

## Marketing Edinburgh Business Case

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### The City of Edinburgh Council

18 November 2010

#### 1 Purpose of report

- 1.1 This report and the appended business case set out plans for the integration of the Destination Edinburgh Marketing Alliance, Edinburgh Convention Bureau, and Edinburgh Film Focus, into a single official, promotional body for Edinburgh – to be known as *Marketing Edinburgh* – with a remit to promote the city to visitors, tourists and investors.
- 1.2 The business case was reviewed by the Economic Development Committee on 12 October 2010 and is recommended to the Council for approval.
- 1.3 At the request of the Committee, further detail on the rationale, return on investment and anticipated risks of the proposal have been included in this cover note.

#### 2 Summary

- 2.1 Marketing of the city is currently fragmented across a plethora of organisations. In a competitive global economy, this fragmentation makes it harder to attract the visitors, investors and talent the city needs to create and sustain jobs. Furthermore, a fragmented structure is inefficient at a time when public sector funding is under such pressure.
- 2.2 To tackle this fragmentation, the boards of Destination Edinburgh Marketing Alliance (DEMA), Edinburgh Convention Bureau (ECB), and Edinburgh Film Focus (EFF) have unanimously approved a business case for their integration into one official body – *Marketing Edinburgh* from April 2011. That business case is appended.
- 2.3 Marketing Edinburgh is to be a public-private partnership – to be governed by a board of non-executive directors comprising two senior representatives of the Council, and ten individuals from across the invest, visit and study markets.
- 2.4 The business case aims to use the Council's core contribution to city promotion, to lever in substantial new funding from the private sector and to achieve greater alignment with partners' resources at local, regional and national levels. By 2014, the aim is to generate a £5m annual budget for promoting Edinburgh for a Council investment of c£1m a year.

- 2.5 The Council investment for this business case is already approved through the Economic Development Unit's three year plan (including year-on-year efficiency savings), so no new investment is needed.

### **3 Main report**

#### **Rationale**

- 3.1 The creation of Marketing Edinburgh is the culmination of a process initiated in May 2007, with the production of a report: *'Promoting Edinburgh as a Destination'*. This report was critical of the fragmentation of promotional effort in the city. It concluded that a lack of co-ordinated communications had led to conflicting and confusing messages to city customers. The status quo was not an option if the city was to maintain its competitive global position. To create a clearer, more coherent image of Edinburgh around the world, the report recommended fresh leadership to drive forward the alignment of city resources.
- 3.2 As a starting point, *'Promoting Edinburgh'* recommended the creation of Destination Edinburgh Marketing Alliance. On 1 April 2009, DEMA was set up as a company limited by guarantee – with a private sector led board. It was tasked with raising investment for city campaigns and promotional activity and also became responsible, through the Council, for the core revenue funding to ECB and EFF. It also became custodian of the “Edinburgh Inspiring Capital” brand.
- 3.3 In early 2010, a further feasibility study recommended the full integration of DEMA, ECB and EFF. This anticipated a greater depth of personnel, the release of new synergies between the respective bodies, and an increase in capacity to raise alternative forms of investment - particularly from the private sector. A project board was set up to develop the appended business case for Marketing Edinburgh. This case has been unanimously approved by the Boards of DEMA, ECB, and EFF

#### **The expected return on investment**

- 3.4 The success of Marketing Edinburgh will be measured using the following Key Performance Indicators:
- A basket of customer perception indicators including the Anholt Brand Index; Cushmen Wakefield; and ICCA rankings.
  - Visitor numbers and spend.
  - Inward investment attracted.
  - The economic impact of Marketing Edinburgh.
  - The leverage achieved with the City Council's core funding and other income.
  - Stakeholder satisfaction with the work of Marketing Edinburgh and their perception of its impact on business performance.
- 3.5 Rolling three year performance targets will be set by the Marketing Edinburgh board and agreed with the CEO in early 2011 as part of a three year business

plan for the new organisation. Progress against these targets will be reported publicly in an annual report.

- 3.6 Early signs of the potential for significant further return on investment are promising. This year, in return for current core Council funding of £380,000, ECB will generate £75m of new economic benefit to the city, mainly from conference promotion. This represents a 100 to 1 ratio of budget spend to economic return. In addition to the public sector contribution, ECB also realises £340,000 in additional leverage through commissions and booking fees.
- 3.7 DEMA, drawing on its core budget of £1.3m, will achieve £300,000 of aligned funding from its stakeholders this year. It will also generate £3m in "Advertising Value Equivalent" - this is an industry measurement of value from media coverage. The exposure will come through a series of city campaigns including 'Edinburgh Sparkles', 'This is My Edinburgh'; and from additional inward investment promotion. Even EFF, with its budget of £80,000, generated £4.2m of economic benefit from film location activity in the city region.
- 3.8 Marketing Edinburgh, the new organisation, will create value on an even larger scale. By bringing the resources of the three organisations together, new investment will be attracted to cross selling opportunities between the functional areas of business tourism, leisure, inward investment and the attraction of new talent into the city.
- 3.9 Furthermore, consolidation will reduce core overheads, including the requirement to support three Boards of Directors, the professional fees associated with the separate companies and core services such as IT, administration, book keeping and personnel.
- 3.10 **The risk of maintaining the status quo:** There is a significant risk in not bringing the three organisations together at a time of deep public funding cuts. Individually, the three organisations will find it increasingly difficult to maintain their current level of activity as core funding reduces and competition for other forms of funding increases. Bringing them together into an integrated, more efficient organisation will create the critical mass necessary for a more sustainable funding model.
- 3.11 **A reduction in Council funding:** The Council's core funding is key to building confidence amongst other stakeholders and attracting their funding. The business case recognises that the Council is under huge financial pressure and so efficiency savings for the next three years have therefore been built into the business case. However, any further reduction in core funding would significantly compromise the organisation's ability to lever in new investment from other stakeholders. In turn, this would diminish the ability of the city to promote itself, with a potentially damaging effect on the city's economy and job growth.
- 3.12 **Lack of support from other stakeholders:** The business case assumes new private sector funding will be achieved through a blend of membership, commercial services, campaign contributions and project funding. DEMA and ECB already have partnerships with the private sector and other organisations and a track record of raising funds; and the private sector has indicated that it

would be more willing to invest in the work of an integrated body which offers greater cost efficiencies, higher impact and a simpler interface. Work is already underway with private sector groups to start developing sector-specific approaches tailored to the needs and capabilities of each sector.

- 3.13 **The relationship with the national organisations:** The relationships with Scottish Enterprise, Scottish Development International (SDI) and VisitScotland are crucial to the future success of Marketing Edinburgh. While these organisations have a national rather than city agenda, there is much that can be done to add value to their work through the promotion of Edinburgh. Examples include the external marketing of city region assets, such as the science parks, through SDI; and the use of VisitScotland's vast international marketing network to transmit city messages. To that end, a careful relationship building effort is in place, led by Alan Johnston, the Chairman of ECB and DEMA.

#### **4 Financial Implications**

- 4.1 The Council's investment in Marketing Edinburgh is already approved through the Economic Development Unit's three year plan (including the required Council cost savings).
- 4.2 The one-off costs of implementation are being shared by DEMA, ECB, EFF and the Economic Development Unit.

#### **5 Environmental Impacts**

- 5.1 There are no specific adverse environmental impacts arising from this report.

#### **6 Conclusions**

- 6.1 There is a strong business rationale for the integration of DEMA, ECB and EFF. This centres on increasing the critical mass of the three organisations and their ability to lever in new investment, particularly from the private sector.

#### **7 Recommendations**

- 7.1 The Council is asked to:
- a) note these further points of clarification in relation to the Economic Development Committee Report of 12 October 2010.
  - b) ratify the decision of the Economic Development Committee of the 12 October 2010 and approve the business case for Marketing Edinburgh.
  - c) give Marketing Edinburgh the mandate to be the official promotion body for the city.



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Appendices	None
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Wards affected	All
Single Outcome Agreement	We live in a Scotland that is the most attractive place for doing business in Europe. Edinburgh is an internationally competitive business location that attracts talent and investment to its growing knowledge-based economy.
Background Papers	Economic Development Committee Report 12 October 2010 DESTINATION EDINBURGH MARKETING ALLIANCE Update (including appended Business Case for Marketing Edinburgh).