



STATE OF TRAVEL 2022



**175+ insights defining the state of travel today
and the trends that will shape the future.**

AUTHORS

Varsha Arora - *Senior Research Analyst*

Seth Borko - *Head of Product Strategy*

Wouter Geerts - *Head of Research*

DESIGN

Beatrice Tagliaferri - *Senior Designer*

Matt Heidkamp - *Head of Creative*

Aishwarya Agarwal - *Creative Strategist*

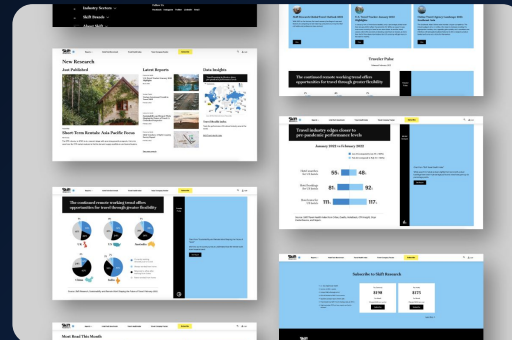
Data sourced from Skift Research data products and reports, and third-party sources.

TRAVEL HEALTH INDEX



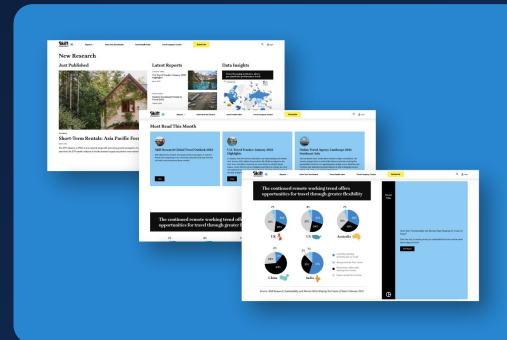
Real-time performance of travel verticals in 22 countries.

TRAVEL COMPANY TRACKER



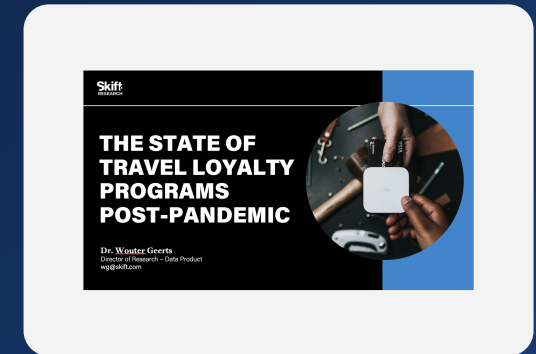
Comprehensive tracking of the most important businesses in travel, following 100+ publicly traded companies.

HOTEL TECH BENCHMARK



Market sizes and landscapes of major hotel tech categories, based on Research proprietary data calculations.

SKIFT RESEARCH REPORTS



Comprehensive reports including industry deep dives, consumer surveys, executive interviews, trend reports, and more. See the Skift Research references in the footnote of each section.

About

Skift Research provides proprietary research, analysis, and premium data tools for travel industry leaders and their teams to better understand their industry and the outside forces driving change.

Our team uses financial and economic analysis and proprietary survey data to support qualitative observations and travel-focused forecasts. We work with more than 20 data partners from across the travel industry to provide timely insights into the performance of sectors and countries.

By combining extensive industry experience, rigorous quantitative analysis, and access to top executives at nearly every major travel company, we are able to share over 40+ comprehensive research reports annually that aim to better understand the industry and the outside forces shaping the future of travel.

Interested in subscribing? Learn more [here](#).

Any questions, please contact Anne Duffy at and@skift.com

The logo for Skift Research features the word "Skift" in a large, bold, white sans-serif font with a period at the end. Below it, the word "RESEARCH" is written in a smaller, all-caps, white sans-serif font.

Introduction

Welcome to Skift Research's State of Travel 2022 report.

The travel industry has never been more relevant than it is today. But it took a near-total absence of mobility for the world to realize just how important travel is to us – to our economy, to our personal fulfillment, to how we work, and to how we socialize.

The travel industry grew from a mere 25 million international trips in the 1950s to a whopping 1.4 billion by 2019. It accounted for nearly 1 in 10 jobs globally before the pandemic. Travel powered international business and cross-cultural exchange. And then it all stopped. Not since WWII has the global travel industry been in such a turbulent state as we have witnessed over the past years. Covid-19 put a near total halt to international travel.

But the pandemic also created a moment for self-reflection and innovation. It created new patterns of behavior as travel became more local and domestic, with a greater reliance on ground transportation, and a move away from crowds and busy hotels. People started working from home, and were able to fit more travel into a more flexible lifestyle. And traveling for business purposes came back differently, as environmental and cost concerns put pressure on companies to consider how many trips could be substituted by Zoom.

In this report, Skift Research draws on its own research and third-party data sources to chart travel's path into the future – quite literally: there are more than 175 of them in this deck! Some parts of the world, and some travel sectors, are fully recovered, and are experimenting with new means and modes of travel. In other regions and sectors, the recovery has yet to begin in earnest. The report covers all major travel sectors and geographies, highlighting the most important trends, and providing insights into where the industry has come from, and where it is going.

CONTENTS



1. [Travel's Path to Recovery](#)

- 1.1 The Re-Emergence of Travel
- 1.2 Domestic vs International Travel
- 1.3 The World Waits on China
- 1.4 Inflation Poses Risk to Travel Recovery



2. [Consumer Trends](#)

- 2.1 Work from Anywhere
- 2.2 Business Travel
- 2.3 Luxury Travel
- 2.4 Sustainable Travel



3. [Airlines](#)

- 3.1 State of Airline Recovery
- 3.2 Industry Rankings
- 3.3 Changing Face of Aviation
- 3.4 Airline Loyalty
- 3.5 ESG Targets



4. [Hotels](#)

- 4.1 State of Hotel Recovery
- 4.2 Industry Rankings
- 4.3 Big Brands Get Bigger
- 4.4 Hotel Loyalty
- 4.5 Hotel Tech Modernization
- 4.6 ESG Targets



5. [Short-Term Rentals](#)

- 5.1 Industry Performance
- 5.2 Rise of Online Booking Platforms
- 5.3 Professionalization of Sector
- 5.4 Rental Tech



6. [Online Travel](#)

- 6.1 Shift to Online Bookings
- 6.2 Online Travel Rankings
- 6.3 State of OTA Recovery
- 6.4 Direct Traffic and Marketing Spend
- 6.5 Metasearch and Google Travel
- 6.6 Product Innovation and Differentiation



7. [Traditional Travel Agencies](#)

- 7.1 Sector Resilience
- 7.2 Growth Opportunities



8. [Multi-Day Tour Operators](#)

- 8.1 Industry Overview
- 8.2 State of Recovery
- 8.3 Shift to Digital



9. [Tours and Activities](#)

- 9.1 Market Overview
- 9.2 Rise of Online Platforms



10. [Cruise](#)

- 10.1 State of Cruise Recovery
- 10.2 International Diversification



11. [Car Rental](#)

- 11.1 State of Car Rental Recovery
- 11.2 Industry Rankings
- 11.3 Supply Shortage



12. [Investment](#)

- 12.1 Public Markets
- 12.2 Venture Capital

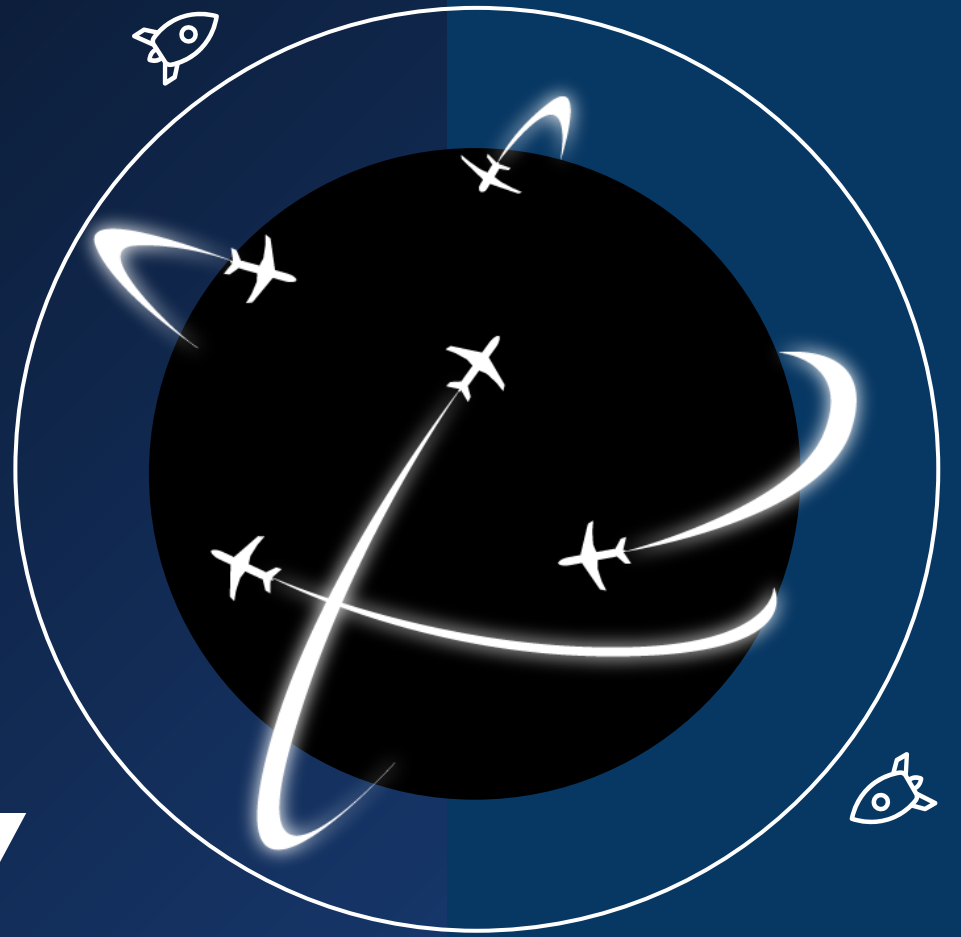


13. [Long Term Drivers of Travel](#)

- 13.1 Population Growth
- 13.2 Emerging Middle Class
- 13.3 Global Mobility



1. TRAVEL'S PATH TO RECOVERY

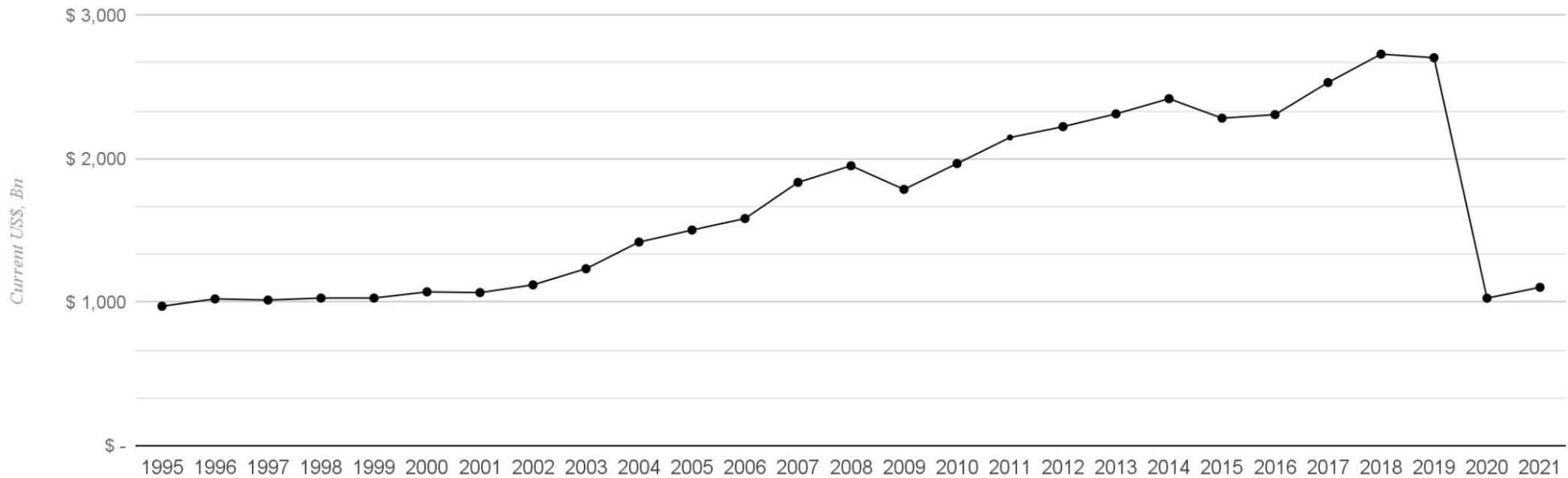




The Pandemic Had an Unprecedented Impact on Travel

International travel expenditures were at a 25-year low in 2020.

International Tourism Expenditures

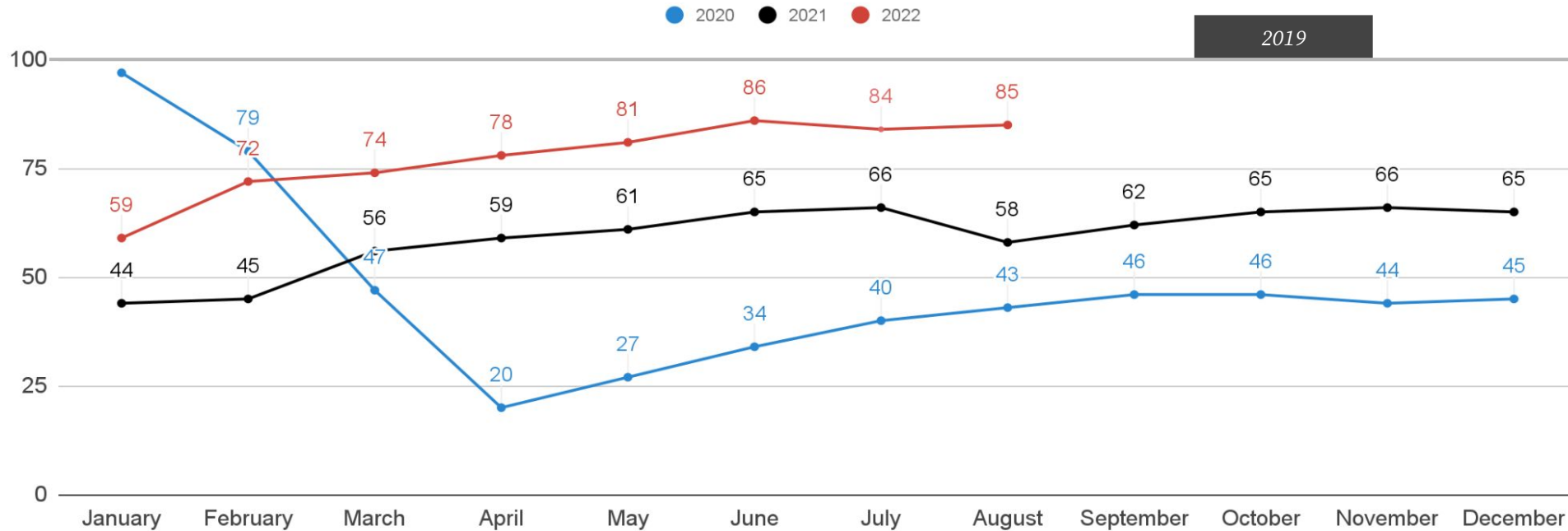




Travel Recovery is Underway

Skift Research's proprietary Skift Travel Health Index tracks the performance of recovery in 22 countries, using data from 20 data partners. The Index shows that globally the travel industry is nearing full recovery - just 15% below 2019 levels.

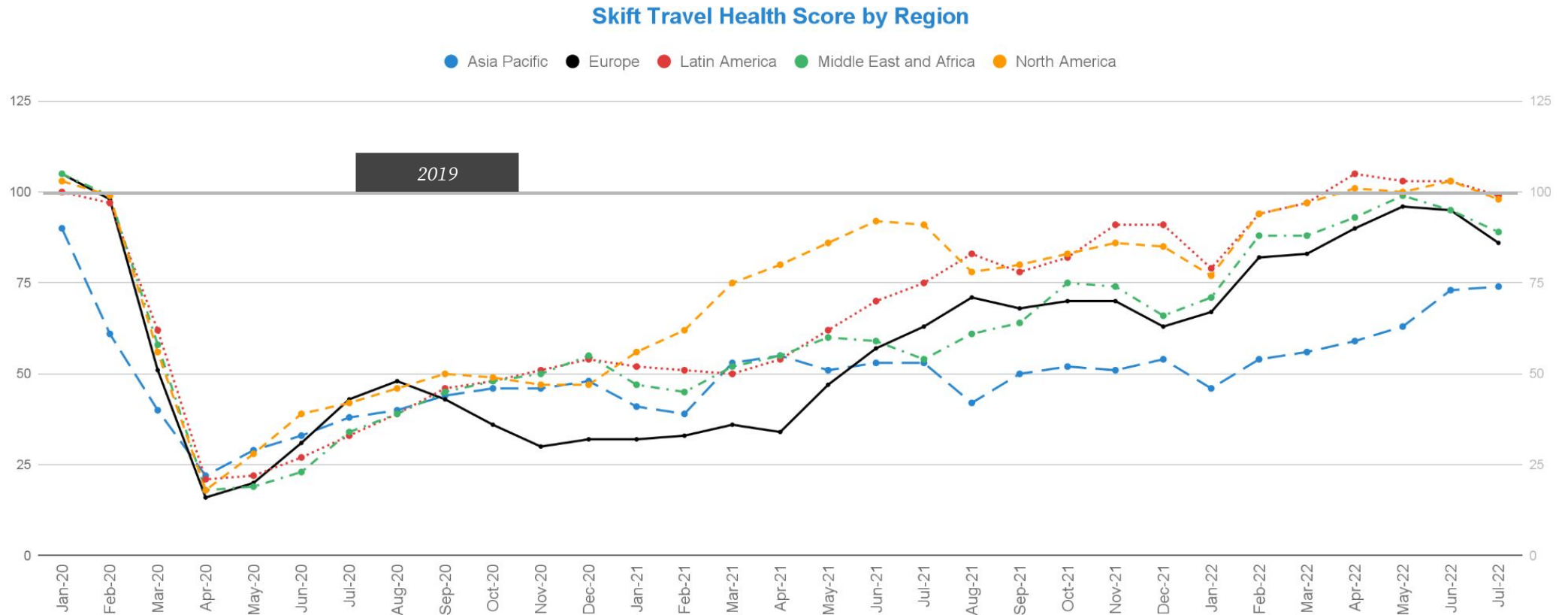
Global Travel Health Index Score (Weighted Average)





Travel Recovery is Underway

Most regions are close to full recovery. Asia Pacific however, stands out as the major laggard.

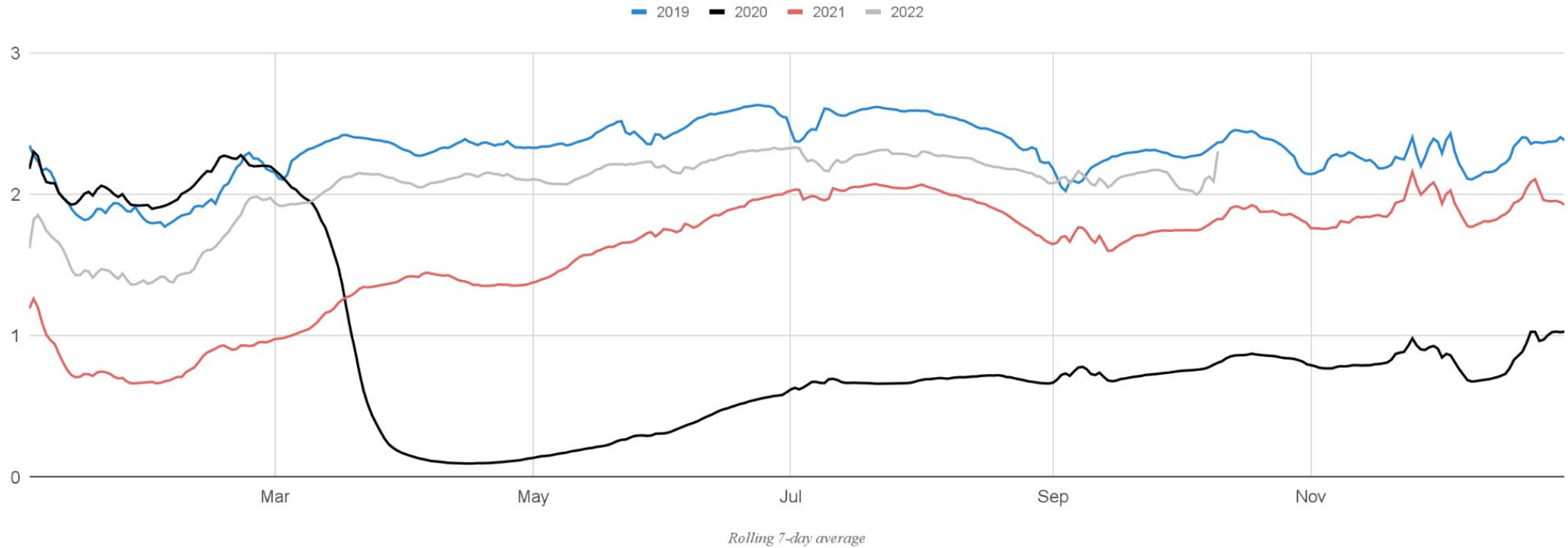




Travel Recovery is Underway

Today U.S. passenger movement is back to 95% of 2019 levels, according to data from the Transportation Security Administration.

TSA Checkpoint Travel Numbers (Millions per Day)



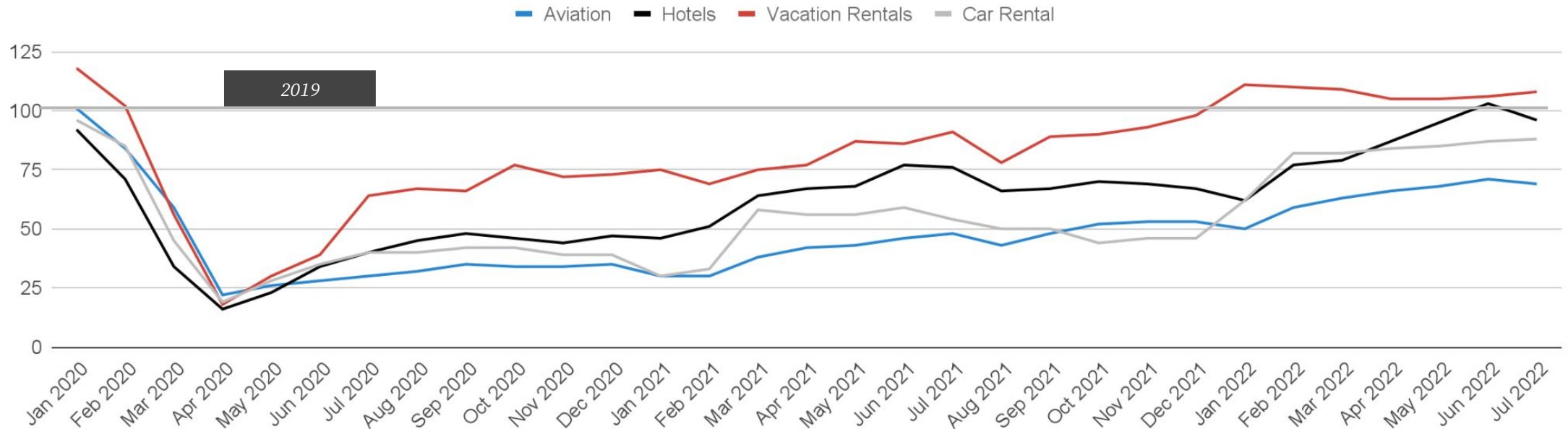


Travel Recovery is Underway

Sector-wise, accommodations lead the pack. Especially vacation rentals have been performing strong since the start of the pandemic.

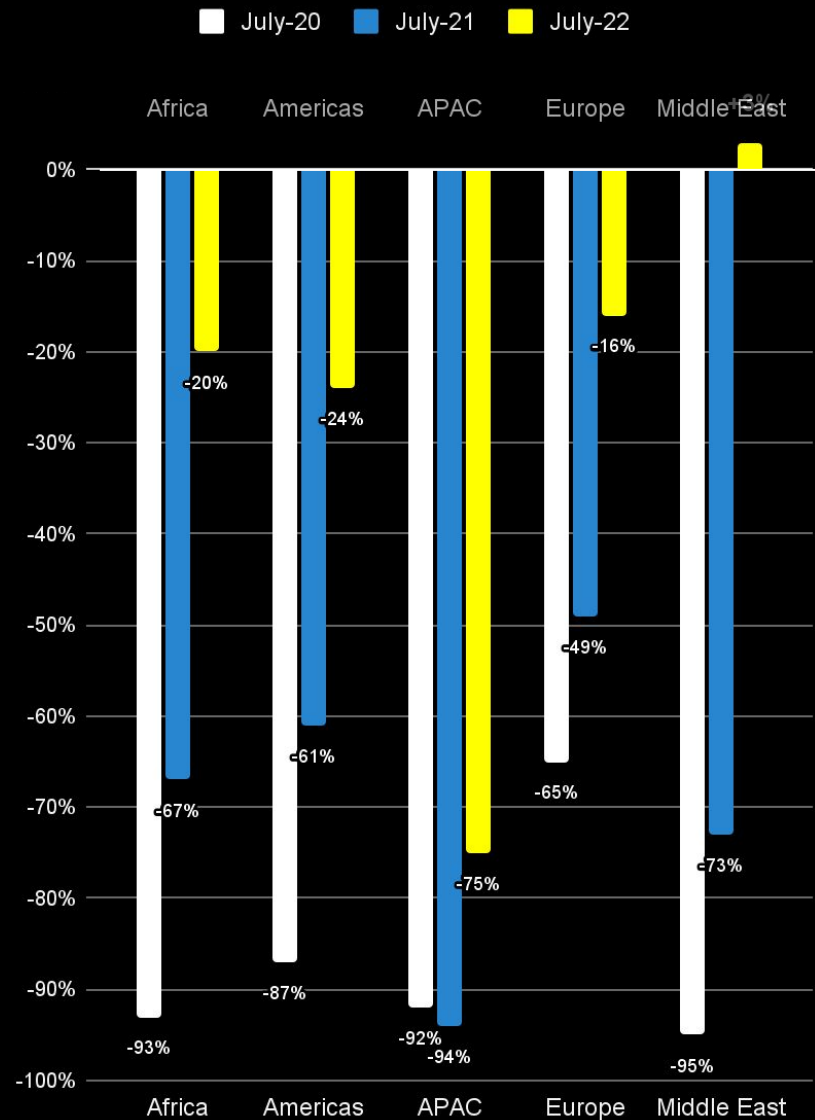
The airline industry struggles the most with recovery, initially through low demand and now through logistical and staffing issues.

Skift Travel Health Index by Travel Sector





1. Travel's Path to Recovery // 1.2 Domestic vs International Travel



Domestic Travel Strong while Cross-Border Travel Lags

International travel remains down, although it has been recovering in 2022. The Middle East registered arrivals above 2019 levels in July 2022, according to data from the UNWTO.

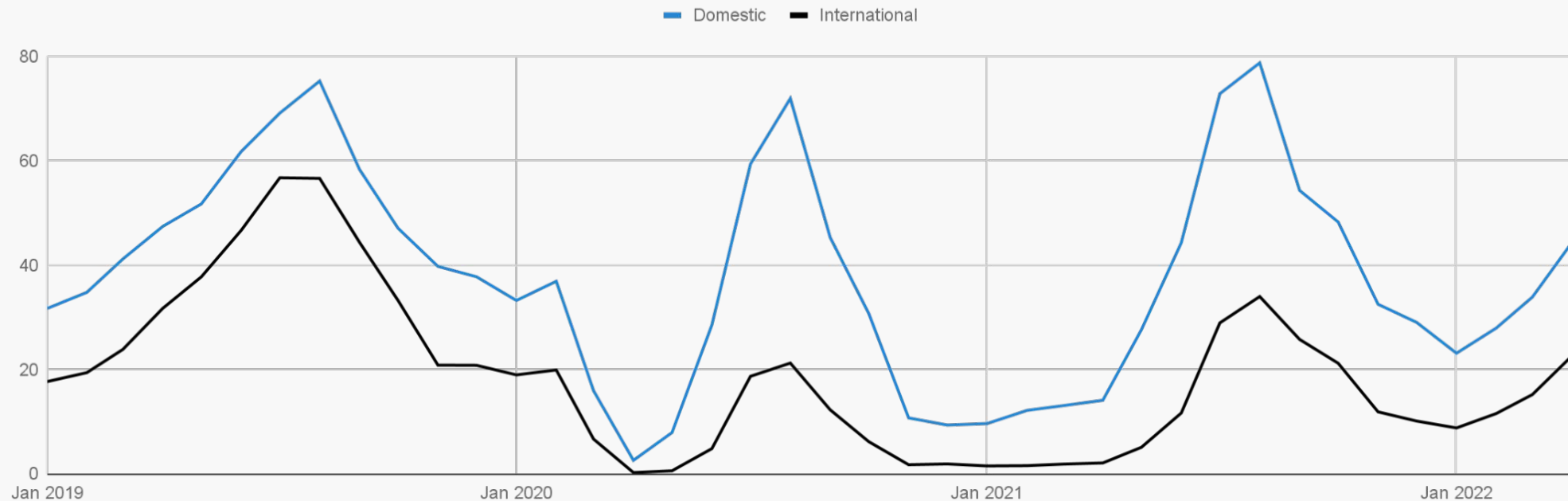
← Growth in International Arrivals vs 2019



Domestic Travel Strong while Cross-Border Travel Lags

While there was a visible dip in stays by international visitors in European accommodations, domestic travel only saw a very minor impact from the pandemic, with demand only lower during the shoulder months.

Million Stays in Tourism Accommodation in EU27 Countries by Origin of Visitor







Domestic Travel Strong while Cross-Border Travel Lags

According to a forecast by US Travel and Tourism Economics, U.S. domestic travel spending will be close to fully recovered by the end of 2022. Spending by international visitors, however, will not be back until 2025.

[Traveler Spending in U.S. by Origin of Traveler → \(\\$ billion\)](#)

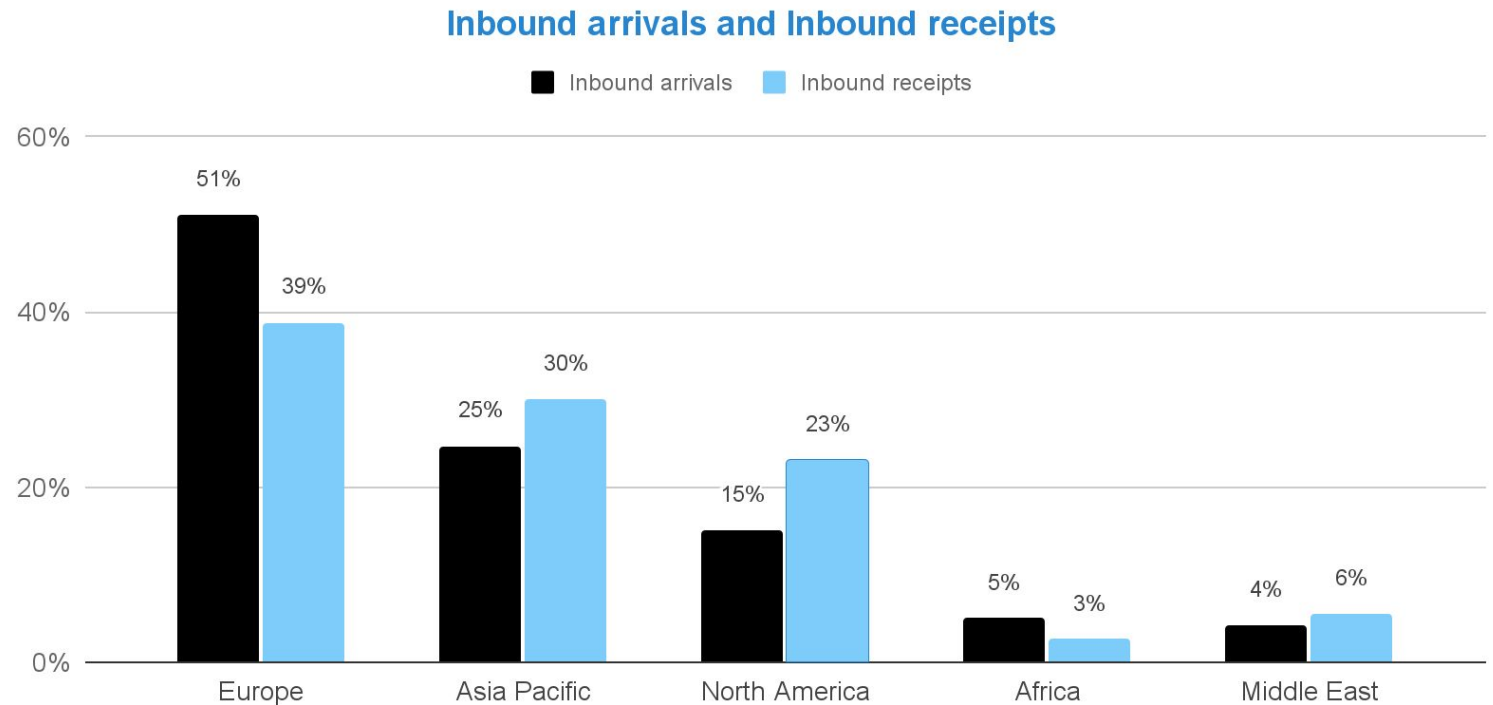
 DOMESTIC		 INTERNATIONAL
\$ 992	2019	\$ 181
\$ 682	2020	\$ 41
\$ 846	2021	\$ 40
\$ 941	2022E	\$ 109
\$ 1,010	2023E	\$ 141
\$ 1,040	2024E	\$ 167
\$ 1,050	2025E	\$ 186
\$ 1,060	2026E	\$ 198



Destinations Heavily Reliant on Inbound Tourism at Risk as International Travel is Slow to Recover

The extended closure of international borders in Asia Pacific has had an impact on the region's tourism recovery.

Market Share of Inbound Arrivals and Receipts, 2019 →

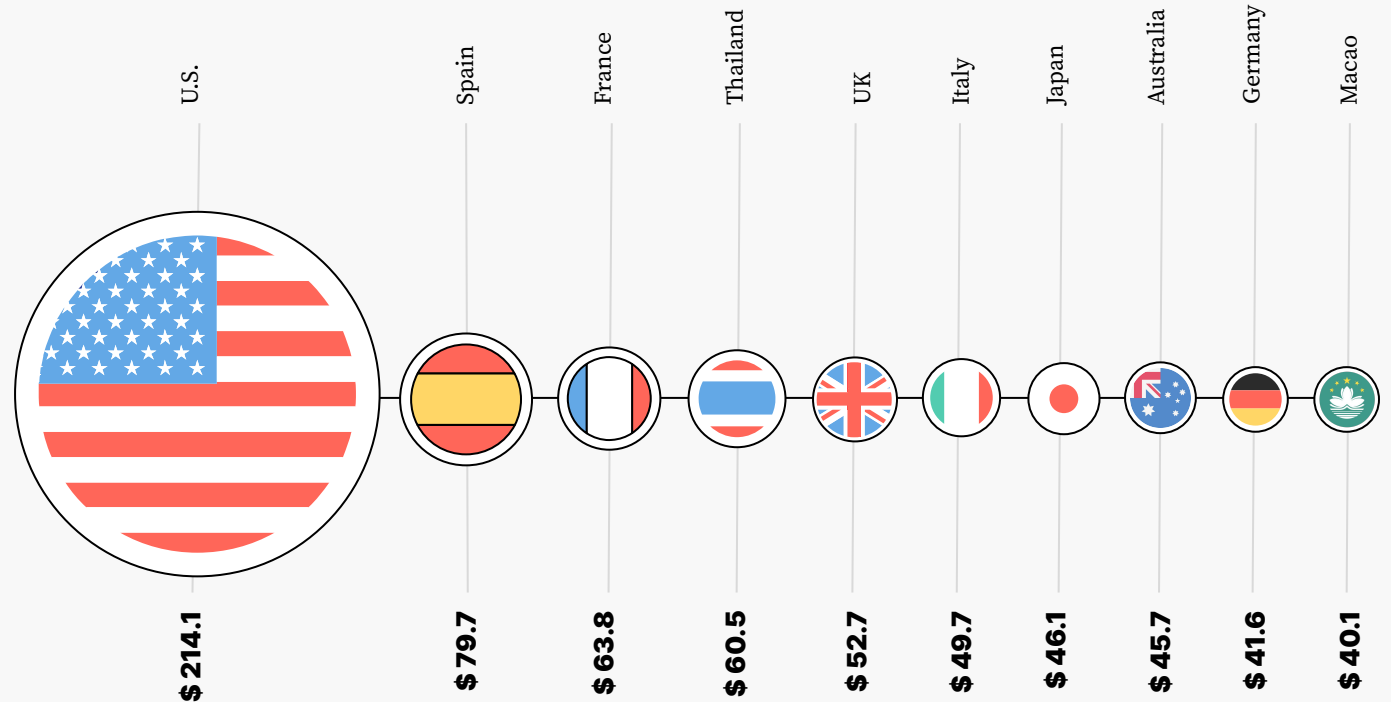




Destinations Heavily Reliant on Inbound Tourism at Risk as International Travel is Slow to Recover

The U.S. was the single largest destination for international travel worldwide in 2019, but now relies much more on domestic travelers. How will this evolve in 2023 and beyond?

Top 10 Countries for Inbound Tourism Receipts(\$B) →

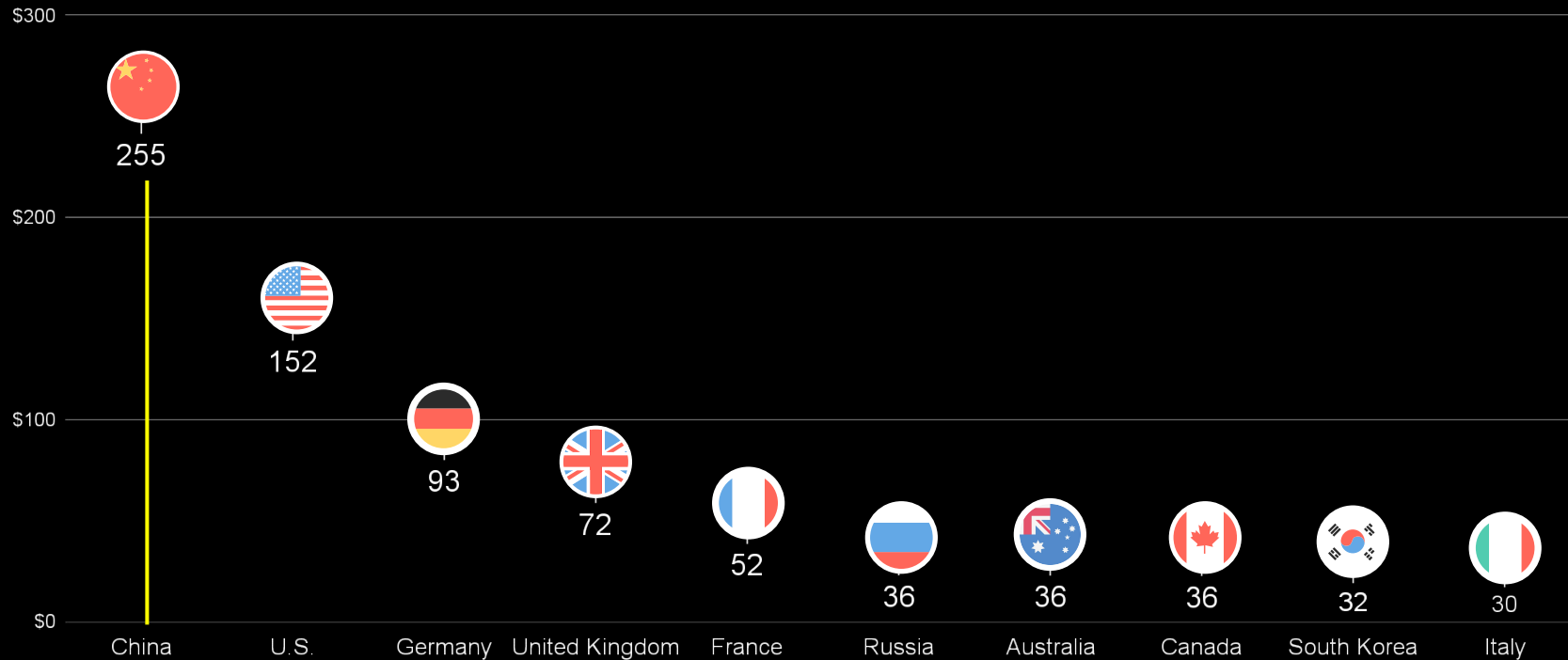




12/18

China is Largest Outbound Travel Market in the World

China was the largest exporter of tourism in 2019.



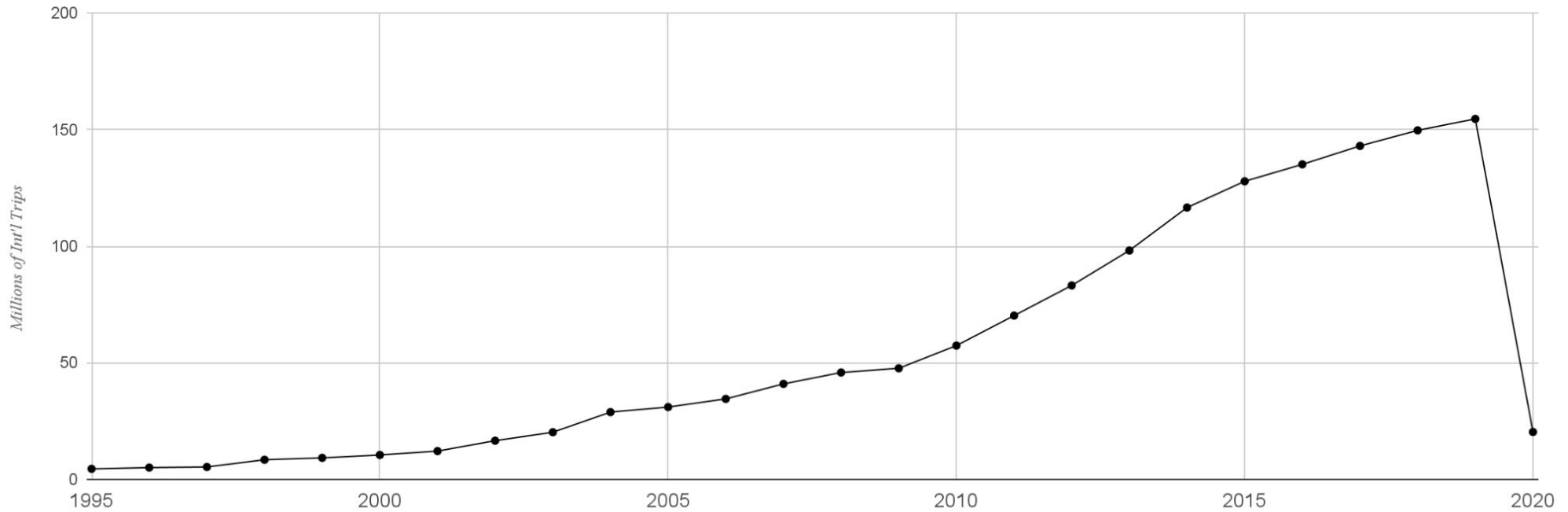
← Top 10 Countries for Outbound Tourism Expenditure (\$ billion)



China is Largest Outbound Travel Market in the World

China has seen a strong rise in outbound travel up to the pandemic, taking 150 million trips overseas per year pre-Covid.

Chinese Outbound Tourists (1995-2020)

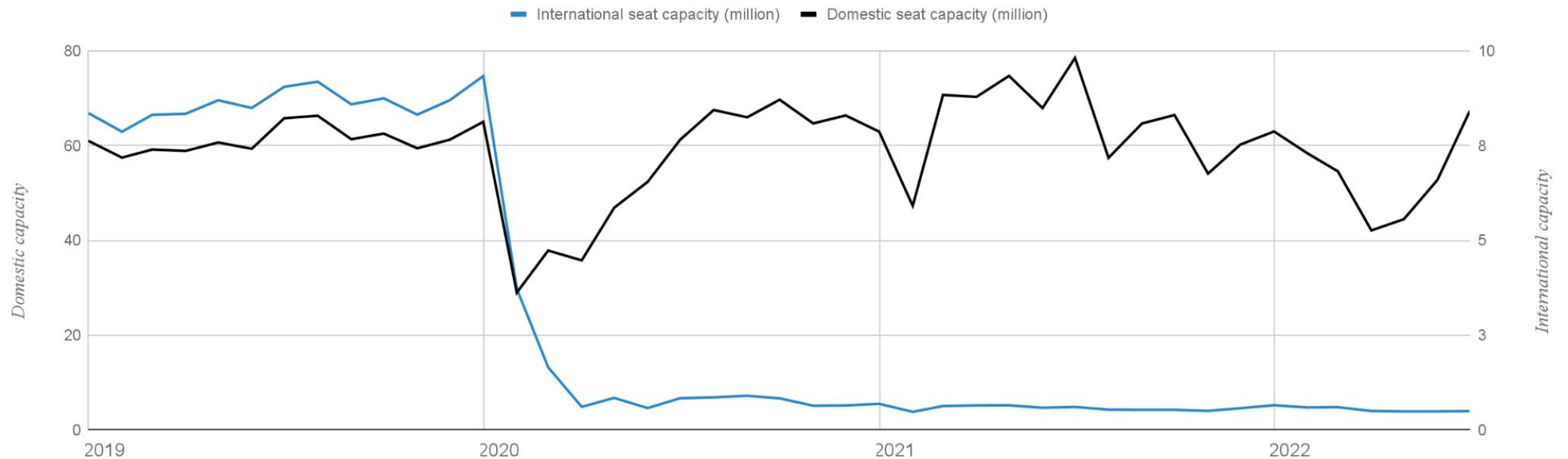




Chinese International Outbound Travel Still Essentially Nil

China's zero-Covid policy has shut off the tap from the largest pre-pandemic source travel market in the world. When will China reopen and will its people travel to the same places and in the same ways as before Covid-19?

International seat capacity and Domestic seat capacity

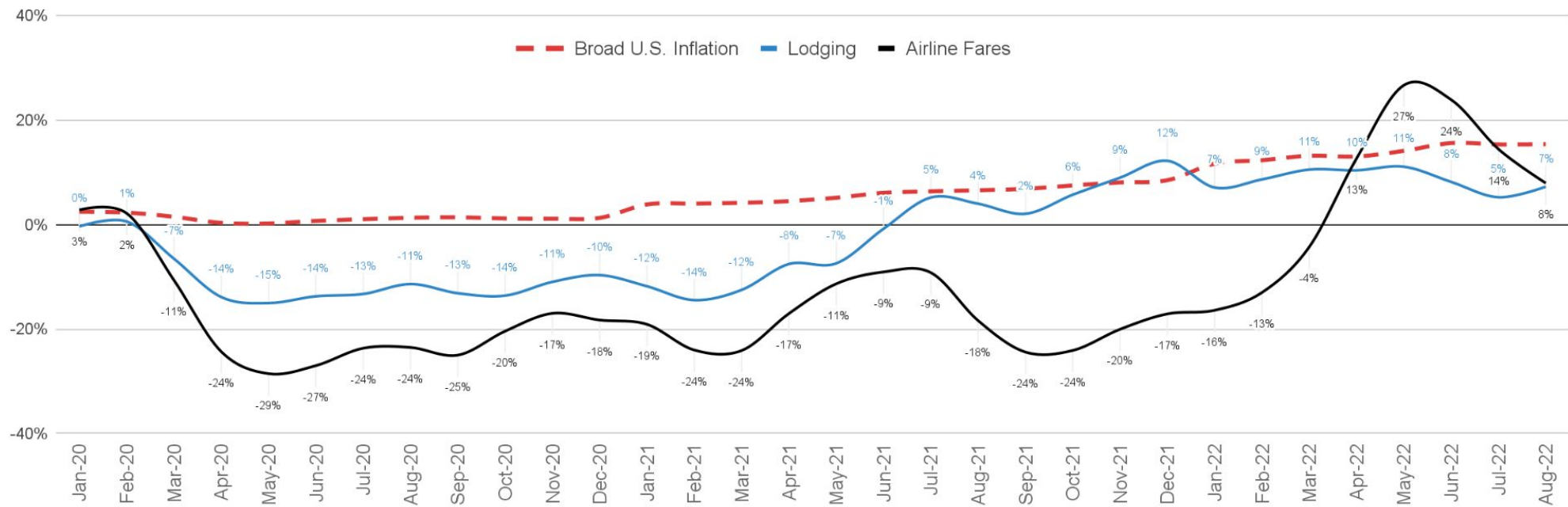




Inflationary Concerns Growing for the Travel Industry

Globally, inflation will chip away at purchasing power and risks derailing the robust travel recovery.

U.S. Price Inflation vs. 2019



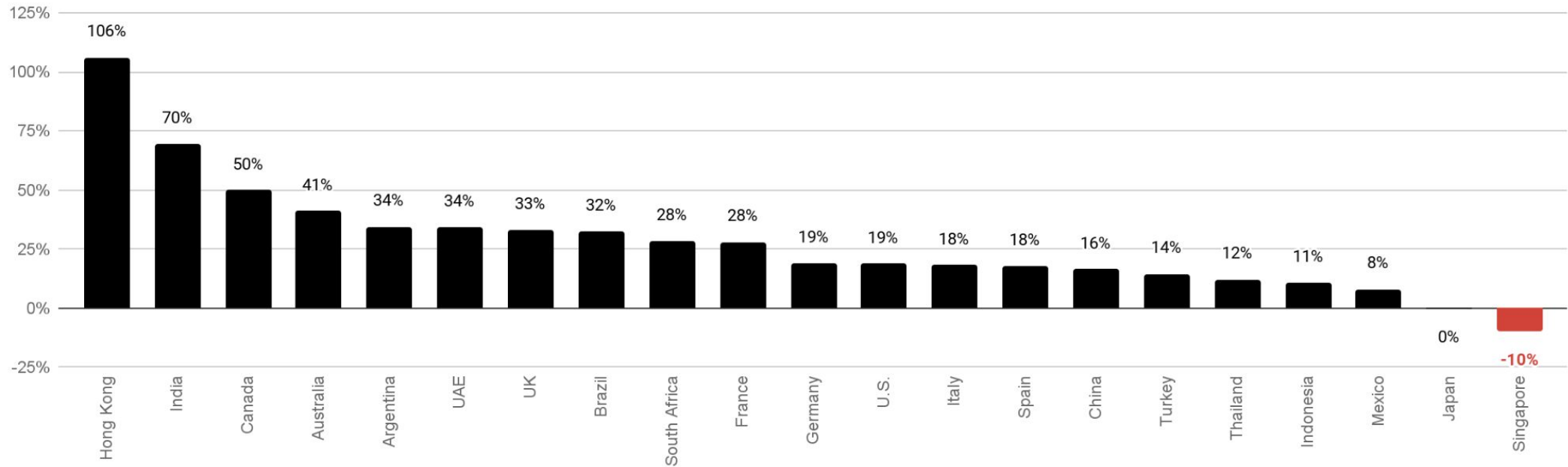


1. Travel's Path to Recovery // 1.4 Inflation Poses Risk to Travel Recovery

Inflationary Concerns Growing for the Travel Industry

Travel prices are growing at sky-high rates. This represents strong pricing power but also risks turning off consumers.

Average Published Room Rate Growth - August 2022 vs August 2019

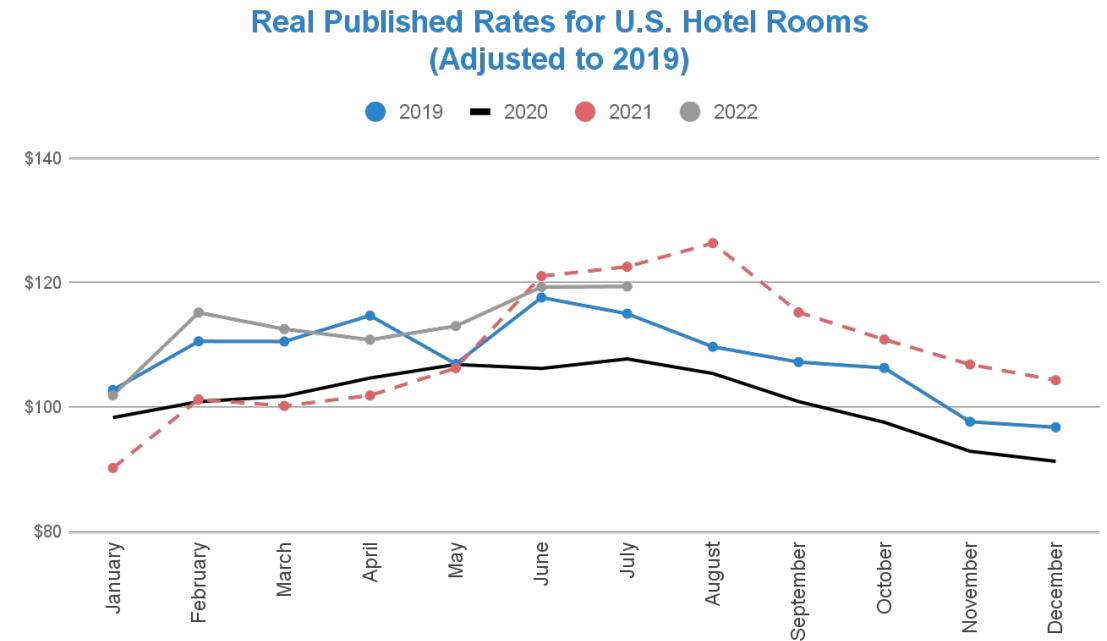
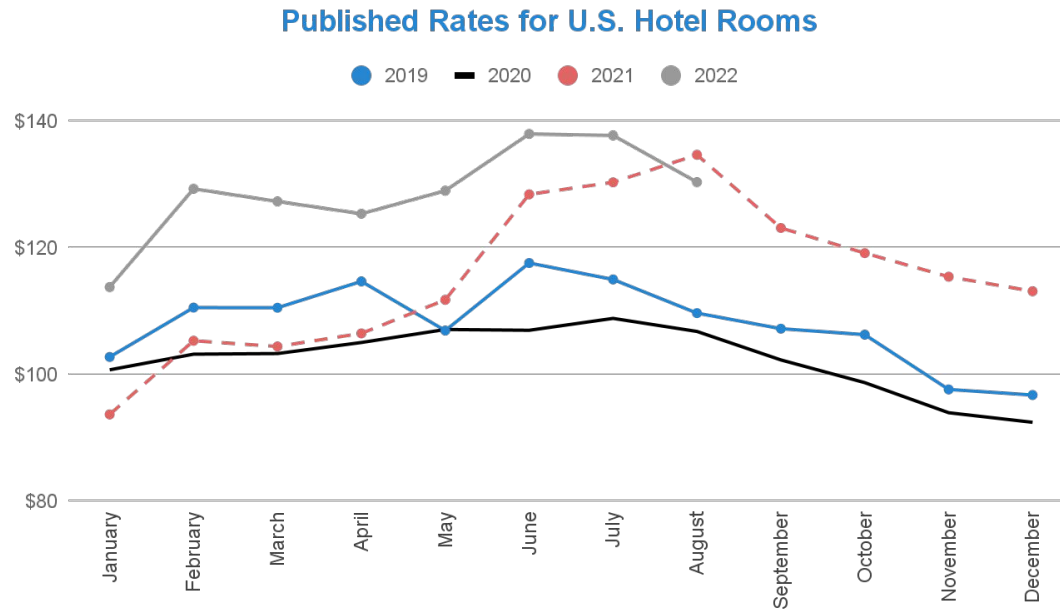




1. Travel's Path to Recovery // 1.4 Inflation Poses Risk to Travel Recovery

Inflationary Concerns Growing for the Travel Industry

Hotel rates are mainly keeping pace with broad inflation, suggesting that hoteliers are not price gouging, but merely trying to keep up with rising costs. Nonetheless, rising nominal prices may slow travel demand.

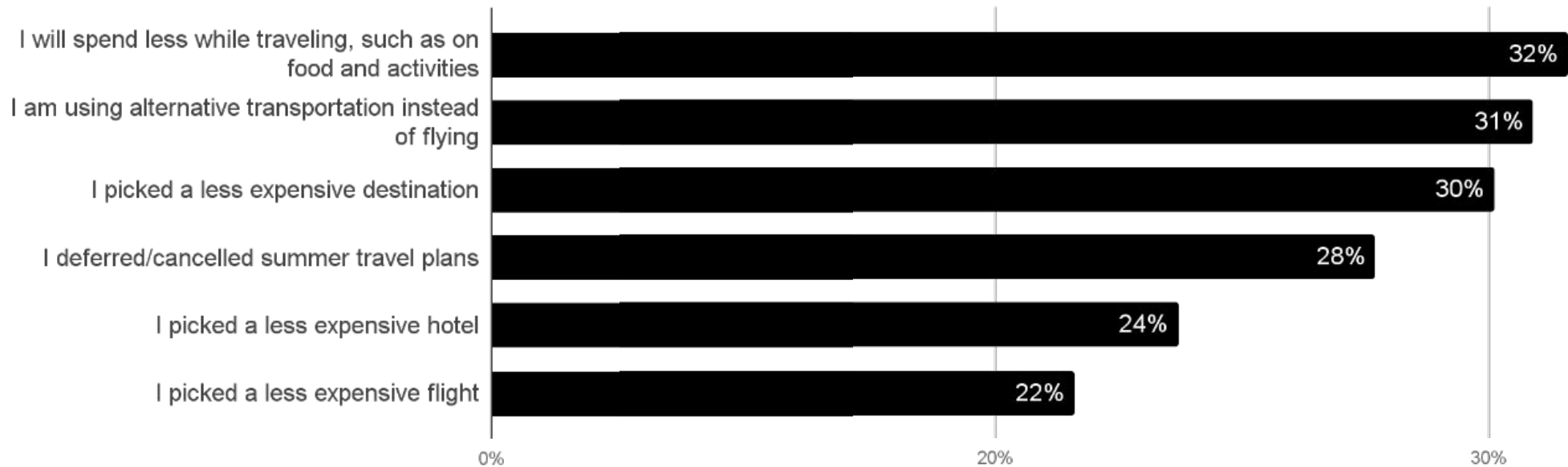




Inflationary Concerns Growing for the Travel Industry

High travel prices are likely to impact consumers through year-end and beyond. Few are outright cancelling trips, but many are downgrading spending to cheaper alternatives.

Impact of High Prices on Summer Travel Plans





2. CONSUMER TRENDS

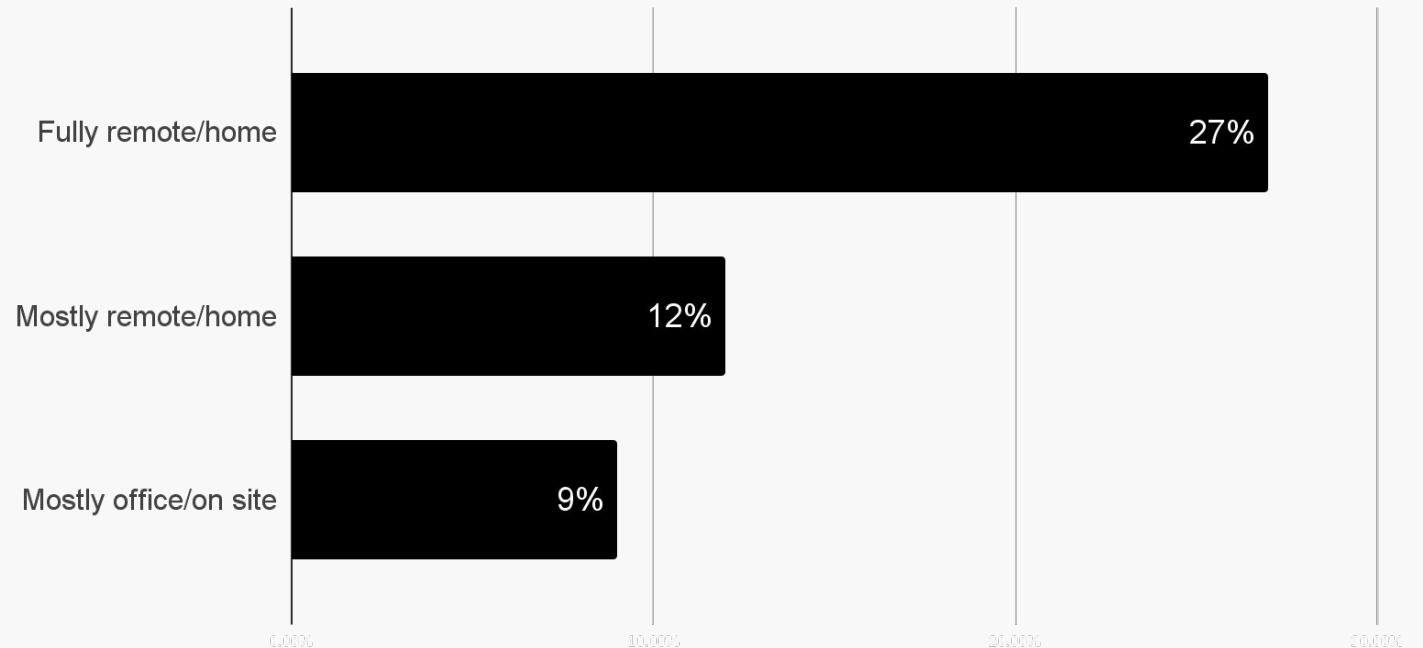




Working from Anywhere (WfA) is Here to Stay

Consumers report consistently high rates of remote work status, which shows little sign of changing even as the pandemic normalizes.

Remote Work Status - U.S. Workers,
Aug 2022 →

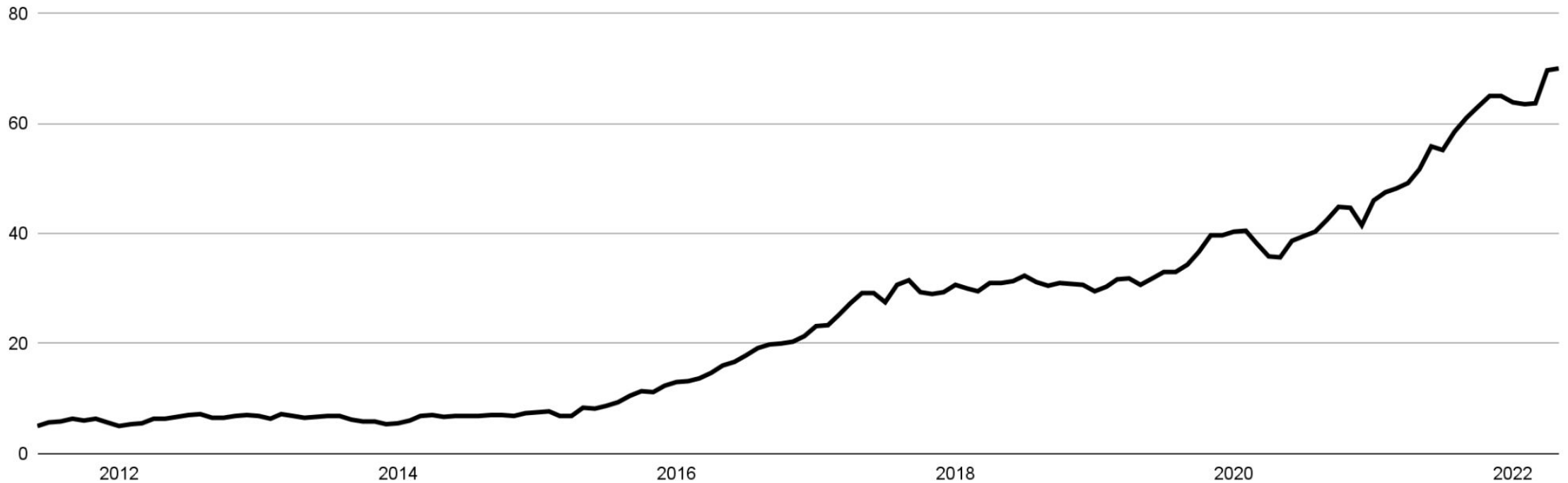




Working from Anywhere Boosts Travel Activity

WfA enables a new wave of digital nomads who stand to have an outsized revenue impact on the travel industry. Skift Research estimates that in the U.S. alone, digital nomads could be a \$1B new market.

U.S. Google Search Interest for: "Digital Nomad"



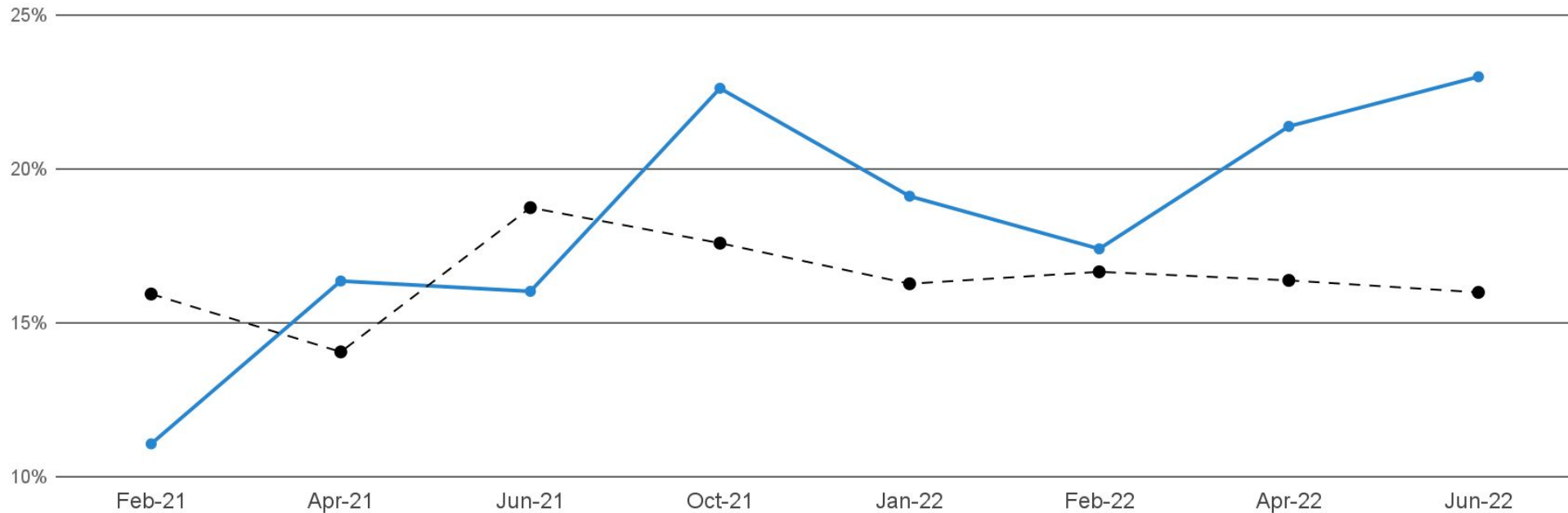


Working from Anywhere Boosts Travel Activity

WfA enables even the average traveler to take longer and more frequent trips.

Because of your remote work status, have you done the following?

- I have traveled for an extended time (more than 10 days) away from home
- I have taken more short-term (less than 10 days) trips

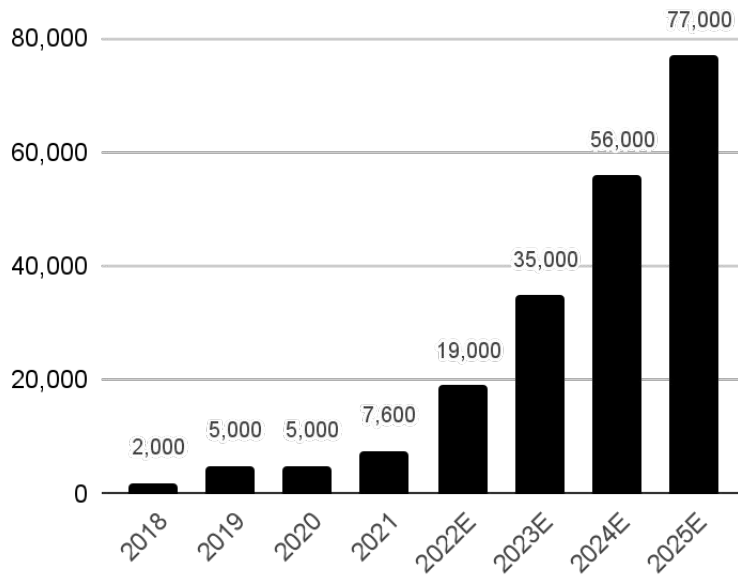




Working from Anywhere Changes How and Where People Choose to Travel

The merging of accommodation sectors is sped up by the WfA trend, with hotels looking to offer rental accommodation to its members as well, and traditional rental operators providing more hotel-style services.

Sonder Live Units

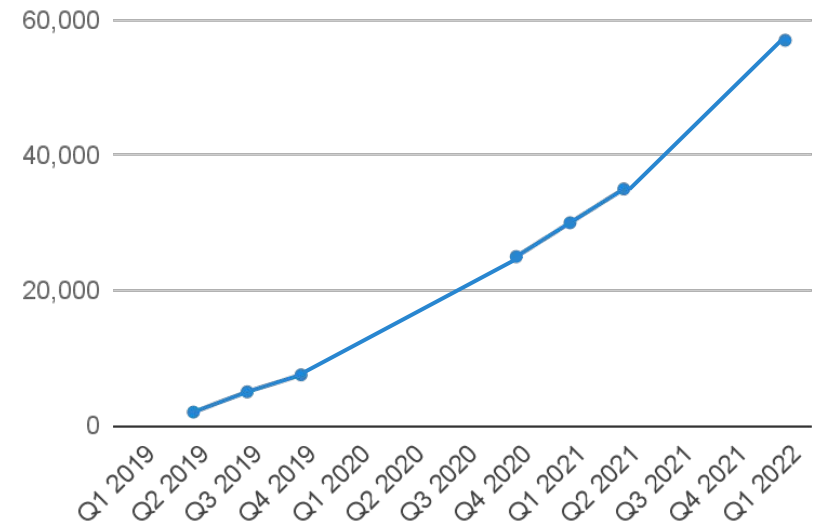


←
Sonder moves into hotel space

Marriott goes the other way with Homes & Villas



Marriott Homes & Villas Listings





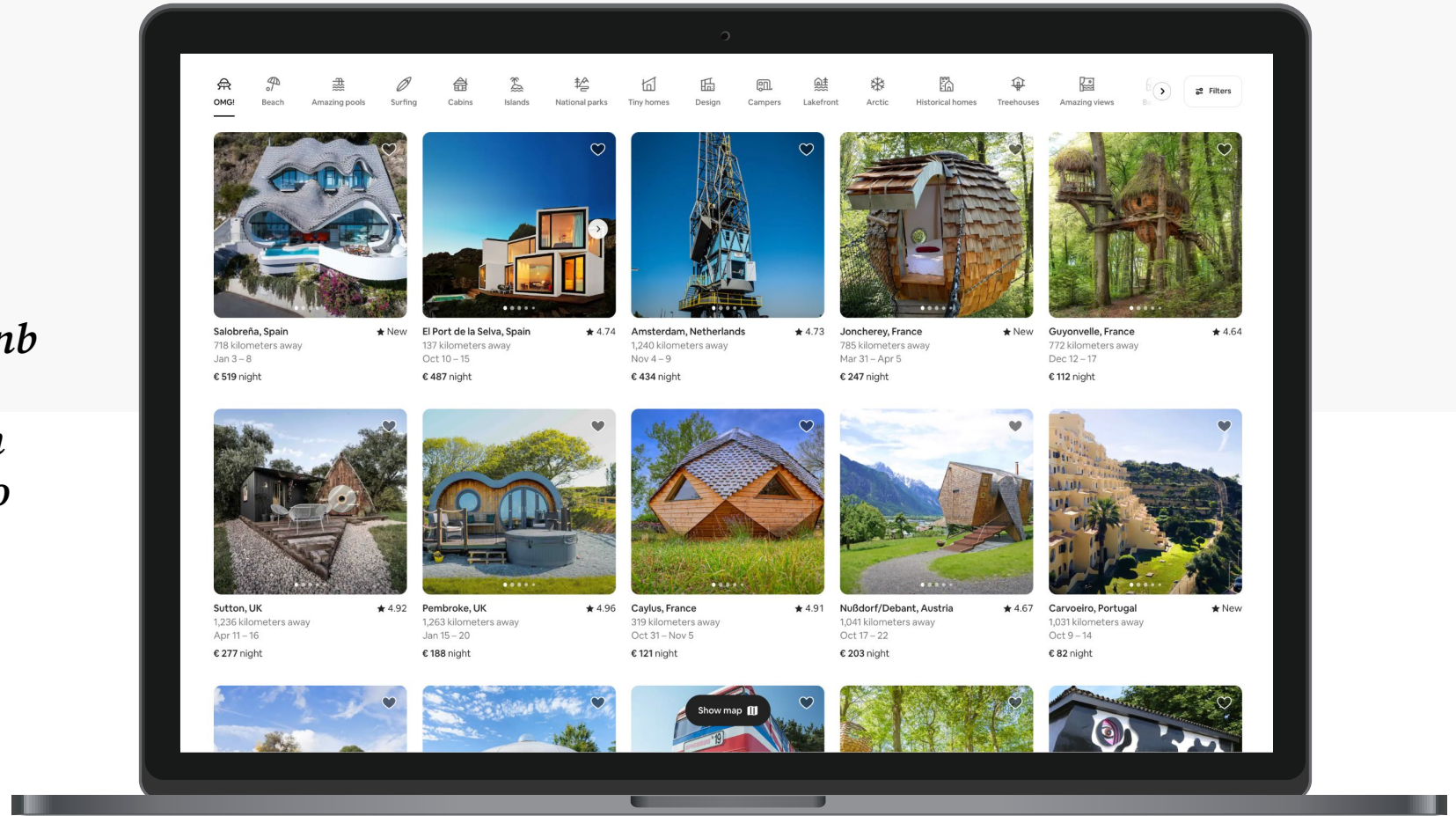
Working from Anywhere Changes How and Where People Choose to Travel

The WfA trend makes travel location agnostic.

“

40% of people come to Airbnb and they either have no destination or date range in mind. We have the ability to point demand to where we have supply.”

Brian Chesky, CEO Airbnb
Skift Global Forum, September 2021





Working from Anywhere Changes How and Where People Choose to Travel

The WfA trend also pushes the uptake of the co-living model in travel, with companies like Selina benefiting.

Selina

generated

\$94M

of revenue *in 2021*

and estimates it will reach

\$234M

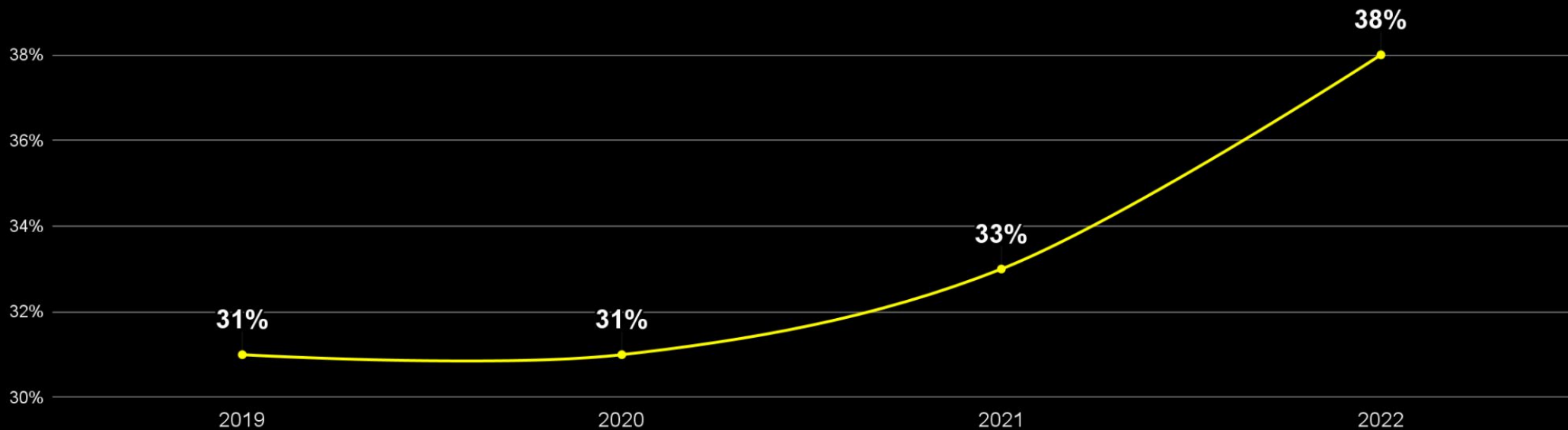
in 2022



The New Face of Business Travel

Bleisure, or the blended trip, has grown in prominence, partly aided by the WfA trend. This has the potential to provide the business travel sector with a strong tailwind.

Business Trips that Contain a Weekend

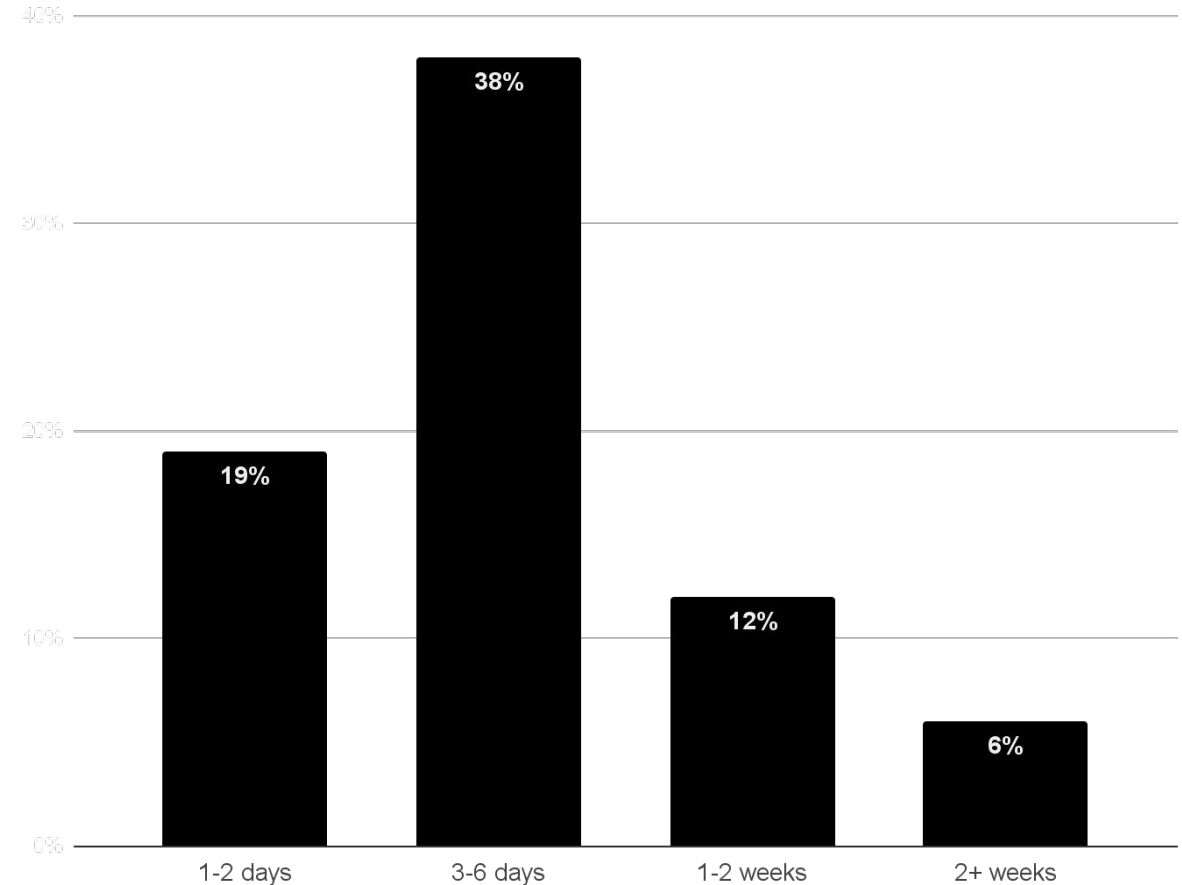




The New Face of Business Travel

Blended trips tend to be longer, and often involve family members joining on trips. When Deloitte studied leisure holiday travelers that brought their laptops with them (called Laptop Luggers by the authors), they found that by incorporating some work, the largest cohort of travelers extended their trip by 3-6 days.

Laptop Luggers' Trips Extended By... →





The New Face of Business Travel

Business travel will be at the core of building culture and collaboration in a WfA world. Business travel will grow to include more than just sales functions, involving a more holistic group of corporate travelers.



With managers questioning how to build culture in a new work world, company-wide mobility poses a potent solution.”

American Express Global Business Travel

Centering Travel within Organizations

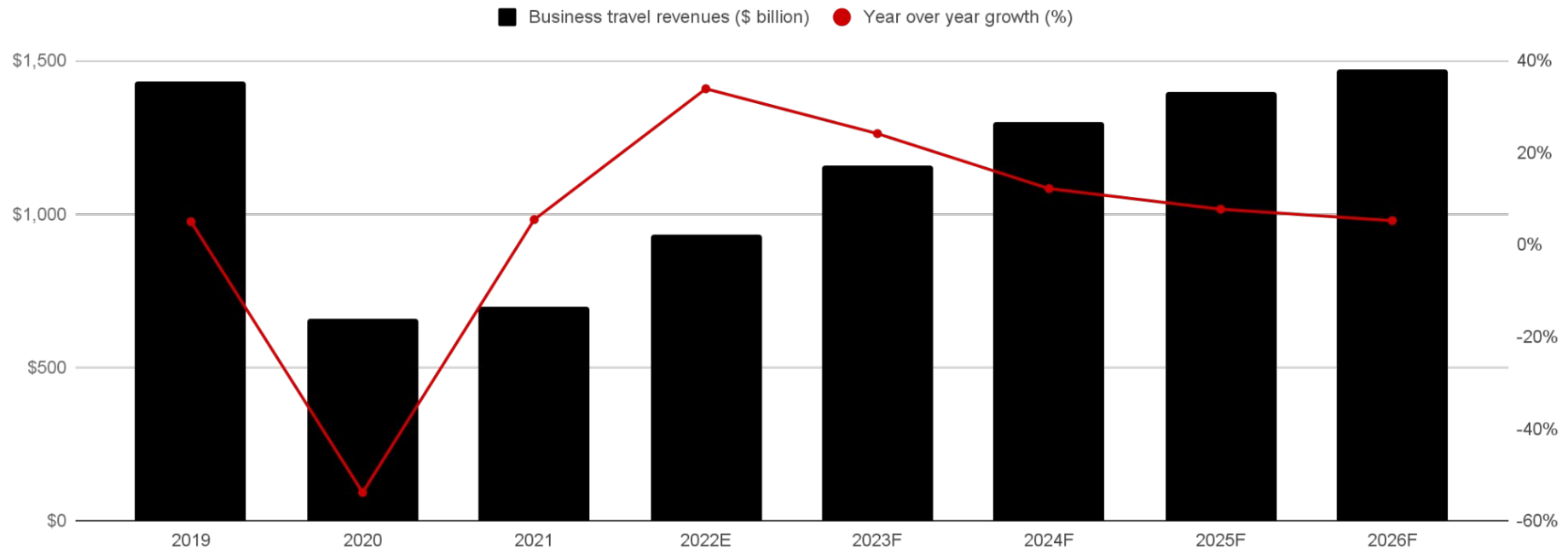




Reports of the Death of Business Travel are Greatly Exaggerated

While business travel has struggled to come back as strongly as leisure travel over the past years, the WfA trend and the socialization of business travel will help corporate travel to make a comeback.

Global Business Travel Revenues (\$ billion)

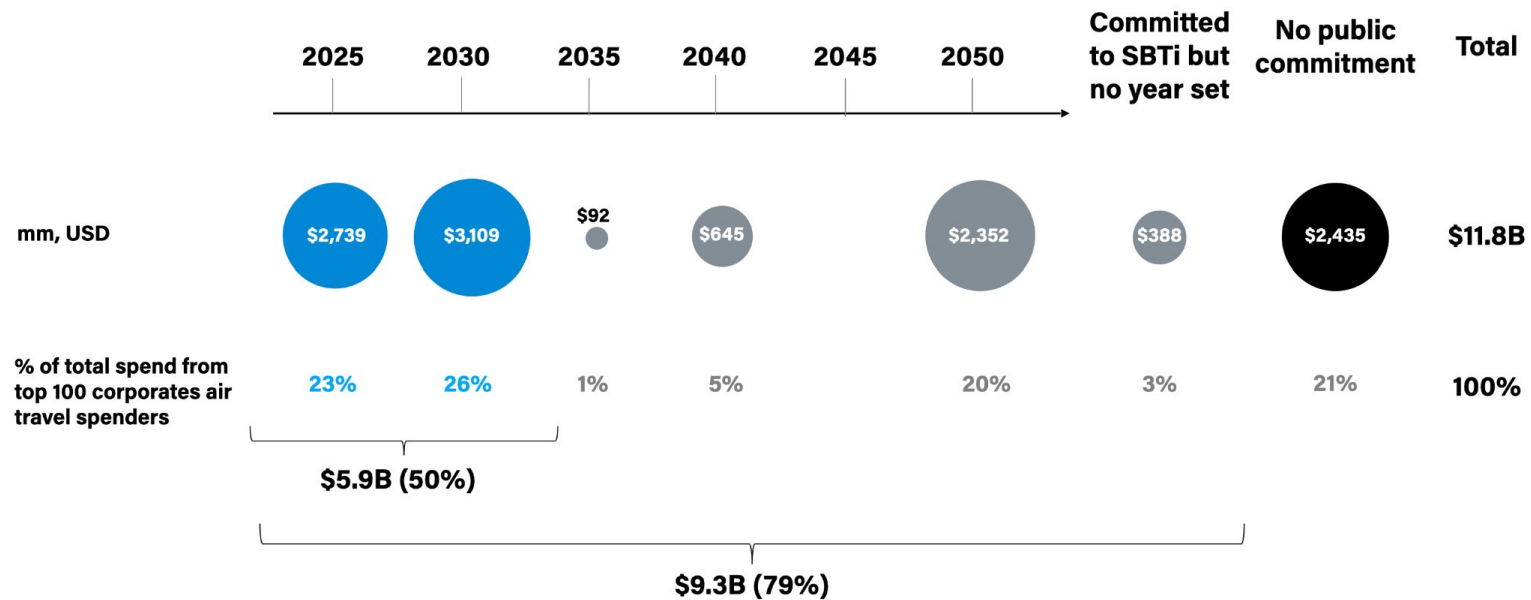




Environmental Policies Could Provide Business Travel Headwind

Environmental, social and governance (ESG) targets towards becoming net-zero, as set by the largest 100 U.S. companies, indicate that a reduction in spending on business travel is likely over the coming decade.

Distribution of U.S. Corporate Business Air Travel Spend by Net-Zero Commitment Year
As of September 2022

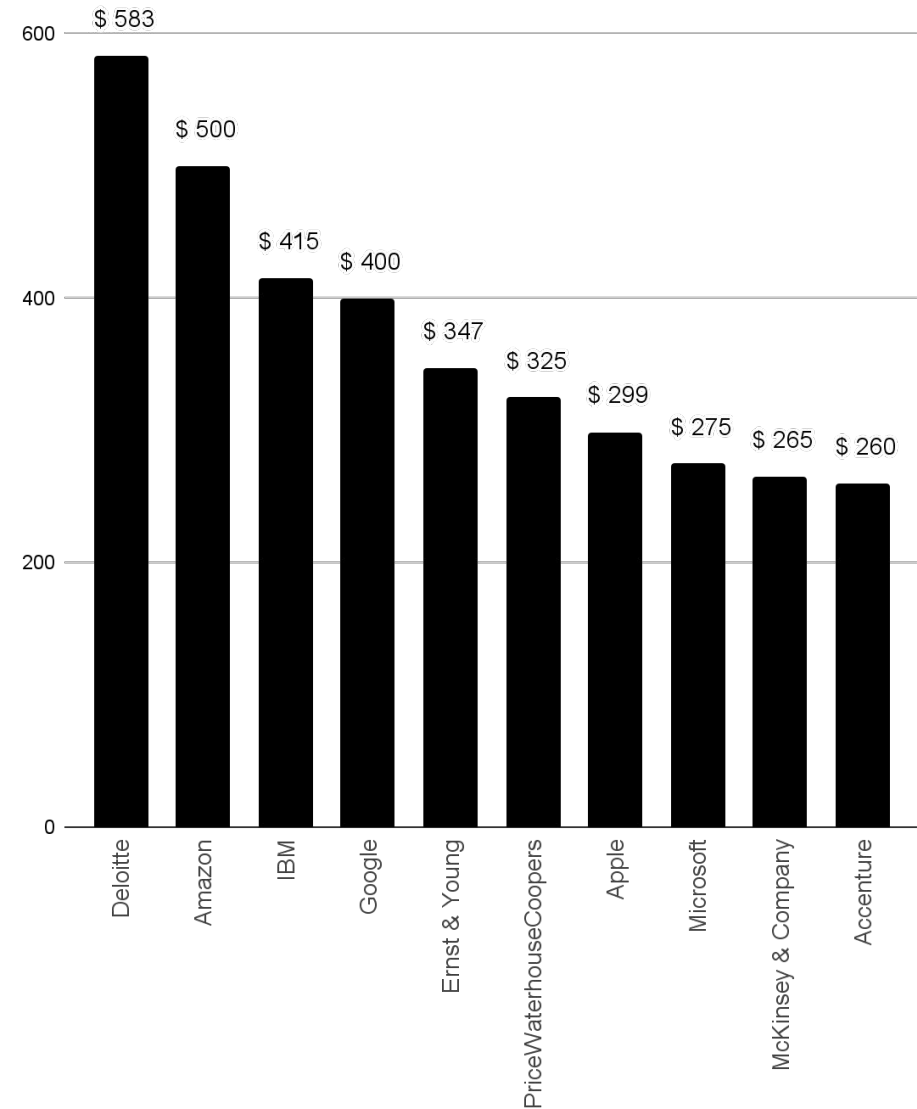




Environmental Policies Could Cause Business Travel Headwind

Return of business travel relies heavily on consultancies and tech firms, since these are large procurers of corporate travel. Many of these companies have indicated they will reduce business travel as an effort to achieve emission-reduction goals. This could be a major headwind to corporate travel's recovery.

2019 U.S.-Booked Air Volume (\$ million)

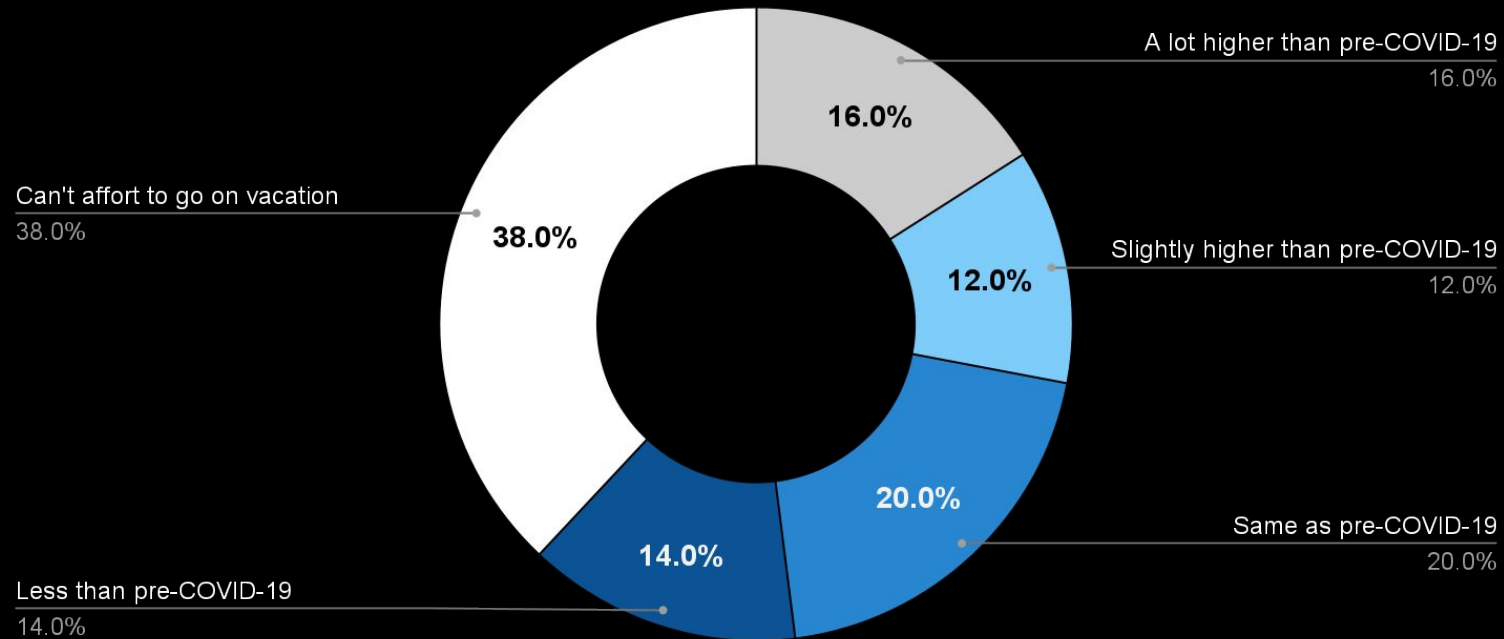




Luxury Travel a Strong Long-Term Trend

Long-term luxury spending is expected to stay: Almost 30% of travelers say their vacation budgets are higher after Covid.

How Global Consumers' Vacation Budgets for Future Trips Changed Due to Covid-19 (%)

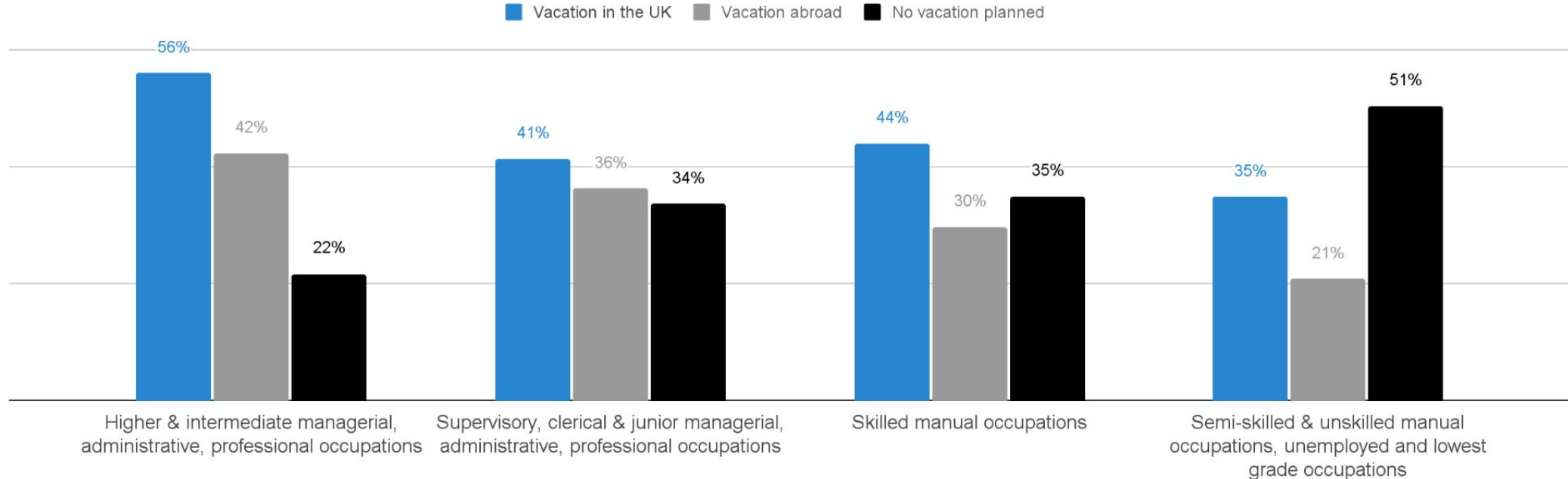




Luxury Travel a Strong Long-Term Trend

The majority of affluent households in Europe travelled during the summer of 2022.

UK Consumers by Social Brand Who Are Planning to Travel during Summer 2022



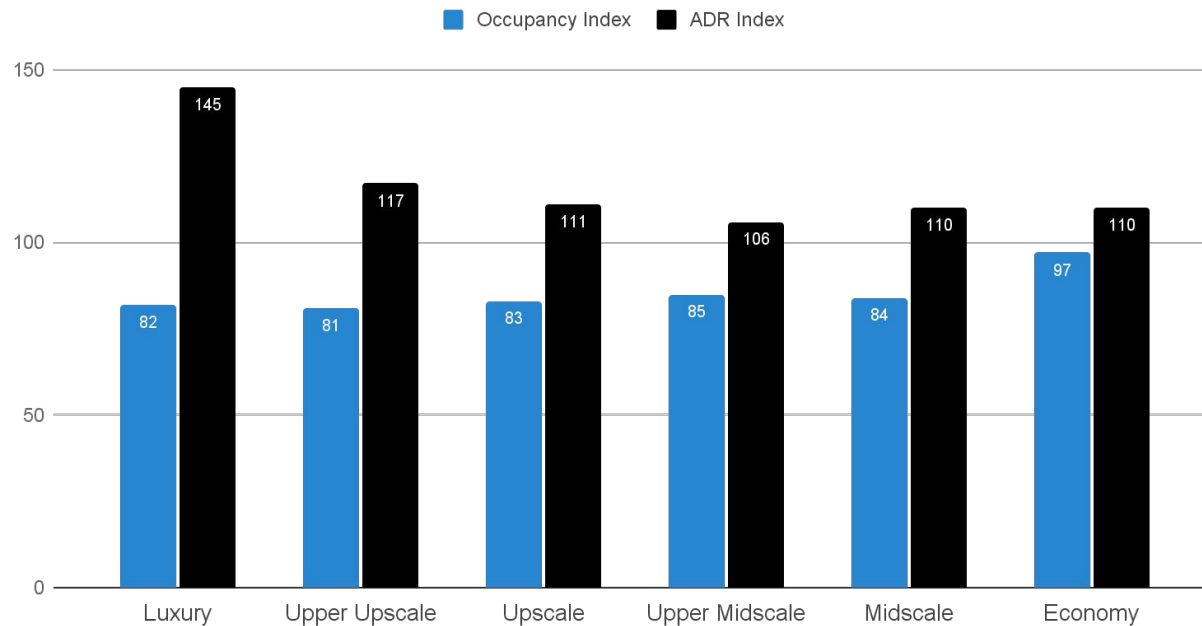


Luxury Travel a Strong Long-Term Trend

According to STR, luxury hotels have the strongest pricing power right now, indicating continued demand from households with high disposable incomes.

European Occupancy and Average Daily Rates (€) Indexed to 2019

Year to Date - July 2022



Households with income above \$150,000 are still planning to spend significantly more than average on domestic leisure, work-related, and international travel during the next six months.”

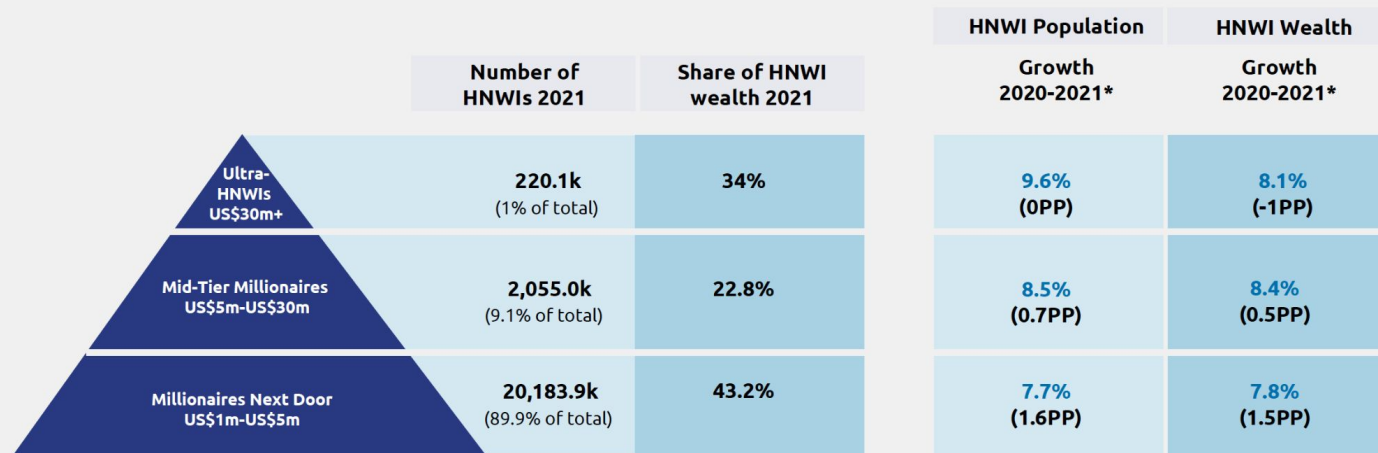
AlphaWise survey, Morgan Stanley Research, May 2022



Luxury Travel Might Get Squeezed by Inflationary Pressures

Is there a potential bump in the road as inflation continues to rise? Some research suggests that income of high-net-worth individuals (HNWI) is declining in 2022, although there are no signs yet that this is impacting travel spending.

How U.S. Wealth Bands Stacked up in 2021 and Grew Year over Year



*PP = Percentage Points denotes the change between 2020 & 2021



While 2021 was a strong growth year, 2022 is already turning out to be significantly different. High inflation since the beginning of 2022 and talk about interest rate hikes have spurred stock market corrections that are accelerating. As a result, as of end April 2022, our estimates indicate that global HNWI wealth had declined by ~4% (versus December 31, 2021)."

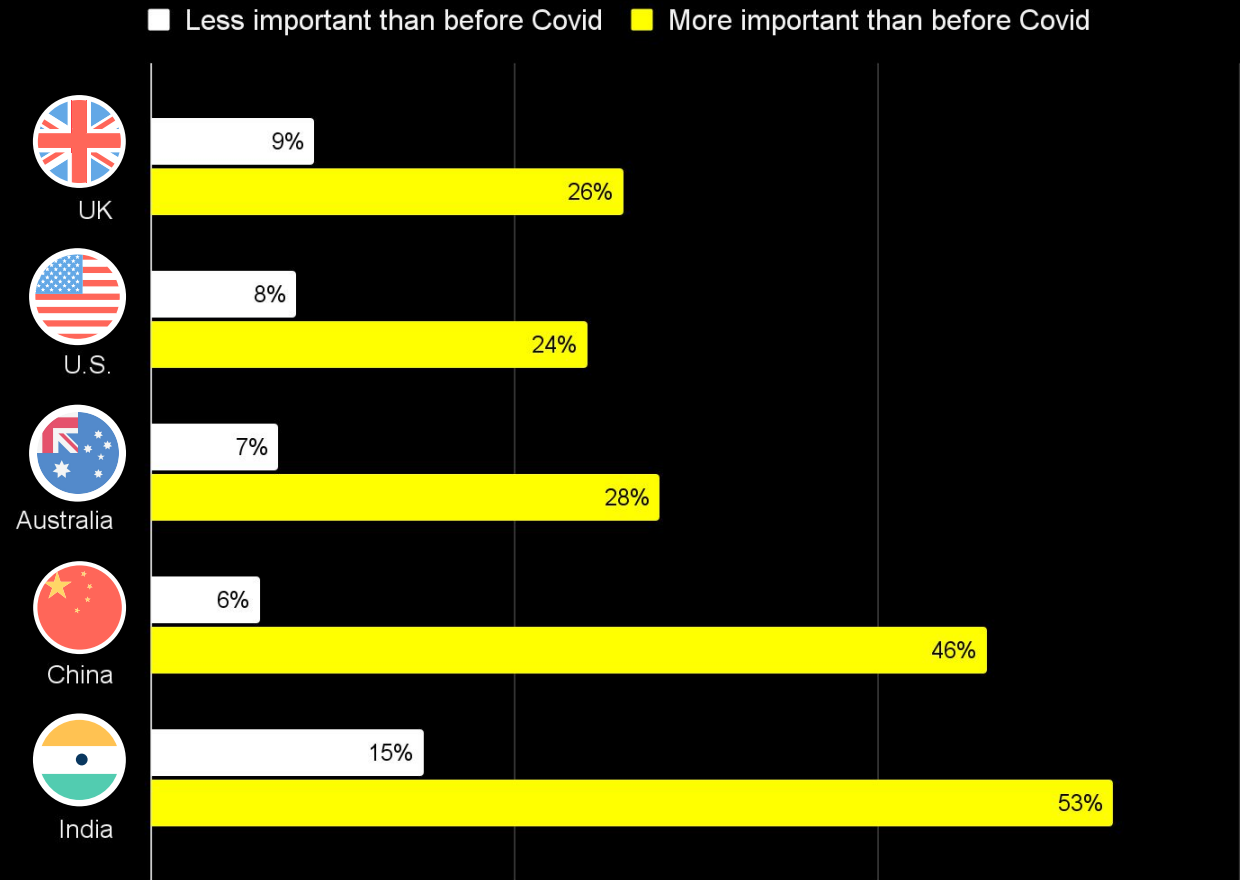
Capgemini Research Institute



Sustainability No Longer a Nice-To-Have

According to many surveys, including our own, sustainability is becoming more important to travelers when booking their trips.

Importance of Green Tourism and Business Practices →

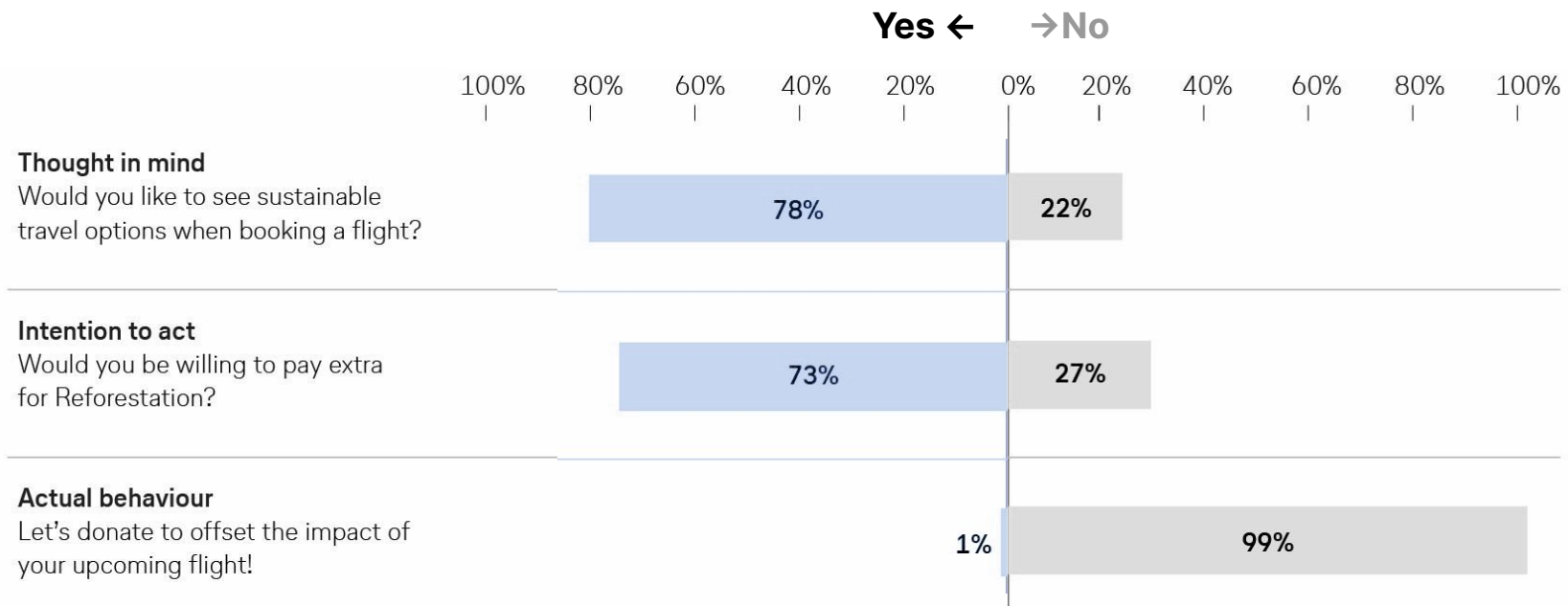




Sustainability No Longer a Nice-To-Have

While travelers are interested in seeing sustainable travel options, and say they are willing to pay extra for them, very few travelers today are willing to spend extra on offsets.

Carbon Offsetting: Share of Air Travelers Who Show Interest, Are Willing to Pay, and Actually Offset

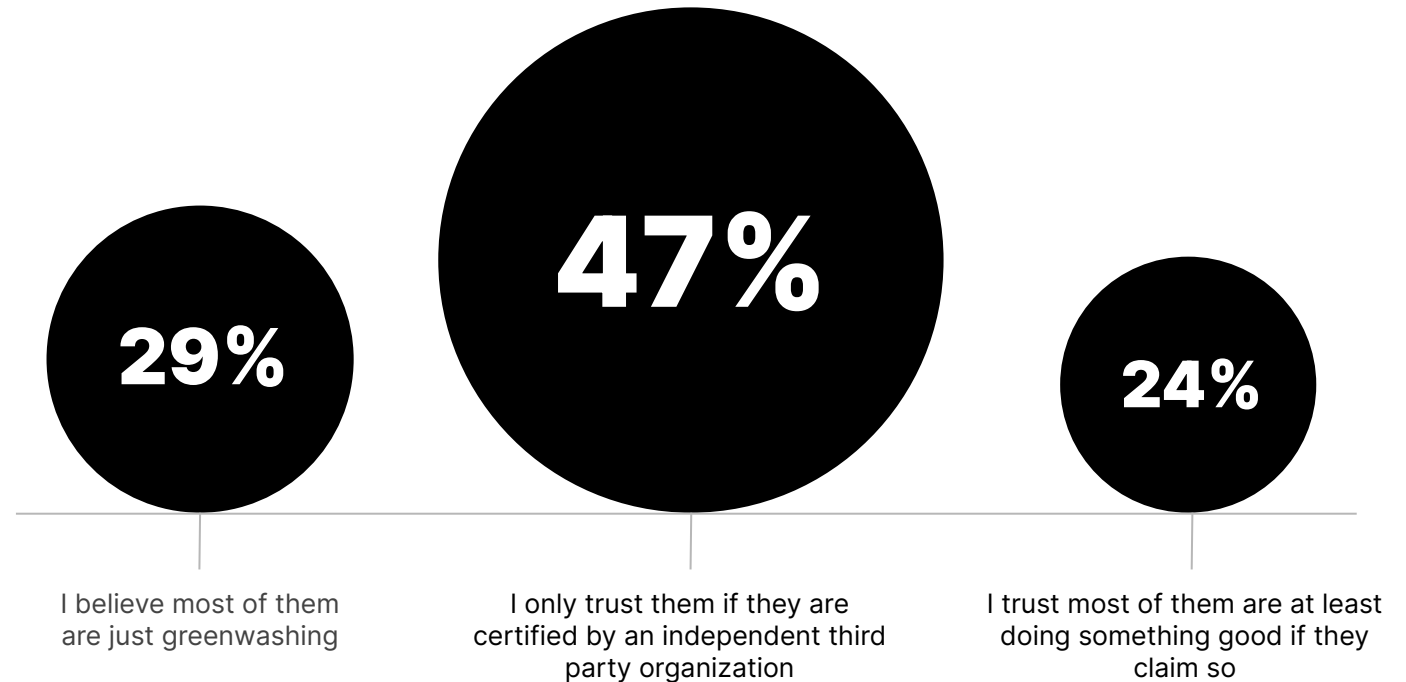




Sustainability No Longer a Nice-To-Have

Beyond the “say-do” gap, fears of greenwashing are another barrier to overcome for travel providers. A third of travelers do not believe sustainability claims.

Trust in Travel Service Providers Who Claim They Are Committed to Sustainable Practices? →





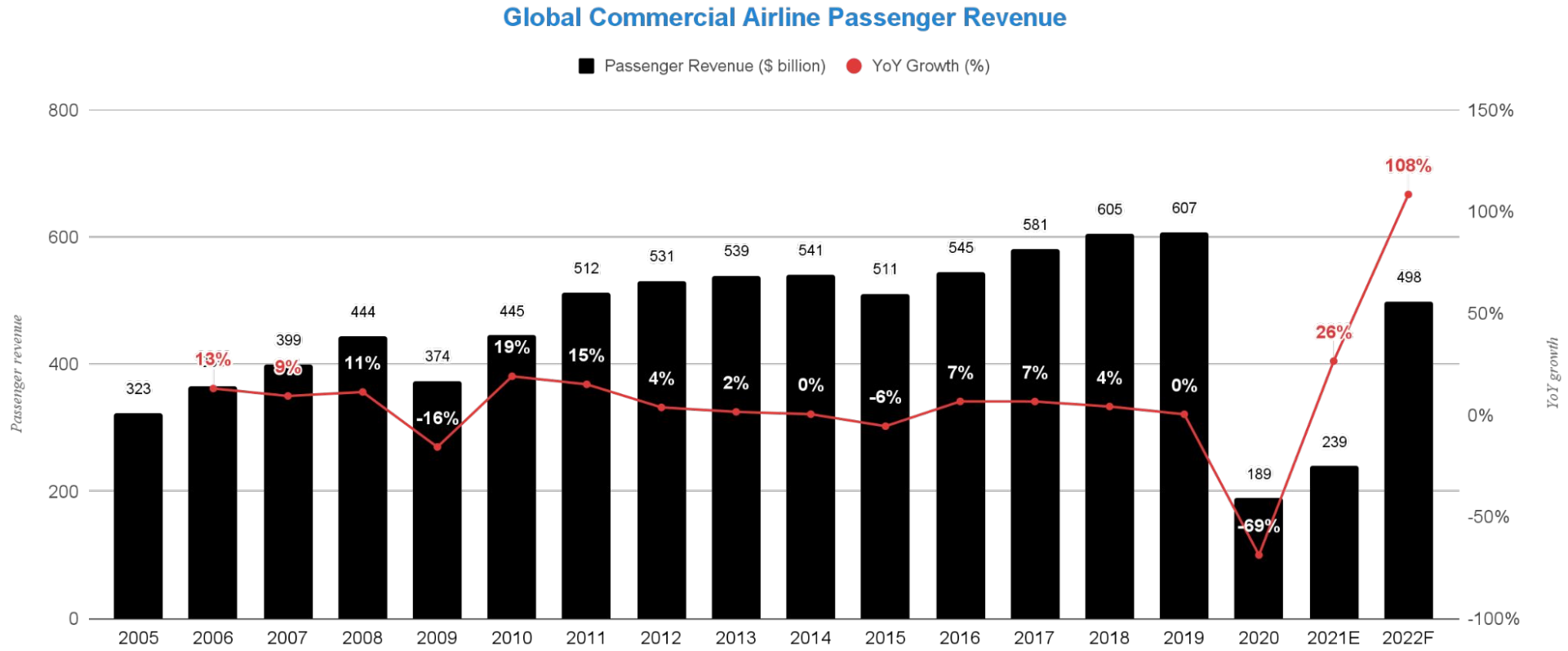
3. AIRLINES





Airline Sector is Witnessing Healthy Recovery

Airline passenger revenue for 2022 is expected to reach 80% of the 2019 high.





Airline Sector is Witnessing Healthy Recovery

Global commercial airline operating margins are expected to improve from -29% in 2020 to only -1.8% in 2022.



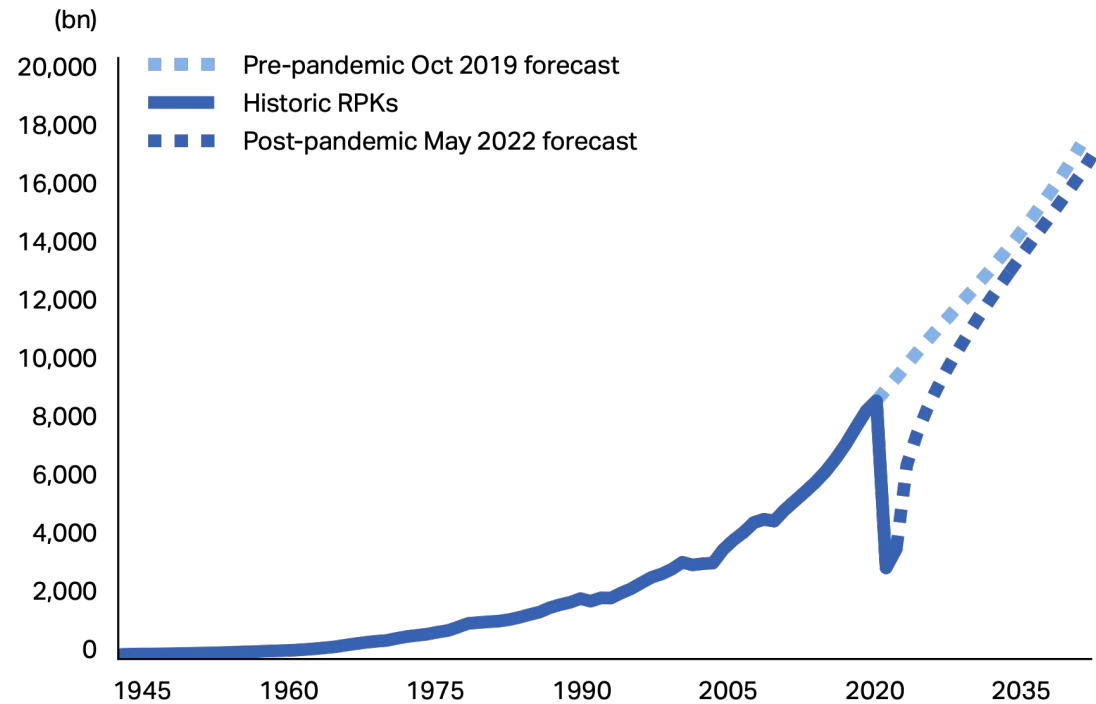


Road to Recovery Remains Long

The amount of revenue passenger kilometers (RPKs) “lost” between 2020 and 2022 is almost twice as much as the total RPKs flown in 2019.

According to IATA, traffic will still be 6% below pre-Covid forecasts by 2040, highlighting the long-lasting effect of the pandemic.

Global Air Passenger Traffic: Historic and Forecast

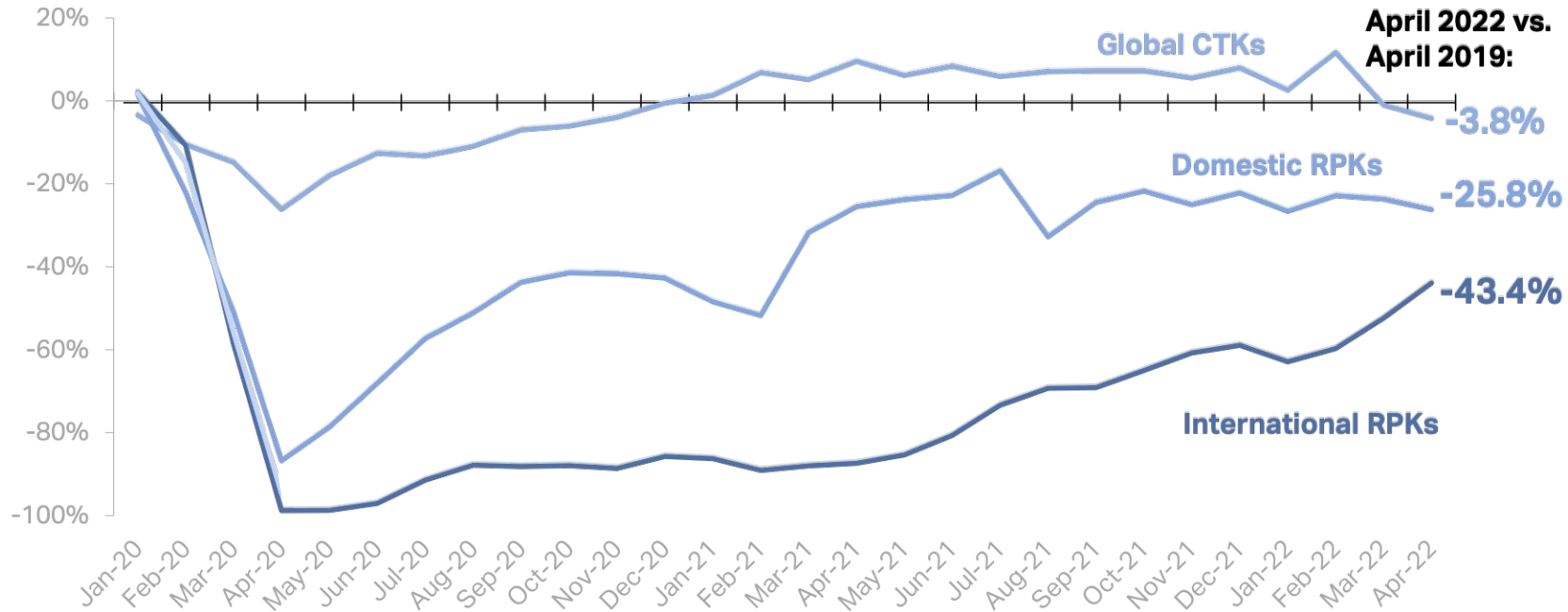




The Recovery Is Uneven

Domestic revenue passenger kilometers (RPKs) bounced back quicker than international RPKs, but neither have fully recovered. Cargo has been propping up the books for many airlines in the absence of passengers.

RPKs & CTKs, % change vs. the same month in 2019



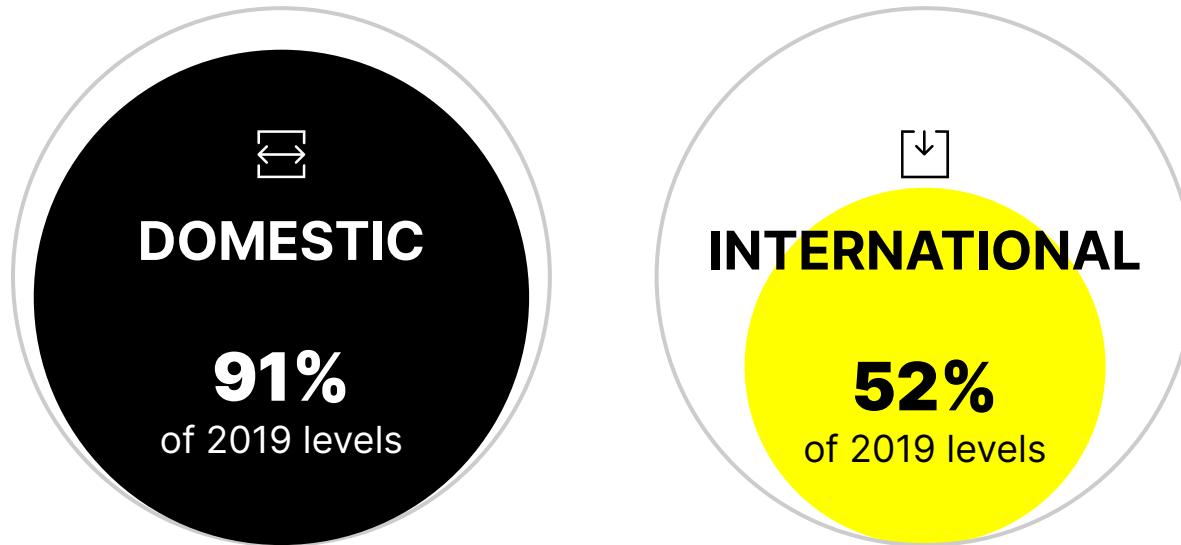


The Recovery Is Uneven

While global available seat miles (ASMs) on domestic flights at the end of 2021 were only 9% below 2019 levels, international capacity was still 48% down.

Strong growth in international capacity is likely, but not guaranteed, given the ongoing Russia-Ukraine conflict & continuing Covid outbreaks and related measures.

Scheduled Available Seat Miles Worldwide
December 2021 vs December 2019

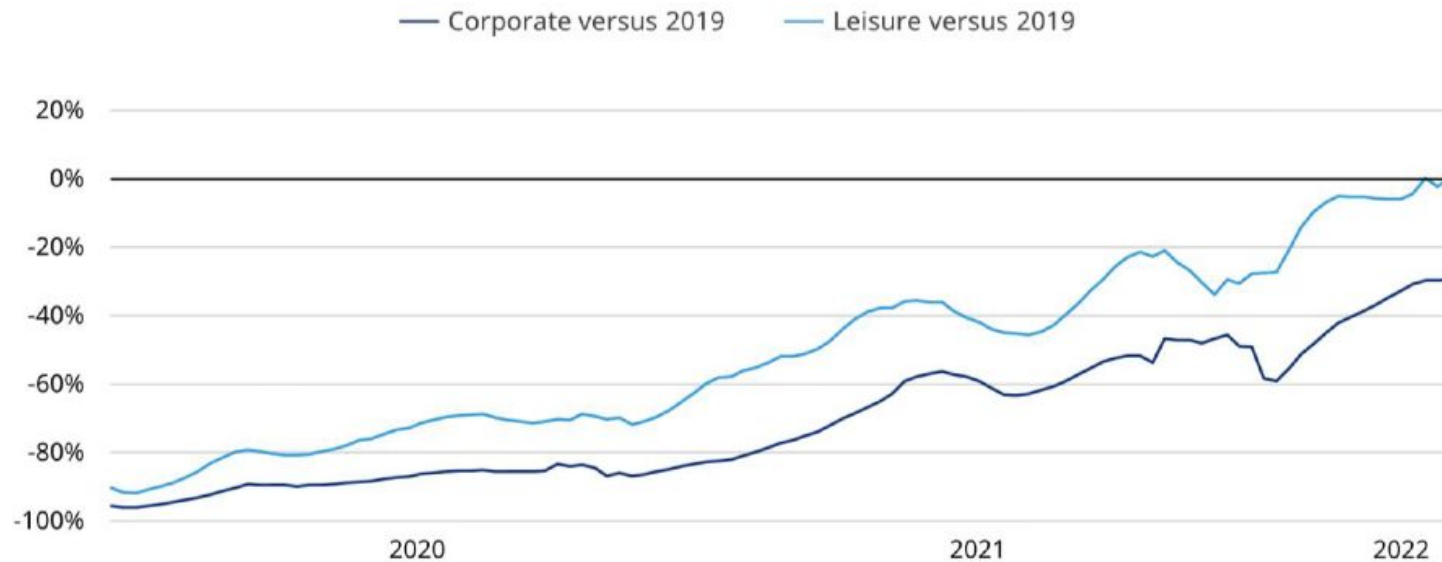




The Recovery Is Uneven

In May 2022, corporate travel in the U.S. remained around 31% below 2019 traffic. Even in 2021, when the U.S. economy was growing at 6%, corporate travel demand was only at 50% or less compared to 2019.

Seven Day Average of U.S. Corporate and Leisure Tickets Sold Versus 2019

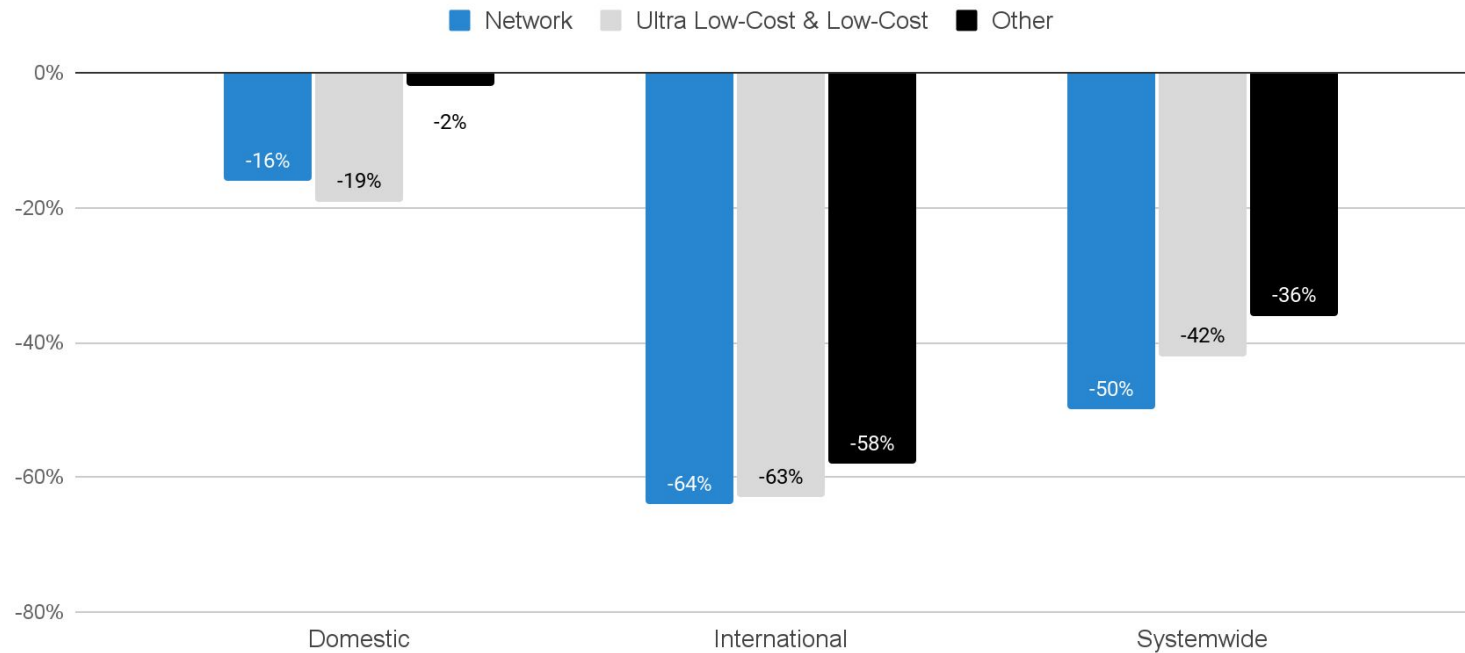




Low-Cost and Ultra Low-Cost Carriers Recover Fastest

Low-cost carriers and ultra low-cost carriers have recovered at a faster rate than the network airlines at a systemwide level, benefitting from their dominance in domestic markets.

Available Seat Mile Reductions by Carrier Type, 2021 vs. 2019

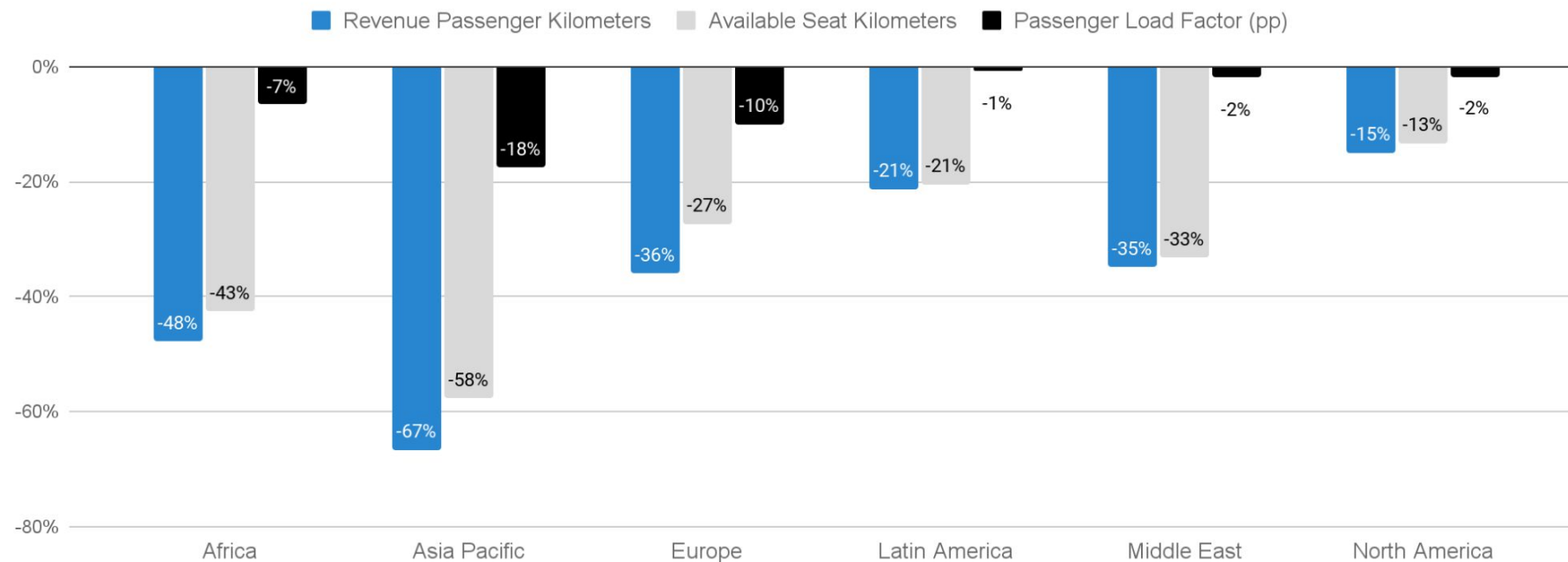




All Eyes on Asia Pacific

The continuing zero-Covid policies used by the Chinese government, impact Asia Pacific's recovery. China has the biggest aviation industry in Asia Pacific, and recovery will not come until international demand from China recovers.

Air Passenger Performance by Region - March 2022 vs March 2019



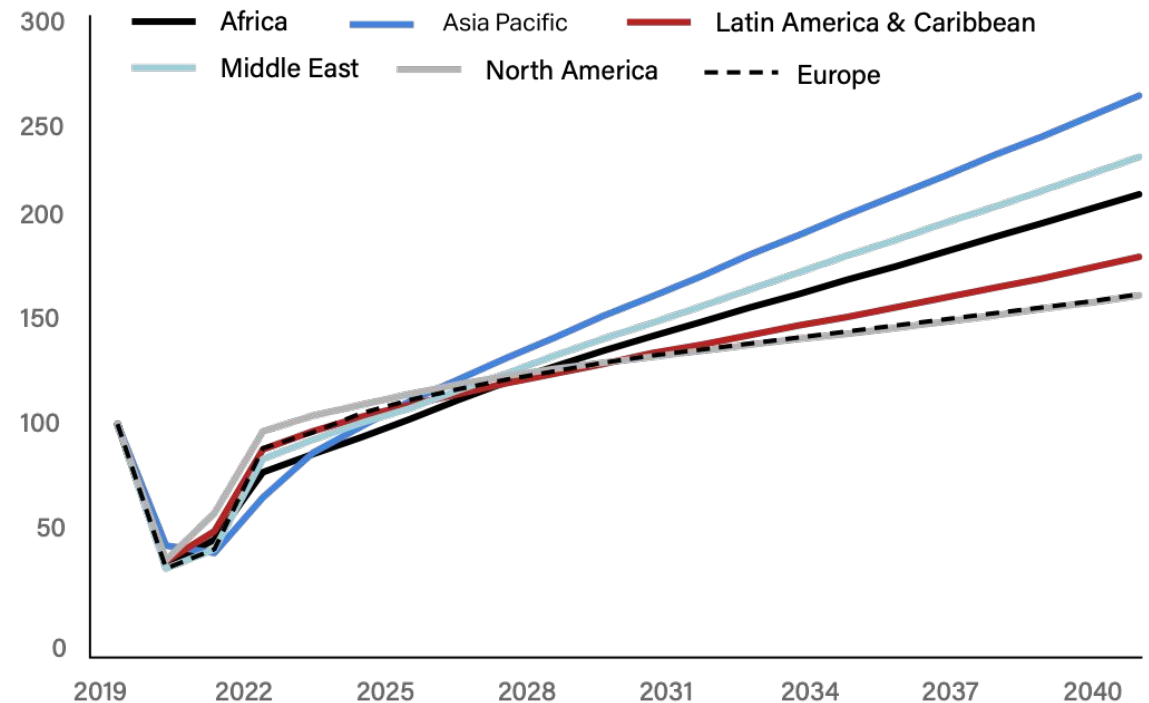


All Eyes on Asia Pacific

Favorable macroeconomic trends in Asia Pacific mean that the region is set for strong growth once all borders reopen.

The region has favorable income growth and a young population, contributing to an expected 2.5 billion additional passenger journeys per year by 2040, at an average annual growth rate of 4.5%.

Passengers Per Region - 2019-2040
Indexed 2019 = 100

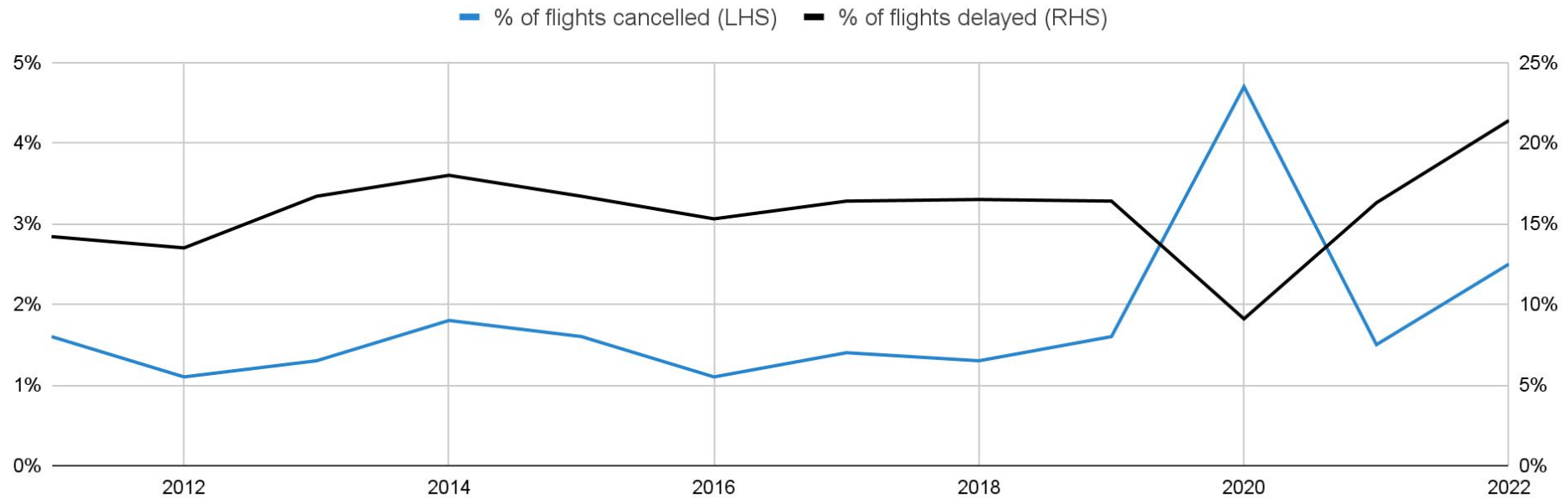




Flight Cancellations and Delays a Challenge

Uncertain demand, pilot and ground staff shortages, as well as staff strikes, have led to a rise in flight cancellations and delays as the industry comes out of the pandemic lull. This is one of the greatest challenges to recovery now.

Global Cancelled and Delayed Flights - 2011-2022

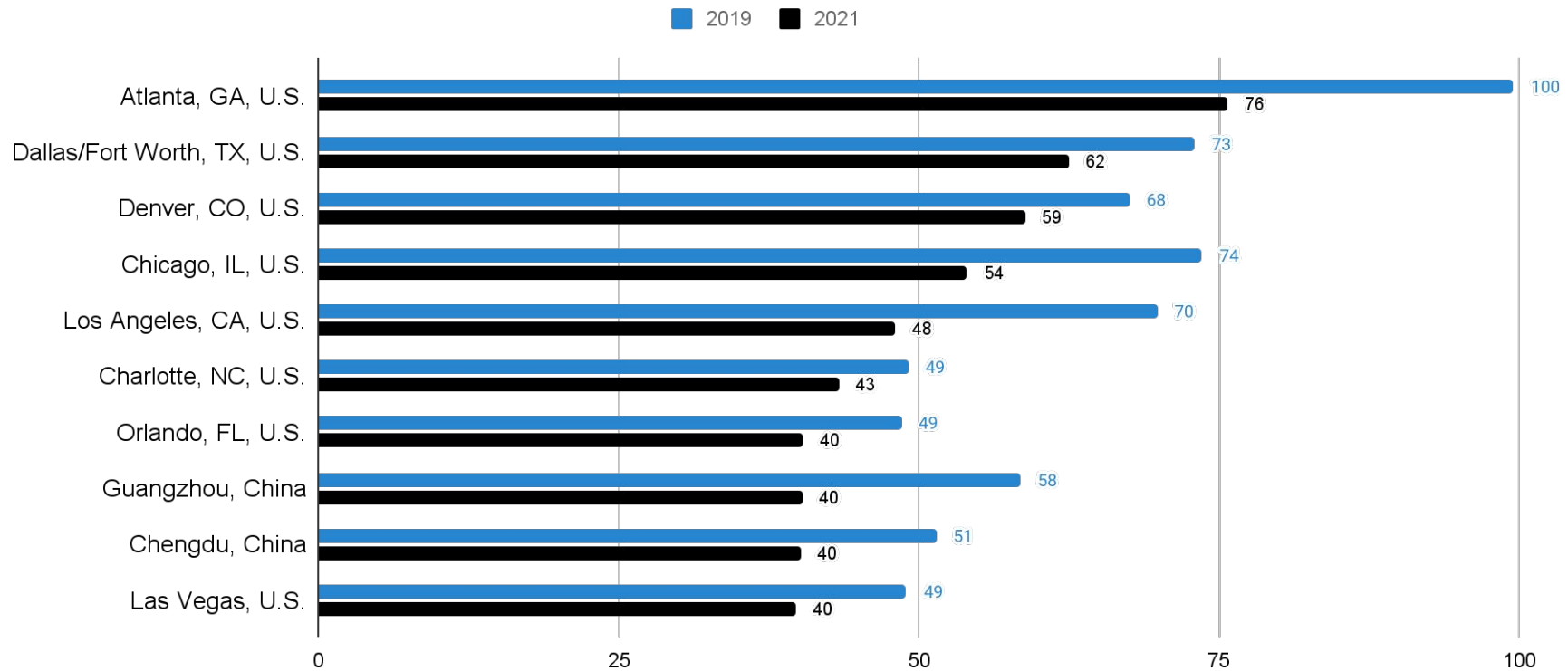




Major Changes in Busiest Airports

In terms of passenger numbers, Atlanta airport was ranked as the busiest airport in the world in 2021. Chicago and Los Angeles airports went down in the top 10 ranking.

Top 10 Busiest Airports in the World by Number of Passengers (Millions), 2021





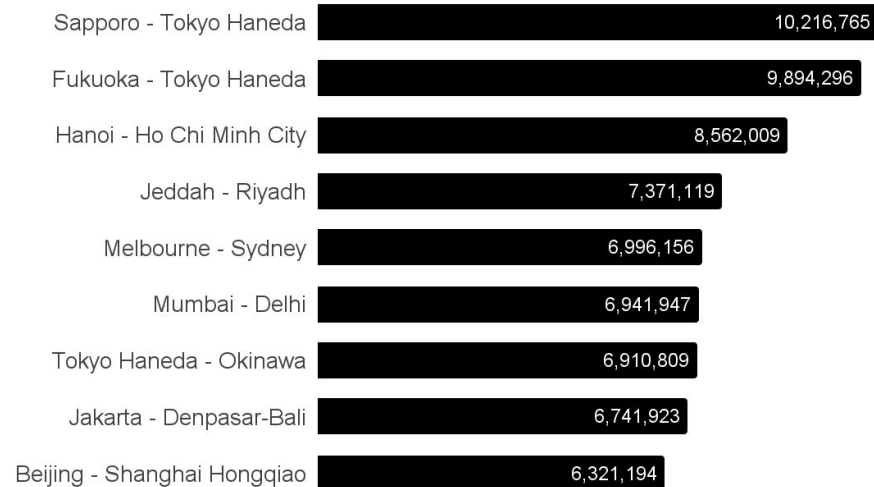
Despite Slow Recovery, Asia Retains Busiest Routes

Jeju to Seoul was ranked as the busiest domestic airline route in August 2022, while Kuala Lumpur to Singapore was ranked as the busiest international route in terms of number of seats.



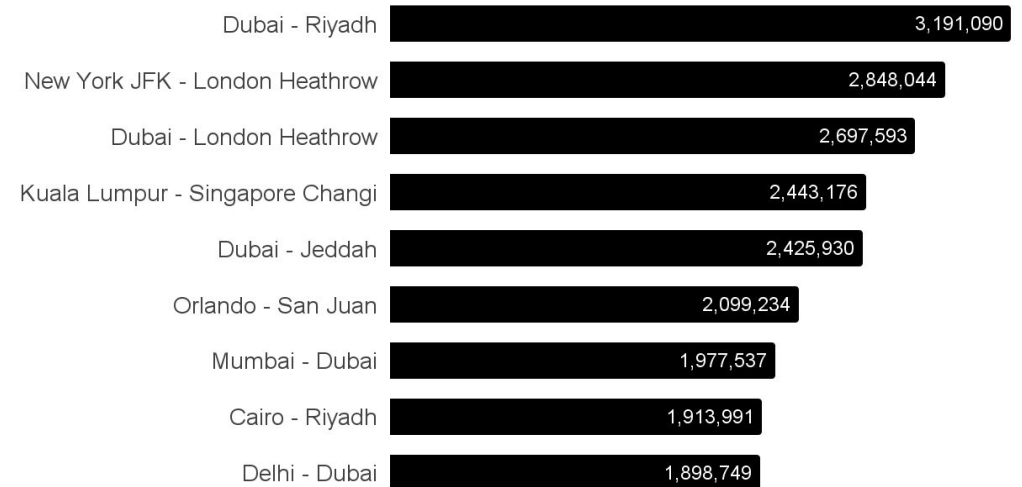
DOMESTIC

Global Top 10 Busiest Domestic Airline Routes by Number of Seats, Oct '21 - Sept '22



INTERNATIONAL

Global Top 10 Busiest International Airline Routes by Number of Seats, Oct '21 - Sept '22

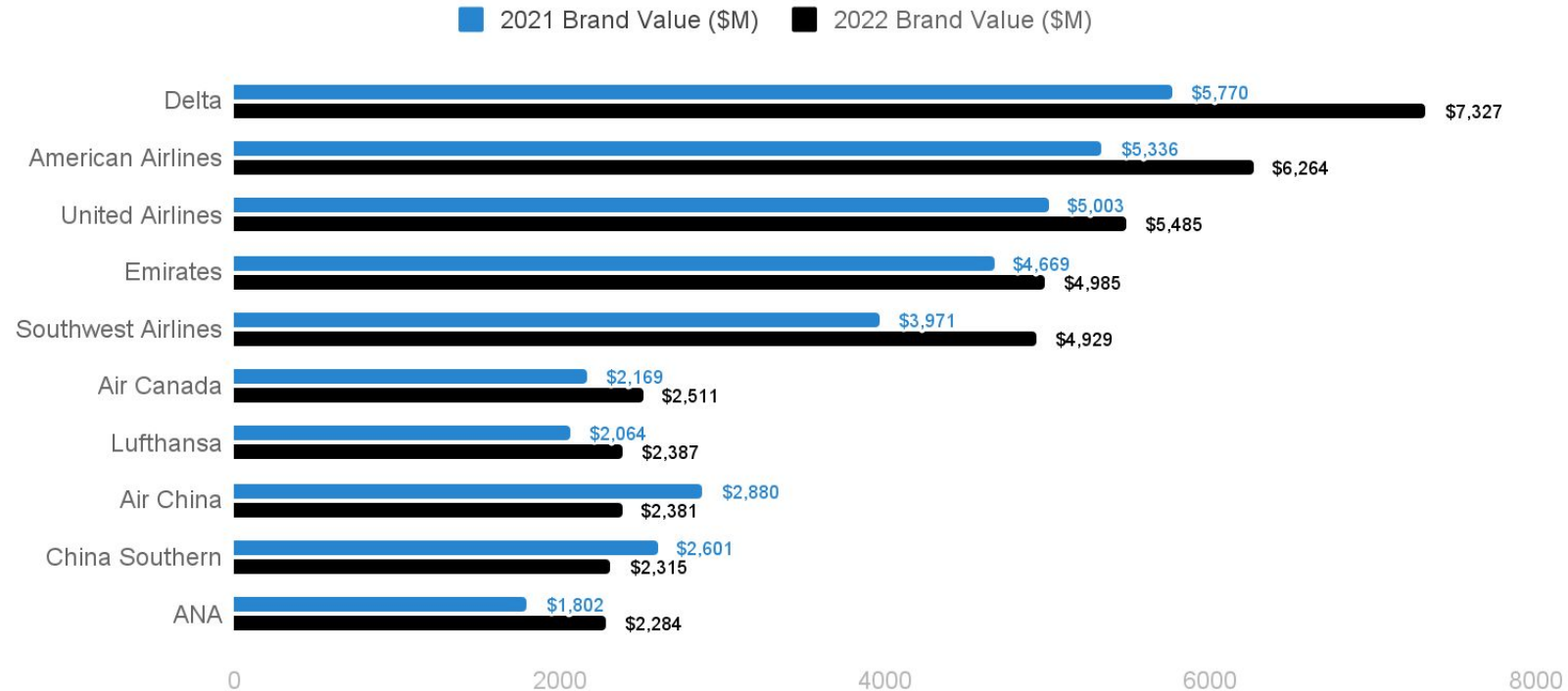




Most Valuable Airline Brands Ranking Sees Little Change

Delta Airlines has consistently been the highest ranking airline by brand value, and 2022 is no exception.

Airlines Ranking by Brand Value, 2021-2022

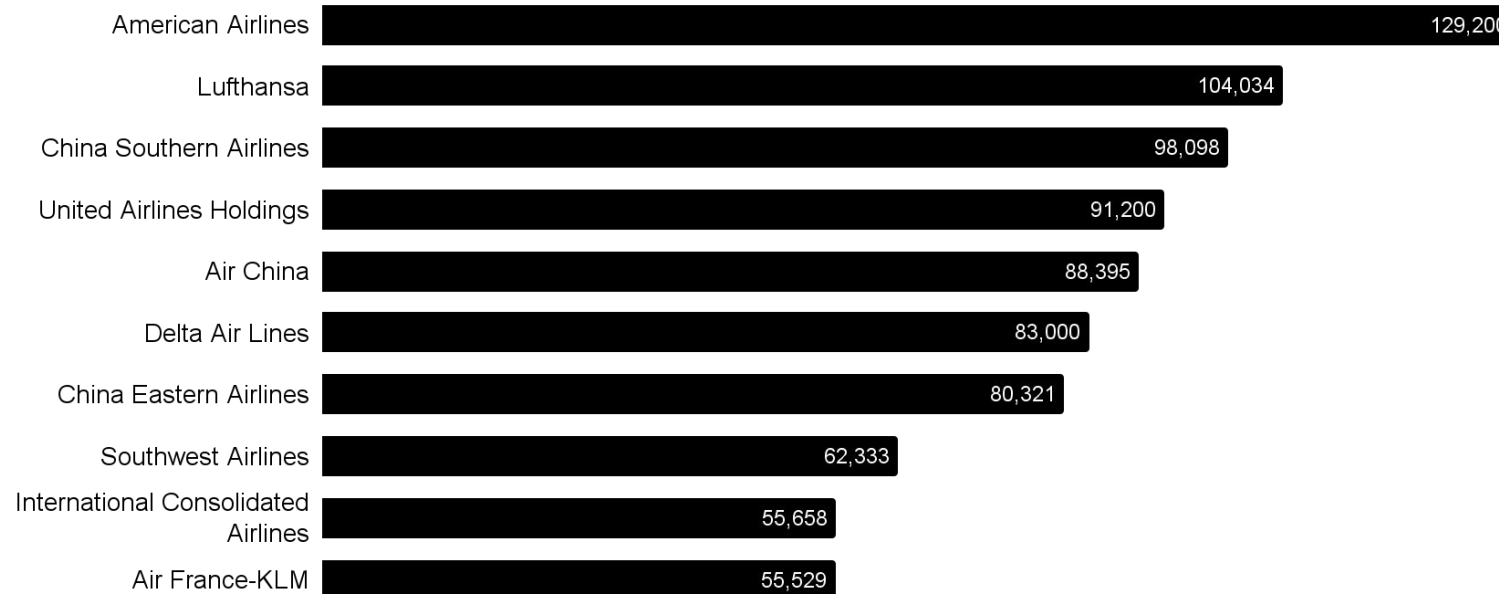




U.S. Airlines Well Represented in Largest Employer Ranking

American Airlines is the biggest airline in terms of the number of employees.

Top Publicly Traded Airlines by Number of Employees, 2022

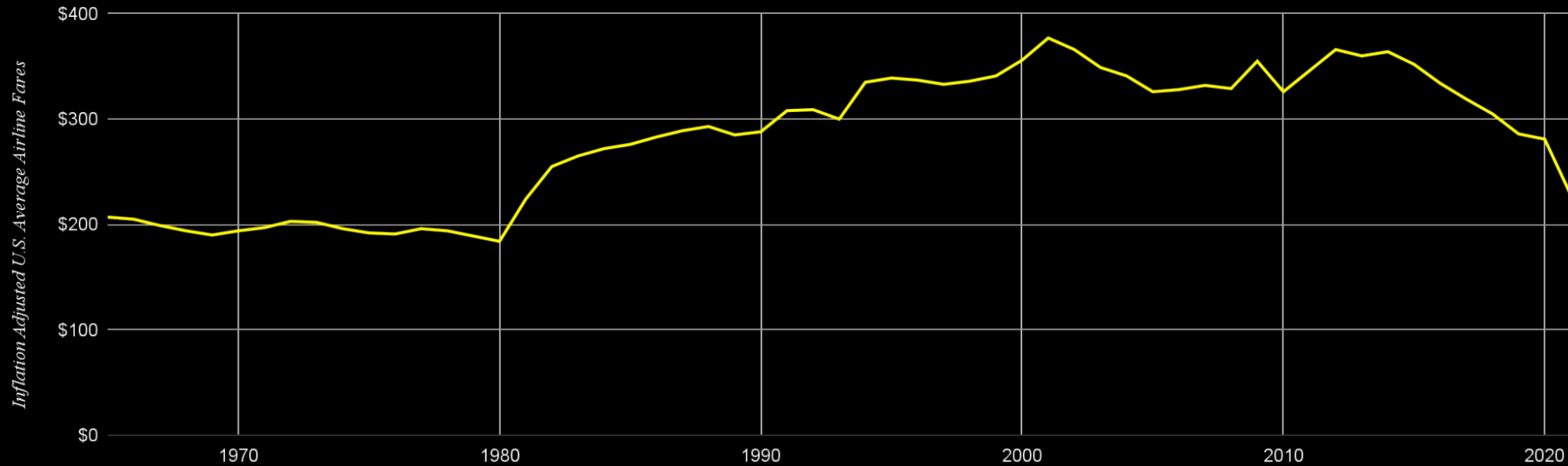




How We Got Here: The Cost of Flying Has Been On a Downward Trend

U.S. airline fares have been falling since 2013, adjusted for inflation. In 2021, average fares were back to early 1980s levels.

Inflation Adjusted U.S. Average Airline Fares

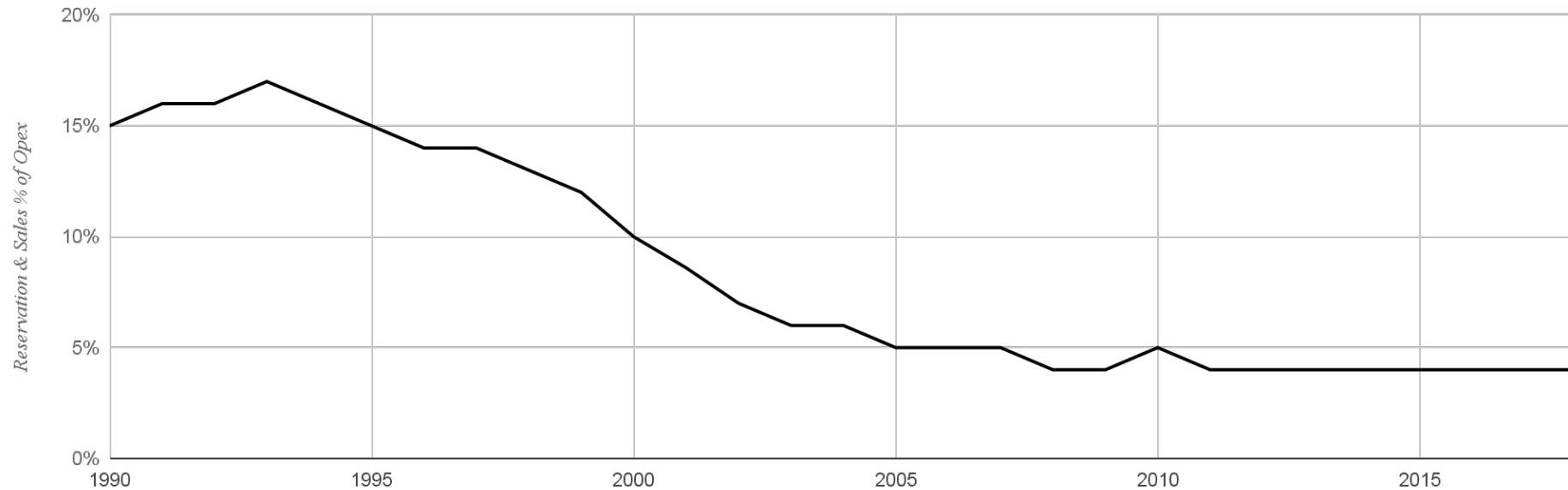




How We Got Here: The Cost of Flying Has Been On a Downward Trend

A shift to direct channels of distribution is a major contributor to decreasing airline booking fees, and subsequently, to decreasing airline fares.

Airline Reservation Expenses Have Fallen Dramatically Since the 1990s

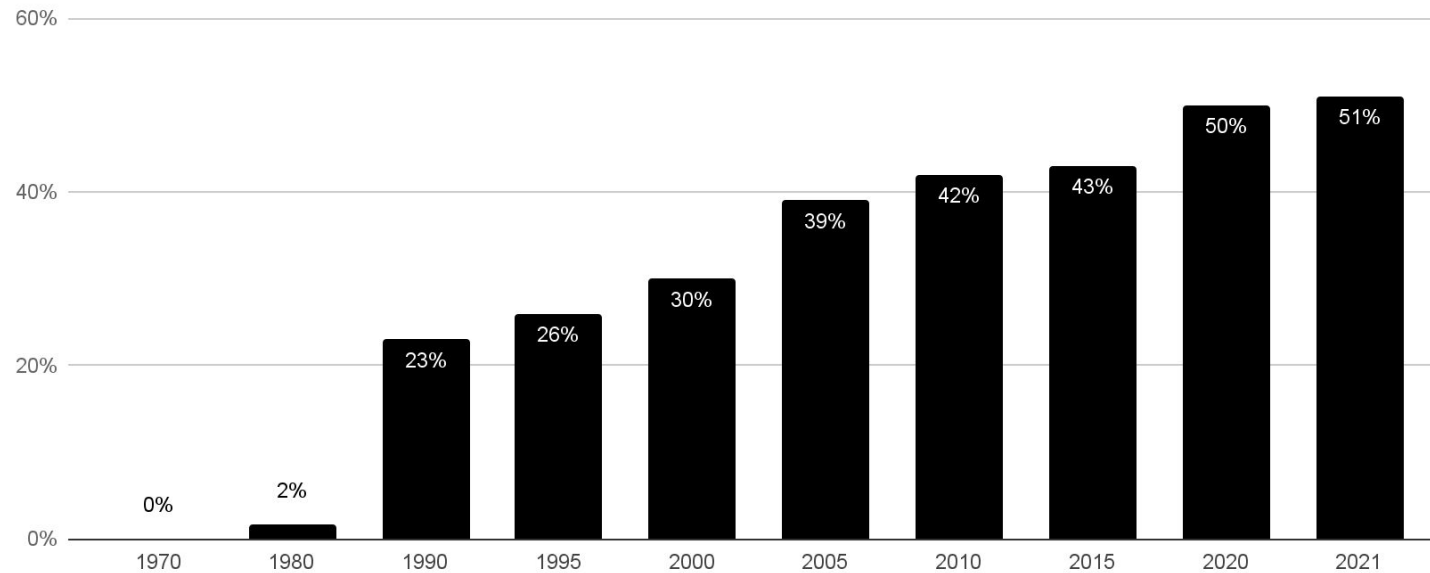




How We Got Here: Leasing Allowed For The Rise of Low-Cost Carriers

Airline leasing has allowed for the rise of low-cost carriers, putting pressure on incumbents to lower prices. Airline leasing lets you pop up overnight with a full fleet at a relatively small operating cost. Less than 1% of the global airline fleet was leased in 1970, but this increased to 26% in 1996, and to 51% in 2021.

Share of Leased Aircraft in Aviation Industry Worldwide

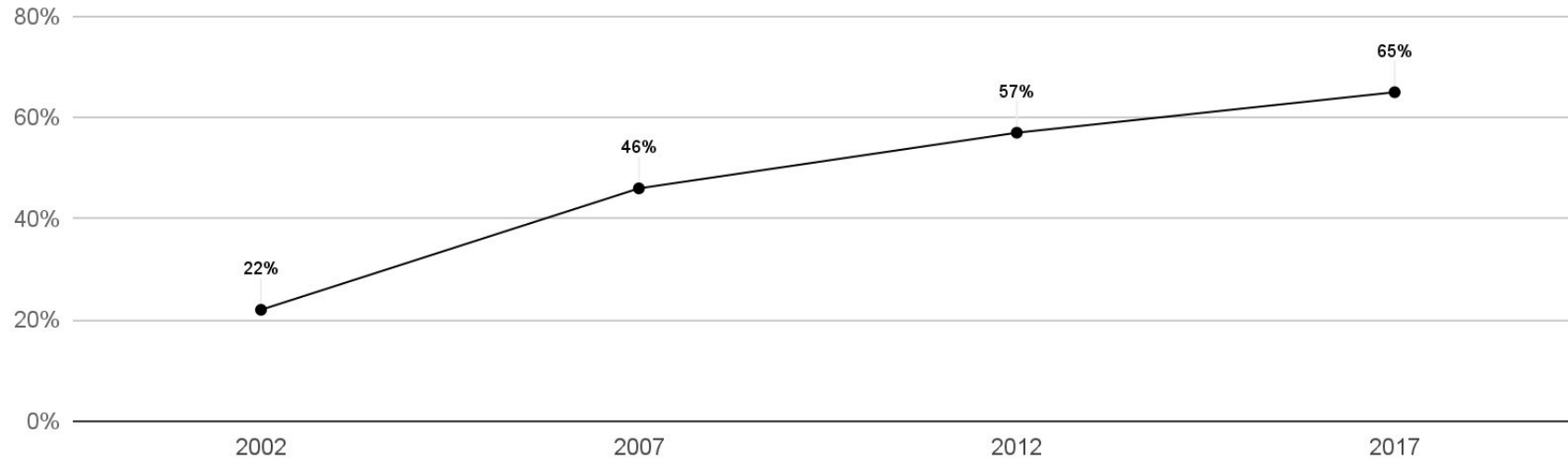




How We Got Here: Airlines Consolidate in a Commoditized Marketplace

In the last two decades, online marketplaces have provided greater transparency and increased commoditization in the airline industry, leading to increased price sensitivity, price competition, and industry consolidation. Industry revenue controlled by the top four firms in the industry increased from 22% in 2002 to 65% in 2017.

U.S. Airline Industry Revenue Controlled by Top 4 U.S. Firms

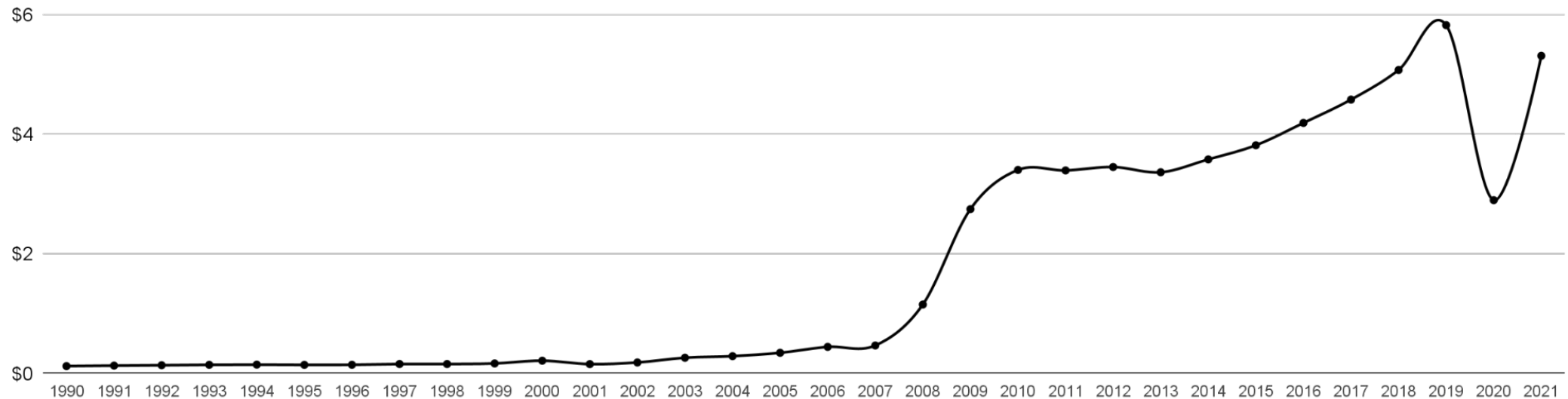




Where We Are Going: Greater Importance of Ancillaries

Bucking the downward trend are ancillary revenues, which are now becoming much more important to airlines' profitability. U.S. airline baggage fees have gone from \$464M in 2007 to \$5.8B in 2019. Although it is just one small piece of the ancillary pie, it is indicative of an industry transformation.

U.S. Airline Baggage Fees (\$ billion)

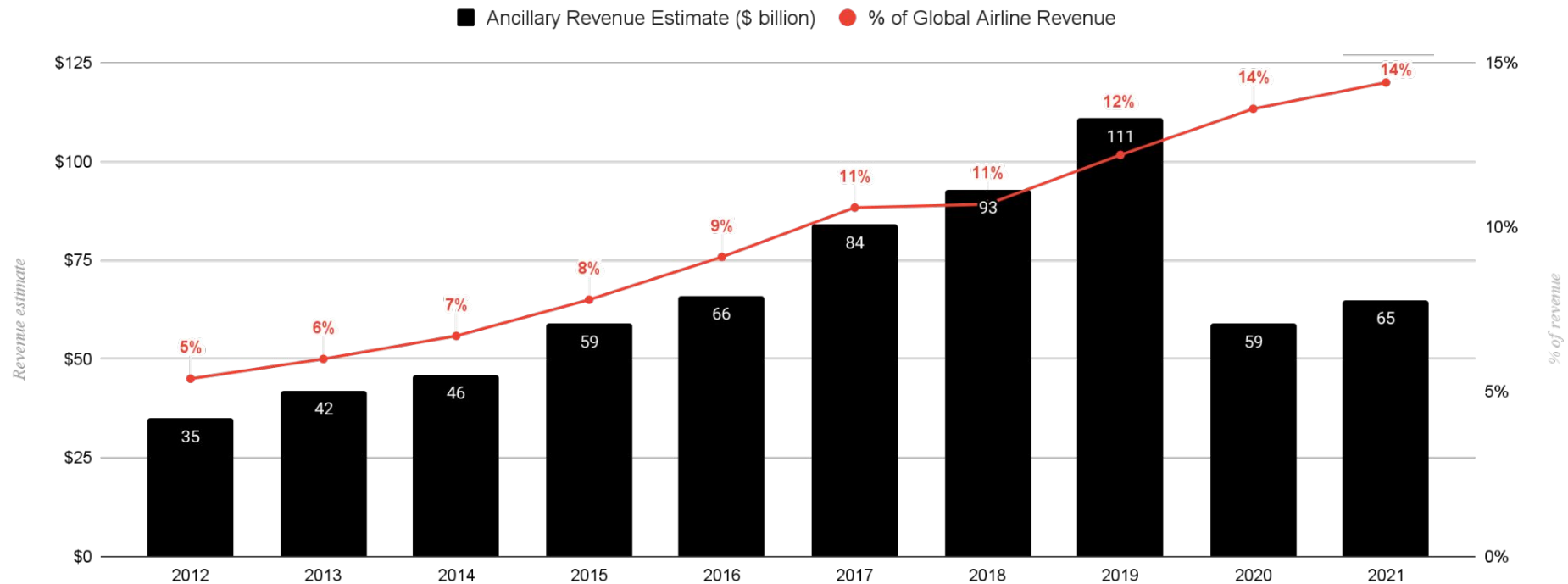




Where We Are Going: Greater Importance of Ancillaries

Consumers are seeking more flexible, personalized services and offerings from airlines as the travel industry recovers, opening up huge opportunities for the market. It is projected that ancillary revenue grew by more than \$7 billion in 2021 compared to 2020.

Worldwide Estimate of Ancillary Revenue

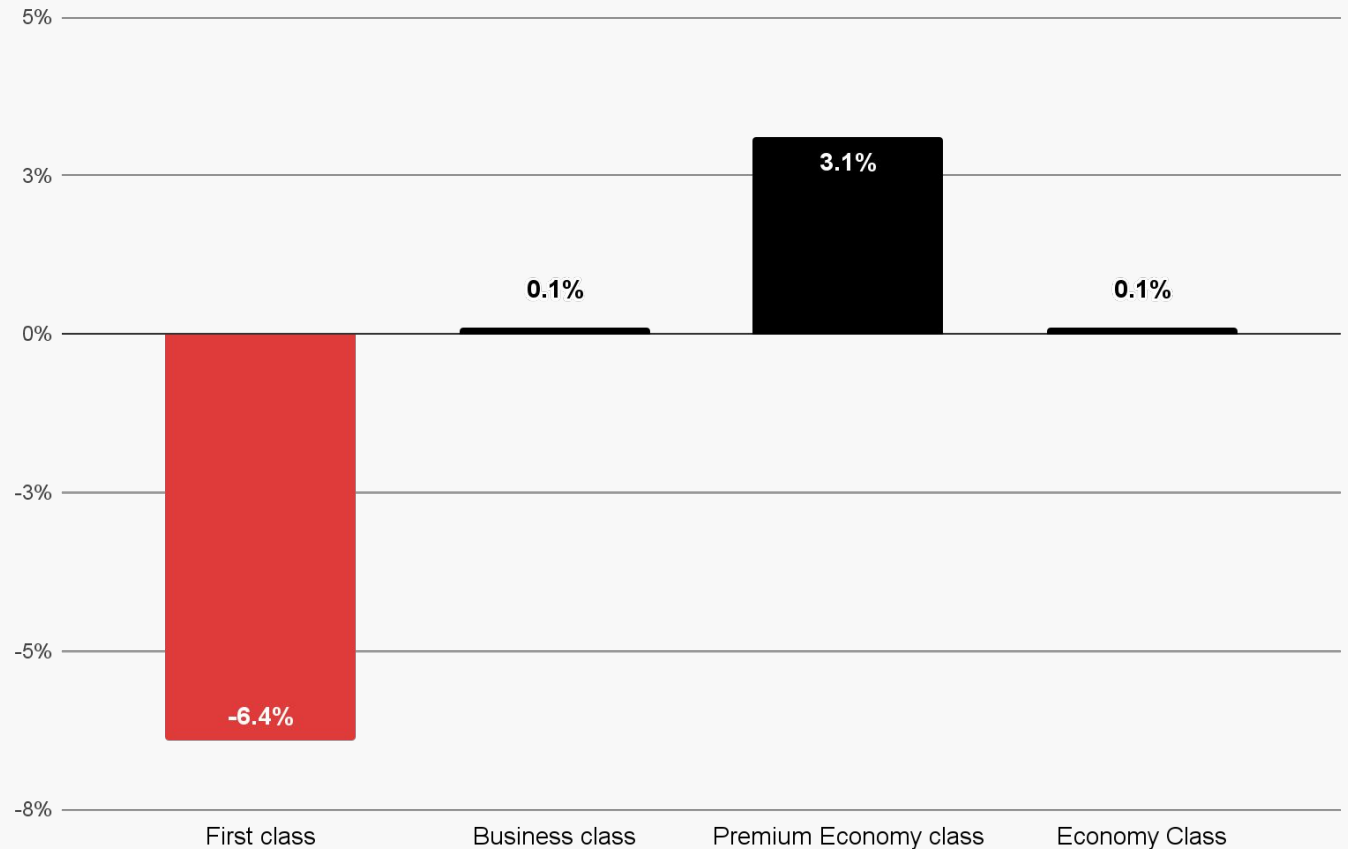




Where We Are Going: Airlines Adjusting Cabin Mix

Demand for premium economy seats was surprisingly robust, or at least much better than anyone expected during the pandemic. To capture this new class of travellers airlines have started investing in expanded premium economy cabins.

Changes in Number of Seats -
Jul 2022 vs. Dec 2019 →

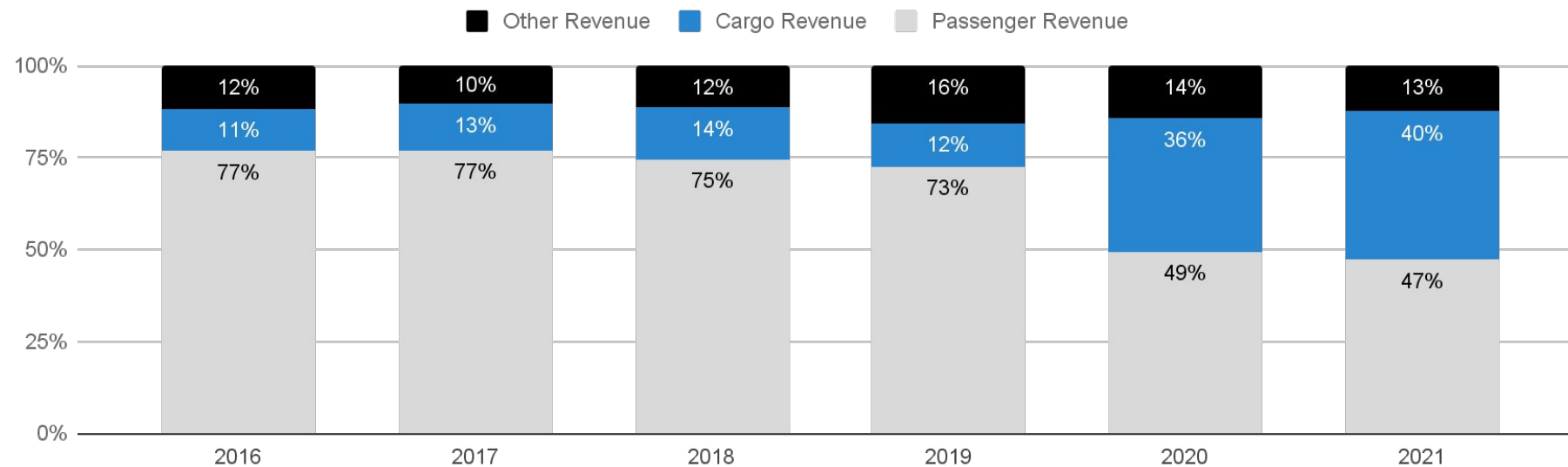




Where We Are Going: Growing Importance of Cargo?

Cargo's share in total airline revenue more than tripled between 2016 and 2021, going from 11% to 40% of total revenue. This larger share of cargo is partly a function of the depressed state of passenger travel during the pandemic, but the question remains whether it will be a strong performer moving forward.

Airline Revenue by Source 2016 - 2021

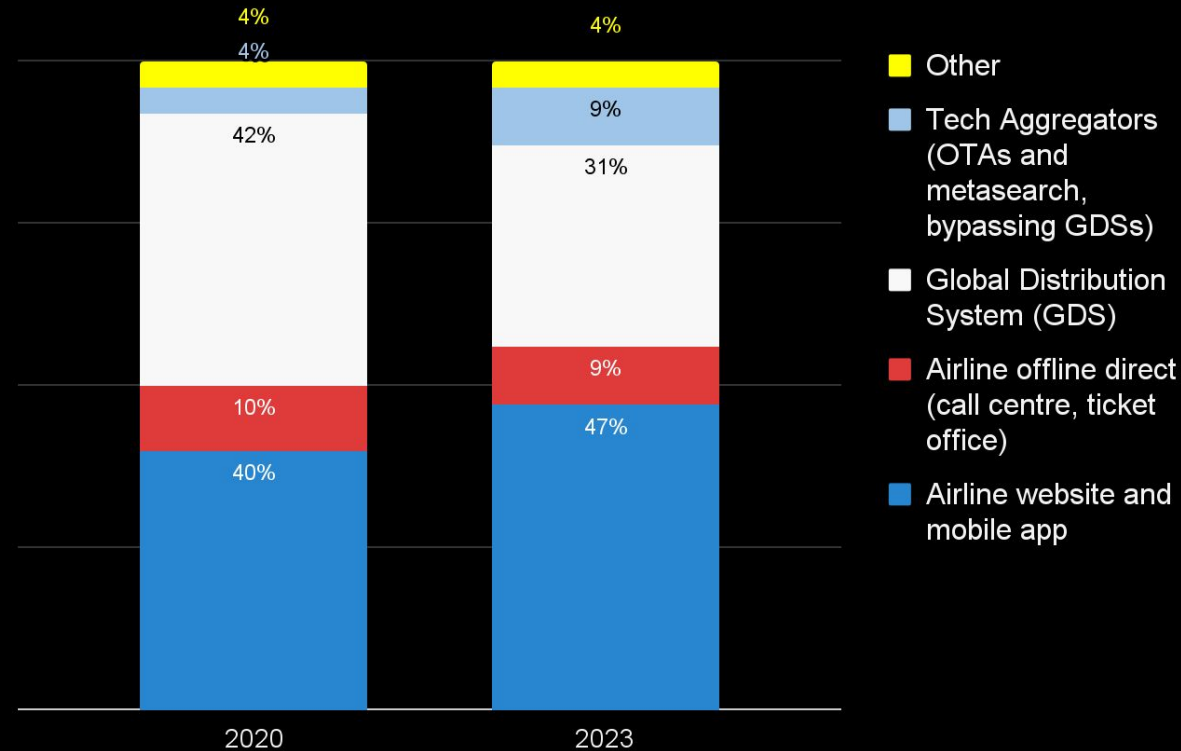




Air Tickets Increasingly Booked Direct

It is expected that by 2023, airlines' direct channels (digital and offline) will account for 56% of bookings – a 12% increase in just three years.

Airlines Channel Share 2020, and Anticipated Share 2023

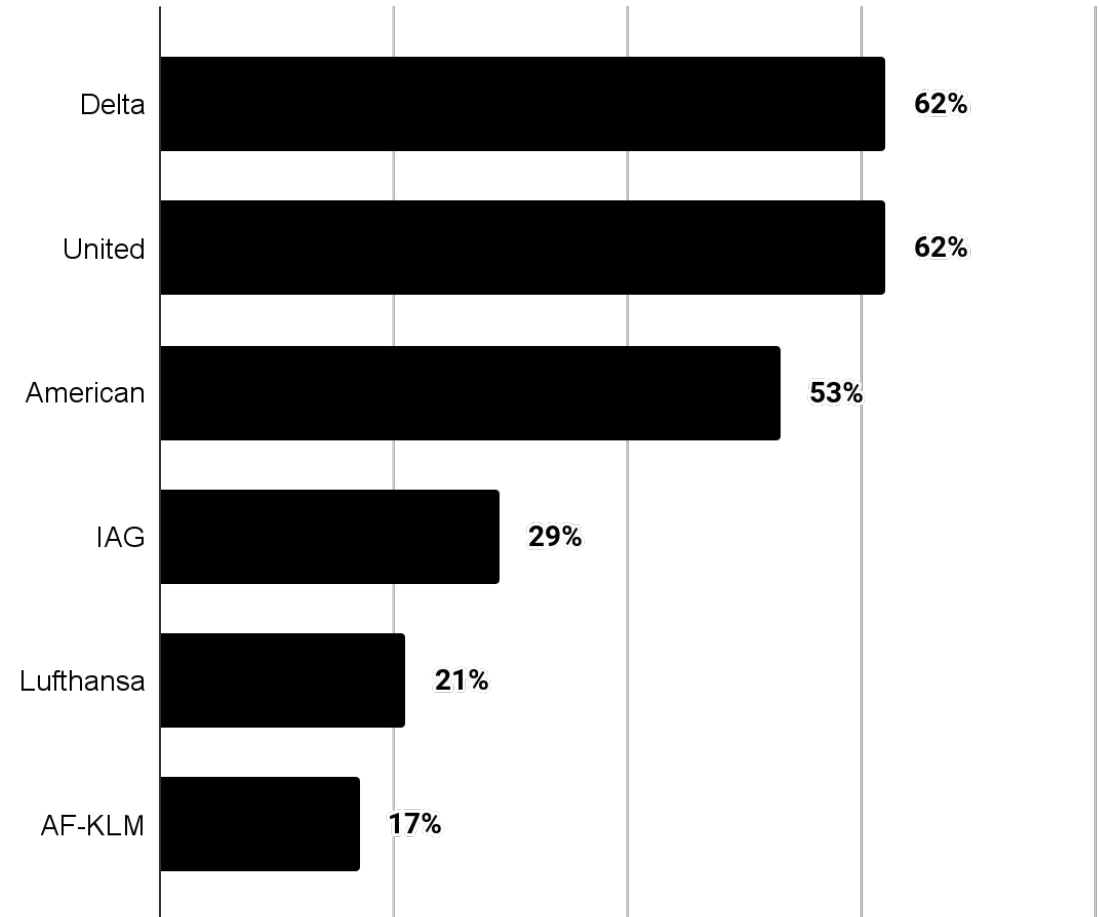




Over Half of Passengers Carried by U.S. Airlines are Loyalty Members

U.S. airlines are able to attract many customers to their loyalty programs. The loyalty member bases of United and Delta are as high as 62% of the number of passengers these airlines carried in 2019, while this is around 20% for the European airlines.

Members as Percentage of Total Passengers Carried-2019 →

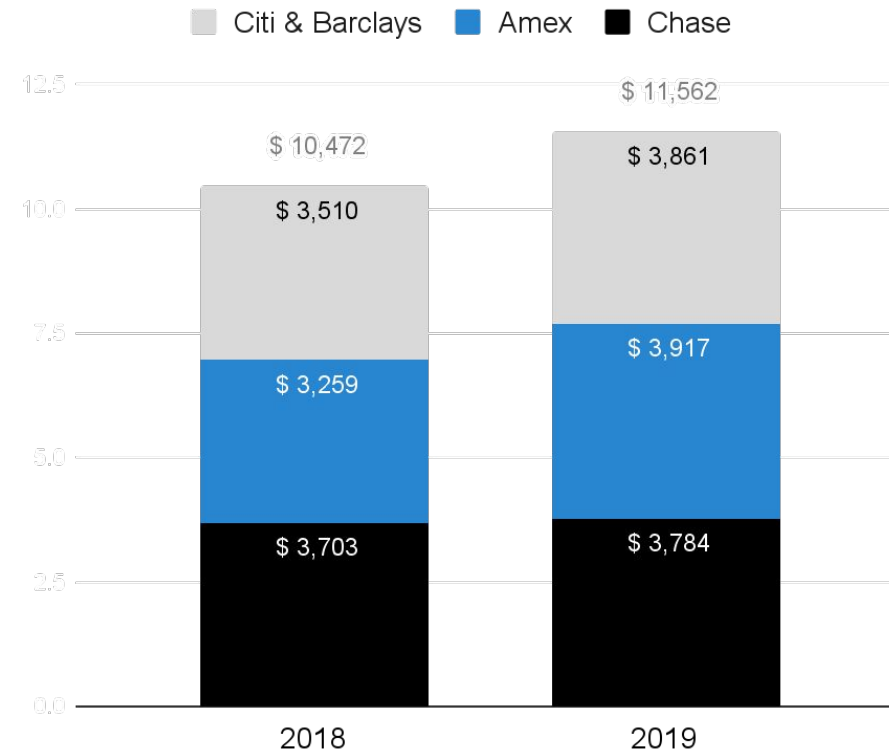




Credit Card Programs Are Major Revenue Stream

Credit card companies paid the big three U.S. network carriers nearly \$12B for points in 2019 alone. This is an immensely important revenue stream for these airlines, especially during the pandemic.

Value of Points Purchased (\$ million) from U.S. Network Carriers by Credit Card

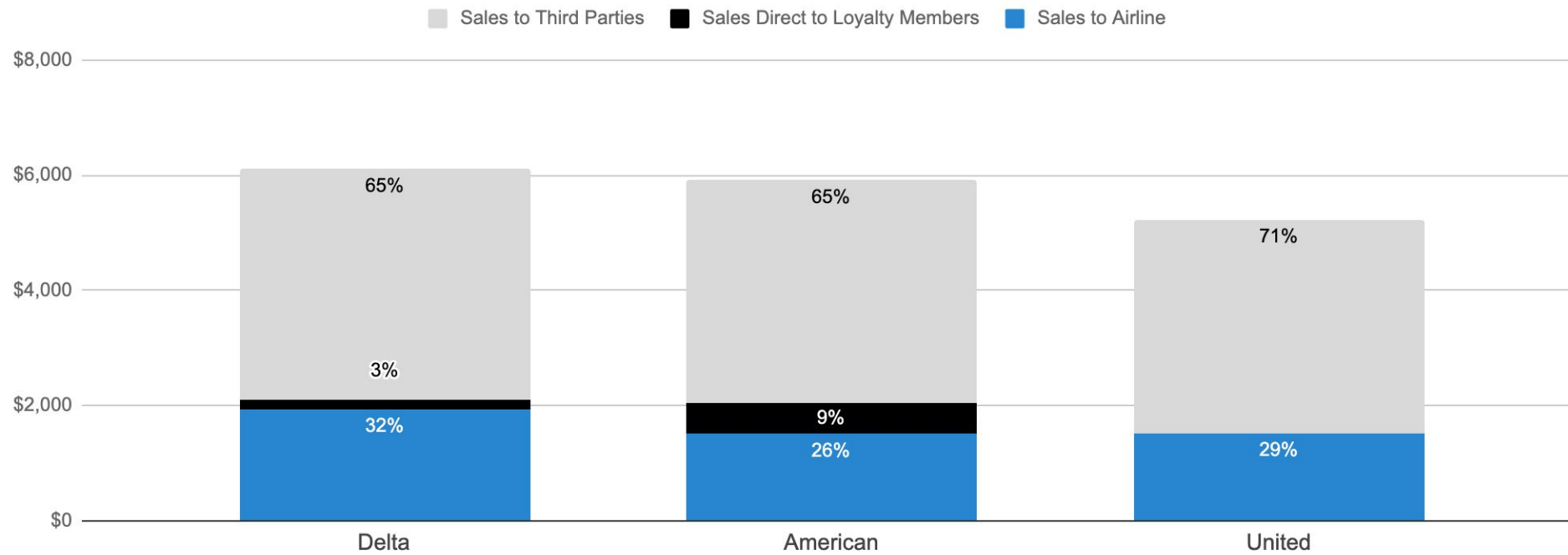




Credit Card Programs Are Major Revenue Stream

Sales of loyalty points to third parties, which is mostly credit card companies, account for about two-thirds of cash flow for the three major U.S. airlines. This also demonstrates how difficult it is for airlines to build paid loyalty plans, with only 3% of Delta and 9% for American points sold to members directly.

Airline Loyalty Program Cash Flow (\$ million) by Source - 2019



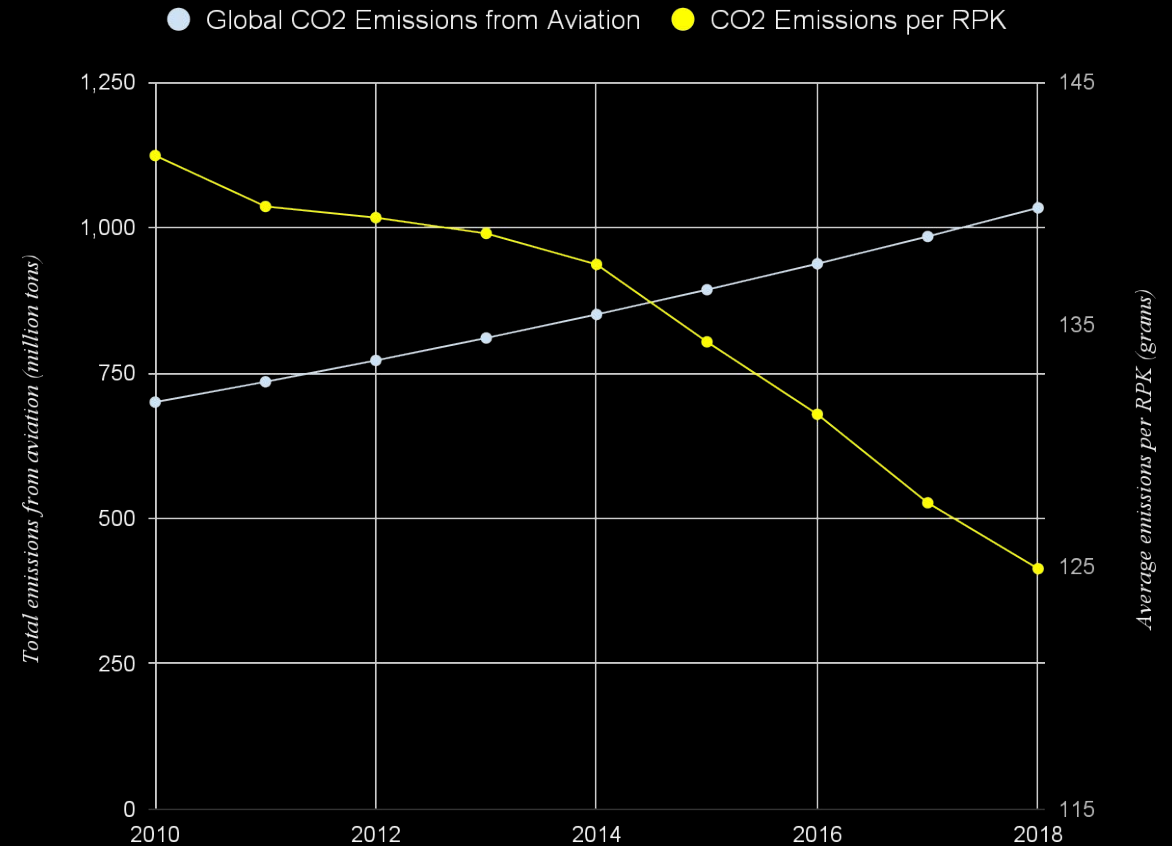


Increased Focus on Sustainability Goals

The aviation industry focuses increasingly on reducing its environmental impact, with most attention given to making airplanes more efficient, the use of sustainable aviation fuel (SAF), innovations around electric planes, and carbon offset programs.

While emissions per revenue passenger kilometre (RPK) have reduced, total emissions of the industry continue to increase.

Total Emissions and Emission Intensity of Global Aviation

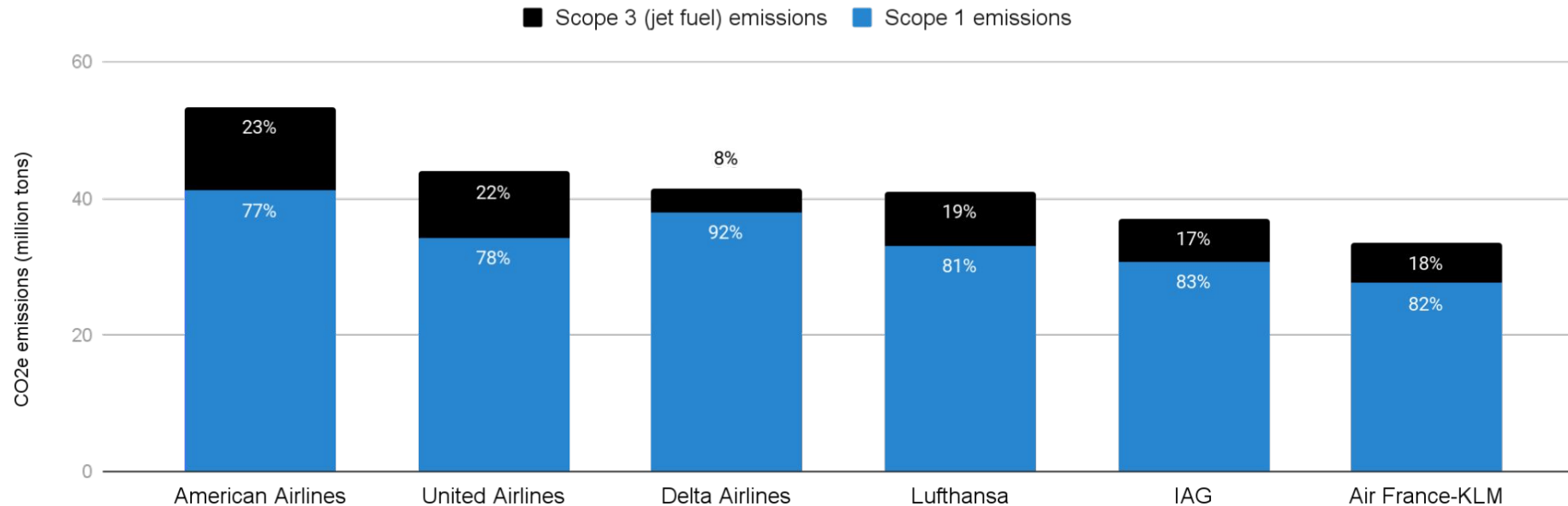




Multipronged Approach Needed To Tackle Emissions

By far, most emissions in the aviation industry stem from the burning of jet fuel, but some airlines produce their own (scope 1 emissions), while others purchase more (scope 3). Scope 3 emissions are currently largely ignored in emission targets.

Total Emissions from Production and Burning of Jet Fuel

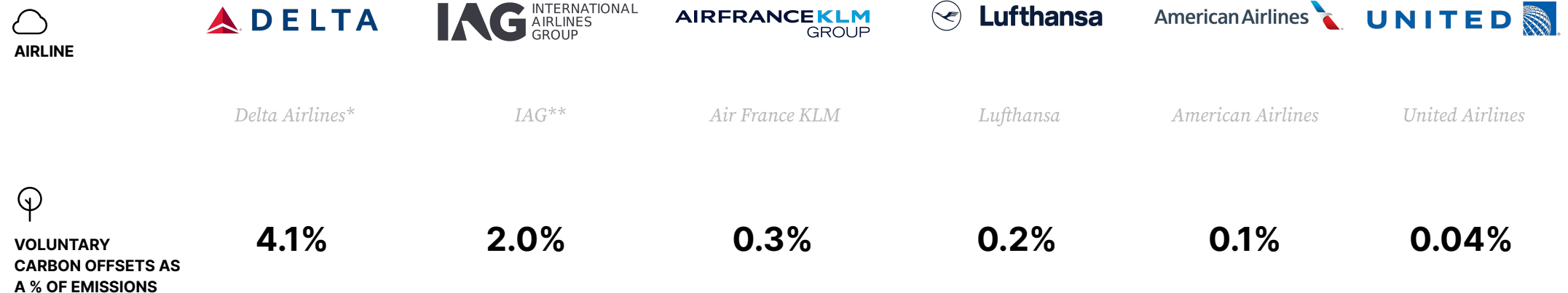




Carbon Offsets Pushed by Airlines, but Not a True Solution

Carbon offsets have emerged as a business-as-usual solution for airlines to continue operations while being able to reduce emissions on paper. Offsets are currently only a very small percentage of emissions, and we believe that airlines need to (be made to) steer away from relying on offsets to reduce their emissions.

Carbon Offsets as a Percentage of Total Scope 1 Emissions in 2019



Source: Skift Research from CDP, company filings, and estimates, April 2021.

Reproduced from [Sustainability in Travel 2021: Environmental Performance of the Six Largest Airlines](#)

*Delta Airlines' 2019 Sustainability Report mentions that the airline was able to achieve only 40% of its carbon offsetting target in 2019. The airline expects to cover the carbon offsets during 2020. The voluntary carbon offset in 2018 as a % of total emissions was 8.9%.

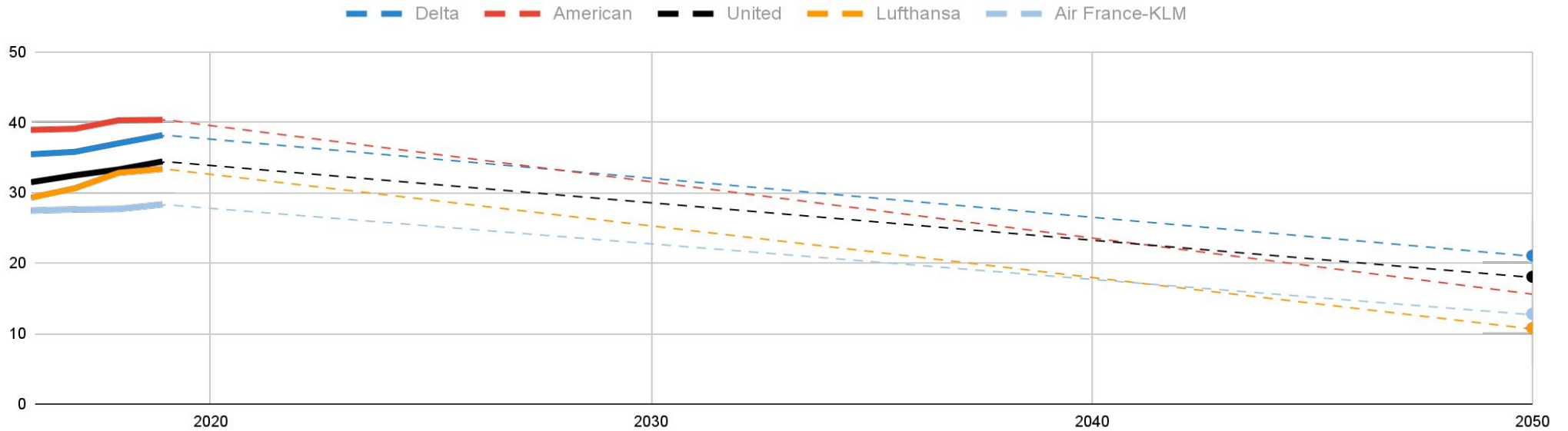
**The calculation for IAG only represents the offset contribution of British Airways which is 55% of IAG by capacity.



2050 Emission Reduction Targets Require Concerted Effort From Airlines

During the years before the pandemic, emissions increased for all major airlines despite airlines setting 2050 targets which require considerable reductions. All airlines expect innovations to come to their rescue over the coming decades.

Total CO2e Emissions 2016-2019 and 2050 Target





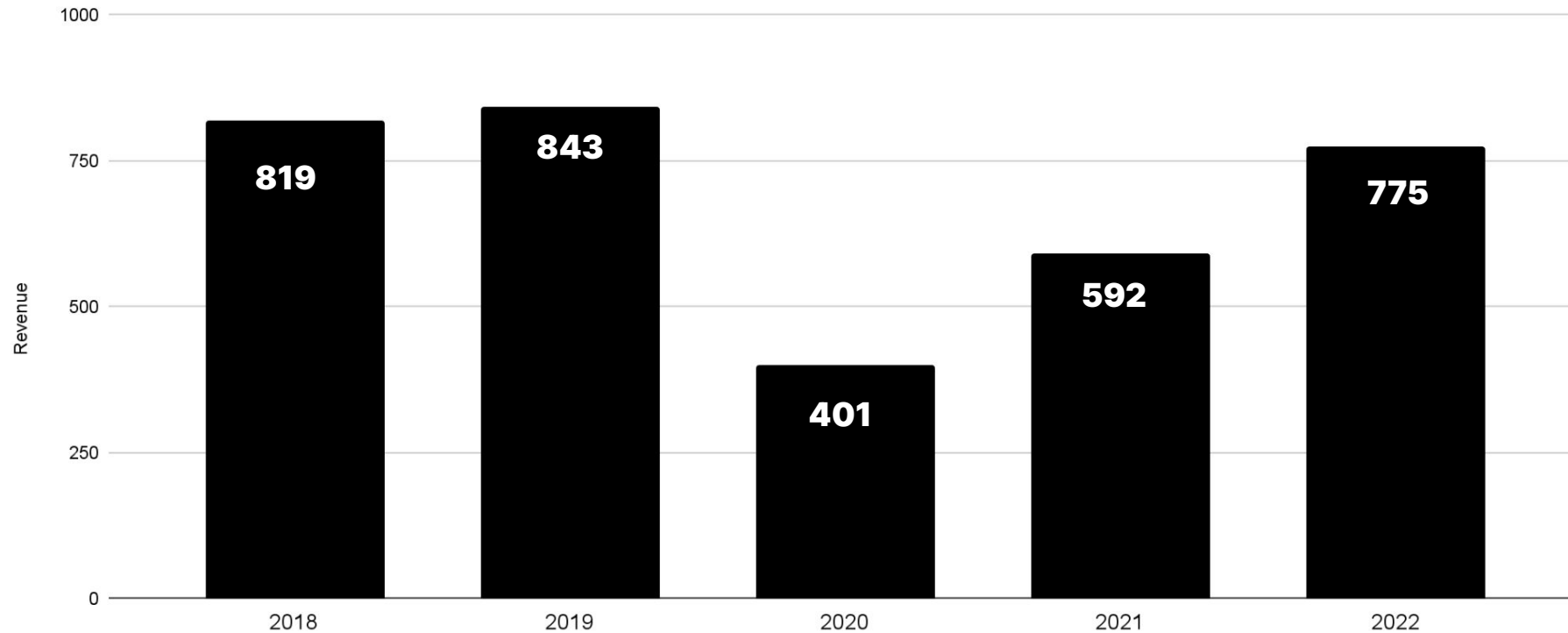
4. HOTELS



Hotel Revenues Recovering

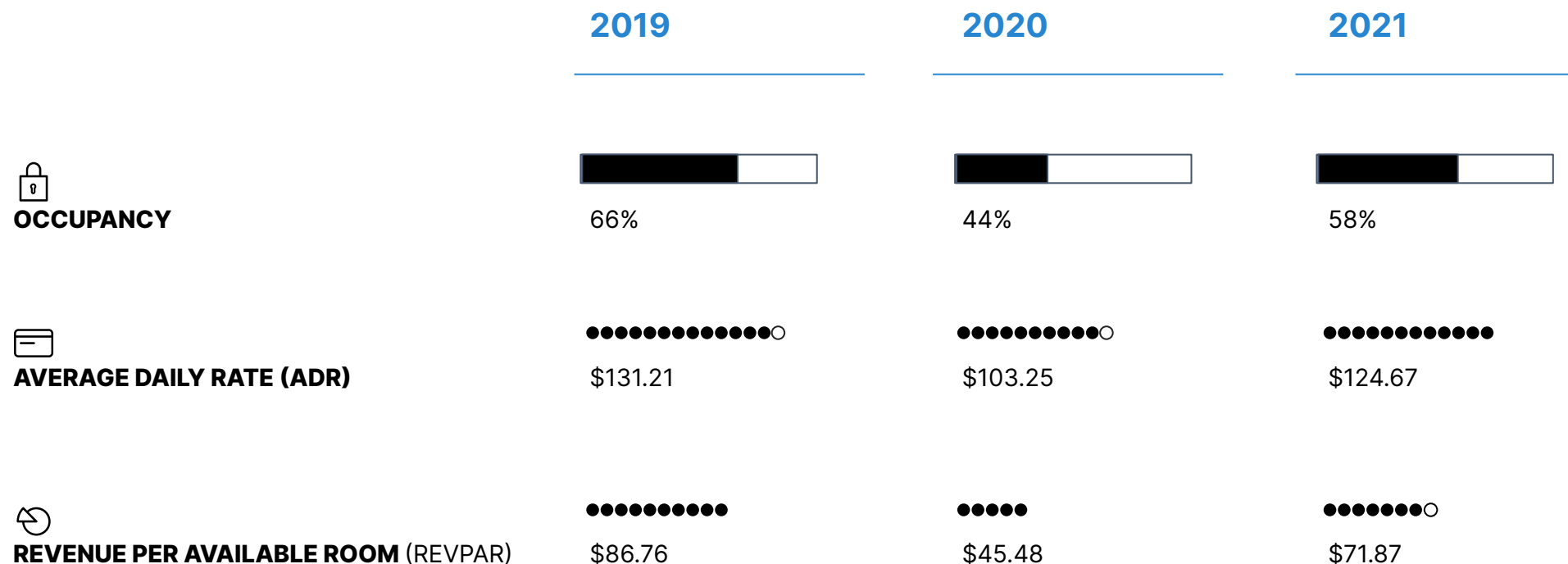
In 2022, hotel revenues are closing in on 2019 levels as travel demand returns with a vengeance in many regions.

Revenue vs. Year



U.S. Key Performance Indicators

U.S. hotel key performance indicators show strong 2021 recovery.

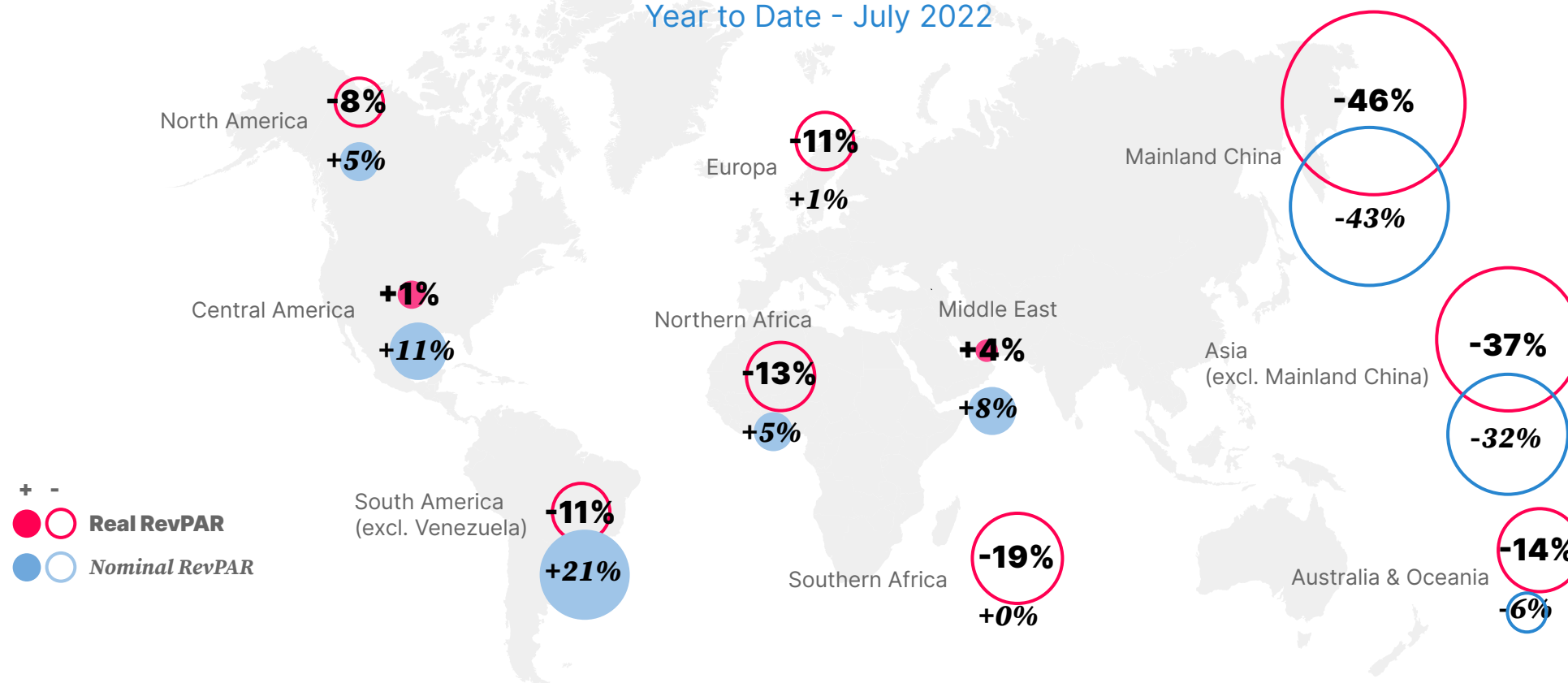


Asia and China Fall Behind

Real RevPAR (adjusted for inflation) still needs to recover further in most regions to get back to pre-pandemic levels, although high prices boost nominal RevPAR performance. Asia is by far the worst performing region.

Revenue per Available Room (RevPAR) % Change to 2019

Year to Date - July 2022



Hotel Chain Revenues Back in Black in 2021

The bottom lines of all major hotel chains were impacted by Covid, although Huazhu benefited from relatively strong Chinese domestic demand in 2020. In the first half of 2022, however, Huazhu struggles with continued strict Covid restrictions in China. Hyatt and Accor have performed strongly in H1 2022.

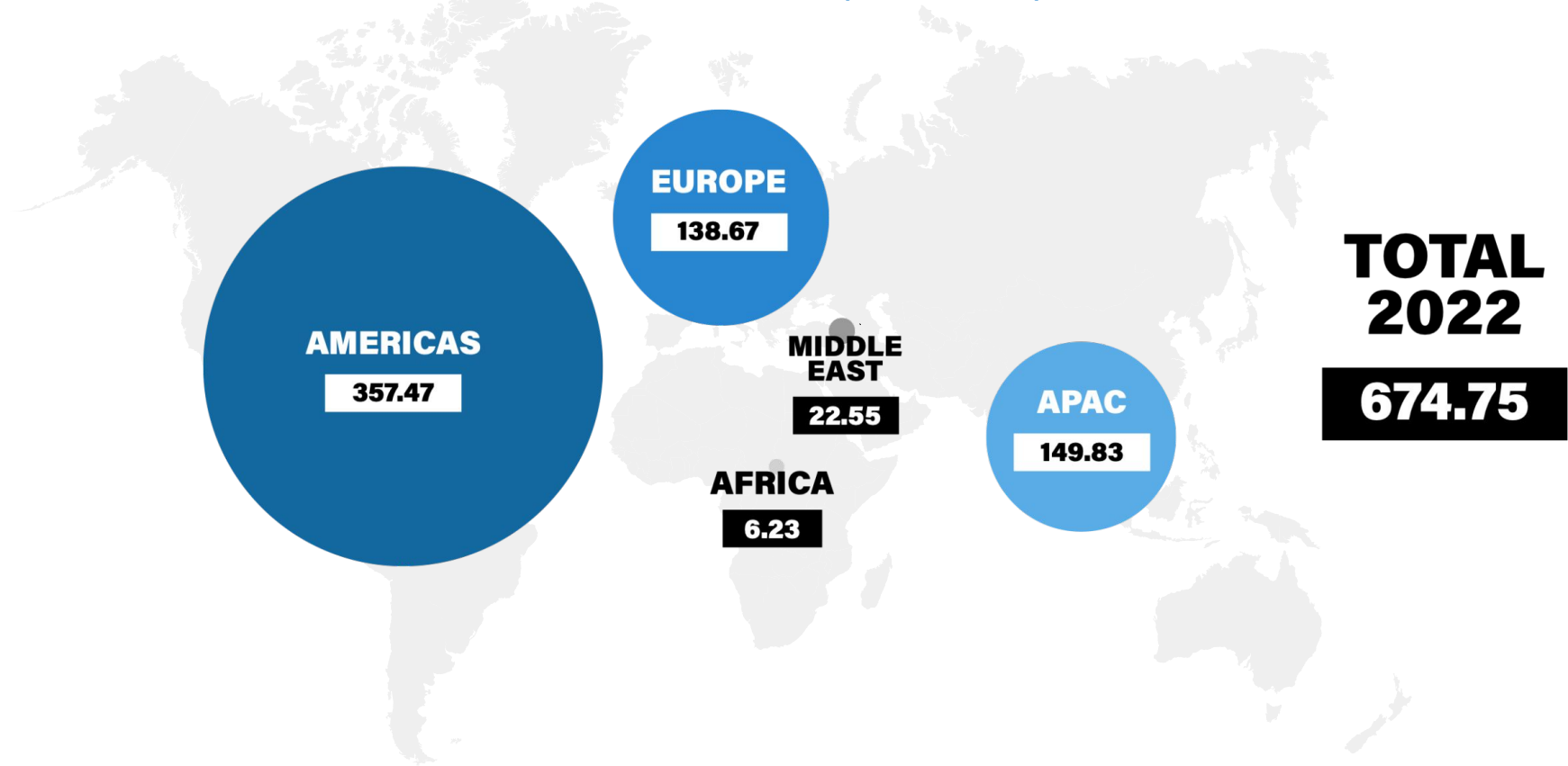
Year-over-Year Revenue Growth

	2019-2020	2020-2021	2021 H1-2022 H1
<i>Marriott International</i>	-61%	61%	83%
<i>Accor</i>	-56%	26%	109%
<i>Hilton Worldwide</i>	-58%	53%	77%
<i>InterContinental Hotels Group</i>	-49%	32%	49%
<i>Huazhu Group</i>	-3%	29%	3%
<i>Hyatt Hotels</i>	-70%	85%	233%
<i>Wyndham Hotel Group</i>	-34%	31%	21%
<i>Choice Hotels</i>	-31%	38%	36%

Hotel Performance by Region

The Americas region is by far the largest region for hotel revenues, double in size of Europe and APAC.

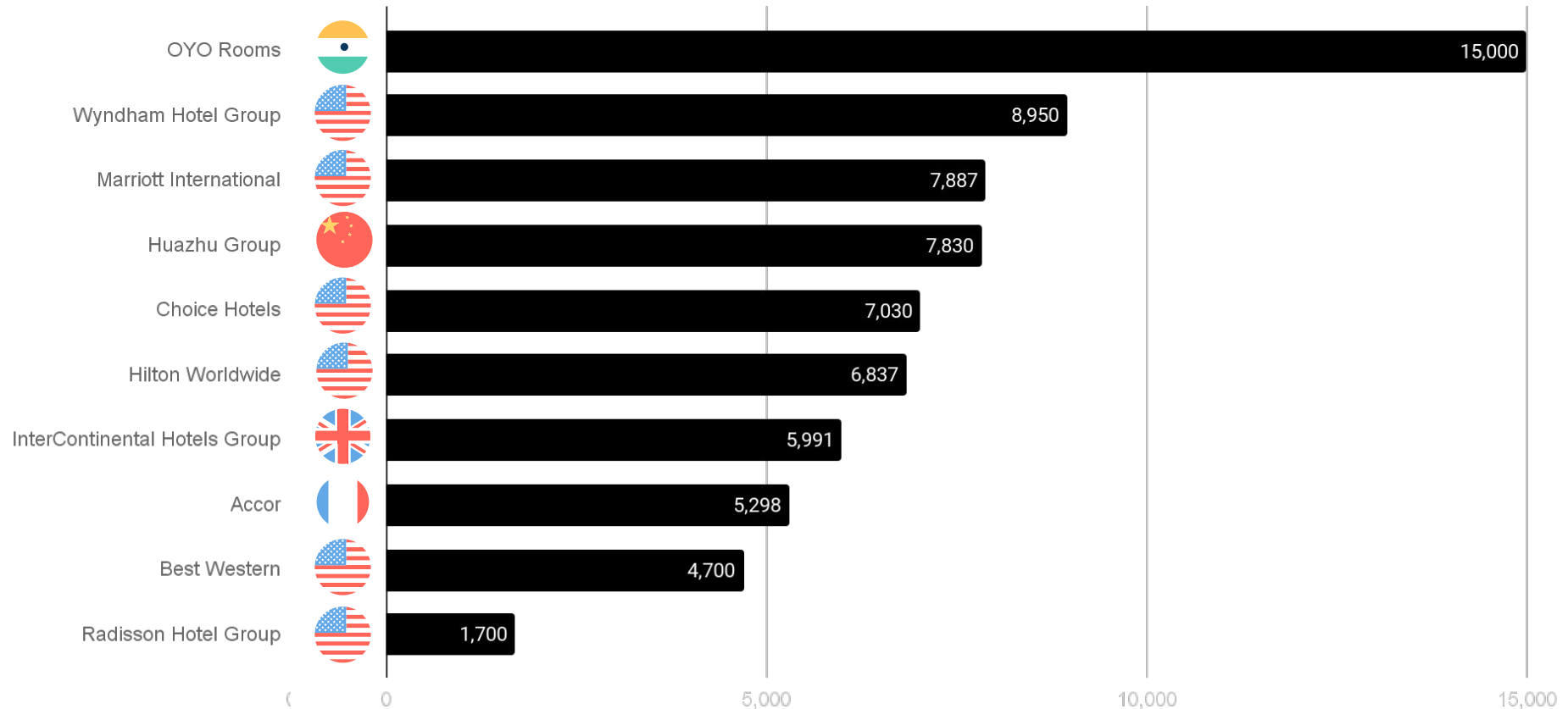
Global Hotel Accommodation Revenue (USD Billion) - Estimations for 2022



Hotel Industry Top Companies

Indian chain OYO Rooms is the world's largest hotel company based on number of properties.

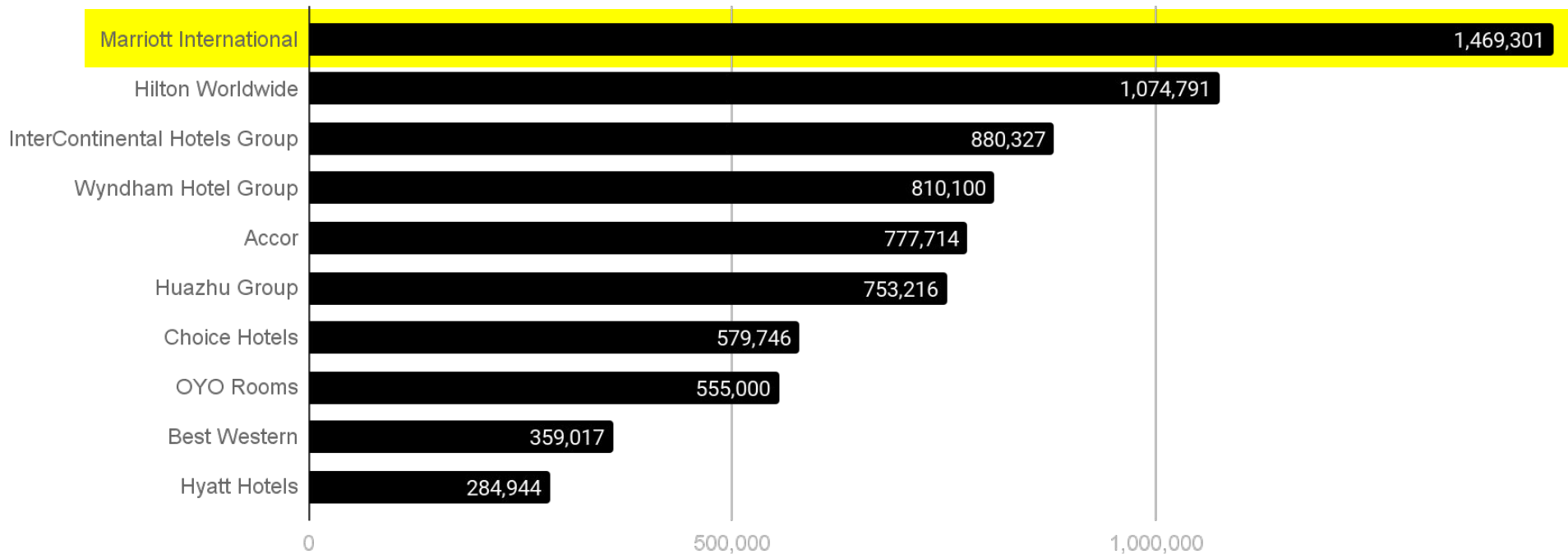
Top 10 Hotel Companies by Properties - 2021



Hotel Industry Top Companies

When taking the number of rooms into consideration, Marriott is by far the largest hotel company.

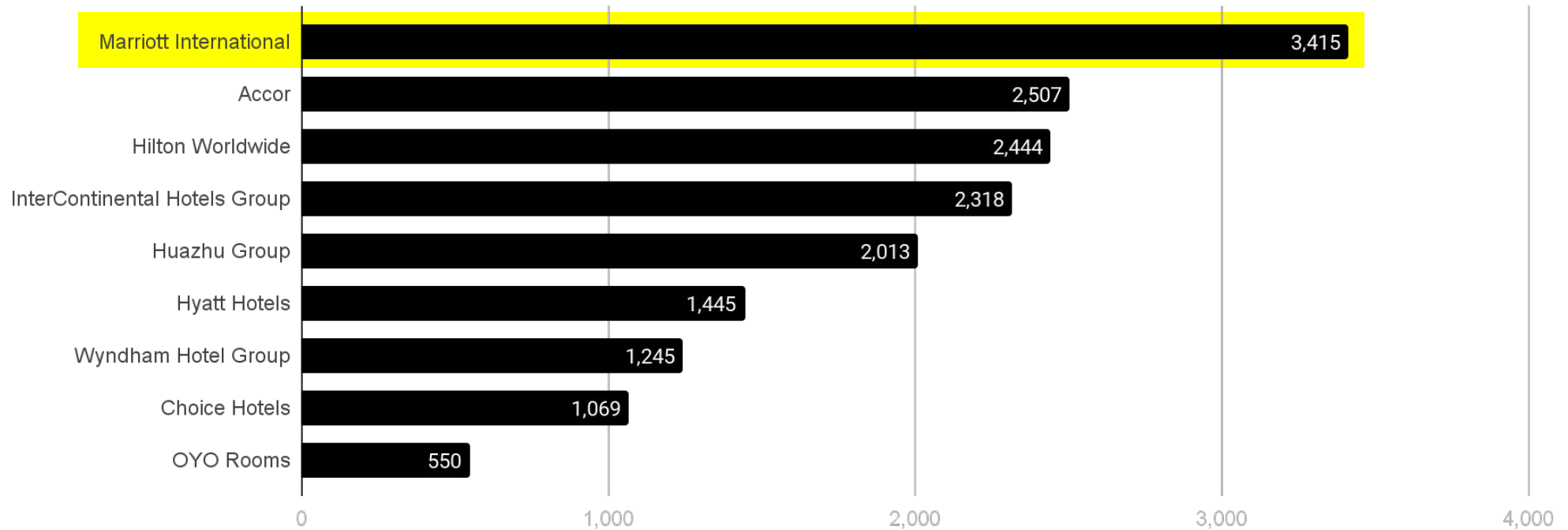
Top 10 Hotel Companies by Rooms - 2021



Hotel Industry Top Companies

Also in terms of revenue, Marriott International beats the competition.

Top Hotel Companies by Revenue (\$ millions) - 2021



Largest Hotel Brands

InterContinental Hotels Group has two brands in the top 3 with Holiday Inn Express and Holiday Inn.

Top 15 Largest Hotel Brands by Rooms Worldwide

Brand	Company	Chain scale	Total
<i>Holiday Inn Express</i>	IHG	Upper midscale	299,234
<i>Hampton by Hilton</i>	Hilton	Upper midscale	266,933
<i>Holiday Inn</i>	IHG	Upper midscale	239,894
<i>Hilton Hotels</i>	Hilton	Upper upscale	216,379
<i>Marriott Hotels</i>	Marriott	Upper upscale	203,005
<i>Courtyard</i>	Marriott	Upscale	184,629
<i>Super 8</i>	Wyndham	Economy	177,955
<i>Sheraton</i>	Marriott	Upper upscale	156,563
<i>IBIS</i>	Accor	Economy	154,328
<i>DoubleTree</i>	Hilton	Upscale	135,745
<i>Days Inn</i>	Wyndham	Economy	132,494
<i>Hilton Garden Inn</i>	Hilton	Upscale	126,086
<i>Ramada</i>	Wyndham	Midscale	122,013
<i>Crowne Plaza</i>	IHG	Upscale	120,582
<i>Mercure</i>	Accor	Upper midscale	105,694

Largest Hotel REITs

Host Hotels is coming out of the pandemic as the largest Real Estate Investment Trust (REIT).

Top 20 Hotel REITs by Revenues Worldwide (\$ millions)

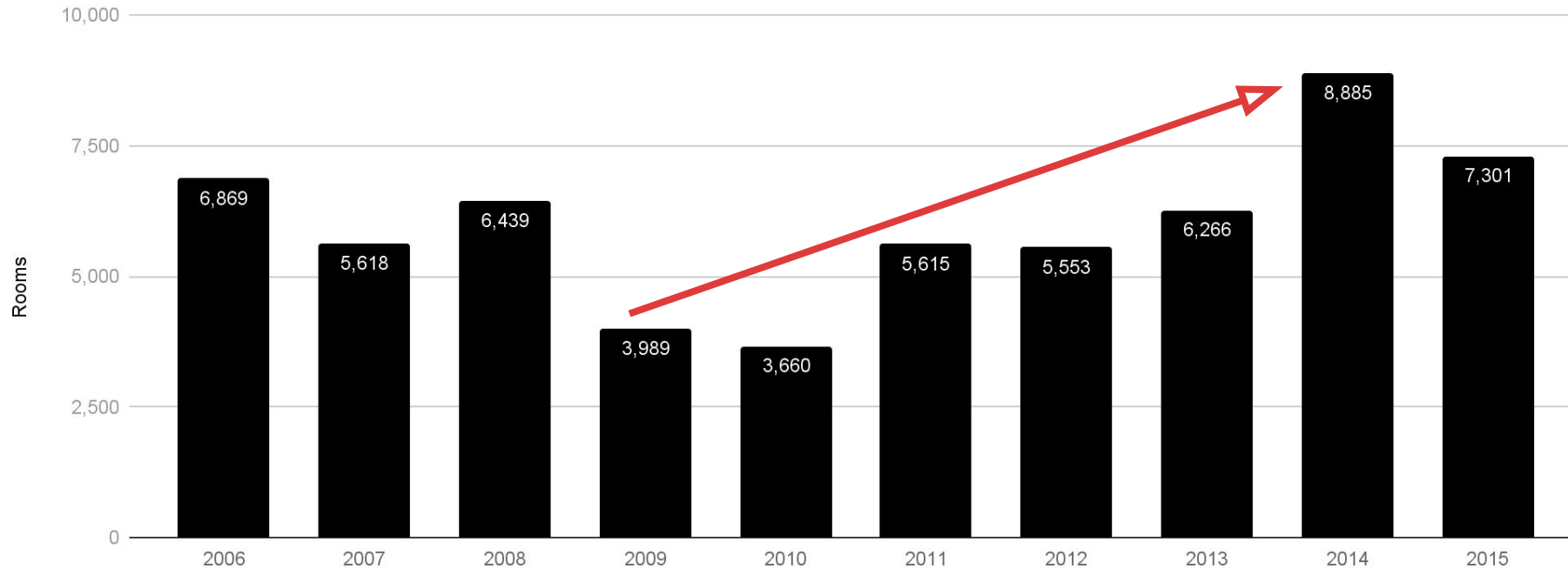
		2020	2021
1	Host Hotels & Resorts, Inc.	\$1,590	\$2,921
2	Service Properties Trust	\$1,265	\$1,496
3	Park Hotels & Resorts Inc.	\$830	\$1,359
4	Apple Hospitality REIT, Inc.	\$602	\$934
5	Ryman Hospitality Properties, Inc.	\$518	\$930
6	RLJ Lodging Trust	\$472	\$786
7	Pebblebrook Hotel Trust	\$443	\$733
8	Xenia Hotels & Resorts, Inc.	\$370	\$616
9	DiamondRock Hospitality Company	\$299	\$567
10	Sunstone Hotel Investors, Inc.	\$268	\$509

		2020	2021
11	Summit Hotel Properties, Inc.	\$234	\$362
12	Hersha Hospitality Trust	\$174	\$294
13	Ascott Residence Trust	\$268	\$292
14	Covivio Hotels	\$171	\$250
15	Chatham Lodging Trust	\$132	\$201
16	Japan Hotel REIT Investment Corporation	\$131	\$121
17	CDL Hospitality Trusts	\$86	\$117
18	Invincible Investment Corporation	\$161	\$109
19	Hoshino Resorts REIT, Inc.	\$108	\$88
20	Regal Real Estate Investment Trust	\$112	\$76

Hotel Branding in Flux

Downturns tend to equal brand conversions. Covid-19 might speed up consolidation, as previous downturns resulted in brand affiliation growth.

Rooms Converted to Marriott from Other Brands

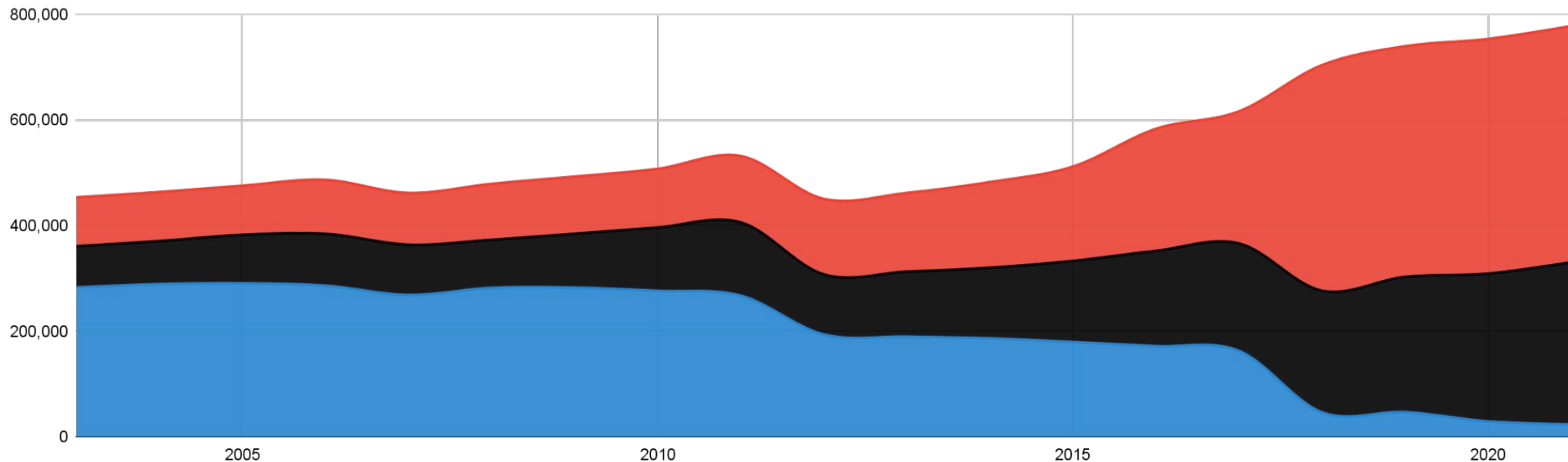


Move Towards Asset-Light Portfolios

Global hotel chains' move to asset-light portfolios has allowed for accelerated growth.

Accor Room Portfolio by Ownership

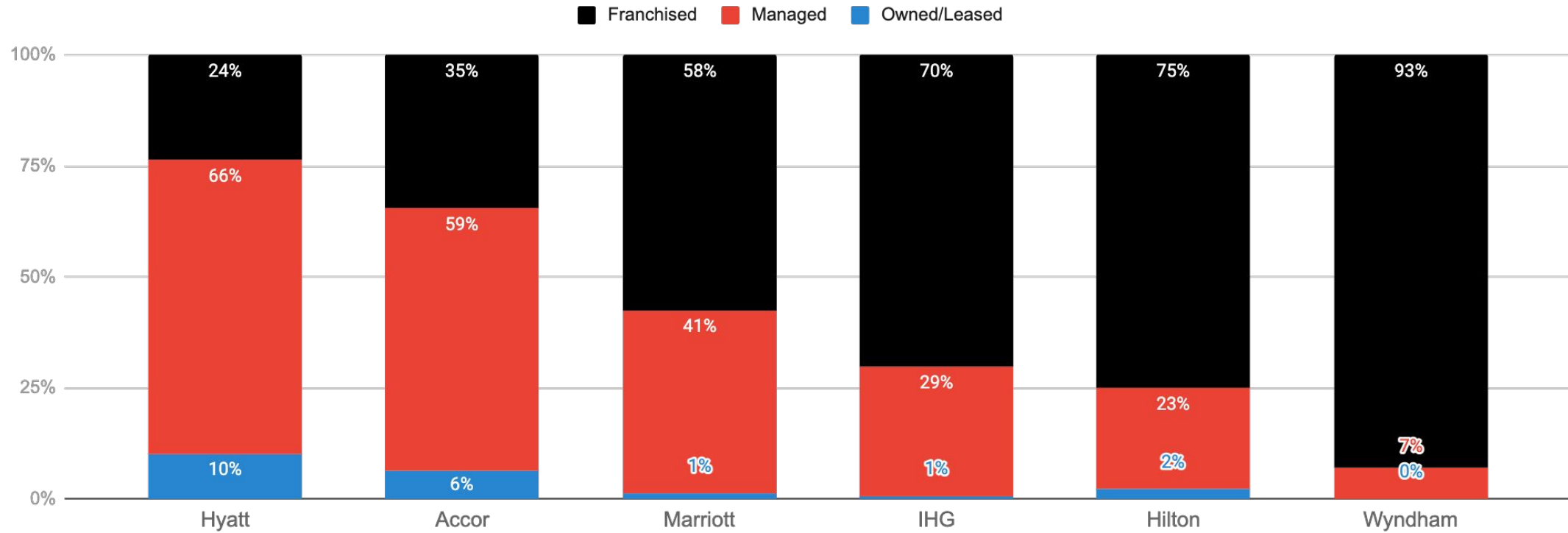
Managed Rooms Franchised Rooms Owned Rooms



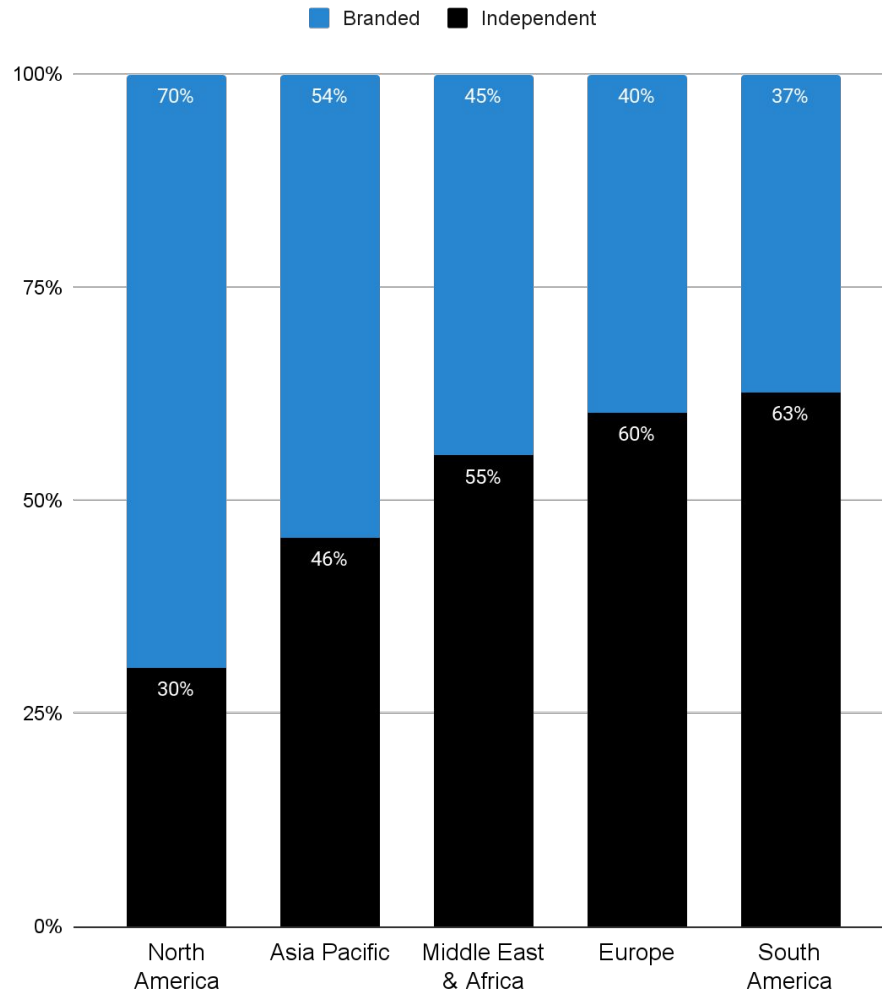
Move Towards Asset-Light Portfolios

Today, global hotel chains own very few rooms.

Room Portfolios by Ownership - 2019



Existing Hotel Room Supply by Region



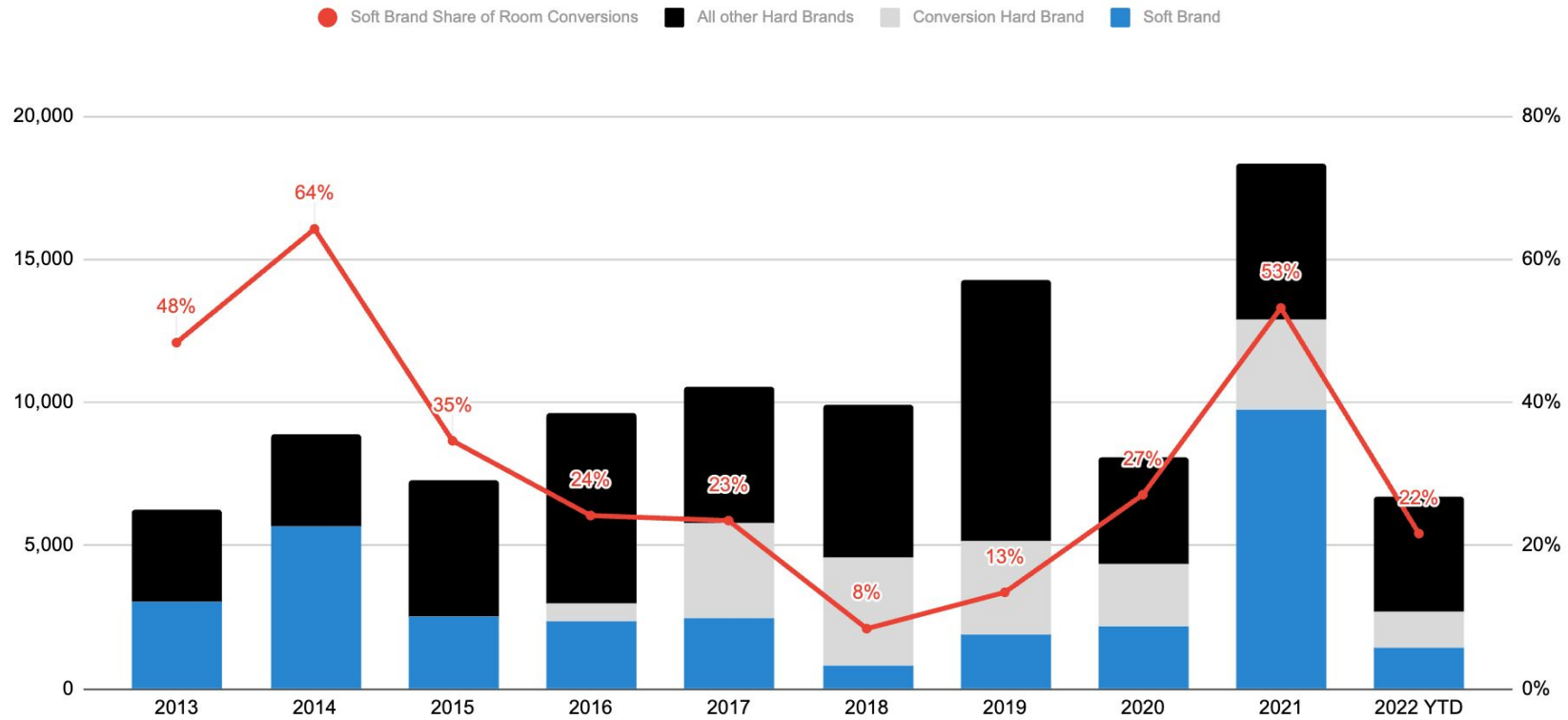
Winning Over Independents

Independent hotels still make up the majority of hotels in most regions. North America is the most branded region.

Winning Over Independents

Chains bet on soft brands to win over more independents.

Rooms Converted to Marriott Brands



Winning Over Independents

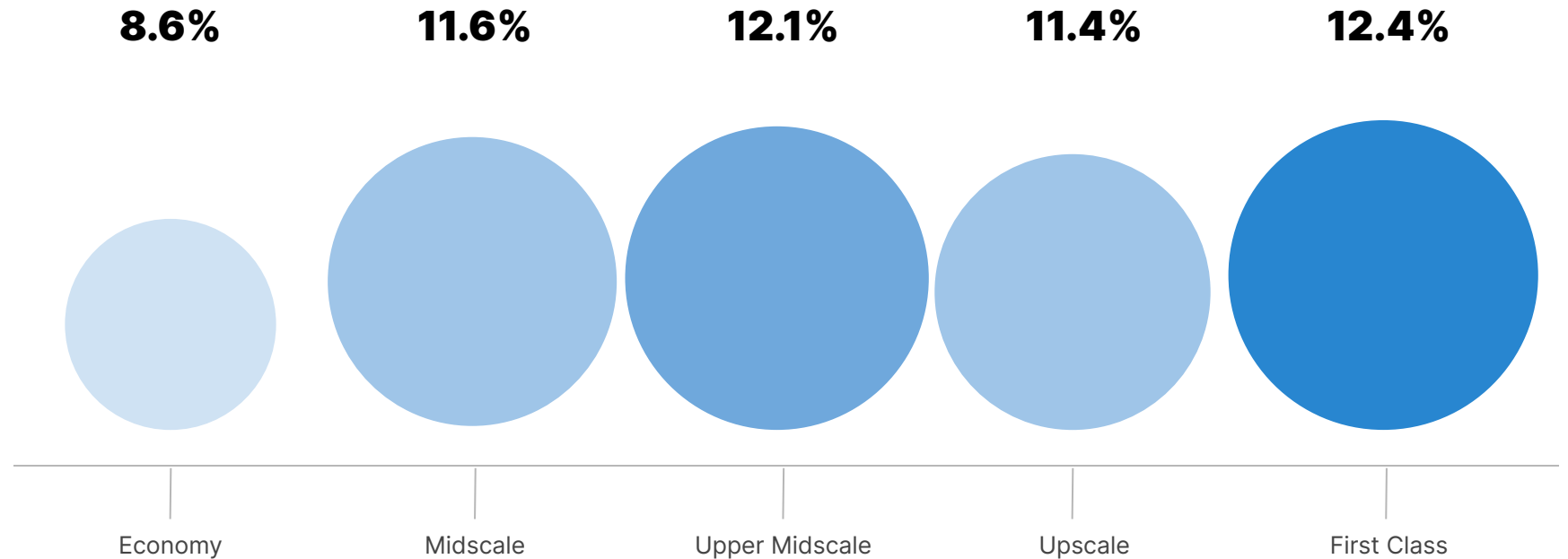
Chains offer brand recognition, and with it more direct bookings.

Distribution Channel - 2019	Branded Chains	Independent Properties
Phone and Walk-ins	12%	8%
Group Bookings (weddings / conferences)	7%	10%
Non-Digital Direct	19%	18%
Unpaid Digital Direct (Web and Mobile)	22%	16%
Paid Digital Direct (Metasearch, Google, FB, etc.)	3%	5%
Digital Direct	26%	21%
Total Direct	45%	39%
Online Travel Agents	34%	25%
Corporate Travel Agents	3%	6%
Traditional Travel Agents	8%	8%
Travel Agents	45%	39%
Bedbanks / Tour Operators	4%	14%
Global Distribution Systems	3%	6%
Wholesale	7%	20%
Total Indirect	52%	60%
Other	3%	1%
Grand Total	100%	100%

Winning Over Independents

For independents, brand affiliations has benefits, but comes at a cost.

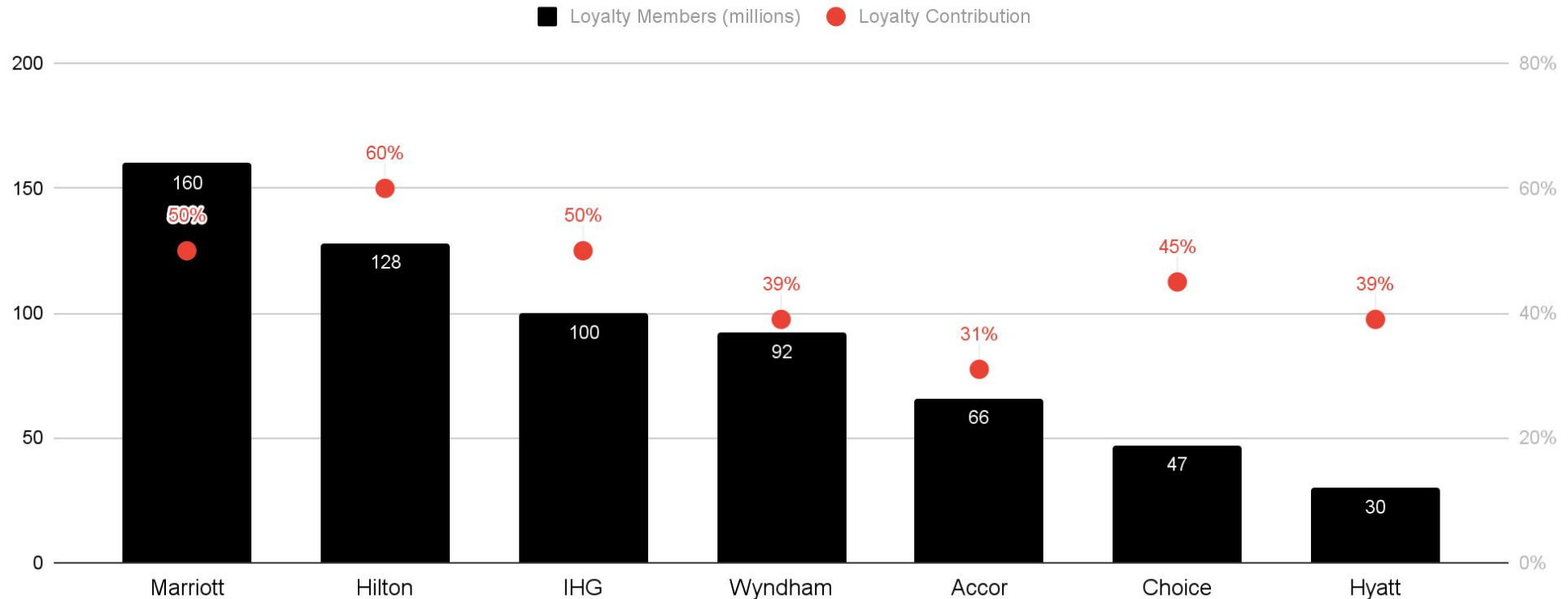
Average Affiliation Cost by Chain Scale
→



Loyalty Programs Extremely Valuable

For many of the large hotel chains, loyalty members account for more than half of all room bookings.

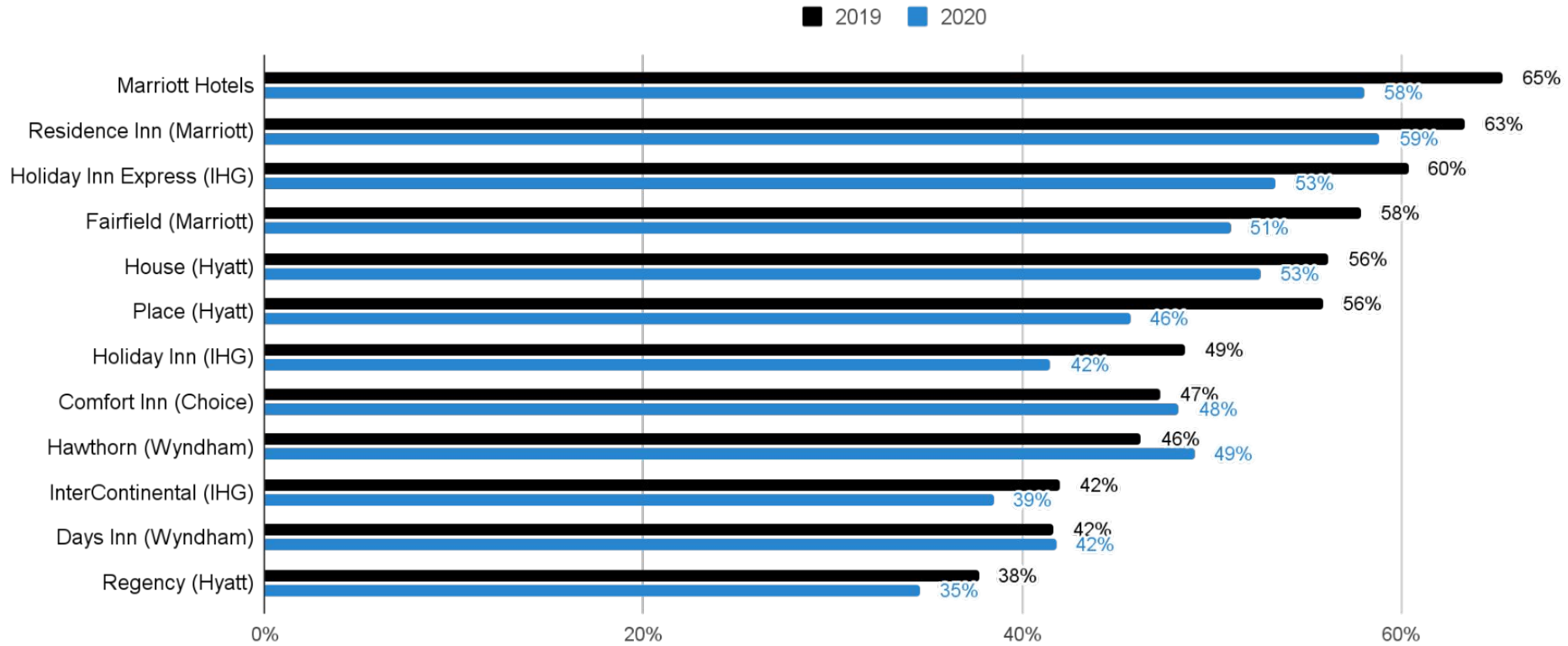
Loyalty Member Contribution by Hotel Chain



Loyalty Programs Extremely Valuable

Member contributions to bookings were slightly down during the pandemic

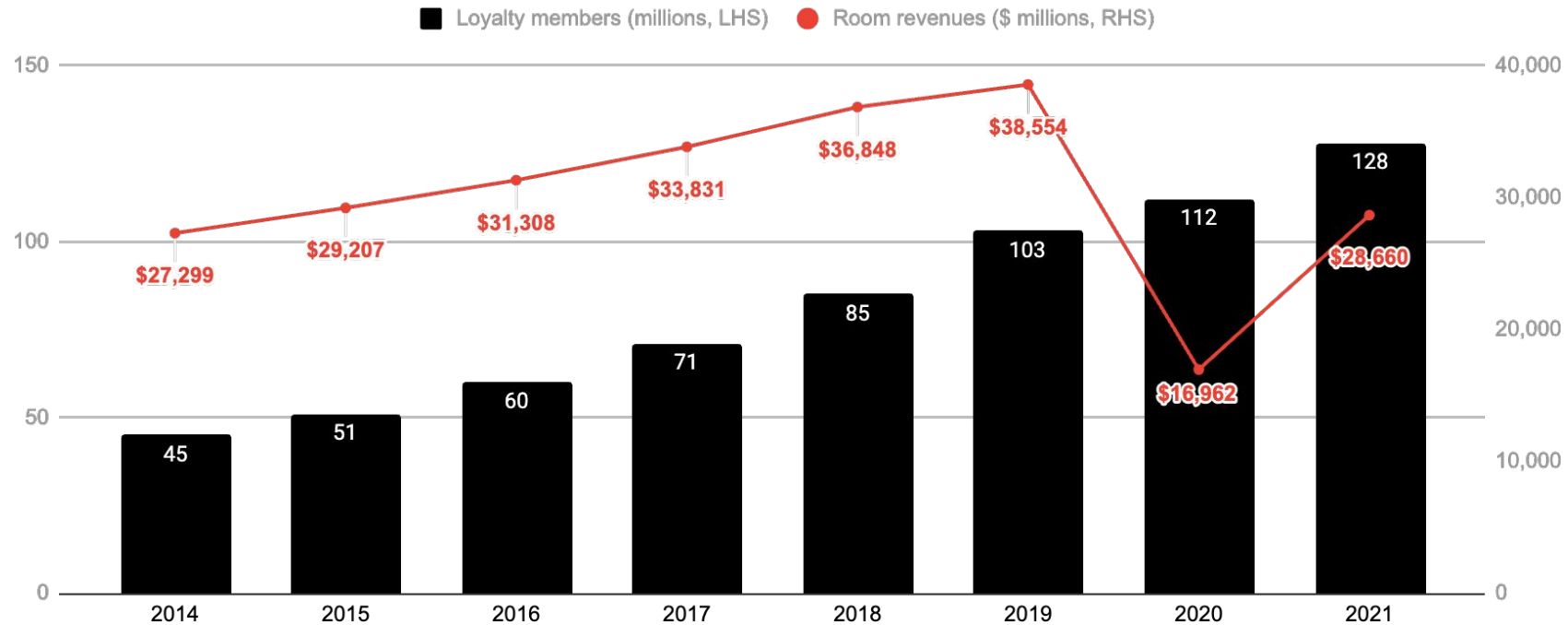
U.S. Loyalty Contribution for Select Brands



Loyalty Programs Extremely Valuable

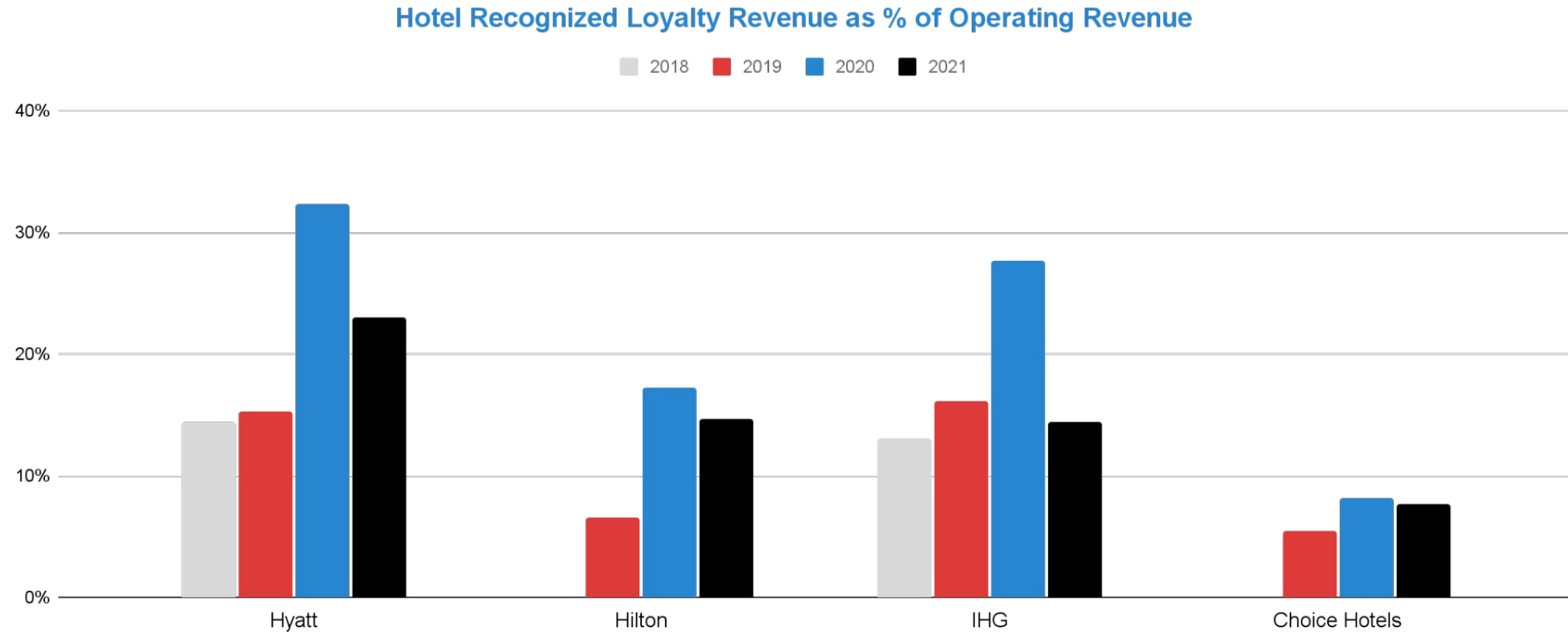
Despite the pandemic, member bases continued to grow as hotels launched credit cards and added non-hotel spending and earning opportunities

Hilton Member Base and Room Revenues



Loyalty Programs Extremely Valuable

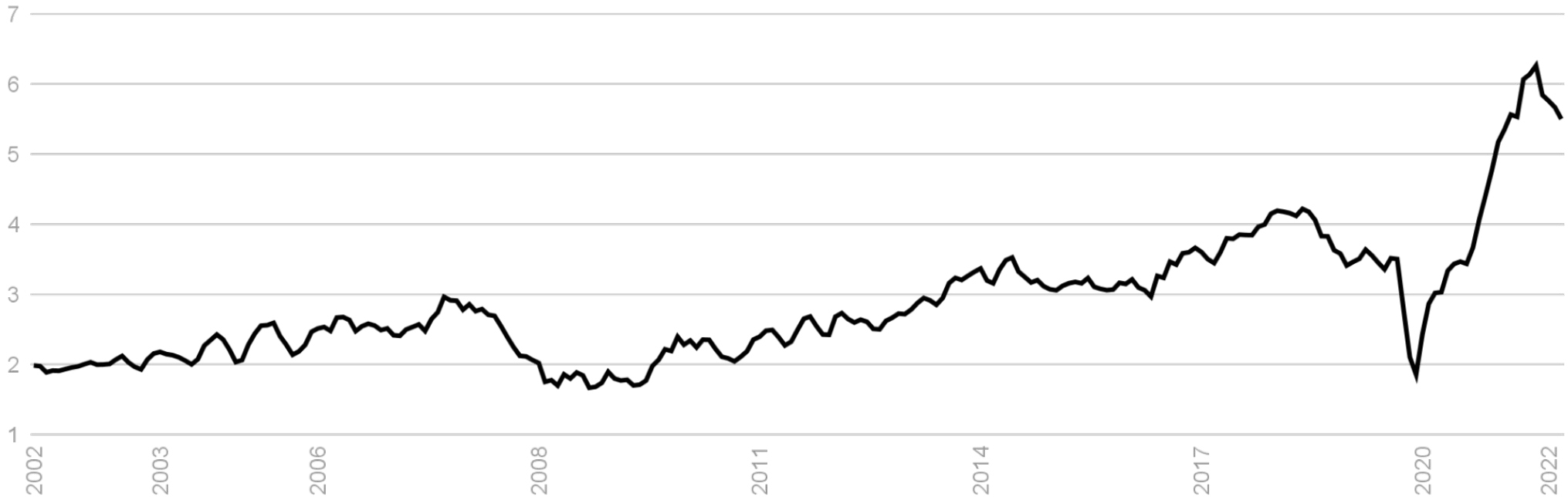
Loyalty program contribution to the bottom line of hotel companies was also up



High Touch vs High Tech

Labor was a growing issue before, and certainly is an issue after the pandemic

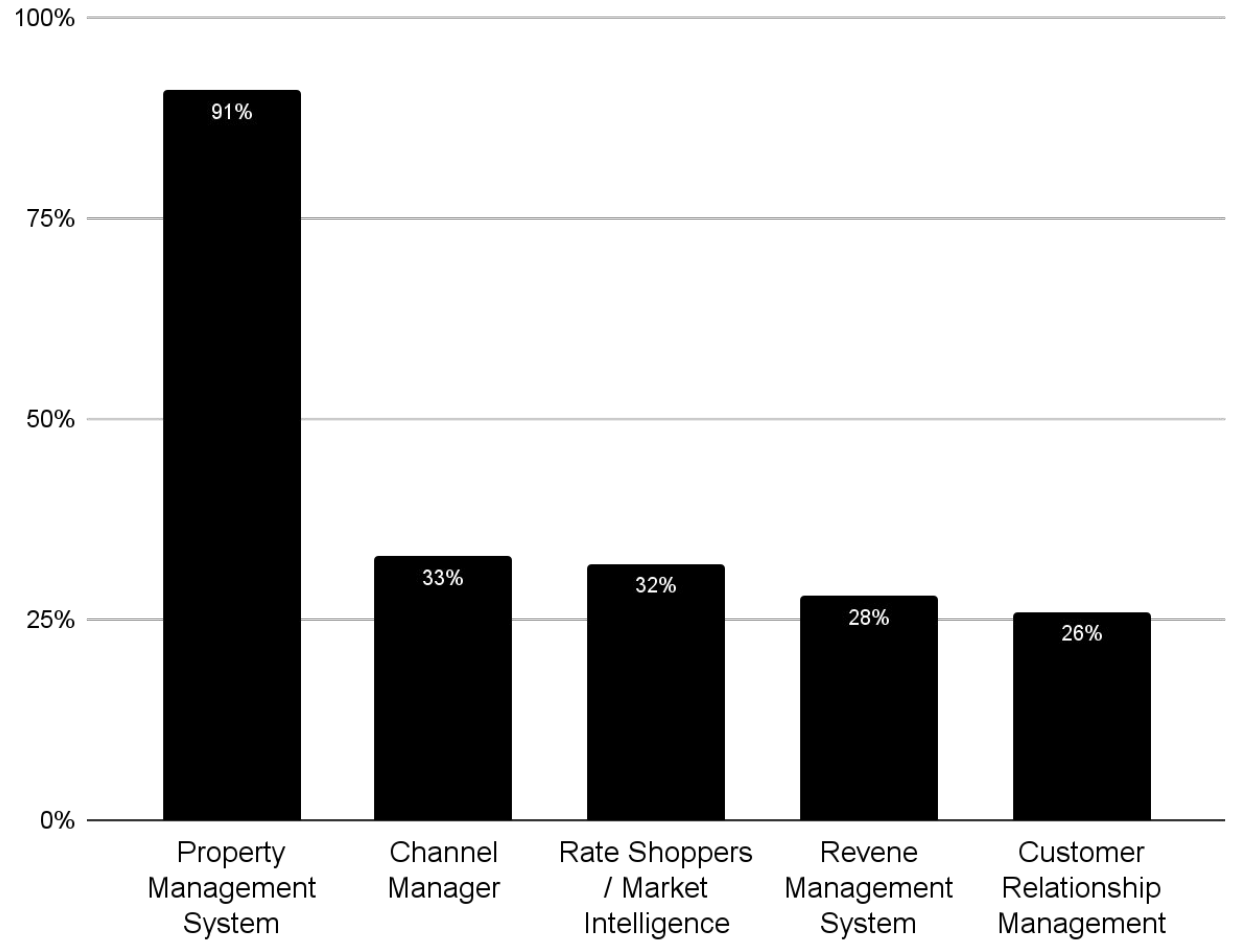
Weeks to Fill Open Jobs in Accommodation and Food Service Industry



High Touch vs High Tech

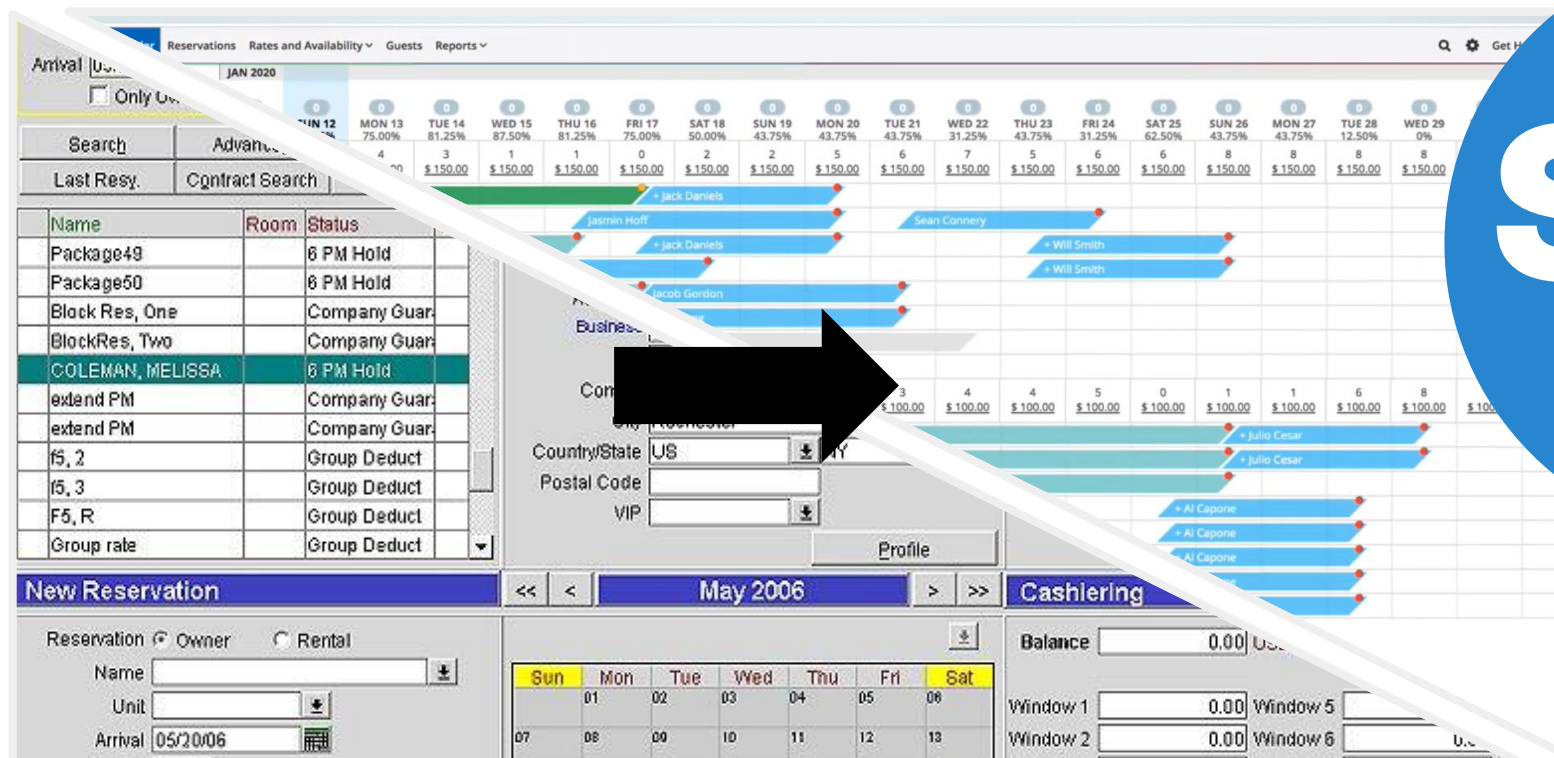
Labor issues, and changing guest preferences, offer opportunities for greater tech adoption - there is ample room for growth

Percentage of Global Hotels Utilizing Key Tech Systems



Modernization of B2B Hotel Tech

After years of little innovation, tech like property management systems is seeing sped up innovation at the front and backend

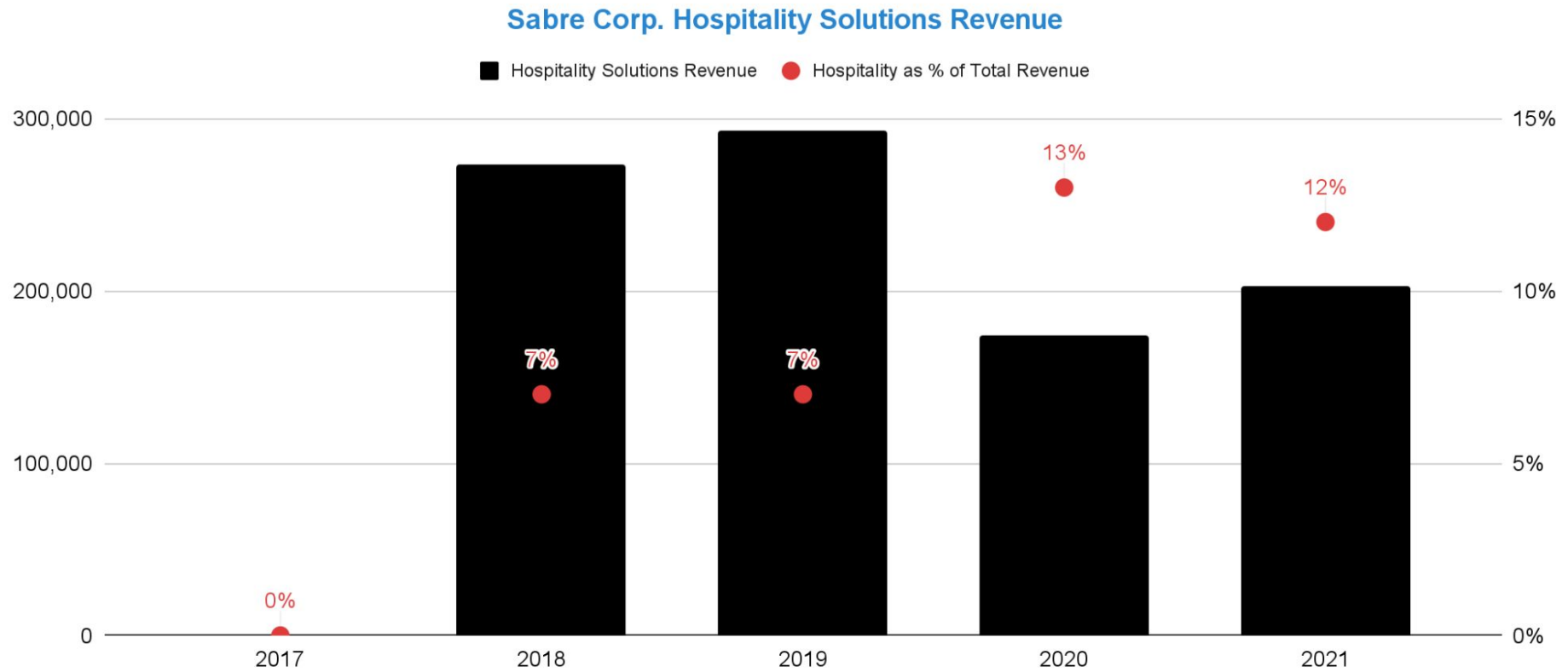


\$4.5
billion

Global 2019 Revenue of Hotel Property Management Systems

Modernization of B2B Hotel Tech

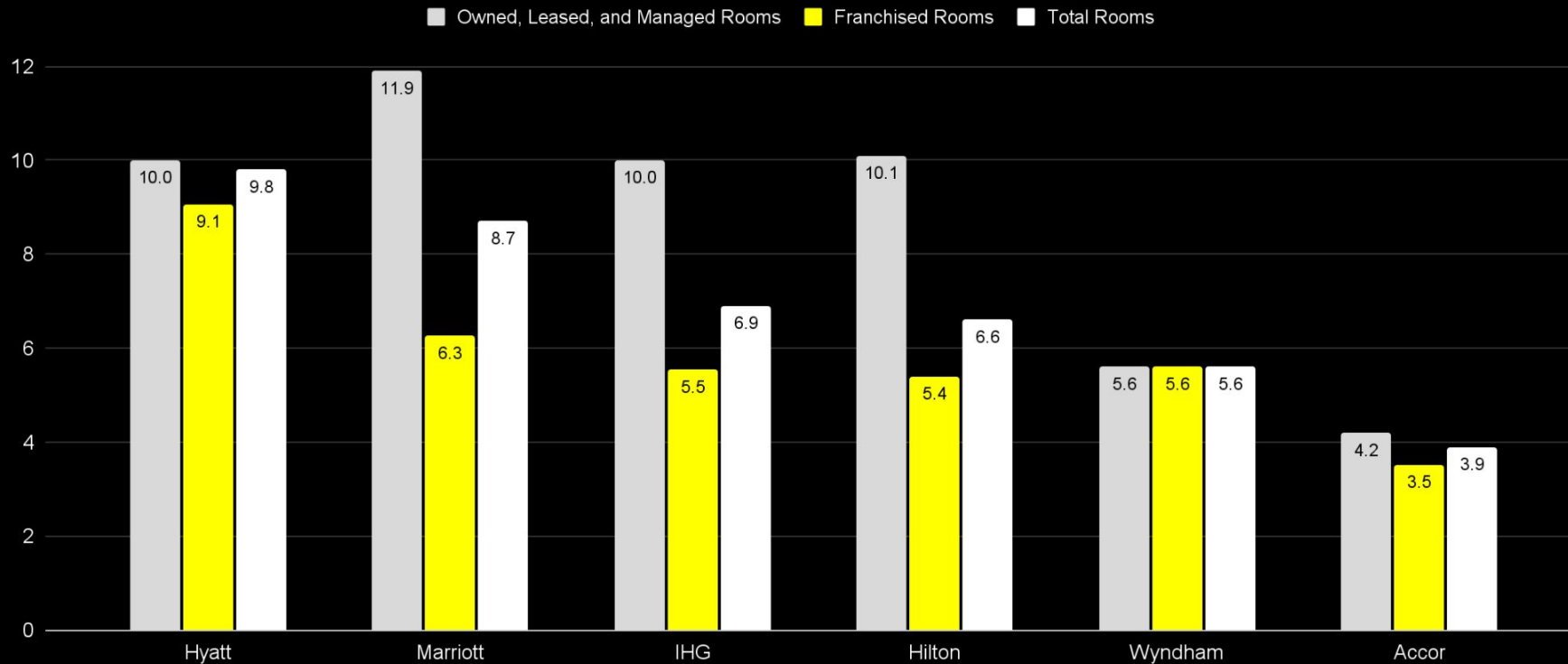
Outside investors and travel vendors like Sabre and Amadeus see opportunities in hotel tech



Hotels Focus on Sustainability

Ownership, geographical location, and price segmentation impacts average emissions per room

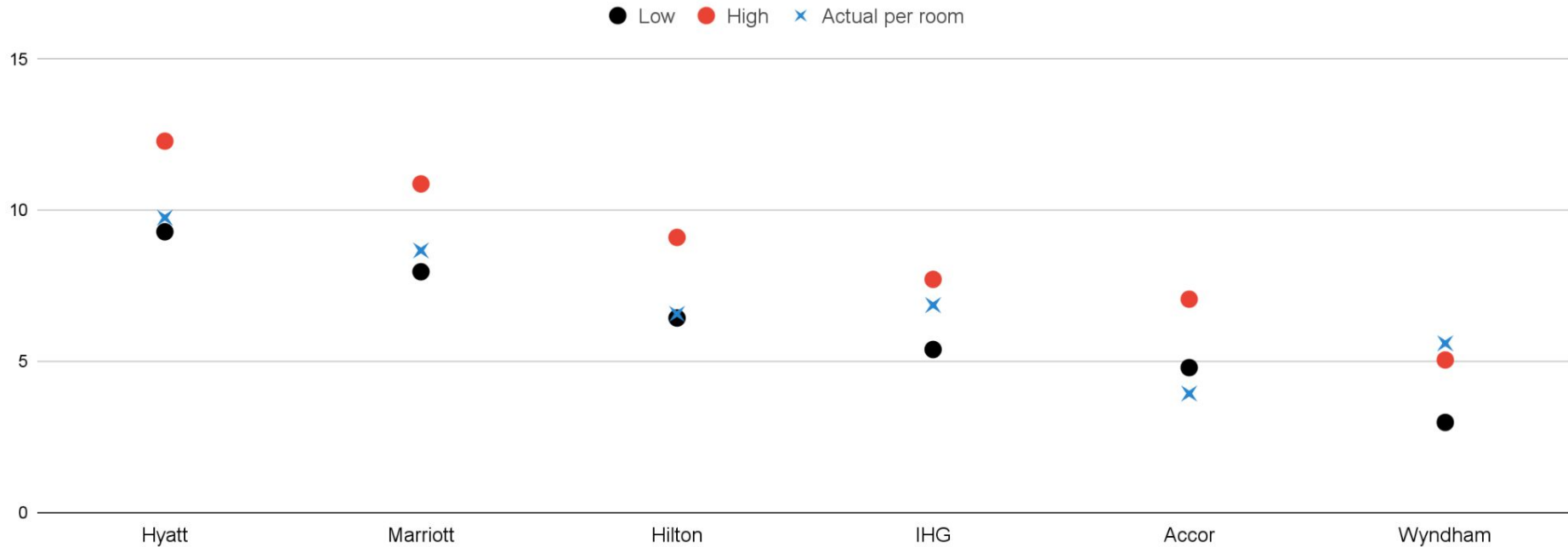
Annual Average Metric Tonnes of CO2 Equivalent Emissions Per Room - 2019



Hotels Focus on Sustainability

Skift Research benchmark shows that Accor performs better than competition, while Wyndham falls behind

Expected Low and High Benchmarked CO₂e Emissions Per Room vs Actual CO₂e Emissions per Room - 2019 Metric Tons



Source: Skift Research from CDP and company filings, March 2021

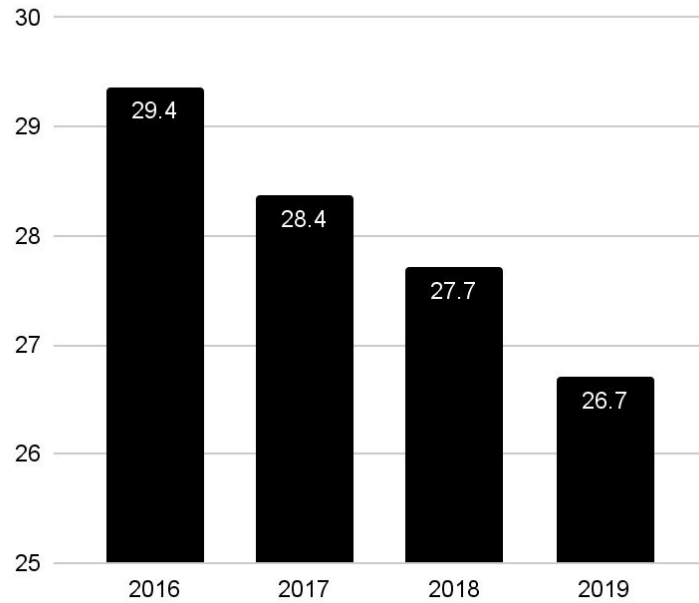
Reproduced from [Sustainability in Travel 2021: Emissions Benchmark of Six Global Hotel Companies](#)

Note: The CO₂e metric is self-reported by hotel companies and not independently verified. Scope 1-2 from owned, leased and managed rooms and Scope 1-2 from franchised rooms reported as Scope 3 emissions. Wyndham actual emissions are based on OLM rooms only.

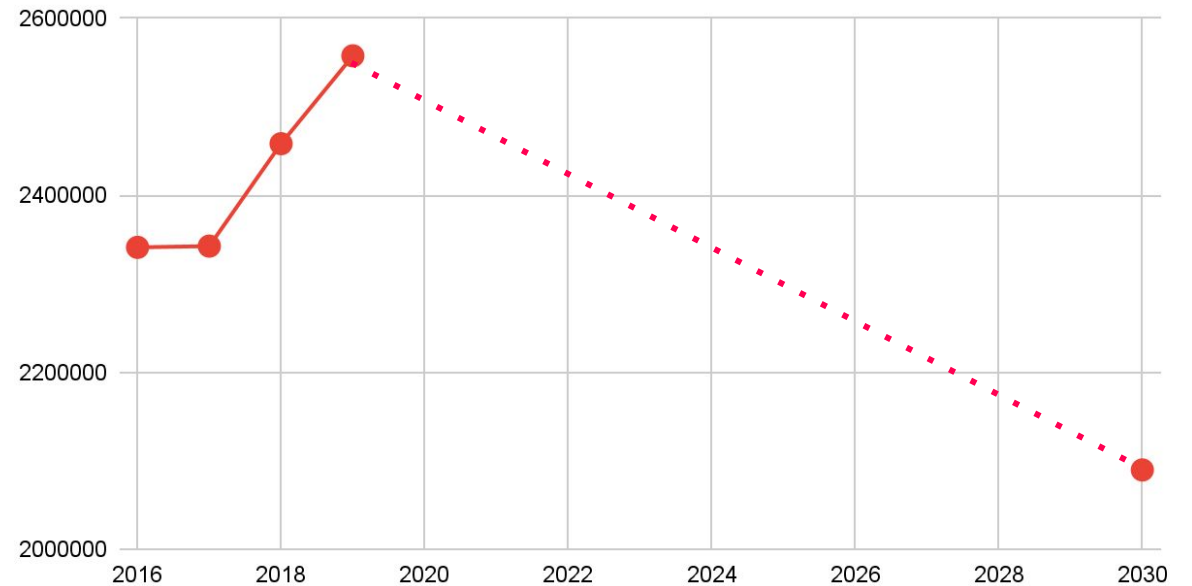
Sustainability Reporting Needs to Improve

How hotels report on emissions has a major impact on how they are perceived. IHG, for example, focuses on reduction in occupied room emissions, while actual emissions continue to go up.

IHG: Kilogram CO2e Per Occupied Room



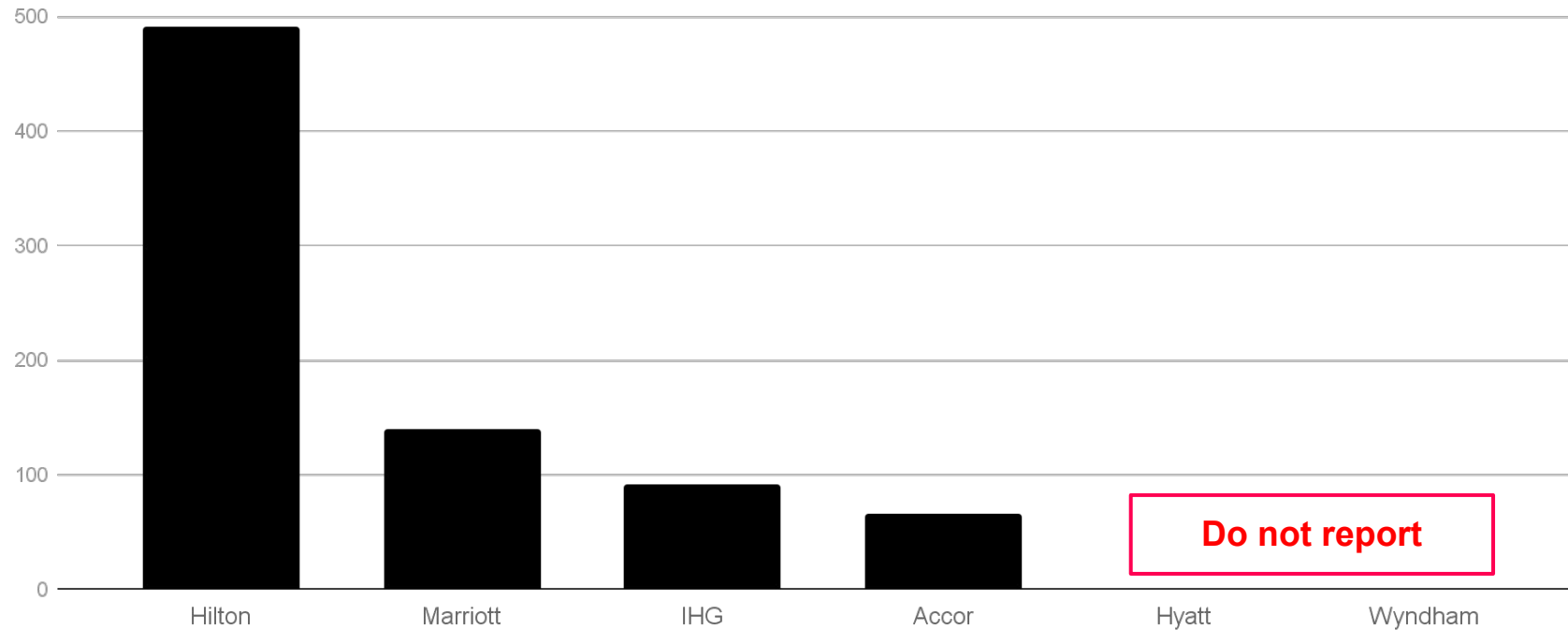
IHG: Total Metric Tonnes CO2e Emissions (with 2030 Target)



Sustainability Reporting Needs to Improve

Reporting on scope 3 emissions (which includes emissions from waste) needs more attention. Are Hilton guests really that much more wasteful?

Total 2019 Emissions from Waste per Owned, Leased and Managed Room - Kg CO2e





5. SHORT-TERM RENTALS

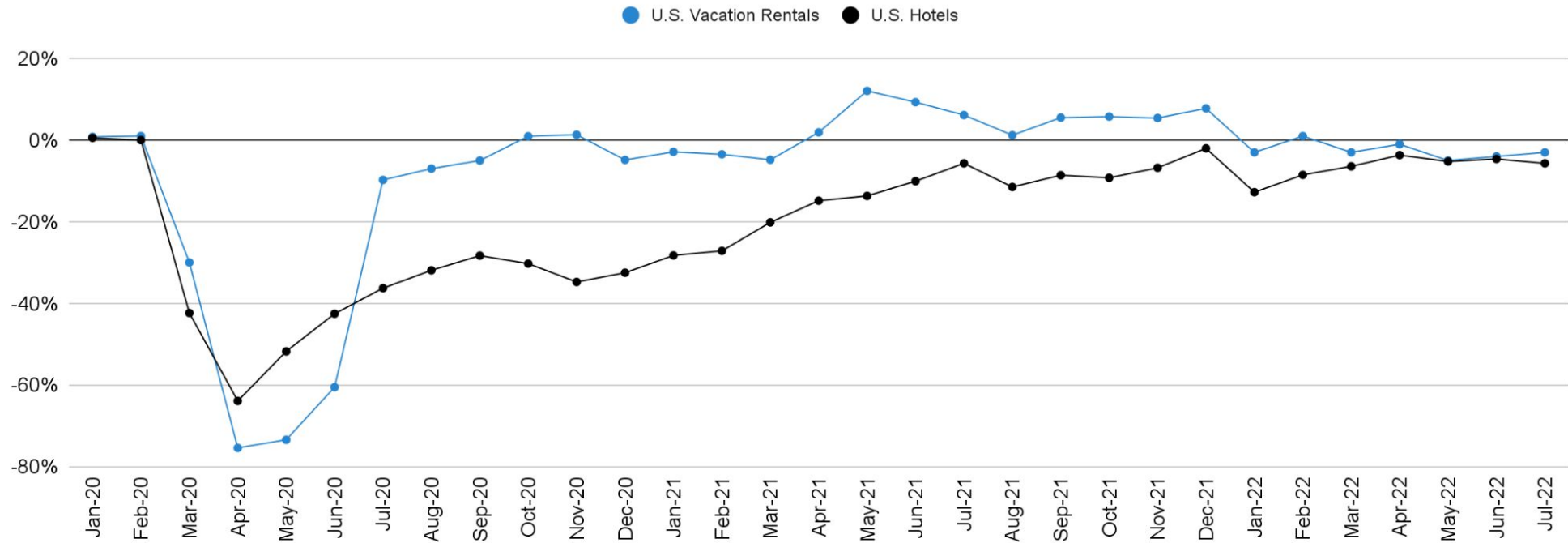




Short-Term Rentals Is Growth Industry

Rentals outperformed hotels in terms of occupancy throughout most of the pandemic.

U.S. Hotel and Vacation Rental Occupancy Rate Growth vs Same Month 2019



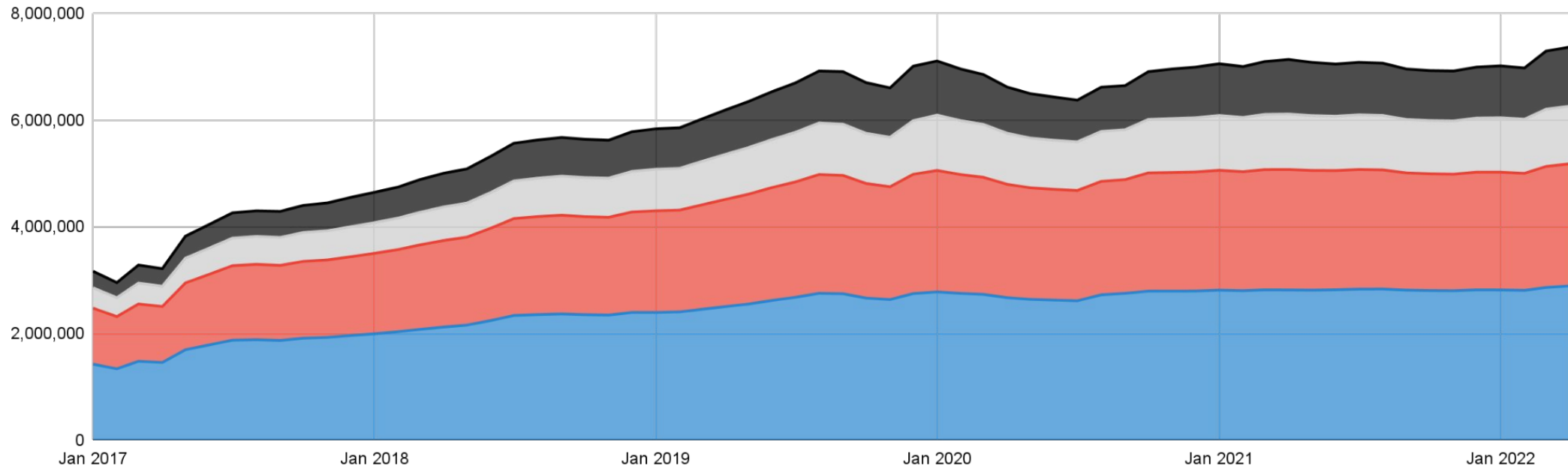


Short-Term Rentals Is Growth Industry

After a dip at the start of the pandemic, rental supply is continuing to grow.

Airbnb Units by Host Type

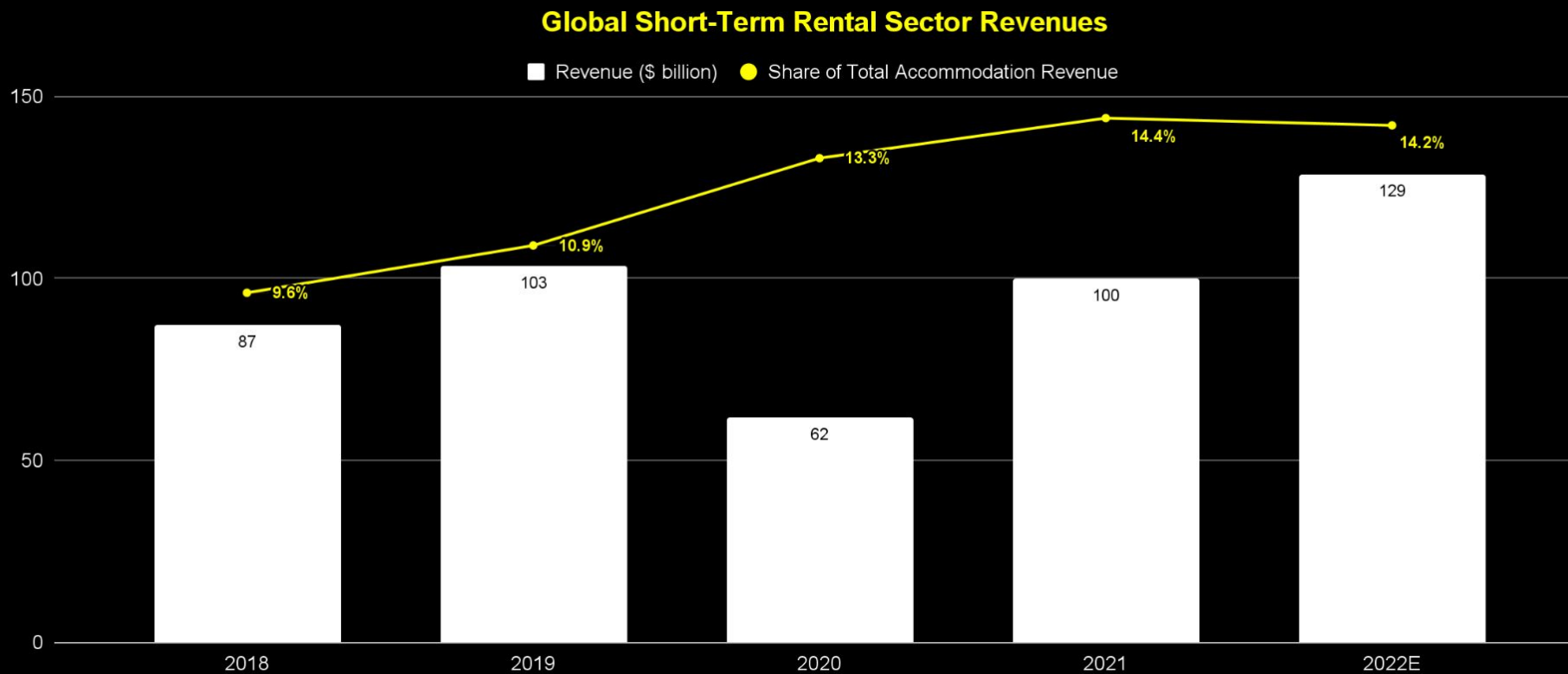
21+ Units 6-20 Units 2-5 Units 1 Unit





Short-Term Rentals Is Growth Industry

Rentals are expected to make up 14% of accommodation sector revenues in 2022, up from 11% in 2019.

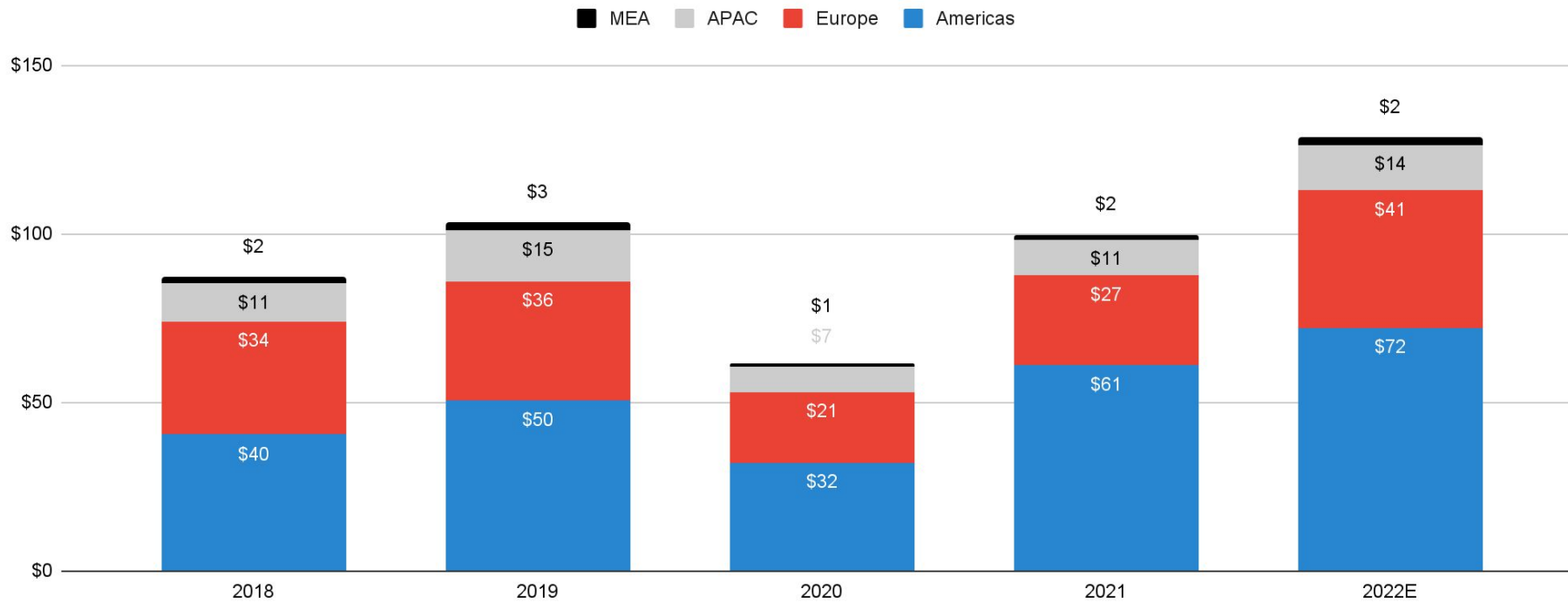




North America Remains Most Important Market

Americas is the largest rental market, but regions like Europe and APAC are showing strong growth as well

Short-Term Rental Sector Revenues by Region

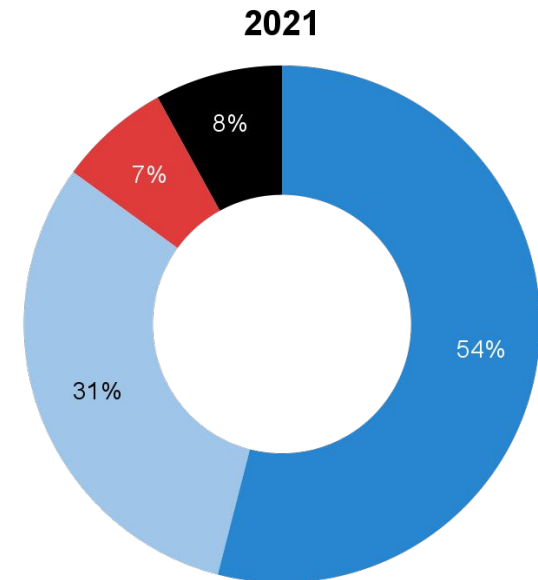
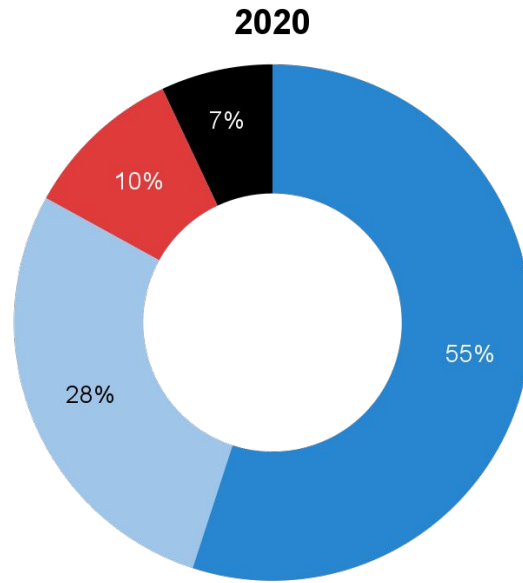
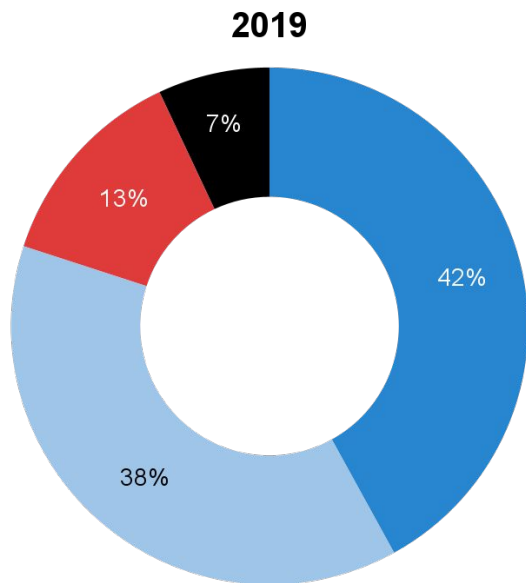


North America Remains Most Important Market

For Airbnb, more than half of its gross bookings are from North America since the start of the pandemic.

Airbnb Gross Booking Value by Region

● North America ● EMEA ● APAC ● Latin America

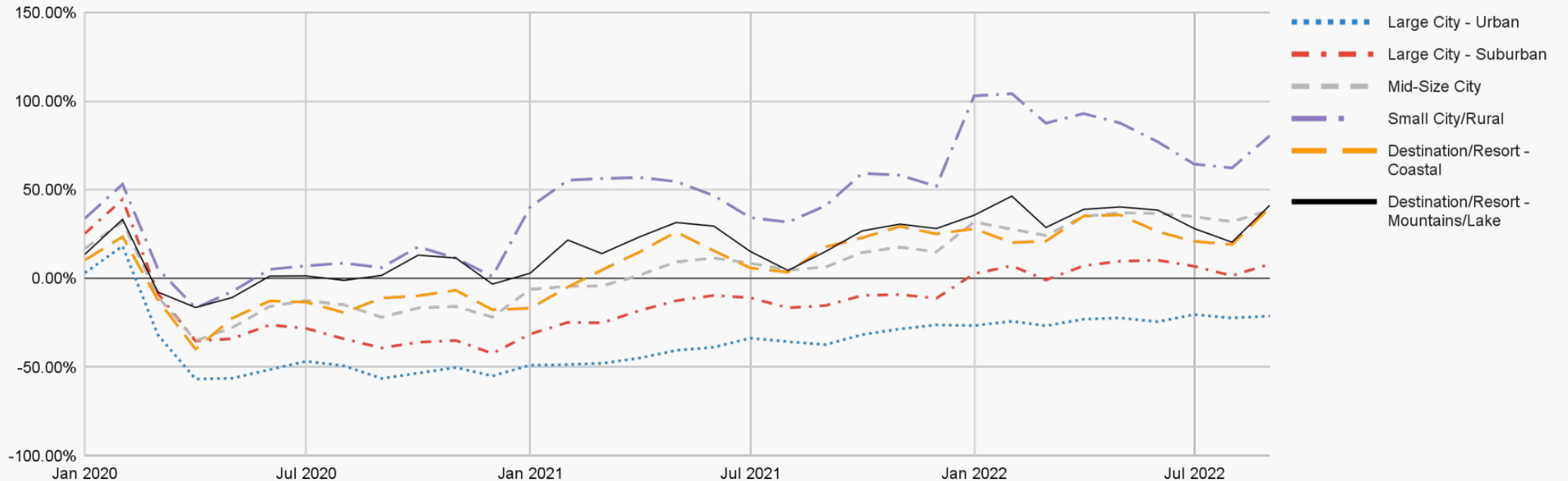




North America Remains Most Important Market

In the U.S., demand shifted to more rural and resort locations during the pandemic and has persisted in 2022.

Demand Nights Indexed to 2019 Level (2019 = 100)

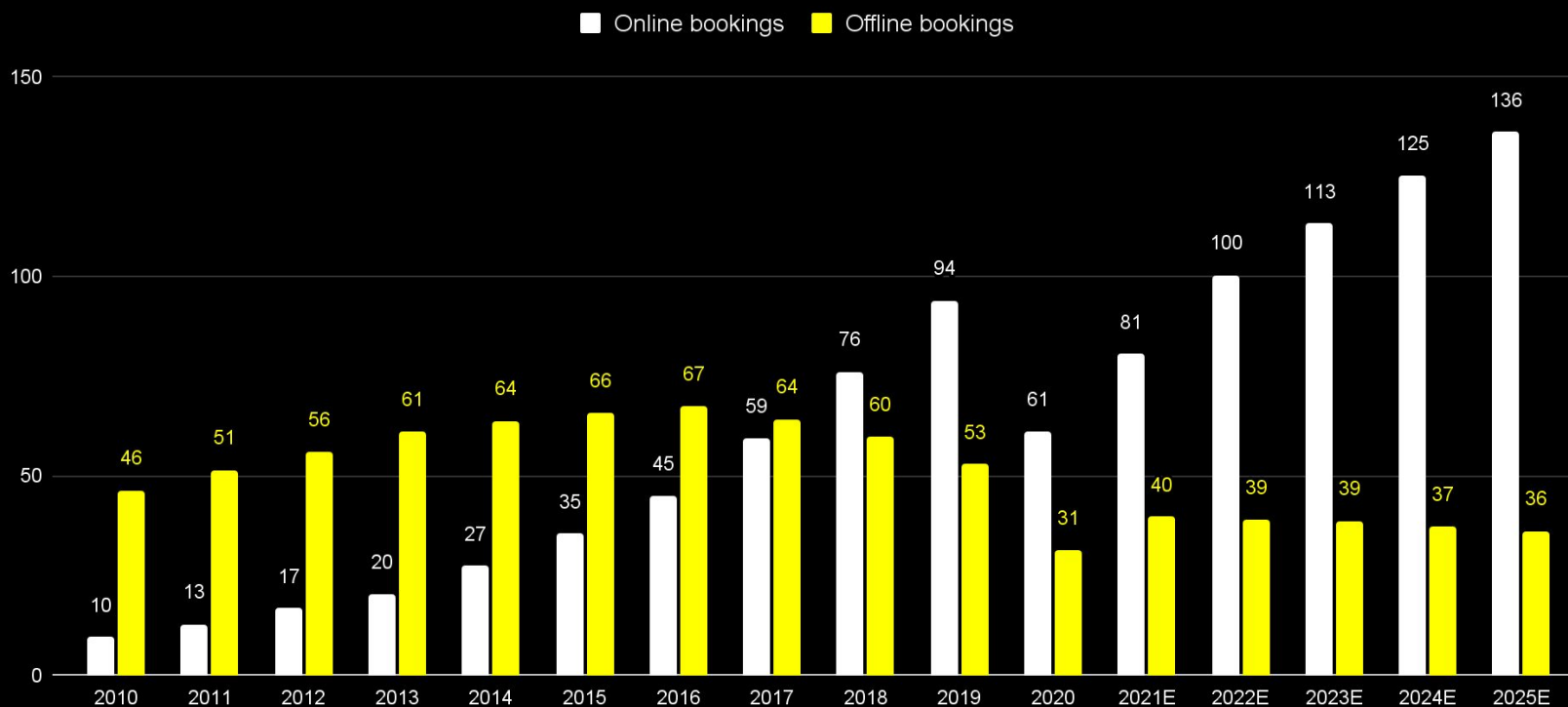




Bookings are Moving Online

Online rental bookings are pulling away from offline bookings at an increasing pace post-pandemic.

Short-Term Rental Gross Booking Value Split by Online and Offline Channel (\$ billion)

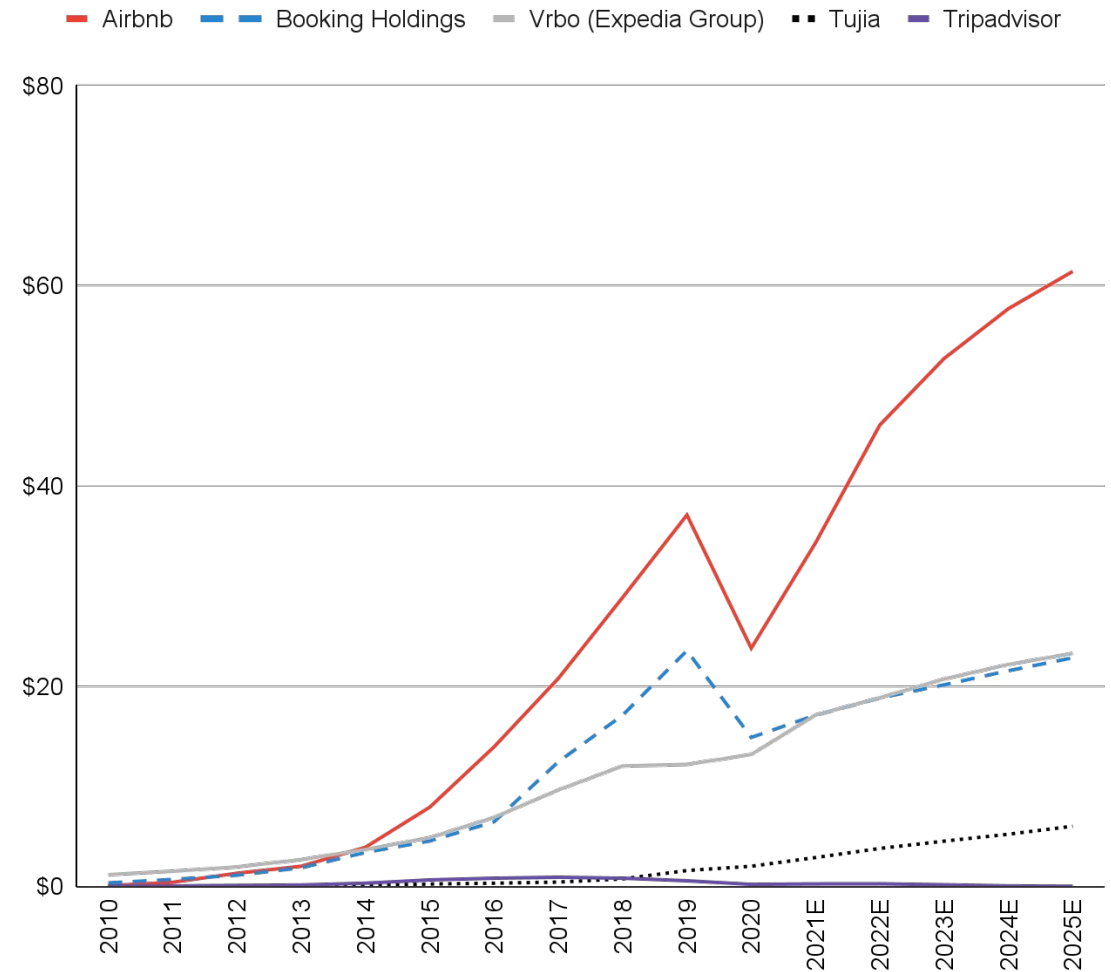




Bookings are Moving Online

The top 5 booking platforms are seeing mixed fortunes, with Tripadvisor sinking, while Airbnb distances itself from competition.

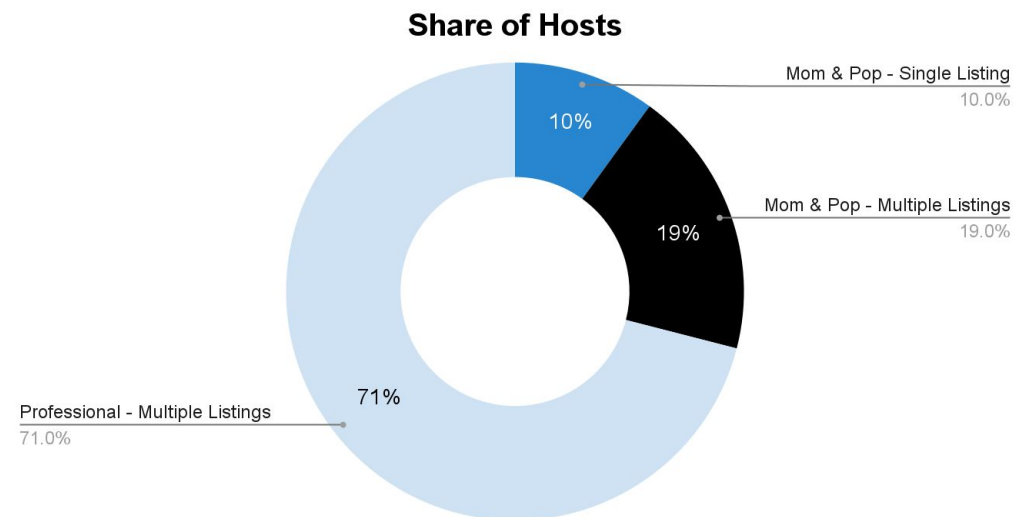
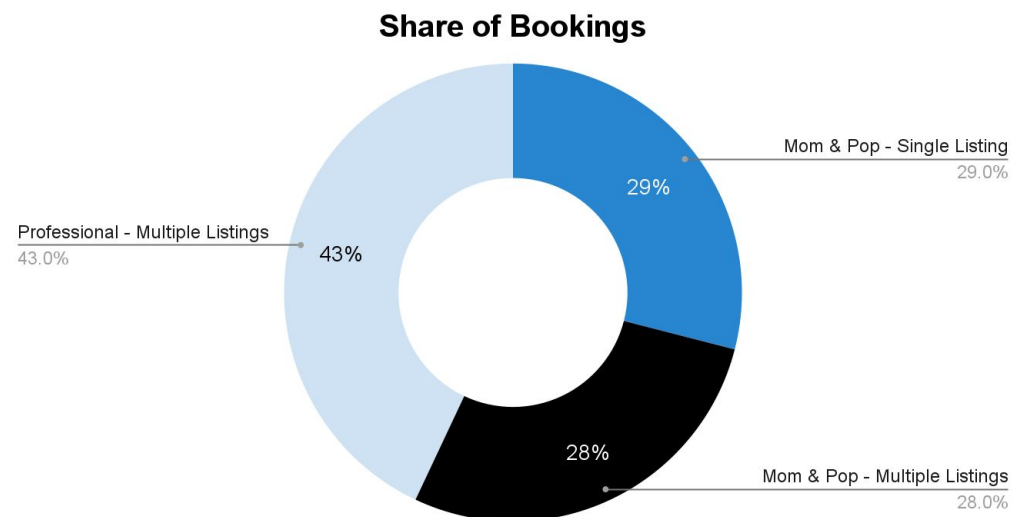
Short-Term Rentals Bookings Made on Top 5 Platforms (\$ billion) →



Rental Sector Becomes Increasingly Professionalized

Almost 60% of bookings on Airbnb are for hosts with multiple listings on the platform, highlighting the importance of professional hosts.

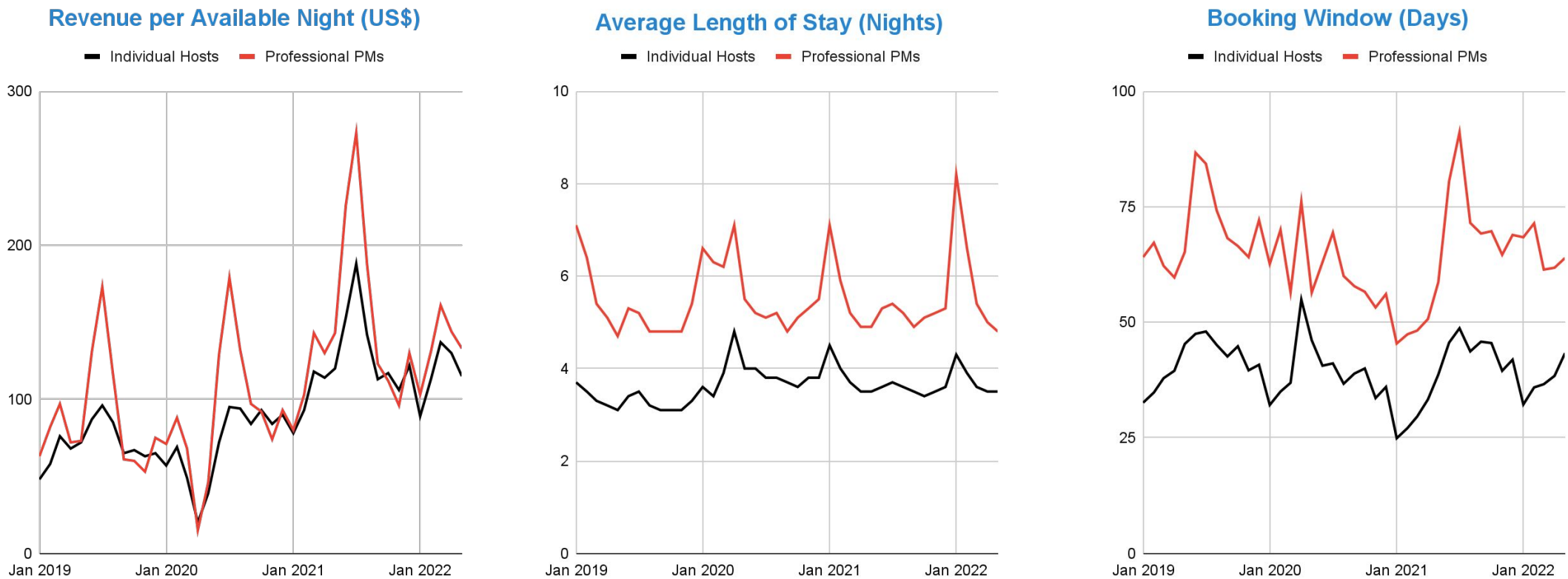
2019 Airbnb Host Type: Share of Hosts vs. Share of Bookings



Rental Sector Becomes Increasingly Professionalized

Professional rental managers outperform small hosts - higher revenues, longer stays, and extended booking windows.

U.S. Short-Term Rental Key Performance Indicators by Operator Type

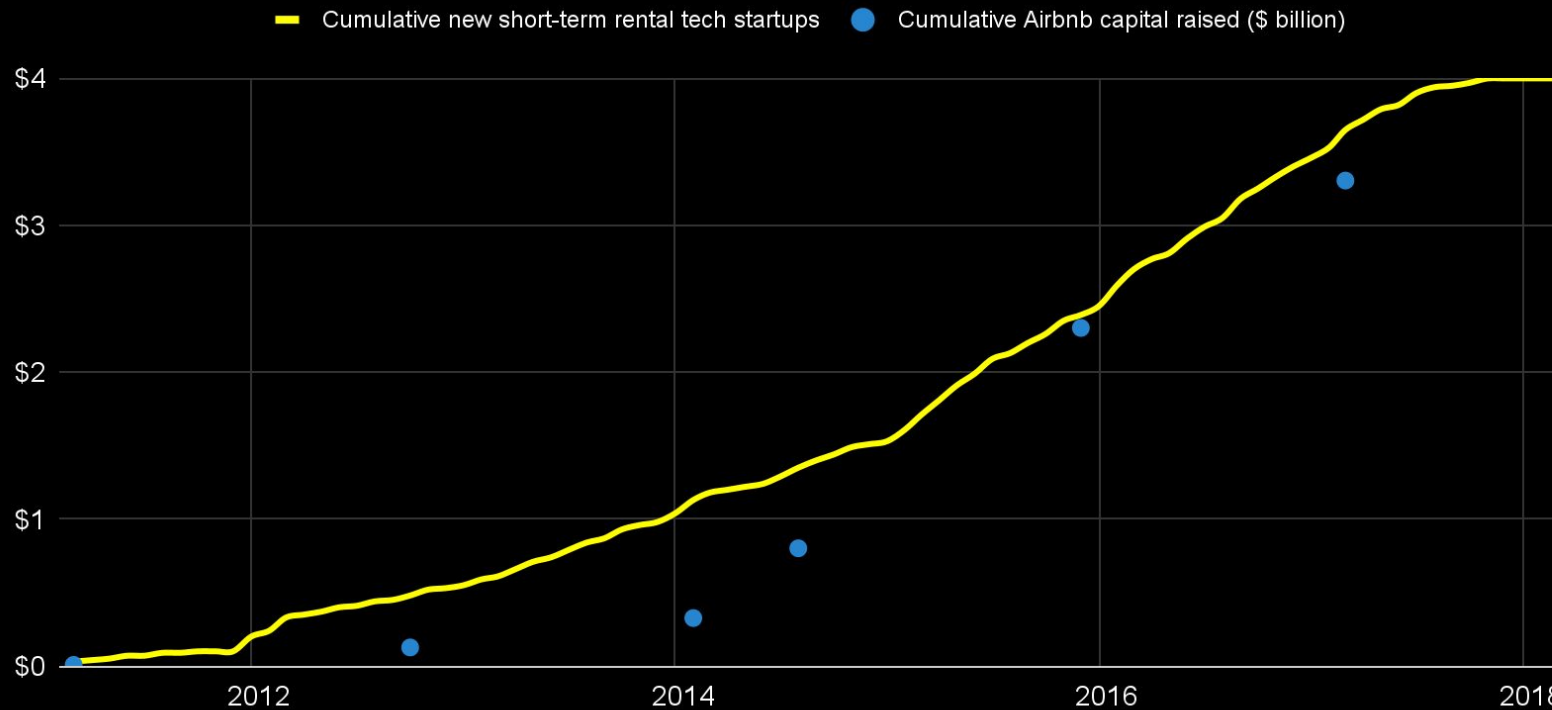




Rental Tech Grows in Parallel With Airbnb and Co.

The rental sector, and the tech supporting it, has seen a strong rise in investment in line with the growth of Airbnb.

Airbnb's Success has Helped Drive a Vacation Rental Tech Arms Race

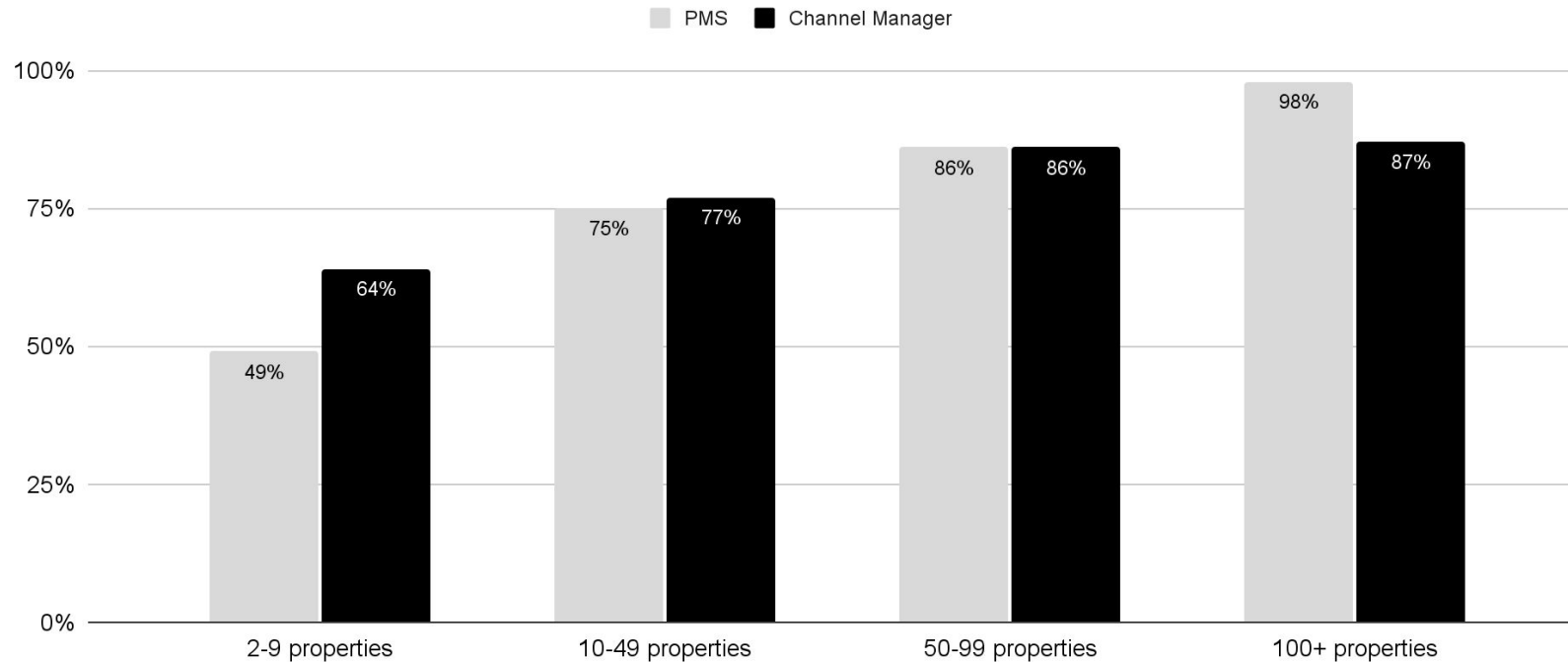




Rental Tech Grows in Parallel With Airbnb and Co.

Rental tech usage grows in line with the size of the portfolio managed, further highlighting the professionalization trend.

Penetration of Key Rental Tech by Operator Size

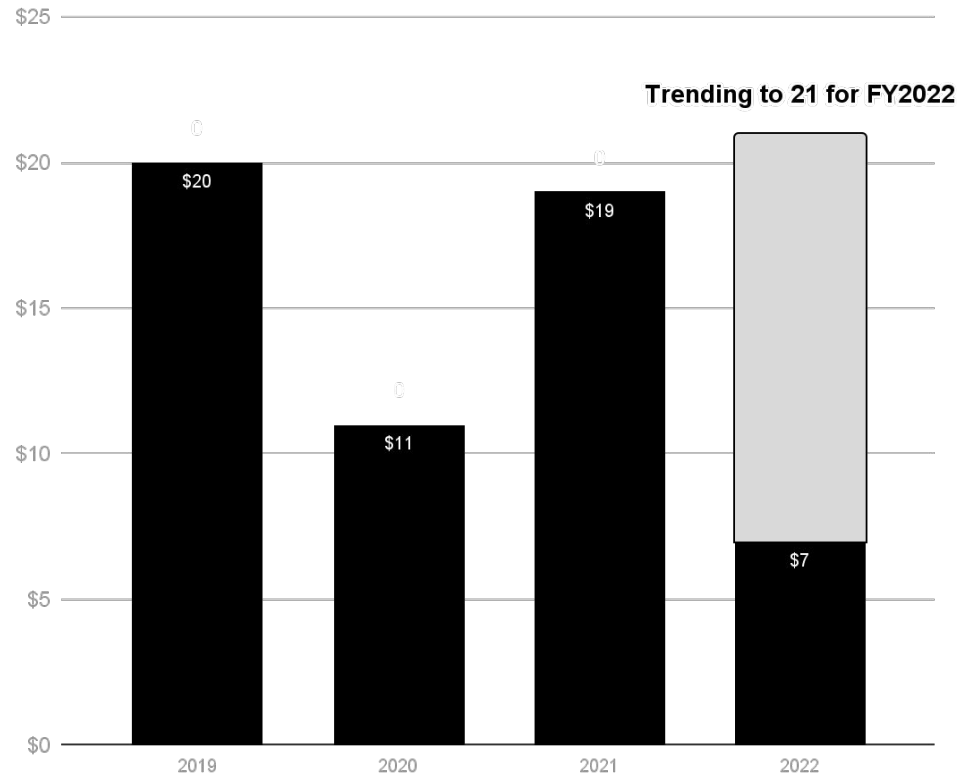




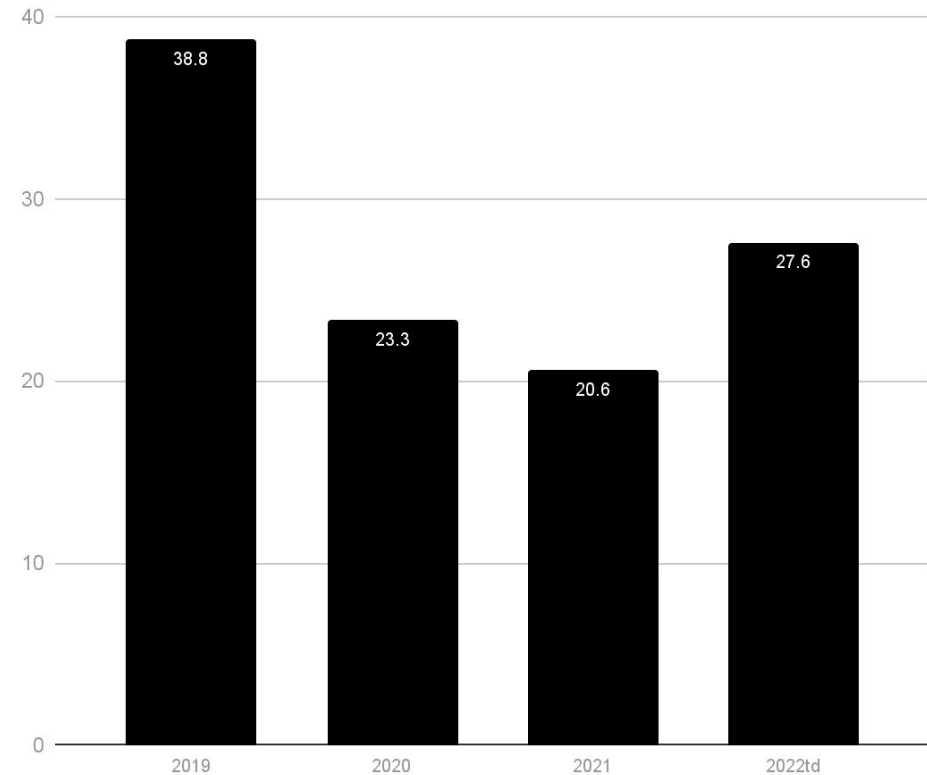
Rental Tech Grows in Parallel With Airbnb and Co.

Investments in business-to-business (B2B) rental tech vendors is picking up as we move out of the pandemic.

Number of Short-Term Rental Tech Investments



Average Value Per Rental Tech Investment (\$ million)





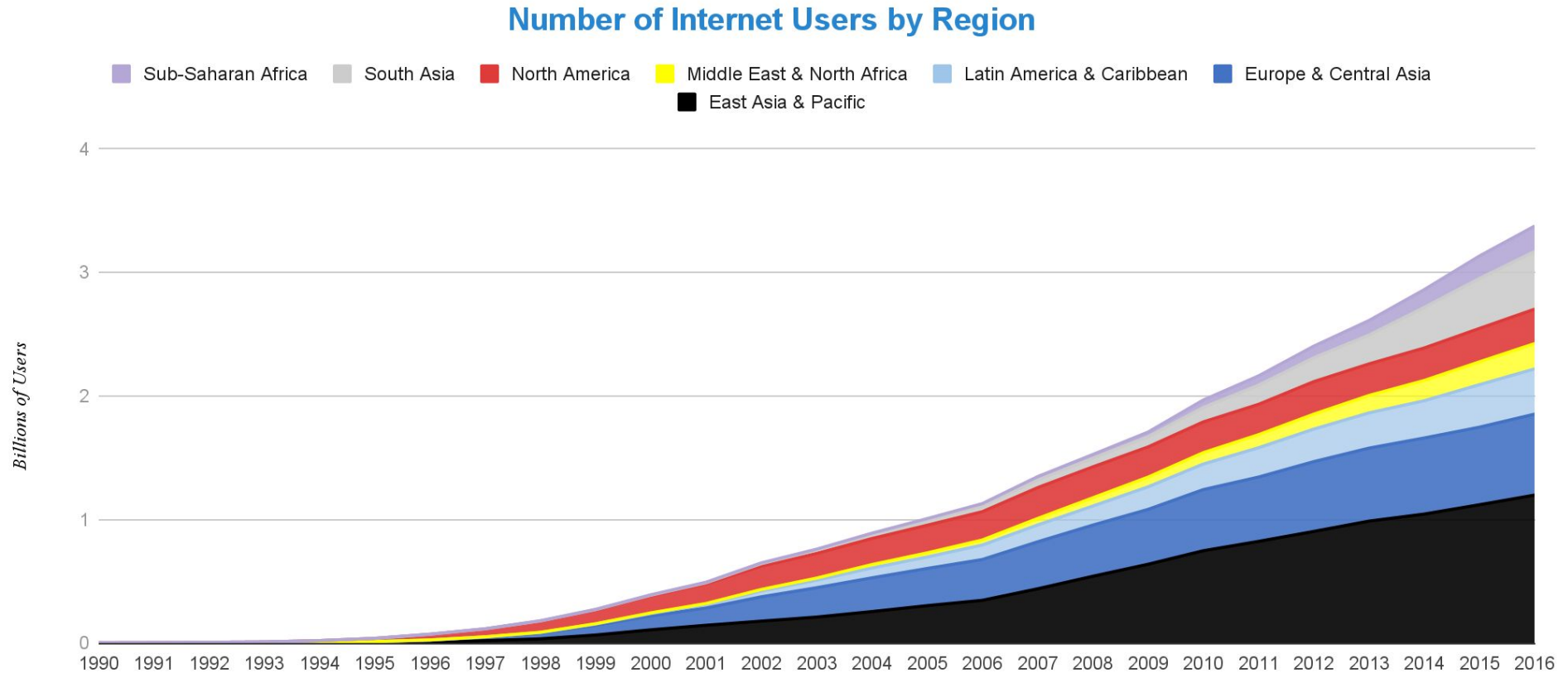
6. ONLINE TRAVEL





Global Connectivity Drives Online Travel

The move from offline to online is a global phenomenon, with a new wave coming from the emerging world.

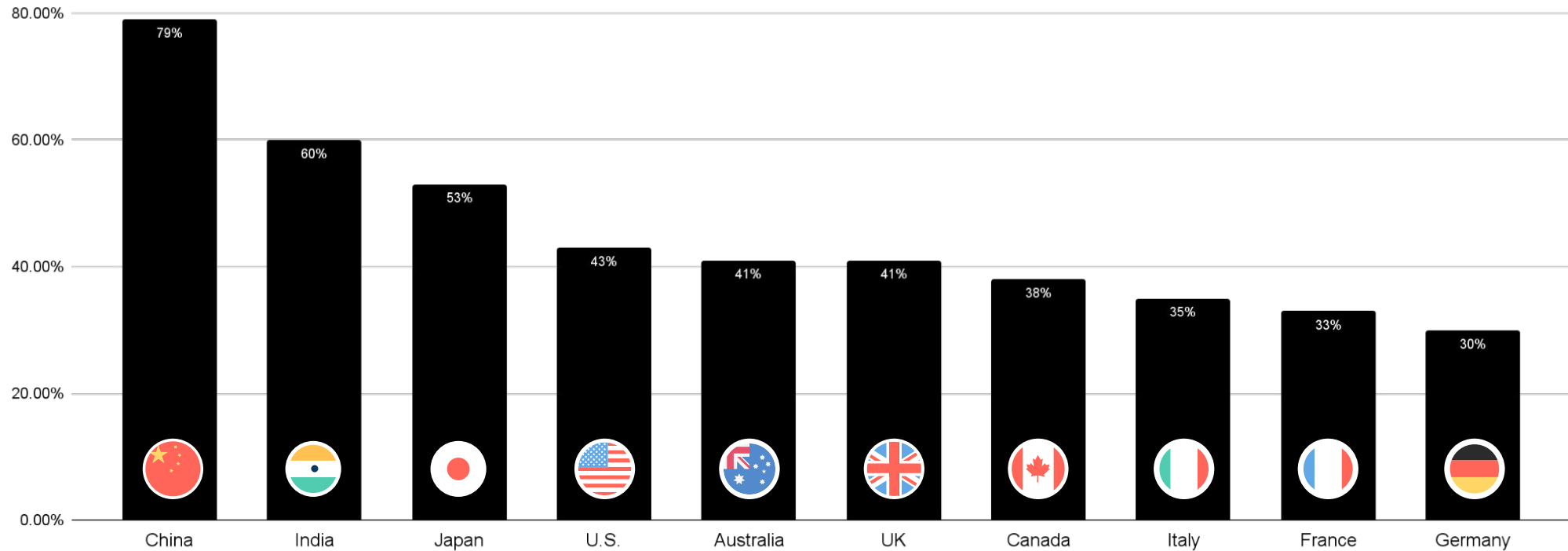




Mobile Bookings to Drive the Next Leg of Online Bookings

Mobile usage in developing markets has leapfrogged the developed world, driving the future of online travel bookings

Mobile Bookings as a Share of Online Hotel Bookings, 2019

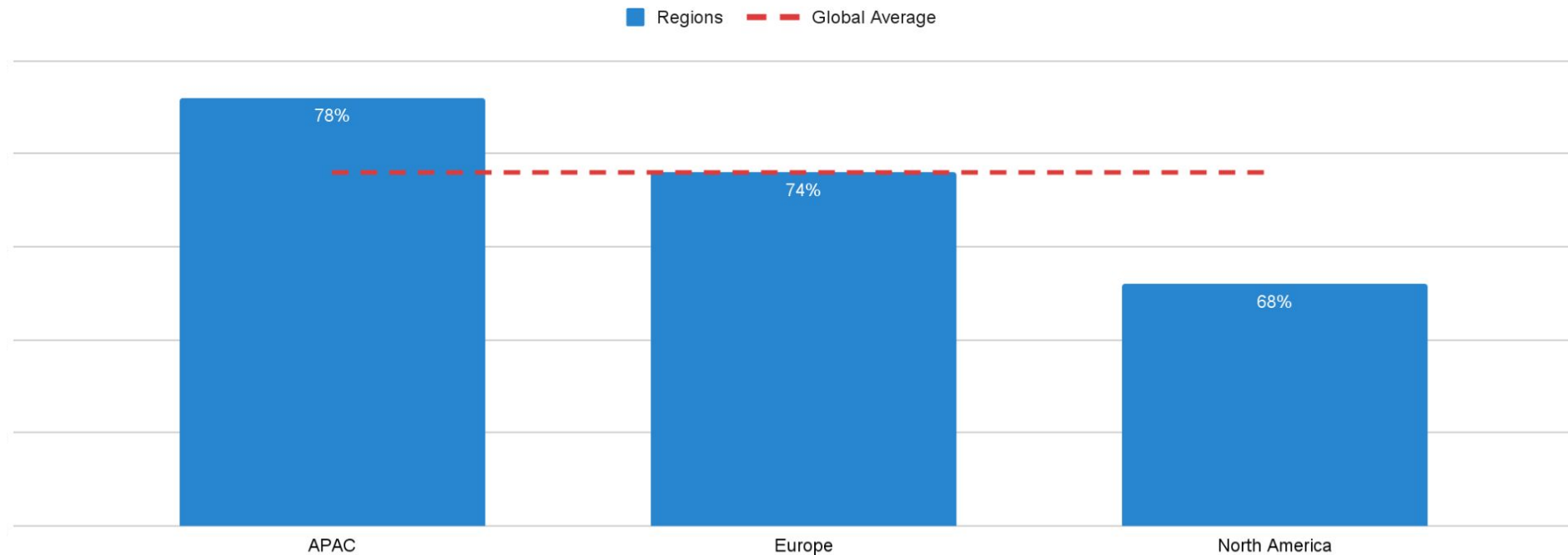




Mobile Bookings to Drive the Next Leg of Online Bookings

While Asia-Pacific is a leader in mobile travel adoption, Europe and North America are not far behind

Skyscanner visits via mobile device, 2019





Online Travel Agencies Have Been Long-Term Winners, Riding Global Wave of Digital Adoption

Online Travel Agencies (OTAs) have experienced 20 years of double digit growth powered by the secular rise of online bookings. 2020 was the first year of decline. What does the future hold for online booking sites?

Big 2 Online Travel Agency Gross Bookings (\$ billion)





Largest Online Travel Agencies by Gross Bookings

The market for online travel agencies is concentrated at the top. The four largest OTAs generate bookings of an order of magnitude greater than their smaller competitors.

2021 Gross Bookings (\$ million)

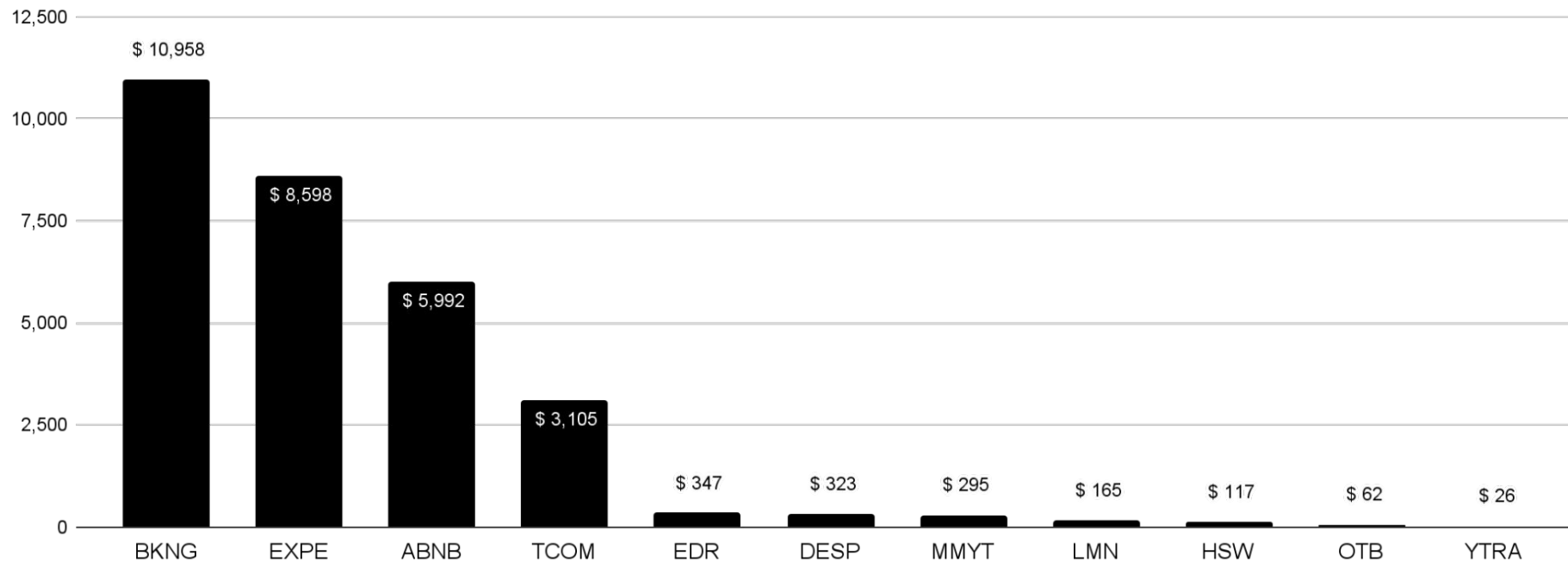




Largest Online Travel Agencies by Revenue

Hotels are, by far, the highest commission travel product to sell. This gives Booking Holdings a significant revenue edge over Trip.com, which has a large airline business, even though both generate similar gross bookings.

2021 Revenue (\$ million)

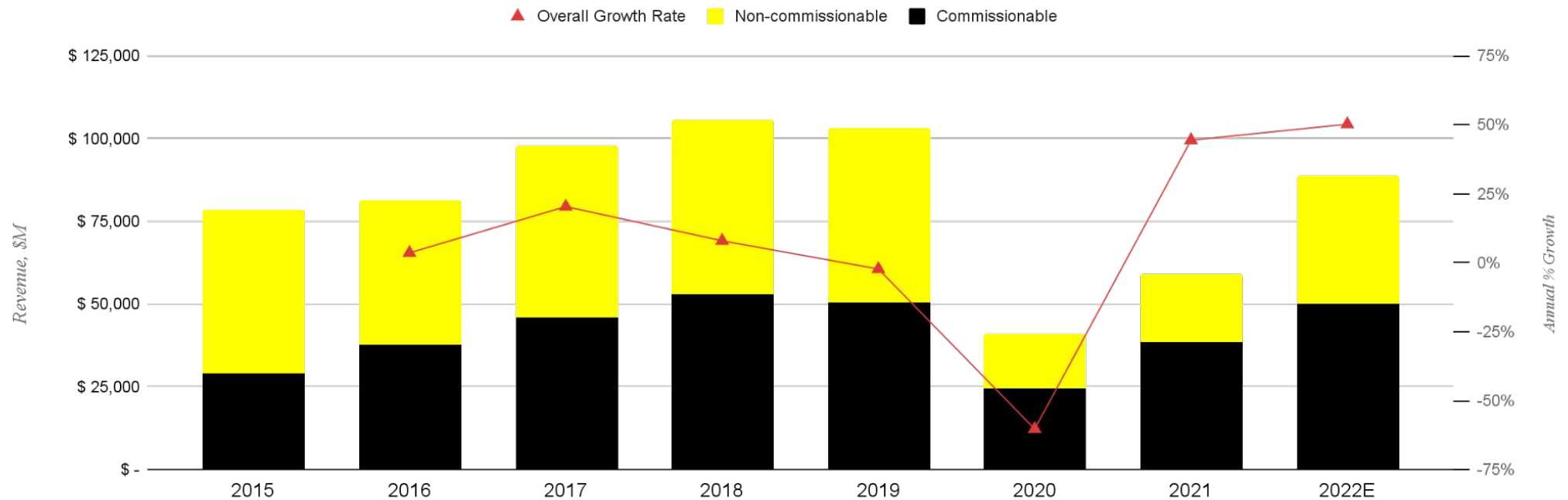




Online Travel and Distribution Market Size

While online travel agencies generate substantial gross bookings, this must be scaled down by take-rates, making it a small sector measured by revenue relative to hotels or airlines. Non-commissionable revenue (e.g. travel metasearch ads, GDS connectivity fees) should not be underestimated and can be as big as dollar pool as commissions.

Global Online Travel and Distribution Revenue

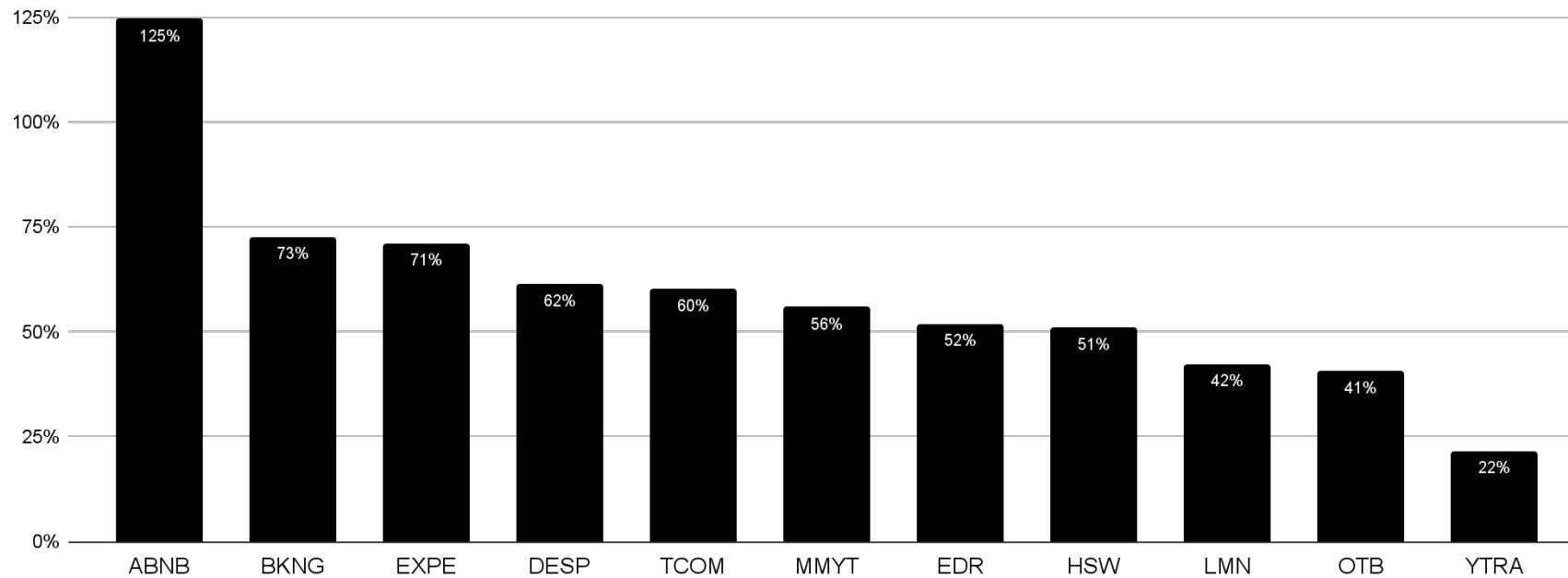




Online Travel Agencies Yet to Fully Recover Back to Pre-Pandemic Levels

Airbnb, riding the Covid-related surge in short-term rental demand, is the only online travel agency to have grown revenue back above 2019 levels.

2021 Revenue vs 2019

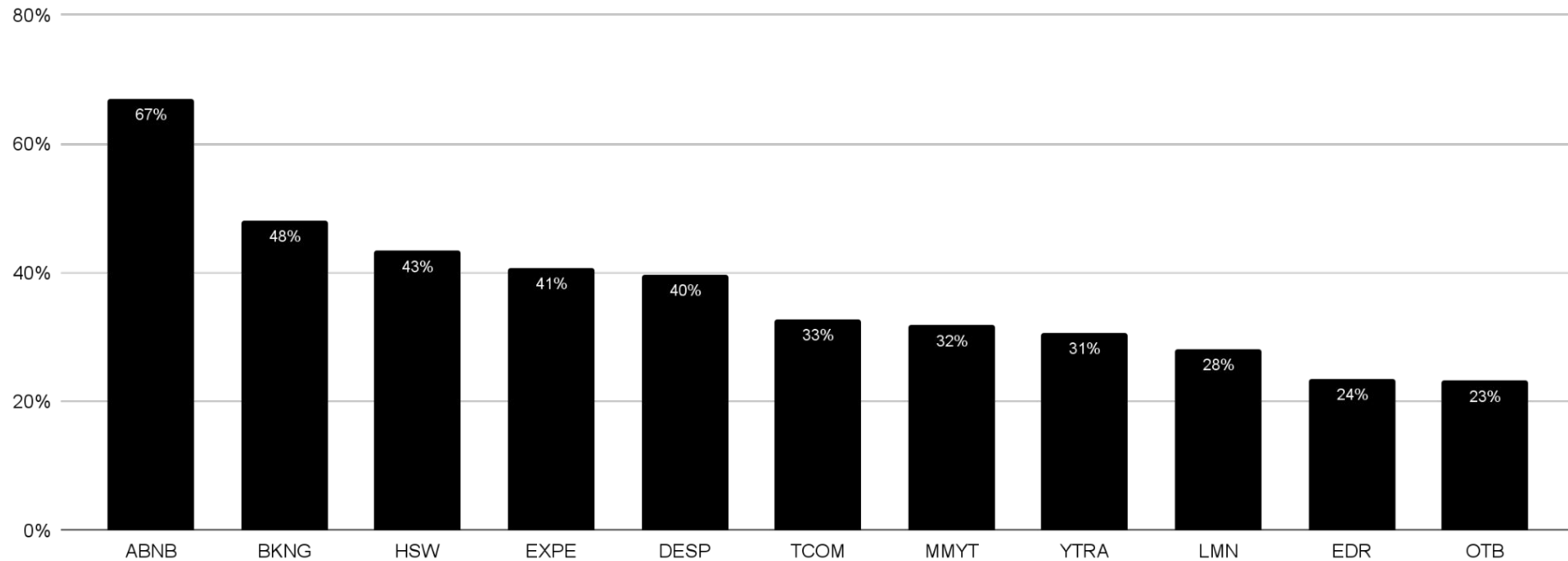




Driving Direct Traffic is Top Tactical Consideration for Most Online Travel Agencies

Airbnb, with its unique product offering, has the highest direct website traffic in the online travel space, by far.

Direct Website Traffic - Share of Total

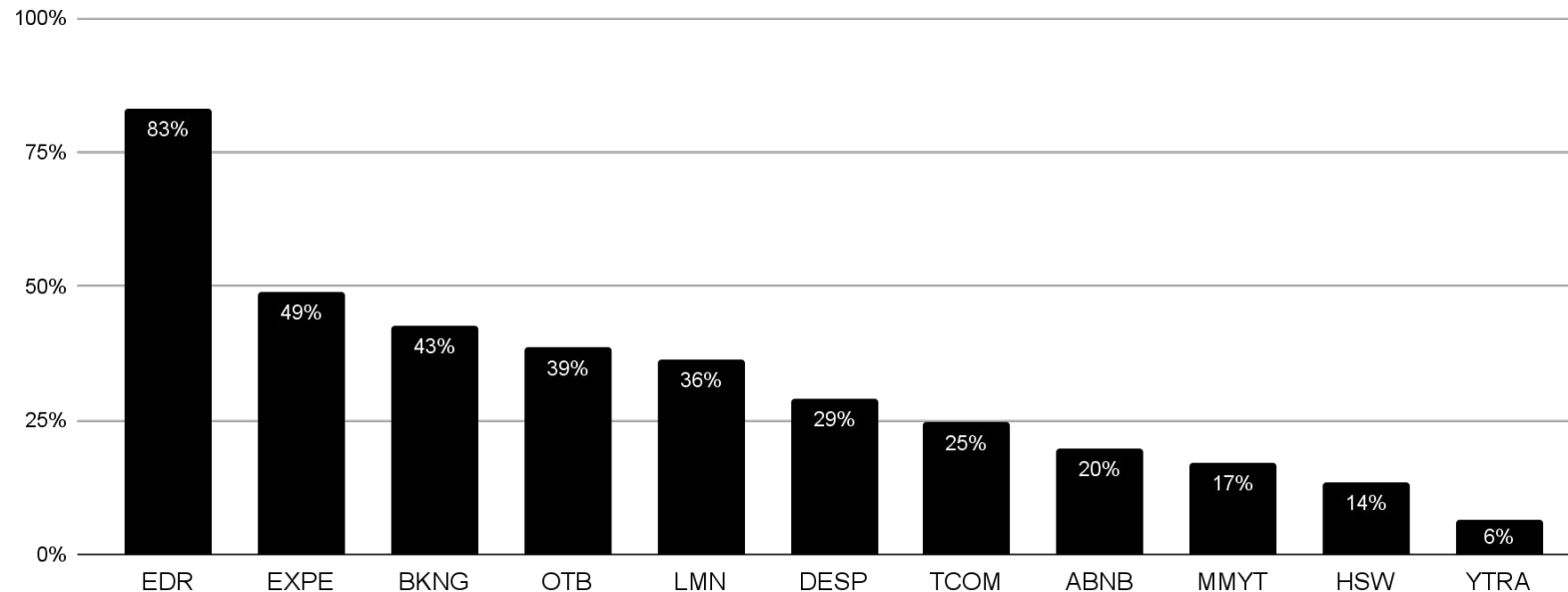




Effective Marketing Spend is the Key to Success in the Online Travel Sector

Online travel agencies use marketing to drive huge shares of their traffic. Being cost-effective on marketing while bidding against each other and other travel suppliers is make-or-break for OTA profitability Airbnb, with its high direct traffic share, spends a notably smaller share of revenue on marketing compared to Expedia Group and Booking Holdings.

Sales and Marketing Spend as Share of Revenue - 2021

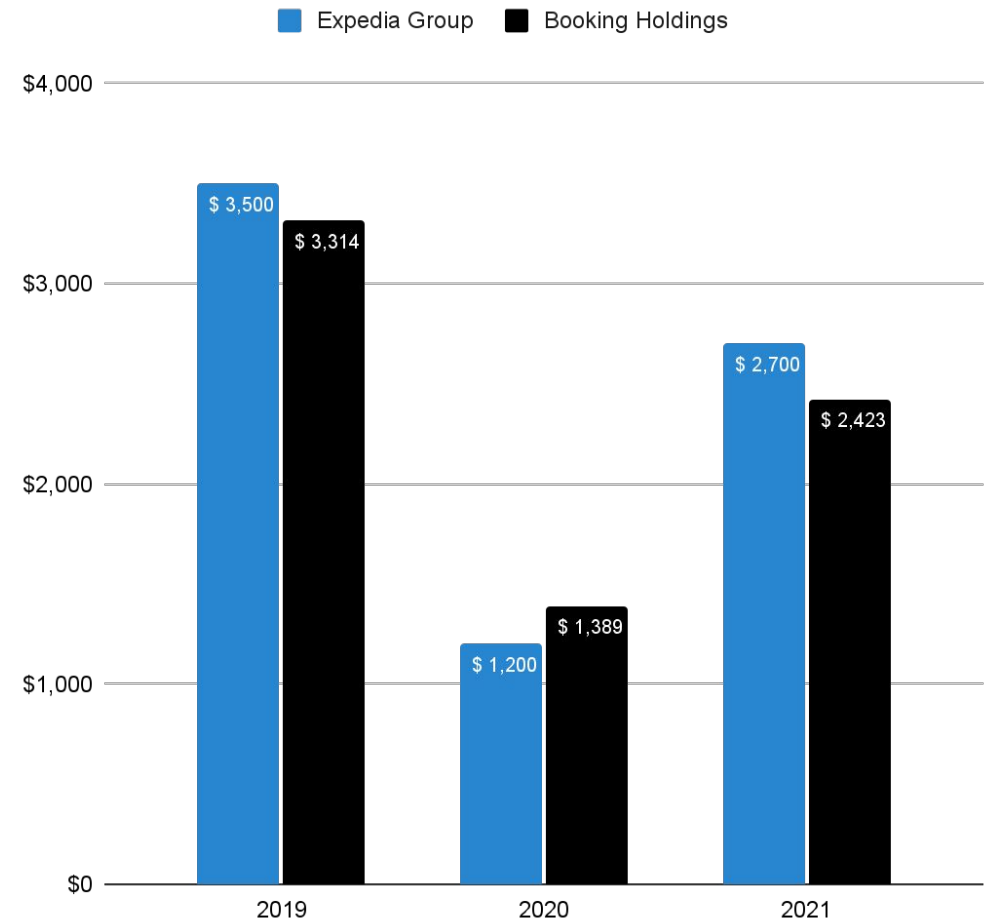




Effective Marketing Spend is the Key to Success in the Online Travel Sector

Expedia Group and Booking Holdings together spend billions of dollars annually on advertising. They are some of the biggest and most sophisticated marketers in the world

Advertising Expense at Big Two Online Booking Sites (\$M) →

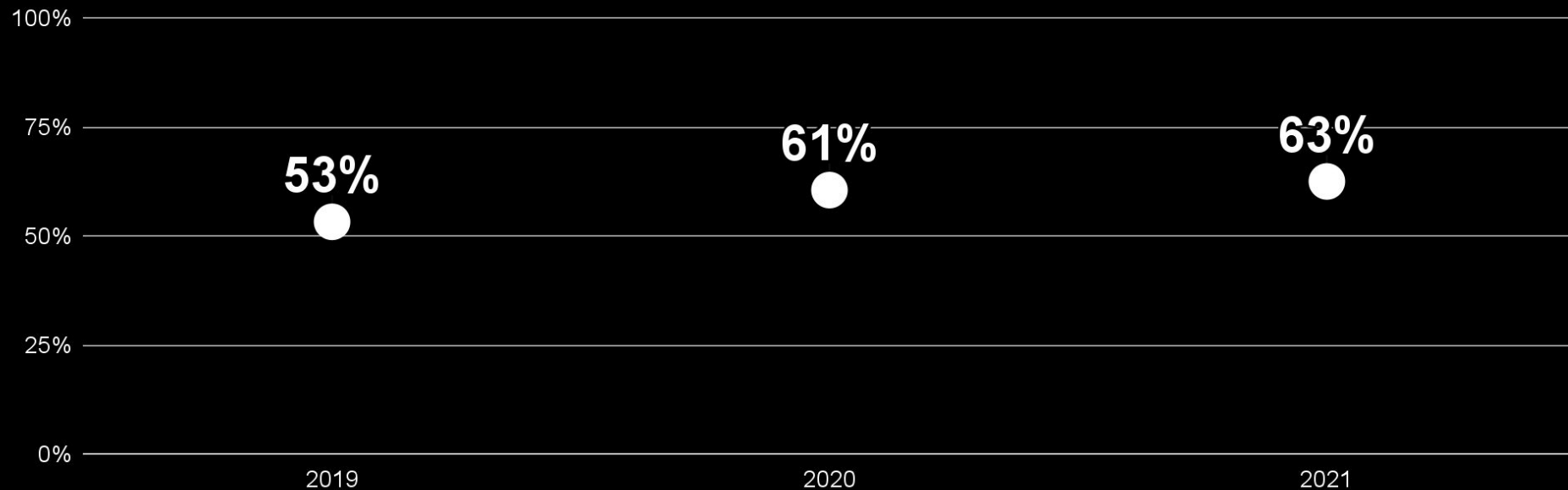




Google Sits Prominently at the Top of the Online Travel Funnel

Google's importance to the online travel space has only grown during the pandemic. We estimate that the majority of Expedia Group and Booking Holdings' advertising budgets are spend on Google

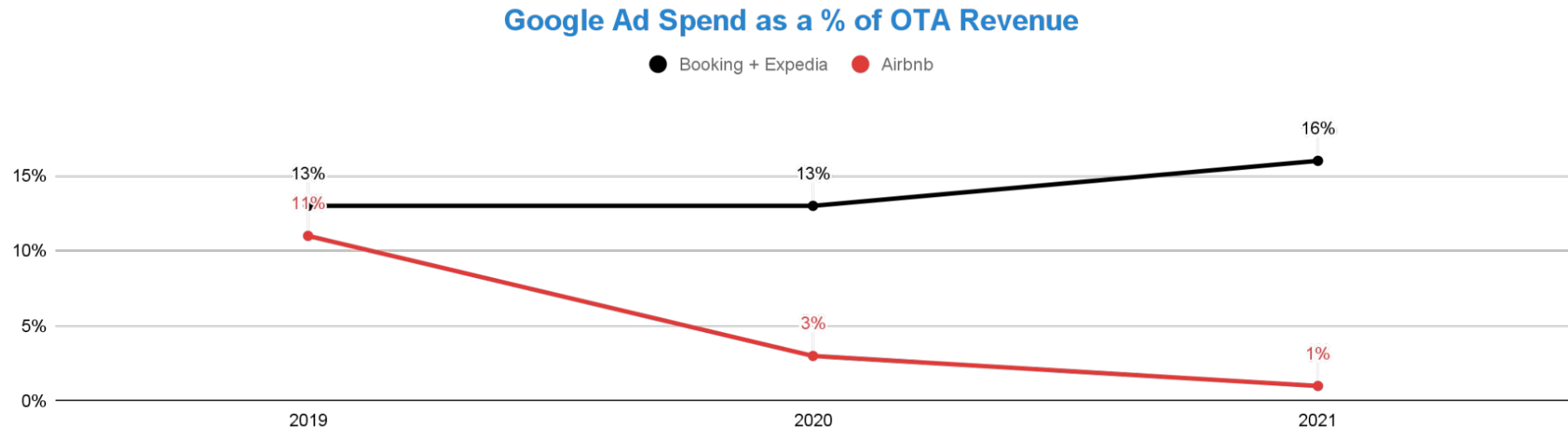
Share of Expedia and Booking Performance Ad Budgets Spent on Google





Google Sits Prominently at the Top of the Online Travel Funnel

We estimate that that Booking and Expedia are collectively investing 16% of their combined revenues into Google advertising. This is up from 13% in 2019. Airbnb invested a similar share of revenue in 2019 but stands out for having significantly reduced its Google reliance even as Expedia and Booking leaned more heavily into the platform.





Google Sits Prominently at the Top of the Online Travel Funnel

We estimate that the travel sector spend nearly \$9B on Google advertising in 2021, down from \$12.5B in 2019. Online travel sites are a large share of that, but airlines and hotels should not be overlooked.

Estimated Performance Advertising (SEM + Meta) Spent on Google, \$M →

	2019	2020	2021	2021 vs. 2019
Online Travel	\$7,211	\$3,061	\$4,673	-35%
<i>Online Travel as a Share of Google Travel</i>	58%	55%	53%	-
Implied Hotel, Airline, and Other Spend	\$5,330	\$2,505	\$4,228	-21%
TOTAL TRAVEL INDUSTRY SPEND ON GOOGLE	\$12,541	\$5,566	\$8,900	-29%

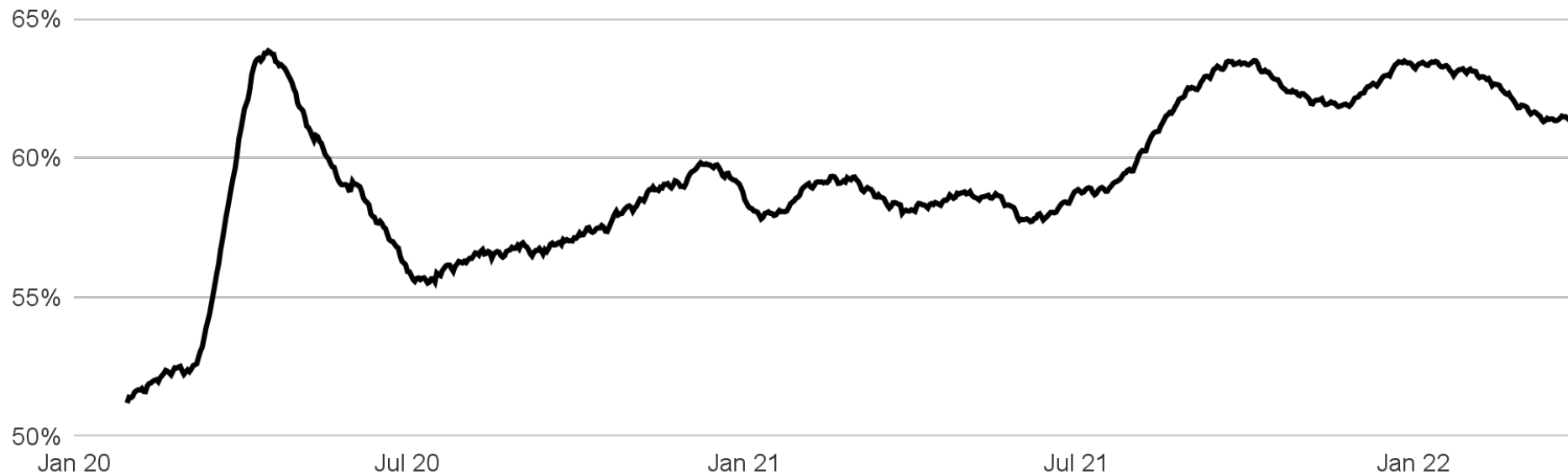




Dedicated Travel Metasearch Facing Google Headwinds

Dedicated travel metasearch sites like Kayak, Trivago, and Tripadvisor are facing headwinds from the growth of Google Travel. Similarweb data suggests that Google is gaining traffic market share over the five largest travel metasearch sites in the U.S.

Google Travel Metasearch Share (% US Traffic)

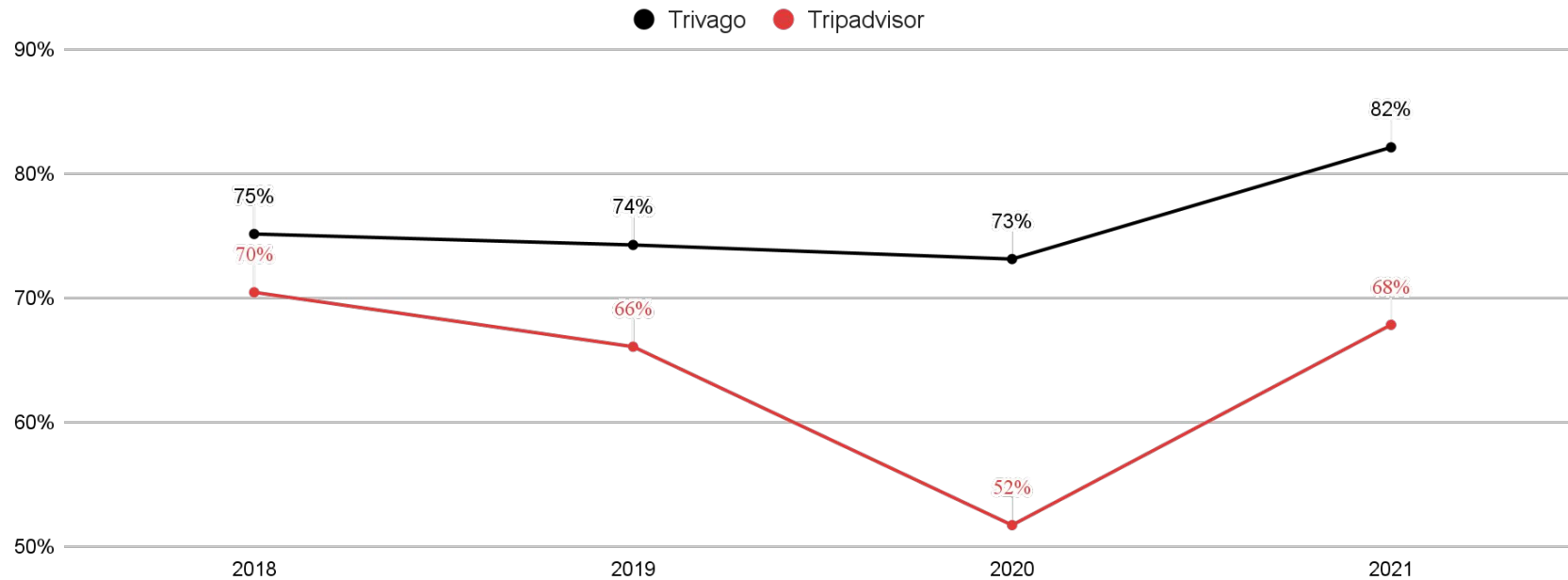




Dedicated Travel Metasearch Facing Google Headwinds

Travel metasearch is struggling to diversify its customer base. Both Trivago and Tripadvisor, as examples, receive the majority of their meta revenue from just, Expedia and Booking. This client concentration creates a major risk if these OTAs continue to shift advertising spend towards Google.

Big Two OTA Share of Metasearch Revenue



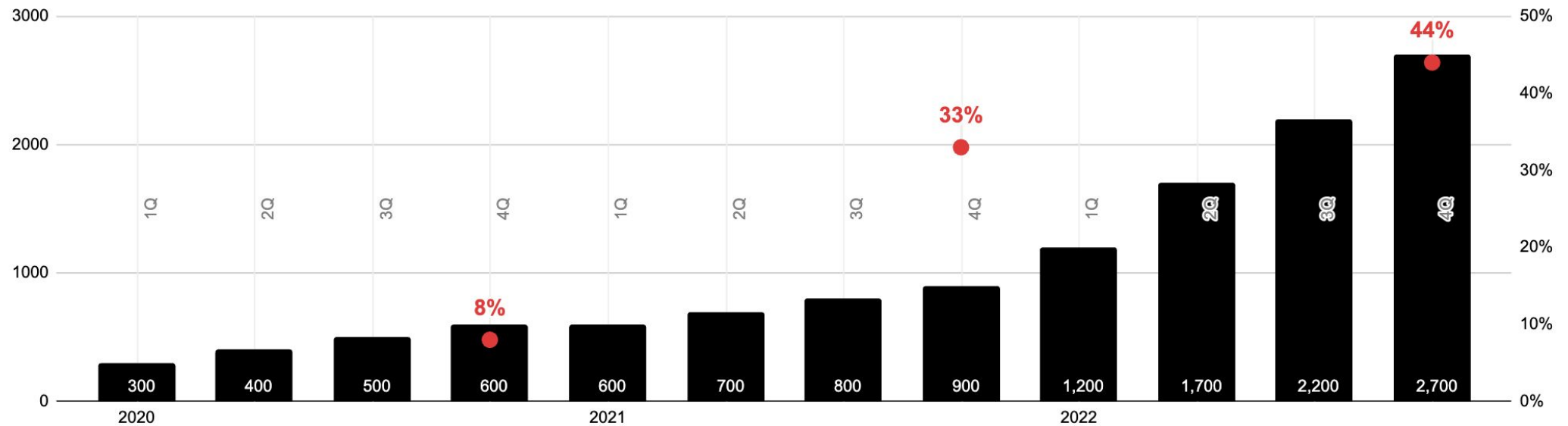


The Increasing Commoditization of OTAs Calls For Product Innovation and Differentiation, like Subscriptions

We believe a major cause of low direct traffic at OTAs is a lack of product differentiation across sites. This forces booking sites to invest in marketing, forcing them to play Google’s game. The sector needs innovation to drive direct traffic. eDream’s paid subscription “Prime” travel membership program is a good example of this.

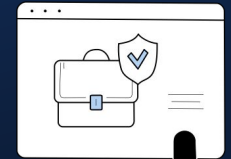
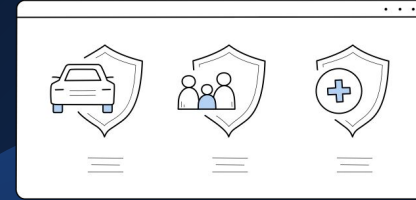
eDreams Odigeo Prime Subscription

■ Thousands of Prime Members ● Share of Revenue





7. TRADITIONAL TRAVEL AGENCIES

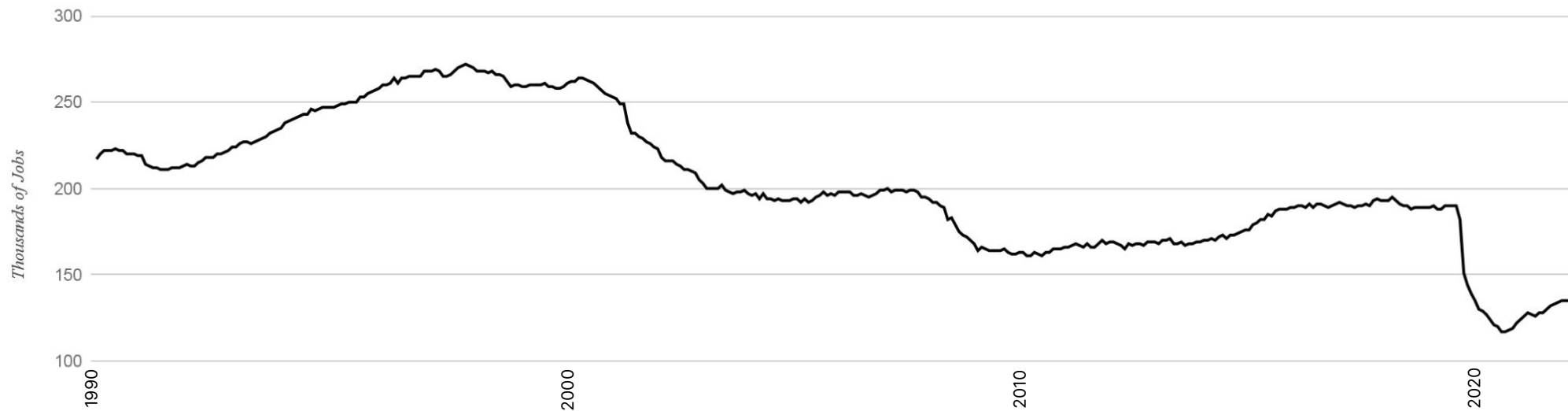




Traditional Travel Agents Find a New Niche as “Advisors”

Employment in the sector is down considerably from a pre-internet peak. It is the flip side of the massive growth of online travel agencies for two decades. However, while a smaller sector, reports of the death of the travel agent have been greatly exaggerated.

U.S. Employment at Travel Agencies and Other Travel Arrangement Services

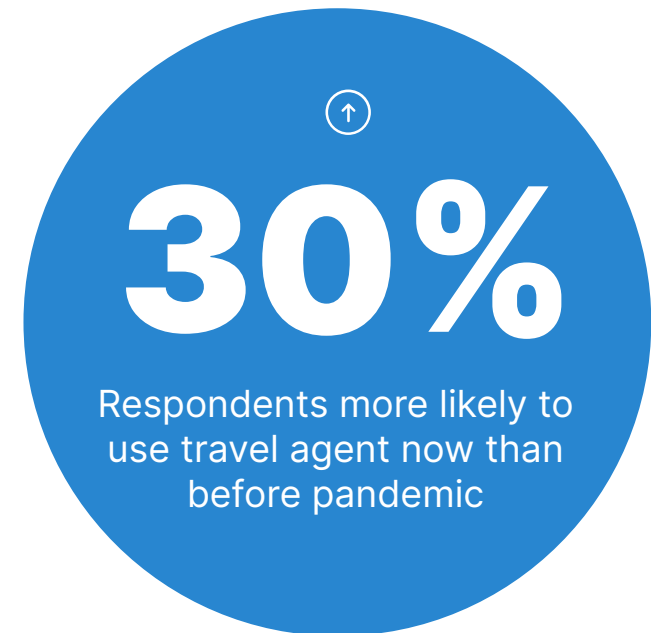
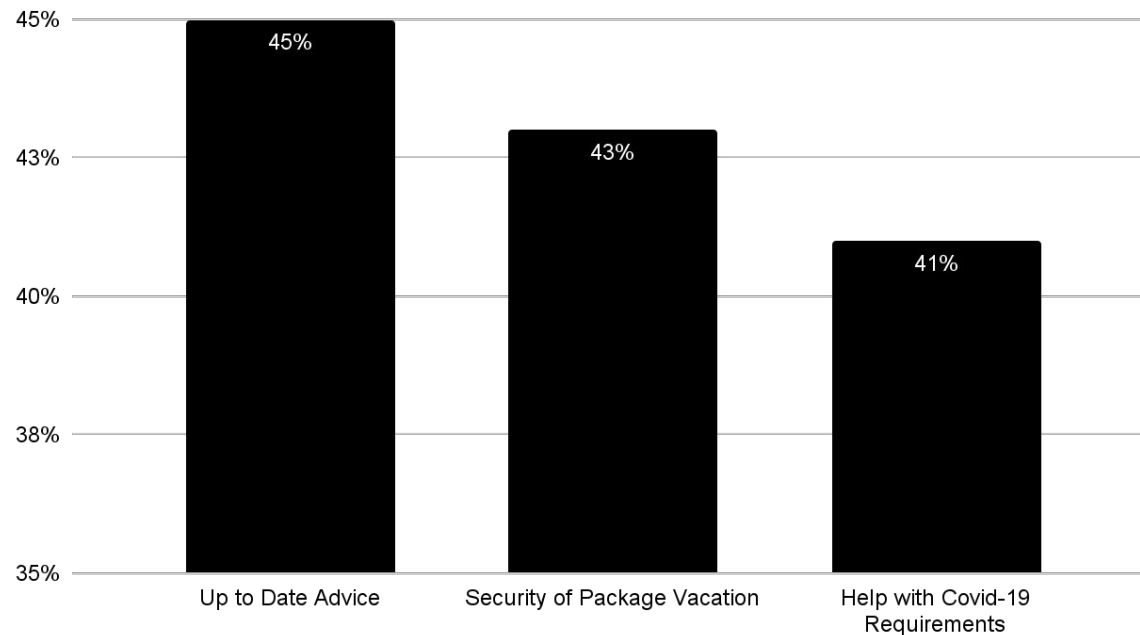




Traditional Travel Agents Find a New Niche as “Advisors”

Travel Advisors Are in High Demand, Says Industry body. The desire for human connection and personalized service amid a moment of great travel uncertainty is driving interest in travel agents.

Top Reason to Book with a Travel Agent





Traditional Travel Agents Find a New Niche as “Advisors”

In certain markets, it’s like the ‘90s never ended. When booking cruises, for instance, the majority of sailings are sold via travel agents

Cruise Lines International Association (CLIA) by Numbers



50,000

Individual Travel Agents



13,000

Travel Agencies



75%

of All Cruise Vacations
Booked by Agents



Even Online Giants Are Realizing a Need to Invest in Brick and Mortar

Trip.com Sees Offline As Important Sales Channel. A throwback to the old days of high street travel agencies, but also an important differentiating factor for Trip.com to use when competing against other online travel agencies



“

We are expanding our offline presence to open up offline stores with our business partners to serve our users who prefer an in-person experience. In our offline stores, we provide users with one-stop services, such as travel consultation services and other local support and assistance. In addition, our offline stores are expanding to lower-tier cities in China to cover user base with different purchase and consumption habits, experiences, and needs.”



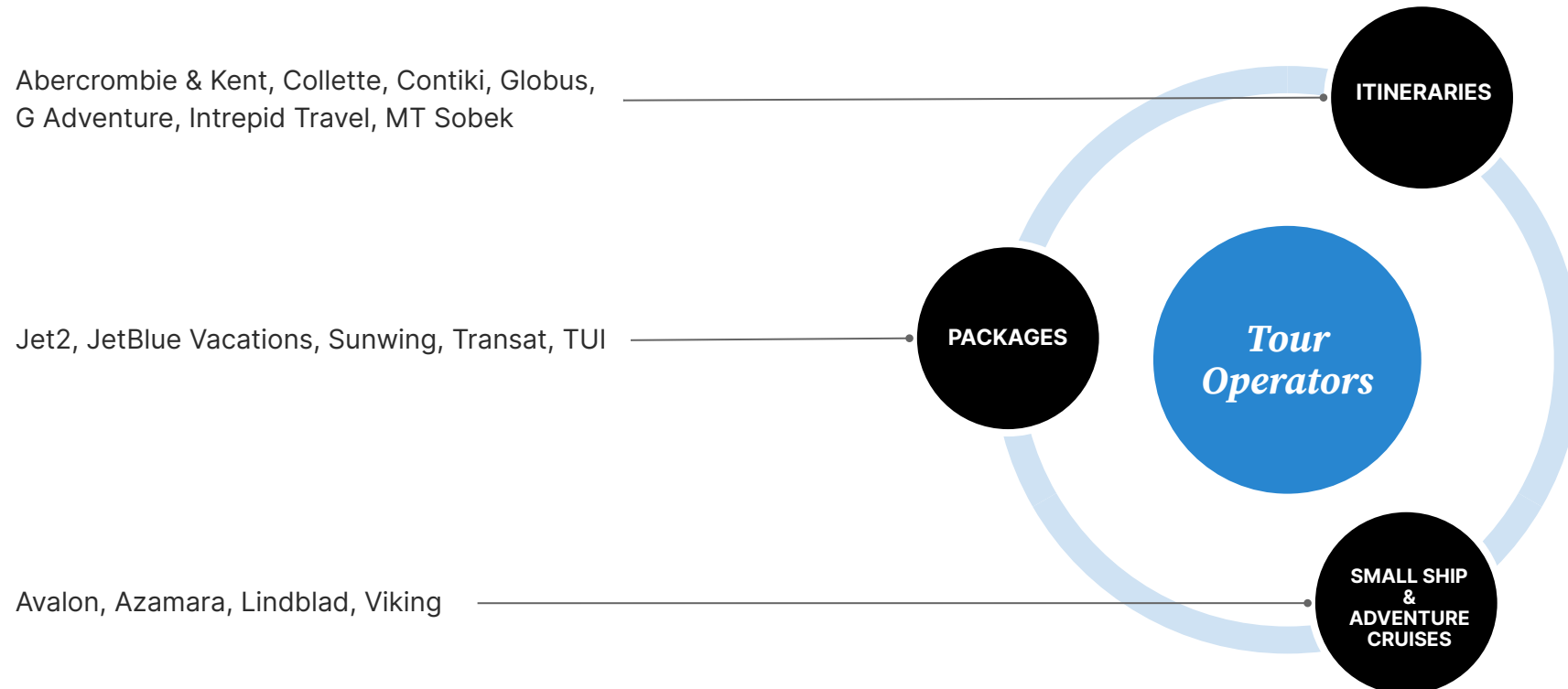
8. MULTI-DAY TOUR OPERATORS





Tour Operators: A Diverse Bunch

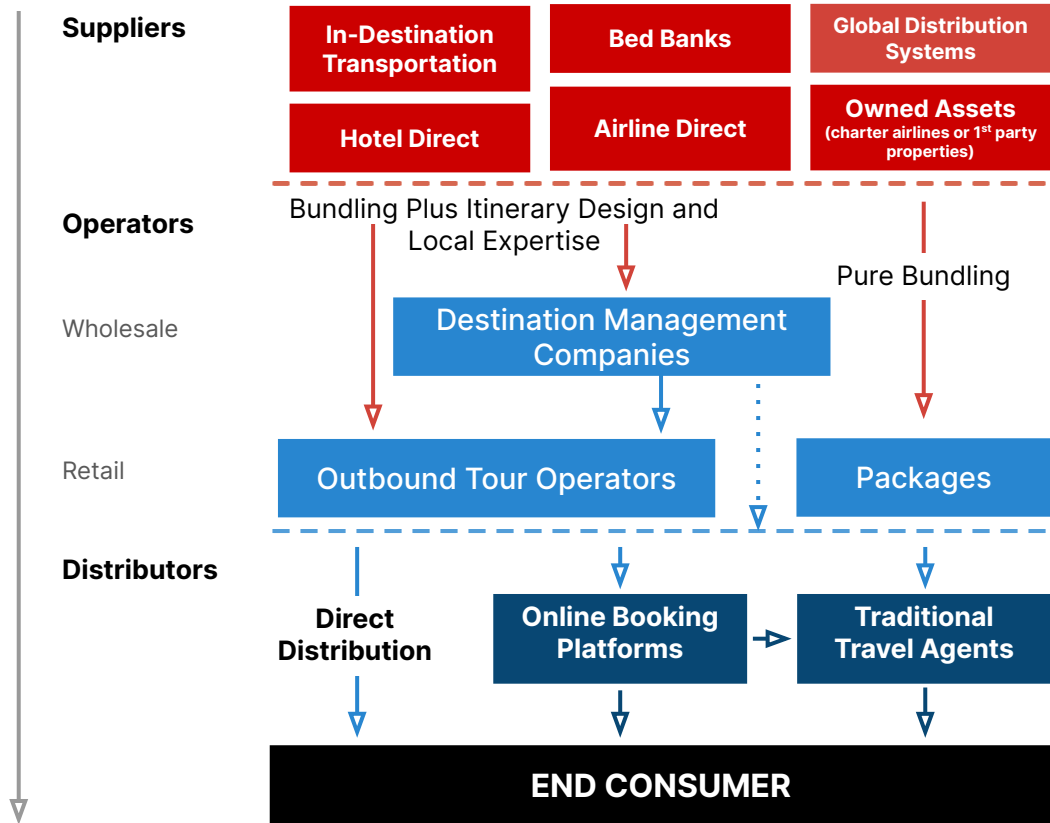
It can be hard to pin down what exactly makes up a multi day tour operator. But at its core, these are travel businesses that bundles together two or more trip components such as: flights, accommodations, activities, guides, and local transportation. The big three groupings of tour operators are packaged tour groups, itinerary-based tours, and small-ship cruises (as distinct from large cruises covered in a separate section)





Tour Operators: A Diverse Bunch

The Multi-Day Tour Operator Supply Chain



Our model of the tour operator chain has three layers. It starts with the supply of core travel products like hotels, flights, trains, and cars. Some fully integrated tour operators own their own charter airline or resort properties.

Using these 'raw materials, tour companies 'assemble' unique trips by taking building blocks from other travel suppliers and adding an additional layer of intangible value-add.

For some tour packagers, the value-add is the savings and convenience of pure bundling. For itinerary-based tours, the value comes from an additional layer of destination curation and in-country expertise.

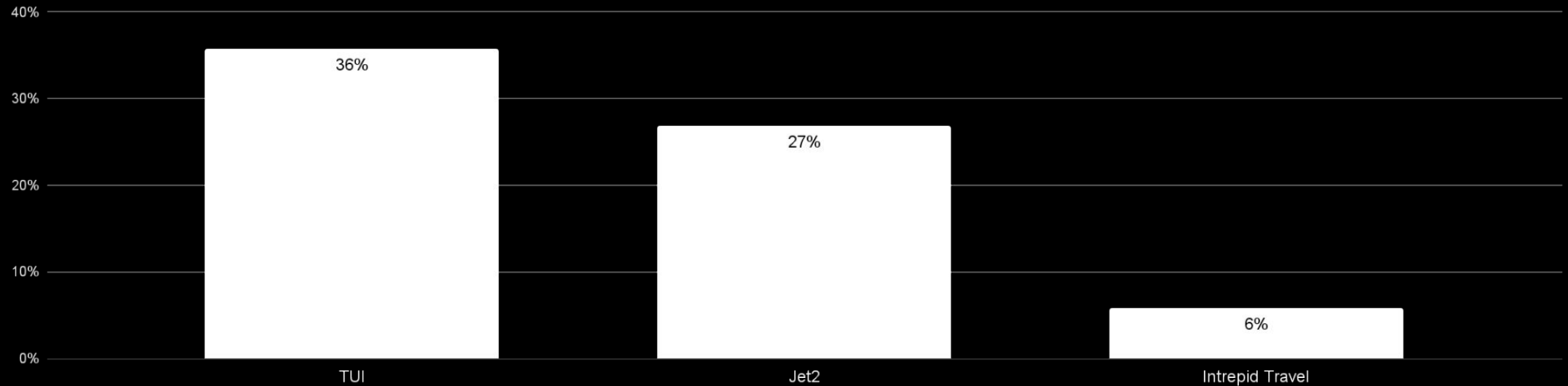
The final layer is that of distribution. There are three primary channels: direct, online booking sites, and travel agents.



Tour Operators, Amongst Most Affected by the Pandemic, Still Struggling to Get Back on Their Feet

The tour operator space, historically focused on cross-border travel, was among the most impacted by global lockdowns. Recovery is still in early stages. TUI is trending at 60% of 2019 revenue through 2H 2022, the strongest of three major companies cited below.

Revenue Recovery: 2021 vs. 2019





Tour Operators, Amongst Most Affected by the Pandemic, Still Struggling to Get Back on Their Feet

Multi-Day Tour Operators Still Saw 66% Fewer Guests in 2021 Compared to 2019. Asia and Africa are most impacted regions; Central America and the Caribbean are best performing

Average number of guests served per operator

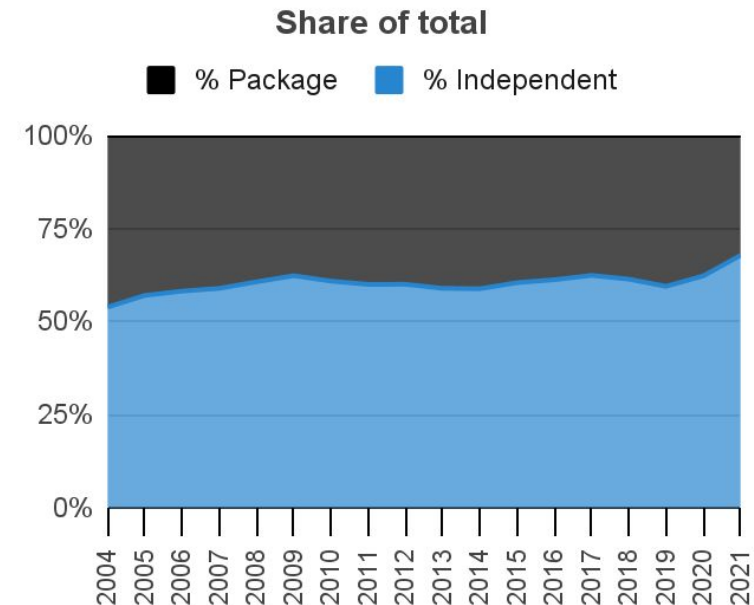
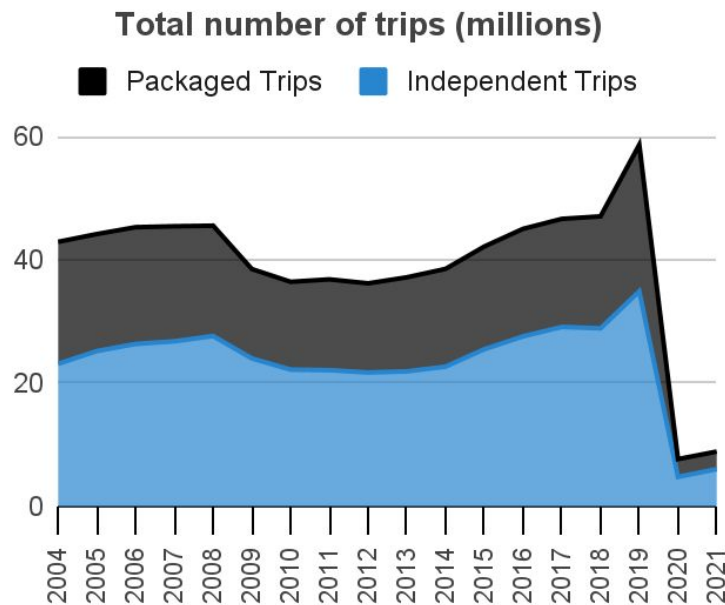
	2019	2020	2021	% Recovered vs. 2019
EUROPE	10,023	1,138	3,539	35%
CENTRAL AMERICA/CARIBBEAN	2,327	6,36	1,455	63%
NORTH AMERICA	1,708	672	992	58%
SOUTH AMERICA	2,317	298	959	41%
ASIA	3,263	169	241	7%
AFRICA	950	158	69	7%



Pandemic Push for Social Distancing Impacted Group Travel - Will it Return as we Move Past Covid?

In the UK, a global bastion of packaged travel, independent trips gained market share during the pandemic. Packaged tours fell from 46% of UK trips in 2019 to 34% in 2021.

UK Residents' Outbound Trips - Independent vs Packaged Trips

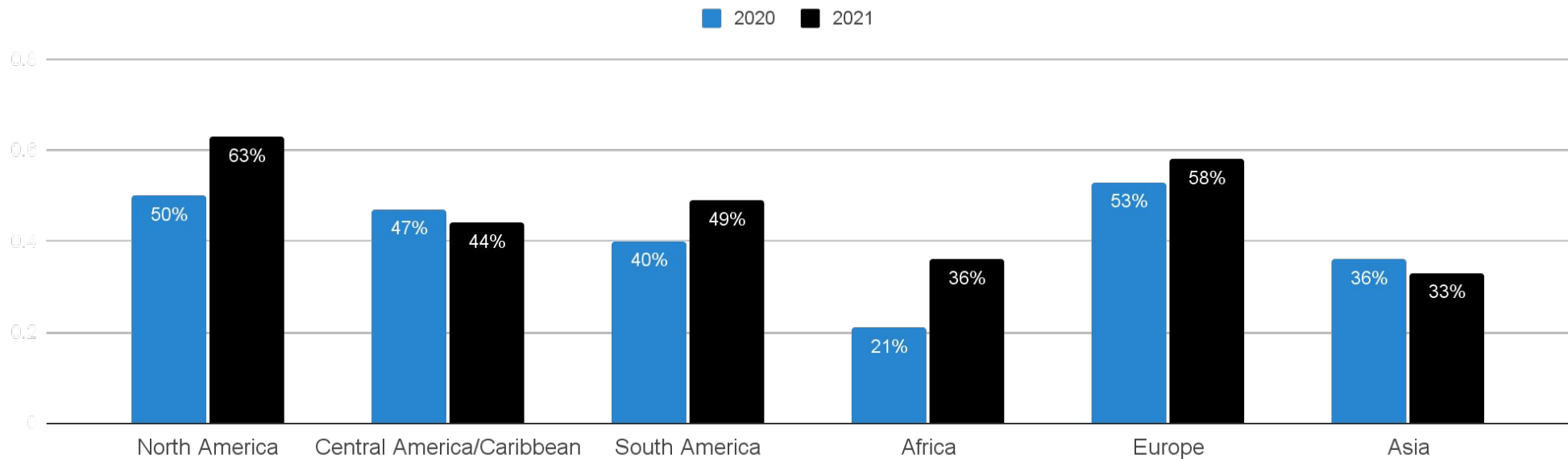




Light at the End of the Tunnel: Tour Operators Recovering Well in 2022

Average trip fill rates improved in most major markets, namely North America, Europe, South American. Declines in other regions were marginal. This is a positive sign that we may have reached an inflection point and travelers are returning to multi-day tours.

Average Trip Fill Rate





Light at the End of the Tunnel: Tour Operators Optimistic in 2022

Operators and travel agents are finally beginning to see increases in tour spending in spending above 2019 levels as demand for guided trips returns

Spending is up

20 percent plus

[versus 2019]

and there's been a

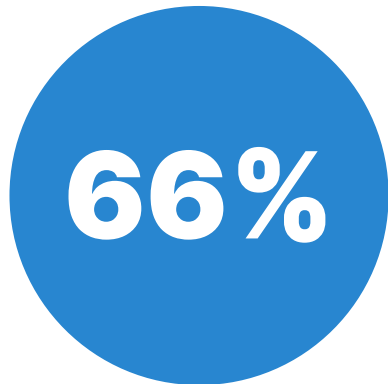
35 percent increase

in people traveling for 3 weeks or longer as travelers bank those bucketlist slow travel experiences



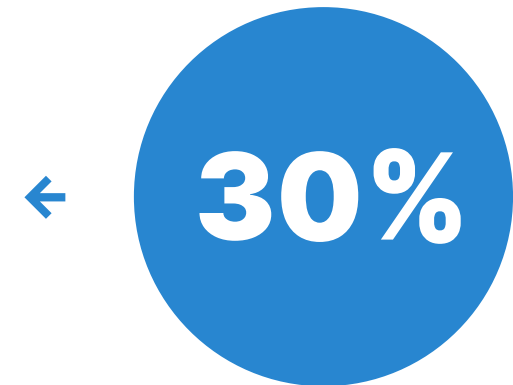
Light at the End of the Tunnel: Tour Operators Optimistic in 2022

A large part of the spending increase that tour operators are seeing is being driven by consumers splurging on upgrades such as longer length of stay or more luxurious accommodation - part of the 'revenge travel' spending spree.



→ **Bookings are up 66% since September 2021**

Price per trip is up 30% from last year due to travelers upgrading their trips whether it was staying longer or upgrading the category of accommodation for a higher end luxury experience.



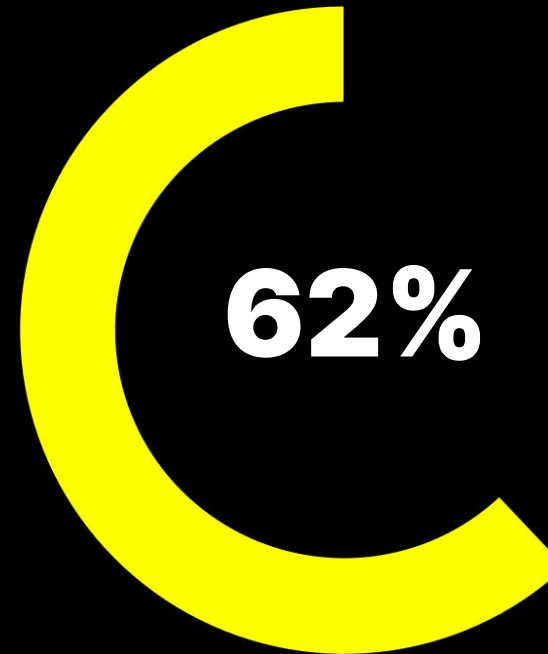


Tour Operators are Racing to Build Modern Digital Tools

Many tour operators have been slow to adopt digital tools that we consider standard in many other industries. Just 62% of surveyed adventure tour operators have an online reservation system that takes credit cards – a major impediment to ecommerce

Q: Does your organization have an online reservation system that accepts credit cards?

Online Payment Capabilities

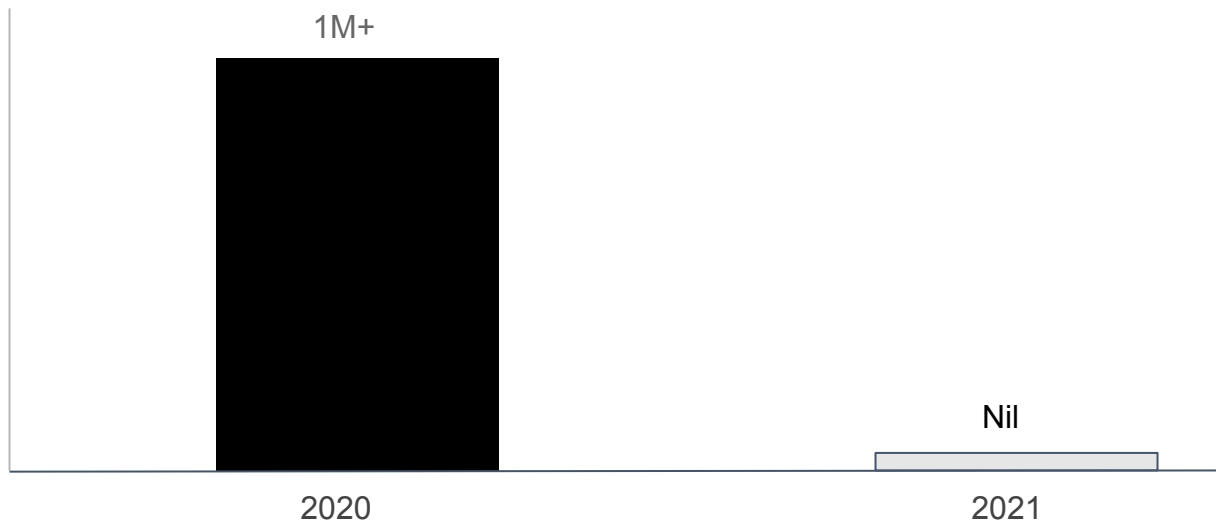




Tour Operators are Racing to Build Modern Digital Tools

Intrepid Travel has shifted from a print-based brochure marketing strategy to fully digital as part of its website redesign in 2021. Cutting the million-plus brochures it printed and mailed every year not only marked a critical piece of its online shift but had carbon emission and waste benefits.

Intrepid Travel: Physical Brochures Printed

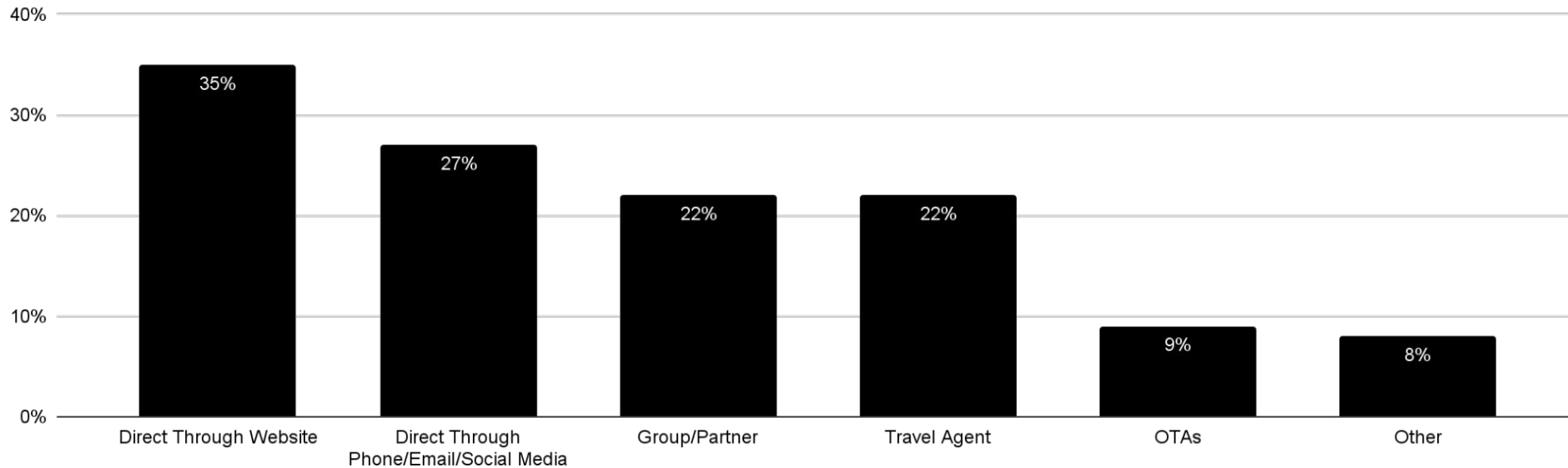




Tour Operators are Racing to Build Modern Digital Tools

Slow adoption of modern first-party ecommerce platforms means the tour operator space is heavily reliant on third-party distribution channels and offline sales.

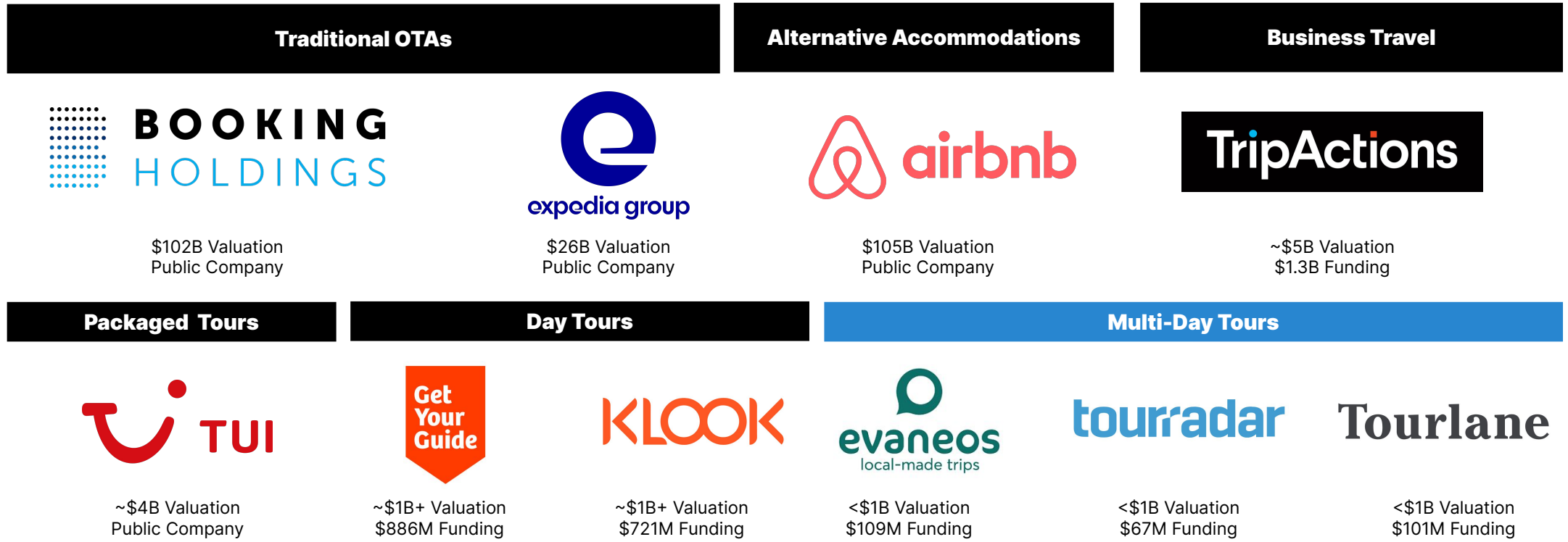
Distribution Channels: Share of Booking





Tours One of the Last Great Offline Travel Markets

In the absence of strong first-party digital direct, third-party ecommerce platforms are being founded to take advantage of shift to online in multi-day tours. These companies hope to repeat the success that booking sites have achieved in other major markets.





9. TOURS AND ACTIVITIES

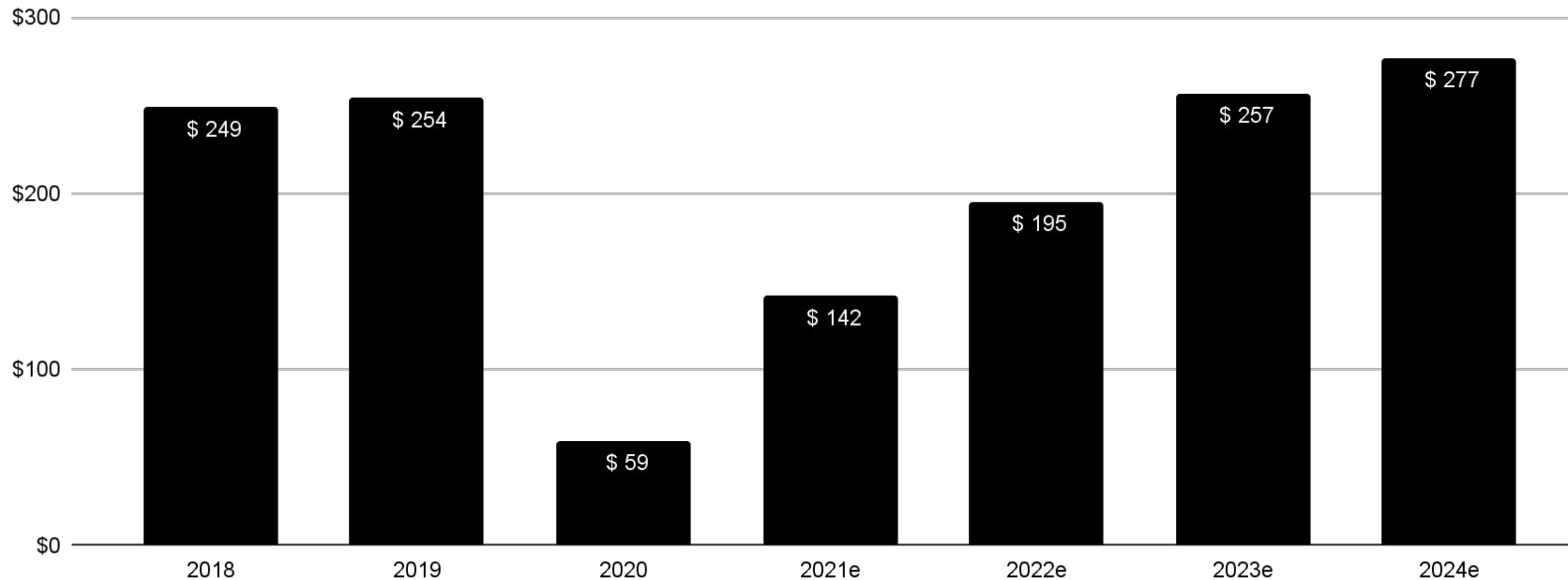




Day Tours Slammed by Pandemic in 2020. On Track for '23 Full Recovery

After falling by 77% due to the pandemic, tour and activities have been making a steady comeback. Currently 3/4ths recovered, the industry is on track to regain 2019 levels by 2023.

Tours and Activities Market Estimate, \$B

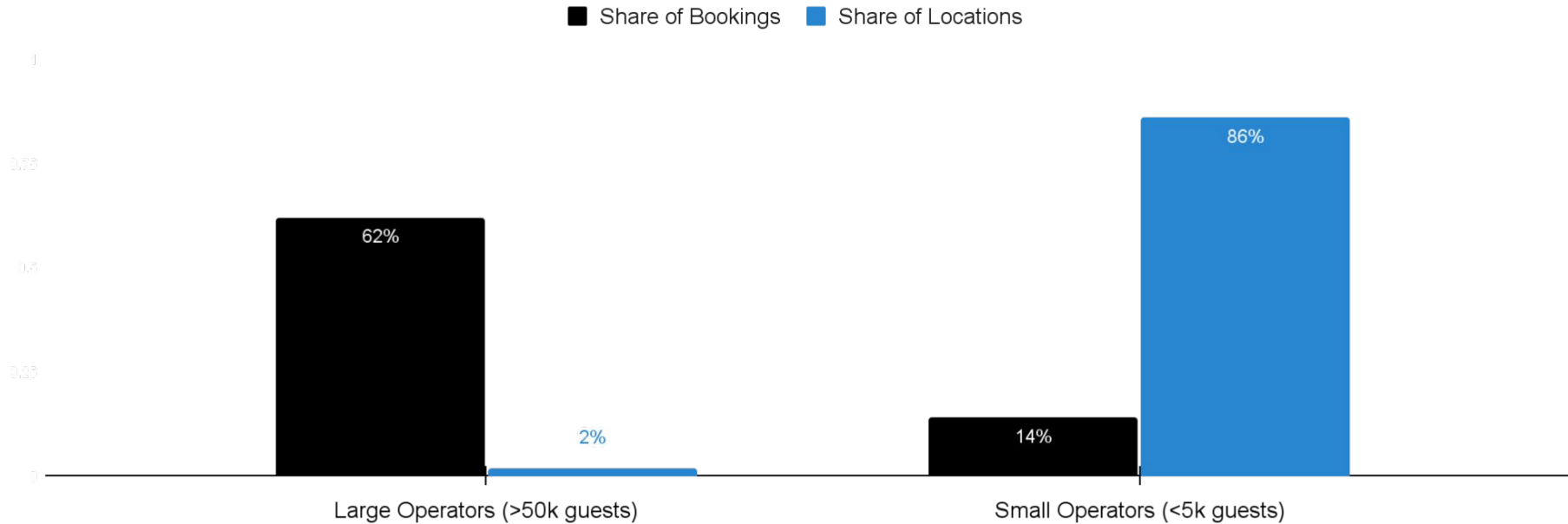




Tours & Activities a Highly Fragmented Sector

Large operators in the tours & activities space are rare. Less than 2% of all things to do serve more than 50,000 guests; though they do account for just over half of global bookings. Tours & activities is fundamentally a fragmented sector with small operators that serve less than 5,000 guests, making up 86% of all tours & activities outposts.

Tour Operator Size vs. Locations & Bookings

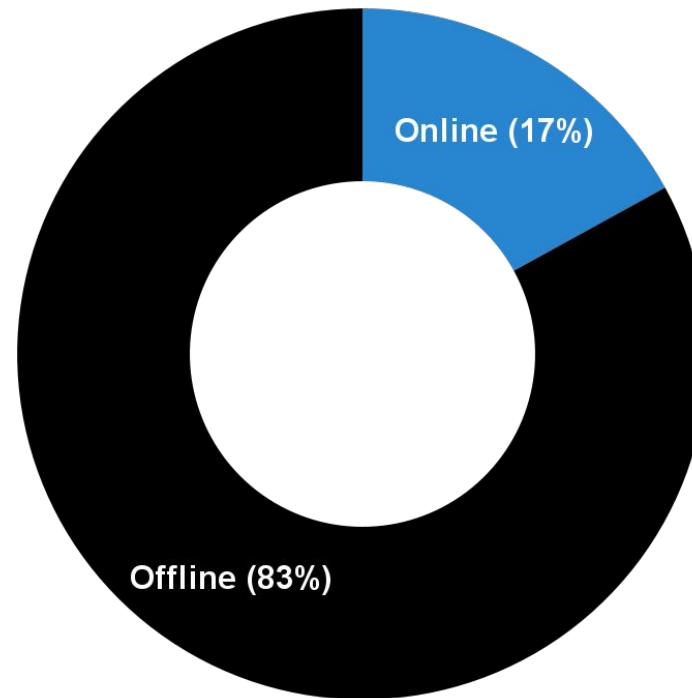




Tours & Activities Are Still Sold Primarily Offline

Tours & activities may one of the the last great offline sectors in travel (along with multi-day tours). The overwhelming majority of sales take place offline, many even happen in person at brick and mortar facilities.

Tours & Activities Sales Channel →

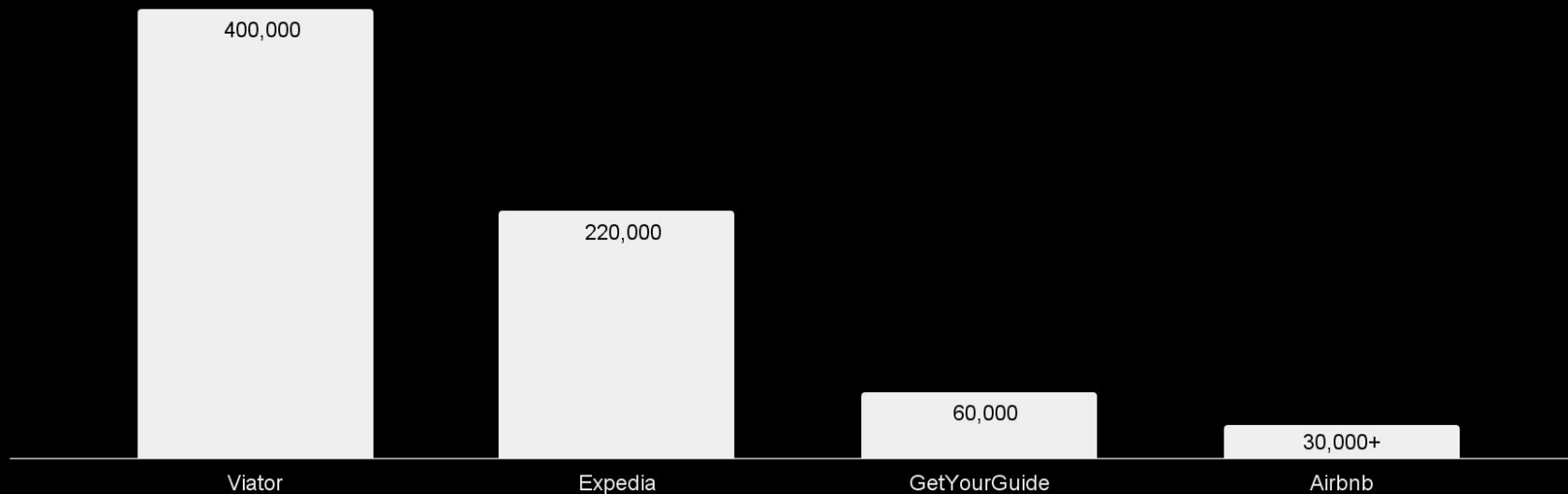




Fragmented + Offline Sector = Potential Online Travel Goldmine

In many ways the tours and activities sector feels like hotels did in 2001. There is a highly fragmented long-tail of mostly offline businesses. While commissions are smaller than the hotel sectors, many online booking platforms see potential to digitize this space

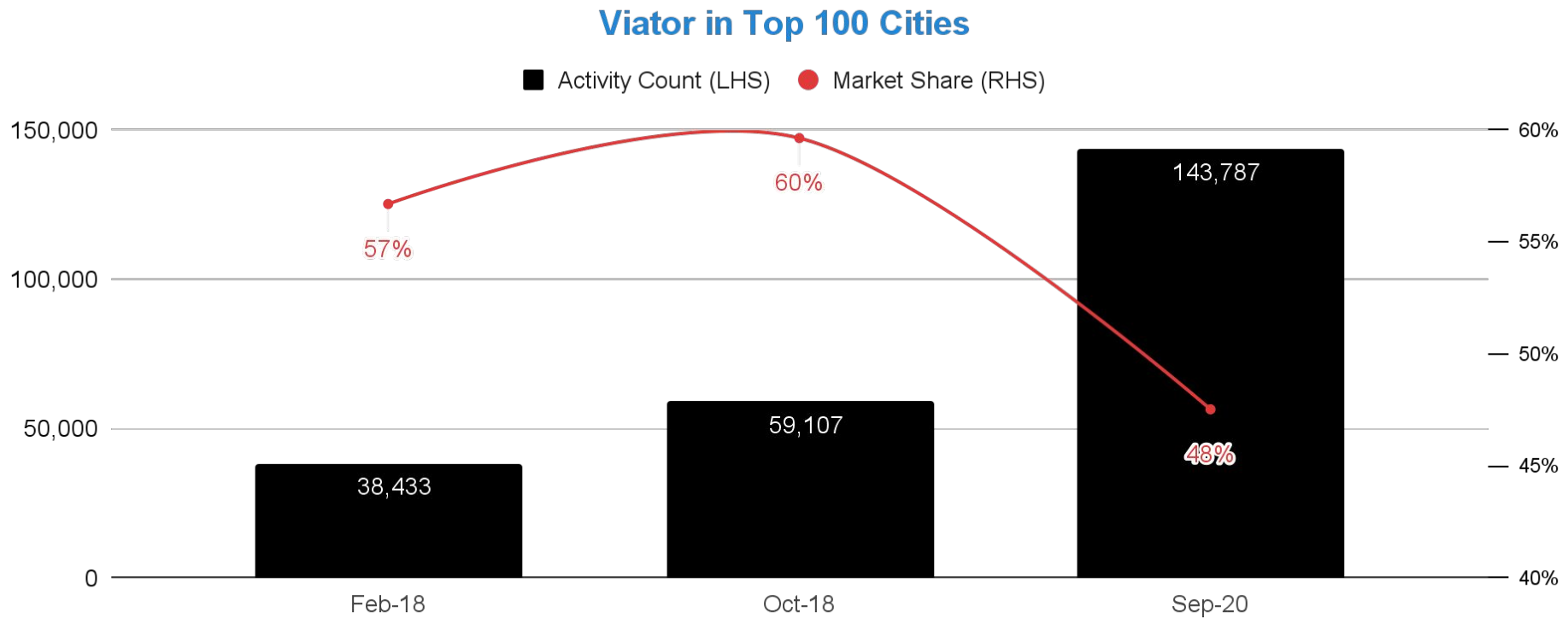
Tours & Activity Listings by Online Platform





Viator Has Grown Activities, but Lost Share

Viator was one of the first movers in the online tours & activities space. They continue to have the highest count of online listings out of anyone, but their relative market share has been falling as the pie grows larger and new competitors enter the market.

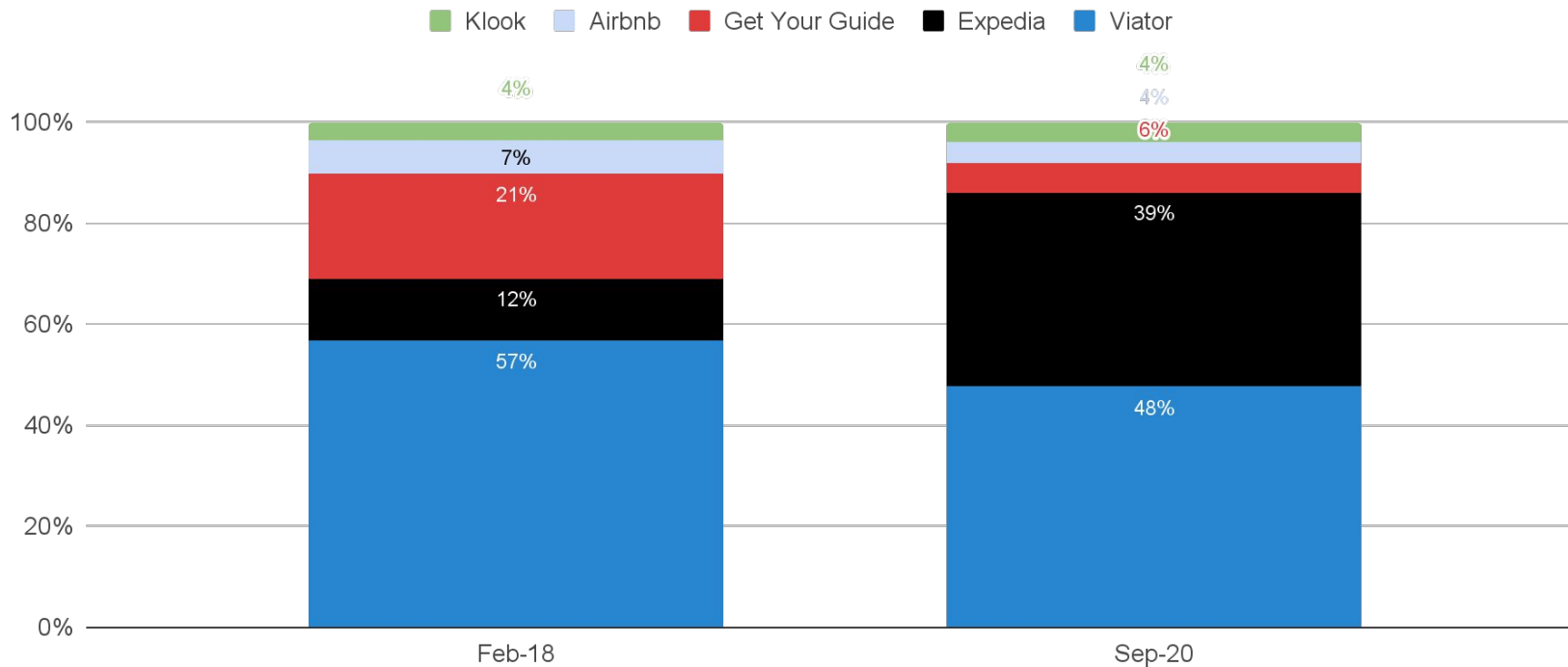




Expedia Has Taken Share from Viator and GetYourGuide in Major Cities

Skift Research analysis suggests that pre-Covid Expedia was the platform adding inventory most aggressively; at least in major top-100 tourism destinations.

Activity Share in Top 100 Cities





Does Size Matter? Moving from Inventory to Discovery

We may be moving past the era where listing count was the key determining factor for success in the space. Many online T&A platforms are downshifting their focus on pure inventory availability and investing more in driving consumer demand through higher awareness and better curation/discovery of tours. Airbnb intends to re-enter the space with an emphasis on on quality over quantity.



"The biggest asset in people's lives, isn't their home, it's their time." [Airbnb] launched Experiences in late 2016... [and] we were getting millions of bookings a year ... [when] suddenly the whole thing got paused.

Experiences are now back to where they were pre-pandemic. And we haven't made a lot of investment in it. ... Now over the next year or two, we're going to make some ample investments in Experiences. And I do think that's part of the next chapter of Airbnb. So, stay tuned. I think there'll be a product refresh in the future.

Brian Chesky, CEO and Founder of Airbnb at **Skift Global Forum 2022**



Can't Travel, Will Stream

Could live streaming be the next great innovation in travel? HeyGo is an online platform that lets local guides livestream tours of their city. Viewers can 'tip' their guides. Livestreaming has potential both for new destination discover and for direct digital monetization of tours. HeyGo is experimenting with the next stage of digitation, marketing, and discovery for the tours & activities sector.

heygo



200k → users watching



50k → streams a week



+30mins → average watch time



78% → users saying they'd like to visit the places they see on the tour in person



10. CRUISE

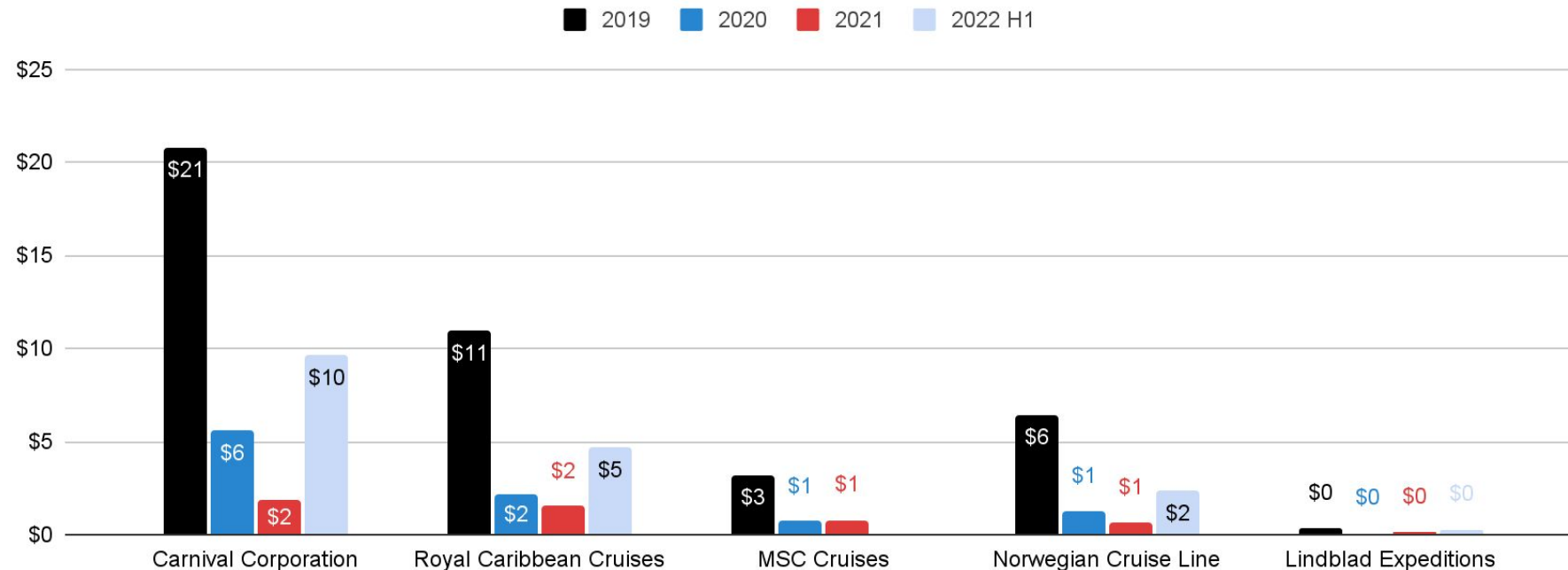




Cruise Companies Hit Hard by Pandemic

Cruise lines were perhaps the sector most impacted by Covid-19. Revenue has been slow to recover, with the four largest cruise lines still just 12% recovered in 2021 vs. pre-pandemic levels. All are seeing a significant uptick in revenues in 2022 though, with revenues trending towards almost total recovery by the end of 2022 for Carnival and Royal Caribbean.

Performance of Key Cruise Companies by Revenue (\$ billion)

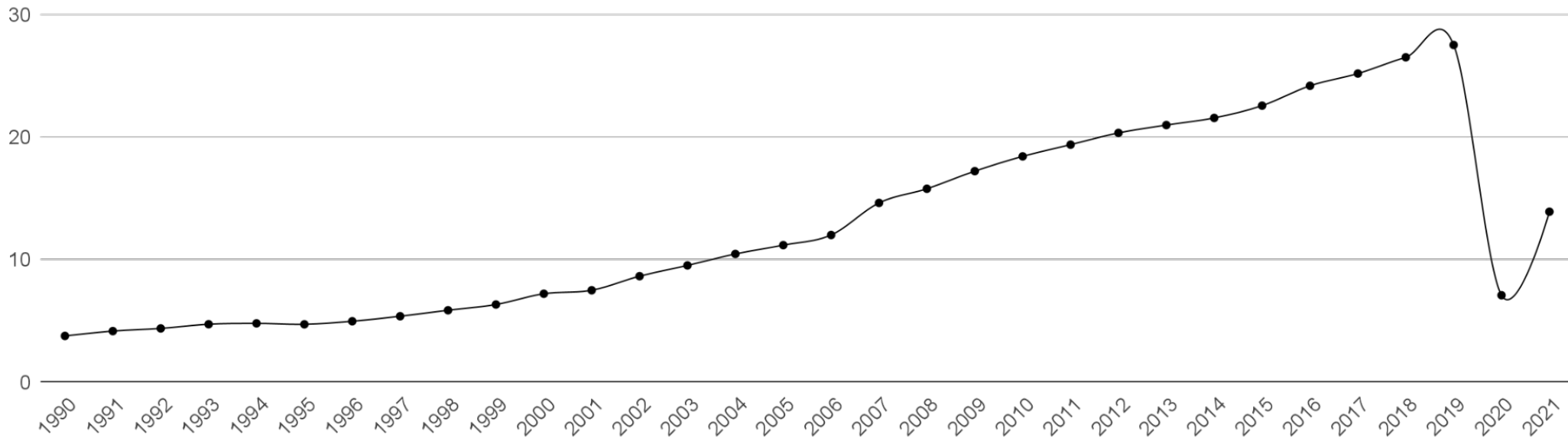




Cruise Companies Hit Hard by Pandemic

Cruise passenger volume is recovering, nearly doubling in 2021 vs. 2020. But there is still a long way to go for the industry to regain the nearly 30 million passengers it served in 2019.

Millions of Cruise Passengers Carried Worldwide

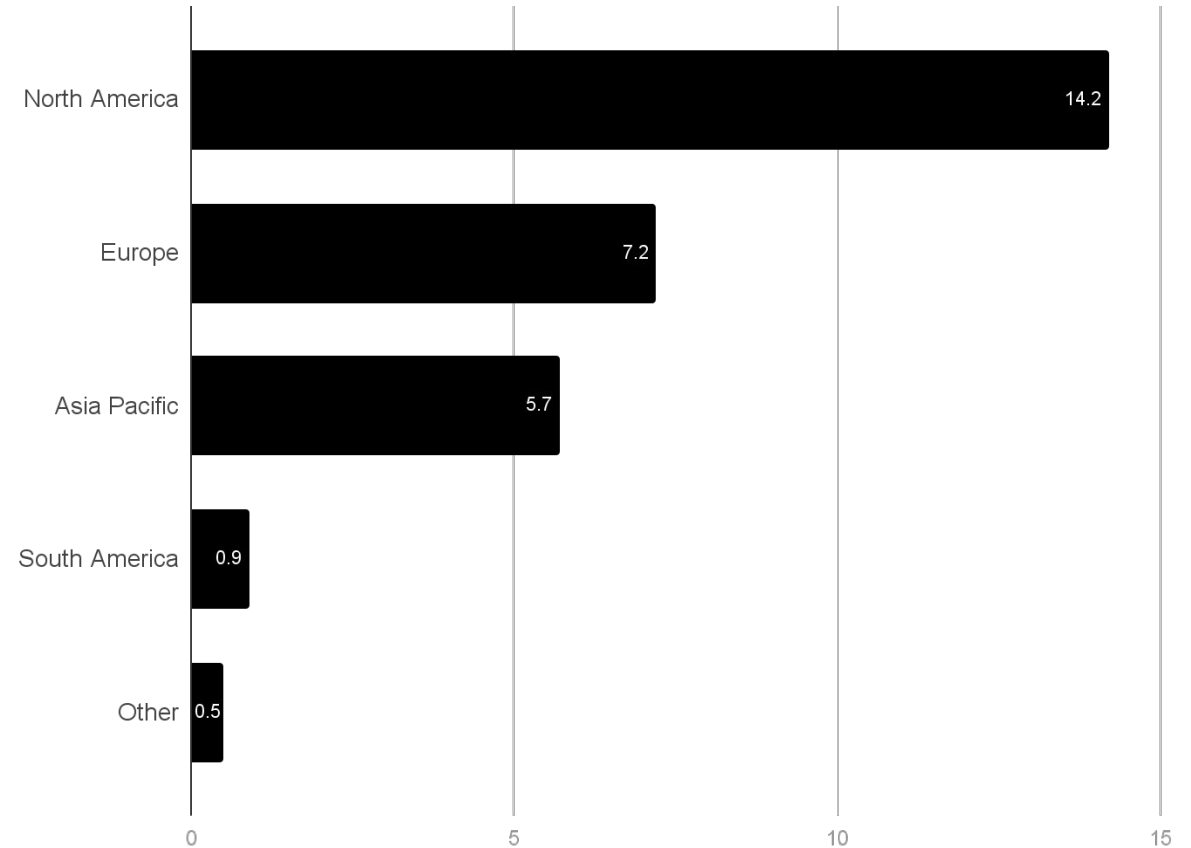




Cruising Particularly Popular in North America

Cruising is still a very U.S.-centric industry. However, European passengers have a strong showing and Asia is fast growing.

Origin of Cruise Passengers (million) - 2019 →

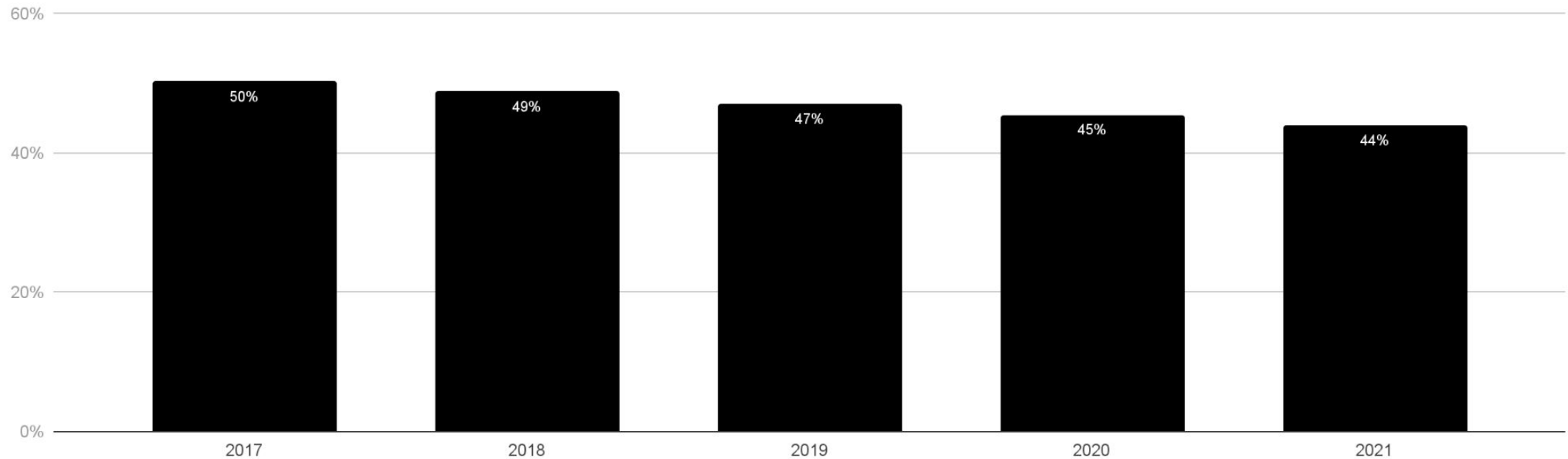




But International Diversification Underway

North America is falling as a share of global passenger volumes as the cruise industry broadens its global footprint. Asia-Pacific's importance to cruise is growing and likely to continue to drive this trend.

North American Passengers - % of Total





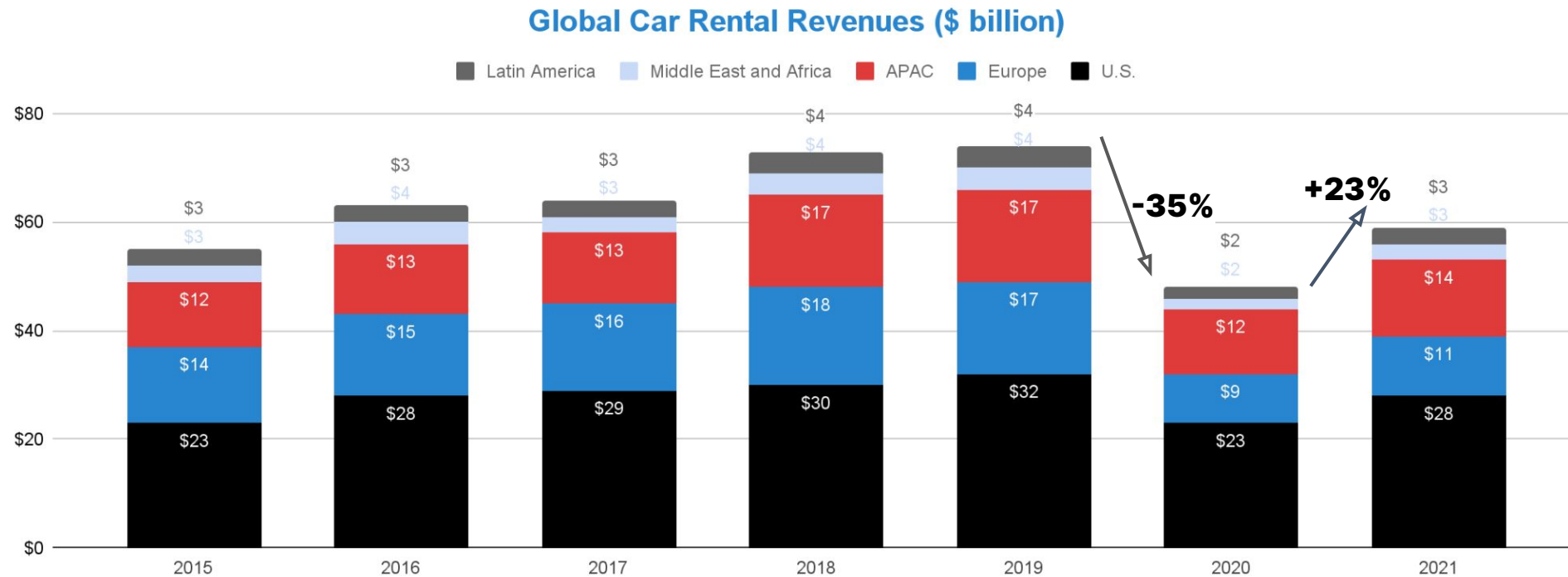
11. CAR RENTAL





Car Rental Drop Limited During Pandemic

Compared to most other travel sectors, the car rental industry was relatively resilient during the pandemic. Airline revenues declined by 69% in 2020, hotel revenues by 52%, while car rental revenues dropped “only” 35%.

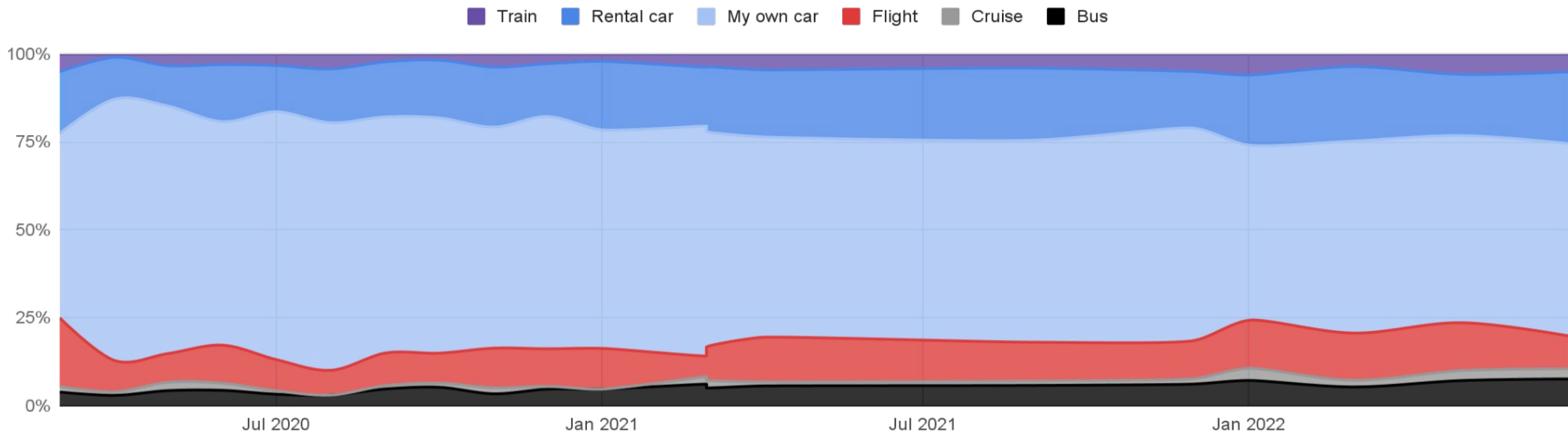




Car Rental Benefits From Car's Popularity

Due to the nature of the pandemic, people preferred to travel in private vehicles, boosting the use of cars for vacations. According to Skift Research's U.S. surveys, the car continues to account for around 80% of trips made.

Mode of Transportation for Trips by U.S. Travelers

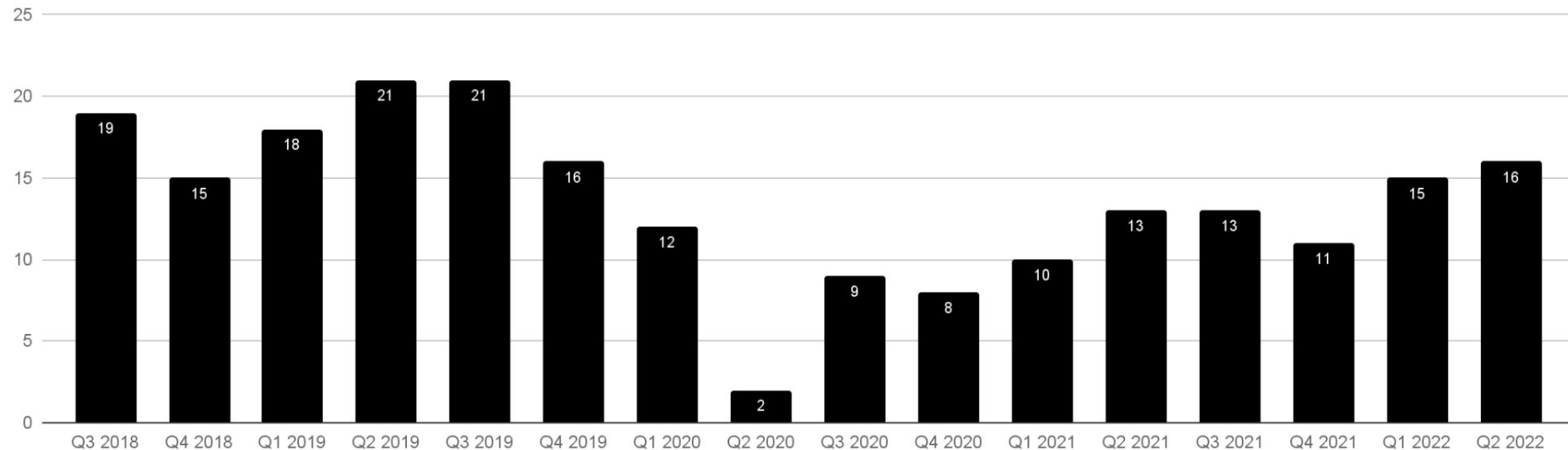




Rental Days Remain Below 2019 Levels

While not back to 2019 levels yet, car rental revenues has seen strong growth since the start of the pandemic. Booking Holdings sales of car rental days was back to 76% of 2019 levels in the second quarter of 2022.

Booking Holdings Rental Car Days Booked (Million)





Largest Car Rental Companies

Enterprise Holdings, with its Enterprise, National, and Alamo brands, is by far the largest rental company based on revenues. Hertz filed for bankruptcy during the pandemic, but has since restructured and recovered, betting large on electric vehicles.

Top 10 Companies by Revenues (\$M)

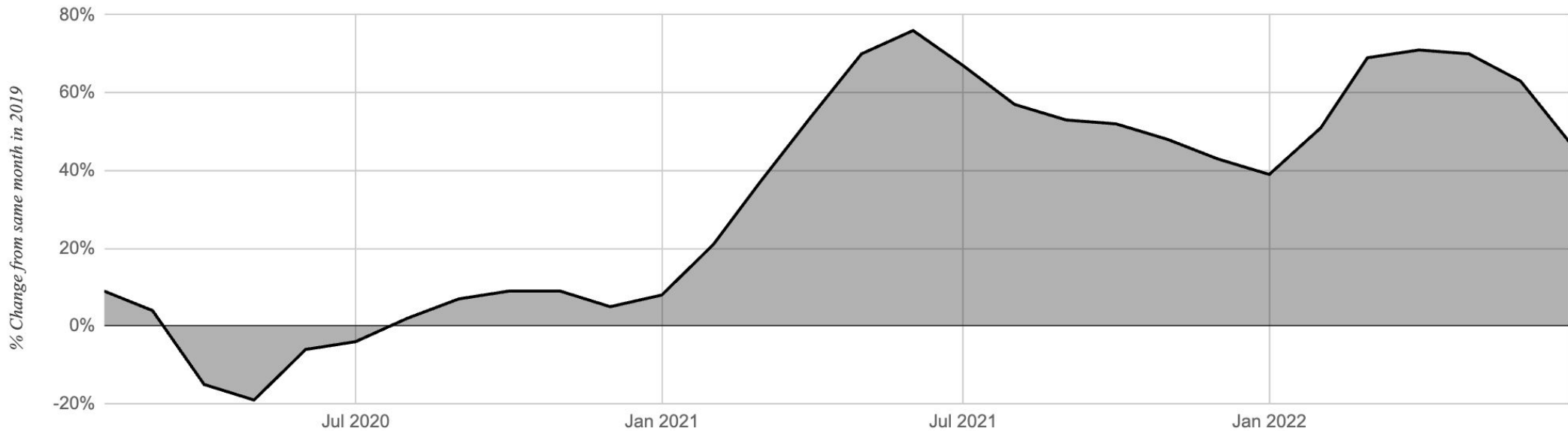
Company	Headquartered	2020	2021
Enterprise Holdings	U.S.	\$22,500	\$23,900
Avis Budget Group, Inc.	U.S.	\$5,402	\$9,313
Hertz Global Holdings, Inc.	U.S.	\$5,258	\$7,337
ComfortDelGro Corporation Limited	Singapore	\$2,362	\$2,623
SIMPAR S.A.	Brazil	\$1,830	\$2,564
LOTTE rental co.,ltd.	South Korea	\$1,933	\$2,093
Localiza Rent a Car S.A.	Brazil	\$1,926	\$2,017
Movida Participações S.A.	Brazil	\$762	\$987
Autohellas S.A.	Greece	\$570	\$747
Theeb Rent A Car Company	Saudi Arabia	\$176	\$201



Supply Issues and High Prices

Price inflation in the car rental sector speaks to the massive supply crunch the sector is experiencing. Companies sold off large parts of their fleets during the pandemic, and now struggle to scale back up due to chip shortages and the Ukraine war.

U.S. Car Rental Price Inflation vs. 2019

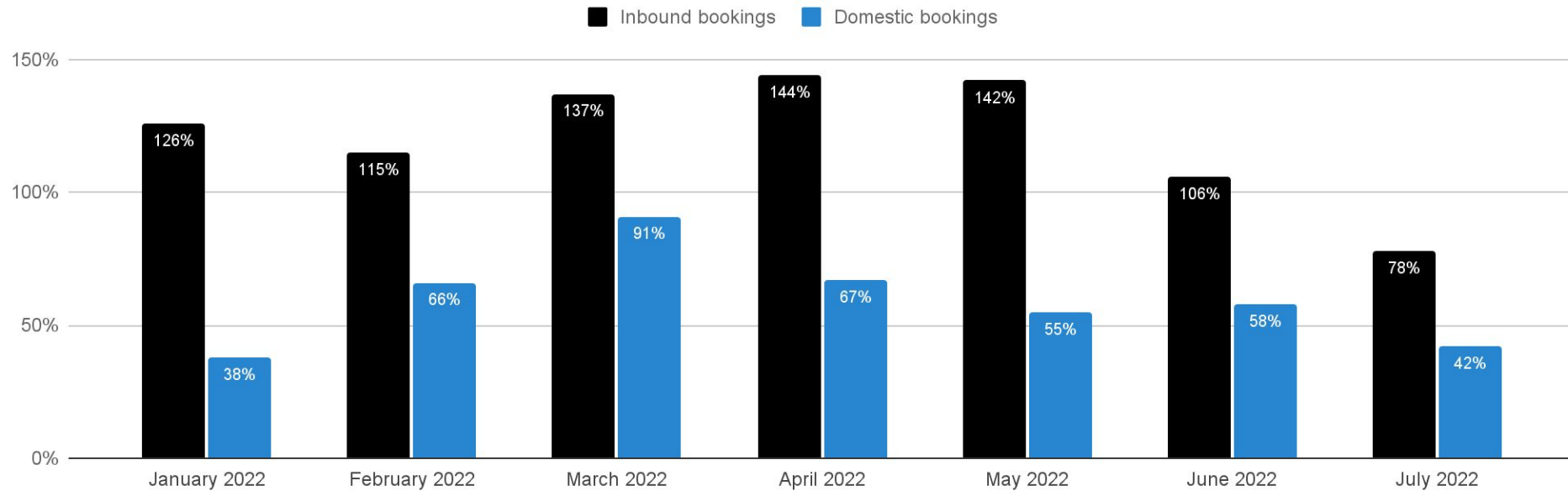




Supply Issues and High Prices

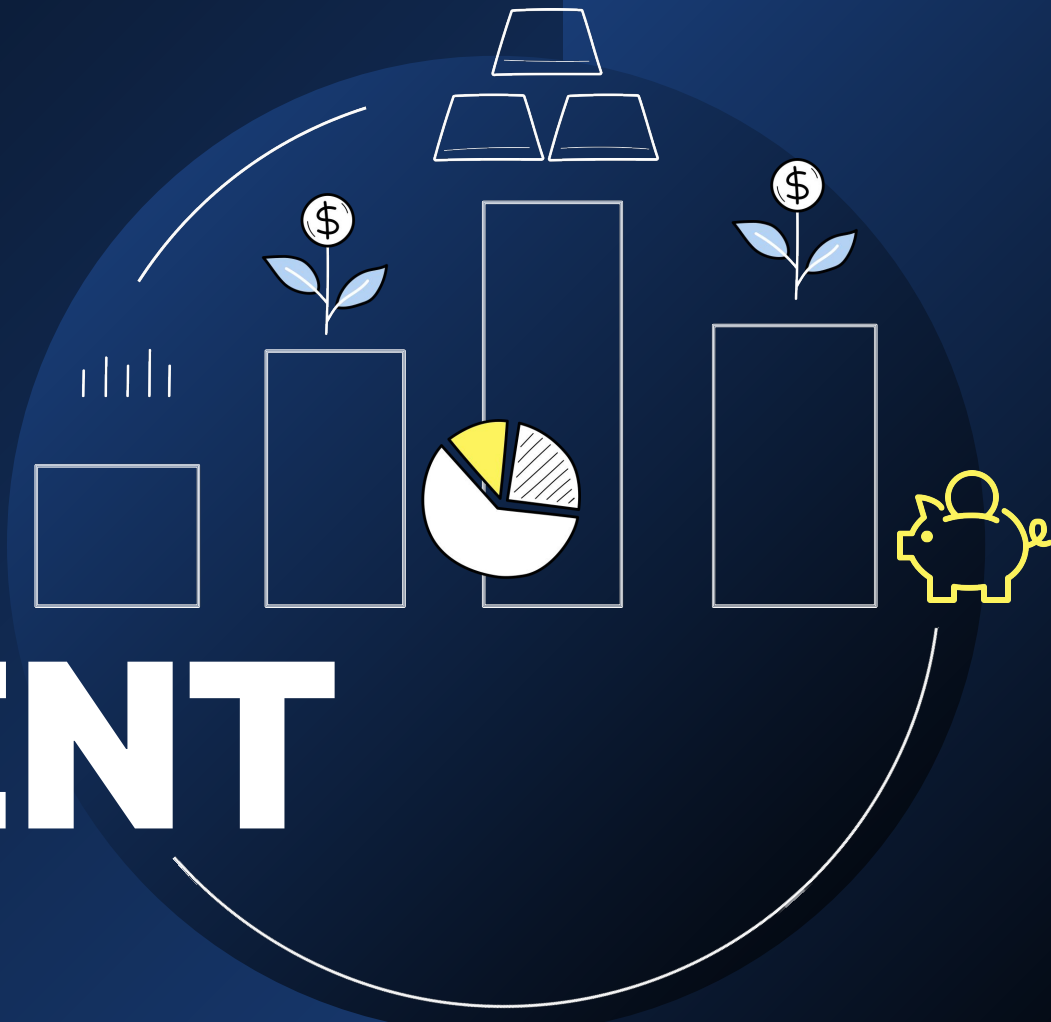
With car shortages and returning demand, prices are through the roof. CarTrawler data shows that U.S. car rental rates for cars booked by domestic users and international arrivals are far above 2019 levels. This will likely be a long-term trend as demand continues to outstrip car manufacturers' supply chains.

U.S. Car Rental Transaction Value Per Day - Growth vs 2019





12. INVESTMENT



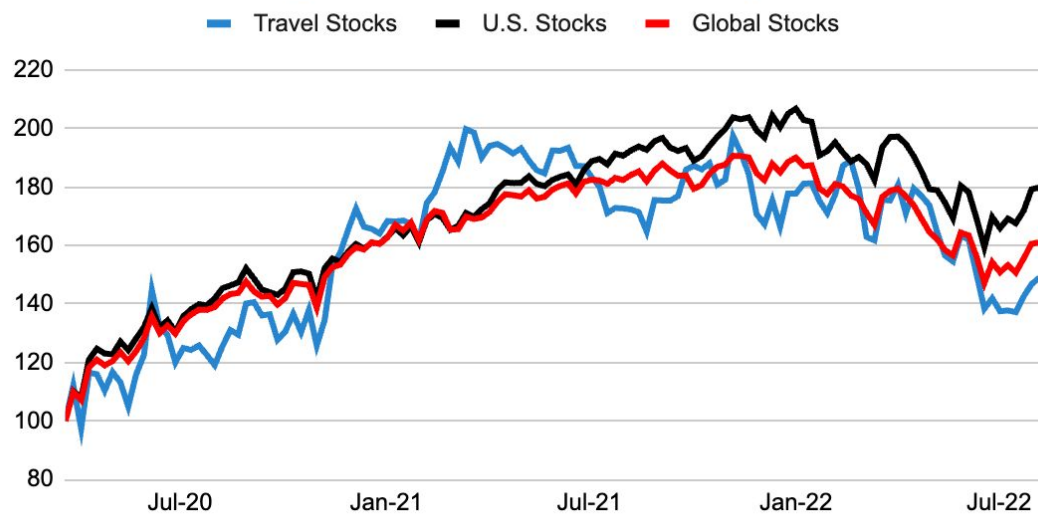
Public Travel Companies Have Lagged the Market Since the Pandemic

Unsurprisingly, publicly traded travel stocks have lagged the broad market since the pandemic. The travel stock sector, taken as a whole declined 54% in March 2020. Since those lows, the travel sector has actually performed in-line with broad stock indices. But the sector is still 30% below its pre-pandemic high.

Travel Stocks vs. Broad Market



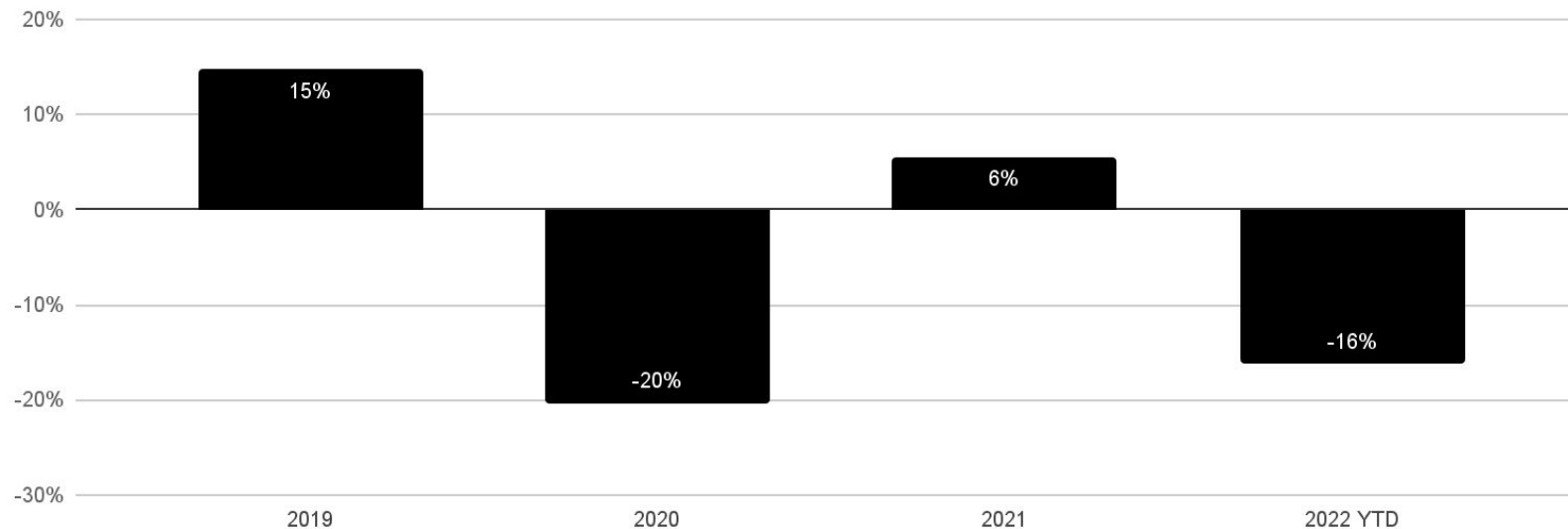
Travel Stocks vs. Broad Market (Since March 2020 Lows)



Public Travel Companies Have Lagged the Market Since the Pandemic

Travel industry stocks returned a healthy 15% in 2019. That was, of course, all wiped out by the pandemic. After eking out a 6% annual return in 2021, the travel industry is trading down -16% year-to-date.

Travel Industry Price Returns by Year



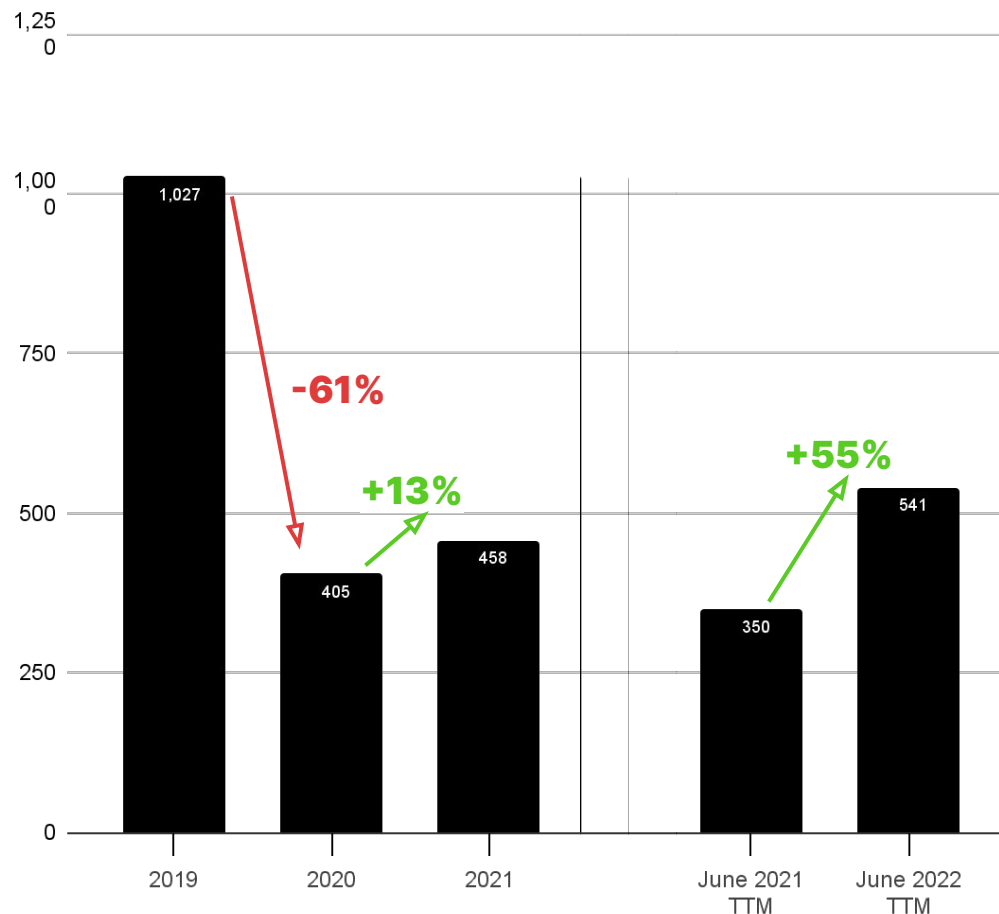
Public Travel Company Fundamentals Still Not Fully Recovered

The 237 public travel companies reported an aggregate revenue of \$598 billion for the trailing twelve-month period ended June 30, 2022.

But looking at this indexed revenue by year shows the lasting damage caused by the coronavirus. Travel industry revenue fell by -61% in 2020. Top-line stabilized in 2021 but grew just 13% from that year.

Growth rates are much healthier this year, for the trailing twelve-month period ended June 30, 2022, travel revenues grew 55% compared to the same time frame a year ago.

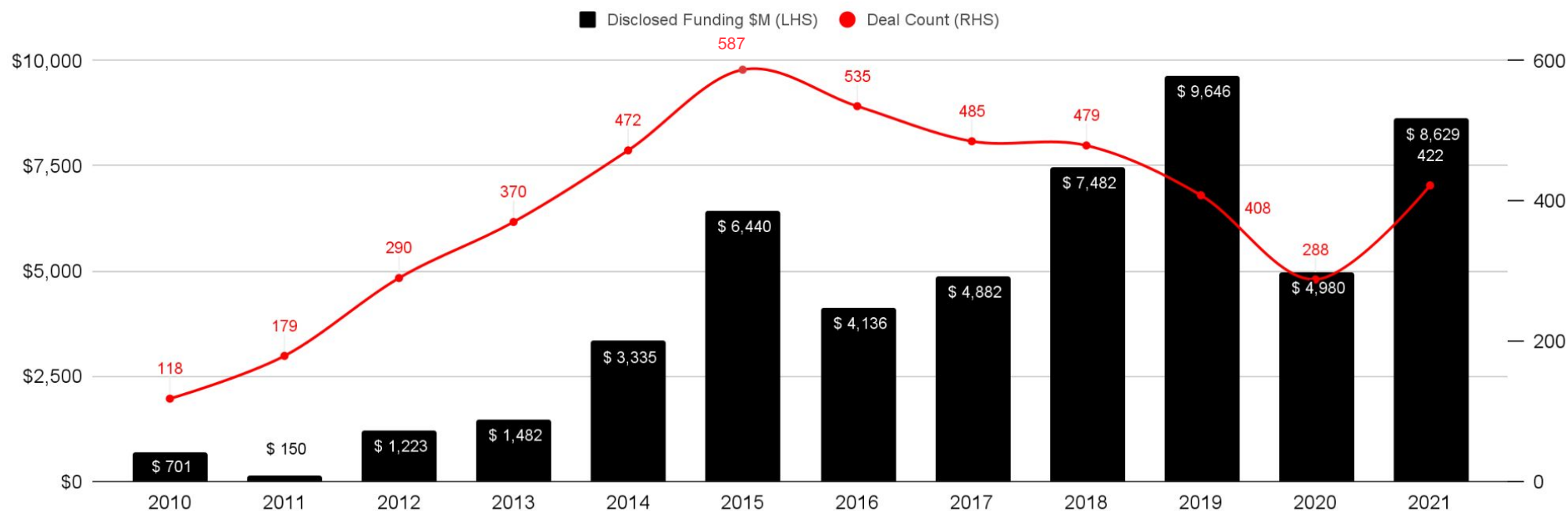
Travel Industry Revenue, Indexed →



Venture Capital Returns in Force to Travel

Travel attracted \$8.6B of venture capital in 2021, up 73% from 2020. This makes the industry nearly whole, at 90% of 2019 levels and higher than any year before 2018. We tracked 422 new deals in 2021, this puts us back above 2019 levels, though the industry is still off the record-high streak of fundings we saw during 2014-2018.

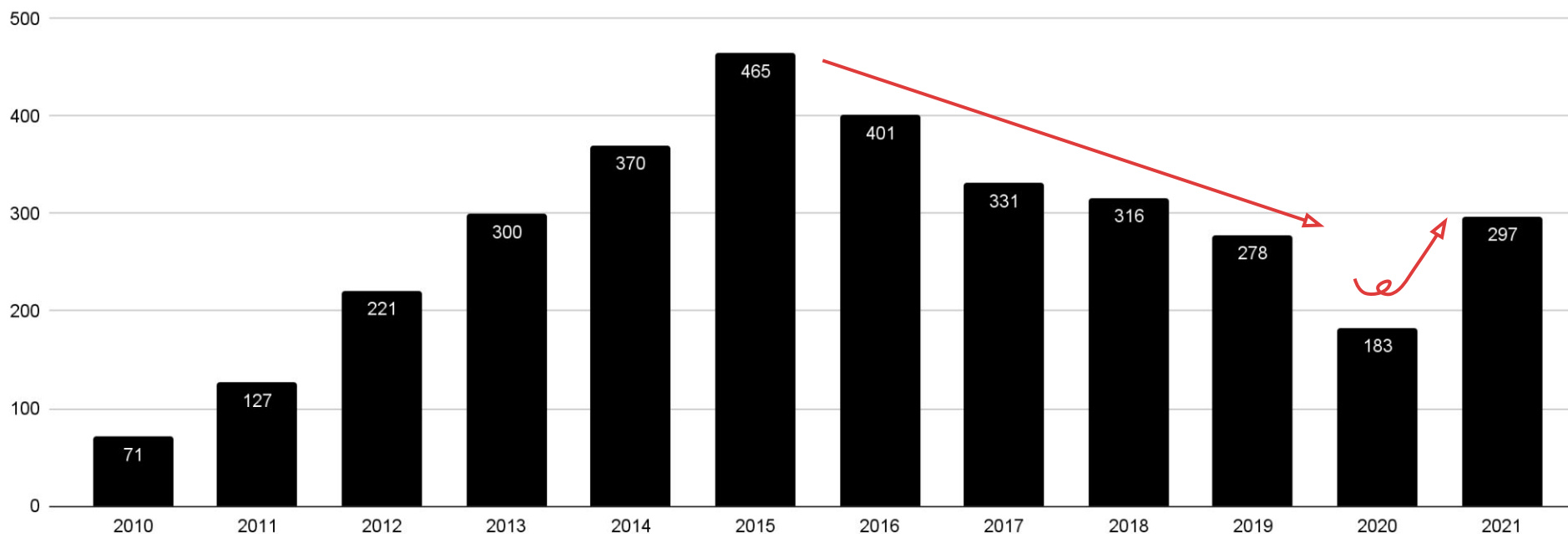
Venture Capital Funding for Travel



Early-Stage Deal Count Grew for First Time in 5 Years: A Sign That the Pandemic Induced Innovation?

The trend towards later-stage deals reversed in 2021. A new wave of early-stage (Series A or younger) startups launched, which we think speaks to the innovation and energy coming into the travel sector.

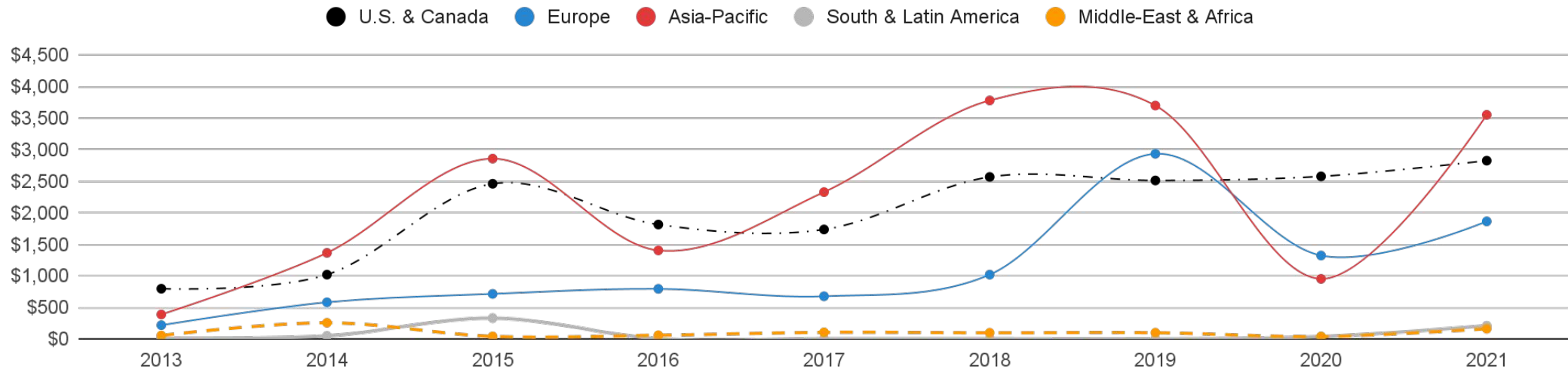
Early Stage Travel Startups Funded By Year



Asia Re-Gained Top Spot as Largest Travel Venture Region in 2021

Asia-Pacific rebounded strongly to return to its pre-pandemic place as the largest region for travel VC funding in the world with nearly \$3.5B raised this year, up ~270% over 2020. Interestingly, this was done without major support from China, which is typically the largest travel venture market in Asia-Pacific. This year big deals out of South Korea (Yanolja) and Malaysia supported the region.

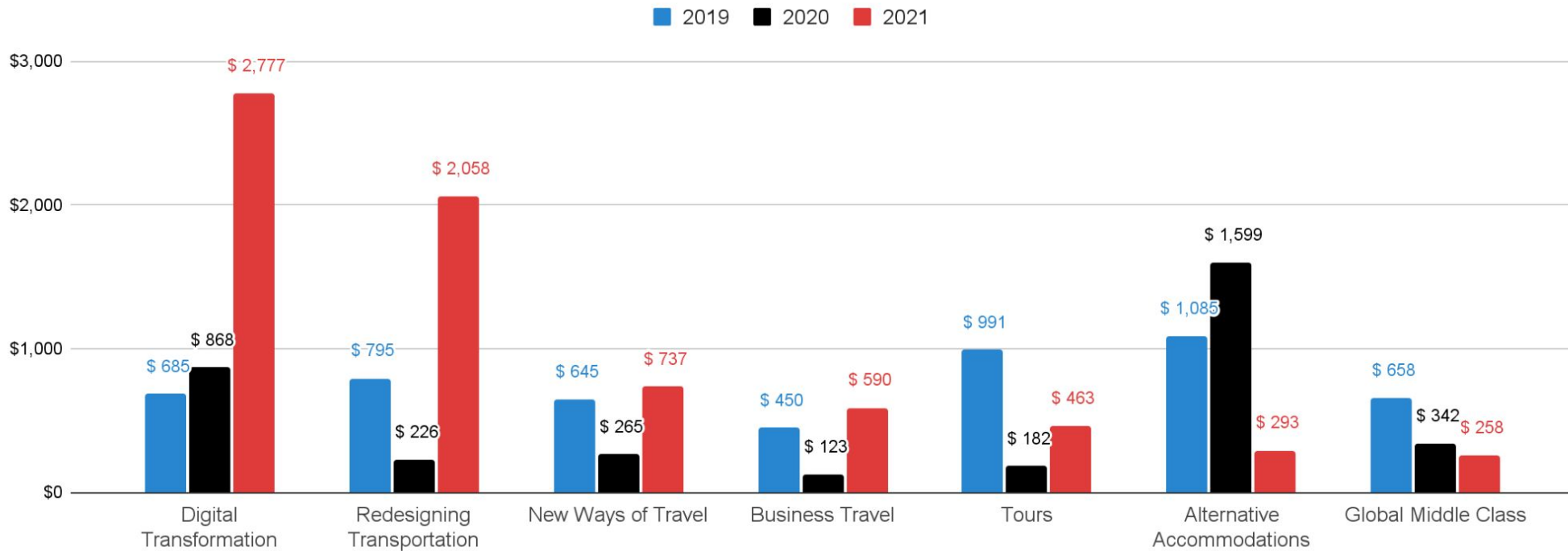
Travel Venture Capital by Region (\$M)



Travel Startup Investment Themes

The below data aggregates startup funding rounds by year in prominent travel startups and shows that 2021 brought a surge of investment in upgrading travel’s digital chops and transport infrastructure. However...

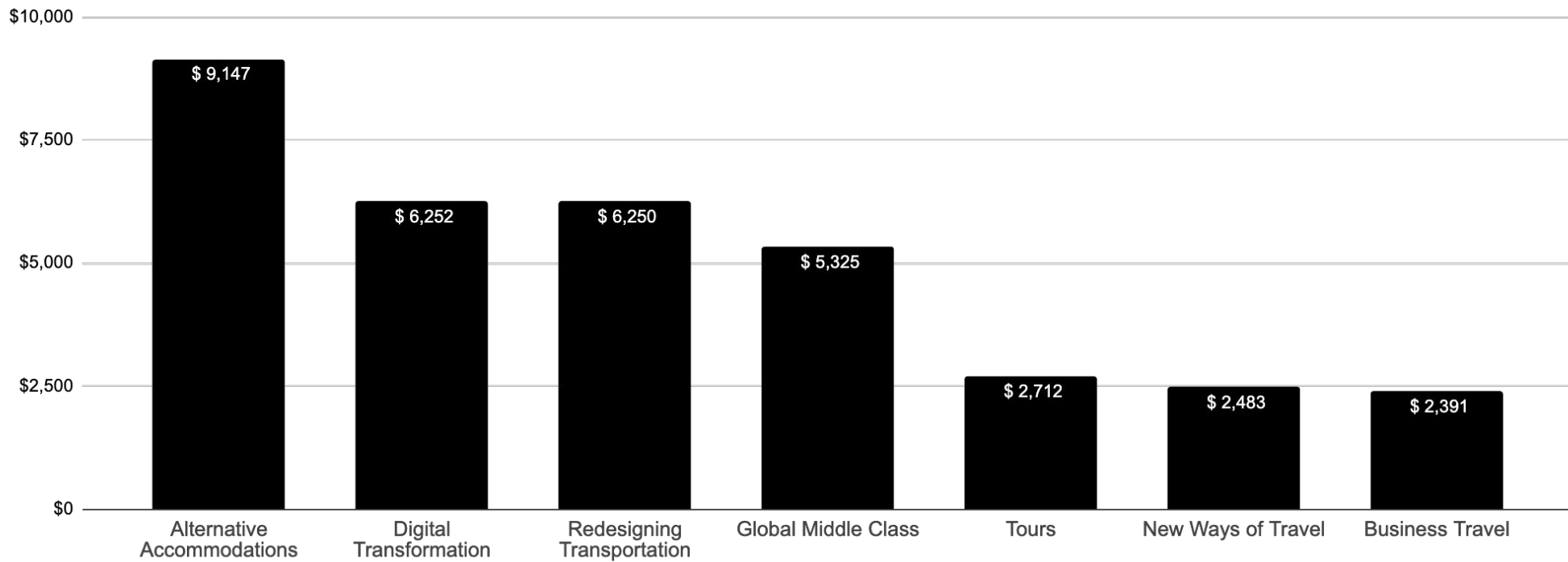
Travel Venture Capital Raised by Investment Theme (\$M)



Travel Startup Investment Themes

When we measure cumulative venture capital raised over the lifetime of a startup (as opposed to just recent funding rounds in the prior chart), the data shows that over the long run, Alternative Accommodations and the Global Middle Class have been the key themes driving travel startups

Cumulative Venture Capital Raised at Major Startups Across Travel Themes (\$M)





13. LONG TERM DRIVERS OF TRAVEL

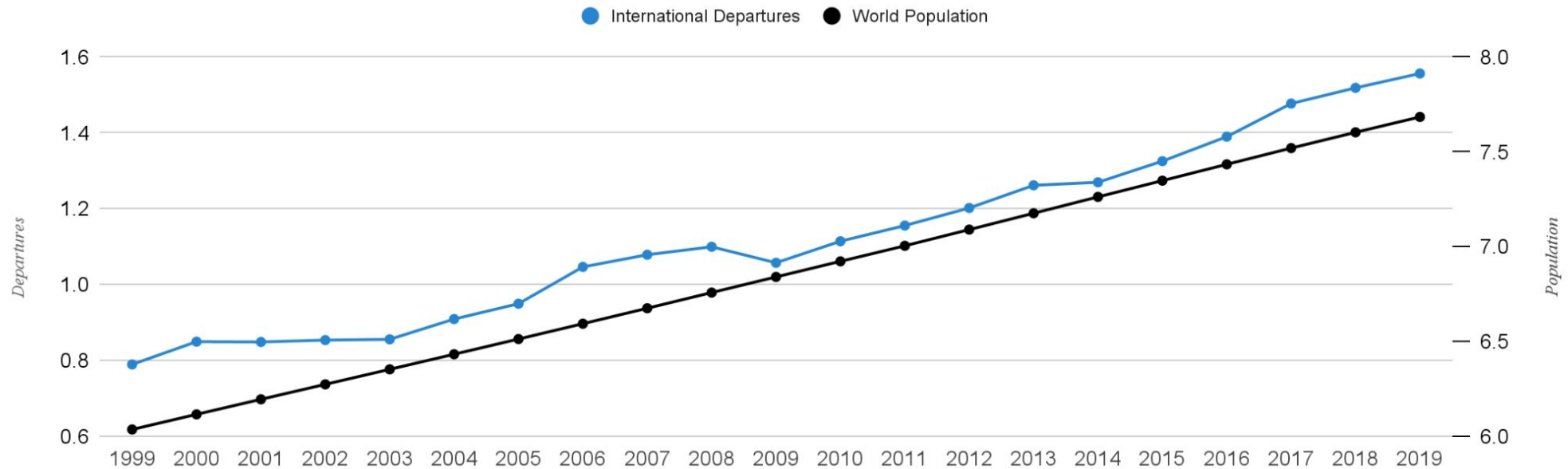




Travel Has Grown In Step With Population Growth

Let's not forget that travel is a truly global phenomenon. International travel has a strong and long-term linkage with world population. The more people there are, the more travel there will be. This is a fundamental driving force for travel long-term.

Outbound Tourism Departures (billion) vs World Population (billion)

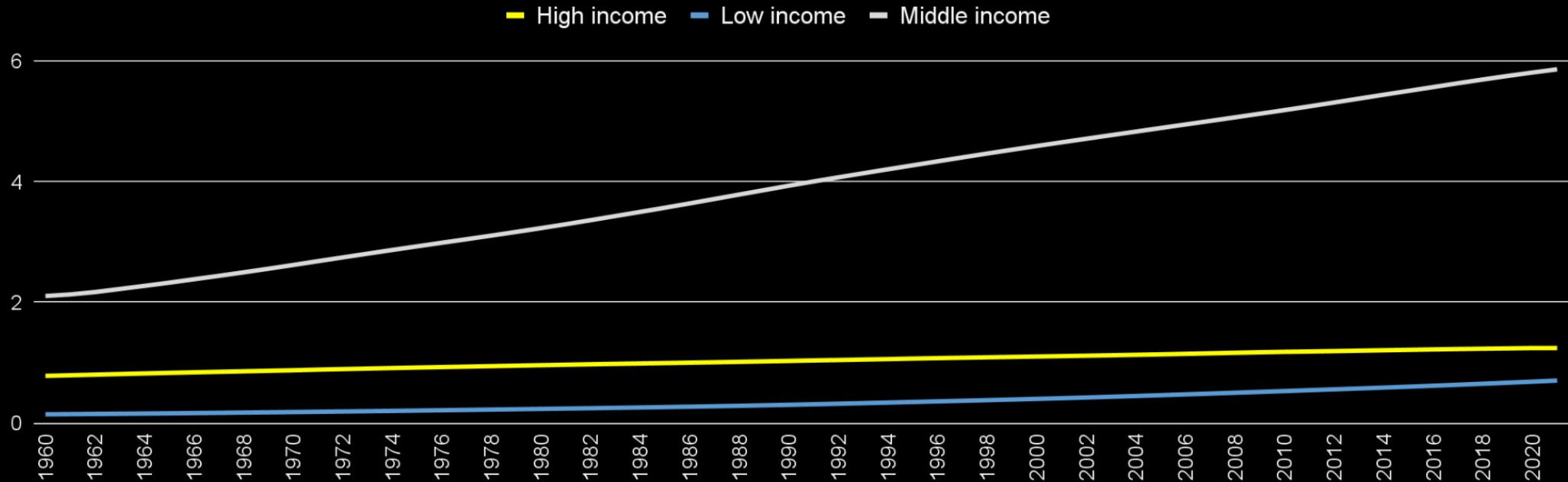




Growth of the Middle Class

The last 50 years have seen an amazing - and historically unprecedented - reduction in poverty. There are now 6 billion people who earn enough to be considered the 'global emerging middle class.' This demographic is driving disposable incomes and travel spending.

World Population (billion) by Income



Travel Has a Long-Term Link to Rising Incomes Worldwide

There is a strong linkage between incomes and travel expenditures. The wealthier people are, the more they travel. This connection holds true across regions, cultures, religions, languages, and more. As the world gets wealthier and the emerging middle class grows, this will provide long-term tailwinds to travel expenditure.

Tourism Set to Grow as Global Incomes Rise (Log Scale)

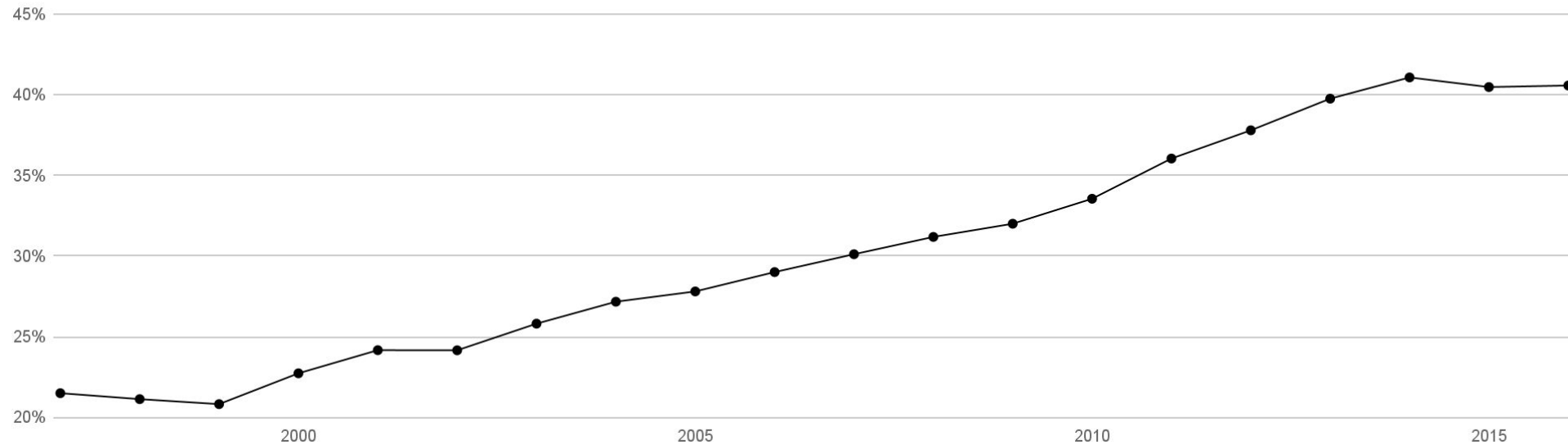




Travelers From Developing Countries Increasingly Important to Global Travel

Developing countries make up 40% of international trips, double their share from 20 years ago. This trend is likely to continue to grow as trip shares equalizes with population share over the long-term. The center of gravity in travel will shift eastward and southward.

Developing Countries as a Share of International Travel





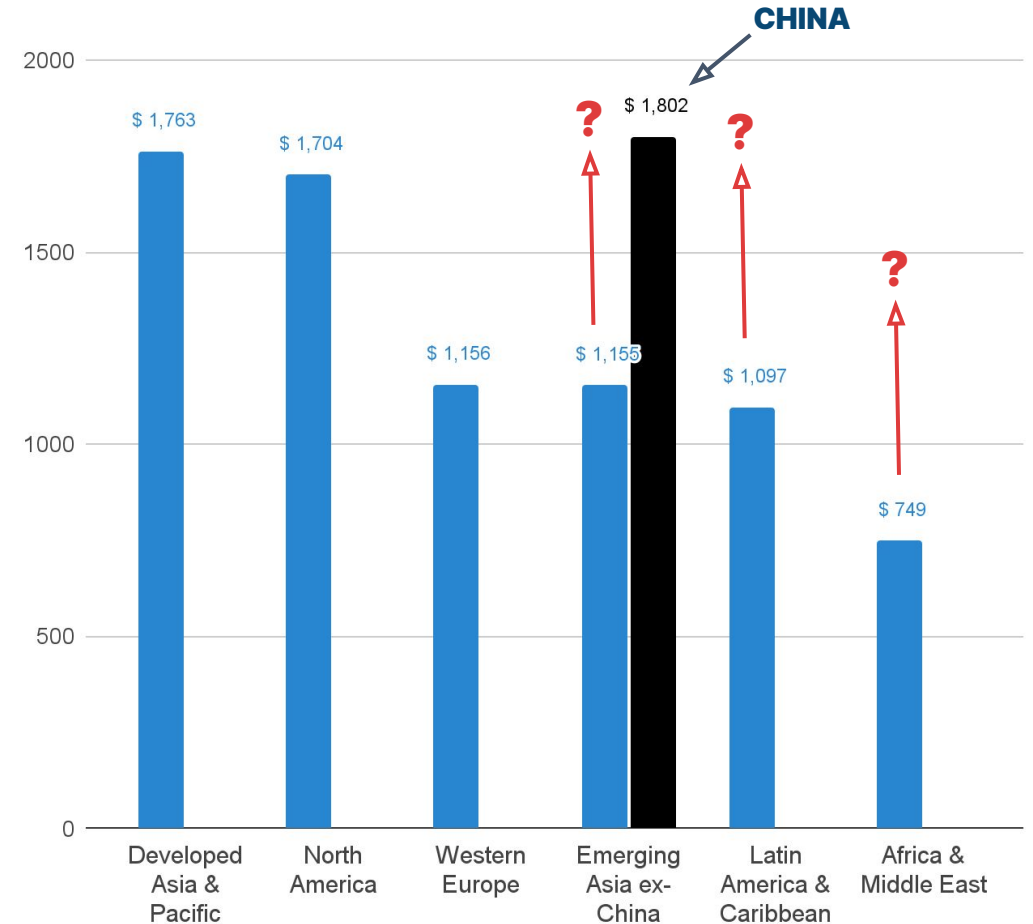
Spending 'Catch-Up' Could Drive an Additional Leg of Tourism Growth from the Developing World

The emerging middle class doesn't spend as much on travel as their developed counterparts.

However, Pre-Covid Chinese outbound travelers spent \$1,800 per trip, the same as travelers coming from North America or Developed Asia.

As other emerging countries in Asia, Latin America, and the Middle East get wealthier, they could 'catch-up' to developed countries on per-capita travel spending, which could drive another major leg of tourism growth.

2017 Average Expenditure (\$) per Outbound Trip →

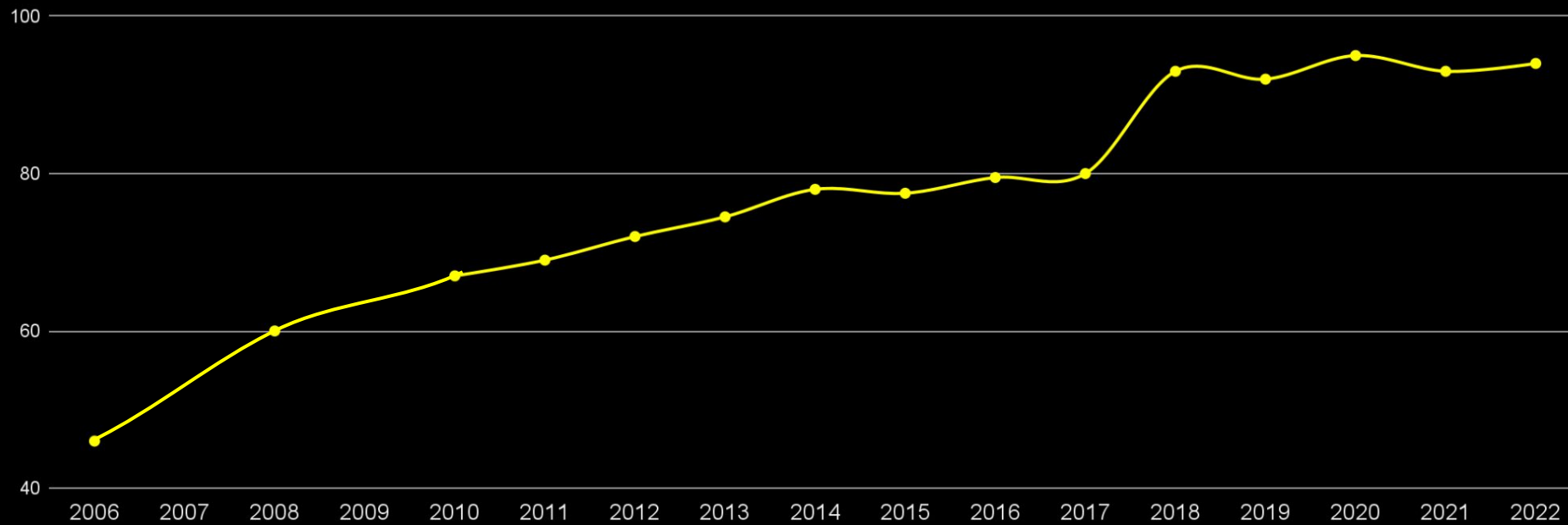




International Travel Has Become Easier

In 2006, the average passport only entitled citizens to travel to <50 countries. Today a typical passport enables visa-free travel to 90+ countries. This unprecedented rise in global mobility has powered the travel sector over the last 20 years. But since 2018 progress has stalled and must be defended by our sector.

Median Country Visa Free Score

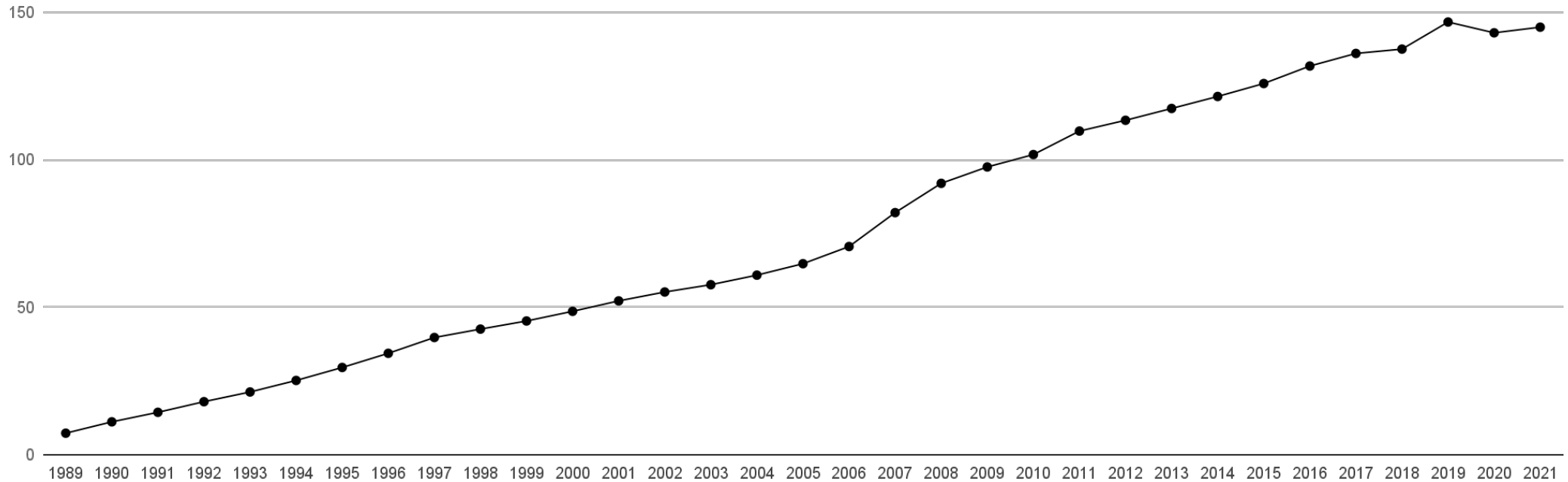


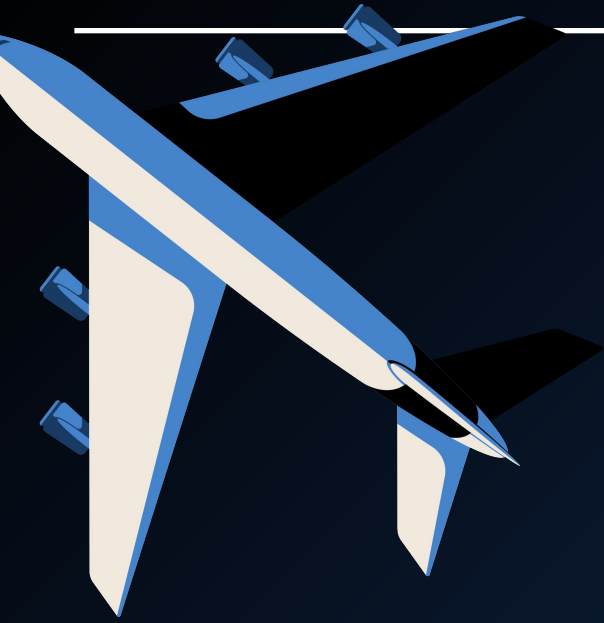


Americans Look Abroad

Even stereotypically insular Americans have embraced global mobility. There are 140 million more U.S. passports in circulation today than there were in the late-'80s.

US Passports in Circulation (millions)





**Thank you
for reading**

Skift.
RESEARCH

Contact Anne Duffy at and@skift.com to learn about Skift Research access for your team

