monthly

NORTH SHORE CORRESPONDENCE

Notes on tourism & the quality of life along Minnesota's Coast

VOL. 1 NO. 3 FALL 1981

NSC Lodging Survey

A strong tourism industry depends on many things, but the lodging and visitor accommodations businesses play one of the major roles. The lodging businesses, for a large part, determine not only who will visit the area, but also, how many visitors will stay and how many will return.

To get a closer look at the North Shore tourist industry a telephone survey was conducted of tourist lodging businesses along the shore. The survey sample included 67 lodging facilities listed in the "Vacation Travel and Accommodation Guide to the North Shore Drive of Lake Superior." According to Mrs. Beth Alpert, Secretary of the North Shore Association (producers of the brochure), roughly 70% to 75% of the overnight lodging businesses along the shore are listed in the publication.

Lodging operators were called between July 16 and July 23, 1981. Of the 67 lodging listings 65 were reached by phone (one phone listing had been disconnected and one owner was not available during the survey period). All 65 operators contacted volunteered to answer the survey questions. Fourteen questions were asked covering five main areas: type of facilities, length of business season, 1981 season outlook, visitor's profile, and a business profile. What follows is a summary analysis of the findings.

Lodging Caters to North Shore Sightseers

FACILITIES PROFILE

The North Shore has long been considered a major sighseeing area for vacationers. The annual influx of summer vacationers predominately interested in seeing the sights has had a profound effect on the development of the shores lodging industry.

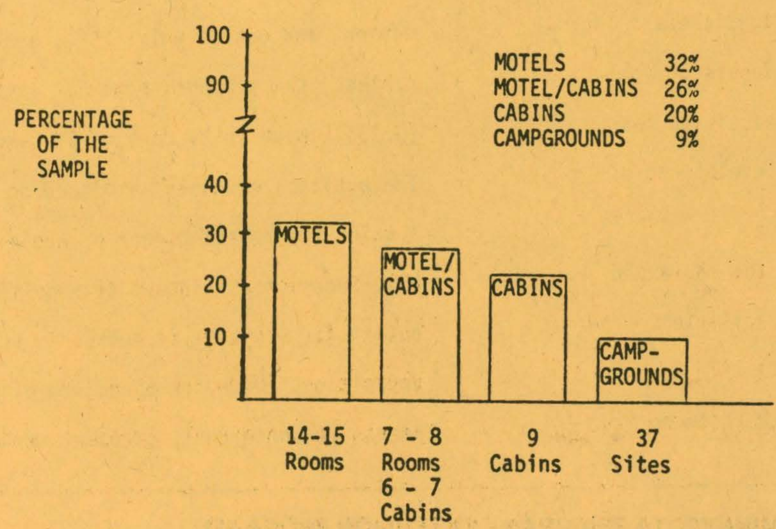
Lodging businesses along the shore are typically small with limited facilities. The most common is a motel (32.31%) with an average of 14 to 15 rooms. Other common facilities are motel/cabins combinations (26.15%), averaging 7 to 8 rooms and 6 to 7 cabins, and cabins only (20%), averaging 9 cabins. Campgrounds, somewhat less common (9.23%), have an average of 37 campsites. The business emphasis is placed on providing a quiet and relaxing room or cabin next to Lake Superior as opposed to supplying an outlet for visitors to engage in active recreation. With the abundance of public access to shorefront, streams, wooded trails and park facilities many operators did not and do not perceive a need to provide additional recreational facilities.

Of the businesses sampled about one-third (32.31%) do not provide any recreational or service facilities to guests. Only seven percent (7.69%) of the lodging operations have pools. Only six percent (6.15%) have boat launch facilities, and only two resorts (3.08%) have tennis courts, yet a larger percentage (43.07%) have private beaches available for guests. (But due to the cold lake temperatures and the gravel make up of most North Shore beaches, swimming and sand beach activities are limited.) And almost one-third of the businesses (32.31%) offers hiking trails.

At the top of the list of available service-related facilities at lodging businesses is supplies/souvenir sales. Thirty-five percent of the businesses (35.38%) sold gifts, antiques, souvenirs and/or groceries and travel supplies. One fifth of the businesses (20.00%) had a lodge or recreation center, and the same number provided playground equipment or lawn games (20.00%). Food service was available at 18 percent (18.46%) of the businesses and conference or meetings facilities were offered at 13 percent (13.85%). Only 12 percent (12.31%) of the businesses sampled provided five or more recreational or service facilities beyond those associated with an over-night stay or housekeeping and kitchenette facilities.

In order to maintain a proper perspective on the availability of things to do along the shore it is important to re emphasize the availability of public recreational facilities. There are 13 state parks, a national forest, a national monument, 17 major streams, eight municipal Lake Superior boat launches, five cities, and 15 uncorporated settlements. It would be a gross misinterpretation to conclude there are few outlets for recreation while staying along the North Shore. Although at the same time the major emphasis on sightseeing and the lack of full service resorts along the shore is one reason why the North Shore is quite unique from other major northern Minnesota vacation areas.

TYPES OF LODGING FACILITIES



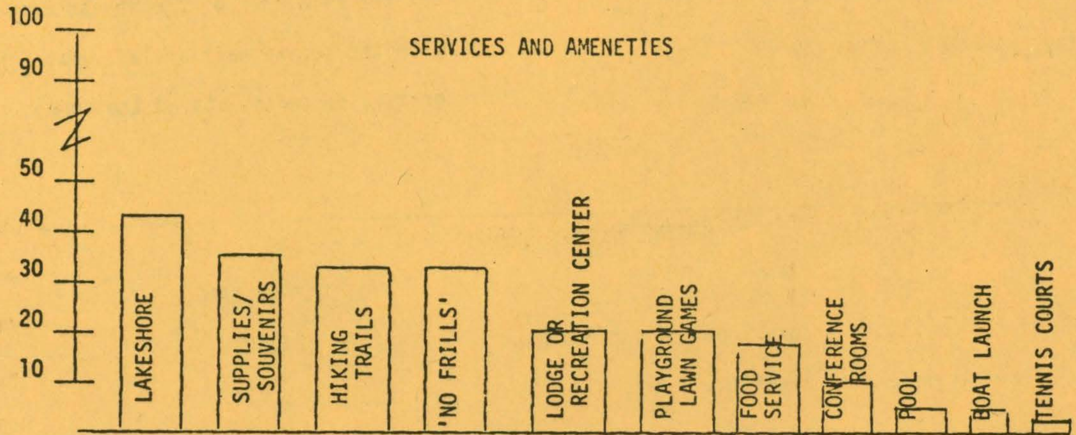
North Shore Visitors on the Move

VISITOR PATTERNS

Four questions regarding visitor's travel profile were asked of survey participants. The questions were: what percentage of this seasons visitors consider your place their main vacation destination; what is the average length of stay for your visitors; has that length of stay changed any over the last five years; and what percentage of this season's visitors have never stayed at your facility before. For many people it is difficult to provide exact percentage answers to the questions or estimate the average length of stay of their guests. Because of this the exact percentages were rounded off and the overall averages are only considered.

The answers to these questions seem to indicate that along the shore there is not a substantial increase in visitors who wish to reduce travel costs by staying for longer periods at one place. Lodging operators felt as a whole more than 60% of their guests were traveling to or from their main vacation destination while staying at their facility, and the average length of stay for visitors was two to three nights. Judging from peoplé's comments, however, this tended to vary with the types of accomodations. Guests in housekeeping cabins tend to stay longer, three to four weeks in a few cases. On the other hand campers usually stay one or two nights.

Over half the operators (52.31%) felt length of stay had remained about the same



LAKESHORE	43%	PLAYGROUND/ LAWN GAMES	20%
SUPPLIES/SOUVENIRS	35%	FOOD SERVICE	18%
HIKING TRAILS	32%	CONFERENCE ROOMS	14%
'NO FRILLS'	32%	POOL	8%
LODGE OR RECREATION CENTER	20%	BOAT LAUNCH	6%
		TENNIS COURTS	3%

over the last five years. A little over one-quarter of the respondents (26%) felt the length of stay had increased in that time. (9.23% noticed a decrease; 12.31% didn't know.)

Whether more visitors from nearby in state areas are dropping other longer trips to visit the shore is unknown. Yet as a side line a number of operators commented that Twin Cities (St. Paul/ Minneapolis) business has picked up over the last two years. A couple of people even went as far as to say their businesses rested on the weather in the Twin Cities: A hot muggy summer in the Twin Cities means a good season, cool weather can have a cooling effect on business.

Operators generaly believed between 40 and 45 percent (approximately 14.3) of their guests had never been to their places before. This is to say new business averages somewhat over 40% during the season (new business does not necessarily mean a new visitor to the North Shore.)

Season Good Yet Profits Lacking

BUSINESS PROFILE AND SEASON OUTLOOK

How is the health of the lodging business along the North Shore? Operators were asked (1) to comment on last year's summer season in terms of numbers of over-night stays (average, above average, below average); (2) to make a comparison between number of this summer's visitors thus far and last year's season during the same period (increase, decrease, stayed the same); (3) project an outlook for the remainder of the season compared with the second half of last year (in-crease, decrease, stayed the same);

LODGING INCOME SUMMARY

	PERCENT OF SAMPLE
Less than 50% of income from lodging business	67.69%
Receive retirement benefits	9.73%*
No profit or incurred a loss	6.56%*
'New Owners' or anticipate selling	27.69%*
Seasonal Operation (summer only)	69.23%

*This information was not required of the survey respondent so actual percentages may be higher

(4) state what percentage of their total income is generated by lodging business profits; and (5) state if any recent improvements or changes have been made to attract new business.

It appears that for many of the operators the attraction to the North Shore lodging business is not due to making a healthy profit but perhaps the opportunity to live in a scenic location in a rural lifestyle. Less than one-third of the operators (32.31%) live totally on the profits made from their lodging businesses. Nine percent (9.73%) of the operators receive retirement benefits. Over six percent (6.56%) revealed that they are not even seeing a profit or are presently incurring a loss. One operator stated for the last five seasons all the profits-and-more-have been put back into the maintenance and refurbishing of his facility. His belief was he would come out ahead someday when he sold his resort, but not necessarily before.

Changes in ownership due to financial hardships are not uncommon here. In conducting the survey interview some operators stated, or it became apparent, they were a new owner (less than five years), and in some cases they were planning to sell within the next year. Approximately 28% (27.69%) of those sampled have owned their businesses for less than five years or are planning to sell within the next year. (Since operators were not specifically asked how long they have owned their business or if they are planning to sell the actual percentage of turnover may be higher).

The financial burden of maintaining and improving facilities seems to be just as great for the new owners as for the old. Facility improvements (other than usual maintenance) throughout the survey are largely the remodeling and redecorating of current facilities (16.49% of the total sample). These improvements are being done in most cases by the owner or summer help at minimum expense. Some operators are expanding their overnight accomodation facilities (7.69% adding one or more lodging units), and some are expanding services or recreational facilities (15.88% ranging from low cost playground equipment to expensive tennis courts and hiking trails). But with the current tight money situation major capitol improvements and expansion is limited to only a few establishments.

The majority of lodging businesses are operated on a seasonal basis (68.75%). The average summer season is in early-to mid-May and lasts through mid-October (depending on the weather.) Almost one-half of those whose lodging profits make up 100% of their income are seasonal operators (47.62%). Three questions asked in the survey pertained to how business had gone last summer, how it was going so far this season (opening through mid July), and how it is expected to go the second half of this summer. Almost half of the operators (47.69%) said last summer was an above average season. Thirty eight percent (38.46%) felt last year was average and 13 percent (13.85%) felt the summer was below average.

In comparing answers on last year's business with this summer's business at least 56 percent (56.92%) perceive this summer to be average or better, and 13 percent (13.85%) expect to have an excellent year. Another one-fifth of the sample (20.00%) who had an above average summer last year could end with an average or better than average summer this year, even though they are noticing some decrease in business. Also seven percent (7.69%) of the sample which did below average last year feel this year will be better. As a result, according to owner's expectations between 56 and 83 percent of the sample will have an average season or better. This indicates that, despite the poor economy and high fuel costs, the lodging businesses along the shore are generally doing well.

But not every one forecasts a rosy picture. Of those that felt last year's business was average, one-fifth (20.00%) are looking to a below average summer this year (7.69% of the total sample). Also of those that had a below average summer last year, three (37.5%) are expecting this year to be worse than last (4.62% of the total sample). By adding the two groups, at least twelve percent (12.31%) of the sample is expecting this summer's business is to be below normal.

Can Business Keep Pace with the Traveling Public?

BUSINESS OUTLOOK

Keeping pace with the traveling public will depend on whether sightseeing remains the primary pursuit of North Shore visitors. Trends and changes in society seem to be causing some experts to feel the traveling public is becoming more discriminating and active in their recreational pursuits indicating possible needs for change in the lodging industry.

The telephone survey revealed that the average business is small, offers basic overnight accomodations and fewer than one third of the lodging operators live solely off the lodging business profits. Over six percent of those questioned are admittedly left without profits at the end of the year, this seems to encourage a high business turnover rate; (27.69% in business less than five years or planning to sell.)

Despite this, the tourism business has remained a major part of the North Shore economy since the 1930's and does not seem to be slowing down. Almost half the operators interviewed had a better than average summer last year, and as many as 83 percent could do at least an average business this year. When lodging operators were asked what outlook they had for the future of their tourist businesses, over 70% (71.88%)

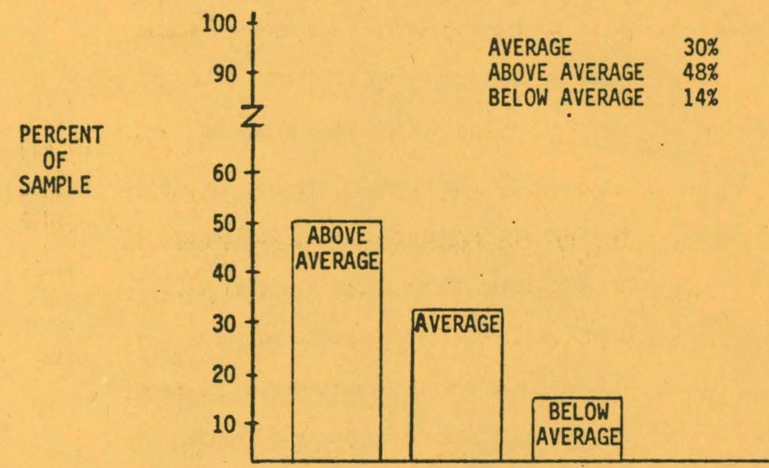
were optimistic. Only four individuals felt things would definitely get worse.

But if the North Shore lodging industry is to keep pace it will need more than a positive attitude. In the spring of 1980 recreation and tourism researchers, educators and business owners gathered for four days at the Univeristy of New Hampshire for the 1980 National Outdoor Recreation Trends Symposium. Speakers from around the country presented and discussed trends in population growth and recreational participation which are starting to have an impact on the recreation/tourism industry. Following are some trends mentioned at the symposium which might have direct bearing on the North Shore tourist industry.

Among the changes discussed at the symposium travel patterns, population make-up and vacation/recreation expectations are likely to have the greatest effect on the future of the North Shore tourism and lodging industry.

Rising prices and fluctuating availability of gasoline is already having a noted affect on tourist travel, said Dr. Thomas Corsi, Assistant Professor at the University of Maryland and researcher in travel trends and energy. He commented that all around the country "survey respondents have been consistently stating that their vacation/recreation trip distances are decreasing in response to fuel price increases." Corsi added that due to the changing travel trends "the forest resources around large metropolitan areas will be in demand." This may bode well for the North Shore area: many lodging operators mentioned that Twin Cities travelers to the

1980 SUMMER SEASON



HOW WAS THE 1980 SEASON IN TERMS OF OVERNIGHT VISITORS

North Shore have been increasing and are making up a larger segment of the lodging guests.

But an increase of in-state business may not be the only outcome of higher fuel prices. As Dr. Carlton Van Doren, Professor at Texas A&M University, indicated at the symposium, "There will be less driving for pleasure and a continued focus on human energy leisure activities such as hiking, bicycling, cross-country skiing and sailing." The unspoiled topography of the North Shore is a perfect setting for those seeking active outdoor recreation, but the growth of the North Shore lodging industry has centered mainly around the sightseer

1981 SUMMER FORECAST

OUTLOOK	APPROXIMATE PERCENT OF SAMPLE*
EXCELLENT	14%
AVERAGE OR BETTER	43 - 71%
BELOW AVERAGE	7 - 35%
TERRIBLE	5%

* 3% of sample did not answer

and pleasure driver (historically the main recreation activity on the North Shore.)

Most small North Shore motels, resorts and campgrounds have traditionally committed their business resources to meeting the needs of the traveling sightseer (i.e. a comfortable and inexpensive place to stay.) These lodging businesses are not set up to cater to visitors seeking equipment or facilities to do such things as bike, hike, boat, play tennis, or cross-country ski in the winter. Nevertheless the vast acreage of state parks and a national forest along the shore provides the ideal environment for hiking, tent camping, cross-country skiing, and so on. Yet these areas should not be taken for granted. Facilities and trails within state and federal parks could begin to show signs of wear as government budgets are cut back, particularly in the area of recreational land management.

The new focus in society on "human energy leisure activities" stems not only from changes in travel patterns but also changes in our nation's population. Van Doren pointed out the baby boom generation has grown up and now comprises the largest segment of the U.S. population (25 to 45 years). Stemming partially from this change is a new "ME generation" he said. As Dr. Carl Reidal, Professor at the University of Vermont and keynote speaker at the symposium stated, "Concern with personal physical health is evident everywhere: herds of joggers along the Potomac, nutrition charts and diet books at supermarket checkout counters, and relentness TV ads about active living as the road to happiness, sex, and self-fulfillment." Reidal believes regardless of the reason for its existence, it appears these new concerns are here to stay. A major result of this, he said, is a new elitism (spurred by double income families and couples without children), "Our clients...will be seeking higher quality experiences and more desirable, well-designed facilities and equipment. They will be well informed about their sport or activity..."

More descriminating tastes among vacationers are putting an even greater burden on lodging businesses to provide more amenities. The days of saying "there are fish in the lake" or "the trail starts just down the road" will soon be gone. A small segment of North Shore resorters have begun to employ naturalists on their summer staffs. Naturalists are trained individuals who can lead nature hikes, offer a clinic on wilderness survival, or give a fireside talk on the history of the area. This practice is becoming more and more popular at resorts throughout the country. Also a few lodging operators throughout northeastern Minnesota are insuring more satisfied visitors by providing or renting out a variety of other recreational services: boats, canoes, tennis and golf equipment, day packs and trailside lunches, charter fishing trips, bicycles, and so on. If the previously stated trends continue, such changes as these may become the rule rather than the exception.

The telephone survey revealed a number of lodging operators have added their own hiking/skiing trails or are in the process of making new trails in response to visitor interest (32.31%). At recent public hearings on future trail development by the Minnesota Department of Natural Resources, it was suggested that short trail linkages between state trail systems and private lodging and tourist centers be encouraged. It was expressed this might be one way of providing the North Shore visitor with greater access to a wider variety of outdoor facilities at minimal cost to the private lodging businesses. Public/private maintenance agreements could be developed to insure the proper upkeep of trails and facilities, at minimum expense to the state. This is one way the North Shore business owners can meet the changing desires of visitors.

Do all these forecasted changes in the traveling public mean every motel, resort and campground will have to create a country club atmosphere to attract guests? Certainly not. Regardless of general trends throughout society there will always remain those vacationers seeking a humble and quiet little cabin along the shore, or those sightseers looking for an inexpensive motel room to spend the night. But trends indicate that these segments of society are shrinking and demand for those types of vacations may be shrinking as well. If this is the case, future tourist growth along the North Shore will hinge on changes made in the provision of services made to attract a new set of vacationing clientele.

Travelers Seek 'The Good Life'

Social researchers have discerned definite trends which could have impact on the hospitality industry in the future. Florence R. Skelly, Executive Vice President of the well known market research and consulting firm of Yankelovich, Skelly and White, Inc., expanded on this theme when she addressed the international hoteliers who attended the Sheraton Corporation's worldwide conference in Boston in January.

Ms. Skelly reassured the audience that travel is very much in sync with societal developments, but changes in viewpoints and desires will bring about changes in travel habits. There is a marked movement to elitism, with stronger demand for taste and quality in whatever is acquired. Travel fits into this mold. She predicted shorter but more frequent trips of irregular patterns. The response will be to a full, rich life style with less regulation, less routine, away from structured programs. More elegance is what people will call for and this bodes well for the more deluxe properties. Skelly pointed out that the hospitality industry must accommodate guests' desires for unstructured leisure in elegant trappings, accepting of single person accommodations, and taking cognizance of interests in physical fitness and appearance.

Skelly listed a number of trends that she felt are important to the hospitality field.

1. There is still strong belief in the family structure, with some 96% of those interviewed favoring it. But people are marrying later, staying single longer. There is a

blurring of the traditional sex roles, with much two income units. There will be fewer children, with many remaining childless. In any case, parenthood will come later in life. There is also a trend for less togetherness and 60% of couples now regard separate vacations as a good thing. Your future customer base will include more singles, more childless couples.

2. There is a new kind of economic logic. It makes it important not to look at gross financial statistics because certain groups are actually better off, despite levels of total income figures. This figure might be as high as 40% of the people, including singles, 2 income couples, and empty nesters.

3. There is a strong focus on slef, or ME-ism. This shows in increased concern with looking good, feeling good, physical fitness, health, etc.

4. The trend is to a populist elitism. The calls are for items of good taste, discrimination in all aspects of life.

Despite economic stresses, there is strong interest in equity situations, especially in housing. Home ownership condominiums cooperatives hold strong appeal. This transcends interest in other saving. There is a general belief that the ultimate value of the homestead will ultimately enrich the owner. Other expenditures, especially on credit, come easy in the pursuit of the good life.

5. Success is defined as living a full and interesting life. This desire to taste of life's experiences is good for the travel industry. The equity position regarding home takes the top priority but there is additional need for excitement, albeit less costly ways of getting it.

6. Time is regarded as more valuable than money. This is important because it means perhaps different appeals to motivate people.

7. There is a revival of love for technology with ready acceptance of new devices.

Skelly feels that these demands auger well for the travel industry and that demand for its services will remain high.

*Press release provided to attendees at the Twelveth Annual Conference of the Travel & Tourism Research Association, Las Vegas, Nevada, June 8-10, 1981.

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ADDRESS CORRECTION REQUESTED

North Shore Correspondence is sent free of charge to anyone requesting this service. It is published with funds provided by the Office of Sea Grant, National Oceanic and Atmospheric Administration, U.S. Department of Commerce, and the University of Minnesota through Continuing Education and Extension and the Agricultural Extension Service.

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