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Generation Z Traveling Preferences While on a Budget

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Abstract

When planning a trip, gen z places considerable importance on their trip budget. Research has shown that Gen Z is willing to spend more money on travel than on anything else. However, almost all of them stated that budget is their primary concern when it comes to travel. This paper questioned whether Gen Z is indeed a budget conscious generation and how they decide what to spend money on when traveling. More specifically, it investigated 5 main categories of expenditure (Transportation, Accommodation, Activities, F&B, Shopping) and what their spending preferences are among these five categories. The questionnaire was distributed to 102 Gen Z travelers in the age group between 18 and 26 years. It measured the levels of likeliness and agreement among 5 different factors. Results showed that Gen Z travelers are spending more money on transportation and accommodation that are considered a necessity. Gen Z travelers have stated that they do plan to change their spending preferences and focus more on experiences, different activities, and different cuisines.

Keywords: Gen Z travelers, budget, primary concern, spending preferences

Trend of Traveling

There is a trend among Generation Z to travel around the world and explore the world. They are also known for their love of travel. According to a recent study, 65% of Gen Z's rated "travel and seeing the world as the most important way to spend their money." (Telus International, 2019) Travel costs money and money is often the biggest concern that young travelers have. Gen Z refers to the generation born between 1997 – 2012 (Insider Intelligence, 2023). They are known for their tech-savviness, entrepreneurial spirit, and social awareness. One of the most popular terms related to this generation is "FOMO" (fear of missing out); they are "constantly worried about missing out on things". (A.Ramgade & A.Kumar, 2021)

However, like any other generation, Gen Z faces financial challenges when it comes to traveling. With student loans, entry-level jobs, and rising living expenses, it can be tough for Gen Z to travel without breaking the bank. Even 81% of them say that budget is their primary concern when it comes to making their booking decisions. (Condor Ferries, 2021) This is where budget travel comes in. Budget is the main reason why sometimes we will need to make trade-offs between different activities or sights, such as choosing between visiting a museum or spending time at the beach. Is Gen Z even travelling on a budget and how do they divide their budget? Which sectors do they prioritize one over the other and do they use any tools to help them stick to the budget?

Travelling is existing as long as humankind, and it has only been evolving throughout the years. Travelling is the act of moving from one place to another, often for the purpose of leisure, work, or exploration. (Cambridge dictionary) It is an essential part of human life and has been practiced for thousands of years, whether it is for trade, migration, or simply for

pleasure. (Eric Weiner, 2020) One of the most important aspects of travelling is planning. This involves deciding on a destination, figuring out transportation, arranging accommodation, and setting a budget. A well-planned trip can help ensure that everything goes smoothly and that you get the most out of your experience.

Prioritizing when traveling

When travelling, prioritizing is important for ensuring that you make the most of your time and resources. Prioritizing involves making decisions about what activities, sights, and experiences are most important to you, and allocating your time and resources accordingly. (MindTools)

The first step in prioritizing is to identify your goals and interests. This may involve researching your destination to find out what activities and sights are available and determining which ones appeal most to you. You may also want to consider your budget, time constraints, and other logistical factors when making these decisions. For example, Gen Z decide for a European destination primary “because of safety and security” (Maria Eduarda Possamai, 2022) and they “spend about 25% of their travel budget on flights.” (Condor Ferries, 2021)

It is important to remain flexible when prioritizing, as unexpected events or changes in circumstances may require you to adjust your plans. (MindTools) For example, bad weather may force you to change your outdoor plans, or an unexpected event may cause you to rearrange your schedule. Ultimately, the key to prioritizing when travelling is to be intentional and thoughtful about how you spend your time and resources.

Using technology

Smartphones have become a major part of our everyday life including the travel life.

Technology has changed the entire concept of travelling and travelling planning creating an

entirely new experience. Communication is much easier; travelers feel more secure and less stressful when planning. There is more information about the activities and entertainment, and it is much easier to plan. Sharing photos is the most popular usage of smartphones when travelling. Another very popular way of usage is buying tickets, booking accommodations, etc., and finding best deals and options. (Dan Wanga & Daniel R. Fesenmaierb, 2013)

To make travel more affordable, Gen Z`s often turn to technology and social media for deals and recommendations. Many use budget travel apps, such as Skyscanner, Hostelworld, and Rome2rio, to find cheap flights, accommodations, and transportation. When it comes to accommodation sector, two leading online booking giants are Booking.com and Expedia Group. They take about 60% of the overall travel booking in Europe and USA, and are performing as “one-stop shop“ for different travelling services (rent-a-car, flights, experiences...) Trying to break in between the two is Airbnb, offering long-term stays and experiences, and planning some new services for the future. Skyscanner is considered a leader when it comes to finding the best deals and prices for flights. According to the results from 2019, there were around 1.5 billion people in the world using at least one of the travel apps mentioned above. The pioneer is Booking.com with almost 35% market share among all other apps, according to the research done in 2021. (David Curry, 2023)

One way that Gen Z`s are able to travel on a budget is by prioritizing experiences over material possessions. This is reflected in the rise of "experiential travel," or travel that focuses on cultural immersion, adventure, and authentic local experiences. According to a report by travel company Booking.com (2019), 59% of Gen Z`s say that they would rather spend money on experiences than on material possessions. (Katrina Visser, 2019)

Five main spending factors

“The Competitive Destination” book (J.R.B. Ritchie & G.I.Crouch, 2003) mentions “A Model of Destination Competitiveness” which serves as a guideline that should help clarify the

factors “which affect the competitiveness of a tourist destination.” There are 7 categories which are defined as main elements of “destination appeal” and why visitors “choose one destination over another”. The categories are: cost, physiography and climate, culture and history, market ties, mix of activities, special event, entertainment and tourism superstructure. While budget might be the biggest concern, we will be able to see in the further text, that there are certain factors that make one destination more appealing over another and that those factors are the ones that dictate our preferences and consumption.

While budget is a major concern for Gen Z’s when it comes to travel, many are still able to experience the world by prioritizing experiences, using technology and social media to find deals and recommendations, and being willing to use alternative accommodations.

(AdcoreBlog, 2022)

Although this is a very common and budget in mind can very often be applied to all generations, but Gen Z is becoming the master of it. The purpose of this research is not only to find more about the Generation Z’s way of thinking; but also to potentially apply it through different sectors to become more attractive as a destination and business. This research seeks to determine what are the factors which influence Gen Z’s consumption decisions when travelling, on which categories do they prefer to spend money on? How can this be applied with different business in tourism to be more attractive and appealing?

METHOD

Purpose

The goal of this primary research was to find whether Generation Z travelers set a budget when travelling and if they have certain preferences when it come to spending decisions. The comparison was done within 5 main traveling factors: transportation, accommodation, food

and beverage, activities, and shopping. The objective of this research was to find what factors do Gen Z travelers prioritize over others. To further explore the aspect of traveling on a budget, the research questioned whether Gen Z travelers use travel apps and technology to find the best deals. Another goal was to find out do Gen Z travelers plan to change their spending habits/ preferences in the future.

Participants

Participants were 102 Gen Z travelers in the age range from 18 to 26 years (63 female 39 male and 1 non-binary). Survey was sent out to all of the students on Dubrovnik and Zagreb RIT Campus via e-mail. The rest of the samples were collected with a “snow - balling” effect where the link was sent to a smaller group of people to pass on forward. The survey was being collected for one week.

Instrument

Survey questions were made based on the literature. There were 20 questions in total, 4 of which were demographic questions, spread over 4 categories of questions, excluding the demographic questions.

In the category of Budget participants were asked to express their agreement via a Likert response set whether the cost is important for them, if they stick to their budget when traveling and do they travel pre/post season to save money. Participants needed to mark the amount of time they spend considering the cost between five main travel-related factors (flight, accommodation, shopping, activities, food & beverage).

In the second categories of Preferences, participants were asked to rank on the five travel-related factors from the least important to the most important when deciding what to spend money on. next, one to one preference comparisons among the factors was conducted.

Transportation was excluded since it is considered inevitable aspect of expenditure. Example

of comparison is between accommodation and activities where the question was “How likely are you to prioritize spending on accommodation over activities?”.

The third question category is Traveling Apps where participants were asked if they use any of the offered traveling apps. They also had to indicate the likeliness of usage of the given apps (Booking.com, Skyscanner, Omnio, Airbnb, Uber, Ryanair and other airlines) when traveling or planning a trip.

The last question category is Future Habits where participants were asked if they are happy with their spending choices. The answer was expressed via a Likert scale with the level of agreement as the response set. Participants were also asked to about their future spendings and on which factors would they like to spend more in the future. This question was formed a multiple choice grid whether they would like to spend less, same or more.

RESULTS

The results projected from this research were gathered to investigate if Gen Z travelers are indeed so budget sensitive. The goal was to find out what are factors they prefer to spend money on; on what things they are willing to save money and on what other will they spend that money.

The participants were from different countries: 3 from USA, 3 from Bosnia and Herzegovina, 73 from Croatia, 1 from France, India, New Zealand, Ukraine and Kosovo, 5 from Montenegro, 7 from The Netherlands and 6 from Switzerland. When it come to traveling habits, 32% of the participants categorize as the non-frequent travelers (traveling once a year or less); whereas 68% of the participants are considered frequent travelers travelling more than 2 times a year. Research has showed that participants are very considered when it come to their budget because 64% of them have a lower budget (less than 500€ and no more than 1000€) for a one week all inclusive stay. However, 36% of the participants are ready to set

aside larger amount (from 1000€ up to 2000€ and more). Survey was distributed in a digital format only, mostly to students and via private channels. Please see Table 1.

Table 1. *Demographic characteristic of sample size*

| DEMOGRAPHIC CHARACTERISTICS | |
|-----------------------------|------------------------------|
| AGE | Gen Z respondents (n=102) |
| 18-19 | 16 |
| 20-21 | 22 |
| 22-23 | 47 |
| 24-25 | 13 |
| 26 and over | 5 |
| FREQUENCY OF TRAVEL | |
| Less than once per year | 9 |
| Once per year | 24 |
| 2 or 3 times a year | 44 |
| 3 or 4 times a year | 13 |
| More than 4 times a year | 12 |
| TRAVELLIG BUDGET | |
| Less than 500€ | 15 |
| Between 500€ and 1000€ | 50 |
| Between 1000€ and 1500€ | 21 |
| Between 1500€ and 2000€ | 11 |
| More than 2000€ | 5 |

Budget Category

In the first category of budget related questions, the goal was to find out whether Gen Z travelers set a budget and how considerate they are of it. For them cost is important. A score close to 5 is “very important” whereas a score close to 4 is “important” aspect when choosing a destination (M=3.87, SD=0.80). Vast majority of participants choose to stick to their budget with M=4.04 and SD=1.45. Cost as important has a mean of 3.87 (SD=0.80) and traveling pre/post season has a mean of 3.72 (SD=1.07), which indicates a high correlation in between the two. Upon further analysis, it was revealed that that when compared one to another, participants who expressed that cost matters for them (as compared to the ones who stated that it did not) are the ones who have a lower budget (p=0,001). Related with the previous statement, participants with lower budgets have a higher mean for the importance of cost related to choosing a destination (p=0,002). See Figure1.

Table 2. shows that there is no significant difference in the amount of time spent considering the cost in between categories. From the table we can see that there in fact is a significant amount of time difference spent considering the cost of transportation and activities. Having somewhat higher importance, is the accommodation factor. This can be explained with the fact that transportation and accommodation are a necessity when it comes to traveling and staying in a certain destination. As shown in the literature review above, activities are considered highly important, since having everlasting memories is from the high importance for the Generation Z travelers. See Table 2.

Figure 1. Mean and standard deviation of different factors when considering the amount of time spent considering the cost of factors.

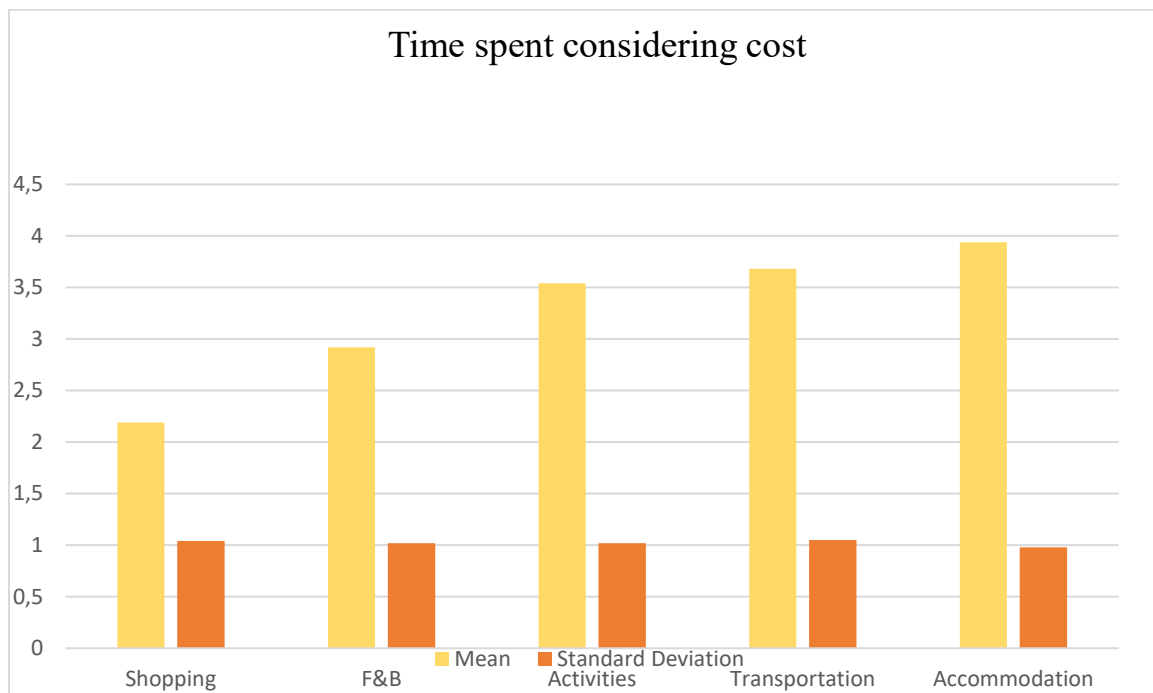


Table 2. T-test p-values for head-to-head differences in the amount of time spend considering the cost of different factors.

| | Shopping | F&B | Activities | Accommodation |
|----------------|---------------|---------------|------------|---------------|
| F&B | 8,10E – 07*** | | | |
| Activities | 9,40E – 18*** | 1,84E – 05*** | | |
| Accommodation | 1,59E – 26*** | 8,04E – 12*** | 0,006*** | |
| Transportation | 7,67E – 20*** | 5,03E – 07*** | 0,382 | 0,065* |

* p<0.10

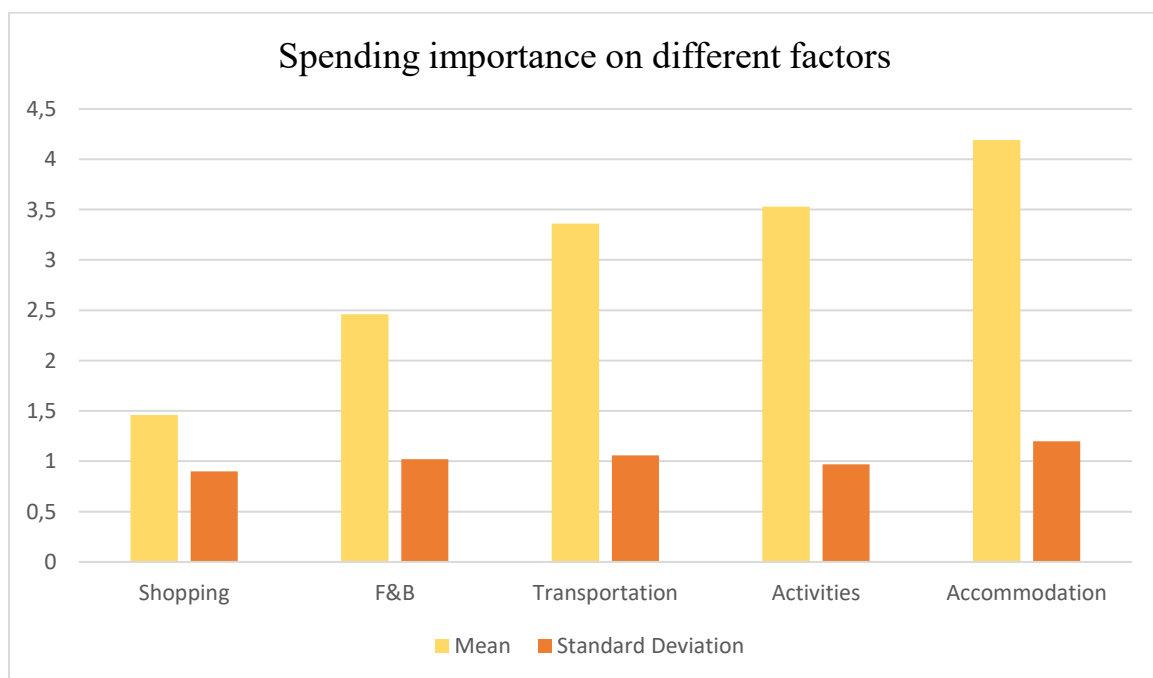
** p<0.05

*** p<0.01

Travel Preferences

The matter of question in this category was to find out what is the most important and what is the least important factor to spend money on when making spending choices. The relevancy of answers is somewhat lower since only 71 out of 102 participants ranked the factors validly according to the given scale. The most important factor to spend money on is accommodation (M=4.19, SD=0.97). Following, with a slightly moderate importance are activities (M=3.53, SD=1.06) and transportation (M=3.36, SD=1.20). The two least important factors are f&b (M=2.46, SD=1.02) and shopping (M=1.46, SD=0.90). See Figure 2.

Figure 2. Mean and standard deviation of spending importance on different factors



When we go deeper into the preferences between accommodation and f&b, activities and shopping we can see the importance of one factor over the other when put one next to each other. Results have showed that travelers slightly prioritize accommodation as it is seen that

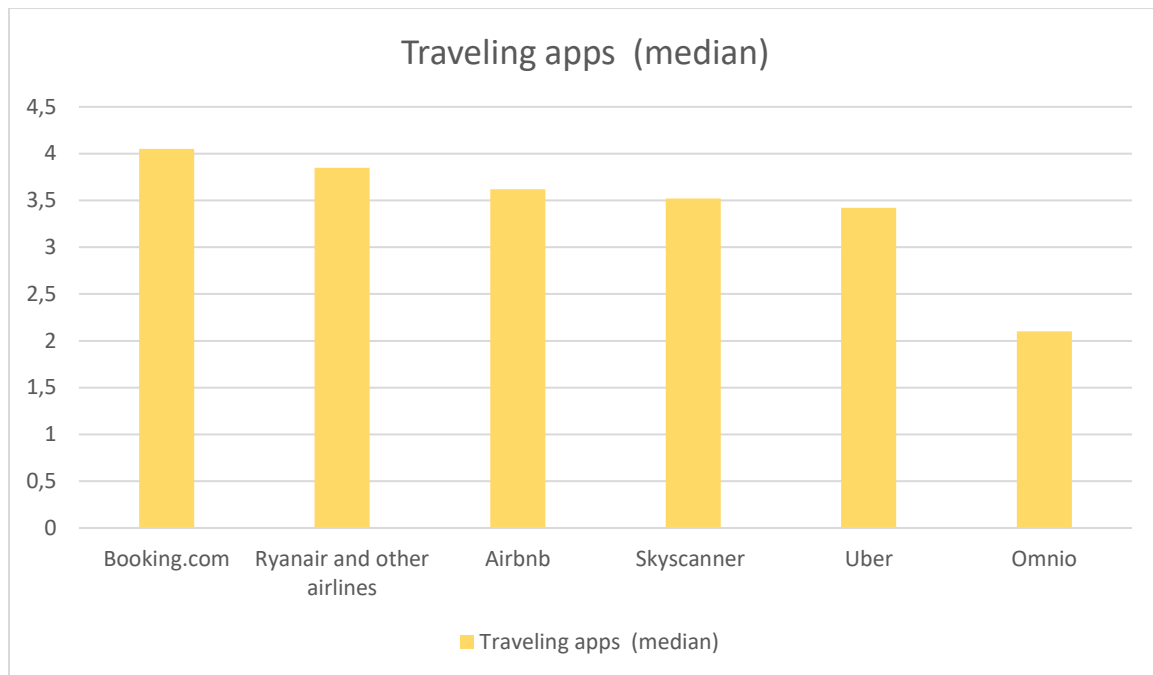
they are somewhat indecisive when it comes choosing to spend between accommodation and activities (M=3.21, SD=1.17) and accommodation and f&b (M=3.39, SD=1.21). However, the preference of accommodation was much clearly seen when compared against shopping (M=4.13, SD=1.27). Activities have somewhat higher preference against f&b (M=3.42, SD=1.09) and shopping (M=4.30, SD=1.01). A clear preference was seen between f&b and shopping where f&b has a higher importance over shopping (M=4.24, SD=1.05), which could also be seen in other categories which were put next to shopping.

Traveling Apps

All of the 102 participants gave positive feedback when asked whether they use any of the offered traveling apps (Booking.com, Skyscanner, Airbnb, Uber, Omnio, Ryanair and other airlines). Skyscanner was showed as the most used app with 59% of the participants selecting this app. Following was Booking.com with 35% of the users and Airbnb and Uber with insignificant but growing percentages of 3%. The answers were proceeded in a such way that participants could selected several options but only their first option was counted in.

Figure 1 (vertical axis ranges from one or 'very unlikely' to five or 'very likely' with a value of three being 'neutral') shows the likeliness of using one of the apps when planning a trip or traveling. Booking.com now is the app that travelers are most likely to use when travelling. However, there is no higher significant difference when it comes to other apps. We can justify the lower usage of Skyscanner with the higher likeliness to use Ryanair and other airlines, since Skyscanner does contain all of the airlines as a main transportation app. Omnio has a least median and it is the least likely to use app when travelling. The reason for this could also be the popularity and advertising of this app.

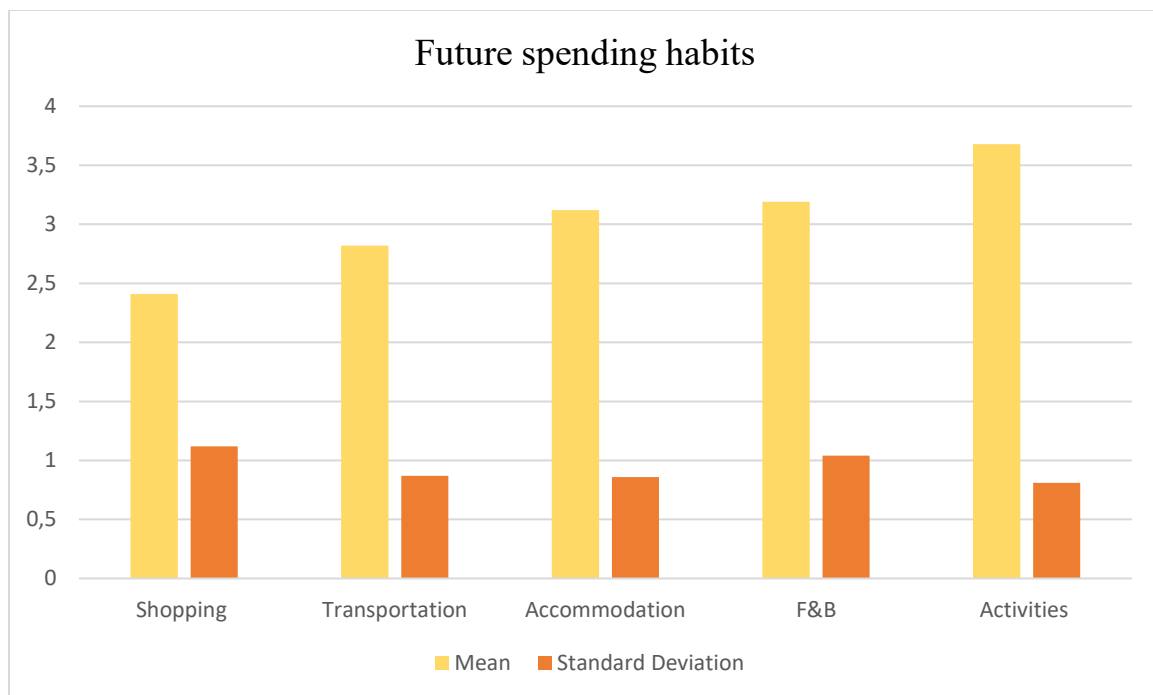
Figure 3. Likelihood of using one of the traveling apps when traveling or planning a trip



Future Spendings

Most of the participants are leaning towards higher agreement level when asked whether they are happy with their spending choices when traveling ($M=3.65$, $SD=0.86$; a mean value of three indicates a ‘neutral’ level of agreement and a value of four indicates ‘agree’). Gen Z travelers are planning to somewhat change their future spending habits compared to their current ones. According to data analysis the biggest change in spending is to be seen with the factor of activities ($M=3.68$, $SD=0.81$). When compared with their spending habits now (see Figure 2) travelers are planning to spend more F&B factor ($M=3.19$, $SD=1.04$), whereas spending habits should remain somewhat the same when it comes to accommodation ($M=3.12$, $SD=0.86$). A decrease in future spending habits is seen with transportation factor ($M=2.82$, $SD=0.87$) while shopping still remains on the lower level of spending preferences ($M=2.41$, $SD=1.12$). See figure 4.

Figure 4. Mean and standard deviation of future spending habits among different factors



Discussion

According to the results of the research, Gen Z travelers find cost related activities very important in their traveling habits. They are setting a budget when travelling and majority of them, as showed in the results above, are setting a lower budget which enables them to travel more than 2 times a year. They choose to spend more on a necessities like transportation and accommodation. Activities are next factor of expenditure after the first two, which was expected to be even on a higher position with different types of transportation and lower airfares. With a rise in popularity of street food and experiencing the local cuisines around the world, we can say that even a necessity, F&B costs can be cut down. Shopping, as expected is the category with the least expenditure level. There are several reasons to justify that. Usually, clothes is bought before the trip to be ready and prepared. With the lower airfares, the rules

that apply are much stricter. Instead of a small suitcase we can now only take a backpack, and we simply do not have a space for giving our self a luxury of shopping. Probably the most important reason is that we do not go to travel around to world to shop but to explore to world. In today`s world where everything is reachable with the push on the button, there is no point in traveling somewhere just to go shop there.

When it comes to future spending habits, we can say that they will most definitely change. The biggest change should be seen among the factor of activities. As said at the beginning of the paper, experience and activities are of extreme importance to Gen Z travelers since they want to make memories that will stay with them forever. When compared to current spendings, it can be said, that F&B factor is also on the rise when it comes to future spendings. Gen Z travelers love food and part of the experience is the food they eat wherever they go. This can be a good sign for al tourist destinations on how to market themselves and on which factors they should pay attention when promoting themselves towards Gen Z travelers.

Limitations

One of the limitations of this research is the sample size, which would preferably be better if extended to a larger group of people. The income of the participants was only assumed and not clearly defined which can influence certain answers.

Recommendations for future research

In order to further investigate this topic, it might be useful to include the income of the participants and compare it with their traveling habits. Some of questions should be added and formulated in a better way. Even though, this research contained sample size from many different countries, it would be interesting to include a larger number of participants from those, and other, countries and explore whether there are any differences among nationalities.

A suggested investigation for the future would be to look into the gender comparison. It is a fact that women have a natural tendency to be pickier than men. For those reasons it would be interesting to look at whether spending preferences among men and women are the same, or the stereotype is true.

Another suggestion would be to include more of the technological aspect. It is a common knowledge that Gen Z is the biggest user of technological gadgets and that could be a base for whole new potential research. The way they use technology when traveling and how does technology help them, if it helps them, save money.

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