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A SWOT Analysis of the Lodging and Tourism Industry in New Orleans

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A SWOT Analysis of the Lodging and Tourism
Industry in New Orleans

An Honors Thesis

Presented to the Lester E. Kabacoff School of Hotel, Restaurant
and Tourism Administration of the University of New Orleans

In Partial Fulfillment

of the Requirements for the Degree of Bachelor of Science, with

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and Honors in Hotel, Restaurant and Tourism

by

Kristyn Williams

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Key Terms

Average Daily Rate (ADR) - A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold. (STRGlobal.com)

Key Performance Indicators (KPIs) – Refers to average daily rate and occupancy

New Orleans Tourism Marketing Corporation (NOTMC) - the City of New Orleans' leisure travel promotion agency. (NewOrleansOnline.com)

Occupancy - Percentage of available rooms sold during a specified time period. Occupancy is calculated by dividing the number of rooms sold by rooms available. (STRGlobal.com)

SWOT Analysis - a process that identifies an organization's strengths, weaknesses, opportunities and threats. Specifically, SWOT is a basic, analytical framework that assesses what an entity (usually a business, though it can be used for a place, industry or product) can and cannot do, for factors both internal (the strengths and weaknesses) as well as external (the potential opportunities and threats). (Investopedia, 2017).

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Abstract

The objective of this paper is to analyze the resiliency of the New Orleans lodging and tourism industry by conducting a SWOT analysis. A SWOT analysis is composed of four key parts: the internal influences that are the strengths (S) and weaknesses (W) and the external influences that are the opportunities (O) and threats (T). New Orleans is characterized by the ability to use its internal strengths to drive growth in its lodging and tourism market. The main internal strengths I identified were the city's strong cultural identity, and destination attractiveness in both the convention and leisure markets.

However, New Orleans also has internal weaknesses that adversely affect the perception of the city: cultural arrogance, crime and cleanliness. Externally, the city is presented with several opportunities to become one of the top tourist destinations both nationally and internationally. The marketing opportunities available to New Orleans are through the New Orleans Tourism Marketing Corporation, the healthcare and film industries, and the city's accessibility. The city's reach is limited by several key threats, such as short-term rentals, competing markets such as Charleston and Atlanta, and natural disasters that could disrupt New Orleans' position as one of the top visitor markets in the United States.

Keywords: New Orleans, Short Term Rentals, Lodging, Tourism, SWOT

Introduction

Disasters have had a tremendous effect on the city of New Orleans, a city that has been considered among the most attractive tourism destinations in the U.S. In 2004, just before Hurricane Katrina, hospitality and leisure employment in New Orleans accounted for 80,827 jobs generating \$30 million in state income taxes (UNO Hospitality Research Center, 2005). Visitation to New Orleans also peaked in 2004, when 10.1 million visitors came to the city, spending \$4.9 billion (UNO Hospitality Research Center, 2005).

On August 29, 2005, New Orleans was forever changed. It's a day that has forever been imprinted in the mind of New Orleanians. On that day one of the most damaging and deadliest hurricanes wreaked havoc on the city. The Category 5, Hurricane Katrina, flooded over 80% of the city and killed over 1,800 citizens. (Meyersohn, 2017).

New Orleans, the beloved Big Easy, was not resting easy after Hurricane Katrina. The tourism centric city was plagued with stories of death, theft, extreme violence, and rape. New Orleans had been painted as hell city. At that time, it seemed that the city would not bounce back. Thirteen years later, the city is back and flourishing more than ever as the research will show.

New Orleans is celebrating its 300th anniversary in 2018 and tourism metrics and practices show a resilient destination that has overcome natural disasters and an economic recession's devastating impact.

This paper will begin with a brief description of the procedures and methods used to guide this research. Then, an overall market analysis of the New Orleans lodging and tourism market from the years 2001 to June 2017 will follow. From there, the paper will explain the SWOT analysis concept in more detail, identifying how the model will apply to New Orleans' lodging and tourism market. Lastly, this paper will identify three key components in each area and demonstrate the impact they have on the market.

Procedures and Methods

The tool which I will use to analyze the New Orleans lodging industry will be the SWOT Analysis. SWOT is an acronym composed of two parts. The first part is the analysis of internal influences which are Strengths (S) and Weaknesses (W) while the second part is the external influences labeled as Opportunities (O) and Threats (T). SWOT allows researchers to analyze the market by examining the industry from different viewpoints. It can lead to further strategization on how to minimize weaknesses and impact of threats and maximize on opportunities while capitalizing on strengths. SWOT was developed to analyze Fortune 500 companies in the mid 20th century but has become applicable to many different organization structures. The original research was conducted at Stanford Research Institute from 1960 – 1970. (Fine, 2009). Now, SWOT analysis is taught in many business schools as a method to analyze a business or market.

This paper is intended to be a case study of the New Orleans' lodging and tourism industry. Secondary data will be utilized and analyzed for this study. Relevant data from multiple academic journals will be utilized to complete the full narrative of New Orleans.

Smith Travel Research (STR) data will be used to show the resilience of the New Orleans lodging market. STR hotel data will be analyzed from 2001 to June 2017 for 337 hotel properties in the New Orleans metro area.

Smith Travel Research began in 1985 and is a known source for hotel benchmarking. Over 58,000 hotels globally report to STR regarding their inventory, average daily rate, room revenue, and other useful hotel data. Their dedication and consistency has made them a trustworthy and source for information in the hotel industry. STR is very protective with hoteliers' data, never sharing or giving access to a single hotel's data. Instead, STR produces reliable studies as well as indexes that shows how well the market is performing.

Next, the market analysis is presented using primarily STR data, and some other secondary sources.

Market Analysis of the New Orleans Lodging Industry

As New Orleans celebrates its tricentennial, we can analyze the historical lodging market and see how the city has progressed since Hurricane Katrina. Pre-Katrina, New Orleans was performing very well with 10.07 million visitors to the city in 2004. (Table 1). In just the two years, from 2004 to 2006, the available room supply in New Orleans decreased by a total of 21.8% and demand decreased by a total of 23.6%. (Figure 1). Supply and demand slowly increased after Katrina with demand still lagging behind. By 2008, the

NBA All Star Game signaled that occupancy and the average daily rate (ADR) had rebounded. The 2008 NBA All Star Game was not only New Orleans' first all-star game, but it was also the first major event held after Katrina. The game gave New Orleans a huge economic boost in the year with ADR increasing by 1.6% and occupancy increasing by 8.1% from 2007 to 2008 as shown in Figure 2. However, the national economic recession of 2009 negatively affected the New Orleans hotel market. Occupancy decreased by 8.3%, a net loss of .2 % from the previous year, and ADR also decreased by 3.8%, a net loss of 2.2%. (Figure 2). Supply continued to grow at a slow pace while demand decreased by 6.7% by 2010. Key Performance indicators such as the ADR and occupancy increased as the market stabilized once more, returning to pre-recession numbers until April 2010. However, on April 20, 2010, the Gulf of Mexico saw its largest oil spill to date. Deepwater Horizon, a drilling platform being leased by British Petroleum (BP), had an explosion and approximately 5 million barrels of oil was released into the Gulf of Mexico. It took 87 days for the flow of oil to be stopped. (Allin, 2013). The spill brought a lot of bad press to BP and as a response, more than \$93 million in advertising was spent following the spill to help the affected industries in the Gulf states (Tracy, 2010.) Multiple ads showcased New Orleans, and the seafood industry that had been affected by the Gulf oil spill. The ads ran mostly towards the end of 2011 and the beginning of 2012 and several ads showcased New Orleans festivals and attractions. Following the advertising campaign, hotel occupancy increased by 5.7%, ADR by 8.4% and demand by 10% from 2011 to 2012 as shown in Figures 1 and 2. However, supply grew slowly and did not keep pace with demand. It is interesting to note that there were several hotels under renovation from late 2011 to 2013, with a few hotel closures.

Renovations at large New Orleans hotels such as Hilton Riverside and Windsor Court decreased the overall New Orleans room supply. (White, 2011).

From 2013, ADR, Occupancy, Demand and Supply continued to trend positively. Several high-profile events helped boost the New Orleans tourism economy. In 2013, the Superbowl brought in 133,000 visitors and \$480 million dollars in spending alone. (Greater New Orleans Sports Foundation, 2016). In 2014, there was the NBA All Star Game, Wrestlemania, and several major conventions. 2015 also followed with positive business for the city when Viking River Cruises decided to make New Orleans a main port and when Carnival Cruise Lines increased ship capacity to allow an additional 450,000 guests a year. (Tore, 2015.) There were two exceptions, however. In 2016, there was a -1.3% change in occupancy as shown in Figure 2. The change could be attributed to demand leveling out while supply continued to increase. By June 2017, there was also a -.9% decrease in ADR which may be explained by demand taking longer to catch up to the ever-growing supply. However, if demand continues to grow at the same rate, it will outpace supply causing the ADR to rise.

The next section will look at the New Orleans lodging and tourism market in more depth and how each cornerstone of the SWOT analysis affects it. There will be a first overview of the three facts that I have chosen for each area of the SWOT and then I will proceed to go into more detail about how each affects the market.

SWOT Analysis

At this point of the paper, I will conduct a SWOT analysis of the tourism and lodging market of New Orleans. The S in SWOT stands for strengths and while New Orleans possesses many strengths, I will focus only on two. New Orleans' first internal strength is its strong cultural identity that is hard to find elsewhere. Millions of visitors are attracted by the 143 cultural festivals held every year, allowing occupancy to peak at key festival seasons such as Spring and Fall, or more specifically March and October as shown in Figure 3. The attractiveness of the destination is the second strength and has allowed for the city to market New Orleans actively as well as caused the city to appear in several publications nationally. Its attractiveness has resulted in a strong leisure and convention traveler market to New Orleans.

Next, the W in SWOT stands for weaknesses. New Orleans' first weakness is a result of its unique cultural identity. As more tourists are captivated by New Orleans' culture, there becomes a market to replicate it more often to generate the same business. This leads to a decay of a culture and can have a future adverse effect on the city. In addition to this, New Orleans has issues with heightened crime as well as cleanliness of the city. Both affect the outlook of the city and can be reasons for people to not come or not to return.

The O in SWOT stands for opportunities. The first opportunity is that New Orleans has comes from the use of advertising to outside markets to bring in more visitors. This is a

result of the work that the New Orleans Tourism Marketing Corporation (NOTMC) does to attract travelers. Secondly, by utilizing the airlines and cruise lines, the city can continuously increase its number of visitors from multiple locations in the world simply by making it more accessible. Finally, the recent boom of the health care industry and the film industry can inject additional tourism dollars into the New Orleans economy.

The final letter of SWOT is T for threats. A major threat is posed to the hotel industry of New Orleans by short term rentals. New Orleans is currently the model for short term rental regulations. Local legislation was recently enacted to better enforce short term rentals, but by looking at comparable cities, the New Orleans lodging industry still faces a threat. New Orleans is currently in the top 25 lodging markets as defined by STR along with other comparable southern markets. New Orleans faces the threat of other cities attempting to mimic their image and recreate their success. Another threat that cannot be easily avoided is the threat of natural disasters. Hurricane Katrina may be the biggest in name, but it is not the only disaster that has had an effect on the New Orleans lodging and tourism market.

Strengths

Hurricane Katrina could not take away New Orleans cultural identity. New Orleans is a true cultural melting pot which is stuck deep in its roots. Before Jean-Baptiste Le Moyne de Bienville claimed New Orleans for the French in 1718, the city by the water belonged to Native Americans. As in nearly all instances of European exploration, the colonizers

saw the potential in New Orleans with its access to the Mississippi River, and proximity to both Lake Pontchartrain and the Gulf of Mexico.

The port of New Orleans continued to bring in people from around the world who added to the already rich culture of New Orleans. One of the main influences on New Orleans' culture besides Native American and French was the Spanish. There were forty years of Spanish rule in New Orleans, after France's own forty-three. Through that time, the Spanish were able to integrate a lot of its influences into New Orleans culture. While the city is overall very French inspired, the Spanish influences are seen in architectural patterns and the occasional signs in the French Quarter denoting the old Spanish names of the streets. Wrought iron balconies and the side alley ways such as Pirate's Alley next to St. Louis Cathedral are ideas brought to New Orleans when the Spanish were in power. (Denison, 2014). Population under the French was very minimal, resting at 3,190 people total by the end of their rule in 1763. (Marshall, 2007). It was under the Spanish rule that New Orleans saw a major migration. It was in 1782 when the Spanish lifted the French ban on international slave trade to gain labor to handle the successful sugar industry. Though there were more slaves, there was also a better opportunity to become free by purchasing or suing for your freedom by the O'Reilly code in 1769. (Wegmann, 2015). With this, many slaves became free with a three-fourths majority being women. (Aslakson, 2012). The imbalance of the gender ratio as well as the lack of protection and benefits that came from being in a colored marriage pushed women of color to look into white men as partners. White men were able to provide opportunities to their children that the woman could not alone.

There was also a second major migration, this time under the new rule of the United States. In May 1809, close to 10,000 Saint-Domingue's refugees entered the New Orleans port. (Aslakson, 2012). Many refugees participated in quadroom balls where people of color were allowed to intermix with whites under the safety of masked anonymity. It was found that almost 50% of the women and 14.5% of the men from these quadroom-born relationships were from Saint-Domingue. (Aslakson, 2012). These two major migrations led not only to a massive population increase but the ability for cultures to intermix. Generation by generation, cultures were passed down through their descendants. People were no longer knowledgeable of a single culture but instead knew both their mother and father's lineage and shared in those traditions. The blend of cultures passed down through generations and the preservation of the historic French Quarter, is what makes New Orleans unique and attracts millions of visitors annually.

With New Orleans' balance of fun and business, it is often an ideal destination for conventions both large and small. The New Orleans Ernest N. Morial Convention Center is the sixth largest convention center in the nation and one of the most popular. The proximity to 18,000 hotel rooms within walking distance has increased the attractiveness of the city as a prime convention destination. In the years 2010 to 2016, the convention center hosted an average of 1.006 million people each year. (Ernest N. Morial New Orleans Exhibition Hall Authority, 2016). The convention center's location near the French Quarter and Central Business District had a positive impact on visitor spending. It is estimated that in 2016, a total of \$322 million was spent overall with \$132 million

spent in lodging. (Ernest N. Morial New Orleans Exhibition Hall Authority, 2016). These numbers reflect only registered conference attendees and not the impact of other guests in their respective travel party. Guest spending only accounted for 6% of the total spent but it was a \$42 million impression on the city. This amount was spread over 128 convention and trade shows held that year. As of April 2018, the New Orleans Convention and Visitors' Bureau have confirmed 278 convention groups lined up for the first seven months of 2018. These 278 groups represent over 421,000 registered attendees. The tourism economic impact is expected to be large here as well.

New Orleans' also does well in the leisure market and has continuously been named one of the best cities to visit for the fourth consecutive year in Travel + Leisure Magazine's World's Best Awards 2017. (New Orleans Convention & Visitors Bureau, 2017). Much of this success can be attributed to the city's numerous successful festivals held annually alongside the famous Mardi Gras. In 2016, the French Quarter Fest hit a total of 760,000 attendees, Essence Fest: 450,000, and Jazz Fest: 425,000 which is perceived as a low number due to rain and flooding conditions at the time of the festival. All three festivals mentioned do have a history in the city and have slowly built their loyal following, there is still room for budding festivals. The success of rather new festivals is inviting to tourists such as the Fried Chicken Festival (FCF). The Fried Chicken Fest started in 2016 with an expected 20,000 people in Lafayette Square sponsored by Raising Cane's. Instead, the inaugural FCF actually had approximately 40,000 attendees, double the number planners were expecting. (Biz New Orleans, 2016). In just one year, the festival grew to 166,000 people from all over the United States. The larger two-day Fried

Chicken festival featured not only New Orleans culinary talent but around the nation as well making it officially the National Fried Chicken Fest. There is opportunity for even more growth in the festival submarket of tourism and the Fried Chicken Fest is proof of that.

Weaknesses

Cultural Arrogance is defined as, “When the number of tourists to a destination begins to result in a loss of culture, the destination may stage cultural experiences, thus hiding the true culture from the visitor and exposing them only to a limited range of the cultural experience.” (Edgell, 2018). New Orleans has been a city of notoriety since the World’s Fair in 1984. At that same time, New Orleans shifted to a touristic culture where locals tend to go through “tourist modes of staging, visualization, and experience increasingly frame meanings and assertions of local culture, authenticity, and collective memory.” (Gotham, 2007). One of the most obvious examples of this is the transformation of Mardi Gras over the years. Mardi Gras, a longstanding tradition, has become one of the most anticipated events in North America and is expanding its reach internationally. The floats are bigger, the throws are even more impressive, and the celebrity participants are more well known. Historically, Mardi Gras floats existed to show off elaborate floats but were also used as a commentary on society. Krewe du Vieux is one of the last remaining krewes to do so. There has been a shift in Krewes to focus on more elaborate throws so that tourists can walk away with a tangible piece of New Orleans in hand. Krewes have moved from being social clubs to profitable businesses selling riding slots in the parades

and hosting extravagant balls. In 2006, 500 nonmembers rode in Zulu for a per person fee of 1,500 dollars. (Gotham, 2007). Zulu and other super krewes have made the claim that it is to supplement what locals can't afford and to finance all it provides. As Mardi Gras becomes more commercialized, it could cannibalize itself, and each year part of the old tradition could slowly be lost or overshadowed. If New Orleans begins to commercialize itself, it loses its strong cultural identity and will soon begin to blend in with other cities.

As there is a struggle to protect New Orleans' culture, there is also a struggle to protect the city itself. New Orleans has a reputation of being known as one of the most dangerous cities in America. In 2017, Tourism Review actually placed New Orleans at most dangerous city based on homicide statistics. (Trout, 2017). The majority of the French Quarter is located in a police defined area identified as the 8th District. However according to Police Max (Management Analytics for eXcellence) Data, crime in the specified 8th district is only a small portion of the city's crimes. Last year, there was a total of 5,127 crimes in New Orleans with only 17% occurring in the 8th district. Only 68 of these crimes were violent, 28 were robberies, and one was a homicide. However, media has sensationalized the crime scene of New Orleans and made generalizations about crime in the city as a whole. The numbers show that it is statistically safer in the French Quarter than it is in most residential zones, the highest concentration of crime coming from the outskirts of the city's center as shown by the NOPD's Max Data.

The final weakness that I will address is the cleanliness of New Orleans. Travel + Leisure named New Orleans the dirtiest city in America in 2011 and the second dirtiest city in America in 2012. As shown in Table 1, New Orleans brings in millions of people to the city every year. Mardi Gras alone produces a lot of trash and waste in the city with a lot of it happening on the most popular street, Bourbon street. In 2017, 1,300 tons of trash was collected during Mardi Gras. As a job opportunity, 970 people were employed to help clean the streets in an attempt to ready it for normal activities once again. (Roberts, 2018). The cleanliness in the city has improved but there is still a long way to go to change visitors' perceptions.

Opportunities

New Orleans Tourism Marketing Corporation (NOTMC) was founded in the 1990s in order to boost tourism, specifically leisure, in New Orleans when the market was typically slow such as the summer and the winter holiday season. This changed after Hurricane Katrina. NOTMC began promoting the city as a year-round tourism destination and began to bring in more high-profile events to the city. There was a mission to make New Orleans known for more than just Mardi Gras and the French Quarter.

NOTMC utilized year-round marketing campaigns that allowed the city to tap into various markets. In 2014, NOTMC was able to increase and diversify their marketing tactics with access to more funds provided by the optional assessment funds. (Romig, 2015). Hotels located in the downtown area including the French Quarter and Central

Business District voluntarily agreed to fund a 1.75% tourism assessment tax to help fund their endeavors. (Waller, 2014). Put in effect on April 1, 2014, the assessment fees helped garner almost 465 million website impressions the first year. (Romig, 2015.) According to Smith Travel Research, the growth rate of hotel occupancy in March was -0.1%, 1.8% in April and 5.0%+ in May of that year.

Over the years, the New Orleans Tourism Marketing Corporation's goal has remained the same. They aim to motivate more leisure travelers to visit the city and shape locals into advocates for the city in order to increase visitation especially during off peak months. One of their newer campaigns in 2015 was entitled, "Everyone's NOLA is different" which translated directly into website clicks and increased arrivals to the New Orleans airport, resulting in an 8.8% growth in passengers. (Romig, 2015).

In just four years, the web impressions grew to 575 million in a February 2018 report. (Romig, 2018). The same targets still remained such as reducing seasonality and increasing midweek travel, but a rather newer goal is to capture more of the LGBT travel market. The Reverse Parade campaign took place in February and March of the year with an ad that declared that New Orleans was open to everyone. The messaging was clear with pride flags and a diverse crowd. Utilizing the tourism support assessment funds, NOTMC has increased TV advertisements and also print media. Furthermore, New Orleans has appeared in many influential magazines such as Vanity Fair, GQ, Billboard and even earned a primary six page spread in the New York Times, 'Travel' magazine. (Romig, 2018).

The second opportunity is that, New Orleans own airport, the Louis Armstrong International Airport (MSY) has seen its own growth and strength. Since 2010, MSY has seen a 35% passenger growth. (Romig, 2018). The growth has been aided partly by the addition of new airlines and new nonstop service to destinations such as Frankfurt and London. Spirit Airlines, an affordable airline, has added several nonstop flights to MSY such as Boston, Newark, Tampa and Minneapolis/St. Paul. (Schuler, 2017). In late January of 2018, the New Orleans Tourism Marketing Corporation did an advertising campaign at the Minneapolis-Saint Paul Airport during Superbowl 52. Different display screens in concourses portrayed images from New Orleans encouraging visitors to visit the city. (Romig, 2018). The city of New Orleans is currently working on a new terminal to open in 2019 that will feature three concourses and 35 gates allowing more passenger traffic and growth. (Burns, 2017).

The third opportunity is the emergence of the health care industry in New Orleans has also boosted tourism. New Orleans has invested money into various healthcare facilities and as a result has seen an increased interest from the medical field in recent years. “By making significant investments in the development of the New Orleans Biomedical Corridor, the city helped to establish itself as a research hub and as an innovator in promoting healthy lifestyles.” (Sebelius, 2015.) The \$1.1 billion University Medical Center in downtown New Orleans as well as the construction of a \$21 million health care facility will continue to bring attention to New Orleans’ budding health care industry. As

more health care professionals gather for research, it makes New Orleans a relevant choice for medical conventions.

New Orleans is also attractive to the film industry, mostly because of lenient tax credits. Slated to become the Hollywood of the South, New Orleans approved sixty tax credit programs in the year 2013. (Public Affairs Research Council of Louisiana, 2015). At that time, Louisiana had a very loose tax credit system which placed no cap on the film industry's projects and allowed for credits to be transferable. New Orleans production is a lot cheaper than traditional Hollywood, and there was the opportunity to trade up to 85% of unused credits for cash. (Public Affairs Research Council of Louisiana, 2015). Though unsuccessful from a profit standpoint, those sixty projects included more famous titles such as Green Lantern, Terminator, Jurassic Park, and Fantastic Four which all had scenes that were shot in Louisiana. Amongst them were other small movies and TV shows, one of the most popular being NCIS New Orleans. Recognizing the city from these productions has helped to bring in visitors as well.

Threats

The first threat arises from the influx of short term rentals in the city of New Orleans. Short Term Rentals (STRs), or better historically known as Vacation Rentals are a way for travelers to have an alternative to the traditional hotel stay. However, due to the recent popularization of Airbnb and similar companies, the number of travelers that vacation rentals once attracted has increased with the access available at one's fingertips. In

response to the demand, many cities have seen an increase in locals providing the supplying their own homes with little regulation. In 2015, the New Orleans City Council decided to have the City Planning Commission study regulation of STRs. Shortly after, the city began to amend and expand their regulations in order to protect visitors and ensure that their own image of New Orleans was the one projected to travelers. In recent years, the city has put in place several methods of reporting as well as increasing levels of penalties in case of failure to adhere to regulations. Thus, short term rental rules are being better enforced and those that break the rules are penalized. Though better regulated, short term rentals have an impact on the city's economy as well as the community.

From 2015 to 2016, approximately 267,000 people stayed in New Orleans via the Airbnb platform. (Mazur, 2017). Airbnb started as the brainchild of two unemployed graduates who decided to rent out air mattresses during a big convention in San Francisco back in October of 2007. Four years later, their small business was available in over 80 countries and had booked one million nights on their platform. Airbnb is projected to make close to \$3.5 billion by 2020.

For New Orleans and many cities, that meant regulation was needed. From 2009 to 2015, Airbnb operated with little to no regulation. According to CBRE Hotels' Americas Research in 2017, Airbnb brought in 83 million dollars in 2016. Because of the legality of these short-term rentals, it was estimated that the tax obligation was anywhere from \$3 to \$11 million dollars. The city of New Orleans could have generated a larger share of lodging occupancy taxes if STRs were regulated and taxed the same as hotels.

The urge to sympathize with short term rentals comes from the idea that it's locals renting out their properties to help make ends meet. In a journal article written by Jamila Jefferson Jones, she explains why Airbnb is beneficial to the housing market. The reasons she cites is that, "such exchanges can actually help to preserve property values by providing income to homeowners that can be used to offset mortgage and maintenance costs- in other words, by allowing owners to share the burdens of ownership" (Jefferson-Jones,12). While this wholesome view is true in some cases, we know that Airbnb has moved away from simple home sharing and has allowed commercial properties to list. In the New Orleans market alone, according to CBRE research, 596 hosts had multiple properties which represented over 1,996 units in 2016. (CBRE Hotels' Americas Research, 2017). Out of 4,759 Airbnb's listings on Inside Airbnb in the City of New Orleans as of January 2018, 56.7% of listings are multi listings, meaning that the hosts have more than one property. The most properties that one host owns is 116, owned by Hosteeva, a lodging company. Following Hosteeva are more lodging management companies such as Stay Alfred with 86 properties, Sonder with 82 properties, and a second Stay Alfred with 70 properties. This does not end with those companies as there are also individuals such as Alex with 17 properties, Jordan with 17 properties, Zackary with 15 properties and so on. (Inside AirBnB, 2018). The idea that short term rentals help people pay their rent is correct however many hosts own multiple properties in affluent neighborhoods indicating their present wealth.

In a recent study done by the Jane Place Neighborhood Sustainability Initiative (JPNSI), the group dives deeper into the issue. There are currently no limits on how many short-term rentals an individual or a company can own. There are certain restrictions placed on the number of rentable nights dependent on the type of license the operator chooses to pursue. As aforementioned, a substantial amount of companies owns short term rentals but JPNSI was able to find rentals listed under top executives from these companies. Sonder has 82 listings under their name but possess 152 permits under different names. (Dedecker, 2018). The city limit on nights actually burdens the average user of Airbnb, not these companies. Most companies are renting out multiple units in a complex, so with one unit out of commission they can just rent out the one next door. Meanwhile, those with one or two listings have a cap on their revenue.

For the companies with multiple listings, the possible income has no limit. Sonder has more than 500 properties nationwide and StayAlfred has 400. The charm of a short-term rental is staying at a home, living amongst the locals and such. However, because of a bad experience in an AirBnB, Francis and Lucas got the idea to start Sonder. “What if there was a place as reliable as a hotel, but with all the warmth and character of a home?” states their website. The short-term rentals provided by Sonder have been called “hometels” as they provide wifi services, concierge services and professional cleaning services. StayAlfred is similar in its model but chooses to rent entire apartment complexes to lease as short term rentals.

“This model pushed us to be at the forefront of revenue management, distribution, so we have turned into more of a differentiated hotel/hospitality company than we

are a vacation rental company,” said Allen. “But we grew up as a vacation rental company, so we understand the industry and have merged the best of hotels and the best of vacation rentals into one hospitality model. For example, when we go into a city, we don’t go into the suburbs and into the residential neighborhoods.

We only have properties in major downtown markets.” (Hinote, 2017)

For StayAlfred, their model mimics a traditional hotel, and reaps the benefits of both sides. It’s hotel like enough to draw visitors but on a more conventional platform that requires less obligations on their end. When operating a short-term rental, there are three fees and taxes that the operator is responsible for. The first is a Hotel/Motel Sales Tax which is 4% of the rental rate paid to the city. The next is the hotel occupancy privilege tax which is a rate of \$.50 per night. The third is a collection fee of \$1.00 per night which goes towards the City’s Neighborhood Fund. (City of New Orleans). Operators are also responsible for obtaining a permit, which varies based on the license. The most lucrative permit is of course the most expensive. A commercial permit will allow the operator to rent unlimited amount of nights for only \$500 a year. In comparison, hoteliers are required to pay \$2 per room to obtain an occupation license. In addition to that, hotels are subject to 13% percent tax, not including an optional tourism assessment fee. For example, the Bourbon Orleans hotel can sell one room for two nights at \$329. From that booking, the city will make \$42.77 in taxes. The Airbnb on the next street, with only one bedroom as well, sells the apartment for two nights at \$378 (based on actual listing on April 23, 2018). In this example, the city collects a total of \$18.12. The difference may look minimal in this comparison but looking at multi-listing companies such as Stayalfred and Sonder, the problem is magnified. My research shows there were multiple

listings for units located inside the Maritime Apartments located at 800 Common St owned by StayAlfred. Almost half of the total 125 units in the apartments are listed as short-term rentals. This made it larger than the Lafayette Hotel and smaller than the Prince Conti Hotel. Since it's in a commercial zone, it is also allowed to operate and rent 365 days a year taking available housing off the market, while still profiting.

Though there was not a lot of direct economic impact, there was still impact on the community. The majority of short term rentals are listed in the Marigny, Bywater and Treme neighborhoods as shown in Illustration 1. This is because these neighborhoods contain rich history that gave birth to most of New Orleans popular culture and are a relatively short distance from the French Quarter. Post-Katrina recovery, New Orleans had been experiencing a problem with gentrification and according to locals, short term rentals are aiding in that and maybe even speeding up the process. Illustration 2 shows a flyer that was put up several times in the Marigny neighborhood, telling tourists that they were contributing to the downfall of a local neighborhood. Illustration 3 shows just one of multiple artworks displayed in the Bywater where an artist decided to take an artistic stand against short term rentals. Her eclectic cut outs mock tourist' rationale in choosing short term rentals for the reason that they will get an authentic New Orleans stay when that is not the case. A large majority of the neighborhood is being listed as short-term rentals and locals resent the new guests. Even though there may be no impact on the housing market from what we can see yet, many residents believe they are being pushed out of their own neighborhoods. On September 27, 2016, in true New Orleans fashion there was a funeral march preceded by the Treme Brass Band where residents carried signs depicted in Illustration 4.

Following these protests, regulations put in place have seemed to have a positive effect. The public outcry has seemed to have slowed as well as the number of short term rentals. However, this isn't a clear indicator of just how well the regulations are performing. In order to speculate on the success of the regulations, it needs to be compared to a similar city facing a similar problem. Charleston, South Carolina is similar to New Orleans in the fact that it is a southern city known for its rich culture. Charleston imposes strict regulations on short term rentals through several zoning ordinances. One of those ordinances bars the renting of a property for less than 30 days unless in the commercial Cannonborough-Elliottborough neighborhood, subjecting its non-compliant owners to large fines. Charleston's strict stance is an attempt to protect the city and its valued qualities. (Wills, 2017). However, the strict fines have only made it worse. Locals still rented out their property eventually leading to them being on the opposing end of a large lawsuit. Sixty-three of their neighbors pursued legal action against them for illegally renting their houses as a short-term rental and eventually the suit was dismissed. New Orleans is attempting to work with short term rentals, not fight them, in order for it to have a positive effect on the city. Short term rentals in this case may help to portray a fake image of New Orleans while driving away locals from their homes to the suburbs of the city. The culture of New Orleans lives not only in the buildings but in the people themselves with the traditions that their families helped to create.

New Orleans faces the threat of other tourism destinations as competition has increased. As mentioned before, Charleston is similar to New Orleans because of its southern charm

and rich culture. In 2016, Charleston was actually named the #1 city in the world by Travel + Leisure, the same year New Orleans ranked 7th. Charleston takes advantage of the definition of being a Southern city. It has the rich history that New Orleans also possesses and the good food as well. Another city on New Orleans' heels, would be Atlanta but in different ways. In 2017, Georgia became the best filming location in the world and as a result generated \$9.5 billion in economic impact for the entire state. (Hensley, 2017). As mentioned before, New Orleans was home to not as successful films such as Green Lantern but that is not the case for Atlanta. Popular shows such as Stranger Things and the Walking Dead were both filmed in Atlanta, and the city might soon become the Hollywood of the South.

There is also another issue that plagues the tourism industry in New Orleans and it's the fact that New Orleans is below sea level making it susceptible to easy flooding in an area that's already plagued by Hurricanes. Starting around June 1st, many locals are wary of the time as hurricane season approaches. The typical weather in New Orleans around that time is warmer, moist weather which causes hurricanes to stir in the Gulf. Hurricane season can last for several months as proven with Hurricane Katrina which struck New Orleans on August 29th, 2005. In Figure 3, you can see hotel occupancy is lowest during the summer months including September, only picking up after October when the threat of hurricanes has subsided. In Figure 4, similar patterns are also seen where average daily rate seems to reach its low in the summer. In an attempt to compensate for lower numbers, there are multiple festivals held in those summer months such as the Satchmo Festival and the Essence Festival.

Conclusion

New Orleans' lodging and tourism industry has since recovered from the devastation of Hurricane Katrina, the economic recession, and the Gulf of Mexico oil spill. As the city approaches its tricentennial celebration, it celebrates the strong cultural identity that has helped to form strong leisure and convention markets. New Orleans' weak areas remain as cultural arrogance, cleanliness and crime. Each has impacted the tourism industry for years and can continue to have an adverse effect on the market. Externally, New Orleans is presented with many opportunities brought to them by the New Orleans Tourism Marketing Corporation, increased accessibility, and the impact of both the health care and film industry. Lastly, New Orleans faces threats from short term rentals, competitor cities such as Charleston and Atlanta, and the threat of hurricanes. Each of the four components have come together to form a dynamic SWOT analysis of the New Orleans' lodging and tourism market. Through these multilevel influences, New Orleans will continue to change and evolve throughout the years to come.

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Tables

Table 1. Trends in number of visitors and visitor spending in New Orleans

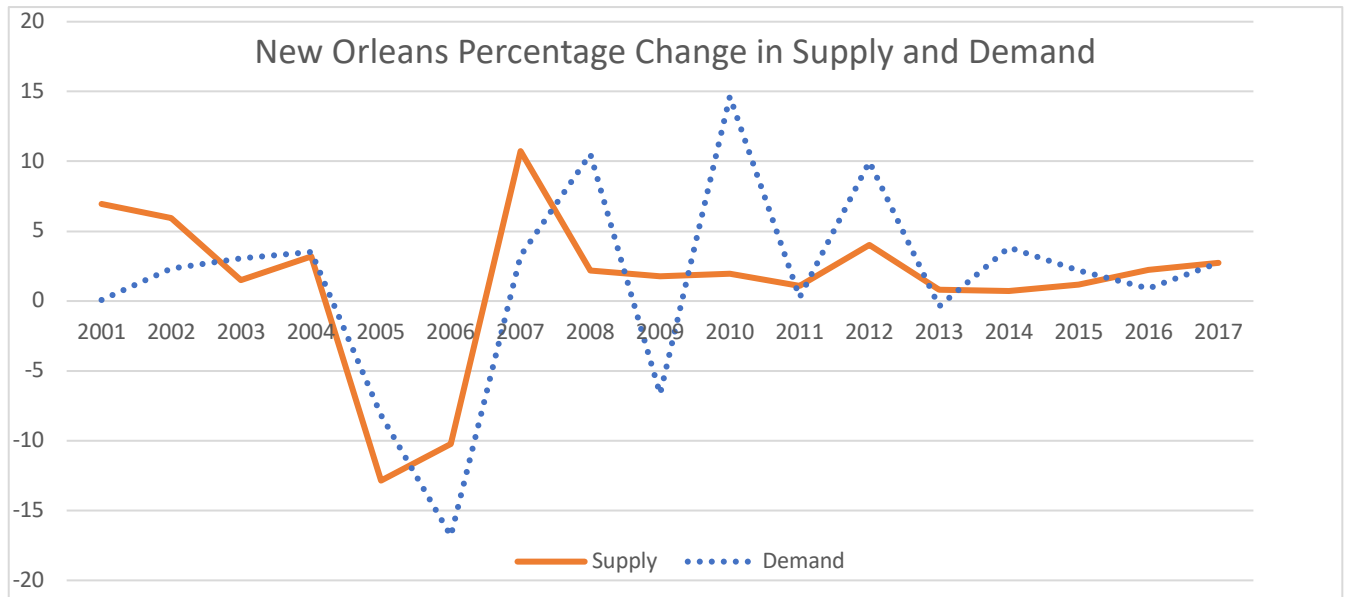
Year	Visitors (millions)	Spending (billions)	Significant Events
2002	8.21	\$3.78	
2003	8.52	\$4.60	
2004	10.07	\$4.90	
2005	5.30*	\$2.58*	Hurricane Katrina
2006	3.72	\$2.90	
2007	7.1	\$4.80	
2008	7.6	\$5.10	Hurricane Gustav
2009	7.5	\$4.30	U.S. Economic Recession
2010	8.3	\$5.30	Deepwater Horizon/BP Oil Spill
2011	8.8	\$5.50	
2012	9	\$6.20	
2013	9.3	\$6.50	
2014	9.5	\$6.80	
2015	9.8	\$7.10	
2016	10.4	\$7.40	

*First six months before Katrina

Source: UNO Hospitality Research Center

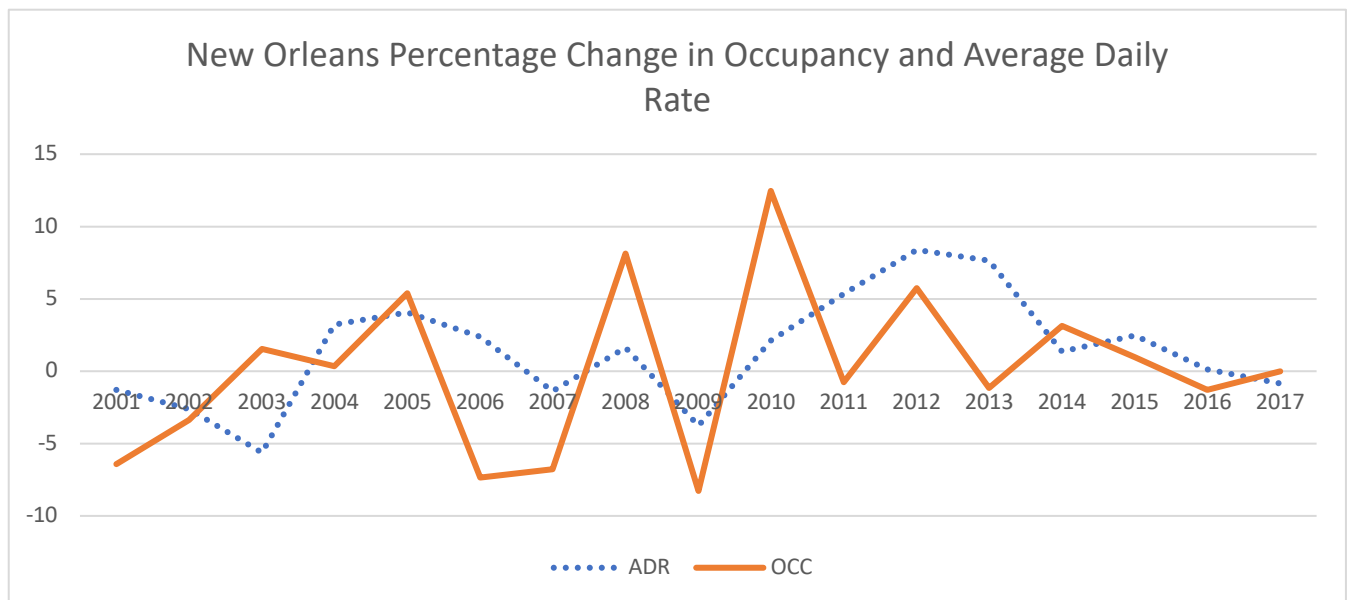
Figures

Figure 1. New Orleans Lodging Industry Performance (2001-June 2017).



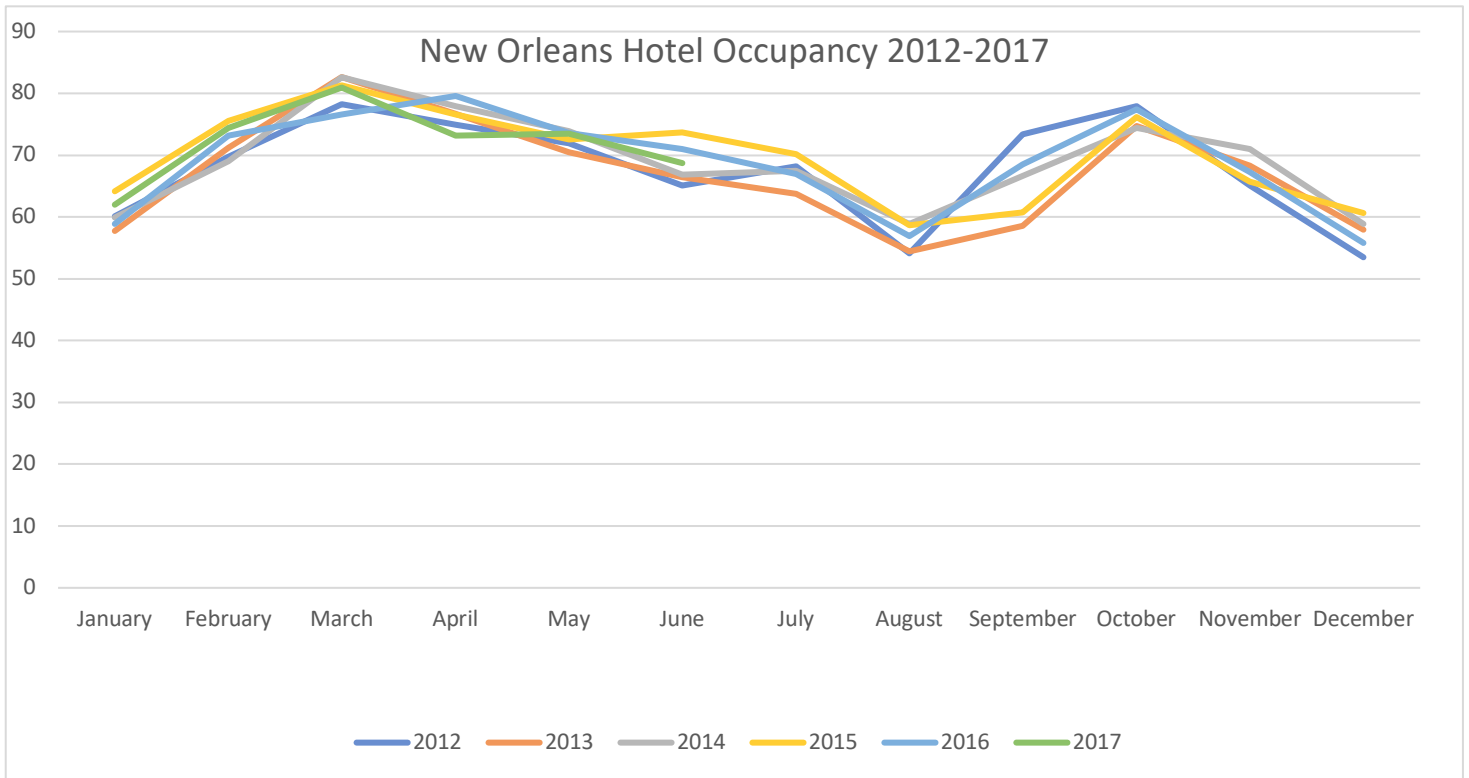
Source: Smith Travel Research

Figure 2. New Orleans Lodging Industry Performance (2001-June 2017).



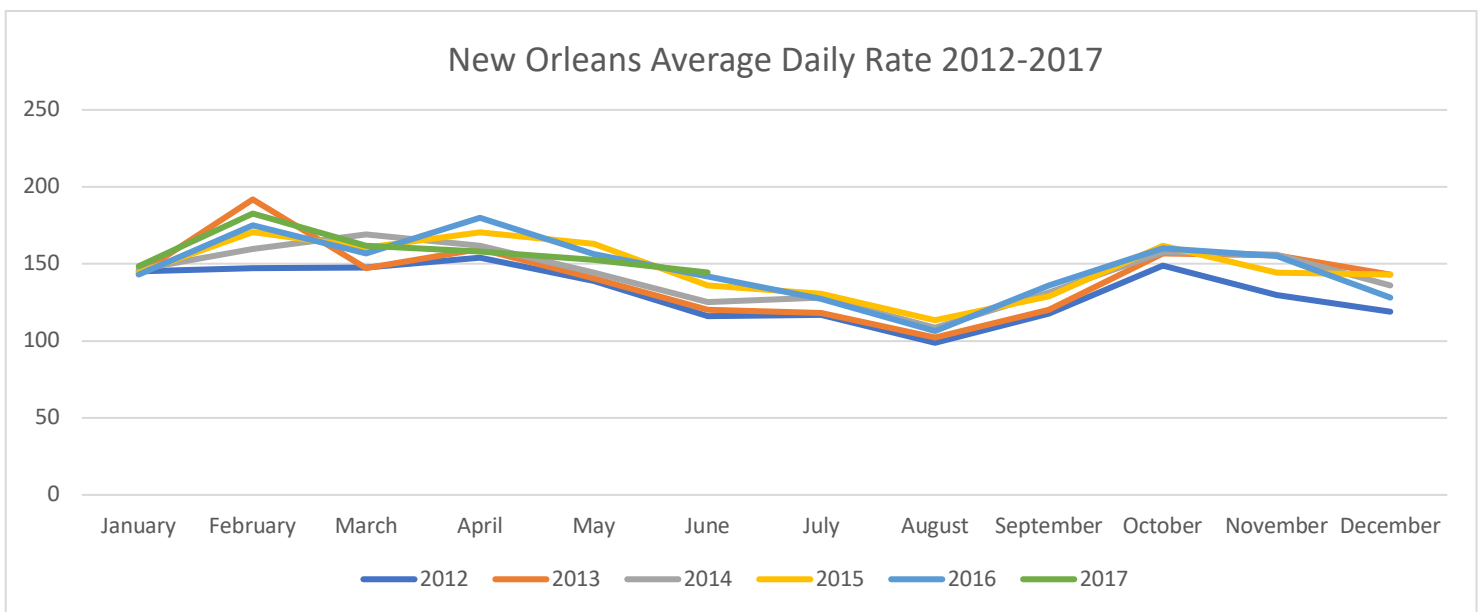
Source: Smith Travel Research

Figure 3. Hotel Occupancy 2012-June 2017



Source: Smith Travel Research

Figure 4. Hotel Average Daily Rate 2012-June 2017



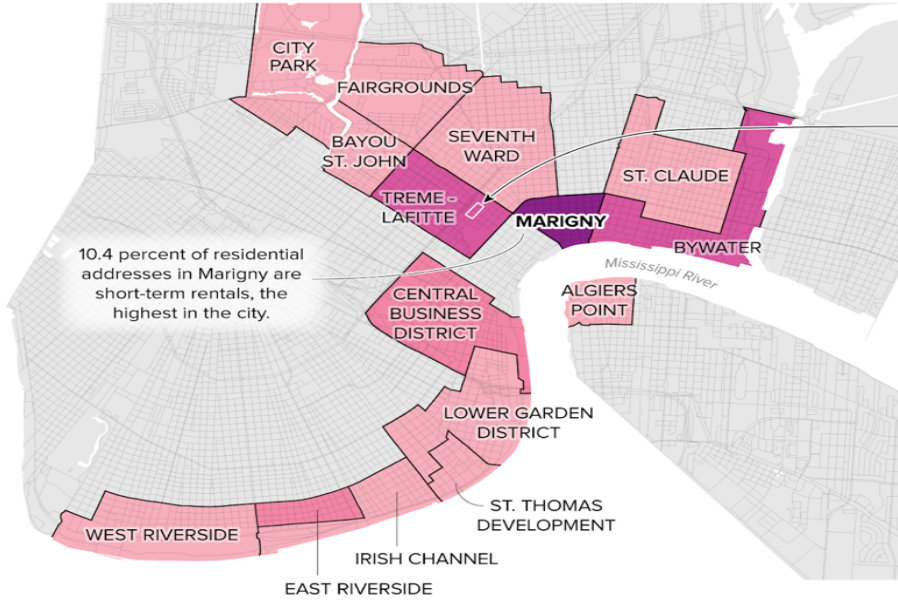
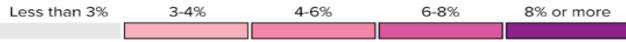
Source: Smith Travel Research

Illustrations

Illustration 1. Concentration of Short-Term Rentals

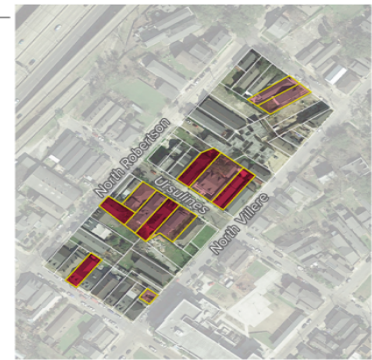
Short-Term Rentals Are Concentrated In A Handful Of Neighborhoods

New Orleans neighborhoods where registered short-term rentals make up more than 3 percent of residential addresses



Two blocks surrounding 1500 Ursulines have 17 registered short-term rentals.

Darker color represents building with more than one registered rental unit.



Note: Residential addresses receiving mail as of June 2017.
Sources: The Data Center, City of New Orleans, Google Maps

Alissa Scheller/HuffPost

Source: Huffington Post, February 28, 2018.

Illustration 2. Flyer in the Marigny.



Source: Photo taken by Victor Pizzaro. Retrieved from Facebook.

Illustration 3. Bywater Political Cutout Cartoon.



Source: Photo taken by Caroline Thomas. Retrieved from the Gambit.

Illustration 4. Photos from a Protest against short term rentals in New Orleans.



Source: Photos by Gambit New Orleans.