

SUMMARY RESULTS: MINNESOTA TOURISM BUSINESS - PRE-SUMMER 2010

- Overview: A recent Explore Minnesota Tourism (EMT) survey of Minnesota lodging and camping properties revealed that, overall, this segment of the tourism industry is expecting the upcoming 2010 summer season to show improvement over last summer. More respondents expect both occupancy and revenue to be up this summer, compared with last summer. In addition, the spring 2010 season saw stabilization in business levels compared with a year earlier. These results provide a marked contrast to results from a similar survey conducted this time last year, when substantially more respondents expected business levels to be down in summer 2009 compared with summer 2008. The recent recession has taken a toll on many Minnesota travel businesses, and signs of economic recovery and increased travel are welcome news. Survey responses reveal lingering concerns among the cautious optimism. These include challenges related to depressed lodging rates and changed attitudes of consumers, who are perceived as being determined more than ever before to get the best deal possible. These results reflect overall trends in the economy, and are consistent with a "new normal" that has emerged for the travel industry during the recession.

- Expectations for Summer 2010 (June through August): Overall, survey responses point toward higher expectations for summer 2010 occupancy, when compared with summer 2009. (Note: For this and other questions about year-over-year changes, only the direction and not the degree of change was ascertained.) Results show 35% of respondents expect upcoming summer occupancy to be up, 41% expect it to be the same, and 25% expect it to be down from last summer. This is very different from results to a similar survey a year ago, when only 21% of respondents expected occupancy to be up and 48% expected occupancy to be down for summer 2009, compared with summer 2008.

Occupancy expectations for summer 2010 varied considerably across Minnesota tourism regions and accommodation types. Properties in the Minneapolis-St. Paul metro region and the Southern region have the highest expectations for increases in occupancy and revenue this summer. Lodging businesses in these two regions were hit hardest by the recession last year, so they need a bigger boost in business to get back to pre-recession business levels. Properties in the Northeast, Northwest and Central regions of the state are more likely to expect summer business at levels similar to last summer. Among accommodation types, campgrounds and B&Bs are generally more optimistic about the coming summer season than resorts or hotels/motels/historic inns.

Expectations for summer 2010 revenue followed the same general pattern as for occupancy expectations. Results show 36% of respondents expect upcoming summer revenue to be up, 35% expect it to be the same, and 30% 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. Results reflect that these are not normal times. Instead, relatively more positive responses for summer occupancy than for revenue, especially for hotels/motels/historic inns, reflect lingering challenges lodging properties face, including the downward pressure on lodging rates to stay competitive and attract customers.

Comments about expectations for summer business revealed respondents' mixed outlook on external factors like the economic recovery and job stability. Numerous responses referred to continued pressure to keep rates low to appease a thrifty clientele. While comments expressed relief for stable and increased business, they also noted the reality check that, for many businesses, "stable" is still down from a couple of years ago. Customers continue the trend of delayed planning and booking until closer to the time of travel. Road construction, especially the I-35 project in the Duluth area, also factored into a mix of anticipated increases and decreases in upcoming summer business.

- Financial Health: Well over half (63%) of respondents rated the current financial health of their business as positive, up from 49% a year ago (12% of respondents rated their business as "growing" and 51% rated it as "stable, but positive"). On the negative side, 26% of respondents rated their business as "stable but negative" and 8% rated it as "declining." Three percent responded that they don't know. 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 Metro region and campgrounds.

- 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. The item that showed the greatest uptick was "incidence of bookings

closer to the time of travel," with 52% "up" responses compared with 7% "down." Other items showing increases included "number of customers seeking deals, multi-night discounts, etc." (49% , up, 3% down) and "number of customers looking for packages like overnight plus nearby attractions, etc." (14% up, 6% down). Items showing decreases included "number of business travelers" (8% up, 23% down), "average length of stay" (10% up, 22% down), "amount of non-lodging sales ..." (6% up, 20% down), "number of international travelers" (5% up, 18% down) and "amount of meeting and conference business" (3% up, 15% down). A number of the items had a high rate of "does not apply" responses.

- **General Comments:** Overall, comments reflected cautious optimism that the economy, and tourism in particular, are turning around. Themes in comments reflected results to the "other changes over the past year" results, noted above. Numerous respondents commented on changes in consumers' approach to travel. Armed with electronic tools and seemingly encouraged by increased emphasis on deals in advertising, consumers are becoming accustomed to shopping around for the best deal possible. This is hampering respondents' ability to quickly recover lost ground from lowered rates during the recession. Consumers continue to demand a higher amenity level, expecting to be as comfortable or more so than they are at home.

- **Survey Invitation Lists, and Response Rates:** Explore Minnesota Tourism (EMT) conducted an informal, unscientific online survey in May 2010, soliciting responses by e-mail from 1,867 accommodations (indoor lodging properties, campgrounds and state parks) throughout Minnesota that have provided EMT with an e-mail address. A total of 323 responses were received for a 17% response rate. Ninety-five percent of the respondents (307) completed the 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 (43% of total responses, 30% of total distribution), proportionally represented B&Bs (7% of responses, 7% of distribution), and under-represented hotel/motel/historic inns (28% of responses, 34% of distribution) and campgrounds plus state parks (14% of responses, 25% of distribution). Eight 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.

- **Responses by Region:** The distribution of survey responses across Minnesota's five tourism regions over-represented Northeast Minnesota (27% of responses, 23% of total distribution) and Central Minnesota (25% of responses, 23% of distribution). By contrast, survey responses under-represented Southern Minnesota (16% of responses, 20% of distribution) and the Minneapolis-Saint Paul Area (i.e., Metro Area – 13% of responses, 15% of distribution). Representation of survey responses was approximately equal to the actual regional distribution of properties for the Northwest Region (19%).

Summary statistics for the survey can be viewed online at:

http://www.surveymonkey.com/sr.aspx?sm=w5a9vakMBFoAemIw66gZO79420CjOjGTYiruxAxb8Pc_3d