

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the US Market in 2000

December 1999

US economy still strong

The US economy continued to expand despite the crises in Asia, Brazil and Russia. The **Gross Domestic Product grew higher than anticipated at 3.7% in 1999**. It was bolstered mainly by increased consumer spending. However, **the GDP is expected to fall to 2.6% in 2000** according to the IMF's *World Economic Outlook*. The **unemployment rate stood at 4.3% for 1999** but is predicted to just **increase to 4.5% in 2000**. The **continued strength of the dollar**, a major plus for travel, helped push the US trade position to a record low deficit.

Travel will continue to increase

In 1999, the US outbound travel market is estimated to be a record setting **59.8 million travellers**, cited the *US Department of Commerce*. After a decade of non-stop growth, this trend should continue into the new millennium, mainly because of the superb performance of the US economy. The volume of outbound travel may be reduced slightly due to the effects of an overheating economy.

Key Trends in the US Market

US tourists travelling further away

Although Canada and Mexico are still the main destinations visited by US travellers, **the percentage of these travellers going to all other destinations has increased from 36% in 1990 to 41% in 1998**.

...And slow growth for Mexico

In fact, Mexico only recorded growth of 2.4% between 1997 and 1998 and has been more or less constant since 1995. **Canada, on the other hand, received 11% more US visitors in 1998 than in 1997 and US visitor arrivals to Canada is up 15% since 1995**.

Europe is the place

After Mexico and Canada, **US travellers prefer European destinations**. In 1998, the **UK received 16% of the total US outbound market**, France captured 10% while Germany and Italy each obtained a market share of 8%. **Jamaica was the other top destination** with 7% of the US outbound travel market.

Main cities of origin

In 1998, **New York City residents travelled the most (10% of the US outbound market)**, with **Washington, DC and Los Angeles following with 5% of the US market each**. **Miami (5%), Chicago (3%), San Francisco (3%), and Boston (3%)** were the other key cities of origin of US overseas travellers.

US travellers spending more in Europe

Excluding the cost of airfares, **total spending by American tourists in Europe in 1998 was US\$21 billion**, estimated the *European Travel Commission*. This represents an increase of 5% over 1997's estimate. **The ETC also stated that approximately US\$10 billion was spent on transatlantic air fares from the USA**.

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USA Market- Winners & Losers

| | Country | %Change 1998/1997 | No. of months | Total 1998 |
|---|-----------------------------|----------------------|---------------|------------|
| Cuba and France are top performers | Cuba | 33.8 | 12 | 46,778 |
| | France | 20.8 | 12 | 327,6489 |
| | St.Eustatius | 18.8 | 12 | 2,280 |
| | Thailand | 16.3 | 12 | 361,705 |
| | South Africa | 16.1 | 12 | 174,177 |
| | Turks & Caicos Islands | 15.4 | 12 | 73,816 |
| | Australia | 13.4 | 12 | 373,914 |
| | Germany | 11.6 | 12 | 1,963,287 |
| | Canada | 11.0 | 12 | 14,880,000 |
| | St.Lucia | 10.5 | 12 | 81,161 |
| Canada and Mexico still receive the most US tourists | China | 9.9 | 12 | 67,7305 |
| | Dominican Republic | 8.9 | 12 | 437,803 |
| | Curacao | 8.4 | 12 | 31,420 |
| | Japan | 7.2 | 12 | 666,700 |
| | St.Maarten | 6.6 | 12 | 201,521 |
| | Puerto Rico | 6.6 | 3 | 234,600 |
| | Cayman Islands | 5.9 | 12 | 295,175 |
| | Aruba | 4.1 | 12 | 372,494 |
| | St.Kitts & Nevis | 4.0 | 12 | 39,907 |
| | Jamaica | 3.1 | 12 | 827,603 |
| Bermuda and Singapore lose market share | Mexico | 2.4 | 12 | 18,338,000 |
| | Antigua & Barbuda | 1.9 | 12 | 65,995 |
| | Grenada | 0.2 | 12 | 29,381 |
| | Anguilla | -1.4 | 12 | 26,297 |
| | Barbados | -1.7 | 12 | 106,300 |
| | Bonaire | -1.7 | 12 | 27,916 |
| | Dominica | -2.0 | 12 | 14,121 |
| | St.Vincent & the Grenadines | -2.7 | 12 | 18,709 |
| | Hong Kong | -3.1 | 12 | 773,309 |
| | Bermuda | -4.4 | 12 | 289,974 |
| Singapore | -9.0 | 12 | 342,586 | |

Source: World Tourism Organisation and Caribbean Tourism Organisation 1999

Market & Consumer Trends

Young people travel more

Young people are more inclined to travel by air, engage in business travel, spend two or three nights abroad, revel in nightlife, and possess health club membership, a *Travel Industry Association* study has revealed. Middle aged persons are also avid business travellers. Elderly singles and couples are usually visitors of more than one destination for day trips or trips over ten nights, visit friends and family and partake in gambling. The study also reports that parents mainly engage in travel during July and August. Young and middle aged parents tend to travel to their destinations in their own car, engage in outdoor activity and visit amusement parks while older parents are less thrifty and spend the majority of their time indoors.

Family travel market growing

Family travel is being seen as the emerging top niche market in the tour and travel industry. The *National Tour Association* of the US has revealed that 34% of its tour operators are offering family tours and there has been a 10% growth in the trend since 1998. The NTA also identified a relatively untapped, but profitable market within family travel, namely, the family reunion market. Surveys indicate that 40% of family reunions contain 51 to 100 members while 34% have over 100 participants.

Aviation News

Continental cuts commissions

Continental Airlines will implement a 2% reduction on ticket sale commissions. **This decrease will take effect on New Years' Day 2000 and is to apply to all international flights from Frankfurt to Duesseldorf, the US airline's German departure ports.** *FVW Travel-News* reports that **this move is** consistent with international market trends, **however, there has yet to be any clarification regarding commission levels in relation to sales in the various ticket classes.**

Delta offers wireless information

Delta is developing a suite of applications designed to allow access to airline information via portable personal digital assistants and smart phones. The program, which will utilise the eXtensible markup language (XML), offers the user flight itineraries, arrival and departure information, gate information and flight schedules, according to *Travel Management Daily*.

Air Jamaica expands service

Plans are in place for the inauguration of Air Jamaica's mini-regional airline subsidiary, **Eastern Caribbean Express**, early next year. The new airline, with a 37-seat Dash 8 service, **will be Barbados based and routed to Dominica, Grenada, St.Lucia, St. Vincent and Tobago as well as connect with the parent airline for New York-Barbados nonstop flights**, according to *Travel Management Daily*.

Increased aviation safety

The US Defense Dept., NASA and the FAA are in the process of formulating a plan to increase aviation safety. This plan, according to *Travel Management Daily*, **includes the development of special aircraft that will feature self-diagnostic and automatic repair systems.** Also included are **designs for artificial vision systems, which will allow pilots better visibility in the dark, through fog and other bad weather**, hence limiting the number of air accidents. The implementation of neural networks will assist in averting plane crashes and errors by pilots during crisis.

Technology Update

Increased Internet use in travel

The use of the Internet for travel planning has risen 12% over the past year, according to *Travel Management Daily*. Research by the *Travel Industry Association* has also indicated that **16.5 million or 20% of travellers who plan trips online, use the Internet to secure reservations.** Further research by PhoCusWright shows that **half of new online purchasers for any product purchased travel.** The PhoCusWright data was compiled from a study of airline travellers within the past year who used the Internet in the past month.

Online hotel negotiations

Agency franchiser EtravNet.com is implementing a **hotel bargaining service** that incorporates both the Internet and telephone so that consumers can engage in direct hotel rate negotiations. **This service called Hagggle With Us is set to go online in the first quarter of the New Year** according to *Travel Weekly Crossroads*. It is expected that services relative to cruises, tour packages, airfares and car rental will be added by mid-2000.

E-tickets popular among business travellers

Business travellers prefer the Internet as their planning medium, according to a recent *International Air Transport Association (IATA)* survey. **E-tickets were utilised by 43% of the 1000 corporate air travellers** studied in North America, Europe and the Asia Pacific region. Of those studied, another 7% expect to use e-tickets by 2004.

Editorial

The US market has certainly been a star performer with a strong economy and good growth prospects, one expects this market to produce continued growth. The family market, young people and the mature markets continue to be important market segments to target. As the internet revolution continues to revolutionize travel, the advent of on-line travel, hotel negotiations is a service whose time has come. Space travel is also a product of the new technology age. The sky is certainly not the limit.

Future topics: Strategies for the Information Age; Top Ten Trends for 2000; Hotel and Resorts Trends; and Time Share.

Trends to Watch

Bicycle tourism in Amsterdam

Tourists to **Amsterdam** may soon be involved in a **public bicycle program in an effort to curtail on the number of motorists**, resulting in less air and noise pollution. A similar program was started in the 1960s but failed due to numerous bicycle thefts. The revived program commenced with 250 bikes, which residents, using a Dutch bank card, can pick up or drop off at various stations. **It is forecasted that by spring 2000, tourists in possession of rental cards will also be able to utilise the service, which is to be expanded to 750 bicycles.**

Outer space tourist

Space travel is to be the new tourism market and will be operational within five years, according to *Wild Wings Travel* in the UK. Plans are in place for the exploitation of public interest in outer space, with NASA and others working feverishly to secure an inexpensive way for 'Joe Public' to access this extraterrestrial experience. **This new market is expected to be worth \$1 billion annually.** Interest in inter-galactic travel has already been generated in Japan, Germany and the US. **The opportunity has attracted two hundred persons worldwide in two years, who have paid deposits of \$6000 for a \$100,000 space flight.** Included in the fare is a one-week preparation and training program, as well as the spacesuits and lectures from astronauts on safety and their experiences. The flight, which is sub-orbital due to cost, will takeoff from an ordinary airport, **and venture upward to an altitude of at least 62 miles for a 35 minute to 90 minute trip.** From that distance, passengers will be treated with breathtaking astronomical scenes, **with full weightlessness and the exotic view of Earth from Space included in the experience.** While these dreams become reality however, tour operators are offering space adventurers simulated experiences on earth.

Thefts cost France US\$45 million

Stealing from hotels is costing the French hospitality industry US\$45 million a year, according to a survey by consultancy *MKG Conseil*. **The losses work out at an average of US\$2,250 per property. Linen accounts for 60 per cent of thefts**, bedroom accessories 11 per cent, crockery six percent and television four per cent. Most thefts are blamed on customers, with less than five per cent attributed to staff.