

*Lake City Festival:  
Feasibility Report and Recommendations*



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### *Purpose*

The purpose of this report is to make a series of recommendations for the Lake City Festival designed to help the organizers produce an event that is sustainable for many years to come. This report was prepared by David Welz of Welz Consulting LLC, based on income and expense data for the past several years of the festival, interviews with other event promoters, and interviews with past festival sponsors, attendees, non-attendees, and organizers of previous Lake City Festivals.

### *Background*

The Uncorked Group has produced the Lake City Wine and Music Festival in the town of Lake City, each September for eight years. During the early years, the event was overseen by the Hinsdale County/Lake City Chamber of Commerce. The event has grown steadily, and in some years impressively, until 2006, when attendance shrank for the first time from a high of 1,400 people to 1,200. Attendance remained at 1,200 in 2007, then in 2008, dropped precipitously to 750. This drop occurred in a year in which ticket prices increased 50%, suggesting that cost may have played a role.

The event has a positive reputation in the region, although there is room to increase awareness of the event. The Festival's musical lineups in the past have been considered "sophisticated and intriguing" by music aficionados and industry types. However, while it is not clear what percentage of attendees are in this category, it is likely to be a minority. Some people who regularly attend similar events, but have not attended this one, report one of two things, (in some cases both): that they didn't recognize most of the musical lineup, and that ticket prices "seemed too high." In some cases the perception of the ticket price reflected a lack of awareness about what was included in that price, (namely, free wine and a hand-painted wine glass).

The recommendations contained in this report are designed to keep this event as a viable event for the fall economy in the Lake City community and improve financial viability for years to come.

### *Economic Impact*

A scientifically accurate economic impact study of the festival is beyond the scope of this report. However, it is valuable to explore the festival's economic impact in a subjective way, with the best information available.

Lake City's economy is mostly seasonal, composed primarily of tourism activity in the late spring, summer and early fall. Second homeowners are also large contributors to the economy, a group comprised mostly of retirees who spend their time and money in Lake City during the non-winter months. Lake City does not have a major ski resort or other major attraction to draw tourists, and relies instead on its incredible natural surroundings and recreational opportunities – and the unique atmosphere of the town itself – to draw visitors. Anecdotal information suggests that more than 80% of visitors to Lake City are repeat visitors.

The festival has attracted anywhere from 1400 to 750 in the past several years. With a working attendance projection of 1,000, we can sketch a rough picture of the direct economic impact. Using an estimated 30/70 split of local vs. destination attendees, we can estimate that the festival brings 700 people to town, virtually all of them for an overnight stay. Recognizing that lodging can be anything from hotels to camping to staying with friends, and that we don't have an accurate assessment of those percentages, we might assume a daily spend of \$75/ visitor. (\$100 is often used as a "guesstimate" when there is no data available; here it has been adjusted for lower spending on lodging.)

**The basic math suggests that the direct economic impact from this single weekend is in the neighborhood of \$100,000.** (700 people \* \$75/day \* 2 days = \$105,000).

However this is only part of the economic impact picture. September in the mountains is traditionally a "shoulder-season" month when tourism activity begins to drop sharply from the summer peak. The impact of a festival weekend in late September, then, is likely much greater than just the direct effects of incremental tourist dollars over the weekend. It may allow businesses to stretch their summer season, keeping employees on the payroll longer, and providing services to all tourists later in the fall than might otherwise be possible.

In addition, there are the secondary, or indirect economic impacts. Indirect impacts refer to suppliers of businesses that benefit directly from tourism spending. These would include any local businesses that count lodging, restaurants and retail businesses among their clients – a graphic designer or accountant for example. There is also something known as a multiplier effect: this refers to the dollars that flow back to local businesses from employees of those businesses that benefit directly from tourism spending. For example, money that has flowed from a festival attendee to a restaurant employee may later flow to the ski hill, a local bank, or government agency in the form of tax revenue. These effects are all important to take into consideration when evaluating the economic impact of an event.

Finally, there is the impact to the community as a whole. A festival event is an amenity, one that can be pointed to in the same way as recreational resources, or a desirable downtown district. The promotion of the event results in additional exposure to potential tourists who may not attend the festival at all, but may put Lake City "on their list". The following summer might find those people in town, spending money and supporting businesses – this must also be linked to the raised awareness of Lake City that the festival generates, even though it is admittedly difficult to quantify. An event may also support

real estate and home sales, as many second homeowners and relocating retirees may be attracted to the event as an amenity, or simply to the strong sense of community that such events represent.

### *Financial Viability and Sustainability*

Simply put, this means making enough money from ticket sales, sponsorships, vendor fees and other sources to cover all expenses. The sustainability part suggests establishing a contingency reserve so that the event can weather the inevitable ups and downs that come with year after year of producing a festival. It is widely acknowledged by those with event experience in this region that *ticket sales alone are rarely or never enough to support an annual festival*. The festival business is tough – but the rewards for host communities, participants, organizers, and sponsors are significant, and the process itself can be enjoyable if the people involved are willing to manage the event as you would a business. Absent careful management and thoughtful leadership, the planning process is likely to become strained and unrewarding for those involved, and the health and sustainability of the event will suffer.

### **Achieving financial viability will require focus in at least four areas:**

1. **Cost-saving measures** that will not adversely affect the event’s appeal or attendance.
2. **Promotion and marketing** to grow or maintain attendance numbers as projected in the annual budget.
3. **Increasing revenue in existing and new streams**, including sponsorships, donations, trade agreements, VIP ticket sales, and others. Also actively manage cash flow to ensure adequate resources when needed.
4. **Building a financial reserve** to protect the event from unforeseen (but inevitable) events such as bad weather, regional crises, or personnel issues.

#### **1. Cost-saving Measures (that don’t adversely affect the event’s appeal)**

- Reduce music booking costs.
  - Less expensive acts are not necessarily lower quality, and do not even necessarily have lower regional name recognition. In other words, choose carefully. There are many examples in Colorado and the Four Corners where bigger names have lost money and smaller names have made money.
  - Consider the number of music acts. How important are those first one or two acts? Will their inclusion really draw people? What would the impact of that money be if applied to affording a different headliner? Use caution here, and make your decisions with input based on expertise and familiarity with the regional music scene. Some of the input may be contradictory, and tough decisions will still have to be made – but this is the heart of the event. The wrong decision could cost the event far more in lost ticket sales than it gains

in cost savings. As a board member for the Four Corners Folk Festival put it, “Poor lineups have killed festivals.”

- Reduce travel costs for bands by using regional acts.
  - o Local radio KVNF has pledged additional outreach support – including live coverage – if regional acts are used.
  - o Other regional promotion opportunities may be available as a result of using regional acts. For example, a band from Durango or Boulder can use the marketing reach it has in its home region to promote the Lake City Festival. To benefit from this strategy the Festival must identify and target realistic drive markets for the festival.
  - o Reduce food costs for bands by partnering with local restaurants to “sponsor” bands and/or meals. For example, restaurants might be happy to donate a meal in exchange for a signed photo with the owner, or some other “no-cost” benefit.
- Reduce wine glasses cost
  - This has been a very significant expense in the past, costing as much as 20% of the Festival’s overall income. The question has to be asked whether it contributes that much value to the festival in return. Other ways of providing this benefit (without including its cost in the ticket price) should be explored. It is also worth asking if there may be a significant percentage of attendees for whom the wine glass holds little value. It may be a better value proposition to allow people to decide what the wine glass is worth rather than building it into the ticket price.
  - The wine glass could also be a sponsorship vehicle, purchased and produced by a wine producer and featuring the winery’s logo.
  - Glasses could be sold separately through pre-orders, and direct purchase at the festival. In this case the festival could receive some or all of the wine glass sales proceeds.
- Reduce overhead costs
  - Request that the Town of Lake City waive the park fee.
  - Request that the Town of Lake City or Hinsdale County cover the event with an additional special event rider to existing general liability insurance.
- Create a gatekeeper.
  - This is the best way to pristine expenditures and control costs. The gatekeeper should be responsible for approving all expenditures, either through budgeting or on a case-by-case basis. In other words, any expense not already specifically included in the budget should be approved by the gatekeeper. The gatekeeper may have any title; what’s important is that everyone working on behalf of the organization understands that expenditures must be pre-approved by this person. This eliminates waste and helps place expenditures in the larger financial picture. If there is a sudden change to one side of the balance sheet, the gatekeeper can implement a plan for compensating on the other side of the balance sheet.

## **2. Promotion and Marketing (to achieve / exceed budgeted attendance)**

- Review all marketing costs.
  - Identify ways to “trade” marketing outreach – i.e., give away tickets to special promotions, increase press coverage through regional newspapers and outlets.
  - Make the appeal to outdoor enthusiasts – combine outdoor recreational opportunities with the event.
  - Identify ways to further develop grassroots, low-cost marketing and outreach, and increase word-of-mouth referrals.
    - Target regional marketing areas of Salida, Montrose, Grand Junction, Buena Vista, Alamosa, Crested Butte and Durango.
    - Market the reduced ticket price.
    - Email past ticket purchasers.
    - Track how festival-goers hear about festival to begin collecting valuable data for use in future marketing efforts. This information will also have value to other local marketing efforts, and may be valuable in developing cooperative marketing efforts. (Sharing mailing lists, source data, etc.)

## **3. Increase Revenue, Tap New Revenue Streams and Improve Cash Flow**

- Increase Sponsorship Revenue
  - Form a small advisory panel of two or three local business owners to help identify additional sponsor benefits
  - Allow sponsored banners to be displayed in identified area
  - Ask specific businesses for larger financial sponsorships
  - Offer business sponsorships for link on website
  - Seek sponsorships of specific aspects of Festival
    - Wine Tent Sponsor (includes name on tent)
- Reduce ticket price in such a way that the projected increase in ticket sales more than offsets the decrease in individual ticket revenue. Volume is a multiplier – if you host more people at a lower price, you should be able to increase not only ticket revenue but also food, wine glass, beer and other sales. Higher attendance will also raise vendor satisfaction and participation, and the value of sponsor exposure.
- Consider establishing VIP tickets and benefits. These can include food, drink, special seating or tent location, and meet and greets with musicians. Meeting musicians, in particular, has demonstrated enormous value at other events in our region, and does not contribute to the sense of “separation” which may be a drawback of some traditional VIP benefits at such a small, community-oriented event. It also creates value without cost – the musicians have already been paid, and most are quite open to participating in this kind of VIP benefit. Free commemorative wine glasses, a special dinner the night before the event, or (donated) lodging are other possibilities. Also, see what trade you come up with

and toss into the VIP “pile”. A VIP ticket giveaway can also entice a radio station to “beef up” their side of a trade promotion. This is a low-cost way to generate a lot of awareness.

- Offer volunteer tickets at \$10 (instead of free). Continue to offer free EMS and security personnel tickets.
- Request funds from several community organizations. Be prepared to describe the benefit to those organizations from participating.
- Request lodging tax funds.
- Identify grant sources for special events and submit applications.
- Consider unsecured loans (from private donors).
- Consider applying for DIRT’s Revolving Loan program for a specific aspect of event.
- Increase number of booths available for vendors or explore the idea of outside-festival area booth space in the Third Street Market during the event.
- Continue to split t-shirt proceeds with Lake Fork Community Foundation.
- Continue beer booth relationship with SKA Brewery.

#### **4. Establish a Financial Reserve To Ensure Long-Term Sustainability**

- According to a board-member of the Four Corners Folk Festival, “we make enough money every three years or so to cover the fourth year, when we’re likely to take a hit from events beyond our control: bad weather, wildfires, personnel issues or all three.”
- Establishing a reserve fund is only possible once the financial health of the event is restored. Forward planning and prioritization are needed to make it a reality.
- A portion of the budget can be dedicated to adding to the reserve fund each year.
- Patron donations can be sought specifically for the reserve fund – many donors will be more inclined to contribute to the long-term sustainability of the event (an event endowment of sorts) than to annual operating expenses. After all, those should be covered by revenue streams or the event is not financially viable in the first place. Donors to the reserve fund can be recognized in numerous ways, locally and throughout the year, rather than in direct association with the event.

Additional Recommendations:

#### *Increase Benefit to Local Community*

- Host community meetings to gather feedback, or create a community advisory panel.
- Create an online survey to collect feedback on the Festival.
- Continue the community benefit aspect of the Festival. Consider choosing a different benefit project every year (such as Prostate Cancer fund, Community

Youth Corps, library building, etc – similar to Benefit Day at Durango Mountain Resort). VIP tickets could include a portion of the price earmarked for the charity recipient. If communicated correctly, this will not be viewed as part of the VIP cost by purchasers, but rather as a charitable donation.

- Consider additional cross-promotion opportunities to increase the benefit to Lake City businesses.

#### *Limiting Factors of Restaurant Service and Lodging*

- Consider additional pay-for-camping since Memorial Park now has bathroom facilities (paid to Town of Lake City).
- Identify specific incentives to restaurants for staying open during Festival weekend.

#### *Summary*

The Lake City Festival faces some obstacles and needs to implement a number of changes in order to achieve greater financial health. However, it also has many things already going for it. Some of the most important of these are:

- The event has a history, and enjoys good name recognition and a positive reputation.
- Lake City is an enticing but remote destination; many travelers are just looking for an excuse for their first or next trip to Lake City, and the event can provide that excuse.
- An active and engaged community of volunteers, sponsors and organizers are willing to do the legwork to produce this event.
- There is a lack of competition from other music events on that weekend.
- An easily perceived impact to the local economy, and a lack of other events drawing visitors to Lake City in September.
- A number of surrounding communities with active festival-going residents who represent a prime market.
- This is during the peak-fall colors weekend.

Producing a music festival is tough business, and requires lean operations, careful and efficient management, and a massive volunteer effort. However, with the advantages and history that the Lake City Festival already enjoys, it appears that overcoming the obstacles and continuing to produce this festival will be well-worth the effort required. With implementation of some or most of the recommendations included in this report, the festival should achieve greater financial health in the near-term. A reserve fund for the festival can ensure its longevity and continue to benefit the town of Lake City, its residents, businesses and visitors for many years to come.