

EXECUTIVE SUMMARY

THE INDUSTRY HAS AN OPPORTUNITY TO REDEFINE ITSELF

THERE WAS no abating consumers' appetite for travel in 2023 despite surging inflation and geopolitical instability, as pent-up demand continued to fuel spending on travel. However, 2024 promises a more nuanced and evolving landscape.

There is little doubt the turbulence of the past three years has reinforced consumers' interest in travel. Moreover, with increasing workplace flexibility becoming more widely accepted, professionals are seeking opportunities to blend work and leisure. This shift is poised to further sustain travel demand while changing the nature of business travel.

With many travel businesses returning to, or surpassing, pre-pandemic passenger volumes, 2023 saw a strong recovery. Net spending in the leisure sector improved for a third consecutive quarter according to the Deloitte Consumer Tracker Q3 2023 and the travel industry reaped the rewards of a busy summer. As the appetite for travel remains, the sector is seeing investment and a trickle of M&A activity.

However, there is the potential for a more conservative approach to travel behaviour in the face of an economic downturn. Consumers will want maximum value for money and may consider options such as all-inclusive holidays or fewer days away. Higher-end travel products could have a better year than budget ones.

On the corporate side, decision-makers face the delicate task of balancing conservative budgeting with the benefits travel can offer. The value of in-person interactions is clearly recognised, but how organisations go about travel is changing as they strive for growth and profitability while reducing costs and CO2 emissions.

Progress on sustainability in the industry has been modest. While corporate responsibility and marketing play a role, consumers' travel decisions do not tend to reward sustainable practices consistently. Institutional investors and government regulations are the key drivers for change, but the pace is often slow. However,



The sector reaped the rewards of a busy summer 2023. But the travel landscape is evolving, argues Deloitte's Alistair Pritchard

investors are taking sustainability seriously, as market perception can change fast, impacting the top line and asset value.

For travel providers, adaptability is key. Those who can integrate technology to provide personalised and flexible offerings will be at the forefront of meeting the evolving needs of consumers. Technology including artificial intelligence will play a crucial role in enabling businesses to address sustainability and cost targets. Significant investment is expected. Generative AI has the potential to disrupt travel and hospitality, particularly around itinerary generation and hyper-personalisation, and to redefine loyalty by focusing on personalised experiences rather than points-based programmes.

As we navigate the complexities and uncertainties of the post-pandemic world, the travel industry has the opportunity to redefine itself. By embracing innovation, understanding diverse consumer needs and prioritising the delivery of meaningful and personalised experiences the industry can redefine value through experience.

We hope you enjoy this *Travel Weekly Insight Report*. We look forward to discussing its insights and their implications with you. ■

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