EXECUTIVE SUMMARY

BACKGROUND

With the release of the 1997 *Survey of International Air Traveler Survey* results produced by the Tourism Industries office in the U.S. Department of Commerce, the Taubman Company and Tourism Industries formed a Memorandum of Understanding (MOU) to formally engage in a custom analysis of the special characteristics of overseas travelers who engage in shopping during their visit to the U.S. and enjoy cultural tourism and/or ethnic heritage sites as part of their activities during their trip in the U.S.

In developing this study, the Department of Commerce, Tourism Industries office used this special custom run of the data from the ongoing research program they conduct called the *In-Flight Survey of International Air Travelers*. This program surveys a monthly sample of international travelers on the planes after they have visited the U.S. In 1997, 48,882 travelers responded to the survey. The Tourism Industries office analyzed the data from the custom run relative to the respondents' activities, shopping habits, expenditures, length of stay, traveling companions and accommodations, among other things.

DEFINITIONS AND SIZE OF THE MARKETS

For the purposes of this study, the following definitions apply for understanding the segments:

International Travelers: Persons visiting the U.S. for leisure and/or business purposes whose residency is outside the U.S. In 1997, the U.S. hosted 47,754,000 international visitors.

Overseas Travelers: Persons whose residency is outside the U.S. and visited the U.S. for leisure and/or business purposes, excluding Mexicans and Canadians. In 1997, the United States hosted 24,194,000 0verseas visitors.

Shoppers: Overseas travelers who indicated that they engaged in shopping as an activity during their trip to the U.S. In 1997, this represented 21,533,000 or 89% of the overseas visitors to the U.S.

American Culturalist Shoppers: This is used to denote overseas travelers who engaged in both shopping and cultural and/or ethnic heritage tourism activities during their visit to the U.S. To qualify, the traveler had to have shopped and done one or more of the following activities:

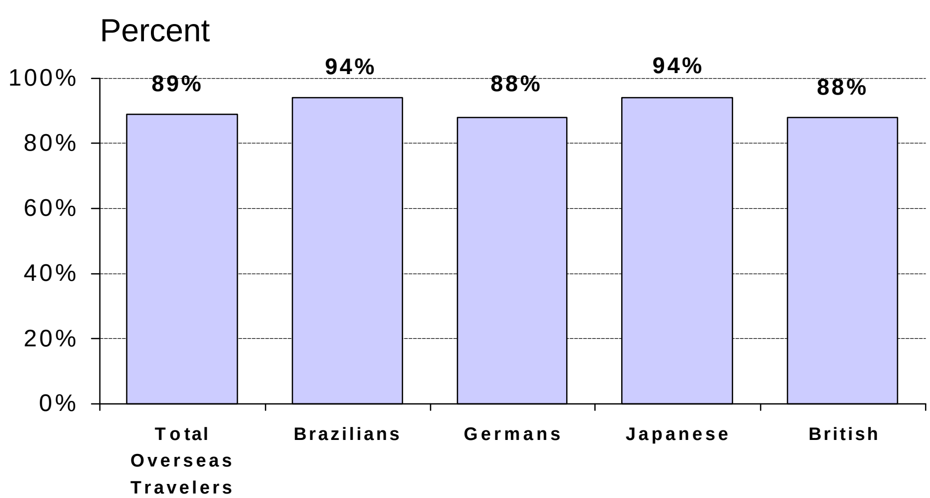
- Visited a Cultural Heritage Site
- Visited an Ethnic Heritage Site
- Visited at least two of the following:
  - -Art gallery/museum
  - -Concert/play/musical
  - -American Indian Community
  - -Historical Place
  - -National Park

In 1997, this represented 7,852,000 of the overseas visitors to the U.S. or one in three overseas visitors.

Cultural Shoppers: Travelers who engaged in both shopping and visiting a cultural heritage site. In 1997 this represented 4,477,000 or 19% of the overseas visitors to the U.S.

Ethnic Shoppers: Travelers who engaged in both shopping and visiting an ethnic heritage site. In 1997 this represented 1,190,000 or 5% of the overseas visitors to the U.S.

Top Shopping Markets 1997
(Percent of Total Who Shopped)



Four specific country markets were selected for added analyses, based upon their high propensity to shop: Japan, the United Kingdom, Germany and Brazil. Each of the shopper segments described above were applied to these country segments so that comparisons could be made between the overall or general travelers from the country, those country travelers who also shopped, and those country travelers who qualified as American Culturalist Shoppers. The size of each of these markets is stated in the chart below:

COUNTRY	Japan	UK	Germany	Brazil
General Travelers	5,368,000	3,721,000	1,994,000	941,000
Shoppers	5,046,000	3,289,000	1,759,000	880,000
American Culturalist Shoppers	893,000	1,395,000	971,000	403,000

Destinations Visited

The top five state destinations for the shopping segment as a whole were California (27%), Florida (25%), New York (21%), Hawaii (14%) and Nevada (10%), based on multiple responses.

American Culturalist Shoppers exhibited distinctly different patterns, favoring New York as the number one destination at 32%, an 11 point margin of preference. California trailed only marginally at 31% (+4 points higher than the shopper segment at large), while Florida and Hawaii actually lost ground as a destination for this active traveler compared to the general Shoppers (-4 percentage points each).

Cultural Shoppers were nearly as equally keen on New York as California (30 and 31% respectively).

Ethnic Shoppers favored Hawaii by more than 10 points over the Shopper segment. Ethnic Shoppers were marginally more likely to go to California than the shopping segment and exhibited only a slight preference for this destination over the others.

Because such a high percentage (94%) of Japanese shop while in the U.S., there are only minor differences in destinations between all Japanese visitors and Japanese Shoppers. Over twice the proportion of the Japanese American Culturalist shoppers visited New York (17%) compared to the Shoppers (8%).

Florida was the hands-down favorite destination for UK travelers overall in 1997 and also for the Shopper segment. However, for those British travelers who combined shopping with cultural or ethnic tourism activities, Florida's edge was minimized with California and New York having positioned behind Florida by less than a percentage point.

California was displaced as the number one destination by New York for those Germans who combine shopping with cultural or ethnic tourism activities. Florida and Georgia received lower visitation levels of the German American Culturalist Shopper segment.

Florida was displaced as the number one destination with an 11 point lower level of visitation by the Brazilian American Culturalist Shoppers. New York, on the other hand, gained 20 percentage points to a dominant first place for those Brazilians who combined shopping with cultural or ethnic tourism activities. California remained fairly constant across all three segments while Nevada benefited from the Brazilian American Culturalist Shopper segment, showing a 4 percentage point higher visitation level compared to the Brazilian Shoppers.

Trip Planning

Advance Trip Decision Time and Advance Airline Reservation Time

Overall the shopper sub-segments (American Culturalist Shoppers, Cultural Shoppers and Ethnic Shoppers) all made trip decisions further in advance than the average Shopper segment. The Shoppers made their trip decision an average 74 days prior to taking their trip. The American Culturalist Shopper segment planned further ahead (91 days on average) while the Cultural Shoppers and Ethnic Shoppers made their decision over three weeks further out than the Shoppers (95 - 97 days on average).

Among the four country segments, the Brazilians reported the shortest advance trip decision time, averaging 56 days, making their airline reservations less than one month out from the trip. The Brazilian American Culturalist Shoppers used a little more planning time, averaging five days longer than the general traveler's time.

The Japanese tended to plan their trip up to two months in advance averaging nearly 36 days for their airline reservations. The Japanese American Culturalist Shoppers planned about a week further out than the general travelers.

Of all the country segments, the British planned their trip the furthest out, averaging 108 days in advance and booking their airline reservations an average of 83 days in advance. These averages were stretched by the Shoppers and the British American Culturalist Shoppers who averaged the longest advance trip planning period at 120 days.

The German American Culturalist Shoppers were only four days shy of the British segment for advance trip planning (116 days), considerably longer than the general German travelers at 94 days.

Information Sources

How to reach the specific Shopper market segments does not vary as widely by country or even activity levels of shopping and/or cultural tourism as one might expect. Without question, the travel agent is the key resource for information for three of the four country groups. Nearly two thirds of the British, Japanese and Brazilian travelers, no matter what their level of shopping and tourism activities, relied upon the travel agents as their information resource. Only the Germans tended to use the travel agencies at a smaller proportion (45%). The German's second prominent resource for trip planning was the state and/or city travel offices, followed by friends or relatives and travel guides.

Use of Packages

In order to efficiently sell U.S. travel services and products overseas, the travel industry organizes packages. Even though the majority of the visitors are coming to the U.S. without a pre-paid package, it is clear that of the packages and promotional offerings to the overseas visitors, shopping opportunities should be included. This is particularly evident for capturing the Ethnic Shopper segment.

Overall the Ethnic Shoppers had the largest proportion of travelers (36%) who used a prepaid package to visit the U.S. This translates to 428,400 Ethnic Shopper travelers who purchased a package prior to visiting the U.S. The Cultural Shopper segment had a smaller percentage of travelers pre-purchasing a package (27%) but nearly three times more travelers (1,208,790). Likewise, the Shopper segment and American Culturalist Shoppers both had nearly a quarter (24%) of the respective segment's population pre-purchasing a package. In terms of volume, however, the overall Shopper segment was nearly 3 times larger (5,191,200 used a prepaid package) than the American Culturalist Shopper segment (1,884,480 travelers) who used a pre-paid package.

Looking more specifically at the country segments reveals that about half of all Japanese travelers, regardless of the shopper segment, used a package to travel to the U.S. One in five (22%) of the Brazilian travelers reportedly used a package for their travel arrangements with the proportion reaching to nearly three in ten (29%) among the Brazilian American Culturalist Shoppers. Similar portions of the British and German travelers used a package for their trip to the U.S. in 1997 (15% and 13%, respectively) with five percentage point increases of use among the American Culturalist Shopper segments from each of the two countries.

First Trip to the U.S.

One-fourth (25%) of the Overseas Shoppers indicated that this was their first trip to the United States in 1997. This increased to one in three of the travelers for all three shopper sub-segments. The largest portion of new-to-market travelers could be found among the Japanese (33%). Without exception, the novice travelers to the U.S. were found among the American Culturalist Shoppers, no matter from which country they hailed.

Average Trips to the U.S. in Last Five Years

Overall, Overseas Shoppers have been frequent travelers, averaging 5.8 trips over the past five years. The most frequent country segment has been the Brazilian shoppers (7.2 times) closely followed by the British (5.6 times). However, among all segments the American Culturalist Shoppers reported the least average trips to the U.S. in the last five years, indicating good potential for market development and penetration. This reflects the higher proportion they represent as well for the first time travelers.

Travel Characteristics

Average Party Size

The largest average party size was recorded by the Japanese travelers, citing over two people across all segments. Generally, the more activities recorded, such as the American Culturalist Shoppers for each country, the higher the average party size.

Average Nights in the U.S.

Having more activities to enjoy logically influences length of stay as all three shopper sub-segments recorded staying nearly five days longer in the U.S. than the general Shopper segment. The sub-segment travelers spent three weeks in the U.S. compared to only fifteen days for the Shopper segment. This underscores the advantage of marketing to the overseas American Culturalist Shoppers considering their longer stays!

Overall, the Germans averaged the longest length of stay with 17.3 days, closely followed by the British at 16 days. The Japanese averaged only a little over one week with 8 days. However, in all cases, the American Culturalist Shoppers segment for each country averaged at least 3 days longer during their 1997 trip to the U.S.

Lodging in the U.S.

At least three-fourths of the overseas travelers from each country segment stayed in a hotel or motel during their trip to the U.S. in 1997. The proportions did not vary significantly by shopper sub-segments within the countries. Over nine out of ten of the Brazilians and the Japanese used the hotel or motel for their lodging while one in four British travelers used a private home. Over one-third of the German travelers from each segment also used a private home as their accommodations during their trip to the U.S.

Number of States and Destinations Visited

Adding activities tended to increase the number of states and/or destinations visited by the overseas travelers. Shoppers averaged 1.7 states and 2.3 destinations during their trip in 1997. The shopper sub-segments averaged 2.0 states and nearly three destinations, however. This occurred across the different country segments as well. Specifically, the Germans visited the highest average number of states (1.9) and the most destinations (3.0) with the German American Culturalist Shoppers visiting an average of 3.5 destinations.

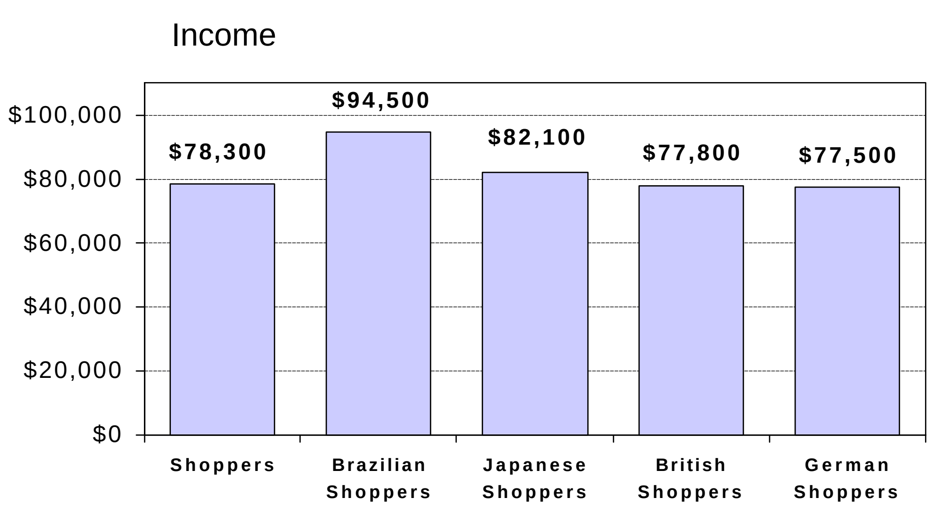
This is a solid indicator that marketing partnerships between destinations could be an effective means of securing these active travelers.

Transportation Used in the U.S.

Partnerships between suppliers would also be an effective technique for securing these active travelers. Over four out of ten of the Brazilian, German and British travelers who also shopped reportedly used a rental car during their trip to the U.S. in 1997. Over four out of ten of the Brazilian and the Japanese American Culturalist Shoppers reported using an airline in the U.S. during their trip. Overall, these are mobile travelers visiting multiple destinations using a combination of transportation modes to accomplish their combined shopping and cultural and/or ethnic heritage tourism activities.

Average Annual Household Income

Average Annual Household Income
Top Shopping Markets 1997



Brazilian Shoppers reported the highest average annual household income of the country segments at $94,000. This may be correlated to the finding that Brazilian Shoppers also had the highest incidence (76%) of reporting their occupation as either at a managerial/executive or at a professional/technical level. The Japanese Shoppers were second in annual household income ($82,100), followed by the British ($77,800) and closely followed by the Germans ($77,500).

Travel Behavior

Purpose of Trip

Compared to a third of the Shoppers visiting for business purposes, the highest proportion of the three shopper sub-segments came to the U.S. for pleasure/leisure purposes, including visiting friends and relatives. The Ethnic Shoppers had the most substantial percentage (84%) visiting for leisure purposes. Both the American Culturalist Shoppers and Cultural Shoppers had a slightly higher tendency to visit with friends and relatives (41% and 40%, respectively) compared to the Shoppers and Ethnic Shoppers (33% and 35%, respectively). This pattern was reflected across all four country segments as well.

Activities Enjoyed During Trip

As might be expected, these special travelers engaged in a lot more activities and at a higher proportion than most overseas travelers did. In this case, several specific activities were reported by a significantly higher proportion of the shopper sub-segment travelers compared to the Shoppers on the whole:

> -Visiting Historical Places: Visiting historical places was the top activity overall for all three sub-segments, reporting over double the level of the Shoppers. This was the second highest activity for the Shoppers, with shopping as the first!
>
> -Sightseeing in Cities: Overall, sightseeing in cities was second only to visiting historical places as an activity for all three sub-segments.
>
> -Visiting National Parks: Over 45% of all visitors for each shopper sub-segment visited a National Park while in the U.S., compared to only 21 percent of the Shopper segment.
>
> -Cultural Heritage sites: The majority (57%) of the American Culturalist Shoppers visited a cultural heritage site. Over three times the share of The Ethnic Shoppers visited a cultural heritage site than the Shopper segment (65% vs. 32%, respectively).

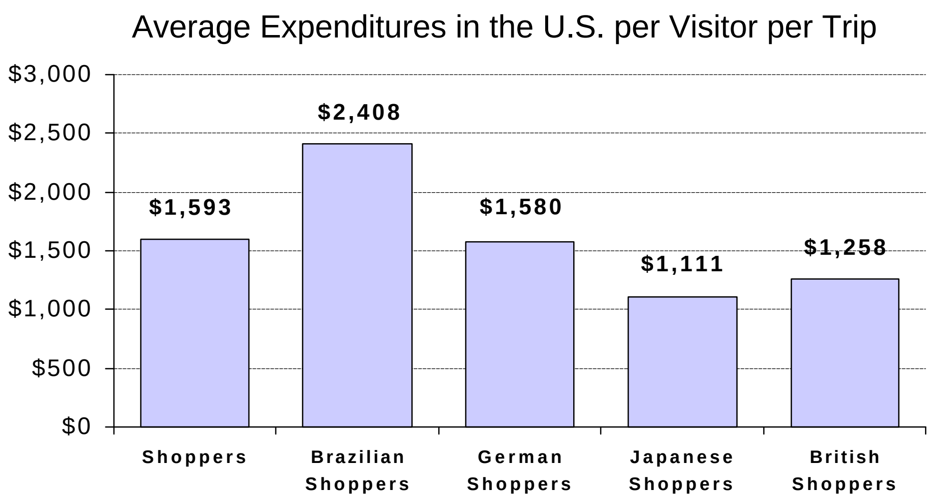
-Visit Small Towns: Not surprisingly the Cultural Shopper and Ethnic Shopper segments both had nearly double the percentage of travelers visiting a small town while in the U.S. as an activity (59% and 61%, respectively) compared to only one third (32%) of the Shopper segment.

-Attend a Concert/Play/Musical: Each of the sub-segments showed a substantially higher tendency to enjoy a concert/play/musical while visiting the U.S. than the Shopper segment. The proportion of the American Culturalist Shoppers segment (32%) was more than double the Shopper segment (15%).

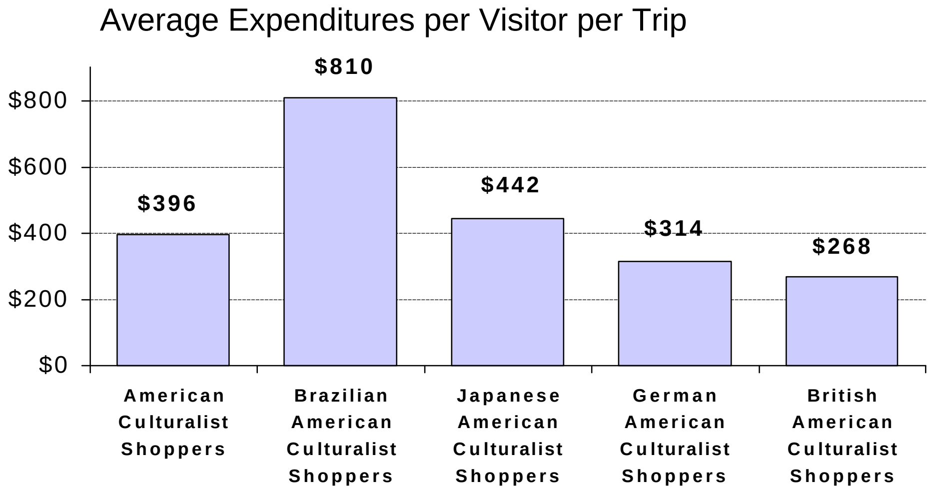
-Visit an Art Gallery/Museum: All three shopper sub-segments had more than twice the share of travelers visiting an Art Gallery/Museum than the Shopper segment (20%).

<u>Expenditures in the U.S.</u>

Top Overseas Shopping Markets to the U.S.
1997



Expenditures on Gifts and Souvenirs
Top American Culturalist Shopper Markets
1997



Overall, the shopper sub-segment travelers reportedly spent more in total during their trip to the United States and had a tendency to spend more on lodging and on food and beverage than the Shoppers. The Shopper segment, on the other hand, spent more on gifts and souvenirs. Slightly more was spent on transportation by each of the three sub-segments compared to Shoppers. This reflects their longer length of stay and their visiting multiple destinations. All in all, the American Culturalist Shoppers spent the most, averaging $1,784 (for expenditures in the U.S. per visitor per trip), indicating the lucrative return on investment that could be made for target marketing this active overseas traveler segment.

The largest portion of spending in the U.S. by Brazilian Shoppers went to the purchase of gifts and souvenirs. Nearly one-third of their total expenditures went to this single category and retail sector, surpassing the amount spent on lodging by a 10 point margin. The average expenditure on lodging totaled $517 or about $38 per person per night, based on the average stay of 13.7 nights. On the other hand, the Brazilian Shopper spent about $58 per day on gifts and souvenirs!

<u>Payment Method</u>

Credit card usage was highest among the Brazilian and the German Shoppers. Japanese Shoppers were much more likely to pay for their trip expenditures with cash (46%) while UK Shoppers used travelers checks and cash in equal proportions (28% each).