

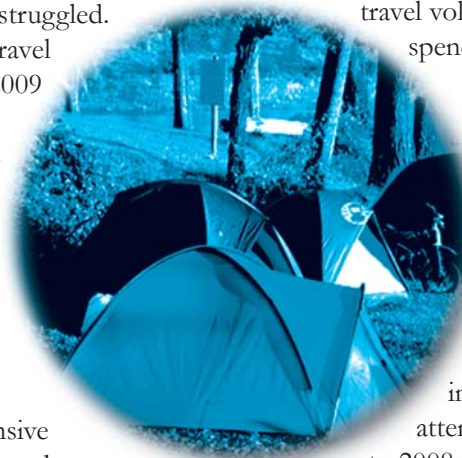
Travel and Recreation Outlook 2010

Conscious Consumption

by Norma P. Nickerson

By all accounts, travel and recreation around Montana and the nation took a few hits in 2009 due to the economic situation around the world. Most businesses and land managers said it wasn't as bad a year as they thought it would be, which is, of course, good news. However, 2009 will end as a year in which some areas did well while others struggled.

This somewhat mixed assessment of the travel and recreation industry's performance in 2009 seems to be the result of changes in the way consumers are traveling and spending. This article illustrates some of these changes by looking at the trends, both increases and decreases, seen in 2009 in various segments of the industry. Perhaps the best way to sum nonresident travel to Montana in 2009 is expressed by tourism business owners around the state: "They (visitors) seem to be looking for less expensive ways to enjoy themselves." "They shop around more. Don't plan as far ahead for a vacation. Many last minute bookings." "Retail store sales are down and people didn't sign up for as many activities." And, "More camping, visiting national parks, shorter stays."



U.S. Travel: Looking Back

In 2008, the cost to fill up a gas tank was blamed for changes in travel and recreational behavior. In 2009, gasoline

Table 1
Travel Trends 2008/2009 (Percent Change)

	Montana	U.S.
Overall Travel/ Visitor Numbers	-1.0%	-3.8%
Airline Travel	-5.4%	-2.0%
Rooms Sold	-3.8%	-7.0%
National Parks	Yellowstone +7.4% Glacier +12.2%	+4.0%
Skier Visits	-5.9%	-5.0%

Sources: Institute for Tourism and Recreation Research; U.S. Travel Association; National Park Service; Airline Transport Association; Smith Travel Research; U.S. Forest Service.

prices were no longer the issue, but the instability of the economy had many people guessing and hedging. According to the U.S. Travel Association, total U.S. domestic travel was down 3.8 percent in 2009 (Table 1). Domestic leisure travel volume declined 2.7 percent, but spending declined 10.3 percent through the third quarter of 2009. Business travel volume was down 7.5 percent with business spending down 13.6 percent (Cook, 2009).

Many travel segments throughout the United States experienced declines in 2009. U.S. lodging performance was down 8 percent compared to 2008. Likewise, domestic passenger air travel was down 2 percent through September YTD (ATA 2009). The number of recreational vehicles sold in 2009 was down 54 percent compared to 2008. The attraction industry is also expecting 2009 overall attendance to be down 4 to 6 percent compared to 2008. New boat sales are projected to be down in 2009 between 30 and 35 percent. The majority of outfitters and guides around the country also experienced a decrease in revenues in 2009, and the alpine ski industry was down in the 2008-2009 season by 5 percent from the previous year.

Some travel segments did experience increases in 2009. For instance, the restaurant industry projects a 2.5 percent increase for the year. The National Park Service projects 2009 to end with a 4 percent increase in visitation. Likewise, private campgrounds such as KOA experienced a 1 percent increase in visitation over 2008. Snowmobile registrations were up 1 percent in 2009 compared to 2008.

Indicators for travel and recreation are difficult to piece together. The Conference Board Consumer Confidence Index declined in September and October 2009, while the University of Michigan Consumer Sentiment index increased in September, but slipped again in October. Traveler sentiment (a derivative of six attitudinal variables) has made up for losses experienced in 2008. Consumers' perception of travel affordability has been the major driver. The Travel Price Index (Cook 2009) shows that travel prices are down more than 8 percent in 2009 compared to 2008.

“Travelers are likely to continue to remain extremely cost-conscious, affirming the belief that downward pressure on the average household budget continues to present the biggest challenge for the travel industry, not a lack of interest in or desire to travel.”

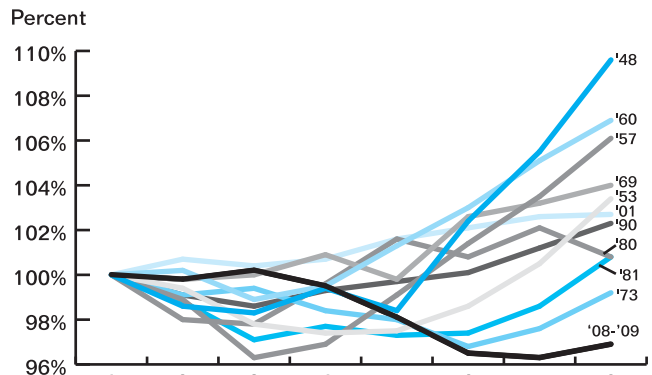
Montana Travel and Recreation: Looking Back

In 2009, Montana did much better than the rest of the nation with only a flat visitation of nonresidents compared to the decline of 3.8 percent nationally. Montana's flat visitation follows a 6.4 percent decrease experienced in 2008 (Figure 1). Most other travel and recreation visitation data in Montana exhibited similar declining trends albeit smaller decreases.

According to Smith Travel Research, the percent change in rooms sold in Montana in 2009 compared to 2008 was down 4.1 percent (November YTD). The Mountain Region, however, had a 8.3 percent decrease in 2009, indicating that Montana fared better than the Mountain Region in rooms sold (Figure 2). Similarly, ski area visits in Montana were down 5.9 percent in the 2008-2009 ski season after a 14.5 percent increase the previous season (Figure 3). Much of the ski visit behavior is related to snow conditions, but in 2009, nationwide statistics showed that the destination resorts fared much worse in skier visits due to the economy and people cutting back on their travels.

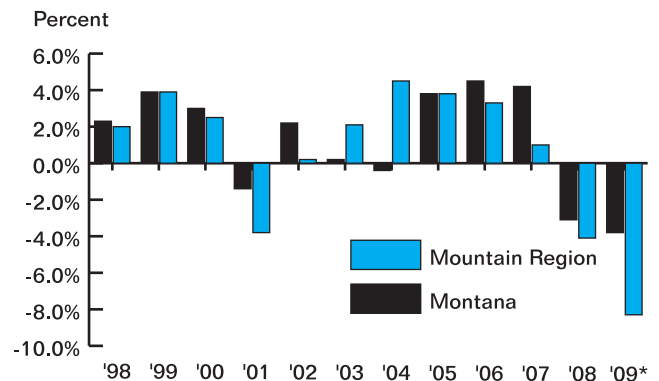
Deboardings at Montana airports (November YTD) show an overall decline of 4.5 percent in 2009 compared to 2008 (Figure 4, page 22). Only Helena and Great Falls airports had a slight increase in deboardings in 2009 (Figure 5, page 22). Butte, year after year, has shown large decreases in deboardings, with a 21 percent decrease in 2009. Montana, like everywhere, has been affected by the decline in airline capacity. Nationwide airline capacity from first quarter 2008

**Figure 1
Montana Nonresident Visitor Trends
1999-2009**



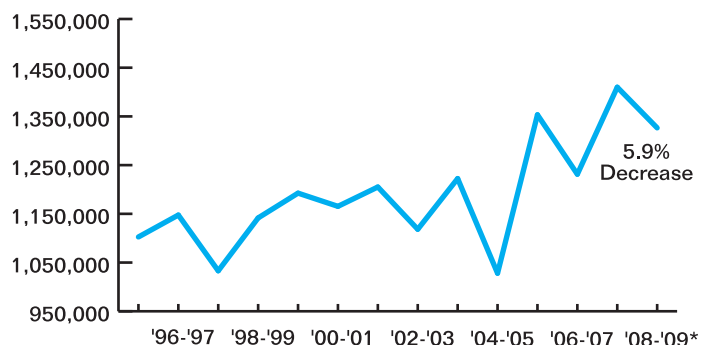
* Preliminary
Source: Institute for Tourism and Recreation Research, The University of Montana.

**Figure 2
Percent Change in Rooms Sold
1998-2009**



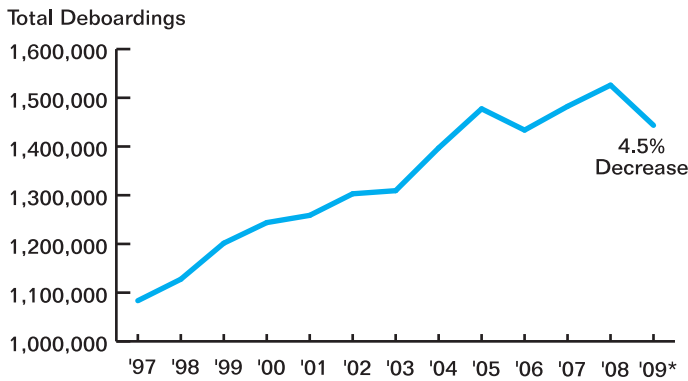
* Preliminary
Source: Smith Travel Research.

**Figure 3
Montana Ski Area Visits, 1995-2009**



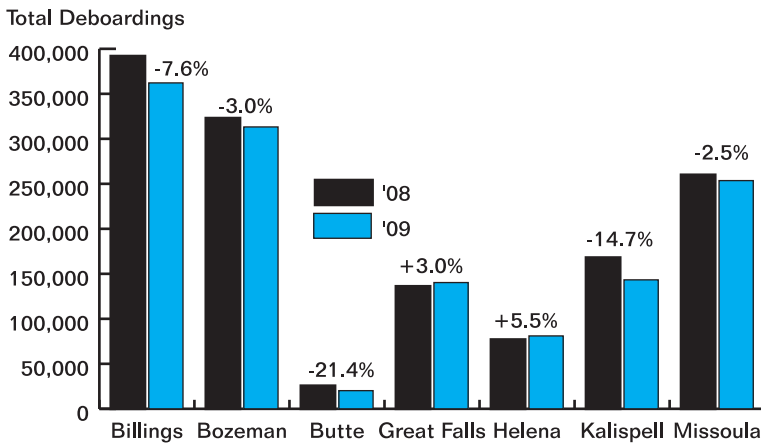
* Preliminary
Source: Institute for Tourism and Recreation Research, The University of Montana.

Figure 4
Montana Air Traffic, 1997-2009



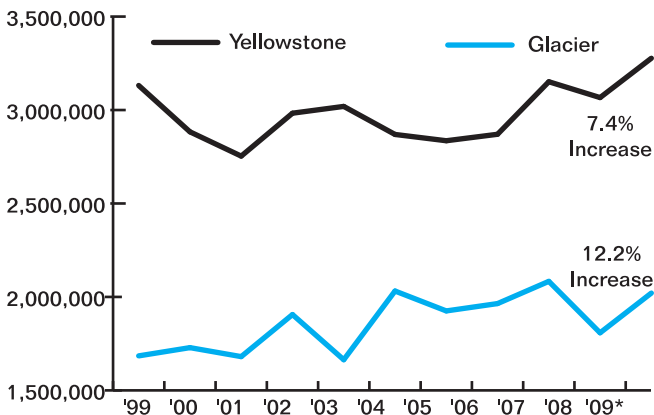
* Preliminary
Source: Smith Travel Research.

Figure 5
Airport Deboardings Change by City, 2008-2009



Source: Montana Aeronautics Division.

Figure 6
National Park Recreation Visits, 1999-2009



* November YTD
Source: National Park Service.

to first quarter 2010 show United Airlines down 15.2 percent, Alaska Airlines down 9.7 percent, Delta/Northwest Airlines down 8.3 percent, and Continental down 4.9 percent. These capacity decreases fall below the 1999 domestic seating capacity level (ATA 2009) and are a result of recession, regulation, and fuel-price volatility.

The one positive trend for Montana comes from an increase in national park visitation. In 2009, Glacier National Park recreation visits were up 12.4 percent, and Yellowstone National Park recreation visits were up 7.5 percent for an all-time Yellowstone visitation record of nearly 3.3 million visitors.

A survey of tourism businesses around the state conducted by the Institute for Tourism and Recreation Research (ITRR) in November shows that the year was indeed a mixed bag for businesses. Out of the 269 respondents, half of the travel businesses had a decrease in visitation in 2009 while 32 percent indicated that visitation for their business was up. Eighteen percent said their visitation was the same in 2009 as it was in 2008.

Conscious Consumption

Desire by consumers to decrease debt and increase savings seems to be the current behavior. According to the Gallup World Poll, discretionary consumer spending has been consistently running about 30 percent below last year throughout 2009 (Cook 2009). These changing behaviors all reflect a much more frugal consumer who is engaged in "conscious consumption." As evidence of this, today's trips are marked by shorter durations, shorter distances, and bargain hunting.

Travel spending has been affected by these changes. September YTD 2009, U.S. domestic leisure travel spending was down 10.3 percent. Domestic business travel expenditures were down 13.6 percent through September, and spending by international visitors fell 17.5 percent (Cook 2009). Travelers are likely to continue to remain extremely cost-conscious, affirming the belief that downward pressure on the average household budget continues to present the biggest challenge for the travel industry, not a lack of interest in or desire to travel, according to Cook (2009).

Similar behavioral changes by visitors to Montana in 2009 were expressed in the results from the Institute for Tourism and Recreation Research outlook survey: 53 percent observed an increase in last-minute bookings; 37 percent saw an increase in walk-in visitors; 55 percent had a decrease in retail sales; 47 percent said their visitors decreased their dining out opportunities; 60 percent said their visitors were looking for less expensive activities; 39 percent indicated having more Montanans visiting than in the past (staycation phenomenon); and, while 33 percent indicated visitors' length of stay decreased, 46 percent said it remained the same. The decline

in nonresident spending during third quarter 2009 compared to previous years is drastic. According to data collected by the Institute for Tourism and Recreation Research, nonresident visitors' daily expenditures dropped 31 percent in the highest visitor months (July, August and September) in one year to \$111.55 compared to \$163 in 2008 (Figure 7). Every category except campground expenditures declined in 2009. Most tourism professionals agree that travelers are likely to continue to remain extremely cost-conscious.

Travel and Recreation: Looking Forward

Looking ahead, the U.S. Travel Association predicts a modest recovery in 2010. U.S. domestic leisure travel is projected to increase 1.9 percent while business travel is expected to increase 2.5 percent. Total international travel to the United States is projected to increase 2.8 percent, with greater gains in travel expected from Canada and Mexico (+4 percent) compared to the overseas market (+1.2 percent). Attractions are forecasting a slight increase for 2010 but do not expect to see pre-recession levels until 2011 or 2012. The National Park Service is forecasting a 2.0 percent increase for 2010 including a 3.9 percent increase in the Mountain Region. Even the ski industry is projecting an increase over last year, which would bring skier visits above the previous five-year average.

In a survey of travel intentions reported by U.S. Travel Association, intentions varied by region. "Intentions have declined the most among residents of the South, are holding steady among those living in the Northeast, and actually increased slightly among those living in the West and Midwest. We also saw an increase in the share of intended leisure travelers saying that they planned to drive more instead of fly (Cook 2009)."

Montana tourism and recreation businesses and organizations are optimistic for 2010. Only 12 percent believe they will experience a decline in visitation in 2010 while 47 percent said they are expecting an increase (Table 2). This is a more positive outlook than that expressed in projections made for 2009, although it seems that people are being cautiously optimistic in their projections for 2010 as compared to 2008 and earlier years' projections. The U.S. Travel Association has forecasted a 1.9 percent increase for 2010. Likewise, nonresident visitation to Montana should increase by 2 percent in the next year. Montana will benefit from the cost-conscious traveler as travel in Montana is considered a good value for the money. □

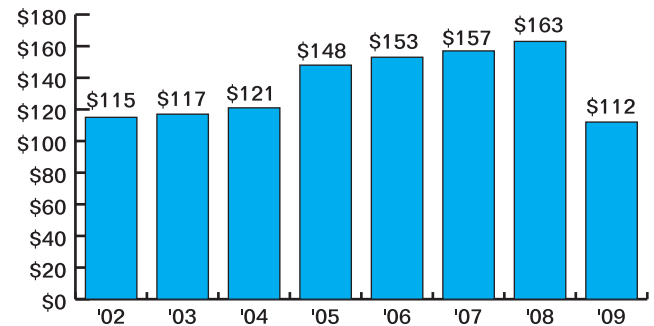
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Table 2
Business Owner Projections for 2010

Projected Year	Expect an increase	Expect to remain the same	Expect a decrease
2010	47%	42%	12%
2009	32%	39%	27%
2008	55%	34%	10%
2007	64%	31%	5%
2006	63%	31%	6%
2005	67%	26%	7%
2004	79%	18%	3%
2003	70%	22%	8%
2002	56%	33%	10%

Source: ITRR Outlook surveys.

Figure 7
Average Daily Expenditures for Nonresident Visitors, Third Quarter, 2009



Source: ITRR Outlook surveys.

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