Syntax

Travel in 2024: Industry Trends and Insights

Samantha Neilson December 13, 2024

Key Takeaways

- Tourism has taken on interesting new characteristics post-pandemic, revealing transformed consumer travel behavior with substantially increased demand.
- Hotel chains have shifted toward franchise models, in part to expand their brand presence in emerging travel destinations.
- Low-cost airlines are struggling from increased costs and competition from the major airlines.
- Airline passengers are increasing their focus on sustainability, despite higher associated costs.
- Online booking platforms, which experienced unprecedented growth on the heels of the pandemic, enjoy continued success—especially among younger travelers.

Introduction

The holiday season is in full swing, and millions of consumers are preparing to travel in the final few weeks of the year.[1] 2021 and 2022 saw a rise of "revenge travel"[2] as tourists rebooked trips to destinations they were unable to visit during the COVID-19 pandemic, and international tourism is on track to surpass pre-pandemic levels in 2024.[3] In the face of the pandemic slowdown and new demand surge, the travel industry has evolved in three key areas: a shift toward franchise hotel business models, changing sentiments towards low-cost airlines, and increased utilization of online booking platforms.

New Demand: A Generational & Financial Divide in Travel Priorities

The results are in: Gen-Zers and Millennials are prioritizing travel. According to American Express Travel's 2023 Global Travel Trends Report, 84% of Gen-Z and Millennial respondents would rather take a dream vacation than purchase a new luxury item.[4]

This digitally-savvy travel cohort is prioritizing experiential, novel travel experiences. Amex's report found that 81% of Gen-Z and Millennial respondents expressed a desire to "discover" a new vacation spot—compared to 72% of respondents overall—and prioritize experiences *before* splurging on upgraded flights or accommodations. Experiential travel typically involves immersive activities that encourage tourists to authentically engage with their destinations, such as local food tours.[5]

The rise of digital nomadism, accelerated by the pandemic, is a key driver of experiential travel.[6] Remote and hybrid work schedules have allowed Gen Z and Millennials to continue to plan extended stays in unique destinations, seeking out locations with lower costs of living, local cultural attractions, and robust digital infrastructures.[7] Social media has also positioned itself as a driving force for discovering new destinations; a McKinsey report found that 92%[8] of all travelers say their last trip was motivated in some way by social media.

While younger travelers are splurging on experiential travel, older generations are seeking out luxury upgrades. A Deloitte survey revealed that high-income travelers are a growing group, comprising 52% of American paid lodging travelers in 2024.[9] Furthermore, the growing concentration of wealth in Asia, particularly in China, is driving the expansion of the luxury market abroad.[10] While already well established—41% percent of hotel rooms in the global luxury-hotel pipeline are in Asia, with 43% of those in China[11]—the demand for luxury tourism and hospitality is projected to grow faster than for any other industry segment, especially in Asia.

Across the generational spectrum, Demand for travel is up

So how is this playing out for the travel industry? Syntax's FIS® industry classification technology provides a unique lens to analyze three core segments in the travel industry: hospitality, aviation, and online platforms. In this piece, we will focus our attention on the key players in these segments and assess their revenue, profit, and stock performance over the past five years to see how they have fared and what might be on the horizon for them.

The Case for Franchising – Hotels are Expanding their Footprints to Meet Consumer Preferences

Stock prices have been volatile for hotel chains over the past five years, with Figure 1 illustrating the impact of COVID-19 on the performance of five leading hospitality chains—Hilton, Hyatt, Marriott International, Intercontinental, and Wyndham—relative to the S&P 500 Equal Weighted Index. Unsurprisingly, given the pandemic environment, we observed a dramatic drop in the stock prices of these key players in 2020 followed by a steady recovery in the following years, with the exception of a broader market decline driven by geopolitical and recession concerns in 2022.

Hotels: Performance of $100 Invested on 1/1/19
Figure 1

Source: LSEG and S&P Dow Jones Indices

But franchising—a significant revenue source for each of the hotel chains in Figure 1—has specifically contributed to this swift recovery. For certain chains, like Marriott and Wyndham, it is even their primary source of revenue.

Deloitte and Mckinsey researchers found that the pandemic accelerated the growth of global franchise hotel agreements.[12,13] The hotel franchise model, in which a hotel brand (franchisor) allows an individual hotel owner (franchisee) to operate a hotel under their brand name with a reduced level of financial and operational responsibility for the franchisor, enables hotel companies to rapidly increase their brand presence across new markets.[14] Relying on or expanding franchising activities can also be particularly beneficial for companies attempting to break into new markets, like Wyndham has in the Asian luxury hotel market.

Syntax's product line data enables us to track franchising activity across some major players in the hotel industry and explore how their strategies may be contributing to their post-pandemic success.

Marriott Franchising Revenue as a % of Total Revenue 2019-2023
Figure 2

Values presented for FY ended December 31. Source: Syntax Data

During 2023, Marriott—a leading luxury hotel brand—signed management and franchise agreements for a record 164,000+ rooms globally.[15] Marriott appears to be benefitting from this strategy. Figure 2 depicts the growth in Marriott's total revenue and percentage exposure to franchising activities from fiscal year 2019-2023. Over the six-year period, Marriott's percentage of revenue attributable to franchising grew from 58% to 86% (with a notable uptick during the pandemic).

Like Marriott, Wyndham is also increasing its focus on franchising.

Wyndham Franchising Revenue as a % of Total Revenue 2019-2023
Figure 3

Values presented for FY ended December 31. Source: Syntax Data

Wyndham is the largest U.S.-based hotel company operating in China by number of properties, with a Chinese footprint spanning more than 1,600 hotels and 180,000 rooms across 13 of its 25 brands in China. Wyndham has signed nearly 600 direct franchise agreements across China in the past five years, with more than 70 agreements signed in the first half of 2024 alone.[16]

Figure 3 depicts the growth in Wyndham's revenue and percentage exposure to franchising activity from 2019-2023. Although Wyndham has experienced slower overall recovery than Marriott, the percentage of revenue from franchising activities has grown from roughly 60% in 2019 to 100% today.

While franchising offers franchisors rapid market penetration and the stability of recurring revenue streams with a reduced level of capital investment, franchisees retain the majority of profits from operations, which limits the upside potential for franchisors.[17] The question remains: will the rest of the industry follow Marriott and Wyndham's lead in leaning into franchise models, or will direct operation offer more attractive opportunities, especially in the luxury market, as we enter 2025?

Airlines Struggle to Take (back) Off

Meanwhile, the aviation industry has also been in flux in recent years, struggling to recover from reduced flyer volume during the pandemic along with, more recently, lawsuits and service complaints that have rattled consumers and investors.[18]

Low-cost carriers (LCCs), a popular choice among low-budget and Gen Z travelers, have been particularly impacted. LCCs first rose in popularity in the 1990s and early 2000s after legislation was passed to deregulate the aviation industry.[19] They are known for their low-frills, fee-for-service model and competitive pricing, which has enabled more budget travelers to enter the market.

While LCCs performed well throughout the early 2000s and 2010s, they have struggled since 2019, especially compared to their full-cost carrier (FCC) peers. Figure 4 shows how the stock prices of three well known LCCs—JetBlue, Southwest, and Spirit—have struggled on an absolute basis and relative to the S&P 500 Equal Weighted Index.

LCCs: Performance of $100 Invested on 1/1/2019
Figure 4

Source: LSEG and S&P Dow Jones Indices

Figure 5 below highlights the low and often negative net income of Spirit and JetBlue in particular since the pandemic. The financial challenges for Spirit Airlines have been so significant that, following a failed attempt at merging with JetBlue, they recently filed for bankruptcy.[20]

LCCs Net Income 2019-2023
Figure 5

Values presented for FY ended December 31. Source: Syntax Data

The Full-Cost Carriers' (FCCs) stock prices have fared better than LCCs, but their results have also trailed the market considerably, with stock prices for Delta and United only reaching 2019 levels in fiscal 2023, and American Airlines still trading at roughly half its 2019 value.

FCCs: Performance of $100 Invested on 1/1/2019
Figure 6

Source: LSEG and S&P Dow Jones Indices

The impact of the pandemic can clearly be seen in the profitability of FCCs based on the significant losses realized in 2020 by each airline. United and American posted roughly $2 billion of losses in 2021, while Delta was modestly positive. Performance improved in 2022, and in 2023 it had begun to edge closer to 2019 levels for these airlines, but they are still a long way from recovering the losses created by the pandemic.

FCCs Net Income 2019-2023
Figure 7

Values presented for FY ended December 31. Source: Syntax Data

The main question we see looking into 2025 and beyond: while demand for travel is clearly up, it remains to be seen how airlines can take advantage of that, or whether operational costs are simply too high for the LCC business model to remain viable. Is Spirit's bankruptcy filing a blip on the radar, or the start of a larger trend? And on the other side, can FCCs take advantage of the pre-pandemic trends that made LCCs viable, or are higher costs necessary for the aviation business model to work at all?

Younger Travelers Spur Interest in Sustainable Aviation Solutions

Tourists—especially Gen Z travelers[21]—are becoming more conscious of the impact of travel on the environment. According to a survey by Booking.com, 75% of global travelers say that they want to travel more sustainably over the next 12 months.[22]

Flight choices can serve as one important way to travel more sustainably. Flights account for 2-3% of global carbon emissions,[23] and many consumers' travel preferences have changed to prioritize sustainability. As a response to these updated travel preferences, companies are rapidly adopting sustainable solutions. A 2022 McKinsey survey found that 40% of travelers were willing to pay at least 2% more for carbon-neutral plane tickets,[24] and over 50 airlines have introduced voluntary carbon offset programs that consumers can select upon booking.[25]

Many airlines are exploring the use of sustainable airline fuel (SAF), an alternative fuel solution that reduces greenhouse gas emissions by up to 80%.[26] Syntax's "Biofuel for Aviation" product line enables us to track companies that are developing SAF businesses. Companies like Neste, Shell, and TotalEnergies have already developed SAF capabilities, and others are likely to follow.

We are also seeing partnerships between airlines and fuel providers. In 2021, Neste formed a partnership with Delta to deliver SAF, and the airline has committed to replacing 10% of traditional jet fuel with SAF by the end of 2030.[27] This might be a contributing factor to its relative recovery since the pandemic when compared to its competitors.

Online Booking is Here to Stay

Booking platforms first became popular in the late 1990s when companies like Expedia and Viator Systems entered the market. These platforms offer an alternative to travel agents and empower tourists to have greater agency over their travel experiences. As travelers increasingly prioritize longer stays, better amenities, and flexibility for their trips, they continue to demonstrate a marked preference for booking through online platforms like Booking.com and Expedia.[28]

Online Travel Platforms: Performance of $100 Invested on 1/1/2019
Figure 8

Source: LSEG and S&P Dow Jones Indices

Figure 8 shows that the performance of online travel platforms Booking.com, Tripadvisor, and Expedia kept pace with that of hotels over the past five years. However, while Tripadvisor has been trending down since its 2021 surge—likely caused by the previously mentioned "revenge travel" trend—Booking.com seems to have enjoyed a healthy growth since 2023. From fiscal year 2019 to 2023, their overall revenue grew by 42% (Figure 9). This could be partly due to their increased marketing post-pandemic efforts.[29]

Booking.com Revenue 2019-2023
Figure 9

Values presented for FY ended December 31. Source: Syntax Data

Given the rise in technology platforms across industries, travel booking platforms are likely to continue to be a major player in the travel industry. Looking forward, will legacy travel companies attempt to grow their own platforms, leading to fragmentation analogous to media companies developing their own streaming platforms? Or might we see consolidation in this space as successful platforms outperform the less successful?

As for the future of tourism in 2025?

Here are a few trends to watch

- **Sports Tourism**
  Sports-savvy travelers are still rearing to attend in-person events they missed out on during the pandemic. In 2023, over 200 million people traveled to attend a sporting event, and 63% of cities that responded said sports are the top room-night generator in their communities.[30] A 2024 highlight was the Paris Olympic Games, which drew an estimated 11.2 million visitors to the Greater Paris metropolitan area.[31]
- **Personalized, Experiential Hospitality**

Long gone are the days of one-size-fits-all hospitality. Hotels are offering experience-based stays to attract customers seeking unique and personalized travel experiences. Pemba Resort in Tanzania promotes a "digital detox" experience featuring customizable safari experiences, an underwater room, and more.[32]

- **Strategic Marketing: Social Media and Local Tourism**
  Local tourism offices are leveraging targeted social media campaigns to draw tourists to unconventional destinations. New Zealand's "100% Pure New Zealand"[33] and South Dakota's "So Much South Dakota, So Little Time"[34] are prime examples, encouraging adventure-seeking visitors to "discover" local treasures.
- **AI and Mobile-First Experiences**
  Companies across the tourism industry are implementing innovative AI and virtual experiences to streamline their customer service offerings. Examples are Tripadvisor, which offers an AI trip-planning tool,[35] and the Hilton Honors App, which enables customers to virtually check in and access rooms with digital keys.[36]

Conclusion

As this year's holiday travelers hit the road, they do so in a transformed tourism environment. Much like the consumers that fuel them, companies will continue to seek opportunities to differentiate themselves, whether it's through franchising, exploring personalized solutions, or tailoring their marketing efforts. Syntax's product line data will continue to provide key insight into the evolving strategies of companies as we look ahead to 2025.

Important Disclaimer

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