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Travel industry
overview
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trends

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Travel volumes

The overall contribution of travel and tourism to the world economy exceeded USD 7 trillion in 2015, accounting for nearly 10% of global GDP.¹ To put that into context, if the industry were a state, only the US and China would have larger economies.² This level of economic activity supports 284 million jobs – 1 in 11 jobs in the global economy.

At the same time, travel industry's growth continues to outstrip world GDP growth. This trend is projected to continue for the foreseeable future. Based on constant 2015 prices and exchange rates, by 2026 the value of the overall industry could be in the region of USD 11 trillion, representing nearly 11% of global GDP and supporting 370 million jobs.³ Amid the uncertainties associated with an increasingly digitalised society with exponential use of new technologies, the potential for continuous job creation in the travel industry is as important as its contribution to GDP. The need for ongoing technological innovation and the inherent service nature of the industry is likely to drive future job creation across several skill levels.

In direct expenditure terms, most travel is leisure and domestic oriented (76.6% and 72.3% respectively in 2015). Nevertheless, with around 1.2 billion international travellers contributing over USD 1.3 trillion to global exports, travel and tourism clearly plays a vital role in international trade. And this will further gain importance, at least over the next decade. Spending by international travellers is projected to rise at a slightly higher rate over the next decade than their domestic counterparts (4.3% annually versus 4.0% annually).⁴

¹ World Travel and Tourism Council (WTTC) (2016). *Travel & Tourism Economic Impact 2016*. London, WTTC.

² Source: Own calculations based on World Bank's *World Development Indicators* and on WTTC's *Travel & Tourism Economic Impact 2016*.

³ WTTC, *ibid.*

⁴ WTTC, *ibid.*

Geopolitics and security

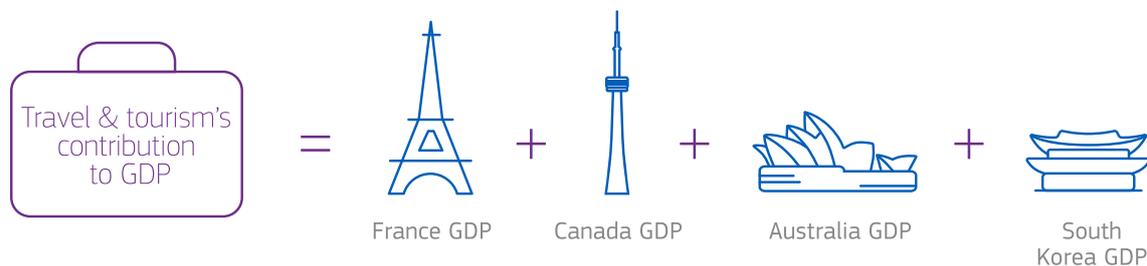
Despite well-documented examples of geopolitical and security issues that inhibit travel to and within particular countries, global travel volumes are resilient and continue to grow. Fortunately, global average security levels permit the industry to thrive, and geographic accessibility has never been greater.

However, threats to this customary growth exist. For instance, increasingly strict security measures are burdensome on the traveller, and their introduction places demands on infrastructure that are a challenge operationally and financially, particularly against the background of rising traveller numbers. Fortunately, technology facilitates the implementation and management of security measures, creating efficiencies and introducing increasingly sophisticated systems to meet necessary standards and reduce traveller frustrations.

Interconnectivity

The interconnection of different travel modes and/or services (a traveller typically needs transportation, accommodation and activities – such as restaurants, entertainment, etc.) is an increasingly important factor in the success of the economic model of travel and tourism. Consequently, a rise in demand for transportation drives demand for other travel-related services. IT travel companies such as Amadeus have made the booking of the core travel elements straightforward and efficient. In addition, changes in traveller behaviour, fuelled by technological advancement, allow travellers to play a much more proactive role in both researching and booking travel. This has led to a demand for increased depth and range of options throughout the journey, which in turn creates consumer benefits, greater market transparency and increased competition among travel providers.

Greater familiarity with the process of planning and booking leads to an increasing requirement to integrate ever more elements of a trip; in essence, to see the journey as a seamless process. Booking all elements of a trip online, on whatever device, has become ubiquitous. A greater challenge is the full integration of comprehensive information and, particularly, the ability to book all in one operation. The technology to do this is evolving and will increasingly become mainstream.



Travel and tourism's total contribution to global GDP in 2016 has been approximately the same as the GDP of France, Canada, Australia and South Korea together.⁵

⁵ Source: Own calculations based on World Bank's *World Development Indicators* and on WTTC's *Travel & Tourism Economic Impact 2016*.

Smartphones and mobile internet

Increased interconnectivity has also meant that travel-related options need to be available in optimal format across the range of devices used by a traveller. 95% of travellers⁶ use digital devices (PC, laptop, tablet, smartphone) when organising a trip. The increasing use of smartphones, fuelled by the expansion of 3G and 4G mobile networks (with an estimated 2.1 billion users worldwide at the end of 2016 and usage by over 80%⁷ of leisure travellers in some major travel markets) has converted trip organisation to a live activity – bookings can be made and changed literally on the move. Travel documents ranging from hotel confirmations to boarding passes to loyalty cards can be downloaded and stored without the need for printed versions.

As importantly, the use of the smartphone implies uninterrupted connectivity. This offers significant opportunities for travel suppliers to make personalised offers to their clients, to provide information and assistance in case of disruption and, subject to privacy requirements, to convert new clients with targeted promotions. This extends to the ongoing wider opportunity for suppliers to offer additional services (through cross-selling and upselling). Due to geolocation mapping, not only are offers and guidance relevant but they are also timely: for example, a gate change at an airport.

The omnipresence of smartphones has also enabled a revolution in ground transportation. Smartphones are an essential component in transforming the taxi segment, introducing both efficiencies (for operator and customer alike) and greater competition. An obvious efficiency is the use of cashless payment systems for journeys. While the incorporation of mobile wallets in smartphones is increasingly prevalent, there is as yet little uptake in the travel sector. This is changing with the prospect of better corporate expense management along with the opportunity for 'pay as you go' solutions, particularly on short urban journeys. At the same time, payment remains an obstacle to seamless mobile bookings, and suppliers are increasingly investing in means to overcome this and secure cost efficiencies in their operations.

⁶ e-Marketer and Statista (2016).

⁷ e-Marketer, *ibid*.



Sharing models

Peer-to-peer sharing models are extending to embrace destination services such as accommodation, road travel or tour guides. Sharing models are also generally linked to an appreciation value for tourists, i.e. to get closer to a real-life experience of the locality visited, as opposed to one with only a touristic focus.

The travel and tourism industry has demonstrated sustained growth over many years and has rapidly recovered when faced with economic and other crises. It has repeatedly acted as a springboard for innovation and technological innovation. It is no coincidence that travel applications are among the first to emerge based on new business models, particularly sharing platforms. This resilience, coupled with ongoing technical innovation, gives every indication that longer-term growth projections can be met, not only in terms of volume but in the quality of the traveller experience and on-going efficiencies for the industry.



Watch video on
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Alex Luzárraga (Chief Strategy Officer) participated on the panel Disruption – Tourism of 'El País Retina', a business event for internet and technology professionals in the growing Spanish-speaking market.