

# TRAVEL MARKET REPORT

Produced by Research & Intelligence

March 2024



# Travel Market Report

Welcome to the latest edition of the Travel Market Report, brought to you by BCD Travel's Research & Intelligence team.

As we've now entered a new year, this quarter's Travel Market Report begins with a summary of what two organizations believe are the macro, business and travel trends to look out for in 2024.

We follow this with an update on the current state of global air travel and how it's recovering.

Sticking with the subject of air, we explore the latest round of airline consolidation, which will affect competition in Asia, Europe and the U.S.

We regularly survey both travel managers/buyers and business travelers. In our latest survey, we asked travelers for their views on car rental. It's the first time we've examined this aspect of ground transportation. You can find out some of the key findings, before delving into the detailed report.

Drawing on surveys we previously conducted about sustainable travel with both travel buyers and business travelers, we've consolidated the findings into a single report. We present some highlights, including a summary of the regional differences in travelers' sustainable behaviors.

## The Research & Intelligence team



**Mike Eggleton**

Director, Research & Intelligence



**Natalia Tretyakevich**

Senior Manager,  
Research & Intelligence



**Melina Sibaja**

Travel Insights Analyst

# Ten macro trends to watch out for

## Background

Tom Standage, editor of "The World Ahead" from *The Economist* magazine, provided his views on the ten trends to watch out for in 2024.

### Politics

#### Vote-a-rama



Multiple elections will put global democracy in the spotlight. But many elections will be neither free nor fair.

#### America's global choice

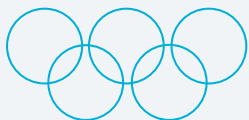


It's presidential election year in the U.S. and the outcome is too close to call. But the consequences of the vote will be global, impacting issues ranging from climate policy to support for Ukraine.

#### Europe to step up



To ensure against the real risks of weakened U.S. support, Europe must step up and provide the military and economic backing needed long-term by Ukraine. And it should also lay out the (difficult) path for Ukraine's eventual EU membership.



#### Uniting the world?

*The Economist* completes the set with a tenth trend based on a pre-Christmas hope that the world puts ideological differences aside in an Olympic year.

### Geopolitics

#### Middle East turmoil



The situation in Israel and Gaza has disrupted the Middle East. The conflict could spread or may herald a new chance for peace in the region.

#### Multipolar disorder



Conflict in Ukraine and the Middle East, and instability in Africa's Sahel have distracted the U.S. from its unipolar focus on countering China in Asia.

#### A second cold war



Cold war rhetoric has hardened, particularly between China and the U.S. The West will find it hard to disconnect from China. Competition to woo countries in the Southern Hemisphere, for their green resources, will intensify.

### Economics

#### AI gets real



AI is rapidly developing, businesses are adopting it, and regulation should make it more acceptable. But worries will persist about an existential threat, job losses and election meddling.

#### New energy geography



The pursuit of clean energy has created new green superpowers, redrawing the energy-resources map. Copper, lithium and nickel are the new oil. A "greenlash" is possible, as climate-friendly policies are seen targeting ordinary people.

#### Economic uncertainty



With interest rates staying higher for longer, Western economies may lose momentum in 2024, as companies and consumers struggle. Banks face twin challenges of exposure to government bonds and commercial property.

# Ten business trends to watch out for

## Background

Based on analysis from its sister publication *The Economist Intelligence Unit*, *The Economist* magazine has shared a roundup of ten business trends to watch out for in 2024.

### Interest rates fall



As inflation slowly eases, central banks around the world will start to reduce interest rates (for mid-2024).

### Infrastructure hole grows



The shortfall in infrastructure investment will grow to \$3 trillion. Asia will be the most active in trying to close the gap.

### Renewable energy consumption climbs



As efforts to slow climate change grow, consumption of renewable energy will climb by 11%. Fossil fuels will still account for more than 80% of energy demand.

### Growth in EVs



Strong government support will boost the uptake of electric vehicles (EVs). A quarter of new cars will be electric, with more than half of these sold in China.

### Empty offices



A fifth of offices in the U.S. will be empty, as 60% of firms allow remote working. But in Europe, the vacancy rate will be just 8%.

### Healthcare spending to expand



An ageing population will spend vigorously on health. With 10% of people aged 65 or older, healthcare will account for 10% of global GDP (gross domestic product).

### Defense industry does well



The U.S. alone will spend \$886 billion on defense, as it supports Ukraine and counters moves by China in Asia.

### A good year for advertising



Big sporting (Paris Olympics) and political (U.S. presidential election) events will push up global advertising revenue by 5%.

### Record travel revenue



International tourism will defy geopolitical and economic uncertainty, with high prices helping to lift revenue to a record \$1.5 trillion.

### IT spending increases



Spending on information technology will increase by 9%. Risks of artificial intelligence hype are high, however, with little revenue expected from this technology.



# Five travel trends to watch out for

## Background

After consulting experts to get a glimpse into the future, Amadeus has laid out five broad trends it believes will impact travel in the months ahead.

### Music tourism



A boom in concerts and festivals has inspired a surge in people traveling abroad to see their favorite performers. Music tourism is proving to be big business. In 2022, 1.1 million people visited the U.K. to attend concerts. Events can have a big impact for demand for flights and hotel rooms.

### Electric skyways



eVTOL (electric vertical take-off and landing) aircraft will provide a lower emission solution to urban congestion, operating in “electric skyways” within cities, to/from airports and between islands. A low carbon solution for first- and last-mile journeys.

### Business luxe-lite



More luxurious travel experiences have become a cross-generational aspiration. In response to greater demand for premium travel, airlines may respond with more affordable, unbundled business class fares, while developing new enhanced products for those willing to pay more.

Once a passenger has experienced business class, they'll find it hard to return to economy. Knowing this, airlines are increasing premium seating, starting with premium economy.

### Agents of influence



A new shift in social media influencing. Content curators are starting to set up and sell the very trips they aim to inspire in ecommerce marketplaces, such as TrovaTrip. For Gen Z, TikTok is overtaking Google for search and discovery

### Intelligence concierge



Generative AI is already making online travel planning and booking more personalized. It can relieve agents' workloads to allow them to provide the human touch where it's most needed.

# The current state of air travel

## Progress towards recovery

During 2023, after growing by 37% year-over-year, global airline traffic was on average just 6% lower than in 2019. But, ever since May, when traffic was just 4% lower, the recovery appears to have lost much of its momentum. Airlines finished 2023 with demand still 2.5% away from a full recovery.

Domestic airline traffic achieved its recovery in April 2023. While demand has remained above 2019 ever since, this travel segment did suffer a modest reversal in December, when expansion dipped to just 2.3%.

It's the international segment that has so far prevented a full recovery in global airline traffic. The reopening of China and Japan at the end of 2022 had provided a welcome boost, but this did not last beyond May. During the last quarter of 2023, international air travel demand found itself stuck 5-6% below its pre-pandemic level.

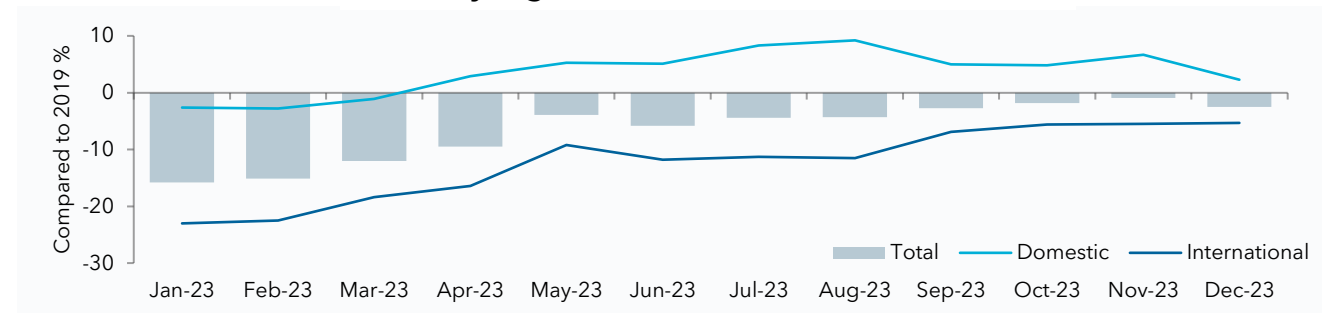
Despite almost doubling in 2023, demand in Asia was still 14% from a full recovery. By December, demand among Asia's airlines was still 9% below 2019.

While other regions have made more progress in their recoveries, only Latin America and North America have so far managed to sustain air travel demand above 2019 levels.

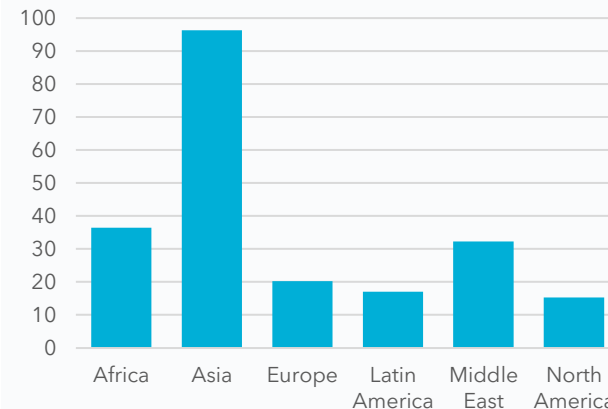
Even now, it's clear that markets are at different stages in their recoveries. In some cases, IATA (International Air Transport Association) does not expect a full return of air travel until 2025, or possibly later.

As year-over-year growth rates return closer to normal levels in some markets, airlines must still contend with unusually high levels of expansion in others. While underlying demand remains strong, airlines will be well-placed to resist pressure to lower fares closer to *normal* levels.

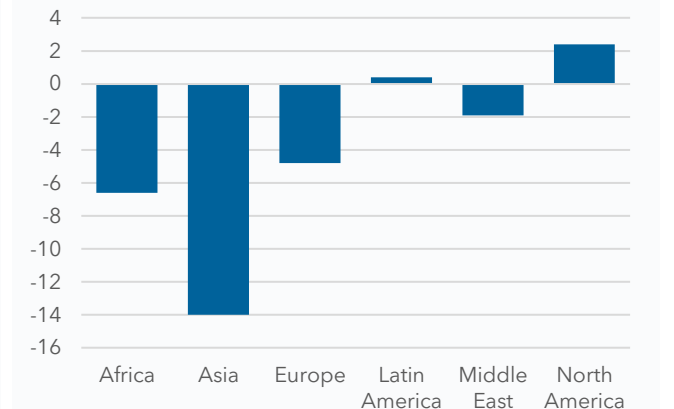
### Recovery in global airline traffic



### Traffic growth year-over-year %



### Traffic recovery vs 2019 %



# Airline consolidation

## Airline mergers are under way in Asia, Europe and the U.S.

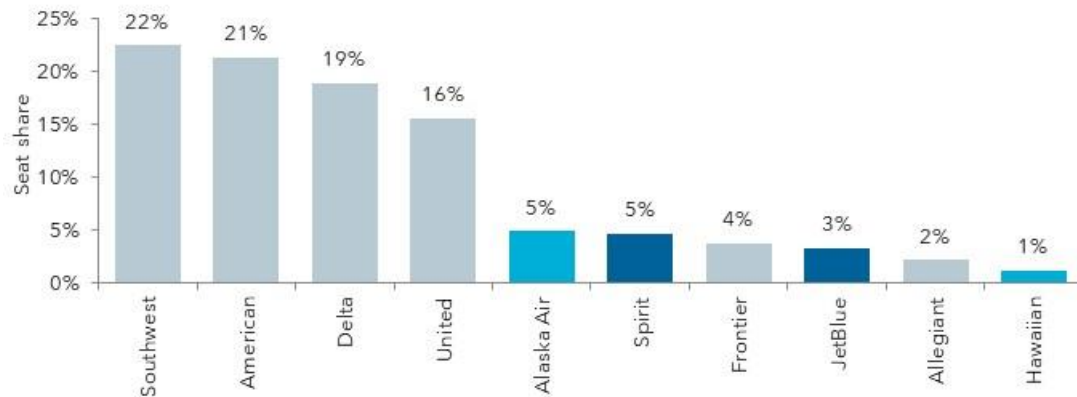
As airlines around the world rebuild their finances and look to the future, a post-crisis round of consolidation now appears to be under way. Progress has so far been mixed.

In the U.S., where the 10 largest operators already account for 98% of seat capacity among the country's airlines, two mergers had been on the cards. JetBlue Airways' acquisition of Spirit Airlines is now in doubt, after being blocked by a U.S. district court judge. The two airlines have appealed the decision and should return to court in June. With a 9% seat share, the merger would create the fifth-largest U.S. airline. To secure its own future, Alaska Air Group is acquiring Hawaiian Airlines. Should JetBlue/Spirit not proceed, Alaska/Hawaiian would instead become the fifth-largest U.S. airline, albeit by a smaller margin.

Second tier full-service airlines are the subject of a new round of consolidation in Europe. Air France-KLM is investing in SAS, forcing the Scandinavian airline out of the Star Alliance and into SkyTeam. IAG is buying Air Europa, cementing its position in the Spanish market. Lufthansa Group has agreed to buy ITA Airways, Alitalia's successor. IAG's and Lufthansa's bids are already subject to in-depth investigations by the European Commission. Approval, if secured, may be conditional on certain remedies. Air France-KLM's bid for SAS requires bankruptcy court approval and an EC investigation can't be ruled out. Another second-tier carrier, TAP Air Portugal, is due to be privatized, and it has already attracted interest from all three airline groups. A successful acquisition matters: Air France-KLM would overtake IAG; IAG would open a lead on Air France-KLM; or Lufthansa Group would firmly establish itself as Europe's largest group.

Consolidation is also under way in Asia Pacific. By integrating with other Tata Group-owned carriers, including AirAsia India and Vistara, Air India aims to revitalize its fortunes and present a credible alternative to IndiGo. Malaysian low-cost airline group AirAsia is conducting more of an internal consolidation. It's selling its short-haul airlines in Malaysia, Cambodia, Indonesia, Philippines and Thailand to sister airline AirAsia X, streamlining the group's operations. A more traditional case of consolidation is making progress in South Korea, where Korean Air is buying the country's second largest airline Asiana. The deal has recently garnered approval from authorities in Japan and Europe. Korean Air will still need to cede slots to new entrants on seven routes to Japan. Remedies required by the European Commission (EC) should also see South Korean low-cost carrier T'Way Air emerge as a new entrant on routes to Barcelona, Frankfurt, Paris and Rome.

**Top ten U.S. airlines ranked by domestic seats**



**Top ten European airline groups based on international seats\***



Source: OAG, March 2024 schedules (\*) excludes Russia and Turkey

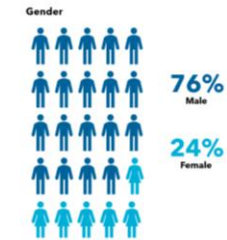
# Car rental: the business travelers' perspective

## Business travelers share their views on car rental

In this new survey we explored the theme of car rental in business travel. We looked at travelers' behaviors and their satisfaction, as well as recent trends in the car rental space.

The results are based on an online survey of 919 business travelers located in North America, Europe, the Middle East and Africa, who rented a car at least once in the past 12 months. The survey was conducted in December 2023.

Respondent profile



## Our findings, at a glance

### Why rent a car?

Most business travelers rent a car to visit their company offices, meet with clients or provide an onsite service.

While other means of ground transportation may be available, almost **two-thirds** of travelers prefer to rent a car instead, because of the convenience offered. Speed, a lack of alternative travel options and price are key factors too, although of lesser importance, mentioned by around **one-third** of travelers.

### Company policy matters most in car rental decisions

Close to **70%** of travelers cite company policy as the biggest influence on their car rental choices. Other frequently mentioned factors include the convenience of the pick-up location, price and loyalty programs. Travelers rarely concern themselves about sustainability: Less than **10%** consider it, while **70%** never or rarely think of sustainability when selecting a rental car.

### Savings outweigh sustainability in company policies

Companies apply policy measures relating to cost savings and sustainability to varying degrees. **Over half** of travelers report their companies encouraging them to refuel rental cars before returning them and to consider sharing a rental car with colleagues. Just **4%** of travelers mentioned company policies encouraging electric car rentals.

### Satisfaction is generally high

Around **eight out of 10** travelers are satisfied with their company's car rental policy and recommended suppliers. Almost **two-thirds** of travelers have experienced no issues with their company's car rental policy in the past 12 months. However, when it comes to the car rental companies, around a **third** of travelers complain about low fleet availability and difficulties accessing their preferred car type.

### Electric vehicles yet to gain traction

More than **80%** of travelers never rent an electric vehicle (EV) on a business trip. This is mainly because of complex logistics (**46%**), low availability at the rental location (**35%**) and short range (**33%**), whereas **12%** report their company's policy doesn't include electric cars.

More than **half** of those who do rent electric cars are motivated by sustainability. Around a **quarter** do so simply to try out the driving experience or because EVs are widely available at the rental location.

## Find out more

We've highlighted just some of the car rental survey's key findings. You can find out much more in the full report using this [link](#).



# Sustainability in business travel

## How both travel buyers and business travelers approach sustainability

Last year, we surveyed more than 100 travel buyers and almost 1,800 business travelers to gauge their views on the importance of environmental sustainability in business travel. Based on their responses we created a report exploring and comparing the current priorities, challenges, opportunities and needs of travel buyers and travelers. From optimizing the number of business trips to providing sustainable transportation and accommodation choices, we examined the available options for companies to reduce their carbon footprint, and the degree to which they're being embraced.

In the report, we also looked at upcoming trends in sustainability and provided an overview of the key regulations on sustainable travel that help drive awareness, innovation and investment.

## Key findings

Sustainability has become an essential consideration for all aspects of doing business. And yet, our own research has shown many organizations could do a lot more when it comes to ensuring business travel is conducted in a more sustainable manner.

While 82% of companies have sustainability goals in place, just 45% include targets for sustainable business travel. Furthermore, only 20% of business travelers are aware of their company's sustainable travel goals.

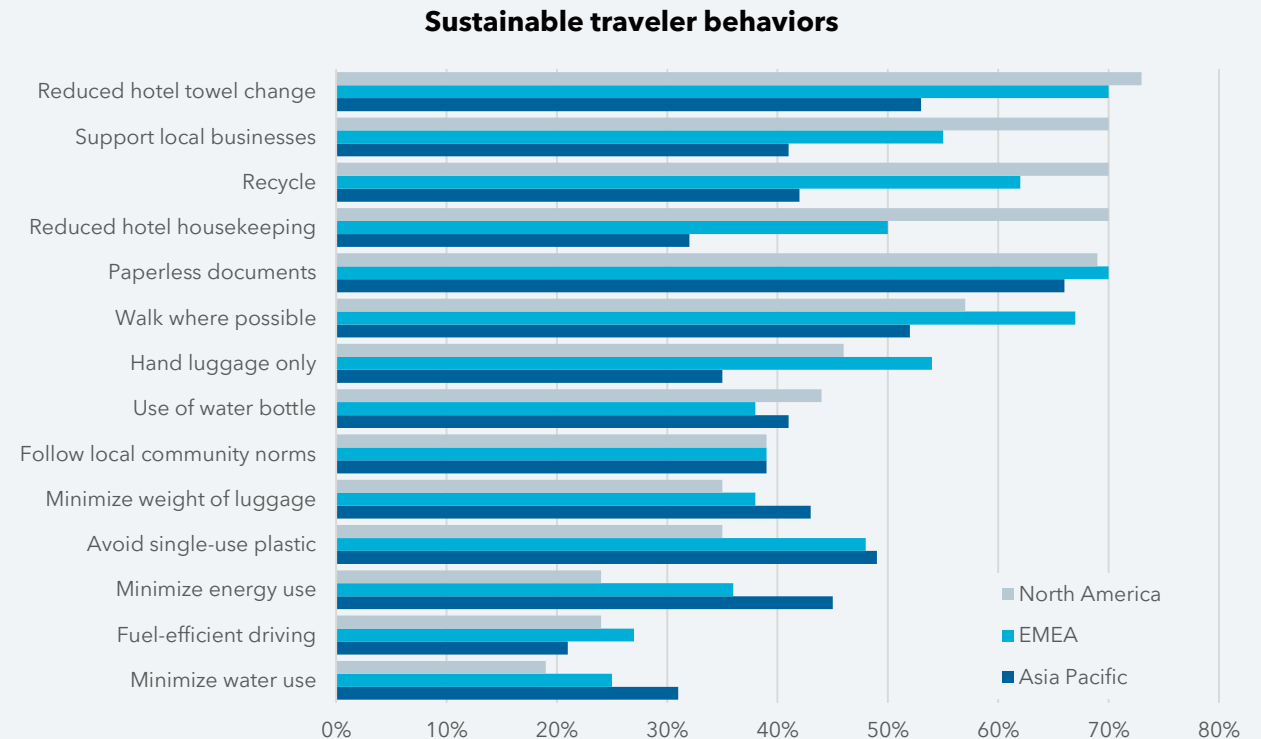
Survey responses suggest that travelers' lack of knowledge about their company's sustainability agenda is the consequence of poor communication from both internal sustainability teams and travel departments.

Travelers approach sustainability in different ways depending on the region in which they live. North American travelers trail those in EMEA (Europe, Middle East and Africa) and in Asia Pacific, when it comes to their awareness of the topic. Traveler behavior on the road demonstrates regional differences too. EMEA travelers are most prepared to walk where possible; North American travelers stand out for their support of local restaurants and other businesses; going paperless with travel documents is the top sustainable behavior among Asia Pacific travelers. These may reflect regional differences in the sustainable practices promoted by employers.

## Find out more

These are just some of the highlights from the full report, *Sustainability in Business Travel*, which we've published [here](#). It includes an outline of the products and solutions that BCD Travel offers to enhance travelers' access to sustainable travel.

Source: BCD Travel surveys, July, 2023



## Share your thoughts

Do you have any questions or comments regarding this report?  
Please email [Mike Eggleton](mailto:Mike.Eggleton) to share your thoughts.

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