



SPOTLIGHT ON:
SHOULDER SEASON
 TRAVEL PG2

Photo courtesy of HITA / Design Folios



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

United States | November 2017

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Shoulder Season Travel

"Too many tourists: Crowding is a big headache at National Parks." "Are too many tourists visiting Iceland?" "Amsterdam has new solution for overtourism." These are just some of the headlines gracing the news in the past month detailing the struggles of overcrowding at popular destinations around the globe. Americans are traveling more than ever before, driving up demand for hotels, activities, and attractions. Travel during peak season only adds to the stress on infrastructure, the quality of life for residents, and the vacation itself. Roads are congested, it may be difficult to find a hotel room, and popular activities and attrac-

tions can sell out.

Of the 80 million Americans who traveled overseas last year, 62 percent took a vacation during peak travel months, while 38 percent vacationed during off-peak periods. It is the off-peak months, otherwise known as the shoulder season, that offer the greatest opportunity to sustainably grow as a destination.

Hawai'i is no exception to this trend. This month's *Market Insights Update* takes an in-depth look at the off-peak travel months and explores how the shoulder season represents the best opportunity for the long-term growth of Hawai'i's visitor industry.

Continued on PG2



AIRFARE UPDATE

The average round-trip airfare from the U.S. mainland to Hawai'i jumped in the second quarter of 2017. There were several factors impacting the rise of ticket prices, including flat air seat capacity and increased travel demand.

PG4





Photo courtesy of HTA / Mark Kushnir

Shoulder Season Travel

Average Number of Visitors in Hawai'i on Any Given Day by Season

PEAK SEASON
234,000 visitors



SHOULDER SEASON
195,000 visitors



Source: HVCB analysis of HTA data, 2016

Hawai'i's Shoulder Season: By the Numbers

Generally speaking, Hawai'i's shoulder season can be defined as two distinct windows spanning from April to May and September to November. While this is to some extent intuitive — work and school schedules often afford more travel time in summer months and around the winter holidays — the data reveals that the difference between the peak and shoulder seasons is actually quite pronounced.

Last year, the average number of people visiting the islands at any given moment (i.e. the average daily visitor census) was roughly 234,000 per day during the peak season. During the shoulder seasons, however, the average daily census dropped by -16.5 percent, a difference of -38,500 visitors on island per day. This swing can be as large as 64,000 people when looking individually at the most and least popular travel months.

When considering the average length of stay, shoulder season travelers fall short of their peak season counterparts. Last year, visitors during non-peak months stayed an average of 8.7 days per trip. Peak season visitors stayed half a day longer, a seemingly minor but important difference that impacts total expenditures.

Not surprisingly, a drop in the sheer number of visitors tends to bring down accommo-

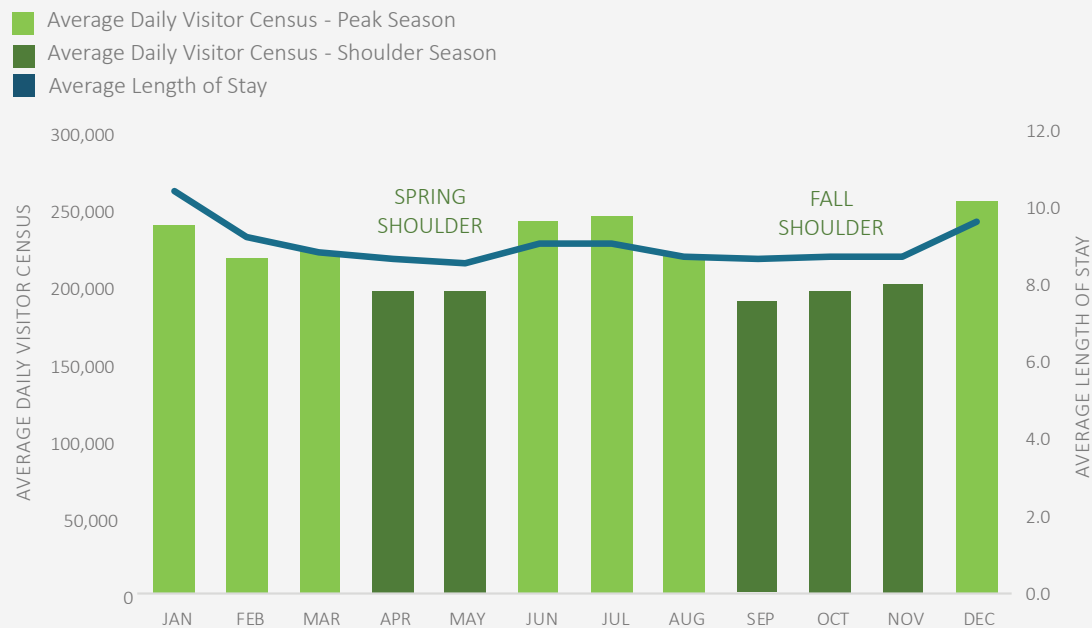
dation demand and prices. Looking at hotel occupancy and average daily rate (ADR), noticeable decline in both can be observed when transitioning from the high to low season. Statewide occupancy typically peaks in July, reaching 82.6 percent in 2016, while April of the same year was just 76.8 percent. Visitors paid on average \$34 dollars less per night to get a hotel room in April than in July.

Shoulder Season: Changing Perceptions

In order to grow off-peak travel to Hawai'i, it is important to begin with a basic understanding of the differences between peak and shoulder season visitors. This is admittedly a difficult task due to the lack of granularity in many data sets. With that said, a few key differences emerge when considering the data that is available.

First, there is visitor spend. One might expect that shoulder season travelers would be more frugal, or at the very least, the lower prices of accommodations would lead to spending less than their peak season counterparts. In fact, the opposite appears to be the case; 2016 saw shoulder season visitors lay out \$202 per person per day during their stay, compared to the \$195 spent per day by peak season visitors. In other words, while shoulder season travelers may be cost conscious, that does not necessarily

Average Daily Visitor Census vs. Length of Stay



Source: HVCB analysis of HTA data, 2016

mean they have smaller budgets; they are just as willing, if not more willing, to spend their daily budget on food and activities during their Hawai'i vacation.

Additionally, congestion remains a perception hurdle for Hawai'i as a destination. Just last quarter, survey data from MMGY Global indicated that 12.5 percent of potential U.S. visitors who opted against a Hawai'i vacation did so at least partly because it was too crowded. Another 8.5 percent reported they could not find accommodations. While it is difficult to alleviate overcrowding perceptions on O'ahu where occupancy is at near full operating capacity year-round, driving business to the Neighbor Islands would help ease and overcome this issue. Considering 2016 hotel performance on the individual islands, occupancy on the Island of Hawai'i dropped of -8.5 percentage points to 63.7 percent during the off-peak season. Kaua'i and Maui occupancy rates also stand at 68.6 percent and 74 percent during the shoulder season months, -7.0 points and -3.0 points lower

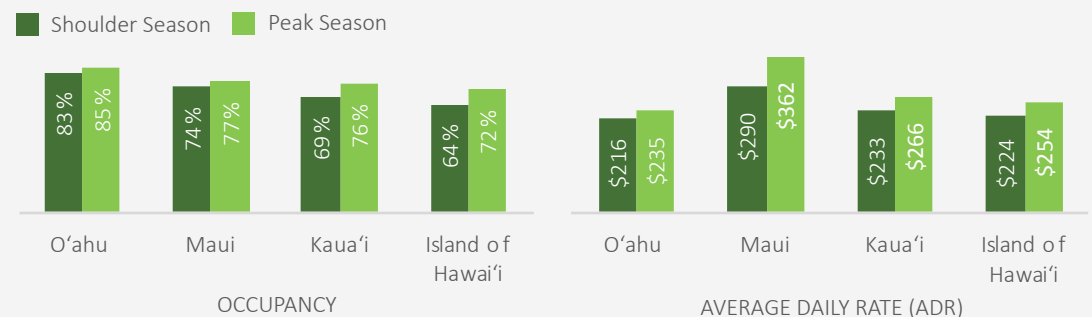
than the peak season.

Equally challenging is the hurdle of overcoming hotel cost perceptions. In the same survey from MMGY Global, 35 percent of potential U.S. visitors said they did not choose to visit Hawai'i because of hotel cost. Similar to hotel occupancy, the average daily rate in the Neighbor Islands shows a greater room rate difference during peak and shoulder seasons. This seasonal price difference may appeal to budget conscious travelers. In 2016, for instance, visitors saved the most when traveling to Maui during shoulder seasons, paying almost -20 percent less on average compared to when visiting during peak season. Kaua'i's average daily rate was -12.5 percent less expensive during non-peak seasons, while the Island of Hawai'i room rate was -12 percent cheaper in off-peak months.

All of this points to the fact that the Neighbor Islands stand to gain the most when targeting growth from the shoulder seasons, appealing in particular to cost conscious travelers and those looking to get away from the crowds.



Hawai'i Hotel Performance 2016



Source: HVCB analysis of HTA, National Travel & Tourism Office, and MMGY Global travelhorizons data



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Airfare Update

Sneak Peek at Next Month

- + Social Media Landscape for 2018
- + Hawai'i Travel Intentions

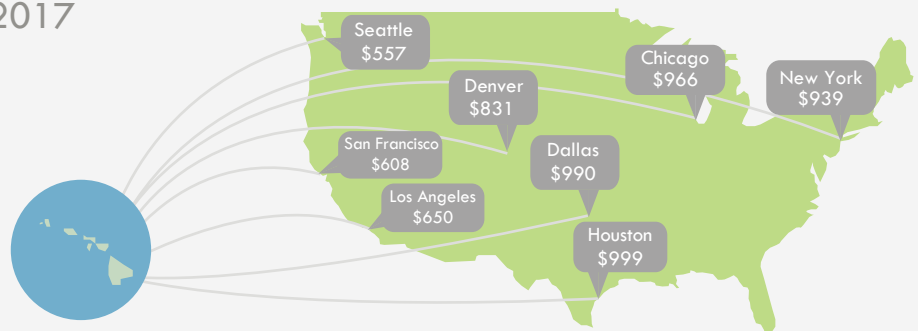
According to the most recently available data, airfares jumped significantly in the second quarter of 2017. From April to June, the average cost of a round-trip ticket between the U.S. mainland and Hawai'i was \$729. This is an increase of +6.1 percent quarter-over-quarter, and up a full +9.2 percent from where it stood a year prior.

Looking across key gateways, similar trends can be seen playing out. Chicago (+8.7%), Houston (+9.7%), and New York (+9.8%) all saw prices increase at a similar rate as the mainland average. In Los Angeles (+10.9%), Dallas (12.3%), and San Francisco (14.5%), fare hikes were even more pronounced, extending well into the double-digits.

Several factors must be considered to explain this notable rise in ticket prices. First is the cost of fuel. Though oil prices have re-

mained both low and stable over the course of the past twelve months, this does not change the fact that oil costs more in 2017 than it did throughout the first half of last year. This has undoubtedly placed some upward pressure on global airfares relative to where they stood last year. The second key consideration is air seat capacity to the islands. Looking back at the second quarter of this year, total air seat capacity from the mainland remained mostly stagnant, increasing only +0.3 percent from the year prior. Coupled with significant increases in demand, basic economic theory would suggest inflationary effects on prices. On the upside, stability in oil markets, as well as increased capacity in the third and fourth quarters of 2017, should allow airfares to level off or even decrease from where they stood in the second quarter.

Average Round-trip Airfare to Hawai'i Q2 2017



Source: HVCB analysis of Diio Mi data