

## **Message from the Board – March 9, 2008**

On Thursday, February 21, Joe Ries, SFTGG Public Relations Chair, and Jason Cohen, Board President, attended the San Francisco Convention & Visitors Bureau's 2008 Northern California Visitor Industry Outlook Conference at the Marriott Hotel to represent the SFTGG. Almost 300 travel/tour/event/hotel/transportation professionals attended from throughout the Bay Area.

This report summarizes key insights from the conference.

### **ECONOMIC OUTLOOK**

SFCVB members who responded to a poll in advance of the conference reported that 2007 was "strong" or "extremely strong" for them, and almost all felt confident that 2008 would continue that way. The three speakers did not agree on the question of a recession, two feeling there is a definite economic slowdown in the US and one feeling it is more a media-generated issue than real, but all agreed they do not expect a national recession this year. There are indicators that banks are recovering, and loans, mortgages and financial problems may have already seen the worst.

However, tourism is impacted with increasing costs for gasoline, airline travel, and hotels/lodging. The average American spends 75% of their income to survive, leaving 25% for options, including travel. Due to the value of the U.S. dollar around the world, there have been significant increases in international travelers. Business travel and conventions/conferences continue with little change, but corporate award/incentive travel has been reduced.

### **CALIFORNIA TOURISM**

Recent data shows 365.3 million visitors throughout California in 2006, with 82% from California itself; 14% from out of state; and 3% international. International travelers are expected to increase by 3-4% per year. The largest numbers of visitors from other states are from those immediately surrounding California, followed by Texas, New York and Illinois.

Most international visitors come from Great Britain, Germany/Austria/Switzerland, Canada, Mexico, Australia/New Zealand, Japan and South Korea. Mexico and Canada are the leaders. While \$93.8 billion was spent by visitors to California in 2006, there is strong competition developing from other Western states, with indications that those who have visited California previously are looking for other U.S. destinations.

Many believe the retiring Baby Boomers will be very interested in travel, especially those with higher retirement income and those who want learning vacations and soft adventures.

There was discussion of potential impacts of high gasoline prices, but it was stated that San Francisco is primarily an air market for travelers, so high gas prices impact us less, and it is felt that people don't cancel vacations due to high gas prices. At the same time, related increases in airline ticket prices certainly are relevant.

## **SAN FRANCISCO MARKET**

Tourism continues to be the primary industry in San Francisco, with revenues for 2007 of approximately \$8 billion, but there is definite concern that large convention business could drop in the future if Moscone Center is not updated. Serious problems with building and facilities conditions are causing planners to look at other markets, which are offering more modern facilities at lower rates. Some conventions have already announced they will not be returning, and there is competition from other California convention centers that are increasing their marketing spending to reach the planners. Some very small upgrades at Moscone (\$6 million) will be performed in 2008.

In addition to facility issues, the continuing problems with hotel availability for large groups and the problem of the homeless continue to discourage planners. There has been an 8% hotel rate increase due to low supply (which is good or bad depending on one's point of view), and no new major hotels are expected in the downtown area in the near future. The SFCVB is hoping to shift the dates of some future conventions to free up availability of some dates, market to key targets, and position San Francisco as a green destination. Also, the City continues to talk about plans to improve the Bill Graham Civic Auditorium and develop the long discussed cruise ship terminal. Plans are also underway to develop the Mission Bay open spaces (The Giants have already submitted an event center proposal). These spaces could all be adjuncts to Moscone facilities.

Despite everything stated above, the convention business looks excellent through 2015, with Moscone Center and hotel rooms heavily booked during those years.

In addition to increased marketing to conventions, the SFCVB will focus its leisure traveler advertising with campaigns aimed at San Francisco culinary opportunities; art; gay/lesbian community; and the environment.

There was a great deal of discussion about San Francisco as a destination for international visitors. Of international markets, Australia and France currently have the strongest growth; however, the greatest potential is Korea, India and China:

--Visitors from Korea are expected to double in 2009!

--Visitors from India increased 42% in 2007 vs 2006!

--Once China finalizes its designation of the U.S. as an approved destination for its citizens, visitation to the U.S. is expected to increase by 50% in three years!

On the downside, visitors from India usually stay with friends/family rather than in hotels, and the air trip is lengthy and expensive for them. A 50% increase in Americans visiting China is also expected (Olympics and easier access), which could mean stopping off in San Francisco on the way. Several international airlines have plans or interest in using SFO, including ones from India, Australia, European countries and China. The low cost airlines using SFO increased in recent months, as well as flights to Ireland, Hong Kong, Australia and other destinations, with more anticipated from existing airlines. However, there was no mention of plans to reopen Terminal Two.

## **CONCLUSION**

In conclusion, while the immediate future is promising, the long term outlook, particularly for conventions, is of concern unless facility improvements are completed, increased

convention meeting/exhibit space is made available, hotel rooms are available and prices are competitive.

The Guild is planning to invite an SFCVB speaker to present at a General Meeting later this year. Several contacts were made with industry professionals and SFTGG brochures were given out.

The presentation slides from the conference (including a lot of valuable research data) are available from the members section of the SFCVB web site ([www.sfcvb.org/members/events.asp](http://www.sfcvb.org/members/events.asp)). Also see an article about the conference in the San Francisco Chronicle, Business section, February 22 edition.

## **SPEAKERS**

Speakers at the conference included:

- Mark Calvey, Senior Banking Finance & Economics Reporter, San Francisco Business Times
- Ken Goldstein, Economist, The Conference Board
- Michael Potepan, Ph.D., Associate Professor of Economics, San Francisco State University
- Tiffany Urness, Director of Research, California Travel and Tourism Division
- Leonard Hoops, Executive Vice President, Sales/Marketing, SFCVB
- Laurie Armstrong, VP, Marketing and Communications, SFCVB
- Gregory Moix, Jr., Director of International Aviation, SFO
- R. Sean Randolph, Ph.D., President, Bay Area Council Economic Institute
- Thomas Callahan, CEO-West, PKF Consulting
- Host - Joe D'Alessandro, President/CEO, SFCVB
- Keynote Speaker - Chip Conley, Founder/CEO, Joie de Vivre Hospitality, Author

## **ART EXHIBITIONS**

Finally, one of the speakers provided this list of upcoming art exhibitions for San Francisco:

- Frida Kahlo – San Francisco Museum of Modern Art, June 14th - September 28<sup>th</sup>
- Chihuly – de Young Museum, June 14th-September 28th
- The Women Impressionists – Legion Of Honor, June 21st-September 21st
- Power and Glory: Court Arts of China's Ming Dynasty – Asian Art Museum, June 27th-September 21st
- Contemporary Jewish Museum – Opening June 8th