Wrap Up

Suzanne Cook
Suzanne Cook Consulting, LLC

2014 TTRA MOF Wrap-Up


Where Are We Headed?

Skift's Three Rules

IF YOU WANT TO BUILD FOR THE FUTURE:

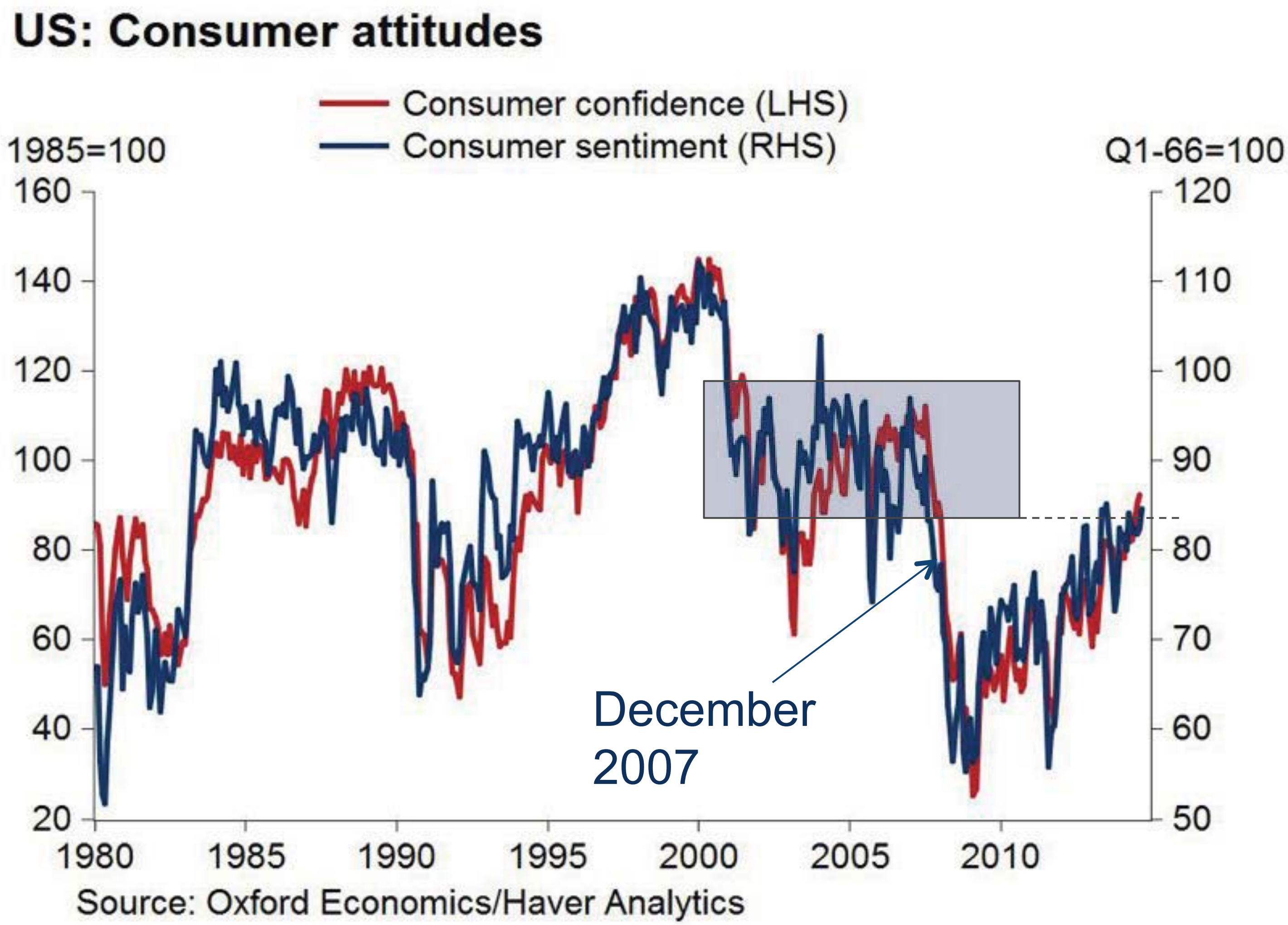
- BUILDING AROUND TRENDLINES, NOT HEADLINES
- IGNORING & BREAKING THE SILOS
- FANATICALLY FOCUSED ON CHANGING CONSUMER BEHAVIOR

SKIFT
TRAVEL IQ

Skift - Build Around Trendlines, Not Headlines

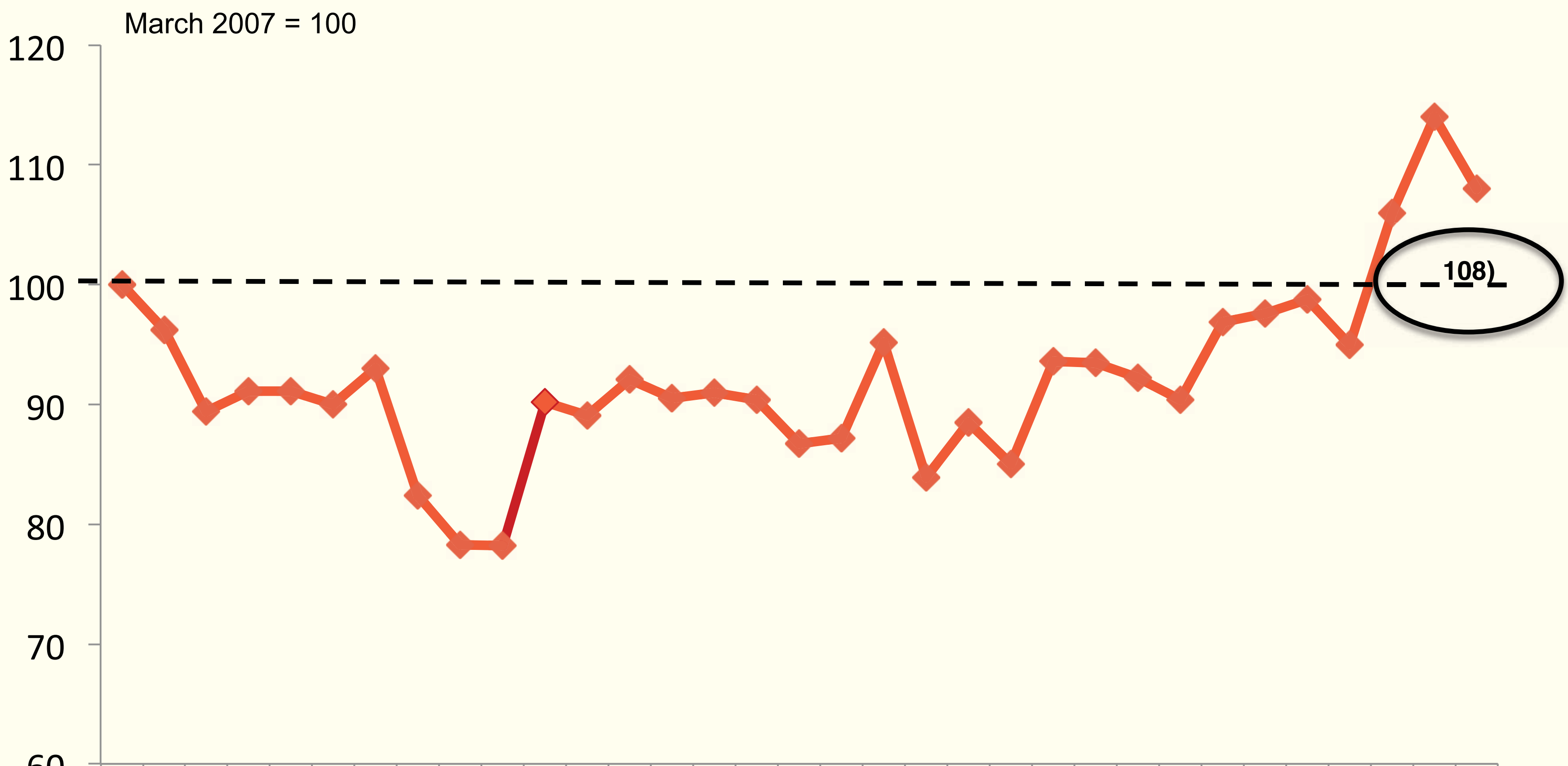
Trend #1: Optimism Gradually Returning

Consumers are feeling more cheerful…



TOURISM ECONOMICS

Overall Traveler Sentiment Index Surpasses 2007 Benchmark



	Mar 07	Apr 07	Jun 07	Aug 07	Oct 07	Dec 07	Feb 08	Apr 08	Jul 08	Oct 08	Feb 09
Overall	100	96.2	89.4	91.1	91.1	90.0	93.0	82.4	78.3	78.2	90.2

	Apr 09	Jul 09	Oct 09	Feb 10	Apr 10	Jul 10	Oct 10	Feb 11	Apr 11	Jul 11	Oct 11
Overall	89.1	92.1	90.5	91.0	90.4	86.7	87.2	95.2	83.9	88.5	85.0

	Feb 12	Apr 12	Jul 12	Oct 12	Feb 13	Apr 13	Jul 13	Oct 13	Feb 14	Apr 14	Aug 14
Overall	93.6	93.5	92.2	90.4	96.9	97.6	98.8	95.0	106.0	114.0	108.0

Source: MMGY Global, *travelhorizons*™

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Trend #2: The U.S. Economy is Poised to Accelerate

Why is the US economy poised to accelerate?

1. Labor market dynamics improving
2. Further payroll gains expected
3. Rising consumer confidence
4. Increasing wealth and deleveraged household sector
5. Household spending to gain momentum
6. Signs of business investment strengthening
7. Housing to pick up (though risks remain)
8. Policy should remain favorable

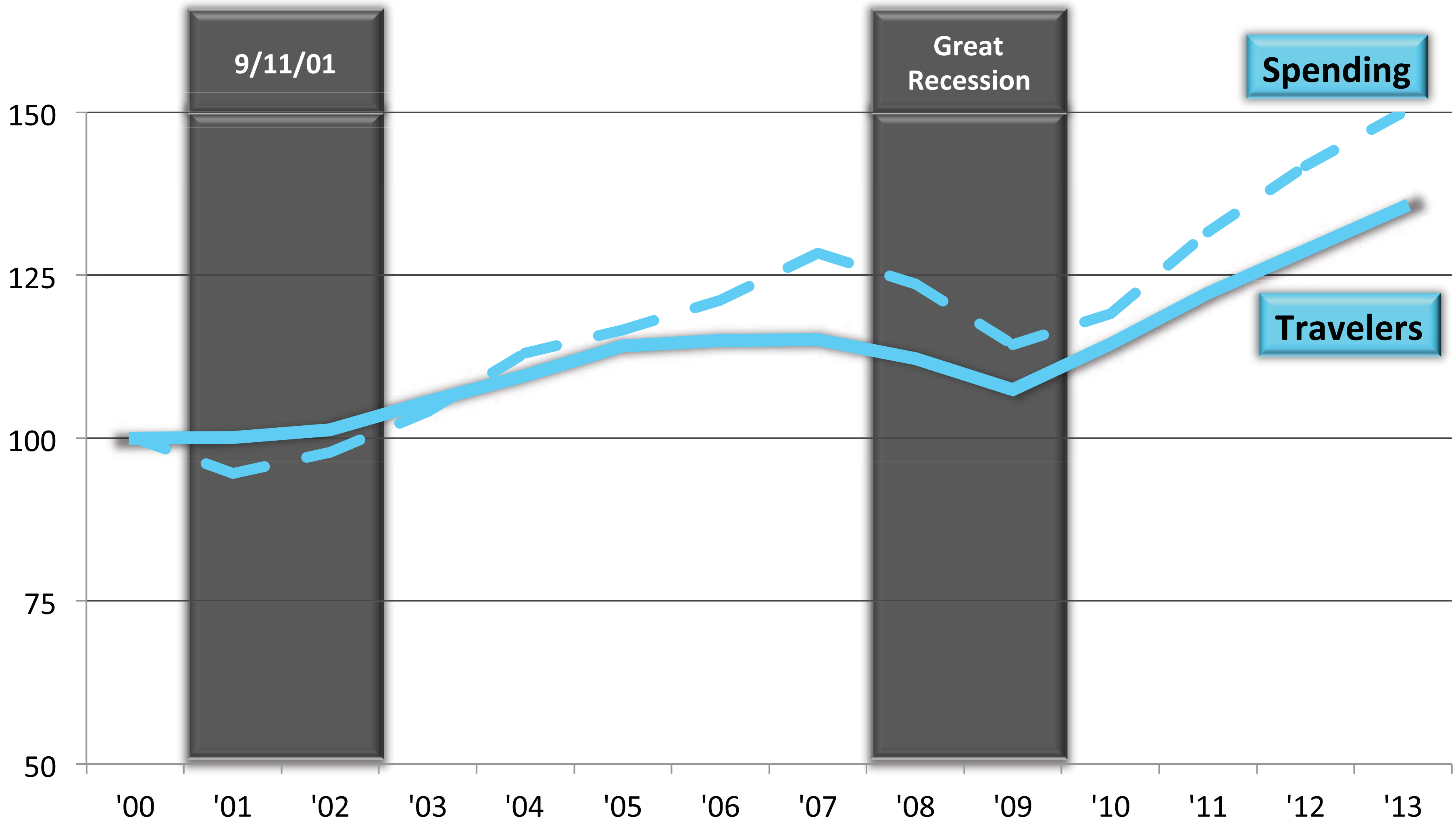
Global economy on a modest growth path

- **Eurozone** improving, but risks remain (deflation, Ukraine)
- **Japan** on a modest expansion path with inflation trending up, but questions around the resilience of the economy (tax hike).
- Economic growth in **China** now expected to come close to the government's 7.5% growth target for this year and slower next year.
- Outlook for other **emergers** is less positive.
- Strengthening dollar will make travel to U.S. more expensive.

Trend #3: Travel Continues to Recover

Traveler Index

(Person-Stays/Direct Spending indexed to 2000)



DKSA PERFORMANCE/Monitor[SM]

Trend #4: Air Travel Continues to Evolve

The Return of the Mainliner

- Bigger airplanes are part of the answer.
  - High fuel prices assure this.
- But bigger airplanes at projected demand levels means that consolidation of traffic must occur.
  - Fewer commercial airports.
  - Fewer hubs.
  - Fewer routes.
  - Fewer flights.

AILEVONPACIFIC

Trend #5: Hotel Industry Sets Records but Growth to Slow

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U.S. Records Set in 2013!

✓Most Rooms Available

✓Most Rooms Sold

✓Highest Rooms Revenue

✓Highest ADR ($110)

✓Highest RevPAR ($70)

U.S. Outlook		
	2014 Forecast	2015 Forecast
Supply	**1.0%**	**1.3%**
Demand	**3.6%**	**2.1%**
Occupancy	**2.6%**	**0.7%**
ADR	**4.2%**	**4.4%**
RevPAR	**6.9%**	**5.2%**

Total United States
Key Performance Indicator Outlook (% Change vs. Prior Year)
2014 - 2015

TOURISM ECONOMICS
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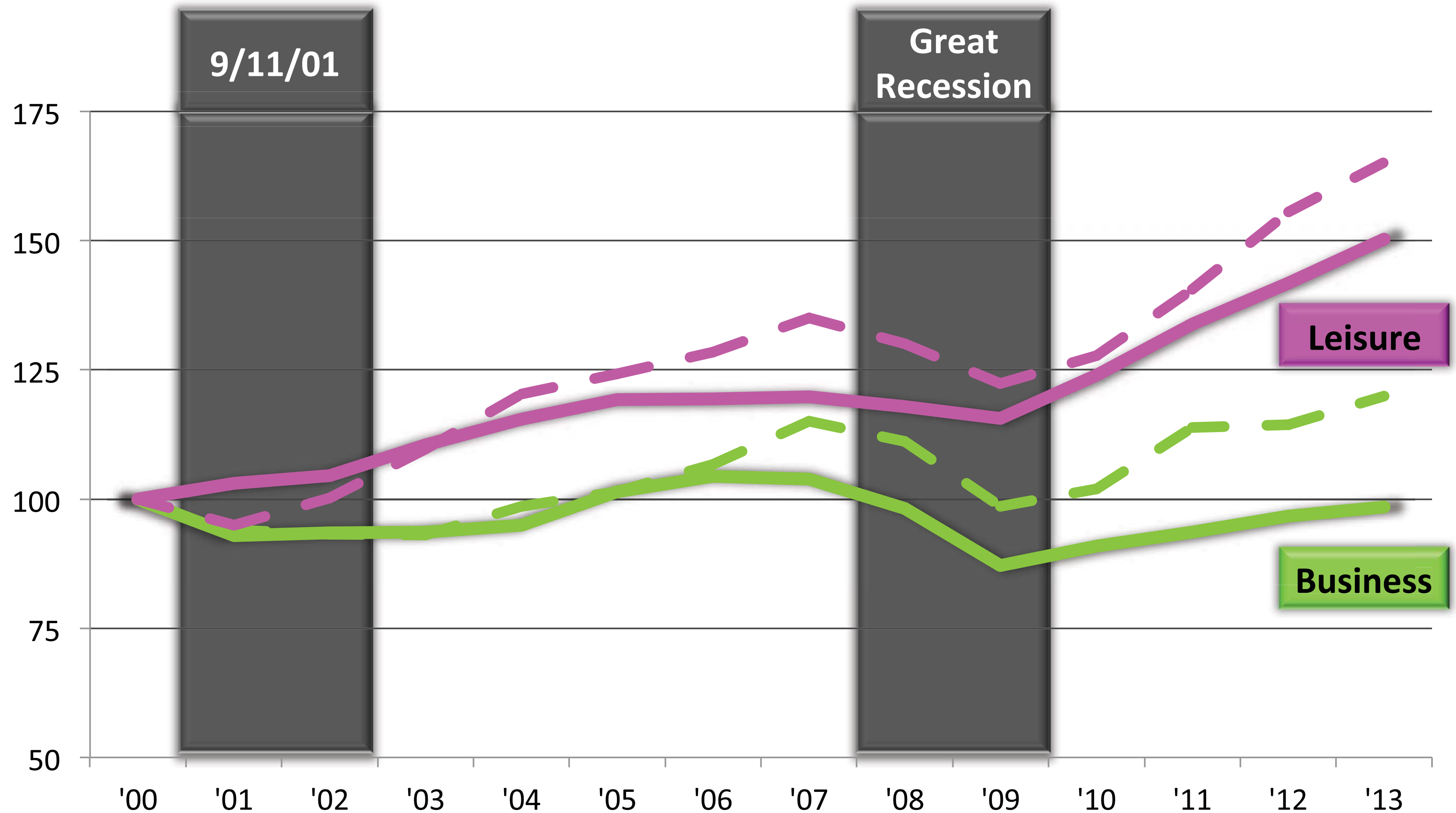
Trend #6: Leisure Travel Continues to Grow

Traveler Index

(Person-Stays/Direct Spending indexed to 2000)



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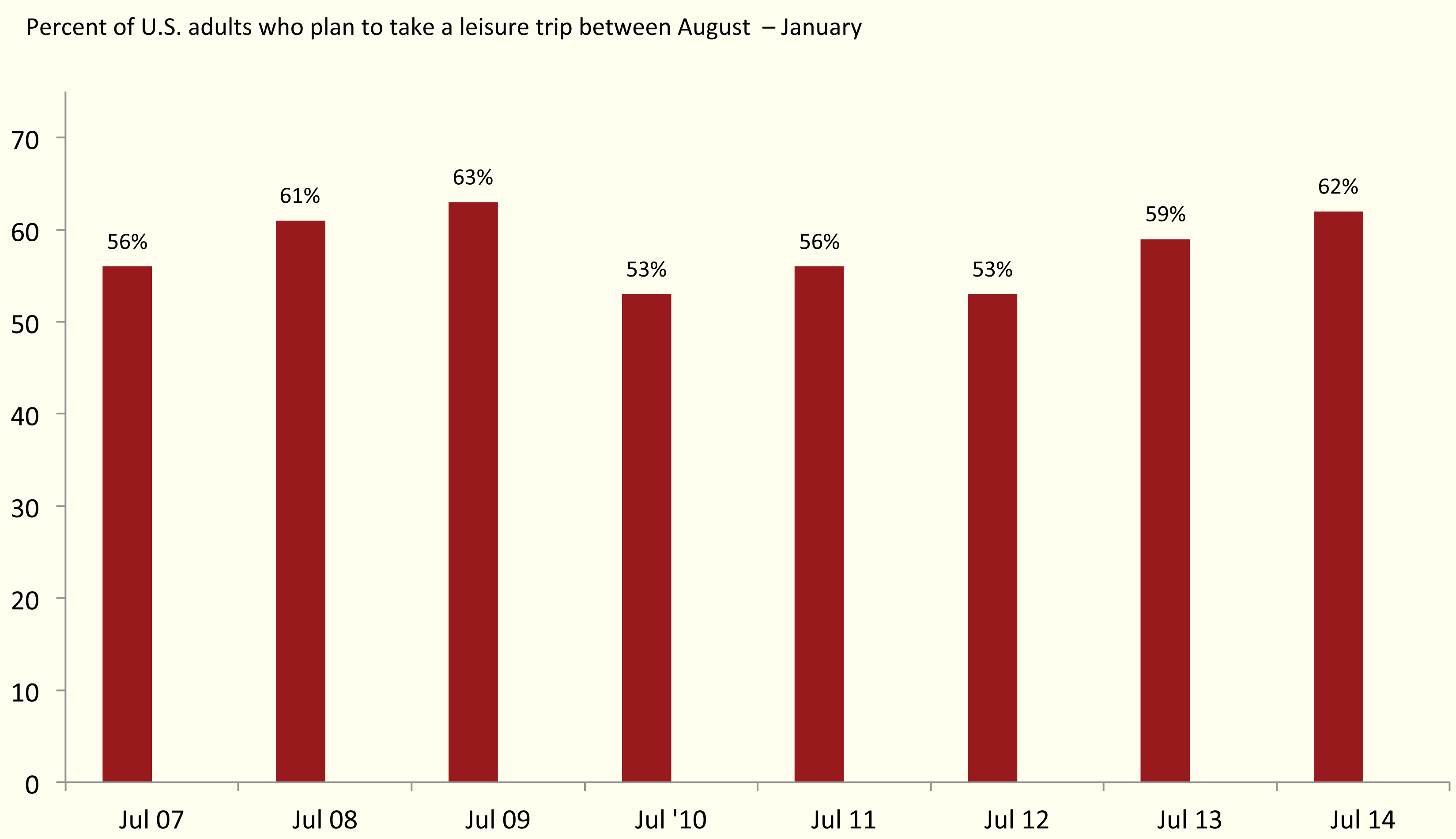
Leisure Travel Intentions Strengthening



Source: MMGY Global, *travelhorizons*™

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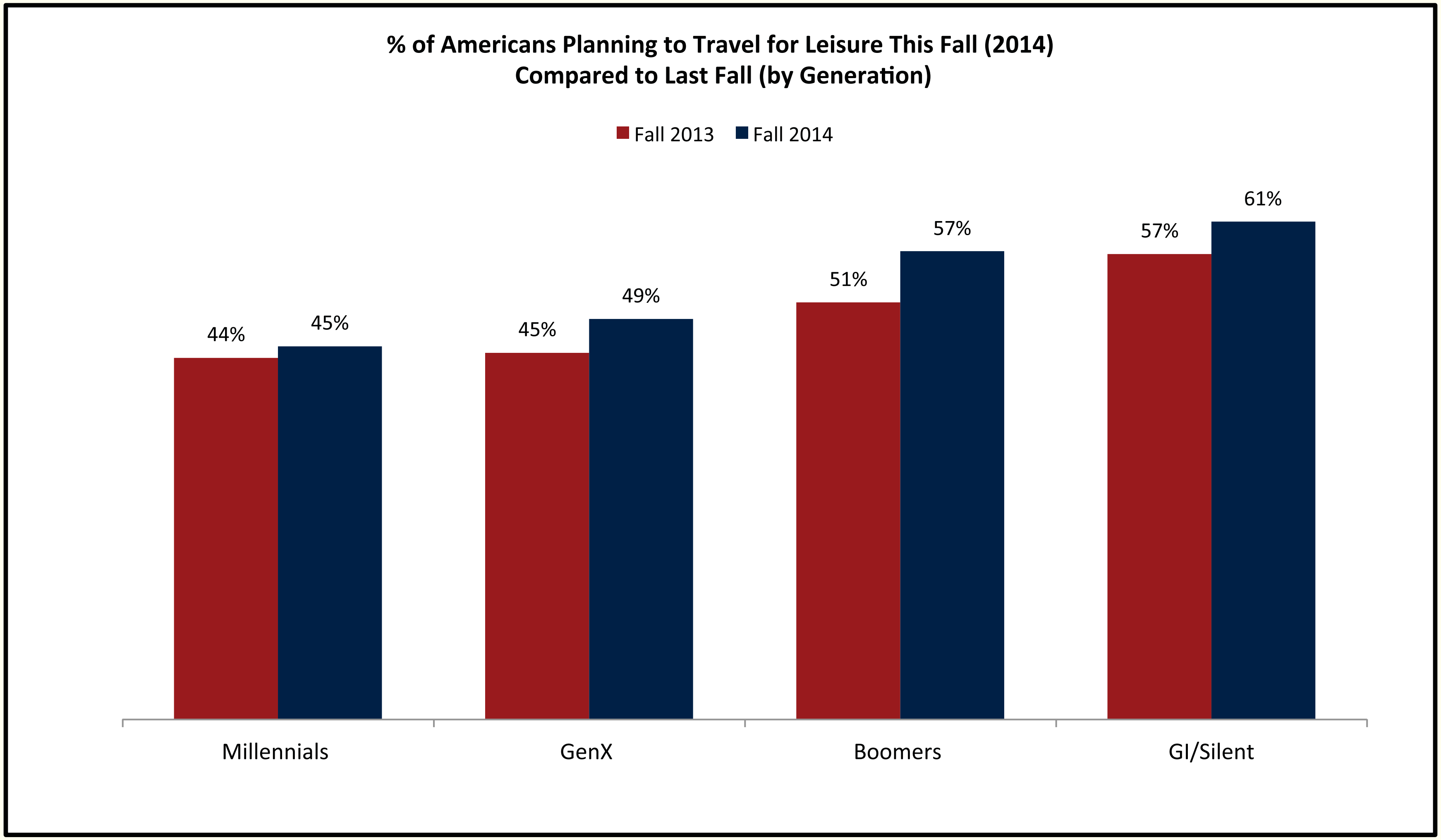
Leisure Travel Intentions Trending Up



Source: DK Shifflet & Associates

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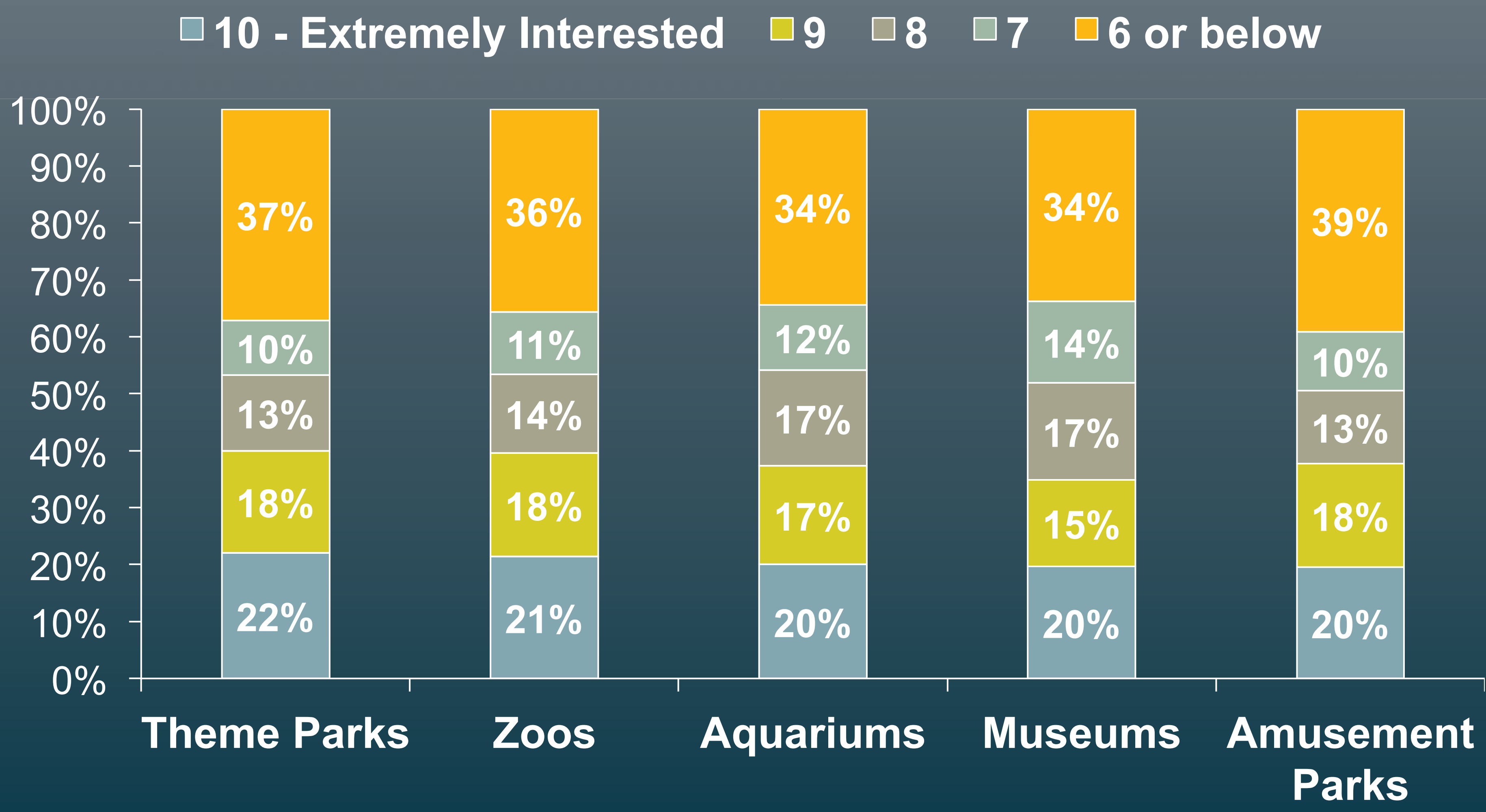
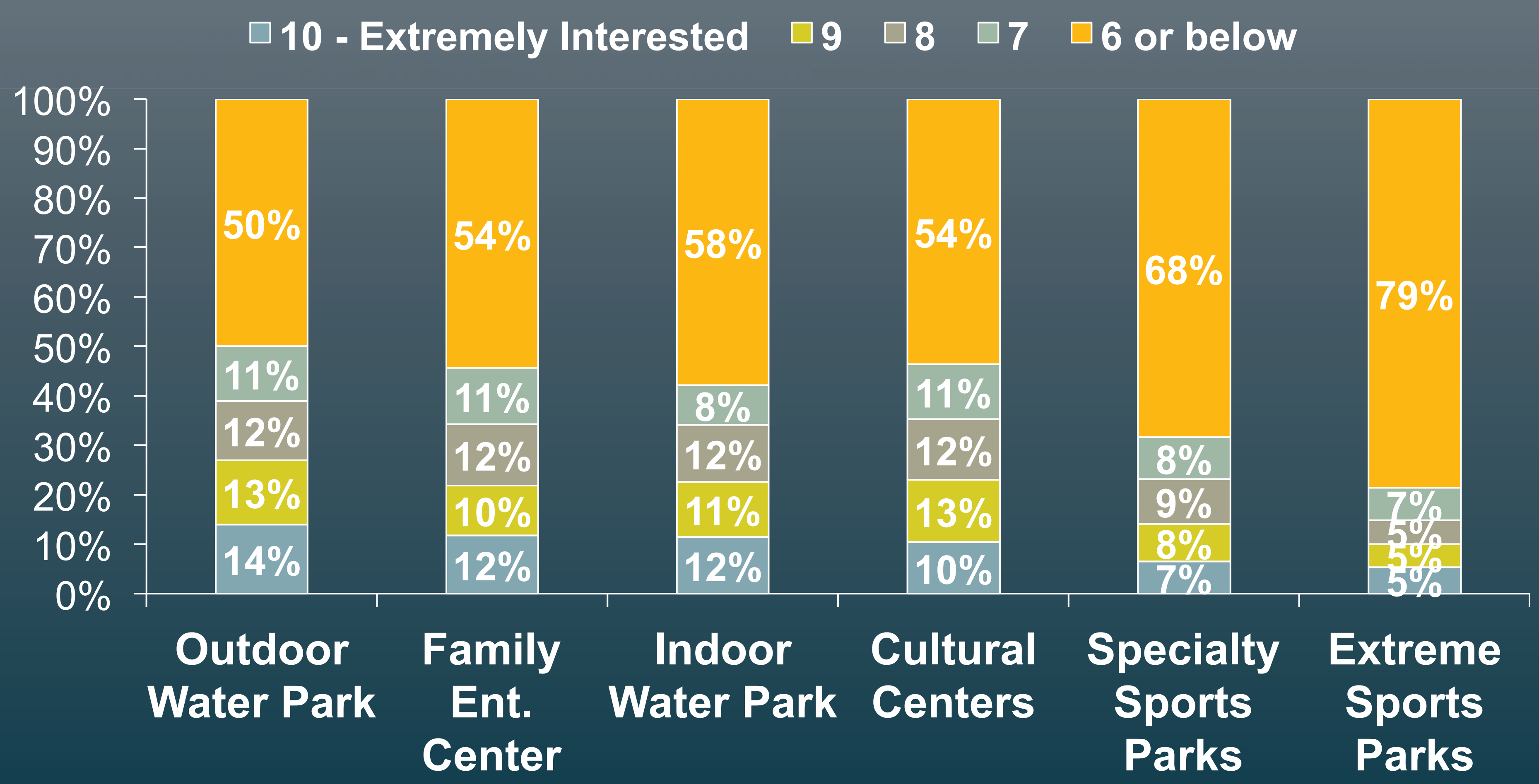
Interest – Respondent Personally



Interest – Respondent Personally



Trend #7: Leisure Travel Continues to Evolve

Focus on:

- Experiences
- Localization of experience
- Authenticity/Not generic/Distinctiveness
- Well-Being
- Community/Connectivity
- Engagement
- Personalization
- Responsibility

Recreation and Ecotourism Reflect Same Trends

ARC and RVIA

- Recreational and RV activities and usage - Significant gains in 2014 and the general outlook for 2015 is optimistic.
- NPS Centennial Campaign - 2015

TEIS

- "Responsible tourism to natural areas that conserves the environment, sustains the well-being of the local people **and involves interpretation and education**"
- Nature-based outdoor recreation increasing in terms of number of participants and frequency – especially non-consumptive and non-motorized
- Trends – Travel with a personal purpose, source locally, interaction with local communities, traveler engagement, green discounts, alternative transportation (slow travel), new websites that emphasize sustainability

Source: American Recreation Coalition, Recreation Vehicle Industry Association and International Ecotourism Society

Tour Operators and Sports Tourism Suppliers Share Optimism and and Trends

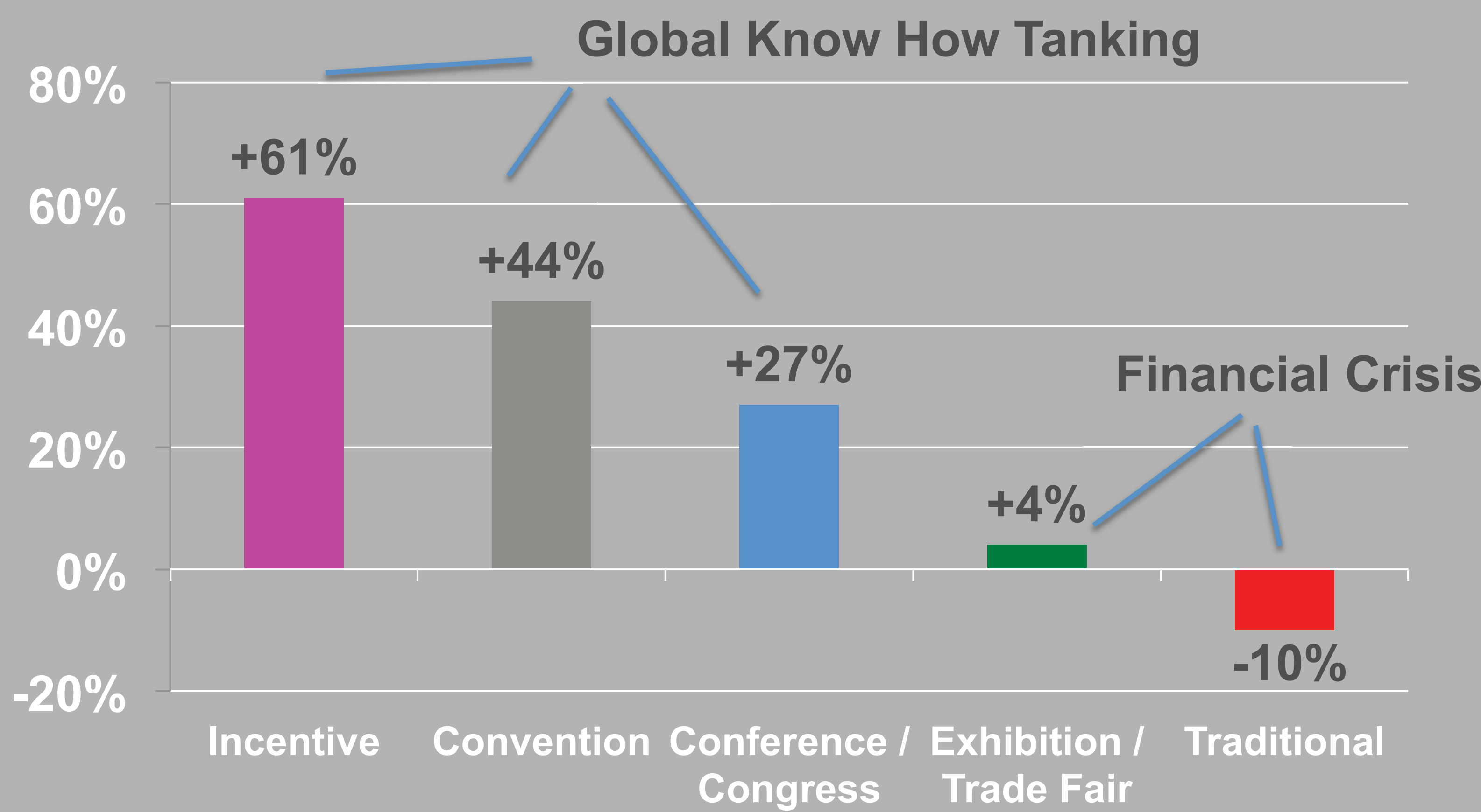
- **NTA:** - tour operators – 60% say bookings and sales up this year and 77% expect business will be better in 2015
- 5 major trends:
  - tour customization/flexibility/choice
  - demand for memorable experiences
  - advancements in and use of technology/internet/social media
  - smaller groups
  - adapting and appealing to younger travelers
- **Sports Tourism:**
  - Sports traveler is aligned with some of the newer age destination concepts that put an emphasis on connectivity and efficiency.
  - Both generational groups can be served by the 2C2R approach (Communications, Community, Recognition and Reward) putting greater emphasis on customer loyalty and experience.
  - Optimistic about the future of sports travel - from both groups, assuming that marketers take such an approach.

- Source: National Tour Association, Sports and Leisure Research Group

Trend #8: Business Travel Picking Up

World Outbound Travel 2009 – 2014

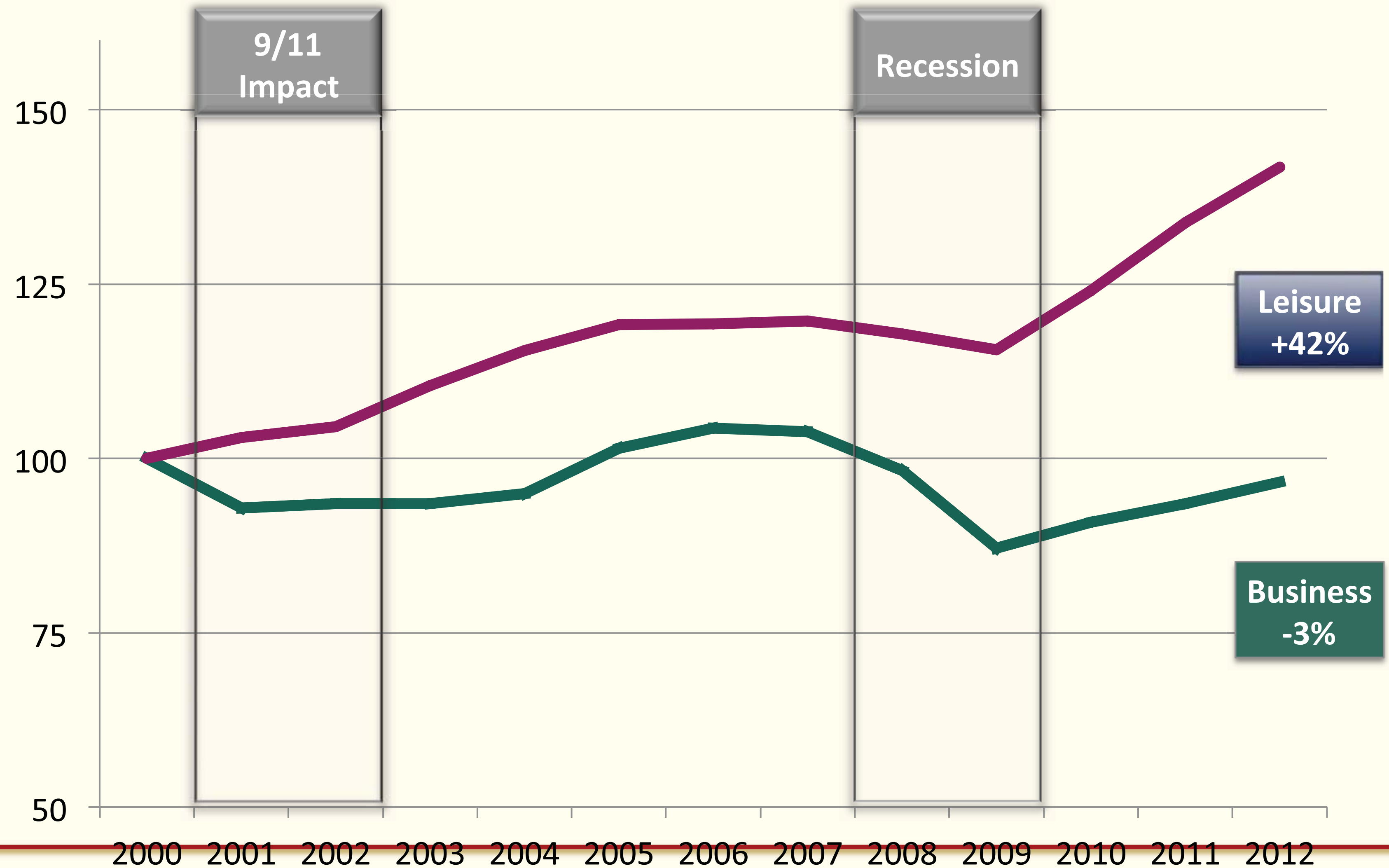
Promotable Business Travel Is Outperforming



Source: World Travel Monitor® 2009 – 2014 (Trend 1-8), IPK International

Traveler Index

(Person-Stays indexed to 2000)



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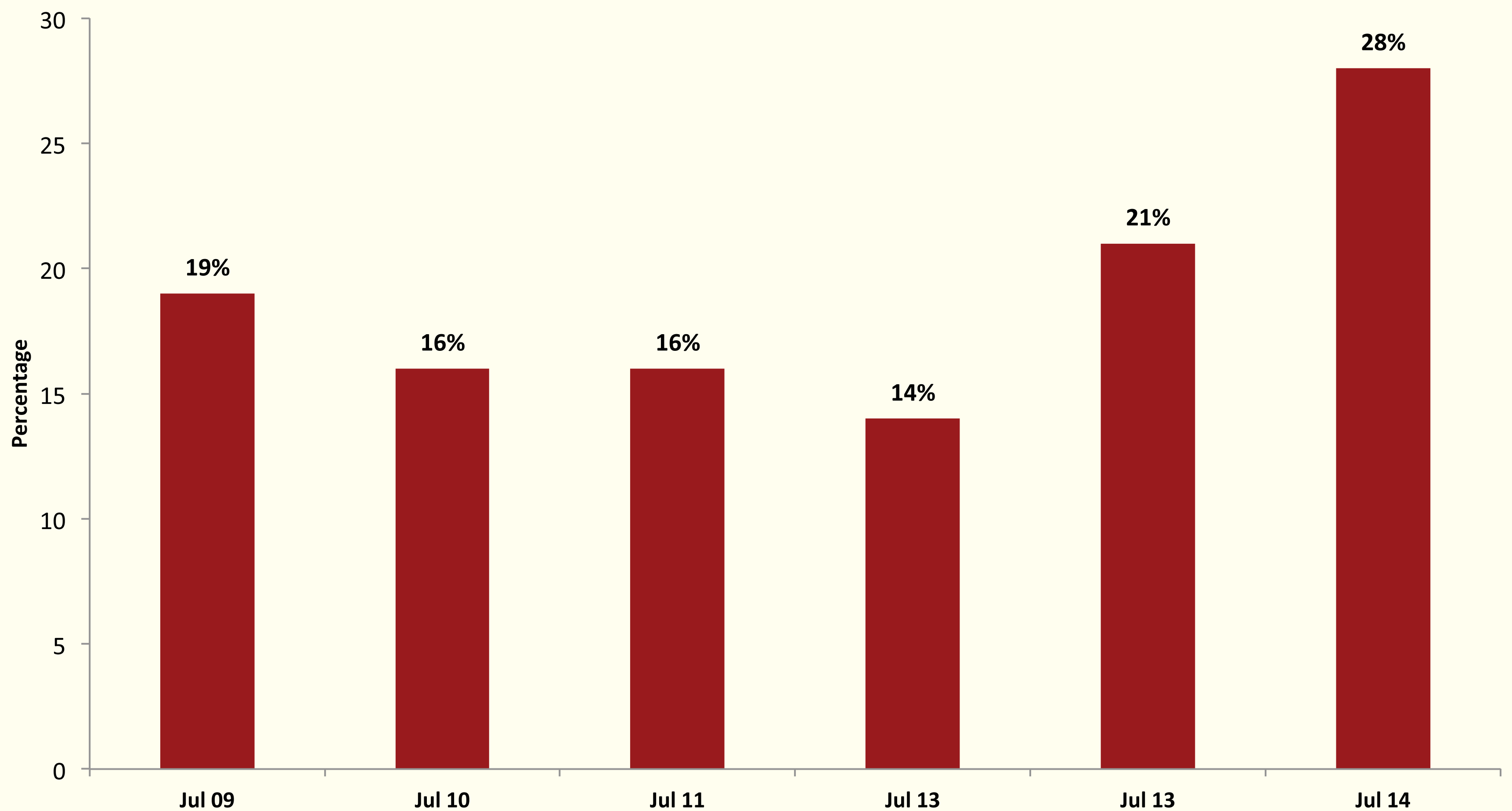
Business Travel Intentions up Significantly

Percent of U.S. adults who plan to take a business trip between August – January



Source: MMGY Global, *travelhorizons*™

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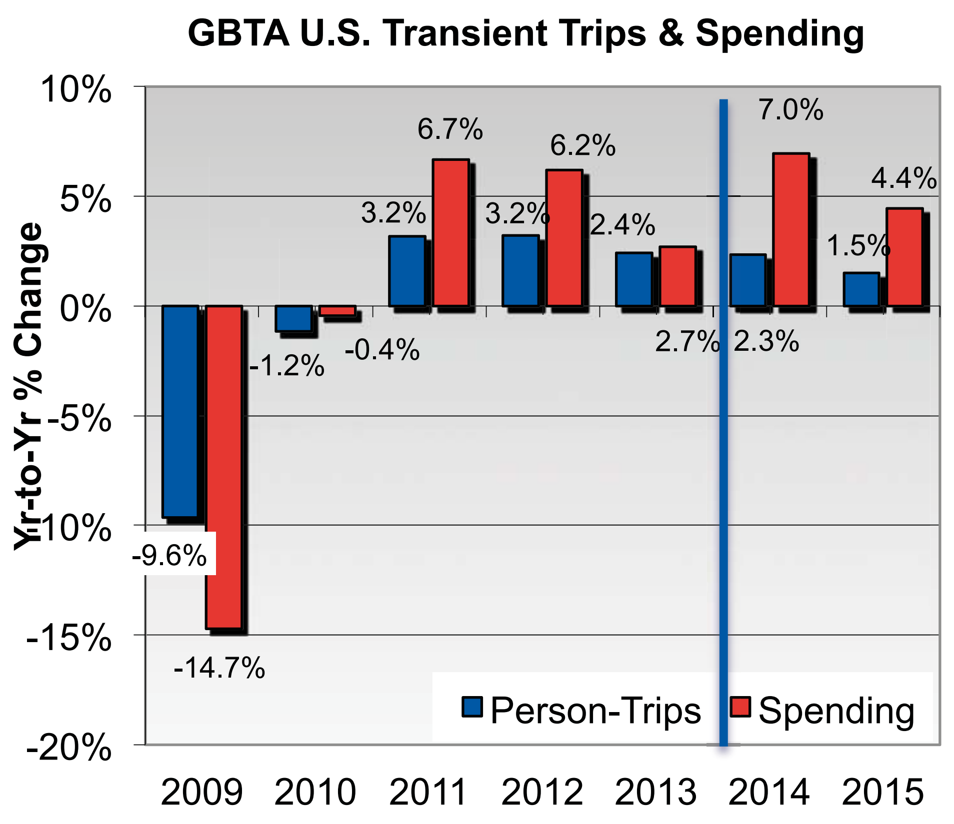
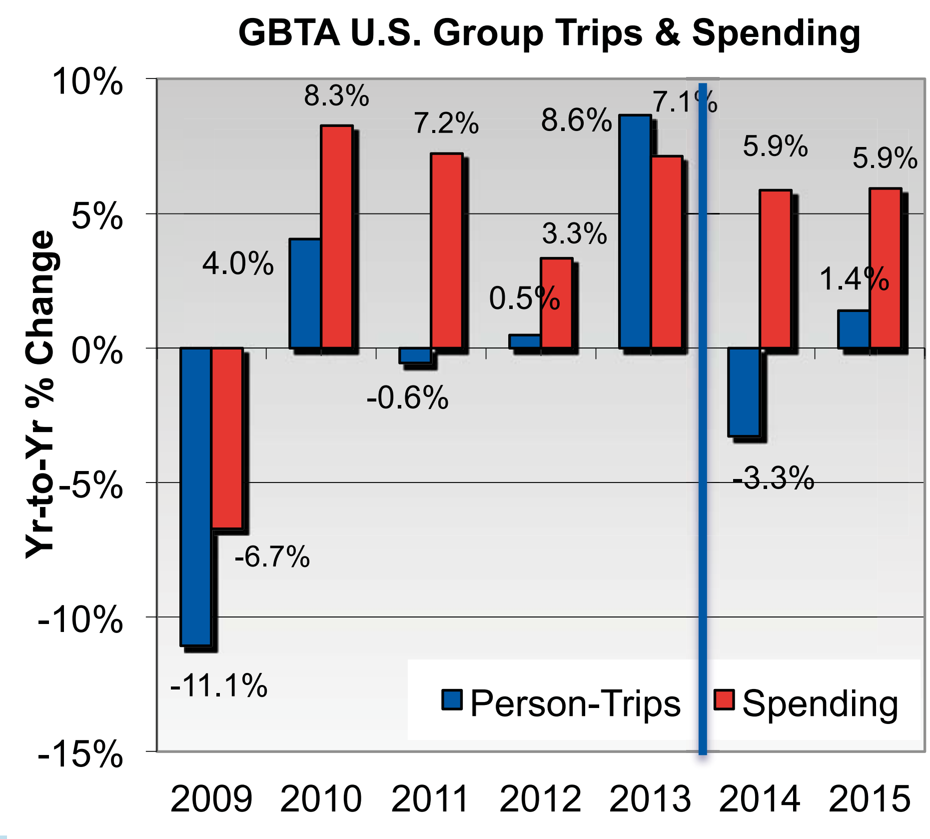
U.S. Business Travel by Trip Purpose

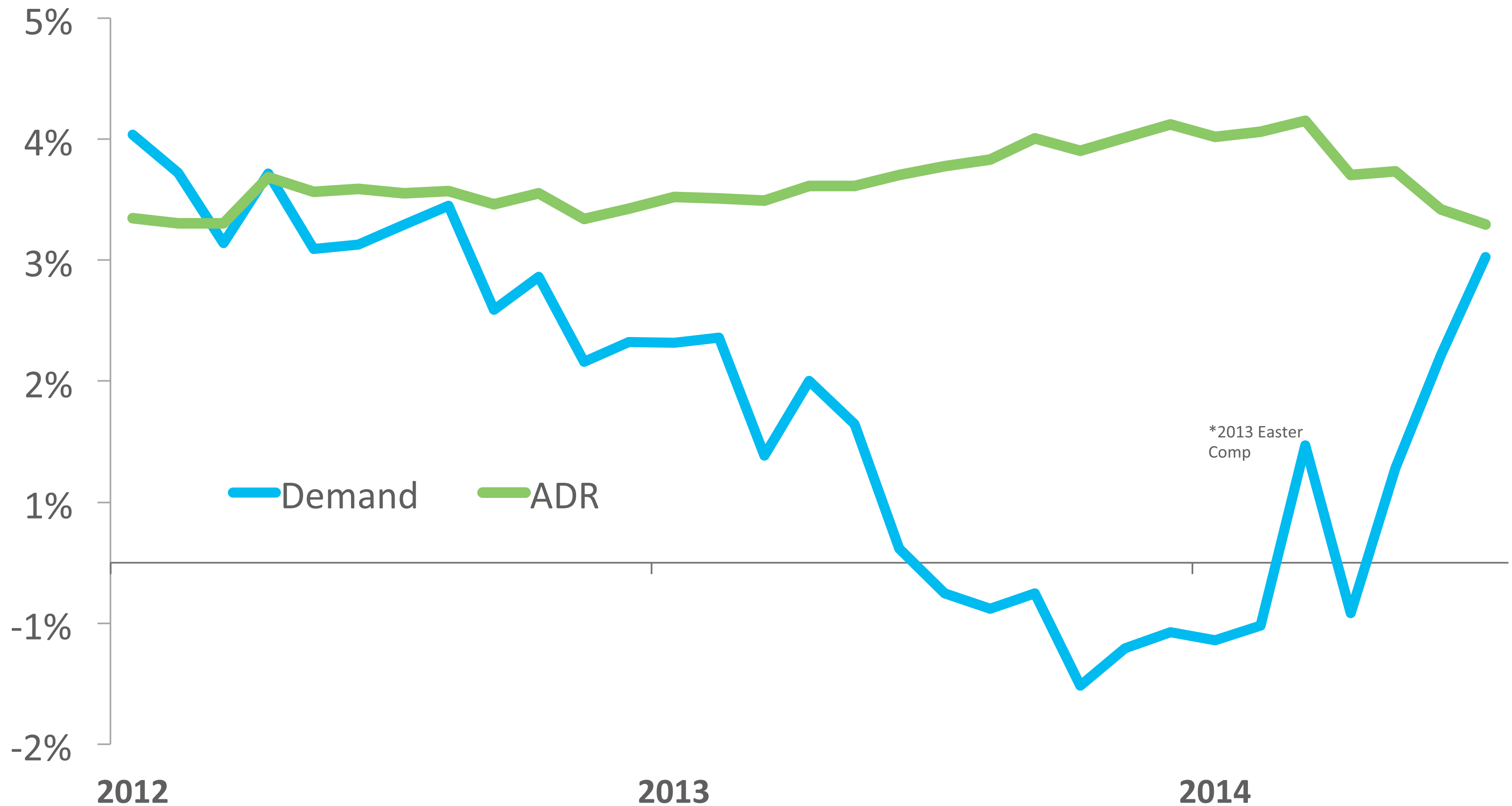
- **Transient:** *2014 snap-back from slower 2013, plus both rising spend-per-trip and travel inflation*
- **Group Meeting:** *2013 trips way up after two years of pent-up demand. 2014 trips down on cyclical snap-back but spending is up on a per trip basis and via higher travel inflation*





Source: GBTA Foundation, Rockport Analytics

Group Demand Is (Finally!) Recovering



Group Demand and ADR % Change, 12 MMA, 1/2012 – 7/2014

What Planners Consider "Very Important" in Meeting Site Selection

DestinationMAP 2013 Vol. 1; 40 North American Meeting Mkts; Selection from 26 Characteristics

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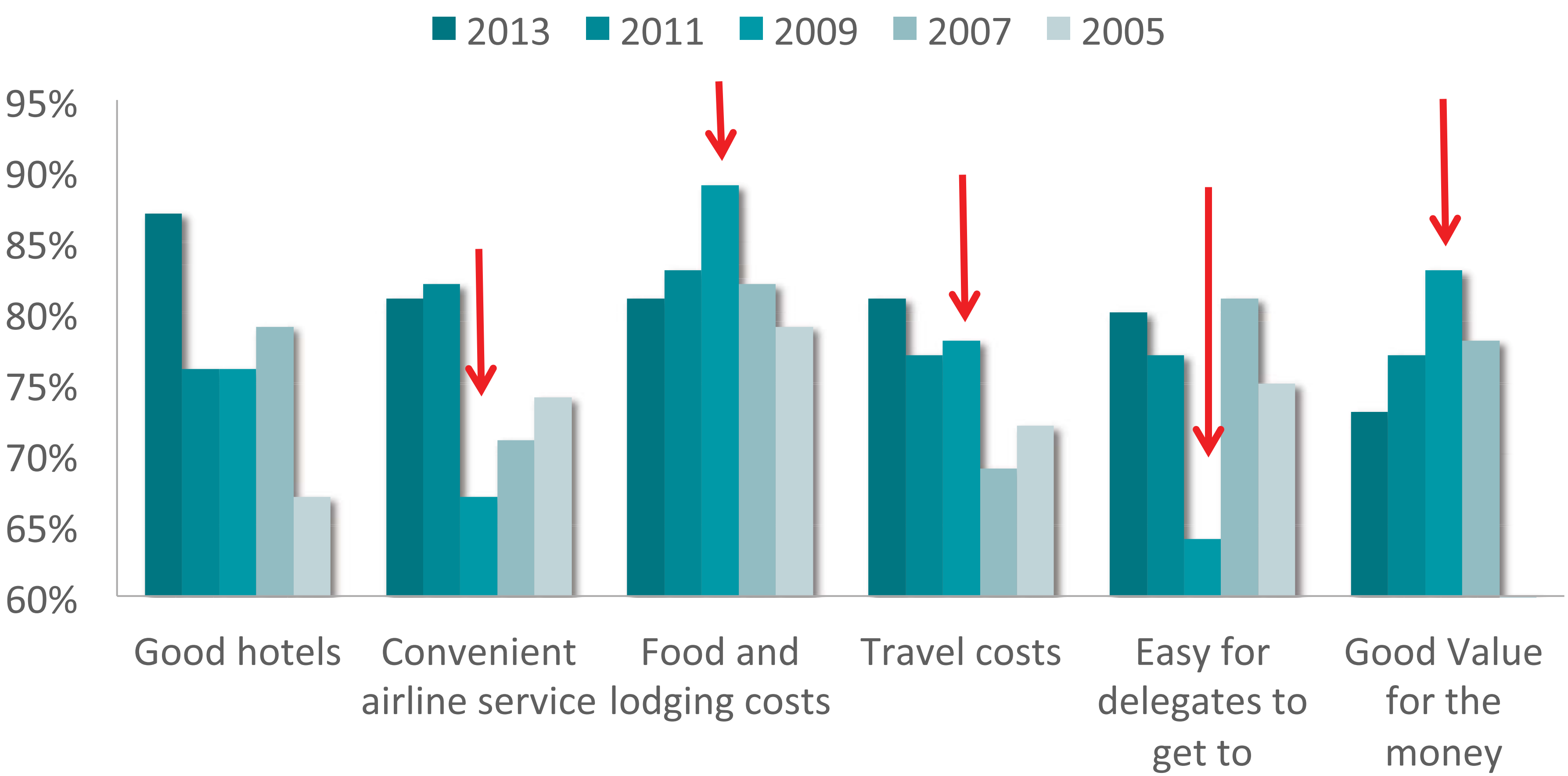
"Very Important" Considerations for Planners



DestinationMAP 2013 Vol. 1; 40 North American Meeting Mkts; Impact of Econ Conditions

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10 Trends in Incentive Travel

A Thriving $30B industry primed to grow

- CEO's need to attract and retain talent
- Fully engaging workforce
- Positive impacts on incentive travel program design
- Incentive travel budgets trending up
- International programs are on the rebound
- Planners invest in more robust experiences
- Self-defining experiences
- An app for everything
- Wellness
- Disruption as a constant state

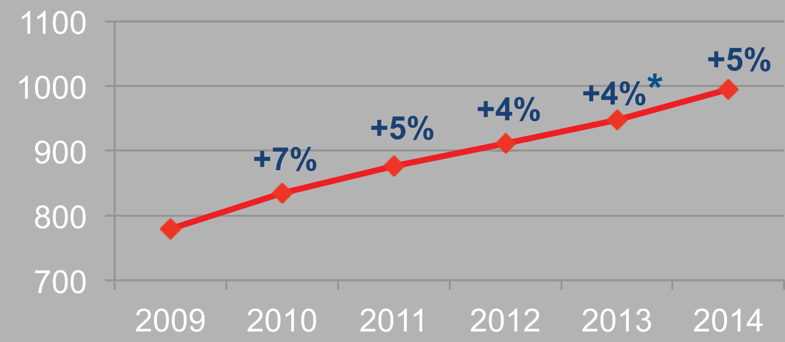
Source: Incentive Research Foundation

Trend #9: International Travel Leading Growth

World Outbound Trip Performance

IPK INTERNATIONAL

985 million Trips



+28%

Mean growth: 45 Million more outbound trips per year

Source: World Travel Monitor® Trend 1-8/2014, IPK International

Our Forecast for World Outbound Travel 2015

+ 6%

Source: World Travel Monitor®, Outbound Travel Intention Survey 2009-2014 (Trend 1-8), IPK International

Our Outbound Travel Forecast 2015

Asia +8 %

South America +4 %

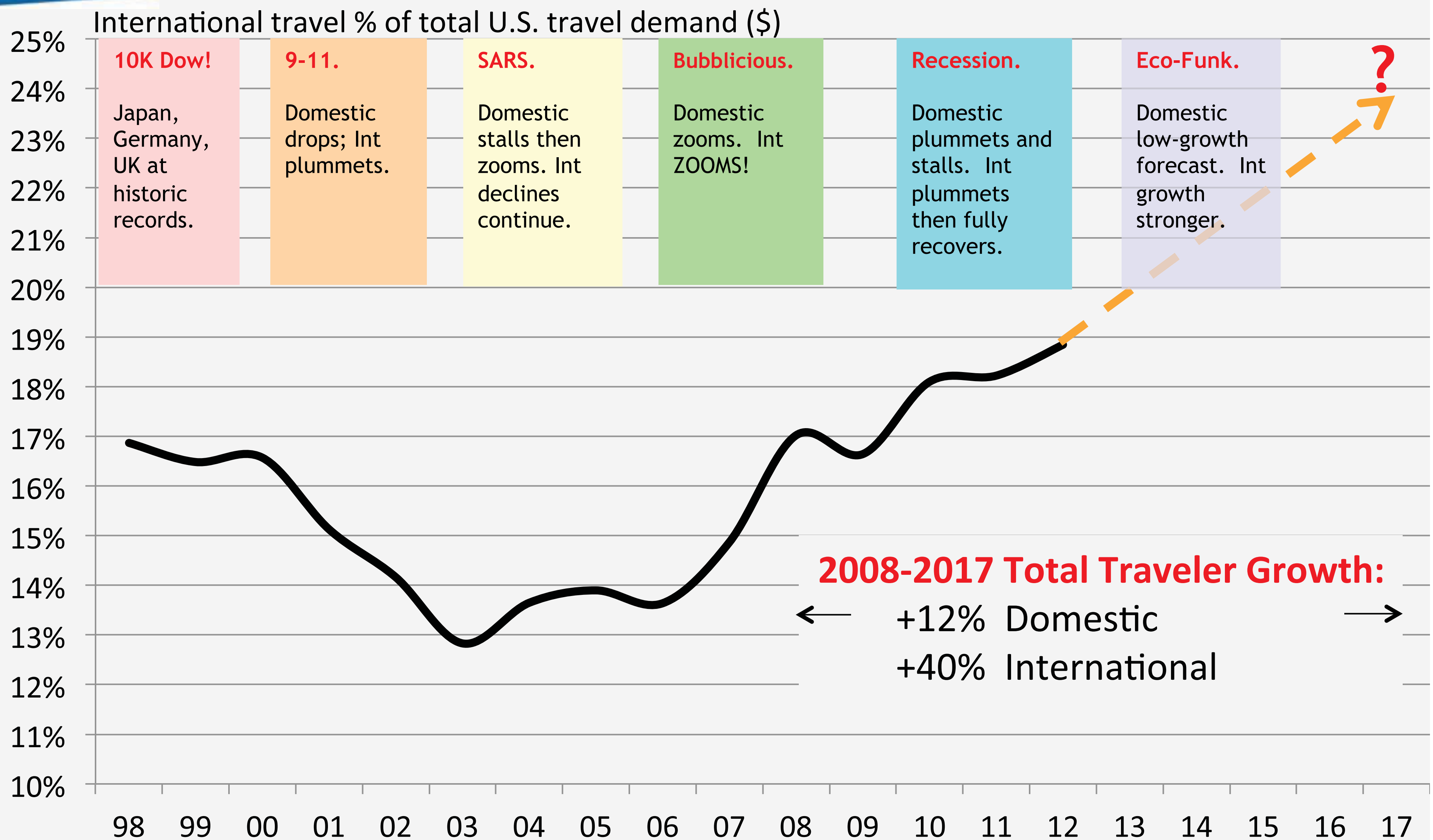
North America +5 %

Europe +5 %

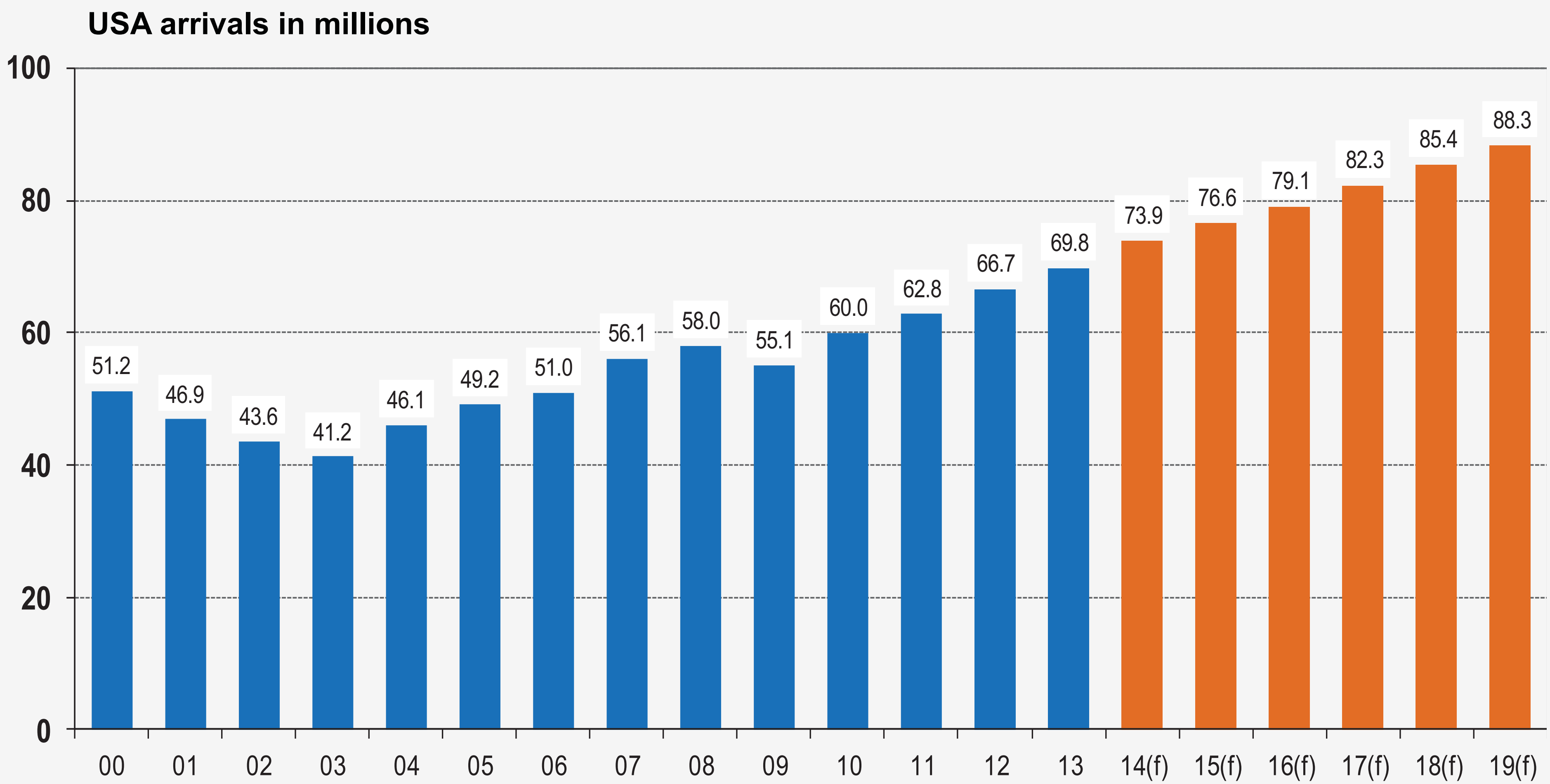
Source: World Travel Monitor®: Outbound Travel Intention Survey 2009-2014 (Trend 1-8), IPK International

International Travel Share of Total U.S. Travel

Bureau of Economic Analysis *demand* components

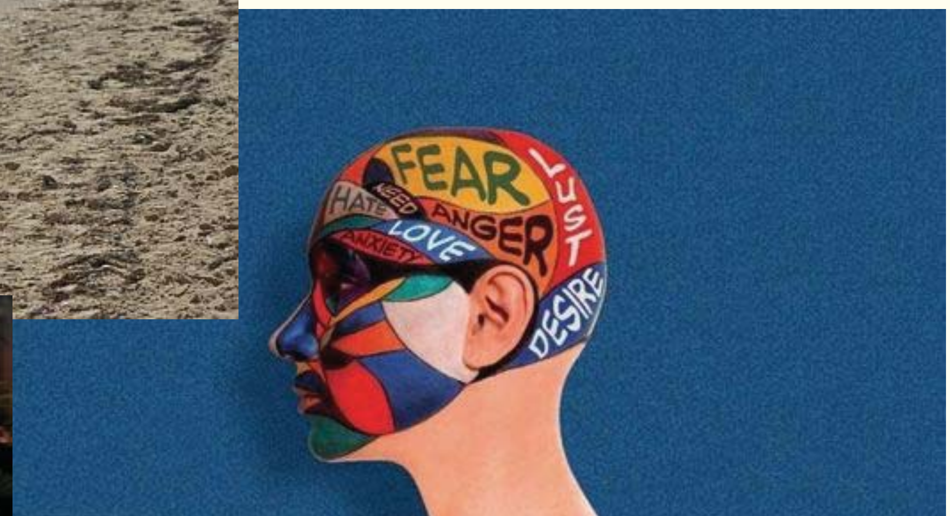


International Visitors to the U.S. and Projections
(2000-2019)



Sources: U.S. Department of Commerce, ITA, National Travel and Tourism Office; Secretaria de Turismo (Mexico); Statistics Canada. -- Fall 2014 Travel Forecast

Skift - Frantically Focus on Changing Consumers



Consumer Focus #1: Look for the Ones with Money

Peter Yesawich told us....

- Matures are "where the money is" for leisure travel, but
- Millennials are the new market makers of the future

Affluent Market – Profile

Overview of Top 10 Percentile of U.S. Households	
Number of Households (Millions)	12.2
Minimum Net Worth	$942K
Median Net Worth	$1.9M
Average Net Worth	$4.0M
Average Income	$361K
Median Income	$183K

Correcting "Myths" about the Affluent

- The recession did not create a "new normal" for spending by the affluent
- "Stealth wealth" and "luxury shame" were never prevalent among the affluent
- Most of the affluent are not luxury consumers
- The affluent are not in a mood of austerity

The “Truth” about the Affluent

- Like your next-door neighbor
- Middle-class values and lifestyles
- Seek good quality and good value
- Careful shoppers and aggressive savers
- Live within their means
- Need to be educated about luxury

Consumer Focus #2: Industry Responds to Generational Shifts

Millennials and Boomers

- Millennials:
  - More confident
  - Lowest use of traditional lodging
  - Greatest share of "digital elites" – confidence in technologies, trusting of social media
  - See social media as an enabler of positive travel experiences rather than an interruption
  - Social media provides two-way reciprocity ("Pay-it-forward")
  - Want to pick their own everything
  - More spontaneous

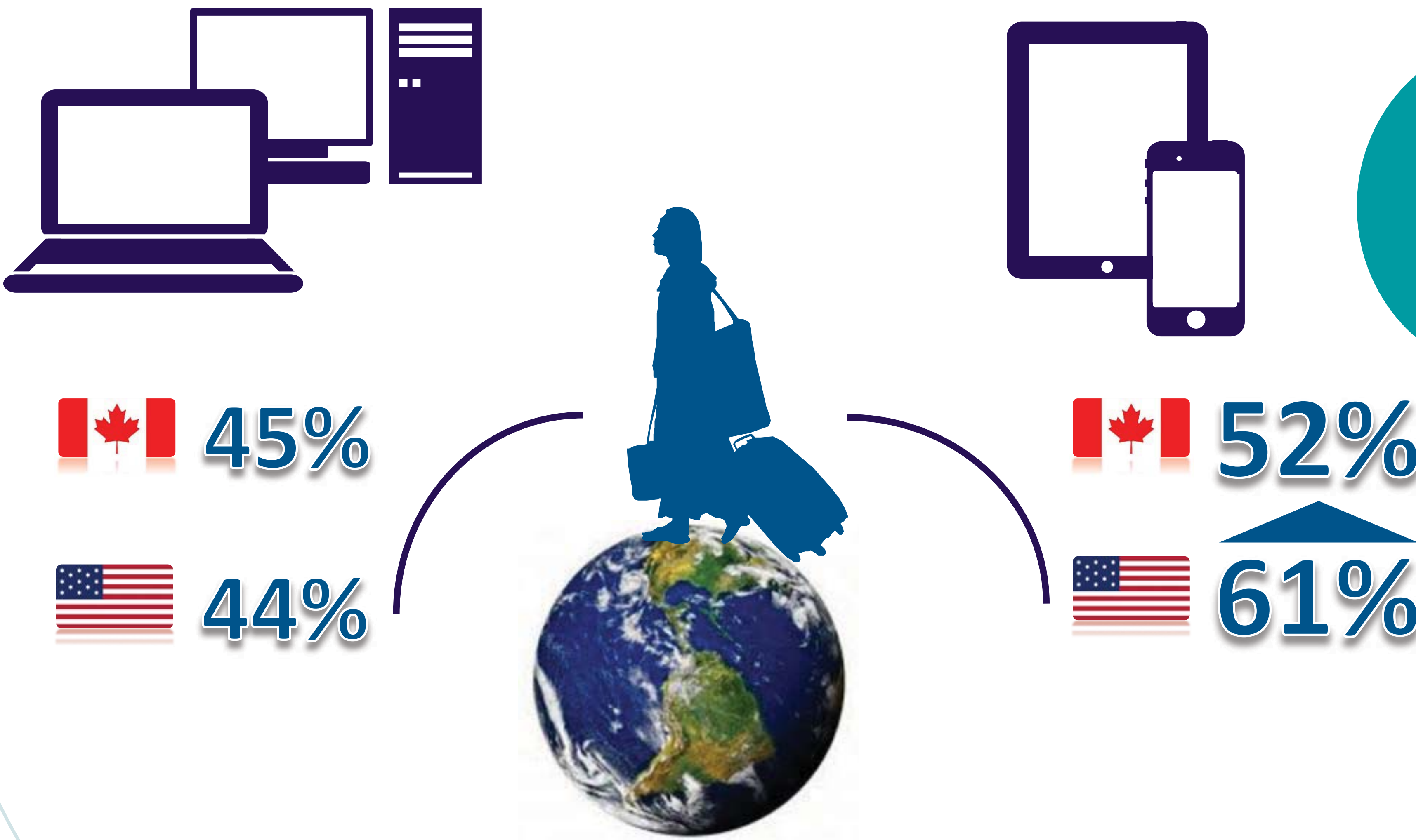
Consumer Focus #3: Other Groups Gaining Recognition

- LGBT
- Disabled
- Ethnic
- "Heads-Up" Segments

Skift - Ignoring and Breaking the Silos

Breaking Silos #1: The Fully Engaged 24/7 Traveler

Usage of technology devices during last trip or leisure



Q1. During your last trip or leisure, did you use the following technology devices?

Breaking Silos #2: Repositioning Benefits of Travel

Nan Marchand Beauvois – U.S. Travel's "Travel Effects Program

- Travel:
  - Creates more engaged learners and stronger earners
  - Strengthens family bonds and helps build/maintain romantic relationships
  - Is a path to healthy, active aging
  - Reduces stress, increases happiness and improves our overall mood and outlook.
- Not taking that time is taking a toll on our productivity, our family life and very broadly – the economy. But still leaving time on the table.
- Two major barriers to taking time off: work martyrs and company communication. It's time for a change.
- Our 24/7, always-on, workaholic culture is not only optional, it's unnecessary and harmful—to our health and well-being, our relationships, and our economy.

Source: U.S. Travel Association

Breaking Silos #3: Changing Nature of Meetings

Breaking Silos #4: Influence of the "Sharing Economy"

Breaking Silos #5: Learning from Iconic Brands

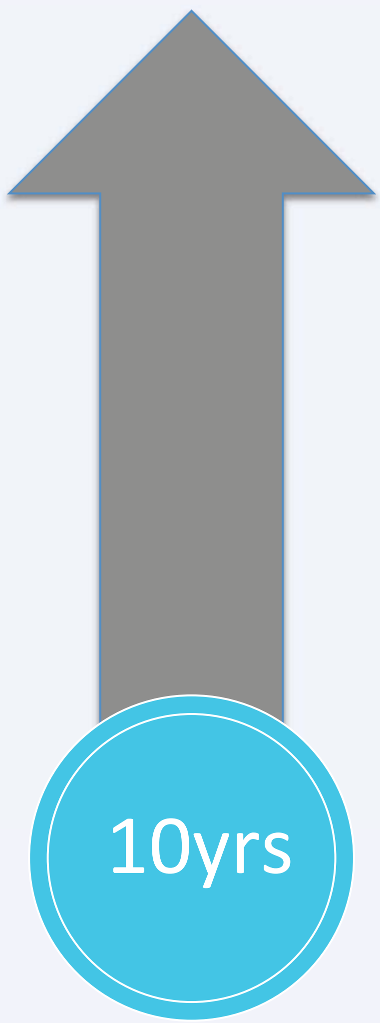
Breaking Silos #6: Tourism Planning and Community Quality of Place

Start with Making Your Your City a

Great Place to Live, Work, Play, and Learn.

CATHEDRAL THINKING

Big Data Quotes



+ "I keep saying that the sexy job in the next 10 years will be statisticians, and I'm not kidding." – Hal Varian, chief economist at Google.
+ "The goal is to turn data into information, and information into insight." – Carly Fiorina, former chief executive of HP.

MARKETING OUTLOOK FORUM: A GLOBAL PERSPECTIVE

Presented by the Travel and Tourism Research Association

Suzanne Cook Consulting, LLC

SUZANNE D. COOK, PH.D.

PRESIDENT

(202) 297-6042

SDCOOK100@YAHOO.COM