

THE NEW NORMAL

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How many times have you been asked, “When will things return to normal?” What you may have considered “past normal” may never return. The dot.com melt down, 9/11, terrorism, Iraq, the economy, corporate scandals, and other significant events have changed the way we think, feel and live. Our processes in decision-making have been greatly influenced by these and other milestone events, which greatly influence our attitudes and ultimately, our behavior.

What does this mean to travel marketers?

It is first an understanding of what is the New Normal. At Yesawich, Pepperdine, Brown & Russell (YPB&R), we have discussed this at great lengths and have determined five key attitudinal drivers. We believe these are the fundamental building blocks of the New Normal, which greatly influence how Americans will travel in the near future.

WORRIED

Everyone is more stressed today than ever before based on the issues and events that shape our world. Twenty-six percent of Americans need to take something to calm their nerves. Fifteen million Americans include some form of Yoga in their fitness routine. Whether it is Iraq, orange alerts, rising gasoline prices, the assault on stock portfolios and 401(k) plans, or just the overall economy; American consumers are simply stressed out. And worried consumers lack confidence in their outlook and how they feel. In February, the Consumer Confidence Index hit 62, a ten year low.

According to the YPB&R/Yankelovich National Leisure Travel Monitor, seven in ten American consumers state life has become too complicated. Four in ten do not have enough time and almost six in ten do not have enough vacation time. One-half of all Baby Boomers are seriously considering slowing down the pace of their lives and 45 percent of American consumers choose the restfulness of being bored over having too much stress.

Interesting, even with our lame economy, only six percent of investor households plan to cancel a future leisure trip because of the decline in their investment portfolios. Vacation time is viewed as a birthright. Leisure travelers may downsize, but they will not give up their leisure time. It is an important stress reducer and an important means of family togetherness. Travel marketers can provide immediate relief to stressed out consumers. The opportunity for consumers to get away and recharge is more important in today's climate than ever before.

Consumers will want to get away more often, for shorter periods of time, and stay closer to home. This is the reason why weekends are now the busiest in the lodging industry and why three-and four-night cruises are so popular. Promotional and value-based pricing, if properly targeted and marketed, can motivate last-minute leisure travelers to travel. We believe the later half of this year, based on a quick and positive resolution in Iraq, will be a strong travel period for three reasons...pent up demand, the need for relief, and the need to reconnect with family, friends and loved ones. An improved economy, also based on a successful Iraq conclusion, will be a powerful stimulator as well.

FAMILY CENTRIC

Since 9/11, there has been a renewed dedication to family. American families are building firewalls to protect their cherished time together. Eight in ten parents wish their family spent more time together as a group. Seven in ten wish they had more time to just sit and talk with their kids. Almost four in ten leisure travelers take at least one trip with children and six in ten parents are willing to take their children out of school for a leisure trip.

Grand travel, grandparents taking grandchildren, is also on the rise. Twenty-one percent of grandparents take grandchildren on at least one leisure trip without the parents, now called, "grand trips". Also, sixty percent of business travelers are now combining a leisure trip with a business trip, which reinforces the importance Americans now place on their leisure time.

For travel marketers, family travel offers a tremendous growth opportunity. Historical destinations, family resorts, theme parks, the beaches and city trips, all offer customized leisure venues and activities for families. Family friendly travel suppliers, such as hotels, resorts, and vacation rentals, can capitalize on the family market by offering more "living" space, extended

recreational facilities/activities, closer locations to home, better security, safer destinations, and promotional family offerings. Cruise lines can also benefit greatly from the family market, as can car rental companies, tour operators, and family destinations in general, such as Orlando and Branson, MO. However, family targeted marketing communications are essential in communicating your discernible differences and turning prospects into buyers.

Families will do everything within their power to take their summer vacation in 2003. Obviously, Iraq, the economy, and terrorism will play heavily in their overall decision-making. However, it is the traditional time of the year when most families travel and reconnect with one another. They may limit their driving distance and be more cautious with their spending, however, they will not give up on the freedom to travel. Aggressive promotional pricing and compelling value offers will influence how they travel, when they travel, where they travel, and their style of travel.

DEMANDING

Did you know that six in ten American consumers state their IQ is higher than average? Seven in ten consumers say they rely more on their own opinions than the opinions of experts. Today's consumer is more informed than ever before, thanks to the Internet. Not only are they better equipped with information, they also demand better service. Six in ten consumers feel the service people they deal with do not care about them or their needs. There is a service epidemic in the U.S. With the loss of two million jobs over the past two years, it is much more challenging for consumers today to experience good service.

Price has always been an important component in travel planning. Today, however, it is no longer an important component, it seems to be the only component. Almost six in ten leisure travelers agree that getting the lowest-priced vacation is very/extremely important, more than eight in ten always attempt to negotiate the best rate when making hotel reservations. Fifty percent of leisure travelers now expect a continental breakfast when staying at a hotel or resort and more than eight in ten would be willing to change travel plans if they found less expensive hotel accommodations of the same quality.

Although price is critical, value will win customers back. Repeat customers demand more than just price. They want recognition, customization and service. And they want to be treated special.

Three in ten American consumers say they would be willing to pay a premium to get what they want, when they want it. Six in ten consumers want to pick products and services that reflect their individual needs, a steady increase over the past several years. Travel marketers should develop more customized travel experiences to fit their customer's individual needs. The more relevant the travel experience and the marketing communication, the higher the interest and the opportunity for conversion.

The new value equation is not only price divided by quality, it is also personalization and how much time/energy is expended in the process. Travel marketers who can save their customers time and energy, plus customize their experience, can increase their repeat business and not have to rely solely on price to win them back. This is the value of travel agents. The ability for travel agents to customize, provide insight, and be energy savers to their clients.

WIRED

Almost six in ten American consumers agree the single most important change created by the Internet is giving them greater control. Combine this with their perceived above average IQ and you have a vigilant consumer who thinks they know more than you, or at the very least, believe they can beat you at your own game.

The growth of travel on the Internet has been nothing short of spectacular. According to Forrester Research, on-line leisure travel sales will hit close to \$50 billion in 2007. It is currently forecasted at \$28 billion in 2003.

Lodging will be one of the fastest growth areas, from nine billion in 2003 to \$17 billion in 2007. It is estimated the Internet influences more than half of all hotel bookings. Although hotel bookings on the Internet is currently at seven percent, bookings will grow to 20 percent within two years.

The on-line booker represents a higher demographic than the average leisure traveler. The average age is 42. Household income is \$83,400. They take 3.7 leisure trips per year and spend \$2,900 yearly on leisure travel.

For travel marketers, the Internet has been a challenging medium, due to transparent pricing and decreased yields. However, it is a cost-effective distribution channel that is clearly embraced by today's leisure traveler. Almost six in ten leisure travelers used the Internet to plan some aspect of a vacation during the past 12 months. And, as travel demand picks up, travel marketers will benefit with increased revenues and yields.

However, travel marketers must realize that only thirty-five percent of Web travelers view themselves as brand loyal and inconsistent on-line pricing will send Web customers back to the phones. Developing and managing an effective Internet marketing strategy is critical for travel marketers to maximize Internet revenues, increase on-line buyer brand loyalty and provide information to prospective shoppers.

The next opportunity for travel on the Internet is customization. Four in ten Internet users are willing to pay 20 percent more for customized products and services. Again, price is not the only issue with repeat customers. They desire more customized offerings and personalization; however, they are willing to pay for it. Travel marketers have the opportunity to build brand loyalty and repeat sales by giving customers what they want, when they want it.

PATRIOTIC

Red, white, and blue sells in troubled times. According to the Harwood Institute of Political Conduct Survey, 24 percent of all Americans are extremely patriotic, an increase of five percent over 1999. In addition, 47 percent of Americans are very patriotic. The survey also stated 55 percent of Americans feel that most Americans are either very/extremely patriotic. In addition, 84 percent of Americans feel they have had a great deal/a fair amount of success in achieving ideals for which the US was founded, an increase of eight percent over 1976.

Travel marketers can capitalize on American leisure travelers who not only are patriotic, but who also have the interest to reconnect with America's past. Destinations such as Colonial Williamsburg (VA.), Springfield (ILL.), St. Augustine (FLA.), Gettysburg (PA.), and Washington provide major reconnections with the past and the history that made America great. Every major city in the US has historical significance of some type. Travel

marketers can capitalize on the increase in patriotism by offering American leisure travelers incredible travel opportunities within the U.S. These leisure destinations not only provide rich travel experiences, but offer educational opportunities for families as well. By understanding the past, American leisure travelers can gain a greater appreciation and understanding of the present and our future.

In summary, the New Normal is:

- **More worried**
- **Uncertain economy**
- **Iraqwarphobia**
- **Need for relief**
- **Building firewalls**
- **Vigilant consumer**
- **Price loyalty**
- **Service erosion**
- **More patriotic**

And, what does this mean to you as a travel marketer?

- **Vacations are viewed as a birthright**
- **Business/leisure travel merging**
- **Shorter trips, shorter lead time**
- **More drive than fly**
- **Travel closer to home**
- **Increased family travel**
- **Price sells, but value brings them back**
- **Maximize opportunities on the Internet**
- **Deliver exceptional personalized service**
- **Increased travel opportunities exploring America**

None of us know what the future holds. There is much uncertainty. As travel marketers, we need to be laying the foundation for future success, even if the immediate future is somewhat unclear. The key is having insight into today's consumer, their attitudes and behavior, in order to develop an effective marketing communication strategy. And knowing it can constantly change, based on the world we live in.

Sources: 2002 YPB&R/Yankelovich National Leisure Travel Monitor, 2003 Forrester Research Study, 2002 Harwood Institute of Political Conduct Survey

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