

MONTANA VISION

Published by The Institute for
Tourism and Recreation Research

TRAVEL RESEARCH

January 2001
Volume 6 Issue 1

Economic Influences in 2000:

- Low unemployment rates
- Active stock market
- Strong consumer confidence
- Increased disposable income
- Increased rates of personal consumption
- Declining levels of personal savings
- Low levels of inflation
- Trade deficit

Other Influences:

- Y2K scare
- High oil and gas prices
- Montana forest fires

Year 2000 Montana Travel Highlights

Nonresident visitation to Montana totaled 9.37 million in 2000, down one-half of one percent compared to 1999.

Montana Interstate and primary road traffic increased 1 percent over 1999.

Traffic at Montana's airports increased by 3 percent.

Hotel/motel occupancy rates went up 1 percent.

Yellowstone National Park experienced a 9 percent drop in visitation in 2000 as compared to 1999, while Glacier National Park saw a 3 percent increase.

Skier visits reached an all-time high of 1.18 million people in the 99-00 season, up 5 percent from the 98-99 season.

Nonresident travelers spent an estimated \$1.64 billion in the state in 2000, directly supporting 25,800 jobs.

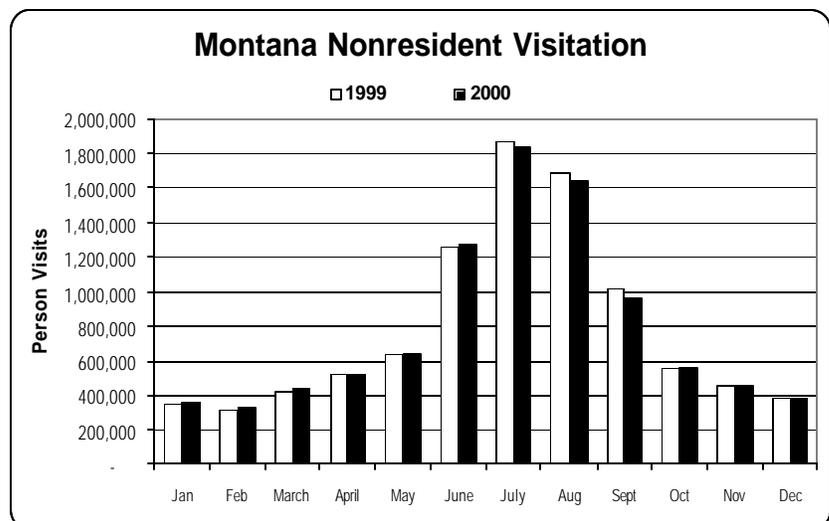
The nonresident travel industry accounted for \$344 million in employee compensation, as well as \$51 million in proprietary income.

Year 2000 in Review

The Y2K scare, high oil and gas prices, the stock market, forest fires, as well as local and national elections were all important influences during 2000. Some of these events hit close to home, the forest fires being the most obvious. Many people thought the forest fires would have devastating impacts on Montana's travel industry, but this does not appear to be the case.

Montana hosted nearly 9.4 million visitors in 2000, down about one-half of 1 percent from 1999. While this may seem disappointing in light of a 2 percent predicted increase, the end result could have been much worse given the occurrences of the past year.

Montana's nonresident travel volume took a dip in July, August and September of 2000. First, a 1 percent decrease in July, Montana's biggest month in terms of visitation numbers, occurred before the forest fires started.



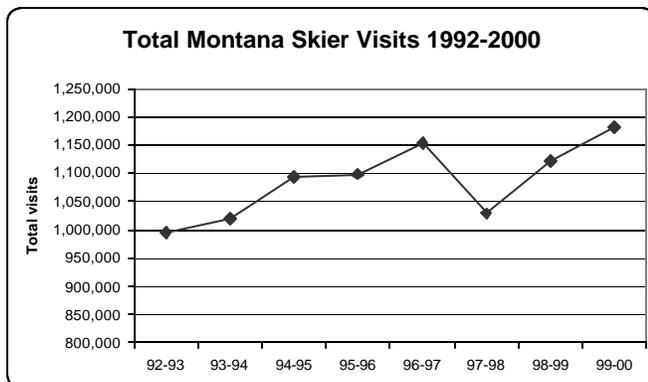
Source: ITRR

MONTANA VISION 2

This decrease was likely caused by a combination of high gas prices and ironically enough, a strong U.S. economy. With the addition of nationally broadcasted dramatic forest fire footage, it comes as no surprise that visitation in August and September was down 3 and 5 percent, respectively.

Nationwide, about one in five groups altered their travel plans as a result of high gas prices. Of these, 45 percent shortened either the duration or the distance of their trip. While only 1 percent of travelers nationwide cancelled their trip outright, it is likely that some form of trip modification took place for a portion of the state's visitors.

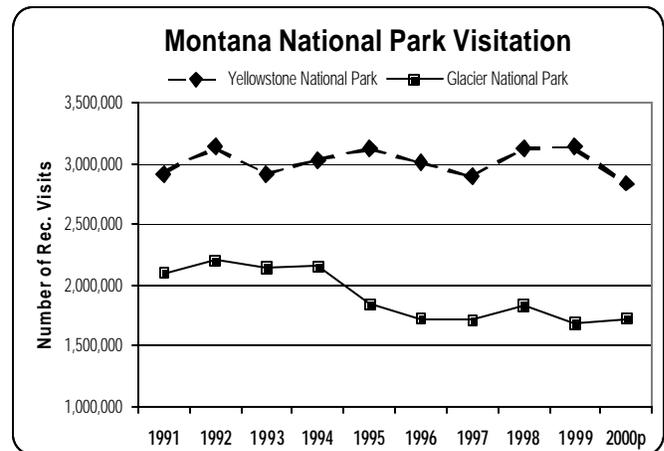
Along with the price of gas, the strong economy likely played an important role in the decline in visitation. When the nation's economy is good, travelers have more disposable income and, therefore, are likely to take trips to more exotic, more expensive destinations. A strong economy means that the U.S. dollar is strong compared to other currencies, encouraging trips abroad. Domestic trips such as those taken to Montana may be put off until the economy slows, necessitating more prudent spending.



Source: USDA Forest Service

Montana skier visits reached an all-time high of 1.18 million in the 99-00 season, up 5 percent from the 98-99 season. While skier visits to the state as a whole are up, there is a lot of regional variation between the different ski areas. Lost Trail Ski Area and the Big Mountain both experienced visitation increases of over 20 percent in the 99-00 season, while Discovery Basin and Maverick Ski Area experienced sizeable decreases.

Visitation to Glacier and Yellowstone National Parks took a turn in 2000. Yellowstone has experienced consistent growth in visitation over the past few years.



Source: National Park Service, Glacier National Park

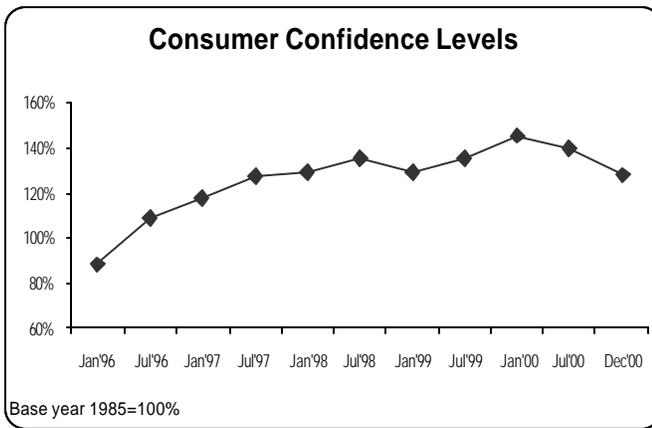
In 2000, however, visitation to the park was down 9 percent from 1999. Glacier National Park on the other hand, registered a 3 percent increase for 2000. This is only the second visitation increase since 1993. Yellowstone had some problems to battle in 2000, including road construction outside the park, bad publicity and forest fires. While rumors of park closures are usually an issue facing Glacier, it became Yellowstone's headache this summer. September alone resulted in a 21 percent decrease in visitation at Yellowstone, a drop which many blame on media reports suggesting the park was closed to visitors. Glacier on the other hand was very successful in combatting rumors of park closure last year. Together with publicity regarding reconstruction of the Going-to-the-Sun Road and the fact that Glacier was the only public land area in Western Montana to remain open during the fire season, the park saw particularly large increases in August and October (6 and 19 percent, respectively).

2001 Outlook

Despite the summer visitation decline of 2000, Montana can expect a 2-3 percent increase in nonresident visitation in 2001, in keeping with the national projection of a 2.2 percent increase in U.S. travel. A number of factors will shape travel to Montana in 2001.

Economic Conditions

While inflation has been low in 2000, it is currently on the rise and is expected to continue to rise into 2001. The stock market has been disappointing in recent months, affecting consumer confidence. While confidence remained high throughout most of 2000, it took a downturn towards the end of the year, indicating that people are becoming less comfortable with spending their money.



Source: The Conference Board

The national rate of inflation was low in 2000. However, prices for travel products and services have increased at a higher rate which may influence future travel spending. Growth in personal consumption levels peaked in 2000 and is currently slowing. When combined, these factors produce a situation in which travelers will be more likely to vacation in domestic, less exotic places of which Montana could be one.

Gas prices rose dramatically in 2000. While higher prices were not a big issue last year, they will become more important as travelers plan their 2001 trips. Prices may cause visitors to travel shorter distances or stay away from home for a shorter period of time. On the other hand, improved air service, such as the addition of three daily flights between Bozeman and Denver, may offset some impacts from high gas prices.

Canadian Visitation

Visitation to the United States from Canada is projected to increase 23 percent between 1999 and 2003 due to a strong Canadian economy. While the Canadian dollar is still not keeping up with the U.S. dollar, it is gaining as Canada is experiencing employment growth and higher wages. That aside, it is still attractive for Canadians to visit the United States. While the unfavorable exchange rates make it more expensive for our northern neighbors to visit, conditions here are still such that Canadians can get a “good deal” from their visits. For example, hotel rooms and restaurant meals are still good buys when compared to price levels in Canada.

Forest Fires

While Yellowstone National Park experienced an all-time visitation high in the year following the fires there in 1988, the results of this summer’s experience in Montana will be different.

Yellowstone National Park is a national treasure that evokes strong feelings in many Americans. It is also an area which is geographically limited and easily defined and thus easily visited. Tourists’ curiosities may have brought them to the park to see the effects of the 1988 fires. However, this is not likely to occur as a result of the 2000 fires in Montana. These fires were in areas not as easily recognized by nonresident visitors, and the charred areas are not easily viewed by the casual observer. Therefore, any long-term impacts on nonresident visitation from the forest fires of 2000 are unlikely.

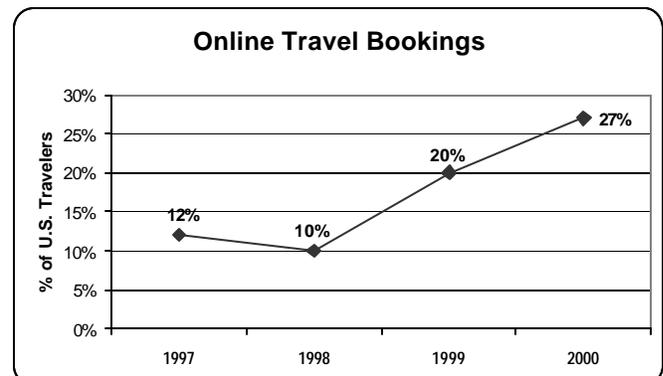
Lewis and Clark Travelers

Although the Lewis and Clark Bicentennial Commemoration does not officially start until 2003, Lewis and Clark sites statewide are hosting increasing numbers of visitors each year. National recognition due to potential “Signature Events”, as well as focus on the Missouri Breaks National Monument designation is keeping Montana in the forefront in terms of Lewis and Clark history, and will help to increase travel in 2001.

E-business in the Travel Industry

Travel services and products make up a large portion of items purchased online. Some 40 percent of all wired customers have purchased airline tickets online, and 16 percent have booked motel rooms this way. Spending on these services has surpassed spending on media (books, music, videos and software) and is expected to reach \$14 billion in 2000, up \$2 billion from 1998 and representing 12 percent of total industry revenues. However, the Internet still only accounts for about 5 percent of total travel industry bookings, so there is ample room for growth.

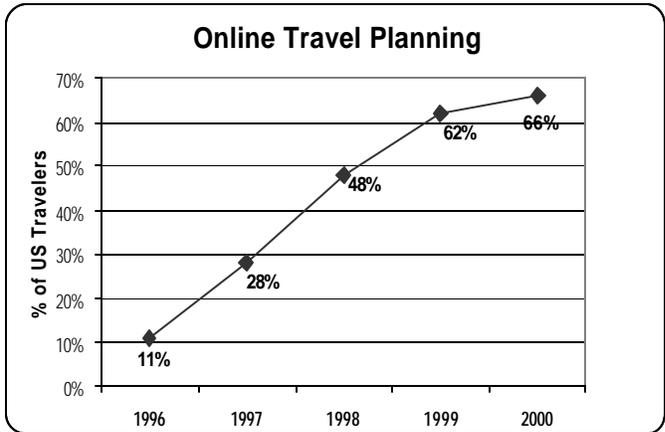
Online travel planning has grown tremendously in the past 3 years. Some 28 percent of U.S. travelers planned trips online in 1997, compared to 66 percent in 2000.



Source: Travel Industry Association of America

Online travel bookings, on the other hand, have grown at a slightly slower rate, from 12 percent of all U.S. travelers in 1997 to 27 percent in 2000. However, this increase is expected to continue as about three-fourths of “lookers” who currently do not book online indicate they are somewhat or very likely to book online in the coming year.

While many types of sites are used for planning, consumers tend to stick with specific sites when making purchases. For example, planning may include company sites, destination sites, online travel agency sites, search engine sites and portal sites, but company sites and online travel agency sites are by far the most popular when it comes to booking. Planners usually go online to obtain maps or driving directions, or to search for places to stay, things to do, and airline fares and schedules. Online bookers, on the other hand, are most interested in airline tickets, hotel reservations and rental cars.

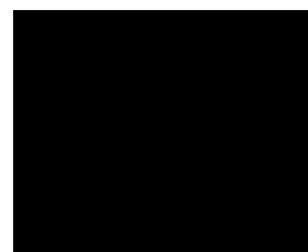


Source: Travel Industry Association of America

To be competitive, travel web sites must provide opportunities to compare prices and save money, as well as offer up-to-date information in a user-friendly format. Offering a wide range of options and easy-to-find destination information makes a site attractive to online travelers.

Funded by the Lodging Facility Use Tax.

Written by Thale Dillon
and Kim McMahon



NON-PROFIT ORG.
U.S. POSTAGE
PAID
MISSOULA, MT 59812
PERMIT NO. 100

Institute for Tourism and Recreation Research
Science Complex 443
Missoula, Montana 59812