Sedona Chamber of Commerce Tourism Bureau
Report to City of Sedona
March 2010

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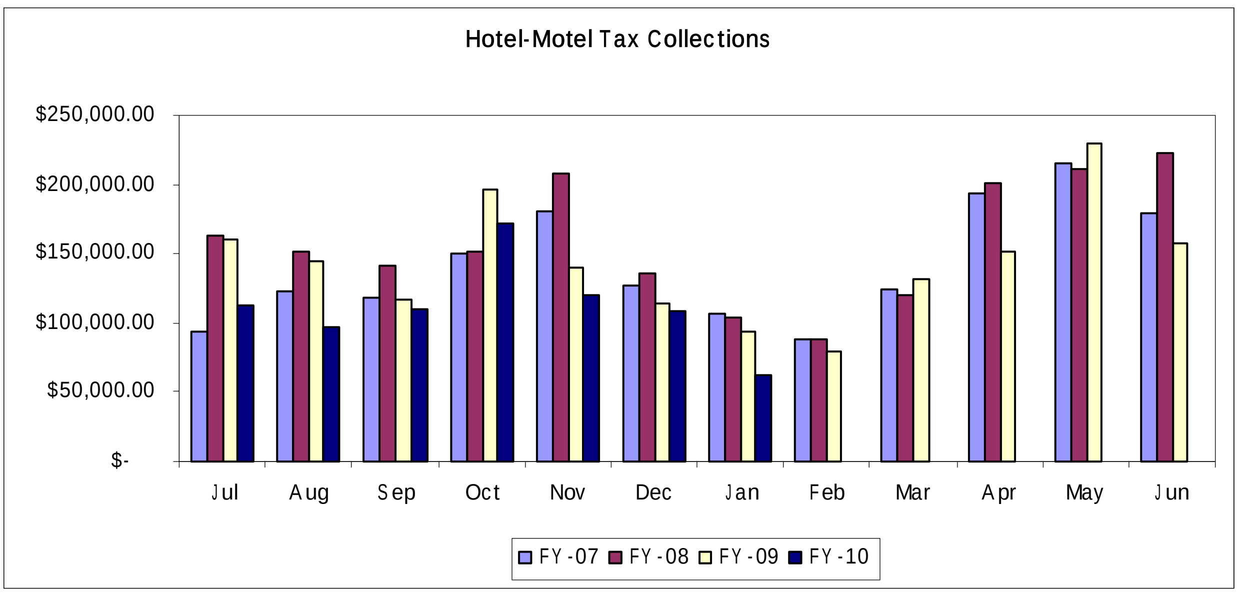
The following results represent: October 2009 – February 2010.

Please note: All figures represent data through February 2010 unless otherwise indicated.

I. External Performance Indicators YTD

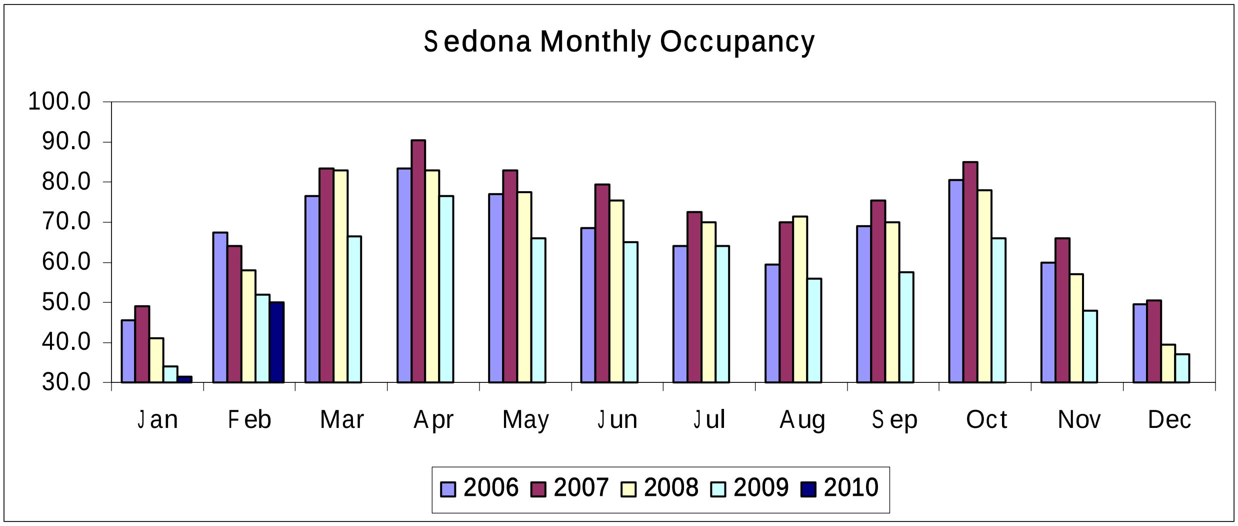
A. Hotel Occupancy Tax Revenue Collections

	FY-07	FY-08	Change 07 vs 08	FY-09	Change 08 vs 09	FY-10	Change 09 vs 10
Jul	$ 94,650.90	$ 163,160.88	72.4%	$ 161,091.87	-1.3%	$ 112,888.02	-29.9%
Aug	$ 122,283.00	$ 152,134.89	24.4%	$ 144,475.33	-5.0%	$ 96,164.69	-33.4%
Sep	$ 119,166.84	$ 141,835.00	19.0%	$ 117,739.50	-17.0%	$ 110,387.38	-6.2%
Oct	$ 150,950.86	$ 152,308.10	0.9%	$ 196,878.27	29.3%	$ 171,488.23	-12.9%
Nov	$ 180,805.40	$ 208,043.90	15.1%	$ 140,391.95	-32.5%	$ 119,658.98	-14.8%
Dec	$ 126,480.79	$ 136,371.88	7.8%	$ 114,128.64	-16.3%	$ 107,967.39	-5.4%
Jan	$ 107,550.93	$ 103,361.48	-3.9%	$ 93,594.61	-9.4%	$ 61,849.33	-33.9%
Feb	$ 88,817.19	$ 88,676.95	-0.2%	$ 79,273.82	-10.6%		
Mar	$ 123,906.55	$ 119,818.85	-3.3%	$ 131,245.67	9.5%		
Apr	$ 194,141.72	$ 201,339.18	3.7%	$ 151,590.85	-24.7%		
May	$ 215,565.95	$ 210,327.28	-2.4%	$ 229,699.07	9.2%		
Jun	$ 178,827.06	$ 222,060.73	24.2%	$ 156,947.55	-29.3%		
YTD	$ 901,888.72	$ 1,057,216.13	17.2%	$ 968,300.17	-8.4%	$ 780,404.02	-19.4%
Total	$1,703,147.19	$ 1,899,439.12	11.5%	$ 1,717,057.13	-9.6%		



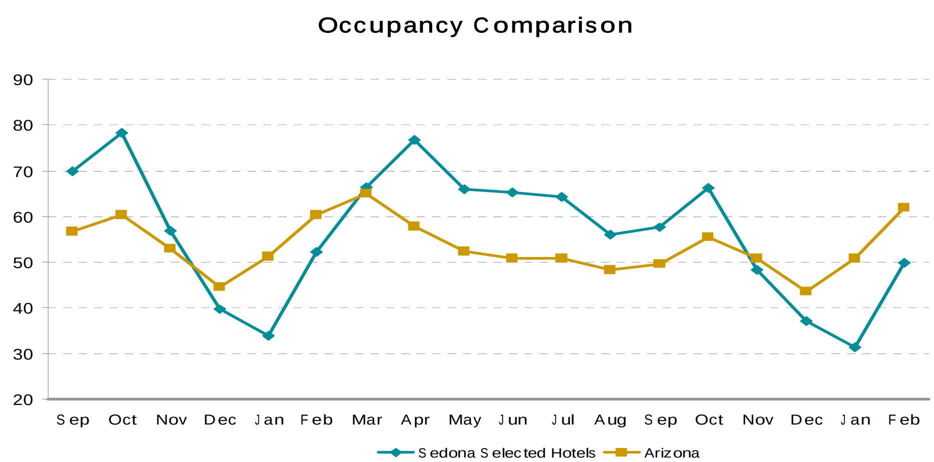
Analysis – Hotel occupancy tax revenue is down 19.4% YTD for FY10 (July - Jan) vs. FY09. Please also note that September 2008 (FY09) & April 2009 (FY09) tax collections were under-reported; therefore October 2008 (FY09) & May 2009 (FY09) are over-reported as anticipated. *Please note that the above collections represent the previous month's performance. Hotel Occupancy reflects results through January 2010.*

B. <u>Smith Travel Research:</u> *A monthly report that is standard throughout the tourism industry to provide a snapshot of the hotel industry.* The Tourism Bureau uses this report to gauge the occupancy percentages and average daily rate (ADR) on a monthly basis. This report reflects 10 average-sized properties within the '86336' zip code and represents properties that report to Smith Travel Research.



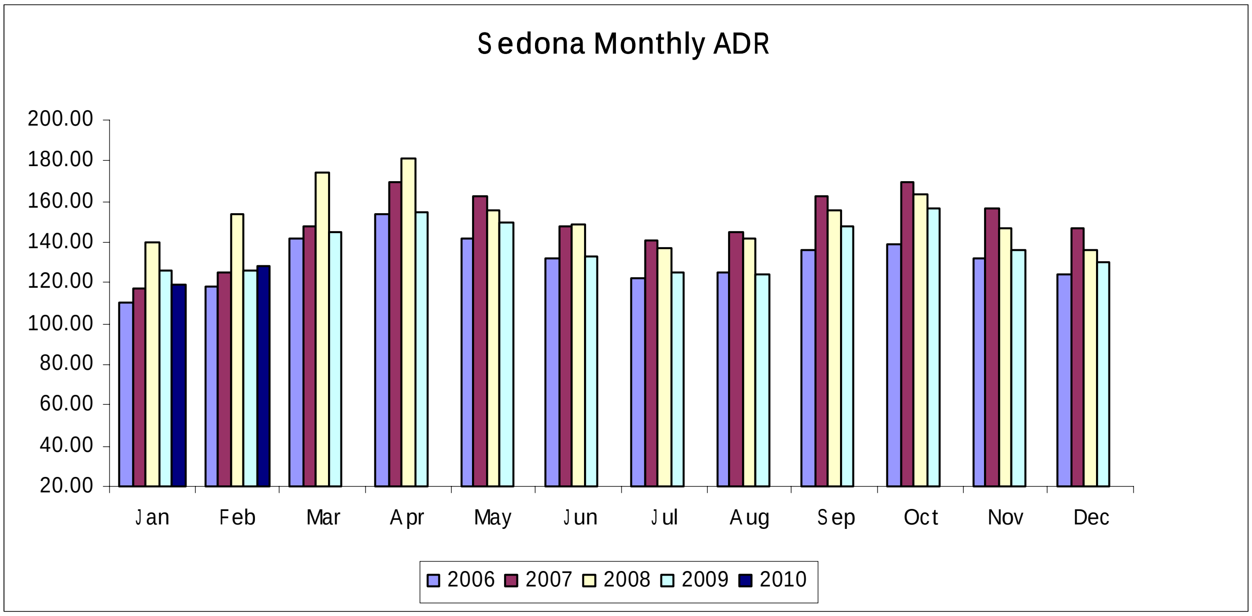
Comparative Cities – Occupancy YTD (Jan - Feb 2009 vs Jan - Feb 2010)

	% 2009	% 2010	% Change
Santa Fe, NM	41.5	40.1	-3.2
Summit County, UT (Park City)	51.2	53.0	3.7
Santa Barbara Co., CA	54.7	53.2	-2.8
Teton County, WY (Jackson Hole)	50.2	41.2	-17.9
Scottsdale, AZ	62.2	69.2	11.2
Sonoma County, CA	41.5	42.6	2.7
Napa County, CA	40.0	41.2	3.1
Monterey County, CA	44.3	41.9	-5.4
Yavapai County, AZ	41.8	40.0	-4.2
Coconino County, AZ	39.5	37.8	-4.3
Sedona, AZ	**42.5**	**40.2**	**-5.6**
State of AZ	**55.6**	**56.1**	**.9**



<u>Analysis</u> – Sedona hotel occupancy is down 5.6% YTD 2009 vs 2010 (January - February.) Taking into consideration a challenging 2009, this indicates a further decrease from an already poor year. Scottsdale, on the other hand, is up 11.2% indicating the arrival of travelers coming to the Valley's warmer area from the country's colder climates. The Sedona Chamber of Commerce continues to market to "snow birds" each year during this time period to acquire some of this visitation to Sedona.

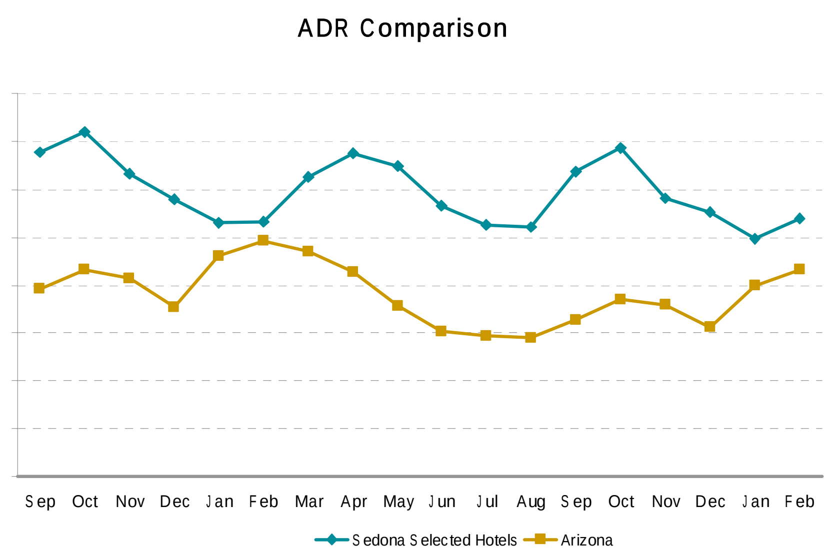
Sedona Average Daily Rate (ADR)



Comparative Cities – ADR YTD (Jan - Feb 2009 vs Jan - Feb 2010)

	2009	2010	% Change
Santa Fe, NM	$89.73	$88.47	-1.4
Summit County, UT (Park City)	$354.62	$354.53	-0.0
Santa Barbara Co., CA	$123.50	$124.95	1.2
Teton County, WY (Jackson Hole)	$184.06	$171.52	-6.8
Scottsdale, AZ	$194.66	$167.05	-14.2
Sonoma County, CA	$98.13	$89.37	-8.9
Napa County, CA	$149.45	$133.66	-10.6
Monterey County, CA	$139.11	$134.87	-3.0
Yavapai County, AZ	$100.30	$98.48	-1.8
Coconino County, AZ	$64.21	$61.74	-3.9
Sedona	**$126.40**	**$124.50**	**-1.6**
State of AZ	**$115.39**	**$103.20**	**-10.6**

Analysis – The Average Daily Rate (ADR) in Sedona continues to decline during the recession. The ADR decreased from $126.40 YTD 2009 to $124.50 YTD 2010. The state also saw an overall decrease in ADR of 10.6%. The hotel market continues to react to our economic challenges. Comparatively speaking, Sedona maintains a moderate position in this decline. Scottsdale, Jackson Hole, Napa, and Sonoma are cutting rates much more drastically. Scottsdale's aggressive reduction in rates has positively affected their occupancy as shown on page 3 (Occupancy), however, there is much debate about the difficulty of raising rates again once the economy recovers.



C. Ad Value Editorial Generated

Ad-Value Editorial = represents what the true value of media exposure would cost through paid advertising. Ad-value is measured by a national clipping service which reports circulation, number of impressions, ad-value (without a multiplier) and general publication information. Ad-value editorial is the most effective way to measure the Return on Investment (ROI) on media relations expenditures.

From January 1, 2010 – February 28, 2010 the Sedona Chamber of Commerce has generated the following:

	Print	Online/Blog/TV
Ad Value	$114,857.29	$2,262,247.36
Total Circulation	5,917,128	11,680,898

Social media and online media positioning has completely changed the way public relations is achieved and valued. The Sedona Chamber of Commerce actively markets via Twitter, Facebook, Flickr, and You Tube.

Please see attached Ad-Value Editorial Generated log – Exhibit A

II. Internal Performance Indicators

A. Leads Generated and Distributed: *Leads generated =The number of qualified referrals distributed to member businesses.* One measurement of success for the Tourism Bureau is leads generated. Leads are broken out into three sectors of the tourism industry: Media Leads; Travel Leads; Meeting/Group Leads.

The following results are based on January-December 2008 & 2009 comparisons, and a reporting of YTD January – February 2010.

Media Leads

	Jan-Dec 2008	Jan-Dec 2009	YTD Jan-Feb 2010
Media Hosted	32	58	6
Media Assisted	241	291	24
Media Leads Sent	47	76	10
Press Releases Produced	25	35	3
Press Release Impressions	28,654	35,328	4,020

Travel/ Meeting/ Group Leads

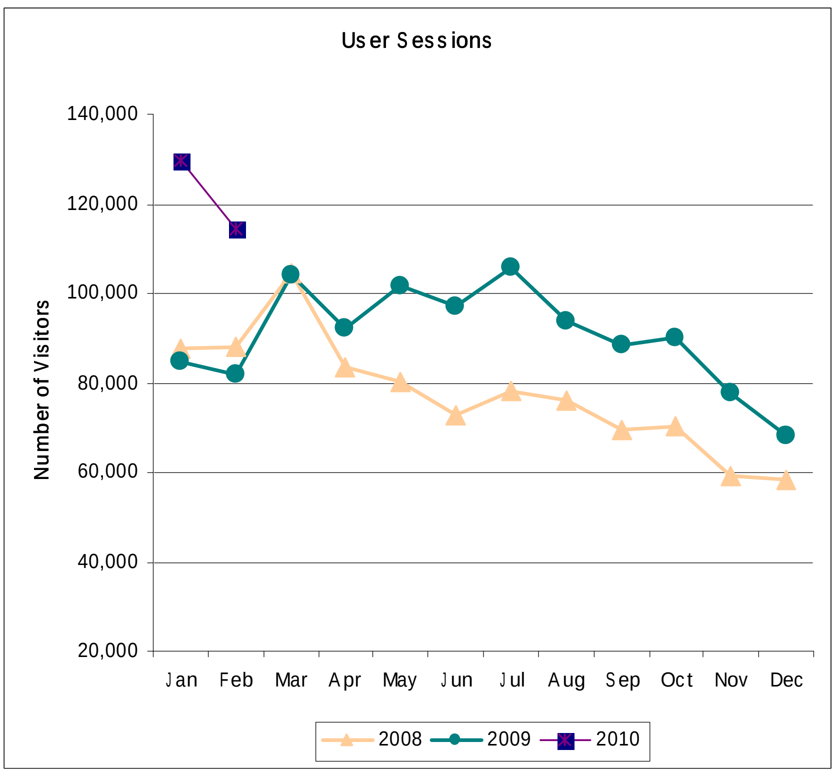
	Jan-Dec 2008	Jan-Dec 2009	YTD Jan-Feb 2010
Tradeshows/Sales Missions Attended	5	7	2
Hotel & Non-Hotel Inquiries (Trade)	63	104	15
Hotel & Non-Hotel Leads (Group)	65	36	6
Travel Professionals Receiving Services	404	396	93
Meeting/Event Planners Receiving Services	143	121	19

Examples of Group Leads and Planners Assisted Include:

Break Away Tours
TUI Specialist Division
Jalpak International America, Inc.
H.I.S. Co., Ltd. Ciao
America Travel Factory, LLC
KNT! Kintetsu International
Club Tourism
Elephant Tour
All Aboard America
America Travel Factory, LLC
JTB World Vacation
Destination Conference Service
American Zephyr Corp.
Anytime Fitness Corporate Offices

B. Internet Statistics: Internet Statistics are measured by user sessions and page views. User Sessions = The number of visitors to the website. Page Views = The number of pages that the visitor viewed.

	Total User Sessions				Total Page Views			
	2008	2009	2010	Change 09 vs 10	2008	2009	2010	Change 09 vs 10
Jan	87,753	84,730	129,756	53.1%	609,198	466,132	544,574	16.8%
Feb	88,028	81,708	114,472	40.1%	612,425	434,196	502,070	15.6%
Mar	104,470	104,101			712,048	586,344		
Apr	83,351	92,068			571,551	494,495		
May	80,273	101,585			546,944	479,561		
Jun	72,911	97,282			491,566	465,441		
Jul	78,010	105,966			525,811	497,944		
Aug	76,019	93,712			518,027	453,817		
Sep	69,486	88,652			457,123	418,850		
Oct	70,418	90,153			445,258	419,626		
Nov	59,353	77,784			361,311	339,213		
Dec	58,153	68,114			343,108	301,364		
YTD	175,781	166,438	244,228	46.7%	1,221,623	900,328	1,046,644	16.3%
Totals	928,225	1,085,855	244,228		6,194,370	5,356,983	1,046,644	



Analysis - The website continues to be an important way for visitors to get information about a destination. **User Sessions are up by 46.7%, and Page Views are up by 16.3%!** This indicates that our branding and marketing continues to positively impact the number of visitors to the website, and the amount of time these visitors spend navigating and delving deeper into the site. This dramatic increase in User Sessions is also a result of our aggressive Winter Campaign that was implemented the last week of January. This campaign included a Giveaway contest component that drove the user to our website for contest entry registration.

C. Fulfillment

Mail Fulfillment = The number of Experience Sedona Guides (ESGs) mailed to consumers requesting information about Sedona. They can request information via our website, toll-free phone number, and reader service cards (reader service cards are included with paid advertising in travel publications.)

	2008	2009	2010	% Change 09v10
January	7,652	9,365	5,011	-46.5%
February	8,484	4,474	5,516	23.3%
March	6,356	6,604		
April	7,489	3,659		
May	6,412	2,157		
June	3,516	2,946		
July	5,040	5,088		
August	3,949	3,188		
September	3,063	1,415		
October	4,206	2,931		
November	2,686	2,068		
December	2,686	1,702		
YTD	16,136	13,839	10,527	-23.9%
Total	61,539	40,509	10,527	

Fulfillment – Other
Information is also distributed at various locations in the Valley such as hotels/resorts, car rental agencies, AAA offices, as well as both Sky Harbor airport and the Tucson airport.

ESG Distribution	2008 YTD	2009 YTD	2010 YTD	% Change 09vs10
Online ESG	1,247	2,225	1,355	-39.1%
ESGs to various locations	20,895	17,430	39,340	125.7%

Analysis

We fulfill requests for information by mailing/distributing hardcopies of the Experience Sedona Guide, or by providing an option to view the guide online. Hardcopy and online distribution has decreased as shown in our 2009 vs 2010 YTD comparisons, a result of our long-standing recession. However, we did see an enormous increase in ESG deliveries to the Valley, as these locations requested our newly-published 2010 Experience Sedona Guide in preparation for our Spring high-season.

The top 5 countries viewing the online guide are the U.S., Canada, England, Australia, and Japan.

D. Inquiries by City

The top cities report illustrates the importance of Sedona's target markets. The Sedona Tourism Bureau continues to target the following markets: Phoenix, Las Vegas & Southern California. Items in orange indicate the months and markets in which Arizona Office of Tourism implemented target cities marketing campaigns. Items in green indicate the months where the Sedona Chamber of Commerce Tourism Bureau implemented marketing campaigns in those target cities.

2008 Top Five Cities - Inquiries Fulfilled					
January	Chicago	Houston	Phoenix	San Diego	San Antonio
February	Las Vegas	Phoenix	San Diego	Albuquerque	Tucson
March	Las Vegas	Tucson	Phoenix	Chicago	San Diego
April	Las Vegas	Chicago	Phoenix	Tucson	Houston
May	Phoenix	Tucson	Scottsdale	Las Vegas	Mesa
June	Tucson	Phoenix	Las Vegas	Mesa	San Diego
July	Phoenix/Valley	Tucson	Las Vegas	San Diego	Houston
August	Phoenix/Valley	Tucson	Las Vegas	San Diego	Houston
September	Tucson	Phoenix/Valley	Las Vegas	San Diego	Chicago
October	Phoenix	San Diego	Chicago	Los Angeles	Las Vegas
November	Phoenix	Tucson	Houston	San Diego	Calgary-AB
December	Albuquerque	San Diego	Houston	Phoenix	Tucson

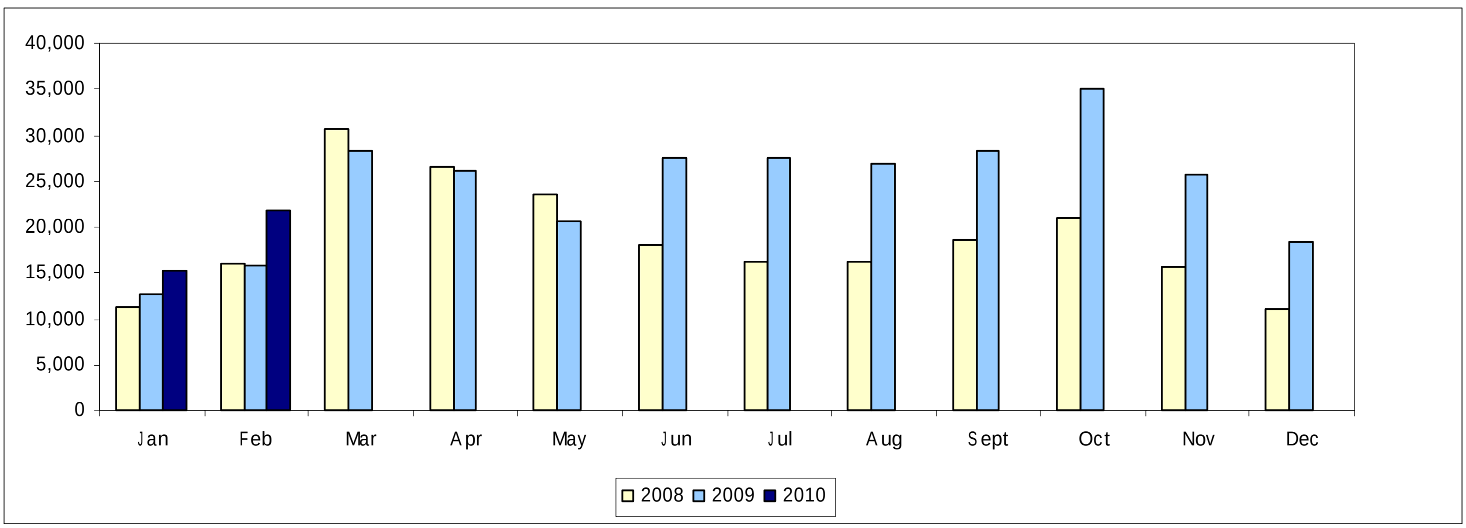
2009 Top Five Cities - Inquiries Fulfilled					
January	Las Vegas	Albuquerque	San Diego	Houston	Chicago
February	Las Vegas	Chicago	Tucson	Albuquerque	San Diego
March	Saint Louis	Tucson	Phoenix	Col. Springs	New York
April	Las Vegas	Tucson	Phoenix	San Diego	Chicago
May	Tucson	Phoenix/Valley	Las Vegas	San Diego	Houston
June	Tucson	Phoenix/Valley	Las Vegas	Chicago	San Diego
July	Tucson	Phoenix/Valley	Las Vegas	Houston	Chicago
August	Tucson	Phoenix/Valley	Las Vegas	San Diego	Chicago
September	Phoenix/Valley	Las Vegas	Tucson	Houston	Chicago
October	Houston	San Antonio	Joliet (IL)	Naperville (IL)	Austin
November	Tucson	Phoenix/Valley	Portland	Omaha (NB)	Albuquerque
December	Phoenix/Valley	Austin	Houston	Long Beach	Chicago

2010 Top Five Cities - Inquiries Fulfilled					
January	Las Vegas	San Diego	Albuquerque	Henderson (NV)	Brooklyn
February	Las Vegas	San Diego	Albuquerque	Henderson (NV)	Tucson

<u>Analysis</u>: Statistics indicate that our marketing efforts towards our drive markets have been effective. Leads from the additional markets of New Mexico, New York, Texas, and Illinois are a result of pre-print inserts that the Sedona Chamber of Commerce regularly participates in throughout the year. These pre-print inserts are developed by the Arizona Office of Tourism, and are a cost-effective way for Sedona to reach our fly markets.

E. Visitor Center Walk-Ins

	2008	2009	2010	% Change 09 vs 10
January	11,257	12,614	15,210	20.6%
February	16,092	15,769	21,812	38.3%
March	30,609	28,357		
April	26,450	26,086		
May	23,577	20,634		
June	18,050	27,524		
July	16,323	27,506		
August	16,240	26,888		
September	18,606	28,382		
October	20,987	34,975		
November	15,717	25,768		
December	11,030	18,408		
YTD	27,349	28,383	37,022	30.4%
TOTALS	224,938	292,911	37,022	



Analysis:

1. Visitor Center walk-ins were up by 38.3% in February 2010 compared to February 2009.
2. Visitor Center walk-ins are up 30.4% for the year (January – February.)
3. The Sedona Visitor Center continues to be one of the busiest in the state.
4. The cost per visitor is approximately .76¢.

III. Sedona Chamber of Commerce Tourism Division: October 2009 – February 2010

1. Brand Campaign: Continuation of our the Sedona brand campaign:

   a. Print: Traditional print advertising continues to be one of the mediums used in branding. While the majority of our print placements are in consumer publications, there is some cross-over to the trade audience.
   b. 2010 Experience Sedona Guide: Our 2010 Experience Sedona Guide acts as our primary fulfillment piece, and is also branded accordingly.
   c. Lure Brochure: Our rack-sized “lure” brochure serves to peak interest in Sedona with potential visitors. It has been redesigned to comply with our Sedona brand.
   d. Various Projects: All of our projects (collateral, print ads, email blasts, e-newsletters) take the established Sedona Brand into consideration. Sometimes this means using our main photographic image, brand colors, and fonts. Other times we use an inspirational tone in the writing of our content. Many brand professionals believe that branding extends even deeper into a company’s culture, how the receptionist answers the phone, and which type of office supplies are used. The bottom line is that every single action taken harkens back to the brand. This is something that we believe strongly in. The end result is a professional consistency that ultimately creates the strongest possible impact in the eyes of the consumer, who will perceive Sedona as a premiere destination, which will reflect in their decision to visit Sedona.

   Results include:
   - ♣ Maintenance of Sedona brand (see Travel Outlook for more information.)
   - ♣ A 46.7% increase in visitation to VisitSedona.com (February YTD comparison)

2. Winter Campaign: It was requested in late December that the Sedona Chamber of Commerce Tourism Bureau develop a concept that would assist in creating traffic to Sedona during its slow Winter season. The Chamber developed the “30 Days of Sedona Giveaways” concept, which included co-op advertising for those participating businesses and a contest component that involved 30 different Sedona prizes, one given to each winner that was randomly selected. The email blasted to 377,266 targeted contacts late-January to early-February. Additional exposure for the campaign included a mention on the home page and Deals & Discounts section of VisitSedona.com, extensive PR through the Chamber’s database and social media outlets, and exposure at the AAA Travel Show held in Phoenix late January. (See Exhibit B for email creative.)

   Results include:
   - The open rate for the email was 11% (industry standard open rates are between 10-12%).
   - 26% of those who opened our email clicked-through to our landing page where all participating businesses were prominently displayed.
   - Over 8,300 users entered to win the contest, contributing to our database for future relationship marketing.

3. Follow the Red Rock Road: The Chamber, along with the City of Sedona, and the Arizona Department of Transportation continue to work together in order to lessen impacts of the construction along a very important two mile business corridor of State Route 179. The Follow the Red Rock Road campaign was developed through extensive input from community partners, business owners, city officials and chamber members. This fun, inventive campaign is designed to help residents and visitors navigate through the construction zone with ease.

   Campaign components include:
   - ♣ Seven personalized Javelina Guide characters
   - ♣ Brochure/map
   - ♣ Scavenger hunt
   - ♣ Consistent signage
   - ♣ Fully integrated website promotion (www.followtheredrockroad.com)

   Results include:
   - 175 scavenger hunt forms have been completed
   - 60 businesses are participating in the scavenger hunt
   - 16 prizes have been awarded
   - Partnership with Horizon Airlines, who have donated airline tickets as prize giveaways to our local residents who participate in the scavenger hunt
   - 22 custom Business Access signs distributed
   - Encouraging use of Road Runner Transit System

4. Direct Marketing: Direct marketing efforts provide an additional opportunity to speak to our audience with tactical messaging. Additionally, co-op advertising allows us to leverage our dollars. Following are a few examples:

   a. Interest-Based Emails: Opted-in subscribers to VisitSedona.com have specifically requested information on specific subjects. The Sedona Chamber of Commerce Tourism Bureau is sending email blasts to this qualified audience. Members can submit 75 words or less with photo/logo to be included in Chamber's email blast and landing page. Five different themed email blasts will be sent throughout 2010.

   Results include:
   - ♣ 5% response rate for the March “Wellness” blast

   b. Arizona Republic Wrap: Custom newspaper wrap delivered to 7,400 Arizona Republic non-subscribers in targeted Phoenix zipcodes (85045, 85085, 85086, 85253, 85255, 85262, 85284, 85297, 85310, 85331, 85383.) Wrap pushes all users to VisitSedona.com/Deals to track responses. Scheduled monthly for 10 months in 2010.

   Results include:
   - ♣ 5% response rate for November 2009
   - ♣ 4.5% response rate for December 2009
   - ♣ 8% response rate for February 2010
   - ♣ 8% response rate for March 2010

5. Internet Marketing: Trends and statistics continue to indicate that consumers do their research largely online before taking a trip. As our consumer is responding more and more to online communications, we continue to put our focus towards internet marketing in 2010. So far in 2010, we have included the following in our plan:

   a. Go-Arizona.com advertising
   b. Search engine optimization on VisitSedona.com
   c. Consumer e-Newsletter distributed monthly to over 50,000 VisitSedona.com subscribers
   d. Spring Training Pay Per Click campaign.

6. Regional Marketing: The Chambers of Commerce of Camp Verde, Clarkdale, Cottonwood, Jerome and Sedona continue to work under the Sedona Verde Valley Tourism Council (SVVTC). SVVTC has developed a collection of current tourism promotions aimed at:

   ♣ Senior residents of the Greater Phoenix metro area
   ♣ SedonaVerdeValley.org website enhancements
   ♣ Meeting attendees of conferences in the Greater Phoenix metro area

   All targets for the proposed projects are segments of the Leisure Travel Market and represent a healthy mix of viable sources to prospect for increased tourism revenue. The ultimate goal is to create more awareness resulting in higher visitation of the region in order to boost economic impact.

7. Concierge: Continuing efforts to reach our primary concierge audience in Phoenix and Tucson include the following:

   a. Monthly e-newsletter to Valley-wide concierge contacts. Note: Concierge opt-in database has increased substantially from 200 contacts to 440 contacts over the past 5 months!
   b. KEY Magazine Concierge Tradeshow – tentatively scheduled for November 2010.
   c. FAM Tours in conjunction with Key Magazine, resulting in approximately 40 concierge agents who visited Sedona in 2009.

8. Public Relations: Ongoing public relations continue to promote Sedona, and include:

   a. First week of the month: Media Newsletter- themed newsletter.
   b. Use of Social Media Tools

      ♣ Twitter- We currently have over 1,490 followers, examples of followers: LA Times, National Geographic Travel Writer, Chicago Sun Times, Fodor's Food & Wine Editor, TravelingMamas- voted in top 99 travel blogs in the world
      ♣ Facebook- We currently have over 2,042 Facebook fans. This site allows us to post photos, video testimonials, links to events, and event listings, fans can post comments about Sedona and we follow up
      ♣ YouTube- Videos posted, currently over 1,000 video views
      ♣ Flickr- Post photos of Sedona, also allows fans to post their own Sedona photos

9. Shop in Sedona: The Sedona Chamber of Commerce, the Sedona Main Street Program and the City of Sedona are creating a Shop Sedona local promotion to encourage residents to shop locally.

    a. Business Participation
    We are encouraging all area businesses to participate with an *incentive* program for local residents. A Shop Sedona window sticker/decal identifies participating businesses, and these businesses are currently featured on www.ShopInSedona.com. There are nearly 200 deals currently posted on this site.

    b. Residential Marketing Promotion
    Promoting the Shop Sedona program to local residents is imperative to the success of the campaign. Each Sedona area resident (including VOC and Oak Creek Canyon) received a postcard with a VIP Loyal Sedona Shopper Card. This "VIP card" identifies each carrier as a local resident who is eligible for the incentive.

   This is an ongoing campaign which will be promoted through email newsletters, print advertising, radio, and through the Sedona Chamber, the Sedona Main Street Program and the City of Sedona's publications and events. 600 residents signed up for the contest, and we will begin marketing to that database in April 2010.

10. Partnerships & Sponsorships:

    a. Event Sponsorships – Promotion assistance for Sedona Events, including
        - Banner ad placement on SedonaChamber.com and VisitSedona.com
        - Inclusions in weekly E-Flash and B-Flash
        - Inclusions in monthly Consumer e-Newsletter and Concierge e-Newsletter
        - Included in Social Media as warranted
        - Sedona Events Alliance Flyer developed and distributed to members, through e-Newsletters and to area hotels/concierge
        - Special categories created for VisitSedona.com Deals & Discounts section
        - Sedona Chamber of Commerce sponsorship presence at key Valley events such as the Fiesta Bowl and the 55th Annual Scottsdale Arabian Horseshow

    b. Flagstaff & Sedona Partnership
        - Held Alaska Airlines and Horizon Air Call Center Training in Phoenix and Seattle with Flagstaff Convention & Visitors Bureau
        - Participated in Los Angeles Sales Mission with Flagstaff Convention & Visitors Bureau and Horizon Air Sales Team
        - Managed Northwest Airlines, Horizon Air, Flagstaff & Sedona Japanese Tour Operator FAM

    c. Scottsdale & Sedona Partnership – Short Drive, Sweet Diversions
        - Site developed. www.scottsdale-sedona.com, includes Scottsdale & Sedona itineraries, calendar of events, links to each DMO's site
        - Scottsdale and Sedona brochure developed and part of ongoing collateral distribution
        - Partnership is being reviewed for additional enhancements and opportunities.

11. Travel Trade:

a. Travel/Trade Tour Operator FAM Tours YTD: 1 Domestic Tour Operator FAM, 1 International Tour Operator FAM, and 2 Receptive Operator FAMs. A total of five TB Businesses participated with $650 in-kind (January - February 2010)
b. Tradeshow & Sales Mission Participation 2010 YTD: Go West Summit, AAA Travel Show
c. Continual attention towards U.S. domestic tour operators and U.S. Receptive Incoming Operators
d. International tour operators with focus on Canada, the UK, Germany and Japan

IV. Travel Outlook for 2010

It goes without saying that 2009 was a tough year for the travel and tourism industry. While there does seem to be some subtle movement towards an economic rebound, the results from our recession still outweigh the meager improvements, and expectations for 2010 are conservative.

Forecasts on international travel waivers. The latest numbers indicate that "international visitors spent an estimated $10.4 billion on travel to, and tourism-related activities within, the U.S. during the month of December - nearly $845 million less, or 7 percent, than was spent in December 2008. It was the 14th-consecutive month in which U.S. travel and tourism-related exports were lower when compared to the same period of the previous year. *(Special to TA; Travel Advance, March 9, 2010)*

In 2009 every destination was affected by the poor job market, the H1N1 virus outbreak, and the negative perception of the meetings market. Belts were tightened, and examples of "smarter" spending were seen over-and-over. In Sedona, this trend is consistently validated by our continuing increase in foot traffic at the Uptown Sedona Visitor Center while our hotel occupancy is still down. The numbers indicate that the consumer is here, but they're spending their dollar differently, and not only in their lodging choices, but also in their entertainment such as dining. According to market research firm NPD Group, a consumer survey found that dining out in the U.S. in 2009 declined for the first time in more than three decades. *(KansasCity.com, March 4, 2010)*

An area that is showing signs of life is the luxury hotels according to USA Today. "As of early March, the battered sector is reporting 7.2 percent more bookings for the upcoming second quarter in the top 25 markets vs. the April-June period in 2008, according to travel market research firm Rubicon. But rooms at these luxury properties also are dramatically cheaper. The luxury average daily rate is down 22 percent to $312 from $399 two years ago, according to Rubicon. "Demand (for luxury hotels) is coming in stronger than the overall demand, but at a far greater discount," says Tim Hart, president of Rubicon." *(USA Today; Travel Advance, March 15, 2010)*

Another viewpoint comes from those booking travel. A recent survey indicates that North American travel agents are optimistic about their future business and the travel industry overall. These 800 travel professionals also expect future travelers to increase their use of social media to research and book travel. Another anticipated trend is the growth of niche travel, such as family-friendly travel, weddings, and adventure travel. *(www.TravelPulse.com, 3/11; Travel Advance, March 12)*

In looking at our destination marketing efforts, we believe that branding, research, and industry trends are the core from which our decisions are made. We're especially conscientious of this during these trying times. Harvard Business School professor John Quelch, writing in *The Financial Times of London*, wrote that, "instead of cutting the market research budget, you need to know more than ever how consumers are redefining value and responding to the recession. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times." *(UtahPulse.com, 4/9/09)*

As we look ahead, we'll continue to be conservative *and* strategic in our marketing choices. We will continue to think long term for our Sedona Brand. We will continue to market our Deals & Discounts page on VisitSedona.com; offer co-operative marketing opportunities for our businesses to communicate their incentives/discounted rates/special offers; and continue our focus on our drive markets of Phoenix, Southern California, and Las Vegas.