

## TRAVEL CHECK-UP: AIR TRAVEL TRENDS 2015

### *A mid-year review of air travel data and a look at what it means for travellers*

#### Introduction

The travel industry involves processing huge amounts of data. Expedia, Inc. alone processes the equivalent to more than 6.7 billion 200-page books and additionally Expedia's partners at Airlines Reporting Corporation (ARC) have information on more than 9 billion passenger flights, providing a detailed view of air travel.

Making sense of all of these numbers can be a challenge. Using market leading technology, Expedia processes these figures and puts them at the fingertips of travellers in the form of easy to use data that makes them confident to click, book, and go. The ultimate goal is to help travellers feel informed and empowered to get past the travel decision-making process and move on to enjoying the trip itself.

At the end of last year, Expedia published a significant report highlighting important travel trends in a comprehensive study titled, *Preparing for Takeoff: Air Travel Trends 2015*. Last month, the online travel agent conducted another review of industry data and trends observed in the North America, Europe, and Asia-Pacific regions during the first half of 2015. In this most recent review, the global air travel landscape so far this year was analysed, and some of the previous assessments based on the most current data for the remainder of the year were updated. Some of this data related to travel that has been booked and carried out already; other data related to trips booked in June, July, and August<sup>1</sup>.

Overall, the report presents several key takeaways:

- 1) Based on this data, we predict air prices are likely to continue to decline in 2015, with favourite destinations in Asia-Pacific, Europe, Latin America, and North America averaging price drops ranging from 4 to 6 percent year-over-year.
- 2) Ticket prices for the first half of 2015 declined about 2 percent on average across Europe and North America, while travellers in Asia-Pacific experienced an average of a 7 percent air ticket price decline.
- 3) Expedia's data on package deals that include air and hotels booked for travel between June and September 2015, suggests that travellers can save up to US\$648 (£429) across all destinations.
- 4) Based on length-of-stay data for Asia-Pacific, Europe and North America, travellers increasingly are choosing to spend more of their time further away from home.

This report represents Expedia's analysis of data powered by ARC, utilising data from other industry sources such as the International Air Transport Association (IATA), Diio Mi, and the Airline Tariff Publishing Company (ATPCO).

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<sup>1</sup> Airlines Reporting Corporation (ARC) provided Average Ticket Price (ATP) information based on changes between June, July, and August 2015, and the same period during 2014. Diio Mi supplied capacity data based on year-over-year changes between June-September 2015.

### The price is right

Expedia recognises that for many travellers the price of tickets plays a major role in air travel plans. In a prior report, which took into account external factors such as economic growth and the cost of fuel, the Expedia determined that most air ticket prices to some of the top travel destinations worldwide would decline slightly in the first half of 2015 in both Europe and North America. It was also predicted that air ticket prices across Asia-Pacific would see a flat to slight increase.

On the whole, these forecasts were spot-on. With prices adjusted for exchange rates, air ticket prices declined approximately 2 percent on average across North America and Europe. The following cities in particular emerged as exceptions to previous predictions:

	2015	2015
Destination	YoY ATP <sup>2</sup> Actual Change	Prior YoY ATP Forecast
San Diego	+1%	-5%
Copenhagen	+9%	-2%
Tokyo	-8%	+3%

For specific prices for the remainder of 2015, the data was used<sup>3</sup> to find some of the largest expected air ticket price declines across a selection of travellers' favourite destinations. Here are the top 10 destinations to which travellers can find the best deals.

Rank	Origin	Destination	2015 YoY ATP Forecast
1	Malaysia	Australia	-22%
2	Italy	Portugal	-22%
3	Brazil	United States	-17%
4	Spain	Thailand	-17%
5	Germany	Portugal	-16%
6	Japan	France	-16%
7	United States	Dubai	-15%
8	Mexico	France	-11%
9	Malaysia	Thailand	-10%
10	Sweden	Spain	-7%

### Big savings from booking together

When travellers book all of their travel needs together in one package through Expedia (e.g. airfares with hotels, rental cars or activities) they really can make significant savings. Similar to bundling their internet and cable or home and car insurance together to save money, consumers can choose a flight, car, and hotel together and book them at the same time. Holiday packages are a great way for travellers to enjoy major savings by bundling different elements of a trip together, travel suppliers have more flexibility on the rate offered, so they are willing to provide people with great deals.

<sup>2</sup>YoY (Year on Year) ATP (Average Ticket Price)

<sup>3</sup> These predictions are based upon supply-and-demand data from ARC and Diio Mi.

Running data on package deals that include air and hotel booked for travel between June and September 2015, revealed that travellers can save up to US\$648 (£429) across all destinations.

#### Package savings by destination

For certain destinations in 2015, package savings can be even greater. Expedia's December 2014 report highlighted a number of travellers' favourite cities worldwide that offer major package savings. Comparing these numbers to the same data at the halfway point of 2015, revealed that these cities continue to offer great deals:

Market	% Saved	Up to \$ Saved
London	30%	\$ 1,424
Maui, Hawaii	22%	\$ 1,087
Paris	24%	\$ 1,058
Riviera Maya, Playa del Carmen, and Tulum, Mexico	22%	\$ 1,013
Punta Cana, Dominican Republic	23%	\$ 980
Cancun and Isla Mujeres, Mexico	22%	\$ 916
Los Cabos, Mexico	24%	\$ 909
Oahu, Hawaii	19%	\$ 721
San Diego	23%	\$ 500
San Juan, Puerto Rico	18%	\$ 484
New York	19%	\$ 452
Miami	18%	\$ 421
Orlando, Florida	20%	\$ 408
San Francisco	19%	\$ 400
New Orleans	18%	\$ 337
Las Vegas	22%	\$ 313
Los Angeles	16%	\$ 262
Chicago	17%	\$ 232

It is worth noting that six cities on the current list are actually offering even better deals than they were when the initial trend report was published. Those cities include: Las Vegas; Punta Cana, Dominican Republic; San Juan, Puerto Rico; San Francisco; New Orleans; and Paris. As of now, Punta Cana was exceeding 2014 predictions by delivering up to 23 percent savings—roughly US\$200 more than the savings data only six months ago.

This report also includes some great deals for travellers originating from Asia-Pacific and Europe. Here's a summary of some of the top deals:

Markets originating from Asia-Pacific	% Saved	Up to ¥ Saved
Oahu, Hawaii	14%	¥ 68,398
Seoul	12%	¥ 16,388
Taipei, Taiwan	23%	¥ 40,934
Bangkok	9%	¥ 16,722
Guam	14%	¥ 42,272

Markets originating from Europe	% Saved	Up to £ Saved
New York	51%	£ 1,813
Paris	21%	£ 190
Rome	14%	£ 176
Barcelona	11%	£ 108
Amsterdam	11%	£ 94

Moving forward, the frequency of package purchases is expected to increase—especially as the options for bundling into packages grow. In select markets (including Paris, San Francisco, and Dubai), Expedia recently added activities to its list menu of package options online. Also in certain markets, rental cars and activities are new package offerings on the Expedia mobile app. This means travellers can book packages that include these features right from their phones and mobile devices.

#### Staying the course

One of the key metrics travel industry insiders typically use to evaluate traveller behaviour is Length of Stay (LOS). LOS illustrates shows us how long travellers stay in a particular place, and is usually used in reference to hotels. However, because this report concerns is all about air travel data, ARC’s global numbers for June, July, and August 2012-2015 were used to glean insights about the duration of air trips over those time periods.

#### *Travellers originating in North America*

Among the three regions studied in this report—North America, Europe, and Asia-Pacific—domestic flights originating in North America led to the shortest stays of all. While this statistic is open to broad interpretation, Expedia believes it indicates a high number of Americans travelling domestically on short trips.

The analysis also indicates that trips with the longest LOS change month on month. In June and July, the longest trips originate in North America and head to Asia-Pacific; in August, the trips with the longest LOS start in Asia-Pacific and head to Europe. These trends remained fairly consistent from 2012-2015 for travellers originating in Asia-Pacific and heading to Europe, though the August numbers for 2015 suggest a destination shift to North America.

It is well-recognised that outbound travel from China is growing rapidly. Furthermore, the Chinese yuan is gaining strength against the U.S. dollar and Expedia believes both trends will help increase Chinese visitors to the United States.

Exchange rates also seem to be driving other trends pertaining to holiday length:

- Data from this recent survey suggests that, given the strength of the U.S. dollar, travellers originating in North America are planning to stay longer in Europe this year. LOS for Economy<sup>4</sup>-class trips originating from North America and heading to Europe show 6 percent growth when comparing August 2014 versus August 2015.

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<sup>4</sup> For the purposes of this paper, “Economy-class” comprises all coach classes, including Premium Economy.

- While the Chinese yuan is gaining strength, data suggests that travellers originating in North America and heading to Asia-Pacific could be taking advantage of the U.S. dollar’s strength compared to the Australian dollar and Japanese yen. Overall, LOS for August 2015 has grown 23 percent since last year; this year the average trip length is about 25 days, whereas last year it was only 20.

*Travellers originating in Europe*

This analysis indicates that the highest ticket volumes for Europeans is for travel within Europe - where ticket volume is growing for both premium<sup>[1]</sup> and economy-class tickets - this mid-year analysis of ARC data indicates a similar growth trend in travellers heading from Europe to Asia-Pacific. Ticket volume for economy and premium-class travellers originating in Europe and heading to Asia Pacific grew 4 percent and 11 percent respectively between January-April 2014 and January-April 2015, outpacing growth of other long-haul regions such as North America.

Further, while economy fares to the region have remained fairly flat compared to last summer, travellers in economy are getting more value for their flight by extending their length of stay in the region. For premium-class travellers originating in Europe and heading to Asia Pacific, August is the month to travel with average ticket prices down 9 percent year over year. Whereas in June and July, premium-class travellers are reducing their length of stay in Asia Pacific and in August they are extending it by up to 6 percent. The same pattern occurs for premium-class fares to North America in August with length of stay on track to be 10 percent higher in August 2015 than it was in August 2014.

*Travellers originating in Asia-Pacific*

Based on this analysis one clear trend among travellers originating in Asia-Pacific is that they are significantly reducing their stays in Europe this summer. As shown below, LOS is down across both premium and economy-class cabins.

	2015 YoY LOS Change	2015 YoY LOS Change
	Premium	Economy
June	-14%	-13%
July	-14%	-9%
August	-9%	-6%

As noted above, one possible reason for this trend is the Chinese yuan gaining strength against the U.S. dollar, and therefore travellers originating in Asia-Pacific, or more specifically China, might be seeking to take advantage of this favourable exchange rate and shift travel plans to North America. Supporting this assertion: The fact that LOS on journeys from Asia-Pacific to North America shows gradual increases overall, peaking at 12 and 14 percent increases when comparing August 2014 versus August 2015 for premium and economy cabin travel, respectively.

*General trends*

<sup>[1]</sup> For the purposes of this paper, “Premium-class” includes First and Business classes.

Average LOS for June, July, and August in Asia-Pacific, Europe, and North America for intra-region travel ranges from flat to down between 2014 and 2015. One interpretation could be that travellers are taking shorter trips within their home markets, yet this could also prove that the world is becoming a more global place with travellers choosing to spend longer portions of their precious holiday time further away from home.

### Conclusion

At the midway point of 2015, an analysis of air-industry data indicates that the second half of this year is shaping up to be another great year to explore the world through travel. As a result of our research, we expect prices will continue to decline and that travellers can continue to make large savings by bundling together flights with a hotel, car, or activities as part of a package. Based in part on larger-than-expected price declines as evidenced by third-party data, we suspect travellers are booking shorter trips within their home markets. They are also leveraging exchange rates to find value and stay longer, further away from home. The air travel industry now offers a multitude of choices that travellers are taking full advantage of. At Expedia, we are happy to help travellers to navigate the data and use it to make their travel planning and booking experience as straightforward as possible.