



Brand USA

IPW 2017 MARKET TRENDS UPDATE

Carroll Rheem
Vice President,
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Welcome to Washington!



THE SKY IS FALLING!
THE SKY IS FALLING!



Logic

CONTROL



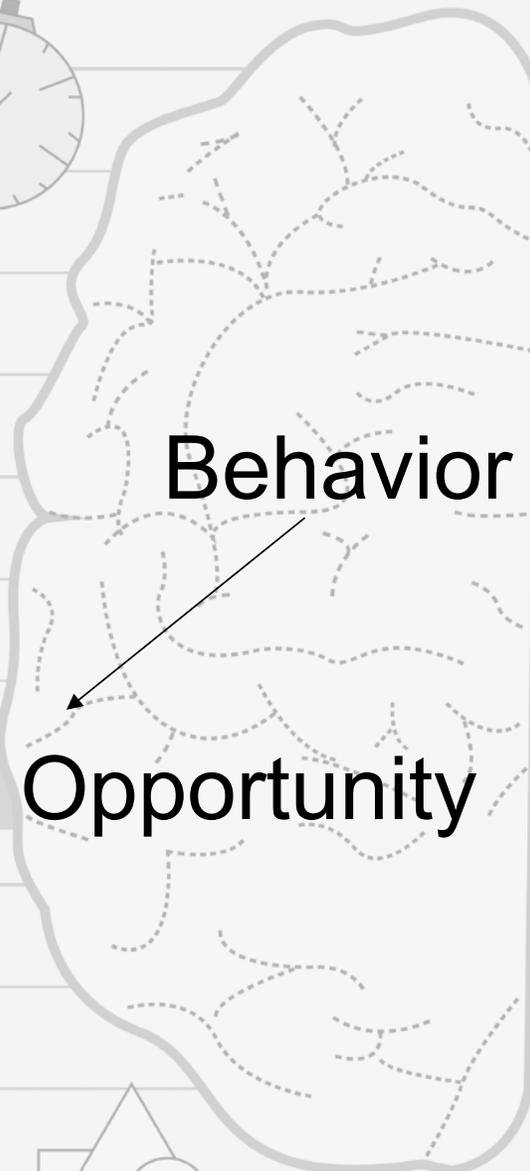
Analytical



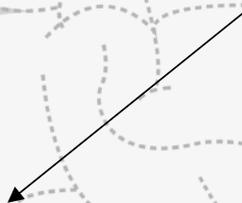
Reason

Commercial Opportunity

REALITY



Behavior vs. Sentiment



Art

Wishes

Jealousness

Imagination

Music

Love

Peace

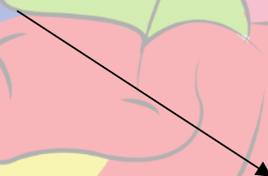
Creativity

Freedom

Intuition



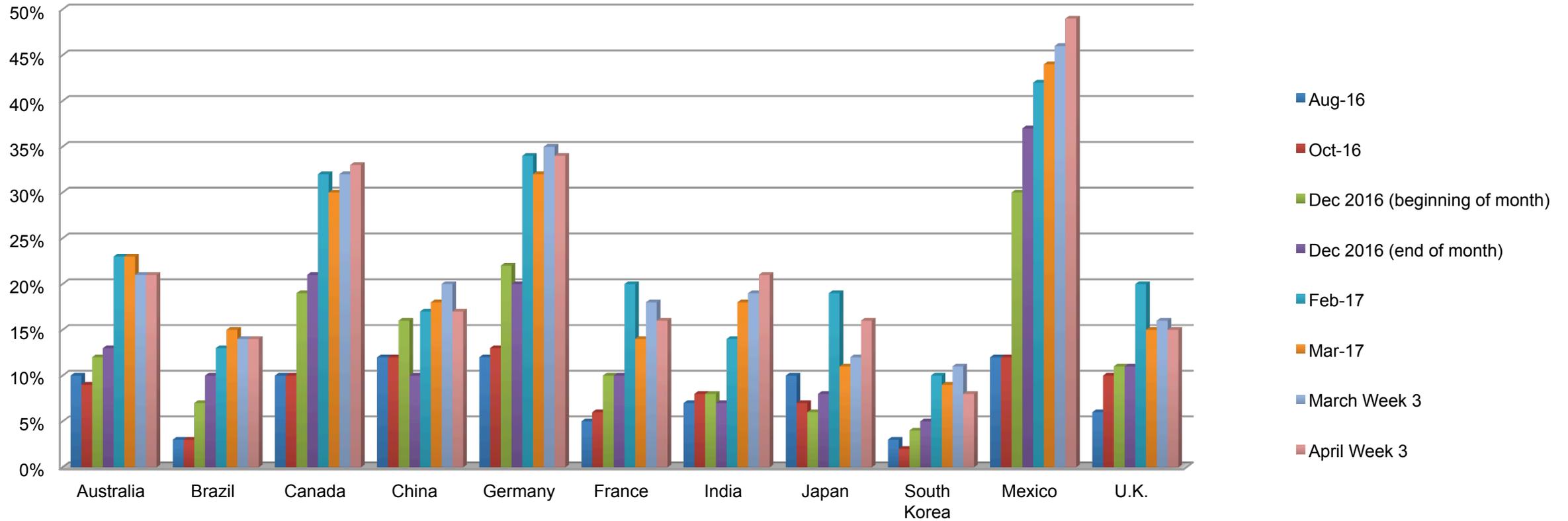
Messaging/Channel Strategy





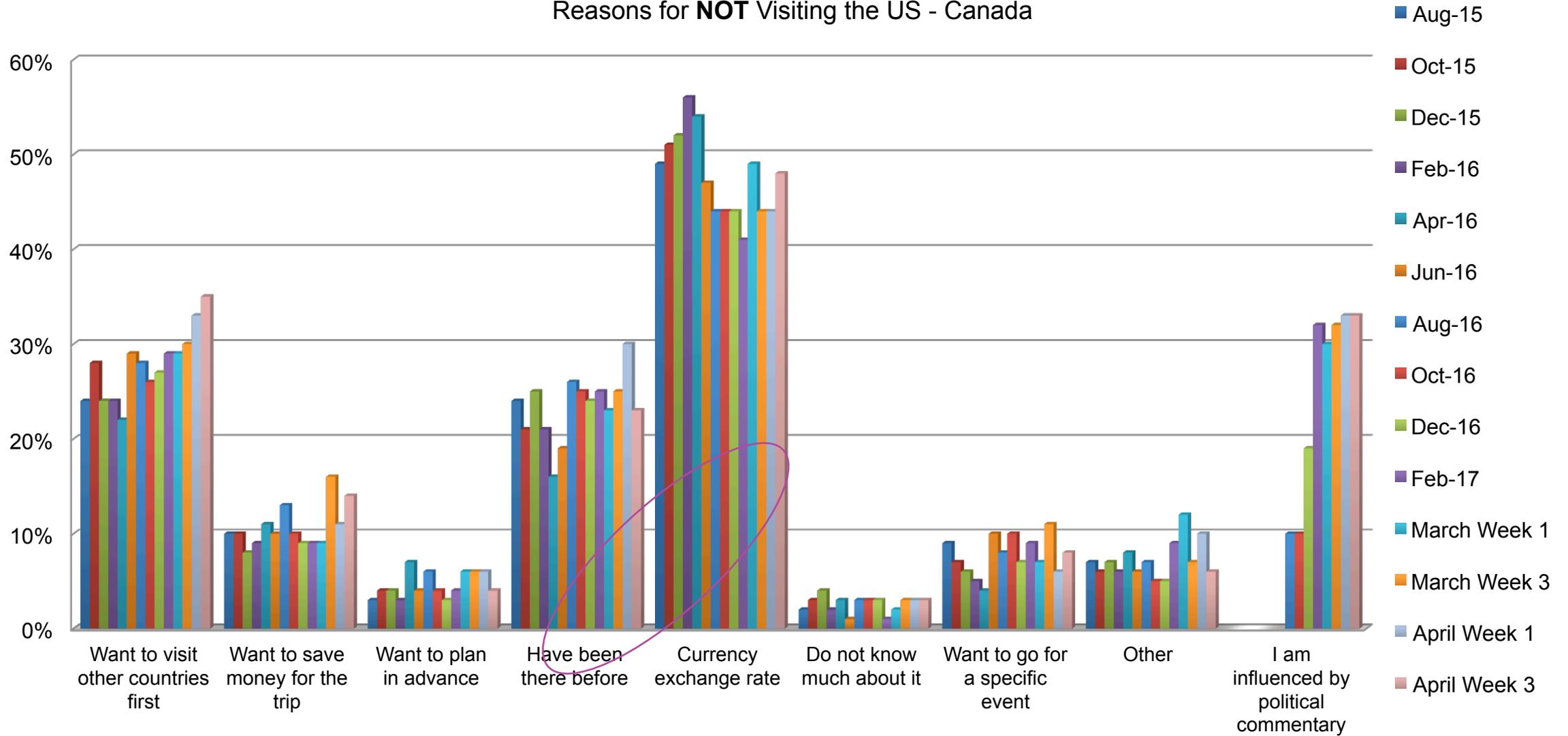
Consumer
Sentiment

Political Climate as Reason for Not Visiting USA



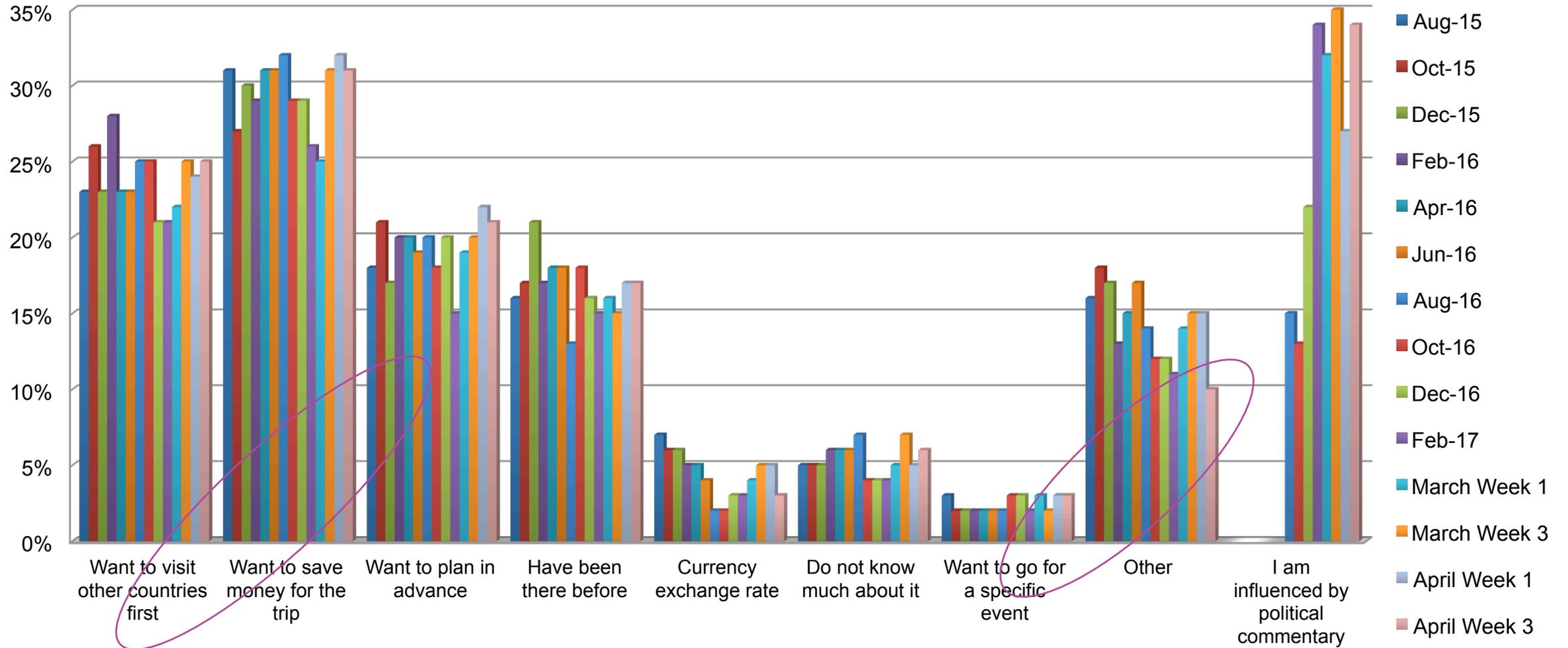
Base = Likely/neither likely nor unlikely to take an international/a foreign holiday in the next 12 months but it won't be to the U.S.

Reasons for **NOT** Visiting the US - Canada



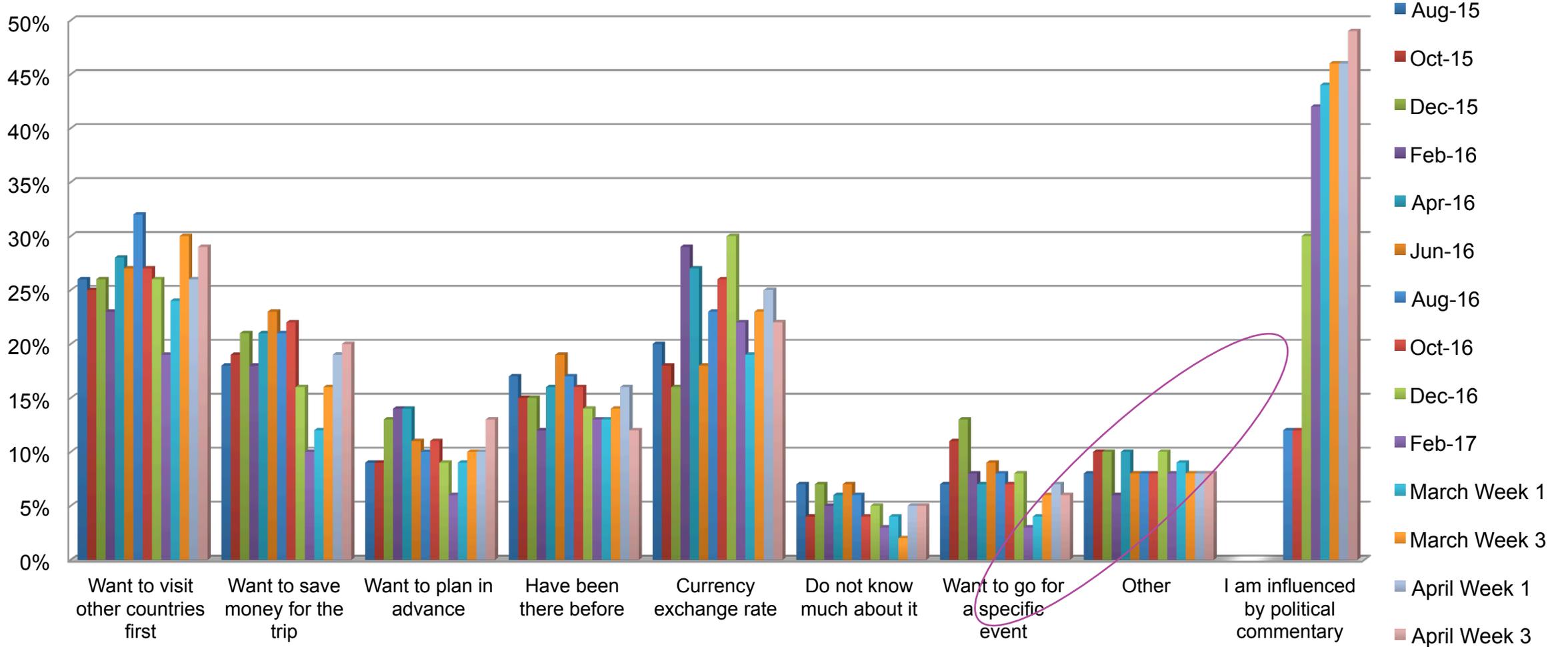
Source: ORC custom study

Reasons for **NOT** Visiting the US - Germany



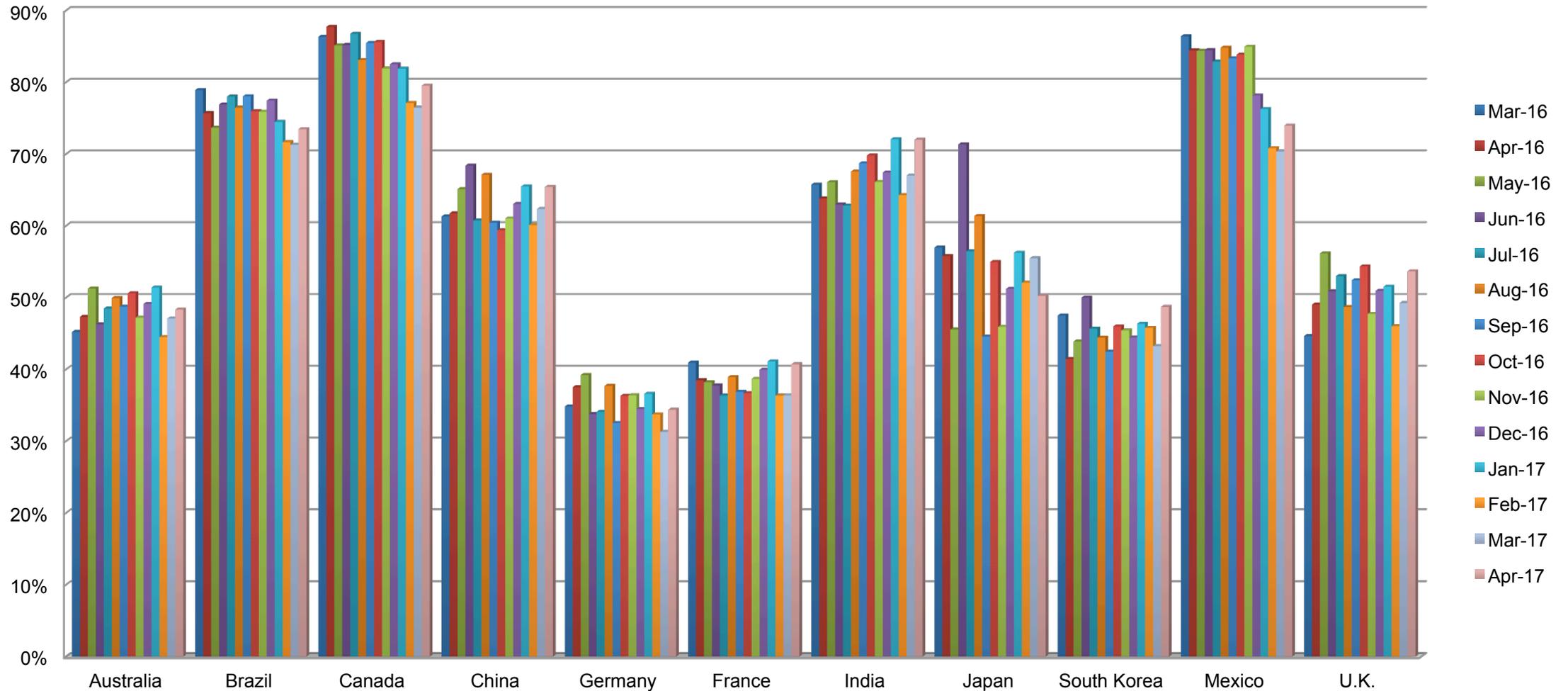
Source: ORC custom study

Reasons for **NOT** Visiting the US - Mexico



Source: ORC custom study

Likely to Visit the US in the Next Two Years



Base = Likely/neither likely nor unlikely to take an international/a foreign holiday in the next 12 months and likely/neither likely nor unlikely to take an international/a foreign holiday in the next 12 months but it won't be to the U.S.

Commercial Outlook



Jan-March 2017

Sabre MIDT (Air Passengers by Travel Date)



+3%

Sabre[®]

Global Agency Pro (Agency Only by Book Date)



+5%



ARC

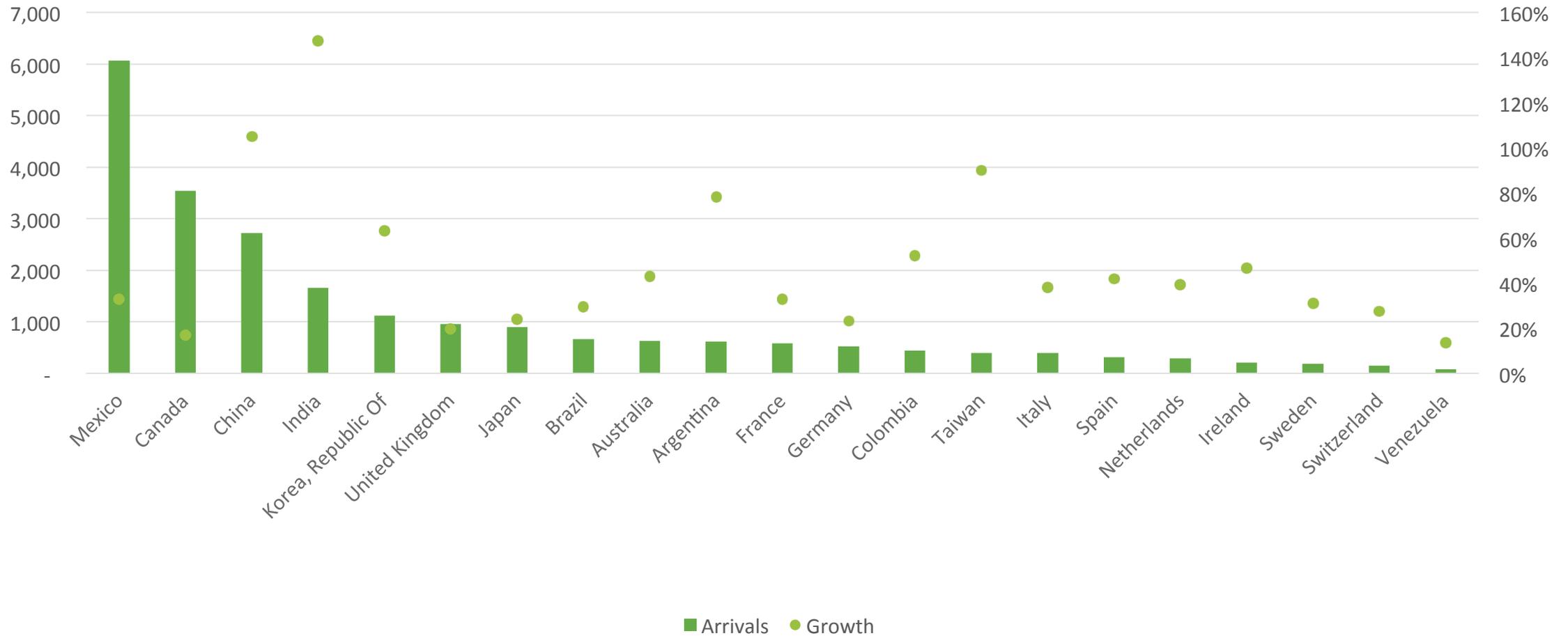




Long-Term Outlook

2023 Vs. 2015 Arrivals

(1,000s)





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IPW 2017 Market Trends Update: INDIA

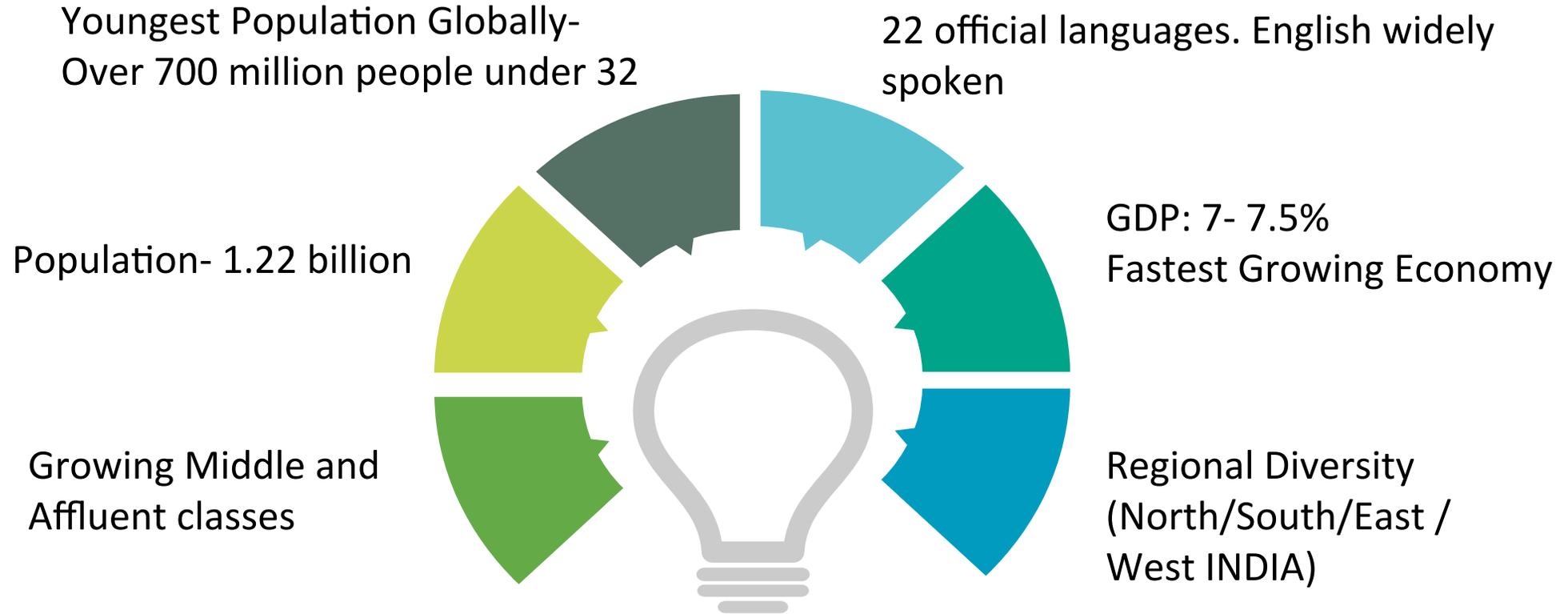




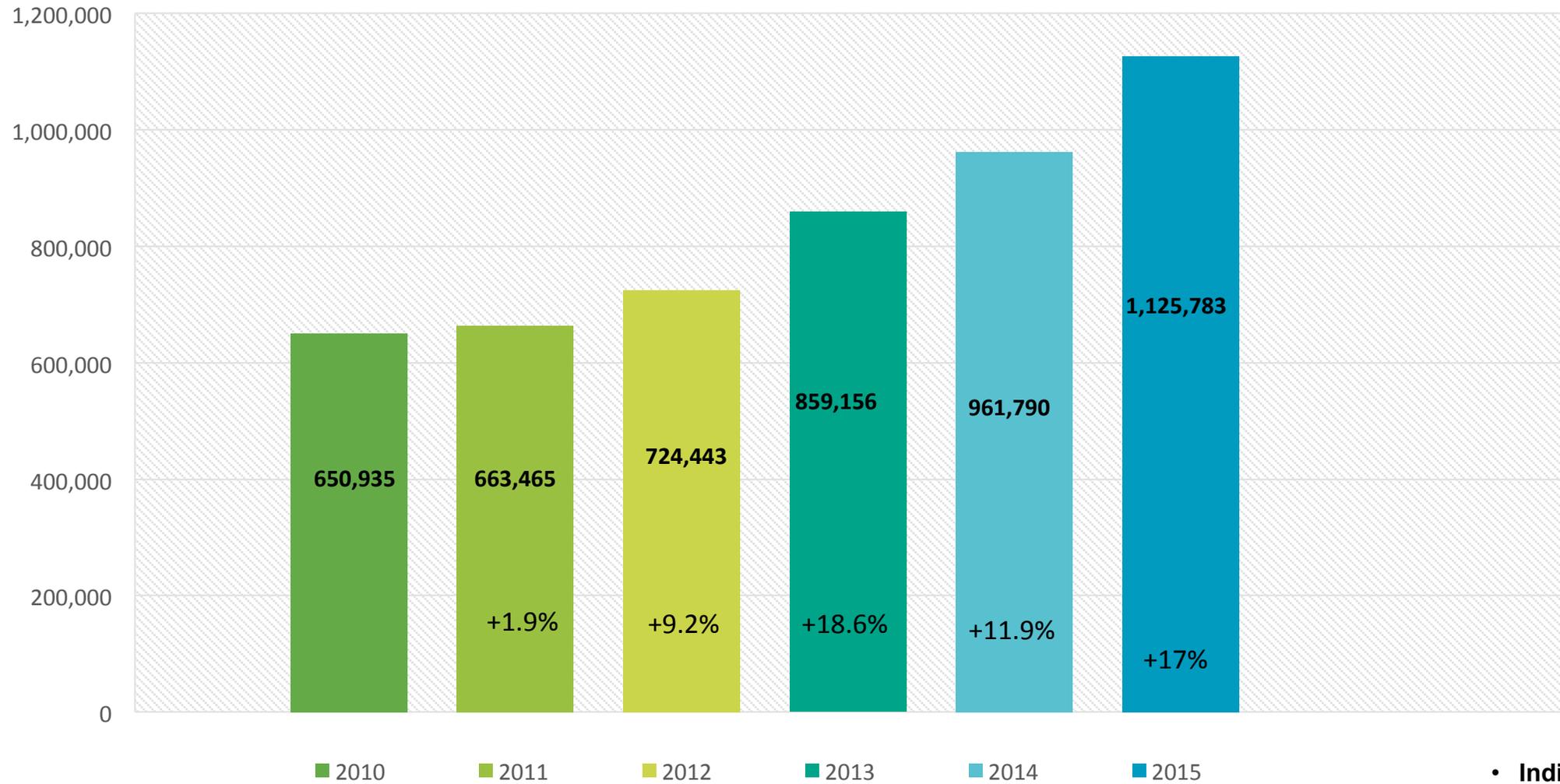
MARKET OVERVIEW



Growth Potential

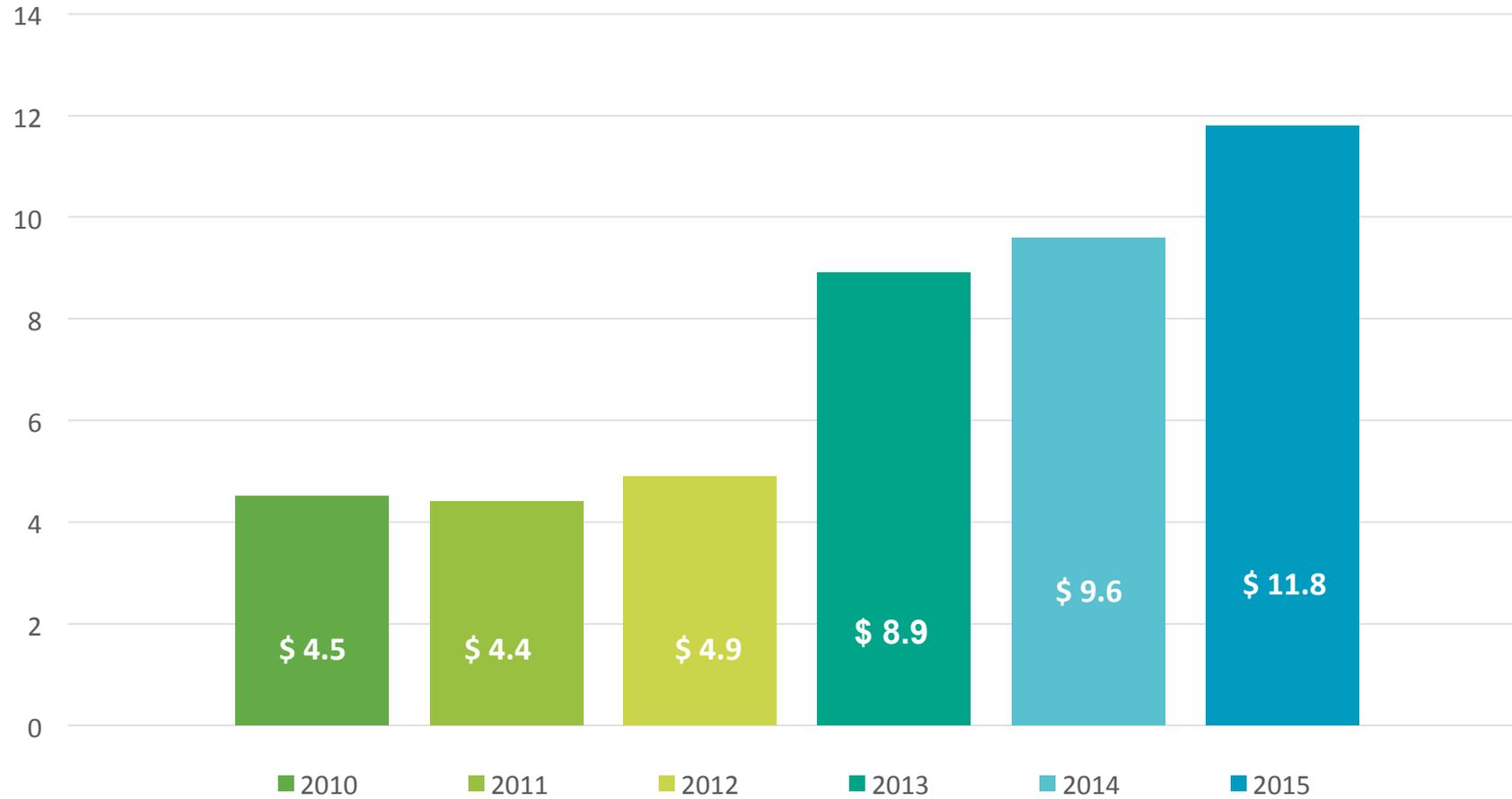


Indian Arrivals into the USA



- Indian Arrivals 2016(till august) : 8,74,016
- Growth: +5.9%

Money Spent by Indians in the USA



Indian Traveler Profile

Millennials

FIT's

Luxury

Honeymoon
& Couples

Outdoor &
Adventure

Leisure
Groups

Families

Special
Interest

Culinary

Cruise

Students

VFR

Achievers



Main Holiday Season

April-July

- Summer Holidays
- School Vacations

Oct- Nov

- Diwali/ Dusshera
- Fall Holidays

December

- Christmas/ New Year
- Winter Holidays

Consumer Trends

- India's outbound market estimated to reach 50 million by 2020
- Growth in all segments- FIT, Special interest & MICE with FIT growing the fastest.
- Amongst highest spenders on hotel rooms globally
- Millennials- looking for adventure, sports, driving holidays, and entertainment.
- Growing demand for free & easy itineraries



Consumer Trends

- Websites & Social media rank high as travel influencers for consumers- though travel industry gets maximum yield from traditional advertising.
- Willingness to extend duration of a holiday, spend more, explore countryside, local art & culture and cuisine
- With a large segment of young population, it is a generation to 'Connect & Share'
- Shorter duration trips



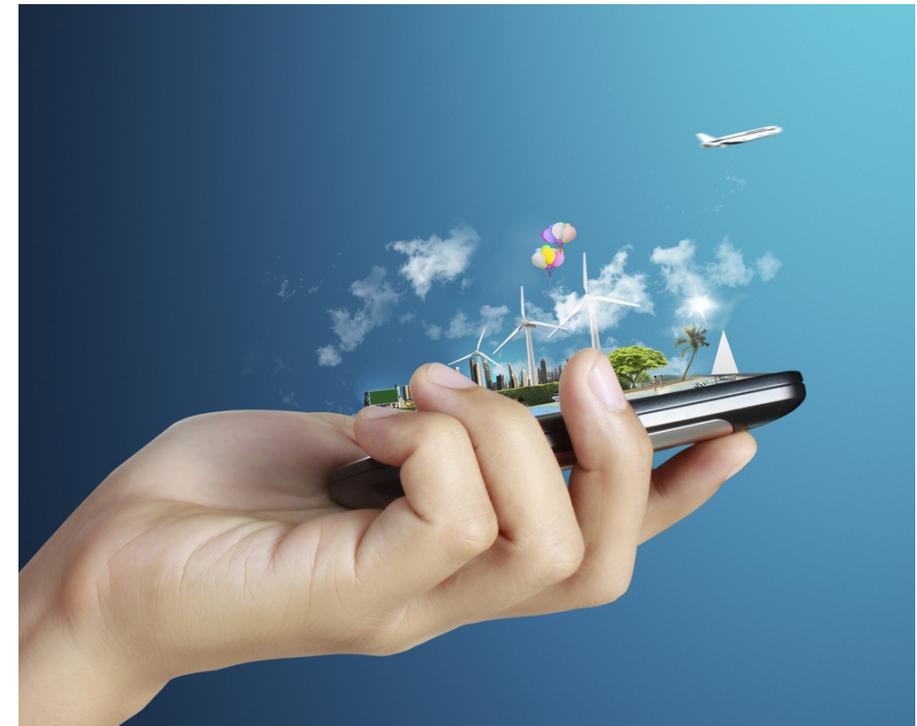
Consumer Trends

Google search trends – USA the top preferred International destination

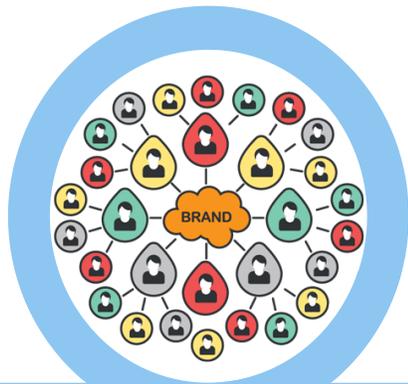
53% growth for travel queries between Feb-April

Travel search beyond major metros

68% of all travel queries on mobile



Digital Trends



Rise of celebrity
digital influencers



Video streaming
via apps



Increase in smart
phone usage

Digital Trends

- Facebook -Second largest ; 155 million monthly active users; daily activities growing @ 22 %
- Twitter users - 40 million with 79% accessing it on mobile.
- LinkedIn crossed 30 million users, a growth 50% compared over the last two years.





INDUSTRY TRENDS AND TRADE HABITS

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Industry Overview



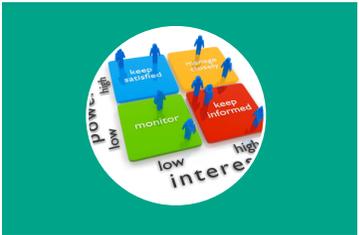
Digital Trends



Improved Air
Connectivity &
Higher Forex
Allowance



Globalization –
Connect with
Partners,
Knowledge &
Technology



Retaining
Stakeholders'
Loyalty



Pyramid Sales
System





CULTURAL NUANCES



PARTNERSHIP OPPORTUNITIES

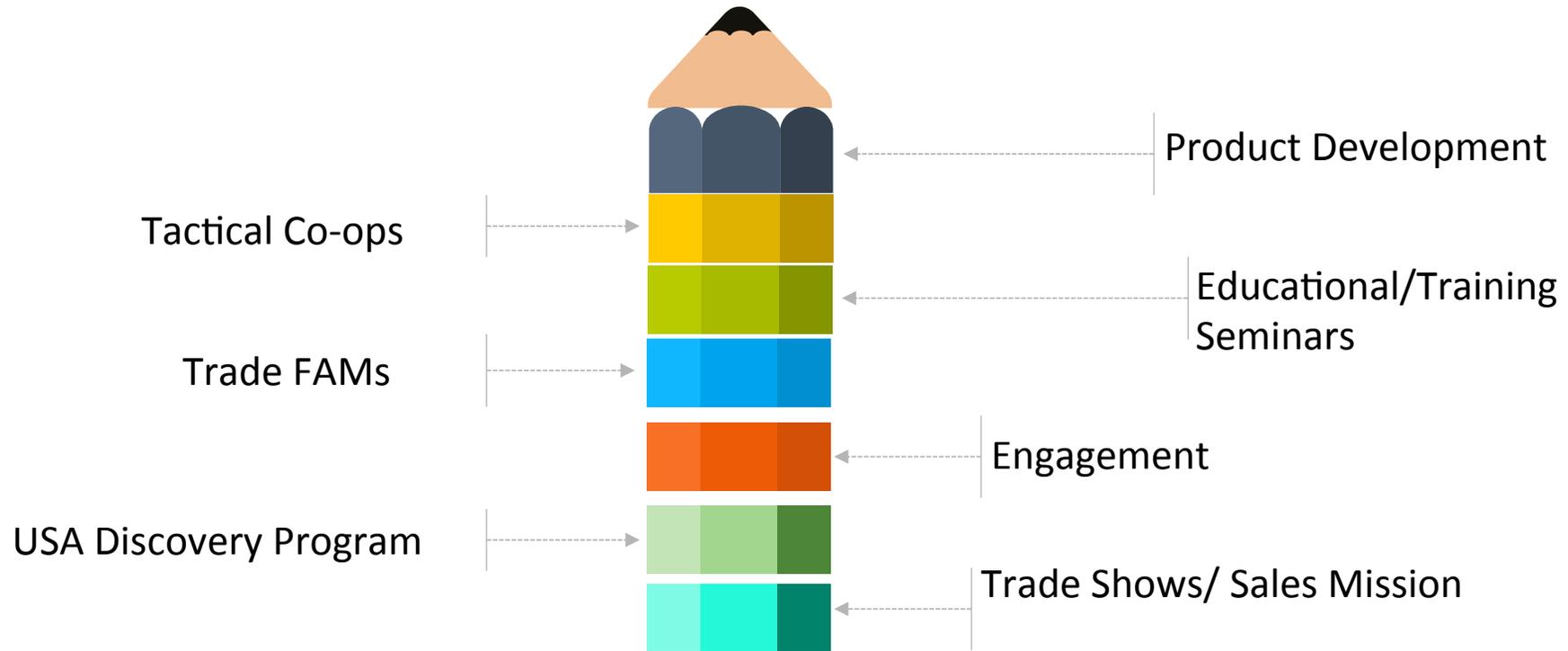
USA
VisitTheUSA.com

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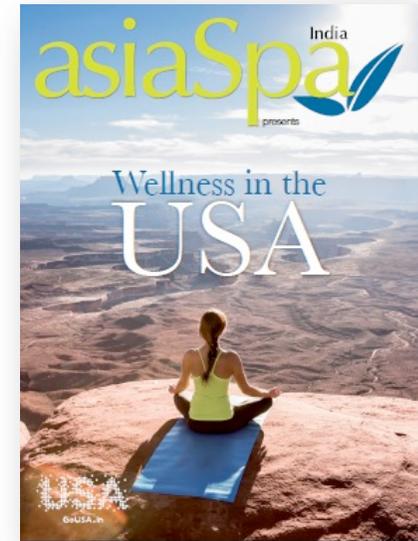
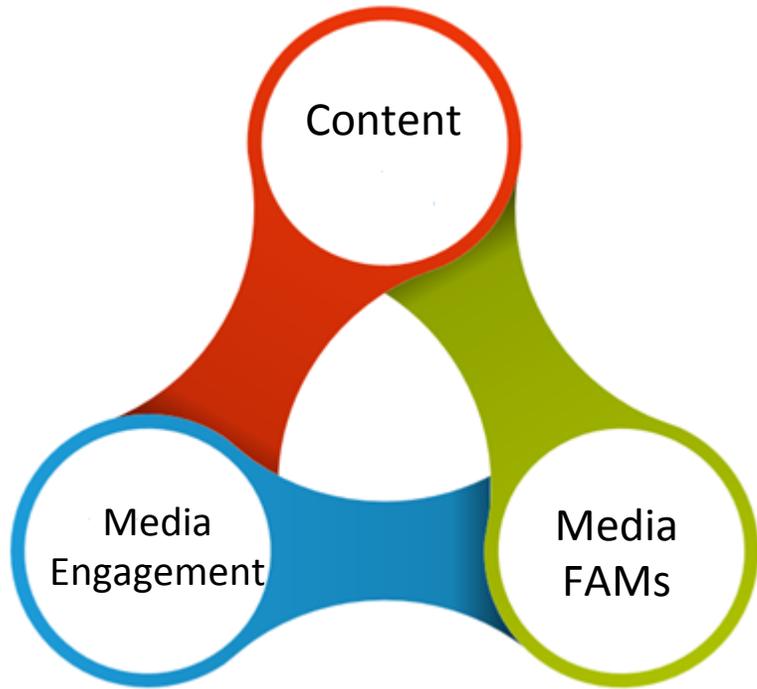
Strategy



Travel Trade Opportunities



PR Opportunities





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IPW 2017 Market Trends Update: CHINA



A couple is sitting on the edge of a large, flat rock formation that juts out over a vast, hazy mountain range. The woman is lying on her stomach, and the man is crouching next to her, holding a camera. The sky is filled with soft, colorful clouds in shades of blue, purple, and orange, suggesting a sunset or sunrise. The foreground shows some green foliage.

CHINESE TRAVEL TO THE U.S.

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Chinese Visitors to the U.S.

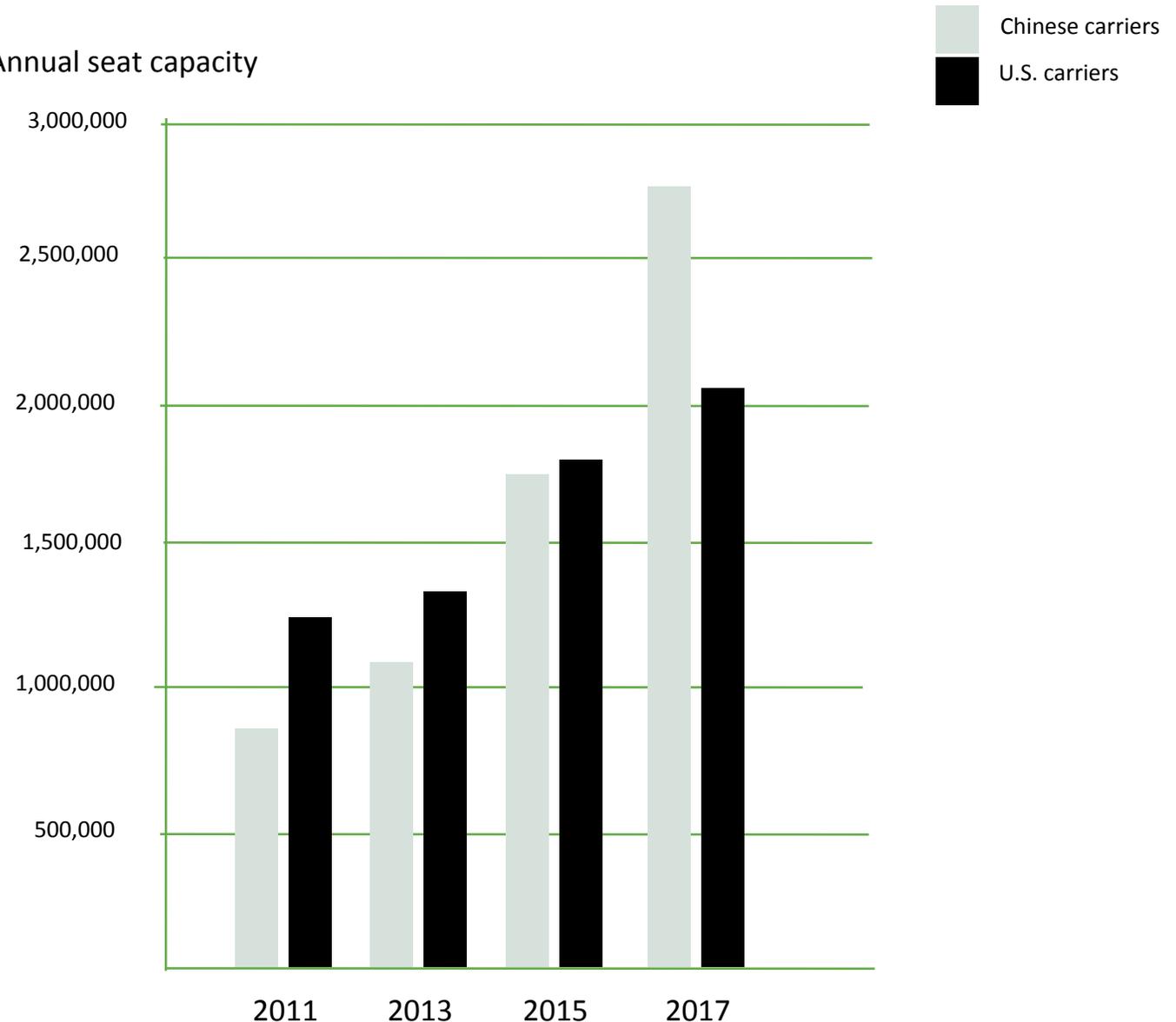
- 2016 Chinese arrivals to the US up 16% v. overall outbound market growth rate of 10%, highlighting US' gaining market share
- Tied for 2nd place with South Korea for the strongest growth in 2016 of all U.S. markets
- China has **soared up the rankings to #4** in terms of overseas arrivals and spending in the U.S. and is projected to rise to become our **top overseas source market** within 5 years



China-U.S. Airlift is Soaring

- Direct non-stop airlift between China and the U.S. has more than quadrupled in the last decade
- Over 4.8 million non-stop seats now available direct from China to the U.S.
- In 2016, airlift to the West Coast alone jumped by 61%
- Chinese airlines have increased their market share at the expenses of US airlines and now account for 57% of annual seat capacity

Annual seat capacity



15 U.S. Non-stop Gateways to China

Current annual seat capacity stands at 4,846,873 seats, a capacity jump of nearly 600,000 seats v. 8 months ago

- Los Angeles
- San Francisco
- New York
- Honolulu
- Seattle
- Washington D.C.
- Boston
- Las Vegas
- Chicago
- Houston
- Dallas
- Detroit
- San Jose
- Saipan
- Guam

55,500 new seats in the past 3 months alone!

16 China Non-Stop Gateways to the U.S.

- Beijing
- Shanghai
- Guangzhou
- Chengdu
- Wuhan
- Nanjing
- Xian
- Hangzhou
- Changsha
- Shenyang
- Shenzhen
- Qingdao
- Fuzhou
- Chongqing
- Jinan
- Tianjin

66 new major airports coming online in the next 5 years, on top of 206 existing ones!

Upcoming China-U.S. Flight Launches

Destinations	Routes	Airlines	Frequency	Remarks
Los Angeles	Shenzhen-Los Angeles	CA (Air China)	3x weekly	Planned for July launch
	Xiamen-Los Angeles	MF (Xiamen Airlines)	3x weekly	Planned for June launch
New York	Chengdu - New York	3U (Sichuan Airlines)	TBC	Planned for October launch
	Chongqing -New York	HU (Hainan Airlines)	TBC	Planned for October launch

Two new routes (Chongqing-LA; Chengdu-LA) launched in the past 90 days, not including seasonal new flights (for ex: Xian-San Francisco)

2017 Issues to Watch

US TRAVEL BAN:

- Little media coverage in China
- Little interest among media and general public
- Perceived image increased safety in the US

RHETORIC ON CHINA:

- Disagreement on policies at the top echelon between the 2 countries are expected
- Chinese public not concerned with US politics
- Rhetoric does not offend the average man in the street

VISA REJECTIONS:

- Visa rejections for MICE groups have created concern among both Chinese travel partners and some US destinations

OPEN SKIES:

- Critical in order to allow continued airlift growth



CHINESE TRAVELERS HABITS & TRENDS

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2016 China Trends Recap

AFFLUENT SEGMENT BOOMING

- **Size:** 100 million households within 3 years

YOUNG DEMOGRAPHIC KEY

- **Share:** By 2022 will represent 53% of total Chinese consumption

FIT SOARING

- **Soaring segment:** 40% of visitors to the US in 2016 were FIT and growing

2017 New Trend 1: Shift to Mobile

SHIFT TO MOBILE

- Travel search & planning: over half of destination search & planning is done on mobile
- Bookings: 72% of online bookings on Top 5 OTAs are done directly via mobiles; 81% of online hotel bookings are made on mobiles
- Booking apps: OTAs lead the way, with traditional TO/TAs playing catch up

MEDIA CONSUMPTION

- Source of information: media, information and entertainment are now primarily consumed on mobile
- Apps: phone-based news apps have become the #1` source of information; social media are #2, traditional media are becoming irrelevant

2017 New Trend 2: Changing Purchasing Patterns

FIT SEGMENT BOOMING:

- Up 20% last year v. 11% overall outbound
- In certain States, pure FIT represents now 40% of travel and rapidly rising
- Semi-FIT (air/hotel packages) represent up to an additional 40% of the market

GROWTH IS FOUND ONLINE:

- 20% growth in online purchases of travel in 2016

OTAs & SUPPLIERS WEBSITES GAINING MARKET SHARE:

- 3 OTAs dominate: C-Trip, Qunar and Tuniu -- over 80% of China's OTA sector
- Air tickets (#2 after OTA booking) and accommodations (#3) are increasingly being booked on service providers' websites directly

2017 Trend 3: Rise of Tier 2 Cities: Airlift

- **TIER 1 GATEWAYS:** three years ago, there were only 3 cities in mainland China with direct non-stop flights to the U.S.: Beijing, Shanghai and Guangzhou
- **TIER 2 GATEWAYS:** this year, China has 16 gateways with direct non-stop flights to the US including: Beijing, Shanghai, Guangzhou, Chengdu, Kunming, Wuhan, Xian, Nanjing, Hangzhou, Changsha, Chongqing, Jinan, Qingdao, Xiamen & Shenzhen
- **AIRPORT DEVELOPMENT:** China is building 66 new airports, nearly all of which are in Tier 2 cities

2017 Trend 3: Rise of Tier 2 Cities: Population

KEY TO THE RISE OF CHINA'S TIER 2 MARKETS IS THE MASSIVE POPULATION OF THESE SECONDARY MARKETS:

- **10 MILLION POPULATION: 13 cities in China**
- **5 MILLION POPULATION: 80 cities in China**
- **1 MILLION POPULATION: 102 cities in China**

compared with just 10 in the U.S.

2017 Trend 3: Rise of Tier 2 Cities Growth in Spending Power

- **TIER 2 GROWTH:** the GDP of Tier 2 cities is growing 9-10% per year, significantly faster than Tier 1 cities growing at 6-7%
- **TIER 2 AFFLUENCE:** spending power in Tier 2 cities is soaring and by 2020, 46% of China's affluent class will live in Tier 2 cities
- **TIER 2 TRAVEL SPEND:** a major Q4 2016 study by C-Trip and the China Tourism Academy revealed that the top 3 biggest spending markets on outbound travel are Tier 2 markets

2017 Trend 3: Rise of Tier 2 Cities Growth in Spending Power

- **U.S. PRESENCE:** the U.S. is expanding its consular presence in Wuhan, Chengdu and Shenyang since these 3 markets are the fastest-growing of China
- **2017 BRAND USA MISSION:** Brand USA has extended its annual China Mission to include Wuhan & Shenyang for the first time, to leverage this phenomenal growth in China's 2nd tier markets:
 - **Wuhan** covering Central China with a population of 220 million (equal to Japan)
 - **Shenyang** covering Northeast China with a population of 120 million greater than the Beijing region

Travel Trade Overview

Over 1,500 Registered Travel Agencies... but the Top 5 operators dominate the market:

- China Youth Travel Services
- China International Travel Services
- China Travel Services
- U-Tour
- Caissa Touristic



Travel Trade Overview

The OTA market is even more concentrated than the TO/TA market...

- **DOMINANCE:** these 5 players control a 90%+ share of a market worth USD 75 billion with a y-o-y growth rate of 50%+
- **RIDING SOCIETY'S TRENDS:** OTAs benefit from Millennials and Digital-natives' comfort with e-technologies, including mobile payments (\$1,700 v. \$475, per capita in 2016)



Travel Trade Overview

Travel behavior, purchase patterns, long-haul experience, FIT vs. Group ratio and advance booking window vary from region to region

- The nuances of each region can only be truly understood by people from those regions
- Knowledge of local customs, attitudes and behaviors ensure successful marketing of a destination
- Established relationships are key

Pro-activity is needed

Chinese Travel partners expect you to proactively reach out to them...

- Every major destinations in the world is marketing itself in China, a crowded, competitive environment
- Travel operators will not reach out to NTOs/DMOs/CVBs
- Destinations & service providers must proactively engage the Travel Trade





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IPW 2017 Market Trends Update: MEXICO

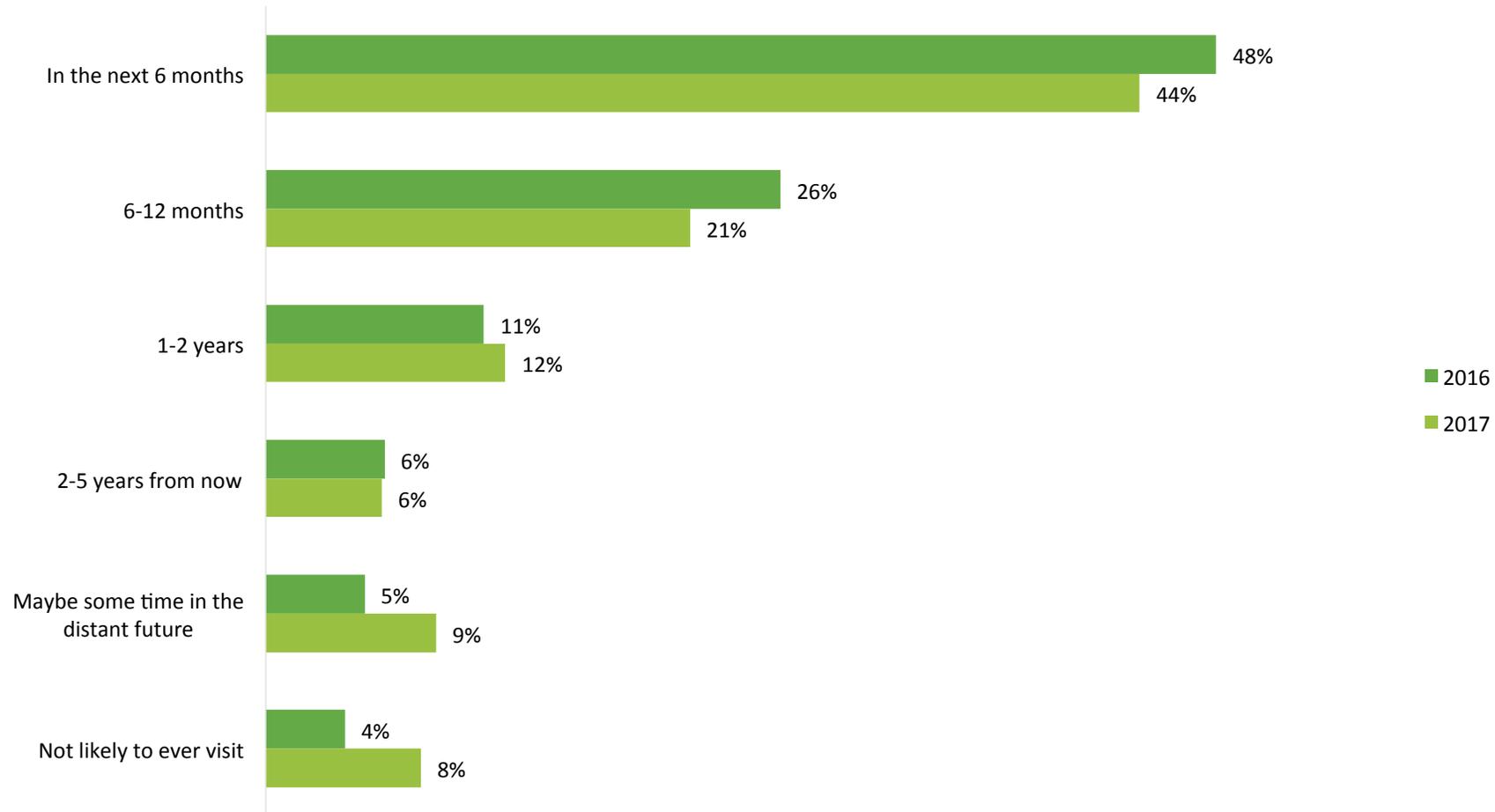


Introduction



- Mexico is the second highest inbound market
 - 18.37 Million visitors in 2015
- Mexico is the third highest spending market
 - \$19.7 Billion in 2015
- U.S is the top-selling international leisure travel destination for Mexico

Likelihood of Travel to United States



Question: When, if ever, are you likely to visit the following countries? United States of America.

Base: Mexico international travelers (N=1964)

Source: Brand USA Market Intelligence Study

Travel Trade Trends

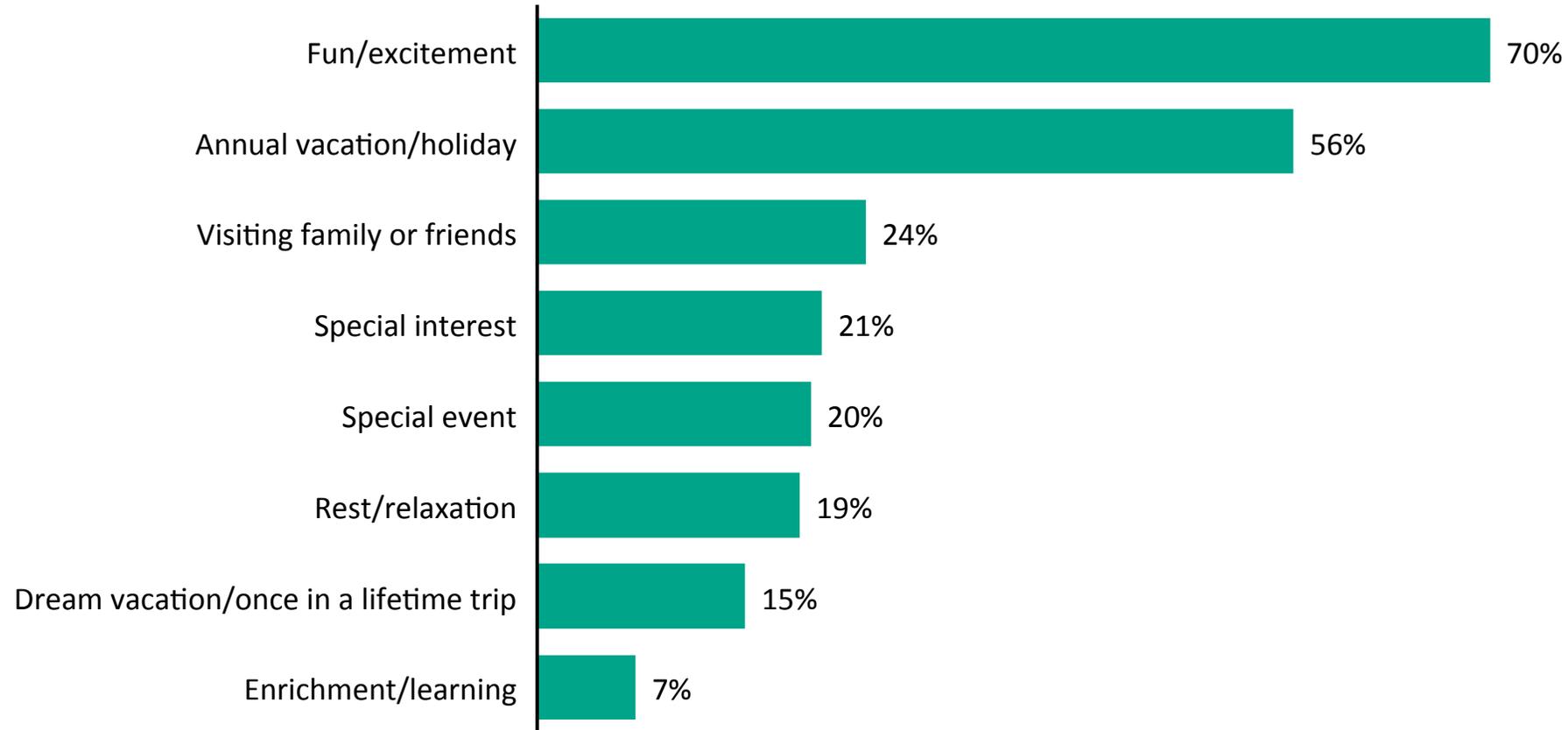
- Mexican travelers view the U.S. as a convenient and familiar destination choice
 - Great airlift
- Key words used to describe the U.S. from Mexican travel businesses:
 - Convenient, familiar, fun
- Annual vacations/holidays are the most common trip type
 - **U.S.:** Fun/excitement, annual vacation, VFF (visiting friends and family)

Lift Capacity

Airline Capacity



Typical Type of Trip to the United States

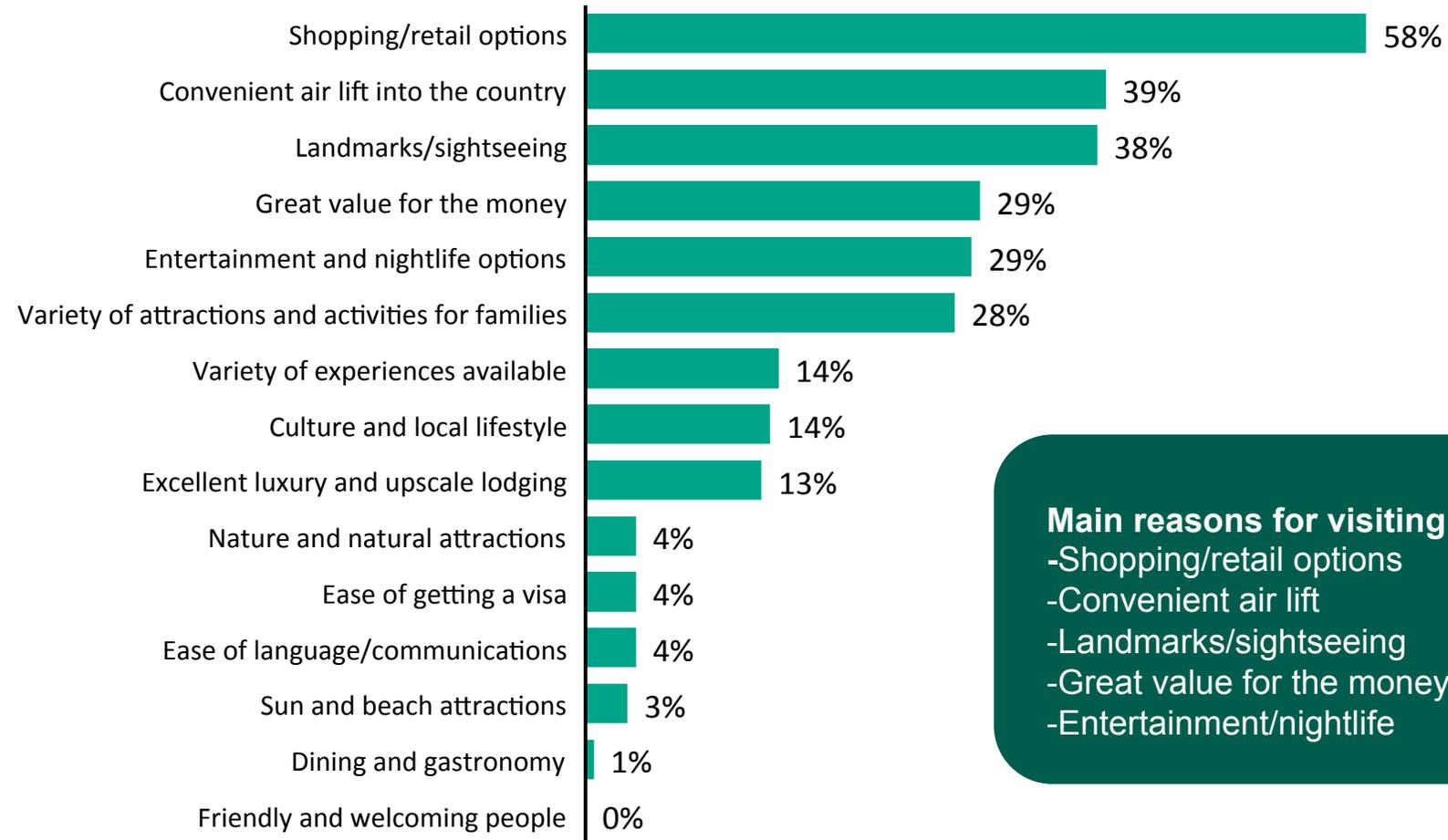


Question: What type of trip do your customers generally make to each of your three top-selling international leisure travel destinations? Select up to three for each destination.

Base: Mexico travel organizations (N=124)

Source: Brand USA Trade Study

Most Important Reasons for Choosing the United States



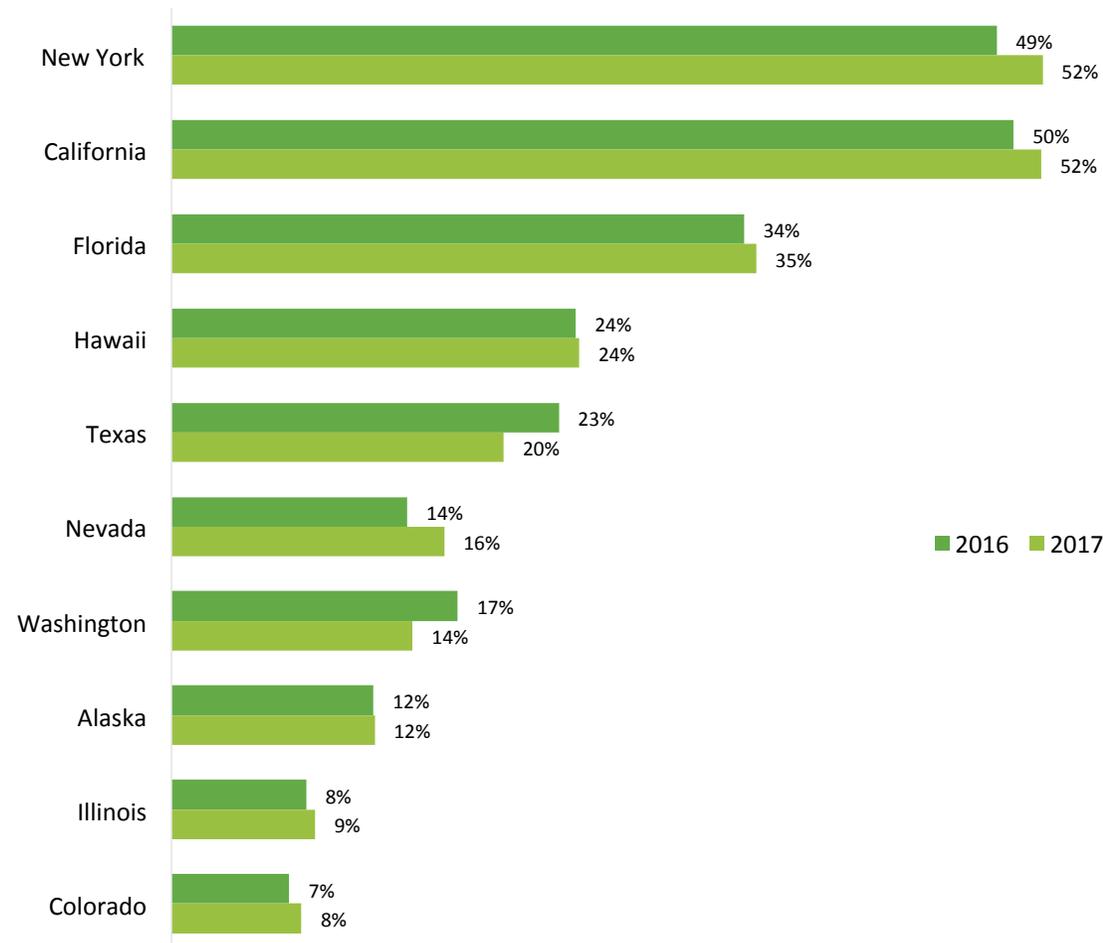
Main reasons for visiting:
-Shopping/retail options
-Convenient air lift
-Landmarks/sightseeing
-Great value for the money
-Entertainment/nightlife

Question: What are the most important reasons your customers choose those three long-haul leisure travel destinations?
Select up to three for each destination.

Base: Mexico travel organizations (N=162)

Source: Brand USA Trade Study

Destination Interest - Top 10 States



Question: You indicated in a previous question that you have interest in visiting the U.S. sometime in the future. Which U.S. state(s) are you interested in visiting?

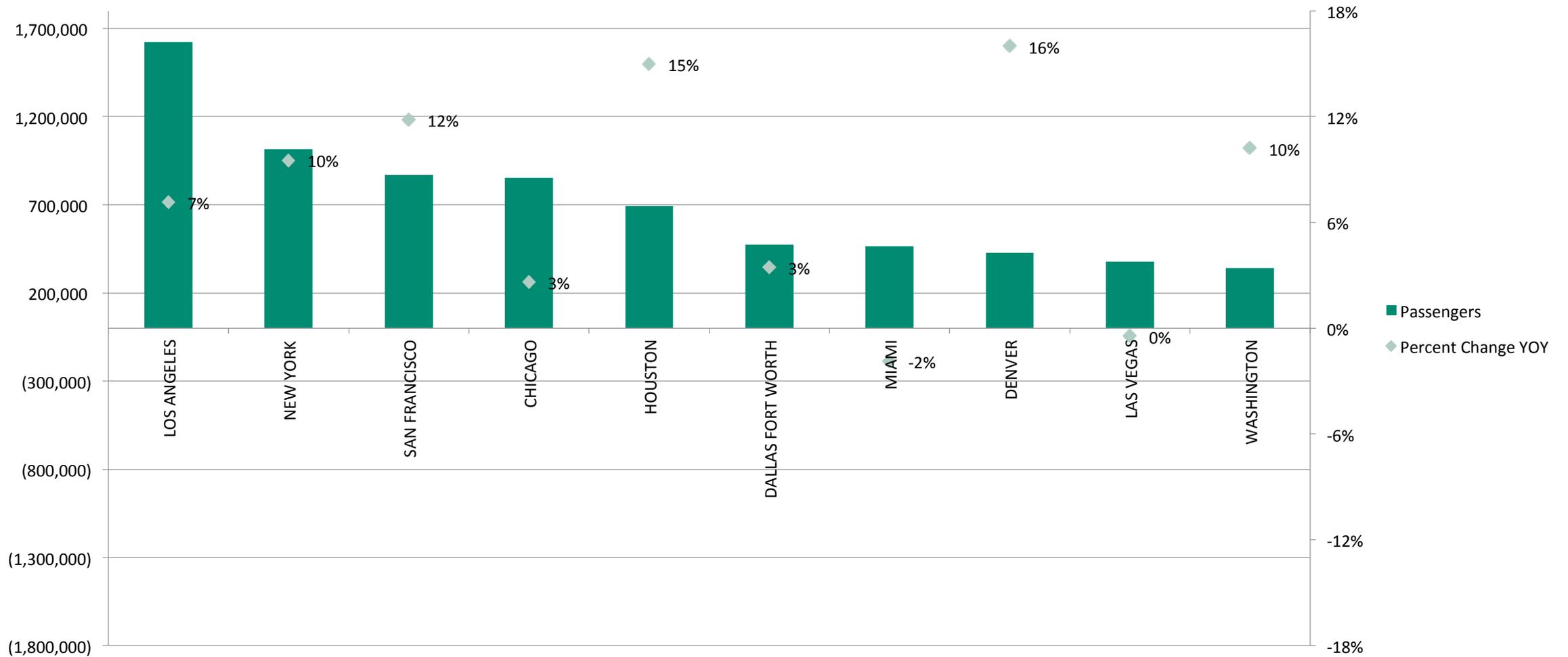
Base: Mexico intercontinental travelers with interest in visiting the United States (N=1810)

Source: Brand USA Market Intelligence Study

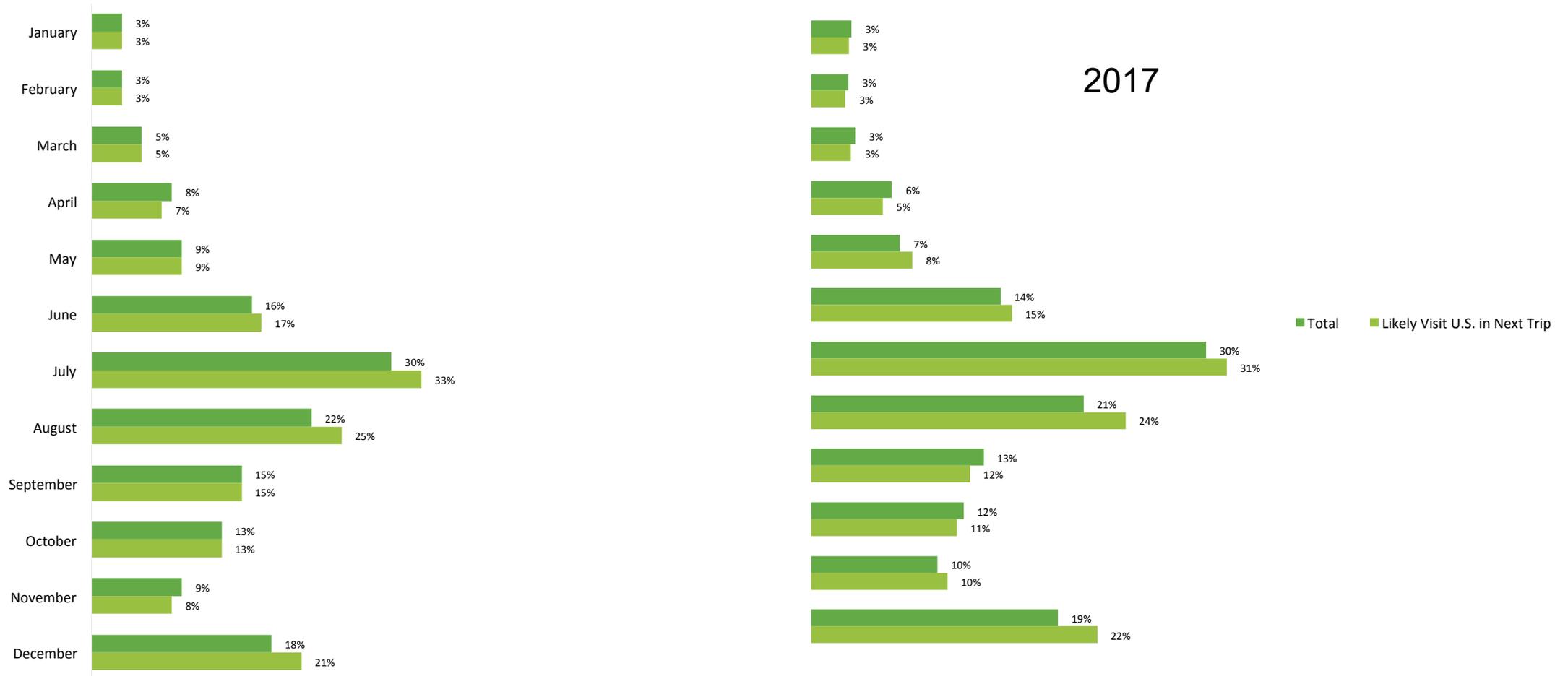
Phocuswright Inc. on Behalf of Brand USA
Market Intelligence Survey 2017 Results Market Profiles



Top 10 US Destinations from Mexico



Months Likely to Travel



Question: During what month(s) did you take your vacation(s)?

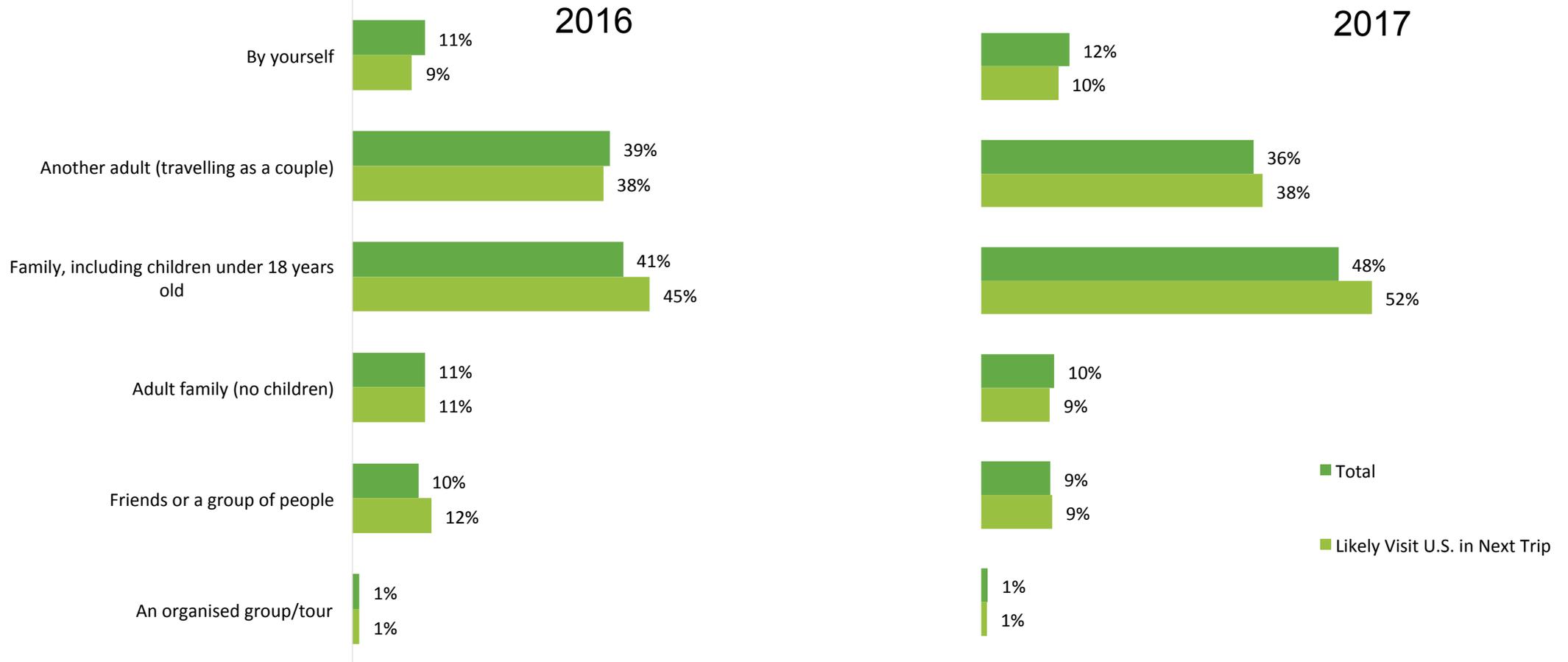
Base: Mexico international travelers (N=1964)

Source: Brand USA Market Intelligence Study

Customer Segment

- Top two customer segments for long-haul international travel from Mexico:
 - Families traveling with teens and young adult children
 - Middle-age couples (30-50)
- Single travelers are a meaningful secondary segment
- Primary customer segments per destination:
 - Families (Orlando/Florida)
 - Couples (New York)
 - Groups of family and friends (Las Vegas)

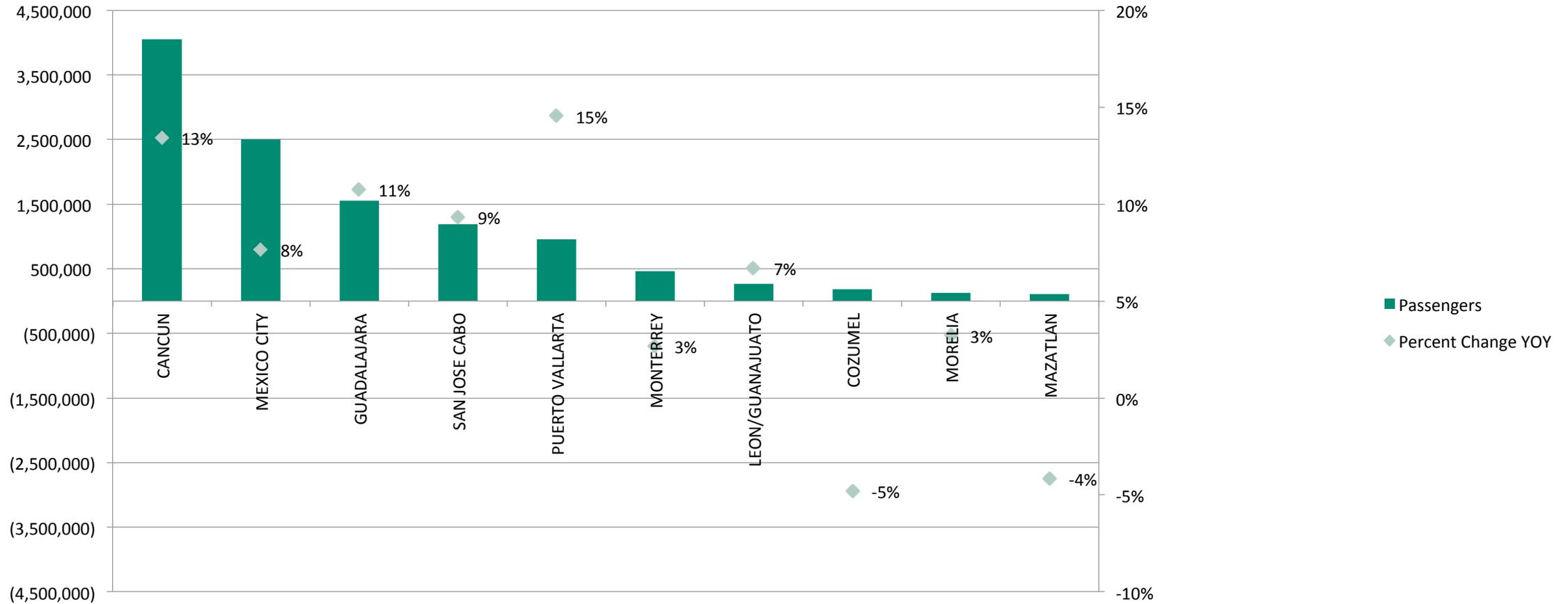
Travel Party



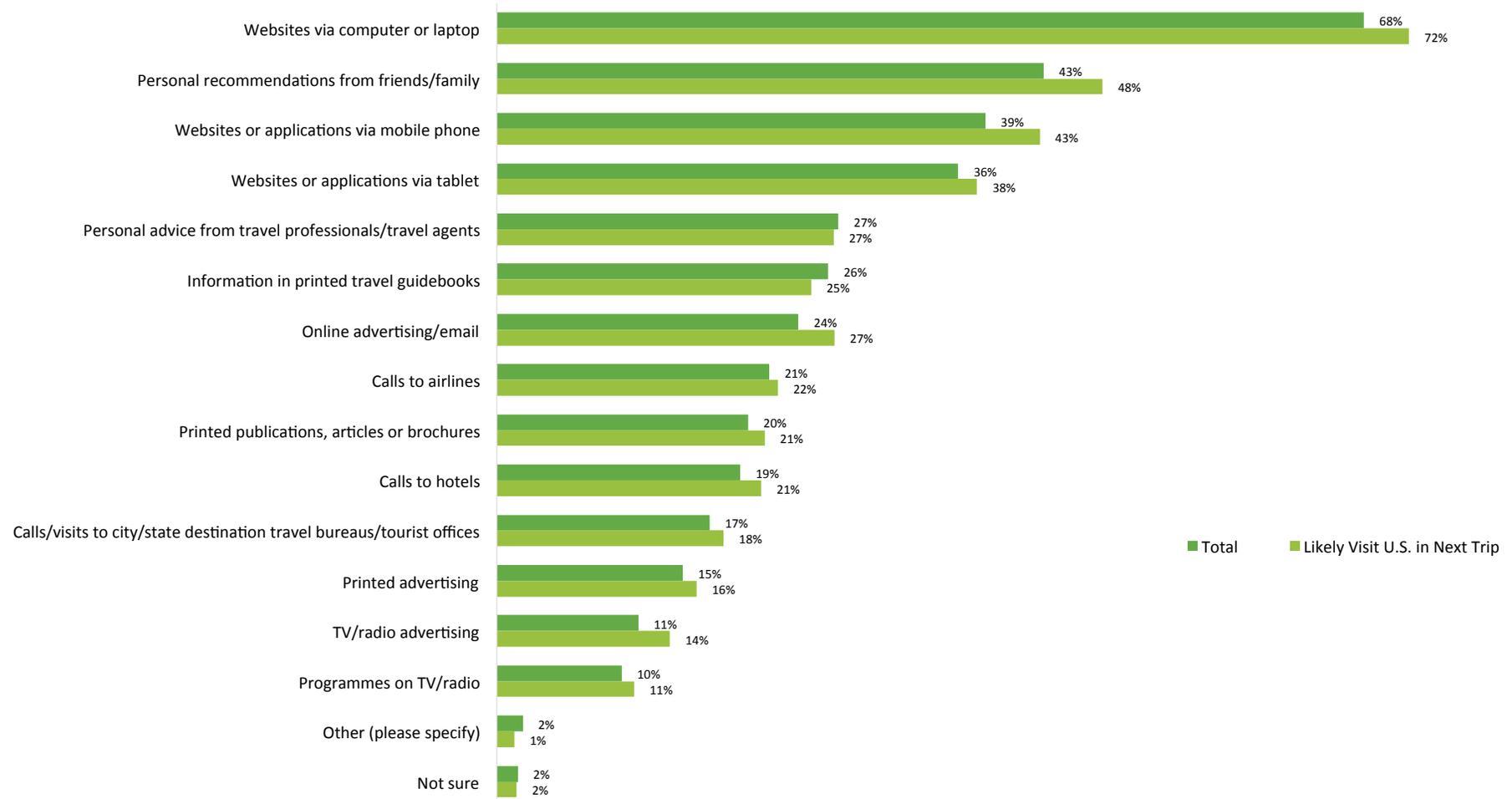
Question: Who will travel with you on this holiday? Select all that apply.

Base: Mexico intercontinental travelers (2016 N=1990, 2017 N=1964), Mexico travelers who will likely visit the U.S. in their next intercontinental trip (2016 N=1071, 2017 N=851)

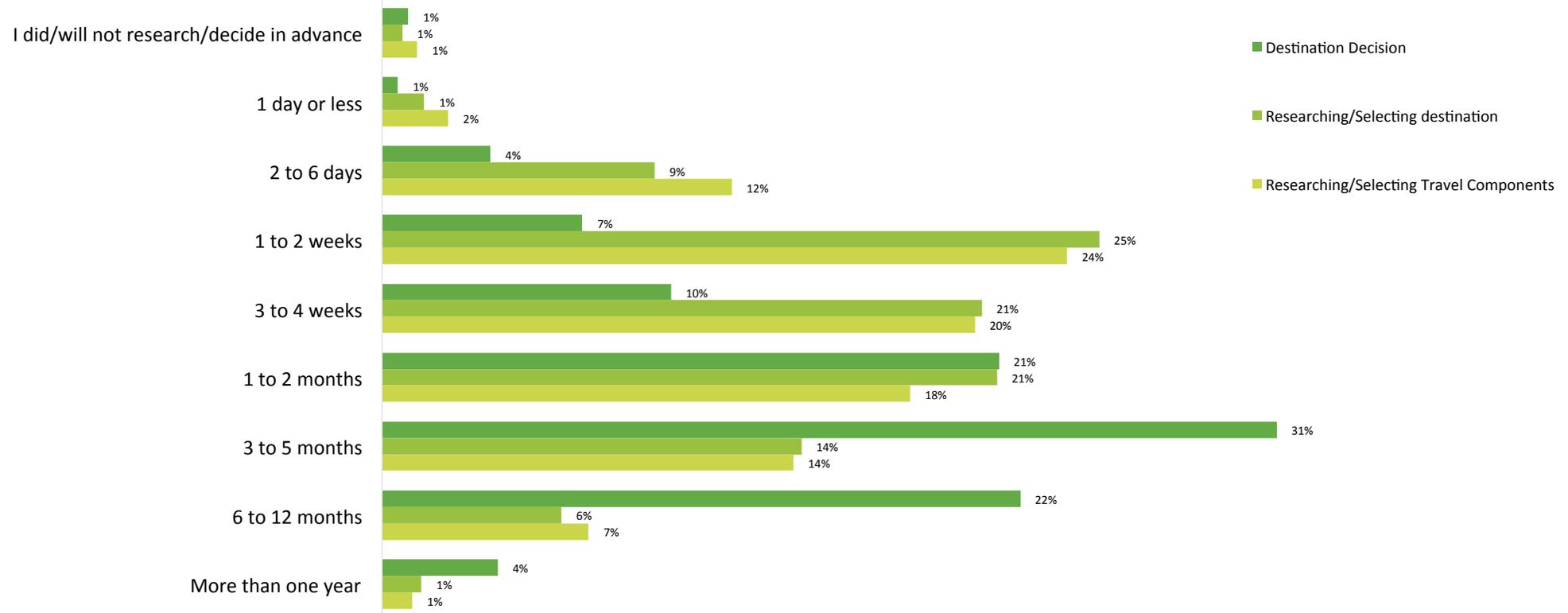
Top 10 Mexico Origin Cities to the US



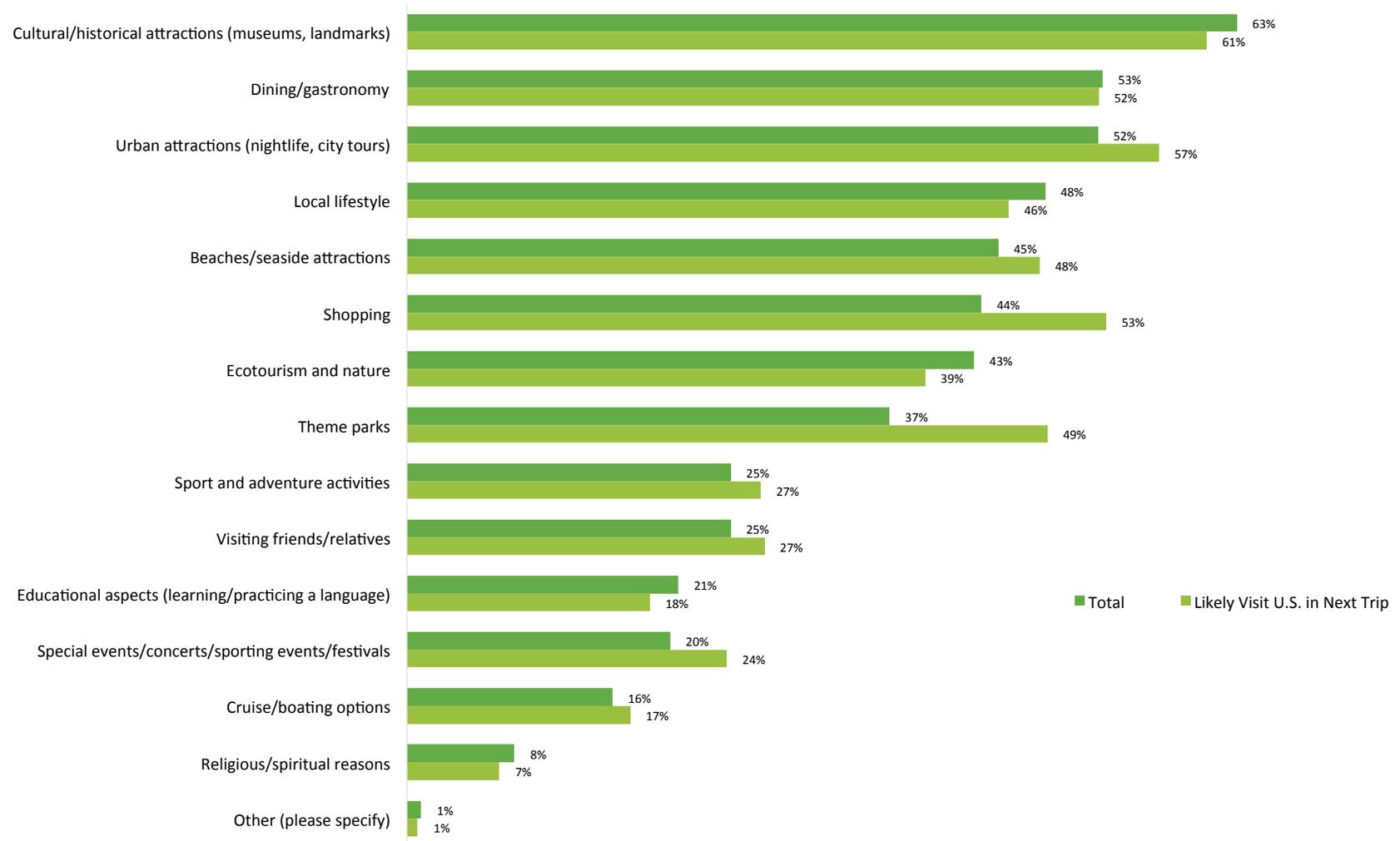
Destination Selection Channels-2017



Destination Decision, Selection and Travel Component Shopping Window - 2017



Motivations for Selecting Intercontinental Destination - 2017



Question: What motivates your desire to visit that destination? Select all that apply.

Base: Mexico intercontinental travelers (N=1964), Mexico travelers who will likely visit the U.S. in their next intercontinental trip (N=851)



TAKE AWAYS



Making Destination and Trip Choices

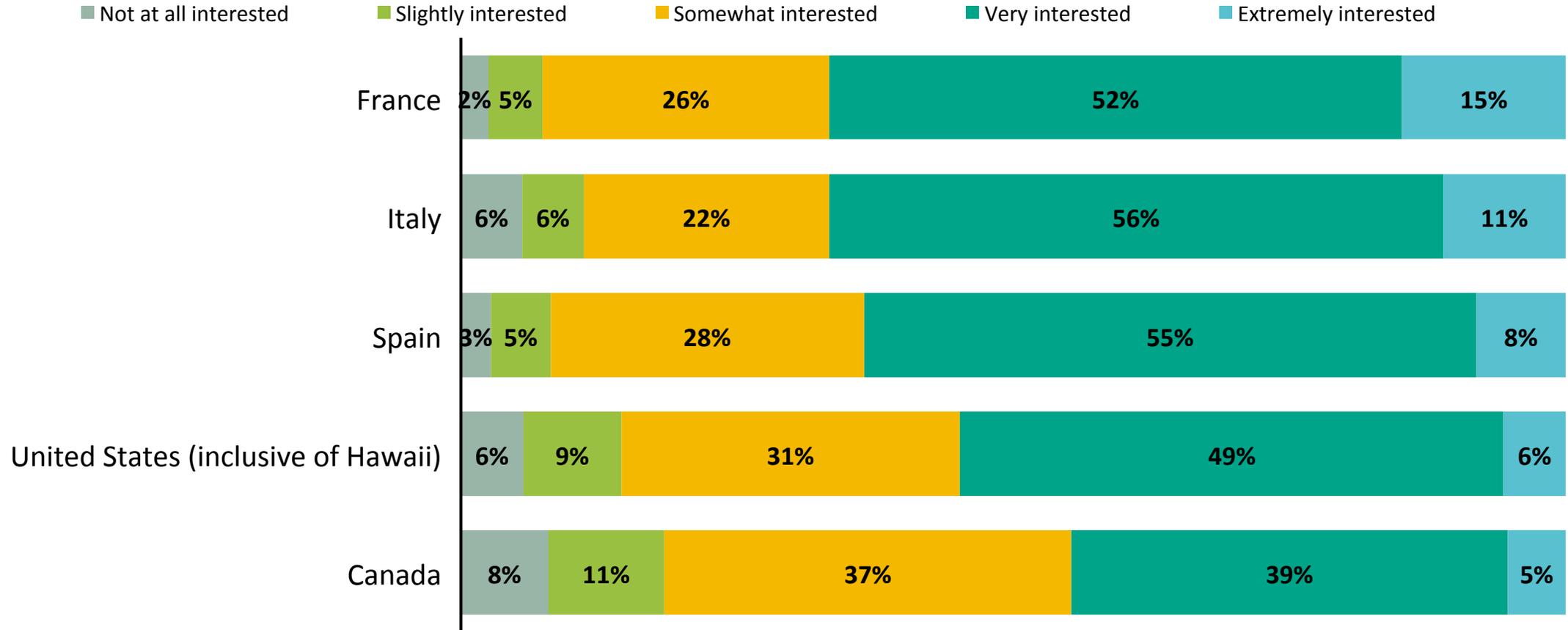
- **Climate concerns:** Long-haul leisure travelers from Mexico are not so flexible about climate choice but many have flexibility around destination, tour and activity choices.
- **Practical advice:** With destination choices pretty much locked in, travelers want information on pricing and deals as well as recommendations about services, tours and activities from trade professionals
- More trade professionals working in travel agencies believe they can influence their customers' *destination* choice.
- While more trade professionals working for tour operators believe they can influence their customers' *activity* choices.

Destination Choice

What customers know:

- Customers are knowledgeable about major U.S. cities including:
 - Las Vegas, Orlando, Los Angeles and New York
 - Knowledge and interest in traveling outside these cities is very limited
- Looking for: shopping, rest/relaxation, fun/excitement, sports events, culture

Customer Interest in Going Beyond the Major Gateway Cities in Countries Visited



Question: How interested are your customers in going beyond the major gateway cities in (Country)?

Base: Mexico travel organizations (N=162)

Source: Brand USA Trade Study

Improving DMO Partnership

- **Interactions:**

- Trade executives prefer contact with local DMO offices
 - ease of communications (language and time zone)
 - deeper knowledge of consumer behavior and travel trends.

- **Top destination and education tools:**

- Most trade professionals identified **familiarization trips** and **off-site seminars** as the most effective tools for destination training.
- **Online training programs, interactive webinars** and **in-office visits** from suppliers or DMOs were also rated highly effective by a smaller majority.

- **Most important marketing tools and resources**

- A majority of *trade professionals* identified a variety of marketing resources as highly important, from sales and discounts to web content to print brochures.

Improving the DMO Partnership



- **Resources:**

- Sponsor more fam trips
- Provide more and better digital images and videos for marketing materials
- Sponsor more in-market destination advertising and promotion

- **Finances**

- Increase the frequency and funding of co-op campaigns

- **Partnering**

- Increase communications/interactions and financial resources for travel businesses and sponsor events for consumers (trade shows, etc.) to generate demand



LOCAL DIFFERENCES

Local Differences



- Mexico and USA are partners
 - Economically, socially, political, culturally, geographically, historically
- For the U.S., it's about shopping, convenient airlift and doing some sightseeing
- Shorter, more frequent trips due to accessibility
- Localized concerns around securing a visa and immigration issues are the top concerns
 - However, people are still traveling
- Political situation specifically targets market



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