

MONTANA VISION

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1997 Outlook

Montana Tourism Trend Highlights

- Preliminary data shows 1996 nonresident visitation to Montana to be the same or slightly up from 1995.
- Accommodation tax revenues were up 2% through 3rd quarter 1996 compared to 1995.
- Glacier National Park visitation was down approximately 7% in 1996 after a 15% decrease in 1995.
- Yellowstone National Park visitation was down 4% from 1995.
- Interstate travel in Montana has decreased nearly 1% through November 1996.
- Skier visits were up nearly 1% during the 1995/1996 ski season.
- Air passenger deplanements were up 1% in 1996.
- Canadian border crossings were down 2% in fiscal 1996.
- National franchise and chain motels in the seven major Montana cities now represent more total rooms than the independently operated motels according to listings in the Montana Travel Planner.
- Listings of bed & breakfast establishments in the Travel Planner have increased fifteen fold since 1986.
- Listings of privately owned Montana campgrounds in the Travel Planner have increased 154% since 1984.
- Glacier and Yellowstone National Parks received more news articles in the 56 Montana newspapers during 1996 than any other tourism or recreation news item.

What's in Store for 1997

- Expected overall growth in nonresident visitation to reach between 2 and 3 percent.
- Canadian visitation will finally begin an upward swing for the first time in 4 years.
- The tourism industry represented by the public and private sectors will endorse the next five year strategic plan for Montana's tourism industry.

Outlook and Trends for Tourism and Recreation

1996 was unusual for the Montana tourism and recreation industry. While overall nonresident visitation numbers appear to have increased about one percent, there is great disparity in the visitation numbers at Montana’s attractions and businesses. It seems for every place that had an increase, there was a decrease elsewhere. Some further detail about what happened in Montana and the nation will disclose differences during 1996.

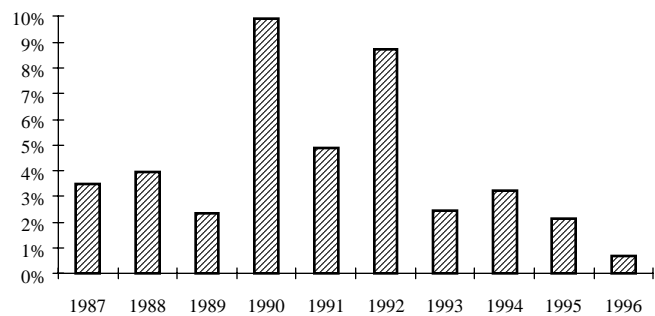
Montana trends

Nonresident travel to Montana continued at a slower pace of growth in 1996. About 8 million nonresidents visited in 1996, nearly a one percent increase from 1995. While tourism growth continues, Montana is not seeing the substantial growth experienced in the early 1990’s (Fig. 1).

Airport traffic increased nearly one percent while interstate traffic actually decreased nearly 1 percent (Fig. 2). Montana is similar to neighboring states. According to state travel directors, Idaho, Wyoming, North Dakota and South Dakota have also seen a leveling of visitation rates. As mentioned in last year’s Outlook, one cannot expect high levels of growth every year.

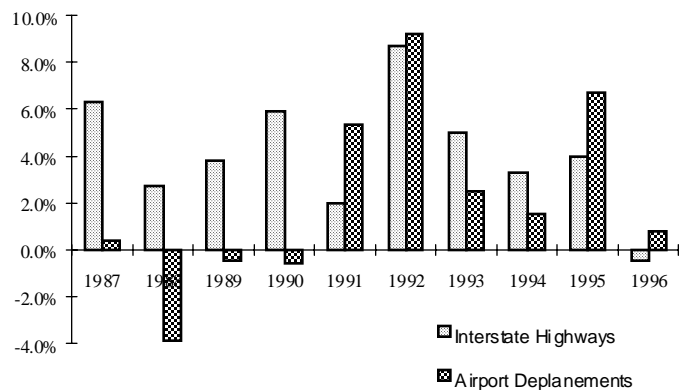
What is peculiar about the 1996 nonresident travel to Montana is the substantial visitation decrease at many sites or attractions. After a nearly record breaking year in 1995, Yellowstone National Park was down four percent in 1996 to 2.9 million visitors. Although figures haven’t been finalized, Glacier National Park appears to be down again this year after a nearly 15 percent decrease in 1995 (Fig. 3). Other areas of downward visitation are shown in Table 1.

Figure 1: Yearly Change In Visitation to Montana



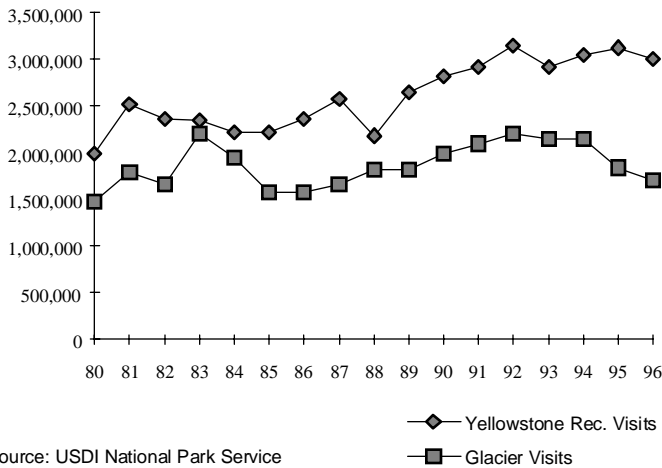
Source: ITRR, The U of MT

Figure 2: Yearly Change in Montana Traffic



Sources: MT Dept. of Trans. and MT Airport Mngr.'s Assoc.

Figure 3: National Park Visits



Source: USDI National Park Service

resorts (8), attractions (5), ski resorts (5), campgrounds (4), retail store (3), outfitter/guides (3), museum/historic sites (3), bed and breakfast (1), and other (7).

This diverse group of tourism representatives indicated differences in visitation numbers. Respondents from motels, retail, CVB's and convenience stores responded that visitation was down while public land managers, ski resorts and others (transportation, travel planner, public facility) indicated it was up in 1996.

In analyzing the top factors affecting the Montana tourism industry, it appears that a great share of the "blame" is out of anyone's control. For instance, weather was cited as the number one factor affecting visitation followed by gas prices, and the economy. Marketing and advertising, which came in as the fourth most frequently mentioned factor, is the only area where a business has personal control. The fifth most frequently mentioned factor was the Canadian exchange rate.

Table 1: Decrease in Visitation

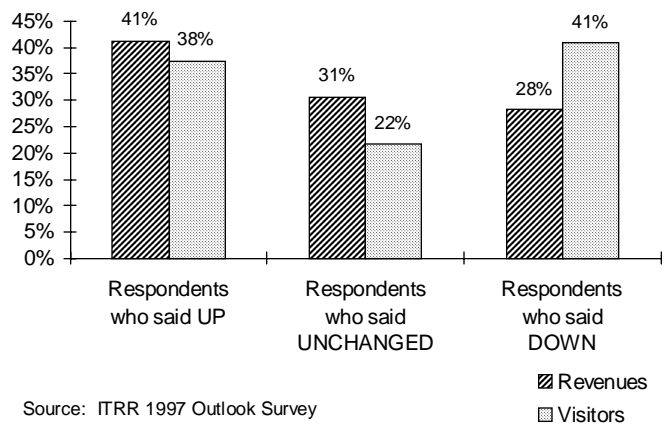
Lewis and Clark Caverns	- 7%
Bighorn Canyon Nat. Rec. Area	-23%
Little Bighorn Battlefield Nat. Mon.	-11%
National Bison Range	-11%
Libby Dam	-11%
Montana Historical Society	- 7%
Museum of the Rockies	-17%

Montana Industry Survey

A Montana tourism industry survey conducted in mid December 1996, by the Institute for Tourism and Recreation Research, The University of Montana, showed that comparing 1996 with 1995, *visitation* was down for 41 percent of the respondents, while only 28 percent of the respondents indicated *revenues* were down (Fig. 4).

The industry respondents were comprised of 91 managers: hotel/motels (17), CVB/Chambers of Commerce (17), public lands (10), gas station/convenience store (8), guest or dude ranches/

Figure 4: Visitation and Revenue Changes 1996 vs 1995



Source: ITRR 1997 Outlook Survey

Other 1996 Trends

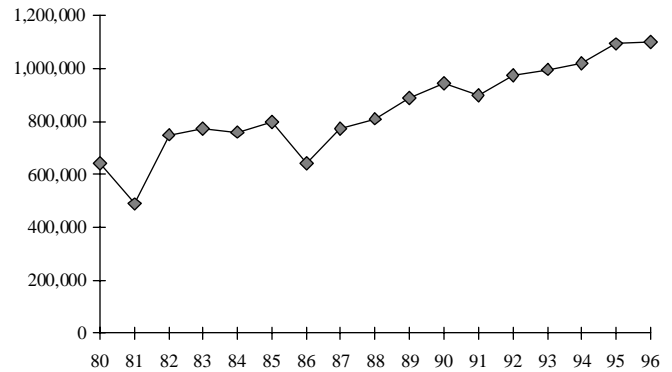
Skier visits to Montana were up nearly 1 percent during the 1995/96 ski season. This comes after a 7 percent increase experienced the previous season (Fig. 5). Skier visits to Montana have increased steadily since 1991 which almost defies the level, or even downward, national trend. It appears that good snow in Montana compared to other western states has helped the ski industry. According to some Montana ski resort managers, the 1996/97 ski season may not be record breaking since good snow is in abundance everywhere this season.

Another upward trend which has occurred in Montana since 1990 is air passenger deplanements. While only a small increase of one percent occurred this year, the trend continues to be upward and now exceeds 1 million (Fig. 6).

According to the Montana Airport Manager's Association, Montana is primarily serviced by Delta, who carries about 46 percent of the Montana market share. Northwest Airlines (24%), Horizon Air (16%), United Airlines (6%), Skywest (6%), and Big Sky (2%) serve the remainder of the market. With the upcoming expansion of Glacier International Airport, continued increases in air traffic are anticipated.

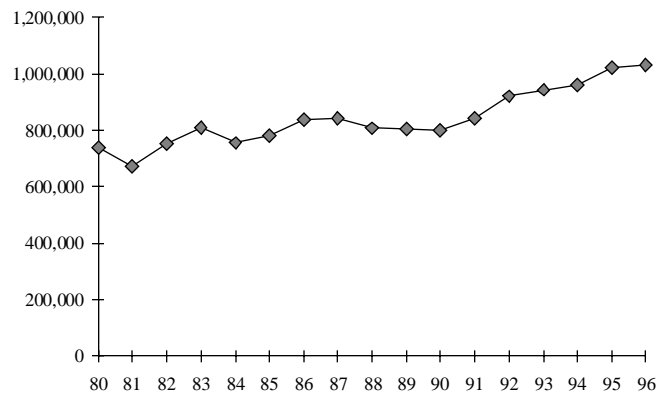
Canadian border crossings show one more interesting trend. Through September 1996, Montana experienced another downward trend of nearly two percent (Fig. 7). This decline, however, is much better than the average annual decrease of nearly eight percent between 1993 and 1995. No, this is not an upward trend, but the slowing affect is a positive sign for businesses relying on Canadian traffic.

Figure 5: Montana Skier Visits



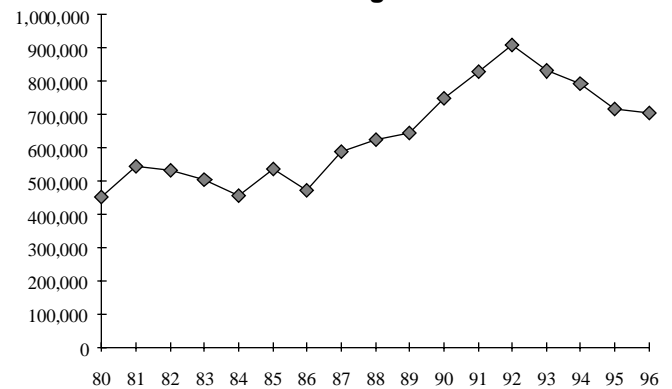
Season (80 = '79 - '80 season)
Sources: USDA Forest Service, Big Sky Ski Resort and Wraith Hill Ski Resort

Figure 6: Montana Airport Deplanements



Source: Montana Airport Manager's Association

Figure 7: Canada to Montana Vehicle Crossings



Source: US Customs Service

Montana News Brief Trends

Over the past year, ITRR has canvassed 56 Montana newspapers on a daily basis and summarized articles relating to Montana tourism and recreation. From November 1995 through November 1996, 1,012 articles were summarized. Each article was categorized into one, two, or three areas for further analysis.

Results show articles relating to outdoor recreation were written more frequently than any other type of tourism/recreation article. Glacier National Park had the most newspaper press, presumably because of the Glacier Management Plan which was presented in the summer of 1996. However, Yellowstone was second in number of articles followed by opinions or editorials (Table 2).

Montana tourism and recreation, as portrayed by the newspaper industry, is, in two words, outdoor recreation. Outdoor recreation in terms of hunting, fishing, skiing, hiking, and preservation of public lands received more attention than any other topic. This is the image portrayed to the public about tourism and recreation.

**Table 2: Montana Newspapers
1996 Tourism Hot Topics**

<u># of Articles</u>	<u>Article Subject</u>
101	Glacier Nat'l Park
97	Yellowstone NP
67	Opinion
66	US Forest Service
64	Access
63	Fish, Wildlife & Parks
61	Hunting
61	Development

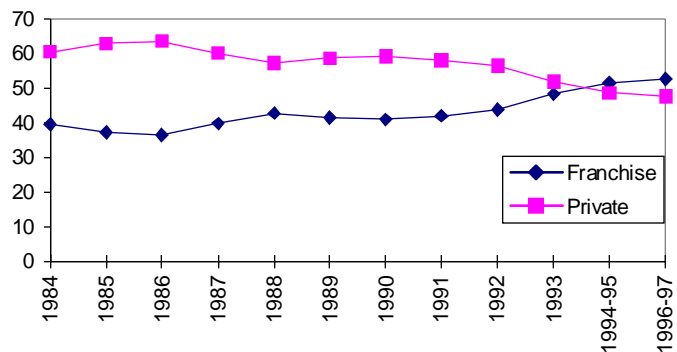
Source: ITRR, News Brief
(Summaries of 56 Montana newspapers)

Accommodation Trends

Is Montana losing its identity to national chains and franchises? ITRR compared the listings within the Montana Travel Planner, a comprehensive list of accommodations around the state. The purpose was to look at trends over time and learn whether or not Montana's face has changed for the traveling public. Remember, the Travel Planner lists those properties who request a listing. This data may be slightly skewed toward businesses who are aware of this opportunity, however, it is the most comprehensive list available.

Hotel/motel accommodations in the seven major cities (Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula) were compared from 1984 through 1996. In 1984 Montana major cities had a 60/40 split. Sixty percent of the motels were "Ma & Pa" motels while 40 percent were franchise/chains. In 1993, Montana was close to a 50/50 split. Today, the picture has changed where the franchise /chains are the larger portion at 52 percent of the rooms (Fig. 8). In the larger cities of Montana, travelers are now presented with more franchise/chain rooms than independently owned lodging.

**Figure 8: Percent Rooms Per
Type Accommodation Statewide**



Cities Included: Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, Missoula

Source: Montana Travel Planners, 1984-1996

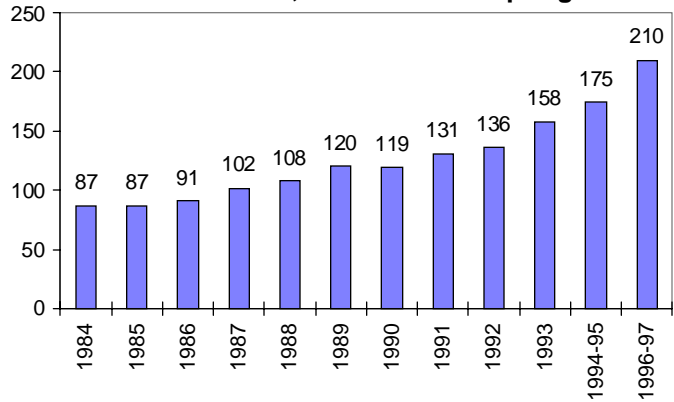
On the flip side, however, when comparing other types of accommodations such as ranches, resorts, hostels and hot springs, which are certainly the “Ma & Pa” operations, the trend is on the rise. Since 1984, the number of listings in the Montana Travel Planner in this category has increased 141 percent (87 listings in 1984 to 210 listings in 1996). If the traveler desires the “Montana” experience, it is available (Fig. 9).

Two other accommodation categories have shown statewide growth. First, bed and breakfasts (B&B) had 13 listings statewide in 1986. (Note, the number of B&B’s were probably insignificant for the first two years of the Travel Planner to bother having a separate category). In 1996 there were 193 listings. The boom in B&B’s has been prolific throughout the nation. Montana is no exception.

Second, private campground listings jumped 154 percent from 1984 (220 listings) to 1996 (558 listings) with the vast majority representing independent campgrounds compared to the national campgrounds such as KOA. One comparison, not possible with campgrounds, is the number of sites available. While KOA’s may not be a large portion of the total campgrounds, it is possible that the capacity of the KOA’s (and other chains) is significantly higher, thereby offering more to the traveling public.

In summary, when looking at the Montana Travel Planner listings, it appears that the larger cities of Montana are becoming more like the rest of the nation in the eyes of the traveler. The rural areas, however, may be said to claim the “essence” of Montana through B&B’s, ranch vacations, resorts, and campgrounds.

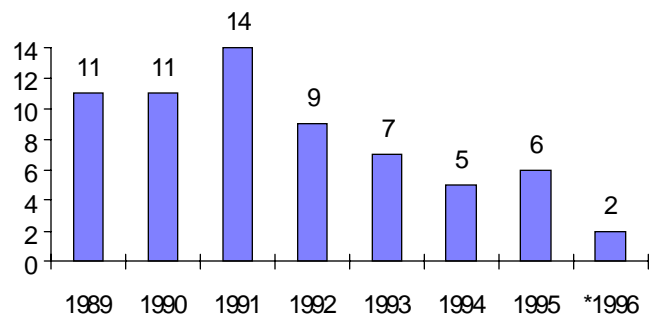
Figure 9: Number of Listed Montana Ranches & Resorts, Hostels & Hot Springs



Sources: Montana Travel Planner, 1984-1996

We cannot complete a section on accommodations without discussing the trends in the accommodation tax revenues. As seen in Figure 10, tax revenues, statewide, have increased 84 percent from 1988 to 1995. Big leaps in accommodation tax revenues were experienced in the early 1990’s. This upward climb, while continuing, is showing some leveling.

Figure 10: Annual Percent Increase in Lodging Tax Revenue



*1989 through 3rd quarter 1996
Source: Montana Department of Revenue

National Trends

Montana seems to be keeping pace with national trends (Table 3). The major difference is seen in air travel where Montana did not benefit from the substantial increase seen nationwide. While prices were lower this past year, Montana is still a higher priced destination than most areas. Montana appears to be beyond the financial means of many families flying for vacation.

<u>National</u> ¹	
Auto travel	+ 1%
Canadian traffic	-2%
Domestic air traffic	+7%
National Park visits	-2%
<u>Montana</u>	
Interstate travel (thru Nov. 1996)	-1%
Canadian border crossing	- 2%
Air passenger deplanements	+1%
Yellowstone National Park	- 4%
Glacier National Park	-7%

There are other trends which affect national and statewide tourism. As reported at the National Travel Outlook Forum, consumer confidence was strong in 1996 (strongest since 1989) and consumer sentiment was up in 1996, at a 6 year high². When up, leisure spending tends to increase. However, real disposable income growth slowed down in 1996¹, and growth in consumption lagged income in 1995-96. Consumer debt appears to be a major factor in the availability of disposable income spending for many Americans, more so now than in the past.

Income is another significant trend for the tourism industry to recognize. The top 5 percent of households earn 21 percent of all income and the top 20 percent have seen their real wages and

salaries increase by 25 percent over the last five years, while income inched up only slightly for the remaining 80% of households². With income virtually stagnant and consumer debt increasing for a majority of households, the choice of where to travel may be reduced to, "Where can we drive within the time available?"

Other nationwide happenings which could certainly affect Montana is the recreational vehicle (RV) business. The RV industry will begin a three year, \$5 million campaign in early 1997, centering on the theme, "Wherever You Go You're Always at Home." The campaign is designed to reach prime baby boomer prospects with the objective to increase RV ownership among prime RV buying candidates and increase RV usage among current owners. The result should be more recreational vehicles on the road this year. During the upcoming 10 years, 12,000 Americans per day will turn 50 years old, bringing nearly 10 million more U.S. households into the ranks of prime RV buyers³.

The 1997 Outlook

1997 points to a good year for Montana tourism. First of all, Canadian exchange rates have not varied much in the last three years. In the early 1990's, the Canadian dollar exchange rate plummeted, bringing it to a low point in 1994. Even though a change in US/Canadian currency exchange values is not expected in the near future, Canadian visitation to the United States is predicted to increase 1 to 2 percent per year through 1999¹. It's possible that Canadians rejected the lowered dollar value by not visiting for a few years, in hopes rates would get better. Rates did not improve. Perhaps, people are more comfortable now to travel across the border because there is a higher acceptance level with the dollar difference compared to three years ago.

Secondly, industry managers throughout the state believe visitation will be up because:

- There is a greater awareness of attractions in their area or there are new attractions.
- There is an increased level of 1997 reservations compared to the same time last year.
- There is increased advertising and promotion.
- There are no Olympics or large national events drawing visitors in 1997.

Finally, 56 percent of the respondents in the 1997 Outlook survey indicated plans for expansion, renovation, or adding more sites in 1997. This business investment shows a strong belief in the economy and the tourism industry.

In summary, the 1997 tourism industry can expect a 2 to 3 percent visitation increase.

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² Cammisa, J. V. (Dec. 1996). Travel Industry Indicators. Miami: FL, James V. Cammisa, Jr., Inc. Publications.

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⁴ Cheske, J. (1996). Outlook for Leisure Travel and Auto, in TIA's 1996 National Outlook Forum. Travel Industry Association of America, Alexandria, VA.

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Montana Department of Transportation
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Big Sky Ski Area
Travel Industry Indicators

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