INDIANA OFFICE OF TOURISM DEVELOPMENT

TRAVEL & TOURISM IN INDIANA
2004 Data Year

Presented by:

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Presentation Outline

- Where We Have Been
  - 2000-2005-Three major shocks to Consumer Psyche
  - Consumers Travel Response: The 4 Cs – Post 9-11
- Where We are We Now – US Travel
  - Consumer Segments Driving the Recovery
- 2004 Travel in Indiana
  - Travel Volume,
  - Economic Impact-Spending-Employment-Wages-Taxes
  - Targeting
  - Positioning
  - Communicating

DKS&A Background

- Founded in 1982, DKS&A specializes in syndicated and custom market research in the travel and tourism industry.
- Our syndicated study *PERFORMANCE/Monitor*℠ is the largest, ongoing travel tracking study in the industry.
    - Mail out an average of 45,000 mail surveys monthly
    - Email an average of 15,000 online surveys monthly
    - Each returned survey is rebalanced to accurately represent the U.S. population
        - age, gender, income, education, number of adults, and state of residence
- DKS&A works with a variety of clients
    - Cities and states
    - Hotel chains
    - Timeshares
    - Attractions
    - Credit cards
    - Financial

The DKS&A Marketing Model

Market Assessment

How many visitors does Indiana attract?

What is Indiana's share of U.S. travel?

What are the Economic Impacts of travel?

Targeting

Who are Indiana's most important visitors?

Positioning

How should Indiana position its product?

Communicating

Where should Indiana advertise and promote?

Travel definition: An overnight trip or any day-trip greater than 50 miles one-way from home

- *Objective* – Describe the *domestic overnight leisure* travel market in Indiana compared to the U.S. and competition.
- – All U.S. domestic overnight leisure travelers to:
  - Indiana

  Competitors:
  - Illinois
  - Kentucky
  - Michigan
  - Ohio
  - Missouri
- *Timeframe* – For better accuracy in this report, two years of data was combined to form two timeframes of comparison.

2000-2005

Six Years of Dramatic Social Changes

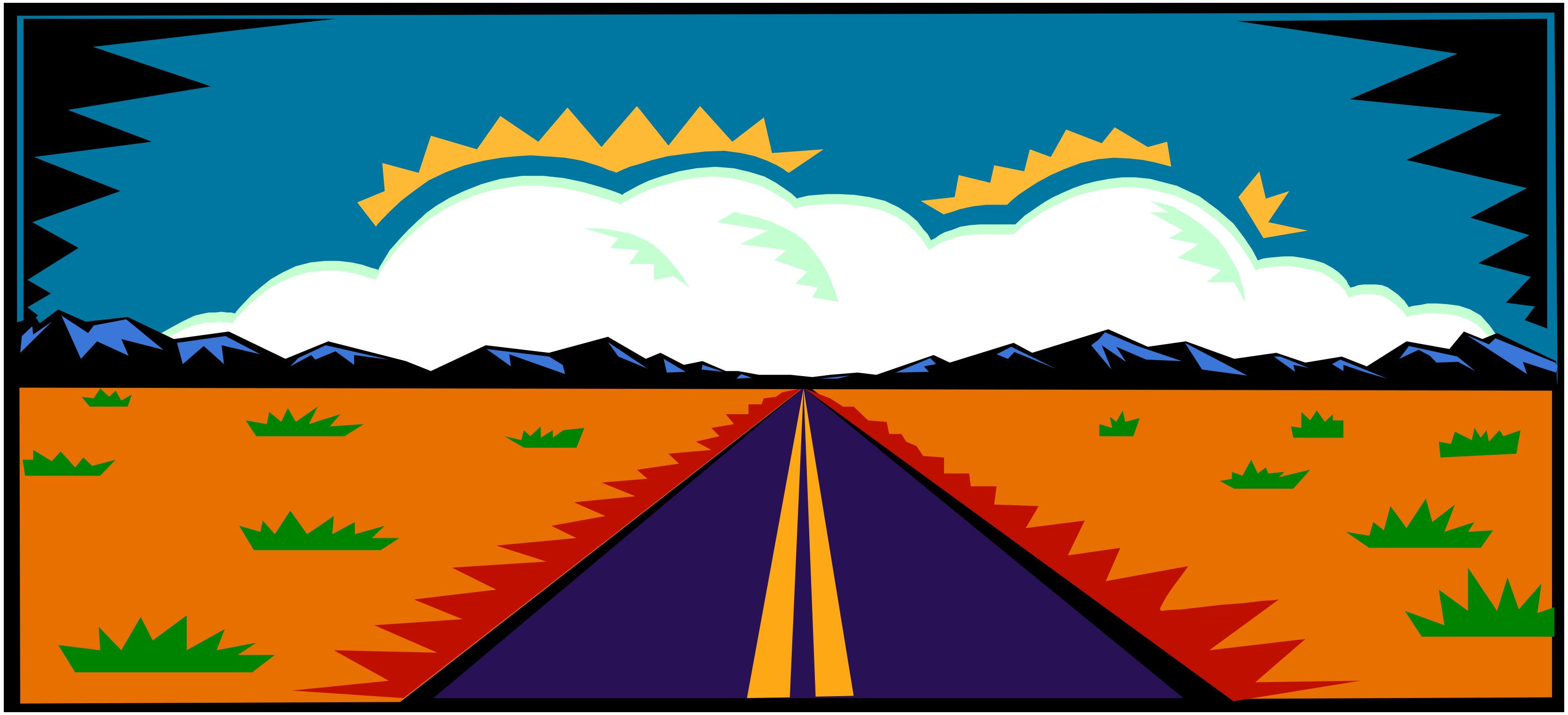
Three Major Consumer Shocks 2000-2005

- National Recession
- 9-11
- 2005 Gulf Coast Hurricanes

The 4 C's of Travel Post 9-11

- Control
- Connection
- Cutting Costs
- Close to Home

Where are we now ?



Market Assessment

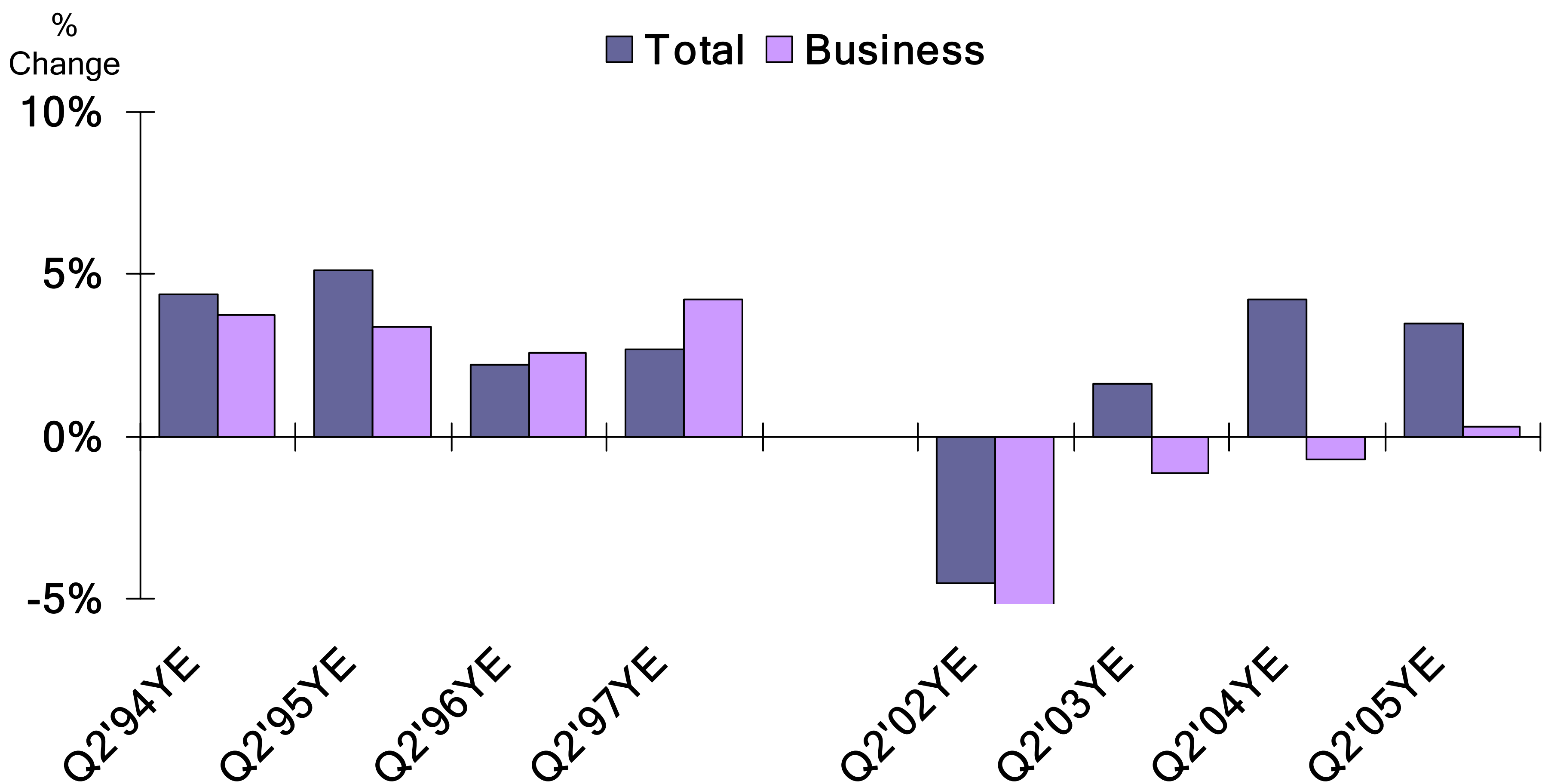
What is the size and scope of tourism nationally, regionally and locally?

How is Indiana doing compared to the competitors in capturing market share?

What are the trends?

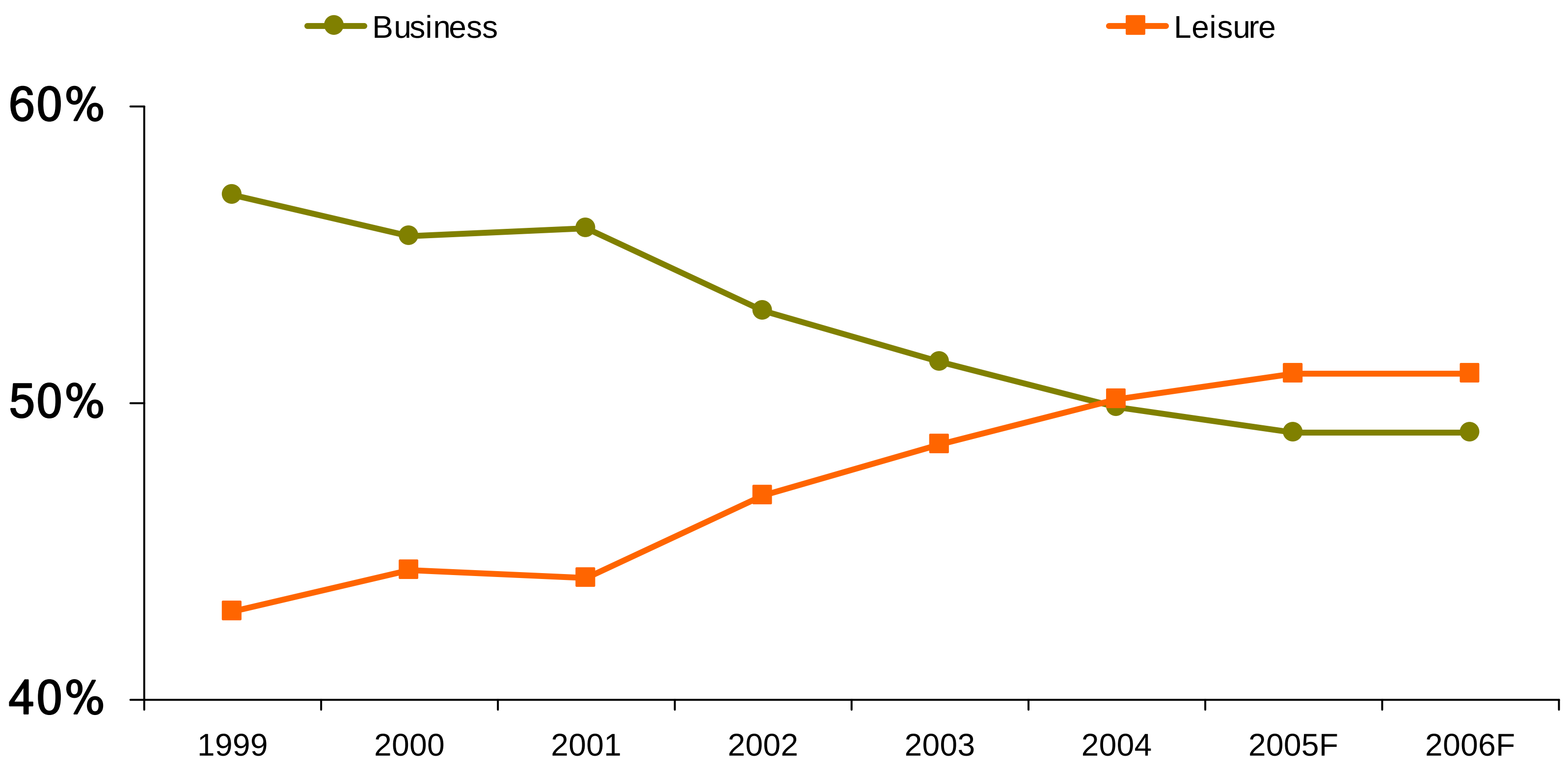
In mid 90's Business and Industry Closely Matched- This Time Business Very Slow to Recover

US Hotel/Motel Paid Room-Nights



U.S. Domestic Room-Nights Volume: Business vs. Leisure
(1999-2006F/% of Paid Hotel Room-Nights)

In 2004, leisure room nights surpassed business room nights in share of total for the first time.



Person-Stay Volume

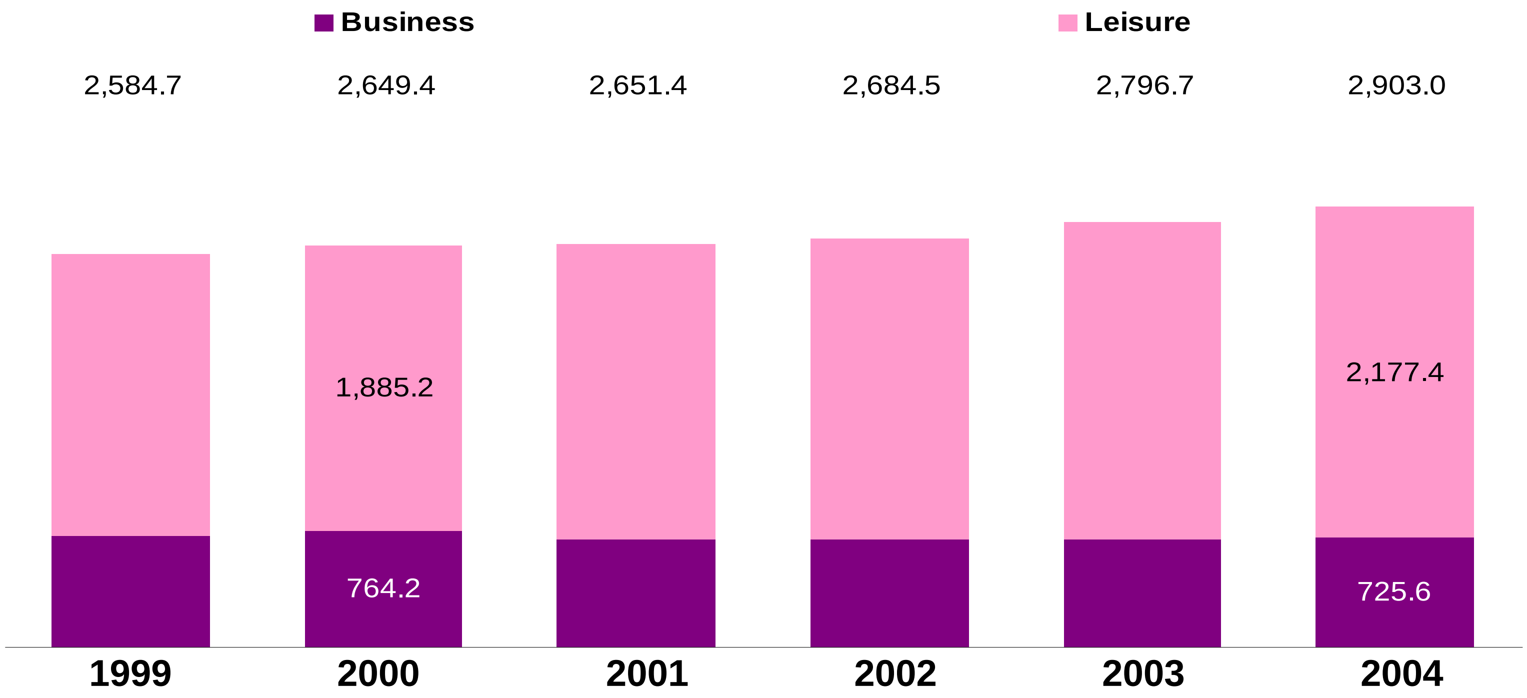
- The number of people traveling in the market

Mr. & Mrs. Smith's 5-day vacation in Anytown, USA = 2 person-stays.

U.S. person-stays Volume: Business vs. Leisure

(1999-2004/millions)

A record 2.90 billion US Domestic travelers in 2004 (+3.8%). The Leisure segment led this growth (4.6%). The Business segment grew only 1.5% in 2004 and remained below 2000 high. Leisure grew from 71% of all travelers in 1992 to a record 75% in 2004.

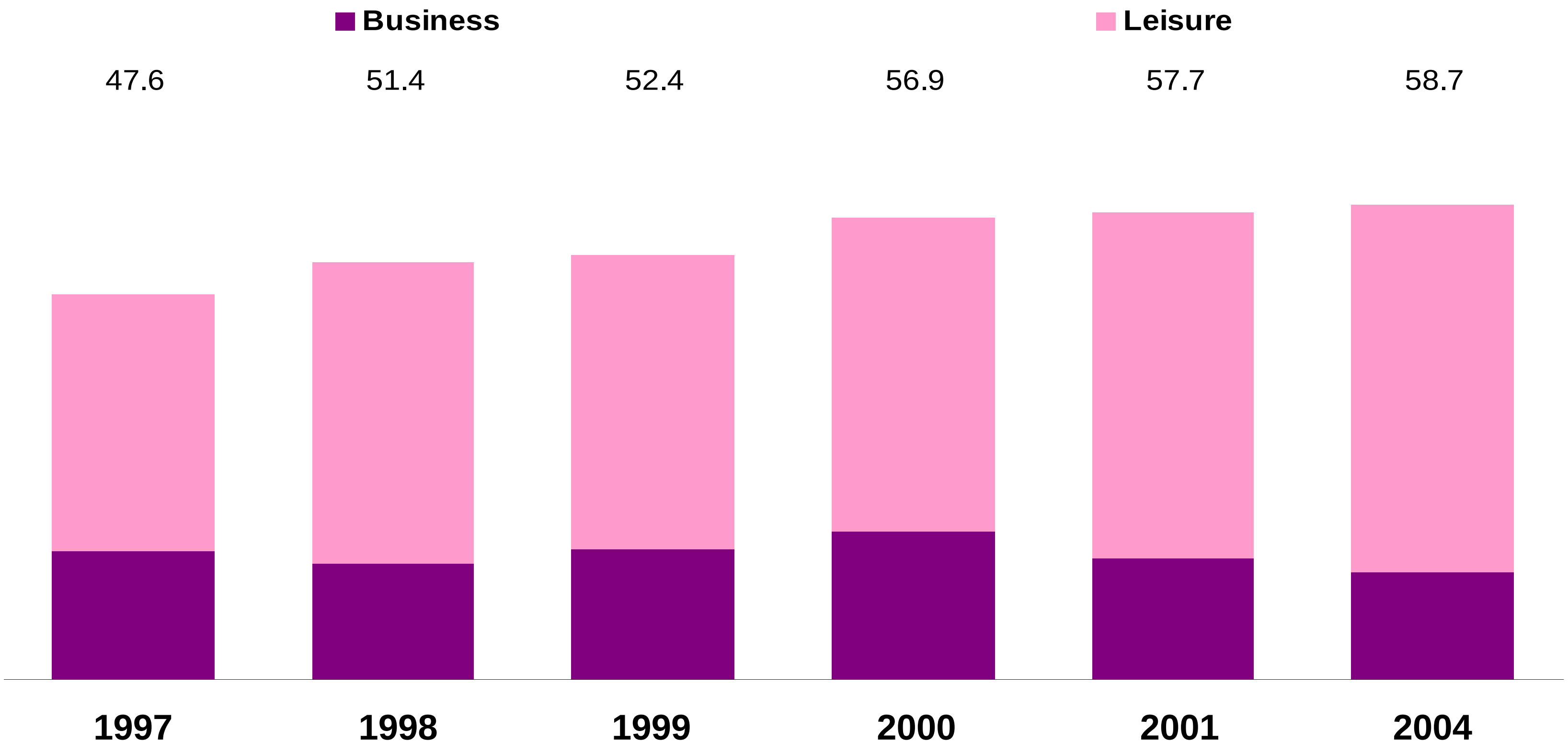



Indiana
enjoyindiana.com

Indiana person-stays Volume: Business vs. Leisure
(1997-2001, 2004/millions)

Business travel represents a decreasing share of person trips.

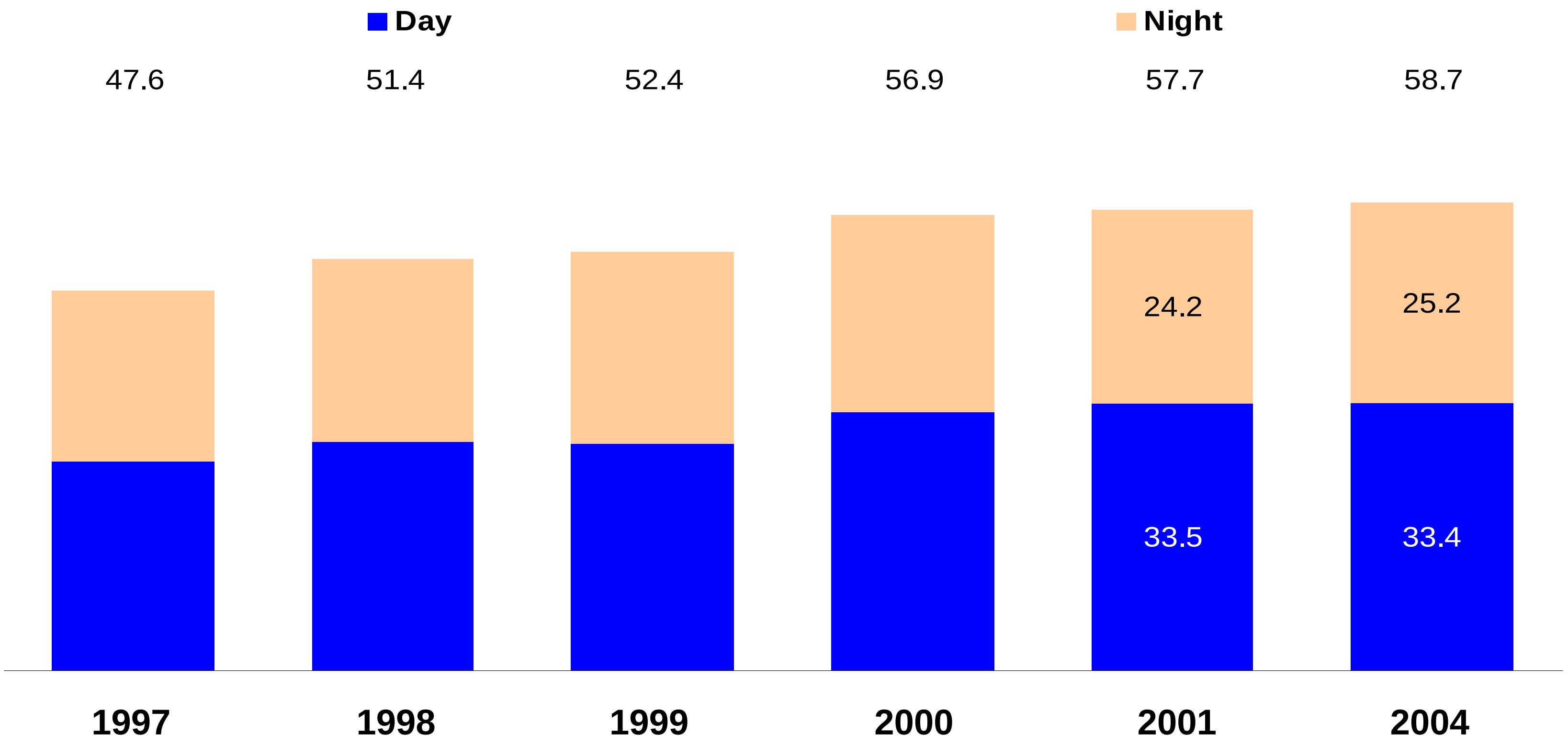
This is a result of larger and increasing party sizes among leisure travelers as well as an overall decline in business stays.



Indiana person-stays Volume: Day vs. Overnight
(1997- 2001, 2004/millions)

Overnight volume is the driving force behind Indiana's increase in person-stays.

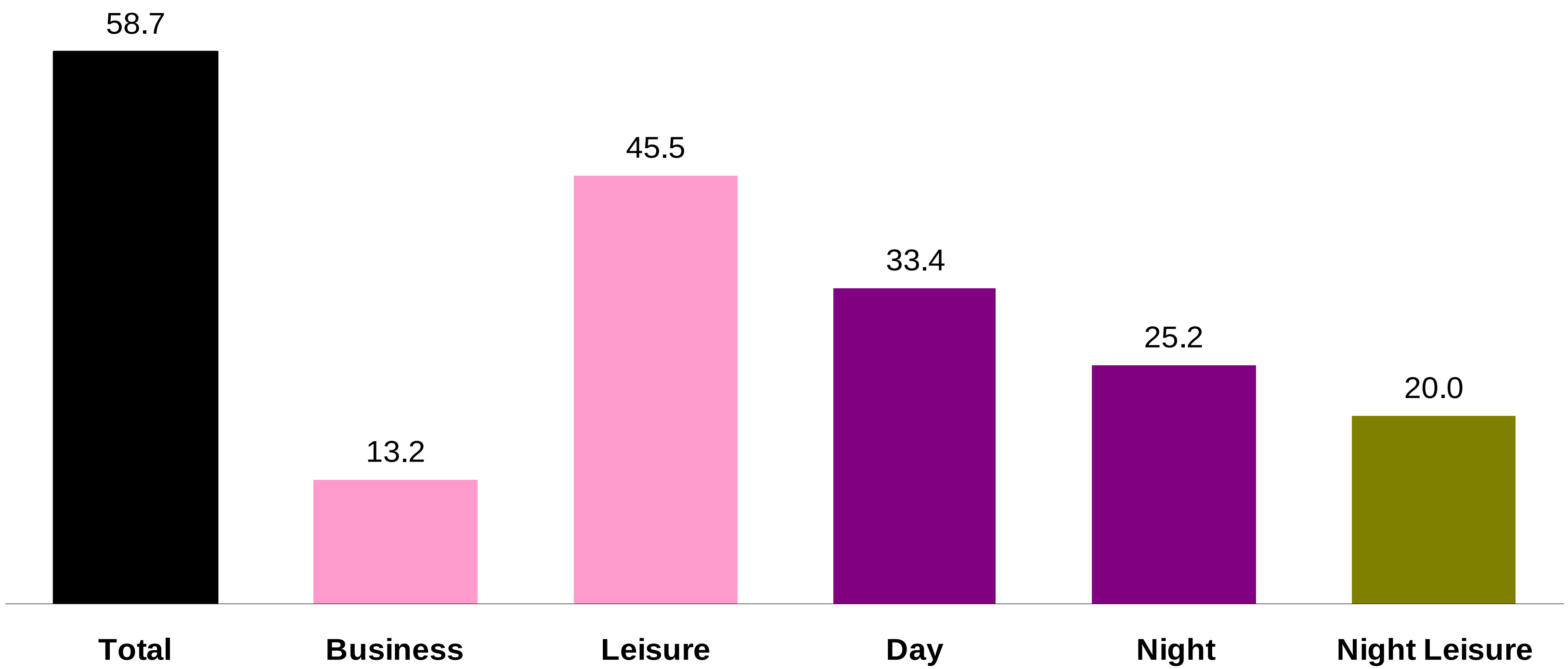
Day volume is relatively flat for 2004 over 2001.



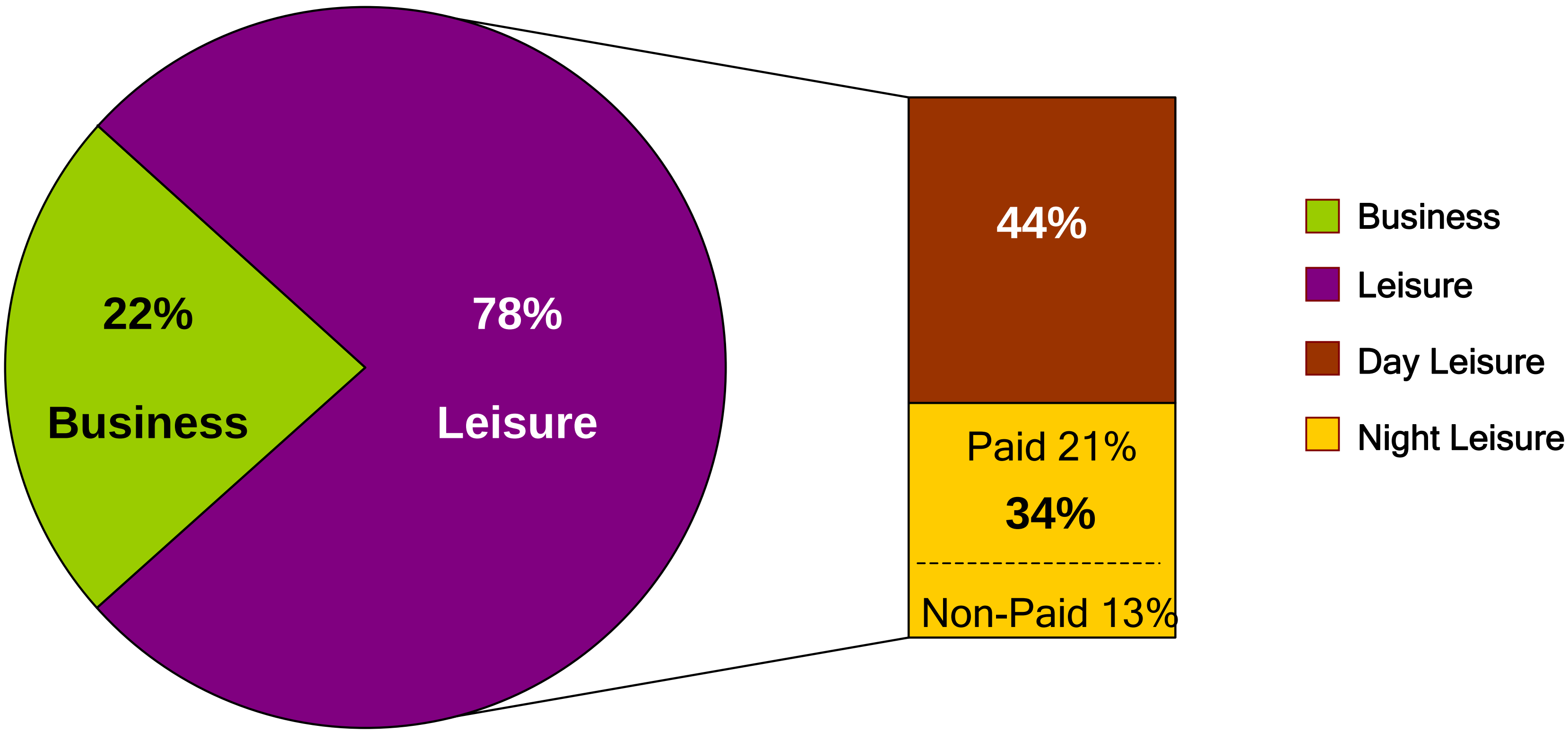
Indiana person-stays Volume Summary
(2004/millions)

Indiana person trips reached a new high in 2004 with 58.7 million person-stays. Leisure travelers account for over three quarters of Indiana person-stays.

- Overnight leisure accounts for 34% of Indiana's total person-stays.
- person-stays reflects total trips multiplied by the number of guest in the travel party.



2004 Indiana person-stays Distribution: Business vs. Leisure

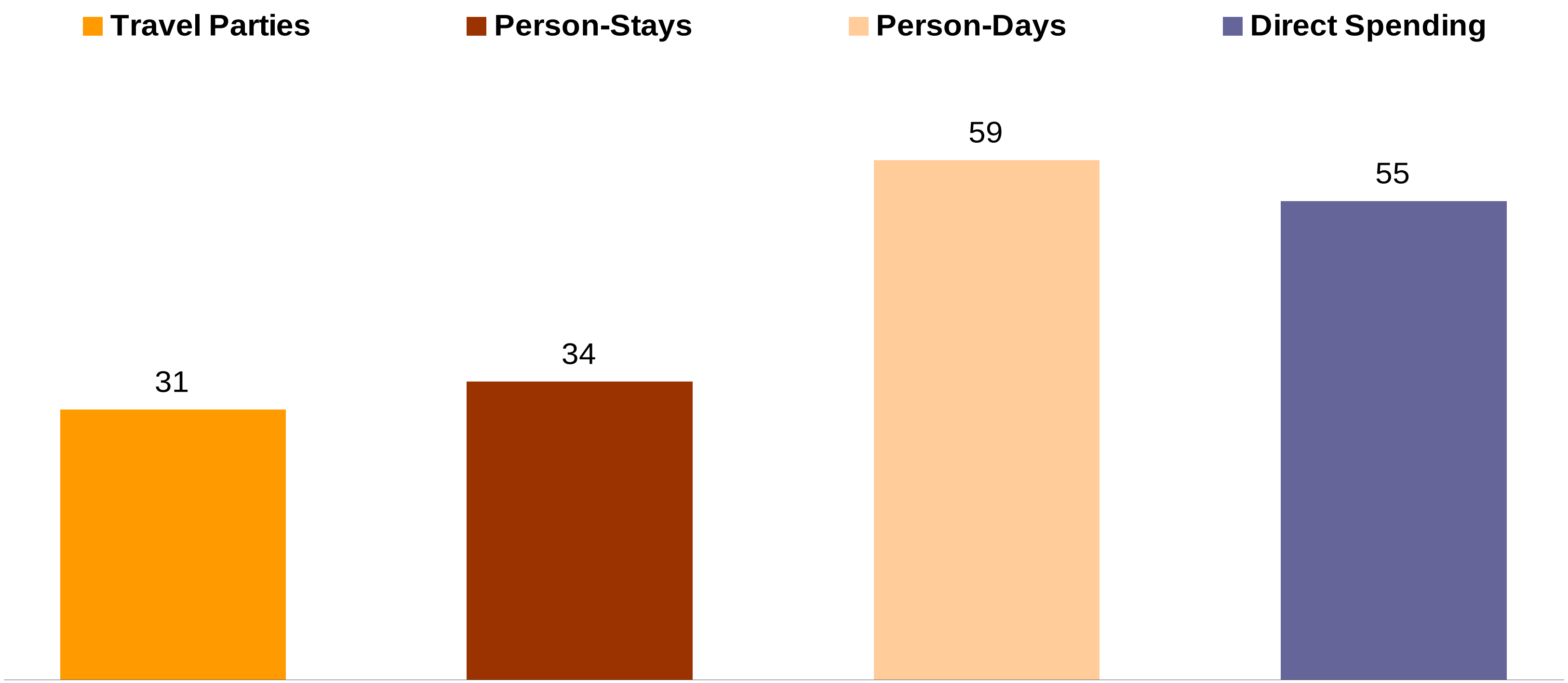


Indiana Overnight Leisure Volume Summary

(2004/% of Total Volume)

Each Travel Party is measured in 4 ways.

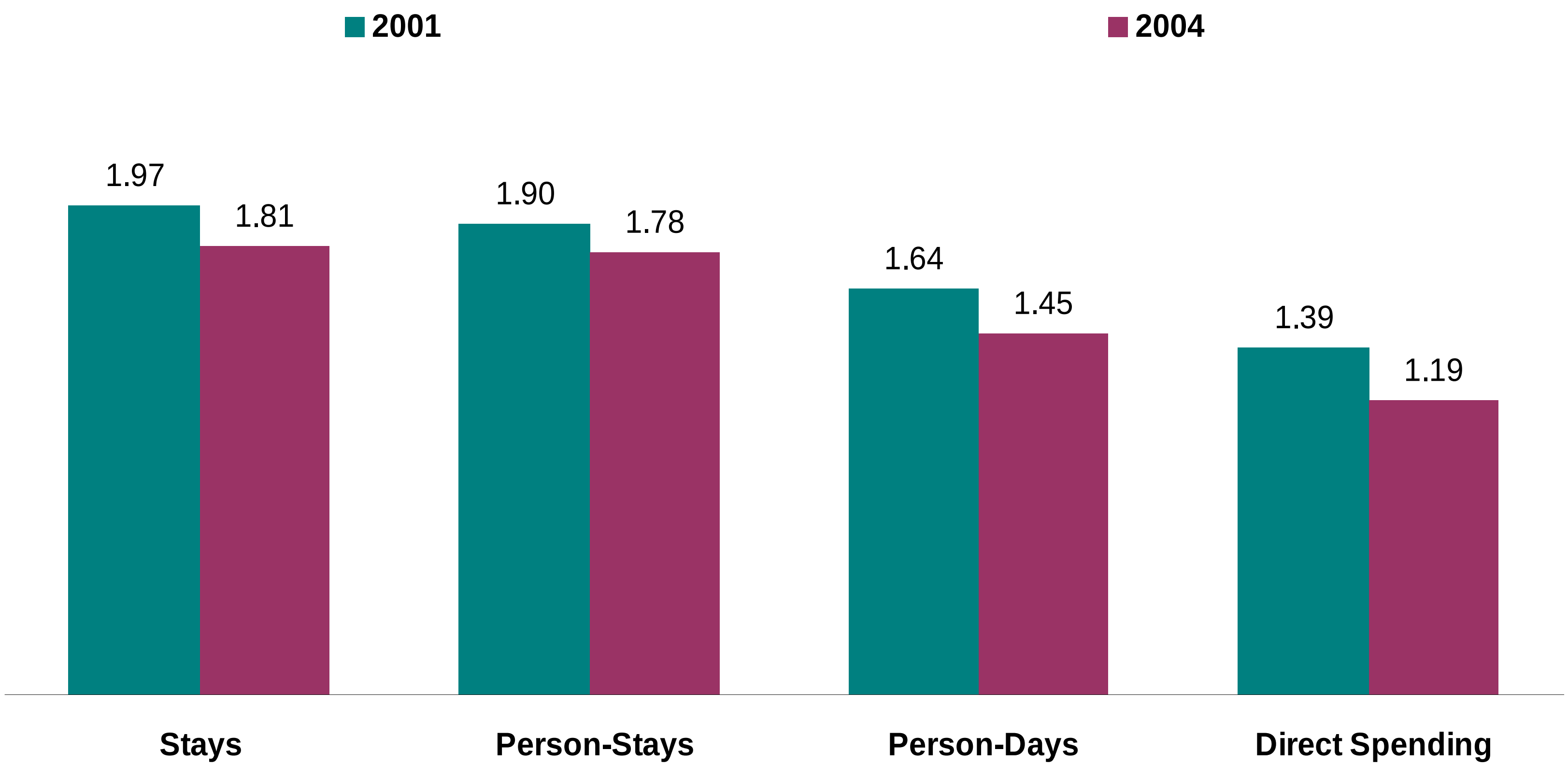
Thus, the overnight leisure segment is 31% of travel parties and 34% of person-stays. Overnight leisure accounts for a notable 59% of person-days and a strong 55% of all traveler spending.



Indiana Share of U.S. Travel
(2001 vs. 2004/% of Overnight Leisure)

Despite growth in person days, party size and direct spending, Indiana has been unable to keep pace with U.S. growth.

Declines in Indiana stays and stay length contribute to a decrease in share of U.S. person-days. This growing gap leads to a substantial reduction in share of total U.S. traveler direct spending.



Changes That Pose a Challenge to Indiana Travel and Tourism
(2000 vs. 2004)

Overnight person days have fallen steadily from a peak in 2000.

The combined effect of falling overnight party size and length of stay, particularly in the overnight leisure market is a key threat to Indiana travel and tourism growth.

Overnight Leisure	2000	2001	2004	% Change '00 / '04
Length Of Stay	3.42	3.32	3.07	(-7.4%)
Number in Party	2.50	2.29	2.38	(-4.8%)
Share (Person-Days-%)	54%	57%	59%	

% Change in Travel Volume Indiana and U.S. Key Measures
(2004 vs. 2001)

While Indiana has grown steadily in most respects, increases have, in most cases, failed to keep pace with growth at the national level.

Decrease in length of stay is a critical issue, despite growth in travel party size.

Overnight Leisure	% Change 01/04	
	U.S.	Indiana
Trips	12.4%	4.9%
Person-Trips	13.7%	9.2%
Person-Days	12.0%	0.9%
Total Direct Spending	25.4%	13.5%
Party Size	1.3%	3.8%
Length of Stay	-2.0%	-9.7%

Excellent Destination Satisfaction vs. Value Ratings: Indiana and Competitors

(2001 vs. 2004/% Overnight Leisure person-stays)

What is the Economic Contribution of Travel to Indiana?

Economic Impact Methodology - How Travel Spending Flows in the Indiana Economy

Economic Impact Methodology:

- Total economic impact of travelers is separated into three distinct parts:

Direct: Sectors that interact directly with the visitor.

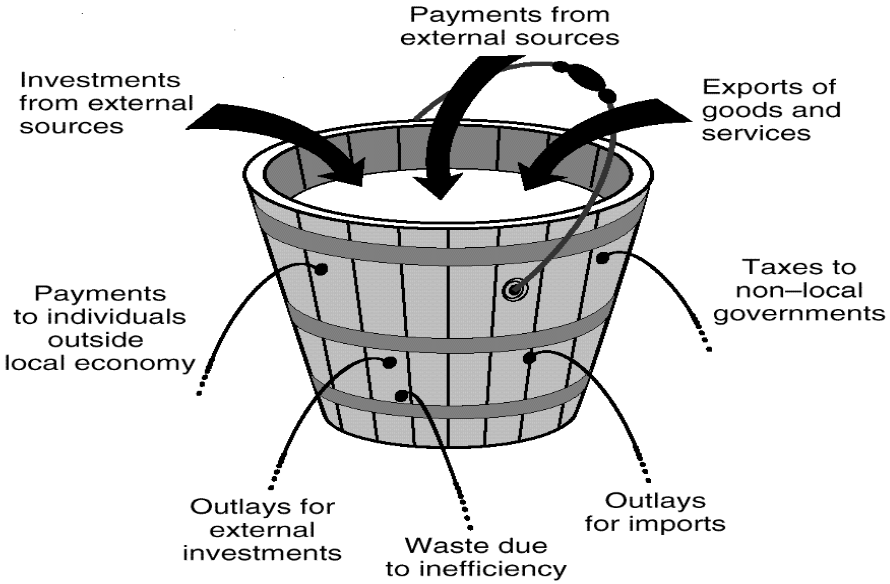
Indirect: Suppliers to direct sectors, such as a local food supplier to a restaurant.

Induced: Tourism-generated wages spread across the Indiana economy.

Leakages can cause traveler spending to exceed direct impact.

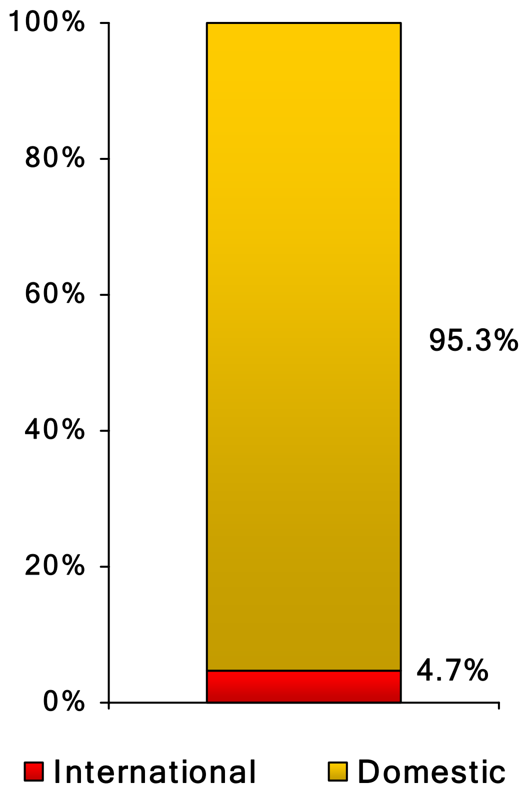
This occurs when goods and services travelers purchased are supplied by firms not located in Indiana.

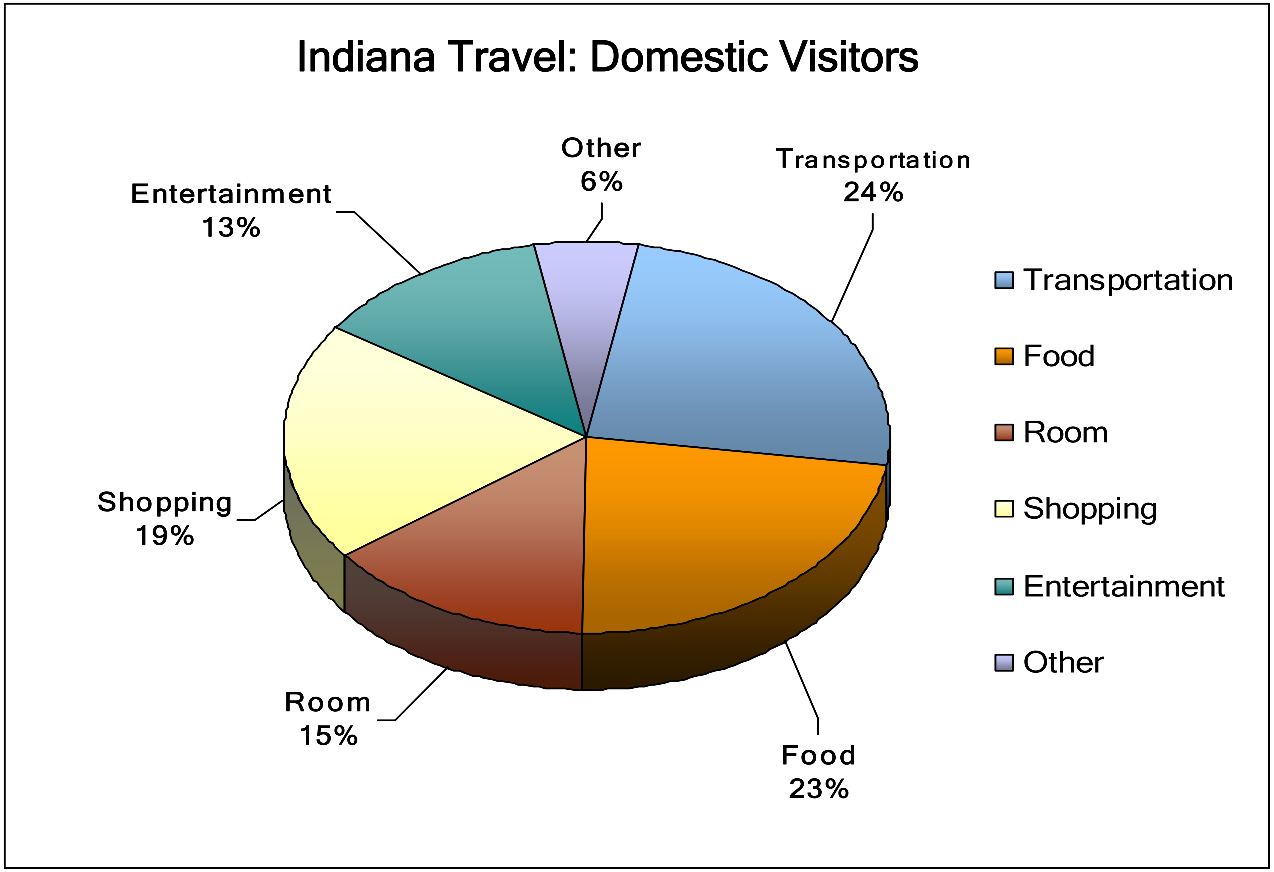
- The Bucket (at right) illustrates input sources as well as leakages.



STI: Composition of Tourism Spending by Category Indiana Travel

Travelers are defined those who made an overnight trip or traveled in excess of 50 miles for a day-trip. Spending of visitors from international markets has also been included in the total.





STI: Composition of Tourism Spending by Category

Direct Spending* accounts for only 56% of Travel and Tourism's total contribution to the Indiana economy. Indirect and induced impacts account for an additional $3.9B

Traveler spending exceeds the direct impact due to the leakages that occur when goods and services purchased by travelers are supplied by firms based outside Indiana.

	Direct	Indirect	Induced	Total
Direct Spending*	$8,912			
Economic Impact	$4,976	$1,688	$2,226	$8,890
Employment	193,455	27,717	43,789	264,960
Wages	$3,368	$1,018	$1,443	$5,828
	Federal	State & Local	Local Hotel / Bed Tax	Total Taxes
Tax Revenues	$1,508	$357	$72	$1,937

* Includes International Visitor Spending & Air travel among Domestic Visitors.

As a Whole, Travel and Tourism Employment Ranks #6 When Compared With Indiana Industries

Ranking	Industry	Employment	% of Total
1	Manufacturing	572,284	22.2%
2	Retail Trade	332,081	12.9%
3	Health Care & Social Assistance	307,605	10.6%
4	Leisure & Hospitality	274,383	10.3%
5	Professional Business Services	266,040	10.3%
	Travel & Tourism *	**193,455**	**7.5%**
6	Construction	148,055	5.7%
7	Wholesale Trade	119,213	4.6%
8	Transportation & Warehousing	110,671	4.3%
9	Misc. Personal Services (Maintenance, Laundry, etc.)	109,377	4.2%
10	Finance & Insurance	104,141	4.0%
	All Other	235,464	9.1%
TOTAL		**2,579,314**	**100.0%**

Who is visiting Indiana?

What are the most favorable targets?

LifeStage Analysis

LifeStage analysis combines three variables

1) age

2) household income, and

3) presence of children in the household

Into one variable creating seven mutually-exclusive segments.

Age: 18-34 Age of the household head.

1) Free — No children under 18 in the household

2) Family One or more children under 18 in the household.

Age: 35-54 Age of the household head.

3) Free — No children under 18 in the household

4) Lo Fmly — HH Income under $50K, 1+children

5) Hi Fmly — HH Income $50K or higher,1+children

Age: 55+ Age of the household head.

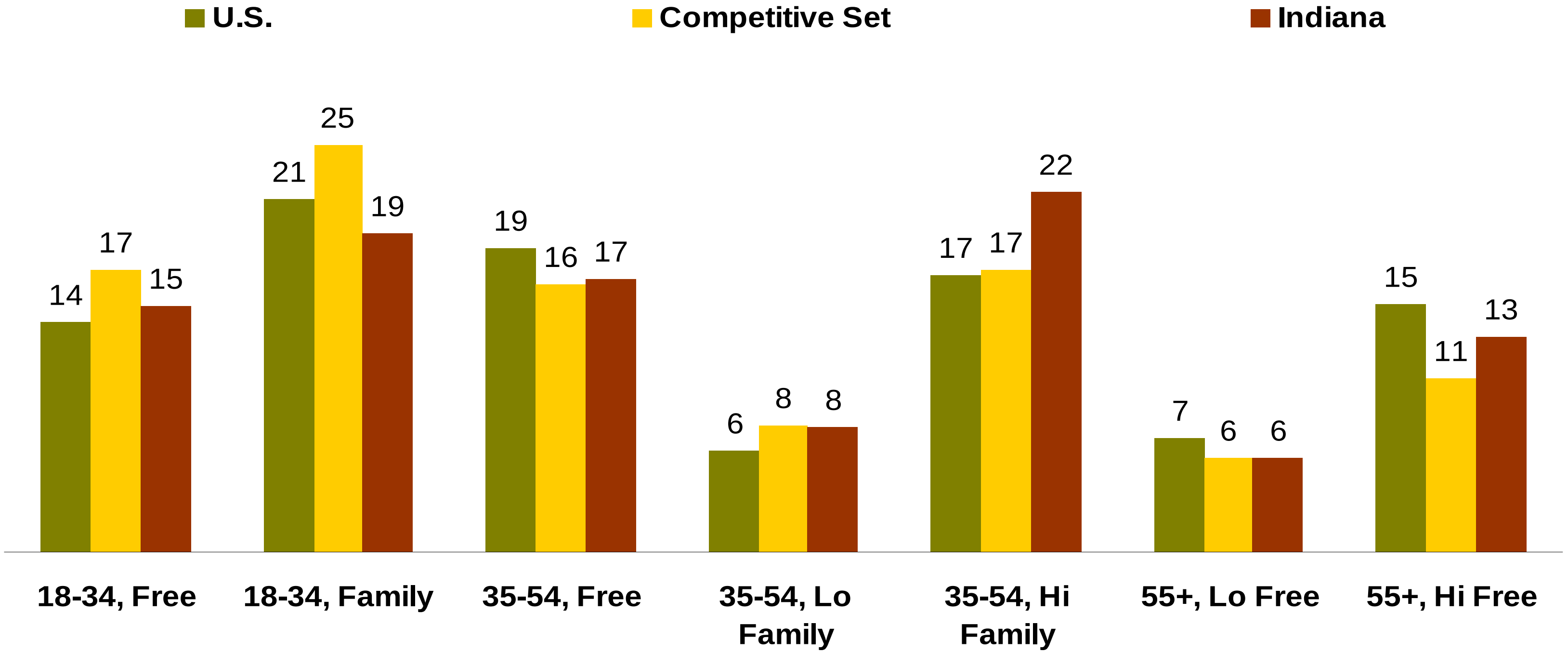
6) Lo Free — HH Income under $50K and no children

7) Hi Free — HH Income $50K or higher

Lifestage Distribution: U.S., Competitive Set, and Indiana
(2004/% of Overnight Leisure person-stays)

As defined by Lifestage Analysis, the greatest proportion of Indiana visitors are in the 35-54, Hi Family Lifestage.

However, the 18-34, Family Lifestage predominates among competing destinations.



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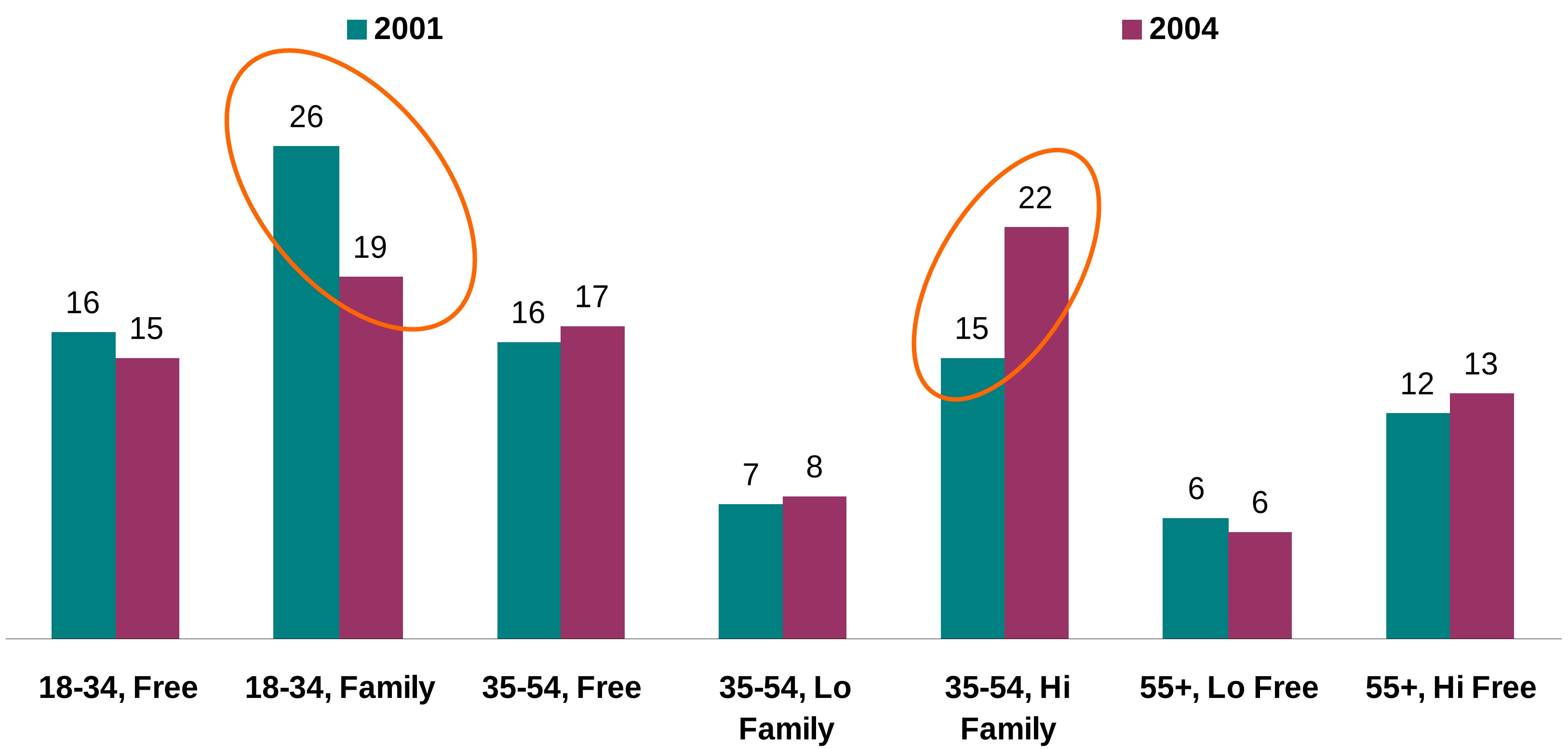
Indiana Lifestage Distribution

(2001 vs. 2004/% of Overnight Leisure person-stays)

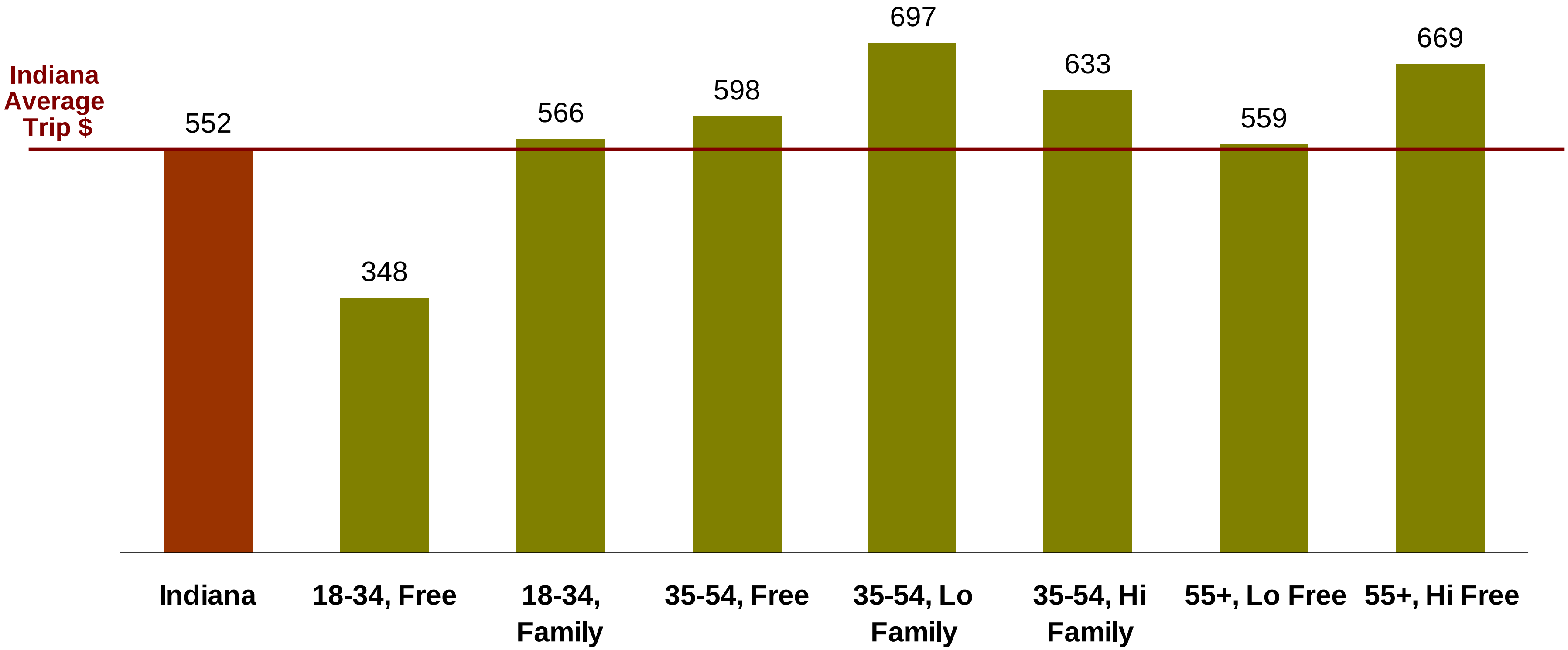
Analysis of change over 2001 shows Indiana's share gain in 35-54, Hi Family travelers and corresponding drop in 18-34, Family travelers.



Indiana Avg. Party per Trip Spending by Lifestage
(2002-2004/$ Overnight Leisure Travel Parties)

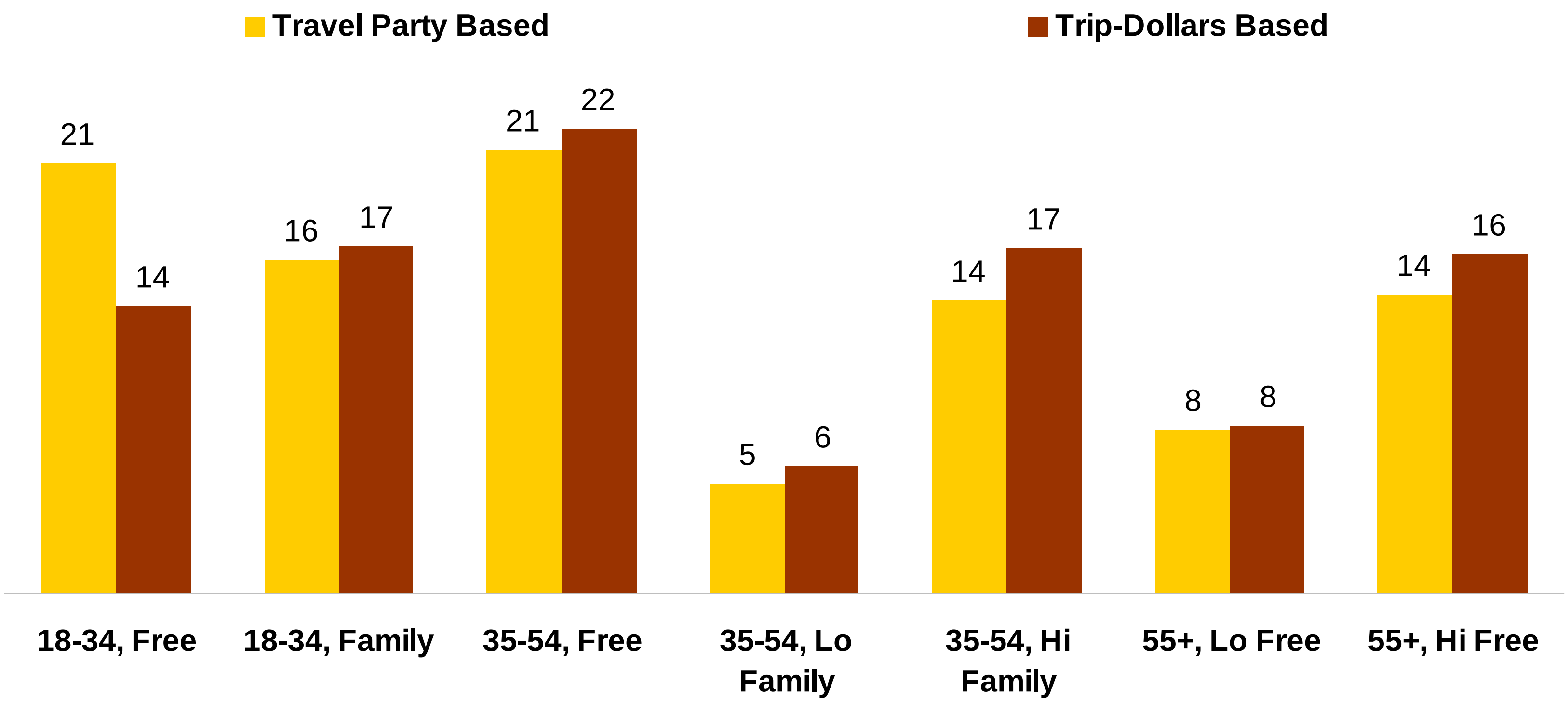
Overnight leisure travelers aged 35-54, Lo Families show highest level of trip spending.

Indiana outperforms the Competitive Set in attracting travelers from the 35-54, Hi Family and 55+, Hi Free Lifestages. These segments also show trip expenditures that are substantially higher than average for Indiana travel parties.



Indiana Lifestage Distribution
(2002-2004/% of Overnight Leisure)

Lifestage segments with above average trip spending levels account for an even greater proportion of total travel spending than their share of trips would indicate.



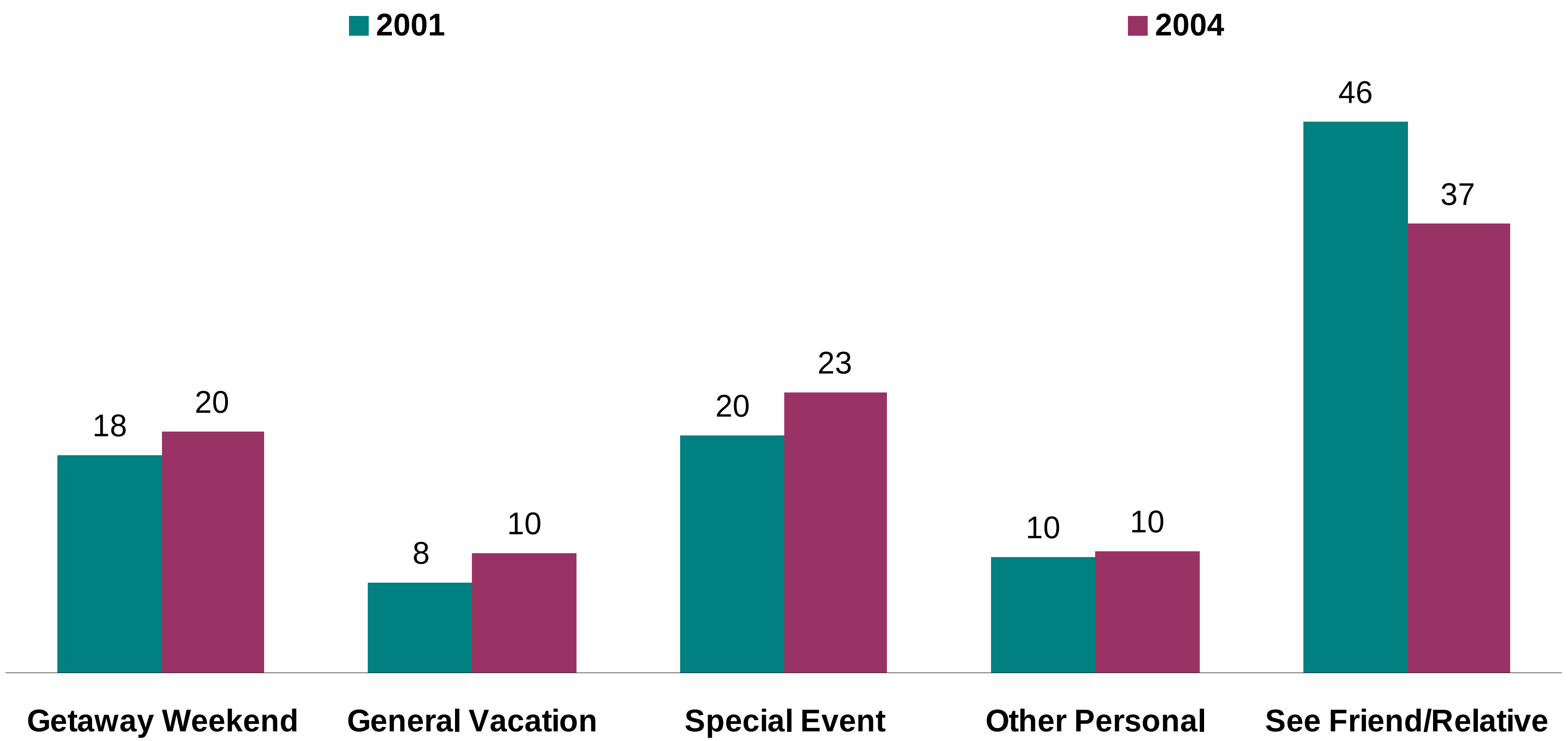
Positioning

What attributes characterize Indiana travel?

What sets Indiana apart from comparative destinations?

Indiana Purpose of Stay Distribution
(2001 vs. 2004/% of Overnight Leisure person-stays)

Indiana overnight leisure VFR travel has declined considerably, replaced by increasing share in Getaway Weekend, General Vacation and Special Event travel.

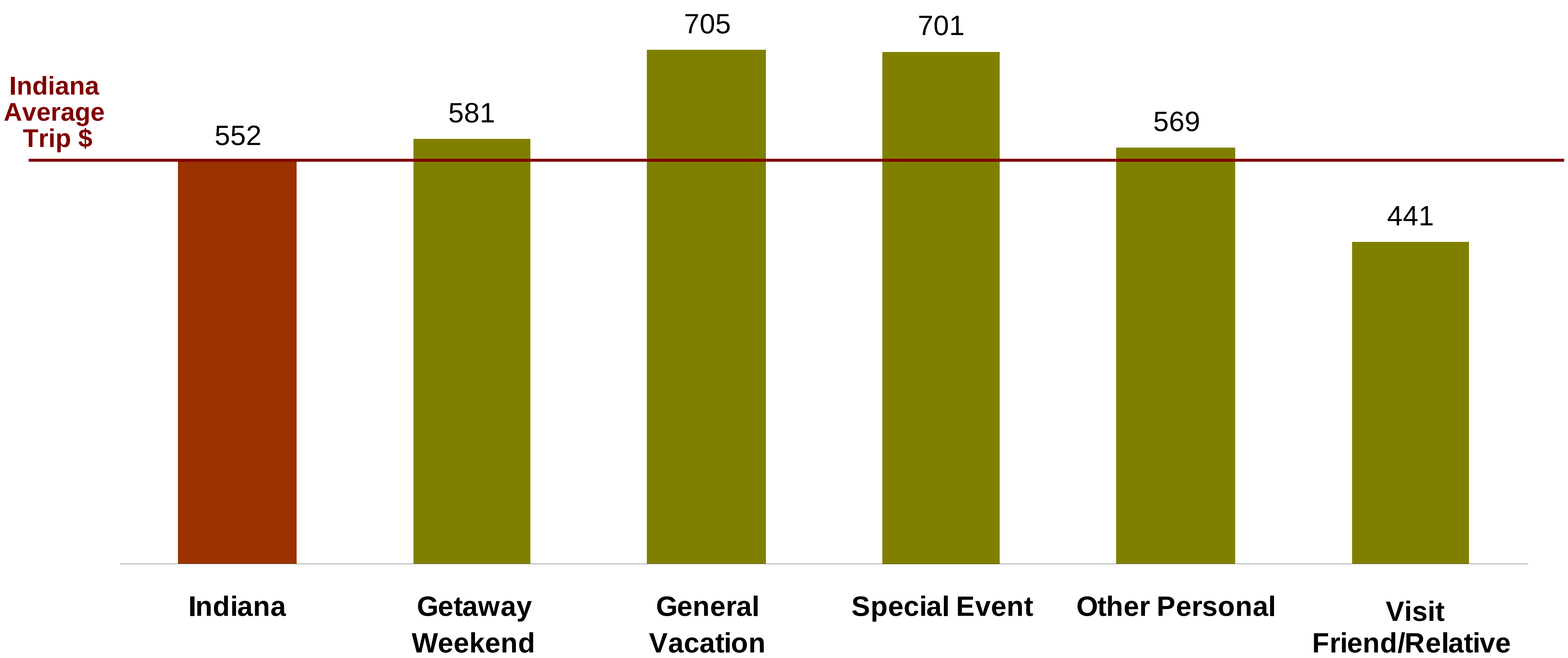


Indiana Avg. Party per Trip Spending by Purpose of Stay

(2002-2004/$ Overnight Leisure Travel Parties)

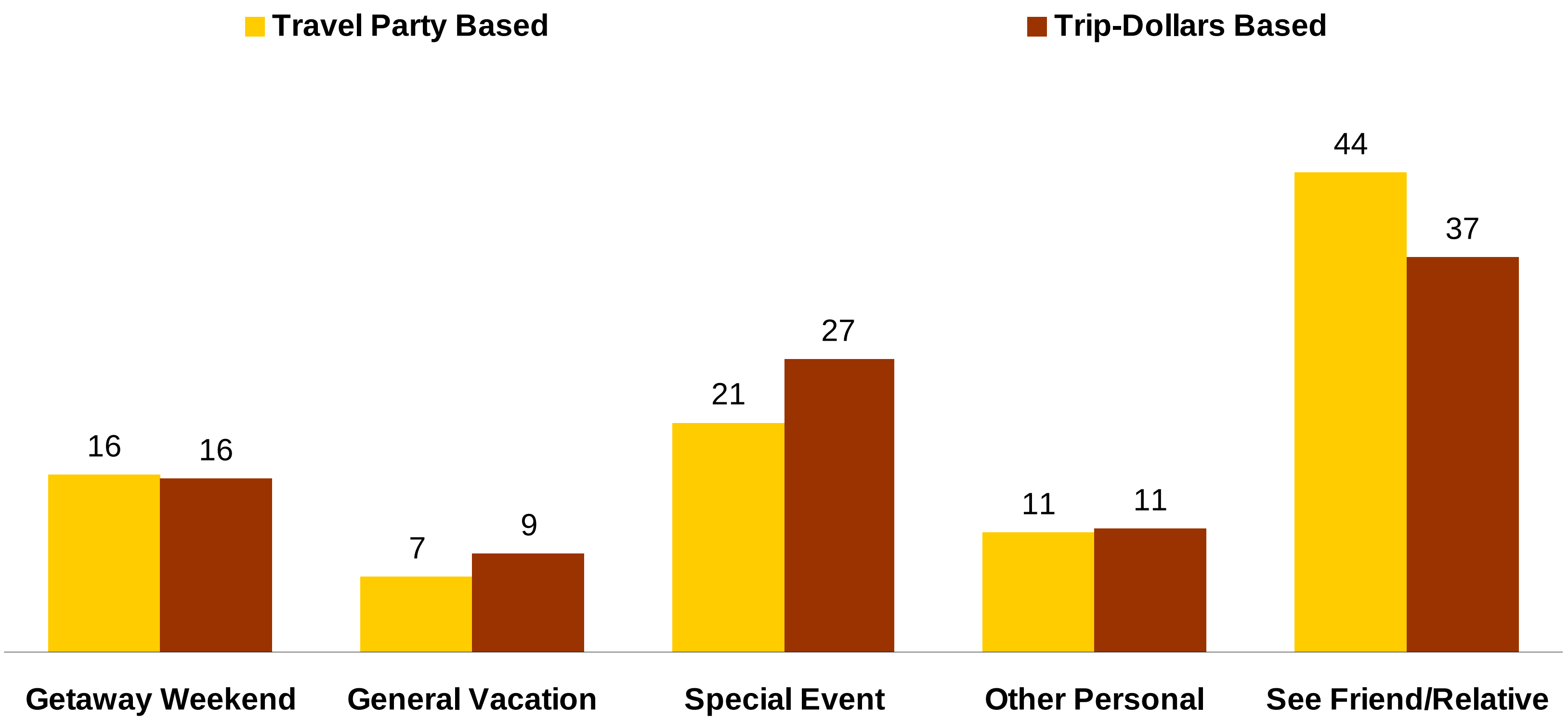
Trip Spending on General Vacation and Special Event travel is roughly equal, but more than 25% higher than average for Indiana overnight leisure travel.

Both areas have also seen growth in share of Indiana's overnight leisure travel mix. VFR, declining in share, is the least lucrative of trip types.



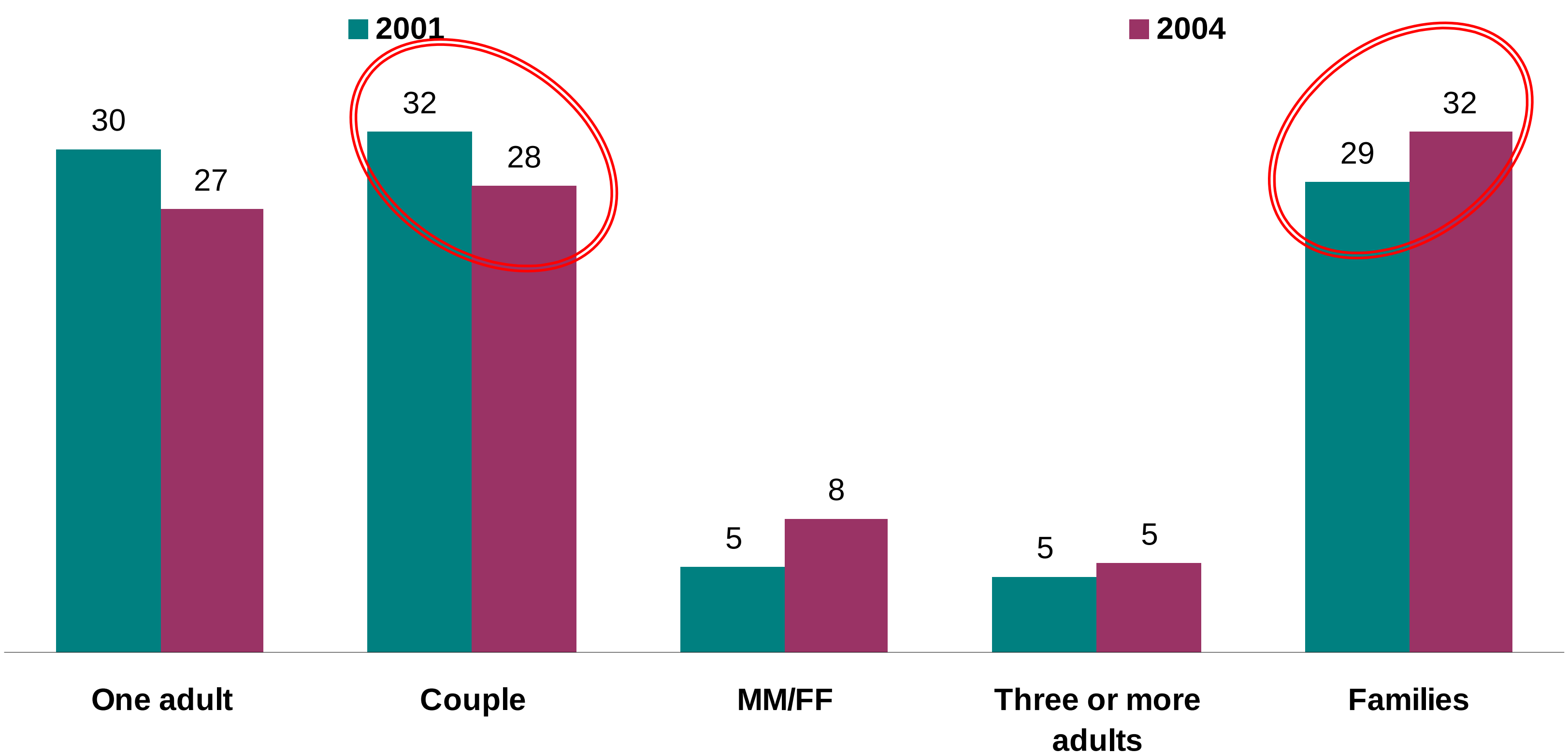
Indiana Purpose of Stay Comparison
(2002-2004/% of Overnight Leisure)

Special Event and General Vacation trips account for a greater share of trip dollars than their share of travel parties due to higher average trip spending.



Indiana Party Composition Distribution
(2001 vs. 2004/% of Overnight Leisure Travel Parties)

One-adult and couples travel have declined while family travel is on the rise.

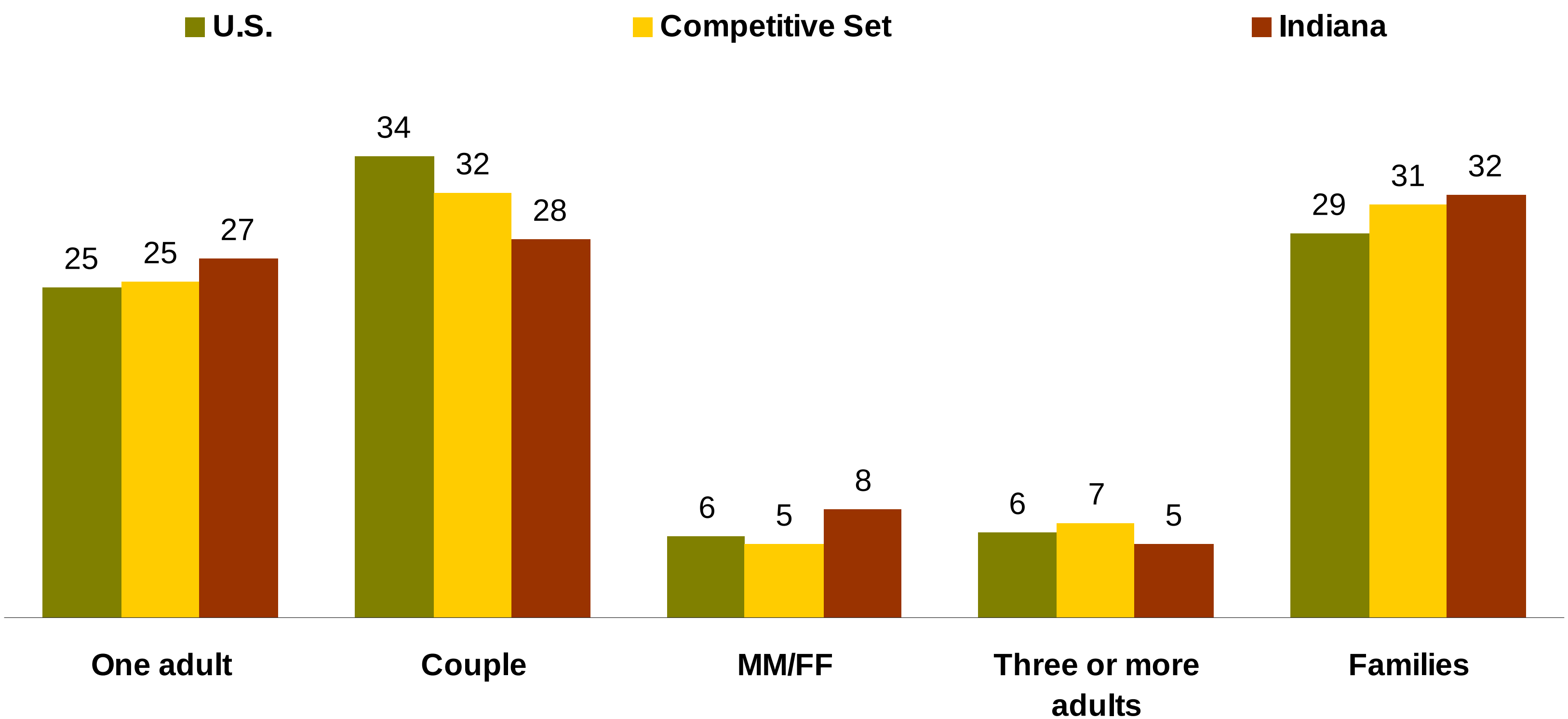


Party Composition Distribution: U.S., Competitive Set, and Indiana

(2004/% of Overnight Leisure Travel Parties)

Indiana has a higher proportion of two-female or two-male travel parties than the U.S. or Comp Set. These "buddy trips" may reflect in the type of activities enjoyed by Indiana visitors. Indiana also has a high proportion of family trips.

Share of couples travel is well below the U.S. and Comp Set levels.



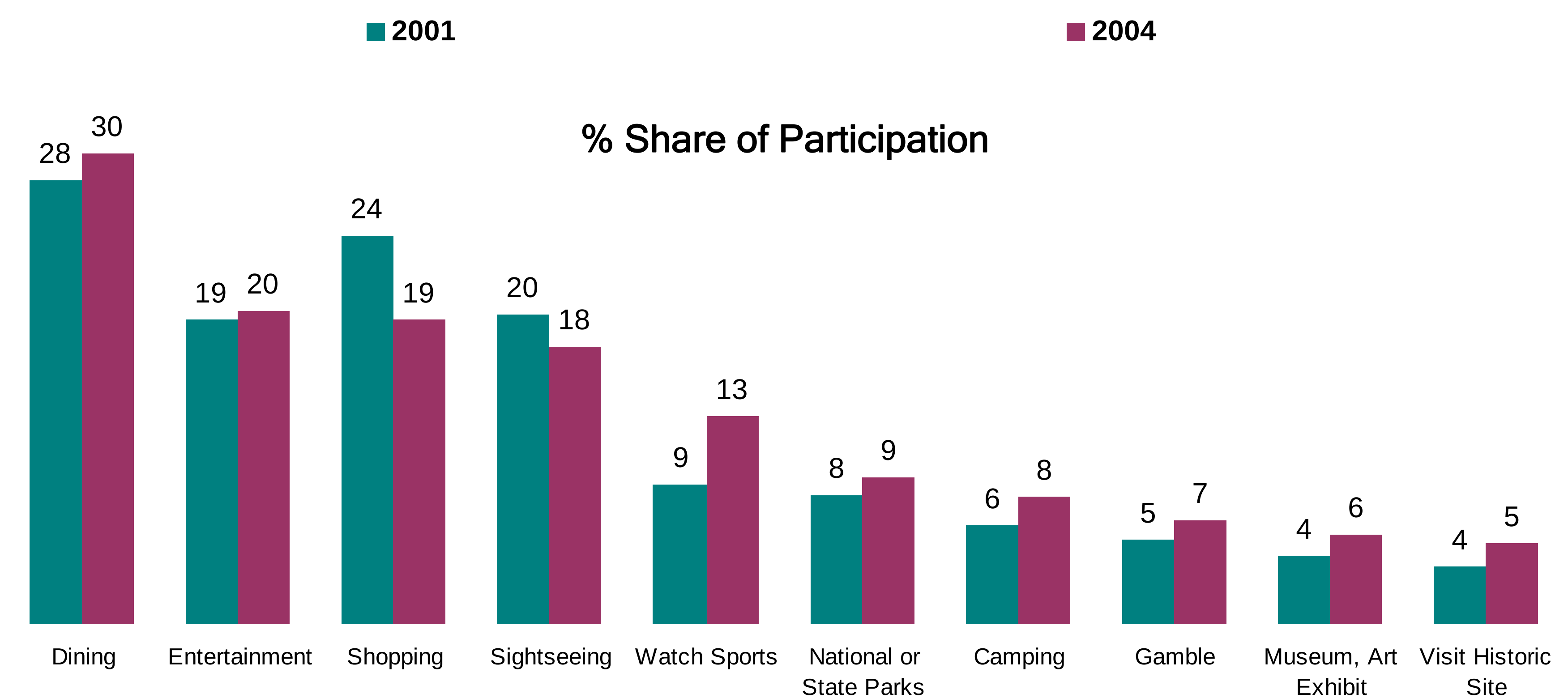
Indiana Activity Participation

(2001 vs. 2004/% of Overnight Leisure person-stays)

Indiana saw an increase from 2001 to 2004 in travelers engaged in dining, watching sports, parks and camping, gaming and museums and historic sites.

Excepting dining, these emerge as the core of Indiana's brand image as a destination.

Note the drop-off in shopping and sightseeing among overnight leisure travelers.

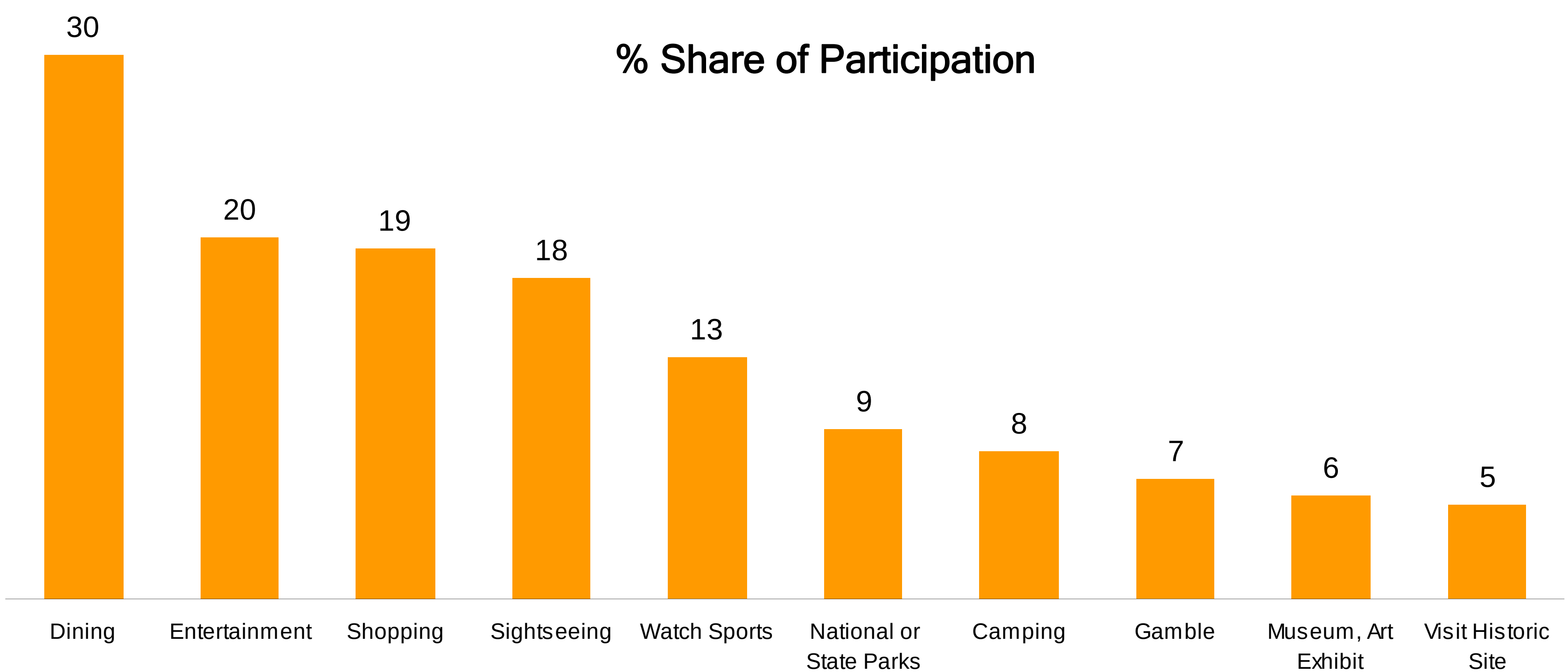


Indana Activity Participation

(2004/% of Overnight Leisure person-stays)

This table shows top Indiana activities that travelers engage in during their stay.

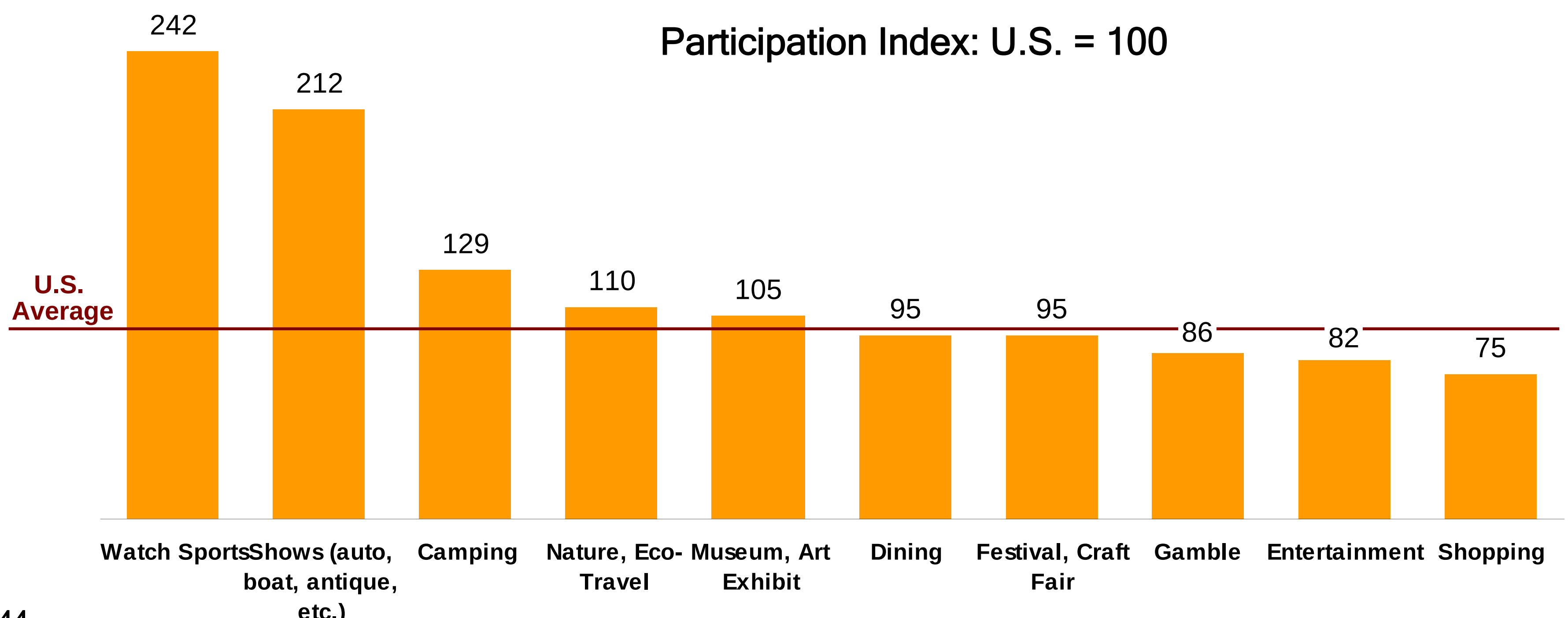
Dining, entertainment and shopping are determined by category spending levels. In addition, visitors come to Indiana to enjoy sporting events, enjoy parks and camping and engage in cultural activities such as gaming, museums, exhibits and historic sites.



Indiana Activity Index
(U.S. Participation Level = 100)
(2004/Overnight Leisure person-stays)

The activity Index differs from share of participation in that it reflects traveler propensity to participate in an activity relative to the propensity for other U.S. destinations.

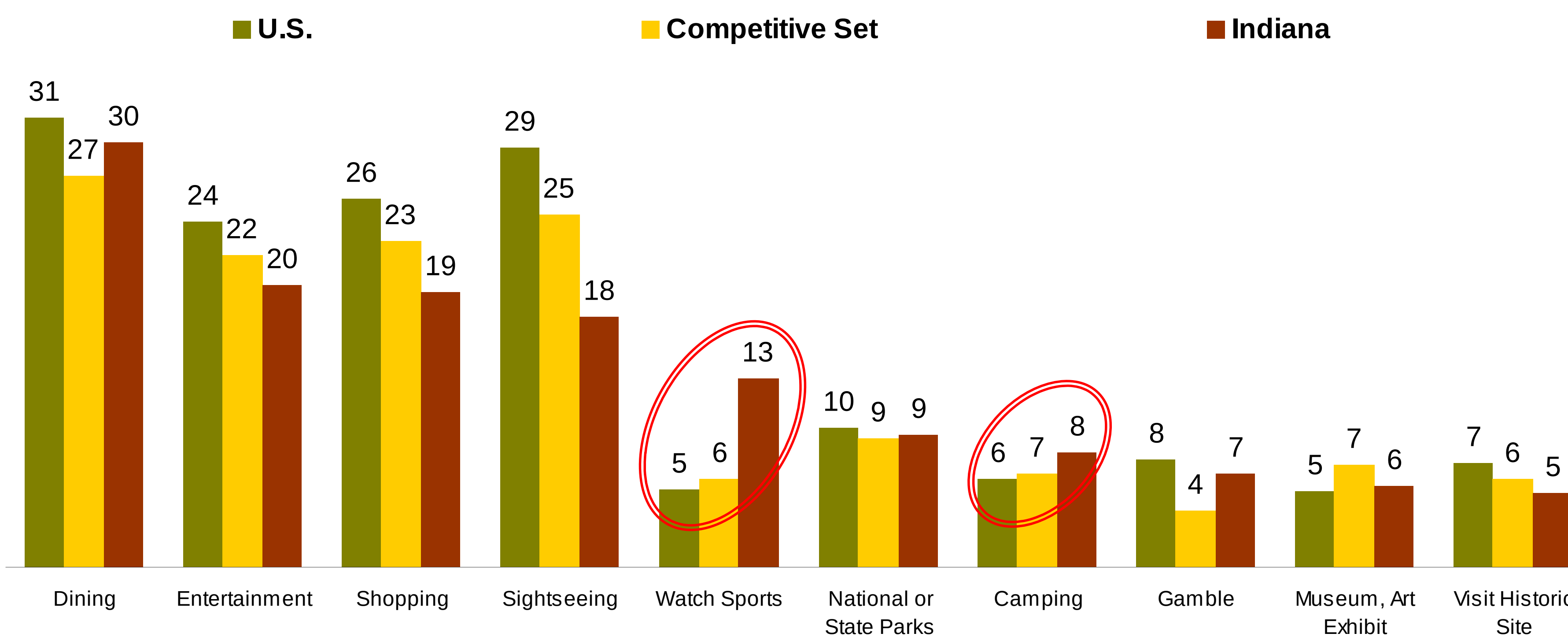
Relative to the U.S., Indiana's competitive advantages lie in watching sports, boat, auto and antique shows, camping, nature and eco-tourism and museum visitation.



Top Activity Participation: U.S., Competitive Set, and Indiana
(2004/% of Overnight Leisure person-stays)

Here, Indiana's competitive advantages in watching sports, camping and gaming are even more apparent.

Despite high levels of participation relative to other activities, Indiana is overshadowed by competing states when it comes to entertainment, shopping and sightseeing.

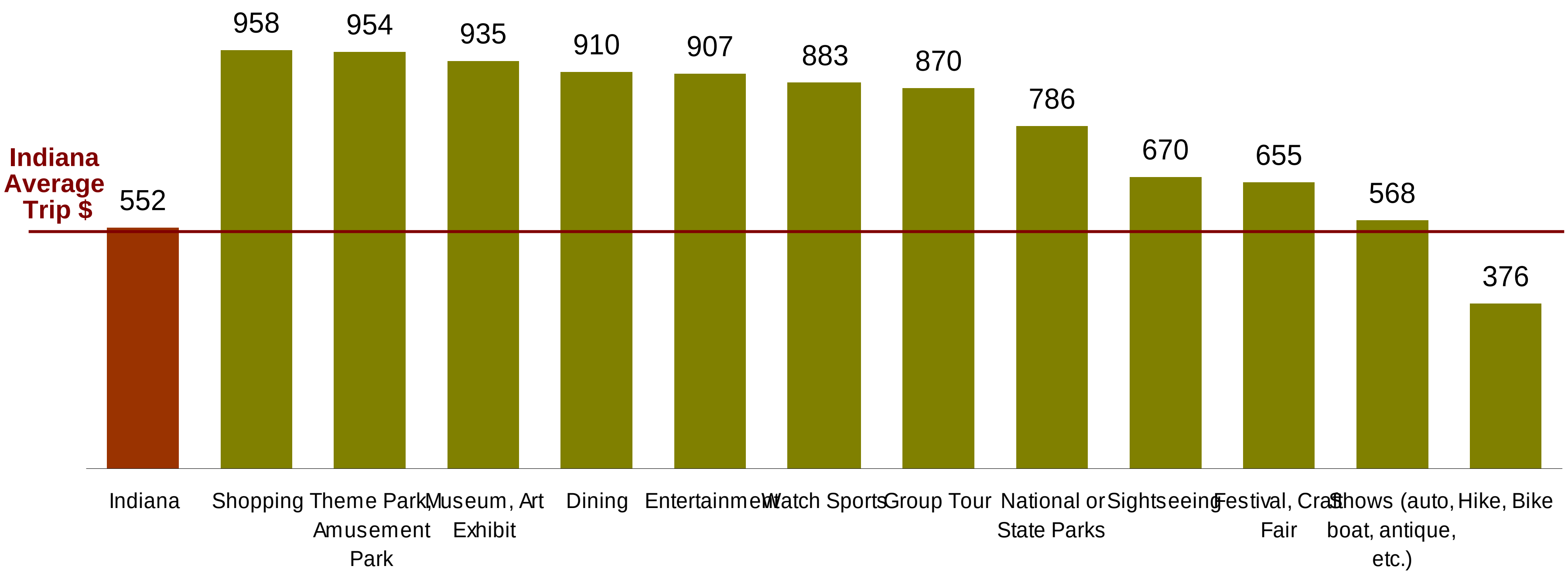


Indana Avg. Party per Trip Spending by Activities

(2002,-2004/$ Overnight Leisure Travel Parties)

Not all travelers participate in activities while visiting their destination. Those that do take part in various activities have trip spending levels that are well above average.

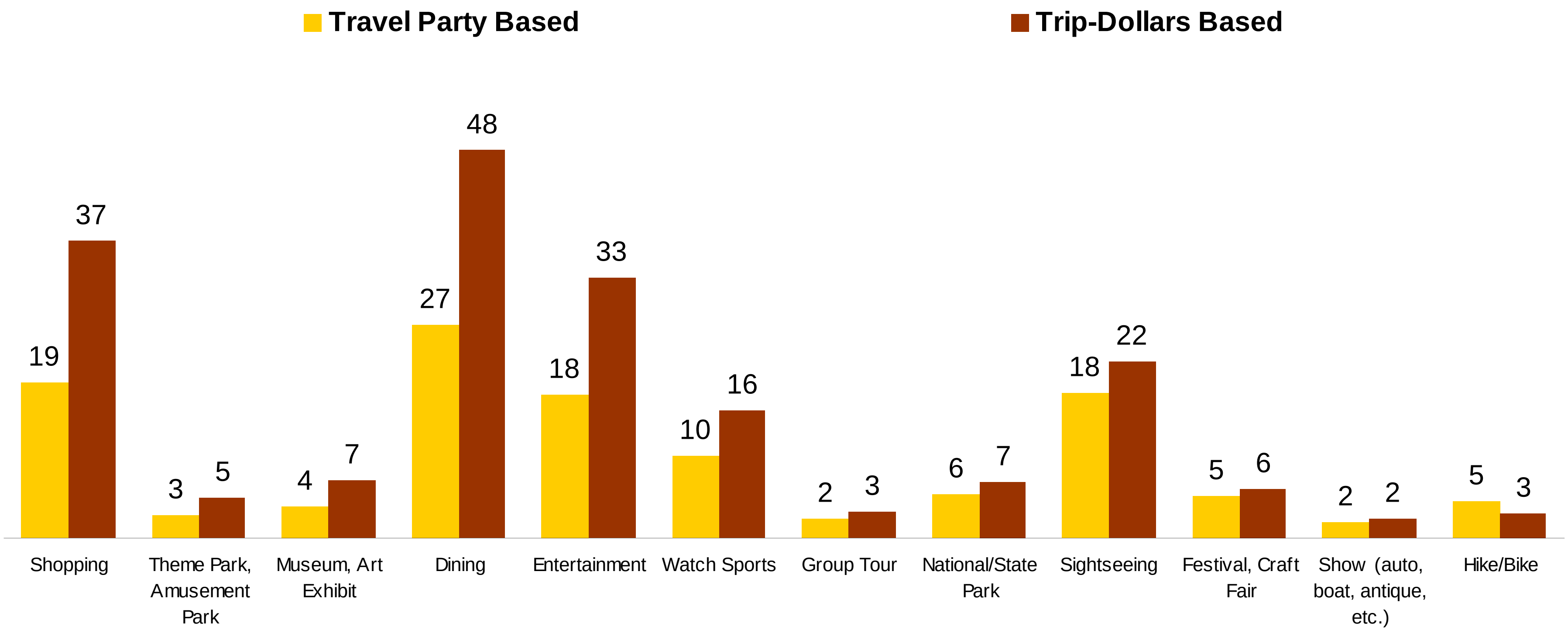
Categories are not mutually exclusive. For example, those who shopped may also be included in other activities.



Indiana Activity Participation vs. Spending
(2002-2004/% of Overnight Leisure)

Above average trip spending on high-participation activities creates strong impact on overall travel spending that must be recognized for activities such as dining, shopping and entertainment.

Sports event travel, night life and gaming participation are also indicative of a higher than expected share of trip spending.



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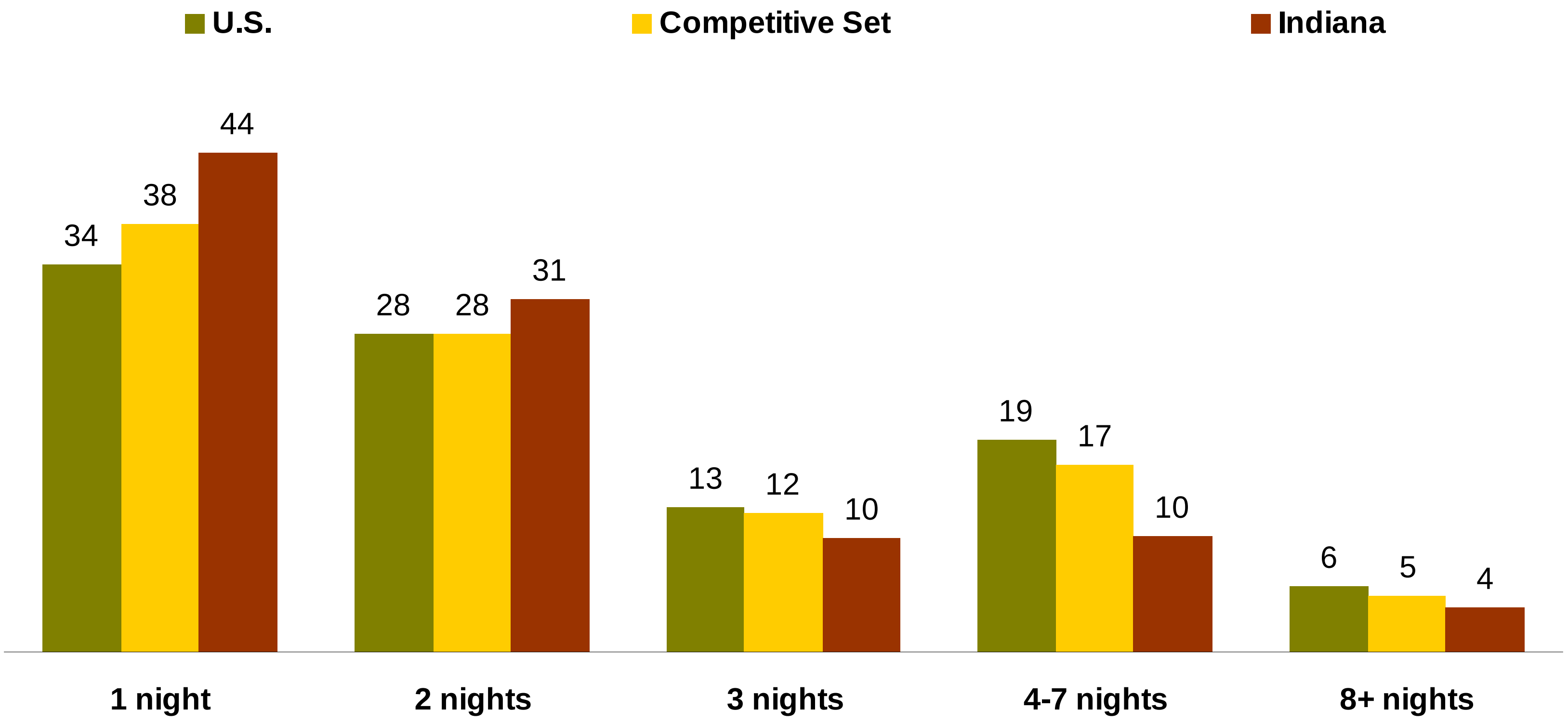
Stay Length Distribution: U.S., Competitive Set, and Indiana
(2004/% of Overnight Leisure Travel Parties)

Nearly half (44%) of Indiana overnight leisure trips are one night only.

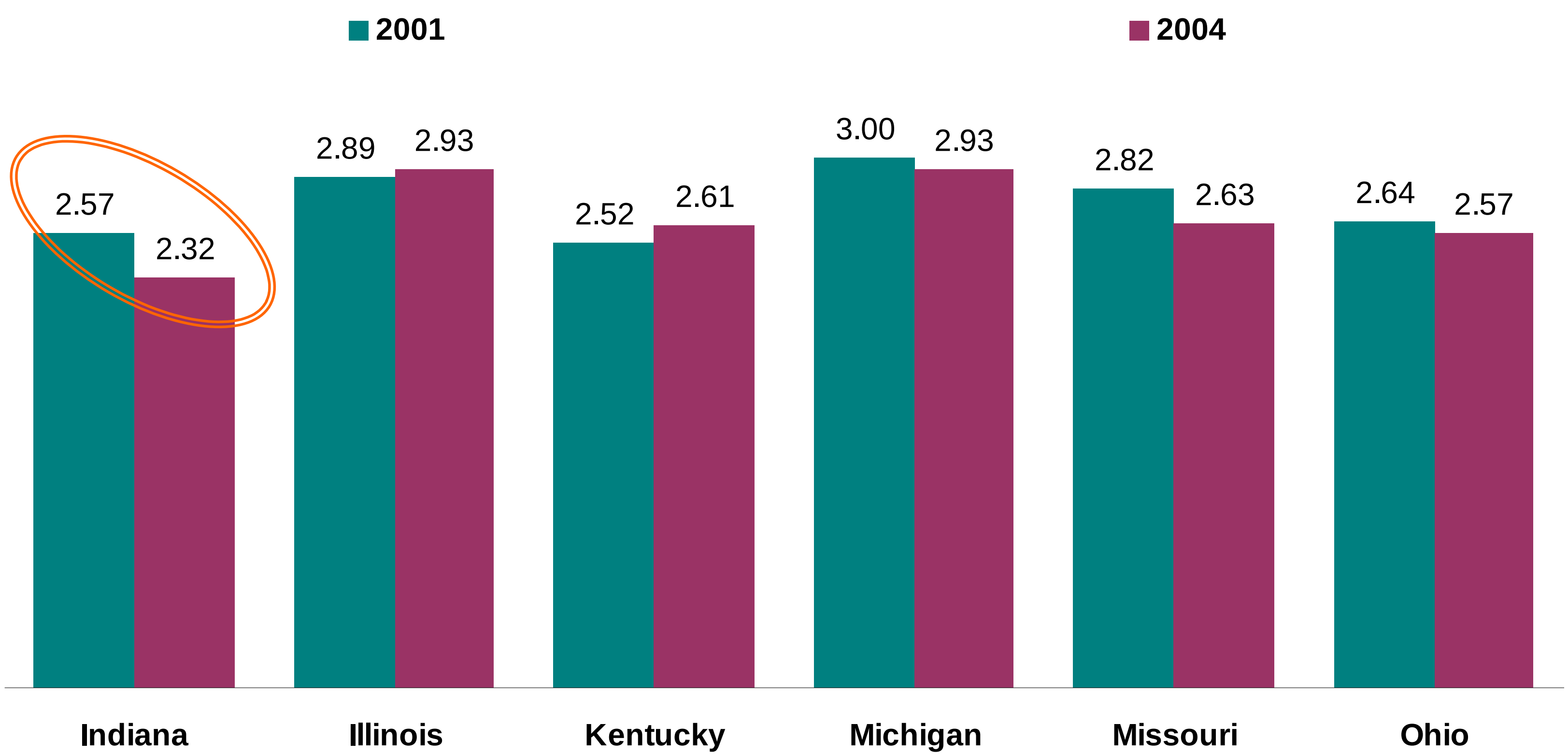
Despite a slight advantage on 2-night trips, Indiana has a smaller share of multi-night trips than U.S. or competing states.



Average Length of Stay: U.S., Competitive Set, and Indiana

(2001 vs. 2004/% Travel Parties; 1+Night)

- Illinois and Kentucky were able to increase length of stay from 2001 to 2004.
- Length of stay fell in other competing states, but none as sharply as Indiana, with a 10% drop in length of stay.

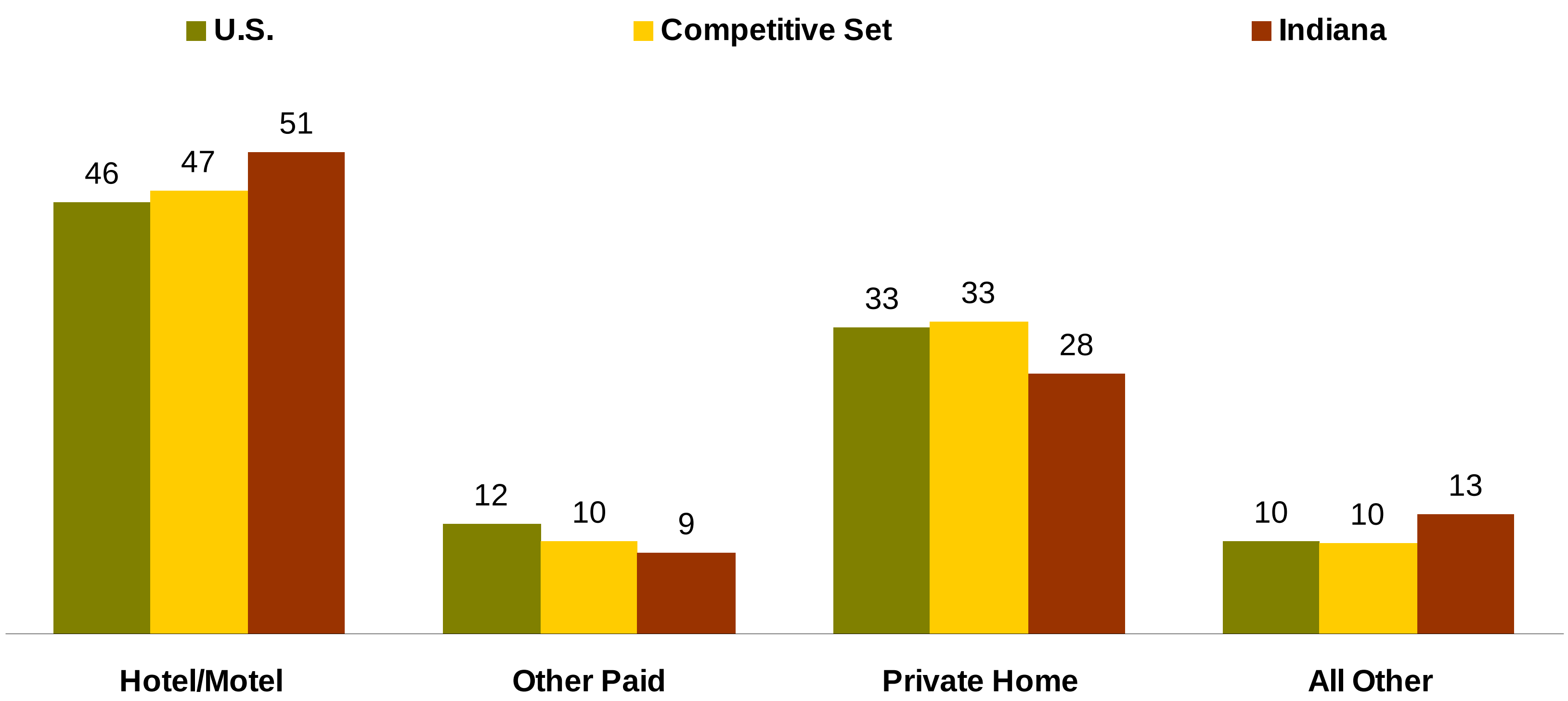


Accommodations Type: U.S., Competitive Set, and Indiana

(2004/% of Overnight Leisure person-stays)

"Other Paid" accommodations include campgrounds, bed & breakfasts, and paid timeshare.

"All Other" accommodations include second home ownership, time shares (own), and miscellaneous accommodations.



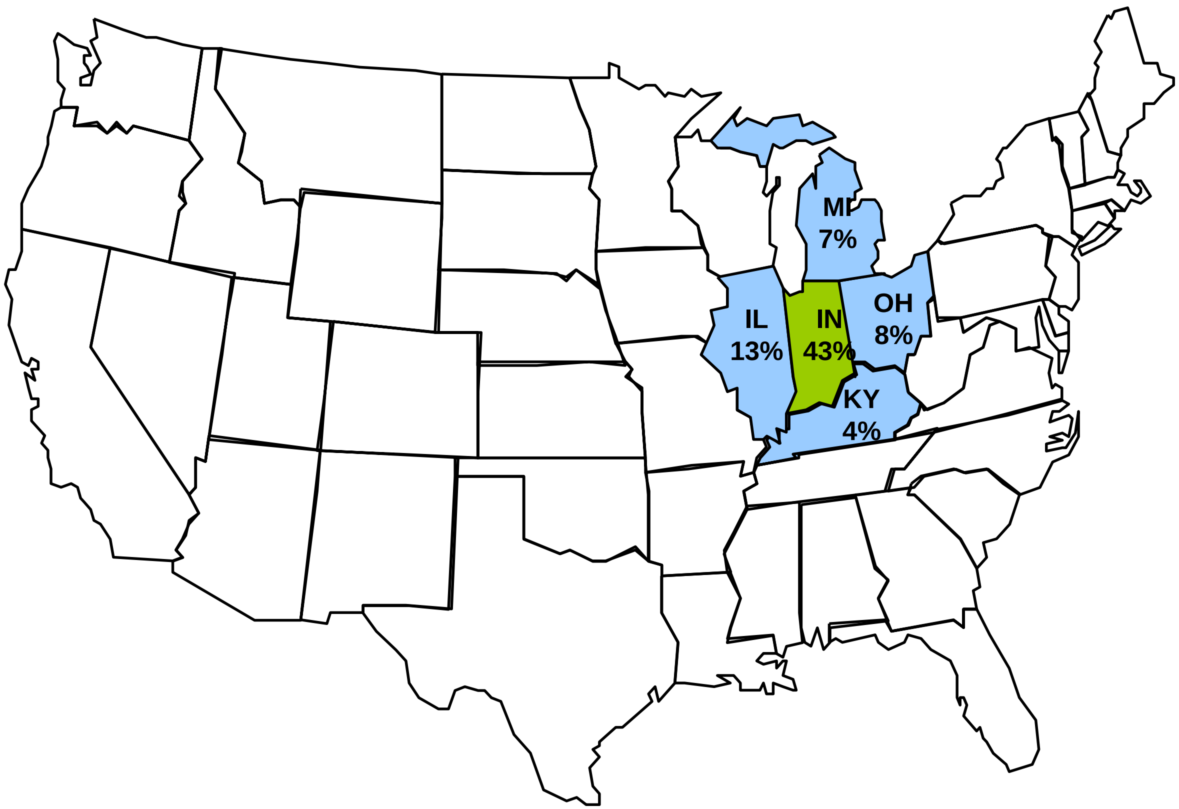
Where do travelers to Indiana come from?

Where should I target my marketing communications?

Indiana Top Origin States
(2004/% of Overnight Leisure person-stays)

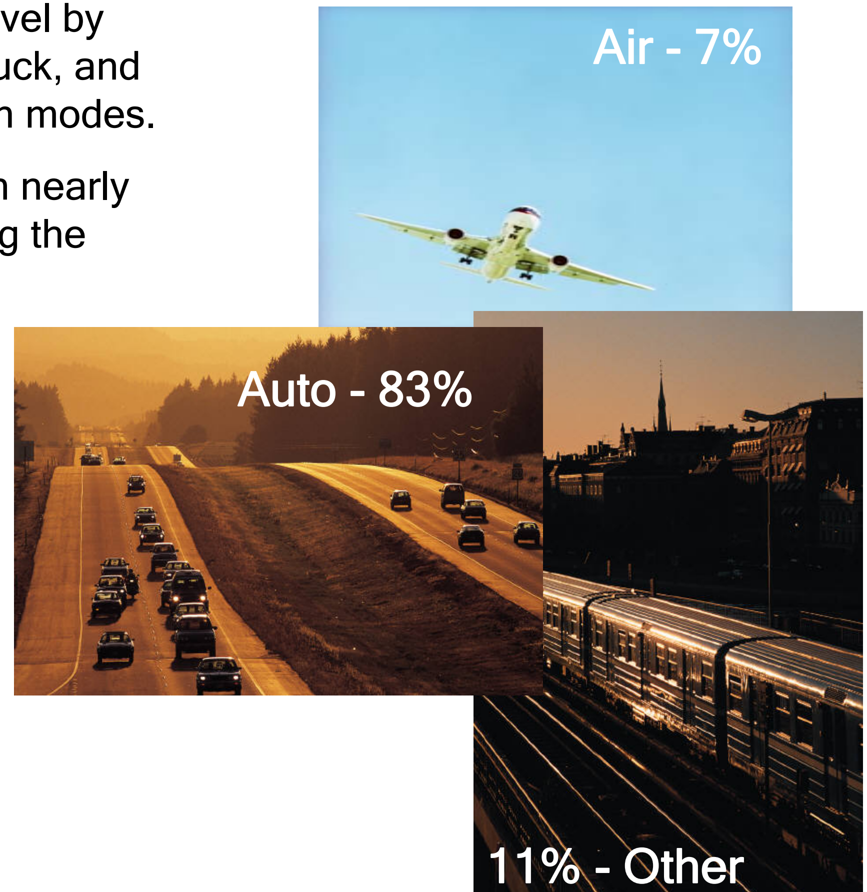
Indiana draws much of its overnight leisure travel from within a close proximity. Largest shares of Indiana overnight leisure visitors come from Indiana itself (43%) followed by Illinois (13%), Ohio (8%), Michigan (7%) and Kentucky (4%).

- Together, these states account for 75% of Indiana travel.



How did they get here?
(Overnight Leisure/person-stays)

- Indiana has seen growth in share of "Other" as the primary mode of overnight leisure transportation over 2001 levels, squeezing share of air and auto transport.
- "Other" transportation includes travel by Camper or RV, train, bus, large truck, and other miscellaneous transportation modes.
- Indiana Camper/RV transportation nearly doubled from 2001 to 2004, driving the increase in "Other" transportation.



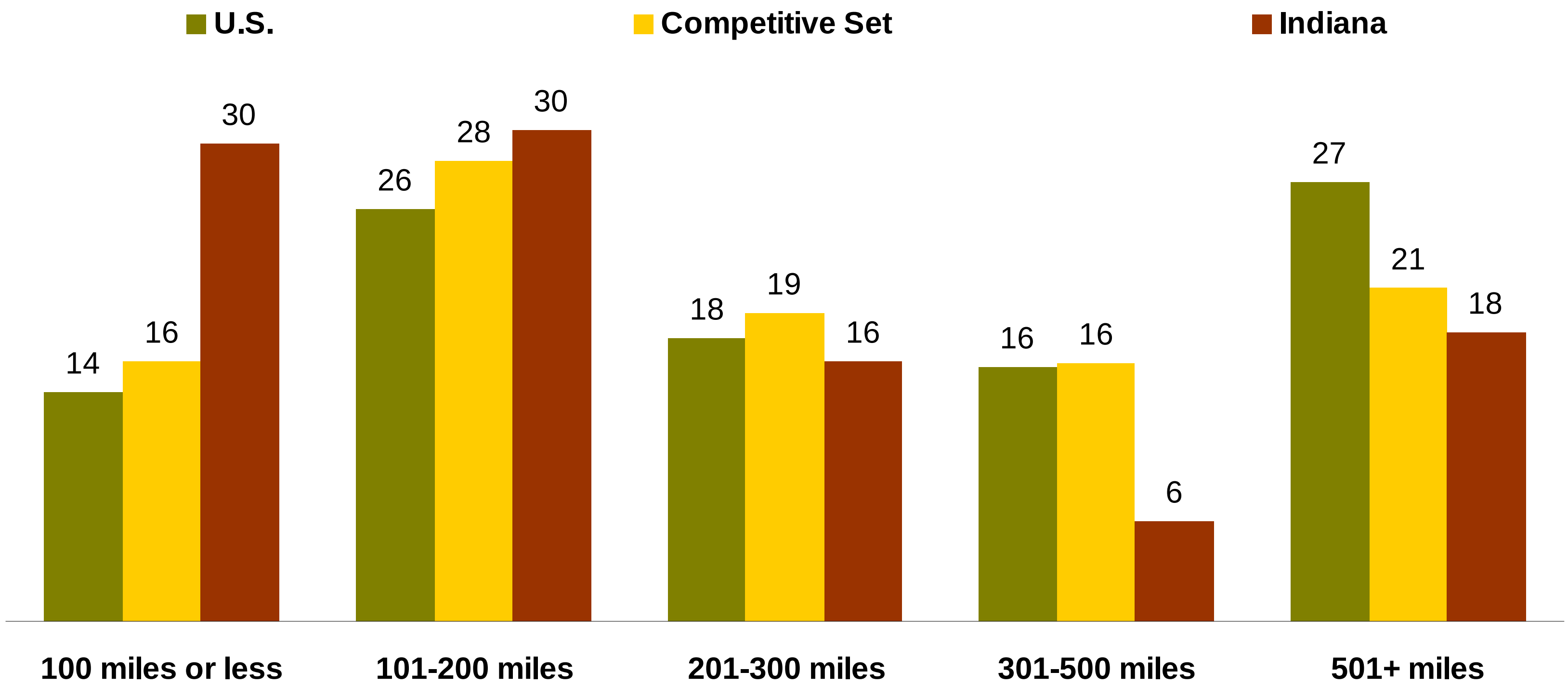
Travel Distance Distribution: U.S., Competitive Set, and Indiana

(2004/% of Overnight Leisure person-stays)

For 2004, Indiana captures over three fourths (76%) of its overnight travel from within a distance of 300 miles.

Trips of 300 or less miles account for only 58% of U.S. overnight leisure travel.

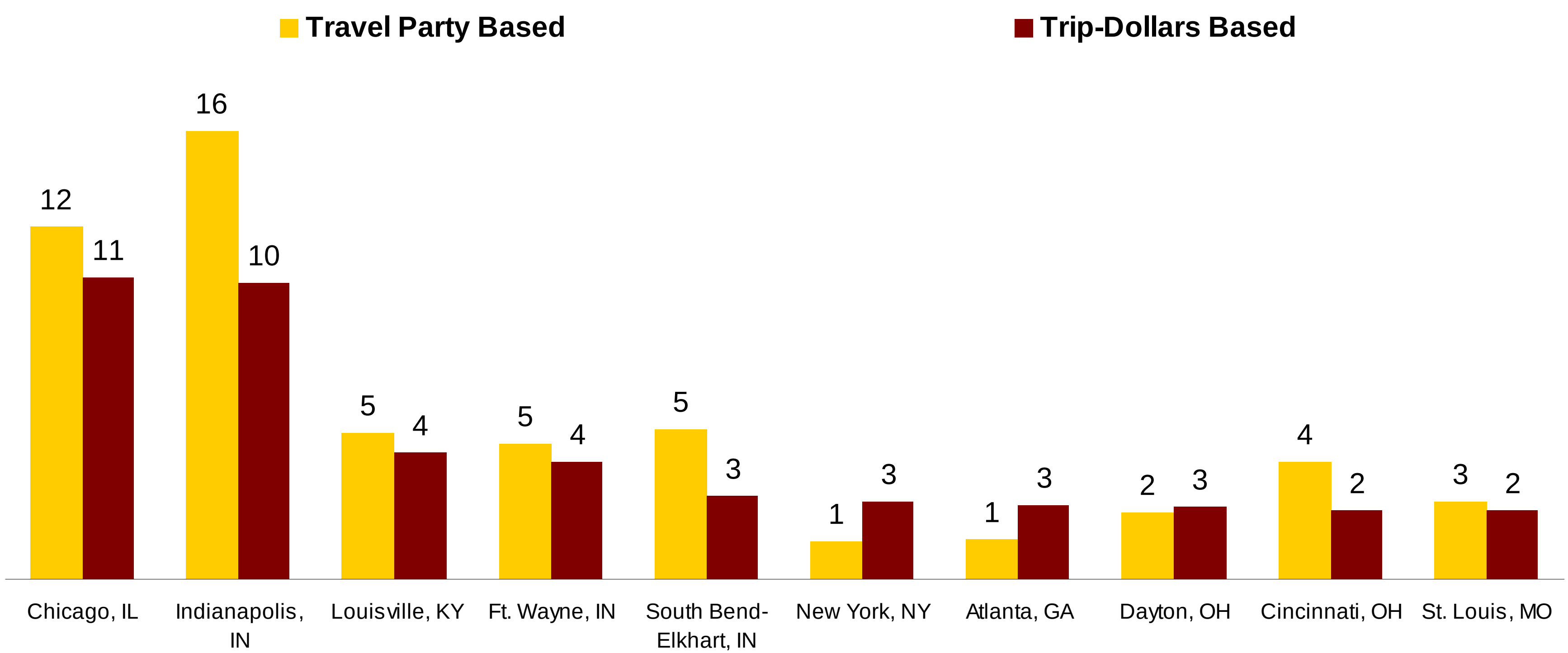
Travel distance is one-way.



Indiana Origin DMA Comparison
(2002-2004/% of Overnight Leisure)

This split shows the value of high-spending metro travelers to the overall Indiana travel spending pie:

- Illinois and Indiana bring in the lion's share of Indiana overnight leisure trip dollars, despite below average spending levels.



Indiana Strategic Imperatives

Direct impact of traveler spending is $4.98 Billion
- Indirect and induced spending adds an additional $3.91 Billion
- More than 193,000 Jobs directly supported by Traveler spending

Indiana's 2001-2004 growth has not kept pace with the U.S. travel sector
- Indiana total trips is up 4.9% vs. 12.4% for the U.S
- Indiana length of stay is down 9.7%. U.S. is down only 2.5%

Satisfaction & Value Ratings are on par with the Competitive Set.
- But are down from 2001 levels, falling below the U.S. averages

Key market segments
- Maintain: 35-54 Families Segment, which grew considerably over 2001
- Grow: 35-54 Couples (which has declined)
- Origin markets within 300 miles are the core of Indiana traveler base

Build length of stay hour-by hour for immediate impact
- Increase front line cross-selling & in-market promotions
- Assess attractions and capacity to maximize length of stay

Thank You!

- Presentation Can Be Downloaded From…

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