

Customer Experience Trends in Travel and Hospitality

CURRENT BEHAVIOR AND TECHNOLOGY HABITS AND
WHAT THEY MEAN FOR THE INDUSTRY'S FUTURE



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WHY TRAVEL AND HOSPITALITY INDUSTRY TRENDS SHIFTED SO RAPIDLY

When COVID-19 spread across the globe in late 2019 into early 2020, it changed everything - and fast. In a matter of weeks, business and leisure travel came to a screeching halt. Airports, train and bus stations, and other transit systems were halted, while hotels, entertainment venues, restaurants and other hospitality businesses saw few customers. The global travel and hospitality industry essentially came to a stop seemingly overnight.

"The pandemic and halt of traditional travel as we knew it forced consumers to reevaluate what's important to them," says Leah Chandler, chief marketing officer of Visit Puerto Rico. "In the midst of the pandemic, we saw a few key drivers in travel. At first, it was the rapid growth of remote work, which prompted Discover Puerto Rico to launch our "Work in Full Color" campaign."

Chandler noted that because the pandemic hit the travel industry with such immediacy, it caused businesses within it to respond rapidly with solutions. Being nimble and adaptive to the rapidly evolving travel and hospitality landscape was critical to survival.

The pandemic also saw the trend of increased inspirational travel content, as we were all more plugged in than ever, Chandler notes.

"Discover Puerto Rico is uniquely prepared to handle and overcome challenges; we have experienced quite a bit of adversity and had a variety of processes in place, including a preparedness playbook and a trained team that was able to pivot in lockstep with the evolving landscape," Chandler says.

Visit Puerto Rico was among the first destination marketing organizations (DMOs) to offer virtual travel inspiration programming, like virtual vacations. The DMO even created a phased campaign titled "It's Time" that was focused on visual content and developed to easily evolve with the pandemic's unexpected ebb and flow. Some of the phases included "All in Good Time," which communicated that the time was not right to travel at COVID's peak; "It's Almost Time" as the impact and severity of the pandemic began to wane and eventually progressed into "It's Time" when the island was happy to welcome travelers back again.

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- LEAH CHANDLER, CHIEF MARKETING
OFFICER, VISIT PUERTO RICO

It is indeed time, as the last few months (summer 2022) have seen a boost in demand for travel and hospitality as COVID restrictions have continued to ease in many parts of the world. The world adapted to life with masks, vaccine cards and increased hygiene standards, and when the ability to travel was once again an option, people came back in droves — and it hasn't stopped. During the lockdown, people's desire to travel increased — they had the time to plan dream trips and saved money to spend on those vacations. The term “revenge travel” became popular to describe making up for the lost time.

STR's Market Recovery Monitor shows that around two-thirds of global markets and over 95 percent of U.S. markets are now in a recovery or peak position achieving revenue per available room (RevPAR) indexed to 2019 at 80 or above. Furthermore, around 70 percent of U.S. markets and 40 percent of global markets are now achieving higher RevPAR than in pre-pandemic times, the STR report said, adding that while inflationary pressures continue to impact markets, meaning that real comparisons with 2019 are less impressive, strong underlying demand for travel and improving attitudes towards COVID project well for a continuation of growth.

Overall, 57 percent of travelers in STR's report thought they would spend more on transport while just over half expect to pay more on accommodation and food and drink on a forthcoming trip compared with a similar type of trip pre-pandemic. OneSTR report respondent summarized the overall mood in the following way: “Since we haven't traveled much for two years, we have more money in our travel budget and are more willing to make up for lost time. Also, inflation means that we will probably be spending more.”



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A LABOR SHORTAGE IN A TRAVEL BOOM

This increase in travelers has come at the same time the industry is experiencing a shortage of frontline workers - the employees who are at the check-in and information desks of hotels and airports, running call centers, cleaning the rooms, cooking the food, staffing airport stores, etc.

According to the U.S. Bureau of Labor Statistics, as of August 2022, hotel employment was down by nearly 400,000 jobs compared to February 2020. Among 1.6 million jobs yet to recover, 1.5 million are in leisure and hospitality, according to the U.S. Travel Association.

Jamie Larounis, a travel industry analyst with UpgradedPoints.com, told the The Washington Post, “We’re at a point now where there’s the most optimism there has ever been regarding travel demand in the wake of the pandemic, in part because of dwindling COVID rules and lower case numbers. The bubble has burst, and maybe the airlines and hotels weren’t quite ready for it. Not because they weren’t anticipating higher demand, but because they were unable to hire enough people.”

Experts and the average vacationer alike agree that travel is back, but the experience is different. First the positives: contactless options (e.g., hotel check-in, payments) and greater attention to hygiene implemented during the pandemic are baseline expectations for most travelers now.

However, there are potential negatives that have become more commonplace for travelers. For example, flights are more likely to be delayed or canceled now due to staffing issues, and people are more concerned about illnesses and quarantine periods impacting their travel plans. Therefore, the purchase of trip insurance is on the rise. Previously, travelers were likely to purchase only flight insurance. Now they’re more likely to purchase insurance to cover their entire trip, not just the cost of flights.

Case in point: The global travel insurance market size was valued at \$12.38 billion in 2020, and is projected to reach \$119.31 billion by 2030, according to Allied Market Research.



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“The fear of the COVID pandemic post its outbreak in early 2020 is enabling travel insurance vendors to offer COVID-related covers like emergency medical expenses,” said Allied Market Research in the same report. “Furthermore, growing tourism demands post COVID-related lockdowns is propelling the travel insurance industry forward. The global travel insurance market growth is being driven by rising tourism demand after the pandemic. In addition, destination-mandated travel policies are further fueling the growth of the travel insurance market. New technological developments within the travel industry are expected to provide numerous opportunities for the expansion of the travel insurance market during the forecast period.”

For Vacations By Rail, Vice President of Growth Liz Owens said the rapid shift of trends was threefold: deferral of travel due to health and safety concerns; inability to operate in markets where they typically did business; and pent-up demand when the markets recovered access and continuing as safety concerns are alleviated.

Regarding trends that surfaced during the pandemic that are now here to stay, Owens cited increased use of digital documents, growing usage of QR codes for tickets, and increased visits to National Parks and other outdoor destinations. She added that ease of use is a top expectation for customers when it comes to their technology experiences.

Furthermore, Owens foresees the resurgence of U.S. travelers going to Europe with the strength of the dollar; train travel viability; and a short-term focus on the looming recession and its potential impact on consumer behavior.

Diana Plazas, Marriott International's chief sales and marketing officer, Caribbean and Latin America, share a detailed outlook on what trends are here to stay:

'Bleisure,' 'Gleisure' and Digital Nomads

- The combination of business and leisure travel ("bleisure") as a result of the trend toward more flexible work environments.
- This trend is becoming noticeable in groups ('gleisure') as well, where group attendee brings family and friends to enjoy the leisure facilities at the hotel while the group attendee attends meetings and events, or the group attendee is arriving earlier/staying longer to enjoy the hotel and destination on their own or with family and friends.
- Bleisure has also empowered digital nomads who flock to cities. These modern Bleisure travelers tend to be culturally curious and open to educational adventures - the reason why urban destinations are a great fit to quench their thirst for culture.
- Remote working creates new business travelers. The job setting for remote employees clearly differs from that of office workers and they have different needs, too. These differences and changes in work locations will result in the emergence of new types of business travel

Purposeful and Regenerative Travel (Leisure)

- Purposeful travel has taken many forms, including personal regeneration or self-renewal; relationship regeneration or restoring the bonds between people; or cultural regeneration by making a positive impact on the local communities or places visited.
- This focus on purposeful travel means that travelers are taking a more considered, intentional approach to travel, from sustainability to community support.
- Travelers now want to foster a deeper connection to the places they visit, getting to know people, history, food, and the culture of a place, in addition to seeking out experiences that focus on holistic well-being as well as those that place an emphasis on relationship building.

New Sense of Luxury Travel

- An increased desire to elevate luxury travel experiences to new heights. From private jets to adventure travel, the affluent consumer is willing to pay more to create a truly unique and one-of-a-kind experience.
- The luxury traveler is also entering a new era of regeneration, driven by a maturing set of desires, tastes and aspirations. This type of traveler aspires to restore, renew and reimagine their life for the better. They no longer want to be known for the traditional status markers of wealth of the past, but for the contributions they're making and the values they live by.
- This leads to a more considered approach to travel. Travelers are craving a new kind of travel experience. Desire for luxury experiences that feel understated, less formal, and more local or uniquely authentic to a place.

What can companies do to keep up with the high demand for travel as well as travelers' increased expectations for safe, tech-enabled experiences? Many organizations are investing in technology solutions to both balance out the lack of frontline workers while also improving the overall traveler experience.

TECHNOLOGY AND THE MODERN TRAVEL EXPERIENCE

In order to get people to travel again, companies offered appealing cancellation and refund deals. Customer expectations have now shifted, and demand for an easy booking experience is stronger than ever and the need for "free" and easy cancellations are higher.

Artificial intelligence (AI) bots are being utilized by many companies within the travel and hospitality industry to quickly, easily and cost effectively help customers book trips, change reservations, check in and check out, among other tasks. Furthermore, the technology can be leveraged to personalize customers' experiences, which helps to foster loyalty to a brand.

"Increased deployment of machine learning and AI in the travel industry accounts for enhancing personalization, giving valuable advice, and ensuring a speedy response period, even when the employees are absent," an Eastern Peak report stated. "As many hotels and resorts worldwide depend heavily on artificial intelligence solutions in delivering their services and gaining a strong reputation, the travel AI market is projected to exceed \$1.2 billion by 2026."

According to the same report, some of the more common AI use cases in the travel industry include the following: AI-driven chatbots; voice-based digital assistants; automatic facial recognition; personalized recommendations for tourists; profound sentiment analysis; AI baggage handling solutions; robotic technologies for self-service; and AI-empowered flight forecasting apps.

Checking in and out of flights and hotels via an app became the norm during the pandemic and will continue to be a customer experience expectation. Personalized experiences are also desirable, and AI ensures users are getting targeted information by synthesizing massive data sets quickly.

"Innovation is at the very core of our company," notes Plazas. "We use data and information technologies creatively to serve our guests' needs. Technology is crucial for enhancing the traveler experience and helping our associates focus on delivering great customized experiences for our guests."

Flexible payment options are also a notable trend within the travel and hospitality industry. The uncertainty of COVID and how long it would last caused many customers to feel a sense of urgency to travel when they can, and a wider range of payment options could allow them to spend more or spend sooner. Flexible payment options such as buy now, pay later (BNPL) are also most popular with the younger generations of travelers/consumers.

More than 45 million people ages 14 and older in the U.S. used BNPL services in 2021, according to Insider Intelligence's inaugural user forecast for financing options. That's up 81.2 percent over 2020, and the age range of BNPL users will widen over the coming years as well, the forecast said.

"Back in 2018 — when the key players of today were still establishing themselves as legitimate payment providers — more than 80 percent of BNPL users were millennials or Gen Zers 14 and over," the Insider Intelligence forecast said. "That figure dropped to 73.2 percent in 2021, though younger consumers are still more willing than most to try alternative payment options."

Across generations, nearly 60 percent of consumers say they prefer BNPL over credit cards due to the ease of set payments, the simple approval process and lack of interest charges, according to a PYMNTS survey and reported by CNBC.

"There's no debating that we're more in a digital-first era than ever before."

- EMILY HARTMAN, CHIEF, BUSINESS TEAMS, ALLIANZ PARTNERS USA

"One reason young people in particular are drawn to buy now, pay later payment plans is because many watched their parents struggle with credit card debt amid the 2008 economic recession," said Christine Roberts, head of Citizens Pay, a BNPL option offered by Citizens Bank, in the CNBC article. "Transparency about how long it will take to pay off a big-ticket purchase is also key for Gen Z and millennial consumers. The pay-over-time option allows it to fit into their budget and to know when the payments are going to end."

Credit cards, on the other hand, typically calculate a minimum monthly payment based on the overall card balance rather than individual purchases, the article stated.

Travel items such as flights, resort and hotel stays, cruises, and more are exactly the large-ticket items consumers want to purchase using a payment plan as opposed to a credit card.

To optimize the customer experience, companies need to ensure they are tapped into current trends such as touchless options (e.g., check-in and check-out), AI-driven personalization, and flexible payment plans.

"There's no debating that we're more in a digital-first era than ever before," Emily Hartman, chief, business teams, Allianz Partners USA, says. "Customers want seamless and touchless processes such as fully digital claims experiences with digital reimbursement. They're also looking for technology to be utilized to surprise and delight them throughout their customer journey. But I think the top expectation is to never let "digital-first" mean "digital-only." Meeting the customer where they are and maintaining the human touch when it's needed most is the key to success."

HOW CUSTOMER EXPERIENCE EXPECTATIONS WILL EVOLVE

Data and expert analysis allows companies and consumers alike to plan for the short- and long-term future of travel and hospitality.

Expedia forecasts the number of travelers flying during the winter holidays is expected to meet — if not surpass — pre-pandemic levels. Searches for holiday travel were up 25 percent for Thanksgiving and 35 percent for Christmas through New Year's vs. last year, Expedia told Business Insider.

“Despite robust demand, most experts agree that flying during the six-week period between Thanksgiving and Christmas will likely be less chaotic than the summer for two main reasons: The summer's surge in travel was prolonged over a three-month period, while holiday surges are more date-specific, making them easier for airlines to prepare for. Secondly, most major airlines have announced winter schedule cuts to prevent staff from being spread too thin,” the Business Insider article reported.

As for 2023, Booking.com research reveals that 73 percent of people are more optimistic about travel for 2023 than they were in 2022. While we head into 2023 in the midst of global economic and political uncertainty, almost three-quarters of consumers (72 percent) said traveling is still worth it.

“Following travel restrictions in 2020 and 2021, many travelers were able to save the money they would have otherwise spent on vacation,” a hospitality.net article summarized. “As a result, half (49 percent) will make up for it by spending more during their 2023 adventures, while 43 percent plan on indulging by splashing the cash to maximize their experience. A third (33 percent) revealed they like to indulge in shopping on vacation for things that aren't available back home.”



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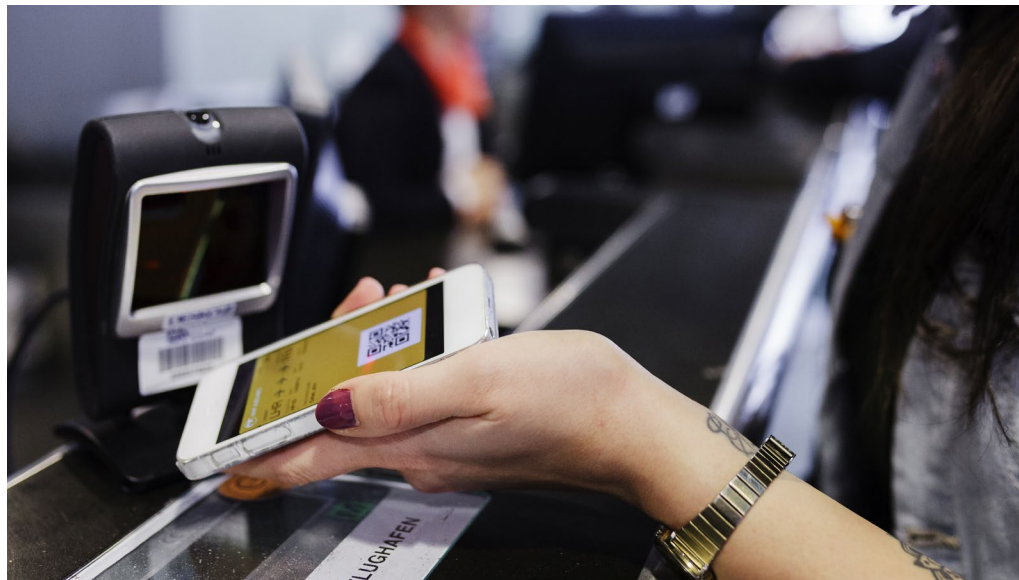
However, if the last couple of years have taught us anything, it's that travelers must prepare for the unexpected. Due to this mindset shift, travelers are putting greater value in trip insurance. Now customers are getting insurance for unforeseen circumstances such as medical emergencies, individually ordered quarantines, or getting stuck somewhere due to a cancellation.

Other 2023 trends to watch and embrace for the best possible customer experience include the rise of “bleisure” travel, which combines business and leisure travel. The mass rise in remote and hybrid work for positions that were in office pre-pandemic means a person could go somewhere for a change of scenery and simply work elsewhere, or perhaps tack a few days onto a business trip with or without taking any time off work.

The growth of bookings via mobile devices is also expected to continue through 2023, with three out of every five bookings being completed on a mobile device, according to hotspot.earth, which also noted sustainable tourism, active tourism and transformation travel as trends to watch.

“Travel is coming back with a vengeance as people look to reconnect, explore new destinations where they are immersed in new cultures and local communities, or simply revisiting favorites,” Leah Chandler of Visit Puerto Rico says. “And while travel to Puerto Rico was strong even throughout the pandemic, we are seeing it now more than ever, and it’s reflected in our record-breaking success.”

Puerto Rico surpassed \$1 billion in lodging revenue for the first time ever in 2022.



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“For the short term, we know people want to get away from the confines of their homes, take advantage of remote work and the new normal of “bleisure,” shares Chandler. “And for the long term, we expect the focus to be on seeking a deeper connection when traveling, leaving a positive impact, and doing so sustainably.”

More and more travelers are ditching tried-and-true popular vacation destinations in search of more authentic travel experiences off the beaten path, and this is especially true for Gen Z travelers, according to Hartman. Furthermore, Hartman noted that Gen Z travelers are often seeking budget-friendly travel and accommodation options so that they’re able to prioritize activities and experiences immersed in local culture and adventure.

Hartman also observed that when travel first began to recover, vacations with outdoor activities soared in popularity -- from national parks to hotels with unique outdoor experiences to dude ranches and short-term vacation rentals surrounded by nature.

“While peoples’ sensitivity around the virus have diminished, the thirst and excitement for the great outdoors seems to be here to stay, at least for the foreseeable future.”

Whatever the trip they’re taking, travelers expect companies to support them through their entire journey; many now desire a “safety net” before they’ll take a risk. However, with the reassurance of insurance and smooth planning processes, they’re still more likely to commit to an extravagant trip than they were pre-pandemic. The sentiment is travel while you can - life could lock down again tomorrow.

“The pandemic forced people to re-prioritize,” Plazas says. “Having been denied the ability to travel, many people developed a new appreciation for connecting through travel - it has taken on a greater meaning and higher importance. Travel once viewed as a ‘nice to have’ is now viewed as a ‘need to have.’”

Travelers’ expectations and demands evolved rapidly two years ago, and many are here to stay. Whether it’s the use of AI for smooth bookings and personalized customer service, touchless check-ins, personalized recommendations, or flexible refund policies and payment options, it is vital companies embrace and adhere to these emerging trends.

The competition is great when it comes to consumers’ discretionary spending. In order for travel and hospitality companies to capture their share they need to be offering a great customer experience. At a time when staffing and customer retention can be challenging, technology can help your business keep up with record demand for not simply travel, but a marvelous travel experience.



WHO WE ARE



Women Leading Travel & Hospitality is a membership-based association that connects executive women across all sectors of the travel and hospitality industry. Its mission is to unite, inspire and empower its community of executive women leaders by providing unparalleled resources, support and motivation to achieve personal and professional growth. For more information, visit womenleadingtravelandhospitality.com.



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