But does it stack up?
- product development via the Business Case

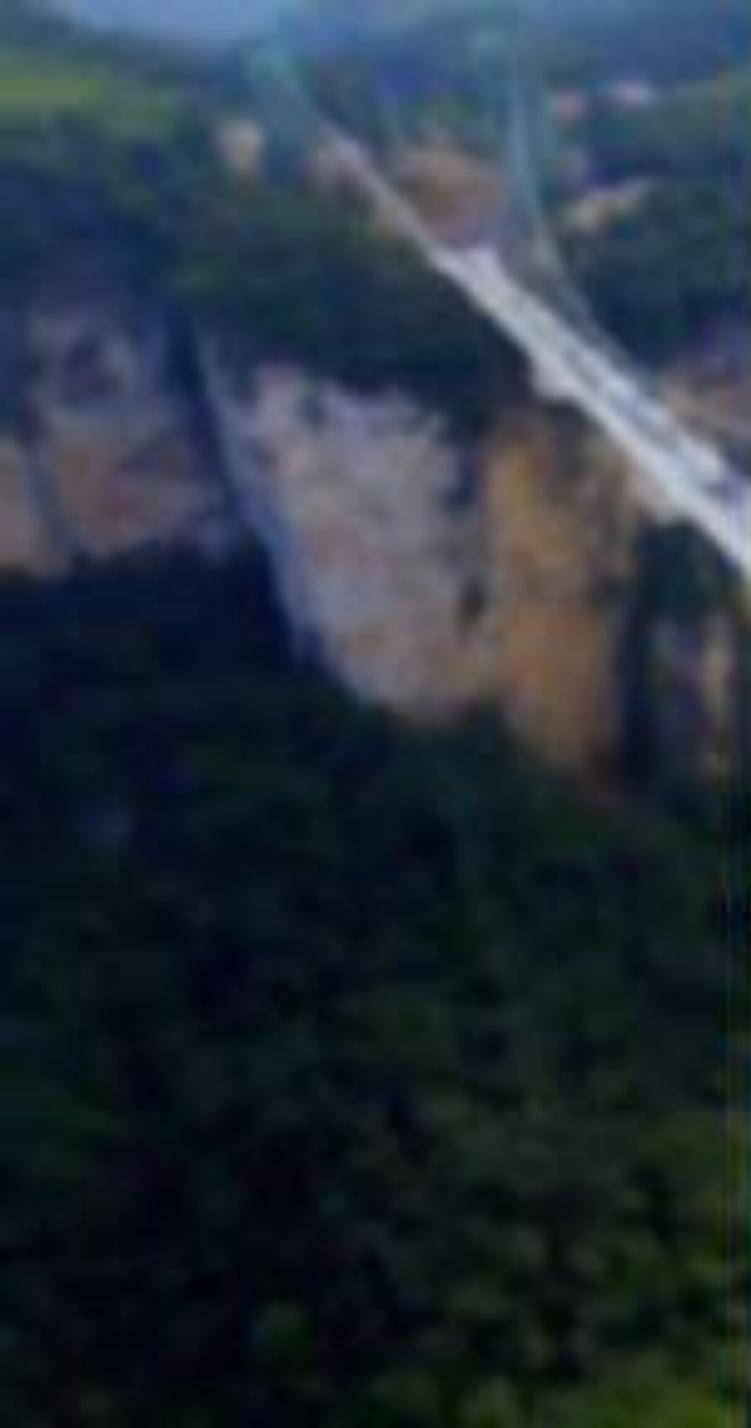Presented by Simon McArthur & Karl Flowers for

Australian Regional Tourism Convention

25th October 2018

The House of Eternal Return

Destinations need a Wow Factor!

- ❖ Social media rules OK?
- ❖ It rules over traditional promotion
- ❖ But what are we giving customers to talk about?
- ❖ Destinations increasingly need a stand out experience that has a wow factor
  - ❖ truly different / engaging / impactful
  - ❖ Reinforcing destination brand for critical target market

Product development process

A wow factor view is not necessarily a wow factor experience

Market failure with attractions

❖ Attractions bring visitors but normally get a very low share of the total spend these visitors bring to the destination

❖ This is why visitor attractions are normally part Government funded for their capital cost and often for their operating costs

❖ That Governments own, operate and subsidise competing attractions makes cost justifying new attractions more difficult

Funding new visitor attractions - triple somersault with pike

- Is there a gap in the market?
- Is there a market for the gap?
- Is there political gain for filling the gap?
- Consequently, proponents must:

  - Do concept refinement, options and testing – The Feasibility Study

  - Do a robust case to convince skeptical governments, and other funders - The Business Case
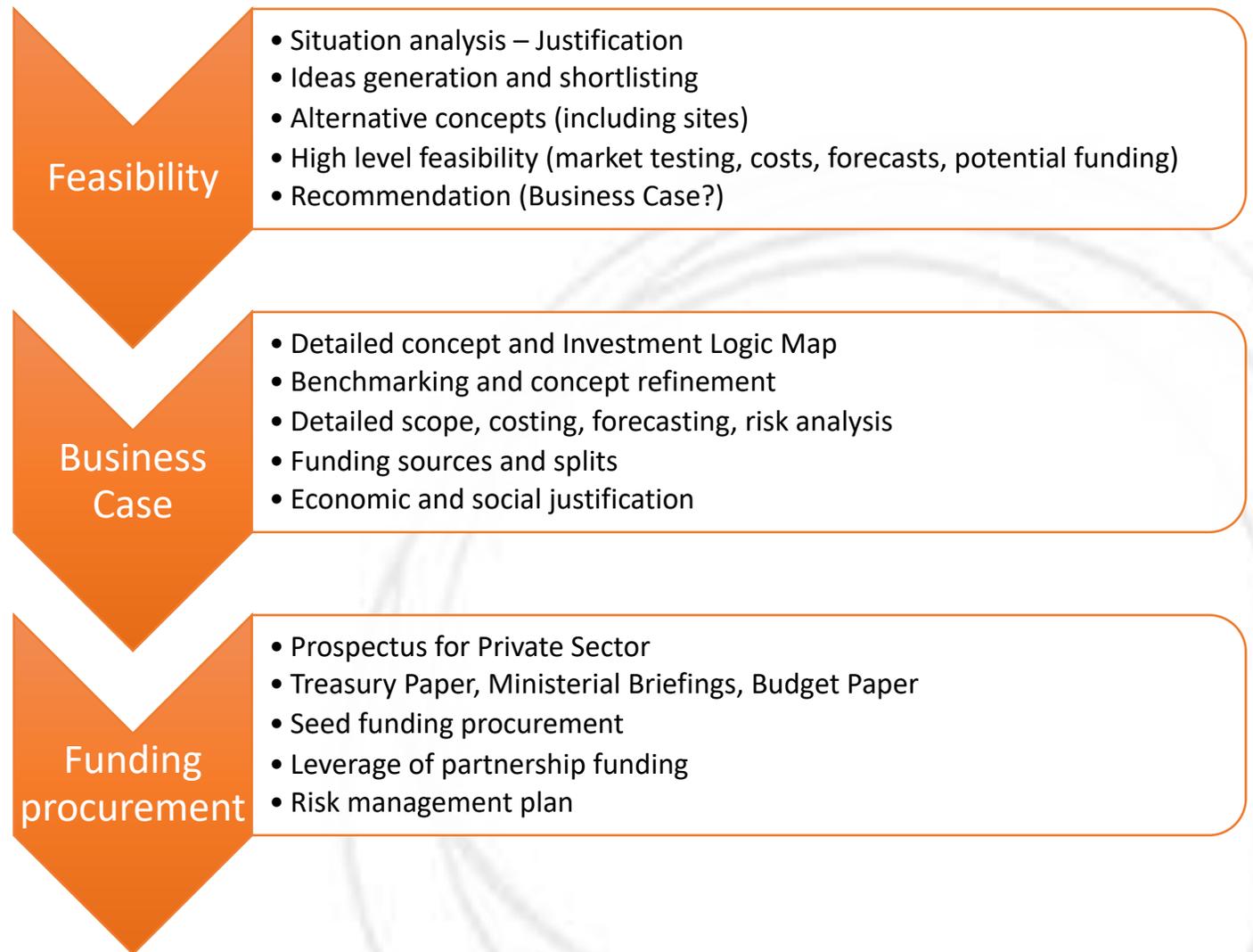
To develop wow factor you will need a Business Case

If you are going for a big WOW, you should do a feasibility study first

When preparing a Business Case, be ready for

❖ "Have you really considered all the options" and

❖ "Why should your tourism proposal get funding ahead of 300 others"

Feasibility
- Situation analysis – Justification
- Ideas generation and shortlisting
- Alternative concepts (including sites)
- High level feasibility (market testing, costs, forecasts, potential funding)
- Recommendation (Business Case?)

Business Case
- Detailed concept and Investment Logic Map
- Benchmarking and concept refinement
- Detailed scope, costing, forecasting, risk analysis
- Funding sources and splits
- Economic and social justification

Funding procurement
- Prospectus for Private Sector
- Treasury Paper, Ministerial Briefings, Budget Paper
- Seed funding procurement
- Leverage of partnership funding
- Risk management plan

DIAGNOSIS & PLANNING • PRODUCT DEVELOPMENT • FEASIBILITY STUDY

Victorian Investment Management Standards (IMS) for business cases

❖ Template for all public investments

❖ Requires focus on various ways of addressing the underlying problem not just the favoured solution

❖ Requires review of innovative solutions including ones that don't require Government investment, such as privatisation and regulatory reform

New Shepparton Art Museum (SAM)
$15.35m – Greater Shepparton City Council (from capital works budget)
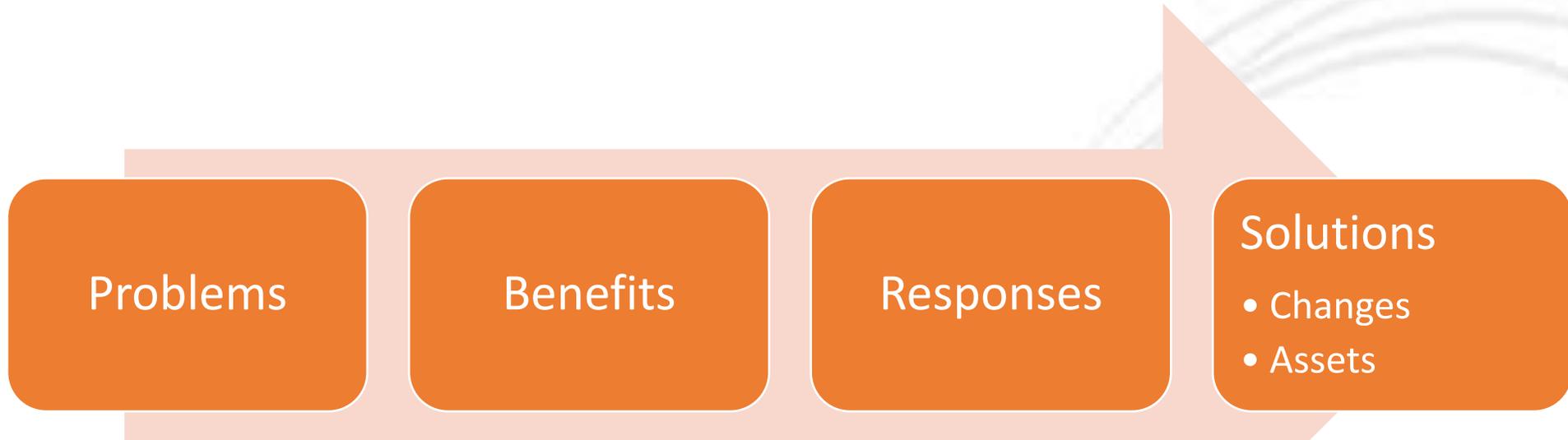$10m – Federal Government
$10m – State Government
$4.5m – SAM Foundation (plus $8m for future operational costs)
Total: $39.9m

Investment logic map (ILM)
– One page summary of Why fund this project?

Problems   **Benefits**   **Responses**   **Solutions**
- Changes
- Assets

Growing the visitor economy in the Latrobe Valley Region
Walhalla and Mount Baw Baw public lands program - a path to increased jobs

INVESTMENT LOGIC MAP
Initiative

| PROBLEM | ▶ | BENEFIT | ▶ | RESPONSE | ▶ | SOLUTION |

CHANGES   ASSETS

An ILM built on
'Fishing where the Fish are'

Lack of investment in visitor economy infrastructure and experiences on public land is cutting visitor spending growth.
45%

Stronger visitor economy
45%
KPI 1: Increased visitor spend in region and state
KPI 2: Increased private sector investment
KPI 3 Increased local job opportunities

Attract more people to visit the Latrobe Valley region.
20%

Marketing and advertising program promoting the region.

Improve existing physical access and facilities experience.

Upgrade transport to destination and utilities within.

Upgrade public land based visitor experiences.

Structural change in the Latrobe Valley economy has led to the highest regional unemployment in Victoria.
35%

A new financially sustainable model
35%
KPI 1: Surplus replaces DTF subsidies
KPI 2: Higher year round visitation
KPI 3: Higher public land year round employment

Improve access to destination and upgrade facilities.
55%

Update public land businesses governance.

Outdated and fragmented public lands / businesses governance models prevent delivery of competitive tourism product.
20%

Stronger community and environmental outcomes
20%
KPI 1: Increase local jobs which are less seasonal with better career paths
KPI 2: Healthier waterways

Improve management of visitor economy.
15%

Create a partnerships model to support increased interaction across regional industries.
10%

Investigate multi sector alliances and engagement opportunities.

ILM process fast tracks project development

Broome Cultural Interpretation Centre – Early draft Investment Logic Map

Problem	Benefit	Strategic Response
Kimberley region population over 40% Aboriginal, but Aboriginals have high unemployment and feel visitors and residents have little respect for their culture limiting the economic development of the region and entrenching social problems 45%	Increased Aboriginal tourism in the Kimberley 45%	CIC to enhance distribution and product offered by Aboriginal tourism opportunities 30%
Major market to Broome of Dedicated Discoverers has strong appetite but limited opportunity to understand Kimberley land and culture (beyond the shell and cultured pearl industries) and in particular Aboriginal culture leading to lower visitor satisfaction including lost opportunities to foster Aboriginal cultural pride 25%	Increased understanding by visitors and locals of Kimberley landscapes and culture 20%	Focus the experience presentation in the CIC on topics not offered in other Broome attractions to avoid duplication, such as showcasing Kimberley landscapes/seasons, Aboriginal culture pre-and post-white settlement and the influence of Asia in the development of Broome 25%
Kimberley tourism lacks a 'lead generating or front door' attraction resulting in missed regional economic and employment opportunities 20%	Increased regional tourism economic benefits 25%	Build a high visitation CIC that showcases Kimberley land and culture, encouraging more time in region, 35%
Chinatown precinct of Broome is its core visitor servicing precinct but needs revitalisation reducing the appeal of the Broome destination to visitors 10%	Enhance the financial performance of the Chinatown precinct of Broome, as a visitor activity hub 10%	Ensure the CIC is in Chinatown and cross promotes other tourist opportunities in Chinatown 10%

Why should Governments invest in a new visitor attractions rather than hospital beds or schools?

- ❖ Treasury Departments' job is to make it hard to justify government expenditure
  - ❖ Rules for writing business cases have evolved into an analytic endurance test

- ❖ Political market failure can help – fish where the fish are
  - ❖ Marginal electorates are where politicians will welcome proposals
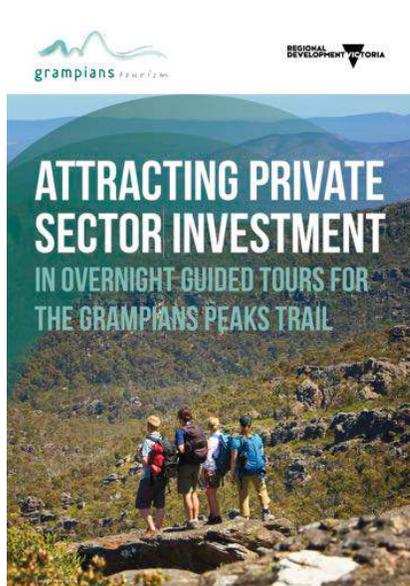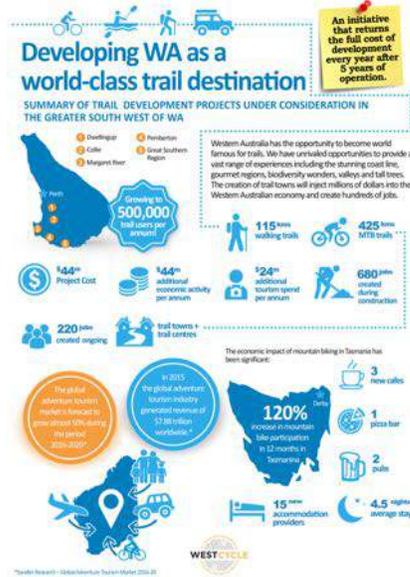 - ❖ Sad fact that most areas of Australia suffer neglect from this calculus
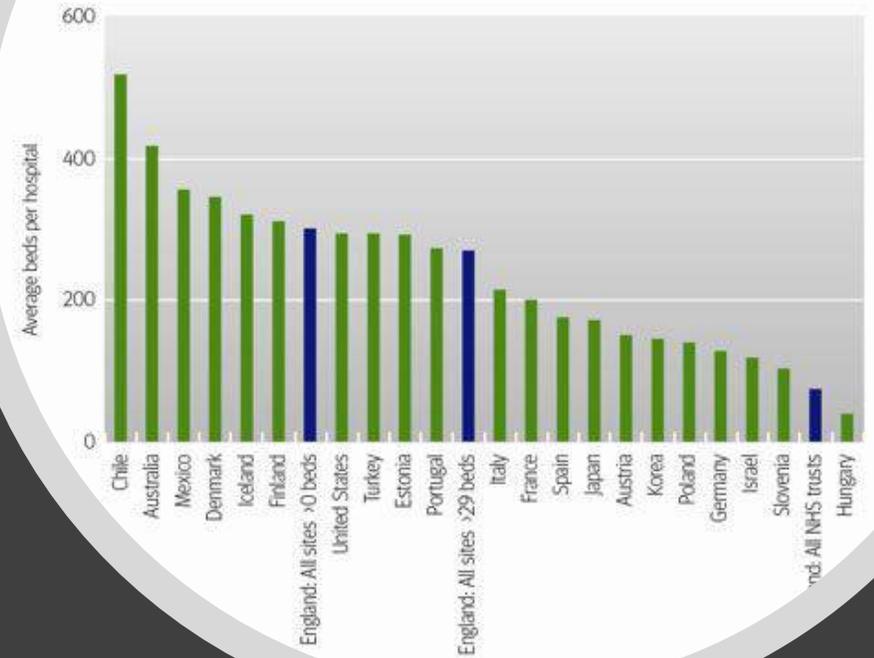
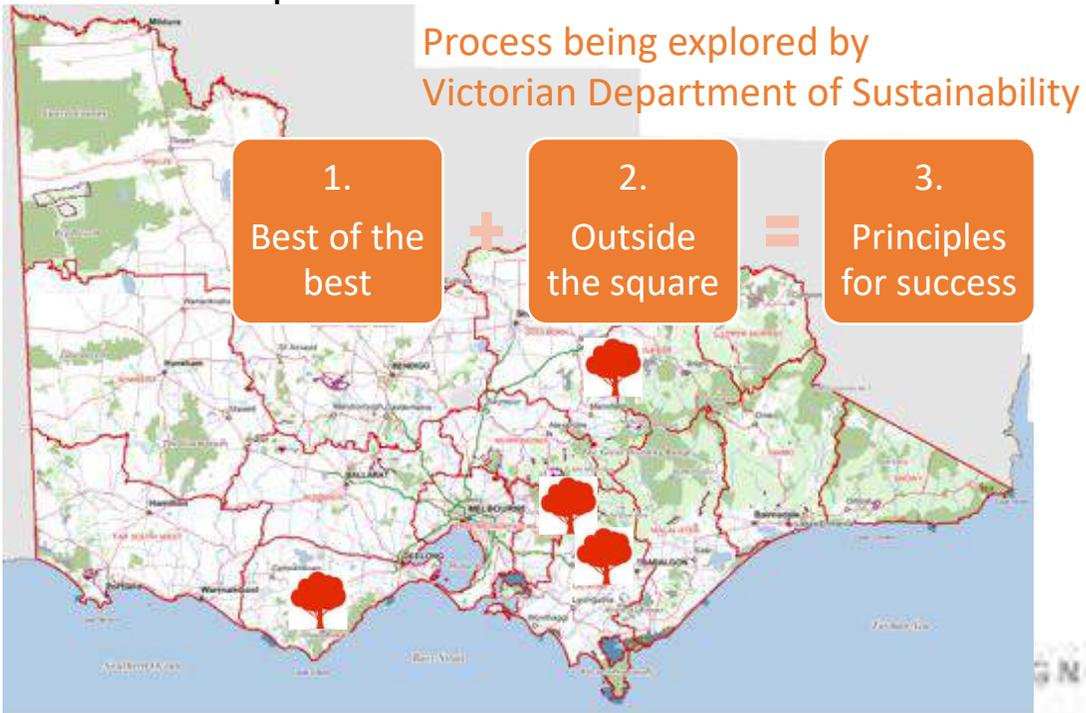# Product development via marginal seats?
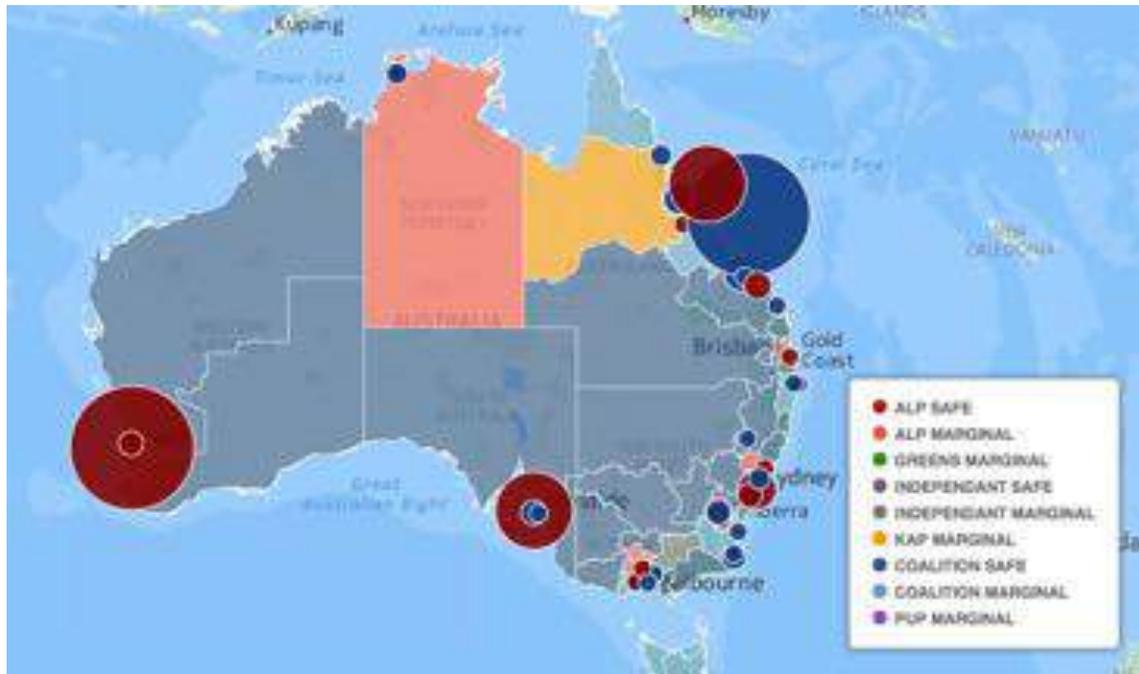
ILM brings cut through with private sector funders and philanthropists

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❖ Private sector investors need to know why governments supporting the project

❖ Philanthropists interested in getting maximum social benefit from their dollars

❖ 1 page summary has power, that 100 page business case lacks

Getting the right developer / operator

- ❖ Getting the most suitable operator capable of delivering the most competitive product does not typically work through conventional procurement
- ❖ The good ones are busy, and won't give away their IP for government process
- ❖ A more innovative process will bring more innovative product

Process being explored by
Victorian Department of Sustainability

| 1. Best of the best | + | 2. Outside the square | = | 3. Principles for success |

Expression of Interest – Round 1
Guidelines

Tourism Opportunities on National Parks, Reserves and Crown Lands

Office of the Coordinator-General

Expression of Interest Round 2
Probity Guidelines

Tourism Opportunities on National Parks, Reserves and Crown Lands

Expressions of Interest - Round 2
Conditions

Tourism Opportunities on National Parks, Reserves and Crown Lands

Office of the Coordinator-General

Tourism Opportunities on National Parks, Reserves and Crown Lands

Office of the Coordinator-General

Conclusion

- Don't be the place that gets one star
- Make the customer the centrepiece
- Get analytical, get creative, and give them something to talk about
- Limited resources means do more with one product
- Contemplate a wow factor, and keep reinvigorating it

Thank you