



## SPOTLIGHT ON: CRUISE TRAVEL 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

North America | August 2016

## In This Issue

### Cruise Travel Market

One of the most popular forms of travel for Americans, cruising has achieved mature status following decades of strong and consistent growth. The number of cruise passengers has plateaued in recent years, with more than 20 million U.S. overseas leisure travelers having taken an ocean cruise of five nights or more in the past three years.

More than two-thirds of U.S. overseas travelers have cruised at some point in their lives, up from 54 percent two decades ago. Most are eager to repeat the experience – nearly 80 percent say they would be very or extremely likely to take a cruise again.

Despite a tapering in growth in the total number of cruisers and frequency at which they cruise, new travelers are still entering the market. Among those who have not yet taken a cruise before, one-

third say they would enjoy taking one.

After weathering many high-profile incidents in recent years, the appeal of cruising is actually equal to or greater than that measured in previous years. The potential market for cruising remains robust – the vast majority (83.1%) of U.S. overseas leisure travelers – 43.5 million persons – are in the market for an ocean cruise.

Hawai'i already captures a significant share of the cruise market, especially considering that it is a state dwarfed in size by major country (Mexico) and regional (Caribbean, Europe) cruising competitors. This month's Market Insights Update takes an in-depth look at the cruise travel market, including the cruise traveler profile, their preferred destinations, and how they choose a cruise line.

*Continued on PG2*



### AIRFARE UPDATE

Recently released data shows airfares to Hawai'i grew in the first quarter of 2016. A drop in fares from major markets were offset by an increase from Los Angeles and Chicago. PG4

### VISITOR ARRIVALS

Visitor arrivals to Hawai'i from the U.S. mainland continued on a record-setting path in the first half of 2016. Strong demand and record air capacity helped grow visitor counts.

PG5

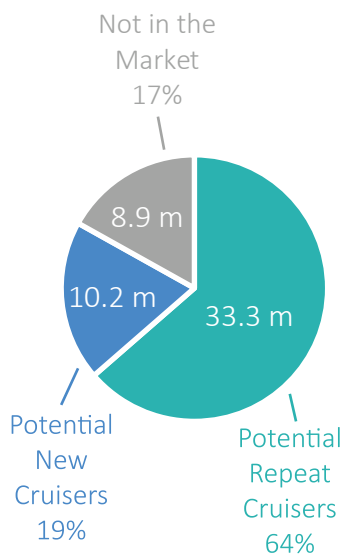




Photo courtesy of HITA, Tor Johnson

## Cruise Travel Market

### Size of U.S. Outbound Cruise Travel Market



Source: TravelStyles USA data, 2015-16

### *Demographics and Travel Patterns*

Since the cruise travel segment accounts for nearly two-thirds of the U.S. overseas traveler population, the demographic profile of cruise customers largely reflects that of the outbound travel market. The difference lies in repeat versus new cruise travelers. Repeat cruisers are substantially older than potential new customers (54 median age versus 44), are more likely to be retired (30.5% versus 16.3%), and have a more affluent household income (\$98,000 versus \$81,000). Potential new cruisers are characterized by their youth (35.4% are millennials), nearly half (49.0%) do not have children, and one-quarter (27.7%) are single.

Travel parties that include couples dominate the cruise market. More than six in ten U.S. overseas travelers (61.9%) who cruised on their most recent trip traveled as part of a couple or group of couples. While comparatively smaller, the share of family travelers on cruises hit a new high in 2015, with one-in-five (18.4%) of those who cruised on their most recent trip having traveled with children under 18.

Cruisers tend to take comparatively shorter, less expensive trips than those who travel by air. Travelers who cruised on their most recent overseas vacation spent a median of \$1,782 on vacation, compared to \$1,929 for land-based travelers. The median length of stay for those who cruise is also slightly less than land travelers, at 7.8 nights. The majority (53.5%) of those who took a cruise on their most recent overseas vacation were away from home seven nights or fewer, compared to 49.9 percent of land-based travelers.

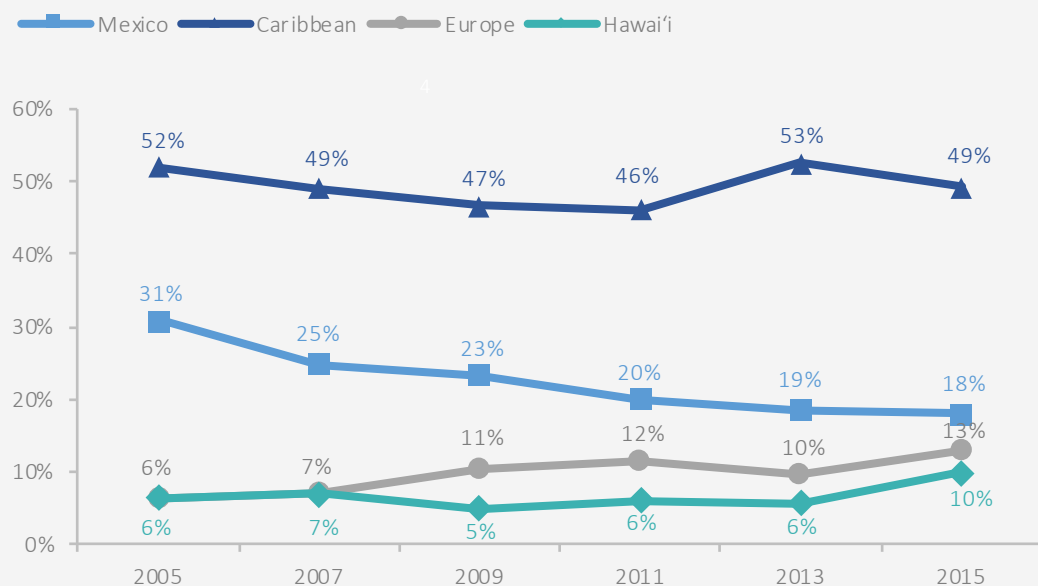
### *Cruise Destinations*

The Caribbean has long held the top position as the most popular cruise destination for U.S. overseas travelers, with nearly half (49.3%) of those who cruised on their most recent trip visiting one of the Caribbean islands. Mexico and Alaska fall in a distant second and third, capturing 18.0 percent and 14.7 percent of cruisers respectively. Hawai'i follows, with nearly 10 percent having visited the islands on a cruise as their most recent overseas vacation.

Continued on PG3



## Destination Share of U.S. Outbound Cruise Travel Market



Source: HVCB analysis of TravelStyles USA 2015-16 data, Americans who cruised on most recent overseas vacation

The Caribbean has maintained its share of about half of the cruise market for over a decade. Cruising to Mexico, the second most popular cruise destination, has declined considerably from its peak in 2005 to a new low in 2015. Meanwhile, Hawai'i's share of cruise travelers has grown considerably over recent years, reaching a new high in 2015.

Looking ahead, the majority of potential repeat cruisers would like to visit the Caribbean (62.9%), Alaska (60.7%), the Mediterranean (51.2%), and Hawai'i (47.8%). The opening of Cuba to cruise traffic has given the Caribbean new life, particularly for repeat cruisers. For those who have never taken a cruise before but are interested, Alaska (59.9%) narrowly edges out the Caribbean (58%) as the most appealing cruise destination, followed by the Mediterranean (48.0%), and Hawai'i (40.7%).

### Selecting a Cruise Line

Ocean cruising has always benefited from high levels of satisfaction and repeat customers. It follows that for those whose most recent overseas trip included an ocean cruise, their previous experience with the company was cited as the number one factor influencing their choice of cruise line. Similarly, one quarter say that a well-known brand (26.2%) and a reputation for

excellent service (23.1%) influence their choice of cruise line.

Cruises have long been marketed as being cost-friendly. Nearly one-third of travelers who cruised on their most recent trip (29.8%) say that price influenced their choice of cruise line, while 21.8 percent say a promotional offer or discount did. Cruisers are far more likely than group travelers to cite low prices or promotional offers as a factor influencing their selection of a provider. In terms of promotional offers that influenced these travelers' decisions of cruise lines, email offers edged out advertising, including online, direct mail, print, or broadcast.

### Hawai'i as a Cruise Destination

Cruise travel offers a unique opportunity to grow U.S. visitor arrivals to Hawai'i. Hawai'i welcomed nearly 154,000 cruise ship passengers from the U.S. market in 2014, accounting for 3.1 percent of total U.S. arrivals. Thanks to the itinerary of Hawai'i's largest cruise line, most travelers visited at least four islands during their visit. While cruises tend to attract mostly repeat visitors from the U.S. West market (81.1%), just over half of U.S. East cruise arrivals (50.4%) are in fact first time visitors to the state. Various state initiatives are underway to further develop the market.



Sources: TravelStyles USA Americans as International Travelers 2015-16, HTA Visitor Arrival data



Photo courtesy of HIA / Tyler Schmitt

## Airfare Update

\$652

The average cost of a flight from the U.S. mainland to Hawai'i in Q1 2016, +0.3% more expensive compared to one year ago.

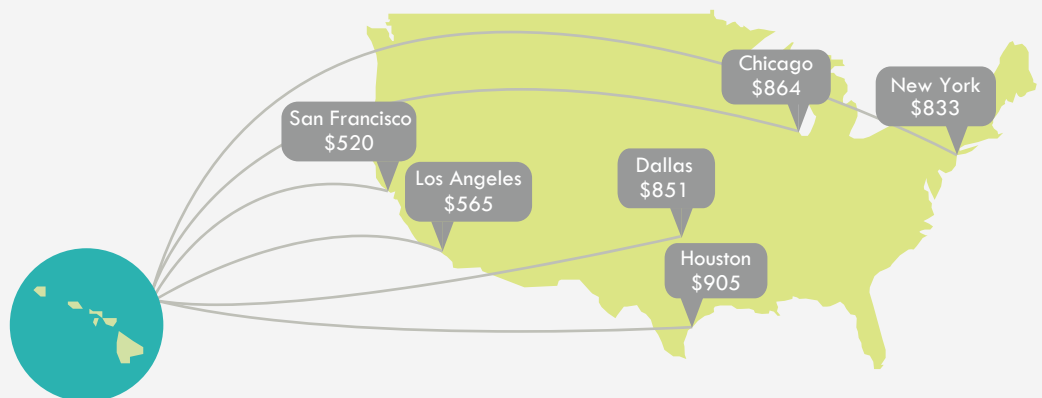
### Hawai'i Airfares Grow in First Quarter of 2016

Recently released airfare data shows the cost of air travel to Hawai'i grew slightly in the opening quarter of 2016, despite a record number of air seats in the market. The cost of a flight to Hawai'i from the U.S. mainland averaged \$652 in the first quarter, slightly more expensive (+0.3%) than the prior year. Airfares from many key source markets actually eased in the first quarter, including a -3.8 percent drop in fares from New York, -3.1 percent from Dallas, and -2.3 percent from Chicago. These decreases were offset by an increase

in fares from other major markets, including Los Angeles (+9.5%) and Chicago (+1.9%).

Increased air seat capacity from the North American market kept airfare growth moderate in the first quarter of the year. More than 2 million seats were bound for the islands from the U.S. mainland in the January through March period, a +4.1 percent increase year-over-year and a new record high. The growth in air seats, coupled with low oil prices, helped put downward pressure on fares.

### Average Round Trip Airfare to Hawai'i Q1 2016



Source: HVCB analysis of Diio Mi data, Q1 2016





Photo courtesy of HTA / Emily Dickey

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## Visitor Arrivals

### Arrivals Strong in First Half of 2016

Visitor arrivals from the North American market finished the first half of the year strong, growing to +2.6 percent, to over 3 million arrivals. The North American market benefited from increased visitation from the U.S., including a +4.3 percent increase from U.S. West and +4.1 percent from U.S. East. Canada visitors continued to be impacted by the significant drop in value of the Canadian dollar, posting a -11.6 percent drop in arrivals in the first six months of the year.

North American visitor expenditures totaled nearly \$5.3 billion in the first half of 2016, a +1.4 percent increase over 2015. Although expenditures by U.S. visitors were

up +4.3 percent year-over-year, a drop in Canadian visitor spending (-17.7%) pulled down total North American expenditures.

Strong performance from the U.S. market in the first half of the year can be attributed to a variety of factors, including strong leisure travel demand, all-time high interest in Hawai'i as a vacation destination, and record level air seat capacity to the state. Meanwhile, the Canadian market continues to be impacted by a less favorable exchange rate. The Canadian dollar averaged just 74 cents on the U.S. dollar in the first half of 2016, well below the 82 cents seen in the same two quarters of the prior year.

### Sneak Peek at Next Month:



Spotlight on: The changing media landscape



Latest traveler sentiment