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Adam N. Szilagyi

University of Nevada, Las Vegas

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A review of San Francisco's lodging industry: Past performance and future implications

by

Adam N. Szilagyi

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Purdue University
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PART ONE

Introduction

The hotel market in San Francisco plays a vital role in the local economy and is as diverse and multifaceted as its demographics. This west coast city is a financial hub that is also home to some of the most innovative and successful companies attracting a large share of the market that supplies the city's hotels. With San Francisco's unique climate and attractions it has much to offer visitors. *Condé Nast Traveler* consistently rates San Francisco as a top domestic and international leisure destination (Law, 2011). Despite San Francisco's vibrant tourism industry, the local economy has not been immune to economic downturn throughout the 21st century.

The city of San Francisco is considered one of America's "major cities." The city itself sits at the end of a peninsula crowded by the Pacific Ocean and San Francisco Bay on three sides. Geographically, this makes San Francisco relatively small compared to other cities in the U.S. and has been an obstacle for growth and development along with local political and social factors. San Francisco is also considered part of the San Jose-San Francisco-Oakland Consolidated Metropolitan Statistical Area (CMSA). The larger Bay Area consisting of East Bay, South San Francisco and Silicon Valley has a direct impact on San Francisco's hotel industry driven by diverse economic activity; notably the high-technology sector (Law, 2008).

Understanding the experiences of the industry in San Francisco from structural changes to tourist demographics is critical for hotel operations. In 2010, taxes generated from tourism equated to \$485 million making it the city's largest industry. From 2000 – 2010, 59% of direct traveler spending in San Francisco came from the city's hotels. This has injected money into the

local businesses and created revenue streams across industries. In correlation, the trends and activities that are shaping the future of San Francisco's hotel industry help shape the local economy. The economic value of San Francisco's tourism industry is an industry that cannot be understated. The demand potential of San Francisco has been demonstrated throughout the economic rollercoaster over the past decade from the wide range of industries; many of which are distinct to the Bay Area. There are many factors that have contributed to this as well as many factors that negatively impacted the industry over the past decade beginning with the high-tech crash in late 2000.

The future outlook and potential of the tourism industry cannot be fully understood or beneficial without thorough examination of past hotel performance. Previous hotel data will reveal what the market has experienced as well as how it has responded throughout various economic conditions. Examining this data will show the direction in which the industry is headed enabling hotels to accurately adapt their business models to market trends.

Purpose

The purpose of this paper is to examine the past performance of the San Francisco lodging industry in order to identify future growth potential.

Statement of Objective

The contents of this paper presents the performance of the San Francisco hotel industry within the past decade. There are several publications that illustrate the past performance of the tourism industry in San Francisco as well as the Bay Area. This paper will expand upon this information to address the interrelationship between tourism and hotels within the area. Through examining a refined area of tourism, the hotel market in San Francisco, the reader will understand the trends and business patterns that have occurred in different economic conditions.

From this data, we can identify other diverse markets the city can attract to the San Francisco metro area and reasonably forecast accurate business predictions for the city's outlook in the lodging industry. This research can be a resource for area hotels to adapt and evolve with emerging trends and travel habits to sustain demand and market share.

Justification

The hotel and tourism industry has a direct correlation with economic conditions. Thus, as economies become more complex so do the factors affecting tourism and hotel occupancies. The problems are not always directly “in our face” and research has to be conducted to better understand the complexities of the problems facing the tourism industry. The data and numbers are records of how hotels performed but finding the reasons “why” those performance figures were what they were is the area that needs to be explored. Examining such reasons will bring awareness to the industry and can be used to make better business decisions and/or adapt an operation as necessary. Examining performance can be conducted within different regional and geographic markets. The smaller the area of study, the easier it is to pinpoint issues affecting hotel performance. Using historical data is unbiased in nature and one of the best references to adjust any business model for future performance. History can say many things about a market such as how it is growing or contracting, consumer trends, and supply and demand patterns. Using historical data from a defined timeframe will provide an objective measure with unbiased and actual information, thus providing the most reliable for any operation. This paper will form as an educational study for relevant individuals within the hotel and tourism industry in San Francisco.

Constraints

The research conducted for this paper had both internal and external limitations on the topic of study. The main limitation internally with the most impact was the restricted amount of time to conduct the study due to work obligations and business demands. This presented an obstacle in providing thorough research throughout different parts of the paper. The externally imposed constraints on this examination derive from the exploratory research based on the topic of hotel performance in a specific geographical market. Tourism spending is harder to measure across industries in correlation with economic trends and the indirect impact on hotels. This leaves many variables affecting hotel performance not accurately measured. This study concludes information for *interpretation to where the San Francisco lodging industry is heading*. This paper is limited to and only serves as a hypothesis or guide for the future growth and potential of a lodging market and not as a direct answer to a single problem.

PART TWO

Introduction

According to *The U.S Travel Association*, one out of nine jobs in the U.S. depends on travel and tourism. In 2010, Tourism accounted for 2.7% of the nation's GDP [USTA] (2011). The industry provides business receipts and funds to the federal and local governments from tax revenue. Within the state of California alone, \$95.1 billion in direct traveler spending contributed to funding jobs, payrolls and taxes, a 7.7% increase from 2009 (Runyan, 2010). Although, there is a direct correlation between the tourism industry and economic performance, traveler spending across industries from tourism is difficult to accurately track. To fully comprehend the performance of a lodging industry within a given region, it is important that all relevant variables affecting the region are assessed for reliable data.

San Francisco presents a unique region for tourism and hotel performance where many aspects of tourism are hard to measure. The city is compact and part of a consolidated metro area where business is inter-mixed. One third of traveler spending falls out of the city limits into the Bay Area. With San Francisco's proximity to Silicon Valley, the city shares ties with an educated and skilled workforce. The dynamics of the city provide many opportunities for the area's hotels to sustain occupancy year round. The literature of this paper contains detailed study of the unique factors affecting San Francisco's hotels.

Literature Review

San Francisco's Unique Characteristics and Recent Tourism Data

The city of San Francisco is relatively small compared to other major cities. It is 46.87 square miles crowded at the edge of a peninsula. Mild year round weather in San Francisco is

influenced from being surrounded by water on three sides with the Pacific Ocean on the west and the San Francisco Bay on the east. The cool currents from the ocean contribute to the microclimates present in San Francisco along with the varied topography.

San Francisco is the most densely populated city in California mainly due to the natural boundaries. Overall, it is the fourth most populous city in the state and the thirteenth most populous city in the U.S. (City-Data, 2009). The limitations posed by the geography of San Francisco have kept growth and supply of hotel rooms moderate over the past decade. Due to its diverse business base, cultural appeal, and mild year round weather, San Francisco has historically experienced strength across three main lodging sectors: commercial, leisure, and meeting and group (Law, 2008). The city brought in 14-16 million visitors each year from 2000 – 2010 with 2010 showing strong signs of a rebound in tourism attracting 15.92 million visitors [SFTA] (2011). In 2010, the San Francisco Convention and Visitor's Bureau conducted its first ever Arts & Cultural Study. It revealed that one in four visitors to the city specifically traveled to San Francisco to see a park, festival, or musical performance (Destination Analysts, 2011). This study illustrated one of San Francisco's many unique demand generators to draw tourists.

To accurately assess hotel performance in San Francisco, it is important to understand the makeup of the tourism and lodging industry in the city. The following are key characteristics along with the most recent tourism data for San Francisco:

- convention facility – Moscone (963,929 sq. ft. of meeting and exhibit space),
- hotel rooms – 32,976 (20,000 rooms within walking distance of Moscone),
- hotel tax rate – 14%,
- average length of stay - 4.5 nights,
- domestic visitors (2010) – 70.2%, and

- international visitors (2010) – 29.8%

The top five feeder markets for hotel guests in the last year for San Francisco were Los Angeles bringing in 11.3%, San Francisco-Oakland-San Jose attracting 7.0%, Sacramento-Stockton-Modesto adding 4.9%, and Chicago following up with 3.3%.

San Francisco's Arts and Cultural Study revealed in detail, the diversity of the city's visitors. The study's most favorable statistic for the future of the city's travel and tourism is 74.3% of visitors have previously visited San Francisco and 98% of visitors plan on returning (Destination Analysts, 2011). This shows that San Francisco and the Bay Area have a lot to offer travelers with different interests from different regions of the world. Guests want to be in San Francisco and for the most part, enjoy their visit. The city has a rich history, natural beauty, and a variety of ethnic cultures that continue to drive tourism in the area.

The San Francisco Bay Area ranks second in the state from direct traveling spending (Center for Continuing Study California Economy, 2011). In 2010, San Francisco alone generated \$8.34 billion in visitor spending, with over 63% coming directly from the city's hotels (SFCVB Comparison of Annual Visitor Volume/Spending, 2011). Findings from the SFTA (2010) comprehensive survey of visitors exposed that 75.4% of trips to San Francisco were for leisure purposes. In addition, the survey showed visitors of the city were largely hotel guests with 60.7% of visitors staying in a hotel, motel or inn (Destination Analysts, 2011). With a majority of leisure guests on vacation staying in hotels, over 51.6% of visitors stayed four or more nights in San Francisco SFTA [(2010). This particular market brings in increased revenue potential for hotels and local businesses with longer stays.

San Francisco Travel has been conducting the most thorough and detailed visitor profile research in the organization's history within the past year. This information is used to learn

about the people that visit the city and to better cater to their needs for future visits. Realizing the benefit of using historical tourist demographics and data, local businesses and hotels have partnered with the city to build strategic marketing campaigns attempting to enhance the attraction of San Francisco as tourist destination. It is positive news for the industry and the city. While California was hovering high with unemployment at 12.2% in 2010, San Francisco and the Bay Area's unemployment rate was at 9.3%, which was also 0.3% lower than the nation's unemployment rate (SFCVB Breakdown of Annual Visitor Volume/Spending, 2010). The San Francisco Bay Area demonstrated the ability of its innovative and skilled workforce to stimulate economic activity, create jobs and attract visitors despite economic conditions at the time.

Importance and Impact of Travel and Tourism to San Francisco

The tourism industry in San Francisco is a multi-billion dollar industry that directly supports over 65,000 jobs annually SFTA (2011). San Francisco saw an average of 126,931 visitors daily in 2010, with spending per visitor equating to \$22.85 million a day. As noted earlier, San Francisco is part of a Consolidated Metro Area and figures are much higher when considering the entire Bay Area. The money that is spent by visitors on services and products provides revenue for businesses which helps employ residents of San Francisco and the Bay Area. In the past year, the San Francisco Metro area accounted for 8.8% of California's \$95.1 billion in direct traveler spending. San Francisco hotels made up 63.3% of the 8.8% of San Francisco's direct traveler spending (Runyan, 2010).

The traveler industry is composed of businesses and firms selling goods and services to travelers (Runyan, 2010). Travel related service firms consist primarily of restaurants, lodging establishments, attractions and retail stores. However, traveler related spending spans across many industries which can be influenced by many factors based on a traveler's needs. This

complicates the ability to track spending and is known as indirect traveler spending. Reported numbers in the contents of this report are based on direct traveler spending which were measured from the city's hotels and travel research firms in San Francisco and the U.S.

The wide range of industries in San Francisco as well as the Bay Area play a large role in the diverse demand segments that travel to the area. The city is a center for world commerce, being a natural landlocked harbor; San Francisco thrives on trade (City-Data, 2009). Over thirty financial institutions and the Pacific Exchange are located here, making it a center for world commerce (City-Data, 2009). It is considered the birthplace of new media and with a model for innovation; the Bay Area's growth is being fueled by clean-technology firms under development for sustainability (Law, 2010). Such diversity makes the city an attractive leisure and business destination for visitors from around the globe.

Historical Performance of San Francisco Lodging Market (2000 – 2010)

The San Francisco hotel market is as complex and diverse as the city's industries and demographics. Since 2000, the San Francisco Bay Area has been subject to a variety of market conditions; at times reflecting the same conditions as the nation's economy while other periods being distinct only to the Bay Area. San Francisco has been able to sustain occupancy relative to other metropolitan markets and the nation due to its compact geographical setting, allowing little room for an increase in room supply.

The first quarter of 2000 for San Francisco Tourism was said to be at an all-time high, according to John Marks, former President of the San Francisco Convention and Visitor's Bureau. The occupancy of the city continued at a rate of 80.7%, ahead of the national average by 13% (Hotel Online Report, 2000). In the last half of 2000, the high-tech crash came and United Airlines, a major airline to the city, underwent cutbacks. By 2001, before 9/11, San

Francisco already had a 10% decline in occupancy (Glionna, 2002). Post 9/11, San Francisco was feeling the impact of multiple events and a tourism slump longer than any other major city in the U.S. other than New York. Figure 2 illustrates occupancy in San Francisco during this period as the deepest slump over the past decade. For the next two years, San Francisco had a drop in both occupancy and ADR from added competition before 2000. The status of the national economy and meeting and group segments fell with the high-tech arena. Thus far in the 21st century, 2002 and 2003 marked the lowest years in occupancy for the hotel market in San Francisco/San Mateo with 61% and 62.8% (Smith Travel Research, 2011a).

In 2004 and 2005 revival came to the lodging market with recovery from the nation's economy and increased activity from international tourism. Occupancy increased almost 5% from 2003 along with ADR and RevPAR showing growth. There was a stronger demand from reliance on internet bookings. Through the next two years San Francisco was experiencing an upswing with strong demand and healthy jumps in ADR and RevPAR. In 2007, RevPAR for the year was recorded at \$111.41, over \$20 higher than in 2005. The local and national economies contributed to this with an increase in business group and leisure demand. The San Francisco market was showing to be one of the strongest markets for hotel demand in the nation with strong ADR growth (Law, 2008).

While oil prices inflated the cost of fuel and the slowing housing market began in 2008, San Francisco stayed strong through the most of the year while other markets across the nation started to feel the effects of the oncoming recession. Recession hit San Francisco later than most places. By 2009 San Francisco had a 7.5% decline in RevPAR on a year over year basis. Although, it ended the year with 71.3% occupancy and experienced layoffs and high unemployment, San Francisco managed to stay above California's overall occupancy of 60.1%

in 2009. As the economic downturn began to turn around in 2010, the talk of the recession seemed to be worse than the actual performance. Occupancy came back in 2010 with companies restructuring and attracting new business ideas into the area. Staffing levels were still at recession levels but beginning to show promising signs of recovering by year end, with hotels once again able to focus on brand standards with business. A main reason for a press on performance with low staffing was the amount of Hotel REITs and separate ownership of hotels in San Francisco. The end of 2010 saw an increase in business, so hotels tried desperately to meet budget shortfalls. To meet this, capital projects and hiring of some positions were put on hold until 2011.

Region	San Francisco		California		United States	
2000	149.86	120.37	99.41	70.66	84.67	53.5
2001	143.04	92.68	98.73	64.31	83.62	49.91
2002	123.39	75.32	94.42	59.68	82.54	48.71
2003	116.84	73.36	93.52	59.47	82.67	48.92
2004	118.32	80.29	96.54	64.05	86.19	52.8
2005	125.48	89.65	102.73	70.67	91.03	57.35
2006	138.3	100.67	111.52	77.29	97.81	61.75
2007	148.67	111.41	119.52	82.36	104.31	65.52
2008	156.05	117.11	123.43	80.89	107.38	64.21
2009	133.22	94.95	110.05	65.63	98.1	53.51
2010	135.97	102.24	110.13	69.56	98.06	56.45
	ADR	RevPAR	ADR	RevPAR	ADR	RevPAR

Table 1. Comparison of ADR & RevPar by geographical location 2000 - 2010

Note. Source: Smith Travel Research. (2011). Retrieved from email communication with STR.

Over the past ten years, San Francisco was hardest hit in the beginning of the decade. Figure 1 and Figure 2 illustrate this as well as the first part of the decade having the longest slump. The Dot-Com bust was the start of the initial decline preceding 9/11 in the Bay Area. It can also be said that San Francisco's economy has learned from the first part of the decade and can adapt their business model to consumer patterns. The adversity of the recent economic

recession in 2008, 2009, and into 2010 was felt across the nation including San Francisco, but the diversity of the Bay Area and clean technology boom kept the recent downturn shorter and more resilient than that of the beginning of the decade.

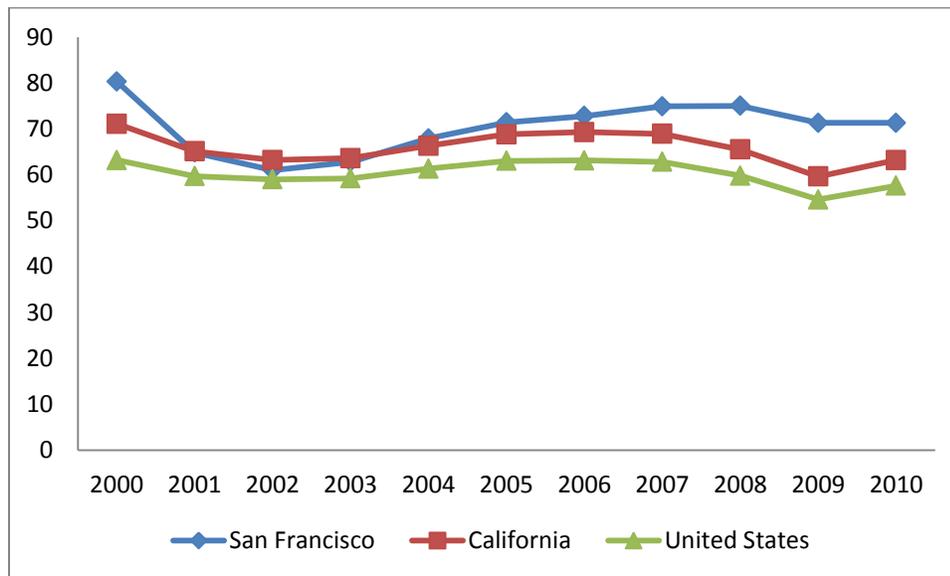


Figure 1. Comparison of Market Occupancy by geographical location 2000 – 2010.
Source: Smith Travel Research (2011). Retrieved from email communication with STR.

Labor Relations in San Francisco Market

The active labor union in San Francisco is Local 2 and represents around 9,000 employees in the city's hotels. The most recent union strike was in 2009 and deterred business away from the city, which was at a time when the city's economy was in volatile condition with companies having difficulty sustaining business levels due to market conditions. Currently, San Francisco has negotiated a contract which originally expired in 2009 and ignited the initial strikes focused at the city's largest hotels. With the prior contract hotels paid \$1,080 in healthcare for each employee. In the current contract hotels agreed to pay full health care at a cost of \$1400 per employee (SF Hotel Council, 2011).

The inconsistency and costs associated with union hotels has been evident. San Francisco's political environment and union stance has played as an obstacle in attracting and sustaining business to the city. The union environment in San Francisco presented challenges for investors, managers, and operators of the city's lodging industry (Law, 2011). The operating costs associated with a union property are high and provide minimal opportunity to adapt hotel operations with business patterns. Tensions have also been high between union leaders, hoteliers and tourism officials. In June 2010, the SFCVB decided upon the act of evicting Local 2 from the Travel Association. The association claimed that the union had made an already dismal economy worse in San Francisco by discouraging conventions and travelers from doing business in the city. Even though a contract is negotiated, union and hotel relations will play a critical role on San Francisco's lodging industry in the future.

Industry Analysis in San Francisco and Future Implications

The many market conditions experienced in San Francisco's lodging industry has varied in relation to the conditions around the nation and globe since 2000. The importance of studying these trends serves in understanding the complex issues facing the hotel market as well as a model for the next decade of performance within the industry. Nationally, the travel industry has gained visibility within the recent years (CTC, 2011). California being the number one travel destination in the U.S. as well as hosting 18% of international travel has brought more structure of funding and focused marketing programs in attracting tourism. The value of tourism and value of California to the U.S. are economic engines in creating jobs and revenue streams. San Francisco remains an important and unique demand generator with potential to be maximized from education of historical performance and trends in the lodging market.

Although, San Francisco has experienced rough times and challenges, it has proven an attractive destination for many markets. San Francisco has been one of the fastest cities to recover from the most recent recession within the hotel market. Smith Travel Research has shown San Francisco as one of the highest ADRs and fastest rebounding for metropolitan lodging markets in late 2010. San Francisco doesn't slow down here. The city was chosen to host America's Cup in 2013, which allows the Bay to showcase competitive sailing and bring potential revenue of a billion dollars to the local economy (Cote, J. 2011). This presents another great opportunity for the city and added exposure from around the world.

The city has demonstrated its ability to adjust and create opportunity by finding ways to draw tourists and business. Small businesses thrive in San Francisco; with 95% of the city's businesses having fifty or less employees. The labor force in the region contributes to the success and resiliency of San Francisco. The highest concentration of new immigrants is in San Francisco, which makes up a large part of the hotel workforce. Over 70% of San Francisco residents have a bachelor's degree or higher (City-Data, 2009). The diversity of the industries in San Francisco and the Bay Area are prevalent with the demographics. The location and diversity are beneficial for drawing high-tech, innovative, and clean energy businesses.

The city's fastest growing market is the Chinese traveler increasing 50% from 2009 with 150,000 travelers from mainland China (San Francisco Business Times, 2011). Hilton and Starwood have been working on a joint effort to bring in the Chinese traveler. This is an example of identifying potential in San Francisco's future hotel and tourism industry with visitor identities collaborating to appeal on opportunity markets. Such initiatives are demonstrating steps in the right direction for companies as well as the city of San Francisco working together in utilizing resources to attract tourism. It is important to the tourism industry in San Francisco as

well as the financial health, that people and companies work together to increase traveler demand. The city and its economy learned from recessionary periods and have adjusted the way business is conducted to be successful. San Francisco is truly a unique destination with abundant resources and dynamics to attract tourism. All indications show the future of the city's tourism industry will benefit from the thriving industries in the Bay Area. San Francisco will continue to be seen as an attractive destination for leisure travelers and a meeting hub for business travelers from around the world.

PART THREE

Introduction

This part of the paper will consist of information on where the industry is expected to go in the coming years from a culmination of research conducted. This study's suggested use is similar to a roadmap; showing the direction of San Francisco's lodging market. From examination of materials and sources directly related to the performance of the industry; causality and conclusions to what will happen is based on actual events that have taken place. The context of the research and methodology will not only provide relevant market activity but what hotel managers have experienced and are expected to experience in San Francisco. The approach in exploring and identifying real events provide an objective measure to guide and serve as a model for any hotel and tourism professional in the San Francisco Bay Area.

Results

San Francisco Moving Forward

Despite California and San Francisco's high unemployment and talk of not enough jobs created in the state, the tourism industry has been outperforming what was forecasted in 2010 to present. The state of California is important to the entire nation ranking as the eighth largest economy in the world. Conversely, the economy of the state is over emphasized when in relation to other states in the U.S. California continues to produce more economic output as well as contributing to the U.S.'s overall GDP more than any state in the nation. With San Francisco and Los Angeles as major metropolitan cities and producers, the state shows no signs of slowing tourism or giving up the number one position as the U.S.'s number one tourist destination.

Frits van Paascheen, President and CEO of Starwood Hotels and Resorts Worldwide, notes that the forces that are driving recovery have remained intact and the influence to the hotel

market has been limited even though [recent] global events have reduced confidence and caused economic uncertainty (F. van Paasschen, personal communication, October 27, 2011). San Francisco has the advantage of a highly educated workforce as well as a diverse business base that increases opportunities for hotels to attract business and sustain occupancy. Although not located in the city, Silicon Valley is important to San Francisco and the city's hotels. The city acts as a meeting base for clients of Silicon Valley's high technology companies. The companies located here are some of the most successful, well known, and innovative; adapting to consumer behavior by appealing to consumers regardless of economic conditions.

Jon Kimball, Westin St. Francis General Manager and Area Managing Director (Starwood Hotels), explained that the "good news is the business we have is more sustainable" compared with business earlier in the decade. Throughout his experience as a hotelier in San Francisco he notes that tourists want to be in San Francisco and the variety of industries in the Bay Area help keep city hotels in demand. "In 2000 the industry was almost in a type of fantasy with such high demand: guests were practically sleeping in the lobby" (J. Kimball, personal communication, November 22, 2011). The region experienced a double hit after 2000 with the dot-com bust and then post 9/11. It took three years for the market to fully recover. Currently, San Francisco is exceeding 2000 levels and there have been initiatives and marketing programs put into place so the city doesn't experience the slump it did after 2000. Jon Kimball has noticed that large conventions, for the most part, have gone away and companies watch their spending more carefully. The characteristics of San Francisco and the markets that make up the hotel guests in the city have made it important that studies and surveys be conducted and continue to be conducted to find what guests expect while visiting. Findings can also show what guests don't like and possibly other characteristics that were unidentified before. This will help

maintain the Bay Area as a strong and competitive tourist destination. The more information a lodging market can find out about their guests, the more successful a hotel can be by altering their operations to suit the needs of their market share. The lodging industry is sensitive during economic change. This has showed more than ever within the past decade as guests demand more value. Travel patterns have changed and even in recovery there is price sensitivity among markets. “There has been a realization that every piece of business is a good piece of business” (J. Kimball, personal communication, November 22, 2011).

San Francisco Improvement District- SFTID

As part of an economic stimulus package in 2008, the SFTID was approved to fund capital improvements and marketing budgets for the San Francisco Convention and Visitor’s Bureau. The SFTID generates funds with an assessed 1.5% tax on room revenue from all of the city’s hotels (Duxbury, 2008). In the first year alone, it was expected to generate \$27 million. The fund has contributed to upgrades on Moscone Center which would have otherwise faced budget shortfalls. It is seen as an investment in the city’s tourism allowing the industry to reach out to new markets with increased capital. The SFTID is a major boost for the long term goals of San Francisco’s hotels and tourism, generating the funds to market and attract.

Conclusion

The outlook of the San Francisco market is a positive one. It has regained strength and according to Smith Travel Research, had one of the fastest recovering hotel markets for ADR in the last half of 2010. Growth is expected to continue in areas that are influential: finance, medical and health sciences, and high-technology (City-data, 2009). Clean energy, Biotechnology, and Silicon Valley are driving the San Francisco Bay Area economy (Law, 2011). The Bay Area’s three segments in hotel demand will strengthen with the city’s ability to

adapt and attract. Occupancy is on the rise as well as ADR and RevPar with diminishing reliance on online intermediaries. The geography and dynamics of the city continue to reveal opportunity. The best attribute of San Francisco is the city itself. The city is unique, has a lot to offer, and mild year round weather. The city has many advantages being part of a consolidated metro region and Silicon Valley bringing business to the city's hotels. Travelers are provided with endless possibilities when visiting San Francisco.

Tourist spending is complex making indirect spending difficult track. Each visitor spends and consumes base on their individual needs. Tourism and economic conditions usually rise and fall together. Spending in the lodging industry is easier to track but both tourism and the lodging market can be sensitive to change. When budgets and savings fall short, conventions and meetings are cancelled and leisure travelers will save their vacation for another day. Guests have become more demanding with since the start of the decade and expect value. Educating businesses, city officials, and residents on the impact of tourism and the lodging market will be important for strong tourism demand in the future. Within the past ten years, San Francisco has demonstrated its ability to evolve with market changes and take steps in the right direction by separating itself from competitors. Companies and the local government are now working together to continue marketing San Francisco as a premier destination.

Recommendations

In studying the trends and performance of the San Francisco hotel market over the past decade, there was an abundance of information obtained; however, there was an abundance of information that wasn't obtained relevant to the topic. The performance of tourism and hotels have a direct correlation with local economies; making the relationships and variables between a distinct economy and lodging industry an in depth topic to research. In the past few years, there

has been an increase in recognition on the tourism impact to economies. The financial benefits from tourism spending in a community affect almost everyone. Research and surveys conducted have illustrated the importance of tourism and hotels within defined geographical locations.

Detailed examination is important to identify guest demographics, behavior, and trends in a region. This allows not only individuals working in the industry to benefit from research on lodging performance, but also leaders in a community to consider the economic benefits associated with hotels sustaining high occupancy. Comprehensive studies should be methodical and focus on various demand segments, hotel types, and guest spending habits. Thorough research will reveal data that a lodging market, businesses, and cities can use to make effective and conscious decisions. Data obtained in research can also show flaws with marketing efforts and possibly give insight to budget shortfalls. If hotels have been marketing and offering services to visitors that aren't interested in such; research will expose this and bring understanding to this concept. Extracted knowledge will enable hotel and tourism professional to adjust business strategies maximizing demand potential.

This speaks for the first recommendation on the study of this particular topic. The application of market reports and performance reviews will emphasize negative and positive impacts on hotels with more accurate information used for sound decision making. The second recommendation is that throughout conducting research for this paper, there weren't any available reports that covered all the aspects important to a geographical region's hotels and economy. Such reports will be valuable and can be used as a resource to many individuals throughout the industry. There have been more surveys, comprehensive studies, and programs in place to understand different guest profiles in the market. Composing a full study of the market and utilizing the report will be beneficial to the Bay Area and San Francisco with such a diverse

foundation of social, political, and business climates. The third and last recommendation of this paper is intended to find potential opportunities for hotels in San Francisco. The content and research is exploratory in nature giving direction to more refined research for conclusive information.

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