



Looking Forward To 2012

Henry H. Harteveldt
Co-Founder, Atmosphere Research Group
February 8, 2011

What Is Atmosphere Research?

- Independent, objective research and advisory firm
- Objective: To help our clients “see around the corner” to be more prosperous businesses
 - It’s not about the data - it’s about why the data matters
- Comprehensive, integrated focus
 - Marketing, including eCommerce/distribution, loyalty, mobile, social media, and consumer technology
 - Customer service/customer experience
 - IT, including hardware, software, and vendor assessments

How Do We Know What We Know?

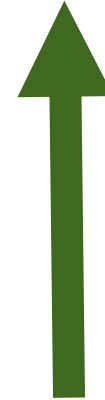
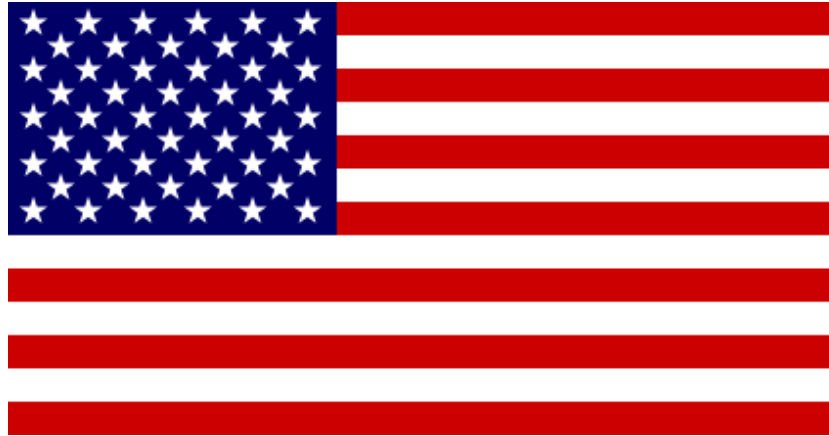


Online survey, 5,058 US leisure
travelers, October 2011



In 2012, The Industry's Glass Will Be Half-Full

Disjointed, Uneven Economies



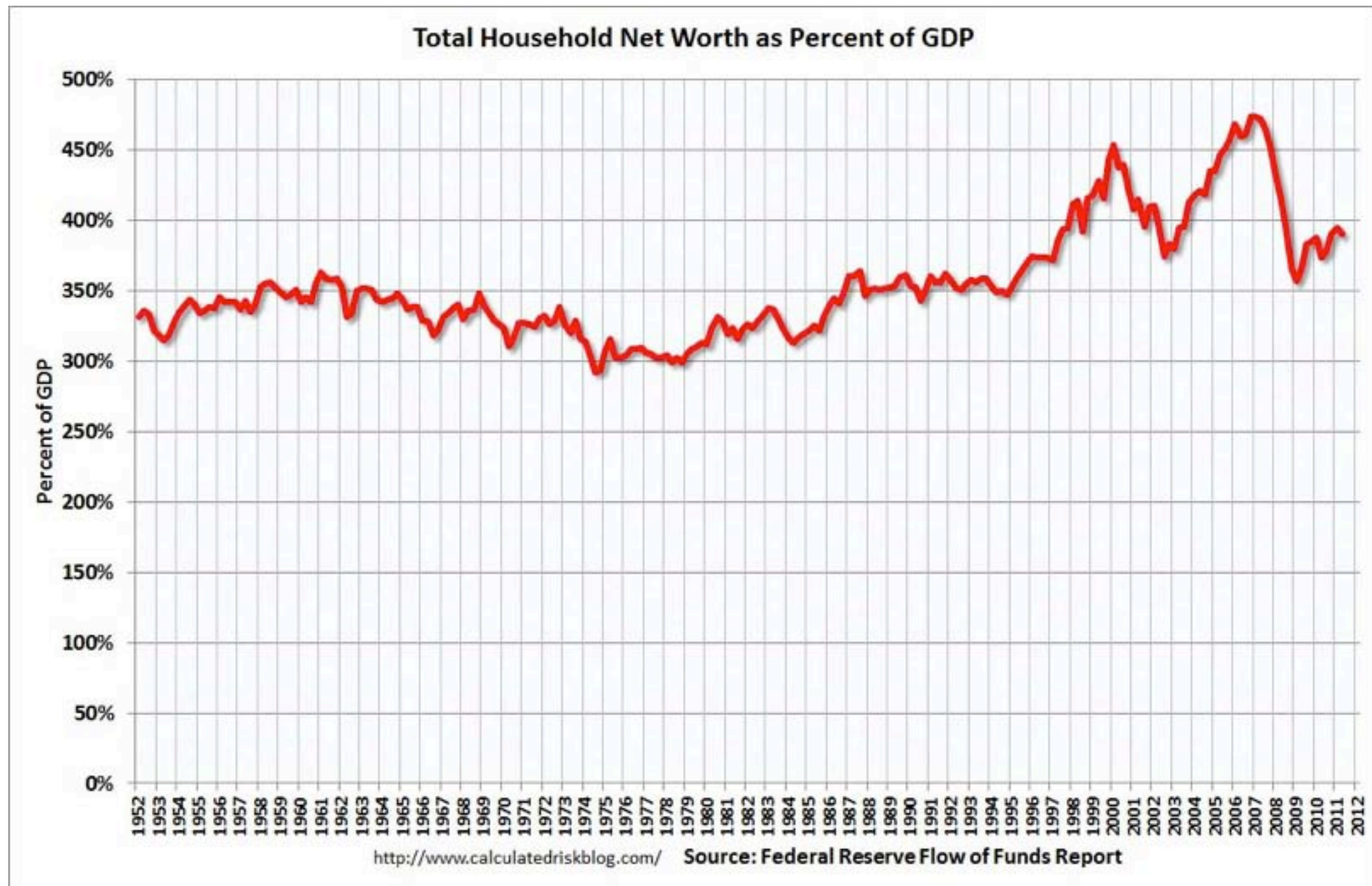
Expensive Energy Reduces Disposable Income, Increase Airlines' And Cruise Lines' Costs

LIGHT CRUDE MAR2 CLH2 : New York Mercantile Exchange



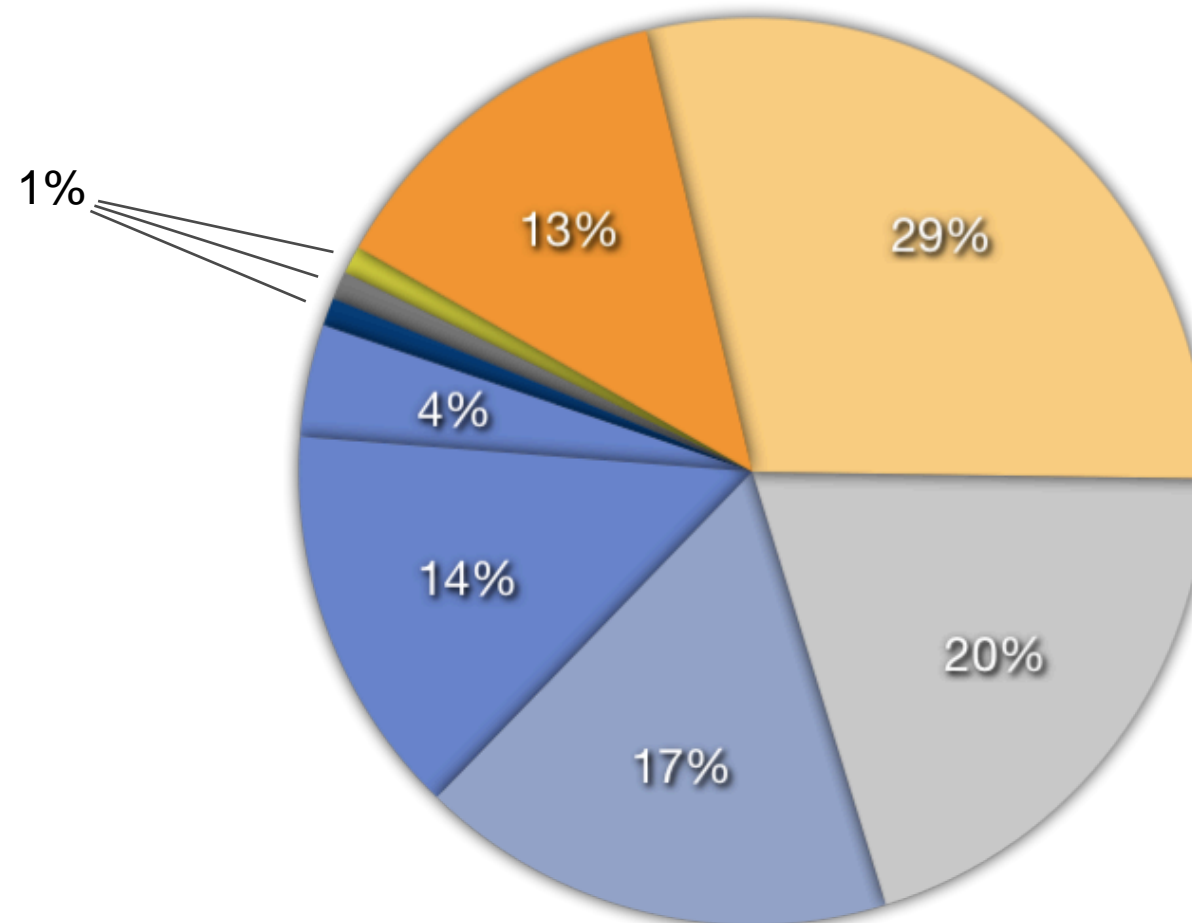
Click on indicators or comparisons to edit or remove from chart. Mouse over events for more details.

US Households' Net Worth Down \$7.4 Billion From 2007 Peak



The Recession's Impact: Most US Travelers Are In Middle/Upper-Income Groups

- Less than \$25,000 a year
- \$25,000-\$49,999 a year
- \$50,000-\$74,999 a year
- \$75,000-\$99,999 a year
- \$100,000-\$149,999 a year
- \$150,000-\$199,999 a year
- \$200,000-\$249,999 a year
- \$250,000-\$299,999 a year
- \$300,000 or more a year



Travelers' average 2011 annual household income (\$74,000) is about 50% above the US average

(Numbers may not total 100 due to rounding)

Base: US Online Leisure Travelers

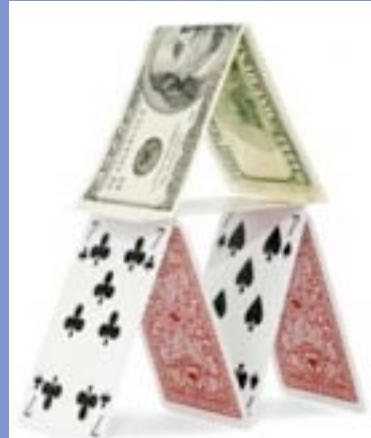
Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

Industry outlook

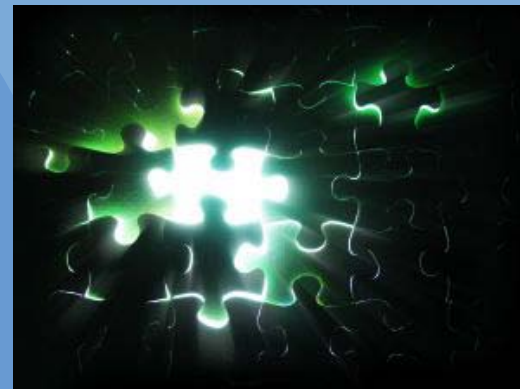


- Ongoing consolidation through bankruptcies, mergers, alliances
- High fuel costs force capacity, network discipline -- more JVs for long-haul flying
- Continued emphasis on ancillary revenue
- Continued rate recovery in 2012
- 70% of room growth outside US
- Brand growth/fragmentation
- 5.1% global industry capacity growth
- “Megaship resort” trend
- Costa Concordia likely to affect cruise demand outside US

Three Factors Will Define 2012 For Travel Sellers Worldwide



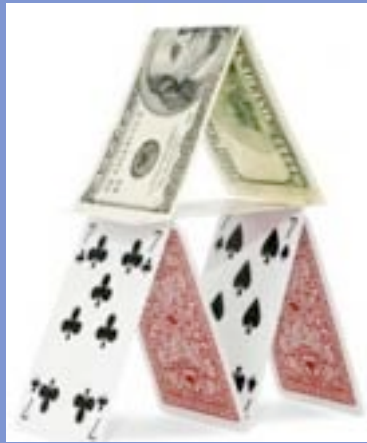
Uncertainty



Fragmentation



Immediacy



Uncertainty

The Uneven Economic Environment Continues To Impact Travelers' Spending

Travelers Have Been Treading Financial Waters But See A Better Year Ahead

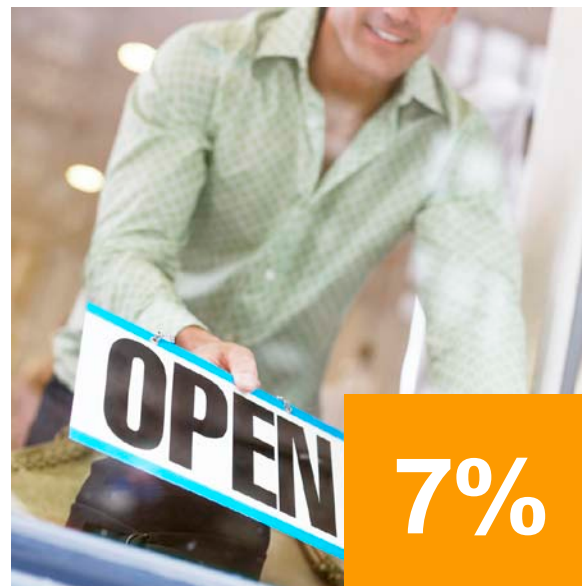
2011



2012



More US Travelers Intend To Buy Consumer Durables, Another Sign Of Recovery

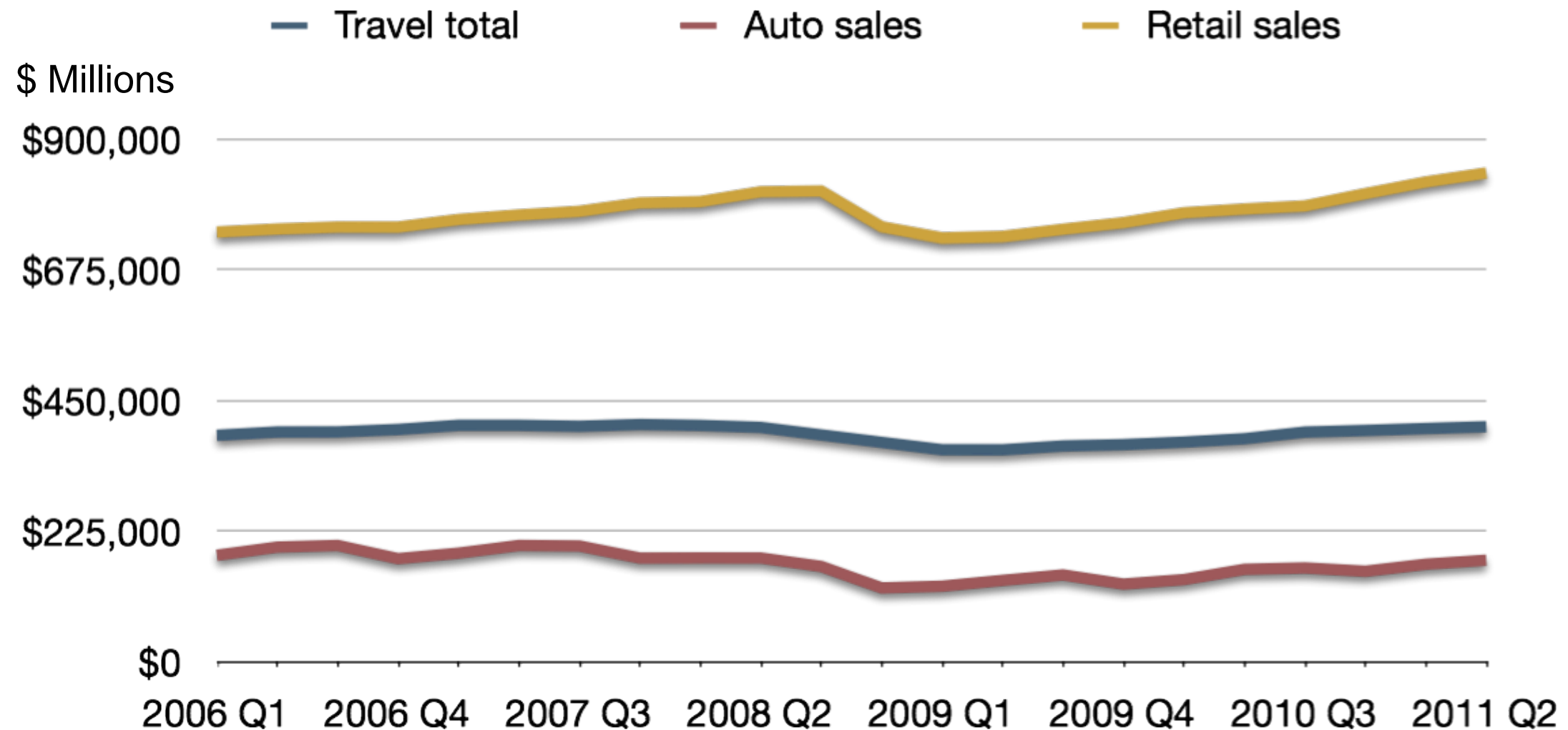


Base: US Online Leisure Travelers

Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

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In the US, Travel Sales Tend To Follow Auto Sales



Source: U.S. Bureau of Economic Analysis and US Census Bureau, Monthly Retail Trade And Food Services Report

Travelers Will Remain Cautious Consumers



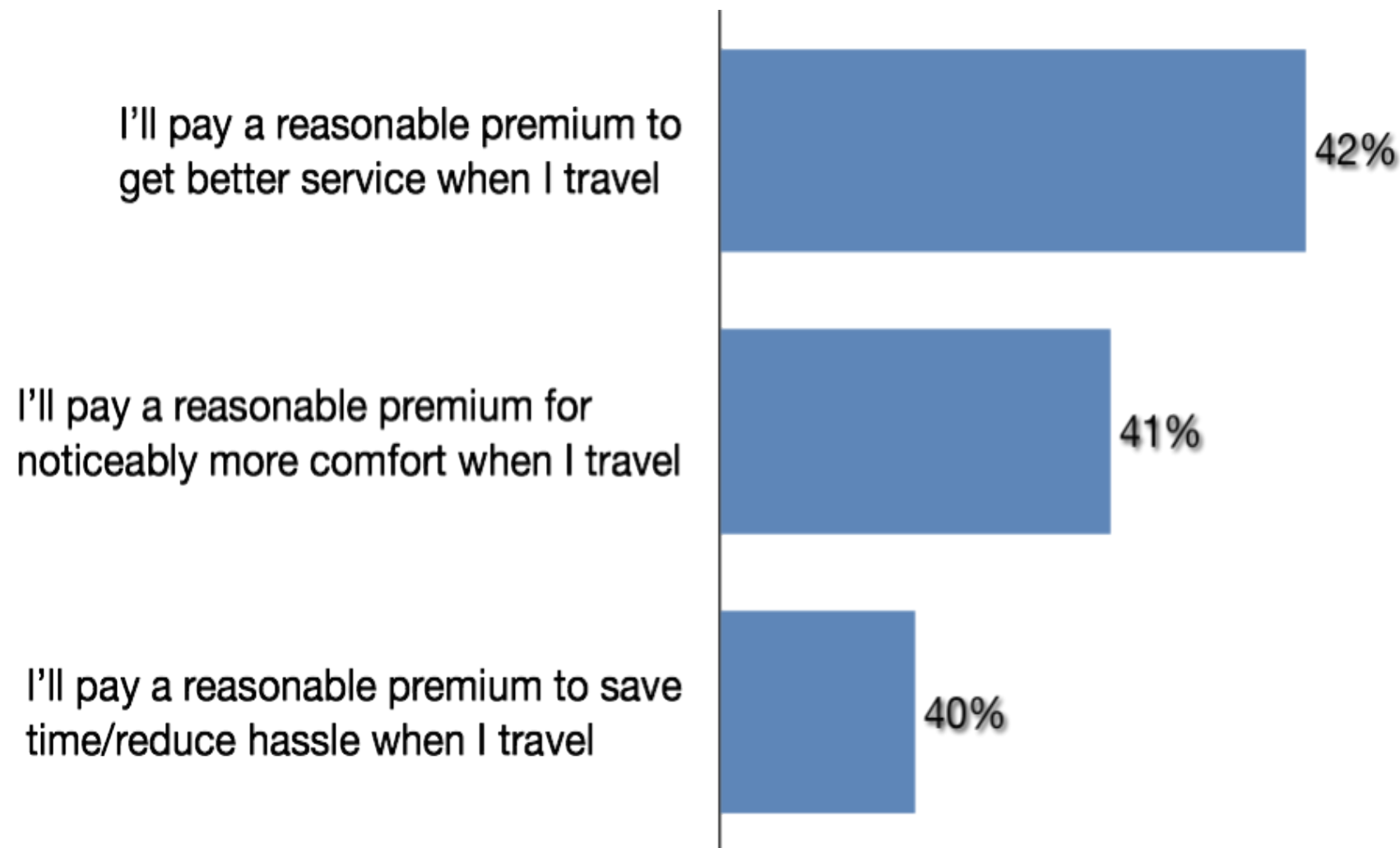
Source: BirdsongGregory.com

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Though Price Matters For Initial Purchase, Many Travelers Will Consider Relevant Up-Sell Offers

“Please tell us whether you agree or disagree with the following statements” (Percent who answered 4 or 5 on 5-point scale)

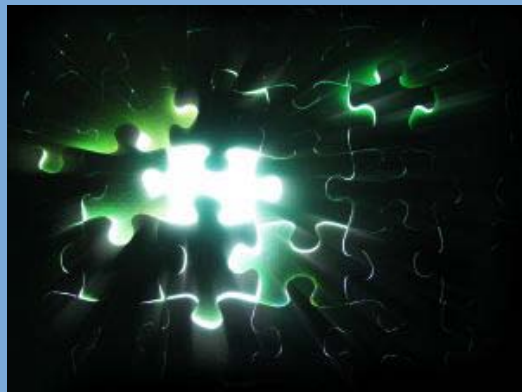


Base: US Online Leisure Travelers

Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

“Gen Y” (22-34 Year Old) Travelers Are The Most Optimistic





Fragmentation

A Distribution Environment
With A Growing Number Of
Channels Shopped By
Strongly Brand-Neutral,
Deal-Focused Travelers

US Travelers Average Seven Leisure Trips/Year



78%; 6X/year



69%; 3.6X/year



53%; 2.6X/year



31%; 2.4X/year

Base: US Online Leisure Travelers Who Used Each Category

Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

7 in 10 Travelers Have No Sense Of Brand Loyalty



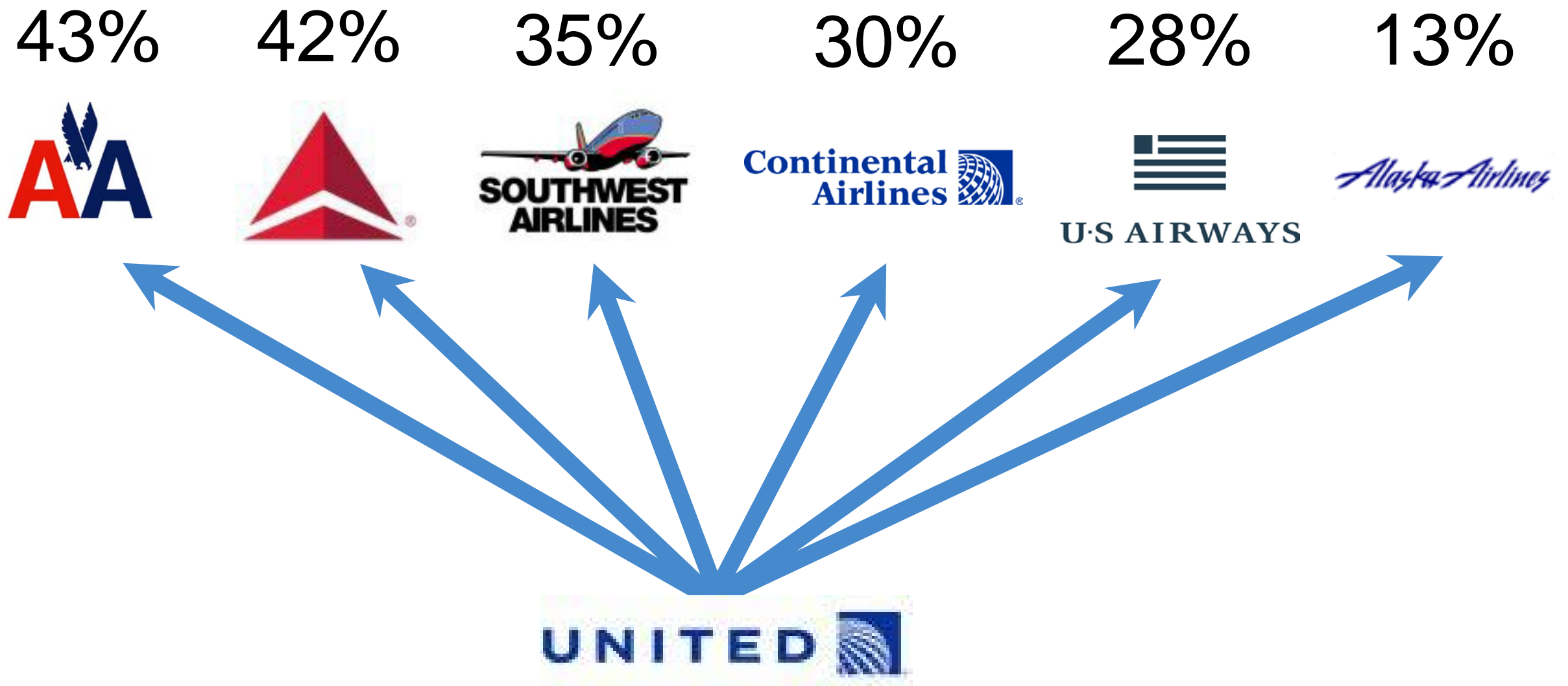
Source: Google Images

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Brands Don't Own Their Travelers

Passengers who flew legacy United at least once in past 12 months and also flew at least once on the following carriers



Base: US Online Leisure Airline Passengers

Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

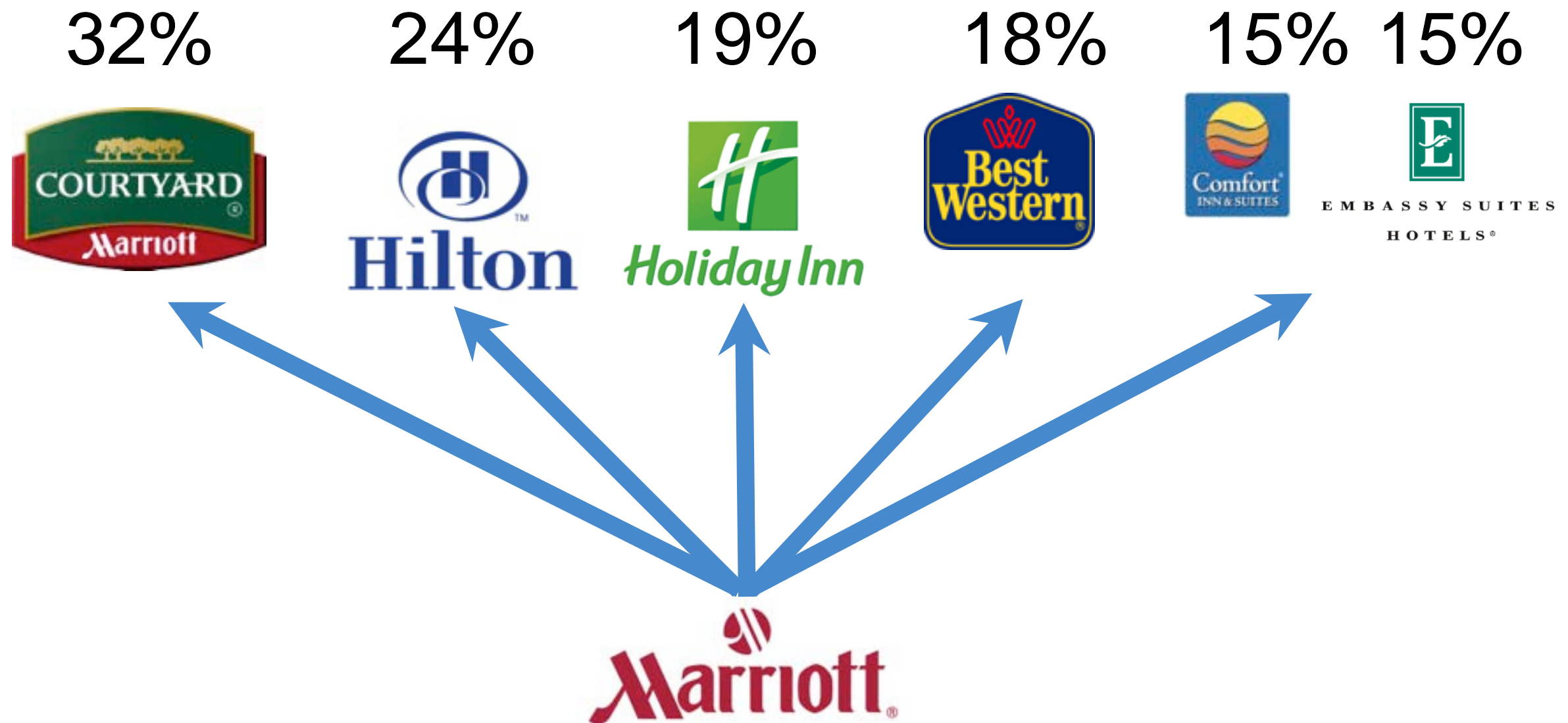
Source: Company websites

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Brands Don't Own Their Travelers

Guests who stayed at least once in past 12 months at Marriott properties and also stayed at least once at the following chains



Base: US Online Leisure Hotel Guests

Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

Source: Company websites

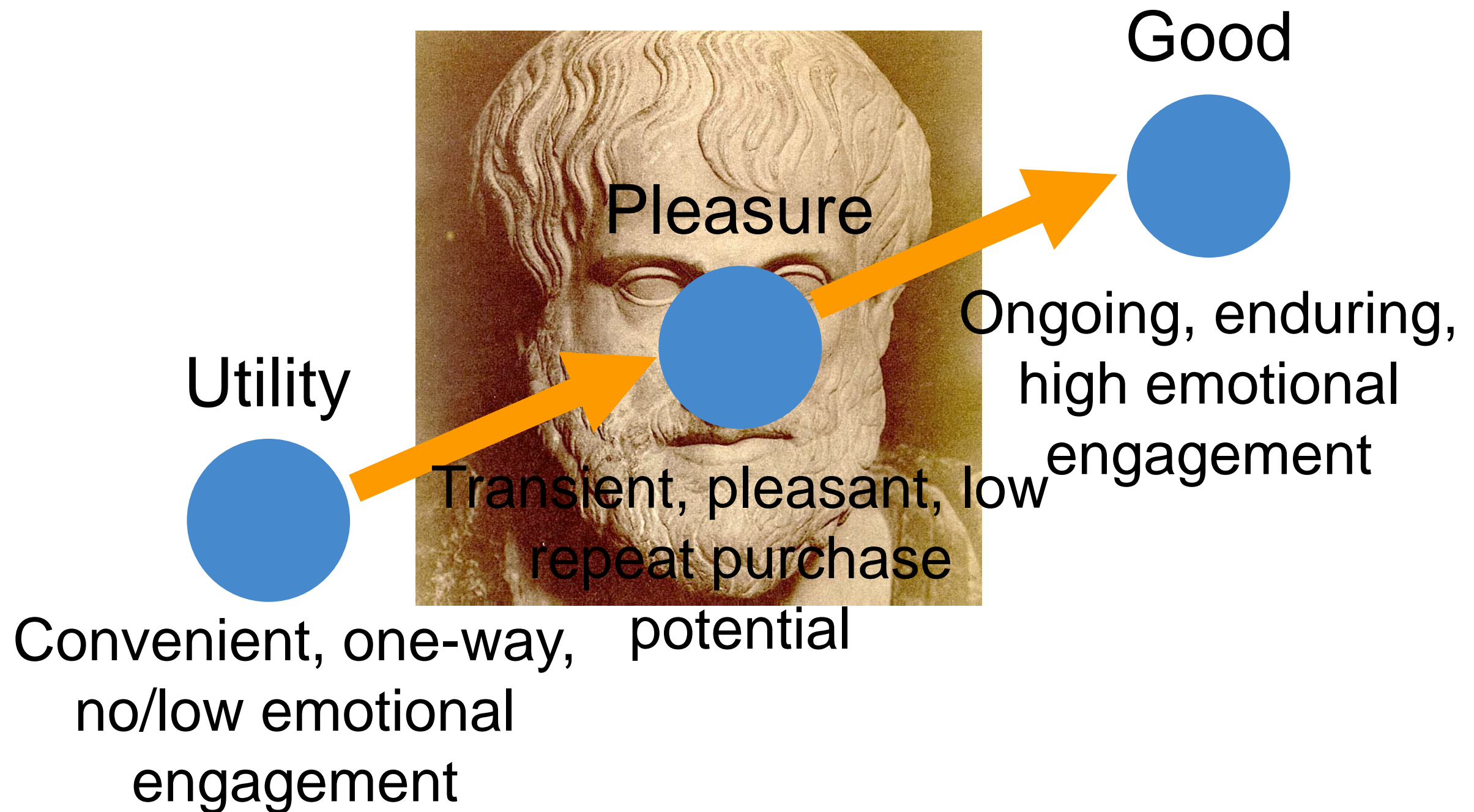
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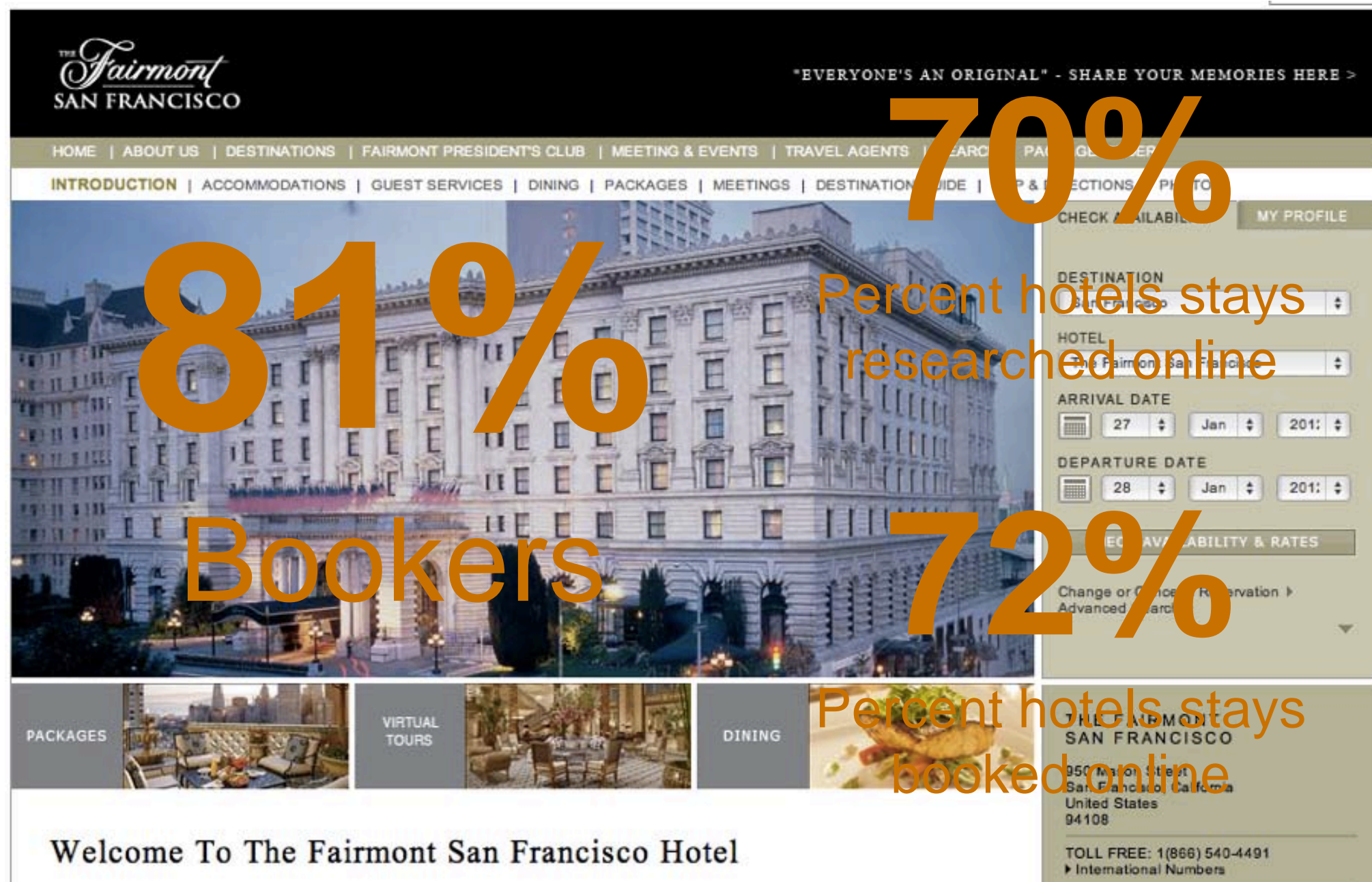
Growing Brand, Product Proliferation/Fragmentation Further Strains Loyalty



Travel Loyalty Programs Need To Evolve From Being Used To Being Valued



Online Booking In US Is Essentially At Saturation Levels



Base: US Online Leisure Bookers

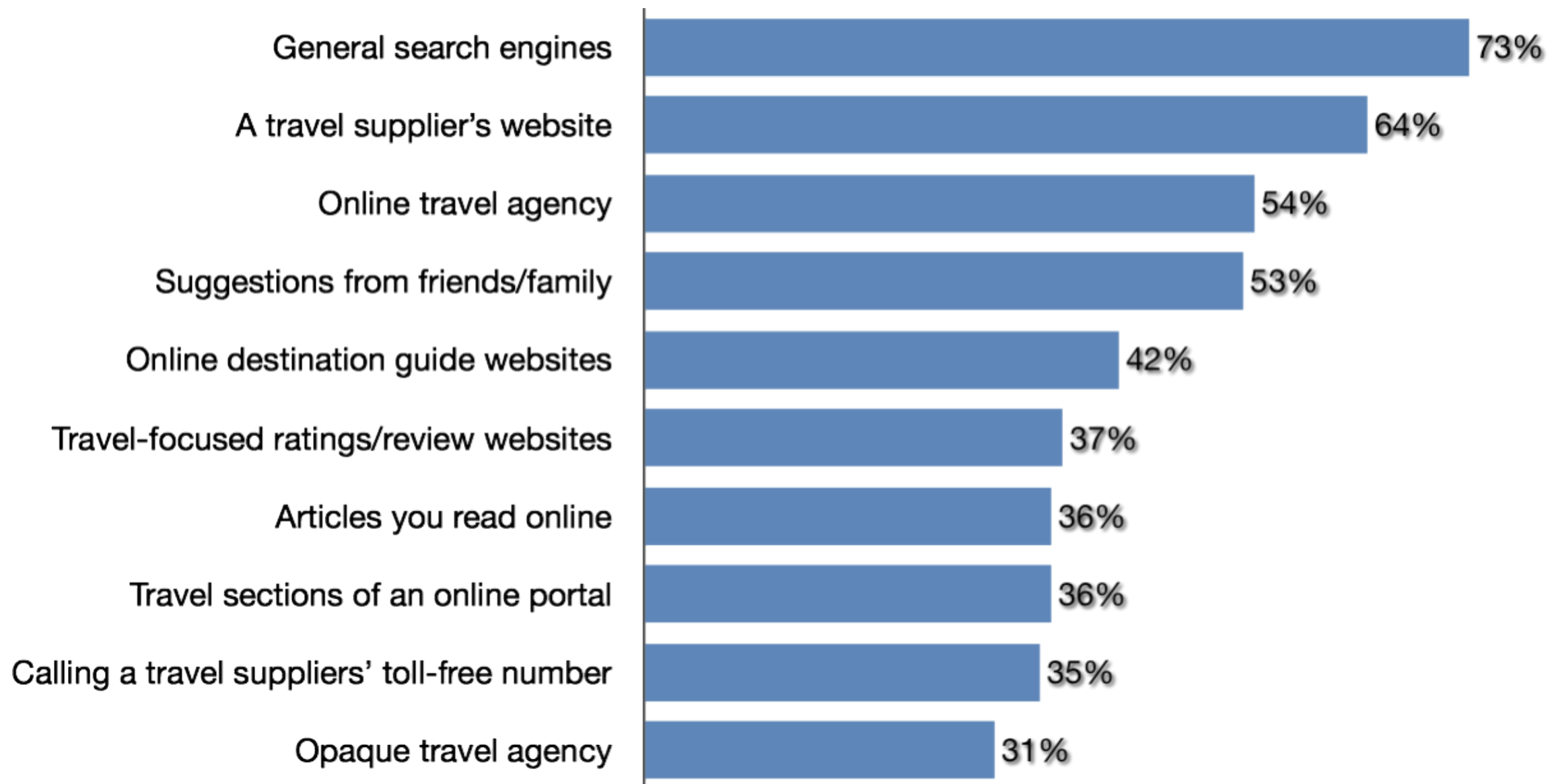
Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

More Than 100 Online And Offline Media Platforms Are Available To Consumers



Among The Top 10 Resources Bookers Use To Research Trips, Two Are Offline

“In the past 12 months, which of the following did you use to research/plan your leisure/personal trips?”

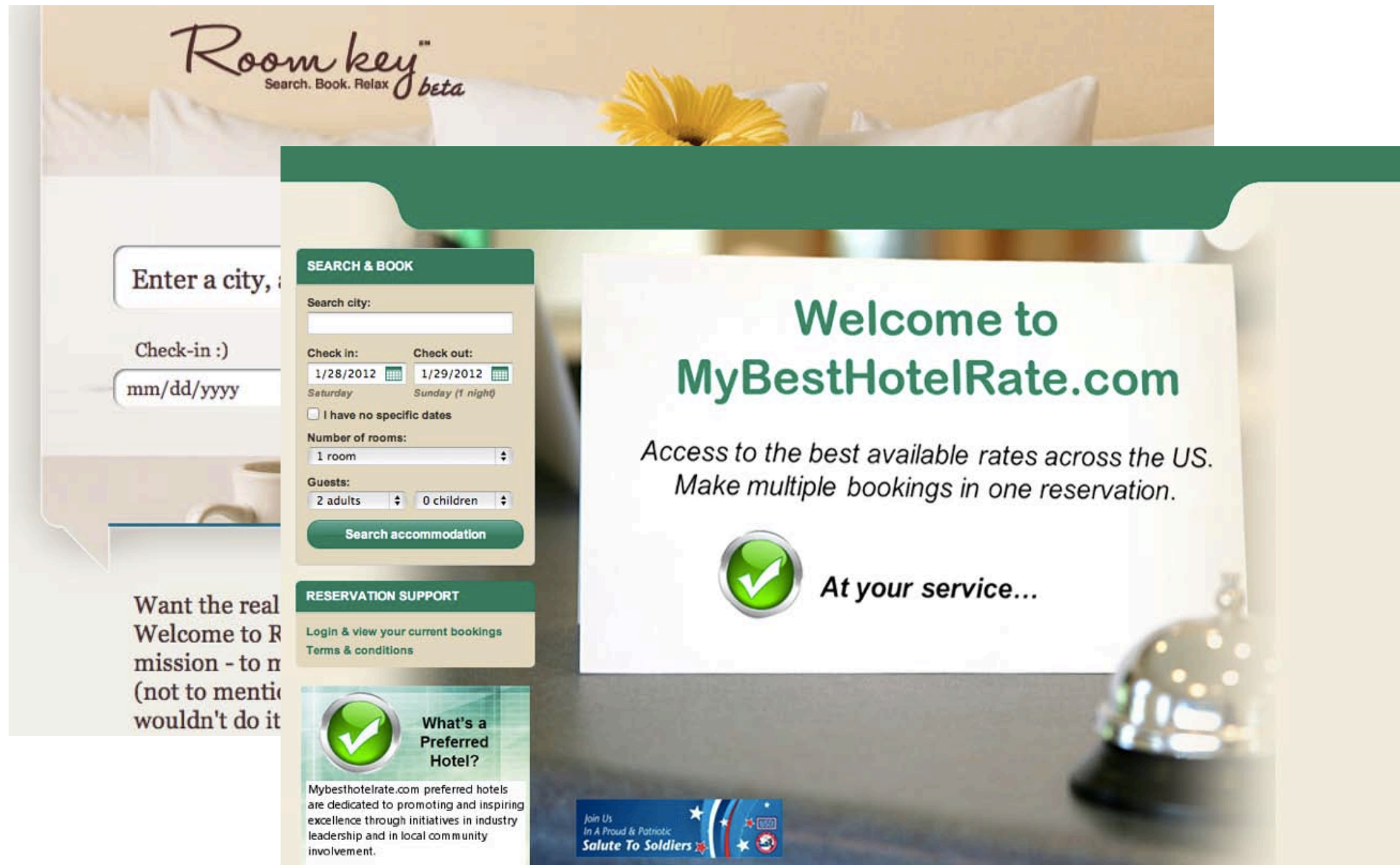


(Multiple responses accepted)

Base: US Online Leisure Travel Bookers

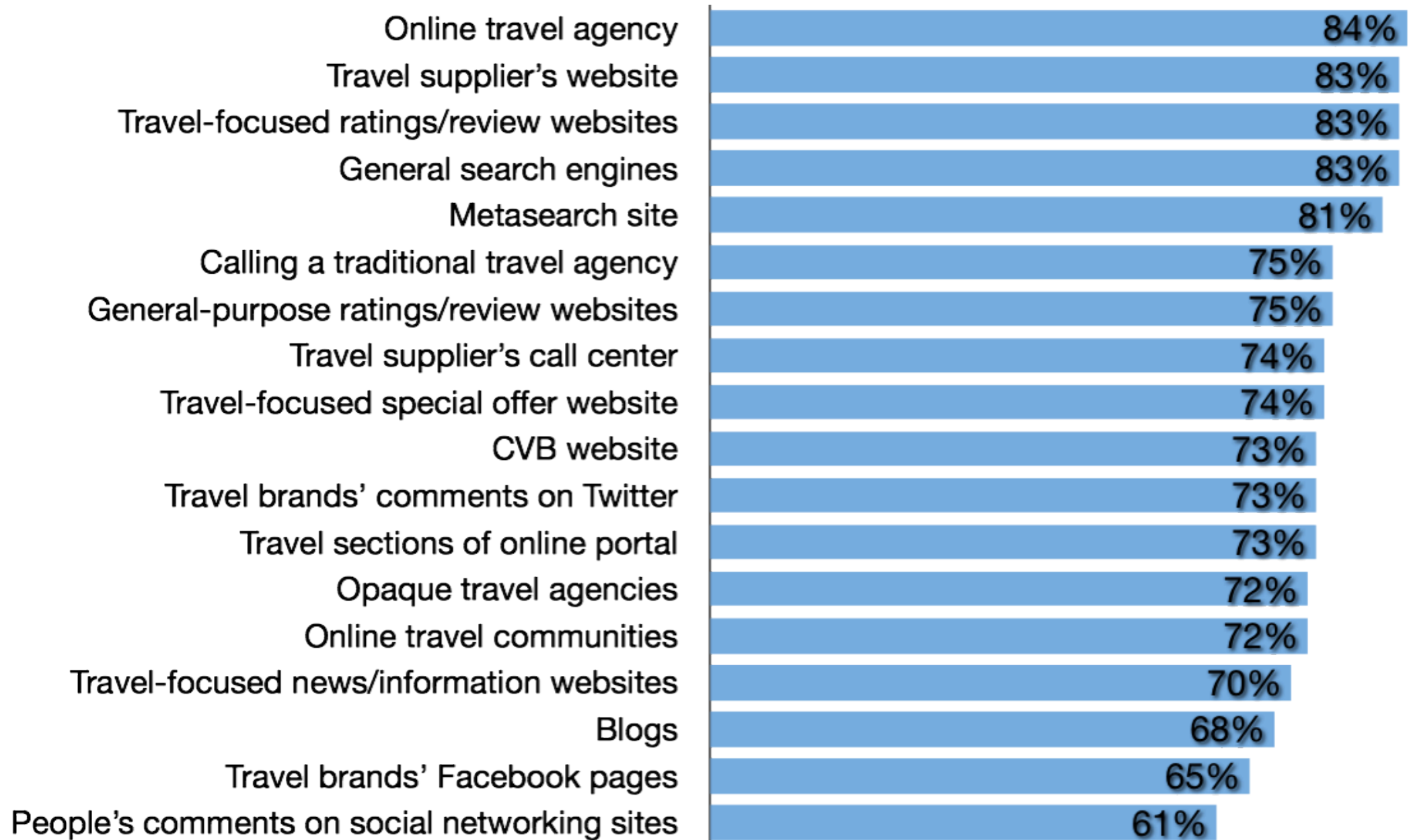
Source: Atmosphere Research Group's US Leisure Travel Benchmark Study, October 2011

New “Direct Connect” Channels Contribute To Fragmentation



Bookers Give Travel Resources Grades Of “B” Or Below For Helpfulness

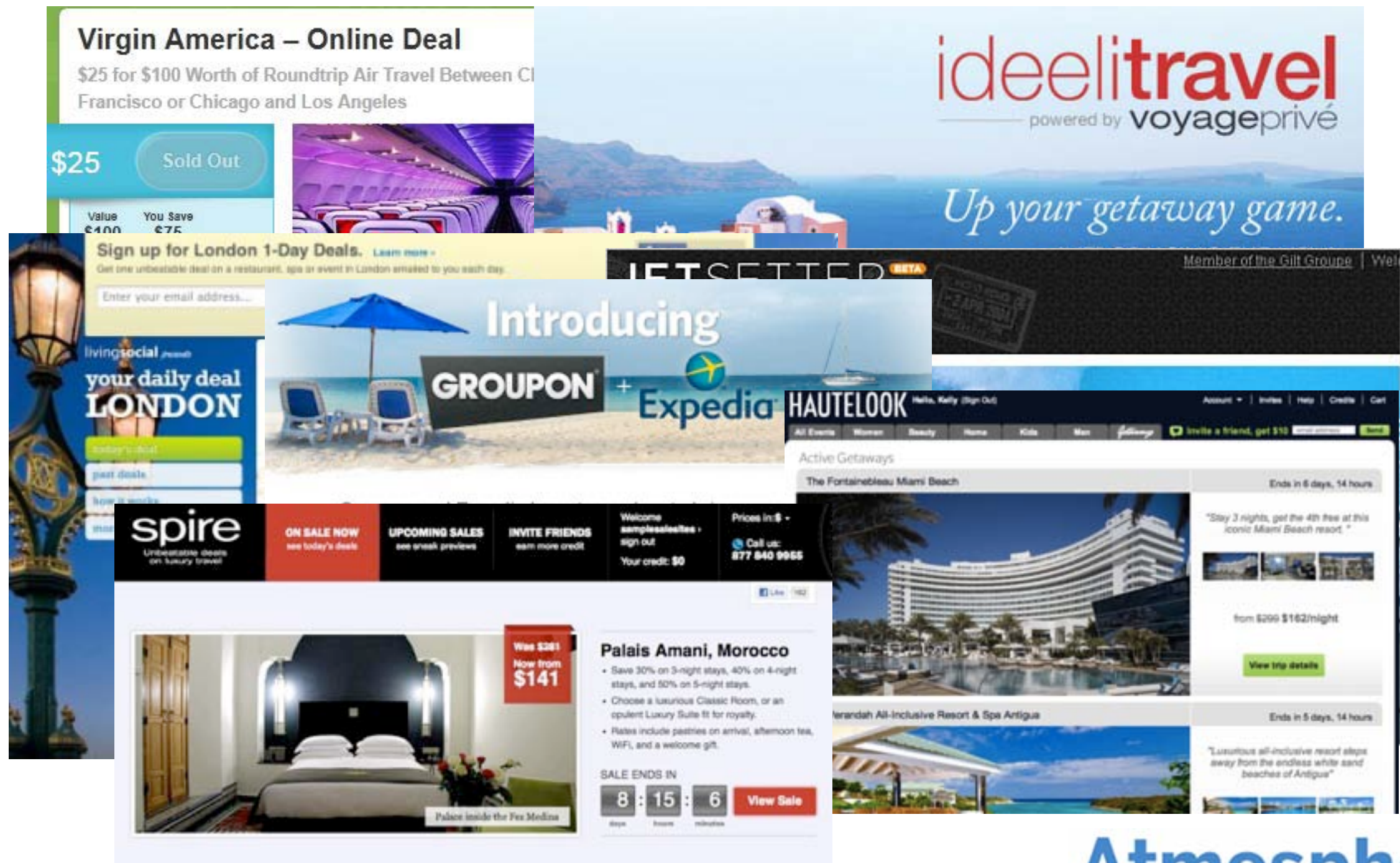
How helpful are the following resources to you when planning leisure/personal travel?



Base: US Online Leisure Travelers Who Used Each Specified Channel

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

Deal Of The Day And Flash Sale Sites Add To Fragmentation

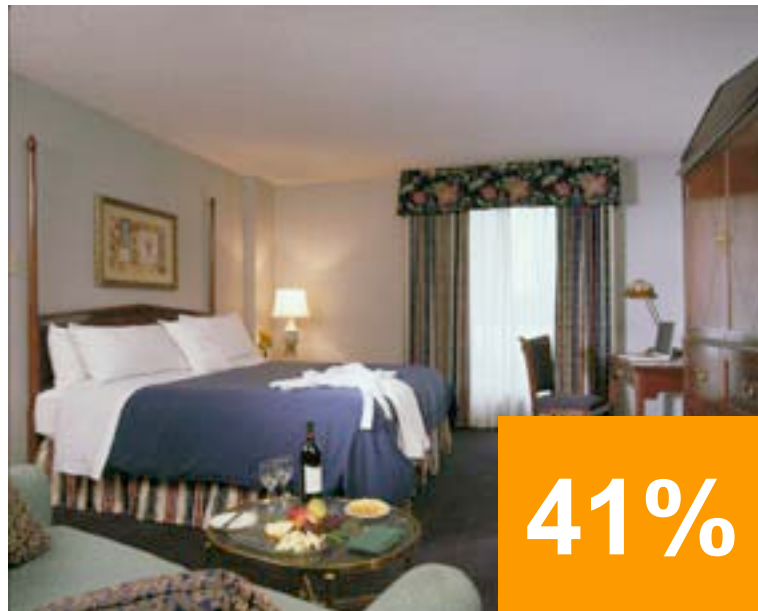


Source: Google Images, company websites

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Hotels Top The List Of Products Travelers Buy On Deal Of The Day Or Flash Sale Sites



41%



38%



29%



26%

Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

Source: Google Images

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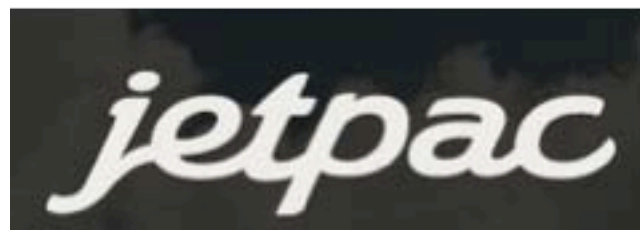
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“Deal” Sites Can Be Business Quicksand To Travel Sellers

- Undermine pricing, brand integrity
- Highly dilutionary
- Usurp customer relationships



New Travel Distribution Players Wait In The Wings



?????

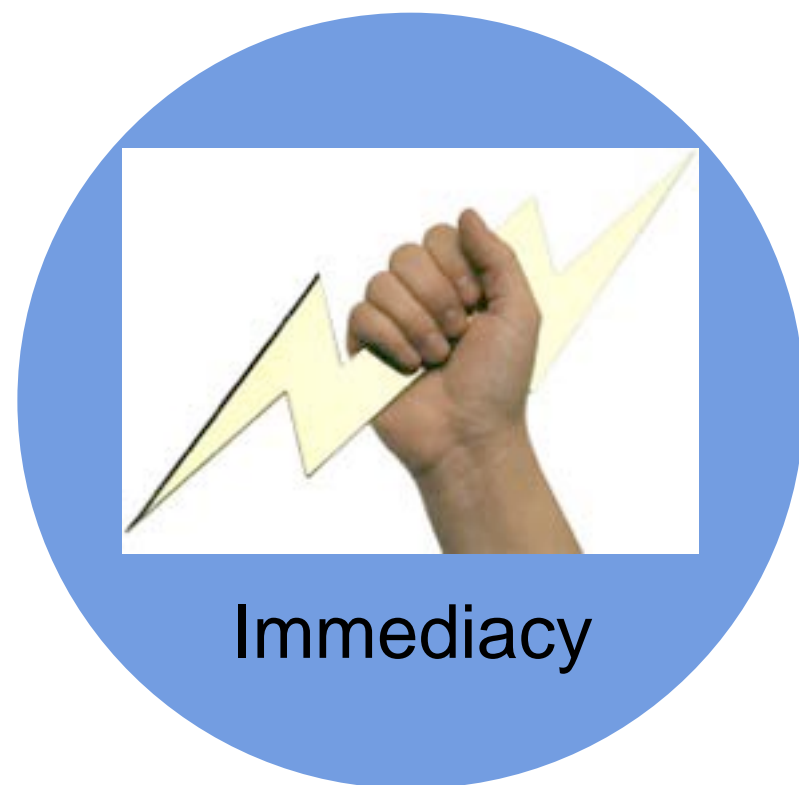
Google Creates Both Opportunity And Challenges



Source: Google Images

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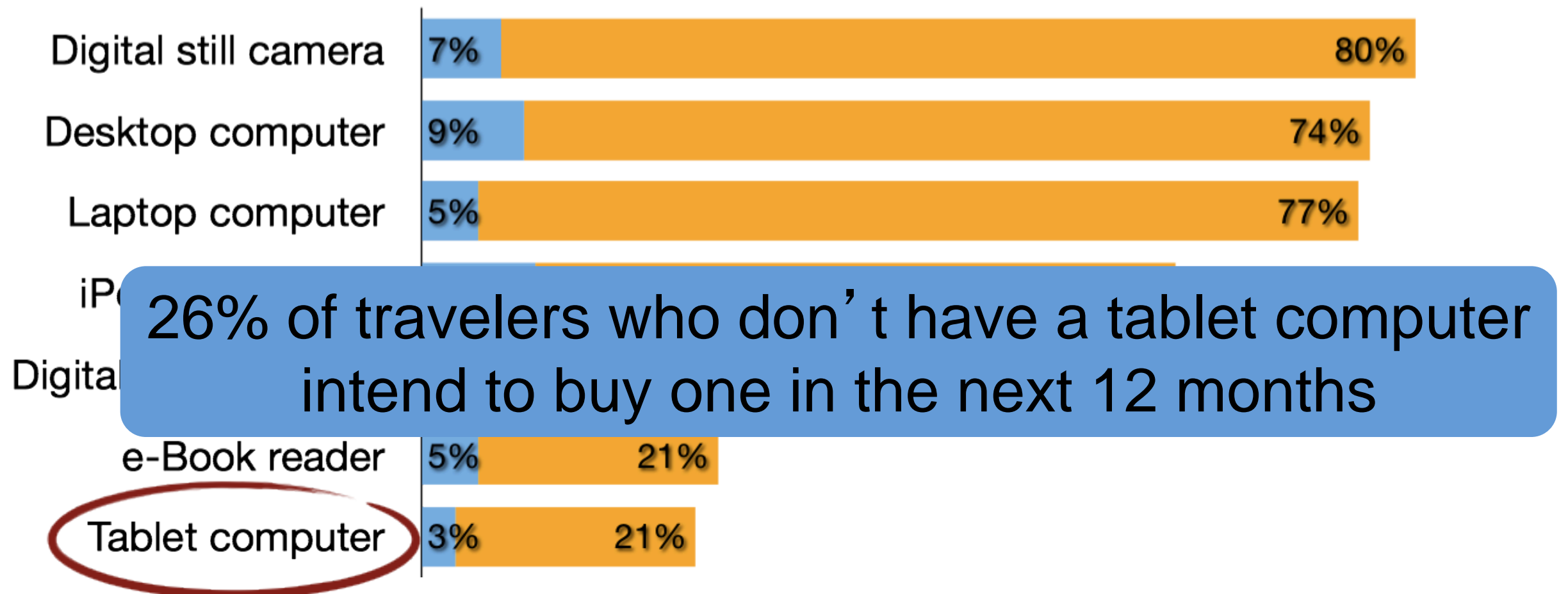
Immediacy

A Hyper-Connected, Hyper- Empowered, Hyper-Demanding Traveler

Guests Have Fortified Themselves With Digital Devices (And They Keep Buying More)

Do you have any of the following devices?

■ Have but don't use ■ Have and use



Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

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Mobile Will Be One Of Travel's Two Most Important Digital Channels By 2014

Half of US online leisure travelers own a smartphone



Droid: 41%



iPhone: 34%



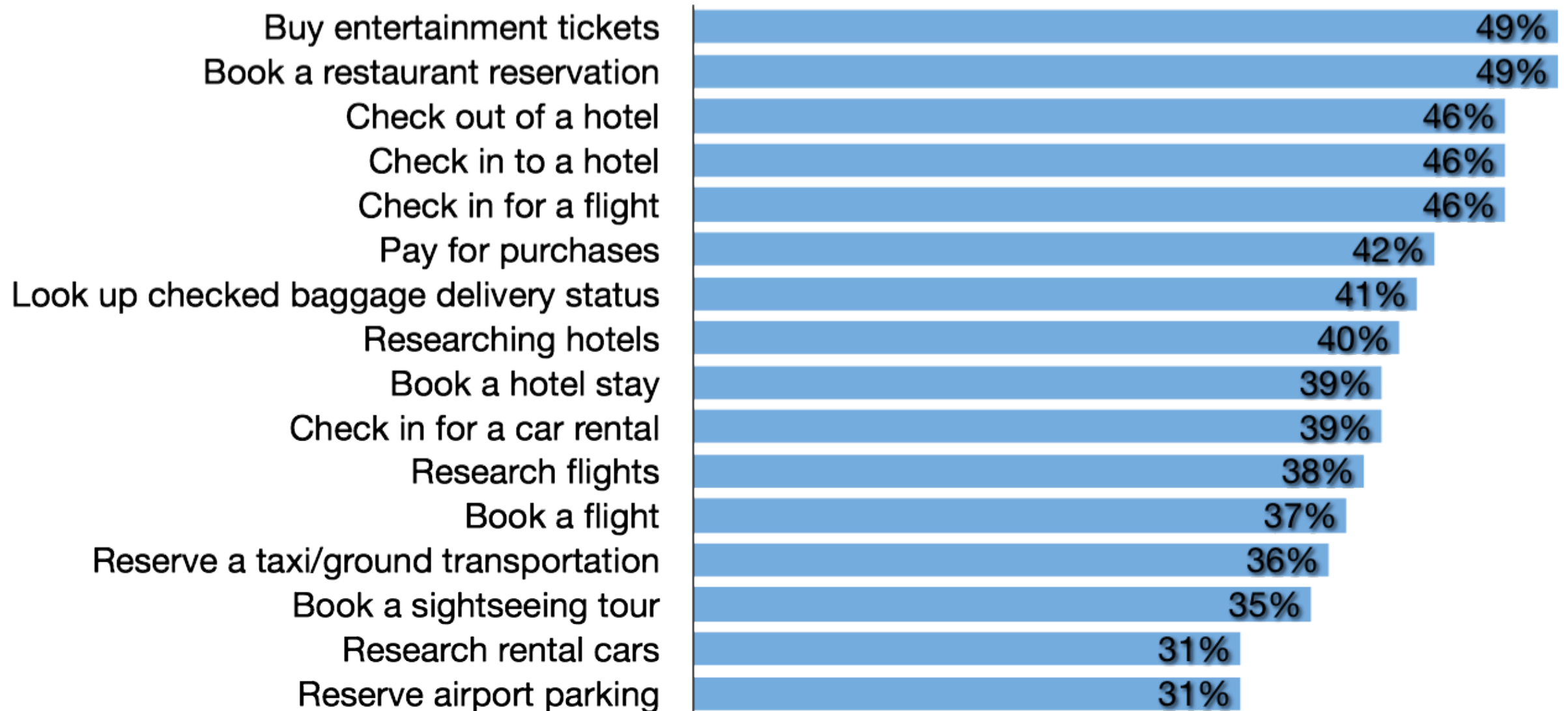
Blackberry: 8%

Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

Travelers Are Ready To Use Mobile For A Variety Of Interactions

How interested are you in doing any of the following activities from your mobile/cell phone in the next 12 months?



Base: US Online Leisure Travelers Who Own A Smartphone

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

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Context Is The Stairway To Mobile Travel Heaven

Additional Context
Traveler movement, speed
Biometric information
Managed or independent traveler

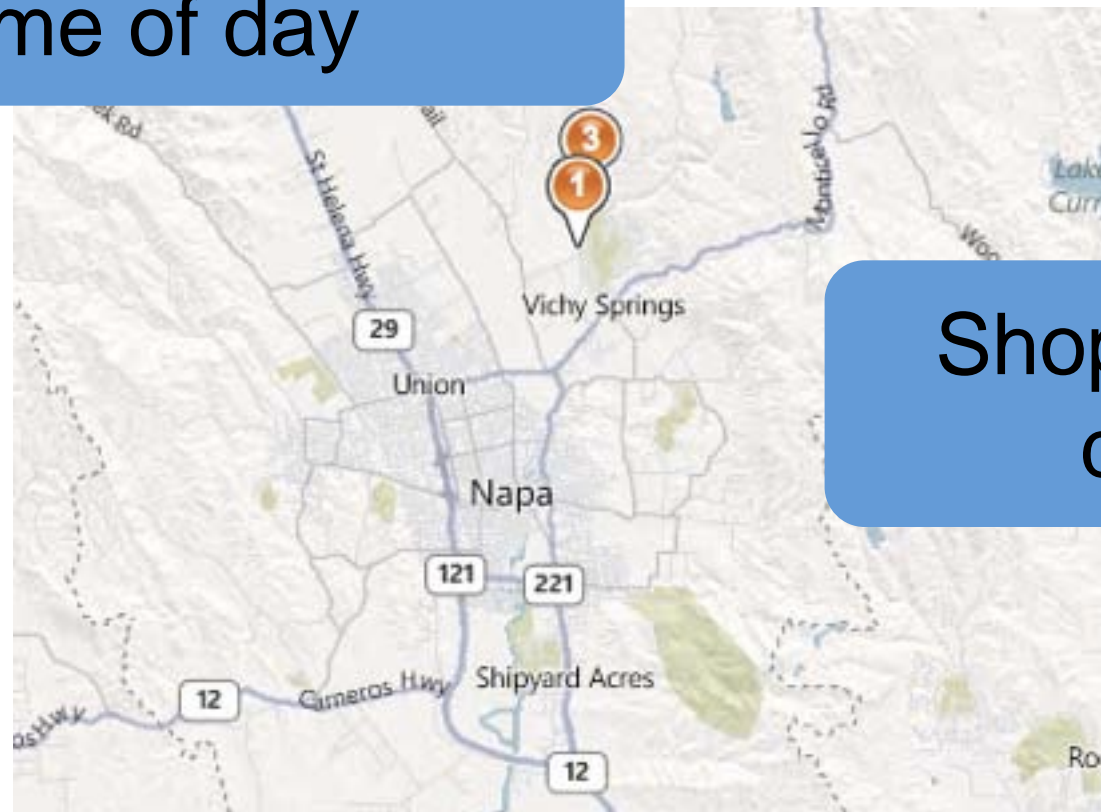
Dimensional Context
Physical location (gate, room, etc.)
Time of day
Augmented reality

Contextual Intelligence
Known/inferred buying
behaviors/intentions
Events, activities, interests

Basic Context
User information
GPS
Trip purpose

Mobile Enables New Revenue Options

Different rate pricing based on location, time of day



Shopping, spa, golf, dining offers

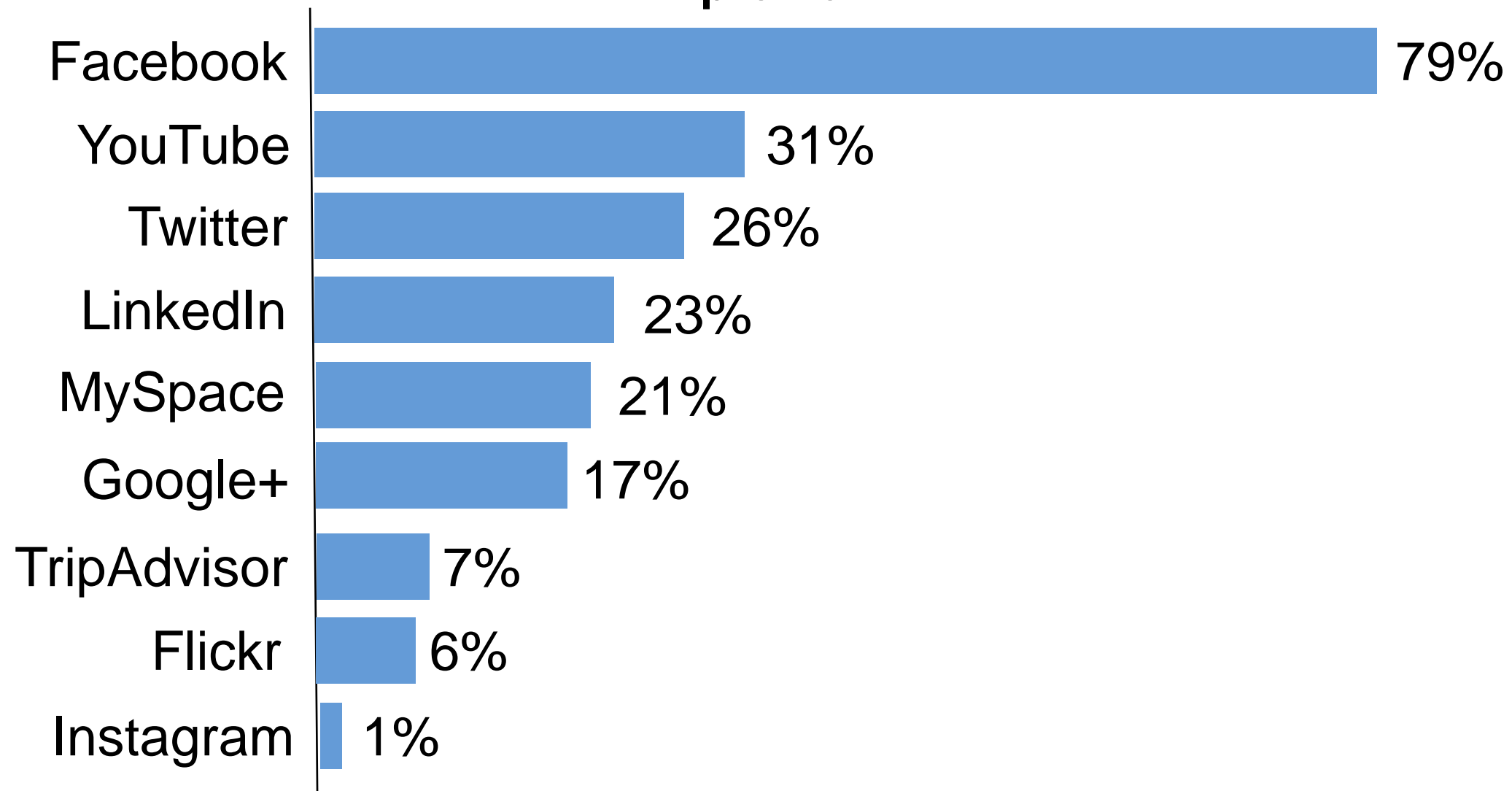
Outreach to nearby targeted non-guest shopping, dining prospects

Location-based Social Networks Open More Gateways Between You And Your Travelers



Almost All Online Travelers Participate In Social Networks

On which of the following social networks do you have an account or profile?



(Multiple responses accepted)

Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

Travelers Connect With Travel Brands In Social Media To Make Their Trips Better

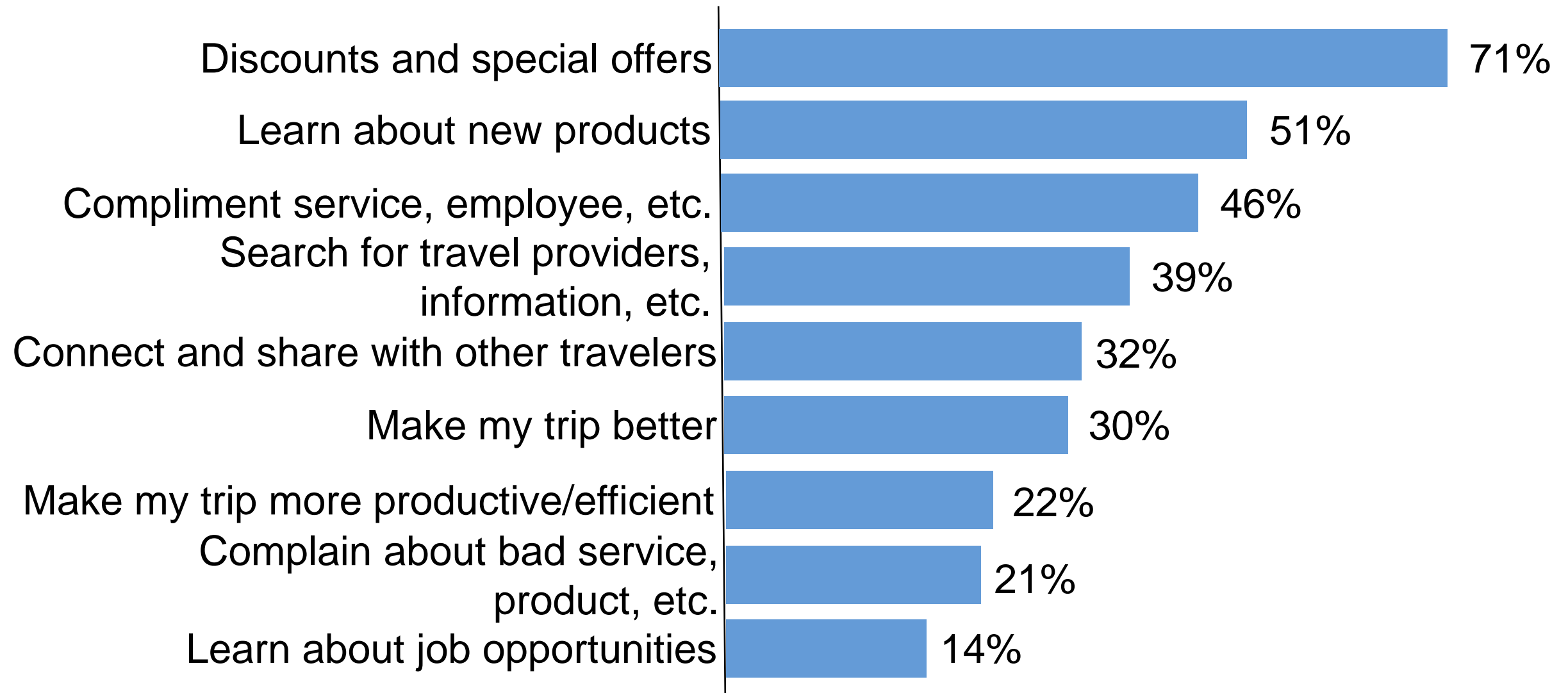


Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

Travelers Connect With Travel Brands In Social Media To Make Their Trips Better

Why do you like, follow, or otherwise engage with a travel company in social media?



(Multiple responses accepted)

Base: US Online Leisure Travelers

Source: Atmosphere Research Group US Online Leisure Travel Benchmark Survey, Oct. 2011

When Failures Occur, They Will Be Broadcast



Recommendations

Focus On Mobile



Source: Google Images

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Introduce Non-Traditional Travel Planning Tools



1**Select your interests.**
Create your own personalized list or choose from some popular vacation styles below.

CustomBeachFamilyEco-TourismAdventure

Select up to 10 interests.

<input type="checkbox"/> Archaeology	<input type="checkbox"/> Gambling	<input type="checkbox"/> Romance
<input type="checkbox"/> Architecture	<input type="checkbox"/> Golf	<input type="checkbox"/> Safari
<input type="checkbox"/> Art	<input type="checkbox"/> Hike/Backpack	<input type="checkbox"/> Sailing
<input type="checkbox"/> Auto Racing	<input type="checkbox"/> History	<input type="checkbox"/> Scenic Drive
<input type="checkbox"/> Beach Activities	<input type="checkbox"/> Holy/Sacred	<input type="checkbox"/> Scuba
<input type="checkbox"/> Bicycling	<input type="checkbox"/> Horse Racing	<input type="checkbox"/> Shopping
<input type="checkbox"/> Bird Watching	<input type="checkbox"/> Horseback Ride	<input type="checkbox"/> Snorkeling
<input type="checkbox"/> Camping	<input type="checkbox"/> Market/Bazaar	<input type="checkbox"/> Snow Skiing
<input type="checkbox"/> Canoe/Kayak	<input type="checkbox"/> Meditating	<input type="checkbox"/> Snowboarding
<input type="checkbox"/> Comedy	<input type="checkbox"/> Monuments	<input type="checkbox"/> Sunbathing
<input type="checkbox"/> Cooking Class	<input type="checkbox"/> Mtn. Biking	<input type="checkbox"/> Surfing
<input type="checkbox"/> Cruise	<input type="checkbox"/> Museums	<input type="checkbox"/> Swimming
<input type="checkbox"/> Culture	<input type="checkbox"/> Music	<input type="checkbox"/> Tennis
<input type="checkbox"/> Dance	<input type="checkbox"/> National Park	<input type="checkbox"/> Theme Parks
<input type="checkbox"/> Eco-tourism	<input type="checkbox"/> Nature	<input type="checkbox"/> Walking
<input type="checkbox"/> Extreme Sports	<input type="checkbox"/> Nightlife	<input type="checkbox"/> Water Skiing
<input type="checkbox"/> Family Activities	<input type="checkbox"/> Parks/Gardens	<input type="checkbox"/> Wellness/Spa
<input type="checkbox"/> Festivals	<input type="checkbox"/> Performing Arts	<input type="checkbox"/> Wine Tasting

2**Rank your interests and complete your profile.**
Arrange your interests and enter your travel preferences.
Submit your profile to discover your dream destinations.

Drag and drop to rank your interests.

1

2

3

4

5

6

7

8

9

10

reset list

Complete your profile.

Home City/Airport*

(Example: SFO or San Francisco, CA)

Time of Year*
Select Month :

Hotel Budget* per traveler
Standard (\$200-300/night) :

Travelers
1 Adult : 0 children :

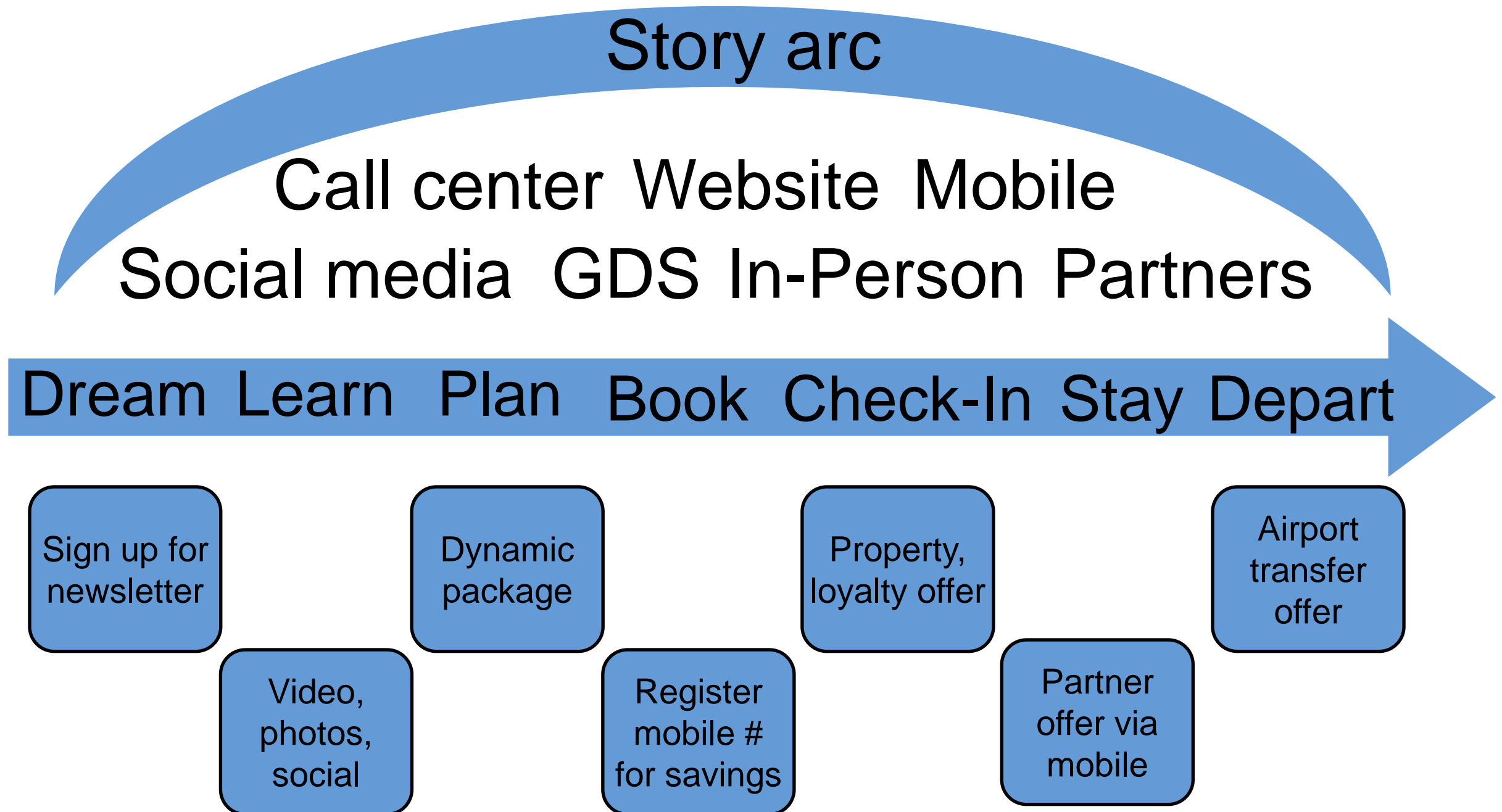
Would you like to fly or drive?
☒ Fly ☐ Drive

Show Advanced Search Options

Save Profile ☐

Discover Destinations

Take Advantage Of Your Story Arc





Thank you

Henry H. Harteveldt
+1 415.206.0889
henry@atmosgrp.com
Twitter: @hharteveldt
www.atmosgrp.com