



SPOTLIGHT ON: Shoulder Season Travel



Photo courtesy of Hawaii Visitors and Convention Bureau

MARKET INSIGHTS UPDATE

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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.

In this Issue

Most travelers dream of having that white sand beach, scenic lookout spot, or iconic museum all to themselves. The reality is, as destinations have exploded in popularity in recent years, so too have the crowds. It is nearly impossible to get a walk-in table at a trendy restaurant, a relaxing poolside retreat, or that picture perfect shot without other visitors in the background during peak season months.

That said, there is still the possibility of some respite from the hoards of people crowding popular destinations – *if* you have the flexibility. Known as the 'shoulder season', the months between the peak periods are the sweet spot when crowds have dissipated, airfares are lower, and reservations are easier to come by. The shoulder season has been shortening with the explosion of travel demand and now generally

encompasses the months of May, September, and October. The biggest drop off in visitors happens after Labor Day weekend and destinations are taking note.

The shoulder season offers the greatest opportunity for growth, with lower hotel occupancies and less crowded attractions. Filling the shoulder months is the key to stable year-round visitation without the peaks and valleys typical of many popular seasonal destinations. It benefits not only the accommodations and activities that serve visitors, but also helps retain the local workforce on a full-time basis. This month's *Market Insights Update* takes an in-depth look at Hawai'i's shoulder season and what destinations are doing to create a more balanced year-round visitor industry.

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Airfare Update

The average round-trip airfare to Hawai'i from the U.S. mainland declined in the second quarter of 2019 compared to the same time last year, driven by an increase in air seat capacity and competition between carriers.

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Shoulder Season Travel

Most Popular Shoulder Season Destinations

1. Las Vegas
2. Orlando
3. New Orleans
4. Denver
5. Honolulu
6. Chicago
7. Washington, DC
8. Dallas
9. Kahului
10. Los Angeles

Source: Priceline

Hawai'i's Shoulder Season

Despite year-round favorable weather and access to activities, Hawai'i is no exception to the rule of seasonality in tourism. Typically there are two shoulder season periods in a given year, falling in the late spring and early fall months. While the Hawaiian Islands do see a dip in U.S. visitation between September and November, the late spring months actually outpace January and February in terms of arrivals. This trend has held true for the past five years, even with a +28 percent increase in visitors.

Focusing on just the fall shoulder period, on average off-peak travelers stay slightly fewer nights in destination (8.9 vs 9.4 nights). They also spend less per person per trip, averaging \$1,698 compared to the \$1,776 spent during peak season.

Looking at Hawai'i's statewide hotel occupancy, there is a significant dip in the fall shoulder season and a more subtle one in late spring. September, October, and November occupancy levels drop off to around 70 percent, a notable decrease from the 80+ percent seen in the peak travel periods. Average Daily Rate also

declines slightly, but the drop is not nearly as pronounced. This trend holds true across all islands, with Maui seeing the largest drop in occupancy during the fall shoulder season months.

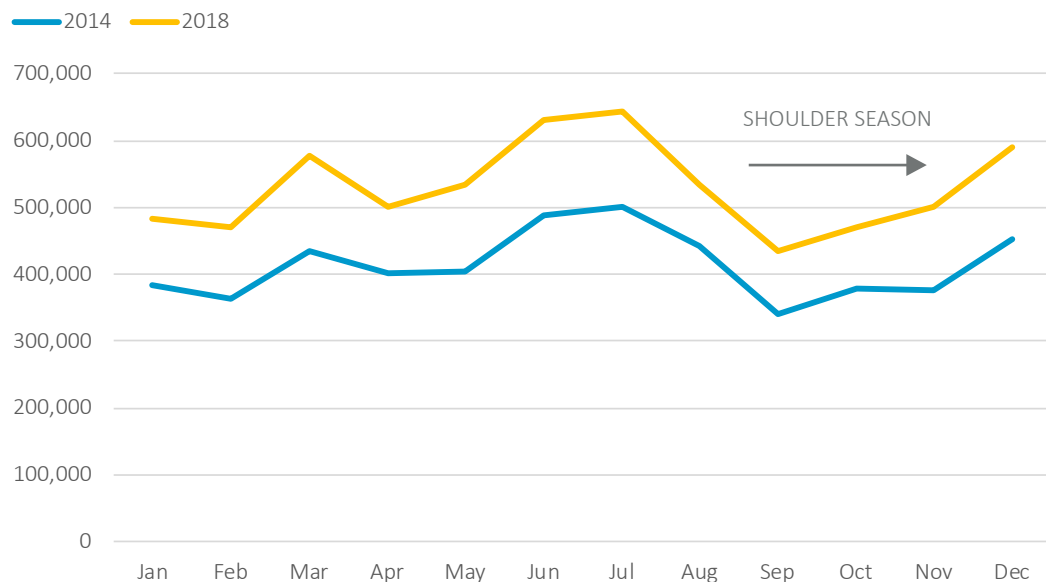
Key Challenges

Destinations across the globe have grappled with the issue of seasonality for decades. Few destinations have been successful in extending their visitor industry into a year-round, non-seasonal pattern of visitation. Combating seasonality is a challenging task, especially due to structural constraints. A destination alone cannot overcome issues of seasonality; it takes an integrated effort between airlines, hotels, attractions, and activities.

One of the key factors of seasonality is of course school and work schedules. Travel tends to follow a pattern around institutional holidays, with visitation growing during key holiday periods such as Christmas, Easter, and the traditional summer vacation. There are ways to combat these peaks and valleys of visitation, with specific strategies aimed at growing visitation during the off-season months.

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U.S. Visitor Arrivals to Hawai'i by Month



Source: HTA Annual Visitor Report

Growing the Shoulder Season

There are many creative examples of ways destinations have created more balanced visitation across the year. The most common practice for fighting seasonality is extending the high season, often by reducing accommodation prices immediately before or after the peak period. The objective is to increase the attractiveness of a destination through reduced pricing, broadening the appeal to a wider market. Success largely depends on the flexibility of travelers, often appealing most to retirees and those without children. Typically this method requires little to no coordination among tourism stakeholders, as long as attractions and services remain open. Hotels that offer early and late season offers are the key drivers of this method, mutually benefiting all within the destination by increasing overall visitation.

Although less applicable to places with consistent weather patterns, many mountain resorts are examples of how to become year-round destinations. Adding a 'second season' has allowed ski towns in the Rockies and Alps to attract visitors during the summer months with outdoor offerings such as hiking and mountain biking while still utilizing their high-investment infrastructure such as chairlifts and mountain lodges. Such attractions have not only grown moun-

tain towns into desirable summer vacation spots, they have also attracted full-time residents instead of just seasonal workers.

Another common tactic to attract visitors in the shoulder months is to design events, festivals, and competitions that appeal to niche audiences. This strategy, however, requires considerable investment, organization, and marketing to be successful and build attendance each year. Popular festivals and events that have proven successful for driving visitation in the shoulder season have included large music productions (e.g. Coachella), wellness festivals (e.g. Wanderlust), and athletic events (e.g. Ironman).

Meetings, Conventions, and Incentives (MCI) travel is a lucrative market, often filling hotel rooms outside peak periods. Because it is more challenging to secure room blocks for large groups during peak season, prices are high, and access to large group activities is nearly impossible, the shoulder months are the perfect time to promote business travel. With conventions ranging in size from hundreds to thousands of delegates who are not held to the constraints of peak-season travel, this market is often times targeted as a way to build a destination's off-peak months. In addition, MCI delegates are more likely to bring their families, encouraging them to stay longer as a leisure visitor.



Source: HVCB analysis of HTA visitor arrival, STR data



Airfare Update

Sneak Peek at Next Month



Spotlight On:
The Affluent Traveler

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The average round-trip airfare from the U.S. mainland to Hawai'i decreased seven percent in the second quarter of 2019, totaling just \$616 per ticket. Fares from the U.S. West decreased eight percent to \$512. Airfares were down across many major markets, including Portland (-11%), Los Angeles (-10%), and San Jose (-9%). Meanwhile, fares from the U.S. East fell four percent to \$888. Houston saw the

largest drop in fares at -24 percent, while fares from New York were down eight percent, Denver was down three percent, and Chicago was relatively flat. Part of what drove the drop in fares was an six percent increase in nonstop air seats from the U.S. West market (+125,500 additional seats), and a four percent increase in nonstop seats from the U.S. East (+11,700 seats) in Q2 2019.