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Montana Vision Travel Research: 2003

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MONTANA VISION

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2003 Outlook

Travel Industry Indicators and Economics

by Norma P. Nickerson, Director

The National Perspective

Nationally, the travel industry for 2002 was filled with not-so-good news while the future holds the promise of better news. In short, 2002 was a year of struggle. According to the Travel Industry Association of America¹ (TIA), international inbound travel to the U.S., business travel, air travel, hotel performance, travel expenditures and travel employment have still not returned to pre-9/11 levels.

Domestic business travel, expected to falter due to the economy, did decline by four percent in 2002. International overseas arrivals to the United States for the first half of 2002 were down 17 percent with no additional changes foreseen for the second half of 2002. Domestic air travel, both business and leisure were down (-20% and -10.7% respectively). Hotel demand was expected to be down nearly four percent from 2001. Finally, travel expenditures declined 5.8 percent while travel employment was still down 4.4 percent from 2001 (Table 1).

On the good news side, TIA reported a two percent increase in domestic leisure travel in 2002 over 2001. This increase in domestic travel was due to the economic downturn and terror threats, keeping Americans on U.S. soil for vacations. According to TIA, Americans traveled more by car or RV and less by air in 2002. In fact, recreational vehicle rentals skyrocketed 30 percent during the fourth quarter of 2001 and remained at that high level through 2002. Automobile travel was up three percent in 2002. Americans are traveling closer to home. Trips in-region were up eight percent in the first half of 2002.

Table 1

Travel Indicators: National Changes 2001-2002

Percent change August 2001- August 2002

International Arrivals	-17%
Airline Industry	-5%
Total Business Travel	-9%
Business Travel by air	-20%
Business Travel by Auto	-3%
Hotel Performance	
Supply	+1.8%
Demand	-3.8%
Occupancy	-5.5%
Travel Expenditures	-5.8%
Travel Employment	-4.4%
Domestic Leisure travel	+2%

Source: Travel Industry of America, 2002 TIA Marketing Outlook Forum

Along with this increased auto and RV travel, TIA reported that Americans are showing more interest in connecting with family and the cultural and natural environment. Travel with outdoor recreation activities was up as well as historic and cultural travel. While this bodes well with what Montana has to offer, Americans are also booking much later than in previous years and hunting for travel bargains. Most travelers are cutting back on travel spending.

Predictions for 2003 at the national level are promising. While recovery from 2001 is still slow, TIA is forecasting a three percent increase in U.S. domestic leisure travel in 2003. This increase is based on the attachment Americans have to travel, a pent-up demand, and attractive pricing for consumers. Business travel

throughout the U.S. is expected to barely change in 2003 with a forecasted increase of less than one percent. The economy has forced businesses to analyze the need for trips and to cut back where they can. This behavior will continue into 2003.

Overall, many travel industry indicators show positive signs as seen in Table 2. Most encouraging for the leisure travel industry is the continual increase in disposable income. On the downside, one unknown that does not show up in these figures is the lingering threat of war. War generally has a negative effect on both leisure and business travel.

The Montana Perspective

The 2002 preliminary estimates of nonresident travel to Montana show a two percent increase over 2001 to 9.77 million visitors or 4 million visitor groups (Figure 1). Nonresident travel mirrored the national increase of two percent.

Other indicators of improvement for 2002 are prevalent in the visitation numbers of both Glacier and Yellowstone National Parks. Even after the latest opening ever of the Going-to-Sun-Road, Glacier appears to have rebounded significantly with an increase of almost 13 percent over 2001. Yellowstone visitation numbers increased as well, with slightly over eight percent (Figure 2).

Montana airport deboardings for 2002 were slightly above 2001 levels with less than a one percent increase (Figure 3). Montana should be pleased with any increase since most airports and airlines around the country are showing declines for 2002. According to TIA, the airline industry is still down five percent from 2001 indicating that air travel recovery has stalled. The American public took to the highways this past year and the numbers show it.

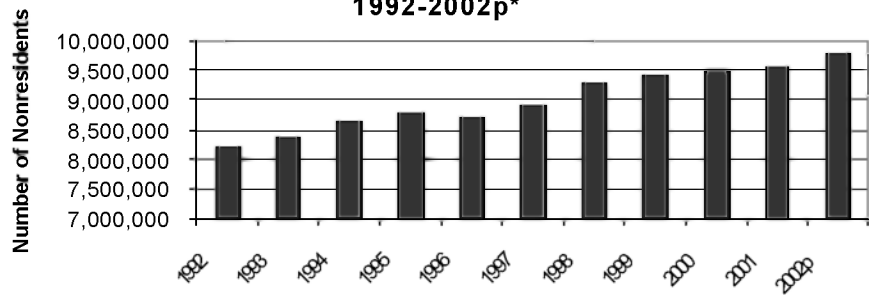
**Table 2
U.S. Economic Growth Expected**

	2001	2002p*	2003f**
Real GDP	0.3%	2.3%	3.2%
Consumer Price Index	2.8%	1.6%	2.8%
Travel Price Index	1.1%	0.5%	3.3%
Disposable Income	1.8%	4.5%	2.4%
Unemployment	4.8%	5.9%	6.0%
Corporate Profits	-10.0%	-2.3%	21.2%

**Preliminary Estimates ** Forecasted*

Source: Travel Industry of America, 2002 TIA Marketing Outlook Forum

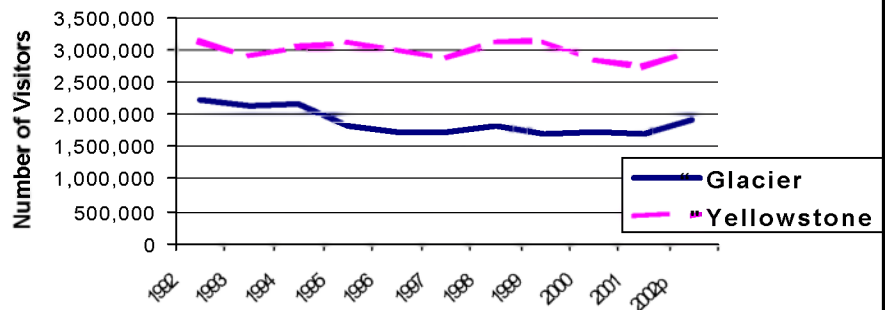
**Figure 1: Nonresident Visitors to Montana
1992-2002p***



*Preliminary Estimates

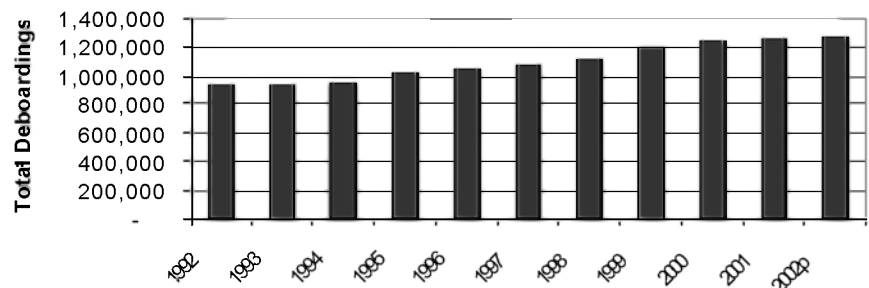
Source: ITRR

Figure 2: National Park Visitation 1992-2002



Source: National Park Service

**Figure 3: Montana Airport Deboardings
1992-2002p***



*Preliminary Estimates

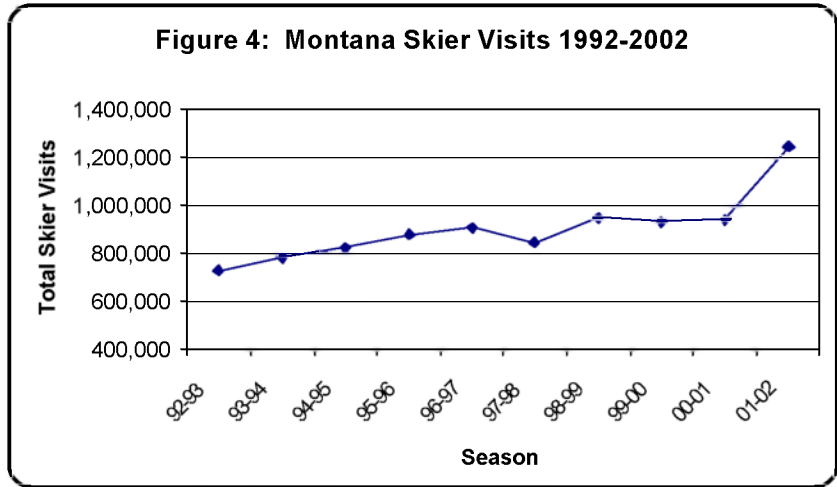
Source: Montana Aeronautics Division



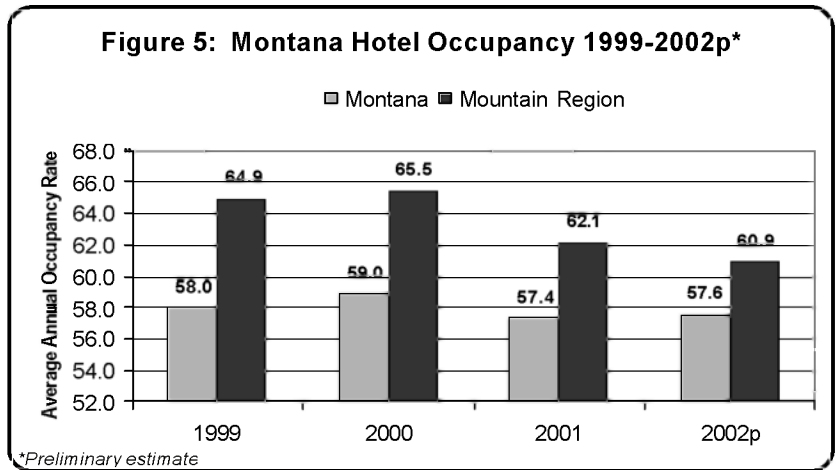
The 2001/2002 ski season did extremely well, despite the odd snow year, with a 32 percent increase over the 2000/2001 ski season (Figure 4). Even though winter snows arrived late last year with the bulk of the precipitation falling in March, all Montana ski resorts, except four, saw visitation increases. The increases are attributed to a number of aspects including a greater number of local skiers, poor snow in Colorado, and the Olympics, responsible for a surge of interest.

Finally, hotel and motel occupancy for Montana remained virtually the same in 2002 as in 2001 (Figure 5). However, compared to the mountain region, which experienced a two percent decrease in occupancy, Montana fared well. To highlight the differences, Montana experienced a 1.2 percent increase in room availability which generally correlates to a temporary dip in occupancy. The mountain region, on the other hand, experienced only a half percent increase in room availability, but a 1.2 percent decrease in occupancy.

Travel Expenditures. Preliminary estimates show nonresident travel expenditures of \$1.8 billion in Montana for 2002, up 2.3 percent from the previous year (Table 3). With the exception of 1996, when a slight decline occurred, travel expenditures have been growing steadily over the years.



Source: U.S. Forest Service and Big Sky Resort



Source: Smith Travel Research

Table 3
Travel Expenditures in Montana, 1992-2002

Year	Expenditures (\$million)	Percent change from previous year
1992	\$1,514	
1993	\$1,550	8.8%
1994	\$1,601	2.4%
1995	\$1,622	1.3%
1996	\$1,608	-0.8%
1997	\$1,644	2.2%
1998	\$1,716	4.4%
1999	\$1,743	1.6%
2000	\$1,750	0.4%
2001	\$1,766	0.9%
2002	\$1,806	2.3%

Source: ITRR

Expenditure patterns of nonresident visitors to the state vary according to purpose of trip. Those whose primary trip purpose is vacation spend \$130.58 a day per group, compared to those visiting friends or relatives who spend \$100.79 a day per group. Those simply passing through the state spend \$79.01 a day per group (Table 4).

The economic impact of nonresident travel for 2002 was directly responsible for 29,600 full and part-time jobs in Montana and indirectly for an additional 3,900 jobs totaling 33,500 jobs. Personal income grew to \$476.7 million, which represent \$427.2 million of employee compensation and \$49.5 million of proprietor's income.

Table 4
Expenditure Profiles- Summer Visitors

	Vacation	VFR	Pass-Thru
Camping	\$3.24	\$1.21	\$1.97
Hotel	\$16.07	\$9.99	\$14.79
Gas	\$25.80	\$23.91	\$28.28
Restaurant	\$22.91	\$19.02	\$16.03
Grocery	\$12.25	\$8.56	\$4.25
Retail	\$29.16	\$25.04	\$8.86
Guide	\$7.69	\$2.12	\$0.10
Auto	\$8.37	\$7.98	\$2.96
Transportation	\$0.10	\$0.15	\$ -
Entrance fees	\$4.36	\$2.16	\$1.52
Services	\$0.63	\$0.65	\$0.25
Total	\$130.58	\$100.79	\$79.01
Sample Size	1,434	403	568

Source: ITRR



Montana Business Owner Perspective

Each year, the Institute for Tourism and Recreation Research surveys travel industry business owners and land managers to get an industry perspective from those directly involved. This year, 191 business owners responded (16% outfitter/guides, 15% vacation home/condo/cabin, 13% B&B, 13% dude/guest ranch, 11% motel, 8% tours, 7% campground, 6% attraction /museum/ski areas, 4% tourism promoter/advertiser, 4% government). These businesses owners on average had been with their business for 12.6 years, however, the range of responses was “just opening” to over 60 years in the same business. The number of survey respondents per travel region closely mirror the number of tourism businesses within each region (31% Glacier Country, 26% Yellowstone Country, 16% Gold West Country, 11% Custer Country, 11% Russell Country, 5% Missouri River Country).

In 2002, 52 percent of the respondents reported an increase in visitation over 2001, 18 percent said business was the same, while 30 percent indicated a decrease in 2002. Increases were attributed to many aspects but most respondents cited increased road traffic due to 9/11; better marketing and management of their business; and a business that is still being discovered. Decreases were attributed to 9/11 and the economy, followed by weather and business changes. When comparing 2001 expectations to actual 2002 performance, it appears that more businesses had a decrease in 2002 than expected, however, about the same number who expected an increase actually saw an increase in 2002 (Table 5).

Table 5
Current and Future Business Expectations

MT Travel Industry Business Owner Current/Future Business	2001			2002		
	Increase	Same	Decrease	Increase	Same	Decrease
<i>Business Performance in past year</i>	31%	28%	41%	52%	18%	30%
<i>Expectation for next year</i>	56%	33%	10%	70%	22%	8%

Written comments provided by respondents were categorized into five major headings: Travel promotion, Lewis & Clark, General business, Environment and Tourism, and Government and Tourism. Examples of these “sound bites,” provided below, show suggestions and concerns for the future of Montana’s tourism industry.

Selected Survey Comments

Travel Promotion:

- The accommodation tax works – don’t change it or increase it.
- Promotion by the state is a help to our business.
- Cultural aspects of Montana should be promoted along with the natural environment.

Lewis & Clark:

- Increases in visitation are expected because of the Lewis & Clark Bicentennial.

General Business:

- Concerns about the future were based on upcoming road repairs in their area, high airline costs, and economic conditions.

Environment and Tourism:

- We need to protect our environment and preserve access to our public lands for the future.
- Weather plays the biggest part in our business -low water levels mean poor fishing and rafting.

Government and Tourism:

- The increasing cost of outfitter license fees and out-of-state hunting and fishing licenses is detrimental to the tourism business.
- Regulations on the Bighole/Beaverhead is a precursor to other regulations which will destroy the outfitter business - a large contributor to Montana’s economy

The Lewis & Clark Perspective

In 2000 and again in 2002 a national survey was conducted to gauge interest and awareness of the Lewis & Clark Bicentennial. NFO Plog Research collected data via a self-administered four-page mail questionnaire in October 2002. A 67 percent response rate was obtained.

Over half (54%) of those surveyed were very or somewhat familiar with the Lewis & Clark Expedition but only 13 percent were very or somewhat familiar with the Bicentennial. When asked, 31 percent said they were very or somewhat interested in visiting bicentennial sites or events. However, 46 percent of those who were identified as history buffs (indicated that gaining knowledge of history or other culture is an important reason for taking a vacation) were interested in visiting Lewis & Clark sites or events. History buffs represented 36 percent of the entire sample.

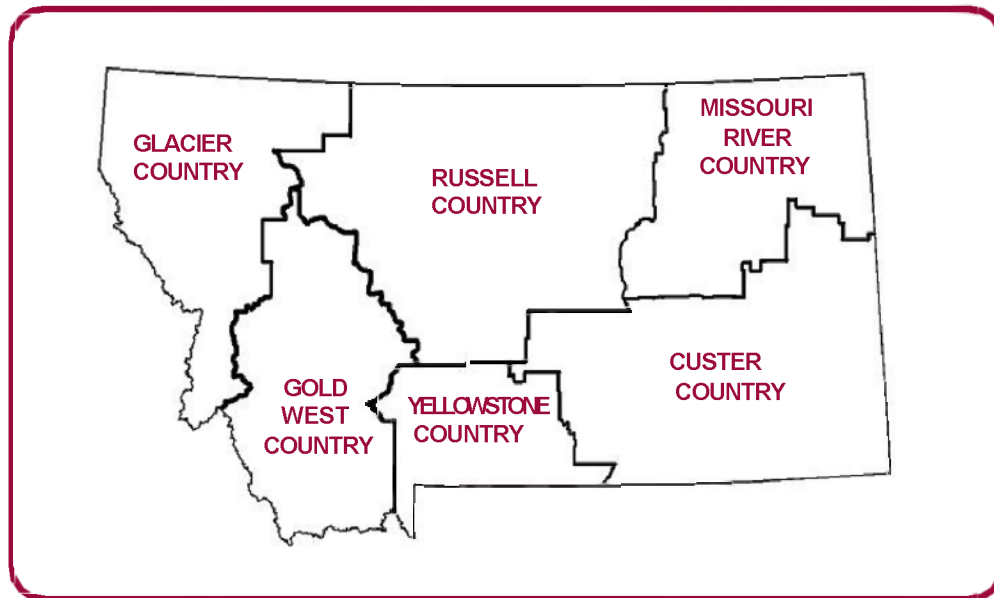
Respondents very interested in the story of the Lewis & Clark expedition increased two percent from 2000 to 2002. When asked about their familiarity with the bicentennial, 74 percent were not at all familiar with it in 2000 while only 65 percent said they were not at all familiar in 2002, indicating a nine percent increase in two years.

Missouri (28%) and Oregon (27%) were most often cited when respondents were asked to recall state(s) to which the Bicentennial media they had seen referred. Other states exceeding 10 percent of the respondent recall included Montana (17%), Washington (14%) and North Dakota (12%). However, 43 percent of respondents could not assign a state to the advertising, public relations, documentary, or news story.

In summary, awareness of the expedition is high but awareness of the commemoration is nominal. NFO Plog Research recommends the states involved in the commemoration need to broaden awareness through advertising and media efforts if these states seek visitation increases during the commemoration. The full report is available at www.forestry.umt.edu/itrr under Research Reports: Lewis and Clark.

A Travel Region View

Figure 6: Montana's Six Travel Regions



Montana is divided into six travel regions for marketing purposes (Figure 6). During the summer of 2002, visitors to attractions within the six travel regions were surveyed about their travel behavior within that region (full travel region reports forthcoming).

As seen in Table 6, the behavior of visitors who spend time at attractions varies depending on the region they visited. The most striking difference is seen with first time visitors to the regions. Russell Country attractions have more first time visitors at 51 percent, while Yellowstone receives mostly repeat visitors (only 38% are new to the region). This study intercepted both nonresidents and residents of Montana who did not reside in that region. Proportionately, Montana residents visited Missouri River Country and Russell Country at a higher rate than the other regions. For example, in Missouri River Country, nonresidents represented 68 percent of visitors to attractions while residents represented 32 percent. At the other extreme, in Custer Country, nonresidents represented 95 percent of the visitors to attractions while residents accounted for five percent of the visitation.

Visitors to attractions in the six travel regions visited the two national parks at varying rates. Not surprisingly, nearly $\frac{3}{4}$ of the visitors to attractions in Glacier Country went to Glacier National Park, a similar rate seen by visitors in Yellowstone Country visiting Yellowstone National Park. Gold West Country visitors were almost twice as likely to visit Yellowstone as Glacier. Conversely Russell Country visitors were more likely to visit Glacier. These travel patterns, while showing the importance of the parks to each region, also show that the parks are not the sole purpose for being in Montana for over half of the visitors to all regions except Glacier Country and Yellowstone Country.

Other regional data shows that Billings, Bozeman, and Kalispell experienced increases in airport deboardings through November, compared to 2001. Butte, Missoula, Helena, and Great Falls saw significant decreases compared to 2001 (Table 6).

Finally, nonresident summer visitors who stay overnight in Montana spend more nights in Glacier Country (33%) and Yellowstone Country (30%) than any of the other Travel Regions. Custer Country is a distant third in percent of summer overnight stays (14%).

Table 6
Visitor Profile Regional Comparisons

Summer 2002 - Visitors at Attractions in Region	Custer	Glacier	Gold West	Missouri R.	Russell	Yellowstone
<i>Primary reason for Visiting</i>						
Vacation	64%	69%	59%	47%	43%	73%
Visit friends/relatives	20%	20%	28%	28%	25%	13%
Passing through	9%	4%	8%	14%	8%	4%
Business	4%	4%	2%	3%	6%	5%
<i>Average nights in MT</i>						
	5.3	7.5	6.9	7.2	7.5	6.5
<i>Average nights in Region</i>						
	2.8	5.3	4	4.1	4	4.5
<i>1st-time visitor to Region</i>						
	47%	46%	44%	44%	51%	38%
<i>Visited Parks during Trip</i>						
Yellowstone	46%	24%	43%	13%	30%	74%
Glacier	15%	71%	24%	30%	45%	16%
<i>Where from</i>						
Montana	5%	8%	18%	32%	20%	9%
Foreign Country	4%	6%	6%	5%	6%	4%
U.S. States	91%	86%	76%	63%	74%	87%
	CA - 11%	WA - 16%	WA - 17%	WA - 15%	WA - 13%	CA - 15%
	WA - 9%	CA - 12%	CA - 12%	MN - 9%	CA - 12%	OR - 5%
	CO - 8%	OR - 7%	CO - 6%	CA - 7%	OR - 5%	TX - 5%
						WI - 5%
Airport Data - 2002						
<i>Deboarding % '02 vs '01 (through November)</i>	Billings 6.9%	Missoula - 3.3%	Butte -5.8%		Great Falls -1.9%	Bozeman 5.2%
		Kalispell 2.4%	Helena -3.0%			
Nonresident overnight stays						
<i>percent within each region during summer</i>	14%	33%	11%	2%	9%	30%

Source: ITRR, Travel Montana, and Montana Aeronautics Division



2003 Montana Travel Industry Outlook



Nationally, a three percent increase in domestic leisure travel is projected for 2003. In Montana, the outlook by travel industry businesses throughout the state is extremely positive. Seventy percent of the 191 respondents expect an increase in business in 2003, with an average of a ten percent increase over 2002. Only eight percent of respondents foresee a decrease. Based on national and local business projections, and barring war or further national economic downturns, the travel industry in Montana can be expected to have an increase between two and five percent in 2003.

¹ Cook, S., (2002). Outlook on U.S. Tourism, and Overview. Presented at the 2002 TIA Marketing Outlook Forum, October 2002; Hollywood, FL.

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