CREATING A COUNTYWIDE VISITOR-SERVING STRATEGY FOR NAPA

Results from industry focus groups March 17-19, 2004

EXECUTIVE SUMMARY

The Napa County League of Governments has begun a long range effort to develop a countywide Community Development Strategy to provide a context for long range planning and to describe the complex relationships among environmental, economic, and social issues that will affect out future. As a first step towards building that Strategy, the NCLOG Community Development Task Force has initiated the drafting of a countywide visitor-serving strategy

As a part of the effort to draft the Visitor-Serving Strategy, a group of 30 industry leaders, representing a substantial segment of the visitor serving industry in Napa met in five focus groups March 17-19, 2004. Focus groups were held at the offices of the Napa County Transportation Planning Agency. They lasted approximately two hours each and covered a wide range of concerns.

Comments of focus group participants have been edited and grouped into five categories:

- Current Conditions
- Trends
- Future Strategies
- Local Attitudes/Customer Service
- Workforce Issues

There is of course, a good deal of cross-reference among categories. Taken as a whole the comments begin to paint a picture of the background, present status and possible future for tourism in the Napa Valley.

CURRENT CONDITIONS

The Napa Brand

Focus Group participants articulated many of the images that are widely held about the appeal of Napa to visitors: Calistoga is the “spa place,” Yountville the “restaurant place,” St. Helena the “shopping place” and Napa becoming known as the “cultural place”. At the same time, it is important to understand the power of our overall Napa “brand name” to sell the entire valley, and what that brand represents: a premium, high end, total epicurean lifestyle “experience” that cannot be duplicated elsewhere.

A significant theme as been that we are, to some degree, a victim of our success, and even a local snobbishness that seems uninviting. This has begun to be seen in considerable backlash in the media.

Although we have a specific product to sell in Napa, we have to understand how to make connections with other nearby attractions, for example Sonoma or the Mendocino coast or the Sierra Foothills.

There may be parts of the tourism market, such as large groups, or lower-end weddings that we will cede to other places

Despite changes due to off-season promotions, we still have a definite "high season," focusing on the harvest, and will continue to have one.

We explored the **traffic** issue in some depth and found mixed feelings. While we heard some familiarly visceral complaints, many did not see the traffic as a major concern for their business.

Concern about **competition** from other destinations was strong. As other areas are taking advantage of the growing wine drinking population to promote themselves as "wine country," Napa is challenged to distinguish itself in the market.

Some of this reflects the fierce competition in the wine industry itself which is placing downward pressure on pricing. This puts a high value on *building relationships with customers,* so it's not just the wine they are buying. Even though Napa has good quality wine, there IS similar quality wine and there has to be some kind of brand connection and loyalty to our wines and the feeling that we are adding value in other ways, not just by providing wine.

Visitor Mix

The major distinctions being made about our visitor mix seem to be along four criteria: Local/visitor, Visitor origination (Bay Area/ California/ US/ International), Group vs. FIT (Free independent traveler), and Price point (ultra premium/ high end/ mass). A general impression is that, especially post 9-11, much more business is coming from N. California, and California in general, although at the ultra premium level, business from farther destinations is beginning to pick back up. Wineries see customers from distinct wine-appreciating regions in the U.S. Also, except for the wineries and hotels, business depends on a substantial level of local patronage to survive. Another significant trend is that as we have more rooms available, the percentage of groups is going up, especially at the high end. More precise understanding of these factors will depend on results of the Visitor Profile now in preparation.

Visitors vs. Locals – There was some real variation expressed from across the county: St. Helena: about 50/50; Napa: Everybody is dependent on the locals with a mix of 75/25:local/visitor. Calistoga: Downtown businesses are more dependent on tourism than anyplace else in the county – 40/60-30/70.

Visitor Origination: In general we seem to be hearing that, understandably, the recession and 9-11 pushed the mix more towards local travelers, though some businesses are starting to see some that change back. Even so, the lion's share of visitors to Napa is from the Bay Area and California. However, there are some businesses (particularly some wineries) that have a very different profile, counting on established customers from out of the region

Group vs. FIT – We think we are hearing that the majority of visitors seem to be individual travelers though there is a growing segment in small group business, and that this will continue to grow as room inventory grows

Market segments by price: A significant element of the Napa visitor market is the ultra high-end customer. However, we need to make sure that this is not the ONLY image that we present of Napa, because the other, less stratospheric market segment still makes up an vital part of the mix. Napa's formidable reputation as a premium destination may also be part of the challenge. It will be important to understand the characteristics and the segmentation of the middle end market to provide critical balance to the Napa market offering.

But a "quality," up to date, product is still a bottom line for Napa

TRENDS

Napa took a hit from the post 2000 recession and 9-11 which resulted, among other things, in business consolidations.

Business seems to be looking up, though not uniformly. Growth of the high end market seems to be gaining momentum with high expectations for a quality "experience."

There are changes in the group market. With more rooms available, Napa can attract more groups. This coincides with a recovery of some of the higher end national group customers

But part of it is in synch with the marketing strategies of the wineries, who are also looking to build relationships with the high end of the wine drinking market and to build more enduring relationships with their customers via wine clubs and other methods.

Wine clubs
"I would say that wine clubs are now the primary focus for most of the wineries in the Napa Valley. Because it's about relationship marketing, recruiting people for your brand. . . . Relationship marketing is the buzzword of the industry – how do you build and keep these relationships, how to leverage them."

THE FUTURE

The most persistent theme was that the future of the Napa visitor industry will revolve on our distinguishing ourselves from other wine regions by emphasizing the depth and richness of OTHER offerings available here that COMPLEMENT a high end wine experience and that make a visit here a complex, complete lifestyle "experience." Some of the activities specifically mentioned:

- Hiking and biking and canoeing and kayaking
- Olive oil tasting

- Horseback riding
- Cooking classes
- High-end retail

A general theme was "We are much more interested in someone developing an epicurean lifestyle so we can market to them on all levels –food, wine, and build customers for life."

Although it is important to keep the primary attraction in the front of our minds, that we cater to <u>wine lovers</u>. That's what Napa is about.

There was discussion about how to further diversify the mix of offerings from our region Including food and spas. Thoughts on spas, however, were mixed, noting that spas were now ubiquitous and not a unique draw.

This conversation about diversification, offering "a complete experience" and lengthening the average stay is closely linked to efforts to spread visits to off peak and off season periods with a focus like, "there is so much to do here that you couldn't possible do it in one day. Please, let us help you plan. Let's spend three/two days, and it doesn't have to be Friday Saturday because there is so much to do."

This approach requires not just diversity but ongoing attention to keeping the offering fresh and new. Encouraging a more in-depth relationship with visitors is compatible with a "customized" rather than a "mass" offering, one that is less practical with very large groups. This approach also focuses attention on cultivating repeat customers.

There was further discussion about the effect of bringing more large hotels to Napa and how bringing in these properties will naturally bring more GROUP travel, as opposed to the independent traveler, and how these two groups have quite different characteristics. It is assumed that new, larger properties will most likely be in the city of Napa and in the south County.

Another of the related themes was what is involved in addressing the top end of the market, recognizing that the high end market is demanding an exceptional product. It's demanding more in terms of service. And that customer is willing to pay, but the expectation is higher than its ever been.

Of course, it is not all at the high end. We need to recognize the complexity of the market and encourage the development of products to appeal to an appropriate mix. This is an area that clearly need further consideration and fleshing out.

Finally, there was strong support for the effort to come up with a coordinated strategy for the industry, recognizing that this will take some time, money and effort to develop. NCLOG was recognized for this effort and the CVB was looked to as a logical place for much of the action to occur.

LOCAL ATTITUDES AND CUSTOMER SERVICE

Many in Napa are not comfortable with the powerful changes seen in the past several decades, including the dramatic rise in tourism. This leads to a sense of dissociation from the tourism industry, not knowing how to make a positive connection to it.

It is important for public officials to have a more detailed, nuanced understanding of the industry.

The rest of the Napa economy is deeply related to tourism, and benefits from the TOT and sales taxes that the industry brings in, in a relatively benign way.

There are special synergies between the visitor serving industry, agriculture and the wine industry

Customer Service – There was a significant amount of discussion of customer service, with some very vocal distress expressed. Customer service becomes especially important as Napa looks to evolve as a destination known for the highest quality offerings.

Customer service is not only about the front line sales staff. Participants told us that if Napa wants to enjoy a strong visitor-serving industry at the higher end of the market, the entire community can play a part. This is because the "product" is not just a bottle of wine, but a comprehensive "experience."

WORKFORCE ISSUES

Napa is a difficult place for our workers to live, particularly because of the high price of housing.

Employers spoke of the difficulty of finding qualified staff. Employers express intense focus on cultivating their workforce. Making training available in the hospitality field seems like a clear win/win opportunity for Napa.

The Visitor-Serving Industry offers a particular set of employment and career opportunities that the community needs to be more aware of.

Economic conditions are making it difficult to provide the level of benefits that have been characteristic of the past.