



Cape Cod Chamber of Commerce Analysis of Target Visitor Markets

The following information is excerpted from the Cape Cod Chamber/CVB tourism promotion grant which incorporates research conducted in fall 2006 and winter 2007 by Case & Mann Consulting. This complex research initiative for the Chamber included:

1. a web-based product inventory (overview only)
2. consumer research/analysis of on-line questionnaires
3. consumer research/analysis of questionnaire sent to e-subscribers to the Cape Cod Chamber travel e-newsletter.
4. review/update of national/regional/local trends
5. detailed analysis of tax receipts/performance of the Cape visitor industry.

This research was designed to yield: an overview of the Cape's positioning/competitive outlook And recommendations about potential shifts in marketing initiatives to reflect expressed consumer preferences, behavior and predictions and upon Case & Mann's many years of expertise in professional destination marketing.

In 2005, the majority of visitors to Cape Cod came from three states: Massachusetts (42%), Connecticut (16%), and New York (10%).

Based on marketing research conducted by the Cape Cod Chamber of Commerce, during Spring and Fall, it is clear that many couples are traveling for shorter 1-2 day stays. During Summer, the majority of travelers are families staying 3 days or longer. The mid-week customer to Cape Cod continues to primarily be meeting or group business for hotels. Fifteen percent of Fall 2006 survey respondents were traveling as a group; 16% of Spring 2006 survey respondents traveled as a group.

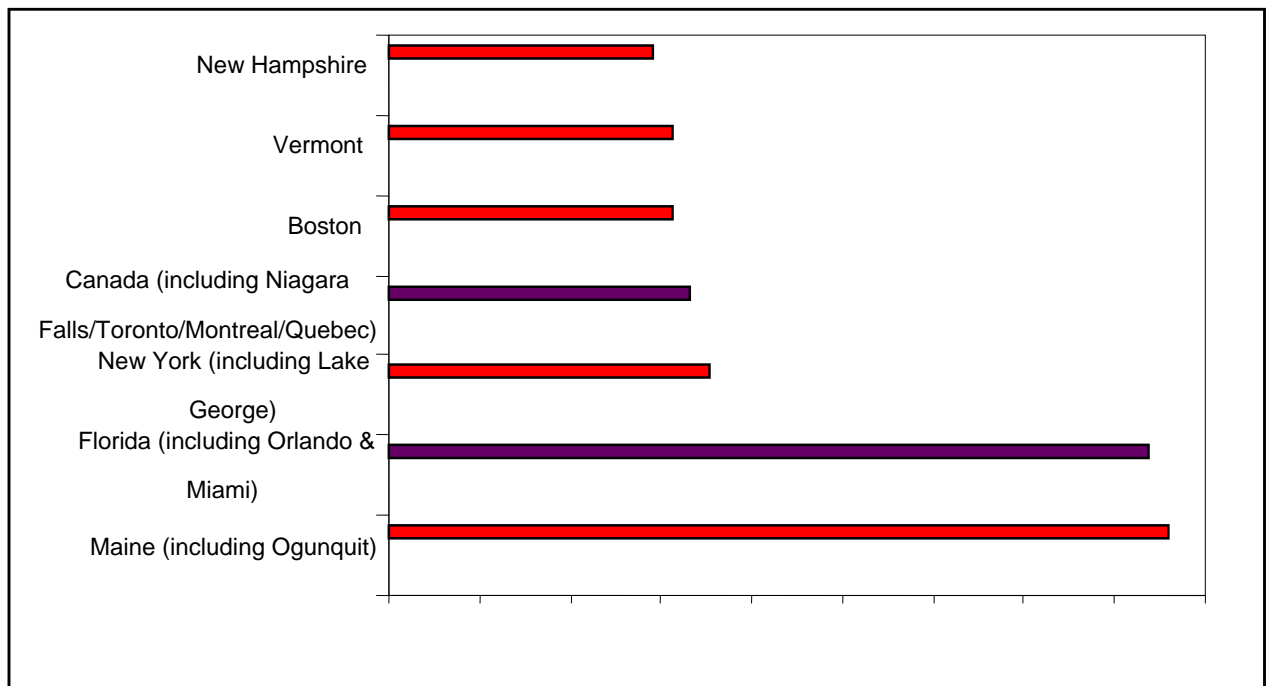
- Survey results collected at the Cape Cod Chamber of Commerce visitor centers in **Spring 2006** helped us compile this spring visitor profile:
 - 49% traveled as a couple
 - 63% stayed in a hotel, motel or B&B
 - 34% stayed 1-2 days and 17% stayed 3-4 days
 - 53% had taken 2-3 getaways in the previous year
 - 51% reported the beach as their favorite vacation activity on Cape Cod. This was followed by arts & culture (34%), outdoor activities (29%) and shopping (13%).
- Survey results collected at the Cape Cod Chamber of Commerce visitor centers in **Summer 2006** helped us compile this summer visitor profile:
 - 31% traveled as a family
 - 66% stayed in a hotel, motel or B&B; 13% stayed in a rental home or with family/friends
 - 25% were here on a day trip while 30% stayed 3-4 days
 - 58% reported the beach as their favorite vacation activity on Cape Cod. This was followed by outdoor activities (41%), arts & culture (23%) and shopping (37%).

- Survey results collected at the Cape Cod Chamber of Commerce visitor centers in **Fall 2006** helped us compile this fall visitor profile:
 - 63% traveled as a couple
 - 69% stayed in a hotel, motel or B&B
 - 33% were here on a day trip and 34% stayed 1-2 days
 - 41% reported the beach as their favorite vacation activity on Cape Cod. This was followed by outdoor activities (35%), arts & culture (29%) and shopping (14%).

In Fall of 2006, Case & Mann Consulting Group, a marketing research firm retained by the Cape Cod Chamber, conducted an online visitor survey to better understand the profile of travelers who have visited Cape Cod and those who have not visited Cape Cod in last 12 months. The survey was taken by 1,371 people: opt-in subscribers of the Chamber's visitor email newsletter and visitors to the Chamber website.

The findings from the survey included the following:

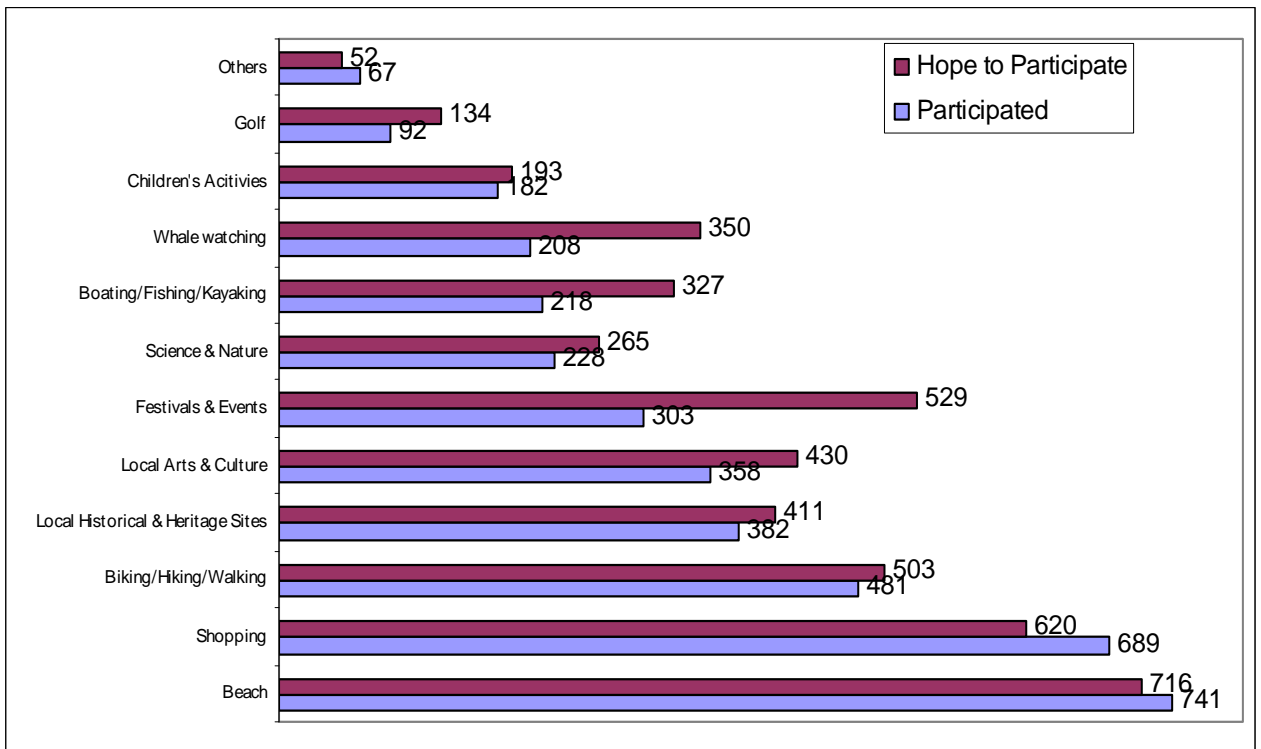
1. People that have visited Cape Cod in the past 12 months showed strong loyalty to the destination, and 92.5% of them said that they were planning on returning to Cape Cod within 6 months. This group consisted of an older demographic (62% being 46 or older with higher family income status).
2. On the other hand, people who had not visited Cape Cod in the last 12 months showed considerably less interest in revisiting. 54.8% said they were planning on returning in 12 months, and 13.8% said they did not have any plans to return to Cape Cod. The demographic for this group was a bit younger, with 43.5% under age 45. They also showed a lower family income.
3. 71% of people answered that they have taken multiple getaway trips in the past year. Out of that 71%, the top seven (7) destinations were Maine, Florida, New York, Canada, Boston, Vermont, New Hampshire. Five (5) destinations out of seven (7) were in the Northeast, reflecting the competitiveness among the destinations in this region. *See chart below.*



The survey

- The survey found an opportunity with increases in interest around participating in whale watching, boating/ fishing/kayaking and festivals & events. Interest in shopping and the beach had actually dropped, reflecting a new demand for people that have visited Cape Cod multiple times. *See chart below.*

Comparison chart of activities in which visitors participated and hope to participate in future visits



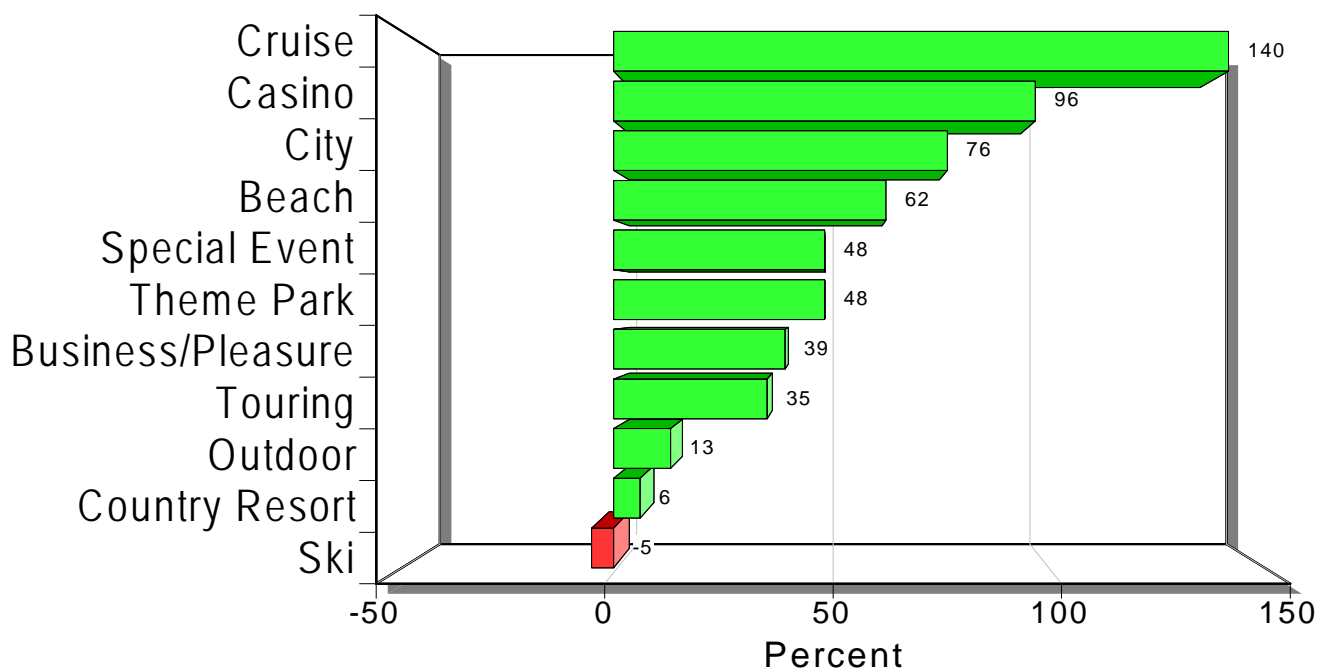
Average visitors are in the age group of 31-45 and travel in a couple. They tend to be financially stable, able to spare time for getaway trips, and hail from Connecticut and New York.

The **core group** of visitors that are continually visiting Cape Cod is 46 years or older, married and travel with their family. They have mid- to high household income. They primarily come from Massachusetts.

Current Travel Trends (Nationwide)

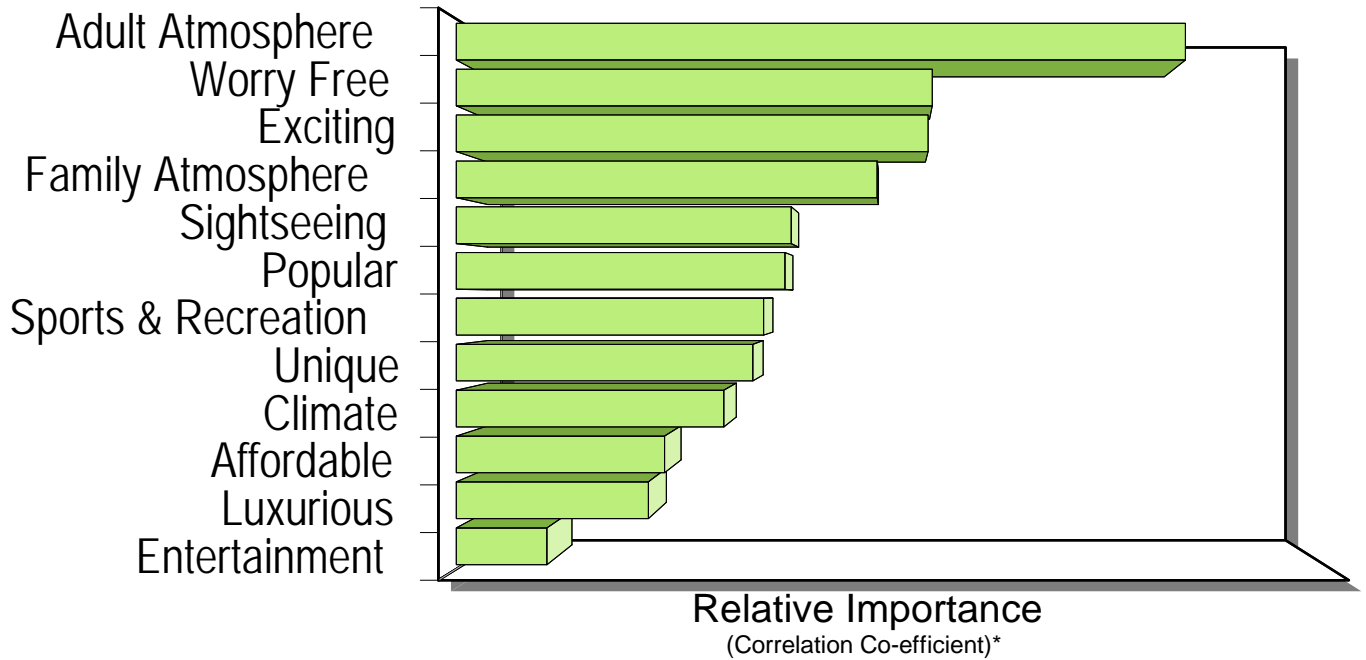
- After the recovery year of 2005, 2006 was a good year for the travel industry. According to TIA's Annual Travel Forecast, total travel expenditure by domestic and international visitors in the U.S. was likely to increase 4.6% by year end to nearly \$652.9 billion, up from \$624.1 billion in 2005. *
- Domestic leisure travel has steadily increased over the years, despite the lagging economy, the war in Iraq and high gas prices. TIA forecasts that leisure travel volume will grow by 1.7%. *
- The length of travel stays has significantly decreased. A recent study conducted by Harris Interactive for Expedia.com showed that only 14% of Americans take vacations as long as 14 days, with most travel now comprising stays of three days or less. A study by Orbitz also found a drop in the number of people taking three-week or two-week vacations and an increase in those taking a week or less. One-third of respondents to the Orbitz study said they took five or fewer days of vacation in the past year. One in four of those surveyed said they felt their bosses did not encourage them to take vacations, and one in three said they stayed connected with their office via phone or computer while on holiday.
- For international tourism, 2006 was also a good year. Total international visitors to the U.S have increased by 4.6%, and total travel expenditure by international visitors in the U.S was expected to increase by 6%. *
- American adults took an estimated 1.583 billion overnight trips in 2005. **
- Visits to Friends/Relatives accounted for 41% of those trips, or 657 million trips. **
- Business Trips accounted for the balance of 17%, or 269 million trips. **
- Marketable Trips accounted for 42%, or 658 million. Cruising, Special Event, Outdoors, Beach and Casino trips were among the largest Marketable Trip types. *See chart below.*

Overall Marketable Trips



According to Longwoods International (a Canadian firm specializing in advertising research) when choosing a destination, leisure travelers rank as most important an “adult atmosphere” that is “worry-free” and “exciting.” Less important are such attributes as climate and affordability.

US Traveler Priorities



- Sixty percent of all American households take leisure trips; most average six times a year. In 2005, New England had 4.9% of that market, an almost steady decline from 2001 at 6%, and Massachusetts’ market share rose from 0.8% in 2003 to 1% in 2005. **
- The predominant travelers to Massachusetts are married couples over the age of 40 with a family income of over \$75,000. One-third of the travelers are families with children. The average stay in most New England states is 3.16 nights. **
- In the whole region of New England and the Mid-Atlantic, Massachusetts had occupied 9% of overnight marketable trips taken by regional residents within the region in 2005. **

* Source: TIA’s Annual Travel Forecast

** Source: Case & Mann - Longwoods International

Current Travel Trends (Cape Cod)

- In FY-07, Smith Travel Research data showed occupancy and RevPAR in Barnstable County down from FY-06.

BARNSTABLE COUNTY – STR Data

Month	Occupancy Percent			RevPAR		
	FY-07	FY-06	% Chg	FY-07	FY-06	% Chg
July	71.5	70.4	1.0	105.71	98.72	6
August	77.7	77.9	-.08	107.79	111.67	-4.5
September	66.5	67.5	-1.3	72.23	71.47	1.2
October	56.5	56.5	0	55.30	53.66	3.4
November	40.4	40.6	-.05	34.69	33.82	2.9
December	31.7	33.2	-4.2	25.38	26.64	-4.2
January	27.2	29.4	-7.2	20.89	22.12	-4.5
February	32.4	38.8	-15.8	26.91	32.60	-16.6
March	37.6	38.5	-2.1	31.23	30.53	2
April	43.5	47.3	-7.1	38.49	40.15	-4.7
May	50.6	50.0	1.2	50.88	49.77	2.2

Source: Smith Travel Research, Massachusetts Office of Travel & Tourism

- The Cape Cod Chamber tracks occupancy and RevPAR separately from STR through our own online monthly surveys, distributed to all of our lodging members via email and our e-newsletter. The surveys typically draw an average of 900-1,200 rooms reporting, depending on the time of year.

BARNSTABLE COUNTY – CC Chamber Member Survey Data

Month	Occupancy Percent		% of repeat visitors
	FY-07	FY-06	
July	79.41	80.55	29.8
August	88.64	86.94	29.4
September	67.59	66.42	24.95
October	61.41	65.45	31.7
November	35.59	33.85	32.6
December	29.72	32.29	52.6
January	28.3	15.17	27.6
February	33.6	35.5	11.5
March	27.3	27.37	28
April	45.61	46.6	21.9
May	46.19	47.6	25.6

- During the third and fourth quarters of 2006, room tax revenue was down, but rooms tax receipts for Quarter 1, 2007 increased by 3.8% over Quarter 1, 2006.

Room tax receipts						
	Q3, 2006		Q4, 2006		Q1, 2007	
		% change		% change		% change
	<u>Total</u>	<u>vs. 05</u>	<u>Total</u>	<u>vs. 05</u>	<u>Total</u>	<u>Vs. 06</u>
State/local room tax revenue	\$11,924,922	-3.3%	\$2,627,090	-2.4%	\$1,235,259	+3.8%
<i>Source: Massachusetts Dept. of Revenue</i>						

- Barnstable County rooms tax receipts have increased steadily over the last few years. In FY-04, rooms tax receipts were at \$18.3 million; in FY-05, they were at \$18.8 million. By FY-06, Barnstable County room tax receipts had increased to \$19.5 million.
- In FY-07, we received 197,809 visitors at our Route 25 Plymouth visitor center (186,140 visitors in FY-06), and 35,539 visitors at our Route 6 Hyannis welcome center (38,801 in FY-06).
- As for our online activity, visits to CapeCodChamber.org were up 35% in FY-07 over FY-06. This could be attributed to a significant investment in search engine optimization and pay per click marketing. Between July 2006 and June 2007, CapeCodChamber.org received 405,512 visitors.

We had 70,827 searches on our online booking engine on the visitor website and 85,793 click-throughs to member accommodations. We received 40,865 visits to our online guidebook, up 38% from FY-06.

- Total web visits in April/May 2007 increased 60% over the same time period in 2006. We received 64,448 visits in June alone, up 33% over the previous June. Searches on our online booking tool from March-May 2007 were up 45% over March-May 2006. Click-throughs to member websites were up 52%. There were 4,783 downloads of our online guidebook in April and 5,386 guidebook downloads in May.
- The last-minute booking trend continues to makes it difficult to render accurate travel forecasts. Forty-two percent of those who responded to our Spring 2006 visitor surveys booked their trip less than two weeks in advance; 39% did so in Summer 2005 and 26% did so in Fall 2006. This follows the national travel trend—in its “Leisure Travel Planning Report,” TIA reports that 35% of all leisure trips are booked less than one month prior to the trip.
- Day trippers to Cape Cod continue to be on the rise, having a negative impact on room tax revenues. Thirty-six percent of those who responded to our Spring 2006 visitor surveys were visiting just for the day; 26% in Summer 2006 visited just for the day; and 33% in Fall 2006 were here on a day trip.
- Cape Cod’s home rental market competes against our hotels, motels and bed & breakfasts, which generate significant tax revenues to the state.

Issues & Challenges Specific to Region

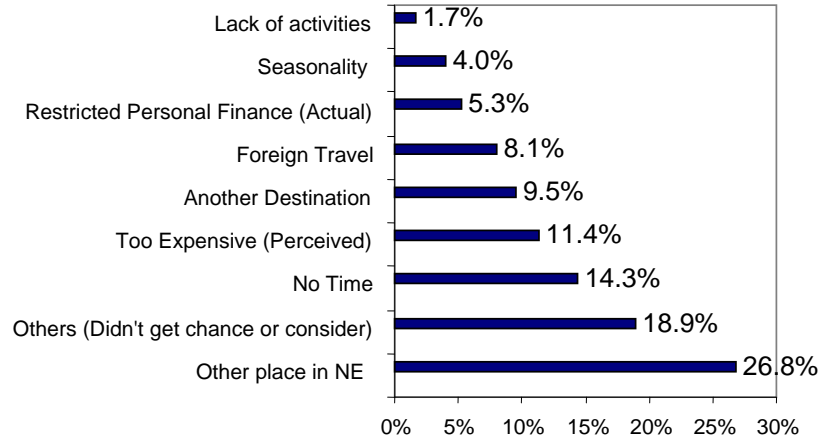
- Competing destinations:** There is strong competition between Cape Cod and other New England regions for travelers in our target market (age range of 31-59 that travel as a couple or family with income over \$50k.)

Our online visitor survey, conducted in the Fall of 2006 by Case & Mann Consulting, showed that 26.8% of respondents cited as their main reason for not visiting Cape Cod other destinations within the Northeast/ New England region.

(See graph at right)

Top Reasons for Not Visiting Cape Cod

* Results from Case & Mann online survey, November 2006



- Weather, and weather forecasting:** These remain major factors impacting tourism on the Cape, especially in summer, when going to the beach is overwhelmingly the number one reason to visit.
- Gaming in SE Mass:** The Mashpee Wampanoag Tribe, after a 20-year approval process, has this year received Federal recognition as an historic native tribe. This opens new resources to them, and the Cape Cod Chamber board of directors met with Tribal representative David Pocknett in July to hear their economic development plans, which include gaming off Cape. They do not want to place gaming on Cape Cod and have secured potential sites just over the Bourne Bridge, in Middleboro as well as New Bedford. They expect to have at least Class II gaming within 5 years. Their ultimate goal, as stated to our board, is to have Class III gaming at a "first class resort that includes family activities such as a water park." They hope to include over a dozen restaurants, shopping mall, and resort style amenities. They will require sufficient daily traffic for the casino, which is why they will not build east of the Cape Cod Canal bridges. This new development will certainly attract a customer base that will affect current visitor patterns on Cape Cod. We are working with the Secretary of Housing & Economic Development to ascertain the complete potential of a casino in Southeastern Mass, and have yet to determine all the pros and cons as they will relate to Cape Cod.
- Traffic flow over Cape Cod Canal Bridges:** With the recent completion of the Sagamore Bridge grade separation, which eliminated the antiquated Sagamore Rotary, we have seen a dramatically smoother and quicker trip eastbound over the Sagamore Bridge. However, at the end of our two holiday weekends at Memorial Day and July 4th, westbound traffic was still significantly clogged with backups as far as exit 6 (Hyannis) on Route 6. We will need to continue to work to overcome any traffic objections that may influence visitor trips.
- Limited tourism marketing budget:** As referenced in the competitive analysis, our destination marketing budget is limited compared to competing destinations like Maine – which receives the same amount of visitors as Cape Cod each year, but has a marketing budget nearly four times the size of the Cape's. In order to stay competitive on the marketing front, there is a need to find new ways to increase our private marketing dollars to bolster our advertising campaigns, especially in spring.

- **Increasing international market share:** Cape Cod has seen a rise in the international travel market in the past few years, due largely to the weak dollar and additional flights now coming to the region from overseas. Our visitor surveys report, particularly in the spring and fall, a growing number of international travelers to our region, primarily from the UK and Germany. Not only do international travelers tend to spend more money than domestic travelers, but their travel interests are heavily focused on arts and culture – the type of visitor we would like to attract. In the coming year, we will explore new ways to increase our share of international visitors and be more pro-active in the effort to lobby for improvements to the US visa and entry processes in order to promote and facilitate increased international travel to the country.
- **Conversion of hotels & inns to residential units:** Cape Cod has experienced a very strong real estate market in the last decade, with double digit increases in property values every year except for the most recent year or two. This, combined with the advent of retirement for many local property owners, has led to the conversion of tax-producing rooms into residential units. In some cases, former hotels or motels are being torn down and the land repurposed. In others, condominium units are established, and the taxing mechanism changes. To exacerbate the issue further, the glut of single family homes on the market that are not moving are being used for seasonal rental units, which competes with the tax-producing rooms.
- **Cape Cod Commission & Regional Policy Plan restricts growth:** The good news is that we have strong growth control policies in place to protect the environment and the architectural charm that is Cape Cod's calling card. The bad news is that the controls are so stringent and building mitigation fees are perceived as so expensive that not much new investment is slated for the hospitality industry. The fees and permitting timelines are issues on top of the lack of public wastewater infrastructure. Ninety five percent of all wastewater on Cape Cod is treated in on-site systems, which can be extremely expensive for larger properties. Currently, the town of Yarmouth is working with the Cape Cod Commission to create a hotel overlay district that would encourage redevelopment of taxable-room properties, streamlining the process. But wastewater costs are still significant and holding back some investors. The lack of new attractions may also be attributed to strict building laws, and product development needs to be extremely creative and done within existing infrastructure. Helping local communities identify opportunities and holding up examples such as Chatham may help. (Chatham has been performing well because it has established attractions/events, lighthouse, known parade, band concert, historic architecture, luxury resort and great beaches. Towns that don't have those high quality assets need to come up with something more inventive and they should be something that has more than a two month business cycle. For sustainability, an indoor venue needs to be considered.)
- **Shorter "out of school" season for students:** A primary visitor to Cape Cod is a family. With efforts to return students to school earlier, or keep them in school year round, we see an erosion in occupancy, especially in late August. Americans do not use all their vacation time, as documented by many, and the trend to three-day weekends is not a trend any longer but the norm. Our members, however, are still desirous of extending the stay, as well as increasing the frequency of visits.
- **Local option taxes affect pricing:** The Cape Cod Chamber visitor survey reveals sensitivity to pricing and the perception that Cape Cod is expensive. The increase of day-trippers each year also attests to that pricing problem. Any increase in local option taxes on bedrooms, meals or services will increase the pricing anxiety among our core customer, who have been recently confirmed as the middle-income American. Our competitive destinations and their pricing need to be watched closely.

- **Locally grown and harvested food gaining in popularity:** Cape Cod has long been associated with seafood, however, we have a number of wineries, farms and other agricultural offerings that need to be touted. Our fisheries and shellfish continue to be available and desirable. The recently created Cape Land And Sea Harvest festival (CLASH) in September presents an opportunity to promote local and sustainable dining. Local cranberry growers received an earmark for \$15k to produce a cranberry harvest map in FY-08. And the recent news out of China about tainted exports will only grow interest in finding the local offerings.
- **Super-region efforts present efficiencies and opportunities:** The Cape and Islands have long shared a regional identity, even while each island has very unique attributes. We now find that the collaboration among RTCs and other DMOs in SE Mass are bearing fruit and have great potential. Bristol and Plymouth Counties, the City of Quincy and now North of Boston are in constant dialogue about shared opportunities, including the marketing of our seaports, maritime attractions, presidential sites as well as our state and National Parks. Recent reviews of the state's budget show that funding has been earmarked for a Maritime Trail in SE Mass and a Wine & Cheese Trail by the state department for agriculture. We need to make connections with the entities that have received these funds and plan these initiatives in order to integrate them with the RTC promotions.
- **Provincetown is world-renowned GLBT destination:** With the Commonwealth's new emphasis on certain niche markets, especially GLBT visitors, we are well positioned to capture more market share. Our historic Provincetown offers a safe and welcoming community, and has had a reputation for this for decades.
- **Film Festivals are sleeper events on Cape Cod:** There are two significant film festivals with good track records and growing audiences. Provincetown and Woods Hole both offer unique maritime village atmospheres and have film festival infrastructure in place that should be further exploited by our marketing resources. Additionally, the Massachusetts Sports & Entertainment Commission recently received \$50k for support of film festivals on the Cape & Islands through a MOTT earmark.
- **Green travel niche is growing:** With the Commonwealth's new emphasis on green travel accommodations and attractions, we have asked MPDC Ltd (our PR firm) to act as the liaison between our members and the state in developing marketing materials and messages. A current request for green offerings resulted in outstanding responses. Cape Cod Community College has received national awards for its Green Campus initiatives and its president has been involved in a select group of college presidents nationally that have signed on to climate change proclamations. Furthermore, we are home to the world renowned Woods Hole Oceanographic Institute and the Provincetown Center for Coastal Studies and the home base for the International Fund for Animal Welfare, all of whom can be drawn in as partners in further branding Cape Cod as a green destination. The local chambers of commerce in each of our 15 towns are also expressing great interest in further exploiting this niche. Finally, the proposed wind turbine facility slated for Nantucket Sound has drawn international attention to Cape Cod. The Cape Cod Chamber is also a member of the Cape & Islands Renewable Energy Collaborative and is working together with others on a sustainable energy plan (including conservation and efficiency) for the region.
- **Smart Guide can offer information on accessibility:** The local advocacy agency for the disabled (CORD) has offered to conduct a survey of all public transportation providers (whether publicly or privately owned) and assess the accessibility of each. We will work with CORD to publish their findings on our Smart Guide website and in the next edition of the Guide/map.