

BUSINESS TRAVEL IN FRANCE IS DOING WELL



EPSA, a leading French consultancy firm in the business travel industry, recently released its annual report titled "Review & Outlook for Business Travel in 2023-2024". While the figures for the year are positive, the sector is also facing high inflation, which is affecting its growth.

According to industry experts, 2023 is expected to become the new benchmark year for business travel in France, **with projected spending reaching 28.5 billion euros, equivalent to 95% of 2019 figures.**

However, these positive results mask a different reality. The demand for business travel has decreased by 20%, almost offset by the high inflation rate of 15%.

Airfares have significantly increased by 18.8% on domestic flights and 22% on long-haul flights between the first half of 2022 and 2023. The significant rise in airfare prices can be attributed to factors such as soaring fuel prices, high demand in both the corporate and leisure segments, restricted supply, and the incorporation of SAF (sustainable aviation fuel).

Reducing Carbon Emissions Is a Challenge

Air transport must meet the European objective of 70% SAF by 2050. This is not a choice but an obligation. Though it may be a long, expensive, and challenging road, it is not impossible. The biggest hurdles to overcome are the availability of raw materials and the cost, which is 4 to 8 times higher than traditional aviation fuel. Delphine Barault, Corporate Sales Director at Air France-KLM, emphasizes these challenges. The national airline has already begun updating its fleet to meet decarbonization goals.

In 2023, the aviation industry witnessed a surge in NDC implementation. Delphine Barault explains that NDC accounts for a quarter of Air France's ticket sales and a third of all tickets sold in France. "While certain segments of business travel in France still expect additional features in terms of productivity and quality of service, we are attentive and aware of their needs. It's worth noting that Air France will start applying a surcharge to ticket sales through GDS starting January 1, 2024," said Ms. Barault.

Rail: +1% Traffic over 2019

In 2023, SNCF (the state-owned railroad provider in France) has seen a 25% increase in traffic in the corporate segment since the first quarter of 2022 and just about a 1% increase compared to 2019, which is a good sign for business travelers. Additionally, the tipping point from plane to train has increased from 2 to 3 hours and 45 minutes. This is a positive development in favor of train travel for business purposes. Furthermore, professional travel intentions for the coming months have increased by 5 points compared to 2022.

However, despite the good news, rail travel is not immune to inflation. The average price of train tickets has increased by 5%. Moreover, production costs have risen by 13%, according to SNCF.

The French Hotel Industry - The Biggest Post-covid Winner

The French hospitality industry has seen positive results lately. The hotel industry has been the biggest winner of post-COVID recovery, with increasing occupancy rates, RevPAR, and average prices. In fact, the hotel industry has recovered faster than other sectors, and by spring 2022, it had already returned to 2019 occupancy rates, transaction rates, and prices.

According to MKG, in the first quarter of 2023, European corporate customers preferred mid-range hotel establishments in France.

According to experts, occupancy rates have increased among hotel chains and independent hotels since September. However, the impact of the Rugby World Cup, held in September and October 2023, on business travel in France was moderate, as there were few matches during the week. Also, many rugby fans prefer alternative accommodation options.

Considering this observation, it is unlikely that organizing the Olympic Games in Paris during the summer of 2024 would disrupt business travel in France, which is almost absent during this period. MKG predicts a 27% increase in the average price compared to 2019-2024.

2024: A Good Year for Business Travel in France

It is estimated that if the business travel industry returns to high activity levels and greater stability in 2023, 2024 will follow the same trajectory. **Epsa has set a target of 29.2 to 31.3 billion euros in travel expenses in France.**

According to projections, inflation should be moderate next year. However, several uncertainties exist, including the climate emergency, recruitment difficulties, a recession risk, and geopolitical tensions. Additionally, there is a potential epidemic risk that cannot be ignored.

Date: 2023-10-09

Article link: <https://www.tourism-review.com/good-outlook-for-business-travel-in-france-news13778>