

The future of travel-hospitality

A Cebr report for edyn

December 2022

The edyn logo is the word "edyn" in a white, lowercase, sans-serif font, with a small trademark symbol (TM) to its upper right. It is positioned on a teal background that forms a curved shape at the bottom right of the page.

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London, December 2022

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Foreword

It's no secret that the last few years have been difficult for the travel and hospitality industries. The pandemic and ensuing crises have forced an evolution in traveller behaviour and, subsequently, the way in which both travel and hospitality businesses operate.

This paper is a deep dive into that evolution. It unpacks the legacy of the pandemic and reveals fresh insights into changing consumer preferences and the future shape of our industry. At edyn, we have always strived to innovate in an industry which has traditionally been slow to change, and through a combination of foresight, creativity and no small amount of luck, we have created hybrid hospitality brands ideally positioned to meet these new demands.

Reassuringly, the findings from this paper reflect an acceleration of changes we have seen emerging in recent years and demonstrate the opportunity of hybrid hospitality, which is better positioned than more traditional models to seize upon such trends as workcations, extended stays, and a demand for features that provide travellers with autonomy and flexibility.

A particular theme running through this paper is a keen desire for more and better travel: more trips, longer stays, and more varied and experiential features than ever before. This desire, both driven and suppressed by the pandemic, does not appear to have been dampened by economic uncertainty, perhaps illustrating a shift in the extent to which consumers now view travel as essential rather than discretionary. Additionally, we're seeing the industry prove its adaptability, with a broader range of brands and models giving consumers greater choice at any given price point. Edyn's own brands, Locke and cove, have been designed specifically with this in mind.

Above all, these findings underscore the enduring appeal and importance of travel and hospitality to our society. Creating exciting, experiential, and memorable stays that offer travellers the autonomy and comfort to explore the best our communities have to offer remains a noble purpose.

Stephen McCall, edyn CEO



Executive Summary

Cebr has been commissioned by edyn, the hybrid hospitality group, to conduct a study into the future of travel-hospitality. This report focuses on the changing travel trends in different areas of travel and hospitality, with a particular focus on the long-term effects of the Covid-19 pandemic.

This is achieved through the analysis of a mix of public and proprietary data sources. This report examines official data on the travel-hospitality landscape, including the nature, length, and destination of travel, and outlines the influence of the Covid-19 pandemic on these key travel indicators. Analysis explores the findings of a bespoke survey of European consumers. Preferences of travellers and workers are examined, by country, generation, and industry. This also allows for inferences to be drawn on the changing preferences of travellers and what this means for business models in the post-pandemic era of travel and hospitality.

Key Findings

COVID-19 and the travel-hospitality landscape

- UK residents averaged 76 million trips abroad per year between 2009 and 2019, spending an annual average of £46 billion, with trips to Europe accounting for 78% of all visits. Leisure trips increased by an average 4.2% per year during this period.
- However, the pandemic led to an unprecedented 74% fall in annual visits abroad by UK residents in 2020.
- Business travel remained broadly flat between 2009-2019, averaging 8.7 million visits a year by UK residents.
- Average length of stay of UK residents abroad increased markedly after the initial restrictions implemented due to Covid-19, rising from an average of 9.7 days from 2019 to 17.8 days by 2021.
- Forecasted data derived from a UK survey reveals a surge in foreign travel is expected during H2 2022, with the share of domestic trips dropping to 54%, though this may include a temporary element of pent-up demand built up in the preceding pandemic period.
- Average turnover within the accommodation sector increased by £710,000 between 2013 and 2021, reaching £2.2 million in 2021.
- Growing demand for flexibility and extended stay offerings is observed, matched by investor interest in serviced apartments and aparthotels due to their strong growth prospects. For example, the proportion of 7-to-14-night stays doubled between 2019 and 2021, with over half of extended stay operators in 2021 planning to open in new locations.

The future sphere of travel-hospitality

- Four separate bespoke surveys of 1,000 individuals each across Europe reveal changing consumer attitudes towards travel since the pandemic.

- The average surveyed traveller expects to make 1.4 times as many trips, stay for an average of 1.3 nights longer, and spend 14% more per night than before the pandemic in 2019.
- Results show a positive correlation between younger consumers and a larger share that are willing to spend more on travel and accommodation since the pandemic, with 43% of Generation Z respondents agreeing with this statement.
- The average UK traveller would pay 9.5% more per night for accommodation with a flexible length of stay. This compares to the average German traveller who is willing to pay 13% more.
- Data shows average surveyed workers expect to increase their number of workcations by 15% in 2023 compared to 2019 (from 1.3 to 1.5).
- Variation across the four country surveys is observed, with Spanish workers expecting to take an average of 43% more workcations in 2023 than in 2019, while the average French worker has not increased their appetite for working while on holiday abroad.
- Facilities for remote working space/equipment have become 24% more important to the average consumer since 2019, after no change in importance observed from 2012 to 2019.
- Workcations' are particularly popular among people surveyed who work in the advertising, marketing, and public relations sectors.
- Sampled engineers saw the largest increase in their preferences for annual workcations, with this rising by 55%, from 1.1 in 2019 to 1.7 in 2023.
- The average working European is willing to increase nightly spending by 11% if a hospitality venue has wellness facilities.

Keys to success in the future of travel-hospitality

- Travel-hospitality accommodation seeking to capitalise on the needs of the future traveller might consider the addition of offering remote working space, since 51% of Millennials and Generation Z consumers say remote working at accommodation was an important factor in their decision making.
- As travellers increasingly focus on price, accommodation businesses must focus on offering travellers broad and compelling offerings which deliver value for money.
- Businesses that can offer extended stays are likely to attract future travellers, with a larger proportion of Millennials and Generation Z consumers preferring this option than the survey average.

Methodology

This report provides in depth analysis into the future of travel and hospitality. Section 1 utilises bespoke survey findings to evaluate changes in preferences and the opportunities this presents for the travel-hospitality sector's business model. Then, changing trends across the travel-hospitality landscape are examined, with a focus on the impact of the pandemic. Next, changes in consumer preferences return to the focal point of analysis, in order to understand the requirements of the traveller of the future.

In Section 2, to better understand the travel and accommodation sector, analysis utilises official data sources to examine trends in travel and accommodation prior to, and during the Covid-19 period. Data from the Office for National Statistics (ONS) highlights travel trends over the past decade via total visit numbers, average duration of stay and average spending while abroad. Then, the split between business and leisure travel provides added insight into the impact of the pandemic.

Cebr analysis uses the Great Britain Tourism Survey (GBTS) to extrapolate estimates of UK domestic tourism trips before the pandemic. Cebr modelling, using data from VisitBritain's COVID-19 Consumer Sentiment Tracker, provides estimates of the share of domestic trips during the pandemic and a forecast for the remainder of 2022. Moreover, travel analysis is supplemented by data from Eurostat on foreign and domestic tourism in Europe. This report then looks at the UK accommodation sector in more granular detail, considering turnover and employment within different types of accommodation, as well as insight into growth in the aparthotel/serviced apartment market and rise of the hybrid sector.

Section 3 of this report analyses the findings of four bespoke surveys of 1,000 consumers in each of the UK, Germany, France and Spain, with the motivation that consumers will be the driving force at the heart of the future of travel and hospitality. This section examines changes in preferences for average nightly spend and duration of stay among travellers. Survey results then shine light on the traveller opinions on price, location, flexibility, bespoke options, and remote working offerings. As well as discussing country-specific findings, analysis provides understanding into generational differences, to better understand the travel of the future, while monetary estimates are calculated using average consumers' willingness to pay for certain offerings in accommodation.

Analysis then focuses on European workers and the changing role of work within the future travel-hospitality mix. Preferences surrounding 'workcations', as defined by a trip abroad with both work and leisure in mind, as well as the ability to extend stays while abroad are examined, with results studied by industry.

1. Key to success in the future of travel-hospitality

Research in this report analyses the evolving preferences of consumers regarding plans for travelling abroad. This first section summarises the findings of four bespoke surveys of 1,000 individuals from the UK, Germany, France, and Spain, with a particular focus on the travel-hospitality sector's business model. This evaluation is further supported by travel data, detailed in Section 2, which show the evolution of key travel statistics prior to and during the pandemic. Results show there are potential opportunities for firms to profit and ready themselves for the future by providing certain accommodation features. This includes an extended stay model, remote working facilities, a consideration of sustainability, and a fair pricing strategy.

1.1 Extended stay model

Enthusiasm and the willingness to pay for trips abroad have increased since the onset of the pandemic. As presented in Section 2, average spending by travellers abroad increased by well over a third (40.6%) between 2020 and 2021, while average length of stay was 83.2% above 2019 levels (see Figure 4 and Figure 5). Meanwhile, survey results presented in Section 3 reveal that consumers expect their average length of stay abroad to stand almost a fifth (19.1%) above 2021 levels by 2023 (see Figure 16). Generational analysis also shows that Millennials and Generation Z, the travellers of the future, plan to increase their average duration of stay most strongly.

Moreover, data show extended stay options were important to 59% of travellers (see Figure 20), though by generation, this share was larger for travellers either in Generation Z (68%) or the Millennial grouping (67%). Likewise, younger generations, on average, were willing to pay more per night for extended stay options than the survey average.

Further results show that the average consumer surveyed was willing to pay 10% more per night for extended stay options (see Figure 21), with Millennials and Generation Z willing to pay 17% more.

If accommodation facilities can meet the increased demand for relatively longer stays shown in this report, with the inclusion of the flexibility to increase stays, they can do well to attract the new generation of travellers. This could point to a business model that offers a discount if consumers opt to stay for an extended period.

1.2 Facilities to accommodate workcations

Data outlined in Section 2 show that foreign business trips have been particularly impacted by the pandemic, as compared to those taken for leisure. Data for Q4 2021 show that the number of business trips abroad was two-thirds (66.4%) down on Q4 2019 levels, the last pre-pandemic quarter (see Figure 7). However, survey data examined in Section 3 show that since the pandemic, preferences for a vacation with leisure and work in mind - "workcations" - have increased by 15% (see Figure 25).

Workcation preferences are found to be largely influenced by an individual's industry of work, with workers in advertising/marketing and public relations, IT and technology, and financial services most inclined to work while also away on holiday (see Figure 27). At 53%, 49% and 35%, respectively, these sectors also see the largest increases in the share of workers considering remote working space in leisure accommodation more important than

they did in 2019. Indeed, employees working in the advertising, marketing or public relations sectors are shown to be willing to pay an average of 36% more on accommodation per night if remote working facilities are available, while IT/tech employees are willing to pay 6 percentage points more (14%) than the worker average of 8%.

A generational split of surveyed consumers reveals age is an important contributor to preferences for remote working (see Figure 23). Indeed, when choosing accommodation before going abroad, the same 51% share of Millennials and Generation Z consumers said remote working facilities were important, compared to just 15% of a grouping of older Baby Boomers and Silent Generation respondents.

Considering this analysis, travel-hospitality accommodation seeking to capitalise on the needs of the future traveller might consider the addition of communal working space within holiday accommodation, which allows employees to mix leisure and work while abroad on holiday.

1.3 Sustainability

Accommodation that has a low environmental impact is now more important to 35% of travellers than before the pandemic, with 12% stating that this concern is now 'much more important' to them when choosing accommodation for leisure trips abroad (see Figure 22). Indeed, this added concern for environmental impact is corroborated by other data from our survey, in which 38% of travellers indicated they want to limit how much they travel to reduce the impact on the environment.

The climate emergency has accelerated the awareness of climate change over recent years, yet analysis in this report shows appetite for travel is set to increase beyond the level preceding the pandemic. It is possible that increased concern for the environment is contributing to the changing preferences examined. Growing preferences for longer stays, alongside an increased preference for a wider range of offerings to facilitate those longer stays, including remote working space and wellness facilities, may be a result of this increased concern, as travellers can avoid the need to return home soon after arrival and thereby make more efficient travel choices.

Travel-hospitality is already proving it can adapt to the needs of the carbon-conscious traveller, with flight websites such as Skyscanner now offering an option for routes that are less polluting for a premium, or new carbon offsetting schemes offered by airlines, whereby travellers can donate to environmental causes to offset their carbon footprint from travel. These options, paired with the new digital nomad's ability to travel with just one suitcase and a laptop, mean more travel does not need to be synonymous with more environmental damage.

For travel-hospitality businesses, this means that efforts to facilitate emissions-mitigating behaviour on the part of consumers, alongside more commonplace steps to mitigating their own environmental impact, will positively resonate with travellers.

1.4 Reasonable pricing

Consumers across Europe are currently experiencing the largest squeeze in living standards in at least a decade. Soaring inflation, particularly concentrated in energy and food costs due to the war in Ukraine, is a significant threat to economic activity and the UK is forecast to fall into recession at the end of 2022. In July this year, the YouGov/Cebr Consumer Confidence Index was 10.2 points below the result in July 2021, with forward-looking expectations from households regarding their finances 50.0 points down on the year before.

This weak economic backdrop will likely have implications for overseas travel in the near term, with some consumers more budget constrained. This is corroborated by survey analysis that shows a significantly larger portion of consumers than before the pandemic now want to find a reasonable price before spending on accommodation. Analysis in section 3 shows that 85% of consumers feel a reasonable price for accommodation was important, while 42% signalled this feature has become more important since the pandemic. It is worth bearing in mind that the data for this survey were collected during Q3 2022, a time in which the cost-of-living was likely at the forefront of consumers' minds.

Together with findings on increased enthusiasm for travel, accommodation businesses must finely balance a pricing strategy that is profitable but offers a feeling of value for money to consumers. This could be in the form of discounts for longer stays or exclusive deals for consumers that join as part of a membership.

2. Covid-19 and the travel-hospitality landscape

As with many aspects of life, the Covid-19 pandemic and the containment measures implemented to protect public health saw a step-change in travel behaviour. Predominantly from a UK perspective, this section examines pre-pandemic trends in foreign and domestic tourism and explores the subsequent impact of, and recovery from, the pandemic shock. It then takes a closer look at the UK accommodation sector and draws on existing literature to consider upcoming trends in the industry.

2.1 UK travel trends before the pandemic

Data from the Office for National Statistics (ONS) highlight the overall significance of the travel industry as well as the impact of the pandemic on previous strong growth trends. Total visits abroad and spending by UK residents are tracked annually and quarterly.

Figure 1: Visits abroad by UK residents, by year (millions)*

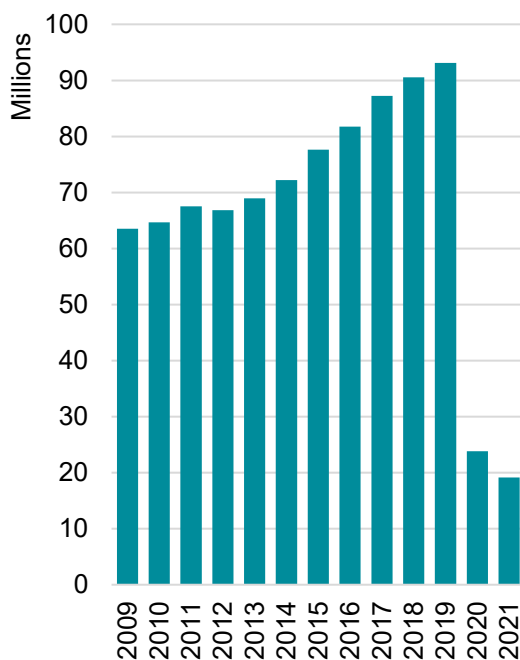
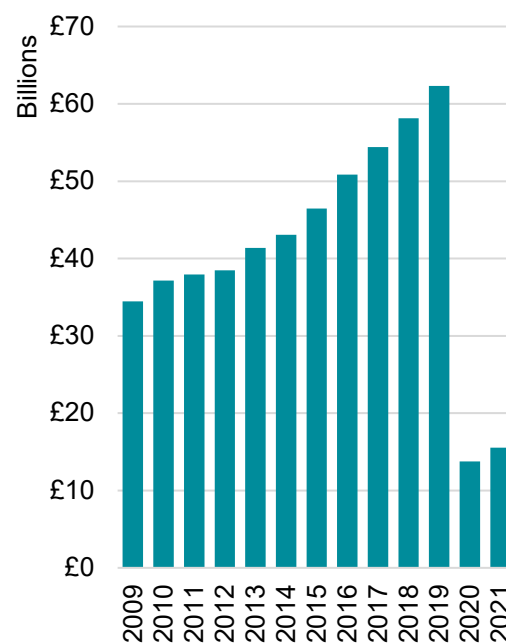


Figure 2: Spend abroad by UK residents, by year (billions)*



* Data for 2020 based on models using passenger numbers and IPS trend data.

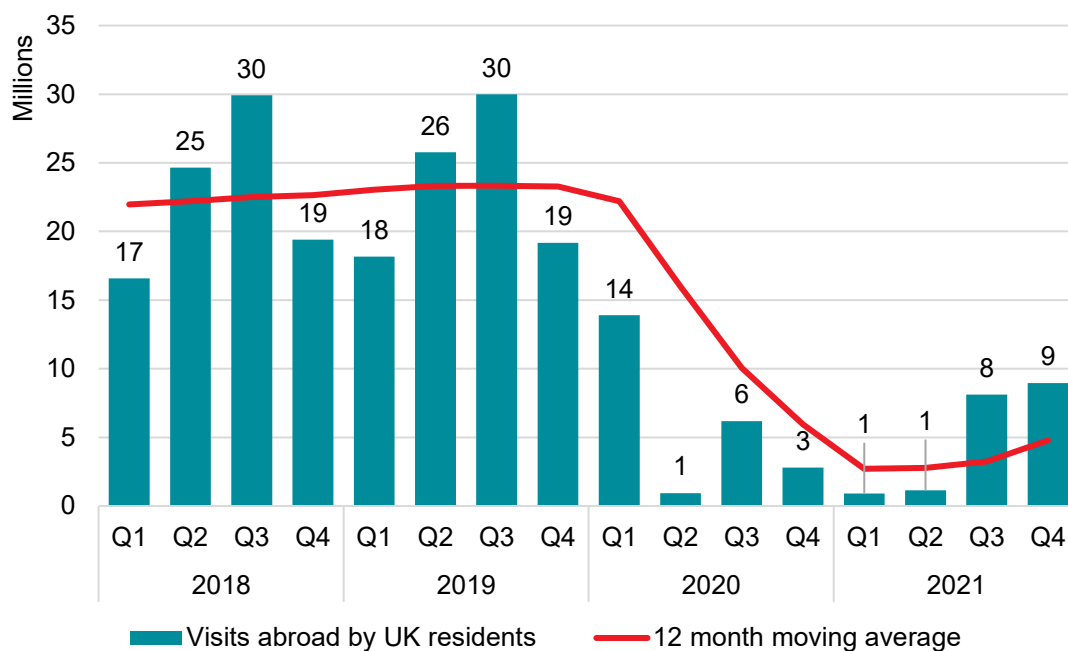
Source: ONS, Cebr analysis

Data show UK residents averaged 76 million trips abroad per year between 2009 and 2019, spending an annual average of £46 billion. Additionally, a gradual growth trend is observed for visits and expenditures across the 11 years before the pandemic. The CAGR (compound annual growth rate) for visits made was 3.9%, with expenditure rising by an average of 6.1%, demonstrating solid pre-pandemic growth in the sector.

2.2 The impact of the pandemic on travel

The travel landscape has changed dramatically since the pandemic. The spread of Covid-19 in early 2020 led to unprecedented shutdowns across the world, with the travel sector disproportionately affected due to the nature of contact-intensive services within the industry. Subsequent rounds of lockdowns and varying degrees of restrictions had a severe impact on all sectors of the economy. However, while some businesses began to better adapt to a 'new normal', utilising working at home and two-meter distancing, the foreign travel industry struggled due to its contact-heavy and international nature.

Figure 3: Visits abroad by UK residents, by quarter (millions)*



* Data for 2020 based on models using passenger numbers and IPS trend data.

Source: ONS, Cebr analysis

The quarterly breakdown of travel statistics in Figure 3 best displays the impact of the pandemic on travel trends. Indeed, visits abroad nosedived in Q2 2020 due to the initial UK lockdown, with visitor numbers collapsing 96% compared to the same quarter a year before. Subsequent varying degrees of restrictions from both the UK government and overseas authorities meant that 2020 and 2021 saw a sustained period of very low numbers of visits abroad. On an annual basis, visits fell by 74% in 2020 and then by a further 20% in 2021, after the first half of 2021 saw the longest period of strict restrictions on overseas travel for UK residents. ONS data show a marked increase in visits during H2 2021, relative to the preceding year, once the most severe travel restrictions were eased. However, results were still well below recent historical norms, and this is likely due to the increased cost of travel during this period due to Covid-19 travel testing, as well as the broader uncertainty surrounding the pandemic that was still rife at the time.

2.3 UK residents' evolving preferences for travel

Average length of stay exhibited a dissimilar trend to visits and expenditure before the pandemic. Data broadly show a slight decline from 2009-2019, with UK residents staying for an average of 10.5 days during the first half of the period, with this falling to an average of 10.2 during the latter half.

Figure 4: Average length of stay abroad by UK residents, by year (days)*

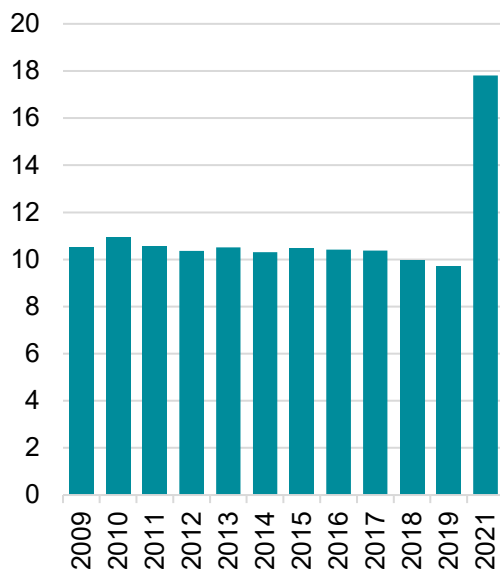
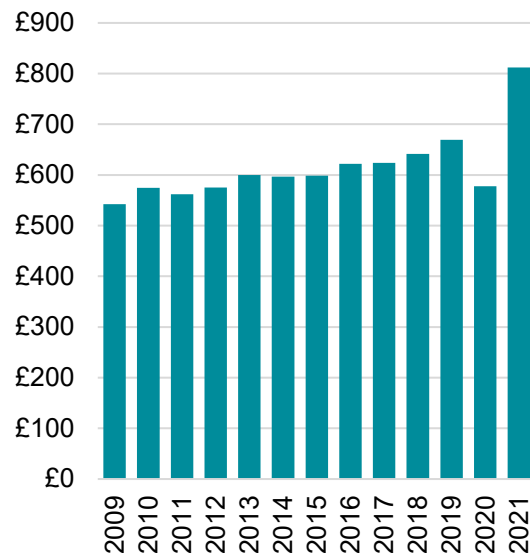


Figure 5: Average spend per visit abroad by UK residents, by year (£)**



* No data were collected for Q2 to Q4 2020 due to the pandemic.

** Data for 2020 based on models using passenger numbers and IPS trend data.

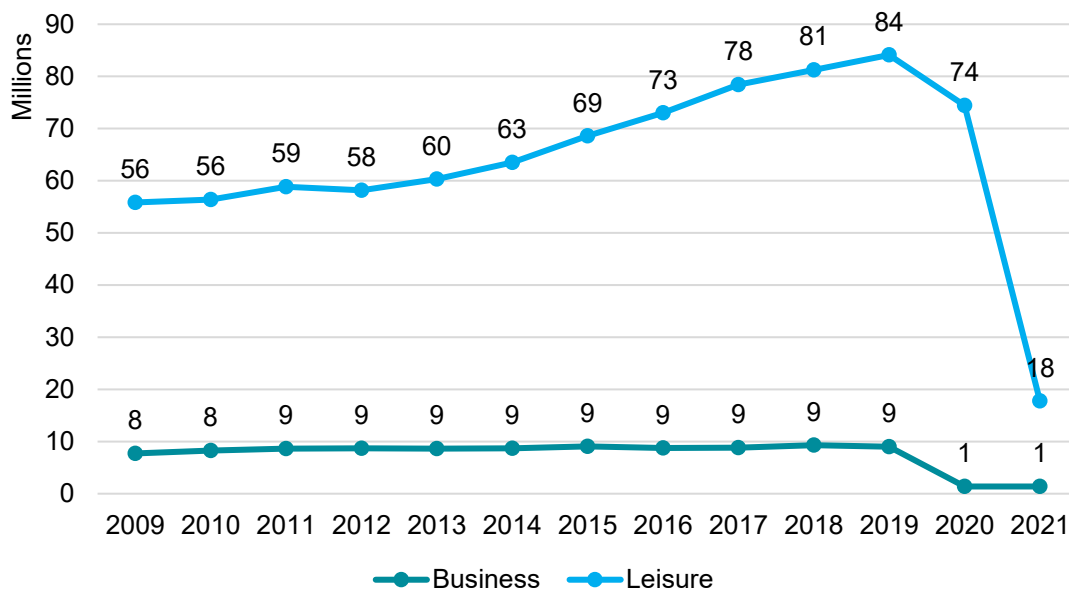
Source: ONS, Cebr analysis

Furthermore, the ONS data visualised in Figure 4 and Figure 5 show that the pandemic had a distinct impact on the characteristics of a visit by a UK traveller. Firstly, length of stay increased markedly after the initial spread of Covid-19, rising from an average of 10.4 days from 2009 to 2019 to 17.8 days by 2021. Similarly, average spending per visit increased by just over a third in 2021, compared to the same pre-pandemic period. Both these increases likely stem from an element of pent-up demand during the worst of the pandemic, leading to a preference for longer, and therefore more costly, travel by UK residents, potentially aiming to make up for lost time abroad. An added consideration is that self-isolation requirements in 2021 often meant that shorter trips were not worthwhile, as the majority of a trip would have been taken up waiting to receive a Covid-19 test result.

2.4 Leisure versus business travel

Within the discussion of changing UK travel trends, the split of reasons for travel is an important consideration, and data show that the balance between business and leisure travel has been undoubtedly impacted by the pandemic. Data on the number of visits abroad from the ONS are split between business and all other reasons, which here are classified together as leisure.

Figure 6: Number of visits abroad by UK residents, split by leisure and business (millions)*

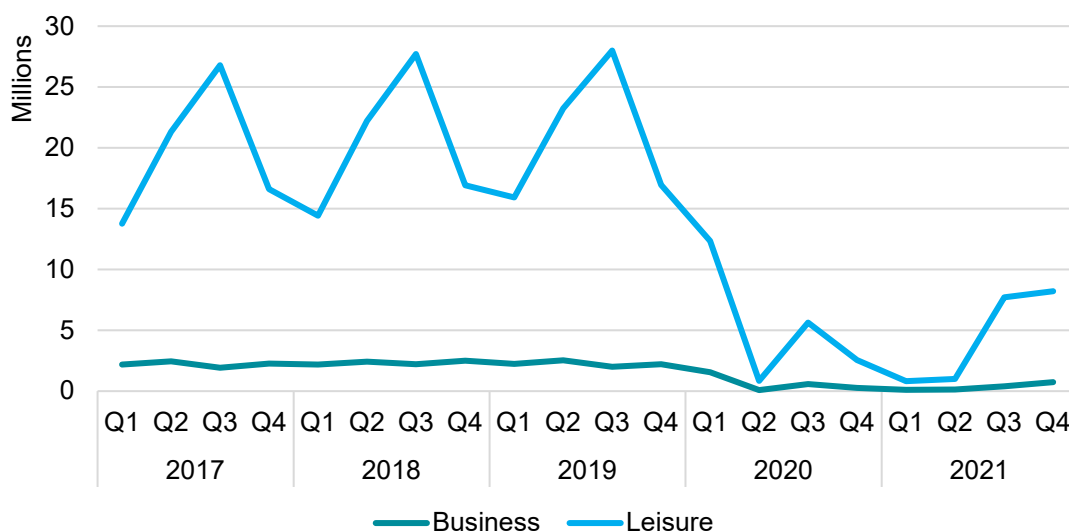


* Data for 2021 exclude the Eurotunnel and the Irish land border. Leisure trips include holidays, visits to friends and family, and a small miscellaneous category.

Source: ONS, Cebr analysis

As shown in Figure 6, the clearest observation in the data is that during the pre-pandemic period, business travel was broadly flat, averaging 8.7 million visits a year by UK residents, while leisure travel increased significantly, exhibiting a CAGR of 4.2% from 2009 to 2019. Moreover, since the pandemic, the share of business travel has decreased, with 7% of all visits in 2021 being business-related, versus 10% in 2019. More data are needed to understand whether this observation is lasting, as 2021 saw various degrees of Covid-19 restrictions related to non-essential travel, thereby impacting this statistic.

Figure 7: Number of visits abroad by UK residents, split by leisure and business, by quarter (millions)*



* Due to a lack of data on quarterly travel by purpose during Q2-Q4 2020, figures are imputed using the whole-year average ratio between business and leisure travel and the quarterly number of trips.

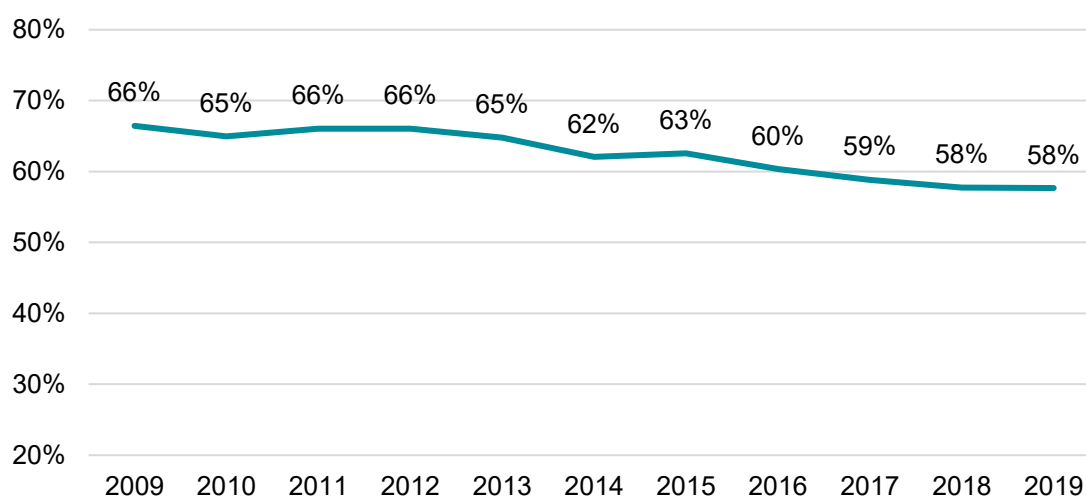
Source: ONS, Cebr analysis

Meanwhile, quarterly data presented in Figure 7 show that, following a sharp reduction in the early pandemic period, particularly leisure travel saw somewhat of a rebound throughout 2021. As of Q4 2021, the number of leisure trips abroad stood just under half of the Q4 2019 reading (51.5% down). The pandemic gap in foreign business trips was larger, however, with trips two-thirds (66.4%) down on the last pre-pandemic quarter.

2.5 Foreign versus domestic travel

Analysis so far has focused on international travel. This section provides a similar enquiry into the impact of the pandemic on domestic travel. Focus is predominantly placed on British domestic tourism trips, on which VisitBritain's Great Britain Tourism Survey (GBTS) provides rich pre-pandemic data.

Figure 8: Share of estimated UK domestic tourism trips in total visits (domestic and abroad), by year*



* Relative population statistics used to scale VisitBritain GBTS domestic tourism figures to reflect the entire UK.

Source: VisitBritain GBTS, ONS and Cebr analysis

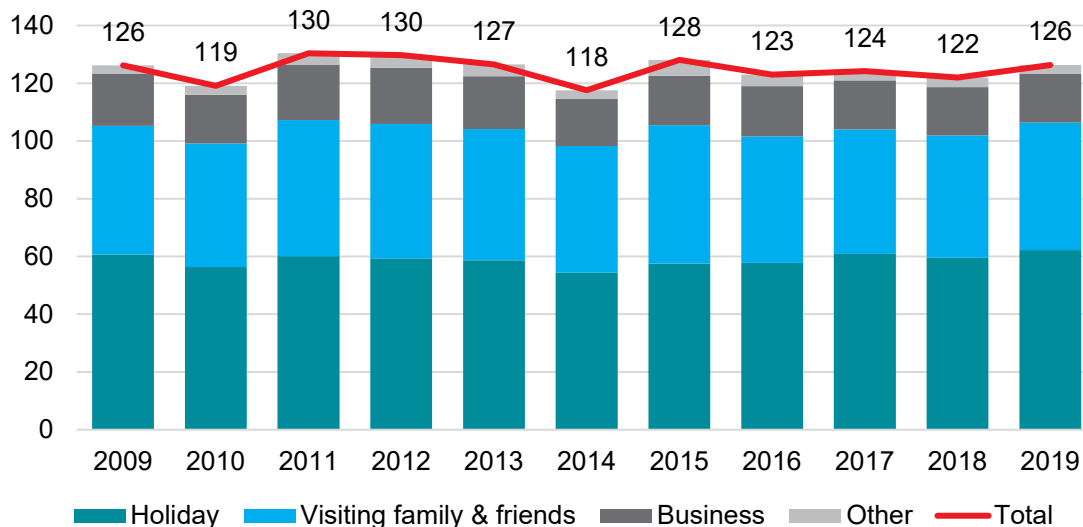
Estimates presented in Figure 8 show that domestic UK tourism trips made up the majority of all trips (domestic or abroad) in the decade prior to the pandemic, although this share fell from two-thirds (66%) between 2009-2012 to 58% in the two pre-pandemic years.¹ As shown in Figure 9, this downward trend was not a result of a falling absolute number of domestic overnight trips, which remained stable at an average of 125 million across the period. Instead, this was largely driven by the increase in (leisure) visits abroad, as previously depicted in Figure 7.

Figure 9 also presents the breakdown of domestic UK tourism trips by purpose of visit. This shows that the total number of domestic holiday trips recorded a low of 54 million in 2014, before rising consistently to a series high of 62 million in 2019. Meanwhile, domestic

¹ The relative population sizes of the United Kingdom and Great Britain in each year are used to scale up GBTS data on domestic trips in Great Britain. Studying the results of the previous (pre-2011) United Kingdom Tourism Survey (UKTS), which had UK-wide coverage, suggests that Northern Ireland's contribution to total domestic tourism was almost perfectly proportional to its relative population size.

overnight trips to visit family and friends recorded a high of 48 million in 2015, with subsequent year-on-year falls culminating in a low of 42 million in 2018.

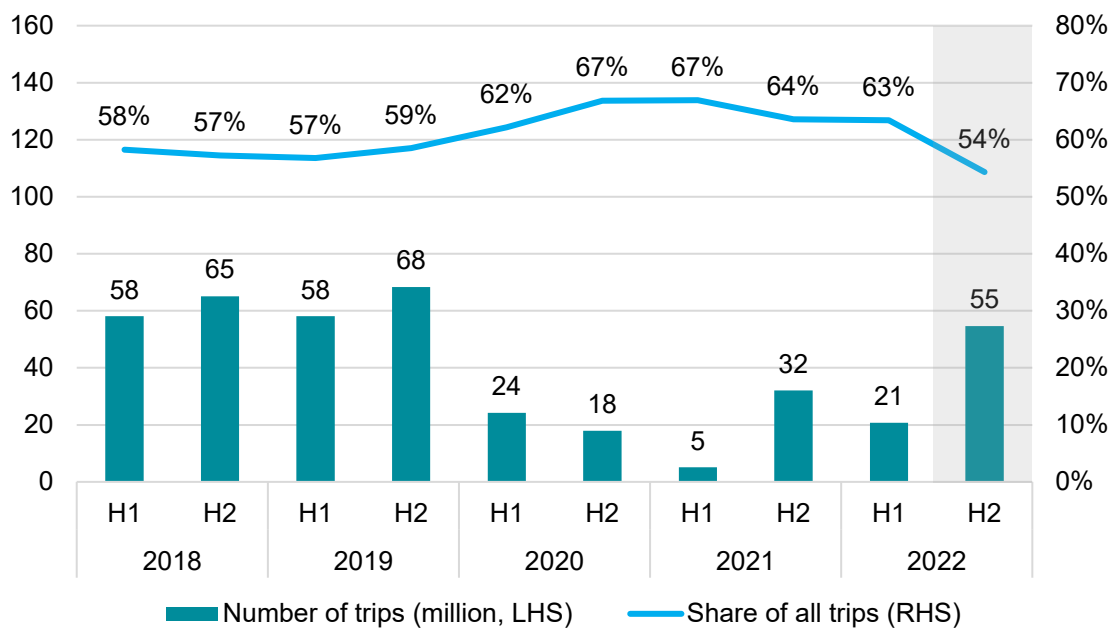
Figure 9: Estimated domestic tourism trips across the UK, by year and purpose of visit (millions)*



* Relative population statistics used to scale VisitBritain GBTS domestic tourism trip figures to reflect the entire UK.

Source: VisitBritain Great Britain Tourism Survey and Cebr analysis

Figure 10: Estimated/forecasted number of domestic tourism trips in the UK and share of total tourism trips, by half-year period*



* Trip numbers prior to 2020 reflect VisitBritain GBTS figures. For subsequent periods, figures are based on VisitBritain DST data, along with other sources and assumptions, as outlined in Appendix A.

Source: VisitBritain (GBTS, DST, Inbound Tourism Forecast 2022), ONS and Cebr analysis

In light of disruption to GBTS data collection from 2020, trends in domestic tourism during the pandemic are gleaned from the VisitBritain Domestic Sentiment Tracker (DST).² The results of this analysis are presented in Figure 10.

Firstly, data from the DST revealing households' recent propensity to travel domestically and internationally were used to compute the relative share of domestic tourism trips in all trips. This estimated share rose notably in the first year of the pandemic, with a high of 67% reached in the second half of 2020 and the first half of 2021. This marked a 10 percentage-point increase in the domestic trip share in just two years, a likely reflection of the mobility restrictions, including travel bans to and from the UK, imposed during the heights of the pandemic. Subsequently, beginning in the second half of 2021, the share of domestic trips in all trips is estimated to have eased back slightly, to around 64%, as foreign travel became easier.

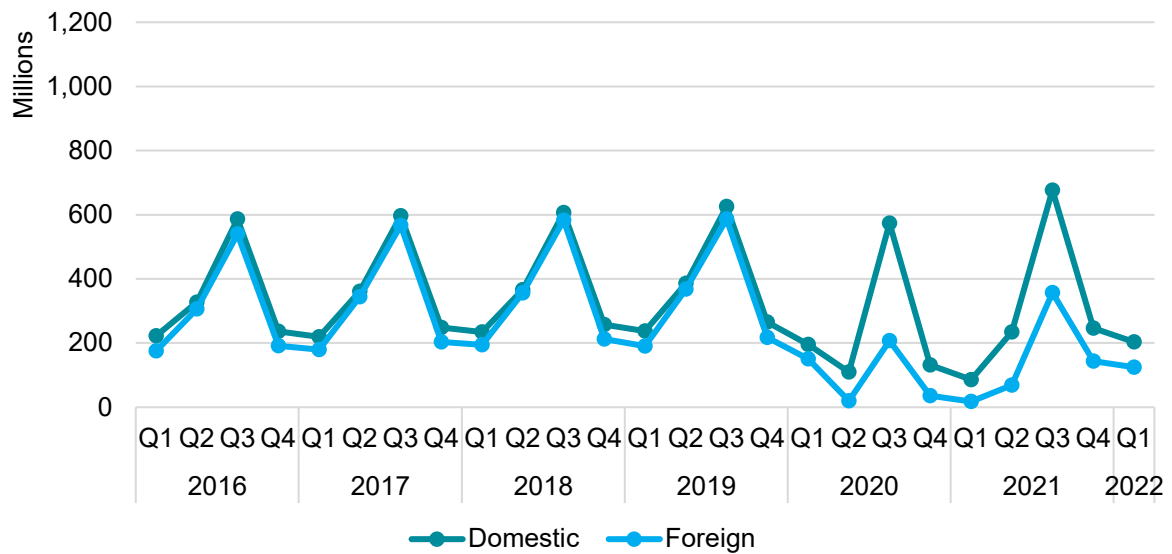
Using the estimated proportion of domestic trips in conjunction with ONS estimates of the number of trips abroad facilitates the imputation of the level of domestic trips during the pandemic. Greater detail on the methodology used to produce these figures is provided in Appendix A. As illustrated in Figure 10, the number of domestic tourism trips is estimated to have fallen by almost two-thirds (65%) between H2 2019 and H1 2020, from 68 million to 24 million. Domestic trips are estimated to have fallen a further 79% by H1 2021, from H1 2020 levels, to stand at just 5 million. A subsequent mobility bounce back is expected to have seen 32 million domestic tourism trips in H2 2021, with a sharp further rise to 55 million expected in H2 2022.

Finally, data from Eurostat provide insight into domestic tourism trends across the EU since the pandemic. As shown in Figure 11, domestic guests in overnight tourist accommodation across the EU consistently outnumber those from abroad. However, after averaging a relatively stable 53% of all guests in the four pre-pandemic years, domestic guests made up a notably higher proportion of all guests following the onset of the pandemic. The domestic guest share rose to highs of 85% and 83% in Q2 2020 and Q1 2021, respectively, and averaged 75% across the period Q2 2020 – Q4 2021. This reflects the strict restrictions on movement between countries and accompanying uncertainty observed during the period.

Subsequently, while narrowing, this gap is estimated to have remained large into Q1 2022, when the data show that domestic guests made 62% of nights. At 38%, the share of foreign guests therefore remained 9 percentage points below the pre-Covid average, potentially pointing to a more lasting change in consumers' attitudes toward travel.

² Starting in May 2020, the nationally representative survey tracks UK households' intent to and recent experience with travel, both domestically and internationally. The survey initially ran on a weekly basis, throughout much of 2020, with fortnightly reporting for the majority of 2021 and a monthly cycle since late 2021. Results from the DST were used to estimate the share and level of domestic tourism trips during the pandemic, the full methodology for which is presented in Appendix A.

Figure 11: Nights spent in tourist accommodation across the EU, by quarter (millions)*



* 2022 Q1 is a provisional Eurostat estimate.

Source: Eurostat, Cebr analysis

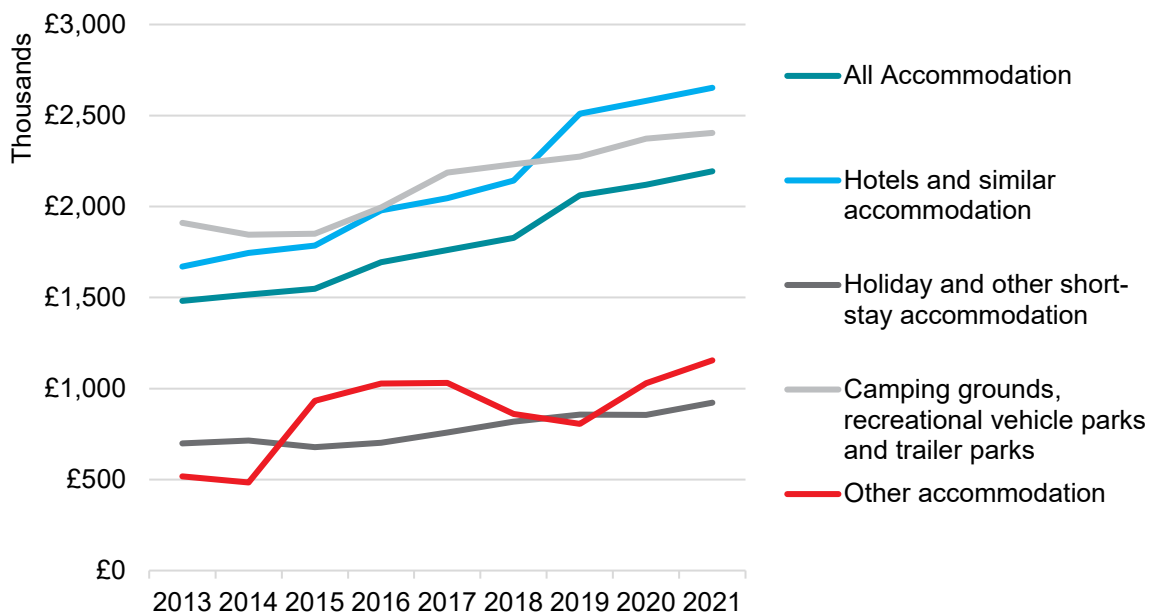
2.6 Average turnover in the UK accommodation sector

Following the examination of travel trends before and since the pandemic, data from the UK government on business population estimates allow for a closer examination of the makeup of the UK accommodation sector across this period.

Average turnover³ within the accommodation sector increased by £710,000 between 2013 and 2021, reaching £2.2 million in 2021. Growth in the metric was witnessed every year in this period, though 2019 saw a particularly sizeable increase of 13%, not least helped by large businesses (those with 250 or more employees), which saw total turnover increase by 24%. The weaker British pound relative to the euro may have helped support the accommodation sector during this period by making it more competitive in attracting overseas travellers. Notably, average turnover increased by 3% in both pandemic-struck years of 2020 and 2021. However, 2021 was the first time during the nine-year period in which the number of businesses fell, leading to a distortion in this growth figure.

³ Average business turnover and employment are analysed for businesses classed as employers, i.e., those that employ one or more workers separate from the owner, to understand changes in the sector over time.

Figure 12: Average turnover for UK employers (businesses) split by type of accommodation, by year (£ thousands)

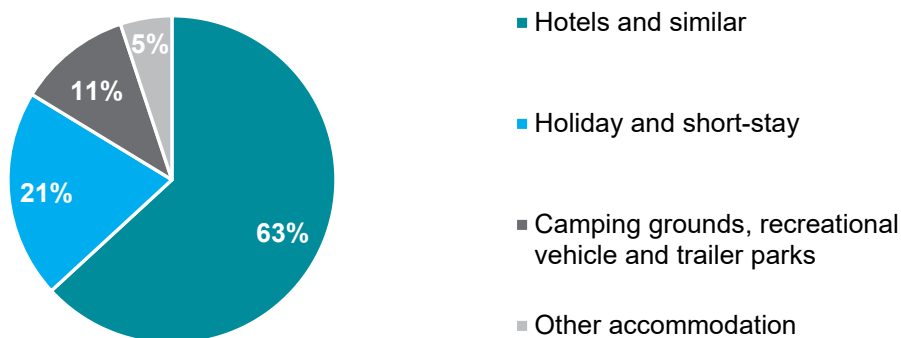


Source: ONS, Cebr analysis

Figure 12 shows the evolution of average turnover for UK businesses within the accommodation sector. This shows hotels, as well as camping grounds, contribute significantly, though all subsections did grow over the nine years studied (2013 to 2021). Hotels saw the highest average growth increase of 6% each year, culminating in the group yielding the highest average turnover in 2019. Meanwhile, holiday and short-stay accommodation grew by an average of almost 4% each year.

2.7 Businesses and employees in the UK accommodation sector

Figure 13: Share of total UK businesses (employers) by accommodation type in 2021

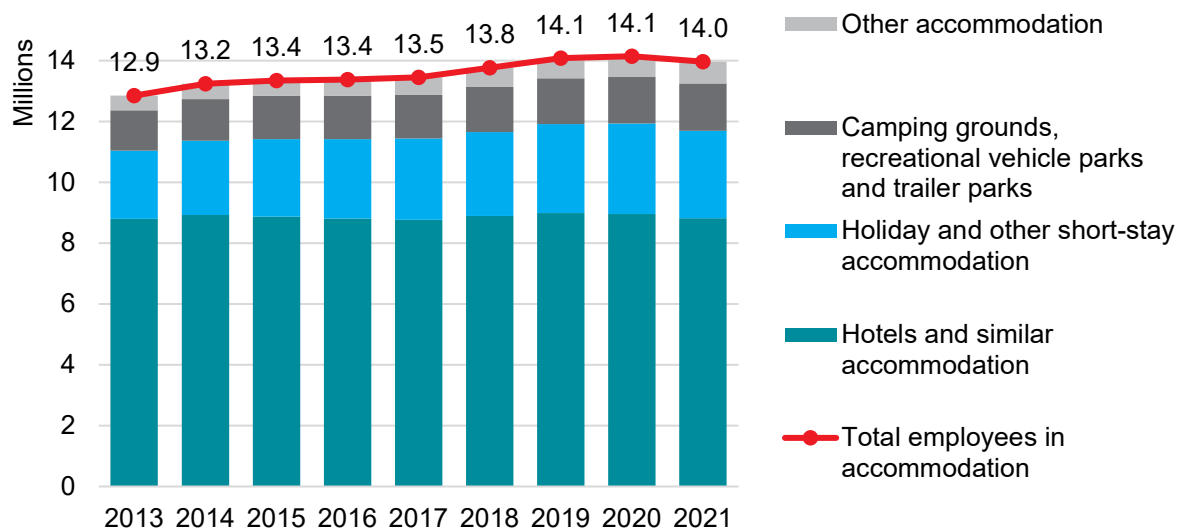


Source: ONS, Cebr analysis

For 2021, the number of businesses within each sub-category is shown in Figure 13. Within the accommodation sector, hotels provide by far the largest slice of total businesses in the industry. This share has fallen by 5% since 2013, with the lost ground made up by an increase in the share of businesses for holidays, which rose by almost a fifth over the same

period. Still, the share of the two other groupings of accommodation have seen little variation between 2013 and 2021.

Figure 14: Number of employees in UK accommodation sector, by subcategory, by year (millions)



Source: ONS, Cebr analysis

As shown in Figure 14, the evolution in the number of employees in the accommodation sector highlights the impact of the pandemic on businesses. Pre-pandemic, year-on-year growth is observed for the sector in total, with the strongest gains concentrated in the holiday segment as well as the other accommodation grouping. However, 2021 shows the first year of negative employment growth for the entire sector, with the largest fall observed within both hotel and holiday segments. Still, the UK government furlough scheme, which provided significant wage support to furloughed workers throughout the pandemic, certainly lessened the impact of Covid-related restrictions on employment.

2.8 Accommodation in greater granularity

While the analysis of business population estimates is not possible at a more granular level than that presented in the previous section, alternative sources provide insight into emerging trends within the relatively broad group of 'hotels'.

The hotel industry model has seen a large degree of innovation in recent years, with the rise of serviced apartments and aparthotels representing a key development. According to a 2019 Lambert Smith Hampton Hotels Report, the number of serviced apartments and aparthotel units stood at just 3% of those in the conventional hotel market across the UK and Ireland. The report, though, pointed to rapid growth in the market, with the number of units expected to rise by 13% by 2021.⁴

Serviced apartments, available for short-term or long-term rental, offer a more home-like experience than a traditional hotel, with full kitchens and separate living and sleeping areas.

⁴ ['Va Va Vroom: Redefining the Hotel Sector'](#) – Lambert Smith Hampton (2019)

Guests do, though, typically retain access to traditional hotel amenities including housekeeping, laundry and internet connectivity. Meanwhile, aparthotels tend to strike a balance between the serviced apartment and traditional hotel models. For example, they may have small kitchenettes and separate living and sleeping areas, but also offer hotel-like services such as housekeeping, restaurants, gyms, and 24-hour reception. Nonetheless, both options are similar in the greater flexibility that they facilitate for travellers.

Moreover, the rise of remote working has seen a corresponding increase in interest for hotels to provide better amenities for digital nomads, a development furthering existing trends in the hybrid sector. This includes, among others, having access to reliable internet and well-equipped flexible workspaces. Furthermore, during the pandemic, serviced apartments became a more attractive accommodation option for those needing or wishing to self-isolate, while many chose to take fewer, but longer, stays, for which such apartments are well-designed. Although some of the trends seen during the pandemic were driven by necessity and will partially reverse, preferences are unlikely to return fully to pre-pandemic norms, notably in light of what appears to be a step change in working practices. These developments therefore suggest that the growing demand for flexibility and extended stay opportunities is likely to prove persistent.

According to the Global Serviced Apartment Industry Report (GSAIR) 2022, the rate of growth in the serviced apartments sector slowed during the pandemic, but remained resilient.⁵ The report identified that 68% of serviced apartment operators reported taking market share from hotels in 2021, with the proportion of 7-to-14-night stays doubling from 8% in 2019 to stand at 16%. This comes as HRS data show the share of business trips more than seven nights in duration increasing almost fivefold over the same period, from 8% to 39%.⁶ With a 2022 Deloitte survey showing that 23% of companies have agreements with specific apartment or home stay brands for business travel accommodation, this pandemic-driven trend in business travel has clearly been a growth opportunity for serviced apartment providers.⁷

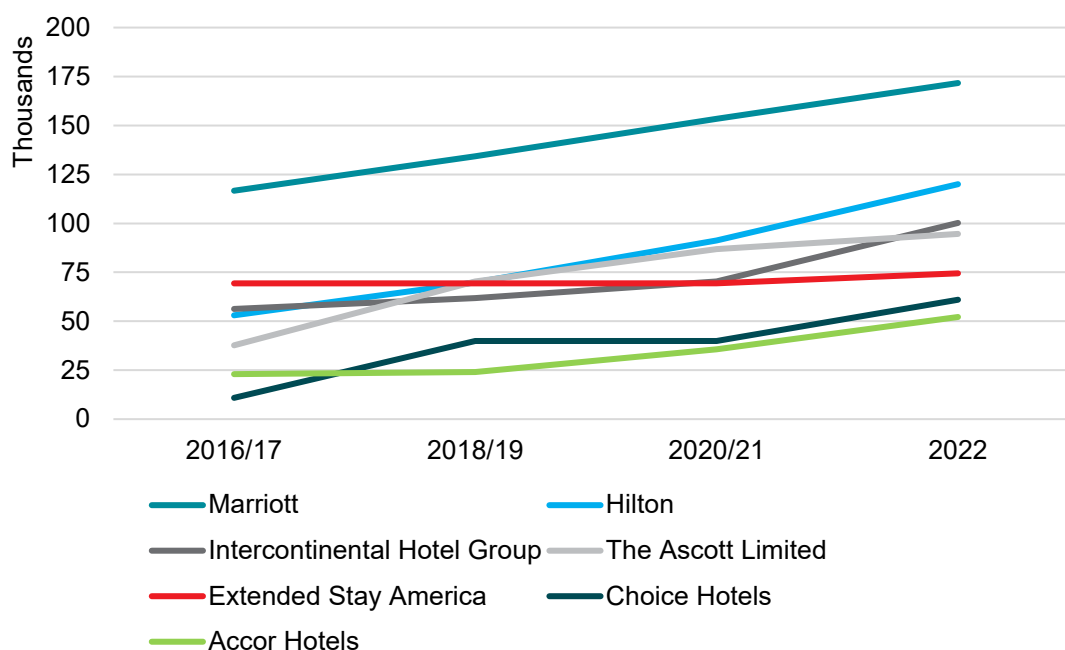
The growth of serviced apartments has also become increasingly spread worldwide. GSAIR data show that, whereas the market was previously largely focused in the US, accounting for 77% of global supply in 2007, growth elsewhere is estimated to have reduced this share to 52% in 2021. Meanwhile, the prospects for future market growth are also strong, with 56% of operators surveyed in 2021 planning to open in new locations, the third consecutive increase across the report's surveys since 2017.

⁵ ['The Global Serviced Apartments Industry Report 2022'](#) – SilverDoor (2022)

⁶ [HRS press release](#) (2021)

⁷ ['Reshaping the landscape: Corporate travel in 2022 and beyond'](#) – Deloitte (2022)

Figure 15: Number of units held by the top seven (as of 2022) extended stay market chains over time



Source: GSAIR and Cebr analysis

Further GSAIR data show the growth in the number of units held by chains in the extended stay market. Developments among the top seven market participants as of the 2022 report, in terms of units, are illustrated in Figure 14. This shows that Marriott has remained the largest player in the market since the GSAIR 2016/17, increasing its number of units by 47% by 2022. However, Choice Hotels has seen the most rapid growth over this period, with an increase of 460% on 2016/17 levels as of the 2022 report. This is followed by Intercontinental Hotel Group (151%), Accor Hotels (127%), and Hilton (126%). The latest report also highlights the growth of new extended stay brands launched by other chains throughout the pandemic, including edyn's 'Cove' brand, Oakwood's 'Living' and Cheval's 'My Locanda'.

From a financial perspective, the Lambert Smith Hampton Hotels Report 2021 identified serviced apartments and aparthotels as a popular area for investors.⁸ This is because of the resilient growth seen during the pandemic, allowing these areas to grow their market shares, as well as the prospect for strong growth in the post-pandemic period and this representing a means to diversify one's hotel portfolio. Even prior to the pandemic, the Hotels Report 2019 identified the aparthotels sector as one of the most exciting parts of the accommodation market, due to their incorporation of then-emerging concepts such as co-working and co-living. Working on the forefront of the accommodation sector, such innovative models may well become the norm for many travellers in the future, whether for leisure, business, or a mixture of the two.

⁸ ['Coast & Country: The Staycation-Driven Hotel Market Recovery'](#) – Lambert Smith Hampton (2021)

3. The future sphere of travel-hospitality

This section explores consumers' current preferences towards travel, with analysis utilising four separate bespoke surveys of 1000 individuals from the UK, Germany, France, and Spain. Looking holistically at surveyed individuals allows for inferences to be drawn on the traveller of the future. This notably includes a more granular look at average answers, by country, by generation and by industry. The final part of this section is dedicated to understanding the impact of the pandemic on workers attitudes to working abroad and any change in appetite for extended stays.

Headline results from this section include the fact that in the post-Covid era, the average surveyed traveller expects to make 1.4 times as many trips, stay for an average of 1.3 nights longer, and spend 14% more per night than before the pandemic. This culminates in a rise in annual average spending of 78%, to an expected £3,377 in 2023, a positive signal for the industry. Meanwhile, results show 35% of UK travellers say that carbon consciousness is an important factor in determining their frequency of travel. Additionally, an accommodation which includes exclusive discounts and perks as part of a membership model is found to be an important factor to over half of all surveyed consumers (55%).

3.1 Consumers' preferences towards travel for leisure

Of the 4,000 consumers that were surveyed, 3,392 (85%) said they regularly or semi-regularly go abroad on holiday, which forms the base sample of travellers for the analysis in this section. This portion of respondents was then asked about their average duration of stay per trip and average nightly spend, both in the last three years, and their expectations for the next two years. In culmination, the results show that in the post-Covid era, the average surveyed traveller expects to make 1.4 times as many trips, stay for an average of 1.3 nights longer, and spend £15.30 more per night than before the pandemic.

Figure 16: Average duration of stay of surveyed travellers (nights)

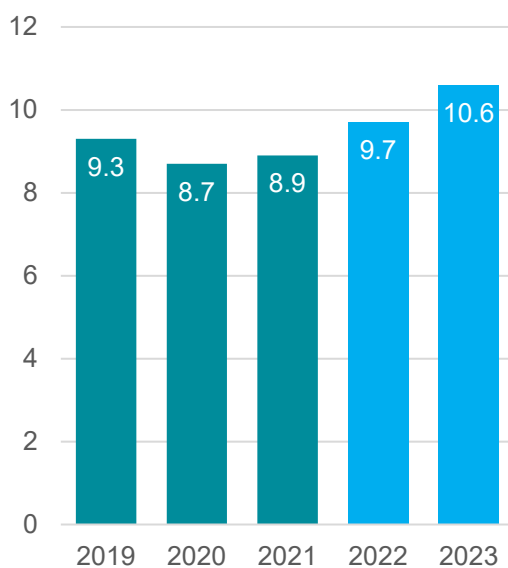
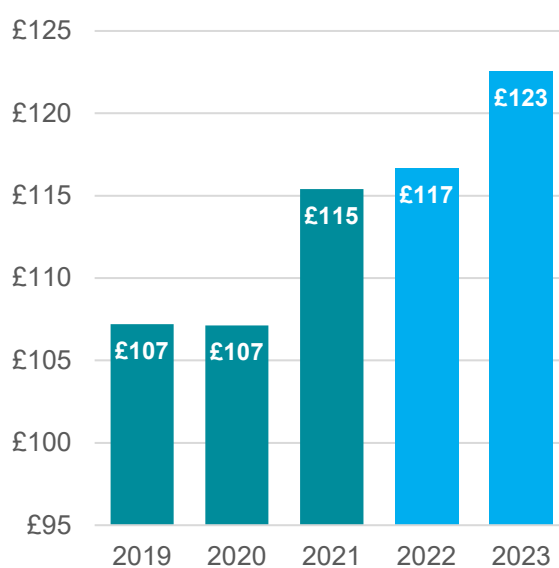


Figure 17: Average nightly spend by Europeans abroad (£)*



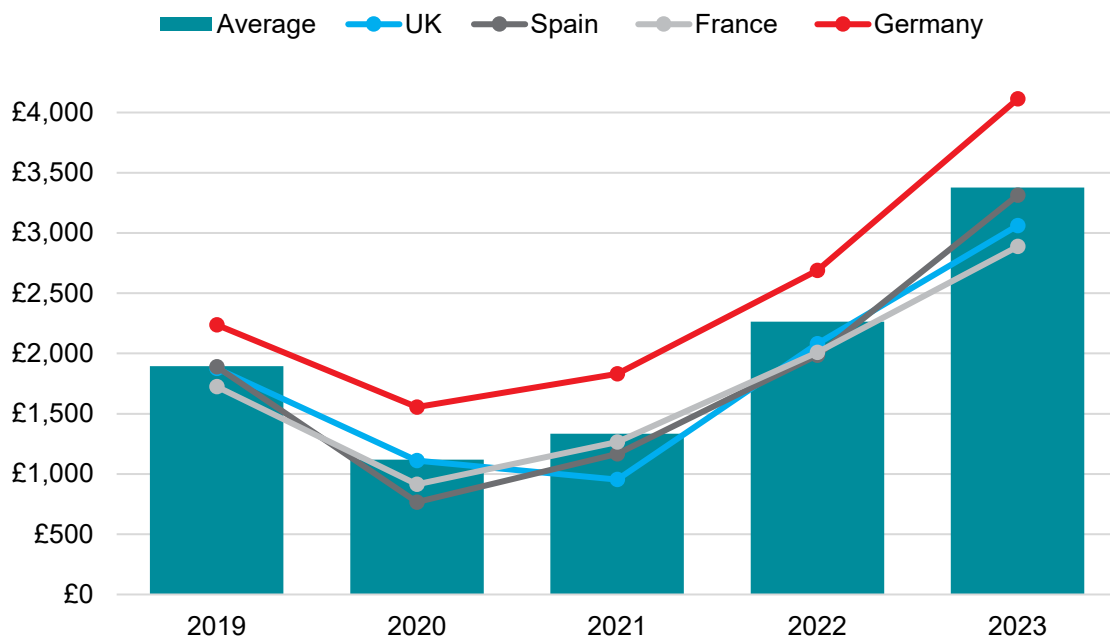
* EUR converted to GBP for 2022 and 2023 at 2021 exchange rate.

Source: Cebr & Opinium Survey

Figure 16 and Figure 17 show consumer preferences have recovered markedly from the pandemic and are now even stronger than pre-pandemic levels. In fact, while 2020 saw no growth, since then, preferences for average nightly spend grew every year until 2023, with the largest increase (8%) observed in 2021. Moreover, similar post-pandemic growth is observed in preferences for nights spent abroad, which increases every year from 2020 to 2023. Travellers were also asked the number of overnight trips they had taken or were planning to take over the five-year period. This indicator increased from 1.9 in 2019 to 2.6 in 2023, again signalling that appetite for leisure travel has not only recovered from the Covid-19 pandemic, but gone beyond pre-pandemic levels.

Figure 18 displays total average spend on accommodation by surveyed travellers. This measure combines both averages of duration of stay and nightly spend, as well as the average number of trips taken by respondents per year. Results show, during the five-year period, average spend rises 78%, to an expected £3,377 in 2023, driven in part by a 37% increase in the average number of expected trips per year.

Figure 18: Average total spend by individual on accommodation in the survey, per year (£, 2021 EUR for expected values)*



* EUR converted to GBP for 2022 and 2023 at 2021 exchange rate

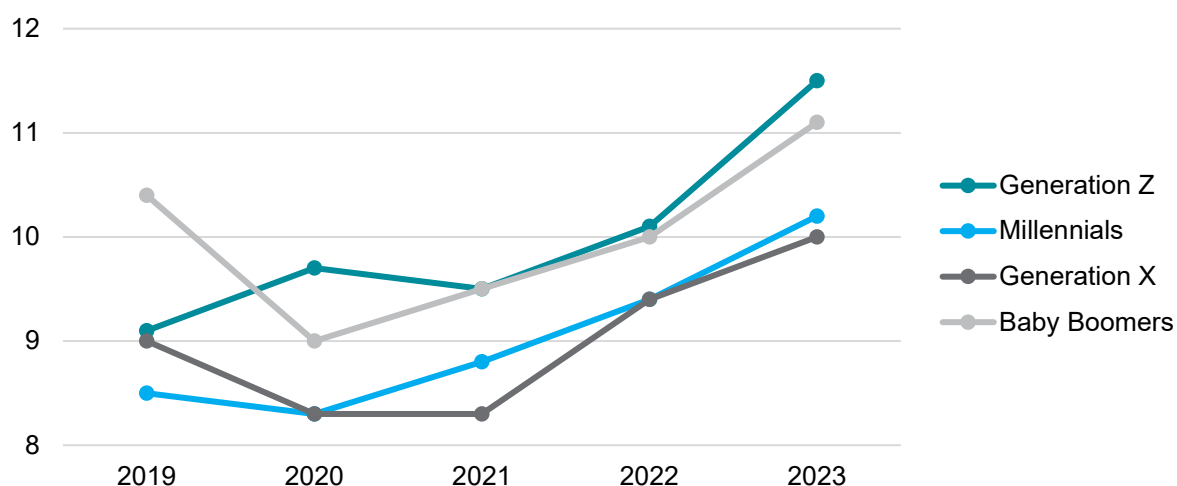
Source: Opinium survey and Cebr analysis

While every country sampled exhibited a similar growth trend, German travellers held the highest average spend on accommodation every year. German consumers expect to spend £129.30 and £135.20 per night in 2022 and 2023, respectively, slightly above the European average of £116.70 and £122.50 in the survey. Furthermore, French travellers indicated the largest increase in preferences for time spent abroad, with the measure increasing by 18% to an average of 11 nights per trip in 2023. Per trip, Spanish respondents expect to spend an average of nine nights abroad during 2023, which is just over one additional night compared to their preferences in 2019. Indeed, results demonstrate a sizeable increase in the enthusiasm for travel for leisure by surveyed Europeans, post-pandemic.

UK residents are no exception to this trend, also experiencing strong growth in preferences over the four-year period, though preferential change in average spending is 15 percentage points lower (63%) than the European four-survey average (78%). This is due, in part, to UK respondents increasing their average preference for nights spent abroad per trip by one night, from 2019-2023, rather than the one- and a third-night increase implied by the four-country survey average.

Studying average nights abroad by generational split provides insight into changing preferences for the traveller of now (Millennials and older generations) and the traveller of the future (Generation Z), as shown in Figure 19.

Figure 19: Average duration of stay, by generation, with expectations for 2023



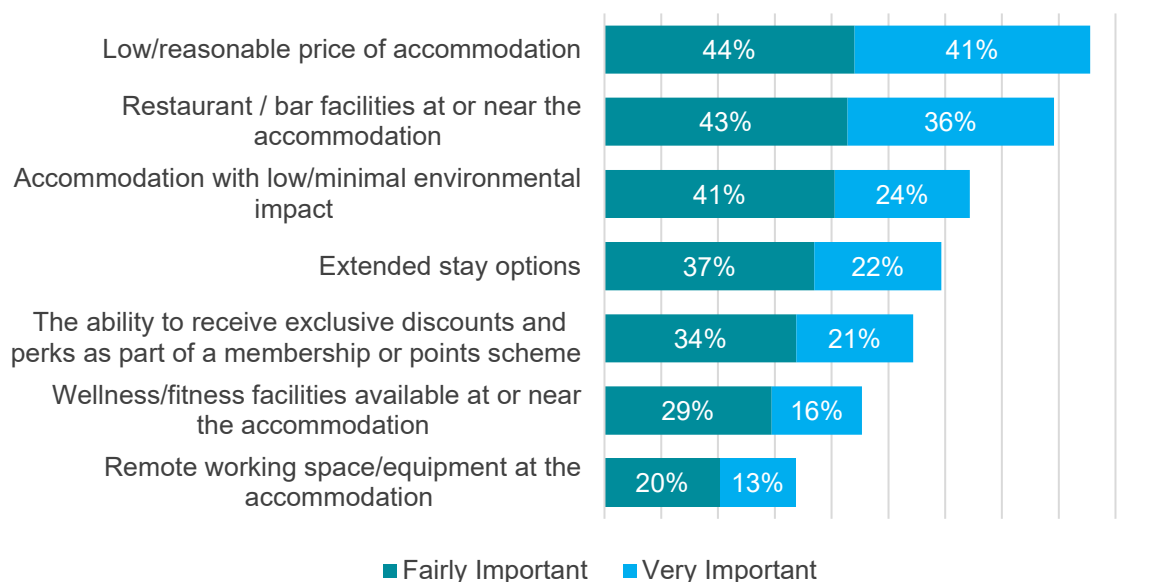
Source: Opinium survey and Cebr analysis

In 2022, Millennials indicated an average preference for 9.4 nights per trip abroad, while this group expect this to rise to 10.2 nights in 2023, a 20% increase since 2019. Meanwhile, average Generation Z consumers have increased their expected length of stay by 26% from 2019 to 2023. Conversely, those travellers that were born within the Baby Boomers era increased their appetite for nights away by 7% over the same period, to an expected 11.1 nights abroad spent per trip in 2023. While all four generations have signalled a desire to stay longer while abroad in the future than in 2019, Generation Z consumers exhibit the largest relative increase in these preferences.

3.2 Consumers' attitudes towards accommodation features

Further analysis reveals consumers' preferences in more detail, with a particular focus on attitudes towards features of accommodation when abroad.

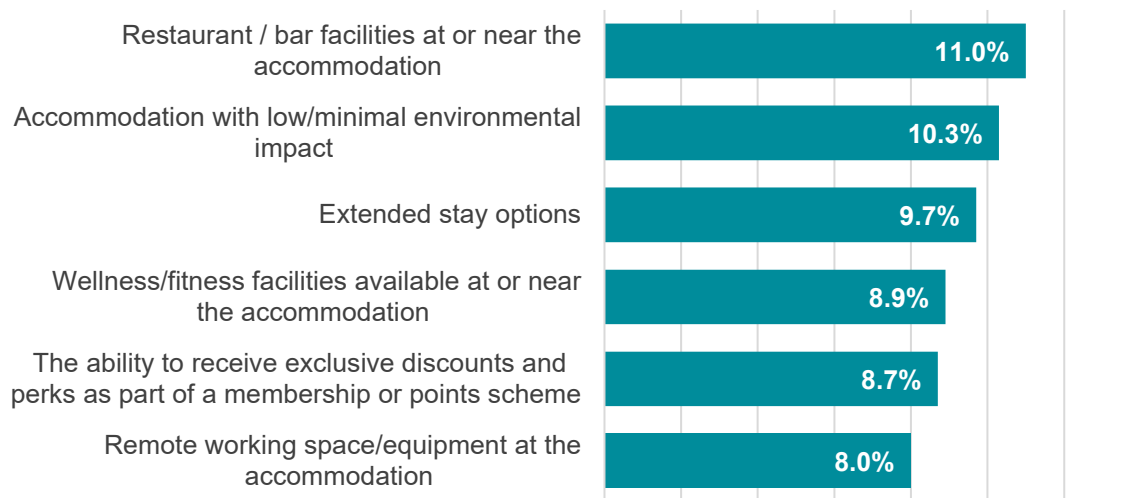
Figure 20: Average percentage of consumers surveyed stating that they find certain offerings 'fairly important' or 'very important' when choosing accommodation for holidays abroad



Source: Opinium survey and Cebr analysis

As shown in Figure 20, low/reasonable price and restaurant/bar facilities were the most important features for travellers surveyed, with 85% and 79% stating they found them either 'fairly important' or 'very important', respectively. While variation is observed between country samples, both features were of the highest importance for average respondents in each of the four separate country surveys. Moreover, results show an average of 55% of surveyed travellers find the ability to receive exclusive discounts and perks as part of a membership scheme important, though this feature saw the largest degree of variation between countries, with 73% of Spanish respondents stating this was important, versus 38% of UK respondents. Extended stay offerings when abroad were important to over half (59%) of travellers, though Spanish consumers indicated a particular preference for this feature, with three-quarters of those surveyed finding it important.

Figure 21: Average premium willing to pay for specific offerings at accommodation abroad, per night*



* Based on average spending per night on travel in 2022 multiplied by average % more willing to spend. EUR converted to GBP for 2022 at 2021 exchange rate

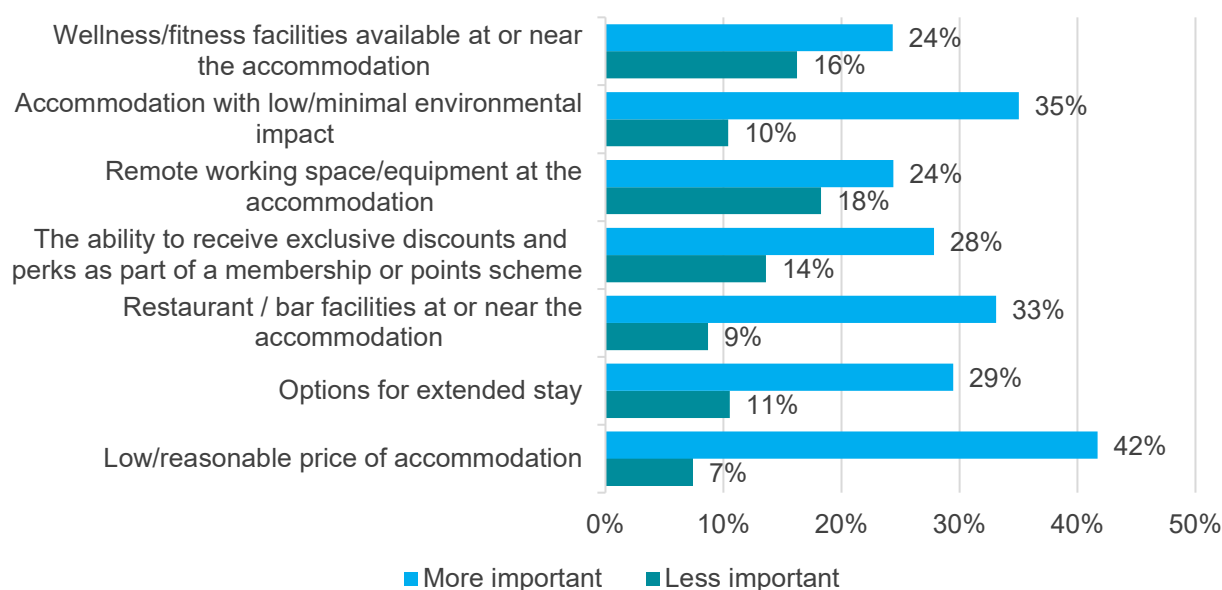
Source: Opinium survey and Cebr analysis

In further considering the importance of features offered by accommodation providers, Figure 21 reveals the extra premium a consumer would be willing to pay for specific features offered by their holiday accommodation. Average percentages from surveyed consumers shine a light on the potential for providers to invest and improve their offering. These results align with the preference order shown in Figure 20, and all features attract at least a 9% hypothetical increase in spending from the average consumer surveyed. Moreover, country-specific variation is observed here, with surveyed Germans averaging 13% across all options, while average French consumers had the lowest willingness to part with their money in every feature, including offering 6% more per night for accommodation that includes remote working space. Moreover, the average UK traveller would pay 10% more per night for accommodation with a flexible length of stay. This compares to the average German traveller who is willing to pay 13% more.

3.3 Evolving consumers' attitudes to accommodation since the pandemic

Further survey questions examine the change in attitudes to features of accommodation abroad since before the start of the Covid-19 pandemic. As shown in Figure 22, consumers who travel were asked if features had become 'more' or 'less' important to varying degrees.

Figure 22: Average change in importance attributed to factors when choosing accommodation for holidays/leisure trips abroad, since before the pandemic in 2019



Source: Opinium survey and Cebr analysis

Results show a sizeable portion of consumers now find all listed features more important than before, implying the pandemic has generally increased preferences for all features outlined. As shown in Figure 22, this certainly provides scope for accommodation facilities to offer amenities that incorporate these changing preferences to attract travellers.

More specifically, extended stay options have increased in importance for 29% of consumers compared to before the pandemic, with 11% now regarding them as less important. Moreover, 8% of individuals that go on holiday attach a particular value to having access to international remote working opportunities, stating they find them 'much more important' now than before the pandemic. Additionally, a membership scheme in which consumers would have access to exclusive deals and benefits is found to be more important to 28% of travellers, and a combination of this offering alongside stay flexibility and remote working would likely suit some travellers' evolving preferences.

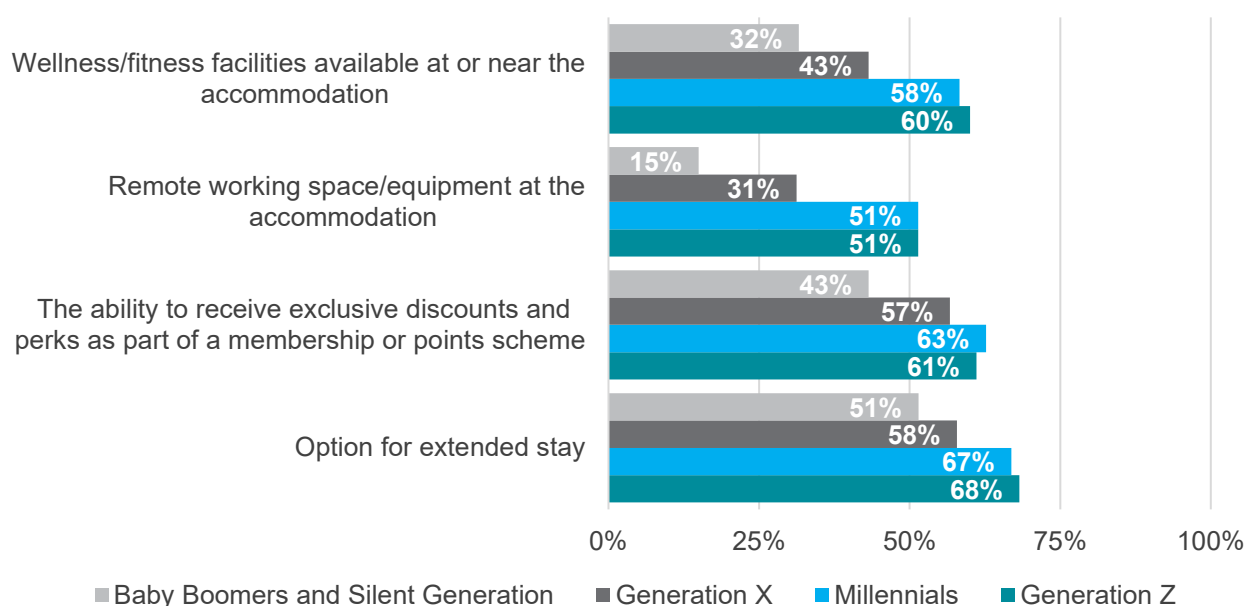
Figure 22 shows that preferences for a low/reasonable price for accommodation have considerably increased since the pandemic for surveyed consumers, with 42% indicating this feature is now more important. While this may appear contrary to previous findings indicating an increased appetite for spending abroad from average consumers surveyed, this result likely indicates that increased spending for many travellers is contingent on the feeling of receiving good value for money on holiday accommodation and related features.

Surveyed consumers were also asked about the change in their attitudes towards offerings from accommodation over the last decade (since 2012), rather than compared to 2019. Data show minimal variation in average answers between the two questions. For example, remote working space/equipment has become more important to 24% of consumers since 2019, which is the same portion of respondents asked when compared to 2012. The largest difference is observed in consumers' views on the ability to receive exclusive discounts, which, when compared to 2012, 31% of consumers now feel this feature is more important, but when compared to 2019, 28% indicated this is now more important. Indeed, the minimal variation in views towards all features between 2012-2019 underlines the significance of the pandemic in changing consumer preferences regarding leisure accommodation.

3.4 Generational differences in attitudes towards accommodation

The analysis now focuses on consumer differences by generation, with data drawn from the entire sample of 4,000 consumers. Figure 23 shows the features in which there was the largest variation among answers split by generation.

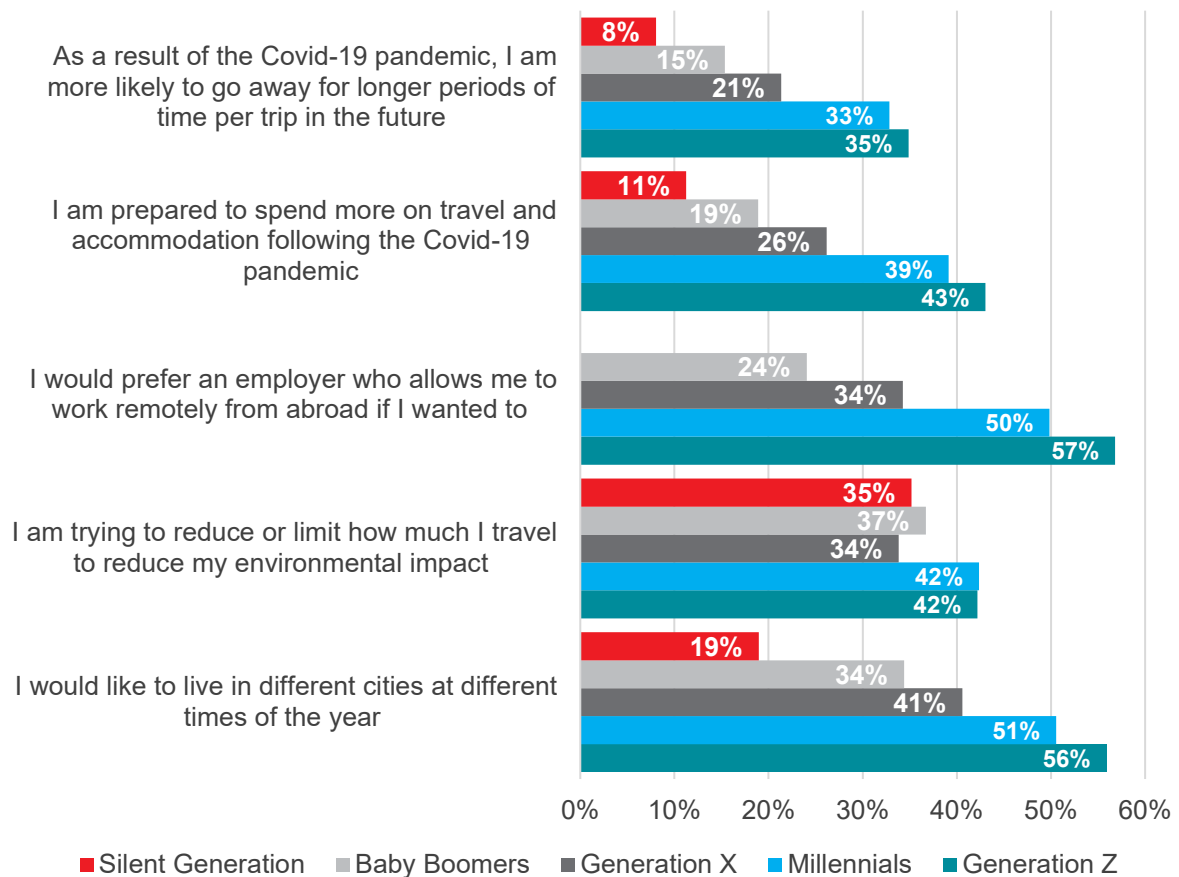
Figure 23: Average percentage of consumers surveyed stating that they find certain offerings important when choosing accommodation for holidays abroad, by generation (entire 4000 sample)



Source: Opinium survey and Cebr analysis

Results in Figure 23 show that 68% of Generation Z consumers feel the option for extended stays is important, compared to 51% of the combined grouping of Baby Boomers and Silent Generation consumers. The Millennials grouping had the largest number of consumers signalling a membership scheme was an important feature when choosing accommodation for holidays, with 63% stating either 'very important' or 'fairly important'. The same 51% share of Millennials and Generation Z consumers said remote working was important, compared to just 15% of the grouping of Baby Boomer and Silent Generation respondents.

Figure 24: Consumers were asked to what extent do they agree with the following statements, split by generation



Source: Opinionium survey and Cebr analysis

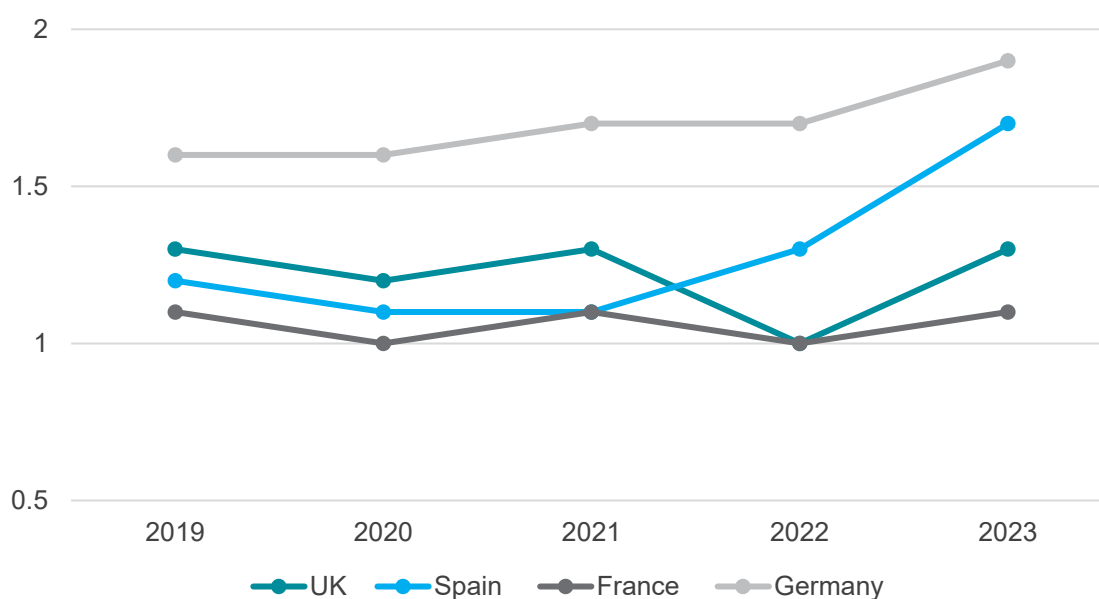
Analysis of consumers by generation shows 56% of Generation Z and 51% of Millennials would like to live in multiple cities, contrasted with 34% of surveyed Baby Boomers and 19% of Silent Generation consumers. Figure 24 shows 33% of Millennials expect to go away for a longer period in the future due to the pandemic, compared with 8% of Silent Generation consumers. Moreover, data show a positive correlation between younger consumers and a larger share that are willing to spend more on travel and accommodation since the pandemic, with 43% of Generation Z respondents agreeing with this statement.

Generational analysis also shines light on the importance of remote working to younger generations. Indeed, Figure 24 shows a clear divergence in preferences for an employer that allows for remote working, with a majority (57%) of Generation Z respondents agreeing they would prefer this option, followed by 50% of Millennials. This compares to 34% and 24% of consumers under the Generation X and Baby Boomer grouping, respectively.

3.5 The role of work in leisure travel

Analysis now focuses on the changing role of work in the future travel-hospitality mix. From the survey analysis, 2567 (64%) consumers stated they work or are employed (to some degree). Analysing this sample gives insight into the features European workers value in accommodation while working as part of a leisure trip, as well as changes in preferences since the pandemic. Analysis by industry reveals those sectors in which employees are most inclined to work while away on holiday, adding a better understanding of the hybrid worker of the future.

Figure 25: Workcations taken by workers each year, split by country

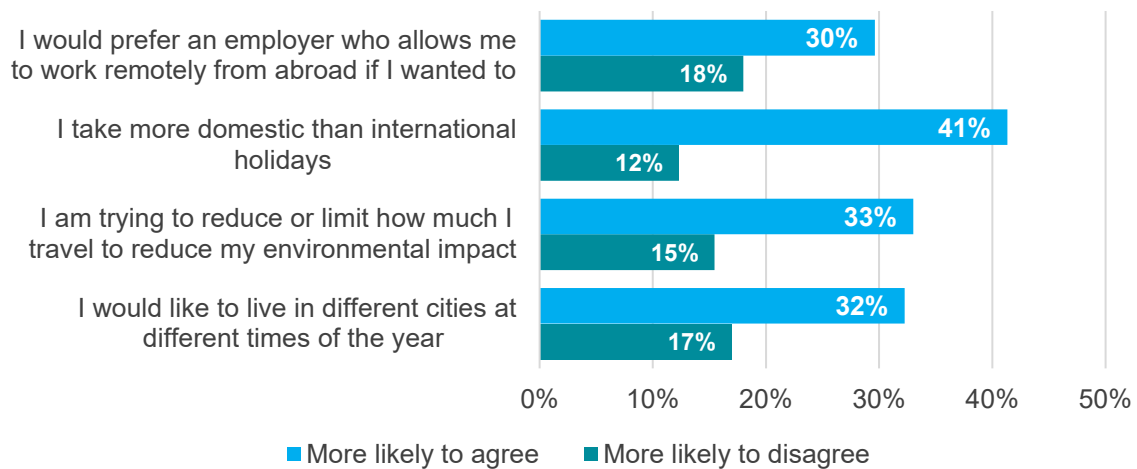


Source: Opinium survey and Cebr analysis

As shown in Figure 25, attitudes towards workcations, as defined by a vacation explicitly planned with both leisure and work in mind, have increased since before the pandemic. Using 2019 as a base year, data shows average surveyed workers expect to increase their number of workcations by 15% in 2023 compared to 2022 (from 1.3 to 1.5). However, variation across the four country survey is observed, with Spanish workers expecting to take an average of 43% more workcations in 2023 than in 2019, while French workers have not increased their appetite for working while on holiday abroad. Meanwhile, surveyed German workers averaged the highest number of workcations every year across the five-year period, which increased to almost an expected two per year in 2023.

Predominantly driven by Spanish workers aged between 35-54, this is expected to see the average number of workcations among all Spanish workers near that among German workers, and comes alongside a general increase in Spanish workers' desire to travel abroad. Indeed, while youngest Spanish respondents (aged 18-34) took an average of 2.2 workcations in 2019, with this measure rising 27% by 2023, the older grouping (aged 35-54) saw a 55% increase in their preference for a workcation, up from 1.1 to 1.7 by 2023. With more opportunities to work abroad than ever before, thanks to remote hybrid working, middle aged Spanish workers appear to be keen to utilise this chance.

Figure 26: To what extent are workers more likely to agree with the following statements than in 2019



Source: Opinium survey and Cebr analysis

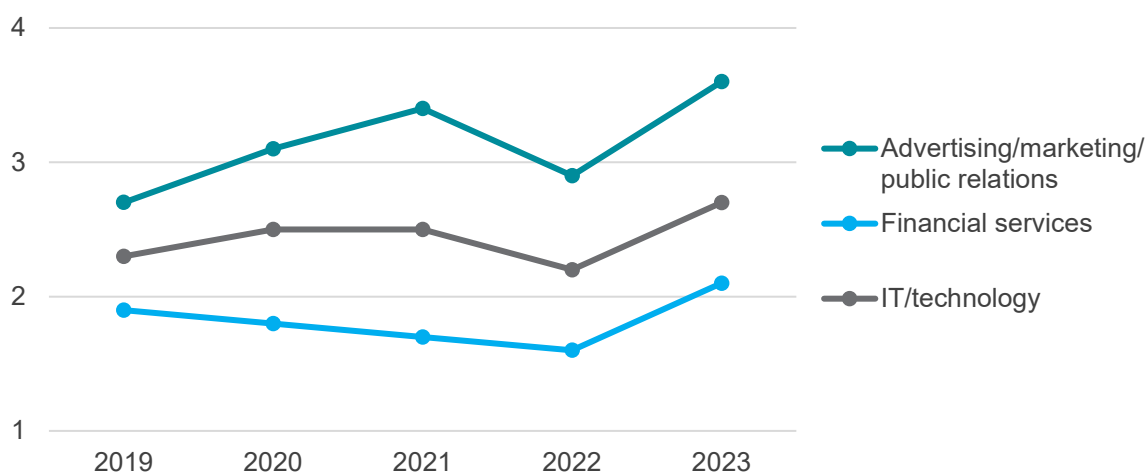
Further to analysis of workers' attitudes towards travel, Figure 26 shines a spotlight on the impact of the pandemic on employee preferences. This shows that 30% of workers surveyed stated that when compared with 2019, they were now more likely to prefer an employer that offers remote working abroad. Indeed, this points to the pandemic having a lasting impact on the lifestyle preferences of a portion of workers, with a greater share now looking to incorporate a mix of work and leisure trips abroad.

Additionally, this change in attitudes, shown in Figure 26, is only observed since 2019, with very little difference in preferences between 2012-2019, indicating that the pandemic has had a considerable impact on worker inclinations towards travel.

3.6 Workcations taken by employees, split by industry

Within the survey of four European countries, much variation is observed across industry professions on the topic of workcations, likely related to the feasibility of working abroad with just a laptop. Figure 27 displays the evolution of average workcations for the three industries, chosen by those in which trips including leisure and work were most popular in the sample.

Figure 27: Industries with the largest share of workcations



Source: Opinium survey and Cebr analysis

Indeed, workcations are particularly popular among people surveyed who work in the advertising, marketing, and public relations sectors. Data show that before the pandemic in 2019, average workers in the IT/technology sector took 2.3 workcations, which was 46% above the total worker average, and this metric rises to an expected 2.7 workcations during 2023 for mean workers within the IT sector.

Further analysis reveals that employees within sectors more inclined to take a workcation also have a greater willingness to pay for select accommodation features while on leisure trips. Notably, workers within advertising/marketing/public relations professions are willing to increase their nightly spending by 33% for wellness and fitness facilities, and willing to spend 34% more with the option for extended stay. For these two features, willingness to pay is next-greatest among those working in the IT/technology industry, with respective hypothetical spending uplifts of 17% and 19%.

3.7 Change in workcations taken by employees, split by industry

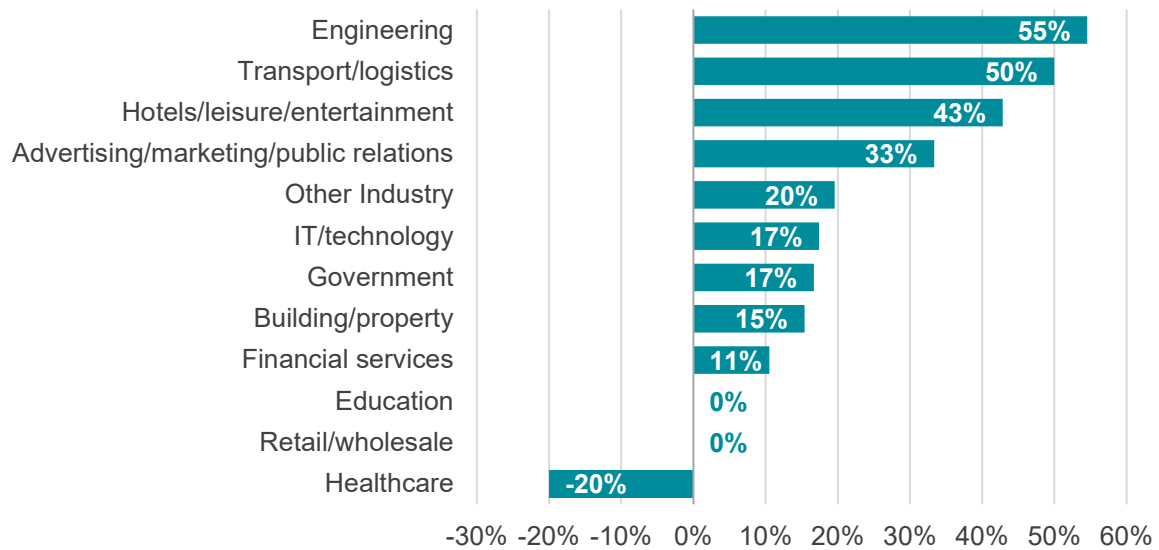
Moreover, survey findings suggest changes to preferences over time for workcations are dependent on industry. Average workers within education and retail/wholesale industries saw no change in their preference for workcations in 2023 compared to 2019, likely due to the limited capacity for workers in this sector to work remotely. The healthcare industry was the only sector to observe a decline in preferences for trips abroad that include both work and leisure, with average trips falling from one in 2019, to 0.8 in 2023. Meanwhile, sampled engineering workers saw the largest average increase in workcations over the five-year period, with preferences rising from 1.1 to 1.7, or 55%. Also, workers within the transport/logistics and hotels/leisure/entertainment sectors saw sizeable increases in average workcations, at 50% and 43% respectively, though neither industry grouping saw the measure rise above the total worker average of 1.5 in 2023.

Figure 28 shows the change in the average number of workcations pre- (2019) and post-pandemic (2023), split by twelve industry groupings.

Average workers within education and retail/wholesale industries saw no change in their preference for workcations in 2023 compared to 2019, likely due to the limited capacity for workers in this sector to work remotely. The healthcare industry was the only sector to observe a decline in preferences for trips abroad that include both work and leisure, with

average trips falling from one in 2019, to 0.8 in 2023. Meanwhile, sampled engineering workers saw the largest average increase in workcations over the five-year period, with preferences rising from 1.1 to 1.7, or 55%. Also, workers within the transport/logistics and hotels/leisure/entertainment sectors saw sizeable increases in average workcations, at 50% and 43% respectively, though neither industry grouping saw the measure rise above the total worker average of 1.5 in 2023.

Figure 28: Change in preferences for workcations by industry of work, from 2019 to 2023



Source: Opinium survey and Cebr analysis

4. Conclusions

This report has provided unique insight into the future of travel and hospitality, examining general trends and preferences of consumers before, during and after the pandemic, to better understand the traveller of the future.

Section 1 developed this report's key findings and discussed key features which travel-hospitality businesses should focus on to reap the benefits of changing consumer behaviour. Analysis shows remote working, extended stay options, and a fair pricing strategy are all important considerations when aiming to attract the traveller of now and the future.

Section 2 examined the changing travel landscape by drawing upon data between 2009 and 2022 on British and European travellers. The pre-pandemic period between 2009 and 2019 saw visits and spending abroad by UK residents grow by an average of 3.9% and 6.1% respectively. However, due to its interactive nature, travel was significantly impacted by the pandemic, with annual visits falling by 74% in 2020 and a further 20% in 2021, while the average length of stay per trip increased in 2021, likely due to added pandemic-related costs such as testing and self-isolating.

Closer analysis revealed the share of foreign trips made by residents in Great Britain is forecast to surge during H2 2022, due to pent-up demand for trips overseas, though this is anticipated to be short lived due to the prospect of a UK recession on the horizon. Indeed, Cebr forecasts a contraction in UK GDP during the second half of 2022, which reflects the challenging environment faced by households in which wages are failing to keep up with soaring inflation, causing a cost-of-living crisis. In the near term, this will lead to some consumers substituting non-essential goods and services, including travel, to keep up with the price of essentials such as food, energy, and mortgage repayments.

Business population estimates allowed for a closer examination of the accommodation sector, which highlighted, by grouping, that hotels and similar accommodations had the highest average turnover in 2021, while representing 63% of all accommodation businesses. Then, a closer examination of the literature on the subject suggested the growing demand for flexibility and extended stay opportunities, even after the pandemic, as well as the attractiveness of apartments and aparthotels from investors with the prospect for strong growth.

In Section 3, the results of a unique survey of 4,000 European consumers were discussed, with the aim of better understanding changing consumer preferences since the onset of the pandemic. Data revealed a sizeable increase in the enthusiasm for travel for leisure purposes. In 2023, the average traveller expects to make 1.4 times as many trips, stay for an average of 1.3 nights longer, and spend 14% more per night than before the pandemic. Furthermore, a closer examination of the features of accommodation utilised monetary estimates to show that consumers are willing to pay a premium for specific offerings. Results revealed average travellers will pay 9% extra per night if accommodation offers a membership model and that this feature has become more important to 28% of travellers since the pandemic.

Furthermore, survey analysis showed significant changes in traveller preferences since the pandemic. Conversely, minimal variation in views was observed between 2012 and 2019, which underlined the significance of the pandemic on consumer preferences. More granular analysis by generation revealed the traveller of now (Millennials) and the traveller of the future (Generation Z) increased their expected length of stay by 20% and 26% per trip, respectively, between 2019 and 2023. Indeed, data show a positive correlation between

younger consumers and a larger share that are willing to spend more on travel and accommodation since the pandemic.

Survey analysis also provided valuable insight into the role of work in the future travel-hospitality mix. The travelling worker of the future is shown to take 15% more workcations in 2023 than before the Covid-19 pandemic, particularly driven by German and Spanish respondents. By industry, workcations were found to be popular among employees in the advertising, marketing, and public relations sectors, with the same group of workers also willing to pay the largest percentage for the addition of wellness facilities and the ability to stay longer at leisure accommodation if desired.

The analysis and results examined in this report provide a positive outlook for the future of travel and hospitality. Travellers display an increased enthusiasm for trips abroad and are willing to spend more for features that facilitate a more flexible experience that includes the ability to work. The pandemic has had a lasting impact on consumer preferences and if leisure accommodation can adjust to this new era of travel, the sector can thrive once again.

Appendices

Appendix A – assumptions for estimating domestic tourism during the pandemic

For periods H1 2020 – H1 2022, the domestic share of total trips is estimated using data from the VisitBritain Domestic Sentiment Tracker (DST), with some seasonal assumptions made in light of missing data for the first half of H1 2020. The domestic share is used with foreign travel figures to impute the number of domestic trips for periods H1 2020 – H2 2021. The relative level of and change in domestic trips as revealed by the DST are then used to estimate the total number of trips in H1 2022, as well as the domestic share. Finally, for the H2 2022 forecast, the number of trips is estimated using regression analysis incorporating the level of COVID-19 stringency (as per the Oxford Coronavirus Government Response Tracker) relative to the same period in 2021, as well as seasonal adjustments. VisitBritain's inbound tourism forecast for 2022, relative to 2019 levels, is then used as a proxy for the relative amount of outbound tourism over the same period, facilitating the calculation of the domestic share.



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