



Photo courtesy of HAVI / Jay Johnson

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 2016

In This Issue

The Changing Media Landscape

Travelers are more connected than ever. As the mobile web and social media have become commonplace, marketers must navigate a hyper-connected world in which consumers are inundated with messaging from every direction. Commercials, print ads, online banners, and even direct email campaigns are important for raising awareness of a brand, but their returns are increasingly challenged. The average web user sees 1,700 banner ads a day, yet the vast majority of click-throughs are coming from automated web crawlers that mimic human action but are not actual leads.

As a stark contrast to traditional advertising – which interrupts or exists alongside content that consumers want to read and watch – travel

brands are turning the tables and focusing instead on storytelling. Marketers are creating interesting, useful, and entertaining stories to engage travelers and give them a reason to become interested in a travel destination, product, or service. Relevant content can help build a relationship with the consumer, reaching them long before they start planning their trip, rather than during the transactional stage where a large part of marketing, often price-point driven, appears.

This month's *Spotlight On* takes an in-depth look at content marketing as a way to engage travelers. The following provides an overview of where to find travelers online, their preferred channels, and viewing habits.

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TRAVELER SENTIMENT

Recently released data shows overall U.S. air leisure traveler sentiment dipped in the third quarter of 2016, due to increased concerns about the safety and security of travel.

PG4

TRAVEL INTENTIONS

Hawai'i travel intentions set a new third quarter record in 2016, with more than four in ten U.S. air leisure travelers saying they are very or extremely likely to visit the destination in the next 24 months.

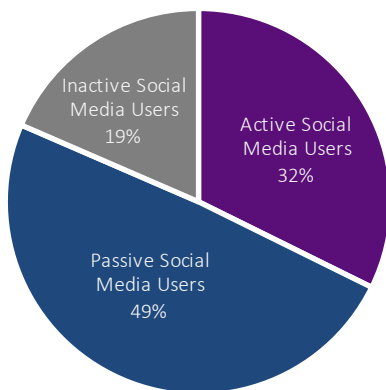
PG5





Photo courtesy of HIA / Tor Johnson

Frequency of Social Media Usage by U.S. Overseas Leisure Travelers



Source: HVCB analysis of TravelStyles USA data, 2015-16

Changing Media Landscape

Mobile

Mobile connectivity is the new norm for U.S. overseas leisure travelers. Eight in ten travelers (81%) own a smartphone, more than four times as many who did so just six years ago. While ownership declines with age, for the first time ever, the majority of every age group now owns a web-enabled mobile device.

The widespread adoption of mobile devices is enabling travelers to spend more time online. U.S. overseas travelers spend a median of 14.6 hours online per week, nearly double that of time spent in 2009. Four in ten U.S. overseas travelers (41.4%) say the majority of their online time is spent using a mobile device instead of a desktop or laptop computer, up from 30.2 percent three years ago. Millennials tend to spend significantly more time online using a mobile device – nearly 70 percent say that more than half of their time spent online is via smartphone or tablet.

Social Media

The proliferation of the mobile web has come hand-in-hand with increased social media usage. U.S. overseas travelers can be segmented into three groups based on their level of activity and engagement with social media. One-third (32.3%) are active social media users, while half (49.2%) are considered passive users, and

the remaining 18.5 percent are inactive on social media. These splits have remained relatively constant since 2013.

Facebook remains the dominant social media platform and continues to grow its share among overseas leisure travelers. More than 70 percent of U.S. overseas travelers use *Facebook* regularly, up from 64 percent in 2013 and 48 percent in 2009. Although *Facebook* usage declines with age, it is now used regularly by the majority of travelers in all ages groups.

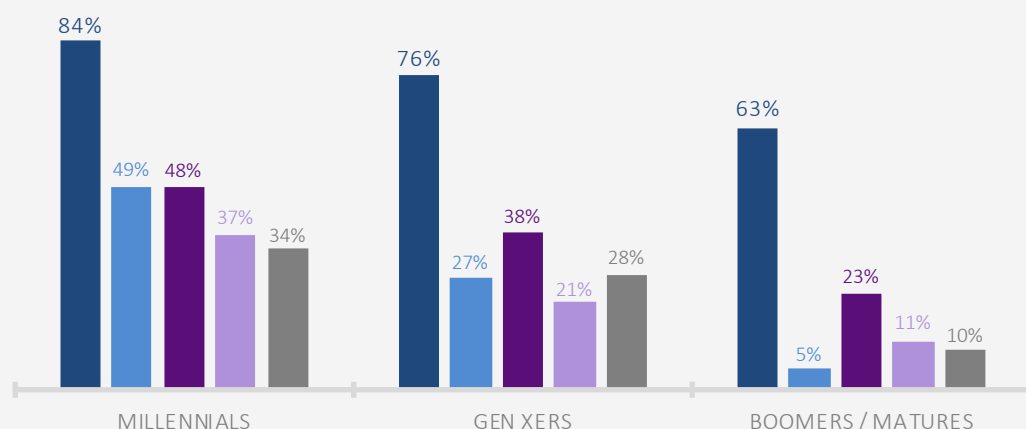
The video-sharing site, *YouTube*, is the second most popular social media platform among U.S. overseas travelers. Nearly one-third (32%) regularly use *YouTube*, up from 28 percent three years ago.

Fewer than one in four U.S. overseas travelers use any other social media site regularly. Social media developments in recent years have been characterized by the rapid growth of image and video-centric platforms such as *Instagram*, *Pinterest*, *Vine*, and *Snapchat*. Nearly one in five travelers regularly use *Instagram* (19.6%) and *Pinterest* (19.3%), up from 11.4 percent and 13.7 percent, respectively, three years ago. *Instagram* is especially important for reaching millennial travelers, for whom it is the second most popular social media site after *Facebook*.

Continued on PG3

Travelers' Preferred Social Media Channels by Age Demographic

Facebook Instagram YouTube Pinterest Twitter



Source: HVCB analysis of TravelStyles USA data, 2015-16

Video

Two-thirds of U.S. consumers watch travel videos online when they are thinking about taking a trip. According to a study by Ipsos Media, travel watchers on *YouTube* are interested in community-generated content, but the majority of travel-related views (67%) are for branded or professionally-released videos. Travelers are looking to do more than just watch videos, however; they are also looking to connect with creators and brands, and hear real-life stories. Nearly half of travel *YouTube* channel subscriptions are for travel vlogs, which receive four-times as many engagements (likes, comments, shares, favorites, and subscriptions) than any other type of travel content on *YouTube*.

Content Marketing

The digital era places an emphasis on visual media, which is being driven in part by evolving technology. The popularity of photo- and video-sharing channels like *Instagram* and *YouTube* are allowing brands to connect

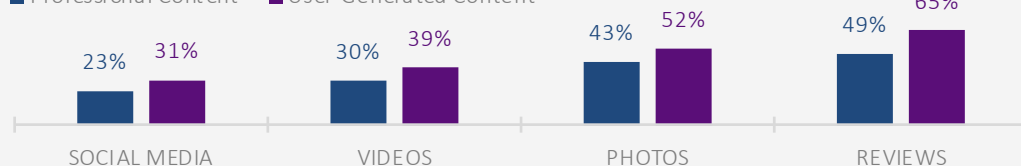
with travelers in a more meaningful way than ever before.

U.S. travelers are showing strong preference for user-generated rather than professional content. According to PhoCusWright's latest U.S. Consumer Travel Report, over half of U.S. travelers (52%) who purchased travel online said user-generated photos were important in making travel decisions, compared to 43 percent who preferred professional photos. Similarly, 39 percent said user-generated videos were more important when purchasing travel compared to 30 percent who preferred professional video content.

Compelling photography and video are powerful tools that bring travel to life for consumers by creating a sense of place and inspiring aspiration. Content helps travel brands establish a relationship with the consumer by building trust and loyalty, all while influencing their choice of a destination, product, or service.

Preferred Content Type When Selecting a Travel Product or Service Online

Professional Content User-Generated Content



Source: HVCB analysis of PhoCusWright U.S. Consumer Travel Report Eighth Edition, 2016

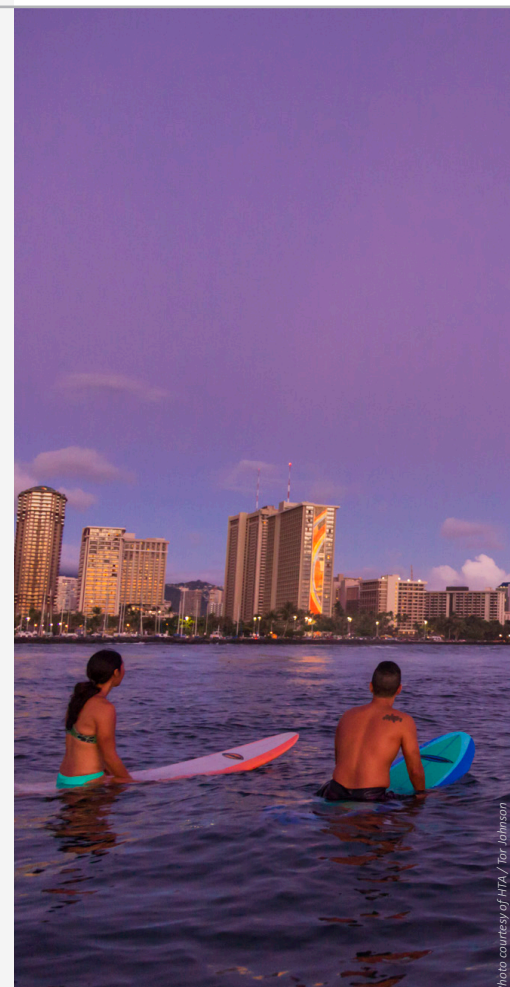


Photo courtesy of HTA / Tor Johnson

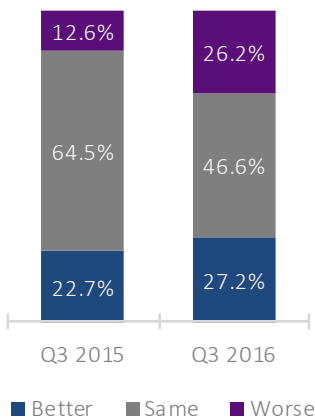
Sources: TravelStyles USA Americans as International Travelers 2015-16, Skift Content Marketing Trends in the Travel Industry, PhoCusWright U.S. Consumer Travel Report Eighth Edition, Think with Google Travel Content Takes Off on YouTube



Photo courtesy of HVCB/Schmitt

Traveler Sentiment

Safety of Travel Compared to One Year Ago



Source: HVCB analysis of MMGY Global travelhorizons data

Traveler Sentiment Dips in Third Quarter of 2016

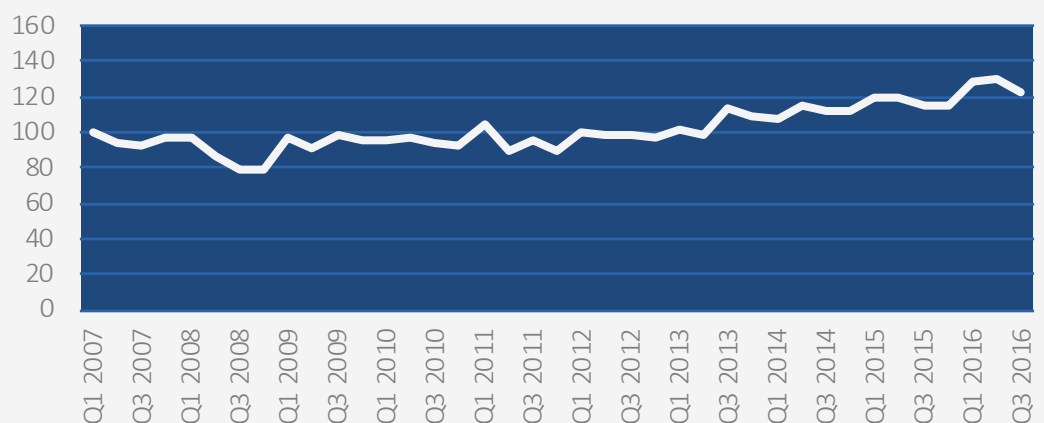
The U.S. Air Leisure Traveler Sentiment Index has seen significant gains in the last three years. In the first half of 2016, the index hit its highest point ever recorded, at 129.7 (2007 = 100).

The latest available data for Q3 2016, however, shows a marked decline in traveler sentiment quarter-over-quarter. While U.S. air leisure travelers' interest in travel, time for travel, perceived affordability of travel, and personal financial situation continued to remain strong, it is an increased concern for safety and security while traveling that

caused a drop in overall sentiment. More than one-quarter of U.S. air leisure travelers (26.2%) say the safety of travel is worse off compared to one year ago, a notably higher than 12.6 percent in the same quarter last year.

Fortunately, the majority of target U.S. travelers perceive the Hawaiian Islands as safe and secure. According to HVCB's TNS Marketing Effectiveness study, more than 90 percent say Hawai'i is a safe place to travel, the highest rated destination attribute.

U.S. Air Leisure Traveler Sentiment Index



Source: HVCB analysis of MMGY Global travelhorizons data



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Travel Intentions



Hawai'i Travel Intentions Hit New Third Quarter High

Hawai'i travel intentions have grown substantially in the last six years, reaching a new third quarter high in 2016. More than four in ten U.S. air leisure travelers (43%) say they are very or extremely likely to visit Hawai'i in the next two years, a +2 point increase year-over-year and +26 points higher than five years ago.

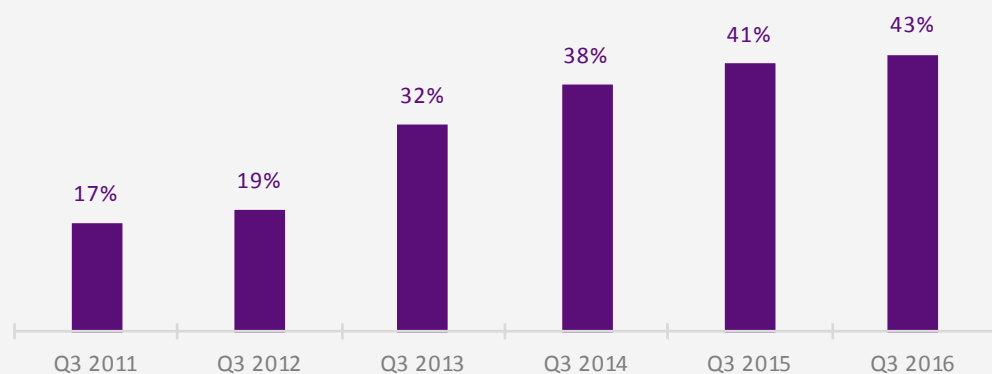
Despite strong demand, Hawai'i is still susceptible to a range of travel barriers. As of Q3 2016, more than one-third of U.S. air leisure travelers (37%) have previously considered visiting Hawai'i but decided not to

after all. While the cost of travel is still the top ranked barrier to visiting Hawai'i, the percentage of travelers who cited the cost of a vacation package has actually declined year-over-year (-8.2 percentage points). Similarly, fewer travelers say they can find better deals at other destinations (-2.4 points). While much smaller in comparison, structural barriers continue to gain traction, including no accommodations available (+1.8 points), the flight to Hawai'i is too long (+1.6 points), and not enough activities that interest travelers (+3.9 points).

Sneak Peek at Next Month

-  The Hawai'i Target Traveler
-  Latest airfare data

Percent of U.S. Air Leisure Travelers Very/Extremely Likely to Visit Hawai'i in Next Two Years



Source: HVCB analysis of MMGY Global travelhorizons data