



Travel States of Mind

The key trends facing consumers
in the brave new world of travel

December 2022



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Introduction

The brave new world of travel

The travel industry has never experienced anything like the last three years. For periods of 2020 and 2021, international and domestic travel was virtually suspended in many countries. Even now, restrictions of some form persist in several parts of the world, while crossing international borders has become more difficult and time-consuming. Many travel businesses have struggled enormously, and the economic and emotional effects on those whose livelihoods depend on the sector have been immense.

The very welcome return of international travel has brought its own challenges, from rehiring and reskilling a depleted workforce, to helping travellers navigate new systems and protocols and ensuring destinations bounce back from such a difficult period. Rising geopolitical tensions, high energy costs and soaring inflation have combined to create other challenging headwinds for the sector in 2023. It can feel like the only certainty is more uncertainty.



Understanding travellers'

States of Mind: Key Takeaways

In such a fast-moving and unpredictable environment, it is essential that the industry understands the changing mindsets of its customers and how they experience travel. The wants, needs and concerns of travellers are constantly evolving, and the sector must adapt quickly to meet these expectations. At the same time, the industry must also plan for the evolution of travel and its long-term sustainability. This report sets out three key trends that will define the industry's future:

Trend 1: The demand for greater flexibility

Travellers are responding to the greater complexity they face by demanding greater flexibility and more peace of mind. Flexible bookings and cancellation policies are a priority, and Allianz Partners' data reveals that intention to buy travel insurance in France, Germany, Italy, Belgium, and the UK combined is up significantly from 21% of travellers in 2019 to 55% in 2022.

As well as mitigating the range of potential issues travellers now face, the need for flexibility is driven in part by the changing nature of travel, such as the rise of multi-generational family trips.

Trend 2: The rise of 'Work-from-anywhere' and new ways of working

The rise of remote working was hastened by the COVID-19 pandemic, but there are already indications that the trend is here to stay. People across all ages and demographics are now requiring remote working facilities, not just younger 'digital nomads'. The ability to work from anywhere is also behind the popularity of the 'Bleisure' trend which combines business and leisure travel.

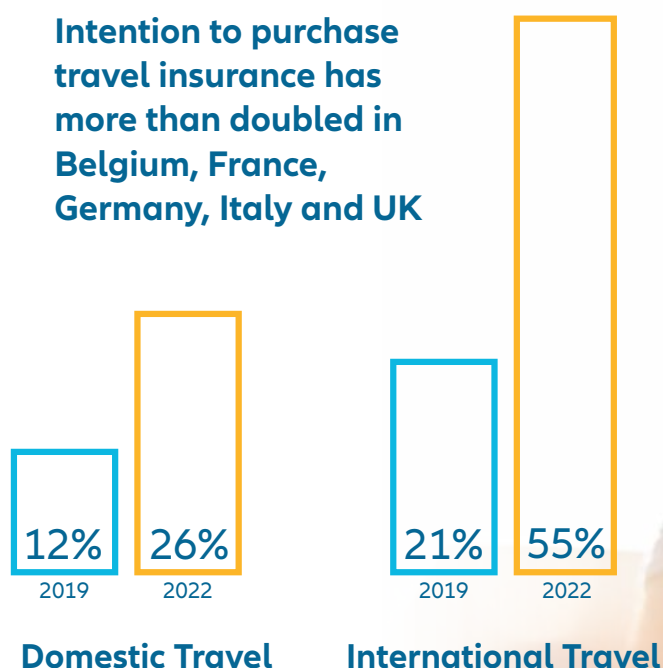
However, outdated and inflexible regulation in some countries is hindering the evolution of the trend, and the travel industry must continue to adapt to meet the range of travellers' needs even while pure business travel takes time to return to pre-pandemic levels.

Trend 3: The future of sustainable travel

While consumers are becoming more conscious of the impact international travel can have on the environment, they have yet to consider their carbon footprint as a major factor in their decision-making processes regarding travel. To better address environmental sustainability, a multi-sectoral approach is required at national and international levels – focused on supportive regulatory frameworks for companies in the sector to reduce their environmental impact.

Addressing societal issues is also critical, with particular attention needed to ensure travel has a positive impact on people and communities who live and work in popular destinations.

Intention to purchase travel insurance has more than doubled in Belgium, France, Germany, Italy and UK



About the Report

These trends have been developed from a combination of Allianz Partner's proprietary Customer Lab research, the Allianz Partners Summer Vacation Confidence Index, in-house consumer behavioural insights, and data from across the wider travel ecosystem – all of which are referenced throughout the report. The report also draws on input and analysis from two leading travel industry experts:

Joe Mason, Chief Marketing Officer for Travel at Allianz Partners has more than two decades of international experience in travel, insurance and financial services. Joe has led Allianz Partners' Travel marketing activity since 2015 and is responsible for consumer insights, product management, and innovation across the business.

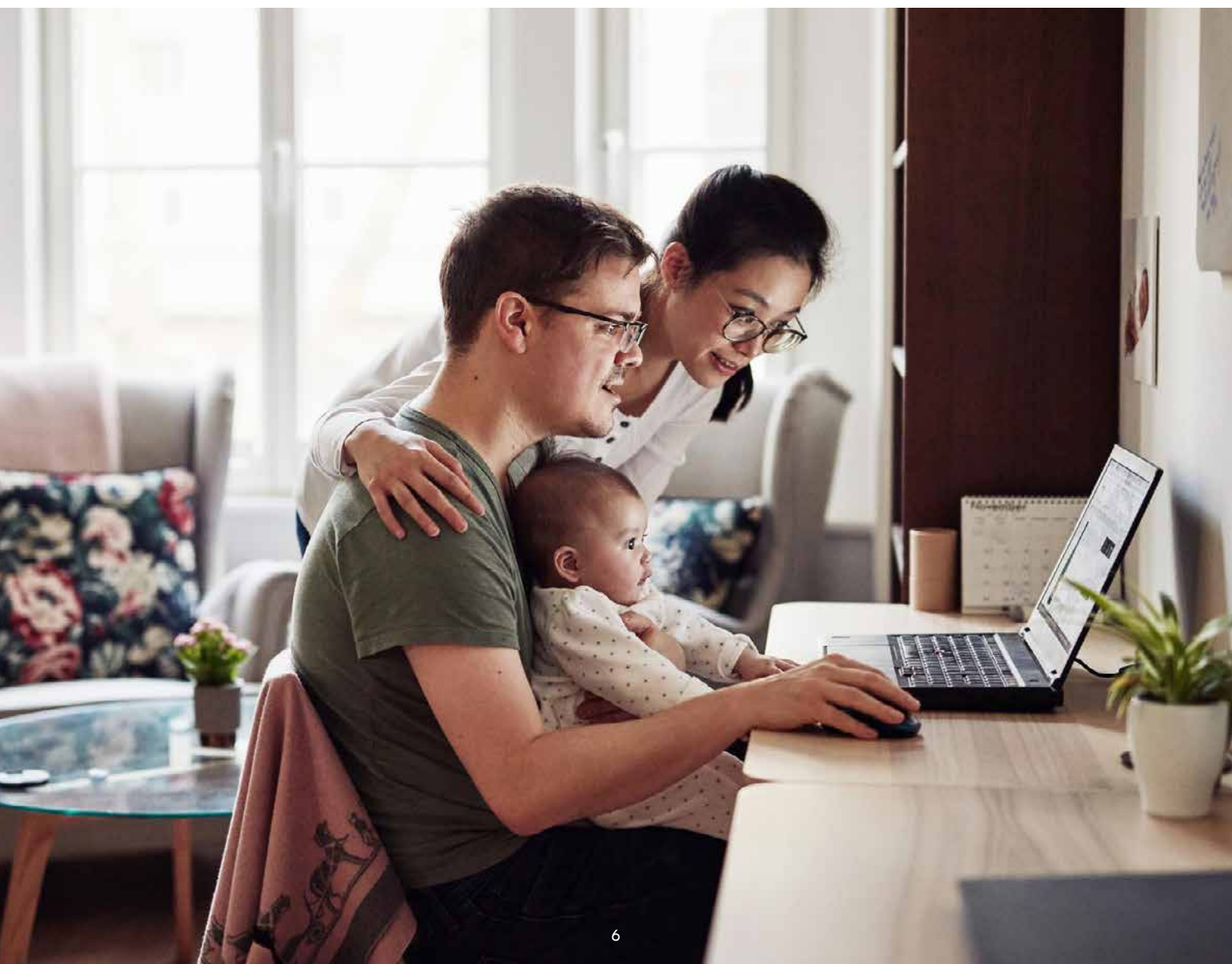
Luís Araújo, President of the European Travel Commission and President of Turismo de Portugal, has 20 years' experience in the travel sector across Europe and Latin

America. He was elected President of the European Travel Commission in 2020, and previously served on the Board of Portugal's largest hotel group, as well as Head of Cabinet for Portugal's Secretary of State for Tourism, 2005-2007.

Joe and Luís took part in a detailed two-hour discussion exploring the data and the recent trends in travel and tourism. Quotes from their discussion are included throughout.

About the Customer Lab data

Allianz Partners' Customer Lab is a proprietary quantitative database of consumer insights. The 2022 data was collected in Spring 2022 and involved surveying more than 25,000 consumers across ten major travel markets: Australia, Belgium, Brazil, Canada, China, France, Germany, Italy, UK, and USA. Data is analysed at a country and age group level, as well as at the total sample level.



Trend 1:

The demand for greater flexibility

An exponential increase in complexity

As travel demand surged in 2022 across much of the world, the increasing complexity of all aspects of travel has been laid bare. The contributory factors are numerous and varied: entry requirements into countries have become more complicated, and transport hubs have been blighted by high levels of cancellations and delays. While COVID-19-related concerns and cancellations have reduced, the disruption caused by the virus has not vanished.

These factors have created a landscape in which plans are liable to change at short notice, at the same time as more paperwork and process is complicating travellers' experience throughout the customer journey – from researching potential destinations to the trip home.

Travellers must also consider growing economic and geopolitical complexities. Inflation and cost of living pressures are set to have a major impact on the destination-deciding process for many travellers in 2023. That's especially true for younger families, who often have large, fixed overheads such as mortgages and childcare costs.

The new economic environment is having some unexpected impacts on the sector too. High energy and food costs, for example, may result in a situation whereby winter vacations to southern Europe become more popular among northern Europeans.

Overall, planning and taking a vacation requires more time, energy and potentially stress for the traveller. The 'new normal' is complexity, uncertainty, and change. The biggest challenge facing the industry is helping travellers steer through it.

Travellers are demanding more flexibility

The desire to mitigate and navigate these complexities is driving consumer demand for greater flexibility, and the industry is responding with both pre-emptive and reactive solutions that offer prevention and cure. The sector has responded to public demand by making cancellation and flexible booking policies more widely available, but this approach isn't necessarily adequate on its own. The industry is now recognising that it must also be on-hand to quickly solve issues as they manifest.

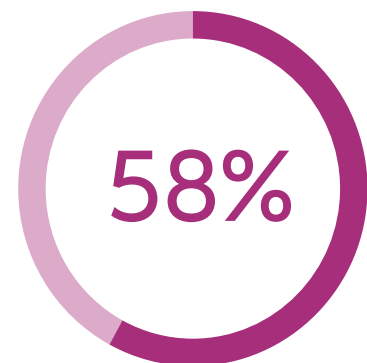
The demand for more protection and greater flexibility is backed up by the data. Allianz Partners' Customer Lab research shows intention to purchase travel insurance across five European markets (Belgium, France, Germany, Italy, and UK) is up from 21% in 2019 to 55% in 2022 for international travel, and from 12% to 26% for domestic travel. In a sign of rising demand, Allianz Partners also recorded its highest ever level of claims for post-departure benefits in 2022.

When it comes to building in more flexibility to their travel plans, the Customer Lab data shows that more than half

(58%) of younger families now plan to make flexible reservations when booking, so that they can more easily change their travel plans to deal with unforeseen events.

[Research by MoneySuperMarket](#) carried out in the United Kingdom has revealed that consumers are now not only aware of the need for travel insurance, but they are also happy to pay for more benefits. When offered three travel insurance packages, (e.g. gold, silver and bronze), the share of respondents opting for silver and gold packages as opposed to bronze has increased by five percentage points since the pandemic.

But despite a growing willingness to pay for travel insurance, the issue of inflation is likely to see a sharper distinction between travellers who have large disposable incomes and thus set greater budgets aside for vacations, and those travellers who vacation on a limited budget. In the year ahead, the market will need to meet the different needs of both travellers who are willing and able to spend and those for whom travelling at all may be a challenge.



of younger families now plan to make flexible travel reservations to deal with unforeseen circumstances

"While the hospitality and travel sectors recognise the need to adapt to the new realities of travel, this now needs to be replicated in other parts of the travel ecosystem. Attractions, museums, restaurants and events are just some areas where travellers will request more flexibility as they look to limit the risk of disappointment or financial loss if their plans are disrupted."

Luís Araújo,
President, European Travel Commission

The changing needs of family travel requires industry adaptation

After a prolonged period of domestic and international restrictions that saw families of all descriptions kept apart, 2022 has been the year of reconnecting with loved ones in person, with larger multi-generational travel parties becoming a distinctive element of the international travel ecosystem.

But these more complex travelling parties face a greater number and variety of risks than smaller parties, simply because of their larger size and different needs. Issues such as a delayed flight or a change in accommodation can be relatively easily resolved among smaller groups. But these problems are amplified when young children, their parents and grandparents are travelling together, heightening the level of stress and anxiety.

This return – and expansion – of the family holiday is now driving change in the industry. Accommodation designed for business travel, which is taking longer to recover to pre-pandemic levels, may not currently be suited to family travel and it's the latter demographic that is the growth market at the moment. It's important that rules and regulations are flexible enough to allow companies to meet these changing needs.

Travellers' expectations have fundamentally changed

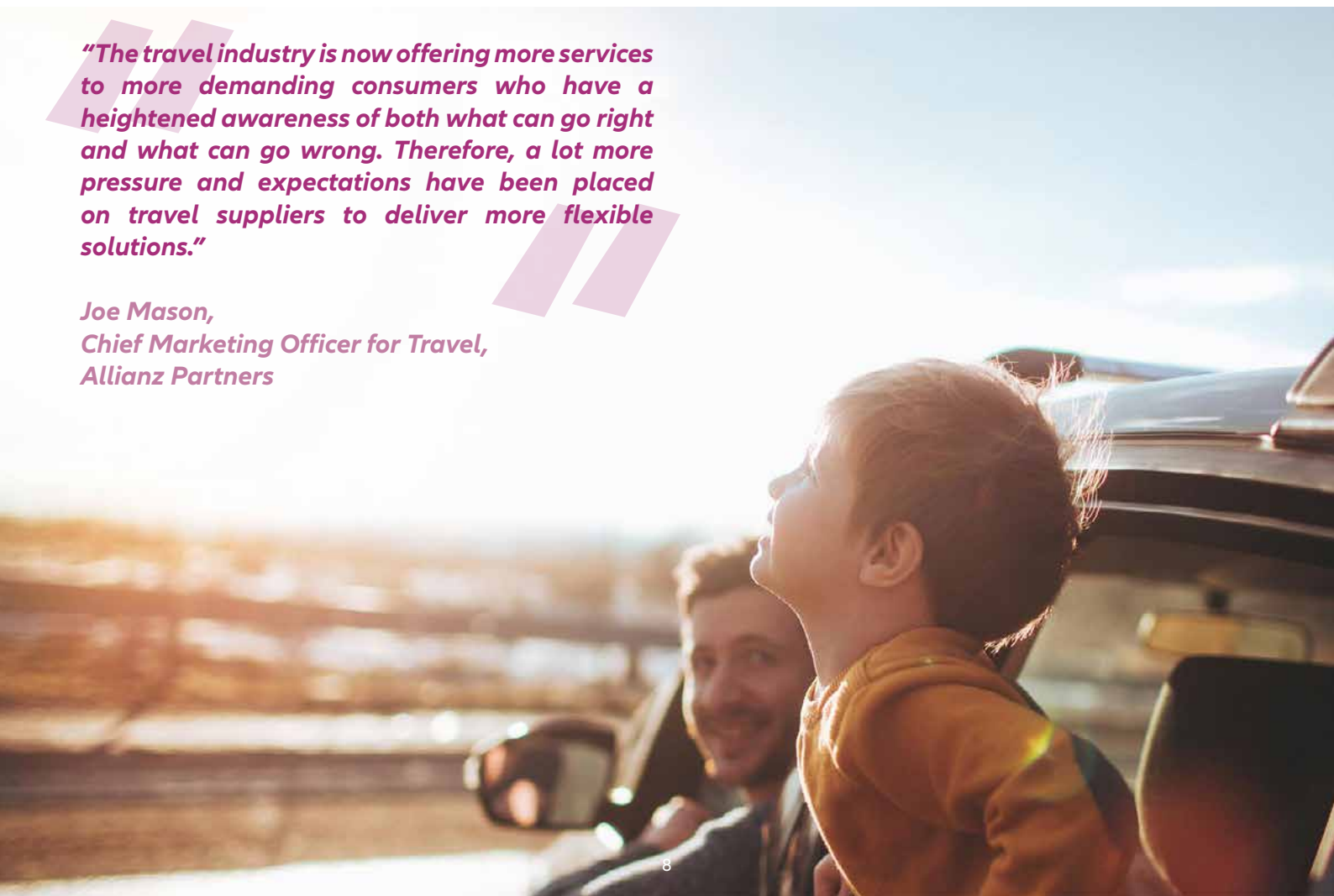
While many travel suppliers have experienced challenges in dealing with pent-up demand, consumers have remained relatively patient in an environment of uncertainty and, at times, significant travel disruption. The public have understood the exceptional circumstances facing the sector as it attempts to put airplanes back in service, ensures crews are trained, and deals with the challenges of an ecosystem approaching pre-pandemic levels of activity. There has been a tacit awareness that an industry that [lost an estimated 3.6 million jobs across Europe](#) following the pandemic will need time to fully recover.

With this “planning-for-the-unexpected” mindset now fully cultivated, the demand for flexibility is most likely here to stay, too. Anything that can therefore be done to reduce uncertainty, and in turn increase confidence in this recovering environment, will be a winning formula.

Flexibility alone from travel suppliers, however, will not meet the standards consumers have set. They will also have to set clearer expectations, deliver a great experience, and do both consistently in order to fully rebuild trust.

“The travel industry is now offering more services to more demanding consumers who have a heightened awareness of both what can go right and what can go wrong. Therefore, a lot more pressure and expectations have been placed on travel suppliers to deliver more flexible solutions.”

***Joe Mason,
Chief Marketing Officer for Travel,
Allianz Partners***

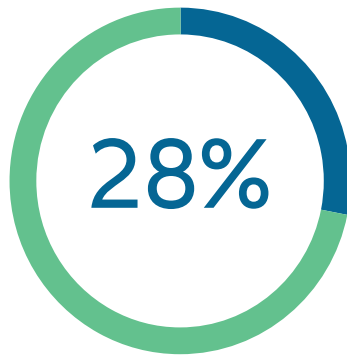


Trend 2: The rise of 'Work-from-anywhere' and new ways of working

Hybrid working models are here to stay

The meteoric rise in remote working globally may have been caused by the COVID-19 pandemic, but its adoption is here to stay thanks in part to video conferencing services and better broadband coverage. Employers now regularly offer their employees greater flexibility via hybrid working models, which has led many to reconsider their current lifestyle options.

This mode of employment is being embraced on a larger scale, particularly among young people keen to travel while earning a living at the same time. Research carried out by Allianz Partners for their Customer Lab report found that 28% of Generation Z travellers, aged 18 to 25, expect to work from abroad more frequently or from a secondary or family residence in the future.³



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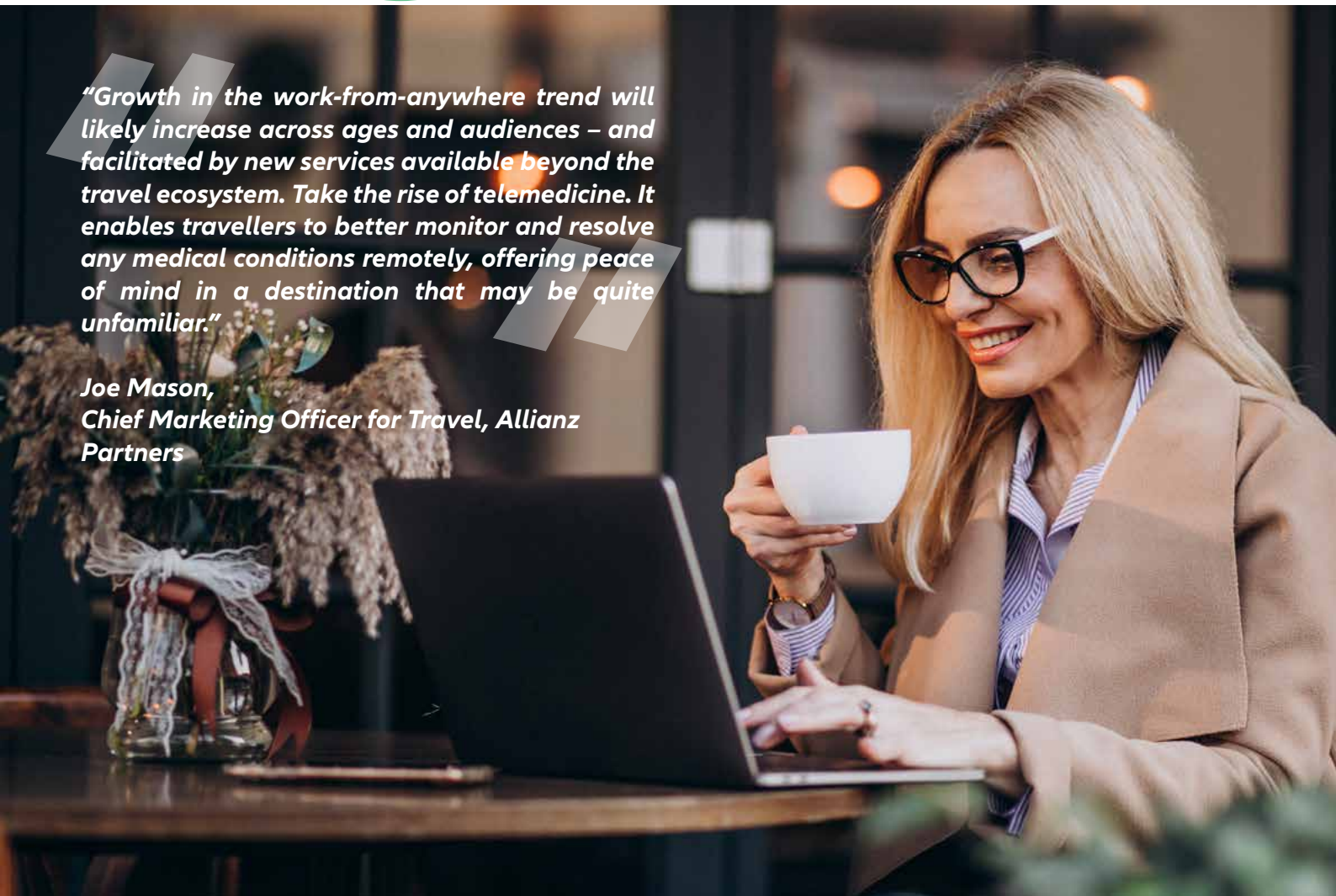
Beyond the digital nomad stereotype

Despite the stereotype, the work-from-anywhere trend isn't limited to digital nomads in their 20s working for a tech company from a tropical beach. Increasingly, it appeals to people across age groups and demographics. For some, the work-from-anywhere approach to employment is a lifestyle choice, while for others – particularly those later in their careers – extended trips can be combined with working remotely on a part-time basis.

Better services such as telemedicine and video consultations are also driving the trend among older generations, who may previously have been uneasy about the possible consequences of long holidays without access to familiar healthcare. Accommodation providers are also moving to offer more long-term options to cater for those making extended stays.

"Growth in the work-from-anywhere trend will likely increase across ages and audiences – and facilitated by new services available beyond the travel ecosystem. Take the rise of telemedicine. It enables travellers to better monitor and resolve any medical conditions remotely, offering peace of mind in a destination that may be quite unfamiliar."

Joe Mason,
Chief Marketing Officer for Travel, Allianz Partners



Increasingly flexible working arrangements have also led to the increase in popularity of the 'Bleisure' trend, which mixes business purpose and leisure during the same trip. It can be a necessity for some workers, who may be unexpectedly required to work while on vacation.

Work-from-anywhere still faces obstacles

Despite enthusiasm for the trend, there are some obstacles that hinder its evolution. In some countries, for example, regulations stipulate that you cannot spend more than a certain period in a particular hotel, such as the 30-day limit mandated in Portugal. Long stays can also raise tax residency issues for companies and individuals, and these rules should be kept under review with changes in working patterns and international mobility in mind.

Popular destinations where travellers are keen to continue working may also face challenges, with a large influx of

people for long periods creating a need for extra investment in local infrastructure and public services which may not always be readily available. The industry must engage with communities to ensure that all stakeholders gain from any increase in demand on local services.

The changing relationship between travel and work

The work-from-anywhere trend may have seemed quite distant only a few years ago, but it already looks set to continue evolving in the coming years, highlighting just how far and how fast the nature of travel has changed recently. Traditional business travel is taking time to recover post-pandemic. But the growth of hybrid and remote working has arguably changed the relationship between work and travel more in the last three years than in the previous three decades. That brings new opportunities to those willing and able to adapt.



“Long-stay travellers working from a destination for a protracted period might cause pressures on utilities and transportation. Many may also prefer international brands which can result in large multinational chains replacing local businesses, therefore affecting the intrinsic appeal, differentiation and authenticity of a destination. These challenges must be addressed by both public and private institutions to create conditions that welcome everyone – while reducing any potential impact on the destination.”

***Luís Araújo,
President, European Travel Commission***

Trend 3:

The future of sustainable travel

Concern for the environmental and social impact of travel

Like many industries, companies across the travel sector are placing sustainability at the top of their agendas. Companies want to be part of the solution, not part of the problem. Many are setting tough carbon reduction targets that require significant changes in their operations.

At the same time, taking far-reaching action across the travel sector also means confronting some extremely difficult challenges, such as the decarbonisation of transport. These are issues that require multi-sectoral, national and international solutions as well as action from the travel ecosystem itself.

There's a growing belief that sustainability done right – in a credible and trustful way – is good for business both now and into the future. More to the point, it's good for humanity. Consumers are becoming more conscious of the impact they are having on the global environment. 41% of respondents in Allianz Partners' Customer Lab survey revealed concern about the environmental impact of travel. The increasing focus on domestic vacations looks here to stay, and could lead to changes such as greater interest in those forms of transit that have a smaller environmental footprint, like rail.

While sustainability issues are starting to appear on travellers' radars, especially among younger generations, it may be a while before it becomes a defining factor in the majority of travellers' decision-making. After a two-year pandemic that severely impacted the travel industry, many travellers are preoccupied with simply getting back out into the world.

Consumer demand alone is not enough to drive sustainability in the sector

There often remains a discrepancy between the stated opinions of travellers in relation to sustainability and what they are willing to pay to reduce their carbon footprint. Many travellers care about sustainability in general but may not be willing to pay additional amounts for sustainable options. Sustainable aviation fuel, for example, is significantly more expensive than generic fuel and only represents a very small percentage of total global consumption. Meanwhile, a recent MMGY survey found that only 21% of travellers would pay an extra \$5 a night to fund environmental and sustainability initiatives at their destination.

With growing sensitivity to and awareness of sustainability, consumers may increasingly see the journey to a destination as an integral and enjoyable part of their trip, rather than simply a means to an end. The rise in popularity of this mindset, whereby consumers come to view the beginning of their travel itinerary as the start of their vacation as opposed to arriving at their destination, may lead to the more frequent adoption of longer and slower travel arrangements which are more sustainable than air travel in its current guise.

However, it is wrong to assume that shifting consumer demand will automatically lead to the sector meeting its sustainability targets. The right regulatory frameworks and government support will need to play a critical role in helping companies and customers across the sector adopt more sustainability.



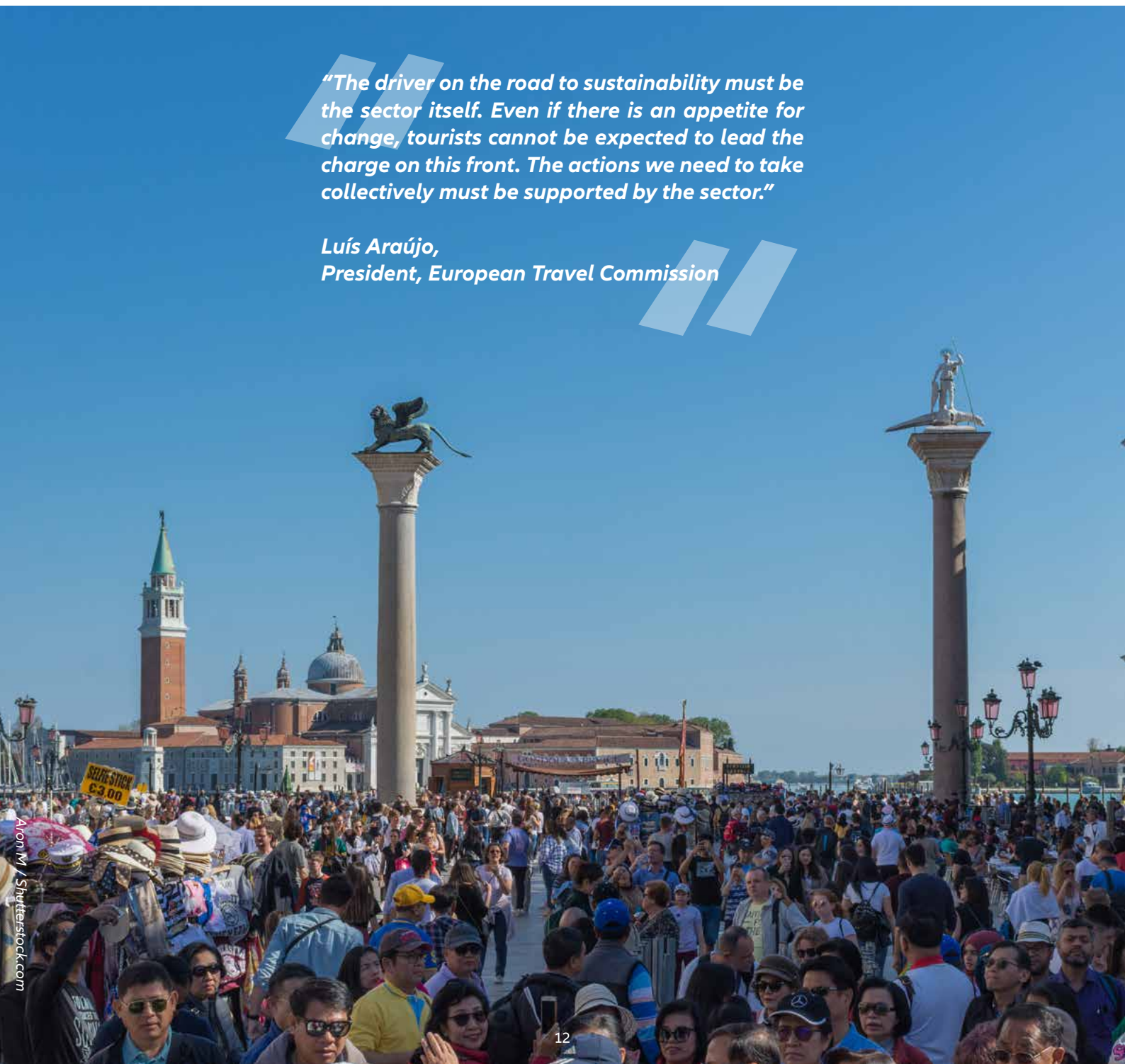
Travel's societal impact is also a sustainability issue

There is currently an understandable focus on the environmental aspects of sustainability across the travel industry and beyond. But the sector must remember the importance of making progress on societal issues too, which are equally important to the long-term sustainability of the sector. Too often, the impact of travel – both good and potentially negative – on people and communities is overlooked.

For example, the COVID-19 pandemic underlined the reliance of many destinations on domestic and international travellers when it comes to generating jobs and income. These communities have been hit hard in recent years, and it is vital that the whole travel ecosystem and travellers themselves continue to support local enterprises as the world's borders reopen. The travel sector is nothing without thriving, vibrant destinations that people want to visit. Only by taking a holistic view of sustainability and corporate responsibility can the industry ensure its future success.

"The driver on the road to sustainability must be the sector itself. Even if there is an appetite for change, tourists cannot be expected to lead the charge on this front. The actions we need to take collectively must be supported by the sector."

Luís Araújo,
President, European Travel Commission



Conclusion:

Towards a seamless travel experience

Like most sectors of society, the travel industry has learned a lot over these past two years, though there remains much work to do to meet the evolving needs of the consumer. The ultimate goal must be a seamless travel experience, in which better systems, processes and technology ensure that the journey to the destination is considered as important as the destination itself. With greater uncertainty set to be a constant in the future of travel, now is the moment for the industry as a whole to reassess technology's role in meeting the needs of the consumer and whether it's reaching its potential.

Take air travel, for example. Passing through security in many airports is still a time-consuming and stressful experience that often involves unpacking and packing items of luggage. But technological solutions are already in place in some airports, eliminating the need to remove liquids above 100 millimetres from luggage going through security areas and the need for certain objects to go through X-ray scanners separately. Facial recognition technology is also being used in more and more airports to facilitate smooth and seamless boarding.

The insurance industry has already begun to embrace this concept with one-stop-shop digital platforms designed to provide additional peace of mind before, during and after a trip, while also offering 24/7 assistance throughout the journey. Amid the complexity of travel, providing consumers with an innovative combination of flexibility, support and comfort will be a primary aim for the travel industry as it embarks on 2023.

"Travel is about adventure – experiencing something new and different that you can't get at home. The last few years have reminded us of that, and it's put renewed emphasis on the importance of the journey as well as the final destination. Travelling well isn't just about where you end up. How you get there is vitally important too, which means making the travel journey itself a positive part of the experience."

Joe Mason,
Chief Marketing Officer for Travel,
Allianz Partners







