SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - PRE-SUMMER 2012

- Overview: A recent Explore Minnesota Tourism (EMT) survey of Minnesota lodging and camping properties show that this segment of the tourism industry expects to continue its recovery during the upcoming 2012 summer season. Sizable portions of respondents expect both occupancy and revenue to be up this summer, compared with last summer. In addition, the spring 2012 season saw growth in business levels compared with a year earlier, with early warm weather this year having either no effect or a positive effect. Concerns about gas prices have eased and survey responses reveal general optimism, though tempered with lingering concerns about the economy and job stability among customers. These results build on overall positive growth results from similar surveys conducted over the past two years.

- Expectations for Summer 2012 (June through August): Overall, survey responses point toward higher expectations for summer 2012 occupancy, when compared with summer 2011. (Note: For this and other questions about year-over-year changes, only the direction and not the degree of change was ascertained.) A weighted average 39% of respondents expect upcoming summer occupancy to be up, 46% expect it to be the same, and 15% expect it to be down from last summer. This is a more positive outlook than similar pre-summer results two years ago, when tourism businesses were just beginning to recover from recession lows. (Note: Pre-summer 2011 survey results do not provide a good base of comparison here because that survey was scaled back to a very small sample to avoid conflicts with a concurrent survey of lodging properties.)

Occupancy expectations for summer 2012 vary across Minnesota tourism regions and accommodation types. Properties in the Minneapolis-St. Paul metro region and the Southern region – two regions where lodging was hit particularly hard by the recession – have the highest expectations for increases in occupancy and revenue this summer. Properties in the Northeast, Northwest and Central regions of the state also expect summer business levels to be generally higher this summer. Among accommodation types, hotel/motels and B&B/historic inns are the most optimistic about higher occupancy and revenue in the coming summer season.

Expectations for summer 2012 revenue follow the same general pattern as for occupancy expectations. Overall a weighted average 44% of respondents expect upcoming summer revenue to be up, 39% expect it to be the same, and 17% expect it to be down from last summer. In normal times, increases in lodging rates lead to relatively more positive responses for revenue compared with occupancy. This trend broke down during the recession, when lodging rates declined substantially, but returned after the recession and is reflected in relatively more positive expectations for summer revenue than for occupancy.

Comments about expectations for summer business included numerous mentions of a slightly better economy, moderating gas prices and higher lodging rates, and customers not being as afraid to spend money. Customers continue the trend of delayed planning and booking until closer to the time of travel, making it harder to accurately predict summer business levels.

- Spring 2012 Business Levels: Respondents reported higher levels of both occupancy and revenue in spring (i.e., April and May) 2012 compared with the same months of 2011. A weighted average 35% of respondents reported that spring 2012 occupancy is up and another 40% reported that it is the same as a year earlier. For spring revenue, 41% of respondents reported that it is up and 31% reported that it is the same compared to a year ago. The early warm weather this year has not impacted business (57% of responses), or had a positive impact (34%) to a much greater degree than it has had a negative impact (10%) this year. The question about warm weather impacts was not specific to spring, and numerous comments accompanying "negative impact" responses noted that the impacts were a consequence of poor snow or ice conditions. On the flip side, many resort respondents noted that the warm weather gave them more time to work on their properties.

- Financial Health: Nearly three quarters of survey respondents are positive about the financial health of their business. A weighted average 14% of respondents rated their business as "growing" and 59% rated it as "stable, but positive." On the negative side, 16% of respondents rated their business as "stable but negative" and 8% rated it as "declining." Three percent responded that they don't know. Well over half of respondents in each region and accommodation type rated their current business health as positive (i.e., either "growing" or "stable but positive"), with the highest positive levels represented by respondents from the Southern and Metro regions, and respondents representing campgrounds.

- Gas Price Impacts: Easing concerns about gas prices were reflected in responses to a multiple response question about the anticipated impact of gas prices on upcoming summer business. This in turn likely reflects the recent easing of gas prices, and diminished concerns about elevated gas prices during the summer travel season. Results included 37% of respondents checking that gas prices will not likely impact their business this summer, 27% checking that gas prices will contribute to increased bookings due to travel closer to home, and 27% checking that gas prices will contribute to decreased bookings due to limited travel. Numerous respondents checked multiple responses, especially among three responses about gas prices leading to decreased bookings and sales.

- Other Changes over the Past Year: Respondents were asked about changes over the past year on eight items, with up/same/down/NA response options. Items that showed the biggest upticks were "incidence of bookings closer to the time of travel" (51% "up" responses compared with 7% "down") and "number of customers seeking deals, multi-night discounts, etc." (47% up, 3% down). One other item had more "up" than "down" responses – "number of customers looking for packages like overnight plus nearby attractions, etc." (15% up, 7% down). Items with more "down" responses than "up" responses included "average length of stay" (10% up, 20% down), "amount of non-lodging sales …" (6% up, 19% down), "number of international travelers" (8% up, 16% down), "number of business travelers" (12% up, 15% down), and "amount of meeting and conference business" (6% up, 9% down). A number of the items had a high rate of "does not apply" responses.

- General Comments: Overall, comments reflect optimism that the economy in general and travel in particular continue to rebound after the recession. A continuation of the trend of close-to-home travel reflects lingering economic challenges and uncertainty among customers, but is a net positive for many respondents. Value-conscious consumers are still looking for deals and searching for affordable getaways, often at the last minute. Positive trends are associated with repeat customers, travel for weddings and family reunions, and successful marketing, especially online.

- Survey Invitation Lists, and Response Rates: Explore Minnesota Tourism (EMT) conducted an informal, unscientific online survey in May 2012, soliciting responses by e-mail from 1,744 accommodations (indoor lodging properties and campgrounds) throughout Minnesota that have provided EMT with an e-mail address. A total of 395 responses were received for a 23% response rate. Ninety-four percent of the respondents (371) completed the entire survey. Results reported here reflect self-reported data from all survey respondents.

- Responses by Accommodation Type: The distribution of survey responses by type of property over-represented resorts (41% of total responses, 34% of total distribution) and B&B/historic inns (13% of responses, 6% of distribution), and under-represented hotel/motels (27% of responses, 38% of distribution) and campgrounds (14% of responses, 16% of distribution). Five percent of respondents checked "other, including vacation home rental" as their accommodation type. Vacation home rentals were among 4% of the total survey distribution list that was not represented by a specific accommodation category on the survey.

- Rebalancing by Accommodation Type: Results for the "business ratings" questions (i.e., survey questions 4, 6 and 9) were rebalanced to minimize the distortion caused by substantial over- or under-representation of respondents in some accommodation types. Weighted average results for these questions reflect Minnesota's distribution of properties by accommodation type (found above under "responses by accommodation type"). Results for other question were not as well-suited to rebalancing for various reasons, including additional distortion that would have been introduced by rebalancing results for questions that had high levels of "does not apply" responses.

- Responses by Region: The distribution of survey responses across Minnesota's five tourism regions over-represented the Central region (26% of responses, 23% of total distribution). By contrast, survey responses under-represented the Minneapolis-Saint Paul region (i.e., Metro Area – 11% of responses, 15% of distribution). Representation of survey responses was approximately equal to the actual regional distribution of properties for the Northeast region (23% for both), the Southern region (20% of responses, 19% of distribution) and the Northwest region (19% for both).

Summary statistics for the survey can be viewed online at:
http://www.exploreminnesota.com/industry-minnesota/research-reports/researchdetails/download.aspx?id=3105.