

SURVEY RESULTS FORECAST A STRONG 2019 MINNESOTA SUMMER TRAVEL SEASON

- **Overview:** A recent Explore Minnesota Tourism (EMT) survey revealed that Minnesota lodging and camping properties have positive expectations for the upcoming summer season. More than a third of respondents (36%) expect occupancy to be up this summer compared with last summer, and a larger portion (43%) expect revenue to be up. By contrast, only 18% of respondents expect summer occupancy to be down and 18% of respondents expect revenue to be down. Respondents to the pre-summer 2019 survey were upbeat about the financial health of their businesses. Results for spring business levels were less positive, due in part to another late and wet spring. Respondents attributed their positive summer expectations to continued strength in the economy, but some of these same respondents noted uncertainty about the future of the economy. Many comments reflected recent themes of challenges related to private rentals and workforce shortages.

- **Expectations for Summer 2019 (June through August):** Survey responses pointed toward overall improvement in summer 2019 occupancy and revenue, when compared with summer 2018. Positive expectations outnumbered negative expectations 2-to-1 for occupancy and by an even greater margin for revenue. (*Note:* For this and other questions about year-over-year changes, only the direction and not the degree of change was ascertained.) The strength of these expectations is further enhanced when taking into account that the 2018 summer season, i.e., the point of comparison for 2019 expectations, was another good summer in a string of recent strong summer seasons for Minnesota accommodations.

A weighted average 36% of respondents expect their upcoming summer occupancy to be up, 46% expect it to be the same, and 18% expect it to be down from last summer. These occupancy expectations are similar to expectations a year ago for summer 2018, when 39% of respondents expected summer 2018 occupancy to be up, 43% expected it to be the same, and 18% expected occupancy to be down from summer 2017. (*Note:* Percentages may not add to 100% due to rounding. Also, see "rebalancing by accommodation type" below for an explanation of weighted averages.) Positive summer 2019 occupancy expectations were reflected in results for all accommodation types and all Minnesota tourism regions.

Expectations for summer 2019 revenue are even more positive than occupancy expectations. A weighted average 43% of respondents expect upcoming summer revenue to be up, 39% expect it to be the same, and 18% expect it to be down from last summer. A year ago, 41% of respondents expected summer 2018 revenue to be up, 41% expected it to be the same, and 18% expected it to be down from summer 2017. Continuing a trend of recent years, revenue expectations that exceed occupancy expectations reflect rate increases.

Among the reasons respondents cited for their positive outlook for summer were a continued good economy, strong customer service, their own good marketing, social media inspiration, property expansions and improvements, higher rates and hope/expectations for better weather. A few resort respondents with "same" expectations for summer occupancy noted that they are always at capacity during the summer, so raising rates is their only way to experience growth (i.e., revenue growth only). Summer business for some respondents is hampered by increased room supply in their area, both from traditional properties and an increase in private rentals available. Campground operators were optimistic about business prospects into the future, citing increased interest in the camping experience.

- **Spring 2019 Business Levels:** Similar to a year ago, a late arrival of spring and cool, wet spring weather posed challenges for survey respondents, especially those featuring outdoor experiences. Overall, survey respondents reported lower occupancy and revenue in spring (i.e., April and May) 2019 compared with spring of 2018. A weighted average 24% of respondents reported that spring 2019 occupancy was up, 45% reported it to be the same, and 31% reported occupancy to be down from a year earlier. For spring revenue, 29% of respondents reported that it was up, 40% reported it to be the same, and 31% reported it to be down from spring 2018 levels. The metro was the only region of the state with net positive spring business results for both occupancy and revenue, where more respondents reported that occupancy and revenue were up than reported that they were down. The boost provided by the NCAA Men's Final Four basketball tournament at U.S. Bank Stadium in early April likely contributed to these results.

- **Financial Health:** Continuing a trend of the past few years, a very high portion (80%) of survey respondents were positive about the current financial health of their business. A weighted average 23% of

respondents rated their business as “growing” and 56% rated it as “stable, but positive.” On the negative side, 13% of respondents rated their business as “stable but negative” and 6% rated it as “declining.” Two percent of respondents said they didn’t know. While financial health results skewed positive for all accommodation types and regions, more resorts and campgrounds and northeast Minnesota respondents reported positive financial health than respondents from other lodging types and regions.

- **Primary Business Goals:** A new question on this survey asked about respondents’ primary business goals in 2019, aside from strictly profit-oriented goals. Responses focused on improving customer satisfaction, retaining both existing customers and staff, and generating additional business by way of guest referrals and improved social media presence. Some goals were oriented toward property improvements or expansions, and several addressed expanding business during slower periods, whether they be weekdays, weekends or off/shoulder seasons. A few respondents addressed getting out of debt, or transitioning their property via sale, liquidation or passing it on to the next generation.

- **Current “Heavy” Issues:** Another new question asked what issue is currently weighing most heavily on respondents and the success of their properties. Staffing shortages continued a thread of workforce-related issues seen in responses to all open-ended questions. Representative responses include “no help!!” and “lack of and quality of staff available.” A number of respondents reflected on increased room supply and associated downward pressure on rates in their market, including competition from private rentals that present “... so many choices for vacationers, just a click away.” On the flip side of that issue, a vacation home rental respondent commented about “the county’s negative attitude toward Airbnb/VRBO operators and desire to add regs and fees.” Some respondents are challenged by the expenses required to replace equipment and otherwise maintain aging properties. A number of responses to this and the following economic outlook question cited taxes/property taxes as an issue, including concerns about the impact of the proposed 20 cent gas tax increase while it was still under consideration at the legislature. That tax increase was not passed into law.

- **Economic Outlook, and Resulting Shifts in Business Approach:** The final new question on this survey asked for respondents’ outlook on where the economy is headed and what, if anything, they are doing differently because of it. Considerable variation emerged regarding respondents’ economic outlook, including a few “great” and “growing” responses, numerous “positive” and “good” responses, and also numerous “slowing,” “softening” and “down” responses, some of which were accompanied by notes of concerns about what may be on the horizon. Some of those concerns referenced economic uncertainty in the face of political unrest, plus numerous mentions about the impact of staffing shortages on the economic outlook for the respondent’s business. Many respondents are continuing their current strategies of providing good value and good customer service, regardless of their outlook. Some noted that they are taking measures in accordance with their outlook, from continued expansions/improvements and winterizing resort cabins in order to improve future business prospects, to controlling expenses and building up cash reserves in anticipation of a down period. Expanded and more strategic marketing was also noted as a hedge on an economic downturn.

- **General Comments:** The survey asked respondents to comment on anything else, including trends they have observed or things that are likely to impact their summer business. Several responses noted customers’ last minute planning and shorter stays (i.e., at resorts), but fewer responses reflected customers’ interest in deals and discounts compared with previous surveys. This may reflect a shift to a new normal. A few responses reflected increased demand for camping versus indoor accommodations, including “... a growing need for campgrounds to accommodate people working in the area and living in their RV’s.” Many of the remaining responses to this question were similar to responses already noted above for other open-ended questions, including numerous ones addressing perceived unfair competition with private rentals.

- **Survey Invitation Lists, and Response Rates:** Explore Minnesota Tourism (EMT) conducted an informal, unscientific online survey in May 2019, soliciting responses by email from 1,670 accommodations (indoor lodging properties and campgrounds) throughout Minnesota that have provided EMT with an email address. A total of 222 responses were received for a 13% response rate. All respondents indicated that they would be open during the summer 2019 season (question 2), so qualified to proceed through the survey. Among the respondents, 213 (96%) completed the entire 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 B&B/historic inns (10% of responses, 7% of total distribution), and under-represented hotel/motels (32% of responses, 36% of distribution), campgrounds (13% of responses, 15% of distribution) and resorts (35% of respondents, 36% of total distribution). Eleven percent of respondents checked "other, including vacation home rental" as their accommodation type. Vacation home rentals were among 6% of the total survey distribution list that was not represented by a specific accommodation category on the survey.

- **Rebalancing by Accommodation Type:** Results for most survey questions were rebalanced to minimize the distortion caused by substantial overrepresentation or underrepresentation of respondents in some accommodation types. Weighted average results reflect Minnesota's distribution of properties by accommodation type (found above under "responses by accommodation type").

- **Responses by Region:** The distribution of survey responses across Minnesota's five tourism regions overrepresented the northeast region (28% of responses, 23% of total distribution) and the central region (24% of responses, 22% of distribution). By contrast, survey responses underrepresented the northwest region (16% of responses, 19% of distribution), the southern region (16% of responses, 19% of distribution) and the Minneapolis-St. Paul Metro region (15% of responses, 17% of distribution).

Summary statistics for the survey can be viewed online at [Results for Survey Questions](#).