Spring 2022 Tourism and Hospitality Industry Survey Findings
Spring 2022 Summary: Recovery still in progress

Explore Minnesota found that tourism and hospitality industry conditions are improving, but not back at 2019 business levels.

- More firms are at or close to pre-pandemic business activity
- Recovery varies by industry business sector and region of Minnesota
- Labor availability, supply chain and inflation are continuing concerns
- Most firms optimistic for 2022 summer travel season
Spring 2022 Summary: Recovery still in progress

More firms are at or close to pre-pandemic business activity

- 41% of firms reported that they are at or close to pre-pandemic business levels.
- 78% of firms reported being in a growing or stable, but positive financial position.
- 61% of firms had higher spring 2022 revenue compared to 2019, and 65% of firms had greater revenue compared to spring 2021.
- Only 43% of firms had customer demand at or above operating capacity this spring.
Spring 2022 Summary: Recovery still in progress

Recovery varies by industry business sector and region of Minnesota

- Generally, overnight accommodations and food or drink establishments had stronger spring revenue than attractions and entertainment companies.
- 42% of accommodations and 40% of food or drink establishments reported 2022 revenue was the same or higher relative to spring 2019.
- Firms in central, northeast and northwest Minnesota performed well this spring, with 69% to 73% of them reporting revenue was the same or higher compared to 2019.
- In the metro area 57% of firms had 2022 revenue at or above 2019 levels.
- In southern Minnesota, only 39% of firms had higher revenue than in 2019.
Spring 2022 Summary: Recovery still in progress

Labor availability, supply chain and inflation are continuing concerns

• The tourism and hospitality industry faces multiple challenges.
• This spring 64% of firms reported a very tight labor market.
• 20% of firms said it is extremely or very difficult to obtain critical supplies.
• Inflationary pressures are increasing:
  • 50% of firms increased retail prices charged to consumers 5% or more in the last year.
  • 76% of firms reported that the wholesale prices they are charged by vendors have increased 5% or more in the last year.
Spring 2022 Summary: Recovery still in progress

Most firms optimistic for 2022 summer travel season

- Looking to this summer, 82% of firms expect revenue similar to or higher relative to summer 2019, and 76% of firms expect revenue equal or greater to summer 2021

- However, some expressed uncertainty about how economic, societal factors and government regulations will impact consumer spending and traffic.
Survey approach

Explore Minnesota partners with the Federal Reserve Bank of Minneapolis and Hospitality Minnesota to conduct quarterly Minnesota tourism and hospitality industry business conditions surveys. The spring 2022 survey was conducted May 10 to 17 and received 223 responses.

Quarterly industry business conditions surveys are conducted jointly, and results are analyzed and reported separately. This report contains Explore Minnesota survey findings. Due to a lower than expected response rate, in survey findings regional breakouts and breakouts of industry subsectors are limited.

Please refer to our partners’ reports for analysis of responses to survey questions about debt, wages, interest rates and business solvency.
Increasing number of firms at 2019 business level

- The 41% of firms reporting they have already met or surpassed pre-pandemic business levels is higher relative to past quarterly business conditions surveys.
- 27% of firms expect a return to 2019 business levels in 2023, 13% expect a return in 2024 or later, and 5% of firms never expect to return to pre-pandemic business levels.

Survey over survey highlight: Firms that have met or surpassed pre-pandemic business levels

41% of firms are currently at or close to pre-pandemic business levels and 14% more expect to be by the end of this year
Many firms in a positive financial position

- Spring 2022 reports of growing or stable, but positive business health by 78% of industry firms is an increase of 23% over spring 2021.
- 22% of industry firms reported poor financial health with 18% in a stable, but negative position and 4% declining.

78% of firms are growing or stable, but positive standing

How would you rate your firm’s current financial health?

Survey over survey highlight:
Firms growing or in a stable, but positive financial position over time
Spring customer demand below supply for more than half of firms

The 43% of firms reporting spring 2022 customer demand at or well above supply is equal to the number of firms reporting supply at or greater than capacity one year ago.

44% of industry firms with spring 2022 demand at or above supply

Tell us about customer demand in relation to your firm’s operating capacity.

Survey over survey highlight: Firms reporting customer demand at or above supply

<table>
<thead>
<tr>
<th>Percent of Respondents</th>
<th>Demand compared to supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winter 2021</td>
<td>28%</td>
</tr>
<tr>
<td>Spring 2021</td>
<td>43%</td>
</tr>
<tr>
<td>Summer 2021</td>
<td>50%</td>
</tr>
<tr>
<td>Fall 2021</td>
<td>41%</td>
</tr>
<tr>
<td>Winter 2022</td>
<td>38%</td>
</tr>
<tr>
<td>Spring 2022</td>
<td>43%</td>
</tr>
</tbody>
</table>

0% 10% 20% 30% 40% 50%

Percent of respondents

Well below current supply capacity; could satisfy much higher demand: 19%
Somewhat below supply capacity: 38%
At or near supply capacity: 32%
Well above supply capacity; turning away business: 11%
More than half of firms with higher spring revenue

Across industry business sectors, 61% of firms with spring 2022 revenue the same or higher than 2019 and 65% than 2021

Select survey comments -

"Corporate travel and meetings slowly starting to increase, high demand for leisure activities."

"We are seeing a lot more cancellations and last minute cancellations from those who book stays."

"We are seeing less RV reservations and less mid week reservations."

"Long winter and weather has impacted spring traffic. Less people coming."

"Seeing increased traffic due to events/weddings downtown."

"Staff challenges remain a large hindrance to revenue goals."

"Guests are ready to travel and understand that our costs are going up and at times staff may be limited."

"Inflation is starting to slow traffic, and has killed margins."

"There was a significant uptick in business once the mask mandate was lifted in St. Paul."
Spring revenue varied by industry business sector

- Overnight accommodations had a strong spring with 42% of firms reporting higher 2022 revenue compared to pre-pandemic. Hotels and motels performed best with 51% having somewhat or significantly higher revenue this spring.

- Food and drink establishments also did well with 40% having higher recent spring revenue higher. Restaurants performed best with 65% having somewhat or significantly higher 2022 spring revenue compared to 2019.

- Attractions and entertainment trailed with 50% of firms reporting spring 2022 revenue somewhat or significantly lower relative to 2019.

Across tourism and hospitality industry business sectors 50% to 68% of firms had spring 2022 revenue the same or higher compared to 2019.

How was your firm’s spring revenue compared to pre-pandemic?

- **Significantly lower**
- **Somewhat lower**
- **Little or no change**
- **Somewhat higher**
- **Significantly higher**

Spring revenue compared to same time period pre-pandemic

*Directional results due to less than 30 survey respondents*
Spring revenue also varied by MN region

- Central Minnesota firms performed well with 69% reporting spring 2022 revenue the same or higher compared to spring 2019.
- In the metro area 57% of firms had spring 2022 revenue the same or higher relative to spring 2019.
- Northeast Minnesota was the strongest with 73% reporting spring 2022 revenue the same or higher compared to spring 2019.
- In Northwest Minnesota 70% of firms had spring 2022 revenue the same or higher relative to spring 2019.
- Southern Minnesota trailed with only 39% of firms reporting recent spring revenue the same or higher relative to 2019.

Across the regions of Minnesota 39% to 73% of firms had spring 2022 revenue the same or higher compared to 2019

How was your firm’s spring revenue compared to pre-pandemic?

- Significantly lower
- Somewhat lower
- Little or no change
- Somewhat higher
- Significantly higher

Spring revenue compared to same time period pre-pandemic

* Directional results due to less than 30 survey respondents
Labor availability remains a problem for the industry

- The 64% of firms reporting a very tight spring 2022 labor market is a 1% increase from the percent of firms reporting this condition one year ago.

A very tight labor market reported by 64% of firms, and an additional 23% reported moderately or slightly tight labor availability

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

Survey over survey highlight:
Firms reporting a very tight labor market

<table>
<thead>
<tr>
<th>Percent of Respondents</th>
<th>Winter 2021</th>
<th>Spring 2021</th>
<th>Summer 2021</th>
<th>Fall 2021</th>
<th>Winter 2022</th>
<th>Spring 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not hiring and don’t expect to in the near future</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Not tight; good labor availability</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Slightly tight</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Moderately tight</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Very tight</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Percent of respondents

Labor availability conditions
Inflation is also a challenge

- Over quarterly surveys the percent of firms reporting a 5% or more increase in retail and wholesale prices in the last 12 months has consistently grown.

50% and 76% of firms with retail and wholesale price increases of more than 5% in the last year

Survey over survey highlight:
Firms reporting a 5% or greater increase in retail prices

Survey over survey highlight:
Firms reporting a 5% or greater increase in wholesale prices

How would you describe retail price changes charged to your customers over the last 12 months?

<table>
<thead>
<tr>
<th>Price change</th>
<th>Percent of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices have dropped</td>
<td>0%</td>
</tr>
<tr>
<td>Little or no change</td>
<td>10%</td>
</tr>
<tr>
<td>1-2% higher</td>
<td>7%</td>
</tr>
<tr>
<td>2-3% higher</td>
<td>11%</td>
</tr>
<tr>
<td>3-5% higher</td>
<td>21%</td>
</tr>
<tr>
<td>5-10% higher</td>
<td>36%</td>
</tr>
<tr>
<td>More than 10% higher</td>
<td>14%</td>
</tr>
</tbody>
</table>

How would you describe wholesale price changes charged by vendors to you over the last 12 months?

<table>
<thead>
<tr>
<th>Price change</th>
<th>Percent of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices have dropped</td>
<td>0%</td>
</tr>
<tr>
<td>Little or no change</td>
<td>2%</td>
</tr>
<tr>
<td>1-2% higher</td>
<td>3%</td>
</tr>
<tr>
<td>2-3% higher</td>
<td>2%</td>
</tr>
<tr>
<td>3-5% higher</td>
<td>17%</td>
</tr>
<tr>
<td>5-10% higher</td>
<td>39%</td>
</tr>
<tr>
<td>More than 10% higher</td>
<td>37%</td>
</tr>
</tbody>
</table>
Severe supply chain difficulties are decreasing

- The 20% of firms reporting that it is extremely or very difficult to obtain critical supplies is consistent with winter 2022 survey results, and a 15% decrease from the 35% of firms that reported severe supply chain challenges in fall 2021.

Survey over survey highlight:
- Firms reporting that it is extremely or very difficult to obtain critical supplies
Strong summer 2022 revenue expectations for most firms

76% of firms expect summer 2022 revenue the same or higher than 2019 and 82% than 2021

Select survey comments -

"Gas prices, consumer confidence, spikes in COVID, international conflict could affect travel."

"Crime reports/issues downtown need to continue to fall – a lot of reputation issues with guests fearful to stay downtown."

"I can predict people will still prioritize travelling locally, even with higher gas prices, etc. I am confident we will have a stellar year, like 2021."

"There are more options of events for people to attend – so it may influence our traffic."

"Revenue is no longer a good measure because of the crazy amount of inflation."

"The city not continuing the expanded patio seating on to parking lots will really jinx our summer business."

"We are concerned consumers will spend less and travel less."

"More reservations during the winter for this summer. We hardly have much to offer at this point and have just opened."
THANK YOU
Appendix: Respondent data
Which of the following best describes your primary business activity?

- Overnight accommodation: 50%
- Food or drink establishment: 34%
- Attraction or entertainment company: 9%
- Allied & other businesses: 7%
Responses by overnight accommodation type

Which of the following best describes your overnight accommodation business?

- Resort: 37%
- Hotel or motel: 42%
- Campground: 9%
- B&B or historic inn: 7%
- Other: 5%
Responses by food or drink establishment type

Which of the following best describes your food/drink business?

- Restaurant: 68%
- Brewery, taproom, winery or distillery: 18%
- Bar or club: 3%
- Other: 11%
Responses by attraction or entertainment company type

Which of the following best describes your attraction/entertainment business?

- Other: 30%
- Outdoor activities or rentals: 35%
- Museum or gallery: 20%
- Theater or performance: 10%
- Tours & excursions: 5%
Where in Minnesota is your business located?

- Southern Minnesota: 13%
- Central Minnesota: 23%
- Northwest Minnesota: 9%
- Northeast Minnesota: 17%
- Metro: 38%