STOCKTON COLLEGE

THE RICHARD STOCKTON COLLEGE OF NEW JERSEY

The New Jersey Center for Hospitality and Tourism Research

Highlights from the 2009 New Jersey Tourism Promotion Survey

Presenting Stockton's new Campus Center, anticipated to open in the fall of 2011.

The Center's Mission

The New Jersey Center for Hospitality and Tourism Research at The Richard Stockton College of New Jersey collects and disseminates statewide information on tourism and hospitality, conducts applied research activities, and provides this information on www.stockton.edu/njtourism. In addition, the center works closely with an advisory council of tourism and hospitality professionals throughout the state of New Jersey, as well as the prominent polling firm Zogby International, on design and implementation of polling operations.

The results of these polls, and other data relevant to the tourism industry in the state of New Jersey, will be made available to statewide hospitality and tourism professionals through the Center. The Center also works closely with partners across the College including the Stockton Institute for Gaming Management (SIGMA) to produce custom data analysis. We extend an invitation to stakeholders in the hospitality, tourism and gaming industries to partner with the College for broader publication of their data.

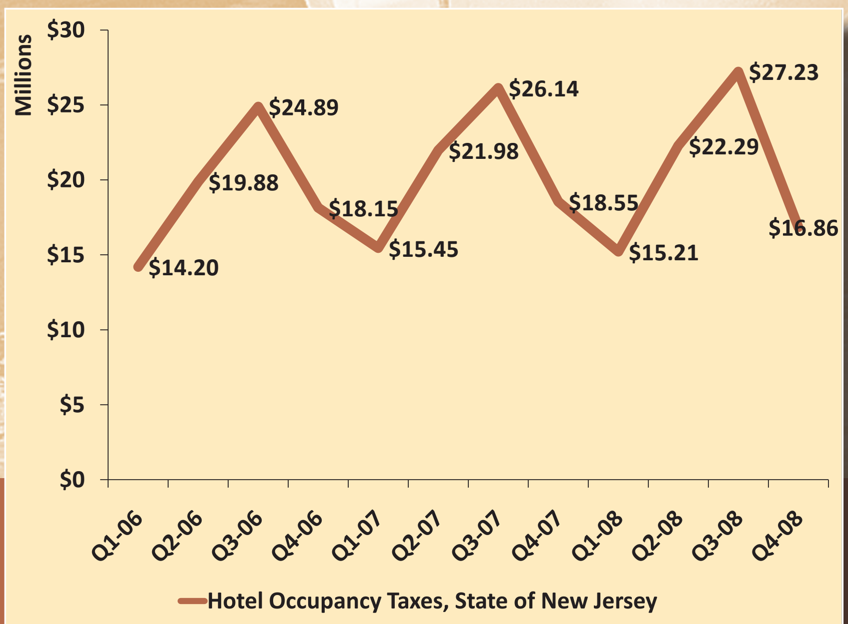

Figure 1: 2006 through 2008 Hotel Occupancy Taxes, State of New Jersey

Tourism Promotion Challenges and Opportunities

Warren Buffet is recently quoted as saying "The change in the American consumer's behavior in the last six months is like nothing that's ever happened."[1] Whether this change translates to lower or higher spending on tourism in New Jersey remains unknown. Industry professionals expressed concern prior to last year's season due to the high price of gasoline. Yet, the relatively costlier travel in the summer of 2008 may very well have helped the tourism economy in New Jersey, as folks put off long-haul vacation destinations in favor of vacations closer to home. Thus, the term "staycation" was introduced to the American lexicon. Figure 1 above shows the hotel occupancy tax receipts collected throughout the state in 2008. Judging tourism's performance solely on hotel occupacy taxes statewide, the end of year figures were not too bad, down less than 3/4ths of 1 percent ($81.6 million) compared with a strong 2007 ($82.1 million). Hotel revenue increases in the 2nd (+1%) and 3rd (+4%) were a large factor (see figure2[2]).

New Jersey's hotels have had quite a run of excellent performance for the past several years. In 2006 and 2007 impressive gains were realized in most quarters. The growth begins to slow in the second half of 2007. The first quarterly decline in hotel performance over the past three years didn't occur until the first quarter of 2008, after the nation was already in a recession (December 2007). Still, this is compared to a good 1st quarter of 2007 (+9%). Furthermore, even with the price of gas seeing record highs in the summer, gains were realized for hotel revenues in the 2nd and 3rd quarters of 2008. The 4th quarter of 2008 shows a 9% drop in hotel revenue statewide when compared to the 4th quarter of 2007. Over the next several pages we examine where the precipitous drop in hotel revenues is occurring during the fourth quarter.

The Center recognizes the challenges facing both industry and individuals during this difficult economic time. We felt that the 2009 tourism promotion survey should examine the situation as well. Perhaps most at issue with regards to tourism and promotion effectiveness is how visitors might be modifying their purchasing behavior given the economic conditions. In this survey[3] we ask both visitors and potential visitors alike how their travel behavior might change in the upcoming months. A total of 7,322 respondents in each of sixteen Designated Market Areas (DMA's) answered over 100 questions. We hope that the analyses provides both public and private institutions some measure of ability to respond effectively to the current circumstances.

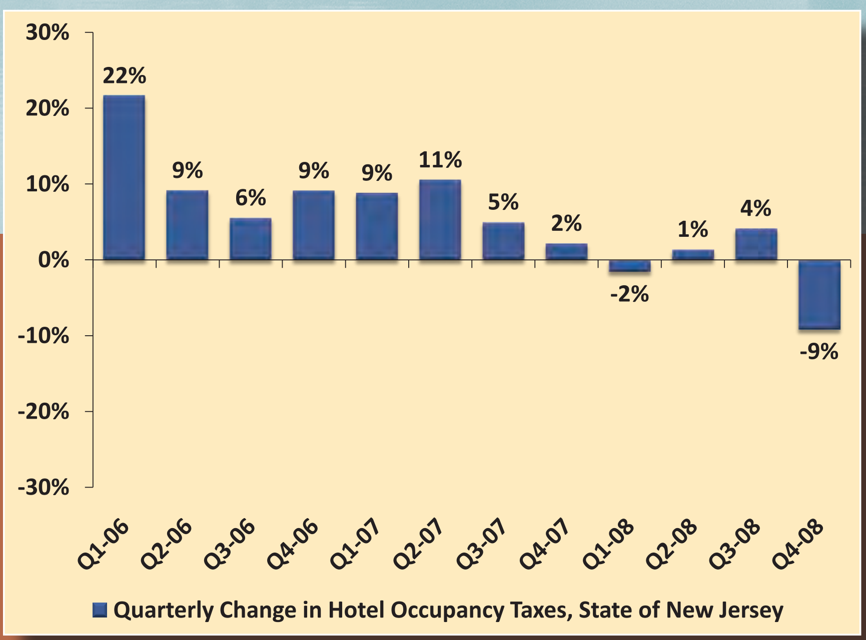

Figure 2: Quarterly Change in Hotel Occupancy Taxes, State of New Jersey[2]

[1] Holm, E. and Liu, B. (March 31, 2009). Buffet resumes US takeover hunt as rivals drop out. Available online at www.bloomberg.com.

[2] All quarterly change is as compared to the same quarter in the previous year.

[3] The questionnaire for this survey was developed based on an analysis of results from a poll or survey that Visit Britain took. That poll or survey can be found at http://www.tourismtrade.org.uk/Images/VLVBpresentation%208th%20dec_research%20only_tcm12-44541.pdf

Regional Performance

Figure 3 reveals the very seasonal nature of tourism in New Jersey. The second and third quarters are vitally important to the success of the tourism industry statewide, but particularly so in the Shore, Southern Shore and Greater Atlantic City regions. Meanwhile, the Gateway, Skylands and Delaware River regions exhibit much less contrast between the 1st and 4th quarters when compared to the 2nd and 3rd quarters.

Figure 4 reveals that the biggest declines in hotel revenues during the 4th quarter occurred in the gateway region, particularly in Bergen (-19%), Middlesex (-14%) and Essex (-13%) counties. Despite the fact that much of the region is characterized by business rather than leisure travel, it is still worrisome for the whole of the tourism industry as the hotel tax funds the promotion of tourism in New Jersey. That funding is heavily dependent on the success of the hotel industry in the Gateway region which, in 2008, produced nearly 44% of all hotel tax dollars ($35.8 million) collected by the state of New Jersey.

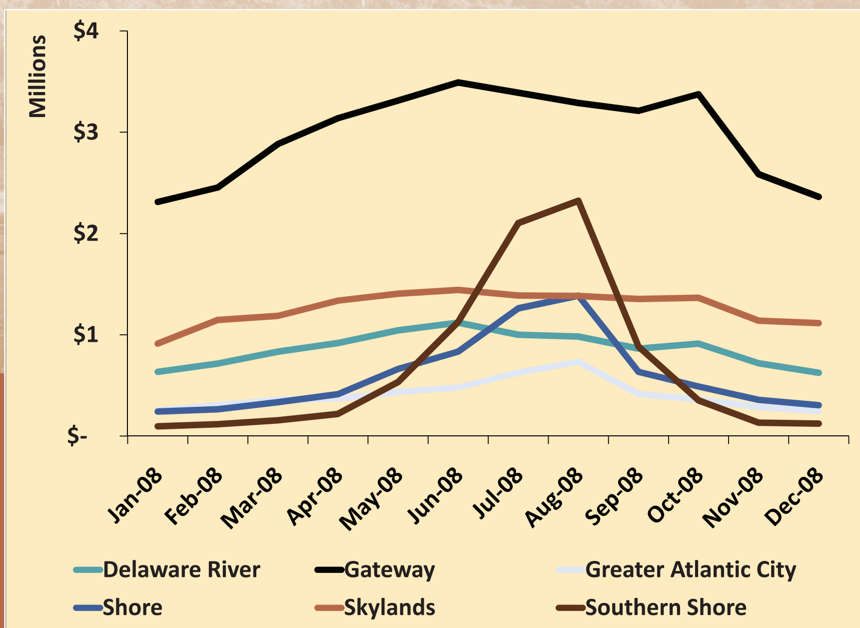

Figure 3: 2008 Hotel Occupancy Taxes by Region

4th Quarter Performance

COUNTY	4TH QUARTER 2008 % CHANGE IN HOTEL REVENUE[4]
Bergen	-19%
Middlesex	-14%
Atlantic	-14%
Essex	-13%
Somerset	-9%
Salem	-9%
Hudson	-8%
Mercer	-7%
Gloucester	-7%
Camden	-7%
Monmouth	-7%
Passaic	-7%
Cape May	-6%
Union	-5%
Hunterdon	-2%
Morris	0%
Cumberland	4%
Ocean	4%
Burlington	5%
Warren	11%
Sussex	29%
New Jersey	-9%

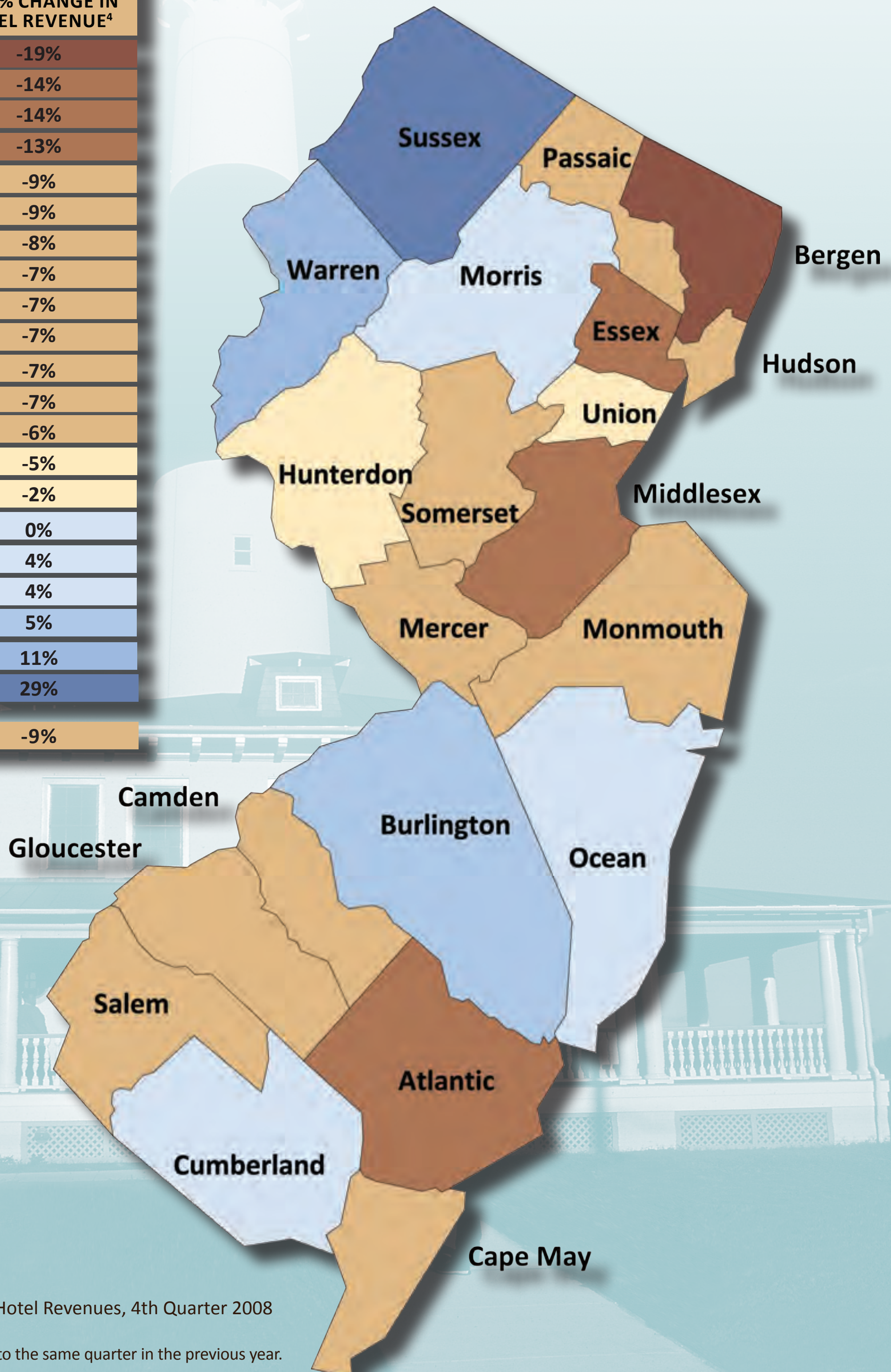

Figure 4: Percentage Change in Hotel Revenues, 4th Quarter 2008

[4]All quarterly change is as compared to the same quarter in the previous year.

Atlantic County Performance

Atlantic County experienced the third largest percentage hotel revenue declines in the 4th quarter of 2008. Figure 5 shows Atlantic County hotel revenue performance by quarter from 2006 through 2008. Faced with growing competition in the region, and the changes in consumer behavior (that we'll discuss over the next several pages), Atlantic County hotel revenues declined in the fourth quarter of 2007 and in each quarter of 2008 (see figure 6)[5].

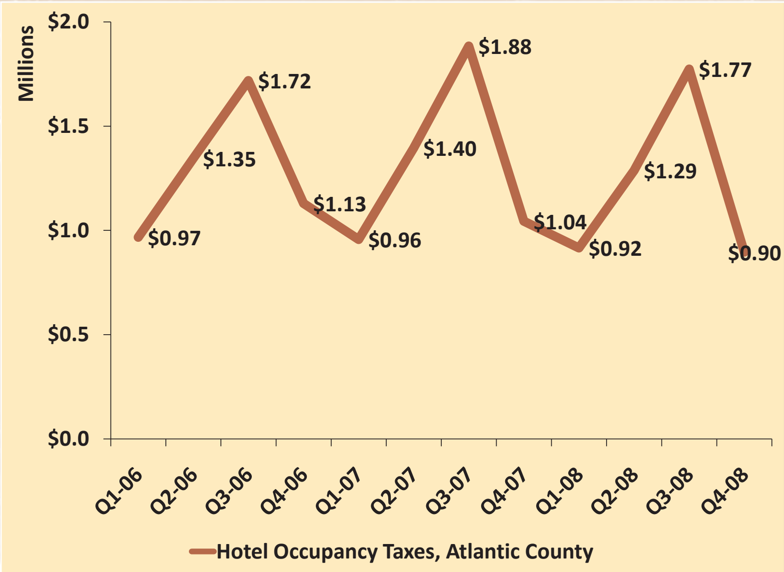

Figure 5: 2006 through 2008 Hotel Occupancy Taxes, Atlantic County

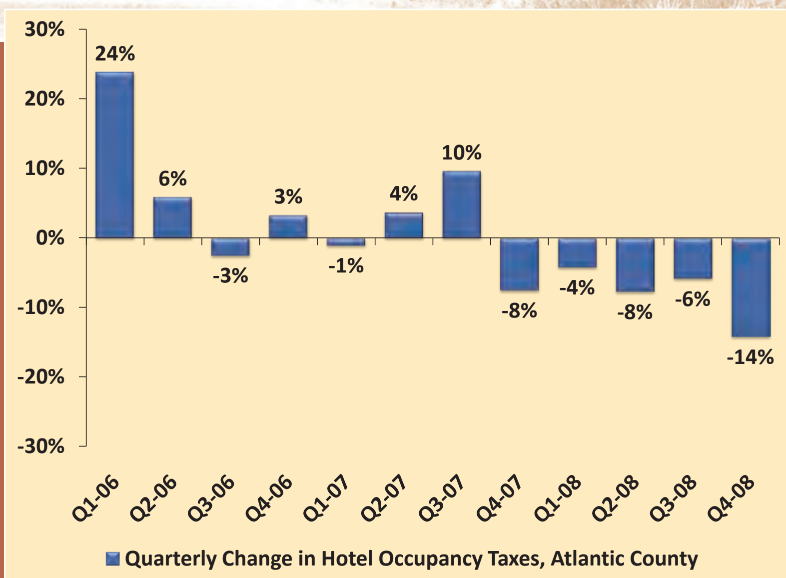

Figure 6: Quarterly Change in Hotel Occupancy Taxes, Atlantic County[5]

[5]All quarterly change is as compared to the same quarter in the previous year.

Changing Behaviors amongst Gamblers?

Turning to the survey results, we asked respondents about various activities they participate in while vacationing. Amongst those that gamble, two thirds (21% + 44%) suggested they would cut back at least some on their spending while on vacation (figure 7), with 44% suggesting they would be cutting back a lot. The results suggest that most consumers view gambling as discretionary income and, during challenging economic times, view gambling as an area in which to save. Figure 8 gives some insight to the lifestage of those who gamble while on vacation. The likely behavioral change in visitor spending, coupled with increased competition in the region, is worrisome for the Atlantic County tourism industry. State officials and local executives have taken action by assisting the industry relative to their competitiveness with comps and other marketing strategies.

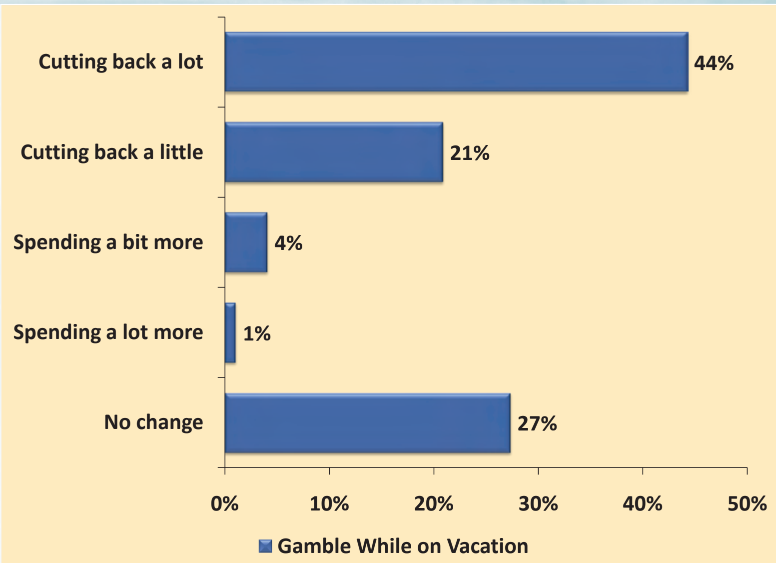

Figure 7: Change in Spending While on Vacation for Those Who Gamble at Least Some.

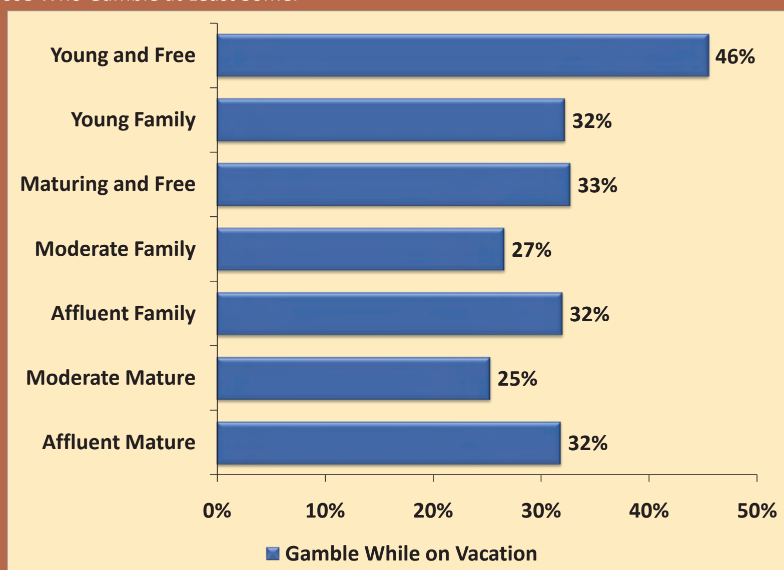

Figure 8: Gamblers by Lifestage[6]

[6]DK Shifflet & Associates (2007). NJ FY2006p Visitor Profile Public Version.
Retrieved January 5, 2008 from the New Jersey Division of Travel and Tourism website: www.state.nj.us/travel/pdf/fy2006-visitor-profile-4-2-07.pdf.

Changing Consumer Behavior

In general, most consumers suggest they will change their spending habits at least some, although that change is not occurring at the same rate for consumers in various stages of their lives. Amongst those that suggested they would drastically change their behavior given the economic climate, the life stage "moderate family" reports the most change (27%) (see figure 9). Conversely, amongst the "young and free" (17%), "moderate mature" (17%) and "affluent mature" (16%) there are sizable segments that do not plan to make any changes to their spending behaviors. Interestingly, while the "young families" report the second highest group to drastically change their behavior (19%), there are still a large percentage of these "young families" that do not intend to make any changes to their spending habits (15%).

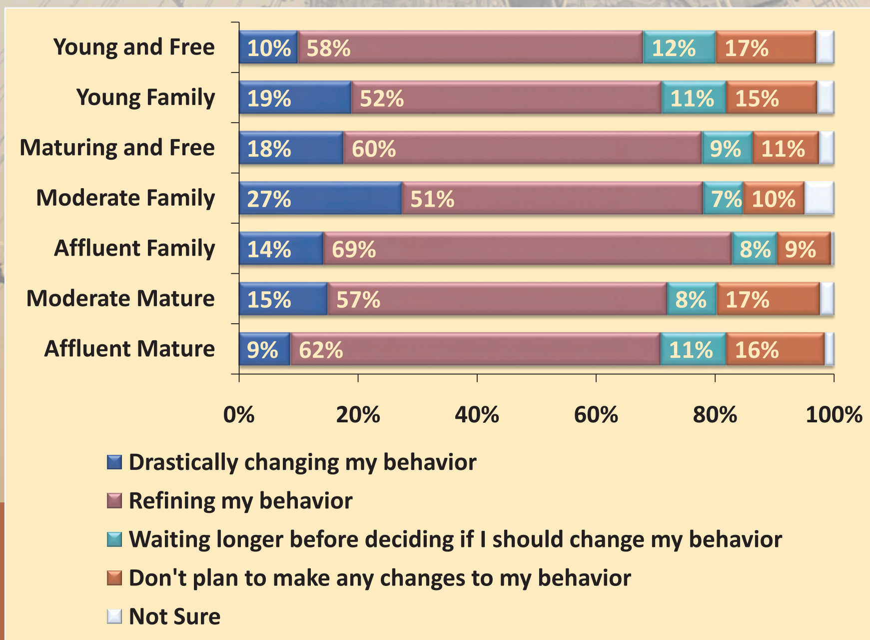

Figure 9: Consumer Reactions to the Economic Climate by Lifestage

Spending on Travel to New Jersey

Amongst those that reported they were likely to make a visit of any length to New Jersey in the next 12 months, most reported they would reduce the amount they would spend on their trips (see figure 10). The lifestage, "moderate families" (71%) was the largest segment to report a reduction in spending. Not surprisingly, the "affluent matures" had the highest percentage (33%) suggesting they would not reduce how much they spend, followed by the "young and free" (28%) and the "affluent families" (24%). Some consideration might be given to modifying which lifestages are targeted given that these "affluent matures" display a relative reluctance to cutback.

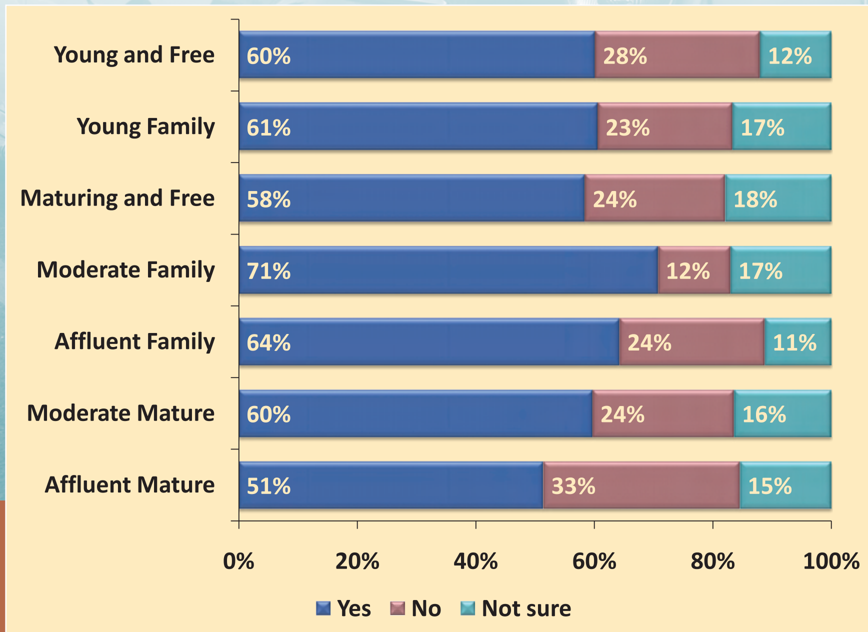

Figure 10: Do You Plan on Reducing the Amount You Will Spend on Your Trip in the Next 12 Months (New Jersey Visitors Only)?

How are Consumers Looking to Save?

We asked respondents how likely they would be to participate in a variety of behaviors that might help to reduce the cost of travel (see figure 11). In general, consumers appear to look for cheaper deals (72%). These consumers appear more eager to spend less rather than to cut back on the number of trips they take. Relatively fewer still appear likely to reserve their travel arrangements earlier, change the manner in which they travel, change the brands they stay or eat at, or alter the time of year in which they travel. Not to be overlooked, 34% of respondents suggested they would change their vacation destination. This could bode well for New Jersey tourism due to its high degree of accessibilty to those in the sample.

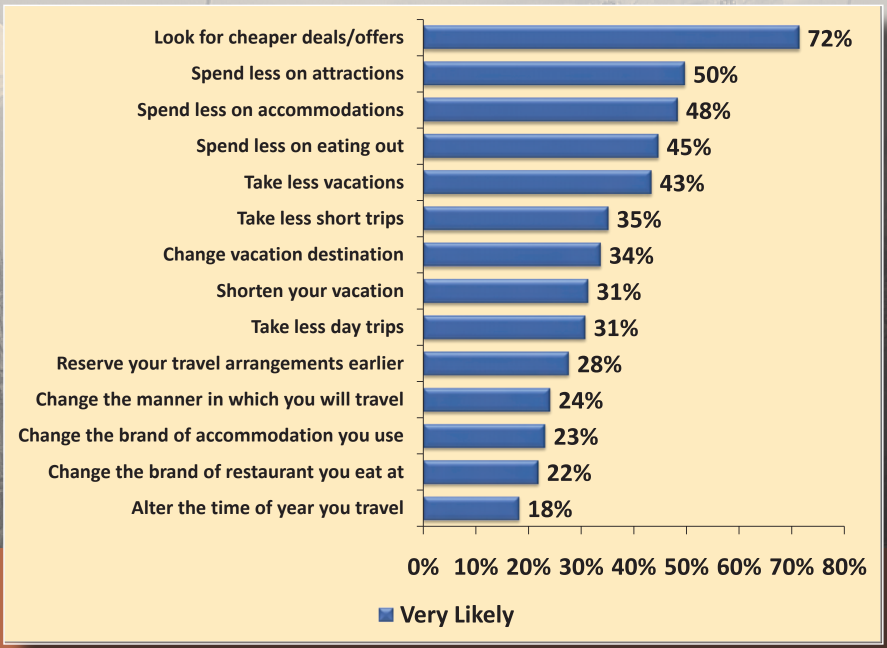

Figure 11: How Likely Are You to Do the Following with Regard to Vacationing?

Who's Most Concerned with Cheaper Deals?

While a majority of respondents were looking for cheaper deals (72%), there exists some variety amongst the various lifestages as to who might be likely to look for such deals. The "moderate families" (87%) report they will very likely look for cheaper deals while vacationing (see figure 12). Also very high were the "young families" (83%). Conversely, the "affluent mature" (64%) had the lowest response to the question would they be very likely to look for cheaper deals while vacationing.

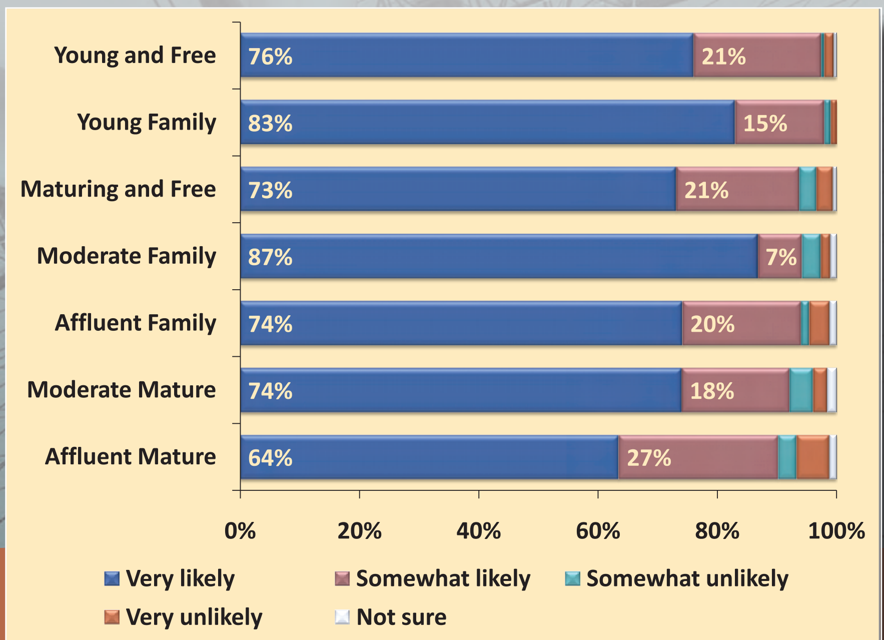

Figure 12: Looking for Cheaper Deals/Offers While Vacationing by Lifestage.

How do They Want to Hear about Special Offers in New Jersey?

Respondents were asked to rate, on a scale of one to five, how they would prefer to hear about special New Jersey offers like those listed in figure 13. While there was quite a bit of variety amongst the respondents in terms of their preference here, more reported wishing to hear about such offers through New Jersey websites (10%) than any other means. Also high on the list were local press articles (8%), television advertising (8%) and brochures (7%). This variety underscores that there are many promotional means through which New Jersey visitors can be reached, including advertising, public relations, sales promotions, merchandising and personal selling. The full report, due out in the coming months, provides even further analysis.

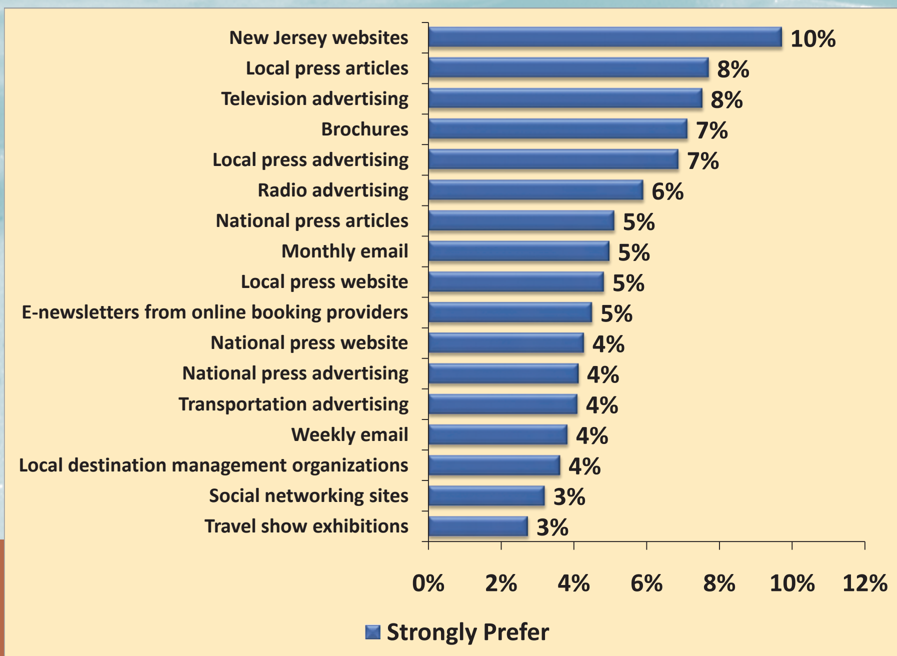

Figure 13: Level of Preference for Hearing About Special New Jersey Offers.

Tourism Leadership in New Jersey from the Department of State
and
Division of Travel and Tourism

Secretary of State Nina Mitchell Wells
Department of State

Anthony Minick, Director of Marketing
Daniel Cappello, Tourism Representative
Janet Field, Telemarketing Technical Assistant
Colleen Karr, Technical Assistant
Dorothy Little, Technical Assistant
Phyllis Oppenheimer, Tourism Representative
Jennifer Szczepanski, Press
Alan Wheeler, Travel Guide Publication
Cris Tarangioli, Festival and Events Calendar

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1-800-*VisitNJ*

New Jersey Center for Hospitality and Tourism Research at The Richard Stockton College of New Jersey

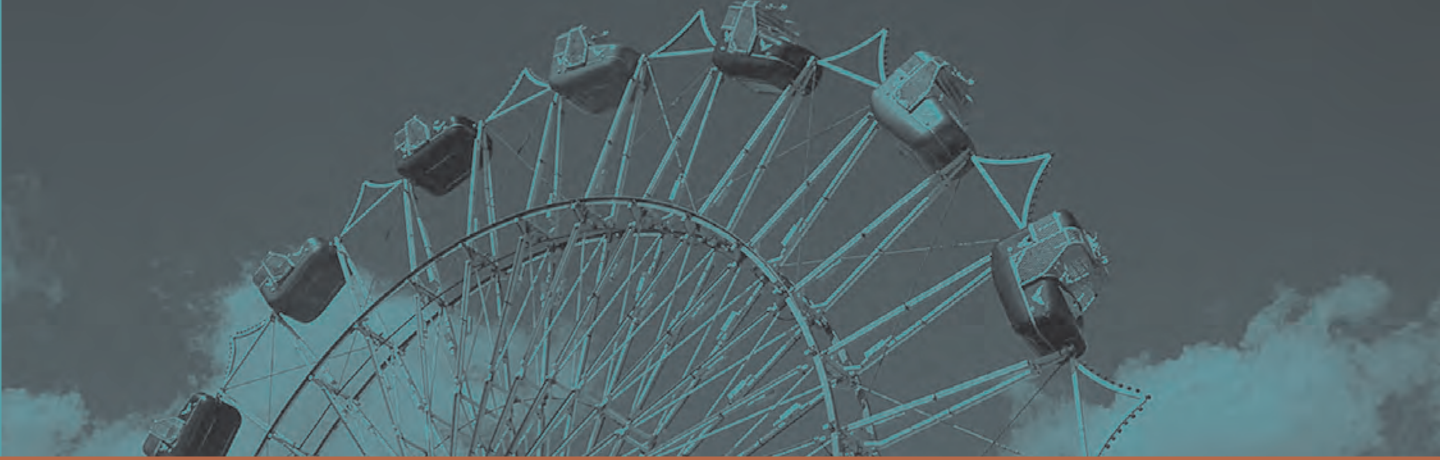
Brian J. Tyrrell, Ph.D.,
(PURDUE UNIVERSITY)
Interim Director, NJ Center for Hospitality and Tourism Research
Assistant Professor, Hospitality and Tourism Management Studies
PO Box 195, Jimmie Leeds Road
Pomona, NJ 08240
(609) 652-4759 (Office)
(609) 626-6045 (Fax)
Brian.Tyrrell@Stockton.edu

Jenny Wagner, Ph.D.,
(MASSACHUSETTS INSTITUTE OF TECHNOLOGY)
Dean, School of Business
Center Advisory Council

Clifford Whithem, Ph.D.
(TEMPLE UNIVERSITY)
Director and Professor, Hospitality and Tourism Management Studies
Center Founding Chair, Advisory Council

David L. Carr, Ph.D.
(SUNY BINGHAMTON)
Provost and Executive Vice President
Center Visionary, Advisory Council

www.stockton.edu/njtourism
njtourism@stockton.edu



New Jersey Center for Hospitality and Tourism Research

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would like to thank

Statewide 2008 – 2009 Advisory Group

Ms. Karen Adams, Director of Sales, Wheaton Arts

Mr. Howard Bacharach, Executive Director, Atlantic City Hotel & Lodging Association

Ms. Leslie Bensley, Executive Director, Morris County Visitors Center

Ms. Denise Hurlburt, Market Research Specialist, South Jersey Industries

Ms. Giulia Iannitelli, Executive Director, Skylands Tourism Council)

Mr. Bill La Rosa, Director of Cultural Affairs & Tourism, Hudson County Office of Cultural Affairs & Tourism

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Dr. Alan Oppenheim, Dean, School of Business - Hospitality/Leisure Studies, Montclair University

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Mr. James Rutala, Business Administrator, Ocean City

Ms. Marie Scocca-Draghi, Executive Director, Gateway Tourism Council

Ms. Barbara Steele, Director, Ocean County Public Affairs/Tourism

Mr. Donald Hoover, Associate Director, Hospitality and Tourism Management, Fairleigh Dickinson University

Ms. Donna Vassallo, Assistant Professor, Hospitality Management, Atlantic Cape Community College

Ms. Diane Wieland, Executive Director, Southern Shore Tourism Council

Dr. Howard Worts, CFE, Manager, New Jersey State Fair

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njtourism@stockton.edu

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