

# Tourism Industry Intelligence

## Strategic Information for Decision-Makers

### Destination USA

October/November 2001

#### US\$85 billion in receipts

The USA is the number one tourism earner worldwide receiving just over US\$85 billion from international tourism in 2000. The US resident travel accounted for US\$476 billion in 2000. Tourism is very important to the US economy, contributing 7% of US Gross Domestic Product (GDP) in 2000. The tourism sector directly employs 7.8 million persons and 11.5 million indirectly. This accounts directly and indirectly for approximately 1 out of every 7 US residents employed in the sector.

#### Receives the second most visitors worldwide

The USA is the second most visited country worldwide receiving nearly 51 million visitors in 2000. This represents 7.3% of the world's arrivals. The USA has posted a consistent travel trade surplus since 1989 since US travellers spend less abroad than its visitors.

#### Canada and Mexico generate the most tourists

Canada is one of USA's major markets providing 14.5 million arrivals in 2000. Mexico is USA's second largest market generating 10.3 million arrivals in 2000. **In terms of international arrivals the top five tourist generating countries were Japan (5 million), followed by UK (4.7 million), Germany (1.7 million), France (1 million) and Brazil (0.7 million).**

#### Purpose of visit

The main purpose of travel to the USA was for holiday (49%), followed by business/professional reasons (24%), conferences/conventions (6%) and visits to friends or relatives (17%).

#### Length of stay

Overseas travellers' average length of stay was 15 nights with accommodation representing a major expense. Shopping (89%), dining in restaurants (83%), sightseeing in cities (45%), amusement/theme parks (33%) and visits to historical places (33%) were the top five main activities.

#### What's Inside:-

- Market & Consumer Trends
- Hotel & Resort Trends
- Focus: The US Family Market
- Impact of Terrorism on World Tourism
- Trends to Watch
- Technology Update

#### Top states for spending

The top five states for domestic and international spending for 2000 were **California** (US\$71.4 b), **Florida** (US\$55.8 b), **New York** (US\$36.3 b), **Texas** (US\$33.1 b) and **Illinois** (US\$22.1 b).

#### Future prospects

Since the September 11 terrorist attack on the US *Tourism Industries* have revised its forecasts. **International arrivals to the US are forecast to decline in 2001 (-12.6%),** but will begin to recover in 2002 (4.3%), and then grow by over 7 percent per year through 2004. Europe will continue to be the top tourism generating overseas region, but visitor arrivals will be down substantially in 2001 (-21%). Arrivals are forecast to return nearly to 2000 levels (11.4 million arrivals) by 2004. Asian arrivals will decline in 2001 (-19.8%), but return nearly to 2000 levels (7.5 million arrivals) by 2005. It is forecasted that the 50 million mark will be crossed again in 2003.

Source: Travel Industry Association of America, *Tourism Industries, 2001*

## Market & Consumer Trends

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### UK tourists spend an average £900 on their holidays

**UK tourists spend an average £900 on their holidays**, according to *Goldfish*, a credit card company. A separate survey revealed 1 in 2 people would like to travel the world or take a luxury cruise when they retire, according to *Marks & Spencer Financial Services*.

### US households on the Web

The number of homes in the US wired to the Internet is increasing, reveals a new *US Census Bureau* report. Of all US households, **42% could log onto the Web in 2000, a difference of 24% from 1997**. One-third of all adults, 18 years and older, and one-fifth of all children, ages 3 years to 17 years, use e-mail. More than half of the country's 105 million households had computers.

### US airlines attracting travellers

US airlines have stepped up their advertising campaigns in an effort to lure back passengers. **Delta Airlines has offered free round-trip tickets to New York City and other airlines have cut their prices by 50%**. In addition, airlines have reduced the number of frequent flyer miles required for a free ticket for use within continental USA.

## Hotel & Resort Trends

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### UK holiday bookings down

**UK holiday bookings have declined by 20% leading travel agents to cut their prices**. However, price cuts have failed to attract customers, who fear the potential for war. Bookings for faraway holidays have fallen by 16% since September 11<sup>th</sup>, 2001.

### Year 2000 – the best year for hotels

The lodging industry's most profitable year ever was 2000. **Hotels and motels rang up \$24billion in pre-tax profits, or 9% more than in 1999**, according to Lodging Industry Profile Statistics released by the American Hotel & Lodging Assn. Total industry revenue rose from \$62.8billion in 1990 to \$108.6billion in 2000.

### Radisson SAS Hotels & Resorts goes for Egypt

**Radisson SAS Hotels & Resorts' opened its first property, a 328-room hotel, in Sharm El Sheikh, Egypt**. El Dahabia, an Egyptian firm for Touristic Resorts, owns this \$45million hotel. This firm also plans to have 10 hotels in the country by 2003. The group will add hotels in Taba and Hurghada in 2002 with another in Al Quesir by 2003.

### Challenges facing European hotels

**Leveraging new technology and attracting talent are seen as the main challenges facing the European hotel industry**, according to the delegates of the *3<sup>rd</sup> Annual European Hotel CFO forum*. The need to create sustainable and profitable models for trading in the New Economy to deal with: the changing nature of the consumer and product competition; and the ability to attract available capital and dis-intermediation of traditional booking channels were considered to be the most important issues facing the industry. **The need for competitive remuneration, clear career prospects and a corporate culture that embraces talent were some of the other components debated by the forum.**

## Focus: US Family Market

**93.6 million strong** Family vacations are, vacations 100 miles or more away from home with other members of the household. In the USA, families travelling on vacation make up one of the largest segments of the travel market. In the year 2000, the total number of family travellers was 93.6 million adults and accounted for 72% of total vacation trips according to the *Better Homes and Gardens Market Report*.

**Traditional families changing** The traditional definition of families as headed by married couples is changing. Listed below are the different categories of family households in the USA as identified by the *National Tour Association* in 1997.

**A range of family households**

- **Families with children:** Just under half (34.8%) of all households in the US, were families with children under 18 years.
- **Grandparent Households:** This segment comprises families headed by or including grandparents.
- **Couples without children:** More than half of families in the United States (36.1 million) have no children under age 18 living at home.
- **Gay/Lesbian Households:** This is regarded as a new type of family, but the exact population is hard to accurately estimate even as the number of open couples appear to be growing. Many gay families include children from previous relationships.

**Families with children the largest segment** Families travelling with children are the largest segment of the family market, representing just over half of all vacations (54%) in 1998, *Travel Industry Association of America* reports. The family market has a wealth of potential. Consider the profile:

<b>US family profile</b>	Average Age	44 years
	Married Couples	73%
	3+ persons living in household	63%
	2+ wage earners in household	49%
	Some college attended	73%
	College graduate or more	42%
	Professional and managerial occupations	31%
	Household occupations with income greater than \$50,000	44%

**Length of stay** Families spend up to US\$1,000 per trip on average. Family vacationers spent an average of 7.4 nights on holiday in 1998. Three to seven night stays were most popular with 56% of the family market.

**Value for money is critical** In choosing a family destination the most critical factors for families were value for money which ranked highest at 92% , variety of things to do came a close second at 91% , while activities for children was rated next at 87% according to the *Travel Industry Association of America*.

**Popular activities** The most popular holiday activities for families are visiting theme parks, natural attractions, and educational trips. Emerging trends in this market show increasing interest for eco-tourism.

**New trends emerging** New trends to watch in the US travel market is the emergence of new types of family travel. Multi-generational travel is already developing into a significant niche in the market, but increasingly, new types of family grouping such as fathers and sons, adult sisters and brothers, and mothers and daughters are going on vacations together. New choices, packages and services will therefore be required to serve these emerging niches in the family market.

## Impact of Terrorism on World Tourism

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### The tourism industry is resilient

The unprecedented attacks of September 11 are having profound impacts on the travel and tourism sector worldwide. However, the travel and tourism industry has been resilient, consistently recovering from the Gulf War in 1991, the Asian financial crisis in 1997 and the Kosovo Conflict in 1999, and it will certainly recover from the terrorist attacks of September 11, 2001. Within one year of any major crisis, the tourism sector recovers. Tourism Intelligence International forecasts that international tourist arrivals will continue to grow and by 2005, an estimated 809 million persons will travel, even taking into account the terrorist attacks. However, recovery is likely to take longer in the US.

### Brits are hardy travellers

Different tourist generating markets react and recover differently from others. The most resilient market has been the British market, followed by the Germans, the Americans and the Japanese. The British can be considered to be the hardiest of all travellers. Germans too are determined, while the Americans and Japanese tend to be more cautious and reserved. It took the British only eight months [*after the Gulf War*] before arrivals to the Middle East reached pre-war level. It took the Germans a full year to recover travel levels to the Middle East and it took the Americans and Japanese a full 19 months! The clear message is to focus marketing efforts on the hardy British travelers, the market that is expected to recover first.

### Different consumers react differently to terrorism

Different consumers also react differently to war and terrorism. Tourism Intelligence International developed four typologies of tourists - **Traditionalists** are those travellers who are happy to travel to the same place at the same time for the period, desire security and seek the familiar; **Restrainers** are travellers constrained by time, money and family obligations; **Adventurers** are the “been there, done that, where to go next” group, who are happy to take a personal risk but will avoid trouble spots; **Individualists** are the most informed and knowledgeable of the categories, are a well-travelled group with money to spend. The individualists will be most resilient in uncertain times. Travel suppliers need to seek out, find and target the Individualist, while exploiting opportunities among the bargain-hunting restrainers and the adventurers — once you can assure the latter that it is safe to travel. Adventurers are comfortable with taking **personal** risks but are loath to travel *where they may face* events that they have no control over, e.g. those of a political or terrorist nature.

### Services related to security and safety have the highest recovery rate

Services related to safety, security and insurance *have* the highest recovery rate. In fact, these sectors will boom. In addition, the leisure and adventure travel markets will have a higher recovery rate than the business incentives and conference travel markets. To a large degree, there are substitutes to business travel *in* telephone calls and video conferencing. In addition, many of these travel decisions are made by corporate entities rather than individuals. As such, *especially at a time of economic slowdown*, travel that is not absolutely necessary will be avoided. However, where consumers decide themselves, travel will have a *more rapid* recovery level.

### **Consumers will more likely travel closer to home**

Consumers will be less reluctant to give up their holiday travel. They are certainly more likely to substitute destinations and travel closer to home and within the region, rather than give up travel *altogether*. Indeed, for many developed societies, travel and leisure have become very much a basic necessity. And *equally*, during these uncertain times, with high stress levels, the need to take time off to rest, relax and recuperate is even greater than before September 11.

### **Cooperation is key**

In terms of strategies in these uncertain times, cooperation is key. Now, more than ever, different players and interests need to get together to fight the same battle of getting customers to start travelling *again*. Most important, the global industry needs to get together to restore consumer confidence.

### **Resumption of travel is the part of the recovery process**

It is important that Americans wake up! Americans need to realise that staying home and not travelling and not buying as they used to is bound to create the exact same situation that they fear: more cut backs and more unemployment. It is important that the travel and tourism industry is united in its message to all Americans — that it is only by resuming normal activities that economic recovery will *come*. Resumption of travel is an important cornerstone of the recovery process.

### **Protectionism is not the answer**

Protectionism is not the answer. There are many *proposed* initiatives to encourage Americans to travel. Such include tax breaks on spouses travelling *on business trips*, etc. It is important, however, that the travel and tourism industry *unite to* insist that such tax write-offs should not only be applicable to travel by Americans within America, but travel by Americans anywhere.

### **Extraordinary situations require extraordinary measures**

Finally, extraordinary situations require extraordinary measures. The US Government must not adopt stop-gap measures, but must seek to introduce measures that will have lasting and far-reaching impacts. The American Government must encourage Americans to resume and even increase travel. One major factor that will influence travel in the long term is paid leave.

### **Increasing paid leave is important**

Already Americans have a paltry two weeks of paid holidays compared with four to five weeks in Britain and a full six weeks in Germany. A strong private sector/government partnership to provide more paid holidays for Americans to travel *both* in America and abroad seems to be exactly the kind of extraordinary measure to deliver permanent and speedy turnaround in the current situation. By targeting one of the most important factors that influence travel, and allowing free market forces to do *their* job, the results *attained* will be far better than any subsidy to airlines or other establishments can achieve.

*Source: Impact of Terrorism on World Tourism – Tourism Intelligence International November 2001. Contributors: Simon Greenbury, London; Marcella Martinez, New York and Dr Auliana Poon, Germany.*

## Trends to Watch

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### Dollar goes mobile

**Dollar Rent A Car is implementing a wireless Internet service for customers using cell phones and pocket personal computers.** Cell phone users and PC wireless users can access [www.mobile.dollar.com](http://www.mobile.dollar.com) to make reservations, check rates, etc.

### Travel closer to home

**Americans remain nervous about travelling internationally and are likely to seek vacation alternatives closer to home,** revealed *Yesawich, Pepperdine & Brown's* US national survey of 800 adult travellers. US leisure travellers who said the terrorists events would not change their travel plans increased to 73% in October compared to 63% in September. Only 10% of leisure travellers cancelled their trip since September 11. Those travellers who did indicate that they would change their travel plans cited concerns about the economy as the major reason. Also among these adults, 71 % said that they would take fewer international trips, and 68% said that they were now more likely to vacation closer to home than prior September 11.

### Lastminute.com and Lufthansa link up

**Lastminute.com has agreed to a world wide marketing partnership with German airline Lufthansa.** The German carrier will set-up exclusive discounts and packages for the European and South African sites run by Lastminute.com. Lastminute.com will promote Lufthansa via website banner advertisements and its e-mail newsletter.

### Mini-shops on board airplanes

CIL, a duty-free design consultancy, said that **mini-shops on board airplanes could revolutionise shopping in the sky.** Retailing on board aircraft has remained unchanged, attracting just 7% of the \$20billion (£13.8billion) worldwide market, while duty-free on ground has evolved considerably in the past decade.

### The largest cruise company will emerge

**P & O Princess Cruises and Royal Caribbean cruise are planning to merge, creating the world's largest cruise company.** The combined company when merged will have the youngest fleet in the industry with 41 ships and a further 14 ships on order. Together the two companies served over 3 million customers in 2000. Royal Caribbean and P & O Princess have currently established a joint venture to target customers in southern Europe.

## Technology Update

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### Lastminute.com largely unaffected by aftermath of US attacks

**Lastminute.com claims that its business has remained unaffected since the attacks on the US.** Lastminute.com says that it will deliver a minimum overall transaction value of £45million in the 4<sup>th</sup> quarter. Lastminute's exposure to the US travel market is very low. Lastminute.com, an Internet company, has grown to 170 staff in the UK and 600 globally. This company has diversified its sectors and is continually including new products, such as self-catering holidays and car hire.