

HVS Monday Musings: Corporate Travel is Bouncing Back, but Omicron is a Threat to Recovery

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Corporate travel has been gathering up steam globally, albeit slowly, as after several months of virtual meetings and video conferencing, in-person meetings are finally making a comeback. According to a recent report by World Travel & Tourism Council, global business travel spending is expected to rise 26% in 2021 and 34% in 2022, bringing it to two-thirds of pre-pandemic levels by the end of 2022. This rebound is likely to be led by the Middle East and Asia-Pacific regions.

The dynamics of corporate travel have, however, shifted dramatically in the last two years. Organizations were compelled to take a step back and review their operations and costs during the pandemic. Companies have discovered that not all meetings need to be held in person; several of them can be conducted virtually and be just as effective while helping them save costs. As a result, most internal meetings and training may continue to be held using online and virtual tools in the future, but more client meetings may become in-person. Companies that aim to become more ecologically sustainable by lowering their carbon footprint may also decide to limit business trips in the future. Meanwhile, with the growing acceptance of remote work, a new type of business traveler is emerging, as employees travel back and forth between their home city and corporate headquarters.



Corporate travel in India has also been witnessing green shoots in recent months, with most industries reverting to a full or hybrid work-from-office model. The high vaccination rate, a decrease in new cases, and the reduction of travel restrictions across states have all been contributing to this recovery. As a result, air traffic in key commercial hubs such as Delhi, Mumbai, Bengaluru, and Hyderabad has more than doubled during the Apr-Oct 2021 period compared to the previous year. Demand for office space is also improving, indicating the positive business sentiments in the country. According to ANAROCK's latest report, net office absorption in India's top seven cities grew by 29% in H1FY22 over the previous year. Small-to-medium-sized MICE events are also gaining momentum.

Corporate travel has, therefore, started contributing 20-25% of hotel business in some cases, a much-needed positive sign for the sector. There is a significant recovery in demand from sectors such as manufacturing,

Summary

Corporate travel has been picking up momentum, albeit slowly, as in-person meetings are finally back. Read on to know more.

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healthcare, pharma, FMCG, consumer durables, and financial services, while demand from IT & ITES is recovering at a slower pace. However, just when things were looking up, the world has been hit by a new COVID variant, Omicron, resulting in increased travel restrictions across the world. India is taking a cautious approach at the moment, imposing certain restrictions and delaying the resumption of commercial international flights, but the situation is likely to evolve further in the next few weeks. Corporate rates were already under pressure as companies continued to limit travel budgets, and this new development is resulting in an increase in cancellations, which we expect will tide over as more information about the variant becomes available. However, with rising input costs adding pressure on the bottom line and the growing concerns about Omicron, most companies will focus on critical and crucial travel in the short to medium term, slowing the segment's recovery.

About **Mandeep S Lamba**



Mandeep S. Lamba, President – South Asia, oversees the HVS global hospitality practice for South Asia. He has spent over 30 years in the hospitality industry of which the last 19 have been in CEO positions. Having worked with leading International and domestic Hotel Companies such as IHG, Radisson & ITC Hotels, he also set up joint venture companies with Dawnay Day Group UK and Onyx Hospitality, Thailand to own and operate hotels in India giving him a broader exposure to the hospitality business.

An established industry leader, Mandeep has won several awards and recognitions in India and abroad for his accomplishments and contribution to the hospitality industry. He is a Certified Hospitality Administrator from the American Hotels Association (CHA), a member of the Royal Institute of Chartered Surveyors, UK (MRICS) and a member of the Tourism Council of CII (Northern India). His views are often solicited for television and print media as a spokesperson for the hospitality & tourism sector.

Prior to joining HVS in 2018, Mandeep was the Managing Director, Hotels & Hospitality Group for JLL.

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