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2022 Deloitte travel outlook

The winding path to recovery

As travel moves toward recovery, new forces will shape its future

The COVID-19 pandemic disrupted several industries, but travel fell particularly hard and fast. US air passenger volume plummeted by more than 90% in March 2020¹, and in April 2020 U.S. hotel occupancy dove to 25%.² Travel showed its resilience when relief arrived in the form of vaccines. Pent-up demand surfaced quickly; Americans' intent to make bookings doubled across most travel categories from February to September 2021.³

Still, travel will likely be one of the last consumer sectors to see demand return at full strength. Pandemic concerns continue to curtail some plans, especially for international and corporate trips. And when concerning variants arise, so does talk of new cross-border restrictions.

But for the travel industry, 2022 is about more than simply watching air passenger volumes increase and hotels' occupancy rates pick up as visitors return to cities and beaches. Some trip types will fare better than others, and some demographic groups will lag others. The pandemic has brought changes to the way we live and work. Some of those changes are likely to continue to affect travel once the health crisis subsides.

Deloitte has been tracking consumer sentiment, including travel purchase intent, since April 2020 via our [Global State of the Consumer Tracker](#). In 2021, Deloitte published three reports delving deeper into travel demand, including one on the future of corporate travel. Read on to discover the six major developments we are watching in the year ahead.



Corporate's leisurely return

Corporate travel demand should improve significantly when workers return to offices in greater numbers, enabling more client visits. That development appears likely during the first half of 2022. However, omicron or another variant could lead companies to slow their returns to the office, as happened with the delta variant in the Fall.

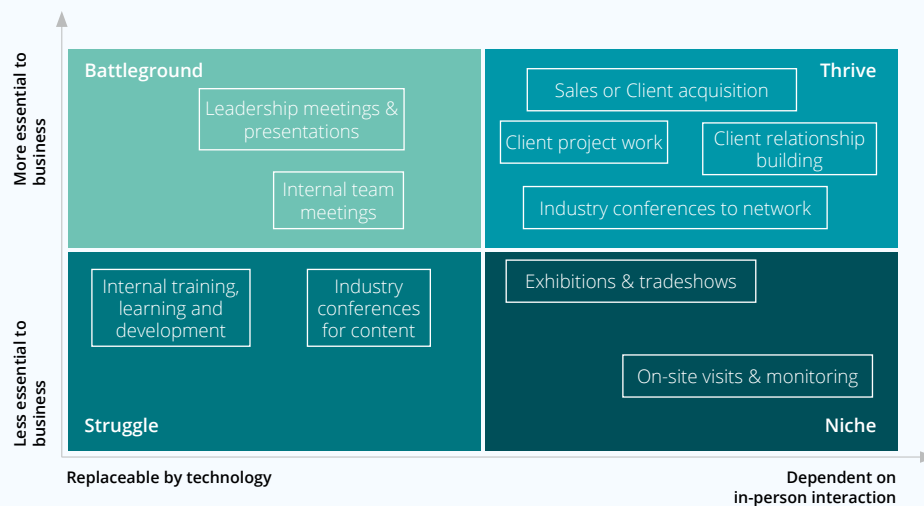
Even assuming the best possible COVID-19 outcomes, corporate travel in 2022 is unlikely to reach or even near 2019 levels. Not all road warriors will be eager to return to their pre-pandemic frequency. Not all clients will immediately welcome the same volume of visitors they did in 2019. At the same time, CEOs and CFOs will likely continue to closely scrutinize travel spend and return on investment after operating successfully with so few trips.

Less travel also means less emissions. Half of companies say they are optimizing their business travel policies to support sustainability goals.⁴ For most, this translates to measures like curtailing trip frequency, optimizing agendas to mitigate flying, limiting long-haul, and transitioning more meetings online.

Video call fatigue may have set in and a preference for more in-person interaction may be on the rise. But companies have learned a lot over the last two years about which meetings require getting on a flight, and when conferencing software can suffice. Respondents to Deloitte's [corporate travel survey](#) say travel that helps establish and foster client relationships is the most essential to success and least replaceable by technology. Trips to visit prospects and network at conferences will likely come back strongest (see Figure 1), while internal training and meetings will continue to rely heavily on virtual connection.

The health concerns of COVID-19 could continue to hamper business travel for much of 2022. As direct pandemic effects eventually fade, the more durable forces of the bottom line and sustainability priorities are likely here to stay, supported by virtual conferencing and collaboration. As executives navigate corporate travel's return, opportunities exist for travel providers to partner, advise, and provide new tools to address reassessed priorities.

Figure 1. Why we fly matrix: Corporate travel use cases by business impact and tech replaceability



Source: Deloitte 2021 Holiday Travel Survey, N=150 and interviews with executives with oversight of business travel spend and strategy.

Travel's remote work opportunity

While the rise of virtual meetings will likely slow the return of corporate travel, workers newly untethered from the office offer upside. Laptop-lugging leisure travelers are taking more trips, and adding days and dollars to those trips (see Figure 2).

The rise of remote work can do more than expand the travel pie. These laptop luggers have above-average buying power, greater flexibility on travel dates, and a unique set of needs according to our research.

Remote working elevates a few considerations for these travelers:

- a quiet and comfortable space, perhaps away from the rest of the travel party
- fast and reliable Wi-Fi⁵
- convenient access to wellness-related amenities like healthy meals on the go, and fitness equipment and activities
- the ability to reschedule in-destination activities to accommodate work

As travel suppliers seek to better serve the evolving needs of remote workers, some are already capitalizing on their trend toward more frequent trips. Subscription models, which have historically struggled due to low frequency of travel, are getting a second look. The [corporate subscription by CitizenM](#) and [Mandarin Oriental Washington D.C.'s MOBase](#) target travelers for whom the lines between work, travel, and everyday life continue to blur. And as suppliers try to recast loyalty in the face of less corporate travel, higher-spending laptop luggers and their particular demands will likely garner more attention in the year ahead.



Figure 2. Untethered from the office, workers with flexibility are expanding the travel pie

Travelers with intent to fit in some work while away planned **twice as many trips** this holiday season

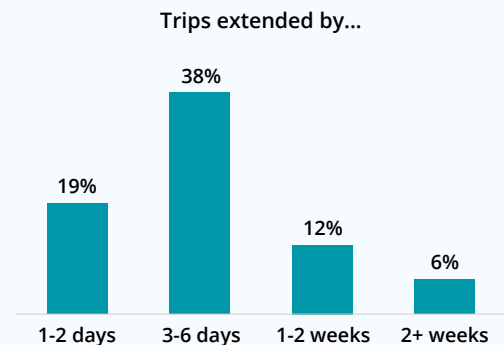
Disconnectors

1-2 trips

Laptop luggers

2-4 trips

More than half of these laptop luggers added three or more days to the duration of their longest **leisure trip due to remote working**



Working vacationers were more than twice as likely to **increase the budget for their leisure trip** as compared to 2019

Disconnectors

13%

Laptop luggers

29%

Source: Deloitte 2021 Holiday Travel Survey, N=633.



Rental surge to continue

Remote work could be a long-term accelerator of another major hospitality industry trend: Private rentals' move into the mainstream of accommodations. Hotels still account for a majority of leisure lodging spend. In 2021, over both the summer and holiday seasons, more than 80% of travelers staying in paid lodging planned hotel stays. That was about three times the share of those planning to stay in rentals. But COVID-19 is tilting the lodging landscape. By the 2021 holiday season, more than four in 10 rental travelers say they have been introduced to the accommodation type for the first time during the pandemic (see Figure 3).

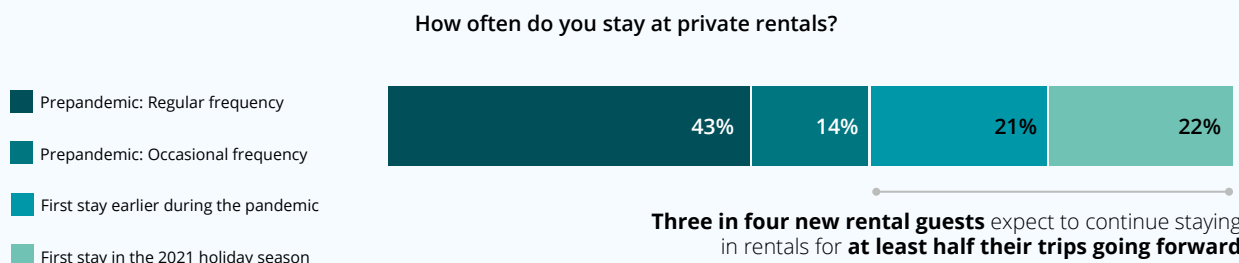
Health concerns were a major driver of rental demand in 2020 and 2021, as more space enabled social distancing.

But travelers plan to keep rentals in the mix. Three in four new rental travelers said they expect to continue choosing the accommodation type after the pandemic. And the above-mentioned effects of remote work on travel—longer trips and the need for space to work—could help buoy rentals' popularity as health concerns subside.

Increased interest in alternative accommodations will likely continue to push hospitality providers to evolve. Hotels that can will elevate home-like amenities, such as kitchens, adjoining rooms, and space to work. In the rental space, platforms will continue to invest in providing a more consistent, predictable experience and serving trip types including business travel.

Figure 3. Private rental adoption has surged, and many say they will continue using this lodging type

In summer 2021, **28% of rental travelers stayed at one for the first time during the pandemic**. By the holiday season, the number rose to **43% of rental customers** choosing a private rental for the first time during the pandemic.



Pent-up international demand unleashed

COVID-19 and the border restrictions it brought about slowed cross-border travel to a trickle. Global intent to book an international flight stagnated between 15% and 17% of consumers from April 2020 to March 2021. It quickly climbed to 23% by June 2021⁶ as vaccine distribution ramped up.

In November 2021, the easing of entry restrictions for vaccinated visitors to the U.S. brought an inbound pop, especially from Europe. But international travel remains hampered by confusion, concern, and unpredictability. New variants and other developments can lead to short-notice border closings and tightened restrictions. The current environment still makes it difficult to commit to international trips, which are more likely to be planned months in advance.

But as the health situation and border entry policies stabilize, these trips should come back. American travelers are saving up to see the world (see Figure 4). While the return of international travel is good for the industry overall, it could bring an ebb in demand for some US destinations as Americans who could only travel domestically for two years opt for long-awaited trips abroad.

Figure 4. Saving up for an international trip

Percent of travelers spending less on travel in 2021 so they can travel overseas when it becomes more convenient

Lower-income
(Less than \$50K)

20%

Middle-income
(\$50K–\$100K)

22%

Higher-income
(More than \$100K)

24%

Overall, **22% of travelers say they were holding back spending in 2021** to be able to travel internationally once it is more accessible.



Attracting foreign travelers—and meeting their expectations—should be on the mind of travel providers across categories. Top-tier destinations and suppliers will likely see a fast influx. Others may have to wait longer and take creative approaches to reach potential visitors from the markets that will come back first. Providers across points in the journey should also work to reduce the friction and uncertainty that still accompanies international travel. Hotels, airlines, and destinations can help facilitate easier access to affordable or free testing, up-to-date information about entry requirements, and straightforward means to verify and share vaccination status. Efforts in this area will be strengthened significantly when executed collaboratively, with priority placed on clarity and simplicity for the traveler.

Staffing struggles

As leisure demand continues its trajectory toward pre-pandemic levels, hotels and airlines face a challenge that has afflicted customer-facing service roles across industries: hiring enough people. As of October 2021, there were 300,000 fewer workers in the hotel industry than two years prior.⁷ Hospitality CEOs have acknowledged they have struggled to staff up⁸, and airlines also face challenges filling their needs for pilots and mechanics.⁹ Boeing's *2021 Pilot and Technician Outlook*¹⁰ voices concern that many furloughed airline workers may have left the industry. The report projects big hiring needs in commercial aviation over the next 20 years: 612,000 new pilots, 626,000 new maintenance technicians and 886,000 new cabin crew members.

As of October 2021, there were 300,000 fewer workers in the hotel industry than two years prior.⁷

Staffing challenges are already making it harder for hotels to deliver on guests' expectations. Many have shifted housekeeping to a by-request-only model, and cut back on food and beverage amenities including room service and restaurants. Guests' acceptance of these cutbacks (sometimes while still paying resort fees) will wane as travel frequency accelerates.

Automation could help to address hotels' labor challenges, but there are no quick fixes. Increased adoption of contactless check-in eases the need for reception staff, but cleaning rooms and operating restaurants still requires human labor. If these challenges persist—and indicators are that they will—expect hotels to begin experimenting with itemized charges for amenities, such as fitness centers, and services, including housekeeping. And as these once-standard parts of the hotel experience become unbundled, they can also be leveraged within loyalty programs.





Younger and wealthier travelers lead the return

Two years of living in a pandemic has had disparate impact on different demographic groups. As leisure travel moves toward a state of more steady demand, travel providers should pay close attention to emerging age- and income-driven trends. In patterns that can be expected to continue in 2022, older travelers are showing heightened hesitance, and higher-income travelers are coming back at a much faster pace than those in lower income brackets.

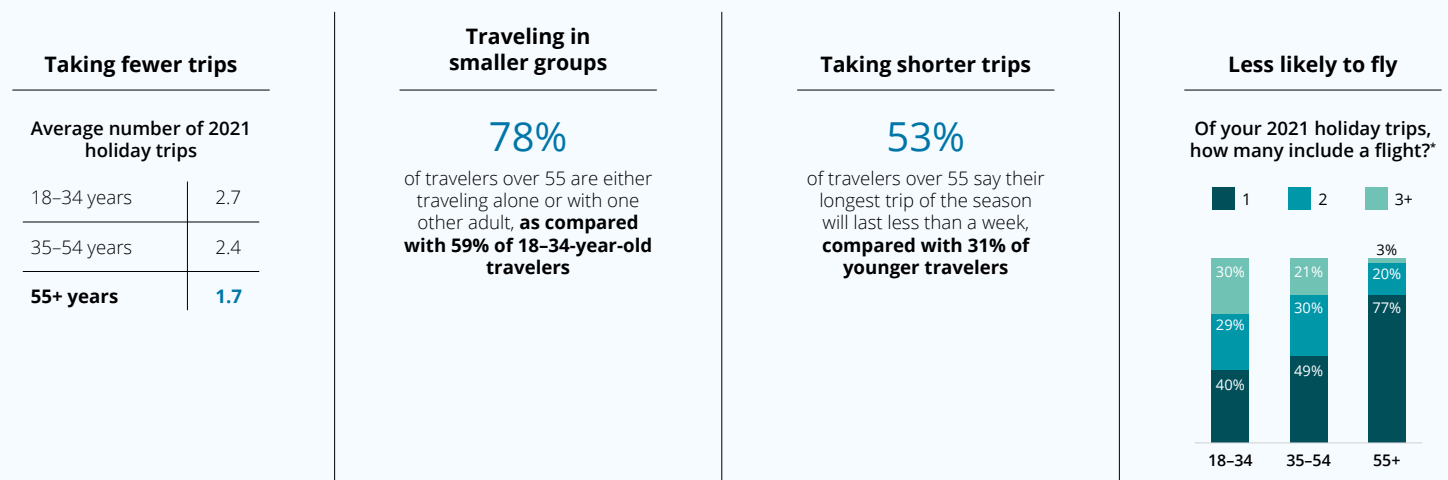
Boomers exhibiting caution

Prior to the pandemic, the baby-boom generation was a demographic drawing increasing attention from travel marketers and suppliers as they straddled peak earning years

and retirement. Now, travelers over 55 (most of whom are boomers) are significantly less likely to travel (see Figure 5), and cite health worries as a top reason why.

Americans over 55 remain a compelling demographic for travel providers, but they need time and reassurance. Reaching them with the right messaging at the right moment could be lucrative, while getting the mix wrong could be damaging. And the concerns of this group are a reminder that the travel industry should take steps to assure the safety of travelers of all ages while in transit, on property, and exploring destinations.

Figure 5. 36% of Americans older than 55 plan to travel compared to 45% of 18-to-34 year olds. Those that do are:



Source: Deloitte 2021 Holiday Travel Survey, N=534.

*The chart on trips including flights represents percentages based on those flying within each age group



Figure 6. 53% of Americans earning over \$100K plan to travel compared with 32% of those with income under \$50K. Higher-income travelers are:

More likely to fly and stay in hotels or rentals

Travel product incidence between Thanksgiving and mid-January

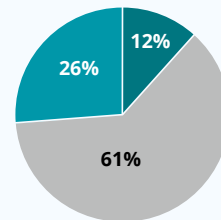
	Lower-income (Less than \$50K)	Higher-income (More than \$100K)
Stay in paid lodging	43%	63%
Take a flight	26%	48%

Spending more than they did two years ago

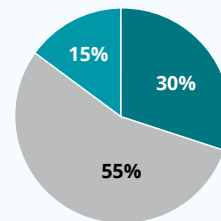
Holiday season trip budget: 2021 compared with 2019*

■ Significantly less ■ About the same ■ Significantly more

Lower-income



Higher-income



Source: Deloitte 2021 Holiday Travel Survey
*Among those who traveled during the season in 2019

Higher-income travelers getting back to better than before

Many higher-income Americans have fared well during the pandemic, and they have led the charge back to travel. Over the 2021 holiday season, Americans earning over \$100,000 a year were nearly twice as likely to travel as those with income under \$50,000 (see Figure 6). If the cost of travel increases, this trend could strengthen, and challenge business models targeted at budget travelers. But deal-seeking exists at all income levels, and there are no signs that lower-income Americans have lost their desire to explore.

Higher earners are not just spending like they always have—30% say they budgeted more for trips over the 2021 holiday season, compared to just 12% of lower-income travelers. A large share of higher-income travelers attribute their expanded budgets to shifts that for many have been pandemic-driven: workplace flexibility and reordering of personal priorities placing more emphasis on experiences over things.

Industry suppliers, from airlines and hotels to cruise lines and rental car providers, want to see travelers return in force, across regions, age groups, income levels, and trip types. But the comeback has been uneven and looks likely to remain so well into 2022. Older and lower-income Americans face barriers to travel which suppliers cannot easily remove.

In 2022, the industry still faces pandemic-related challenges and heightened responsibility to ensure the safety of travelers and workers. But travel's green shoots have appeared, along with opportunities to encourage continued growth. Immediate imperatives include catering to the groups most ready to travel, and preparing for the next wave.

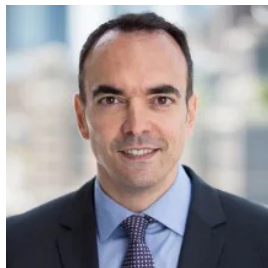
But action is also required to prepare for likely long-term shifts such as the reduction in corporate travel, and new travel patterns among flexible workers. These are likely to persist after the global health situation stabilizes, and they should be treated as new but lasting components of travel's structural reality.



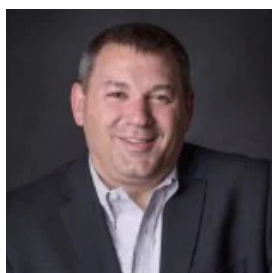
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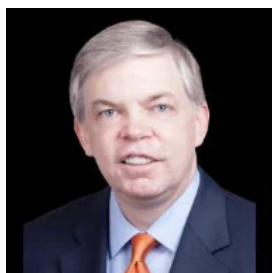
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Endnotes

1. Compared to March 2019 [TSA checkpoint travel numbers \(current year versus prior year\(s\)/same weekday\)](#)
2. [STR: U.S. hotel performance for April 2020](#)
3. [Deloitte Global State of the Consumer Tracker](#)
4. [Return to a world transformed: How the pandemic is reshaping corporate travel](#)
5. [New tool: Check the wifi speed in your Airbnb listing before you book](#)
6. [Deloitte Global State of the Consumer Tracker](#)
7. [Bureau of Labor Statistics](#)
8. [Hotel CEOs concede labor shortage is a structural problem that may reshape guest experience](#)
9. [A Shortage of Pilots Looms as the Next Challenge for Airlines](#)
[The Aviation Maintenance Technician Shortage](#)
10. [Pilot and Technician Outlook 2021–2040](#)



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