

San Luis Obispo County Tourism Industry Analysis

by



September 24, 2008

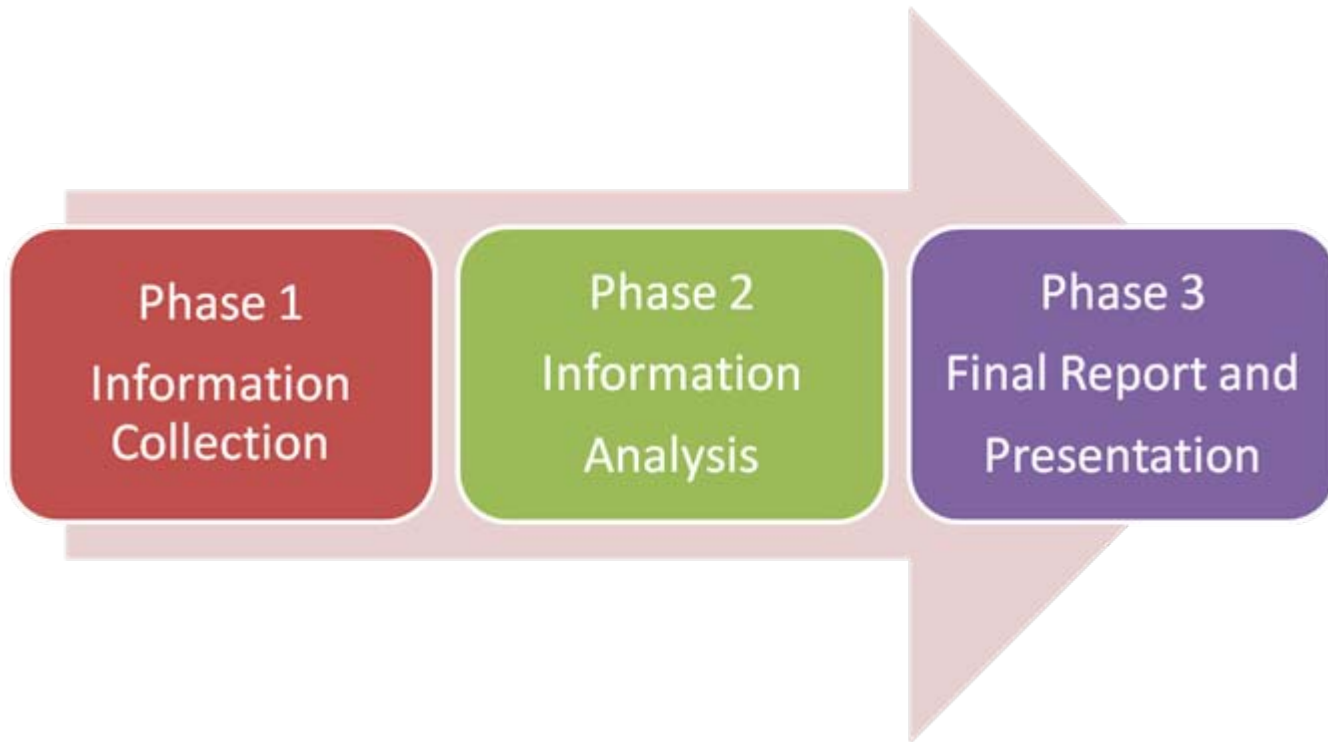
Study Commissioned by
Economic Vitality Corporation
www.sloevc.org



Project Objectives

- Provide an assessment of economic impacts of tourism in the county that includes an appropriate economic multiplier analysis, census of jobs created and tax revenue created
- Provide a number of tourism assets by category
- Numbers and demographic characteristics of visitors
- Conduct a systematic assessment of San Luis Obispo County's Strengths, Weaknesses, Opportunities and Threats (SWOT) including underserved segments, ancillary businesses, tourism promotions and infrastructure that presents the greatest economic benefits
- Identify key emerging trends and how they relate to the County's tourism Strengths, Weaknesses, Opportunities and Threats and how marketing efforts should respond to those threats. Review SLOC demand generators vs. other Central Coast regions
- Best practices regarding assessment and use of transient occupancy tax (T.O.T.)
- The feasibility and potential benefits of a regional conference center
- The impact of BIDs on tourism in comparable destinations
- **Development of strategic recommendations to improve SLOC competitive position**

Project Scope



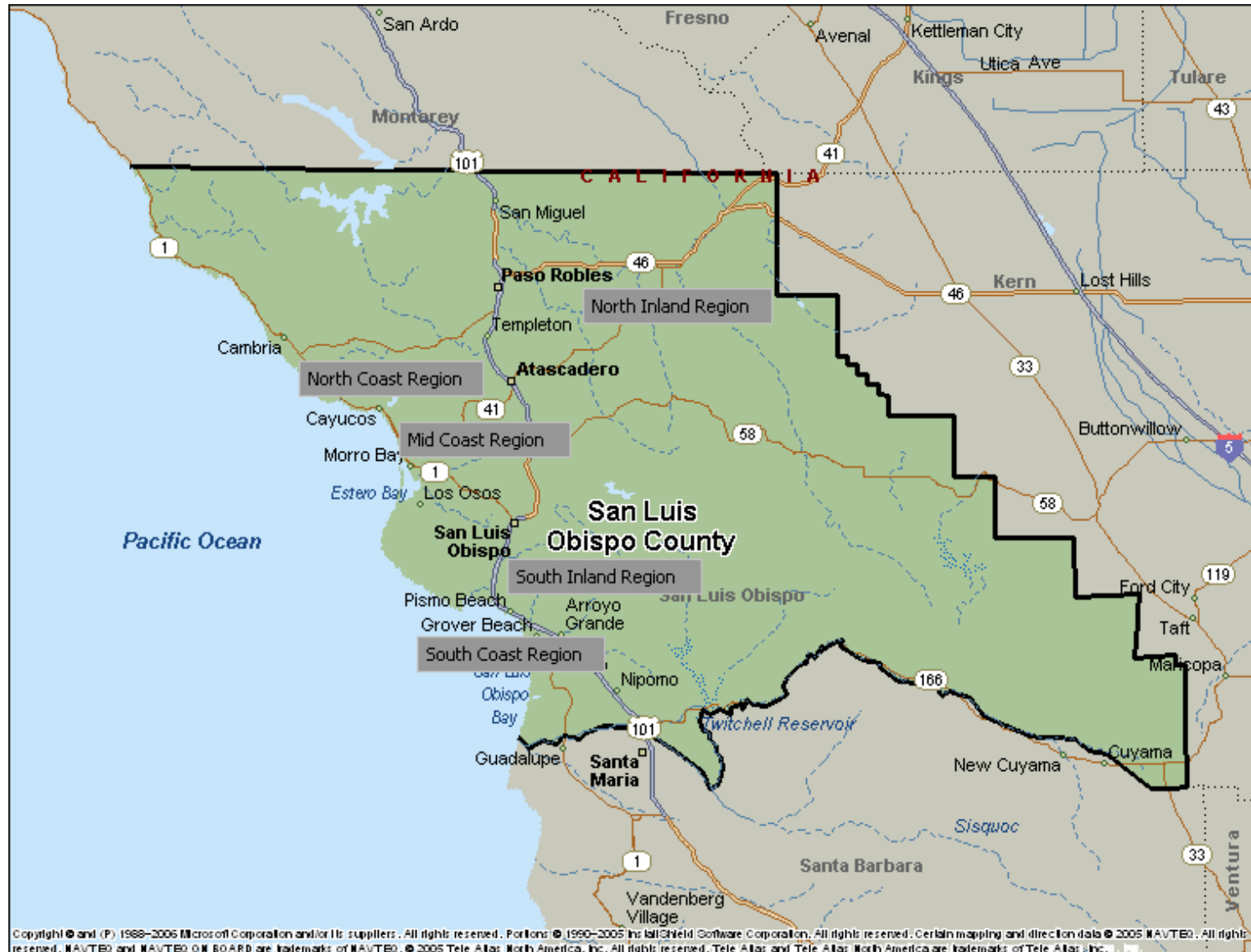
Economic Analysis

Overall Travel Spending

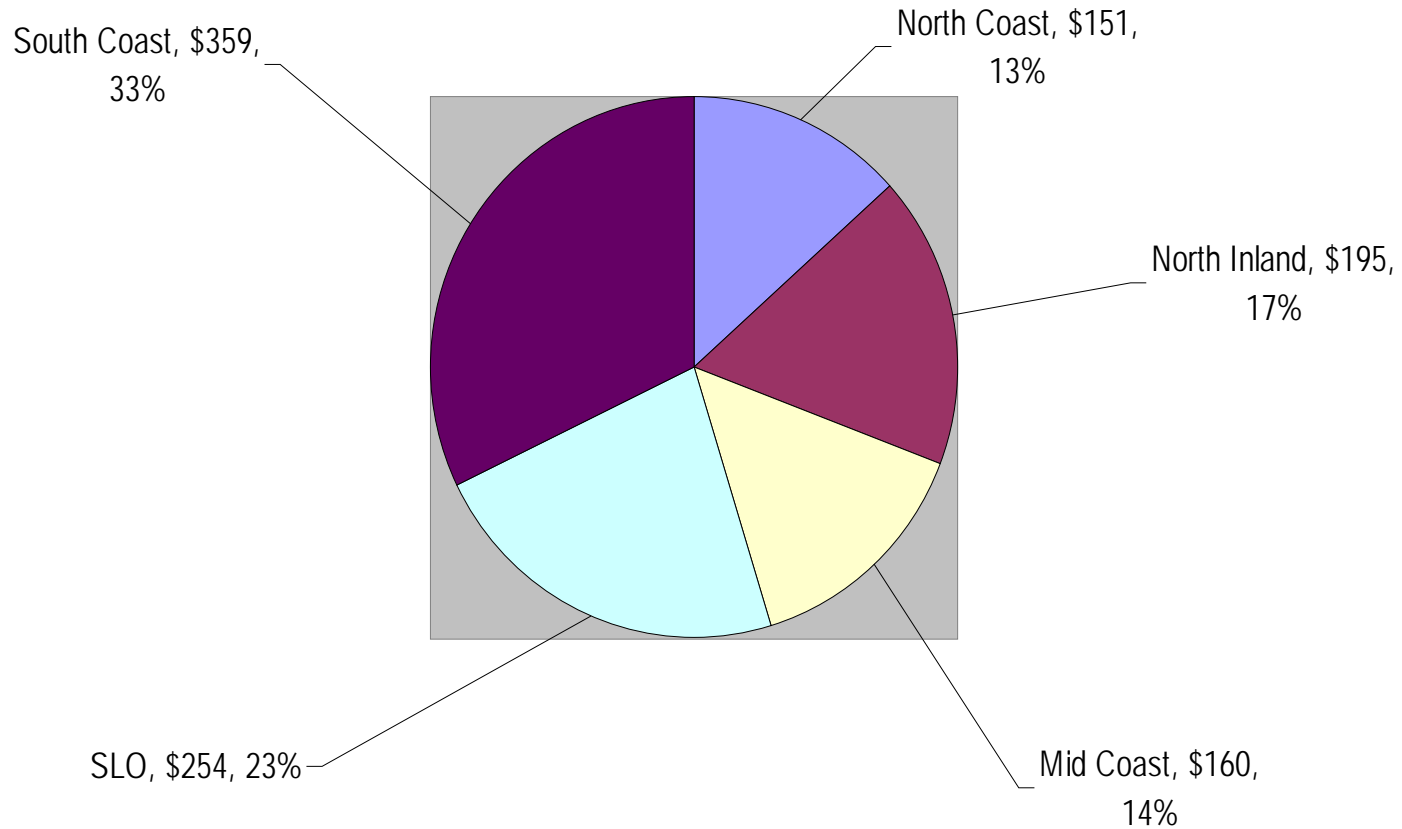
Travel Spending in San Luis Obispo County in 2007 was \$1.121 billion.

	Spending	Earnings	Employment	Tax Receipts (\$ Million)	
	(\$ Million)	(\$ Million)	(Jobs)	Local	State
2001	896.7	299.3	16,639	21.0	34.2
2002	902.3	308.8	16,253	21.5	35.3
2003	926.4	322.0	16,342	21.3	36.3
2004	970.0	333.8	16,218	21.3	38.2
2005	1,025.3	346.2	16,458	22.3	40.3
2006	1,084.5	369.1	16,612	24.3	42.0
2007p	1,121.2	383.3	16,824	25.5	43.1
<i>Annual Percentage Change</i>					
06-07p	3.4	3.8	1.3	4.9	2.6
01-07p	3.8	4.2	0.2	3.3	4.0

Regional Travel Spending Impacts



Regional Travel Impacts



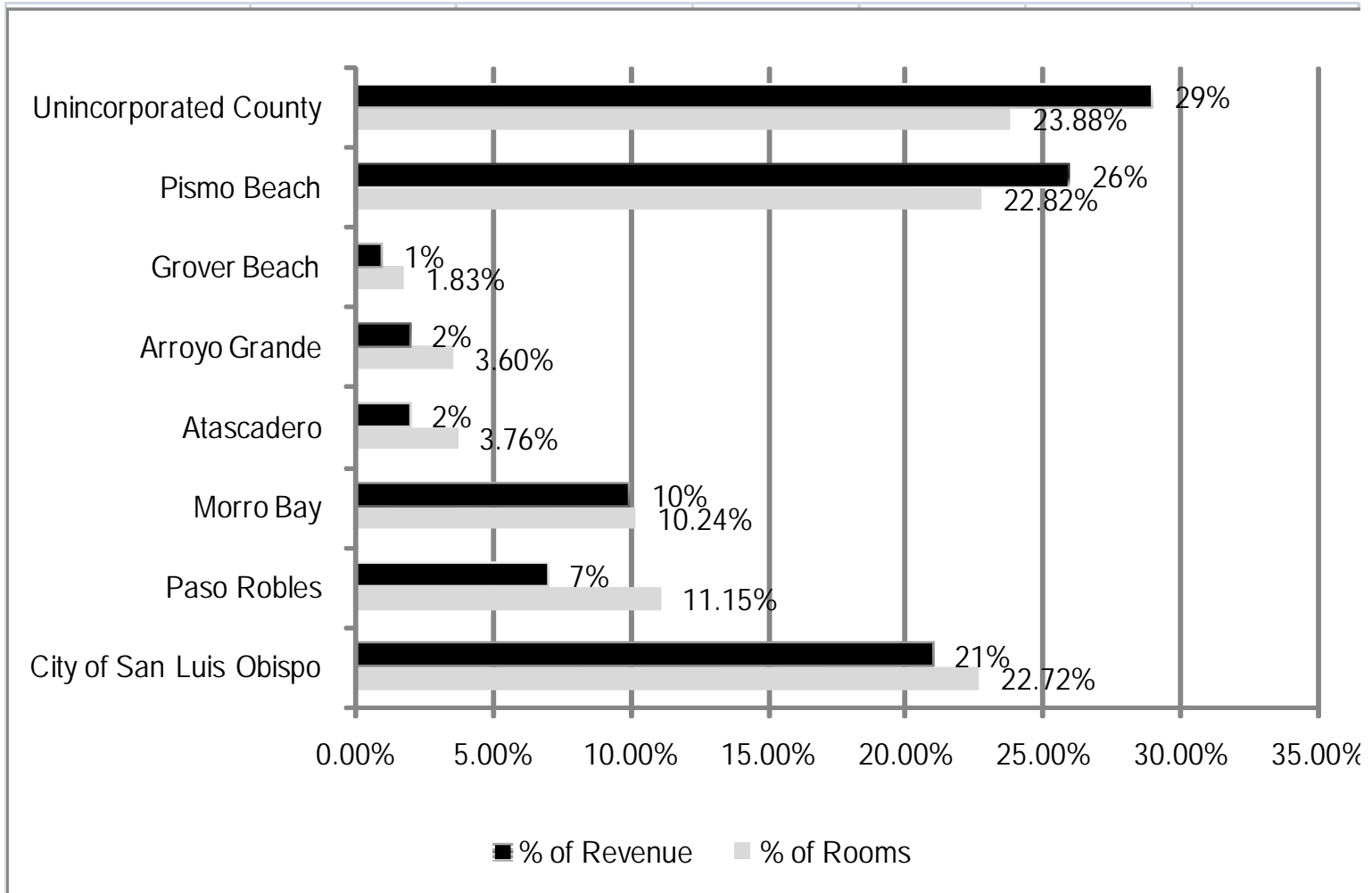
Travel Spending 2001-2007

	2001 \$m	2007p \$m	6 year growth rate	2001 Rev Share	2007p Rev Share	Share Change
North Coast	\$112.5	\$150.6	33.87%	12.55%	13.43%	7.06%
North Inland	\$141.0	\$195.7	38.79%	15.72%	17.45%	11.00%
Mid Coast	\$140.8	\$160.1	13.71%	15.70%	14.28%	-9.06%
South Inland	\$211.4	\$254.9	20.58%	23.58%	22.73%	-3.57%
South Coast	\$291.0	\$359.9	23.68%	32.45%	32.10%	-1.09%
Total	\$896.7	\$1,121.2	25.04%			

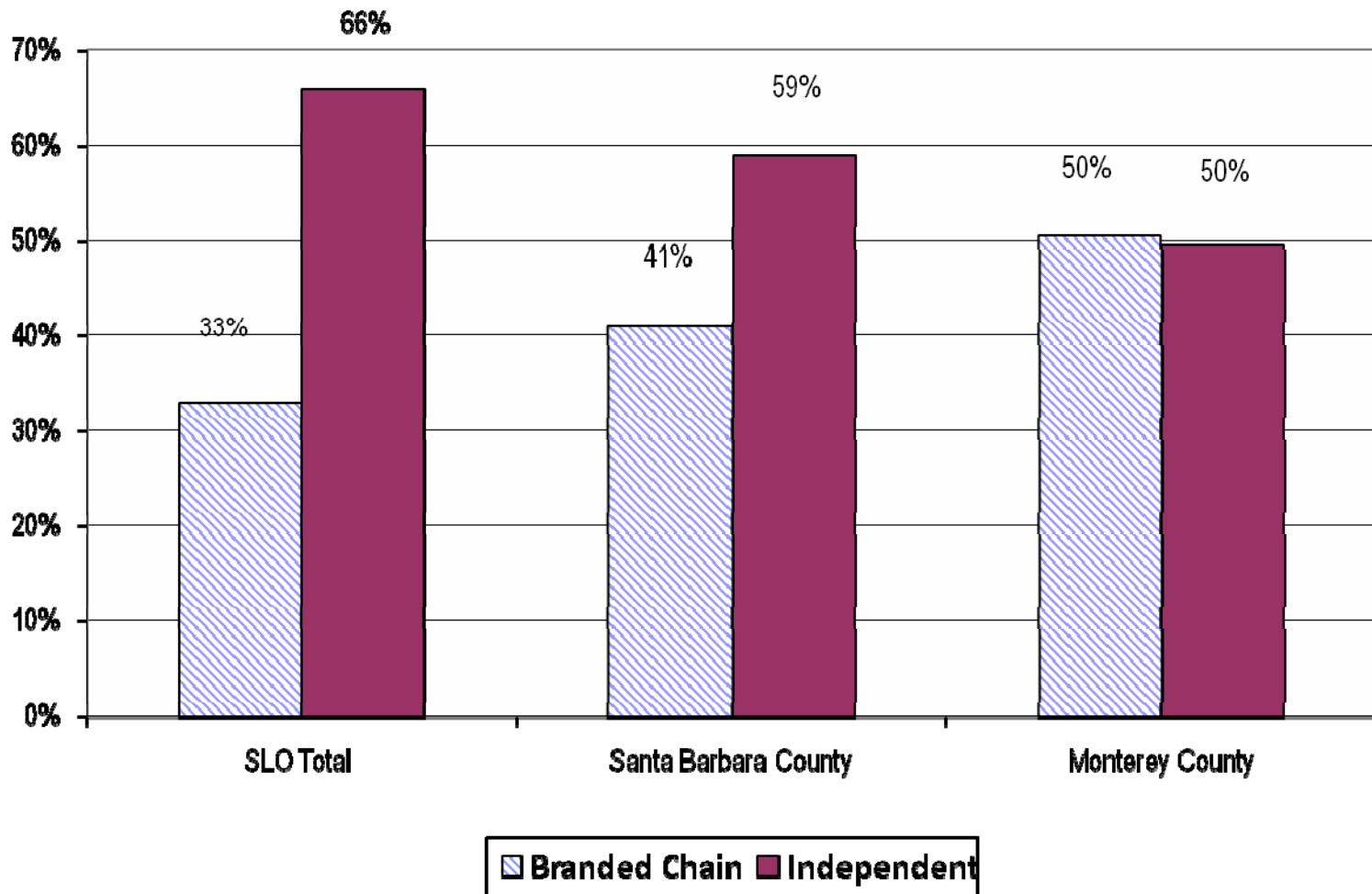
Lodging Analysis

San Luis Obispo County Intra Regional Fair Share Analysis

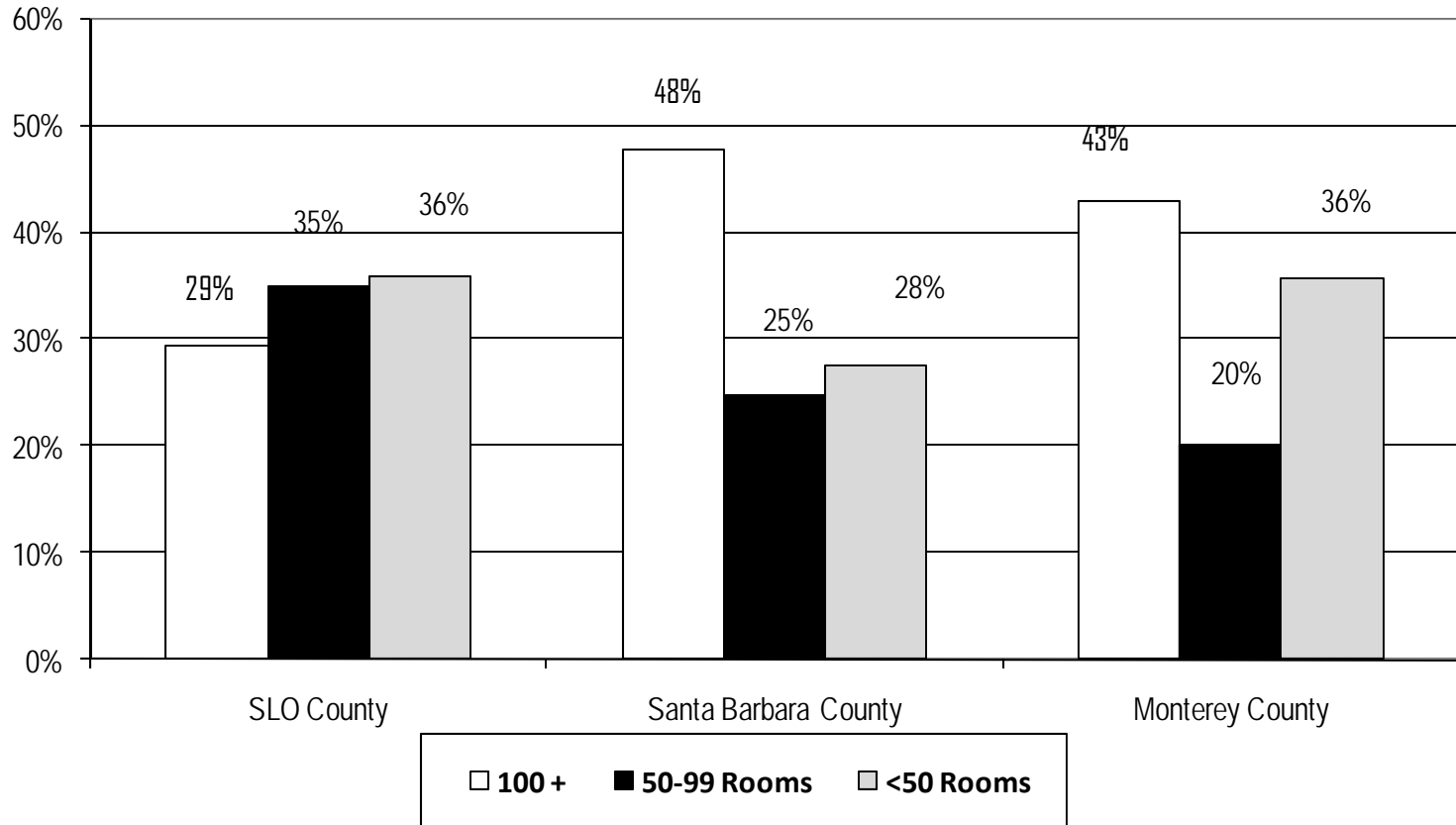
Rooms vs. Revenue



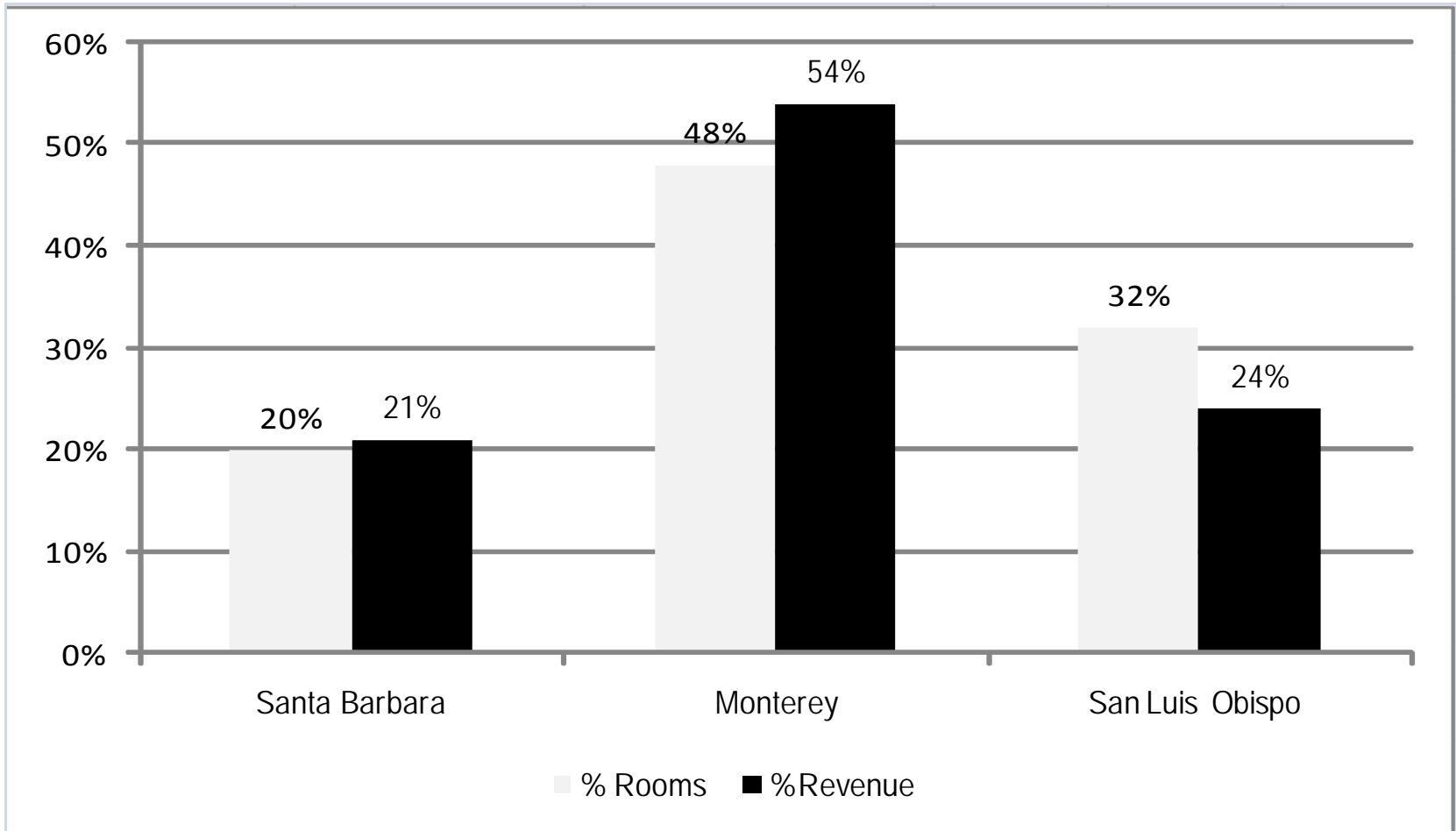
San Luis Obispo/Santa Barbara/ Monterey County Lodging Sector Branded Chain vs. Independent



San Luis Obispo/Santa Barbara/Monterey County # of Rooms in Lodging Segment



***Fair Share Analysis
Rooms vs. Revenue
Santa Barbara/Monterey/San Luis Obispo***



San Luis Obispo/Santa Barbara/Monterey County Performance

Operating Performance - December - Year to Date												
Segment	Occupancy Percent			Average Room Rate			RevPAR			Revenue	Supply	Demand
	2007	2006	% Chg	2007	2006	% Chg	2007	2006	% Chg	% Chg	% Chg	% Chg
Santa Barbara/Santa Maria MSA	68.6	68.3	0.4	143.61	129.28	11.1	98.51	88.34	11.5	11.7	0.2	0.5
San Luis Obispo County, CA	63.7	62.6	1.8	112.81	109.00	3.5	71.89	68.18	5.4	10.8	5.1	7.0
Monterey County, CA	64.2	63.2	1.6	165.08	159.85	3.3	105.96	101.09	4.8	5.4	0.6	2.1

SLO County Product Experience



Regional Demand Drivers



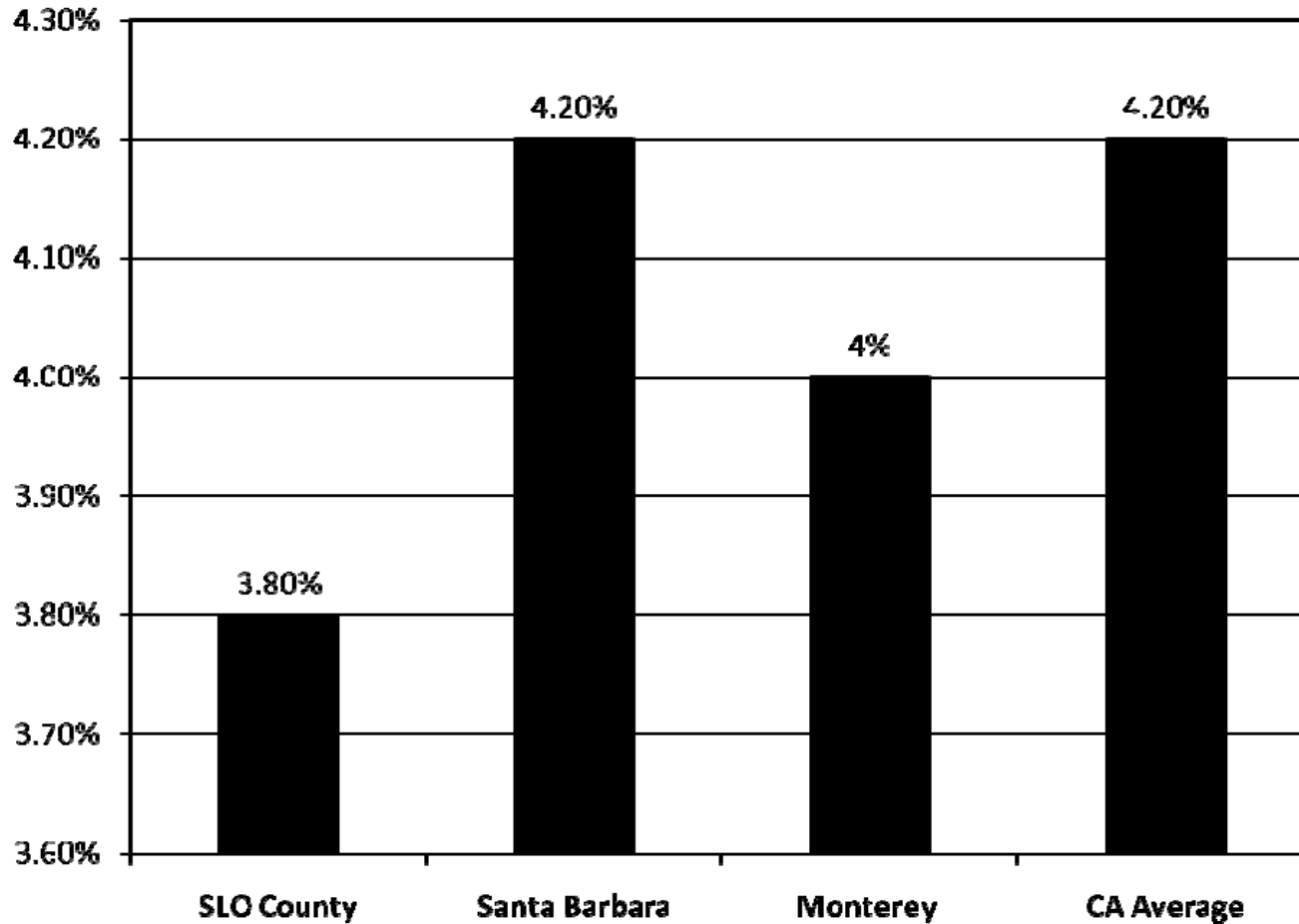
Tourism Promotion

Tourism Promotion Agency Summary

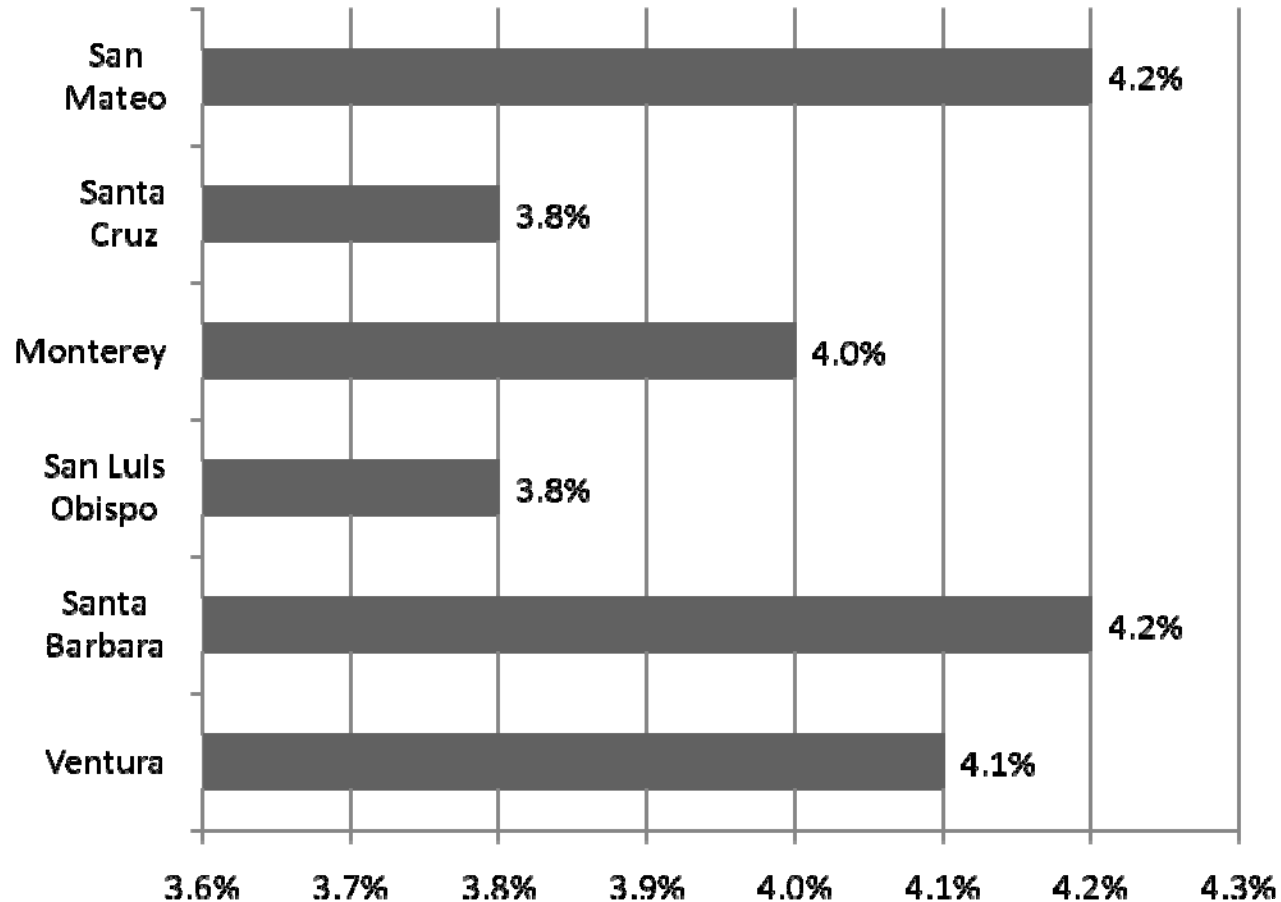
Area	Promotion Organization	Market Positioning	Budget	Source of Funds
SLO County	SLO County Visitors & Conference Bureau	Discover the colors of SLOC	\$800,000	SLO County City of Morro Bay City of San Luis Obispo City of Atascadero City of Grover Beach City of Arroyo Grande
Paso Robles	Tourism Promotion Committee	Authentic California	\$190,000	City of Paso Robles
Morro Bay	Tourism Promotion Committee	Discover your better nature	\$110,000	City of Morro Bay
San Luis Obispo	Tourism Promotion Committee	Experience the SLO life	\$432,000	City of SLO
Pismo Beach	Pismo Beach Conference & Visitors Bureau	Classic California	\$525,000	City of Pismo Beach
Atascadero	Tourism promotion Committee		\$50,000	City of Atascadero
Total			\$2,107,000	

Competition

1992-2005 Average Annual Travel Spending Growth Rate by San Luis Obispo County, Competitors & State of California

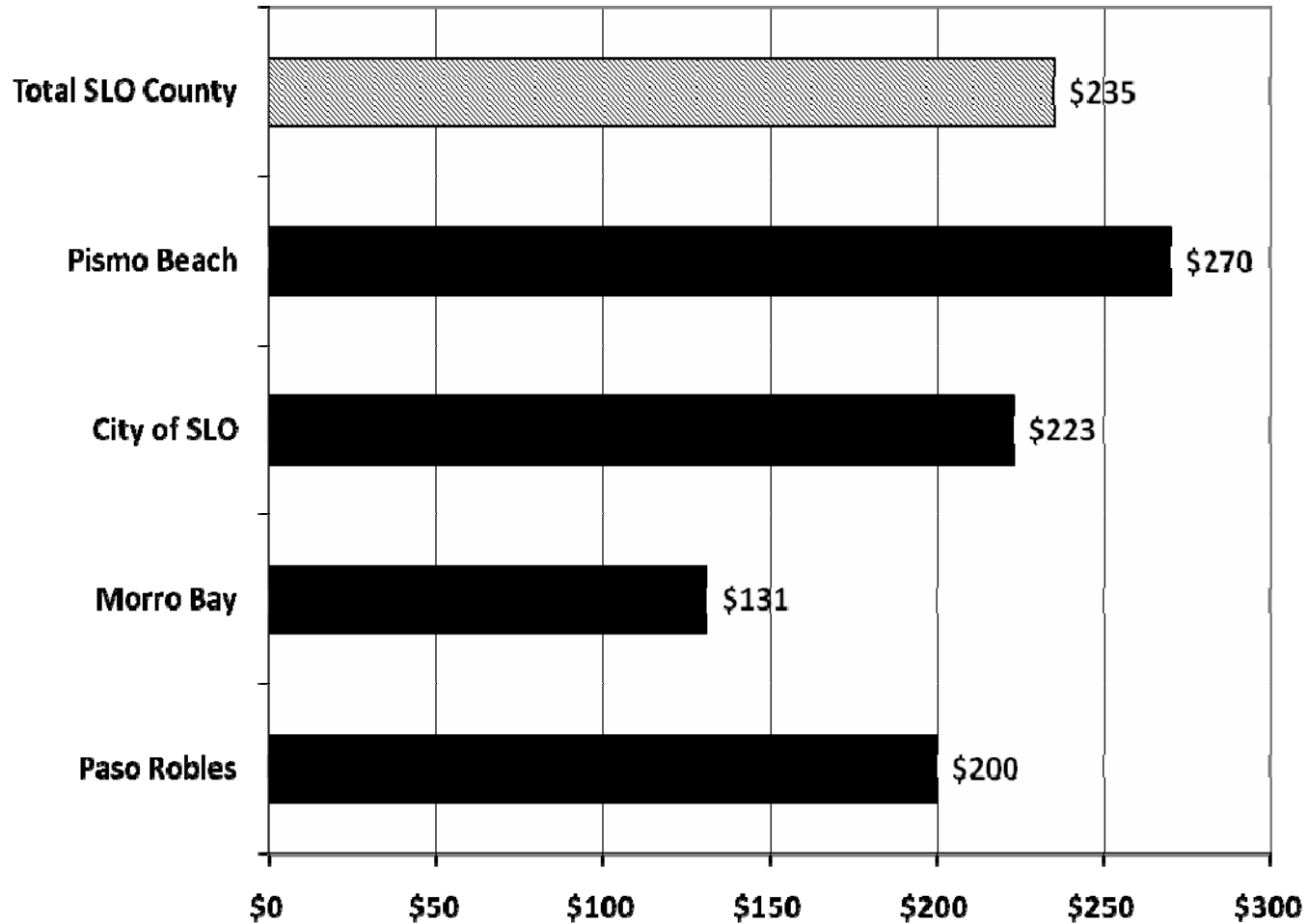


***Comparative Average Annual Travel Spending Growth
by California Coastal County's with travel spending under \$100m
1992-2005***

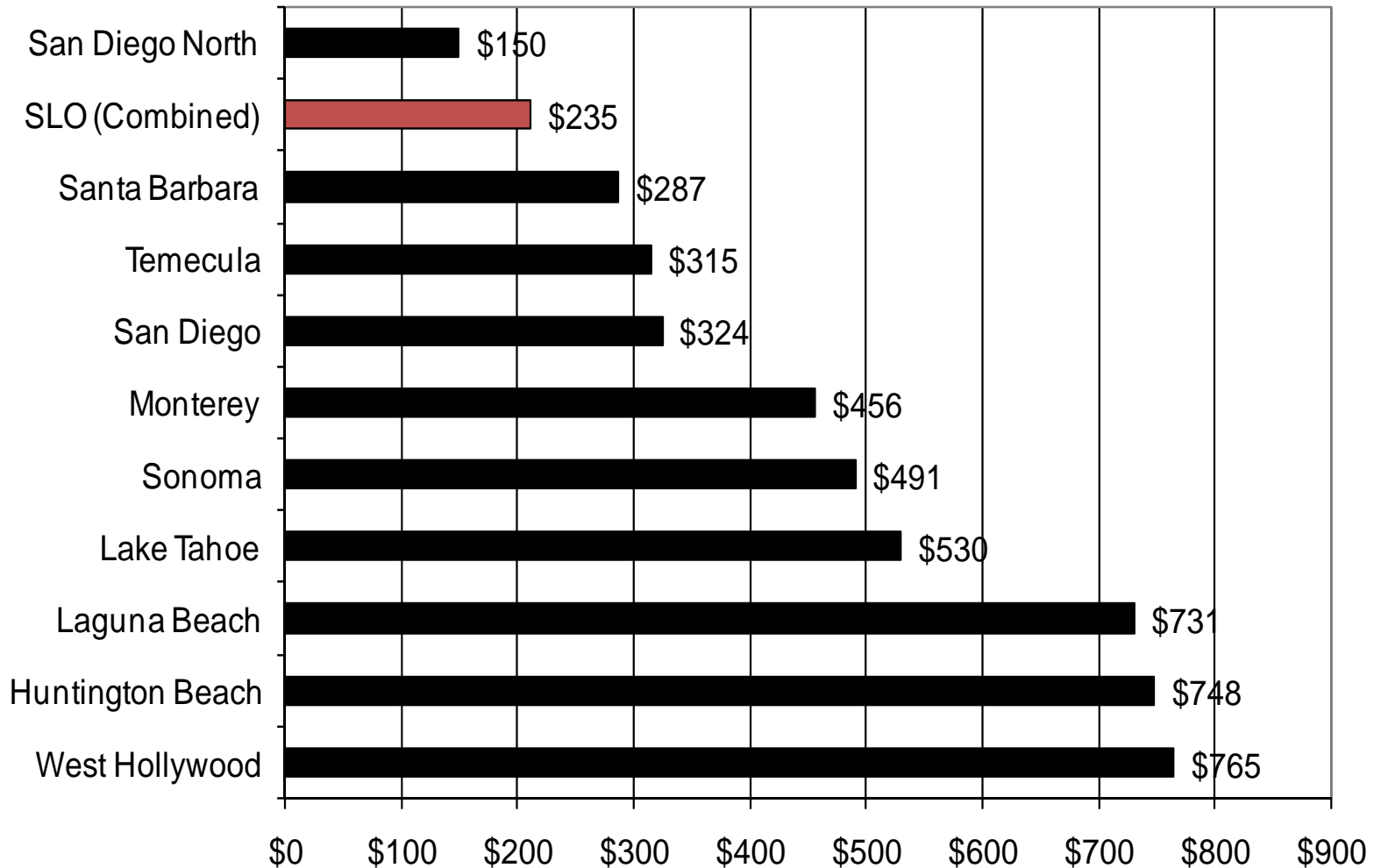


BID & The Changing Environment

SLO County Tourism Promotion Spending Per Room

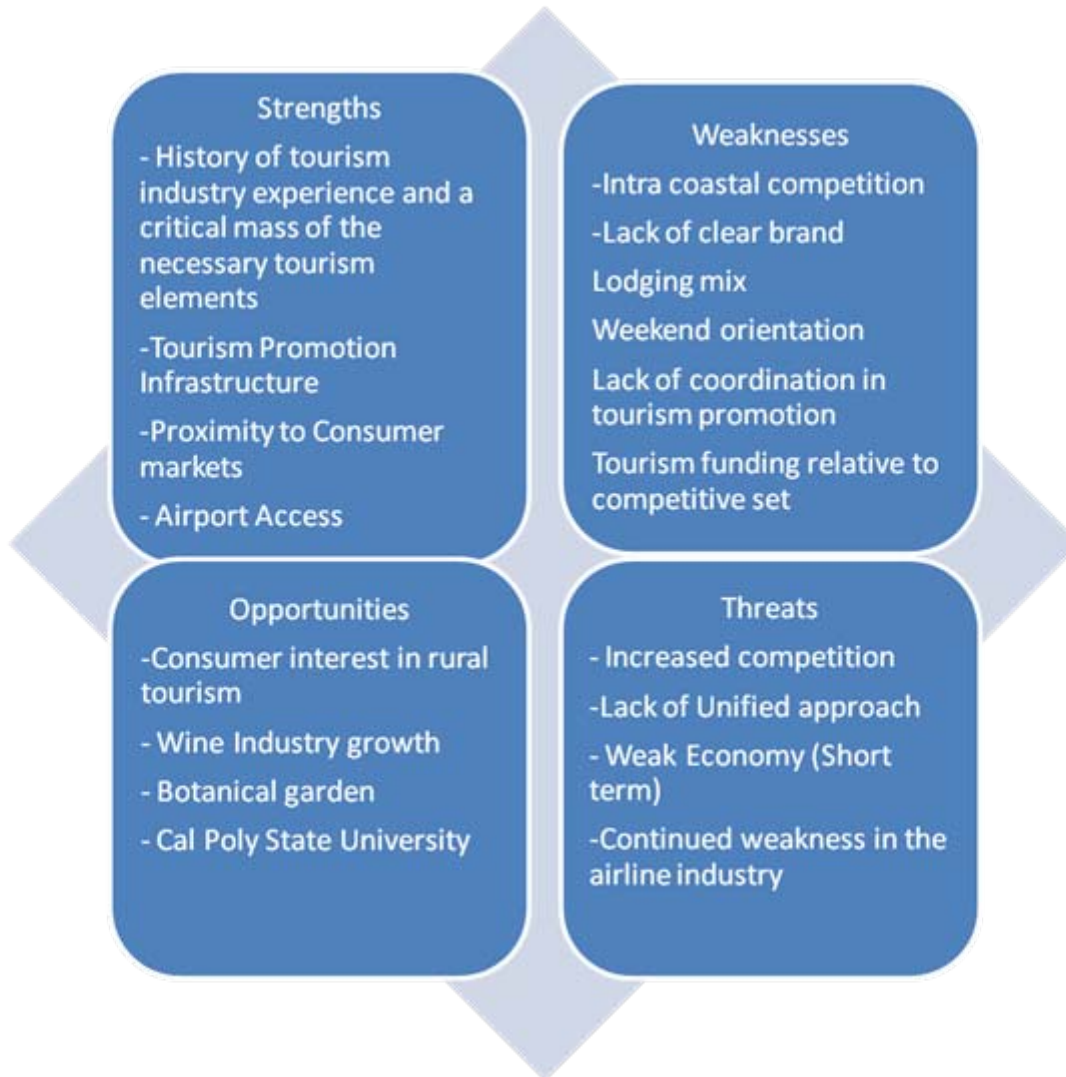


Bureau Budget per Room



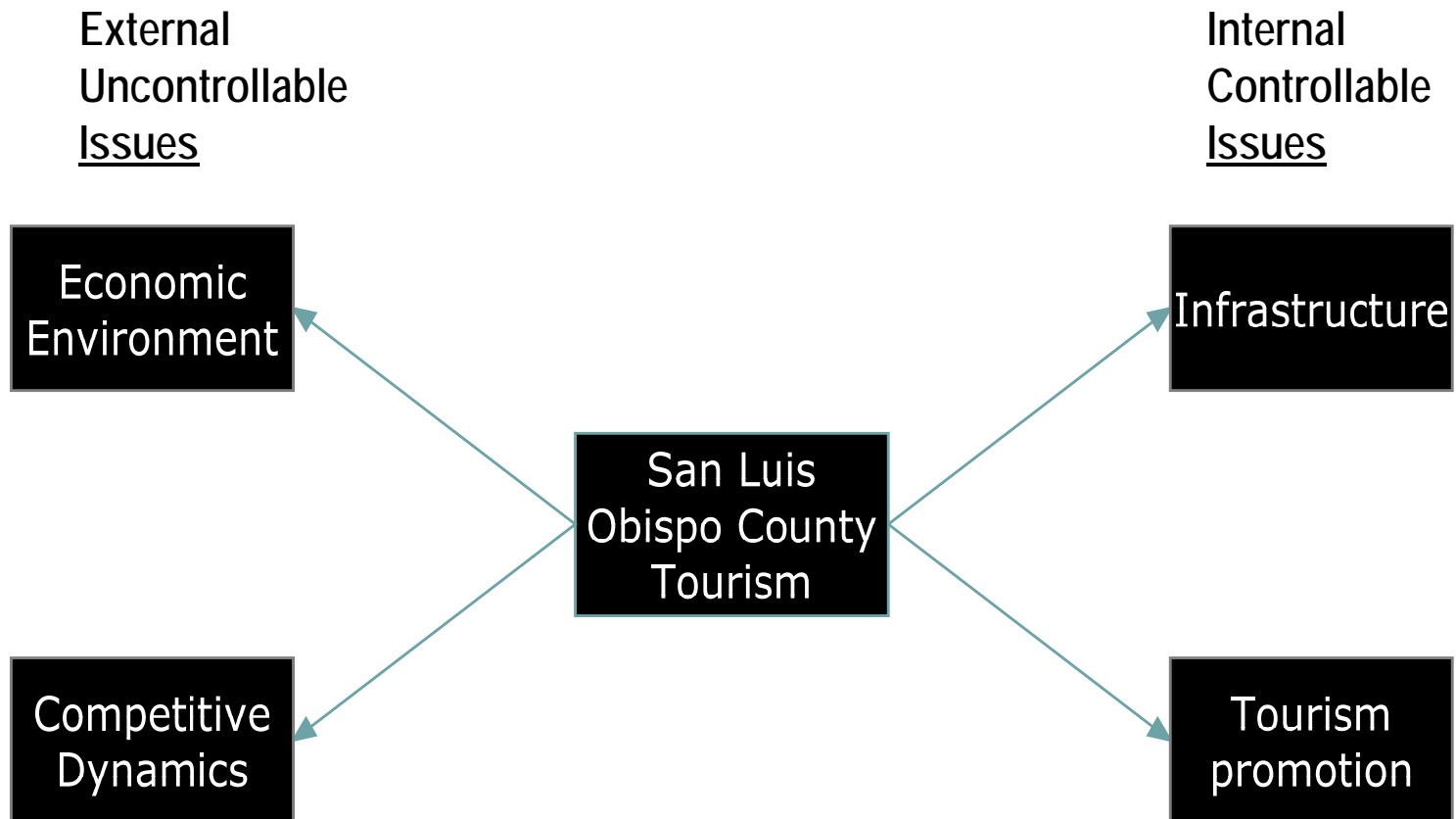
Strengths, Weaknesses, Opportunities & Threats

SWOT



Key Issues

Issues Analysis



Economic Environment

- ***Consumer Confidence***
 - ***Significantly Down 108 to 57***
- **State Budget Deficit**
- **Sub-prime Mortgage Collapse**
- **Gas Prices**

Competitive Environment

- Major competitors include Santa Barbara and Monterey
- Additional Competitors

Wine Country	Beach	Downtown Experience
Temecula	Ventura	Ventura
Napa	Carlsbad	Santa Monica
Sonoma	Huntington Beach	Huntington Beach
Sierra Foothills	Newport Beach	Newport Beach
Mendocino County	Santa Cruz	Santa Cruz
Santa Barbara	Santa Barbara	Santa Barbara
Monterey	Monterey	Monterey

Infrastructure

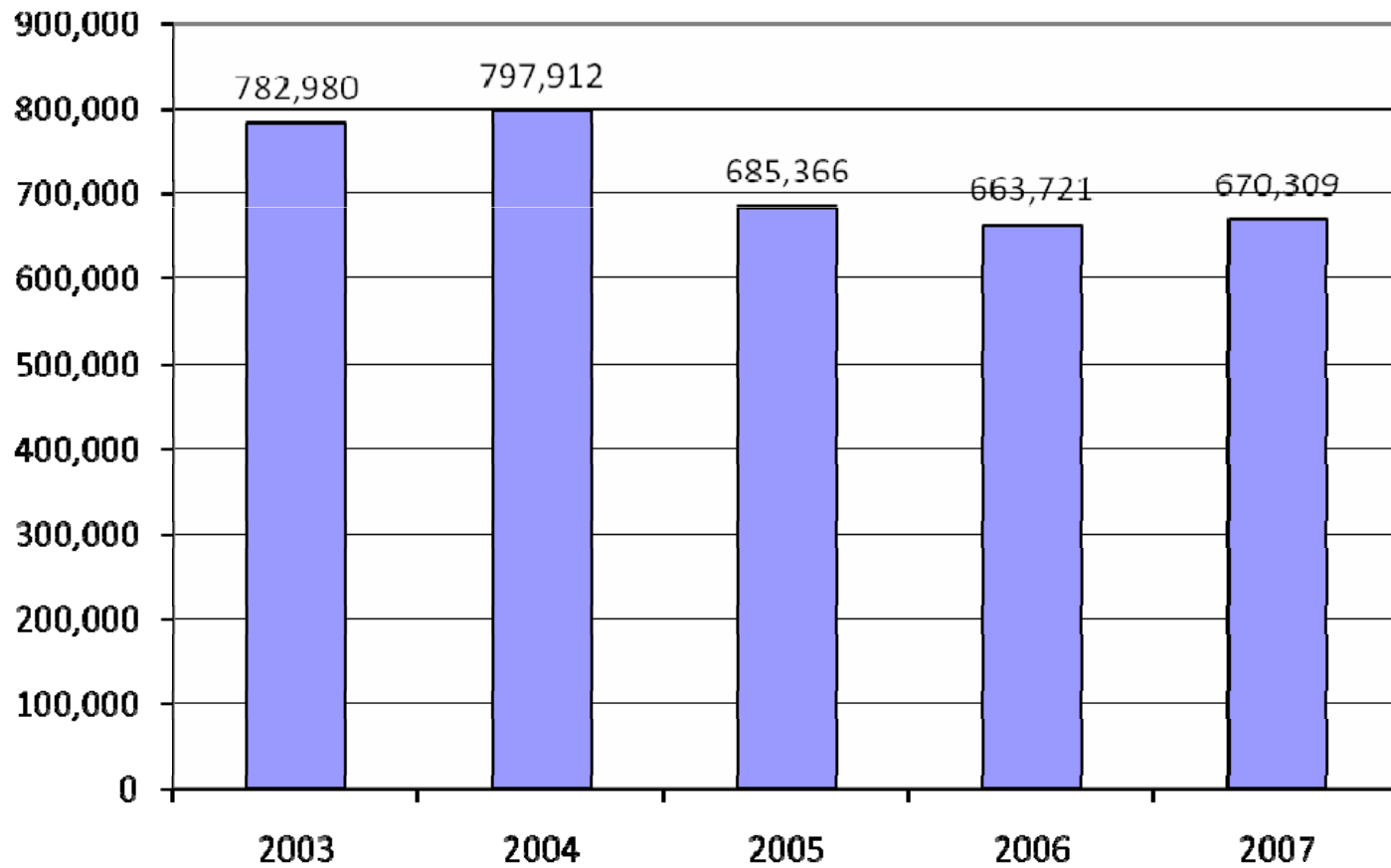
- **Lodging**
 - Existing mix between large and small lodging properties
 - The need for additional large resort-type properties
 - Brand Alignment

Infrastructure

- **Attractions**

- Oceano Dunes located in an environmentally sensitive area and on high demand weekends park access is capped. As such, it is conceivable that there is limited weekend growth potential for this key attraction.
- Hearst Castle at one time hosted over a million visitors annually. While still providing a significant reason for visiting, visitation numbers have fallen in recent years.
- Potential new attraction could be botanical gardens

Hearst Attendance



Convention Centers

- San Luis Obispo County does not currently have a convention center, reliant on the FIT (Non-Group Free Individual Traveler) segment.
- The addition of a properly conceived and financed convention center along with air and highway access to support it would allow for meetings and conventions.

Wine Industry/Rural Locations

- Given the growth of the wine industry and combined with the regions' other agricultural offerings, both city and county planners need to consider how to facilitate growth of this part of the tourism economy and look for the potential to locate lodging and restaurants at the wineries as happens in competitor areas.

Tourism Promotions

- Different and Conflicting Competitive Perspectives
 - Internal
 - External

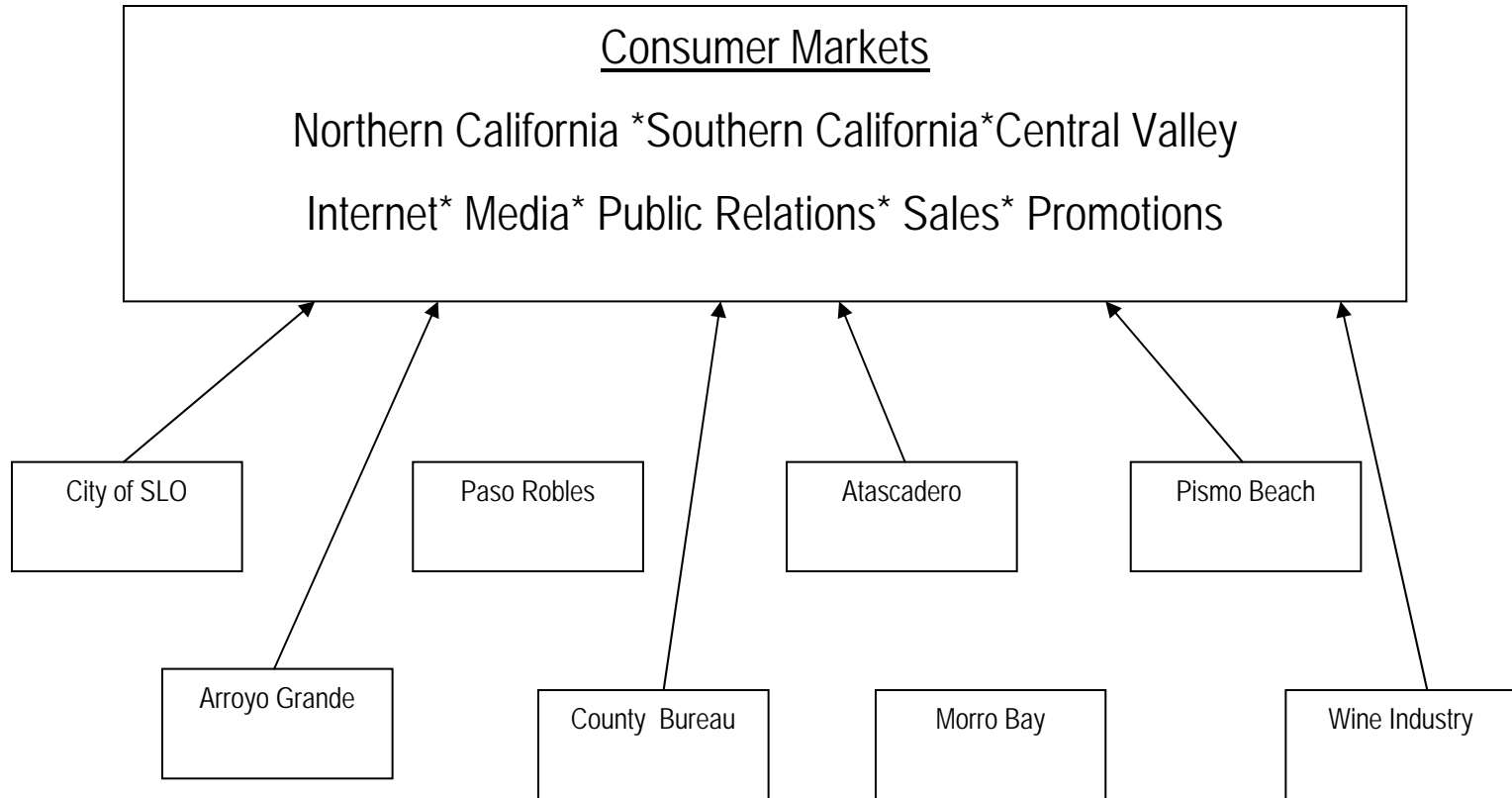
Internal Perspective

- Primary tourism competition is within the county be it Paso Robles, City of San Luis Obispo , Pismo Beach or some other area within the county.
 - A specific area must seek competitive advantage over other areas of the county.
 - Less supportive of cooperative approaches /misses out on the financial leverage available to cooperative approaches.
 - Win/lose dynamic.
 - Focus is on stealing market share from within the county as opposed to outside of the county.

External Perspective

- Competition is external to the county , working together and growing the pie each area within the county will benefit from independent efforts as well as the efforts of the whole.
 - San Luis Obispo County is more effective competing as a whole against external competition
 - Supportive of cooperative marketing approaches takes advantage of the financial leverage available
 - Win/win dynamic
 - Focus is on stealing market share from outside the county as opposed to inside of the county

Differing Views on Tourism Promotion



Differing Views on Tourism Promotion

- *Inconsistent target market selection*
 - Different organizations target different market segments.
- *Duplication of effort/lack of efficiency*
 - With so many organizations promoting tourism within the region, there is considerable duplication of efforts specifically with regard to fulfillment materials, web sites, postage, etc. Less efficient
- *Inconsistent message*
 - Considerable number of positioning messages being sent to the marketplace.
 - Wine region, a beach region, an urban experience, a recreation region and a boutique shopping region.
 - These messages all promote individual activities but fail to capture consumer awareness at an emotional level that is often necessary to break through the competitive clutter of other destinations.
- Overall intra county competition does not maximize the total (and limited) tourism promotion resources available within San Luis Obispo County.

Funding Levels

- Currently, combined, the tourism promotion agencies spend \$235 per available room
- Monterey is at \$456 per room

BIDs

- VCB has been unable to develop the county-wide support necessary to implement a BID
- Paso Robles BID in process
- City of San Luis Obispo BID complete
- It would be anticipated that at some point Pismo Beach would have to consider a BID in an effort to keep pace with the other areas.
- *The result of this move to BIDs is a further reinforcement of the fragmentation in tourism promotion and intra county competition.*

Recommendations

Recommendation 1:

San Luis Obispo County Airport

As a proactive measure, SMG supports the recent formation of an airport task force comprised of key county stakeholders from both the public and private sectors

The task of this committee could include the following:

- Review monthly airport statistics.
- Develop strategies and approaches to encourage carriers to maintain air service.
- Identify weak routes and develop programs to strengthen those routes.
- Develop strong contact with carrier route planning departments including periodic visits.
- Inform the greater San Luis Obispo County about the economic benefit and need of the airport as integral to the county.
- Develop a marketing fund and airport incentives to assist carriers in maintaining and/or expanding service.
- Attract new airline service and routes

Recommendation 2: Resort Brand Lodging Attraction

- Attraction of a major brand lodging property similar to what can be found in competitive destinations.
 - Establish the region in a class similar to Santa Barbara and Monterey
 - The brand alignment of San Luis Obispo County with a major resort brand would solidify the region as a major player in the tourism industry

Recommendation 3: Focus on Growing Revenue

- The single most important step the tourism industry can do is to develop a cohesive mindset that is focused on growing travel spending for the entire county, given that, as the county grows, so too will each of the regions within it.
 - How do you double travel spending to \$2B in the next ten years?

Recommendation 4: Tourism Promotion

- **Improve Relationships**
 - With the current change in leadership at the CVB, the organization and the tourism promotion industry have a unique opportunity to build on the past and improve tourism promotion efforts by developing a more unified and leveraged tourism promotion effort.

Recommendation 4: Tourism Promotion

- **Brand Development for San Luis Obispo County**
 - Continue to develop a county wide brand and also include separate destination brands
 - Focus on agreed upon target markets including air markets that serve San Luis Obispo County
- **Public Relations**
 - Continued implementation of public relations programs designed to position the county and the sub regions

Recommendation 4: Tourism Promotion

- **Website and Online Marketing Development**
 - Implementation and management of tightly focused internet marketing programs designed to pass visitors to regions within the county.
 - Utilization of web 2.0 social media
- **Airline Attraction**
 - Development and implementation of marketing programs designed to support and expand air service into the region.

Recommendation 4: Tourism Promotion

- **Research**

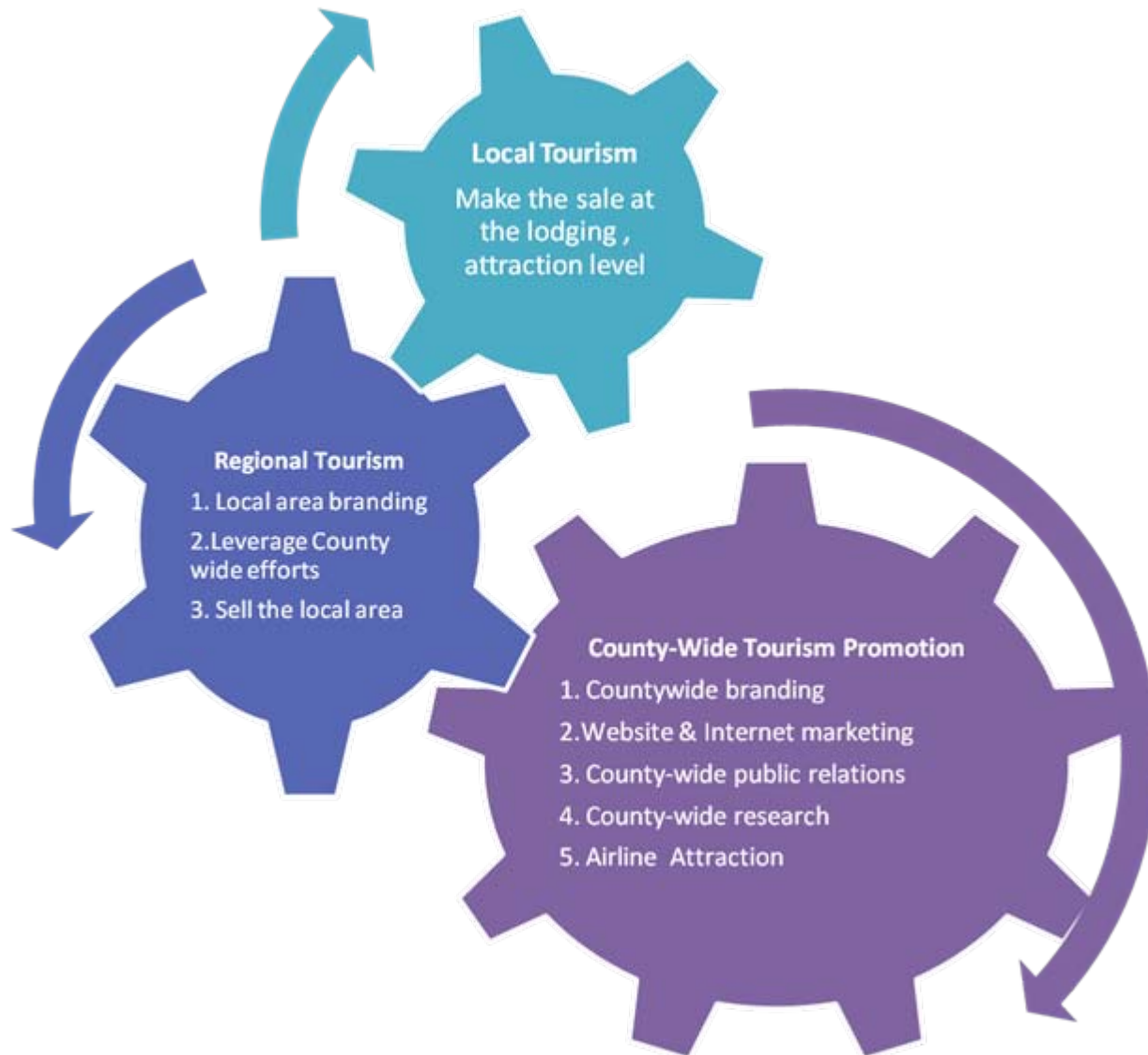
- Implementation of county-wide research that will benefit not only the organization itself but also the different organization's within San Luis Obispo County. Studies that should be considered include the following:

- County-wide visitor profile study
- Out of market potential studies - Southern and Northern California
- Perceptual studies including California perceptions of San Luis Obispo County and competitive destinations
- Compile and disseminate statistics and other marketing information relevant to San Luis Obispo County and its regions.

Recommendation 4: Tourism Promotion

- **Agreement of Competitive Focus/Collaborative Approach to Marketing**

Integrated County/Sub Region Tourism Promotional Effort



Recommendation 4: Tourism Promotion

- **Funding Levels/BID's**

San Luis Obispo County has tourism promotion revenues of \$235 per room (SLO at \$375)

- Paso Robles continue efforts to develop a tourism promotion BID
- The City of San Luis Obispo continue to develop a tourism promotion BID
- The unincorporated area of the county continue to develop a tourism promotion BID
- At some point Pismo Beach and others may consider developing a BID

Recommendation 5: Conference Center Follow-up

- SMG has identified both the City of San Luis Obispo and Paso Robles as potential priority locations.
 - Even when co-located with a hotel convention centers are very difficult to operate profitably and recommend a detailed market study and project feasibility study be completed to understand the potential demand for a convention center and not just restrict their analysis to their own community.

Recommendation 6: Meeting with County Planners

- Given the rapid growth of rural tourism it is recommended that tourism officials meet with appropriate county planning personnel to develop a common vision for tourism development in the rural areas
- It is important for the county to develop an approach that leverages the high demand for the major cities with that of the rural areas. It is also critical to plan for the rural areas so tourism development does not occur in a haphazard way.

Summary

- San Luis Obispo County has all the necessary elements to a more competitive player within the California tourism market.
 - Natural attractions, history, culture and all the elements that make it a unique destination.
 - With the information and recommendations contained in this report local private and public sector leaders can bring about the necessary changes to make the region more competitive.