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Recommended Citation

Nickerson, Norma P. and Bruns-Dubois, Melissa, "Montana Travel Research: 2007" (2007). *Institute for Tourism and Recreation Research Publications*. 285.
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MONTANA TRAVEL RESEARCH

Published by the Institute for
Tourism and Recreation Research
The University of Montana

ITRR NEWSLETTER

January 2007
Volume 12 Issue 1

The Real Story behind Gas Prices...and other Travel Industry Numbers

By Norma P. Nickerson & Melissa Dubois

Quite Gripping about Gas Prices

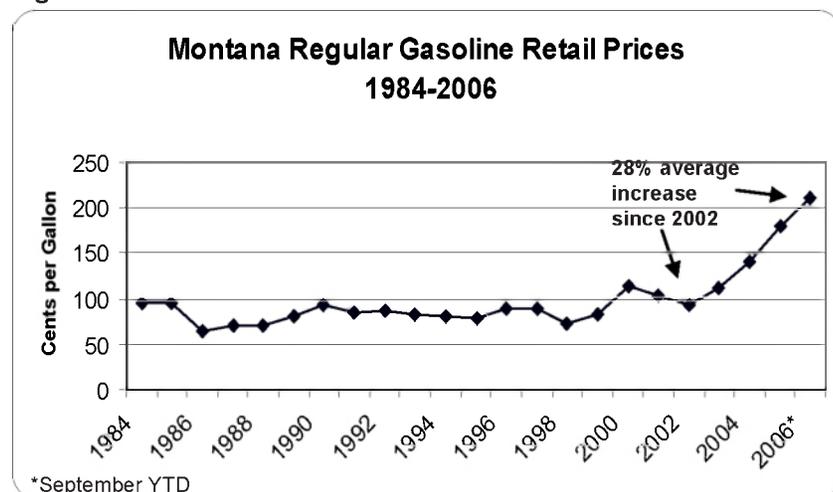
According to Hargreaves (2006), the current price of gasoline is actually less now than in 1980 when adjusted for inflation. "Not only is the recent price per gallon lower in real terms than the high hit in 1980, the recent price also represents a lower percentage of the average worker's income. Nationwide, gas recently averaged around \$2.60 a gallon - the inflation-adjusted high in 1980 was around \$3.15. Moreover, in 1980, the average American had to work 105 minutes to buy enough gas to drive the average car 100 miles, according to David Wyss, chief economist at Standard & Poor's. By 2006, the average American needed to work only 52 minutes, thanks in part to better fuel efficiency but mostly due to higher wages."

Gas prices and its effect on travel has been the most common question at the Institute for Tourism and Recreation Research (ITRR) in the past two years. Our reply is always the same... Americans have not hit their threshold on the price they are willing to pay for gasoline. We are still traveling and will continue to do so. Only when a shortage

occurs will we see a decrease in travel-related activities. With that said, however, if the price increase continues as seen in the past three years (Figure 1), America may have something to gripe about!

In terms of nonresident spending in Montana, higher gas prices reflect a larger portion of the average daily expenditures than in past years. In 2002, only 21 percent of their daily expenditures were on gasoline and oil. Today, that has risen to 28 percent of daily expenditures (Table 1). It is also the one expense that nearly all nonresidents incur while visiting the state.

Figure 1:



Source: Energy Information Administration



Interestingly, as gas prices climb, indicators within the travel industry of Montana do not show a negative correlation between higher gas prices and travel industry growth. In fact the opposite appears to be true. As gas prices go up, the travel industry continues to grow.

**Table 1:
Nonresident Average Daily Group Expenditures (2005)**

Expenditure Category	Average Daily per Group ^{1*} (group size= 2.45)	Allocation by Category	Total Expenditures ^{**}
Gasoline, Oil	\$39.91	28%	\$773,300,000
Restaurant, Bar	\$30.66	21%	\$586,400,000
Retail Sales	\$22.80	16%	\$433,700,000
Hotel, B&B, etc.	\$13.61	9%	\$257,800,000
Groceries, Snacks	\$12.07	8%	\$232,900,000
Auto Rental and Repairs	\$6.94	5%	\$129,400,000
Outfitter, Guide	\$6.21	4%	\$118,700,000
Transportation Fares	\$3.16	2%	\$55,200,000
Licenses, Entrance fees	\$2.80	2%	\$56,300,000
Misc. Services	\$2.22	1%	\$39,700,000
Campground, RV Park	\$2.05	2%	\$44,900,000
Gambling	\$1.52	1%	\$27,400,000
Total	\$143.95	100%	\$2,755,700,000

¹Reflects average expenditure distribution over all visitor groups, regardless of how many actual groups spent money in any particular category.

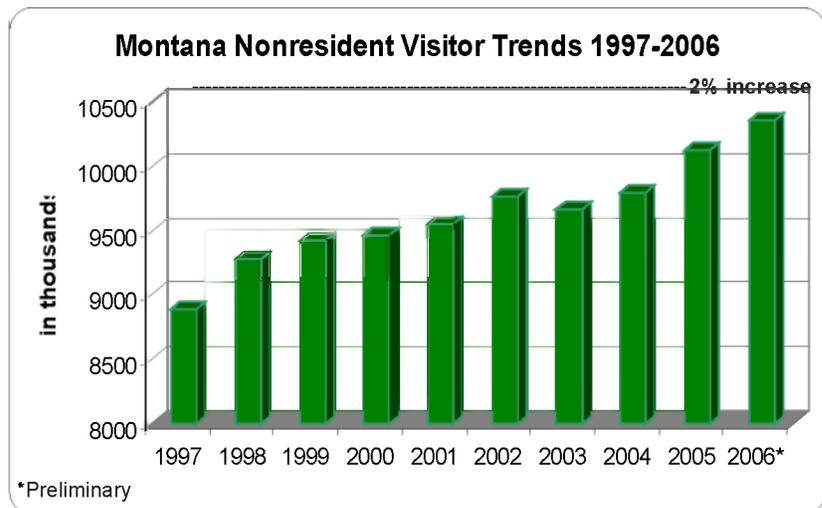
*Based on total year expenditures.

**Based on totaled quarterly expenditures.

The Growth of Montana's Travel Industry

Montana's travel industry has been on a growth projection for years. Looking at just the past 10 years, even though minor fluctuations have occurred, the overall trend has been continual growth. In 1995, Montana's nonresident travel industry contributed 6.4 percent of the state's total employment and grew to 7.5 percent of total employment in 2005. Ten-year trends show increases in nonresident visitors (17% increase) (Figure 2) and nonresident expenditures (50% increase) (Figure 3), as well as travel-generated personal income (128% increase) and travel-generated employment (41% increase) (see Grau, Dubois, & Nickerson 2006 for full data comparisons). Other trends show increases in lodging demand, employment and revenues; Amtrak deboardings; airline deboardings; food service employment and revenues; and arts, entertainment and recreation services

Figure 2:



employment, income and revenues (Grau, Dubois, & Nickerson 2006). The industry is experiencing continual growth and is contributing jobs, revenues and taxes to Montana's economy.

Looking at 2006 compared to 2005, growth occurred in virtually all the travel indicators within the state. Preliminary estimates show nonresident visitor numbers growing two percent from 2005 to 2006. Recreational visits to Glacier and Yellowstone National Parks grew two

percent and one percent respectively (Figure 4). Not surprisingly, a good snow year (following a bad snow year), showed a 30 percent increase in skier visits in the 2005-06 ski season (Figure 5). The number of motel rooms sold in Montana increased three percent over 2005 and five percent for the Mountain Region (Figure 6). The only indicator down for 2006 was airport deboardings at three percent (Figure 7). This decrease represents the airline industry changes which brought smaller jets to many Montana airports and resulted in decreases in passenger deboardings. As shown in Table 2, the Missoula and Billings airports were the only ones in the state that showed an increase in deboardings for 2006. Missoula increased by five percent while Billings showed a slight increase at .2 percent. The remaining airports decreased by more than six percent and as high as 16 percent in the case of West Yellowstone.

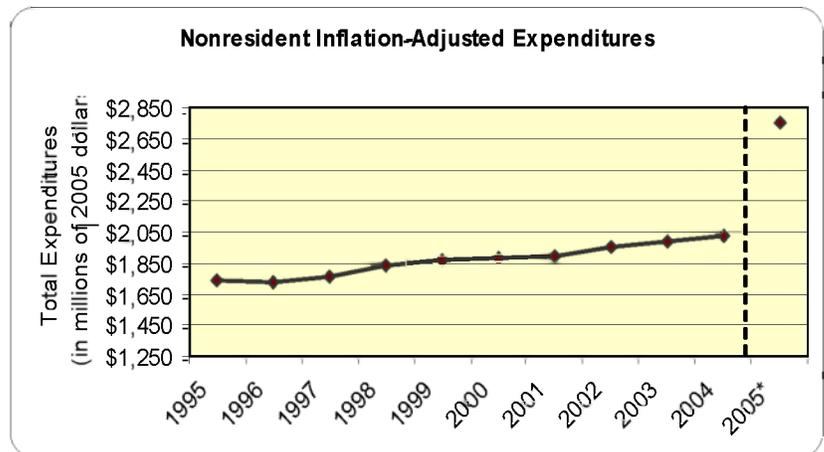
Table 2:
Airport Deboardings by City

	% change from 2005 to 2006
Statewide	-2.8%
Missoula	5.0%
Billings	0.2%
Bozeman	-6.2%
Helena	-6.3%
Kalispell	-6.6%
Great Falls	-7.2%
Butte	-12.7%
West Yellowstone	-15.7%

Source: Montana Aeronautics Division

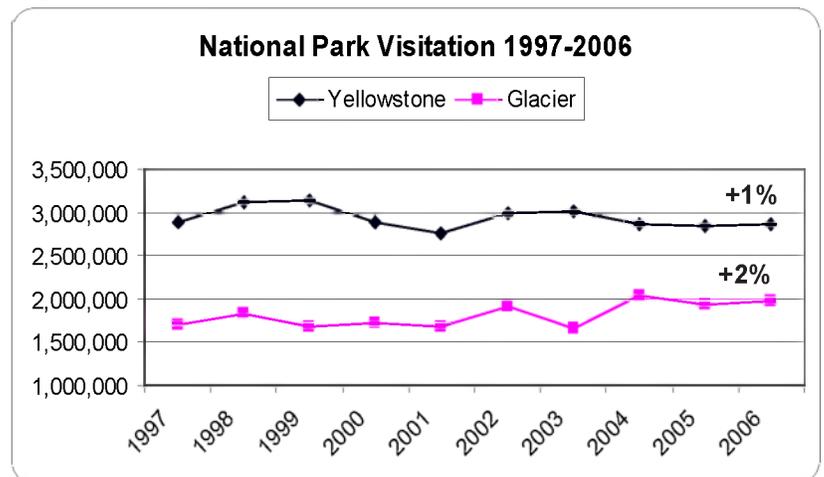


Figure 3:



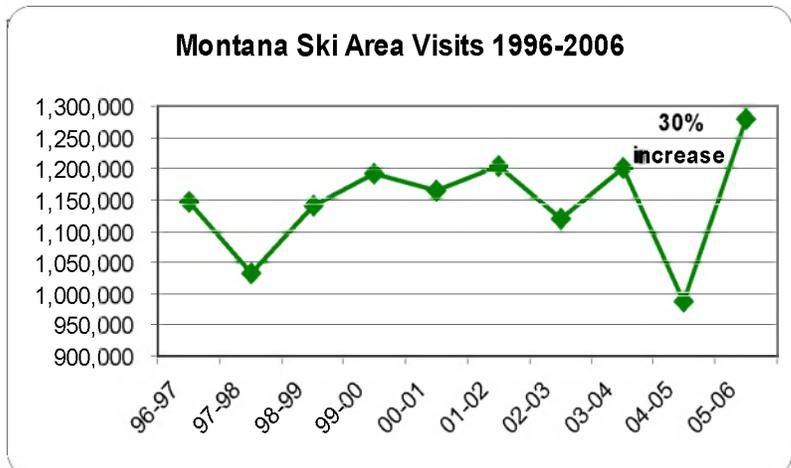
*No comparison to previous years can be made. 2005 represents a new IMPLAN model, new visitation model data, and updated visitor characteristics (length of stay and expenditures).

Figure 4:



Source: National Parks Statistics

Figure 5:



Source: USDA Forest Service, Big Sky Resort, Great Divide Ski Area

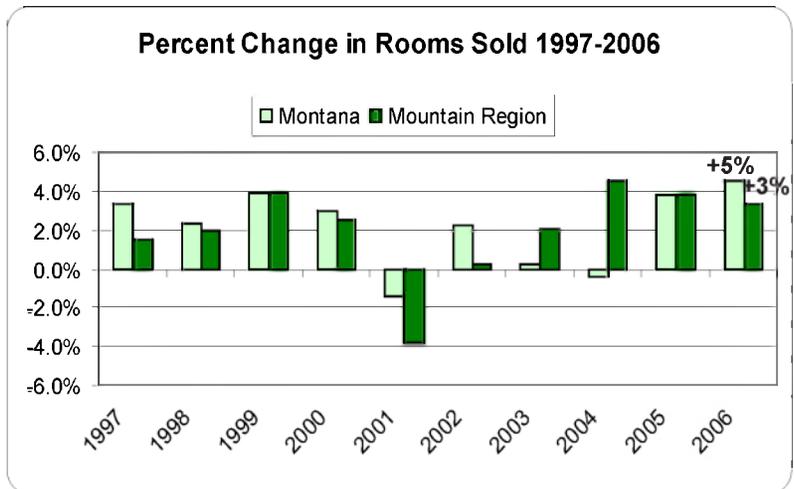
Travel Numbers by Geography

Nonresident dollars distributed throughout Montana show the geographic concentration of tourism in the state. Yellowstone and Glacier Country travel regions receive nearly 60 percent of all nonresident travel dollars dropped in this state (Table 3). Custer Country captured nearly 20 percent of the nonresident dollars followed by Gold West at 13 percent and Russell at eight percent. Average daily expenditures per group for all travelers to Montana totaled \$143.95 (Table 1), with the top three expenses consisting of gas and oil (28%), restaurants and bars (21%) and retail sales (16%). Vacationers outspend all other travel types at \$183.37/day (\$38 more than visitors here for business, \$44 more than those visiting friends/relatives, \$87 more than those passing through) (Grau 2006). Additionally, 73 percent of vacationer nights are spent in the travel regions of either Yellowstone Country (39% of all nights) or Glacier Country (34% of all nights)(Oschell & Nickerson 2006).

Geographically, vacationers arrive in the state on nearly every highway entering Montana. However, the highest percent of vacationers arrive on Highway 20 coming up from Idaho towards West Yellowstone (12%); into West Yellowstone or Gardiner from Yellowstone National Park (10% each); or from the west on Interstate 90 (10%). Only 13 percent of vacationers fly directly into Montana even though a full 30 percent fly on a portion of their trip.

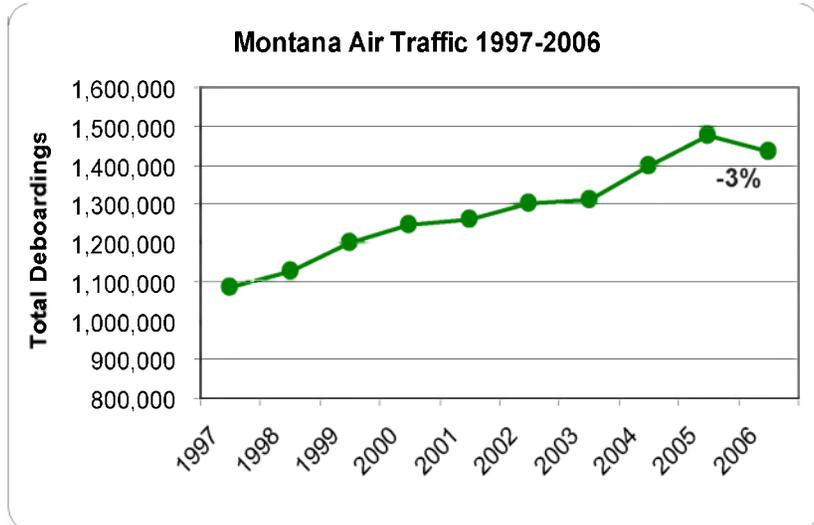


Figure 6:



Source: Smith Travel Research

Figure 7:



Source: Montana Aeronautics Division

Figure 8:

Expenitures by Nonresident Travelers per Travel Region

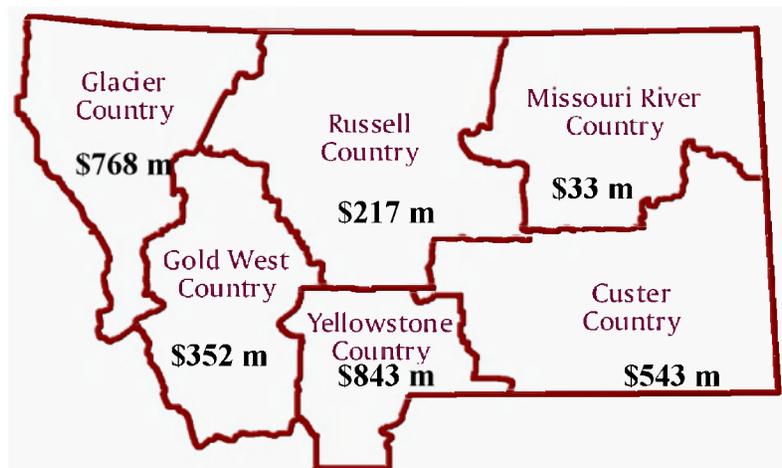


Table 3:
Nonresident Expenditures by Region

	Yellowstone	Glacier	Custer	Gold West	Russell	Missouri R.	Total
Gasoline, Oil	\$207,352,434	\$195,532,286	\$149,728,043	\$144,657,540	\$61,477,640	\$14,552,059	\$773,300,000
Restaurant, Bar	\$191,367,895	\$160,223,437	\$115,776,121	\$65,729,697	\$46,724,062	\$6,578,787	\$586,400,000
Retail Sales	\$117,106,816	\$144,500,259	\$95,290,125	\$29,410,998	\$40,245,189	\$7,146,613	\$433,700,000
Hotel, B&B, etc.	\$90,001,854	\$71,630,531	\$43,060,021	\$30,555,916	\$21,237,645	\$1,314,033	\$257,800,000
Groceries/ Snacks	\$77,943,544	\$73,320,571	\$37,233,716	\$25,992,382	\$16,413,198	\$1,996,589	\$232,900,000
Auto Rental/ Repairs	\$40,757,196	\$37,239,011	\$34,689,760	\$7,888,798	\$8,825,235	-	\$129,400,000
Outfitter & Guide	\$49,116,136	\$24,988,478	\$10,050,429	\$24,543,208	\$10,001,750	-	\$118,700,000
Transport. Fares	\$7,021,024	\$12,886,568	\$30,104,150	\$2,622,335	\$2,565,924	-	\$55,200,000
Licenses/ Ent. Fees	\$22,301,115	\$13,551,688	\$11,804,533	\$5,283,912	\$2,989,743	\$369,010	\$56,300,000
Misc. Services	\$20,594,085	\$9,924,273	\$4,106,834	\$3,731,391	\$1,323,367	\$20,050	\$39,700,000
Campground/ RV Park	\$15,104,284	\$16,060,833	\$5,067,859	\$5,601,756	\$2,567,943	\$497,325	\$44,900,000
Gambling	\$4,563,319	\$8,284,371	\$5,851,166	\$5,839,557	\$2,425,738	\$435,850	\$27,400,000
Total	\$843,229,701	\$768,142,304	\$542,762,757	\$351,857,489	\$216,797,433	\$32,910,315	\$2,755,700,000
% of Total	31%	28%	20%	13%	8%	1%	100%

Tourism Business Survey Results

Annually, ITRR conducts a web-based survey asking tourism business owners to respond to questions about what they experienced in the past year as well as what they expect for the upcoming year. This year, 134 surveys were completed, representing various business types from around Montana (Table 4).

Businesses were grouped into four general categories for analysis purposes. Attractions & Events includes such things as ski areas, lands, historical sites, weddings, art, and theatre. Promotions & Planning includes chambers, visitor and conventions bureaus, and vacation planners. Accommodations include everything from hotels to vacation rentals to campgrounds, while Guides & Tours is self-explanatory. Results show that Montana businesses range in years of service from less than one year to 86 years. Those providing accommodations were in business the longest with an average of nearly 15 years. Guides and tours followed closely with over 14 years in business.

In 2006, 58 percent of businesses indicated that they experienced an increase in visitation. All business types experienced visitation increases more often than decreases or remaining the same. Accommodations and promotions and planning businesses saw increases of 64 and 60 percent respectively. This growth is primarily attributed to returning guests, better advertising, and an improved website.

Expectations for 2007 are high with all business types predicting more increases in visitation than decreases or remaining the same. Promotions and planning businesses are particularly optimistic with 82 percent expecting an increase. The top reasons for expecting growth were: they've been experiencing a gradual increase, repeat customers, better advertising, and an improved website. Twenty-nine percent of all businesses plan to expand their current business in the next year while 53 percent of promotion and planning and 44 percent of attractions and events businesses intend to do so.

Table 4:
Tourism Business Owner Survey by Type of Business

Business Type	Accommodations	Attractions & Events	Guides & Tours	Promotions & Planning	All Businesses
Percent of responses	52% n=66	18% n=23	17% n=21	13% n=17	100% n=134
Changes in 2006					
Increase in 2006 visitation	64%	48%	48%	60%	58%
If you saw an increase, Why?					
Returning guests	48%	27%	50%	56%	46%
Better advertising	41%	46%	60%	44%	43%
Improved website	33%	18%	40%	44%	32%
Decrease in 2006 visitation	18%	39%	14%	0%	20%
Visitation remained the same	18%	13%	38%	40%	23%
Expected changes in 2007					
Expect visitation increase	65%	48%	62%	82%	64%
If you expect an increase, Why?					
Gradual increase	54%	70%	54%	57%	57%
Repeat customers	66%	70%	23%	43%	55%
Better advertising	34%	50%	62%	43%	42%
Improved website	37%	60%	54%	36%	41%
Bookings up	42%	10%	46%	36%	35%
Expanded or improved offerings	24%	60%	46%	29%	34%
Expect visitation decrease	6%	9%	5%	0%	5%
Expect the same visitation	29%	44%	33%	18%	31%
Plans in the next year					
Expand current site/business	17%	44%	33%	53%	29%
Renovate current site	23%	26%	0%	12%	19%
Add more sites or business elsewhere	3%	0%	14%	12%	6%
Number of years in business					
Mean	14.9	12.8	14.2	9.5	13.4
Range	1-86	2-40	2-34	2-20	1-86
5 years or less	41%	26%	20%	33%	35%
6-15 years	32%	43%	40%	53%	38%
16+ years	27%	30%	40%	13%	27%

Montana's Changing Visitors

This year on the outlook survey we also asked respondents to share their observations regarding how visitors have changed over the years. Specifically we asked how the interests and activities of their visitors have changed over the years, changes in the type of visitor, and observed changes in visitor socioeconomics.

When asked about changes observed in the interests and activities of visitors, the most common response was that there was no change. For those who did see a change in their visitor's interests and activities there were a variety of answers. Two of the most frequently reported changes were in the increasing number of visitors looking to purchase property and the increase in demand for additional amenities. These amenities ranged from access to technology, such as internet and cell phone coverage, to other comforts of home like laundry and satellite television, and higher end amenities such as fine dining. Additional interests and activities mentioned include an increased desire for adventure experiences, experiential activities, and a desire for a wider variety of activities. Still others have noticed an increased demand for fishing, biking, hiking, and history related activities.

When asked how the type of visitor had changed over the years there were four primary responses. The most common observation was that visitors are more affluent than in the past. This remark was followed by three additional responses, equal in frequency. The numbers of families visiting has decreased over the years, visitors are staying longer than in the past, and the number of foreign visitors has increased. Most notably, Canadian visitation has increased over the past year, probably due to the more favorable exchange rates.

Finally, when asked specifically about the change in visitors' socioeconomic status over the years, the overwhelming observation was that visitors are more affluent. This may contribute to the increased demand for amenities, the increase in property buying, and a longer length of stay.

2007 Outlook

According to Suzanne Cook, Travel Industry Association (2006), the United States should experience a two percent growth in domestic travel in 2007. Respondents to the ITRR Outlook Survey show a positive view for tourism in 2007 as well. A full 64 percent of tourism industry businesses expect an increase over 2005 while 31 percent expect it to remain the same. It appears that Montana's travel industry will continue in a slow but steady growth of two percent in 2007.

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