



# 2016 MICHIGAN TOURISM PAST PERFORMANCE AND FUTURE EXPECTATIONS

The Pure Michigan Governor's Conference on Tourism  
April 17-19, Lansing, MI

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Department of Community Sustainability  
Michigan State University

Michigan Tourism Outlook 2016 Michigan State University, Department of CSUS 1

## OUTLINE

- Overview of industry – global and national – 2015-16
- 2015 Michigan tourism year-in-review
- 2016 Michigan tourism forecast

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## TOURISM INDUSTRY: GLOBAL AND NATIONAL PERSPECTIVES



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## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

- International arrivals up 4.4% in 2015 (to 1.18 billion)
- Compared to projected increase of 3-4%

### Increases By Region:

- Americas +5%
- Asia & Pacific +5%
- Europe +5%
- Middle East +3%
- Africa - 3%

Source: UNWTO Michigan Tourism Outlook 2015 Michigan State University, Department of CSUS 4

## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

- 6<sup>th</sup> consecutive year of above-average growth
- **“Demand was robust overall, although results were more mixed than usual across destinations. Three major factors directed tourism flows in 2015: the unusually strong exchange rate fluctuations, the decline in the price of oil and other commodities, which increased disposable income in importing countries but weakened tourism demand in exporters, as well as increased concern about safety and security.”**
- Detailed receipts data will be published in April 2016

Source: UNWTO Michigan Tourism Outlook 2015 Michigan State University, Department of CSUS 5

## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

### Forecast for 2016

- International tourism arrivals projected to increase by 3.5% to 4.5%
- “The projection reflects sustained growth in an increasingly dynamic global tourism market, though at a somewhat more moderate pace of growth than in the past six years.”

Source: UNWTO Michigan Tourism Outlook 2015 Michigan State University, Department of CSUS 6

### TOURISM INDUSTRY ON THE NATIONAL LEVEL

- International visits to the US in 2015 up 4% over 2014 (thru June)
- Outbound international travel from US up 7% (full yr)
  - Reflects strength of the US dollar
- 2015 was the 27<sup>th</sup> consecutive year that the travel and tourism industry generated a balance of trade surplus in the US

Sources: US Dept. of Commerce

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### CHANGE IN TOP 10 INBOUND INTERNATIONAL MARKETS 2015 vs. 2014 (through June)

Country	% Change in Visitors
CANADA (10.3 million)	-6
MEXICO	+8
UNITED KINGDOM (2.1 million)	+14
JAPAN	+2
PR CHINA (EXCL. HK)	+18
BRAZIL	+5
GERMANY	+14
SOUTH KOREA	+20
FRANCE	+4
AUSTRALIA	+11

Source: U.S. Dept. of Commerce

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### TOURISM INDUSTRY ON THE NATIONAL LEVEL



DiscoverAmerica.com

"At no cost to taxpayers, Brand USA continues to successfully operate as a public-private partnership to promote travel to America from around the world. **Through its efforts, we bring nearly \$200 billion in spending by travelers from other countries**, which strengthens our balance of trade and helps reduce our deficit. It's a policy that works, and must be maintained for years to come."

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### THEMES AT USTA'S 2016 DESTINATION CAPITOL HILL

- "Attendees will urge Congress to embrace policies that are **pro-growth, pro-competition and pro-traveler**. Top-of-mind issues include: restoring choices to the over-consolidated U.S. airline sector; **modernizing air and surface transportation infrastructure** to keep pace with demand; and **ensuring the U.S. remains a welcoming destination for overseas visitors while maintaining strong national security.**"

Source: U.S. Travel Association (USTA)

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## MICHIGAN TOURISM: A LOOK BACK AT THE YEAR

# 2015



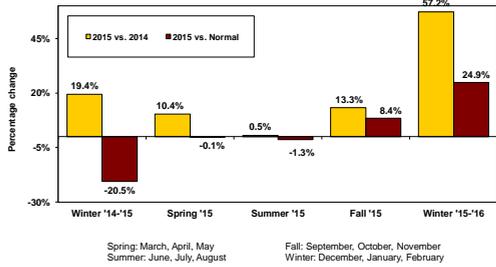
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### MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2015

- Weather
- Consumer confidence
- Hotel data
- CVB taxes and assessments
- Visits to attractions
- Transportation measures
  - Gas prices, traffic counts, bridge crossings, airplane passengers

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**MICHIGAN TOURISM INDUSTRY INDICATORS:  
AVERAGE TEMPERATURES BY SEASON**



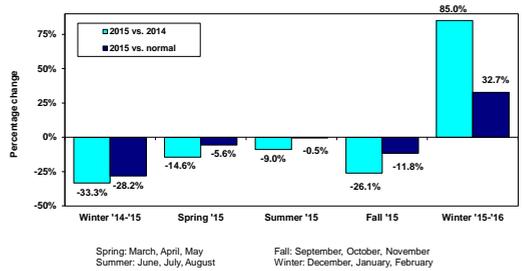
Source: Midwestern Regional Climate Center.

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**MICHIGAN TOURISM INDUSTRY INDICATORS:  
TOTAL PRECIPITATION BY SEASON**



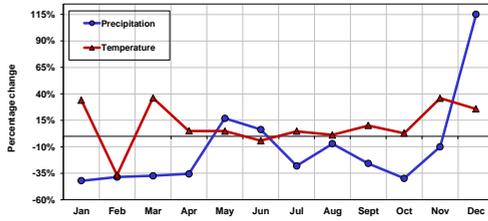
Source: Midwestern Regional Climate Center.

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**MICHIGAN TOURISM INDUSTRY INDICATORS:  
2015 v. 2014 WEATHER BY MONTH**



Source: Midwestern Regional Climate Center.

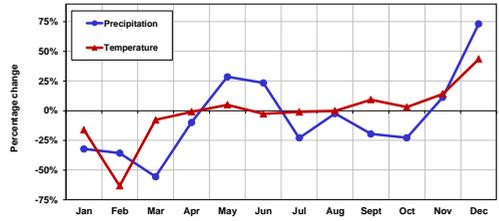
Annual Changes:  
Precip. - 13.1% Temp. + 7.6%

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**MICHIGAN TOURISM INDUSTRY INDICATORS:  
2015 v. NORMAL WEATHER BY MONTH**



Source: Midwestern Regional Climate Center.

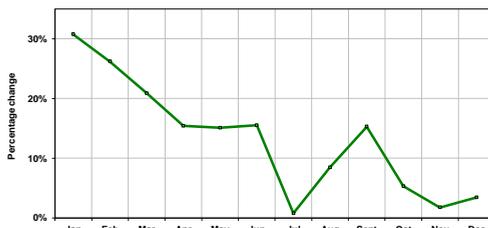
Annual Changes:  
Temp. + 0.7%  
Precip. - 3.6%

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**MICHIGAN TOURISM INDUSTRY INDICATORS:  
2015 v. 2014 CONSUMER CONFIDENCE INDEX**



Source: The Conference Board

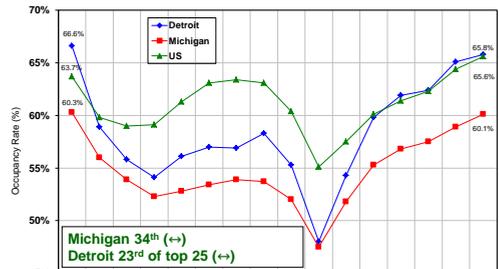
Average Annual Score: 2014 - 87, 2015 - 98  
Annual Change: + 12.73%

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**HOTEL OCCUPANCY: US/MICHIGAN/DETROIT  
2000-2015**



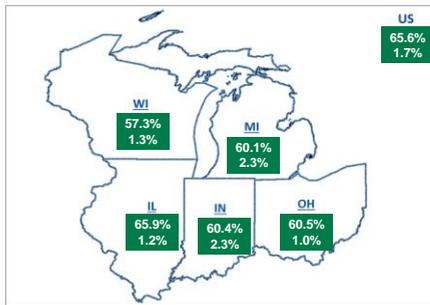
Source: Smith Travel Research.

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### HOTEL OCCUPANCY IN THE US AND MIDWEST: 2015 AND CHANGE IN 2015 v. 2014



Source: Smith Travel Research.

### MICHIGAN TOURISM INDUSTRY INDICATORS 2015 v. 2014 HOTEL DATA

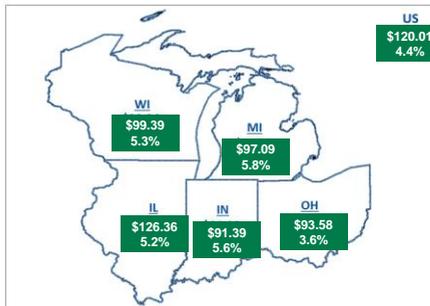
	Occupancy	ADR	RevPAR
USA	65.6% (+1.7%)	\$120.01 (+4.4%)	\$78.67 (+6.3%)
Michigan	60.1% (+2.3%)	\$97.09 (+5.8%)	\$58.32 (+8.2%)
Detroit	65.8% (+1.0%)	\$94.14 (+5.5%)	\$61.91 (+6.6%)

Michigan exhibited the 19<sup>th</sup> largest improvement in year-end occupancy of all US states in 2015

Detroit exhibited the 17<sup>th</sup> largest improvement in year-end occupancy of the 25 largest US markets in 2015

Source: Smith Travel Research.

### HOTEL AVERAGE DAILY RATE IN THE US AND MIDWEST: 2015 AND CHANGE IN 2015 v. 2014

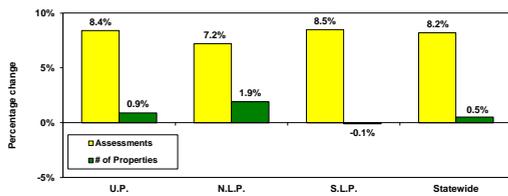


Source: Smith Travel Research.

### MICHIGAN TOURISM INDUSTRY INDICATORS 2009-2015 HOTEL DATA

		Occupancy	ADR	RevPAR
Michigan	2009	-8.0%	-5.2%	-12.8%
	2010	+10.2%	-1.5%	+8.5%
	2011	+6.9%	+3.0%	+10.0%
	2012	+3.0%	+3.9%	+7.1%
	2013	+1.7%	+4.5%	+6.3%
	2014	+2.3%	+5.1%	+7.5%
Detroit	2009	-12.8%	-9.8%	-21.4%
	2010	+14.2%	-5.2%	+8.2%
	2011	+10.2%	+2.9%	+13.4%
	2012	+3.3%	+3.7%	+7.1%
	2013	+1.2%	+5.8%	+7.0%
	2014	+4.0%	+5.9%	+10.0%
2015	+1.0%	+5.5%	+6.6%	

### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES

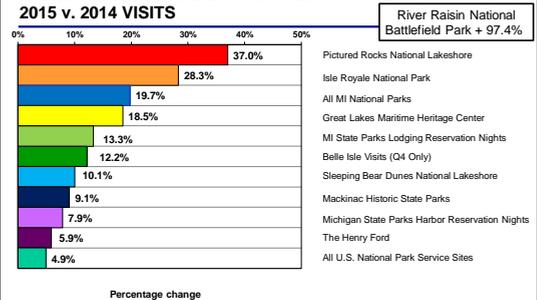


\* EXCLUDES effects of increases in assessment rates \*

Source: 2016 Dept. of CSUS Survey of Assessments

n = 33

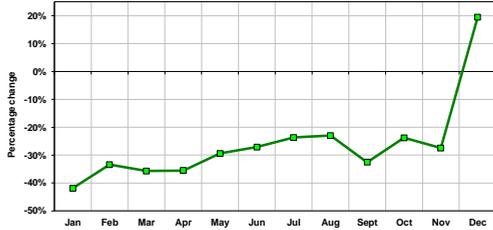
### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 VISITS



Sources: MI DNR; MI DNR State Historic Parks; US National Park Service, The Henry Ford, NOAA.

\* new listings always welcome! \*

### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 GAS PRICES

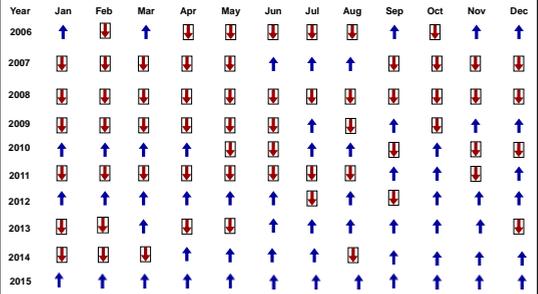


Source: AAA Michigan.

Average PPG in MI: 2014 \$3.42, 2015 \$2.48  
Annual Change: -27.4%

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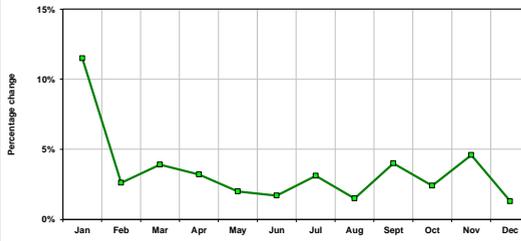
### MICHIGAN HIGHWAY TRAFFIC COUNTS YEAR-TO-YEAR CHANGE



Source: Michigan Department of Transportation.

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### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 TRAFFIC

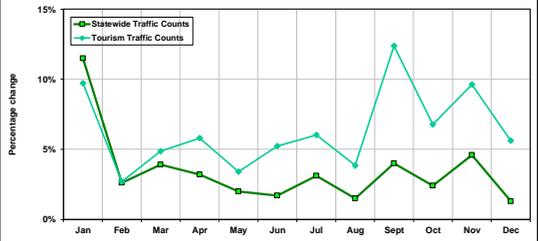


Source: Michigan Department of Transportation.

Annual Change:  
+ 3.3%

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### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 STATEWIDE AND TOURISM TRAFFIC

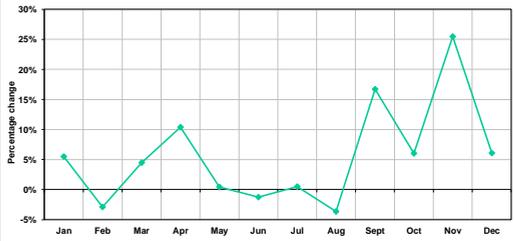


Source: Michigan Department of Transportation.

Annual Change:  
Statewide +3.3%, Tourism +6.2%

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### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 WELCOME CENTERS

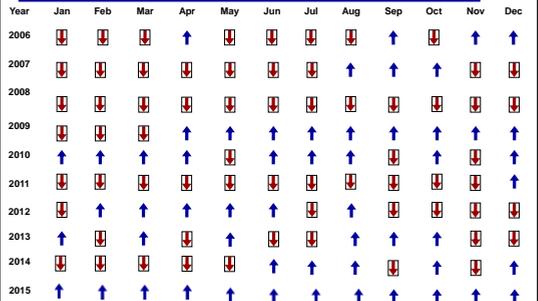


Source: Michigan Department of Transportation.

Annual Change: +4.6%

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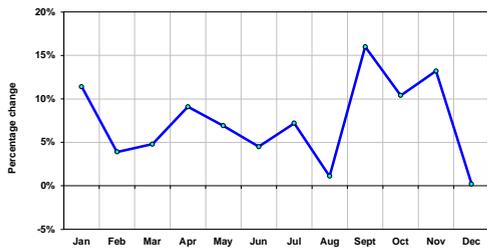
### MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE



Source: Mackinac Bridge Authority.

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### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 MONTHLY MACKINAC BRIDGE CROSSINGS



Source: Mackinac Bridge Authority.

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### MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

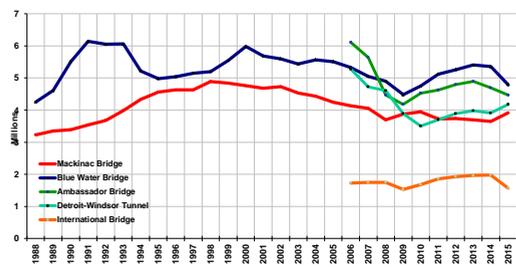
Year	Count (million)	% from prev. year
1996	4.625	+ 1.5%
1997	4.626	0.0%
1998	4.891	+ 5.7%
1999	4.836	- 1.1%
2000	4.756	- 1.7%
2001	4.676	- 1.7%
2002	4.733	+ 1.2%
2003	4.529	- 4.3%
2004	4.427	- 2.2%
2005	4.236	- 4.3%

Year	Count (million)	% from prev. year
2006	4.133	- 2.4%
2007	4.054	- 1.9%
2008	3.696	- 8.9%
2009	3.877	+ 4.9%
2010	3.948	+ 1.8%
2011	3.728	- 5.6%
2012	3.737	+ 0.2%
2013	3.696	- 1.1%
2014	3.645	- 1.4%
2015	3.914	+ 7.4%

Source: Mackinac Bridge Authority.

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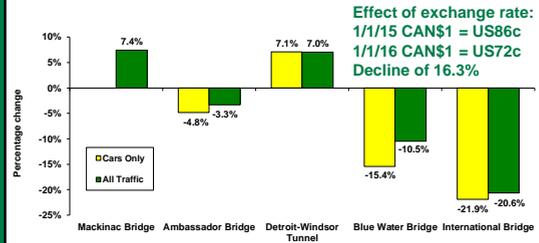
### TRENDS IN TRAFFIC COUNTS ON SELECTED MICHIGAN BRIDGES



Source: Mackinac Bridge Authority; Blue Water Bridge Authority; MDOT; Public Border Operators Association (PBOA).

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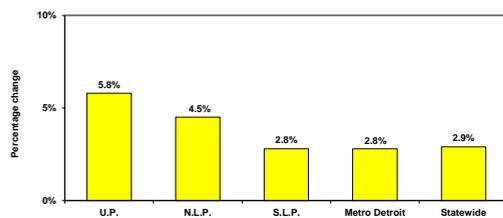
### TRENDS IN TRAFFIC COUNTS ON MICHIGAN BRIDGES 2015 v. 2014 TRAFFIC



Effect of exchange rate:  
1/1/15 CAN\$1 = US\$86c  
1/1/16 CAN\$1 = US\$72c  
Decline of 16.3%

Despite strong numbers overall, need to recognise regional and seasonal variations

### MICHIGAN TOURISM INDUSTRY INDICATORS: 2015 v. 2014 PERCENT CHANGE IN TOTAL AIRPLANE PASSENGERS



Source: Michigan Department of Transportation

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### SUMMARY OF MICHIGAN TOURISM INDUSTRY 2015 v. 2014 INDICATORS

- **Weather:** 2015 was drier (-13.1%) and warmer (+7.6%) than 2014 – but winters poor and summer average, Sept. good
- **Consumer confidence:** up 12.7%
- **Hotel indicators:** occupancy up 2.3%, ADR up 5.8%
- **Sales and use tax:** no data
- **Assessments:** up 8.2%
- **Visits to attractions:** up, most in double digits
- **Gas prices:** down 27%
- **Travel activity (as measured by traffic):**
  - statewide traffic counts up 3.3%
  - Mack. Bridge up 7.4%, int'l bridges down
  - DTW traffic up 2.8%

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## 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 2016 Meeting:

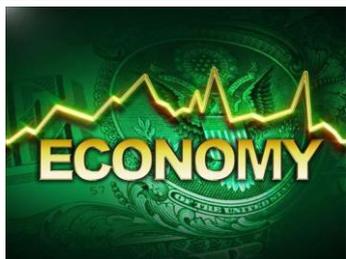
- Dr. Don Holecek
- Brian Lawson
- Dave Lorenz
- Dr. Dan McCole
- Dr. George Moroz
- Dr. Sarah Nicholls
- Michael O'Callaghan
- Tracy Padot
- Dr. Annie Rummel
- Bill Sheffer

## HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM IN 2015?

	2015	
	Projected by MSU	Actual data
Travel prices	+ 3%	<b>+2.3 %</b>
Travel volume	+ 1.5%	<b>+ 3.3%</b>
Travel spending	+ 2.5%	<b>?*</b>

\*The Michigan Department of Treasury data is our most important indicator of tourism spending. In 2015, the department changed its classification system from SIC to NAICS. This is the only year that will be impacted.

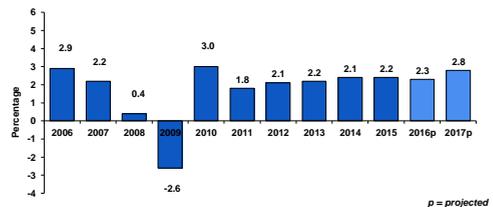
Source: MSU Department of CSUS; Michigan Department of Transportation; Michigan Department of Treasury, Bureau of Labor Statistics.



## Economic Indicators

- ➔ Ability to spend on travel
- ➔ Willingness to spend on travel

## GROWTH OF REAL GDP - UNITED STATES



p = projected

Source: RSQE - University of Michigan.

## Stock Markets

	Record High	Recent Low	2015	2016	% Change From 2015
<b>Dow Jones</b>	18,312 <i>(May '15)</i>	6,547 <i>(Mar 2009)</i>	18,105	17,897	-1.2%
<b>Nasdaq</b>	5,218 <i>(July '15)</i>	1,267	5,007	4,938	-1.4%
<b>S&amp;P 500</b>	2,130 <i>(May '15)</i>	677	2,104	2,080	-1.2%

Source: <http://finance.yahoo.com/>

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## Currency Exchange Rates Per \$1 U.S.

	April 16 2015	April 16 2016	% change from 2015
<b>Canadian \$</b>	1.25	1.28	2.4%
<b>Euro</b>	.94	.89	-5.3%
<b>Pound (UK)</b>	.68	.71	4.4%
<b>Peso (Mexico)</b>	15.29	17.47	14.3%
<b>Yen (Japan)</b>	119.40	109.16	-8.6%
<b>Yuan (China)</b>	6.10	6.48	6.2%
<b>Real (Brazil)</b>	3.06	3.49	14.1%
<b>FRB Broad Index</b>	115.98 <i>(April 15, 2015)</i>	119.97 <i>(April, 6 2016)</i>	3.4%

Source: Currencies - [www.oanda.com](http://www.oanda.com/); Federal Reserve Bank.

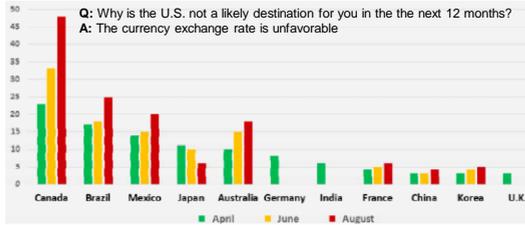
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## Exchange rate could dampen international travel from some countries

**Respondents:** Int'l travelers likely to take an int'l trip in next 12 months  
But ... Indicated they were *unlikely* to choose the USA as a destination



Source: Brand USA

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## Oh, Canada...

### Visits across the Canadian-US border



Source: Statistics Canada, NTTO

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## National Transportation and Tourism Office 2016 Forecast

**China:** 17% increase in visitation



However...

**Canada:** 8% decrease



Which is more important to you?

Source: NTTO, 2015

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## U.S. Unemployment



Mar 2011

Mar 2016

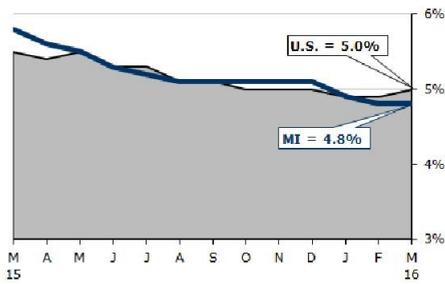
Source: The Bureau of Labor Statistics; TradingEconomics.com

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## Michigan Unemployment



Source: Michigan Department of Labor & Economic Growth

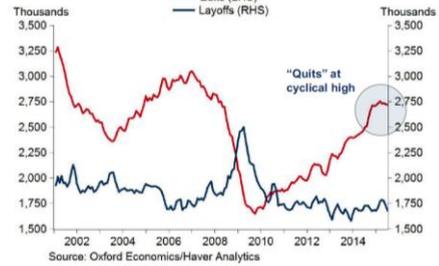
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## People quitting their jobs is a good sign...

### US: Workers increasingly voluntarily leave jobs



Source: Oxford Economics/Haver Analytics

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## U.S. Consumer Sentiment



Source: WWW.TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

Source: University of Michigan, TradingEconomics.com

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## Comerica Banks Michigan Economic Activity Index



Source: Comerica Banks

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## Housing

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## Home prices have increased since recession lows (but not to pre-recession bubble levels)



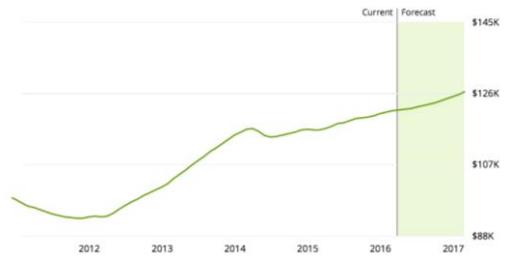
Source: Trading Economics; Standard & Poor's

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## Michigan Housing Prices



Source: Zillow

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## Home Ownership Decreasing (currently below historic average)



Source: Trading Economics; US Census Bureau

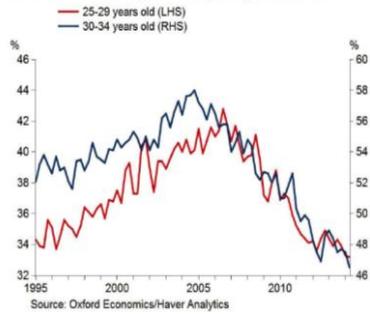
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## Especially among young adults...

US: Homeownership rates of young Americans



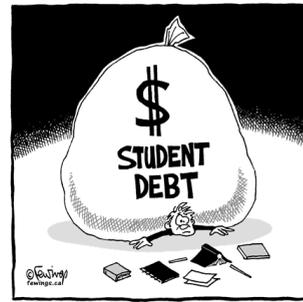
Source: Oxford Economics/Haver Analytics

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## One reason...



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## Gas Prices

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## A slide from the 2014 Tourism Outlook...



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## Gasoline Prices



Source: GasBuddy.com

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## Tourism Indicators

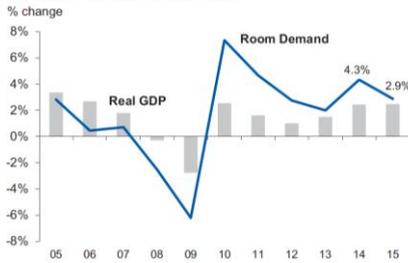
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## Tourism Still Outperforming Overall Economy

### US Room demand and GDP



Source: STR, BEA, Tourism Economics

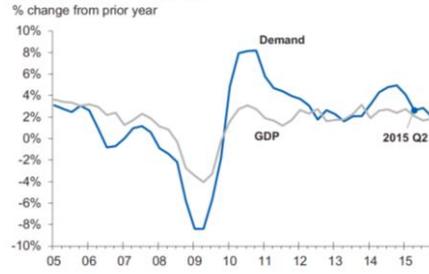
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## This is not typical...

### Room demand and GDP



Source: STR, BEA, Tourism Economics

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## Air travel especially...

### US domestic air travel and GDP



Source: BTS, BEA, Tourism Economics

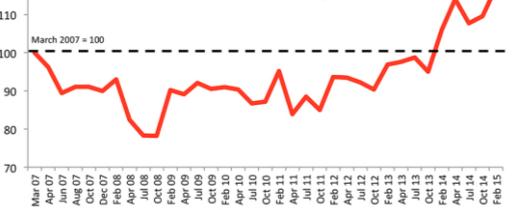
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## Traveller Sentiment Index

### Overall Traveller Sentiment Index™



Source: MMGY Global

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## Summary of the Economy (Changes from 2015)

GDP	↑	
Stock Markets	↓	
Unemployment	↓	
Consumer Confidence	↓	
Strength of Dollar	↑	
Housing	↑	Green = good for tourism
Michigan Economic Activity	↑	Red = Bad for tourism

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## Summary of Economy

- Slightly weaker than last year, but not by much (essentially unchanged)
- As it relates to tourism, nothing in the economy points to a downturn in ability and willingness to spend
- Demand for travel remains high

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## Trends Impacting Tourism

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## 2012: They're coming!



## They're Here....



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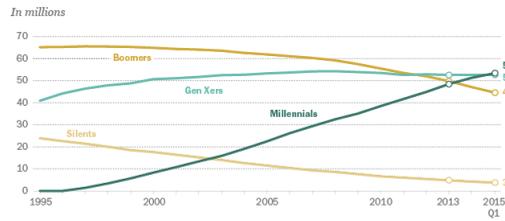
MAY 11, 2015



## Millennials surpass Gen Xers as the largest generation in U.S. labor force

BY RICHARD FRY | 40 COMMENTS

### U.S. Labor Force by Generation, 1995-2015

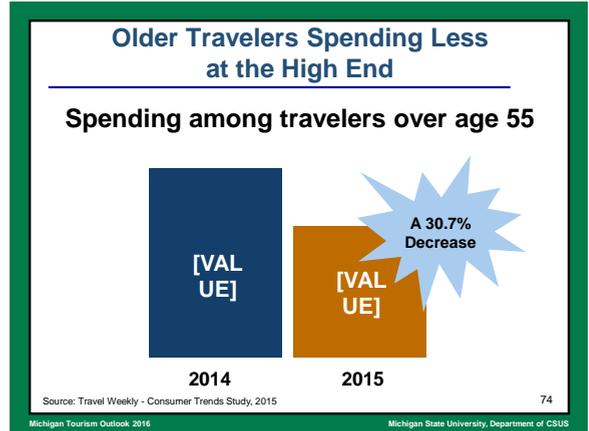


Source: Pew Research Center, 2015

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### Increase in Older Travelers Spending Less

*(This group typically spends the most on travel)*

% of travelers 55+ who spent less than \$1,000 for travel

**2014: 6%**

**2015: 23%**

**However...**

Source: Travel Weekly - Consumer Trends Study, 2015

75

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...Millennials plan to spend 10% more on travel in 2015

While Baby Boomers and Matures each only plan to spend 1% more

Source: MMGY Portrait of American Travelers, 2015

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### Millennials Travel More Than Any Other Generation

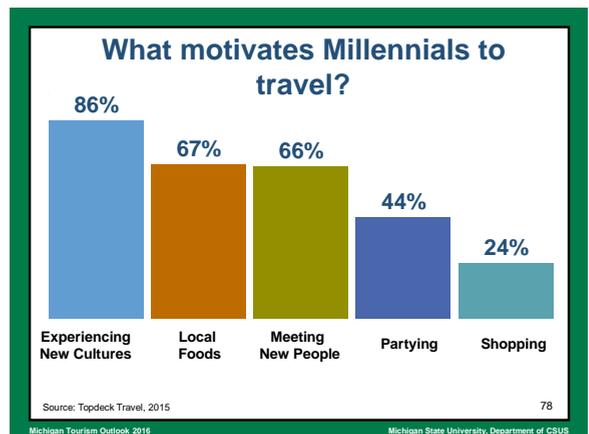
- 4.7 Business trips per year
- 4.3 Leisure trips per year
- Spend \$200 billion on travel...

...but haven't yet reached their peak earning years

Source: Travel Weekly - Consumer Trends Study, 2015

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66% of Millennials value unique experiences when traveling (compared to 50% from other generations)

Source: Deloitte Traveler Loyalty Study, 2014

79

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Millennials want a good value, but that doesn't mean they're cheap.

Coming of age during the "Great Recession," they learned to look for deals,

but...

They have expensive tastes

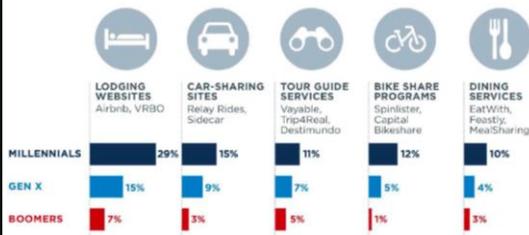


80

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## Shared economy (peer-to-peer) travel by Generation



Source: Destination Analysts, 2015

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## Raise your hand if...

... in the last day, you...

- used Facebook?
- used Instagram?
- used Twitter?
- used Snapchat?
- sent or received more than 10 texts?
- used an emoji or emoticon?



... in the last year, you...

- used Uber?
- took a selfie?
- ... you no longer have a landline phone at your home?
- ... you have a tattoo?

82

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## You might be a Millennial...



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## Millennials sometimes get a bad rap...



but the rest of us seem to have willingly adopted parts of their lifestyle...

84

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### Though it hasn't always been easy...



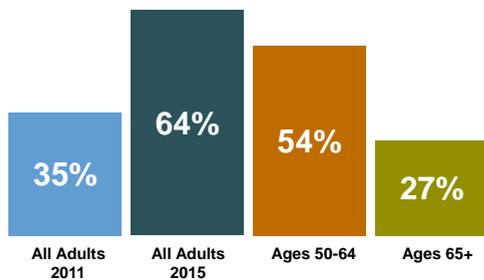
85



### Speaking of Smartphones...

86

### How widely used are smartphones?



Source: BrightLocal Consumer Review Survey, 2015

87

### How widely used are smartphones?

Usage is even higher among demographics that tend to travel the most (e.g., higher educational attainment and income).



Source: BrightLocal Consumer Review Survey, 2015

88

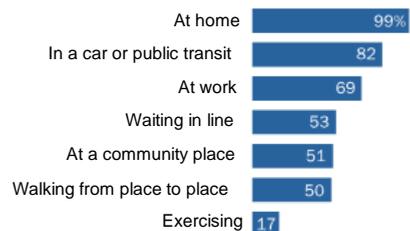
### Smartphone owners feelings about their smartphones



Source: Pew Research Center, 2015

89

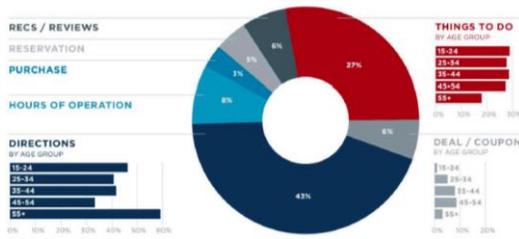
### Where smartphones are used?



Source: Pew Research Center, 2015

90

## Primary Reasons Travelers Use Smartphones



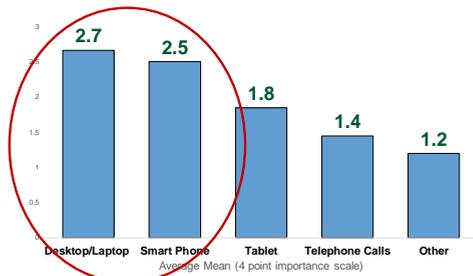
Source: USTA, 2015

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## Devices Used to Plan Trip Before Travel



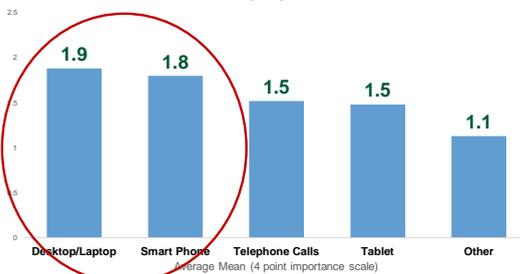
Source: McCole & McRoberts, 2015

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## Devices Used to Book or Reserve Travel



Source: McCole & McRoberts, 2015

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## What does your website look like on a smartphone?



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75% of American adults use smartphones for social networking

*Yeah, but that's mostly millennials, right?*

**wrong**

55% of Americans 50+ use smartphones for social networking

95

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97% of American adults use smartphones to text

*Yeah, but that's mostly millennials, right?*

**wrong**

92% of Americans 50+ use smartphones to text

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What is the # 1 thing Americans have trouble doing without their smartphones?

## Getting directions/finding an address



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## Can visitors find you?

If not, get listed (for free) on visitors' GPS maps:

<https://mapsconnect.apple.com/>

<http://www.google.com/+business/>

98



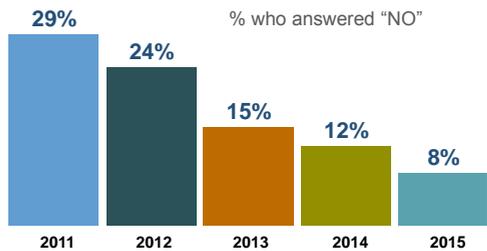
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## Online Review Sites

10

Do you read online reviews to determine whether a local business is a good business?



Source: BrightLocal Consumer Review Survey, 2015

10

Online reviews have become a major part of consumer decisions

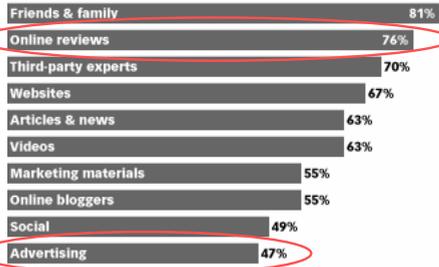


88% have read online reviews to determine the quality of a business

Source: Nielsen Global Study, 2014

10

### Most Trusted Sources of Information When Making Purchase Decisions



Source: International Data Corporation - Consumer Trust Survey, 2015

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71% of Millennials typically share their opinion of a product because they think other consumers will value the input



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### U.S. Consumers...

68% trust opinions posted online

88% trust online reviews as much as personal recommendations

72% say positive reviews make them trust businesses more

Source: Nielsen Global Study, 2014

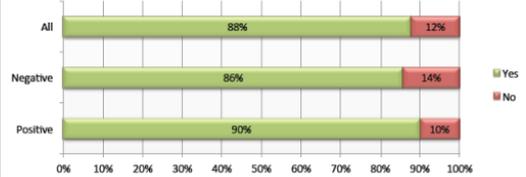
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### But negative reviews matter too...

Has reading these POSITIVE/NEGATIVE reviews influenced your buying decisions?



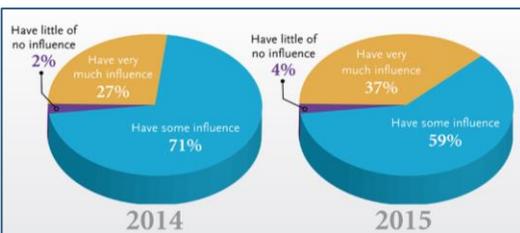
Source: Nielsen Global Study, 2014

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### Increasing Influence of Review Websites on Travelers' Choices

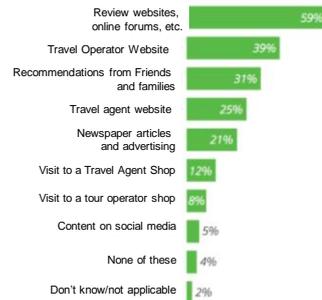


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### Most Influential Resources When Booking a Vacation



Source: Deloitte, 2014

10

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**72% will take action after reading a positive review**

Source: Nielsen Global Study, 2014

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### Why access social media while traveling?

Source: USTA, TNS, 2014

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### Primary Motivation for Sharing Travel Experience on Social Media

Source: USTA, TNS, 2014

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### Forecasts

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### STR U.S. Hotel/Motel Forecast

	Outlook	
	2015 Forecast	2016 Forecast
Supply	1.2%	1.4%
Demand	2.9%	2.2%
Occupancy	1.7%	0.8%
ADR	5.1%	5.2%
RevPAR	6.8%	6.0%

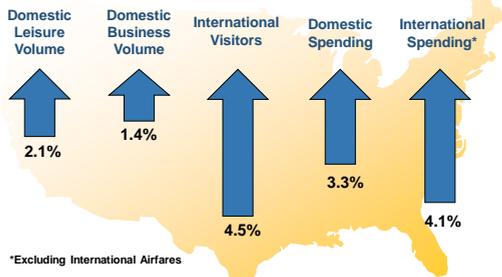
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### What do CVBs Think Will Happen to Room Assessments? (CVB Survey Results)

	2015 Projections	2015 Actual	2016 Projections
Upper Peninsula	+3.0%	+8.4%	+3.5%
Northern Lower P.	+2.9%	+7.2%	+3.2%
Southern Lower P.	+3.0	+8.5%	+5.0

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## USTA FORECAST FOR U.S. TRAVEL IN 2016



Source: United States Travel Association (Annual Travel Forecast)

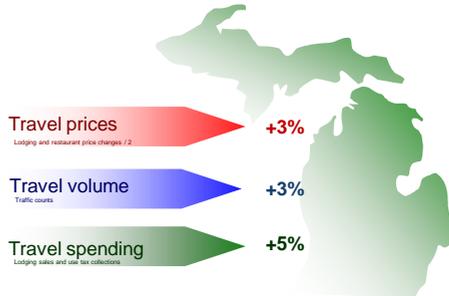
11



## MSU's 2016 Forecast

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## MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2016



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## THE WILD CARDS

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



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## CONTACT INFORMATION

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