



MICHIGAN TOURISM: A \$16 BILLION BUSINESS WITHOUT A BUSINESS PLAN

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Overview

“Tell them what you are going to tell them”

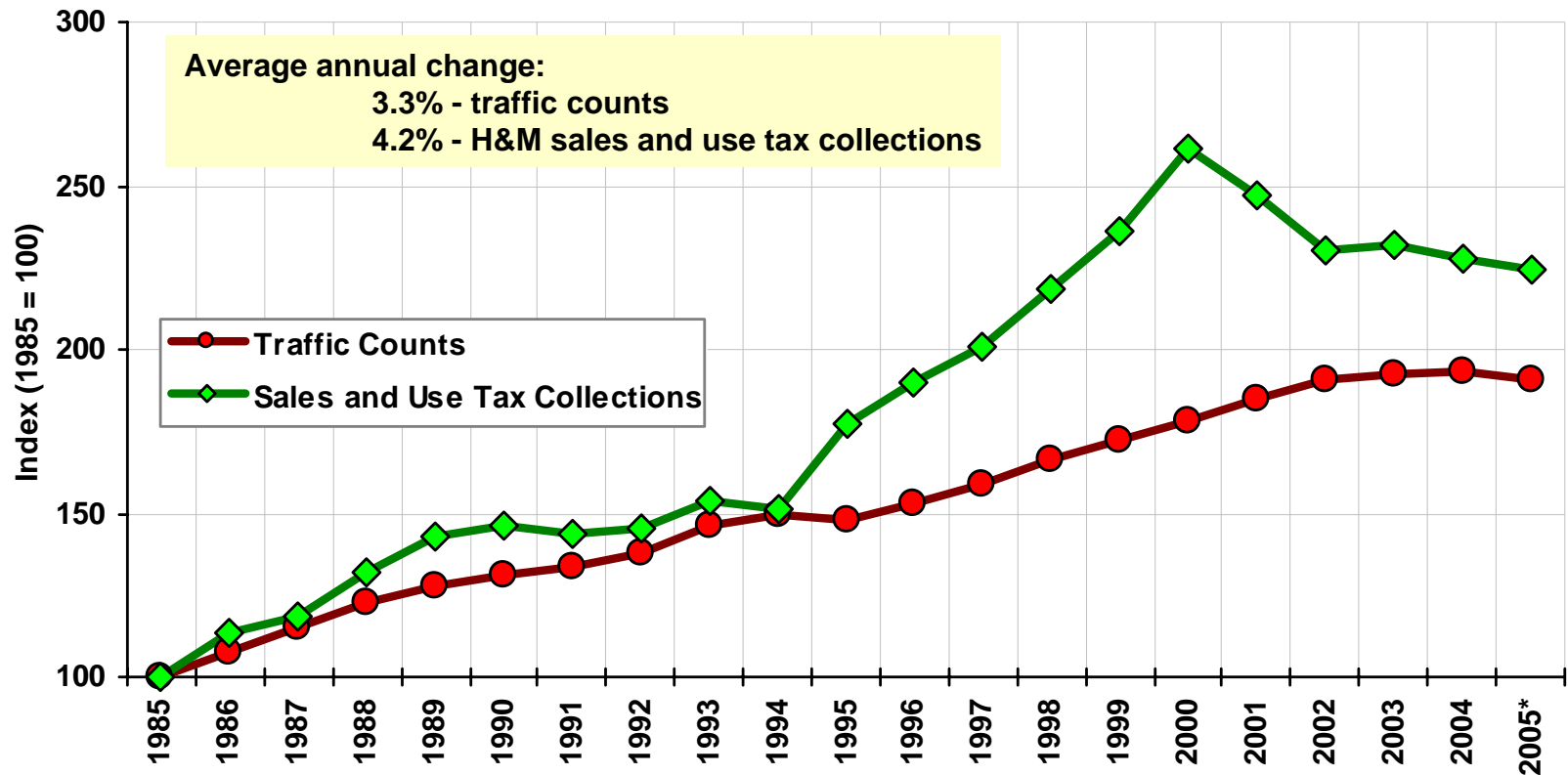


1. The Michigan tourism industry has a “problem.”
2. The “problem” will not resolve itself.
3. The “problem” can be mitigated via collective industry action.
4. We need a comprehensive, visionary, inclusive, research-driven strategic tourism industry development plan.
5. The central issues.
6. A proposed 13-step plan development process.
7. Plan development costs.



Do We Have a Problem?

Tax Collection and Traffic Count Trends in Michigan



* Traffic counts are through July, sales and use tax data are through June.

Source: Michigan Department of Transportation and Michigan Department of Treasury.

Hotel Sector Performance



	Occupancy Rate (January - August)		ADR* (First Quarter)	
	2004	2005	2004	2005
Michigan	53.9%	54.8%	\$71.27	\$71.93
U.S.	62.7%	64.3%	\$88.48	\$91.96
Michigan's Rank		50		26

* ADR – average daily rate.

Source: Smith Travel Research.

Mackinac Bridge Traffic Counts

Year-to-Year Changes



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓
2001	↓	↓	↑	↑	↓	↓	↑	↑	↓	↓	↑	↑
2002	↓	↑	↓	↓	↑	↑	↑	↑	↑	↑	↓	↑
2003	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2004	↓	↑	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓
2005	↑	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓

Note: There are 48 down year-to-year counts from the same month in the prior year.

Source: Mackinac Bridge Authority.

Michigan Highway Traffic Counts Year-to-Year Changes



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓
2001	↑	↑	↑	↓	↓	↑	↑	↓	↓	↓	↑	↑
2002	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑
2003	↑	↑	↑	↑	↑	↓	↓	↑	↓	↑	↑	↑
2004	↓	↑	↑	↑	↓	↓	↑	↓	↑	↓	↓	↓
2005	↑	↓	↓	↓	↑	No change	↓	↓				

Note: There are 22 down year-to-year counts from the same month in the prior year.

Note: Only the major tourist routes, not all highways, are included in the formulation of these directional indicators.

Source: Michigan Department of Transportation.

Michigan's Rank in Capturing Travelers' Expenditures



Year	Rank in Captured Expenditures	
	Domestic*	International*
1985	8	12
1995	13	14
1999	13	16
2002	13	16

* Balanced trade in travel (i.e., dollars in versus dollars out) is achieved when the rank in captured expenditures is about equal to the state's population rank. Michigan is the eighth most populated state in the U.S.)

Source: Travel Industry Association of America; U.S. Census Bureau.

Michigan's Rank by State Tourism Office Budget



Michigan	
Year	Rank
1990	7
1995	12
2000	20
2004	27
2005	31

Region	
Year 2005	Rank
Illinois	2
Michigan	31
Minnesota	26
Ohio	34
Wisconsin	15

Source: Travel Industry Association of America.

Other “Problem” Symptoms



- Tourism has not been an economic development priority in Michigan.
- The U.S. travel industry has fully recovered from the terrorism attacks on 9/11 and the last recession.
- The industry in Michigan has not recovered and, in fact, probably lost ground in 2005. If conditions are bad now for Michigan’s tourism industry, how much worse will they be when the U.S. economy enters the next recession?

The Big Picture



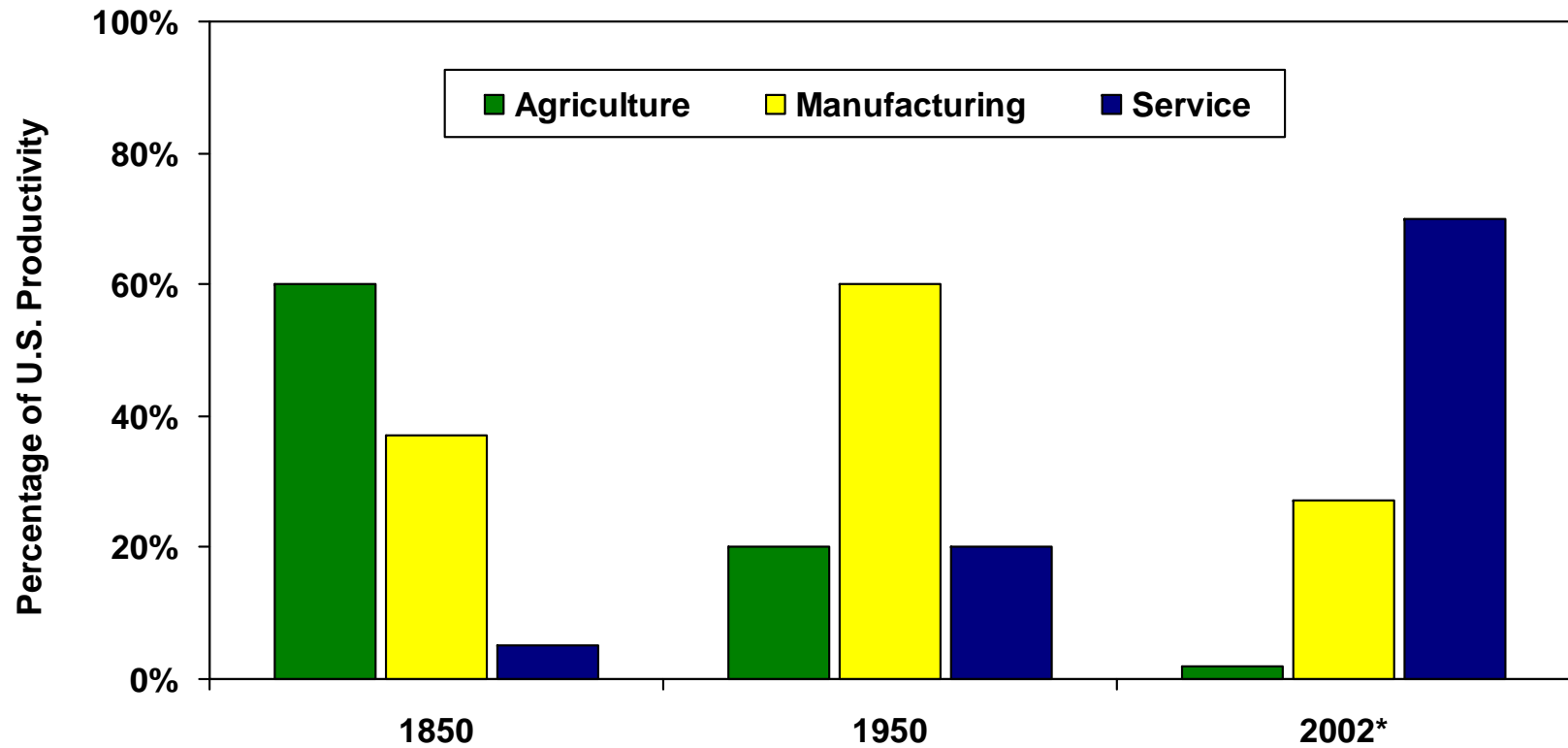
Michigan has a large and probably growing travel trade deficit. Michigan residents spend almost \$3 billion more per year on out-of-state trips than non-residents (domestic and international) spend on Michigan trips.





Will the “Problem” Resolve Itself?

The Changing U.S. Economy



Source: J.C. Williams Group and * World Bank, 2002.



Michigan's economy is challenged by decline in its manufacturing base:

- Delphi Corporation has filed for bankruptcy.
- GM and Ford bonds are rated as "junk."
- Auto industry retiree benefits are in jeopardy.



What Economists Are Saying about the Michigan Economy



“... Michigan is unlikely to recover from its economic malaise unless it breaks its dependency on the domestic auto industry, boosts the education level of its workers and makes Detroit a more attractive place for business investment.”

Rick Haglund,
Business Review Lansing, Jackson, Michigan
October 6 – 12, 2005

Most Demographic Trends in Michigan's Traditional Tourism Market Pose Challenges



- There is slow population growth in Michigan's primary tourism market region.
- Population growth is concentrated in ethnic market segments, which have not generally been responsive to what Michigan has to offer them.



Rank by Population Growth Projected for 1995 - 2025



Rapid-Growth States	
State	Rank
California	1
New Mexico	2
Hawaii	3
Arizona	4
Nevada	5

Region	
State	Rank
Wisconsin	38
Illinois	42
Indiana	43
Michigan	47
Ohio	48

Source: U.S. Census Bureau.

And...



- A significant reversal of the down-trend in state General Fund support for tourism promotion is unlikely.
- The state's travel trade deficit is long-standing and probably growing.
- Competition for a growing tourism market is fierce.





Can the “Problem” Be Mitigated?

The Rationale for a Plan



- The tourism industry is one of the world's largest industries and is growing at a rapid rate. It is not a dying industry.
- Michigan has many world-class tourism assets (natural, cultural, attractions, etc.) and energetic, friendly and creative human resources.
- But, Michigan's \$16-17 billion tourism industry does not have a plan to employ its assets to capture its fair share of the growing global tourism market.
- The need for a plan was recognized when this Commission was created in 1945.

Why Now? (I)



- There has never been a better time than now to develop a Michigan Tourism Development Plan
- We know that we have a “problem”.
- The ability of Michigan tourism to solve problems has been demonstrated by the passage of post Labor-Day school opening legislation [House Bill 4803 (2005) - Public Act 144 of 2005] (thanks to heroic leadership provided by Steve Yencich!)
- The quick passage and strong support for this legislation also suggests that our political leaders recognize the importance of tourism to Michigan’s economy, that this industry faces serious challenges, and that they stand ready to favorably consider an industry plan to grow Michigan’s tourism industry.

Why Now? (II)



“... Granholm agrees [that the state’s promotion budget is too low] citing plans to nearly triple spending on tourism to \$15 million, if she has her way... And I’m not satisfied that even that is all it should be ... tourism needs a dedicated source of revenue, perhaps some sort of bed tax or fee on car rentals...”

Source: Bay City Times 09/26/05



- In short: The industry is ready for a plan now, and the Governor and the Legislature are now ready to support the industry’s plan.

What Kind of Plan Is Needed?



- Comprehensive – What can we do in the long term to grow this industry?
- Visionary – Where do we want to be 5 – 10 years from now? How do we get there?
- Inclusive – A successful plan must address the challenges and opportunities faced by everyone engaged in this large and diverse industry – all regions of the state, all types of businesses, etc.
- Research-driven – Developing a plan will be a challenge; it may prove impossible unless it is built on a foundation of facts rather than anecdotal observations and perceptions.

What Are the Central Needs That the Plan Should Address?



- An empowered organization to set goals, allocate resources, and evaluate plans and programs.
- A funding mechanism to support marketing, product development, research, etc.
- A product development strategy that advances tourism as a state economic development priority to include appropriate new investment initiatives.
- A human resource development strategy that includes training and leadership development.
- A research program focused on marketing, product development and evaluation.
- A “political” agenda setting strategy.



The Proposed 13-Step Development Process

The Proposed 13-Step Development Process (I)



1. **CREATE** a plan development team led by Michigan State University faculty.
2. **EMPOWER** the plan development team.
3. **ESTABLISH** operating funds to support plan development.
4. **SCHEDULE** a plan development team meeting to refine the plan development strategy, assign roles and responsibilities, establish a time line; develop a communications strategy, develop an implementation strategy, and develop a monitoring and evaluation strategy.
5. **DEVELOP** and **LAUNCH** a communications vehicle (website; newsletter).
6. **HOST** a retreat on industry mapping/strategic issues identification (plan development team, plus selected industry leaders to be led by a specialized, outside consultant).

The Proposed 13-Step Development Process (II)



7. **PREPARE** an industry research report including: history, current status, and prospects.
8. **INITIATE** industry “listening” sessions, both face-to-face and online, prefaced with the results from the industry mapping and research report (five or six face-to-face sessions, geographically distributed to facilitate access, online sessions on-going during the listening session phase; updated to reflect new input, focuses, and research/market information).
9. **HOLD** development team meetings to draft the plan.
10. **HOST** an industry summit to present the draft plan and discuss an implementation strategy.
11. **REFINE** plan and implementation strategy.
12. **INITIATE** the implementation strategy.
13. **INITIATE** a monitoring and evaluation plan.

Suggested Planning Team Members



MSU (Lead Organization):

- CARRS Tourism Resource Center
- Dept. of Community, Agriculture, Recreation and Resource Studies (CARRS)
- MSU Product Center for Agriculture and Natural Resources (ANR)

Travel Michigan

Michigan Travel Commission

Industry Representatives:

- HAL
- MACVB
- MDA
- MDNR
- MDOT
- MHM&RA
- TICOM
- Etc.

How Much Money Do We Need to Create the Plan And Where Do We Get It? (II)



- We project that the costs of developing the plan will be \$200,000 plus a similar amount of “in-kind” contributions.
- Funds already available:
 - \$5,000 MSU Agricultural Experiment Station
 - \$5,000 MSU Extension Tourism Area of Expertise
 - \$15,000 MSU Product Center for ANR
 - \$10,000 Travel Michigan
 - \$35,000 total funds available
- Additional funds needed from industry sources:
 - \$165,000

The Bottom Line



- Is this industry interested enough in a development plan to commit \$165,000 toward getting the job done?



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