The Aqaba Model

An Exercise in Destination Marketing

Aqaba Community and Economic Development Program

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Agenda

- Global Trends and Examples
- Aqaba's Strategy
- The Chosen Model
- Next Steps

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Global Trends and Examples

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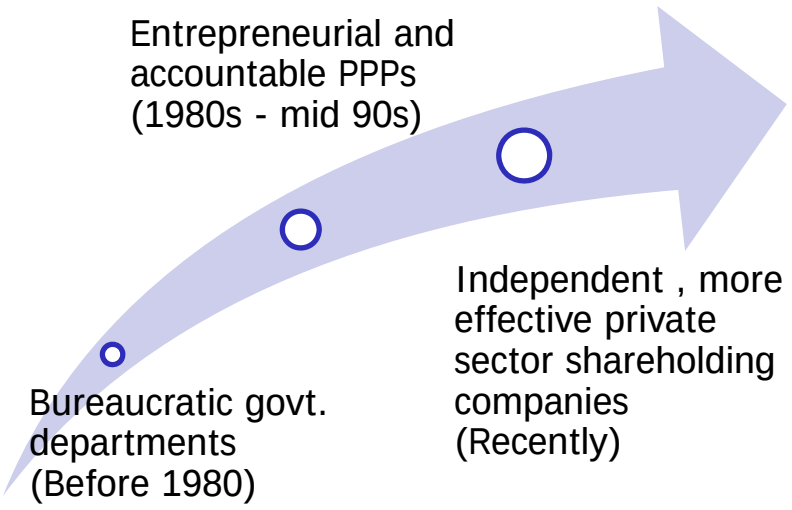
The Trend

- The World Tourism Organization recently reported that the role of governance in tourism is undergoing a shift from a traditional public sector model, to one of a more corporate nature emphasizing efficiency, return on investments, the role of the market and partnership between the public and private sectors.



Different Models …

- In terms of a Destination Marketing Organization, there is not one magic formula for all destinations, but a blend of practices and procedures that suit a particular destination
  - **Dubai:** Government agency
    Department of Tourism and Commerce Marketing
  - **Netherlands:** Private shareholding company
    Netherlands Board of Tourism & Conventions
  - **Greece:** Ministry of Tourism
    Greek National Tourism Organization
  - **France:** Public – private partnership
    Maison de la France

Global Successful Models, Europe

- European Tourist Boards share mostly the same model:
  - Public agencies
  - Independent from government
  - Governance by private sector appointees
  - Largely funded by governments
- Recently private company models are emerging:
  - On the National Level: Netherlands Board of Tourism
  - On the Regional level: London Tourist Board or Visit London

The “Visit London” Example

- A private company limited by guarantee that does not have share capital
- The official tourism & marketing organization for the capital and is recognized as a dynamic, innovative and the best in its class
- Funded by partnership subscriptions and commercial activity. Receives public funding from the Mayor of London (London Development Agency) and London Councils
- Governed by a 13 – member Board of Directors (10 elected private sector members, and 3 ex – officio members nominated by designated local government agencies)

Visit London Funding (2008)
(77-23% public-private funding)

LDA Grant – Core Activities	15,079,085
LDA Grant – London Unlimited	5,395,900
LDA Grant – London Regional Marketing	97,710
London Council's Grant	100,755
Visit Britain Grant	10,000
Other Grants	97,181
Match Funding for Marketing and Joint Promotions	2,940,845
Membership Subscriptions	1,447,817
Trading including Sponsorships	950,403
E Commerce	407,041
London TV	69,967
TOTAL	**(GBP) 26,595,684**

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Global Successful Models, United States

- The US does not have a national Destination Marketing Organization. Each region/city has a Convention and Visitor Bureau, usually a public – private sector organization
- Recently NY and DC started the following not–for-profit private companies
  - **NYC & Co:** Private non profit company contracted by the City Council. 50% funded by NYC, and governed by a private sector Board of Directors. Budget for 2008 was around U$ 40 million
  - **Destination DC:** Private non-profit corporation with more than 1,000 members and organizations. As a contracting arm of the Washington Convention Center Authority, the organization is funded by a percentage of DC's hotel occupancy tax, along with membership dues and co-operative marketing fees.

Global Successful Models, Canada

- On the national level, the Destination Marketing organization is called Canada Travel Commission
- A 26-member Board of Directors oversees the business of the CTC, which operates in partnership with the public and private sectors. Funding is mainly governmental
- Tourism Montreal:
  - Private NGO that receives funding from the government , but is a privately run company with its own Board of Directors
  - Members and industry partners contribute financially through membership dues and fees for advertising campaigns
  - 2008 budget: U$ 26.6m, U$ 18.3m (68%) public

Aqaba’s Strategy

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Situation Analysis

- Except for few charter operations, Aqaba currently is an add – on program at the end of a classical Jordan trip. Accordingly, the average stay will remain low.
- There is a lack of a private sector base in Aqaba capable of initiating more programs and more nights in Aqaba. Those present are mostly inactive in terms of promotion.
- Currently, Royal Jordanian is the only scheduled carrier servicing Aqaba. If a region is to be established as a destination it needs regular flights from key source markets.
- There are 3,000 hotel rooms coming to the market in the next few years; and they are mostly in the 5 and 4 stars categories.

Situation Analysis (Cont.)

- No distinctive branding for Aqaba resulting the risk of loosing potential competitive edge and turning into another “low-end” Red Sea destination.
- No information within the international trade circles regarding current situation and future developments in Aqaba.
- Except for diving, there is no special interest programs to Aqaba, such as the profitable incentive travel and conferences markets.

Why Tourism

- Tourism, through its complex system of impact on the lives of many people and many economic branches, ranks among the most important tools to boost a territory's economy and shape up its overall image

- Selling or renting villas and apartments is becoming a major tourism activity, especially in Europe, where major activities are witnessed during summer

- The tourism/real estate relationship; first they visit, then they fall in love, and THEN they invest

Why Tourism (continue)

- Tourism remains the main contributor to the local economy, because:
  - It is sustainable
  - It spreads all over the year
  - It has a multiple effect on the local economy i.e. accommodation, food, transportation, souvenirs etc..
  - It is usually one of the largest industries contributing to GDP

The Impact on Local Businesses

- Effective niche marketing ensures the industry's optimal ROI
- Developing a brand identity that encapsulates the spirit of a multi-attributed destination
- Long-term sustainable and profitable tourism products provide a competitive advantage for the destination
- Presence in international markets' distribution systems creates more demand
- Improves Aqaba's perception as a destination through interaction with international media & familiarization trips
- Create competitive advantages benefits to all stakeholders
- Selling or renting villas and apartments is becoming a major tourism activity, especially in Europe, where major activities are witnessed during summer

Objectives of the proposed Entity

- Brand, position and promote Aqaba as a destination of choice
- Establish presence in international target markets and include Aqaba in the market distribution channels
- Promote King Hussein Int'l airport and initiate scheduled flights
- Enhance the private sector presence in Aqaba and provide a platform for interaction with the international trade
- Instigate a capable market research unit to provide updated info
- Activate a dynamic, state of the art website with an integrated approach, and initiate e marketing activities
- Enhance the visitors' experience in Aqaba

The Mandate

- The proposed entity's mandate is to:
  - Build Aqaba's brand and its values, which translate into a positive and memorable "visitor experience" (vision)
  - Ensure the Aqaba brand delivers on its promises (objective)
  - Capture the trust of consumers and build customer loyalty (objective)
- Through professional business and marketing management practices that are based on latest trends and global best practices (mission)

Critical Success Factors

- The proposed entity should be a partnership between the public and private sectors in Aqaba
- Should be private sector led in terms of governance and management (chairman from the private sector)
- Both sectors should participate in funding, however, more is expected from the private sector
- The Budget should not be less than JD 3 million annually
- Aqaba's private sector must truly believe in that destination marketing is the only way to enhance their business and spread wealth

The Chosen Model

Structure

- ASEZA / ADC and the Private Sector will enter into a 5 - year Agreement to market Aqaba
- A **private shareholding company** will be established to execute the agreement
- Capital will be JD 2.5 million, payable year 1
- JD 17.5 m in firm commitments will be paid throughout years 1 - 5 in the form of revenue through **Service Agreements**
- Net profit should remain null as a result of expenditures (admin expenses and marketing programs)

The Service Agreements

- The Service Agreements in the context of the proposed shareholding company are essential and critical for the core marketing program. Thus all shareholders should sign annual Service Agreements with the proposed company to sustain continuing promotional activities in the international market.
- However, specific Service Agreements can be signed between the Aqaba Promotion Company and stakeholders covering definite issues that usually are not covered in the core program.
- These two kind of agreements cannot be exchanged or “used instead”.

Governance

- General Assembly
- Performance Assessment Higher Committee
- Board of Directors
- Committees
- Paid Staff & Outsourced Services

Annual Financial Contributions

• ASEZA / ADC	JD 1.5 m
• Private sector	JD 3.5 m
– Category A1, Premier	JD500,000
– Category A2, Platinum	JD 350,000
– Category A3, Gold	JD 200,000
– Category B1	JD 75,000
– Category B1	JD 25,000
– Category B2	JD 5,000
– Category C	JD 1,000

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Financial Contributions per Shareholder

Partners	Capital Investment (Year 1)	Service Agreement (Year 1)	Service Agreement (Year 2)	Service Agreement (Year 3)	Service Agreement (Year 4)	Service Agreement (Year 5)
ASEZA / ADC	750,000	750,000	1,500,000	1.50 m	1.50 m	1.50 m
Category A1 Partners, Premier	250,000	250,000	500,000	550,000	600,000	660,000
Category A2 Partners, Platinum	175,000	175,000	350,000	385,000	425,000	470,000
Category A3 Partners, Gold	100,000	100,000	200,000	220,000	245,000	270,000
Category B1 Partners,	37,500	37,500	75,000	82,500	90,000	100,000
Category B2 Partners	12,500	12,500	25,000	27,500	30,000	33,000
Category B3 Partners	2,500	2,500	5,000	5,500	6,000	6,600
Category C Partners	500	500	1,000	1,250	1,500	2,000

Board of Directors

Entity	Seats
ASEZA	1
ADC	1
Category A1 – Premier	3
Category A2– Platinum	2
Category A3 – Gold	1
Category B1 + B2 + B3	2
JTB	1

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A note about Subscriptions

- The annual service-level contributions becomes locked-in at the prevailing rate when the subscription is made
- e.g. a Premier partner joining in year 1, pays JD 500,000 per year for the entire duration of the company. Another Premier partner who may join in year 2 pays JD 550,000 each year accordingly
- Early subscribers have therefore their investments protected

Indicative Budget

International representation	
Retainer Fees	600,000
Administrative and operational expenses	200,000
Trade fairs and workshops	700,000
Publications – maps, brochures, posters etc	150,000
Market research	250,000
Branding Aqaba and the production of a promotional Film & TV spots and ads	600,000
Overheads – Admin expenses	400,000
Technical support and co op advertizing	1,000,000
Website and e marketing	50,000
Familiarization trips	50,000
Events	500,000
Establishing visitors' centers	200,000
Capital expenses	100,000
Total Budget	**JD 4,800,000**

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Performance Assessment Higher Committee

- Structure
  - The Chief Commissioner of the Aqaba Special Economic Zone
  - The CEO of the Aqaba Development Corporation
  - The Chairman of the Board of Directors of the proposed Corporation
  - The three elected heads of the 3 working committees
  - The General Manager of the Jordan Tourism Board

Performance Assessment Higher Committee

- Mandates
  - Foster public–private sector coordination on the strategic level
  - Acts as a Board of Trustee and will meet once every three months
  - Committee is chaired by the Chief Commissioner of ASEZA
  - Responsible to monitor the key performance indicators of the company
  - Reviews performance report and advises appropriately according to the set indicators
  - Regularly reviews the long term marketing strategy issues necessary strategic guidelines

The Committees

- The Promotion Committee
  - Research and recommend annual marketing plans and programs
  - Assist in developing packaged programs all throughout the year
  - Assist in identifying and developing sales opportunities

- The Product Development Committee
  - Identify and co-ordinate product development programs
  - Research, initiate and recommend products to be developed and managed through the company

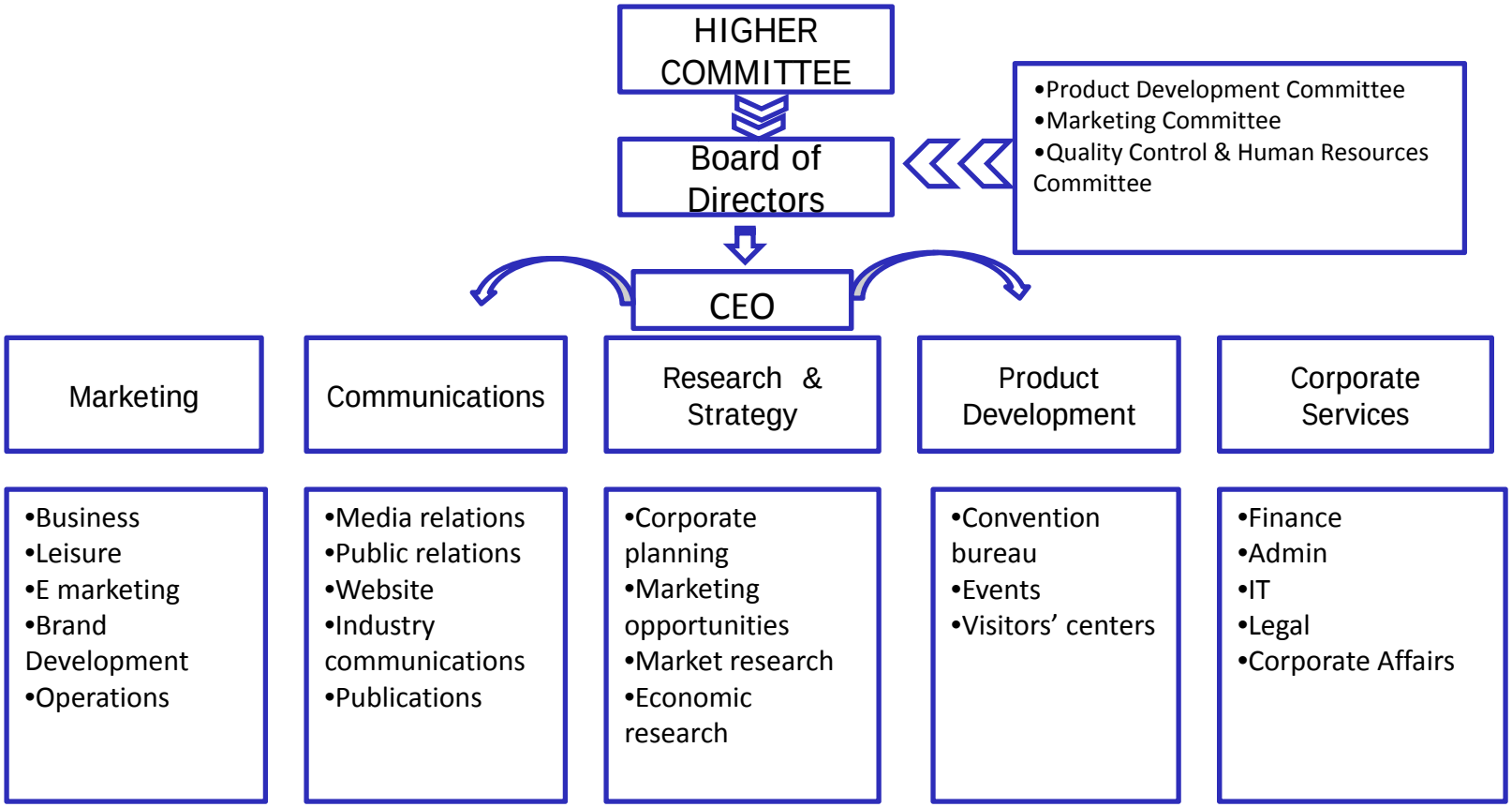
The Committees (Cont.)

- The Quality Control and Human resources Committee
  - Assess the needs for skilled workers
  - Recommend measures to be taken to increase the level of qualifications
  - Identify, initiate and recommend quality control procedures applicable to the destination

Committee Structure & Governance

- The company's CEO
- A high official in ASEZA or ADC to be nominated by the Chief Commissioner of ASEZA
- 5 private sector members (each committee) who will be elected from shareholders (open nominations, but only shareholders can vote)
- Elected members elect committee chairman from the private sector

Organizational Structure



NEXT STEPS

Next Steps

Task	By	When
Finalize all the documents and present them in their final format	Consultants	October 2009 Week 2
Nominate and invite the Founding Committee for its first meeting	ASEZA	October 2009 Week 2 - 3
Meet with Aqaba's stakeholders and introduce the new Company	ASEZA & ADC	October 2009 Week 3 - 4
Finalize company registration	Founding Committee	November 2009
Hold first general assembly meeting and elections of the Board of Directors	Founding Committee	December 2009
Appoint CEO	Board of Directors	December 2009 – January 2010

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Founding Committee

Entity	Members
ASEZA	1
ADC	1
Mega Projects	3 - 4
Hotels 5 stars	1
Hotels 4 stars	1

Available Documents

- Articles of Association
- Shareholders Agreement
- Service-level Agreement
- Standard Operating Procedures

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THE AQABA TOURISM MARKETING COMPANY

TOWARDS FULL REALIZATION

THANK YOU

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