



SPOTLIGHT ON:
VACATION TRENDS &
BEHAVIOR 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.

Photo courtesy of HTA / Mark Kushim

MARKET INSIGHTS UPDATE

United States | June 2018

In This Issue

U.S. Vacation Trends and Behavior

That Americans work more than citizens of other countries is a fact so often cited, flaunted, and joked about that it has become cliché. But, cliché or not, it is true. Americans put in longer hours, take less vacation, and the concept of a siesta is so foreign it may as well have originated on Mars.

Of course, working more is not necessarily a good thing. One aspect of the American work ethic in particular—an aversion to vacation time—has in some respects created a significant drag on worker productivity, well-being, and the economy as a whole. Americans, unfortunately,

are notorious for forgoing their paid vacation benefits. This habit has worsened considerably since the turn of the millennium.

There is good news, though. In their recently published State of the American Vacation, the U.S. Travel Association's Project: Time Off found a marked reversal in Americans' long-term trend towards toiling away. This month's *Market Insights Update* will examine their findings in detail and highlight how Hawai'i's status as a revitalizing destination can be leveraged to capture this new wave of work-centric visitors.

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Airfare Update

The average round-trip airfare from the U.S. mainland to Hawai'i declined slightly in the fourth quarter of 2017. Pricing stability was attributed to increased capacity in Q4 of last year.

PG4





Photo courtesy of HPA / Blake Branstad

U.S. Vacation Trends and Behavior

Snapshot Americans' Vacation Habits



17.2 days
Average vacation usage

52%
Did not take a break
from work



\$255 billion
Uncaptured due to unused
time off

Source: HVCB analysis of Project:Time Off - The State of American Vacation 2018

A Decade of Decline

Americans were not always as disinclined to take advantage of vacation benefits as current data would make them seem. Starting in the late 1970s and through the 90s, the average U.S. worker took 20.3 days off each year. After 2000, however, behavior began to shift. Vacation days taken had decreased to roughly 18 per year by 2008, and then plunged to just 16 in the wake of the Great Recession. Only in 2015 did this steep decline begin to reverse itself.

It is hard to overstate just how massive the underutilization of vacation benefits is. In 2017 alone, 705 million vacation days went unused; that is more than four for every worker in America. While it is true that not everyone is letting their vacation go by the wayside—roughly 48 percent of workers use all of their benefits—that just means the non-utilization is even more severe amongst the remaining 52 percent. With that said, other sources reported similar or even more dramatic findings. TravelTrakAmerica data for instance, shows that on average, Americans spent only 13.5 nights away from home for leisure in 2017.

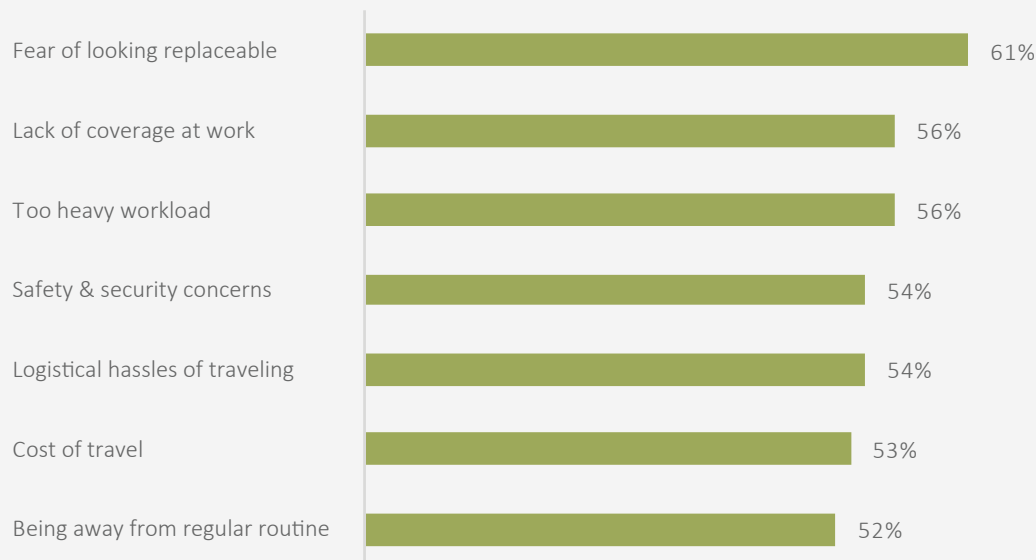
But, as mentioned above, there is good news. In 2017, the average vacation usage increased +0.4 days to 17.2 days per year. Though this might be well below the 20.3 day average of the 1990s, and indeed falls short of the pre-Recession average, it is still

the third consecutive year of growth and continues the longest streak seen in decades. At the very least, it is safe to say that things are starting to get back on track. Recent data on “forfeited” vacation that cannot be rolled-over or banked is similarly encouraging. Between 2015 and 2017, the total amount of forfeited benefits declined -5.4 percent even as employees earned more time off. The downside is that those lost days still carried a big price tag for workers. Sixty-two billion dollars to be exact.

It must also be noted that the lingering travel reticence has very real economic consequences not just for the visitor industry, but also for the country as a whole. Less vacation means fewer hotel bookings, less dining out, fewer tours and other activities. This in turn has a ripple effect where those who would benefit from this extra travel spending have less money to pour back into their communities in the form of food purchase, housing, and other expenses. All told, Project:Time Off estimates that the total economic loss associated with lost vacation benefits amounted to something like \$255 billion in 2017. That likewise translates into some 1.9 million jobs and \$75 billion in lost income. Even halving those estimates, the point remains the same: the negative economic effects are real and substantial. That just leaves the question of why?

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Top Barriers to Taking Time Off by U.S. Employees



Source: HVCB analysis of Project:Time Off - The State of American Vacation 2018

Who Needs a Vacation, Anyway?

That American workers would voluntarily spend what should be their personal time on the job is a bit of a head scratcher. There are quite a few rational explanatory factors at play. First, there is the general state of the macroeconomy. The greatest decline in vacation utilization came during and after the Great Recession, and it is not hard to see why. In a time of such economic turmoil, many workers would have been hesitant to spend a week basking in the sand. That at least partially explains why an increasingly strong economy has seen workers again taking more vacation. Likewise, the decline in forfeited vacation days, even as total unused vacation days is on the rise, speaks to the strategic intent of workers. Perhaps they are trading vacation benefits for cash, or saving them up for a longer, more expensive vacation.

At the same time, the reasons cited by workers themselves are less encouraging. Fear of looking replaceable (61%), too heavy workload (56%), and lack of coverage (56%) all ranked as top considerations when forgoing vacation time. The share of workers citing these factors increased significantly across the board between 2016 and 2018. They are also significantly more likely to define Millennials and women in the work force.

The bitter irony is there is little to no evidence that avoiding vacation makes for better employees. In fact, such relentless dedication might be hurting them. According to Project: Time Off's findings, non-

vacationers are less likely to have received a raise or promotion, and are more likely to report stress both at home and at work. In other words, not taking that vacation is not just bad for the economy; it is bad for the workers themselves. So, if that is the case, what can be done about it?

Come Back Better

To an extent, the problem of forfeited vacation benefits is not one the travel industry can take on directly. At some point it comes down to corporate culture and individual choices. But those changes are happening. Managers are increasingly likely to actively encourage vacations, and, as noted above, those workers are taking more of them. What the travel industry can do is position itself to welcome this new wave of travelers, particularly those who have been historically reluctant to leave their work behind.

Hawai'i is doing exactly that with the *Come Back Better* campaign. Offering six carefully curated residences located across the islands to six New York working professionals, the campaign will showcase the restorative effects of a Hawaiian vacation in action. By following these workers both during their stay and upon their return to work, potential visitors will be able to see how taking a little time away from it all allows people to relax, become more productive and inspired, and ultimately, come back better. In other words, a Hawaiian Island vacation does not need to detract from work performance—it can actually enhance it.



Source: HVCB analysis of TravelTrakAmerica 2017 data and Project:Time Off - The State of American Vacation 2018

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Airfare Update

Sneak Peek at Next Month



Spotlight On: The Evolution of Tours and Activities

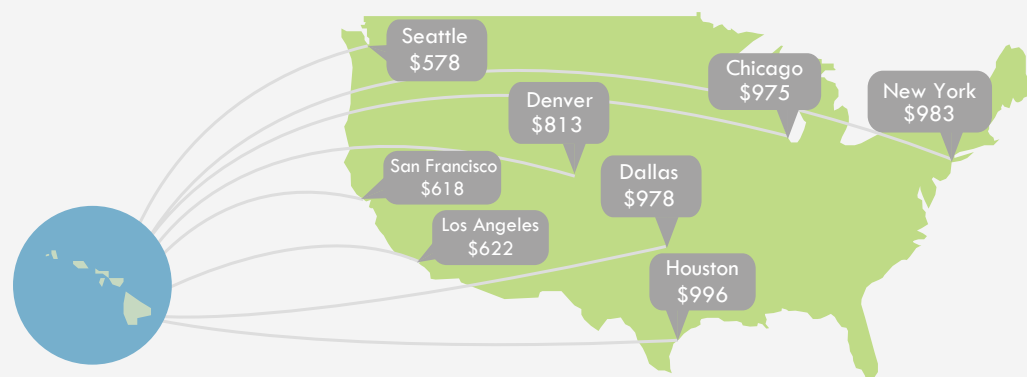


Hotel Performance Update

Despite rising oil prices and record-high demand, the average round-trip airfare between Hawai'i and the U.S. mainland declined -0.8 percent in the fourth quarter of 2017. This decline was driven primarily by the fares on routes from major West Coast gateways such as Los Angeles (-4%), Portland (-3%), San Diego and San Francisco (-2%), with longer routes such as Washington D.C. (+7%), Atlanta and Minneapolis (+6%) seeing small but not insignificant fare hikes.

It is likely that increased capacity is one of the major causes of this pricing stability. Mainland air seats totaled nearly 2.1 million between October and December 2017, an increase of +4 percent from the same period in 2016. With 2018 capacity growing over +10 percent year-over-year, increased competition for passengers should continue to put downward pressure on fares, although recent increases in oil prices will eat away some of the benefits for consumers.

Average Round-trip Airfare to Hawai'i Q4 2017



Source: HVCB analysis of Diio Mi data