


HOOSIER HOSPITALITY CONFERENCE



The National Outlook...Look Out





INDIANA
REPORT YOUR ENGINEER


Sheatsley's Garage, Michigan and Harrison
Walkerton, Indiana

Courtesy Walkerton Historical Society

Theophelia Sheatsley, driver. First car in Walkerton

Courtesy Walkerton Historical Society







What We're Going to Review Today

- The Economy
- Domestic Leisure Travel
- Domestic Business Travel
- International Travel
- The Lodging Industry
- The Airline Industry
- New and Continued Challenges




Getting Right to the Point

- If you didn't like the 4th quarter of 2008 you're not going to like 2009 and maybe 2010
- Business travel has been weak for years and downward trend intensifying
- Outlook for air travel up in the air
- As with the auto industry and retailers, leisure travelers are looking for "deals"
- No longer "patriotic" to travel for business
- But, leisure travel intention improves in February 2009

The Economy and Consumer Pessimism







Economic Trends

- Abrupt drop in GDP in Q4 '08 continued into Q1 '09 and U.S. recession may last into 2010
- 3.6 million jobs lost since recession began in December 2007 – half occurring in past three months
- 598,000 jobs lost in January 2009 alone – largest single monthly loss since 1974
- 200,000 travel-related jobs lost in 2008 and another 247,000 job losses likely in 2009
- Unemployment rate surges to 8.1% -- highest since September 1992 and forecasted to hit 9% this year
- “Companies are in survival mode and are really cutting to the bone...out of fear of an uncertain future.”

Ken Mayland, ClearView Economics, February 6, 2009

Source: U.S. Department of Labor



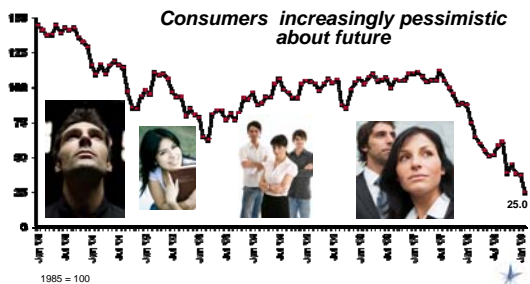
U.S. Economic Outlook

	2008	2009F
Unemployment Rate	5.8%	9.2%
CPI	+3.8%	-0.7%
Real Personal Disposable Income	+1.3%	1.8%
Real Consumer Spending	+0.2%	-1.5%
Real GDP	+1.1%	-3.6%
Total Profits	-9.4% (f)	-22.1%

Source: Oxford Economics



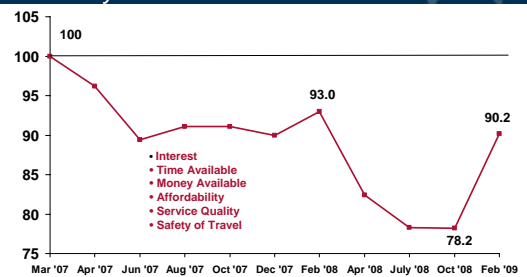
Consumer Confidence At Record Low



Source: The Conference Board



Traveler Sentiment Index™ (TSI) Improvement driven by gains in “interest,” “affordability” and “time.”

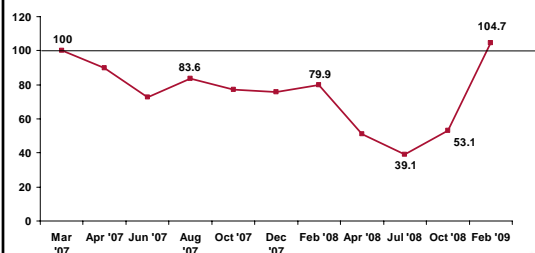


March 2007 = 100

Source: U.S. Travel Association/Partnership Travelhorizons™



Traveler Sentiment Affordability Index Perceived affordability of travel rises...

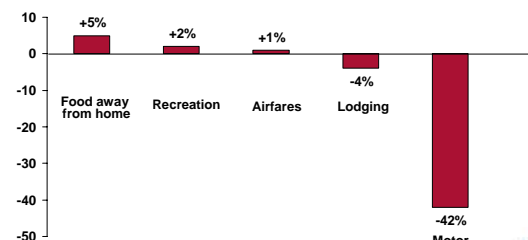


March 2007 = 100

Source: U.S. Travel/Partnership Travelhorizons™



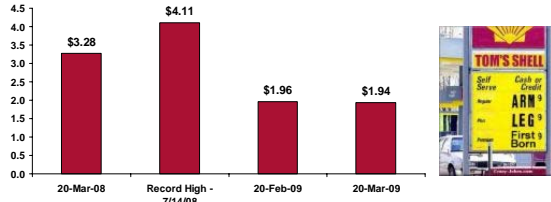
Largely based on smaller increases or declines in travel-related costs (Percent change 2008/2007)



Source: U.S. Travel Association – Travel Price Index



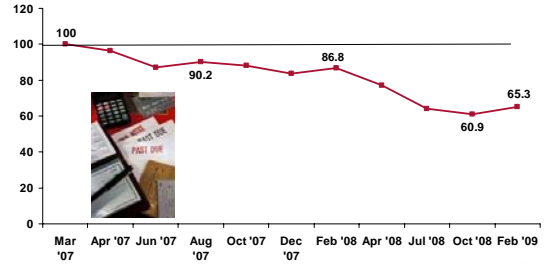
Gas prices plummet from \$4.00+, but are beginning to rise



Source: AAA Daily Fuel Gauge Report
www.aaa.org



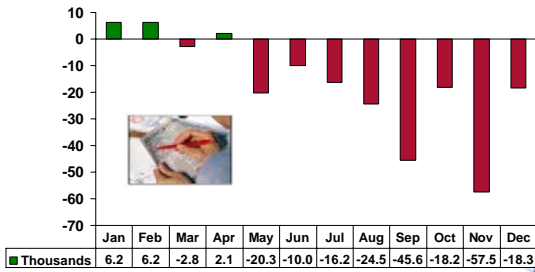
Money Available for Travel Index Index improves in February 2009, but still below February 2008 level (86.8)



March 2007 = 100
Source: U.S. Travel/YP Partnership Travelhorizons™



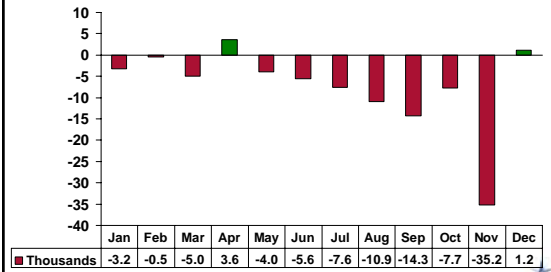
Total of 199,000 travel-related jobs lost in 2008



Source: U.S. Bureau of Labor Statistics



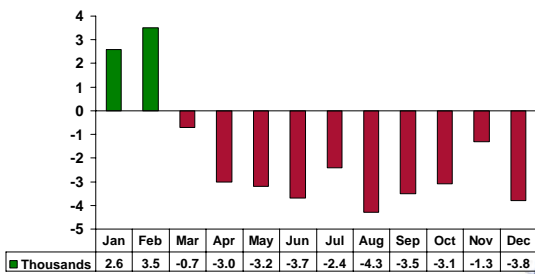
Lodging industry lost 89,200 jobs in 2008



Source: U.S. Bureau of Labor Statistics



Air transportation jobs down 22,900 in 2008

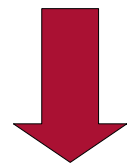


Source: U.S. Bureau of Labor Statistics



Domestic Leisure Travel Outlook for 2009

Domestic Leisure Travel



Down 3.5%



Source: U.S. Travel Association and Tourism Economics

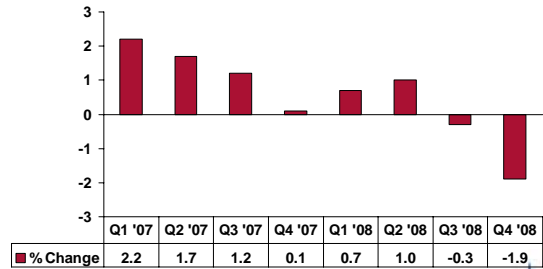


Leisure Travel Trends

- First half of 2008 was doing well, flat summer and then fall off in 4th quarter
- Most Americans still view leisure travel as a “right” and will forego spending on other items to travel
- Shorter trips, closer-to-home
- Less costly – quest for values and “deals”
- Trading down, not out



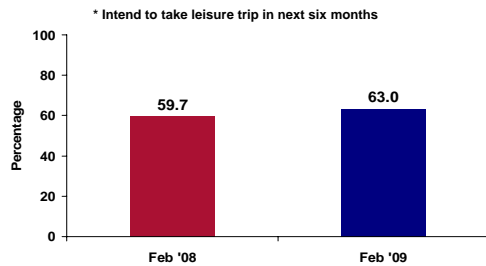
Leisure person-trips fall in last two quarters of 2008 (Percent change from same quarter of prior year)



Source: U.S. Travel Association and Tourism Economics



But, leisure travel intentions* among U.S. adults increase over same point last year.



Source: U.S. Travel Association/Partnership travelhorizons™



Looking for Deals and Deep Cost Savings

- Discounts can motivate vacation travel, but some more effective than others
 - \$25 gift or gas cards not enough
 - Free golf – forget it
- Level of motivation by type of discount varies by generation
 - Need to look at target markets to determine which programs have best chance to succeed



Destinations promoting special deals to generate both leisure and meeting travel

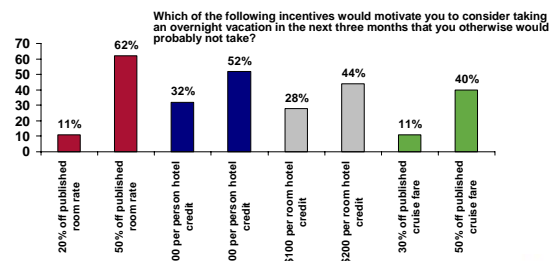
HAWAII CVB LAUNCHES HOT RATES, HOT DATES PROGRAM.

Responding to business customer concerns over Hawaii's affordability in the current economic environment, the Hawaii Visitors and Convention Bureau has launched a program to help generate new business bookings through 2010. Called Hot Rates, Hot Dates! the HVCB initiative is being done in partnership with its member hotels and resorts statewide to provide money-saving deals on accommodations, meeting facilities and other specials.

At BusinessAloha.com, HVCB's business meetings Website, an online clearing house has been created for groups to see and take advantage of the special offers.



Deep discounts needed to motivate Americans to consider taking a vacation



Source: U.S. Travel Association/Partnership travelhorizons™



And the deals are out there!

A winning Westin experience begins with
\$99 Room Rates and Casino Slot Play
 Now through March 30, 2009

THE WESTIN CASUARINA
Las Vegas



U.S. TRAVEL
ASSOCIATION

Las Vegas is largely on sale

**This Week's Top Pick from
 The Palms Las Vegas**
**\$79 -- Trendy Las Vegas Hotel incl.
 \$50 Dining Credit**
 You'll also get 25% OFF spa
 services



**This Week's Top Pick from
 TripRes.com**



**\$33 & up -- Sahara on The Strip,
 30% OFF**

**This Week's Top Pick from
 CondoDirect.com**



**\$55 -- Las Vegas 1-Bedroom
 Condo, incl. Weekends**
 Stay near the Strip and save more
 than 50% OFF

U.S. TRAVEL
ASSOCIATION

Discounts of 50% or more, especially in "last minute" trips, are common

Cruise Line Deals



Carnival -- Free Upgrades!

Celebrity -- Extra \$200 Off!

Royal Caribbean -- EXTRA \$200 Off!

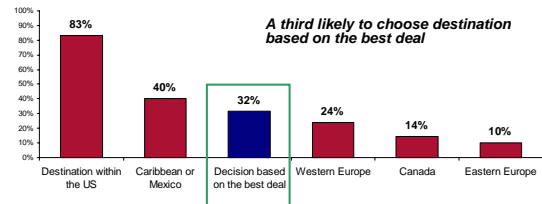
NCL -- \$250 FREE Spending!

Azamara -- \$600 FREE Spending!

U.S. TRAVEL
ASSOCIATION

Consumers open minded to the destination Discounts may help close the deal

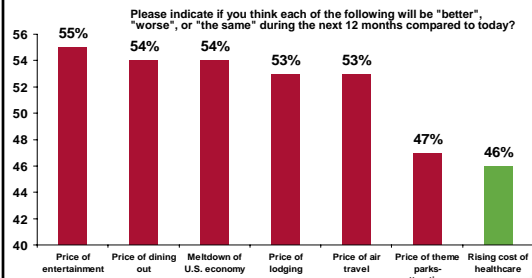
"Which of the following destinations do you plan to visit in the next 12 months?"
 (check all that apply)



Source: Travelzoo Subscriber Study

U.S. TRAVEL
ASSOCIATION

Financial Issues Affecting Leisure Travel Goes beyond travel-related factors (Percent "worse")



Source: U.S. Travel Association/Partnership travelhorizons™

U.S. TRAVEL
ASSOCIATION

Business Travel Outlook



**Domestic
 Business Travel**



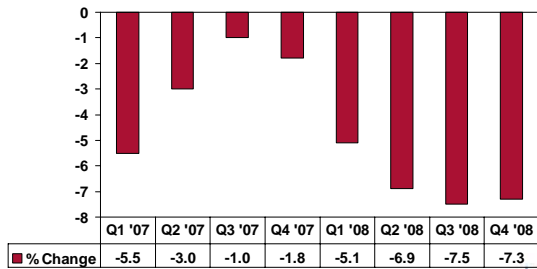
Down 5.6%

Source: U.S. Travel Association and Tourism Economics

U.S. TRAVEL
ASSOCIATION

Business person-trips dive in last 3 quarters

(Percent change from same quarter prior year)



Source: U.S. Travel Association and Tourism Economics

U.S. TRAVEL ASSOCIATION

2009 tough for business travel

National Business Travel Association expects 2009 will bring more of what was seen in 2008:

- More upheaval
- Fewer travelers
- Higher costs



Among their members:

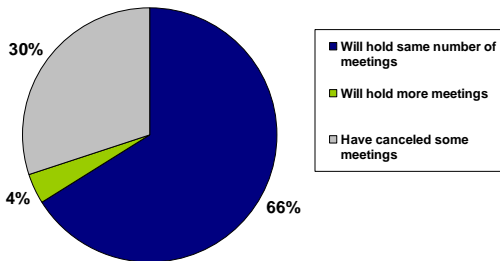
- 50% expect business travel to grow
- 49% are pessimistic about business travel growth
- 55% expect an adjustment in the new supply and demand of business travel

Source: National Business Travel Association

U.S. TRAVEL ASSOCIATION

Number of Meetings

(2008 vs. 2009)

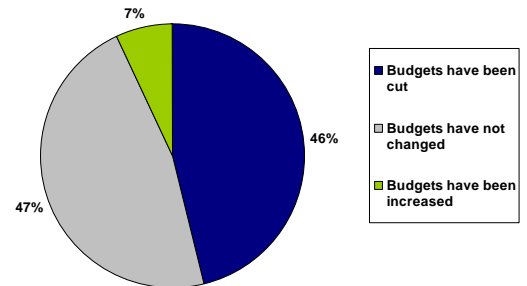


Source: M & C Research Survey- June 2008

U.S. TRAVEL ASSOCIATION

Meeting Spending

(2008 vs. 2009)

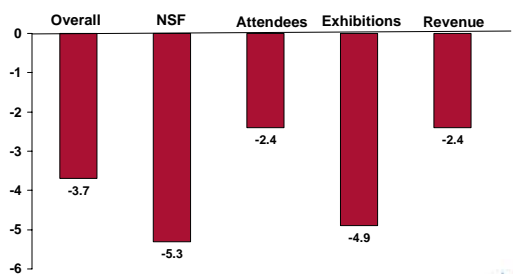


Source: M & C Research Survey- June 2008

U.S. TRAVEL ASSOCIATION

All exhibition industry indicators fall in 2008

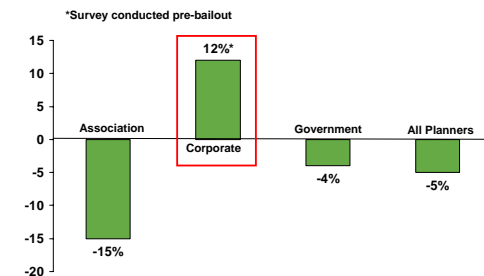
CEIR Index: Q3 2007 Versus Q3 2008



Source: Center for Exhibition Research

U.S. TRAVEL ASSOCIATION

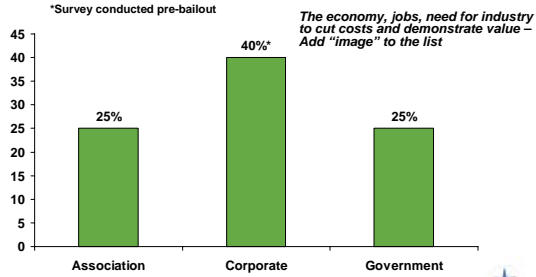
Association attendance expected to experience the largest drop in 2009



Source: FutureWatch - MPI

U.S. TRAVEL ASSOCIATION

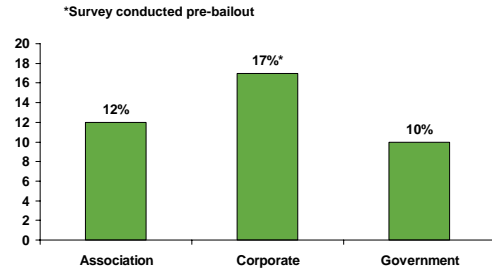
Corporate meetings are expected to take the largest hit in terms of cancellations
And this was pre-bailout!



Source: FutureWatch - MPI



Meeting planners expect to do more with less in 2009
% predicting budget cuts in 2009



Source: FutureWatch - MPI



Business Travel Alternatives =
Fewer hotel room nights, fewer travelers, less spending

- Teleconferencing
- Video Teleconferencing
- Telepresence
- Technology Replacing Trips?
 - 81% of travel buyers think so, but...
 - 20% said that this technology complements trips rather than replace it



Source: NBTA's Impact of Economic Downturn Survey 2008



International visitation was strongest segment in 2008...reverses predicted for 2009

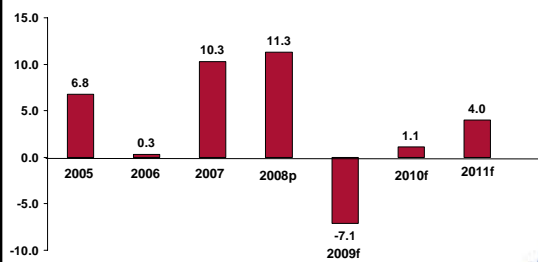


International Down 4.8%
Overseas Down 7.1%

Sources: U.S. Travel Association, Tourism Economics and Office of Travel and Tourism Industries



After sizable increases, overseas visitors to the U.S. take a holiday in 2009
(Year-over-year percent change)

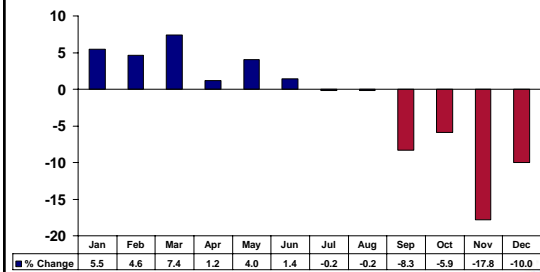


p = Preliminary; f = Forecast

Source: U.S. Travel Association, Tourism Economics and Office of Travel and Tourism Industries



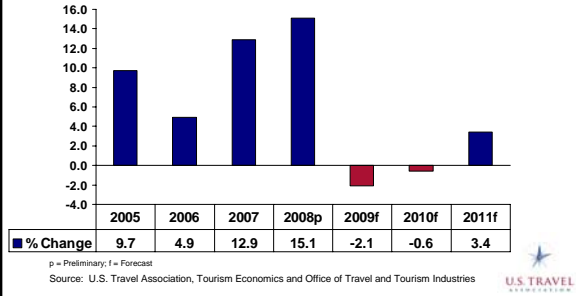
Global meltdown impacts U.S. international passenger arrivals
(Percent change by month 2008/2007)



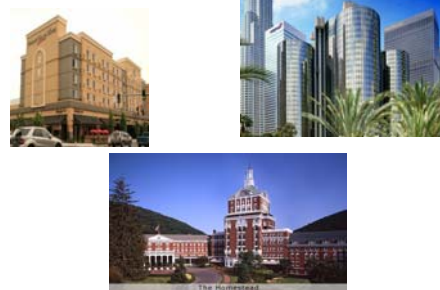
Source: Bureau of Transportation Statistics



Spending by international visitors drops from double-digit increases (Year-over-year percent change)



Lodging Industry Feels the Impact



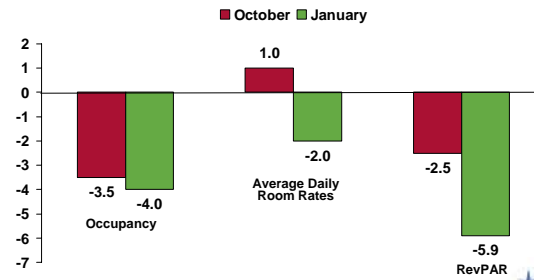
How the lodging industry fared in 2008

Started strong...ended weak

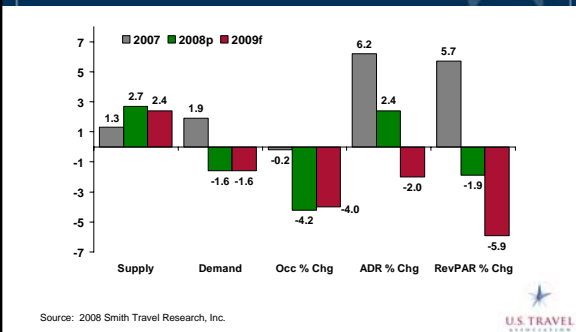
- Compared to Year-End 2007
 - Occupancy down 4.2% nationally and down in all but four states (Iowa, Louisiana, Texas, Vermont)
 - Average daily room rates up 2.4% nationally and higher in all states except Nevada and Rhode Island
 - Revenue Per Available Room down 1.9% for U.S. and down in 31 states

Source: Smith Travel Research

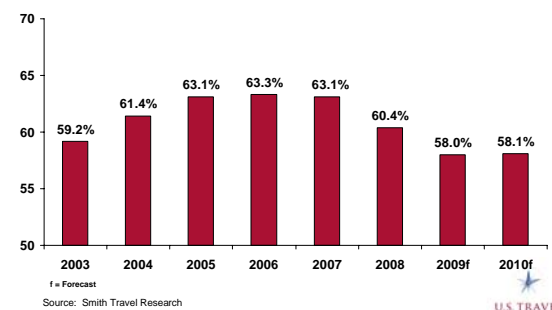
How Quickly the Lodging Market Shifted 2009 forecasts as of Oct 2008 and Jan 2009



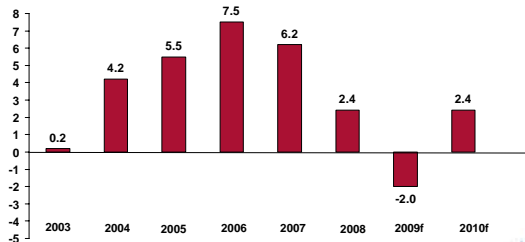
Total United States Lodging Industry Forecast



Occupancy rates trending down – expected to remain low



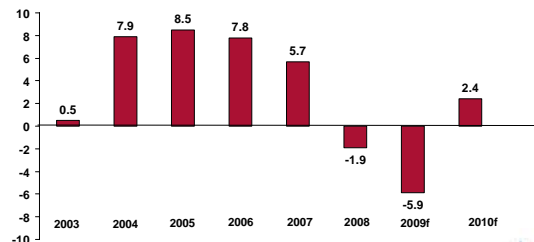
Average daily room rates also falling – will declines be enough to motive leisure travel? (Year-over-year percent change)



f = Forecast
Source: Smith Travel Research



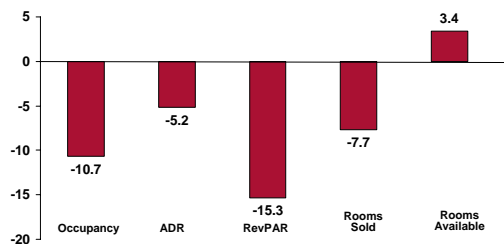
Boom to Bust: Revenue Per Available Room (Year-over-year percent change)



f = Forecast
Source: Smith Travel Research



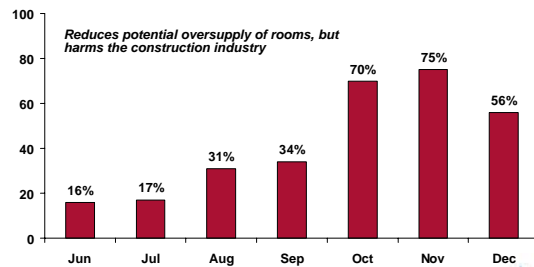
Lodging industry begins 2009 on a sour note (% change from January 2008)



Source: Smith Travel Research



Abandoned Rooms from Construction Pipeline (Year-over-year percent change)



Source: Smith Travel Research



The State of the Airline Industry

• Not so good...

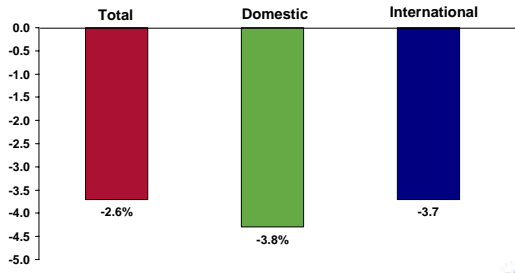


Air Capacity Cuts

- 10% reduction annually through 2011
- Flights dropped 7% worldwide in Q4
- Cuts impact business and leisure travel



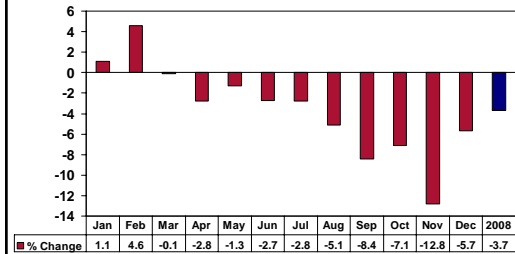
Domestic and international enplanements (Percent change from 2008 versus 2007)



Source: Bureau of Labor Statistics



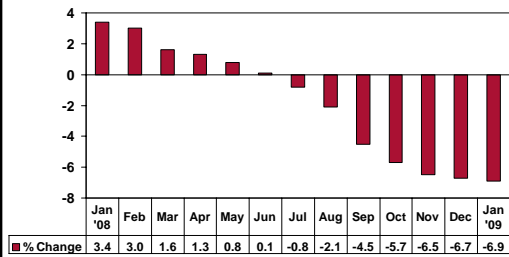
U.S. airlines feel pinch of lower passenger volumes throughout total system (Domestic & International) (Percent change from same month previous year)



Source: Bureau of Transportation Statistics



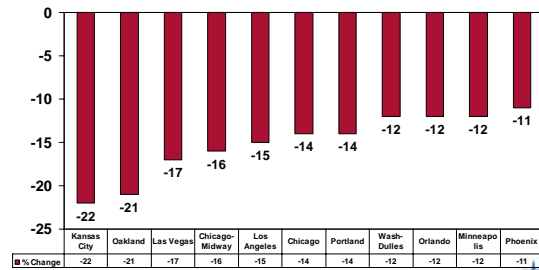
Domestic airline employment – largest decline since December 2003 (Percent change from same month previous year)



Source: Bureau of Transportation Statistics



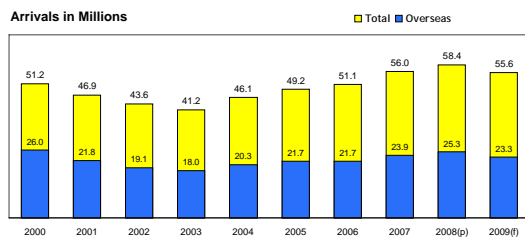
Fewer flights...fewer seats...fewer options (Decline in seats – Nov 2008 vs. Nov 2007)



Source: Official Airline Guide



International Visitors to U.S. (2000-2009)



Sources: U.S. Department of Commerce, ITA, Office of Travel & Tourism Industries; Secretaria de Turismo (Mexico); Statistics Canada & Tourism Economics



Challenges Facing the Travel & Tourism Industry



Bailouts and Business Travel – A Dangerous Road

- Incentive travel perceived as symbol of excess
- Bailout recipients facing new guidelines on conferences and events
- Potential to extend to non-bailout companies
- Temporary changes in travel policy could become permanent
- Potential impact on hotels, airlines, attractions, resorts, travel agents, online bookers, etc.

Source: U.S. Travel Association, February 6, 2009



Barriers to International Travel

- U.S. does not make entry easy for visitors
- The global economic meltdown
- United States lacking national program to promote the U.S. internationally (*Tourism Promotion Act*)
- Late to the table in obtaining Approved Destination Status from China

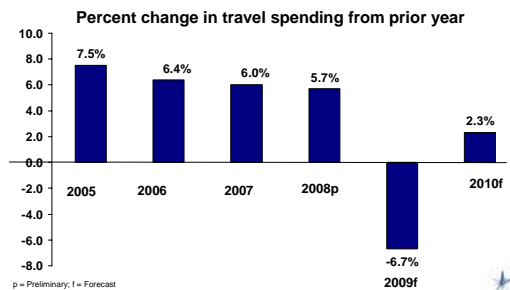


Importance of travel and tourism to the economy

- Industry has little success convincing elected officials and budget analysts that travel and tourism is *tax revenue generator*
- State travel office budgets being slashed
 - Budget increases = opportunity to gain market share
- Destination marketing office budgets should not be cut, especially in an economic downturn
- Argument for “police versus tourists” hard to make
- U.S. Travel working with destinations to develop compelling argument for relevance of travel and tourism promotion



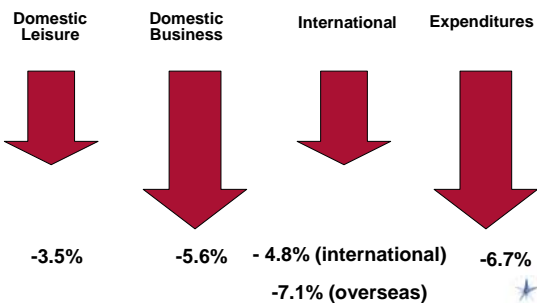
Total Travel Spending in U.S.



Source: U.S. Travel Association's Forecast Model



Summary – 2009 Forecast



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www.ustravel.org

