



## Top Ten Travel and Tourism Trends 2005

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### Summary

2004 was a year of steady growth for the travel and tourism industry. While still below the "high water mark" year of 2000, revenues improved in 2004. However, do not expect to see numbers similar to 2000 until probably later in 2005 or into 2006. Bottom line growth in revenues will likely be 3% over 2004 levels. Additionally, as an industry, we must learn that visitor behavior patterns have changed significantly. These changes appear to be permanent. Destination Marketing Organizations (DMOs) must learn how to match their tourism products to these new behaviors.

The Consumer Confidence Index has not regained its pre-2000 optimism. The significant changes in consumer travel behavior and buying habits will continue.

- 144.7 January 2000
- 115.7 January 2001
- 97.8 January 2002
- 78.8 January 2003
- 103.4 January 2004
- 102.4 March 2005

The good news for 2005 is that most travel and tourism segments will see growth:

- Leisure:** Growth will continue, and per-person spending will increase.
- Business:** Steady growth in volume and increased per-traveler spending, but with many business travelers still being somewhat restricted in travel costs.
- Meetings:** Continue to be challenging for destination marketers. Although growth is expected, again, it is not up to 2000 levels.
- Group Tour:** Increases with providers becoming more creative in tailoring product offerings to specific age groups.

The bad news for 2005 is that all customer segments remain "bargain-brained" related to travel and tourism costs and will continue to plan their trips at the last minute.

Overall, consumers are traveling and spending more. They are cautiously optimistic. The new emerging trends center on the "definition of vacation" with more consumers taking short, frequent getaways and then longer periodic (every 1-3 years), almost "sabbatical" type vacations.

## The Top Ten Trends in Brief

### 1. **3% growth in overall travel and tourism revenues for 2005**

#### **U.S. Travel Revenues (international & domestic)**

2000: \$570.5 Billion

2001: \$537.2 Billion (- 5.8%)

2002: \$529.0 Billion (- 1.5%)

2003: \$544.4 Billion (forecast – not confirmed) (+2.8%)

2004: \$568.1 Billion (forecast)

(Source: TIA)

#### **U.S. Business/Convention Travel Volume**

2001: 153.1 Million Person Trips

2002: 142.4 Million Person Trips

2003: 138.2 Million Person Trips

2004: 143.7 Million Person Trips (not confirmed)

2005: 148.9 Million Person Trips (forecast)

(Source: TIA)

#### **U.S. Hotel/Lodging (domestic)**

2000: occupancy rates = 63.7%

2001: occupancy rates = 60.3%

2002: occupancy rates = 59.1%

2003: occupancy rates = 59.2%

2004: occupancy rates = 61.3%

2005: occupancy rates = 63.0%

(Source: Smith Travel Research)

#### **Leisure Travel Volume**

2001: 912.3 Million Person Trips

2002: 929.5 Million Person Trips

2003: 956.5 Million Person Trips

2004: 989.3 Million Person Trips (forecast)

(Source: TIA)

#### **U.S. Airlines**

2000: domestic passenger volume = +5%

2001: domestic passenger volume = -8% (from 2000)

2002: domestic passenger volume = -10% (from 2000) (revenues down 15% from 2000)

2003: domestic passenger volume = -8% (from 2000)

2004: domestic passenger volume = -1% (from 2000)

Prices still significantly lower than 2000

(Source: Air Transport Association)

## **2. Sleep late, nap, rest, go to the spa**

- Americans are weary. They have lived through the stress of significantly changing times and now want vacations, leisure, and business travel products that allow them to relax, rest, sleep late on the weekends, and pamper themselves. They are no longer willing to run/see/do. They want rest and pampering

## **3. “Bargain-brained” consumers**

- Consumers have become suspicious of travel prices as they have found different rates for airlines, lodging, etc. on various websites, etc. They have become “bargain-brained” and know to shop around for competitive prices.

## **4. Continued last-minute trip planning behavior**

- According to the latest *Travel Poll* from the Travel Industry Association of America (TIA), 64% of past-year leisure travelers planned at least one of their trips at the last minute, that is, within two weeks of taking their trip. Among these last-minute travelers, 26% planned all of their past-year leisure trips at the last minute. Most last-minute trips are close to home and short in duration, with the majority (69%) less than 500 miles from home. Survey results are based on a representative sample of 1,300 U.S. adults interviewed by telephone. (Source: TIA)
- A research study of online travel habits of 1,300 internet users conducted by Penn, Shoen and Berland, a market research and polling firm, revealed that 52% of business travelers and 17% of leisure travelers plan their trips within two weeks of departure.

## **5. Cost-contained business travel (also affects conventions/meetings)**

- According to the National Business Travel Association (NBTA) companies report they are increasing their travel budgets in 2005 over 2004. However, they are still placing significant travel restrictions on employees and encouraging alternative forms of business interfacing.
- Consolidating meetings is a new trend in which corporations hold all annual meeting at the same destination in order to secure reduced rates.

## **6. Technology dependent**

- More than half of all leisure travelers and business travelers who are not required to use an in-house or contract travel planning service now rely on the Internet for travel planning and purchasing.
- RTM is also tracking a trend in which travelers on the road are using the Internet to arrange their next stop. This confirms both the technology dependent trend and the last minute planning trend.

## **7. Safety, personal comfort, and convenience are primary travel issues**

- In 2005 safety remains a primary travel concern confirming the fundamental change in tourist behavior patterns since the year 2001. The concern for safety is also matched by the desire for personal comfort (comfortable bedding, driving instead of being crammed into a small airplane seat, etc.) and convenience (cruises are successful because they require little pre-planning).

## 8. Changing customer demographics - The Aging of America

- By 2010, the U.S. Census Bureau reports that half of the nation's population will be older than 40, up from 43.4% as of the most recent census. Right now, about 4 million people a year are turning 50, a trend that will continue for years, as the Baby Boomers (born 1946-1964) age. (Source: U.S. Census Bureau)
- Generational Age Progression:

Gen Group	2000	2005	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100
Silent Gen	65	70	75	85	95	105						
Baby Boom	47	53	58	68	78	88	98	108				
GenX	29	34	39	49	59	69	79	89	99	109		
Gen Y	8	13	18	28	38	48	58	68	78	88	98	108

## 9. Emerging trend: Longer periodic “sabbatical” style vacations along with frequent 4-5 day getaways

- RTM is currently tracking a new emerging trend in which consumers report they are taking periodic (once every 2 or 3 years) longer vacations of 2-3 weeks in order to completely immerse themselves in an experience, destination or culture. It is a form of more complete escape from their normal lives into a period of deep relaxation.
- Along with the longer vacations, RTM still finds the majority of leisure trips to be fairly frequent and brief 4-5 day getaways rather than week-long vacations. We are also seeing more off-season travel as these frequent getaways occur more on a seasonal basis.

## 10. The definition of “vacation” is changing

- With the aging of the Baby Boomers and the “weariness” of today’s consumers comes another interesting trend. Vacations are becoming diverse with some “go/see/do” type vacations, and a growing percentage of “chill & immerse” type vacations. While consumers still enjoy both, the “chill & immerse” type is definitely growing larger.

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