

MONTANA VISION

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1998 Outlook

Montana Tourism Trend Highlights

- 1997 appears to have rebounded in visitation numbers with an approximate two-percent increase over the previous year. The first decline in many years was experienced in 1996.
- Glacier National Park was down one percent from 1996 while Yellowstone National Park was down approximately three percent.
- The decline in Canada-to-Montana border crossings through 1996 reversed to show a two-percent increase in 1997. Canada's postal strike in December and good travel conditions due to lack of snow at the end of 1997 may increase the Canadian visitation numbers even more when final numbers for 1997 are available.
- Statewide air passenger deplanements through November, 1997, increased nearly four percent over the same period in 1996. Missoula (10.7%) and Kalispell (9.4%) experienced the highest increases. Billings was down slightly more than two percent in 1997.
- With record snowfalls in the 1996-1997 ski season, skier visits in Montana increased four percent over the 1995-1996 season.

1998 Outlook Projections for Montana

- Overall visitation to Montana is expected to grow two percent in 1998.
- Canadian visitation in 1998 will grow another two percent over 1997, showing an upward trend in visitation from the neighboring country.
- Airport deplanements will increase three percent in 1998.
- Skier visits will remain stable for the 1997-1998 ski season.
- Due to the new 1998-2002 Montana Travel & Tourism Strategic Plan, cooperative ventures between public land managers and the private sector will increase.

Back to Normal in 1997

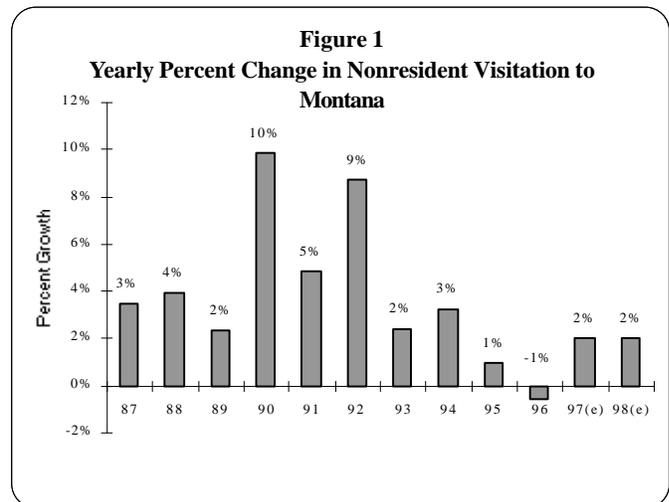
Following an overall visitation decrease in 1996, 1997 rebounded with a two-percent increase. Many conditions pointed to this increase. Glacier National Park finally had a nearly stable year of visitation compared to the prior year, smaller communities along the highline experienced an increase after a few years of decline in across-the-border visitation, and winter snows provided a skiing paradise for 1996-1997. Finally, as long as the Northwest economy is stable and healthy, Montana's nonresident visitation will remain stable or will grow. Trends and analyses of national and state tourism, along with an in-depth discussion of international visitors, is provided in this report.

Montana Trends

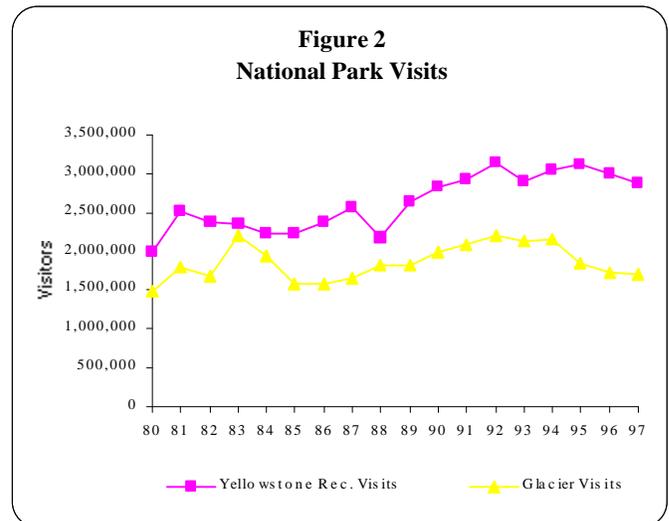
Predicting travel and recreation trends for 1998 is accomplished by reviewing trends from previous years and surveying leaders in the industry. After many years of substantial growth and one year of decline, the travel and recreation industry in Montana may be starting a stage of slow, stable growth.

A three-percent growth in nonresident travel to Montana was predicted in the 1997 Outlook. The estimated growth actually appears to be closer to two percent for 1997 (Figure 1). With the new base year (1996) for estimating nonresident population numbers to the state, 1997 appears to have received approximately 8.8 million individuals or 3.5 million traveler groups. These groups spent \$418 in Montana per trip (compared with \$421 nationally per trip). This represents nearly \$1.4 billion in direct expenditures, \$390 million in direct employee compensation, and over 30,000 direct jobs that benefited the state in 1997. With indirect and induced impacts added to the formula, the travel industry in Montana is a \$3-billion industry which accounts for over \$858 million in employee compensation and nearly 59,000 jobs.

Of the total yearly nonresident travel to Montana, 65 percent occurs during the summer travel months (June through September). Nearly half of those visitors come to Montana primarily to see the national parks (Glacier 25% and Yellowstone 22%). Other visitors are primarily attracted to Montana for the mountains (12%), open space/uncrowded areas (10%), fishing (6%), special events (4%), and a variety of other attractions. As for visitation to the national parks, Glacier experienced a one-percent decrease in 1997 while Yellowstone experienced a three-percent decrease (Figure 2).



Source: ITRR, The University of Montana



Source: USDI National Park Service

Last year's Outlook reported a decrease in visitation at numerous attractions in the state for 1996. In contrast, 1997 visitation numbers generally increased at attractions (Table 1). Likewise, visitation at most chambers of commerce/convention and visitor bureaus throughout Montana experienced increases in visitor numbers. Interestingly, however, much of the increase was experienced at the smaller communities while decreases were seen in Billings and Great Falls. It is possible that visitors may be traveling to the smaller, rural areas more so than in the past.

Ski conditions were some of the best on record for the 1996-1997 season. Skier numbers for the 1996-1997 season reflected a 4.6-percent increase over the 1995-1996 season (Figure 3). While skier visits nationally are on a slight downward trend, Montana has not yet fallen subject to this decline.

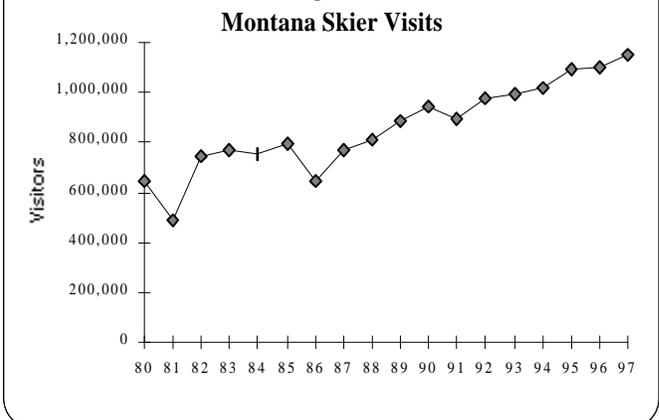
The 1998 Outlook survey, conducted in mid-December 1997 by The Institute for Tourism and Recreation Research (ITRR) at The University of Montana-Missoula, received a 50-percent response rate from the mail survey of 171 tourism-related businesses/agencies. The businesses/agencies surveyed included hotels/motels, bed & breakfasts, campgrounds, guest ranches, CVB/chambers, resorts, public land managers, museums/historic sites, attractions, gas stations/convenience stores, ski areas, outfitters/guides, and galleries. Of those businesses/agencies that responded, 46 percent indicated an increase in visitation in 1997, and 28 percent indicated that visitation remained about the same. Only 26 percent said visitation was down in 1997. This is encouraging because one year ago 41 percent of respondents said visitation was down. This is another indication that 1997 was indeed a better travel year for Montana compared to 1996. In addition, revenues were up or about the same for 74 percent of the respondents (Figure 4).

Table 1

	1996	1997*
Lewis & Clark Caverns	-7%	+3%
National Bison Range	-11%	+5%
Montana Historical Society	-7%	+1%
Museum of the Rockies	-17%	+2%
Grant Kohrs Ranch	-1%	-3%
Little Bighorn Btlfld Nat'l Monument	-11%	-3%

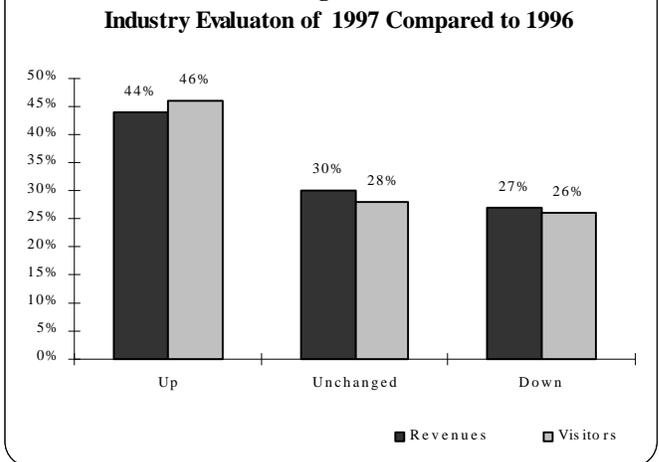
*Represents 1997 estimated change

Figure 3



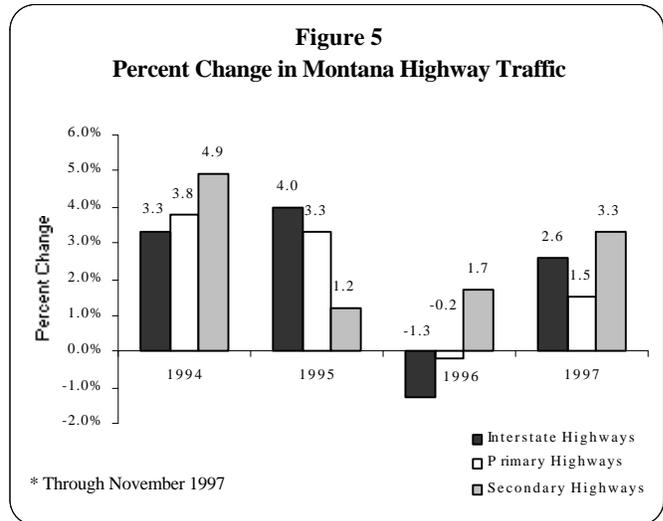
Season (80 = '79 - '80 season)
Sources: USDA Forest Service, Big Sky, Wraith Hill and Great Divide Ski Resorts

Figure 4



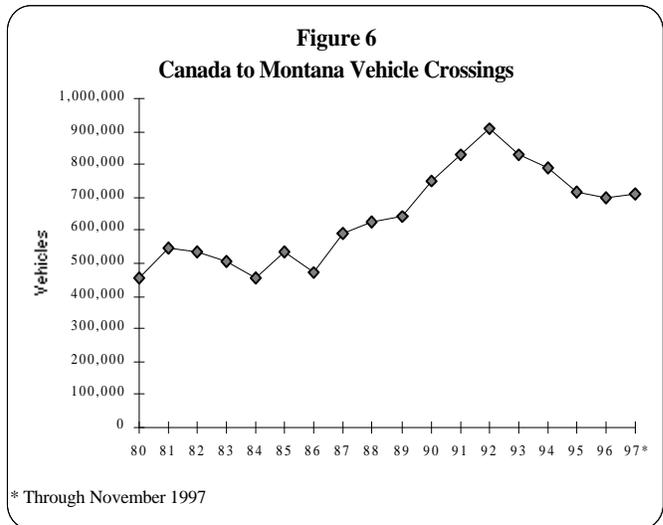
Source: ITRR 1998 Outlook Survey

Other indicators of Montana's visitor industry include highway and airport traffic. Compared to 1996, highway travel increased on all types of roads in 1997 (Figure 5). Interstate travel through November was up 2.6 percent from the previous year, in contrast to the same period in 1996 when a one-percent decrease was experienced over the same period in 1995.



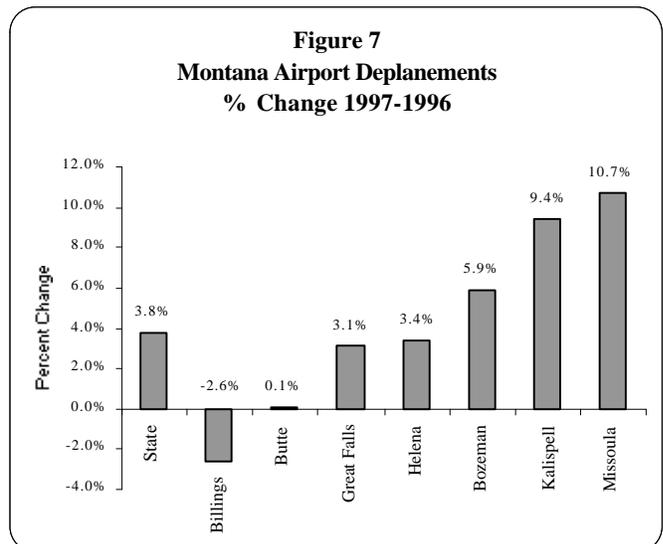
Source: Montana Department of Transportation

Border crossings from Canada to Montana switched from negative to positive from the previous year. The estimated increase in these border crossings for 1997 is at least two-percent over 1996 (Figure 6), but that increase could very well be larger when final border crossing numbers become available.



Source: US Customs Service

Statewide airport traffic has increased 3.8 percent through November 1997. Missoula experienced the highest increase with 10.7 percent more people deboarding in 1997 than in 1996, followed by Kalispell at 9.4 percent, and Bozeman at 5.9 percent. The Billings airport decreased by 2.6 percent from 1996 (Figure 7).



Source: Montana Airport Manager's Association

Car rental agencies in Montana's seven major communities reported changes in car rentals for 1997. Agencies in Billings, Butte, and Great Falls gave mixed reports on the status of car rentals (both increases and decreases were reported). All reporting car rental agencies in Bozeman, Helena, Kalispell, and Missoula indicated increases in rentals. Participating agencies in Missoula all felt the rental increases were due to increased airport traffic in 1997.

National vs. Montana Trends

National travel volume for 1997 appears to have increased five percent compared to Montana's two-percent increase. The slower increase in Montana is not surprising considering national park visitation numbers were inconsistent around the country. While national park visitation increased overall, visitation in the mountain states was down 3.1 percent through July. The state generally followed other national visitation trends in 1997 (Table 2).

Table 2

Travel Changes from 1996 to 1997

	<u>National</u>	<u>Montana</u>
1997 travel volume	+5%	+2%
Traffic from Canada	+4%	+2%
Air traffic	+5%	+4%
Hotel Occupancy	-.9%	+.3%
National Park visits	+4%	-1% Glacier -3% Yellowstone

Source: ITRR, The U of MT; Travel Industry Association of America

National Travel Facts

(Travel Industry Association of America)

- The Automobile Association of America (AAA) reported that 80 percent of automobile travelers drive 200 miles or less from home and 53 percent do not leave their own state.
- Weekend trips by Americans jumped 70 percent between 1986 and 1996, accounting for more than half of U.S. travel. Non-weekend travel increased by only 15 percent during the same period.
- One-half of U.S. adults have taken an adventure trip in the past five years. This includes 31 million adults who engaged in hard adventure activities like whitewater rafting, scuba diving, and mountain biking.
- The share of vacationers who travel with children increased from 45 percent in 1992 to 55 percent in 1996. Most families prefer oceans/beaches, historic sites, and/or cities for vacation.
- Eighty-three percent of travelers are inclined to support "green" travel companies and are willing to spend, on average, 6.2 percent more for travel services and products provided by environmentally responsible travel suppliers.
- Six million travelers booked trips online in 1997.
- Small businesses dominate the travel and tourism industry.

The Global View

A global economy, spurred by airline accessibility and the internet, is being discussed and analyzed continuously. Countries are no longer "islands of the world" because international trade and services are available everywhere.

The effects of a global economy on the travel and tourism industry tend to lag, compared to the effects of the global economy on other industries. Travel for pleasure becomes available to the masses only when a country has a strong economy and people have more disposable income for international travel. Therefore, the United States, and especially Montana, will not feel the effects of a *truly global* economy until there are more developed countries around the world. Until that time, Canada, U.K., Germany, and Japan will continue to provide the travel surplus to the United States. A travel surplus occurs when more international visitors come to the U.S. as compared to the number of Americans who leave the United States. Both business and pleasure trips are counted in a travel surplus. Table 3 shows the balance of trade (surplus and deficit) by key countries.

Table 3

1996 U.S. Travel and Tourism Account Compared to 1995*

Japan	9% increase in surplus (accounts for 60% of U.S. positive travel trade balance)
U.K.	50% increase in surplus
Germany	15% increase in surplus
Canada	8% increase in surplus

- Europe's trade surplus grew 78 percent overall in 1995 to reach a \$3.9 billion surplus even though Eastern Europe had a \$421 million deficit.
- In 1996, the U.S. experienced a \$26 billion travel and tourism account surplus.
- International expenditures in the U.S. increased 223 percent to \$90 billion from 1986 to 1996.
- The mountain region states received seven percent of all international visitor spending in 1995 to account for \$4.5 billion.

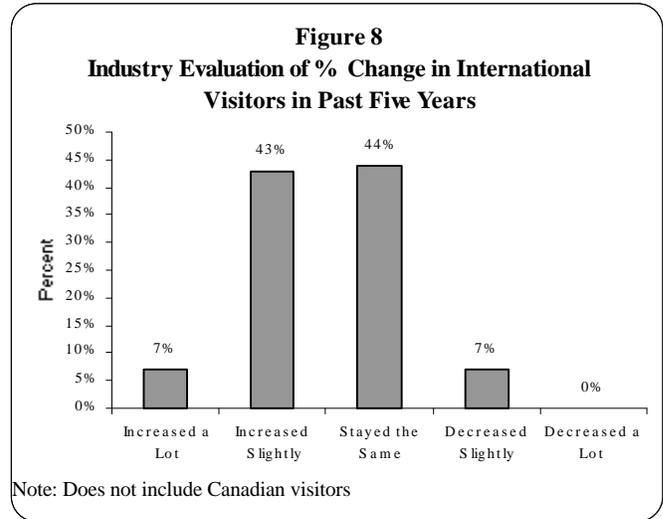
*Source: World Tourism Organization and U.S. Dept. of Commerce

According to Montana tourism and recreation land managers and businesses, international visitation has generally increased over the past 5 years (Figure 8). However, detailed information about these visitors is limited, including where they come from. During the summer of 1996, ITRR surveyed nonresident visitors to the state. Foreign Independent Travelers (FITs) account for 12 percent of all nonresidents to Montana, including seven percent from Canada. However, evidence suggests international visitation is actually higher than the estimated 12 percent. When comparing the ITRR nonresident summer survey results with the December, 1997, survey of businesses and land managers, it is obvious that the nonresident survey does not account for all international visitation. Japanese visitors appear to be the third-highest country of origin for Montana, but intercept studies show Japanese as a negligible one percent of international visitors (Table 4). This discrepancy is best explained by the methodology of the nonresident intercept study, which did not intercept group tour bus travel. Most Japanese visitors travel on tour buses and, therefore, did not become part of the study population.

International Traveler Facts

- Europeans have four to six weeks of vacation time.
- Americans and Asians (especially Japanese) typically have one to two weeks of vacation time.
- Europeans can be categorized as independent travelers.
- Japanese visitors tend to travel as groups with an organized tour.
- Canadian visitors take both long and short vacations in the U.S. due to the proximity of the States.
- A general rule: foreign visitors spend more on retail than domestic visitors and are more likely to purchase higher quality items since replacement opportunities are scarce once they return home.
- International visitors to the U.S. accounted for \$90 billion in 1996.
- International visitors to Montana accounted for at least \$178 million based on 1996 expenditure data.

Based on the 1996 Nonresident Summer Travel Survey, foreign visitors to Montana (not including Canadian visitors) differ greatly from all nonresident visitors on three important trip characteristics. On average, 76 percent of foreign travelers to Montana are most likely to be on vacation, compared with 49 percent of all



Source: 1998 Outlook Survey, ITRR, The University of Montana

Table 4
Origin of International Visitors to Montana:
Comparison of Two Surveys

Countries are listed in order of decreasing respondent occurrence

1996 Nonresident Study	1998 Outlook Study
Germany	Germany
England	England
Netherlands	Japan
Switzerland	France
Austria	Netherlands
Israel	Switzerland
France	
Japan	

Note: Does not include Canadian visitors

visitors. Foreigners are more attracted to Montana because of Yellowstone National Park (54%) than all visitors (22%). Finally, 66 percent of foreigners are first-time visitors to the state where as only 25 percent of all travelers are first-time visitors.

The outlook for international visitors to the U.S. is positive, with estimates increasing through the year 2000 (Table 5). While the mountain states currently receive only seven percent of the international visitation to the United States, this is expected to change as foreigners return to see sites other than Disney World and Las Vegas. Montana should be able to increase its share of international visitors as time passes.

Table 5

Long-term Forecasts of International Visitor Arrivals*

Origin	1996 (thousands)	2000(p) (thousands)	% change 2000 (p)/1996
Canada	15,301	17,686	4%
Mexico	8,530	9,951	3%
Japan	5,047	6,949	38%
U.K.	3,105	4,007	29%
Germany	1,973	2,327	18%
France	990	1,274	29%

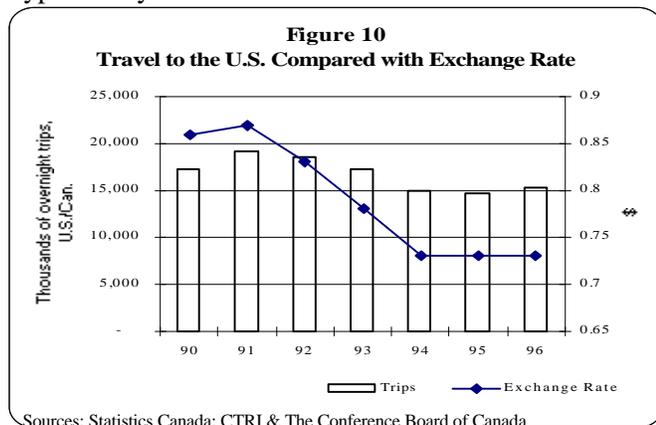
*Marano, H. (1997). Outlook on International Travel to the U.S., Travel Industry Association of America.

In summary, international visitors are appealing since those visitors generally spend more money and stay more nights than domestic visitors.

More on the Canadian Market

As previously mentioned, Canadian visitation to the U.S. is on the rebound and is expected to increase through the year 2000. The top seven states most visited by Canadians are New York, Washington, Florida, Michigan, California, Nevada, and Montana. According to the Conference Board of Canada, Alberta and British Columbia are the provinces with the best economic outlook in the country other than Newfoundland. Montana should benefit greatly from the economic booms in the provinces to the north.

Canadian travel to the U.S. declined drastically as exchange rates worsened. However, the visitation trend is reversing and Canadians are coming back to the U.S. even though exchange rates are not improving (Figure 10). Interestingly, however, Canadian air travel to the U.S. has increased at a much greater rate than auto travel. If this trend continues, Montana could be bypassed by the Canadian market.



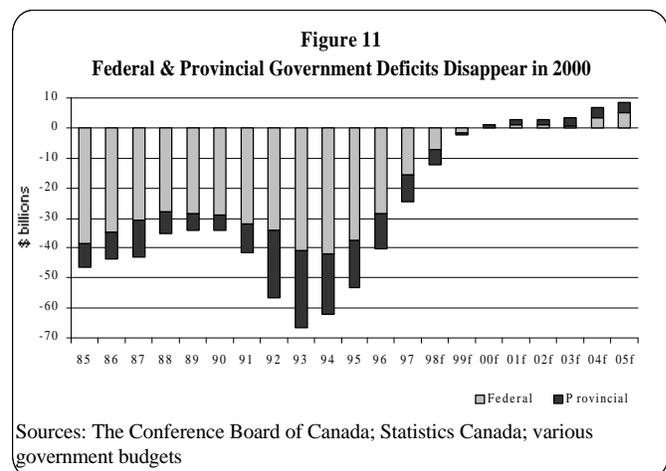
What strategies should Montana businesses implement to become players in the world market of travel and tourism?

- Banks (small and large) need to have the ability to exchange currency.
- MT Dept. of Transportation and private businesses need to implement international signage.
- Brochures, pamphlets, menus, and maps need to be supplied in other languages.
- When possible, businesses should hire bilingual tour guides and front-line employees.
- Communication is the key to attracting international visitors. States who make foreigners feel at home will reap the benefits of international visitation and spending.

According to The Conference Board of Canada, the following trends will affect Canadian travel in various ways:

- In 1992, Canada's savings rate was slightly over 10 percent of income. It has been decreasing ever since, and in 1998 is expected to be only 1.4 percent of income.
- While Canadian savings have declined, debt, as a percent of disposable income, has increased.
- In 1996, consumer bankruptcies skyrocketed to record levels in Canada.
- On the plus side, federal and provincial government deficits will disappear in the year 2000 (Figure 11).

The mixed messages of economic change in Canada are hard to read. However, both Canadian and U.S. experts believe travel to the U.S. from Canada will increase barring any unforeseen terrorism or outbreaks of war.



The 1998 Montana Tourism Outlook

Indicators for the Montana tourism and recreation industry point to another year of growth. The U.S. economic stability should continue through 1998. Consumer confidence is at an all-time high with no indication of change. Unemployment is at a 24-year low. While inflation was up slightly over 1996 (2.7%), the travel price index was up four percent. Real disposable income grew 3.4 percent in 1997 and is expected to increase another 2.6 percent in 1998.

In the ITRR Outlook survey, business owners and land managers in Montana predicted a 2.6-percent increase in 1998 visitation. This is based on better advertising by small businesses, increased interest in the Lewis &

Clark journey, good economic conditions, and advanced bookings. Nationally, air traffic is expected to increase three percent in 1998 and Canadian visitation is expected to increase four percent.

Based on all of these indicators, Montana should experience another two-percent increase in nonresident visitation in 1998. This includes a two- to three-percent increase in Canadian visitation to Montana. These expected increases are small because consumer confidence is still high, which encourages travelers to go further and spend more money. Therefore, a Montana vacation may be saved for a future date by many consumers.

Visit our web site at <http://www.forestry.umt.edu/itr>

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