



MEMORANDUM

Date: April 27, 2020

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Visit Tucson Presentation – Open Spaces, Open Hearts**

Attached is a presentation used by Visit Tucson in an update to their membership. The report presents a fairly dismal picture regarding the tourism industry. The last page shows visitor sessions to Designated Marketing Organization (DMO) websites over the years with a sharp decline beginning March 13, 2020.

CHH/anc

Attachment

c: Jan Leshar, Chief Deputy County Administrator
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,
Health and Community Services
Diane Frisch, Director, Attractions and Tourism
Michelle Campagne, Director, Finance and Risk Management
Brent DeRaad, President and CEO, Visit Tucson

A person wearing a climbing helmet and gear stands triumphantly on the peak of a tall, narrow rock formation. Their arms are raised in a 'V' shape. The background shows a vast, hazy landscape of mountains and valleys under a clear blue sky with a few wispy clouds. Ropes and climbing equipment are visible on the rock face.

OPEN SPACES, OPEN HEARTS

tucson

COVID-19 U.S. Travel Impacts

- **Jobs**: 5.9 million U.S. travel jobs lost by April 30
- **GDP**: \$502 billion reduction in 2020
- **Taxes**: \$62 billion loss of tax revenue in 2020
- **Lodging**: For week of April 5-11; 21% occupancy, \$74.18 ADR, \$15.61 RevPAR (-84%)

Sources: U.S. Travel Association and STR

COVID-19 Arizona Travel Impacts

- **Jobs**: 75,000 jobs lost by April 30
- **Spending**: Dropped from \$393 million week of March 7 to \$62 million week of April 4
- **State Taxes**: 11% cumulative drop through April 10

Source: U.S. Travel Association

COVID-19 Metro Tucson Travel Impacts

- **Jobs**: 10 hotel closures; numerous restaurant & attractions closures—majority of 25,000 Pima County tourism workers impacted
- **Lodging**: For March; 49.2% occupancy, \$125.75 ADR, \$61.83 RevPAR (-47% -- 2nd lowest % drop among 15-city comp set)

Sources: Visit Tucson and STR

Visit Tucson's 2019-20 Budget

- **Revenue**: \$1.2 million drop to \$9 million--\$1 million Pima County, \$200,000 private sector
- **Cuts**: \$500,000 payroll, \$700,000 programming
- **Payroll**: Eliminated 9 positions (42 to 33 FTEs) and bonuses; furloughs, hiring and wages freezes
- **Programming**: Cuts from all departments—biggest to marketing and sales—stopped all advertising

Initial Steps—Outreach

- Government outreach
- Partner businesses
- Business community
- Arizona's lodging and tourism industry

Visit Tucson—Government Outreach

- **Tucson**: stay-at-home; restaurant dining; We Are One/Somos Uno; housing; 2020-21 investment
- **Pima County**: visitor center; health dept; rent delay; housing; restaurants; 2020-21 investment
- **Oro Valley**: housing; 2019-20 expense reduction; 2020-21 investment
- **State**: Gov task force; pools; TPT and bed tax revenue; SB1335-tourism marketing authorities

Visit Tucson—Partner Outreach

- **Contact**: Staff called/emailed all 400+ partner businesses in late March/early April
- **Conversations**: Weekly calls with metro Tucson resort GMs
- **E-newsletter/B2B**: empathy, education, ongoing
- **Dues**: 6 months free dues
- **Programs**: Virtual Tucson; Tucson To-Go; seeking summer deals; connect partners—and employees—with COVID-19 resources they need

Visit Tucson—Business Community

- **TBA**: collaborate, not duplicate – Tucson Metro Chamber’s website definitive COVID-19 source; urge coordination action among govt entities
- **Rio Nuevo/ DTP**: ongoing communication
- **TUS**: ongoing communication regarding routes, airlines and federal funding
- **Sports**: business community conversation about how to help

Visit Tucson—AZ Lodging & Tourism

- **Educate**: calls/webinars with USTA, AH&LA
- **Advocate**: AOT funding; SB1335; CARES Act—more funding and include 501c6s; lodging cleanliness standards

Visit Tucson—Messaging

- **Open Spaces, Open Hearts**: Now isn't the time to travel, but here is what's waiting for you—no advertising during stay-at-home edicts
- **Social**: very strong engagement
- **Website**: traffic down, COVID-19 strong traffic
- **Customers**: ongoing communication with meeting planners, sports and event organizers

Visit Tucson—Bringing Back Staff

- **Beginning**: Staff at home since March 16
- **Timing**: will follow local/state edicts
- **Transition Period**: contemplating staggering staff in office for month or more

Visit Tucson—2020-21 Revenue

- **Total**: anticipating \$5-\$7 million total
- **Government**: 90% currently
- **Private**: down significantly in 2020-21—dues, visitor center, participation fees, advertising
- **CARES Act**: 501c6s excluded now; PPP and EIDL possibilities with future action by Congress
- **Cash**: \$1.9 million as of March 31, 2000
- **Reserves**: \$1.1 million-liquid
- **Credit Line**: \$425,000

Visit Tucson—2020-21 Expenses

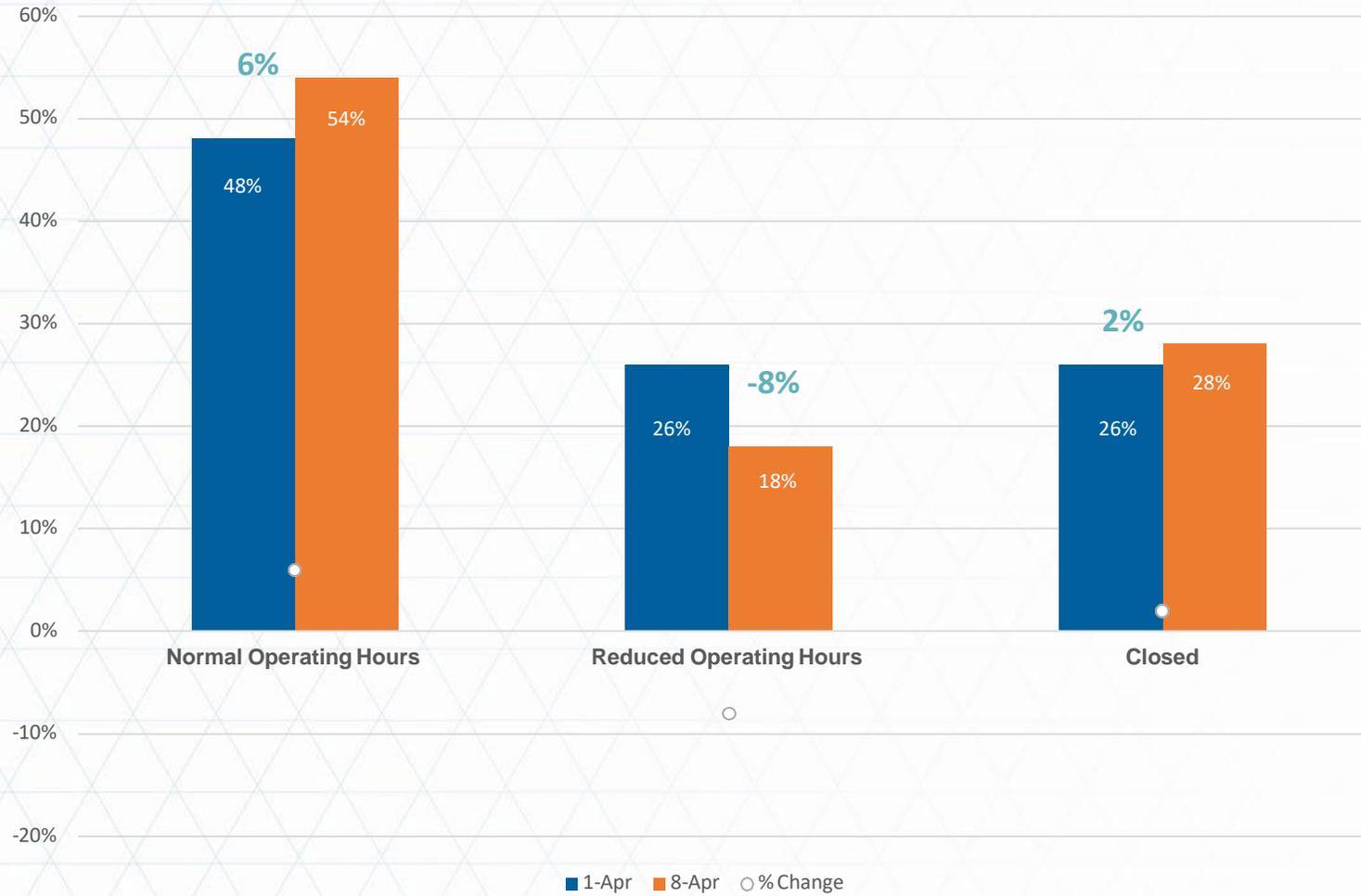
- **Monthly burn rate**: \$800,000 to \$500,000 (\$6 mill)
- **Admin**: fixed, except for office rent delay
- **Payroll**: will cut as needed to match revenue—if revenue is below \$7 million, major cuts await
- **Sales**: sites, incentives with limited adv and travel
- **Marketing**: AZ and short-haul markets; follow flights; digital; overhaul website
- **PR**: keep proactive outreach; social; visitor guide
- **Mexico**: will market, promote, sell; peso value?

Visit Tucson—2020-21 Expenses

- **Sports**: youth/amateur focus; sites; incentives
- **Film**: bring back business ASAP
- **Tourism**: target domestic and receptive operators
- **Visitor Services**: 1 to 1.5 FTEs; limited expenses
- **Partnership**: CTA; annual meeting; gatherings?
- **Events**: \$700,000 to \$350,000 or less
- **Budget**: do we budget for a loss? If so, how much?
How deep into reserves do we go?

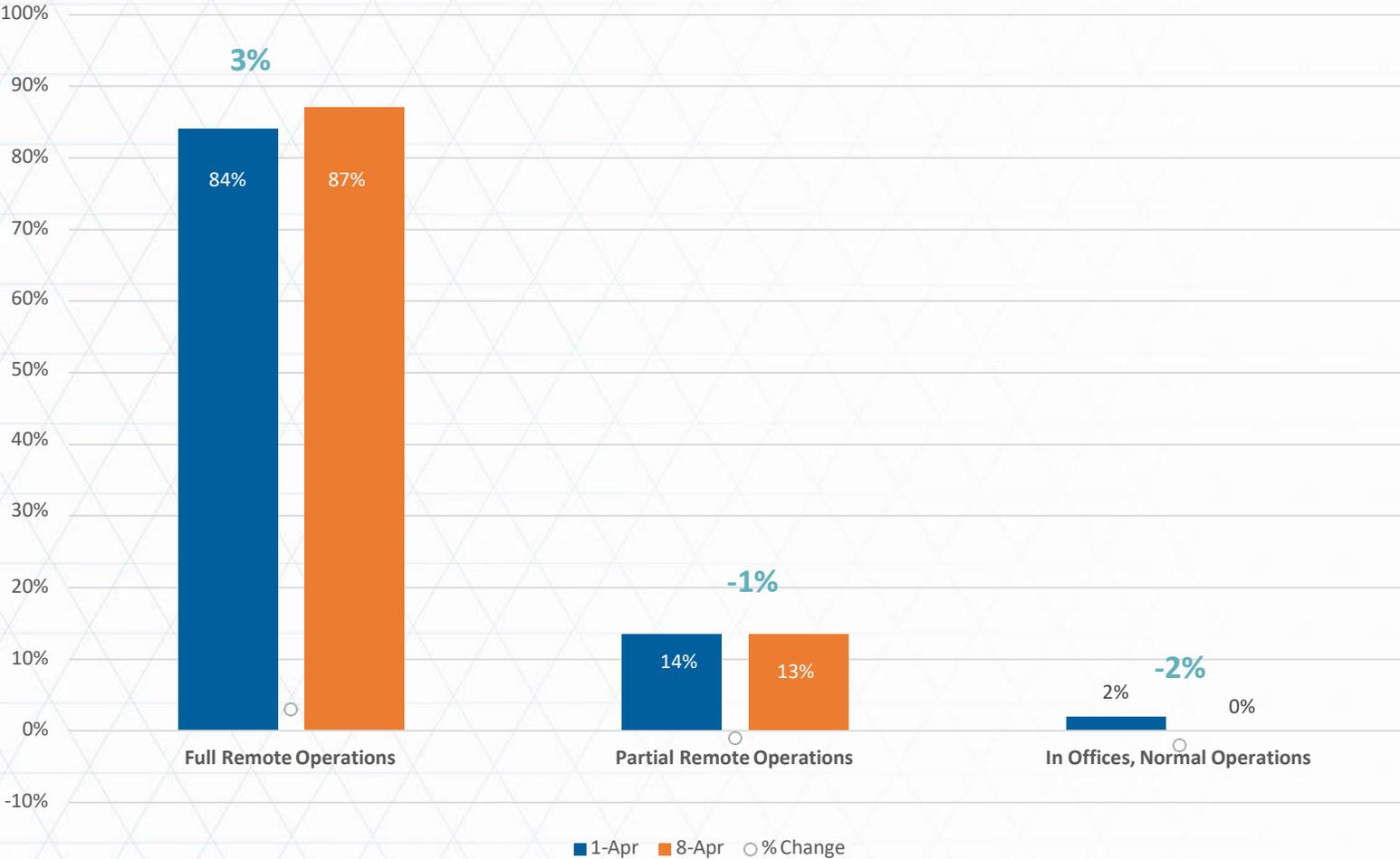
Operations of Destination Organizations Globally

Organization's Operating Hours

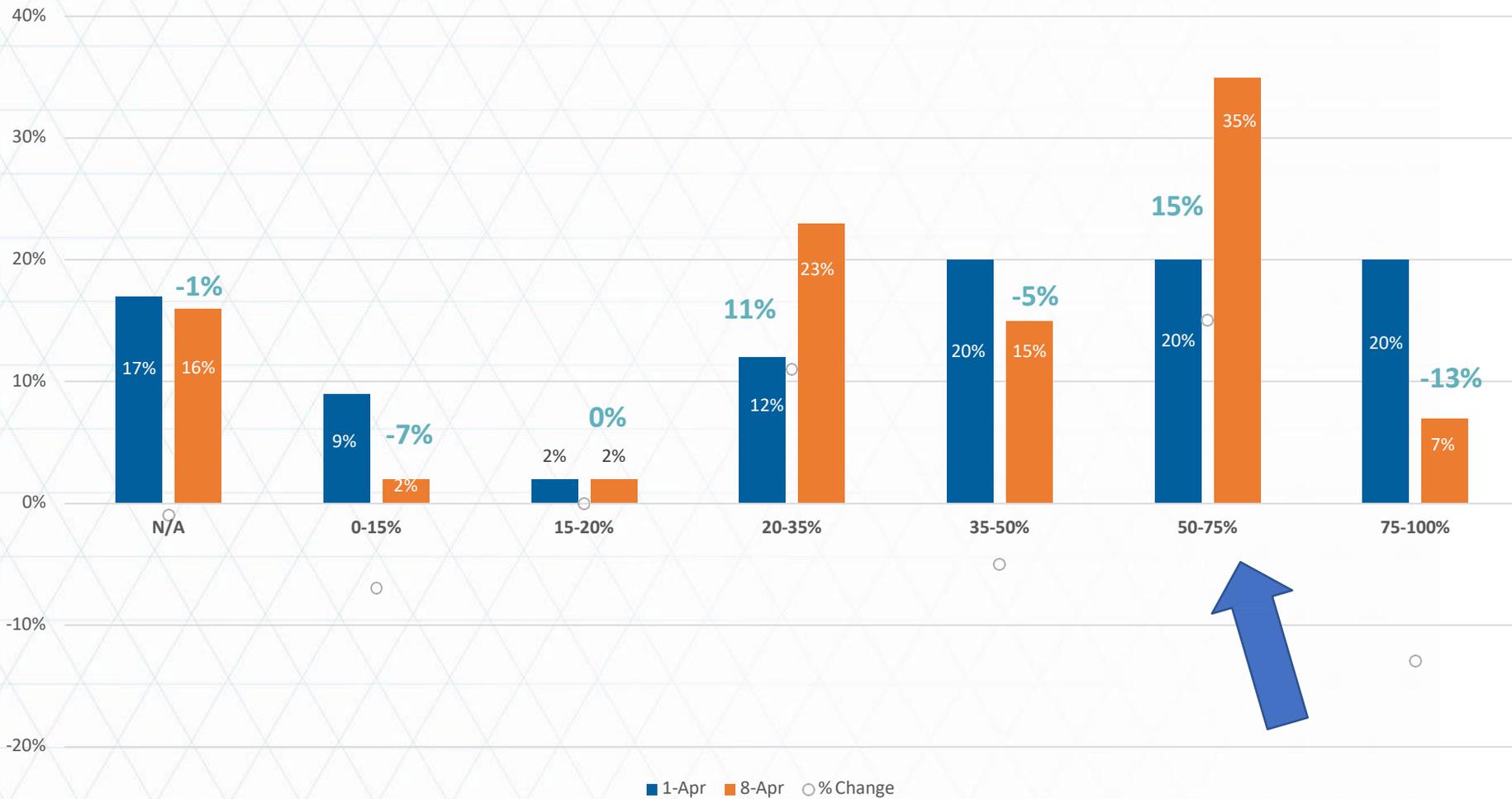


Remote Operations of Destination Organizations Globally

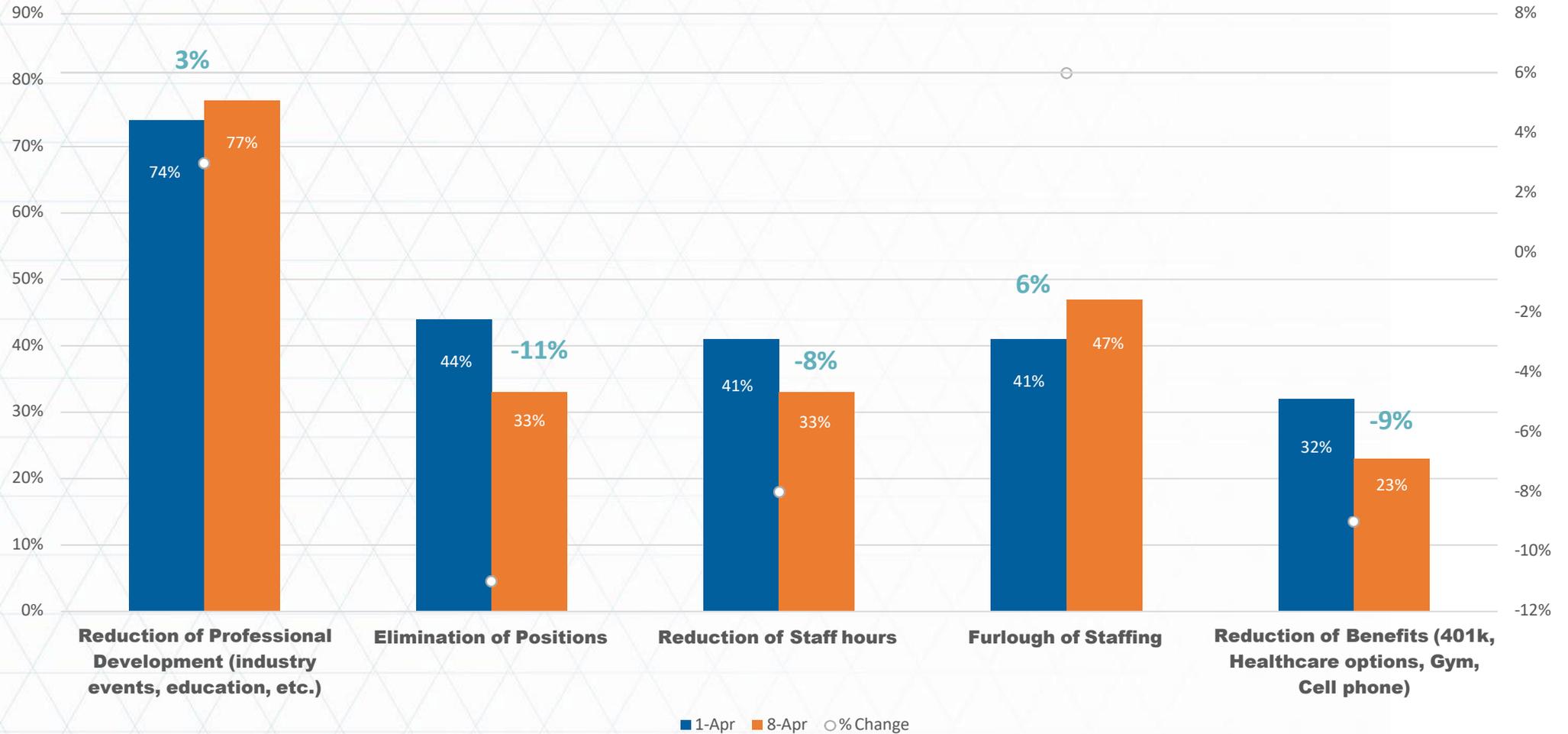
Remote Operations



Estimated % budget cuts for their immediate future

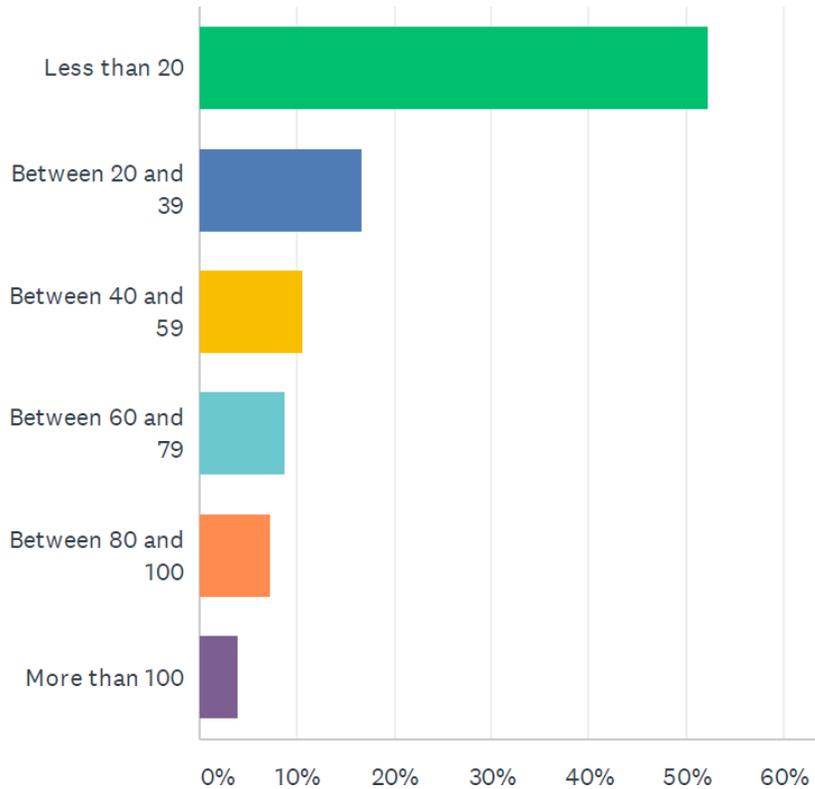


Personnel Reductions

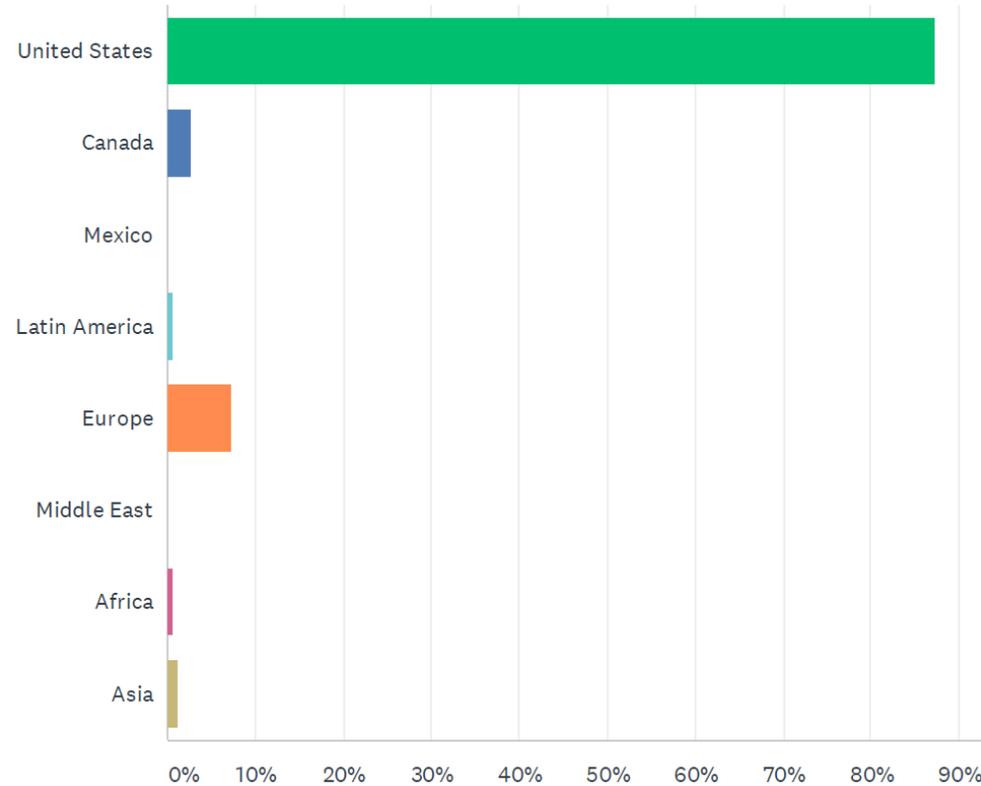


Number of employees, full and part-time, prior to the COVID-19 crisis, and location

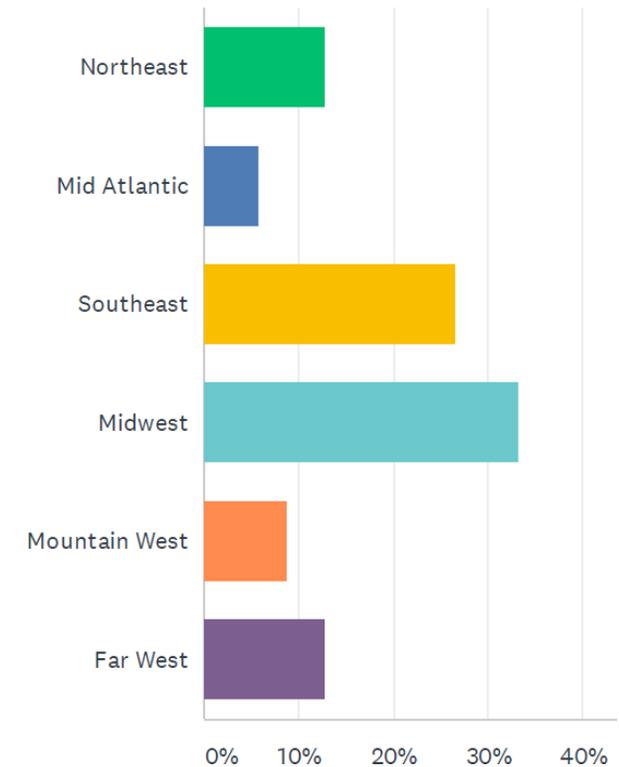
Size



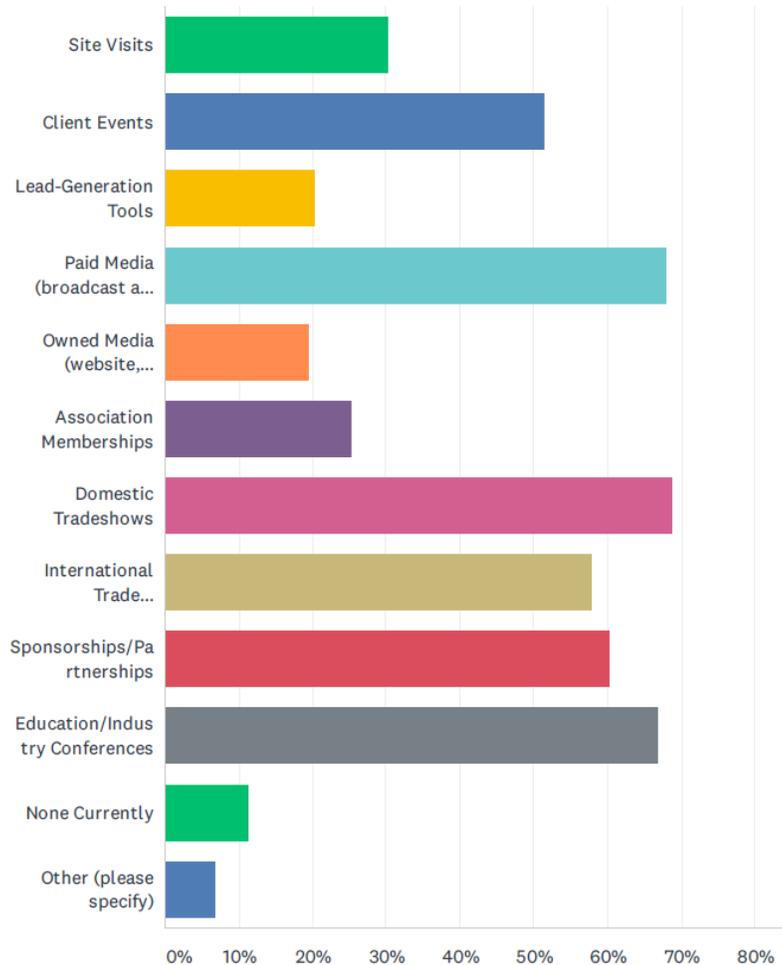
Location



US Region



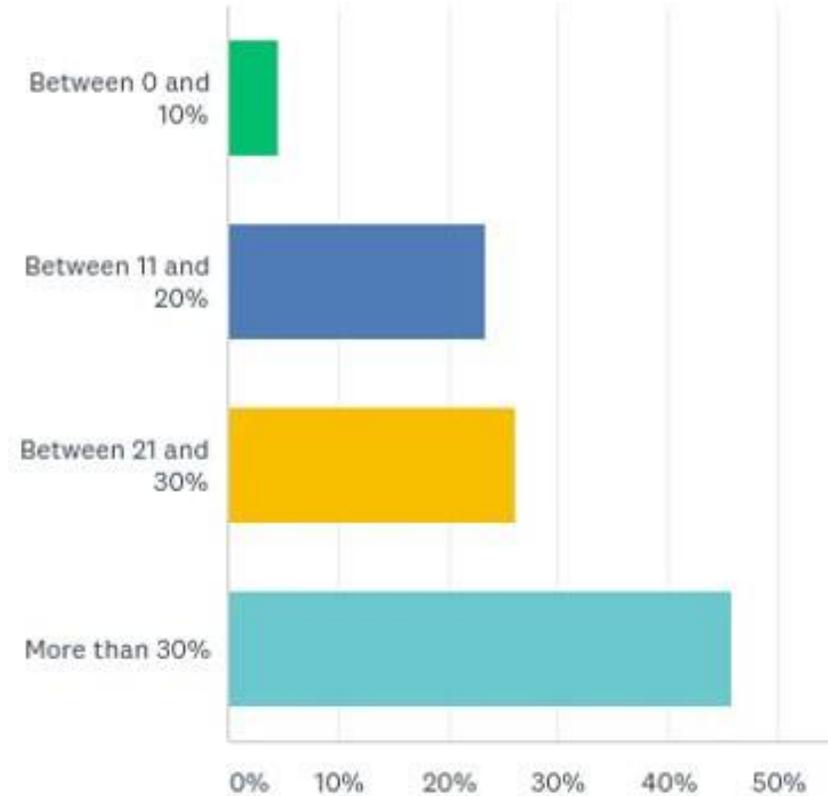
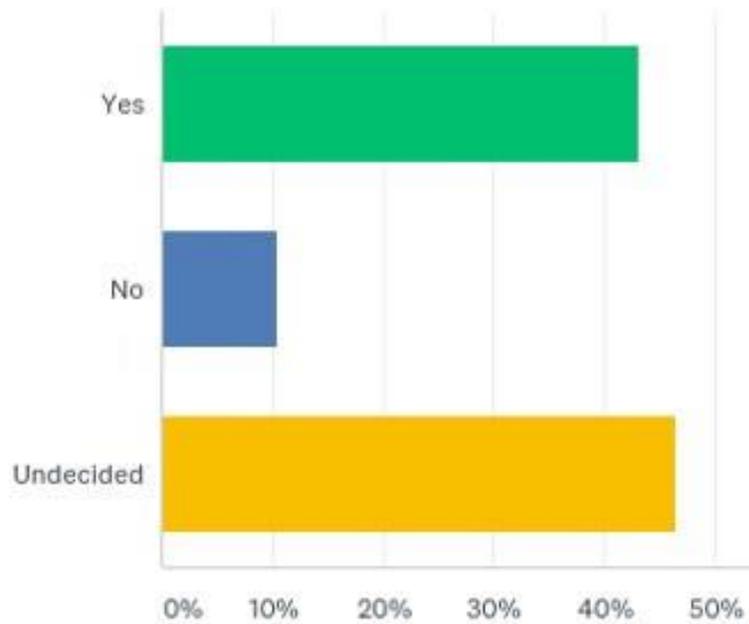
Meetings and Conventions budget cuts



ANSWER CHOICES	RESPONSES
Site Visits	30.35% 78
Client Events	51.36% 132
Lead-Generation Tools	20.23% 52
Paid Media (broadcast and print advertising, digital banners, e-newsletters, paid social, SEO etc)	68.09% 175
Owned Media (website, social media channels, email marketing, online/print meeting planner guide)	19.46% 50
Association Memberships	25.29% 65
Domestic Tradeshows	68.87% 177
International Trade Missions/Tradeshows	57.98% 149
Sponsorships/Partnerships	60.31% 155
Education/Industry Conferences	66.93% 172
None Currently	11.28% 29
Other (please specify)	7.00% 18
Total Respondents: 257	

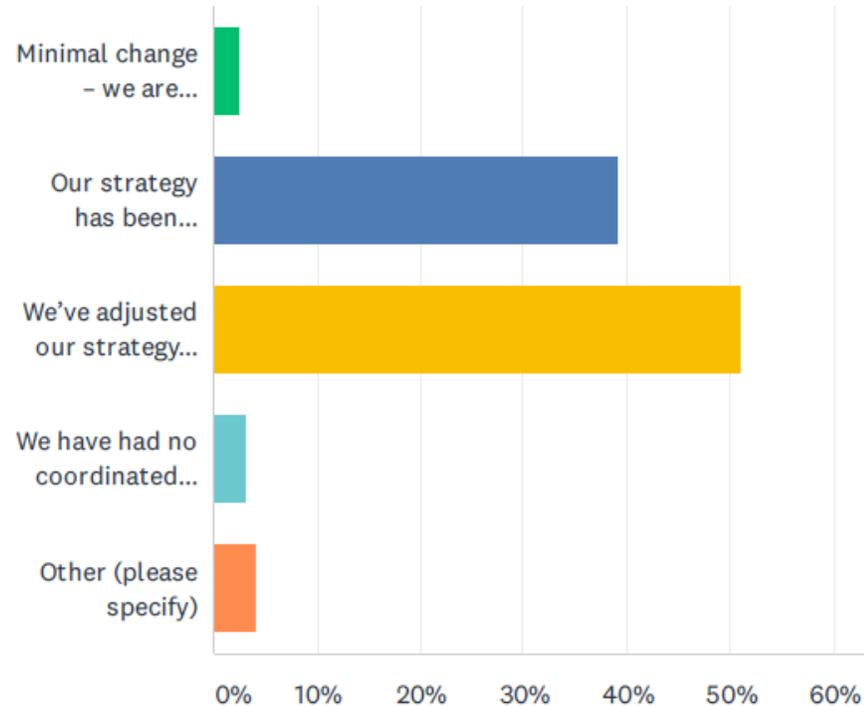
Sales goal reductions

Those who have, have reduced goals decisively



Sales strategy changes

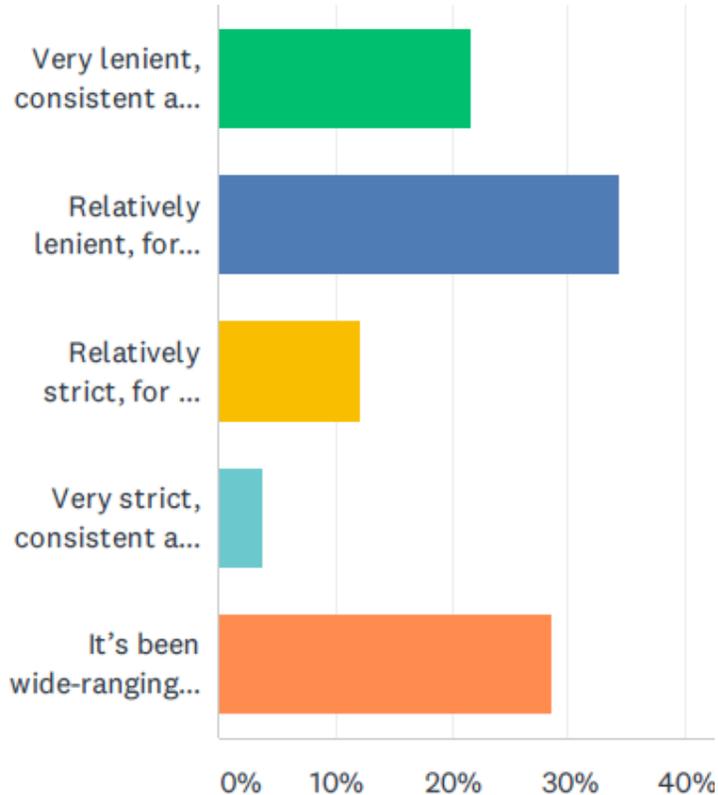
Securing the long-term, optimizing the short-term. . . .



ANSWER CHOICES	RESPONSES	
Minimal change - we are operating to service existing business without any coordinated change to our strategy.	2.58%	5
Our strategy has been narrowed to rescheduling current business and winning canceled business, through the current year and upcoming fiscal year as our top priorities.	39.18%	76
We've adjusted our strategy to the current circumstances but have continued to extend our focus beyond the near-term.	51.03%	99
We have had no coordinated change to our strategies.	3.09%	6
Other (please specify)	4.12%	8
TOTAL		194

Force majeure

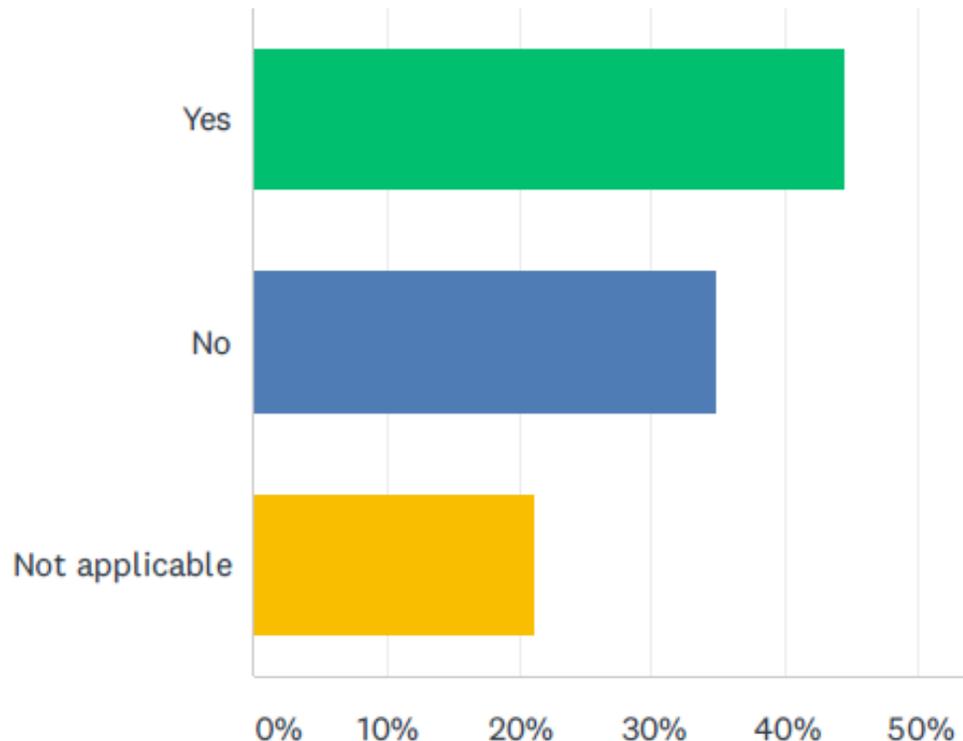
Wide-ranging, but willing



ANSWER CHOICES	RESPONSES
Very lenient, consistent and across-the-board among partners.	21.58% 41
Relatively lenient, for the most part with a few exceptions, across-the-board among partners.	34.21% 65
Relatively strict, for the most part with a few exceptions, across-the-board among partners.	12.11% 23
Very strict, consistent and across-the-board among partners.	3.68% 7
It's been wide-ranging and inconsistent among our various partners.	28.42% 54
TOTAL	190

Has your convention facility been repurposed?

With it too early to project when it will reopen, and the potential impact. . . .

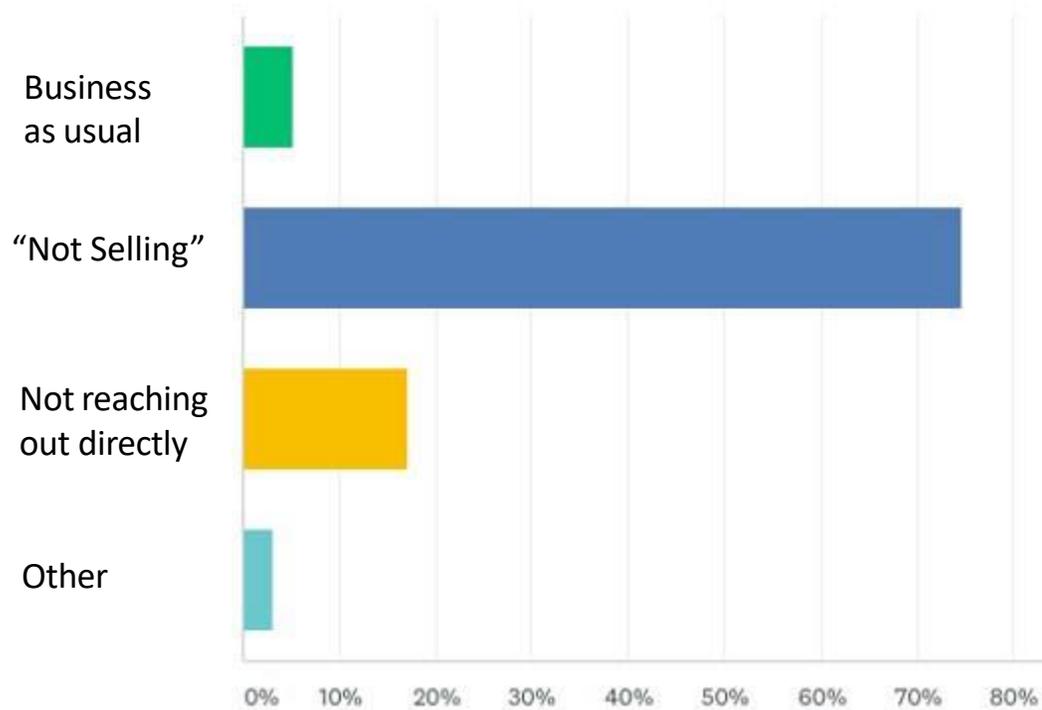


“Depending on what the use becomes, especially if it becomes a quarantine or triage facility, I am sure planners will want to know what level of certified deep clean has been done to ensure their guests' safety when they return.”

“There will definitely be concerns but the proper cleaning steps will happen before they reopen.”

Direct sales prospecting

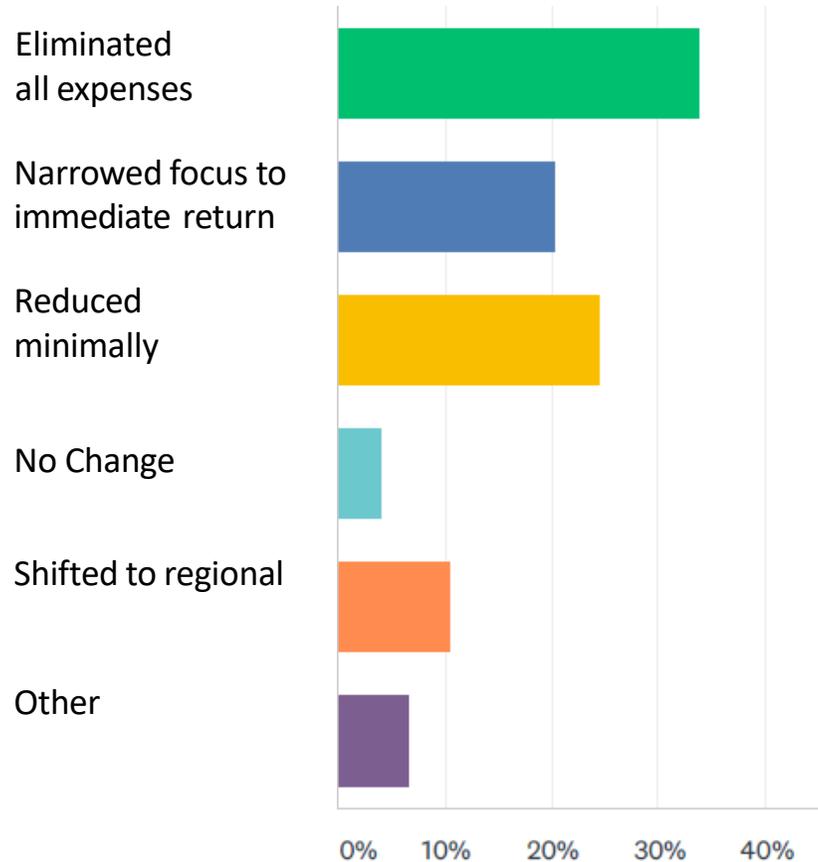
Selling is “not selling”



ANSWER CHOICES	RESPONSES	
It's business as usual for us.	5.18%	10
We are contacting customers and prospective customers to maintain customer relations, but not “selling” during the crisis.	74.61%	144
Other than general communications via email we have not been reaching out directly to our clients and prospects, but we intend to do so soon.	17.10%	33
Other (please describe)	3.11%	6
TOTAL		193

Marketing shifts to support future group sales

First to cut, last to restore. . . . but some are thinking ahead.



ANSWER CHOICES	RESPONSES
We have eliminated all expenses supporting meetings marketing, including all advertising, sponsorships, event attendance and lead-generation initiatives.	33.85% 65
We have narrowly focused our expenses to only those initiatives that have demonstrated an immediate return, like targeted data acquisition and hosted buyer events that have traditionally demonstrated a high rate of return.	20.31% 39
We have reduced our marketing expenses minimally, to position ourselves as favorably as possible for the recovery.	24.48% 47
We have left our meetings marketing budget intact.	4.17% 8
We have shifted to more regional marketing efforts.	10.42% 20
Other (please specify)	6.77% 13
TOTAL	192

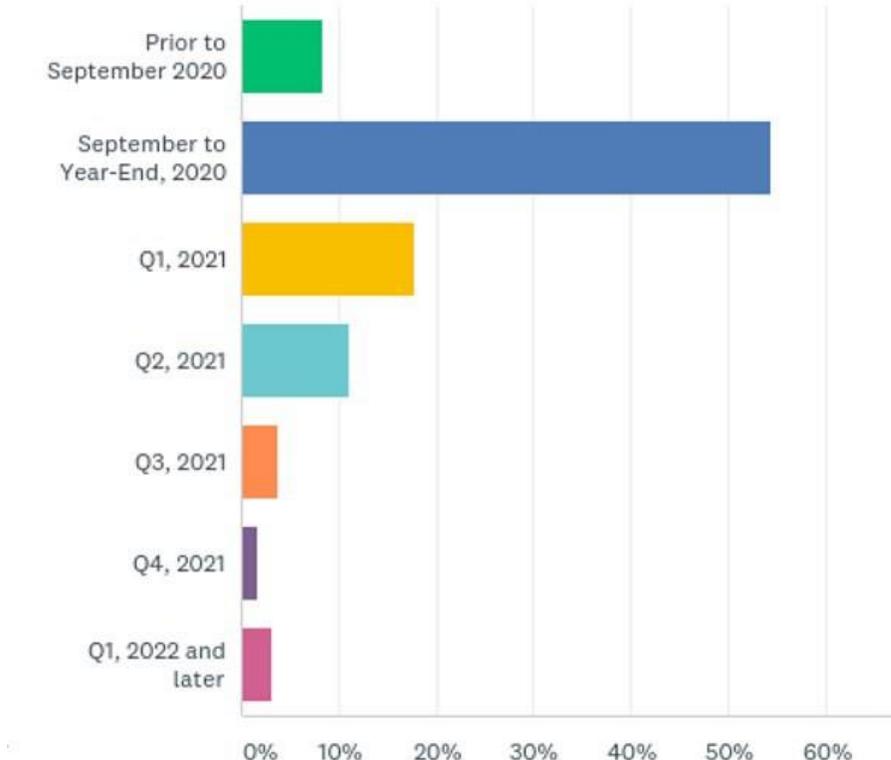
Future Forecast for Meetings and Conventions

“Our biggest challenge is determining when we are comfortable hosting events in the future.”

Planner Perspective, March 31

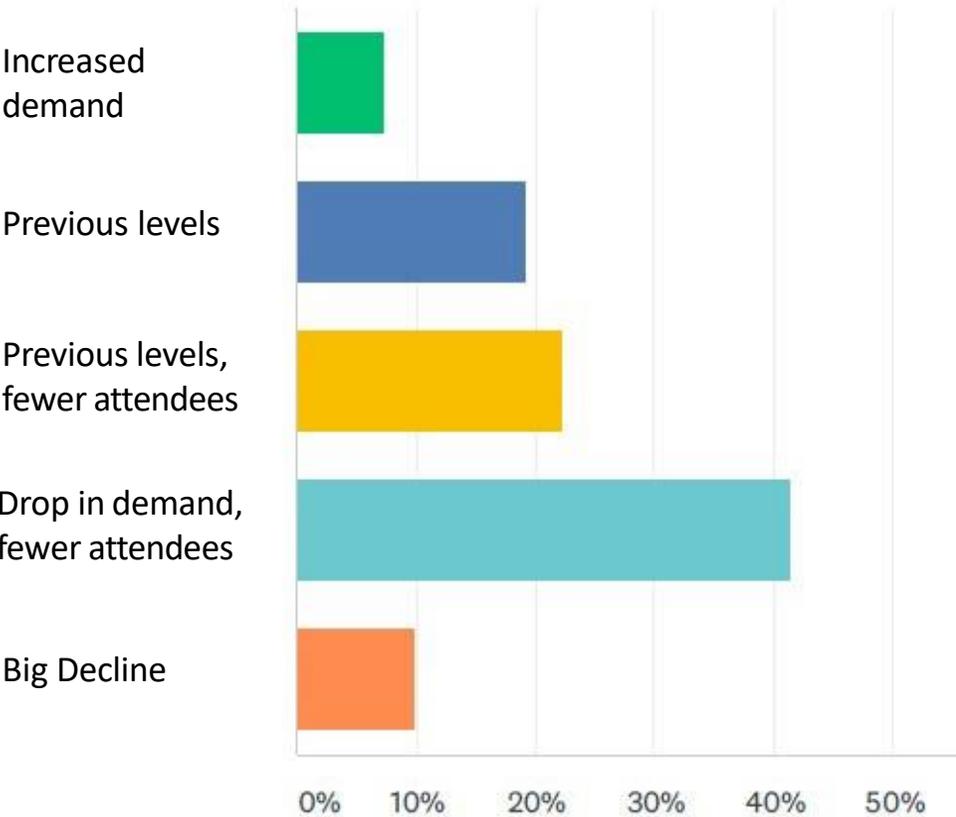


DMO Perspective, April 6



Future Forecast for Meetings and Conventions

Over the next 12 to 18 months, expectations are guarded



ANSWER CHOICES	RESPONSES	
We expect the demand to be stronger than before the crisis.	7.25%	14
We expect the demand to return to its previous levels.	19.17%	37
We expect the demand to return to its previous levels, but with fewer attendees.	22.28%	43
We expect the demand to drop slightly and with fewer attendees.	41.45%	80
We expect the demand to drop materially.	9.84%	19
TOTAL		193

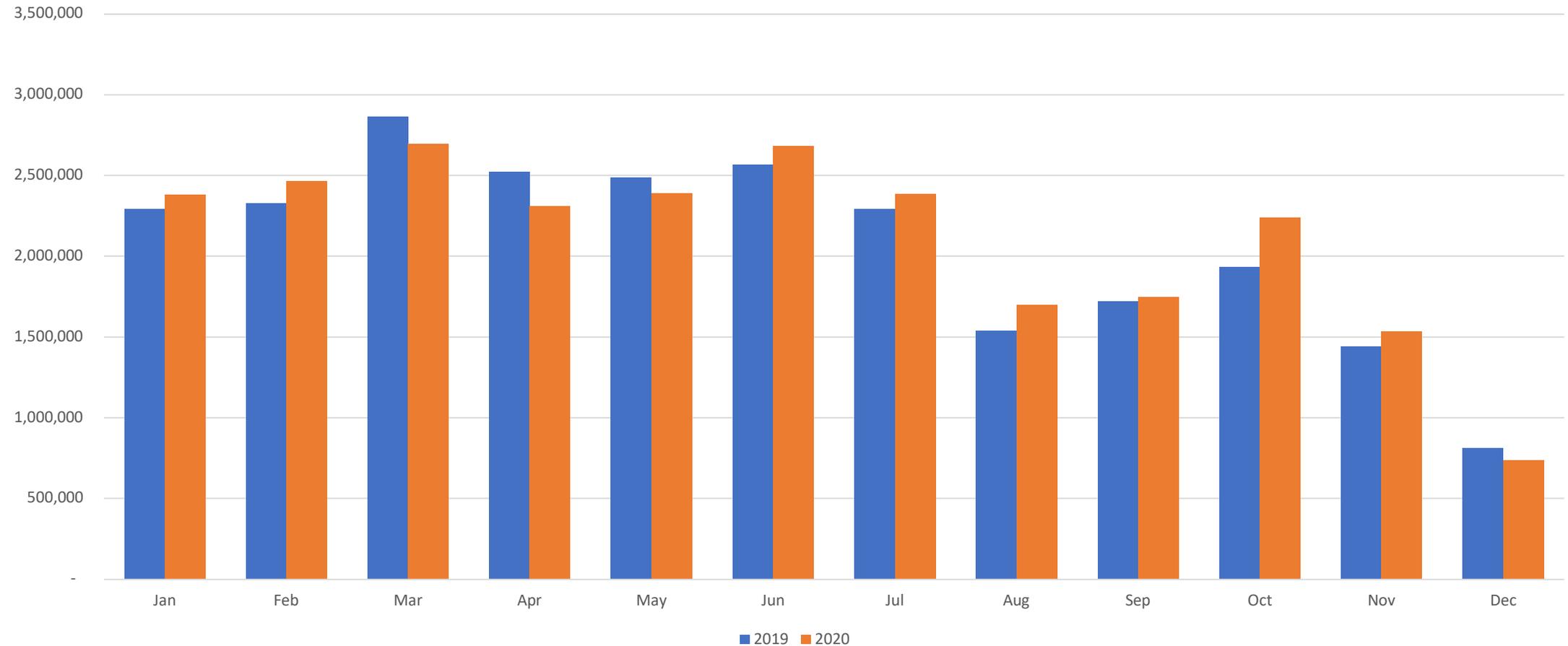
Dataset

- Filtered out all meetings with less than 10 rooms on peak
- Resulted in **257 US DMOs** with complete data for pace
 - Including 34 of the top 50 meetings destinations in US¹
 - This represents roughly 67% of DMO influenced room nights, when compared to the DI Sales Channel Impact Study, which was updated in 2015 for 2014

¹ Per Cvent's Top 50 Meeting Destinations in the US 2019

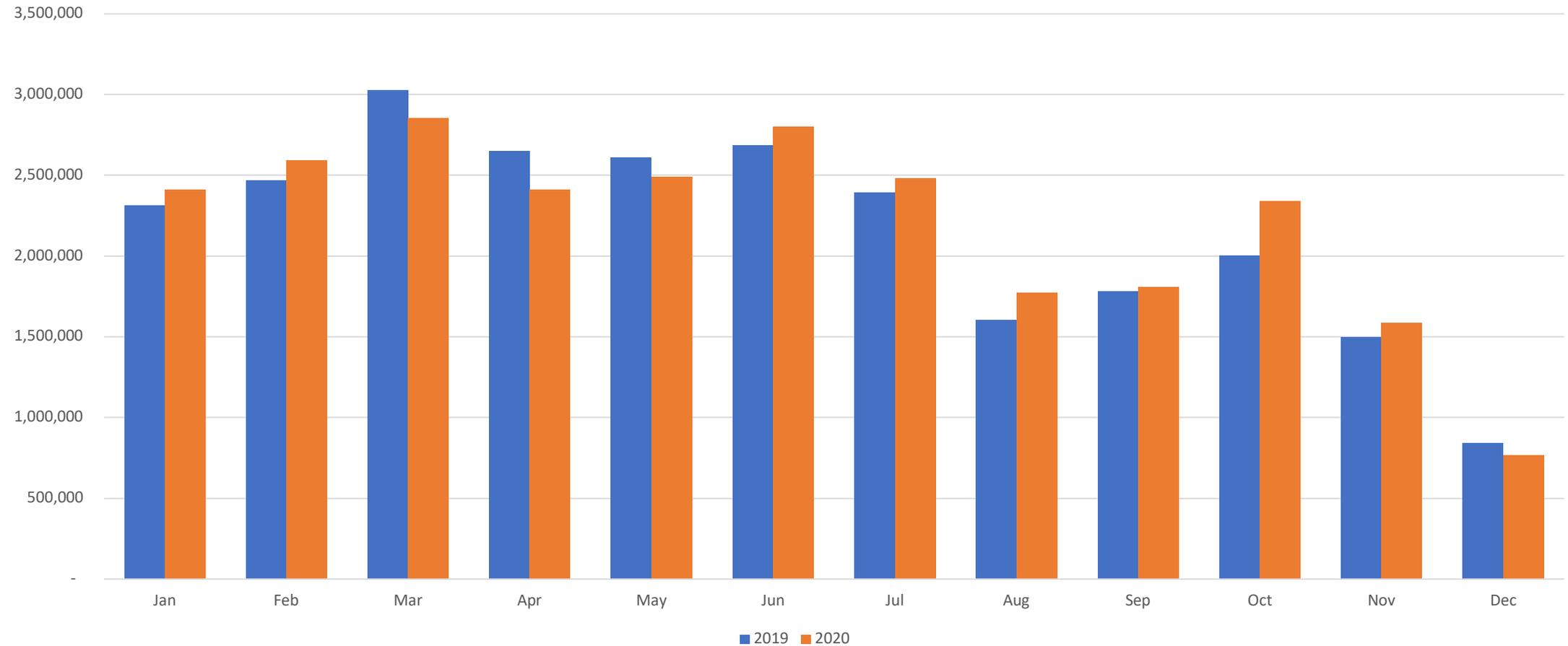
February 1, 2020

Reality: 468,000 more room nights on the books vs. same time last year



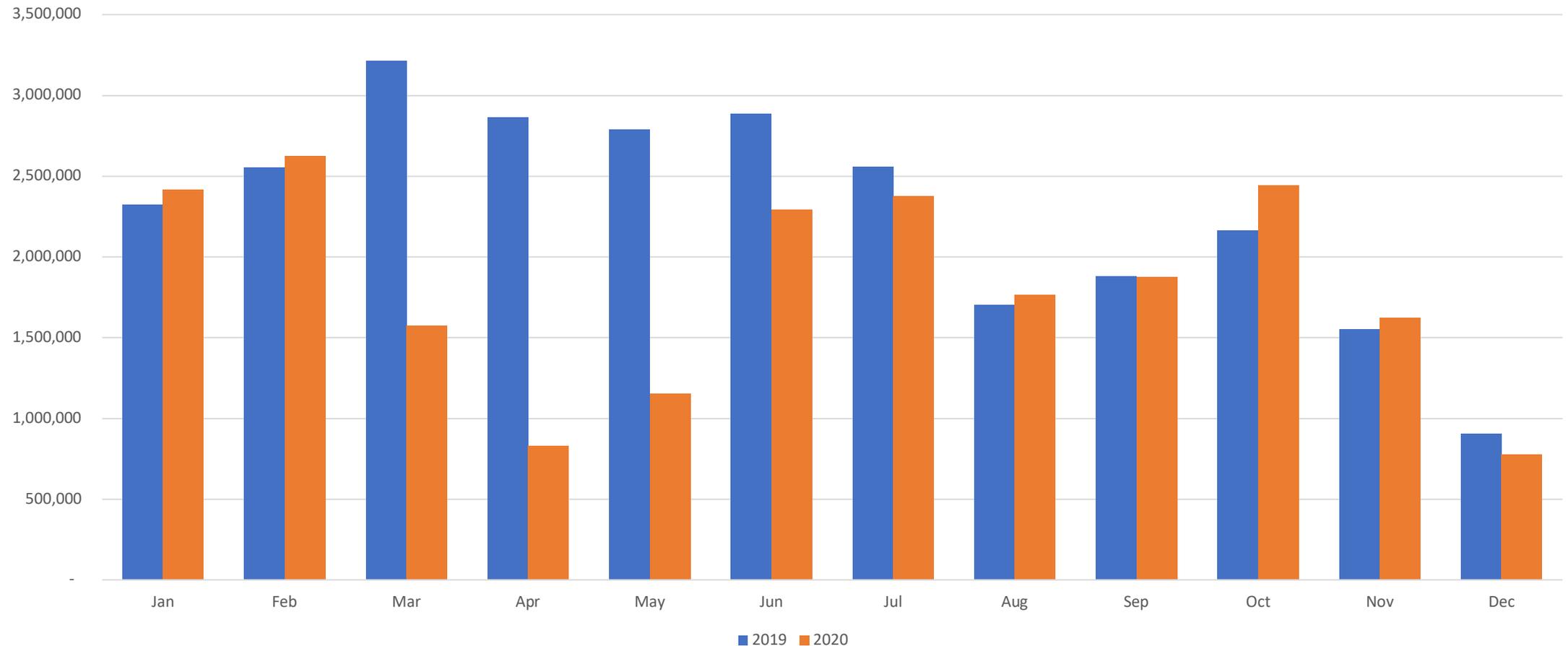
March 1, 2020

Reality: 451,000 more room nights on the books vs. same time last year



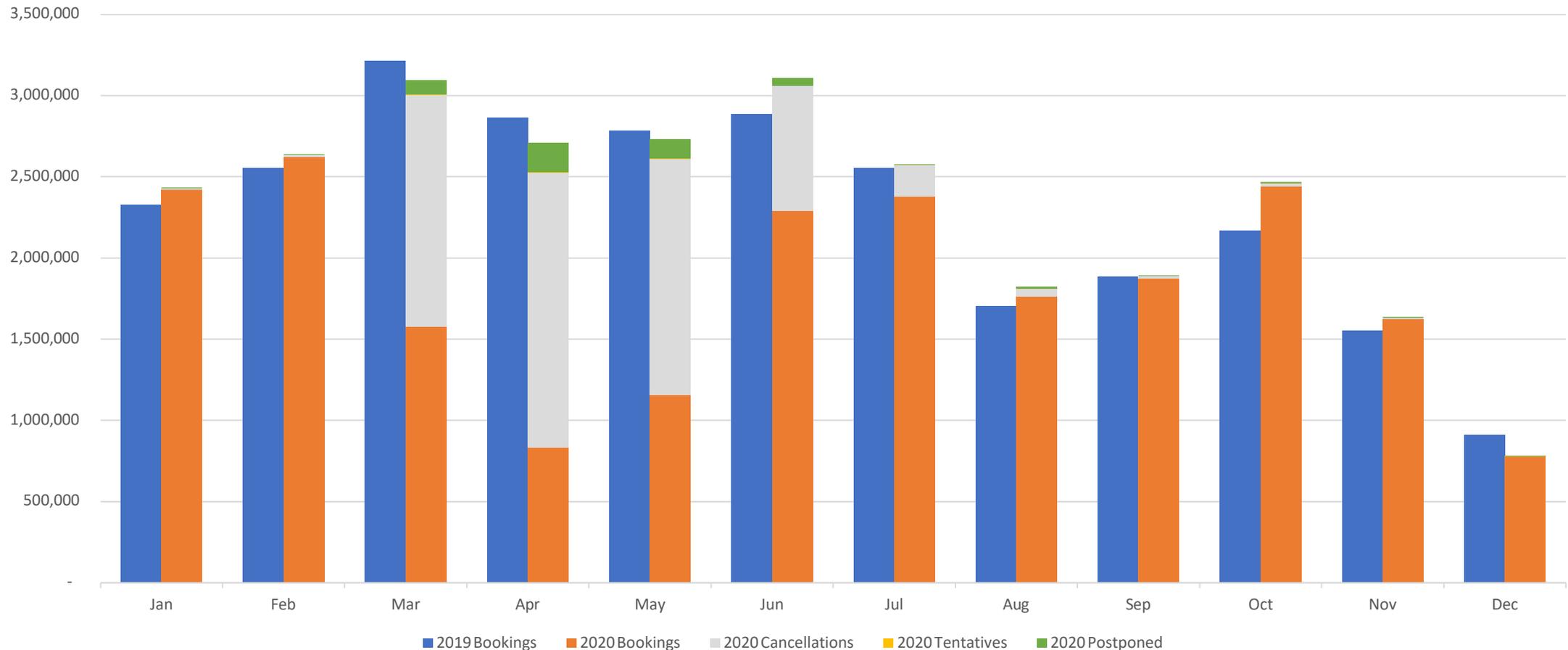
April 5, 2020

Reality: 5.7 million fewer room nights on the books vs. same time last year



April 5, 2020

Insight: The majority of lost business is cancelled and not postponed, and we are starting to see cancellations in June and July with downside support in August

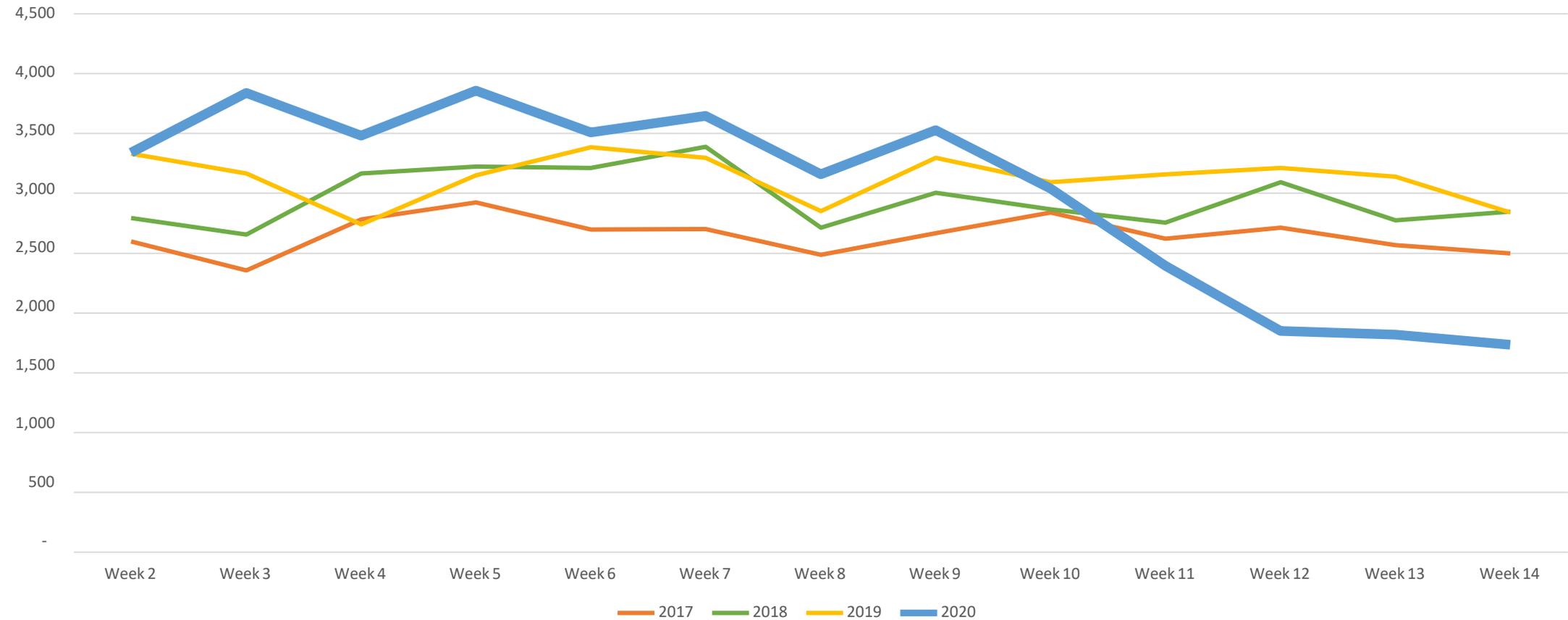


Lead Generation

- Examined the number of new Leads generated back to 2017
 - Based on the date a Lead becomes Tentative
- This reduced the dataset to 225 US DMOs
 - Ensured each had at least 10 Tentative Leads in each of the past 4 years that had 10+ rooms on peak for proper comparison

Insight: On March 11th, WHO declares novel coronavirus outbreak to be a pandemic and Lead volume for 2020 drops below past years.

Hope: We will monitor this weekly for a bottom/ recovery

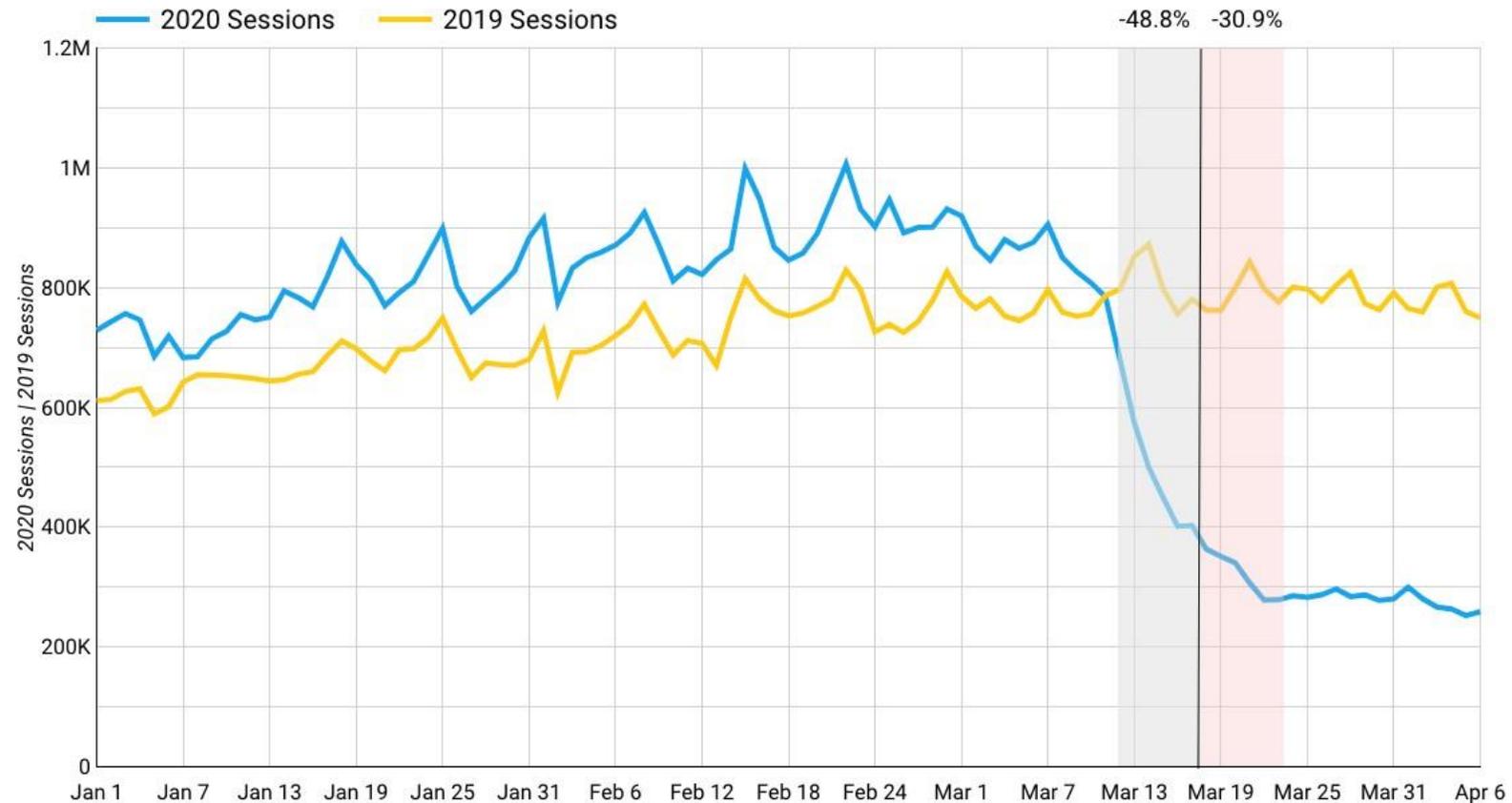


*Weeks are from Sunday-Saturday, hid week 1 since it normally is a partial week beginning of year

**Week 11 is March 8-14, when 2020 first drops below past years

Visitor Sessions to DMO Websites - Year over Year

This will inform leisure travel – stay tuned



YTD % Difference
-4.13%

March 11 To Date % Difference
-54.99%