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Montana Travel Research: 2004

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MONTANA TRAVEL RESEARCH

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Travel Industry Outlook and Economics

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U.S. Leisure Travel Outlook

In 2003, leisure travel in the United States grew at a steady pace of three percent in person-trips over 2002. The travel industry employment numbers, however, show a different scenario. In 2002 travel employment declined 4.2 percent and worsened in 2003 with 130,000 more jobs lost in the first 6 months. Between August 2001 and June 2003 the travel industry lost 508,000 jobs nationwide, compared to total U.S. job losses of 2.1 million. The travel industry generates six percent of total U.S. employment but suffered 24 percent of all job losses in that time frame (Norman, 2003).

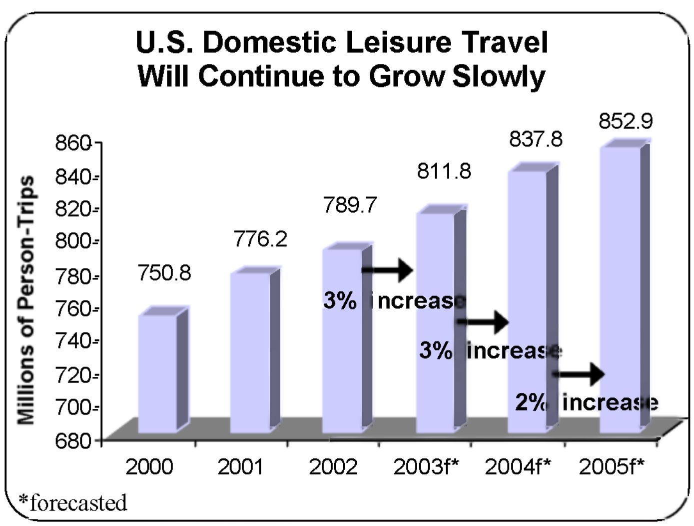
It may be confusing to see person-trips increasing while employment is decreasing. However, some of the indicators can help explain the differences. First, more people are traveling by road rather than air. The airline industry is still far from recovery and capacity cuts continue (down 3.4 percent by mid year 2003, and 10 percent since 2001). With cuts in capacity, jobs are lost. Second, according to the Travel Industry Association (TIA), while travel is up, spending is down. For example, the average daily rate for hotels in July 2001 was $86.64. This fell to $82.96 by September 2003. A loss in overall revenue requires businesses to cut their expenses. Labor is the greatest expense in the travel industry, and thus is subject to be cut in times of need. In addition, business travel is down causing a decrease in overall hotel rooms sold in the business sector. Finally, international arrivals to the United States were down 10.5 percent for the first half of 2003, continuing a downward trend since 9/11.

The encouraging aspect of this outlook is the continual increase in domestic leisure person-trips. The American public has shown that travel is highly valued in their lives. Where they travel will vary depending on the economic and political situations, but travel will continue to occur. Even more interesting is the surge in RV sales.

While airline travel is not the top choice among many Americans, travel by RV has received a jump start. According to TIA, RV rentals rose 30 percent in the past two years over 2001. RV Shipments were up 20 percent in 2001 as well as in 2002. Part of this increase was expected with the aging of the baby boomers, but 9/11 seemed to put RV travel at the top of the list earlier than expected (Norman, 2003).

According to Norman (2003), "After years of little or no growth in travel volume, TIA forecasts minimal to modest growth in travel in 2004 and 2005 (Figure 1). Overall traveler spending by domestic and international visitors is expected to increase by 4.4 percent in 2004. The hardest hit sectors of the industry, business travel and international inbound travel, are predicted to improve somewhat." As in the past year, travelers are expected to stay closer to home, book their plans late in the planning stage, and continue traveling on American soil instead of in foreign countries.

Figure 1:



Source: Travel Industry Association of America

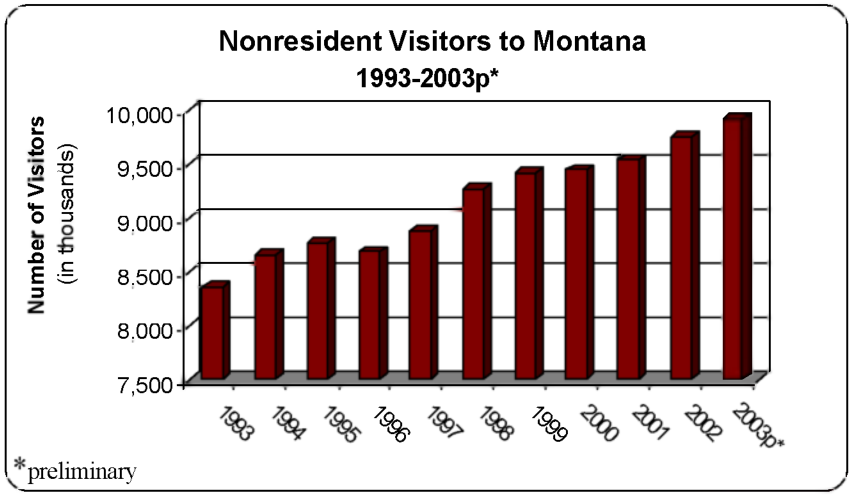
Montana Travel Trends and Outlook

Preliminary estimates of nonresident travel to Montana in 2003 show a 1.6 percent increase over 2002 – to 9.9 million visitors or 4.3 million visitor groups (Figure 2). For the first time in many years, nonresident travel did not mirror the national travel patterns. While Montana still experienced growth, it was less than the nation's three percent growth. The difference is likely related to American travel behavior trends of staying closer to home. Montana can not be called a destination that is "close to home" for any large population center, hence the slower growth in travel to Montana.

On the other hand, the two main indicators of travel in Montana, Glacier and Yellowstone National Parks, started out the year with large increases in visitation. Then Montana's wildfires started. Not surprisingly, Glacier visitation numbers for August were 43 percent lower than August of 2002 (National Park Service, 2003). Could Montana have experienced a three percent increase like the rest of the nation? It is hard to tell, but certainly the fires kept some people away. Preliminary recreation visitation numbers for the two parks indicate a one percent increase for both Yellowstone and Glacier in 2003 (Figure 3).

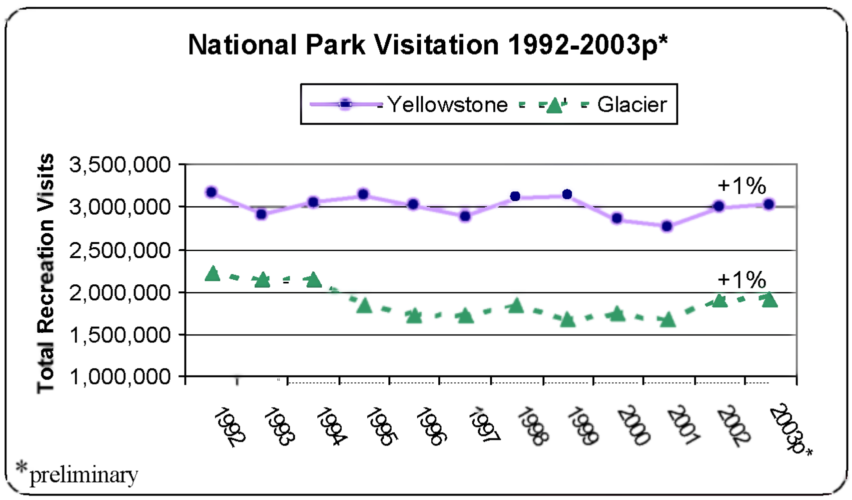
Preliminary Montana airport deboardings for 2003 were up one percent over 2002, continuing the trend of yearly increases (Figure 4). The outlook for 2004 in airline deboardings for Montana, however, is not as good. In line with national trends, Delta airlines is reducing airplane capacity to all their Montana destinations. The result will most assuredly be a reduction in state airport deboardings for the first time in over a decade.

Figure 2:



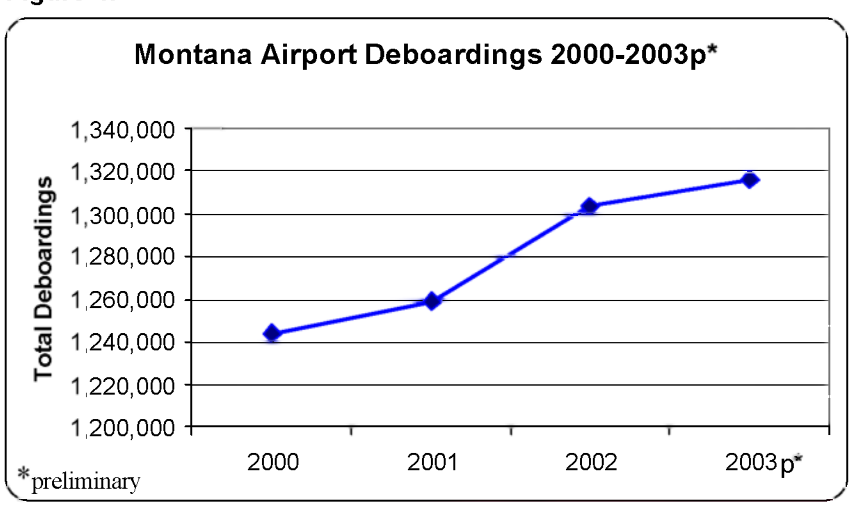
Source: ITRR

Figure 3:



Source: National Parks Statistics

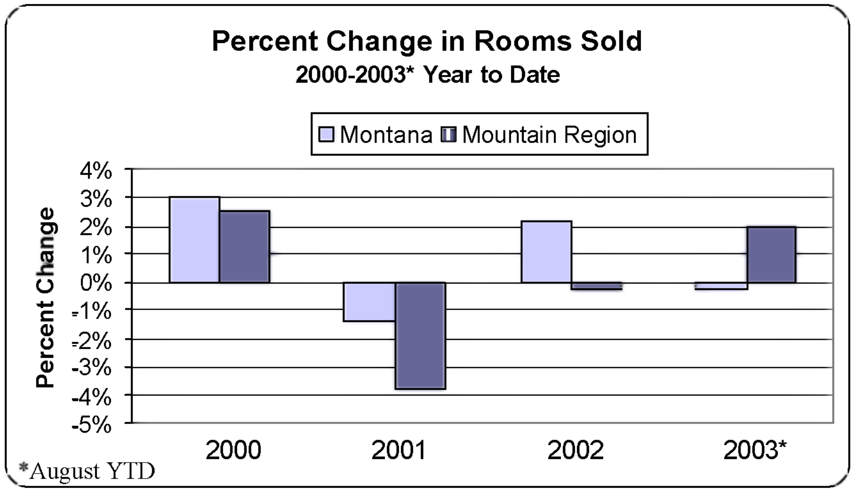
Figure 4:



Source: Montana Aeronautics Division

Another indicator of the Montana travel industry is the performance of the hotel/motel industry. Occupancy in Montana was 56.3 percent in 2003 compared to 57.3 percent in 2002. Rooms sold in Montana were at a .3 percent decrease in 2003 over 2002. Therefore, while occupancy was down one percent, rooms sold were barely down indicating a year basically on par with 2002. Compared to the mountain region states that experienced a 1.9 percent increase in rooms sold, Montana had a different year than the rest of the west (Figure 5).

Figure 5:



Source: Smith Travel Research

The 2004 outlook for Montana's travel industry is mixed. Nationally, the trend is to stay closer to home which does not bode well for Montana. Airline capacity to Montana has decreased, suggesting a lower volume of visitors even though only 10 percent of Montana's visitors come by air. The U.S. economy is still suspect and people are spending less when traveling which is also a negative indicator for Montana's travel industry. With those indicators alone, the Institute for Tourism and Recreation Research (ITRR) would predict a sluggish year for nonresident travel.

However, the overall outlook is positive based on an ITRR survey conducted in late November 2003 with statewide travel industry businesses including hotels and motels, bed & breakfasts, guest ranches, resorts, vacation homes, condominiums, campgrounds, outfitters and guides, tours, attractions, and land managers. Each year, ITRR surveys travel industry business owners around the state to provide the outlook from their individual business perspective. This year ITRR conducted an email survey with respondents representing each of the six travel regions: Glacier Country (38%), Yellowstone Country (21%), Russell Country (13%), Custer Country (12%), Gold West Country (11%), and Missouri River Country (4%).

When looking at 2003, business owners were split in terms of their business performance. Forty-five percent indicated that 2003 was up from 2002 while 44 percent said it was down (Table 1). Only 12 percent indicated that business remained the same. Seventy-nine percent said they expect to have an increase because of their marketing efforts, their continual trend of increases, and increased bookings for 2004. In addition, Montana's Lewis and Clark bicentennial commemoration continues to be on the radar screen and could be an influence in visitation numbers. Predictions of increases, however, are virtually impossible. While we believe the commemoration will probably have a positive influence on visitation to Montana and could be a factor in 2004, it will more likely be noticed in 2005.

Table 1:

Visitation Comparisons and Projections*

	Same	Increase	Decrease
2003 visitation compared to 2002	12%	45%	44%
2004 expected visitation	18%	79%	3%

*may not add to 100% due to rounding

Comments related to why their business was up or down varied, but a few commonalities did emerge (Table 2). Most business owners indicated their marketing and their web page presence was by far the number one reason for increased visitation followed by those businesses reaping the benefits of good customer service translating into return visitation and word of mouth advertising. Businesses

Table 2:

Top Reasons for Visitation Changes

Visitation was up in 2003 because:
Business marketing and web presence
Return visitors, customer satisfaction, word of mouth
Post 9/11 - people wanted to travel
Interest in Lewis and Clark
Fires in Glacier and western Montana
Visitation was down in 2003 because:
U.S. Economy
Fires in Glacier and western Montana
Global issues such as war, 9/11, terrorism concerns
Climate

with a downturn generally felt the U.S. economy was the main reason followed by the 2003 fires in Montana. Interestingly, while the fires decreased some businesses, it actually helped others to increase.

Selected Business Survey Comments:

Visitation is up:

- We have heavily promoted our services on the Internet and clients have responded by bringing their families and friends to Montana.
- Our business just completed a new addition to our motel. In addition, we have not raised our rates as rapidly in the last few years as our competitors.
- We had beautiful weather in July and people were ready for a vacation after 9/11.

Visitation down:

- We had the fires and we were shut down July 27th and then we ate smoke. Who wants to see just smoke?
- I believe with the market being unstable, people are holding on to their money. Plus the war is keeping them wondering what to do. I do, however, think that in the next few years, consumers will start to spend again.

In summary, based on national projections and Montana business owner perspectives, ITRR believes the outlook for Montana's nonresident travel industry will remain on par or be slightly higher for 2004 with approximately 10 million visitors.

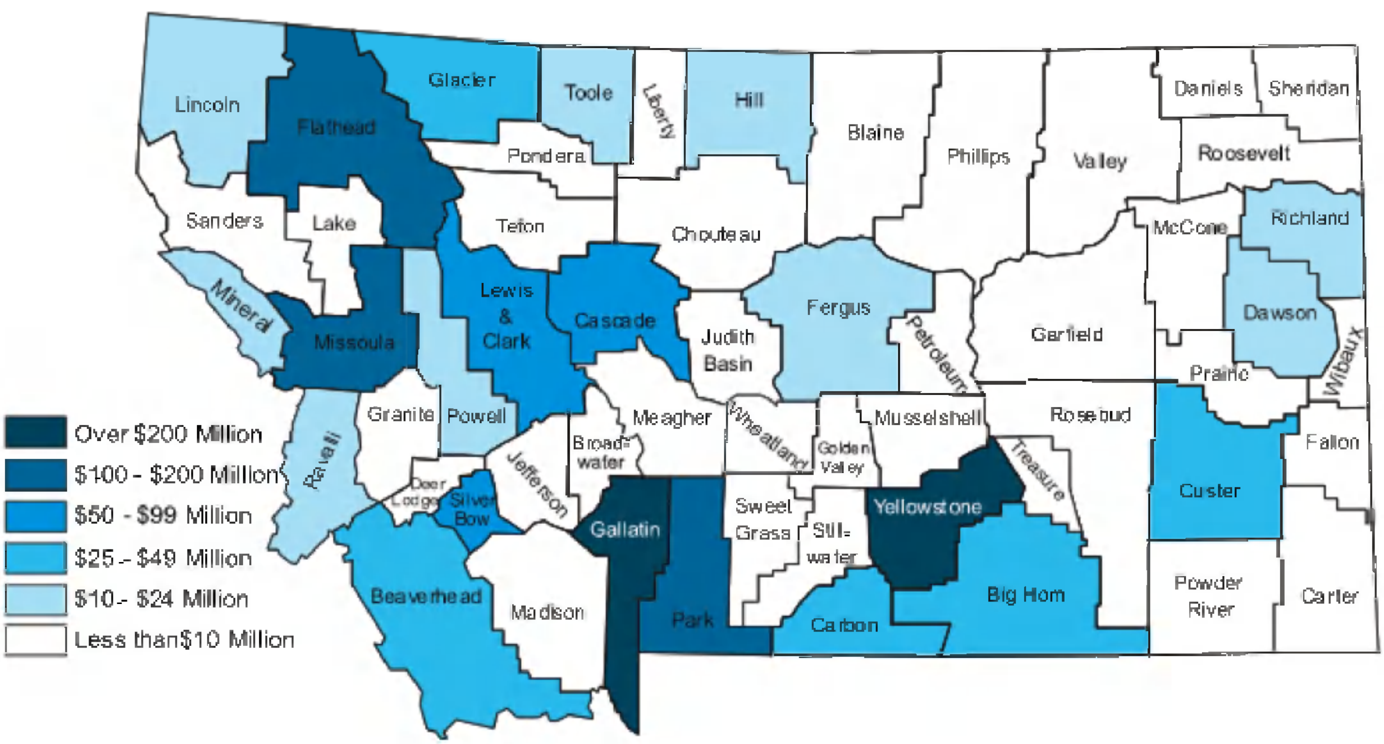
Montana Nonresident Expenditures and Economic Impact

Preliminary estimates show nonresident visitors spent over $1.8 billion in Montana in 2003 with a resulting economic impact to the state of $2.6 billion. Direct expenditures greater than $10 million occur in just 22 of Montana's 56 counties (Figure 6). Yellowstone County and Gallatin County receive the greatest number of dollars from nonresidents followed by Flathead County (including Glacier National Park) and Missoula County. Expenditures by travel region show that Glacier Country, Custer Country, and Yellowstone Country are the top three revenue-generating regions within the state.

Six counties within Glacier Country receive more than $10 million in direct nonresident expenditures (Table 3). These counties account for 76 percent of all Glacier Country expenditures. Three of five counties in Yellowstone Country receive 83 percent of all Yellowstone Country expenditures with Gallatin County receiving 53 percent of that region's expenditures. In Custer Country, Yellowstone County receives 61 percent of that travel region's direct expenditures.

Figure 6:

Nonresident Expenditures Greater than $10 Million



The impact of only 22 of Montana's 56 counties accounting for over 79 percent of nonresident expenditures suggests a further look. These counties are the more populated counties in the state, which in turn are able to provide more traveler services. Looking at the distribution of nonresident dollars, it appears that the Interstate system and the National Parks are the major conduit for travel spending. It also seems likely that this pattern of expenditure distribution will continue for years to come.

Table 3:

Counties with More than $10 Million in Nonresident Travel Expenditures:

	County	Expenditures in millions	% of Region	Region's % of State
Glacier Country		$496.5		28%
	Missoula	$149.0	30%	
	Flathead	$146.3	29%	
	Glacier	$34.2	7%	
	Lincoln	$17.8	4%	
	Ravalli	$17.7	4%	
	Mineral	$14.4	3%	
	Glacier NP	$33.0	7%	
Custer Country		$455.5		25%
	Yellowstone	$279.5	61%	
	Custer	$44.8	10%	
	Big Horn	$34.4	8%	
	Dawson	$15.9	3%	
Yellowstone Country		$455.1		25%
	Gallatin	$239.3	53%	
	Park	$104.6	23%	
	Carbon	$35.6	8%	
Gold West Country		$219.2		12%
	Lewis & Clark	$68.6	31%	
	Silver Bow	$66.5	30%	
	Beaverhead	$25.9	12%	
	Powell	$10.7	5%	
Russell Country		$140.7		8%
	Cascade	$64.0	45%	
	Fergus	$17.3	12%	
	Hill	$12.2	9%	
	Toole	$11.7	8%	
Missouri River Country		$32.9		2%
	Richland	$11.1	34%	

Note: The authors wish to acknowledge Melissa Dubois for her hard work in maintaining the databases for this publication, developing and analyzing the web-based survey, and for her design of this newsletter.

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