



Episode 219 – Seth Borko

Intro: This is Brand USA talks travel, elevating the conversation about international travel to the United States. Here's your host, Mark Lapidus.

Mark Lapidus [0:09]: I'm feeling really exotic today because I'm speaking to you from Soho in London, but I've heard that you've traveled all seven continents. What was Antarctica like?

Seth Borko [0:18]: It was cold, Mark. It was cold, but really beautiful. Lots of wildlife, and actually quite a lot more human history than people realize. There's been a lot more explorers and whalers and stuff in Antarctica than people realize. It's a great spot. It seems like one of those, like, really, like, I don't know, maybe I'm not worth it. It's worth it. It was a great trip.

Mark Lapidus [0:36]: What was the weirdest animal that you saw?

Seth Borko [0:38]: The weirdest?

Mark Lapidus [0:39]: Mm hmm.

Seth Borko [0:40]: I mean, this is, like, not what everyone tells you about Antarctica. We went to this whaling station. You know, they used to hunt whales down in Antarctica. So the best animal we saw was actual whales like orcas and. And giant whales. The. The weirdest thing was these old whaling stations with all these, you know, whale bones and old wreckage, wrecked ships and stuff like that from all the people who were going down to hunt them. And it's now protected by treaty, thankfully. But that surprised me the most about Antarctica. Seeing all these old Hudson stuff that were used down there. It was crazy amazing.

Mark Lapidus [1:09]: My guest today is Seth Borkra. I'm so pleased to be speaking with him. Heard a lot about him over the years. He's the head of research at Skift, and Seth also co hosts the Skift Travel podcast, so he's kind of used to what we're doing today. Previously, Seth worked as a senior research analyst at Skift. He also held roles at JPMorgan Chase and company. Welcome to brand USA talks travel, Seth.

Seth Borko [1:31]: Mark, thanks so much for having me. It's a pleasure to be here.

Mark Lapidus [1:33]: The state of the industry 2024 report is out, and it's one of Skift's biggest. I understand you have 350 charts.

Seth Borko [1:41]: Yeah.

Mark Lapidus [1:42]: That's a lot of charts, Seth. I can't say that I've been through all of them.

Seth Borko [1:46]: If you include all the table of contents on stuff, we actually have more than 350. So, yeah, it's a big one.

Mark Lapidus [1:52]: How long did it take to do.

Seth Borko [1:54]: It takes a couple of weeks to put that one together.

Mark Lapidus [1:56]: That's it? That's all.

Seth Borko [1:57]: I guess the real answer is it takes us all year. That's the weeks to actually pull it together. I mean, this report basically includes many of our charts and research from almost a year or two. So in some sense, it takes us years, plural, to put it together because it's supposed to highlight a lot of our different researches and charts and data over multiple years. So I suppose the short answer is six weeks. The real answer is, yeah, years. One or two years.

Mark Lapidus [2:25]: So looking at the overall state of the travel industry, how would you describe it right now?

Seth Borko [2:29]: Pretty good. You know, kind of like the. Maybe. Maybe a bit of the curb your enthusiasm. Like, yeah, pretty, pretty, pretty good. Like, I think things are good. I think things are normalizing. Like, we've just come through these last five years have been just insane, right? We had this huge pandemic collapse, then the world opened back up, and we had this wave of revenge travel. And by the way, the world didn't open all at once. So we had a European moment and a US moment and an Asia moment. And on all these different things, I would say we're finally, finally, finally past a lot of that. There's not as much pent up demand, there's not as much revenge travel, but there's also none of these headwinds or concerns about safety or disease or even airlift to some extent. And so we're just in a much more normal period. And that does mean some slower growth. I mean, we've seen consumers spend a lot of savings. By no means do we see a slowdown or a stop. I mean, people are still really, really eager to travel. I think they've come out of the pandemic, put in travel as a higher priority than ever before. And so, you know, the travel industry is very much, in some ways, at the whim of the economy. But to the extent that we can insulate ourselves, we are probably more insulated than we've ever been, because travel has become such a high priority for consumers as long as they can afford the basics and get by, and as long as the economy continues to grow modestly, which is generally the outlook across the world, then the travel industry is in a pretty damn good place.

Mark Lapidus [3:58]: So let's talk about that priority for a second. Seth. Anybody that's involved in international travel knows that the dollar is still super strong. And so, of course, that makes it more challenging, I think, for international visitors from around the world. And yet they're still coming, and more and more of them are coming. Do you think travel is now at the point where it's a necessity for a lot of people and not just this option?

Seth Borko [4:20]: I think travel is a necessity. I think, to be honest with you, Mark, is travel to the United States a necessity? Maybe not. Right but I think that's, you know, I've been playing around with this idea, like when I got my first smartphone in 2009, right? When they first came out, if you like, if you

sneezed on it, the thing would short circuit and it would break. So it was not waterproof at all. Nowadays, I could jump in a pool with a phone in my pocket and it's going to be fine. So it's not waterproof. It would still break if you dropped in the ocean, but it's water resistant. And so the analogy I've been drawn is like, is travel economy proof or recession proof? No, it's not a full necessity. You still need to buy your groceries first. You still need to fuel up your car first. You still need to pay your rent first before you can travel. But is it recession resistant? Does it have a lot more kind of inbuilt defenses against slowdowns in the economy? Yes, absolutely. And that's because I think for most consumers in the US and across the globe, yeah, travel is becoming more and more of a priority, a higher priority. I might even say a necessity. But the value of the trip is not a necessity. So a long haul, expensive trip is not a necessity. But maybe a quick weekend getaway is now a necessity. So people feel much more the need to travel, to connect, to do something physically in the real world, to try different foods, cultures, see friends, see family. Those things are higher and higher and higher priorities, maybe even necessities. But a two week vacation to Europe, that's never going to be like a quote unquote necessity. You know what I mean? Those are how those dynamics, I think, are playing together. It's becoming a more important part of the consumer psyche. Right. People identify themselves as travelers. They put it on their social media, they put it on their instagrams, they put it on their dating profiles. They put it like it is a part of who you are. Increasingly, being a traveler is an identity. And so identity, it's really, really important to you. Now, maybe you can't fulfill your identity if you're, again, if you can't make rent, then you've got bigger problems. But that's not the situation that, especially in America, that a lot of us are in. I mean, yeah, as long as there's some economic growth, it's a really important part of the consumer spending and consumer psychology.

Mark Lapidus [6:37]: So as you go through those 350 plus pages of research, Seth, what are a few of the more eye opening findings?

Seth Borko [6:44]: So there's a couple things that stand out to me. The first, and just to go back to this international conversation that we're having is just how much more global the travel industry has become. There is so much mobility out there in the world, it's easier than ever to get around with visa or visa free. We are seeing people get wealthier all around the world. There's all sorts of interesting new, especially from a us perspective, interest in new source markets that can and want to come to the United States. Traditionally, many of our source markets have been very heavily Canada, Mexico, or also western Europe. One of the charts in here is about. There's a whole section, not just one chart about India, but one of the charts in particular shows how India was one of the fastest recovering inbound source markets into the United States after the pandemic, when many other countries, again, even Mexico, even the United Kingdom in 2023, still saw visitation numbers below 2019 levels. India was not just fully recovered, was like 20% higher. So I think that's fascinating. It's a global trend, but it applies to the United States in terms of just so much more mobility, so much more interest in travel, I think within the United States and within the us consumer. Again, this conversation we've been having about how, post pandemic, you don't. You know, when this is not a crazy, deep insight, but you don't know what you've got till it's gone, sort of thing. Travel has become a higher priority. It's become an identity. I think another interesting thing for me is the rise of experiences and experiences and just actually connecting with people. You know, we've done some survey work and we were working with McKinsey on this one. You know, how do you pick where you want to go? Whether it's an international destination or a domestic destination. How do you pick where you want to go? I mean, there's obvious ones. Safety number one, airlift connectivity number two. But after that, it quickly becomes things like the attractions and experiences, the culinary, the culture, those sort of things. I think Americans are really, really increasingly interested in experiences. There was a time, and don't get me wrong, like crystal, beautiful blue beach is still a great draw. But there was a time, I think, when maybe more of your draw

could be in just relaxation or beach or just beautiful views and scenery, and we still see that. But I think increasingly it's about saying, oh, what am I going to eat? Or what am I going to learn? Or what am I going to do? And then another trend that I think is tied into that is also social media and seeing other people do it online. Both, obviously, it's been on Instagram forever now, almost a decade. Social media, Facebook, increasingly on other platforms like YouTube, like TikTok, like seeing people do actual specific experiences and itineraries and saying, I want to book those. I think there's a lot happening there.

Mark Lapidus [9:29]: So do you think that means that Gen Z and millennials are influencing others in travel?

Seth Borko [9:33]: There's no question. Absolutely.

Mark Lapidus [9:36]: And so how do you see their travel preferences also changing?

Seth Borko [9:39]: You know, I think that these are the people for whom, when we talk about is travel necessity, these are people who are really building their identities around travel. I don't necessarily, by the way, think that influence is a dirty word. I don't love the influencer economy, but I don't think it's like a dirty word either. I think it's a very real thing. It's a very real economy, and it's making a real impact. I would say that these younger people, some of them do tend to be more cost conscious. That's also just partially a reflection of where they are in life. Especially if you're a 24 or 25 year old Gen Z in your first job, even if you're in a career that will ultimately pay really well, you're maybe in a stage in life where you're a little more cross conscious. I would say, again, experiences, active experience is really important. I think connection, I think connection is absolutely critical. These are, well, millennials were maybe the first Internet raised generation. And Gen Zs are true Internet natives. They spend so much time online, in digital spaces, on their phones, on their computers, on video games, in the metaverse. And, you know, we don't need to be like old men yelling at clouds here. Like, there can be plenty of things that can happen. But I think that there is a missing in person connectivity element. And travel offers that for many, many young people, so that in person, face to face connection, I think, has become a higher priority for them and they want to have those travel experiences. And then the other thing I would add, I would add a sustainability element to this as well. I think especially younger people, sustainability is a big priority for them. And they want brands that I would use the word authentic, right? They want brands that are authentic and meaningful and connecting with you. Kind of say what you mean. I think so many of us are just so used to these brands that the brands that stand for nothing, they put out these great read and press releases and they don't really stand for anything, and they're not really backed by action. I think that's increasingly what younger generations want to see, is that actual values align with actual actions. And where you see that most, I think, is increasingly in the sustainability field, where you've got plenty of big brands, whether they be destination brands, hotel brands, airline brands, that are talking a really great game, and when you get down to it, are not really doing all that much. And I think that disconnect is dangerous.

Mark Lapidus [11:54]: I agree with you. We totally have to be able to deliver on the promise. And I'll add to that, that when we do research, sometimes we find that we're not. That if you're not doing research as a DMO, you may not even know that you're off base.

Seth Borko [12:08]: Exactly. And I think these things move so fast and it's hard to know what's happening at like, the ground level, so to speak. It's easy to get, I mean, I don't want to knock on some of these organizations. It's just so easy to get wrapped up in this, this game of these, you know, standards and certifications and these press releases and these brands and these blah, blah, blah, blah,

blah. And it's like, what do people really think of your efforts? What do you, what does your staff really think of it? What do your guests really think of it? Do they think that you're actually making an impact? And by the way, maybe because you're following all these standards, you are actually making an impact. Maybe you're not communicating in the right way or maybe there is a disconnect. I think that that gap there is critical.

Mark Lapidus [12:43]: Anything in your study about tech trends?

Seth Borko [12:45]: We do a lot about tech trends, Mark. I mean, so much about tech trends all speed ahead on tech. I mean, what do you want me to talk about, Mark? We can talk about online travel, online booking behavior. We can talk about artificial intelligence, we can talk about social media. What do you have in mind when you think tech?

Mark Lapidus [13:01]: Let's go with online travel.

Seth Borko [13:04]: This landscape is getting more and more competitive. The big thing happening in the online booking landscape that we're super focused on, on is the competition between suppliers. And by suppliers, I mean hotels, airlines, cruise lines, people actually operate the travel, and the distributors, the third parties, Expedia booking, we've seen a huge growth in direct bookings towards brands. What we kind of saw happen was those brands kind of got taken offside. We were recapping some serious history, but they weren't ready for the web, really. They weren't sure how to advertise online. They weren't sure how to make these things work. And they outsourced it to these third party online travel agencies who did gangbusters.

Mark Lapidus [13:42]: Right, but this is a long time ago already, right?

Seth Borko [13:44]: Well, it's a long time ago, but it lays the groundwork for what we're seeing now, which is that the way you compete is you have to be big, you have to be sophisticated, you have to have lots of data. And we've seen, I think, arguably finally, over the last maybe five years, the Marriotts of the world, the Hiltons of the world, the deltas of the world have figured out how to really do this really, really, really well. And so there's a whole new set of competitive pressure on these online travel agencies that they haven't experienced in a very long time. At the same time, we're seeing huge shifts in how Google sells travel. Google was the big elephant in this room here. And, I mean, as we're talking, there's a whole bunch of antitrust case being filed against Google by the European Union, by the United States. I mean, it's all going to get appealed. We'll see where it sorts out. But Google has basically owned the top of the funnel for many consumers in terms of tech and searching, and they've used that power to drive people through their programs and drive eyeballs to their websites. That is all being challenged in the courts right now, and that is, of course, all being challenged also by AI. Google is legitimately afraid of its position as a search engine because of what these new AI powered search engines could mean. So I started with a very long term trend that, yeah, right. Dates back to 2001, 2008. Not necessarily new, but to say that it's culminating at this point where the suppliers are really, really digitally savvy. The online travel agencies are trying to evolve and to iterate and to fight back. And the largest digital tech platform in all of travel, which is really probably Google, is going through a massive change with AI. It's seeing the toughest regulatory pressure it's ever had in the history of the business. So that's why I give you that backstory. To say that we're coming to a really interesting point in terms of when we think about tech and digital, and at the same time, I talk about influencers, talking about social media, we're also seeing the traditional search box is maybe not the way that people want to go anywhere. People are making their decisions from short form video, from long form video, from artificial

intelligence. There's a lot of stuff that's changing right now as we speak, and there's a lot of happening in that digital and tech landscape.

Mark Lapidus [15:49]: Well, that just says to me that DMO's have to be prepared to play in all these areas.

Seth Borko [15:53]: Absolutely. I would also say, it would say to me that dmos don't necessarily need to pick a side. The beautiful thing about being a destination is that you can have a hotel partner and a Google partner and an airline partner and an online travel agency partner, right. And like also you can and should have your own brand. Don't let your brand be outsourced to the hotels in your destination, or to the airlines in your destination or to the travel agencies in your destination. We're in a world where, and I don't need to tell anyone, really listen to this podcast, where destinations have brands that can take on lines of their own and in a complicated landscape, you gotta be set in the conversation for your own brand. Don't let all these other players who have Google's priority is not your destination. Marriott's priority is not your destination. Expedia's priority is not your destination. I just told you that. They've got these big existential questions they're dealing with. So the only person whose priority is going to be, is going to be yours. You know what I mean?

Mark Lapidus [16:43]: I think that's great advice. And there's so much more of it available in your reports, so tell our listeners how they get it.

Seth Borko [16:49]: This is one that you can download for free if you are a skift research subscriber. And I, by the way, thank you. If you are, you can go to research dot Skift.com. and if you're not, this is one of our big free reports of the year and we would be so, so happy if you checked it out. The way to access this report is Skift.com stateoftravel. There's hyphens between each of those words. So it's Skift.com state travel, or we're talking about Google. Just type it in the search box. Skifts data Travel 2024. You're going to find it. And if you're a research subscriber and we want you to be a research subscriber, you can just go where you always go, research dot Skift.com dot. That's where you can find all about my team and my analyst work.

Mark Lapidus [17:31]: Seth, before you go, go ahead and plug your podcast.

Seth Borko [17:34]: Thanks, Mark. And yeah, this is a wonderful podcast. And everyone needs more podcasts, right? So if you're looking for another great travel focused podcast, I would humbly suggest the Skift travel podcast. It's hosted with myself and Sarah Kopit, our editor in chief at Skift News. New episodes every week. Find it wherever you get your podcast, as well as on YouTube. That's the Skift travel podcast.

Mark Lapidus [17:55]: Seth, thanks so much for taking the time to speak with me today. Really appreciate it. I'm sure we're going to have you back on.

Seth Borko [18:00]: Pleasure is all mine, Mark. I hope to speak to you again soon.

Mark Lapidus [18:02]: And that's it for Brand USA talks travel. This is Mark Lapidus. Thanks for listening.

Outro [18:07]: Your feedback is welcome. Email us at podcast@thebrandusa.com or call 202-793-6256 Brand USA Talks Travel is produced by Asher Meerovich, who also composes music and sound engineering by Brian Watkins with extra help from Bernie Lucas, Nthanze Kariuki, and Casey D'Ambra.

Please share this podcast with your friends in the travel industry. You may also enjoy many of our archived episodes, which you can find on your favorite podcast platform, safe travels.