



# The Prime Travel Tech Index: A Primer

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## Introduction

The travel industry is growing by leaps and bounds. Thanks to innovative new technology, there is seemingly no destination that is too expensive, and no itinerary that is too complex. The growth in global travel has been largely driven by changes in how consumers spend their resources, and by companies employing disruptive technology—Travel Tech companies—that facilitate trip planning, advice, booking, transportation, and lodging.

Travel Tech companies' revolutionary technologies have enabled increased access and competition in the global travel and tourism industries, fostered the creation of new services including increased transportation and lodging options (thanks to the “gig” economy) and have disrupted (and in some cases almost entirely replaced) traditional travel agencies in the process.

## Key Growth Drivers

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*The key elements fueling the growth in the travel tech industry are:*

1. Evolving consumer spending habits
2. Increased international travel
3. Growing income in emerging economies, resulting in more travelers globally
4. Superior service and experience of online travel agencies vs traditional travel agencies
5. The Rideshare Revolution

### Evolving Spending Habits

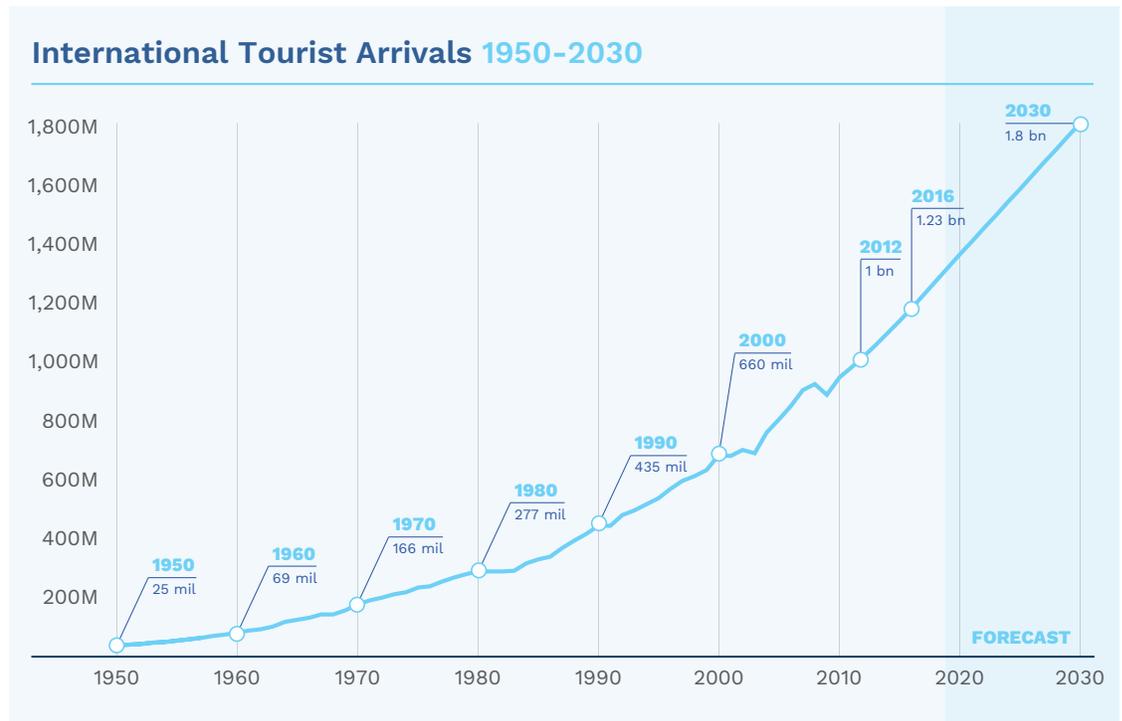
Younger generations have spending habits markedly different from those of previous generations. They place greater emphasis on personal experiences and tend to see home buying or fancy cars as less of a priority.<sup>1</sup> According to a recent study, more than 3 in 4 millennials (78%) would elect to spend their money on a unique experience versus buying something desirable.<sup>2</sup> With this in mind, it should come as little surprise that not only are millennials the generation most likely to spend more on vacations than other age groups (one out of every three Millennials are willing to spend \$5,000 or more on a vacation),<sup>3</sup> but millennials also travel the most compared to other age groups: they travel 35 days a year, with Gen Z close behind, at 29 days per year.<sup>4</sup>

Younger generations are not alone in their desire for experiences: the share of consumer spending on experiences and events relative to total U.S. consumer spending has surged 70% since 1987.<sup>2</sup> On average, US consumers' spending on experience-related activities, including travel and tourism, grew 6.3% per year between 2014 and 2016.<sup>5</sup>

### Increasing international tourism

International tourism appears primed to continue this fast pace of growth in the decades to come. As the facilitators of international travel, Travel Tech companies stand to benefit handsomely from this growing surge in international travel.

2018 saw some of the highest growth in annual tourist arrivals since 2010, growing roughly 6% year-over-year to 1.4 billion arrivals, while international tourism receipts surged 5% to \$1.3 billion, marking the ninth consecutive year of sustained growth.<sup>6</sup> This was primarily the result of an improving economic picture worldwide that drove strong outbound demand from major source markets in recent years, including China, Brazil, and the Russian Federation. The UNWTO forecasts international tourist arrivals to grow a further 500 million, to 1.8 billion annual arrivals by 2030.<sup>7</sup>



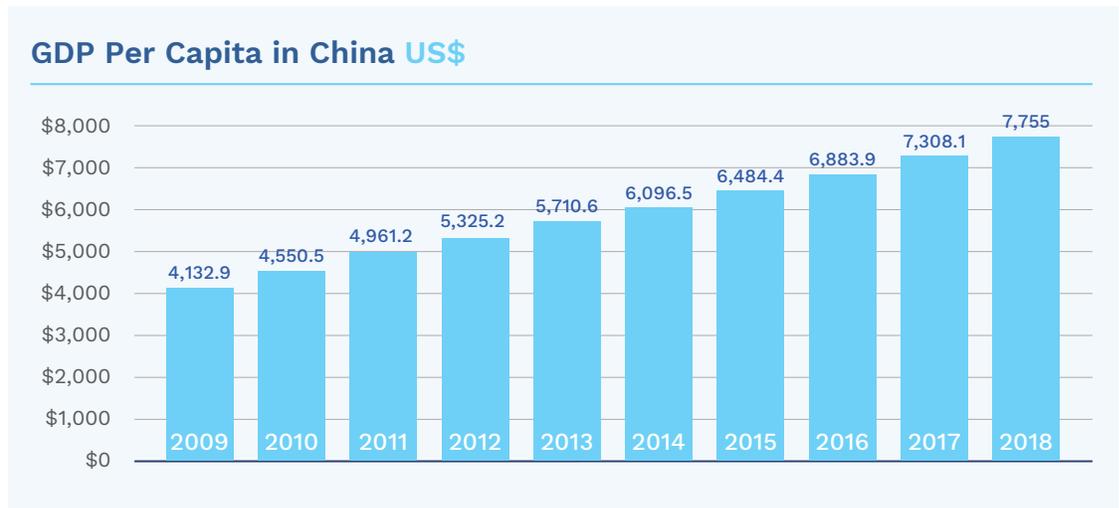
Source: UNWTO Tourism Highlights, 2017 Edition <https://www.e-unwto.org/doi/pdf/10.18111/9789284419029>

### Growing Income in Emerging Economies

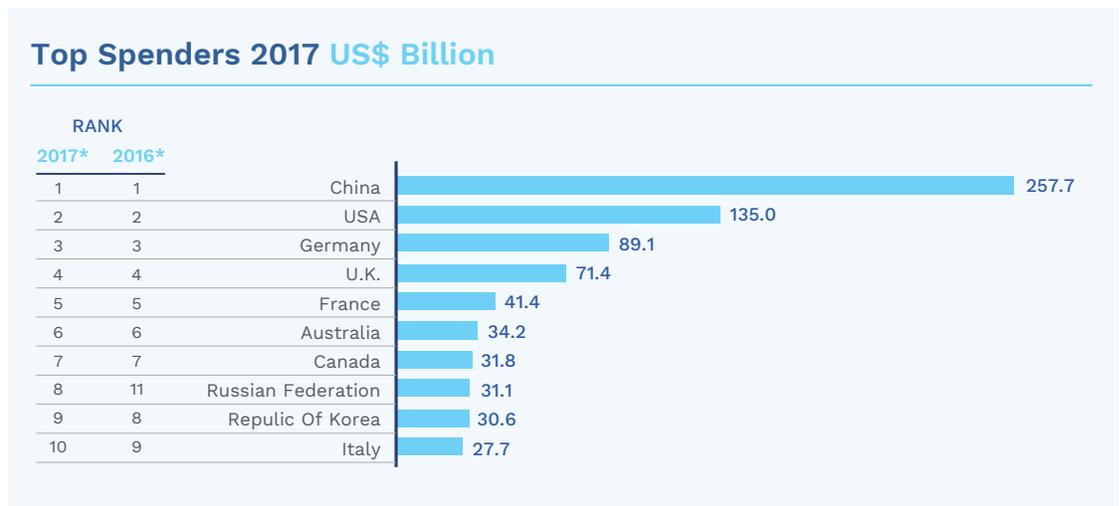
As emerging economies continue to grow, their citizens have more disposable income which can be spent on travel. As facilitators of international and local travel and tourism, Travel Tech companies are well-positioned to benefit from this developing trend.

According to McKinsey, in the 71 emerging economies worldwide, the number of people living in extreme poverty has declined from 1.84 billion to 766 million since 1990—a stunning 35% drop. This rising prosperity has not just transformed the lives of those living in poverty but has catapulted many residents of emerging economies into the affluent and “consuming classes,” composed of people with incomes high enough to consume goods and services on a significant level. For example, over the past twenty years, India’s consuming-class households rose from 3.4 million in 1995 to more than 35 million in 2016—that’s a tenfold increase in just two decades.<sup>8</sup>

In the travel and tourism sector, China is already the world’s top spender, with Chinese nationals spending an astonishing \$277 billion in 2018.<sup>9</sup> This figure appears set to continue to increase as China’s per capita income maintains its upward trajectory over the years to come.<sup>10</sup>

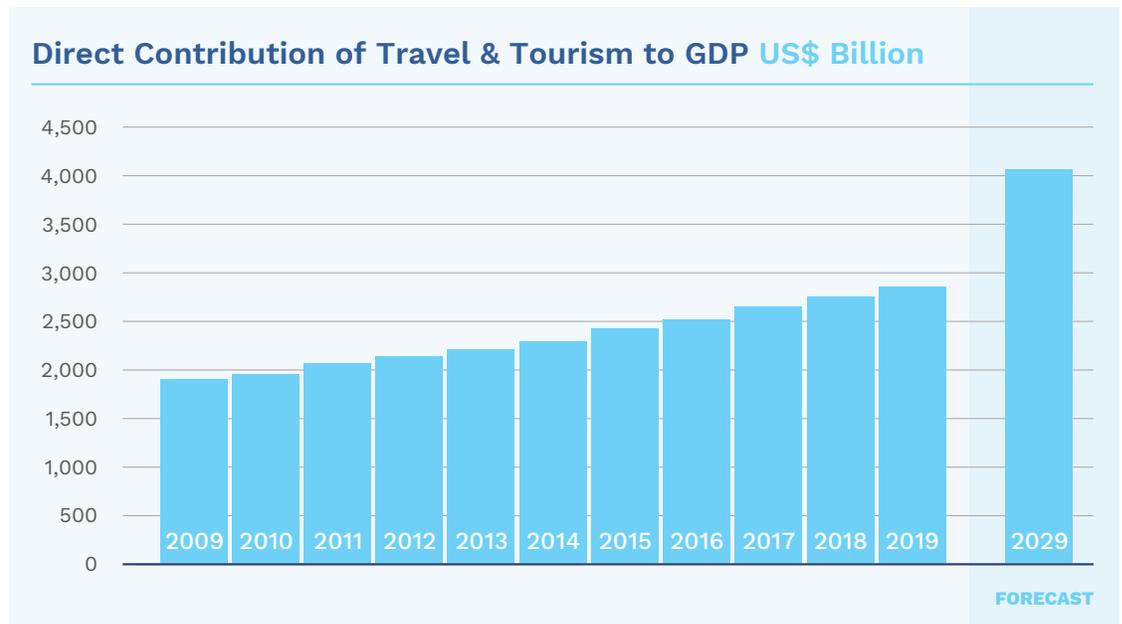


Source: UNWTO Tourism Highlights, 2018 Edition  
<https://www.e-unwto.org/doi/pdf/10.18111/9789284419876?download=true>



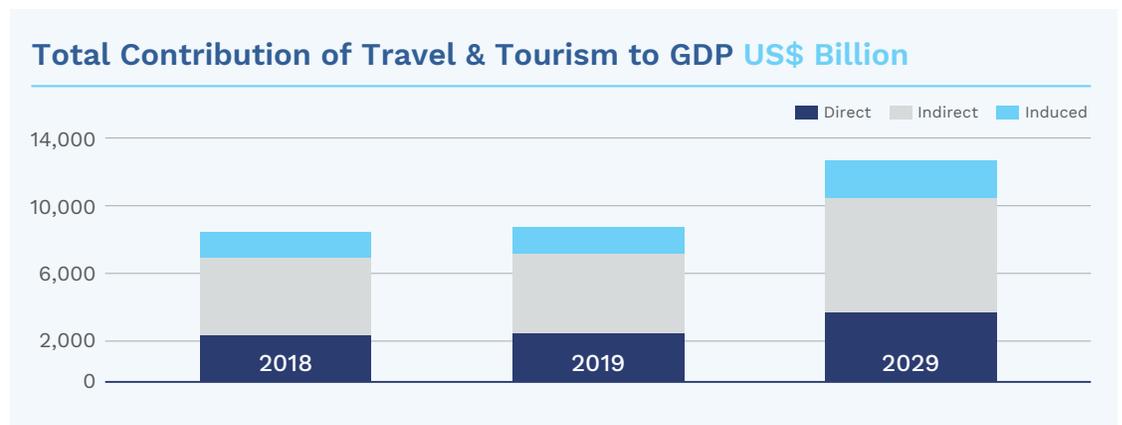
Source: [Tradingeconomics.com](http://Tradingeconomics.com), World Bank

Global travel and tourism as a category is already one of the largest economic sectors, constituting 10.4% of global GDP in 2018. The sector grew 3.9% over 2018, and one out of every five net jobs created over the last five years was within the Travel & Tourism sector. The market is already huge—nearly \$3 trillion in 2018—and is projected to grow by approximately 3.6% per annum, to more than \$4 trillion by 2029.



Source: World Travel & Tourism Council, Travel & Tourism Economic Impact Report, 2019

The numbers are even more staggering when considered in terms of economic impact. The economic impact of travel and tourism is projected to reach nearly \$9 trillion in 2019, growing 3.7% per annum to more than \$13 trillion by 2029.



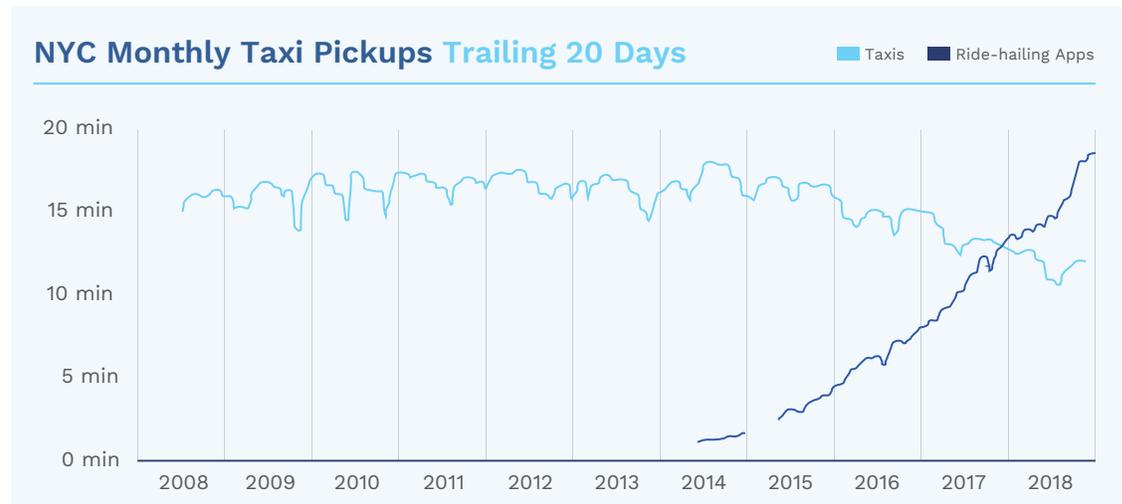
Source: World Travel & Tourism Council, Travel & Tourism Economic Impact Report, 2019

### The Rideshare Travel Tech Revolution

The Rideshare Travel Tech Revolution has also been instrumental in ushering in a new era of local transportation, supplanting much of the traditional taxi industry in the process. What began as a niche market in ride-hailing has quickly transformed mobility itself, particularly in metropolitan areas. In 2017, ride-hailing apps surpassed monthly pickups by taxis in New York City for the first time, reaching more than 15

million monthly pickups, as monthly taxi pickups declined to under 10 million.<sup>11</sup> This decline in monthly taxi pickups is reflected in the plummeting value of New York City taxi medallions, which has dropped from a high of \$1.3 million in 2014, to as low as \$130,000 as of 2019.<sup>12</sup>

According to a recent report, since 2012, rideshare companies have contributed to a doubling in the overall size of for-hire ride services sector, transporting 2.61 billion passengers in 2017, an astonishing 37 percent increase from 2016's 1.9 billion passengers.<sup>13</sup> As a whole, the ridesharing industry appears primed for further growth. While it is already valued at some \$61.3 billion, it is expected to more than triple to \$218 billion by 2025.<sup>14</sup>



Source: NYC TLC, <https://www1.nyc.gov/site/tlc>

### **The Superior Experience of Online Travel Agencies**

The rise of online bookings for travel has been hard on traditional travel agencies. The U.S. Department of Labor and Statistics projects a significant reduction in jobs in traditional travel agencies from 2016 to 2026.<sup>15</sup> Meanwhile, a recent report valued the online travel booking market at approximately \$765 billion as of 2017, and is expected to grow to an incredible \$1.9 trillion by 2026, for an annual growth rate of roughly 12% between 2018 and 2026.<sup>16</sup>

It's easy to see why online travel agencies appear primed for such explosive growth. More than 75% of leisure travelers report using an online agency because they offer the best travel deals, while a third of leisure travelers and more than half of business travelers value online agencies for their sophisticated tools and comparison abilities.<sup>17</sup>

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## Conclusion

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Travel Tech companies are helping to usher in a new era of international travel and tourism. By facilitating trip planning, advice, booking, transportation, and lodging, Travel Tech companies have helped to transform this vast, important sector, which is projected to continue to grow over the coming decades thanks to increasing international tourism and a rising middle class in emerging markets.

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## The Prime Travel Tech Index

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The Prime Travel Tech Index seeks to serve as a reliable benchmark of travel technology companies worldwide.

To be considered as part of the Travel Technology company universe, a company must satisfy Prime Index's requirements for classification as a "Travel Technology Company." Under our definition, these companies are a subset of the global travel and tourism industry. They provide technology, via the internet and internet-connected devices such as mobile phones, to facilitate travel bookings and reservations, ride sharing and hailing, travel price comparison and travel advice. These firms operate both direct to consumers and as providers to businesses.

Companies selected for inclusion may be domiciled in the United States or internationally. There is no cap on the number of constituents that may be included in the index.

**INDEX COMPOSITION** (As of 9/24/2019)

Component Name	Ticker	Country
Booking Holdings Inc	BKNG	United States of America
Uber Technologies Inc	UBER	United States of America
Expedia Group Inc	EXPE	United States of America
Lyft Inc	LYFT	United States of America
Amadeus IT Group SA	AMA	Spain
Ctrip.Com International Ltd	CTRP	China
Sabre Corp	SABR	United States of America
TripAdvisor Inc	TRIP	United States of America
TravelSky Technology Ltd	0696	China
Tongcheng-Elong Holdings Ltd	0780	China
CVC Brasil Operadora e Agencia de Viagens	CVCB3	Brazil
MakeMyTrip Ltd	MMYT	India
Webjet Ltd	WEB	Australia
Despegar.com Corp	DESP	Argentina
Trainline PLC	TRNT	United Kingdom
Trivago NV	TRVG	Germany
Open Door Inc	3926	Japan
Hanatour Service Inc	039130	South Korea
Lotte Tour Development Co Ltd	032350	South Korea
Evolable Asia Corp	6191	Japan
Veltra Corp	7048	Japan
On The Beach Group PLC	OTB	United Kingdom
Adventure Inc	6030	Japan
Temairazu Inc	2477	Japan
eDreams Odigeo SA	EDRE	Luxembourg
accesso Technology Group PLC	ACSO	United Kingdom
Yatra Online Inc	YTRA	India
Hostelworld Group PLC	HSW	Ireland

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