



Spring 2021 Tourism and Hospitality Industry Survey Summary

Overview

This report summarizes the results of a Minnesota tourism and hospitality industry survey, conducted May 11-18, 2021. As part of ongoing quarterly surveys in cooperation between Explore Minnesota, Hospitality Minnesota and the Federal Reserve Bank of Minneapolis, these surveys include overnight accommodations, food/drink establishments, a variety of attraction and entertainment businesses, and “allied and other businesses” that supply goods and services to consumer-facing businesses. Surveys in this series are conducted jointly, but results may be analyzed and reported separately.

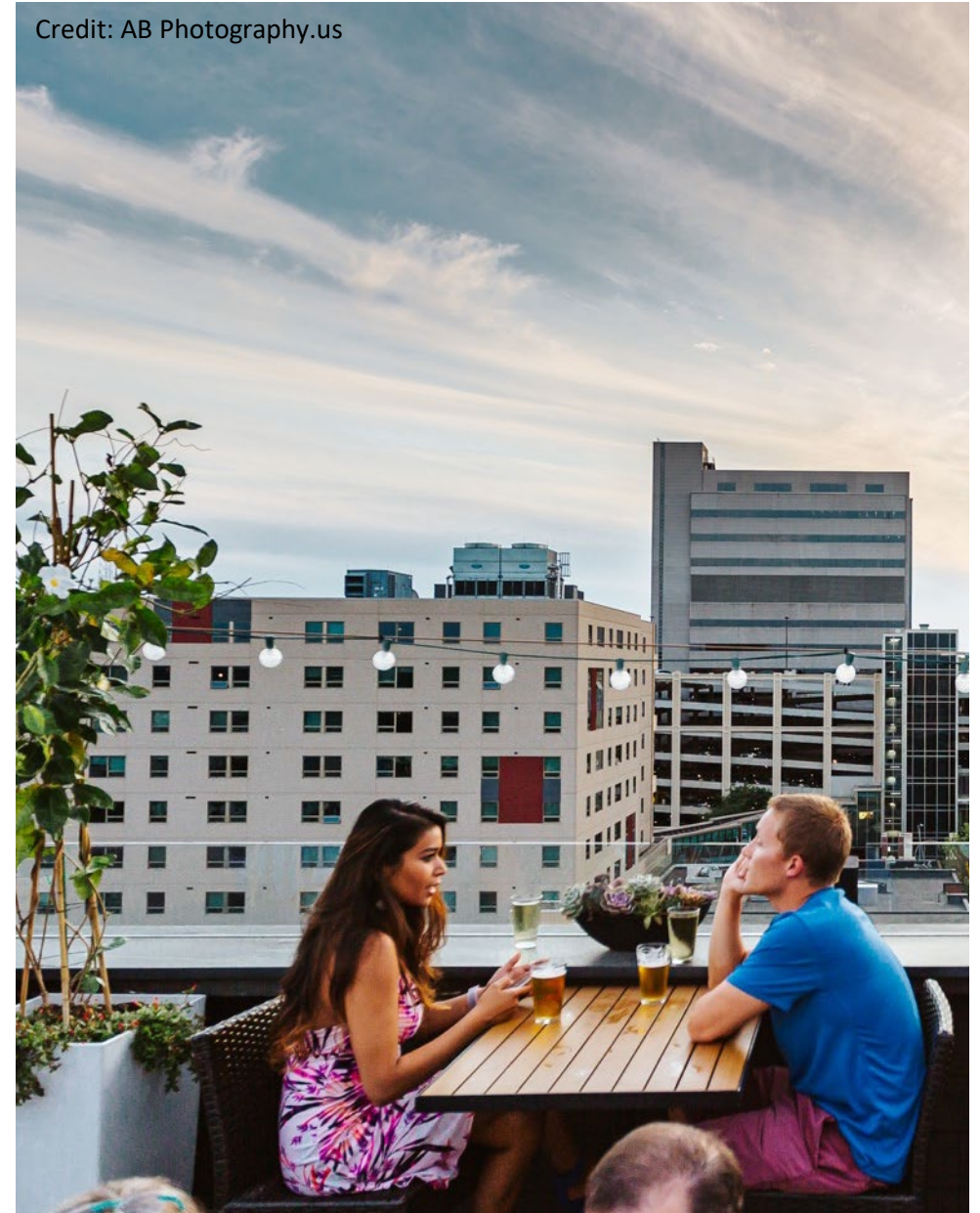
The Spring 2021 survey assesses business activity during a period which includes the one year-mark of the onset of the COVID-19 pandemic and subsequent onset of strong restrictions for business operations. In contrast, the current environment includes increasing consumer confidence through board availability of vaccines to the eligible population, leading to significantly lower COVID-19 case counts, hospitalizations and deaths. The week prior to deploying the survey, Governor Walz announced a three phased approach to ending all COVID-19 business restrictions.

In reviewing the results of the Spring 2021 survey, it is important to note the year-over-year comparisons reflect the beginning of mandatory pandemic-related shutdowns in March and April 2020.

Survey results show a marked improvement in business activity, over 58% of respondents reporting higher revenue and nearly 58% reporting higher customer traffic. While food/drink establishments made headway, capacity restrictions and consumers waiting to be fully vaccinated still impacted their progress.

Results indicate improving financial health among respondents, with two-thirds of respondents reporting their current financial health as “growing” or “stable, but positive.” However, many tourism and hospitality businesses are feeling significant strain due to major operational issues including labor shortages and problems attracting workers, rising compensation costs, and inflation.

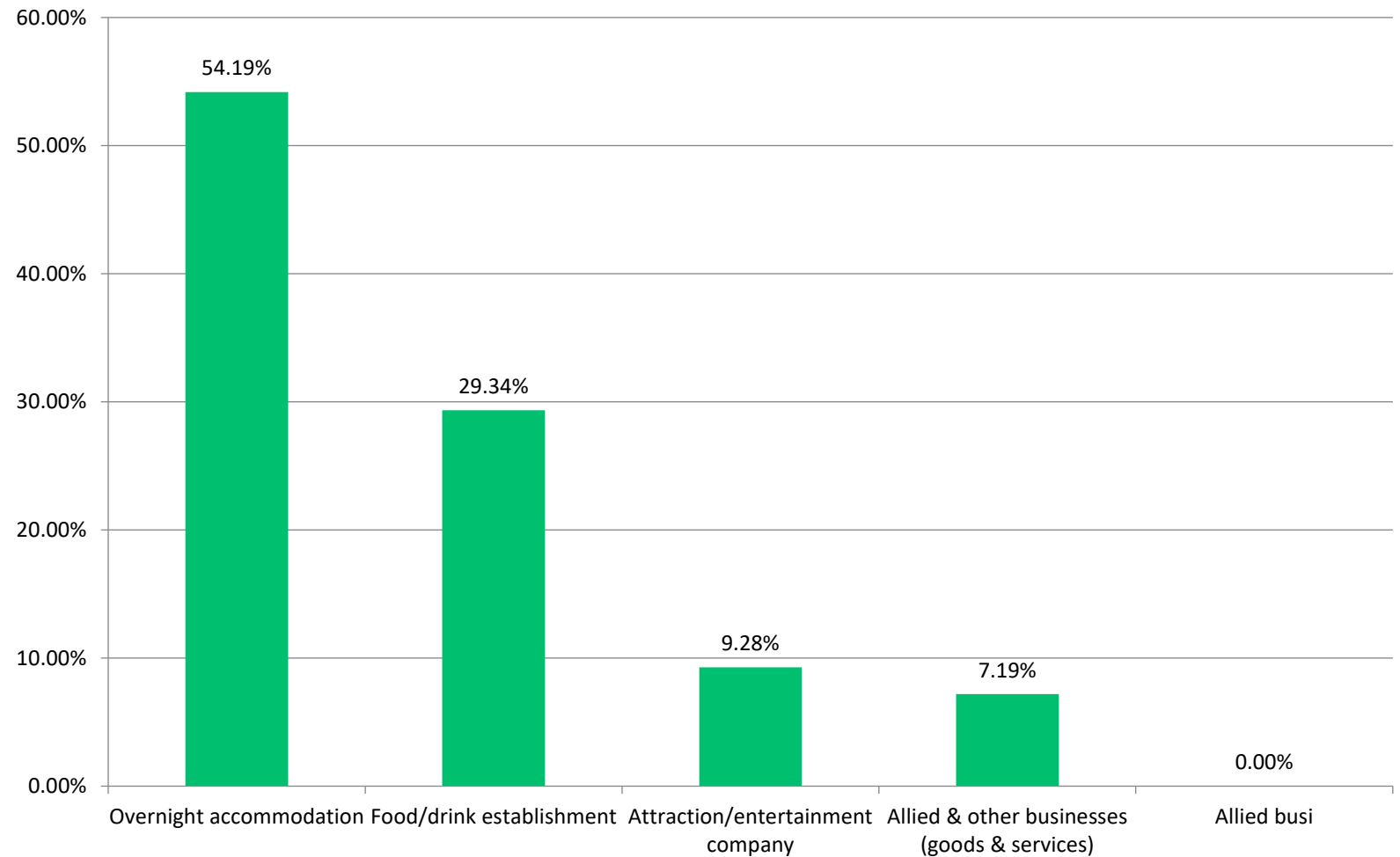
Credit: AB Photography.us



Responses by Business Category

- The survey received a total of 334 responses from a cross-section of the tourism and hospitality industry, representing approximately half the number of responses of previous surveys.
- The survey is deployed separately by each of the three cooperative organizations and due to some known overlap in invitation lists, it is not possible to determine response rates for the survey - either in total or for business categories.

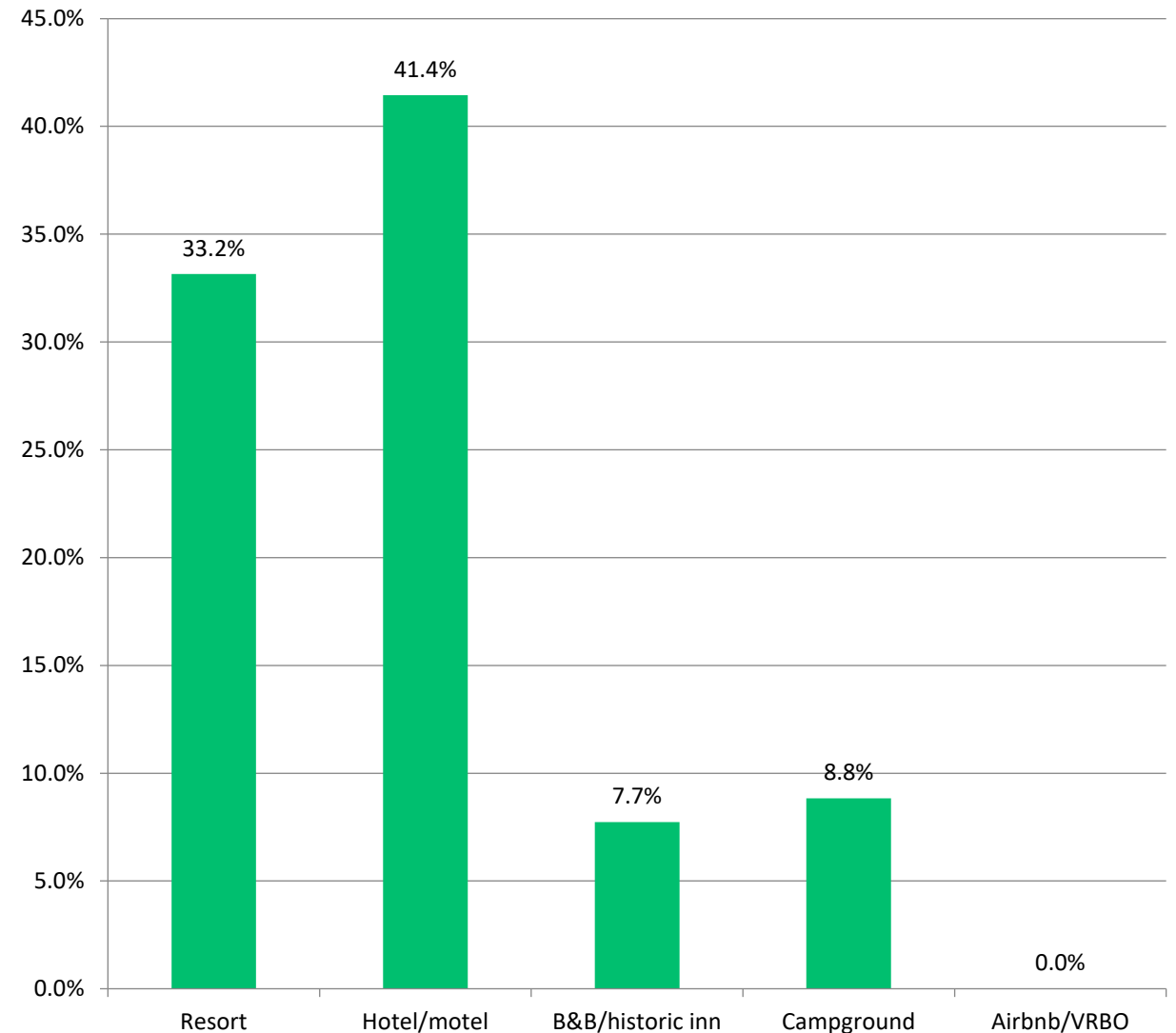
Business type: Which of the following best describes your primary business activity?



Responses by Business Category (cont.)

- In the category of Overnight Accommodations, most of the 181 respondents indicated their type of accommodations were from Hotel/Motel (75) and Resort (60). Other accommodation categories received considerably fewer responses, including B&B/Historic Inn(14) and Campground (16), but received enough responses to cautiously consider their results. Airbnb/VRBOs received no responses in this round of surveying.
- Food/Drink establishments garnered 98 responses. All Food/Drink respondents, regardless of business type, will be considered together when referring to Food/Drink establishments.
- Of the 23 total respondents who indicated their type of Attraction/Entertainment, 60% represented Museum/Galleries (14). For this analysis, Attraction/Entertainment respondents, regardless of business type, will be considered together when referring to Attraction/Entertainment establishments.

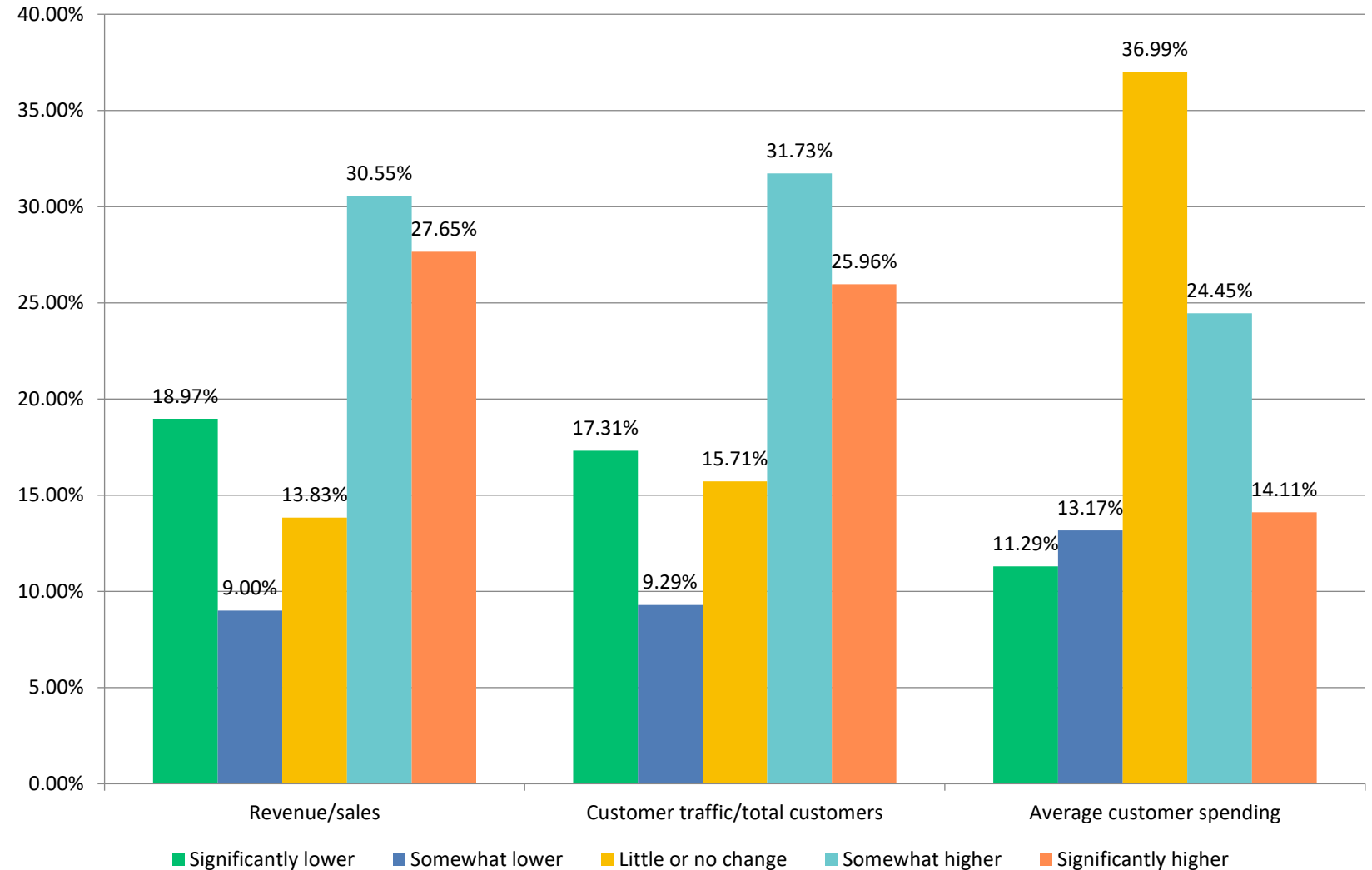
Which of the following best describes your overnight accommodation business?



Spring Business Activity Results

- Business activity increases were reported for revenue/sales and customer traffic compared with spring 2020. Average spending made some gains but showed over one-third of respondents citing little or no change.
- Over 58% of survey respondents (58.2%) said spring 2021 revenue was higher compared with last year, including 27.7% who said revenue was significantly higher. By contrast, 28% said revenue was somewhat or significantly lower.
- Customer traffic mirrored trends of revenue/sales with 57.7% reporting spring customer traffic was higher compared with last year, including 26% who said customer traffic was significantly higher. 26.6% of respondents said customer traffic was somewhat or significantly lower.

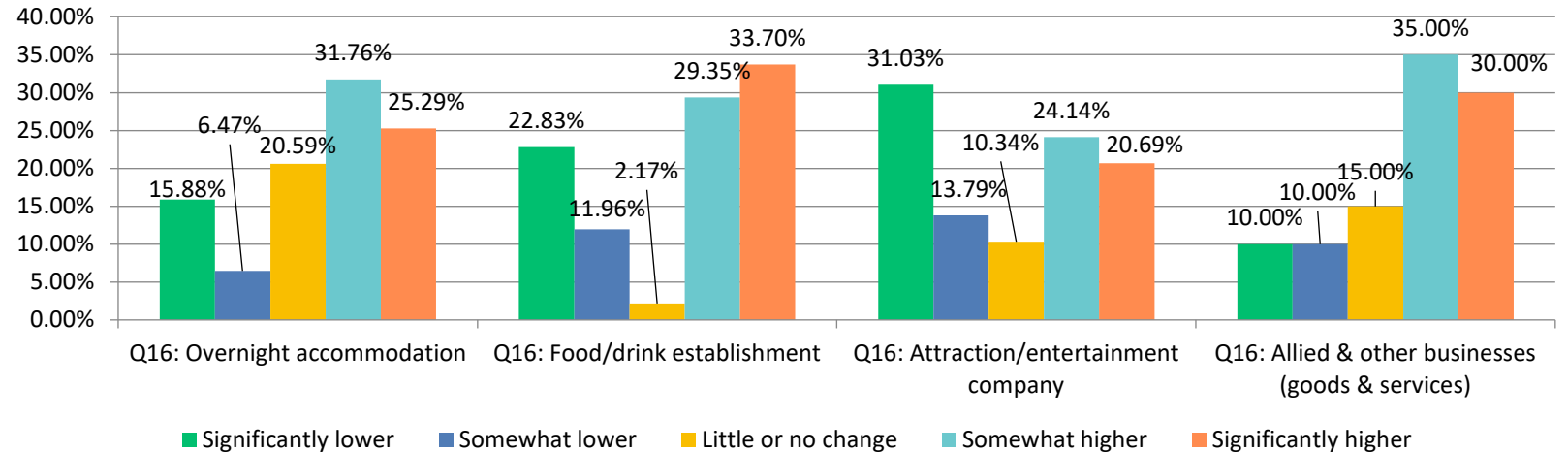
Recent business activity: How was business activity at your firm over the last three months (Mar-Apr-May) compared with the same period a year ago?



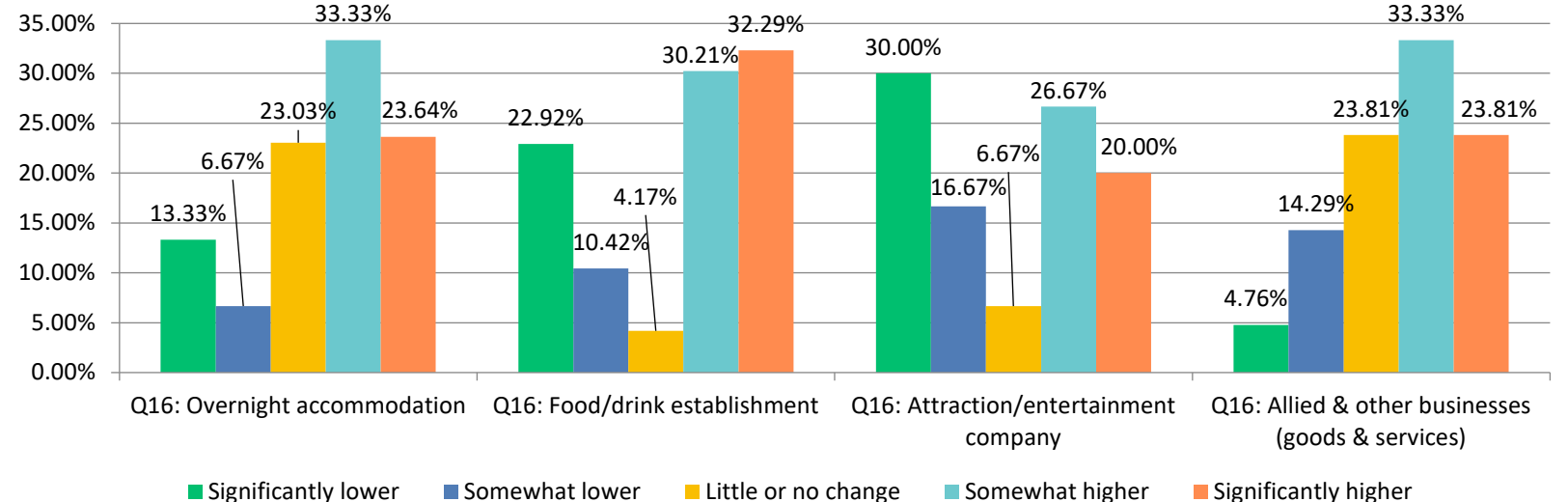
Spring Business Activity Results (continued)

- Spring business activity at Food/Drink establishments showed the most significant rebounds over the past three months, (i.e., 63.1% with significantly higher revenue and 62.5% with significantly higher customer traffic), Attractions/Events, Overnight Accommodations and Allied and Other Businesses also reported substantial increases in spring business activity.

Spring Revenue/sales by Primary Business Type



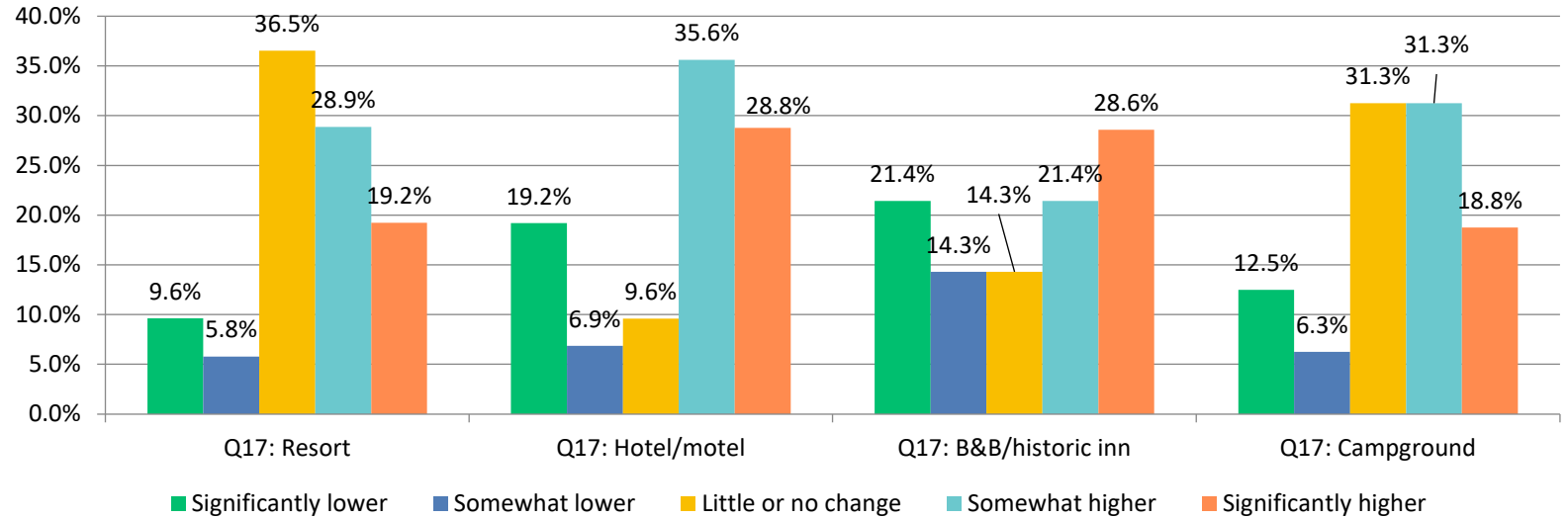
Customer Traffic/Total Customers by Primary Business Type



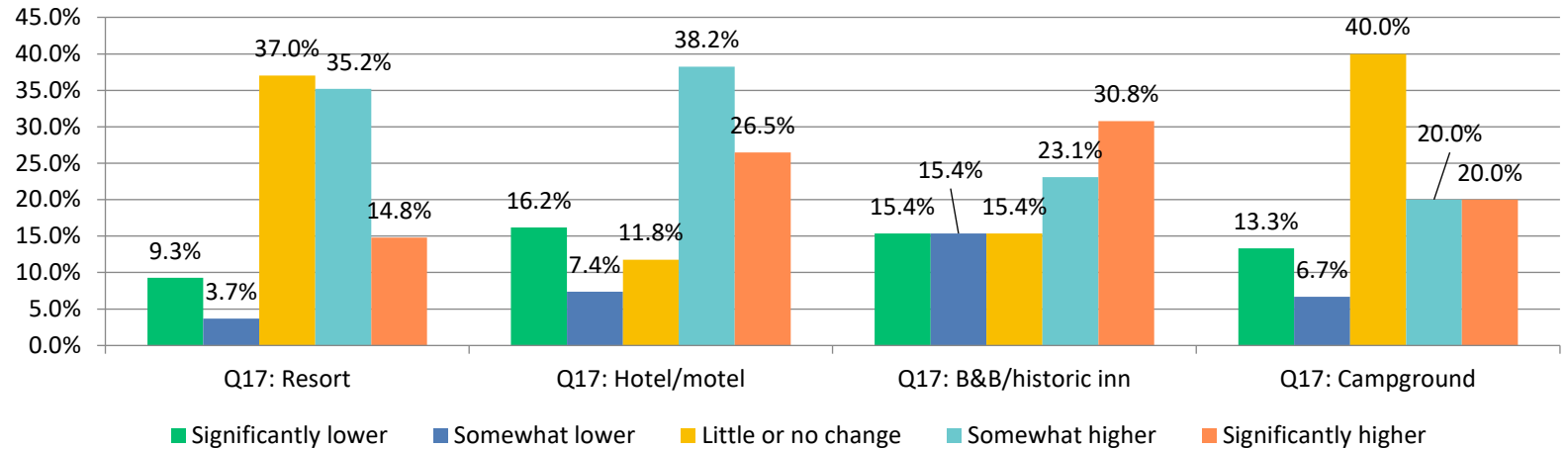
Spring Business Activity Results (continued)

- Within Accommodations, Hotels/Motels fared better this spring in revenue (64.4%) than other categories in this sector. Resorts, B&B/Historic Inn, and Campground all reported between 48% and 50% higher revenue.
- It's important to note that Hotels/Motels have the biggest deficits to overcome from COVID-19-related impacts year-over-year. In spring, seasonality is also a factor for some accommodations.
- Similarly, 64.7% of Hotel/Motels respondents experienced higher spring customer traffic, compared with 50% of resorts respondents.

Spring Revenue/Sales, by Primary Accommodations Type



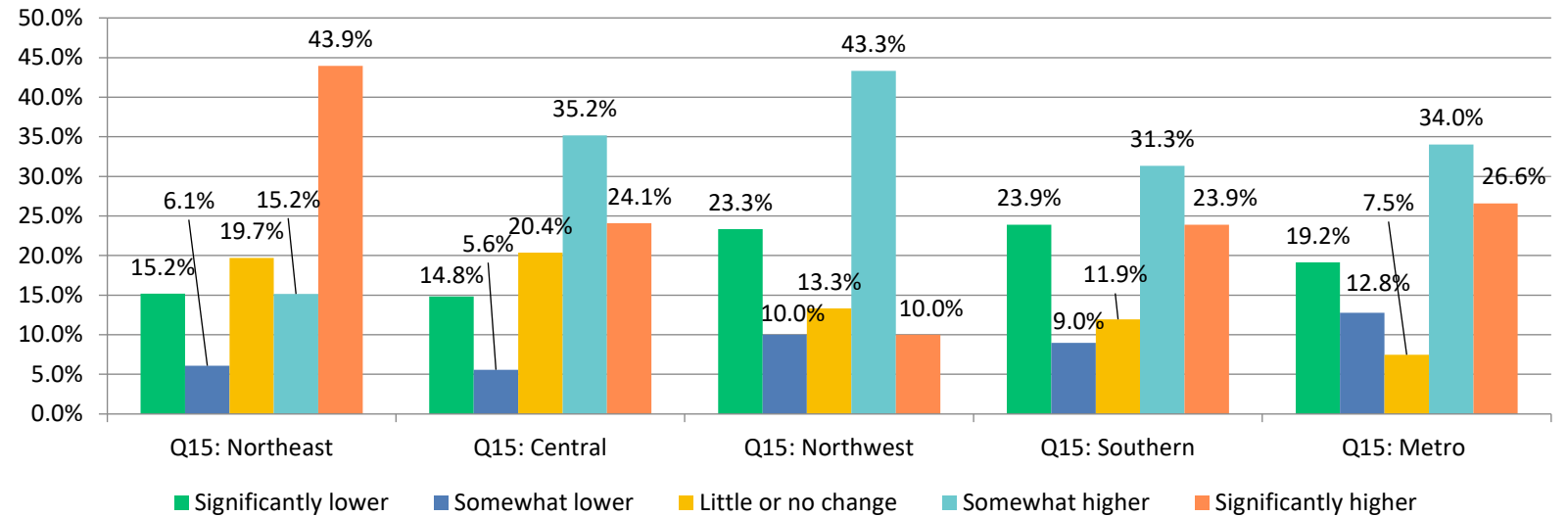
Spring Customer traffic/total customers, by Primary Accommodations Type



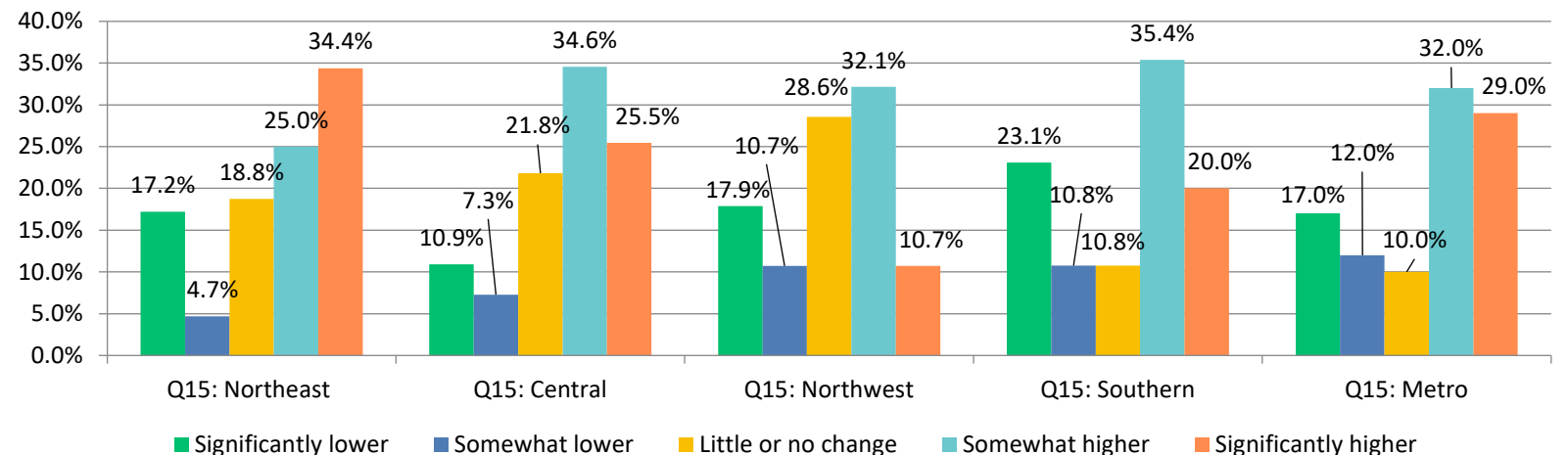
Spring Business Activity Results (continued)

- Geographically, Revenue/Sales showed vast improvements over the past three months in all five regions. Respondents indicating somewhat or significantly higher revenue: Metro (60.6%); Central (59.3%); Northeast (59.1%); Southern (55.2%); and Northwest (53.3%)
- Increasing consumer confidence can be seen at the regional level with respondents reporting higher customer traffic in Metro (61%), Central (60.1%), Northeast (59.4%), Southern (55.4%) and Northwest (42.8%).

Spring Revenue/Sales, by Minnesota Region



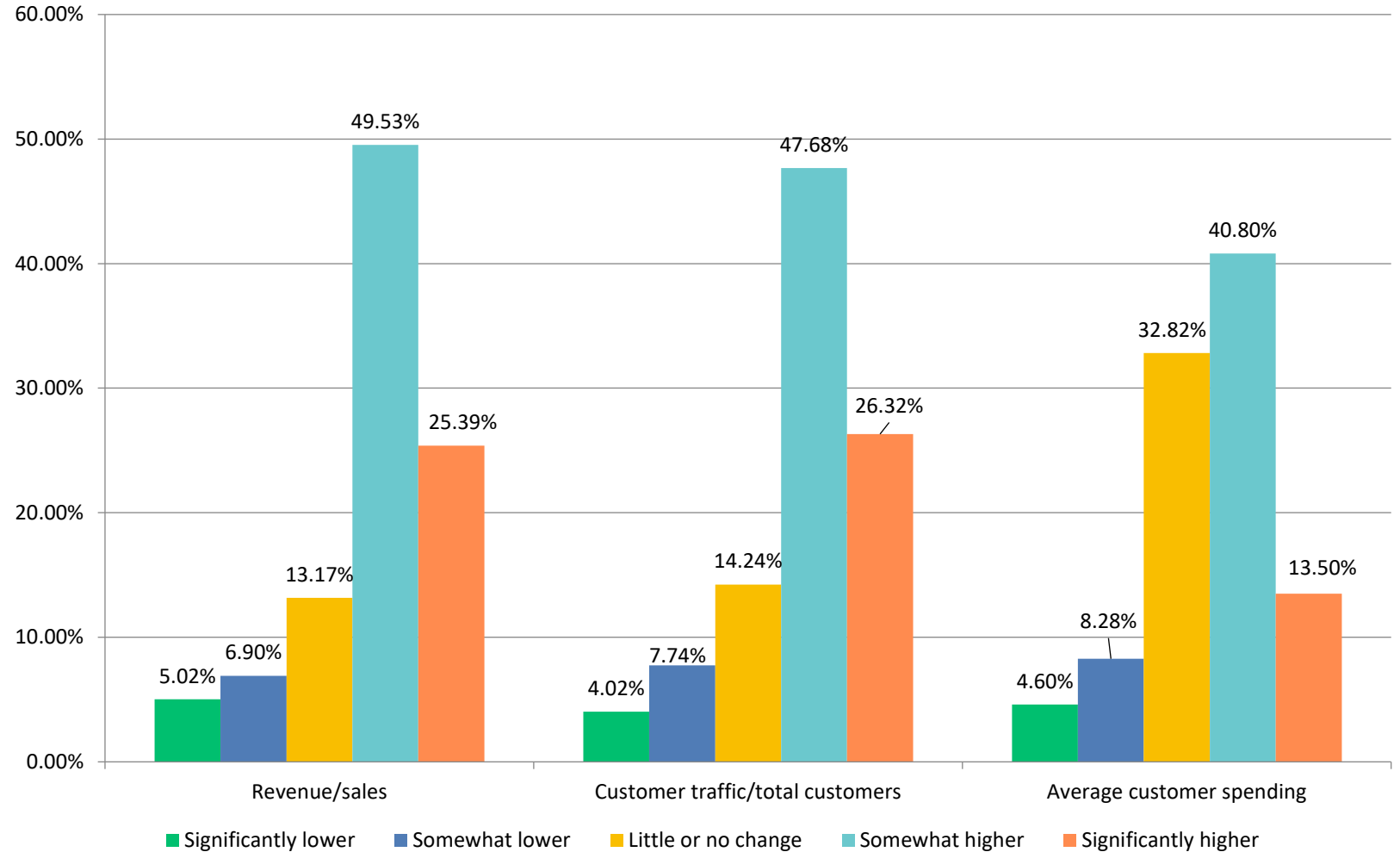
Spring Customer Traffic/Total Customers, by Minnesota Region



Outlook/Future Business Activity

- The Summer 2021 outlook for business activity is very optimistic. Comparing against the benchmark of business activity from Summer 2020, more businesses categories will be open and operating without COVID-restrictions.
- Aside from COVID-19, businesses are voicing major concerns regarding labor availability as well as increased operating costs from labor to supplies. Many are trying to resist passing on the costs to consumers, but likely inevitable and question how much consumers are willing to absorb.

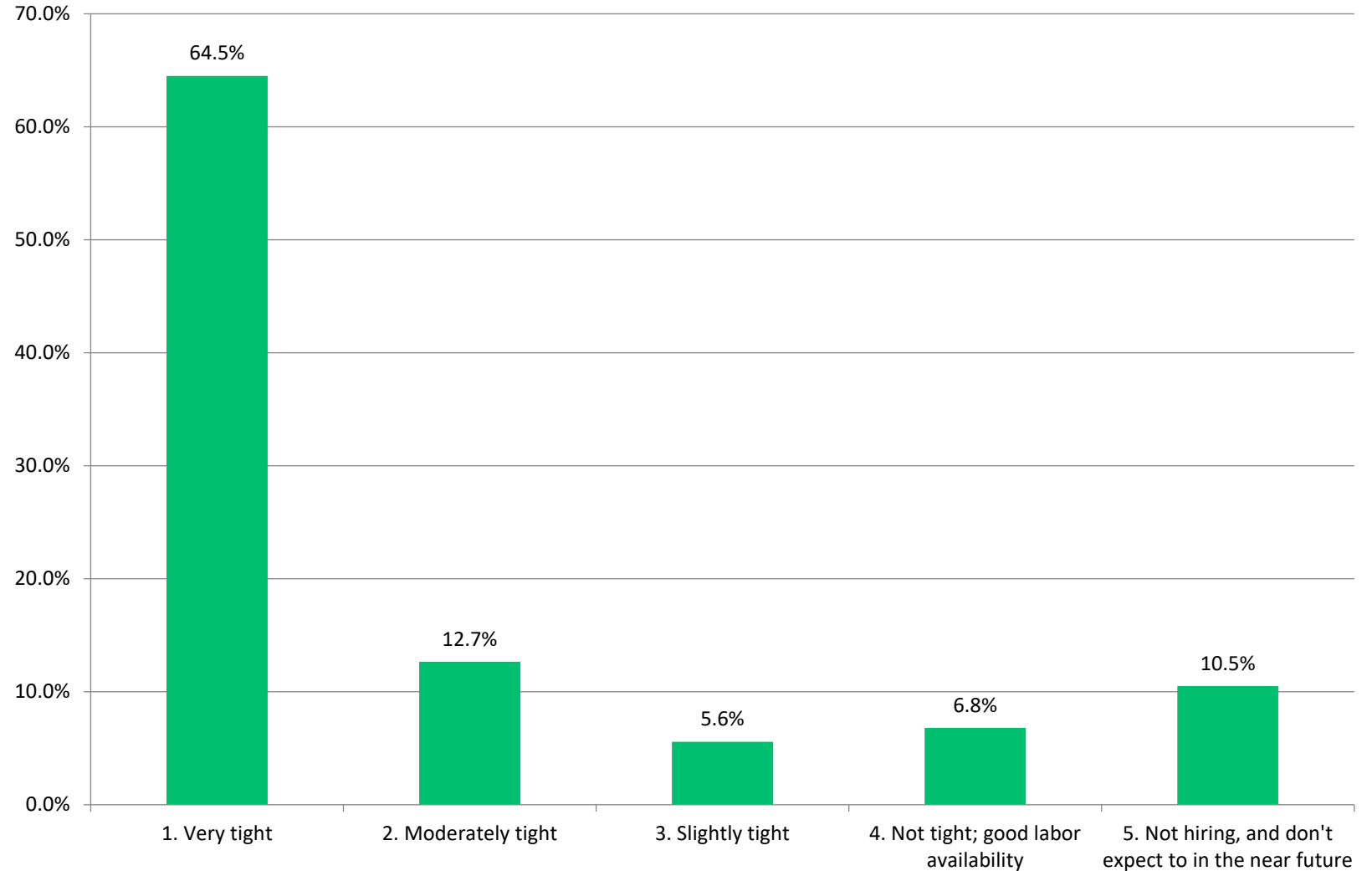
Outlook/Future business activity: What are your expectations for the coming three months (June-July-Aug) compared with last year?



Outlook/Future: Labor Availability

- Many tourism and hospitality businesses urgently need labor conditions to improve, with 77.2% describing labor availability as very tight or moderately tight.

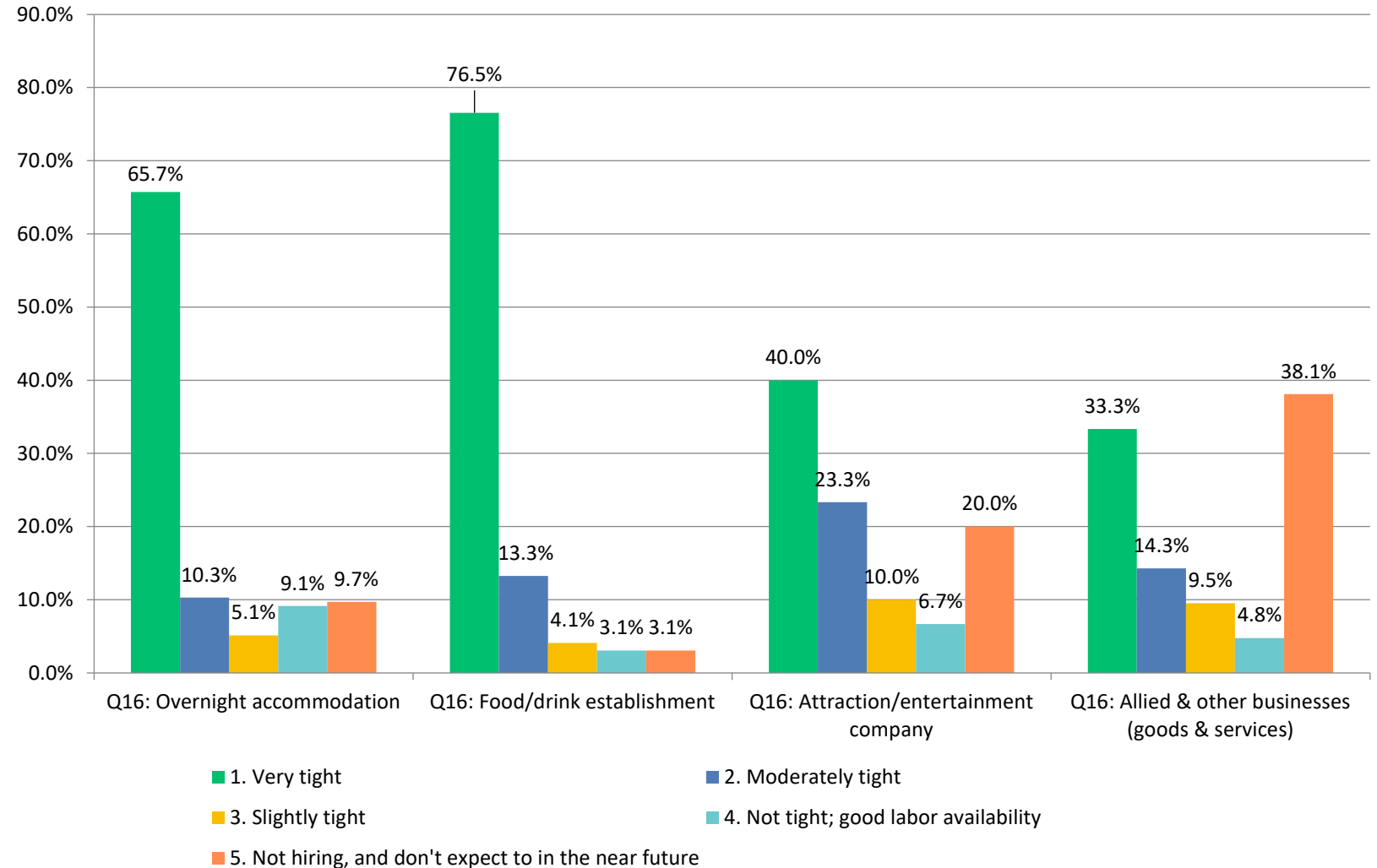
Labor availability: How would you describe labor availability for any open or recently filled positions at your company?



Outlook/Future: Labor Availability (continued)

- The urgency is greatest for Food/Drink establishments, with 89.8% describing the availability of labor as very tight or moderately tight. Overnight accommodations follow, with 76% of respondents agreeing.
- Businesses across all categories voiced frustration in finding workers. Comments included:
 - “it is the worst labor market in 20 years” ,
 - the impact of “ongoing unemployment benefits”,
 - “no applicants despite offering bonuses, high wages, and benefits”,
 - the impact of “no foreign workers”,
 - “high school & college students waiting to get vaccinated”,
 - “parents not wanting their kids working with the public until more people get vaccinated” ,
 - greater Minnesota issues with housing & daycare availability hinder recruitment outside of the area.

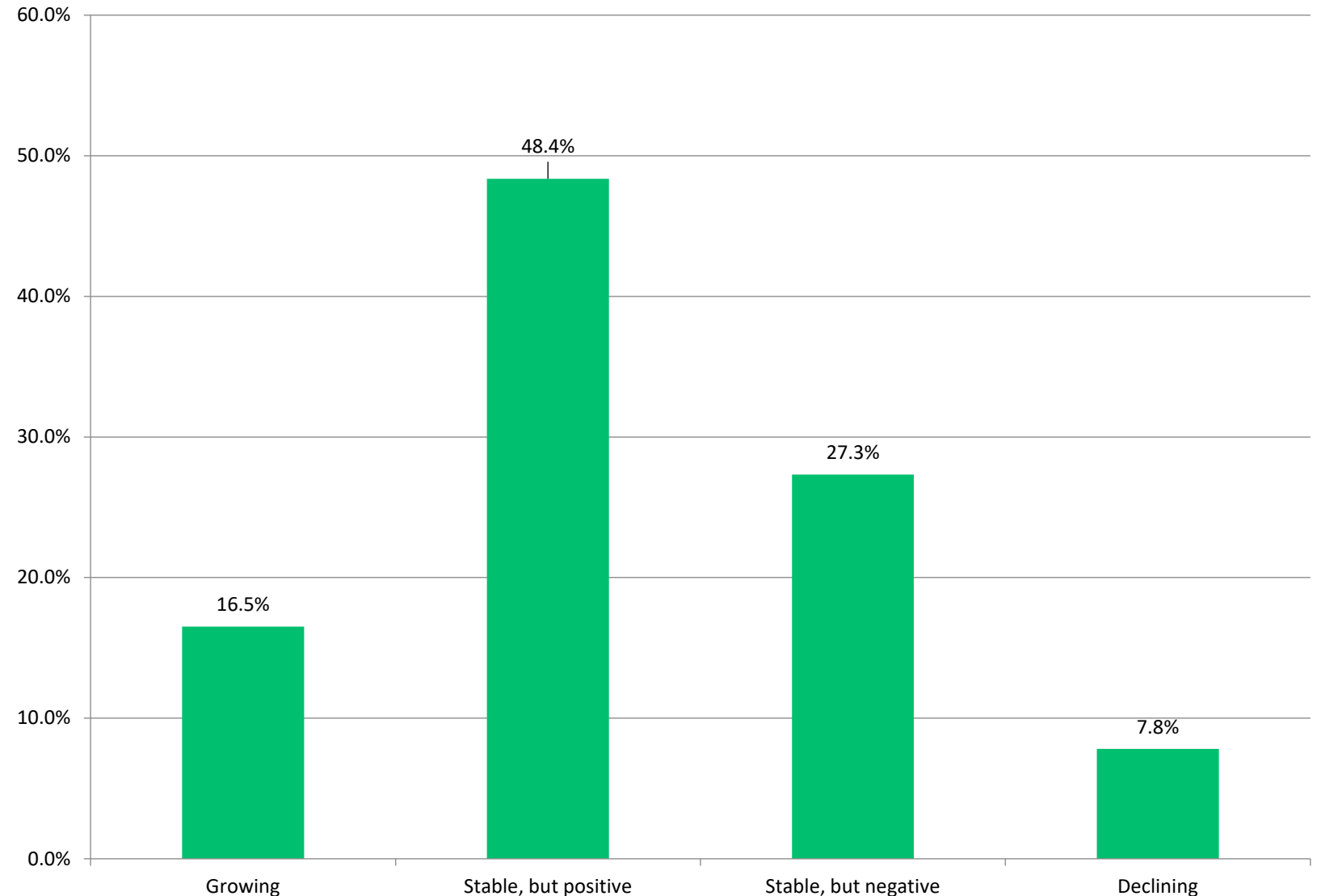
Labor Availability: How would you describe labor availability for open or recently filled positions at your company? (by Primary Business Activity)



Financial Health

- Spring 2021 saw the continuation of the positive shift in respondents' assessment of their current financial health that was first indicated in our Winter 2020-21 survey.
- Winter 2020-21 survey indicated 50.6% of respondents defined their financial health as "growing" or "stable, but positive"; Spring 2021 results show the percentage growing to 64.9%.
- In contrast, Winter 2020-21 survey found nearly 50% of respondents categorized their financial health as "stable, but negative" or "declining". In Spring 2021, we see these numbers improving - declining to 35.1%.

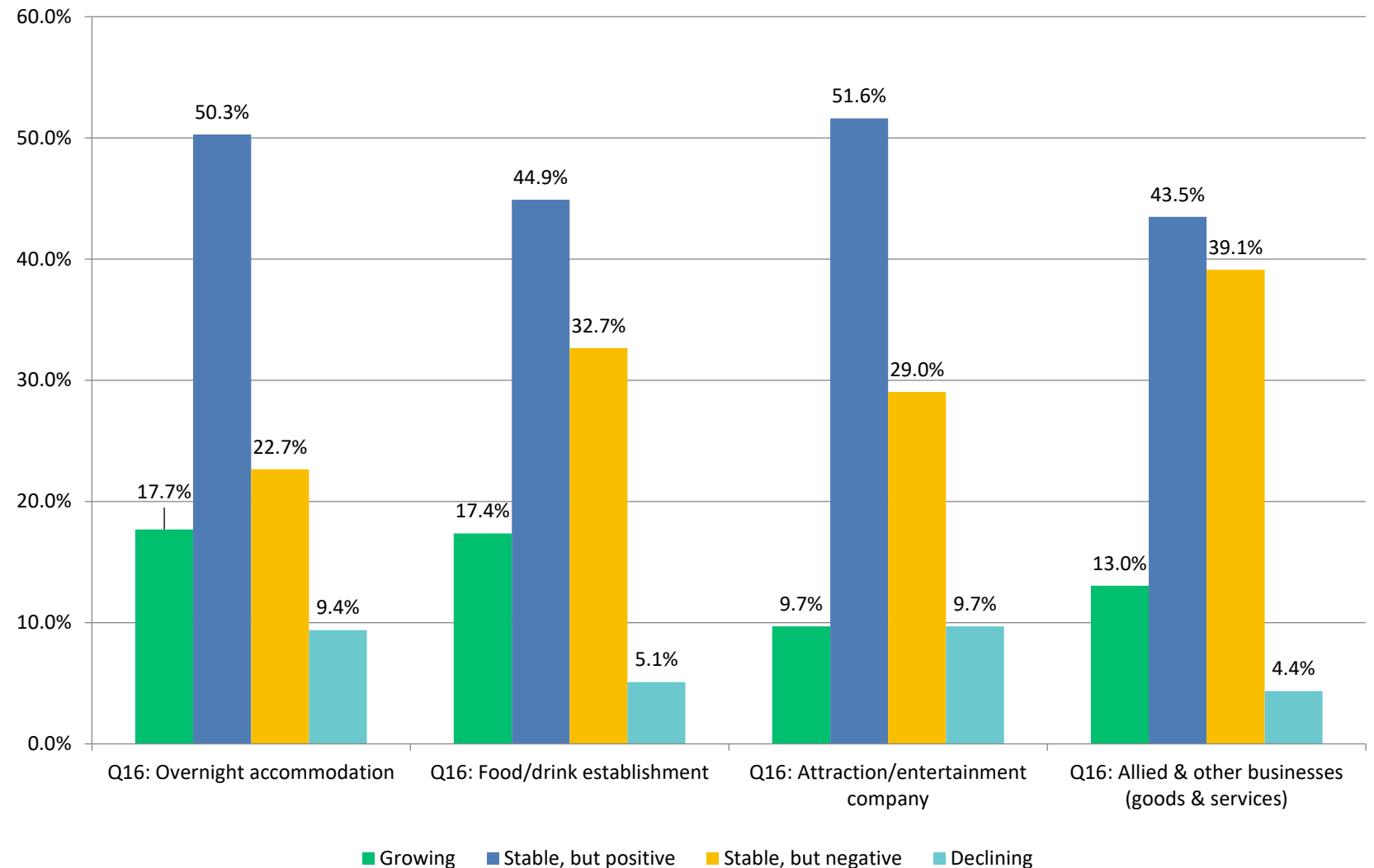
Financial health: How would you rate your business' current financial health?



Financial Health (continued)

- All business categories continue to show improvement in financial health results on the spring survey. Observed less variation in financial health ratings across business categories.
- Spring 2021 Food/Drink and Attractions categories seem to turn the corner on financial health with the portion of positive responses exceeding negative responses. Allied Businesses continue to build upon the positive responses recorded previously in the Winter 2020-21 survey.
- Accommodations registered overall positive health, including nearly 18% of respondents noting that their financial health was growing.
- Within Accommodations (breakout not displayed here), 83.4% of Resorts reported overall positive financial health, including 26.7% reporting growth. By contrast Hotel/Motels were at 53% overall positive (30% in Winter 2020-21), including 9% growing (3% in Winter 2020-21).
- Regionally (breakout not displayed here), the Northeast had the most overall positive results (79.7%), followed by Central (64.9%), Northwest (63.3%), Metro (60.4%) and Southern (56.3%).

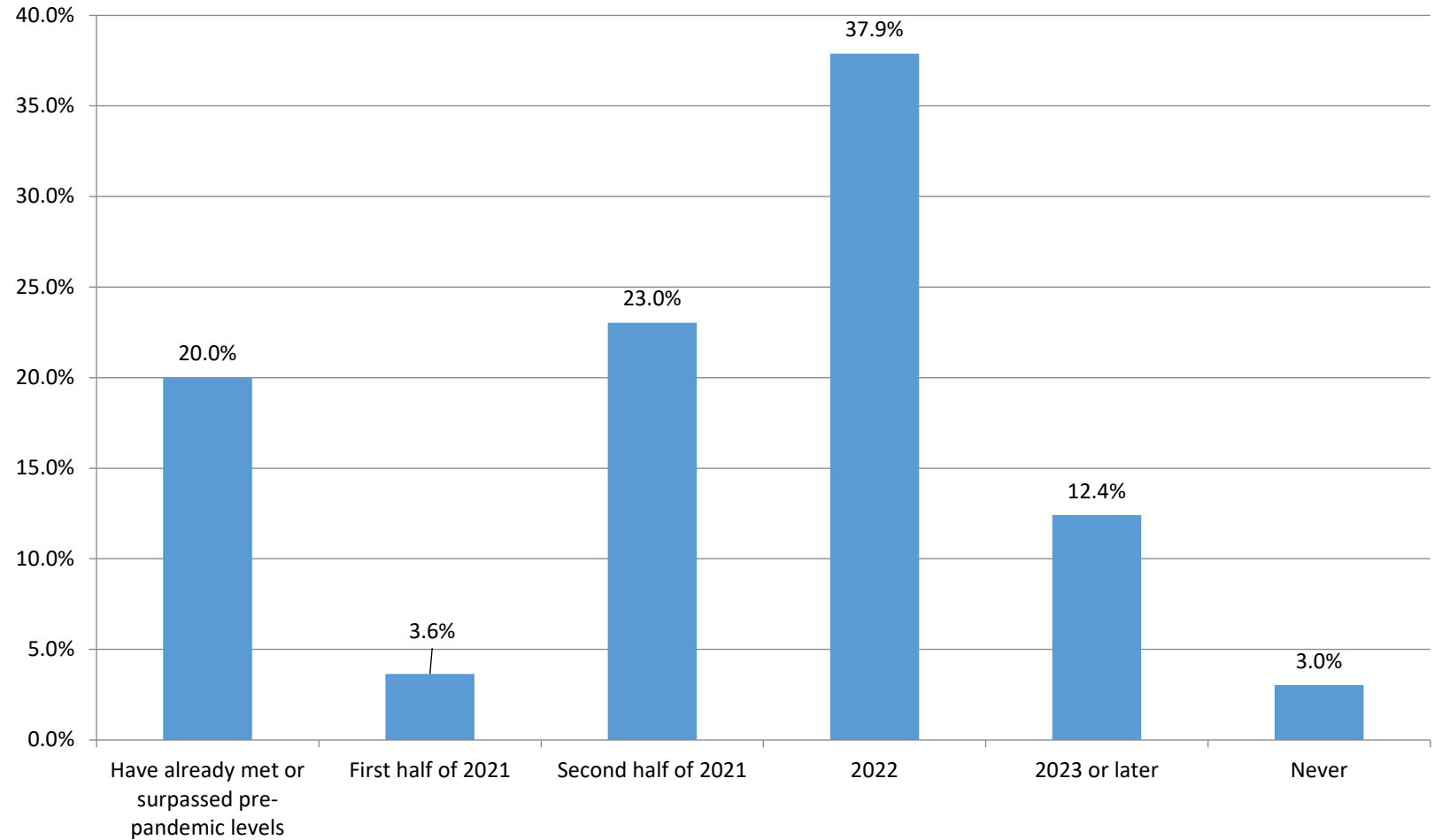
Financial health: How would you rate your business' current financial health? (by Primary Business Activity)



Return of Business to Pre-Pandemic Levels

- Confidence in returning to pre-pandemic business levels has moderated with 46.6% of respondents reporting they have already met or surpassed pre-pandemic levels or expect business to return to pre-pandemic levels before the end of 2021 - compared to 60.8% of respondents from the winter 2020-21 survey.
- The Spring 2021 survey shows 15.4% do not expect to return to pre-pandemic levels until 2023 or later, compared to 10.7% from Winter 2020-21 results.

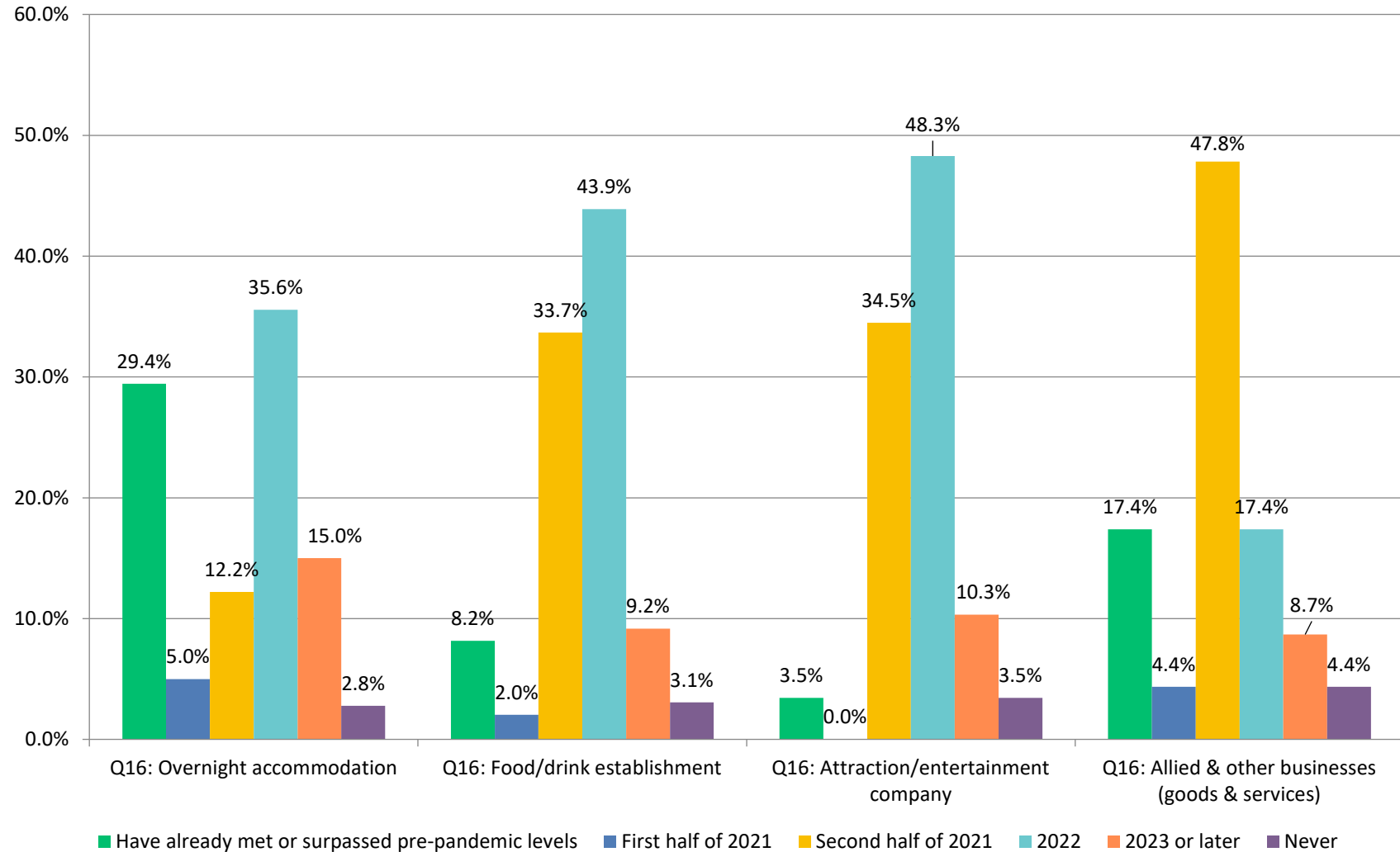
When do you expect business at your firm to return to something close to pre-pandemic levels?



Return of Business to Pre-Pandemic Levels (continued)

- Expectations for returning to pre-pandemic levels vary by business category, with Accommodations having the most respondents already meeting pre-pandemic levels and the fewest expecting business to return in the second half of 2021.
- Allied & Other Businesses are most likely to expect business to return in the second half of 2021.
- Food/Drink establishments and Attraction/Entertainment respondents both expect business to return in the second half of 2021 and throughout 2022.
- Within Accommodations, Hotel/Motels are the most likely to expect business to return in 2023 or later (29.3%).

When do you expect business at your firm to return to something close to pre-pandemic levels? (by Primary Business Activity)

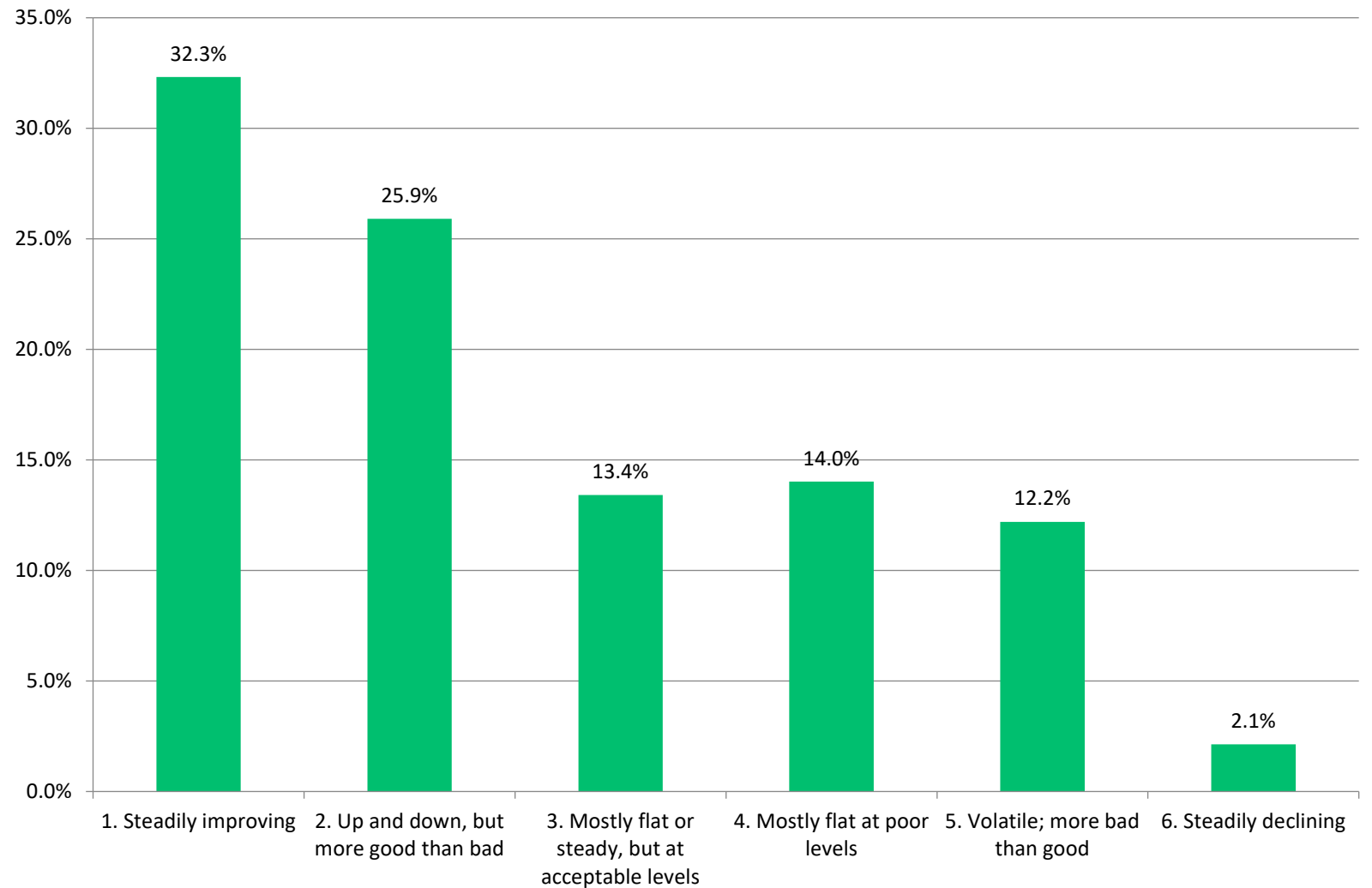


Pandemic-related Questions

Two survey questions addressed more specific pandemic-related dimensions of business activity.

- The first question asked about the nature and direction of changes in business activity over the course of the pandemic. Six response choices were given - three reflected overall positive changes and three reflected overall negative changes.
- Overall positive change options represented just under three-quarters of responses (71.6%), while overall negative change options represented just over one-quarter of responses (28.3%).

How would you describe business activity at your firm over the last 6-9 months?

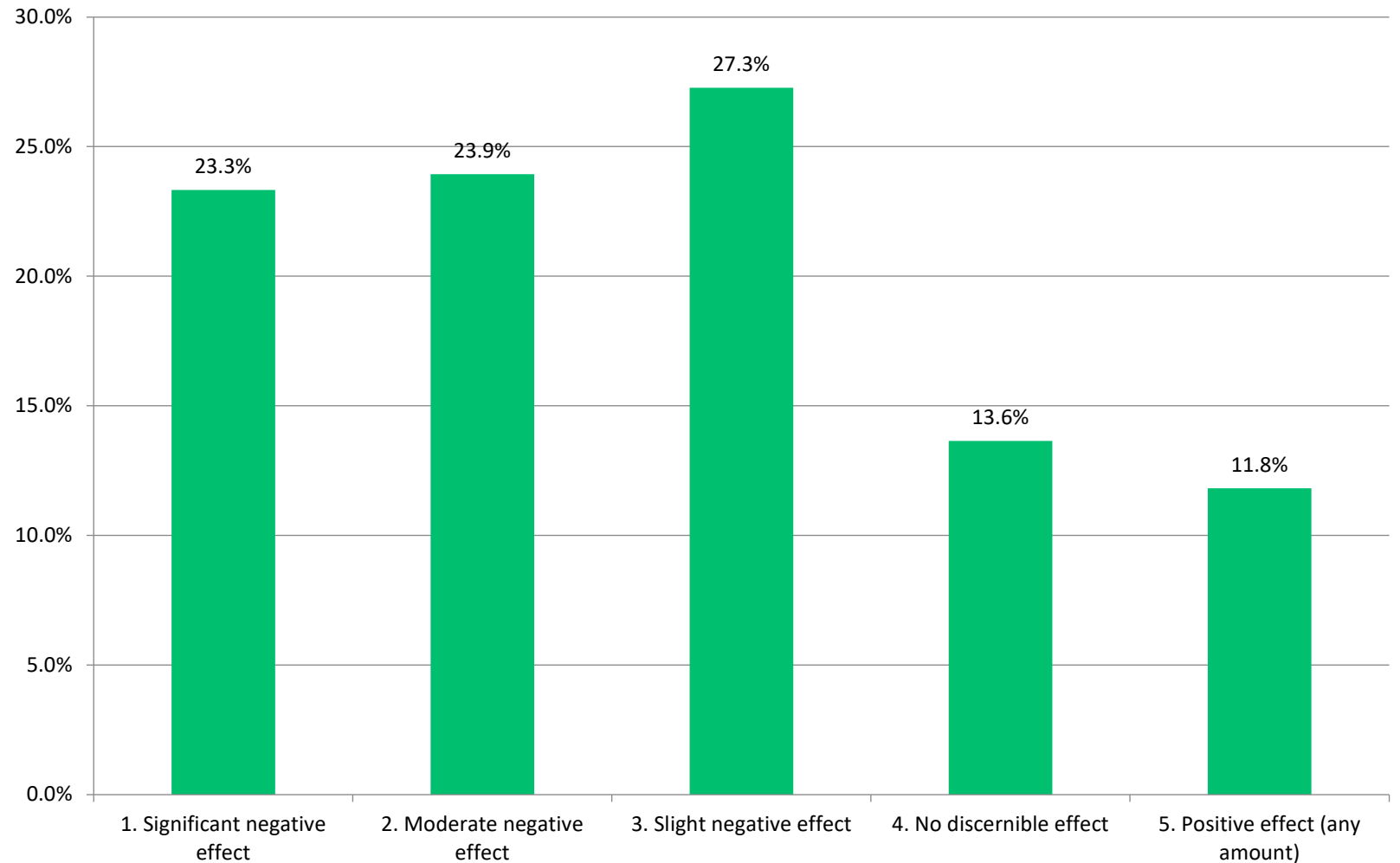


Pandemic-related Questions (continued)

- The second pandemic-related question asked about impacts of COVID-related policies and restrictions (at the time of the survey).
- 75% indicated negative effects from the restrictions. 11.8% of respondents described the impacts as having a positive effect.

In response to improving COVID-19 metrics, Governor Walz began a phased approach to the rescinding of COVID-19 restrictions on business operations which began on May 7, 2021.

How would you describe the impact of current/remaining COVID-related operating policies & restrictions?



Additional Survey Topics

Additional survey questions addressed topics not covered in this summary – operating capacity, demand, price inflation, employment, wages, and solvency. Although these topics are typically not covered in Explore Minnesota’s business conditions surveys, they were included in the Spring 2021 survey as a result of the cooperative approach to best serve the interests of all three partnering organizations.

Please refer to survey reports of the [Federal Reserve Bank of Minneapolis](#) and [Hospitality Minnesota](#) for more detail on those survey questions.





THANK YOU