



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:

Good afternoon,

Before you join us for what promises to be an outstanding [Arizona Governor's Conference on Tourism](#) next week, be sure to get your FY16 Marketing cooperative Application in by **5:00 p.m. Friday, June 19!**

The deadline approaches for statewide rural Arizona communities to submit their applications to participate in our FY16 Marketing Cooperative program. Rural Arizona DMOs, Tribes and statewide tourism associations are all invited to apply. More information is available in the **AOT News** section below.

Also, congratulations to the Tubac Presido State Park for being officially designated as a Local Visitor Information Center (LVIC). With this new southern Arizona addition, there are now 63 LVICs located throughout Arizona ready to welcome visitors to the Grand Canyon State. Visitors often use these centers as their "first stop", giving our communities the opportunity to provide a positive first impression of the community and Arizona.

See you all next week at the conference!

Sherry Henry
Director, Arizona Office of Tourism

AOT News

Register for 2015 Governor's Conference on Tourism

Registration is now open for 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. 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 aztourismconference.com.

AOT's Marketing Cooperative FY16 Guidelines and Application Now Available

AOT's Marketing Cooperative FY16 Guidelines and Application are now available to download. Deadline to submit an application is **Friday, June 19**.

The Marketing Cooperative program is designed for rural Arizona communities to help promote and drive visitation to their destinations. The program features a robust media plan with a variety of options including online, print, outdoor, and AOT publications. The campaign runs from September 1, 2015 to August 31, 2016.

Rural Arizona DMOs, Tribes and statewide tourism associations are invited to apply. AOT welcomes regional partnerships between metro, rural DMOs and Tribes. Qualifying applicants will receive subsidized rates.

[Guidelines and application for the FY16 Marketing Cooperative are now available.](#)

Please contact Glenn Schlottman at 602-364-3727 or via email at gschlottman@tourism.az.gov for more details.

New Research Updates Available!

The following reports are now available at tourism.az.gov:

- [Arizona Lodging April 2015](#)
- [Gross Sales & Tourism Taxes February 2015](#)
- [Gross Sales & Tourism Taxes March 2015](#)
- [Airport Passengers March 2015](#)
- [Painted Cliffs Welcome Center Visitation Q1 2015](#)

Arizona lodging indicators remain positive, with ADR growth up 4.5% in April and up 11% YTD. Painted Cliffs Welcome Center saw an 11% increase in visitation in the first quarter of CY2015, the first positive growth in the past four quarters. Year-to-date gross sales are up 10.2%, generating an estimated \$185 million in tourism-related taxes (up 11.7% compared to YTD March 2014). For more information, please visit tourism.az.gov or contact Colleen Floyd at cfloyd@tourism.az.gov.

Tubac Presido State Park Latest Local Information Center

Congratulations to the Tubac Presido State Park for being designated as an official Local Visitor Information Center (LVIC). There are now 63 LVICs located throughout Arizona.

Upcoming Events & Activities

[Governor's Conference on Tourism](#)

Date: June 22-24
Location: Phoenix

[Governor's Tourism Awards Gala](#)

Date: June 23
Location: Phoenix

Industry News

Study Projects Chinese Business Travel Spending to Double by 2025

It's not a matter of if, but when China will surpass the U.S. as the world's top spender on business travel.

A new study of the Asia-Pacific market conducted by travel industry technology provider Amadeus in partnership with growth consulting firm Frost & Sullivan reveals that China's annual spending on business travel is expected to double over the next 10 years.

According to Laura Zhou of the South China Morning Post, China currently spends \$250 billion annually on corporate travel, but by the year 2025 the figure is projected to surpass \$500 billion.

As Zhou notes, Amadeus' research reinforces previous estimates by the Global Business Travel Association, which has China's corporate travel spending on a similar trajectory.

China's anticipated ascent to No. 1 ahead of the U.S. will also have a significant impact on the entire Asia-Pacific region, with Amadeus' study projecting the region's annual spending on business travel to more than double over the next decade from \$400 billion to \$900 billion by 2025.

For perspective, the latter figure would comprise half of the global total.

The study goes on to highlight booming trade as a catalyst for the growing business travel market in the region and forecasts a shift from spending in traditional markets like Australia and Japan to emerging markets that include the world's two most populous countries in China and India, as well as a handful of Southeast Asian countries. (*Travel Pulse, June 3*)

Millennials Matter, but Generation C is the Holy Grail - By Alan Young President, Puzzle Partner Ltd

Lately, we have heard a great deal about Millennials. The way they interact with technology will have a supreme impact on the travel and hospitality industry. What devices are used when are they investigating or buying travel? How are they buying travel? What matters to them and what doesn't? All of these questions are swirling around, and we, as an industry are being incredibly reactive trying to keep up with what we think they may do. It is crazy.

Back in 2012 digital luminary Brian Solis coined the term 'Generation C: The Connected Customer.' It is the disruption of technology that has led to Generation C. Not only are Millennials using their devices to shop and buy but almost every businessperson is also connected as are an increasing number of older, over-40 individuals.

Why must we have strategies devoted to finite segments? Should we not have a strategy that targets everyone who uses a tablet or smartphone to research and purchase? OK, I fully understand that younger people respond to different marketing messages and that they will be more likely to cozy up to something that they feel is directed solely at them. However, sometimes due to a lack of resources and budget, hotel and travel companies need to cast a wider net. Think 'Gen C'.

A recent study by Google concludes that Gen C are avid consumers, enthusiastic early adopters, and passionate brand advocates, and when brands figure out the right way to engage them, they can become the biggest spenders, the most vocal supporters and the most influential opinion formers.

- They don't just passively consume—90% create online content at least once a month.
- They're passionate brand advocates—two thirds agree that “if there is a brand I love, I tend to tell everyone about it.”
- They're active consumers—56% have taken action after watching ads for a product or service on YouTube.
- They're regular YouTube users—76% of Gen C visit YouTube weekly and 36% visit daily.

Generation C is always on. They are posting on social sites, checking their email, texting with friends and colleagues. They are using the phone as a phone - what a weird idea! All this being said these are the people the hotel and travel industry needs to be connecting to in any manner that they can. Ideally, each property or brand will determine how its target customers want to connect and offer it.

Connected travel customers can now purchase products on myriad devices. They can connect to your hotel via countless methods. Companies that do the best job of working alongside the connected generation are those that empower the consumer to decide on which channel of communication they want to use.

Generation C is full of different types of people representing different market segments, buying power and expectations. So you must put a plan in place to reach as wide an audience as possible with your messaging but then work on targeted messaging to different demographics that you want to attract.

The world of trying to message to different targets is fraught with problems; however, you will not know what works if you do not try. Experiment with different messages and different images that evoke emotion and try different offers. After a short period of time, you will begin to understand fully what works and what doesn't.

Having a good plan to deliver relevant messages and content to Generation C, so they will view your company, as a valued member of their tight-knit circle is essential to ensuring your success. They are connected, and so are you, so connect with them. (*Travel Industry Wire, June 8*)

Report: How to Market to Tomorrow's Traveler

A new report commissioned by Amadeus called “Future Traveller Tribes: Building a more rewarding journey” outlines how the airline industry and beyond can market effectively to the travelers of tomorrow.

Building on a previous report, “Future Traveller Tribes 2030: Understanding tomorrow’s traveller,” the new report further examines the six “traveller tribes” and how the travel experience will change moving forward due to growing traveler data, new technologies and the expansive range of various sales channels.

The report details 10 different stages of the “trip cycle,” and how to address them from a marketing standpoint. The stages include: inspire (position the airline’s flight options and services); Shop (the personalization and discovery stage, where holography and augmented and virtual reality will make an increasing impact); book (a focus on mobile channels, store preferences and biometrics); 24-48 hours after booking (decreasing in importance, based on the increase in access to customers throughout the journey); 48-24 hours before departure (a “critical” stage where marketers should enhance the traveler journey, upgrades and offers); on way to the airport and check-in (travelers more comfortable making purchases on way to airport, a decreasing importance of physical check-in given mobile capabilities); at airport (less time needed at the airport given technology’s imprint), on trip (new phase facilitated by roaming SIMs and widespread connectivity, personalized offers delivered at “extremely relevant times”) and post-trip (an “underutilized stage” where airlines can further engage the customer and build a stronger relationship).

The increased utilization of big data analytics will also allow airlines to personalize travel bundles in real time moving forward, according to the report.

But while it’s a major advantage for airlines and travel companies to be able to communicate with the traveler 24/7, this also means that marketers run the risk of bombarding travelers—and travelers effectively tuning out—more than ever.

In this sense, it’s more important than ever for airlines to market efficiently and in a way that causes the least amount of irritation. That includes smartwatch apps only alerting the traveler with extremely time-sensitive information and using light, less intrusive vibration. That also includes service robots (and, yes, they are coming) only offering services the traveler says he or she needs.

Making purchases should continue to become easier for the traveler; at least that’s the whole idea. User interface optimization, promotions and third-party offers should be more effective. Video should spice up the booking process. Smartphones, wearables and digital wallets should make the payment process quicker. Seat upgrades will be available with the single tap of a smartwatch.

But...all of this won't matter if airlines and travel marketers a) give travelers irrelevant offers or b) aren't transparent when customers sign up for services.

In this regard, it will be vital to market the right way to each traveler type (or tribe), again with the goal of being more relevant and less—for the lack of a better word—annoying to the traveler.

For example, Obligation Meeters (similar to business travelers) generally are most influenced by marketers during the shopping and booking stages, according to the report. They prefer a “very high” degree of personalization, bundle offers, a medium level of contact, information over inspiration, and experiences based on productivity.

Cultural Purists, on the other hand, are more apt to be influenced as they physically come in contact with other things. They generally like to book the basics first, and then will tack on other items as they go along. And, in contrast with Obligation Meeters, they prefer a “very low” degree of personalization, a la carte offers, a low level of contact, inspiration over information, and local experiences.

FYI, there are sales channels that are more designed to inspire (the discovery stage), and there are sales channels more designed to inform (the purchase), per the report. Inspiration channels include the smartphone, the PC, the tablet and the virtual reality headset. Information channels include the smartwatch, augmented reality glasses (evolved Google Glass-like spectacles) and advanced robots.

Encompassing everything, the smartphone will be the most important digital display for the next 10 years, according to the report, and will not be replaced by the smartwatch (although the smartwatch will still have an important role in the airline industry). Augmented reality glasses should be fine as long as they are miniaturized and solve some of the privacy issues that dogged Google Glass.

Virtual reality will allow travelers to recreate past trips (the “re-experience” market will be one of the largest travel markets by 2030).

And, for all of you robot enthusiasts out there, you'll be happy to know that they are expected to show improvements in vision and language in the coming years, enabling them to better communicate and interact with us humans. By 2030, they will have exceeded human-like vision and be able to understand a customer's health and emotional state, according to the report.

For the full report, written by Frost & Sullivan, [click here](#). (*Travel Pulse, June 8*)

198 Million Americans Planning a Summer Getaway in 2015 - Up 13% from Last Year

After a long winter, Americans are itching to get away this summer. The latest American Express Spending and Saving Tracker reveals that 85% of Americans, or 198 million people, are planning time away in the coming months, up 13% from 2014.

Although the majority (68%) of these Americans are planning at least one week-long trip, (on par with 2015), more are opting for extended vacations and setting out for at least two weeks this year (36% vs. 32% in 2014). The historically busiest travel days will likely remain the most

popular, as more than half (53%, on par with 2014) continue to plan to travel over major summer holiday weekends, such as the Fourth of July and Labor Day.

Saving For a Summer Escape

While more are traveling, they're not necessarily spending more. On average, those taking a summer vacation in 2015 expect to spend less per person this year than last (\$1,005 vs. \$1,246).

The vast majority of Americans (81%) set aside money to travel this summer, and they want to make the most of those dollars. Consistent with last year, nine in 10 Americans (91%) have employed strategies to save money or reduce their summer vacation costs. One such strategy is tapping into points and rewards from loyalty programs to offset the cost of summer travel. Twenty-six percent of summer travelers said they planned to use rewards for travel this summer, up slightly from 2014 (24%), but a 53% increase from just four years ago in 2011.

While driving instead of flying still ranks as the top strategy for saving money on summer vacations, that option has seen some drop off this year (36% vs. 44% in 2014).

"Americans live for summer travel, it's a reward for hard work and braving the cold winter months," said Claire Bennett, Executive Vice President, American Express Travel. "What we are seeing from our travel customers is a passion for enriching experiences. From up-close encounters with nature across America to pizza- and gelato-making classes in Italy, we are serving travelers who want to see and experience more during their time off."

Staying Close to Home

As the number of summer travelers increases, more and more are opting for domestic destinations over crossing international waters and borders. More than three in four Americans (77%) with vacation plans intend to travel within the US this year, an increase of 40% from 2011 (55% in 2011). Almost one in five (18%) plan on traveling abroad this summer (vs. 17% in 2014), and 11% are planning to do both (vs. 13% in 2014).

For those traveling outside the country, Europe ranks as the most popular destination (59%), followed by Asia (30%) and South America (29%). In addition, nearly nine in ten Americans (85%) who plan to travel to Europe stated that the current exchange rate between the Dollar and the Euro is favorable. Making travel abroad even sweeter, virtually all (96%) consider no foreign exchange fees on the credit card they bring on vacation outside of the U.S. important.

The Online Expedition

Traveling abroad or not, 61% of traveling Americans will do their research online before they book travel. Nearly half of total respondents (46%) visit at least five websites before booking their travel, up 12% from 2014, while 25% visit seven or more sites, up 39% from 2014.

Millennials are significantly more likely to visit seven or more sites (35%) before booking travel arrangements (vs. 23% of Gen Xers and 18% of Baby Boomers). Resourcing friends for travel recommendations on social media sites is also skewed toward Millennials (78% vs. 60% of Gen Xers and 24% of Baby Boomers). However, a growing trend among American summer travelers is that more are feeling "overwhelmed" by all the travel information available online (38% vs. 34% in 2014 and 29% in 2012).

With so many booking options, summer vacationers are using travel agents more so than in years past. In fact, 16% of those traveling this summer will use a travel agent, compared to 11% in 2014 and 8% in 2011. (*Travel Industry Wire, June 10*)

What Does The Future Hold for Boutique Hotels?

The boutique hotel movement, which began its rise stateside in the 1980s, has not only proven it's staying power, it's show tremendous leaps in popularity over the ensuing decades.

Now, the boutique hotel is mainstream. While that proves the boutique hotel concept is relevant on a grand scale, it has presented boutique hoteliers with a host of new challenges.

For one, how does a concept based on intimacy serve a growing number of guests while still maintaining that personalized service?

Secondly, a growth in occupancy naturally means boutique hoteliers must start think about expanding if they want to capitalize on the boom. But how does a boutique hotel company do that without sacrificing what made it so special in the first place?

In short, how does the boutique hotel change to meet the needs of today and tomorrow while, well, not changing too much? The guest experience has always been a defining characteristic of boutique hotels. But it's one thing to cater to a niche audience—it's quite another to cater to the general population.

At the third annual Boutique & Lifestyle Lodging Association Boutique Hotel Investment Conference in New York City on June 3, boutique hoteliers agreed on one thing in particular: That unique feeling of a boutique hotel has to be preserved moving forward or it strips the boutique of its appeal that drove it in the first place.

This can be difficult, given rising costs and an increase in guests to serve.

The partnership between global hospitality brand InterContinental Hotels Group (IHG) and popular boutique brand Kimpton Hotels & Restaurants is a major story in this regard.

You only had to look at the concern expressed across the country on social media platforms following IHG's acquisition of Kimpton in December to understand just how important it is to guests for boutique hotels to remain who they inherently are. There was widespread reaction, with many worried that a major company like IHG would ruin Kimpton's reputation of excellent personalized service and intimacy.

Mike DeFrino, CEO of Kimpton Hotels & Restaurants, and Joel Eisemann, chief development officer of the Americas for IHG, both spoke side by side at the BLLA Boutique Hotel Investment Conference in NYC to address these concerns head on.

During the session, DeFrino assured attendees that Kimpton properties will still be led by Kimpton's design and culinary teams, employees will still be Kimpton employees and both parties want to "keep the Kimpton spirit alive."

He stressed that integration teams were set up from the beginning to help the partnership run smoothly, and that the partnership is truly a two-way deal: IHG acquires a highly successful and historic boutique brand, and Kimpton benefits from IHG's reach and wide-ranging programs.

Eisemann echoed these sentiments, noting that Kimpton received offers from various other companies and there was a reason why Kimpton ultimately chose IHG.

Eisemann said that Kimpton really looked into the "style" of IHG, as well as the company's relationships with its guests and employees. DeFrino also spoke with boutique hoteliers within the Kimpton family to get feedback on the potential acquisition before the deal was made.

At least for now, Kimpton Karma, Kimpton's acclaimed loyalty program, remains. During the conference, Eisemann said the hope in the future is to "tap into" IHG's loyalty program, IHG Rewards Club, and "use it as an engine for Kimpton Karma."

Eisemann stressed that IHG has recognized the "overwhelming feedback" to keep Kimpton the same, and feels the partnership is "a great fit."

With IHG's help, Kimpton is looking at future locations in Mexico City, London, Hong Kong and Bangkok, with a focus on Asia and Europe.

Of course, that's easier said than done.

Constantine Dimas, SVP and CBO of The OE Collection (a division of Loews Hotels), said during the conference that one of the biggest challenges when expanding—particularly when it comes to boutique and lifestyle hotels—is distributing in different markets effectively because every market has its own "secret sauce." That is, even when it comes to a specialized concept like the boutique hotel, guests' desires can differ around the globe. The boutique hotel guest generally has similar interests, but it's important to note these are also entirely different cultures we're talking about, too.

In terms of where boutique brands are expanding, it's not just about major tourist destinations such as Hong Kong or London.

Jason Pomeranc, CEO of The Pomeranc Group, noted that boutique brands are experiencing great demand from guests in secondary and tertiary markets such as Portland, Oregon, and Austin, Texas these days.

So, what can guests expect from boutique hotels in the future?

Well, for one, that personalized service has not been forgotten, judging by comments made by hoteliers at the conference.

Specifically, there are a number of intriguing offerings guests should look out for.

Red Lion Hotels, for example, is building its boutique properties based on "the Pacific Northwest lifestyle," aiming to create "an authentic feel" for the "millennial mindset," said Greg Mount, president and CEO of Red Lion Hotels. The chain has also introduced a new straightforward,

retail-based rewards program called Hello Rewards that offers members a free night for every seven nights booked, plain and simple. Its lobbies are even changing, featuring their own cafes and French presses guests can buy and bring up to their rooms.

BD Hotels, the largest independent hotel owner and operator in New York City, is focused on being “earthy and genuine,” said Richard Born, principal of BD Hotels. It will continue to expand its pod hotels, which were originally designed for millennials but have—interestingly enough—taken off with all age groups.

As Born noted, these days, “There is no such thing as a millennial hotel product.”

And as boutique hotels look to manage costs even more, guests may start seeing more boutiques made from renovated buildings instead of brand new buildings. There’s less competition when looking at older properties, Born said, and development can be cheaper and faster.

Born said BD Hotels is “off to the races” in building a chain.

Of course, technology will be a driving force moving forward, Pomeranc said. That includes allowing for building and the development of programs to be cost-effective, as well as accommodating the growing number of mobile devices in guests’ hands.

And you may see the number of rooms being less of a defining factor for boutiques, too. For example, the traditional boutique hotel is generally characterized as a hotel that has 200 rooms or fewer. Yet, properties such as Delano Las Vegas—which has more than 1,000 rooms—are beginning to break the mold.

But ask hoteliers to summarize the boutique hotel of the future in a nice, neat little box, and, well, it wouldn’t be a boutique hotel if it could be summarized in generalizations.

“You shouldn’t be able to summarize a boutique hotel quickly,” Pomeranc said. “It has many layers.” (*Travel Pulse, June 11*)

Calendar of Events

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

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