

SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - WINTER 2012-13

- Overview: Minnesota's lodging industry continues to strengthen, including moderate occupancy and revenue growth this winter according to recent reports from Smith Travel Research, Inc. Furthermore, results from a mid-winter Explore Minnesota Tourism (EMT) survey of lodging properties revealed a rosy outlook for the 2013 spring and summer seasons, with positive expectations for occupancy and revenue outnumbering negative expectations by a margin of four to one. However, the same survey provided mixed results on winter business levels for the 2012-13 winter compared with the previous winter. Results showed winter occupancy to be down, but revenue to be up slightly overall among respondents. Nearly three quarters (73%) of respondents rated their business' current financial health as positive, including 21% "growing" and 52% "stable, but positive." The survey was conducted in late January 2013, so respondents were only able to reflect on a portion of the winter season as they responded. The mid-season timing of the survey was an intentional effort to get an early idea of winter business levels; however, it is likely that some responses would have changed if the survey had been postponed until after the end of the season, especially given Minnesota's generally snowier conditions as the winter progressed.

Among other results, a variety of types of snow-related and other types of guests are important to winter business at Minnesota lodging properties, with four of six categories of guests receiving average ratings between 3.5 and 3.9 on a scale where 5 is extremely important. Respondents were split nearly in half on the question of whether or not snow and/or lake ice conditions this winter impacted their business, but the majority of those who were impacted (31% overall) were impacted negatively. Overall, a sizable majority of respondents depend to some degree on good snow and/or lake ice conditions for recreational use by guests. Some responses to open-ended questions reflected continued concerns about economic and job insecurity among customers, while others noted benefits from the slow but continuing economic recovery. Responses noted poor snow conditions for both the 2011-12 winter season and the 2012-13 winter season up through the end of January when the survey was conducted, but colder winter temperatures through January 2013 compared with the previous winter. Summary statistics for the survey can be viewed online at [results for survey questions](#).

- Winter 2012-13 Occupancy and Revenue: Overall, survey results revealed that respondents had lower occupancy rates for winter 2012-13 compared with winter 2011-12. (Note: For this and other survey questions about year over year changes, only the direction but not the degree of change was ascertained.) Overall, 33% of respondents reported that winter 2012-13 occupancy was up, 29% reported that it was the same and 38% reported that it was down from winter 2011-12 levels. (Note: Percentages may not total 100% due to rounding. Also, see the "rebalancing by accommodation type" section below for an explanation of weighted averages used for overall results.) Occupancy results varied by accommodation type and region. Among lodging types, B&B/historic inns were the outlier, with overall negative results including twice as many respondents reporting that occupancy was down as reporting that occupancy was up. Complete occupancy results for the two biggest accommodation groups were hotel/motels (37% up; 22% same; 40% down) and resorts (32% up; 37% same; 32% down). On a regional basis, the Metro region had the most positive occupancy results and the largest portion of respondents reporting occupancy to be up for winter 2012-13 (43%). Between 26% and 31% of respondents from each of Minnesota's other four tourism regions reported this winter's occupancy to be up. Three of the five regions (i.e., Northeast, Central and Southern) had overall negative occupancy results, while the Northwest region had equal numbers of respondents reporting occupancy to be up as reporting it to be down.

Overall, 35% of respondents reported that winter 2012-13 revenue was up, while 32% reported that revenue was the same and 33% reported that it was down compared with winter 2011-12. Hotel/motels had overall positive results for revenue, and demonstrated the biggest difference between (negative) results for occupancy to overall positive results for revenue. Similar to occupancy results, B&B/historic inns were the outliers with overall negative winter revenue results. Only two of the five regions (i.e., Northeast and Central)

had overall negative revenue results. Complete revenue results for the two biggest accommodation groups were hotel/motels (42% up; 27% same; 31% down) and resorts (30% up; 39% same; 32% down).

- Expectations for Spring and Summer: Respondents expect business levels in the upcoming 2013 spring and summer to be considerably better than spring/summer 2012 levels, overall as well as across accommodation types and regions. The number of respondents expecting business levels to be up outnumbered the number expecting business to be down by a margin of four to one. Expectations for spring/summer 2013 occupancy compared with spring/summer 2012 occupancy were as follows: up 42%; same 47%; and down 10%. Relative to their responses about winter 2012-13 occupancy levels, responses about spring/summer 2013 occupancy expectations shifted dramatically more positive, with more “up” responses for spring/summer 2013 occupancy expectations (42%) than for winter 2012-13 occupancy results (33%), and more “same” responses for spring/summer (47%) than for winter 2012-13 occupancy (29%). Only 10% of respondents expect spring/summer 2013 occupancy to be down, compared with 38% who reported winter occupancy to be down.

Similar to the positive shift from winter 2012-13 occupancy results to spring/summer 2013 occupancy expectations, there was a corresponding positive shift for revenue. Expectations for spring/summer 2013 revenue compared with summer 2012 revenue were as follows: up 47%; same 43%; and down 11%.

- Types of Winter Guests: Minnesota’s lodging industry attracts a diverse group of guests during winter. Respondents were asked to rate the importance of five types of guests, plus an “other type of guest” that the respondent could specify, on a scale from 1 to 5 with 1 being not at all important and 5 being extremely important. Average ratings for the guest types were as follows:

- Other type of guest (i.e., typically a group that the property caters to) – 3.87
- Leisure, related to snow sports and/or ice fishing – 3.86
- Leisure, NOT related to snow sports and/or ice fishing – 3.72
- Other business travel – 3.51
- Amateur sports events – 3.17
- Meeting and convention – 2.41

Among accommodation types, resort respondents gave the highest ratings for snow-related leisure travel guests, while hotel/motel respondents gave the highest ratings for every other type of guest. On a regional basis, respondents from the Northeast region gave the highest ratings for snow-related leisure travel guests, while respondents from the Metro region gave the highest ratings for every other type of guest.

- Snow/Ice Impact this Winter, and Dependence on Good Snow/Ice: Nearly half (49%) of respondents indicated that, compared with last winter, business this winter had been positively (18%) or negatively (31%) impacted by weather, snow and/or lake ice conditions this winter. Another 51% reported that business had not been impacted. Respondents from B&Bs/historic inns and respondents from the Northeast region had the highest incidence of being negatively impacted, among accommodation types and regions, respectively. Resorts and respondents from the Central region had the highest incidence of being positively impacted, and hotel/motels and respondents from the Metro region had the highest incidence of not being impacted. Among respondents who had been impacted, a higher percentage reported being negatively impacted among every accommodation type and four of the five regions (i.e., all but the Central region).

- Dependence: Just over one third of respondents (36%) reported that their winter business is not at all dependent on good snow and/or lake ice conditions for recreational use by guests. Roughly one third (34%) reported that their winter business is somewhat dependent, and just under one third (30%) reported that their winter business is extremely dependent on good snow and/or lake ice conditions. The majority of resort respondents (73%) reported that their winter business is extremely dependent on good snow and/or lake ice conditions, while the majority of B&B/historic inn respondents (58%) reported that their winter business is somewhat dependent, and the majority of hotel/motel respondents (55%) reported that their winter business

is not at all dependent. On a regional basis, the majority of Northeast and Northwest region respondents (62% in each region) reported that their winter business is extremely dependent on good snow and/or lake ice conditions, while the majority of Central region respondents (52%) reported that their winter business is somewhat dependent, and half of Southern region respondents and the majority of Metro region respondents (70%) reported that their winter business is not at all dependent on good snow and/or lake ice conditions.

- Financial Health: Seventy-three percent of respondents rated their business' current financial health as positive, including 21% "growing" and 52% "stable, but positive." Twenty-three percent of respondents rated their financial health as negative, including 15% "stable, but negative" and 7% "declining." Five percent responded that they don't know. Three fourths (76%) of both resorts and hotel/motels reported positive financial health, and over half of B&B/historic inns (55%) reported positive financial health. On a regional basis, metro respondents had the highest rate of positive health (80%), followed by Northwest (77%), Central (76%), Northeast (65%) and Southern (59%) regions.

- Trends, and Other Comments: Open-ended questions asked about reasons for business levels this winter, comments on impacts of and dependency on weather, snow and/or lake ice conditions; new or recurring trends in customer comments, and "anything else." Responses reflected continued concerns about economic and job insecurity among customers, while others noted benefits from the slow but continuing economic recovery. Responses noted poor snow conditions for both the 2011-12 winter season and the 2012-13 winter season up through the end of January when the survey was conducted, but colder temperatures so far this winter having a generally negative impact relative to last winter. Some comments suggested that different results may have been reported if the survey were delayed until later in the season. This may very well have been the case, since Minnesota saw generally snowier conditions as the winter progressed. (Note: The survey was conducted mid-season with the intent of getting a mid-winter pulse on business levels.) Several responses noted a decrease in sports/hockey-related business. Fewer responses made note of customers pushing for deals and discounts, compared with other recent surveys.

- Survey Invitation Lists, and Response Rates: Explore Minnesota Tourism (EMT) conducted an informal online survey in late January 2013, soliciting responses by email from 1,090 indoor lodging properties throughout Minnesota that have provided EMT with an email address. Survey invitations were only sent to properties that are open in winter, based on information previously provided to EMT by the properties for their online listings. A total of 174 responses were received for a 16% response rate. Eight respondents were directed to the end of the survey because they were not open during a substantial portion of the winter 2012-13 season (question 2). Of the 174 respondents, 167 (96%) progressed through to the end of the online questionnaire. Results reported here reflect self-reported data from all respondents.

- Responses by Accommodation Type: The distribution of survey responses by type of accommodation over-represented resorts (36% of total responses, 26% of Minnesota's distribution of winter lodging) and B&B/historic inns (19% of responses, 12% of distribution), and under-represented hotel/motels (39% of responses, 58% of distribution). Six percent of respondents checked "other" accommodation type, compared with 5% of the total distribution represented by other lodging categories like vacation home rentals and vacation property management companies. Campgrounds were not included in this survey.

- Rebalancing by Accommodation Type: Overall results for most of the survey questions (i.e., questions 4 through 10) were rebalanced to minimize the distortion caused by substantial over- or under-representation of respondents by accommodation type. Where this was done, it was footnoted on the graphs of summary statistics. Weighted average results for these questions reflect Minnesota's distribution of winter lodging properties by accommodation type, discussed above in the "responses by accommodation type" section. Results for the first few survey questions were not as well-suited to rebalancing.

- Responses by Region: The regional representation of survey responses aligned fairly well with the regional distribution of indoor lodging properties across Minnesota's five tourism regions. Two of Minnesota's five

tourism regions were over-represented by survey respondents – Northeast, with 29% of responses compared with 26% of Minnesota’s total distribution of winter lodging); and Northwest, with 17% of responses and 16% of distribution. Two regions were under-represented – the Minneapolis-Saint Paul Area (i.e., Metro), with 18% of responses compared with 21% of distribution; and Central, with 16% of responses and 18% of distribution. The Southern region was represented by 20% of responses – the same representation as in the statewide distribution of winter lodging (20%).

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