TOURISM ECONOMICS

An Analysis of the San Diego Tourism Marketing District Benefits to Hotels

July 2016

TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

Contents

1. **Executive Summary** 3

2. **The Vital Role of Destination Promotion** 4

2.1 Efficiencies of scale and stable, sustained operations 4
2.2 Essence of the tourism product 5
2.3 Competitive market 5
2.4 Global market opportunity 7
2.5 Perishability of the tourism product and seasonality of demand 8
2.6 Multi-property events and offers 8

3. **Market Performance** 9

4. **SDTMD Return on Investment** 10

4.1 Total returns 10
4.2 Returns by size of hotel property 11
4.3 Returns by location of hotel property 14

5. **Are Benefits of the TMD Directed Specifically to Assessed Properties?** 16

5.1 Board composition 16
5.2 Lead generation 16
5.3 Room blocks 16
5.4 Marketing content and calls-to-action 16
5.5 Supplemental funding 16
5.6 Diversity of marketing 17
5.7 Sub-regional marketing 17
5.8 Distinctions between benefits based on hotel size 17
5.9 Collateral benefits 17

6. **About Tourism Economics** 19

1. Executive Summary

The San Diego Tourism Marketing District (TMD) provides sustainable destination marketing funding for San Diego to both domestic and international markets. This paper analyzes TMD-funded promotional activities to identify their role in generating incremental room nights to TMD hotels. Key findings include:

- Destination marketing is a critical business development function, made necessary by the fragmented nature of the hotel industry and the need for scale in order for marketing to be effective. With an increasingly competitive landscape and a perishable hotel product, a substantial and stable source of funding as provided by the TMD is essential to the success of the San Diego hotels that fund it.
- Collective marketing by the hotel industry is rooted in the fact that the key motivation of visitors to San Diego is not a hotel but the destination. By pooling resources, the hotel industry can promote the brand of San Diego to generate TMD hotel room nights.
- San Diego hotels have consistently outperformed regional competitors and the aggregate of the top 25 hotel markets in the US since TMD funds were redeployed in 2014.
- SDTMD-funded programs have been proven to be effective, averaging an ROI of 30:1 (hotel revenue per dollar invested) in FY2015 and generating more than $700 million in incremental hotel revenue.
- The vast majority of these benefits accrue to hotel properties with 70 or more rooms. 92% of hotel rooms in the City of San Diego are within properties with 70 or more rooms. Further, hotels with fewer than 70 rooms skew towards economy and budget hotels, meaning that TMD programs generate relatively little revenue to smaller hotels. As a result, 98.3% of all TMD-generated hotel revenue would accrue to hotels with 70 or more rooms with slight program adjustments, namely limiting online travel agency (OTA) promotions and direct bookings to these larger properties.
- All TMD sales and marketing programs target the City of San Diego so as to limit benefits to TMD hotels. This is reflected in the location of sponsored events in the city as well as exclusive TMD hotel direct bookings and group sales. All marketing content (both online and traditional media) is limited to the City of San Diego as well. As a result, consumer response to these campaigns is focused on the City and TMD hotel properties.
- This content and channel focus on the City of San Diego drive the vast majority of hotel benefits to TMD properties and we estimated that 94.7% of all revenue generated by TMD-funded programs and activities accrues to in-city hotels. And 93.1% of all impacts would accrue hotels with 70 or more rooms that are based within the city of San Diego

2. The Vital Role of Destination Promotion

The case for destination marketing is broad and compelling. Indeed, across the US, there are more than 500 destination marketing organizations (DMOs) with a combined budget of $1.6 billion. In California alone, nearly 100 TMDs have been formed with a total marketing budget of more than $200 million. This chapter briefly outlines the rationale for destination marketing and the particular importance of TMD funding in building economic value.

In summary, destination marketing is vital because:

- Individual businesses lack the capacity to conduct certain types of marketing effectively, and certain benefits accrue across the economy rather to just an individual business.
- Scale supports marketing efficiencies, leveraging the impact of each marketing dollar. DMOs provide a stable base for coordinated marketing over time.
- The destination and overall experience of an area is a fundamental motivator of tourism. As a result, the message to a potential traveler extends beyond the offerings of a single business.
- Competing destinations are actively marketing and a failure to engage with travel markets results in lost market share.
- The global market opportunity is vast, presenting attractive growth prospects for domestic destinations that can present a coordinated message to potential visitors.
- Destination marketing helps address challenges presented by the perishability of tourism products and the seasonality of demand.

2.1 Efficiencies of scale and stable, sustained operations

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient "share of voice" to be heard and make an impact. While the cost of media purchases is expensive, per unit advertising costs go down as the volume of purchases goes up. Further, scale produces efficiencies that reduce overhead and maximize the share of funding that goes to actual marketing and advertising. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

One of the benefits of coordinated marketing facilitated by destination promotion is the ability to have a stable organization and funding base to support destination marketing. For example, this allows a DMO to build the infrastructure, brand awareness, and relationships that yield results over time.

As a result, TMD funding is used to invest in a brand, infrastructure and relationships that have been built up over time. For example, in terms of marketing, because a base level of awareness of the destination has already been established with some target customers, additional annual marketing can be more effective at activating and reinforcing key messages. Infrastructure, such as the website, and the processes around maintaining and updating marketing content, as well as current staff of the organization, represent key resources, allowing the TMD and its contractors to accomplish more with its marketing budget than hotels could on their own.

2.2 Essence of the tourism product

The fundamental motivation driving a visit to San Diego is not a single hotel—it is the destination and the overall experience the area has to offer.

While the hotel is a beneficiary, the broader destination is the primary decision motivator and as a result, destination marketing is an essential driver of hotel room demand. The activities of the TMD recognize this fact. By banding together, TMD hotels and other partners are able to represent the destination collectively, and in doing so drive incremental room demand. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

2.3 Competitive market

To lack destination promotion is to lose market share. This is partly evident by the sheer number of DMOs in the US and the amount invested annually. One oft-cited example of what happens when destination promotion is defunded comes from Colorado. Prior to 1993, Colorado had a $12 million marketing budget, funded by a 0.2% tax on travel-related goods and services. Voters struck down the tax, effectively eliminating the marketing and promotion budget. The effect of the abrupt stop to marketing was significant and swift: Colorado lost 30% of its market share of US tourism within two years and more than $1.4 billion annually in visitor spending. When a new Colorado Tourism office opened and the budget was expanded, the tourism market recovered.

The most relevant case study is in San Diego. As a result of litigation-related risks, funds intended for the SDTDM were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.

The San Diego Tourism Authority (SDTA) cancelled its spring 2013 advertising campaign. Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to operate a bare-bones operation with only 15% of the funding that it previously received from the TMD. TMD funding to other groups and events promoting tourism was also curtailed.

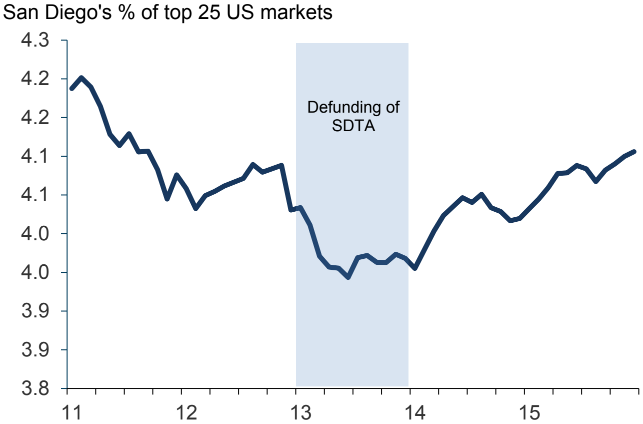
Ultimately, in late-November 2013, the local city council released a portion of the funds being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.

The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and prices levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs.

The adjacent graph shows San Diego's reduced hotel room revenue market share relative to the top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

San Diego market share of revenue

San Diego's % of top 25 US markets

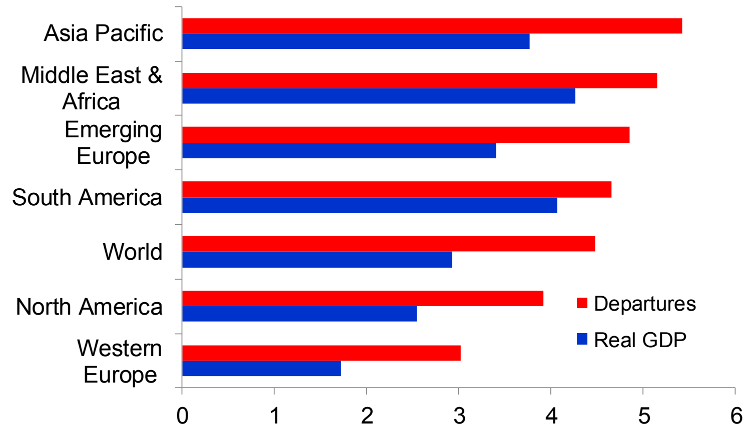


Sources: STR, Tourism Economics

2.4 Global market opportunity

The sheer size of the global travel market also makes a compelling case for destination marketing. Since 1990, growth in international travel has averaged 4% per annum and has expanded a cumulative 62% since 2000. In 2013, international tourist arrivals reached 1.1 billion. Many of these travelers have limited, or no, initial familiarity with the offerings of San Diego as a destination. By working with tour group leads, and providing resources such as its website, TMD funds promote San Diego to visitors from these growing markets in ways that extend beyond the capabilities of many small or medium-sized tourism businesses.

Emerging Markets Will Lead Growth
Average annual % change, 2015 to 2025



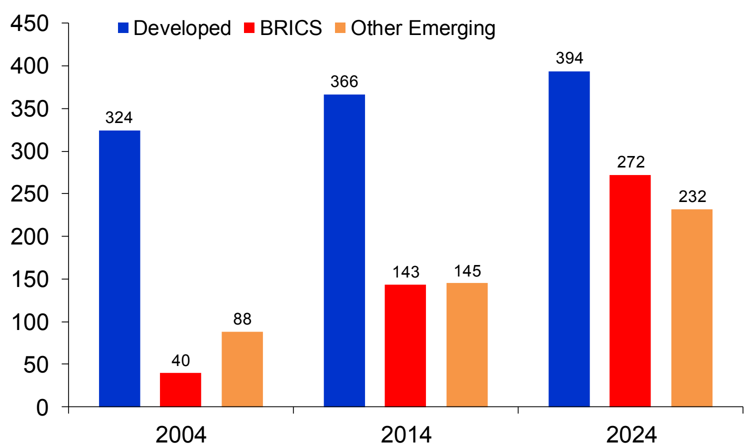
Source: Tourism Economics

The volume of global outbound travel is forecast to increase 4.5% annually to 2025, while real GDP will expand 2.9% per year.

Markets in Asia, the Middle East, and Emerging Europe will make increasingly significant contributions to international travel. Travel growth in North America and Western Europe will be more moderate, but will still outpace the broader economy in those markets.

In most regions of the world average annual growth in outbound travel will outpace real GDP by more than a percentage point. South America will be the exception, where outbound travel will exceed real GDP by 0.5 percentage points on average.

Traveling Class Household Volumes
Households with income over $20,000 per annum, millions



Source: Oxford Economics

From 2004 to 2014, the number of global households with annual income greater than $20,000 in constant 2012 US dollar terms increased 45% - compared with 18% total household growth.

Household formation within this travel-enabled class will continue to surge, growing 37% from 2014 to 2024. In comparison, total households will rise by 16% over this period of time. With this rapid growth of the number of households earning more than $20,000, long-haul travel will become affordable for over 244 million additional households in 2024. These new customers will drive incremental travel above economic growth trends.

2.5 Perishability of the tourism product and seasonality of demand

In manufacturing, inventory can be stored or redistributed to markets where demand is stronger, and seasonal fluctuations in demand can be managed effectively. This same degree of flexibility doesn't exist for many tourism-dependent businesses, the product of which is perishable, fixed in one market, and typically under more heavy demand during some seasons and days of the week than others.

In the lodging sector, the product sold is a room night, which cannot be held over to another day. If a room goes unoccupied, the potential room night sale and associated revenue are lost. The hotel product depends heavily on infrastructure, which cannot be picked up and moved to another location. Also, the upfront investment of capital required in lodging, and the fixed nature of many operating costs, results in a situation in which successful ongoing operations are frequently heavily dependent on demand reaching a "break even" level of operations. In situations in which demand is concentrated in peak periods, staffing can be challenging for employers and employees alike due to season duration.

Effective destination marketing helps address these challenges. By broadening potential visitors' understanding of a destination's offering, destination marketing is frequently designed to boost demand during shoulder periods. This helps businesses make use of resources that would otherwise be idle, extends the duration of seasonal employment, and supports a better base for year-round jobs. This incremental activity supported by destination marketing can be critically important to successful and profitable operations in the tourism sector. The end result is a level of market demand that benefits lodging businesses as well as their employees, and expands the tax base.

2.6 Multi-property events and offers

Many of the conventions, special events, and trade shows hosted by San Diego use multiple hotel properties. Therefore, a single hotel could not reasonably market to promoters of an event (and offer a given room block and rate). By the same token, leisure market advertising and special offers are more effective when multiple property options are given. In either case, cooperation is necessary and TMD funds support the offering of multi-property room blocks to both business and leisure market segments.

3. Market Performance

The San Diego hotel industry has experienced strong performance over the past six years.

In 2015, San Diego hotel room demand reached a new high of 16.8 million room nights. This marked the sixth consecutive year of growth and represents a 27% expansion since 2009.

Room revenue has increased at an even faster clip as room rates have also increased markedly. The average daily rate of a hotel room in San Diego reached $150/night in 2015, growing 6.1% from the previous year and posting a new high.

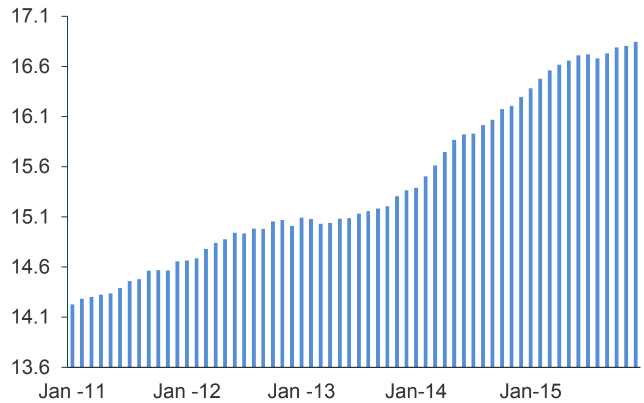
San Diego room revenue exceeded $2.5 billion in 2015, growing 9.6%. Since 2009, room revenue has increased 53% and stands 26% above its pre-recession high.

The strong performance of the San Diego hotel sector is best viewed in comparison to its competitors. On this basis, we see steady gains in market share in 2014 once SDTA funding was restored and a stabilization of that share in 2015.

The adjacent chart shows this market share performance in terms of room demand against the top 25 hotel markets in the US as well as San Diego's competitive set of Los Angeles, San Francisco, Anaheim, Phoenix and Seattle.

San Diego Room Demand

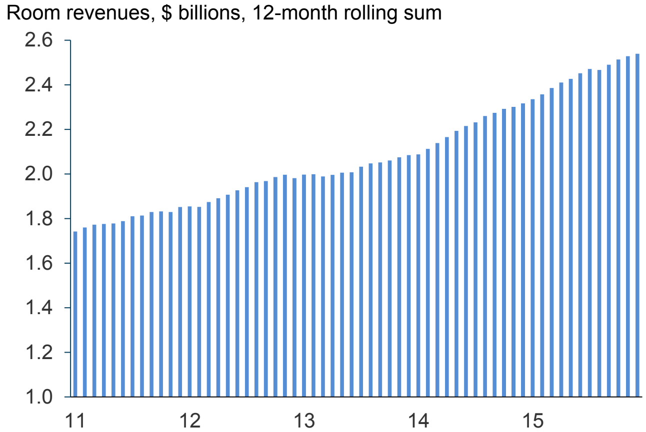
Room nights, millions, 12-month rolling sum



Sources: STR, Tourism Economics

San Diego Hotel Room Revenue

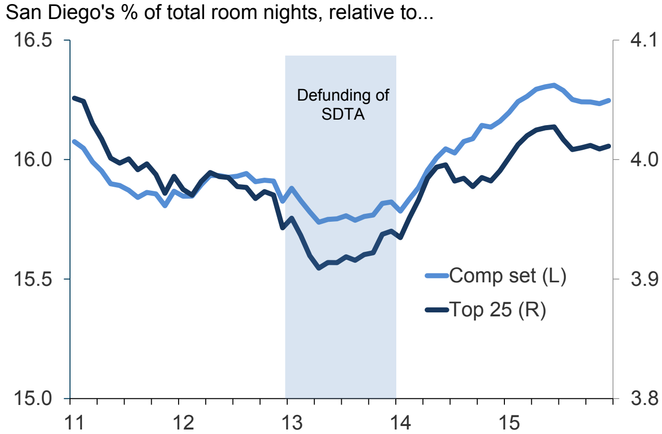
Room revenues, $ billions, 12-month rolling sum



Sources: STR, Tourism Economics

San Diego room demand market share

San Diego's % of total room nights, relative to...



Sources: STR, Tourism Economics

4. SDTMD Return on Investment

4.1 Total returns

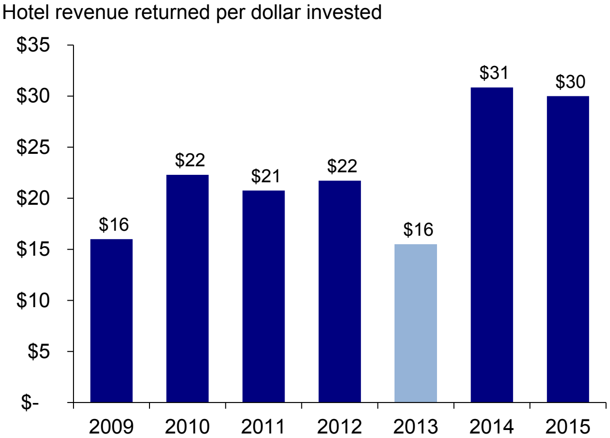
The TMD measures the return on investment (ROI) for funding granted to support organizations and for specific programs that generate incremental room nights within the City of San Diego. The ROI is calculated by dividing incremental hotel room revenue by the TMD investment. The room night and revenue calculations may be estimated based on actual room block bookings or through primary research in the form of visitor or campaign surveys. The standards set by the TMD require a 95% confidence level with a margin of error of +/- 5 percentage points.

TMD investments have generated consistently strong ROI since 2009, when each dollar invested yielded an incremental $16 in hotel room revenue. In each of the following three years (2010-2012) TMD funds generated an ROI of over 20:1. The following year, 2013, stands as an outlier, when funding was significantly reduced so efficiencies were lost; still, TMD-funded promotions yielded an ROI of 16.1.

In the past two years, the hotel industry has enjoyed the most robust TMD returns to date. In 2014 (which is measured across the 18 months through June 2014 due to the formation of a new district), every dollar of TMD investment generated $31 in hotel room revenue. In 2015, this performance was near matched with an ROI of 30:1.

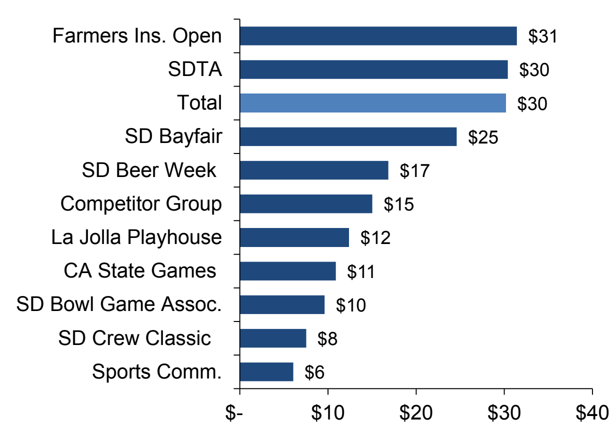
As the TMD's largest contractor, the San Diego Tourism Authority (SDTA) continues to play a significant role in attracting leisure and business travelers for overnight and extended visits. For FY2015 SDTA ROI was 31:1. Other programs, including various major sponsored events, generated strong ROI as well.

SDTMD Cumulative ROI
Hotel revenue returned per dollar invested



Source: SDTMD

SDTMD ROI in 2015 by Program
Hotel revenue returned per dollar invested



Source: SDTMD

4.2 Returns by size of hotel property

Tourism Economics has analyzed TMD returns by size of hotel to determine the share of benefits that would be realized by properties with 70 or more rooms.

The distribution of TMD returns by size of hotel property is dependent on three factors:

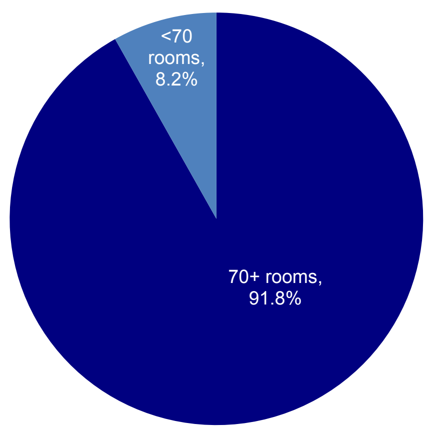
- Programmatic targeting of specific hotels
- The number of hotel rooms available in different property sizes
- The average room rates charged across different properties

The first factor allows for straightforward tracking of room revenue generated in specific properties for particular programs. These programs include group sales for events (which were 100% in hotels with 70 or more rooms). In addition online travel agency (OTA) promotions can be designed to exclusively benefit these larger properties. Similarly, bookings on sandiego.com can be targeted to exclusively benefit hotels with 70 or more rooms. (In 2015, this benefit share was 92%.)

The second and third factors relate to leisure marketing campaigns and event sponsorships where visitors have a choice of hotel.

The distribution of available rooms by property size is the second factor. If most of the hotel rooms are in larger properties, this will directly affect the proportion of benefits to these properties. This is indeed the case as 92% of all rooms in the City of San Diego are in properties with at least 70 rooms.

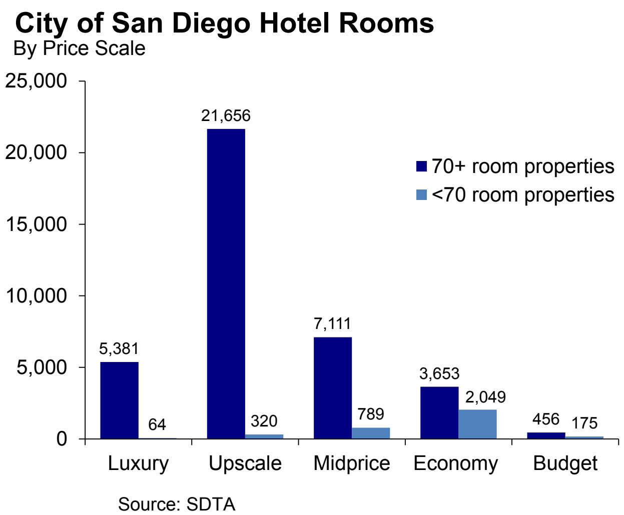
City of San Diego Hotel Room Distribution
By Property Size

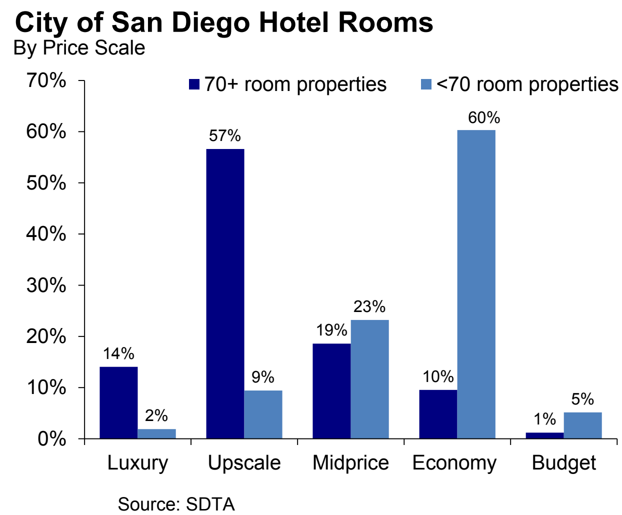


Source: SDTA

The average room rate for various property sizes also affects the distribution of benefits. In San Diego, a relatively large proportion of economy and budget hotels are also smaller properties; 65% of all hotels with fewer than 70 rooms are in these lower price scales. In contrast, larger hotels skew towards the luxury, upscale, and mid-price categories.

As a result, the average daily rate at a larger hotel was $158.50 in 2015, compared to just $92.59 for hotels with fewer than 70 rooms. This further shifts the benefits of promotional investments towards these larger properties.





The following table illustrates the effects of room availability and rooms rates with respect to SDTA's fall and spring advertising campaigns from FY2015. Out of a total 2.7 million room nights generated, 2.5 million were within larger (70+ rooms) properties. The calculation starts with the availability of rooms (91.8% in larger properties) and then factors in the ADR premium of these rooms, which is scaled to the reported average room rate of campaign-generated room nights.

Out of a total room revenue impact of $382 million, $363 million (92.5%) was realized by properties with 70 or more rooms.

FY2015 Impact (Fall and Spring Advertising)		
Total Room Nights Generated	2,751,870	
	70+ room benefit	<70 room benefit
Room distribution	2,527,447	224,423
Share of rooms	91.8%	8.2%
ADR	$ 143.77	$ 81.15
Revenue distribution	$ 363,365,819	$ 18,211,308
Revenue share	95.2%	4.8%

The following table shows an analysis of all TMD programs based on the FY2015 budget and documented ROI by program/contractor. This scenario examines the benefits that would accrue to hotel properties with 70 or more rooms with slight program adjustments, namely limiting online travel agency (OTA) promotions and direct bookings to these larger properties.

In programs that can be targeted to specific properties (meetings, sandiego.org, OTA campaigns), 100% of the benefits will accrue to larger properties as these will be the only hotels represented.

For advertising campaigns, special events, and sports promotion, the proportion of benefits to larger hotels is based on available rooms and the associated rate premium at 70+ room properties. Based on room availability and rates, this equaled 95.2% in the last fiscal year. A retooling of SDTA collateral, marketing, calls to action, sales, and website content will raise this share to an estimated 97%. (This also reflects the reality that event attendees and those responding to SDTA advertising likely have a low incidence of staying at economy and budget hotels.)

In the final analysis, 98.3% of all TMD-generated hotel revenue is realized by properties with 70 or more rooms in this scenario.

Projections of TMD ROI Based on FY2015 Budget

Contractor / Program	Room nights	ADR	Room revenue	FY2015 Budget	70+ room revenue share	70+ room ROI
San Diego Tourism Authority						
Hotel Meetings						
1 Hotel Meetings Room Nights (NEW Business TMD Only)	325,591	$ 207.70	$ 67,625,251		100%	$ 67,625,251
Marketing						
2 sandiego.org hotel bookings via ARES (Final)	1,882	$ 159.75	$ 300,647		100%	$ 300,647
3 Fall Advertising Program (Final)	640,831	$ 139.36	$ 89,303,777		97.0%	$ 86,624,664
4 Spring Advertising Program (Final)	2,111,039	$ 138.45	$ 292,273,350		97.0%	$ 283,505,150
5 OTA Campaign (Final)	1,609,125	$ 155.13	$ 249,618,671		100%	$ 249,618,671
Total Marketing	4,362,877		631,496,445		98.2%	$ 620,049,131
Total SDTA ROI	**4,688,468**	**$ 149.12**	**699,121,696**	**$ 22,931,309**	**98.4%**	**$ 687,674,382**
			ROI Multiple =>	**30.49**		
Other Contractors / Programs						
Special Events and Sports Commission	127,043	$ 161.38	$ 20,502,021	$ 1,499,432	95.2%	$ 19,523,533
Total TMD ROI	**4,815,511**		**$ 719,623,717**	**$ 24,430,741**	**98.3%**	**$ 707,197,915**

4.3 Returns by location of hotel property

Tourism Economics also analyzed the potential for TMD-funded promotional activities to benefit hotels outside of the City of San Diego.

Sales activities and events focus demand on specific hotel properties through designated room blocks and the location of the events themselves which centralizes hotel business within TMD properties. Thus 100% of these benefits accrue to TMD properties.

Similarly, for online travel agency (OTA) campaigns and sandiego.org bookings, only hotels within the City of San Diego are represented.

The only activity that presents the potential to generate business outside of the city is general advertising. It is likely that some visitors to San Diego who are attracted by the general advertising campaigns of SDTA choose to stay in hotels outside of the city. This is likely to be a small proportion of influenced visitors since all of the hotels, images, events, and attractions highlighted in the campaigns and on the call-to-action website are within the city of San Diego.

The city also represents a large share of all hotels in the region. While the city of San Diego comprises just 8% of San Diego County by land area, the city is host to 66% of all hotel rooms in the county. And because occupancy and room rates are higher in the city, it represented 70% of the entire County's hotel room revenue in 2015.

Hotel Metrics, 2015 (Source: STR)

	City	County	Non-City County	City Share
Rooms	39,822	60,734	20,912	66%
ADR	$ 157	$ 151	$ 137	
Occ	79%	76%	72%	
Demand	11,409,999	16,936,283	5,526,285	67%
Revenue	$ 1,796,047,872	$ 2,552,636,610	$ 756,588,738	70%

A proportionate allocation of visitors to San Diego across the entire County would imply a 30% benefit to hotels outside of the city. However, there are several reasons why visitors influenced by SDTA advertising would be highly concentrated within the city. The first, as noted, is that all marketing content focuses on the city of San Diego. The second is that visitors interested in staying in other parts of the County (e.g. Carlsbad) are likely to be influenced by destination marketing specific to that destination.

As a result, we estimate the upper limit of the benefits of advertising that accrue to hotels outside the city of San Diego at 10%. This reasonably assumes that a visitor influenced by SDTA general advertising is significantly more likely to stay in the city than the average visitor to the County.

When factoring in this potential for benefits outside of the city, we find that 94.7% of all benefits generated by TMD-funded programs and activities accrue to hotels within the city of San Diego.

Projections of TMD ROI Based on FY2015 Budget

	Contractor / Program	Room nights	ADR	Room revenue	FY2015 Budget	City revenue share
	San Diego Tourism Authority					
Hotel Meetings						
1	Hotel Meetings Room Nights (NEW Business TMD Only)	325,591	$ 207.70	$ 67,625,251		100%
Marketing						
2	sandiego.org hotel bookings via ARES (Final)	1,882	$ 159.75	$ 300,647		100%
3	Fall Advertising Program (Final)	640,831	$ 139.36	$ 89,303,777		90.0%
4	Spring Advertising Program (Final)	2,111,039	$ 138.45	$ 292,273,350		90.0%
5	OTA Campaign (Final)	1,609,125	$ 155.13	$ 249,618,671		100%
	Total Marketing	4,362,877		631,496,445		94.0%
Total SDTA ROI		**4,688,468**	**$ 149.12**	**699,121,696**	**$ 22,931,309**	**94.5%**
				ROI Multiple =>	**30.49**	
	Other Contractors / Programs					
	Special Events and Sports Commission	127,043	$ 161.38	$ 20,502,021	$ 1,499,432	100.0%
Total TMD ROI		**4,815,511**		**$ 719,623,717**	**$ 24,430,741**	**94.7%**

Given that 98.3% of impacts are projected to be realized by properties with 70 or more rooms, 93.1% of all impacts would accrue to these larger hotels based within the city of San Diego (98.3% x 94.7%).

5. Are Benefits of the TMD Directed Specifically to Assessed Properties?

Finally, it is important to understand how the benefits of a broad range of sales and marketing programs are channeled to those properties that pay the TMD assessment.

5.1 Board composition

The SDTMD board is made of up nine hotel executives representing a range of hotel properties and various class levels (i.e., price points in the lodging market) across San Diego. The board composition helps to ensure that funds will be used specifically to benefit all properties paying into the TMD and not others.

5.2 Lead generation

SDTA leads and inquiries generated by sales and marketing are directed specifically to TMD properties, restricting the benefit of these collective marketing activities to the hotels which fund them.

5.3 Room blocks

Special rates and room block allocations are exclusively reserved within TMD properties for conventions, trade shows, and other events sold or organized by TMD contractors. Again, the benefit of collective efforts to attract large events flow only to hotels within the District that pay its assessment.

5.4 Marketing content and calls-to-action

Destination advertising directs the audience with images and special offers to TMD properties. Any calls-to-action are directed to TMD properties. Again, the benefit of this marketing is directed to the assessed hotels.

All SDTA collateral, marketing, calls-to-action, sales, and website content focus on TMD properties. The lone exception to this is selected properties in Coronado; these benefits are funded separately from the SDTMD through a separate contract with SDTA.

5.5 Supplemental funding

Given the nature of an integrated regional economy, some non-TMD properties can be expected to receive business as a result of TMD-related sales and marketing. However, these benefits will be small and proportionate to (or less than) levels of non-TMD funding, especially as TMD funding policies require events expected to have spill-over benefits to non-TMD hotels to measure that expected spill-over and provide non-TMD funding in proportion to that benefit. Thus, TMD policies ensure that assessment proceeds are spent only for the benefit of TMD hotels.

5.6 Diversity of marketing

The sheer diversity of SDTMD-related sales and marketing will help to ensure that TMD payers of various types receive benefits. TMD funds are applied across event types, from family reunions to large trade shows. The funds are also directed to various market segments, including leisure and business travel. And various media are used, including print, online, radio, and television. This diversity of market approaches helps to spread TMD benefits across TMD contributors.

5.7 Sub-regional marketing

Programs are planned to direct benefits to particular regions of the City of San Diego. For example, specific sub-regional funding in support of La Jolla, Mission Bay, or Mission Valley is reserved for generating room night demand in those specific sub-regions.

5.8 Distinctions between benefits based on hotel size

The TMD assessment and programs have been designed to ensure a specific benefit is provided to the payers. The 70-room delimiter will ensure that funds spent on programs attracting large groups are derived from payers which benefit from those groups—hotels with more than 70 rooms. Hotels with less than 70 rooms will not be featured in those programs or receive those leads.

5.9 Collateral benefits

Other businesses, such as restaurants, will, incidentally and without cost to the hotel payers, receive indirect, secondary benefits from the generation of visitation to San Diego. However, the TMD programs are designed to provide the specific benefit of hotel room night generation. Further, lodging typically represents the largest share of spending by hotel guests. Given linkages within an economy, benefits to one industry always involve benefits to other sectors. For example, increases in spectator sports attendance also generate increases in purchases of team apparel and concessions. However, the primary activity is attending a sports event.

The same is true of lodging demand generated by TMD promotional activity. Lodging is the sole service being sold, and the specific benefit of increased room night sales will be experienced by the hotel industry. Just as those attracted to San Diego by hotel marketing may visit SeaWorld, SeaWorld's marketing budget can be expected to generate hotel room nights.

6. About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With experience working with more than 200 destination marketing organizations, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics has built a reputation over the past 35 years of impartial, rigorous economic analysis. We employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our worldwide client base comprises over 1,000 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations.

PHILADELPHIA
303 LANCASTER AVENUE, SUITE 2E
WAYNE PA 19087, USA
TEL: +1 610 995 9600

OXFORD
ABBEY HOUSE, 121 ST ALDATES
OXFORD, OX1 1HB, UK
TEL: +44 1865 268900

LONDON
BROADWALL HOUSE, 21 BROADWALL
LONDON, SE1 9PL, UK
TEL: +44 207 803 1400

BELFAST
LAGAN HOUSE, SACKVILLE STREET
LISBURN, BT27 4AB, UK
TEL: +44 28 9266 0669

NEW YORK
817 BROADWAY, 10TH FLOOR
NEW YORK, NY 10003, USA
TEL: +1 646 786 1863

SINGAPORE
NO.1 NORTH BRIDGE ROAD
HIGH STREET CENTRE #22-07
SINGAPORE 179094
TEL: +65 6338 1235

PARIS
9 RUE HUYSMANS
75006 PARIS, FRANCE
TEL: + 33 6 79 900 846

EMAIL: INFO@TOURISMECONOMICS.COM

WWW.TOURISMECONOMICS.COM

TOURISM ECONOMICS