

SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - SUMMER 2010

- Overview: A recent Explore Minnesota Tourism (EMT) survey of Minnesota lodging and camping properties revealed overall increases in summer business levels compared with summer 2009. In addition, expectations for fall business levels are improved compared with a year ago. Survey findings are consistent with recent travel-related news from other sources, as leisure and business travelers are hitting the road in higher numbers but continuing their recession-induced modest spending as they do so.

While survey results pointed toward generally improving conditions for Minnesota's travel industry, they also varied by accommodation type and geography. It is important to keep in mind that the basis of comparison for many survey questions was the historically low recessionary period of a year ago. For many respondents, and for the travel industry overall, the welcomed recent improvement still leaves considerable room for additional improvement in order to return to pre-recession levels.

- Summer 2010 (June through August) Occupancy and Revenue: Overall, survey results indicated higher occupancy rates for summer 2010, when compared with summer 2009. (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 42% of respondents reported that summer 2010 occupancy was up, 22% reported that it was the same and 31% reported that it was down from 2009 levels. (See the "rebalancing by accommodation type" section below for more about weighted averages.) However, occupancy results varied considerably by accommodation type and region. With the exception of resorts, all accommodation types had net positive occupancy results (i.e., the difference between the percent reporting occupancy up and the percent reporting occupancy down), with a weighted average +11% net occupancy result. Results for B&Bs, campgrounds and hotel/motel/historic inns all included 49% or more of respondents who said their summer 2010 occupancy was up. Resort results showed a net negative occupancy result (-13%), with 28% of respondents reporting occupancy up, 41% reporting occupancy down and the remaining 31% of resorts reporting that summer 2010 occupancy was roughly the same as a year earlier.

On a regional basis, summer 2010 occupancy change results for the Northeast region were similar to statewide weighted average results (i.e., roughly +10% net result for occupancy), while Metro (+38%) and Southern regions (+21%) were considerably more positive, and the Northwest (-14%) and Central (+2%) regions were considerably less positive. The positive Metro results noted here and below reflect the region's dependence on business-related travel, including meetings and conventions. Disproportionate declines in these sectors led to sharp Metro lodging declines in summer 2009, but their recent disproportionate recovery helps explain the very positive summer 2010 Metro results.

Summer 2010 occupancy results are considerably more positive than results from a similar survey a year ago. At that time, campgrounds were the only accommodation type with a net positive occupancy result (+17%) for summer 2009 over summer 2008, and hotels/motels/historic inns recorded a very substantial net negative occupancy result (-58%) that included 70% "occupancy down" responses. All tourism regions reported net negative occupancy results for summer 2009 compared with a year earlier.

Overall, a weighted average 42% of respondents reported that summer 2010 revenue was up, while 22% reported that revenue was the same and 36% reported that it was down compared with summer 2009. Even though these results provided a net positive (+6%) result for revenue change, the revenue results were slightly less positive overall when compared with occupancy results. This reflects decreases in indoor lodging rates during the recession that have not turned around as quickly as other lodging indicators, including occupancy rates, coming out of the recession.

For most accommodation types and tourism regions, revenue change results were similar to occupancy change. The most notable exception was for resorts, where net results were more negative for revenue (-22%) than for occupancy (-13%), and 49% of resorts said summer 2010 revenue was down from 2009 levels.

- Expectations for Fall (September and October 2010): Weighted average expectations for fall 2010 occupancy compared with fall 2009 occupancy were as follows: up 30%; same 44%; and down 27%. Relative to their responses about summer 2010 occupancy levels, responses about fall occupancy expectations shifted toward the middle and downward, with decreases of 12 percentage points for “occupancy up” and 4 percentage points for “occupancy down,” and a corresponding 17 percentage point increase for “same” occupancy from summer actual to fall expectations. Expectations for fall occupancy were net positive for all accommodation types except resorts, and for the Metro and Southern regions.

Weighted average expectation results for fall 2010 revenue compared with fall 2009 revenue were as follows: up 36%; same 34%; and down 30%. Similar to the shift toward the middle seen from summer 2010 occupancy results to fall 2010 occupancy expectations, the shift for revenue was also toward the middle with a 12 percentage point increase for “same” revenue and corresponding 6 percentage point decreases for “revenue up” and “revenue down” results from summer actual to fall expectations. Expectations for fall revenue were net positive for all accommodation types except resorts, and for the Metro, Southern and Northeast regions.

- Financial Health: More than two-thirds (69%, weighted average) of respondents rated their business’ current financial health as positive, including 16% “growing” and 32% “stable, but positive.” Just over a quarter (28%) of respondents rated their financial health as negative, including 19% “stable, but negative” and 9% “declining”. Three percent responded that they don’t know. Results for resorts and for the Northwest and Northeast regions were more negative than for other lodging types and regions.

Compared with results from a similar survey a year ago, financial health results shifted positively for hotels/motels/historic inns and the Metro region, and were relatively similar for other accommodation types and regions.

- 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. 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.” (+53% net result, including 55% up and 2% down). Only one item posted a net negative result of more than 10 percentage points – “average length of stay” (-14% net result, including 9% up and 23% down). Results for other items, listed in rank order from high to low net results, are: “number of customers looking for packages like overnight plus nearby attractions, etc.” (+1% net result); “amount of meeting and conference business” (-3% net result); “number of international travelers” (-4% net result), “number of business travelers” (-6% net result); and “amount of non-lodging sales ...” (-8% net result). A number of the items had a high rate of “does not apply” responses.

- Trends, and Other Comments: Open-ended questions asked about reasons for fall expectations, new and recurring trends in customer comments, and “anything else.” The breadth of responses was reflective of the mixed nature of other survey results. Numerous comments expressed cautious optimism and relief that a respondent’s business, like the economy overall, was turning positive. Others expressed frustration with continued poor business levels and economic conditions, with some noting concerns about the viability of their business. Respondents reinforced other trends found elsewhere in survey results, including shorter stays and customer requests for less-than-week stays at weekly-oriented resorts, less spending on non-lodging items, and customers looking for deals and being willing to boldly negotiate for them. The earlier 2010 school start for some Minnesota school districts was noted in some comments, and was associated with a downturn in end-of-summer business. A small number of related comments suggested increased promotion of early summer travel. A few comments addressed increased competition from vacation home rentals and the perceived different standards to which they are held. Numerous comments addressed the role construction projects have on business levels.

- Survey Invitation Lists, and Response Rates: Explore Minnesota Tourism (EMT) conducted an informal online survey in late August 2010, soliciting responses by e-mail from nearly 1,800 accommodations (indoor lodging properties and campgrounds) throughout Minnesota that have provided EMT with an e-mail address. A total of 312 responses were received for an 18% response rate. Ninety-four percent of the respondents (301) 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, 35% of Minnesota's distribution of accommodations) and B&Bs (11% of responses, 6% of distribution), and under-represented hotel/motel/historic inns (20% of responses, 39% of distribution) and campgrounds plus state parks (14% of responses, 16% of distribution). Five percent of respondents checked "other" accommodation type, compared with 4% of the total distribution represented by other lodging categories that include vacation home rentals, vacation property management companies, monthly/seasonal rental properties and houseboat rentals.

- Rebalancing by Accommodation Type: Results for the "business ratings" questions (i.e., survey questions 5, 6 and 8) 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: Each of Minnesota's five tourism regions was represented by more than 10% of survey respondents. Two regions were over-represented – 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 15% of responses compared with 20% of distribution; and the Minneapolis-Saint Paul Area (i.e., Metro), with 11% of responses and 15% of distribution. The Northwest region was represented by 20% of respondents – nearly the same representation as in the statewide distribution of accommodations (19%).

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=3103>