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Return trip: How companies are rethinking travel for the long term

Shortly after the COVID-19 pandemic brought global travel to a standstill, one thing became clear: Corporate travel would face a slower return than leisure, almost as surely as international would lag domestic. Although much remains to be seen, these predictions have largely borne out.

US travel suppliers started seeing some relief in the first half of 2021. An extensive vaccine rollout and updated Centers for Disease Control and Prevention (CDC) guidance designating travel as safe for vaccinated people[1] have ushered in the return of domestic leisure travel.[2] But corporate travel faces a slower return, due to a more complex set of considerations.

Many offices remain closed, for example, which limits sales and project-based corporate travel from both sides: Companies find it hard to ask employees to take work trips, and many of their clients, vendors, and partners have yet to open their doors to employees, let alone visitors. In addition, many conferences and trade shows, which account for a significant volume of business trips, remain virtual.

These conditions are temporary though, and as return-to-work efforts take root, an uptick in corporate travel will likely follow.

Why? Despite the relative success many companies experienced through a year of essential-only travel, business leaders realize the value of face-to-face interaction. And similar to the return-to-office-based work, road warriors fall on all points of a spectrum: from eager to return to airports, hotels, and conference rooms, to convinced they can do their work effectively with significantly less travel.

The reality falls somewhere in between. Competition and growth imperatives will necessitate a resumption of business travel. But travel use cases are being reevaluated based on their impact on the bottom line and the environment, as well as how well they can be replaced by now widely adopted tech platforms.

In this issue of *CFO Insights*, we'll look at the timing and nature of business travel's return, leveraging research conducted by Deloitte's Consumer Industry Center. That research represents a survey of 150 executives with travel budget oversight and parallel interviews at companies with 2019 air spend averaging $123 million. In addition, using the Center's "Why We Fly Matrix," we'll discuss the implications that tech replacement could have for travel over the longer term.

Timing the return

Most US-based companies' travel budgets declined by 90% or more beginning in early 2020. Companies restricted travel to essential trips and added layers of executive approval. Client-requested visits, servicing of equipment, and fulfillment of government contracts constituted much of the travel deemed essential. Travel segment share shifted, as many people opted to drive instead of fly and sometimes extended trips to minimize the number of flights taken.

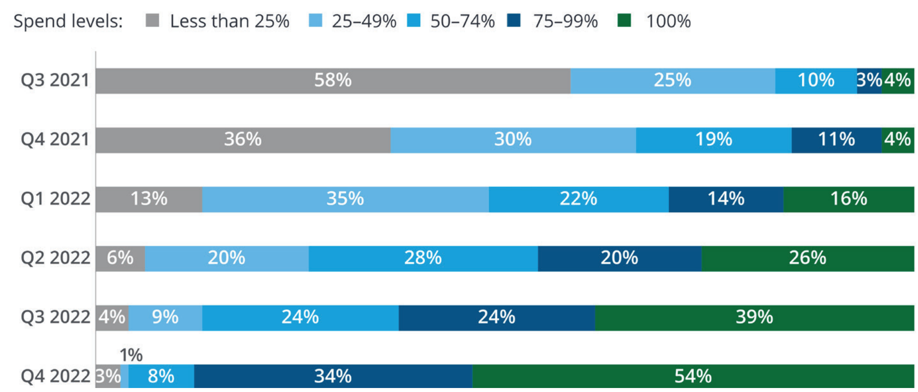
As companies look ahead, most have not identified formal triggers for opening up travel, but leaders have their eyes on a few key developments, such as sustained low infection rates. Such public health milestones are critical guideposts. In interviews, executives reported closely watching vaccination and infection rates, but lacked specific targets. Survey respondents also gave public health indicators the highest importance, with about four in 10 ranking each of these among the top three developments that could boost their companies' travel volume. The reopening of offices will also unleash some travel demand.

Among all options, survey respondents gave the lowest importance to digital health passports, which are interoperable and accepted across carriers and ports of entry. Several airlines and nations have adopted different protocols, but there is no widely accepted standard. This is not a barrier to domestic travel, which accounts for about 68% of respondents' spend. But interoperable digital health passports have a larger role to play to enable overseas business travel at scale, by reducing or eliminating the need for quarantine on arrival. The easing of entry restrictions was among respondents' top four triggers for increased travel.

Going forward, companies also see several factors potentially slowing corporate travel's return. Persistent travel restrictions could create the most drag. While the CDC has cleared vaccinated people to travel freely within the United States, the agency expresses higher concern regarding international trips.[3] And more demanding, and sometimes unpredictable, entry requirements across countries further complicate cross-border trips.

Figure 1. Not full speed ahead for T&E

Corporate America will not return to travel in lockstep. As of Q2 2021, less than one in five companies had reached even 25% of their 2019 quarterly spend. And while just over half of companies expect to reach 2019 levels by the end of 2022, that means that nearly half anticipate a slower return. The chart below depicts how companies expect their travel budgets to recover quarter by quarter.



Source: Deloitte Corporate Travel Survey 2021, N=139 executives with oversight of business travel spend and strategy; Deloitte analysis

Beyond public health requirements, employee discomfort with travel, as well as clients' discomfort with in-person interaction, could slow travel's return. Additional external drag factors include the continued delay or cancellation of industry events, as well as higher airfares and hotel room rates.

Sustainability, budgets challenge full corporate travel return

Taking into account the biggest triggers and potential drag factors for travel's return, as well as companies' travel spend estimates through the end of 2022, Deloitte developed a quarter-by-quarter view of corporate travel's return (Figure 1). Survey respondents and interview subjects shared their projections on when their companies would reach certain benchmarks, as a percentage of 2019 quarterly spend. As of Q2 2021, less than one in five companies had reached even 25% of their 2019 quarterly spend. By Q4 2022, nearly half say they do not expect to reach 2019 spend levels, but nearly nine in 10 expect to reach 75% or higher.

Competition and growth imperatives will necessitate a resumption of business travel. But future trips will be reevaluated based on their impact on the bottom line, the environment, and how well they can be replaced by technology.

That said, as the pandemic-related barriers to travel recede, second-order effects will become the more prominent headwinds.

While companies recognize that travel is crucial to business success, they will seek to hold onto some of the cost savings brought by the pandemic. Controlled travel growth will also contribute to another goal that has grown in importance in corporate America: reducing carbon emissions. Moreover, bottom-line and environmental priorities will be supported by technology and behavior changes brought on by more than a year of virtual-only meetings and events.

On the environmental front, nearly one-third of travel managers surveyed report that their company has a stated commitment to reduce emissions by a certain amount within a specific time frame. Altogether, 79% of companies have made some kind of pledge or are working toward one. This interest in sustainability brings some scrutiny for travel policies, with about half of respondents saying that they plan to optimize business travel policy to decrease their environmental impact within the next year.

Companies looking to curb travel-related emissions say they will do so mostly by limiting trip frequency, drawing on lessons learned during the pandemic. Keeping more internal meetings online[4] and optimizing schedules to reduce the number of flights taken are the top ways companies plan to improve their sustainable travel profiles. In addition, they are hoping that travel partners can play a supporting role. About one-quarter of respondents say they will look to travel management companies for guidance in reducing their environmental impact; a similar share say they will prioritize suppliers investing in sustainability.

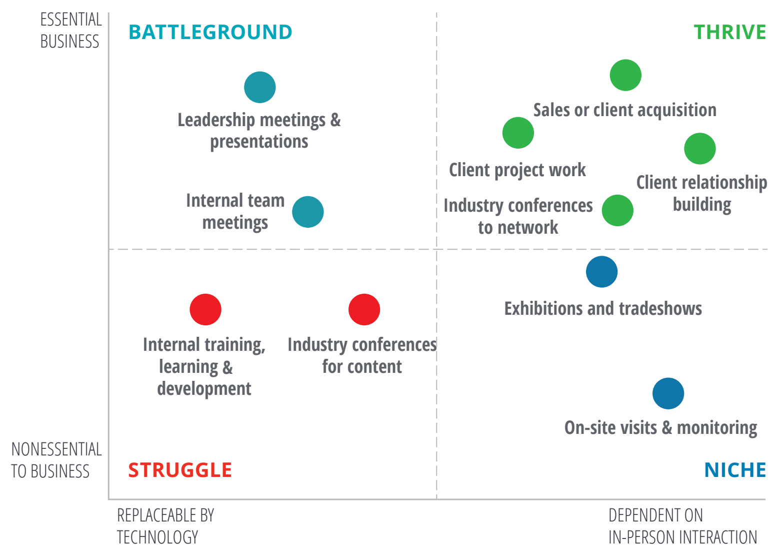
In addition to sustainability, another travel side effect companies will scrutinize is the expense line. In fact, two-thirds of survey respondents say renewed attention to cost will lead to limiting trip frequency. But they will also use other levers at their disposal: encouraging more bookings via corporate booking platforms and agents, and opting for more economical travel alternatives.

Travel managers interviewed for this study say they have not negotiated aggressively on their preferred rates with suppliers, and with travel spend still well below 50% of 2019 levels, they currently lack leverage. But suppliers competing for share in a challenging recovery environment might be compelled to bring appealing offers to the table.

The emphasis on cost saving and commitment to decarbonization will not eliminate massive amounts of corporate travel demand. Still, sustainability has grown as a corporate priority, and companies have unearthed new potential to manage a considerable cost center. Meanwhile, more than a year of functioning with extremely limited travel, along with

Figure 2. Why we fly matrix

Executives with key oversight on travel policy were asked to think about different reasons for business travel and rate their importance to meeting business goals. The matrix below plots technology replaceability versus importance to business success in four categories.



Thrive=Travel most critical to business
Struggle=Travel less critical and replaceable
Battleground=Travel critical but replaceable
Niche=Travel face-to-face dependent but less critical

Source: Deloitte Corporate Travel Survey 2021, N=150 executives with oversight of business travel spend and strategy

a distributed and virtually connected workforce, have brought new business practices and lessons to the fore. Even as many long to return to face-to-face interaction for sales, client work, and team collaboration, business leaders now have a richer understanding of which work still requires travel versus which can be satisfied by conferencing and collaboration tools.

Why we fly matrix

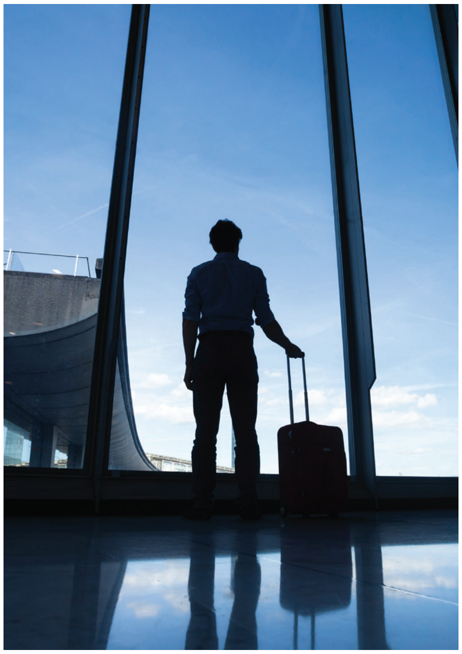
In fact, once the pandemic situation dissipates, business leaders and corporate travelers will face a new calculus in determining whether to get on a plane or just get online. To preview that calculus, Deloitte's Why We Fly Matrix plots 10 business travel use cases based on two factors: relative importance to business success, and the extent to which business dealings are dependent on face-to-face interaction versus replaceable by technology (Figure 2). The four quadrants of the resulting matrix are as follows:

- **Thrive:** *Travel use cases crucial to business and dependent on face-to-face interaction.*

  The Thrive quadrant includes travel use cases high in importance to business success and dependent on face-to-face interaction. Travel motivations that fall in this quadrant include client acquisition and client relationship building; client project work; and industry conferences with strong networking opportunities

  These use cases will be among the first to return. In fact, for most companies, sales visits and client project work were among the top categories where some travel continued throughout the pandemic. These use cases also will have the most long-term need for travel. Tech platforms will seek to better serve these highly interpersonal interactions, but it will likely be a long time before innovation targeting them will make a dent on travel demand.

  Although these use cases are strong and durable, they will not return to 2019



levels instantly. Also, tech platforms will likely continue to replace some trips in this quadrant. For example, a client that warranted quarterly visits prepandemic might now get two a year, the other two replaced with video conferencing. In-person visits will be used to foster relationships, with more client work being executed virtually. Thrive use cases are evolving and need to play in a hybrid nature with others.

- **Battleground:** *Travel use cases crucial to success but more replaceable by technology*

  The Battleground quadrant includes travel use cases relatively high in importance to business success, but also relatively replaceable by technology. Small-group internal meetings dominate this quadrant, as companies have found that virtual platforms serve leadership and team meetings well.

  Trips in the Battleground quadrant will initially come back strong. Pent-up demand will be high among teams and boards that have only met virtually for more than a year. That demand can be expected to plateau and decline quickly as companies settle into a new cadence of less frequent internal meetings. But when these events do happen, the stakes will be higher than in the past. Companies will seek the most productive environment possible, and travel providers should elevate standards as they serve these meetings. Tech providers will likely increase innovation efforts focused on this quadrant—hence the name "Battleground".

- **Struggle:** *Lower business significance and high tech replaceability*

  Travel use cases in the Struggle quadrant are the biggest candidates for long-term pullback in travel spend. Falling solidly into this quadrant are training and development and conferences attended for content.

  While travel for these use cases may see an initial pent-up pop, it will likely decline over the medium and long term. They may not initially be prioritized for tech innovation, as business leaders say existing platforms serve them well. But as it becomes clear that demand for virtual platforms in this space is durable, the technology serving them will improve. However, these travel use cases won't go away entirely. Some content still benefits greatly from an in-person format.

- **Niche:** *Face to face–dependent, but less crucial to business success*

  A few travel use cases fall into the Niche quadrant, difficult to replace with technology, but viewed as lower in importance to the success of many companies. Exhibitions, trade shows, and onsite monitoring and visits fall into this quadrant. At least in the medium term, there is limited upside here for both tech and travel providers. The onsite monitoring that is most crucial to business success tended to continue during the pandemic, so little bounce back can be expected for this use case. Conferences and exhibitions face a more complicated future.

The future of business travel

The shift from essential-only to more open domestic business travel has begun. Barring major setbacks, it will likely continue to improve at a rapid pace through the end of 2022.

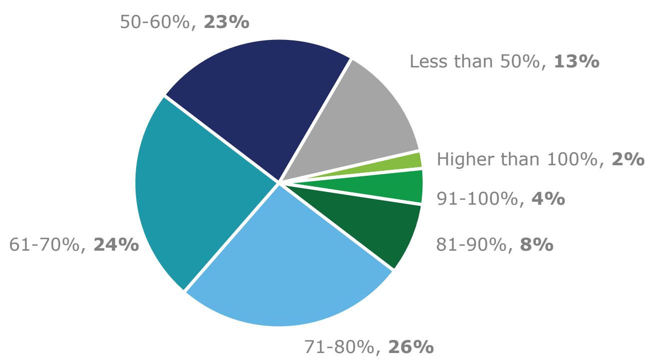
As this key travel segment returns, all affected face new challenges in a changed world. A health threat still looms. But even as it subsides, corporate travel will be affected by the changes adopted and lessons learned during the COVID-19 pandemic.

Travel remains critical to many businesses' growth. But there has been realignment and reevaluation of the cost-benefit equation around face-to-face meetings and events. And C-level executives, who became more directly involved in travel strategy during the pandemic, will likely seek to hold onto some of the cost savings and sustainability strides afforded by a year without travel.

For more information and industry details, see "Return to a world transformed: How the pandemic is reshaping corporate travel," Deloitte Insights, August 2021.

Figure 3. CFO expectations for post-pandemic travel expenses

What do you expect your company's post-pandemic travel expenses to be as a percentage of your pre-pandemic levels?



Source: *CFO Signals,*™ Q1 2021, CFO Program, Deloitte LLP

End notes

1. CDC, Domestic travel during COVID-19, June 10, 2021.

2. Peter Caputo et al., Keen but cautious: US leisure travel in the second summer of COVID-19, Deloitte Insights, May 25, 2021.

3. CDC, International travel during COVID-19.

Contacts

Peter Caputo
Principal; US Hospitality Sector Leader
Deloitte Transactions and Business Analytics LLP
pcaputo@deloitte.com

Anthony Jackson
Principal
Deloitte Transactions and Business Analytics LLP
antjackson@deloitte.com

Ramya Murali
Principal, Monitor Deloitte
Deloitte Consulting LLP
rmurali@deloitte.com

Maggie Rauch
Research lead; Travel Hospitality and Services
Deloitte Services LP
magrauch@deloitte.com

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