Facing travel's future

A Future of Consumer Industry report

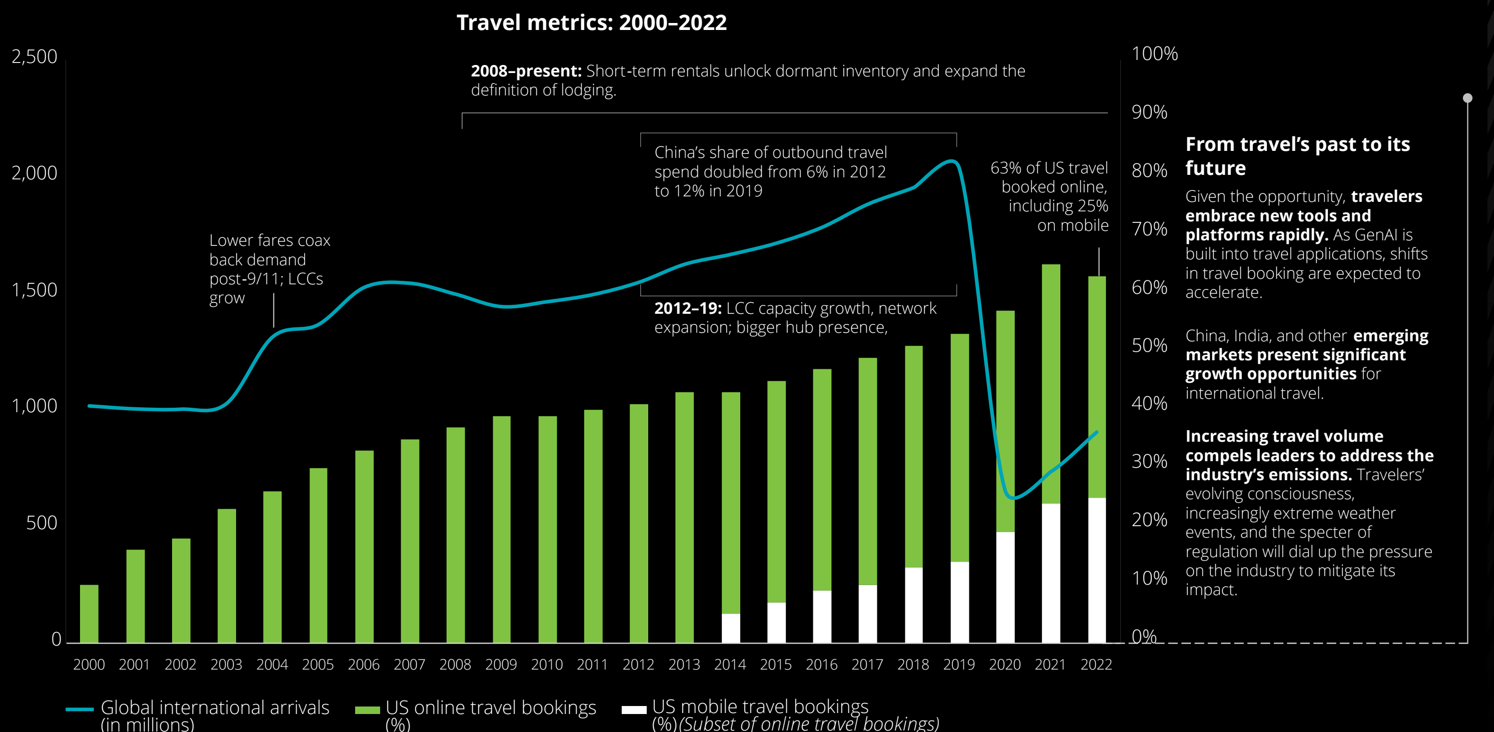
Introduction

Travel is wired for slow changes. Given long aircraft manufacturing times and life cycles, it can take decades to roll out new technology across a fleet. Hotels can be retrofitted for new needs but have limited room for flexibility—and investment in new builds and updates is often impeded by economic conditions like interest rates.

In marketing and distribution, effectively connecting supply to consumer tech platforms presents challenges with content, consistency, and bookability—all of which can defy efforts at new merchandising models. Each sector of travel contends with legacy systems that can stymie nimble innovation.

These structural impediments to change have collided with major disruption over the past two decades: shifts in who travels, where they stay, and how they book (figure 1). Those changes are just the beginning. Deloitte's Future of Consumer forecasts that the changes of the past 20 years "will pale in comparison to the paradigm shift we are about to see in the coming decade."

Figure 1: Two decades of disruption in travel

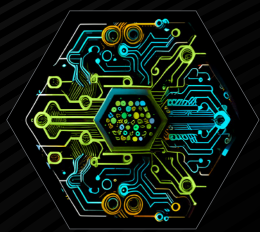


Sources: World Tourism Organization; Tourism Economics; Phocuswright; Deloitte estimates

The six forces the Future of Consumer identifies should compel executives across industries to chart a new course and reshape businesses and our broader shared future for the better. (Go here to learn more about the six forces, and how to apply markets, models and mechanics to harness the forces for sustainable growth.) These economic, social, and technological paradigm shifts are pushing the travel industry toward potential seismic change. Facing travel's future requires a clear understanding of these dynamics and an adaptable approach to meet the evolving expectations of travelers. Capitalizing on these forces and their implications will likely be fundamental to success for players across travel. Ignoring them could lead to a diminishing customer base, erosion of the bottom line, and missed opportunities for growth.

The changing consumer

An evolving society and culture



Exponential xTech

Radical industry upheaval

Extreme climate change

Shifting economics, policy, and power

Deloitte's Future of Consumer research, applied to the travel industry, points toward three major themes affecting the future of travel:

The changing traveler

The demands of younger, tech-savvy, and conspicuously conscious generations will steadily become more prominent than those of boomers, a lucrative segment that is beginning to age out of frequent travel. At the same time, India is joining China as a rising source of visitors. And across geographies, starker lines of affordability could tempt travel providers and investors to put all their chips on luxury, potentially causing them to miss opportunities presented by the mass market.

Exponential tech enters a legacy-laden industry

Travel providers stand to unlock significant savings and improve the trip experience by applying artificial intelligence (AI) to operational efficiencies across their organizations. And more transformational innovations are on the horizon. AI is poised to completely change travel discovery and shopping and has great potential to improve the trip experience. But to deliver functionality that meaningfully eases and enhances travel, providers will need to untangle the legacy technology that has often slowed innovation in the past, as well as commit to rigorous leading-edge data capture, curation, and enablement.

Navigating climate headwinds

The travel industry's attention to sustainability has grown substantially in recent years. Over the coming decade, even greater investment and innovation is needed as suppliers likely face climate-related pressure on three key fronts:

1. Demand for clear sustainability metrics and ways to mitigate and offset trips' greenhouse gas emissions, especially from corporate clients and young travelers.

2. Growing efforts at regulation targeting travel, potentially challenging margins in select categories.

3. Accelerating impact on the viability and seasonality of some destinations due to heat waves and other extreme weather.

The changing traveler: Demographics drive destiny

Future of Consumer connections: *The changing consumer; An evolving society and culture; Shifting economics, policy, and power*

At the center of the challenges and opportunities facing the industry sit travelers themselves. Big demographic changes, along with the accelerating shape-shifting of consumer technology, will likely force new modes of distribution and new approaches to the travel experience.

The makeup of the traveling public has entered a transitional period. Boomers have begun to age out of frequent travel, moving the focus toward younger generations, with particular emphasis on Gen Z and millennials. The upsurge in Chinese travelers that began over a decade ago has begun its post-pandemic return, joined with burgeoning numbers of Indian travelers. Meanwhile other societal developments—forces that Deloitte's Future of Consumer describes as "an evolving society and culture," "shifting economics, policy, and power," and "radical industry upheaval"—could profoundly affect travelers' priorities and preferences.

Gen Z and millennials: Digitally native and conspicuously conscious

Gen Z and millennials' share of travel spend is set to rise sharply over the next several years. Deloitte projects that these generations will account for more than half of US leisure trips in summer 2030, up from about a third in summer 2023 (figure 4). Gen Z and millennials share many tendencies that set them apart from older generations (figure 2). Their close relationship with technology and their efforts to align purchases with values are especially relevant to travel providers.

Millennials first received the "digital native" label more than a decade ago, and it is even more apt for Gen Z, more than half of whom were born after Facebook was founded. For many in these generations, social media has supplanted search as a point of entry to the internet, and their presence there has become the primary way they present themselves to the world.

This relationship with social media is quickly pushing travel to a new funnel: In an October Deloitte survey, 42% of Gen Z travelers, and one in four millennials, said they had used TikTok to plan trips, versus 7% of Gen X and older travelers (figure 3). Short social video calls for a different approach to travel inspiration and for engagement and influence throughout the trip life cycle—even compared to popular social media that preceded it. Users of these apps seek creative videos and storytelling versus beautiful images, and their experience is dictated more by algorithms and virality versus users' social graphs.[1]

Figure 2: Gen Z spotlight

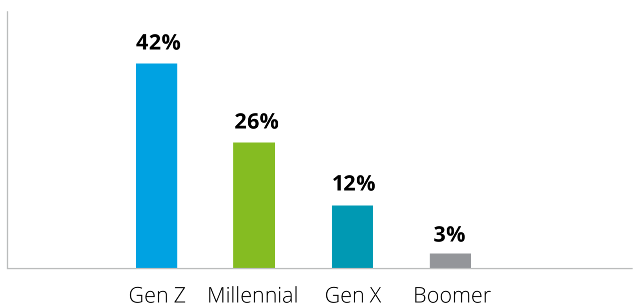
Compared to older generations, Gen Z...		Gen Z	Millenials	Older travelers
Lower spending power makes it harder for some to travel; but among those who do, frequency and marquee trip spend are high	Have less spending power (income under $50K)	Lower income – 47%	Lower – 34%	Lower – 26%
	Travel more frequently (average number of trips)	3.5	3.3	2.9
	Take shorter trips	Under 1 week – 71% 2+ weeks – 4%	Under 1 week – 71% 2+ weeks – 4%	Under 1 week – 54%
Enthusiasm for travel amplified post-COVID-19	Say travel is more important post-pandemic	37%	30%	2+ weeks – 12%
Use hybrid work to travel more	Work on their vacations	30%	26%	11%
	Take more summer trips due to remote working	44%	39%	14%
	Have higher budgets due to workplace flexibility*	23%	29%	4%

*As a percentage of those increasing spend vs. 2022.
Source: 2023 Deloitte summer travel study

Fast-growing prominence of social video, combined with greater access to AI tools, will likely drive significant change in travel inspiration and shopping over the next several years. Travel providers can expect to see models that blend social video with Generative AI (GenAI)-powered travel agents. The rapid rise of these two phenomena are indicators of the speed that travel providers need to contend with going forward. Adoption of new tech platforms and tools, and their integration into the travel life cycle, will likely continue to accelerate, challenging brands' ability to harness consumer tech.

On top of their embrace of technology, younger generations embrace the rise of purpose, including in their consumer activities. Gen Z and millennials increasingly align their purchases and brand affinity with their values. From a product's impact on the environment to how a company treats workers, perceived positive impact can significantly increase likelihood to purchase (see "Research: Consumers' sustainability demands are rising"). They also are more sensitive to perceived authenticity (or lack of it). Gen Z and millennial travelers will likely be instrumental in pushing sustainability to the forefront of the travel industry.

Figure 3: Percentage of US travelers using TikTok to plan their trips



75%+ Of all TikTok users (predominantly Gen Z and millennials) credit the app for influencing their recent travel purchases.

35% Of US TikTok users traveled to a new destination after they saw a video on the platform. This trend is higher among millennials: **45% of TikTok millennials traveled to a new destination due to the platform's content.**

3 in 10 Of US users made bookings at a new resort/hotel and visited a new attraction.

How is TikTok different from other social media platforms?

Compared to other platforms, TikTok exhibits some **big differences for travel discovery and marketing:**

- Algorithm-driven vs. social graph
- Faster virality
- Narrative over visuals
- Commerce models are still evolving and will likely be very different from Instagram, Facebook, etc.

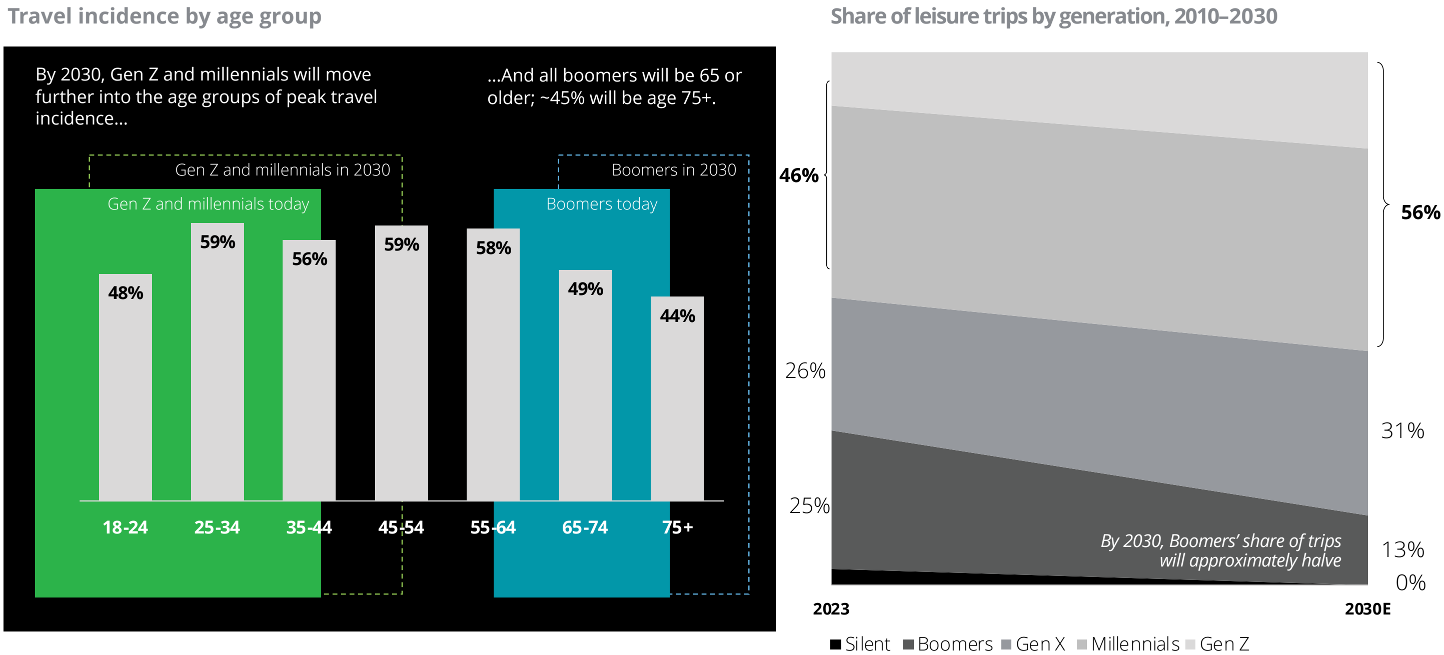
Sources: 2023 Deloitte holiday travel study; TikTok's 2023 Travel marketing playbook; MGH's 2023 US study on TikTok's impact on travel and tourism

Boomers: Chasing down the last of the bucket list

Baby boomers, representing a big share of both population and wealth, have long been an attractive consumer demographic, and will likely account for a big share of travel spend in their retirement. But they are beginning to age out of frequent travel. By 2030, all boomers will be over 65, an age where travel incidence drops significantly (figure 4).

While shifting future focus toward younger travelers may be prudent, many boomers will likely travel extensively and adventurously over the next several years. Although they were slow to return as the pandemic subsided, by late 2023 their renewed enthusiasm was clear. Many are prioritizing travel as they enjoy their retirement (see Figure 5).

Figure 4: As boomers age out of frequent travel, younger generations will account for nearly 90% of trips by 2030



Sources: 2020 Census data; Census.gov; 2023 Deloitte leisure travel surveys; Deloitte estimates

Figure 5: Boomers show some distinctive travel patterns compared to younger travelers

Unlike younger generations, boomers enjoy time-based freedom enabling them to often opt for travel in off-peak seasons.

Compared to younger travelers, boomers...		Boomers	Younger travelers*
Spend conservatively, but place high value on travel	Maintain consistent travel budgets over the years	69%	57%
	Spend less on peak-season travel to allow for more trips during the year**	29%	19%
	Increase spend on in-destination activities***	39%	27%
Spread their spending evenly across trips	Focus smaller share of travel budget on one marquee trip	42%	53%
Travel in smaller groups	Travel solo or with one other person	77%	57%
Plan their trips themselves	Use fewer travel planning resources	43%	18%

*Adults younger than boomers, i.e., Gen X, millennials, Gen Z.
**As a percentage of those decreasing their travel budget compared to 2022;
***As a percentage of those increasing their travel budget compared to 2022.
Source: 2023 Deloitte summer travel study

While the oldest boomers are beginning to age out of travel, others are really digging in. With a disproportionate share of wealth, their golden years' travel spend is sought after by travel providers. We expect boomers to travel more adventurously in old age than their parents' generation did but still seek support and assurances. And many already know what they want—boomers use fewer resources to plan their trips, indicating they are more guided by experience and existing knowledge than younger travelers.

Travel providers should invest in driving incremental spend from this age group, by delivering on promises and applying tech to anticipate needs. Boomers may not turn to their phones to choose destinations or activities, but for many travel processes they embrace digital tech at a similar rate to younger generations.

Eastern promise: India joins China as a rising source of travel demand

The impact of growth regions is set to surge, with the Chinese traveler steadily returning post-COVID and India's growing outbound travel potential. These source markets represent more than just demand growth. They will bring different needs and expectations, along with faster adoption of mobile and social technologies, than Western markets. As these countries account for a greater share of global travel spend, their influence should grow accordingly. This shows up in domestic trips, affecting how global brands operate and invest in those markets; and in outbound trips, as destinations and hotels seek to attract travelers from these markets.

Prior to the pandemic, China garnered the lion's share of emerging travel market attention. Chinese travelers' share of international spend doubled from 6% in 2010 to 12% in 2019 according to Tourism Economics,[2] when they were the biggest spenders in the world. While China's economic growth has slowed, and post-pandemic politics have reversed a trend toward openness, China remains an important market for domestic and outbound travel.

In the past four years, though, India's star has risen significantly. Its strong post-pandemic recovery, high growth rate, and young population relative to China add up to huge outbound travel potential. Tourism Economics projects that Indian outbound travel will experience a 7.4% compound annual growth rate (CAGR) from 2023 through 2033.

With India joining China as a source of tourism demand growth, travel leaders can expect the following trends:

- A big influx of demand in short-haul markets such as Southeast Asia, followed by long-haul gateway markets (i.e., New York, Los Angeles, Paris, Venice).
- Travelers from China and India increasingly become tastemakers in destinations around the world.
- Increased outbound travel presents opportunities for airlines but could also foster competition and give rise to new hubs.
- Faster consumer tech adoption that characterizes these markets will likely increasingly affect expectations in Western markets.

Additional demographics, trends, and behaviors

Lack of accessibility warps product-market fit. Several factors are converging to likely make travel more expensive, which could also raise the bar for trip experiences that warrant the expense. This may result in many brands overemphasizing the high-end traveler. But those with less to spend collectively represent a lot of buying power: Americans with household income under $100,000 accounted for nearly half (46%) of intended leisure travel spend in summer 2023.[3]

Laptop lugging lasts. The persistence of remote work post-pandemic has untethered millions globally from offices and 9-to-5 Monday-to-Friday work lives. More than a quarter of US travelers say they bring work with them on their longest leisure trips. These "laptop luggers" are especially embracing more frequent travel enabled by flexibility. This is a group of active and engaged travelers, participating in in-destination activities at high rates and paying closer attention to the social impact of their travel dollars (figure 6).

Later household formation is reshaping leisure travel decisions. Compared to older generations, millennials and Gen Z are delaying marriage, home ownership, and parenthood.[4] These shifts in household formation can have significant impacts on travel.

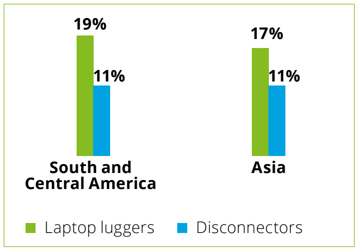
Americans who give up on homeownership could redirect those would-be savings to experiences including travel. And delayed marriage and parenthood could affect the size and makeup of travel parties and potentially increase budgets for family travel if children enter the picture in later life.

Figure 6: Laptop luggers* are avid and engaged travelers

More laptop luggers factor environmental and sociopolitical priorities into their travel decisions

	Laptop luggers	Disconnectors
Prioritize hotels with higher **sustainability ratings**	30%	20%
Search for **lower-emission flights**	15%	5%

Laptop luggers tend to opt for international travel as their longest trip, often to Asia and South or Central America



A higher percentage of laptop luggers plan to participate in most in-destination activities

	Laptop luggers	Disconnectors
Major attraction	43%	39%
Guided tour	28%	25%
Public event (e.g., festival or concert)	32%	26%
Group or 1-on-1 class	17%	7%

*Laptop luggers are travelers who have expressed intent to work during their longest leisure trip of a given season.
Source: 2023 Deloitte leisure travel surveys

Generational shifts call for new loyalty levers.

Millennials and Gen Z are less motivated by loyalty program memberships than older generations (figure 7). And while loyalty stickiness tends to build with age, travel brands should not assume that pattern will continue. The likely long-term reduction in corporate travel post-pandemic means fewer will experience earning points on trips beyond their personal means. Also, millennials and Gen Z have embraced travel platforms and products that have a shorter or nonexistent history with loyalty programs: online travel agencies and short-term rentals. The next wave of leading travel loyalty programs should consider strategies that allow for quick earning of smaller rewards, partnerships that connect to behavior beyond travel, and programs that leverage data to offer irresistible personalized perks and offers. As travel brands build these more dynamic programs, they should also consider their broader conversation with young travelers. Branding that reaches beyond elites, and engages Gen Z authentically in the spaces where they spend time, will help build initial affinity that can lead to loyalty.

Figure 7: Generational shift could mean a looming challenge for loyalty programs

Source: 2023 Deloitte summer travel survey

While some will likely embrace loyalty more as they experience its benefits, **there could be a lasting generational loyalty divide because:**

- Millennials and Gen Z have come of age in the era of **online travel agencies and short-term rentals,** which have shorter histories with loyalty programs.
- **Corporate travel** dropped to nominal levels in 2020, and frequency is not expected to return to pre-pandemic levels soon, narrowing this key opportunity for professionals to earn points and experience programs.

Figure 8: Five ways to captivate the changing traveler

1

Be real

Today's young travelers are selective and educated about the brands they associate themselves with. **As brands share their values and social causes they support, they should ensure they can be both transparent and truthful.**

2

Create conversation

Travel continues to convey social currency in an evolving society. **Travel providers should endeavor to understand and foster the ways travelers want to share their experiences with others.**

3

Enable community

Younger travelers especially seek to connect with destinations, local communities, and like-minded travelers. **Travel providers should explore ways to enable this sense of community—before, during, and after trips.**

4

Tweak and test trends

While trends may emerge from niche groups, they do not have to stay there. **Travel providers should think beyond the early adopters and biggest spenders, adapting and testing across age, income, and evolving mass and micro demographics.**

5

Extend engagement

In an ever-connected world, the relationship with the traveler does not begin and end with the trip. **Brands should look for innovative ways to extend engagement through partnerships and strategically timed direct outreach.**

Source: Deloitte

Navigating climate headwinds

Future of Consumer connections: *Extreme climate change; An evolving society and culture; The changing consumer*

Travel has a significant and highly visible impact on the environment. The industry's reliance on fossil fuels makes it a conspicuous and hard-to-abate emitter of greenhouse gases (GHGs). Aviation accounts for approximately 2% of global CO2 emissions, about seven times the CO2 per kilometer that rail travel emits, according to the International Energy Agency (IEA).[5] Hotels' impact is harder to measure, but these buildings stand as a daily reminder that travel requires significant resources.

While travel contributes to climate change, climate change has specific effects on travel, challenging industry leaders across a few major fronts. Evolving traveler priorities, regulatory pressure, and impact on the appeal and seasonality of some destinations combine to warrant greater strategic attention to climate impact. Climate concerns will likely have a growing impact on the travel industry in the following ways:

1. Environmental impact increasingly factors into travel decisions

As more world citizens experience extreme weather events, their sense of urgency about climate is growing. And a significant number of travelers seek ways to mitigate their environmental impact. One-third of American travelers said they would take some kind of action to travel more sustainably—such as seeking lower-emission flights or prioritizing hotels with higher sustainability ratings—during their 2023 holiday travels (figure 9). That figure was higher for millennials (38%) and Gen Z (42%).

As Gen Z and millennial share of travel spend grows, so should demand for greener ways to travel. Providers that lean into sustainability should proceed with rigor and authenticity to keep the trust of younger generations. Gen Z in particular are more skeptical of brands, according to Deloitte's TrustID research (figure 9). Companies that earn their goodwill stand to benefit: When younger consumers trust a company, they tend to increase spending, become repeat customers, and forgive mistakes more readily.

Figure 9: Gen Z and millennials factor sustainability into their purchase decisions and relationships with brands

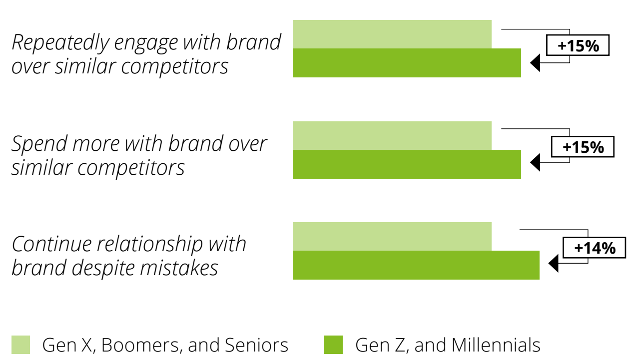
3 in 10 Americans plan to make sustainable travel choices on upcoming trips.

Younger generations are driving sustainable travel.

	Prioritize hotels with higher sustainability ratings	Use filters to identify lower emission flights	Pay extra to offset flight carbon emissions
Gen Z	**23%**	**14%**	**9%**
millennials	**25%**	**11%**	**9%**
Gen X	19%	5%	4%
boomers	14%	2%	2%

Gen Z and millennials subscribe to a broader definition of sustainable behavior—encompassing approach to environment, society, and employees—and align their behavior with their values.

Once trust in the approach to sustainability is established, they repeatedly engage with brands and build longer relationships.



Note: The trust parameter considered here covers a brand's approach toward its employees, society, and environment.
Source: 2023 Deloitte Holiday Travel Survey, "Which of the following do you try to do when you travel?"; Deloitte TrustID

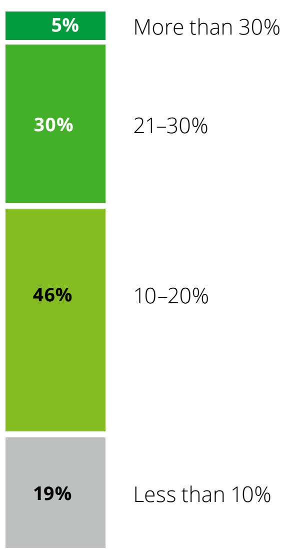
Along with young generations, corporate travelers are a growing source of sustainable travel demand. Many companies have committed to emission reductions on specific timelines, and more than 80% of corporate travel buyers expect those commitments to spur reductions in travel spend (figure 10).

While facilitating greener travel may be challenging, the industry should increase its role in empowering consumers and corporate buyers to make more climate-friendly choices. The call for credible, user-friendly sustainability metrics should only grow; providers that deliver them stand to burnish their brands and boost their market positions, while demonstrating good faith to regulators.

Figure 10: Corporate climate commitments will contribute to travel reduction

More than 80% of corporate buyers are planning significant travel reduction to meet sustainability targets...

Per employee travel reduction to meet 2030 sustainability targets



...showcasing clear impetus for travel suppliers to help them move from observation to action.

Corporates' approach to sustainability initiatives

	Hotels	Airlines		
	Green certification	**Sustainable Aviation Fuel (SAF)**	**Fare and seat classes**	**Carbon emissions**
Data collection & tracking	40%	25%	23%	24%
Carbon footprint calculation	32%	31%	27%	29%
Booking engine prioritization	16%	29%	34%	31%
Mandated use	12%	11%	17%	17%

Source: 2023 Deloitte Corporate Travel Survey, "To meet your company's emissions goals, how much do you estimate you will need to reduce travel on a per-employee basis by 2030?; What best describes your company's approach to the following sustainability initiatives/measures by travel suppliers?"

2. Climate regulation increasingly targets travel

As more extreme weather draws attention to the impacts of climate change, governments and regulators will likely feel greater citizen pressure to address it. Aviation is a likely target. France's 2023 law banning certain short-haul domestic flights offers a possible preview of a more highly regulated future. And in the United States, a bill introduced in the Senate in July 2023 seeks to increase the fuel tax for private jets by a factor of nine.[6]

While policymakers may be reluctant to enact legislation that hamstrings an important engine of the economy, even moderate regulation could challenge profitability in an already low-margin business. And laws targeting travel may prove politically popular if they are presented as targeting activity that is wasteful and indulgent—especially if companies are seen to be dragging their feet on measures necessary for sustainability.

3. Climate change affects the desirability, seasonality, and viability of destinations

Climate change is already altering travelers' experiences and the desirability and seasonality of destinations. Rising temperatures are affecting locations around the globe, and scientists see increasing linkage between global warming and the frequency and intensity of extreme weather.

Warm-weather destinations may become prohibitively hot for long stretches (figure 11). Ski seasons are shortening, and increasingly volatile hurricane activity threatens some beach destinations (figure 12). More frequent wildfires may cause travelers to reconsider trips to the American West, parts of Australia, and other vulnerable areas.

Figure 11: Too hot to travel?

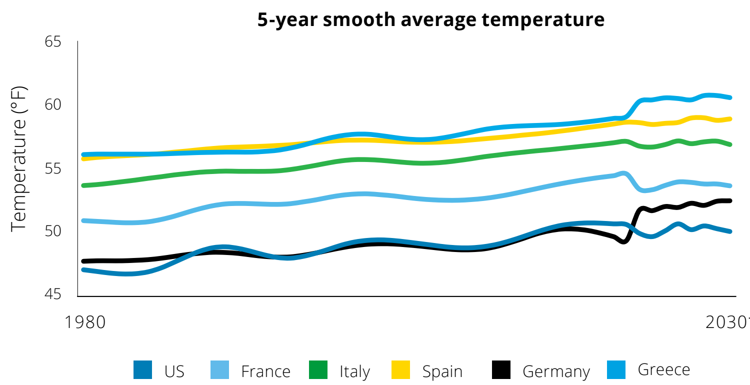
Heat waves

Heat waves shatter records in 2023, toasting popular travel spots.

	Highest temp (°F)	Length of heat waves (days)
Las Vegas	117	14
Greece	115	7
Spain	111	24
Orlando	100	7
Perth	95	7
Tokyo	95	22

Average temperature

2016 and 2020 mark the hottest years on record, and **future projections raise concerns.**

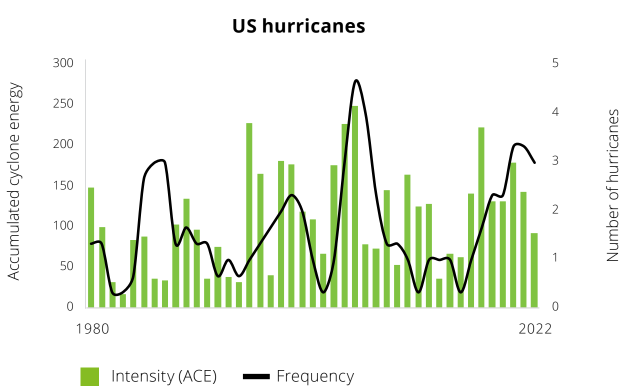


*Climate Mean Projections (CMIP6) SSP2-4.5.
Sources: United States Environmental Protection Agency; Climate change knowledge portal (worldbank.org)

Figure 12: Troubling weather trends

Hurricanes

North Atlantic hurricane intensity and frequency have been climbing since 1995. 2020 recorded six hurricanes, two of which were major strikes in the United States.



Fires and floods

Canada's 2023 forest fires doubled records, and annual areas burned are rising across North America and Europe.

Maui experienced an unprecedented wildfire disaster in 2023.

California and Venice floodings have become more frequent and intense—two of the world's most popular destinations.

Rising sea levels threaten the Maldives' livability.

Shrinking snow season

The US 2019 ski season was 18 days shorter than in the 1980s.

Ski trips to Switzerland and Chile slumped significantly due to the shorter winters in 2019.

Fewer days of snow could threaten the value of seasonal pass products and concentrate demand around a smaller number of destinations.

Sources: European Forest Fire Information System (EFFIS); National Centers for Environmental Information (NCEI); United States Environmental Protection Agency; Climate change knowledge portal (worldbank.org); International report on snow and mountain tourism (Laurent Vanat)

Travel-related emissions are especially difficult to mitigate. Upgrading to newer airplanes can improve fuel efficiency, but presents financial and logistical challenges. Sustainable aviation fuel (SAF) represents less than 1% of global jet fuel demand,[7] and planned production capacity will provide only a small fraction of demand for jet fuel by 2027. Hotel companies weigh the financial and environmental cost of new construction and renovation against the environmental benefits. And while tools like photovoltaic panels, battery energy storage, heat pumps, and virtual power purchase agreements can help reduce reliance on GHG-emitting power sources, the hospitality industry has a long path to a post-carbon future.

Travel faces a future significantly impacted by increases in traveler and regulator interest in emissions reduction, and by threats to the appeal of some destinations. The industry should address climate change proactively by considering the following strategic priorities (see Figure 13):

Figure 13: Six ways to solve for travel's top climate concerns

1

Commit to transparent traveler metrics

Industry players must work toward **frameworks that enable travelers** to make more informed booking decisions.

2

Participate in the regulatory process

Travel providers will be on the receiving end of stricter regulation. Securing a seat at the table will position them to help shape it.

3

Invest with foresight

Continually review long-term plans in light of **potential weather-related shifts in demand** and the implications those changes have for where and how to invest.

4

Pursue truly sustainable aviation

Research into low- or no-carbon is progressing, but meaningful advances require **major players to commit to innovations that show potential** to accelerate the industry toward truly sustainable flight.

5

Build greener foundations

From site selection to material efficiency to energy sources, the most impactful steps toward climate-friendly hotels must be taken long before the first guest checks in.

6

Develop new offset mechanisms

These tools may include contributions to research, tree planting, carbon offsets, and participation in local environmental funds.

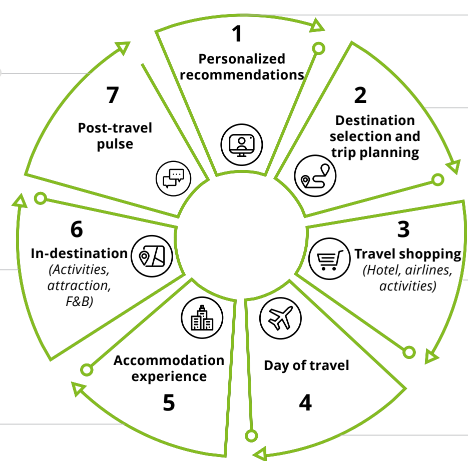
Exponential tech enters a legacy-laden industry

***Future of Consumer connections:** Exponential xTech, The changing consumer*

Travel has major legacy tech issues. Airlines are embroiled in a complicated, decades-long crawl toward more effective merchandising. Hotels operate on complex tech stacks filtered through frequently changing ownership and investment structures. And booking platforms balance travelers' keenness to adopt new technology with the challenges of normalizing, optimizing, and managing diverse content—including constantly changing pricing information and booking systems.

Into this scenario, a powerful technology is emerging as a major source of disruption. Artificial intelligence, whose potential in travel has been discussed and debated for years, has become more widely accessible. It is already bringing efficiency to travel providers across various functions from marketing and customer service to fleet and resource management. Over the next several years, it also has the potential to disrupt travel distribution, ease a significant amount of friction throughout the journey, and unlock new ways for travelers and travel brands to interact (figure 14).

Figure 14: How AI will show up in the traveler's journey



Analyze consumer data to offer personalized recommendations based on past trips, online purchases, and tendencies.

Specific options and ideal itinerary for next trip, considering trip type, duration, budget, group size and composition, best time to visit, weather conditions, etc. along with prior travel history.

Traveler needs are matched with up-to-date **supplier information to surface the most relevant photos and information within search results.** Shoppers surface specific attributes and components and refine recommendations with natural language—no more fiddling with filters.

Smoother transport, notification process, and booking adjustments. Tools provide a **full view into airport infrastructure, offerings and F&B options,** and the ability to schedule and edit food pickup based on flight details.

Past-visit data from partner networks **enables properties to tailor their offerings. Concierges, powered by AI 24/7,** provide personalized and timely offers.

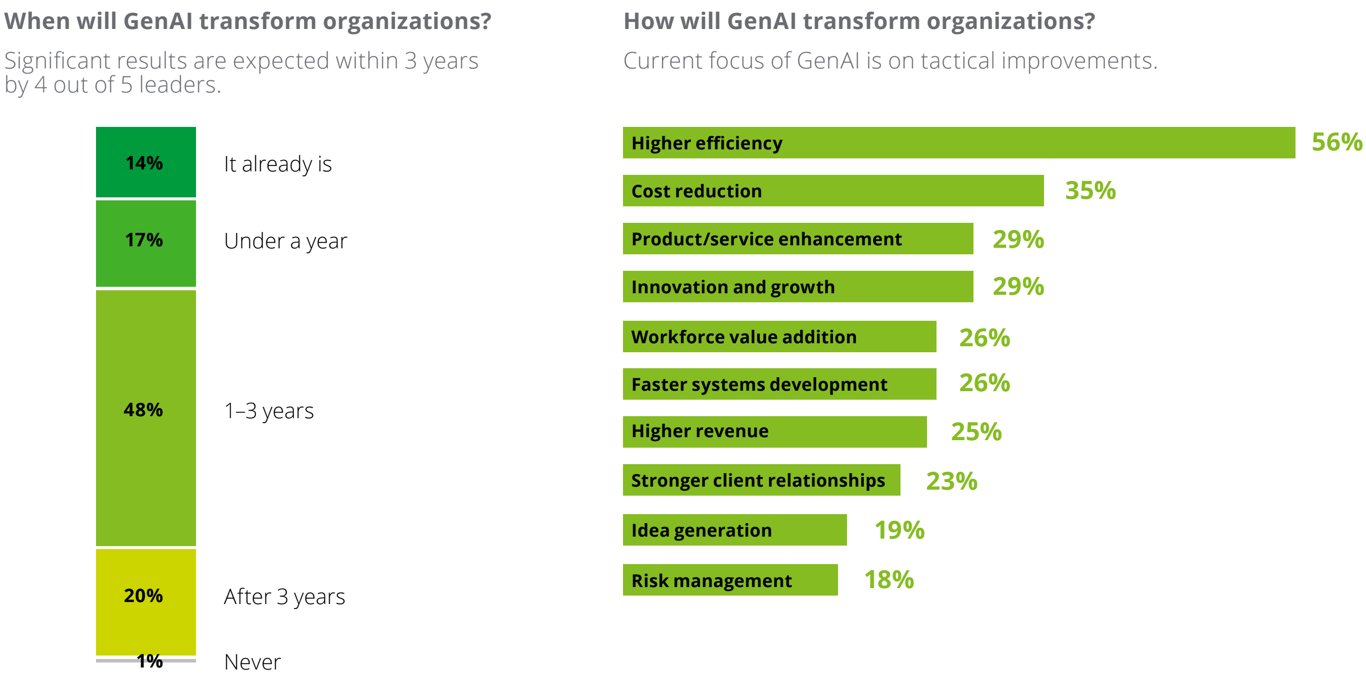
Activity, attractions, and food **recommendations are optimized for the traveler and circumstances.** Itineraries seamlessly fit around each day's priorities and conditions. Choices that travelers make will inform subsequent recommendations.

Post-trip tools **prompt the traveler with questions about their trip experience, likes, and dislikes,** teaching the tool to generate more accurate recommendations for future trips. Travelers can enter ideas for expected future trips and schedule when they would like destination recommendations.

Source: Deloitte

Transform travelers' expectations for discovery and shopping For travelers, GenAI holds promise as a planning tool. In October 2023, about one in 10 travelers (and about one in seven millennials) said they used GenAI to plan trips for the upcoming holiday season. Considering the technology has only been widely available for a year, and that no widely available GenAI tool is connected to bookable flights or rooms, the rate of adoption is impressive. Over the next several years, GenAI will be increasingly integrated into travel search and booking platforms. A new breed of travel intermediary will likely emerge: The GenAI agent, which turns wish lists into bookable itineraries—and then books them via the best channel for the traveler, optimizing for pricing, loyalty memberships, cancellation policies, and any additional conditions and perks. Travel suppliers need to balance investing in their own GenAI recommendation engines for loyal travelers and other direct bookers, while also preparing to win in the automated agent future.

Figure 15: 9 in 10 business leaders expect Generative AI to boost productivity



Source: Deloitte's State of Generative AI in the Enterprise

Alter workforce and talent requirements, at all levels
To make the most of AI, companies need creative, collaborative teams with the technical skills to conceive and build new products. Travel is no exception, and many travel companies should recruit and foster new talent for the next chapter in travel tech. Even if many capabilities are outsourced, hotels and airlines need internal teams that can discern, innovate, and align with internal and external systems to help ensure effective adoption.

In a race for tech talent, travel may find itself at a disadvantage compared to tech companies, which can offer faster product cycles, more experimentation, and clearer growth paths. Travel companies should get creative and take risks to compete. Here are some steps they might take:

- Restructure tech teams to look more like tech firms, so that new hires understand they will build skills that transfer beyond travel.
- Signal bold ambitions and encourage moonshot projects, perhaps cycling talent in and out of innovation lab teams.
- Leverage travel as a perk in a more exciting way.

Travel providers stand to unlock significant savings and improve the trip experience by applying AI to these operational efficiencies. But more transformational innovations are on the horizon. While many AI applications hold promise in travel, adoption faces significant challenges.

The travel industry is in a transformative era, shaped by demographic shifts, evolving technologies, and the pressing need for sustainability. As the baton passes from boomers to younger generations, travel providers should adapt to their digital savviness and value-driven behavior. Rising Asian source markets add a layer of opportunity and complexity. The growing accessibility of AI, particularly GenAI, promises operational efficiencies and a more personalized traveler experience—especially for those that can update their technology, teams, and thinking to harness it. However, amid these advancements, the specter of climate change looms large. The industry should not only mitigate its emissions but also develop clear, trusted standards for measuring sustainability, all while adapting to the changing desirability and viability of destinations due to extreme weather events. As the industry navigates these changes, the future of travel hinges on innovative thinking, a commitment to environmental stewardship, and willingness to invest in a better shared future.

Authors

Matt Soderberg
Principal
US Airlines leader
Deloitte Consulting LLP
msoderberg@deloitte.com

Matthew Usdin
Principal
US Hospitality leader
Deloitte Consulting LLP
musdin@deloitte.com

Bryan Terry
Managing Director
Global Aviation Leader
bryanterry@deloitte.com

Ramya Murali
Principal
Deloitte Consulting LLP
rmurali@deloitte.com

Maggie Rauch
Researcher Manager
Transportation, Hospitality & Services
magrauch@deloitte.com

Acknowledgments

The team would like to thank the following team members for their contributions to this report: Kasey Lobaugh, Ashley Reicheld, Steve Rogers, Peter Caputo, Jeff Casullo, Upasana Naik, and Anand Kumar

Endnotes

1. Chris Stokel-Walker, "How TikTok beat Instagram," *Business Insider*, February 2, 2023.
2. Tourism Economics, "Travel data and forecasts," accessed March 14, 2024.
3. Deloitte 2023 Summer Travel Survey.
4. Kasey Lobaugh et al., *Buying into better: The six forces shaping the future of the consumer industry*, Deloitte, 2023.
5. International Energy Agency, "Aviation," accessed March 14, 2024.
6. Senator Ed Markey (D-MA), "Markey, Velazquez announce legislation to make the rich pay for the public costs of private jet pollution," press release, July 19, 2023.
7. Christopher Surgenor, "IATA expects SAF production to rise to 0.5% of airlines' fuel consumption in 2024, adding $2.4bn to costs," *GreenAir News*, December 8, 2023.

Deloitte.

8577894