

# Randall

*Travel Marketing*

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## Top Ten Travel Trends 2008

*Change*



# Change

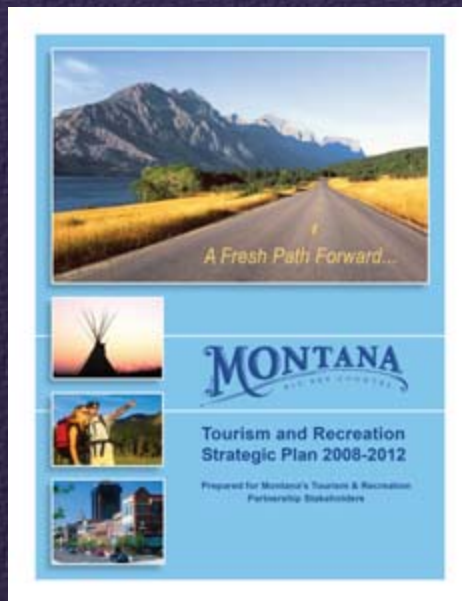
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“It is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change.”

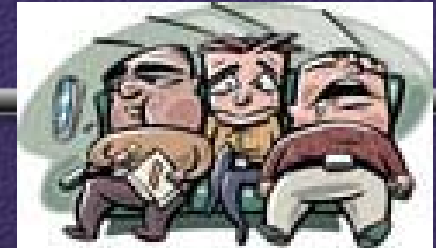
- Charles Darwin

# Trends and Montana

How do the top trends match  
Montana's new Strategic Plan?



2008



## Modest Growth

outpacing 2000 levels-  
but it is a completely different world

...

major traveler behavior change is  
forcing the travel industry to  
Re-think and re-invent



# Changing Travel Industry

## 2000

- Best year ever

## 2001

- Economy tightens
- Decrease in business, group, convention
- War generation aging out
- 9/11

## 2002

- Consumer confidence drops
- Continued decline in business, meetings, groups
- Terrorism fears
- New behavior patterns

## 2003

- War, SARS, terrorism
- Continued economic concerns

## 2004

- Rebuilding – but not at 2000 levels until 2005

## 2005

- Travel spending up 7.7%
- Performance matches 2000

## 2006

- Growth over 2000
- Hotels thriving
- Gas prices rise

## 2007

- Airlines profitable
- Hotels thriving
- Gas rises again
- Economy unsettled

# Forecast

- International travel is up but will not reach 2000 levels until 2010
- 75% say they will spend at least as much \$\$ in leisure travel in 2008 – but concerns about debt, gas prices, etc.
- Costs: 6-8% growth (air: 6-10%, hotel: 5-7%)
- More leisure travelers than business travelers in 2008 (decline in business travel)
- Adult couples (Baby Boomers+) will dominate
- 75% expect to travel closer to home in 2008



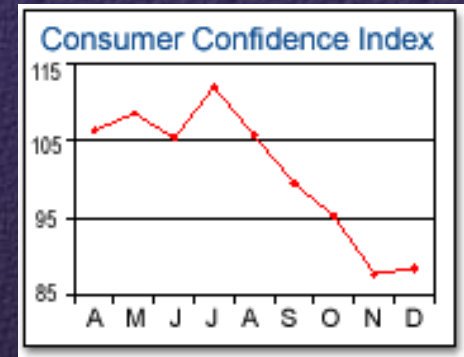
# Interesting Tidbits

- 86% of Americans travel with their cell phones (“call to see what’s blooming today”)
- 70% of 15-30 year olds use social networks – growing with older travelers
- 75% trust reviews more than ads
- 90% of women want a “girlfriends getaway”
- 36% want a spa experience
- Timeshares/rentals continue growth
- 81% say they want something new/different in 2008
- 50% of convention attendees stay over
- 75% of hotel guests more motivated by photos than price
- 70% found information at hotel/lodging on things to see & do

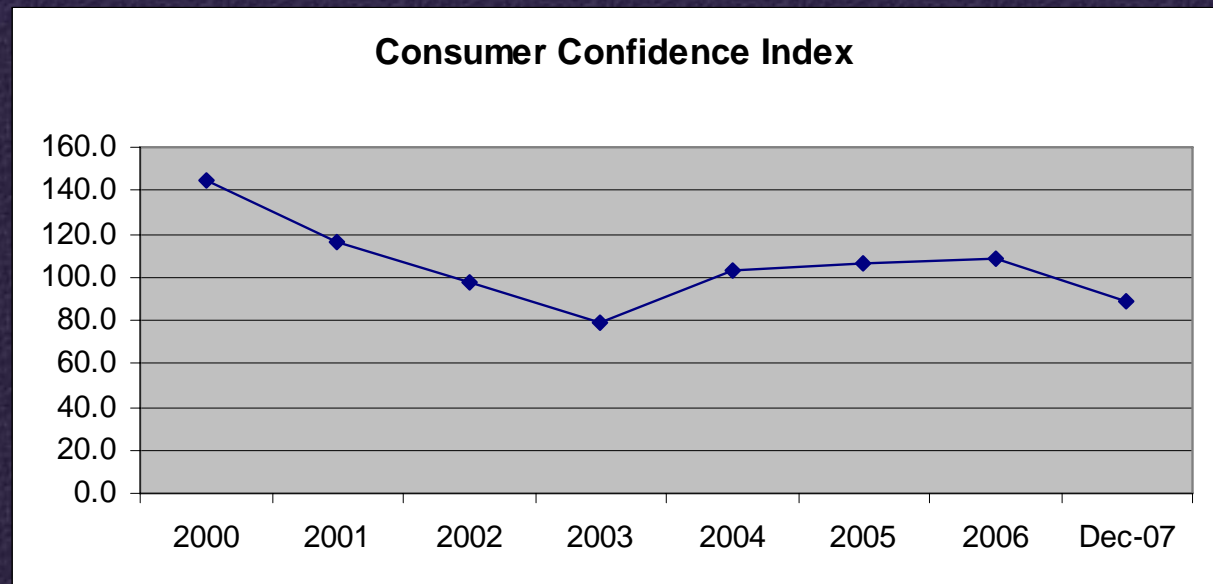


# Consumer Confidence Index

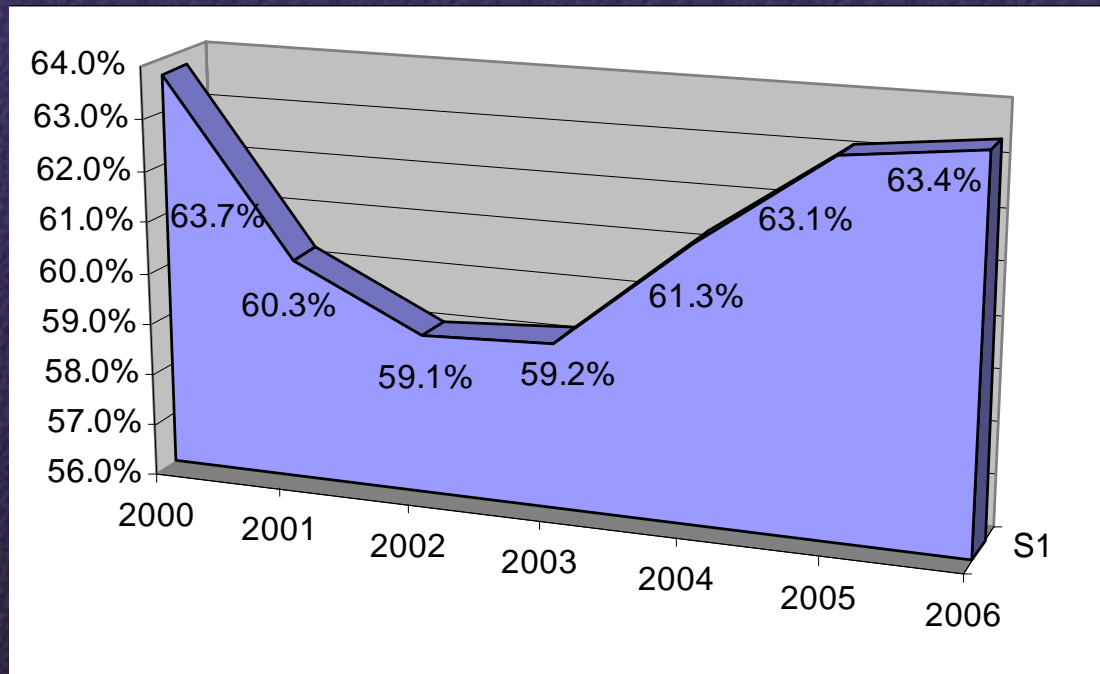
- Americans are optimistic, but concerned
- April - December '07
  - Now at 88.6



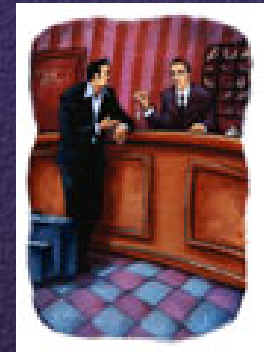
- 2000 - 2007



# Lodging – making money



Data Source: Smith Travel Research STR Report



- **Smith STR 2008 projection = 64.7% occupancy (same as 2007)**
- **Growth in inventory – 5% more than 9/11**
- **50,000 hotels in U.S. – expect slow growth in inventory**
- **ADR & RevPAR up – ADR broke the \$100 barrier nationally**
- **2008 – going green, better beds, flat screen TV, ipod docking, doing more consumer research**



# Lodging in Montana

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Occupancy	57.0%	57.5%	56.6%	55.8%	57.8%
ADR	\$64.68	\$64.95	\$63.28	\$64.15	\$64.63
Supply	8,770	8,931	9,023	9,084	9,103
Demand	4,982	5,101	5,112	5,071	5,260



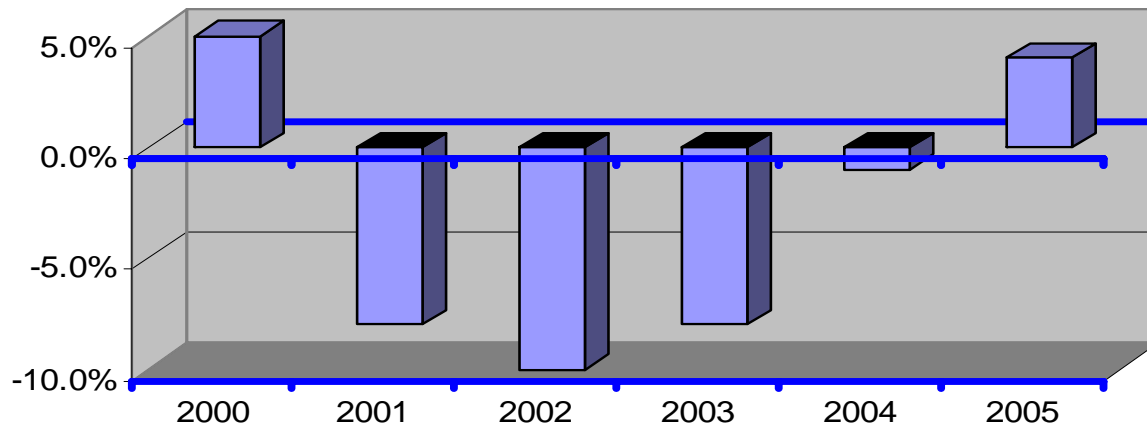
## 2012: Lodging in Montana

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- Increase lodging revenues 6%/yr.
- Occupancy from 59.5% in 2006 to 63%+ by 2012 (STR)
- Boost ADR from \$68 in 2006 to \$82 by 2012 (STR)
- Maintain Apr-Sept; Increase off-peak.

# Airlines

Passenger Volume Annual Growth/Loss



Source: Air Transport Association

- Prices below 2000 levels but going up
- 2005 Losses: \$4.1 Billion
- 2006 Losses: \$0.5 Billion
  - U.S. Fleet 20% smaller
  - 160,000 jobs cut since 2000
  - Fuel costs doubled over 2005
- 2007 projected profit = \$5.1 Billion
- 2008: mergers, uncomfortable, profitable





## What Does it Mean for Montana?

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- About 20% of your non-resident visitors fly in (big increase in summer). 5-6% increase in volume annually.
- It's important to track and monitor air cost and convenience (compared to your competition)
- Objective: Increase air service capacity
- Time poverty and cost of fuel make this an important issue for Montana.

# Amtrak

- About 150,000 visitors per year to MT
- Objective: Increase 5% per year
- Same issues: cost & convenience



# Business Travel



## *Business travelers are* **RELUCTANT**

- Typically 1/3 of lodging occupancy
- Younger and more female
- Business already planning to curtail or cut costs in 2008-2009

### While on a business trip:

- 48% report insufficient sleep
- 43% consider airport security a hassle
- 26% report eating too much
- 19% get lonely



## What Does it Mean for Montana?

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- Know what % of your visitors are individual business travelers.
- Make sure they know where the good restaurants, shopping, experiences are.
- Make them want to come back.

# Convention/Meeting

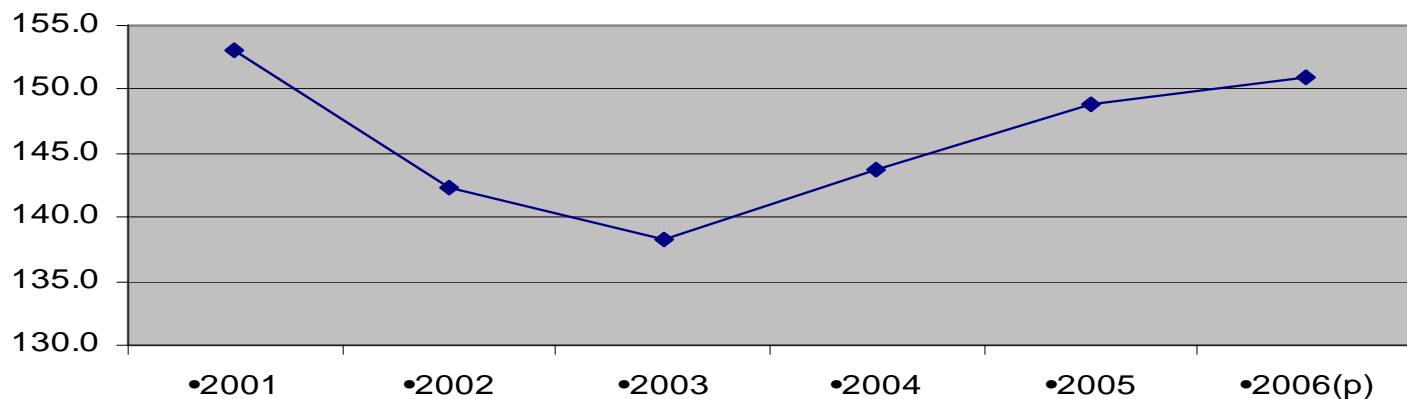
## U.S. Business/Convention Travel (domestic):

"The overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to repeated industry projections."

- - The Brookings Institution



**Convention Person Trips (millions)**



# Convention/Meeting

## Expected Future:

- Reluctant attendees
- Aggressive competition
- Destination first / program second
- All-in-one site – no driving





# What Does it Mean for Montana?

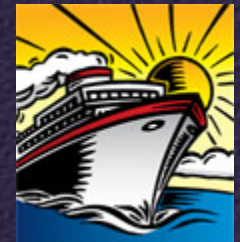
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- 2012 Objectives: 50 new conferences + 2 news sports events per year
- More competition – less willing customer
- Direct sales by CVB and hotels is critical
- Look for smaller meetings & SMERF
- Expect weddings, reunions to increase

# Cruise Industry

## Cruise Lines (CLIA):

- Out-performed all other travel segments since 2000
- 12.7 million in 2007, 4.6 million more than 2006, 10.6 million originating from North America – expecting 12.8 million in 2008
- 60% = Caribbean, 20%=Alaska, 20%=northeast/west coast/other
- Approximately 6 million (56%) originate out of Florida
  - 14% out of California/Washington/Hawaii/Alaska
  - 8% out of Texas
  - 10% out of Mid-Atlanta (NY, PA, NJ)
  - 5% out of Massachusetts
  - 7% out of Louisiana, Maryland,



# What Does it Mean for Montana?

- Time poverty drives potential customer of Montana to cruises.
- You must learn to be a “cruise ship on land.”



# Spas



- 14,615 spas in the U.S. in Aug '07
- 6% increase over 2006
- While number is growing, it is slower
  - 80% = day spas
  - 9% = resort spas
  - 7% = medical spas
  - 3% = club spas
  - .4% = mineral springs spas
  - .5% = destination spas





## What Does it Mean for Montana?

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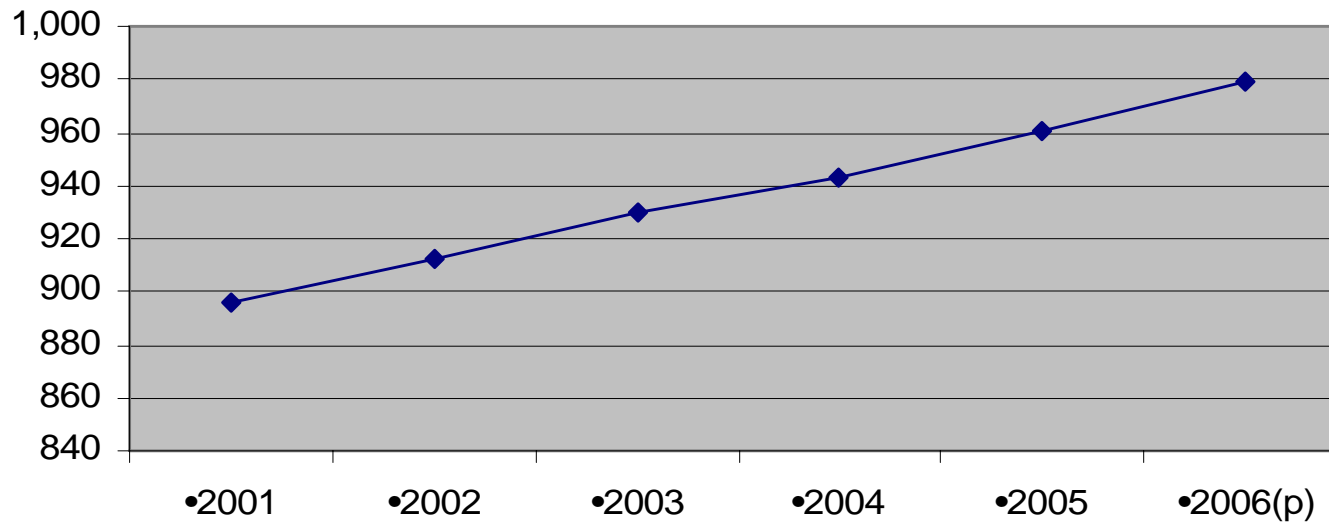
- Make sure visitors know where the spas are!
- Spa packages & girlfriends getaways
- Don't assume "outdoors" does not include desire for a spa!

# Domestic Leisure

U.S. Leisure Travel (domestic person trips) (TIA):  
*Increase has never faltered*



**Domestic Person Trips (millions)**



# Leisure Tourism

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## *Increases in Leisure travel*

- *“ Respite ”*
- *Vacations demanded*
- *Growth in family travel*
- *Growth in affinity travel*
- *Attendance to attractions down*



# Domestic Leisure

## Expected Future:

- **UNIQUE EXPERIENCES**
- **Beaches & Lakes**
- **Mountains**
- **National/State Parks**
- **Recreation**
- **Winter skiing/  
snow sports**
- **Increase in adults traveling without children**
- **Year round leisure visits**





## What Does it Mean for Montana?

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- This is your best potential....both in peak and off-seasons
- Gotta make it easy to say "yes" and give them something unique...facilitation & orientation is critical
- Niche approach is also excellent:
  - Birding
  - Wildlife
  - Photography
  - Adventure
  - Horse

# Group Tour



## *Reinventing the product*

- **Affinity, affinity, affinity**
- **Last minute planning taking its toll**
- **Hard to sell-out per capita tour**
- **Custom designed for Baby Boomers or other age groups**
- **Freedom without the hassle, cruise ship on land**
- **Something you can't get any other way**
- **Huge growth in student travel – now 25% of international travel (SYTA)**



# What Does it Mean for Montana?

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- Affinity is best target.
- Know which groups come....find more like them.

# Attractions



## *Changing or declining*

- Decline in attendance to many historic sites and museums
- 16,500 museums in U.S.
- 9,000 house museums in U.S.
- Boring vs. engaging
- Desire for less structure
- ½ price ticket & then sell food, beverage, retail
- "Store, Door & More"
- FUN



# Attractions



## *2007 Attractions Summary:*

- 20 largest theme parks increased 1.5%
- Increase overall – but significant declines at most – the consumer is picking winners
- Biltmore up, Hearst castle down
- Williamsburg down
- Growth in indoor water parks
- “If heritage tourism is so hot, why are these attractions not?”
- “You’re new or you are through”



## What Does it Mean to Montana?

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- Attractions need to track % of local vs. non-resident visitors.
- Promote to local hotels
- "Handmade in America" trails of heritage, scenic sites, museums, historic sites, etc.

# National Parks = 275 Million

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- Smoky Mountain National Park: 9.3 Million
- Grand Canyon: 4.4 Million
- Yosemite: 3.5 Million
- Yellowstone: 3 Million
- Canadian National Parks: -1% to 12 Million

# National Parks = 275 Million

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- Yosemite: 3.5 Million
- Olympic: 2.9 Million
- Rocky Mountain: 2.9 Million
- Zion: 2.6 Million
- Grand Teton: 2.6 Million
- Glacier: 2.0 Million

# National Parks = 275 Million

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## Per Capita in U.S.

1987      1.2 recreation visits per person

2005      .9 recreation visits per person

= 25% drop in 18 years

*(Source: Oliver Pergams, University of Illinois)*





# 2006 Rank Order

## Top 10 National Park Historic Site Visits

- Great Smokey Mountains National Park 9,289,215
- Grand Canyon National Park 4,279,439
- San Francisco Maritime National Historic Park 3,984,645
- National World War II Memorial 3,865,430
- Lincoln Memorial 3,810,347
- Vietnam Memorial 3,629,739
- Independence National Historic Park 3,532,245
- Castle Clinton National Memorial 3,415,397
- Colonial National Historic Park 3,344,018
- Statue of Liberty National Memorial 3,263,585



# Top 10

2007	National Park	Attendance	2006 Ranking
1	Blue Ridge Parkway	17,352,286	1
2	Golden Gate Nat. Recreation Area	14,397,313	2
3	Great Smokey Mnts. National Park	9,372,253	3
4	Gateway National Recreation Area	8,813,204	4
5	Lake Mead Nat. Recreation Area	7,622,139	5
6	George Washington Mem. Parkway	6,837,139	6
7	Natchez Trace Parkway	5,777,666	7
8	Delaware Water Gap Nat. Rec.	4,836,229	8
9	Grand Canyon National Park	4,413,668	10
10	Cape Cod National Seashore	4,351,609	9



# Change

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travel behavior  
of families





# Family Vacation Trends

- "Resorting" (activities with kids and free time alone)
  - Club Med
  - Beach Resorts
- Water Parks
  - Great Wolf Lodge (Wisconsin Dells)
  - Atlantis (Bahamas)
- Cruises – something for everyone
- International (rank order):
  - London
  - Rome
  - Paris
  - Cancun
  - Mexico
  - Nassau/Bahamas
  - San Jose
  - Costa Rica
- Experiential
  - Wildlife
  - Rafting
  - Rafting
- U.S. (rank order):
  - Orlando
  - New York
  - Miami
  - Las Vegas
  - Hawaii



# Kid Quotes

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- "I loved everything about New York – the shows, the shopping, the restaurants, the hotels, the rides, the things to see and do."
- "A vacation is not getting in and out of a car.....that's what we do at home."
- "I have a great time with my parents when we're on vacation – we talk more and don't fight as much."



# Top 3 Factors in Destination Selection for Families

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1. Fast, easy access to a wide variety of family and recreational activities
  - All at same site
  - Limited driving
2. Room size – spacious – family of 5
  - kitchenettes
  - video games
  - internet
3. Hotel services
  - pool
  - game rooms
  - fitness
  - kids programs

## Most Popular Items With Families:

- 41% Special children menus
- 30% Hotel discounts for families
- 22% Toys & video games available
- 13% Supervised activities
- 6% Babysitting services

## Top Picks:

1. Theme parks
2. Beach / lake / cruise
3. Water parks



# Kids Say

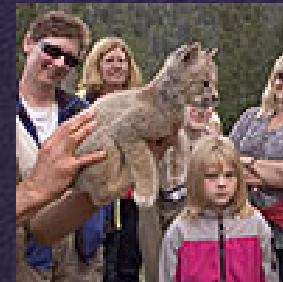
## Kids favorite vacation activities:

- Going swimming
- Eat in restaurants
- Stay in a hotel or resort
- Go to a theme park
- Stay up late
- Going to a beach/lake



## Least favorite:

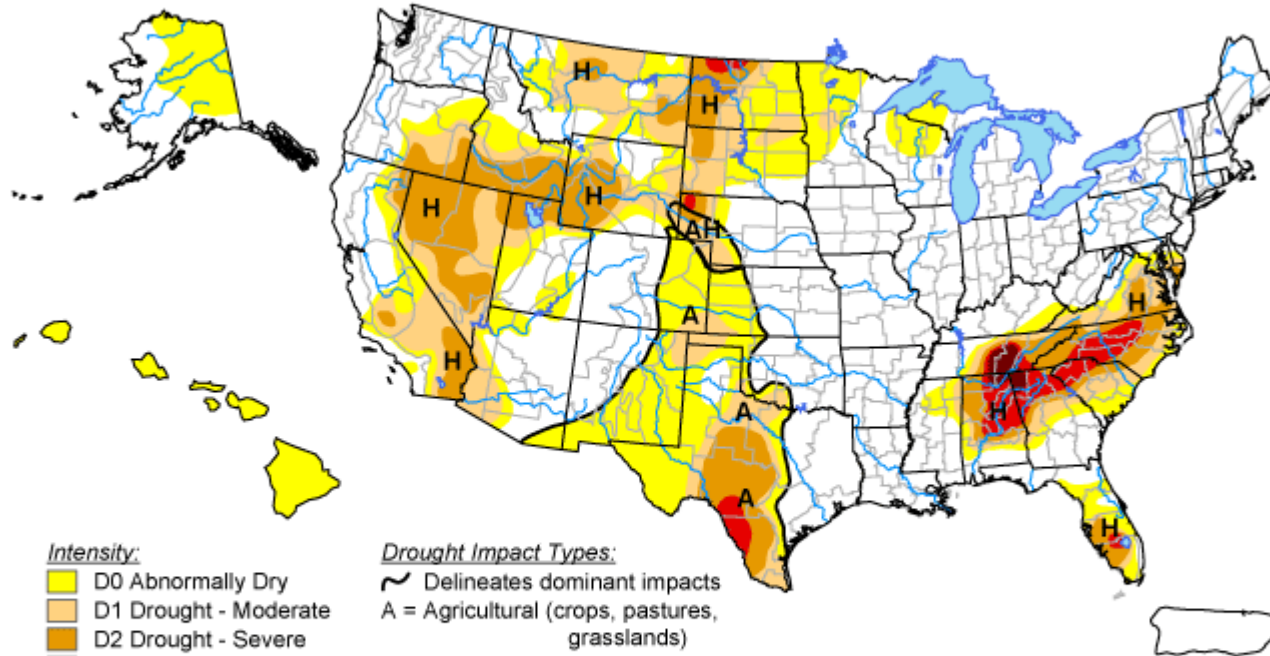
- Getting up early
- Riding in a car



*(Source: Yesawich, Pepperdine, Brown & Russell 2005)*

## U.S. Drought Monitor

March 11, 2008  
Valid 8 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



Released Thursday, March 13, 2008

Author: Brian Fuchs, National Drought Mitigation Center

# TOP Ten Trends 2008

## 1. 2008 Continued growth in overall travel & tourism revenues



- *Americans took 1,254.6 million domestic person trips in 2007, up 2.3% over 2006 (Source: IbisWorld) – but expect slowing in 2008.*
- *Americans view vacations as an essential part of contemporary life (Source: YPB&R/Y)*
- *We must learn the new behavior patterns*



# TOP Ten Trends 2008

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## 2. Time Poverty – drives all trends More to do...less time to do it

- *Expedia survey – 1/3 respondents didn't take all of their vacation days*
- *Nearly 50% of all Americans report "time poverty" - report desire for all-inclusive to save time (Source: YPB&R/Y)*

## 3. Fragile consumer confidence will affect travel decisions

- Gas prices cause frustration but haven't slowed anyone down...yet!
- Real estate market downturn causes consumer anxiety.
- Despite increasing costs, seven in 10 U.S. adults plan to take a summer vacation this year.... Even though airline ticket prices are increasing, 60% of respondents say they'll fly as much as they did last summer.

(Source: Expedia.com)

## ***4. Traveler frustration***

### ***Too many hassles***

- No time to plan***
- Airline complaints up up up***
- Taxis and car rental***
- Hotel experience/room quality***
- Attractions (nothing new, crowded, not worth the cost)***
- Dining***



# TOP Ten Trends 2008

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## 5. Internet: #1

- Travel is #1 in Internet use & sales
- Social Media is taking over
- Expedia survey (April 2007) summer vacation planning:
  - Online travel agency (52%)
  - Friend/family recommendation (45%)
  - Travel guide books (25%)
  - Travel community sites (19%)
  - Magazines & newspapers (19%)
  - Traditional travel agents (17%)
  - Convention and Visitor Bureaus (16%)

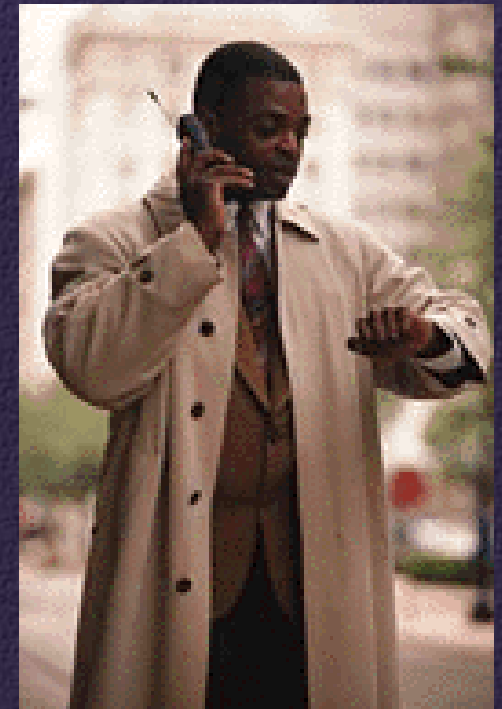
## 6. Geotourism

- Increased traveler DEMAND for destinations that:
  - > PROTECT THE AUTHENTICITY
  - > AND GEOGRAPHIC CHARACTER OF PLACE
  - > it's environment, culture, aesthetics, heritage and the well being of residents.
- 55.1 Million Americans > sustainable tourists  
(source: TIA & National Geographic)
- GEOMAPPING – maps that are user friendly and provide geotourism information in the context of a scaled road map.
- Center for Sustainable Destinations – National Geographic Society

# TOP Ten Trends 2008

## 7. Business Travel: Reluctant Growth

- Costs up, desire to travel down
- Service complaints up up up
- Unhappy business travelers
- Younger & more female
- Cost-contained travel
- On-line deal searching



# TOP Ten Trends 2008

## 8. Generational Shifts

Retiring Boomers

GenX entering peak spending years

GenY & MGeneration coming of age

- *Develop "age-appeal" products*
- *Baby Boomers spending*
- *Affinity groups*
- *Family groups*





# TOP Ten Trends 2008

## Changing demographics

### Median Age of each Generation group

<u>Gen Group</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2020</u>	<u>2030</u>	<u>2040</u>
War Gen	80	85	<b>90</b>			
Silent Gen	66	71	<b>76</b>	86		
Baby Boom	48	54	<b>59</b>	69	79	89
GenX	29	34	<b>39</b>	49	59	69
Gen Y	8	13	<b>18</b>	28	38	48

By 2010 ½ of all Americans will be over 40



# TOP Ten Trends 2008

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9. Orientation & Facilitation are critical

Travelers arriving with no plans

**Time Poverty drives the need**

**CRITICAL COMPONENTS:**

- Gateways
- Directional Signage
- Visitor Centers (Thurs – Sun critical)
- Kiosks
- Front-line training
- Padded maps everywhere

# TOP Ten Trends 2008

## 10. A New Travel Era

Changing Generation groups = NEW traveler expectations

**“Transumers” consumers in transition**

- airports with shopping malls
- retail in lodging rooms
- Visitor centers as heritage centers
- overnights at historic sites



## Other Trends

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### *Growth in off-season travel:*

- *Increase in winter vacations.*
- *59% for at least 5 days.*

- 55% = U.S.
- 13% = Caribbean
- 7% = Asia
- 5% = Europe

(Source: National Geographic Traveler and Yahoo! Travel)

## Other Trends

- Growth in RV market  
(8 million Americans  
own RVs)



- Traveling with pets –  
catering to pets  
(16% of all Americans)



## DMAI on Taxes

- Total Tax on lodging rooms: 12.2%
  - Average hotel room tax: 6.7%
  - Average sales tax on hotel room: 5.5%
- Average tax on rental car: 11.7%



# Thriving in 2008

Research is the answer to grow  
with the new behavior patterns!

- *Research as a foundation*
- *MUST know your customer!*



# How to in 2008?



## Research

- *Who & why (age, origin, trip purpose..  
Look for changes since 2000*
- *Who is NOT coming & why*
- *How do they choose a destination?*
- *What source of info do they use?*
- *Expenditures – by category*



# Convention & Meetings

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- *Customer perceptions of your strengths & weaknesses*
- *What types of meetings are you successful in recruiting? (type, geography, price, demographics)*
- *Which meetings had the highest satisfaction?*
- *Which meetings spent the most?*
- *Where are other similar groups?*

# Critical Review

*Determine very strategically which market segments*

- *you can target*
- *that will really be satisfied*
- *and will spend the most.*



## Summary

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- *Significant changes since 2000*
- *Strategic market segmentation approach works best now*
- *You need research and a vision*
- *Know which market segments offer you the greatest potential*
- *Create and promote unique experiences for leisure tourism success*

# Walt Disney

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“You don’t build it for yourself.  
You ask the customer what  
they want and you build it for  
them.”