



DATE: February 6, 2017

TO: Council Economic Development Committee

FROM: Economic Development Manager

SUBJECT: 2016 Passport to Downtown Update

RECOMMENDATION

That the Committee reviews this report and provides feedback to staff.

BACKGROUND

The initial “Shop Hayward” program, created in 2009 to drive retail purchases in Hayward, focused on City-wide shopping. Shoppers who provided proof of spending \$100 received movie tickets purchased by the City and goody bags filled with donated merchandise including stuffed toy animals, books, cookies and candy. In 2014, the proof of purchase increased to \$150. Significant staff resources were required to solicit and collect donations and assemble giveaway bags. With the exception of providing discount coupons, vouchers and gift cards, local businesses had minimal involvement. The majority of proof of purchase receipts were from big box retailers, with shopper’s providing receipts for items they would have purchased regardless of the Shop Hayward program. This defeated the original purpose of the program, which was to drive increased purchases at smaller and local retailers, particularly in the Downtown.

DISCUSSION

In 2015, the program was reinvented to better engage our local businesses and create a shopping experience that rewarded repeat customers. The program design changed to better guide shoppers to the local small business community. While the launch of the new program focused on downtown, its formulation allows for replication in all City commercial corridors. The City partnered with our local United Merchants Downtown Association and they engaged the businesses participating in the program.

With the program format change, key initiatives were accomplished. The Shop Hayward program had limited merchant participation, as staff collected discount coupons, vouchers and gift cards from merchants and distributed them through giveaway bags. The new Passport to Downtown program engaged local merchants who took the lead on establishing business participants and assigning block captains for passport collection. ED staff initially planned the program to align with Small Business Saturday, a shopping day which emphasizes community and support of local businesses. Through merchant leadership a decision was

made to expand the program to include Black Friday, a day regarded as the first day of traditional Christmas shopping. Both are nationally recognized shopping movements. Staff time formerly utilized for soliciting donations and assembling goody bags was eliminated. Staff efforts could then be focused on advertising and marketing the incentive program and business engagement.

The transition from Shop Hayward to Passport to Downtown was successfully accomplished. The City no longer solely managed the shopping program. Engagement of the merchants was achieved. The next step was to increase merchant involvement, ideally building a program managed by merchants versus City staff.

In 2016, ED staff met with the representative of United Merchants Downtown Hayward to review the 2015 program and share the vision for a merchant led program. Following the meeting, merchants announced their willingness to control implementation of the shopping program but requested City staff support with advertising. The merchants made further modifications resulting in several advances. Distribution and collection of passports occurred at all participating locations and gift certificates from participating businesses were donated as prizes.

Merchants report that future plans will include expanding the program to other shopping occasions, such as Back to School, Spring Break, Mother's and Father's Day. Staff anticipates more merchants will take a leadership role and more businesses will participate in this marketing opportunity. Under the previous Shop Hayward program, receipts from service-based businesses were denied. Passport to Downtown was developed to encourage shopping small. To meet this goal, in 2015 the program was expanded to allow for receipts from service-based businesses such as real estate, personal care salons and farmers market vendors.

FISCAL AND ECONOMIC IMPACT

The new improved shopping program enabled the City to achieve reduced program costs while increasing business participation and creating a new shopping experience. The Economic Development staff initiated these business activity modifications resulting in greater program success. Parties most likely to be positively impacted by the program increased. The business led program was stronger with marketing and advertising support from City staff.

In 2014, the "Shop Hayward" program cost the City \$6,378 with roughly fifty percent of the cost attributed to the purchase of movie tickets at \$3,200. In 2015, the inaugural year of "Passport to Downtown," the cost was reduced to \$4,806, a 25% decrease. The decrease in movie tickets purchased and reduction in staff time influenced the cost reduction. In 2016, the cost was further reduced to \$2,028, resulting in 68% total cost savings. The City contributed support through advertising in four newspapers. The purchase of movie tickets, prizes, and tote bags was eliminated.

The program has evolved into a merchant-led program with only minimal City support. The merchants reported that 500 passports were distributed and used. Of the 500 distributed, 102 were completed and entered for drawings. Each completed passport required a \$100 spend in downtown, equaling \$10,200 spent by participating shoppers. Merchants also reported that many of the shoppers spent in excess of the \$100 minimum.

NEXT STEPS

The program should continue to be merchant led with expansion to other business zones, shopping occasions and the farmers market. Merchants report the length of program will be expanded. The program is moving more toward a supported grass roots movement with businesses taking the lead and recognizing the benefits from the program.

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