economic impact generated (e.g., spending, jobs, earnings). This document should serve as a tool to convey the overall value of the group sales business including the related return on investment.

## Convention Sales Staff Compensation

In 2012, the Destination & Travel Foundation published a *DMO Compensation & Benefits Study* that resulted from a survey of DMOs conducted in the first quarter of 2012. A total of 271 DMOs participated including those representing Atlantic City and nine of the profiled DMOs. Nearly 80% of participating DMOs with budgets of \$10 million or more offer a variable cash-compensation plan. Of those that do, convention sales staff incentive pay is most commonly determined by room nights, sales leads, and bookings, respectively.

Convention Sales Criteria for Cash Compensation		
	All Respondents	Budget \$10M or More
<b>Transaction Based</b>		
Room Nights	59%	83%
Sales Leads	40%	59%
Bookings	38%	55%
Number of New Members	1%	3%
Member Retention	1%	3%
New Member Dues	0%	0%
Other	4%	7%
<b>Performance Based</b>		
Personal Performance Objectives	29%	45%
DMO Performance	20%	34%
Board Set Objective(s)	13%	10%

Source: Destination & Travel Foundation.



The same study presented compensation by position including fixed salary, total compensation and variable pay with averages presented by DMO attribute. The following table illustrates the survey results for the Vice President of Convention Sales, Director Convention Sales, National/Senior Convention Sales Manager, and Convention Sales Manager positions for comparative purposes.

Vice President - Convention Sales				Director - Convention Sales			
DMO Type	Fixed Salary	Total Compensation	Variable Compensation Transaction Based	DMO Type	Fixed Salary	Total Compensation	Variable Compensation Transaction Based
<i>All Respondents</i>	\$117,500	\$131,200	\$4,500	<i>All Respondents</i>	\$75,700	\$82,848	\$2,400
<i>Organizational Structure</i>				<i>Organizational Structure</i>			
Private	\$120,900	\$135,700	\$4,400	Private	\$76,300	\$84,100	\$2,500
Public	\$104,200	\$113,900	\$5,400	Public	\$74,200	\$78,500	\$1,300
<i>Type of DMO</i>				<i>Type of DMO</i>			
Membership Based	\$128,200	\$144,600	\$5,200	Membership Based	\$81,200	\$90,800	\$3,200
Non-Membership Based	\$96,900	\$105,500	\$3,500	Non-Membership Based	\$67,100	\$70,200	\$1,000
<i>Budget \$10M or More</i>	\$152,400	\$173,000	\$7,900	<i>Budget \$10M or More</i>	\$98,500	\$112,100	\$5,000
<i>Number of Employees</i>				<i>Number of Employees</i>			
35 to 59	\$126,100	\$144,500	\$4,600	35 to 59	\$90,300	\$101,000	\$3,200
60 or More	\$157,800	\$177,700	\$8,400	60 or More	\$100,400	\$115,400	\$5,600
National/Senior Convention Sales Manager				Convention Sales Manager			
DMO Type	Fixed Salary	Total Compensation	Variable Compensation Transaction Based	DMO Type	Fixed Salary	Total Compensation	Variable Compensation Transaction Based
<i>All Respondents</i>	\$73,500	\$81,700	\$3,000	<i>All Respondents</i>	\$60,300	\$65,800	\$2,300
<i>Organizational Structure</i>				<i>Organizational Structure</i>			
Private	\$74,500	\$83,800	\$3,300	Private	\$58,700	\$64,400	\$2,000
Public	\$69,700	\$72,800	\$1,900	Public	\$66,800	\$71,700	\$1,500
<i>Type of DMO</i>				<i>Type of DMO</i>			
Membership Based	\$73,500	\$82,900	\$3,500	Membership Based	\$64,800	\$71,900	\$2,600
Non-Membership Based	\$73,600	\$79,400	\$2,200	Non-Membership Based	\$55,400	\$59,200	\$2,100
<i>Budget \$10M or More</i>	\$82,000	\$94,000	\$4,200	<i>Budget \$10M or More</i>	\$76,100	\$86,500	\$3,400
<i>Number of Employees</i>				<i>Number of Employees</i>			
35 to 59	\$66,000	\$76,400	\$4,300	35 to 59	\$67,700	\$77,600	\$3,900
60 or More	\$87,900	\$99,900	\$4,700	60 or More	\$71,900	\$80,600	\$2,500

Source: Destination & Travel Foundation.

### Findings

- The majority of DMOs offer both a fixed salary and variable compensation.
- The ACCVA does not offer incentive compensation due to its current governing policies.
- Despite not having an incentive program, the ACCVA pays a significant portion of compensation in the form of pension payments.
- Profiled DMOs offer incentive pay to sales managers with annual caps that range from 10% to 30% of their annual salary. Payments are typically made quarterly based on definite booking room nights. Incentive pay goals and payment schedules are usually prepared by the Vice President of Convention Sales and approved by the Board of Directors.

### Recommendations

- Some State processes and constraints limit the overall effectiveness and efficiency of the ACCVA, specifically in terms of travel/entertainment policies, staffing, and compensation including both base salary and incentive pay. The recommended change in governance should allow the group sales division to function more effectively in these and other areas.
- Conduct a compensation analysis that provides more detailed, market specific data regarding potential salary/bonus structures.
- Model the sales incentive program after those of comparable DMOs with larger budgets and similar convention centers. Tie incentive compensation to metrics that directly impact the organization's mission to generate group room nights.

### **Overall Summary**

This report is intended to serve as a tool to assist in identifying target markets, sales strategies, performance measures, and resources to enhance sales/marketing efforts for the Convention Center. As the new business model associated with group sales/marketing continues to evolve, it will be imperative to institute an organizational structure and related operating policies and procedures that are consistent with industry best practices and help ensure greater group sales effectiveness while maintaining transparency and accountability. Implementing the recommendations herein should result in enhanced group sales bookings, customer satisfaction, room night generation and economic impact. In order to expand Atlantic City's image as a group destination, it will also be critical for all related entities (i.e., ACCVA, CRDA, ACA, and Convention Center management) to foster relationships that share the same ultimate vision and general measures for success with respect to convention sales.

## **Appendix A - Summary of Travel and Entertainment Policies for Select Peer DMOs**

The ACCVA's current policies state that any situation that is not specifically authorized by its written regulations, requires advance approval of the division director and the Executive Director. The Executive Director is permitted to amend regulations as conditions warrant and may establish differential per diem reimbursement rates for specific geographic areas. The Executive Director may further use his/her discretion to authorize advances up to 75% of anticipated expenditures. When the expenditure exceeds \$300, up to 90% may be advanced.

Employees traveling on ACCVA business are expected to exercise the same care in incurring expenses that they would if traveling for personal reasons at their own expense. Business meals (as opposed to personal meals) and entertainment are defined when taken with clients during which a specific business discussion takes place. Entertainment expenses that exceed guidelines are only reimbursed when approved by the Executive Director.

The following provides a brief synopsis of travel and entertainment policies/guidelines used at select peer DMOs.

*Las Vegas CVA* – all travel arrangements will be made directly with a Corporate Travel Service. All entertainment must be “reasonable and appropriate” considering the business relationship. Staff are expected to use reasonable judgment when expensing their own meals independent of client entertainment. Examples of hotel room service, mid-priced restaurants, and hotel coffee shops are listed as examples of reasonable options for independent meals. For client entertainment, sales staff are expected to “exercise good judgment” selecting quality restaurant choices and wine selections targeted at \$100 or less.

*St. Louis CVC* – All business travel must be approved in advance by a department Vice President and according to set guidelines. The SLCVC understands that travel industry pricing changes frequently and, as such, retains the ability to modify travel requirements as necessary. There is no dollar limit on spending for the client; however sales staff have a dollar limit and one-alcoholic drink maximum.

Excluding client entertainment situations, reimbursements are limited to actual expenditures up to the following per diem when out of town: Breakfast is \$20, lunch is \$25, and dinner is \$40 for a total of \$85 per day. “Reasonableness” is a general guideline and depends on the potential benefit to the CVC. As such, the relative value of the potential client is considered along with the relative cost of the meal/entertainment.

*Visit Baltimore* – Sales managers have expense accounts with the understanding they will make sound decisions within the framework of their policies. Specific limitations include no alcohol reimbursement for Visit Baltimore staff though client beverages are covered. All receipts outlining the client entertained and explanation/justification for expense is required for reimbursement. Larger expenditures must be approved in advance by the Vice Present of Sales and he/she must attend the function. No specific limit is given to sales managers in order to allow them flexibility to accommodate each client and to foster good working relationships with potential customers.



*Visit Charlotte* – Policies are established by the Board of Directors with a set limit of \$150 per person for dinner. Exceptions require CFO approval. Policies are devised to provide checks and balances to avoid lavish spending but still maintain plenty of latitude on the part of the sales manager in order to most effectively compete for potential business.

*Providence/Warwick CVB* – Policies are written with broad wording allowing for sales staff travel and entertainment “within reason”. Checks and balances are in place including expense report reviews by multiple superiors. Policies for non-sales staff are more strict and limited to government per diem rates only.