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ANNUAL BUSINESS TRENDS REPORT 2024

AUTOMATED 'SMART CITIES': THE FUTURE OF A DYNAMIC TRANSPORT LANDSCAPE?

PASSENGER TRANSPORT SECTOR

INTRODUCTION

The Passenger Transport sector continues to be affected by society-wide issues in 2024, such as the cost-of-doing-business crisis and the rapid adoption of Artificial Intelligence (AI) within operational processes. These challenges have a significant impact across the industry, prompting companies to innovate in order to remain competitive.

Airlines, train operators, and other Passenger Transport entities are well-versed at leveraging innovative tools to enhance their services. The necessity to stay on the cutting-edge and the emergence of transformative technologies has inadvertently placed them at the front of the tech revolution.

For instance, the rise of ride-sharing platforms has revolutionised the way people commute, providing convenient and user-friendly options for passengers. The sector has also witnessed the adoption of pioneering solutions such as AI-powered route optimisation and real-time passenger information systems, contributing to a more streamlined customer experience and better environmental outcomes.

On top of this, the advent of smart ticketing systems and contactless payment methods has further boosted efficiency for end-users, reflecting the industry's commitment to embracing modern trends. These factors have led to the concept of the 'smart city'; a term which will soon be used to describe many forward-thinking destinations.

While the sector has demonstrated an ability to remain relevant, it's essential they continue to stay tuned with emerging trends and best practices. By staying informed about evolving consumer preferences, regulatory changes, and competitor capabilities, they will be better placed to address the needs of customers, employees, and stakeholders alike.

Our annual Business Trends Report examined trends such as the digital skills gap and the challenge of talent attraction/retention, providing more of a general overview of perspectives in the business world. But this powerful survey also included the views of almost 150 airlines and transport operators, so we thought it was only right to create a more dedicated analysis of this dynamic sector. The culmination of our efforts is this 2024 Passenger Transport Trends Report.

In light of ongoing developments, this report seeks to delve into key themes such as data driven smart cities, digital infrastructure improvements, cybersecurity, sustainable operations, and equitable transport. This comprehensive analysis provides valuable insights and actionable intelligence, equipping professionals with the foresight needed to navigate an ever-evolving market landscape.

ECONOMIC CONCERNS SUPERSEDED BY TALENT RETENTION AND CYBERSECURITY?

The Passenger Transport sector was inevitably hit hard during pandemic, with the market shrinking between 2020 and 2021. It recovered steadily in 2022, with a drop-off again in 2023 due to the persistent economic turbulence we've witnessed. After the pandemic, these operators emerged into a radically different landscape with new hurdles to overcome.

With inflation and the cost-of-living crisis, for example, consumers must now be more mindful about their spend when contemplating travel. However, there is still a necessity and an appetite to utilise transport services, so long as financially viable options can be found.

To throw another spanner in the works, the transport operators themselves are having to raise their prices due to aspects like increased energy costs. Public-backed transport organisations are struggling to get the funding they need due to tight budgets too. And there are frequent strikes from workers due to disagreements around pay, adding yet another dimension to this complex issue.

Despite the scale of these financial challenges, there appear to be other emerging issues in the Passenger Transport sector that are taking priority, as illustrated by the responses seen in our survey. Attracting/retaining talent and cybersecurity/data protection were deemed to be the biggest challenges organisations are facing, with 39% and 24% of the vote respectively.

Businesses within this area must keep up with the latest employee expectations and tech innovations if they are to lure the best and brightest talent. When questioned about the benefits their company gains from digital systems, 46% said the ability to collaborate remotely, while 44% said the ability to manage workloads more effectively. This appears to highlight a clear focus on productivity via effective talent management. There has been a notable talent shortage in many industries, so it is imperative organisations have an effective recruitment system and also upskill their existing workforce.

In terms of cybersecurity, transport operators process a lot of sensitive passenger data, which makes them a prime target for hackers and others who might attempt to derail their services. It's therefore essential they're able to keep their information secure.

When asked about the emerging technologies their company is most likely to invest in, 40% of respondents said a Digital Immune System. This is a sophisticated network defence mechanism that employs advanced algorithms, machine learning, and AI to continuously monitor and analyse data traffic, system behaviour, and user activity within a digital environment. It allows for anything suspicious to be flagged and proactively prevents breaches. It's clear that resilience and responsiveness in the cyber space are viewed as crucial traits for Passenger Transport organisations.

It's also evident they have a proactive stance towards this topic. A combined 82% of those asked stated that they're either somewhat prepared or more prepared for a cyber attack than they were 12 months ago. And a combined 88% said their digital systems are either secure or very secure from cyber-attacks, showcasing a strong confidence.

Looking to the future, 39% of people chose improved security as the thing they would change to improve confidence in their overall tech infrastructure, which perhaps highlights that transport employees aren't willing to rest on their laurels either.

Despite an apparent failure to acknowledge economic conditions, growth (49%) and profitability (41%) did come out as clear frontrunners when we enquired about core business priorities for the next 12 months. So, it seems improving the financial picture is indeed a key strategic goal, with profit-driven growth perhaps serving as a mechanism for survival.

39%

of Passenger Transport professionals deemed attracting and retaining talent to be the biggest challenge their organisation is facing

SIGNIFICANT NEED FOR DIGITAL INFRASTRUCTURE IMPROVEMENTS

Consumers today expect convenience facilitated by technology within the purchasing and fulfilment process. Especially now that Gen Z have entered the pool of people utilising travel services. Apps and other digital mechanisms have become the norm when it comes to ticketing and many people now demand a personalised/user-centred experience.

Within Passenger Transport businesses themselves, there has been a sharpening focus on boosting efficiency and increasing productivity, with 47% of organisations prioritising these as core business objectives for the next 12 months. Confidence in the current technology infrastructure to fulfil these goals is high, as 44% have expressed confidence and 41% conveyed a strong sense of assurance in its capacity to support their business model.

42% of respondents mentioned "improved functionality" as the factor most likely to increase confidence in their tech infrastructure, which goes to show there is a desire to remain on the cutting edge and avoid being complacent. This reiterates our earlier perception of the industry's attitude towards innovation.

62%

of respondents said they have plans to upgrade their digital systems

Keeping this in mind, 62% said they do have plans to upgrade their digital systems, with 22% saying maybe and only 17% saying they have no plans at present. When thinking about their technology in comparison to competitors, 26% said they're further ahead, 51% claimed they are "on track" or at least on a par, and 15% deemed themselves to be stalling or behind. These stats again demonstrate a high level of confidence and an acknowledgement of how important it is to be competitive.

However, the journey towards digital transformation is not without its challenges. When asked whether they face any barriers with implementing new technology, the top answers were; attachment to traditional methods (42%), lack of confidence in the solutions available (30%), and lack of buy-in from employees (29%). This goes to show it's not plain sailing for airlines and other transport operators.

Drilling further into this, when questioned about the functions within their business that don't have the digital systems needed to be effective, 31% cited their finance team and 28% mentioned their HR department. This is quite concerning given that people and profits are arguably the lifeblood of any successful business. With regards to the reasoning behind this, the top responses were; cost (36%), difficulty measuring ROI (29%), and user resistance to change (26%).

There is still a lot of work to do in Passenger Transport around digital enablement, with a substantial 21% of companies mentioning that they still rely on at least some old processes. But there is cause for optimism, with 39% acknowledging an ongoing evolution of their leadership team's tech strategy, and 37% believing there is a strong strategy in place already. These beliefs emphasise a commitment from leaders to leverage technology as a way to drive operational excellence while navigating an ever-changing landscape.

THE INTERCONNECTED 'SMART CITY' OF THE FUTURE?

Many transport operators are becoming increasingly interdependent, not just with one another, but with the businesses around them too. This all feeds into the concept of the interconnected 'smart city'. Whether someone is commuting or travelling for leisure, they want to have access to the optimal route information.

In conjunction with this, Mobility-as-a-Service (MaaS) is slowly becoming a more mainstream phenomenon. The idea behind this is that you pay a subscription, and this gives you access to every form of transport within a particular city. This means you can seamlessly get from A to B, utilising trams, e-scooters, buses, trains, bikes, etc, without having to pay a fee to five different operators along the way.

This level of convenience can only be achieved through collaboration, integrated digital systems, and data-fuelled automation. With this in mind, 49% of respondents highlighted 'better systems integration' as the change that would most increase confidence in their tech infrastructure.

Passenger Transport professionals are acutely aware of the evolving expectations among the customers they serve, evidenced by the 24% who chose "improved client/customer experience" as the biggest challenge for their organisation.

A majority 48% claimed Adaptive AI is the emerging technology their organisation is most likely to invest in. This technology is capable of learning, evolving, and adjusting its behaviour based on changing circumstances and data inputs. With such agile models that make process-related decisions in real-time, it's no wonder Adaptive AI is so high on their wish list (especially if they want to give end-users the speedy resolutions they crave).

The impact of AI on businesses within this sector is poised for significant growth, with 41% actively researching AI and 25% already leveraging AI tools to drive their operations. 23% haven't introduced AI yet, however, almost reassuringly, only 11% have no plans at all to introduce AI.

For those that haven't yet adopted these tools, the top reasons were stated as; a lack of budget (35%), a lack of understanding around the ways AI can help their company (32%), and fears related to the risks posed by AI (29%). It's possible these reasons are tied to the economic and cybersecurity concerns touched upon earlier (mixed in with some legislative apprehension).

A combined 59% of the surveyed employees said they are either fully on-premise or a combination of both on-premise and Cloud-based (in terms of the type of applications their company is deploying). It was just 35% who confirmed their applications are fully Cloud-based. One would assume this number needs to increase if they are to achieve the kind of real-time data updates that will be needed going forward. Although, it could be argued this setup underscores the sector's embrace of hybrid technological solutions.

With 67% of Passenger Transport employees pinpointing automated data processing/analytics as the core benefit brought about by digital systems, there is a clear recognition of the pivotal role technology will play in streamlining their processes.

49%

in the Passenger Transport sector highlighted 'better systems integration' as the change that would most improve confidence in their tech infrastructure

SUSTAINABILITY GOALS A
DRIVING FORCE

Transport operators are now under greater pressure from the government (and consumers) to make their operations more sustainable. The climate crisis has led to the introduction of ambitious net zero targets, with businesses across the board being subject to tighter environmental regulations. Those in transport are particularly obligated, due to a pressing need to shift to greener energy sources for their vehicle fleets.

This will be a disruptive task, but a necessary one if they are to reduce their carbon emissions in an adequate fashion. To add to this matter, there has been the emergence of a term known as 'responsible tourism', which affects both long-haul travel facilitators and local transport operators within cities. It consists of consumers avoiding certain journey options if the provider hasn't demonstrated an embrace of green philosophies. This will ultimately decrease the number of people using this provider's services and harm their profitability.

These prevailing trends will no doubt play into the strategy of Passenger Transport businesses and their attitude towards the likes of Environmental, Social, and Governance (ESG) initiatives. Our survey revealed that 40% of organisations in this sector are at least prioritising some ESG activities, with 34% having a dedicated strategy with key targets. Only 10% aren't currently prioritising ESG, with 16% being unsure around the scope of their activities.

When asked about the specific ESG activities they are conducting, the top answers were; we've carried out an assessment and understand our impact (29%) and we have evaluated our ESG risk (21%). With regards to the motivations behind their ESG activity, a huge majority of 61% said to be compliant with legislation, while 47% said it was to improve their reputation, which seems to validate our earlier points around the emergence of stricter governance and eco-conscious consumers.

To manage these priorities, organisations are leveraging technology such as carbon footprint monitoring (52%), waste reduction (46%), and Cloud systems (43%), showcasing a commitment to integrating innovative solutions into their ESG strategy. On top of this, the top measures being used to reduce their carbon footprint include educating staff and customers (57%) and collaborating with suppliers to minimise usage (39%), demonstrating a holistic approach to sustainability.

Looking ahead, sustainable/green technology (which consists of any innovation designed to minimise negative environmental impact and promote the efficient use of resources throughout their lifecycle) emerges as the focal point for investment, with 40% expressing a likelihood of directing resources towards this when prioritising new technologies. These responses showcase a strong prioritisation of sustainability and responsible business practices, which may be due to the fact this industry has a direct influence on the environment (and is therefore under more scrutiny than most).

61%

of Passenger Transport employees said that the main motivation behind their organisation's ESG activity was to be compliant with legislation

'EQUITABLE TRANSPORT'
AND THE ASSOCIATED
MORAL OBLIGATIONS

Everyone in society should have the opportunity to choose the most eco-friendly method of transportation, regardless of their socio-economic background. This means, from an ethical standpoint, there's a demand on both private enterprises and governments to provide an array of mobility options that aren't just green but affordable too.

This outlook forms the basis of an idea known as 'equitable transport', which also demands connectivity and accessibility for people across all geographies (not just for those within big cities and developed countries). The infrastructure put in place by operators must be reliable too, for the sake of essential transport services, as well as the new 'digital nomad' persona who combines professional duties with travel and works while on the move.

However, equitable transport doesn't just apply to external end-users of services, it can also be linked to the internal workings of an organisation (and specifically the way employees are treated). Our survey identified that 50% of respondents believe their company has a clear Diversity, Equality, and Inclusivity (DE&I) strategy in place that is driven by the HR Director, demonstrating a deliberate approach to their efforts.

In addition to this, 38% of businesses are dedicated to removing bias from their recruitment process, while 37% have implemented programmes aimed at improving inclusive practices. The utilisation of technology for supporting diverse hiring/avoiding unconscious bias is widespread, with a majority 56% confirming they do indeed use it for this purpose.

There is still room for improvement across the whole business landscape in terms of ethical practices, but the Passenger Transport sector is actively engaging in DE&I initiatives, reflecting a commitment to fostering a fair and equal work environment for all.

50% of the people we surveyed believe their company has a clear Diversity, Equality, and Inclusivity (DE&I) strategy in place that is driven by the HR Director

REPORT
SUMMARY

POWERING
THE WORLD OF WORK

OneAdvanced is one of the UK's largest providers of business software and services, serving 20,000+ global customers. We truly believe that people and finance are the bedrock of any successful organisation. Our suite of HR, finance, and procurement solutions are designed to help businesses support employees, so they can complete their best work.

The OneAdvanced offerings cover the HR Management, Time & Attendance, Performance & Talent Management, Payroll, Spend Management, and Financial Management functions. They're designed to support organisations with the challenges of talent retention, repetitive admin, profitability, productivity, efficiency, and automation (to name a few).
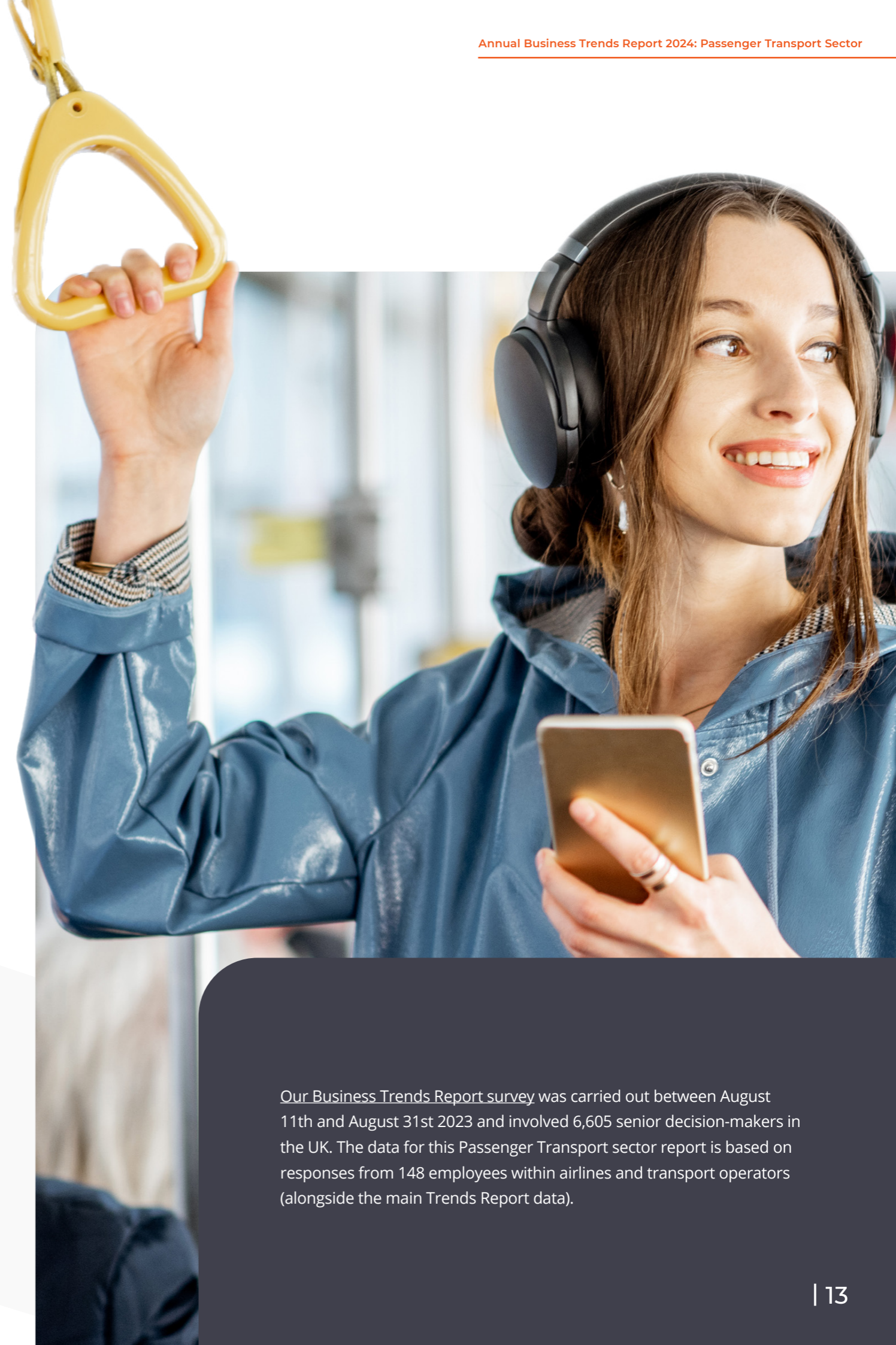
Our Business Trends Report survey was carried out between August 11th and August 31st 2023 and involved 6,605 senior decision-makers in the UK. The data for this Passenger Transport sector report is based on responses from 148 employees within airlines and transport operators (alongside the main Trends Report data).

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