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2024 travel outlook

Contents

Executive summary	3
Leisure travel demand	4
Suppliers touch up the travel experience	9
Corporate comeback continues	10
More trips or longer trips?	11
Marketing spend shifts as consumer tech evolves	12
Gen AI: Behind the scenes and front and center	13
Authors	14
Endnotes	15

Executive summary

After more than two years of consistent year-over-year gains, leisure travel may have tapped all of its pent-up demand from the peak pandemic years. Is US travel demand due for a correction? Our 2024 industry outlook explores signals of the strength of travel demand.

As the phenomenon of “revenge travel” wanes, a new era of prioritizing travel may be emerging. Consumers are exhibiting a sustained interest in travel, and for many, that interest may be shifting from reactionary impulse to a redefined priority.

In a key signal that consumers place high value on vacation and exploration, travel has held a consistent share of the American wallet, even at times of high financial anxiety. Enthusiasm for in-destination activities, growing interest in more diverse destinations, and the return of baby boomers in greater numbers add to positive indicators for travel. And workplace flexibility appears poised to further buoy demand.

Despite this optimistic outlook, an economic downturn could lead to more conservative travel behaviors, particularly among lower-income groups. Travel frequency and certain indulgences may see a decline. At the same time, if higher-income groups are relatively insulated from economic headwinds, higher-end travel products could have a better year than budget ones. On the corporate side, many decision-makers in the coming year will seek a delicate balance between conservative budgeting and pursuing the strategic benefits that travel can support. Travel providers in 2024 could see significant fluctuations in demand for different products and amenities. Those that can apply technology to surface personalized and flexible offerings stand to make the most of the coming year and travel’s position as a widely cherished experience.

Methodology note: Except where third-party sources are cited, this report relies on Deloitte research from three categories of survey: 1) leisure travel surveys fielded to a representative sample of about 2,000 Americans in advance of the summer and holiday travel seasons in 2021, 2022, and 2023; 2) a survey of corporate travel managers fielded in February 2023; and 3) Deloitte’s ConsumerSignals, a monthly survey of 1,000 Americans.

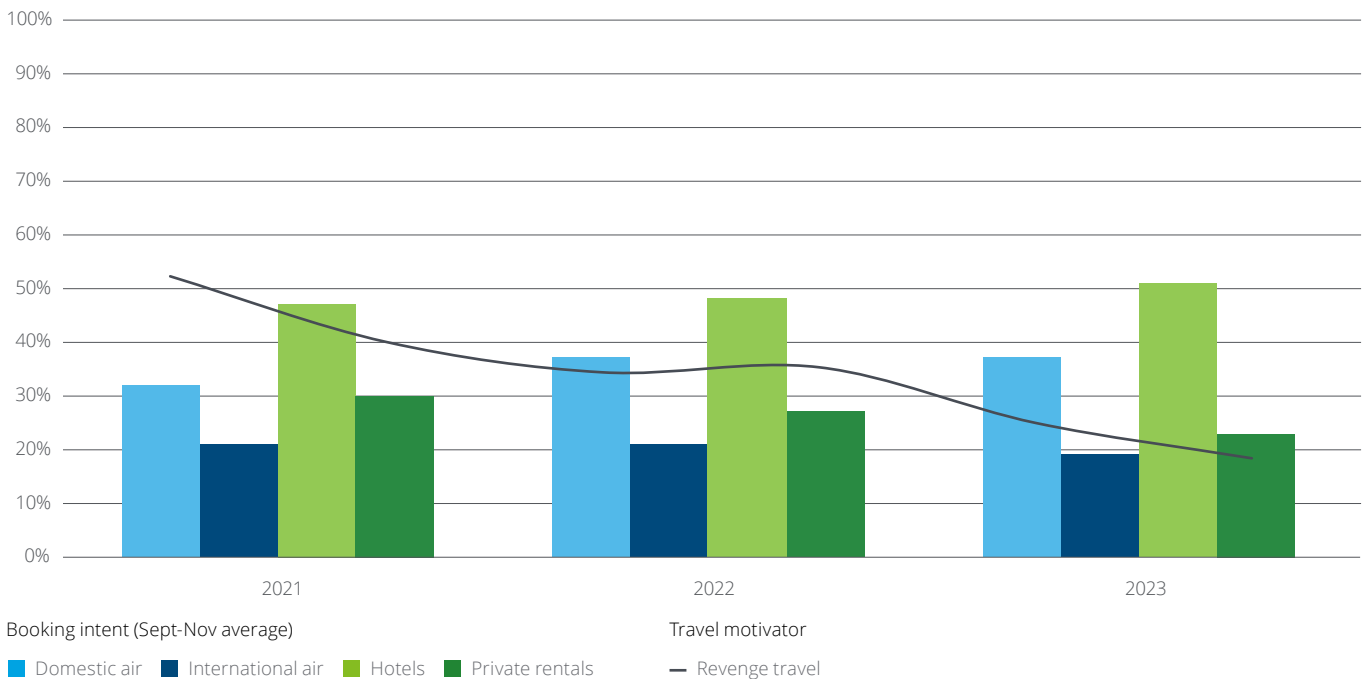
Leisure travel demand: From ‘revenge’ to reprioritization

The travel industry enters 2024 on a wave of strong performance. Deloitte’s consumer surveys projected that Americans would travel enthusiastically in 2023, and industry metrics indicate that they did. From January through November 2023, TSA-reported passenger throughput was up an average of 12.5% year over year. And in November, STR and Tourism Economics projected that full-year revenue per available room would rise 4.8% year over year.¹

Leisure travel seems to have put recent historic lows in the rear view and once again returned to consistent annual gains. But will this last? Many worry that the unleashing of pent-up demand in the wake of the pandemic may have run its course. Amid economic challenges, travel might soon be subject to tighter budgets for consumers and corporate buyers. And even if economic conditions improve, could travel spending be due for a correction?

“Revenge travel” was indeed a major driver of demand for two years, as Americans shook off prolonged restricted movement, health concerns, and uncertainty. In 2021, nearly half of summer travelers said the need for an “escape after lockdowns” motivated them to take trips. In 2022 and early 2023, many said they were “making up for trips I didn’t take due to the pandemic.” But the revenge effect has declined steadily (figure 1), and by the 2023 holiday season, just 11% said they were making up for missed trips.

Figure 1. Leisure travel intent remains consistent across most travel categories even as the notion of ‘revenge travel’ rapidly dwindles



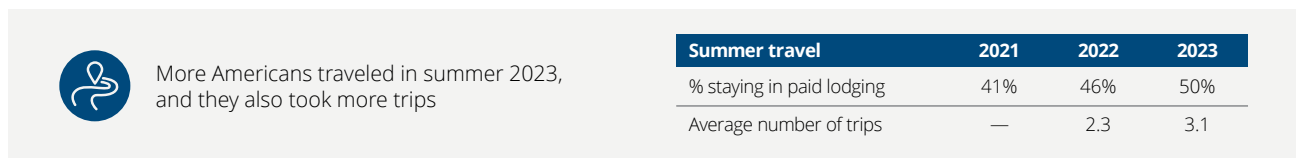
Source: Deloitte ConsumerSignals; Deloitte summer and holiday travel studies in 2021, 2022, and 2023

As Americans have increasingly put revenge travel behind them, travel intent has not shown a corresponding decline. The share of Americans planning to book hotels and domestic flights has remained steady. And over both the summer and holiday periods, more planned trips in 2023 compared to the prior year.² While pent-up demand may have moved out of the picture, that does not dampen the desire to travel or the outlook for 2024.

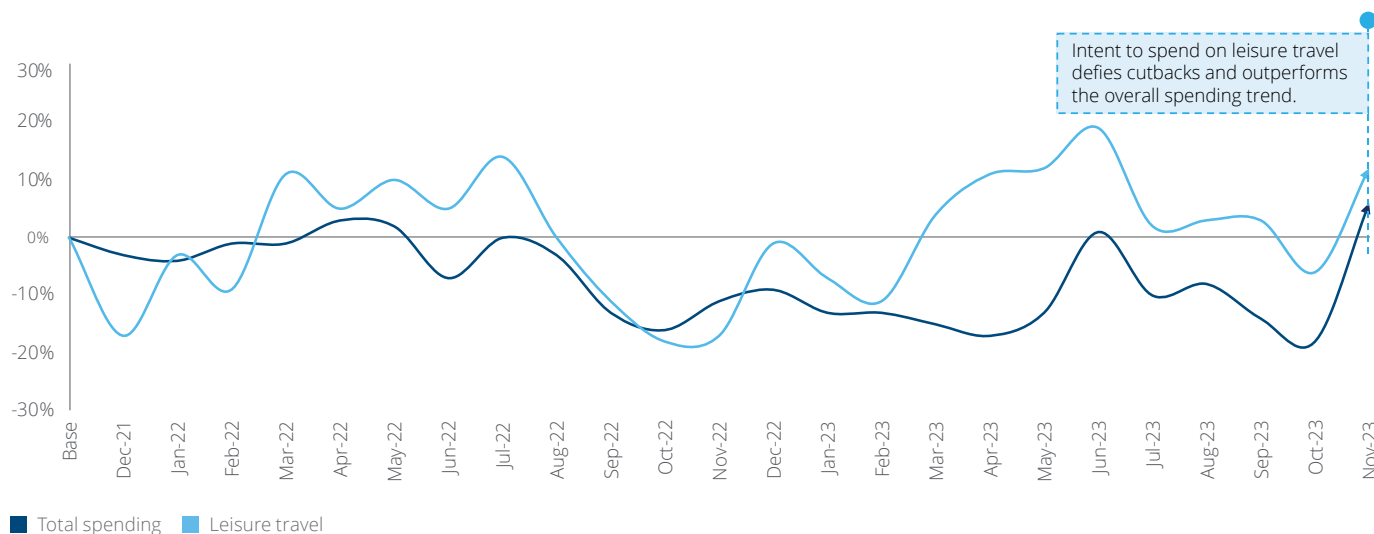
Rather than reverting to the way things were, Americans may be moving from revenge to a reordering that values travel highly. Several signals support the likelihood of a sustained boost to travel demand. Across seasons, Americans' travel spending intentions have

shown more resilience than other spend categories (figure 2). And over both summer 2023 and the recent holiday season, budgets and intent to stay in hotels climbed, compared to 2022. Among those increasing their budgets, one in five report a shift in motivations that bodes well for 2024: They say spending on travel has become more important to them since the pandemic. Even among Americans who stayed home or trimmed their budgets, many said they had bigger plans in 2024. This was especially true for baby boomers, whose return to travel in recent months is a strong positive signal for the industry. Three in 10 boomers who cut their 2023 holiday travel budgets say they are saving up for future trips.

Figure 2. Several metrics indicate a sustained enthusiasm for travel



Spending intentions (% change vs. Sep-Nov 2021 average)

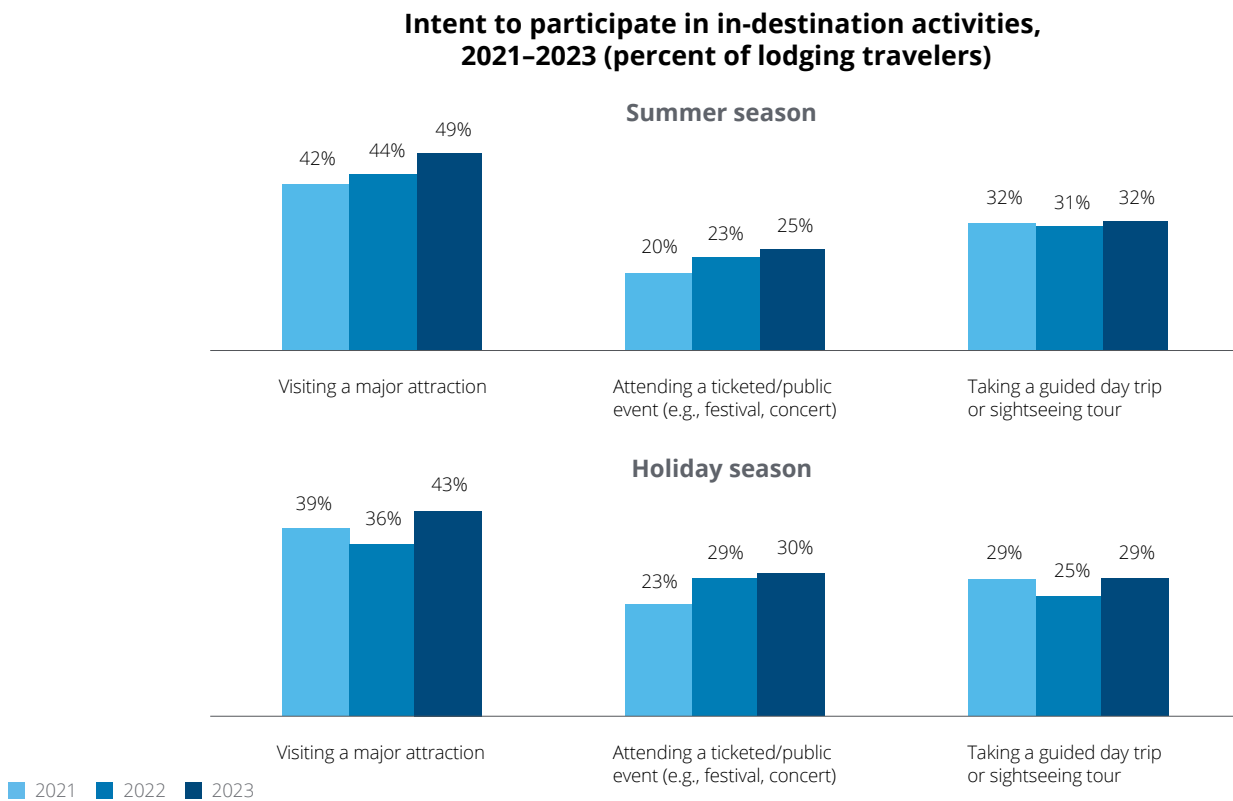


Source: Deloitte ConsumerSignals; Deloitte summer travel studies in 2021, 2022, and 2023

In another signal of enthusiasm, intent to engage with in-destination activities has climbed. Travelers planning to visit an attraction on their holiday trips jumped from 36% in 2022 to 43% in 2023 (figure 3). Americans also expanded their overseas destinations in 2023—

first with very strong demand to visit Europe in the summer, followed by surges in interest in South America, Asia, and Africa. Many Americans’ trips appear oriented toward exploration and new experiences, not just relaxation and escape.

Figure 3. As more Americans return to travel, they are also doing more in-destination activities

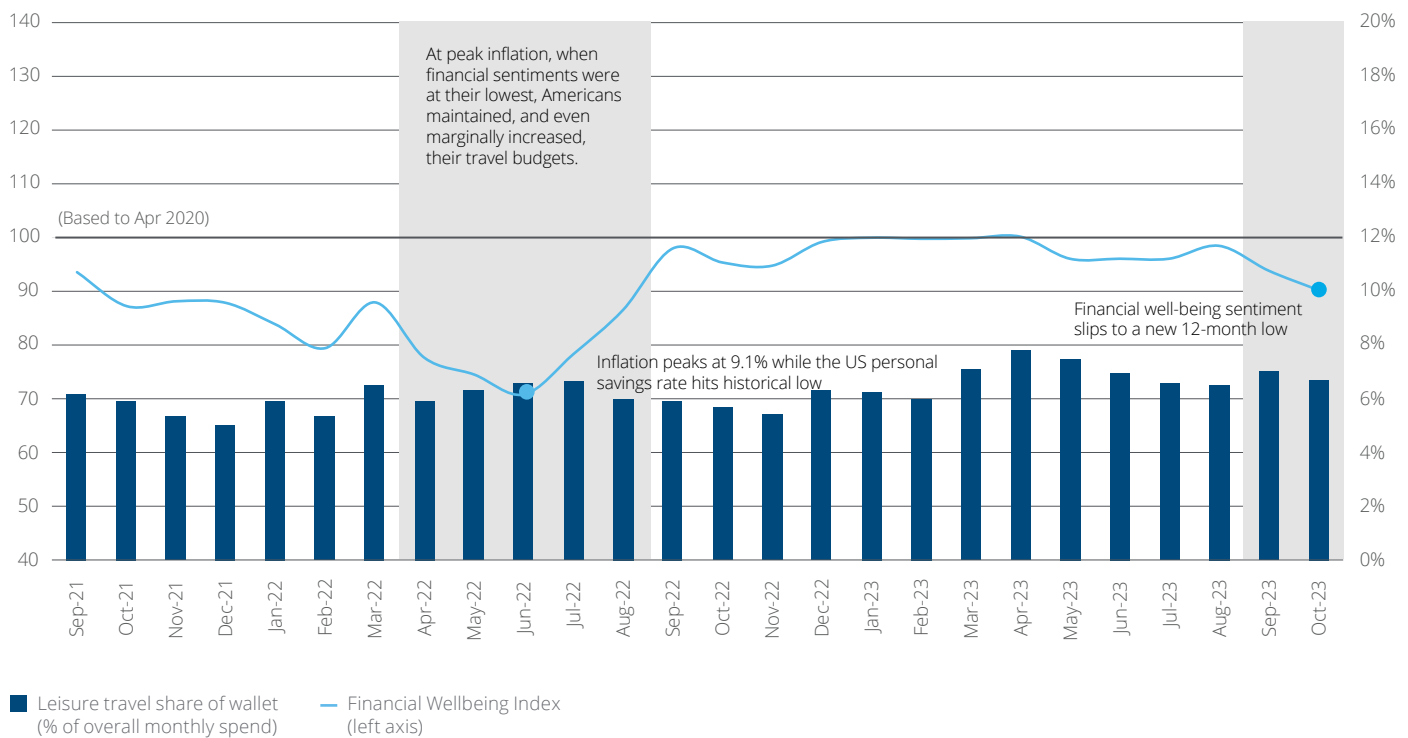


Source: Deloitte summer and holiday travel studies in 2021, 2022, and 2023

If travel has moved up some Americans’ list of priorities, many find their ambitions supported by a significant lifestyle change, which is expected to persist in 2024 and beyond: the ability to work remotely. Lugging laptops on leisure trips is a trend that continues to grow. The percentage who said they intended to work during their longest trip of the holiday season jumped from 19% in 2022 to 34% in 2023. It appears that this is more than a passing pandemic anomaly, but a more sustained modification to behavior, as many use flexible work arrangements to enable more travel. Laptop luggers take more and longer trips (figure 5), and as remote work remains an option for many, travel providers are poised to benefit with incremental trips and guest nights.

Even if many have reprioritized travel, major economic headwinds or another round of inflation could absolutely be a damper on demand. So far, though, travel intent has persisted in the face of economic anxiety. When the Deloitte financial wellbeing index (FWBI) reached its lowest point in summer 2022 (figure 4), Americans responded by tightening their belts. But travel spending bucked the trend, its share of wallet inching up from May through July. Intent to take a domestic flight in July 2022 climbed 1.6 times versus the prior July; for hotels, that figure was 1.3 times (figure 1).

Figure 4. Travel's share of the American wallet remains consistent, even in times of economic uncertainty



Source: Deloitte ConsumerSignals

Revenge travel likely helped support that counter-trend to some extent, but even as “revenge” has faded as a motivator, and as financial well-being has wobbled, travel has continued to outpace other categories. **This strength of intent to spend on trips even as Americans’ sense of financial well-being hit a two-year low suggests that** travel could be somewhat protected from a moderate financial downturn in the coming year.

If the economy hits a significantly rougher patch, our data indicates the travel industry will likely see:

- **Some negative impact on the number of Americans who travel**, mostly affecting those in lower-income households.

- More Americans decide to ride out the storm closer to home, **curtailing the number, distance, or length of trips.**
- Young and lower-income travelers gravitate toward **visiting friends and relatives instead of staying in paid lodging.**

While travel frequency and trip duration are the most common adjustments that travelers make when they feel the need to tighten their budgets, they are not the only ones. A single trip is a complex purchase, offering many options to increase or decrease spend.

[Deloitte's ConsumerSignals](#) tracks the trade-offs travelers make when they upgrade or downgrade their trips. The research indicates the following are the most popular trip components to splurge on:

- Lodging location
- Destination distance
- Flight itinerary
- In-destination experiences

And the following are the most popular to cut back on when budgets are tight:

- Hotel class
- Airline (budget carriers)
- Seat upgrades

Americans' recent behavior and attitudes suggest that many place a higher value on travel than they did pre-pandemic. Pent-up demand is likely tapped, but it appears that in 2024 travel will benefit from a more lasting shift in spending priorities. In the event of economic turbulence, travel's complex nature can offer a silver lining. It provides ample opportunities for travelers to adjust their trips according to their budgets and for suppliers to adjust their offers to suit consumer demand. Suppliers and marketers should optimize the flexibility of their offerings to make the most of 2024's prevailing financial mood—whether exuberant or subdued.

Trends to watch out for in 2024

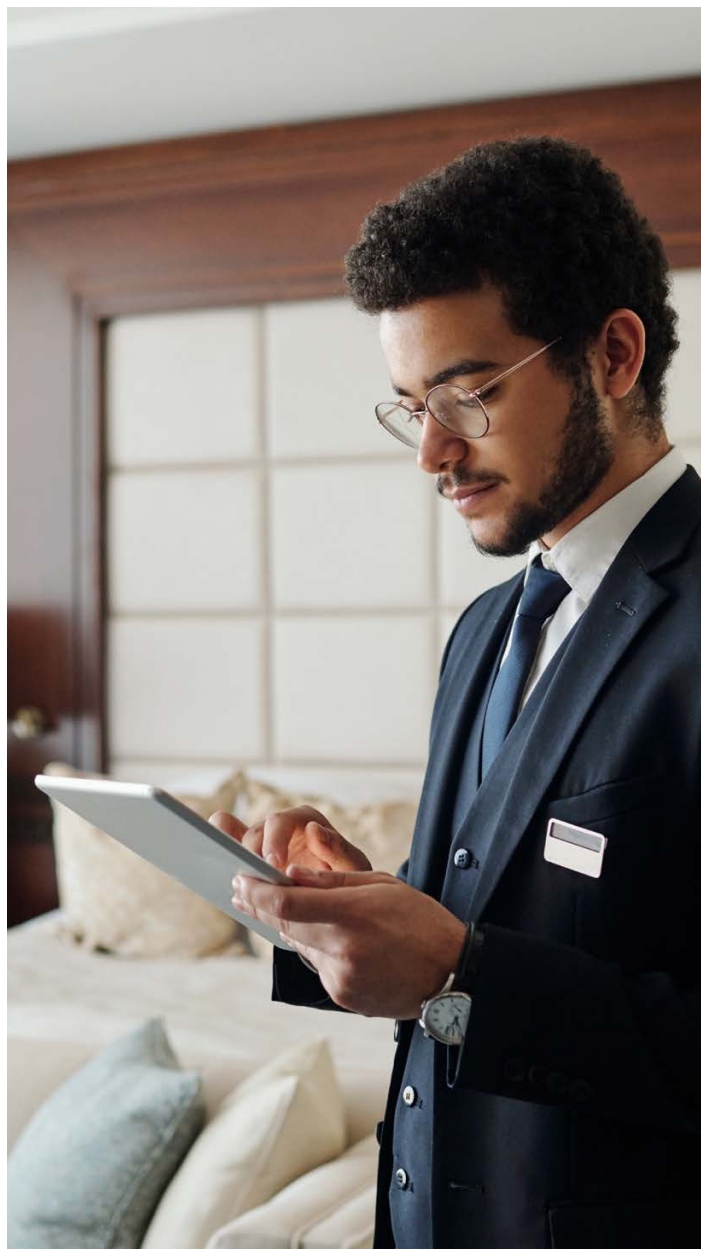
Suppliers find ways to touch up the travel experience

As airlines and hotels have commanded higher fares and rates in 2022 and 2023, they have not always found it easy to minimize hassle and maximize enjoyment. High interest rates and elevated costs of some goods can make it difficult to update, let alone upgrade, hotels. And some of airlines' biggest challenges have stemmed from weather events and staffing matters not entirely in their control. Still, airlines and hospitality providers know they need to improve the experiences they offer or risk losing travelers' attention. At a fundamental level, this will likely mean continued investment in back-office technology and an urgency to understand how generative artificial intelligence (Gen AI) can improve operational efficiency and better align resources to demand.

In addition to targeting operational efficiency, we also expect leading travel providers to take more visible steps to improve the end-to-end journey:

- More automated in-app digital features to address common friction points
- Targeted amenities and upgrades for high-value travelers—via both loyalty rewards and compelling personalized offers
- Increased investment in frontline teams, including offering upskilling to keep up with advances in guest tech
- Continued innovations in attribute-based selling, bundles, and flexible merchandising in general

In addition to improving their own products, airlines and hotels will likely increase efforts to connect guests with great experiences beyond rooms and planes. In 2024, we expect to see more partnerships—with sports teams, event venues, food and beverage brands, and more—to reward loyal guests with special access, exclusive pricing, and spot discounts.



Corporate comeback continues... but gains decelerate

Deloitte's 2023 corporate travel study, *Navigating toward a new normal*,³ projected that corporate travel spend would approach 80% of 2019 levels by the end of 2023 and reach 95% by the second half of 2024. With the specters of macroeconomic and political uncertainty, business leaders are likely entering 2024 with intent to tightly manage travel spend.

While trips to build client relationships and support team collaboration remain key to business success, costs are a significant concern. In the annual airline survey published by *Business Travel News* (BTN),

86% of corporate travel managers said that airfares had affected their companies' ability or willingness to travel,⁴ very close to the 85% who said as much in 2022.

Amid these efforts at prudent budgeting, US corporate travel spend is still likely to finally pass the pre-pandemic line within the next year.



More trips or longer trips? Travelers choose their own adventure

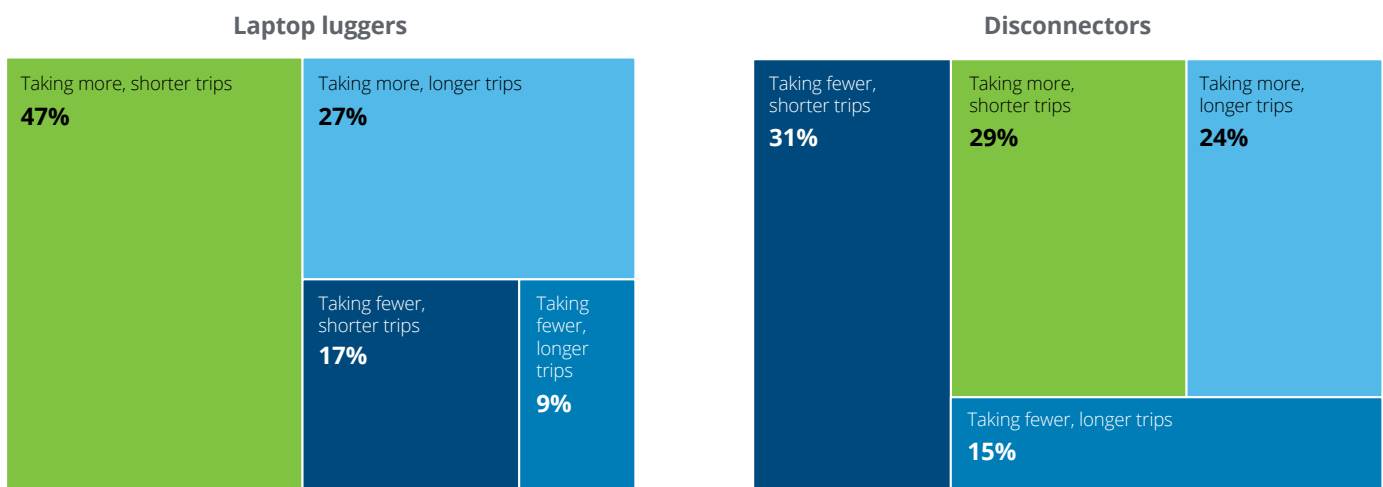
One of the most lasting effects of the pandemic has been a shift in how white-collar work gets done. Remote and hybrid arrangements appear to be here to stay, and the share of travelers who plan to work on their longest leisure trips has surged—from about one in five in 2022 to one in three in 2023. With this freedom to work from anywhere, many are extending their travels. And now that more advance planning is possible, two countervailing trends will likely strengthen:

1. Travelers are fitting in additional trips throughout the year, taking advantage of easier extension of weekends, more advance planning of business trips, and the ability to portion out time during a trip to address urgent work matters. This interest in quick getaways offers opportunities for travel providers to target more travelers based on proximity and to incentivize repeat visits.
2. A smaller but significant number are taking the opportunity to lengthen trips. In many cases, this opens up consideration to longer-haul destinations (perhaps a contributor to growth in intent to visit Asia and South America over the recent holiday season).

In addition to adding and extending trips, this laptop lugger behavior also has an impact on travelers' in-destination needs and preferences. Like corporate travelers, their busy schedules mean they are likely to seek appealing workspaces and access to convenient amenities. Laptop luggers are also more likely to look for local activities, visit attractions, and take guided tours. Travel providers should prioritize connecting these travelers to in-destination activities.

Figure 5. Most people working on leisure trips are using the flexibility to travel more, some for longer; a third of disconnectors are taking fewer, shorter trips

Travel frequency and length, laptop luggers vs. disconnectors*



Source: Deloitte 2023 summer travel study

*Notes: Trip length pertains to the longest trip of the 2023 summer season. Totals may not add to 100% due to rounding.

Marketing spend shifts as consumer tech evolves



As travel demand has returned and shown continued resilience to economic anxiety, the industry's marketing spend has trended up,⁵ and travel providers have ridden a wave of pent-up demand. As travel growth slows, there will be a greater need for more targeted marketing and for travel providers to build new strategies for a changing landscape. The mixes of target audience and tech

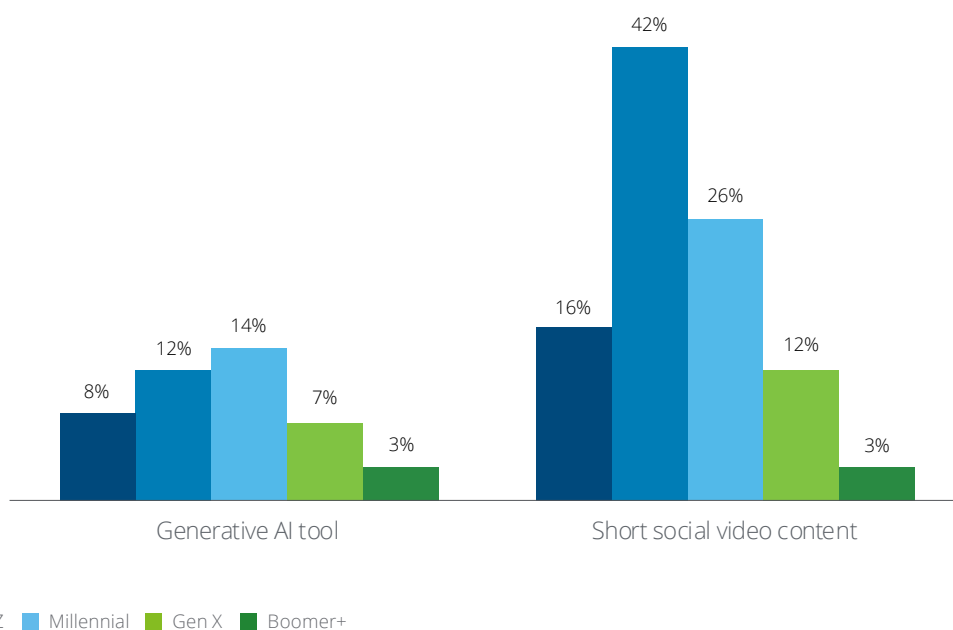
platform are shifting quickly. At the same time, marketing technology is evolving fast to help travel providers navigate these shifts. The coming year will bring about rethinking of advertising and marketing strategies, with continued growth of adopting analytics and AI to optimize marketing spend.

Gen AI: Behind the scenes and front and center

Gen AI is already influencing travel, with call center efficiencies the most widely reported benefit. In the coming year, expect it to influence the industry in major ways. More visible applications (new options for discovery, shopping, booking) will garner much of the attention, but less visible applications might actually be more influential. Promising use cases for travel providers include advertising strategy, marketing content, and personalization. Many are also exploring opportunities to optimize core operational functions with Gen AI.

While hotels and airlines experiment with Gen AI's back-office and operational capabilities, travelers are already learning to use it as a planning tool. And about one in 10 travelers told us they used Gen AI to plan their holiday trips (figure 6), which sounds small until you consider the technology has only been widely available for a year. While 2024 is expected to be an exciting year for Gen AI applications in travel, game-changing integrations are likely more than a year away.

Figure 6. Percent of US holiday travelers using technology to plan trips, by generation



Source: Deloitte ConsumerSignals; Deloitte summer and holiday travel studies in 2021, 2022, and 2023

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