

March 18, 2014

Ladies and Gentlemen:

As you recall I had my first meeting with several Hilton Head Island-Bluffton Chamber of Commerce (HHIBCC) board members on December 5, 2013 where I was accompanied by David Mudwilder and Mike McDonnell. At that meeting I gave a PowerPoint presentation describing how the HHIBCC competes against and harms local media companies. Additionally I provided historical performance statistics relating to tourism, HHIBCC spending, salary benchmarking to other cities, and performance benchmark comparisons to Savannah, Charleston and Myrtle Beach. You should have all received this presentation in a previous email from me. If you did not receive it please contact me and I will email it to you.

The performance statistics were accurate to the best of my knowledge and did not show the HHIBCCs performance to be very good. Some HHIBCC attendees took issue with some of my numbers although they did not respond to my multiple requests to provide me with any numbers that refuted those contained in the presentation. At that first meeting we made seven (7) requests to the HHIBCC representatives and they are as follows:

1. **The Chamber to stop competing with its members (currently media companies)**
2. **The Chamber to be more transparent in its dealings.**
3. **Separation of the Chamber and the CVB.**
4. **The CVB to be more accountable for the public monies it receives. (would occur naturally with separation of Chamber/CVB operations)**
5. **The Chamber board of directors to be more industry diverse and be elected rather than appointed.**
6. **Annual reporting showing results of expenditures and comparisons to metrics of CVBs in at least three other local markets. (e.g. increase/decrease in tourism, marketing costs per visitor, salary and wages cost per visitor, etc.)**
7. **Use local companies for the services the Chamber/CVB purchases**

At the conclusion of the December 5<sup>th</sup> meeting, HHIBCC representatives agreed to present those requests to the full board of directors on their January 31, 2014 meeting. They did so and agreed to a follow up meeting with me which was held today. While my expectations were set very low for today's meeting, I was still disappointed with their response.

Mr. Tom Upshaw HHIBCC Chairman opened the meeting with the following statement (not a verbatim quote but very close paraphrasing):

*We have discussed your requests with the entire board on several different occasions and we feel that we (HHIBCC) are doing a very good job and we don't see any reason to change what we are doing.*

My response was the board's position was in opposition to the feelings of some 25 or more media companies that are being harmed by the HHIBCCs unfair competition (subsidies, non-profit status).

Mr. Upshaw then responded:

*We don't see that we are competing unfairly. We have spoken to several media companies and those media companies have told me that the HHIBCC is not negatively affecting their businesses.*

Additional remarks from Bill Miles (Executive Director), David Tigges (Past Chairman) and Jay Wiendl (Sonesta Resort) echoed Mr. Upshaw's comments.

Paraphrasing their collective remarks:

Non-profit organizations are allowed to generate revenues. Other non-profit organizations are involved in similar revenue producing ventures. The advertising revenues produced by the HHIBCC are for the "common good" of the community to attract tourism to the area which then brings more economic growth to the area which in the end benefits all businesses including media companies. Furthermore they claimed that the HHIBCC "must generate these advertising revenues" because state matching funds were only to be received for each dollar that the HHIBCC produced on its own. Mr. Tigges even went so far to say that it was his duty as a board member to develop these advertising (and other) revenues. If HHIBCC did not do it then matching dollars would go to Greenville and Myrtle Beach, etc.

I responded that the Chamber of Commerce is different from other non-profits in that members of Chambers of Commerce have a perception that the Chamber is a "safe-harbor" and a belief that the Chamber is predicated upon a charter to "support" local business and to "assist" these local businesses to become successful. Member businesses have no expectation that the Chamber would find it necessary to compete against its own members. I then posed the following question. "So you are saying that because you think it is for the "common good" it is OK to compete against media companies. Because you need a source of funds to obtain matching funds from the State of South Carolina, it is OK to compete against media companies?"

Their response to this was yes. I told them that just because more money is available did not mean that additional tourism was a "given". I told them that my PowerPoint presentation was loaded with historical statistics that showed that was not the case. Tourism has been stuck between 2 million and 2.5 million visitors per year for nearly 17 years even though available funds and spending of those funds has grown enormously during this period. I suggested that there were other ways for the HHIBCC to raise funds and gave them several suggestions.

Regarding the separation of the Chamber and CVB functions they responded that it was best to have both entities combined for economies of scale.

Regarding bench mark reporting against metrics of performance with Savannah, Myrtle Beach and Charleston they said there could be no comparisons drawn particularly in the case of Myrtle Beach as it was such a large destination with an incredibly large budget.

I told them I disagreed with that assessment because the increase of tourism in any of these markets should provide the expectation that Hilton Head Island should also see an increase in tourism. While nominal growth would be different in each market, percentage growth should be comparable.

I asked the group, "if things are going so great and your members are so happy with the HHIBCC then why has membership dropped so precipitously during the past several years?" They responded that the cause of the membership decline was due to the poor state of the economy in general. I then suggested that it was likely due to other reasons because the newly formed Bluffton Chamber has attained membership of over 400 businesses during the same timeframe that the HHIBC has fallen. Wouldn't both Chambers be similarly affected by the same effects of a poor economy?

It was disappointing (but expected) to find that the HHIBCC is so intransigent on its positions. They think everything they are doing is just fine and they are unaware of any material discontent among local media. If you are happy with the way things are and you believe it is OK for the HHIBCC to compete for advertising dollars in this market then please let me know. If you are not happy then you need to let Tom Upshaw, David Tigges and Bill Miles know.

I would be happy to meet in a group scenario to provide additional information about the exchanges at today's meeting. I think a meeting is in order for those media companies that feel the HHIBCC is unfairly competing with them. You need to get more involved in the process or just get used to the Chamber competing with your business. Personally, I believe that media is just the first step. How far of a leap is it to suggest that if "it is in the interest of the common good" to compete with media companies, then wouldn't the Chamber find it attractive to invade other industry segments to increase their base funds for matching dollars? I think rental management and real estate would be great opportunities for them.

It is time to let your voice be heard in this discussion.

Respectfully,  
Peter "B"  
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