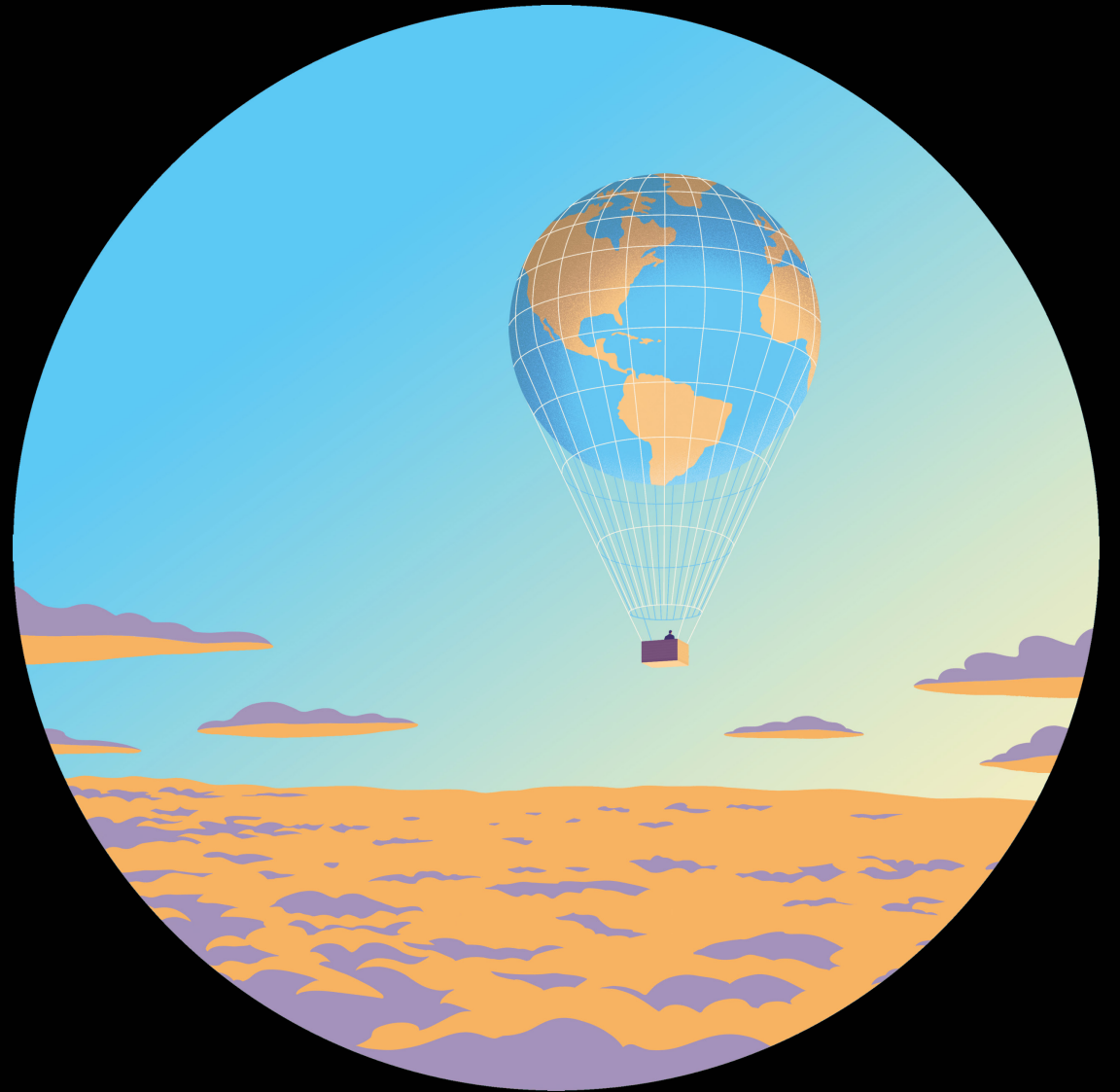




The world remade Travel and hospitality scenarios

The “Next Normal”

May 2020



We face a global crisis unlike any we have known. Normal life has stopped for more than a billion people around the world. Eventually, though, the crisis will end, and life will return to “normal.”

But what if it's not like before?

In the wake of COVID-19, Deloitte and Salesforce hosted a dialogue among some of the world's best-known scenario thinkers to consider the societal and business impact of the pandemic. The results of this collaboration can be found in *The World Remade: Scenarios for Resilient Leaders*.

This document is intended to help travel and hospitality industry leaders understand the implications on the industry across the scenarios in order to help plan for long-term success for their people, business, and society.

Scenario thinking can help us prepare for a future no one can predict and clarify the potential implications of our choices.

This document explores various scenarios about how the COVID-19 pandemic could accelerate or redirect the **global travel and hospitality industry** over the next three to five years. While some of those trends may have already been in motion, others could be initiated in response to the pandemic or economic downturn.

We have chosen a three-to-five-year time frame because it offers a window wide enough for significant change to take place but narrow enough for executives to take practical action now to build their organizational resilience.

As you read this document, challenge yourself to imagine how the things you were sure would happen could now be on a different course. Avoid the temptation to conclude that the crisis will accelerate the changes you already expected or believed were inevitable.

This document should ultimately spark a number of questions around implications and next steps for your organization.

What are scenarios?

Scenarios are stories about what the future may be like, created through a structured process to stretch thinking, challenge conventional wisdom, and drive better decisions today. They are not predictions about what will happen. They are hypotheses about *what could* happen, designed to open our eyes to new opportunities or hidden risks.

*Please note that these scenarios stand as of April 6, 2020. They are based on our best understanding of the health trajectory, economic impacts, and government actions in response to the COVID-19 pandemic.

As you read through the scenarios, consider:

- Which of your **previous expectations** need to be rethought? What prospects that seemed unlikely or years away could be accelerated?
- What might **consumers value** in particular in these different worlds? How might that vary across key variables (for example, region and demographics)?
- What are the **biggest threats** to your current business in these worlds?
- What new **providers, companies, business models, and ecosystems** might emerge? Which existing companies are best positioned to succeed?
- What **capabilities, relationships, and assets** are important in these worlds?

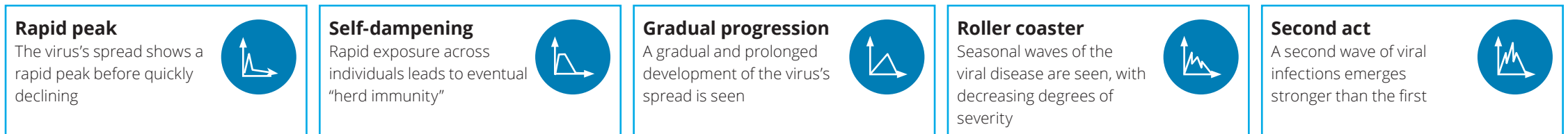


Two critical uncertainties will drive the overall impact of COVID-19

1 | What is the overall **severity of the pandemic** and pattern of disease progression?

Lower impact

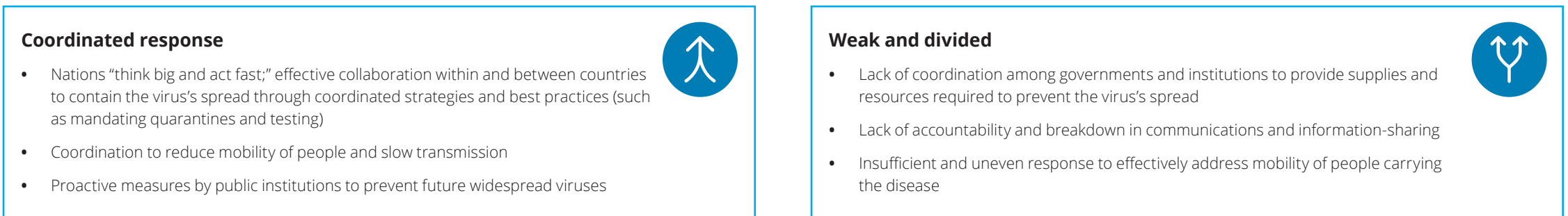
Higher impact



2 | What is the **level of collaboration** within and between countries?

Significant

Marginal



Four distinct scenarios emerge based on current trends and critical uncertainties



The passing storm

The pandemic is managed due to effective responses from governments to contain the virus but is not without lasting repercussions, which **disproportionately affect SMBs and lower- and middle-income individuals and communities.**

- Relatively constrained disease dynamic
- Effective health system and policy response



Lone wolves

Prolonged pandemic period, spurring governments to **adopt isolationist policies**, shorten supply chains, and increase surveillance.

- Severe, rolling pandemics
- Insufficient global coordination and weak policy response



Good company

Governments around the world struggle to handle the crisis alone, with **large companies stepping up as a key part of the solution** and an acceleration of trends toward “stakeholder capitalism.”

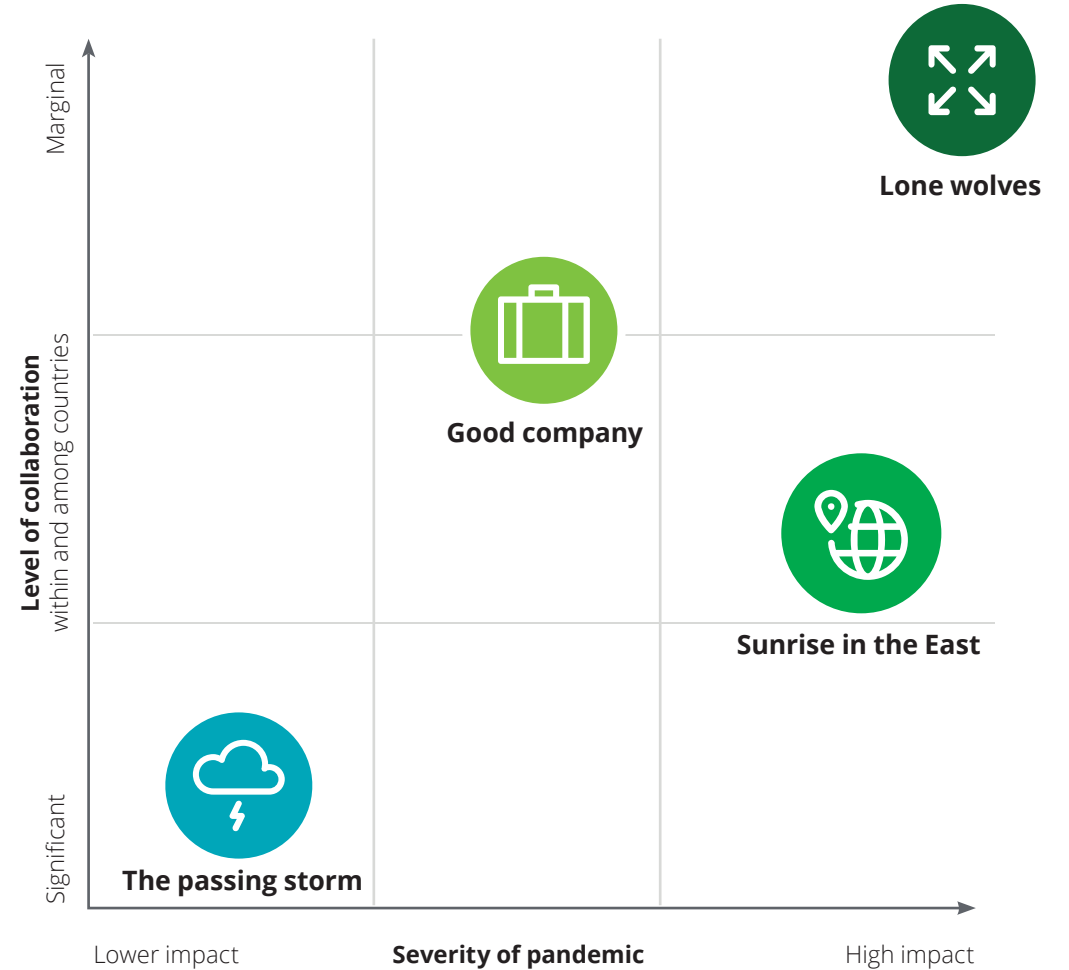
- More prolonged pandemic
- Collaboration to control the pandemic led by large companies



Sunrise in the East

China and other East Asian nations are more effective in managing the virus and take the reins as **primary powers on the world stage.**

- Severe pandemic
- Collaborative health response led by East Asian countries



These scenarios illustrate potential long-term implications for the broader travel environment and the companies that operate within it



The passing storm

After the relatively short-lived pandemic, **overall global and domestic travel rebounds nearing pre-COVID-19 levels.**

Businesses focus on value-driving travel, while leisure travel rebounds considerably as travelers make up for lost time.

- Leisure travel shifts toward affordable regional travel and excursions over elaborate international vacations
- Loyalty programs continue to be a differentiator for regular travelers



Good company

With large companies becoming a key part of the solution, **travel companies seek partnerships** to take advantage of the diminishing business and leisure travelers. **Cross-border travel becomes more seamless** as a result of the increasingly globalized economy.

- Increased premium put on insulated and clean travel
- Preference for large, trusted companies/chains



Sunrise in the East

As the pandemic and economic instability persists, there is a **significant decrease in business and leisure travel**, since travel becomes a privilege; however, there is a meaningful shift in focus toward **travel and trade to and within Asia.**

- Accelerated adoption of Asian cultural norms and preferences into customer experience and loyalty programs

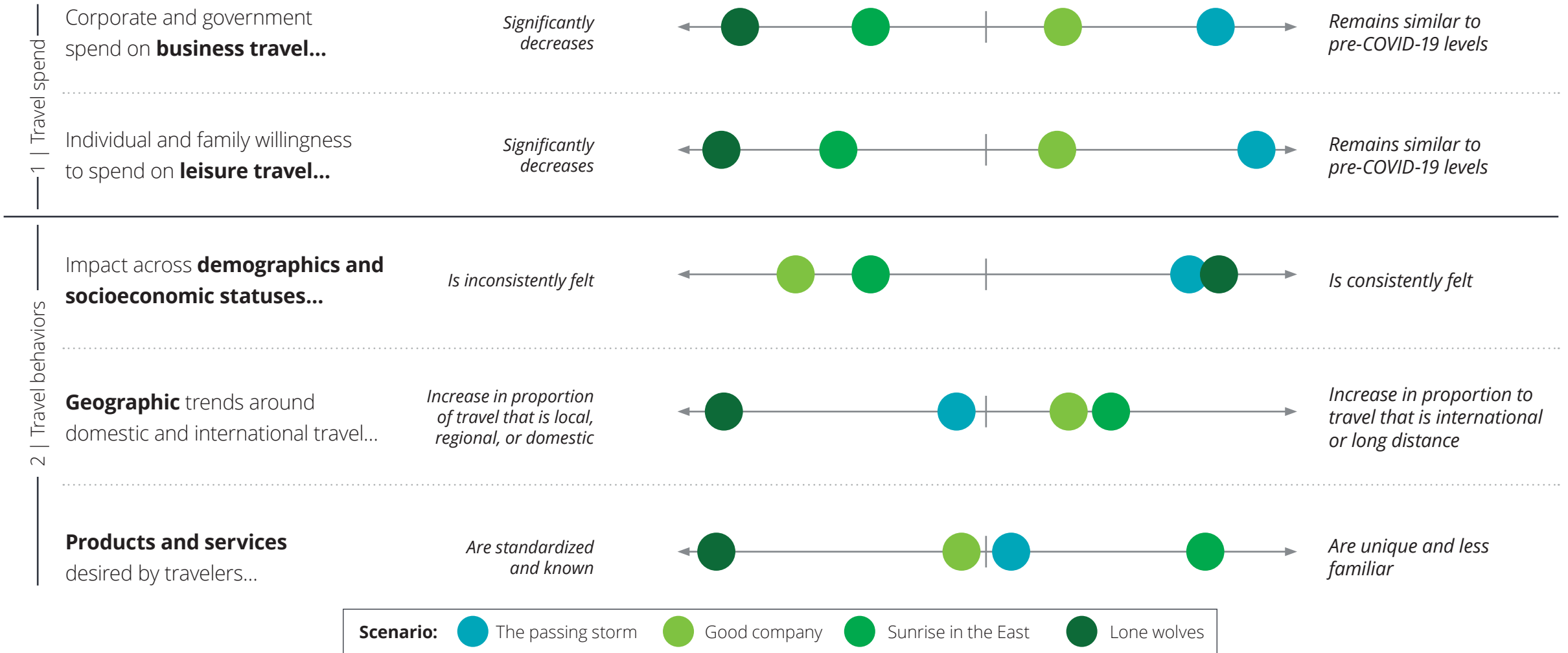


Lone wolves

Within a prolonged pandemic period, travel sees **a steep decline across the board, leading to massive closings in hotels, airline routes, and car rental outlets.** As physical distancing becomes an ongoing way of life and social isolation is the norm, travel becomes **limited to local/regional destinations.**

- Significant decrease in highly attended events or destinations
- Increase in travelers planning short-distance and low-complexity trips that require little-to-no pre-planning

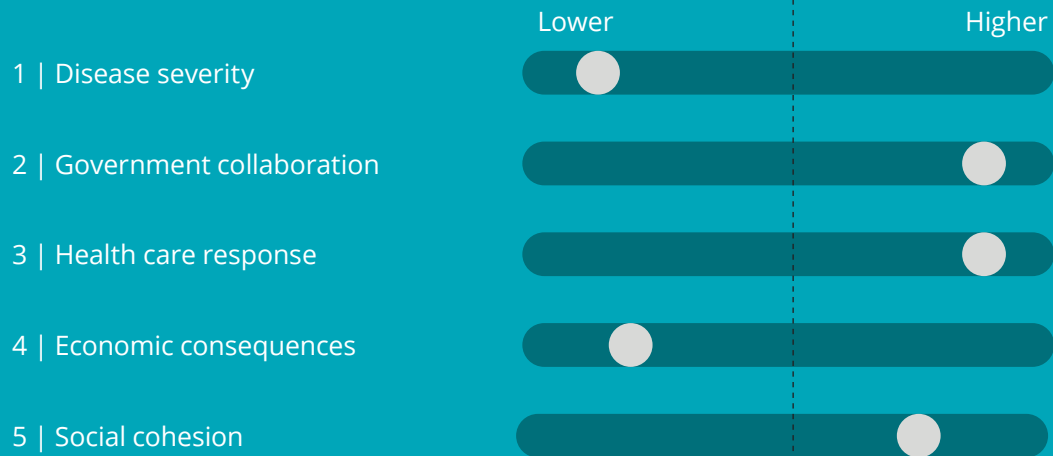
However, travel drivers play out differently across the scenarios



Scenario: ● The passing storm ● Good company ● Sunrise in the East ● Lone wolves

Scenario 1

The passing storm



Scenario description

The COVID-19 pandemic shakes society but, after a slow start, is met with an increasingly **effective health system and political response**. The virus is eradicated earlier than expected due to coordinated measures by global players to spread awareness and share best practices. Their competence in the crisis renews trust in public institutions. Despite being relatively short-lived, the pandemic causes **long-term economic impacts**. Fiscal and monetary stimulus help blunt the shocks but cannot reverse the **losses that small businesses and lower- and middle-income individuals** have begun to experience. Tensions sharpen between socioeconomic classes.

What we would need to believe...

- Governments effectively communicate the severity of the pandemic and collaborate to share best practices. Society complies with quarantine measures to effectively mitigate the virus's spread.
- No indications of a second wave of the virus are identified. Mechanisms to combat the virus (such as immunization) are mobilized and lead to effective prevention and treatments in the long run.
- Economic activity rebounds in late 2020. Recovery is initially slow but speeds up in the second half of 2021 as consumers become more confident.

The passing storm: Implications for travel and hospitality

Travel and hospitality implications

1 Travel spend	Corporate and government spend on business travel	<ul style="list-style-type: none"> • After a short-period in which companies and employees, eager to get moving again, make-up postponed meetings and travel, a relatively small absolute decrease in total business travel relative to 2019 becomes the new norm • Companies recognize the financial efficiencies of certain types of virtual work that do not require tradeoffs in quality or revenue and thus shift to a greater reliance on telecommunication as they deprioritize travel for internal in-person meetings • Renewed social focus and government-enforced policies around combatting climate change further dampens companies' appetite for "road warriors" and regular travel among executives and leaders for internal purposes, instead focusing travel primarily for direct value-generating activities
	Individual and family willingness to spend on leisure travel	<ul style="list-style-type: none"> • As individuals are excited and able to travel once again, leisure travel becomes a greater portion of the total number travelers/trips, bouncing back more strongly than its business counterpart • However, the economic hangover of the pandemic (bear market conditions, higher unemployment, and lost income during the crisis) results in less disposable income and causes a shift toward affordable regional travel and excursions over elaborate international vacations among all but upper-class individuals and families
2 Travel behaviors	Impact across demographic and socioeconomic status	<ul style="list-style-type: none"> • The pent-up excitement for "getting out" as the world once again feels safe results in a short-term burst of leisure travel—often to visit friends and family—but a weakened economy, resulting in drained investment accounts and delayed retirement, leads travelers to look for slightly more budget-conscious experiences than they did prior to pandemic • High-net-worth individuals continue to travel much as they did prior to the crisis, as they have maintained the financial wherewithal to do so
	Geographic trends around domestic and international travel	<ul style="list-style-type: none"> • Larger corporations, which have come through the pandemic more successfully than SMBs, rely on increasingly global-networks and prioritize long-distance and international travel (enabled by increased collaboration between countries) while domestic business is increasingly handled virtually • While there is a short-term decline in travel to densely populated areas, global travel returns to look similar to pre-COVID-19 patterns
	Products and services desired by travelers	<ul style="list-style-type: none"> • With the global economic downturn, companies strengthen restrictions on travel spend resulting in a small decrease in premium travel service (premium airline cabins, luxury hotels, etc.) demand across the board as these services have trickle-down effects for employee's leisure experiences • While loyalty programs continue to be a differentiator for regular travelers, emphasis on cleanliness becomes table stakes in all travel experiences and customers expect to see visible signs that their health is being taken seriously

Scenario 2

Good company



Scenario description

The COVID-19 pandemic persists past initial projections, placing a growing burden on governments around the world that struggle to handle the crisis alone. A **surge of public-private sector partnerships emerges** as companies step up as part of the global solution. New “pop-up ecosystems” arise as companies across industries partner to respond to critical needs and drive much-needed innovation. Social media companies, platform companies, and tech giants gain new prestige. **Ultimately, companies shift further toward “stakeholder capitalism,”** with a more empathetic stance on how they can best serve their customers, shareholders, and employees to rebuild after the crisis.

What we would need to believe...

- Businesses take initiative to combat the virus’s spread by supplying health care expertise and enhanced software and tools.
- A shift toward greater corporate responsibility is seen, with new long-term outlooks leading to greater emphasis on investing in workers and communities.
- Economic recovery begins late 2021. Recovery slow in early 2022 and speeds up by the second half of 2022.

Good company: Implications for travel and hospitality

Travel and hospitality implications

1 Travel spend	Corporate and government spend on business travel	<ul style="list-style-type: none"> • Overall business travel declines significantly as a result of a weakened economy, which knocks out many small companies, and lingering health concerns from the prolonged pandemic • The companies that emerge from the pandemic more influential and potentially larger than they began it are more selective about business travel as they recognize the economic value of 1) the tools that enable telecommuting and virtual work, and 2) prioritizing employee well-being and flexibility • While government travel comes under increased scrutiny, large companies are viewed as “heroes” of the pandemic (having provided essential services), endowed with a sense of optimism, the financial resources, and a feeling that they have permission to travel as they see fit despite the environmental concerns of doing so • Internal domestic meetings are deprioritized as not worth in-person travel, and select internal international meetings and external conferences become a major draw for travel as companies place a large value on the development of widespread global ecosystem partnerships
	Individual and family willingness to spend on leisure travel	<ul style="list-style-type: none"> • Leisure travel declines as the population either does not have the financial means—as the economic hangover of the pandemic results in a down market and slightly higher unemployment—or the time—as, out of either fear for their job security or a renewed sense of loyalty to their employers—employees refuse to take time off—to travel • However, employees of the “hero corporation” seek out premium experiences, products, and services due to earning significant salaries and receiving generous benefits
2 Travel behaviors	Impact across demographic and socioeconomic status	<ul style="list-style-type: none"> • The widening social and economic gap allows high-net-worth individuals to continue traveling much as they did prior to the crisis, with an increased premium put on insulated and clean travel (charter flights, premium and more spacious cabins, private accommodations) while middle- and lower-class leisure travel slows significantly • Consolidation across the travel sector (large companies expand while SMBs shutter or are bought) provides business travelers with less independence over their travel decisions as they are obligated to use negotiated rates and preferred vendors
	Geographic trends around domestic and international travel	<ul style="list-style-type: none"> • Corporations are able to exert more influence over international travel regulation, enabling a more seamless cross-border travel environment • As business travel is increasingly driven by major corporations, global travel companies shift away from broad coverage and more toward servicing the global hubs while smaller markets are serviced by more niche players
	Products and services desired by travelers	<ul style="list-style-type: none"> • Large companies look to use a part of their significant savings from decreasing overall travel spend to care for (and at times pamper) their employees who are asked to return to traveling resulting in an uptick in premium travel products and services • The popularity of more consistent, well-known, and simple experiences results in a strong preference for traveling with large, trusted companies/chains especially to resorts, natural locations, and purpose-based destinations

Scenario 3

Sunrise in the East



1 | Disease severity



2 | Government collaboration



3 | Health care response



4 | Economic consequences



5 | Social cohesion



Scenario description

The COVID-19 pandemic is severe and unfolds inconsistently across the world. **China and other East Asian countries manage the disease more effectively**, whereas Western nations struggle with deep and lasting impacts—human, social, and economic—driven by slower and inconsistent responses. The global center of power shifts decisively east as China and other **East Asian nations take the reins as primary powers on the world stage** and lead global coordination of the health system and other multilateral institutions. The ability of China, Taiwan, and South Korea to contain the outbreak through strong, centralized government response becomes the “gold standard.”

What we would need to believe...

- East Asian countries emerge from the recovery period with less economic impact.
- China significantly ramps up foreign direct investment efforts, bolstering its global reputation.
- People accept greater surveillance mechanisms as part of the public good.
- Economic recovery begins late 2021, with notably quicker and more robust recovery in the East.

Sunrise in the East: Implications for travel and hospitality

Travel and hospitality implications

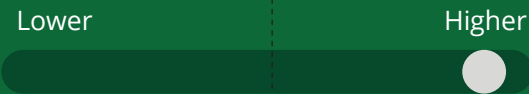
1 Travel spend	Corporate and government spend on business travel	<ul style="list-style-type: none"> As the disease persists and economic instability endures, there is a meaningful reduction in business travel (both trips and spend) as compared to pre-COVID-19 times With an overall reduction in international travel as the centralized governments in the East have greater restrictions, high-tech firms figure out how to best serve the Asian market virtually as they follow economic activity A weakened Western economy and political system diminishes spend on business travel, leading to the drying of trade links between US and Europe and shifting the focus to travel and trade to and from Asia
	Individual and family willingness to spend on leisure travel	<ul style="list-style-type: none"> As Western nations face a relatively significant economic collapse and Eastern countries see increased government regulation around travel to manage against ongoing health challenges, global leisure travel falls precipitously from pre-COVID-19 levels The economic downturn has widespread impacts throughout the Western world creating a greater distinction between socioeconomic classes as travel becomes a privilege available only to the wealthy
2 Travel behaviors	Impact across demographic and socioeconomic status	<ul style="list-style-type: none"> The shift in focus toward Asian nations opens up new opportunities for the middle and upper classes in these countries to experience both business and leisure travel despite increased regulation and government surveillance Footprint contraction occurs across all industries in the Western World leading to a rise of small niche businesses that are stood-up to serve local communities while a small number of Asian-based providers acquire US and European-based providers with a sufficient domestic footprint
	Geographic trends around domestic and international travel	<ul style="list-style-type: none"> Given the decrease in travel in the United States and Europe, Western-based companies downsize operations, which, in turn, allows Asian and Middle Eastern players to gain share globally The center of gravity of the world's economy shifts to China and the surrounding nations demonstrated by shifts from historically popular routes and destinations, such as London to New York, to those that focus on Eastern hubs; increased competition and focus on efficiency pushes governments to allow cross-border consolidation, which weeds out low-performing carriers and further promotes Asia as the leading region
	Products and services desired by travelers	<ul style="list-style-type: none"> Travel providers shift programming and experience delivery to adopt Asian cultural norms and preferences into the customer experience and loyalty programs in order to attract high-value consumers US-based loyalty programs are less relevant in the traveler's choice of provider as the decrease in regular business travelers leads to fewer consumers who are able to reach their desired loyalty status, and price is the predominant driver to travel decisionmaking

Scenario 4

Lone wolves



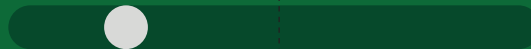
1 | Disease severity



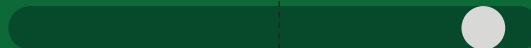
2 | Government collaboration



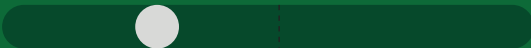
3 | Health care response



4 | Economic consequences



5 | Social cohesion



Scenario description

The COVID-19 pandemic becomes a prolonged crisis as **waves of disease rock the globe** for longer than anyone was prepared for. Mounting deaths, social unrest, and economic freefall become prominent. The invisible enemy is everywhere, and **paranoia grows**. Nations put strict controls on foreigners and force supply chains home in the name of local security. **Countries grow isolationist** in the name of domestic safety. **Government surveillance is commonplace**, with tech monitors on people and their movements.

What we would need to believe...

- The SARS-CoV-2 virus strain, which causes COVID-19 disease, continues to mutate and evolve, evading eradication.
- Citizens cede freedoms to governments in the name of virus containment.
- Countries deemphasize working together and enforce isolationist policies.
- Governments turn to extreme surveillance and monitoring tools.
- Global economic recovery occurs by mid-2022, with diverging rates of recovery across countries.

Lone wolves: Implications for travel and hospitality

Travel and hospitality implications

1 Travel spend	Corporate and government spend on business travel	<ul style="list-style-type: none"> • The combination of a struggling and unstable global economy, credible technological advancements in virtual work, and ongoing fears about the virus leads to the greatest decline in business travel relative to pre-COVID-19 levels • Governments take more control over business broadly, yielding major influence over both capital and restricting in-person interaction, companies face an increased burden of proof to demonstrate that travel is necessary, leading to massive closings in hotels, airline routes, and car rental outlets • The onshoring of supply chains requires significant infrastructure to be stood up in less densely populated areas and necessitates domestic travel for governments and corporations to oversee the operations of these reemerging industries
	Individual and family willingness to spend on leisure travel	<ul style="list-style-type: none"> • Physical distancing becomes an ongoing fact of life, and social isolation is the norm with government intervention where necessary, limiting leisure travel to local/regional vacations in times when the virus is suppressed • As travelers prioritize reliable shorter-distance and purpose-driven travel in a controlled and known environment over elaborate vacations, both the luxury and economy travel categories become less significant and underutilized as leisure travel in these categories decreases
2 Travel behaviors	Impact across demographic and socioeconomic status	<ul style="list-style-type: none"> • The deep economic recession leaves the middle and lower classes feeling the greatest impact and prohibits most consumers from traveling while enabling only the privileged to travel internationally
	Geographic trends around domestic and international travel	<ul style="list-style-type: none"> • Given ongoing concerns about the pandemic, travelers are unwilling to book travel in advance, opting for short-distance and low-complexity trips that require little-to-no pre-planning, fundamentally shifting how travel companies are able to anticipate demand and manage capital • With protectionist policies cemented in place with full border lockdowns, international travel bans, and cancellation of work and student visa programs, international travel becomes exceedingly rare
	Products and services desired by travelers	<ul style="list-style-type: none"> • Concerns around in-person contact and cleanliness leads to a significant decrease in highly attended events or destinations (Olympics, global economic/business forums, theme parks) • Domestic manufacturing leads to ground services (trucking, rail) to even further dominate the shipping segment, especially in the United States, leaving airlines to struggle to survive as fully private enterprises • Direct person-to-person business becomes the norm leading to the increased importance of the sharing economy and a rise in rogue enterprise as consumers look to affordably fulfill their travel needs with limited oversight

There are themes emerging from COVID-19 that are likely to persist, and travel companies will need to adapt to this “Next Normal”

Planning for a reduction in business travel

Reduced travel will likely become the “Next Normal” as demand stabilizes. Businesses are likely to adapt to manage for constrained budgets and pandemic uncertainty by incorporating increased virtual connections and remote solutions.

Overcoming consumer apprehension

Travel companies will be challenged as consumers struggle with a delicate balance between wanting to travel and not knowing if travel is “safe.” There is a real opportunity for these companies to alleviate and address this tension and build lasting trust.

Innovating and collaborating with technology partners

Accelerated adoption of technology (e.g., AI, AR/VR, cloud, blockchain, analytics) and automation will improve and remove friction from the travel journey, including health screening, contactless transactions, and enhanced customer engagement.

Adjusting to a disrupted ecosystem

Travel companies may face significant and unanticipated disruptions within their value chain (e.g., key suppliers going out of business), which could threaten business continuity and force them to quickly identify alternative solutions.

Promoting new health/safety standards

Companies will need to communicate and promote evolving/advancing health and sanitation practices in order to attract customers—and frontline employees—who will have increased concerns about their safety and well-being.

Reengaging and reassuring employees

Widespread downsizing and furloughs will require travel companies to acknowledge employees’ changed circumstances, both at headquarters and in the field, and provide for an enhanced and supported experience to reattract and retain talent.

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