

SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - SUMMER 2011

- Overview: Results from a recent Explore Minnesota Tourism (EMT) survey of Minnesota indoor lodging and camping properties showed Minnesota accommodations with their second consecutive summer of recovery from the Great Recession. Overall for the informal survey, summer 2011 business levels were up compared to a year earlier for both occupancy and revenue. This was despite the dampening effect of a three-week state shutdown in July and lingering economic concerns that include stubbornly high unemployment, depressed home prices and waning consumer confidence. Respondents generally expect fall 2011 business to be similar to fall 2010 levels. Recent trends of modest spending on extras, booking closer to the time of travel and customers looking for deals persist. Survey results varied by accommodation type and geography.

- Summer 2011 (June through August) Occupancy and Revenue: Overall, survey results indicated higher occupancy rates for summer 2011, when compared with summer 2010. (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 40% of respondents reported that summer 2011 occupancy was up, 30% reported that it was the same and 31% reported that it was down from 2010 levels. (Note: These and some other reported percentages do not total 100% due to rounding. Also, see the “rebalancing by accommodation type” section below for an explanation of weighted averages.) However, occupancy results varied considerably by accommodation type and region. Hotel/motel and B&B/historic inn accommodation types had net positive occupancy results (i.e., the difference between the percent reporting occupancy up and the percent reporting occupancy down), with +18% (hotel/motels) and +7% (B&B/historic inns) net occupancy results. Campgrounds (-10%) and resorts (-3%) showed net negative occupancy results. Complete occupancy results for the two biggest accommodation groups were hotel/motels (47% up; 24% same; 29% down) and resorts (33% up; 31% same and 36% down).

On a regional basis, the Metro region had the largest net positive summer 2011 occupancy result (+45%), with 64% of respondents reporting occupancy up and only 18% reporting occupancy down from summer 2010. Net occupancy results for of Minnesota’s other four regions varied little, from a high of +3% for the Northeast region to a low of -3% for the Northwest region, with the Central region (+2%) and the Southern region (-2%) in between. The positive Metro results noted here and elsewhere below reflect the region’s dependence on business -related travel, including meetings and conventions. Disproportionate declines in these sectors during the recession led to sharp Metro lodging declines in summer 2009, but their continued recovery helps explain the positive summer Metro results in both summer 2010 and again in 2011.

Overall, a weighted average 42% of respondents reported that summer 2011 revenue was up, while 27% reported that revenue was the same and 32% reported that it was down compared with summer 2010. These results provided a net positive (+10%) result for revenue change. Revenue change results were similar to occupancy change results for the state overall, as well as for most accommodation types and regions. The most notable exceptions were for campgrounds, where net revenue results were neutral (i.e., 41% reporting occupancy up and 41% reporting occupancy down), and for the Southern region, which had a net positive (+5%) revenue result despite having a net negative (-2%) occupancy result.

- Expectations for Fall (September and October 2011): Respondents generally expect fall 2011 business to be similar to fall 2010 levels. Weighted average expectations for fall 2011 occupancy compared with fall 2010 occupancy were as follows: up 28%; same 46%; and down 27%. Relative to their responses about summer 2011 occupancy levels, responses about fall 2011 occupancy expectations shifted toward the middle (i.e., toward “same”), with more “same” responses for fall 2011 occupancy expectations (46%) than for summer 2011 occupancy results (30%). However, there was a bigger difference between results for summer “occupancy up” (40%) and fall “occupancy up” expectations (28%), than between results for summer “occupancy down” (30%) and fall “occupancy down” expectations (27%). Expectations for fall occupancy were net positive for hotel/motels and B&B/historic inns, and for the Metro and Northeast regions.

Weighted average expectations results for fall 2011 revenue compared with fall 2010 revenue were as follows: up 26%; same 47%; and down 27%. Similar to the shift toward the middle seen from summer 2011 occupancy results to fall 2011 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 a bigger difference between results for summer “revenue up” (42%) and fall “revenue up” expectations (26%), than between results for summer “revenue down” (32%) and fall “revenue down” expectations (27%). Expectations for fall revenue were net positive for hotel/motels and for the Metro region, and net neutral for the Northeast region.

- Financial Health: Nearly three out of four (74%, weighted average) of respondents rated their business’ current financial health as positive, up from 69% a year ago. The 74% positive responses included 15% “growing” and 59% “stable, but positive.” Just under a quarter (24%) of respondents rated their financial health as negative, including 17% “stable, but negative” and 7% “declining.” Two percent responded that they don’t know. Results for campgrounds and for the Metro region were more positive than for other accommodation types and regions, while results for B&B/historic inns were more negative.

- Other Changes over the Past Six Months: Respondents were asked about changes over the past six months on eight items, with up/same/down/NA response options. Results were quite similar to results to the same question a year ago. Two items were reported to have substantial increases: “incidence of bookings closer to the time of travel” (+54% net result, including 58% “up” responses and 4% “down”); and “number of customers seeking deals, multi-night discounts, etc.” (+50% net result, including 51% up and 1% down). Only one other item posted a net positive result – “number of customers looking for packages like overnight plus nearby attractions, etc.” (+6% net result), including 13% up and 7% down). Results for other items, listed in rank order from high to low net results, are: “number of international travelers” (-3% net result), “amount of meeting and conference business” (-7% net result); “number of business travelers” (-8% net result); “amount of non-lodging sales ...” (-9% net result); and “average length of stay” (-11% net result). A number of the items had a high rate of “does not apply” responses.

- Impact of the State Shutdown: Over half (52%) of all respondents indicated that the state shutdown impacted summer business at their property. Of those who were impacted, 84% were negatively impacted (61% somewhat negatively and 23% very negatively) and 16% were positively impacted (13% somewhat positively and 3% very positively). Negative impacts included customers being unable to purchase fishing licenses, confusion over what was open and what was closed during the shutdown, and spinoff impacts of state park closures on nearby businesses. Respondents expressed embarrassment and anger over the shutdown and concerns about the questionable return of customers who didn’t travel this year due to the shutdown. State government worker travel was down, attributed to both cancelled work-related travel and cancelled leisure travel due to lost income. Properties that cater to road and other construction workers reported lost business from the closed construction projects. Some respondents helped themselves by contacting customers who had reservations in advance of their visit to make sure they got their fishing licenses before the shutdown. Respondents who were positively impacted included those who provided alternative lodging and camping experiences when state parks closed.

- Trends, and Other Comments: Other open-ended questions asked about reasons for fall expectations, new and recurring trends in customer comments, and “anything else.” Some responses reflected hope that the economy and travel levels will continue to improve, but others attribute lingering economic problems to their dampened expectations. Numerous comments reiterated recent themes that are now becoming quite familiar, including shorter customer stays, increased emphasis on value, and last minute inquiries by cost-conscious customers assertively looking for deals. Customers continue to spend less on non-lodging items. Earlier starts for school and/or school activities increasingly cut into an already short summer season.

- Survey Invitation Lists, and Response Rates: Explore Minnesota Tourism (EMT) conducted an informal online survey in late August 2011, soliciting responses by e-mail from 1,876 accommodations (indoor lodging properties and campgrounds) throughout Minnesota that have provided EMT with an e-mail address. Of this

number, 1,738 of the e-mails were successfully delivered. A total of 297 responses were received for a 17% response rate. Three respondents were directed to the end of the survey based on their response that they were not open during the summer 2011 season (question 2). Of the remaining 294 respondents, 285 (97%) 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 (48% of total responses, 35% of Minnesota's distribution of accommodations) and B&B/historic inns (9% of responses, 6% of distribution), and under-represented hotel/motels (23% of responses, 39% of distribution) and campgrounds (13% of responses, 16% of distribution). Seven 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. Unlike similar surveys of other years, 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 and the resulting overall decline in summer business levels at state parks.

- 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"). Results for other questions 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: Two of Minnesota's five tourism regions were over-represented by survey respondents – Central, with 29% of responses compared with 23% of Minnesota's total distribution of accommodations; and Northeast, with 26% of responses and 23% of distribution. Two regions were under-represented – Southern, with 16% of responses compared with 19% of distribution; and the Minneapolis-Saint Paul Area (i.e., Metro), with 9% of responses and 16% of distribution. The Northwest region was represented by 21% of respondents – nearly 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/industry-minnesota/research-reports/researchdetails/download.aspx?id=3104>.