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Montana Travel Research: 2006

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MONTANA TRAVEL RESEARCH

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Travel Industry Outlook and Trends

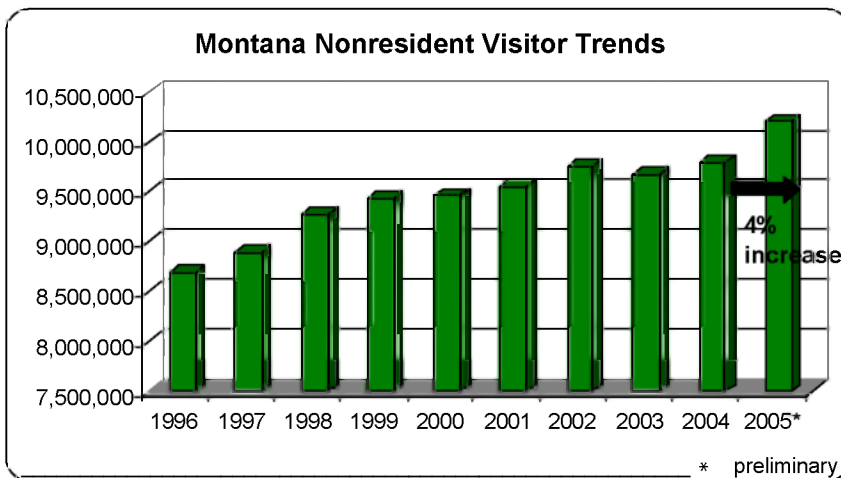
By Norma P. Nickerson, Melissa Dubois, & James Wilton

A Montana Milestone: 10 Million Nonresident Visitors

Preliminary estimates show that Montana's nonresident visitation reached a milestone in terms of numbers – 10 million visitors in 2005. That does not mean that 10 million cars drove into Montana as the

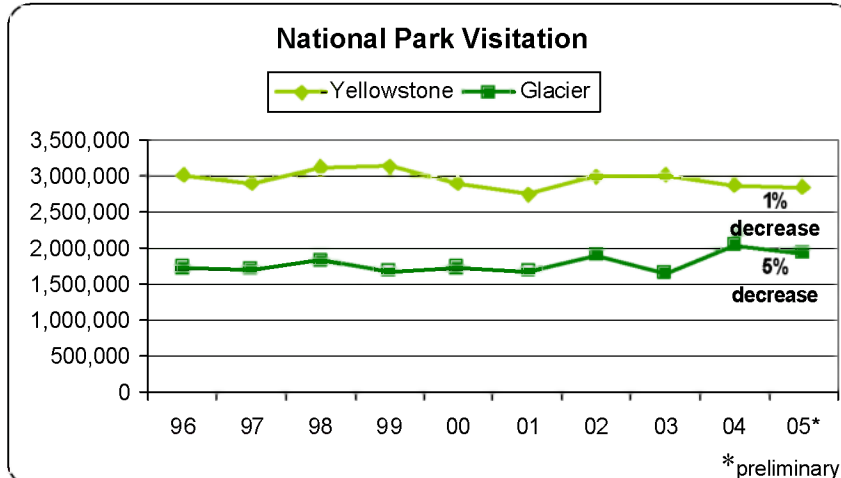
average group size was a little over two people per travel party, but it does indicate a strong year for travel in Montana both by car and by air. Nonresident visitation in Montana increased four percent over 2004 (Figure 1) which was the same increase expected in the United States in 2005 (Cook 2005). These nonresidents were dropping new dollars into the state at a rate of approximately \$2 billion dollars per year and contributed over 29,000 jobs as well as \$531 million in income generation.

Figure 1:



Source: ITRR

Figure 2:



Source: National Parks Statistics

A review of some key indicators within the travel industry of Montana shows that it was an interesting year for visitation. In fact, many indicators suggest that Montana would have seen a decrease in overall visitation in 2005. For example, both Glacier and Yellowstone National Parks experienced decreases in visitation through October (Figure 2). It appears that the decreases seen by both parks in August and September were probably the driver in terms of overall visitation decrease. However, when reviewing the number of visitors and percent change at various attractions, overall visitation to attractions was virtually flat (-0.6%).

The 2004-05 ski season was abysmal for nearly all Montana ski areas. Snow conditions around the state were poor and reflect the overall 18 percent decrease in skier visits (Figure 3). Major ski area managers pointed out that nonresidents still came but locals were harder to attract, therefore, the decrease was attributed to the reduction in resident rather than nonresident skier days.

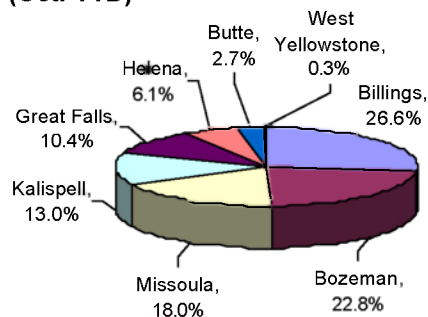
On the upside, the number of hotel rooms sold increased 3.6 percent in 2005 over 2004 (Figure 4). In addition, airport deboardings increased seven percent in 2005 (Figure 5). All eight airports increased with the West Yellowstone airport showing a 77 percent increase (Table 1). Keep in mind, however, that West Yellowstone provides the fewest visitors compared to other cities (Figure 6).

Table 1:
Airport Deboarding by City (Oct. YTD)

City	% Change 2005 vs 2004
W. Yellowstone	77.1%
Great Falls	18.4%
Helena	12.5%
Bozeman	9.8%
Kalispell	9.2%
Butte	7.2%
Missoula	5.1%
Billings	2.6%

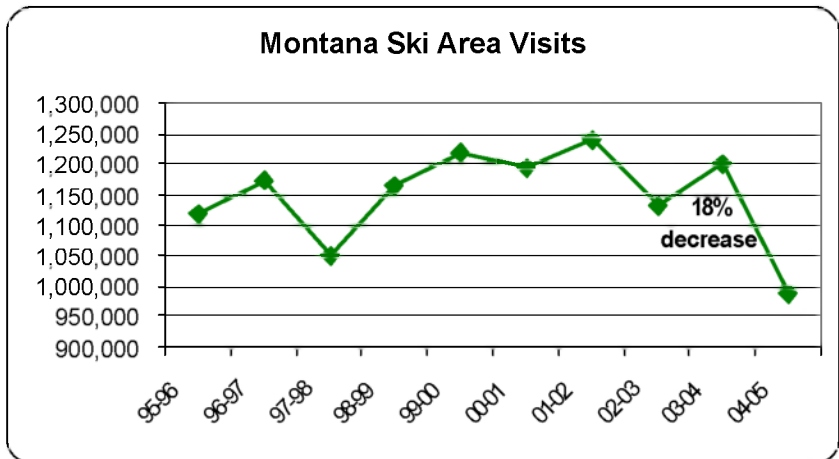
Source: Montana Aeronautics Division

Figure 6:
Percent of 8-City Air Traffic (Oct. YTD)



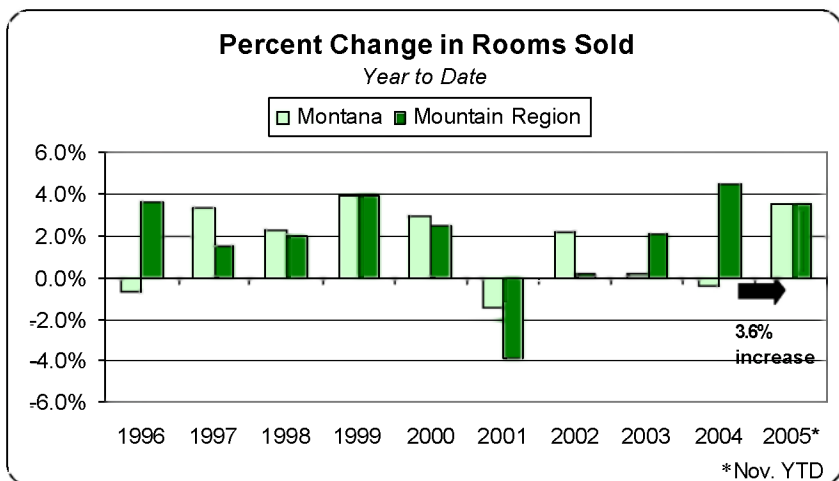
Source: Montana Aeronautics Division

Figure 3:



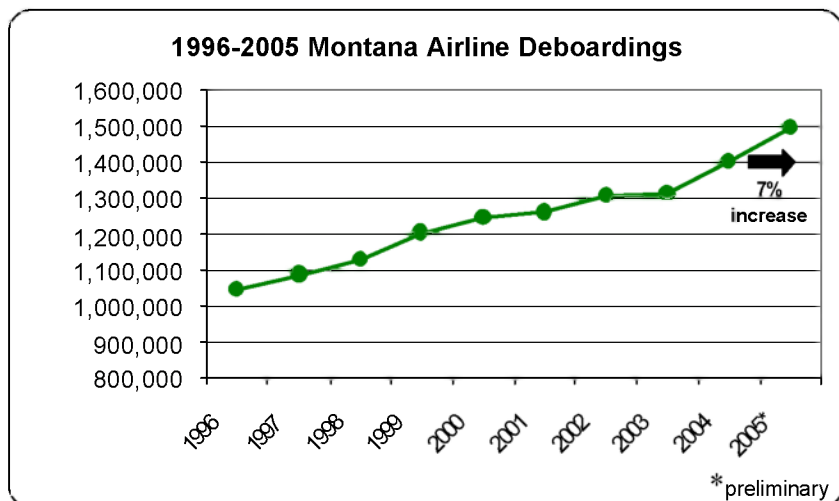
Source: USDA Forest Service, Big Sky, Great Divide

Figure 4:



Source: Smith Travel Research

Figure 5:



Source: Montana Aeronautics Division

A Closer Look at Montana's Visitors

Over the years the Institute for Tourism and Recreation Research (ITRR) has asked Montana visitors to tell us what their primary attraction to the state was for their particular trip. Table 2 represents 92 percent of all surveyed nonresident vacation visitors and highlights the

spending pattern of visitors based on what attracted them to Montana. Visitors primarily attracted to Yellowstone National Park represent 21 percent of the nonresident vacationer population but contributed only 12 percent of the nonresident dollars in the state. In

Table 2: Average Nonresident Vacationer Expenditures by Top Main Attractions to Montana

	Fishing	Open Space	Yellowstone Park	Glacier Park	History & Culture
Sample Size (N=2819)	119	326	586	469	138
Percent of Population	4%	12%	21%	17%	5%
Gas	\$26.88	\$26.52	\$29.25	\$27.17	\$30.47
Retail sales	\$29.67	\$41.64	\$25.59	\$25.27	\$28.39
Restaurant, bar	\$26.22	\$34.65	\$29.48	\$23.19	\$28.15
Hotel, lodge, B&B	\$15.98	\$20.82	\$27.75	\$18.46	\$20.62
Groceries	\$17.48	\$9.30	\$11.04	\$12.47	\$7.37
Auto rental, repairs	\$13.68	\$3.03	\$3.47	\$5.86	\$4.37
Outfitter, guide	\$30.32	\$1.28	\$2.35	\$6.91	\$0.00
Licenses, entrance fees	\$10.05	\$3.32	\$5.81	\$3.58	\$4.57
Campground, RV park	\$2.10	\$1.98	\$3.09	\$5.45	\$4.09
Transportation fares	\$0.00	\$0.00	\$0.11	\$0.30	\$0.00
Misc. expenses, services	\$3.90	\$3.95	\$1.63	\$1.58	\$0.73
Total Avg. Daily/Group	\$176.29	\$146.49	\$139.56	\$130.23	\$128.75
Avg. Length of Stay*	9.31	5.53	3.02	6.29	4.12
Avg. Trip Expenditures	\$1,641.26	\$810.09	\$421.47	\$819.15	\$530.45
Total Direct Expenditures of Sample	\$195,000	\$264,000	\$247,000	\$384,000	\$73,000
% of Total Contribution	10%	13%	12%	19%	4%

Table 2 continued

	Friends & Relatives	Hunting	Mountains	Special Event
Sample Size (N=2819)	368	152	297	123
Percent of Population	13%	5%	11%	4%
Gas	\$23.65	\$29.98	\$26.59	\$30.13
Retail sales	\$37.35	\$18.61	\$21.49	\$27.29
Restaurant, bar	\$23.57	\$22.12	\$24.49	\$20.48
Hotel, lodge, B&B	\$12.65	\$15.72	\$25.98	\$15.15
Groceries	\$10.75	\$10.10	\$9.61	\$6.00
Auto rental, repairs	\$8.23	\$4.77	\$4.14	\$3.95
Outfitter, guide	\$2.77	\$12.87	\$3.77	\$0.44
Licenses, entrance fees	\$2.53	\$6.66	\$3.62	\$1.32
Campground, RV park	\$1.41	\$1.48	\$1.89	\$1.28
Transportation fares	\$0.00	\$0.00	\$0.00	\$0.12
Misc. expenses, services	\$2.18	\$0.67	\$1.28	\$0.69
Total Avg. Daily/Group	\$125.09	\$122.99	\$122.85	\$106.85
Avg. Length of Stay*	6.32	6.80	5.65	6.07
Avg. Trip Expenditures	\$790.57	\$836.33	\$694.10	\$648.58
Total Direct Expenditures of Sample	\$291,000	\$127,000	\$206,000	\$80,000
% of Total Contribution	14%	6%	10%	4%

*in nights

contrast, visitors primarily attracted to Glacier National Park represent 17 percent of the vacationer population but 19 percent of the dollars spent. In addition, Glacier visitors spend more than twice as much time in Montana as do the Yellowstone visitors.

Visitors primarily attracted to Montana for fishing spent more time in the state and more money per day than any other type of visitor. These visitors only represent four percent of all vacationers but their overall dollar contribution is 10 percent of the state nonresident tourism dollars. Likewise, those attracted to the state for hunting have the second longest length of stay and contribute six percent to the overall direct tourism dollars. Combined, fishing and hunting represent 16 percent of all visitor dollars while only representing nine percent of nonresident vacationers.

Finally, if one analyzes the primary attraction being Montana's natural resource amenities, it is clear that natural resources are a major draw to this state. Six of the nine listed attractions are natural resource based (two national parks, fishing, hunting, open space, and mountains) and represent 70 percent of all nonresident tourism dollars spent in Montana. Not surprisingly, Montana's natural beauty, wildlife, parks, and uncrowded areas are what make it a treasured state in terms of many travelers' experiences.

Tourism Business Survey Results

Annually, ITRR conducts a web-based survey asking tourism business owners to respond to questions about their successes and challenges over the past year as well as their outlook for the future. Seventeen percent of Montana's tourism business owners (247 respondents) replied to the survey from a variety of business types and locations (Tables 3 & 4).

Table 3 represents each of the six travel regions with the largest number of responses coming from Glacier Country (34%), followed by Yellowstone Country (24%). When comparing 2005 to 2004 a higher percentage of tourism business owners in Glacier and Yellowstone regions reported an increase (65% and 64% respectively) compared to a low of only 36 percent reporting an increase in Russell Country. Overall, respondents attributed this increase to returning guests (46%), better advertising (42%), and an improved website (34%). When asked about expectations for 2006 all travel regions combined optimistically expected visitation to grow. Repeat customers (57%) and better advertising (48%) were cited as the top two reasons why they expect an increase.

Table 3: Tourism Business Owner Survey by Travel Region*

Region and percent of total response to survey n=247	Glacier 34% n=83	Yellowstone 25% n=62	Gold West 21% n=51	Russell 9% n=22	Custer 7% n=18	Missouri 3% n=8	Overall N=247
Changes in 2005							
Increase in 2005 visitation	65%	64%	46%	36%	39%	50%	56%
WHY? Better advertising	49%	45%	39%	0%	33%	50%	42%
Improved website	42%	36%	26%	0%	33%	25%	34%
Returning guests	49%	33%	65%	56%	44%	0%	46%
Decrease in 2005 visitation	20%	16%	28%	23%	50%	25%	24%
Visitation remained the same	15%	20%	26%	41%	11%	25%	21%
Expected changes in 2006							
Expect visitation increase	69%	55%	60%	59%	77%	75%	63%
WHY? Bookings up	48%	42%	39%	39%	43%	43%	44%
Better advertising	55%	53%	46%	23%	43%	43%	48%
Gradual increase	38%	53%	55%	54%	29%	57%	46%
Expanded or improved operations/services	38%	36%	21%	23%	43%	29%	33%
Repeat customers	64%	44%	61%	46%	64%	57%	57%
Improved website	41%	42%	27%	8%	21%	29%	33%
New, so increasing	33%	42%	21%	15%	14%	14%	28%
Construction in area	16%	8%	15%	0%	14%	29%	13%
Expect visitation decrease	6%	8%	2%	9%	12%	0%	6%
Expect the same visitation	25%	37%	38%	32%	12%	25%	31%

*May not add to 100% due to rounding

Table 4 breaks down responses by type of business with years of service ranging from less than one year to 90 years. Ranches, resorts and hot springs were in business the longest with an average of over 22 years. Outfitter and guides followed with 15.4 years in business and Bed and Breakfasts represented the least amount of time in business with an average of nearly five years.

In 2005, tourism businesses were more likely to experience an increase over 2004 rather than a decrease or remaining the same, with the exception of campgrounds— 46 percent reported an increase and 46 percent reported a decrease. The number reporting an increase was highest in ranches, resorts, and hot springs (70%) followed by motels and hotels where 64 percent indicated an increase over the prior

Table 4: Tourism Business Owner Survey by Type of Business*

Business type and percent of total response to survey N=222	Vacation Homes/Condos/Cabins n=55				Motel/Hotel n=45		Outfitter/Guides n=37		B & B n=35		Dude/Guest Ranch/Resorts/Hot Springs n=20	Tours/Wagon Train/Cattle Drive n=17	Campgrounds n=13
	Changes in 2005												
Increase in 2005 visitation	49%	64%	43%	59%	70%	47%	46%						
WHY? Better advertising	43%	37%	53%	41%	29%	50%	17%						
Improved website	32%	33%	53%	50%	14%	13%	17%						
Returning guests	36%	43%	65%	55%	64%	38%	0%						
Decrease in 2005 visitation	16%	25%	35%	19%	20%	18%	46%						
Visitation remained the same	35%	11%	22%	22%	10%	35%	8%						
Expected changes in 2006													
Expect visitation increase	51%	60%	51%	77%	70%	71%	67%						
WHY? Bookings up	59%	35%	60%	46%	57%	17%	0%						
Better advertising	53%	41%	50%	46%	64%	50%	50%						
Gradual increase	28%	52%	45%	61%	57%	58%	50%						
Expanded or improved operations/services	16%	45%	35%	29%	29%	42%	50%						
Repeat customers	44%	69%	90%	68%	50%	33%	17%						
Improved website	28%	35%	35%	50%	43%	33%	0%						
New, so increasing	41%	21%	20%	39%	21%	50%	0%						
Construction in area	6%	35%	0%	18%	0%	8%	17%						
Expect visitation decrease	7%	7%	8%	6%	5%	6%	8%						
Expect the same visitation	42%	33%	41%	18%	25%	24%	25%						
Plans in the next year:													
Expand current site/business	28%	30%	56%	36%	33%	46%	13%						
Renovate current site	28%	58%	29%	39%	53%	0%	64%						
Add more sites/business elsewhere	10%	4%	21%	6%	0%	25%	13%						
Downsize current site/business	5%	4%	21%	0%	0%	13%	0%						
Close down/sell	10%	8%	0%	6%	14%	0%	0%						
Number of years in business:													
Mean	7.1	11.7	15.4	4.9	22.1	10.2	15						
Range	1-90	1-50	1-35	0-18	1-80	1-68	1-40						
5 years or less	68%	48%	20%	66%	26%	65%	31%						
6-15 years	26%	26%	37%	31%	32%	24%	38%						
16+ years	6%	26%	43%	3%	42%	11%	31%						

*May not add to 100% due to rounding

year. Again, returning guests, better advertising, and an improved website accounted for the top reasons for this growth.

More than half of all respondents in each category are looking forward to an increase in visitation for 2006 with most citing returning guests as the reason why. Seventy-seven percent of Bed and Breakfast respondents expect an increase in visitation in 2006 while vacation homes/condos/cabin owners had the least number who expected an increase (51%), though still a slight majority. Interestingly, 90 percent of outfitters and guides indicated that repeat customers were the reason for expecting an increase followed by 69 percent of motel and hotel owners saying this was a reason for an increase. Plans for next year include business site renovation for campgrounds (64%) and motels and hotels (58%), while 56 percent of outfitters and guides are expecting to expand their business.

Tourism and Montana's Legal Environment

In the annual tourism outlook survey conducted by ITRR, two questions relating to the outlook seminar theme were asked of Montana tourism business owners. First, owners were asked to identify their top two legal or regulatory issues that make it difficult to succeed in their business. Second, owners were asked to identify the top two legal or regulatory issues that help develop or sustain their business.

More than two-thirds (70%) of the respondents commented on the first question related to legal or regulatory obstacles. As seen in Table 5, laws and regulations – especially those dealing with public land use permits – were among the top concerns. This was followed by taxes of all sorts which dip into profits, are hard to understand, and are seen as unfair by some. Other concerns strongly voiced by respondents related to insurance, especially the cost and availability of liability insurance which is necessary in recreation businesses, as well as workers' compensation and affordable health insurance.

Various laws and regulations that are helpful to their business environment were mentioned by 39 percent of respondents, including the limits on hunting outfitters and the guarantee of nonresident

hunting licenses to outfitters. Not surprisingly, 32 percent of respondents could not think of any laws and regulations that were helpful. However, 20 percent appreciate the use of the bed tax for marketing and another 10 percent mentioned various laws protecting Montana's environment which help their natural resource based business succeed.

Analyzing these responses by type of business, sample sizes of motels, bed and breakfasts, vacation homes/cabins/condos, and outfitters and guides were large enough to look at separately. Motel owners were more likely to suggest that taxes were too high and that health insurance along with excessive administrative activities were problems. On the benefits of laws and regulations, most motel owners did not mention any benefits and one even stated, "You've got to be kidding!"

Owners of bed and breakfast establishments were more varied in their responses including concerns about the bed tax, complicated and not "small business friendly" signage regulations, snowmobiling issues, and (no surprise) taxes. One owner exclaimed, "If you went and said, let's make the worst tax structure possible, you would have come up with the Montana tax!" On the benefit side of regulations, many mentioned Travel Montana and its advertising as well as the need to keep the environment healthy as their customers come for Montana's natural environment.

Respondents who own vacation homes/cabins/condos were more likely than any group to say there were no legal or regulatory issues that made their business struggle. Additionally, many did indicate the need to maintain Montana's natural environment. For example, one respondent commented, "At this time, I am not sure what issues make it difficult for us to succeed in our business. Most people who contact us are coming because of our environment compared to the big cities. They are looking for open spaces and less traffic with outdoor opportunities." However, some did express concerns. Taxes were mentioned as a problem, and liability came out as an issue with one owner bluntly saying, "Liability is a huge issue for vacation home businesses." Others indicated problems associated with local issues such as snowmobiling in Yellowstone, water levels in reservoirs, and stream access conflicts. On the benefit side of regulations, the Travel Montana web site and the *Montana Travel Planner* were mentioned as a benefit of the bed tax.

Table 5: Legal or Regulatory Obstacles and Assistance to Tourism Business Success

Obstacles to Business Success (174 comments)		
Category	Percent comments	Top Examples:
Regulations and Laws	24%	1) Public lands special use permits – number, type, cost 2) MDOT highway signs – not business friendly 3) YNP snowmobiling – inconsistency 4) Lack of camping enforcement – i.e. Walmart
Taxes	23%	1) Taxes too high – property tax, bed tax, income tax 2) Montana’s tax structure deters business 3) Too much time filling out forms
Insurance	18%	1) Liability insurance – costly, hard to get, need tort reform 2) Workers’ Compensation 3) Affordable health insurance 4) Insurance in general
Outfitter and Guides	9%	1) Limitations on some rivers for commercial use 2) Over regulation of outfitters 3) Unregulated outfitters and guides
Lack of Coordination/ Complicated Processes	6%	1) Too many agencies to deal with – combine or work together 2) Complicated licensing, permits, tax forms, paperwork – very time consuming
No impediments	6%	Respondent did not have a concern
Fish Wildlife and Parks	5%	1) Cost of nonresident hunting licenses 2) Allow more licenses for nonresidents
Environment	5%	1) Environmentalist in way of development and use of lands 2) Closing off stream/river access by private land owners 3) Need to protect our environment
Assistance to Business Success (111 comments)		
Various Laws/Regulations	39%	1) Limits on hunting outfitters 2) FWP – guarantee of nonresident hunting licenses to outfitters 3) Open access to public waterways 4) No smoking law, no sales tax, continued winter access to YNP, resort tax, LLC filing is easy, opportunity for special use permits allows us to have a business, licensing of outfitters, new contractor laws
No Assistance/Help	32%	Respondents could not think of any helpful regulations/laws
Bed Tax	20%	1) Promotion through bed tax 2) Visitmt web page 3) Research
Environment	10%	1) Environmental protection 2) Conservation easements 3) Acquisition of fishing access sites 4) Land use planning regulations

Finally, outfitter and guide respondents had much to say about problems as well as benefits on the legal and regulatory issues. Liability insurance, workers' compensation, limits on guides and outfitters, not limiting the number of guides, high out-of-state licenses, restrictions on the Big Hole and Beaverhead Rivers, and federal controls on permits were the most mentioned concerns. On the benefit side, many mentioned that the access to public waters and the continued acquisition of fishing access on Montana's waters were good for business. In addition, the guarantee of hunting licenses was praised by many as well as limits of the number of outfitters in a given area. As one respondent said:

"Tourism and recreation in the state of Montana is the one industry that we can rely on as long as we maintain and support intelligent environmental conditions and work to promote the quality of life and the quality of the resources that are so important to the state. Montana needs to take a harder look at its future and start to understand the needs of the tourism and recreation businesses. Water is one of the biggest issues facing our industry and with the laws and the attitudes of our agricultural based business staying the course, we have a long road ahead of us. The largest hurdle that needs to be addressed is the issue of water rights and the 'use it or lose it' philosophy of water rights. If we can get to the point where agriculture based businesses can put unneeded water back into a drainage without risking losing their rights to the water, we could see remarkable changes in the quality of our resources and we would see an increase in tourism as well as agricultural based business."

Montana's Outlook - 2006

According to the Travel Industry Association of America (Cook 2005) the United States is expecting a slower rate of growth in 2006 with a forecasted two percent increase in domestic leisure travel. In Montana, a majority (64%) of tourism business owners are also expecting an increase in 2006 while 30 percent are expecting to remain the same as in 2005. Although there is still optimism about future growth in travel, looming fuel prices including home heating for the winter will certainly dip into the pocketbook a little deeper in 2006. In addition, consumer confidence is at a two year low indicating unease about spending and earning potential (Cook 2005). These indicators suggest that Montana, like the U.S., will also have a moderate growth in tourism of about two percent in 2006.

Reference

Cook, Suzanne. (2005). U.S. Domestic Travel Outlook. Presentation at the Travel Industry Association of America Marketing Outlook Forum. October 21, 2005. Seattle, WA.



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