

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the US Market in 2001

November 2000

Continued growth

The US economy is continuing to prosper. Real Gross Domestic Product (GDP) increased at an annual rate of 2.7% in the third quarter of 2000. There are no discernable signs of inflation and the **US economy is now in its 107th and record month of uninterrupted expansion**. The average rate of growth for the economy is 3%. The unemployment rate was 3.9% in October 2000. The real median income of households in the US rose by 2.7% between 1998 & 1999. **This is the fifth consecutive year that household income has increased**. These favourable economic indicators spell great news for the travel and tourism industry.

US travel increasing

The US travel market is quite important. **It is the largest travel market in the world ahead of Germany, Japan and Britain**. American travellers spent US\$82.0 billion outside the USA, according to *Tourism Works for America 2000*. In 1998, the number of US travellers increased by 8% and US payments for travel also increased by 8% to 56.1 billion.

A lucrative market

The US market is an important market for many overseas destinations as well as destinations within the US. Consider that:

- The US has a population of 276 million;
- The US economy is gaining in strength;
- Unemployment is low;
- Real disposable income is increasing in the range of 3-4%;
- The US dollar is one of the strongest currencies in the world and many currencies are tied to the dollar; and
- Americans like to travel and vacationing is part of their culture.

Key Trends to Watch

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The ethnic population is increasing

Immigration to the US is increasing. Two-thirds of all immigrants are concentrated in California, New York, Texas and Florida. The *US Bureau of Census* states that ethnic groups will grow to 36% of the population by 2020 and Hispanics will be the largest ethnic group by 2010. In targeting the US market, one increasingly has to take account of the ethnic market.

All-inclusive travel grows

Americans like to be pampered and have everything at their disposal while on vacation. Seventy-nine percent will choose the beach or lake as their destination. **At least 23% (7% increase from last year) will choose an all-inclusive trip** as Americans want to do away with weeks of planning, wondering where to eat, where to stay and what activities to budget for.

Romantic vacations are popular

Romantic vacations are popular with all Americans especially married couples. Thirty-one percent of US adults (61.8 million Americans) said they took a romantic getaway in the past 12 months.

Source: Travel Industry Association of America. 2001 Outlook on U.S. Tourism, TIA 2000 Marketing Outlook Forum

US Market - Winners & Losers

| | Destination | No. of Months | %Change 1998/1999 |
|--|--------------------|---------------|----------------------|
| Cuba is ahead of the pack | Cuba | 12 | 110.2 |
| | Dominican Republic | 12 | 20.7 |
| | Grenada | 12 | 15.0 |
| | Turks & Caicos | 12 | 12.0 |
| | Aruba | 12 | 11.9 |
| | Dominica | 12 | 11.6 |
| | St. Eustatius | 12 | 8.5 |
| Asian destinations continue to grow | Taiwan | 12 | 7.8 |
| | South Korea | 12 | 6.7 |
| | Jamaica | 12 | 4.9 |
| | St. Lucia | 12 | 3.0 |
| | Puerto Rico | 12 | 2.7 |
| | Trinidad & Tobago | 12 | 1.3 |
| | Barbados | 12 | 1.4 |
| | Australia | 12 | 0.7 |
| | Canada | 12 | 0.3 |
| | Mexico | 12 | 0.2 |
| | Venezuela | 12 | -0.4 |
| | Antigua & Barbuda | 12 | -1.6 |
| | Japan | 12 | -2.7 |
| | Bermuda | 12 | -3.3 |

Source: Travel Industry Association of America, 2000.

Market & Consumer Trends

Travellers take their tech tools on trips

Half of vacationers bring their technology with them, according to a new *Workstyles Survey* conducted by *Nippert-Eng* for **Hilton Homewood Suites**. These vacationers take along work materials such as laptops, cell phones and pagers. In addition, **almost half of the respondents had combined a business trip with a leisure vacation in the past year.**

Student/youth travel increasing

The US student/youth market is one of the fastest growing major market in the travel industry. Presently, **it is the second largest market in the travel industry and will become the largest by 2005** according to the *Student and Youth Travel Association (SYTA) North America*. Student travel increased 20-30% each year in the 1990's. Student/youth travel has increased because of the belief in greater need for exposure, higher disposable income, people are travelling at earlier ages, fear of travel has decreased, technology has created a smaller world and young people expect to see the world.

Hotel & Resort Trends

Profits up for Hilton Group

The UK's Hilton Group has revealed that its third quarter operating profits are at a similar level to last year. **The Hilton Group claimed that growth in its hotels division and in the UK retail betting was offsetting lower profitability in telephone betting and the effect of investment in e-gaming.** It also said that it had entered a short period of talks with prospective buyers for its Ladbroke Casino business. The interested buyer is believed to be the UK's biggest bingo operator, Gala, with any deal likely to be worth around £250m (\$355m).

France had the highest hotel rates in Europe last year

France had the highest hotel rates in Europe last year, according to a survey by business advisers *PKF*. The average room rate there was £95 (US\$143). The Netherlands posted the highest average occupancy rate of 77.8%. The UK lagged behind with an average room rate of about £78 (US\$117).

Focus: Technology and the US Travel Market

A booming industry

The online travel market is booming. **In 1999, US\$12.9 billion was generated in online travel sales an 84.8% increase from 1998.** Online travel is expected to generate US\$20.2 billion by 2001. The online travel market consists of 7% of all business. The Internet is already providing the tourism industry with a vastly superior and novel method of communication. Already, 71% of frequent travellers, 61% of all travellers and 50% of total adults utilise the Internet. The online traveller market is growing with 78 million internet users in 1999 compared to 90 million in 2000. The Internet was the form of media used by 26% of all US travellers to plan their trip.

The airline industry leads

Airlines recorded a phenomenal year in 2000. America's four major airlines: Southwest, United, American and Delta all showed marked increases from 1999. Likewise, Internet revenues for airlines have increased from 2 billion in 1998 to 9 billion in 2000, a 350% increase. Sixty-nine percent of online bookings is the airlines (which generate the most dollar bookings) while seventeen percent is hotels, 9% car rental and 5% other.

The leaders

The leading US Travel services in gross bookings are:

| | |
|-----------------|-----|
| Travelocity.com | 19% |
| Expedia.com | 15% |
| Priceline.com | 9% |
| Southwest | 9% |
| United | 5% |
| Other | 43% |

These five companies represent 57% of all Internet bookings in the USA.

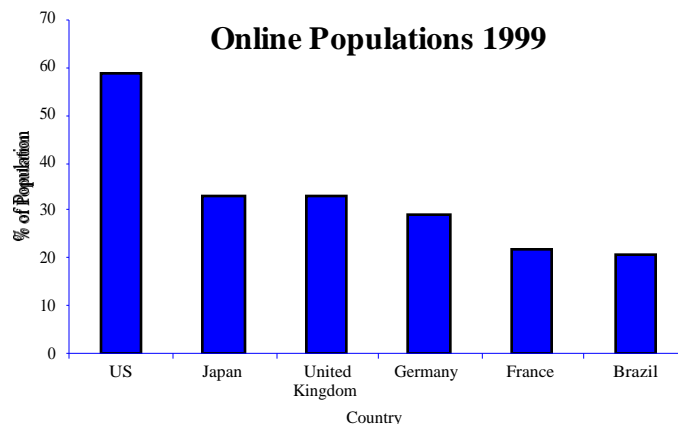
More lookers than bookers

Online travellers are lookers, not bookers. More than two thirds (43%) looked and booked online, 52% looked but booked offline while 76% looked but didn't book. This indicates that the Internet is a growing way to research travel.

Why Americans book online?

Ninety-one percent of Americans said that they chose a site to buy travel because it seemed to have the **best prices**, 82% said it was **easy to use** and 58% **knew the brand name** according to American consumers. Other reasons listed for use of the Internet was that the **sites seemed comprehensive and unbiased operated by preferred supplier** and **good customer service** was received. Therefore prices, reliability, service and ease of use was most important. Additionally, 45% believes that online agencies offered the best price. However, 48% of buyers and 55% of non-buyers stated that traditional agencies offer the best customer service.

The US online population vs other countries



Source: 2001 Outlook on U.S. Tourism, TIA and Phocuswright.com.

Editorial

The US market will continue to be an important source market for domestic and international destinations. The Internet is an increasingly important tool for doing business in the US. Breaking into the Internet is difficult to do and consumers are brand conscious. However, more than before, people are value not price conscious and what one needs to focus on is delivering a top quality product, branding their products and using the Internet as a means of delivering the product. It must also be remembered that everyone is on the internet. It is like a giant yellow pages book. Simply being listed is not enough. The sites need to be marketed and information generated must be converted into wealth.

Trends to Watch

British Tourist Authority to target gay tourists

Queer company, the UK's first premium website for the gay community, has been hired by the British Tourist Authority to promote Britain as a tourist destination for gay people, in particular to US residents.

Tourists shy away from Israel

Over 400,000 tourists have canceled or delayed their trips to Israel because of the ongoing struggle between Israel and the Palestinians. The violence that erupted in September prompted the United States to issue a general travel warning against Israel resulting in a 75% percent fall in U.S. arrivals. Although faced with this large number of cancellations Israel still expects to finish the year with a record number of visitors and predicts 2.5 million arrivals by the end of December.

Carlson Wagonlit introduces new program

Carlson Wagonlit Travel introduces the "My Travel Wallet" program on its Internet site. This enables consumers to obtain foreign currency online via the firm's website. Over 80 currencies are offered and customers can obtain travellers checks in six major currencies.

Aviation News

Ryanair reports soaring profits

Irish carrier Ryanair, Europe's largest no-frills airline announced soaring profits for its first half and at the same time said that it will not be bidding for Go, the low-cost airline put up for sale by British Airways. For the six months to 30th September Ryanair saw its pre-tax profits jump 45% to US \$78.8m, a figure boosted by the launch of Ryanair.com. The airline said that it will carry 7m passengers this year.

EasyJet on stock market

EasyJet has joined the stock market with a £77million (US\$116 million) price tag. EasyJet, Europe's second largest discount airline, has gone public to raise cash to buy 32 new planes.

Agencies lose commission from low-cost airlines

Business travel agents have lost out on US\$37.5 million worth of commission from low-cost airlines over the last year, according to *Travel Weekly*. Business travel agents are being urged to start charging fees for generating revenue from non-airline sales. Low-cost airlines are having a huge impact on European routes.