



Travel and Hospitality

Global Outlook and Innovation Guide

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The data included in this document is accurate according to Passport, Euromonitor International's market research database, at time of publication: November 2022

We used data from our [Voice of the Consumer and Industry Surveys](#) to develop this analysis.

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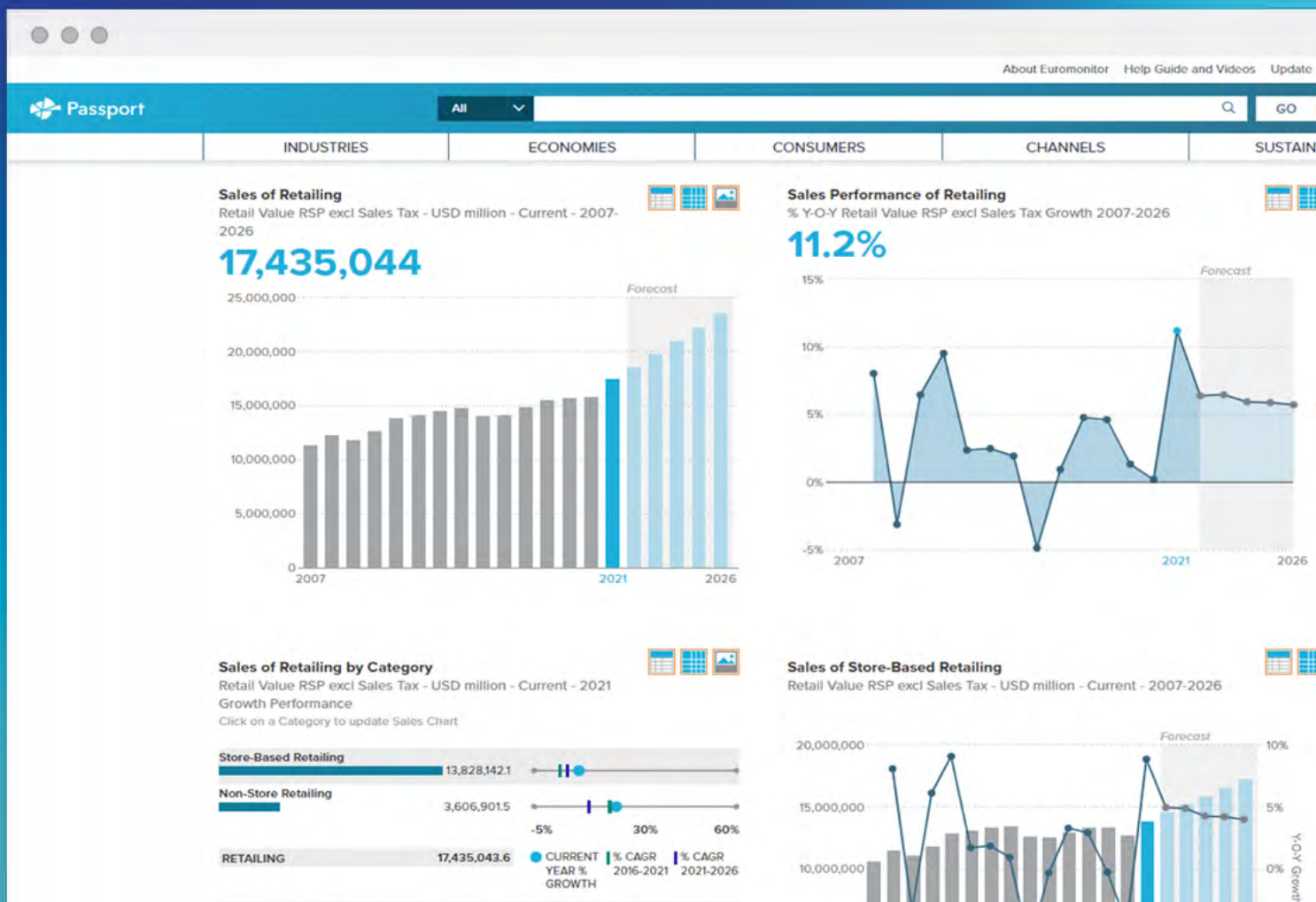
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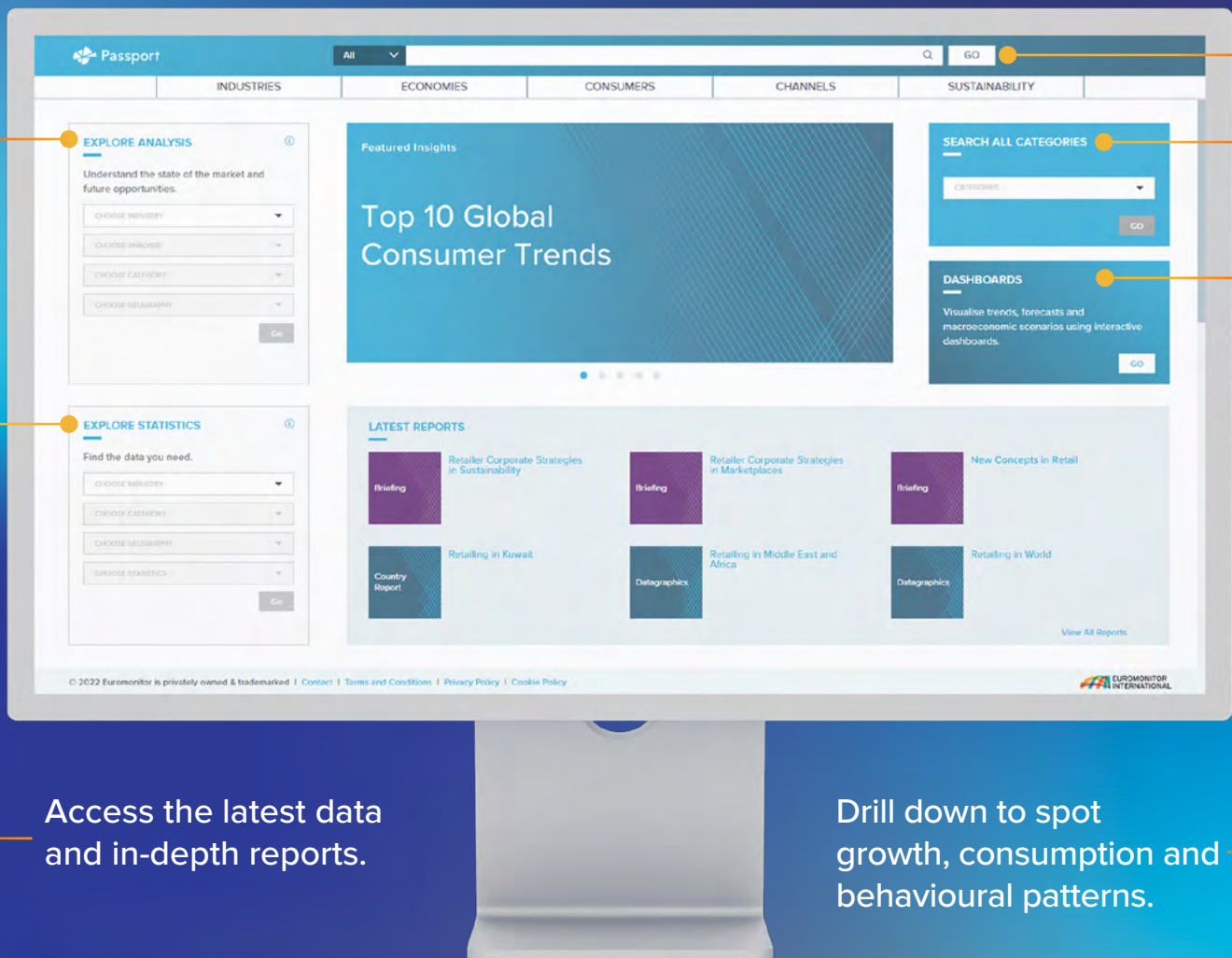
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Pent-up Demand Powers Recovery

Travel is back. Staycations are slowing down while international travel is flourishing, growing 88% in 2022.

Domestic tourism, on the other hand, is only experiencing 19% growth, compared to 24% in 2021. Inbound tourism spending is forecast to reach 58% of pre-pandemic 2019 levels this year.

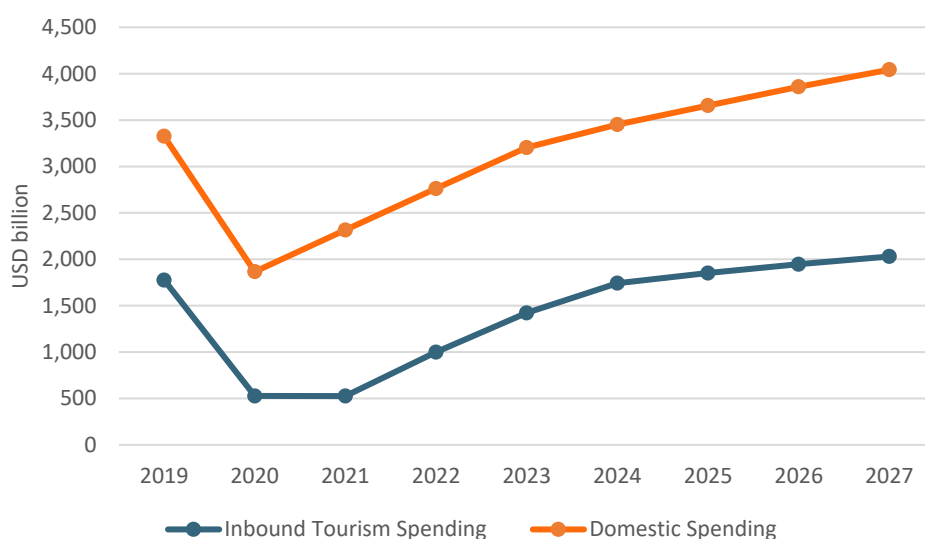
The pace of recovery is unprecedented. Countries that opened their borders earlier, such as North America and Europe, will continue to drive steady recovery.

USD996 bn
inbound tourism value in 2022

But not all countries are taking off. Asia Pacific is lagging due to major markets like China implementing a zero-COVID policy. Russia's outbound tourism market was also decimated due to economic turmoil and sanctions.

Destinations and travel businesses are diversifying business models and tapping into new source markets to secure sustainable revenue.

Inbound and Domestic Tourism Spending Forecast



Source: Euromonitor International, Passport Travel System
Note: Baseline forecasts from 2023 onwards

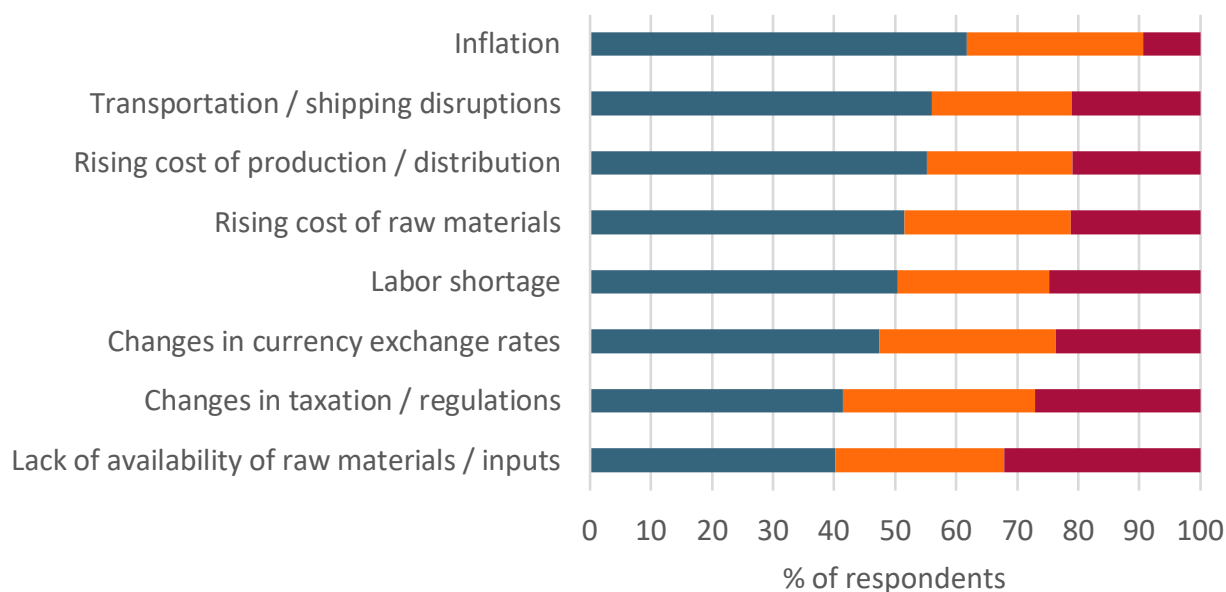
Inflation Casts a Shadow

Despite growth, travel and tourism are tackling major setbacks. Global inflation is expected to peak at 9% in 2022, subsiding slightly in 2023 to 6%.

The industry is also suffering from labour shortages and supply chain issues. Companies face a dilemma: raise costs for the traveller or take a hit to the bottom line.

Travel players are innovating to help counter inflationary pressures. Nearly 24% of businesses are exploring alternative payment options like buy now, pay later. At the same time, 56% indicated they increased prices in 2022.

Level of Impact on Travel Businesses



Source: Euromonitor International Voice of the Industry: Travel Survey, fielded April 2022 (n = 705)

Question: To what extent have the following factors impacted your company in the past 12 months?

Tapping into New Innovation Streams

Leaders are adopting innovative practices and business models to combat inflation and supply chain disruptions.

Euromonitor surveyed over 700 professionals in our network to spot the biggest travel innovations. What's clear: businesses must provide digital and sustainable experiences to stand out in an already saturated market. Strategies that focus on the customer first will create a lasting impact to future-proof success.

Ongoing digital transformation

Investing in new technologies that provide a seamless customer experience is a top priority for business leaders. Worldwide, 22% of travel sales are booked on a mobile device. Asia Pacific has the highest percent share at 34%.

Big data and analytics will have the biggest impact. Brands will be able to customise the user experience and retain loyalty through targeted marketing. Augmented (AR) and virtual reality (VR) allow consumers to try before they buy. For example, travellers can preview destinations and hotel rooms before purchasing.

44%

of travel professionals stated their business is looking for growth opportunities through product innovation, market expansion, source diversification and M&A

Travel professionals who...

45%

indicated their company has an app to manage trips

39%

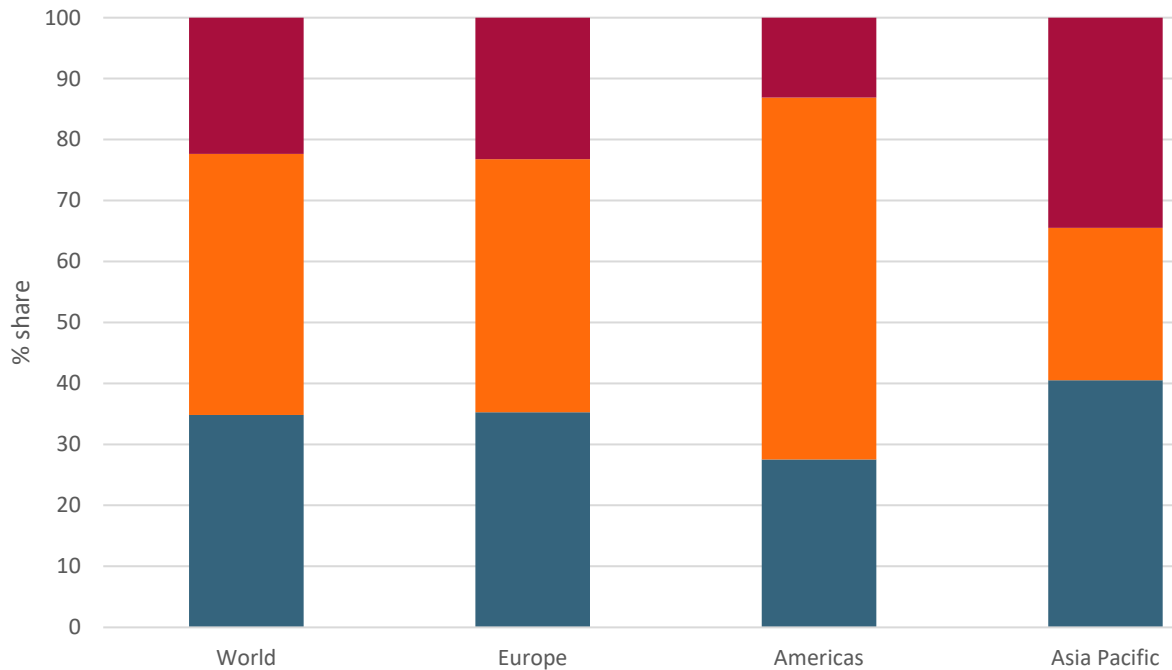
believe AR and VR are the most important technologies in the long term

33%

said their company is adopting new technologies like artificial intelligence



Travel Booking Sales by Platform 2022



Source: Euromonitor International, Passport Travel System

Into the metaverse

AR, VR and blockchain are converging to power the metaverse. While still in its nascency, the metaverse is expected to play a leading role in how people meet, shop, work and play in the future.

50%

of millennials plan to enter the metaverse for virtual experiences like concerts or sporting events

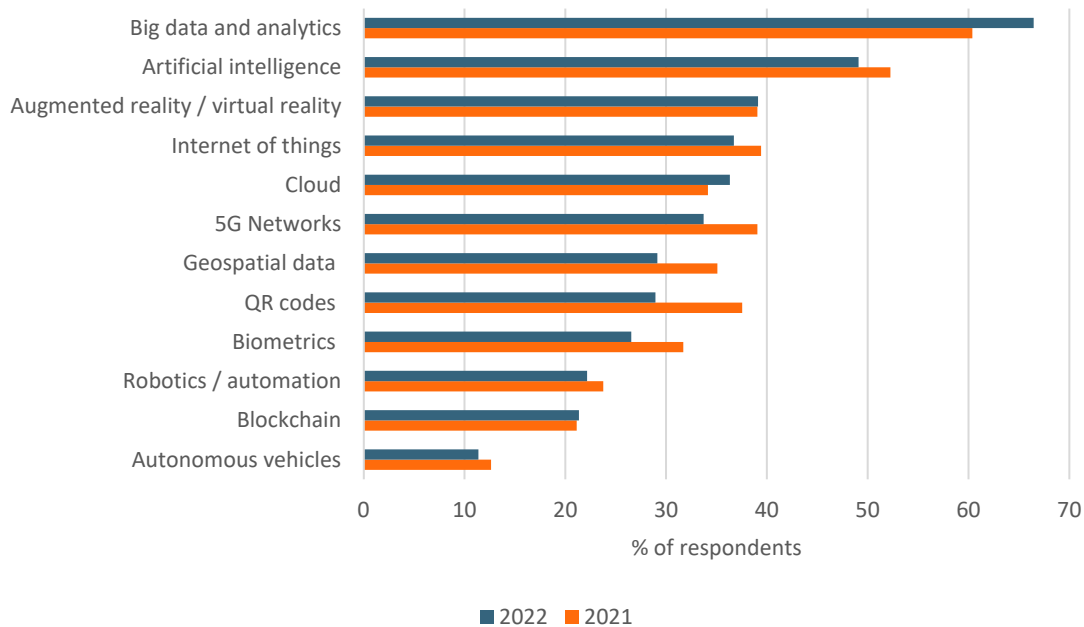
44%

of global consumers wear a VR headset to explore travel destinations

Source: Euromonitor International Voice of the Consumer: Digital Survey 2022

The metaverse and NFTs will reimagine the tourism industry. As physical and virtual worlds merge, forward-thinking travel players will use these tools to enhance destination marketing and loyalty programmes.

Technologies likely to Impact Travel Businesses in the Next Five Years



Source: Euromonitor International Voice of the Industry: Travel Survey, fielded April 2022 (n = 705)

Question: Based on your observations, which of the following technologies will impact your business in the next five years? Select all that apply.

Sustainability

Rising prices may tempt consumers to stay home and focus on virtual experiences, which positively impacts the environment. In 2022, 76% of consumers agreed that real-life experiences are very important. While 49% value virtual online experiences and 58% seek experiences tailored to their tastes and preferences.

Consumers are also opting for greener travel. More than 60% chose at least one sustainable feature compared to 75% selecting mass-market options like packaged holidays or shopping destinations. Though the latter remains dominant, the gap is narrowing. More consumers are now willing to pay extra for eco-friendly options too. Travel professionals stated that 58% of their customers were likely to spend more on sustainable products and services.

Travel companies who...

56%

engage with Sustainable Development Goals

48%

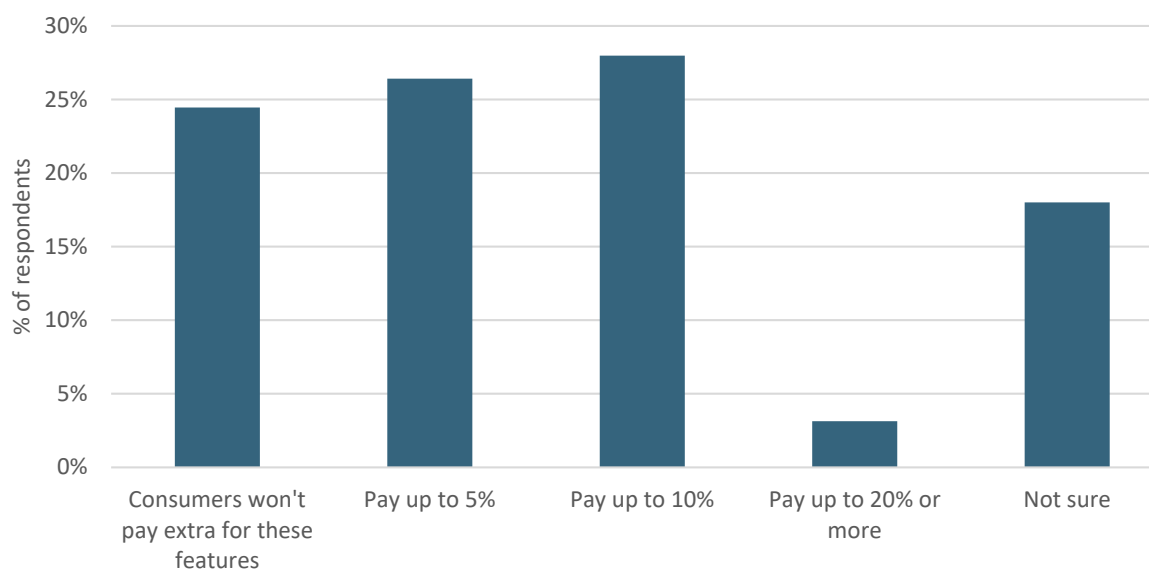
indicated they invest in sustainable products, services and operations



Businesses are transitioning to sustainable practices to match consumer preferences.

The shift in consumer priorities puts travel businesses in a stronger position to justify higher prices. At the same time, they can meet the UN Sustainable Development Goals by 2030 and net zero emissions by 2050. Transparent marketing will keep consumers onboard and engaged.

Willingness to Pay More for Sustainable Travel Products and Services



Source: Euromonitor International Voice of the Industry: Travel Survey, fielded in April 2022 (n = 705)

Question: How much do you think your customers would be willing to pay more for travel products and services with sustainability features?

Regional Spotlights

Europe: New Challenges to Overcome

The war in Ukraine disrupted the geopolitical landscape in Europe. Conflict has led to a cost-of-living crisis and unprecedented levels of inflation at 7.4%.

Inbound tourism spending is expected to reach 73% of its pre-crisis levels to USD523 billion in 2022

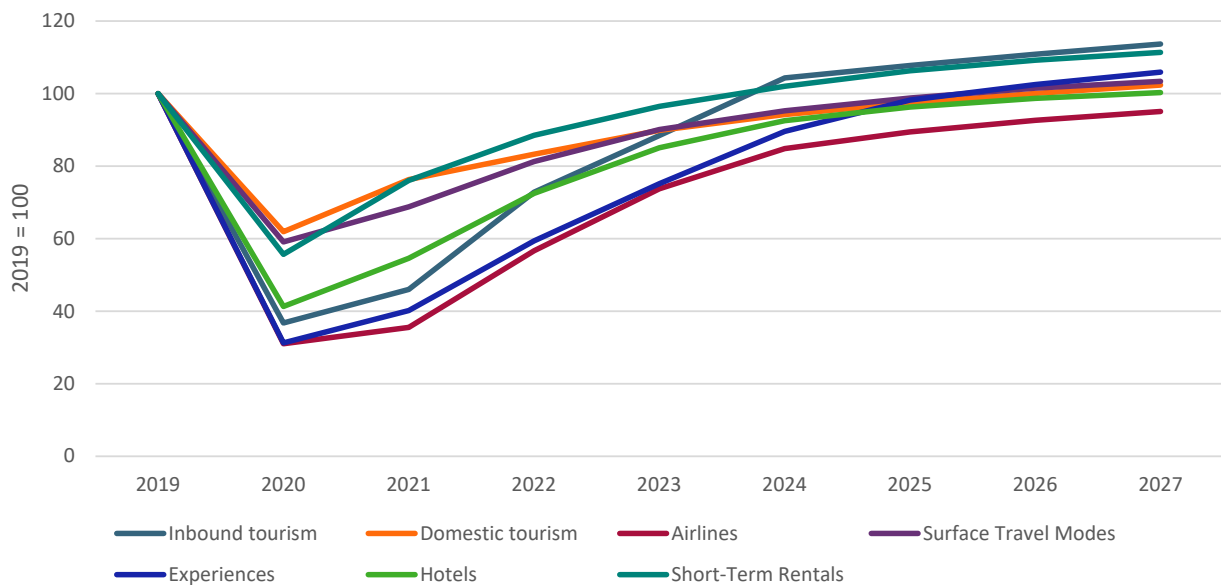
Prices will likely rise for flights, lodging, food and wages. In summer 2022, flights were in high demand after travel restrictions eased. But due to overwhelming staff shortages, airlines had mass flight cancellations that caused chaos. More uncertainty coupled with new potential waves of COVID-19 could lead to a further deterioration in labour shortages.

Full recovery is projected in 2024. Short-term rentals are ahead of the pack, recouping 86% of their pre-crisis levels in 2022 and estimated to reach full recovery three years ahead of hotels. Airlines are expected to take the longest to recover, reaching USD183 billion by 2027, which is still 5% below pre-crisis levels.

Top 3 Fast Growing In-destination Spending 2022-2027 Europe

		CAGR %
1	Guided Tours	15.2
2	Festivals and Leisure Events	14.2
3	Duty-Free Shopping	13.0

Europe's Travel and Tourism Forecast Sales Index



Source: Euromonitor International, Passport Travel System

Note: Historic year 2022, forecasts from 2023

Innovating out of a crisis

European companies are taking steps to create a seamless travel experience. In fact, 59% of professionals in Europe said their travel business is looking for ways to improve the customer journey.

Businesses could lose customers if their experiences are not seamless and tailored. Rethinking strategies to face the realities of today will mitigate risk and drive growth.



Technologies that will impact travel businesses in the next five years...

69%

big data
and
analytics

52%

AI

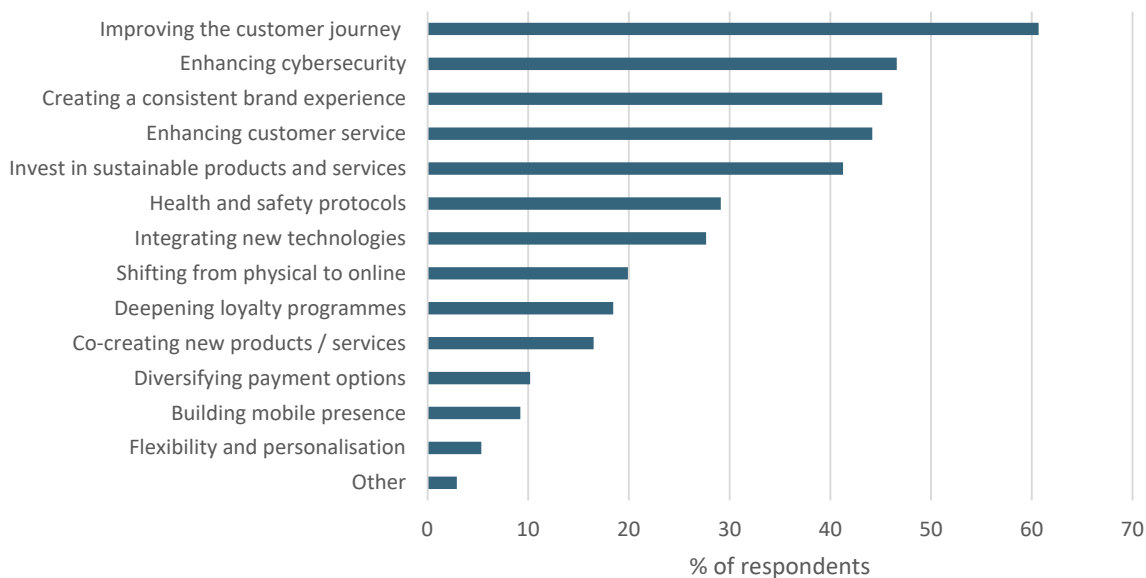
42%

AR/VR

Source: Euromonitor International Voice of the Industry: Travel Survey, fielded in April 2022 (n = 705)

Question: Based on your observations, which of the following technologies will impact your business in the next five years? Select all that apply.

Commercial Priorities in Western Europe



Source: Euromonitor International Voice of the Industry: Travel Survey, fielded April 2022 (n = 705)

Question: What do you see as the most important commercial developments for your organisation in the next 3-5 years?

Sustainability in the spotlight

Almost two-thirds of European consumers are concerned about climate change, directly impacting travel. In fact, 27% of travel businesses said consumers are choosing not to fly. Instead, they look for lower carbon alternatives like rail. Strong environmental credentials, such as using renewables and having a zero plastics policy will help retain loyalty.

55%

of European travel businesses say their customers will pay 5-10% more for sustainable travel products and services

Supporting local communities is the top action consumers take to travel more sustainably. Buying travel products and services from local businesses is a win-win. Tourism revenues stay in the local area and create jobs, whilst empowering communities to deliver authentic travel experiences for their visitors.



Case Study: Denmark

Goodwings is a certified B Corporation travel platform that enables business travel with net zero emissions, promising to reduce companies' carbon footprint by 85%.

For a monthly fee, businesses can search over 1.3 million hotels where the emissions of the entire trip including lodging and transport are calculated and then paid to be removed.



Case Study: Scotland

Travel tech start-up Whereverly empowers locals to create authentic, sustainable products and services for visitors.

Whereverly creates apps and websites for destinations that leverages IoT, AI, 3D imaging and augmented reality. The tool helps in the fight against over-tourism through the analytics of visitor movement.

Top Recommendations

Inclusive mindset



Find affordable ways to enable sustainable travel through flexible payments and cost-efficiencies

Digital divide



Embrace new technologies like the metaverse and AR/VR to meet consumers where they are

People and planet



Using transparent marketing to empower consumers to make smarter choices

Americas: Onwards and Upwards

Inbound tourism spending across the Americas is on course to reach 73% of its pre-crisis levels in 2022 after two years of stagnation. The Caribbean region, in particular, is a bright spot where some countries are already exceeding their pre-pandemic peak.

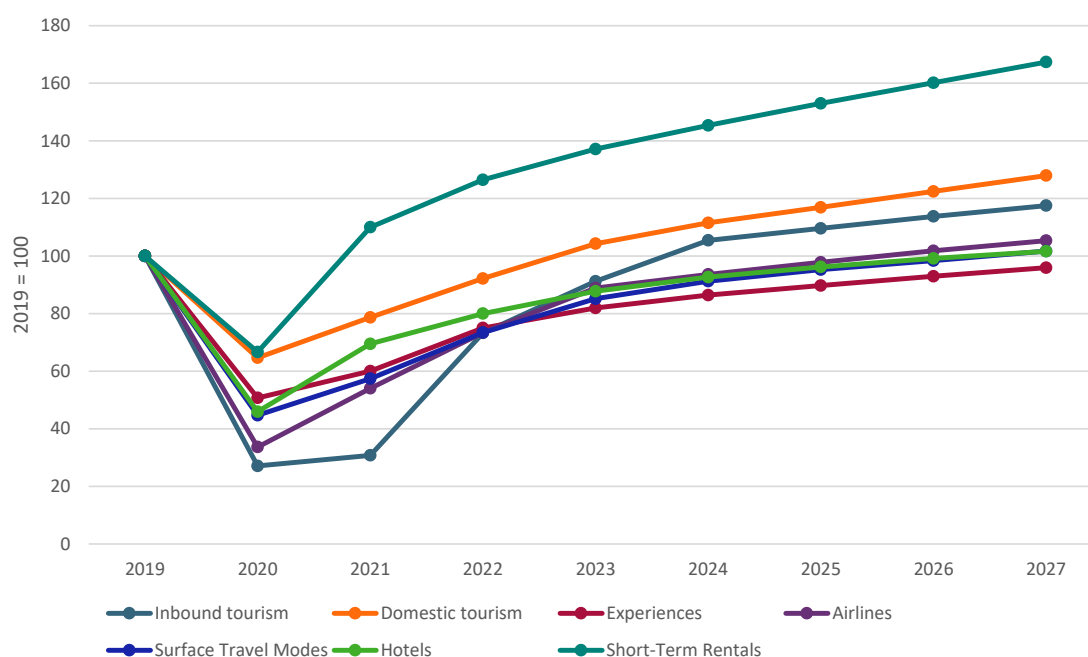
Domestic tourism is a major strength, particularly due to the US market. Full recovery in North America will happen by the end of 2022, while Latin America won't reach pre-pandemic levels until 2024.

The alternative accommodation market in North America grew the strongest. Since 2018, short-term rentals saw the largest CAGR globally, even as some regions declined. Unique travel experiences will remain a key facet of North American travel business models over the next five years.

Top 3 Fast Growing In-destination Spending 2022-2027 Americas

	CAGR %
1 Duty-Free Shopping	11.2
2 Guided Tours	10.2
3 Food and Dining	9.5

Americas Travel and Tourism Forecast Sales



Source: Euromonitor International, Passport Travel System

Note: Historic year 2022, baseline forecasts from 2023

The road to green travel

About 73% of Latin American consumers are worried about climate change. And travel businesses in the region are taking steps to address sustainability issues. The top three most improved countries in Euromonitor's Sustainable Travel Index are all located in Latin America—Guatemala, Dominican Republic and Costa Rica.

While Latin America progresses, others fall behind. Less than half of travel businesses in North America engage with the 17 Sustainable Development Goals, which are necessary to meet a net zero world. Even though there is a lack of commitment to invest in sustainability, staff training and development is a priority for one-third of businesses.

A divide on digital innovation

Across the Americas, customer-centricity is in the spotlight. Travel companies must find ways to seamlessly adopt new technologies that enhance the traveller experience without jeopardising loyalty.

Interest in emerging technologies is mixed throughout the region. More than 50% of Latin American consumers are interested in exploring travel destinations with a VR headset compared to only 35% of North Americans.

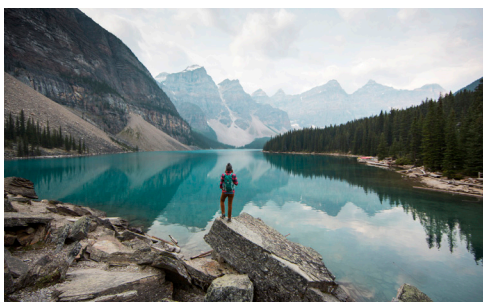
Consumers are also adopting mobile travel payments at different speeds. While mobile is forecast to grow in both, it is expected to steadily increase its share of online payments in Latin America through 2027, whilst North America will stay stable.

Strategic Priorities for American Travel Businesses



Source: Euromonitor International Voice of the Industry: Travel Survey, fielded April 2022 (n = 705)

Question: What are some of the top objectives for your company looking ahead to 2022? Select up to three.



Case Study: Canada

The Original Original mark helps travellers book experiences through Indigenous owned businesses in Canada.

Diversity and inclusion are front and centre. The programme also emphasises Indigenous Peoples' stewardship of the land, offering travellers an alternative to participating in unsustainable mass tourism.



Case Study: USA

Avelia enables companies to purchase Sustainable Aviation Fuel (SAF) for their flights using a block-chain powered book-and-claim model for business travel. Avelia's backers—Shell, Accenture and American Express GBT—hope that the program will lead to decarbonisation of air travel at scale.

Avelia will use the technology to track the usage of SAF. If it's successful, it could accelerate the adoption of SAF to reach net zero emissions goals.

Top Recommendations

Embrace the alternative



Deliver different travel options to give consumers greater choice

Take on the responsibility



Offer experiences that balance social and environmental credentials for sustainable transformation

Sell digital



Adopt digital innovations that provide a seamless and personalised customer experience

Asia Pacific: Slow and Steady Recovery

Recovery in Asia Pacific has been slower.

Governments were cautious about reopening. And China is sticking with their strict zero-COVID policy. Progress is being made in ASEAN, working towards the mutual recognition of vaccination certificates to facilitate seamless travel.

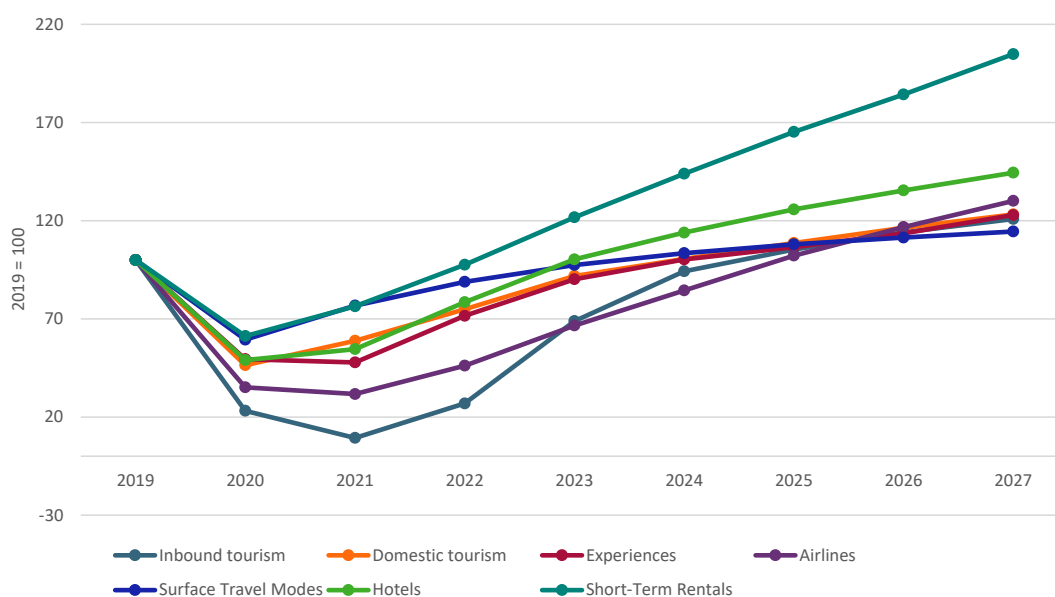
Inbound tourism spending remains precariously low at 27% of 2019 levels. But recovery is in motion with 188% projected growth in 2022 alone. Domestic tourism is expected to achieve 74% of its pre-crisis levels by the end of this year. Wellness, theme parks and retail shopping will be the strongest growth drivers of in-destination spending through 2027.

Top 3 Fast Growing In-destination Spending 2022-2027 Asia

	CAGR %
1 Wellness	30.0
2 Theme Parks	14.7
3 Retail Shopping	14.5

Short-term rentals are the star performer again. The staycation effect and desire for less crowded destinations boosted this category. With Airbnb pulling out of China, local brands like Tujia, Xiaozhu and Meituan Minsu are benefiting from the spare capacity. Travel businesses in Asia Pacific show the highest levels of engagement with the 17 Sustainable Development Goals.

Asia Pacific Travel and Tourism Forecast Sales



Source: Euromonitor International, Passport Travel System

Note: Historic year 2022, forecasts from 2023

Digital-first mindset

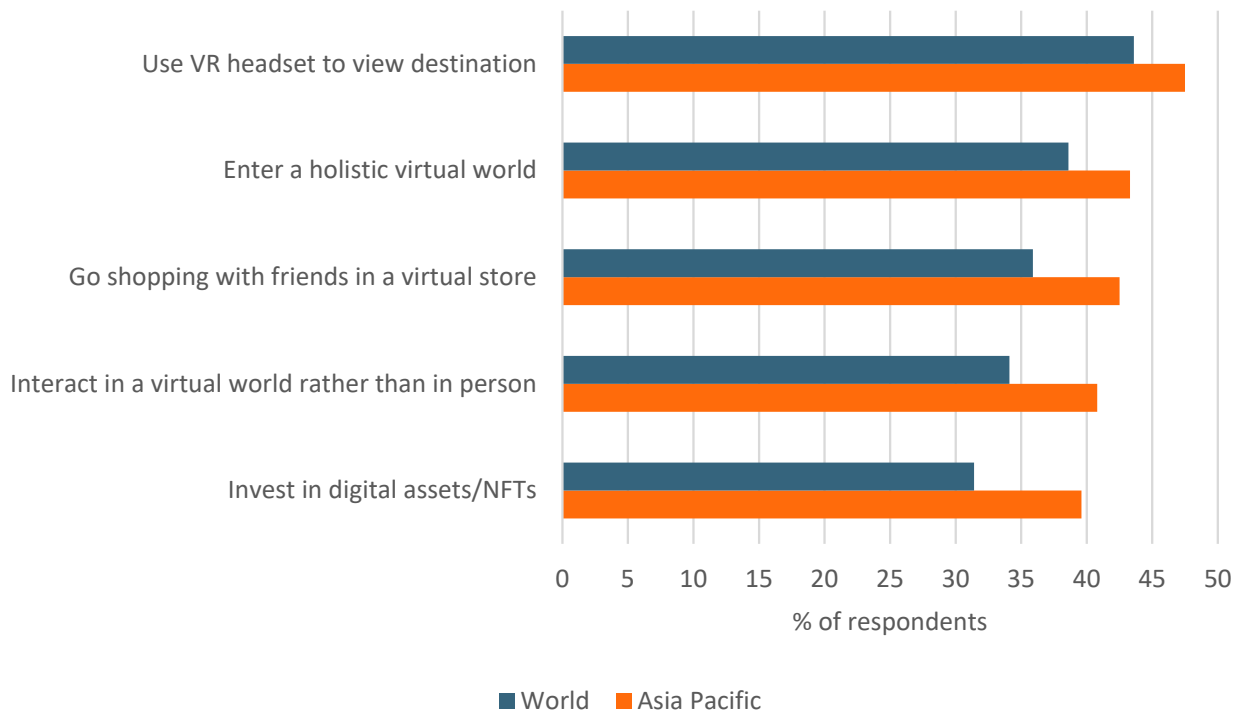
The pandemic catapulted mobile travel sales in Asia Pacific, accelerating from 47% to 58% over 2019-2022, amounting to USD213 billion.

Digitalisation continues to be a key initiative for Asia Pacific travel businesses. Nearly 52% said integrating new technologies was a strategic priority over the next three to five years. AR, VR and mixed reality are popular amongst Asian consumers.

48%

of consumers in Asia Pacific use a VR headset to preview a holiday destination

Strong to Moderate Interest in AV/VR Activities 2022



Source: Euromonitor International Voice of the Consumer: Digital Survey, fielded March/April 2022



Case Study: Singapore

Millennium Hotels launched M Social in Decentraland marking the first hotel in the metaverse and offering immersive travel experiences.

Consumers and their avatars can ‘stay with no limits’, discover Decentraland and win rewards that can be redeemed in the real world for a blended experience.



Case Study: Cambodia

Shinta Mani Wild offers luxury tents along with adventure butlers in the Cardamon National Forest. Part of the Bensley Collection, the retreat covers 865 acres and is protected by a Wildlife Alliance ranger station as sustainability and conservation are at its core.

Guests arrive via zip-line and can join anti-poaching patrols along with other activities like fishing, birdwatching, expedition boat tours and unlimited spa treatments.

Top Recommendations

Blended experiences



Provide an immersive physical and virtual travel experience to reach new audiences and drive revenue

Less is more



Double down on core values, such as wellness, nature and self-development, to create unique and authentic travel experiences

Remember biodiversity



Social, economic and environmental sustainability are fundamental where biodiversity needs to be front of mind

The Road Ahead for Travel



Travel and tourism are entering a new phase of transformation. Tech advances from the metaverse to virtual reality will reshape the traveller experience. And sustainability is no longer an afterthought. Businesses are innovating to optimise business models that support the triple bottom line.

Inflation and rising costs will impact the industry. Travel businesses must find new ways to create value. Brands and destinations should explore marketing in the metaverse. Offering blended brand experiences and digital assets can unlock real world benefits to drive loyalty.

Sustainability remains paramount for any travel business that wants to thrive in the future. Investment to create more sustainable products and services will help drive operational efficiencies.

Committing to net zero emissions will ensure the sector transitions to greener business models. And the triple bottom line of people, planet and profit will prosper.

About the Authors



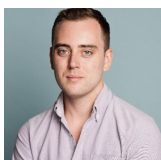
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Caroline Bremner manages the global content strategy for the travel and tourism industry at Euromonitor International.

As a global thought leader, Caroline engages with clients, trade bodies and research partners, working with Analysts across 80 countries to drive strategic insights. She has played an integral role in creating the most extensive travel and tourism intelligence system as used by leading destinations, governments and travel brands.

Before joining Euromonitor International in 1996, Caroline was a Tour Guide in one of Edinburgh's leading visitor attractions. Caroline has a degree in French (MA (Hons), University of Edinburgh) and Postgraduate Diploma in European Marketing and Languages (PG Dip, Napier University, Edinburgh).

Caroline received a 'Celebrating Her Global Award for Empowered Women in Tourism' from ITB Berlin and the International Institute for Peace through Tourism in 2018.



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Alex Jarman is a Senior Analyst based in Euromonitor's Chicago office. He researches the US travel industry and oversees Euromonitor's travel research across the Americas region.

Alex's research focuses on sustainability and consumer loyalty within the hospitality industries. Prior to Euromonitor, Alex completed a Fulbright-Schuman fellowship in Belgium. His analysis of the travel industry has been quoted in the Associated Press and Bloomberg.

Appendix

Euromonitor's Voice of the Industry series surveys professionals on trends and innovations across a number of industries including Travel. Survey, design, execution and analysis are developed collaboratively across teams at Euromonitor International.

Typical sample sizes of professionals in each industry range from 250 to 1,000+. In the case of Travel, over 700 respondents participated in April 2022. Respondents were from 69 countries worldwide with over 50% of participants having a global focus. There were no quotas on respondent characteristics.

A variety of executives took part across a wide range of sectors including tourism boards, destination management, hotel or lodging, airlines, transportation, car rental, travel booking sites, travel agents, travel technology providers, price comparison sites and other areas related to travel.

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