

Summary of Recommendations, North Carolina Oyster Trail and Oyster Festival

UNC Kenan-Flagler Business School and NC Policy Collaboratory

May 17, 2018

PRIMARY GOAL

The UNC Kenan-Flagler team was asked to provide recommendations for the North Carolina Oyster Trail and Oyster Festival in the larger context of seeking economic development opportunities for less-economically-developed coastal communities. The team's primary goal is to boost the economies of Tier 1 and Tier 2 coastal counties and other rural coastal areas.

APPROACH

Economic impact will be driven in two ways:

1. Through increases in the unit price of North Carolina Oysters and in the number of oysters sold
2. Through increases in direct tourism spending

The long-term growth of the North Carolina oyster industry is dependent on exporting oysters in large quantities and gaining market share from established incumbent producers in Virginia and other states/provinces. This is the channel that will yield the largest economic impact.

The team's recommendations outline plans to create and develop:

1. The North Carolina Oysters brand
2. The North Carolina Oyster Trail
3. The managing entity that will oversee the brand and Trail

The team does not recommend creating a North Carolina Oyster Festival because creating a festival or endorsing an existing festival as "The North Carolina Oyster Festival" would force several other existing community festivals (that already serve a similar purpose) to compete.

1. NORTH CAROLINA OYSTERS BRAND

The team's recommendations are centered around building a nationally-recognized brand for North Carolina Oysters. Differentiating North Carolina Oysters through branding will lead consumers to choose North Carolina Oysters over other oysters and to pay more for North Carolina oysters. Increasing the number of units sold and the price paid per unit adds value to North Carolina Oysters.

Napa Valley model

North Carolina's oyster branding efforts should emulate the successful model established by Napa Valley Wine. Imagery is an important component of the Napa Valley Wine brand. Establishing imagery for North Carolina Oysters will be important for establishing this new brand. The North Carolina Oysters brand should leverage recognized imagery of North Carolina, including beaches and lighthouses.

Development of brand imagery

An important factor in establishing imagery and tying it to North Carolina Oysters will be the North Carolina Oyster Trail. The Oyster Trail will focus on reaching residents and visitors in places they already live and travel. It will pull these residents and visitors toward oyster-related businesses and activities that are convenient for them to access and related to their interests. It will also focus on increasing economic activity through increased direct tourism spending—particularly spending on oysters.

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2. NORTH CAROLINA OYSTER TRAIL

Site mix

The North Carolina Oyster Trail should include a variety of site types, including restaurants, museums, aquariums, and natural areas. Participating sites will help educate visitors and act as North Carolina Oyster brand evangelists. The Trail will, in turn, provide these businesses and organizations with value-adding benefits—primarily in the form of marketing.

Regional hub-and-spoke model

The Oyster Trail will be divided into regions. Each region will be approximately 90 minutes of travel time in diameter and contain between 10 and 30 different sites (spokes). Each region will be anchored by a single highly-committed site called a hub. A hub should be a non-profit organization, in order to ensure fairness and neutrality, and will act as the concierge to visitors for the entire region. Hubs will dedicate space and labor to educating visitors about oysters and helping them plan their trips. Hubs will also act as liaisons between their regions' sites (spokes) and the statewide Oyster Trail administrators.

Regional expansion to inland areas

Regions should be located both on the coast as well as in inland areas. Regions should be launched gradually, starting with one or two coastal regions, then by adding a third coastal region and expanding inland. Inland regions will be composed primarily of food and beverage establishments. Inland regions will allow inland visitors and inland residents to participate in the Oyster Trail and learn about oysters without traveling to the coast. Inland sites will also encourage people to travel to the coast to learn and see more. The economic benefits of the Oyster Trail will be focused on coastal communities, but will be shared with inland communities as well.

3. MANAGING ENTITY

Full time employee

The North Carolina Oyster Trail should be led by a single statewide office and should employ **at least one full-time employee** with significant marketing and project management expertise. Hiring this employee is a high priority step in getting the Oyster Trail up and running.

Home agency

The Department of Natural and Cultural Resources is in many ways an ideal choice to house the Oyster Trail office. However, additional funding for the administration of the Oyster Trail must be provided.

Collaborating organizations

The North Carolina Oyster Trail should be administered in close strategic collaboration with several other organizations, stakeholders, and state agencies. These may include the Department of Commerce, the Department of Agriculture, the Economic Development Partnership of North Carolina, the North Carolina Shellfish Growers Association, the North Carolina Coastal Federation, and North Carolina Sea Grant.

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Funding

There is a wide range of possible activity and funding intensity. Due to uncertainty in how quickly oyster production will grow and how effective the Oyster Trail will be in driving oyster sales and tourism early on, starting with a conservative investment is recommended. The minimum effective budget for the early years of the Oyster Trail is about **\$200,000 per year**. However, after no fewer than five years, the Oyster Trail may be able to become self-sustaining.

As much as **\$1.5 million** could be spent effectively, but not until later in the Oyster Trail's lifecycle. Investing too much too early may result in inefficient use of those funds without having tested which investments drive the most value. It may also result in overstimulating demand for North Carolina Oysters well beyond what current production levels can support. This could be very damaging to the long-term prospects of the North Carolina Oyster Trail and the North Carolina Oysters brand.

IMPACT

Demand driven, in part, by the North Carolina Oyster Trail and supported by steady production growth may yield **more than \$500 million** in economic impact to North Carolina by Year 10.

This value can be broken into three components:

1. Farm gate value of oysters—**\$145 million**
2. Induced/indirect spending—**\$218 million**
3. Added value of oyster sales in North Carolina restaurants—**\$170 million**

However, this 10-year impact cannot be achieved until measures to ensure long-term growth in North Carolina oyster cultivation are in place. These values are based on a diminished version of the farm gate value growth rate observed in Virginia between 2005 and 2014. Prior to 2005, Virginia was still in the process of implementing measures to grow its oyster cultivation industry. North Carolina will likely not be poised for similar growth until after 2019.