



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

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## In This Issue

### Cruise Travel Market

Cruise travel: vacation option or looking glass of modern society? It is certainly telling that what was once a bald necessity—and often an unpleasant one at that—has become something of a luxury. It was only a century ago that overseas travelers were confined to the plodding treachery of ocean liners. And yet nowadays, when passengers can cross the skies at a brisk 500 knots per hour, millions of Americans still voluntarily shell out thousands of dollars for the privilege of tacking days or even weeks onto their journey.

Setting curious socio-economic dynamics aside, though, the pragmatic reality remains that cruise travel is an important niche travel sub-segment. The global cruise industry output is estimated to be more than \$120 bil-

lion and over a million jobs worldwide can be traced to the operation of cruise ships. Looking ahead, as both capacity and demand continue to swell, it is extremely likely that the industry will see healthy growth in the coming year.

Of course, Hawai'i is not your typical cruise destination. As one of the most isolated land masses on Earth, it takes days of sailing on the open ocean for visitors to reach the islands. Still, this has not discouraged the 100,000+ American visitors who each year choose to spend all or some of their Hawai'i travel experience at sea. Learn about this unique traveler segment and how they fit into the broader visitor industry in this month's *Market Insights Update*.

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### TRAVELER SENTIMENT

Hawai'i travel intentions among U.S. air leisure travelers saw a positive jump in the first quarter of 2018 compared to the same period last year, with nearly four out of ten travelers saying that they are very or extremely likely to visit Hawai'i in the next 24 months.

PG4





## Cruise Travel Market

### Snapshot

#### U.S. Cruise Travelers



Average age



Marital status



Household  
income



Source: HVCB analysis of TNS 2017 data, U.S. Cruise Travelers

### *The Cruise Travelers*

Globally, an estimated 25.8 million people took a ocean cruise vacation in 2017. While this accounts for barely two percent of total international vacations taken each year, the cruise market nevertheless represents an important sub-segment of the broader travel industry, particularly for island and coastal destinations. It is therefore worth asking the question, who are these cruise travelers?

First and foremost, they are predominantly American; between 50 and 60 percent (depending on the source) of cruise passengers originated in the United States last year. When compared against the fact that Americans make up, at most, 10 percent of the total population of international travelers, it becomes clear that cruise-centric vacations are a disproportionately American phenomenon. This reality is further reflected in cruise ship deployment. More than a third of all vessels operate in the Caribbean, while another four percent sail exclusively in Alaska. This means that over 40 percent of capacity is dedicated to destinations that cater heavily to U.S. travelers.

As far as the travelers themselves, several interesting trends can be seen as to who they are and how they travel. Stacked up against the broader universe of air leisure travelers, for instance, those Americans who report going on a cruise sometime in the last three years are slightly older, averaging 48 versus 45 years of age. Cruise travelers are also much more likely to be married; 72 percent compared to 60 of air leisure travelers.

When it comes to their finances, cruise travelers can be described as comfortably middle class. All told, some 62 percent of cruise travelers reported a household income between \$75,000 and \$200,000, +5 points more than the total air leisure population. Interestingly, however, cruise travelers appear less likely to be super affluent. Although a respectable eight percent reported annual incomes in excess of \$200,000, 10 percent of the broader air leisure population reported the same.

Of note, cruise travelers are more likely to travel in groups, with 26 percent of air leisure travelers reporting a solo trip compared to 14 percent of cruise travelers. At least part of this difference is explained by the higher propensity of cruise travelers to bring children along on vacation. Whereas more than a third of cruise travelers had someone under 18 years old in their party, less than a quarter of air leisure travelers had the same. Moreover, and somewhat unsurprisingly given the nature of cruise travel, those travelers are significantly more likely to have taken a trip abroad (83% vs. 64%).

### *The Future of Cruising*

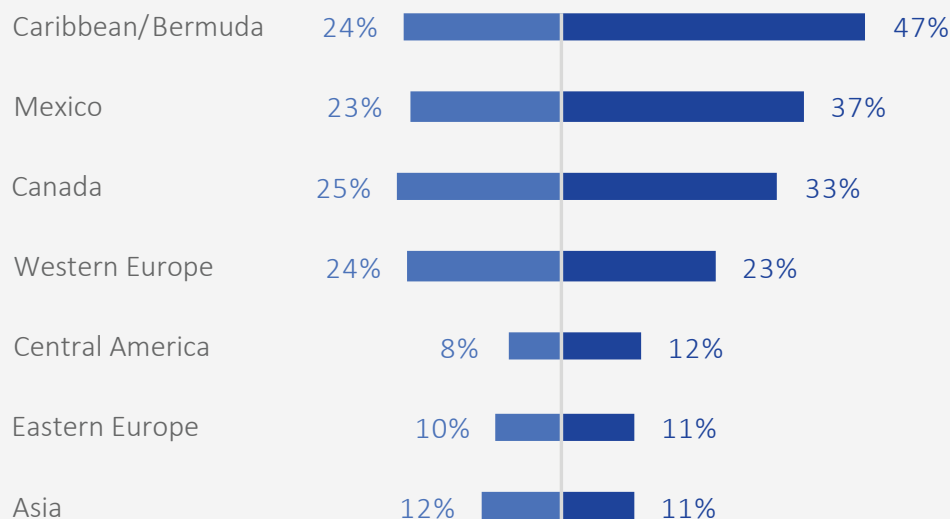
According to the Cruise Lines International Association (CLIA), the global industry outlook is unabashedly optimistic going into 2018. Global fleet capacities will grow by an estimated +6 percent over the coming year, with new additions to both river and ocean cruising options. This new capacity will in turn help drive the +5 percent passenger growth anticipated in 2018. All said, some 27.2 million people are expected to embark

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## Top Overseas Regions Visited in the Past Three Years

U.S. AIR LEISURE TRAVELERS U.S. CRUISE TRAVELERS



Source: HVCB analysis of TNS 2017 data, U.S. air leisure travelers vs. U.S. Cruise Travelers

on a cruise, and this comes on the wake of a robust +21 percent growth spurt between 2011 and 2016.

Growth within the industry extends beyond simple capacity and passenger counts. In their annual forecast, CLIA also emphasized how a number of broader travel trends are working their way into the cruise business. These include incorporating aspects of transformative travel into cruise itineraries, a growing focus on sustainability, and the addition of wellness options such as seminars and healthier food options. Likewise, new technology such as wearable room keys, better and cheaper connectivity, and smartphone apps that facilitate on-ship reservations, cruise ships are rapidly transforming into “Smart Cities” at sea. All of these changes should help keep the industry competitive and sustainable in the ever-changing world of travel.

### *Hawai‘i as a Cruise Destination*

Hawai‘i’s cruise visitors are not the largest sub-segment of Hawai‘i’s visitor industry, but they are nevertheless an important one, especially for the domestic market. This is because, similar to the cruise industry at large, Hawai‘i’s cruise ship passengers skew overwhelmingly American; 64 percent of passengers were U.S. residents in 2016. The local industry also mirrors global trends in regard to market share, with cruise ships accounting for somewhere between 1.5 and 2.0 percent of total Hawai‘i visitor arrivals each year. That might not sound like much, but this relatively small percentage of visitors outspend their non-cruise counterparts by a significant margin. For example, 2016 saw cruise passengers spend an average of \$217 per day, roughly +10 percent more than the typical visitor who

arrived by air.

What makes Hawai‘i interesting as a cruise ship destination is that it is almost two separate industries. That is, while a significant number of cruise passengers arrive at the islands via ship, many do not. They instead choose to fly to the islands and then spend a week on ship to travel interisland. Of the 255,000 visitors that traveled on cruise ships in 2017, just under half (49%) actually arrived with the vessel. The rest flew in, often tacking on an additional day (or more) to both the front- and tail-ends of their vacation.

Now, all of this might beg a question as to why utilize cruise travel in the first place? Hawai‘i is not an easy destination to reach, and by sea it often takes four to five days of travel both ways. Conversely, why fly out just to turn around and get on a ship? While it is hard to draw a definitive conclusion, the answer may very well lie in the desire for inter-island travel. Simply put, cruise travel is the most efficient way of visiting multiple islands in a single trip; last year more than 90 percent of cruise passengers were able to enjoy O‘ahu, Maui, Kaua‘i, and the Island of Hawai‘i. Weighed against the mere 15 percent of other visitors who were able to visit both O‘ahu and a single Neighbor Island, and it becomes obvious that cruise travel is well-suited for those who prefer the “variety pack” Hawai‘i experience.

It is true that the cruise market is more fickle than other visitor segments. With that said, the overall trend has been one of growth. Last year alone, the islands saw a +13 percent surge in American passengers. Cruise travel fills an important niche within the broader Hawai‘i visitor industry, and it likely will for years to come.



Source: HVCB analysis of Cruise Industry News 2017; Cruise Line International Association, 2018 Cruise Industry Outlook; HTA's 2016 Annual Visitor Research Report and 2017 Visitors Highlights data; TNS 2017 data

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Photo courtesy of HFA / Blake Bergman

## Traveler Sentiment

### Sneak Peek at Next Month



Spotlight On:  
Summer 2018 Travel Outlook



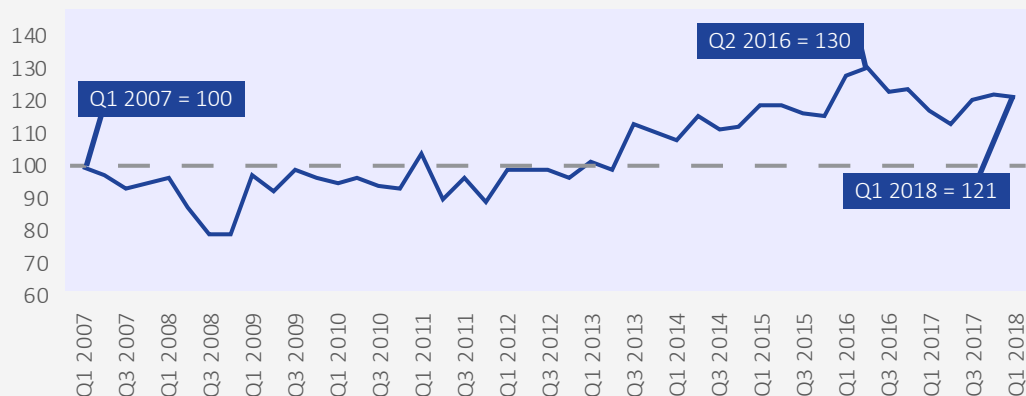
Airfare Update

After a somewhat volatile 2017, the Air Leisure Traveler Sentiment Index is both stabilizing and showing year-over-year gains. The Index stood at 120.8 in the first quarter of 2018, +4 points higher than it was during the same period last year. This was driven primarily by reported improvement in travelers' financial situations. It should be noted that while the Index remains well above the historical norm, traveler concerns about safety and a flagging interest in travel are still acting as a drag on overall sentiment.

The good news is that, so far, these trends

have had minimal impact on Hawai'i travel intentions. Nearly two-thirds (64%) of air travelers indicated interest in travelling to Hawai'i sometime in the next two years, down just -2 points from the year prior. Even more encouraging, the share of travelers who are very or extremely likely to visit the Hawaiian Islands in the next two years ticked up +2 points to 39 percent. Considering that last year brought record visitor arrivals amidst a backdrop of flagging sentiment, the modest improvements in sentiment may translate into healthy visitor growth throughout the rest of 2018.

### U.S. Air Leisure Traveler Sentiment Index



Source: HVCB analysis of MMGY Global travelhorizons data