

Accelerating Travel Innovation After Coronavirus - Interview with Caroline Bremner

Caroline Bremner
Head of Travel Research

Welcome Caroline, it's great to have you with us and I don't doubt you've been particularly busy this year as clients across the industry seek a little certainty. Your opening words point to the difficulties in forecasting...

- **with that in mind, where can we find a sense of predictability in today's volatile climate?**

We're going to dive in to many of the points in your recently published "**Accelerating Travel Innovation After Coronavirus**", it's a great report and gives us a sense on the major shifts and how understand the impact on strategies. We'll look at some of the key points globally and end with a few observations on a market level too.

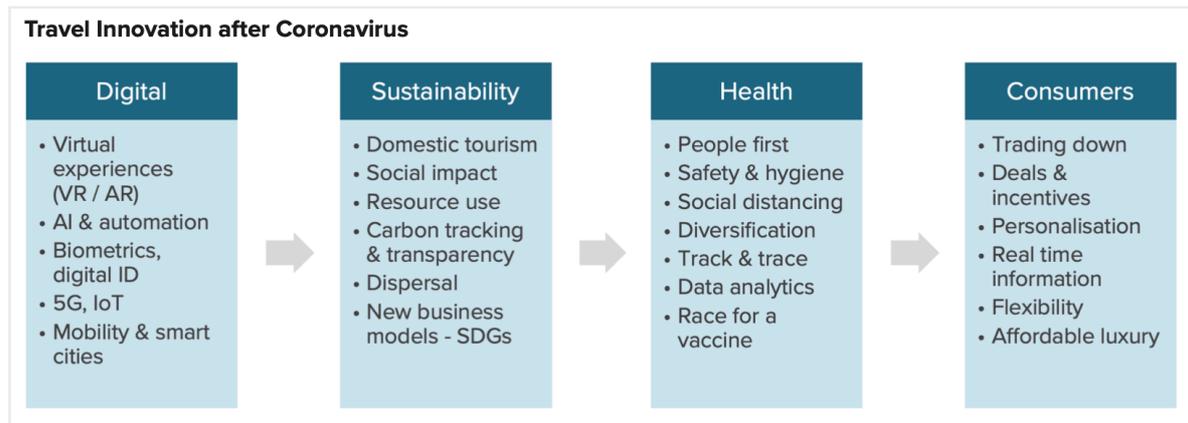
Introduction

You use the title '**Sending out an SOS**', we'll come back to this but it is certainly appropriately chosen.

In your opening words, you speak about digitalisation and sustainability accelerating as the industry focuses on a 'customer centric' kickstart and 'innovation' as the keys to survival.

You speak about the seismic impact on travel 'the abrupt halt' of the industry, with some key considerations in **Digital, Sustainability, Health and Consumers**.

- **Perhaps you can start by telling us about some of major developments to frame the shift.**



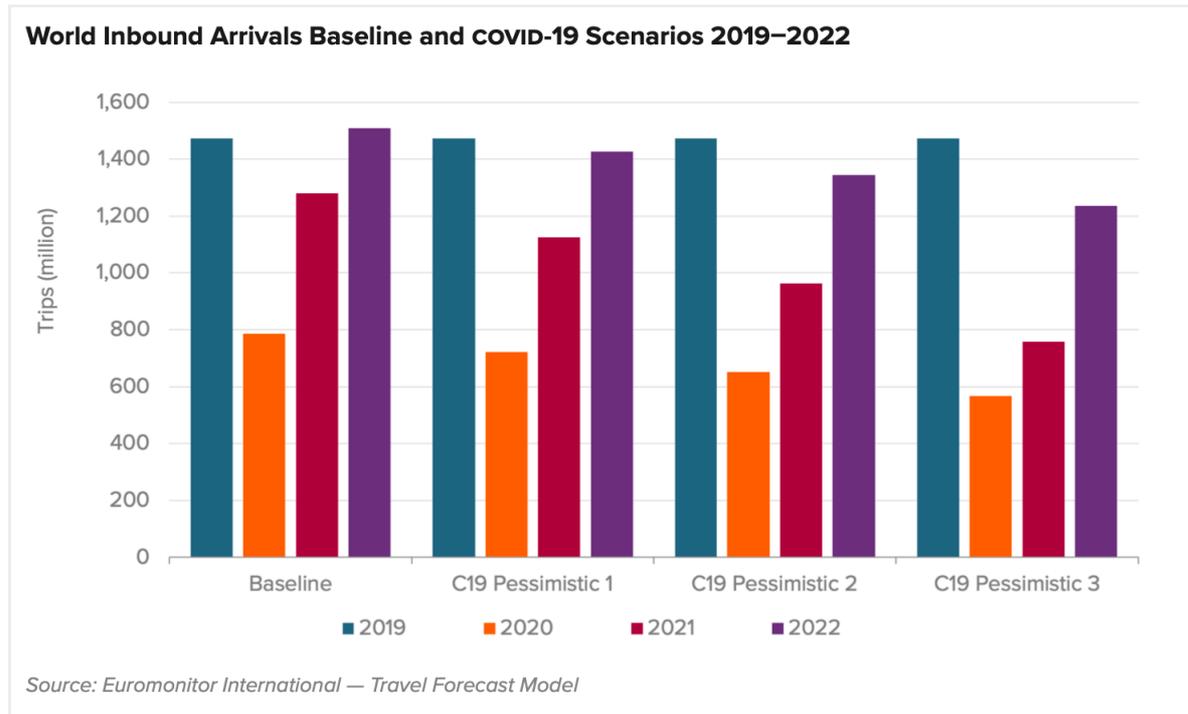
Global Overview

Your report talks about a baseline drop of -50% for world arrivals and a worst-case scenario of -60%. Unsurprising knowing what we know now, but unthinkable a year ago.

You point to recovery being dependent on two things:

- Duration of social distancing measures
- Efficiency of contact tracing apps
- **As many of us find ourselves in the midst of a second lockdown, perhaps you can share more on the importance of the two points?**
- **To what extent is the industry at the mercy of governments to manage this? Is there room for influence?**

A 3-5 year recovery period and an interim need to re-calibrate. That's a clear message and key takeaway for those who talk about returning to normal.



To frame the impact in numbers of jobs and business, you highlight some alarming shockwaves:

- In figures
 - 30% companies less than 10 employees
 - 120 Million jobs lost (*International Labour Organisation*)
 - Some hotels operating at 50% capacity for the next 3 years



- **What’s the reason for mobile travel rebounding so much stronger than online, airlines, intermediaries etc?**
 - Sales volume -65% to +160% in 2025

Other observations shared were really interesting to read:

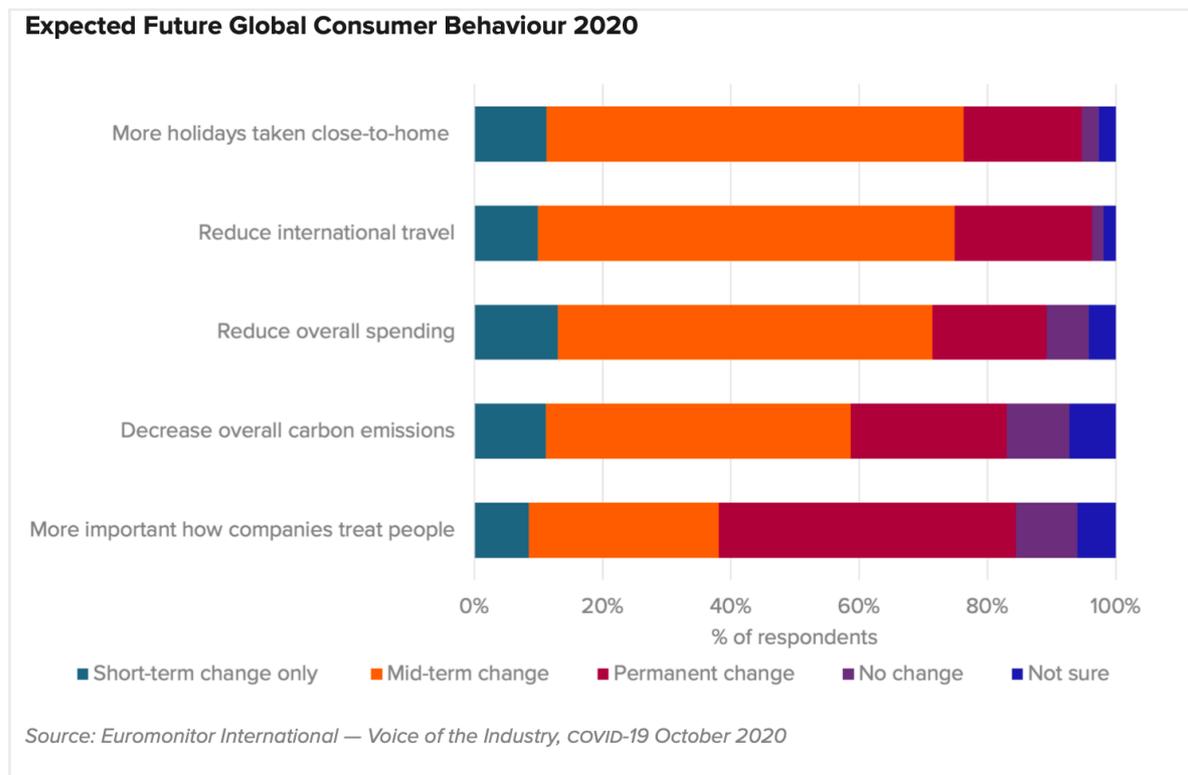
- Online players ‘doubling down’ into start-up agile models.
- Restructuring and bankruptcy protection is seeing large-scale downsizing of airlines and major travel firms.
- SME exposure requires diversification into adjacent industries such as agriculture.
- **What can DMOs do to protect, support or mitigate the impact?**
- **They play a crucial support, activation and leadership role for the industry - are they doing enough and can they be central to the industry’s survival?**

Consumer Sentiment

The shift in consumer sentiment shown in your data tells us that the intuitive interpretation many of us have been sharing is in fact real. In some cases, it seems more real than we might have expected with some real permanent shifts which need a re-thinking of our business models.

Here are some of the most striking observations for me:

- Inverse correlation between international travel and closer to home - 76% preferring home
- 21% say this is a permanent shift
 - **Is there a link to sustainability?**
 - **Are consumers seizing the opportunity to change *their* behaviour?**
- **You revealed those 'unpleasant truths' such as environment and consumer consciousness around this?**
 - **Where is the drive for change coming from?**
 - Referring to digital and green transformation
 - Pivot to circular economy



A glaring shift in your data shows a permanent change in consumers placing emphasis on how companies treat people.

- **What are the implications of this for all of us in the industry?**

Broadly speaking, these 5 key consumer shifts are gold for brands to reflect in their strategies.

- **What advice do you have for some of the trickier ones, such as the desire to reduce overall spending?**
- **Is it a question of value perception?**

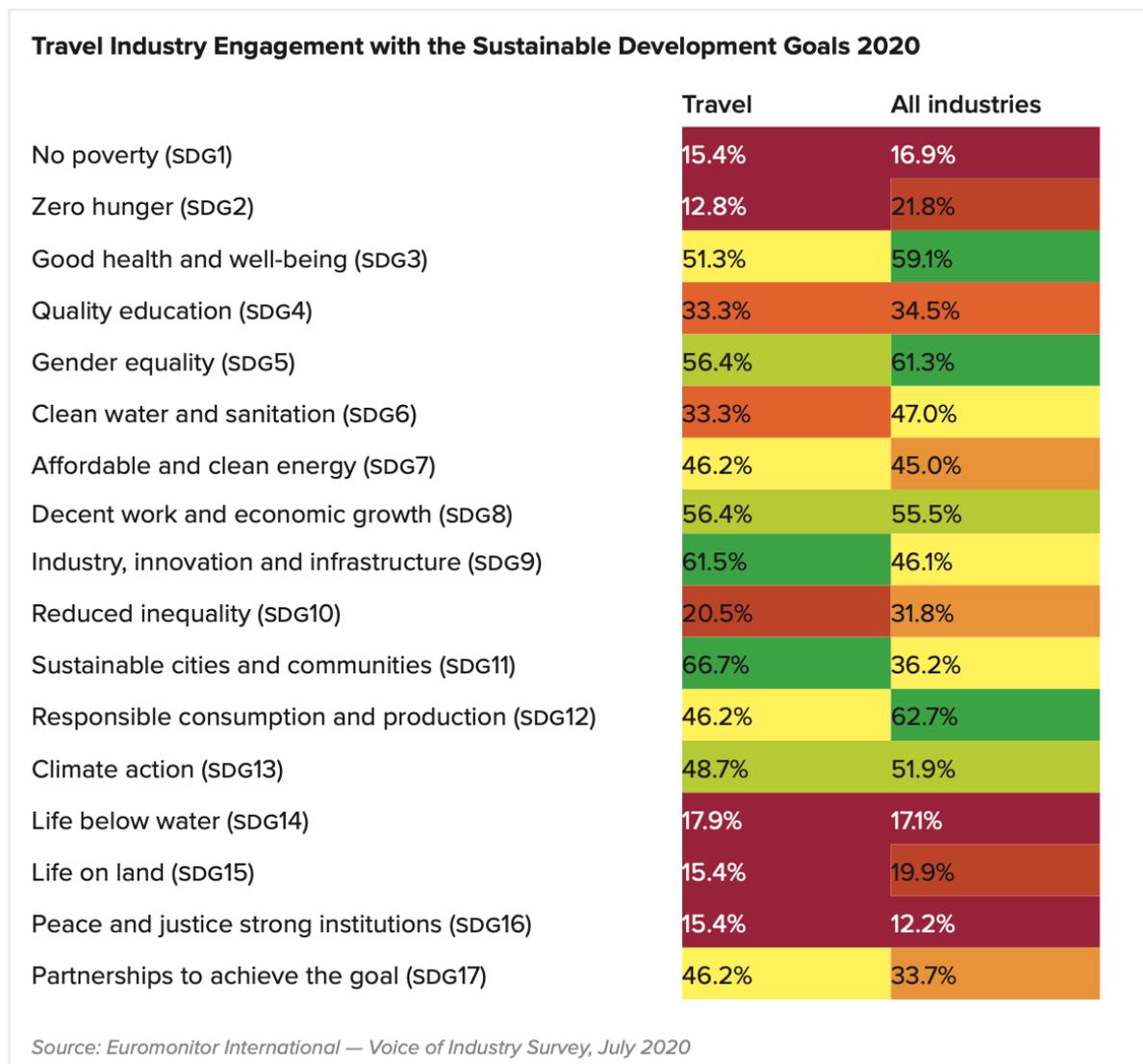
The SOS!

You mention the need to resonate with consumers and employees?

- Strong sense of purpose
- Social values
- Environmental concerns

So do we understand going forward that business competitiveness almost entirely tilts on purpose and values - both in hiring talent and also engaging customers?

SDGs - More to be done...



Some of the findings you cite include:

- Underperforming in decent work and economic growth and responsible consumption and production.

- Tourism excels in innovation and infrastructure and Sustainable cities and communities (61.%% and 66.7%)
 - 42% saying they would role back progress is shocking!
- **SDGs as a blueprint / business differentiator - how can people watching understand just how important that is?**

Europe

Let's now look at some of the regional highlights your report shares, starting with Europe.

- **Pre-pandemic sluggish performance**
 - Impact of the virus
 - **Should we use innovation to boost economic growth?**
- **Brexit - the endless uncertainty**
 - The fallout of Brexit almost been overshadowed by this, but for many markets this is a major risk and challenge.
 - **Is the impact likely to be in the economic impact or the restrictions that may well result?**
 - Your report references many of the restrictions in the UK enforced by the government in the backdrop of changing work patterns and of course Brexit.
 - **How much does the UK stand out as an anomaly from European data - both on economic impact and also volatility in recovery?**
- **Long-term fractures in travel**
 - The scale backs in aviation etc. are huge.
 - **Are they likely to be permeant as priority steers to private and sustainable means such as rail?**
 - **Will we ever see the pre-pandemic industry we knew before - low-cost flights, multiple city breaks per year etc.?**
- **Value mindset / Market maturity / Digital Propensity**
 - Domestic spend at 50%
 - **How do we balance the value of resilience from domestic travellers versus the value of inbound receipts?**
 - Four years to recover for inbound receipts leads to a shift to 'value-driven' tourism.
 - **Does this apply for all demographics?**
 - **How can businesses profit with smaller volumes?**

Innovation

- You reference some interesting innovations related to health and environment.
- **Where are we likely to see innovation now and in the near future?**
- **How about the role of technologies such as AI?**

Sustainability

- **Why are the Nordics pioneering sustainability?**
- **Is it driven by consumer demand or prioritisation of government policy?**
- **Are the Nordics demonstrating a new opportunity for economic recovery and stimulus of Europe's economy?**

Race to the Bottom

- You refer to the risk of a **race to the bottom**, how can operators and also DMOs ensure we avoid this from happening?

The Americas

Business Travel - "Irreversible Change"

- **What is the Impact for MICE destinations?**
- Impact on consumer travel is potentially huge by a drop in business travel.
 - What's the potential impact in terms of availability and choice?
 - How about pricing and value for money?

Asia Pacific

You talk about the switch from China as a feeder market.

- **What's the impact for destinations whose growth has hinged on outbound China growth?**
- **Will countries see inbound receipts from China eventually returning or is the shift to domestic travel in China likely to last?**

Middle East and Africa

Destinations like Saudi Arabia have hinged their strategies on famous giga projects like Neom - the drop in numbers is huge and projected recovery long.

- Does that put these ambitions into jeopardy - or will we perhaps see them pivot?

Key Takeaways

Ending on Innovation

- **What are the most exciting innovations we might expect to see in the mid-term?**
- **Of the shifts and innovations we've seen in the short-term, what's the likelihood of these sticking, or making a big enough impact in mitigating lost revenue?**
 - We're thinking here about some examples:
 - Hybrid business models - e.g. in MICE
 - Hotels offering new models around remote work

End...