

Your corporate travel budget in the biggest election year in history

Emma Woodhouse 0:03

Good morning, good afternoon, good evening and wherever you are in the world, welcome to Business Travel on the Fly. I'm Emma Woodhouse, Global Communications at CWT. CWT is a business travel and meetings specialist operating in 139 countries with whom companies and governments partner to keep their people connected, at traditional business locations and some of the most remote and inaccessible parts of the globe. For 9 years CWT has collaborated with the voice of the business travel industry, focused on building our collective future, GBTA (Global Business Travel Association). There have been a few ups and downs, and notable events in the last decade. So to help organizations and business travelers stay ahead...

Together, CWT and GBTA publish the Global Business Travel Forecast which forecasts global and regional prices for the year ahead for airfares, average daily rates on hotel rooms and meetings & events along with trends and insight to help small companies and enterprise corporations budget for, and build travel programs fit for the future. Joining today are our co-partners Chris Ely, Research Director at GBTA and Shawn DuBravac. Chris leads GBTA's industry-wide research body and is a regular speaker on future trends.

Dr. DuBravac is a futurist, economist and NY Times best-selling author. Shawn's research focuses on the forces shaping tomorrow that are percolating on the periphery of society and business today. Shawn is also the author of Digital Destiny: How the New Age of Data Will Transform the Way We Work, Live, and Communicate.

Welcome Shawn and Chris.

Shawn/Chris 1:28

Thank you for having us.

Emma 1:30

Great to have you here. So we are coming up to the 10th anniversary of the forecast later this year, and it seems more important than ever.

GBTA asked just under 1000 of its members: "What do you predict will be the most significant issues faced by the industry today. In the top 3 of 14 concerns are: Rising costs of travel, overall economic concerns, and corporate budgets not keeping pace with needs....above even climate change and AI.

Cost is higher on the agenda than ever.

With that in mind I will hand over to Chris to dissect with Shawn how forecasted pricing is materializing and what we can expect as the year rolls out, geopolitically and in terms of trends and behaviours...

Chris 2:11

Wonderful. Thank you so much, Emma, and thank you for inviting us today. I'm looking forward to this conversation with Mr. DuBravac. So let's dive in. Shawn, how did, with this in mind and the

forecast that we've been working on? How does forecasting the cost of business travel work? I mean, what factors do you look at? Maybe you can share some thoughts about the methodology, and how we go about this.

Shawn 2:36

We look at a number of factors when we're forecasting, pricing for hotels, and ground transportation and airfare. We start obviously, with the rich dataset that CWT has, they have hundreds of millions of transactions that we are looking at across all of these bookings. So we're seeing what real business travelers are paying for the cost of flights for hotel stays, and for ground transportation. That makes this particular forecast quite unique. And that we are relying on real transactional data. In addition to these transactional pieces of data, we're also taking into account the macroeconomic variables that are influencing business travel. So we are looking at economic growth. Obviously, we're looking at exchange rate volatility, we're looking at demand indicators on the economic side and on the business front, as we craft the forecast. And using all of those variables to help guide the direction of the forecast. Obviously, we're using quite robust econometric models, then to take all of this data into account and to produce forecasts of how we see pricing changing in the future.

Chris 3:56

Awesome, great. Wonderful. Thinking about that, let's take a look back at our last forecast. And in 2023, we forecasted the travel prices were largely stabilized after a real skyrocketing from in 2022 due to pent up demand from the post pandemic. So when we published the travel forecast last year in August, you forecasted that in 2024, there might be some lingering economic uncertainties and gradual easing of supply side constraints that might result in some more subdued prices. So for example, we last year in Dallas, the forecast was that air fares would rise on average about 1.5% or so, hotels about 4.3% or approximately. So now that we're in 2024 have these forecasts materialized thus far compared to what we said last year in in Dallas.

Shawn 4:54

Well, as you noted, as we headed into the pandemic, we were actually seeing a weakness already formed in the economy globally. And you were seeing travel prices decline year on year in those years headed into the pandemic, and we were much more accustomed to, you know, small percentage creases or small percentage declines in pricing globally, depending upon which region you might be looking at. As you noted, as we hit the pandemic, we saw significant declines in prices, that happened globally. So, in the past, pre pandemic, you might have had some deviations between what was happening across markets. But obviously, as we moved into the pandemic, and as we move into these major risk environments, you tend to see things move towards one, right correlations moved towards one. So all markets were really declining quite significantly during the pandemic. For you know, for example, hotel prices globally were down almost 21% in 2020, airfare was down a little over 20% in 2020. For both of those cases, we saw continued decline in 21. So airfare declined more than 17%, globally, in 2021, after having already declined by 20% in 2020. As you noted, as we hit 22, we saw significant rebound. As economies opened, as business travellers began to travel again. And also they were competing for these tickets with consumers who were anxious to spend pent up savings and to satisfy this pent up demand for travel. So where pre pandemic maybe consumers might take one big trip during the year, you saw them taking multiple trips, for example in 23 as they came out of the pandemic. And so, you saw big increases in demand in 22, and 23. And that had an impact on prices. For example, we saw prices up for hotels 30% in 2022, we saw airfare increase almost 60% in 2022. So you saw significant lifts. As we

moved into 23, we definitely saw some moderation take place. We had predicted, as you noted that hotel prices would be up a little over 4%. Globally, they ended up being up 4.1%. So our forecast was aligned with what ultimately materialized. Airfare we had predicted they would be up slightly, but we had, we had also discussed the potential that prices could decline in the second half of the year, as some of that consumer travel went away. Business Travel would have fewer things to compete with. And so you might see some greater moderation in pricing. And that's exactly what we did see happen. Globally, prices were down a little over one and a half percent in 23, largely driven by what was happening within regions. So if you look at North America, for example, prices were up a little over 4%, EMEA prices were up almost 2%. But when it comes to Asia Pacific region, you saw prices decline there. And they declined enough that they drove down overall global prices for the year. Now as we move into 2024, I think you're going to continue to see that moderating trend. Obviously consumer travel has stepped back a little bit. As consumers have gotten back into a more normal pattern. Some of them have returned to the office, obviously, we've seen pent up savings decline significantly. And the savings rate is actually today in the US below what it was pre pandemic. So consumers have fewer dollars available to make discretionary purchases, and that frees up some of the airline capacity and hotel capacity for business travelers. At the same time, you've also seen capacity in those sectors return. So in airlines, for example, in 23, last year, capacity was still down from where it was in 2019. We were down a little over three and a half percent in 2023. We are now back to pre pandemic levels. In fact, we have surpassed them if you look at the second quarter of this year, airline capacity seat capacity is up almost 4% from where it was. So you have a number of contributing factors, again consumer demand has waned at the same time business travel capacity has increased which is increasing what business travelers can take advantage of. So I think as you look towards 24, expect prices to moderate. And certainly through the beginning of the year, we have seen prices, moderate, prices for hotels booked by business travelers are down this year compared to the average price of last year. And airfare, they're up marginally through the first part of the year. But obviously, we have the significant portion of the year left before we actually see where prices will net out.

Chris 10:27

Wow, that's interesting. I think one thing that we might want to find, the audience might find useful in thinking about there are other implications that are going on, other things happening in the world that impact business travel, and one of which we hear a lot of is AI. And in this age of AI, there's a scenario in which the value of some types of business travel would have outweighed its costs. For example, the World Economic Forum predicts that 85 million jobs will be replaced by AI by 2025. It's still far from replacing human emotional intelligence and creativity. But can we argue that soft skills such as communication, collaboration, meeting in person, now carry greater weight? I mean, so what are your thoughts around how AI might influence the value of business travel and the future of work?

Shawn 11:17

we are still very early in the process of seeing how artificial intelligence impacts human work, and ultimately, the implications for business travel. Anytime we see one of these tectonic technological shifts, what we tend to see is an early focus on efficiency gains and productivity enhancements, what I tend to consider the low hanging fruit of real technological transformation. So these are the the easy wins, the easy things to achieve early on in a technology. The real transformations tend to take much longer, we tend to see those materialize in 8 years, or 10 years, or even 15 years. And so the real impact, the real transformational impact of AI, I think is

still years away, I think it is clear that it will impact what work looks like. But what we don't yet have a good sense of is what work fills in, as we start to perhaps automate certain routine tasks. What does the rest of the work look like? Anytime we have introduced technology, we have always in that process also created entirely new forms of work. And I think that same thing will be true here that we will see new forms of work. So as much as artificial intelligence might, let's say, automate certain aspects of b2b selling, it doesn't replace what b2b executives might be doing, they might still need to visit customers. But rather than doing routine tasks, maybe there's a much deeper level of collaboration, I think we're starting to see that form already, companies are partnering at a much deeper level. So that could mean that business travel actually is longer stays in certain locations, because they're doing much deeper collaboration that requires longer time periods on site. So maybe it means fewer trips, but longer stays, maybe it means something entirely different. I think we're still learning how companies are going to use AI. More importantly, how employees are going to use artificial intelligence, how it's going to impact their job. And some of the again, some of the really big transformational changes are still years away.

Chris 13:50

Interesting. Very interesting. Another question I have, Shawn, is when we're thinking about pricing for business travel, prices are determined by a lot of different factors including capacity, inflation, foreign exchange, and fuel charges, for example. But this year is also a different year in many regards, because it's the biggest election year in history, with more than 50 countries have or will go to the polls where this year is done, including major economies like the US and India. So we don't have any hard data to prove that election years have some sort of a discernible impact or global impact in travel patterns. But do you think it's safe to say that people might be more conservative or companies might be more conservative with purchasing decisions like business travel in an election year? There's a lot of things going on geopolitically that also impact the cost of travel. So do you have any thoughts around that? And let's let's talk about think about the election years and geopolitics and what that might mean for business travel in 2024.

Shawn 14:51

Yeah, you're exactly right, Chris, there are two major trends playing out this year. One is the elections as you noted, a significant number of countries have already held elections. And we have even more to come later in the year noteworthy, obviously in the US, and then also the geopolitical dynamics. What's interesting is thus far, despite the fact that we have two hot wars in the world, one in the Middle East, one in Europe, and we have bubbling geopolitical concerns elsewhere in the world and in other regions, you haven't seen that the geopolitical risks and concerns weigh on consumers to a certain extent. And I think that same is true on the individual business consumer. So I don't know that that is weighing on the decision to travel as much as we might have thought it could and would, based upon how significant and severe some of these situations are. At the same time, we do know that elections create uncertainty, and that does seem to be influencing things like consumer sentiment, for example, that there is, it has largely held steady in recent months, I think part of that is consumers are taking a very wait and see approach. And likewise, businesses I think are following a very similar pattern. They are approaching the remainder of 2024 with just a little bit of of apprehension. So while we have seen, for example, large investment, and new plans and capabilities, new facilities, as we reconfigure supply chains globally, businesses are also being cautious in how much inventory they carry. They're being cautious in how much investment they make and commit to this year. And I think they're being cautious and cognizant of some of that uncertainty when it comes to outlays for expenses, like business travel. So it isn't a recessionary environment in the same way that they are

slashing costs as quickly as they can. And travel is at the top of that list. But they are approaching it cautiously. I think there is some uncertainty that weighs on some of their decisions. So for some of these longer term investments, they're taking more of a wait and see approach.

Emma 17:29

Thank you, Chris and Shawn, for that really insightful, near term outlook on pricing, and also the impact of AI and geopolitics. It's all very interesting to listen to. And I know our listeners will be glad too to hear that prices could moderate this year. You know, there's a lot of stuff impacting business travel. But we know also that smart business travel, and more sustainable business travel is necessary to facilitate solutions to some of these, the world's biggest problems and changes, AI and job promotion rate, peace and collaboration across borders. So super interesting times and we look forward to connecting again at the next GBTA Convention and to our 10th anniversary edition of the travel forecast later in the year.

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