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WHY GENERATIVE AI IS A GAME CHANGER FOR LEISURE TRAVEL

Recent survey shows sizable jump in travel tools' adoption

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Generative artificial intelligence has only had a real presence in the leisure travel market for a little over a year, but already it is starting to change the way consumers plan, book, and dream about vacations. Even before extensive personalization and seamless booking have been made available through generative AI tools, travelers are not only liking their experiences on them and following through on booking their AI-generated plans but seem willing to increase their usage.

Based on two consumer surveys, North Americans considering travel are increasingly willing to not only use generative AI to develop an itinerary for a trip but also to ask the technology which destinations they should even consider. Of the close to 2,100 consumers in the United States and Canada responding to our March survey, 41% had recently used generative AI for either trip inspiration or plan an itinerary. That's up from 34% that had used it in August 2023, when we conducted our first survey. The surveys were conducted on behalf of Oliver Wyman by survey provider Dynata.

Exhibit 1: Recently used generative AI to assist with travel inspiration and/or itinerary planning
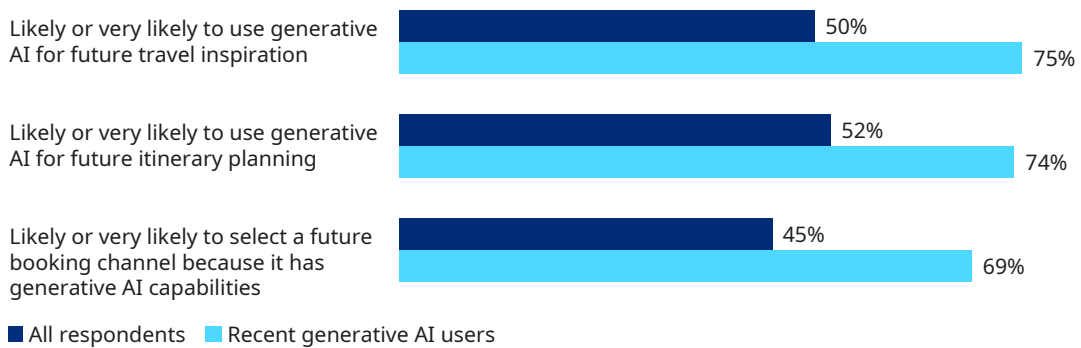
Percentage of total respondents
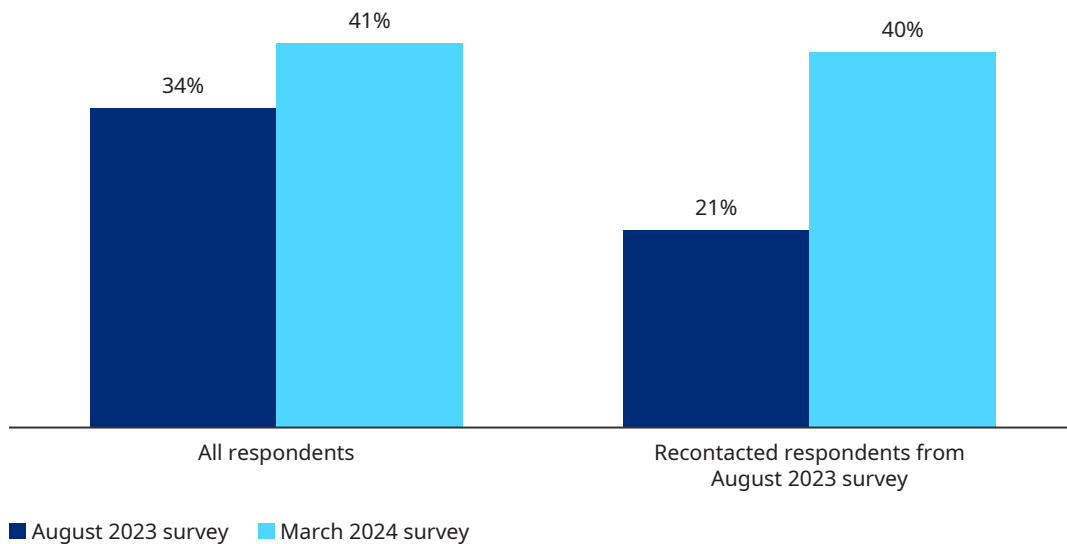
Source: Oliver Wyman August 2023 and March 2024 Generative AI Travel & Leisure surveys, Oliver Wyman analysis

But usage should only continue to rise, given respondents' enthusiasm for the new tech. In the March survey, 58% of the participants and 82% of those who had recently used generative AI said they are likely or very likely to use it again to make travel plans in the future. To qualify for the survey, respondents must have booked a roundtrip flight or lodging stay for leisure purposes since the beginning of 2023, or a cruise for leisure purposes since the beginning of 2022.

Exhibit 2: Future outlook on generative AI for travel inspiration, itinerary planning, and booking channel selection

Percentage of total respondents

Likely or very likely to use generative AI for future travel inspiration
- All respondents: 50%
- Recent generative AI users: 75%

Likely or very likely to use generative AI for future itinerary planning
- All respondents: 52%
- Recent generative AI users: 74%

Likely or very likely to select a future booking channel because it has generative AI capabilities
- All respondents: 45%
- Recent generative AI users: 69%

■ All respondents ■ Recent generative AI users

Source: Oliver Wyman March 2024 Generative AI Travel & Leisure survey, Oliver Wyman analysis

Consumers are also liking what generative AI is providing, with more than three-quarters saying they were satisfied or very satisfied with the generative AI travel recommendations. More than three-quarters also followed through by booking some, most, or all the recommendations provided by the tool.

The five key takeaways from the report are:

Leisure travelers are increasingly using generative AI tools for trip inspiration and itinerary planning.

The most enthusiastic adopters tend to be younger, elite loyalty members, and people who like to take cruises.

Generative AI has the capabilities to address existing trip inspiration and travel planning pain points for consumers, and users are recognizing that.

When choosing a generative AI tool, consumers have more confidence in those being offered by brands they frequently use or with which they have a loyalty program membership. The connection between brand loyalty and generative AI is likely to drive more direct bookings and ancillary revenue for brands that develop robust generative AI tools.
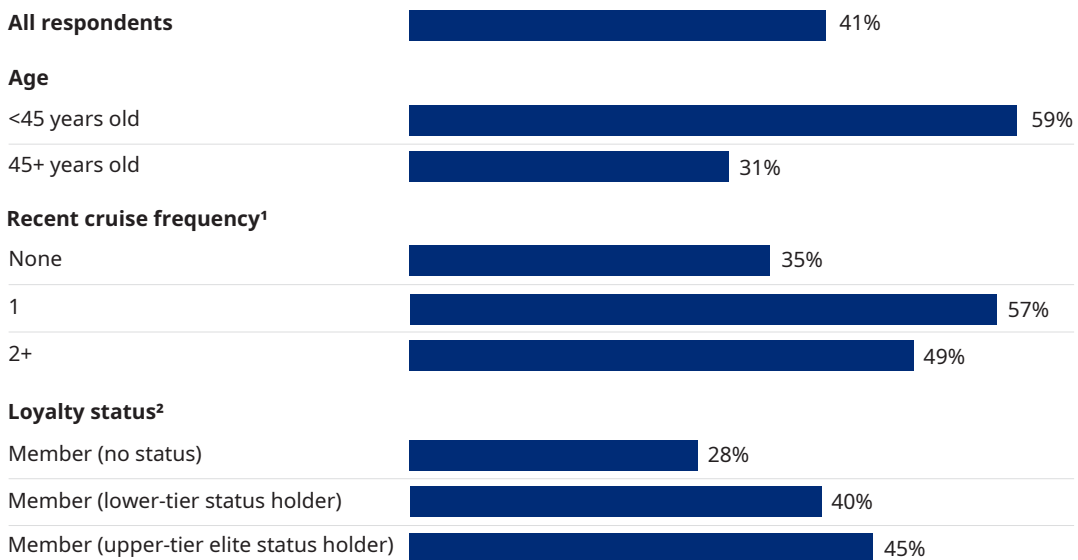
Generative AI makes it more likely that consumers will book a complete trip based on recommendations from the tool, increasing the average trip value for brands through sales of ancillary services and products and packaged travel offerings. That prospect should grow dramatically once travelers can book directly through generative AI tools.

THE BIGGEST FANS OF GENERATIVE AI

Perhaps not surprising, generative AI's most enthusiastic cohort of early adopters are younger travelers, with 59% of those under 45 years old having recently used these tools to plan travel. That compares with 31% of respondents 45 and older.

Exhibit 3: Recently used generative AI to assist with travel inspiration and/or itinerary planning

Percentage of respondents in each category

All respondents	41%
Age	
<45 years old	59%
45+ years old	31%
Recent cruise frequency[1]	
None	35%
1	57%
2+	49%
Loyalty status[2]	
Member (no status)	28%
Member (lower-tier status holder)	40%
Member (upper-tier elite status holder)	45%

1. Since the beginning of 2022
2. Highest status level achieved across ~35 airline, hotel, cruise line, and OTA loyalty programs
Source: Oliver Wyman March 2024 Generative AI Travel & Leisure survey, Oliver Wyman analysis

Also in the generative AI fan club are travel brands' elite loyalty members, with 45% responding that they had recently used these tools for either trip inspiration or itinerary planning. Enthusiasm for the technology was greater at higher loyalty status levels, with only 28% of loyalty members without any status designation using generative AI recently.
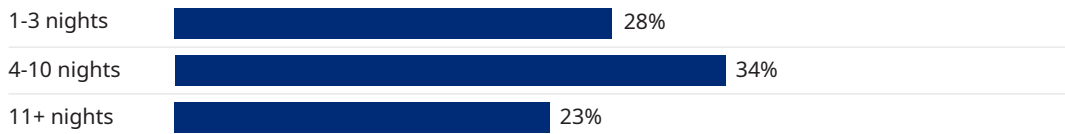
The other major proponent of generative AI are those travelers who take cruises. Fifty-four percent of those respondents who had taken at least one cruise since 2022 had recently used generative AI to make travel plans. Only 35% of those that hadn't taken a cruise had used generative AI recently. Among younger cruisers, the enthusiasm is even greater with 82% below the age of 45 using generative AI tools.

Generative AI also seems to have a sweet spot for use on trips in the moderate-to-high-cost range and of moderate duration, between four and 10 nights. It is also used more frequently when people are traveling solo or when traveling with the family, suggesting travel companies might want to consider developing more specialized tools that cater to these types of trips.

Exhibit 4: Generative AI used to assist with trip inspiration and/or itinerary planning for most recent trip

Percentage of respondents/trips in each category

Trip duration

1-3 nights	28%
4-10 nights	34%
11+ nights	23%

Trip cost[1]

<$2,000	25%
$2,000-$4,999	38%
$5,000+	27%

Trip companion

Solo	35%
Partner	27%
Family	35%

1. Per person trip cost in USD
Source: Oliver Wyman March 2024 Generative AI Travel & Leisure survey, Oliver Wyman analysis

AI ADOPTION BREAKS RECORDS

In general, the speed at which technology gets adopted these days has increased exponentially, but generative AI may be breaking the record with one of the fastest adoptions yet. An Oliver Wyman Forum analysis shows ChatGPT reaching critical mass adoption[1] in the US within 10 months after its launch in 2022. In contrast, the internet took over a decade.

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1 Critical mass adoption is based on more than 50% adoption in the US; ChatGPT adoption data is from the Oliver Wyman Forum Generative AI Survey regarding use of generative AI tools (for example, ChatGPT)

For the travel industry, generative AI arrived at a particularly disruptive time — just as the sector began to regain momentum following two traumatic years of the COVID-19 pandemic. In 2022 and 2023, generative AI travel planning tools began to be released by online travel agencies (OTAs) and technology companies. For example, last year, Google established integrations between Google Flights, Hotels, Maps, and other Google extensions such as Gmail, Docs, and Calendar with their generative AI tool, Google Gemini. With each iteration, enhanced functionality was achieved, and usage increased as a result.

Why is generative AI taking hold so quickly in travel? One obvious reason stems from its ability to address the sector's most significant pain points. This includes the overwhelming amount of accessible travel information and the necessity for travelers to navigate an endless array of sources to find the best deal or the exactly right place to vacation. And that ease of use will be magnified once data personalization is made available to consumers.

Exhibit 5: Top leisure traveler challenges and desired generative AI capabilities

Top challenges with primary source of travel inspiration
Percentage of respondents not using generative AI as primary source[1]

Overwhelming amount of information	22%
Having to navigate through too many different screens/menus	21%

Top generative AI travel inspiration capabilities
Percentage of respondents who deemed capability important[1]

Generate travel ideas based on extensive/customizable search criteria	41%
Generate travel ideas based on my travel history and personal data	41%

Top challenges with primary method of itinerary planning
Percentage of respondents not using generative AI as primary method[1]

Difficulty finding travel deals/itinerary options that save money	27%
Overwhelming amount of itinerary options/search results	24%
Having to navigate through too many different screens/menus	24%
Inability to effectively compare prices across travel/itinerary options	24%

Top generative AI itinerary planning capabilities
Percentage of respondents who deemed capability important[1]

Provide real-time pricing and booking availability for all trip elements	46%
Provide itinerary recommendations for all trip elements	43%

1. Response options were chosen by Oliver Wyman with travelers asked to rank top 3 challenges/capabilities for travel inspiration and top 5 challenges/capabilities for itinerary planning
Source: Oliver Wyman March 2024 Generative AI Travel & Leisure survey, Oliver Wyman analysis

HOW MUCH PERSONALIZATION IS TOO MUCH

Consumers have overwhelmingly expressed interest in personalization, with more than 70% indicating they are comfortable with some level of personalization from a generative AI tool. That said, how deep that personalization goes varies. Some prefer tools that can simply learn from previous chat interactions, while others want the tool to learn from their travel history, loyalty account information, and other personal accounts.

Generative AI tools are inherently as good as the data they are trained on. Thus, access to customer data not only enables the provision of tailored recommendations, but it can also serve as a differentiating factor for a generative AI tool from a functionality standpoint. By leveraging the improved data that the tool is being trained on, the travel recommendations can be enhanced, resulting in higher conversion rates.

Still, there are risks as there are with any collection of personal data. The first travel companies to deliver personalized generative AI experiences will need to ensure appropriate safeguards are in place that give travelers a degree of control.

One of the other key functionalities desired is the ability to book directly through the generative AI tool. That would require the ability to provide real-time pricing and booking availability for all trip elements. Additionally, the generative AI tool would need to provide itinerary recommendations for the entire trip, and 43% of travelers mentioned this feature as an important one for a tool to have. This includes secondary trip components such as transportation to the airport, train station, or pier to restaurant and activity options once at the destination.

HOW GENERATIVE AI MAY ENHANCE BRAND LOYALTY

Another key finding of our study involves the degree of brand loyalty respondents expressed toward major travel brands when it comes to AI. Yet travel services providers seem among the last to jump on the AI bandwagon — only a couple of the biggest hotel chains and a US airline have announced plans to test or develop customer-facing generative AI tools thus far. That said, travel brands potentially have among the most to gain from the public's embrace of generative AI.
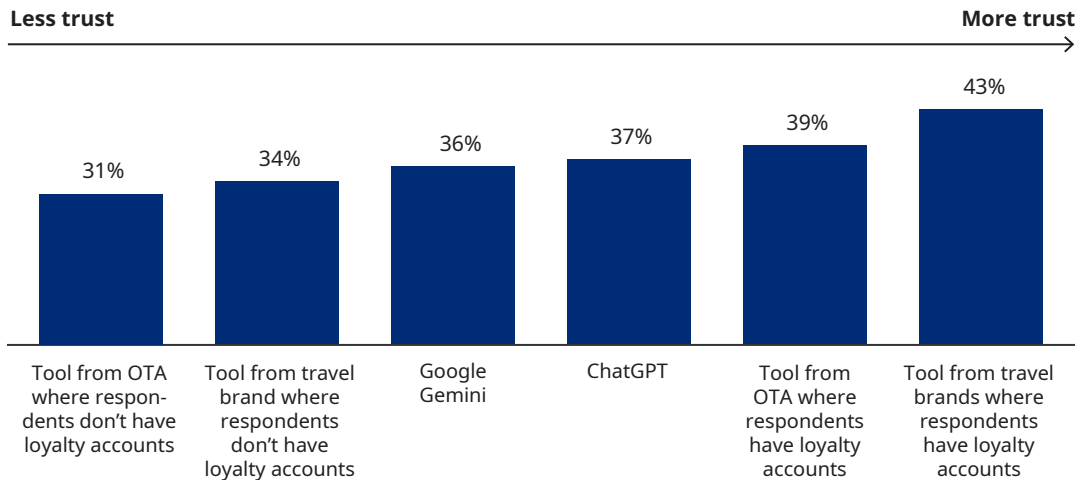
What are travel brands missing out on by not actively developing generative AI tools? First, we have already established that elite loyalty members are more open to using generative AI. Having a tool can allow travel brands to enhance their connection with their best customers and reinforce that relationship. It should also incentivize direct bookings with the brand and provide an opportunity to offer suggestions to expand itineraries.

Our survey showed that 43% of respondents would trust a generative AI tool from a travel brand with which they have a loyalty account to access their personal data. This is in part because that brand already is in possession of some personal data because of the loyalty program, but also the decision to join a loyalty program already suggests a preference and trust in a brand.

Having a tool would afford even more opportunities to collect personal data and increase customer engagement. The least amount of trust was afforded to tools developed by OTAs with which the consumer has no loyalty account, at 31%. Offering a tool could also prevent the loss of customers to other brands.

Exhibit 6: Likely or very likely to trust the following generative AI tools to access personal data to provide a more personalized experience

Percentage of respondents endorsing each category

Less trust → **More trust**

Tool from OTA where respondents don't have loyalty accounts	Tool from travel brand where respondents don't have loyalty accounts	Google Gemini	ChatGPT	Tool from OTA where respondents have loyalty accounts	Tool from travel brands where respondents have loyalty accounts
31%	34%	36%	37%	39%	43%

Source: Oliver Wyman March 2024 Generative AI Travel & Leisure survey, Oliver Wyman analysis

BENEFITS FOR TRAVEL COMPANIES

Travel services providers need to move quickly to develop tools that allow for greater control of inspiration at the top of the funnel, address common traveler pain points, and provide the functionality and ultimately the personalization desired by the consumer.

The benefits for a brand of attracting more early adopters can come in many forms. They include more direct bookings, commission-related economic benefits, strengthened brand loyalty, and the potential for more revenue from the sale of ancillary services such as rental cars, and travel packages. Generative AI tools are already providing consumers with actionable recommendations for ancillary elements of their trips beyond their flights and hotel accommodations.

Of the more than 90% of recent users who booked generative AI-produced travel plans, 44% booked the specific activities the tool recommended as part of itinerary planning, and 43% booked dining suggestions. This was relatively consistent with the booking rates for core trip elements, as 52% of travelers reserved the accommodations recommended and 45% booked the suggested flight options.

Ultimately, this shows the enthusiasm over generative AI could allow it to be a mechanism for travel suppliers to gain a greater share of wallet from a total trip spend perspective, which would otherwise be dispersed across multiple suppliers. Beyond travel inspiration and itinerary planning assistance, generative AI can also be used to reach customers more effectively by streamlining the creation of personalized, targeted marketing content like TikTok videos designed to highlight a customer's travel preferences. Expanding the scope of generative AI applications beyond conversational chatbot interactions can help further drive traffic to direct booking channels.

THE RISK OF NOT EMBRACING GENERATIVE AI

But there are also risks from failure to pursue what seems to be the future for travel as it's already apparent that generative AI is reshaping consumer behaviors and preferences. The risks of not having a tool can, in fact, hurt financially.

Using booking behavior response data, we updated our previously developed forecasts for OTA versus supplier-direct booking share of the US online travel market — including airline seats, hotel sleeping rooms, and cruise cabins — and the commissions paid by suppliers to OTAs for those indirect bookings.

In an extreme scenario where suppliers continue to forgo investment, OTAs could increase their booking share of the US online travel market by as much as 17 percentage points by 2029, reaping an incremental $2 billion-plus in commissions from suppliers. This commissions opportunity has grown 20% on an absolute basis just since last August.

On the other hand, if travel services suppliers invest significantly, they could save approximately $800 million in annual OTA commissions by 2029 from what they would pay out assuming booking share remains constant from today, with opportunity for that savings to grow in future years.

ACCEPTING THAT GENERATIVE AI IS THE FUTURE

Generative AI is captivating consumers. Travel companies that move quickly to develop tools offering greater control of inspiration, ability to address common pain points, and the functionality and personalization desired by travelers stand to capitalize on the opportunity in the market. There is considerable white space that needs to be filled in the market, and the companies that do that most effectively are likely to dominate leisure travel booking.

But before embarking on the generative AI journey, travel companies must first understand the expectations of their customers and loyalty members and their own unique data assets that can differentiate their potential solution.

While there are new risks associated with offering a generative AI tool, such as heightened cybersecurity threats, the biggest risk may be failing to appreciate the pivotal role it will play in the leisure travel space. Given the groundbreaking speed at which technology is adopted these days, travel brands have only a small window to make their mark in generative AI.

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