

Section 4.2: Marketing & Public Relations

- ◆ **The Zoo Society spent over \$4.2 million on marketing over the past six years, and its marketing budget increased by 136 percent (27 percent annually) between FY 1993-94 and FY 1998-99.**
- ◆ **During the same time period, attendance increased by only 19 percent (3.8 percent annually). In addition, in two years when marketing expenditures increased, attendance decreased, and in another year when marketing expenditures declined, attendance increased.**
- ◆ **Moreover, in the late 1980s, when the Zoo did not have a marketing budget, there were some years in which attendance exceeded 1,000,000 visitors versus the actual attendance of 842,958 visitors for FY 1998-99.**
- ◆ **Since large marketing expenditures do not necessarily result in increased attendance, the Zoo Society should limit its marketing budget to 5.0 percent of annual operating expenses.**
- ◆ **The Zoological Society should ensure that the corporate sponsorship program is consistent with its mission of conservation, education, and recreation. Zoo management has advised the Budget Analyst that each corporate sponsorship program is reviewed to insure its compatibility with the Zoo's mission.**

As part of our performance audit of the San Francisco Zoological Gardens, we examined the Zoological Society's marketing and public relations program in order to evaluate whether its objectives, use of media, and staffing levels were consistent with best practices and with marketing and public relations practices at similar organizations.

To accomplish these objectives, we:

- Interviewed personnel in the Marketing Department, including the Marketing Director and the Director of Public Relations;
- Reviewed key Marketing Department documents such as publicity reports, marketing strategic plans, media timelines, newsletters, advertising contracts, and other documents.

- Examined budgeted and actual expenditures for the Marketing Department for the current and past five fiscal years;
- Reviewed performance measures such as attendance records and visitor survey results in order to evaluate the impact of marketing expenditures; and
- Conducted research of marketing practices at comparable zoos and other similar organizations.

Background

Marketing and public relations for the Zoo have been the responsibility of the Zoological Society since even before the public-private partnership between the City and the Zoological Society was created in 1993. The Zoological Society hired its first Marketing/Public Relations Director in 1993. In 1994, the functions of marketing and public relations were separated when the Zoo Society added a second position, a Public Relations Director. A third position, a Marketing Communications Manager, was also added at that time. In 1999, the Marketing Department still consists of the same three full-time positions. In addition, the Zoo Society has a Graphics Curator, who dedicates a portion of her time to designing graphics and published materials for the Marketing Department.

The responsibilities of the Marketing Director include developing marketing plans, creating and implementing advertising campaigns and promotions, and cultivating corporate sponsorships. The Marketing Director reports directly to the Director of Development. The Public Relations Director, who reports to the Marketing Director, is responsible for maintaining relationships with the media, arranging media events, writing press releases, tracking Zoo publicity, and other duties. The Marketing Communications Manager, who also reports directly to the Marketing Director, is the editor of *Zoo Views*, the Zoo's quarterly membership publication, and is responsible for designing and maintaining the Zoo's map and website.

The goal of marketing is specifically to increase attendance. While the goal of public relations is primarily to create awareness and to build the Zoo's image, positive publicity, such as feature news stories on new or popular Zoo exhibits, can boost attendance as well. The main difference between the marketing and public relations functions is that marketing utilizes mostly paid advertising to attract attention, while the exposure obtained through public relations is free of cost. For instance, in FY 1997-98, the Zoo was featured in (a) 146 stories in the *San Francisco Chronicle* and *Examiner* newspapers, (b) 149 news stories on television; (c) two *National Geographic Specials*; (d) six books; and (e) four special productions, including a Disney film. This publicity, although not always positive, was free to the Zoo (except for the salary and benefits of the Public Relations Director).

The Marketing Department attempts to meet its objectives in a variety of ways, including:

- Extensive print, outdoor, television and radio advertising (paid and donated) to promote special exhibits, events and/or the Zoo in general;
- Obtaining exposure in local media through feature stories and other media coverage;
- Obtaining sponsors for special exhibits, events and other activities held at the Zoo throughout the year;
- Holding marketing events, aimed to boost attendance during off-peak periods (e.g., “Fall Fest” in September, 1998, “Boo at the Zoo” in October, 1998, and the Gorilla Naming Contest in November, 1998);
- Creating a unified visual identity and packaging for on-site graphics, published materials and advertising.

Evaluating the Impact of Marketing Expenditures

The Marketing Department’s budgeted and actual expenditures from FY 1993-94 through FY 1997-98 are shown in Table 4.2.1 below:

Table 4.2.1
Marketing Department Budgeted vs. Actual Expenditures,
FY 1993-94 through FY 1997-98

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Variance</u>	<u>% Over/</u> <u>Under</u> <u>Budget</u>
FY 1997-98	\$ 861,280	\$ 853,190	\$ 8,090	-0.9%
FY 1996-97	\$ 456,180	\$ 743,808	\$ (287,628)	63.1%
FY 1995-96	\$ 859,125	\$ 794,318	\$ 64,807	-7.5%
FY 1994-95	\$ 489,234	\$ 606,104	\$ (116,870)	23.9%
FY 1993-94	\$ 280,200	\$ 374,902	\$ (94,702)	33.8%
Average	\$ 589,204	\$ 674,464	\$ (85,261)	22.5%

As indicated in the table above, the Marketing Department has overspent its original budget and/or received budget increases in three of the past five fiscal years.

The FY 1998-99 budget for marketing is \$885,012. The Marketing Department's line item expenditures from FY 1993-94 through FY 1998-99 (budgeted) are shown in Table 4.2.2 below.

Table 4.2.2
Marketing Line Item Expenditures,
FY 1993-94 through FY 1998-99

	<u>FY 1998-99</u> Budgeted	<u>FY 1997-98</u> Actual	<u>FY 1996-97</u> Actual	<u>FY 1995-96</u> Actual	<u>FY 1994-95</u> Actual	<u>FY 1993-94</u> Actual
Personnel	\$ 178,514	\$ 145,224	\$ 153,909	\$ 151,862	\$ 129,962	\$ 89,738
Advertising	\$ 499,002	\$ 484,233	\$ 379,594	\$ 448,664	\$ 343,820	\$ 142,610
Professional Fees	\$ 72,200	\$ 82,711	\$ 52,651	\$ 21,364	\$ 39,398	\$ 38,818
Printing/Design	\$ 42,000	\$ 42,777	\$ 48,748	\$ 50,427	\$ 43,922	\$ 69,010
Graphics Expense	\$ 40,000	\$ 33,873	\$ 39,495	\$ 51,620	\$ 3,278	\$ -
Public Relations	\$ 15,000	\$ 17,614	\$ 15,978	\$ 12,346	\$ -	\$ -
Photography	\$ 11,000	\$ 10,401	\$ 17,991	\$ 13,736	\$ -	\$ -
Special Events	\$ 2,400	\$ 3,745	\$ 5,631	\$ 4,209	\$ 12,564	\$ 8,974
Miscellaneous	\$ 24,896	\$ 32,612	\$ 29,811	\$ 40,090	\$ 33,160	\$ 25,752
Total	\$ 885,012	\$ 853,190	\$ 743,808	\$ 794,318	\$ 606,104	\$ 374,902

As shown in Table 4.2.2, the Zoo Society spent \$4,257,334 for marketing between FY 1993-94 and FY 1998-99 (budgeted). Marketing expenditures increased by 136 percent overall, or an average of 27 percent per year, between FY 1993-94 and FY 1997-98. The largest increase was in the Zoo Society's first full fiscal year of managing the Zoo, in FY 1994-95, when actual expenditures increased by 62 percent, from \$374,902 to \$606,104. Advertising costs, by far the largest expense (56 percent of current budgeted expenditures), increased by \$356,392 (250 percent or an average of 50 percent annually), from \$142,610 to \$499,002, during the same time period.

Benchmarks

In 1996, the Zoo Society retained the firms of CLRdesign inc., a zoological planning and design firm, and Schultz & Williams, Inc., a marketing and economic analysis firm, to complete a strategic plan for the Zoo. This report stated that zoos with aggressive marketing programs allocate between four and seven percent of their annual operating budgets for advertising expenses.

In addition, as part of that study, four California AZA accredited zoos (Los Angeles, Marine World Vallejo, Oakland and Sacramento), one zoo with a comparable metropolitan service area (Philadelphia), and two zoos with comparable annual attendance (Toledo and Atlanta) were selected as a basis for comparison to San Francisco Zoo. Using data from a 1996 AZA survey, the consulting firms found that the seven comparable zoos spent between 2.3 percent and 12.2 percent of their operating budgets on advertising expenditures, with a median expenditure of 4.2 percent of operating costs. The results of this survey are shown in Table 4.2.3 below:

Table 4.2.3
Advertising Expenditures as Percentage of
Annual Operating Budget at Comparable Zoos¹

Zoo	Percentage
Marine World Africa (Vallejo)	12.2%
Philadelphia Zoo	5.8%
Los Angeles Zoo	4.6%
Sacramento Zoo	3.8%
Toledo Zoo	2.8%
Oakland Zoo	2.3%
Zoo Atlanta	n/a
Median	4.2%

On the contrary, the report stated that San Francisco Zoo spent only 2.0 percent of its operating budget on advertising, therefore implying that San Francisco Zoo is spending less than it should be in these areas. However, this statistic is misleading because it does not take into account the expenditures incurred by zoos for marketing activities other than advertising. For example, the Zoo Society's FY 1998-99 budget includes \$499,002 for paid advertising, which represents 3.7 of the Zoo Society's operating budget. However, the Zoo Society's total marketing budget for FY 1998-99 is \$885,012, or 6.5 percent of operating expenditures. In addition, San Francisco Zoo receives a substantial amount of in-kind (free) advertising and promotion.

In addition, the Budget Analyst contacted the California Academy of Sciences, located in Golden Gate Park, in order to find out how much this organization spends on marketing. The Academy of Sciences reported that its FY 1998-99 budget for marketing is \$589,000, significantly lower than the Zoo's current total marketing budget of \$885,012, while the Academy of Sciences' budgeted FY 1998-99 attendance of 900,000 is slightly higher than the Zoo's budgeted attendance of

¹ 1996 AZA Survey, as cited in CLRdesign inc. and Schultz & Williams, Inc. Strategic Plan, 1997 – 2004, November, 1996, Table 7.

880,000. Also, the Academy of Sciences' marketing budget of \$589,000 (including advertising) represents just 3.3 percent of its overall operating budget.

The Effect of Marketing Expenditures on Attendance

Since the primary goal of marketing is to increase attendance, the Budget Analyst examined the effect of marketing expenditures on Zoo attendance. Table 4.2.4 shows the Zoo's annual attendance from the first fiscal year in which the Zoo Society assumed management of the Zoo (FY 1993-94) through FY 1998-99 (projected).

Table 4.2.4
Annual Attendance at San Francisco Zoo,
FY 1993-94 - FY 1998-99

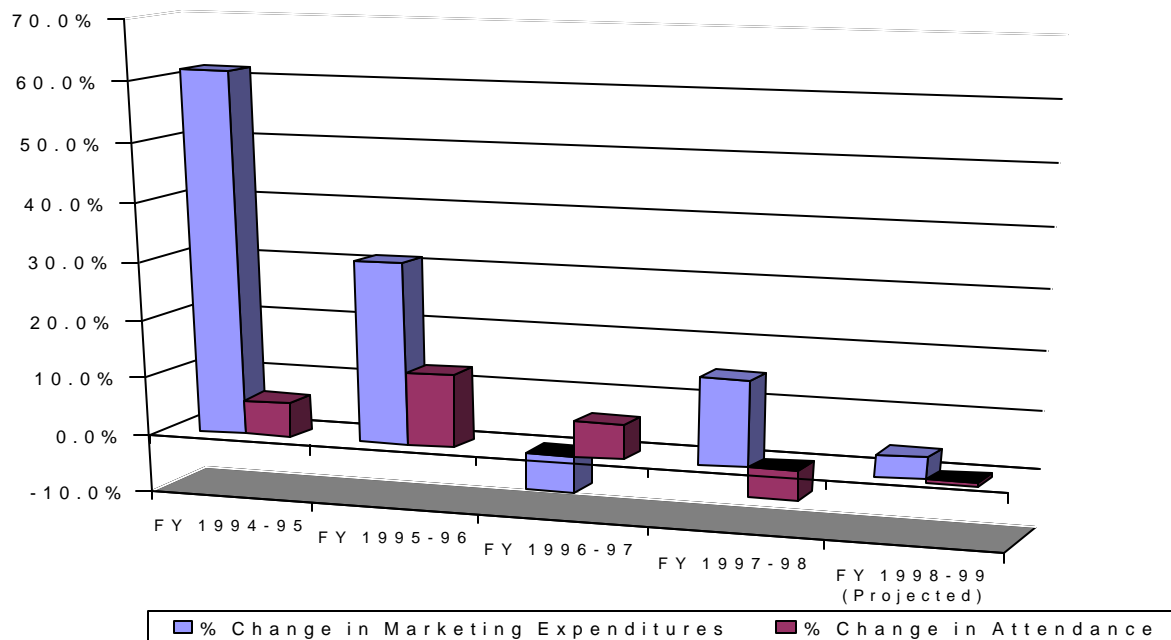
<u>Year</u>	<u>Attendance</u>	<u>% Change from Prior Year</u>
FY 1993-94	690,145	
FY 1994-95	731,232	6.0%
FY 1995-96	822,465	12.5%
FY 1996-97	870,962	5.9%
FY 1997-98	826,769	-5.1%
FY 1998-99 (Projected)	822,822	-0.5%

As previously noted, marketing expenditures increased by 136 percent (27 percent annually) from FY 1993-94 through FY 1998-99. As shown in Table 4.2.4, during the same time period, attendance increased by approximately 19 percent (an average of 3.8 percent annually).

Exhibit 4.2.1 shows the annual percentage change in marketing expenditures versus the annual percentage change in attendance over the six-year period from FY 1993-94 through FY 1998-99.

Exhibit 4.2.1

**Percentage Changes in Marketing Expenditures and Attendance
San Francisco Zoo, FY 1993-94 - FY 1998-99**



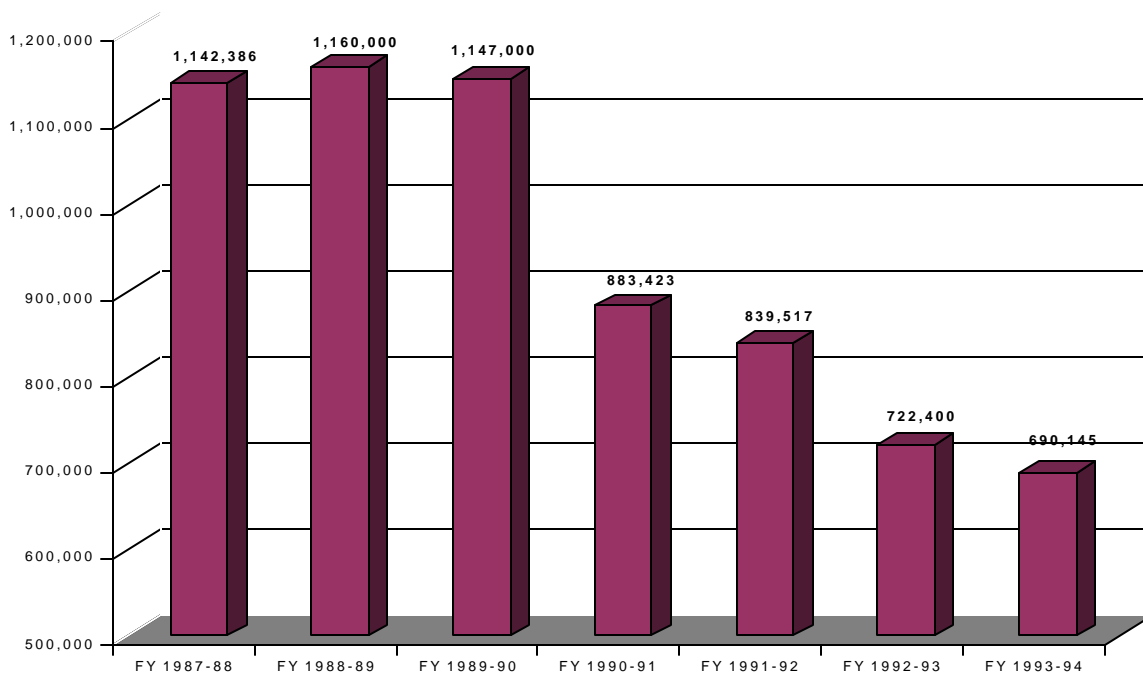
As illustrated in the graph above, there does not appear to be a strong positive correlation between marketing expenditures and attendance. For example, both marketing expenditures and attendance increased from FY 1993-94 through FY 1995-96, but in FY 1996-97, attendance increased by 5.9 percent despite a reduction in marketing expenditures of 6.4 percent. In FY 1997-98 and FY 1998-99, attendance declined by 5.5 percent overall, despite an overall increase in marketing expenditures of 19 percent. Also, a significant increase (62 percent) increase in marketing expenditures in FY 1994-95 resulted in only a marginal increase in attendance of 6.0 percent in that year.

Some possible explanations for these discrepancies are the effects of weather, publicity, new animal exhibits and other factors on attendance. For example, the Zoo experienced a 30 percent decline in attendance during the third quarter of FY 1997-98 (January through March, 1998), which could be attributable to the effects of El Niño and/or the bad publicity resulting from the proposed admission fee increase. The increases in attendance during FY 1995-96 and FY 1996-97 could be attributed in part to the extensive free publicity that the Zoo received on the June, 1997 bond measure, the white alligator exhibit and the alligator from Mountain Lake Park between April, 1996 and November, 1997. As these examples illustrate,

many factors other than marketing expenditures have an impact on attendance. Thus, it can be concluded that increasing the Zoo's marketing budget will not necessarily lead to an increase in attendance.

This conclusion is further supported by the Zoo's experience with marketing and attendance during the late 1980s. The Zoological Society reports that funding was earmarked for advertising for the first time in FY 1993-94. The Zoo Society reports that, prior to 1993, the Zoo relied primarily on free publicity in order to attract attention and thereby increase attendance. However, despite the lack of funding for marketing and advertising prior to FY 1993-94, the Zoo had some years in which annual attendance exceeded 1,000,000 visitors. Exhibit 4.2.2 below shows the Zoo's annual attendance for the years up through the Zoo Society's takeover in 1993.

Exhibit 4.2.2
Annual Attendance at San Francisco Zoo
FY 1987-88 - FY 1993-94



As shown in Exhibit 4.2.2, attendance was over 1,000,000 from FY 1987-88 through FY 1989-90, peaking at 1,160,000 in FY 1988-89. These were years in which the Zoo Society did not have a separate advertising or marketing budget. The severe decline in attendance in the early 1990s can most likely be attributed to the overall deterioration of the Zoo, rather than to the Zoo's lack of advertising. For example, in 1992, the Zoo was threatened with losing its accreditation from the AZA due to the poor conditions at the Zoo. The publicity surrounding the creation of the public/private partnership between the Zoo Society and the City in 1993 may have

also contributed to poor attendance in the early 1990s. Attendance reached its lowest point in FY 1993-94 with 690,145 visitors.

Therefore, large expenditures on marketing do not necessarily lead to increased attendance. Many other factors, including weather, new animal exhibits, public perception, and the quality of the visitor experience and the animal collection, also significantly impact attendance.

Market Penetration

To compare San Francisco Zoo's attendance and market penetration with that of other comparable zoos, the Budget Analyst updated an analysis completed as part of the above-cited 1996 Strategic Plan. Table 4.2.5 shows the annual attendance, metropolitan service area population, and market penetration rates for San Francisco Zoo and for seven comparable zoos, based on 1997 data from a 1998 AZA survey.

Table 4.2.5

**Annual Attendance, Metro Population & Penetration Rates
at San Francisco Zoo and Seven Comparable Zoos, 1997**

Zoo	Attendance	Metro Population	% Penetration
Toledo Zoo	802,648	470,000	170.8%
Sacramento Zoo	450,000	1,800,000	25.0%
Zoo Atlanta	688,000	3,000,000	22.9%
Philadelphia Zoo	1,100,000	5,400,000	20.4%
Oakland Zoo	350,000	3,000,000	11.7%
Marine World Africa (Vallejo)	1,100,000	10,000,000	11.0%
Los Angeles Zoo	1,342,000	14,000,000	9.6%
Median			20.4%
San Francisco Zoo	870,962	6,000,000	14.5%

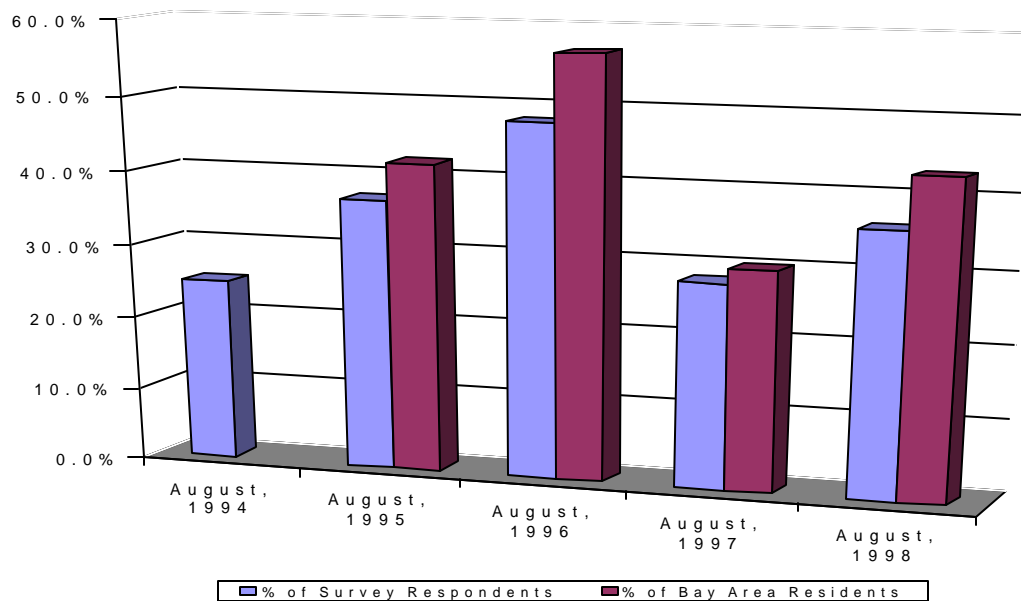
Table 4.2.5 shows that, even though San Francisco Zoo advertises more than most of the seven other zoos, San Francisco Zoo has penetrated only about 14.5 percent of its market, compared to a median of 20.4 percent for the seven other zoos. It is also interesting to note that the zoos that spend the highest percentage of their operating budgets on advertising (Marine World Africa, Los Angeles Zoo and Philadelphia Zoo) have among the lowest penetration rates. In addition, Toledo Zoo, which ranks fifth in terms of advertising expenditures, has the highest market penetration rate. These statistics further indicate that high advertising and marketing expenditures do not always lead to high market penetration.

Visitor Survey Results

The Marketing Department conducts visitor surveys twice per year (one in the spring and one in the summer) in order to collect data on visitor demographics, visitor experience, and many other variables. Some of the questions asked in the survey concern visitors' exposure to the Zoo's advertising. Exhibit 4.2.3 below shows the percentage of respondents and the percentage of Bay Area residents who had recently seen or heard advertising for the Zoo prior to their visit, based on the results from the surveys conducted in August of 1994 through 1998.

Exhibit 4.2.3

**% of Visitors Exposed to Zoo Advertising,
1994 - 1998**



As shown above, the percentage of respondents who had been exposed to Zoo advertising increased from 25 percent in August, 1994, to 48 percent in August, 1996, but then declined to 28 percent in August, 1997. In August, 1996, 57 percent of Bay Area residents had been exposed to Zoo advertising, but this percentage dropped to 30 percent in August, 1997 and increased to 43 percent in August, 1998. A review of the survey results also showed that television and newspapers seemed to be the most effective means of advertising the Zoo, followed by street banners and billboards.

Again, visitor awareness of the Zoo's advertising campaigns does not correlate well with marketing and advertising expenditures. Advertising and marketing expenditures dropped in FY 1996-97, but 1996 was the year with the highest

number of positive survey responses. Also, despite increased expenditures in FY 1997-98, the percentages exposed to Zoo advertising fell.

Furthermore, the visitor surveys are not necessarily a reliable indicator of how many visitors are exposed to Zoo advertising. When responding to these survey questions, visitors are not required to differentiate between paid advertising and free publicity. Thus, it is possible that many of the visitors who respond positively to having seen Zoo advertising may have in fact seen a feature story in the newspaper or on the news, which would have been free of cost to the Zoo. This is supported by the fact that the Zoo received a great deal of free publicity in August of 1996, the same month in which the highest percentage of visitors and Bay Area respondents had reported seeing or hearing Zoo advertising, concerning the white alligator exhibit and the alligator found in Mountain Lake Park. Moreover, the Zoo receives a substantial amount of free advertising each year (estimated at \$700,000 in FY 1998-99), so it cannot be determined whether the advertising that respondents may have seen was paid or free advertising. Therefore, even if a large percentage of survey respondents consistently claimed that they had seen Zoo advertising, this would not necessarily prove the effectiveness of paid advertising and would not warrant an increase in the Zoo's advertising budget.

Placing a Limit on Marketing Expenditures

The Zoo Society's significant increase in marketing expenditures over the past six years did not result in consistent and significant increases in annual attendance. Nonetheless, a marketing program is still a necessary part of improving the public's perception of the Zoo. A marketing program will be especially important over the next several years as the capital program gets underway, as the promotion of the Zoo's new and upgraded exhibits will be needed in order to attract visitors and help restore attendance to its former levels of over 1,000,000 annually. Moreover, it could be argued that marketing has a latent effect on its audience, i.e., providing consistent and repeated exposure to advertising and promotional campaigns over a long period of time may lead to more significant increases in attendance over the long term. Lastly, advertising in the form of billboards and regular print ads has more of a long-lasting effect than one-time television or newspaper stories, since this type of advertising results in consistent and repetitive exposure.

However, there are many factors other than advertising that affect attendance, such as weather, free publicity, past visitor experience, and overall public perception. Since increasing marketing expenditures is not a proven way of increasing attendance, it would be prudent to place a limit on how much of the Zoo Society's operating budget is allocated to marketing. The Budget Analyst recommends that the Zoo Society limit marketing expenditures to 5.0 percent of the Zoo Society's total operating budget.

The Zoo's FY 1998-99 annual budget for marketing of \$885,012 represented 6.5 percent of its operating budget of \$13,666,914. However, as reported by Zoo management, the \$885,012 figure includes funding for Graphics (\$40,000) and Professional Fees (\$72,200) that are not related to Marketing activities. Excluding those activities from the Marketing budget results in a Marketing budget of \$772,812. In order to reduce this percentage to 5.0 percent or approximately \$683,346, the Zoo Society would have to implement some cost-cutting measures. The Budget Analyst has the following suggestions:

- Certain functions performed by the three existing Marketing positions could be eliminated or transferred to other Zoo departments in order to allow the elimination of one of these three positions. In addition, certain extensive management reports completed by the Public Relations Director, such as the Annual Publicity Report, do not provide much value and should no longer be completed.
- The Zoo Society should consider conducting visitor surveys only once per year rather than twice per year. In addition, there may be other opportunities to consolidate and reduce printing and design costs, which are spread throughout several line items in the Marketing Department's budget.

Reducing marketing expenditures to 5.0 percent of the Zoo Society's annual operating budget would result in savings of approximately \$89,466 per year. As of the writing of this report, the Zoo Society had reported that its FY 1999-00 marketing budget represented 5.0 percent of the Zoo Society's total operating budget. Nonetheless, the cost reduction measures noted above should still be implemented.

Corporate Sponsorships

Another responsibility of the Marketing Department is to obtain corporate sponsorships for the Zoo. Corporate sponsors agree to provide funding for new exhibits, maps, membership newsletters, signs, and banners, in return for free exposure through the Zoo's sponsorship recognition programs. In FY 1997-98, the Zoo Society raised \$297,575 through corporate sponsorships. The Zoo Society's FY 1998-99 budget for sponsorship revenue is \$250,000. The Zoo Society has a sponsorship consultant, who receives up to 10 percent of sponsorship revenue for each new sponsor it attracts. The Zoo currently has 17 corporate sponsors, including well-known companies such as Ford Motor Company, Eastman Kodak Company, Mervyn's, Haagen-Dazs, Pepsi-Cola, and See's Candies. At the writing of this report, the Zoo Society reported that the corporate sponsorship program was being transferred to the Development Department.

The updated Strategic Financial Plan completed by Schultz & Williams in March, 1998 stated that “corporate sponsorships and marketing partnerships represent one of the single largest revenue opportunities that remain untapped by zoological institutions.” While this may be true, the Zoo should also be careful not to appear as if it is overly exploiting its resources or that it is attracting corporate sponsors whose images may not be consistent with the Zoo’s stated missions of habitat preservation, environmental education and conservation. This could lessen the visitor experience and worsen the Zoo’s public perception. As such, the Zoo Society should ensure that the corporate sponsorship program is consistent with its mission.

CONCLUSIONS

The Zoo Society spent over \$4.2 million on marketing over the past six years, and its marketing budget increased by 136 percent (27 percent annually) between FY 1993-94 and FY 1998-99.

During the same time period, attendance increased by only 19 percent (3.8 percent annually). In addition, in two years when marketing expenditures increased, attendance decreased, and in another year when marketing expenditures declined, attendance increased.

Moreover, in the late 1980s, when the Zoo did not have a marketing budget, there were some years in which attendance exceeded 1,000,000 visitors versus actual FY 1998-99 attendance of 842,958 visitors.

Since large marketing expenditures do not necessarily result in increased attendance, the Zoo Society should limit its marketing budget to 5.0 percent of annual operating expenses. This would save over \$89,466 annually. In addition, the Zoo Society should ensure that its corporate sponsorship program is consistent with its mission.

RECOMMENDATIONS

The Zoological Society should:

- 4.2.1 Limit marketing expenditures to no more than 5.0 percent of its annual operating budget.
- 4.2.2 Implement cost-cutting measures in its Marketing Department in accordance with the guidelines in this report.
- 4.2.3 Ensure that the corporate sponsorship program is consistent with the Zoo Society's mission.

COSTS/BENEFITS

Establishing a 5.0 percent limit on marketing expenditures would enable the Zoo Society to reduce expenditures by approximately \$89,466. It cannot be determined how a reduction in marketing expenditures would affect annual attendance, given that there does not appear to be a correlation between marketing expenditures and attendance. Nonetheless, if the Zoo Society focuses its efforts more on obtaining free advertising and publicity, as recommended in this report, there could be a minimal or even a positive effect on attendance.