2015 MICHIGAN TOURISM PAST PERFORMANCE AND FUTURE EXPECTATIONS

The Pure Michigan Governor's Conference on Tourism
March 22-24, Grand Rapids, MI

Dr. Sarah Nicholls and Dr. Dan McCole
Department of Community Sustainability
Michigan State University

OUTLINE

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

TOURISM INDUSTRY: GLOBAL AND NATIONAL PERSPECTIVES

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%

Source: UNWTO

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

Source: UNWTO

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%

Source: UNWTO

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

TOURISM INDUSTRY ON THE NATIONAL LEVEL

- "This latest international visitation figure is the fruit of a lot of hard work by the American travel community and policymakers in Washington. This kind of incredible upsurge doesn't happen by accident, especially because other countries are competing harder than ever for international travel dollars." {*as are states within the US*}
- "Recent policy moves like renewing the Brand USA public-private partnership to market the U.S., adding Customs and Border Protection officers, expanding Global Entry and the Visa Waiver Program, and extending the validity of Chinese tourist visas all add up to make this kind of success possible."
- "The Obama administration has made it clear that it recognizes the economic potency of international travel, and has prioritized travel-related policies accordingly, setting a goal of 100 million international visitors by 2021."

Source: U.S. Travel Association (USTA)

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

Country	% Change in Visitors
CANADA	-2
MEXICO	+19
UNITED KINGDOM	+4
JAPAN	-4
BRAZIL	+10
PR CHINA (EXCL. HK)	+21
GERMANY	+3
FRANCE	+8
SOUTH KOREA	+7
AUSTRALIA	+6

54% of visitors

US$ ↑16%

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

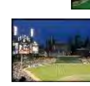
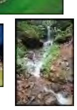
Source: U.S. Travel Association (USTA)

MICHIGAN TOURISM:

A LOOK BACK AT THE YEAR

2014

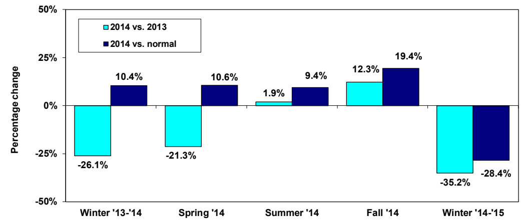


MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2014

- 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: TOTAL PRECIPITATION BY SEASON

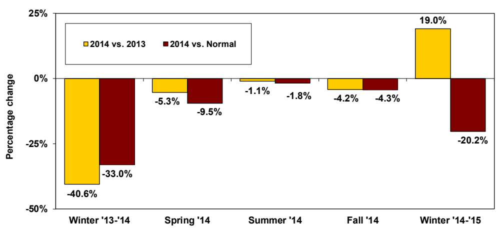


Spring: March, April, May
Summer: June, July, August

Fall: September, October, November
Winter: December, January, February

Source: Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE TEMPERATURES BY SEASON

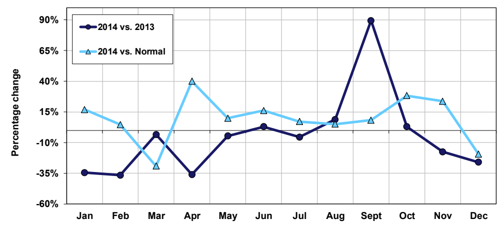


Spring: March, April, May
Summer: June, July, August

Fall: September, October, November
Winter: December, January, February

Source: Midwestern Regional Climate Center.

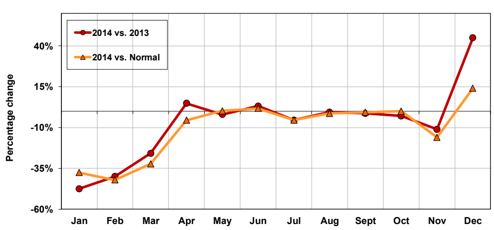
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 PRECIPITATION BY MONTH



Source: Midwestern Regional Climate Center.

Annual Changes:
2014 vs. 2013 – 9.0%
2014 vs. Normal + 10.9%

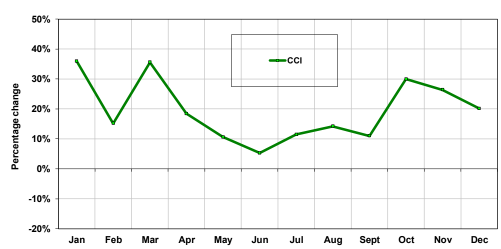
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 TEMPERATURE BY MONTH



Source: Midwestern Regional Climate Center.

Annual Changes:
2014 vs. 2013 – 4.8%
2014 vs. Normal – 6.4%

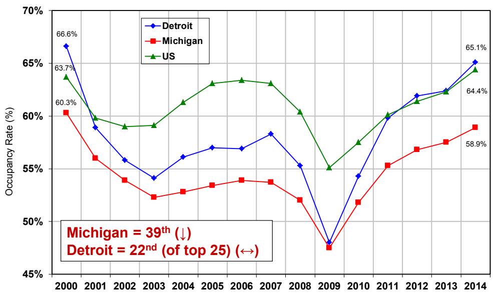
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 CONSUMER CONFIDENCE INDEX



Source: The Conference Board

Average Annual Score: 2013 – 73, 2014 – 87
Annual Change: + 18.69%

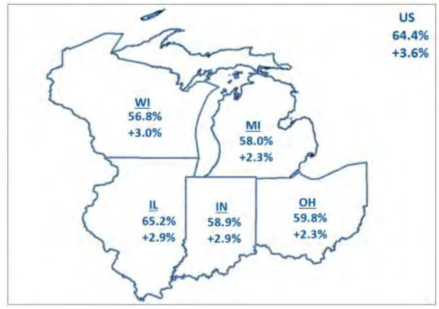
HOTEL OCCUPANCY: US/MICHIGAN/DETROIT 2000-2014



Source: Smith Travel Research.

19

HOTEL OCCUPANCY IN THE US AND MIDWEST: 2014 AND CHANGE IN 2014 v. 2013



Source: Smith Travel Research.

20

MICHIGAN TOURISM INDUSTRY INDICATORS 2014 VS 2013 HOTEL DATA

	Occupancy	ADR	RevPAR
USA	64.4% (+3.6%)	$115.32 (+4.6%)	$74.28 (+8.3%)
Michigan	58.9% (+2.3%)	$91.72 (+5.1%)	$54.00 (+7.5%)
Detroit	65.1% (+4.0%)	$89.06 (+5.9%)	$57.97 (+10.0%)

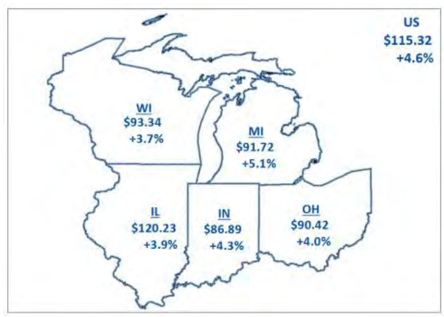
Michigan exhibited the 36th largest improvement in year-end occupancy of all US states in 2014

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

Source: Smith Travel Research.

21

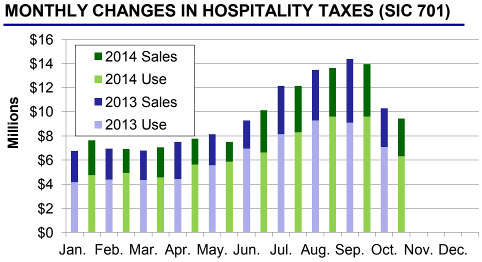
HOTEL AVERAGE DAILY RATE IN THE US AND MIDWEST: 2014 AND CHANGE IN 2014 v. 2013



Source: Smith Travel Research.

22

MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)



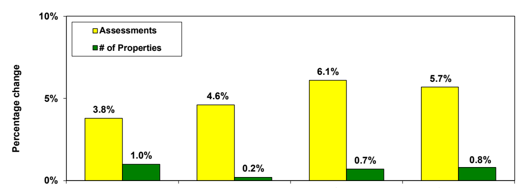
~ our measure of spending ~

Annual Changes (through October):
Sales – 6.9% Use + 4.3%
Total Sales & Use + 0.5%

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

23

MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES



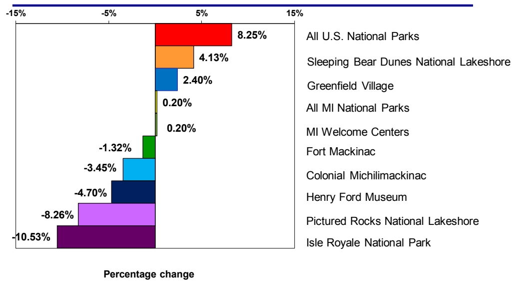
* EXCLUDES effects of increases in assessment rates *

Source: 2015 Dept. of CSUS Survey of Assessments

n = 39

24

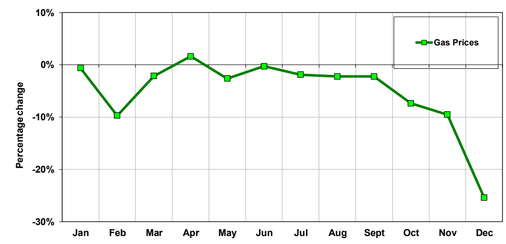
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 vs. 2013 VISITS



Sources: MI DNR; MI DNR State Historic Parks; US National Park Service.

* new listings always welcome! *

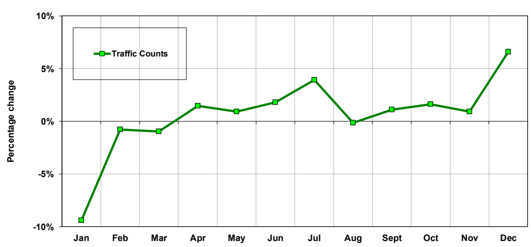
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 GAS PRICES



Source: AAA Michigan.

Average PPG in MI: 2013 $3.60, 2014 $3.42
Annual Change: – 4.94%

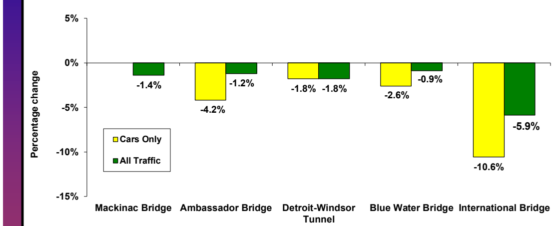
MICHIGAN TOURISM INDUSTRY INDICATORS: 2014 VS 2013 TRAFFIC



Annual Change:
+ 0.7%

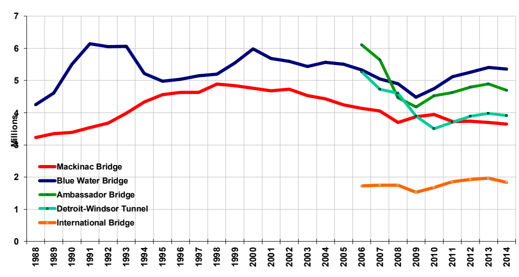
Source: Michigan Department of Transportation.

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



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

TRENDS IN TRAFFIC COUNTS ON SELECTED MICHIGAN BRIDGES



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

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 1-10%
  - DTW all traffic up 1%

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

2

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

3

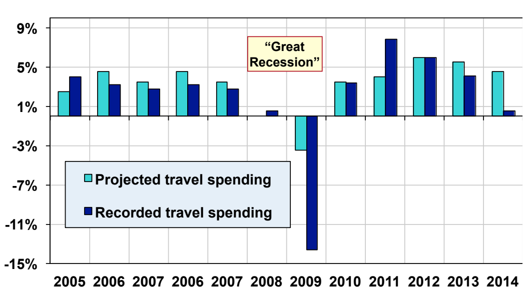
HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM IN 2014?

	2014	
	Projected by MSU	Actual data
Travel prices	+ 4%	+4.5%
Travel volume	+ 1.5%	+1%
Travel spending	+ 4.5%	+0.5%

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

4

HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM OVER THE YEARS?

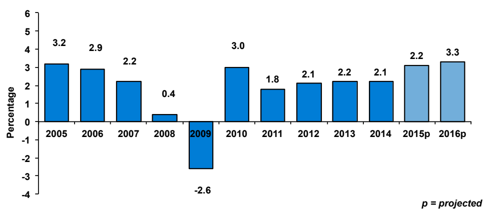


Source: MSU Department of Community Sustainability; Michigan Department of Treasury.

5

6

GROWTH OF REAL GDP - UNITED STATES



Source: RSQE - University of Michigan.

Stock Markets

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

Currency Exchange Rates Per $1 U.S.

	Mar 22 2015	Mar 4 2014	% change	US $ is…
Canadian $	1.26	1.10	14.5%	Stronger
Euro	.92	.72	27.8%	Stronger
Pound (UK)	.67	.59	13.6%	Stronger
Peso (Mexico)	15.05	13.29	13.2%	Stronger
Yen (Japan)	120.02	101.39	18.4%	Stronger
Yuan (China)	6.12	6.12	0.%	Even
Real (Brazil)	3.22	2.33	38.2%	Stronger
FRB Broad Index	116.64 (Mar 11, 2015)	100.76 (Feb 26, 2014)	15.8%	Stronger

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

Currency Exchange Rates Per $1 U.S.

	Mar 22 2015	Mar 4 2014	% change	US $ is…
Canadian $				Stronger
Euro				Stronger
Pound (				onger
Peso (M				onger
Yen (Japa				Stronger
Yuan (China)				Even
Real (Brazil)	3.22		38.2%	Stronger
FRB Broad Index	116.64 (Mar 11, 2015)	100.76 (Feb 26, 2014)	15.8%	Stronger

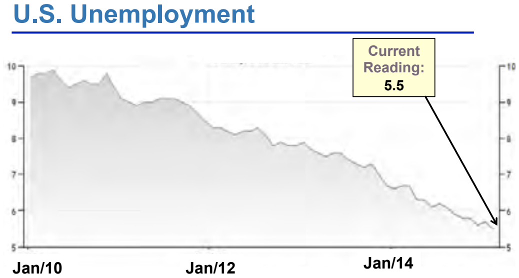
2015 Intentions for Travel Spending

International Travel: ⬆

Domestic: ⬇

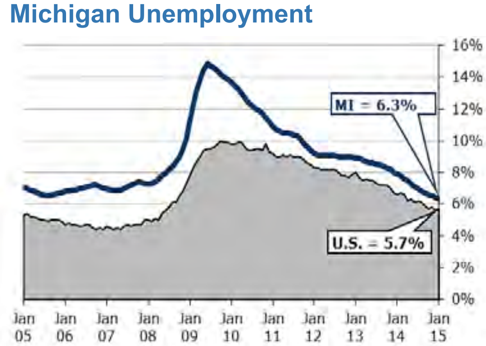
Source: Currencies - www.oanda.com; Federal Reserve Bank.

U.S. Unemployment



Source: The Bureau of Labor Statistics; TradingEconomics.com

Michigan Unemployment



Source: Michigan Department of Labor & Economic Growth

Comerica Banks
Michigan Economic Activity Index

Source: Comerica Banks

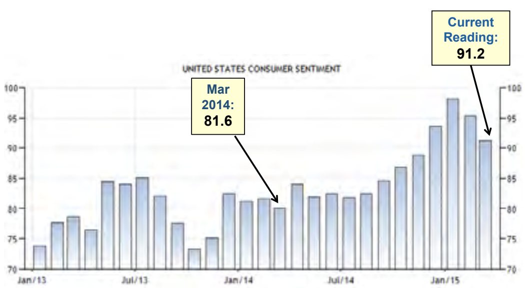
13

Gasoline Prices

Source: GasBuddy.com

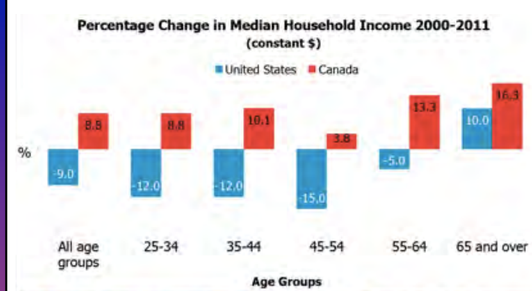
14

U.S. Consumer Sentiment



Source: The Conference Board; TradingEconomics.com

15

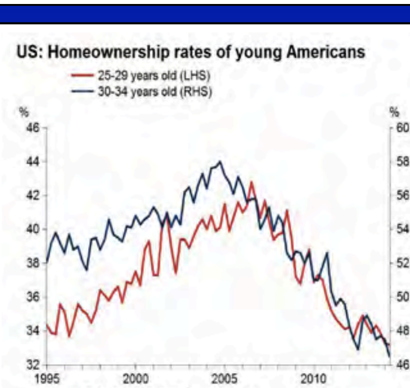


Source: Statistics Canada; US Census Bureau; Environics Analytics

16

Housing

17

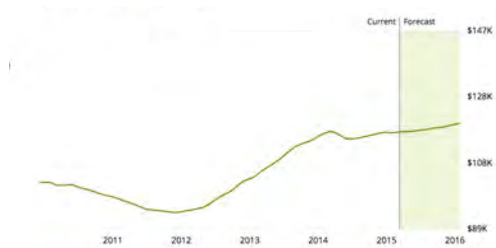


Source: Oxford Economics/Haver Analytics

18

19

Michigan Housing Prices



Source: Zillow

20

Housing: 2015 Forecast

Source: Zillow.com

21

Housing: 2015 Forecast

NATIONAL ASSOCIATION of REALTORS®

Source: National Association of Realtors

22

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

23

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

24

Summary of the Economy

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

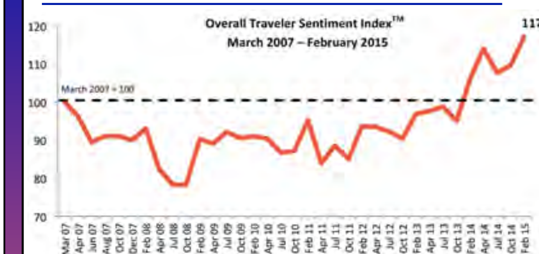
Summary of Economy

- 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

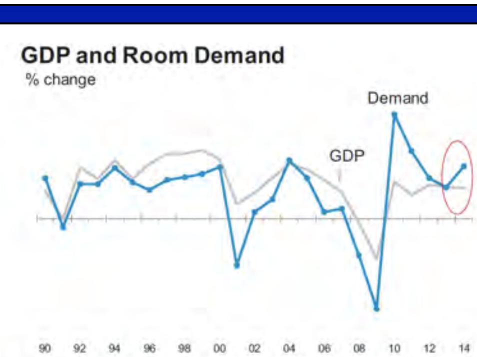
NOTE: These are the same words I used to summarize the economy last year…

Tourism Trends

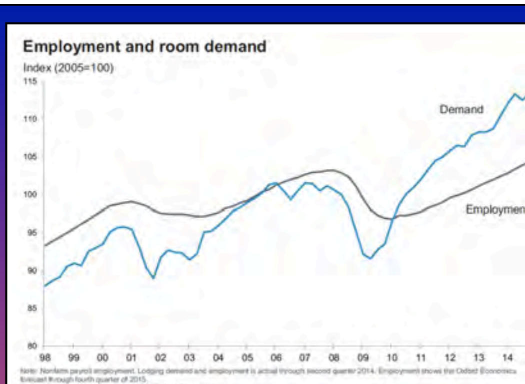
Traveller Sentiment Index



Source: MMGY Global



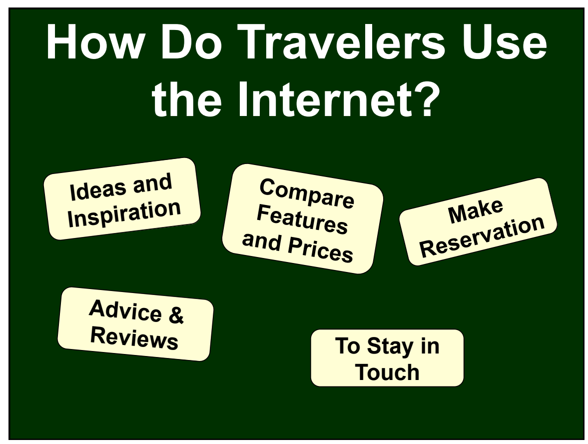
Source: Bureau of Economic Analysis; STR; Oxford Economics



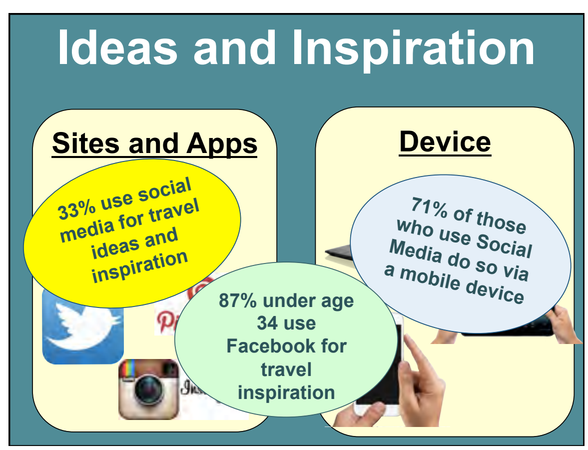

he Internet
nd Travel


"The Digital Elite"


"The Digital Elite"
38% access internet from all three devices
Up 5% since 2013
Source: MMGY Global

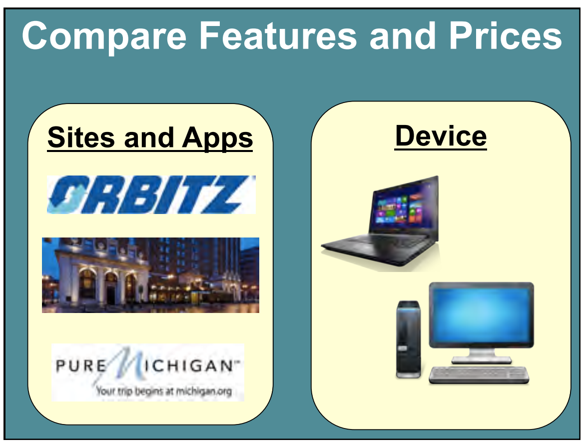

How Do Travelers Use the Internet?
Ideas and Inspiration
Compare Features and Prices
Make Reservation
Advice & Reviews
To Stay in Touch

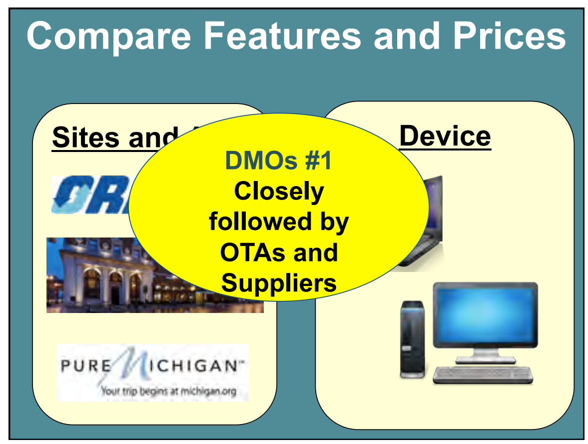

Ideas and Inspiration
Sites and Apps
Social Media
facebook
Pinterest
Instagram
Device

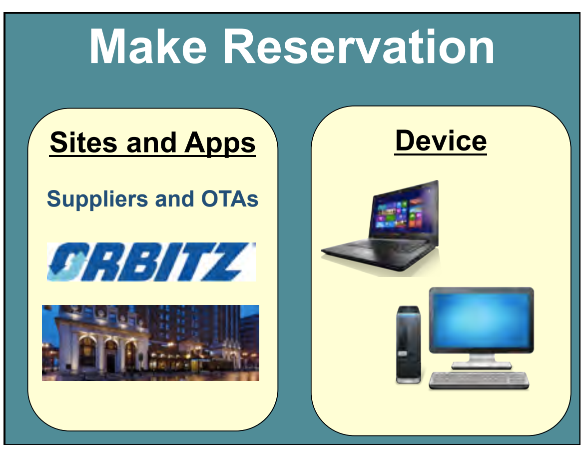

Ideas and Inspiration
Sites and Apps
Device
33% use social media for travel ideas and inspiration
71% of those who use Social Media do so via a mobile device
87% under age 34 use Facebook for travel inspiration

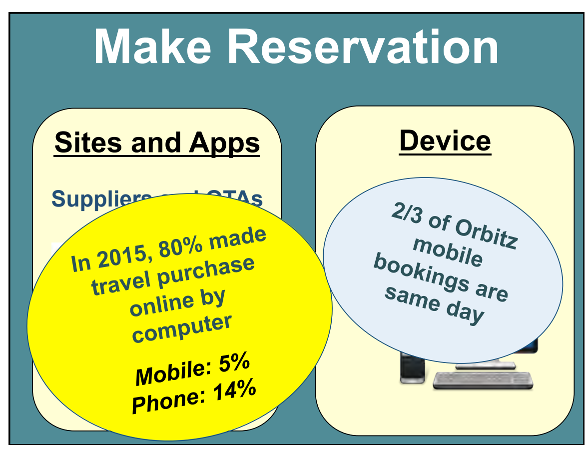

Advice and Reviews
Sites and Apps
Websites with Reviews
tripadvisor
yelp
urbanspoon
Device


Advice and Reviews
58% indicated that an online review had influenced their travel decisions
Device
50% of trip advisor users access via mobile
Best Western
After engaging with reviews, occupancy rate grew at 2x rate of brands that didn't
yelp

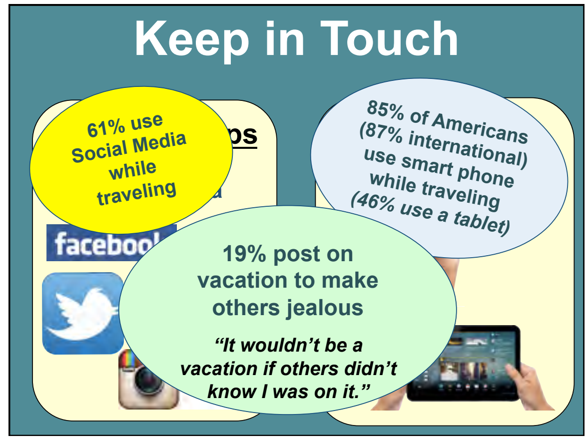

Compare Features and Prices
Sites and Apps
ORBITZ
PURE MICHIGAN
Your trip begins at michigan.org
Device


Compare Features and Prices
DMOs #1
Closely followed by OTAs and Suppliers
Device
PURE MICHIGAN
Your trip begins at michigan.org


Make Reservation
Sites and Apps
Suppliers and OTAs
ORBITZ
Device


Make Reservation
Sites and Apps
In 2015, 80% made travel purchase online by computer
Mobile: 5%
Phone: 14%
Device
2/3 of Orbitz mobile bookings are same day


To Keep in Touch
Sites and Apps
Social Media
facebook
Pinterest
Instagram
Device


Keep in Touch
61% use Social Media while traveling
85% of Americans (87% international) use smart phone while traveling (46% use a tablet)
facebook
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

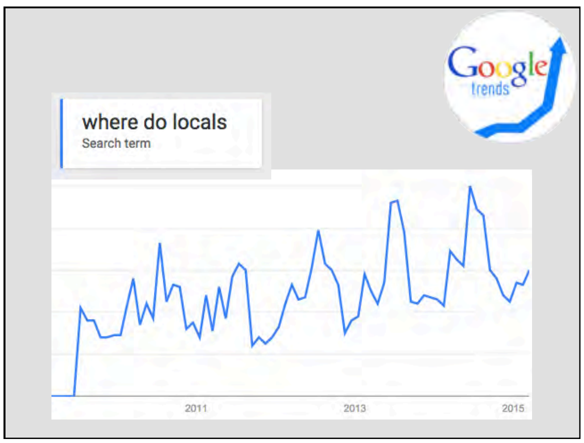

53% of parent agree:
12
9
3
6
"Family vacations are one of the few things that families do together."
Source: USTA Travel Effects


Trips to Enhance Life >
Trips to Communicate Status

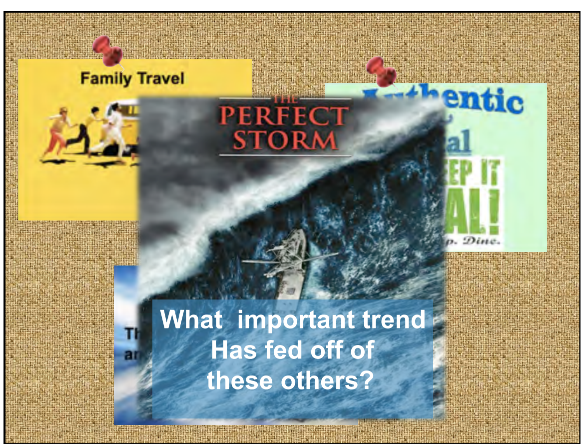

Milestone Travel
40% of families
have been on a multi-generational vacation
Source: USTA Travel Effects


Authentic
&
Local
KEEP IT
LOCAL!
Play. Shop. Dine.

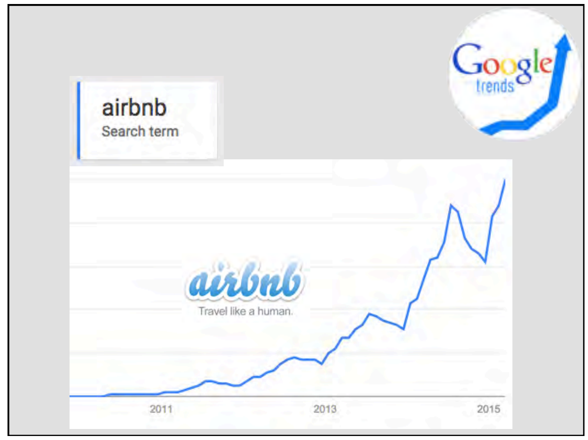

"Authentiseeking"
MICHIGAN
WINE & BEER FEST
BELL'S
STORMCLOUD

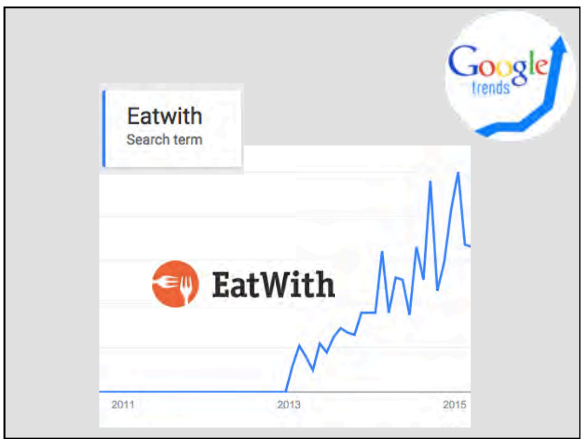

Google trends
where do locals
Search term
2011
2013
2015


People don't want to be identified as a tourist


Family Travel
PERFECT
STORM
What important trend
Has fed off of
these others?


Family Travel
Authentic
&
Local
KEEP IT
LOCAL!
Play. Shop. Dine.
The Internet
and Travel





Why is P2P Successful?

It's authentic

It's social

Interaction with locals

Facilitated by internet

Great for multi-generational travel

P2P

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

Forecast

U.S. Outlook

	2014 Forecast	2015 Forecast
Supply	1.0%	1.3%
Demand	3.6%	2.1%
Occupancy	2.6%	0.7%
ADR	4.2%	4.4%
RevPAR	6.9%	5.2%

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

	2014 Projections	2014 Actual	2015 Projections
Upper Peninsula	+2.2%	3.8+%	+3.0%
Northern Lower P.	+1.1%	+4.6%	+2.9%
Southern Lower P.	+4.0	+6.1%	+3.0

USTA FORECAST FOR U.S. TRAVEL IN 2015

Domestic Leisure Volume	Domestic Business Volume	International Visitors	Domestic Spending	International Spending*
1.6%	1.7%	4.1%	3.6%	6.7%

*Excluding International Airfares

Source: United States Travel Association (Annual Travel Forecast)

MSU's 2015 Forecast

MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2015

- Travel prices (Lodging and restaurant price changes / 2): +3%
- Travel volume (Traffic counts): +1.5%
- Travel spending (Lodging sales and use tax collections): +2.5%

THE WILD CARDS

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

CONTACT INFORMATION

Dr. Sarah Nicholls (nicho210@msu.edu)

Dr. Dan McCole (mccoleda@msu.edu)

Department of Community Sustainability
Michigan State University
480 Wilson Road Rm. 131
East Lansing, MI 48824-1222

Phone: 517-353-5190
Fax: 517-353-8994

www.csus.msu.edu

MICHIGAN STATE UNIVERSITY EXTENSION