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BIANNUAL REPORT TO CITY COUNCIL REGARDING THE MEMORANDUM
OF UNDERSTANDING (MOU) BETWEEN THE ZOO DEPARTMENT AND THE
GREATER LOS ANGELES ZOO ASSOCIATION (GLAZA) ON MARKETING,
PUBLIC RELATIONS, SITE RENTALS AND CATERED EVENTS

The Zoo Department (Zoo) hereby transmits the first Biannual Report in accordance with the third amendment to the MOU for Marketing, Public Relations, Site Rentals and Catered Events with GLAZA approved by the City Council on September 23, 2014 (C.F. 14-0600-S223) and in accordance with the Motion (O'Farrell-Blumenfeld) adopted by the City Council on January 13, 2016 (C.F. 15-0414-S1). The report specifically addresses the outcomes of the performance metrics outlined in the Business and Marketing Plan and in Section 4A of the original MOU and updated in Section 8 of Amendment No. 3 as follows:

- Invest over \$2,000,000 annually in the Marketing and Public Relations program;
- Generate a total of more than \$6,000,000 of new funding for the Zoo;
- Increase the Zoo's market penetration of its Metropolitan Statistical Area by a total of 12%;
- Increase the Zoo's paid attendance by 5% annually;
- Increase the Zoo's total admissions revenue by 11% annually;
- Increase the Zoo's other earned revenue (increased concessions and membership) by 21% over the term; and
- Replenish and grow the marketing and public relations budget annually.

Amendment No. 3 further modified the baseline upon which the performance metrics would be measured utilizing Fiscal Year 2012-13 actuals as follows: Paid Attendance – 817,688, Admissions Revenue - \$10,826,962, Concessions Revenue - \$949,183, Membership Revenue - \$1,367,926. This report also includes outcomes on the metrics related to catered events and site rentals. This report is based on data and results from the first two years of the three-year MOU - Fiscal Years 2013-14 and 2014-15, and includes an updated chart on attendance data as it relates to the Business and Marketing Plan (Attachment 1). In addition, the report includes a recommendation on the future of the Zoo's marketing and public relations program beyond the final year (2015-16) of the three-year MOU.



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BACKGROUND

The Zoo entered into a three-year MOU with GLAZA for Marketing, Public Relations, Site Rentals and Catered Events effective July 1, 2013. The benefits of this MOU were anticipated to be significantly increased resources and investment by GLAZA for the development of a comprehensive marketing program for the Zoo, saving the City monies by eliminating the \$800,000 in funding for the Zoo's annual advertising contract, and increasing revenue to the Zoo. The Public Relations and Marketing program had been managed by the Zoo Department for over 16 years with limited resources that were focused on public events, a limited paid advertising program and public relations efforts which garnered free press and exposure. This MOU was intended to take the foundation that the Zoo had established, and through significantly increased resources, enhance and expand the program to a level that the Zoo had been unable to achieve, which would result in increased attendance and revenue to the Zoo.

PERFORMANCE OUTCOMES

Fiscal Year 2013-14

The results during the first year of the MOU indicated that there was quite a transition period for GLAZA. The *Rainforest of the Americas* exhibit was anticipated to be the major marketing opportunity for 2013-14 Fiscal Year, with a planned opening of Summer 2013. The rainforest exhibit opening was delayed several times over the fall and winter months due to construction issues beyond the Zoo's control. Ultimately, this date slippage greatly narrowed the window for any "lifting effect" a major new exhibit might have on attendance over many months of a fiscal year. As a result of the delay, GLAZA's marketing team turned their focus on quickly creating and promoting a series of new and returning turnkey daytime special events to attract new target audiences and encourage repeat visitation from past Zoo goers.

As valuable as events and promotions are in driving traffic and incremental revenue, they are not the foundation on which a strong brand is built, or a substitute for a well-timed major exhibit opening. Over the months, these daytime events did contribute to increasing attendance; however, while these events attracted new visitors, the reintroduction of past fan favorite events also increased visitations by members, raising overall attendance, but did not increase paid general attendance and admission revenue growth. The *Rainforest of the Americas* exhibit opened formally on April 29, 2014. The advertising campaign was launched for six weeks in May and June on TV, radio, spectacular outdoor boards, digital outdoor, mall posters, bus sides and online as well as through in-house email and the Zoo's website. Yet, despite a sizeable investment, the campaign failed to lift sales in May and June beyond those of the previous year. In May 2014, attendance reached 158,308, roughly even with May 2013 attendance (160,342). June attendance was 145,847, a thousand below that of June 2013 (151,555). These months' flat performances affected final attendance and revenue figures for the year.

To lay a stronger foundation for longer-term success in the market, GLAZA implemented the following key new strategic initiatives during the first year of the MOU:

- Substantially increased the investment in advertising in order to create persistency in the marketplace, drive awareness and build the L. A. Zoo brand. In addition, they secured a Google AdWords grant, with an in-kind value of \$120,000 annually, replacing and thus extending paid advertising dollars further. They also expanded the number of press events year-round, increased the impact and reach of the Zoo's website, GLAZA email

distributions and developed and launched a first-ever Zoo app—for the new *Rainforest of the Americas* exhibit that helped Zoo guests navigate through the exhibit and Zoo grounds.

- Identified tactical promotions with synergistic partners, leveraging their media, distribution channels and target-market affinity to drive awareness of the Zoo and attendance, as well as adding to the guest experience.
- Diversified distribution channels to drive incremental ticket sales through the following:
 - Extended outreach to community groups such as summer camps, seniors, churches and synagogues, etc.;
 - Cultivated tourism market through major concierge outreach, LACVB participation and LATCB Travel and Tourism Committee membership;
 - Participated in Los Angeles, Hollywood, Glendale and Pasadena Chambers of Commerce; and
 - Introduced travel incentive programs such as the GO Los Angeles visitor card program.

All of these efforts had the following results for Fiscal Year 2013-14 as compared to the baseline performance metrics contained the MOU:

1. Invest over \$2,000,000 annually in the Marketing and Public Relations program

GLAZA's expenditures for the 2013-14 Fiscal Year were \$2.4 million as detailed in the chart below:

Category of Expenditure	Amount
Advertising and Marketing	\$ 1,513,333
Salaries and Benefits	494,282
Events	238,992
Public Relations and Publicity	63,546
Sponsorship	60,000
Miscellaneous	30,604
Research	1,250
TOTAL	\$2,402,007

2. Generate a total of more than \$6,000,000 of new funding for the Zoo

This metric represents projected increases of general admissions revenue from the \$1 annual price increase and concessions and membership revenue increases over the three-year MOU. Results from the 2013-14 Fiscal Year towards this goal are as follows:

Revenue from Admission Increase	\$940,953
Increased Concessions Revenue	(6,583)
Increased Membership Revenue	(1,467)
TOTAL	\$932,902

The net increase of \$932,902 represents achievement of 15.5% of the \$6.0 million goal.

3. Increase the Zoo's market penetration of its Metropolitan Statistical Area (MSA) by a total of 12%

This metric represents the growth in attendance based on GLAZA's comprehensive marketing efforts. In Fiscal Year 2012-13, Zoo attendance was 1,506,274 and in FY 2013-14 attendance was 1,550,343. This represents an increase of 3% towards the 3-year goal of a 12% increase in MSA penetration.

4. Increase the Zoo's paid attendance by 5% annually

Paid attendance for the baseline Fiscal Year (2012-13) was 817,688 and paid attendance in Fiscal Year 2013-14 was 822,485, or a less than 1% increase.

5. Increase the Zoo's total admissions revenue by 11% annually

Paid admissions for the baseline Fiscal Year (2012-13) was \$10,826,962 and paid admissions for the 2013-14 Fiscal Year was \$11,767,915, or a 9% (\$940,953) increase.

6. Increase the Zoo's other earned revenue (increased concessions and membership) by 21% over the term

Concessions and membership revenue experienced modest declines, so there was no progress towards this goal for the 2013-14 Fiscal Year.

	Concessions	Membership
Baseline Revenue	\$949,183	\$1,367,926
FY 2013-14 Revenue	<u>\$942,600</u>	<u>\$1,366,459</u>
	\$ (6,583)	\$ (1,467)

7. Replenish and grow the marketing and public relations budget annually.

As stated in metric #1, GLAZA invested more than \$2.4 million in marketing and public relations and site rentals and catered events in Fiscal Year 2013-14. At the end of the fiscal year, the budgeted projection for admissions revenue was not achieved, and as a result, GLAZA did not receive any share of admissions revenue towards the marketing budget as working capital for FY14 marketing expenses.

Fiscal Year 2014-15

The 2014-15 Fiscal Year saw the City Council approval of the Zoo's Business and Marketing Plan (C.F. 14-0600-S223). GLAZA had the advantage of a year of transition and operation of the Zoo's public relations and marketing program, which accorded it the opportunity to plan more fully for success and achievement of the MOU performance metrics. GLAZA implemented a comprehensive marketing, strategic branding and public relations program for the Zoo based on the Marketing Plan for FY15 which supported the following four umbrella goals to communicate and establish the Zoo within the international zoo and local community:

- Establish the Zoo as a premier entertainment and education destination
- Build a strong brand
- Increase market penetration
- Grow year over year paid gate attendance

In this second year of the MOU, GLAZA identified an alternative strategy to make increased progress toward achieving attendance and admissions revenue performance metrics, in particular the admissions revenue sharing goals contained in the Plan and the MOU. As a result, GLAZA sought an amendment to the MOU to incorporate a new strategy to achieve the projected results by utilizing revenue from events that occurred during evening hours. These additional revenue opportunities utilized separate ticketed events that took place after normal daytime operating hours and thus were not admissions revenue. On April 28, 2015, the City Council approved Amendment No. 4 to the MOU to include the revenue from Night-Time Ticketed Events (NTTE) to apply towards the revenue sharing arrangement between the Zoo and GLAZA (C.F. 15-0414).

While continuing efforts to raise day-time attendance as outlined in the Zoo's Business and Marketing Plan, GLAZA concentrated its efforts on introducing L.A. Zoo Lights, a new Zoo experience, and on beginning in earnest a long-term branding effort with the selection of a new Zoo advertising agency and media agency partner. The 2014-15 Fiscal Year saw the implementation of a full roster of summer evening events, and the inaugural debut of the new 36-evening program for L.A. Zoo Lights which launched on November 28, 2014. All of the evening events facilitate achieving the overall attendance goals, as well as support the annual budgeted projections for Zoo revenue and are critically important to GLAZA's success. However, these events generate special events revenue and not admissions revenue. Through its own sales, special events revenue is collected by GLAZA and utilized to cover the cost of the event. The resulting net revenue is then transmitted to the Zoo for deposit into the Zoo Enterprise Trust Fund.

All of these efforts had the following results for Fiscal Year 2014-15 as compared to the baseline performance metrics contained the MOU:

1. Invest over \$2,000,000 annually in the Marketing and Public Relations program

GLAZA's expenditures for the 2014-15 Fiscal Year were nearly \$2.7 million as detailed in the chart below:

Category of Expenditure	Amount
Advertising and Marketing	\$ 1,715,367
Salaries and Benefits	658,182
Public Events	202,113
Public Relations and Publicity	80,421
Sponsorship	13,298
Miscellaneous	17,457
Research	11,500
TOTAL	\$2,698,338

2. Generate a total of more than \$6,000,000 of new funding for the Zoo

This metric represents projected increases of general admissions revenue from the \$1 annual price increase and concessions and membership revenue increases over the three-year MOU. Results from the 2014-15 Fiscal Year towards this goal are as follows:

Revenue from Admission Increase	\$955,500
Increased Concessions Revenue	82,389
Increased Membership Revenue	<u>166,412</u>
TOTAL	\$1,204,301

The increase of \$1,204,301 represents achievement of 20% of the \$6.0 million goal. The combined increase of new funding for the first two years of the MOU, \$2,137,203, represents achievement of 36% of the \$6.0 million goal over three years.

3. Increase the Zoo's market penetration of its Metropolitan Statistical Area (MSA) by a total of 12%

This metric represents the growth in attendance based on GLAZA's comprehensive marketing efforts. In Fiscal Year 2013-14, Zoo attendance was 1,550,343 and in FY 2014-15, daytime attendance was 1,566,291 which represents a 1% increase. With the execution of Amendment No. 4 of the MOU (April 2015) and the implementation of a new marketing strategy to include night-time events, total attendance for FY 14-15 was 1,752,279 which represents a 13% increase. The combined increase of total attendance for the first two years of the MOU was 246,005 which is a 16% increase and represents the achievement of this performance metric.

4. Increase the Zoo's paid attendance by 5% annually

Paid attendance for the Fiscal Year 2013-14 was 822,485 and paid attendance in Fiscal Year 2014-15 was 826,586 which was essentially a less than 1% increase.

5. Increase the Zoo's total admissions revenue by 11% annually

Paid admissions for the 2013-14 Fiscal Year was \$11,767,915 and paid admissions for Fiscal Year 2014-15 was \$12,723,415, or an 8% (\$955,500) increase.

6. Increase the Zoo's other earned revenue (increased concessions and membership) by 21% over the term

Concessions revenue experienced an 8.7% increase and membership revenue experienced a 12.2% increase over the baseline revenue, which when combined, represents an 11% overall increase during the first two years of the MOU towards the 21% goal.

	Concessions	Membership
Baseline Revenue	\$ 949,183	\$1,367,926
FY 2014-15 Revenue	<u>\$1,031,562</u>	<u>\$1,534,338</u>
	\$ 82,839	\$ 166,412

7. Replenish and grow the marketing and public relations budget annually.

As stated in metric #1, GLAZA invested nearly \$2.7 million in marketing and public relations and site rentals and catered events in Fiscal Year 2014-15. At the end of FY 15, GLAZA met the Zoo's budgeted revenue of \$13.1 million and will receive \$761,057 in admissions revenue share toward marketing expenses.

ADDITIONAL PERFORMANCE OUTCOMES

In addition to the performance outcomes described above, the MOU with GLAZA also included site rentals and catered event activities. In Fiscal Year 2013-14, GLAZA was able to increase site rental fees 358% above those collected in FY 2012-13 by the concessionaire. Total fees generated in FY 13-14 totaled \$131,803, surpassing the actual fees generated in FY 12-13 of \$ 28,747. There were 62 rentals with a total attendance of 7,197, including an LA Kings Fan Appreciation Night and corporate and board events for Occidental College, The Ralph M. Parsons Foundation, Kaiser Permanente and Latham & Watkins, among others. As part of GLAZA's investment in the program, they purchased 40 round 60" tables, 250 chairs, and 12 heaters to keep rental costs for smaller gatherings competitive with other venues. Catering revenue in FY 13-14 was \$94,834 which was a 24% increase over FY 12-13 revenue of \$76,444.

In Fiscal Year 2014-15, the total number of events more than doubled with 152 events held at the Zoo. GLAZA formalized an "automated" reservation and implementation system for birthday parties requiring less staff supervision, and this enabled birthday parties to more than double to 111 events for the year. Corporate events increased from 18 to 41 largely due to L.A. Zoo Lights providing a themed opportunity for holiday corporate and private parties. Site rental fees from FY 14-15 were \$88,659, and although this represent a 33% decline from the previous year, the combined revenue from the first two years represents an overall increase of \$96,674 over the two-year projections. Catering revenues from private events more than doubled in FY 14-15 from FY 13-14 going from \$94,834 to \$203,613, which represents a 115% increase. Additionally, within its site rentals expense budget, GLAZA implemented physical improvements to the Zoo's Treetops Terrace to further build the site rentals business, replacing the building's leaking canvas top at a cost of \$30,000, and adding an asphalt area to improve food service.

All of these efforts had the following results for Fiscal Years 2013-14 and 2014-15 as compared to the baseline performance metrics contained the MOU:

1. Increase catering sales and site rental fees by 50% annually during the term of the MOU

In accordance with the MOU, in exchange for GLAZA's significant investment in this program over the three-year term, GLAZA retains all commissions and fees from outside catering (16.5% commission) and site rentals to cover its expenses, including staffing and equipment purchases. The baseline catering sales revenue for the 2012-13 Fiscal Year was \$76,444 generated by the concessionaire with 16.5% commission share (\$12,613) as \$10,320 to the Zoo and \$2,293 to GLAZA. The baseline site rentals revenue for the 2012-13 Fiscal Year was \$28,747 generated by the concessionaire with 16.5% commission share (\$4,743) as \$3,737 to the Zoo and \$1,006 to GLAZA.

	Catering	Site Rentals
FY 2012-13 Baseline Revenue	\$ 76,444	\$ 28,747
FY 2013-14 Revenue	\$ 94,834	\$ 131,803
FY 2014-15 Revenue	\$ 203,613	\$ 88,659

NEXT STEPS

The MOU with GLAZA for Marketing, Public Relations and Site Rentals and Catered Events has continued to be transitional with both successes and lessons learned. The successes include an increased and expanded advertising program, increased market research, the introduction of new and expanded daytime events, top-rated and well attended night-time events, expanded free and paid media exposure, more marketing partnerships and a solid foundation upon which to continue to build. The challenges include the ability to drive and increase paid attendance and admissions revenue and to establish a pricing model that optimizes the balance between paid and member attendance. However, the Zoo believes that the long-term benefits that can be realized through this partnership with GLAZA outweigh the short-term gains experienced in the first two years of the MOU. As a result, the Zoo recommends a one-year extension of the MOU through June 30, 2017 which is consistent with the currently-approved Business and Marketing Plan. During this time, the Zoo will update its Business and Marketing Plan and submit it for Mayor and City Council approval.

RECOMMENDATION

Recommendation for Council action, subject to the approval of the Mayor:

Authorize the Zoo to execute an amendment (Amendment No. 5 still to be negotiated) to the MOU between the Zoo and the Greater Los Angeles Zoo Association for Marketing, Public Relations, Site Rentals and Catered Events to extend the term to July 1, 2016 through June 30, 2017, consistent with the updated Business and Marketing Plan, and subject to the approval of the City Attorney as to form.

Respectfully submitted,



John R. Lewis, General Manager
Zoo Department

cc: Barbara Romero, Office of the Mayor
Miguel Santana, Office of the CAO
Sharon Tso, Office of the CLA
Dov Lesel, Office of the City Attorney
Connie Morgan, Greater Los Angeles Zoo Association
Board of Zoo Commissioners

Attachment

ZOO ATTENDANCE

Fiscal Year	General Admission ¹	% of Attendance	Glaza Members	% of General Attendance	Other Free	Special Events	Total General Attendance	Night-time Ticketed Events	GRAND TOTAL ATTENDANCE	Change in Total Attendance
2001-2002	1,055,581	70%	298,276	20%	163,509	Data not tracked separately	1,517,366	-	1,517,366	
2002-2003	980,755	65%	374,356	25%	160,956	Data not tracked separately	1,516,067	-	1,516,067	-0.1%
2003-2004	906,302	65%	343,198	25%	140,139	Data not tracked separately	1,389,639	-	1,389,639	-8.3%
2004-2005	843,447	60%	407,080	29%	127,931	18,080	1,396,538	-	1,396,538	0.5%
2005-2006	883,130	58%	495,368	33%	107,764	37,207	1,523,469	-	1,523,469	9.1%
2006-2007	932,460	60%	492,274	31%	101,656	38,284	1,564,674	-	1,564,674	2.7%
2007-2008	932,628	58%	506,512	32%	121,886	41,144	1,602,170	-	1,602,170	2.4%
2008-2009	903,706	58%	525,818	34%	103,023	23,615	1,556,162	-	1,556,162	-2.9%
2009-2010	799,682	55%	542,632	37%	93,546	23,220	1,459,080	-	1,459,080	-6.2%
2010-2011	825,335	53%	599,628	39%	84,874	33,395	1,543,232	-	1,543,232	5.8%
2011-2012	903,195	54%	662,125	40%	74,791	20,339	1,660,450	-	1,660,450	7.6%
2012-2013	817,688	54%	588,878	39%	74,206	25,502	1,506,274	-	1,506,274	-9.3%
2013-2014	822,485	53%	619,154	40%	71,012	37,692	1,550,343	-	1,550,343	2.9%
2014-2015	826,586	53%	659,135	42%	62,928	17,642	1,566,291	185,988	1,752,279	13.0%

¹ - General admission data includes paid group attendance.