4-27-2016

A Comparison of Vacationer Spending Segments

Kara Grau
University of Montana - Missoula

Norma P. Nickerson
University of Montana - Missoula

INSTITUTE FOR TOURISM & RECREATION RESEARCH
UNIVERSITY OF MONTANA

A Comparison of Vacationer Spending Segments

MT Expression Research Report 2016-7

Kara Grau, M.S. & Norma Polovitz Nickerson

4/20/2016

Institute for Tourism & Recreation Research
College of Forestry and Conservation
The University of Montana
Missoula, MT 59812
www.itrr.umt.edu

Introduction

During 2015, an estimated 11.7 million nonresident visitors traveled in Montana. Each year, the Institute for Tourism and Recreation Research surveys a sampling of these visitors in an effort to provide information about what these travelers do, where they go, and how much they spend, to name a few of the survey topics. Marketing Montana as a destination to potential travelers, both domestic and international, is a multi-million dollar effort put forth by the Montana Office of Tourism and Business Development, as well as many other local and regional tourism promotion agencies. With visitation to Montana continuing to increase each year, both residents and promoters alike hope to attract those visitors who are contributing significantly to Montana's economy without being detrimental to the state or residents' ways of life.

Purpose

The purpose of this study was to compare characteristics of vacationers segmented into three groups: high-spenders, mid-range spenders, and low-spenders. Below is information comparing the similarities and differences between these three groups of vacation travelers in Montana during 2015.

Methods

On-site visitor intercepts of nonresident travelers in Montana were conducted on random days and times at a random sample of gas stations and rest areas throughout the state as well as at each of the seven airports from January through December of 2015. In that time period, 14,082 nonresidents were intercepted and asked about their spending over the past 24 hour period. While in Montana, the day of the travelers visit could have been the first, last, or any day in-between providing a randomized representation of all possible expenditures while people visit the state.

Survey design

Surveys are designed by ITRR personnel. On-site surveys are loaded on iPads for the nine surveyors located around the state to intercept and enter data. Mailback surveys are given to the visitor after the on-site survey is completed. Spending data used in this analysis were gathered on-site for the following expenditure categories: campground (public and private); hotel, motel, bed and breakfast; rental cabin; gasoline, diesel; restaurant, bar; farmers market; grocery, snacks; made in Montana products; retail; outfitter and guide; auto rental; vehicle repair; transportation; licenses, fees, admissions; gambling; services. Respondents were asked to round to the nearest dollar; zero was recorded for categories in which respondents indicate no spending occurred.

In order to produce estimates of statewide nonresident traveler spending, expenditure data was first cleaned to ensure that all types of spending had been reported in the appropriate categories. If any exceptionally large expenditures were noted within a category (e.g. a house purchased for $200,000), those expenditures were temporarily removed from the data so as not to inflate the mean expenditure for the category during the delimiting process. The data was delimited to three standard deviations plus the mean (calculated for each expenditure variable in SPSS); and reported expenditures higher than that amount were reduced to the delimited cutoff amount. If any very large expenditure was removed, as described above, those were replaced with the delimited cutoff amount.

After delimiting the expenditure data, the mean of each delimited variable was observed, and represents the average daily spending per travel group. The results of the analysis are presented in the following section.

This report presents data on 2015 nonresident spending groups by segmenting vacationers in the top 1/3 of spenders (n=2,396) compared to travelers who spend in the middle 1/3 (n=1,581) and finally, the lower 1/3 spending ranges (n=1,102).

Results

This analysis represents three vacationer groups segmented by spending totals. Vacationers who spent in the upper third of daily spending are referred to as the 'higher spending vacationers' followed by the 'mid-spending vacationer' which is the middle third, and then those whose spending fell in the bottom third are referred to as the 'lower spending vacationers'. Once segmented into three spending levels based on total daily spending, the three groups of vacationers were compared by spending categories and other travel characteristics.

First, the difference in amount of total daily spending between the three groups is quite clear. The $351 daily expenditure by high-spenders is $234 more per day than the mid-spenders and $306 more per day than low-spenders (Table 1).

Beyond the total daily expenditure differences there were also differences between the three groups in nearly all individual spending categories (Table 1). A different pattern of spending emerged as well. Forty-six percent of the high-spenders' dollar went to restaurant/bar, guided trips, and licenses/entrance fees while 45 percent and 55 percent, respectively, of mid-spenders and low-spender's dollar went to gasoline/fuel and restaurant/bar. More importantly, high-spenders spent the greatest share of their daily spending on services and products that are more likely to be locally owned, thereby creating an even higher economic impact on the economy due to less leakage of the dollar to out-of-state owners such as happens with purchases of gasoline/fuel. Gas/fuel is the highest dollar purchase of both mid and low-spenders, but is the 7th highest spending category for high-spenders. The only expenditure category that high-spenders were out-spent on was in campgrounds/RV parks.

The remaining discussion briefly highlights differences and similarities in visitor characteristics among the three spending groups. Only a few noteworthy differences emerged, creating further questions than answers.

Table 1: - Average Daily Group Expenditures by Three Vacationer Spending Segments

Expenditure Category	High- Spending Vacationers	% of daily spend	Mid-spending Vacationers	% of daily spend	Low-Spending Vacationers	% of daily spend
Restaurant, Bar	**$57.89**	16%	$24.47	21%	$8.16	18%
Outfitter, Guide	$53.26	15%	$1.25	1%	$0.04	<1%
Licenses, Entrance Fees	$52.07	15%	$9.25	8%	$4.26	10%
Retail Sales	$41.71	12%	$5.77	5%	$1.55	3%
Hotel, B&B, etc.	$34.46	10%	$15.75	13%	$0.45	1%
Made in MT	$32.43	9%	$6.79	6%	$2.59	6%
Gasoline, Diesel	$28.79	8%	**$28.43**	24%	**$16.79**	37%
Groceries, Snacks	$23.72	7%	$15.18	13%	$5.48	12%
Rental Cabin, Condo	$10.75	3%	$1.63	1%	$0.21	<1%
Auto Rental	$6.69	2%	$1.97	2%	$0.79	2%
Misc. Services	$2.42	1%	$0.60	1%	$0.23	1%
Farmers Market	$2.10	1%	$1.03	1%	$0.90	2%
Auto Repair	$1.81	1%	$0.12	<1%	$0.17	<1%
Campground, RV Park	$1.68	<1%	$4.06	3%	$3.05	7%
Gambling	$1.31	<1%	$0.47	<1%	$0.13	<1%
Transportation Fares	$0.06	<1%	$0.01	<1%	$0.05	<1%
Total Daily/Group	**$351.14**		**$116.79**		**$44.84**	

Further analysis of the group data revealed the following noteworthy differences.

- High-spenders generally have higher household income levels than mid and low-spenders. 56% of high-spenders have household incomes of $100,000 or greater compared to 32% of mid-spenders and 29% of low-spenders.
- 45% of high-spenders spent nights in Yellowstone Country compared to 37% of the other two groups.
- 54% of the high-spenders' nights are in hotels or rented cabins/homes compared to 31% of mid-spenders and 15% of low-spenders.
- High-spenders are more likely to be family or extended family groups (35%) compared to mid-spenders (25%) and low spenders (18%). However the most common group type for all three groups was couples.
- 34% of high-spenders flew on some portion of their trip but only 18% and 14% of mid and low-spenders flew at all. Furthermore, 20% of high-spenders flew into MT whereas 8% and 7%, respectively, of mid and low-spenders flew into MT. In contrast 21% of both mid and low-spenders drove into MT with an RV or trailer compared to 9% of high spenders.
- High-spenders are more likely to hire a guide/outfitter (18%) whereas 3% of mid and 4% of low-spenders will hire a guide while in Montana.
- Both mid (41%) and low-spenders (48%) were substantially more involved with camping as an activity than high-spenders (28%).

Interestingly, very little differences emerged in the following characteristics:

- Length of stay was nearly the same: 6.7 nights for low-spenders, 6.5 nights for high spenders and 6.0 nights for mid-spenders.
- Group sizes were similar: 2.8 for high spenders, 2.4 for mid-spenders, 2.2 for low-spenders.
- Mid-spenders were just slightly more likely to own a second home/condo in MT (9%) compared to 8% of low-spenders and 7% of high-spenders.
- There were insubstantial differences in what attracted each of the three spending groups to Montana and in the sites they visited while in MT.
- Other than the difference in camping (low and mid-spenders do more), all the other activities engaged in by the three groups were not substantially different.
- Finally, as shown in the table below, residency of the non-resident vacationers show little differences in the top 8.

High-Spending Vacationers		**Mid-spending Vacationers**		**Low-Spending Vacationers**	
California	10.6%	Washington	9.8%	Washington	8.7%
Alberta, Canada	7.7%	Alberta, Canada	6.8%	Alberta, Canada	7.7%
Washington	7.3%	California	6.7%	California	7.3%
Texas	4.6%	Minnesota	4.7%	Idaho	6.1%
Minnesota	4.5%	Idaho	4.6%	Wyoming	4.8%
North Dakota	3.8%	Oregon	4.1%	Arizona	4.4%
Oregon	3.5%	Colorado	3.9%	Colorado	4.0%
Colorado	3.3%	Utah	3.6%	Texas	3.9%

Conclusion

The intent of this data extraction was to be able to distinguish high-spending vacationers from lower spending vacationers. Ideally, it is preferable to have visitors who will spend more while visiting the state, so understanding who has higher spending patterns is a good way for promoters to target their market. Strangely, the lack of differences in trip characteristics does little to aid in marketing of the state.

Common sense seems to prevail after review of the data. Visitors who spend more money in Montana have higher incomes. Visitors spend more money in Montana are more likely to fly on their trip. Families visiting the state spend more money in Montana (more mouths to feed, more entrance fees to pay, more individuals on a guided trip to pay for). Mid and lower spending visitors who have lower household incomes are more likely to camp while in Montana.