OUTLINE

• 2014 overview of industry – global and national
• 2014 Michigan tourism year-in-review
• 2015 Michigan tourism forecast

TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

• International arrivals up 4.7% in 2014 (to 1.1 billion)
• Compared to projected increase of 4-4.5%

Increases By Region:

• Americas +7%
• Asia & Pacific +5%
• Europe +4%
• Middle East +4%
• Africa +2%

TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

• "A pickup in expenditure on international tourism from traditional source markets compensated for the slowdown of the large emerging markets, which had been driving tourism growth in previous years."

• Detailed receipts data will be published in April 2015

TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

Forecast for 2015

• "We expect demand to continue growing in 2015 as the global economic situation improves even though there are still plenty of challenges ahead. On the positive side, oil prices have declined to a level not seen since 2009. This will lower transport costs and boost economic growth by lifting purchasing power and demand in oil importing economies."

• International tourism arrivals projected to increase 3-4%
TOURISM INDUSTRY ON THE NATIONAL LEVEL

- The US received a record 75 million international visitors in 2014 (up 7% over 2013)
- Spending by inbound international travellers up 3.5% ($222 billion)
- Spending by outbound international travellers up 7.3% ($146 billion)
- 2014 was the 26th consecutive year that the travel and tourism industry generated a balance of trade surplus in the US.
- "Since mid-last year, the strength of the dollar has increased by about 7%. This is good news for Americans, but what does it mean for inbound international travel? It would take some time for a sustained change to the dollar to have an affect here…[T]he cost of consumer goods here in the U.S. remains lower compared to many other major economies around the world.” (Roger Dow, Feb. 10, 2015)

Sources: US Dept. of Commerce, US Travel Association, skift.com

CHANGE IN TOP 10 INBOUND US INTERNATIONAL MARKETS 2014 vs. 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>% Change in Visitors</th>
<th>US$ % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>-2</td>
<td>-16%</td>
</tr>
<tr>
<td>MEXICO</td>
<td>+19</td>
<td></td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>+4</td>
<td></td>
</tr>
<tr>
<td>JAPAN</td>
<td>-4</td>
<td></td>
</tr>
<tr>
<td>BRAZIL</td>
<td>+10</td>
<td></td>
</tr>
<tr>
<td>PR CHINA (EXCL. HK)</td>
<td>+21</td>
<td></td>
</tr>
<tr>
<td>GERMANY</td>
<td>+3</td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>+8</td>
<td></td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>+7</td>
<td></td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>+6</td>
<td></td>
</tr>
</tbody>
</table>

Top three ports (New York/JFK, Miami, LA) accounted for 41% of overseas arrivals.

Source: U.S. Dept. of Commerce

TOURISM INDUSTRY RELATIVE TO OTHER SECTORS

- "2015 is off to a remarkable start … travel now accounts for 10% of all U.S. exports.”
- "While travel exports rose for a 4th consecutive month [in Jan 2015], other exports of goods and services fell for a 3rd consecutive month.”
- "Travel employment rose for an eighth consecutive month … So far, the industry has added 75% more jobs than the first two months of last year, while creation in the rest of the economy is only up 50%.”
- "Since the employment recovery began, the travel industry has added 869,400 jobs, outpacing job growth in the rest of the economy by 33 percent.”

Source: U.S. Travel Association (USTA)

TOURISM INDUSTRY RELATIVE TO OTHER SECTORS

- "Continued investment and improvements to U.S. infrastructure at all points of entry - ports, airports and roads - will be vital to ensure the travel experience in the United States remains competitive and meets the expectations of all travelers, domestic and international.”
- "Modernizing America’s travel infrastructure … is central to our nation’s long-term success … This starts with Congress reauthorizing the Federal Aviation Administration and the Federal Surface Transportation programs this year.”
- Presentation by Safe Roads Yes! Coalition Tuesday AM

Source: U.S. Travel Association (USTA)

MICHIGAN TOURISM: A LOOK BACK AT THE YEAR

2014
MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2014

- Weather
- Consumer confidence
- Hotel data
- Sales and use tax
- CVB taxes and assessments
- Visits to attractions
- Gas prices, traffic counts and bridge crossings

MICHIGAN TOURISM INDUSTRY INDICATORS:

MICHIGAN TOURISM INDUSTRY INDICATORS:
- TOTAL PRECIPITATION BY SEASON

- VISITS TO ATTRACTIONS
- GAS PRICES, TRAFFIC COUNTS AND BRIDGE CROSSINGS

MICHIGAN TOURISM INDUSTRY INDICATORS:
- AVERAGE TEMPERATURES BY SEASON

MICHIGAN TOURISM INDUSTRY INDICATORS:
- 2014 VS 2013 TEMPERATURE BY MONTH

MICHIGAN TOURISM INDUSTRY INDICATORS:
- 2014 VS 2013 CONSUMER CONFIDENCE INDEX
**Michigan Tourism Industry Indicators: 2014 vs 2013 Hotel Data**

<table>
<thead>
<tr>
<th></th>
<th>Occupancy</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>64.4% (+3.6%)</td>
<td>$115.32 (+4.6%)</td>
<td>$74.28 (+8.3%)</td>
</tr>
<tr>
<td>Michigan</td>
<td>58.9% (+2.3%)</td>
<td>$91.72 (+5.1%)</td>
<td>$54.00 (+7.5%)</td>
</tr>
<tr>
<td>Detroit</td>
<td>65.1% (+4.0%)</td>
<td>$89.06 (+5.9%)</td>
<td>$57.97 (+10.0%)</td>
</tr>
</tbody>
</table>

Michigan exhibited the 36th largest improvement in year-end occupancy of all US states in 2014.

Detroit exhibited the 10th largest improvement in year-end occupancy of the 25 largest US markets in 2014.

Source: Smith Travel Research.


- 2014 Sales
- 2014 Use
- 2013 Sales
- 2013 Use

~ our measure of spending ~

Annual Changes (through October):

- Sales: -6.5%
- Use: +4.3%
- Total Sales & Use: +0.5%

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

**Michigan Tourism Industry Indicators: 2014 vs 2013 Percent Change in Assessments and Properties**

- U.P. 4.1%
- N.L.P. 4.6%
- S.L.P. 5.7%
- Statewide 6.9%

EXCLUDES effects of increases in assessment rates

Source: 2015 Dept. of CS&U Survey of Assessments

n = 39
**MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 vs. 2013 VISITS**

<table>
<thead>
<tr>
<th>Source</th>
<th>2014 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S. National Parks</td>
<td>8.25%</td>
</tr>
<tr>
<td>Sleeping Bear Dunes National Lakeshore</td>
<td>14.13%</td>
</tr>
<tr>
<td>Greenfield Village</td>
<td>2.45%</td>
</tr>
<tr>
<td>All MI National Parks</td>
<td>2.26%</td>
</tr>
<tr>
<td>MI Welcome Centers</td>
<td>0.20%</td>
</tr>
<tr>
<td>Fort Mackinac</td>
<td>-1.32%</td>
</tr>
<tr>
<td>Colonial Michilimacke:</td>
<td>-3.45%</td>
</tr>
<tr>
<td>Henry Ford Museum</td>
<td>-4.76%</td>
</tr>
<tr>
<td>Pictured Rocks National Lakeshore</td>
<td>-0.28%</td>
</tr>
<tr>
<td>Isle Royale National Park</td>
<td>-8.26%</td>
</tr>
</tbody>
</table>

Percentage change 2014 vs. 2013:

- All U.S. National Parks: 8.25%
- Sleeping Bear Dunes National Lakeshore: 14.13%
- Greenfield Village: 2.45%
- All MI National Parks: 2.26%
- MI Welcome Centers: 0.20%
- Fort Mackinac: -1.32%
- Colonial Michilimacke: -3.45%
- Henry Ford Museum: -4.76%
- Pictured Rocks National Lakeshore: -0.28%
- Isle Royale National Park: -8.26%

* New listings always welcome! *

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**MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 GAS PRICES**

Source: AAA Michigan.

Average PPG in MI: 2013 $3.60, 2014 $3.42

Annual Change: -4.94%

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**MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 TRAFFIC**

Source: Michigan Department of Transportation.

Annual Change: +0.7%

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**TRENDS IN TRAFFIC COUNTS ON MICHIGAN BRIDGES 2014 v. 2013 TRAFFIC**

Source: Public Border Operators Association (PBOA) http://www.bwba.org/trafficstats_e.html

Annual Change:
- Mackinac Bridge: -4.0%
- Ambassador Bridge: -4.7%
- Detroit-Windsor Tunnel: -1.8%
- Blue Water Bridge: -3.0%
- International Bridge: -16.6%

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**SUMMARY OF MICHIGAN TOURISM INDUSTRY 2014 VS 2013 INDICATORS**

- Weather: 2014 was drier (-9%) and cooler (-5%) than 2013 (though wetter (+11%) than normal)
- Consumer confidence: up 19%
- Hotel indicators: occupancy up 2%, ADR up 5%
- Sales and use tax: up 0.5% (through Oct)
- Assessments: up 5.7%
- Visits to attractions: variable
- Gas prices: down 5%
- Travel activity (as measured by traffic):
  - statewide traffic counts up 1%
  - all bridges down -10%
  - DTW all traffic up 1%
Factors That Impact Our Forecast

- Last year’s results
- Economic indicators
- Tourism trends
- Pure Michigan activity
- CVB projections
- National forecasts
- Misc. issues
- Forecast Advisory Team discussion

The Forecast Advisory Team

Participants in 2015 Meeting:

- Dr. Don Holecek
- Lori Langone
- Dave Lorenz
- Dr. Dan McCole
- Dr. George Moroz
- Dr. Sarah Nicholls
- Michael O’Callaghan
- Tracy Padot
- Dr. Annie Rummel
- Bill Sheffer
- David West

HOW ACCURATE WERE MSU’S PROJECTIONS FOR MICHIGAN TOURISM IN 2014?

<table>
<thead>
<tr>
<th></th>
<th>Projected by MSU</th>
<th>Actual data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel prices</td>
<td>+4%</td>
<td>+4.5%</td>
</tr>
<tr>
<td>Travel volume</td>
<td>+1.5%</td>
<td>+1%</td>
</tr>
<tr>
<td>Travel spending</td>
<td>+4.5%</td>
<td>+0.5%</td>
</tr>
</tbody>
</table>

Source: MSU Department of CSUS; Michigan Department of Transportation; Michigan Department of Treasury; Bureau of Labor Statistics.

HOW Accurate were MSU’s PROJECTIONS for Michigan Tourism OVER THE YEARS?

Economy

Ability to spend on travel and Willingness to spend on travel
GROWTH OF REAL GDP - UNITED STATES

Source: RSQE - University of Michigan.

Stock Markets

<table>
<thead>
<tr>
<th></th>
<th>Dow Jones Industrial Average</th>
<th>Nasdaq Composite</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 5, 2012</td>
<td>12,962</td>
<td>2,950</td>
<td>1,364</td>
</tr>
<tr>
<td>Mar 4, 2013</td>
<td>14,127</td>
<td>3,182</td>
<td>1,525</td>
</tr>
<tr>
<td>Mar 4, 2014</td>
<td>16,395</td>
<td>4,351</td>
<td>1,873</td>
</tr>
<tr>
<td>Mar 13, 2015</td>
<td>18,127</td>
<td>5,026</td>
<td>2,108</td>
</tr>
<tr>
<td>% change (from Mar 2014)</td>
<td>+10.6%</td>
<td>+15.5%</td>
<td>+12.5%</td>
</tr>
<tr>
<td>Record Highs</td>
<td>16,288</td>
<td>5,132</td>
<td>2,117</td>
</tr>
<tr>
<td></td>
<td>Mar ’15</td>
<td>Mar ’00</td>
<td>Mar ’15</td>
</tr>
</tbody>
</table>

Source: Dow Jones; Nasdaq; S&P 500.

Currency Exchange Rates Per $1 U.S.

<table>
<thead>
<tr>
<th></th>
<th>Mar 22 2015</th>
<th>Mar 4 2014</th>
<th>% change</th>
<th>US $ is...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian $</td>
<td>1.26</td>
<td>1.10</td>
<td>14.5%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Euro</td>
<td>.92</td>
<td>.72</td>
<td>27.8%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Pound (UK)</td>
<td>.67</td>
<td>.59</td>
<td>13.6%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Peso (Mexico)</td>
<td>15.05</td>
<td>13.29</td>
<td>13.2%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Yen (Japan)</td>
<td>120.92</td>
<td>101.39</td>
<td>18.4%</td>
<td>Stronger</td>
</tr>
<tr>
<td>Yuan (China)</td>
<td>6.12</td>
<td>6.12</td>
<td>0%</td>
<td>Even</td>
</tr>
<tr>
<td>Real (Brazil)</td>
<td>3.22</td>
<td>2.33</td>
<td>38.2%</td>
<td>Stronger</td>
</tr>
<tr>
<td>FRB Broad Index</td>
<td>116.64</td>
<td>100.76</td>
<td>15.8%</td>
<td>Stronger</td>
</tr>
</tbody>
</table>

Source: Currencies - www.oanda.com; Federal Reserve Bank.

2015 Intentions for Travel Spending

U.S. Unemployment

Source: The Bureau of Labor Statistics; TradingEconomics.com

Michigan Unemployment

Source: Michigan Department of Labor & Economic Growth
Michigan Tourism Outlook 2015
Michigan State University, Department of CSUS

Comerica Banks
Michigan Economic Activity Index

January 09 January 10 January 11 January 12 January 13 January 14 January 15
Source: Comerica Banks

Gasoline Prices

Source: GasBuddy.com

U.S. Consumer Sentiment

Current Reading: 91.2
Mar 2016: 81.6

Source: The Conference Board, TradingEconomics.com

Percentage Change in Median Household Income 2000-2011 (constant $)

Source: Statistics Canada, US Census Bureau, Environics Analytics

Housing

Source: Oxford Economics/Haver Analytics

US: Homeownership rates of young Americans

Housing: 2015 Forecast

- **Zillow.com**
  1. U.S. rents will outpace home values
  2. Builders will construct more, less expensive homes
  3. Millennials will overtake Generation X as the largest group of home buyers
  4. Home buyers will have more negotiating power

**Source:** Zillow.com

Housing: 2015 Forecast

**Source:** National Association of Realtors

U.S. Housing

- Prices up in 246 out of 277 markets
  - But at a lower rate than the previous year
- 15% of all homes (5.4 million homes) are still below water
  - Lowest since before housing bust, but still a lot of homes
- 1st time home buyers (typically about 40% of home purchases): Lowest purchase rate since 1987

**Source:** Zillow.com

U.S. Housing

- Housing prices will likely rise faster than incomes
- Mortgage rates expected to rise
- Forecast for U.S. housing *prices* (Kiplinger)
  - 3.5%
- Forecast for U.S. housing *sales volume*
  - Existing home sales: 8%
  - New Home sales: 25%
- By end of 2015, Millennials will be largest group of homebuyers

**Source:** National Association of Realtors
Summary of the Economy

- GDP
- Stock Markets
- Unemployment
- Consumer Confidence
- Strength of Dollar
- Housing
- Michigan Economic Activity

Summary of Economy

- Better than this time last year on all measures
- Many Americans are still hurting economically, but not the ones who tend to travel
- As it relates to tourism, little in the economy points to a downturn in ability and willingness to spend

NOTE: These are the same words I used to summarize the economy last year…

Tourism Trends

Traveller Sentiment Index

Source: MMGY Global

GDP and Room Demand

Source: Economic Analysis Group/Or foreEconomics

Employment and room demand

Source: Economic Analysis Group/Or foreEconomics
The Internet and Travel

“The Digital Elite”

- 38% access internet from all three devices
- Up 5% since 2013

Source: MMGY Global

How Do Travelers Use the Internet?

- Ideas and Inspiration
- Compare Features and Prices
- Make Reservation
- Advice & Reviews
- To Stay in Touch

Ideas and Inspiration

- Sites and Apps
  - Social Media
    - Facebook
    - Twitter
    - Pinterest
    - Instagram
- Device

33% use social media for travel ideas and inspiration

87% under age 34 use Facebook for travel inspiration

71% of those who use Social Media do so via a mobile device
58% indicated that an online review had influenced their travel decisions.

After engaging with reviews, occupancy rate grew at 2x rate of brands that didn’t.

50% of trip advisor users access via mobile.

58% indicated that an online review had influenced their travel decisions.

After engaging with reviews, occupancy rate grew at 2x rate of brands that didn’t.

DMOs #1
Closely followed by OTAs and Suppliers.

In 2015, 80% made travel purchase online by computer.

Mobile: 5%
Phone: 14%

2/3 of Orbitz mobile bookings are the same day.
To Keep in Touch

Sites and Apps
Social Media
- Facebook
- Twitter
- Pinterest
- Instagram

Device

Keep in Touch

61% use Social Media while traveling
85% of Americans (87% international) use smartphone while traveling (46% use a tablet)

19% post on vacation to make others jealous
“It wouldn’t be a vacation if others didn’t know I was on it.”

Family Travel

53% of parents agree:
“Family vacations are one of the few things that families do together.”
Source: USTA Travel Effects

Trips to Enhance Life >
Trips to Communicate Status

Milestone Travel

40% of families have been on a multi-generational vacation
Source: USTA Travel Effects
People don’t want to be identified as a tourist.

What important trend has fed off of these others?
Peer-to-Peer Travel (P2P)

It's authentic
It's social
Facilitated by internet
Interaction with locals
Great for multi-generational travel

Pros
- Cuts out “middle man”
- Consumer friendly
- Benefits the supplier
- Intrinsic benefits

Cons
- Safety concerns
- Difficult to tax
- Often don't pay bed tax
- Free-riding on destination marketing

Why is P2P Successful?
What do CVBs Think Will Happen to Room Assessments? (CVB Survey Results)

Upper Peninsula
- 2014 Projections: +2.2%
- 2014 Actual: 3.8%
- 2015 Projections: +3.0%

Northern Lower P.
- 2014 Projections: +1.1%
- 2014 Actual: +4.6%
- 2015 Projections: +2.9%

Southern Lower P.
- 2014 Projections: +4.0
- 2014 Actual: +6.1%
- 2015 Projections: +3.0

USTA FORECAST FOR U.S. TRAVEL IN 2015

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2015 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>1.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Demand</td>
<td>3.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>2.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>ADR</td>
<td>4.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>RevPAR</td>
<td>6.9%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

Source: United States Travel Association (Annual Travel Forecast)

*Excluding International Airfares

MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2015

- Travel prices: +3%
- Travel volume: +1.5%
- Travel spending: +2.5%
THE WILD CARDS

- Weather!
- Sharp spike in gas prices
- U.S. markets/economy
- War / terrorism

CONTACT INFORMATION

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