

BUSINESS TRAVEL IS DOWN. LEISURE TRAVEL IS UP.

Here's how hospitality brands can take advantage.

An Ipsos Point of View

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GAME CHANGERS



KEY TAKEAWAYS:

- The composition of travel has changed—leisure travel has bounced back post-pandemic, but business travel is still short of returning to pre-pandemic levels
- The needs and mindset of the efficiency-focused business traveler are different from that of the leisure traveler, who is in the mindset of fun and relaxation
- There's an opportunity for the hospitality industry to cater to the different expectations of the leisure traveler through an enhanced experience at every touch point

Leisure travel is bouncing back beyond pre-pandemic levels

Travel fulfills a human need to explore, to expand one's horizons, to learn about new cultures, or even to escape reality for a while. While the pandemic brought these plans to a halt for most of 2020 and 2021, there has been a resurgence of leisure travel since then. This is being driven by several factors:

- Initially, “revenge travel” was the trend, as countries opened their borders. Still, many people are taking trips that were put on hold during the pandemic, perhaps now planning for a trip even more exciting or extravagant given their pent-up demand.
- Leisure travel is likely to continue to rise in 2023, with about 1 in 4 Americans planning to travel more for leisure in 2023 than they did in 2022, [according to an Ipsos poll conducted for the U.S. Travel Association](#).
- There is also an increased desire for further exploration, with one in three travelers claiming they are more open now to exploring new travel destinations than before the pandemic, [according to an Ipsos survey with Tripadvisor](#).

All these indicators are pointing to a rise in leisure travel, with some predicting a bumper travel season this summer. Airlines are optimizing their routes and network for the upcoming summer rush, and we are seeing staffing shortages in every aspect of the experience, from hotels to airports to pilots to air traffic controllers.

Business travel is lagging in the rebound

While leisure travel is making a solid comeback, business travel is lagging in the post-pandemic economy. According to an [Ipsos survey for the U.S. Travel Association](#), less than one quarter of employed Americans have an upcoming business trip planned in the next 6 months. This might be counterintuitive to the notion that [corporate spending on travel has increased](#), but this is largely because of inflation and higher travel costs.

- Underpinning reduced business travel is the “working from home/working from anywhere” norm spurred by the pandemic, where businesses have accepted that virtual meetings and workshops can serve as a good-enough substitute for face-to-face interactions, thanks to the rise of Zoom and other technology platforms.
- Reduced business travel is also being driven by too much work (24%), health concerns (20%) and restrictive company travel policies, [according to the Ipsos survey for the U.S. Travel Association](#).
- On top of this, “Bleisure” travel is the new buzzword, with the blending of business and leisure travel—again mostly due to the rise in flexible work arrangements.





Along with the changing mix of travel, the hospitality industry is seeing positive signs overall

Despite the vagaries suffered by the hospitality industry over the past few years, at an overall level, current performance indicators are positive. In the U.S., revenue per available room was up 8.1% in 2022 from 2019, [according to Smith Travel Research](#), and hotel occupancy is reported to have been only 5% shy of 2019 levels.

While the industry is seeing positive growth opportunities, it's important to acknowledge the shift in the mix of traveler, the types of travelers, and their demands. On an aggregate level, more leisure travel, less business travel has some implications for the industry.

The needs of business and leisure travelers are different. The mindset is different. The process of booking is different. The experience is different. For the hospitality industry to truly leverage the growth opportunity, it's important to dissect these differences and cater to the market accordingly.

For the business traveler, it's about efficiency. Get in and get out quickly. It's a relatively transactional experience, costs don't touch the traveler's wallet directly, and in many cases, the booking process is outsourced. But the story for leisure travel is the opposite. The mindset is relaxation and enjoyment, every dollar counts, and overall expectations of the experience are higher.

For an industry that has gotten comfortable relying on the high revenue, efficiency focused, seasoned business traveler, this shift might require a rethinking of priorities.

Putting the traveler at the heart of the travel experience— to drive value for the customer and therefore the industry

Finding ways to meet the needs of the increasingly numerous leisure travelers will not only drive value for the customer, but for the industry as a whole. Over half of Americans (52 percent) say they would travel more for leisure in the next six months [if the travel experience was not as much of a hassle](#).

Some potential opportunities to enhance the customer experience include:

- **Customized and transparent pricing:** Increasingly, travelers can choose what they will and won't pay for. This is an opportunity for the industry to benefit from those willing to pay more for extra benefits. However, communicating pricing options in a transparent and overt manner is key to gaining and retaining customer trust and loyalty.
- **Premiumization:** Business class is no longer the domain of only the business traveler. [According to the New York Times](#), leisure travelers are increasingly upgrading and major U.S. airlines are expanding premium seating by 25 to 75%. The hospitality industry can capitalize on this shift by creating premium offerings and communication that is tailored to the leisure traveler.
- **Customer service:** So much of the travel experience sits in the hands of the traveler these days: travelers have become self-booking agents, baggage taggers, and self-caterers. While this works for the very seasoned business travelers, the more infrequent leisure travelers perhaps are seeking a bit more hand-holding, and a bit more indulgence. Perhaps less comfortable with doing everything via an app, they might be looking to speak to an agent live. The key question will be how to continue leveraging the efficiencies tech

enables, while maintaining old-world customer service values?

- **Personalization:** The industry is sitting on a trove of preference data that will be key to delivering value through personalized service offerings: "We'll have to be more tuned to the individual's trip purpose," said Julius Robinson, Chief Sales & Marketing Officer for the U.S. and Canada at Marriott International, [in an interview with Ipsos' What The Future](#). "It will no longer be enough to have a welcome smile upon arrival and a great hotel room. We'll have to know more about who's with us and why they're with us to make sure we maximize their trip."
- **Localization:** Rather than flying into a city, participating in a meeting, and then jumping on the first flight home, the increasing number of leisure travelers are looking to experience their destinations. Braver and more adventurous than ever before, with iPhones, Google Maps, and Duolingo at hand, they are looking for a richer travel experience, meeting locals, and "getting a sense of the place." Continuing to deliver unique experiences befitting the local context will be more and more important.

As travelers return to the skies, roads, hotels, and restaurants with the desire to explore new destinations, and as the industry faces a surge in demand, it's a prime opportunity for the industry to re-examine how we have been serving travelers. The post-pandemic traveler is different than the pre-pandemic traveler: in their objectives, their style, and their needs. The companies that can most deeply understand these changes, and most deftly adapt to them, will be the hospitality leaders of tomorrow.



Ipsos Strategy3's travel and hospitality practice has been tracking and strategizing on changing traveler needs throughout the last several years. Whether it's experience design, pricing, or trends and foresight, let us know if you'd like to have a conversation about some of the most impactful movements in the industry we've been exploring.

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