

The outlook for hotel rates and airfares in the months ahead, and how to use AI so it doesn't use you

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Julian Walker: Well, good morning. Good afternoon. Good evening, and wherever you are in the world, welcome to Business Travel on the fly. I'm Julian Walker. And with me today is our good friend, an internationally recognized thought leader, futurist, economist and New York Times bestselling author, Dr. Shawn DuBravac. Sean, welcome.

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Dr. Shawn DuBravac: Great to be here, Julian, great to see you.

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Julian Walker: Great to have you again. Thanks very much. Shawn also collaborates with us and the Global Business Travel Association on the global business travel forecast, which we'll be launching again this August. And we're about halfway through it. So what we'll be doing is looking at some of the regional price projections and the analysis for airfare and hotel rooms and see where we're kind of measuring up because in this sort of midway point, we're at this sort of an inflection area, in more ways than one though. So we will talk about prices. But we'll also have a chat about other things. And the issue of the moment, particularly, which is artificial intelligence. And we'll draw on themes from Shawn's book, the digital destiny, or how the new age of data will transform the way that we work, live and communicate. So Shawn, let's start with a sort of sea change and see what this all means for us. And perhaps, as we're sort of halfway through our forecasts, but you could talk us through the Global macroeconomic and sort of geopolitical picture and see, do you think the ongoing economic uncertainty is suppressing or perhaps accelerating the pricing of travel? And have there been any changes to our thinking? And remember that when we were originally publishing this last year forecasting for this year, we were suggesting that we might, we would expect to see airfares rise by 18.4%, hotel rates by just over 8%, and car rental changes, sort of around just below the sort of 7% mark this year. Shawn, how are we then?

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Dr. Shawn DuBravac: So certainly there is a tremendous amount of economic uncertainty overhanging every industry. What's unique about hospitality and specifically business travel is that you're seeing the demand for services continue to be quite strong. And in fact, if you look at the forecast that we published last summer, for the year 2022 -so we have final data for 2022 - prices were up much higher than even we had anticipated. And if you recall, we were expecting very

strong growth for 2022. So, you know, hotels we had expected would be up almost 20% in 2022. In fact, they were up globally, almost 30% and 2022. So you saw a very strong lift in pricing in 2022. When you look at airfares, we had anticipated that air fares globally would be up almost 50% in 2022, which was a very strong number. And if you recall last summer, many were saying well, things are starting to slow as we head into the fall and we move away from the summer travel season. But in fact, prices continued to rise. And we saw prices up 72%. Air fares up 72% in 2022. So just phenomenal increase in pricing. Obviously hospitality is facing higher costs across the board. And they're passing some of those higher costs on to, you know, to those who stay with them or travel with them. So higher fuel costs if you're an airline, higher labor costs if you're a hotel. And those costs really continue to rise in 2023. And we expect prices will be up in 2023. You did see in some way some price moderation in the final months, very final months of the year. Last year. But as we look this year, things are are picking up again and kind of moving back to those high levels as demand remains strong.

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Julian Walker: Excellent. So and we've seen business travel or the sort of whole business travel industry get off to a relatively slow start this year. Do you think that might affect the numbers for this year? Or do you think it won't make a difference? Because it will either pick up or the projections will still stand?

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Dr. Shawn DuBravac: Well, I think, you know, if you look at hotels, they're facing kind of two challenges. Still, occupancy rates and a lot of parts of the world remain below where they were in 2019. So we haven't recovered the occupancy levels that we have, but prices are up significantly. And again, part of that is because costs are up significantly. When you think about you know supply chain costs. So food costs, labor costs, all of these other costs are putting pressure on hotels and their profitability and so they've raised prices also because demand has been strong and so I think moving forward through the remainder of 2023, companies are really balancing demand with higher costs and having to offset some of those higher costs with with higher, you know, higher rates, whether it's airfare, trying to offset higher jet fuel costs and higher labor costs or whether it's hospitality, trying to offset some of those higher costs as well.

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Julian Walker: Okay, and do you think we're likely to see any kind of anomalies or outliers come in that could kick things off or surprise the trajectories that we're on, at all, any anomalies that you might like to sort of hazard a spot on?

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Dr. Shawn DuBravac: Well, I think if you look to the upside, certainly the opening up of China at the beginning of the year, drove significant demand. And we saw, you know, travel respond, and rates respond as a result of that. And, in fact, APAC, you know, fares were much higher last year than we had anticipated when, you know, when we put out our forecast in the middle of the year, so we had expected, you know, prices, airfare prices to be up, hotel prices to be up. But but not up significantly, partly because of China's strict COVID policies. In fact, when everything was said and done, we still saw hotel rates for broader APAC up almost 30%, you know, comparable with what we saw happening in the rest of the world. Now, as we moved into 2023, we saw China opening up and travel resuming and so I do think that helps to the upside with respect to demand. And so that probably translates into, you know, to somewhat higher prices, at the same time, more capacity will be coming online, especially with respect to airfare. And so that could help moderate some of the, you know, the airfare pressures that we have seen. I think another very big uncertainty is the economy. We're in the midst of what looks like a banking crisis. And that can cause some uncertainty, that can cause some trepidation among travelers and among businesses, who might be wanting to tighten their belts, and restrict business travel. And so anything that ends up restricting business travel, I think, will translate into moderating fares and moderating rates, as demand slows, and businesses are trying to offset that.

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Julian Walker: Okay, perfect. Yeah, good stuff. All right. So that's kind of where we are on pricing. And thanks very much for that sort of update in those insights, Shawn, We'll, obviously revisit this in a lot more detail when we update the forecast and publish that at the beginning of August. So if we could, can we sort of turn towards AI now, which I alluded to at the beginning. And you know, where I see it, we're kind of at a turning point, there was the report in I think, 2022 from the WEF, that estimated there were probably 85 million jobs could be replaced by machines, as early as 2025. But it also estimated that maybe nearly 100 million new jobs will be created to support this new world economy. And you yourself, came up with a very insightful comment. So technology moves very slowly, until suddenly it doesn't. Do you think we are on the cusp of this huge transformation right now?

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Dr. Shawn DuBravac: I think we're definitely in the midst of a huge transformation. And we are seeing the impact in lots of different spaces. I think the jobs that we have today are changing rapidly, the way we use technology is changing rapidly. You know, it is perhaps akin to when we first started to add computers to many of these jobs, we're now infusing AI into many of these jobs. And as a result, it's going to change what our jobs are, whether you know, we're writing copy for marketing, and we're now going to start to use artificial intelligence to help influence that or to assess what we're producing. I think you're going to see it show up in every space and AI is a great example of something that has moved slowly, sometimes at very slow rates. If you go back to the 50s and 60s, and then it is accelerated in recent years in lots of different spaces and so will have a big impact on I think all aspects of our jobs. You know, if I were looking at what I do today as a job, the importance of agility is especially important now to really be able to think about how do I use

technology in new ways. How do I create and carve out new opportunities for myself using the technology that is now available to us.

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Julian Walker: Okay, excellent. And so, you know, there will be some sectors I guess that would be more impacted than others? And do you still sort of agree with the concept that AI will see some jobs die out completely, whilst, as the WEF report suggested there'll be other new ones emerging? Do you agree with that concept?

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Dr. Shawn DuBravac: I definitely think that we will see some jobs relegated and disappear because of technology, and certainly because of artificial intelligence. And at the same time, we will see lots of new jobs. And I think even more than that, we will see AI influence every job so that every job changes just a little bit. Not unlike, you know, as we saw computers change our jobs, again, initially, not so much. But then, over time quite quickly. And we saw some jobs go away as a result of that. But we saw, obviously an explosion of new jobs as a result of that. And I think artificial intelligence will play that exact same role. We're going to all be using it in new ways. And so that will change the jobs that we have today.

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Julian Walker: Absolutely. Okay. That's a good call. Because I remember when computers were coming in, everyone was saying, well, that's the end of paper, you know, there won't be any paper around. And that certainly didn't happen. But it has fundamentally changed the way that we work. In terms of, maybe AI's application to what we started talking about, which is kind of business travel itself, or indeed you know, do you have ,how would you predict that AI might impact travel of the future?

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Dr. Shawn DuBravac: Well, I think on the operation side, you'll see it be used in lots of different ways. So if you think about computer vision, and being able to, you know, identify different things, at the end of the day, AI is really good at making predictions and looking at patterns and predicting. So if we're thinking about something like chatGPT, it's about predicting what the next word should be. And writing a script or writing a response based upon a prediction of what the next word should be. And I think, if you look at business travel, every aspect could be influenced by having these predictions available, and ultimately making those predictions cheap and inexpensive, so that we can use them in lots of places. So operations might be using computer vision, obviously, we're starting to use facial recognition and all aspects of business travel that is essentially, you know, AI and predicting different things. ChatGPT will be influenced, you know, and similar technologies will influence marketing, and how we interact, customer service might be

influenced by synthetic media and you know, what we sometimes refer to as deep fakes. That's a form of artificial intelligence. So we might be using it there. So I think every aspect of business travel could be influenced and probably over time will be influenced by what's happening in different parts of artificial intelligence today.

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Julian Walker: Okay, good insights. Thank you very much. So if we can sort of finish today are not finish, but sort of move towards a kind of quick fire session, as it were, with just a couple of quick questions, if I may. And these could be related to AI, or geopolitical events, or poly crises, which is a phrase that I'm hearing quite a lot at the moment, or innovation, you can sort of whatever you like, but what are you most optimistic about at the moment, Shawn?

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Dr. Shawn DuBravac: I think I'm certainly optimistic over the long term about the influence that technology will have on on all aspects, I think we'll find some really interesting ways to leverage technology, I think we're becoming much more aware of the environments in which we operate in so you, obviously you see it in travel a big push towards sustainability, and measuring our impact. And all of that is, I think, an exciting space to see how that plays out. And I'm optimistic that we'll find lots of opportunities there. And I think in the, you know, in the short term, there's still a lot to be optimistic about, we're still moving towards growth, despite all of the, you know, economic uncertainties, that exists today. We're still really, in certain sectors, especially travel, continuing to recover from the pandemic. And I think, you know, there's a lot of opportunity there to really rethink the value proposition that organizations are delivering to their customers. I see hotels doing it today. I see, you know, airlines and others doing it today. So I think there's a really big opportunity to redefine that value proposition and that relationship that you have with your customer

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Julian Walker: this is very positive stuff. I love that optimism. Thank you very much. And do you have any concerns or worries at all about the sort of immediate future, again, can be related to anything on this front?

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Dr. Shawn DuBravac: Certainly the near term economic picture is uncertain. And that creates a lot of headwind for organizations. And, you know, I think what tends to happen in kind of dire economic times is a lot of unexpected things happen. Certainly we've seen those in recent weeks in the banking sector, but it's those second order effects that we didn't see coming that worry me the most, it's what is the fallout from some of these things? And where does it materialize in ways that we don't expect? And, you know, is there concern that that organizations that are healthy and

strong today will be somehow impacted by some of the economic fallout and in ways that they hadn't anticipated, in ways that they hadn't foreseen? So I think that worries me certainly long term. The misuse of technology is always concerning. The abuse of technology is always concerning, there is the chance to do a lot of good with these technologies. And there's also the opportunity to, to misuse and to abuse them. And I, you know, I think both a challenge and an opportunity is how we develop as workers and as people with the influence of all this technology around us, how do we use this to change how we interact with people to change the type of work that we do? I think those are challenges if we don't want to change and opportunities if we do want to change and embrace what's great about some of these new technologies.

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Julian Walker: Superb. I love the way that you connect challenge and opportunities. I think that's the right way to think about it. So thank you very much, Shawn. That's all we've got time for today. It's a great pleasure to see you. Thank you for sharing your thoughts and joining us.

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Dr. Shawn DuBravac: Glad to be here. And I look forward to talking more about the forecast in the months ahead,

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Julian Walker: Indeed. That will be coming out and as a reminder that will be coming out sort of very early August. So we look forward to that. So to find out more about the future of travel and work from experts around the world, you can subscribe to business travel on the fly on Spotify, Google Play, Apple podcasts, or wherever you get your podcast information of your downloads from. Thank you for joining us today and that's all for now until we next meet on the fly.