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Minnesota Hotels and Motels: A Profile of the Industry

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Summary

The largest hotels and motels in Minnesota are in the Metro Region. In 1990, 35 percent of hotels and motels in Minnesota had more than 40 rooms. Hotels and motels with more than 40 rooms offered 80 percent of the rooms available in the state. The mean and median number of rooms per hotel and motel in 1990 were 57 and 25, respectively.

There have been relatively few changes in the hotel and motel industry in Minnesota between 1986 and 1990. Mean nominal prices have increased during this period, but the daily minimum rates have increased less than the rate of inflation. The mean and median number of rooms per hotel and motel have increased slightly. Certain amenities, such as non-smoking rooms, are increasingly being offered by hotels and motels.

Hotels and motels in Minnesota represent a diverse mix of business establishments. Larger, high-rise hotels are located predominantly in the downtown areas of Minnesota's larger cities. These establishments tend to offer a wide variety of amenities. They may cater to upscale business travelers or to pleasure travelers enjoying urban sites and activities. Motels, which tend to be smaller than hotels, can be found in smaller cities and rural areas as well as in the outskirts of the larger cities. Motels tend to offer fewer amenities than are provided by hotels. Motels in some locations cater to pass-through travelers who are looking for little more than a place to sleep.

Survey Methods

This profile of hotel and motel accommodations was developed from surveys conducted by the Minnesota Office of Tourism. A survey is sent every two years to all hotels and motels in Minnesota of which the office has record. Operators of the surveyed facility have an incentive to respond, because the data becomes part of the office's computerized accommodations listing. The listing is used by travel counselors to help tourists find accommodations in the geographic area they plan to visit. The office tries to contact every establishment that does not return a survey to improve the rate of response.

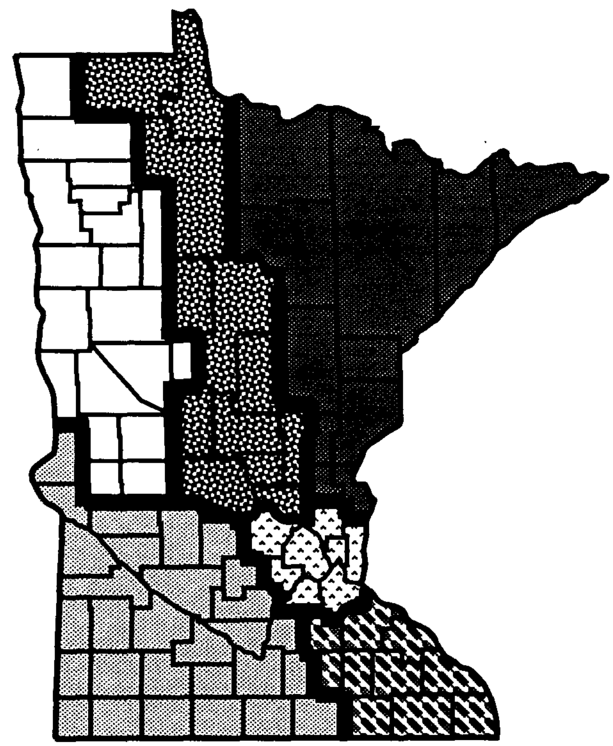
This research relies on data from 1986 and 1990. While the information does not represent a census of all Minnesota accommodations, nor a random sample, it is likely that the information is representative of the majority of establishments, particularly accommodations that are interested in attracting tourists. Using 1990 Minnesota Department of Revenue data, the Minnesota Office of Tourism estimates that 67 percent of hotel and motel establishments are included in the database. The number of hotels and motels in this database is 636 for 1986 and 660 for 1990.

For the survey, the Minnesota Office of Tourism defined a hotel or motel as:

"A facility with indoor lodging, where sleeping accommodations are offered for one night or more to transients. Hotels and motels may include minor facilities such as swimming pools, saunas, etc., but, unlike resorts ***are not specifically designed to support a variety of recreation activities.*** *The hotel/motel facility type is intended primarily as a* ***transient-oriented*** *lodging facility."*

Hotels and motels that also identify themselves as bed and breakfast establishments or as historic inns were excluded from this study because they represent distinct segments of the lodging industry that are substantially different from traditional hotels and motels. Information about the bed and breakfast industry in Minnesota can be

Figure 1. Number and Size of Hotels and Motels by Region (Minnesota, 1990)



found in *Research Summaries*, no. 2, A Profile of Minnesota's Bed and Breakfast Industry —1988, by Barbara Koth (1989).

Size of Minnesota Hotels and Motels

Minnesota hotels and motels vary in size by region (Figure 1). A hotel or motel room is an independent sleeping accommodation. This definition includes detached units, a room within a lodge, or a condominium. The range in size of Minnesota hotels and motels in 1990 was from 2 rooms to 686 rooms. The mean and median number of rooms per hotel and motel in 1990 were 57 and 25, respectively. Comparing 1986 and 1990 data reveals that there has been a slight increase in the number of rooms per hotel and motel in Minnesota. The mean and median number of rooms for 1986 were 54 and 23, respectively. Fifty percent of Minnesota hotels and motels had 25 rooms or more in 1990, and only 10 percent had more than 150 rooms. The Metro Region reports the largest facilities; mean and median sizes were 129.5 and 100 rooms, respectively. The 1990 data shows that small hotels and motels are most prevalent in the northern half of the state. The Northcentral Region reports the smallest mean and median sizes (Figure 1).

Only a small percentage of all hotels and motels are classified as "large," but they account for a majority of the rooms available to travelers in Minnesota (Figure 2). While hotels and motels with 41 or more rooms make up only 35 percent of the total number of businesses, these relatively large hotels and motels account for 80 percent of all rooms available. "Small" hotels and motels, with 15 or fewer rooms, make up 33 percent of the total number of properties in Minnesota, but contribute slightly less than 6 percent of all rooms available.

Hotels and motels sometimes are affiliated with other types of accommodations, such as resorts and campgrounds. Ten percent of the 660 hotels and motels in 1990 also reported resort facilities (Figure 3). Resort facilities are specifically designed to offer recreational activities and are primarily vacation oriented. However, the distinction between Minnesota's hotels and motels and its resorts is becoming increasingly blurred. Some luxury accommodations in non-urban settings are configured in multi-level hotel facilities and offer amenities typically associated with hotels; these luxury accommodations may, at the same time, provide recreation-oriented amenities that are more similar to traditional resort offerings than to hotel or motel offerings. At the other end of the spectrum, motels in rural settings offering few amenities may serve recreation-oriented visitors using the motel as a home base for use of nearby outdoor-recreation areas such as state parks, fishing lakes, or snowmobile trails. Information about the resort industry in Minnesota can be found in *Research Summaries*, no. 13, Minnesota Resorts: A Profile of the Industry, by Donald G. MacKay, David W. Lime, Patrick Simmons, and Linda Limback (1992).

Six percent of hotels and motels reported campground facilities. The mean number of campsites at these hotels and motels for 1990 is 17; the median is 12. Therefore, most campgrounds at hotels and motels in Minnesota are small. Nevertheless, there also are some large campgrounds at hotels and motels. Of hotels and motels with campsites, approximately 10 percent have more than 25 campsites.

Regional Profile of Hotel and Motel Accommodations

There is not a wide variation in the number of hotels and motels in the six regions of the state (Figure 1). However, nearly half of the hotels and motels in Minnesota are in the Northeast and Metro Regions (Figure 1). The Northeast Region contains 24 percent of the hotels and motels in the 1990 sample, followed in size by the Metro Region which contains 22 percent of the sample. While the Metro Region has fewer hotels and motels than the Northeast, the Metro Region contains half of the hotel and motel rooms available in Minnesota (Figure 1). The Northeast Region and Southeast Region contain 14 and 13 percent of the available hotel and motel rooms, respectively. The Southeast Region has the second highest mean size of hotels and motels due to large establishments in the Rochester area.

Seasonal Patterns for Minnesota Hotels and Motels

Most hotels and motels in Minnesota operate year-round, but some are open only part of the year. Ninety-three percent of the 1990 sample hotels and motels are open year-round. This is an increase of 2 percent over 1986. Seven percent of hotels and motels close for the winter months. Fifty percent of these seasonal hotels and motels open by May 1 and more than half are closed again by October 15. Of these seasonal hotels and motels, 59 percent are located in the Northeast Region; 30 percent are in the Northcentral Region. These seasonal hotels and motels are small; in 1990, the mean size was 10 rooms and the median size was 10 rooms. Forty-one percent of these seasonal hotels and motels also identified themselves as resorts.

Figure 2. Distribution of Hotels and Motels and Rooms by Size Class (Minnesota, 1990)

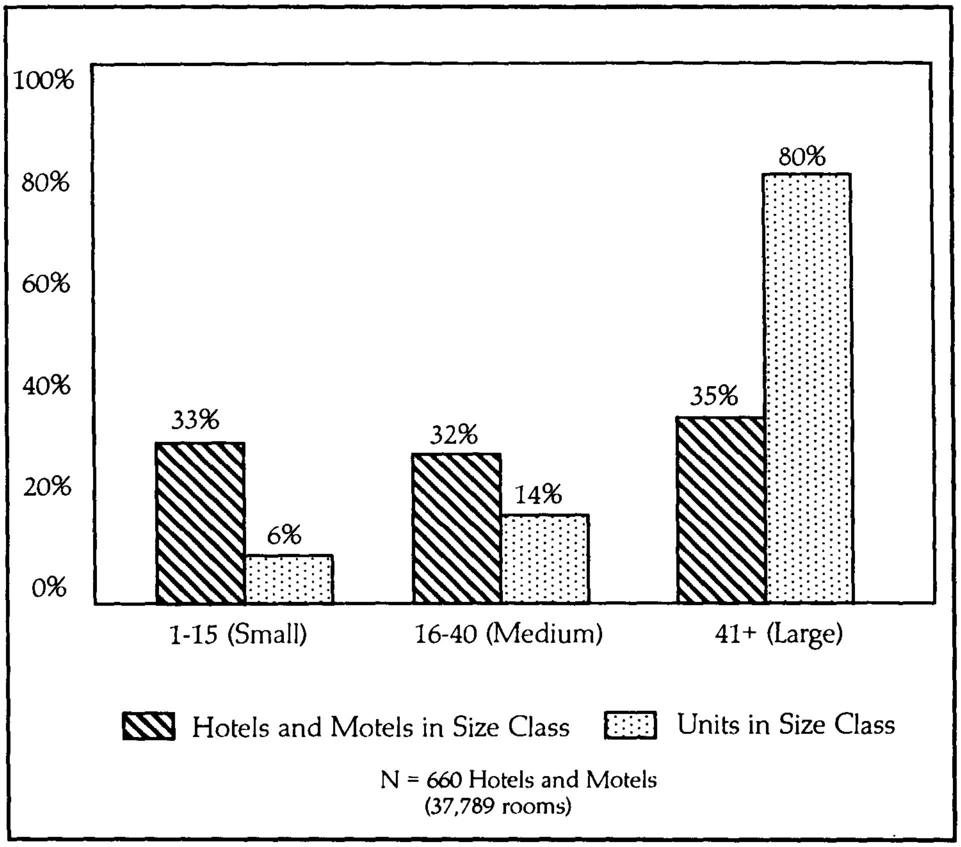
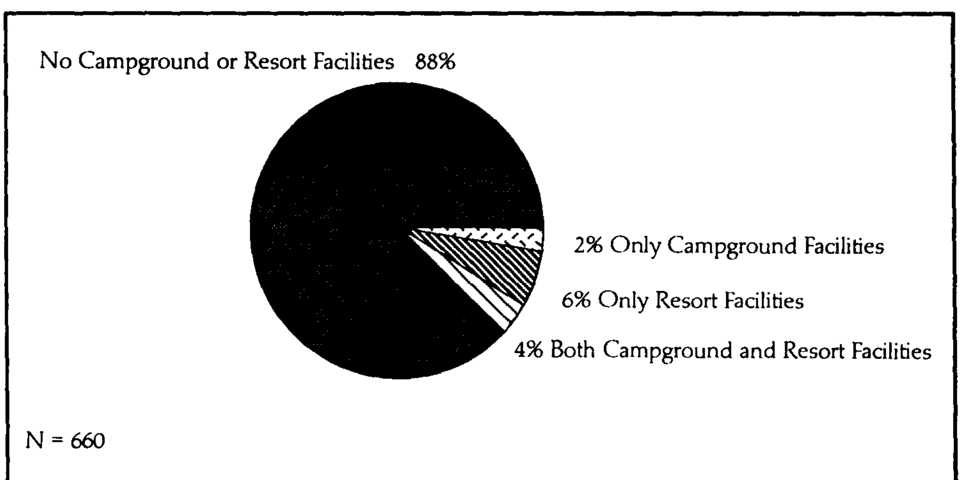


Figure 3. Campground and Resort Facilities at Hotels and Motels (Minnesota, 1990)



Amenities Offered at Minnesota Hotels and Motels

Minnesota hotels and motels offer a variety of amenities for travelers. Table 1 lists room-oriented amenities, and table 2 lists amenities available outdoors or in the facility. Both tables indicate the percentage of all hotels and motels in Minnesota that had the amenity on-site in 1986 and 1990. Some room-oriented amenities may not be available in every room (for example, kitchens).

Table 1. Minnesota Hotels and Motels Offering Various Room-Oriented Amenities in 1986 and 1990

Amenities	1986 Percent	1990 Percent
Pets allowed in rooms	62.3	56.2
Non-smoking rooms	38.4	56.2
At least one room is usable by guests in wheelchairs (including bathrooms)	48.9	51.7
Kitchens in rooms	34.0	33.0
Patio or balcony in rooms	12.6	15.9
Whirlpool in room	3.9	8.5
Fireplace in room	4.1	5.3

Selected highlights:
- Pets are allowed in rooms at more than half of the hotels and motels surveyed, but the percentage of hotels and motels with this option is decreasing rapidly.
- A rapidly growing percentage of hotels and motels offer non-smoking rooms. Nevertheless, only about half do so.
- Only about half of Minnesota's hotels and motels have at least one wheelchair-accessible room.
- Nearly one-third of the hotels and motels have at least one room with a kitchen.

Table 2. Minnesota Hotels and Motels Offering Various Facility and Outdoor Amenities in 1986 and 1990

Amenities	1986 Percent	1990 Percent
Restaurant	31.2	29.4
Frontage on a lake or river	24.2	23.5
Sauna	19.1	20.0
Indoor pool	16.5	18.0
Laundry	14.0	17.6
Day care or babysitting	14.8	10.9
Playground	9.1	8.3
Swimming beach	8.0	8.2
Fishing boats	7.2	7.7
Hiking trails	4.7	7.6
Canoes	4.4	4.8
Bike trails	3.6	4.7
Outdoor pool	4.4	4.1
Tennis courts	3.3	2.7
Bike rental	0.9	1.4

Selected highlights:
- Nearly one-third of Minnesota hotels and motels offer restaurant facilities.
- Nearly one in four hotels and motels have frontage on a lake or river.
- Saunas are offered by one-fifth of hotels and motels, and indoor pools by nearly one-fifth.
- Fewer hotels and motels are offering day care or babysitting or playgrounds.
- Trails for hiking and biking are increasingly being offered at Minnesota hotels and motels, but the percentage offering trails is small.

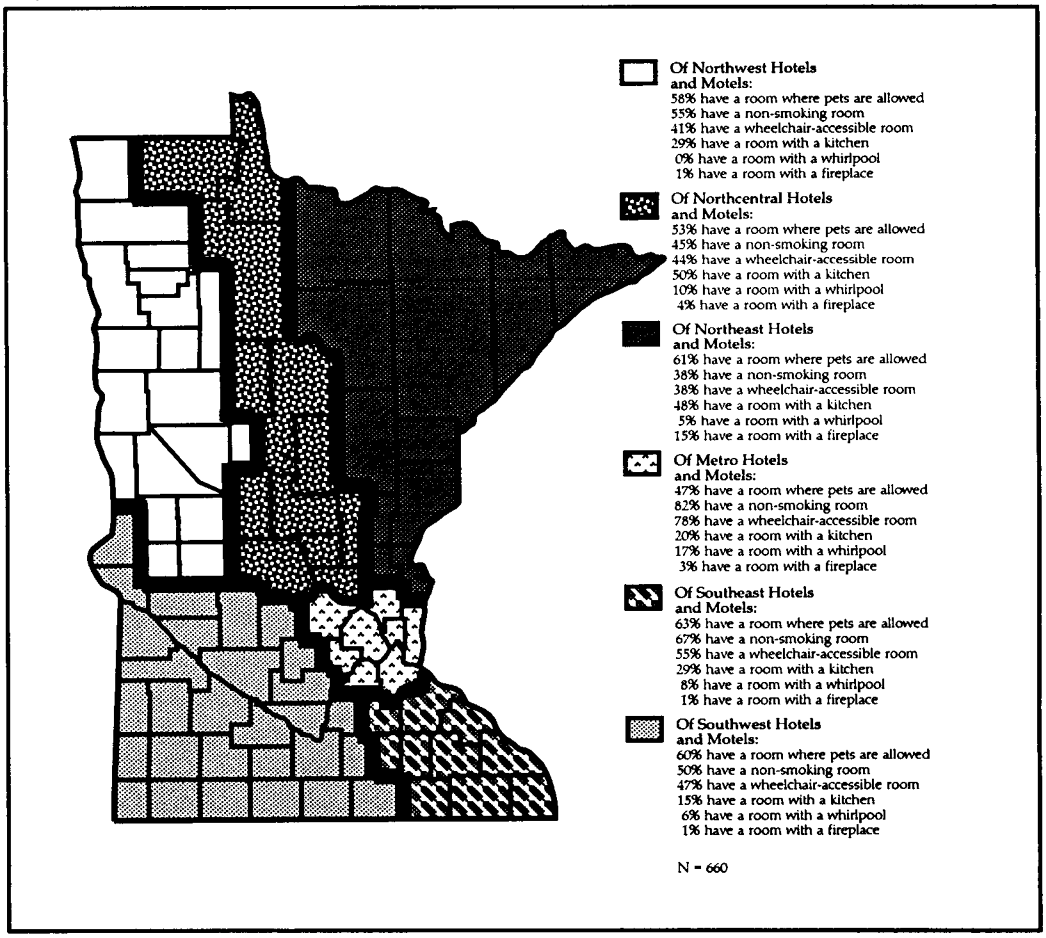
REGIONAL DIFFERENCES IN AMENITIES AT MINNESOTA HOTELS AND MOTELS

Certain regions of Minnesota have a higher percentage of particular amenities than others. One way to view regional differences in amenities is to determine where hotels and motels offering a particular amenity tend to be located. Northeast Region hotels and motels tend to have more outdoor-oriented amenities and also many room-oriented amenities. For example, 64 percent of all hotels and motels in Minnesota with hiking trails are in the Northeast Region, as are 44 and 43 percent, respectively, of the hotels and motels with playgrounds and swimming beaches. The Northeast Region contains 66 percent of hotels and motels that have a fireplace in at least one room.

Metro Region hotels and motels tend to have many room-oriented amenities. Thirty-three percent of the hotels and motels with non-smoking rooms are in the Metro Region, as are 34 and 27 percent, respectively, of hotels and motels with a handicapped-accessible room and waterbeds in at least one room. The Metro Region contains 45 percent of the hotels and motels in Minnesota that have a whirlpool in at least one room.

Another way to view regional differences is to look at each region separately and determine the percentage of hotels and motels that offer certain room amenities within the region (Figure 4). For instance, 15 percent of hotels located in the Northeast Region have a room with a fireplace. Only 3 percent of hotels and motels in the Metro Region have a room with a fireplace. Of hotels and motels located in the Metro Region, 82 percent have a non-smoking room. In the Northeast Region, 38 percent of hotels and motels offer a non-smoking room. Regional differences also occur in the percentage of hotels and motels offering certain types of facilities and outdoor amenities. (Figure 5). Twenty percent of Northeast Region hotels and motels have hiking trails on the premises, compared to 3 percent in the Metro Region. Of hotels and motels located in the Metro Region, 39 percent have an indoor pool compared to 11 percent in the Northeast Region.

Figure 4. Frequency of Room Amenities in Each Region (Minnesota, 1990)



FEATURES AT THE LARGEST HOTELS AND MOTELS

Large hotels and motels in Minnesota are more likely to have certain features than small ones. Hotels and motels with 150 or more rooms are among the largest, but these represent only 10 percent of Minnesota's hotel and motel facilities. Seventy-six percent of these facilities are located in the Metro Region, and 9 and 6 percent are in the Southeast and Northeast, respectively. Ninety-seven percent of these largest hotels and motels offer non-smoking rooms, and wheelchair-accessible rooms are available in 88 percent of them. Restaurant facilities are offered by 89 percent; laundry facilities by 47 percent. Certain other recreation and leisure amenities also are offered more commonly at larger hotels and motels; 79 percent offer indoor pools and 77 percent offer saunas.

Rates at Minnesota Hotels and Motels

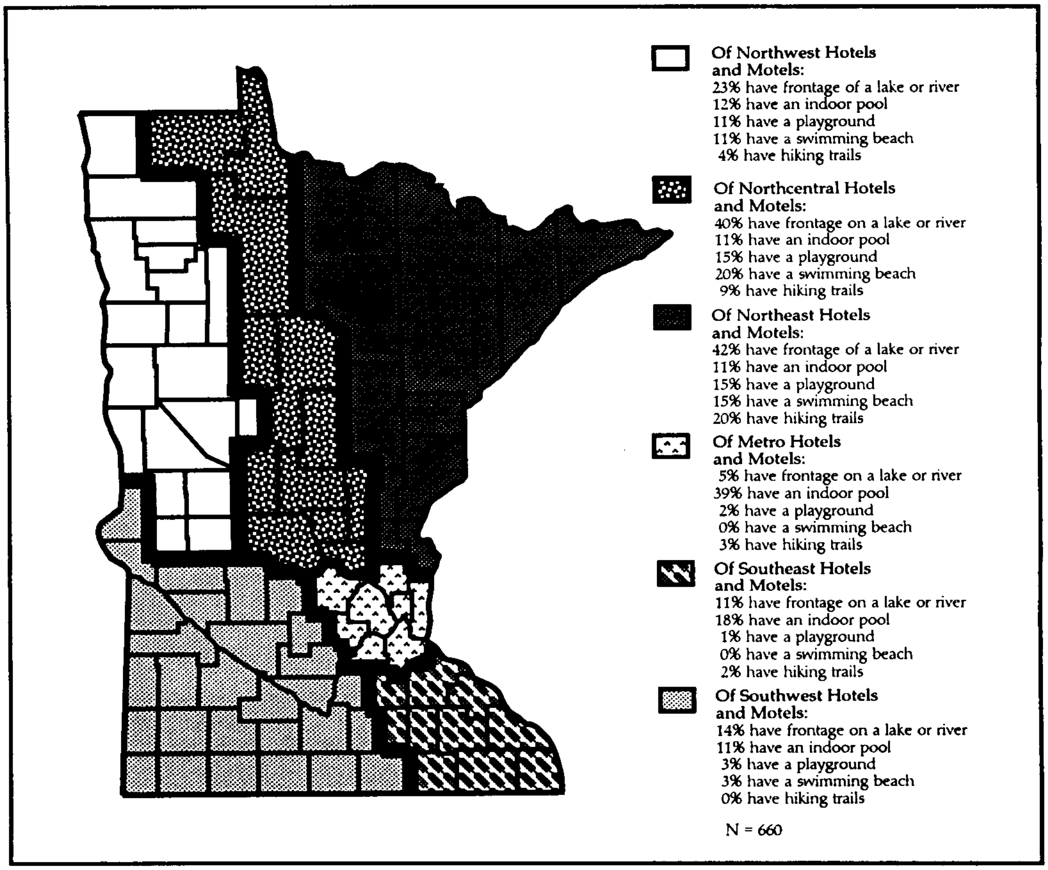
Operators of the hotels and motels are surveyed about their rates for individual rooms. The survey asks each respondent to list their lowest and highest daily rates using their highest (in-season) summer rates, assuming two guests and two beds per room. Respondents are asked **not** to include charges for optional services. Table 3 shows the mean and median rates for the entire state in both 1986 and 1990.

Over the 1986 to 1990 period, the travel price index increased 20.6 percent and the lodging component of the travel price index increased 21.5 percent (U.S. Travel Data Center 1990). While the mean nominal daily **minimum** rates for individual rooms in Minnesota increased 15 percent from 1986 to 1990, the increase was lower than the inflation rate for lodging. On the other hand, the mean nominal daily **maximum** rate increased 24 percent, more than 2 percentage points higher than the inflation rate for lodging.

Discussion

The hotel and motel industry in Minnesota is mature. Its health depends on its ability to stay abreast of travel trends and to target its marketing efforts in productive markets. Operation costs are rising while the customers' ability to pay may be declining. Competitive pressures are increasing and frequently prevent the room rate increases needed to sustain a reasonable profit margin. Seasonal variables, such as lack of snow near ski destinations or an unusually cool summer, can cause temporary displacement of normal travel patterns and upset the delicate balance of a marginal operation.

Figure 5. Frequency of Various Facility or Outdoor Amenities in Each Region (Minnesota, 1990)



Lodging businesses must carefully choose their capital investments. They cannot afford an upgrade that will not improve business. Owners must understand their existing and potential clientele well enough to choose the right "attractor" amenities. A destination clientele generally expects a much higher level of amenities than a pass-through clientele. Both types of clientele will go back to businesses that meet their needs at a fair price and provide high quality service.

Table 3. Mean and Median Room Rates at Hotels and Motels in Minnesota in 1986 and 1990

Room Rates	1986 Mean	1986 Median	1990 Mean	1990 Median
Daily Minimum (% responding)	$34 (92%)	$30 (92%)	$40 (95%)	$35 (95%)
Daily Maximum (% responding)	$43 (82%)	$37 (82%)	$53 (85%)	$44 (85%)

These rates are nominal rates and they have **not** been adjusted for inflation.
1986 n=636; 1990 n=660

Selected highlights:
- Mean nominal daily minimum rates have increased by 15 percent from 1986 to 1990.
- Mean nominal daily maximum rates have increased by 24 percent (based on the figures before rounding; figures in table 3 have been rounded) from 1986 to 1990.

Some smaller lodging establishments have had great success entering the meeting and convention segment of the market, even though this segment has been dominated by larger hotels and motels. Breaking into this business can help balance seasonal variations in occupancy. Many small businesses and organizations have the same needs as larger ones for occasional meeting space at affordable cost. By creatively adjusting space and acquiring or renting meeting-type equipment, quality meeting space can be created with minimal investment.

Marketing is essential for increasing occupancy but is seldom given an adequate investment. Few lodging businesses in Minnesota have the amenity concentration to be destinations in and of themselves. For most hotels and motels, it is far more effective to participate in the marketing efforts of area-wide, destination marketing organizations than it is to launch an individual advertising campaign. Joining a lodging association is another way for a hotel or motel to increase the power of its advertising dollar; pooled advertising funds are able to purchase advertisements that few places could afford to buy alone. Building awareness of a facility among local businesses, such as local attractions, restaurants, and service stations, may bring in new referral business at no cost or limited cost.

Research is necessary for effective marketing. Straightforward survey methods can be designed to collect data on-site. Lodging establishments have direct contact with their customers at the registration desk where they can gather data about their customers' purpose, destination, and frequency of travel in the area. They can also discover how customers learned about their site and how satisfied they were with the rooms and the service. They can measure the success of target advertising or test a new idea such as adding coffee and soft drink services without any added expense to the customer. Whether a facility caters to pass-through travelers or a destination market, knowing the customers is important to building a flourishing business.

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