



SPOTLIGHT ON: AFFLUENT 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 | July 2015

In This Issue

The Affluent Traveler

Given the high price of long-haul travel, it is no surprise that the overseas leisure travel market draws heavily from the higher income population. Nearly one-quarter of U.S. overseas travelers have an annual household income of \$125,000 or greater. Affluent travelers are an important part of Hawai'i's target market, especially when considering the cost of a Hawaiian Island vacation.

On average, affluent travelers tend to take more vacations each year and visit more expensive destinations than the general travel population. Hawai'i is in fact the top preferred domestic destination for the affluent segment. With over 40 percent of Hawai'i's U.S. visitors falling into a high-income demographic, this month's *Spot-*

light On provides a deeper look at the affluent traveler profile, including preferred travel planning sources and top in-destination activities. Room Rates, Occupancy, and Air Service

As the overall cost of travel grows, Hawai'i's hotel room rates are continuing on an upward trajectory. The island whose room rates have remained relatively stable year-over-year is benefiting from increased occupancy, while those with significantly higher rates are seeing slower growth or flat occupancy. Meanwhile, Hawai'i can expect to see a boost in air service in the months ahead from the U.S. and Canada. Air seats are likely to continue on a record-setting path through the remainder of summer, with the bulk of additional seats bound for the Neighbor Islands.



HOTEL UPDATE

Hawai'i's hotel room rates continue to grow, up nearly four percent year-to-date in 2015. At the same time, statewide occupancy remains relatively flat.

PG4

AIR SEAT OUTLOOK

Nearly 114,000 additional seats are destined for Hawai'i from the U.S. and Canada in the next three months, with three-quarters going directly to the Neighbor Islands.

PG5

HAWAII VISITORS AND
CONVENTION BUREAU

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Photo courtesy of HHA / Tor Johnson

Affluent Travel

The Affluent Traveler Profile

Affluent Americans are expected to be the key driver of growth for the U.S. travel industry in the year ahead. Although comparatively small when considering the overall population, affluent travelers make up an important segment of the market in terms of total number of trips taken in a year and spending habits.

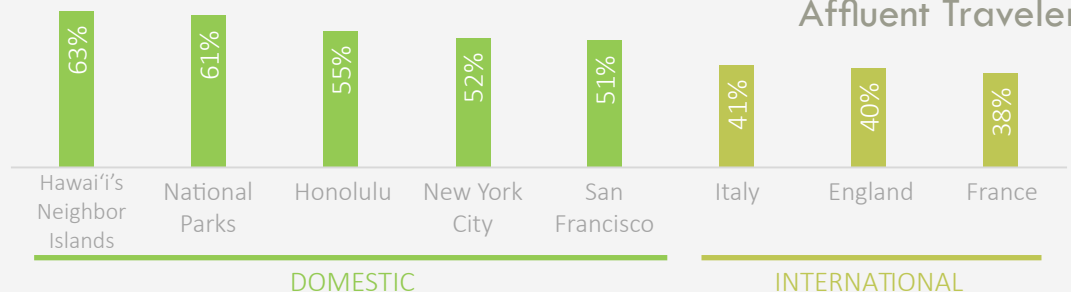
Nearly one in four (24%) of U.S. overseas travelers have an annual household income of \$125,000 or higher. In a survey of active travelers with an annual household income of \$125,000 or higher, 20 percent of affluent travelers plan to take more vacations in 2015. On average, travelers who earned between \$125,000 and \$249,999 took 4.7 leisure trips in 2013, while those who earned more

than \$250,000 took an average of 6.2 leisure trips. Both groups expect to take more trips in 2015: +9 percent more for individuals with an annual household income in excess of \$250,000 and +4 percent more for those with incomes between \$125,000 and \$249,999.

Hawai'i is the top domestic destination for affluent travelers, with 63 percent reporting they are interested in visiting the Hawaiian Neighbor Islands in the next two years and 55 percent interested in visiting Honolulu. Other preferred domestic destinations include national parks (61%), New York City (52%), and San Francisco (51%). Among international locales, Italy (41%), England (40%), and France (38%) are most the popular.

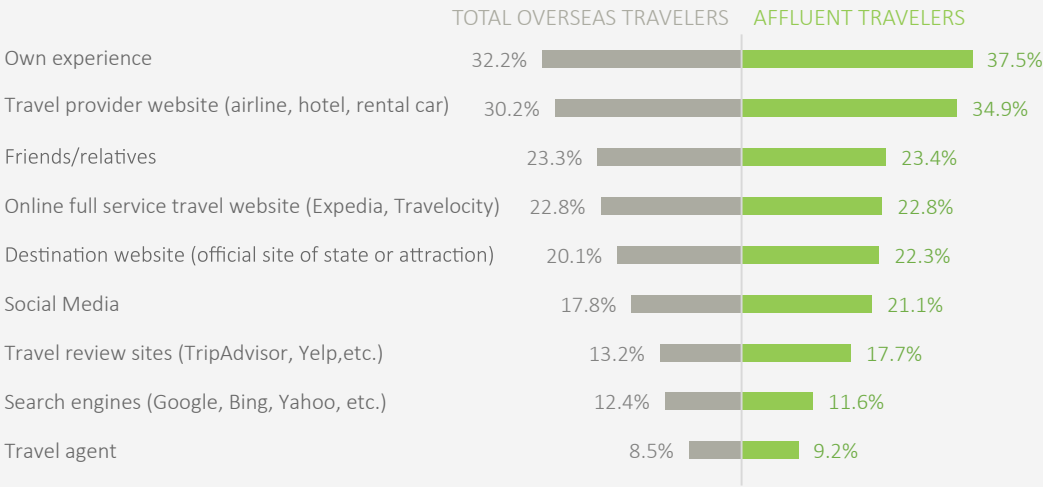
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Preferred Destinations of the Affluent Traveler



Source: HVCB analysis of MMGY Global Portrait of the Affluent Traveler, 2014

Top Sources Used for Travel Planning



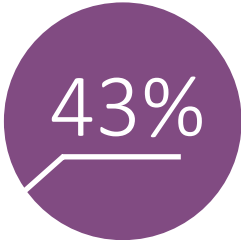
Source: HVCB analysis of TNS Travels America data, 2014, affluent defined as U.S. air leisure overseas travelers with HHI >\$125k+

Affluent travelers utilize a variety of sources when planning a leisure vacation. Nearly 38 percent of rely on previous experience as a travel planning source, more than five points higher than the general overseas traveler population. Affluent travelers tend to prefer using travel service provider websites to online travel agencies, with nearly half agreeing these sites offer greater convenience and better prices. Over 20 percent utilize social media when planning a vacation, slighter higher than the general travel population. Travel review sites also play an important part in the travel planning process, with nearly 18 percent of affluent travelers using them to plan a vacation compared to just 13 percent of the all overseas travelers. Approximately one in ten affluent travelers use

traditional travel agents to take the hassle out of booking travel, relying on their extra level of service and knowledge of destination.

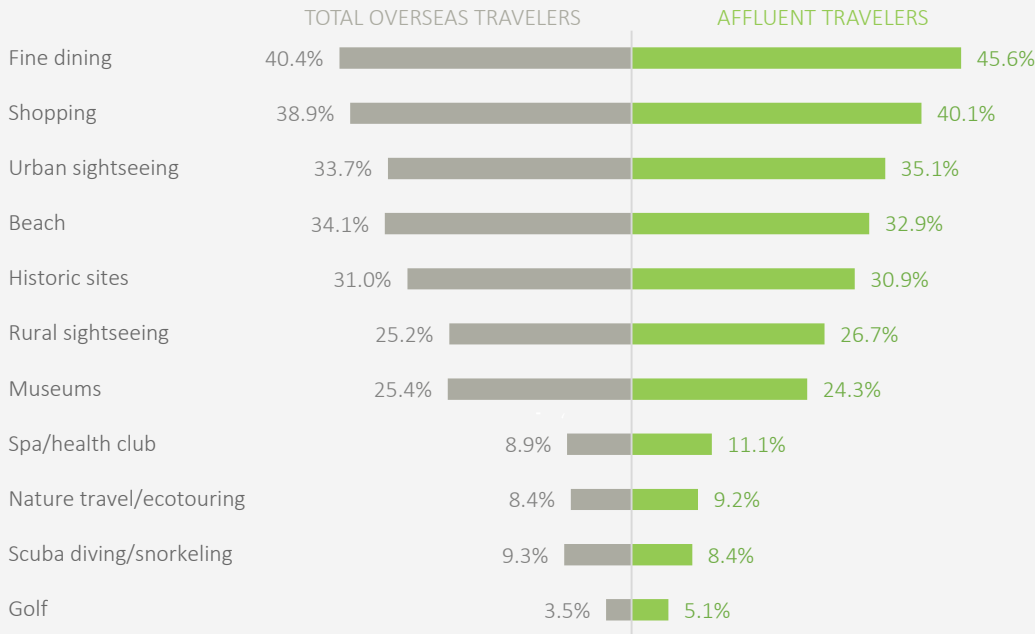
While on a vacation, affluent travelers are more likely to participate in what are considered higher-end activities compared to the general traveler. Nearly 46 percent partake in fine dining while on vacation compared to 40.4 percent of all overseas travelers. Just over 40 percent go shopping on vacation while 35 percent go urban sightseeing, both slightly higher than all overseas travelers. Although a comparatively smaller percentage, affluent travelers are also more likely to visit a spa or health club (11.1%) versus the general overseas traveler.

Sources: TravelStyles Americans as International Travelers 2013-2014, TNS TravelsAmerica 2014, MMGY Global Portrait of the Affluent Traveler 2014



Percent of U.S. visitors to Hawai'i have an annual household income greater than \$125,000

Affluent Travelers' Vacation Activities



Source: HVCB analysis of TNS Travels America data, 2014, affluent defined as U.S. air leisure overseas travelers with HHI >\$125k+

U.S. Visitor Arrivals January - May 2015



Photo courtesy of HTA / Kirk Lee Aeder

Source: HVCB analysis of HTA visitor arrival data, 2014 - 2015

Hotel Update

At a Glance: Visitor Arrivals

Visitor arrivals to Hawai'i from the U.S. and Canada are up +5.6 percent year-to-date through May 2015, totaling just over 2.4 million. Arrivals are particularly strong from the U.S. West market, which grew +9.2 percent in the first five months of the year. Meanwhile, visitors from the U.S. East are up +2.0 percent.

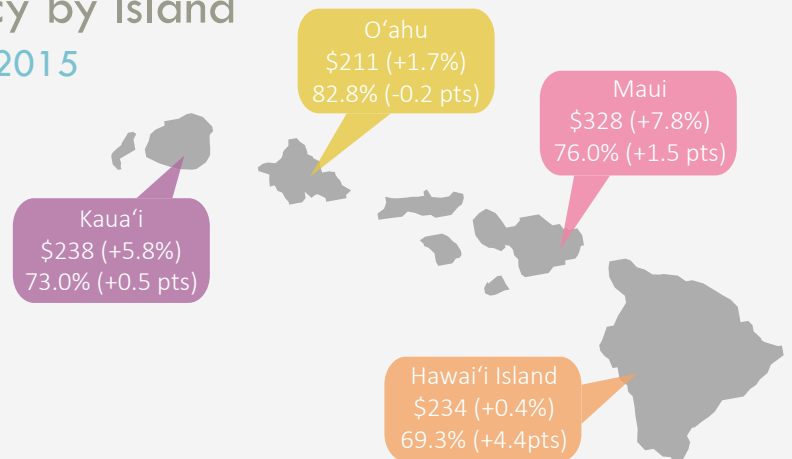
Rate and Occupancy Continue to Grow

Recently released data shows that Hawai'i's accommodation sector continued to drive rate in the first five months of the year, with hotel room prices up +3.8 percent year-over-year. Statewide Average Daily Rate grew to \$243 in the January through May 2015 period, up from \$234 in 2014. May posted the highest percent increase in room rates year-to-date, growing +5.7 percent in the month.

Maui saw the largest growth in hotel room prices in the first five months

of the year, averaging just over \$328 per night, a +7.8 percent increase compared to 2014. Room rates on Kaua'i grew +5.8 percent in the same time frame, averaging just over \$238. At the same time, both island's occupancy remained relatively flat, at +1.5 and +0.4 points respectively. Meanwhile, Hawai'i Island's room rates remained stable year-over-year at \$234. The island's occupancy rate, however, jumped +4.4 percentage points in the first five months of the year, to 69.3 percent.

Average Daily Rate + Occupancy by Island January - May 2015



Source: HVCB analysis of Hospitality Advisors data, 2014 - 2015



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Air Seat Outlook

Air Service to Continue on Record Setting Path

Nearly 2.18 million air seats are destined for Hawai'i from the U.S. and Canada in July through September 2015, a +5.5 percent increase over the previous year. Air service growth is largely fueled by an additional 84,000 seats coming from the U.S. West market, including a +19.8 percent boost from San Francisco and +16.4 percent from Seattle. Growth will also be sustained by increased service from the U.S. East market, which is expected to supply an additional 16,288 seats. Major U.S. East airports such as Atlanta (+20.4%) and Chicago (+28.3%)

will help drive this increase. Similarly, air seats from Canada are expected to grow +30 percent in the three month period, bringing in an additional 13,345 seats.

Neighbor Islands can expect to see the majority of the additional air service, receiving more than three-quarters of the added air seats from the North American market. Kahului is slated to receive 50 percent of the additional seats bound for Hawaii, while Kona will receive 23 percent, Lihue 2.1 percent, and Hilo 0.5 percent.

Sneak Peak at Next Month



Spotlight On: Travelers' Digital Profile



New airfare data for the first quarter of 2015