

From the Researchers' Desk



Jerry Henry
Founder of Jerry Henry & Associates

Build it and they will come. It is a philosophy and business model that worked well during the last half of the twentieth century. When attractions were few and demand for entertainment was in its infancy after World War II virtually any new attraction could find an audience. Entrepreneurs continued building new attractions, adding capital, raising prices and growing attendance for decades. But, over time consumers began to change.

They became more educated, earned more money, developed more sophisticated tastes and had far less leisure time available. The success of the "build it and they will come" business model began to wane. Businesses found they could no longer guarantee increased profits simply by adding something new and raising prices. Consumers were becoming more selective; wanting better in addition to more—and the Splurge Traveler was borne!

The splurge traveler, however, is not necessarily a wealthy consumer. In fact, most may very well be decidedly middle-class. They just tend to have more refined tastes, higher expectations and given the increase in two-wage earner households, they can certainly afford to splurge on occasion—especially when it comes to what precious little leisure time they can carve out each year.

Sure, the slowing economy has slowed the visibility and growth of splurge travel in recent months, and perhaps even put splurge travel on the back burner for some. But, make no mistake about it. The fundamentals that drove the splurge travel trend in the first place (education, higher incomes, less free time) are all still alive and well. Recessions are inherently short-term events that are typically measured in months, not years. Conversely, splurge travel is a phenomenon that has been driven by multiple factors over the past 25 years. Even \$4/gallon gasoline and \$1.50 bread are not likely to prevent middle-class American's from traveling—or from splurging!

Key Implications for the *Attractions* Industry:

- Attraction visitors are significantly more likely (46%) to splurge than non-attraction visitors.
- Visitors to theme parks, zoos, and aquariums showed very high likelihood to splurge (70-78%), while visitors to historical and cultural attractions was somewhat less likely (62%).
- Overall, members of Gen X/Y are far more likely to splurge on attraction experiences than Baby Boomers or Matures.
- By far, Gen X/Y'ers cited "Creation of Memories" as the most compelling emotional reason to splurge.
- Nearly one-third of attraction consumers with families cited control over time and access as a compelling reason to splurge. For instance, family consumers were twice as likely as non-family consumers to pay \$40 extra on a \$60 theme park admission to go to the front of every ride's line.

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think deeply, plan carefully, act boldly

Destinology is produced by PGAV Destination Consulting, a firm providing growth solutions to cultural, natural, and entertainment destinations worldwide.

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PGAVDESTINATIONCONSULTING • volume 04 • issue 03 • october 2007



The SPLURGE Traveler

In this issue, we will report on the findings of an important new PGAV study on splurge behavior in travelers.

This is an issue about consumer research . . . and a child's eyes.

What do these have in common? In our business, we are constantly using consumer research to test ideas and predict which of them will succeed. It's an objective, rigorous process that leaves us sorting through huge piles of data to find key insights.

But also in our business, the look in a child's eyes can often be the true ultimate measure of success. The photo below illustrates my point. Since opening in 2000, Discovery Cove in Orlando has been a successful "splurge" attraction. At \$289.00 for a one-day person/visit, it would be considered "trading up" for most people. But Discovery Cove also delivers a powerful draw - creating moments of true, authentic wonder in young and old. When your loved one has a moment like the child in the photo below, we KNOW that we've accomplished our mission - and helped our clients create great value.

So, this leads us back to research. We knew from projects like Discovery Cove that many people are willing to splurge. But we wanted to dig deeper into this trend, to understand how often, why, and under what circumstances people were willing to splurge. So, in December of 2007, we commissioned Jerry Henry & Associates to perform a nationwide internet survey exploring the phenomenon of splurging. And we were not disappointed.

We learned many things from the study, called The Splurge Traveler. For instance, we found that 58% of consumers were willing to splurge under the right circumstances. The people most likely to splurge were the same people who were also most likely to seek savings and bargains by shopping on-line, redeeming airline miles, and using affinity credit cards. Members of Gen X/Y were far more likely to splurge than their older counterparts. And consumers with household income under \$50,000 were almost as likely to splurge as those with household income above \$50,000.

Consumers are drawn to splurge for some of the most powerful emotions associated with travel. Our study found that we are all driven to seek experiences that help us create memories, be a good parent or spouse, seek personal enrichment, or simply escape from the pressures of everyday life.

Even in a slowing economy, we are powerfully motivated to use our limited leisure time to splurge, and create special moments . . . just like the joy in a child's eyes.



Most travelers splurge. Yet this phenomenon is perhaps one of the least understood aspects of the travel and leisure industry. **PGAV Destination Consulting** recently hired Jerry Henry & Associates to conduct a national study of splurging with travelers and attractions visitors. "Based on our experience, destination operators often overlook this trend," says Mike Konzen, VP of PGAV Destination

The SPLURGE Traveler

Consulting. "We see a sharp increase in the number of destinations that are creating splurge opportunities as a means of business growth."

The purpose of this study was to measure the incidence of splurge behavior among travelers and attractions visitors and to evaluate who is most likely to engage in this trend. PGAV sought to fully understand the reasons why travel consumers make the decision to splurge.

"I want an experience that my family and I will remember."

"I prefer something that other people would not ordinarily do."

Motivated Consumers

According to an Expedia.com study, 51 million Americans, or one-third of the U.S. workforce, did not use all of their vacation days in 2007 with each worker passing up an average of three days off¹. Business practices have been expanded into a 24-7 occupation and spilled into personal time, resulting in frenetic schedules, hurried children and less quality family time. With less time but more money than previous generations, today's travelers become highly invested in the vacation experience.

"Accessible affluence" or "trading up" are terms used to describe the tendency of middle-class Americans to purchase products and services above perceived pay grade^{2,3}. These consumers have household incomes both above and below \$50,000 and are willing to splurge on upscale or luxury products and services in specific categories, such as valet parking,

customization, backstage passes, and the like. They are educated, discerning and viewing luxury as accessible to them. They invest in products and services deemed to have specific value, while methodically spend less in categories not as important to them.

Incidence and Income

The PGAV study focused on the impact of trading up on today's travel consumers and found that **58% of leisure travelers** will splurge on the right kind of vacation experience. While travelers are inclined to splurge, attractions visitors are 44% more likely than non-attractions visitors to indulge in special meaningful experiences.

In fact, those who earn **less than \$50,000** are actively splurging on that special experience: 28% of travelers with incomes under \$50,000 will consider paying extra for a hotel room with a view; 27% would be somewhat

"Life is short. Experience as much as you can."

"My 18 year old son is autistic. He wants to go to Sea World to see the whales. I would love for him to see and experience the whales as close as he could get. Since this is a once in a lifetime vacation for him, I would love to be able to give him all the opportunities."

or very likely to purchase front-row seats at a show/concert or pay for preferred parking at a theme park; and 23% would pay to experience immersive interaction with animals such as penguins at a zoo.

Savvy Travelers

Importantly, splurging travelers are simultaneously saving and busy seeking bargains on other items. According to the research, splurging travelers are 71% more likely to search for savings on one product to splurge on another than travelers who are unlikely to splurge. In like fashion, splurging travelers are 29% more likely to shop for the lowest price hotel, 39% more likely to use a specific credit card to earn points or cash back, and a whopping 154% more likely to sign up for a credit card to secure a discount on a purchase.

Demographics of Splurging

The PGAV study identified three salient factors that impact splurge behavior regardless of income and may actually provide better indicators among tourists: consumer age, gender and type of attraction visited.

Younger travelers are more likely to splurge on travel experiences than older travelers: seven in ten Gen X/Y travelers under age 43 would willingly splurge on upscale travel experiences compared to 52% of Baby Boomers (age 43-61) and 39% of Matures (age 62+). This result has significant ramifications, reflecting the presence of children and importance of strengthening family bonds. Under-age-43 travelers were nearly twice as likely as Baby Boomers and nine times more likely than Matures to have children under age 18 in the household.

Women (60%) are much more likely to splurge than men (41%).

"I deserve it."

Functional and Emotional Drivers

Splurge behavior is significantly driven by a desire for emotionally compelling experiences. Study respondents cited the creation of memories significantly more often (48.6%) than self-expression (15.4%) as an important motivator for splurging on travel.

Nearly half (48%) of attractions consumers say that emotional benefits such as "being a good parent or spouse" or "re-connecting with one's family, especially in the years since 9/11," are very important reasons to pay extra for the right travel experience. Over half (53%) of all respondents in the PGAV study indicated that the "creation of special memories" was very important in their decision to splurge on an upscale experience.

Specifically, research respondents value experiences that are unique (29.1%), convenient (22.5%) and allow them to feel in control (24.2%). Personal

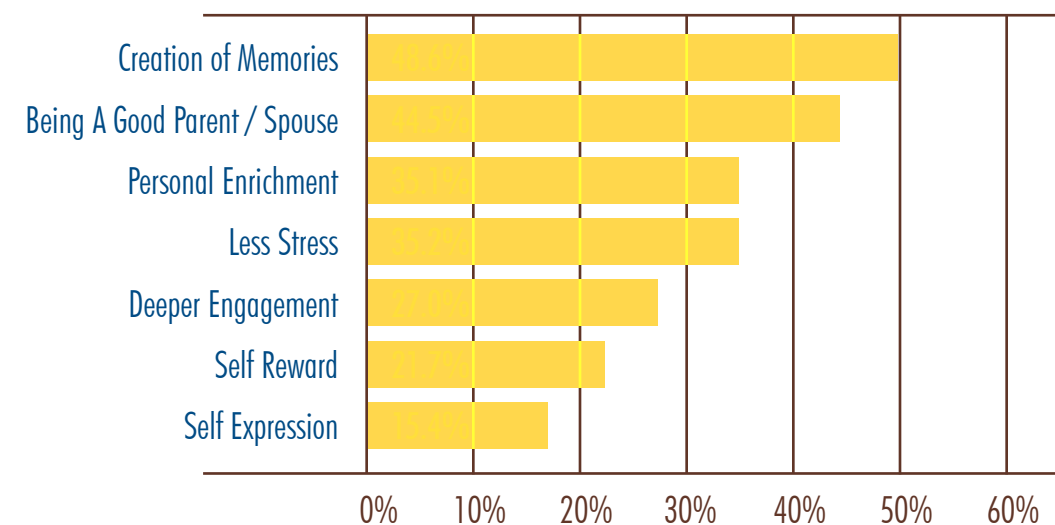
enrichment or learning something new (39%) was also important to attractions visitors.

Conclusion

The PGAV data supports the phenomenon of Splurge Travel or the practice of paying more for meaningful and memorable travel experiences, while seeking savings on other aspects of traveling. In today's competitive and economically challenging environment, this research offers insights into what travel consumers want. Destinations that effectively differentiate an experience that resonates with consumer needs will have a significant advantage in the industry.

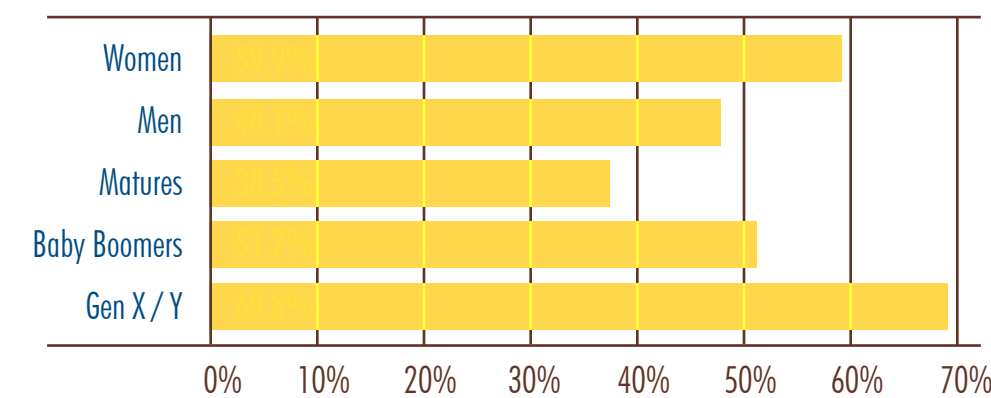
EMOTIONAL DRIVERS: WHY TRAVELERS SPLURGE

Percentage Who Say These Emotional Benefits are Very Important Motivators



PROPENSITY TO SPLURGE BY CONSUMER SEGMENT

Percentage Somewhat or Very Likely to Splurge on these Experiences



Younger travelers, water park & theme park visitors, women, and travelers from the Northeast and South are more likely to trade-up than are other consumer segments.

