

THE CROSSROADS OF BUSINESS TRAVEL IN 2024



Despite the pessimistic forecasts, the recovery of business travel indicates that the industry is not fighting for survival but rather is at a crossroads of change. The industry has faced significant transformations, especially in the corporate model, and it is important to acknowledge these changes.

Surprises for Locals and Strangers

In 2022, global business travel spending rebounded by 47%, surpassing the psychological barrier of \$1 billion. In 2023, the recovery was expected to cool due to deteriorating macroeconomic conditions, but spending on corporate tourism jumped again by 32%.

According to recent reports, **global business travel spending is estimated to grow to nearly \$1.8 billion by 2027**. GBTA (The Global Business Travel Association) had to bring forward the expected date for the full recovery of the sector by two years, with global spending expected to return to pre-pandemic levels by the end of 2024.

The Dynamics of the Recovery of Business Travel

The GBTA Executive Director, Suzanne Neufang, states that the expected headwinds that could impact the rebound in global business travel did not materialize, indicating an accelerated return to pre-pandemic spending levels earlier than anticipated and future growth in the coming years. The Association identifies two critical elements in this dynamic: the economy's strength and the ability to adapt to the challenges and transformations in the segment.

Doubts about the Economy

Most of the world's central banks have tightened monetary policy to curb inflation, pushing back record inflation figures in 2022 to persistently high levels in 2023. This goal has not led to an abrupt landing of the economy or a recession in 2024, as interest rates are expected to start falling. However, the lagged effect of these monetary policies could be felt in 2024, leading to moderate growth expectations for the coming years.

A Framework of Moderation

The IMF (International Monetary Fund) has reported that global growth slowed to 3% last year, down from 3.5% in 2022. The IMF predicts that the slowdown will continue into 2024 at a rate of 2.9%. This is the slowest growth rate in decades and is well below the 3.8% average seen in the first 20 years of the century. Concerns about geopolitics, including conflicts in Ukraine and the Middle East, trade tensions with China, cybersecurity, and political polarization, exacerbate uncertainty regarding macro expectations.

What to Expect from the Rates?

Experts emphasize price pressure in the travel industry and the need to predict its impact on

different activity segments. Analysts believe that travel providers currently have the power to set prices due to steady demand for travel. However, with the global economy slowing down, prices are expected to grow much slower in the future.

Business travel experts discuss the significant rise in tariffs in the airline and hotel industry over the past two years, with the average airfare seeing a record increase of 72.2% in 2022. Latin America experienced a 55% increase in airline ticket prices, which is expected to slow down but remain higher than other regions due to high inflation and constrained airline capacity. Furthermore, the global average daily rate per room in the hotel industry rose to \$161 in 2022, up 29.8% from the previous year. Though this pace slowed in 2023, hospitality still retains enormous pricing power. The report reflects that Mexico, South America, and Central America have surpassed pre-pandemic levels in revenue per available room.

New Era for Corporate Travel

The rising cost of business travel due to economic uncertainty poses many questions. Corporate demand remains high, but it competes head-on with pent-up demand for leisure. High costs stay through 2024, even with a trend toward moderation. Understanding the price trends and global supply chain of 2023 is crucial to meeting the challenges at this stage of the economic cycle. Companies need to anticipate and prepare to do what's best for their organizations and travelers regarding in-person meeting opportunities.

New Costs, New Trends

Market control has changed in the travel industry, with suppliers having greater power when it comes to pricing. Multi-destination greening is becoming popular, with companies including more destinations within an individual trip to save money and reduce emissions. Leisure and business travel is also on the rise, with package travel becoming more popular, allowing for more flexibility and contributing to employee well-being. Finally, premiumization is pushing prices up in the luxury commercial products market on both air and land.

Managing Changes

The corporate travel industry is undergoing massive transformations, and companies need to adapt to these changes. Travelport's recent report highlights three key areas that require attention from businesses. First, companies must prioritize employee well-being, recognizing that work travel can disrupt personal lives. Second, with the rise of remote work, companies need to consider the new type of business travel that involves going to a physical office. This can involve longer trips and more activities that require incorporating corporate policies.

Finally, companies need to take sustainability seriously, as younger travelers demand more transparency about the impact of their itineraries. One possible approach is to send employees on longer trips instead of multiple short flights, organize more meetings in the same city for longer, or do a multi-city tour to save on the total number of takeoffs and landings.

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