

A woman with long dark hair, wearing a white t-shirt with colorful stripes on the sleeves and a plaid shirt tied around her waist, stands on a rocky shore at night. She is looking up at a starry sky with the Milky Way visible. She holds a glass jar in her left hand and its lid in her right. In the background, there are dark trees and a building with warm lights. The foreground shows dark rocks and the edge of a boat.

Summer 2023 Industry Business Conditions Survey Report

August 24, 2023

Survey approach

Explore Minnesota partners with the Federal Reserve Bank of Minneapolis and Hospitality Minnesota to conduct Minnesota tourism and hospitality industry business conditions surveys.

The summer 2023 survey was open from August 15 to 22 and received 273 responses. This report contains Explore Minnesota survey findings.



Key findings

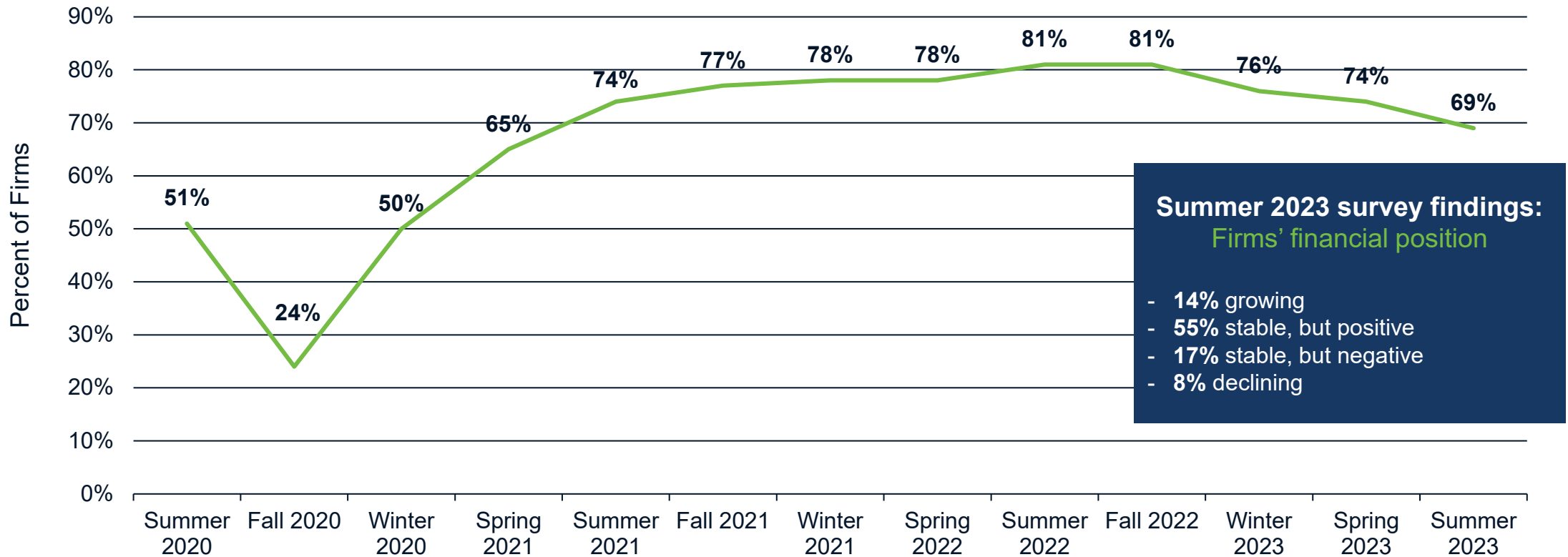
Most of Minnesota's leisure and hospitality industry is no longer directly impacted by the pandemic, however, complex operating and financial challenges influenced summer 2023 business conditions.

- Most (**69%**) industry businesses are growing or in a stable, but positive financial position. However, the number of firms meeting these conditions is down from past quarterly surveys.
- Summer 2023 revenue trends varied by business type. The strongest results were for Food & Drink with **52%** higher revenue compared to summer 2022, and Accommodations mostly flat year over year.
- Across the five Minnesota regions, **42 to 51%** of businesses reported summer 2023 revenue higher relative to 2022. However, in northeast and southern MN, about **40%** of firms reported lower revenue year over year.
- Industry challenges were less severe this summer relative to a year ago with **15 to 21%** fewer businesses reporting a “very tight” labor market and/or wholesale price changes of 5% or more over the last 12 months.
- L&H businesses outlook for the remainder of 2023 is split with **45%** very or somewhat optimistic, **31%** neutral, and **38%** very or somewhat pessimistic.



For summer 2023, 69% of L&H businesses reported that they are growing or in a stable, but positive financial position; This is less than the 74% and 81% of industry businesses that were in these financial positions in summer 2022 and 2021

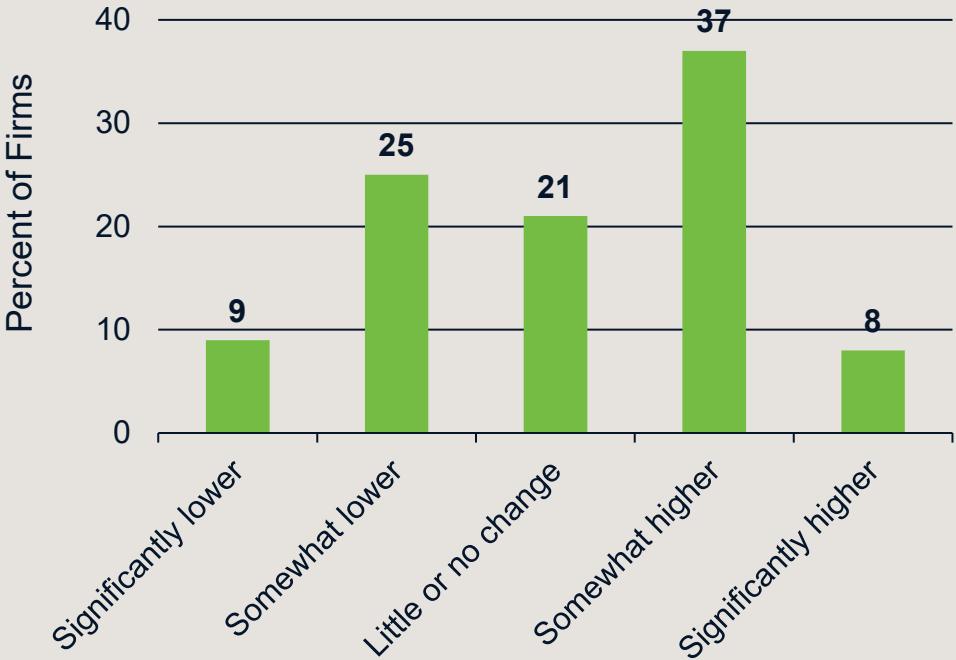
MN L&H Business Health Trend – Percent of Firms Growing or in a Stable, But Positive Financial Position
Summer 2020 – Summer 2023



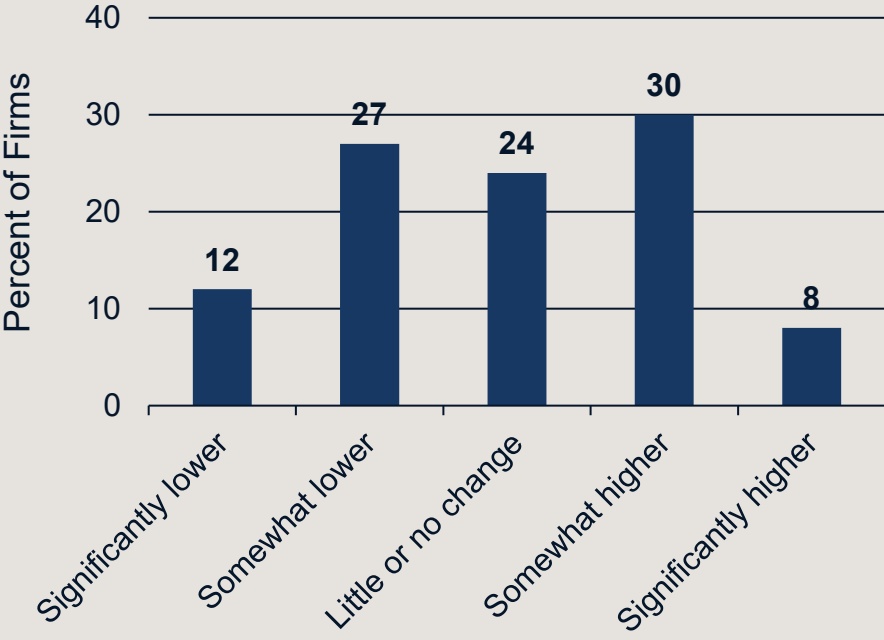
At the state level, most L&H firms' summer 2023 revenue and customer traffic were similar to last summer

MN L&H Business Summer 2023 Revenue & Customer Traffic Compared to 2022

Revenue Comparison



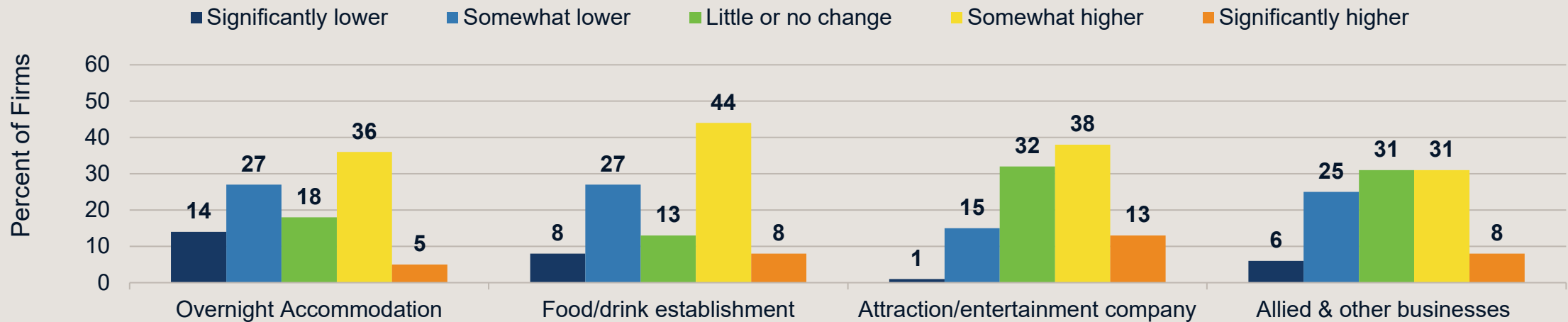
Customer Traffic Comparison



Summer 2023 revenue trends varied by primary business activity –

- Overnight accommodations: summer 2023 revenue overall flat compared to 2022
- Food/drink businesses: 52% with summer 2023 revenue higher compared to 2022
- Attraction/entertainment companies: 51% with summer 2023 revenue higher similar to 2022
- Allied & other businesses: summer 2023 revenue overall flat compared to 2022

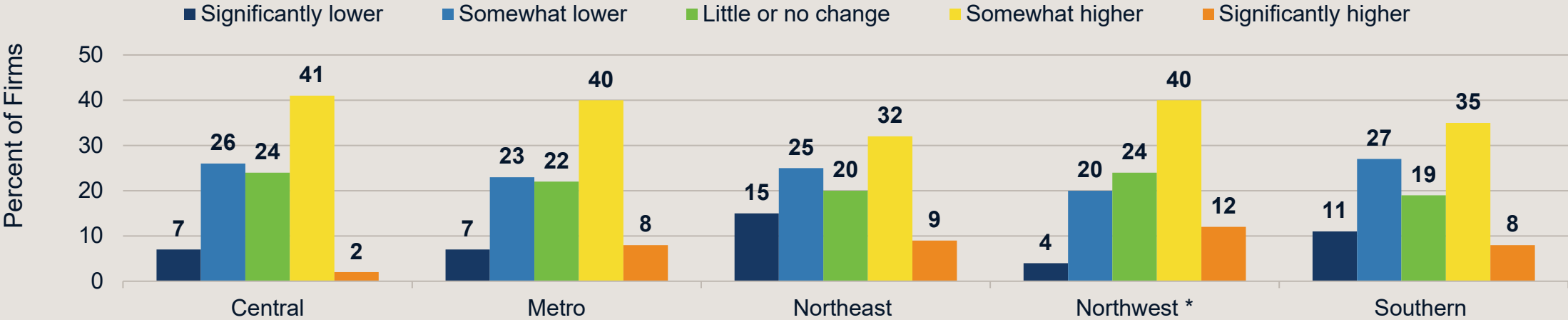
MN L&H Business Summer 2023 Compared to Summer 2022 Revenue by Business Activity



Summer 2023 revenue trends also varied by region of Minnesota –

- Central MN: 43% with summer 2023 revenue higher relative to 2022
- Metro Area: 48% with summer 2023 revenue higher relative to 2022
- NE MN: 41% with higher summer 2023 revenue and 40% with lower summer 2023 revenue relative to 2022
- NW MN: 52% with summer 2023 revenue higher relative to 2022
- Southern MN: 43% with higher summer 2023 revenue and 38% with lower summer 2023 revenue relative to 2022

MN L&H Business Summer 2023 Compared to Summer 2022 Revenue by Region of Minnesota

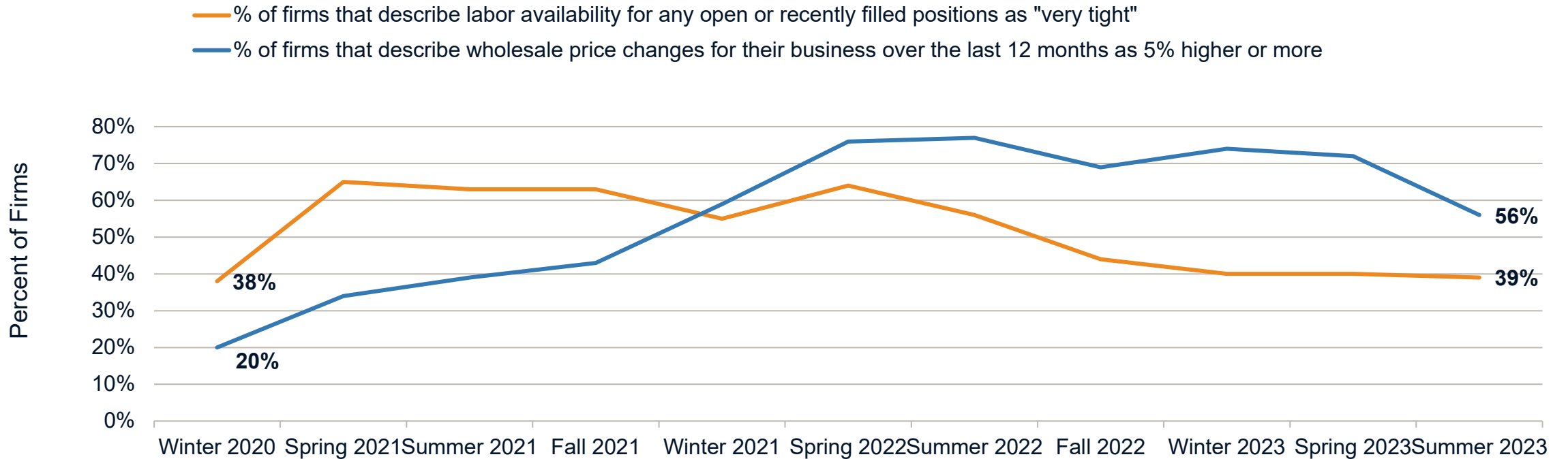


* Northwest region results are directional due to less than 30 responses

Industry challenges continue – but are less severe this summer relative to a year ago

- Labor market: 39% of L&H businesses reporting a “very tight” labor market, which is down from 56% in summer 2022
- Price changes: 56% reporting wholesale price changes of 5% or more, which is down from 77% in summer 2022

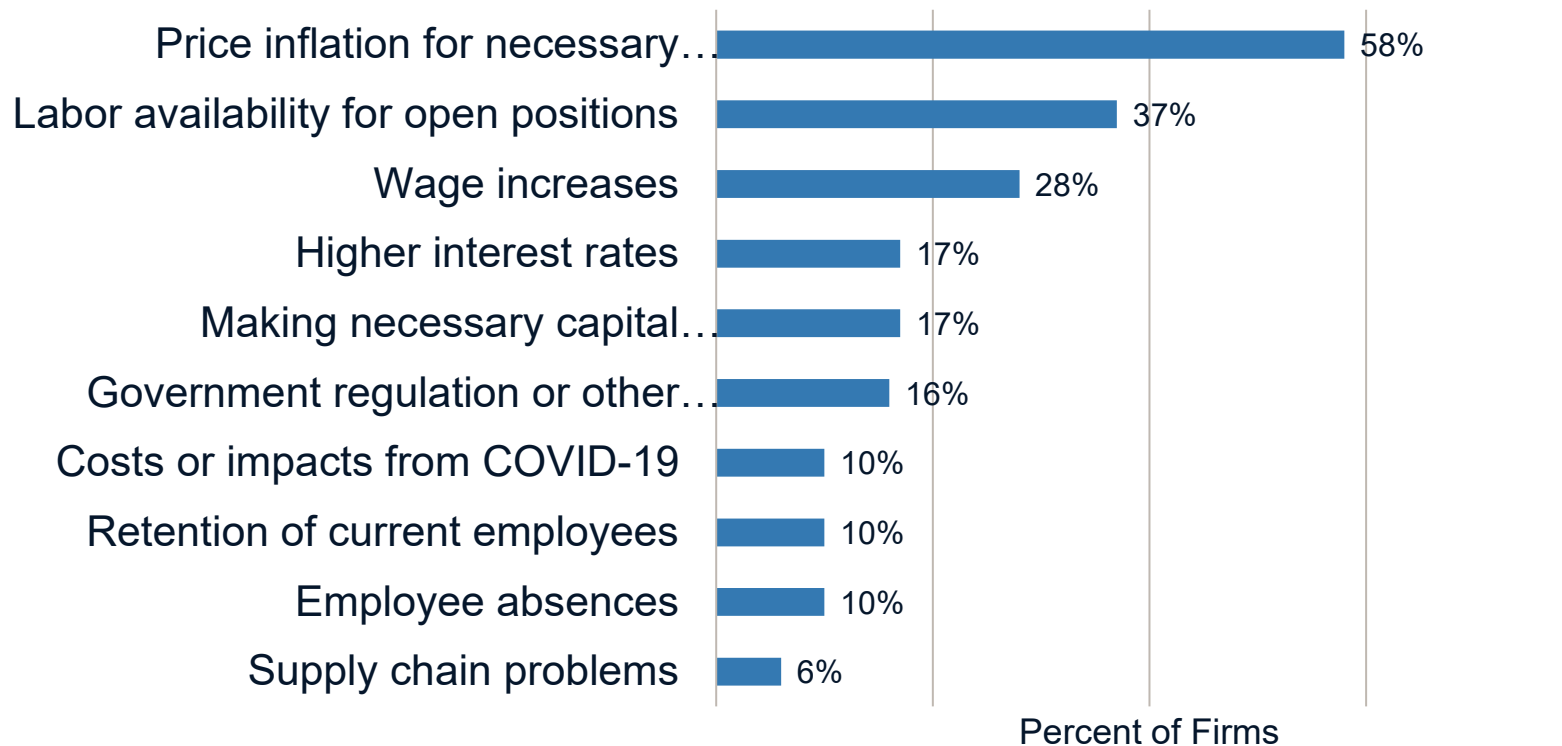
MN L&H Business Conditions Trend – Percent of Firms Reporting a Challenge
Winter 2020 – Summer 2023



Q6 How would you describe wholesale price changes for your business over the last 12 months?
Q7 How would you describe labor availability for any open or recently filled positions at your company?

Like in recent quarterly surveys, this summer Minnesota's L&H firms reported that price inflation (58%), labor availability (37%), and wage increases (28%) are their biggest challenges

Percent of Firms Reporting a Challenge
Summer 2023



Q5 Challenges: Aside from customer demand, what are the two greatest challenges to your current operating capacity and productivity?

This quarterly survey included a new question:
How would you describe the recent direction of various challenges?

Price of goods/services needed to run your business

- 52% somewhat worse
- 21% unchanging
- 15% somewhat better

Labor availability

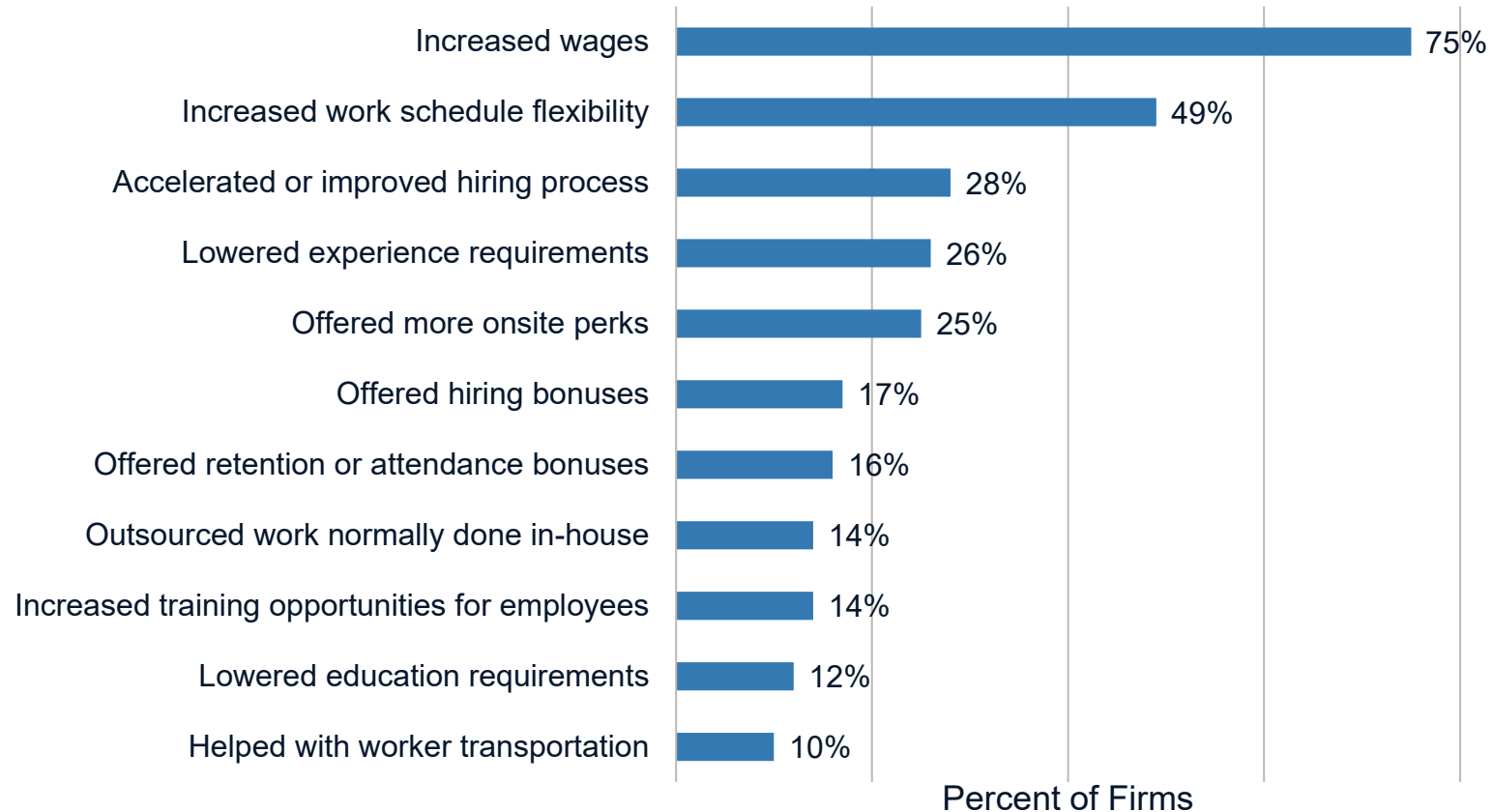
- 24% somewhat worse
- 44% unchanging
- 13% somewhat better

Wage pressure/increases

- 42% somewhat worse
- 30% unchanging
- 8% somewhat better

Increased wages remains by far the top action for 75% of L&H businesses to attract or retain workers, followed by 49% offering increased work schedule flexibility

Actions to attract or retain workers
Response options selected by 10% or more
Summer 2023

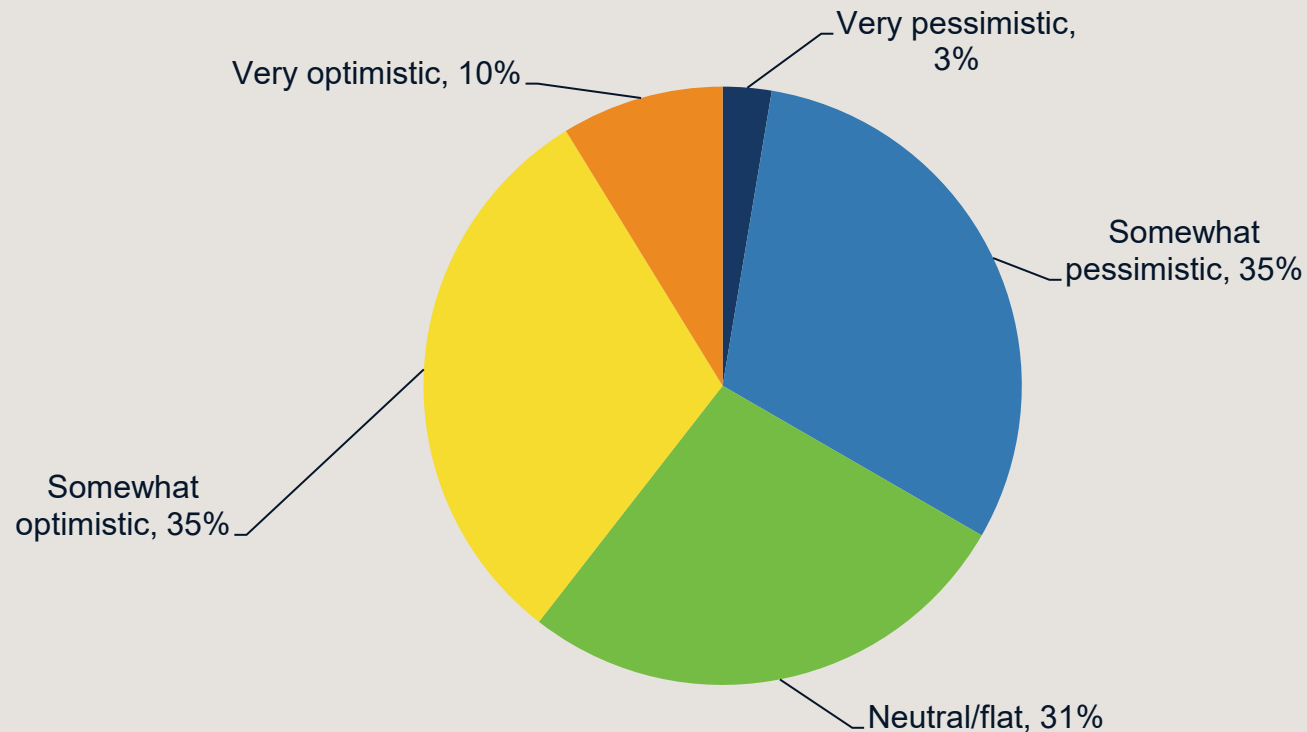


This quarterly survey included a special question: **What role or effect does housing availability (or lack thereof) have on attracting labor?**

- 46% little or no impact
- 15% slightly negative impact
- 17% moderately negative impact
- 22% significantly negative impact

L&H business outlook for the remainder of 2023 is split with 45% very or somewhat optimistic, 31% neutral, and 38% very or somewhat pessimistic

MN L&H Business Outlook for the Remainder of the Year



Relevant survey comments:

“Worried about the fall leaves, with such a dry summer, my guess is the leaves won’t last and we won’t have much of a “leafer” season.”

“Once again, inflation is still impacting travel decisions. I predict that people will find more cost effective means of vacationing and travel, such as snowshoeing and skiing locally versus traveling cross state.”

“We are just always optimistic for growth, and will do more marketing + etc. to achieve growth.”

“We are also hopeful to see more large takeouts during lunch as people continue to come back to downtown and the office for work.”

“We have a hemp derived THC beverage, which we’re hoping to start serving on-site in the next few months, which we foresee as a significant revenue bump.”

“We are predicting higher use of our trails due to electric bikes.”

“Return of a lot of events compared to previous years.”

Survey comments & conclusions

The current operating and financial environment presents the industry with both uncertainty as well as opportunities. As Minnesota's leisure and hospitality businesses navigate evolving traveler behaviors and increased costs, many are changing how they attract and retain customers and staff.

Survey comments about business activity:

"2023 sales increased due to the impact of inflation and consumers once again traveling closer to home."

"Lower revenue and traffic is completely based upon inability to staff the business, not customer demand."

"More rate conscious, less last minute bookings, shorter stays."

"Seasons are more pronounced in the resorts. Meaning peaks are great, but the somewhat off months are way off. The bad months are about the same (Nov/April)."

"People want less "marketing" from local organizations and more "activities" and mini-events. Bands, hikes, learning events, spa, etc."

"Buyers are more price sensitive this year, but still willing to spend money on experiences."

"While demand for hotel rooms is lower for the weekly business traveler, demand coming from group and events to bring people together has returned to 2019 levels."

"At our restaurant people don't stay as long, look for deals and spend less."

"Reduced canoe and kayak rentals, reduced firewood consumption."

"We are seeing significant declines in delivery and carryout business especially in the Mpls and StP and increases in on premise dining."

"We believe Canada being wide open is pulling some visitors. Record breaking flooding last year caused a shift in some visitors to other areas. Economy / gas prices. Pent up demand from pandemic is exhausted."

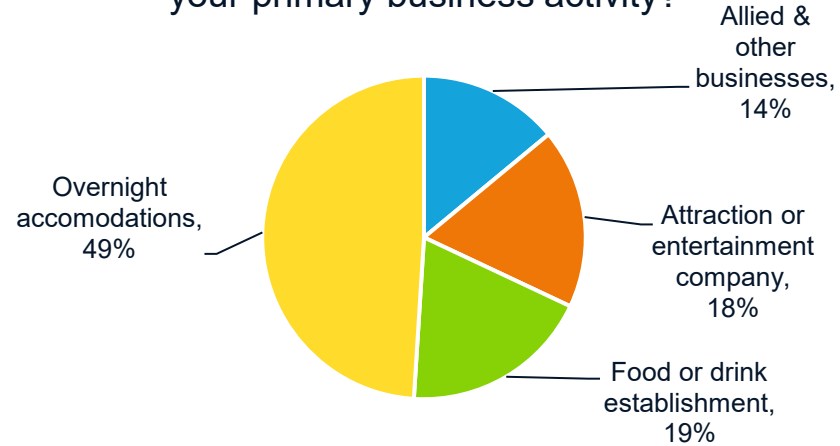


Thank you

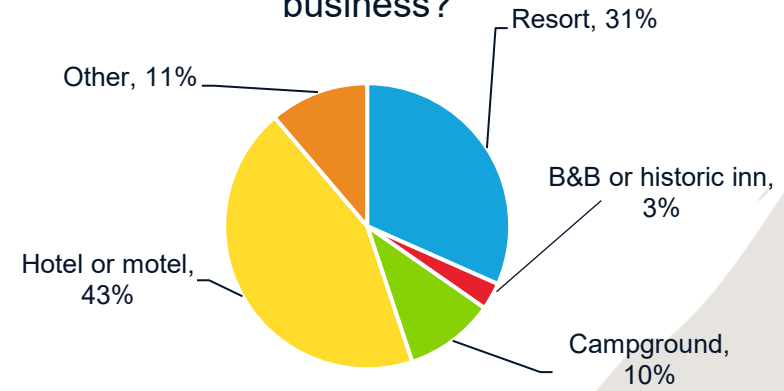
Appendix: Respondent data

Survey responses by business activity and type

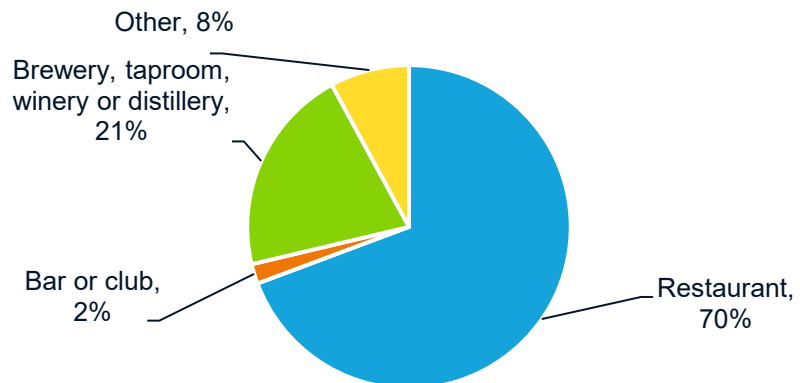
Which of the following best describes your primary business activity?



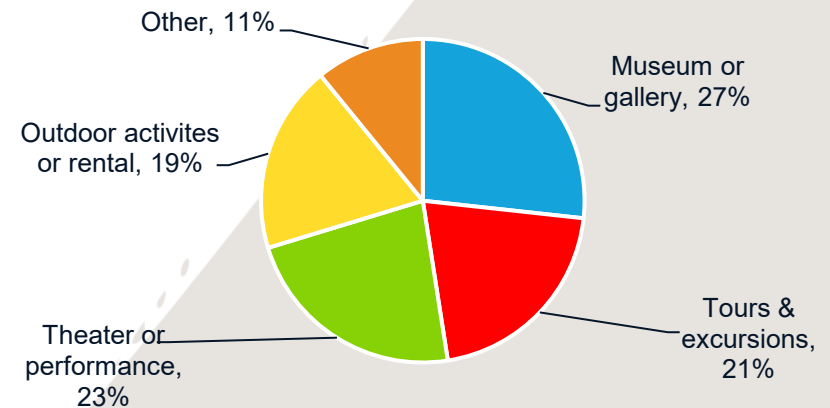
Which of the following best describes your overnight accommodation business?



Which of the following best describes your food/drink business?



Which of the following best describes your attraction/entertainment business?



Survey responses by Minnesota region

Where in Minnesota is your business located?

