



THE YEAR OF THE "NEW" TRAVELER

THE AMERICAN HOTEL & LODGING ASSOCIATION
2022 STATE OF THE HOTEL INDUSTRY REPORT
IN COLLABORATION WITH ACCENTURE



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FOREWORD

As much as 2020 was a watershed year for the hotel industry, so was 2021. While the pandemic continued, the industry began to re-emerge, fueled by national vaccine distribution and consumer optimism. Our first [State of the Hotel Industry report](#), released in January 2021, demonstrated just how resilient the hotel industry is and forecast what was ahead for hotel owners and operators, workers, and travelers.

One year later, vaccines are available to anyone in the United States ages five and older, and 63% of the U.S. population is fully vaccinated.¹ Yet cases are on the rise,² as are concerns about new virus variants and outbreaks.³ The reality is that COVID-19 continues to influence daily life — and this collective coexistence will be the norm for the foreseeable future. The virus underlies the implications of this year’s State of the Hotel Industry report, which include forecasted macroeconomic trends as well as expected shifts in consumer and business sentiment.

The next phase of recovery will be uneven, potentially volatile. But one thing remains certain: **2022 is the year of the “new” traveler.**

Bleisure travel—that is, blending business and leisure travel—has exploded during the pandemic, representing a profound shift in consumers’ attitudes and behaviors related to travel. This, in turn, will significantly impact hotel operations as the industry responds to meet the needs and expectations of their guests.

All indications are that the hotel industry will continue moving toward recovery in 2022, but that full recovery is still several years away. According to an analysis for AHLA by Oxford Economics, hotel room night demand and room revenue are projected to nearly return to 2019 levels in 2022. Room revenues are projected to reach \$168 billion, within 1% of 2019 figures and an increase of 19% compared to 2021. Occupancy is projected to hit 63.4%, nearing the 66.0% rate achieved in 2019 and far above the 44% and 57.6% reached in 2020 and 2021, respectively.⁴

We joined with Accenture to produce this year’s report, bringing together our knowledge of and advocacy for all segments of the hotel industry with their deep understanding of how consumers have evolved during the pandemic and the implications this has had on the travel ecosystem.

The return of room revenue is certainly welcome news for hoteliers, yet it does not tell the whole story. Even with a return to pre-pandemic room revenue performance, these figures do not account for the additional estimated more than \$48 billion⁵ in pre-pandemic spending on food and beverage, meeting space, and other ancillary services—a revenue source expected to lag significantly in its return. Industry experts project that only a little over half of meetings and events will return in 2022,⁶ with the negative impacts of the Omicron variant still to be determined.

Additionally, hotels across the country are continuing to dig out from a two-year period where they lost a collective \$111.8 billion in room revenue alone.⁷ A partial recovery in 2022 will not be enough to allow hotels to completely pay back lenders, fully rehire staff, invest in delayed property improvements, and refill business cash reserves.

There remain strong headwinds and potential disruptors for a full recovery. While leisure travel will likely return fully in 2022, business travel is projected to remain significantly below pre-pandemic levels. The severity of the short-term effects of Omicron on the hotel industry are still unclear.

Moreover, future variants will create volatility in both the return of leisure and business travel, and tens of billions of dollars connected to meetings and events spending. According to Cvent's November 2021 Group Business Insights Report, one quarter of meetings being sourced are hybrid, and 72% of surveyed meeting planners are sourcing events with an in-person component.⁸

Hotels will continue to struggle with staffing shortages, reducing their ability to maximize revenue from potential travelers. Inflationary pressure means that though a nominal recovery may occur earlier, true adjusted recovery for the industry will take until 2025, according to STR and Tourism Economics.⁹

While a true recovery to pre-pandemic levels is still several years away, the more that hotels understand, prepare for, and respond to the needs of the "new" traveler, the brighter the future looks for an industry that is vital to the American economy.

FINDINGS AT A GLANCE

- 1. The travel outlook for 2022 is trending positively, but continuing volatility is expected, with full recovery years away.** Occupancy rates and room revenue are projected to approach 2019 levels in 2022, but the outlook for ancillary revenue is less optimistic. Business travel is expected to remain down more than 20% for much of the year, only 58% of meetings and events are expected to return, and the full negative effects of Omicron are not yet known. Labor headwinds will mean employment levels at year end will be down 7% compared to 2019.
- 2. “New” travelers expect different things from hotel brands.** Consumers’ motivations, behaviors, and expectations all shifted during the pandemic—profoundly changing how hotels operate to satisfy their guests, who are increasingly likely to be leisure or bleisure travelers or digital nomads. As a result, technology will be even more critical in a property’s success.
- 3. Retaining and attracting top talent means showcasing career paths, not just jobs.** Hotels can build a workforce for the future by communicating the breadth of career opportunities that are available in the industry to current and prospective employees.
- 4. Sustainability initiatives will play an increasingly important role for the industry.** Hotels that make commitments to sustainability goals and programs are not just satisfying guests’ expectations, they are making changes that are good for the business as well.
- 5. Loyalty programs will evolve in response to the new travel landscape.** With high-volume business travel down, traditional loyalty programs no longer make sense. The most effective loyalty programs will offer more personalized rewards that meet the needs of occasional business travelers and leisure travelers as well.

TRAVEL READINESS TRENDING POSITIVELY, BUT REMAINING VOLATILE

The volatility of travel in the pandemic era makes forecasting travel readiness more critical—yet more difficult—than ever. Do people want to travel? Will their travel plans be curtailed by broader economic realities? Will travel restrictions at home or at their destination force them to change their plans?

Put simply, travel readiness indicates how willing people are to take a trip. To understand travel readiness today, we turned to the [Accenture Travel Readiness Index](#), a new way of assessing intent to travel suited to the realities of today's travel landscape. The monthly, multi-country Index tracks both travel and non-travel indicators that influence intent including COVID-19 related country health status, short-term economic factors, travel demand, and mobility status. These indicators are weighted to reflect the size of their respective impact on travel readiness.

Readiness is a Moving Target

The Index is updated monthly because travel readiness is not absolute. This will be true for as long the pandemic is not fully controlled and new waves, variants, and governmental and public health responses continually reset people's trust and confidence in travel. For example, consider how quickly travel restrictions were put in place in countries around the world when the Omicron variant emerged in late 2021. The World Health Organization designated it a variant of concern on November 26, 2021, and on December 2, 2021, President Biden announced new protocols for international travel.¹⁰

Travel readiness trends in the second half of 2021 are instructive of what to expect in 2022: momentum in pockets coupled with stops and starts caused by one or more travel indicators.

The Global Picture

With pent-up demand and many people opting to go about or return to daily life with the virus among them, travel readiness saw a 5% jump in September 2021 compared to August 2021 globally. However, readiness trends remained volatile through the end of the year. November 2021 experienced a 2% decline from the previous month due to outbreaks and new travel restrictions. Overall readiness in November 2021 was 23% below the 2019 baseline.

Overall travel readiness was down 26% in 2021 from the pre-pandemic 2019 baseline. Travel readiness is not expected to show signs of recovery until mid-2022.

Source: Accenture Travel Readiness Index

The U.S. Picture

In September 2021, the U.S. market saw a 3% decrease over August 2021 because of stringent restrictions for international travelers. Airline traffic and hotel occupancy followed the historical pattern, falling after a very strong summer and showing strength in the fall. Screenings by the Transportation Security Administration (TSA) peaked in July at just over 2 million airline passengers, and hotels reached 71% occupancy.¹¹

By November, the easing of European travel restrictions to the United States drove a significant increase in airline capacity, implying a surge of demand.¹² The country continued to open travel as the holiday season arrived. In fact, Thanksgiving week 2021 was a record-breaker for U.S. hotels—occupancy rates were at 53%, and RevPAR was 20% higher than during the same period in 2019.¹³

A Global Pandemic with Local Impact

It's not only domestic travelers' readiness that the hotel industry must account for as a driver of demand in 2022. International travelers are a vital audience as well.

International travelers accounted for 15% of total U.S. travel spending in 2019 before the pandemic began, but just 6% in 2020.¹⁵ In 2022, the World Travel & Tourism Council is projecting a 228% leap in spending in the United States by international travelers compared to 2021.¹⁶

International tourists tend to stay five to 10 times longer than domestic travelers,¹⁴ spend more money, and visit destinations where hotels have been hit hardest, like major cities.

Preparing for this potential surge means acknowledging that sentiments about travel and travel readiness will vary from country to country because this global crisis has been highly localized in its impact. Hotels that think about readiness through the lens of what people's pandemic experiences have been—and are now—are best positioned to determine if they need to introduce additional health and safety measures to appeal to these travelers.

Here is what the Index reveals about travel readiness in what are expected to be critical inbound markets for the United States.

Country	Index % Growth November vs. October 2021	Gap vs. 2019 Baseline as of November 2021
Canada	+1%	-26%
United Kingdom	-2%	-30%
France	-7%	-25%
Germany	-33%	-51%
China	-13%	-30%

Source: Accenture Travel Readiness Index

The uncertainty remaining about the nature of the Omicron variant at the time of publication suggests how difficult it is to predict travel readiness in 2022. What we can assume is that restrictions imposed to combat the Omicron variant are likely to stay until March. What's more, several short-term factors have the potential to impact travel readiness positively or negatively, and overall, we do not expect the Index to show consistent signs of recovery until mid-2022 at the earliest.

HOSPITALITY OUTLOOK 2022

Travel readiness will inform how the hotel industry performs in critical areas including occupancy, room revenue, employment, and consumer appetite. While 2022 will not see a full return to 2019, the outlook is stronger than it was in 2021.¹⁷

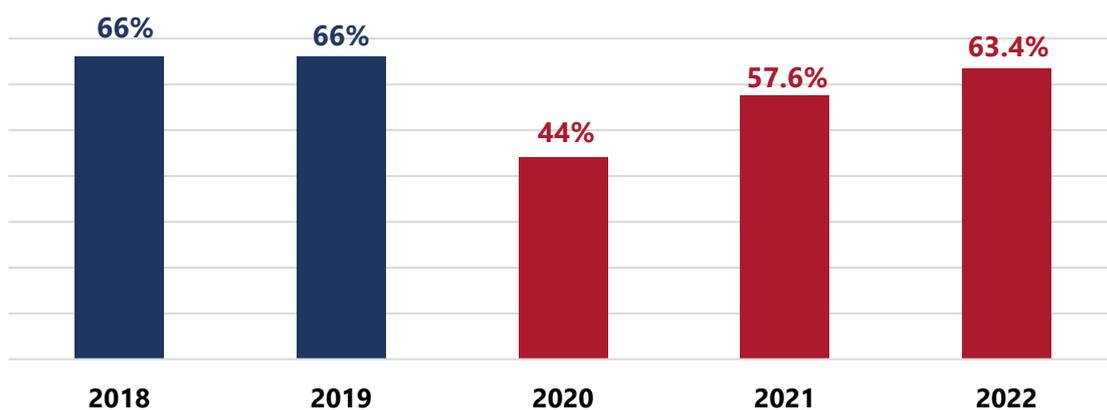
Occupancy

Hotel occupancy is expected to continue trending upward from the historic lows of 2020, averaging 63.4% for the year, according to STR and Tourism Economics.

In 2019, the nation's nearly 60,000 hotels experienced an average annual hotel occupancy of 66%, selling 1.3 billion rooms. The pandemic brought U.S. hotel occupancy to a historic low of 24.5% in April 2020, and annual occupancy fell to 44% for the year. Hotel occupancy for 2021 was estimated at nearly 58%—a full five points higher than had been projected this time last year (52.5% projection), but still down more than eight percentage points from pre-pandemic levels.

While some full-service hotels begin operationally breaking even at 50% occupancy, this does not account for mortgage debt and other costs. As such, most hotels spent the last two years well below their break-even point, relying on reserves to cover expenses. So even with a return to near pre-pandemic occupancies in 2022, hotels have a way to go before true recovery. Occupancy rates are projected to continue trending upward in 2022, averaging 63.4% for the year.

Figure 1 – Hotel Room Occupancy by Year



Source: Oxford Economics + STR, © 2022 CoStar Group

Room Revenue

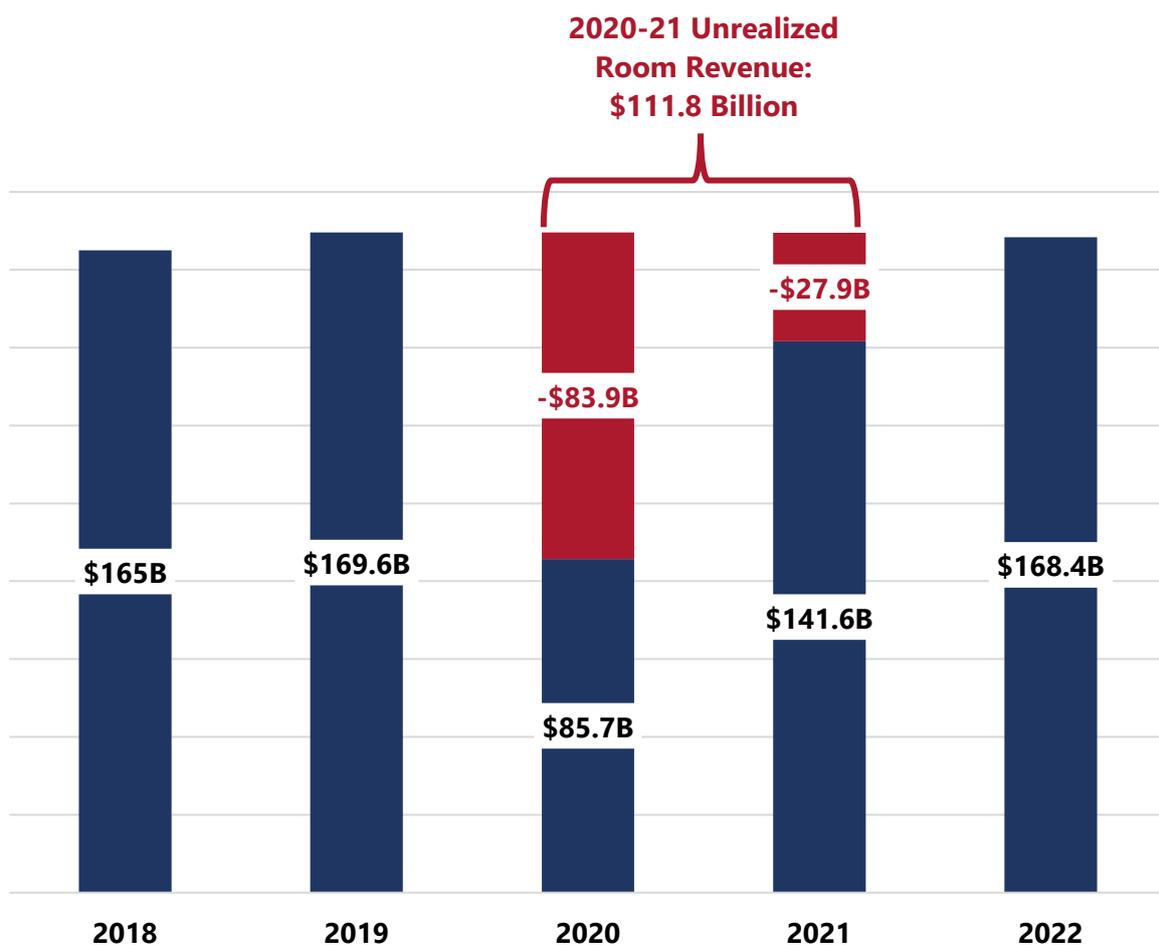
After falling by almost 50% in 2020, hotel room revenue will nearly return to 2019 levels this year. Non-room ancillary spending will continue to lag behind.

Prior to the pandemic, the hotel industry's 5.4 million guest rooms generated more than \$169 billion in annual room revenue, which does not include the additional tens of billions generated by renting meeting rooms and other ancillary revenue sources.

In 2020, hotel room revenue fell by nearly 50% across the United States to just \$85.7 billion, then rebounded to \$141.6 billion in 2021. This means that over those two years, hotels lost a collective \$111.8 billion in room revenue alone. Room revenue is projected to reach \$168.4 billion this year, or within one percentage point of 2019 levels.

The outlook for ancillary revenue from meetings, events, and food and beverages—estimated at \$48 billion annually before the pandemic—is less clear. Knowland projects that only 58.3% of meetings and events will return in 2022, with 86.9% back in 2023, meaning that much of that revenue will continue to be missing.¹⁸

Figure 2 – Hotel Room Revenue by Year



Source: Oxford Economics + STR, © 2022 CoStar Group

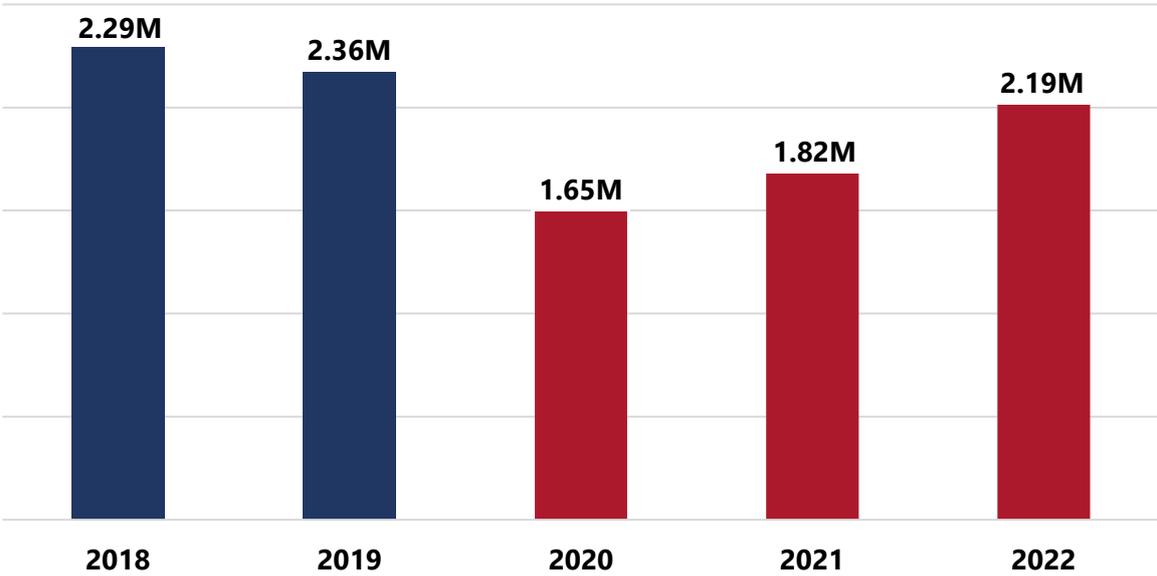
Employment

By the end of 2022, hotels are expected to employ 2.19 million people—93% of their pre-pandemic levels.

In 2019, U.S. hotels directly employed more than 2.3 million people. After the significant drops of 2020, hotels finished 2021 at 77% of their 2019 employment levels.

Although strong growth is expected in the year ahead, hotels are projected to end 2022 with 2.19 million employees—down 166,000 or 7% compared to 2019, reflecting continued headwinds in the labor market.

Figure 3 – Employment by Year



Source: Oxford Economics

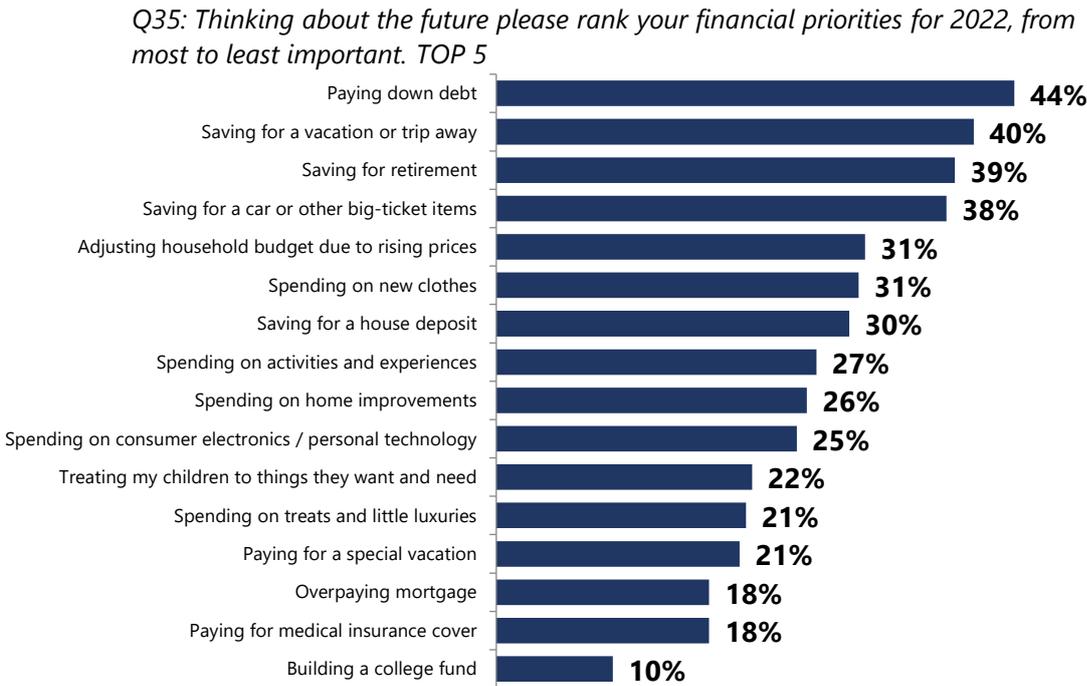
Consumer Appetite

There is pent-up demand for travel—especially among younger travelers.

After months of quarantine and travel restrictions early in the pandemic, many Americans were eager to travel again in 2021; that demand is expected to continue this year. According to Morning Consult’s State of Travel and Hospitality Q4 Report, 64% of U.S. adults say they have traveled within the past year, with younger and higher-income consumers leading the way. The report also found that of the eight countries surveyed, Americans were among the most eager to hit the road, with 50% expecting to take a leisure trip within the next six months.¹⁹

According to Accenture’s 2021 U.S. Holiday Shopping Survey, 40% of U.S. consumers plan to focus on saving for a vacation or trip away in the future. Saving for a trip is consumers’ second most important financial priority after paying down debt (Figure 4). A full 43% expect to travel as much or more over the next six months than they did compared to the same six-month period in 2019.²⁰

Figure 4 – U.S. Consumers’ Top 5 Financial Priorities of 2022



Source: Accenture 2021 US Holiday Shopping Survey

Gen Z and Millennials are especially eager to travel again, although they still need some reassurance to do so. One-third of this group believes that timely information, better traveler flow management, and the ability to book and confirm vaccination status through travel company apps will persuade them to travel again.²¹

MEET THE “NEW” TRAVELER SEEKING PURPOSE AS THE WORLD REOPENS

The pandemic has changed so much of daily life, from how people go to work and school to how they shop and socialize. While some behaviors from this period will eventually fade away, COVID-19 has made an indelible mark on life—and travel—as we know it.

Driven by Different Motivations

Moving forward, the hotel industry will feel the impact of the ways that consumers have fundamentally changed in what they want and in how they behave and engage with brands. Instead of focusing primarily on price and quality in making purchasing decisions, these new travelers are motivated to purchase by factors including health and safety, ease and convenience, care, trust, and reputation.

In fact, 44% of U.S. consumers say the pandemic caused them to rethink their personal purpose and re-evaluate what's important in life, according to recent Accenture research. The same study reveals that 49% want companies to understand how their needs changed during disruptions and address these needs. What's more, 38% expect brands to take more responsibility for motivating them and making them feel relevant rather than only doing their business.²²

When it comes specifically to hotels, new travelers place a premium on safe and sanitary environments, flexible and no-penalty booking policies, convenient customer service, sustainable products, and a positive social impact. Many say they are willing to pay extra for these options, and to switch to a different travel provider (hotels, airlines, travel agencies, and OTAs) if needed. In fact, 45% of consumers say that they are considering moving away from the travel provider they use, either completely or in part, over the next six months to a year.²³

The Rise of the New Leisure Traveler

Leisure travelers with these new motivations will be a significant force driving travel demand in 2022—a marked shift that began last year after years of business travel being the staple of the global travel industry.

With corporate travel policies still in flux, leisure travel will continue to recover faster in 2022, driving the hotel demand landscape. According to an analysis by Kalibri Labs, throughout 2022 leisure hotel spend will have returned to 2019 levels, but business travel will struggle to reach 80% of 2019 levels. This means the share of hotel spend by type of travel will continue to be inverted from before the pandemic; in 2019 commercial travel made up 52.5% of industry room revenue and in 2022 it is projected only to represent 43.6%.²⁴ In fact, projections are that the summer of 2022 will be one of the strongest ever for leisure travel.

Many hotels' business models have been primarily focused on business customer needs such as on-site dining, laundry services, exercise facilities, and business centers. The amenities that leisure travelers expect, such as spas, pools, or easy transportation to top tourist spots, have often been a secondary focus.²⁶ As such, these hotels will need to make structural changes in how they attract, convert, and retain leisure customers.

Compared to business travelers, leisure travelers want more guidance for the booking process and more information about the destination. They buy very differently than business travelers. It's less about specifics and convenience as it is about adding services on the fly after the initial booking in the spirit of discovery and adventure. Delivering for leisure travelers will take on added importance because there will be more of them in 2022.

WHEN LEISURE IS LOCAL
Leisure travelers eased back into traveling last year through local trips. This trend will continue in 2022. It creates opportunities for hotels to partner with local businesses around events, festivals, or holidays to create enticing guest packages that resonate with people interested in experiencing their city in a different way.²⁵

The New Face of the Business Traveler

While business travel demand will lag that of leisure travel, it is not, as some have argued, a thing of the past. This is especially true in the United States, the world's most popular business travel destination.²⁸ Business travel overall is expected to increase in 2022 compared to last year, and, according to an analysis by Kalibri Labs, by Q3 it is projected to reach 80% of 2019 figures.²⁹ While a full recovery isn't expected until 2024, global business travel is projected to increase by 14% in 2022, with the United States and China seeing the largest upswing—both are projected to grow by 30%.³⁰

With large managed corporate travel down—and likely never to come back exactly as it was before the crisis—small and medium sized enterprises (SMEs) will lead the way in business travel's recovery in 2022. This continues a trend that began in 2020 when the volume of SME travel was down, but not to the same extent as the rest of business travel during the height of the pandemic.

Leaders across hotels, airlines, car rental suppliers, and travel management companies have indicated that their SME accounts came back relatively quickly coming out of 2020 and are continuing to outperform corporates today. They attribute this to the fact that smaller companies started to return to the office

MOMENTUM FOR MEETINGS
Although vaccine requirements and safety and social distancing protocols will reshape the meeting experience moving forward, meeting volume is on the move. Knowland's U.S. Meetings Recovery Forecast points to a 58% recovery by the end of 2022. By the end of 2024, forecasts currently project levels at 110% of the 2019 baseline.²⁷

faster, and as part of this, put their people on the road sooner. They also believe that SME travel is buoyed by fewer travel restrictions and more flexible travel policies. These leaders are seeing growing demand from smaller consulting agencies, law and accounting firms and retailers, and expect more of the same into 2022.^{31, 32}

The SME sector represents an upside opportunity for hotels to fill midweek occupancy and balance highly anticipated leisure demand patterns. This is a largely untapped market—one that that was often squeezed out by the largest corporate negotiated segment. For hotels to take full advantage of this opportunity, it will be important to establish contacts with prospects and understand the needs of this segment. Speed and convenience will likely continue to be important, but SME business travelers will most certainly focus on health and safety issues more so now than before.

Emerging Traveler Segments to Watch

The advent of remote work during the pandemic period—and its continued normalization since companies created flexible working environments out of necessity—has fueled the emergence of new traveler segments that blend business and leisure interests.

Bleisure travel — in which travelers piggyback leisure and business trips off each other—has been called a pandemic silver lining. While these arrangements are not new, they were more common among younger travelers before the pandemic. Today, bleisure travel is more mainstream among business travelers across demographic groups. In fact, one 2021 study of global business travelers found 89% wanted to add a private holiday to their business trips in the next twelve months.³³

Some travel experts think that fly-to-the-meeting and fly-back-from-the-meeting day trips will become a thing of the past and that multi-day bleisure trips will ultimately become “the new business trip.”³⁴ This shift is possible because companies tend to be tolerant of this kind of business travel.³⁵

Digital nomads — people who have the flexibility to work from anywhere and take to the road — are also on the rise. They represent a profound rethinking of the traditional dynamic between work and travel, where people either worked to travel or traveled for work. Digital nomads travel while they work, stopping in different destinations and staying for as long as they want, and then moving on. The availability of connectivity is essentially the only thing that limits their travel choices. Skift has reported that 3.7 million Americans are potentially positioned to live and work as digital nomads. While a niche segment today, market analysis suggests that it will be fast growing and powerful.³⁶

Globally, 89% of business travelers report wanting to add a private holiday to their business trips.

We might also expect a blurring of these segments as bleisure travelers’ experiences push them to more permanent digital nomad style ways of working.

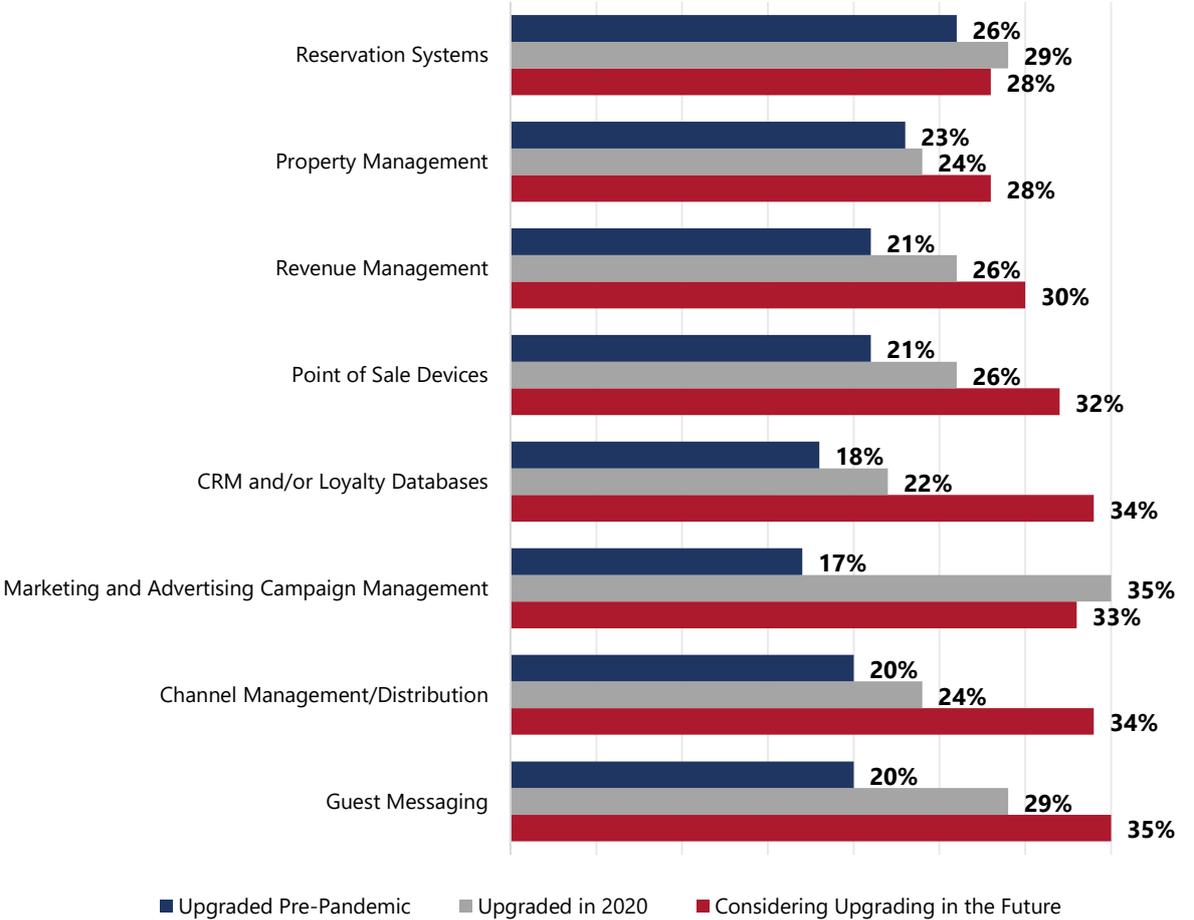
TECHNOLOGY TRENDS TO WATCH

Technology is playing an increasingly important role in making it possible for the hotel industry to respond to travelers' changing needs and preferences. We joined with Oracle Hospitality to understand the biggest technology trends expected for 2022 and beyond (Figure 5).

- **Keeping it human with technology.** The personalization of technology will take another leap forward, with hotels using digital technologies to ease workloads and further satisfy each individual guest with a new guest experience. This includes everything from individual food and beverage options and flexible check-in and check-out times to expanded room bandwidth for all traveler segments. While luxury hotels are especially known for service defined by a personal touch, hotels of all types will use more technology tools that help them “gain knowledge,” progressively enhancing guest experiences and meeting or exceeding established service standards.
- **Remapping the guest and staff journeys.** Mobile, self-service devices are allowing guests to navigate much of the traditional guest journey—from booking to checkout—without having to interact directly with staff. As a result, hotel employees are spending less time on tasks, such as processing check-ins, and can pursue initiatives that can make a greater impact on customer service.
- **Shifting in-house technology solutions.** For years, larger hotel chains have had in-house teams developing their own property management and central reservation systems. But a lack of integrations, compatibility issues, and compliance issues—along with the cost of keeping these solutions relevant and agile—creates challenges for in-house teams. With many hotel groups restructuring during the pandemic, and an industry-wide focus on recovery and growth, more hotels will move from in-house tools to “off-the-shelf” offerings from industry vendors. This shift will not only reduce operational costs, but also improve service offerings to employees and guests.
- **Expanding the use of agile PMS.** Property management systems (PMS) are the hub of hotel operations. With near exponential growth in the apps that “hang” off the PMS, fast, simple, and low- or no-cost integrations are a necessity for continued innovation and an efficient technology ecosystem. No PMS provider can meet the demands of every hotelier. As a result, hotel operators will increasingly turn to a PMS solution that has a growing network of integration partners that offer expanded capabilities.

Figure 5 – Hotels Are Turning to Technology to Get Future-Ready

Which, if any, of the following technology or software systems have you upgraded (or considered upgrading) to support future hotel business opportunities like non-room revenue?



Source: Oracle Hospitality, Back to Hospitality: Getting Smarter and More Profitable in a Post-Covid World

BIG BETS

RECOVERY TAKES AN EVOLUTION

The demands and desires of the new traveler have implications for hotels as they set strategic priorities and focus resources and investments to effectively fulfill guests' needs. In 2022, rebuilding the workforce, doubling down on sustainability, and reimagining loyalty will be key areas for hotels that want to be relevant to the new traveler.

Rebuilding the Hotel Workforce for the New Era of Travel

Staffing challenges have hampered a return to normalcy in many hotels across the country, making it difficult to respond to growing demand. While nearly every industry experienced labor shortages last year, shortages were particularly intense in hotels because of both pandemic layoffs and a wave of people leaving voluntarily, often for opportunities in other industries.

The results of an October 2021 AHLA member survey reveal how dire the situation is now. Nearly all (94%) respondents say their hotels are understaffed, including 47% who say they are severely understaffed. Moreover, 96% of respondents are trying to hire but have been unable to fill open positions.

As the hotel industry continues on the road to recovery in 2022, rebuilding the talent pool will be critical to serving the needs of the new traveler. After all, the industry is projected to end 2022 down 166,000 workers compared to 2019.³⁷ Recruiting workers will also be more complicated across many industries given the intense competition.

The good news is that there is opportunity to attract and retain employees in new ways. This can mean building on existing efforts to educate people about all the exciting career paths and provide career development and relevant skills training.

Today's candidates care about career paths, flexible work arrangements, and skills training that keep them employable into the future. Hotels also have an opportunity to strengthen their diversity and inclusion practices, fostering careers for people of color and women and ensuring that employees at all levels are as diverse as their guests.

CREATING OPPORTUNITY

The AHLA Foundation offers a portfolio of scholarships, workforce development initiatives, and industry-recognized certifications to help prepare people for future success. In 2020, the Foundation also announced a new commitment of \$5 million and an action plan over the next five years to advance diversity, equity, and inclusion within the hotel industry.

Doubling Down on Sustainability for People and the Planet

As new travelers look to do business with hotel brands that align with their personal purpose, hotels' commitment to sustainability will increasingly impact purchasing decisions. A recent global survey of travelers reveals that the top three areas that consumers think travel

companies should focus on in this area are carbon emission reduction, recycling, and food waste reduction. They are also interested in actions that address single-use plastics, water waste, and electricity conservation.³⁸

With hotel owners still feeling the pressure of a pandemic economy and the need to prioritize spending on the fundamentals of keeping the business running, investing in sustainability can seem like a less immediate priority.

Yet hotels do not have to make the choice between “doing the right thing” and doing the financially prudent thing when it comes to sustainability.

The goal is to align sustainable investments with financial returns to move beyond a simple cost of compliance. Investing in programs that are cohesive, clearly communicated, and provide owners with a solid financial return—whether through green hotel design, driving energy efficiency through building systems, or engaging in renewable power purchase agreements on behalf of franchisees—will increasingly become the rule rather than the exception as new travelers gravitate toward brands that value sustainability and social responsibility.

Reimagining Loyalty Beyond Points

Loyalty programs that target the needs of business travelers and are based primarily on accruing points will be increasingly less relevant. The imperative now is programs for people who travel less and for leisure purposes. Case in point: In September 2021, 41% of travelers in the United States were visiting family and friends, and 41% were vacationing. Just 8% were on business trips, and 6% were going to a work-related convention or conference.³⁹

The reality is that loyalty schemes based on frequency of travel are out of step with the behaviors of the new traveler and with a suppressed demand environment. And even as demand picks up in the coming months and years, the mix of business and leisure travel will be permanently changed, and loyalty programs should align with travelers’ current behaviors to truly engage them.

Hotels that reground loyalty programs in the dynamics of new demand patterns are in the best position to [build loyalty](#). This means accounting for the [experience model](#), [data model](#), and [business model](#). All of these parts work together to create loyalty programs based on human needs while supporting the operational aspects of delivering on them.⁴⁰

2022 will see the continued progress toward recovery as the hotel industry responds to the evolving needs of the “new” traveler. Hotels will need the foresight and the flexibility to manage through continued volatility. But the challenges of the previous years have prepared hotels well to seize the opportunities ahead.

REPORT METHODOLOGY

Accenture Travel Readiness Index

- **What is it?** Consumer trust and confidence are key pillars in rebuilding tomorrow's travel better. Various factors influence the evolution of travelers' confidence (such as health risk, ability to be mobile, economics, and more). The Index reflects how these factors evolve on a monthly and country basis and hence impacts overall travel readiness.
- **How is it built?** This composite Index is based on four sets of sub-indicators gathered at country level: COVID-19 related health status, economic indicators, travel demand (potential and actual), mobility status. Indicators are weighted to reflect their respective impact size on travel readiness. Data are normalized to obtain a consistent score on a zero to one scale.
- **Indicator weighting.** Weightage has been assigned based on the importance of criteria. All indicators within travel can be divided into intention (Travel search results, net sentiment) and actual (occupancy and air reservations) where actual will have more priority.
- **Index calculation.** The Index is designed to understand the travel readiness of a country. Various parameters have been tracked from Feb 2020 and will be compared with the average 2019 levels of the country. The Index uses a feature scaling method, which considers minimums and maximums within each dataset for normalization so that when the Index is calculated, it falls between the range of zero to one. The seasonality in travel will be different for different countries, and by comparing the situation with average of the 2019 levels for the selected countries, the Index compensates for the seasonality fluctuations.

Life Reimagined

- Accenture conducted its 16th annual Global Consumer Pulse Research to gain an understanding of global consumers' preferences, beliefs, and behaviors. The online survey of 25,444 consumers ages 18+ in 22 countries was designed to identify how consumer expectations are evolving—and how companies can capitalize on that evolution to achieve new levels of growth and competitive agility. Fieldwork was conducted between December 2020 and February 2021.
- Using survey data to quantify the relationship between consumer loyalty and satisfaction, Accenture developed and estimated an ordered logit econometric model using Maximum Likelihood method. The model estimates the probability of a consumer staying with the current provider in the next 12 months given their satisfaction with a product/service offering expressed by a wide set of features. The model accounts for consumer individual characteristics such as age, gender, marriage status, income, employment type, and employment situation affected by COVID-19 outbreak, which may impact their purchasing behavior.
- To deepen the understanding of how consumers have changed and what's important to them, Accenture ran five online focus groups in Brazil, China, Spain, the United Kingdom and the United States in May 2021. Each session had 85 participants age 18+ who all screened as having totally revised their personal purpose and what's important in life during the pandemic.

Accenture 15th Annual Holiday Shopping Survey

- The Accenture 15th Annual Holiday Shopping Survey offers insights into consumer buying patterns during the holiday period, providing an indication of retail performance expectations both on the high street and online at a key time for the sector. For this year's study, Accenture surveyed a representative sample of 1,515 U.S. consumers online, each of whom had purchased an item for personal use either online or in a store within the previous six months. Respondents were split between gender and across age groups, with 14% each of Generation Zers (aged 18-24), 13% younger millennials (25-31), 14% older millennials (32-39), 22% Generation Xers (40-55), 21% baby boomers (56-69) and 16% aged 70-plus.
- A parallel survey of 120 U.S.-based retail executives was also conducted to explore actions taken by retailers in the run-up to the 2021 holiday season and compare those with consumer expectations.
- Both surveys were conducted in August 2021.

AHLA State of the Industry Report in collaboration with Accenture

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