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State of the Travel Industry in Montana

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(Preface: In response to the Governor's Tourism Advisory Council meeting and discussion, Monday February 7, 2005 in Helena, Montana, the Institute for Tourism and Recreation Research explored available data related to Montana's travel industry and the surrounding states. Comparison years were used for this paper where available; however some sources did not have data for the same years as other sources. Keep this in mind when reviewing the document. The following White Paper is a result of this investigation.)

The Montana travel industry is a dynamic segment of the economy that includes input from a variety of economic sectors. The major sectors within the industry, based on nonresident travel expenditures and the overall contribution of the dollar to each sector, include gasoline/oil (22%), retail sales (21%), restaurant/bar (21%), accommodations (13%), groceries/snacks (7%), auto rental/repair (6%), outfitter/guide (4%), and services/fees/licenses (4%) (Wilton 2004). In 2004, preliminary estimates indicate that nonresidents spent $1.928 billion in Montana in these combined sectors (Nickerson, Wilton, Dubois, 2005). These expenditures help small and large companies as well as entrepreneurs who work and live in the state of Montana.

According to Polzin (2005), nonresident travel in Montana contributes 12 percent of labor income in the state within the basic industries. This represents the fourth largest industry behind federal civilian workers (23%), transportation (16%), and selected manufacturing (13%). Some would surely argue that a portion of the transportation sector is attributable to nonresident travel and therefore would increase the share of labor income in the nonresident travel segment. Whichever way the industry is measured, the travel industry is one of the economic pillars Montana depends on for stability as well as growth.

Montana Travel Industry Trends

According to a variety of data sources (ITRR, Travel Industry Association of America, and Smith Travel Research), the travel industry in Montana appears to be on a slightly different track when compared to the nation and bordering states (Tables 1-4). Visitation statistics to Montana show an interesting trend. Over the past 5 years, nonresident visitation has remained fairly flat. Some up and down years have occurred, but in general, numbers are barely rising (0.6% increase per year on average). In contrast, the nation has experienced an overall yearly average of 2.5 percent growth. Prior to 2000, Montana generally followed the same growth trend as the United States. The differences now indicate that Montana may not be receiving their market share of U.S. travelers compared to other states.

Another way to look at the market share concept is viewed through rooms sold (Table 2). This table shows that other than North Dakota, Montana's percent change in rooms sold since 1998 is lower than all bordering states. Idaho, Wyoming, South Dakota, and Colorado have increased in rooms sold at higher rates than Montana.

Visitation statistics and number of rooms sold paint the picture that Montana is losing market share in terms of numbers. Interestingly, however, travel expenditures as reported by TIA show that expenditures in Montana have actually increased slightly more in the past seven years than all comparison states except South Dakota. Montana's nonresident expenditures have increased nearly 22 percent between 1996 and 2002. The increase in expenditures, while generally along the line of cost-of-living increases, does support one of the goals of Montana's strategic plan. The 1997-2002 Montana Tourism and Recreation 5-Year Strategic Plan and the 2003-2007 5-Year Tourism and Recreation Strategic Plan identified the desire to focus on high-value visitors. The plans indicate the aspiration to increase visitor spending in the state. The data appear to support this trend. In a sense, one could say the plan is working.

In addition, the strategic plans aim to increase shoulder season visitation. According to ITRR, in 2003 and 2004, Montana experienced more cars driving into the state in spring and fall months (Nickerson, Wilton, Dubois, 2005) compared to spring and fall months of previous years but these vehicles carried a smaller number of people (Wilton, 2005). The summer traffic is down. Overall, the emerging trend is showing less summer visitation (Montana's biggest tourism months), but an increase in shoulder season visitation. While the strategic plan indicates a desire to increase shoulder season visitation, it does not indicate a desire to decrease summer visitation. Shoulder seasons are up but it appears to be at the expense (or decrease) of summer visitation. Summer tourism will always be Montana's economic driver; therefore, it raises concern if summer visitation continues to drop. Even if expenditures are increasing, a time will come when expenditure increases cannot keep up with the decrease in visitors. At that point, the tourism industry's contribution to Montana's economy will begin to fall.

One final analysis is to examine Montana's tourism investment compared to the surrounding states. While visitation numbers are not available for each state (each state collects data differently and therefore are not comparable), it is possible to compare Montana's advertising investment (Table 4) with other states. Between FY97-98 and FY03-04, Montana has increased advertising dollars 21 percent, the lowest increase of all states in the region. It is possible, and highly likely, that the decrease in Montana's summer visitation is related to the increase in advertising by other states.

Montana is currently at a crossroads. Modest growth in overall visitation numbers would contribute to Montana's economy at a stable, predictable rate. Yet, growth in summer visitation has presently ended. If visitation to Montana continues with this trend, family owned businesses such as outfitters and guides, bed and breakfast owners, souvenir shops, and guest ranches will begin to experience revenue decreases and might have to modify their business plans. While the shoulders seasons are helpful, these seasons cannot replace the volume of visitation needed to sustain these businesses.

In summary, the growth of nonresident visitation to Montana is declining. Overall visitor expenditures continue to increase but much of the increase is explained through cost-of-living adjustments. It appears that Montana is losing some of its market share of leisure travel since the U.S. is still increasing in this category while Montana is relatively flat.

Table 1: Visitation Statistics

Montana Nonresident Travel Volume			U.S. Domestic Leisure Travel Volume (millions of person trips)		
Year	**Visitation**	**% Change**	**Year**	**Visitation**	**% change**
2004p*	9,700,000	0.3%	**2004p***	956,500,000	2.9%
2003	9,670,000	-1.0%	**2003**	929,500,000	1.9%
2002	9,767,000	2.3%	**2002**	912,300,000	1.9%
2001	9,552,000	0.9%	**2001**	895,500,000	3.4%
2000	9,465,000		**2000**	865,700,000	
	4 year average	0.6%		**4 year average**	2.5%

Source: ITRR, Tourism Industry Association
*projected

Table 2: Percent Change in Rooms Sold

% Change from Previous Year	Montana	Idaho	Wyoming	South Dakota	North Dakota	Colorado
2004	-0.4%	+5.3%	0.0%	+1.2%	+3.5%	+4.4%
2003	+0.2%	-0.5%	+1.5%	+2.1%	+6.1%	-1.0%
2002	+2.2%	+2.9%	+4.3%	+4.7%	-1.8%	-1.8%
2001	-1.4%	-3.2%	+1.1%	+0.5%	+1.1%	-2.4%
2000	+3.0%	+2.5%	+3.9%	-0.2%	+2.1%	+6.3%
1999	+3.9%	+5.9%	+2.9%	+5.4%	+1.9%	+3.5%
1998	+2.3%	+3.1%	+2.5%	+5.5%	-7.8%	+4.0%
7 yr. avg.	1.4%	2.3%	2.3%	2.7%	0.7%	1.9%

Source: Smith Travel Research

Table 3: Travel Expenditures – Domestic Travel Spending ($ Millions)

Year	Montana	Idaho	Wyoming	South Dakota	North Dakota	Colorado
2002	$1,960.8	$2,119.9	$1,604.1	$1,482.6	$1,165.8	$8,895.8
2001	1,928.5	2,128.1	1,518.3	1,381.3	1,144.0	8,954.7
2000	1,962.4	2,196.7	1,551.3	1,401.9	1,155.0	9,312.3
1999	1,813.0	2,000.7	1,426.6	1,148.5	1,100.1	8,624.0
1998	1,682.9	1,840.3	1,364.3	1,057.4	1,033.0	8,108.2
1997	1,670.8	1,814.8	1,322.3	1,028.4	1,061.3	7,944.6
1996	1,608.7	1,777.2	1,364.8	975.1	983.5	7,433.7
% change in 7 years	+21.9%	+19.3%	+17.5%	+52.0%	+18.5%	+19.7%

Source: Travel Industry Association of America, "Impact of Travel on State Economies," 1996-2002 publications.

Table 4: Tourism Office Domestic Advertising and Sales Promotion Budgets

Year	Montana	Idaho	Wyoming	South Dakota	North Dakota	Colorado
FY03-04*	$2,505,480	$1,452,300	$2,275,996	$3,866,000	$1,939,533	$8,471,749
FY02-03	$2,308,718	$1,230,000	$2,395,015	$3,036,000	$1,939,533	$3,318,734
FY01-02	$2,572,412	$1,069,065	$2,484,750	$2,484,000	$ 881,143	$4,171,999
FY00-01	$2,336,900	$1,112,000	$3,626,113	$3,052,000	$ 931,143	$4,193,504
FY99-00	$2,140,121	$1,294,535	$1,514,037	$2,443,000	$ 472,391	$4,360,000
FY98-99	$2,157,602	$1,348,367	$1,486,708	$2,233,000	$ 793,155	$1,000,000
FY97-98	$2,067,202	$ 980,336	$1,299,999	$1,929,000	$ 724,857	$2,000,000
% change in 7 years	+21%	+48%	+75%	+100%	+166%	+324%

*Projected
Source: Travel Industry Association of American, "Survey of U.S. State and Territory Tourism Office Budgets," 1998-2004 publications.

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