

# MID-ATLANTIC BLUE OCEAN ECONOMY 2030

Exploring the prospects and challenges for emerging ocean industries to 2030

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## Mid-Atlantic Tourism in 2030: Growth, Evolution and Challenges

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DISCUSSION PAPER

Dr. Geoff Lacher has been with Tourism Economics since June 2015, and currently manages a variety of economic impact studies and the International State Travel service. Additionally, he performs DMO budget analyses and other custom research projects. Prior to joining Tourism Economics, he worked as an assistant professor at Arizona State University where he managed projects examining the economic impacts of tourism and consumer preference analysis and taught classes on sustainable tourism and data analysis.

## 1. Introduction – what do we know about the Mid-Atlantic tourism sector, and where it is headed

In 2015, tourists spent \$158 billion in the Mid-Atlantic states, directly generating \$40 billion in income and 1.3 million jobs (Table 1). By 2030 these numbers will grow to \$330 billion, \$79 billion and 1.5 million respectively. The tourism sector will grow slightly faster than the regional economy, representing 6.5% of all direct employment in 2030, up from 6.2% in 2015.















*Table 1: Key tourism indicators in the Mid-Atlantic*

Dollar figures in billions	2015	2030	Growth
Visitor spending	\$157.7	\$330.3	109%
Direct income	\$39.9	\$78.7	97%
Direct employment	1,280,000	1,480,000	16%

Source: U.S. Travel; Tourism Economics

Our forecast of state economies indicates that tourism will have particularly strong growth in the Mid-Atlantic region. Here our analysis examines the tourism dependent-sectors, “accommodation and food services” and “arts, entertainment, and recreation”. In four of the five Mid-Atlantic states, the tourism sector will grow faster than the overall economy (Table 2). In Delaware and New Jersey, tourism sectors will grow at almost double the rate of the overall economy. Also of note, while the Mid-Atlantic’s economy will grow at a slower rate than the US’s, the region’s tourism sector will grow faster than the nation’s tourism sector. All these results indicate that tourism will grow in its importance as a driver of the region’s economy.

*Table 2: Growth the in total economy and tourism-dependent sectors, 2015-2030*

		Growth	
Delaware	Economy	10.9%	
	Tourism	20.0%	
Maryland	Economy	11.4%	
	Tourism	10.8%	
New Jersey	Economy	8.4%	
	Tourism	14.2%	
New York	Economy	11.0%	
	Tourism	18.0%	
Virginia	Economy	13.5%	
	Tourism	16.1%	
Mid-Atl.	Economy	11.0%	
	Tourism	16.0%	
Total US	Economy	12.4%	
	Tourism	15.7%	

Source: Oxford Economics

The BEA provides a more detailed breakdown of tourism-related growth. Jobs in the accommodations and foods service sectors will grow strongly, while the entertainment and recreation sector has mixed results (Table 3).

*Table 3: Growth in key tourism occupation, 2014-2024*

Occupation	2014-2024 job growth
Total, all occupations	6.5%
Lodging managers	7.6%
Hotel, motel, and resort desk clerks	9.0%
Food and beverage serving workers	7.7%
Food preparation and serving occupations	6.5%
Entertainment attendants and related workers	6.0%
Entertainers and performers, sports workers	5.9%
Recreational protective service workers	6.7%
Amusement and recreation attendants	7.7%

Source: BEA

## 2. What’s driving the growth of tourism?

### Continued rise of international tourism

The US travel market will continue to be bolstered by a growing global economy, particularly the strong growth in emerging markets. While domestic travel spending will increase by 90% between 2017 and 2030 (Table 4), world outbound (i.e. international) travel will increase by 140%, and the US, as the world’s leading international destination (in terms of spending) will be a major beneficiary of these growing expenditures. Strong growth in emerging economies such as those in Northeast Asia will bolster this growth, while weak growth from developed markets will act as an anchor. Note that spending from Eastern Europe’s emerging markets will grow at almost double the rate of Western Europe’s.

*Table 4: Tourism spending growth 2017 – 2030.*

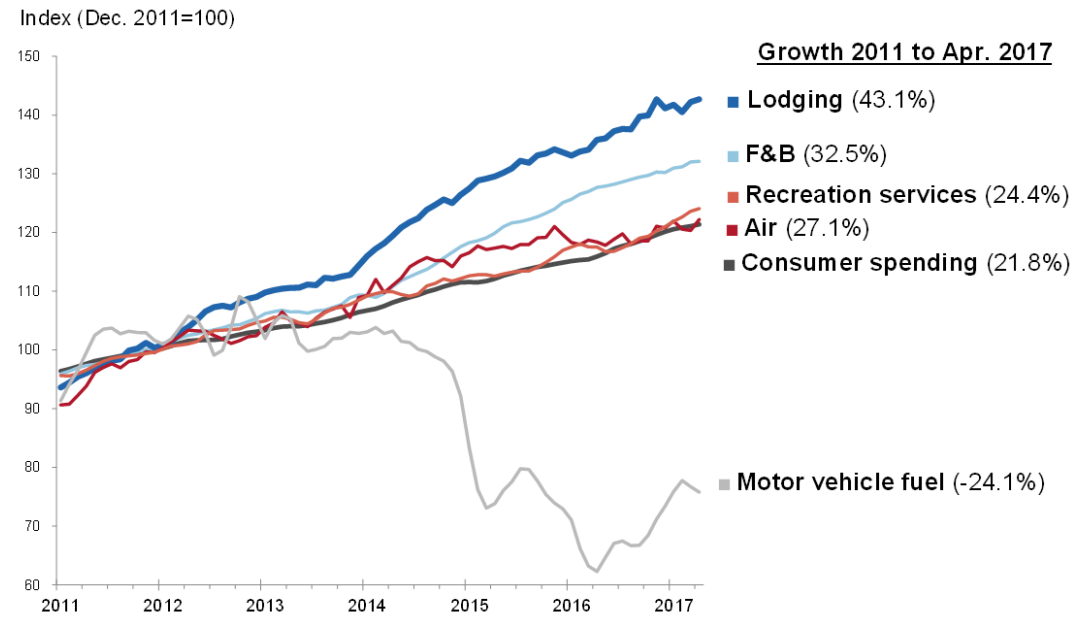
US - domestic	90%
World - outbound	140%
Northeast Asia - outbound	236%
E. Europe - outbound	151%
W. Europe - outbound	71%

Source: Tourism Economics

## Increasing demand for “luxury goods”

Tourism is a luxury good and therefore tends to grow faster than other sectors as income rises. As long as the economy continues to grow, we should expect tourism and recreation to take up an increasing share of consumers budgets (Fig. 1).

*Figure 1: Growth of consumer spending and spending in tourism dependent sectors, 2011-2017*



Note: Data is nominal, three-month moving average, seasonally adjusted and extends through April 2017.  
Source: Bureau of Economic Analysis; TourismEconomics

## An aging population

Long life expectancy and reduced birth rates will ensure that seniors continue to make up an increasing share of the US population. With ample free time, this age group tends to travel more than others. And with advancing medical science, these seniors will also continue to stay healthy longer and travel and an increased rate.

## Increased connectivity and the ease of travel

The internet will continue to make travel more pleasurable to consumers. From streamlined distribution channels to a host of websites providing tips and ranking local businesses, travelers feel more confident in planning and booking travel.

Our research on online travel agency indicates that tourists do save money booking on these platforms, thereby reducing their economic impact. However, these tourists tend to stay longer and travel more often, creating billions in additional net travel spending.

### 3. How will the industry change?

#### **More customized and authentic experiences**

The long-term trend in the tourism sector is away from mass-tourism type experiences (picture a tour bus driving around New York City, dropping off visitors at predestined popular spots) towards individualized experiences that feel authentic rather than mass produced. This trend has been accelerated by the internet and increased connectivity, which allows tourists to plan and customize their trips down to minute details not imaginable 30 years ago. Off-the-beaten-path type attractions are increasingly sought after, and tourists are (somewhat paradoxically) trying to find destinations where no one else goes.

#### **More senior tourists**

As the US (and the world) continues to age, the travel industry will increasingly serve senior travelers. Senior travelers tend to be more price sensitive and can help coastal destination fill out the off-peak season,

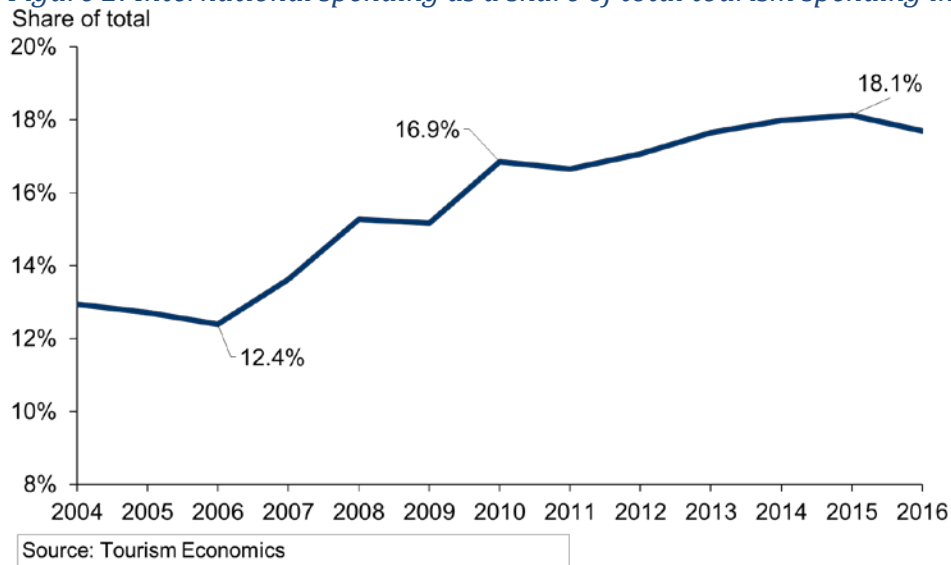
#### **More reliant on the “gig” economy**

Companies such as Uber and Airbnb continue to take up an increasing share of travelers' spending. The rise of these companies is largely fed by the desire for customized and authentic experiences. They allow travelers more control over their vacations and itineraries. There may be room for one more tech giant in the travel industry, one that pairs local tour guides/concierges with travelers, while these options are available on a variety of platforms, not one company has come to dominate the market.

#### **More international tourists**

International tourism has trended upwards since 2006, and this trend will likely continue. States should increasingly focus their sales and marketing campaigns towards rapidly growing markets such as China and India (Figure 2).

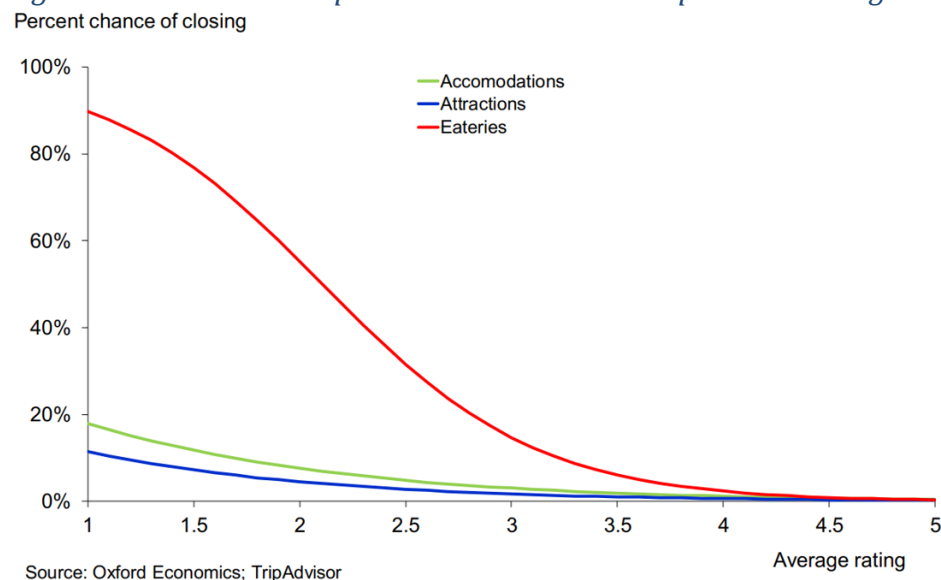
Figure 2: International spending as a share of total tourism spending in the US, 2004-2016.



### More competition

The internet will continue to provide more information to consumers and force additional competition between businesses vying for tourists' dollars. The quality of businesses relying predominately on visitors is traditionally very suspect. These establishments are not dependent on repeat visitors and quality may thus slip. The internet gives consumers more information available at a moment's notice, and its vast resources of ratings and ranking will diminish the ability of subpar establishments to stay in business and hopefully drive the "tourist-trap" towards extinction. Previous research with TripAdvisor uncovered a clear relationship between ratings and the likelihood of business closure (Fig. 3). While poor performing businesses were more likely to close before the advent of the internet, websites such as TripAdvisor hasten these closings and create a more competitive market with better businesses.

Figure 3: The relationships between a business' TripAdvisor rating and its chance of closing



## 4. Possible challenges to tourism growth

While our forecast is optimistic, we should mention a variety of potential developments/events that might have a negative impact on tourism over the next thirteen years.

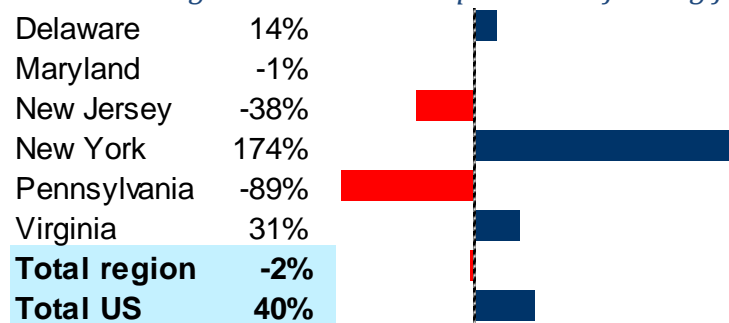
### Political climate and rising nationalism

A tense political climate and rising nationalism may slow the growth of international arrivals to the US. The National Travel and Tourism office reported a 7.8% decline in overseas tourist's arrivals in Q1 of 2017. The industry fears that comments and actions by President Trump could lead to diminished interest in travel to the US. These fears are compounded by the continuing fight over the "travel ban" from select Muslim majority countries. While these countries represent less than 1% of all international arrivals to the US, potential visitors in all countries are sensitive to visa issues and may fear that their country may be targeted next. In the long term, rising nationalism may dissuade potential travels from visiting the US or even leaving their home country.

### Drop in funding for tourism promotion

The Mid-Atlantic region has suffered a great decline in state funding for tourism promotion over the past decade. While funding in other States in the US has accelerated, growing a total of more than 40%, funding in the mid-Atlantic States has actually declined 2% (Table 5). Funding for sales and advertising to attract tourists to the region is a key facet of a strong tourism economy.

*Table 5: Changes in state tourism promotion funding from 2006 to 2016*



Source: Tourism Economics; U.S. Travel Association

### Competition for coastal real estate

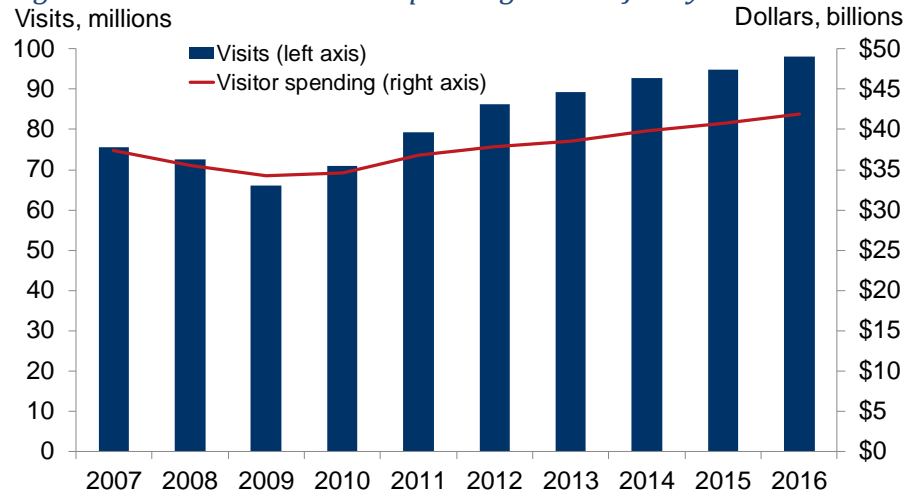
As the price of coastal real estate will continue to increase, so will the cost of coastal vacations. However, this might lead to denser development (i.e. hotels rather than houses), and the impact of tourism may be minimal. This denser development will in turn increase the need for more transportation infrastructure.



## A hurricane or superstorm

While possible, a hurricane or major storm seems unlikely to have a severe, long-term impact on the tourism sector. For instance, Sandy's impact on New Jersey's tourism sector in 2012/2013 is difficult to discern on a timeline graph. Tourism is a resilient industry and can recover quickly even after substantial infrastructure damage (Fig. 5).

*Figure 4: Visits to and visitor spending in New Jersey.*



Source: Tourism Economics; D.K. Shifflet