

2026

TRAVELWEEKLY

Insight Report

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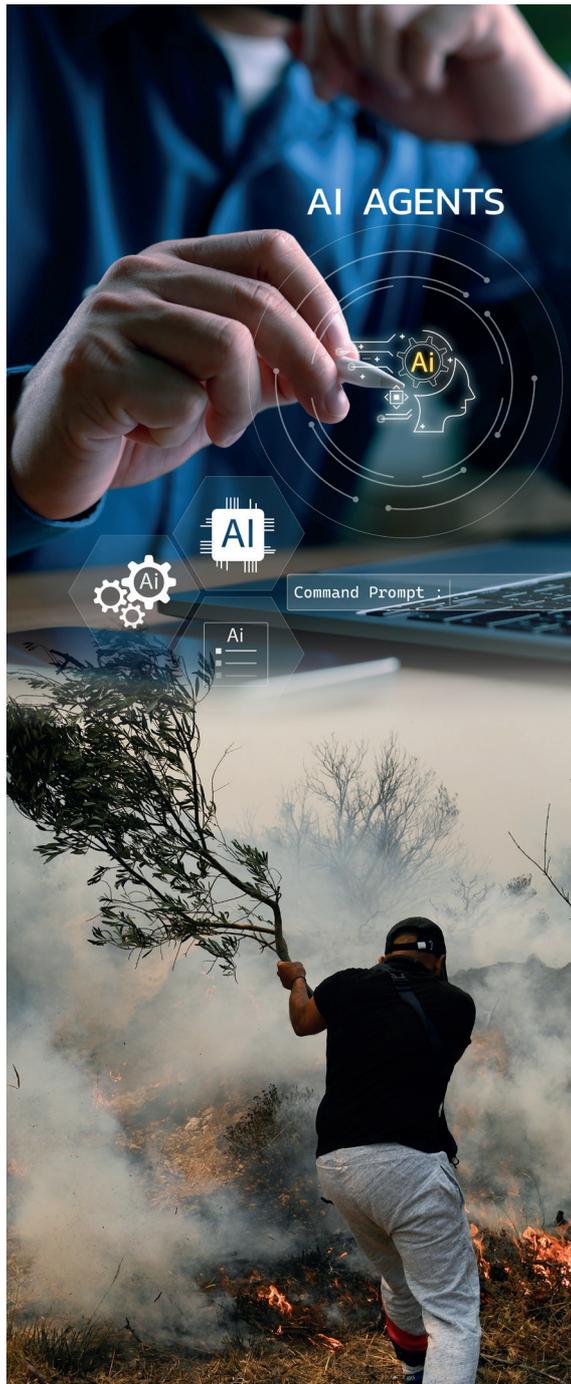
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EXECUTIVE SUMMARY

DEMAND ROBUST BUT CONFIDENCE FRAGILE

The UK travel sector entered 2026 against a backdrop of subdued global economic growth and persistent uncertainty. Corporate strategies remain largely defensive, with cost reduction still a priority, although there are early signs of a shift towards cautious optimism.

Consumer confidence also remains fragile as households are wary about job security and the broader economic outlook. Despite wage growth set to continue to outpace inflation, driving improvement in disposable incomes, political, economic and geopolitical risks continue to suppress a broad-based recovery in consumer spending.

Given the context, the travel industry has shown remarkable resilience and is expected to experience robust demand heading into 2026. Global leisure travel intentions for the start of 2026 remain strong, according to the latest Deloitte Consumer Signals research, with nearly all major categories seeing slight improvements compared with the same period a year ago. Net spending intent has strengthened across the sector, particularly around airlines, with more travellers planning to spend more on full-service carriers, convenient itineraries and seat upgrades.

Despite the economic headwinds, consumers treat holidays as essential. Outbound volumes and cruise bookings have hit post-pandemic highs and inbound travel is set to exceed pre-pandemic levels. Domestic travel has grown more slowly due to cost pressures, while corporate travel has partially recovered but is now more targeted and conscious of cost over emissions.

Value, flexibility and unique experiences drive bookings. Revived package holidays, all-inclusive and premium options, off-peak travel and niche segments (wellness, active leisure, city breaks) reflect shifting preferences and a desire for more personalisation.



Value, trust and resilience will be key to success in the months ahead, says Deloitte head of travel, aviation and cruise

Alistair Pritchard

Technology and AI (including agentic and generative models) are accelerating personalisation, revenue management and efficiency, but adoption is uneven because of gaps in data integration and digital foundations.

Ultimately, travel relies heavily on trust for what are high-value, emotionally significant purchases, so success will come from blending tech with human expertise while simplifying distribution and search.

Sustainability remains a strategic imperative, but the pace of regulatory change has slowed with a shift towards embedding sustainability to support value creation. Progress is focused on areas with clear cost or risk benefits, but Scope-3 transparency and reporting remains challenging, and physical climate risks make adaptation urgent, although price and convenience often beat green choices for consumers.

Regulatory and geopolitical ambiguity (on Atol, package travel, sustainability and AI rules) can dampen investment and force scenario planning. Market structures are blurring with partnerships across hospitality, food and beverage, wellness and retail. Labour shortages persist, requiring digital and interpersonal reskilling, and cybersecurity risk is rising – making resilience, governance and recovery planning as critical as prevention.

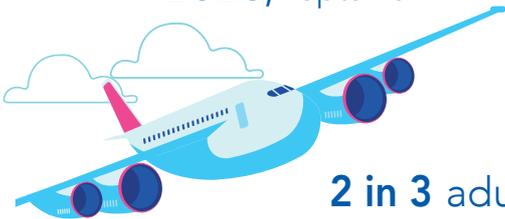
M&A and private equity interest are expected to pick up as macro conditions improve and will favour resilient, tech-enabled and luxury assets, with rigorous due diligence on AI and sustainability.

So, the UK travel sector faces a complex and dynamic environment. Economic pressures, technological transformation, evolving consumer expectations and regulatory change will shape the year ahead. Success will require agility, investment in people and technology, and relentless focus on value, trust and resilience. ■

Alistair Pritchard, Deloitte lead partner, Travel, Cruise and Aviation

KEY FINDINGS

56% plan an **overseas holiday** in **2026**, -3pts YoY

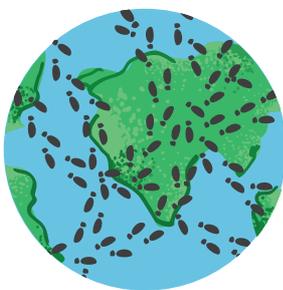


2 in 3 adults aged **25-44** plan a holiday abroad, -5pts

62% of holidaymakers plan to book **all-inclusive**, +3 pts YoY

51% are 'more **concerned**' about the **cost** of holidays

2 in 5 adults plan **fewer holidays** this year



3 in 5 travellers could '**change plans**' due to **overtourism**

53% concerned how **hot** their **destination** could be

2 in 5 holidaymakers may **use AI**, but **53%** '**prefer**' to speak to a **person**

55% of holidaymakers expect to pay **local taxes**

1 in 2 expect to **spend more** in 2026, -4pts YoY



44% support **Heathrow** and Gatwick expansion

Price and destination key factors in choosing a holiday for **50%-plus**; **1 in 10** cite **social media**

42% plan **7-13-night** holidays, +3pts YoY

3 in 5 to holiday **outside peak** season, including **1 in 2** parents

1 in 10 over-**55s** plan a **cruise**



34% of adults **who've not cruised** would **like to**

FOREWORD

DEMAND FOR TRAVEL UNDIMINISHED

Consumer research for the 2025 edition of this report suggested a strong, if not a record, year for outbound tourism – which is what last year proved to be.

Similar research for this report suggests a small decline from last year's high in the proportion of UK adults 'likely' or 'very likely' to book an overseas holiday in 2026, but this remains at 56% with a corresponding increase in the proportion undecided. One in two prospective holidaymakers expect to spend more this year than last, with a similar proportion 'more concerned than previously' about the cost of holidays.

The attraction of all-inclusive accommodation shows no sign of waning, with more than three out of five overseas holidaymakers (62%) saying they are likely to book all-inclusive for their main holiday – a rise of three-percentage points on a year ago. That is 15 points up on 2018 and 20 points on 2015 – a remarkable increase in demand and a mark of how attractive the combination of a premium resort with costs covered upfront has become.

The post-pandemic surge in inflation and the resulting squeeze on household disposable incomes led to successive years in which an increasing proportion of consumers indicated they were likely to reduce the duration of their main overseas holiday. That trend appears to have plateaued, with a rise of three percentage points to 42% in the proportion planning a holiday of seven to 13 nights.

The price of peak-season holidays, highlighted a year ago, remains a concern. Three out of five likely holidaymakers, and one in every two parents with children, plan to travel outside peak season.

Strikingly, the research suggests most holidaymakers expect to pay taxes at their hotel or in resort in addition to the price of their holiday – despite the Competition and Markets Authority looking to enforce new rules on travel sellers to include all such taxes and charges levied in resort in

The outlook for the outbound holiday market appears all but on a par with last year's record high

prices shown to customers. We may see the first cases of CMA enforcement of the new rules soon after this report appears.

Alongside continuing strong intent to travel and concerns about cost, the research suggests an increased awareness of the impact of tourism on destinations. This rates as the leading sustainability-related concern among respondents for the first time alongside the extent to which local people benefit. No doubt this is in response to continuing protests against 'overtourism' and the shortage of homes in some of the most-popular destinations.

The transformation of border processes will see the UK enforce its Electronic Travel Authorisation (ETA) system (and a £16 fee, soon to rise to £20) from February, while rollout of the EU Entry/Exit System (EES) is due to be completed by April. We must expect some delays.

The great unknown element is what impact the heightened political volatility and tensions around the world will have. Much of the certainty of recent decades in international affairs has gone. Multiple assumptions can no longer be made. The only certainty appears to be increasing volatility.

I am indebted to Deloitte and its contributors for their considerable insight and time. ■

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PICTURE: Steve Dunlop

UK CONSUMER RESEARCH

KANTAR SURVEY

FIGURE 1: UK HOLIDAY MARKET

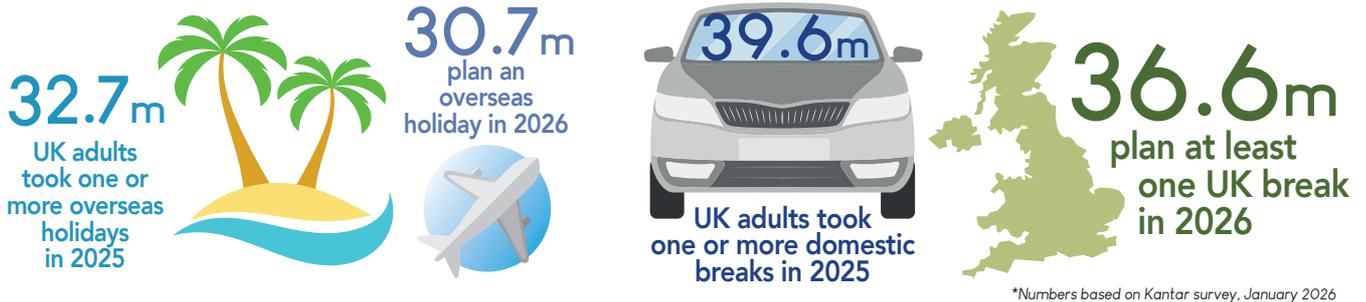


FIGURE 2: UK OUTBOUND HOLIDAYS, 2025

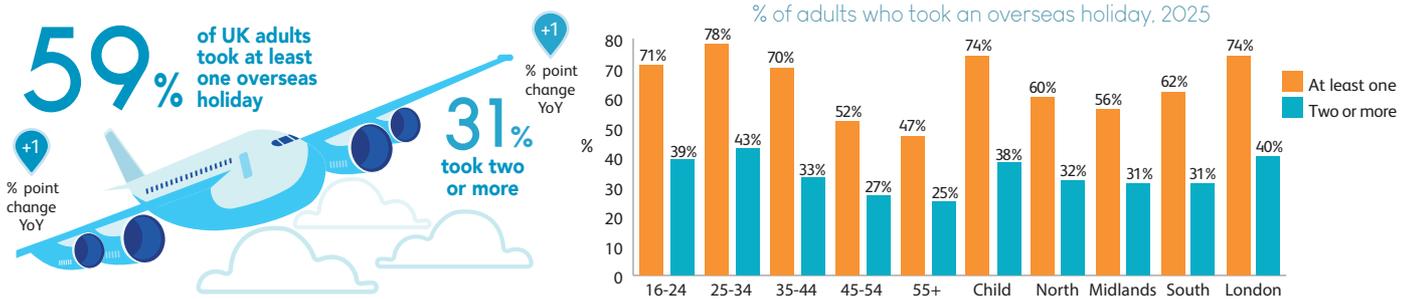
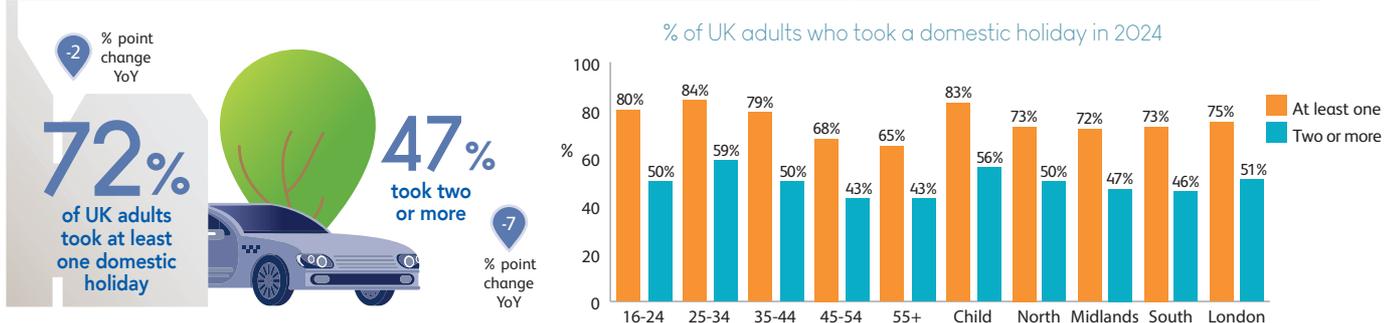


FIGURE 3: UK HOLIDAY MARKET, 2025



FIGURE 4: UK DOMESTIC HOLIDAYS, 2025



Source: Kantar, January 2026 Base: 1,281 UK adults

MARKET OUTLOOK

UK ECONOMY SUBDUED BUT NOT THE PROSPECTS FOR TRAVEL

UK OUTBOUND travel enjoyed a record year by almost any measure in 2025, despite limited UK economic growth and heightened tensions and volatility in many areas of the world.

Going into this year, Deloitte director of economic research Debapratim De noted the UK economy “remains subdued” and said: “We expect activity to decelerate from a forecast 1.4% last year to 1.2% in 2026.”

He explained: “Persistent external headwinds, especially elevated levels of geopolitical and trade uncertainty, will continue to act as a dampener to UK growth and the full impact of US tariffs is likely to be felt over the coming months.

“The softening UK labour market is a major domestic headwind. Job vacancies are below pre-pandemic levels and business surveys suggest weaker private sector hiring as employment law changes and rising labour costs bite. We expect the unemployment rate to rise, from around 5% last autumn to peak at 5.7% in the summer and wage growth should edge lower.

“But it’s not all gloom. Falling inflation should keep real wages rising and, together with further cuts to interest

Sluggish economic growth and heightened volatility won’t stop people travelling, but expect some disruption

rates, support consumer spending.

“We expect headline inflation to fall faster than previously forecast to 2.5% by the spring and approach 2% this autumn. This, and a weaker labour market, should create room for interest rate cuts. We expect two cuts by the end of the year, taking the Bank Rate down to 3.25%.

“So, we’re forecasting sluggish growth over winter and spring, followed by a slow pickup in the summer months as lower inflation and interest rates take hold alongside a gradual recovery in global trade.”

De noted: “There is a lot of media coverage on the impact of Gen AI on jobs, but the visible softening of the labour market is cyclical, not structural. Some studies suggest a reduction in demand for entry-level jobs could point to AI having an effect. But that would also be consistent with a downturn in the labour market.”

In Europe, he said: “Germany is the only G7 economy set to see a significant acceleration in growth this year. But its growth is offset by forecast slowdowns in other euro area economies, resulting in overall growth for the euro area remaining largely unchanged.

“That has a bearing on the euro exchange rate. We don’t expect the European Central Bank to cut or raise rates this year. So, the euro should appreciate slightly against sterling as we’re predicting two rate cuts in the UK. The euro should also strengthen slightly against the dollar with the US Federal Reserve predicted to cut rates twice. But US political and trade uncertainties and a growing deficit could exert further downward pressure on the dollar.

“Sterling had a pretty good year against the dollar in 2025, but we’re probably not going to see a lot of movement this year because of the similar rate cuts pencilled in.”

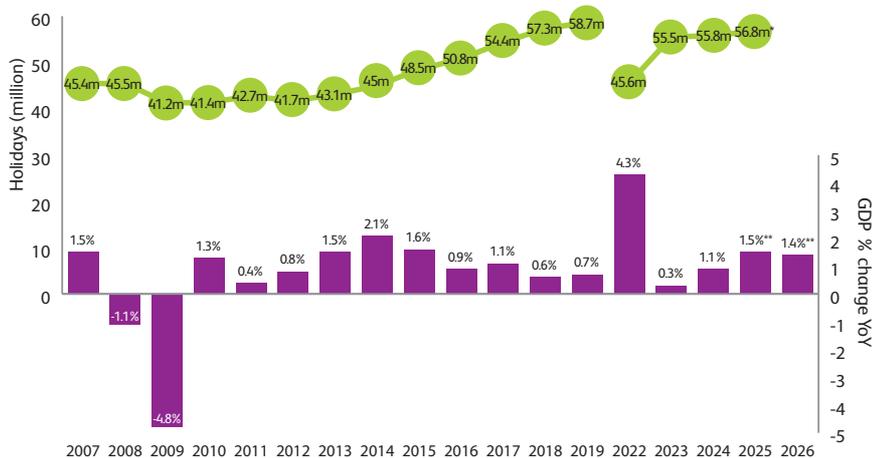
De identified the “the number-one risk” to this outlook as “a sharp readjustment in financial markets, be it due to concerns over the Federal Reserve’s independence or a reassessment of what AI can do.

“A loss of market confidence in the

THE STRENGTH of travel demand broadly correlates with GDP growth (Figure 5). UK consumer confidence remains negative with confidence in the UK economic outlook low (Figure 6). External economic factors led to uncertainty in business heading into 2026 (Figure 7)

FIGURE 5: OUTBOUND HOLIDAYS & GDP

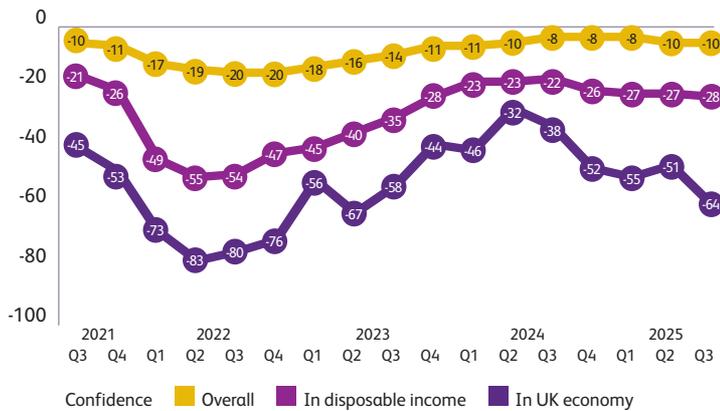
UK overseas holidays



*12 months to June 2025 **OBR 2025 estimate & 2026 forecast, November 2025 Source: ONS/OBR

FIGURE 6: UK CONSUMER CONFIDENCE

% point difference between 'confident'/'not confident'



Figures rounded Source: Deloitte Consumer Tracker

Fed would be more serious given US treasuries underpin the global financial system. Although US equity valuations seem at bubble levels and close to peaks last seen during the dot.com boom on the back of AI-driven exuberance, a sharp reassessment seems unlikely to lead to a full-blown financial crisis.

“The primary reason for that is that a lot of the investment in AI is being financed through cash rather than leverage and by tech majors, which have very strong balance sheets and steady alternative sources of revenue and could therefore absorb some shocks. Given the relatively limited involvement of banks so far compared to the real estate bubble in the mid-to-late 2000s, the channel through which a shock like this would typically permeate through the financial system is weaker.

“However, there are other sources of risk. Chinese posturing over Taiwan or recent US messaging over Greenland and the risk of further fracturing of the relationship between Europe and the US could have significant implications for the global economy. The prolonged conflict in the Middle East has not really impacted oil markets so far, and the action in Venezuela had a limited short-term effect.

But I would keep an eye on developments in Iran. If it sought to block the Strait of Hormuz, for example, there would be a response in oil markets.”

He noted “two interesting themes played out in western equity markets” last year, saying: “On the one hand, US equities staged a remarkable rally from their post-‘Liberation Day’ lows [when US tariff rates were unveiled], partly driven by surprising economic resilience and the rapid ramping up of investment in AI. On the other, growing awareness of the risks of an AI bubble and the fact that European and UK stocks looked better-valued drove some reallocation away from the US. Investors are overexposed to the US, would like to diversify, and UK and European equities look particularly attractive.”

‘WAGES TO OUTFRAN INFLATION’

De suggested: “Some of the underlying dynamics should improve for UK consumers. Although unemployment is rising, we expect wage growth to outpace inflation still and for consumers to see continued real wage rises and improvements in disposable income. This should drive an improvement in sentiment by the end of the year.

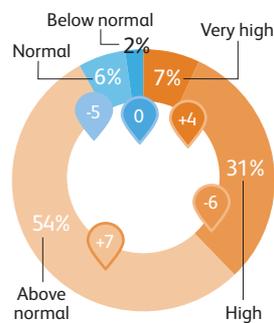
“Having said that, a broad-based recovery in consumer confidence and spending has previously been thwarted by elevated levels of uncertainty. I don’t see that dissipating, whether it’s around the UK local elections and the potential implications for the government, or the US mid-term elections or challenges faced by EU governments in passing difficult policy decisions. These issues will likely impact on news coverage and limit a recovery in confidence.”

UK outbound travel had a remarkably strong 2025, with Atol-protected package holiday capacity at record levels last year and heading into this.

Alistair Pritchard, Deloitte partner and head of travel, cruise and aviation, ►

FIGURE 7: LEVEL OF EXTERNAL ECONOMIC UNCERTAINTY FACING BUSINESS

% of CFOs rating uncertainty



Source: Deloitte CFO Tracker, Q4 2025

% point change YoY

MARKET OUTLOOK

UK ECONOMY SUBDUED BUT NOT THE PROSPECTS FOR TRAVEL

FIGURE 8: EUROPEAN AIR TRAFFIC, 2025



FIGURE 9: INTERNATIONAL TOURIST ARRIVALS

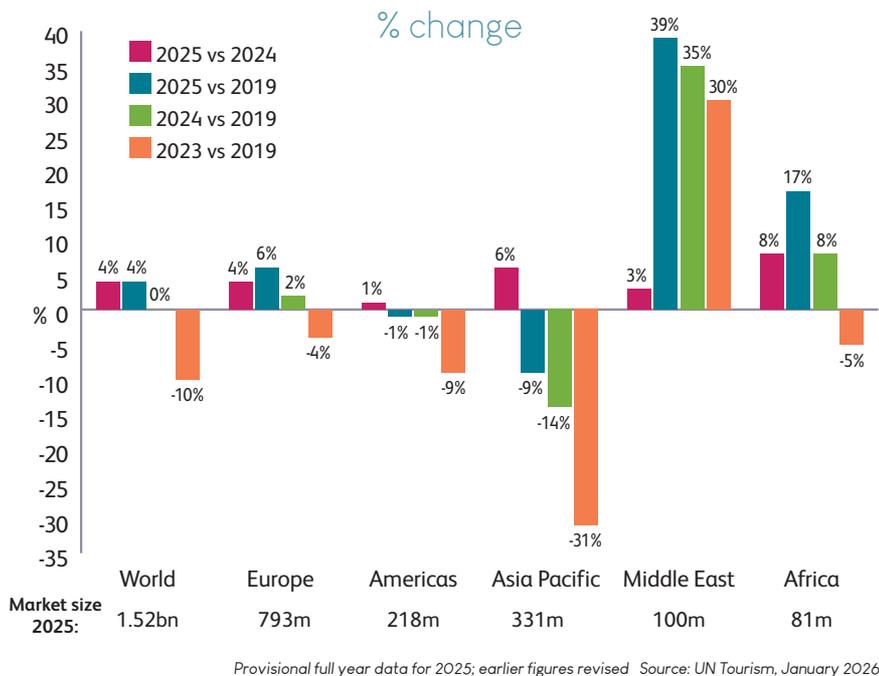
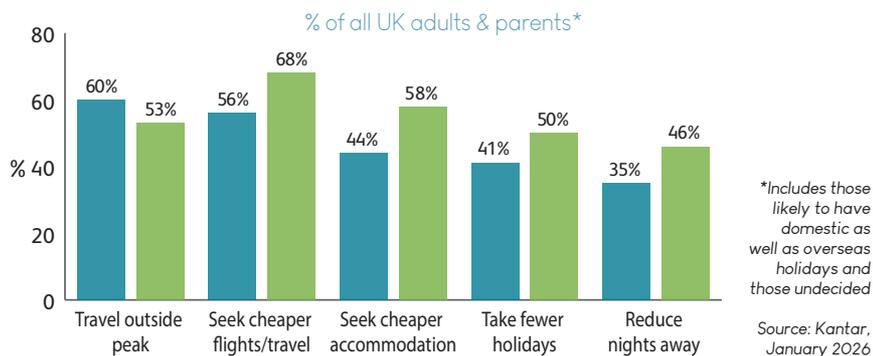


FIGURE 10: RESPONSES TO INCREASED HOLIDAY COSTS



noted: “The overseas package market was strong. Ocean-going cruise was very strong.

“There was variation among some of the niche players, depending on their focus and key destinations – the market was not as strong across the board – and the UK domestic market was slightly softer and found it a bit tougher last year.”

He suggested the weaker domestic market could be due to the fact that “most people who holiday overseas also have domestic breaks” and domestic prices generally “were much higher last summer than previously, meaning a UK holiday could be comparatively quite expensive”.

Pritchard declared himself “relatively optimistic about UK leisure travel” in 2026, given the state of the economy, although he suggested “a bit less job security for a certain demographic could create uncertainty which leads some people to hold off booking holidays”.

“Those at the higher end of the income bracket will continue to book holidays – so, luxury and premium will continue to do OK. Those at the lower end probably tend not to go on holiday anyway or, if they do, it’s once a year. It’s the middle-income bracket in which, if people are worried about their job security, it could impact on their decisions. It might affect the timing of bookings, pushing people to defer until later because of uncertainty about jobs.

“But we’re talking about a 5.5% unemployment rate and inflation coming down, so I do remain confident.

“If we see political tensions broaden out across the Middle East, that could have an impact. We saw aircraft turned around in mid-Atlantic and a knock-on impact on cruise operators and the Caribbean with the situation in Venezuela in January. That was over in a relatively short window, but increasing tensions could impact the sector’s operations and I don’t think we’re going to move away from that.

“When you think about the challenges in the global economy and where the UK economy is structurally, I’m not sure we are going to be able to say in my working lifetime that the economy of the UK or

UK CONSUMER RESEARCH

KANTAR SURVEY

FIGURE 11: DEMAND FOR OVERSEAS HOLIDAYS 2026

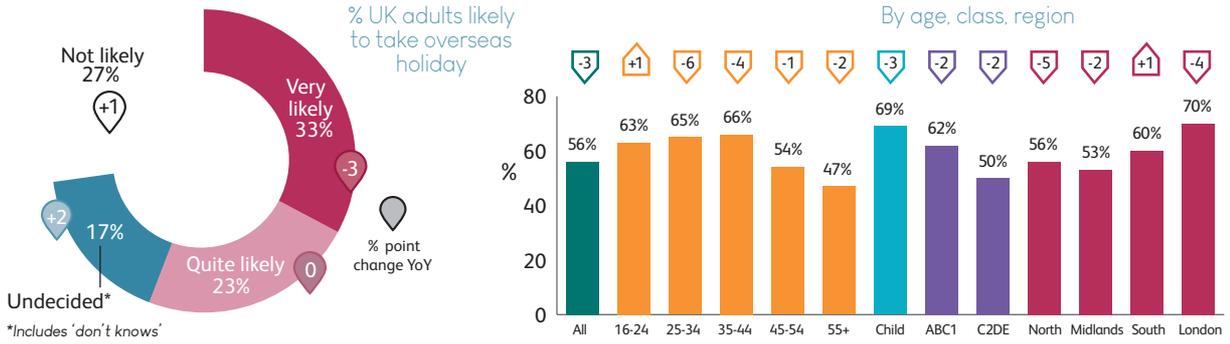


FIGURE 12: EXPECTED SPENDING ON OVERSEAS HOLIDAY 2026

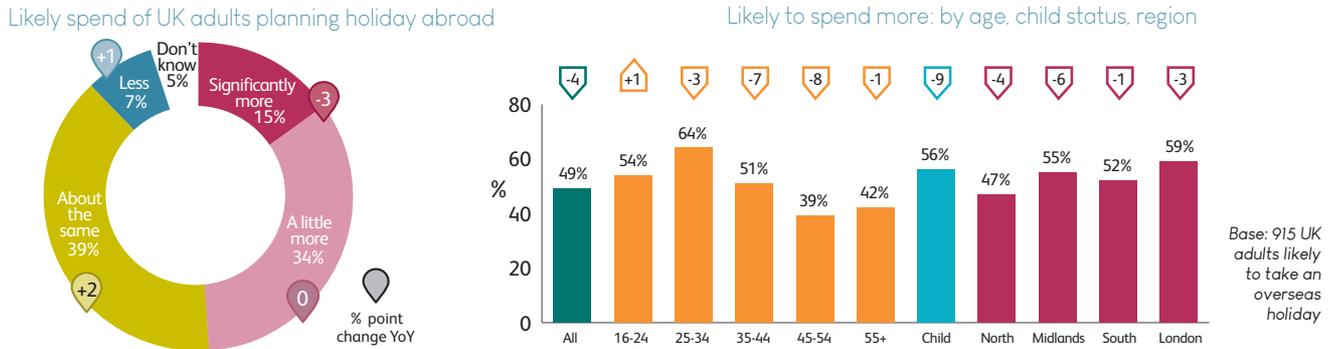


FIGURE 13: ATTITUDE TO COST OF HOLIDAYS 2026

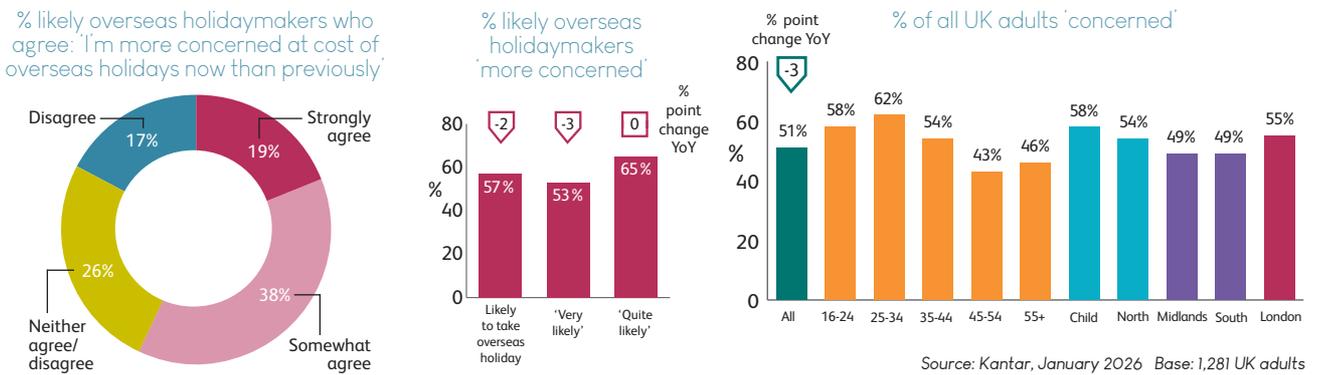


FIGURE 14: RESPONSES TO INCREASED HOLIDAY COSTS



MARKET OUTLOOK

UK ECONOMY SUBDUED BUT NOT THE PROSPECTS FOR TRAVEL

Europe or the US is in a really good place.

“We moved into a world 15-20 years ago in which the level of government spending and the debt they incurred, and the interest on those debts, mean I’m not sure we’ll see growth for the next few years at a rate sufficient to get governments out of the situation they’re in.

“We’re going to continue to see geopolitical and climate-driven issues and travel companies are going to have to be able to deal with those. They do deal with them – they have proven that. There is always some sort of crisis or

a destination-specific issue. I’m just not sure I see that changing and us moving into a more stable environment. Companies are going to have to keep on getting better at dealing with disruption.”

MORE PEOPLE BUY INTO ATOL

Most of the major Atol-holders increased capacity for 2026 off the back of strong demand in the last two years, although not by as much as they did for 2025.

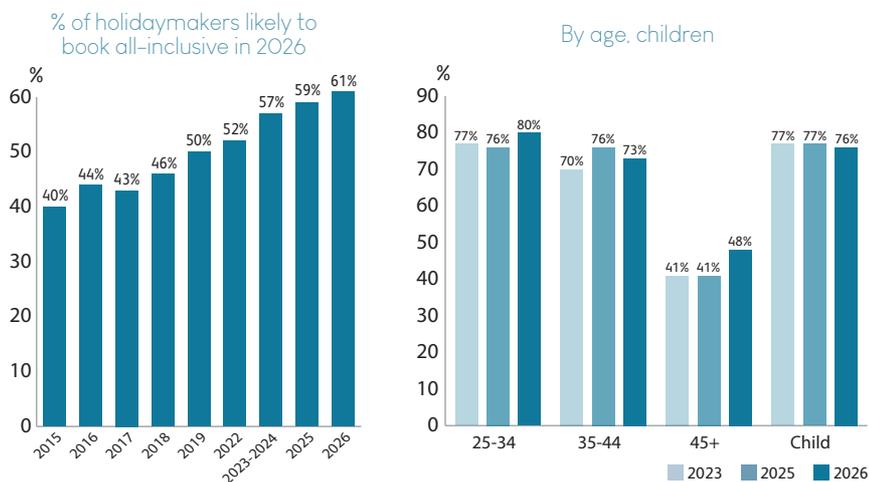
Pritchard noted: “Some of the extra seat capacity is because airlines have new aircraft coming in and new bases opening [and] some of the largest players have encouraged people [to buy packages] because it tends to give a higher margin, which consumers are OK with because of the protection. The total Atol numbers also don’t take the type of bookings into account. If historically a family of four booked a 14-night package but now book a seven-night holiday and also a city-break package that would double the number of Atol bookings.”

However, he argued: “It isn’t that everybody, across the board, feels highly optimistic. It’s a competitive market.”

Asked if he sees major travel companies moving rapidly to utilise agentic AI and the hyper-personalisation which this could enable, Pritchard noted: “There are differing views on what it might mean for the sector. I’ve held the view for a while that AI will impact on the

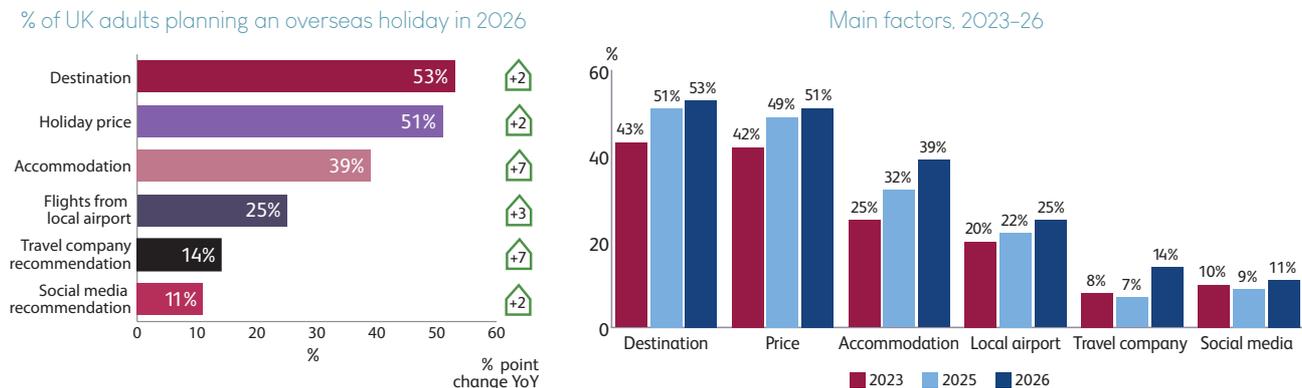
ALL-INCLUSIVE demand just goes on rising (Figure 15). Price and destination dominate holidaymakers’ thinking when deciding what to book (Figure 16)

FIGURE 15: THE RISE OF ALL-INCLUSIVE



Source: Kantar, January 2026 Base: UK adults planning an overseas holiday

FIGURE 16: MAIN FACTORS WHEN BOOKING A HOLIDAY



Source: Kantar, January 2026 Base: UK adults planning an overseas holiday

way consumers research and provide a tool that agents use to help them be better at what they do, to be more productive.

“However, I’ve started to hear strong views from across the sector that AI is going to have a bigger impact than that – that it will put more control and power in the hands of consumers to research.

“Could it have an impact on how much consumers use travel agents? A lot of consumers have gone back to travel agents because they have felt the comfort of doing that. Now I’m hearing of some consumers starting to feel they don’t need a travel agent because they can get advice from an AI agent. They don’t necessarily trust the advice, but then they do more research. Will that result in false advice, because an AI agent is only as good as the sources of information it finds across the web? There are all sorts of questions around that. It might become more disruptive than I thought, but it’s a bit early to say.”

He added: “I’m starting to question how much of the content on social media is real and how much is AI-generated. Younger people look at something on social media and straightaway say ‘It’s AI-generated’ or debate whether it’s real. They talk about it in that context.”

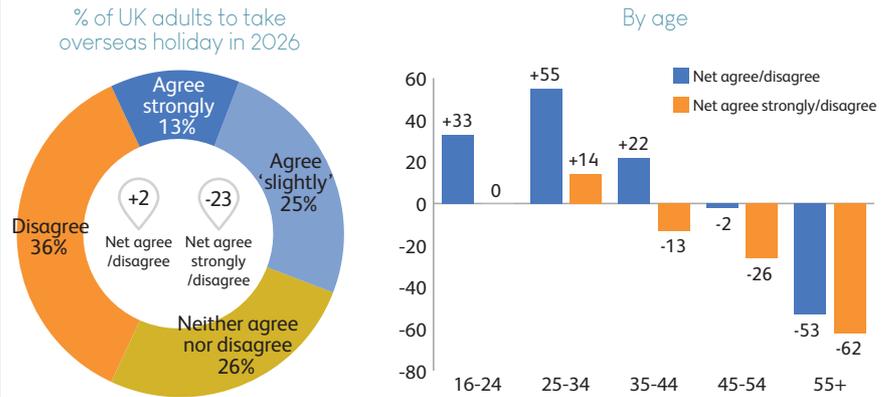
Pritchard is more certain about the likely impacts of a warming climate and foresees increasing disruptive effects leading to changes in consumer behaviour.

He said: “Until recently, I thought investors, regulators and governments would drive changes in behaviour around sustainability because they would drive the regulatory environment in which businesses operate and how companies need to comply. In the last 12 months, we’ve seen a step back by governments and regulators on driving change – maybe less so by lenders. Countries on both sides of the Atlantic have stepped back on driving regulation quite so quickly.

“What we’ve also seen is a change in consumer behaviour. When people experience a climate event, it has an influence on their decisions. Whether it’s flooding in Spain, wildfires in California

FIGURE 17: AI USE FOR HOLIDAY PLANNING

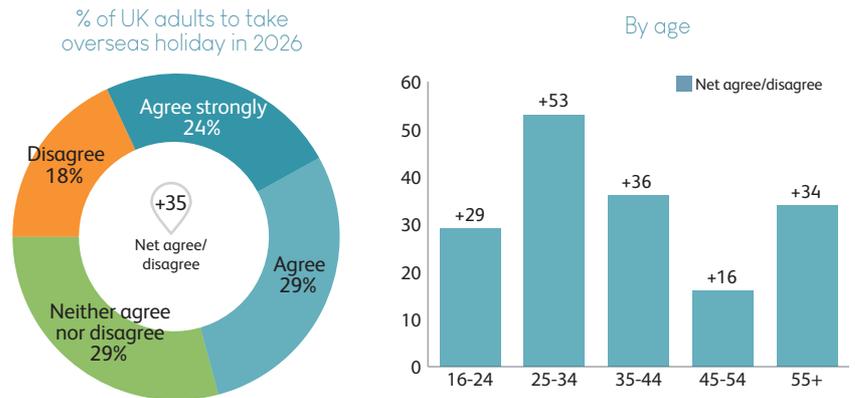
‘Happy to plan holiday using AI technology’



Source: Kantar, January 2026 Base: UK adults planning a holiday in 2026

FIGURE 18: PREFERENCE TO SPEAK TO SOMEONE

‘When booking main overseas holiday’



Source: Kantar, January 2026 Base: UK adults planning a holiday in 2026

YOUNGER adults appear ‘happy’ to research holidays using AI (Figure 17), but a majority in all age groups would prefer to speak to a person when booking (Figure 18)

or extreme heat in parts of the southern Mediterranean, these events are so widely reported in the media that people think, ‘I don’t want to travel to those places.’

“So, we will see the impact of climate on decisions, although not necessarily because people think changing their behaviour is the right thing to do. While most consumers would probably agree that going on a more sustainable holiday or thinking about the environmental impact when travelling is the right thing to do, ultimately they will be driven by price.”

CLIMATE & SUSTAINABILITY

'WE'RE MOVING FORWARD, BUT MORE SLOWLY'

DATA RELEASED by the European Commission's Copernicus Climate Change and Atmosphere Monitoring services in January confirmed 2025 as the third-warmest year on record, just 0.01C cooler than 2023 and 0.13C cooler than 2024 – the warmest year on record.

Global temperatures in these past three years averaged more than 1.5C above the pre-industrial level, the first time this has happened in a three-year period. The Antarctic saw its warmest annual temperature on record and Arctic second-warmest. The UK Met Office, World Meteorological Organisation and the US National Oceanic and Atmospheric Administration were among organisations to ratify the Copernicus findings.

The past 11 years have now been the 11 warmest on record and, based on the current rate of warming, the Paris Climate Agreement's hoped-for limit of 1.5C on global warming could be reached by the end of this decade – more than 10 years earlier than predicted in 2015.

Yet the COP30 climate conference in Brazil in November 2025 failed to agree binding targets on reducing fossil fuel use or increased funding for adaptation to warming. The *Financial Times* reported an "axis of obstruction" to agreement at the conference, with the UK delegation expressing "deep concern" at its failure.

The UN estimates governments' current climate plans, or 'nationally determined contributions', will collectively fail to prevent 2.5C warming, meaning no long-term let-up in increasing climate extremes – heatwaves, wildfires, floods and droughts – and what scientists warn will be "unmanageable climate impacts". In the circumstances, a shift in the political climate around sustainability appears a move in the wrong direction.

CHANGING SENTIMENT

Simon Brennan, Deloitte director and sustainability regulation lead, noted:

A shift in the balance of priorities between economic growth and funding the energy transition and sustainability has occurred

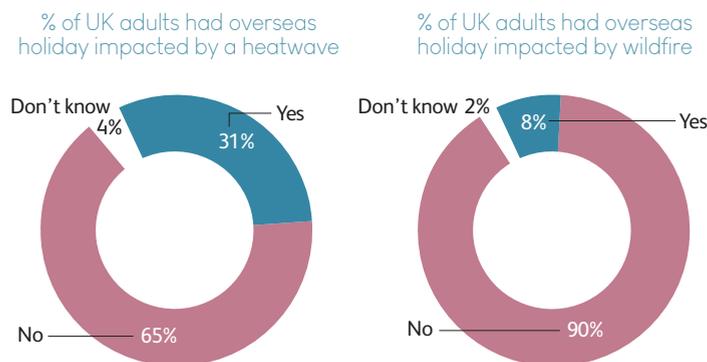
"The EU and UK pivoted in terms of sustainability strategy a year ago, talking about how sustainability is still important but needs to be part of the economic growth story. Developments in the US have compounded that dynamic and contributed to changing sentiment around sustainability globally. We've heard concerns from businesses and politicians about the short-term costs of the sustainability transition.

"Some things continue to progress but probably more slowly, some have been revisited and some delayed. The overall trajectory of progress has probably become less steep, but both the UK and Europe continue to have net zero targets for 2040 and 2050. Sustainability continues to be key, but near-term ambitions have moderated."

His colleague Bethany Hawkings, associate director for ESG and sustainability at Deloitte, said: "We're seeing a lot more quantification and sustainability reporting focused on the financial element to give investors information they need to understand risks. There is a lot more emphasis on embedding sustainability metrics and quantification in business strategies and growth plans to present the business case to investors and key stakeholders.

INCREASING numbers of UK holidaymakers are experiencing extreme heat or wildfires when abroad (Figure 19), and climate concerns could increasingly influence the behaviour of travellers (Figures 20 & 21)

FIGURE 19: UK HOLIDAYMAKERS' EXPERIENCE OF CLIMATE EXTREMES



Source: YouGov, 2025 Base: 2,000 UK adults who have taken an overseas holiday

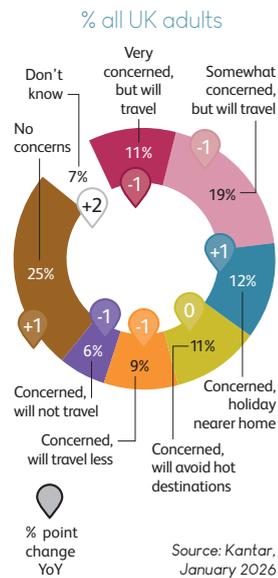
“A lot of reporting is focused on this now and there is a lot of focus on sustainability initiatives that reduce cost. We continue to see progress in terms of government support and collaboration – the UK SAF Mandate and revenue certainty mechanism are examples.”

Brennan agreed, saying: “We have moved forward. If you look at the bigger picture, to the extent that the politics of sustainability make new legislation difficult to progress, we still see the embedding and implementation of what is already there. After three, four, five years creating new rules, regulations and requirements, there is a lot of focus on implementing these now.”

He added: “There is a broad agenda to simplify regulation in the EU and UK. People talk about regulation holding back growth and competitiveness. There is an element of getting the right balance. Regulators need to ask themselves, ‘Do we have to intervene to produce a standard or impose a restriction?’”

“A refinement of regulation goes on all the time, and that is what is happening with sustainability reporting. The EU hasn’t changed the structure of sustainability regulations, it has changed the calibration, who it applies to and how onerous it is.”

FIGURE 20: CONCERN ABOUT CLIMATE CHANGE AND ITS IMPACT ON TRAVEL



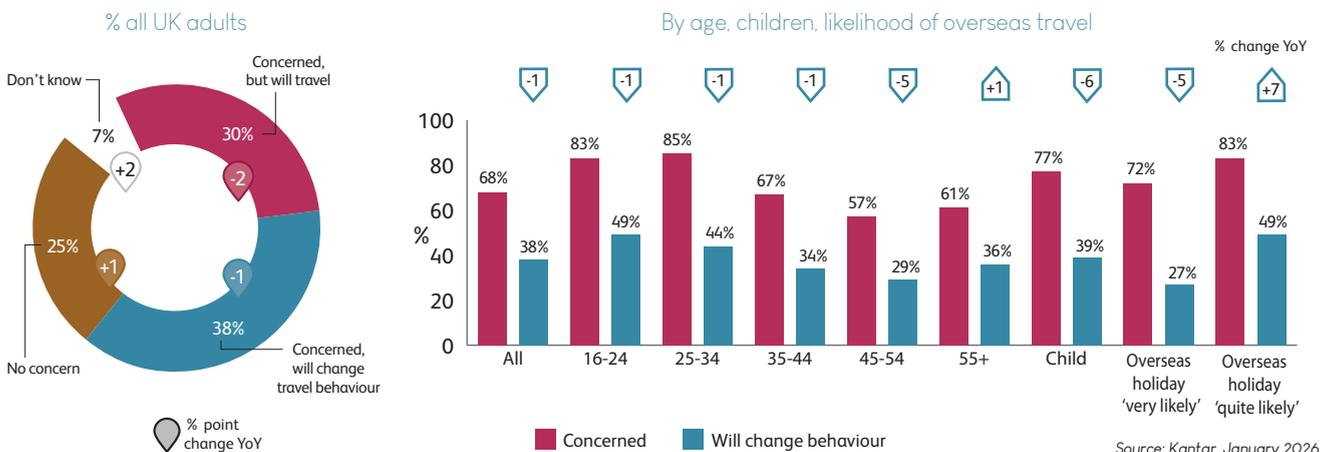
He said: “There is a benefit to focus and momentum, but we’re in an imperfect world and investments are limited. The question is, what is the best way to bring everyone on the journey together?”

Hawkings argued: “We often see regulatory uncertainty from governments rethinking rules which makes planning difficult for businesses. In mature markets like the UK, where growth is challenging, the focus often shifts to cutting costs and if sustainability is just seen as a short-term cost it can get in the way of the long-term growth it’s supposed to support.”

She added: “One of the challenges is how to finance the energy transition and technologies we need – to give investors the confidence to put money into SAF, for example. We’re seeing financial institutions start to support the drive towards sustainability, such as by providing insurance-backed solutions for airlines.”

Brennan suggested: “You can be glass half full or half empty on this. The glass half-empty story is that action is going to be slower and it’s going to be harder to reach the 2040 and 2050 targets. The glass half-full story is that this is complicated and focusing on where we get most value will ultimately leave us in a stronger position. Europe and

FIGURE 21: CLIMATE CONCERNS AND IMPACT ON TRAVEL BEHAVIOUR

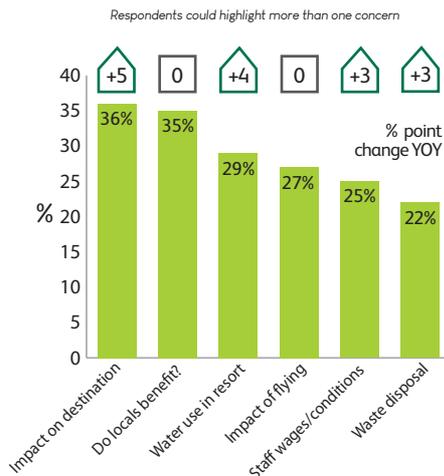
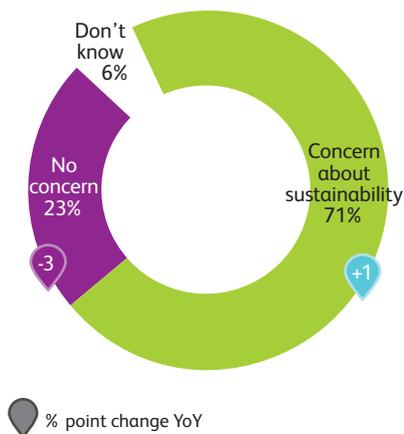


CLIMATE & SUSTAINABILITY

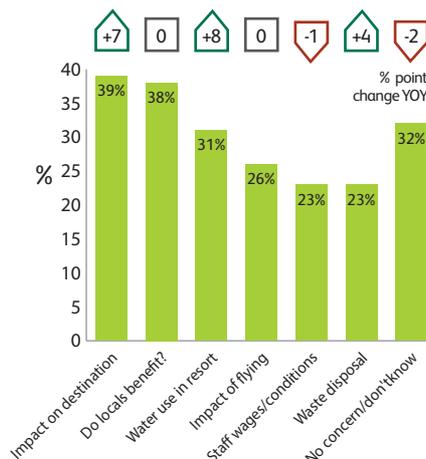
'WE'RE MOVING FORWARD, BUT MORE SLOWLY'

FIGURE 22: HOLIDAY-RELATED SUSTAINABILITY CONCERNS

UK adults who had an overseas holiday in 2025



UK adults 'very likely' to have an overseas holiday in 2026



Source: Kantar, January 2026

the UK could be leaders in renewable energy, in the batteries needed for that, in the infrastructure, the technologies and skilled labour needed. Instead of chasing everything at once in the EU's Green Deal, we're going to focus on clean energy and the technologies to support it, and on training. There are consequences to that, but it's not ridiculous."

He said: "The EU was on the front foot with the Green Deal a year ago. But there has been this pivot to competitiveness and growth – not just in sustainability but in general. You can produce a lot of rules or you can create an enabling and supportive environment that encourages people to make progress.

"The UK has decided not to produce a green taxonomy, for example."

This is a classification system for economic activities according to their environmental sustainability to encourage investment in line with sustainability goals.

Brennan noted: "The government narrative was 'We're learning from the EU' on the taxonomy. Then it consulted on whether one was needed and the outcome was 'no'. We aim to achieve the same results by different means.

RESEARCH for this report on holidaymakers' attitude to sustainability found concern about tourism's impact on destinations rated most highly, followed by whether locals benefit from tourism (Figure 22)

“It feels less like the UK is following the EU now and more that we have similar goals but are potentially going to take different routes

"The EU's Corporate Sustainability Reporting Directive was very detailed and became a burden for many companies. The UK Sustainability Reporting Standards are not radically different but take a different approach, providing information needed to invest in and manage sustainability, the risks and opportunities.

"Priorities change as time goes by and people realise what is and isn't working. It feels less like the UK is following the EU now and more that we have similar goals but are potentially going to take different routes to regulating the sustainability transition.

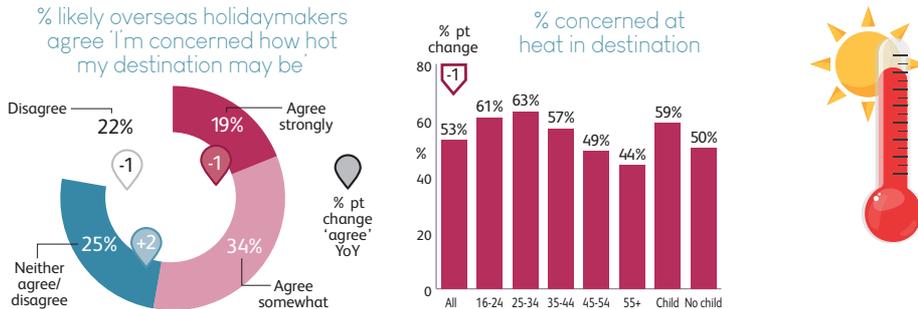
"We spend more time now saying, 'How can what we want to achieve in sustainability create value?' For example, banks and insurers are losing money due to climate-driven events. Climate-related risks are real for financial institutions. So, investment in sustainability and data and risk management creates value because it's targeted at better managing and mitigating those risks.

"Supply chain transparency and circularity, which the EU was pursuing for sustainability reasons, bring supply chain resilience in a world of geopolitical risk. ▶

UK CONSUMER RESEARCH

KANTAR SURVEY

FIGURE 23: CONCERN AT RISING TEMPERATURES



JUST OVER half of prospective holidaymakers and three out of five parents with children appear concerned at how hot their destination could be this year (Figure 23). A similar proportion of holidaymakers and of parents say they are likely to choose a cooler destination or cooler time of year to travel (Figure 24). Two out of five appear concerned about the potential impact of extreme weather on a holiday (Figure 25)

FIGURE 24: RESPONSE TO 'EXTREME' HEAT IN DESTINATION

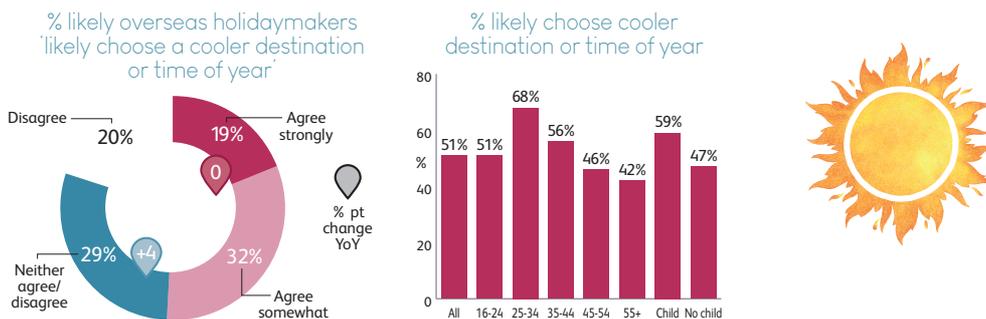
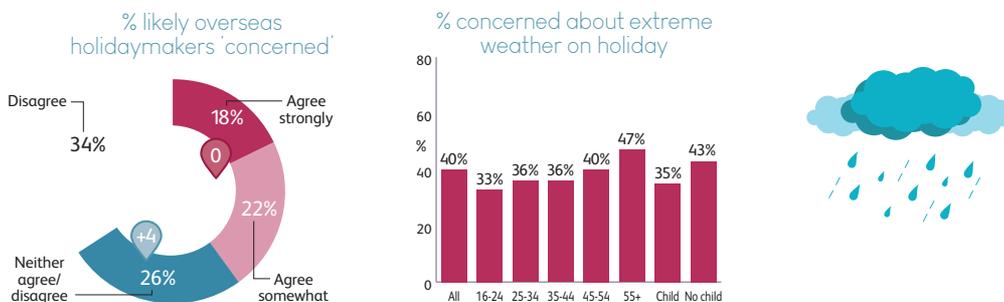
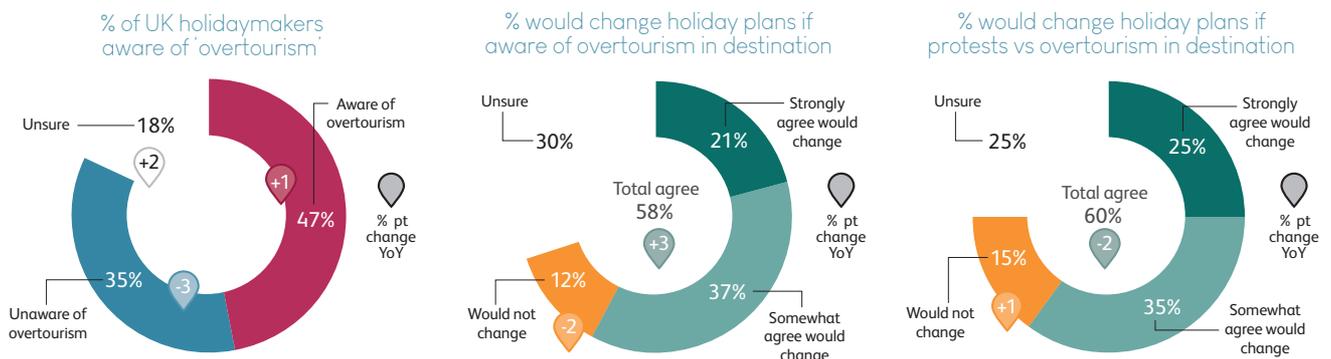


FIGURE 25: CONCERN ABOUT EXTREME WEATHER ON HOLIDAY



UK HOLIDAYMAKERS' awareness of 'overtourism' in destinations appears unchanged year on year, but almost three out of five suggest they would change their holiday plans if aware of overtourism in their chosen destination (Figure 26)

FIGURE 26: UK HOLIDAYMAKERS' AWARENESS & RESPONSE TO OVERTOURISM



Source all charts: Kantar, January 2026 Base: UK adults likely to take overseas holiday in 2026

CLIMATE & SUSTAINABILITY

'WE'RE MOVING FORWARD, BUT MORE SLOWLY'

The sustainability ambitions embedded in a big chunk of what the EU and UK are trying to do bring value, and people are focusing more on that now rather than thinking of it as a compliance exercise.”

Hawkings argued: “A lot of conversations we have are about how to align sustainability risks into broader business practices and risk-management frameworks. Physical risks are a key consideration, such as the increasing likelihood of floods or drought impacting business operations, which can be particularly disruptive for travel. Then there are transition risks and costs, including policy and legal changes, and technological shifts.

“This is where ‘stranded assets’ become a significant concern for travel and tourism operators. Investments in infrastructure or vehicles heavily reliant on fossil fuels could lose value prematurely due to new regulations or shifts in consumer demand.

“The complexity of climate risks for travel companies depends on their value chain, and understanding the risks could be intricate. Airlines might see increased turbulence. Coastal resorts could be affected by rising sea levels or more frequent hurricanes. It requires looking at impacts across every part of a travel business, from transport and accommodation to destination activities, and having a clear view of these and how to mitigate or adapt to them. There is increasing recognition of the need for scenario analysis in business strategy and planning, and that this can be used to steer business and investment decisions.”

SUSTAINABILITY DATA

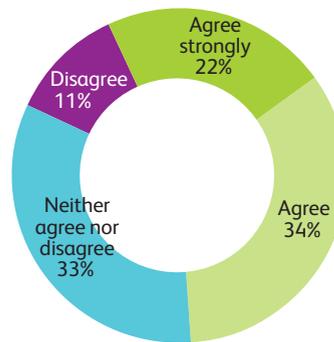
Hawkings added: “There is a constant push for more robust data in emissions reporting and we’re seeing continuous improvements. Sustainability data is increasingly undergoing assurance, which is important for enhancing its credibility.

“There is still room for improvement, but this push for better data is shifting the narrative around sustainability. It’s

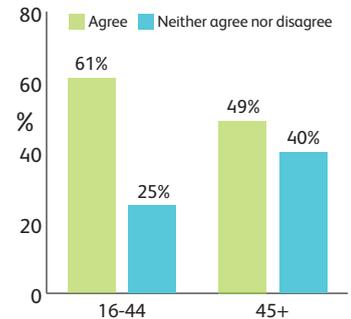
FIGURE 27: CONSUMER DEMAND AND SUSTAINABILITY CERTIFICATION

“I would be more likely to book a holiday hotel with a recognised certificate for being environmentally friendly”

% of UK adults to take an overseas holiday in 2026



By age



Source: Kantar, January 2026
Base: UK adults likely to take a holiday in 2026

increasingly recognised as a source of competitive advantage, helping businesses identify growth opportunities and mitigate risks. It’s less about a sales pitch to consumers and more about strategic business insight.”

Brennan insisted: “It still feels like we’re moving forward on the sustainability transition in Europe. Many firms are making changes to their business strategy and operations taking sustainability considerations into account. The debate is about whether we’re moving quickly enough and prioritising the right things.

“Banks and insurers are pushing into sustainable transition finance where floods or wildfires are increasing, for example. We’ve seen innovations in reducing waste. The EU’s Packaging Waste Directive is still some way off, but it’s driving thinking on how to make products more sustainable.

“It would be better to move more quickly. But in the absence of the political or societal will to do that, we should look at where more modest gains in the short term will equip us to accelerate progress and mean there is a chance we’ll be able to make bigger progress five years down the line because we’ve laid some foundations. Changing the way we deal with materials and investing in the

MORE THAN half of UK holidaymakers say they would be more likely book a hotel with a recognised certificate for sustainability (Figure 27)

CLIMATE & SUSTAINABILITY

grid are essential to being ready to use more sustainable energy, for example.

“It’s easy to point to things that aren’t happening or where more could be done, but we’re moving forwards.

Hawkings agreed, saying: “There are positive signs. We’re seeing a significant drive from financial institutions which is beginning to cascade down to medium-size and smaller companies. This financial impetus is crucial as institutions are increasingly integrating ESG into investment strategies and offering products that incentivise businesses to transition.

“Businesses sometimes cite consumer pressure as a driver for action, but the reality is companies shouldn’t rely on that to accelerate change. There are compelling business cases that necessitate embedding sustainability in business operations and strategy. The more sustainability is embedded in core parts of business planning, the faster we’ll see meaningful progress.”

She argued: “We’ve needed to put sustainability in financial terms for a long time. Ultimately, businesses want growth and when sustainability is truly embedded in these core objectives, it becomes an enabler for lasting success and resilience.”

“

We’ve seen the sustainability ‘story’ go from being about CSR and compliance to being about business value, and that might be more powerful in the long run

Brennan insisted: “To achieve what we need to on sustainability, we’re going to need most of society to move and we’re not there. There are people who will never buy into this. There are people already bought in – we don’t need to convince them – and there is a big group in the middle who are going to be more convinced the more they appreciate it’s in their interests because in 30 years their house could be flooded or on fire.

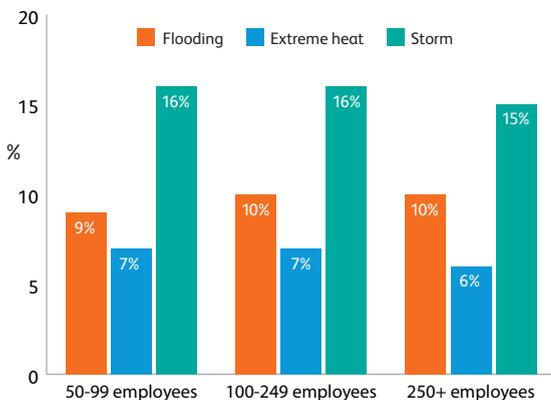
“But in the short term that argument isn’t convincing. So, the focus is on value, on managing risk, on ensuring supply chains are not disrupted. These things strengthen the case that sustainability benefits people.

“We’ve seen the sustainability ‘story’ go from being about corporate social responsibility and compliance to being about strategy and business value, and that might be more powerful in the long run.”

UK BUSINESSES report increasingly being impacted by extreme weather at home or abroad (Figures 28 & 29)

FIGURE 28: UK BUSINESSES IMPACTED BY SEVERE WEATHER

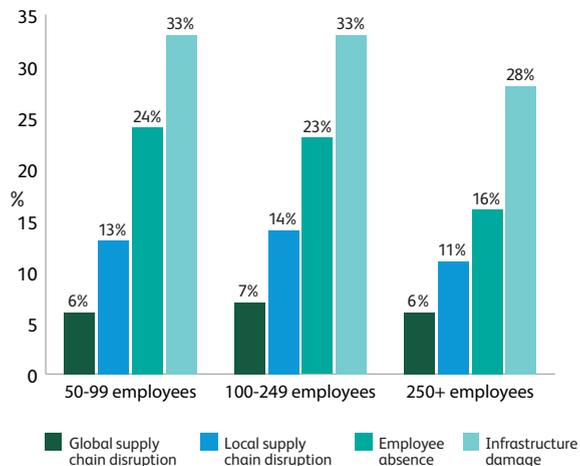
In past 12 months, by size of business



2% of businesses also experienced a water shortage
Source: ONS, December 2025

FIGURE 29: IMPACT OF SEVERE WEATHER ON UK BUSINESSES

In past 12 months, by size of business



Source: ONS, December 2025

AI

'WHAT DOES AGENTIC AI MEAN FOR US?'

IT WAS as recent as late 2022 that generative AI first garnered global attention, and it has remained in the foreground of public awareness since. Yet already it has been supplanted by a new buzzword, agentic AI.

Elenna Ronca-Thompson, Deloitte partner for AI and data, noted: "Some organisations are almost more excited about agentic AI's implications than they were about Gen AI. Everybody seems to be talking about it." She suggested: "It's easier for people to understand the use cases and potential benefits of agentic compared to the initial confusion we saw with Gen AI."

Fellow Deloitte partner Andy Gauld, AI and data lead and head of aviation, agreed, saying: "Everyone is trying to work out 'What does Agentic AI mean for us? How can we utilise it?'"

He explained: "Agentic is about creating AI agents to perform human roles, whereas generative AI is about creating models and code to create insights." Compared to generative AI, "adoption has been a lot quicker", Gauld said, noting: "There are a lot of conversations about 'How quickly can we move?'"

"Several airlines and travel companies are trying to work out how to utilise

The creation of AI agents for human roles presents all sorts of challenges

this technology. Where historically the travel sector has been 'a follower', some companies are trying to lead on this rather than wait to see what happens."

He said: "There is a nervousness – businesses thinking 'If we don't move, one of our competitors will get on top of this'."

Ronca-Thompson suggested: "A lot of airlines and hoteliers are talking about revenue growth management (RGM) going down the agentic path to drive relevant, much more granular pricing to consumers, more targeted to the segments they serve and doing this at scale."

"People are experimenting and learning, getting clearer about where AI is worth deploying, where a return on investment is most likely. There is more thought about which areas of business and which use cases to expend effort on and what else needs to be ready to enable success at scale. Some developments necessarily take time to scale and get to market."

She argued: "It's less about dispelling myths now. There is greater focus within businesses on what they want to invest in and a stronger desire to scale existing successes rather than run yet more proofs of concepts (POCs). Businesses want fewer use cases and more development with a view to scale successful POCs."

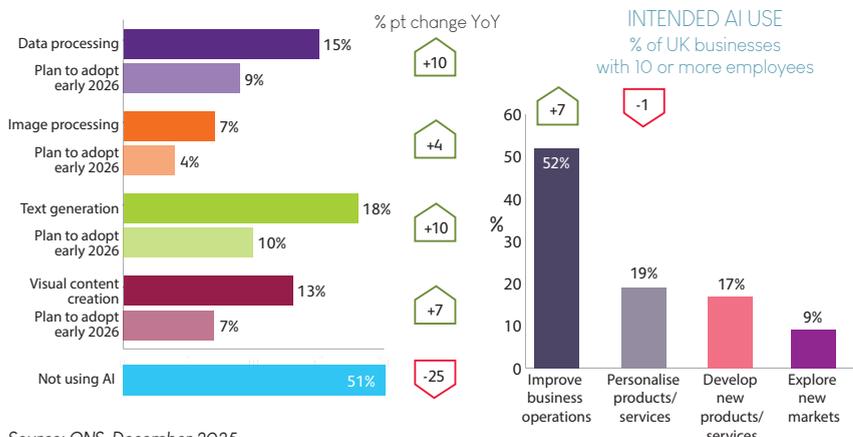
"There has been a shift both in mindset and in how businesses focus investment on where they think they're going to see the biggest return. It's a lot more considered and more aligned to an organisation's strategy than two years ago."

Asked whether businesses have moved on to practical applications, Gauld noted: "I've talked previously about dividing organisations into three – those looking at AI from the perspective of 'Where do we start, what should our strategy be?', those experimenting and those attempting largescale transformations." He explained: "Perhaps 5% are in that third bucket now, with 95% split between the other two."

But he said: "Every major technology

FIGURES 30 to 32 depict ONS and Deloitte data on the type and rate of UK business use of Gen AI and extent of the impact on workforce numbers to date, along with growing confidence in AI's impact on performance

FIGURE 30: UK BUSINESS USE OF GEN AI



Source: ONS, December 2025

company claims they can ‘do’ agentic and that they have agents you can utilise. Yet it’s the practical applications that matter and how you knit intricate systems together to create efficiencies and make productivity gains and advances in customer interaction.”

He suggested: “We’re seeing agentic utilised in three areas. One is around efficiency, second productivity and third to supercharge customer engagement.”

However, ultimately AI provides an opportunity “not just to change a process but to reimagine a process”, he said “and to do that you need to understand how the process works today”.

“So, it’s important organisations spend sufficient time thinking about a process and the value opportunities within it.” Businesses should “not just reimagine a process for the sake of it but determine the value, the efficiency or productivity gains it can achieve as a result”.

Gauld explained: “Defining a process hierarchy is a critical step, so a business can see ‘If we change this, these are the efficiency gains, or this is the value generated.’

“People are waking up to what they need to do to make this impactful. It’s about being clear on what you can do.”

WEAK FOUNDATIONS EXPOSED

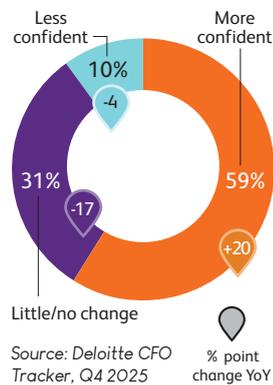
The hype around agentic and generative AI has fed into astronomical sums being invested in data centres and chip manufacture and to soaring tech company valuations. However, Ronca-Thompson noted: “Business adoption of advances in AI tech is progressing more slowly than the unfolding race between the foundational model builders.”

She said: “Business leaders can see value [in AI development] either through their own use cases working or when they look at their peers or at other industries.

“When organisations find a successful POC, start rolling out the technology and

FIGURE 31: BUSINESS CONFIDENCE IN AI TO IMPROVE PERFORMANCE

% of CFOs confident in AI to deliver
Versus 12 months ago



go on a scaling path, they increasingly recognise the underlying fundamentals still need sorting out. Weak foundations – for example in cloud infrastructure, data quality and skills – become more exposed as you scale.” She added: “Data quality continues to be an issue.”

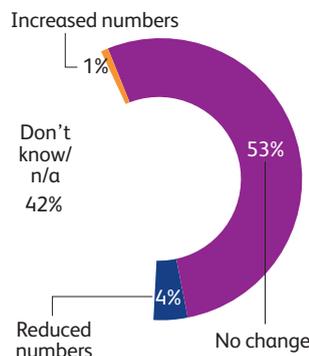
Gauld suggested: “Businesses can make a change [with AI] even if their data is not where they want it to be.” But he said data quality is “still a fundamental issue”, noting: “Organisations are addressing this in ‘chunks’ – cleaning up data in an area, seeing the value it can generate, then identifying where they can get extra value if they tidy up even more.”

Issues around governance and compliance also remain core and must “be weaved into a development lifecycle”, according to Ronca-Thomson

She said: “If people don’t understand how to use these technologies, and how not to use them, the adoption cycle is going to slow. If you use the technology incorrectly it won’t deliver a return and could create a bigger problem.” She added: “It used to be difficult to justify investment in data quality, governance processes, skills and literacy, but now

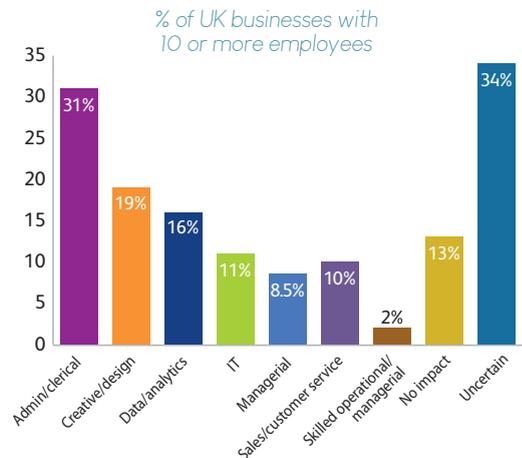
FIGURE 32: AI IMPACT ON WORKFORCE NUMBERS & ROLES

% of all UK businesses reporting impact to date



Source: ONS, December 2025

Work roles forecast to be most impacted by AI



AI

'WHAT DOES AGENTIC AI MEAN FOR US?'

people see a lack of foundational capabilities holding them back when trying to scale without these in place.”

This is especially true where senior executives “have had these technologies in their hands and seen the power they can have”, she suggested, noting: “Where AI comes up against issues, it makes the constraints clear.”

Ronca-Thompson argued: “Preparing data to be used for agentic or generative AI use cases is important, and having cloud environments ready to adapt to AI technologies is important to protect the return on investment. Organisations should implement robust monitoring and cost-optimisation practices, ideally at the outset but certainly before scaling a solution out to more users.”

She noted: “We’ve seen organisations start with POCs, then release them into a market or to a bigger team and be caught off guard by spikes in user-generated consumption which costs a lot of unbudgeted money overnight, proving they haven’t figured out how to prepare and maintain their environments.”

EXPERIMENT, RESEARCH AND LEARN

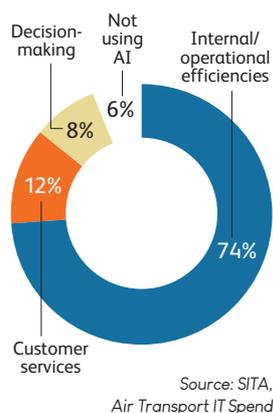
Relevant skills are an obvious but key requirement.

“AI engineering has become a highly sought-after skill,” said Ronca-Thompson. “This includes prompt engineers, machine learning operator specialists (MLOps) and software engineers skilled in Gen AI integration to bridge the gap between foundational AI models and real-world business value.”

She said: “There is acknowledgement that these people didn’t just appear on the job market, so a lot of organisations allow teams to experiment and develop these skills as they go, augmenting them by using consultancies to fill in some of the gaps and get technology into production.”

Organisations making the most progress, she said, “are those which, from the executive level down, adopt an experimentation, research and learning

FIGURE 33:
PRIME USE OF AI
BY AIRLINES



Source: SITA,
Air Transport IT Spend

THE CHART above illustrates the primary areas of AI development by airlines, those opposite reflect the extent of use of agentic AI in corporate travel

mindset. Letting teams try things – then reflecting, learning the lessons and adapting – can provide the psychological safety to get experiments done right and to acknowledge the lessons.”

She added: “Organisations have made most progress through partnerships between homegrown skills and third-party providers.”

It remains too early to assess the impact of agentic AI on productivity, according to Gauld who said: “There is a lot of experimentation going on, but no one has really proved the value yet. A lot of businesses are thinking about agentic AI to speed up processes and from a contact centre perspective. But it’s too early to say they have seen huge gains in productivity.”

Ronca-Thompson suggests the biggest productivity gains to date have been “in software development cycles”, saying: “The cycle has accelerated because you can augment some of the engineering.” In turn, she said: “We’re seeing much more rigorous testing given the risk of there being subsequent issues.”

Both acknowledge widespread fears that the technology could lead to wholesale redundancies, replacing employees in roles rather than augmenting their skills or freeing them to do other work.

Ronca-Thompson noted “AI dominates a lot of headlines” but said: “It’s hard to tell if redundancies are genuinely due to AI or part of the normal business cycle. That doesn’t mean some of this isn’t coming. The kind of things in software development we used to ask junior talent to do are being automated and that is leading to fewer junior roles. However, I hesitate to say it’s all due to AI.”

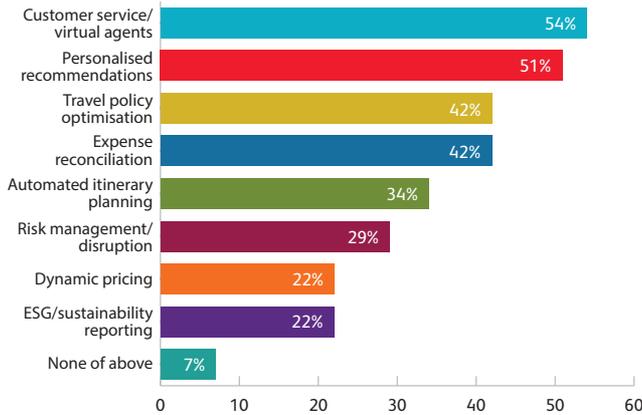
“Businesses may need fewer hands on keyboards, but redeploying talent will help preserve jobs across an organisation.”

She pointed out: “If you look back 40 years, how many worked in the IT department then?”

Gauld agreed, saying: “We will see roles change in certain processes, with

FIGURE 34: AGENTIC AI USE IN CORPORATE TRAVEL

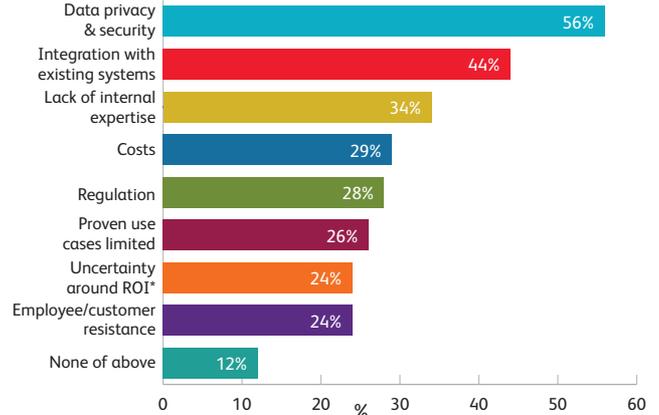
% of GBTA members forecasting AI use in



Source: GBTA survey, October 2025

FIGURE 35: AGENTIC AI ADOPTION: CHALLENGES & CONCERNS

% of GBTA members reporting concerns regarding



Source: GBTA survey, October 2025

more automation and more AI agents performing manual tasks to free up people for value-adding activities. But does that mean the workforce will be dramatically reduced? It's too early to say.

"There are likely to be efficiency gains in contact centres because a lot of processes have been automated." But many organisations are still struggling with "where to apply AI and how to apply it, where they can get the most for their investment and how to measure the success of what they've applied", he said.

TRUST AND TRANSPARENCY

Businesses need to be aware of the risks and "outsize impact if AI is not done right", warned Ronca-Thompson.

They should be "keeping an eye on regulation", she said and, rather than reacting to headlines, "be looking at their corporate risk radar and where uses go awry". She insisted: "This should be part of the development cycle in deploying these technologies."

She added: "A lot of trust can be lost by using these technologies without the levels of transparency required. Consumers need to understand what data is being used and how. Are they

being profiled? Are they being taken advantage of? Has a business done everything within reason to limit the downside risks of using these tools?

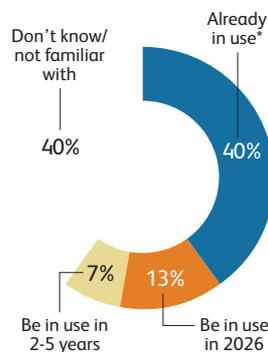
"We've seen some alarmist headlines in the US over the last year, particularly around use of AI in revenue growth management (RGM). Airlines have been doing this for years, of course. It's no surprise when I sit on an aircraft that I paid a different price to the person sitting next to me. Yet the perception of AI has driven fears among consumers about how their data is being used. Organisations need a level of transparency so that things don't get out of proportion."

She said: "The sources of risk are manifold. There are all sorts of exposures beyond how people use these technologies and organisations' cyber protection – around cloud infrastructure, data centres, the environmental impact."

Gauld believes it's still too early in the development of agentic and generative AI to allow the technology to take over from people. He said: "It comes back to how the human role evolves within a process. There will be tasks in which you allow agents to make decisions, but there will be a lot more

FIGURE 36: AGENTIC AI USE IN BUSINESS TRAVEL

% of corporate buyers/suppliers reporting agentic AI



*Includes experimentally
Source: GBTA survey, October 2025

AI

‘WHAT DOES AGENTIC AI MEAN FOR US?’

governance and controls around how you validate what an agent is doing is accurate and the right thing to do.

“The role of traditional data governance is evolving into agentic governance. We will see a lot more focus on how to prove to an auditor that what the AI agents of a business are doing is fair and accurate, with humans responsible for and validating decisions on more menial tasks and still involved in the decision-making process for more complex tasks.”

He said: “It would be a concern if we were to have [AI] agents overseeing [AI] agents. There will still be human oversight to ensure these agents are doing the right thing.”

Ronca-Thompson agreed, arguing: “There is a lot more scope for AI to make decisions now, but we should continue to design systems in a way that lets us define the parameters AI operates within. It needs to be supervised. It can’t just be left. We can be prescriptive about the decisions agentic AI is allowed to make on our behalf.

“We feel better when there is a

“
There is a lot more scope for AI to make decisions now, but we should continue to design systems in a way that lets us define the parameters AI operates within. It needs to be supervised

human in the loop. AI is such a big topic and there is still a lot of fear. That may drive us to implement the technology in a sub-optimal way, to feel more in control, but it might be helpful.”

Gauld expects “a lot more organisations to move into production of agentic AI agents in the next 12 months” and said: “We’ll see advances in how agentic AI can be used.”

He suggested: “We’ll also see more organisations being vocal about what they’re doing. Technology providers will want to demonstrate how their tech has helped transform airline A or company B.”

GROWING CONCERN

The environmental impact of the data centres required to support the large language models behind AI tools, the chip manufacturing they require and the widespread use of these tools, is a major concern.

Gauld noted: “The major chip providers are making chips faster and stronger and there is a need for bigger data centres to host all this stuff. Organisations will be thinking about how they prove they can protect the data and act in a sustainable way.”

Ronca-Thompson acknowledged: “There is growing concern, not only about energy but also water use.”

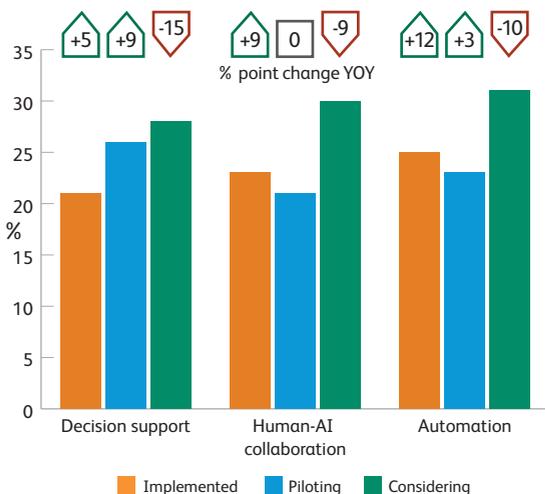
The hyperscalers, the platforms with the scale and infrastructure for largescale data processing and storage, “are working on becoming more efficient”, she said: “But at what cost, it’s not clear. People who live in areas where big data centres are being built are concerned about how it’s going to impact on wildlife, on temperatures, on access to water and energy in the area. In some ways we’re driving this without understanding the impact we’re creating.”

She suggested: “Consumers are not helping by using large language models when a simple search would do. Demand is outstripping supply right now.

“It’s a big concern and I don’t think we have the answers.” ■

FIGURE 37:
AI DEVELOPMENTS IN HOSPITALITY

% of hotel owners & investors



Source: Deloitte European Hotel Industry & Investment survey, November 2025

AI USE in hospitality is clearly growing (Figure 37)

FUTURE OF WORK

CAN JOBS AND SKILLS KEEP PACE WITH AI?

JOBS, SKILLS and recruitment are changing due to the advances in and widespread availability of digital technology, which is itself being transformed by AI.

Gabriella Cooper, senior manager in human capital at Deloitte, said: “The biggest thing for all our clients is how jobs, skills and capabilities are changing. The challenge is that we don’t know what we don’t know. Technology is changing so quickly, but jobs and skills don’t change as quickly. As technology advances rapidly, how do we close the gap between the technology and skills, or at least not let the gap widen?”

She noted: “Agentic AI and generative AI are the buzzwords, but a lot of organisations don’t have the core digital base, the digital capability to enable them to adopt AI. So even having a conversation about AI can be skipping too many jumps.

“To adopt AI you need a strong basis not just in systems but in understanding how to be a tech-led, tech-enabled organisation.”

Businesses also require clean, accessible data and frequently don’t have it. Cooper pointed out: “Organisations have data across different functions – HR, finance, organisational data, customer data. They need to create a solid baseline that is consistent across the business, using the same technology, a system that everyone can work off so they can share insights in a consistent manner that everyone understands [rather than] having pockets of data that don’t mean much to anyone apart from whoever collects the data. You need standards and frameworks around the technology that enable consistent data management.”

For now, she suggested: “Companies are spending a lot of money on technology they implement and don’t know how to use. They’re telling employees, ‘Use this technology’, but they don’t know how. They’re not getting the most out of it.

“The change management around technology has to be so thorough – the

Automated processes are seeing workforces evolve from the traditional pyramid-shape

training, the understanding of what it enables and how to use it – not just for employees but how it serves customers and how you integrate the employee experience with the customer experience.

“Probably the biggest workplace issue right now is getting this technology in and then not being able to use it properly. It can be a waste of money.”

SKILLS REQUIREMENTS ARE CHANGING

Cooper suggested technology “would have been an element we talked about with clients five years ago”. The difference now is that “it’s the big question we talk to all our clients about across all our work.

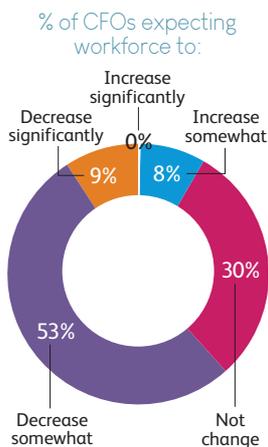
“We need to understand how technology is impacting organisations and how it will impact them as it continues to evolve.

“Clients ask, ‘How are jobs and skills changing as a result of technology?’ We help them work through that, using AI ourselves to get to solutions a lot quicker.

“Previously, we would work with functional leads in the C suite, go through an organisation, create a map of capabilities, create diagrams of the

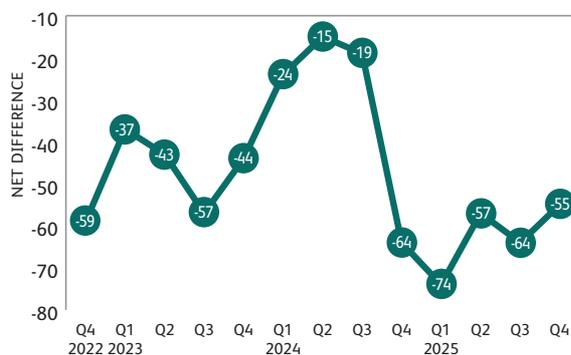
A MAJORITY of chief financial officers of major companies expect workforce numbers to fall in coming months, with fewer than one in 10 expecting an increase (Figure 38)

FIGURE 38: CORPORATE EXPECTATIONS OF STAFF NUMBERS IN 2026



Source: Deloitte CFO Tracker, Q4 2025

Net difference in % of CFOs expecting increase/decrease in workforce numbers in next 12 months



Source: Deloitte CFO Tracker

FUTURE OF WORK

CAN JOBS AND SKILLS KEEP PACE WITH AI?

skills architecture and job architecture and discuss how these might be evolving. Now we can use AI to do that.

“We can put the capability maps, the job architecture into AI to get to a solution quickly which we can then test with clients. It can make our projects a lot shorter. But it leads to more opportunities to understand what we should focus on, what areas an organisation should prioritise for implementing technology and for upskilling groups of employees.”

Skills and training are changing as a result. The two biggest skills requirements are “being able to use the technology and being able to understand and interpret data”, she said, adding: “There is a technical element, but also an experiential, human skills side.

“There is demand for people to be able to use the technology, but you can implement training programmes for that. It might take time, but you can teach people.

“What people aren’t talking about as much are human skills – empathy, cultural competence, emotional intelligence – and how to use technology in line with these and blend the two.

“We look at where skills or capabilities are going to be replaced by technology and which capabilities have to be human-led. We’re still at the stage where no one will trust an agentic AI leader. They

“**What people aren’t talking about as much are human skills – empathy, cultural competence, emotional intelligence – and how to use technology in line with these and blend the two**

want a leader they can talk to and look up to. So, if there are jobs or capabilities being replaced, where is the blending point [of AI and human skills]?”

For example, she said: “We see this in the changing demand for skills needed to drive an experience-led digital capability or personalised service.”

Organisations seeking to leverage agentic AI to create a personalised service using the customer data they collect need to do so “without it seeming like the user is talking to technology”. That requires “blending human experience with the technology”, she explained.

Cooper noted: “A lot of back-office roles – HR, finance, legal – will probably be impacted by AI. More junior roles are being condensed into focusing on data and technology. Middle management are leading smaller teams, leveraging technology to do what has historically been ‘junior’ work, and at the top are the pure leadership roles. Historically, the workforce has been shaped as a triangle. Now it’s becoming a diamond.”

THE WORKFORCE WILL LOOK DIFFERENT

The post-pandemic challenges around recruitment have eased “slightly”, according to Cooper. At the same time, the process of recruitment is changing.

She explained: “One element to how it’s changing is to do with skills requirements, the other is around demographics and work preferences.

“Understanding what someone wants from a role is changing the recruitment process. Organisations are having to adapt to what people want in order to be attractive to candidates, and a lot of this has to do with flexibility.

“Yet people who can’t be flexible in their work, who have to be ‘in’, are in high demand right now. We’re seeing growth in recruitment for these roles.”

Asked if we’re going to see large numbers of roles disappear in some areas of work, she said: “In the next 20 years, the workforce will look

FIGURE 39: CORPORATE SPENDING ON TECHNOLOGY & SKILLS



CORPORATE spending on IT, including AI, far outweighs investment in workplace skills (Figure 39)

significantly different to now. I don't know exactly how it will look different, but I'm 99% sure it will.

"We saw a huge push to outsource back-office roles from the UK in the last 20 years using global business services often in low-cost locations. I don't know what that will mean if those roles are replaced by AI. There could be an impact on those countries. But it could be beneficial. Take India, for example, a country to which organisations outsourced a lot of IT, systems management and HR operations. The technology capability in India is massive. The skills there aren't present everywhere."

Cooper acknowledged: "I see workforces being cut and periods of adjustment as people are retrained. There is going to be huge reskilling. Jobs are going to go, workforces will be cut, but they might also grow differently to before. There might be demand for more people in the middle management layer."

If entry-level jobs go, it will have implications for developing employees, of course, for how they learn about a business and learn how to operate and to lead others.

Cooper said: "This is something we and all our clients are working through. The typical graduate programme is fundamentally changing. It will take a while, but fundamentally it requires education. I have younger brothers who are way more tech-savvy than I was at their age."

"As a consumer you're exposed to technology. Going to an airport or checking into a hotel, it's all digitised now. We're already exposed to new ways of working, interacting more with technology than with people, becoming used to using AI in our daily lives. It will just become the norm in the work environment."

Cooper insisted "we have to be optimistic" about the development and applications of AI, saying: "We're not going to stop it. What is important is creating the right guardrails and frameworks to manage it. If we don't have those, it could be dangerous."

"Everyone is talking about how AI

THE UK job vacancy rate has fallen significantly since 2022 (Figure 40)

FIGURE 40:
UK JOB VACANCY RATE, 2021-25



*Three months to Nov Source: ONS

technology will enable the workforce, but it will only do that if we put in boundaries and define how it will enable the workforce."

Asked if businesses are paying sufficient attention to how employees view AI deployment and whether people are having it imposed on them or are involved in how it's used and developed, Cooper said: "It's a bit of both. Technology systems are being implemented top down. But use of ChatGPT is bottom up."

Cooper warned: "There is a danger to bottom-up use of technology, using disparate systems with no controls, rather than mandating employees to use an AI system or tool managed centrally."

However, she argued: "The biggest thing I'm seeing is how skills are changing because of technology, with organisations not thinking as much about the human side. If we forget the human side when talking about technology, we won't see the benefits. It goes back to customer trust. You can implement technology, but do your employees know how to use it and do your customers trust it?" ■



There is a danger to bottom-up use of technology, using disparate systems with no controls, rather than mandating employees to use an AI system or tool managed centrally

TECHNOLOGY

THE WORLD HAS MOVED ON

AI HAS become so all-pervasive that discussion of almost all other digital technology developments have taken a back seat.

Previous editions of this annual *Insight Report* discussed the possible uses of blockchain technology in travel and referenced developments in beacon technology at airports to track passengers' progress from border control to departure gate while presenting retail offers from brand outlets as passengers pass by.

Yet beacon technology "just disappeared" and blockchain "is almost irrelevant", according to Andy Gauld, Deloitte UK partner, head of aviation and AI and data lead. He said: "The world has moved on."

Almost all discussion in aviation now relates to agentic AI and to three areas of application – revenue and marketing, airport and airline integration, and operations.

Gauld highlights "developments in the customer sphere" linking "personalised marketing and revenue management to get to a more-personalised dynamic price for an individual customer if they 'book now' – using agentic AI to understand a customer and work out the right incentive, to know what might entice them. Would they prefer free luggage and champagne on boarding, for example?"

He said: "There are a lot of projects involving revenue and marketing, and how to drive better margins on flights and holidays. It's the biggest area of development. A lot of airlines and travel companies are thinking about that.

"A second application involves integration between airline and airport, with leading airline groups looking at creating AI 'hubs' at airports to make the process for customers travelling more seamless and personalised."

He noted: "There is more willingness for parties to come together now because they can see the value it could generate."

The third area of application "is behind the scenes, using the technology from an operations perspective".

Almost all discussion of technology in aviation and travel now comes back to AI

In all three areas, agentic AI is being looked at "in terms of driving efficiency, productivity and value", he said, adding: "Will customers see the upside? Possibly not. Offers will become increasingly personalised and content more tailored to a customer. But will they notice the difference? It will depend on the individual and how much they perceive what they're looking at is for them personally."

Gauld said: "We'll see a lot of changes over the next 12-18 months as businesses start to adopt AI. Gone are the days when you needed to spend six months planning what to do. Now it's a case of working out how you will measure success or how you want to reinvent an area and just doing it.

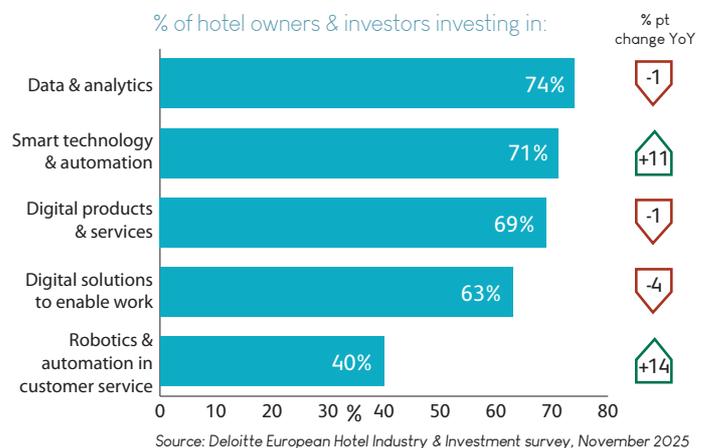
"Technology advances every day. The organisations building these AI models are releasing updates almost hourly with improvements and more features.

"When to dive in on a technology and which technology provider to focus on are questions for every organisation. You need to take some calculated risks. I'm not saying an organisation needs to go all in on one platform, but they need to ensure the bulk of processes are on one platform and use specialist models or technologies for certain aspects."

However, major network carriers

INVESTMENT in smart technology and automation, including in customer service, has risen sharply in hospitality along with investment in robotics (Figure 41)

FIGURE 41: DIGITAL TRANSFORMATION IN HOSPITALITY



still have work to do to move away from decades-old tech platforms.

“That is still the biggest challenge for the legacy carriers,” said Gauld. “They still have what I call ‘technical debt’. To fully adopt agentic AI, they need to invest in transforming those back-end systems.

“That comes with its own risks and challenges, given how the systems have been built over time. A lot have been hand-cranked internally over years. To modernise all that is a massive challenge and comes with a hefty price tag. Some airlines appear to have the appetite to go the whole hog and make a full transformation, but proof of that will be what they do in the next year or so.”

Asked if airlines are investing enough in technology, Gauld said: “I see them invest more, but it’s hard to say they’re investing enough. There is certainly more activity, and airlines and airports are looking for help.”

The move to ‘modern retailing’, which is how the application of New Distribution Technology (NDC) is now referred to, continues to progress incrementally – having now been underway for almost a decade and a half.

Developments in agentic AI “should make the process simpler”, Gauld suggested, “if you can ensure the airline agent communicates properly

“When to dive in on a technology and which technology provider to focus on are questions for every organisation. You need to take some calculated risks

CYBERSECURITY is the top priority for airlines, but carriers invest the most in their operational systems and IT infrastructure (Figures 43 & 44)

FIGURE 42: AVIATION IT SPEND



and can share data properly with NDC, and vice versa, with end-to-end connectivity and the right protocols”.

“You’ll see a lot of tech companies trying to define agent-to-agent protocols so everyone builds agents in a standard way for the interchange of data.”

But having suggested 12 months ago that if airlines want NDC to work, they “almost need to go back to the drawing board and start from scratch”, he said: “I don’t think much has moved on.”

He noted: “The agentic transformation provides an opportunity to rethink the whole process. Agentic could solve some of the challenges, but I’m not sure the industry will do that.”

FIGURE 43: AIRLINES’ IT PRIORITIES, 2025

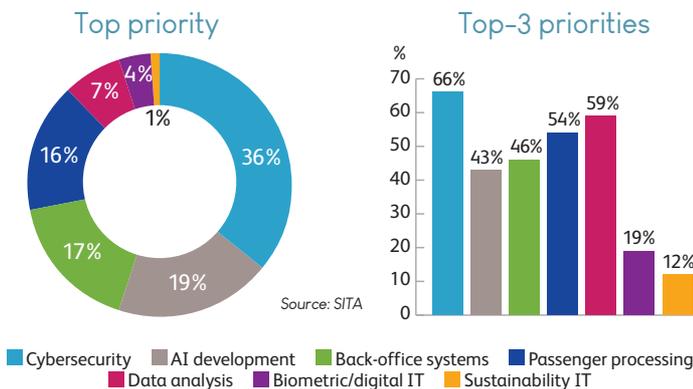
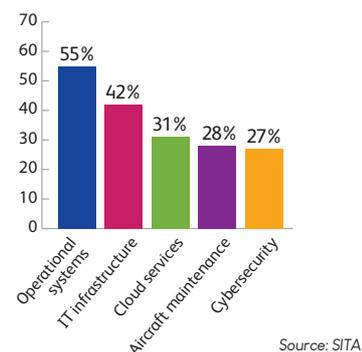


FIGURE 44: AREAS OF HIGHEST IT INVESTMENT BY AIRLINES



CYBER

BE MOST AWARE OF RANSOMWARE

SEVERAL HIGH-PROFILE cyberattacks put cyber security in the spotlight last year, although the level of media interest in these reflected the businesses involved more than it did any increase in the number of successful breaches.

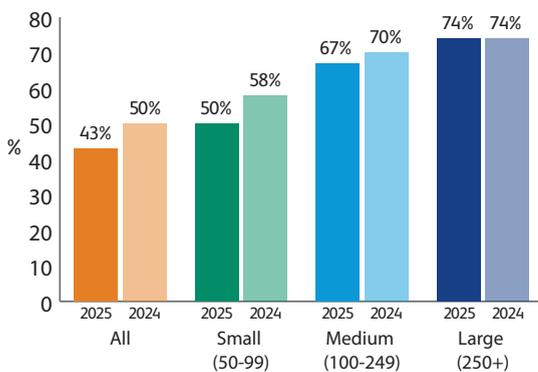
Deloitte partner for Cyber Risk Services Peter Gooch explained: “We’ve seen a continual increase in attacks in the last three to five years, in the public sector, in travel, in services, in energy. The attacks that make the press are those that affect things we do, who we interact with. Recent high-profile attacks showed how critical the supply chain is for big organisations and the fragility of that.

“We see a continual increase in the sophistication and persistence of attacks, but the nature of attacks hasn’t fundamentally changed.

“Many start with phishing attempts. We see a lot of deepfake WhatsApp messages now, moving away from poorly crafted emails to trick someone to click on something or share information. That can lead to all sorts of issues from low level fraud and identity theft through to stealing a company identity.

FIGURE 45: CYBERATTACKS ON UK BUSINESSES, 2025

% identified breaches or attacks in prior 12 months: by employee numbers



Source: ONS, 2025 Base: 2,179 businesses

Businesses need to be prepared for a cyberattack that takes down their operations

“Attackers have many tools, but probably the easiest is to bombard people. Organisations have good defences against phishing attacks. A lot will never even reach people’s inboxes, but it only takes one to get through and someone to click on a link for it to lead to a significant breach.”

He said: “Ransomware is what organisations fear most. Data leakage, compromised credentials, people being spammed – these things happen day in, day out, and are a great concern. But ransomware puts fear into organisations because of its impact and it has been prevalent in the past year. It’s not just ‘We have your data. Give us some money!’ It’s ‘We’re able to take down your organisation so give us your money!’

“Data loss is still significant. There is huge trade in personal data. It’s very profitable for criminals. But most organisations worry more about being taken down.

“Attacks are detected quickly once they impact end users or customers, but sometimes attackers might do ‘reconnaissance’ in systems for days, weeks or months – looking around to see what they find, understand patterns, see how they can remain undetected and do maximum damage.”

When this happens, “the complexity is in the recovery”, Gooch said, explaining: “When an attack takes down, or threatens to take down, systems, the hardest initial assessment to make is how significant is this? How big is the impact going to be? Do you need to take your systems offline, and some or all of them? If some, what is the subset you can take offline and be confident you contained the issue?

“Whatever you take offline, the challenge is bringing it back online.

“The focus has shifted to recovery – not whether an attack will happen, but when [it does] how well can you respond? What is your recovery capability? Historically, many organisations tested individual systems’

THE LARGER a business, the more likely it is to attract cyberattacks (Figure 45)

back-up in isolation, which is important. But there will be interfaces between systems that don't work. When you look at interdependencies, complexities and scale, it's a vast challenge.

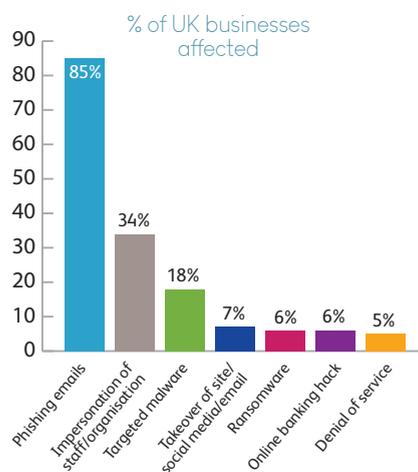
"It's not just about switching a system back on. Often you need to cleanse and rebuild a system to ensure what you bring back online has recovered to a 'safe state'. You need to be confident it's no longer infected. That is where a lot of time is taken. It can be a vast job."

Gooch noted: "A lot of companies retain instant response specialists to help deal with a breach. Sometimes that involves the initial investigation and how to contain it, sometimes forensics – have you lost data? Beyond that, you need to rebuild. There will be people who can't do their jobs and there is often a shortage of skills. Some companies redeploy people in a crisis, but you need to plan for that. You can't do it overnight."

AI HAS INCREASED RISKS 'EXPONENTIALLY'

For attackers, the barriers to entry "are very low and the rewards high", said Gooch, adding: "That is part of the

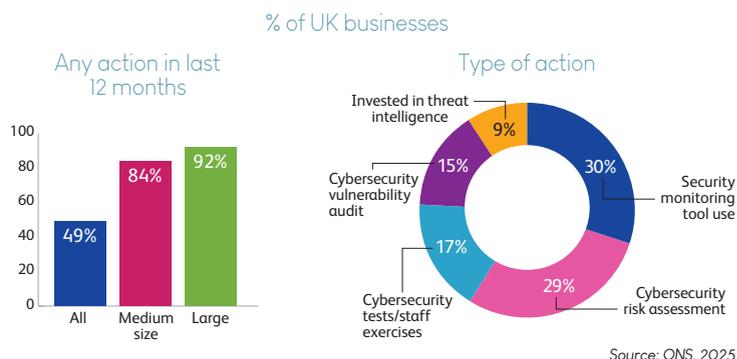
FIGURE 46:
CYBERATTACKS BY TYPE



Source: ONS, 2025

PHISHING attacks remain by far the most common type (Figure 46). Smaller businesses may not be keeping pace with developments in cyberattacks and security (Figure 47)

FIGURE 47:
BUSINESS ACTIVITY TO COMBAT CYBER RISKS



Source: ONS, 2025

“**Agentic AI takes away the human limitations on capacity and knowledge but changes the risks exponentially**”

problem. It's easy to hire ransomware. A lot of skill goes into more-sophisticated attacks, but often attacks are not that sophisticated no matter how many times an organisation says it has been the victim a sophisticated attack. The attackers rely on fundamentals not being in place.”

Asked if generative AI has added to the risks, Gooch said: "There are three things from a cyber perspective. One is increased automation of attacks, and if you can automate attacks the threat increases exponentially. You're no longer limited by the number of skilled individuals. So, it's frightening from that perspective.

"But second, and on the other hand, you can automate defence against an attack. You're no longer reliant on the skill of individuals and their head count.

"Third, is how to secure the legitimate use of agentic AI, to make sure it's being used in the right way, that non-human 'agents' are doing what they should. How do you even understand how many agents there are? How do you monitor them? This technology takes away the human limitations on capacity and knowledge but changes the risks exponentially. The likelihood of something happening has gone through the roof.

"People are trying to get their heads around assessing the risk of this, asking 'Do we need to do a lot more to keep up?'"

CYBER

BE MOST AWARE OF RANSOMWARE

How do you risk-assess and manage this? You look at the guardrails in place and who controls the agents' development. You control these non-human identities through technology and governance."

However, he said: "The challenge with AI is that it will be in the hands of everybody. So, we have to think how to educate people and put good governance in place with the technology. If it's not developed in the right way, it's going to have weaknesses and vulnerabilities.

"It's easy to use and, with the ease you can deploy it, it's changing some of the vectors in the risk equation, meaning more bad things are likely to happen, so there needs to be a focus on ensuring AI tools can't be misused."

THREAT TO TRAVEL 'ENORMOUS'

Travel businesses face vulnerabilities on several fronts, of course, not only from potential breaches of their own systems or those of suppliers but also from attacks on infrastructure systems.

Gooch said: "The threat is enormous. The primary threat is disruption and the greater the disruption, the more likely an organisation is to pay a ransom. Travel is a target because of that, because travel businesses have vast amounts of data on individuals and there is a price on data people are willing to pay, and there is payment data.

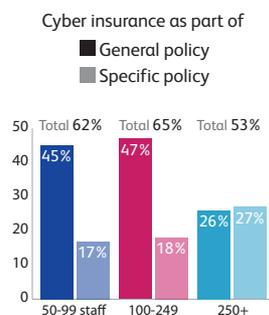
"If you think about the infrastructure related to travel, there is potentially huge disruption to be had. The more complex, the more connected infrastructure is, the more vulnerabilities it opens up, the more points of attack it could be exposed to."

So, are organisations doing enough? Gooch said: "We get asked that a lot and it's probably the hardest question to answer. What is good enough for one company might not be for another.

"Companies are taking cybersecurity seriously, but they're up against competing priorities around productivity, innovation, speed to market and costs. Cyber doesn't have an open

FIGURE 48:
UK BUSINESS AND
CYBER INSURANCE

% of businesses with cyber insurance, by size (staff numbers)



Source: ONS, 2025

cheque and companies shouldn't do that anyway. Some sectors have been focused on cyber for years. In the travel sector, cyber has been taken more seriously in the last five to 10 years.

"There is more to do because it's not a static challenge. Cyber isn't static and companies aren't static. The threats are changing and a company doesn't stand still – it has new products, new technology. Cyber has to be a continuous focus with continuous investment. It is a constant battle."

He noted: "The biggest shift we've seen is to a focus on response and recovery. Assume an attack is going to happen, then how would you respond as an executive board, a leadership team and at every level down? More important, how would you recover if it took out your IT network or you had to decide to take out some systems?"

"There is a 'minimum viable company' concept. What are the basics you need to get up and running? If everything is taken offline, you have to prioritise. What are the processes, subprocesses and systems they run on that you need immediately? How do you protect the supply and value chains?"

"At what point would you take the decision to pull the plug on operations and what information would you need to make that decision? Every incident is different and you rarely if ever have perfect information at the height of a storm, so it's a difficult call to make, but it's one people need to prepare for.

"What would it mean to take your company offline? How would you minimise the disruption while balancing that with the reduction of risk, minimising the likelihood of the impact spreading?"

"Every company needs to look at mitigation. If you took systems offline, what could you still do? How would you protect the most critical processes? What is the balance of risk – the cost versus the impact and disruption to operations? Many organisations are starting to take this more seriously rather than face having to deal with it in the heat of the moment."

A SIGNIFICANT proportion of UK businesses lack insurance against cyberattacks (Figure 48)

FUTURE OF RETAIL

TECHNOLOGY IS CHANGING PRODUCT DISCOVERY

THE COST pressures on retailers, not least from rising business rates and higher employment costs, appear entrenched while demand remains subject to subdued economic growth.

What is new is “the massive upwards curve of AI-accelerated technology”, in the words of Dr Bryn Walton, Deloitte senior manager for consumer industry insight, who noted: “The past year hasn’t been so much about technology innovations or technologies becoming available as about lower barriers to entry, deployment of these technologies at scale and customers becoming used to them.”

He said: “There have been big developments in AI and agentic commerce, and some of that is about the technology being in the hands of consumers.”

Walton identified “an interesting dynamic” around digital technology and AI. He said: “Organisations have been a bit overwhelmed and tried to do everything, and now they know what works because it’s what consumers are using. It’s less, ‘We’re going to do this because it’s new’ and more, ‘We’ve done this and consumers do/don’t like it’, or ‘Consumers are taking us a different way’.”

He argued: “The transformation of search is affecting retail. As much as it’s driven by the big players implementing AI in search, it’s also about how consumers are using it – the phrases they’re using, the conversations they’re having and whether they trust the results.

“Technology is changing product discovery. People are looking in different places. Say I want a coffee machine. In the past, I would google ‘best coffee machine’, put in what I want and get a top-10 list. Now I look at the recommendations of a guy on social, then go to ChatGPT and say, ‘I like a flat white, what is the best coffee machine for me?’ It does the research for me, identifies a product and I’m much more likely to buy than as opposed to looking at 20 machines and being overwhelmed by the information

Retailers must adjust as ‘search engine optimisation’ gives way to ‘answer engine optimisation’

– and the conversion rate will be higher if I can buy it direct in the conversation.

“AI is democratising things which were previously the preserve of the rich. Wealthy people might have a concierge service, a personal nutritionist, a stylist. The chatbot features of AI allow people to have that at a much lower price if not for nothing.”

His colleague Gillian Simpson, Deloitte partner for retail, explained businesses are responding by “looking at answer engine optimisation (AEO) as opposed to search engine optimisation (SEO) to get products listed higher on Google.

“They have to understand what to do to move to AEO, the factors that matter – whether it’s customer reviews, product information, content – and they’re going through that process now. A lot of it will come down to product data management.

“All these trends, especially agentic AI, come down to data fundamentals – having data clean and easily accessible. A lot of organisations are having to do fairly standard data foundation projects to ready themselves for this because [AI] agents rely on data internally and externally. Organisations need to ‘feed’ the agents and set guardrails.”

ONLINE retail sales have plateaued (Figure 49)

FIGURE 49: UK ONLINE RETAIL SALES

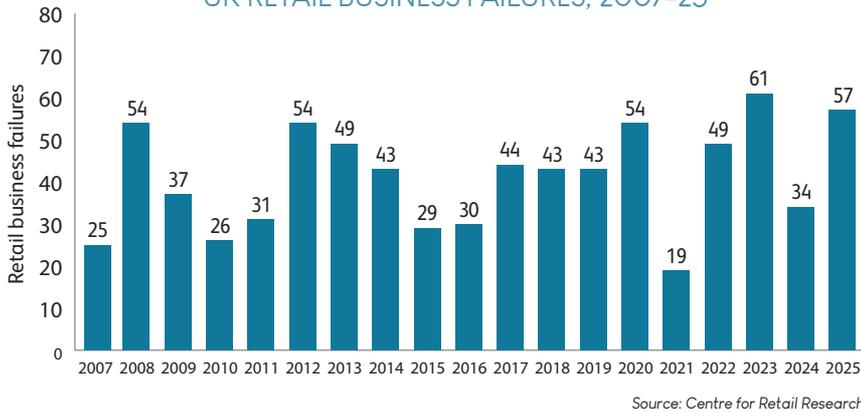


Source: ONS, January 2026

FUTURE OF RETAIL

TECHNOLOGY IS CHANGING PRODUCT DISCOVERY

FIGURE 50:
UK RETAIL BUSINESS FAILURES, 2007-25



Source: Centre for Retail Research

“They also need to think about the cyber and control implications, because [AI] agents running around an enterprise will expose any vulnerabilities much more and heighten the risk. We’re seeing a lot more conversations around cyber as a result. Obviously, the cyberattacks on UK retail last year had an impact.”

Simpson argued: “The proof-of-concepts stage has passed. We’re now at the stage of [AI] agents working across systems within the customer domain. Moving forward, they will work across value chains. So, organisations need to be clear which parts of the chain can have agentic agents in them and where they want people in the loop.”

Walton suggested that “before getting to AEO, you should probably consider generative engine optimisation (GEO), because a lot of consumers aren’t using agents yet, they’re just using AI”.

He said: “Ultimately, AI agents buying from AI agents is where some people think we’re going. But if you remove humans on both sides, everything comes down to value and then how do you compete? But will they buy based purely on value? Interestingly, we’ve seen sentiment and reviews/recommendations being given additional weighting on some sites.”

Walton added two further points, saying: “First, a lot of people think narrowly about how AI is going to

eat into e-commerce. But it’s going to impact all sales. People have AI in their pocket and use search in store as well. So, it’s going to impact on that.

“The use case for agent-to-agent commerce is primarily to do with commodities. For example, you need milk. You can programme that and remove a share of in-store sales.

“Let’s not forget that in the UK, where e-commerce is advanced, 75% of retail still takes place in store – in some sectors more than that, in some less.

“Second, the hyperscalers – cloud service providers – are investing hugely in data centres but that is not feeding into the price of AI tools at an enterprise level or for consumers. It just means everybody has AI.

“Now, if everybody has AI, it becomes a ‘hygiene’ factor not a competitive advantage. Retailers are thinking about it because everyone else is. You invest, but then you have to look at something else to differentiate yourself. You need to think, ‘What can heighten the customer experience? What can we do on branding? How can we differentiate beyond the AI offering we have?’ Also, a lot of customers are older and don’t like using AI or want human advice.”

Simpson noted: “From a marketing angle, AI is heightening points around consumers identifying with brands and retailers which have the same values as them and have a community-led

PEAKS AND troughs in the number of UK retail failures reflect largely the state of the economy (Figure 50); the annual number of store closures reflects the relative size of those failures (Figure 51)

FIGURE 51: UK RETAIL FAILURES



*Figures rounded Source: Centre for Retail Research

approach. That is something AI can't compete with and it's becoming more of a differentiator. Being clear on your proposition and who your customers are, and being where those customers are, is where we see true loyalty lying.

"Loyalty schemes are more of a mechanism for making personalised offers and capturing first-party data, so a key piece of the puzzle. But a loyalty programme on its own isn't going to solve your customer acquisition and retention challenge."

The relationship between physical and digital retail continues to evolve, with Simpson insisting "retailers need to think about the role of the store". She argued: "In the past, it would have been about having a broad range of products. That is not always the case now. It's more about brand articulation in a physical space."

But she doesn't foresee experienced travel agents being replaced by agentic AI, insisting: "There is a trust element, especially if you've booked with a travel agent many times. There is an element of risk when booking a holiday, with the amount you spend, and if it's a once-a-year experience you want it to go well. But if an agent is just there to service a booking and not adding any value, the technology will be more of a threat."

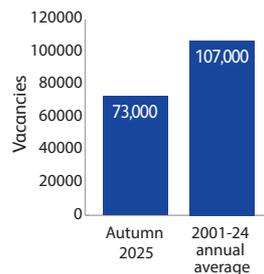
WORLD CUP TO PROVIDE WINDOW ON THE FUTURE

Walton suggested: "Some parts of travel may be disrupted more than others. People will look to cut costs in business travel and, if they can use agentic AI to book, that would seem fairly simple, whereas they may want to talk to someone if booking a family holiday."

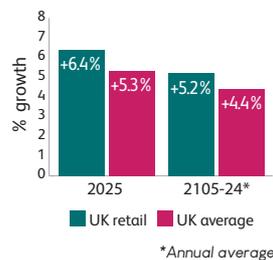
He heads Deloitte's Future Consumer research and suggests the 2026 Fifa World Cup will offer a window on the future of retail and marketing.

"The World Cup is going to be the biggest event ever, watched by five billion people," he said. "The games will provide a massive opportunity for retailers. You'll see traditional media approaches and big broadcast spending, but you'll also

FIGURE 52:
UK RETAIL
VACANCIES



**UK RETAIL
WAGE GROWTH**



Source: British Retail Consortium

see the future of marketing – brands trying to influence discussion with sponsored 'watch-alongs' and pundits talking with social media alongside.

"The future of marketing and retail is going to be amplified. Can you buy this product [England player] Jude Bellingham is wearing, for example? It's going to be a microcosm of where we are in social and AI-generated content in marketing and retail."

Walton explained: "One of the things we explore in our Future Consumer research is the consumption of media and the fact that people are consuming YouTube and short videos more than traditional broadcast media. That has massive implications for how you market to consumers because so many people consume media on their phones."

Aside from the World Cup, both Simpson and Walton foresee a continuation of in-store technology adoption, such as electronic shelf labels and smart cameras, not least because as Simpson noted "technology costs are coming down and the costs of labour going up, which makes the business case for rolling out the technology at scale".

She added: "Testing things, not relying on an old playbook, will be more widespread, with people trying new ways of approaching customers."

Walton identified three other trends – one being health and wellness, and a second being price, although "that doesn't only mean competing on price, it means having a solid value proposition."

Third, he suggested, would be "cultural influences", noting that though "we've been led by the West and Hollywood for ages, now we seem to be led more by the East. Korea is one of the biggest cultural influences. KPop Demon Hunters is currently the biggest Netflix show of all time. K beauty is all over the place." ■



Some parts of travel may be disrupted more than others. People will look to cut costs in business travel and, if they can use agentic AI to book, that would seem fairly simple

CRUISE

CRUISE LINES CONTINUE TO BREAK RECORDS

MAJOR OCEAN cruise lines enjoyed another record year for bookings, revenue and profit in 2025 with no let-up in demand.

“Most of the big players have recorded about 10 consecutive record quarters,” said Alistair Pritchard, Deloitte lead partner for travel, cruise and aviation. “The big operators are in a strong place, both for future bookings and the value of those bookings. That is because ocean-going holidays remain comparatively cheaper than land-based holidays in terms of value for money, despite prices going up, and the US cruise market continues to be very strong.”

However, he said: “There are nuances within that overall picture. It is a little more mixed when you look at niche players in the sector – niche in the sense that they operate in a particular region or are more expedition-type specialists in the Arctic, Antarctic, Norwegian fjords, Alaska, or the premium market. Some have strong forward bookings. Others are looking at their offering to ensure they continue to be attractive because bookings aren’t as strong.”

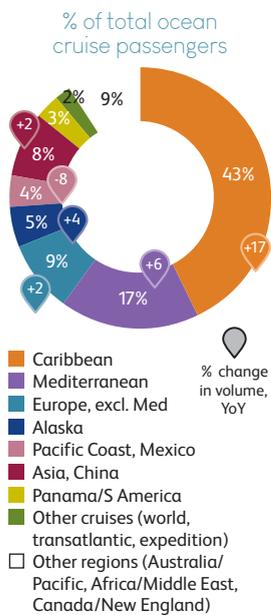
Pritchard noted: “There is a significant pipeline of new capacity coming in over the next five-plus years, large ships as well as smaller. With large ships, the growth constraint has been the shipyards. Only a small number of shipyards in the world can build the mega ships.

“Until the pandemic, cruise demand generally exceeded supply and people didn’t have to compete massively. But with all this new supply coming, generating demand has become critical.

“The sector has done a really good job in attracting new customers over the last few years and it feels like it has turned a corner. The average age of cruise customers continues to come down. A lot of people have tried a cruise for the first time, which has helped the demand side of the equation, although cruise is still a relatively small portion of the holiday market.”

Customer demand has kept pace with capacity and voyages remain good value

FIGURE 53: CRUISE OPERATIONS BY REGION, 2024



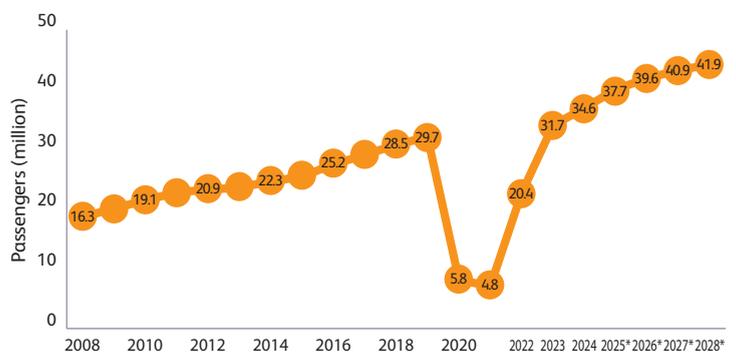
He said: “I’m amazed at how many work colleagues have now been on a cruise. It has increased significantly compared to five years ago and the feedback is generally positive. That is important because of the capacity coming in. You may have a ship carrying 3,000 passengers being replaced by a ship with capacity for 4,000 or 5,000. Also, the cruise line might not get rid of the smaller ship but keep it for a few more years. There is a view that ships will probably operate for longer than they did historically to add to the capacity.

“Two or three new operators have also come into the market and are adding ships, and there are more luxury ships on the water and coming. Of course, a new luxury ship might only add 300 to the overall capacity, when a mega ship might add 6,000.”

Pritchard noted: “The sector has generated new demand and pushed up prices while remaining comparatively cheaper than land-based holidays.” However, he said: “There is a question mark against how much it can keep pushing prices. Will there be a ceiling on how far prices can go?”

“I was concerned about the sector attracting new customers in the past. But the industry has demonstrated its ability to attract people through better brand positioning and good use of distribution

FIGURE 54: GLOBAL OCEAN CRUISE PASSENGERS



channels – using travel agencies to connect with consumers. Most businesses that operate in the agency space – high street retailers and homeworkers – now have a well-established cruise focus and cruise specialists or a cruise division.

“There may be a limit to how many new people the sector can attract. The traditional model will remain, with members of the older generation who cruise pretty regularly, but there will need to be a focus on ensuring new-to-cruise customers become more regular cruisers and tell their friends. There is still a big potential market because the cruise sector remains tiny in relation to the total holiday market.”

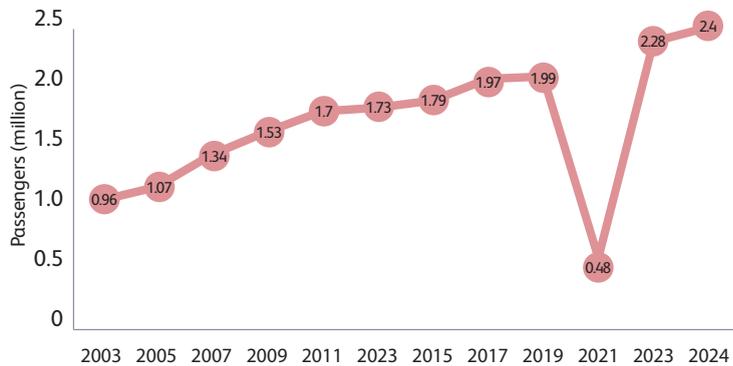
He added: “We see a lot of investment in private islands, which allow operators to provide guests with an end-to-end experience at the level they want and to generate additional income from food and beverage, excursions etc. There is also a cost angle. You pay port charges if you visit a third-party port, and if you have a private island, potentially you don’t have to sail as far as you might previously.”

Switching to river cruise, Pritchard noted: “It’s quite a competitive market. There are a lot of operators, with brands which own and operate ships, brands which purely sell as agents, and some hybrids. It can be confusing for a customer to know who they booked with. There is a lot of new capacity coming although the ships are relatively modest in size and involve a more modest investment. The fact people are investing demonstrates a belief there are opportunities for growth.”

MORE BOOKINGS ARE COMING EARLIER

The ocean cruise sector is consistently seeing bookings made earlier, although Pritchard points out: “In part, the trend towards booking further in advance has been driven by cruise operators launching programmes and making itineraries available earlier, which has driven those wanting premium cabins or a particular

FIGURE 55: UK & IRISH OCEAN CRUISE PASSENGERS



Source: Clia

UK AND Ireland cruise passenger numbers show steady growth (Figure 55)

experience to get in early to secure that. There is high demand for certain itineraries and cabins with balconies.

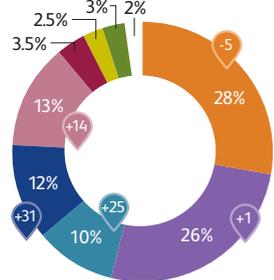
“But there is also product sold closer to the day of departure. Operators are getting both the ability to capture customers earlier by launching product earlier and attracting people looking for deals close to departure to fill capacity. Agents have done a good job of getting early launches in front of customers.

“Among those who cruise regularly and like a particular brand or product, or who want to go on a particular itinerary or on a new ship, if they don’t book early there is a high probability they won’t get what they want. So earlier releases are going to drive earlier bookings.

“In some ways, cruise and land-based holidays are similar in that you choose a cabin or type of room. But there is a difference. If you desire a certain cruise itinerary, you need to secure that. On land, it’s less about the itinerary. You might want a suite at a particular hotel and get in early to secure it, but there may be other hotels to go to or a different destination if you don’t.”

FIGURE 56: UK CRUISE PASSENGERS’ FAVOURED DESTINATIONS

% of UK & Ireland cruise passengers 2024



- Northern Europe/Baltics
 - Central/western Med
 - Eastern Med
 - Canary Islands
 - Caribbean
 - Alaska/expedition
 - Asia/China
 - Transatlantic/world cruise
 - Other regions
- % change in volume YoY

Source: Clia

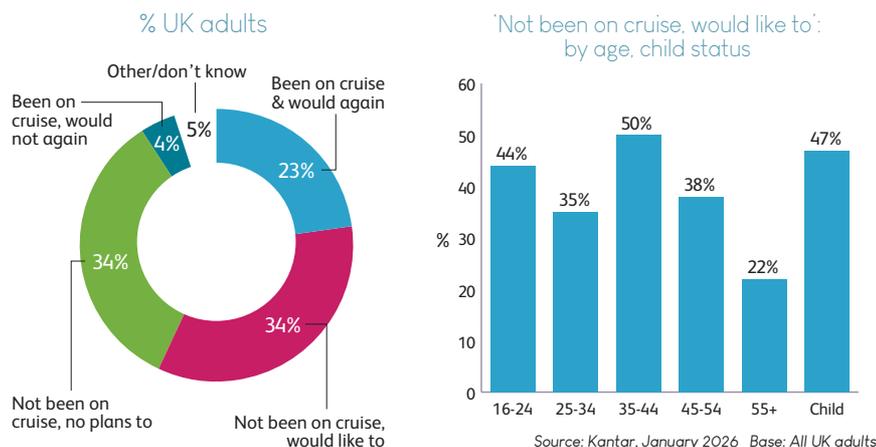
LONG-TERM INVESTMENT IN FUTURE TECHNOLOGY

Sustainability and emissions reduction remain a key concern. Pritchard noted: “A lot of ships now use different types of ▶

CRUISE

CRUISE LINES CONTINUE TO BREAK RECORDS

FIGURE 57: CRUISE HOLIDAY DEMAND, 2026



fuel – there is more liquefied natural gas (LNG), for example.

“Companies are heavily focused on making incremental sustainability improvements through a variety of measures because there is recognition there isn’t a ‘big bang’ solution. A combination of investments are required in types of fuel, in being able to use onshore power when ships are in port, in efficiency measures to reduce energy use and in itinerary planning – how far a ship sails, how quickly, the availability of fuel in ports etc.

“Some destinations are having to manage their volume of tourism and regulations are slowly coming in around emissions. There is long-term investment going into future technologies. Ships ordered now will be more fuel-efficient than those built 10-20 years ago, but they will operate for an extensive period. The technology doesn’t exist to operate ocean-going ships on battery power, although several niche players have invested in battery-driven ships. However, running a ship on electric power doesn’t mean there are not sustainability issues in creating the batteries and disposing of them.

“The sector is spending on research and incrementally making improvements. But it will be challenging to get to where the sector aims to be in the next 30 years. Even though it’s a relatively small sector,

ONE IN three UK adults have not been on a cruise but would like to, according to research for this report (Figure 57)

“People value talking to an agent. I don’t see that changing in the immediate term

cruise will become a bigger contributor to the impact on climate as other industries become more sustainable.”

He said: “We’ve seen a bit of a backwards step from a regulatory standpoint in certain places. Regulations have been driving in one direction for several years. In the last 12 months both the US and Europe have announced delays to, or a stepping back from, previously announced plans around regulation or reporting.

“I’ve no doubt that cruise will continue on its journey to becoming more sustainable, but this may not feature quite so high in the list of priorities. The imperative for the sector to drive so quickly to become more sustainable has eased somewhat and inevitably that will factor into boardroom decisions – though I’m not in any way saying cruise lines aren’t focused on, and investing in, becoming more sustainable because they are. It’s a long-term planning game and, typically, longer-term decisions aren’t reactive but based on a direction of travel.”

AGENTS STILL CORE TO CRUISE

Pritchard believes travel agents will continue to remain central to selling cruise. He pointed out: “Cruise continues to be a complicated product.

“There are lots of decisions for a consumer to make and they need guidance. What is the right brand for them? There is the complexity of the different packages on board, cabin types, itineraries and excursions. Of course, there are land-based holidays that are more complicated, and some cruise customers do buy online. But it’s generally a more complicated purchase and therefore people seek guidance.

“People value talking to an agent. I don’t see that changing in the immediate term. We see people going back to agents more, both on the high street and to homeworkers. We see it in the younger demographic as well. It tends to be the older and younger generations who use agents. If anything, we might see the younger generation continue to use agents as they get older.”

INVESTMENT IN TRAVEL

GLOBAL UNPREDICTABILITY HAS DRIVEN CAUTION IN M&A

MERGER AND acquisition activity in travel was forecast to pick up in 2025 after a slower-than-expected 2024. Indeed, the last edition of this *Insight Report* suggested “M&A in travel appears poised to take off in 2025”.

The sector saw some major deals. Most notably we saw the completion of Amex GBT’s acquisition of CWT after lengthy regulatory scrutiny in both the US and UK, bringing consolidation among the top travel management companies in the corporate sector, and in the retail sector Hays Travel made a series of acquisitions on the high street and among cruise specialists. However, there was considerably less activity than expected overall.

Anika Keys, Deloitte director for transaction services, noted: “It feels like every year since Covid we’ve said M&A activity in travel will pick up and it never quite has to the level we expected. Some processes rumoured to be happening didn’t pan out. There was some private equity activity, although not at the level expected.

“Strategic acquirers remained active. There is still private equity interest, but it doesn’t feel like the M&A market has totally picked up.”

Travel remains an attractive sector for investors but due diligence on deals is taking longer

Her colleague Shonal Tankaria, Deloitte director for M&A integrations and separations, agreed and suggested: “It’s as though we’re still seeing the after-effects of Covid, with people being more cautious, and there is more scrutiny of how resilient businesses are if something like that were to happen again.

“There is also more unpredictability, which is driving some of the caution, with due diligence phases taking longer. People are prolonging due diligence to be sure what they are going to do with a business they acquire.”

Tankaria said Deloitte’s M&A integration and separations practice “becomes involved a lot earlier in the due diligence phase of deals now because organisations want an assessment upfront of what they are getting, how they are going to integrate a business, how they hit the ground running to deliver the synergies they expect.”

Keys added: “The imposition of tariffs obviously caused a stir. We had a few processes pause after that because selling businesses weren’t seeing the buyer appetite they had hoped for due to the uncertainty.”

Tankaria insisted: “The demand is still there. But it’s how many deals go on to complete that drives the perception [of reduced activity].”

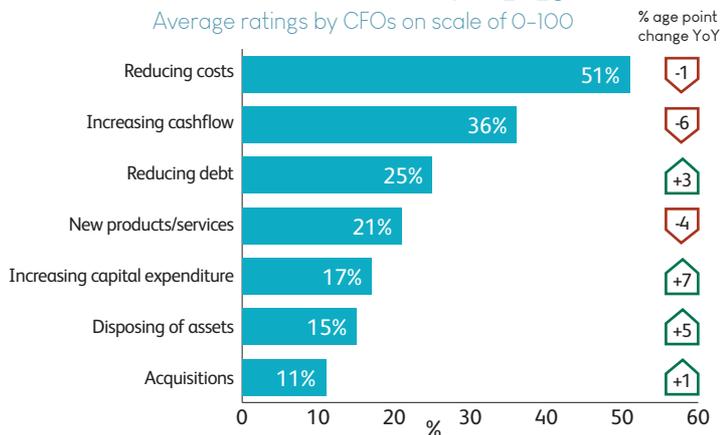
She noted: “There is a balance between a potential acquirer looking at a business and going ahead to complete an acquisition. Some processes don’t go as planned and people think, ‘This is not something we want to go ahead with.’

“Then there are the regulatory pressures. During an elongated process, a business could say at any point, ‘This is too much hard work. Let’s just get on with what we have.’”

Keys agreed, noting: “Because processes are longer, there is more chance of something happening which puts people off completing.”

REDUCING costs remains the top priority for CFOs (Figure 58)

FIGURE 58:
CORPORATE PRIORITIES IN 2026
Average ratings by CFOs on scale of 0–100



Source: Deloitte CFO Survey, Q4 2025

INVESTMENT IN TRAVEL

GLOBAL UNPREDICTABILITY HAS DRIVEN CAUTION IN M&A

Both expect deal-making in travel to pick up. Keys said: “We hope for more private equity activity. We say every year that where private equity has held assets for a long time, they would want to flip those assets soon, but it has not quite happened.

“One reason for that is that there may be a valuation gap. If a business acquired an asset a while ago thinking of the return they would want, there may now be a gap in terms of what value can be achieved. I’ve seen a few processes where bids have not been what investors expected.”

Tankaria said: “Funds are probably also being more selective in what they go after – based on what is available in the market and what they can bolt on to, and integrate with, existing assets. That might seem simpler than it is at a point when you have acquired, or have a plan to acquire, three or four assets serially.

“This is a complication it’s better to think about upfront. We help a client develop a ‘playbook’ to support them becoming a serial acquirer and to navigate the complexities of developing and delivering integrations and separations that maximise value from M&A ventures.

“In private equity integrations involving bolt-on acquisitions, a playbook which states ‘We’re going after this type of asset and this is how we’re going to integrate it’ allows you to serially acquire, defining upfront the benefits, degree and pace of integration based on the type of asset. So, ‘This type of asset would follow this integration journey’, and ‘That type of asset would follow another integration journey, delivering these benefits or this value in this timescale’.

WHAT POTENTIAL ACQUIRERS ARE AFTER

Asked what kind of travel operation would be most likely to interest a potential acquirer, Keys suggests “a standout business”. She noted: “Hotels

“**Funds are probably also being more selective in what they go after – based on what is available in the market and what they can bolt on to, and integrate with, existing assets**

are still an attractive sector. Niche and specialised travel businesses – such as those for over-50s – continue to be a focus, as well as luxury travel.”

Tankaria suggested “it’s the maturity of a business and a clear path” that potential acquirers are after, and added: “Travel technology, the digital platform and what customers sit on that platform, is a focus. Then it comes back to integration and what is the unique selling point, some of which could be the technology and digital innovation a company and its operating model are built around.

“Investors buy in if a business has a way of operating that an acquirer can take forward.”

They will focus on “synergies with the portfolios they have, the scale and geographical reach”, she said, adding: “How to deliver those synergies will be what drives their integration priorities. Understanding how to get a business to where it needs to be to deliver those synergies is key.”

An acquirer would also look at a potential target’s “resilience and ability to handle market fluctuations”, she said, as well as recent trading, the booking levels and what the projections look like.

Keys added “a sustainable level of growth” as a key area of focus, saying: “What is the level of growth if you strip away the impact of one-off events? Part of that focus will be on the customer profile, repeat rates, retention of customers and marketing strategy. People will also try to understand what the trends look like when you strip out all the ‘noise’.”

Tankaria argued: “There is also a need to look at the AI capabilities a business has before acquiring it. We’re seeing that across industries. How a company uses AI, whether they’re embracing it or have people in denial, and what impacts AI will have.

“We have a whole product offering around AI due diligence and what it means for acquirers. It’s key from a travel perspective – to enhance

operational efficiency, streamline processes and reduce workforce costs by automating tasks, to personalise services and interactions, and to better forecast demand and optimise pricing.

“If a business is not taking AI seriously, that would be a significant negative factor for someone looking to buy it unless they could see ways to deploy technology quickly and advantageously.”

She said: “People are more alive to what a business’s AI strategy is, how it’s going to deal with AI or utilise it effectively, not just in travel but across industry.”

THE ACQUIRER’S EXPERTISE AS A FACTOR

An acquirer’s expertise in the sector can also be a factor when exploring a potential deal.

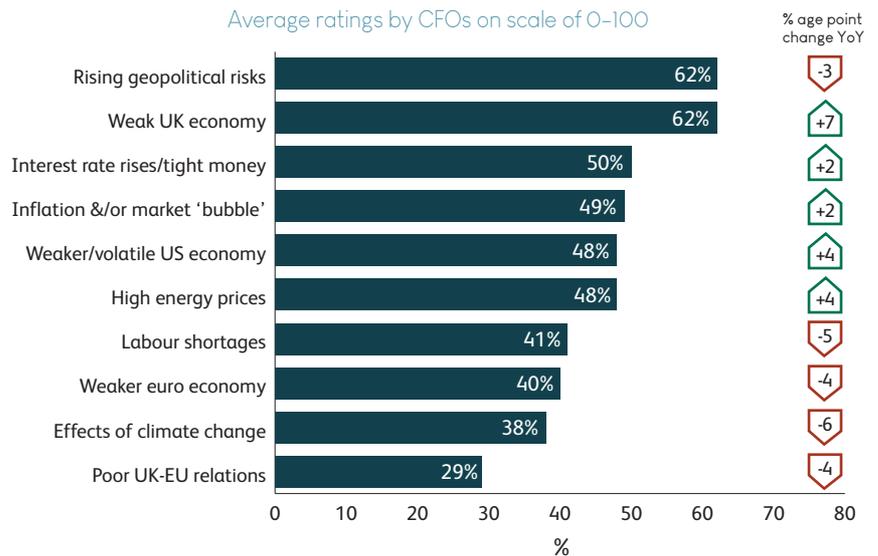
Tankaria said: “It does work both ways. I don’t want to call it two-way diligence because it’s not always. But if a selling business is looking at an acquirer, they do look at their expertise. Sometimes there is more than one bidder.

“Expertise has always been a factor, but both sides wanting to know what each has to offer is probably more prevalent now rather than one side just saying, ‘We’re here to acquire you’. There will be more of a two-way conversation – ‘What experience is an acquirer bringing? How much will they invest? How do they plan to take this forward? How clear are they on their strategy for investing?’

“This is what drives some of the early thinking and ‘blueprinting’ phase we support clients with, bringing clarity upfront so when a potential acquirer has that conversation, they are not going into it empty-handed. They can say, ‘This is what we’re trying to do with this deal. This is where we’re trying to go. This is our rationale and vision.’ You almost have to sell both ways.”

She added: “Carve-outs and divestments also play a part in acquisitions. There are quite a few examples of businesses

FIGURE 59:
RISKS TO BUSINESS IN 2026



GEOPOLITICAL risks and the subdued state of the UK economy pose the most concern to business leaders (Figure 59)

acquiring and subsequently carving out non-core parts of what they bought. A hotel corporation with an asset-light strategy may divest some non-core parts of a real estate portfolio straight after they acquired it, for example.”

Both Tankaria and Keys insist travel “remains attractive” to investors. Tankaria noted: “People want to go on holiday and spend on experiences and having downtime.”

Keys noted: “Travel is important to consumers. They prioritise it.”

She added: “Travel continues to be profit-making and there are technology improvements to maximise efficiency. Margins can be small, but there is probably still margin to go for. AI and technology advancements could be margin improvers which would make it more attractive to investors.”



If a business is not taking AI seriously, that would be a significant negative factor for someone looking to buy it unless they could see ways to deploy technology quickly

REGULATION

CMA SIGNALS IT'S READY TO ACT ON PRICING

COMPETITION AND Markets Authority (CMA) guidance on compliance with the Digital Markets, Competition and Consumers Act 2024, which came into force last year, posed the key regulatory concern for travel retailers going into 2026.

Not only does the CMA have new powers to enforce consumer law and to impose fines, but also new rules include a requirement that any unavoidable charge in a destination – such as a hotel tax – must be included in the total price of a holiday.

Deloitte UK legal director Luke Golding explained: “We’ve seen a raft of new guidance setting out the CMA’s view of the law and it now has the power to investigate and determine whether there has been a breach, so it is important businesses are aware of their obligations.

“The guidance states that when a business makes an ‘invitation to purchase’ – sets out details of a product or service and the price – it must provide all the material information a customer needs. Every invitation to purchase – a listing on a website, a digital advert, a print advert – needs to include not only the total price, the agent’s identity and contact information, but also the identity of the principal on whose behalf they’re acting with its business and email addresses.

“That is a significant shift from the way most agents operate now where they typically make clear they’re acting in an agency capacity early in the process but don’t identify the principal until quite late on. The information needs to be provided upfront now. Agents will have to review their advertising and train staff to provide that information to customers.”

However, the change causing perhaps the most immediate difficulty was the CMA’s guidance on ‘drip pricing’ and its requirement that a ‘total price’ include mandatory booking fees, local taxes and resort charges unless it’s impossible to calculate these in advance.

Golding noted the CMA guidance

Businesses must act on Competition and Markets Authority guidance as the regulator wields new powers

“Travel has been in the CMA’s sights, and I expect it to be active on consumer law infringements

makes clear it “would expect local resort charges to be calculable in advance, so they should be included regardless of when the local payment is made or to whom”. He warned: “Businesses need to ensure they understand local resort charges and incorporate them in the price.”

The guidance also clarified the rules on dynamic pricing. Golding argued: “The travel industry uses dynamic pricing a lot. It’s not prohibited but the CMA expects businesses to be clear at the outset if the prices a customer sees are likely to change. They should not find out at the end of the booking path, and businesses need to be able to explain to the CMA how their pricing models work.”

ONLINE REVIEWS MUST NOT MISLEAD

CMA guidance also clarifies the impact of the Digital Markets, Competition and Consumers Act in relation to ‘fake’ online reviews.

Golding explained: “Reviews which purport to be based on genuine customer experience but aren’t, are prohibited. That includes positive and negative ‘fake’ reviews. Concealed incentivised reviews are also prohibited. They’re not unlawful, but both the business and reviewer need to be transparent about a commercial connection.

“The misleading presentation of genuine reviews is also prohibited – such as cherry-picking positive reviews, repurposing a review for a luxury villa for a more standard one or leaving out-of-date reviews – and there is a general requirement for businesses to take reasonable steps to prevent fake or misleading reviews.”

He pointed out that reviews “feature heavily” in travel “so businesses need to be aware of this”, adding: “Travel has been in the CMA’s sights, and I expect it to be active on consumer law infringements. The fact that it issued guidance suggests it’s going to be looking at the industry, and it has signalled its intention to pay particular attention to certain practices.

“The CMA launched its first consumer enforcement action against major companies under the 2024 Act in November and sent advisory letters to 100 businesses about potential breaches, mainly around drip pricing and time-limited sales. I expect to see far more of that type of action from the CMA.”

Action by the CMA can also be expected in relation to ‘green claims’ judged to be misleading to consumers.

The Advertising Standards Authority has been increasingly active in this area. It reported at the end of 2025 that, while an online sweep of travel agents’ sites found 99% made no environmental claims, two-thirds (67%) of those which did had made broad, vague or unsupported claims which appeared to break the rules.

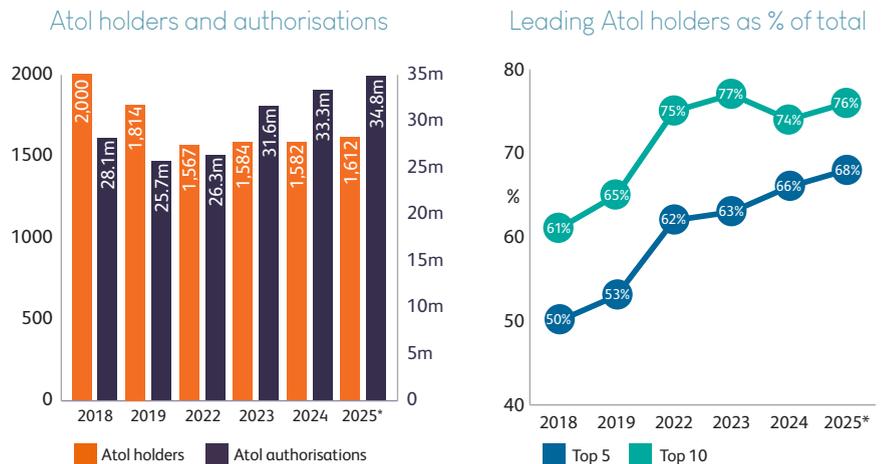
Golding acknowledged: “That is a high failure rate, and we know the CMA is paying attention to this issue. It issued guidance on greenwashing to the fashion industry in 2024 and wrote to 17 brands about their practices. The recent guidance on unfair commercial practices also refers to misleading environmental messages. Given the CMA’s enhanced enforcement powers, it’s important travel businesses exercise caution with any claims.”

LIMITED PROGRESS ON PACKAGE TRAVEL REFORM

Golding described what is left of reform of the Package Travel Regulations (PTRs) as “very limited”, noting: “When the process started in 2023 there was optimism in the industry that more-significant changes would be made, that we would see a better balancing of the regulations and perhaps move away from the position now where almost all risk sits with the package organiser.

“The 2023 proposals were more modest than expected. Then they were reduced in the 2025 consultation and now we’re left with two imminent changes proposed to Linked Travel arrangements and to Regulation 29 [on an organiser’s

FIGURE 60: ATOL AUTHORISATIONS, 2018-25



*Figures following September 2025 licence renewals Source: CAA/Travel Trade Consultancy

ATOL authorisations hit a new high heading into 2026 (Figure 60)

right to seek a refund from a supplier when a service is cancelled].

“These are not overly substantive changes at all. The Regulation 29 change is helpful, particularly around requiring refunds to be paid by suppliers within 14 days. But aside from that, they don’t take us a tremendous way forward. They propose to change the language from organisers having a ‘right to seek redress’ to a ‘right to redress’. But a 2024 court ruling already provided that clarification.

“The challenge is enforcement, and that challenge existed before. Hopefully, it will improve refund practices in general. But package organisers are still left with having to enforce these rights when suppliers don’t make refunds.”

Golding suggested: “It’s positive that Linked Travel Arrangements (LTAs) will be done away with. Type A LTAs – which involve a single visit to a trader’s point of sale, separate selection and separate payment of each travel service – will be incorporated into the definition of a package. Type B LTAs will be removed. These are when a consumer buys a travel service and the trader facilitates, in a targeted manner, the booking of a

REGULATION

CMA SIGNALS IT'S READY TO ACT ON PRICING

second travel service from another trader within 24 hours.”

He said: “The government response to the consultation noted type B LTAs are easily avoided. I’m not sure of the extent to which they’re used and don’t think the changes will have a tremendous impact.”

However, he added: “The consultation response states the proposed reforms will provide full package protection when consumers make a booking in circumstances ‘similar to’ a current type-A LTA. The devil could be in the detail with that. If the wording [defining] a type-A LTA is simply moved to the definition of a package, then that is clear. But ‘circumstances similar to’ could broaden the current definition of a package.”

There was majority industry support for proposals, now dropped, to allow more flexibility in provision of financial protection and insurance, although there was no consensus on exactly how to change the regulations.

A proposed exemption for domestic packages with no travel included has also gone. Golding acknowledged this was a surprise, describing the proposal as “sensible”, saying: “If booking a golf weekend with friends, do I really need package travel protection for two days in a hotel in Birmingham and a few rounds of golf? That feels overly restrictive and unnecessarily burdensome from the point of view of a hotel or travel provider.”

However, he noted that exempting certain types of packages “might weaken” consumers’ view that all packages are protected.

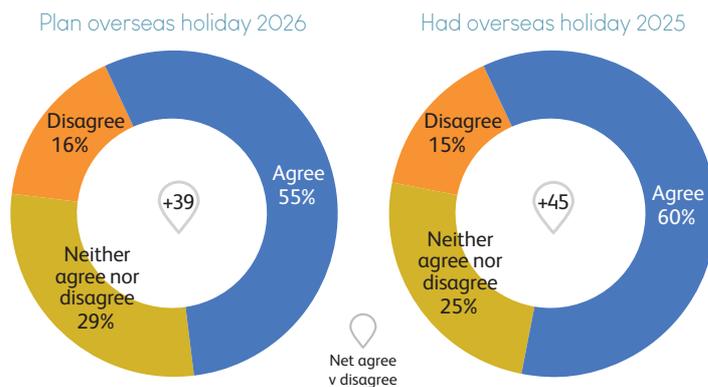
The long-anticipated reform of Atol financial protection requirements, first raised in 2021, appeared to be off the table as this report was published following the delay confirmed by the Civil Aviation authority in January 2024.

Golding said: “It has gone remarkably quiet. We had an update saying the reform was delayed due to its complexity and we’ve seen nothing else.”

He argued: “We’ve had a long time with the spectre of reform hanging over

FIGURE 61: TAXES AND CHARGES PAID IN DESTINATION

% of UK holidaymakers who agree ‘I expect to pay additional local tax/charges when on holiday overseas’



Source: Kantar, January 2026

MOST prospective UK holidaymakers appear to understand they will see local tax added to a hotel bill overseas despite the Competition and Markets Authority insistence on travel sellers including it in the ‘total price’ of holidays (Figure 61)

the industry and we need certainty. If the government has decided the regulations are adequate as they are, that should be confirmed. If the reforms are intended to go ahead when time is available, that should be set out.” The industry may have to wait for such clarity.

One area of regulatory change that businesses should be aware of is in relation to data protection and the Data Use and Access Act. This came into force in June 2025, with a phased introduction to June 2026.

Golding explained: “It introduces some flexibility on subject access requests – a stop-the-clock mechanism so data controllers can pause the one-month period they have to respond to a request if they require further information or a fee payment from the person making the request. It also clarifies that controllers only need to provide information in response to a subject access request based on a reasonable and proportionate search. That is potentially quite helpful.

“It also introduces a new right for data subjects to complain if they’re concerned that their rights under the UK Data Protection Act have been infringed, and organisations are required to establish procedures to facilitate and handle complaints.” ■

“We’ve had a long time with the spectre of reform of Atol financial protection requirements hanging over the industry and we need certainty

AIR TRAVEL

TRAFFIC AND DELAYS ON THE RISE

EUROPEAN AIR navigation body Eurocontrol reported increasing air traffic congestion over the eastern Mediterranean, Balkans, Turkey and Spain in summer 2025, exacerbating delays due to a Europe-wide shortage of air traffic controllers and the increasing incidence of storms.

The week of the August bank holiday saw a record number of flights in European airspace, although French air traffic control saw its busiest day ever in July. Congestion in the airspace over France, due to a long-running series of air traffic control strikes as well as a controller shortage, has been the biggest single cause of delays in Europe over the past two years.

The number of flights through European airspace hit 11 million in the year, up 3.6% on 2024, with countries in southeast and southwest Europe seeing the sharpest growth.

Eurocontrol recorded sustained growth in traffic through winter 2024-25 and summer last year, with the volume of peak-season flights recovering to 2019 levels. It highlighted “increased traffic to holiday destinations notably in Spain, Portugal, Italy and Greece”.

At the same time, it reported: “The network remains heavily impacted by geopolitical conflicts which continue to disrupt airline plans [and] airspace usage”.

Eurocontrol recorded “intercontinental flows well above 2019 levels despite the geopolitical challenges”. Services between Europe and the Middle East increased by 8% on 2024 and 4% on 2019, while traffic across the North Atlantic rose by 3% year on year and 16% on 2019 despite a 1% decline year on year to and from the Caribbean and Central America.

The strong demand led Eurocontrol to revise its seven-year outlook in October to forecast a 3.1% increase in flights in 2026 off the back of “sustained growth” in winter 2025-26. But it warned there would be “notable variations” at state level, arguing: “It’s impossible to predict when

The government has swung firmly behind airport expansion, but barriers remain to relieving congestion

restricted airspaces will be fully reopened.”

Eurocontrol forecasts air traffic in Europe will grow at an annual 2.2% rate through to 2031, surpassing 12 million flights in 2030, with “sustained leisure demand” for flights to and from the Mediterranean the “main engine” of growth.

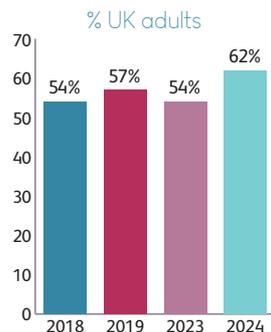
It forecast 2.5% growth in flights in the UK next year and an annual 1.6% rate of growth for the UK through to 2031.

However, it warned airlines would continue to suffer delays in deliveries of new aircraft and demands for increased maintenance on the engines of some models, noting: “Fleet issues are expected to continue in 2026 due to issues with aircraft engines forcing airlines to ground part of their fleets for mandatory maintenance.”

The average price of fares in Europe rose slower than inflation last year, according to Eurocontrol, despite the level of demand. Average fares increased by 1.7% between January and August compared with a 2.7% inflation rate in the eurozone and 3.8% in the UK.

UK aviation needs to operate “almost perfectly” every day, with capacity stretched and the system at its limits, according to the chief executive of air traffic management system Nats. Martin Rolfe insisted “our resilience is pretty high” when he addressed the Airlines ▶

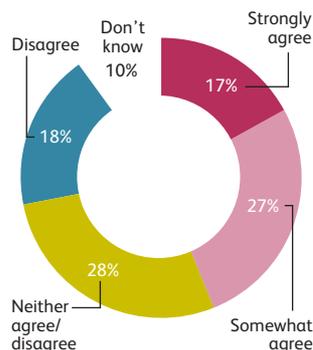
FIGURE 62: FLIGHTS IN LAST 12 MONTHS



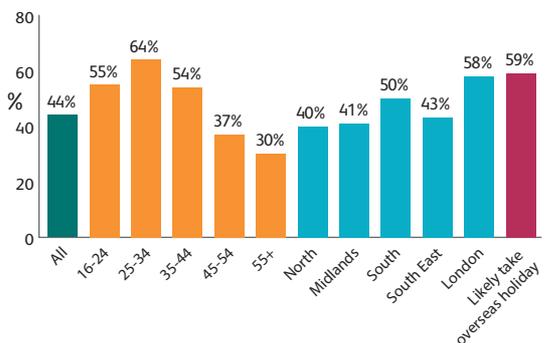
Base: Respondents among 3,500 UK adults. Source: CAA Consumer Survey (Nov 2024, published Feb 2025)

FIGURE 63: ATTITUDES TO EXPANSION AT HEATHROW & GATWICK

% of UK adults who agree/disagree with expansion



Adults 'agree' by age, region



Source: Kantar, January 2026 Base: 1,281 UK adults

AIR TRAVEL

TRAFFIC AND DELAYS ON THE RISE

FIGURE 64: UK AIRPORT PASSENGER NUMBERS

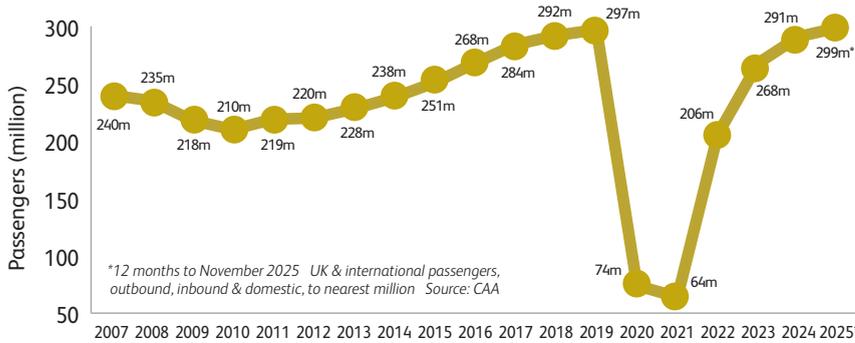


FIGURE 65: TOP-10 UK PASSENGER AIRPORTS

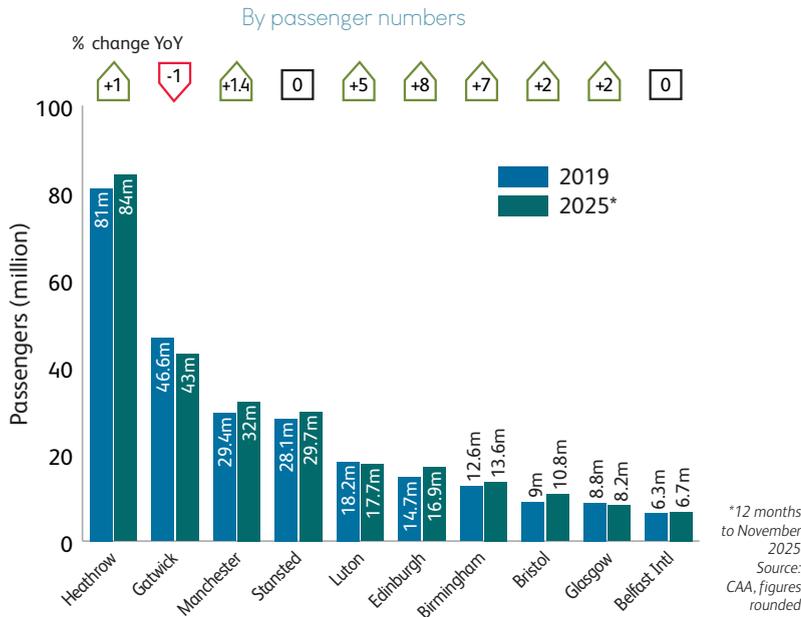
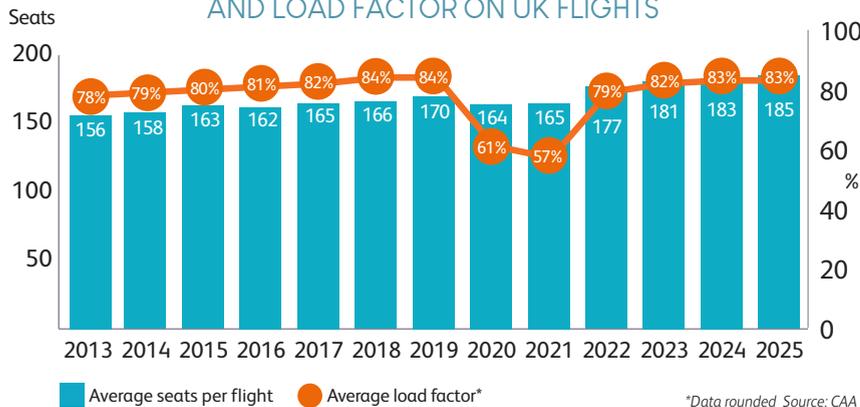


FIGURE 66: AVERAGE NUMBER OF SEATS AND LOAD FACTOR ON UK FLIGHTS



2025 conference in London in November, arguing: “Canada has the same amount of aviation [as Britain] with 10 times more space. The challenge is that the capacity we have is stretched. It has to run almost perfectly every day.”

Most of the delays experienced by UK air travellers last year were attributable to issues in or over continental Europe, barring the 24-hour shutdown of Heathrow in March due to an electricity sub-station failure. Warren Brody, chief executive of airport ground handler Swissport, told the conference: “We plan for delays in Europe. We assume there will be delays in advance.”

AIRPORT EXPANSION

The government began last year by signalling support for a third runway at Heathrow if the airport presented new proposals. By mid-October it was pledging to speed up development of the runway, with transport secretary Heidi Alexander announcing a “swift and robust review” of the government’s Airports National Policy Statement (ANPS) “to deliver Heathrow expansion”.

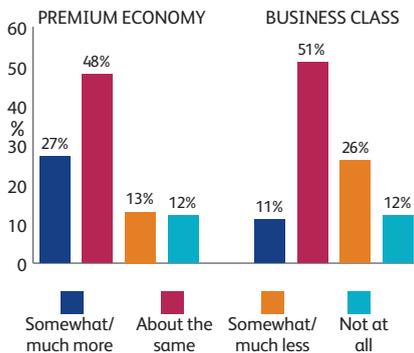
Alexander claimed the process would “be three years faster” as a result, telling Parliament that a draft ANPS setting out the case for expansion would be ready for consultation in summer 2026 and restating the government’s ambition to see “flights take off from a new runway by 2035”.

The Department for Transport (DfT) also signed off on a £2.2 billion scheme proposed by Gatwick to bring its second runway – currently used only for taxiing and in emergencies – into operational use, a development expected to lead to 100,000 more flights a year. Luton Airport is also set to expand and the DfT unveiled plans to revive the long-proposed Northern Powerhouse Rail project which includes a new station at Manchester Airport.

In reality, the pace of Heathrow’s development of a third runway will depend not only on planning permission and the outcome of legal challenges but also on a deal between major airlines,

FIGURE 67:
CHANGING BUSINESS TRAVEL BEHAVIOUR: FLIGHTS

% of corporate buyers reporting travel in cabin class, 2025 v 2024



Source: GBTA survey, October 2025

Heathrow investors and the Civil Aviation Authority (CAA) on funding. The carriers won't support the airport's expansion if it requires a hefty levy on fares, and Heathrow's investors are unlikely to sanction expansion unless it does.

Airline association Iata reiterated the carriers' approach following the DfT's announcement by criticising "Heathrow's long addiction to gold-plated construction costs" and suggesting: "The political haste to move quickly to capture the economic benefit of construction will seriously handicap the UK if it fails to build something that is affordable."

On Heathrow's part, chief executive Thomas Woldbye warned that the airport "would not be able to make the necessary investments" without passing on the costs, while the CAA confirmed that "any approach we adopt will involve the costs of capacity expansion being recovered through airport charges".

Separately, when questioned by MPs about the power failure which shut Heathrow in March, Woldbye admitted it was "embarrassing" that he had slept through the first night of the shutdown but insisted: "What is important is that all the right decisions were taken."

Whatever the pace of development, the

“I’m disappointed at the pace of progress. Mandates have led to huge increases in price [of SAF]”

modernisation of UK airspace will be crucial to airport expansion, with Nats chief Rolfe noting: “You can’t bring new runways online without modernising airspace.”

SAF PRODUCTION

The UK's Sustainable Aviation Fuel (SAF) Mandate came into effect in January 2025 – alongside a similar mandate in the EU – requiring SAF make up 2% of the fuel on all flights taking off from the UK over the course of the year. This rose to 4% this year and will rise progressively to 10%.

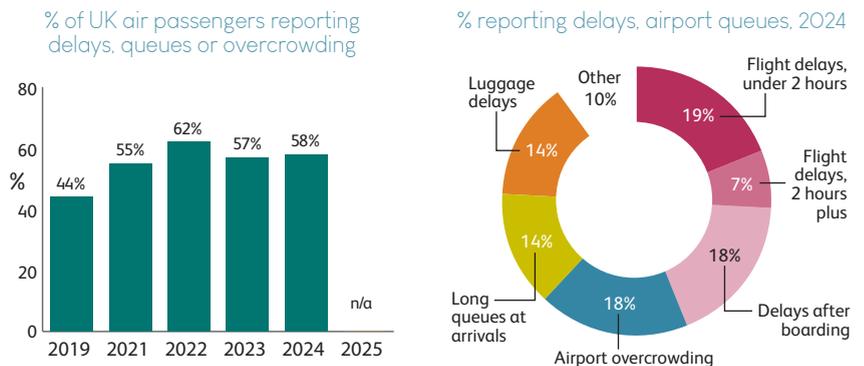
The government has since consulted on a revenue certainty mechanism to give investors in SAF production more confidence in the likely returns. Yet the jury is out on how effective the mandates will prove.

In December, Iata secretary general Willie Walsh declared: “I’m disappointed at the pace of progress. We’re not seeing SAF produced in the volumes we hoped or expected. Mandates have led to huge increases in price [of SAF].”

Travellers to the Schengen Area of the EU faced having to register with the new Entry Exit System following its delayed introduction from October. By December, European airports association ACI Europe was calling for an urgent review “to address mounting operational issues”. It reported “border control processing times at airports increasing by up to 70%”.

PREMIUM economy is increasingly the choice of business travelers (Figure 67). The proportion of UK air passengers reporting delays and overcrowding remains well above 2019 levels (Figure 68). Fewer than one in five UK adults 'strongly agree' with expanding Heathrow and Gatwick (Figure 63)

FIGURE 68: UK AIR TRAVEL PROBLEMS



Source: CAA Consumer Survey, published February 2025 Base: 3,500 passengers

CORPORATE TRAVEL

TRIPS HAVE BECOME 'MORE TARGETED'

CORPORATE TRAVEL could be widely described as 'more considered' going into 2026, while also more concerned by the unpredictability and impacts of geopolitical events.

A Global Business Travel Association (Gbta) poll in January found a majority (59%) of members surveyed optimistic about prospects for the year but a drop of 12 percentage points on 2025 in optimism among travel buyers.

The ease of obtaining entry/exit permissions and visas registered as the second-greatest concern after costs, highlighted by two-thirds of respondents. Almost four out of five organisations sending travellers to the US frequently expressed concern at proposed stricter requirements to enter the US and 64% concerned employees "may be less willing to travel".

Deloitte senior manager and head of business travel Jon Bolger highlighted the greater consideration afforded travel, saying: "Business travel now is more targeted, more focused. There is a lot of thought behind it – 'Do I need to make this trip? How do I get maximum value out of it?' We term it 'travel with purpose'.

"Length of stay is a focal point, and frequency. Rather than make the same

Concerns on costs, emissions and travellers' wellbeing have reshaped corporate travel

trip seven or eight times a year, could you do it three or four times? Could you combine it with other meetings? It means not travelling so much, which is good for a traveller's wellbeing, and good from a CO2 emissions point of view and from a cost perspective. Travelling for business isn't a holiday, it's hard. You're working.

"Our booking tools advise travellers on route options, costs, CO2 emissions. When someone is doing a big piece of work, an emissions calculator works through the options to reduce these and the costs. If we see any hotspots or spikes [in our carbon footprint] we look to understand why and to bring it down."

However, he said: "We're here to enable people to perform their roles, not to tell people, 'You can't do this or that.' We want them to focus on why they're travelling."

Bolger identifies use of technology to improve and simplify the user experience as the biggest trend. He said: "Everybody is looking for a one-touch, one-click approach. Say your flight has been cancelled or delayed and you're in a meeting. The system contacts you via an app on your phone to tell you, 'Your flight has been cancelled. This alternative flight has seats available. It's within the parameters of the travel programme. This is the cost. Do you want to book it?' You click 'Yes' and it's done.

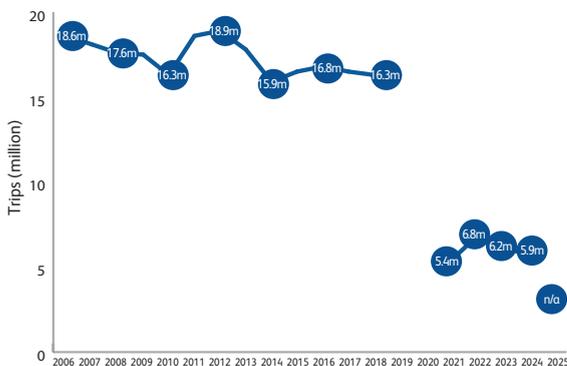
"We use chat functions to support people and technology to take the pain points out of travel, from planning a trip through to when a traveller comes back."

'WINNERS AND LOSERS' WITH NDC

The slow rollout of New Distribution Capability (NDC) to enable the 'modern retailing' of air travel through intermediaries continues. Bolger describes it as "the longest overnight sensation in travel".

He noted: "People have been talking about NDC and 'direct connects' [with airlines] for 12-15 years. The main

FIGURE 69: UK DOMESTIC BUSINESS TRAVEL, 2007-25



Source: GB Tourism Survey

UK DOMESTIC business travel numbers are well down on pre-pandemic levels (Figure 69), no doubt reflecting the vast increase in online meetings – although a change in methodology by the GB Tourism Survey means the figures to 2019 can't be directly compared with those since. The number of overseas business trips appears nearer to the 2019 level but there remains a clear drop-off in volume (Figure 70)

carriers are pretty much available via direct connects on most online booking tools now.

“Part of the issue is whether the supply chain wants this because there are winners and losers when you make a change. At a corporate level, do you want all these direct connects or would you prefer just to plug into one thing which manages it all for you? Somebody has to manage and service all these direct connects, look after them when they go wrong. Every time you build an API, somebody has to service and manage it.”

“Do you want your suppliers to have every bit of information about your employees and their habits? How are they using that data?”

“The idea behind NDC makes sense because it’s personalised. You can decide, ‘I want this but don’t want to pay for that.’ If we can access it in the right way, why wouldn’t we look at it? But we need a choice as to how we purchase and spend. We don’t want to be told, ‘This is how you’ll do it.’”

He said: “At the moment, everything is piped through an online booking tool with access to NDC fares. Businesses will form a view, depending on their corporate fare structure and the size of client they are, whether there are better fares out there. It’s not a one-size-fits-all solution.”

“But we’re a long way from a point where everyone thinks ‘Remember how we got confused about NDC and now we’re all working with it.’”

“NDC is a case study in how not to communicate something. Whoever you ask about NDC you get a different answer. You’re never going to scale something if, when you ask 100 people, you get 100 different answers. You need people to say ‘NDC is this’, and we’re nowhere near that.”

Asked if agentic AI could help solve the problems with NDC, he said: “You would like to think so because the nub of agentic AI is to work out an answer ▶

FIGURE 70: OVERSEAS BUSINESS TRAVEL FROM UK

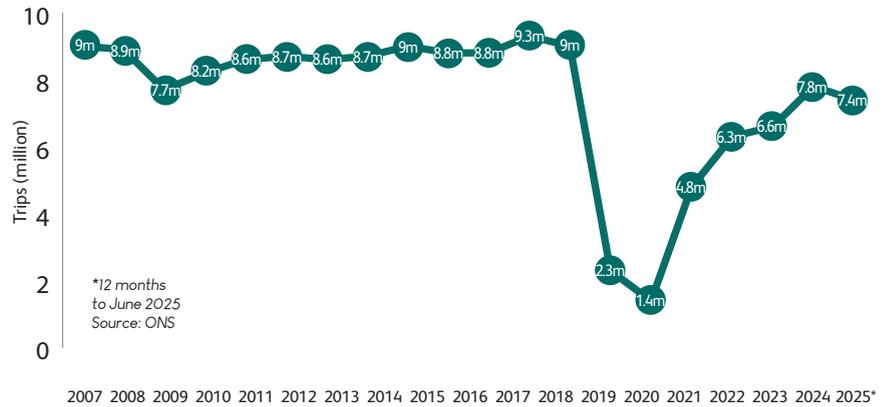


FIGURE 71: CHANGING BUSINESS TRAVEL BEHAVIOUR

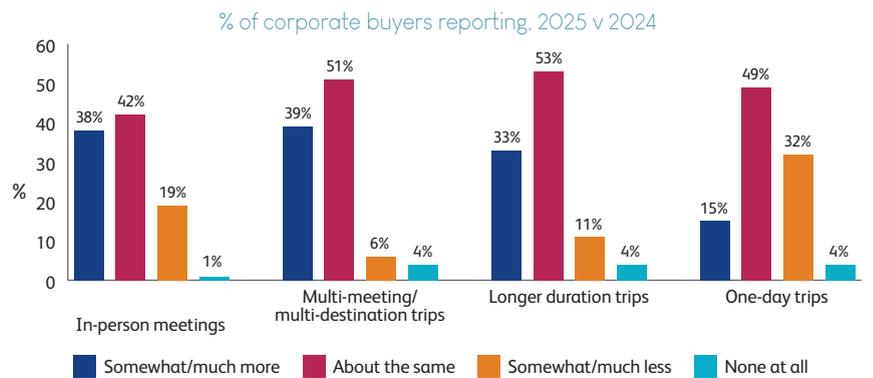
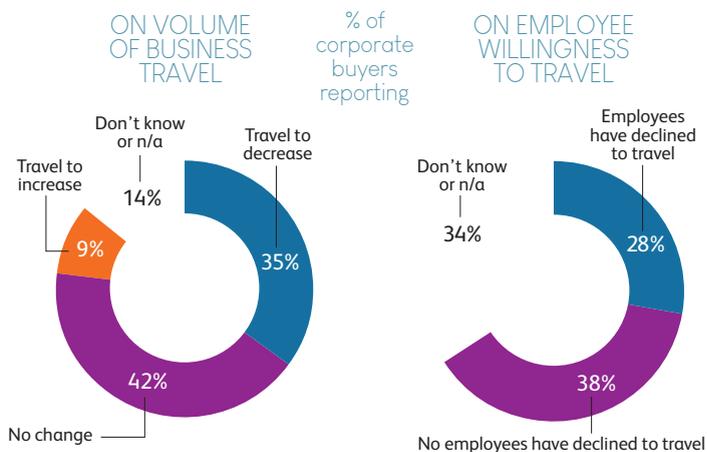


FIGURE 72: IMPACT OF US BORDER, TRADE AND OTHER POLICIES



CORPORATE TRAVEL TRIPS HAVE BECOME 'MORE TARGETED'

where there are options. It may help when it's bedded in properly, but there are a number of steps to clear."

More important, he said: "AI will help us understand trends in our data. We may notice trips to a location we hadn't picked up on before, for example. Do we have preferential rates to that location? Have we the right hotel coverage? Do we need to understand that market better?"

"You can be proactive with AI, and it's good for gathering market intelligence. But you need to sense check the information, make sure it's correct."

A CHALLENGE TO 'FUTURE-PROOF' POLICY

Bolger highlighted "a battle between legacy travel management companies (TMCs) and 'tech stack' companies, and consolidation" as a concern.

He explained: "Travel buyers and managers are trying to work out where their programme fits within this. Do you continue down the route you're on or move to a direct-connect model and use AI heavily? How do you future-proof? You don't want to be scrambling to come from behind if competitors can do things quicker, smarter, faster than you."

"Where does your travel programme need to be in 12 months, in two to three years, in five years, and how are you going to get it there?"

"You need to understand where your business is going, how you're going to move with it and how the market can support you. If the market is going a certain way, you need to go that way. You can't just hope it's going to stay the same. We're seeing rapid evolution and no one can stand still."

Bolger described the sustainability and 'net zero' aspect of corporate travel as "still immature".

He noted: "A booking tool uses a standard calculation for emissions now, rating business-class flights irrespective of the carrier, when airline A may have a new aircraft and a high load factor and airline B has older aircraft

FIGURE 73: CORPORATES WITH POLICY ON 'BLENDED TRAVEL'*

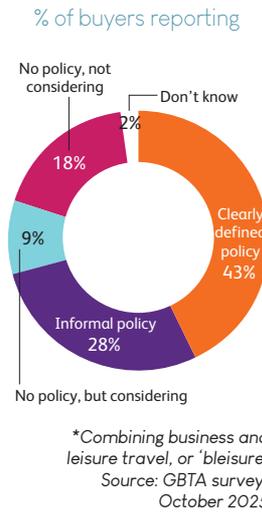


FIGURE 74: CONCERNS WHEN TRAVELLERS COMBINE BUSINESS & LEISURE

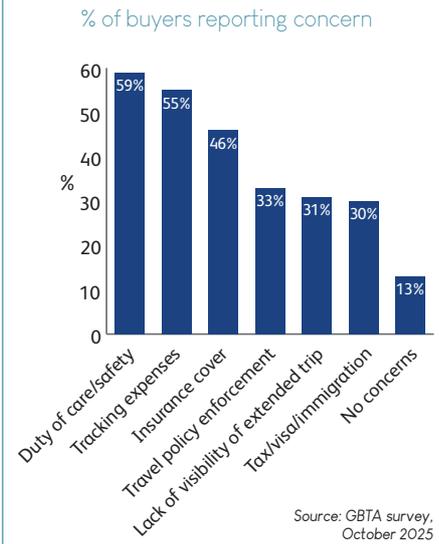
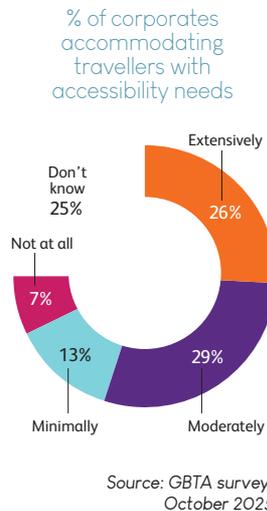


FIGURE 75: BUSINESS TRAVEL ACCESSIBILITY



and a lower load factor. It's something we're going to have to improve.

"We have information dashboards we bring into our decision-making where relevant. Which model do you use to calculate emissions? What do you take into account? The hotel sector has been collating information on this for 15-20 years and has amazing data. The transport sector is completely different."

"Hopefully, at some point we'll all be doing it the same way. The important thing is consistency. But we're a long way from that."

Bolger is somewhat dismissive of the supposed new trend in 'blended travel' or 'bleisure' so often referred to in presentations on corporate travel, saying: "It's been around for years. We just didn't call it anything. We just did it."

He said: "We don't get a huge amount of that. Sometimes somebody might stay on somewhere. We don't have a travel programme policy around it. We don't see enough of it. But there are certain protocols – to ensure the traveller has insurance, for example. It's not as straightforward as people think."

HOSPITALITY

DATA QUALITY 'A BARRIER' TO DIGITAL TRANSFORMATION

Costs and labour remain key concerns in hospitality, but systems integration 'can really improve performance'

MAJOR HOSPITALITY groups are exploring and developing use of generative and agentic AI as much as businesses in other travel sectors.

AI agents, for example, may aid direct distribution and reduce reliance on OTAs as travel search is transformed.

"Accelerating digital transformation and investing in AI increased the most as a business priority" in Deloitte's 2025 European Hotel Investment Survey, according to Andrew Ward, Deloitte partner and UK hospitality lead.

He noted: "The biggest growth in investment is in smart technology and automation. AI adoption is key to streamline and automate tasks, enhance people's capabilities, generate content and enhance decision-making support tools. Improving human-AI collaboration can not only drive better customer experiences but also reduce costs."

Use cases are developing rapidly. Ward said: "Increasingly we're seeing AI adoption in back-office processes to drive efficiency in functions like HR and finance, better decision-making through analytics and better workforce planning through predicting demand."

At present, hotels have workforce planning systems, customer relationship management (CRM) systems and revenue management systems which match room rates with occupancy all operating in isolation. "This is where AI and integration of the whole hotel technology stack can really improve performance," said Ward.

However, data quality is an issue. He said: "Hospitality businesses struggle both with the quality of data internally and access to good-quality external data. It's a barrier holding back development."

FIGURE 76:
RISKS TO HOTEL SECTOR IN 2026



Source: Deloitte European Hotel Industry & Investment survey, November 2025

FIGURE 77:
HOTEL INDUSTRY PRIORITIES, 2026



Source: Deloitte European Hotel Industry & Investment survey, November 2025

WORKFORCE recruitment and retention and global tensions top hotel owners' and investors' concerns (Figure 76). Their priority is maintaining profitability and managing cashflow (Figure 77)

Ward suggests "it's early days" to talk about the impact of agentic AI in hospitality but said: "It's seen as a possible solution to reduce staff costs and uncertainty around staff. You don't have to worry about people being sick or taking holidays with agentic AI"

However, he added: "The technology ▶

HOSPITALITY

DATA QUALITY 'A BARRIER' TO DIGITAL TRANSFORMATION

needs genuinely to enhance human interaction, improve touchpoints and release employees from basic admin work.”

Increasingly, AI agents are first in line for handling queries, but Ward noted: “Critical queries are immediately transferred to a person.” Also, he said: “A customer may not want to deal with a robot.

“Machine learning is still in the early stages. But we see greater curiosity among businesses to understand how machine learning can help them know their customers better and release staff from administrative processes.”

This will not necessarily lead to game-changing applications. Rather, said Ward: “We’ll see technology enhancing applications or parts of a business, like workforce planning, revenue management and CRM, and also fraud detection.”

STRATEGIC PARTNERSHIPS AID DIVERSIFICATION

AI is not the sole area of development, of course. Ward noted: “Consumers increasingly want some level of premiumisation. They also want more personalised and ‘unique’ experiences. It’s no longer about having a room in a good location, it’s about everything else, not just in the hotel but in the community.”

One way in which hospitality groups

are addressing this is “through strategic partnerships, especially in markets that are highly competitive”. These partnerships can be “with food and beverage providers, with up-and-coming chefs or social media influencers”, for example.

Ward explained: “Growing through partnerships tends to be easier than developing, launching and rolling out a new hotel concept or new brand. However, the key area of diversification for hotel groups is expansion into new geographies.”

He noted “half the respondents” to the 2025 European Hotel Investment Survey “said they were expanding”.

The survey, at the end of last year, once again identified London as the most attractive city in Europe for investment.

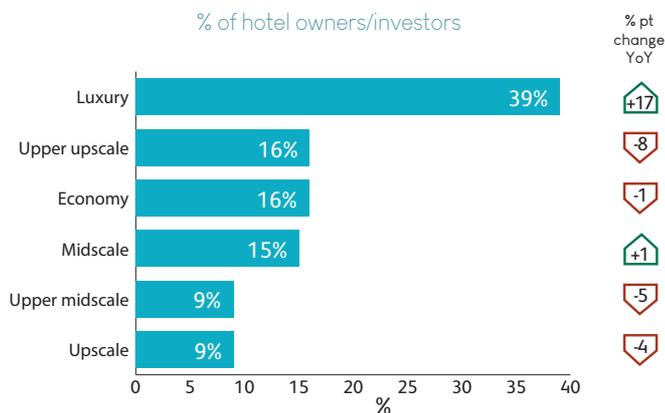
It also showed recruitment and retention of staff remains a prime concern.

Ward said: “Labour is very much top of mind. The industry’s inability to fill vacancies is a concern, but staff retention is also a challenge. The sector has been trying to offer more stable hours and flexibility, but beyond that it’s finding it difficult to sell careers in hospitality and that affects its ability to retain staff.”

Survey respondents cited managing profitability as a priority this year. Ward explained: “The lack of economic growth is affecting businesses.” ■

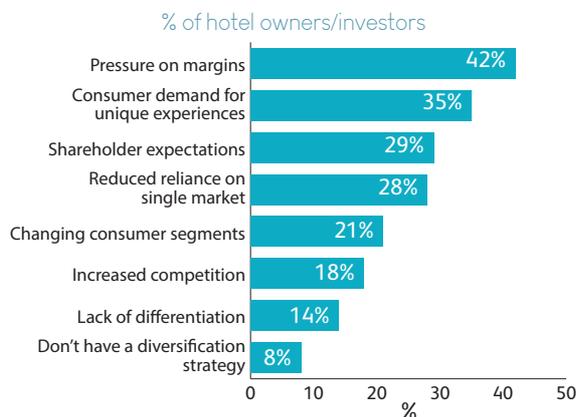
LUXURY hotels are by far the most attractive to investors (Figure 78). Pressure on margins and consumer demand are driving diversification (Figure 79)

FIGURE 78: MOST ATTRACTIVE HOTEL SEGMENTS FOR INVESTMENT, 2026



Source: Deloitte European Hotel Industry & Investment survey, November 2025

FIGURE 79: DRIVERS OF HOTEL DIVERSIFICATION, 2026



Source: Deloitte European Hotel Industry & Investment survey, November 2025

OUTBOUND

SECTOR SURGES TO RECORD LEVEL IN 2025

Operators report early sales suggest 2026 will be another strong year, tempered by need to meet new pricing rules

RECORD numbers of UK travellers booked overseas package holidays in 2025, as they had done the previous year, with research for this report suggesting almost 33 million UK adults took a holiday abroad last year, three-quarters of parents with children had an overseas holiday and 31% of adults took two or more.

UK package bookings surpassed their 2019 high of 26.3 million in 2023 when they hit 30 million. By contrast, UK air passenger numbers only reached 2019's level in 2025, suggesting the trade has enlarged its market share.

That led at least one industry consultant to suggest the UK outbound sector may have reached 'peak package' and might look back at 2025 as a high-water mark. The responses of those questioned for this *Insight Report* show a small decline year on year (minus three percentage points) in the proportion 'likely' to book a holiday abroad this year. But one in six respondents (17%) remained undecided.

Early indications through the peak booking month of January, in trading updates and from anecdotal reports, suggested the market to be progressing broadly in line with 2025. It remains to be seen whether this continues, and major operators are able to fill the record level of Atol capacity for which they are licensed at the prices they would hope.

The robust good health of the outbound sector was reflected in the Air Travel Trust's most recent accounts which showed the fund holding £278 million at the mid-point of 2025 – its highest-ever total, having recovered from just £20 million following the failure of

FIGURE 80:
DURATION OF MAIN OVERSEAS HOLIDAY
% of UK adults planning a holiday in 2026

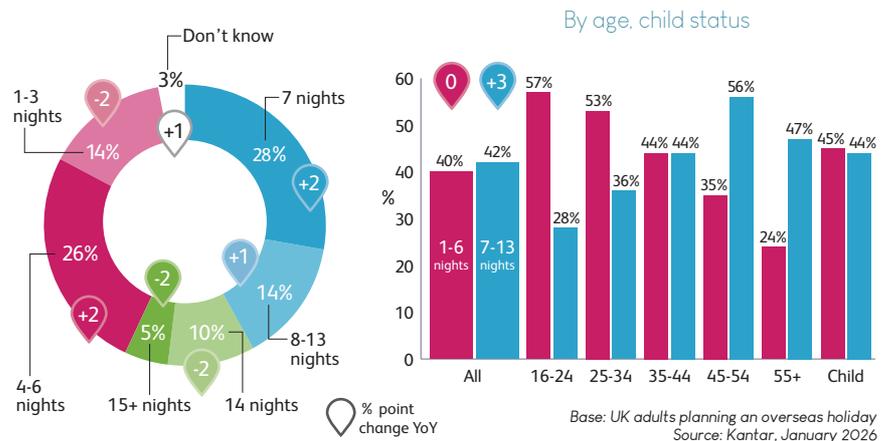
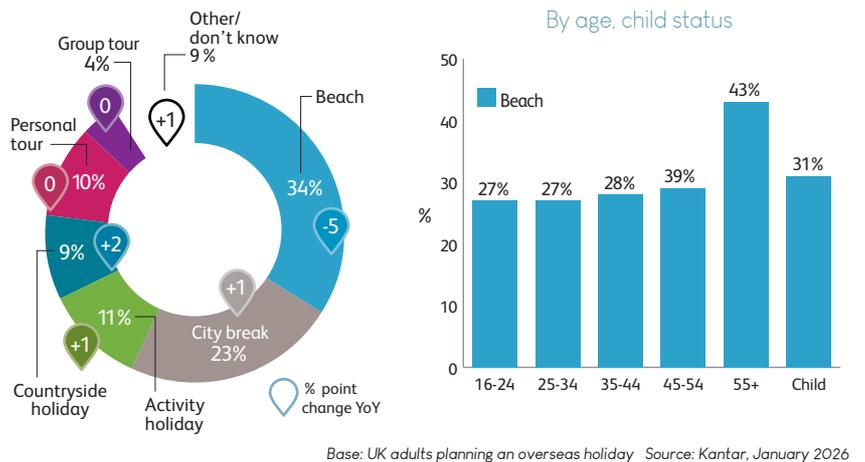


FIGURE 81:
TYPE OF OVERSEAS HOLIDAY, 2026
% UK adults planning a holiday abroad



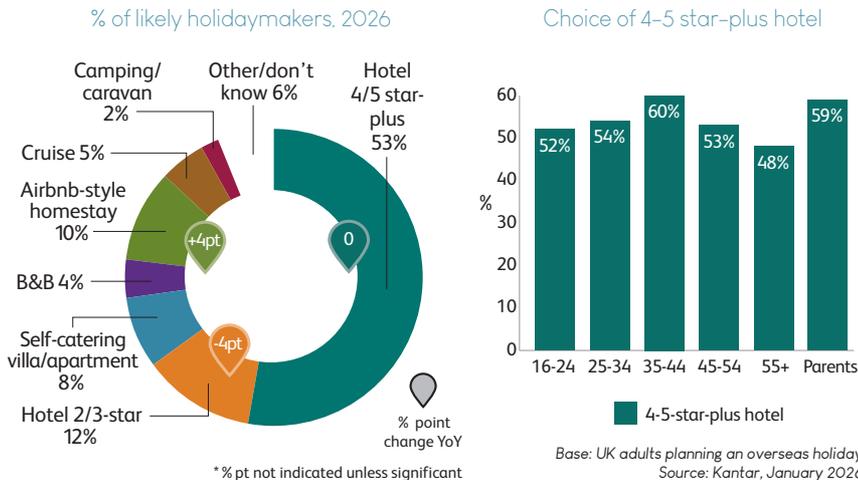
Thomas Cook in September 2019. The Air Travel Trust fund underwrites the Atol consumer financial protection scheme.

NEW CMA REGULATION

New Competition and Markets Authority (CMA) requirements on pricing complicated the start to 2026 and the peak booking period for operators, travel agents and OTAs. The regulator issued guidance ►

OUTBOUND SECTOR SURGES TO RECORD LEVEL IN 2025

FIGURE 82: ACCOMMODATION FOR NEXT OVERSEAS HOLIDAY



to travel sellers only in mid-November that all mandatory fees and taxes which customers face in a destination must be included in the 'total price' in all 'invitations to purchase'. The CMA subsequently wrote to 100 businesses urging compliance by mid-February and warning of potential enforcement action.

Along with the new guidance, the CMA has new powers to decide on

breaches of consumer and competition law and to impose fines without first going to court as in the past.

Abta reported members "trying to get to grips" with the guidance, despite being required to do so during the peak booking period. Paula Macfarlane, Abta senior solicitor, acknowledged: "The timing is difficult, but people have to get on with it without delay. Everyone is working on it." She noted the requirements "apply to anyone making a price indication to a customer".

Businesses have been advised to show a 'total price' with the amount to 'pay now' and amount to 'pay at the property'.

Advantage Travel Partnership chief executive Julia Lo Bue-Said labelled it "a recipe for confusion", noting "there is no experience" of what the CMA guidance means in practice.

The impacts of tourism in some of Europe's busiest destinations continued to attract protests in 2025, leading Abta chief executive Mark Tanzer to warn: "We can't turn a blind eye to it." Speaking ahead of Abta's Travel Convention in Majorca, he told *Travel Weekly*: "Just continuing to fly in large numbers of visitors isn't going to work."

The Deloitte view

The UK outbound travel industry delivered a strong performance in 2025 amid several trends reshaping how and when UK tourists travel, including avoiding peak periods and embracing the revival of the package holiday. Despite pressures on budgets, consumers continued to favour travel other discretionary purchases.

Outbound travel in 2026 will continue to face headwinds from the interplay of economic realities, technology advancements and global events. Operators will need to build on the resilience of previous years and respond to several trends to navigate this evolving landscape.

1. 'Convenience' means clarity, cutting through digital noise with tailored recommendations and hybrid booking models that blend technology with expert human advice. Consumers seek 'value' – a

mix of affordability, flexibility and quality, often enhanced by local knowledge. While consumers expect greener options, they require these to be accessible and affordable.

2. The persistent inflationary environment and economic uncertainties will continue to pressure consumer spending, reinforcing the trend towards value. Operators must adapt by offering compelling value propositions and flexible options.

3. Market dominance by large organisers is set to strengthen. The October 2025 Atol authorisations indicate the top players' significant scale and integrated offerings will continue to leverage competitive pricing. Their ability to bundle services positions them strongly with cost-conscious consumers and is likely to lead to further market share consolidation.

4. Merger and acquisition activity is

expected to pick up as the drive for scale, operational efficiencies and diversification fuels further consolidation among operators, agencies and hospitality providers. Strategic M&A will be crucial for businesses looking to achieve investor return, expand their reach and enhance technological capabilities.

5. The 2026 Fifa World Cup, co-hosted by Canada, Mexico and the US, presents a unique opportunity and could be a catalyst for outbound travel to North America, driving a possible surge in demand for flights and accommodation. Operators offering tailored World Cup packages will be well-positioned to capitalise.

Overall, success will hinge on designing travel experiences that reduce decision fatigue, build trust and make sustainable choices accessible.

■ **Tim Robinson, director, Audit and Assurance**

INBOUND

ARRIVALS REVIVE TO PRE-PANDEMIC LEVELS

Sector awaits to see impact on demand of the UK’s new ETA scheme and potential new city tourism taxes

INBOUND visitor numbers to the UK appeared to recover to around 2019 levels in 2024, but early data for 2025 suggests a subsequent decline – although Office for National Statistics (ONS) and VisitBritain data increasingly fail to tally with one another.

VisitBritain estimated 2024 visitor numbers were “slightly below” the pre-Covid level, while the ONS estimate based on the International Passenger Survey at major ports of entry was that there were 42.6 million inbound overnight visitors compared with 41 million in 2019.

The ONS describes its more recent data on travel and tourism as “in development” and where once data was seldom released more than three months in arrears, it now systematically appears six to nine months or more out of date.

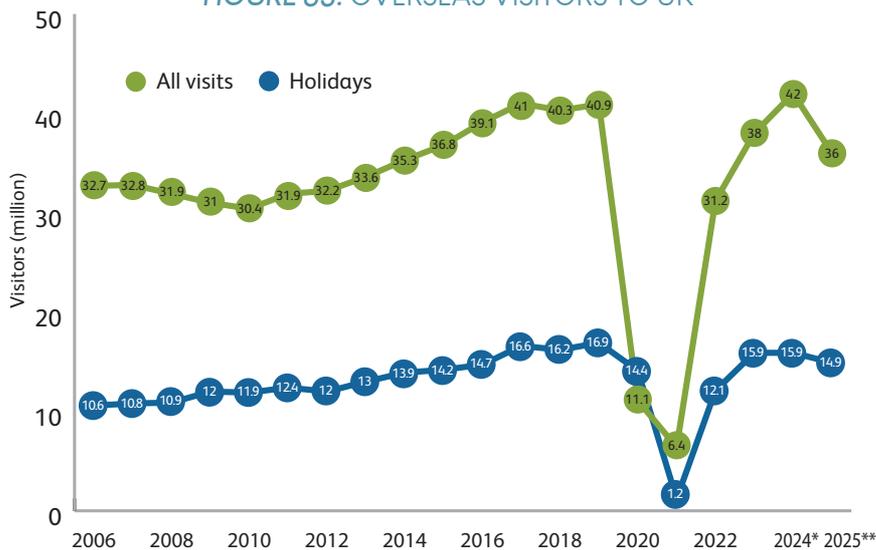
The VisitBritain estimates may well be more reliable. It reported inbound visitor spending in 2024, the last full year for which we have ‘firm’ data, was 14% higher than in 2019 but 8% down when adjusted for inflation.

Visiting friends and relations (VFR) numbers hit a record in 2024 and holiday visits grew year on year, according to VisitBritain. It was business trips which remained down on 2019.

European visitor numbers were just short of pre-Covid levels, while US visitor numbers showed the sharpest growth off the back of a favourable exchange rate. The dollar has since weakened against a host of major currencies, including sterling, amid the gyrations in US trade policy. How far this may impact on US visitor numbers, if at all, remains to be seen.

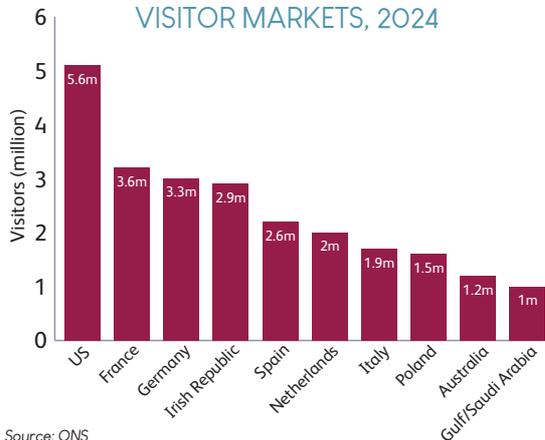
VisitBritain forecast US visitors would contribute £7.6 billion to the UK economy

FIGURE 83: OVERSEAS VISITORS TO UK



*Provisional ONS data **Visits & holidays for 12 months to June 2025
All visits include business and visiting friends & relations (VFR) Source: ONS

FIGURE 84: TOP-10 INBOUND VISITOR MARKETS, 2024



Source: ONS

in 2026, accounting for more than £1 in every £5 of inbound-visitor spending.

The absence of VAT-free shopping for inbound visitors, a benefit removed by the previous government, continues to be the subject of lobbying by leaders within the sector – as does the continuing imposition of, and rises in, Air Passenger Duty (APD). Rates will rise in April 2026 ▶

INBOUND

ARRIVALS REVIVE TO PRE-PANDEMIC LEVELS

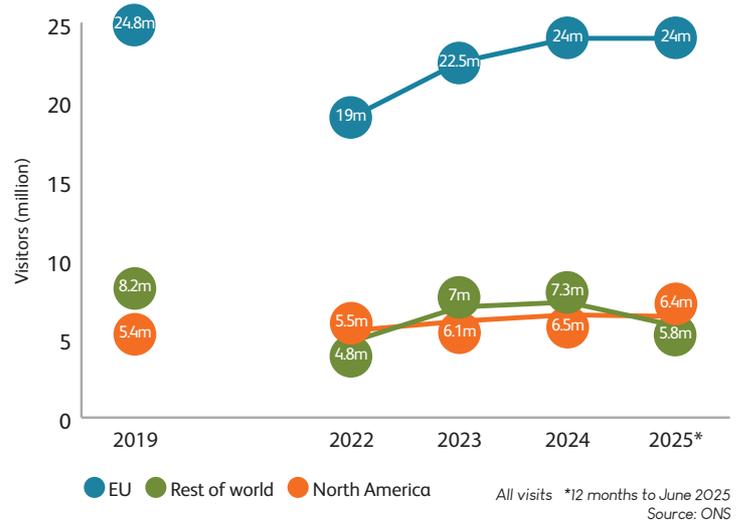
by £2 to £15 on short-haul economy fares and increase to £102 or £106 on long-haul economy flights, depending on the distance, before rising again in 2027.

The cost of APD has now been supplemented by the fee charged to visitors not requiring visas to register with the UK's Electronic Travel Authorisation (ETA) system. Initially introduced at a rate of £10, this rose to £16 last April. At the time this was twice as much as the European Commission's proposed fee for its soon-to-be-launched European Travel Information and Authorisation System (ETIAS) which will be valid for 29 countries and for three years (unlike the UK ETA's two years) and won't apply to under-18s or over-70s. The UK offers no age exemptions on its ETA.

The EC has since signalled the ETIAS charge will be higher when it is introduced, probably from October 2026. However, the UK government now intends to raise the cost of ETA registration to £20, having revealed the proposal in January. It also proposes an increase of £31 to £506 in the cost of a visitor's visa.

Small wonder that UK inbound chief executive Joss Croft declared: "It's staggering that the cost of a two-year visitor visa has increased 40% in four years and that the ETA has risen by 50% since its rollout in November 2023. International visitors have a choice, and

FIGURE 85:
INBOUND VISITORS BY KEY MARKETS



the UK already has some of the highest entry costs in the world."

A further additional cost could be on the way following the November Budget announcement that mayors in England will be able to impose a levy on overnight stays, following a similar move in Scotland where Edinburgh has become the first UK city to impose a visitor tax.

Croft noted: "International visitors already face a stack of charges, including 20% VAT on hospitality." He called for any scheme "to be simple, fixed-rate and low-cost".

The Deloitte view

Inbound travel to the UK was expected to continue its year-on-year growth in 2025, according to VisitBritain, although the data appeared contradictory. Total visitors to the UK were estimated to exceed pre-Covid figures for the first time, a positive sign for the travel and hospitality industry during continued macroeconomic and geopolitical uncertainty.

The November Budget contained a number of measures targeted at specific industry sub-sectors. Notably, for inbound travel, the Budget included changes to the scope and rates of Air

Passenger Duty, as well as plans to consider granting mayors and other local authority leaders the ability to implement a levy on overnight stays in English towns and cities.

The potential to introduce tourism levies in England will follow patterns already adopted by a number of European countries as well as in Edinburgh. Experience with the introduction of tourism taxes and similar levies to date suggests that this may lead to increases in local tax revenue while causing some administrative complexity for accommodation providers and tour

operators and associated supply chains.

The UK confirmed that its Electronic Travel Authorisation (ETA) scheme will be enforced for all visitors with effect from February 25, 2026, having not been strictly enforced through 2025. Visitors will not be able to travel legally to the UK without an ETA, costing £16 per visitor at the time of writing. This will apply to travellers from many of the UK's largest inbound markets and it will be important to monitor the impact on demand from these over the coming year.

■ Ed Knight, director, Tax

DOMESTIC

DEMAND DIPS FOR UK BREAKS

Two in three Brits likely to take a domestic holiday this year, while more stay overnight in UK before heading abroad

DEMAND FOR UK domestic summer holidays appeared strong in 2025 although GB Tourism Survey data suggested demand over the whole year was down on 2024, particularly in the spring.

Numbers also remain considerably down on the past-pandemic high point of 2022-23. Comparisons with data for 2019 and earlier are not possible due to a significant change in methodology for compiling the GB Tourism data while the survey was suspended in 2020.

Consumer research for this report suggests close to 40 million UK adults, or 72%, took one or more UK domestic breaks in 2025 and almost half (47%) took two or more. Four out of five parents with children (83%) said they had a domestic holiday.

Two-thirds of adults (67%) said they are likely to take a domestic break this year, down two percentage

FIGURE 86: UK DOMESTIC HOLIDAYS, 2025



points on similar research a year ago but still a high proportion. This included near to nine in 10 (86%) of those planning an overseas holiday.

A striking statistic in GB Tourism data for 2024 is the rising number of UK overnight stays taken by holidaymakers heading abroad. These made up close to one in 10 (9%) of all domestic overnight trips in 2024 and, at £3.8 billion in value, comprised 11% of total spending on domestic trips.

MINISTERIAL CHANGE

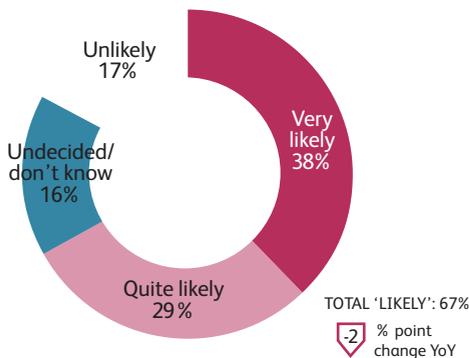
The merry-go-round succession of tourism ministers resumed in a government reshuffle in September 2025 after a welcome 12 months of stability, with the replacement of Sir Chris Bryant by Stephanie Peacock, MP for Barnsley South.

Bryant had endeared himself to the domestic and inbound sectors with his energy and enthusiasm for the travel and tourism industry despite juggling multiple responsibilities across two departments as minister for data protection and telecoms as well as for creative industries, arts and tourism.

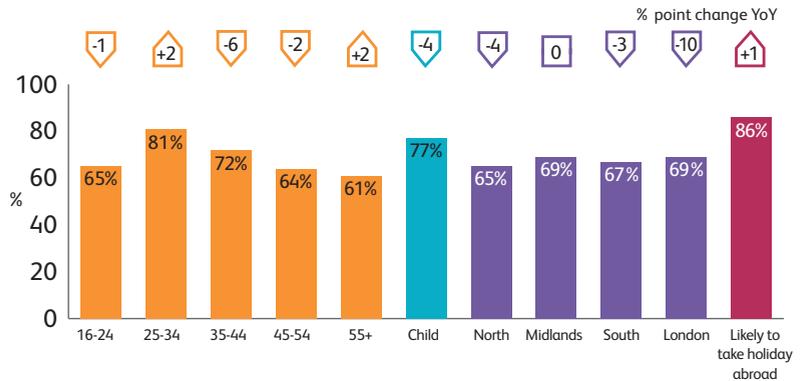
Peacock's appointment saw tourism return to its pre-general election

FIGURE 87: DOMESTIC HOLIDAY DEMAND, 2026

UK adults likely to take a UK holiday



By age, child status, region and likelihood of overseas holiday



DOMESTIC DEMAND DIPS FOR UK BREAKS

position at the Department for Culture, Media and Sport (DMCS) alongside sport, media, civil society and youth for which she was already the minister.

THEME PARK GO-AHEAD

The government gave the go-ahead to plans to develop a Universal theme park on the site of a former brickworks near Bedford in April.

Universal Destinations & Experiences owner Comcast acquired the 500-acre site some time ago, with negotiations on the development – codenamed ‘Project Nectarine’ – taking almost a year.

The theme park, modelled on Universal parks in Hollywood and Orlando, will be the company’s first in Europe and aims to be the largest in Europe, making it a serious rival to Disneyland Paris. Due to open in 2031, it is forecast to draw 8.5 million visitors in its first year, one-third of them from overseas.

Chancellor Rachel Reeves hailed the multibillion-pound investment as a “vote of confidence in Britain as a place to do business”. Ministers committed to “a major investment in infrastructure”, including rail and road improvements,

FIGURE 88: UK DOMESTIC HOLIDAYS

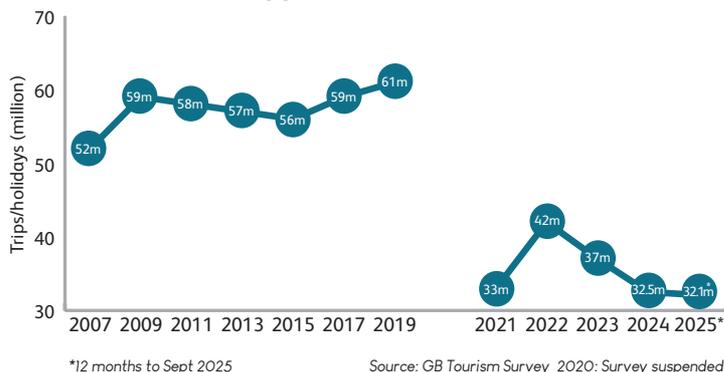
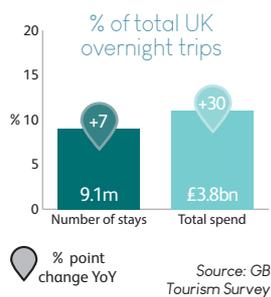


FIGURE 89: UK OVERNIGHT STAY AS PART OF OVERSEAS HOLIDAY, 2024



to persuade Comcast from opting for an alternative site elsewhere in Europe.

Page Thompson, head of the new ventures arm of Universal Destinations & Experiences, said the company regarded Europe as an opportunity to build “one of the greatest theme parks in the world”, adding: “We think we’ve found the right site in Bedford.” Universal described it as “an ideal location with convenient, fast rail links to London and Luton Airport [and] well-connected for travel from all parts of the UK and Europe”. Initial plans feature a 500-room hotel and a retail, dining and entertainment complex.

The Deloitte view

The UK domestic holiday market faced a complex environment in 2025, characterised by persistent economic headwinds and shifting consumer behaviours. While some segments demonstrated resilience, the overall performance suggested a mixed year for many domestic holiday businesses.

Overseas holidays maintained their strong appeal. The Abta Holiday Habits Report 2025–26 indicated that 59% of people in the UK holidayed abroad in the period from August 2024 to July 2025, a notable increase from 53% in the same period a year earlier. However, this was not to the detriment of domestic travel which also grew by six percentage points in the period, with 71% of people holidaying in the UK, according to the Abta report.

Economic pressures led to increased prices in the UK domestic market, diminishing its appeal as an affordable alternative to overseas travel as UK holidaymakers exhibited reduced confidence in their disposable income due to the rising cost of essentials – a trend corroborated by the Deloitte Consumer Tracker which showed a decrease in discretionary spending on holidays compared to 2024.

VisitBritain data showed a 4% decrease in domestic holiday nights in the first nine months of 2025, largely attributable to a reduction in the number of trips, with the remaining decline due to shorter trip durations. Conversely, the value of trips increased by 10% during the same period, primarily driven by cost

pressures being passed on to consumers.

This decline in domestic holiday nights was partially mitigated by exceptionally favourable weather in the UK. The summer of 2025 was the warmest on record and positively impacted the late domestic market.

There are opportunities for domestic growth despite the challenges, although adaptation to economic realities and evolving customer demands is critical. Last year saw a rise in UK city breaks as well as in niche markets such as wellness retreats and active leisure holidays. However, with cost likely to remain a primary driver of consumer decisions, sustained growth in these niche segments may be subject to change.

■ Will McNally, senior manager, Audit and Assurance

REPORT PARTNER

TRAVEL WEEKLY INSIGHT REPORT 2026

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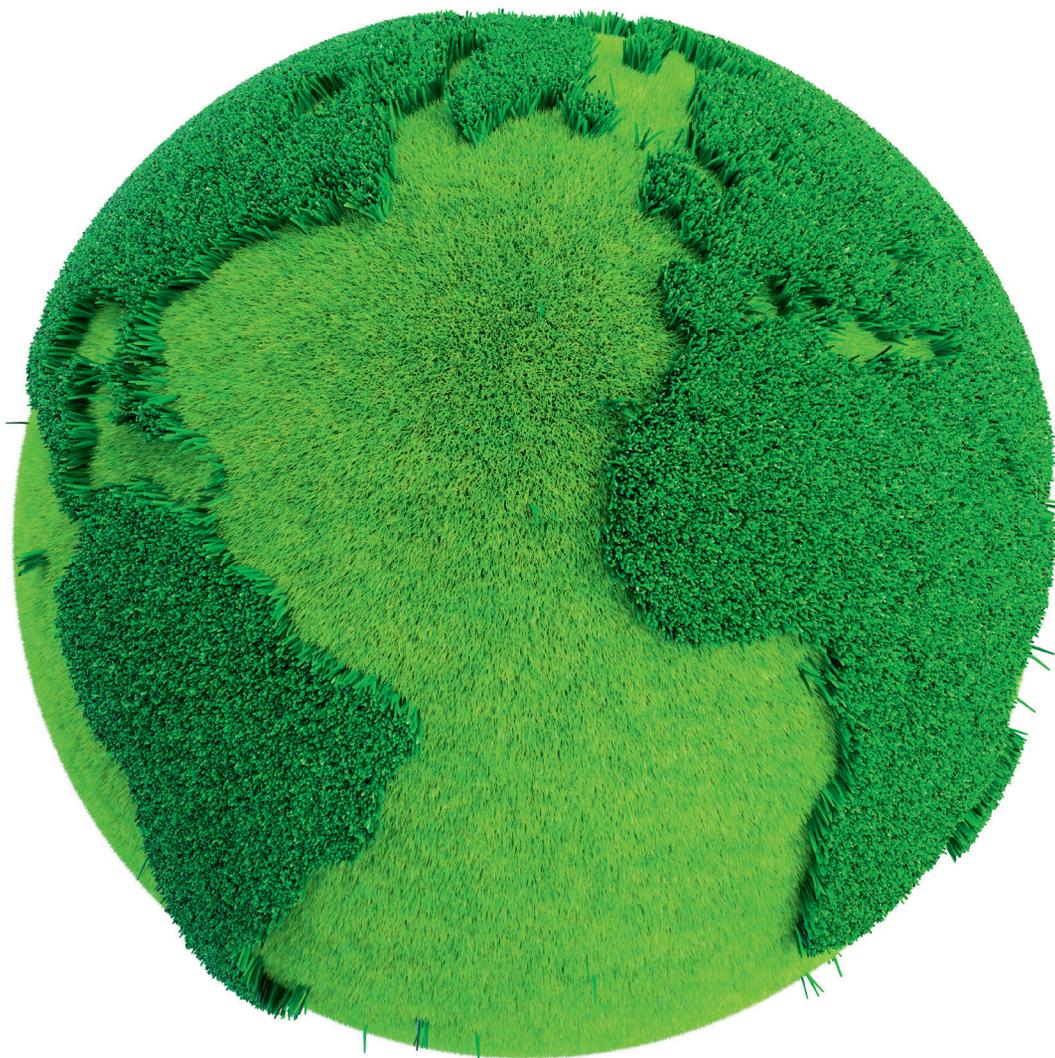
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