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# San Luis Obispo County

## Tourism Industry Analysis 2008

### Executive Summary

Prepared By:



Commissioned By:



# Executive Summary

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Without doubt, San Luis Obispo County (SLOC) has all the necessary elements to be a more competitive player within the California tourism market. The area has natural attractions, history, culture, and numerous elements that make it a unique destination. With the information and recommendations found in this report, local private and public sector leaders can bring about necessary changes to make the region even more competitive.

## Economic Analysis

- **Travel spending has increased in SLOC.**
  - Travel spending in 2007 equaled \$1.121 billion, a 3.4% increase from 2006.
  - Since the economic slowdown in 2001-2002, travel spending has increased by an average of 3.8% annually.
  - Although increased gasoline prices and room rates account for a substantial share of this increase, travel-generated earnings and employment also grew.

- **Travel Impacts within SLOC.** Analysis revealed the travel impact by sub-county areas:

<i>South Inland</i> , including the City of San Luis Obispo:	\$254 Million
<i>The North Coast</i> , including Cambria and San Simeon:	\$151 Million
<i>South Coast</i> , including Pismo Beach and Arroyo Grande:	\$359 Million
<i>Mid Coast</i> , including Morro Bay and Cayucos:	\$160 Million
<i>North Inland</i> , including Paso Robles and Atascadero:	\$195 Million

- Between 2001 and 2007 travel spending:
  - Increased in the North Coast and North Inland areas by 7.6% and 11%, respectively
  - Decreased in the Mid Coast area by 9%, in the South Inland by 3.5%, and in the South Coast by 3.5%.

## Lodging Analysis

- **Branded vs. Unbranded Lodging**

About 32% of the lodging inventory in SLOC is branded chain, compared with 41% in Santa Barbara County and 50% in Monterey County.

- The significantly smaller share in SLOC is important because branded chains typically have distribution systems that allow access to a broader customer base.

- **Room Mix**

Both Monterey and Santa Barbara Counties have a significantly higher percentage of rooms in the properties with 100 or more units, suggesting a higher resort-type lodging inventory.

- These properties typically conduct significant sales efforts to generate lodging occupancy.
- By lacking this resource, SLOC faces a greater challenge to generating occupancy.

- **Fair Share and Occupancy**

Among San Luis Obispo, Monterey and Santa Barbara Counties, San Luis Obispo has 32% of the rooms, yet only 24% of the room revenue.

- San Luis Obispo underperforms both Monterey and Santa Barbara Counties in occupancy, average daily revenue, and revenue per available room.

## Tourism Promotion

- Six established tourism promotion organizations exist in SLOC.

- Organizations may be geographically-based, such as the Pismo Beach Conference and Visitors Bureau, or functionally-based, such as the area vintner associations.
- The combined budget for these organizations is approximately \$2.1M.

### Competition

- SLOC's two most direct competitors are Monterey and Santa Barbara Counties.
  - From 1992 to 2005, travel spending in SLOC averaged 3.8% annual growth, below the state average (4.2%), and below both Santa Barbara (4.2%) and Monterey (4%).
  - Since 1992, SLOC could have accumulated an additional \$500 million in travel spending if it had grown at the state average (4.2%) instead of 3.8%.

### ✓ Business Improvement Districts<sup>1</sup> (BID's) and the Changing Competitive Environment

- Tourism promotion within SLOC is concentrated within five different agencies each with their own budget and promotional programs.
- The combined spending impact of those agencies is approximately \$2.1 million.
- Based on these funds the average spent per available room is approximately \$211.
- In contrast Santa Barbara spends approximately \$287 per available room (Santa Barbara is in the process of developing a BID that generates an additional \$2million) and Monterey spends approximately \$456 per available room.
- The need for additional Funding via BID's is important for San Luis Obispo to keep pace with our direct competitors.

### ✓ Meeting Facilities

- Although SLOC would benefit from increased conference supply, it is difficult to achieve a focused conference supply that would benefit all the room supply across the county. Further consideration of new conference supply development will require a very focused study of supply and demand.
- Two options exist for developing a regional conference facility: a free-standing, city-owned facility, or a destination resort-based facility.
  - Although both present significant challenges, the latter would likely offer the better option and may deserve further study.

### Key Issues

After thorough review and analysis, SMG has identified a number of key issues that must be considered and addressed to maximize tourism within the county. SMG has identified four, core areas of concern:

- ✓ The economic environment
  - ✓ The competitive environment
  - ✓ Infrastructure issues
  - ✓ Tourism promotion
- Infrastructure issues are controllable and must be aggressively handled.
  - The single most important area of concern may be tourism promotion, which has created significant intra-county competition.
    - This report identifies specific steps to improve overall tourism promotion efforts by: (1) uniting the county; and (2) focusing competitive efforts on areas outside the county.

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<sup>1</sup> Business Improvement Districts are formed by the lodging industry to self-assessed and generate funds for tourism promotion.

**Recommendations:**

To improve competitiveness, the Strategic Marketing Group recommends the following actions:

**Recommendation 1: SLOC Airport**

As a proactive measure to SLOC's reduction in air service, SMG supports the recent formation of an airport taskforce comprised of key county stakeholders from both the public and private sectors. The purpose of this organization is to aid airport management in maintaining and increasing air service into SLOC.

**Recommendation 2: Resort Brand Lodging Attraction**

Attracting a major brand lodging property similar to those in competitive destinations, would help establish the region in a class similar to its major competitors.

SMG recommends using a coordinated approach with the Economic Vitality Corporation of SLOC and other city economic development representatives to attract a major brand resort property.

**Recommendation 3: Focus on Growing Revenue**

Developing a cohesive mindset focused on growing travel spending for the entire county is a crucial step for the county's tourism industry. As the county grows, so will each of its regions.

**Recommendation 4: Tourism Promotion**

The issue of tourism promotion within SLOC is vital. An enormous need exists for an integrated and consistent tourism promotion effort throughout the county.

It is critical that the issues related to tourism promotion be resolved. SMG recommends:

- Improved tourism promotion agency relationships;
- Support for a newly-revitalized county tourism promotion agency that supports core programs for the whole county as well as sub-regions within the county;
- Programs like brand building, website and internet strategies, public relations, airline attraction and research, must be investigated further.
- A detailed approach as to how the different tourism agencies can more effectively work together.

**Recommendation 5: Conference Center Follow-up**

- An opportunity to develop a conference center within the county may exist. Both the City of San Luis Obispo and Paso Robles are potential priority locations, given the lodging mix.
- Convention centers are often difficult to operate profitably, even when co-located with a hotel. Accordingly, SMG recommends completing a detailed market study and project feasibility study to understand the likely potential demand for a convention center.

**Recommendation 6: Meeting with County Planners**

- Given the rapid growth of rural tourism, local tourism officials should meet with appropriate county planning personnel to develop a common vision for tourism development in rural areas.
- The county must develop an approach that leverages the high demand for the major cities with that of the rural areas. It is critical to plan for the rural areas so tourism development does not occur in a haphazard, and unfocused way.