

Tourism, Craft Beer Confident in Having Customers' Support

ECONOMY: Surveys Show Optimism Nearly Unchanged from 2017

By VIK JOLLY

San Diego craft brewers are still confident about the future of locally-made beer even as they worry about competition and market saturation.

While ducking into a local tavern might or might not be on the itinerary of travelers to sunny San Diego, tourism-oriented

businesses, such as hotels and restaurants, expect the visits to the region to continue unabated.

Those are among the findings in the latest San Diego craft brewers and the tourism industry confidence indices respectively. The Business Confidence Index has been developed over the past few years by the **Cal State University San Marcos** College of Business Administration and the **San Diego Business Journal**.

The initiative has used the business school's Senior Experience Program, which matches teams of students with

projects submitted by local businesses and organizations. The index is calculated from specific survey responses and uses 50 as a baseline score.

A number above 50 indicates overall optimism in the local economy; anything below 50 indicates a lack of confidence. The recent survey was conducted in late March and early April and had 44 respondents in the craft beer industry and 49 in the tourism industry.

The spring 2018 results indicate a business confidence index (BCI) of 93 among craft brewers — almost unchanged

from last year. The BCI for the tourism industry stood at nearly 78 points, also unchanged from last year. BCI is based on a company's assessment of its current position and expectations for the immediate future.

Both visitor numbers and spending in San Diego has been rising the past five years, the **San Diego Tourism Authority** data show. In 2013, 33.1 million visitors spent \$8.4 billion in the area. In 2017, those numbers climbed to 35 million spending \$10.8 billion.

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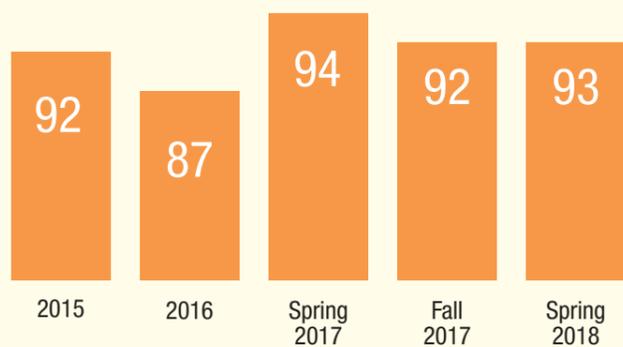


Cal State University San Marcos - San Diego Business Journal

Confidence Index



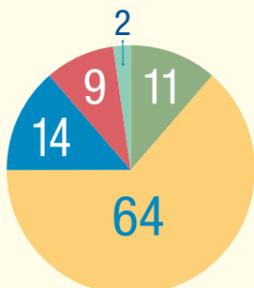
Craft Brewers



(above 50 indicates optimism; below 50 indicates lack of confidence)

EMPLOYMENT

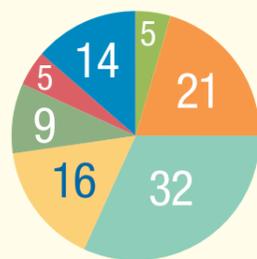
In the next 12 months, how do you expect your overall employment to change?



- Remain the Same
- Increase by 1 to 5 employees
- Increase by 6 to 10 employees
- Increase by 11 or more employees
- Decrease

PRODUCTION

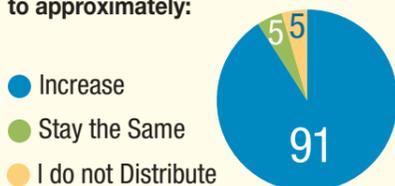
In the next 12 months, what percentage of increase do you expect your total barrel production to increase by:



- 1% to 5%
- 6% to 10%
- 11% to 20%
- 21% to 30%
- 31% to 40%
- 41% to 50%
- Greater than 50%

DISTRIBUTION

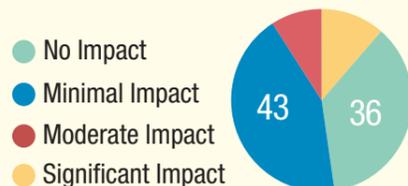
Over the next 12 months, your brewery expects distribution to approximately:



- Increase
- Stay the Same
- I do not Distribute

SALES

Over the next 12 months, how do you anticipate the increase in saturation of breweries within San Diego County impacting yours?

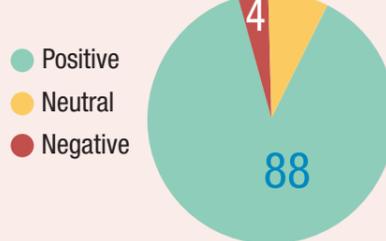


- No Impact
- Minimal Impact
- Moderate Impact
- Significant Impact

Tourism

OUTLOOK

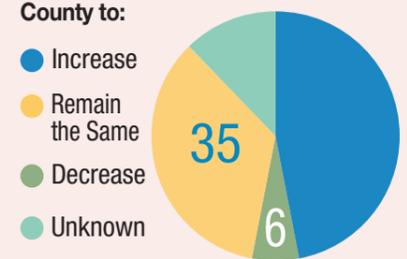
Your outlook for the San Diego County tourism industry is generally:



- Positive
- Neutral
- Negative

ATTENDANCE

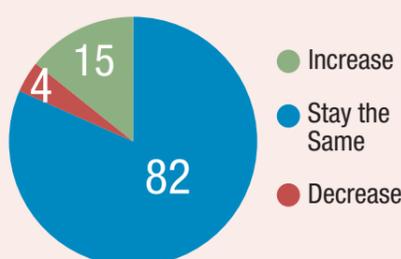
In the next 12 months, do you anticipate event attendance/visitor numbers in San Diego County to:



- Increase
- Remain the Same
- Decrease
- Unknown

PROFITS

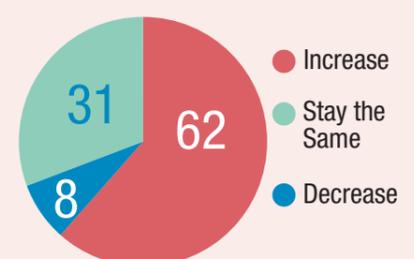
In the next 12 months, your firm's profits are expected to:



- Increase
- Stay the Same
- Decrease

ROOMS BOOKED

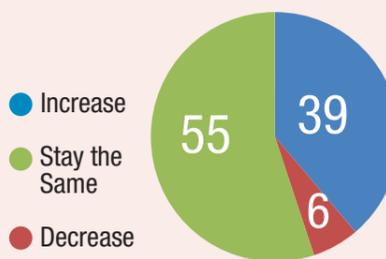
In the next 12 months, do you anticipate the number of rooms booked in San Diego County to:



- Increase
- Stay the Same
- Decrease

STAFFING

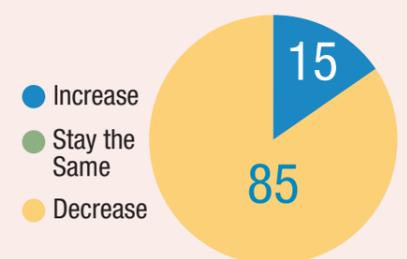
In the next 12 months, how do you expect your employment levels to change:



- Increase
- Stay the Same
- Decrease

VISITOR LEVELS

In the next 12 months, do you anticipate the duration of consumers' stay in San Diego County to:



- Increase
- Stay the Same
- Decrease

Source: Cal State San Marcos COBA survey (222 responses)

Additional data available at www.csusm.edu/coba/dashboard

TOURISM BOOM IN SAN DIEGO

Visitor Volume

2013 – 33.1 Million
 2014 – 33.8 Million
 2015 – 34.3 Million
 2016 – 34.9 Million
 2017 – 35 Million

Visitor Spending

2013 - \$8.4 Billion
 2014 - \$9.2 Billion
 2015 - \$9.9 Billion
 2016 - \$10.4 Billion
 2017 - \$10.8 Billion

Source: The San Diego Tourism Authority



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Tourism Remains Hot

More than half of the tourism survey respondents — 53 percent — were in the lodging business, while nearly 27 percent were restaurateurs in tourist areas. Nearly 90 percent of those surveyed said their outlook for San Diego tourism was generally positive; 63 percent reported increased profits in the last year and 82 percent expect profits to rise in the next 12 months; nearly half said they expect event attendance/visitor numbers to grow in the next year. Room bookings in the same period were expected to rise 62 percent, but nearly 85 percent said they expect the length of stays to remain the same.

The San Diego Tourism Authority's own forecast showed 2018 would be a strong year for the industry. The agency is spending \$20 million to promote the city in eight countries, including the United States. It has a strong sales and marketing plan in place and 2018 is shaping up as a robust year for meetings and conventions, said **Kerri Kapich**, the agency's chief operating officer.

"Everything we've seen is in good performance in terms of visitor demand," she said. And, with demand "you start to see the ability to profit."

The economy, too, is good in general and with that follows more money for travel, discretionary spending for most people.

"So we're benefitting from all of that. A lot of good things are going on for San Diego," Kapich said.

Saturation Near for Beer

On the craft beer side, nearly 64 percent of local brewers expect to add up to 5 employees and the biggest chunk — 32 percent — expect their total barrel output to increase from 11 percent to 20 percent in the next year. A whopping 91 percent expect distribution to shoot up in the next 12 months.

About 43 percent said they expect minimal impact from "big beer" over the same period, but the same percent of respondents anticipate the saturation of breweries in San Diego County to impact sales.

"I do not believe full market saturation has been reached, but it is close. Once it does completely saturate, low-quality breweries will begin to close," predicted one respondent.

"Making better beer," is how one responder said they would counter saturation.

San Diego-based breweries and brewpubs generated sales of \$726.6 million, \$734.7 million and \$851 million in 2014, 2015 and 2016, respectively, according to the **National University System Institute for Policy Research's (NUSIPR)** San Diego Craft Brewing Industry 2016 update.

Nomination Deadline: June 11, 2018

SAN DIEGO BUSINESS JOURNAL



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4:00 – 5:00 p.m. Networking
 5:00 – 6:00 p.m. Awards Program
 6:00 – 7:00 p.m. Networking

Special Awards Reception with hosted hors d'oeuvres and no-host bar



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Celebrate these young leaders by submitting nominations for the 2018 40 Under 40 Awards.

Nomination Deadline: June 11, 2018

Nominate or order tickets
online at www.sdbj.com/bizevents/

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