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United States: Tourism Market Insights 2017

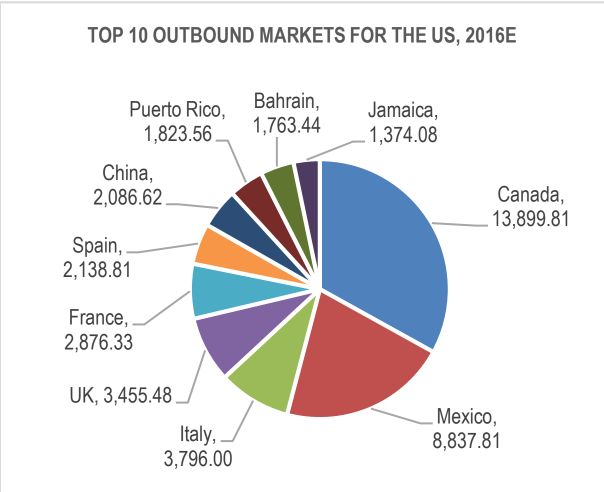
Overview

This tourism report provides an outlook on key market insights on a global, national and provincial scale for the United States (US). In addition, it includes key behavioural trends and characteristics of travellers from the US.

Obtaining a thorough understanding of when and where travel consumers search and source their information sheds light and insight on how to effectively influence travellers' decision as they plan their next trip.

US Outbound Tourism Trends

- The US ranked as the world's 2nd top tourism spender in 2016, reaching US$122 billion in tourism expenditure and rising by 8% year-on-year.
- The economy has proven to be rather robust. For a third year in a row, strong outbound demand was driven by a strong US dollar and economy.
- According to *Business Monitor International (BMI) Q2 2017* trends on the US market, domestic tourism holds a strong level of popularity. The robust domestic tourism market stems in large part from its size and variety of tourist locations. This resulted in the US residents often choosing to explore their own country instead of travelling abroad.
- The US tourism market benefits from good transport connections, a variety of well-priced hotel offerings and distinguished marketing packages by the respective states.
- BMI forecasts for the average tourist departure per 1,000 of the population reflected a proportion of 244.7 tourists per 1,000 inhabitants travelling abroad in 2017. This number is relatively low. The fact that only around a third of US residents have passports also serves as a strong incentive for local marketers to boost domestic tourism.
- Disposable incomes have also shown signs of rising, allowing more US residents to go on holiday.
- In addition, the unemployment rate is falling, these important indicators should boost purchasing power and encourage spending on tourism and travel abroad.
- BMI forecasts foresee outbound tourism to pick up again in 2018, increasing by 4.1% in a year when GDP growth will rise to 2.2%. Outbound departures are expected to grow at a steady pace until 2020, followed by an anticipated sharp drop of 8.1% in 2021.
- The overall decline in departures will likely be attributed to the drop in departures to Latin America in that year. Contributing factors to the decline could possibly be linked to the anticipated visa and immigration reforms.
- According to BMI's top 10 outbound markets for the US, the popularity in domestic travel is evident in the countries represented in the figure below. Canada ranked as the top country for outbound departures from the US in 2016, followed by Mexico in 2nd position.
- Mexico ranked as the largest source market for the US, with 21.3 million arrivals forecasted in 2017. This reflects the large number of Mexicans living in the US and thus resulting in frequent visits back and forth. Overnight or weekend tourism to the US is also frequent, as are day visits from Mexicans living close to the border.
- Canada also ranked as the 2nd largest inbound market for the US. Like Mexico, Canada benefits from a long border with the US and visa-free entry under the *North American Free Trade Agreement (NAFTA)*. However, the weakening pound in the United Kingdom may make it an increasingly popular tourism destination.



Source: Business Monitor International, 2017

Understanding the US Online Travel Shoppers:

Travel is a large and growing sector in the US and Americans are consuming more and more digital travel content. Similar to digital consumers globally, US travellers are flooded with information during their planning and research process.

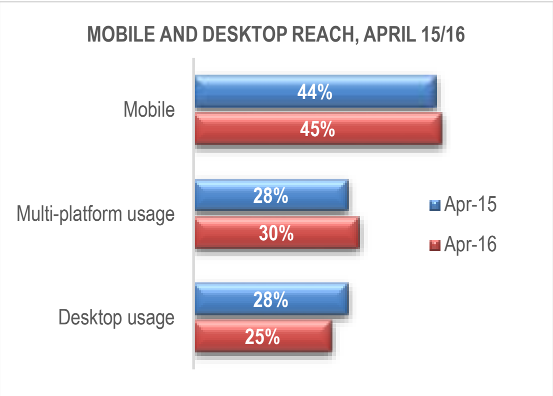
When US travellers are planning a trip, they tend to turn to several sources to help them decide where to go. Furthermore, alike to many travel shoppers across the globe, most travellers use multiple devices throughout their purchasing process.

The booking journey of online travel shoppers in the US has proven to be complex, particularly given the sheer magnitude of the travel audience.

1. How prevalent is mobile, multi-device and desktop usage?

With respect to reach, mobile claims a larger share of online shoppers compared to desktop usage. Of all US online users, mobile accounted for 75% and is the medium with the largest digital reach in the travel category.

With evident growth seen in mobile and multi-device usage, it is important to identify which devices are most frequently used by the US online shoppers. Amongst those buyers who owned smartphones, 33% used their device to research a trip, while 40% of tablet owners researched via their devices. This indicates the prevalence of mobiles and even more so tablets serving as a valuable tool for potential consumers.



Source: Expedia Media Solutions, 2017

2. Number of travel site visits?

140 Travel site visits was recorded for the average US traveller in the 45-day path to purchase in 2016.

Over the course of a US travellers' booking journey, travel shoppers regularly visit travel sites during the first five weeks. As they near their purchase decision, even more travel content is researched. During the final week before booking, the average US shopper conducts more than 23 visits to travel sites, reflecting an 88% when compared to the number of visits at the start of the booking journey (6-weeks before: 12.5 visits).

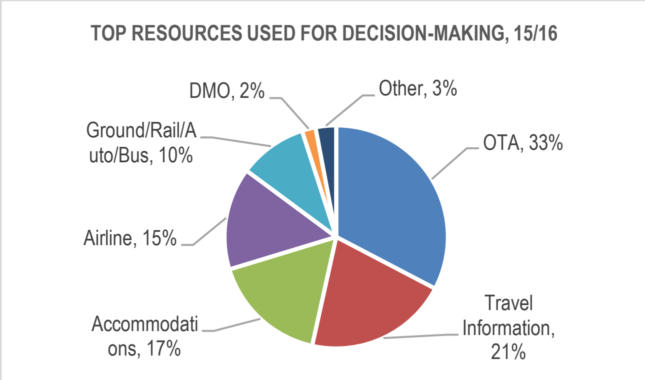
3. What is the top resources for decision-making?

Given that US travellers spend a significant amount of time engaging with travel content, it's crucial for tourism marketers to understand where travellers look for travel information during their research, planning and booking phases.

Taking a closer look at the top channels used to obtain information, it is evident that most American travellers engage with a variety of sites. However, online travel agencies (OTAs) reflected the largest (33%) share of visits throughout the 45-day purchase path.

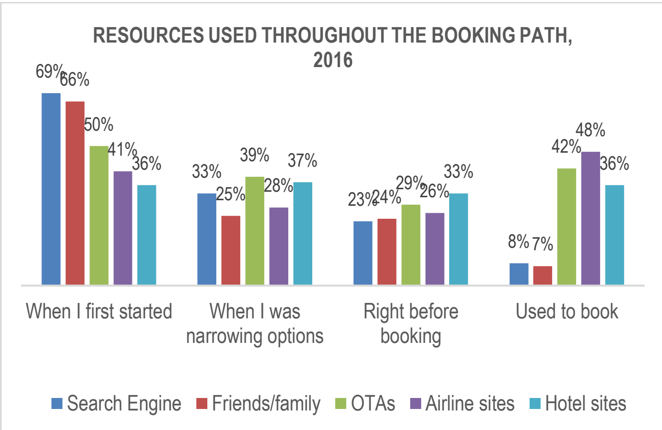
Travel information (21%) sites followed as the second most prominent resource for travellers, popular sites included Tripadvisor.com and Nationalgeographic.com.

When examining the resources referenced on a week-by-week basis, trends indicate that airlines ranked as the most frequent resource used across the entire booking period, followed by consistent growth in OTA visits.



Source: Expedia Media Solutions, 2017

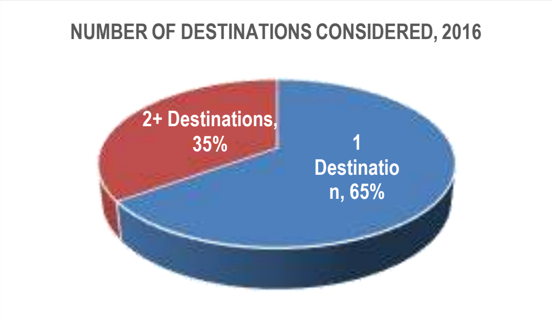
Looking at the progression of the booking path, travellers engage with a multitude of resources for information. Search engines and recommendation from friends and family ranked on top when travellers start their booking journey. However, as travellers approach their booking period, travellers become less reliant on these resources. Instead OTAs, airline sites and hotel sites are consistent resources used throughout the journey.



Source: Expedia Media Solutions, 2017

4. Number of destinations considered while planning?

35% of US travellers are still considering multiple destinations when they start their travel booking journey.



Source: Expedia Media Solutions, 2017

5. International vs. domestic travel?

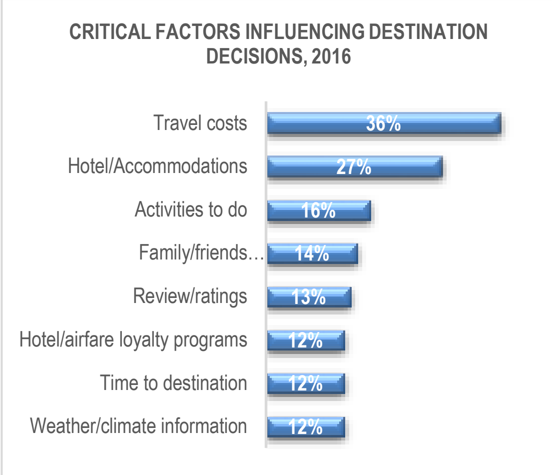
Global outbound trends have indicated that US travellers are two times more likely to book domestic trips as opposed to travelling abroad. This is evident when observing the share of research conducted for destinations.

31% of American travellers research US destinations, followed by 27% who have researched Europe. While domestic travel holds a strong share, it is important to note the multiple opportunities for marketers linked to the 69% of research conducted on destinations outside of the US.

Source: Expedia Media Solutions, 2017

6. Factors impacting on destination decisions

Among the many influential factors US travellers take into consideration, “travel costs” ranked as the most critical component of their decision-making. Hotel/accommodation ranked as the second most influential factor, followed by activities.



Source: Expedia Media Solutions, 2017

7. Impact of advertising efforts?

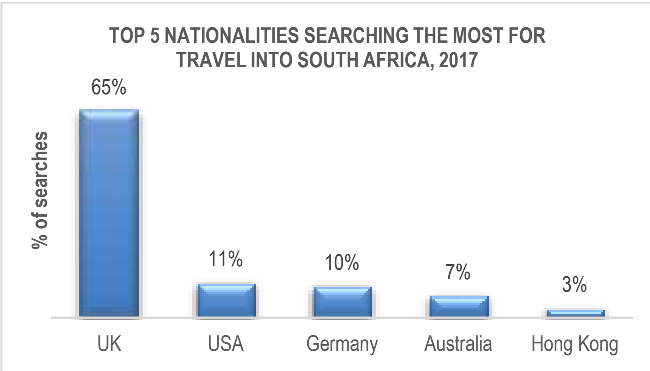
32% of US travellers confirmed that advertising/word of mouth prompted their research and exploration of a potential trip. Findings further revealed that nearly half of US travellers recall seeing a travel ad. 47% remember advertising from the time they were shopping for or booking travel.

While advertising is influential, the digital advertising landscape is also crowded. Travel advertising accounts for just 2% of all display advertising in the US as of February 2016. However, despite the competitive landscape, targeted travel advertising can be highly effective. US travel bookers are four times more likely to see travel advertising than non-bookers, indicating that targeted techniques are effective.

Profile of the US Traveller to South Africa

1. Which Nationalities are searching the most for travel into South Africa?

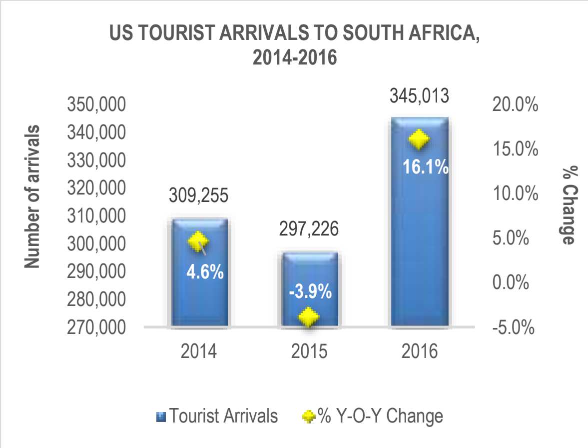
The largest share of searches for flights into South Africa originated from the UK. The US conducted the second largest share of searches. This indicates that travelling time to a destination is not as critical as travel costs, accommodation and activities amongst US travellers.



Source: Cheapflights, 2017

2. How many US tourists visit South Africa per year?

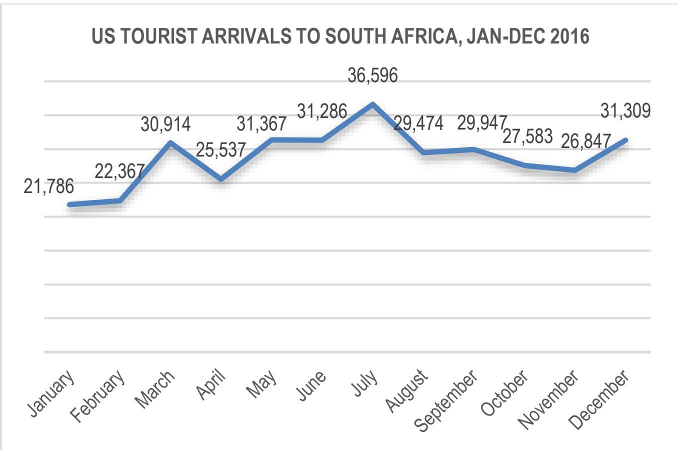
The US accounted for 85% of tourists from the North American region to South Africa, reaching a total of 345,013 in 2016. Over the last three years South Africa saw the highest growth in US tourist arrivals during 2016, reflecting a significant 16.1% increase year-on-year.



Source: SATourism, 2017

3. Which months do they prefer travelling to South Africa?

Peak months for travel to South Africa are generally between May and July, making the US a particularly strong winter market for South Africa. The rising disposable income, strong US dollar and favourable exchange rates translated into a growing outbound market.

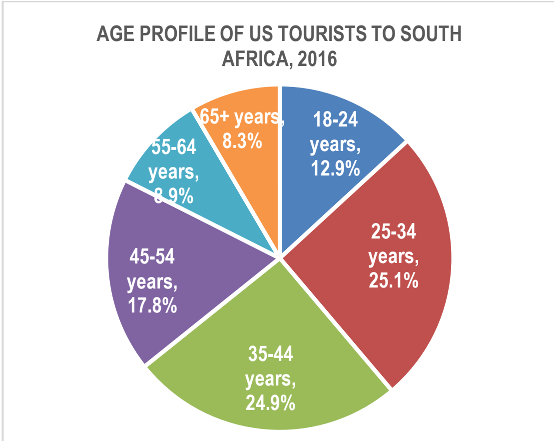


Source: SATourism, 2017

4. What is the age profile of the US tourists to South Africa?

The age profile of US tourists to South Africa highlights a robust youth market aged between 25-34 years (25.1%), closely followed by the age group 35-44 years (24.9%).

According to *Euromonitor International*, September 2017 global trends indicate that travellers aged 35-49 was the largest demographic segment with 39.6 million, those over 65 years of age saw the strongest growth in 2017 of 3% to reach 23.7 million. This demographic will continue to see solid growth as the ''Baby Boomer'' generation continues to move into retirement, during which many have more free time for travel and are maintaining strong health and active lives as they age.



Source: SATourism, 2017

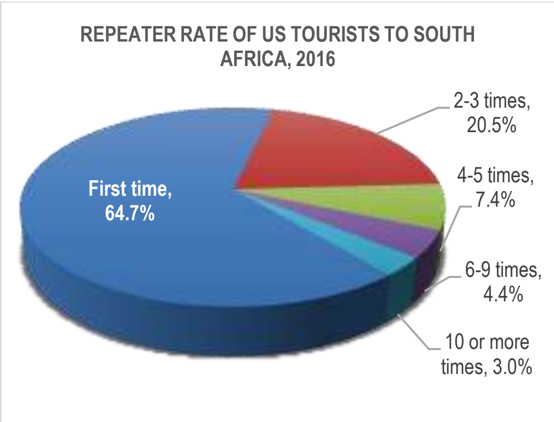
5. What is their main reason for travelling to South Africa?

US tourists to South Africa are predominantly holiday visitors (52.6%). However, South Africa also holds a significant MICE (Meetings, Incentives, Conferences and Exhibitions) market (20.3%), with an additional 2.6% who primarily travelled to South Africa for business. 12.6% of US travellers to South Africa visited friends and family in 2016.

Source: SATourism, 2017

6. How often do US tourists travel to South Africa?

The largest share of the US market to South Africa travelled to the country for the first time (64.7%) in 2016, followed by 20.5% who travelled to South Africa 2-3 times before. 3.0% of these travellers indicated that they have travelled to South Africa 10 or more times in the past. This trend underlines the popularity of South Africa as a top tourism destination for repeat travel.



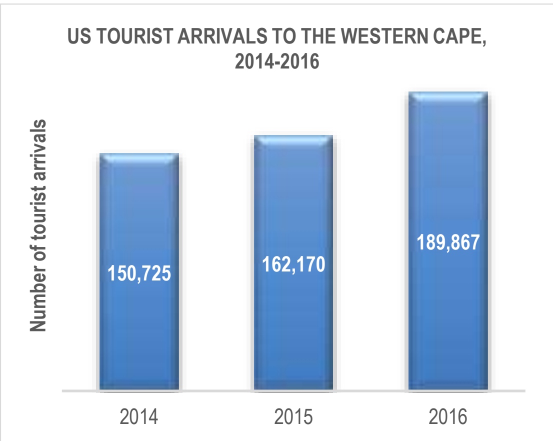
Source: SATourism, 2017

Profile of the US Traveller to the Western Cape

1. How many US tourists visit the Western Cape per year?

In the last three years the Western Cape have seen consecutive growth in tourist arrivals from the US market, reaching a total of 189,867 arrivals in 2016 and growing by a remarkable 17.1% year-on-year.

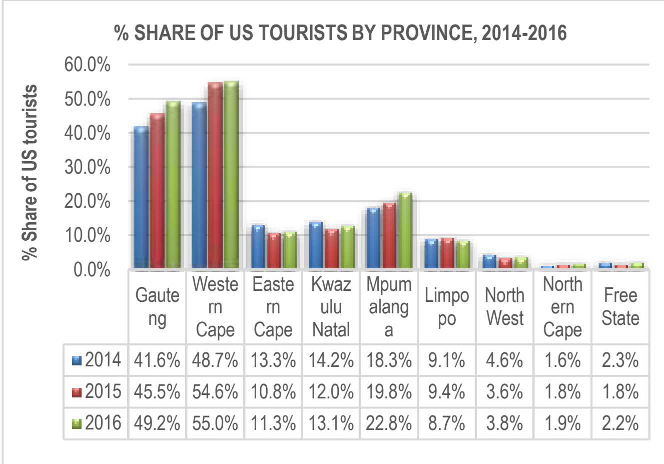
The US ranked as the Western Cape third largest source market, and maintained its position for three consecutive years.



Source: SATourism, 2017

2. How attractive is the Western Cape to the US tourists?

In 2016, the Western Cape held a share of 55% of South Africa's US market, welcoming the largest share of tourist arrivals from the US across all provinces for three successive years.

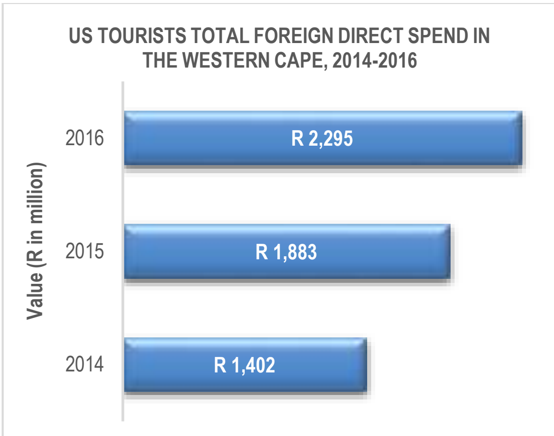


	Gauteng	Western Cape	Eastern Cape	KwaZulu Natal	Mpumalanga	Limpopo	North West	Northern Cape	Free State
2014	41.6%	48.7%	13.3%	14.2%	18.3%	9.1%	4.6%	1.6%	2.3%
2015	45.5%	54.6%	10.8%	12.0%	19.8%	9.4%	3.6%	1.8%	1.8%
2016	49.2%	55.0%	11.3%	13.1%	22.8%	8.7%	3.8%	1.9%	2.2%

Source: SATourism, 2017

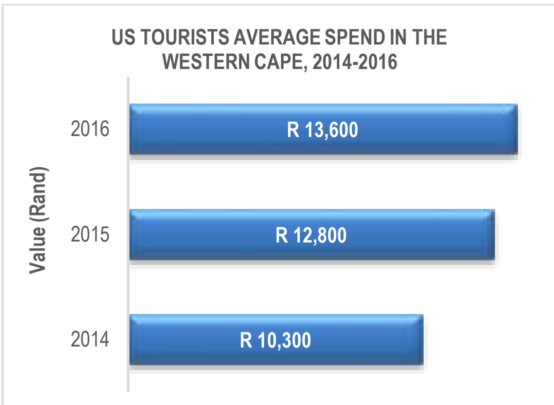
3. How much do the US tourists spend in the Western Cape?

In 2016, the US market contributed R2.3 billion to the Western Cape's economy, ranking as the second largest tourism spender for the province, following the UK.



Source: SATourism, 2017

On average, US tourists spent around R13, 600 in the Western Cape. The average spending from this market reflected a steady annual increase between 2014 and 2016, increasing by R3, 300 in 2016 since 2014.

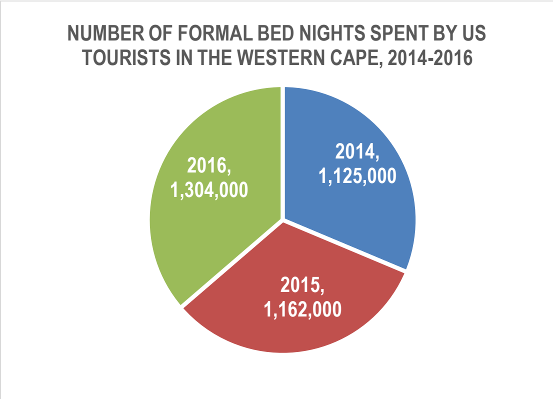


Source: SATourism, 2017

4. How attractive is the Western Cape's accommodation sector to US tourists?

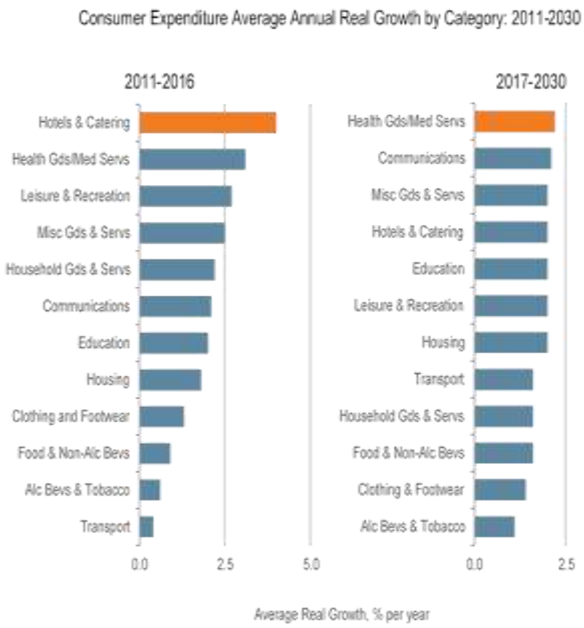
In 2016, the Western Cape recorded the highest (9,983,052) number in paid for formal bed nights (hotels, guesthouses, B&Bs, self-catering, game lodges and backpackers) of all provinces. The US tourists accounted for 13.1% of the Western Cape's formal bed nights in 2016 and reflected over 1 million formal bed nights per annum over the last three years.

71.8% of the total US bed nights in the Western Cape were spent in formal accommodation. This indicates the continued demand for formal/traditional accommodation from this market.



Source: SATourism, 2017

As seen in the figure below, global *Euromonitor International* trends for the US indicated *"hotels & catering"* as the leading category in consumer expenditure between 2011 and 2016, reflecting an average real growth of 5.0% per year. Forecasted data by category indicates a shift, however, *"hotels & catering"* remains in the top 5 categories for consumer expenditure amongst US residents globally.

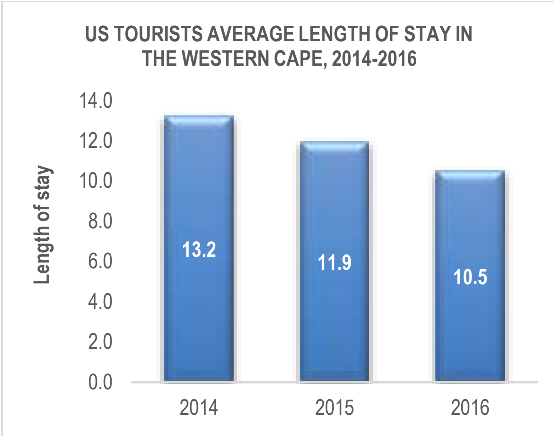


Source: Euromonitor International, 2017

5. How long does US tourists stay in the Western Cape?

On average, the US tourists to the Western Cape stayed for 10.5 nights in 2016. Despite the length of stay being shorter when compared to 2014 and 2015, trends confirm that the Western Cape holds a strong demand from this market, underlined in the solid volume in tourist arrivals and total foreign direct spend invested in the province.

The size of the US market to the Western Cape increased by 26% when compared to 2014, confirming a steady flow of tourist arrivals despite the reduced length of stay.

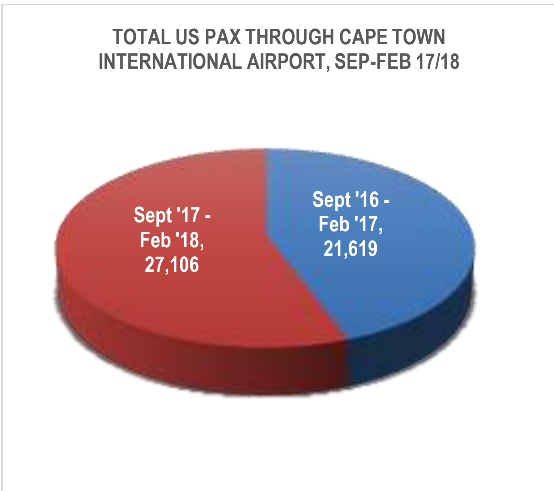


Source: SATourism, 2017

LOOKING AHEAD: Do we foresee continued growth from the US market?

When observing the advance booking trends indicated by *Forwardkeys*, the six months period September 2017-February 2018 reflects a total of 27,106 US arrivals through the Cape Town International Airport.

When compared to the same period of the previous year, pax arrivals portrayed an increase of 25.4% year-on-year, confirming that travel will continue at a steady pace into 2018.



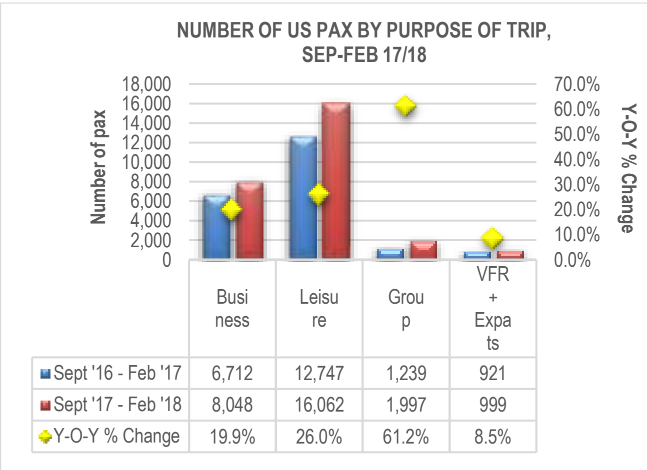
Source: Forwardkeys, 2017

Leisure ranked as the key purpose of visit amongst future US arrivals between September and February 2017. An expected 16,062 US pax will be passing through the Cape Town International Airport during this period. Looking ahead, the anticipated purpose of travel confirms a solid demand for leisure travel from this market, and are forecasted to grow by 26% year-on-year.

Business travel, an equally important economic driver for the Western Cape ranked as the second primary purpose of travel. When compared to the six-month period of the previous year, travel for business are expected to increase by 19.9% year-on-year. As indicated in the figure below, group travel are forecasted to rise by 61.2% and VFR+Expats by 8.5% during the same period.

Euromonitor International (September 2017) trends on the US revealed that the *"family travel segment"* is currently performing very well. Families seek to *"disconnect to reconnect"* or extended families embark on multigenerational trips.

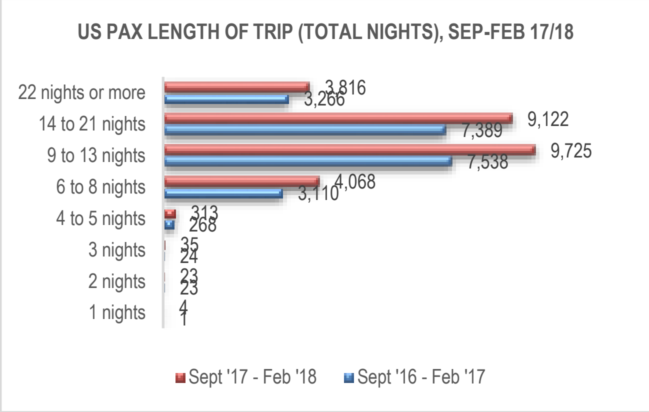
An emerging trend- *"last-chance tourism"* have also gained popularity amongst US travellers. This elite group of travellers visit destinations under threat from climate change such as the *"Great Barrier Reef",* which are becoming very prominent amongst travellers. These families would like to provide their children the opportunity to experience these locations before they are gone.



Source: Forwardkeys, 2017

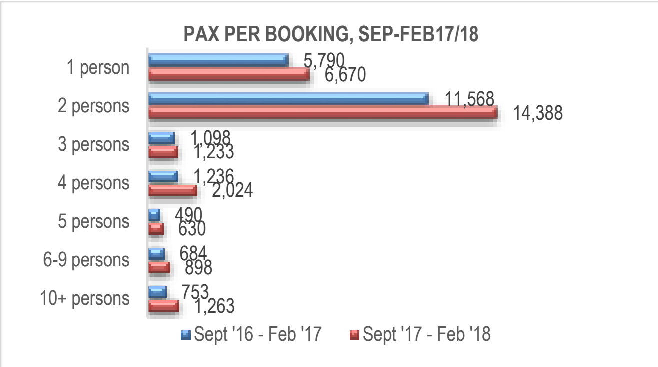
When taking a closer look at the length of stay of the forecasted US arrivals between September 2017 and February 2018, extended stays ranging between 9 and 21 nights ranked as the most prevalent duration of stay.

Over 3,000 US travelled are expected to stay for 22 nights and more in the province. Extended holidays of this length provides solid opportunities for marketers to foster return visits and promote regional spread.



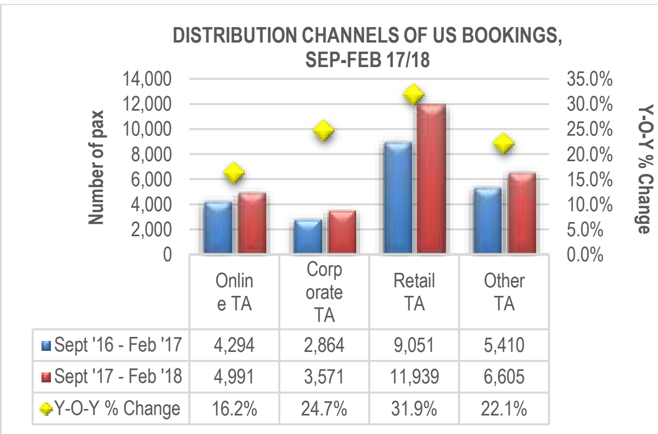
Source: Forwardkeys, 2017

Travelling in pairs or/as couples are expected to remain the top travel group size of the anticipated US pax arrivals into the 6 months ahead. Travelling alone followed as the 2nd largest share of travellers. The prevalence of solo-travellers could likely be attributed to the large share of business travellers forecasted for the period.



Source: Forwardkeys, 2017

As indicated by the 2016 global insights released by *Expedia Media Solutions,* Online Travel Agencies (OTAs) held the largest (33%) share of online visits amongst US travellers. This trend is evident in the large share of US future bookings who utilised OTAs as their leading booking channel. However, a strong growth was forecasted for the retail (31.9%) and corporate (24.7%) distribution channels for the six months ahead.



Source: Forwardkeys, 2017

Key Opportunities and findings for Destination Marketers:

- The travel industry have rapidly become digital savvy across all categories. Lodging, airlines and online travel agencies continue to succeed through the development of user-friendly digital platforms, particularly in mobile apps.

- Operators have developed digital platforms that provide joined booking and payment choices, as well as opportunities for remote check-in for lodging and flights. Travel players are also highly active on social media, maintaining accounts across several platforms, which allow players to reach consumers and bolster sales in unique ways.

- Given that digital travel consumers in the US spend a significant amount of time engaging with travel content; making an average of 140 visits to travel sites during the 45-day booking period. It is crucial for travel marketers to understand where travellers look for travel information and which booking channels are utilized.

- The impact of advertising have indicated not only a greater level of awareness, but it also influences purchase decisions. Global trends have shown that advertising influences 27% of US online travel bookers. Providing that one-third of US travellers start their planning with more than one destination in mind, it represents a window of opportunity for marketers to effectively influence their decisions.

- According to a survey conducted by *Expedia Media Solutions* in 2016, approximately 258 million US residents' engage with digital content across categories. Of those, three out of five people specifically spend time on travel content. Trends further indicated that US travellers are increasingly interacting with travel content on mobile devices, which reaches more consumers than desktop.

- *Expedia Media Solution* trends further indicated that US travellers consistently utilize OTAs, airline sites and hotel sites throughout their booking journey, relying less on other resources as they near their booking phase. It is therefore imperative for marketers to take note of when and how potential travellers use different resources in order to create an effective integrated approach.

- Among the many influential factors US travellers take into consideration, "travel costs" ranked as the most critical component of their decision-making. Hotel/accommodation ranked as the second most influential factor, followed by activities. These are essential indicators for marketers as they align their travel packages to the specific needs of the US market.

- Medical tourism opportunity? Euromonitor International trends indicated that over the period of 2017-2030, health goods and medical services is forecasted to show the strongest growth rate across spending categories. This will be largely attributed to the ageing process of the US population; rising healthcare spending by high-income "Baby boomers"; and elevated costs of the country's medical system.

- Consumer trends indicate that many foreign tourists travelling to the US find themselves with less money to spend on attractions, lodging and foodservice (amongst other tourism expenditures). As a result, inbound tourists to the US will be on the lookout for and attracted to affordable travel options.

- In contrast to inbound visitors' challenges, US residents travelling abroad find themselves with greater amounts of money to spend on travel, due in large part to the US dollar gaining strength relative to other currencies as well as the US economy's continued recovery following the economic recession of 2008. From an expenditure standpoint, outbound trips from the US will have much healthier growth than that for foreigners that choose to travel to the US.

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