

# Long Beach

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## Hospitality/Tourism Industry Looks Forward To Many Changes In 2011

City's Valued Assets Being Spruced Up To Boost Sales In Stagnant Market



Steve Goodling, president and CEO of the Long Beach Convention and Visitor's Bureau, said he expects a modest increase in tourism for the International City in 2011. Goodling is pictured in front of the fountain of the Long Beach Convention and Entertainment Center, which includes the Long Beach Performing Arts Center. (Photograph by the Business Journal's Thomas McConville)

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Staff Writer

In a lackluster economy, Long Beach's tourism and hospitality industry experienced relatively flat sales compared with 2009, an indication that a slight drop in hotel room night stays during the recession has hit bottom. The goal now is to make sure next year doesn't fall backwards.

Several local industry professionals see 2011 as a year of opportunity to stay competitive by promoting the city's key assets, many of which are slated for renovations next year. Projects include the Long Beach Airport's terminal modernization, Aquarium of the Pacific expansion, Queen Mary improvements and the Long Beach Convention and Entertainment Center's \$3.5 million infrastructure overhaul.

But planners remain cautiously optimistic for next year, anticipating only mild growth as the region is still fraught with unemployment and company downsizing that has caused travelers and organizations to tuck away discretionary dollars. A clear indica-

tion economic recovery is expected in a few more years.

Steve Goodling, president and CEO of the Long Beach Area Convention & Visitors Bureau (CVB), said Long Beach has been able to ride the economic downturn well, maintaining the same amount of conventions and meetings while other cities have seen far worse conditions. While next year and 2012 are expected to see modest increases, 2013 is already booked 50 percent ahead of pace, he said.

Since the mix has now shifted to smaller meetings, the CVB has been extremely aggressive in marketing efforts to maintain bookings, Goodling added. "Despite the economic downturn or the recession, we have been able to continue keeping a booking pace that has been solid throughout," he said. "We have booked smaller meetings, but we have been able to find those meetings and basically augment some of the reduction in citywide conventions."

Some indicators show the overall hotel market dipped a bit this year as the city's RevPAR (revenue per available room), a major gauge of the industry's economic health, did see a slight drop of 4.4 percent, according to statistics from the national industry-



The lobby of the Terrace Theater at the Long Beach Performing Arts Center presents a unique setting for a meeting or special event. Long Beach offers numerous special backdrops for meetings, including museums, the Aquarium, the Queen Mary and a big ocean. (Photograph by the Business Journal's Thomas McConville)

tracking firm PKF Consulting. In addition, average daily room rates (ADR) also decreased from \$131 in 2009 to \$126 this year, indicating hotels are still relying on discounts and promotions to stay afloat. This can be good for customers looking for cheaper room rates but can hurt a company's bottom line.

But, the city's hotels have continued to offer an average of 235,000 room nights with a citywide hotel occupancy rate remaining flat compared with last year, stabilizing at about 68 percent. While the occupancy rate has fallen from 2007's year-to-date average of 77 percent, PKF and hoteliers expect next year to bring a 4 to 7 percent increase, Goodling said.

"We're actually very happy with this fall and we actually came in higher than earlier anticipated for some of our properties," he said. "The real opportunity going forward is to increase the average rate. Even the convention planners are asking us to be very competitive, because in essence they're a buyer. As the economy continues to improve, the forecast for next year is an increase . . ."

Relocating its headquarters from the World Trade Center to its new location on the 19th floor of the Shoreline Square building downtown this year has helped the CVB staff give meeting planners a "bird's eye view" of the downtown landscape. Selling points continue to be the city's convenient offerings such as the free Passport bus and interconnecting hotel buildings just steps from the convention center, which continues to draw big-name events such as the TED (Technology, Entertainment, Design) conference and the Women's Conference.

While other cities might be able to offer "big-box" hotels that can hold upwards of 1,000 rooms, Downtown Long Beach offers a more convenient and diverse mix with different hotel sites all located within a 15-minute walk to prime meeting locations, restaurants and other venues. Goodling credits "familiarization trips" such as the Toyota Grand Prix and the Red Bull Flugtag event that gives planners a "visualization" of facilities.

The CVB has also increased its presence in Washington, D.C., to focus on the government sector through its satellite offices, with staff deployed in Sacramento, Chicago, Atlanta and Houston. The CVB has seen an increase of more than 35 percent from the government market segment in the last 18 months, said Allison Lesser, CVB vice president of marketing and sales.

## Hotel Bed Tax

Over the years, Long Beach has been fortunate to have a strong tourism and hospitality base with overnight travelers generating almost \$300 million annually. But as the city has seen less overall revenues this year, funds used to promote the city have been scaled back slightly.

About 45 percent of the CVB's operating revenue comes from 14 hotels within the Long Beach Tourism Business Improvement Area, while the other half comes from the city's dedicated Special Advertising and Promotions Fund, derived from transient occupancy tax (TOT), also known as hotel bed tax. The city's General Fund receives roughly half of all TOT revenues, which last year generated a total of \$14 million.

But this year, the CVB had to take a 10 percent reduction, or approximately \$400,000 less than the city had originally allocated. That brings the CVB's allowance to \$3.5 million as the city has struggled to balance its budgets throughout the fiscal year.

With fewer resources, the CVB is focusing more on marketing conventions and business meetings that generate the largest return on investment, Goodling said. For every \$1 taken from the city, the CVB returns \$3.70, he added. With revPAR expected to rise, an increase in room stays in coming years would only generate more TOT funds for both the city and the CVB.

## Scheduled Upcoming Events

While the CVB may have fewer dollars to work with than what is required for attracting new tourists, advertising in several meeting and convention trade publications is critical to platform the features of Long Beach, which to some still isn't considered as of a strong destination as its nearby competitors.

"Long Beach is still a destination that many planners are learning about," Goodling said. "[Planners] know about basically San Diego, they know about Anaheim, but the further east you go the less geographical knowledge there is, therefore it's really important to showcase a destination as being . . . an urban waterfront playground."

The airport this year has come on board as a cooperative marketing advertising partner, sharing in the cost of ads that feature renderings of the proposed new terminal expected to be finished



## Destination Long Beach

The Business Journal is a publication of South Coast Publishing, Inc., which also produces the monthly Destinations magazine for conventioners and tourists. (Photograph by Thomas McConville)

in 2013. The CVB is also publicizing the idea of themed meetings and events at the convention center with new fluorescent lighting, giant screens and an inside lounge area with fire pits made to look more like a night club, rivaling nearby Los Angeles. In total, there are 60 ads in 11 different publications a year.

Ongoing labor disputes at nearby hotels have not cancelled any citywide conventions, Goodling said. So far, the only terminated contracts include the California Association for Bilingual Education, which announced it pulled out of bookings with the Long Beach Hyatt Regency and Long Beach Hilton. The 36th annual conference is still being held in Long Beach from March 23-26.

New conventions and events booked for next year include the Men's USA Gymnastics convention with the junior Olympics championships, the Oracle User's Group convention for software developers and, in 2012, the USA Jump Rope National Championship. Events returning include the International Salon and Spa Expo, known as the Beauty Show, which draws close to 30,000 people, the Quilt Show and the TED conference in February.

Another large event coming next year is Hot August Nights, which has signed on with the CVB for the next six years. The "Classic Car Show and Nostalgia Event" is scheduled to come to Long Beach August 3-6, marking the Reno, Nevada-based event's 25th Anniversary. The event is comparable to the size of the Grand Prix and expected to bring more than \$300 million in economic impact to the city, according to event organizers.

Bruce Walter, Hot August Nights' CEO, confirmed that about 2,000 cars have registered so far and he expects at least more than 4,000 classic cars for the event. The car registration deadline is March 31. One 1969 Firebird is being shipped from as far as Saudi Arabia.

Throughout the four days, thousands of cars are expected to cruise up and down Pine Avenue, Broadway and Shoreline Drive in downtown, while putting on free musical concerts, with acts being Jay and the Americans, Herman's Hermits, the Village People and

Blood, Sweat and Tears. "It definitely is a lifestyle event, a family event, a collectors event and it hits many different types of people looking for some great summertime fun," Goodling said.

### Renovations In The Works

As a means to stay competitive, the CVB has shifted toward promoting Long Beach's leading structural assets, with many exciting infrastructure improvements going forward. Also, the CVB plans on soon launching a new interactive Web site expected to offer 3D models of the convention center.

The CVB continues to compete against other destination cities that have, over the years, opened new facilities such as Los Angeles' LA Live entertainment center, the Anaheim Convention Center and San Diego's expansion efforts. "As we go into this next year, we want to be able to show why Long Beach is unique and different than other cities," Goodling said. "It's key that we are competitive from a physical facility standpoint. Service is absolutely critical. In addition to that, your physical facility has to feel that it's not outdated."

A prime change starting next year is a \$3.5 million capital improvement project to the convention center. The renovations come after the CVB received complaints from some conventioners and attendees that facilities were in poor condition, Goodling said. The project is expected to benefit convention visitors as well as nearby residents while increasing the city's marketability. While the prestigious TED conference is signed on through 2020, upgrading facilities is important for performing to the expectations of such a high-level conference.

The Long Beach City Council recently approved an agreement for the convention center's current management company SMG, formerly Spectacor Management Group, to begin the project by next year. About \$2.6 million in costs is being paid for through Tidelands Funds. The plan calls for replacing 3,021 seats in the Terrace Theatre, expected to be completed by the end of January, along with renovations to restrooms, new carpeting, new prome-

nade seating and resurfacing the Arena parking lot.

The Queen Mary has already launched its own plans for improvements after New York-based Delaware North Companies Parks and Resorts took over management in September last year, in place of Hostmark Hospitality Group.

Bruce Skidmore, director of sales and marketing for the Queen Mary, said renovations this year have included updating three restaurants, 314 hotel staterooms, elevator repairs, redecorating public spaces and improving overall cleanliness.

Next year changes include painting the entire exterior of the ship, revamping public restrooms, repairing the escalators, adding an exterior elevator, and renovating salons and lobby spaces with new carpeting. "It's almost a never ending process to restore or keep a property like this in the kind of shape people expect it to be in for something that's 75 years old," Skidmore said.

The company, which runs some of the top facilities in the country, such as Grand Canyon, Yosemite and Sequoia National Parks, is also reviewing attraction elements on the ship, both tours and fine-tuning other products such as stores and the exhibit hall. Since the new managing firm took over, the ship's hotel occupancy level has risen from a mid 30 percent to high 40 percent with more than twice the amount of business on the books for next year than at the same time last year. In addition, the Queen Mary is interacting and partnering a lot more with citywide conventions than in previous years, he said.

Skidmore credits the increase in bookings to the new management investing more in upgrades and aggressive marketing while the previous company focused more on public relations. "I can pretty much guarantee you that it's not the meeting company business that's turning around drastically, it's more about our engaging the customer, providing better service and quality of the product and the fact that we're aggressive," he said.

The Aquarium of the Pacific, another main anchor for the city, is opening up a number of new exhibits next year in an effort to expand facilities to help drive attendance that has dropped off. Jerry Schubel, the Aquarium's president and CEO, said staff has been able to manage the slight loss in sales and is in good shape for growth next year.

"This one's been a challenge but we expect we will end up having about 1.4 million visitors," he said. "From a financial perspective we're in good shape because we've been able to manage the expense side of the house, even though we've lost some of the revenue we might have expected. We're in a strong position as we enter 2011."

In May, the non-profit facility opens its newest \$2.5 million addition known as the Ocean Science Center, which will include a six-foot diameter globe projecting images of the ocean processes. Other new exhibits next year include a display on climate change in relation to the melting ice caps and the Arctic region, an expanding urban ocean program with lectures and boat trips and an exhibit related to California's water resources, opening in September.

### **Waterfront Operations**

Long Beach's operations of port terminals, ship docks and marinas on the waterfront has provided tourists with leisure and recreational opportunities through cruises, harbor tours, ferry boat rides and other attractions.

The largest economic generator in the Long Beach harbor by far is Carnival Cruise Lines, which generates close to \$82 million a year in total direct economic impact to the state's economy, according to a 2006 report by economics professors at California State University, Long Beach. The Long Beach Cruise Terminal alone serves about 400,000 passengers per year.

When combined with indirect impact, Long Beach operations

are expected to generate \$132 million in the state, the study claims. The cruise line also spent roughly \$58 million in 2006 on operations and purchases in the local economy for goods and services, such as food, beverages, fuel, hotel supplies and equipment.

However, the newer 3,006-passenger Splendor cruise ship, which replaced the Carnival Pride last year, encountered a disaster in November due to an engine room fire. As the ship is being repaired, further delays have caused the company to cancel five more cruises from January 16 to February 13, according to a company statement released December 15. The ship is expected to be out of service until February 20. The ship is currently in San Diego and is scheduled to sail to San Francisco by mid-January for final repairs at a dry dock facility. Guests with cancelled voyages are expected to receive a full refund or future cruise credit, reimbursement of travel expenses and a 25 percent future cruise discount.

Terry Thornton, Carnival's senior vice president of itinerary planning and revenue managements, stated in an email that, "The ship being out of service for several weeks will not have a major impact on the overall scope of our West Coast operations." He added that the company's West Coast operations has been driven by lower cruise prices due to regional economic conditions in addition to heightened security and safety concerns due to publicized crimes, affecting voyages to the Mexican Riviera.

Carnival ships typically operate in excess of 100 percent occupancy, including the three vessels currently homeported on the West Coast, which are expected to carry roughly 420,000 guests in 2011, Thornton stated. In addition to the Splendor, the Carnival Paradise also offers year-round Baja cruises from Long Beach.

Elaine Vaughn, vice president of marketing and sales for Catalina Express, said she expects more passenger trips to Santa Catalina Island next year as the island's managing company has launched new attractions and renovations to facilities. Many visitors have been attracted to new hotel services, restaurants, tours and the new "Zip Line Eco Tour," which opened this year.

"This year we've seen some modest growth," she said. "We're in a bit of a come back mode and with what the Santa Catalina Island Company has done in terms of their investment in improvements and additional attractions, caused us to have a nice increase in business this year and we know it will continue into next year."

Catalina Express offers three daily boat ferries with a fleet of eight vessels to the island from Dana Point, Long Beach and San Pedro. The company is celebrating its 30th anniversary next year, and is expected to roll out a few new promotions, she added.

Dan Salas, owner of Harbor Breeze Cruises at Rainbow Harbor near the Aquarium, said his company has kept steady sales throughout the recession. The company, which offers whale watching trips, harbor tours and dinner cruises, saw a 10 to 15 percent growth every single year since starting about 10 years ago, finishing up 2010 with a 20 percent growth in sales.

However, he added that there have been fewer and fewer tourists walking on the foregrounds since the economic downturn, which has reflected in a 15 to 20 percent drop in "walk-up" sales for harbor cruises. Salas has been able to rely on online ticket sales for blue whale watching trips, which improved significantly this year, he said.

"We've been pretty much on our own since we've started down here," Salas said. "I think the whole key to making Long Beach work is we need to work together. That's the whole secret here to get the people to get down here to Long Beach, park their cars and go from there. But we need to get them here." ■