

## Pricing the future of business travel with trendcaster Dr. Shawn du Bravac

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Julian Walker: Good morning. Good afternoon. Good evening, and wherever you are in the world, welcome to Business Travel on the fly, with me, Julian Walker, and our esteemed guest today, Dr. Shawn du Bravac, the internationally recognized thought leader, top rated keynote speaker, economist, and New York Times best selling author. Welcome, Sawn.

Shawn du Bravac: Great to be here, Julian.

Julian: thank you very much. And I have to say every time I introduce you, I feel more of an underachiever. But let's move on. Sure, it's also our partner with the GBTA on the global business travel forecast, which reveals price projections and analysis for air fares, hotel rooms, and cost per attendee for meetings and events, along with trends and tips to help organizations and their employees build a travel and events program fit for the future. So what we're doing today is having an update on that, which appeared in July. We published it in July last year. And so it's really, this is a scene setting for global travel forecasts and uncertainties. Looking at rising costs and global labor shortages. We ended our report, predicting that sort of on average, airfares would probably rise by about 8.4%, hotel rates by 8.2%, and car rental charges by 6.8%, next year, in 2023. So if we look at going into that, Shawn, can you give us a view about the kind of global macroeconomic and geopolitical picture, especially whether there's been an evolution from the sort of three key influences we predicted back in July, which was oil prices and the war in Ukraine, supply chain impact and raw material costs and labor shortages. So which of these factors can dramatically shift the pricing outlook for business travel and in what ways? So that was a long run.

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Shawn: I think those forces are still very much in play, obviously, oil prices and in particular, jet fuel costs are still high, it's important to remember that jet fuel is priced in US dollars. So with the strong dollar that makes oil prices relatively more expensive for other countries if their currency hasn't appreciated, to the same extent that the US dollar has. So that's a headwind for many countries. And obviously airlines that are operating in countries outside of the US.

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The geopolitical environment continues to be quite uneven and quite uncertain. I do think that

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business leaders are increasingly pessimistic and are talking themselves into a recession, it does feel like you know, a recession becomes an inevitability because of the way business leaders are talking. So that's certainly a headwind for travel generally. Labor shortages continue to speak, continue to be an issue. And that drives up the cost of operating hotels, and also airlines, airlines haven't been able to bring back their really, their full capacity in many markets because of labor shortages. So that continues to be a headwind, we've had very strong demand, especially in the last few months with respect to travel. And if airlines and hotels aren't able to bring back their full capacity, then that strong demand matched with lower supply results in higher prices.

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Julian: Okay, and do you think that will carry through 2023 and into 2024, as well?

Shawn: I think it definitely carries into 2023. Obviously, we'll be updating this forecast in 2023. And we'll take another look as out another year to 2024. To see if some of those forces are still still in play. It does feel like as demand slows for the broader economy. And as we potentially move into recession in certain markets, that might reduce some of the demand for, you know, for airline travel and hotel travel. So that might add in a little bit of cushion to bring those prices down somewhat. Obviously, a weaker economic environment might drive workers into the workforce. So that might improve that that picture as well. The labor markets are still extremely tight. And it really doesn't look like in most markets, there's any letting up of those forces. But we'll, you know, we'll get a better look of 2024 as we get a little bit closer. Certainly I think those forces stay in play for 2023. It does look like labor markets are going to remain tight. At least for now. The demand is looking pretty strong.

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Julian: Indeed. And with that, sort of meetings and events are a core element of business travel. And we looked at cost per attendee events, cost steering in the last forecast, and we were looking at they were saying 25% higher than in 2019, with a sort of projected rise on top of that, and maybe another 7% next year. I mean, our own CWT meetings & events is seeing the highest levels of demand for some time, fairly predictably, as people want to rush back. Do you think, is there anything that we should be looking into that and maybe seeing whether that price could actually increase as demand accelerates? Or do you think we're still around the same point?

Shawn: I think we're definitely still seeing extremely strong group booking and group demand. And the pipeline for that still looks very strong. So many organizations that had held off holding their meetings during the pandemic are back and they're bringing those meetings back in person. At the same time, you have personal gatherings, things like weddings, which are taking up hotel space, and competing for bookings. And then I think you also see a new dynamic where organizations that have moved into remote workers and to virtual workers are looking to bring them together. Some organizations have completely gotten rid of their office space. And so it is natural to create an event, if you will, a company event for them. And they'll bring him together for two or three days to do some brainstorming, maybe some strategic planning, just letting coworkers get to know each other in person. Obviously, group dinners and other things like that. So all of that ends up

producing new events and potentially more events than we've had in the past. So I do think group bookings have been a tailwind this year, and probably that continues into 2023.

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Julian: Okay, excellent. Yeah, great. And so with things not being an even keel, as it were, they're materializing differently around the world, we have, you know, notable dynamics in different parts of the world. So, you know, China restrictions lifting UK and US inflation, we just had the midterm elections in the US, is there anything that you specifically think we should be looking to highlight or look out for, as regards pricing going forwards?

Shawn: I think all of those things are, are noteworthy. I mean, as you mentioned, definitely things are playing out very differently across the world. China, for example, is still largely closed to external visitors. It does look like some of those restrictions are starting to ease somewhat, but it has, at least for much of the last year been primarily a domestic travel market and at times, it has stuttered, as different markets have gone into lockdown. So I think, as long as China has relatively strict COVID policies, we will see reduced international travel in and out of China. That obviously keeps down the average fare that people are paying. Europe continues to contend with the war in Ukraine, and that is a headwind, along with in certain markets, extremely high inflationary rates, primarily driven by higher energy costs. So if you look at places like, you know, Estonia, Latvia, Lithuania, markets that are highly dependent upon Russian exports of energy, we've seen significant rises in inflationary pressures there. And those inflationary pressures mean that there's less money to spend on other things, as you're spending more on food and energy costs, then you have less dollars to spend elsewhere, less money to spend elsewhere.

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And so those high inflationary pressures tend to erode some of the spending that might go elsewhere. And then in some markets, again, you've seen very strong demand, you look at the US and in September, we saw demand for hotels surpass pre pandemic, comparable months for the second time, and you're seeing rev par, for example, start to move ahead of 2019 for the first time, so things have, you know, really improved in places like the US and other markets, I think you're going to continue to see that uneven recovery in 2023. Despite perhaps a global slowdown, I think that some markets will continue to outperform others.

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Julian: Okay. And then the sort of pricing things. Do you think there are any regulatory changes that could maybe impact cost of transportation, you know, and to see for that? I mean, I'm interested at the moment there's COP 27 going on, and people are talking about carbon budgets, you know, similar to spend budgets, they seem to be gaining traction. So do you think it's conceivable that you know, the more progressive corporates who are really leaning into this would have clear carbon budgets for 2024 or 2023 even?

Shawn: I definitely think so, I mean, I already hear from business travelers that they're having to choose between different trips, and they're having to determine what the, ultimately the carbon footprint of different trips are. And then they're picking those trips accordingly. So I do think it is moving into the consciousness of business travelers. And as you point out, Julian, in some cases, certain organizations are really requiring it and creating frameworks in which these trips will be decided and so on. Net, it probably means fewer trips, because business travelers are being more selective. I also think that just the general impact of the pandemic has caused many travelers to be a bit more selective, business travelers that were historically road warriors, and were on the go, you know, 100 nights a year, 150 nights a year, they're becoming more selective on the trips that they take, perhaps not taking as many quite as they had in the past.

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You know, in the near term, a lot of consumer travel has made up for some of that reduced business travel. But I think that will continue to play a role, as well as business travelers become a little more selective on the trips that they take. As you noted, I certainly think that this sustainability goals and environmental goals of organizations will influence the type of trips that are made.

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Julian: Now along with that, I mean, we're seeing that instead of 100%, of our RFPs. Now, so it's definitely front of mind. But along with that, you know, uncertainty seems to be inevitable. So is there any advice you could give, say corporate travel managers looking to reconcile that with the reality of their own budget planning?

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Shawn: Well, I think that, you know, uncertainty, especially when we think about the geopolitical uncertainty, that's not going away. So that's going to continue to be front of mind. And at the same time, though, we do see the the booking window starting to open up a little bit. So businesses appear to be booking travel further in advance. So you know, we're getting some conflicting indicators there, because it does look like the willingness to book travel further out, is an indication of a little bit of optimism there, at least willingness that you're not going to have to suddenly cancel a trip or change a trip. When it comes to travel planners, you know, I think you need to take a lot of these factors into mind, and more than ever. Those who are booking travel and planning travel and thinking about their budgets are taking many more forces into account than they have in the past.

Julian: Yeah, in a much more sort of complicated landscape. But thank you for that. Brilliant, okay. We always like to sort of end up with a kind of slightly different type of question, if I may. So I'd like to put you on the spot a little bit. And rather than look on, perhaps economics, or forward looking planning, what's the coolest invention or kind of mobility device or business travel tech

that you've seen, that you think could have perhaps the most positive impact or serve as a model, or even precipitate a sea change in travel?

Shawn: I think there's actually a lot happening on the innovation front, when it comes to what we're seeing in travel and hospitality. As we were just talking about, there's a tremendous amount happening around sustainability and how we might travel more sustainable and so there's a lot of innovations happening in that space.

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There continues to be pushes in autonomy, and that technology is maturing So we're certainly seeing some interesting things happen there and a broadening I think of things like you know, autonomous vehicles, flying cars continues to occupy our minds and so there's several, I think, very interesting plays there. Looking at where flying cars, you know, might go. We're still probably years away from some of these technologies coming fully to fruition, but there's definitely a lot of companies trying to figure it out and see where that goes.

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And I think there's still, you know, kind of a play around the the Hyperloop. I've seen some companies trying to create a you know, essentially planes without wings, the ability to move quickly over ground and, you know, almost train like experience in a Hyperloop influenced approach. So there's a lot of things we're looking at

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with respect to the future of travel, I think there's a lot happening. And again, many of these are probably years away. But I think it just highlights that this industry is extremely innovative. And there's still a significant amount of innovation to come, that the way we think about travel today, probably won't be the way that we think about travel, maybe even 10 or 20 years from now. You know, we just mentioned autonomous vehicles. And if you think about some of the labor shortages, we're seeing, certainly autonomous vehicles might be able to help ease some of those constraints. And I think that could be a really interesting approach. And it means entirely new service models potentially for hotels or resorts, maybe they try moving their customers in very different ways. So I'm excited about the future of travel and the future of hospitality. I'm excited to see what the industry brings.

Julian: Me too. And thank you for joining us. That's great, great insights. And looking forward, certainly for next year. We're not seeing any changes to the average prices that we were looking for, or forecasting, but certainly with the future, like that, there's plenty of opportunity for change. So thank you very much, Shawn, as always, a tremendous pleasure to talk to you. Thank you for joining us today.

Shawn: Glad to be with you, Julian, always enjoy talking with you as well.

Julian: Thank you. So that's pretty much it for today. To find out more about the future of travel and work from experts like Shawn around the world, please do subscribe to business travel on the fly, which you can download from Spotify, Apple podcasts, Google Play, or indeed wherever you get your podcasts from. But for now, it's adieu from the team here until we next meet. on the fly.