

## The Gasoline Price Pinch: Time to Make Lemonade – Again

by Dr. Donald Holecek



The market environment facing Michigan businesses which rely heavily on sales to tourists makes 2008 the most challenging of any they have encountered since the early 1970s.

Practically every day brings more bad news about the US and Michigan economies, declining auto industry sales, inflation, fall out from the bursting of the real estate market, and government budget deficits. It is not surprising that all of this bad news has shaken consumers' confidence to near an all time low. Rising fuel prices is especially problematic for Michigan's tourism businesses given the media's frenzy to highlight them in the daily news.

There is a saying that when dealt a bucket full of bitter lemons one must learn to make lemonade. Consumers' focus on gas prices surely constitutes a full bucket of lemons for tourism businesses, so do they capitulate or learn to make "lemonade"? Are there strategies that can be implemented to counter the negative impact of fuel costs and even exploit the media's constant reporting of them and their impacts on consumers? The media's

power to influence consumer behavior is well known and is often a target of travel destinations' public relations campaigns. Offsetting such a strong negative headwind from the media concerning fuel prices is a daunting enough task and finding ways to take advantage of it may appear nearly impossible.

The hallmark of the human race is its creative adaptation to challenges associated with changes in its environment. Business people are among the world's most creative and adaptable of any group on our planet, and a great many of them operate tourism businesses in Michigan.

So, I'm certain that Michigan's tourism industry has the capacity to make lemonade out of the higher fuel prices and the media's coverage of them. The following ideas are therefore offered to stimulate a creative discussion of some strategies that may work for you.

Before we begin, it is important to understand that for many tourists, the decision to not take a leisure trip is based upon an emotional rather than

rational consideration of the added expense of higher fuel costs. The focus of their attention is on the \$4/gallon price of fuel and not on the additional fuel cost of \$20.00 for a 400 mile round trip long weekend getaway this year over last. Nor would they compare what they spent on this same trip last year including lodging, meals, entertainment plus fuel, (say about \$700) and note that at \$4/gallon the same trip would cost less than 3% more. The problem is that record \$4/gallon gasoline makes news while a 3% increase for a weekend trip doesn't! Potential travelers are inclined to conclude that, if so many other people are not taking as many leisure trips as last year because of gas prices, maybe I should cut back too.



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The Tourism AoE Team is made up of members from the campus of Michigan State University and from a variety of specialist and field agents working in the Michigan State University Extension System.

Its mission is to provide research-based educational programs and facilitation for communities across Michigan, reflecting local values and environmental stewardship principles, to sustain and grow tourism and recreation experiences, networks and jobs.

## Coping Strategies

*"The hallmark of the human race is its creative adaptation to challenges associated with changes in its environment."*

Now let's now talk about three good coping strategies you can implement immediately.

- **Emphasize the minimal impact the rise in fuel cost has on total trip cost.**

An obvious core strategy for tourism businesses and destination marketing organizations is to mount an education and public relations campaign. This campaign would emphasize the relatively

modest cost of leisure travel in Michigan and the *small percentage increase higher fuel prices contribute to the total trip cost.*

Illustrate with numeric examples of typical weekend and vacation trips to your destination from your prime target markets (see the table below as an example). The goal here is to persuade people to focus beyond the \$4/gallon cost of fuel.

- **Emphasize the value of the vacation dollar spent in your area of Michigan.**

Another strategy is to exploit the news about fuel prices. Ads that combine bad news about gas prices, air travel costs and "hassles", and the weak US dollar will certainly resonate with a great many potential travelers to your area. Focus your theme on the *value of the vacation dollar spent in your area.*

*The rise in gas prices over last year will take a smaller bite of your vacation costs than you might think!*

Added fuel cost of a round trip this year vs. last year between selected Michigan cities by sedan and SUV. \*

RT= round trip miles, S1=sedan, S2=SUV

	Traverse City			Mackinaw City			Marquette			Alpena			Ludington		
	RT	S1	S2	RT	S1	S2	RT	S1	S2	RT	S1	S2	RT	S1	S2
Lansing	360	10.58	13.32	461	12.91	17.05	782	21.91	28.92	469	13.14	17.35	324	9.08	11.98
Grand Rapids	281	7.87	10.39	474	13.28	17.53	806	22.58	29.81	502	14.06	18.57	194	5.43	7.18
Detroit	511	14.31	18.90	580	16.25	21.45	911	25.52	33.70	497	13.92	18.38	511	14.31	18.90
Kalamazoo	380	10.64	14.06	574	16.08	21.23	905	25.35	33.47	601	16.84	22.23	293	8.21	10.84

\*National average gas price data as of June 2, 2008; assumes 2007 model vehicles, mileage from Mapquest.com

- **Share your visitor's pain by providing incentives.**

Finally, a "we feel your pain" strategy is well suited to target today's strapped consumer. Of course, this strategy involves "sharing their pain" through various

*price incentives.* With consumers' focus on gas price, offerings tied to sharing gas costs are certainly timely. Mailings with incentive offers to past customers would also be a good component to include in this promotion strategy.

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