



TRAVEL IN FLUX: UNPACKING THE KEY TRENDS SHAPING THE FUTURE OF HOSPITALITY

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FOREWORD



I'm incredibly excited by what the future holds for our industry. We are fortunate to work within a marketplace that benefits from attractive, long term growth drivers such as the rise of the global middle classes and expanding GDP. The fundamental desire of people to travel and physically connect with friends, family, or business colleagues is one of the most natural things we can satisfy.

This report explores some of the key trends and illustrates the long-term demand drivers for our industry. One thing is clear, travel remains one of the most irrepressible of discretionary spending areas and will continue to be a significant economic contributor. The travel industry supports around 10% of jobs worldwide and stimulates international and domestic spending bringing economic and social benefits to local communities all over the world.

Elie Maalouf
CEO, IHG Hotels & Resorts

INTRODUCTION

The hospitality industry has experienced a rollercoaster in the past three years, going from a near complete shutdown during Covid to a bumper summer in 2023, driven by pent-up demand and excess savings.

But with health worries behind us, and the recovery story of the last couple of years losing steam, what comes next for travel and hospitality brands?



To provide some answers to that question, Alvarez & Marsal (A&M)'s EMEA Travel, Hospitality & Leisure group surveyed 3,818 consumers in nine countries on their travel decisions, preferences and expectations. The study reveals the key travel trends unfolding today and how they are set to shape the industry in the next months and years, especially as it begins to navigate a period of slower economic growth.

Our research highlights that households are prioritising holidays over other items of their discretionary spending, even in a more challenging economic climate that's potentially hurting their wallets. This hasn't been the case in previous downturns, suggesting a significant, lasting structural change in consumer behaviour whose effects will likely reverberate through the industry for years to come.

The survey also explores the scale and significance of "bleisure" trips – with travellers in our survey commonly reporting to have added three extra days of rest and relaxation to their work trips in the past 12 months – and the real impact of brands' ESG credentials on decision-making and spending.

Finally, the study identifies differences among travellers in the nine countries surveyed in regard of their attitudes

towards travel. In the Middle East, for example, almost 80% of respondents said they have increased travel spending, well above the 52% average across all geographies. "Bleisure" trips are also more popular among Middle Easterners than Europeans, according to the survey. Another finding of note is the higher proportion of travellers in Germany who said they are willing to pay a premium for ESG compared to other European respondents.

We hope these findings will help business leaders come to grips with the complex realities of post-Covid travel and with that, inform the strategic decisions that will help them best serve travellers and ultimately succeed in the today's dynamic market.



ABOUT THE SURVEY

This report is based on data from online surveys conducted by Alvarez & Marsal among **3,818** adults in **France, Germany, Italy, Netherlands, Qatar, Saudi Arabia, Spain, United Arab Emirates** and **the United Kingdom**. The survey was conducted in September 2023 and comprised a questionnaire of **43** questions.



3818

Adults

09

Countries

43

Questions



EXECUTIVE SUMMARY

We have distilled the following four key messages and insights from our survey:

- 1** Consumer values shifting as people prioritise travel over other discretionary spending
- 2** Hospitality brands must rethink product and real estate as “bleisure” comes of age
- 3** Travellers are more ESG conscious but they don’t back it up with their wallets (yet)
- 4** Branding matters when choosing accommodation

KEY NUMBERS

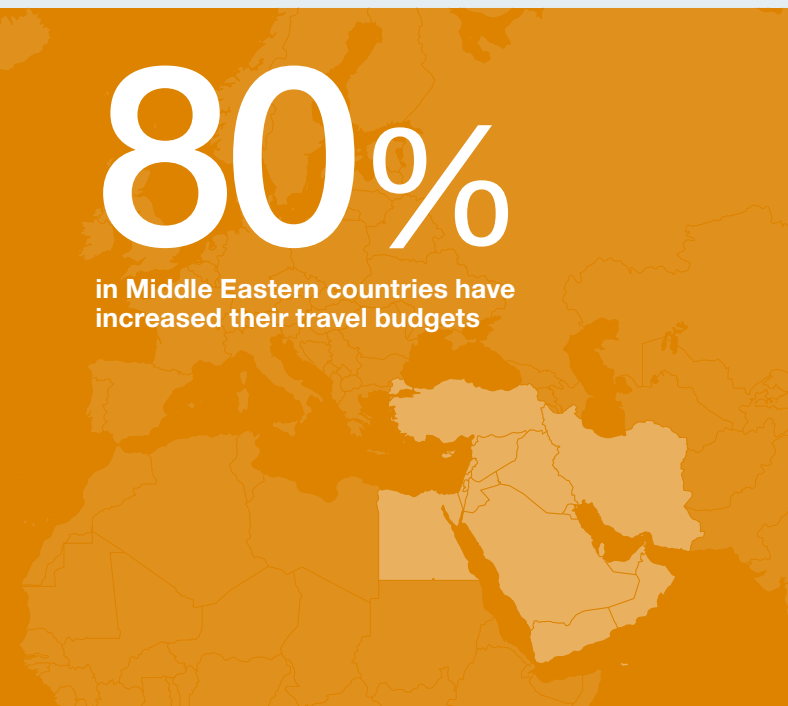
52%

reported an increase in trip budgets compared to 3 years ago



80%

in Middle Eastern countries have increased their travel budgets



31%

cited prioritisation of holidays as reason for increased spending



30%

have combined business and leisure trips in the last 12 months



61%

are willing to pay extra for a brand with ESG credentials but only...

19%

consider ESG initiatives a top booking factor



FOUR KEY FINDINGS FROM THE SURVEY

1 Structural shift in consumer values as travel becomes less of a discretionary spend

Our research shows that recent cost-of-living pressures have not dented consumers' travel budgets this year. On the contrary, they are spending more: 52% of respondents in our survey said that their travel budgets have increased compared to three years ago.

This is consistent across different age and income groups, including among lower-income households.¹ Among regions, almost 80% of travellers in the Middle East

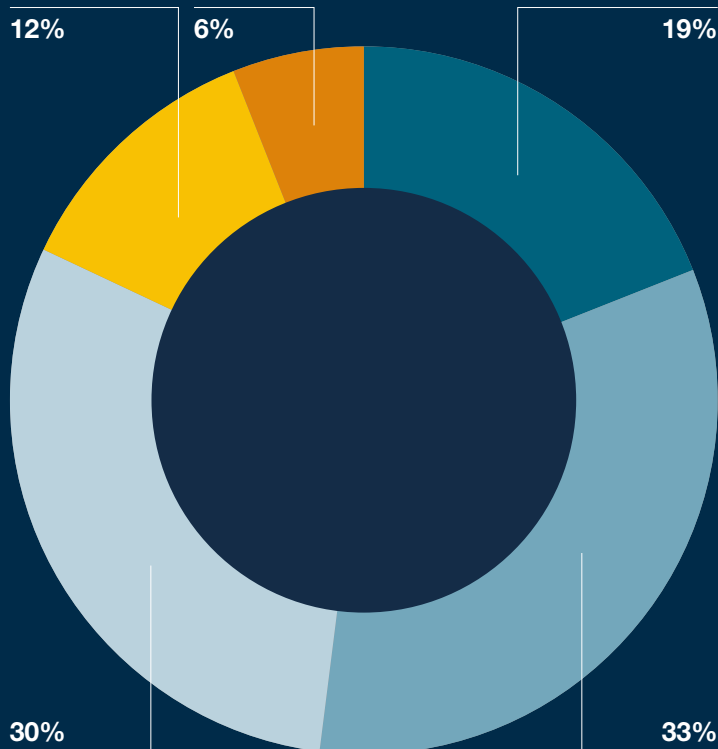
reported putting more money into travel, and nearly half of those said their budgets have increased "considerably." This is supported by healthier GDP growth rates expected for the region this year, of 2.5% versus 0.9% in the euro area, according to the International Monetary Fund (IMF).

Notably, the deployment of excess savings accumulated during the pandemic is not among the top factors for this year's splurge in travel. Instead, the most cited reasons are prioritisation of holidays in spending decisions and more disposable income due to pay rises or promotions.

The latter can be attributed to a fairly resilient labour market in some of the countries surveyed, which may be

Compared to 3 years ago,
has your trip budget...

- Increased significantly
- Increased slightly
- Stayed roughly the same
- Decreased slightly
- Decreased significantly



¹ With annual income of \$35,000 and under.

FOUR KEY FINDINGS FROM THE SURVEY

driving consumers' perception of a strong pay growth, even in a more challenging macroeconomic environment. In the UK, for example, wage growth remained high throughout the year, and even rose in real terms between June and August, according to the Office for National Statistics (ONS). While data from the eurozone countries shows a more mixed picture, it also suggests a largely tight labour market, with pay growth recently levelling off at elevated levels and unemployment at an all-time low in August.

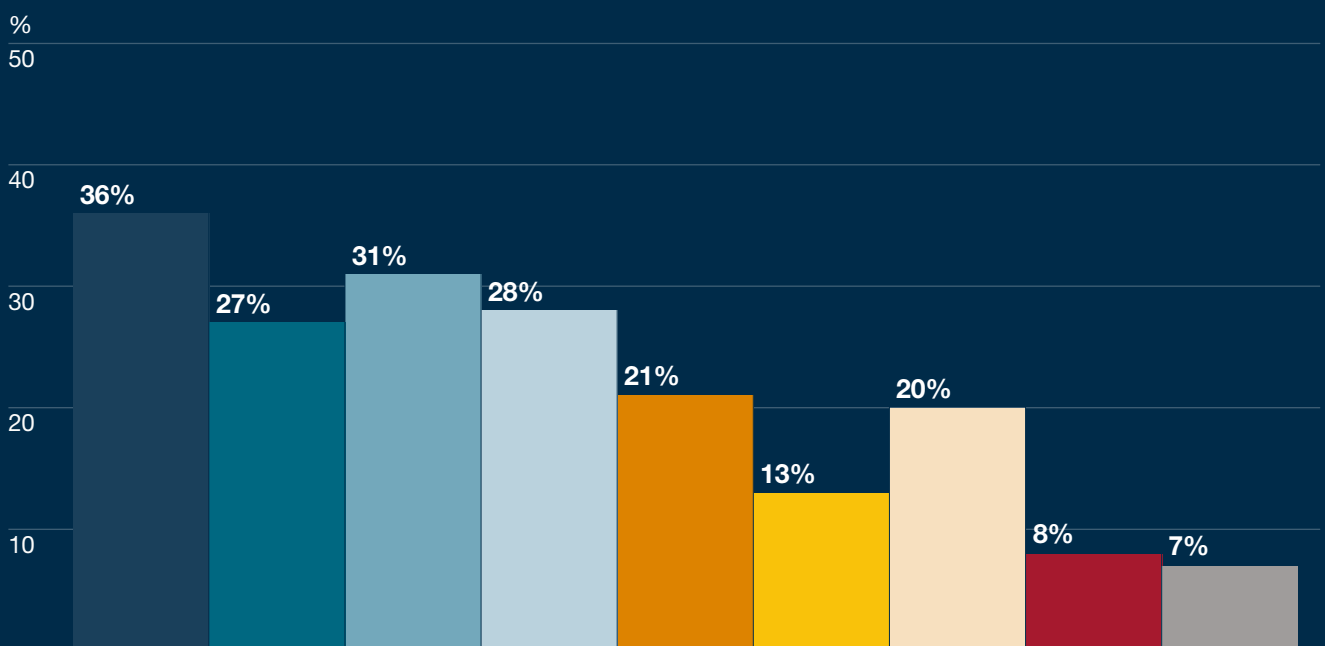
Overall, these findings suggest a lasting structural change in consumers' values in which travel, hospitality and leisure experiences become a high priority purchase despite

disposable income pressures, something that was not witnessed in previous economic downturns.

This shift in behaviour reflects consumers' growing emphasis on experiences over things, a trend which has followed on from the Covid years and is proving to be more than just a passing fad. This should bring some optimism to the industry as it grapples with the critical question of how much demand is going to soften as pandemic savings dry up and high inflation persists.

Why has your trip budget increased?

- More disposable income (promotion/pay increase)
- Have saved money during the pandemic
- Increased prioritisation of holidays in spending decisions
- Improved personal financial management/planning
- Reduced other expenses
- Investment returns or financial windfall
- Changes in life circumstances (marriage, partnership, etc.)
- Receiving inheritance or gift
- Other



FOUR KEY FINDINGS FROM THE SURVEY

2 Hospitality players are rethinking product and real estate as “bleisure” comes of age

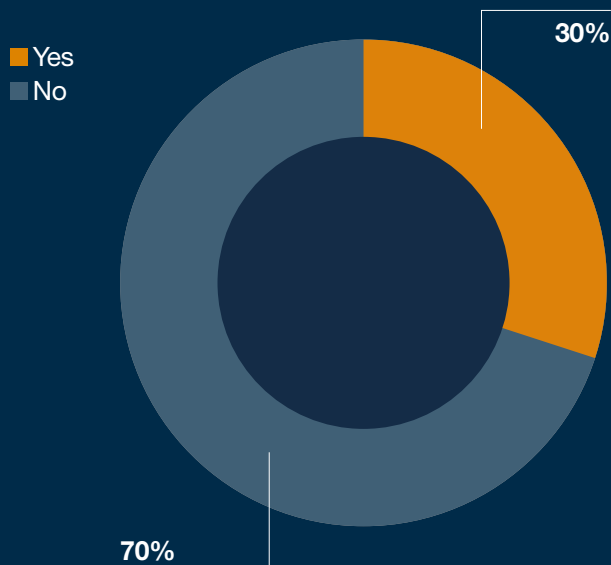
New working patterns precipitated by the pandemic have given rise to “bleisure” trips, whereby people mix business and leisure activities in a single trip.

Our survey confirms the solidification of this trend, with three in ten travellers saying they made a combined trip in the past 12 months². Some regional differences are observed, with Middle Eastern workers being the highest adopters of “bleisure” (71% of respondents) and those from the UK among the lowest (15%). The report also reveals

generational nuances, with almost half of Gen Z³ respondents reporting a recent “bleisure” experience. Beyond the flexibility in work schedule, the decision to blend trips is driven by the availability of on-site facilities and nearby activities.

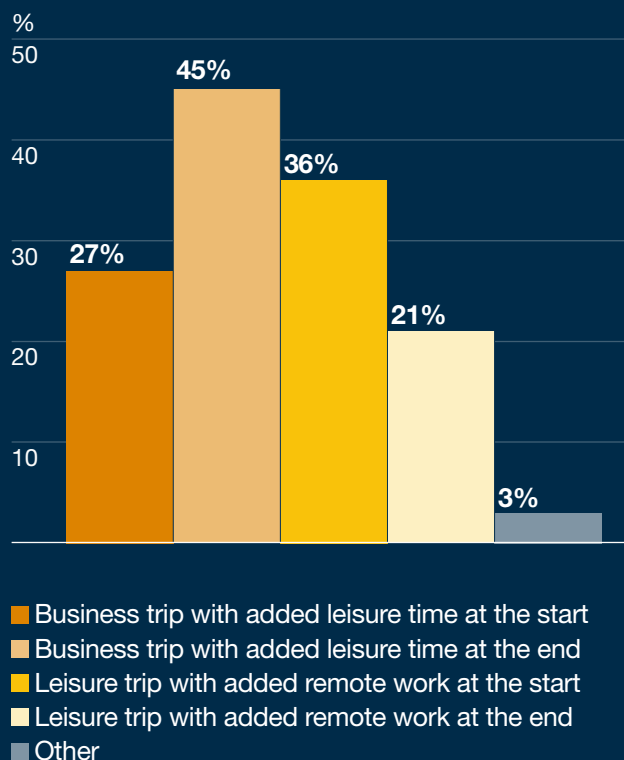
The most common “bleisure” arrangement was a business trip with leisure at the end, and three nights was the most selected length of extension for work trips with added tourism. For leisure trips with added remote working,

Have you taken any combined business and leisure trips* in the past 12 months?



*Defined as adding a sightseeing weekend onto the beginning or end of a business trip or deciding to stay for longer after a holiday and working remotely.

Most common “bleisure” combination



² “Bleisure” trip defined as “adding a sightseeing weekend onto the beginning or end of a business trip or deciding to stay for longer after a holiday and working remotely.”

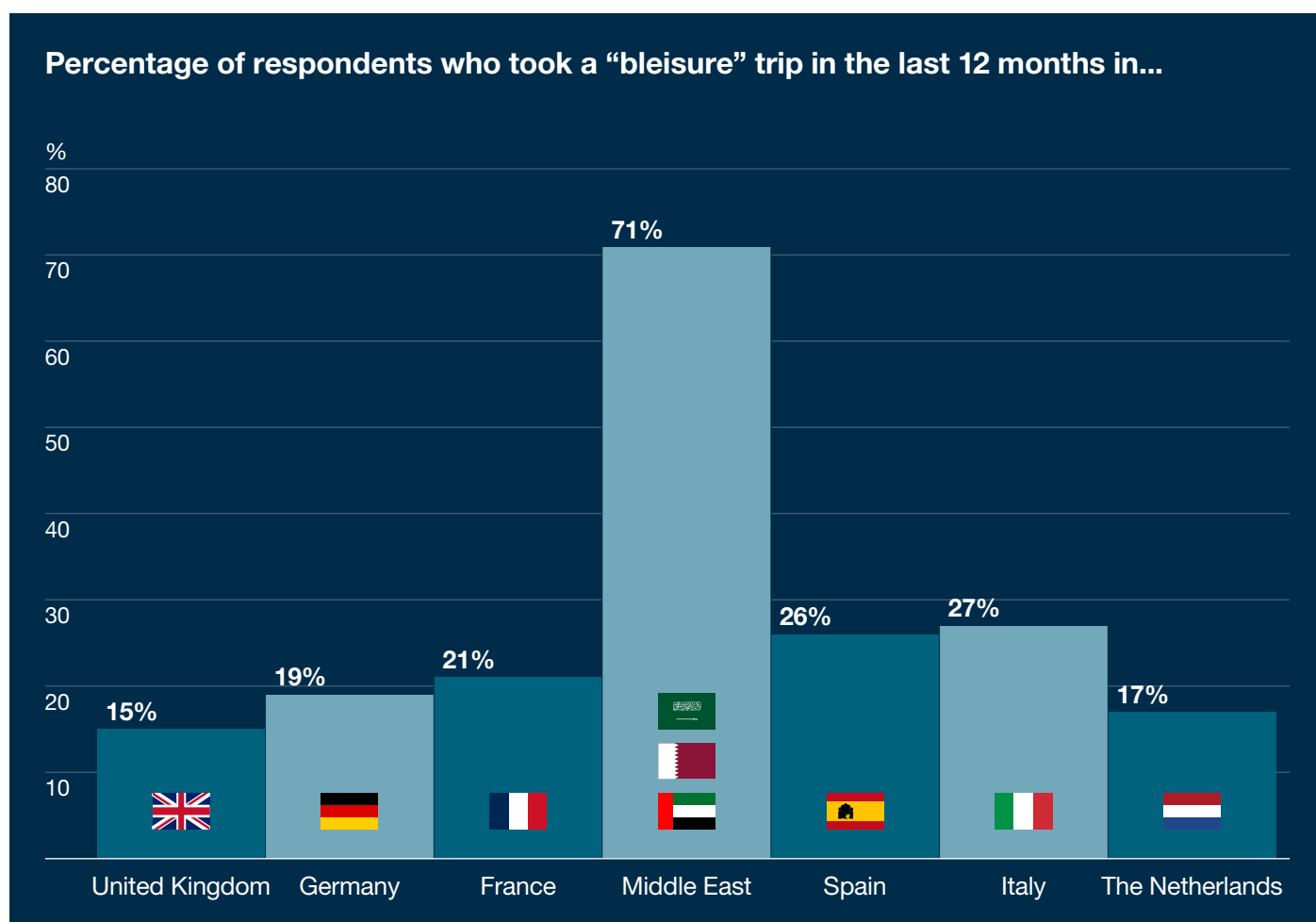
³ Respondents aged 18 to 26 years.

FOUR KEY FINDINGS FROM THE SURVEY

the most common extension option was two or three days. These extensions confirm the scale and relevance of “bleisure” trips, suggesting that the trend that took off prior to the pandemic and grew with hybrid working is proving to be sustainable. This should have real, long-term implications for travel and hospitality brands’ value propositions and distribution strategies.

Hotel providers should continue to tailor their offerings to better serve this new and dynamic customer, for example

by adding workspaces or boosting the offering of home-like amenities and experiences. However, at least for now, “bleisure” travel trend should not warrant large investments in new infrastructure and real estate.



FOUR KEY FINDINGS FROM THE SURVEY

3 Travellers care about sustainability, but don't back it up with their wallets (yet)

When it comes to ESG, nearly two-thirds of the survey respondents say they are willing to pay more for eco- and sustainability credentials, even though ESG doesn't show up in their top five considerations while choosing accommodation. This could reflect either a growing ESG awareness that isn't yet showing up in spending, or, more likely, that travellers have good intentions when it comes to making environmentally friendly choices, but it isn't as big a priority as price point or location.

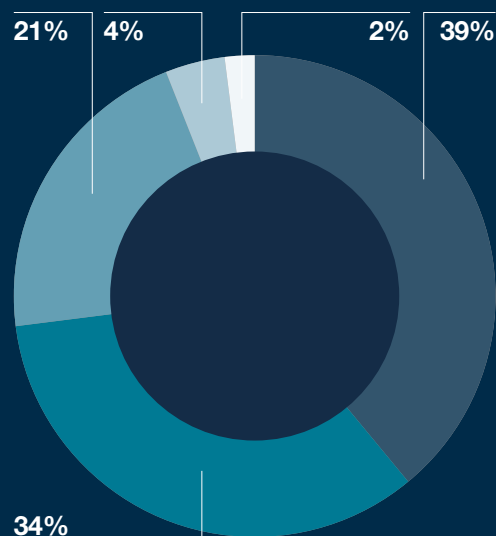
Moreover, the survey showed that most travellers (barring the Middle East) pay little heed to industry-standard accreditation as a motivating factor, an indication that perception of ESG values is more important to customers. So companies are probably better off highlighting their ESG values and efforts as part of their overall branding and marketing than chasing accreditation badges.

One important trend worth noting is that growing ESG awareness is prompting choices such as staycations, or traveling less frequently, but for longer durations. A third of those polled say they are holidaying closer to home, while 24% are reducing the number of trips and 23% are going on fewer, but longer, trips.

The increased focus on staycations suggests that hospitality brands and operators with ESG credibility are likely to see a bigger impact from targeted sales, marketing and distribution to more localized potential guests (via ads on regional or local social media communities, for example) than big spending on general brand marketing campaigns.

Are you prepared to pay extra to businesses with strong ESG credentials?

- No
- Yes – <c.5%
- Yes – c.10%
- Yes – c.15%
- Yes – c.20%+



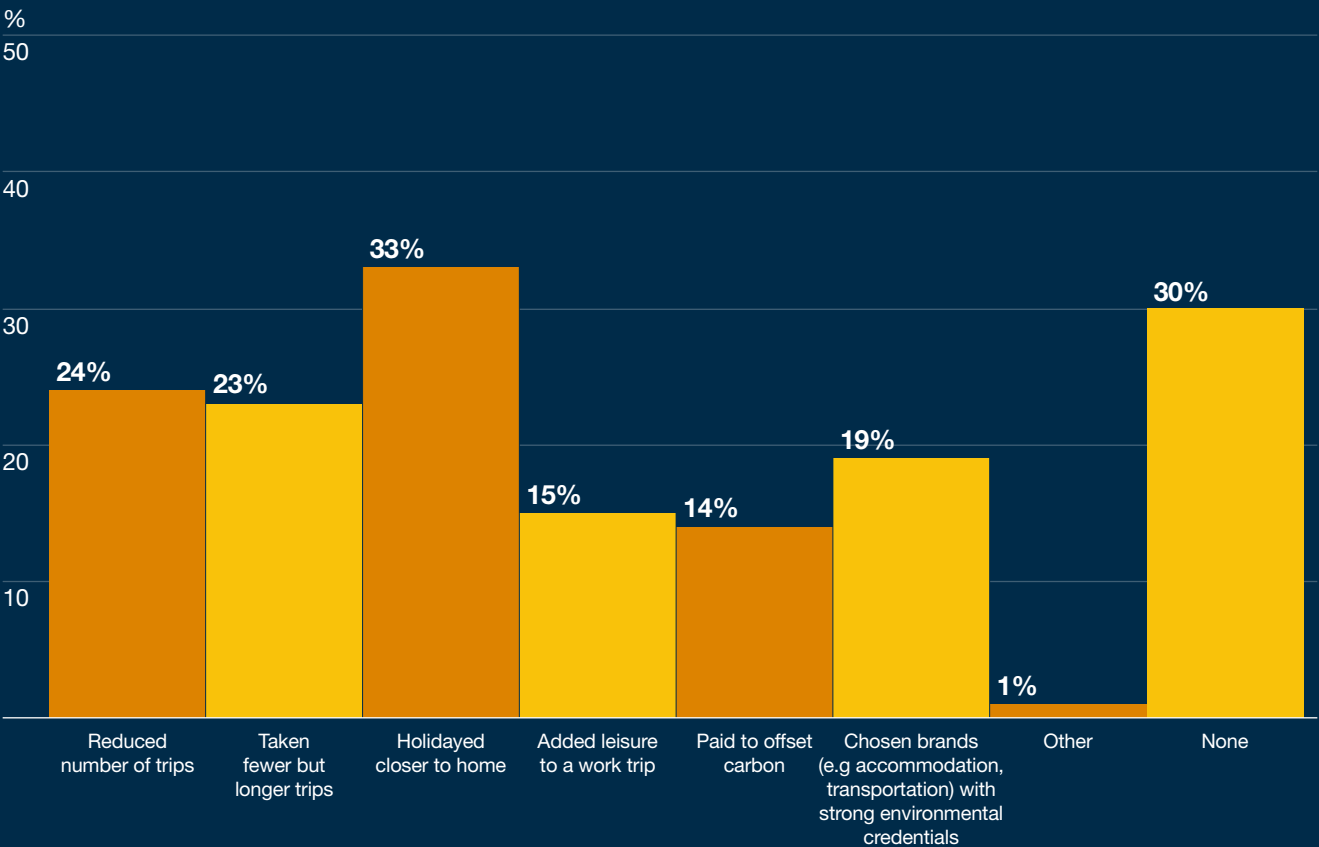
FOUR KEY FINDINGS FROM THE SURVEY

Breaking down ESG-related survey findings by region, we found that respondents in the Middle East were by far the group most willing to pay extra for ESG considerations (83%). Within Europe, 66% of Germans said they were more open to paying extra, while only 47% of those in the UK were willing to do so.

One important trend worth noting is that growing ESG awareness is prompting choices such as staycations, or traveling less frequently, but for longer durations.

Weather patterns linked to climate change, such as the extreme heatwaves and wildfires seen in southern Europe this year, are also causing subtle changes in travel behaviour. Half of the survey respondents say they plan to book holidays closer to departure next year, travel outside the peak summer months or go to other destinations.

How has awareness of climate change and other environmental or sustainability issues impacted how you travel, if at all?



FOUR KEY FINDINGS FROM THE SURVEY



4 Branding matters when choosing accommodation

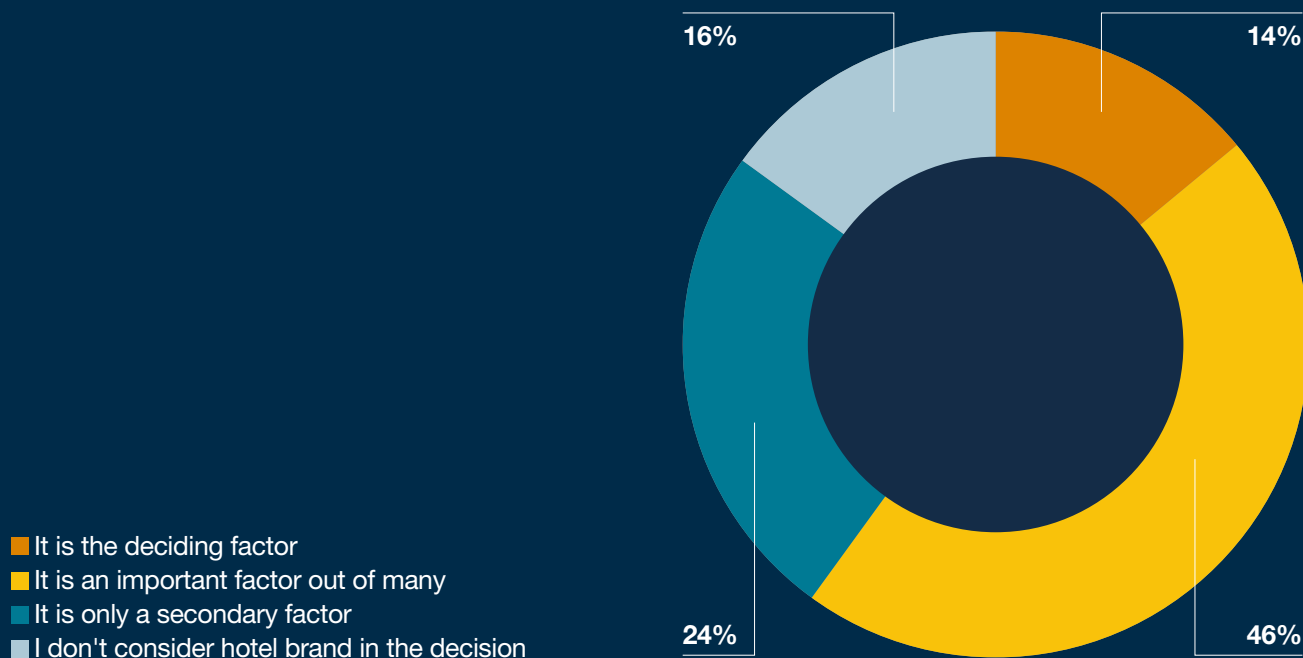
Historically, big hospitality brands prided themselves on offering the same experience, wherever they were located. But while brands still carry significant sway, our survey finds that what travellers want from well-known brands is not necessarily the same food or room types, but certainty that the same standards in quality will be upheld, no matter which location they visit or which employees serve them.

Sixty percent of respondents said brand is *the* deciding factor or an important factor in selecting their accommodation, citing reasons such as previous positive experience (49%), reassurance of reliable amenities and facilities (49%), security (46%) and simply knowing they “know what they are you going to get. (45%)”

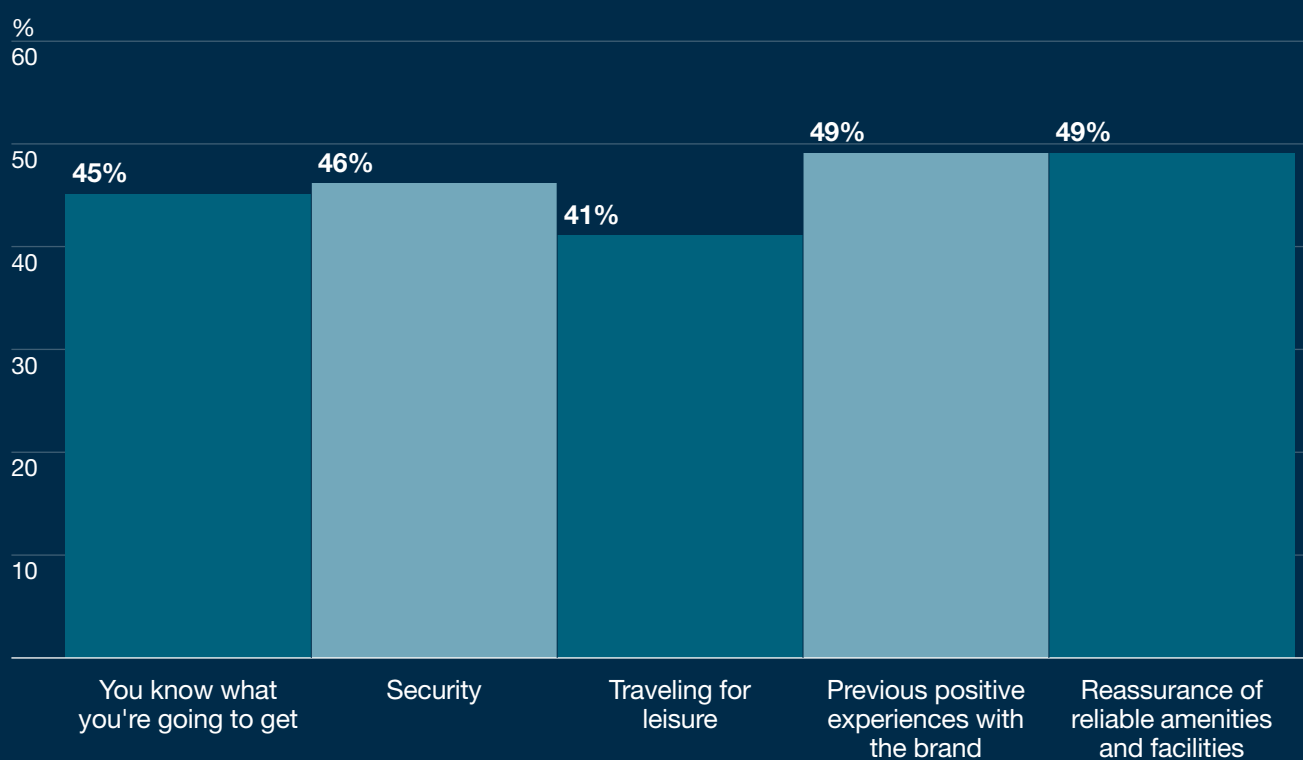
When it comes to the top consideration in choosing a place to stay, it's still location, location, location. But the range and access to facilities are also influencing travel decisions. Cost aside, amenities and privacy were the major factors motivating choices. Among top amenities travellers looked for are high-speed internet, public transport access, food and drink or recreation activities.

FOUR KEY FINDINGS FROM THE SURVEY

When choosing between two hotels, how important is a recognizable brand in choosing one over the other?



What are your main reasons for prioritising a well known brand?
Please select up to 5 options.



HOW CAN A&M HELP?

Travel, hospitality and leisure businesses are facing new and legacy challenges across the world associated with changes in the nature of demand, rising operational costs, disruptive market entrants, and increasingly complex financing environments. We at A&M can provide practical guidance and help you navigate the challenges your business is facing locally and globally.

Our market-leading, dedicated Travel, Hospitality and Leisure (THL) Practice understands the sector, influencing trends and business situations that require deep expertise. We are uniquely positioned to deliver swift and impactful results, whether it's streamlining operations, increasing profitability, or optimising service delivery. Our team's exceptional abilities and insights make us the go-to choice for hospitality businesses seeking rapid, tangible results.

If you're ready to catapult growth and accelerate results in your THL business, contact a member of our team.





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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 8,500 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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