INDUSTRY UPDATE: Travel & Leisure

Introduction

By all accounts, travel, hospitality and tourism are enjoying a strong recovery after the lean pandemic and post-pandemic period.

> *Domestic travel is expected to grow 3 percent annually and reach 19 billion lodging nights per year by 2030 […] Over the same time frame, international travel should likewise ramp up to its historical average of nine billion nights. Spending on travel is expected to follow a similar trajectory, with an estimated $8.6 trillion in traveler outlays in 2024, representing roughly 9 percent of this year's global GDP.* [See Source.]

According to the same source, the bulk of this spending remains "close to home," even as the source countries of tourist travelers are shifting. In fact, the target destinations of the future may be quite different from those of the present, among other reasons, because of climate change. Please note that discussing travel and tourism is complicated as sometimes the evaluations include food and beverage and/or hotels and hospitality and sometimes they only include the actual spend on travel, so bear this in mind as we paint an impression of the industry landscape.

Travel and tourism alone are valued at about US $198.7 billion in the United States in 2024. The market is projected to grow at a compound annual growth rate (CAGR) between 2024 and 2028 of 2.9%, resulting in a market volume of US $222.8 billion by 2028. [See Source.] In comparison, the European industry may reach US $288.0 billion in 2024 and is expected to grow 1.68% (CAGR), leading to a market volume of US $307.8 billion by 2028. [See Source.]

Adding in other sources of revenue, "Forecasts suggest tourists will spend €742.8bn euros in Europe in 2024, a rise of 14.3% on last year. Travellers' expenditure on food and beverages is projected to surge by 30% compared to 2023, posing good prospects for providers of gastronomic experiences in Europe. Similarly, growth in spending is expected for recreation, culture and sport (+27%), retail (+23%), transport (+23%) and accommodation (+19%), driven by both inflationary pressures as well as demand preferences." [See Source.]

> *In 2024 the travel sector is flourishing, with nine out of the last 10 record-setting spending days in the global cruise and airline industry occurring this year[…]. Further, European travelers are also extending their trips by two extra days compared to pre-pandemic.* [See Source.]

On a similar, full-spending basis, "tourism industry expansion in the Middle East is estimated at a 5.10% CAGR until 2034. The tourism industry in the Middle East is on the way to reaching US$ 453.28 billion by 2034. In 2024, the industry is anticipated to be worth US$ 275.64 billion." [See Source.]

Feeding Time

As far as restaurants are concerned, in the US, the "foodservice industry is forecast to reach $1 trillion in sales in 2024. […] The industry workforce is projected to grow by 200,000 jobs, for total industry employment of 15.7M by the end of 2024. 45% of operators need more employees to meet customer demand." [See Source.] The same source continues:

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- *Competition is strong: In 2024, 45% of operators expect competition to be more intense than last year.*
- *Costs are up: 98% of operators say higher labor costs are an issue for their restaurant. 97% cite higher food costs. 38% say their restaurants were not profitable last year.*
- *Consumers are value conscious: Nearly half of consumers are taking a wait-and see stance when it comes to spending. Operators who offer a solid value proposition for dining out can nudge customers out of their holding pattern.*
- *Consumers love restaurants: 9 in 10 adults say they enjoy going to restaurants. Restaurants allow them to enjoy a favorite meal that has flavor and taste sensations they can't easily replicate at home.*

Quick service restaurants (a.k.a., "fast food") dominate the US market with circa 49.1% value share, and are forecast to grow by more than 10% CAGR through 2029. Full service restaurants (about 40% of the market) project a 5.24% growth rate on the same basis, while cafes and bars (circa 10% of the market) expect more than 10% CAGR during the period. [See Source.] In fact, on-line ordering is driving growth across all of these channels:

> *In a single month, 77% of American consumers reported ordering delivery, 76% reported picking up takeout, and 61% reported dining in at a restaurant. The reasons consumers provided for choosing food delivery over takeout or dining in was that they found it more convenient and/or they didn't feel like going out. Consumers who chose takeout over delivery preferred it because they could get the food faster that way.* [See Source.]

The European foodservice market size may reach 900 million USD in 2024. Forecasts suggest this market will come in at 1.36 trillion USD by 2029, exhibiting CAGR of 9.34% between 2024-2029. [See Source.] While full-service restaurants and cafes represent the lion's share at circa 70% of this business today, quick service restaurants and "cloud kitchens" (specialty service providers catering mainly to on-line, delivery orders) are expected to grow far faster in the coming decade. [See Source.]

As competition heats up and ordering technology becomes more seamless, menu choice plays an increasingly key role especially based on the transparent comparability allowed by internet ordering platforms. Many players are responding by adding big data analytics to uncover key trends in real time. Others are actively experimenting to see what works. "Among the food trends to watch in 2024 is the rise in "new European" restaurant formats that put a new spin on classic French, Italian, and Greek concepts[…] These restaurants feature more regionally specific ingredients and dishes, lean into "eater-tainment" experiences, hybridize their menus with other cuisines, or tap into other food trends such as gluten-free and plant-based eating." [See Source.]

A Place to Stay

Experts also expect revenue in the hotel market to grow, reaching "US$110.50bn by 2024. Furthermore, the market is expected to exhibit an annual growth rate of 3.82% (CAGR 2024-2028), which would result in a market volume projection of US$128.40bn by 2028." Constrained investment in the industry in the past few years apparently means better utilization as the number of stays rises, suggesting operators' profits will improve. Additionally, the "United States' hotel market is experiencing a shift towards boutique and lifestyle hotels, catering to experiential travelers seeking unique accommodations." [See Source.]

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Technology is also invading the consumer hotel experience, as one source highlights the following key enhancements for guests going forward:

- Bring your own streaming capabilities,
- Wireless device charging,
- Smart controls,
- Tablet based control,
- Voice-activated controls,
- Smart mirrors (that double as displays),
- and many more! [See Source.]

"The revenue of the hotel market in Europe saw significant growth in 2023, reaching an estimated 111 billion U.S. dollars. This figure improved greatly over 2020 and 2021, when the European hotel market was hit hard by the coronavirus (COVID-19) pandemic. When looking at the forecast revenue of this market, it was predicted to see year-over-year growth from 2024 onwards." [See Source.]

Apparently, average daily rates were very healthy in the region. "The key trend across the majority of hotel markets in Europe in 2023 was the strength in growth of average daily rates (ADRs). For example, as of December 2023, YTD European ADRs were 25.9% above the same period in 2019." The same source suggests that while this growth will flatten out, ADRs are likely to stay relatively high.

The Middle East seems set to enjoy significant growth in the hospitality area as well.

> *In 2023, Middle Eastern destinations, including Dubai, Abu Dhabi, and emerging hotspots like Riyadh and Ras Al Khaimah, saw significant tourist inflows. Dubai, for example, reported its highest-ever annual tourist arrivals: 17.15 million international overnight visitors. In the first two months of this year alone, data from the city's Department of Economy and Tourism (DET) shows that Dubai has already attracted 3.67 million, up from 3.10 million in the same period last year.* [See Source.]

So it is no wonder that "a wave of development is sweeping across the Middle East, where hospitality and residential projects totaling a staggering $1.9 trillion are currently in the works. Recent data […] reveals that Saudi Arabia, the United Arab Emirates and Egypt together account for 90% of this colossal investment…" [See Source.]

While some of the visitors to the Middle East are clearly tourists, others are enjoying what one commentator dubbed "bleisure" (a mixture of business and leisure). Some of the trends underpinning the region's growing attractiveness as a destination include:

- Increased focus on health and wellness,
- Sustainable practices,
- Hyper-personalization, and
- "MICE" tourism (meetings, incentives, conferencing, and exhibitions). [See Source.]

Travel and Climate

"Tourism is not just a victim of global warming – it also contributes to the problem. Tourism alone is responsible for 8% of the world's carbon emissions. As more and more people travel each year, this footprint is only growing." [See Source.] Consumers are probably aware of this impact. In fact, according to a "global online survey of 31,000 travelers in 34 countries" conducted recently by Bookings.com "some 83% of traveler respondents indicated that making sustainable travel choices was important to them." Unfortunately, a certain climate fatigue may have also set in among consumers. The same survey found:

- 45% said sustainable travel choices are important but not an overriding concern when planning or booking a trip;
- 28% globally responded that they are weary of hearing about climate change[;]
- 33% of travelers said they thought climate change damage had already taken place, and that their individual travel choices would not make much of a difference.
- 44% of those surveyed globally said governments would make the most difference – not individual travelers. [See Source.]

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On the other hand, "Consumer satisfaction in developing and emerging economies is also tied to concerns around climate change, and many want businesses to commit to protecting nature and natural systems. Learn from companies like PayPal that prioritize social responsibility, setting an example for employees and customers." [See Source.] The same source continues,

> *"The shift in consumer buying, with more consumers willing to pay extra for environmentally friendly products, reinforces the need for companies to increase their commitments to responsible business practices," said Jessica Long, managing director of strategy and sustainability at Accenture. "Companies across industries have started to lead with purpose, including embracing the circular economy as a greater opportunity to drive growth and competitive agility."* [See Source.]

Indeed, at least some governments are also invested in sustainability. Though not specifically addressing travel, here is an example from the US Environmental Protection Agency attempting to display sustainability in action. [See Source.] Specifically on the subject of sustainable travel, major airlines are lining up most recently behind the use of sustainable aircraft fuel (SAF) along with a host of other measures including electrifying ground vehicles and even short-haul flights. SAF is carbon-neutral because it is based largely on crop waste. The Inflation Reduction Act in the US also provides $250 million of support for the development of SAF. [See Source.]

In summary, governments and other major players in the tourism, travel, restaurant, and hotel industry must do more to communicate their commitment to sustainability and help consumers understand how they, too, can contribute.

Who Will Do the Work?

This industry is clearly facing a staffing crisis even as it recovers from the depths of the pandemic. "The Bureau of Labor Statistics projects the U.S. economy to add 8.3 million jobs from 2021 to 2031. Of those, 1.9 million jobs—23.1 percent of all new jobs projected—are expected to be in leisure and hospitality. That is a large projected increase for a sector that made up 8.9 percent of total employment in 2021. This rapid projected growth—the fastest of any sector, at an annual rate of 1.3 percent—results from the recovery following the COVID-19 pandemic." [See Source.]

Europe and the Middle East face similar challenges in this and many other industries. Many specific solutions are available including improved utilization of technology to ease scheduling and accelerate training, shifting more administration to the consumer, automating manual processes, leveraging AI to handle routine tasks, incorporating remote workers as possible, expanding diversity and inclusion initiatives to bring in people who might otherwise not work in this industry or at all, and improving the attractiveness of the industry through perks such as travel, education, or career planning.

Nevertheless, the bottom line answer will be to hire and integrate creative, solution-oriented executives who can imagine the future and know how to handle it. So let us now look into the women and men who manage this vivacious collection of sub-industries and meet these challenges every day.

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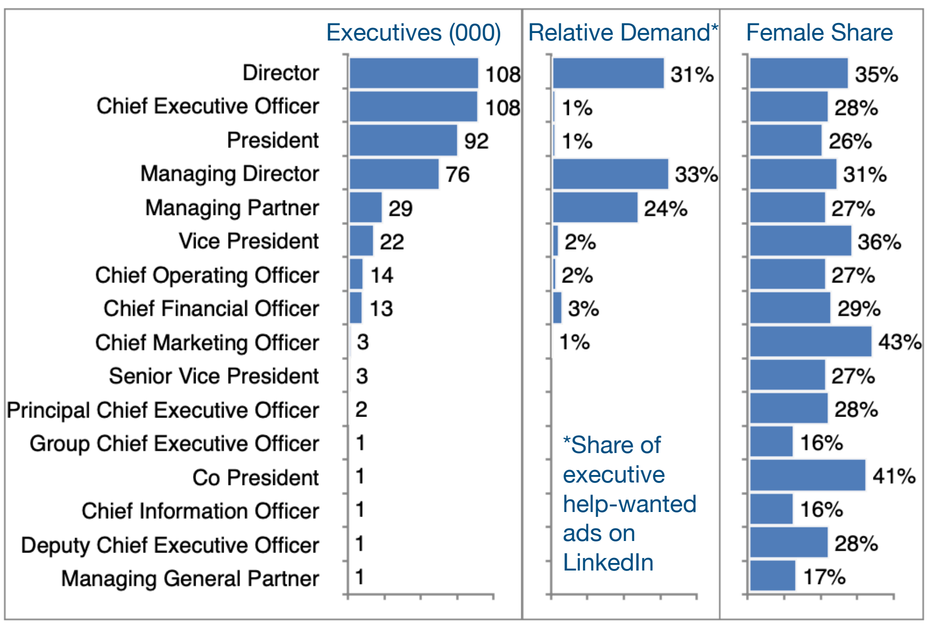
The Market for Executives

Data models regularly undergo revision, of course, so it is no wonder that LinkedIn has redefined "leisure" as a category of work. Including Food and Beverage Services, Hospitality, Restaurants, Hotels and Motels, Travel Arrangements, and Amusement Parks and Arcades, this cohort now numbers more than 464,000 executives as we define them (see Editor's Note). This group has grown by some 2% in the past year, is on average 30% female, and has an average tenure of 3.5 years. Geographically, the populations breaks out as follows:

- US & Canada - 210,000 / +4%
- EU & UK - 227,000 / +0.6%
- Middle East - 27,000 / +2%

As we have seen in many other industries, the average size of each enterprise is generally small and as a result we see far more CEOs, for example, than Vice Presidents (Chart 1). Nevertheless, the titles

Chart 1: Executive Titles

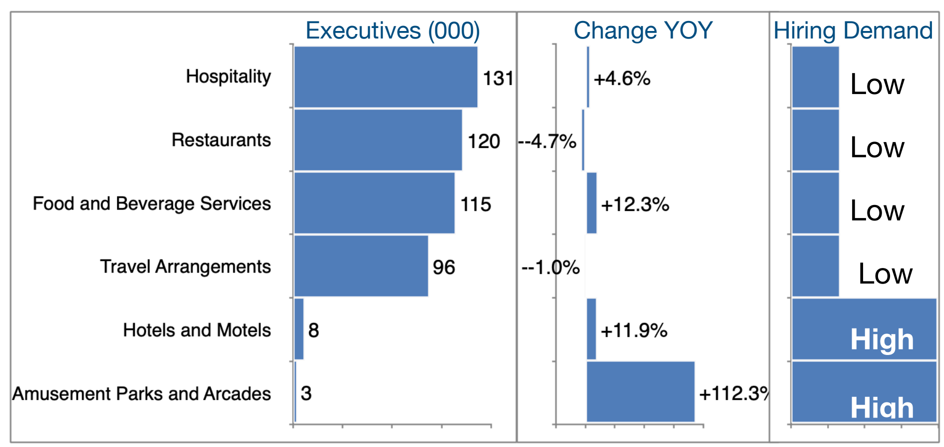


most in demand during the past year were Director, Managing Director, and Managing Partner—at least according to the executive help-wanted ads posted on LinkedIn. Clients of The Barrett Group (TBG) will already know that this "published market" is relatively small versus the total market for executive talent. Approximately 75% of our clients land via opportunities that are never published.

This industry shows a relatively healthy gender balance versus others we have studied as indicated by the Female Share of executives (Chart 1) where Chief Marketing Officer (43%), Co President (41%), Vice President (36%), and Director (35%) exhibit the highest values.

Chart 2 examines the industries executives cite on their LinkedIn profiles whereby clearly Hospitality, Restaurants, Food and Beverage Services, and Travel Arrangements represent the vast majority, though most of these have shown relatively modest or even negative growth in the past year. Only Hotels and Motels, and Amusement Parks and Arcades show a higher, forward-looking "hiring demand" per LinkedIn. Bear in mind, though, that in this industry in total some 24,000 executives changed positions or were newly hired in the past year despite the lopsided picture Chart 2 presents. Many of those opportunities were in the less visible "unpublished market," as we mentioned above, where there is less competition and more opportunity for the candidate to influence the roles' parameters.

Chart 2: Executives' Industries



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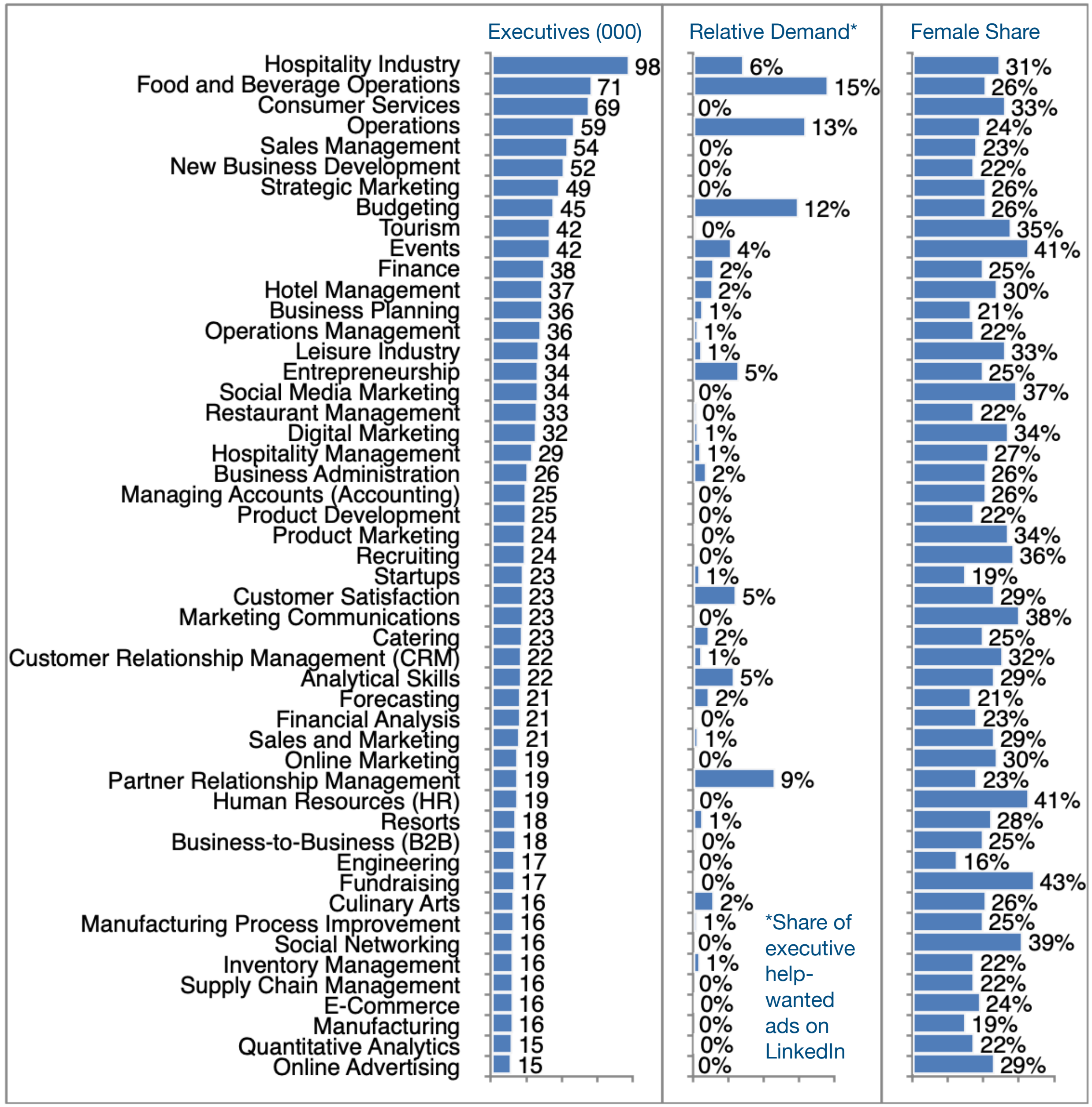
Most executives on LinkedIn will highlight a number of specializations—special skills or areas of focus—that they wish to communicate via their profiles. Chart 3 presents these in descending order of frequency.

As usual, some specializations are highly specific to the industry, such as the first two on the list: Hospitality Industry, and Food and Beverage Operations. These skills may not be highly transferable given their specificity, but others, for example, Sales Management or New Business Development, are highly transferable and can help executives seamlessly move from one industry to another under the right conditions.

TBG has tremendous experience in helping clients define the best path for their executive careers, and then marshaling the evidence to support their aspirations by adeptly explaining how the client's experience is relevant and transferable either via a resume or CV, or indeed, in interviews with various levels of hiring manager. Competently managed, this approach can facilitate entrance into or exit out of virtually any given industry.

The demand for various skills is also highly differentiated as is visible in Chart 3 in the "Relative Demand" column. As we saw in the introduction, staffing for the tremendous demand facing the leisure industry is a challenge, whether at the executive level or on the front line. So it is no wonder that the first two items (Hospitality Industry, and Food and Beverage Operations) enjoy high demand. But so do more generic skills such as Operations (13%), Budgeting (12%), and Analytical Skills (5%).

Chart 3: Executives' Specializations



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The Female Share column in Chart 3 shows in more detail how certain disciplines apparently attract more female executive talent, for example, Fundraising (43% Female), Human Resources (41%), Events (41%), Social Networking (39%), Marketing Communications (38%), and Social Media Marketing (37%).

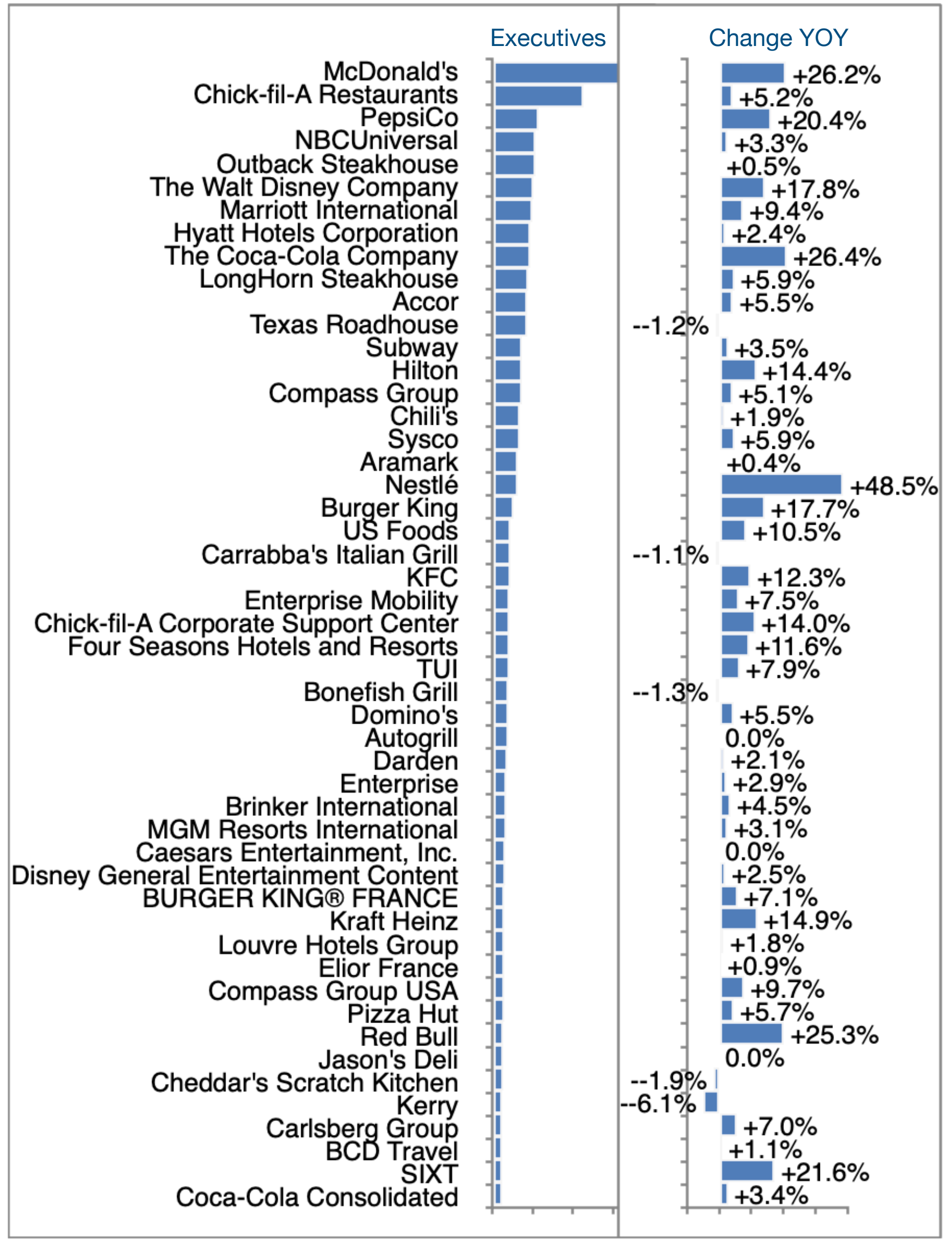
The top 50 employers of executives in this industry appear in Chart 4, although the absolute numbers are small enough that we cannot round them meaningfully to the nearest thousand. Nevertheless, Chart 4 shows the relative size of each employer's executive pool as well as the year-on-year change in that headcount.

Most of these employers are probably quite recognizable and their respective industry segments are equally obvious, but why have some of them grown more than others? Nestle (+48.5%), for example, added significantly to their executive ranks in March and April 2024 including talent from PZU, Cereal Partners Worldwide, and OneTrust PrivacyConnect with a focus on consumer packaged goods experience.

The Coca-Cola Company (+26.4%) hired in a similar timeframe but from a rather diverse group of less-related industries, including Nike (Apparel), Bain & Company (Private Equity), Kraft Heinz (Food), and Kumori Technologies (Technology). McDonald's (+26.2%) brought on talent continuously from predictable sources such as Pizza Pizza Limited, but also from less expected companies including Albertsons Companies (Retail) and Lowe's Companies, Inc. (DIY). Beyond Restaurants, Hospitality, and Food and Beverage Retail specializations, intriguingly, McDonald's also hired for Biotechnology Research and Motor Vehicle Manufacturing.

Red Bull (+25.3%), a specialty beverage manufacturer based in Austria, focused on hiring for Food and Beverage Manufacturing, Hospitals and Health Care, and Technology specializations from smaller companies in Norway, Germany, the Netherlands, and Kazakhstan. PepsiCo (+20.4%) appears to be on a bit of a hiring spree at the moment, with talent acquisitions in the predictable Food and Beverage and Restaurant specializations but also in Pharmaceutical Manufacturing, Telecommunications, Software Development, and Soap and Cleaning Products Manufacturing. Talent donors include well-known firms such as Vodafone, Ambev and Kraft Heinz, as well as less well-known companies in Egypt, China and the Ukraine.

Chart 4: Executives' Employers



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Naturally, the data in this Industry Update remains high level and less detailed than the research available to TBG's clients who benefit from broad industry screening, in-depth company profiles, and interview support specifics on hiring managers as may be required during clients' career change programs.

Chart 5 provides an overview of where hiring is taking place in this industry as well as the prospects for further demand.

Editor's Note:

In this Update "executives" will generally refer to the Vice President, Senior Vice President, Chief Operating Officer, Chief Financial Officer, Managing Director, Chief Executive Officer, Chief Marketing Officer, Chief Information Officer, Managing Partner, General Counsel, Head, President and Director titles principally located in the US, Canada, Europe, the UK, and/or the Middle East. Unless otherwise noted, the data in this Update will largely come from LinkedIn and represents a snapshot of the market as it was at the time of the research. Is LinkedIn truly representative? Here's a little data: LinkedIn has more than 1 billion users. (See Source.) It is by far the largest and most robust business database in the world, now in its 20th year. LinkedIn Talent Insights data is derived by aggregating profile data voluntarily submitted by LinkedIn members. As such, LinkedIn cannot guarantee the accuracy of LinkedIn Talent Insights data.

Chart 5: Executives' Employment Locations