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**SPOTLIGHT ON:  
THE SHARING  
ECONOMY** 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 | October 2015

## In This Issue

### Spotlight On: The Sharing Economy and Alternative Accommodations

The sharing economy model is changing the ways in which consumers think about travel, from the impact of goods and services on their wallet to seeking out more localized experiences. Nearly one-fifth of American consumers partake in some kind of sharing economy activity, such as catching a lift from a ride share service or spending the night in someone else's home. Sharing economy business services like Airbnb have captured

more than 20 million travelers in the last year alone, accounting for more than 155 million guest stays in 2014.

This month's *Spotlight On* examines the rise of the sharing economy and its broader impact on the hospitality industry. Learn more about the demographics of travelers who participate in the sharing economy, including what drives them to choose an alternative accommodation and whether they would book again.

*Continued on PG2*



### CONSUMER TRENDS

Hawai'i travel intentions among U.S. air leisure travelers remain high. The cost of travel to Hawai'i is still a significant barrier to travel, particularly when a strong U.S. dollar has put overseas destinations more within reach.

*PG4*

### COMPETITIVE UPDATE

2015 is shaping up to be one of the busiest travel years on record. While Hawai'i has benefited from increased visitation, so too have key competitors.

*PG5*





## The Sharing Economy

### The Sharing Economy's Market Share



24% of U.S. travelers stayed in an alternative accommodation while traveling for leisure in the past year.

### The Rise of Alternative Accommodations

The recent push of the sharing economy into the mainstream spotlight has sparked concern from the hospitality industry. There is no question the rising popularity of alternative accommodations is changing the fabric of the accommodation sector - but not in the ways you might think.

Recent studies by Morgan Stanley and PricewaterhouseCoopers (PWC) show that the rise in alternative accommodations has yet to demonstrate any material impact on the U.S. hotel industry. Some argue that alternative accommodations are taking share from hotels and causing a drop in rates during peak periods. However, in an analysis of compression nights in the top 25 U.S. markets (when occupancy is greater than 95%), the number of compression nights has actually grown in the past seven years despite an increase in alternative listings. Similarly, room rates have risen +11.9 percent during compression periods from 2007 to 2014, well above the +9.1 percent average room rate increase.

Rather than acting as a direct competitor to the hotel industry, the shar-

ing economy is in fact making the pie bigger. Alternative accommodations tend to attract a niche type of consumer who might not otherwise travel; one who is more interested in micro experiences that offer a more local or authentic travel experience. PWC refers to this as the bifurcation of consumer types - those who are more prone to look for a unique experience versus those who seek the reassurance of consistency.

Alternative accommodations appeal to those who are willing to trade the uncertainty of quality for better pricing and more unique experiences. Mitigating the unreliability of strangers, however, is still a challenge. In a recent study of U.S. consumers who use the sharing economy, more than one-third still say they are more likely to trust a leading hotel brand than an alternative accommodation provider.

While these studies take on a national perspective, it is not yet clear exactly how Hawai'i compares to broader industry findings. Currently, no study exists to determine the impact of alternative accommodations specifically on Hawai'i.

*Continued on PG3*

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## U.S. Traveler Attitudes on Alternative Accommodations

|   | MILLENNIALS | XERS | BOOMERS | MATURE |
|---|-------------|------|---------|--------|
| I like vacationing in a home away from home   | 80%         | 69%  | 65%     | 95%    |
| Alternative accommodations are generally more affordable than traditional hotels          | 81%         | 66%  | 56%     | 72%    |
| I want to stay in an unusual place  | 79%         | 53%  | 57%     | 39%    |
| I was on an extended trip and don't like staying in a hotel room for long periods of time | 76%         | 65%  | 41%     | 76%    |
| I like vacationing with locals in their neighborhood                                      | 69%         | 64%  | 61%     | 30%    |
| I prefer booking accommodations in the same neighborhood as the people I'm visiting       | 74%         | 51%  | 56%     | 72%    |

Source: HVCB analysis of MMGY Global 'Portrait of American Travelers', 2015

### Demographics and Attitudes

Approximately one quarter of U.S. air leisure travelers (24%) report they have stayed in an alternative accommodation while traveling in the past 12 months. Of this segment, more than four in ten (43%) booked a stay with Airbnb, while 36 percent used VRBO and 19 percent used HomeAway.

Millennials are the key drivers of growth for sharing economy services. Millennials (ages 18-35) account for approximately 41 percent of travelers who have used the sharing economy while on vacation in the past year. Gen Xers (ages 36-49) make up 24 percent, while 30 percent are Boomers (ages 50-68). Travelers ages 69+ (Mature) make up just six percent of the market.

As for household income, sharing economy users are fairly evenly distributed across all income levels. Nearly one-quarter (23%) of alternative accommodation users fall within the less than \$75,000 bracket. Approximately 20 percent have a household income between \$75,000 to \$100,000, while 31 percent are in the \$100,000 to \$150,000 range. The remaining 26 percent have an annual household income greater than \$150,000.

More than three-quarters (76%) of millennials say arranging accommoda-

tions through a service like Airbnb or Homeaway was a good experience and 80 percent would book again. Similarly, 72 percent of Generation Xers and 74 percent of Boomers who have stayed in an alternative accommodation say they would do so again.

So what attracts travelers to shared accommodations? One of the most frequently cited drivers is comfort – travelers are looking for a home away from home. Beyond comfort, Millennials tend to prioritize accommodations that are more affordable than traditional hotels (81%) that offer unusual locations (79%). Around two-thirds of Generation Xers who have used the sharing economy say affordability, extended trips, and vacationing among locals are the top reasons to choose an alternative accommodation. Similarly, more than half of Boomers prefer to stay in a local neighborhood and unusual places. Around half of Boomers also choose alternative accommodations for their perceived affordability as well as proximity to friends or family they are visiting while on vacation.

Sources: PricewaterhouseCoopers 'The Sharing Economy', 2015; Morgan Stanley 'Is Airbnb's Impact on Hotels Being Overstated?', September 2015; MMGY Global 'Portrait of American Travelers', 2015; TNS TravelsAmerica data, 2015



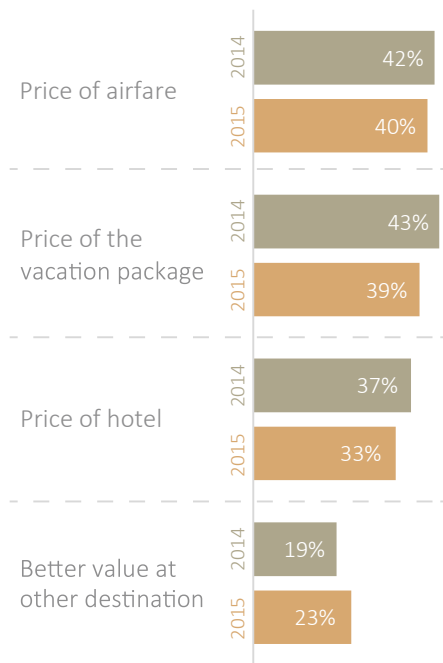
Photo courtesy of HTA / Tor Johnson



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## Consumer Trends

### Top Barriers to Travel



Source: HVCB analysis of MMGY Global travelhorizons data, Q3

### Intent to Travel Remains High

Interest in a Hawaiian Island vacation remains strong as of the third quarter of 2015. According to the latest MMGY Global *travelhorizons* data, nearly 42 percent of U.S. air leisure travelers say they are very or extremely likely to visit Hawai'i in the next 24 months, up +3.4 percentage points year-over-year. Intent to travel to Hawai'i has grown dramatically over the last seven years, up from just 10 percent in 2008.

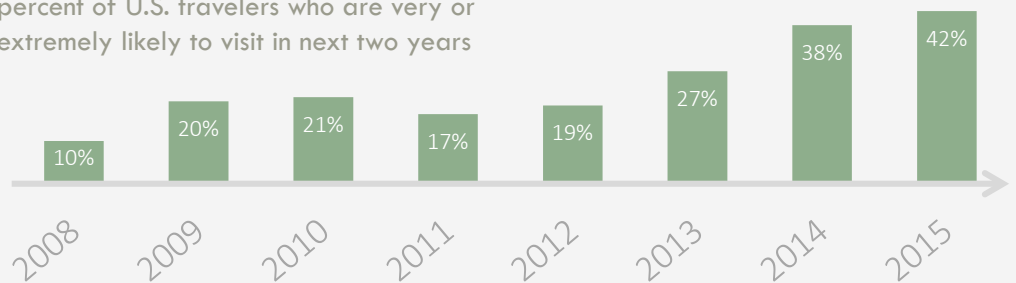
Although travel intentions remain strong, Hawai'i continues to be susceptible to a variety of travel barriers. Nearly four in ten (38%) U.S. air leisure travelers who have previously considered visiting Hawai'i have decided not to after all. The cost of a Hawai'i vacation still ranks among the top reasons for not visiting the islands, with 40 percent saying the price

of airfare is a reason not to visit, 39 percent citing the cost of a vacation package, and 33 percent stating the cost of a hotel. It is important to note, however, that while cost remains the top reason not to visit Hawai'i, the percentage of travelers who have cited expenses as the key reason not to visit Hawai'i has actually declined year-over-year. Lower airfares in the first quarter of 2015 likely helped mitigate some of these cost concerns among travelers.

At the same time, the percentage of travelers who cited better value at another destination grew +4 percentage points year-over-year. With a strong U.S. dollar, overseas destinations have been more attractive to travelers in terms of value, putting international travel more within reach than in the recent past.

### Hawai'i Travel Intentions

percent of U.S. travelers who are very or extremely likely to visit in next two years



Source: HVCB analysis of MMGY Global travelhorizons data, 2015 Q3



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## Competitive Update

### Winter 2015/2016 Competitor Outlook

2015 is proving to be another record year for overseas travel. Total U.S. outbound departures are up +6.4 percent year-to-date through July. While Hawai'i has kept pace with a +6.2 percent increase in U.S. visitors in the first seven months of the year, international destinations are also seeing a significant bump in arrivals as well.




Among Hawai'i's top sun and sea competitors, Mexico and the Caribbean have both benefited from increased visitation year-to-date through July. U.S. arrivals by air to Mexico are up +11.0, while visitors to the Caribbean grew +6.8 percent. Europe has also seen a significant increase in U.S. arrivals, up +5.2 percent through July 2015.

Increased overseas travel is likely a result of a strong U.S. dollar coupled with generally lower travel costs. Both Hawai'i and its competitors saw a significant drop in airfares from the U.S. mainland in the

first quarter of 2015. Air travel to Hawai'i was 5.7 percent cheaper compared to the first quarter of 2014, while fares to Mexico were 5.3 percent less expensive. Many of Mexico's top resort areas saw significantly decreased airfares, with Cabo San Lucas down -21.0 percent, Cancun down -7.4 percent, and Puerto Vallarta down -5.8 percent. Similarly, air travel to the Caribbean cost 5.8 percent less than last year.

Looking ahead, competition will remain stiff this winter season. Air seat capacity to many of Hawai'i's key competitors is expected to grow considerably in the November through April period, with Cabo San Lucas currently showing a +11.0 percent increase in seats from the U.S., Cancun up +11.6 percent, +15.8 percent for Puerto Vallarta, and the Caribbean up +4.7 percent. For comparison, air seats to Hawai'i are expected to increase +4.0 percent in the same time period.

### Sneak Peek at Next Month

-  Spotlight On: Never Beens Revisited
-  Latest airfare data through Q2
-  Updated visitor arrivals through Q3

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