

Affluents Will Travel in New Luxury Style in 2015

*The Ultimate Guide to Winning the Hearts
and Dollars of Today's Affluent Traveler*

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- Affluent consumers, though they lost income during the recession, have largely recovered those losses. They have discretionary income to spend. This high-income affluent customers are the key to driving sales and delivering profits to your travel experience.
- This study examines the affluent traveler market, their preferences in travel experiences as well as trends in their travel purchases and spending. Understanding their mindset is key to designing travel experiences that attract them to your special destination.

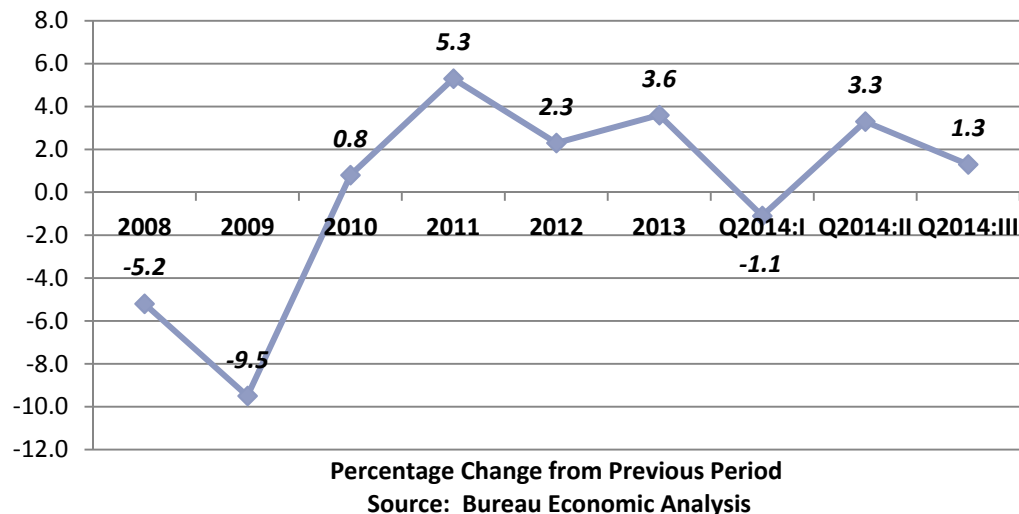
In 2015 Affluent Austerity Takes Hold

Post-Recession the economy is in the doldrums and attracting more affluents to your destination is key to future success

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Percentage Change in U.S. Consumer Expenditures on Travel



- American consumers have been inconsistent in their travel expenditures in 2014, rising strongly in 2Q14 after falling in 1Q14 and then moderating in 3Q14.
- U.S. consumer spending on travel fell 1% in the 1Q2014 from previous quarter, marking the steepest decline since 4Q09 when spending dropped 1.8%. Overall Americans spent \$873.1 billion on travel in 1Q2014 (i.e. all direct tourism expenditures). Government sources report:
 - Real spending on travel and tourism decelerated in the third quarter of 2014, increasing at an annual rate of 1.3 percent after increasing 3.3 percent (revised) in the second quarter. The leading contributors to the deceleration in the third quarter were "passenger air transportation," and "recreation and entertainment." "Passenger air transportation" turned down, decreasing 7.2 percent in the third quarter after increasing 11.1 percent in the second quarter. "Recreation and entertainment" also turned down, decreasing 5.5 percent after increasing 4.1 percent. Partially offsetting these downturns, "traveler accommodations" turned up, increasing 8.3 percent in the third quarter after decreasing 0.9 percent.

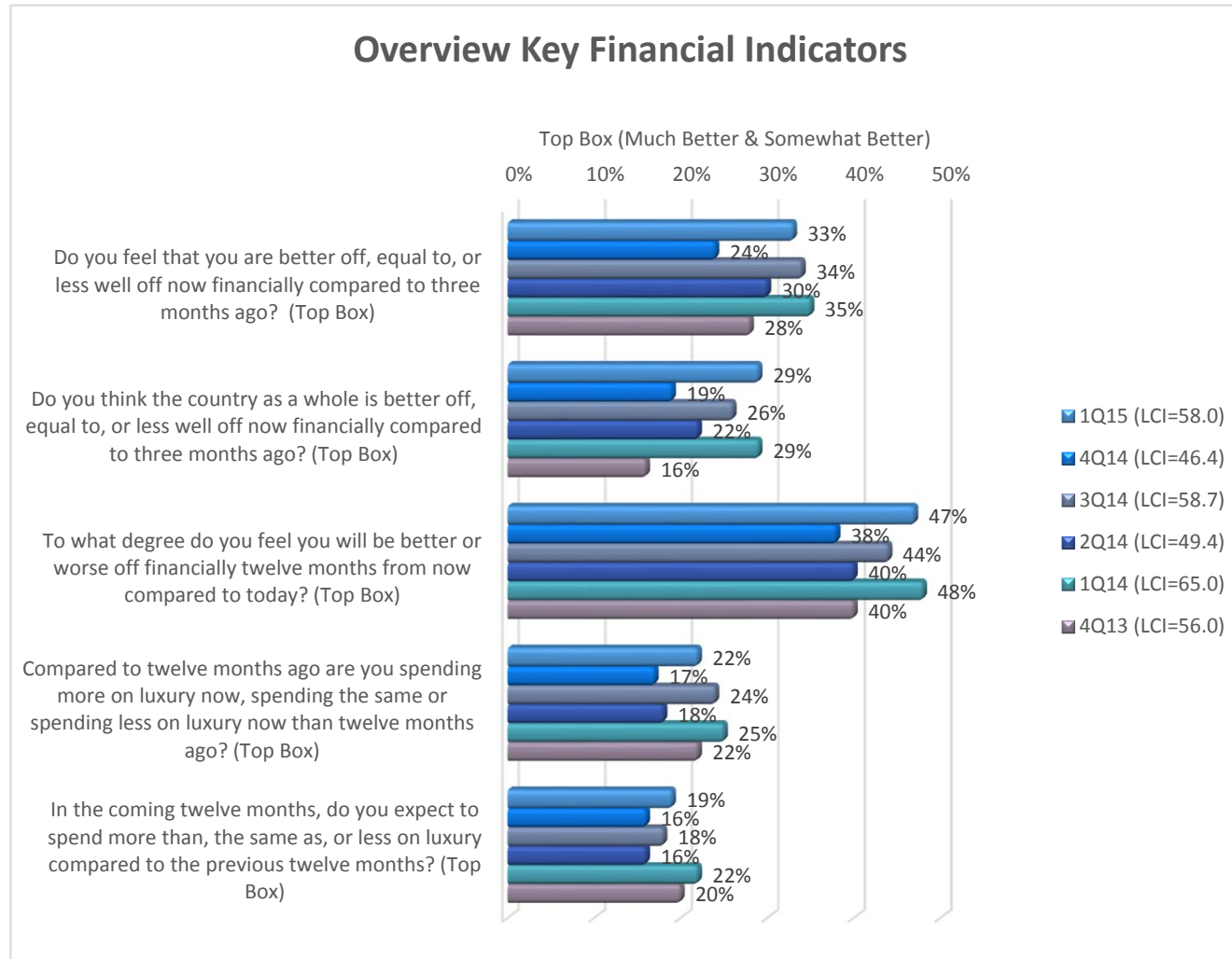
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While
Pundits Say
U.S.
Economy Is
Improving,
Consumers
Are Not Yet
Convinced—

*Consumers,
even the
affluent, don't
necessarily feel
its getting better
and are cautious
about spending*



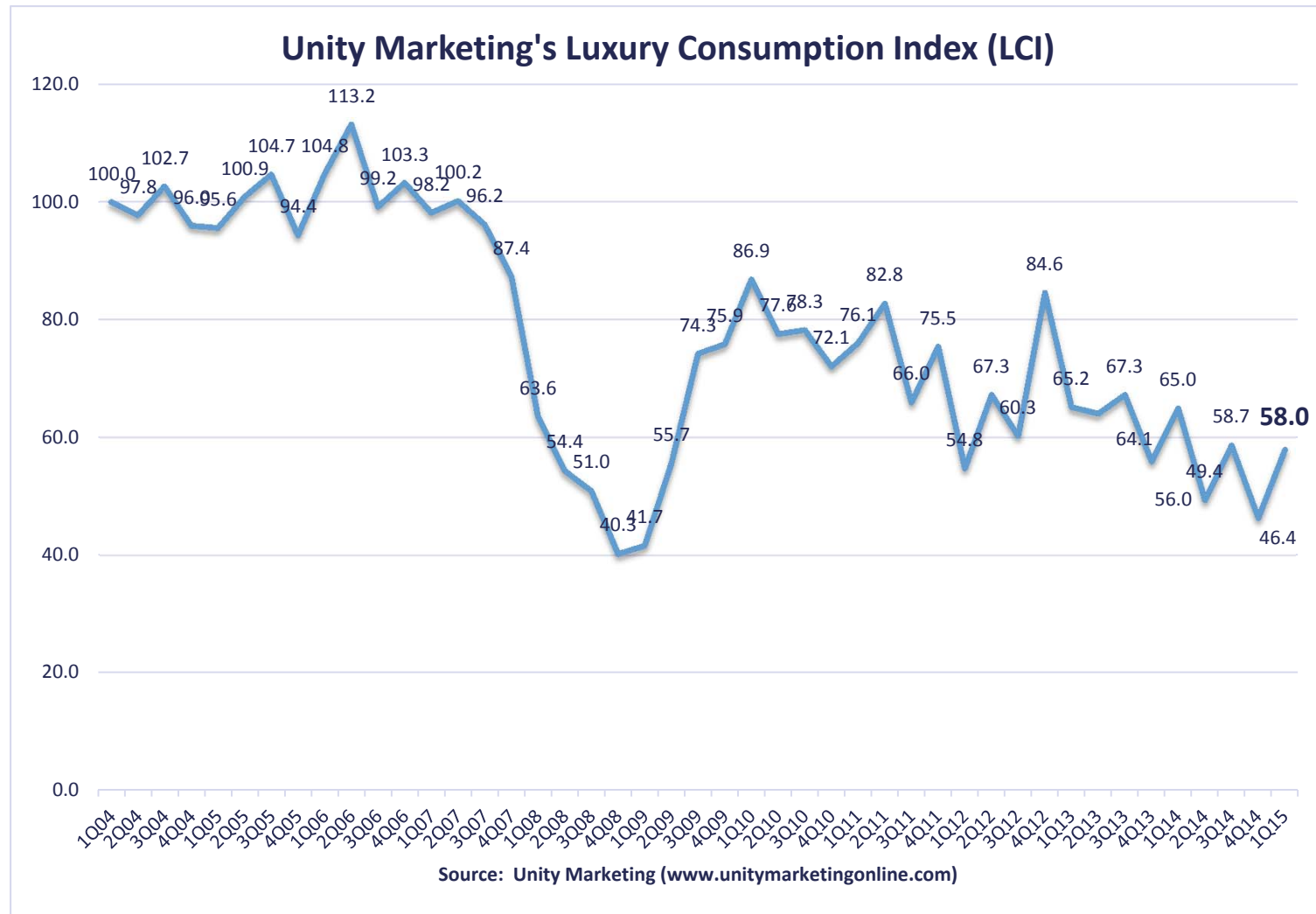
In 1Q2015, all measures of affluent consumer confidence rose



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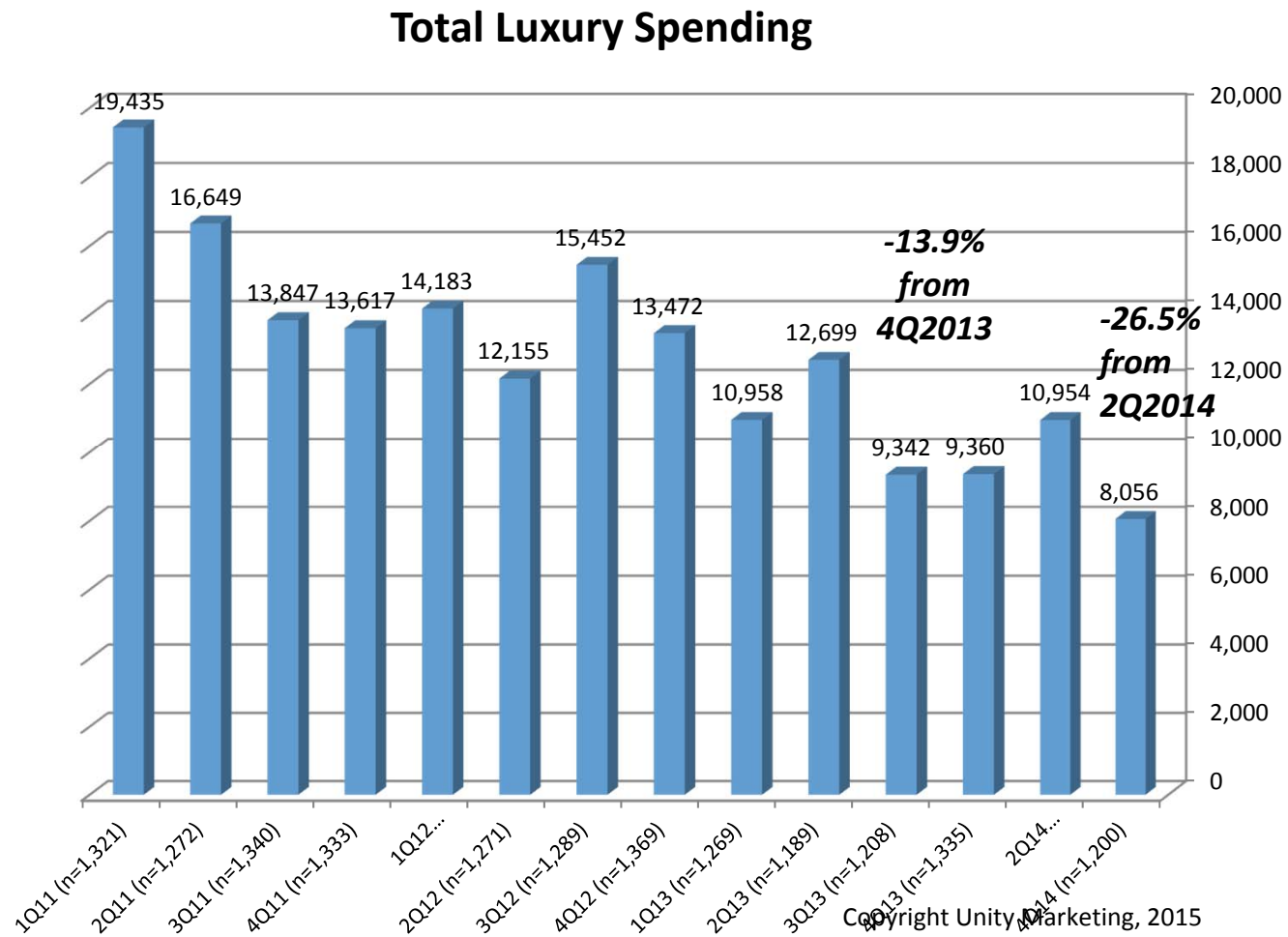
Resulting in a rise in the LCI to 58 points, but still close to its recession low from 2008-2009



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Despite rising affluent consumer confidence, spending on luxury falls





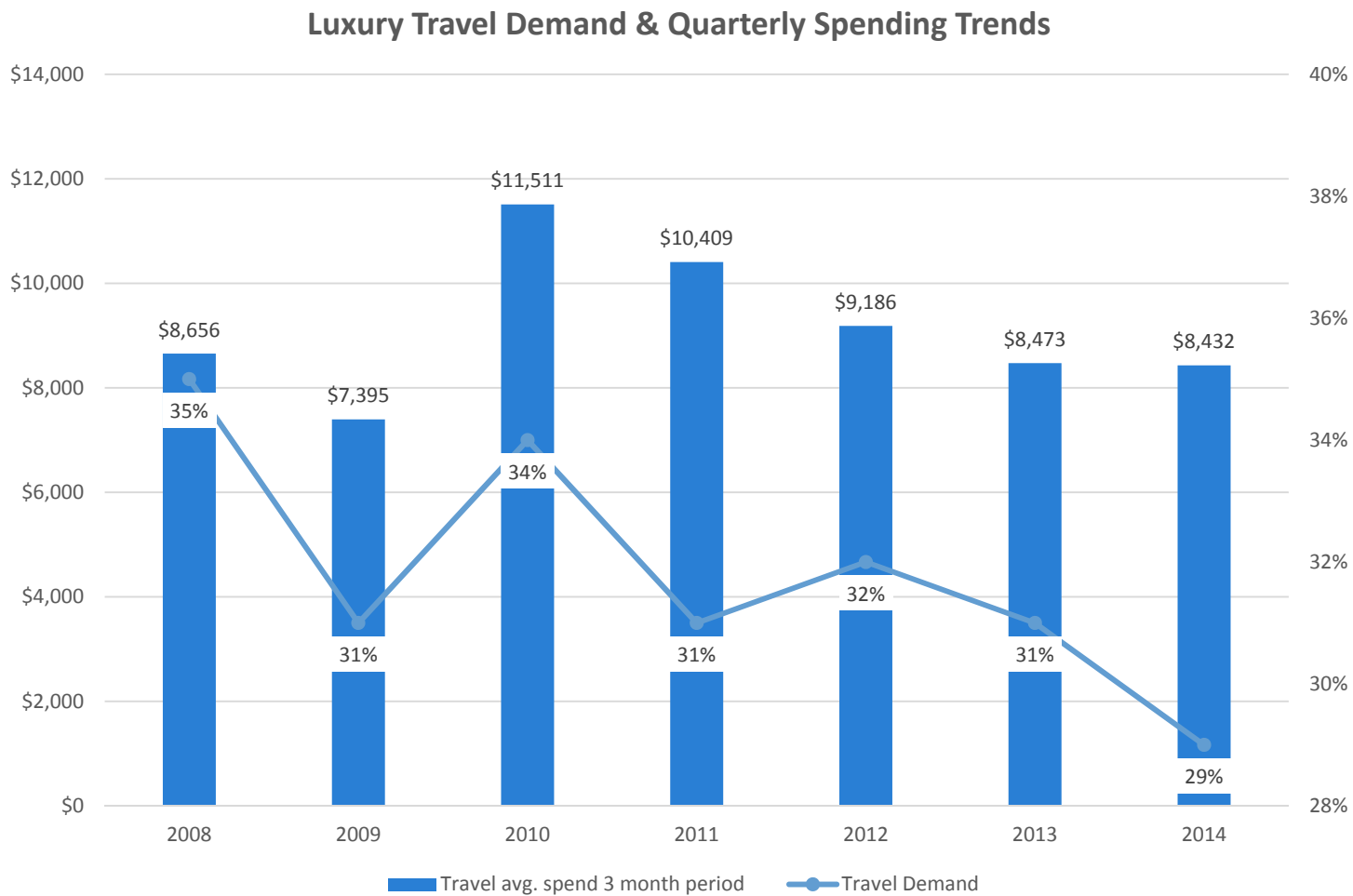
- Dictionary definition of Austerity is “extreme plainness and simplicity of style or appearance.” Its synonyms are “seriousness,” “frugality,” “thrift,” “economy,” “asceticism,” “self-discipline,” “abstinence,” “restraint.”
- Austerity-oriented affluent travelers will seek out the best value for the money. They will trade down on experiences that are not as important in favor of indulging on those experiences that mean the most to them.
- Affluents still have discretionary money to spend. They just want to make the money they have go as far as possible so that they get the most out of what they spend.
- Travel marketers can thrive in this ‘season of austerity’ if they keep the needs and desires of their luxury travelers firmly in mind – To get the most bang for their travel ‘bucks.’

Affluents Have Entered a “Season of Austerity”

Appealing to the Austerity-Minded Affluent Traveler Is Key to Success in 2015 and beyond



In 2014 Luxe Travel Demand & Spending Both Down from 2008 Levels



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Overview of Unity Marketing's new trend report, *Affluents Will Travel in New Luxury Style in 2015* Methodology

- Luxury travelers were surveyed every three months from 2008 through 2014 about their travel experiences, spending, attitudes and brand preferences.
 - Every three months Unity Marketing conducts an in-depth survey among affluent luxury consumers, defined by high-income (top 20% based upon income starting at about \$100,000) and purchases of any 21 different categories of high-end/luxury goods or services, including Luxury Travel. This report includes the results of six continuous years of quarterly survey results, from 2008-2014.
 - The overall results include 2013 surveys of n=5,001 affluent luxury consumers, of which n=1,374 were luxury travelers in 2014.
- The survey over samples ultra-affluents (\$250,000+), so they weigh more heavily in the final analysis.
 - In a natural distribution ultra-affluents would represent 10-12% of total; in our sample 33% of total sample are ultra-affluents. These ultra-affluents make up the large majority of HNW consumers included in the survey, as well, typically comprising some 30% or so of the survey sample.
- This report includes a deep dive into luxury travel trends, covering planned travel experiences in 2015, as well as past experiences, conducted in late 2014.
 - The latest survey was conducted from October 9-15, 2014 among n=1,330 affluents, starting with HHI \$100,000 and above. The demographics of the survey sample was average income of the survey sample was \$259,000 and average age 47.9 years.
 - This survey is compared with results of a previous luxury travelers survey conducted in January 2013 among a total of n=1,309 affluents about their travel plans in the coming year and travel experiences in the past year.

Tapping six years of market research data, this study delves deeply into the minds of today's luxury traveler.

It reveals:

- Who has disposable income for travel expenses?
 - How does today's traveler define luxury?
- What are the top 10 destinations for affluent travelers?
- How do affluents -- HNW & HENRYs -- spend their money while traveling?
- How can you build a relationship with the next generation of Millennial travelers?

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- Successful marketing of your hospitality brand or travel experience is especially critical now as affluents enter a period where austerity, not indulgence, is top of mind. Marketers need to be out in front of the consumer, inviting them and enticing them with travel experiences that will grab their attention and their dollars.
- Travel and hospitality marketers need to be at the top of their game to make an impression on their affluent target market as the consumers look to finding the experiences that will deliver the most value for their money. While they may want to spend less by booking at discounts, they still have plenty of money so they can spend more, but they will only spend more if – and that is a big ‘IF’ – they are assured that they will get the right experiences for the money invested. Marketers need to position their travel experiences as the ones that will deliver the most excellent and reward experiences for the money invested. They are thinking like investors, not consumers, so marketers need to position their experiences as an investment.

At Any One Time, Half of Luxury Consumers Are Planning their Next Vacation –

In spite of affluents entering a ‘season of austerity,’ at any one time roughly half are planning their next travel experience. Marketers need to tap their potential to be put on the list of destinations and experiences that they must have.



- **Brand.** The most important asset a travel marketer owns is not its location, facilities, or its staff to guest ratios -- it is its brand. The brand captures the promises, dreams and ideals of the customer. That is what travelers are buying. So while disruptive brands like Expedia, Travelocity or Trivago have grown fast by promising cheap travel experiences, they don't offer the features or experiences that mean most to the luxury travelers – that something special and meaningful. For example, Royal Caribbean positions its brand around low-cost excursions and makes news headlines with its Oasis of the Seas offering as the “Caribbean’s biggest ship” and “its groundbreaking design introduced seven distinct neighborhoods built for ultimate enjoyment.” In other words, Royal Caribbean has something for EVERYONE, as compared to luxury brand Seabourn which offers cruises to the same Caribbean destinations but takes a completely different approach. Seabourn’s claim to fame is as a “small-ship cruise line,” with “intimate ships with no more than 229 suites.” Seabourn is decidedly not for everyone, but for the discerning traveler who wants – demands – something very special and distinctive for its guests. It’s the very essences of mass marketing -- Royal Caribbean – and luxury marketing – Seabourn.
- **Unique Experiences.** While luxury travelers don’t want to stay in a facility that is sub-par, they are more than willing to make tradeoffs in aspects that are less important to them when they are delivered the kinds of services that mean the most – personal attention and care. For example, the popular travel destinations for skiers, like Aspen and Vail, provide first-class ski experiences with a wide range of offerings at different price points, including the most exclusive like Four Seasons, a small, independently owned ski provider, Bella Coola Heli Sports, offers the ultimate luxury ski experience to serious skiers – deep powder skiing which Beat Steiner, the owner, describes as the ‘Holy Grail’ of skiing. Steiner says,
 - “People, especially the Baby Boomers, have done the Four Seasons. They’ve been pampered, they’ve done the spa, fine dining. What they are looking for is a memory, a unique experience that impacts them personally.”
- **Your brand must encompass special, memorable experiences that will connect with affluent. This report will show you how.**

Travel Is about Making Memories

*Position your brand
around special, unique
experiences that make
lasting memories.
Remember, luxury
travelers have ‘been-
there, done-that’ all
over the world. What
makes your offering
truly unique, different,
memorable?*

