

Central Coast of California

Hospitality Consulting Services



Last November, Bill Watson, the executive director of the UCSB Economic Forecast Project spoke in San Luis Obispo, presenting an economic evaluation for SLO County in 2008. His outlook was predominately lackluster, with the exception of two of the County's three leading business sectors . . . agriculture and tourism . . . for which he expressed optimism.

My response at the time was: given the county's increased hotel room inventory projected for 2008, without an increase in demand nor extra funds to promote our area, we would begin the year with a suspect formula for success.

By May 2008, most of the area's hotel owners and operators expressed concerns regarding whether summer 2008 would in fact be strong. Even in tough times, every hotel experiences periods of high demand, and in SLO County, the summer is it! Therefore intense Revenue Management is essential during this critical period.

The most recent complete data we have for how County Tourism is faring is through June 2008. In brief; Countywide (STR report), the Average Daily Rate is flat at best, occupancy down almost 5%; never a good scenario for long term success. The key as always is to generate new demand.

Lowering hotel rates alone does not generate increased demand over time. This is a myth, and has never been true.

Summer 2007 was a great time for most county hotel properties. Hard to beat under the best of conditions, but with year to year gas prices soaring, and the economy stagnating, what could the future hold?

Would the government's Economic Stimulus Package be used for hotel weekend getaways? Or, would travelers instead choose the "Staycation", a period of time in which an individual or family stays and relaxes at home and/or takes day trips from home to area attractions such as visits to [parks](#) and [museums](#), and attendance at local [festivals](#). "Staycations" have achieved high popularity in hard economic times in which [unemployment](#) levels and [gas prices](#) rise simultaneously.

Now at the mid-summer 2008 juncture, the tourism news around the world is distressing.

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Enter the creative and aggressive hotel marketer!

For example, due to lessening of the usual American tourist influx, one 41 hotel European chain, covering all of Continental Europe, has instituted a “Stay in Europe, Pay in Dollars” promotion. This chain will now accept dollars in a one to one exchange basis with the Euro, which is currently worth well over \$1.50. Therefore, this chain is effectively offering an immediate full one third off the room rate for a limited time.

Around the US, many of the major chains such as Starwood and Marriott International saw sluggish domestic revenue growth during the second quarter of 2008, accompanied by an actual drop in profit. Both companies have put significant extra incentives in play to add value for stays at their hotels. The most popular one is the Gas Card, providing travelers with \$25 to \$50 in free gas for a two night stay.

Here at home, it is not as easy to immediately discern current hotel performance. Occupancy and Average Daily Rate data are understandably kept close to the vest by the hotel owners and operators. Only 56% of the hotels participate in either Smith Travel Research or PKF hotel data analysis.

For those owners and operators who did go on record to describe their summer to date, the comments have been mixed.

However, in a simple research check with reservations departments, plus online travel sites, the information gained is telling.

In North Coastal County, some softness of summer occupancy can certainly be attributed to the environment rather than economy. Highway 1 was closed for a significant period of time due to the Big Sur fires. This condition had an adverse impact on occupancies.

In North County, where most of the new hotel supply has occurred, some are offering deep weekday discounts and lesser but significant weekend discounts. The San Luis Obispo Tribune reported that not all Paso Robles hotels sold out even during the Wine Festival. However, these hotels do report thriving Mid-State Fair business.

In South County, it seems that summer hotel booking policy is still business as usual. A sampling indicates that the reservation departments are not offering any unusual incentives for booking nor are any unique discounts mentioned.

Most hotels in the county have a presence on the third party web sites, hotel.com, Travelocity or Expedia, where lower rates and incentives are offered . . . including the ever popular Gas Card.

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Good revenue management can be the solution to weathering the tough economic storms:

First, continue to manipulate the rate structure, not simply lower rates. Be sure that reservation staffs are well trained in offering room type options or asking for flexibility in travel days to ensure the best rate for the traveler.

Second, since with few exceptions, the traveler to SLO County selects the destination first . . . the hotel second, use third party travel sites even more effectively by creating numerous value added packages encompassing the entire breadth of the County's geography and activities.

Third, since a significant amount of business is booked through the Internet, hotels should be sure that their web sites are constantly updated, that all functions properly operate on both their own sites plus all sites to which they link.

Fourth, constantly evaluate the competition. During tough times, the playing field is always changing. To increase its market share, each tier of hotels should be seeking ways to attract the guests of hotels both above and below its established segment.

Diligence and creativity are the keys to a profitable season!

Myraline Morris Whitaker

Principal

805.284.1337 Office

Myraline@CCCHotels.com

805.284.1337 Office

Myraline@CCCHotels.com

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