



## ***AOT in Action***

Welcome to AOT in Action, your weekly e-newsletter from the Arizona Office of Tourism (AOT).

### **A Message from Director Sherry Henry:**

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Good afternoon,

We are excited to announce that we're now accepting nominations for the [2015 Governor's Tourism Awards](#)!

AOT invites you to submit nominations for the [2015 Governor's Tourism Awards](#) in celebration of the great achievements that occur throughout exciting our industry.

From unique cooperative marketing projects to valuable tourism champions, astounding work is accomplished each and every day by our industry to promote the Great State of Arizona. The Governor's Tourism Awards is a wonderful way in which to recognize these efforts.

Please note the revised timeline this year! Don't miss your chance to nominate an individual or organization you feel deserves one of these notable industry awards.

We are accepting nominations until **Friday, May 1**. More information is on our website at [tourism.az.gov/communications/tourism](http://tourism.az.gov/communications/tourism).

And be sure to register for the [2015 Governor's Conference on Tourism](#)! More information is available at [www.AZTourismConference.com](http://www.AZTourismConference.com).

Have a great Arizona week!

Sherry Henry  
Director, Arizona Office of Tourism

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**AOT News**

## Save the NEW Date for Governor's Conference on Tourism

Be sure to save the **NEW** date on your calendar to attend the 2015 Arizona Governor's Conference on Tourism **June 22-24**. This year's annual conference will be held at the JW Marriott Camelback Inn in Scottsdale, a month earlier than usual. The Arizona Governor's Conference on Tourism provides valuable networking opportunities with industry peers, professional development sessions, nationally recognized speakers, an industry-related exhibit area and the Governor's Tourism Awards Gala. For more information and registration, visit [www.aztourismconference.com](http://www.aztourismconference.com).

## New Research Update Available!

The following new reports are available at [tourism.az.gov](http://tourism.az.gov):

- [Arizona Lodging February 2015](#)

For more information, please visit [tourism.az.gov](http://tourism.az.gov) or contact Research Specialist Colleen Floyd at [cfloyd@tourism.az.gov](mailto:cfloyd@tourism.az.gov).

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## Upcoming Events & Activities

### [Media Tour: Native Ways](#)

Date: April 12-18

Locations: Hon-Dah, Chinle, Hopi, Chandler

### [Visit USA Show - Brazil](#)

Date: April 27

Locations: Rio de Janeiro, Sao Paulo, Campinas

### [AAA/CAA FAM Tour](#)

Date: April 29 - May 3

Locations: Mesa, Sedona, Prescott and the Grand Canyon National Park

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## Industry News

### **Don't Miss AZ Wine & Dine! April 2, 5-8 p.m.**

Don't miss this annual April culinary event where attendees enjoy an evening of culinary delights in the luxurious atmosphere of the Scottsdale Quarter. This event was a sold-out success last year, and we anticipate another capacity crowd to enjoy and revel in the fabulous cuisine that our industry offers. Food and beverage participation is sold out, but sponsorships are still available. Please contact Alena Hicks for information. For tickets or general information visit: [www.AZWineandDine.com](http://www.AZWineandDine.com). Early bird tickets are available at \$65 until March 31st, so don't delay!

### **Chinese Tourists Are Headed Your Way with \$264 Billion**

Already the most prolific spenders globally, the number of Chinese outbound tourists is tipped to soar further as the millennial generation spreads its wings.

Here are the numbers: 174 million Chinese tourists are tipped to spend \$264 billion by 2019 compared with the 109 million who spent \$164 billion in 2014, according to a new analysis by Bank of America Merrill Lynch. To put that in perspective, there were just 10 million Chinese outbound tourists in 2000.

How much is \$264 billion? It's about the size of Finland's economy and bigger than Greece's.

"China-mania spread globally in the past few years, akin to when the Japanese started travelling some 30 years ago, when the world went into frenzy then, pandering to Japanese customers' needs," the analysts wrote. "In our view, this is going to be bigger and will last longer given China's population of 1.3 billion vs Japan's population of 127 million."

Millennials, or 25- to 34- year olds, are expected to make up the bulk of Chinese tourists at 35% of the total, followed by 15- to 24- year olds accounting for around 27%.

Only about 5% of China's 1.3 billion populace are thought to hold passports, meaning the potential for outbound tourism is vast.

The projected boom could be good news for the global economy. The Chinese are the world's biggest consumers of luxury goods, with half of that spending done overseas. Chinese visitors to the U.S. have risen more than 10% since 2009, the fastest pace for a destination outside of Asia. Australia, France and Italy are also popular.

Asian markets stand to benefit, with the biggest uptick tipped for Japan, South Korea and Southeast Asia, according to the research led by Billy Ng in Hong Kong. (*Bloomberg, March 10*)

### **Hotel Occupancy to Hit Record High in 2015**

The U.S. lodging industry will continue to achieve very strong growth in rooms revenue per available room (RevPAR) during both 2015 and 2016 according to the recently released March 2015 edition of PKF Hospitality Research's (PKF-HR) Hotel Horizons® (PKF-HR is a CBRE company). The report further predicts that the composition of the factors driving the RevPAR is starting to shift with record-setting occupancy yielding ground to growing average daily rates (ADR).

"In 2015, RevPAR growth will be achieved by healthy increases in both occupancy and ADR, similar to the pattern we have seen since 2011," said R. Mark Woodworth, senior managing director of PKF-HR. "However, beginning in 2016, we are forecasting that ADR gains will be the dominant, if not sole, driver of RevPAR growth through 2019."

For 2015, PKF-HR is forecasting a 1.9 percent increase in occupancy, combined with a 5.3 percent rise in ADR, for a 7.3 percent boost to RevPAR. In 2016, the increase in occupancy is projected to slow down to just 0.6 percent, but the pace of ADR growth is forecast to improve to 6.3 percent. The net result will be a 6.5 percent gain in RevPAR next year.

"The 65.6 percent occupancy level we are forecasting for 2015 is an all-time record for the 27 years STR, Inc. has been reporting U.S. lodging industry performance. At such lofty levels, it is natural that the pace of occupancy growth will slow down, and we will start to see prices take off," said Woodworth.

#### *Are The Gains Real?*

"When discussing ADR and RevPAR growth, you should always evaluate them in real terms, not just nominal," said John B. (Jack) Corgel, Ph.D., the Robert C. Baker professor of real estate at the Cornell University School of Hotel Administration and senior advisor to PKF-HR. "Hotel owners and managers financially benefit from real dollar flows which occur when demand exceeds supply for hotel rooms as it has during this recovery and expansion and will into the near future."

According to CBRE Economic Advisors and Moody's Analytics, inflation in 2015 is forecast to be a mere 0.6 percent. However, in 2016, as the price of oil and other commodities start to rise, the inflation forecast jumps to 2.6 percent.

"Taking inflation into consideration, we do see a slightly different RevPAR outlook each of the next two years," Corgel said. "In the low-inflationary environment of 2015, the real RevPAR gain is projected to be 6.7 percent, the strongest growth in real RevPAR since 2005. The combination of low occupancy growth and rising inflation nets a real RevPAR gain of 3.8 percent in 2016."

"The slowdown in the pace of real RevPAR growth next year might alarm some owners and operators," Woodworth said. "However, it is important to note that the 3.6 percent real gain in ADR forecast for 2016 is still well above the real ADR gains we have observed over the past 20 years. Real ADR growth, combined with a limited increase in the variable expenses due to the slowdown in occupancy growth, should yield some very attractive improvements in net operating income in 2016."

PKF-HR is forecasting gains in excess of 10 percent for both 2015 and 2016 for unit-level net operating income, extending the streak of double-digit increases in hotel profits to six consecutive years.

#### *Market Forecasts Foretell*

Analyzing the projected performance of the nation's major markets reveals a clear picture of the future of the U.S. lodging industry. In 2015, New York, Austin, and Pittsburgh are forecast to experience the greatest increases in supply and concurrently the three lowest levels of RevPAR gains for the year.

"Localized surges in supply are creating declines in occupancy, which in turn results in suppressed RevPAR growth. Clearly this is going to occur in more and more cities over the next few years," Woodworth noted. According to STR, Inc., just three of the 59 markets in the Hotel Horizons® survey suffered a decline in occupancy during 2014. Woodworth said he expects an increase to 17 markets in 2015, followed by 22 markets in 2016.

"Fortunately occupancy rates in most markets are expected to remain above long-run levels, thus allowing for sizeable growth in real ADR," said Woodworth. PKF-HR is not forecasting the national supply growth to exceed the long-run average until 2017.

"By any measure, 2015 and 2016 will two more years of strong performance for U.S. hotel owners and operators. Beyond 2016, the impacts of rising supply and inflation will begin to curb some of the record annual performance growth rates U.S. hoteliers have enjoyed since 2011," Woodworth concluded. (*Hotel Online.com, March 16*)

### **Greater Diversity of Campers and Preference for Free Wi-Fi Spurs Modern Camping**

The percentage of Hispanic, Asian-American and African-American campers across North America has doubled since 2012\*, and more campers today prioritize access to free Wi-Fi over traditional camping amenities, such as access to cabins or recreational activities, according to the 2015 North American Camping Report, an independent study supported by Kampgrounds of America, Inc. (KOA).

The must-have camping gear, according to the results of the survey of nearly 3,000 people across the U.S. and Canada, is the cell phone, as 83 percent of all campers bring their mobile phone to the great outdoors.

What's more, the heart wins out over the wallet, as more people today see camping as a way to escape the stress of everyday life than as an affordable vacation option.

"Camping today is more diverse than ever before, from who's experiencing the great outdoors and how they're planning travel to what amenities they prioritize and why they value camping," said KOA CEO Jim Rogers. "Camping is not a one-size-fits-all travel experience. We've evolved our approach to outdoor hospitality by stressing what's behind our yellow sign to ensure we're matching camper expectations consistently, whether they're enjoying the outdoors with a smartphone in hand or a good old-fashioned map."

Highlights from the 2015 North American Camping Report include the following:

#### *Outdoor Melting Pot*

Nearly one in four campers in 2014 identified themselves as either African-American, Asian/Pacific Islander or Hispanic, a significant increase compared to past industry research efforts. Other key survey highlights include:

- Camping rates among nonwhites have doubled from as recently as 2012, jumping from 12 percent up to 23 percent.
- Among multicultural groups, camping rates among Asian/Pacific Islanders have increased the most over the last two years, representing only 1 percent of the total camping population in 2012, compared to 6 percent in 2014. This group's camping activity now closely mirrors the overall population (5 percent of total U.S. population, 6 percent of campers).
- Hispanics jumped from 2 percent of campers in 2012 to 6 percent in 2014, though this group is still the most underrepresented among campers (16 percent of total U.S. population, 6 percent of campers).
- Multicultural campers in general are more "plugged in" to technology during camping. African-American and Asian/Pacific Islander campers are the most frequent online users with almost two-thirds of survey respondents going online at least once a day while camping.

- Two-thirds (67 percent) of multicultural campers say that they read campground reviews before staying at a campground, compared to 53 percent of white/Caucasian campers.

#### *Must-Have Camping Equipment: Wi-Fi and Mobile Phones*

Today's campers are more "plugged in" when preparing for camping trips and while at campsites. Of those surveyed, half of all campers (51 percent) claim that they go online at least once a day while camping, and four out of 10 (41 percent) say that having free Wi-Fi influences their decision to stay at a campground.

When selecting which campgrounds to visit and stay, free Wi-Fi ranks as the third most important amenity, behind only clean bathrooms and a kid-friendly environment, and outpaces access to recreational activities such as a campground store, cabins and even safety lighting.

The youngest campers (< 25) are more likely to bring a mobile phone (86 percent), compared to campers age 65+ (77 percent). Conversely, campers 25+ are somewhat more likely to bring along a laptop or notebook (29 percent) compared to the youngest campers (21 percent). Younger campers even say having a smartphone (28 percent) is almost as important as toilet paper (34 percent).

#### *Camping as a Healthy Escape and Relationship Builder*

Though the notion of camping as an inexpensive vacation option remains, survey results suggest that while the cash-saving aspect is still important, people are camping to build the emotional connection and relationships with family and friends in nature.

Survey highlights include:

- According to campers, reconnecting with nature (55 percent), reducing stress (54 percent), and spending more time with family and friends (49 percent) are the key reasons they camp. Economic and practical values were only identified as reasons for camping by less than 35 percent of those surveyed.
- Campers are likely to say that camping improves family relationships – in fact, 41 percent "completely agree" with this.
- Additionally, fully 4-in-10 campers (39 percent) suggest that camping has "a great deal of impact" on allowing them to spend more time with family. Another third of campers say that camping has a positive impact on their relationships with family and friends (35 percent) and their emotional well-being (36 percent).

#### *2015 Season Outlook*

Looking ahead to the 2015 camping season, a majority of campers (53 percent) plan to spend more nights camping, and almost half (48 percent) plan to take more trips. Other key findings related to campers' plans for the 2015 season include:

- When asked what has the most impact on their decision to camp more, survey respondents cited spending more time with family and friends (68 percent), exploring new areas (67 percent), and decreased gas prices (60 percent) as the most impactful factors.

- Among campers who say that decreased gas prices are impacting their travel plans for the upcoming year, 88 percent plan to visit new areas, 88 percent say it will allow them to camp more often and 86 percent plan to visit new campgrounds.
- A substantially higher proportion of campers (39 percent) say they intend to make reservations via websites in 2015, compared to their typical behavior (29 percent).  
*(Kampgrounds of America, March 19)*

### **Baby Boomer Travel Isn't Dead Yet**

Millennials this, millennials that. You can't talk to anyone in any business without them talking about the millennial generation, their spending habits and how they are "changing the game." There is some good reasoning to that as they will be the consumers of the future. But does anyone remember the Baby Boomers? Yeah, those folks born between 1946 and 1964 who number around 76 million people in the United States are still out there.

In fact, a new report published by U.S. News & World Report this week says that companies should take a second look at their marketing plans and not count the Baby Boomers out. Especially considering that the Boomers are currently controlling a whopping 70 percent of the disposable income in the country.

The report goes on to say that although more than half of the people polled say that funding retirement is one of their top financial concerns, 70 percent plan on taking an overnight vacation in the next 12 months. Even more important is that 49 percent of Boomers plan to spend between \$1,000 and \$5,000 towards a vacation this year. Doing the quick math with averages across the board, that is roughly a \$111 billion dollar market. That would be just this year!

#### *Staying More Connected*

Even when you talk to parents or grandparents about the online world, it may seem like they are lost, but they're not. U.S. News reports 83 percent of Baby Boomers conduct online research before making major offline purchases. Here is another reason not to count them out: loyalty. If you have boomers on the hook, you should work to let them know you still care because 55 percent of them remain loyal to brands they like.

All of these facts echo the AARP study on 2015 Baby Boomer Travel Trends. In that report, almost 40 percent of Boomers planned to take four or more domestic vacations this year. Over 45 percent said that they are going to take at least one foreign trip if not more. With 80 percent of luxury travel being taken by the Baby Boom generation, it would be wrong to count this demographic out.

So get ready, world; the Baby Boomer generation is "changing the game" of travel and they have \$100+ billion dollars to prove it. *(Travel Pulse, March 19)*

Visit [www.visitarizona.com](http://www.visitarizona.com) to find information on all the exciting [events, festivals and activities](#) held throughout the Grand Canyon State!

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