

TRAVEL CHECK-UP: AIR TRAVEL TRENDS 2015

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

Introduction

The travel industry brings with it serious reams of data. At Expedia, Inc., alone, we process more than 1,400 terabytes of data each year—a staggering amount equivalent to more than 6.7 billion 200-page books. Additionally, our 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 science and travel savvy, we work tirelessly to take the figures and put them at the fingertips of travelers in the form of actionable data that makes them confident to click, book, and go. Our ultimate goal is to help travelers feel informed and empowered to get past travel decision-making and move into travel moment-making.

At the end of last year, we published a sizeable report spotlighting travel trends in a comprehensive study titled, *Preparing for Takeoff: Air Travel Trends 2015*. Last month, we 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, we looked at the global air travel landscape so far this year, and updated some of our previous assessments based on the most current data for the remainder of the year. Some of this data pertained to travel that has been booked and executed already; other data related to trips booked in June, July, and August¹.

Overall, the report presents several key takeaways:

- 1) We predict air prices will continue to decline in 2015, with favorite 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 travelers in Asia-Pacific experienced an average of a 7 percent air ticket price decline.
- 3) After running data on package deals that include air and hotel booked for travel between June and September 2015, we determined travelers can save up to US\$648 across all destinations.
- 4) Based on length-of-stay data for Asia-Pacific, Europe and North America, travelers increasingly are choosing to spend more of their time farther away from home.

We are fortunate to rely on deep partnerships to conduct this mid-year review. This report represents Expedia's analysis of data powered by ARC, utilizing data from other industry sources such as the International Air Transport Association (IATA), Diio Mi, and the Airline Tariff Publishing Company (ATPCO). We are excited to work with these partners on an ongoing basis. We are even more excited to find truth in numbers and share it with the world.

¹ 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

If we have learned anything about our customers over the years, we know most travelers focus their air travel plans on the price of tickets. In our prior report, we accounted for external factors such as economic growth and the cost of fuel, and 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. We also predicted flat to slightly increasing air ticket prices across Asia-Pacific.

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 our predictions:

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

For specific prices for the remainder of 2015, we dug through the data² to find some of the largest expected air ticket price declines across a selection of our favorite destinations. Here's our view on the top 10 destinations to which travelers 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 bundling

Many people like to say the best things come in small packages. For most, this concept refers to chocolate truffles, interpersonal kindness, and children. At Expedia, we believe the idiom applies to travel as well.

For us, "packages" bundle airfares with hotels, rental cars, or other travel options. Similar to bundling their internet and cable or home and car insurance to save money, consumers can choose a flight, car, and hotel together and booking them at the same time. Vacation packages are a great way for travelers to get major savings in our industry. Why do packages offer such terrific deals? By bundling, travel suppliers have more flexibility on the rate offered, so they are willing to provide consumers great deals.

² These predictions are based upon supply-and-demand data from ARC and Diio Mi.

After running data on package deals booked for travel between June and September 2015 that include air and hotel, we determined travelers can save up to US\$648 across all destinations.

Package savings by destination

For certain destinations in 2015, package savings can be even greater. In our December 2014 report, we listed a number of travelers’ favorite cities worldwide that offer major package savings. When we compared the numbers again at the halfway point of 2015, we were delighted to see 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 actually are offering even better deals than they were when we published our initial trend report. Those cities include: Las Vegas; Punta Cana, Dominican Republic; San Juan, Puerto Rico; San Francisco; New Orleans; and Paris. As of press time, Punta Cana was exceeding our 2014 predictions by delivering up to 23 percent savings—roughly US\$200 more than the savings data we pulled only six months ago.

For this report, we also expanded our horizons beyond the list published in December 2014 to find some great deals for travelers originating from Asia-Pacific and Europe. Here’s a summary of some of the top deals we found.

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, we expect the frequency of package purchases 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 menu of package options online. Also in certain markets, rental cars and activities are new package offerings on the Expedia mobile app. This means travelers 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 traveler behavior is Length of Stay (LOS). This statistic shows us how long travelers stay in a particular place, and is usually used in reference to hotels. But since this report is all about air travel data, we evaluated ARC’s global numbers for June, July, and August 2012-2015 to see what insights we could glean from the duration of air trips over those time periods.

Travelers 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, we believe it indicates a high number of Americans traveling domestically on short trips.

Our mid-year analysis also indicates trips with the longest LOS change month-to-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 consistent pretty much from 2012-2015 for travelers originating in Asia-Pacific and heading to Europe, though the August numbers for 2015 suggest a destination shift to North America.

What do we know about this trend? We know outbound travel from China is growing rapidly. We also know the Chinese yuan is gaining strength against the U.S. dollar. We expect both to help increase Chinese visitors to the United States.

Exchange rates seem to be driving other trends pertaining to vacation length, as well:

- Data from our recent survey suggests that, given the strength of the U.S. dollar, travelers originating in North America are planning to stay longer in Europe this year. LOS for Economy³-class trips originating from North America and heading to Europe show 6 percent growth when comparing August 2014 versus August 2015.
- While the Chinese yuan is gaining strength, data suggests that travelers originating in North America and heading to Asia-Pacific could be taking advantage of the U.S. dollar’s strength

³ For the purposes of this paper, “Economy-class” comprises all coach classes, including Premium Economy.

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 registering at about 25 days, whereas last year it was only 20.

Travelers originating in Europe

While we see the highest ticket volume for Europeans staying within Europe, where ticket volume is growing for both Premium⁴ and Economy-class tickets, our mid-year analysis of ARC data indicates a similar growth trend for travelers from Europe heading to Asia-Pacific. Ticket volume for economy and premium-class travelers 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, travelers in economy are getting more value for their flight by extending their length of stay in the region. For premium-class travelers 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 travelers 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.

Travelers originating in Asia-Pacific

As we looked at LOS for travelers originating in Asia-Pacific, one trend was clear: Asia-Pacific travelers are reducing their stays significantly 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 we noted above, one possible reason for this trend is the Chinese yuan gaining strength against the U.S. dollar, thus travelers originating in Asia-Pacific, or more specifically China, might be seeking to take advantage of this favorable exchange rate and shift travel plans to North America. Supporting our theory: 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

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 could interpret this data to indicate that travelers are taking shorter trips within their home markets. We prefer to think these statistics prove that the world is becoming a more global place with travelers choosing to spend longer portions of their precious vacation time farther away from home.

⁴ For the purposes of this paper, “Premium-class” includes First and Business classes.

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 travelers can continue to save big bucks by bundling air with 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 travelers are booking shorter trips within their home markets. They are also leveraging exchange rates to find value and stay longer, farther away from home. The air travel industry now offers a multitude of choices that travelers are taking full advantage of. At Expedia, we are happy to help travelers navigate the data and find their ways.