



SPOTLIGHT ON:
AFFLUENT TRAVELERS PG2

Photo courtesy of HPA / Dale Krugman @dave



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

Affluent Travelers

Many of the world's premier vacation destinations cater to a wealthier brand of traveler. The long-haul nature of top global destinations often translates into greater transportation costs, while demand for luxury hotels and resorts commands high room rates. As such, it is no surprise that the travel industry is increasingly targeting a higher-spending clientele. In the U.S. alone, affluent Americans spend approximately \$390 billion on travel every year. As a lucrative market segment, affluent travelers are seen as an attractive group for many destinations around the

world, including Hawai'i.

But while the islands offer world-class resorts, exclusive spas, and extravagant shopping experiences, affluent visitors are seeking more than just high-end brands or lavish activities. These sophisticated travelers are interested in newly redefined, and often intangible, luxury travel experiences. This month's Market Insights Update profiles this highly-desirable demographic and sheds light on how Hawai'i's visitor industry can leverage the changing nature of luxury travel and effectively market to this group.

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HOTEL UPDATE

Hawai'i continued to show healthy hotel performance year-to-date through February 2018, following last year's strong results. Statewide hotel occupancy, Average Daily Rate, and Revenue per Available Room were up compared to one year ago.
PG4





Affluent Travelers

Snapshot

Affluent U.S. Air Leisure Travelers



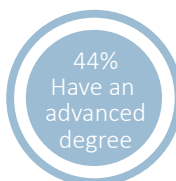
Average age



Marital status



Education



Source: TNS 2017 Affluent U.S. Air Leisure Travelers

Affluent Travelers: Who are They?

Affluent travelers are defined by a certain level of income and wealth. While the specific threshold of “affluence” varies from source to source, it can generally be distilled to a narrow window: those who have an annual household income that exceeds somewhere between \$125,000 and \$150,000. The swath of total U.S. air leisure travelers that fall into this category is understandably small. Using the \$125,000 threshold, 35 percent of American air leisure travelers would qualify as affluent, while just 23 percent have an annual household income of more than \$150,000.

Using the \$150,000+ threshold, this demographic possesses many of the traits one would expect to see in a more well-off population. Compared to the general U.S. air leisure travelers, affluent travelers are on average slightly older (48 vs. 44 years old), more likely to be married (77% vs. 55%), and more likely to possess an advanced degree (44% vs. 24%).

More interesting is how the vacation habits of affluent travelers differed from their less-well-off counterparts. In 2017, for instance, those air leisure travelers with household incomes exceeding \$150,000 spent on average 31 percent more time on vacation than other U.S. air leisure travelers. They were also more likely to take an overseas vacation; 76 percent of affluent travelers reported visiting a foreign country within the past three years, compared to just 60 percent of those below the \$150,000 income threshold. Somewhat predictably, affluent travelers also gravitated towards more expensive destinations,

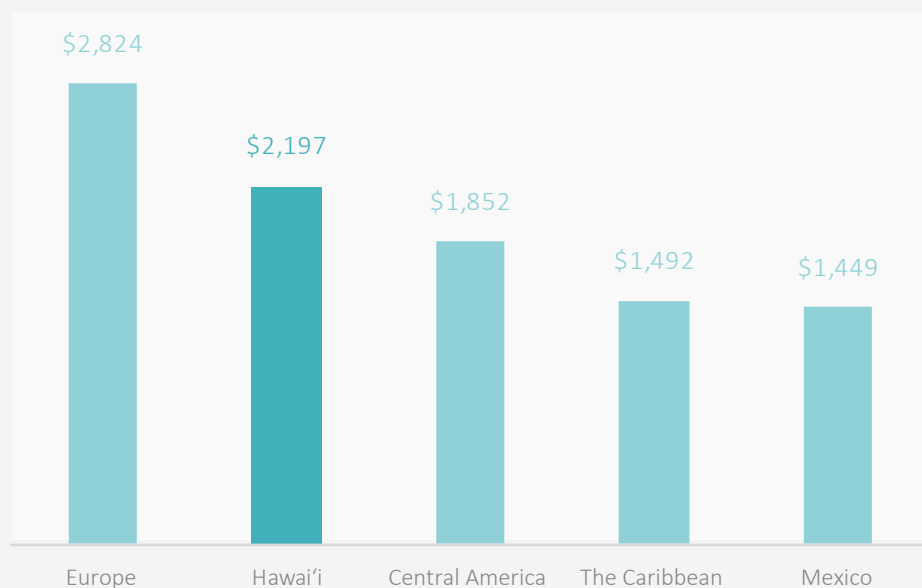
with New York (38%), San Francisco (33%), and Los Angeles (32%) being the three most popular choices for domestic trips.

It should be noted that affluent travelers not only differ in where and how often they go on vacation but also what they do when they get there. Generally speaking, they are more likely to participate in pricier, more sophisticated leisure activities. Think fine dining, spas treatments, golf, and visiting museums, among others. This in turn results in them spending significantly more on their vacations; in 2017, this differential was \$832 per person per trip. Interestingly, more than two-thirds of that difference was non-transportation related expenses, meaning they are not just spending that extra money on first-class airfares.

Finally, it is important to account for the distinction between affluence and luxury travel. Wealth does not translate directly into luxury, and likewise, it does not even translate directly into travel. According to MMGY Global, 11 percent of America’s 22 million affluent embrace and incorporate households have not taken a single vacation within the past year. Even among the affluent population that did travel, only about a third—6.7 million households—spent enough time and money on vacations to truly qualify them as “luxury” travelers. This reality has profound implications for travel marketing. That is, when targeting high-spending visitors, it is not just enough to identify those with higher household incomes. It is also necessary to further understand and distinguish them from affluent individuals whose travel habits are

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Median Per Person Trip Spend by Destination



Source: HVCB analysis of TravelStyles Americans as International Travelers data 2015-2016

more in line with those of the general U.S. population at large.

The Changing Face of Luxury Travel

Of course, in order to identify that subset of wealthy individuals willing to spend time and money on a premier travel experience, one must start with an understanding of what modern luxury travel actually is. A quick primer: it is not what it was a generation, or even a decade ago. Yes, some aspects of luxury are timeless, such as a sense of quality, service, and exclusivity. Beyond that, though, much has changed. Luxury vacations are no longer just about plush hotel rooms and world-class spas. This is not to say these things are no longer part of the high-class travel experience—they are and will likely continue to be—but while such physical luxury used to be the end in and of itself, now it is just one of the means towards achieving loftier travel intentions.

So, what are those loftier travel intentions? In a word, self-actualization. Luxury travel, as Skift's Samantha Shenkman eloquently puts it, is no longer, "just about coveted brands or chic destinations. Those things still matter, but there's now a new layer to the luxury experience, one in which the attainment of the most creative, adventurous or peaceful idealized version of ourselves is the ultimate goal." In this way, the newest iteration of luxury travel parallels the broader trend of "transformative" travel outlined in *February's Market Insights Update*. Reflecting a broader cultural metamorphosis, luxury is less defined by opulence and decadence than it is by personal enrichment, social awareness, and environmental stewardship.

Affluent Travelers in Hawai'i

To an extent, Hawai'i's visitor industry has always oriented itself towards more affluent visi-

tors. Between high hotel room rates and airfares compared to the national average, a Hawai'i vacation is not always an 'affordable' proposition. According to TravelStyles, the median per-person cost of a Hawai'i vacation is \$2,197, +14 percent higher than the typical overseas vacation and more expensive than any destination except Europe.

As a result, Hawai'i's visitor base skews overwhelmingly affluent. Whereas only 23 percent of the total U.S. air leisure travel population has an income greater than \$150,000, for Hawai'i that proportion is 33 percent. An argument can even be made that these affluent travelers are helping to fuel the Neighbor Islands' visitation boom. Maui and Kaua'i's share of affluent visitors are 36 and 34 percent respectively, compared to 30 percent for O'ahu.

The good news is that while on-island prices will continue to rise, Hawai'i has the necessary attributes to continue to attract these high-spending visitors. On top of world-class hotels, restaurants, and pristine beaches, the islands also possess those deeper draws – authentic experiences with nature, culture, and self that foster enrichment and self-actualization.

As noted previously, Hawai'i still has a long way to go towards overcoming the perception that it is just sandy beaches. However, together with industry partners, the Hawai'i Visitors and Convention Bureau is embarking on bold new marketing campaigns under the *#LetHawaii-Happen* banner, not only to attract sophisticated travelers but to promote the Hawaiian Islands as a multi-dimensional destination that offers meaningful and enriching cultural experiences, unique cuisines, and authentic activities and adventures.

Source: HVCB analysis of TNS 2017 data; TravelStyles 2015-2016; HTA's 2015 VSAT Activity Report; MMGY Global 2017-2018 Portrait of American Travelers Study



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Photo courtesy of HTA / Mark Kustini

Hotel Update

Sneak Peek at Next Month



Spotlight On:
Cruise Travel



Traveler Sentiment

After what was largely a prosperous year for Hawai'i's hotel industry, 2018 likewise started strong. The overall statewide occupancy ticked up to 84 percent year-to-date through February, up +1 point from where it stood last year. The Average Daily Rate (ADR) also grew a healthy +6 percent to \$295, while the Revenue Available per Room (RevPAR) increased +8 percent to \$246. Of note, mid-scale and economy hotels also saw a greater increase in occupancy statewide in the first two months this year, rising +3 points to 85 percent. This reflects the deeper reality facing Hawai'i's lodging industry that, as occupancy, ADR, and RevPar continue to spike, visitors are increasingly looking for more

affordable lodging options, such as short-term rentals and other non-traditional choices.

On the upside, February hotel data gives hope to the possibility that 2018 industry forecasts were conservative in their estimates. The original predictions called for the state's overall hotel occupancy to remain unchanged and for ADR and RevPar to grow +5 percent. This forecast was by no means discouraging, but it did lend credence to the notion that Hawai'i's hotel industry is perhaps nearing its full market capacity. Year-to-date through February, Hawai'i's hotel performance is exceeding forecast, leaving the door open for a better than expected 2018.

2018 Hotel Performance Forecast Hawai'i versus U.S. Mainland

	Hawai'i	U.S.
Supply	+0.2%	+2.2%
Demand	+0.2%	+2.2%
Occupancy	0.0%	-0.2%
Average Daily Rate	+4.5%	+2.7
Revenue per Available Room	+4.5%	+2.5%

Source: HVCB analysis of HTA's Hawai'i Hotel Performance Report, and STR data