



SPOTLIGHT ON:  
THE TRAVEL FUNNEL PG2



*A monthly update including relevant information on travel industry trends, consumer and meetings market research, competitive intelligence, and Hawai'i's performance as a destination.*

# MARKET INSIGHTS UPDATE

United States | April 2017

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### What is the Travel Funnel?

Even with most consumer products just a mouse-click away, purchase decisions can be organized and analyzed in many ways. The path to purchase for the typical consumer product rarely goes beyond reading some reviews and a quick trip to the store, whether in person or online. Travel, on the other hand, gives consumers more pause, due in part to the significant monetary investment as well as the value travelers put on their limited vacation time. This is especially true for a Hawai'i vacation which, in 2015, cost U.S. visitors more than \$2,000 and a week-and-a-half of vacation time on average.

Further complicating the path to purchase for travel is the fact that leisure travel is not a singular decision, but is a complex web consisting of multiple decision points. Beyond the oftentimes

daunting task of selecting a destination, leisure travelers must then purchase their air passage, accommodations, and decide which tours / activities they want to pursue.

These costs and complexities pose an interesting challenge for marketers. Securing a booking requires multiple engagements over a period spanning months or even years, resulting in a unique path to sales for the industry. Aptly dubbed the "travel funnel," this process can generally be distilled into five distinct stages: Awareness, Desire, Intent, Evaluation / Conversion, and Retention / Referral.

This month's *Market Insights Update* examines each level of the travel funnel, and how it can be leveraged to capture customers for both the destination and for your business. *Continued on PG2*



### Airfare Update

2016 year-end data reveals the overall average round-trip airfare between the U.S. mainland and Hawai'i increased slightly (+0.8%), though this story varies across markets.

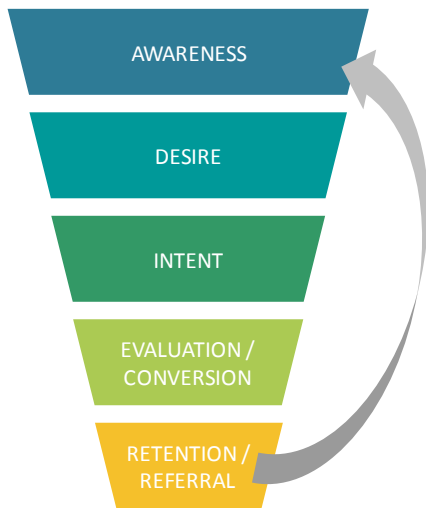
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## The Travel Funnel

### The Travel Funnel



#### *The Travelers' Path to Purchase*

For most American travelers, a vacation is one of the more considered purchases they make in a given year. This is seen in the fact that only 7.5 percent of U.S. overseas travelers see themselves as "impromptu" travelers, a share that has shrunk -4.9 points since 2005. When it comes down to it, the vast majority of U.S. overseas travelers prefer to plan out their vacations, often months in advance. In 2015, 64.1 percent of U.S. travelers made their final decision on an overseas trip four or more months before departure.

Such a lengthy decision and planning window equates to an elongated sales funnel and a seemingly infinite number of ways to reach the consumer. At each of these "touchpoints," marketers have an opportunity to engage with the consumer, increase brand awareness, and influence planning and purchase decisions.

The sheer length of this travel path to purchase is itself indicative of a trend redefining the marketing landscape. Consumers are more informed and more empowered than they have ever been. Consumer-driven marketing (online research, reading reviews, word-of-mouth interactions, etc.) is increasingly important and has grown to account for at least one-third of all touchpoints in the funnel. This greater em-

powerment has major implications for marketing efforts, and businesses must adjust to the changing landscape at each step of the process.

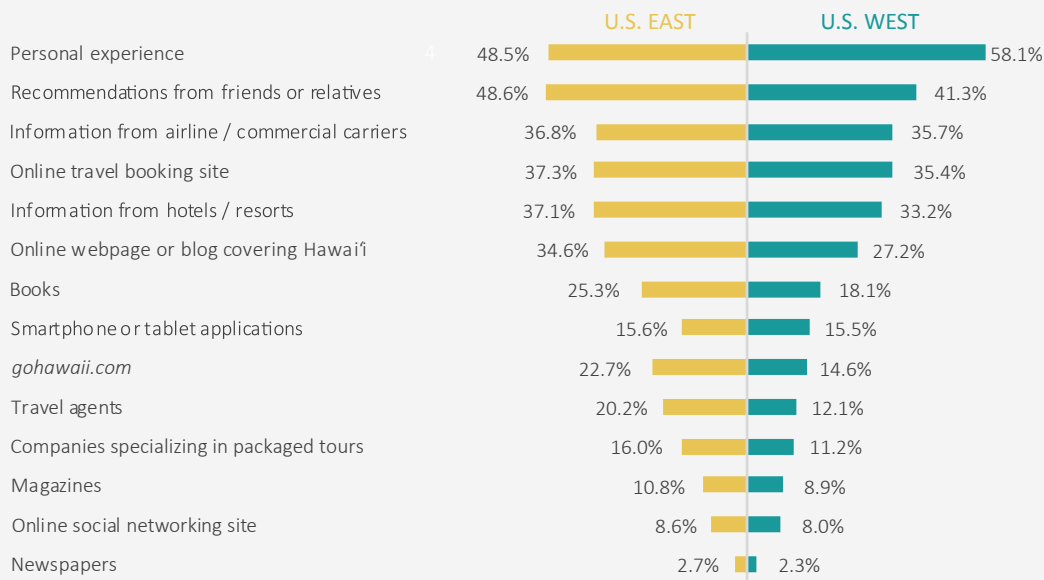
#### *Awareness, Desire, Intent*

How marketers interact with consumers is largely dependent on where the consumer is in the travel funnel. Consumers are increasingly drawn in initially by quality experiences; nearly three-quarters of U.S. overseas travelers reported they valued a quality brand over a lower price point when making travel decisions. Broadly speaking, Destination Marketing Organizations (DMOs) are active in the awareness, desire and intent phases. As consumers pass through this "upper funnel," DMOs aim to get potential visitors thinking about a destination, and then fuel their desire to plan and book a trip. Brand campaigns, which seek to both increase awareness and highlight the unique attributes of a destination, are thus key to these efforts.

But the upper funnel is not just the DMOs space; individual businesses and vendors also play an important role. One-in-nine U.S. overseas travelers indicated that visiting a travel providers' website was instrumental in their decision to select a specific destination, a share on par with DMO websites. And, while it might not close direct sales, an active social



## Popular Trip Planning Sources for U.S. Visitors to Hawai‘i



Source: HVCB analysis of Hawai‘i Tourism Authority data, 2015

media presence can do wonders for brand building, awareness, and inspiration. Online videos, in particular, have been found to be an effective tool; in 2015, 9.2 percent of U.S. overseas travelers to Hawai‘i cited such videos as playing a significant role in their decision to visit, and the use of video marketing has only gotten more popular since then.

### Conversion

Once travelers are ready to commit to a trip, actually securing the booking is a process unto itself. When it comes to actually funneling consumers to booking channels, it turns out that some of the most obvious strategies still remain effective. A sizable 28.6 percent of U.S. travelers made a purchase in response to an e-mail offer. Likewise, 19.7 percent indicated that they were prompted by an online advertisement.

When it comes to the actual booking process, simpler is better from the consumer's perspective and that means enabling mobile booking. In 2015, 38.9 percent of travelers used a mobile device to research a trip, and 22.2 percent used one for booking, both of which have nearly triples since 2011. Mobile will only continue to grow in usage in coming years, especially as millennials' share of the traveling population grows.

Making the sale is about more than the sheer volume of touchpoints created, though. The *quality* of those touchpoints is vital. Market research firm TNS Kantar estimates that a mere

20 percent of total touchpoints deliver 80 percent of the impact, and the stronger the emotional response to the touchpoint, the greater impact it has. Such content is up to three times as effective as touchpoints with no emotional element.

### *The Power of Shared Experiences*

By far the most important factor influencing consumer decisions, however, is actually the consumers themselves. Nearly one-fourth of U.S. overseas travelers indicated that it was a previous visit to a destination that influenced their decision to make a trip. The impact of this loyalty goes well beyond just repeat customers. Through social media postings, online reviews, and word-of-mouth interactions, satisfied visitors promote a destination organically and to great effect; 21.6 percent of U.S. overseas travelers have chosen a destination based on a personal recommendation. In this way, the travel funnel is not so much a funnel as it is a cyclical mechanism by which satisfied customers feed directly into the next wave of bookings.

Hawai‘i, in offering a one-of-a-kind visitor experience, already does an excellent job of broadening its travel funnel in this manner. More than seven-in-ten U.S. visitors last year were repeat customers, and nearly all of them would recommend Hawai‘i as a leisure destination to their friends and family. This is a kind of brand ambassadorship that money cannot buy, and it is a big reason why Hawai‘i has remained a highly desired leisure destination for years.



Photo courtesy of HTA / Tor Johnson

Source: HVCB analysis of TNS Kantar, TravelStyles, Hawai‘i Tourism Authority, Google, Visual Website Optimizer, and webtrends data

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## Airfare Update

### Sneak Peek at Next Month



Summer 2017 Travel Outlook

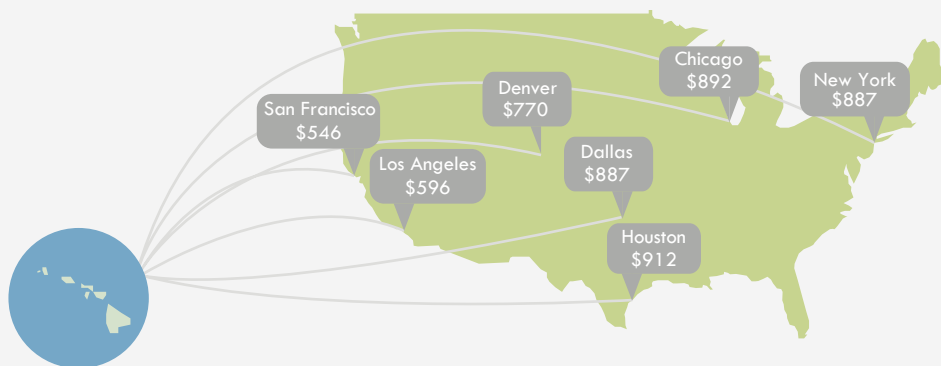
Overall, round-trip airfares between the U.S. mainland and Hawai'i remained relatively flat from 2015 to 2016. Comparing year-end averages, 2016 closed out with an average fare of \$678, up only +0.8 percent from the 2015 average of \$673.

How airfares changed varied significantly among individual markets. Some markets such as San Francisco (-3.1%) and Anchorage (-6.9%) actually saw fares decline, while other key markets such as Los Angeles (+2.9%) and Seattle (+2.9%) saw fares grow at a significantly higher rate than the national average.

Looking ahead, 2017 is expected to see an

increase in the round trip cost of flying between Hawai'i and the mainland. The price of oil has recovered from the near-record lows that characterized the early months of 2016, and it is hovering around \$50 to \$55 dollars per barrel at the start of this year. These higher fuel costs will in turn drive up air fares, though the extent of this impact remains to be seen. Further, total U.S. air seats to Hawai'i are expected to grow by +0.6 from 2016 levels, and while this is growth on top of an all-time high, it is not expected to offset the greater increase in demand for a Hawai'i vacation.

## Average Round Trip Airfare to Hawai'i 2016 Year-End



Source: HVCB analysis of Diio Mi data, 2016