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## The future of hospitality

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# New frontiers in hospitality

Amid the stunning landscape of California's Joshua Tree National Park, a new hotel debuted in 2025—the first such development in the area in over 15 years. Set across 180 acres of desert land, the hotel utilizes steel-frame modular units on commercially zoned property, aiming to meet visitor demand for accommodations while addressing community concerns about the impact of short-term rentals in residential neighborhoods.<sup>1</sup> Elsewhere, similar approaches are being taken: a recently opened eco-lodge near Grand Teton in Wyoming uses off-grid water and energy systems to minimize environmental disruption, while a small retreat in Vermont was converted from historic farm structures, integrating renewable energy and local materials to support the surrounding community.<sup>2</sup> These properties are examples of a new path forward for a hospitality sector that is experiencing many parallel challenges such as rapidly changing guest behavior, competition for traveler spend, changing attitudes about travel and tourism,<sup>3</sup> and a world in which artificial intelligence (AI) and social media dominate trip discovery and inspiration.

Today's travelers are digitally fluent and algorithmically steered. They find and latch onto experiences through reels, AI trip planners, and peer influencers—not only through brand loyalty. In this environment, standing out requires delivering experiences that resonate emotionally and create memorable, authentic interactions. If those experiences can deliver financial success, it will become another proof point for hospitality companies striving for success in a capital-constrained, attention-splintered market.

Deloitte recognizes the complexity, speed, and convergence of these economic and social factors and their impact on the hospitality industry, which spans destination-focused enterprises including hotels, cruises, time-shares, vacation rentals, and online travel agencies. Deloitte conducted a two-year Future of Consumer research initiative that engaged 1,000+ professionals, industry leaders, clients, and consumer-industry insiders. The program examined the future of the global consumer and the forces reshaping culture and society, as well as shifting geopolitics, policy, and technological advances and their effects on hospitality businesses.

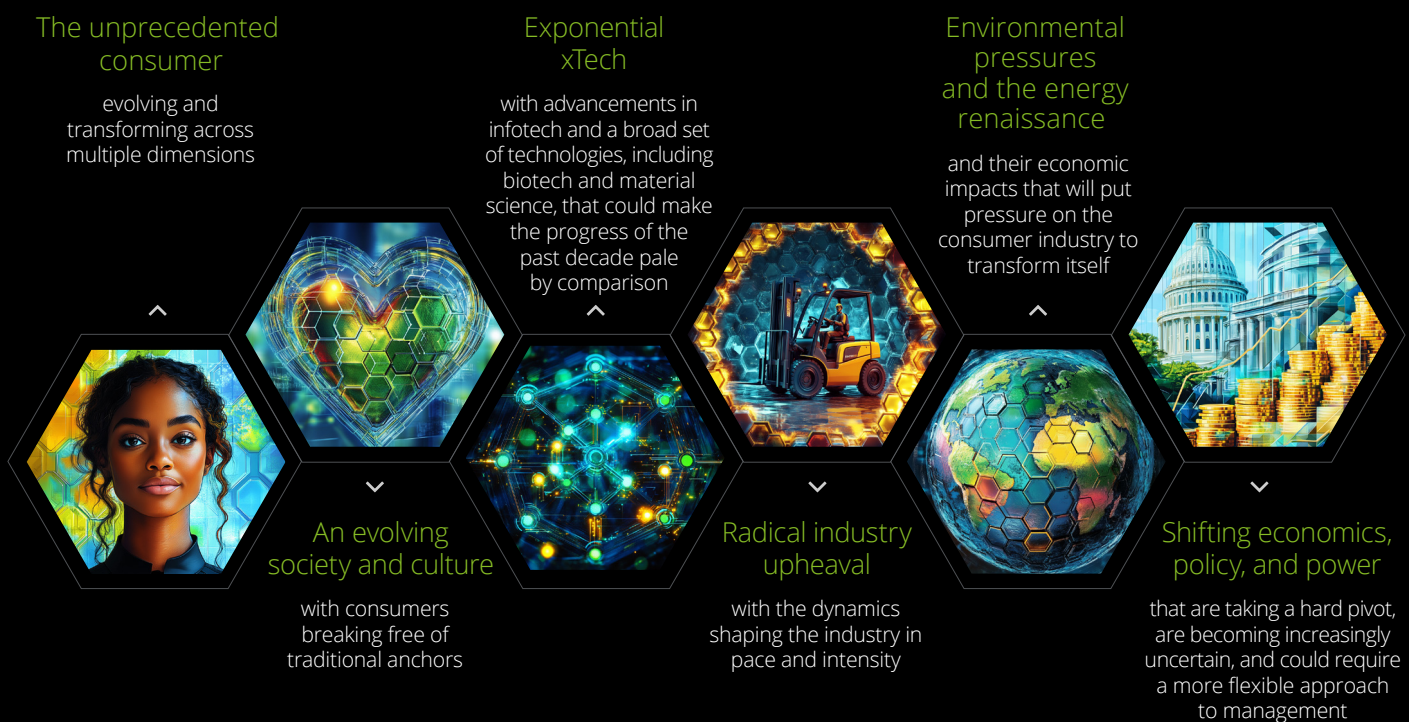
This undertaking has culminated in the identification of 6 Forces (figure 1), in many cases representing unprecedented changes that appear to be not only reshaping consumer-facing companies but also revealing how the hospitality industry is evolving at an unprecedented pace.



# To thrive under these conditions, the hospitality industry should understand:

## The six forces

Figure 1. The six forces



While the 6 Forces span a broad range of challenges that consumer-facing companies should confront in the coming years, research indicates that these forces represent an initial wave of transformation for the hospitality industry. This transformation is already driving change—and creating a unique set of issues that are shaping the future of hospitality.

- **Issues:** The ways in which the 6 Forces are manifesting today and creating a set of challenges presently confronting businesses.
- **Strategic imperatives:** The decisive actions that will allow businesses to successfully navigate the issues they're facing today and position themselves to thrive in the markets of tomorrow.

## ISSUES:

# Hospitality at a crossroads

The hospitality industry faces shifting consumer behavior and macroeconomic headwinds. Our research shows that guests expect more tailored experiences, many of them seeking value for the price.<sup>4</sup> Labor, capital constraints, and regulatory pressures are reshaping what's possible on the back end.

## Traditional growth models are under pressure from a convergence of multiple forces:

### A. A transforming consumer market

A digital nomad checks into a co-living hub that boasts workspaces and a juice bar. This guest is part of a growing cohort of mobile travelers. In 2024, 18.1 million Americans—about 11% of the workforce—identified as digital nomads, a 147% increase since 2019.<sup>5</sup> Their requirements may differ from those of luxury travelers who expect discreet check-ins or personalized concierge service. Yet hospitality companies should cater to these diverse preferences without diluting brand or service quality. At the same time, discretionary travel is in flux. For instance, financial analysts who cover the cruise industry have taken note of later bookings, shorter trips, and reservations for less expensive cabins.<sup>6</sup> Rising costs and economic anxiety are driving other changes in travel behavior, including demands for discounts and expectations for flexible use of loyalty rewards.<sup>7</sup> Hospitality providers should manage these pressures while figuring out how to keep guests coming back.

### B. Customer acquisition complexity

A guest often makes a booking based on what they see in their social feed—dazzling visuals featuring a hotel rooftop pool in a 30-second reel. In this world of AI-driven search and influencer content, algorithmic suggestions and peer reviews team up to drive traffic in ways that search engine optimization (SEO) can't. As digital behaviors evolve, conventional acquisition models may struggle to keep up with these new journeys—and hospitality providers are learning how customer acquisition approaches are evolving with modern technologies and media outlets. Adding to the intensifying customer acquisition complexity includes short-term vacation rentals, whose flexibility and local immersion often force hospitality providers to stay on their toes to reevaluate and optimize their value proposition.

### C. Capital crunch

A resort chain's property improvement plan might include a streamlined, tech-enabled check-in hub; multiple stylish lounges for socialization and relaxation; and a selection of family-oriented restaurants offering a range of culinary options. But research shows that hospitality operators are pressing pause on many of these plans. While there's been a steady improvement in commercial credit health/quality in the leisure and hospitality industry since 2020, the number of hotels under construction in the US hit a five-year low in mid-2025.<sup>8</sup> Elevated interest rates are squeezing capital-intensive projects such as new builds, renovations, and upgrades. At the same time, supply chain disruptions and tariffs are pushing construction material and equipment costs upward.<sup>9</sup> By contrast, the picture is somewhat different in the cruise industry: One trade group reports that 56 new ocean-going vessels are on order through 2036—a \$56 billion pipeline of investment in the sector.<sup>10</sup>

### D. Tourism backlash

When residents of Barcelona, Spain began spraying tourists with water guns, the images went viral. This act of revolt illustrates what's happening in many high-traffic areas as mass tourism strains life for local residents. Housing prices soar. Large crowds overrun local infrastructure. Wastewater from arriving cruise ships pollutes local ports.<sup>11</sup> The environmental stress has contributed to insurers raising premiums and forced local governments to put limits, taxes, and rental bans into place.<sup>12</sup> For the hospitality industry, the risks seem clear: Expanding operations under these conditions means likely dealing with an increasingly fraught local landscape.

### E. The workforce dilemma

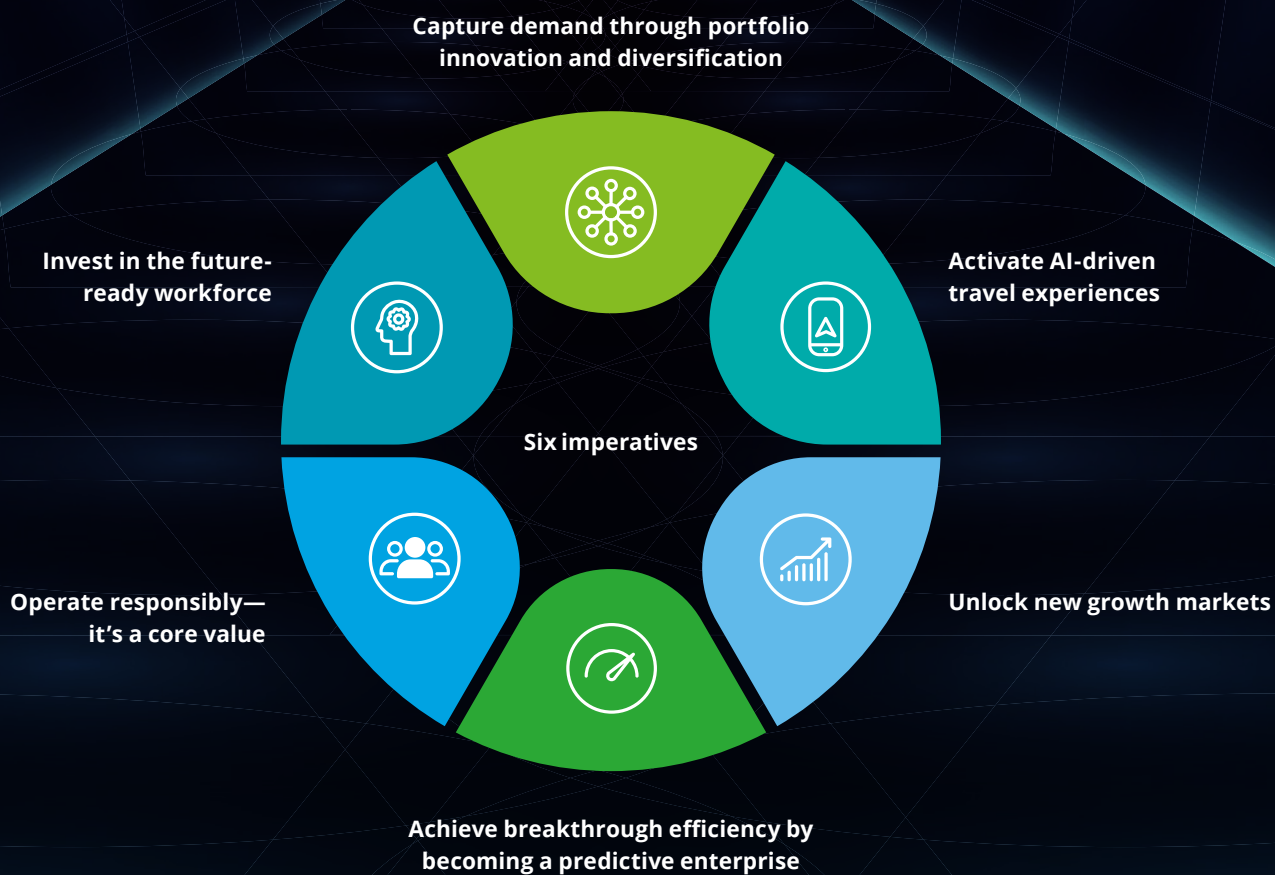
Operational stability in the hospitality industry is under pressure as labor markets tighten and staff expectations evolve. Even though inflation has pushed wages higher, recruitment remains agonizingly slow.<sup>13</sup> One hospitality analysis shows that employment recovery sits at roughly 88% of 2019 levels, yet payroll costs are at record highs.<sup>14</sup> In response, some hoteliers are narrowing their operations, favoring streamlined, select-service formats—offering only essential amenities. In places like Los Angeles, policies like a \$30 minimum hourly wage for hospitality workers is driving talk of hotel operators closing restaurants or converting to self-service food operations.<sup>15</sup> And these pressures aren't limited to frontline roles: Hotels are leaning on technology to help teams work smarter, with 81% of hoteliers prioritizing increasing employee productivity and 49% listing integrating AI-powered solutions as priority tech initiatives.<sup>16</sup>

STRATEGIC IMPERATIVES:

# Six imperatives for hospitality companies to consider

The days when scale alone guaranteed success are fading in the hospitality industry. Operators should tailor their offerings to meet shifting traveler profiles and stand out in a highly fragmented market.

Here are six imperatives that we believe can help hospitality providers stand out and win:





## Six imperatives for hospitality companies to consider



# Capture demand through portfolio innovation and diversification



Hospitality companies should rethink how value will be delivered to—and perceived by—future travel personas. This includes adapting to shifting demographics, deepening engagement with emerging audiences, and adjusting to digital expectations. As the market comprises smaller and more unique customer segments, differentiated hospitality offerings can drive loyalty—and long-term profitability.

- **Micro-target travelers by persona.** Hospitality brands can create tailored concepts that meet the unique needs of these consumers and other niche groups, such as solo Gen Z travelers or those traveling with pets. Companies could also consider offering wellness retreats with medical support to meet the needs of aging travelers.<sup>17</sup> With AI-powered segmentation, hospitality companies can help achieve personalization.
- **Rethink pricing and payments.** Introducing flexible, dynamic pricing tiers or subscription-style payment options can help attract budget-conscious segments. Hotel and trip operators can also expand loyalty-linked rewards.

- **Innovate brand portfolio.** Go beyond the core business to expand into adjacencies such as experiences, new locations, pre- and post-trip services, and destination-led food and beverage to drive value beyond the stay itself.<sup>18</sup>
- **Test-and-learn through pop-ups.** Pop-up hotels or experiences can allow hospitality brands to test new concepts without long-term investments. These can be proving grounds for tailored offerings such as wellness-focused travelers. Additionally, hospitality companies can partner with major cultural or sporting events to bundle accommodation with experiences like meet-and-greets with performing artists.<sup>19</sup> These pop-up concepts can generate viral attention in the short term and help companies sharpen offerings for future expansion.



## Six imperatives for hospitality companies to consider

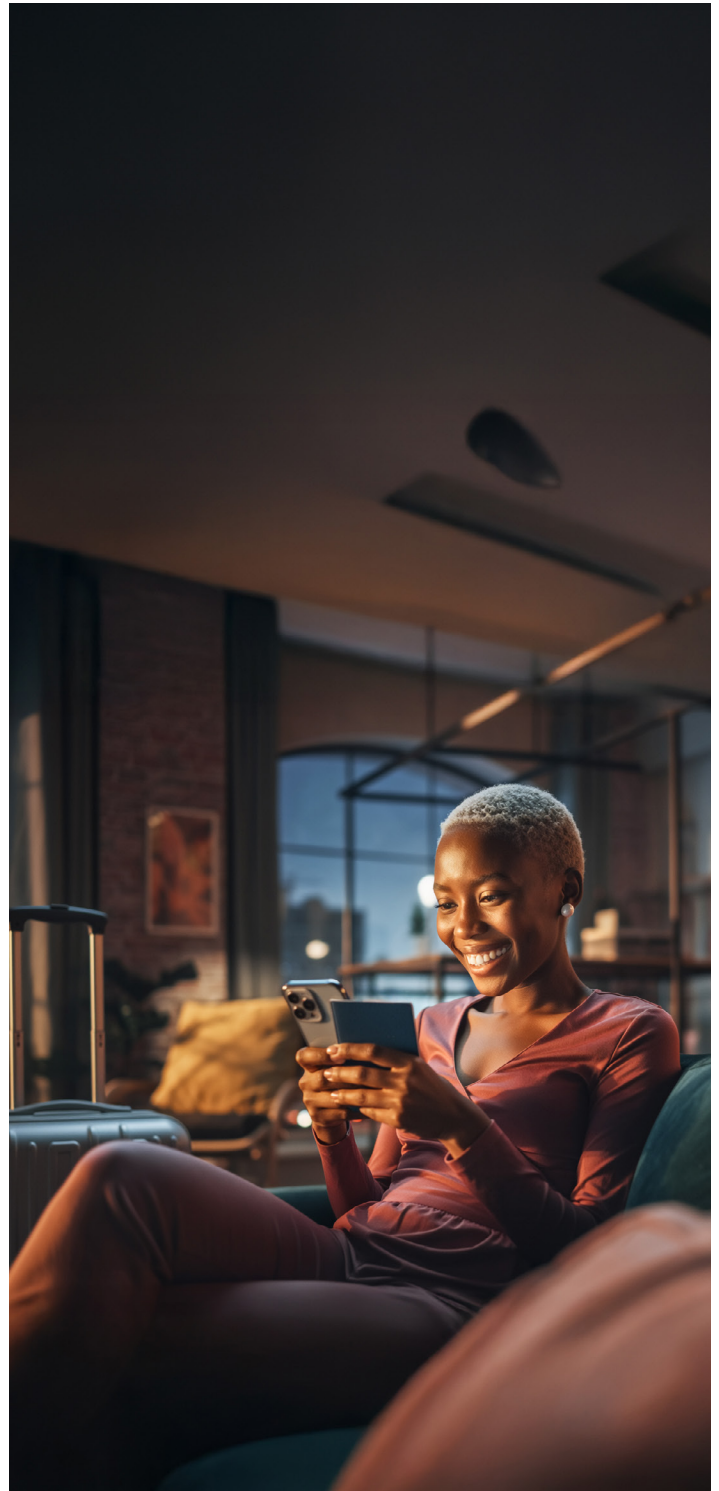


# Activate AI-driven travel experiences



From travel discovery to onsite interactions to post-stay engagement, AI presents an opportunity to rewire the travel experience to be more intuitive, immersive, and rewarding.

- **Create smart itinerary builders.** Hospitality brands are already marketing agentic concierge capabilities that transform a consumer's travel inspiration into personalized, bookable itineraries. A traveler can enter their preferences and budget into ChatGPT; browse results for flights, stays, and experiences listed within the interface; and click to book trips on partner sites.<sup>20</sup> Some sites have added voice-command capabilities allowing users to build itineraries purely through conversation with the agentic concierge tool.<sup>21</sup>
- **Engineer onsite enhancements.** Real-time prompts at key decision moments can also suggest add-ons. Consider a nudge engine that prompts guests about spa appointments, dining availability, or offsite tours based on stay patterns and time of day. These micro-moments can drive higher revenue per guest and increase perceived personalization. Hospitality companies can also use AI to price and merchandise room attributes in real time—such as faster Wi-Fi or late checkout. An added bonus: integrating real-time, AI-powered translation across all guest touchpoints to improve service for international guests.
- **Extend the journey—for your guests and others.** Hospitality companies can use AI—and refine it with expertise from human experts<sup>22</sup>—to offer concierge services, celebrate special occasions, and preserve guest experiences. Customized digital memory books or highlight videos can create shareable and hopefully viral memories, without feeling like a hard sell.





## Six imperatives for hospitality companies to consider



# Unlock new growth markets



Hospitality companies should prioritize market expansion strategies that take advantage of demographic and socioeconomic trends, new travel patterns, and brand amplification.

- **Tap second-tier cities.** Predictive analytics can help hospitality companies identify fast-growing, underserved secondary cities for select-service or micro-luxury concepts. Early adopters could quickly capture new traveler flows.
- **Drop anchor in new hubs.** Cruise operators can establish new embarkation points in high-potential, underserved regions. Such a move would tap into rising outbound travel from these regions and offer differentiated itineraries for global audiences.<sup>23</sup>
- **Launch regional circuits.** Encourage guests to book regional travel “circuits” across multiple properties. Companies can build bundled packages around themes—like regional culinary tours or history and heritage trails. Regional circuits can encourage multi-property trips and unlock cross-location monetization.
- **Allow guests to take the brand home.** Launching a direct-to-consumer retail line with premium branded products—such as linens, furniture, or scents—new income streams that help keep brands top of mind between trips.



## Six imperatives for hospitality companies to consider



# Achieve breakthrough efficiency by becoming a predictive enterprise



Hospitality companies should consider accelerating AI adoption to automate tasks, enable employees to enhance the customer experience, and respond to shifting guest needs. From the back office to the guest suite, automation and prediction are becoming essential tools to enhance profitability and guest satisfaction.

- **Use AI to stay ahead of flareups.** Hotels and cruise liners can deploy predictive maintenance with sensors and AI to detect equipment issues before they become bigger failures. Automate routine repairs to minimize downtime, cut costs, and protect the guest experience. Use AI to forecast customer service demand. Human teams with customer service expertise can play a pivotal role, too, by preloading content to chatbots, preemptively meeting guest needs.
- **Streamline key onsite operations.** Use AI-powered food waste tracking to analyze prep patterns and guide smarter purchasing. Kitchens in particular can reduce spoilage. Use real-time guest data to prioritize housekeeping routes, optimize schedules, and reduce idle time.
- **Build a unified intelligence core.** Collect and integrate real-time data from across your commercial portfolio—such as reservation patterns, occupancy rates, service metrics, and (in the case of time-shares) net owner growth—and combine it with loyalty data and external inputs like local events, weather patterns, and social trends. Use these signals to adjust price and inventory by channel in real time, prioritize and auto-quote group leads, trigger targeted offers in owned channels, and decrease response time to inbound requests.



## Six imperatives for hospitality companies to consider



# Operate responsibly—it's a core value



Consumers, regulators, and investors expect hospitality businesses to operate transparently, legally, ethically, and with integrity.

- **Design environmentally resilient assets.** Hospitality companies should incorporate materials and layouts that enable energy efficiency over the long term. Starting earlier might prove advantageous, as the EU Carbon Border Adjustment could elevate raw materials prices by approximately 10%.<sup>24</sup>
- **Promote transparent pricing.** Commit to price transparency by using all-in pricing models that eliminate hidden fees and clearly disclose full costs upfront as jurisdictions put pressure on the industry to standardize price displays.<sup>26</sup>
- **Develop inclusive and accessible design standards.** Promote and adopt universal design to help ensure people, of all ages and abilities, can fully enjoy leisure spaces. This includes removing physical and sensory barriers<sup>25</sup> to enhance the experience for all guests.





Six imperatives for hospitality companies to consider



# Invest in the future-ready workforce



Hospitality leaders should equip the workforce with the capabilities needed to navigate evolving market and technology demands.

- **Launch digital apprenticeships.** Consider pairing formal education in analytics, hospitality tech, and service design with hands-on job training. These programs can expand digital competencies among frontline staff, creating a pipeline of hybrid talent for future leadership roles.
- **Promote AI-augmented coaching.** Agentic AI can help observe guest service interactions and deliver real-time performance nudges. Such micro-coaching tools can improve guest satisfaction, upselling, and team learning potentially without adding managerial overhead.
- **Activate an AI-powered gig workforce model.** Use AI to empower credentialed workers—such as housekeepers, maintenance technicians, and others—to work across multiple properties, assigning them shifts that match their skills and availability. Help boost worker autonomy while addressing staffing gaps.



# How hospitality should adapt to a changing market

In a future likely to be shaped by new trends, new technologies, and new travel habits, the hospitality industry should find the right balance of pursuing the strategies that have worked versus trying new approaches, strategies, concepts, and models.

The right portfolio allocation is meaningful. It will likely involve a shift in the way resources are deployed and the way hospitality operators capture value. The potential risk in the status quo is not only in missing out on future growth and opportunity; those who wait to act may also find themselves a step or several steps behind early adopters, especially in new applications of AI-powered tools and tactics.

## **Hospitality leaders should ask themselves these questions in this dynamic environment:**

1. How can we capture next-generation demand and deploy new products and services?
2. What actions can we take to make our guest experiences more digitally discoverable and engaging?
3. How can we redesign our operations to become more agile without sacrificing service quality?
4. How can we use AI to respond to real-time demand fluctuations and operational disruptions?
5. How can we meaningfully demonstrate our commitment to the communities in which we operate?
6. How should we approach workforce transformation?



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