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Rough waters

Industry braces for a slowdown as low gas prices fail to trump the recession, but travelers can expect to find bargains and grateful hosts

By Bob Kretschman

The 2-acre back lot of Adventure Bound River Expeditions is quiet and still in February's frosty air. Life jackets, camping equipment, outboard motors and inflatable rafts are stored away, and vans and buses used to transport customers to the river wait silently for warmer weather and peak flows.

Tom Kleinschnitz, who owns Grand Junction-based Adventure Bound, is waiting, too, to see how many vacationers visit this part of Colorado in a year when the troubled national economy has almost everyone watching their dollars and cents more closely.

"I'm projecting to have a dip in sales this year," says Kleinschnitz, who is also a member of the Colorado Tourism Board. "A lot of things are factors in how this turns out." The number of inquiries he is receiving about summer river trips is good and steady," he says, but "it's all a guessing game. You put your product out there and see who wants to play."



It appears the number of people coming to play at Colorado's tourist attractions and resorts will be fewer than last year. Industry observers predict travel will be down this year, and trends that began in 2008 point to a significant slowdown. But even with the national economy in recession, people will continue to take vacations, and tourism businesses that provide travelers with value for the dollar will be rewarded.

"There's no doubt there will be a contraction in overall travel," says Clayton Reid, president and managing partner of MMG Worldwide, a travel-industry marketing agency that works for the Colorado Tourism Office. The U.S. Bureau of Economic Analysis reported that real spending on travel and tourism fell by an annual rate of 8.1 percent in the third quarter of 2008, marking the largest drop since the fourth quarter of 2001. Reid says estimates indicate U.S. domestic travel this year will be down 1.4 percent from 2008 in the leisure market, down 2.5 percent in business travel, and down 3 percent in the group-travel market. He says the "luxury group" market – which includes high-dollar corporate getaways to exclusive resorts – will be one of the hardest-hit segments because of the recession.

"Corporations are very sensitive to their travel policies," Reid says. Families and leisure travelers, however, likely will continue to take vacations, even though money is tighter this year. "Travel is one of the last things people give up when they're squeezed," he says.

Even with the expected drop in travel nationwide, no one is sure how much Colorado – or

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specific destinations within the state – will be affected. “In 2008, we had a very strong tourism year,” says John Cohen, executive director of the Durango Area Tourism Office. “Looking into the future, it’s hard to know.”

The great unknown

“We’ve never seen a time like this before,” says Mary Ann Mahoney, executive director of the Boulder Convention & Visitors Bureau. “Everybody’s in a sit-and-wait mode right now.”

A large part of Boulder’s travel market is group business attracted by government aerospace and weather science labs, the University of Colorado, and the concentration of high-tech companies in the area. Mahoney says she expects Boulder’s overall hotel occupancy to drop this year because of the decline in group business, but it’s hard to say how much. As a result, her bureau is retooling its marketing efforts to more carefully target businesses and organizations that still are traveling. She

also says the leisure market remains promising, although such vacationers probably will take shorter trips, stay closer to home, drive instead of fly and watch their spending closely.

“People are being a little bit more cautious,” she says. Such penny-pinching wasn’t part of most travelers’ plans last summer, when many Colorado tourism destinations experienced one of their busiest seasons ever. But as the economy began to nosedive in early fall, the effects caught up to the state. Mountain lodges began receiving reservation cancellations in October, and by the end of 2008, the economic downturn hit home.

Statewide hotel occupancy in December 2008 was 43.3 percent, down from 47.9 percent one year earlier, according to the Rocky Mountain Lodging Report. The trend continued in January 2009, when occupancy was 49.1 percent, down from 55.3 percent a year earlier. “It’s certainly a challenging year, but people are still traveling,” says Kim McNulty, director of the Colorado Tourism Office, the state agency that markets Colorado as a travel destination. “People still value that time away from hectic daily life.

“Travelers are looking for deals and they’re booking later,” McNulty says. “A lot of ski areas were seeing last-minute bookings this winter.”

This year, the Colorado Tourism Office will aim additional efforts at attracting more visitors from nearby states and encouraging residents to explore in-state destinations. The marketing emphasis reflects the expectation that vacationers will take shorter trips closer to home. “There’s a pretty robust market in Colorado for drive traffic,” Reid says.

State tourism officials expect to have a budget of \$15.5 million this year, which is down from approximately \$20 million in each of the past two years. Because of the sluggish economy, lawmakers needed to pare as much as \$800 million from the state budget, and Gov. Bill Ritter recommended cutting the tourism office’s funding to \$10 million.

But Sen. Al White, R-Hayden, a member of the Legislature’s Joint Budget Committee and the Colorado Tourism Board, which oversees the tourism office, says the Legislature was able to reduce the size of the budget cut. As a result, the agency will continue to have funds to aggressively promote Colorado as a tourism destination.



The Royal Gorge Bridge, the world’s highest suspension bridge, located in Canon City.

"Other states are backing off (tourism funding) even more than we are, and that gives us an opportunity to pick up some market share this year," White says.

Marketing payback

State tourism promotion appears to pay. Between 1993 and 1999, after Colorado voters decided to end a statewide tourism promotion tax, the state spent little or nothing on tourism promotion and lost about 30 percent of its market share, McNulty says. Since 2000, when the Legislature began funding tourism from other sources, the state has recovered part of that market share. In 2007, the most recent year for which complete data is available, Colorado's 28 million overnight visitors spent \$9.8 billion, according to the tourism office.

Visitors who drive from home are an important market for the Royal Gorge Bridge and Park near Cañon City. About one-third of the park's visitors are from Colorado, while many of the rest come from surrounding states such as Texas, Kansas and Oklahoma, Vice President and General Manager Mike Bandera says.

The park had its best financial performance ever in 2007, and the number of visits dropped 5 percent in 2008 mainly because of gasoline prices that exceeded \$4 per gallon for much of the summer, Bandera says. As gasoline prices fell later in 2008, visitation increased to the point that January 2009's visitor numbers were up 36 percent over the same month a year earlier.

This year, Bandera says, "You've got the decrease in gas prices vs. the recession. Which one is going to win?"

The Royal Gorge estimates visitor numbers will be even with last year. "It's been proven over the years that the last thing to be affected by gas prices or recession is the family vacation," Bandera says. "We're hoping for the best right now."

The Durango area had plenty of visitors last summer during its peak tourist season, but the people who came to town spent less money than usual, Cohen says. This year, Durango will focus more of its marketing activities on niche groups that have a higher-than-average rate of spending when they travel. In addition, marketing efforts will be aimed at "extending the summer" by promoting spring, autumn and winter seasons.

Marketing Colorado destinations to tried-and-true customers who live in-state or in surrounding states appears to be a common strategy among tourism promoters this year. "We've tapered off national advertising because we know the majority of our visitors come from the Front Range and are drivers," says Jennifer Grossheim-Harris, marketing and public relations coordinator for the Grand Junction Visitor and Convention Bureau.

The city's lodging tax collections have increased by double-digit percentages in recent years, partly driven by a natural gas-drilling boom that filled hotels with energy workers. However, the energy industry is slowing along with tourism, and those trends have caused Grand Junction officials to project only a 5 percent increase in lodging tax revenues this year.

"We're optimistic, but we're realistic. We realize what our market has done the last couple of years, so we're projecting a safe increase," Grossheim-Harris says. "This is not the year to push to new audiences," she says.

Instead, the bureau plans to focus on its strong markets, such as conventions, special events and visitors from the Front Range, she says. It also helps that Grand Junction is the service center for a large part of western Colorado and eastern Utah. "The advantage we have over places such as Vail or Aspen, where their whole economy is based on tourism, is we don't have that. We have a mix, with shopping and medical and oil and gas. That's a healthy mix."

Uncorking tourism

One of the Grand Junction area's tourist attractions is the thriving wine industry around Palisade. That's where the 8-month-old Wine Country Inn is feeling the pinch between the stalled national economy and the typically slow winter season.

"We're getting some repeat business here, but it has been very slow," says inn co-owner Jean Tally. "December, January and February have been very slow. We're finding great price sensitivity, so we've had to adjust our rates accordingly. The public has been cued to look for bargains."

Wine Country Inn started some regular events, including a live music night one Saturday per month, to try to generate additional traffic. Extra service – such as putting fresh-cut flowers in rooms and going above and beyond the call of duty to take care of guests' requests – is crucial for ensuring return visits.

"We're trying to give five-star service even though we're a boutique hotel," Tally says. "Attention to details – people really appreciate that." In addition, the inn plans an intense marketing effort during the spring to generate business for the peak summer and fall seasons.

"We're thinking up ways to stem the tide until we get through this period," Tally says. "We're in sort of a hunker-down mode to survive the shoulder season and hope for an upswing in the economy." Unique surroundings, close proximity to special events, and a loyal customer base have helped the Colorado Chautauqua in Boulder remain optimistic about this year's prospects. The facility near the base of the scenic Flatirons is best known for its performance facilities but also offers 61 cottages for rent to guests.

"One of the things that makes our summer so strong is we have a good base of returning guests who come back year after year," says Jim Turner, Chautauqua's director of operations. Still, Turner says he has noticed that many corporate meeting planners are hesitant to make reservations far in advance, and many of Chautauqua's bookings are happening with a short lead time.

"We are very cautiously optimistic about this summer," Turner says. "Given the economic situation, if we came out close to last year, it would be great."

Tourism marketers and business owners say they plan to remain "flexible" this year so they can adjust to abrupt, unexpected changes in customer demands and behavior. "We're going to have to pay attention to what the customer requests," Kleinschnitz says. If a customer wants to vary the length or other details of a river trip, his company will accommodate the request if possible.

That flexibility is part of rolling with the unpredictable variables of river outfitting, such as droughts and economic booms and busts. Much of Colorado's tourism industry could get a similar lesson in flexibility this year. Says Kleinschnitz: "You just ride the tide and understand that survival is based in patience."

Last updated on Apr 16, 2009 at 07:34 AM

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Colorado looks like a great place to vacation...*grin* Even with the recession...there is no way I will be giving up MY vacations!

Great article, very informative.

By Tracy on 2009 04 02

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