



CONSUMER SPEAKS

Adapting to the new era of corporate travel: Challenges and opportunities

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Sam: Welcome to *Consumer Speaks*, a Deloitte podcast series where you'll hear industry specialists share their perspectives and insights on emerging topics impacting the consumer industry. I'm Sam Loughry, the leader of our Consumer Industry Audit & Assurance business of Deloitte & Touche LLP. Today, I'm joined by Peter Caputo, National Hospitality sector leader and principal at Deloitte Transactions and Business Analytics LLP; Eileen Crowley, vice chair, US Transportation, Hospitality & Services

attest leader and Audit & Assurance partner at Deloitte & Touche LLP; and Maggie Rauch, US Transportation, Hospitality & Services research manager at Deloitte Services LP. Today, our guests will be discussing Deloitte's corporate travel report, [Navigating toward a new normal](#). On today's episode, I'm going to do something a little different and hand it over to one of our authors of Deloitte's corporate travel report. Maggie, I'll turn it over to you to introduce the report and facilitate the discussion with Eileen and Peter.

Maggie: Thanks, Sam. Travel overall obviously hit really deep lows in 2020, and ever since it started to climb back up, corporate travel has been the caveat. It's the pace of return and the long-term potential [that] have been these really big questions for travel suppliers. So that is why we started surveying the business leaders who control that demand, so in this case, the "consumer speaks" is more like "the corporate travel buyer speaks."

It's the third time that we've published this report. So, the first one was August

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2021, which if you think back, we had a vaccine, we had relatively robust leisure travel that summer, still a lot of questions about the trajectory of this roller coaster we're all on. And then the second time, February of 2022, was the start of the third pandemic-affected year, and omicron was in headlines. And finally, we surveyed corporate travel buyers in February of this year. COVID's still with us, still going around, but that acute health crisis is past its peak, and most restrictions on travel are gone. So I want to first bring in Eileen and Peter to just speak a little bit about the ups and downs that corporate travel has been on over these three years. Peter?

Peter: Thanks, Maggie. During 2020 and 2021, corporate travel never really got much above the 10% of what 2019 was. With vaccine rollouts, that helped a little bit more, but there's been a lot of ups and downs with omicron, with delta—and also one of the biggest issues with corporate travel have been different sets of rules over the past several years where you didn't know what was open and what you had to do to travel to places, so a lot of folks held back in terms of their corporate travel and switched over to using technology where they can. Currently, I think we're going back to more of a regular cycle in terms of impacts to travel. Looking at inflation and recession data, those are the top issues at this point as COVID has decreased, in terms of what people are looking at.

Maggie: So we sort of transition from health to the finances and economics of it. It's interesting you brought up using technology, which is something I definitely wanted to talk about, because when we set out to start researching the future of corporate, we wanted to not just look at sort of how is COVID-19 and worries about health affecting things, but how is the experience of prolonged remote work and everyone getting accustomed to using different tools and platforms much more than we used to. How would that affect travel with some ability to replace things virtually? So we took different

corporate travel use cases like internal meetings, or client project work versus conferences, and we asked respondents how much each one was replaceable. To what extent they felt that tech replacement was working to support those use cases. So we've been following that. Eileen, how do you think companies have evolved over this period in their thinking about when in-person is necessary versus what can be handled virtually?

Eileen: Maggie, it's an interesting question, right? And I think certainly folks' perspectives on this have shifted over the course of the last three years as we've navigated some really significant changes in how we work and where we work. Face-to-face meetings are certainly still valuable, but I think, as you mentioned, companies have gotten better and more confident in doing some things virtually that used to happen in person.

I think the other factor weighing in here is that companies are strategically looking and weighing the outcomes of when travel is worthwhile. So considering those costs, is it a revenue-generating trip? What's the return on investment [ROI] for that trip? And definitely prioritizing travel that generates more significant outcomes.

That being said, those trips that relate to revenue generation and meeting with clients or prospects as it relates to relationship building are examples of where the outcome may justify the trip. But on the other hand, as you mentioned, companies have figured out that certain internal meetings and trainings are just as effective when presented remotely through technology as they were in person. And so, those are instances where they have replaced travel with technology in certain situations.

Maggie: In the report, we put all these use cases on a matrix, right? And we had down at the bottom left as "very replaceable" you mentioned internal trainings, a lot of internal meetings. And moving up, client

project work was kind of somewhere in the middle. And all the way to the top right as "very difficult to replace well with technology" and "very important to business" was client acquisition and client relationship building.

If you think about it from the standpoint of a supplier, I'm wondering, Peter, if you have any thoughts on if a bigger percentage of travel going forward is very client-driven, what are the implications of that? Does it affect travelers' needs? Who is on the road? What sort of supplier is best positioned to succeed in this scenario?

Peter: It's an interesting one that we're going to be looking at for years, I think. We'll look back probably 20 years from now and figure out that we had it all wrong, but at this point, I think that the suppliers really need to draw the folks into their properties in a way that you can interact better with clients. So, it's all going to be about the experience, and I think that as we move forward beyond this, it's going to even be affected more in that getting folks to travel and getting folks to interact with their clients really needs a draw because you could do a lot of the work that you used to have to do in person, you could do it remotely, or you could do it over Zoom. So, what's the rationale for going in person? And that's really going to be on the suppliers to come up with interesting concepts.

Maggie: I hear you both saying we continue to watch this, and business leaders continue to watch this, and to gauge the ROI of trips, guess ahead of time, and follow up and understand what the outcomes are. And in this edition of the survey, we had a question that probed travel's strategic positioning within a company. It's difficult to measure something like this across companies, but we did have 60% telling us they have a system for pre-trip assessment of the justifiability of a trip, and a similar number saying they're regularly evaluating travel strategy at the C-suite or board level. Is there any sense that corporate travel has been on a trajectory? Is it over these last

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three years or these last 10, or what, where it's evaluated more strategically than it was in the past?

Peter: Maggie, looking at the longer term, I think this has been an issue for years. I think the difference now compared to say 2009, 2010, right? If you go back to the last big crisis we had, we didn't have the technology at that point that we have today where we could replace things as easily. And what we've seen over the past three years is you can still do a lot of the work remotely that you used to have to be in person for. You could have a lot of meetings and sessions, that used to be in person, remote. Where if you go back to prior years, it wasn't as easy to do. So again, 2009–10, using that as the example, we didn't have Zoom at the time, right? It wasn't as easy to do these things. So, I think technology has definitely played a part in this. I think this trend is going to continue as—not only with the travel of individuals, but as AI [artificial intelligence] and other things come up and the technology just keeps getting better—people are going to be creative in the way that they can do business going forward.

Maggie: When we're thinking about where we sit this year, and travel's strategic positioning, and how companies are making these decisions, we heard that reopening of their own offices—and at this point, "reopening" probably just means more like an increase of in-person attendance at the office—that that was a bigger driver than concern about clients' increased presence in their offices. So, maybe [it] says something about the way that we're working, collaborating is changing. And then on the deterrent side of the picture, not surprisingly, high prices top the list. This year is not a great budget year for travel, but we also had four in 10 respondents saying that they expect clients' and employees' willingness to meet in person and travel to slow things down this year.

One thing I wondered there was, is the willingness part of the picture actually significantly different than it always has

been? The road warrior life, it's not for everybody, right?

Eileen: Maggie, maybe I'll give you some thoughts on both of your questions here. I think the initial driver that you mentioned about the opening of their own office is an interesting statistic. I think we've all seen that there are many C-suite executives that have been really outspoken about the benefits of teams gathering together in the office. I think they frequently cite the ability to spur innovation, to teach and mentor, to drive employee retention, and certainly to collaborate. So, there may be an aspect here of this as well of wanting to get relocated, remote employees back together at certain times of the year requiring travel back to corporate headquarters. So I think that's playing into how folks and companies are thinking about working and collaborating today and could be contributing to the shift that we're seeing in our survey results.

On the willingness part of your question, I personally don't think that this is significantly different from last year's results in our survey. We actually saw, this year, both client and employee unwillingness to travel actually declined in our rankings as a reason to slow travel down, which essentially means that employees and clients are more willing to travel now versus last year, and definitely compared to when we first published our study early on in the pandemic. But I will acknowledge that even with the decline in the willingness as a factor, it's still in our top five, so it does show there is a certain remaining percentage of clients and employees that are still not willing to travel, which will, you know, continue to contribute to perhaps slower travel growth.

Maggie: Right, it's more complex than simply the pandemic itself, for sure. And thinking about reasons for travel, we saw events in that list—events really rocketed up to the top and as a driver for travel. So, why do you think that is, Peter?

Peter: Maggie, it's great that people are out and about doing events again. I've been to several, I know you have as well over the past two years. I think for the data we're seeing is that you can go to an event now and you can interact with 20 clients, for example, as opposed to going to 20 different locations. So I think there's been a big uptick in the ability to really interact with multiple people at one point as opposed to having to do separate trips. We've seen numbers at some events this year that are record numbers above 2019. Even at some of the hospitality conferences, one of the ones that's coming up in June, last year had [a] record number of people that attended. So I think that there's a real desire for people to connect, and going to these larger events is really an easy way to do it.

Internationally, with things opened up, for the most part, all around the world and on the same set of rules, we're seeing a lot more events that were on hold longer, that are now coming back. So some of the events in the US came back last year and, to a certain extent, the year before. Some of the international ones were held back a little bit more, so there's a real desire to get those connections and get on a plane and go over to Europe for an event now.

Maggie: Yeah, it was a huge—for international—huge driver of travel.

Eileen: Peter, I was just going to add on to the live event comment in that you can, you know, essentially meet with multiple clients and targets in one event versus traveling to multiple client, or 20 locations, as you gave the example. I think this all gets back to the conversation about strategically evaluating travel and what is the return on investment for that particular travel spend. And certainly it's more economical from a company's perspective to take the one trip and meet with multiple individuals, targets, clients versus taking 20 trips around the country or internationally.

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Maggie: Absolutely, and so thinking about the theme running throughout this, which is thinking about travel smart, right? Being strategic and evaluating trips for the highest ROI, there's the last piece of the puzzle that I wanted to talk about [that] relates to sustainability, which we definitely see affecting the amount of travel.

So about a third of US companies and four in 10 in Europe told us that they need to cut back per employee travel spend by more than 20% by 2030 to meet their emissions targets. And so we wanted to explore beyond that, thinking about sustainability, all the ways that travel suppliers are trying to move the needle so that travel volume doesn't need to decrease as much because they're able to provide greener options. So we asked about a number of different initiatives that hotels and airlines have been undertaking to be greener and demonstrate the emissions, or the carbon footprint, of a trip, and what we found was that corporate travel buyers are essentially engaging with a lot of this via tracking. But right now, it looks like a lot of data gathering versus the action that really drives a purchase decision—that is a lot lower. So, why do you think this is, Eileen? Where do you think we stand? And what should we be planning for in the next several years in this department?

Eileen: Maggie, a lot of companies have come out publicly stating their goals around emission reductions by 2030, so they've definitely put a stake in the sand, and they're going to ultimately be measured against it, and what that causes is that it drives certain behaviors and actions. I think companies are thinking about sustainability certainly because there's certain regulations that are coming into play, or may come into play in the near term, but there's also the factor that customers are looking for products and services that have a reduced, negative impact to the client. We see that employees want to work for companies that care about the impact of their business and products on the environment, so there's

multiple factors contributing to all of these sustainability and emission targets.

But that being said, to your point, on the data, and mandating purchases by employees based on environmental perhaps impacts, I honestly think we're in the early stages of the maturity level here. I think what companies are first trying to do here is understand what data is out there from their suppliers and gather it so that it can be disseminated to their employees as they make their travel decisions. I think because we're in the early stages, companies are still evaluating the best way to share that data consistently, appropriately, and, let's say, most importantly, with clarity. So I don't think that they are there yet in the position as an employer to mandate environmental or sustainability factors in the decision-making process of their employees yet. But I do think, if I'm looking into the future, I could ultimately see requirements being put in place for employees' purchasing decisions in and around sustainability factors.

Maggie: Do you think like a budget almost alongside the financial budget, an emissions budget, or something like that?

Eileen: There could be alongside with your project budget that historically has been the inputs and costs related to a project, you could also be given, at the same time, a sustainability budget that you cannot go over "X" amount of emissions as it relates to this project as well. So I certainly could see that coming in the future.

Peter: One thing just to add to that, the long-term view of this is that, as the suppliers get smart about what they can do to make a better footprint, both on getting to a location and staying at a location, travel is something people like to do and they're going to continue to do it, whether it's for business or for leisure. It's a lot tougher right now to look at a 50-, 60-year-old hotel, for example, and decide how you're going to make that hotel more sustainable without impacting large financial construction

projects. As things change over time, new properties are coming online, new technologies are being put in place. So I think right now, most companies are trying to level set on what can we do near term and what can we do long term so that we can continue to get people to travel, but do it in a way that might be smarter.

Similar to the financial conversation we had earlier, where technology impacted the way we can do business now, I think going forward, technology and changes to construction are going to impact the way people travel in the future, but they're still going to travel.

Maggie: Absolutely. Interesting. It sounds like from what Eileen's saying, we're tracking and recording, looking for a way to translate it and make it clear to employees, and then also you're saying the product's evolving, right? And so, as it evolves, we'll be more prepared to measure that impact.

So, finally, the last question I wanted to ask to wrap this up, the title of this year's report, *Navigating [toward] the new normal*, I'd love for each of you to just close us out briefly on, what would you say has changed about corporate travel since 2019?

Eileen: Peter, maybe I'll start and I'll toss it to you. As we've talked about, I think the use of technology has definitely changed corporate travel since 2019 and replacing some events that were historically in person. As we just talked about, I think sustainability will continue to be a bigger influencer in corporate travel than it was prior to the pandemic. And finally, I'd say, I think with the whole conversation around the strategic need for travel, I think that is a little bit different than what it was pre-pandemic, and that there will be continued evaluation, and maybe even increased evaluation, of the actual need for that travel to occur.

Peter: I agree with everything you said, Eileen. The one other additional area I'd say is that "navigating the new norm"—I

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love the name. I think historically travel has navigated new norms all the time. Whether it's government issues, whether it's financial issues with the pandemic. I think the one area that is different now is the supplier side of this is using a lot more technology to forecast out the "what-ifs" going forward, to make sure that they're thinking a little bit ahead to give the experience that people are looking for. People like to travel. There's a whole new generation of travelers that got hired over the past four years that really didn't experience what travel for business was prior. So how do you tap into that and make sure that everybody is getting the experience they want in a safe way and using the dollars they're spending to the most effective position they can.

Maggie: You're so right, Peter, change is definitely a constant in this industry. Thanks a lot, Eileen and Peter. I'll kick it back to Sam to close us out.

Sam: I appreciate it. Maggie, Eileen, and Peter, I want to thank you for this interesting discussion on corporate travel trends. If you'd like to read the full report and explore some of the insights we've covered, please visit deloitte.com and search "Navigating toward a new normal." While on the site, also check out our Transportation, Hospitality & Services practice. For more consumer insights, please visit our website at deloitte.com or email me at sloughry@deloitte.com. Thank you for listening to *Consumer Speaks*, sponsored by Deloitte's Audit & Assurance business. Until next time, take care.

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