

An Exploratory Study of the Destination Management Company (DMC): Building a Profile

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Introduction and Purpose

While tourism destinations rely heavily on official tourism organizations, such as the Convention and Visitors Bureau (CVB), many public and private organizations contribute to the process of attracting visitors, assisting with logistics, and creating memorable experiences. CVBs recognize tourism stakeholders as important, because they supply funding, contribute to tourism products, and can influence policy (Sheehan and Ritchie, 2004). Previous research has examined the organizational structure and profile of organizations involved in destination management (Bornhorst, et al, 2010; Haugland et al, 2011). However, one private entity that has received little attention in the academic literature is the Destination Management Company (DMC).

According to the Association of Destination Management Executives (ADME), a DMC is “a professional services company possessing extensive local knowledge, expertise and resources, specializing in the design and implementation of events, activities, tours, transportation and program logistics ADME, 2014). This exploratory research begins to fill the gap in academic and practical knowledge. The purpose of this research is to create a comprehensive profile of DMCs, accompanied by total primary spending of DMCs, to better understand the structure, economic contribution, and value to the overall hospitality and tourism industries.

DMCs are locally based, for-profit tourism businesses with a range of functions (ISMP 2014). DMC spending generates a substantial contribution to the economic activity in the metropolitan area where they are located. According to Ortega et al, (2014), destination management organizations’ responsibilities and services do not end with the sale and choice of destinations. Service must continue throughout the tourists’ stay. The function, role, and delivery of service for the DMC is crucial. In partnering with CVBs, the DMC may be able to provide additional assistance and in return increase customer satisfaction. This study provides insight into an area of the hospitality and tourism industry in need of attention.

Methodology

In order to build a profile of domestic DMCs, a total of 15 metropolitan areas of interest were selected. These areas were then grouped by their economic activity and divided into three tiers:

- Tier I includes DMCs located in Chicago, Las Vegas, Miami, New York, Orlando and San Francisco.
- Tier II includes DMCs in Boston, Dallas, Denver, New Orleans, San Diego and Washington DC.
- Tier III includes DMCs in Atlanta, Austin and Phoenix/Scottsdale.

An additional category called “Other” was created to include DMCs located in areas not comprised in the aforementioned tiers. The areas included in this category were Houston, San Antonio and LA/Palm Springs. It is important to note that this category “Other” was created for reporting purposes only, and was not included as part of the total primary spending analysis.

The researchers designed an electronic questionnaire to be administered. A link to the survey was sent electronically by ADME (Association of Destination Management Executives) to the organization’s mailing list. Three reminders were sent in the following weeks. The survey remained open until June 3rd, 2014, and a total of 43 surveys were obtained. The survey included general business questions, along with questions designed for ADMEI members only.

The completed questionnaires were forwarded to the researchers for data entry and editing. The data were entered and tabulated. Responses to open-ended questions were categorized by hand and then organized based upon the most frequent themes that emerged from DMCs’ comments.

DMC PROFILE

The following is a summary including employment history, median salary, business leads, market share by industry, and advertising (the full paper contains a comprehensive profile of the DMCs generated from the survey research).

- Tier I and III had the largest average salary for full-time employees at over \$57,000 a year. Part-time employees in Tier III who received salaries made more money in a year (\$36,000) than those in other tiers. If part-time employees were paid by the hour, those in Tier II received the largest hourly compensation at \$25. Hourly employees in Tier II also received the highest pay at a rate of \$26.
- DMCs in Tier II had been in business for a longer period of time. The average number of years for Tier II members was 25. Members of Tier I had been in business for an average of 20 years. DMCs in Tier III and Other had been in business for an average of nearly 15 years.
- On average, Tier I and II had comparable numbers of full-and part-time employees. Hourly employees were significantly higher for Tier II (51) compared to Tier I (32). The total number of employees in Tier III was nearly a third of the total employees in the first two tiers.
- Business leads among DMCs in different areas were derived mostly from repeat clients (36%), hotel relationships (27%), and through a consortium or franchise (18%).
- The majority of DMCs used their company website (90%) along with social media (78%) to advertise their business. As expected, fewer DMCs were using mail (15%) or print magazines (15%) as means of advertising.
- The largest portion of spending for DMCs across metropolitan areas was for tour, event or program expenses. Tier I had an average spending of \$3.4 million, Tier II had an average of \$2.7 million, and Tier III spent \$1.9 million.
- DMCs in all three tiers spent between \$50,000 and \$70,000 in sales and marketing operations.
- Tiers I, II and III had an average of nearly 12,000 corporate visitors in 2013. Tier I had about 8,700 incentive visitors, while Tier II and III had nearly 3,600 and 1,000 incentive visitors, respectively. Tier II had the largest number of association visitors at nearly 16,700.

PRIMARY SPENDING

According to counts obtained from representatives of the Association of Destination Management Executives International, the total number of DMCs across all metropolitan areas selected for this study totaled 140. The metropolitan areas with the largest number of DMCs include Miami, San Diego, Chicago, Denver and San Francisco. The majority of DMCs that completed the questionnaire represented between 25% and 40% of the total number of DMCs in each metropolitan area.

The results from the survey were used to determine the average individual spending of DMCs. In evaluating the true economic activity that each DMC has on the metropolitan area where it is located, the spending attributed to out-of-town travel was excluded since these funds were spent outside the local economy. It is important to note that there was no data available in the tour/event/program expenses for Chicago and Miami. There was also missing data in administrative expenses, and sales and marketing expenses for Miami.

Total primary spending is defined as the total amount of money spent directly by DMCs in each metropolitan area. Based on individual DMC expenditures presented in the previous section, estimates can be made of the total

primary or direct spending. Total primary or direct spending is usually determined as the product of the respective average expenditures and the total number of DMCs per metropolitan area. However, for DMCs in Chicago and Miami, the total primary spending was not valid due to an insufficiency in the data collection process. To correct this issue, Researchers computed a weighted average by Tier for each spending category. Thus, the total primary or direct spending was obtained by multiplying the weighted average of these spending categories by the number of DMCs in each Tier.

Findings and Conclusion

Tier I (See: Table 1) had the largest average total spending in 2013 at \$4.8 million. DMCs in Tier II spent an average of \$3.8 million, while those in Tier III spent an average of \$2.8 million. Other DMCs not included in the tiers spent nearly \$0.8 million during the same time frame.

Please indicate approximately how much money did your company spend during the calendar year 2013 in the following categories:

Table 1: Average Total Expenses (Millions)

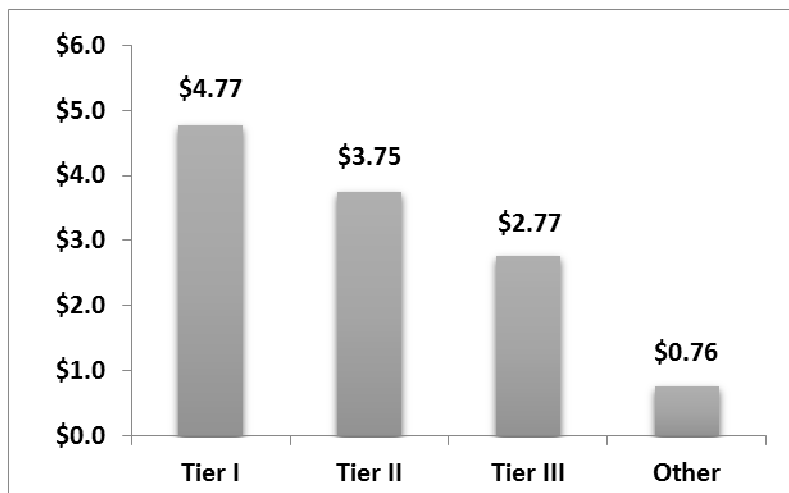


Table 2 contains total spending by tier and category. As expected, the largest amount of spending by DMCs across tiers was for tour, event or program expenses; it represented nearly 75% of total expenditures. The largest total primary spending for DMCs was presented in Tier I at \$274.8 million. Survey results are consistent with the economic activity of metropolitan areas included in the first tier. Tier II had the second largest total primary spending at \$181.8 million, while Tier III had a total spending of \$46.6 million.

Table 2: Total Primary Spending by Tier

Spending Category	Tier I	Tier II	Tier III
Total Salary Expenses	\$57,435,954	\$40,205,386	\$11,032,601
Total Administrative Expenses	\$14,016,713	\$10,923,793	\$1,685,274
Total Sales and Marketing Expenses	\$3,927,001	\$2,957,783	\$901,196
Total Tour, Event or Program Expenses	\$199,383,330	\$127,746,932	\$33,028,452
Total Expenses	\$274,762,998	\$181,833,894	\$46,647,522

Contribution to Applied Tourism

The purpose of this research was to provide a comprehensive profile, accompanied by the total primary spending of DMCs. Future research will include an estimate of the total economic impact of DMCs. DMCs generated significant economic benefits in the different metropolitan area economies where they conduct their day-to-day operations. Activities at DMCs generated a total primary spending of \$274.8 million for areas including Chicago, Las Vegas, Miami, New York, Orlando and San Francisco represented in Tier I. Total primary spending for Tier II, which includes Boston, Dallas, Denver, New Orleans, San Diego and Washington DC totaled \$181.8 million. Finally, Tier III comprised of Atlanta, Austin and Phoenix/ Scottsdale generated a total primary spending of \$46.6 million. It is clear that the economic contribution of DMCs is an important asset for all regions throughout the country. This exploratory research begins to fill the gap in academic and applied knowledge for a significant contributor within the hospitality and tourism industries.

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