

SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - SUMMER 2012

- Overview: Results from a recent Explore Minnesota Tourism (EMT) survey of Minnesota indoor lodging and camping properties showed Minnesota accommodations with their third consecutive summer of modest growth and recovery following the Great Recession. Overall for the informal survey, summer 2012 business levels were up compared to a year earlier for both occupancy and revenue, including positive results for all accommodation types and in all regions of the state. Furthermore, each of the past three summers has shown an increase over the previous summer in the portion of properties reporting business growth, starting with 2010. This continued improvement occurred amid a frustratingly weak, extended economic recovery marked by stubbornly high unemployment, wage stagnation, continued depressed home prices and fluctuating consumer confidence that remains low by historic standards. Respondents expect fall 2012 business to be somewhat better than fall 2011 levels. Recent trends of modest spending on extras, booking closer to the time of travel and customers looking for deals persist. Respondents attributed some of their increased business to pent-up demand leading to more travel after an extended period of restraint. Survey results varied by accommodation type and geography, but were overall positive for each accommodation type and tourism region. A phone survey of a small sample of attractions throughout Minnesota indicated that, for most, visits this summer were the same or higher than last summer.

- Summer 2012 (June through August) Occupancy and Revenue: Overall, survey results indicated higher occupancy rates for summer 2012, when compared with summer 2011. (Note: For this and other survey questions about year over year changes, only the direction but not the degree of change was ascertained.) A weighted average 46% of respondents reported that summer 2012 occupancy was up, 31% reported that it was the same and 23% reported that it was down from 2011 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.) Occupancy results varied by accommodation type and region, though all accommodation types and regions had overall positive occupancy results, where more respondents reported that occupancy was up than reported that occupancy was down. B&B/historic inns had the largest portion of respondents reporting occupancy to be up (59%). Complete occupancy results for the two biggest accommodation groups were: hotel/motels 54% up, 26% same, 19% down; and resorts 40% up; 28% same and 32% down.

On a regional basis, the Metro region had the largest portion of respondents reporting occupancy to be up for summer 2012 (54%), with 43% to 46% of respondents from each of Minnesota’s other four tourism regions reporting occupancy to be up. At least 70% of respondents in each region reported that summer 2012 occupancy was either up or the same as summer 2011 occupancy. The Metro region experienced the sharpest drop-off in business levels during the recession, and has had corresponding stronger growth since that time.

Overall, a weighted average 53% of respondents reported that summer 2012 revenue was up, while 27% reported that revenue was the same and 20% reported that it was down compared with summer 2011. Similar to occupancy results, the positive nature of the summer 2012 revenue results extended across all accommodation types and regions of Minnesota. Revenue results were also more positive than occupancy results across the board, reflecting a recent trend of increases in rates supported by gradually increasing demand for lodging. Complete occupancy results for the two biggest accommodation groups were: hotel/motels 66% up, 23% same, 11% down; and resorts 49% up, 22% same and 29% down.

- Expectations for Fall (September and October 2012): Respondents expect fall 2012 business to be somewhat better than fall 2011 levels. Weighted average expectations for fall 2012 occupancy compared with fall 2011 occupancy were as follows: up 30%; same 50%; and down 21%. Relative to their responses about summer 2012 occupancy levels, responses about fall 2012 occupancy expectations shifted toward the middle (i.e., toward “same”), with more “same” responses for fall 2012 occupancy expectations (50%) than for summer 2012 occupancy results (31%). However, there was a bigger difference between results for summer “occupancy up” (46%) and fall “occupancy up” expectations (30%), than between results for summer “occupancy down” (23%) and fall “occupancy down” expectations (21%).

Weighted average expectations results for fall 2012 revenue compared with fall 2011 revenue were as follows: up 33%; same 48%; and down 19%. Similar to the shift toward the middle seen from summer 2012 occupancy results to fall 2012 occupancy expectations, the shift for revenue was also toward the middle with a 21 percentage point increase for “same” revenue. As with occupancy, there was also a bigger difference between results for summer “revenue up” (53%) and fall “revenue up” expectations (33%), than between results for summer “revenue down” (20%) and fall “revenue down” expectations (19%).

- Financial Health: Four out of five (80%, weighted average) of respondents rated their business’ current financial health as positive, up from 74% a year ago and 69% two years ago. The 80% positive responses included 19% “growing” and 61% “stable, but positive.” One in six (16%) respondents rated their financial health as negative, including 12% “stable, but negative” and 4% “declining.” Four percent responded that they don’t know. At least two-thirds of respondents from each accommodation type and tourism region rated their financial health as positive.

- Trends, and Other Comments: Other open-ended questions asked about reasons for fall expectations, new and recurring trends in customer comments, and “anything else.” Responses reflected continued concerns about economic and job insecurity among customers, and associated restraint in spending on travel. However, a number of comments also pointed toward pent-up demand in customers who were tired of sitting at home and decided to travel despite their economic concerns. Numerous comments touched on other recent themes including travel close to home, shorter customer stays, increased emphasis on value, and last-minute inquiries by cost-conscious customers assertively looking for deals. The proliferation of online deals programs has some respondents concerned about fostering a consumer “deals mentality” that undermines customer loyalty and repeat business. Customers continue to spend less on non-lodging items.

- Other Indicators of Summer Travel: A phone survey to a small sample of attractions throughout the state provided results that corroborated the online lodging survey results. Most respondents indicated that summer 2012 attendance was up or the same as last summer. For the first six months of 2012, the number of visitors stopping at the state’s highway Travel Information Centers was up 5 percent. Also, the combination of increases in lodging demand and recovering room rates allowed summer lodging revenues in Minnesota to finally exceed pre-recession levels, according to data from STR (Smith Travel Research, Inc.).

- Survey Invitation Lists, and Response Rates: Explore Minnesota Tourism (EMT) conducted an informal online survey in late August 2012, soliciting responses by e-mail from 1,748 accommodations (indoor lodging properties and campgrounds) throughout Minnesota that have provided EMT with an e-mail address. Of this number, 1,734 of the e-mails were successfully delivered. A total of 324 responses were received for a 19% response rate. Three respondents were directed to the end of the survey based on their response that they were not open during the summer 2012 season (question 2). Of the remaining 321 respondents, 313 (97.5%) progressed through the entire 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 (51% of total responses, 34% of Minnesota’s distribution of accommodations) and B&B/historic inns (12% of responses, 6% of distribution), and under-represented hotel/motels (22% of responses, 39% of distribution) and campgrounds (10% of responses, 16% of distribution). Six percent of respondents checked “other” accommodation type, compared with 4% of the total distribution represented by other lodging categories that include vacation home rentals and vacation property management companies. State parks were not included in this survey. This was due, in part, to the unusual summer state parks experienced related to the 20-day state government shutdown in summer 2011 – the comparative time frame for this survey.

- Rebalancing by Accommodation Type: Results for the “business ratings” questions (i.e., survey questions 4, 5 and 7) 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”).

- Responses by Region: Two of Minnesota’s five tourism regions were over-represented by survey respondents – Central, with 29% of responses compared with 24% of Minnesota’s total distribution of accommodations); and Northeast, with 27% of responses and 24% of distribution. Two regions were under-represented – Southern, with 14% of responses compared with 17% of distribution; and the Minneapolis-Saint Paul Area (i.e., Metro), with 11% of responses and 14% of distribution. The Northwest region was represented by 20% of respondents – the same representation as in the statewide distribution of accommodations (20%).

Summary statistics for the survey can be viewed online at [Results for Survey Questions](#).

If clicking on the hyperlink does not work, copy and paste the following into your browser:

<http://www.exploreminnesota.com/download.aspx?id=3250>.