

TRAVELWEEKLY
insight

Produced in association with
Deloitte.

Annual Report 2020-21



‘Welcome back
on board’

Produced by Travel Weekly, with exclusive consumer research

Deloitte.



Rebuilding trust in travel

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TRAVEL WEEKLY INSIGHT ANNUAL REPORT 2020-21

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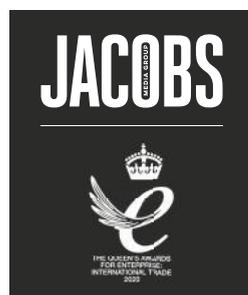
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EXECUTIVE SUMMARY

COLLABORATION WILL BE KEY TO RECOVERY

The Covid-19 pandemic forced people and businesses around the world to adapt overnight to a new way of living and working. Despite the initial disruption, we witnessed immense resilience.

Businesses banded together to find innovative ways to address customer needs while putting the health, safety and wellbeing of their workforce and consumers first.

Though consumer confidence remained low at the end of the year, the deployment of a testing regime for travellers and administration of a vaccine may trigger a faster and sharper return to normality. Vaccination developments look increasingly promising and, with consumers looking forward to travelling again, industry leaders can be more optimistic about the future.

A VISION FOR 2025

The pandemic has highlighted the interconnected nature of leisure and travel businesses and the need to work in partnership. To rebuild confidence and trust, the entire customer journey needs to feel safe. Governments, businesses and destinations can help ease travel concerns through collaboration and data sharing.

Consumer preferences are evolving and will inform how the travel and hospitality industry develops. There will be a need for flexible options, available digitally, which offer safe and authentic travel.

Service Science/Kantar consumer research for this report found more than half of respondents intending to take an overseas holiday in 2021 want a refund guarantee; two in three aged over 45 want Atol protection; and almost half of respondents want the flexibility to change dates and/or destination.

The demand for unique, sustainable and exclusive experiences will rise, as will the desire to avoid congestion. The research found two in five respondents would prefer to avoid a 'busy destination'. It also found an increase in the number of



Consumer preferences are evolving and some shifts will continue post-pandemic, says Deloitte's Alistair Pritchard

holidaymakers expressing concern at the impact of tourism on destinations.

There will be higher value placed on authentic and personalised experiences. Travellers will want brands to engage with and guide them through their journey, with personalised offers using data they have shared. Solutions and policies that provide choice and control will help to build trust and confidence.

Technology will be at the forefront of addressing consumer needs. The industry has rapidly deployed contactless technology throughout the journey to address health and safety concerns, and innovations around biometric boarding, automated health screening, digital health IDs and e-passports are moving ahead. Brands will have access to a wealth of data and the ability to use it to help minimise risk, delays and inefficiencies.

While financial and health security are priorities, changes in consumer behaviour are likely to outlast the pandemic.

Organisations have an opportunity to engage with a new audience and support loyal customers using digital platforms.

Businesses will need to collaborate and invest in a shared future to keep pace with and capitalise on these opportunities. ■

**Alistair Pritchard, lead partner,
Travel and Aviation, Deloitte LLP**

KEY FINDINGS

31% plan **overseas** holiday in 2021, -22pts YoY



45% plan a **domestic** holiday, -22pts YoY

1 in 2 fear having to **self-isolate** on holiday



2 in 5 to avoid **'busy** destination'

1 in 2 fear catching **Covid** on holiday

2x as many 16-34s happy to **fly** as over-55s



2 in 3 over-45s want **Atol** protection

53% want **refund** guarantee

2 in 5 concerned about **flying**

52% likely to travel by **car**

1 in 5 to book with high street **agent**



68% won't fly long-haul till **vaccine** available



27% concerned at tourism **impact** in destination

1 in 2 overseas holidaymakers to book **all-inclusive**



2 in 5 to **spend more** on holiday in 2021

FOREWORD

RECOVERY WILL COME, WE JUST DON'T KNOW HOW QUICKLY

We have experienced a year like no other and a response to Covid-19 that has been extraordinary, not least by health and care workers and by scientists in pursuit of vaccines and treatments.

The effort required – politically, economically and socially – has demonstrated the order of response we will need to address climate change.

Deloitte chief UK economist Ian Stewart noted the transition to home working alone represented “a remarkable adaptation” made possible by technology” and suggested “the internet ‘just-in-case’ model of built-in excess capacity” may become a model for the future.

There are unique features to the pandemic. Comparisons with past crises – 9/11, the 2008 financial crash, the outbreaks of Sars (2003) and Mers (2012) which were contained without travel restrictions – can be useful but also misleading.

The financial crash, the most-useful comparison, brought travel’s long-term growth to a halt and travel in much of Europe did not return to the pre-crisis level until 2016. Global travel data does not reflect this because the impact on China was limited by its rapid economic growth.

September 11 barely triggered a crisis in Europe, certainly not in Britain where outbound numbers rose. There was decline in, to and from the US which affected global travel numbers at a time when Chinese travel was more limited.

Sars and Mers were contained because, though more deadly than Covid-19, both viruses are more difficult to catch.

This is the fifth Insight report to appear since the Brexit referendum of 2016 and, at the time of writing, the shape of Britain’s future relations with the EU remained unclear. At least this one source of uncertainty will soon be gone.

The consumer research which runs through this report is of added importance this year, appearing at a moment when no one can judge with certainty what bookings will be like

“**Research suggests no significant change in the type of holiday, no great switch to the outdoors or away from luxury hotels, and no shift away from all-inclusive**

four weeks hence and with three major sources of industry data unavailable. The survey behind UK Office for National Statistics’ outbound and inbound data is suspended, as is the GB Tourism Survey which supplies domestic data. In addition, GfK has unhappily ceased collating outbound booking data. There is search data, of course, but at a time of quarantine restrictions, destination searches are somewhat akin to a desert island castaway’s fantasies of a fabulous meal.

The research suggests a substantially reduced number of overseas holidays in 2021. But counter to some forecasts, it suggests no significant change in the type of holiday, no great switch to the outdoors or away from luxury hotels, and no shift away from all-inclusive. There also appears no great acceleration in embrace of technology, albeit this may simply be taken for granted.

I’m indebted to Tom Costley of Service Science for facilitating the research at a time when it would have been easy to mothball operations, and grateful to Deloitte and the many Deloitte contributors who gave their time and expertise. All mistakes are mine. ■

Ian Taylor
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THE CHARTS (page 7) reflect research respondents’ view (in November 2020) of their holiday activity in 2019. The year-on-year comparisons are with the view of respondents a year earlier

PICTURE: STEVE DUNLOP

UK HOLIDAY MARKET

SERVICE SCIENCE/KANTAR CONSUMER RESEARCH

FIGURE 1: UK HOLIDAY MARKET



Source: Service Science/Kantar

FIGURE 2: UK OUTBOUND HOLIDAY MARKET, PRE-COVID*

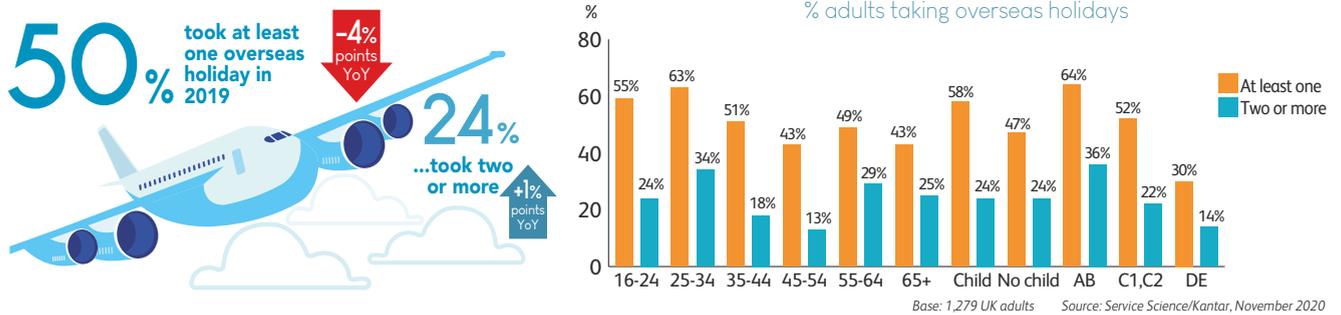


FIGURE 3: UK HOLIDAY MARKET, PRE-COVID*

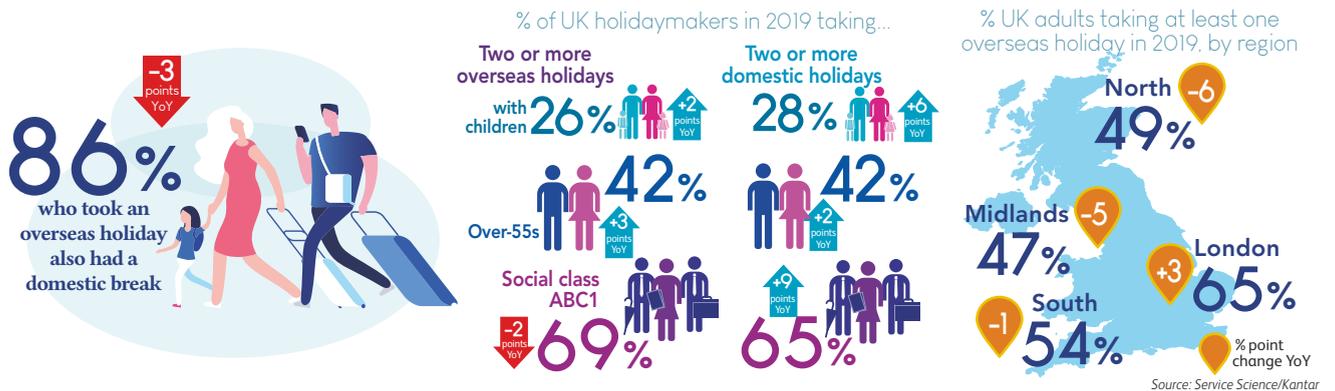
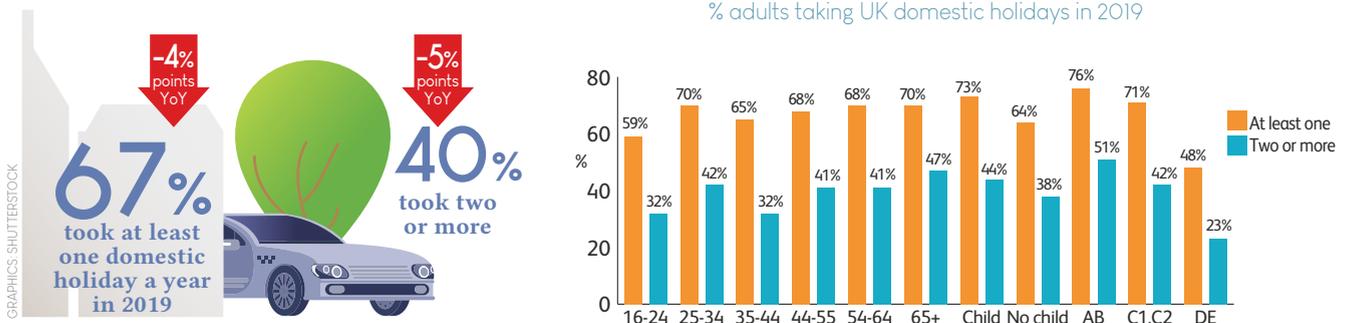


FIGURE 4: UK DOMESTIC HOLIDAY MARKET, PRE-COVID*



*November 2020 data: reflects respondents' holidays in 2019. Year-on-year comparisons are with holiday behaviour in the previous 12 months of November 2019 respondents. Base: 1,279 UK adults Source: Service Science/Kantar, November 2020



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CRISIS & RECOVERY

MARKET OUTLOOK

PATH TO RECOVERY REMAINS UNCERTAIN

Approval of the BioNTech/Pfizer Covid-19 vaccine by the UK regulator, the MHRA, in early December sparked widespread optimism that an end to the pandemic and associated restrictions is in sight.

However, promising as the vaccine and others on the way are, a note of caution is necessary. Health experts stressed vaccination opened the way to a 'less-Covid' rather than a post-Covid world.

Karen Taylor, head of Deloitte's Centre for Health Solutions, hailed the approval as "exciting" but said: "We are far from out of the woods." She noted: "It will take some time to roll out even among those who are prioritised."

In the meantime, the UK economy was estimated to have shrunk 11% during the pandemic. The UK Office for Budget Responsibility forecast a cumulative rebound of 12% by the end of 2022, with unemployment to peak at 7.5% rather than 12% as previously forecast thanks to the government's extended furlough scheme.

Deloitte chief UK economist Ian Stewart declared this "remarkable", noting: "That is a much lower peak than in the last three economic crises when GDP saw a fraction of the decline. The UK has been one of the most free-spending governments in the world. At the peak, the UK Treasury was supporting one-third of all jobs in the UK. That is staggering and unprecedented."

Stewart pointed out "a dramatic deterioration" in the UK's public finances left Britain with one of "the biggest budget deficits in the world" and UK government borrowing "at a level last seen after the First and Second World Wars". However, he estimated the costs of financing the debt as "vanishingly low" and said: "Tax rises are going to be needed, but not until recovery is entrenched."

This report appeared with the industry poised for a partial resumption of

Vaccine rollout transforms outlook for travel but obstacles to revival remain

international travel. Details of the 'test to release' scheme to reduce quarantine in England remained to be clarified, but the option of paying for a Covid test after five days' self-isolation should be available for arrivals from non-travel corridor destinations.

Travellers may have to wait for rapid tests and pre-departure testing which could open transatlantic and other longer routes. But however awkward and limited the initial easing of restrictions, there appeared to be momentum behind a reopening.

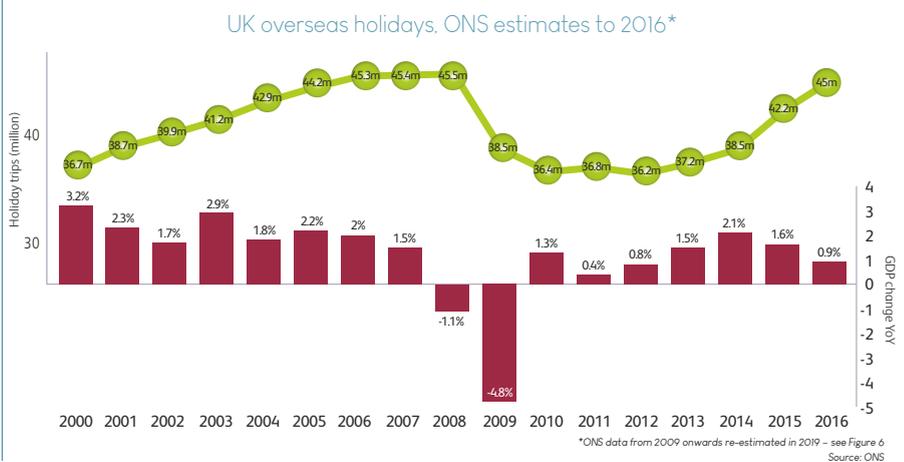
The government announcement in early December of a dispensation on quarantine requirements for "high-value" business travellers seemed guaranteed to annoy would-be leisure travellers and the 'low-value' majority in business, but it at least indicated the direction of travel.

Multiple announcements of testing trials by major airlines and airports added to the momentum. An industry source noted: "They are building a body of evidence to convince the government to allow rapid testing."

We can expect further measures in line with recommendations by the cross-

FIGURE 5 shows the impact of the 2008 financial crisis on UK GDP and outbound holiday numbers. The Office for National Statistics (ONS) holiday data pre-dates a change in methodology in 2019 which led to a significant revision of figures for 2009 onwards, making comparisons pre- and post-crisis difficult without use of the old data

FIGURE 5: OUTBOUND HOLIDAYS & GDP, 2000-16



MARKET OUTLOOK

PATH TO RECOVERY REMAINS UNCERTAIN

government Global Travel Taskforce in November. The development of a robust testing regime in combination with the vaccine rollout could open up travel for a significant return from the spring. Easter, which falls on April 2-4, looks a realistic date from which prospective travellers might book trips with some confidence.

That said, it is worth bearing in mind the taskforce recommendations came with a warning: “We must accept a risk that UK and foreign governments have to make changes to travel restrictions at short notice. Industry and travellers have to ensure they have adequate insurance and measures in place to mitigate these risks, including being prepared to stay overseas for longer than planned.”

DEMAND OUTLOOK

What does the economic contraction mean for travel? Alistair Pritchard, Deloitte lead partner for travel and aviation, said: “Some UK consumers may find themselves unemployed, others may have greater levels of financial stress than pre-Covid. That is going to have an impact.

“Yet parts of the economy have had a less torrid time and there is a greater level of security in the public sector. Not every consumer is going to struggle to go on holiday.”

Pritchard admitted “surprise” that

there have not been more travel business failures, noting: “Many businesses managed to secure additional financing. The challenge now is where cost is still being incurred. January bookings will only result in an inflow of deposits. It will

FIGURE 6: IMPACT OF FINANCIAL CRISIS ON OUTBOUND DEMAND, 2009-16

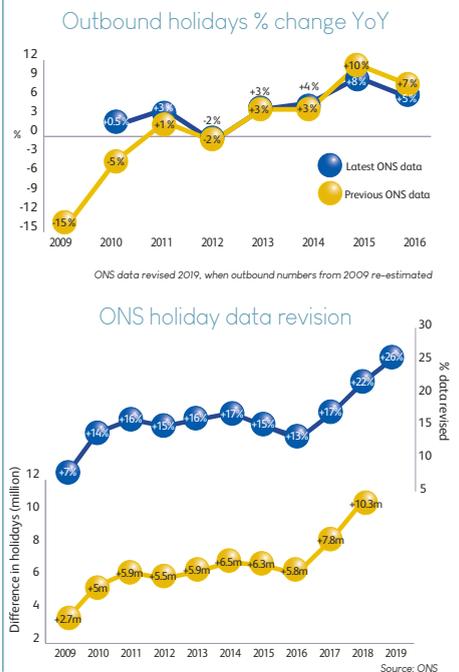


FIGURE 6 shows the % change year on year in outbound holiday numbers through the period of recovery from the 2008 crisis reflected in both the new and older ONS data. The lower chart shows the extent of the ONS data revision. Figure 7 shows the growth in Europe’s air traffic since 2000 and contraction in 2020, together with Eurocontrol’s recovery forecasts

FIGURE 7: EUROPEAN AIR TRAFFIC & PROJECTED RECOVERY



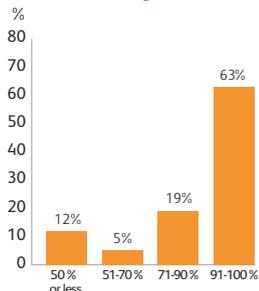
be three to six months into 2021 before the industry sees serious cashflow.”

He said: “The combination of testing, the taskforce recommendations and vaccines is helpful. Seeing these on the horizon gives consumers, lenders and investors more confidence. There is a way to navigate through the next months.”

However, he said summer 2021 “will still be difficult for some”, arguing: “One, we don’t know what impact the testing regime will have. Two, it is early days for the vaccines. It’s not just about vaccinating people in the UK. What is the approach of other countries going to be? Will restrictions still apply in some

FIGURE 8: FURLOUGHED STAFF: % TO BE RETAINED

% of CFOs who expect to retain furloughed staff



Figures rounded so not 100%
Source: Deloitte CFO Survey, Q3 2020

destinations? Three, there will inevitably be people who are more cautious.

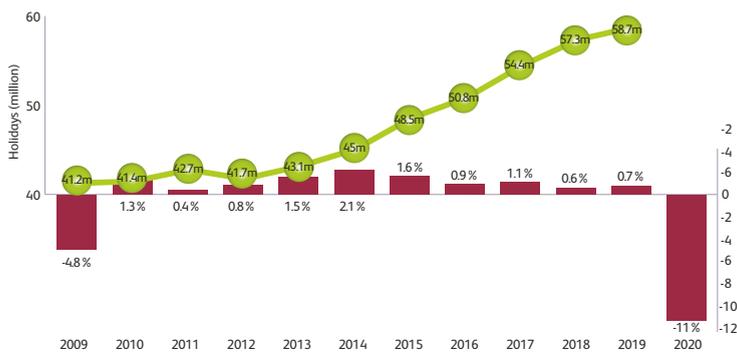
“We could start to see some improvement from April. There is pent-up demand, evidenced by the first travel corridors when we saw a dramatic uptick in bookings. Some businesses managed to achieve 50%-60% of prior year bookings to Greece and Turkey, and we saw a spate of bookings when the Canary Islands opened. There is demand and that gives cause for optimism. The recovery may just be slow to start. Longer term, I see it being gradual and bumpy.”

Pritchard expressed more caution about business travel, pointing out: “Levels of corporate travel never got back to where they were after the financial crisis [of 2008-09]. Corporate travel policies will drive behaviour. While there is a strong desire for people to interact, there will be continued use of technologies which have cost benefits and allow a better work-life balance.

“A lot of companies have also made commitments around sustainability and their environmental footprint. Covid-19 has accelerated that and consumers have seen the impact. Business travel won’t go away, but it is likely to come back smaller.”

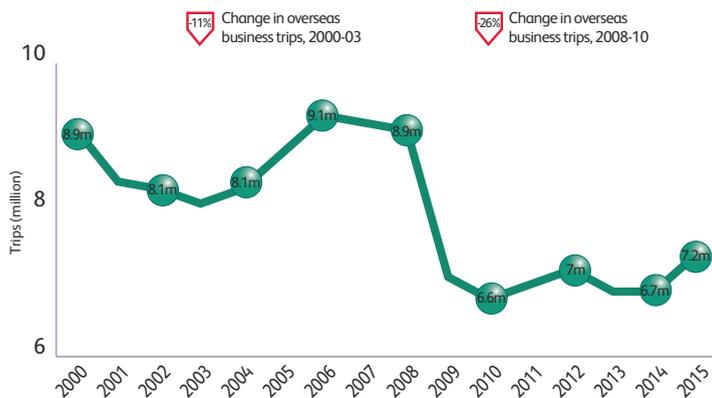
FIGURE 9: OUTBOUND HOLIDAYS & GDP, 2009-20

UK overseas holidays, ONS estimates from 2019



*Bank of England forecast Holiday data revised 2019 and outbound numbers from 2009 re-estimated
Source: ONS

FIGURE 10: UK OVERSEAS BUSINESS TRAVEL, 2000-15



*Data pre-dates ONS statistical revision in 2019 which re-estimated figures from 2009
Source: ONS

IMPACT ON AIRLINES

Obviously, that would have consequences for corporate travel companies, but the impact on airlines could reshape the industry more broadly.

Pritchard said: “Network carriers make a significant proportion of their profits at the front of the aircraft. If business travel is smaller it could mean a reconfiguration of networks.

“With vaccines and testing, consumers may be less worried, but there are likely to be route and network changes and an impact on profitability. Many network

FIGURE 8 suggests a majority of furloughed workers will be retained by UK employers. Figure 9 plots the ONS’s latest overseas holiday data against UK GDP. Figure 10 uses the older ONS data on overseas business trips to show the extent of the contraction post-2008

MARKET OUTLOOK

PATH TO RECOVERY REMAINS UNCERTAIN

carriers will downsize and reduced business travel will have a bearing on city-centre and airport hotels.”

He argued: “When we went into this, there were only about 30 profitable airlines around the world. If the pandemic had played out with no financial intervention you would expect the profitable airlines to survive. Governments have intervened in different ways. We may end up with some historically weaker airlines surviving and some historically stronger airlines that struggle.”

RETAIL FALLOUT

Pritchard sees the Covid-induced uncertainty giving travel retailers a boost, but not necessarily on the high street. He said: “Given the uncertainty, the different rules for different countries, there will be consumers who want the comfort of advice from an agent. I see the role experts can play becoming more important.”

He sees this happening in tandem with “a reduced bricks-and-mortar footprint”, arguing “lower footfall on high streets is probably inevitable”. But he said: “Travel advice will be increasingly important for a portion of consumers, just delivered in different ways as people get travel advice via videoconferencing.”

This should also benefit tour operators. Pritchard said: “Consumers want confidence they can make amendments

“**There will be failures, but businesses have tried to navigate the crisis in a way that leaves them not so stressed that they can't come out of it**”

or get their money back. However, I would not be surprised if in six months consumers return to booking themselves because it is easy. People will still book unprotected travel arrangements.”

The increased debt burden on companies will have an impact. He said: “The costs of servicing debt and repaying it are going to be significant, meaning reduced profitability.”

Pritchard noted additional financing “has generally come from banks, investors or governments [which] have been aware of companies’ ability to repay and not wanted to create levels of debt that lead to ‘zombie’ companies”.

He said: “There will be failures, but businesses have generally tried to navigate the crisis in a way that leaves them not so stressed and strained that they can't come out of it. But if vaccination is not hugely successful and there is a third wave of infection it could become much more difficult.”

The crisis on the high street saw the failures of Debenhams and the Arcadia Group in December. Deloitte real estate partner Simon Bedford noted: “Bigger cities are suffering from a lack of footfall because people have not returned to work. The businesses that suffered most have been department stores and fashion. Businesses that close have been replaced by things you can't do online and that is the way we're probably going to go.”

THE UK began 2020 as, by some margin, Europe's number-one aviation market (Figures 11 and 12). UK travel agents and tour operators were Europe's biggest by value also by a significant margin (Figure 13)

FIGURE 11: EUROPE'S MAJOR AIR MARKETS: PASSENGERS

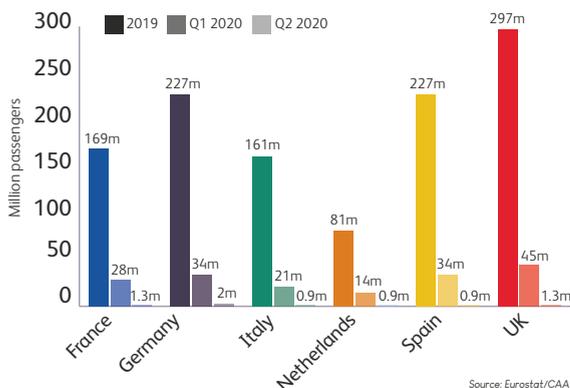


FIGURE 12: EUROPE'S MAIN AIR MARKETS: TURNOVER

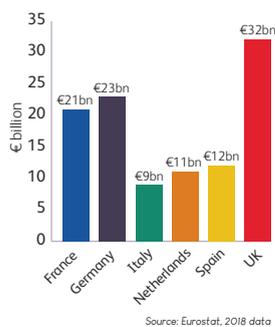
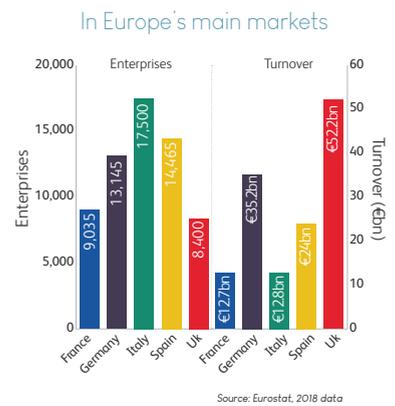


FIGURE 13: TRAVEL AGENCY & TOUR OPERATOR VALUE



But Bedford also noted a counter-trend, saying: “The thing we’ve seen most has been a return of ‘localism’, principally because the local high street is the only place we can go, but also because we’ve realised it’s something we value.”

Outside of major cities, it seems the pandemic may yet turn out to have given the high street a fillip.

BREXIT IMPACT

First, there is the issue of Brexit to contend with, the outcome of which remained unclear as this report appeared.

Speaking in late November, Deloitte Brexit adviser Raoul Ruparel stressed any deal would be limited, saying: “The main thing a deal will do is remove tariffs and quotas on goods.

“But 70%-80% of changes are going to

be the same whether there is a deal or not. A deal would have an impact but it’s not as simple as a deal ‘good’, no deal ‘bad’.”

Arrangements on services would be “a patchwork” either way, he said. “On financial services, if we don’t have an ‘equivalence’ deal there will be restrictions but this is outside the negotiations and most in financial services have prepared on that basis. The impact on the City has not been as great as predicted.”

More broadly, he said: “Services will still take place across borders, but there will be some restrictions. A lot depends on regulation at EU and UK level.”

He forecast “a fair amount of disruption”, saying: “It won’t be significant on inbound goods on day one but may increase over the course of 2021. There is potential for large-scale disruption on outbound.”

However, disruption to air traffic is unlikely. Ruparel said: “Both sides take a pragmatic view of air traffic. The question is, do they take temporary measures and hold out on an aviation agreement until there is a wider deal?”

He noted: “There are likely to be differences at customs and immigration [given] enforcement is down to individual states. There will be some flexibility if tourism is important.

“It’s a bit of a black box. We won’t really know until next year.”

SPAIN is way out in front as the main UK holiday destination (Figure 14). The gap in spending between older and younger travellers is pronounced (Figure 15). Figure 16 reflects the recent growth in value of UK industry sectors

FIGURE 14: TOP-10 DESTINATIONS FROM UK, 2019



FIGURE 15: UK OUTBOUND TRIPS AND SPENDING BY AGE, 2019

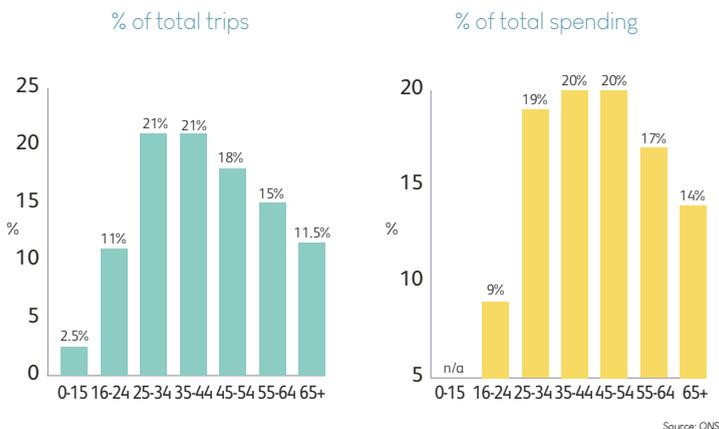
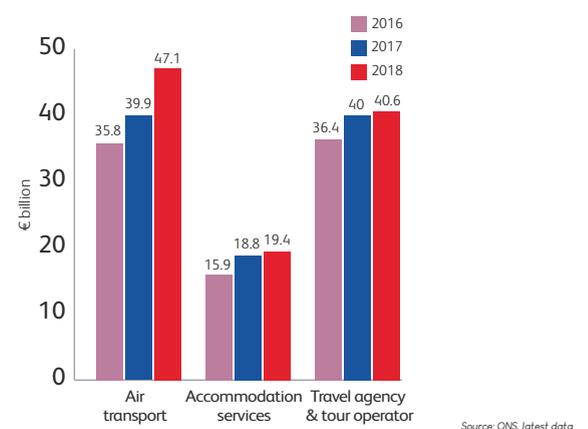


FIGURE 16: VALUE OF UK TRAVEL, 2016-18



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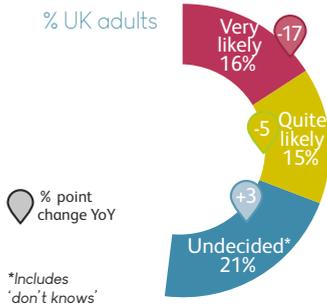


UK HOLIDAY MARKET

SERVICE SCIENCE/KANTAR CONSUMER RESEARCH

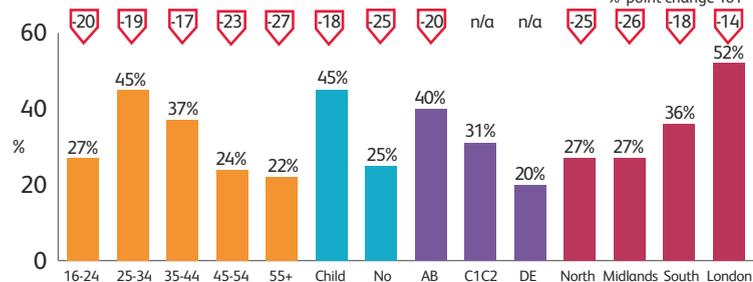
FIGURE 17: HOLIDAY DEMAND FOR 2021

LIKELIHOOD OF OVERSEAS HOLIDAY



% UK ADULTS LIKELY TO TAKE OVERSEAS HOLIDAY

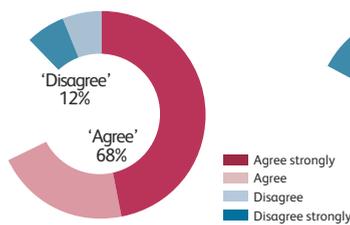
By age, class, region



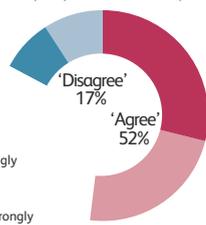
Demand for overseas holidays in 2021 will be down, but 31% 'likely' to take a holiday is remarkable in the circumstances (Figure 17). Concerns about Covid-19 are clearly widespread (Figure 18)

FIGURE 18: ATTITUDE TO COVID SAFETY MEASURES

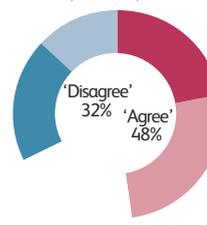
Long-haul holiday unlikely before vaccine available



More likely to travel on holiday by car than fly



Happy to fly if all passengers tested pre-departure



Attitudes by age

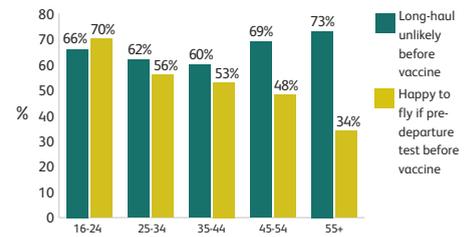
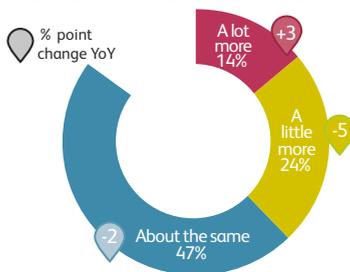


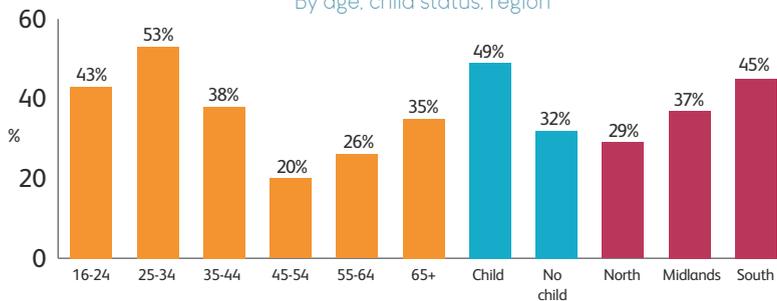
FIGURE 19: SPENDING ON OVERSEAS HOLIDAY, 2021

LIKELY SPEND OF UK ADULTS LIKELY TO TAKE HOLIDAY ABROAD



ADULTS LIKELY TO SPEND MORE

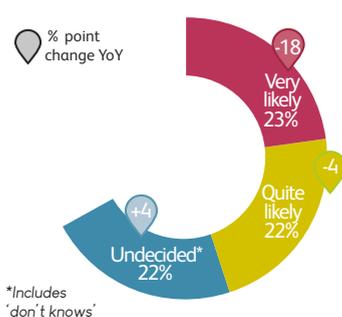
By age, child status, region



A majority of those intending to travel in 2021 will spend at least as much or more on holiday than last time they travelled (Figure 19)

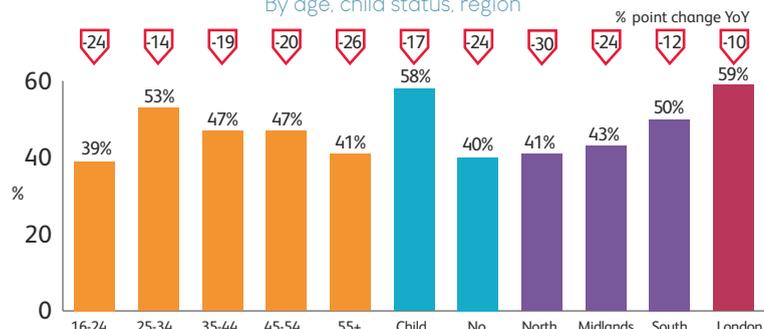
FIGURE 20: UK DOMESTIC HOLIDAY DEMAND, 2021

LIKELIHOOD OF DOMESTIC HOLIDAY



ADULTS LIKELY TO TAKE DOMESTIC HOLIDAY

By age, child status, region



Not quite half (45%) of UK adults intend to take at least one domestic holiday in 2021 (Figure 20) – a good proportion but down by the same amount as those likely to travel overseas

November 2020 Base: 1,279 UK adults Source: Service Science/Kantar

OUTBOUND

RESEARCH CONFIRMS UNDERLYING DEMAND

The Insight 2019-20 report noted the outbound sector “had a difficult 2019” amid uncertainty about Brexit and significant short-haul overcapacity. The 2020 experience put that in perspective, with travel for the most part grounded.

However, flurries of demand when the travel corridors first opened in July and when a popular destination joined the corridors list demonstrated hopes of pent-up demand were not wishful thinking.

Consumer research for this report confirmed the underlying strength of demand with almost a third (31%) of a representative poll of UK adults ‘likely’ to take an overseas holiday in 2021. That is 22 percentage points down on the previous year, but represents an enormous vote of confidence in the circumstances.

There was a decline across all age groups, but with the sharpest among those 55 and over. Younger adults, aged 25-44, showed the highest propensity to book a holiday abroad, with 45% of parents with children intending to travel. About one in six respondents (16%) declared themselves ‘very likely’ to book a holiday, suggesting 8.5 million are bursting to go. Two in five (38%) expect to spend more on their overseas holidays in 2021 and half about the same.

Vaccine rollout and consumer confidence will dictate speed of market recovery

Contrary to many forecasts, there is no significant change in the type of holidays consumers intend to take. As the accompanying charts show (*page 17*), two in five (42%) plan a beach holiday and one in five (19%) a city break – both on a par with a year ago.

Most strikingly, the popularity of all-inclusive arrangements appears undimmed, with more than half of those intending to travel planning an all-inclusive holiday and a further one in five undecided. Two-thirds of respondents with children under 16 identified all-inclusive as their preferred option.

There is no significant change in intended duration other than a continuing decline in 14-night holidays and rise in short breaks. Almost one-third intend to take a main overseas holiday of seven nights, 27% a shorter break, 17% eight-13 nights and 9% more than a fortnight.

The research suggests flexible booking conditions and confidence in the availability of a refund if forced to cancel will be critical considerations for many holidaymakers.

Outbound businesses still have to survive through to the summer season to take advantage of this demand, with the winter 2020-21 season sharply curtailed by pandemic restrictions.

BEACH holidays remain overwhelmingly popular among those intending to take a holiday in 2021 (Figure 21) and all-inclusive resorts appear more popular than ever (Figure 22). Confidence in the availability of a refund will be important to more than half of prospective holidaymakers (Figure 23)

The Deloitte view

No one could have predicted the pandemic and its impact on travel. Government data shows only 939,000 UK residents headed overseas in the three months to June, 96% fewer than the same period in 2019.

Deloitte has tracked consumer sentiment throughout 2020 to see the impact the pandemic has had on the intention to travel. At the start of the lockdown in early April, sentiment was at its lowest, with only 18% of UK consumers feeling safe to fly and, unsurprisingly, only 16% planning an international flight in the next three months.

We saw travel intention pick up in the summer as we emerged from the first

lockdown, boosted by the summer break and demand in particular from the 18-34 age group. However, the second lockdown in England and Northern Ireland, the ‘firebreak’ in Wales and the five-level system of restrictions in Scotland dashed hopes of a quick recovery, with further restrictions on international travel and travel corridors.

Our survey in early November showed that while 24% of consumers felt safe to fly, only 15% planned to take an international flight in the next three months. Consumers are likely to remain cautious about travel plans due to the uncertainties around travel corridors, quarantine and cancellation terms.

While demand for travel will eventually spring back, the nature of that demand may be different. The younger generation is more likely to drive the rebound, and brands that offer transparency and protection will gain consumer trust. Consumers are more likely to select destinations closer to home which have adequate hospital facilities.

But with pent-up demand being seen when travel corridors such as to the Canaries were announced, let’s hope news of a vaccine and testing options improve consumer confidence for the turn-of-year booking period.

■ **Danielle Rawson, head of Travel, Deloitte**

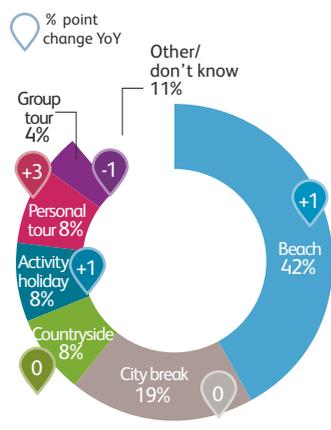
Tui agreed additional financial aid of €1.8 billion with the German state development bank and the group's largest shareholder in early December, adding to the €1.2 billion it secured in August and €1.8 billion in May.

The facilities matched those required by major airlines, but Tui chief executive Fritz Joussem insisted the group benefited from its integrated business model. Speaking in August after a loss of almost €2.3 billion for the nine months to June, he said: "The integrated business model allowed us to restart first. We can make integrated decisions from marketing to delivery. If you are independent, it's much more difficult. Changes [to travel restrictions] are not problematic for our business. The integrated model also allows us to drive our digital-first strategy much faster."

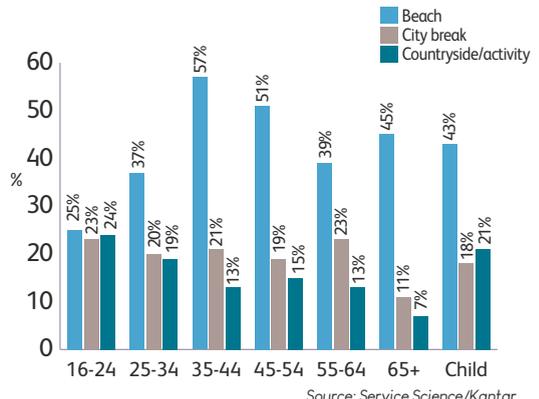
Tui announced the closure of 166 agencies in the UK and Ireland in July, reducing its high street presence to 350 stores, although 70% of affected staff could be retained.

UK number-two Jet2 halved capacity for winter 2020-21 after reporting a half-year loss of £120 million to September. Chairman Philip Meeson hailed news of a vaccine but signalled "a cautious approach to summer 2021".

FIGURE 21: TYPE OF OVERSEAS HOLIDAY, 2021

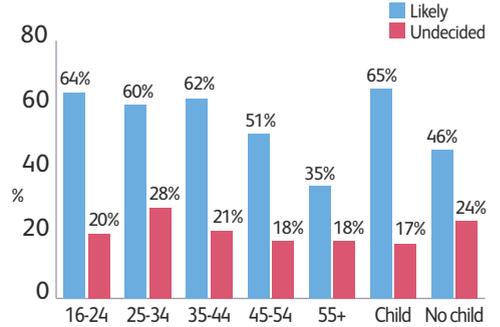
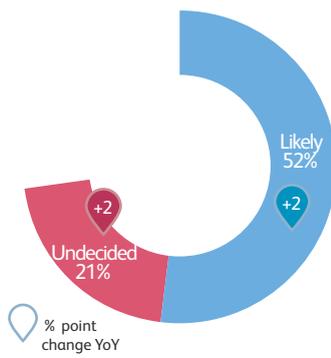


By age, child status



Source: Service Science/Kantar

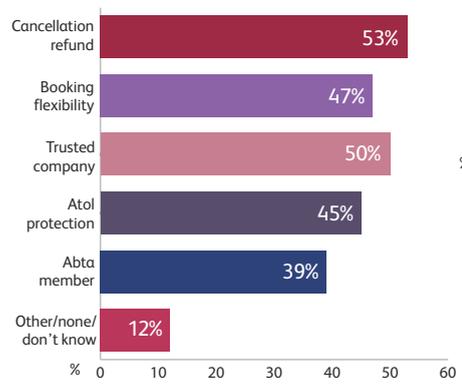
FIGURE 22: LIKELIHOOD OF BOOKING ALL-INCLUSIVE OVERSEAS HOLIDAY, 2021



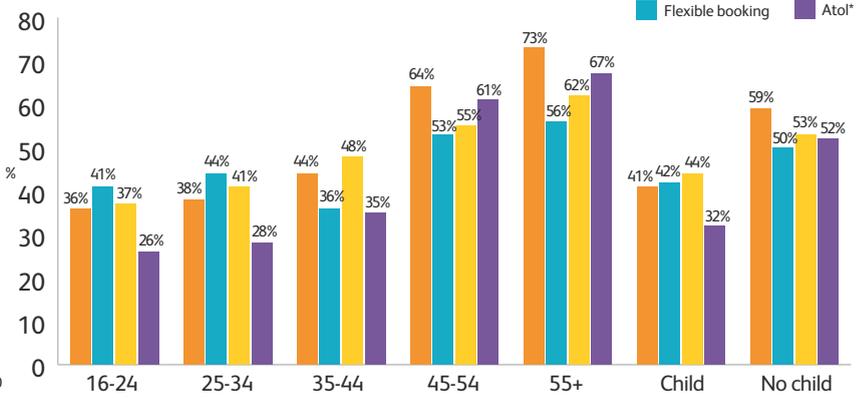
Source: Service Science/Kantar

FIGURE 23: KEY FACTORS WHEN BOOKING OVERSEAS HOLIDAY, 2021

UK adults intending to take a holiday abroad



By age, child status



*Results for Atol protection and Abta membership broadly similar, but respondents identifying Atol exceeded those for Abta. Source: Service Science/Kantar

INBOUND

SECTOR NEEDS SUPPORT TO SURVIVE TO SPRING

Inbound association UKinbound urged the government to create a £45 million ‘Tourism Resilience Fund’ to support the sector as it warned of the loss of almost two in three jobs.

UKinbound members presented proposals to the Treasury in November, with chief executive Joss Croft reporting the collapse in international visitors was costing in excess of £450 million a week. The association, which represents 300-plus inbound businesses, sought a scheme of grants to enable businesses to survive until the spring.

A survey of inbound tour operators and destination management companies (DMCs) suggested 64% of jobs could be gone by the end of 2020 and six in 10 feared their business would not survive. The association forecast turnover by the end of 2021 would remain below half the level of 2019 and pointed out “previously profitable and sustainable” businesses had been “excluded from crucial support channels”.

The proposed fund would allow tour operators and DMCs to apply for capped grants based on turnover lost in 2020.

Croft said: “We’ve seen the number of international visitors fall off a cliff. A lot of businesses have used their reserves and are on their knees. They need support to be able to operate next year.

Inbound visitor numbers ‘fell off a cliff’ in 2020 and domestic tourism is no substitute

Without it, we’ll see business failures. My concern is when the market comes back these businesses are not going to be around.”

He described the summer as “absolutely disastrous”, telling *Travel Weekly*: “There has been no inbound tourism. Quarantine had a massive impact – 92% of people who come to the UK come for less than 14 days so 14-day quarantine put people off.”

The ‘test and release’ from quarantine scheme due to operate from December 15 promised no great relief. However, the government’s Global Travel Taskforce which reported in November suggested ‘tour bubbles’ could allow inbound tour groups to avoid quarantine by arriving and staying together and using private transport to visit “Covid-19 secure venues”. The concept would extend the model already in use for sports teams.

An aviation source told *Travel Weekly*: “Inbound group bubbles could work. It’s potentially easy to administer. Groups would be the responsibility of the operator and there are a limited number of players.”

The taskforce also promised a Tourism Recovery Plan to support the sector and “a flagship overseas marketing campaign at the appropriate time”.

A spike in domestic holidays in the

The Deloitte view

The outlook for inbound travel is expected to continue to be challenging, as consumer confidence remains low.

The second lockdown – with international travel restricted, most potential visitors facing quarantine, and lockdowns in neighbouring countries – brought most travel within Europe to a grinding halt. With many attractions closed and holiday season celebrations likely to remain muted, the industry will continue to see low numbers in the near future.

VisitBritain forecast a decline of 74% inbound tourism visits to the UK in 2020 to 10.6 million and a decline of 79% in spending to £6.1 billion. The drops compare with

pre-pandemic forecasts of 31 million visits and almost £24 billion in spending.

With a new year on the horizon, usually an important booking period, it is more important than ever to understand consumer priorities. Decisions will be made differently due to uncertainties caused by the pandemic. Businesses will be expected to protect consumers from disruption, while still providing a highly experiential product. Alongside enhanced hygiene measures, insurance, flexible rebooking and cancellation will be critical to rebuilding consumer trust.

The government’s levelling-up agenda, focused on regional growth, includes plans

to attract international visitors to locations beyond core destinations such as London. The importance of, and investment in, transport connectivity, regional attractions and accommodation should increase.

As the industry introduces testing and other safety measures, hope remains that an effective vaccine will speed up the time when travellers feel comfortable travelling again. Once the threat of Covid-19 has lessened, consumers will reprioritise travel, with holidays among the most-anticipated of leisure activities.

■ **Alistair Pritchard, lead partner, Travel and Aviation**

summer did not aid the sector, Croft said: “Our member operators don’t have the opportunity to pivot to domestic business. That is not the way they’re set up.”

He added: “International visitors typically spend three times what domestic visitors do on a trip. So a domestic tourism pick-up is not going to secure jobs in the regions and across the visitor economy.”

‘DESPERATELY HARD TIME’

Croft warned of “a desperately hard time for British tourism” saying: “These tour operators drive regional tourism economies. If they aren’t around, there is nobody to jump into their place. They are market-specific. They have the relationships with international businesses.

“These are businesses that did not receive much income from December to February, then Covid kicked off and now they face winter. It’s going to be very difficult for them to get through to 2021.”

Tom Jenkins, chief executive of European tourism association Etoa, noted in September: “There is no UK inbound activity. Groups coming in are rarer than hen’s teeth.” Yet he insisted there was “strong underlying demand”, telling *Travel Weekly*: “There is real desire to have a vacation. There is demand but it’s suppressed and forbidden. This is a hostile environment for group travel and FIT [independent travellers].

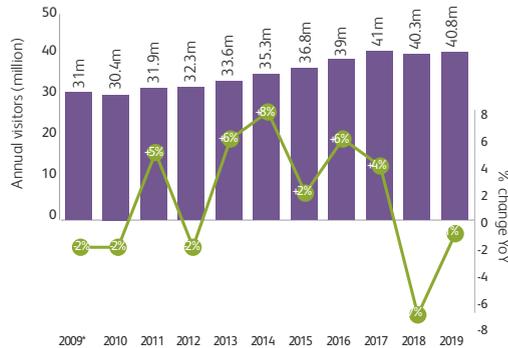
“But the picture for 2021 is not bad – 2020 was going to be a record year and many people have rescheduled, so there are almost record bookings for 2021.”

Jenkins insisted: “If there is a vaccine, we’ll see a recovery rolling through 2021 and achieve real volumes in 2022. It is unlikely to be at the levels of 2019, but we’ll return to something like normal levels of demand by 2022.”

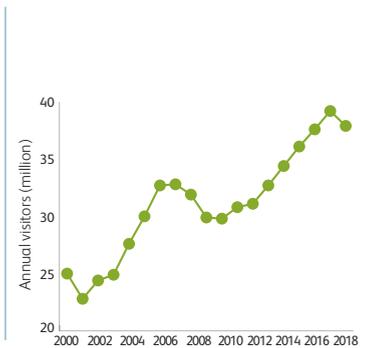
He said: “The big question is the extent to which airlines recover their volumes. All other slumps have been rescued by airlines maintaining capacity and leading with cheap prices. This slump is so deep the airlines have cut capacity.”

FIGURE 24: OVERSEAS VISITORS TO UK, 2009-19

All trips and % change year on year in nights



All trips



All trips, including business & visiting friends & relations (VFR)
Note: Data from before ONS statistical revision in 2019 which revised figures from 2009 onwards. Source: ONS

FIGURE 25: TOP INBOUND MARKETS, 2019

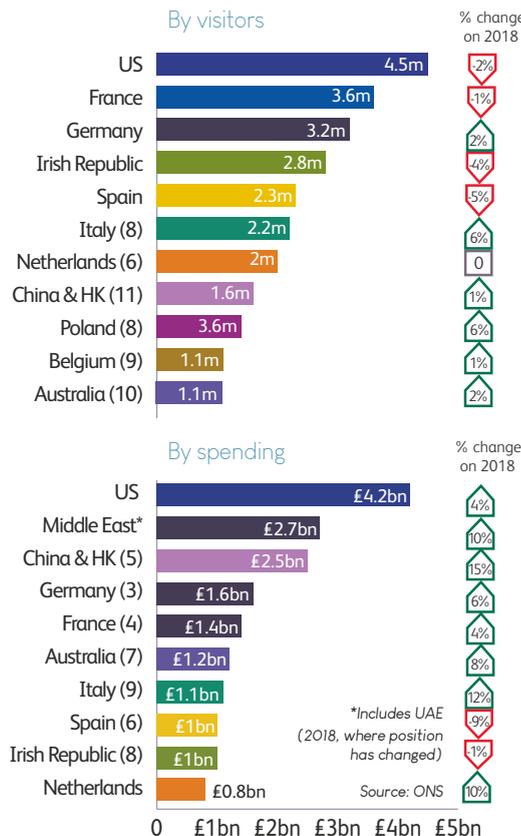


FIGURE 26: INBOUND HOLIDAYS TO UK, 2019



FIGURE 24 shows inbound visitor numbers to the UK from 2009 to the present using the latest, revised ONS data which reflects little impact from the 2008-09 crisis and recession (left chart). The line chart on the right, based on unrevised ONS data, shows the impacts of both 9/11 and the 2008 crisis. The US was again the UK’s biggest inbound market in 2019 (Figure 25)

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Mark O'Neill, Core Systems Manager, Virgin Holidays

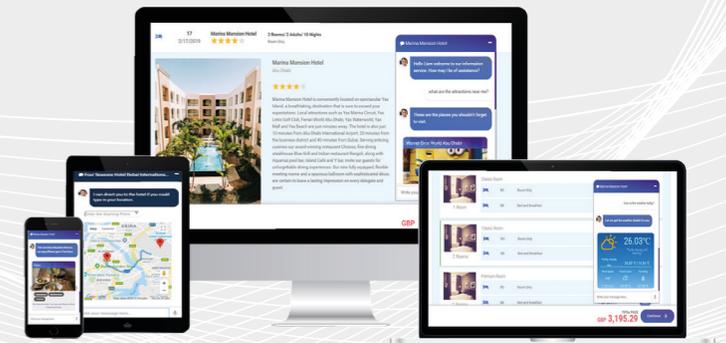
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Trina Cotes, Strategic Development Director, Kuoni (a brand of Der Touristik UK Ltd.)

DOMESTIC

RURAL DESTINATIONS OUTDOOR CITIES IN DISMAL YEAR

A record year for UK tourism in 2019, when domestic holiday numbers broke 60 million, gave way to the worst year since wartime.

There was something of a domestic recovery following the initial lockdown. But the GB Tourism Survey which collects data on domestic trips was unfortunately suspended through 2020 due not only to Covid-19 restrictions but to a planned update of methodology. Figures are not due for release until 2021, meaning we have no record of how the year unfolded between lockdowns or of the relative impact of different tier restrictions.

However, VisitBritain research identified “restrictions on travel” as the leading reason why UK adults did not feel confident about making overnight domestic trips in winter 2020-21, with concerns about catching Covid the second most-cited reason.

The research provided a footnote in the government’s Global Travel Taskforce report in November which promised a Tourism Recovery Plan for the sector and pledged the Department for Culture (DCMS) would continue to work closely with the sector through the Tourism Industry Council and alongside the Devolved Administrations.

Tourism minister Nigel Huddleston,

A short summer season briefly offset the impact of lockdowns but the market could see good demand once travel revives

speaking at a World Travel Market online conference in November, noted: “We were looking forward to a bumper year. Bits of domestic tourism had a decent summer, but we all know cities suffered.”

Addressing MPs in September, Huddleston said: “We’ve seen some positive signs. Hotel and accommodation occupancy rates in coastal and rural areas have been relatively high – in some cases, back to 2019 levels by the end of August.

“Self-catering cottages, campsites, caravan and holiday parks have generally reported a strong summer and many outdoor attractions have seen high footfall.”

Huddleston defended the government’s record on support for the sector, but said the government “can’t do everything it’s asked”, adding: “A lot of requests come from the industry. We can’t save every job. Large swathes of the travel and tourism sector did get support.”

The minister, who worked in travel before being becoming an MP, noted: “The sector has had periods of difficulty in the past. It has always bounced back.”

Labour’s shadow tourism and heritage minister, Alex Sobel, warned the government in September that ending the furlough scheme would “mean mass unemployment and business closures”. In a Commons debate, Sobel noted

The Deloitte view

Confidence in travel wavered following the first Covid-19 lockdown, but by late September consumers had grown more confident about staying in hotels and holiday homes, driving demand for domestic travel. However, a second national lockdown brought a fresh ban on both domestic and international travel.

While this was a blow for tourism, demand was already soft prior to the lockdown announcement. Localised restrictions slowed the upward trend in bookings. Before the second lockdown, VisitBritain forecast UK domestic tourism spending would reach £46.8 billion in 2020, down 49% on 2019.

Being able to spend time with loved ones safely is likely to be a core motivation for travelling in 2021, when domestic holidays will remain an appealing choice. City breaks are predicted to appeal less than coastal and rural destinations. Other segments that enable travellers to avoid contact with strangers could be preferred – outdoor activities, self-drive trips and self-catering.

Tourism authorities and businesses may benefit from promoting lesser-known places, quieter parts of popular destinations and socially-distanced outdoor activities and experiences. Government initiatives to increase transport connectivity and safety,

level up infrastructure and regenerate local economies should boost regional tourism.

As employers show greater flexibility on working locations, combining holidays with work will become more common, particularly among the younger generation. Deloitte’s Q3 Consumer Tracker found twice as many under-35s as over-55s want permanent flexible working post-pandemic.

Health concerns coupled with financial worries could make travellers more cautious about their spending and regard domestic destinations as a financially safer option.

■ **Alistair Pritchard, lead partner, Travel and Aviation**

UK tourism had “lost Easter, two bank holidays and the whole of June” and “51% of hospitality staff were still not back at work in August”. Inverness MP Drew Hendry agreed, arguing: “Tourism businesses will find it more expensive to be open without these [furlough] measures than to remain closed with them.”

Many MPs raised concerns about the crisis facing the coach-touring sector after Specialist Leisure Group, parent of coach operator Shearings, collapsed in May. Angus MP Dave Doogan warned: “Many coach operators will not recover. There is very little time left for the sector. The government must act.”

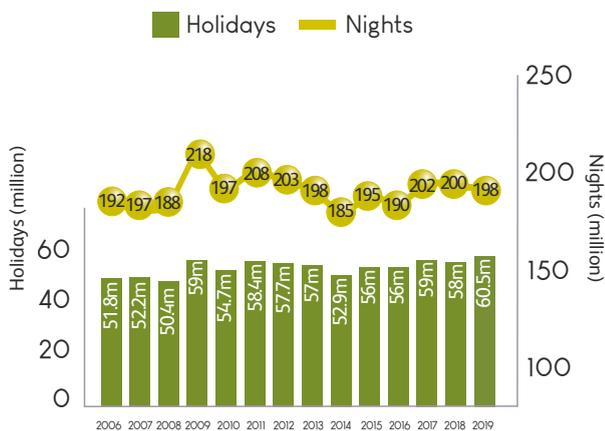
Huddleston acknowledged “the important role the coach sector has” and said: “We’re engaging with the DfT on the serious challenges the sector faces.”

In December, UKHospitality called on the government to set up a ‘Hospitality and Tourism Recovery Fund’ to support businesses at risk of failure. Chief executive Kate Nicholls urged ministers to act, saying: “A fund, including rent support to preserve the future of our high streets, would deliver a huge boost to businesses just clinging on to life.”

Research for this report suggested 45% of UK adults are likely, and one in four (23%) ‘very likely’, to take a domestic holiday in 2021, giving grounds for optimism if businesses can survive the winter. ■

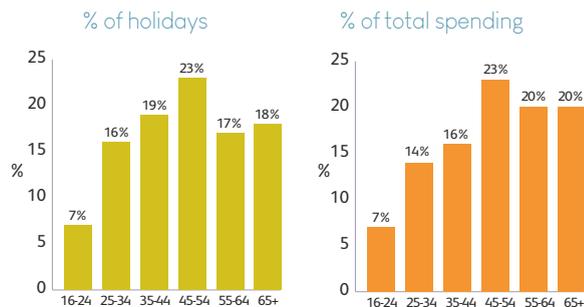
“
Many coach operators will not recover. There is very little time left. The government must act

FIGURE 27: UK DOMESTIC HOLIDAYS, 2006-19



Source: GB Tourism Survey

FIGURE 28: UK DOMESTIC HOLIDAYS AND SPENDING BY AGE, 2019



Source: GB Tourism, VisitBritain

DOMESTIC holiday numbers hit a record 60 million in 2019 (Figure 27). Older adults are the biggest spenders on domestic breaks (Figure 28). 40% of all domestic overnight stays are spent by the sea (Figure 30)

FIGURE 29: DOMESTIC ACCOMMODATION, 2019

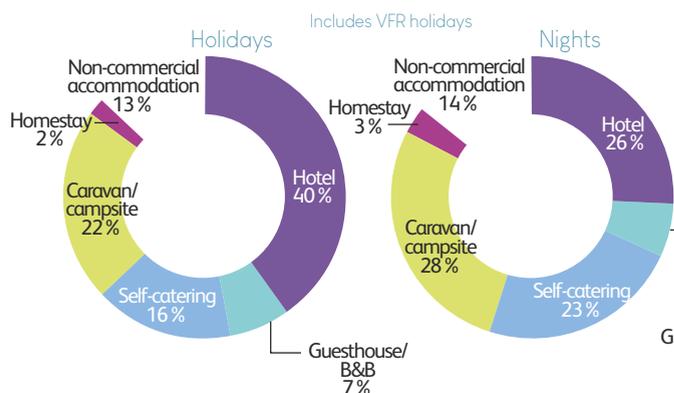
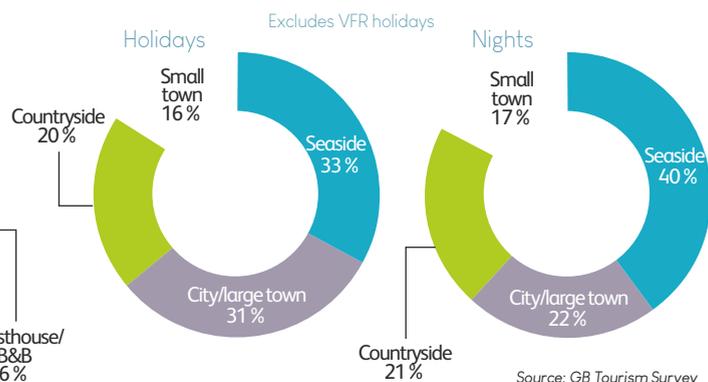


FIGURE 30: DOMESTIC DESTINATIONS, 2019 HOLIDAYS



Source: GB Tourism Survey

BUSINESS TRAVEL

SECTOR FACES STRUCTURAL SHIFTS AFTER PANDEMIC

Corporate travel was at a standstill from March without even the fillip of a stuttering reopening in the summer and there were fears the rate of job losses at travel management companies could hit 60% by October.

The last-minute extension of the furlough scheme helped a little, but Business Travel Association (BTA) chief executive Clive Wratten told *Travel Weekly*: “It’s a catastrophe.”

He dismissed the impact of a reduction in quarantine through a ‘test and release’ regime, saying a release from quarantine after five or seven days would “make little difference” for business travel. But Wratten believes corporate traffic could rise sharply once it does resume, arguing: “It will be a slower start but a faster ramp-up.”

The government’s Global Travel Taskforce report in November included a recommendation “to study the feasibility” of a short-stay quarantine exemption for international business travellers. An aviation source told *Travel Weekly*: “We need the proposal fully worked up. Germany has done it with a letter from an employer indicating a traveller is on essential business. It remains to be seen whether that can get across the line.”

Wratten argued: “It’s going to be well into 2021 before we see any real

Corporate travel leaders predict a slower initial recovery than the leisure sector but a sharper spike

emergence of business travel, but the spike will be higher than for leisure travel.” He suggested: “We need people back in their offices – then we can get travelling again. We’re talking about 2023 or 2024 before we get back to where we were. It’s hard to predict. Videoconferencing has proven to work, but equally you have to meet people.”

Network carriers are certainly not expecting a rapid return of corporate traffic. Before stepping down as IAG chief executive in September to take over at Iata, Willie Walsh noted: “We expect a structural change in the business.”

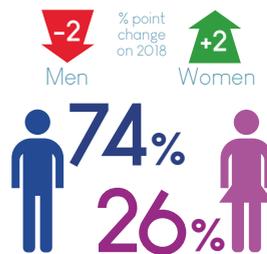
TRAVELLER TRENDS

Almost one in two corporate travel managers believe employees are willing to travel again, according to a Global Business Travel Association (GBTA) poll in November. But only 9% were “very willing” and more than one in five (22%) not willing to travel, although 60% said availability of a vaccine would make corporates likely to sanction travel.

A GBTA poll in October found 63% of members in Europe identified government restrictions as the greatest barrier. One in three (32%) cited company policy as a barrier to travel, with only 9% identifying employee reluctance to travel.

FIGURE 31:
UK CORPORATE TRAVELLERS

Overseas trips, 2019



Source: ONS

The Deloitte view

2020 has been a year of respond, recover and reinvent, for travel managers, buyers and suppliers alike.

The entire travel ecosystem remains under immense strain and traditional operating models will continue to be challenged for some time. For example, travel management companies will need to re-evaluate the transaction fee model used for some clients because this will no longer cover the cost of service, as volumes have reduced to single digits for many months.

Covid-19 has tested travel teams and their supply chains to the limit. Access to locations has reduced rapidly, often with

only hours to locate and extract employees from around the world. Some of the key learnings that will be vital as we move through recovery to reinvention include sustainability and use of technology.

Sustainability: it is now beyond doubt that many employees can work remotely and remain productive. This means organisations can reset when they need to travel and how the need for travel is managed. We call it Smart Travel – meeting customers’ needs and obligations to reduce carbon emissions through making the right choices and balancing those effectively.

Technology: we are now in the age of

‘contactless travel’, from check-in at the airport to hotels, taxis, rail and restaurants. Technology will allow us to meet medical and visa-entry requirements around the world, removing the need to carry documentation, improving the traveller experience and lowering the cost of service delivery.

Business travel is not just a cost of doing business. It enables business, facilitates collaboration and engagement, solves problems and generates solutions that make positive changes for all. How and when is the next challenge for business travel.

■ **Jon Bolger, head of Business Travel, Deloitte**

At the same time, four out of five respondents (82%) rated face-to-face meetings 'more' effective than virtual.

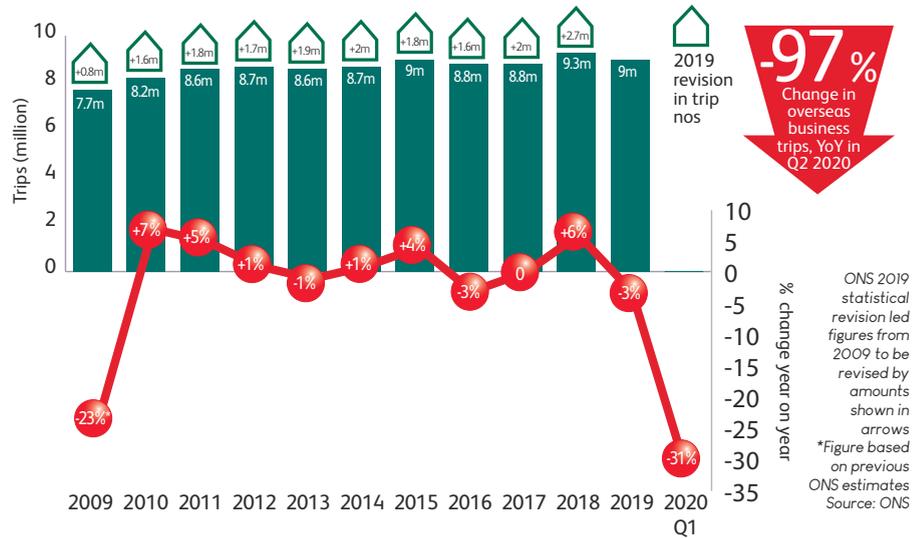
Three out of five reported their companies had reduced staff or laid off employees as a result of the pandemic, half had furloughed employees and half (48%) cut pay. Almost two-thirds (62%) considered further job cuts 'likely'.

An earlier poll of GBTA members in August suggested a sharp move against booking direct or through online agencies (OTAs). Two-thirds of respondents (66%) said they would be less likely to allow travellers to book direct with suppliers and 65% less likely to allow bookings through an OTA.

The BTA took the opportunity to consult members and corporate clients on industry pricing models, with a white paper published in October laying out the strengths and weaknesses of transaction, subscription and management fees.

It aimed to bring clarity to the process and develop standards for the different fee models. Wratten said: "We planned to do this anyway, but Covid accelerated the process. The world has moved on but the model has not. We hope to come out of this with standards for each model." ■

FIGURE 32: OVERSEAS BUSINESS TRAVEL FROM UK, 2009-20



THE ONS statistical revision in 2019 substantially raised the recorded number of overseas business trips since 2009 (Figure 32). It's difficult to see these numbers being maintained. UK corporate travellers appear to spend the most amount of time in the US and France (Figure 33). Spending on domestic overnight business trips appears to be in decline (Figure 34)

FIGURE 33: LEADING BUSINESS DESTINATIONS FROM UK, 2019

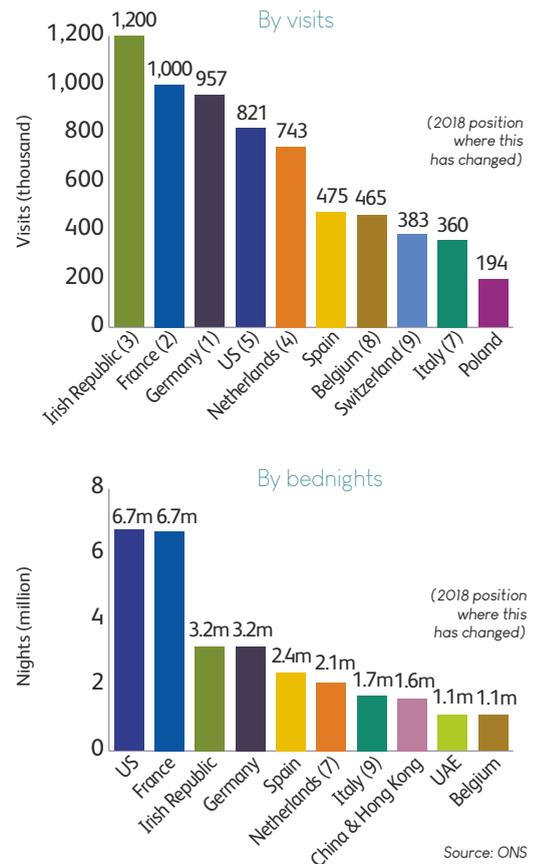
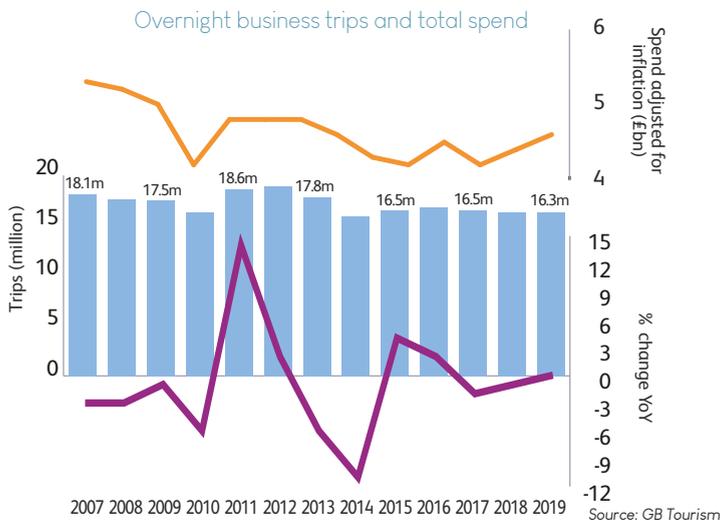


FIGURE 34: UK DOMESTIC BUSINESS TRAVEL, 2007-19



CRUISE

SECTOR EAGER TO PULL ANCHOR AND RESTART

UK cruise leaders called for a timeline for resuming operations after the government's Global Travel Taskforce reported "now is not the time" to restart cruising in November. But the report set a framework for restarting and noted the pressure to resume by spring.

The taskforce recommended "a gradual phasing in of operations, starting with UK cruises [and] transitioning to European ports of call before a full resumption".

It acknowledged concern that without bookings in "the peak season between Christmas and February...business for next year will be written off" and noted a "restart of seagoing cruises since August" in Germany, Italy, Greece, Malta, Cyprus, Croatia, France, Norway, Madeira and some Caribbean islands, with cruises also due to restart in the Canary Islands and Singapore.

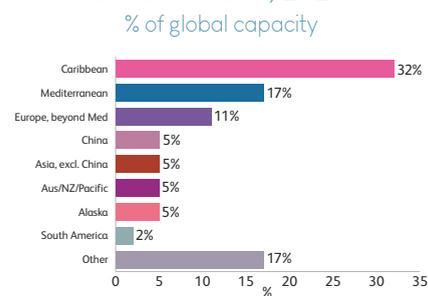
RESTART PHASES

A restart will depend on cruise operators taking responsibility for repatriating passengers and seafarers if necessary, and progress in three phases.

Phase 1 will see cruises start and end in the UK and call only at UK ports.

Taskforce sets out framework for phased resumption of sailings

FIGURE 35: PLANNED CRUISE DEPLOYMENT, 2020



Phase 2 will allow calls at European ports but cruises will continue to start and end in the UK, and Phase 3 will see normal operations resume.

Cruises also remained suspended in the US as this report was published, but the US Centres for Disease Control and Prevention (CDC) issued a 'Framework for Conditional Sailing Order' at the end of October, outlining a "phased approach" for a resumption. Cruise lines will operate itineraries without passengers to study the effectiveness of Covid prevention measures.

The order came after a Healthy Sail Panel of experts, set up by Norwegian Cruise Line Holdings and

THE CARIBBEAN dominates cruise line deployment, followed by the Mediterranean (Figure 35)

The Deloitte view

After years of solid growth, the cruise industry has been investing heavily in new product. Prior to the pandemic, the sector was reaching a critical juncture where the significant increase in new capacity would have resulted in supply exceeding demand in the near term. As a result, the industry had been focused on attracting the all-important 'new-to-cruise' consumer.

Covid-19 has presented significant challenges and will continue to do so over the short to medium term. The task of repatriating customers and tens of thousands of crew was monumental and the industry bore the brunt of difficult media reporting despite some of the issues being out of cruise lines' control.

As the industry plots its way to a restart, die-hard cruisers are likely to return when they feel safe to do so. The bigger challenge is the need to attract 'new-to-cruise' customers in a world where consumer confidence has been knocked significantly.

Different recovery dynamics will play out across ocean, river and expedition cruising depending on customer demographics and geographies of operation.

While cruise lines have taken swift action to restructure fleet sizes, the key question is how the demand/supply equation will play out as new tonnage arrives. Focus on rebuilding consumer confidence will be paramount, with health and safety now

a key priority for travellers. The industry has a range of protocols designed to allow sailing to recommence in a Covid-19 world, but undoubtedly the journey to rebuild confidence will not be straightforward.

Prior to Covid-19, the number of sea cruise holidays taken by UK and Irish travellers was expected to grow by 22.5% between 2018 and 2023. As the industry resets, it will be important to focus on the value cruising offers and to broaden the customer base to younger travellers, honeymoon couples and families travelling with multiple generations.

■ Alistair Pritchard, lead partner, Travel and Aviation

Royal Caribbean Group, submitted 74 recommendations to the CDC in September.

Royal Caribbean chairman and chief executive Richard Fain admitted frustration at the continuing suspension, but insisted there is “light at the end of the tunnel” thanks to “greater understanding of the virus”, developments in testing and progress in developing a vaccine.

He explained: “There are things that make a ship more demanding, but there are also advantages. A ship is a controlled environment. We intend to make our ships a bubble.”

‘PENT-UP DEMAND’

Royal Caribbean’s *Quantum of the Seas* was due to resume sailing from Singapore in December and the company reported “a significant bookings spike”, noting: “It’s just one of 53 ships, but it highlights the pent-up demand.”

Norwegian Cruise Line Holdings chief executive Frank Del Rio similarly reported in August: “Between 15 million and 20 million people have not been allowed to cruise this year – there will be a lot of pent-up demand.”

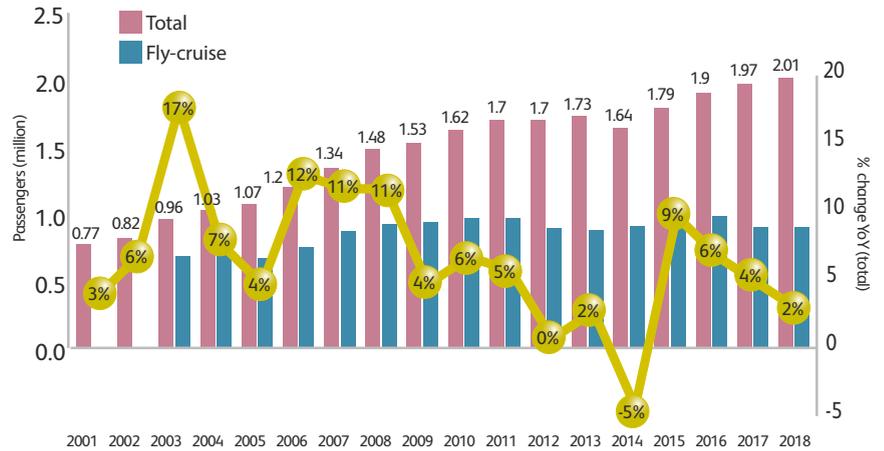
“People are booking. We’ve not seen any major shifts in consumer behaviour. So long as we can ascertain cruising is safe we’ll have customers coming back in droves.”

MSC Cruises became the first line to resume operations in the Mediterranean in mid-August with flagship *MSC Grandiosa* launching seven-night cruises in the western Med, with access restricted to Schengen area residents. The line had to suspend sailings temporarily from early November following travel curbs in France and Germany.

However, MSC chief executive Gianni Onorato suggested cruise could become “the safest holiday option”, arguing: “We can arrange all aspects of the journey.”

He explained: “We test everyone at embarkation. We test all crew at home

FIGURE 36: UK & IRISH OCEAN CRUISE PASSENGERS, 2001-18



Source: Clia/ONS

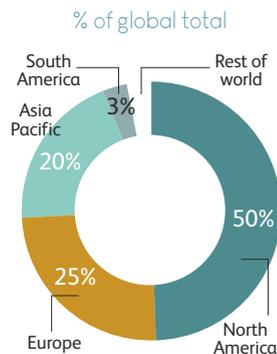
THE STEADY rise in the UK cruise market is clear (Figure 36), reflecting the sector’s global expansion (Figure 38). However, the US continues to dominate the sector (Figure 37)

before they leave, on embarkation and after 14 days. We respect social distancing and wearing masks where social distancing is not possible.

“Guests are allowed to go ashore only on MSC excursions. We isolate any suspect case and all close contacts. Application of these protocols has allowed MSC Cruises to restart. We showed cruises are possible.”

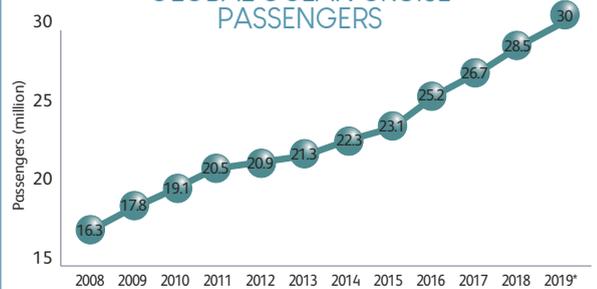
Southampton will gain a fifth cruise terminal for the 2021 season following a deal between Associated British Ports, MSC Cruises and NCL Holdings. The new terminal in the city’s Western Docks will be able to accommodate ships of up to 6,000 berths.

FIGURE 37: CRUISE PASSENGER ORIGIN, BY REGION



Source: Clia

FIGURE 38: GLOBAL OCEAN CRUISE PASSENGERS



*Forecast Source: Clia

HOSPITALITY

'AMAZING RESILIENCE' DESPITE REAL STRESS

The experience of China suggests Covid-19 needs to be under control before hospitality recovers. That is the view of Robin Rossmann, managing director of hospitality data analyst STR.

He told a Future of Hospitality Summit in October: "Travel demand in China has not been damaged. It recovered quickly. But China has the virus under control. Restrictions on movement have been lifted. It has not had more than 100 new cases a day since March."

Rossmann noted: "The Chinese have not been able to travel outside China so there has been a huge rise in domestic travel. Revenue per available room [RevPAR] is back and in some cases ahead of former levels. So recovery requires getting the virus under control."

In October, Rossmann reported "only about 15% of hotels around the world still closed" and said: "The industry has shown amazing resilience. We've seen a much stronger summer than expected."

"The hard times are not over. It depends where you are as to how the recovery will shape out. [But] China reached its low point in February. Now it's at 50%-70% occupancy with normal degrees of seasonality."

"The US and Middle East declined not as much as China and saw a recovery, but it stalled since June at about 40%-50%. Europe locked down hardest. It saw a recovery in the summer, but occupancy declined back to about 35% since."

Rossmann said: "The shape of recovery is vastly different not just at the national level but at the micro-market level. Leisure markets are doing well, big cities less well. Cities are struggling throughout the world."

In the US, he said: "Occupancy is around 50%. Big cities are still struggling. Leisure destinations and inter-state destinations are doing better – places you can reach by car rather than flying."

In Europe, Rossmann said: "It's like

Hospitality may not see a rapid return, but the sector has 'not been permanently impaired'

snakes and ladders. All that hard work to get back to 70%-80% occupancy and now it's back down to 12%-35%."

He reported occupancy in Spain, Croatia, the Netherlands and Belgium as no more than 20%, but said: "France, Germany, the UK, Italy, Poland are doing better – countries with strong domestic demand. UK [hotel] occupancy is at about 40%."

"Lead times are short. Consumers are booking incredibly late – mainly for the next 14 days. There is no point booking two or three months from now."

Rossmann told the summit: "For there to be a change, we need the virus under control. We've modelled our forecast based on the recovery from the financial crisis. We forecast Europe next year will remain 40% down on 2019. We expect a slow recovery in RevPAR, getting close to 2019 levels by 2024."

He noted hotel demand "had been struggling to keep up with supply" before the pandemic and said: "We expect the increase in supply this year to be only 3%. It will bounce back but we expect smaller supply growth. Many pipeline projects won't be completed and many more not started."

CITIES UNDER PRESSURE

A *Financial Times* report on New York's hotels in early November suggested the crisis could result in wholesale closures. It quoted Vijay Dandapani, chief executive of the Hotel Association of New York City, saying that if half the city's 640 hotels survive, it will be a "great" outcome.

Andreas Scriven, Deloitte lead partner for hospitality and leisure, acknowledged: "It's very challenging at the moment. There is real stress, but people will want to travel again."

"City centres are most under pressure as people are not travelling into gateway cities and not travelling into London to go to the theatre or sporting events. The question is whether demand will come back. I would argue it will, but perhaps not in the same way, particularly

corporate travel. There is going to be some adapting. But London, Paris, New York will still be attractive destinations.”

Deloitte’s European Hotel Industry Survey 2020, published in November, suggested two-thirds of hospitality leaders remain optimistic about the long-term future of the hotel market. Scrivens said: “There is a clear shift to private equity investment and a focus on the domestic market and the regions.”

But he noted Europe’s top-three cities for investment identified by hotel investors were the same as in previous years – Amsterdam, London and Paris.

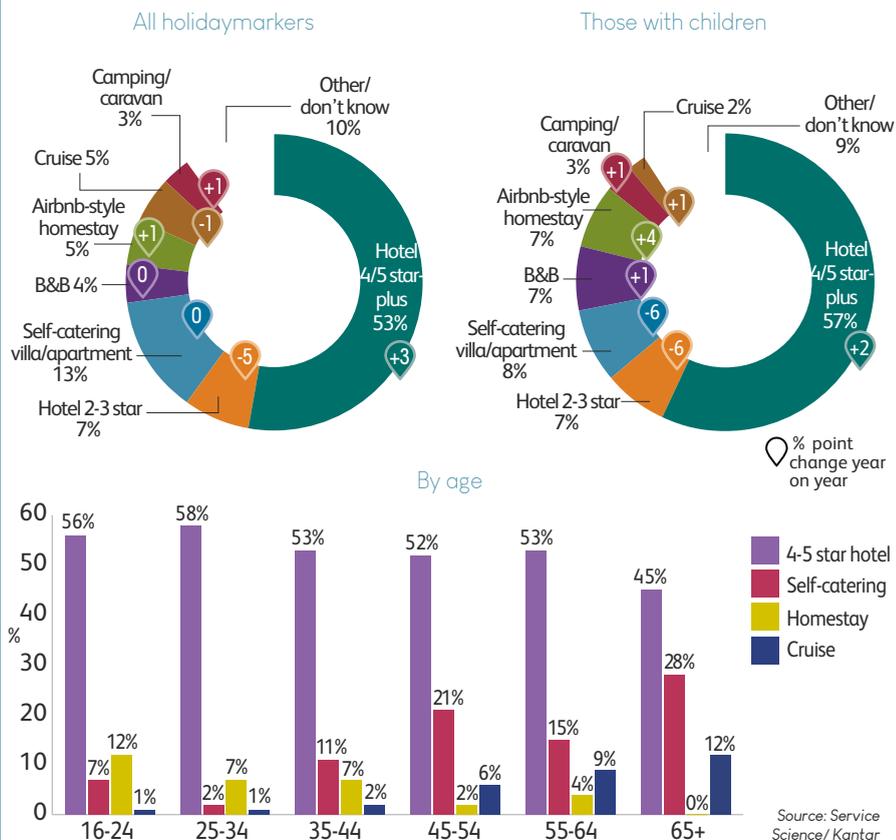
The survey placed Cambridge as the most attractive UK city for hotel investment, with Oxford and Edinburgh ranked second and third. More than two-thirds of respondents were also ‘strongly’ or ‘slightly’ optimistic about the long-term future of the UK market. However, half believed a no-deal Brexit could lower the attractiveness of London for hotel investment and more than half said the UK investment cycle would take more than two years to normalise.

Notably, and no doubt as a reflection of Covid concerns, serviced apartments overtook hotels to become the most-attractive asset class for hospitality investors in Europe, jumping 25 percentage points year on year.

Deloitte director and head of UK hospitality advisory Nikola Reid said: “Hotel investors continue to look for opportunities in Amsterdam, which retained its place as the most-attractive European city for investment for the fifth year. London is second but investors indicate some caution. A no-deal Brexit could lower London’s attractiveness.”

Scrivens said: “Covid-19 will dominate the next 12 months and Brexit is still a significant factor in terms of the next three to five years. But people see the fundamentals as similar to pre-pandemic. It won’t be a quick fix. Recovery is expected by 2023-24. Some might see a

FIGURE 39:
LIKELY ACCOMMODATION NEXT OVERSEAS HOLIDAY



FOUR and five-star hotels remain the accommodation of choice for those intending to take an overseas holiday in 2021, especially those with children (Figure 39). There appears to be little intention to switch to self-catering

vaccine as an immediate fix, but it’s likely to take time to roll out.”

He suggested: “There is still uncertainty on how the market will move. Younger demographics may think twice about staying in hostels, but it’s too soon to say how consumer behaviour will change. We have seen a shift [by investors] away from sharing-economy accommodation. That was a hot asset class, but the view is it is going to be under some pressure.”

Scrivens noted: “Summer trading was ahead of where people expected it to be. When hotels in the UK opened on July 4, no one knew if anyone would turn up. But many people felt they needed a break.

“Those markets relying on international

HOSPITALITY

'AMAZING RESILIENCE' DESPITE REAL STRESS

travel faced greater challenges. The restrictions came into play where markets depend on the UK or Germany and markets that suffered local outbreaks missed out.

“Middle East markets like Dubai and Doha are hugely dependent on international long-haul travel, the same as Paris and London. China and to a degree the US have had the benefit of being largely domestic-driven markets. The US was not as severely disrupted. There was not a total lockdown and many people continued to travel.”

INVESTOR APPETITE

Scrivens said: “I suspect the recovery will take longer [elsewhere] than in China even when the virus is under control.

“Large meetings and conference events are a concern. There is no indication yet how corporate policy will develop. But people will think hard about whether to attend big events. It will take a while for people to feel comfortable with visitors from 100 countries attending an event and, historically, conferences and events have taken longer to come back after a downturn.

“Trips where people travel halfway around the world to attend a short meeting make less sense when there is the environmental cost compared with

“
I’m not convinced there will be huge behavioural change once consumers are confident again

dialling into a videoconference call.”

He suggested caution among leisure consumers may “depend on booking conditions”, adding: “The industry can do quite a bit to contribute to getting people to book. We’ll see all types of behaviour. Some will think it’s too soon to travel. Some will say ‘I need a holiday’. Some will wait to book at the last minute.

“I’m not convinced there will be huge behavioural change once consumers are confident again. We saw that in the summer. As soon as people were able to travel they did. When we had the Sars outbreak in Asia [in 2003] there was never a vaccine. Did it fundamentally change how people in the region behave? No.”

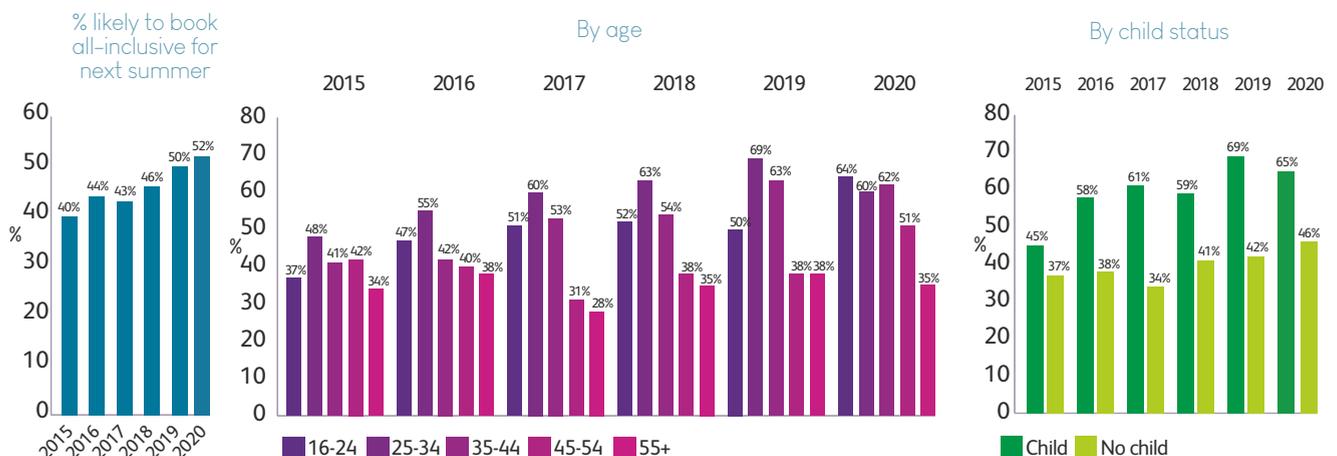
In the meantime, Scrivens said: “The crisis has forced a lot of hotel operators to look at how they control costs. There will be operational changes. There is a lot of focus on how to minimise interaction.

“Before any vaccine was announced or approved, sentiment in the sector remained low. It has been an extremely difficult period, but the sector has not been permanently impaired.

“Hospitality has shown an ability to bounce back from all sorts of disruption. From an investor perspective there is still a huge appetite for hospitality. The investor community believes in the hospitality sector. It will come back.”

ALL-INCLUSIVE demand remains extraordinarily strong – the choice of 52% of UK adults intending to travel overseas in 2021 (Figure 40)

FIGURE 40: ALL-INCLUSIVE DEMAND, 2015–20



Source: Service Science/ Kantar

AVIATION

UNCERTAIN DEMAND TO SHAPE SECTOR'S RECOVERY

Aviation chiefs issued a series of stark assessments in September and united in calling for a relaxation of travel restrictions. British Airways' then chief executive Alex Cruz warned BA "can only survive if the government works with us".

Ryanair head Michael O'Leary dismissed the winter travel market as a "write-off" and Heathrow chief John Holland-Kaye suggested the airport was at risk of "what we saw with mining towns in the 1980s".

BA parent IAG reported an operating loss of almost €6 billion for the nine months to September and reported capacity for the final weeks of the year would be 30% of the 2019 level. Ryanair cut capacity to 40%, while easyJet planned to operate just 20% of flights up to the end of the year.

Air France-KLM mirrored IAG with a loss of €6 billion for the nine months to September after receiving substantial state aid. France provided Air France with €7 billion and the Netherlands advanced €4 billion to KLM. Lufthansa reported a loss of €5.6 billion to September and required €9 billion in state aid from Germany, with additional support for group carriers Swiss, Austrian and Brussels Airlines from their respective governments.

The German carrier forecast such a gradual return of demand that it planned

Debt-laden airlines must play difficult balancing act to match capacity with demand

to have 200 aircraft still parked in 2022.

Airline association Iata warned that slashing labour costs by half would not save airlines from insolvency. Iata chief economist Brian Pearce said in November: "We expect revenues in 2021 to be only 48% of those before the crisis. Airlines need to shrink to that level."

He warned: "If we're going to avoid significant failures, we have to see travel restrictions reduced or we need more support." The Iata forecast predated the news on vaccines, but was based on a vaccine being available in 2021.

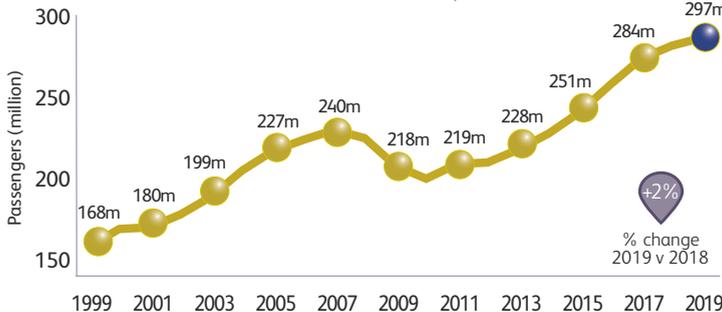
Norwegian Air entered bankruptcy protection in Ireland in November. The move followed Norway's refusal of additional state aid after providing NOK3 billion (£240 million) in May. The airline ceded majority control to its creditors in May but in December sought a second debt-for-equity swap.

Virgin Atlantic had to race to find investors after the UK government rejected a request for a £500 million loan and credit guarantee in April. The carrier confirmed a court-backed rescue deal in July with a private refinancing package worth £1.2 billion. The carrier closed its base at Gatwick and in September, having confirmed flights to the US would not resume until 2021, announced redundancies taking its total job losses to one in two.

By contrast, Wizz Air planned

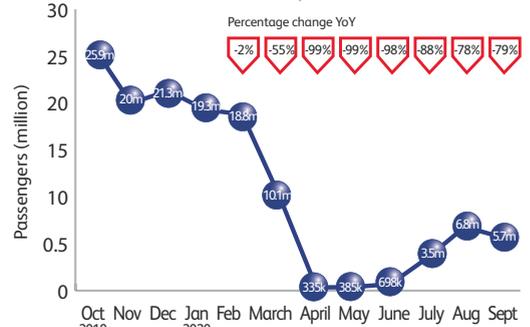
UK air passenger numbers would have passed 300 million in 2020 but for Covid-19 (Figure 41). Instead, they plunged 99% in April and May 2020 (Figure 42)

FIGURE 41: UK AIRPORT PASSENGER NUMBERS, 1999-2019



UK and international passengers, outbound, inbound and domestic, to nearest million Source: CAA

FIGURE 42: UK AIR PASSENGERS BY MONTH, 2020



Source: CAA

AVIATION

UNCERTAIN DEMAND TO SHAPE SECTOR'S RECOVERY

expansion with chief executive Jozsef Varadi insisting in August: "Almost every airport in Europe is in discussions with us. We have a significant pile of cash."

Ryanair's Michael O'Leary similarly insisted in November: "We're in extensive negotiations with airports on where we can return quickly. Airports that come with the best incentives will see traffic return quicker. A huge amount of capacity has been taken out and won't return. We'll fill those gaps."

Passengers face higher fares and fewer flights as a result of the pandemic, according to Airlines for Europe managing director Thomas Reynaert, who warned in October: "Flying is not going to get cheaper with all the additional

regulations and complexity. Flying is not going to be easier."

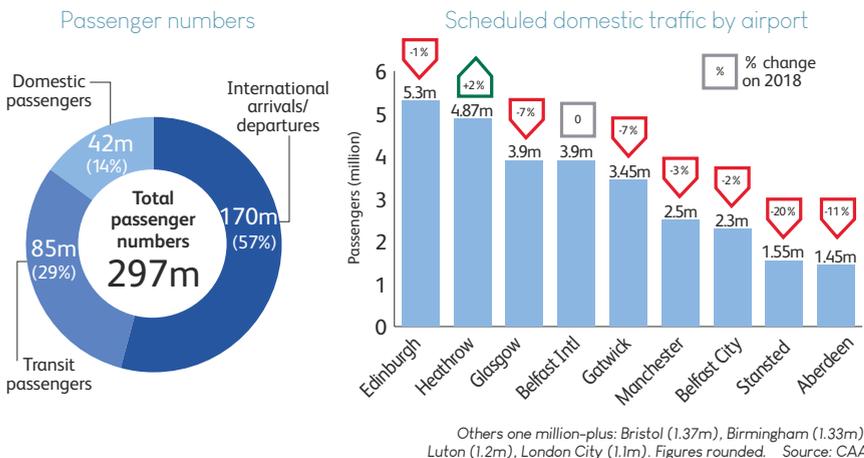
Airports association ACI Europe warned of "extreme financial distress" among Europe's airports and said a recovery would be "hampered by significant supply pressures". Director-general Olivier Jankovec told the ACI Europe conference in November: "Almost all airports offer rebates and incentives to airlines under normal conditions [but] 70% have added Covid-19 incentives. They are pricing below costs."

HEATHROW remained Europe's busiest airport in 2019 despite its capacity constraints. By September 2020, three airports in Turkey and four in Russia were busier, in part reflecting holiday traffic between the countries (Figure 43). However, both were also in the grip of escalating Covid-19 crises. Transit passengers form a sizeable proportion of UK air traffic, reflecting the international importance of Heathrow (Figure 44)

FIGURE 43: EUROPE'S BUSIEST AIRPORTS



FIGURE 44: UK AIRPORTS, 2019



'NO PERMANENT DAMAGE'

Despite the industry's losses, easyJet chief executive Johan Lundgren insisted the pandemic had done "no permanent damage" to the sector. Reporting a loss of £1.27 billion for the 12 months to September, Lundgren said: "It will take up to 2023 before we see a recovery to 2019 levels, but demand will come back. We see that when restrictions are removed.

"I don't believe the industry is permanently damaged."

The good news on vaccines late in the year came alongside the first positive news in almost two years for Boeing, with the US Federal Aviation Administration lifting its grounding order on the 737 Max. European approval was expected to follow and in December Ryanair agreed to buy an additional 75 of the aircraft in what one analyst described as "a screaming good deal". Boeing saw orders for more than 1,000 Max aircraft cancelled after the two fatal crashes in five months that killed 346 people and led to its grounding.

With an easing of travel restrictions in sight, Deloitte partner and head of aviation Andy Gauld forecast: "Demand will be subtly but not fundamentally different."

He suggested: "There are several types of consumers for airlines to think about. One is the traveller who will jump on a plane as soon as they can. Second, a lot of people will want to visit family. Third, there is the business traveller. Demand for businesses to develop relationships

and opportunities and to deliver work has not shrunk. But the demand has changed probably for a longer period than people expect. Virtual meetings mean there is less likelihood of jumping on a long-haul flight.”

Gauld said: “There will be differences in how we travel. Do we wear a face mask? Have we had a Covid-19 test? There are vaccines becoming available and a variety of ways we can be tested. The challenge for the industry will be standardising an approach and developing a single solution for sharing information. Getting commonality will be challenging.”

He insisted: “The majority of people want to be able to travel again. Demand will be there. But there are challenges. One is how do airlines start to bring staff and fleet back online? Most airlines are caught between response and recovery.

“Uncertainty is likely to remain until there is some coherence on how we tackle this globally.

“It will take time to vaccinate everyone. Those countries that can afford to vaccinate will come back relatively quickly, but there will be countries not able to vaccinate so quickly.

“Most airlines are pinning their hopes on a short-haul recovery. There may be reluctance among consumers to be on a flight for four to five hours. So the bigger network carriers have decisions to make on long-haul.”

CAPACITY LIMITS

Gauld’s colleague Martin Bowman, Deloitte director of digital aviation assets, said: “One of the biggest challenges as we come out of this is going to be capacity. There are going to be limits on capacity and limits on throughput where before it was all about volume and maximum throughput.

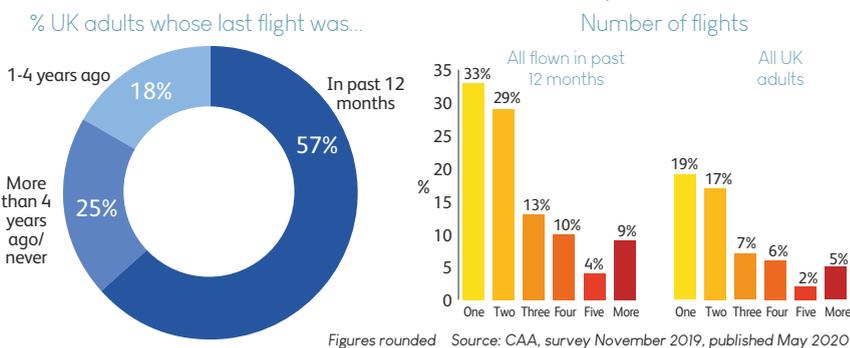
“We’ll hit the capacity limits when we reach 60% to 70% of the traffic of 2019. Aircraft turnarounds are going to take longer. The relative predictability of flight schedules is out of the window. An ability to react to volatility is going to be essential. Traditional ways to plan need

CAA figures suggest the proportion of UK adults who flew at least once in 2019 reached 57%. But the proportion taking three or more flights was just 20% and five or more merely 7% (Figure 45). Holiday flights dominated (Figure 46), as did flights under four hours (Figure 47). For UK passengers, Gatwick was the biggest airport (Figure 48)

to be revised. You will see a much more dynamic approach to flight activity and a lot more pop-up activity with travel corridors changing. Airlines and airports that embrace a volatile approach will be more successful.

“The flip side is there will be opportunities. You will see airlines reacting to where they are able to fly.”

FIGURE 45: FREQUENCY OF FLYING, 2019



Figures rounded Source: CAA, survey November 2019, published May 2020

FIGURE 46: MAIN PURPOSE OF LAST FLIGHT, 2019

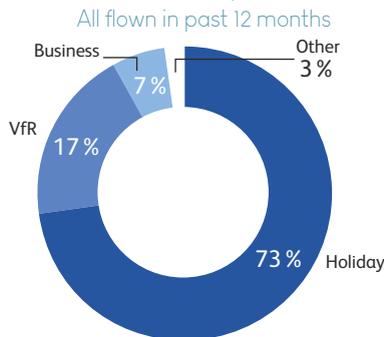
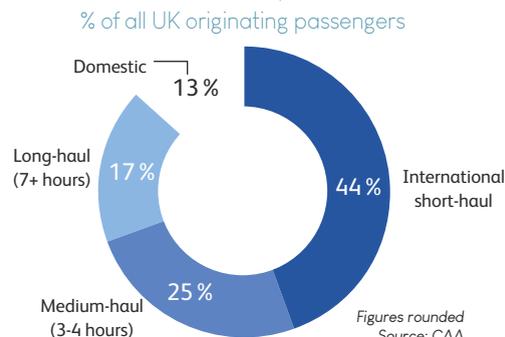


FIGURE 47: LENGTH OF UK FLIGHTS, 2019



Figures rounded Source: CAA

FIGURE 48: AIRLINES & AIRPORTS, 2019



*Thomas Cook ceased flying, September 2019. Flybe ceased flying March 2020. Only airlines carrying 2% or more of UK passengers shown Source: CAA

Airports used by 4% or more of UK air passengers. Others: Luton, Glasgow, Belfast International, Leeds Bradford and Liverpool (3% each), London City (2%) Source: CAA



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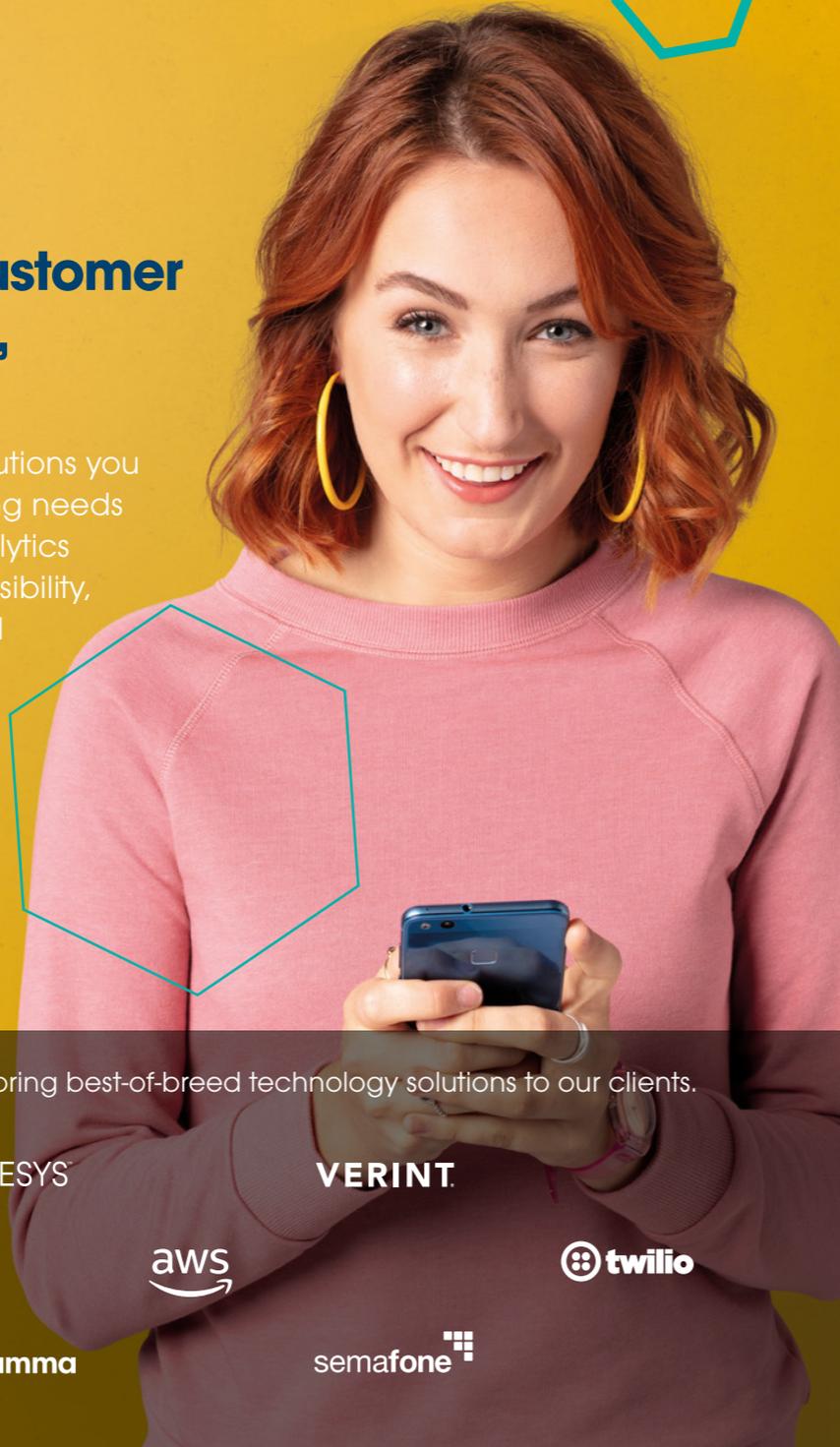
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uses Twilio Flex to Improve Agent Productivity by 20%

loveholidays is one of the UK's fastest growing online travel agencies, offering custom package holidays to families, couples and friends.

The COVID-19 outbreak has caused monumental upheaval within the travel industry globally.



20%

increase in agent productivity

The Challenge

For over four months, travel agencies like loveholidays have been forced to refocus their customer service agents from bookings onto cancellations. Record numbers of queries have been coming in from anxious customers, all while social distancing rules necessitate a remote working contact centre model.

The Solution

loveholidays needed to update their on-premise solution to a cloud-based platform so that their agents could work from home. Selecting Twilio Flex provided an immediate fix to their most immediate obstacle of getting loveholidays agents up and running remotely.

The Results

Thanks to the single user interface of Flex, the loveholidays customer service team has seen an increase in agent productivity by 20%.

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FUTURE OF TRAVEL

INVESTMENT IN TRAVEL AIRLINES IN FOREFRONT OF CASH SQUEEZE

Travel has been at the centre of the pandemic since March with airlines at its heart, stuck with the high fixed costs of aircraft.

Deloitte partner David Gard, a specialist in restructuring, said: “Aviation has seen a decline in passengers approaching 80% in 2020 and that loss of revenue passes down through the sector. Airlines, airports and many of the service partners to both – ground handlers, maintenance, aircraft manufacturers, leasing companies – are significantly impacted.

“Furlough has allowed airlines to reduce employee costs, but they still have large fixed costs, in particular the cost of aircraft, and the sector will probably not recover income to the level of 2019 until the end of 2023, assuming a vaccine is widely available in 2021.

“Everything has squeezed travel firms’ ability to sell. The dilemma is what can you do? The first element is to understand where cash is going and what to do to conserve it. The industry will need to make tough choices to ensure survival.”

Gard estimates the value of aircraft has declined by up to 40% during the pandemic, “closely followed by lease rates”, and said: “With about 60% of an airline’s fleet leased, carriers need to capture the change in rate.

“Many have been flying with much lower load factors than they can make money with and need to assume that will continue through most of 2021.

“Airlines need to restructure arrangements with leaseholders and move to something use-oriented. That is a challenge for aircraft lessors because their debt arrangements are fixed.

“A lot of airlines are relying on sale and leaseback deals to generate liquidity. The challenge is you extract money upfront, but you can lock in enhanced cost.

Survival is the priority, with consolidation on the cards. But there will be opportunities for the better funded

“The next stage is many airlines are going to need to go to leaseholders and negotiate different terms. Leaseholders have their own debt funding and may not be prepared to be very flexible since that would require restructuring their own debt arrangements.

“But there is no sense in causing the collapse of an airline if it can be avoided right now. Repossessing aircraft raises a significant risk of no alternative use in the current climate, so leasing companies need to support existing clients to maintain flying so that they benefit as passengers return.

“We will probably end up with more ‘power by the hour’ arrangements. Absent of that some airlines may fail.”

GOVERNMENT AID CRUCIAL

Gard said: “Financial support is going to be crucial to survival for many airlines.

“Some countries are supporting the sector much more strongly than others. It’s not clear what support many airlines will get. Early engagement with key government stakeholders will be important.

“Government support is complex and unlikely to be decided on quickly.

“It’s entirely possible more airlines will take on financial support that will mean commitments on executive pay, on jobs, on dividends.

“We’ll see a continued reduction of flight frequency and connectivity.

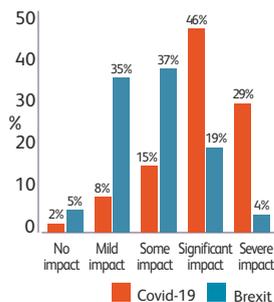
“But if someone has funding there will be slots available at airports once we get beyond the waiver of the ‘use it or lose it’ rule. There will also be opportunities for some to pick up routes other airlines have withdrawn from.”

Gard said: “For low-cost carriers there will be pent-up demand to travel, in particular for leisure.

“Long-haul business travel is going to be more of a challenge. It’s likely we’ll see less business travel because people have

**FIGURE 49:
IMPACTS OF
COVID & BREXIT**

% of CFOs rating impact over next 12 months



Source: Deloitte CFO Survey, Q3 2020

found they can do business from home and many corporates are aware of their carbon footprint.

“Airports also face a significant challenge. Many larger airports have the funding to cope. But some UK regional airports were already feeling the impact from the failure of Flybe. There is a level of operation that needs maintaining, but also a logic in keeping airports going.

“In all these situations the government is the lender of last resort. It is going to be challenging and there is some pushback. But it is a very difficult decision to allow an airline to fail.”

Gard said: “A substantial number of airlines will emerge with heightened debt. Better companies will look to recapitalise. It’s easier to raise equity when in recovery and hard to justify putting in new funds when a business is struggling.

“Those that can present themselves as profitable pre-pandemic will be more attractive than those not. The risks should make financing more expensive, but base rates are so low there is a chase for yield and airlines have been among the beneficiaries of that to date.

“We’re going to see consolidation of parts of the industry. A number of companies will be sufficiently loaded with debt that they won’t feel comfortable growing.”

But beyond immediate cash concerns, Gard said: “There are going to be opportunities. Better-funded airlines could pick up slots and routes rapidly.

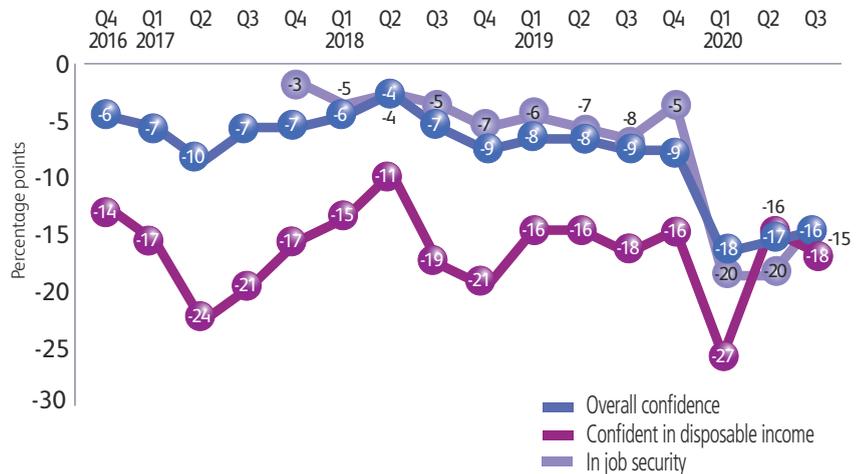
“Covid-19 presents an opportunity both for organic growth and mergers and acquisitions.”

FLYBE AN EARLY CASUALTY

Regional carrier Flybe was an early casualty of the crisis, entering administration in early March after its owners, including Virgin Atlantic, declined to provide funds for a bailout.

FIGURE 50: UK CONSUMER CONFIDENCE, 2016-20

% point difference between ‘confident’ and ‘not confident’

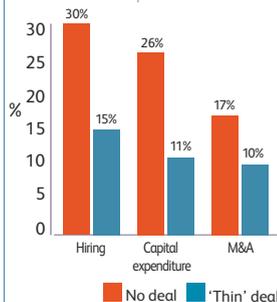


Source: Deloitte Consumer Tracker

UK CONSUMER confidence and job security took an obvious hit in 2020 (Figure 50). The impact of Covid-19 preoccupied business (Figure 49), but there remained concerns about the impact of a no-deal Brexit (Figure 51)

FIGURE 51: NEGATIVE IMPACT OF BREXIT

% of CFOs fearing impact on



Source: Deloitte CFO Survey, Q3 2020

Parent consortium Connect Airways said the carrier had “been unable to overcome significant funding challenges . . . compounded by the outbreak of the coronavirus”.

Virgin Atlantic had acquired a 30% stake in Flybe as part of a consortium with Cyrus Capital (40%) and Stobart Group (30%) which took over the airline in early 2019.

Flybe was on the verge of collapse at the time and close to collapse again in January 2020 when Connect Airways agreed a rescue deal with the UK government, pledging to put in fresh funds in return for government promises to review Air Passenger Duty (APD) on domestic flights and temporarily delay collection of outstanding APD as well as consider a loan of up to £100 million.

But rival airlines condemned the deal and the government subsequently appeared to go cold on the idea.

Following Flybe’s collapse, then aviation minister Kelly Tolhurst said: “Companies do fail and it’s not the role of government to prop them up.”

INVESTMENT IN TRAVEL

AIRLINES IN FOREFRONT OF CASH SQUEEZE

OPERATOR FAILURES

Shearings Holidays owner Specialist Leisure Group went into administration in May after failing to secure a rescue, taking Wallace Arnold Travel, National Holidays, UK Breakaways, Caledonian Travel, Sportingbreaks, Bay Hotels, Coast & Country Hotels and Country Living Hotels with it.

SLG had been acquired by Lone Star Funds in 2016, following a management buyout in 2014 from private equity owners who had assembled the group after buying a controlling stake in Shearings in 2005.

Luxury tour operator Fleetway Travel ceased trading in July after failing to secure a loan through the government's Coronavirus Business Interruption Loan Scheme (CBILS) and private equity and other investors declined to help. The operator, which sold direct through flash-sale sites, had been acquired by private equity groups Synova Capital and Tenzing in 2015, then merged with New York-based DH Enterprise & Associates in February 2020 to form the TravelSmart International Group.

Fleetway chief executive Stuart Jackson told *Travel Weekly*: "We had a good business proposition." But in 2019, he said: "We faced a lot of headwinds. Thomas Cook went bust. Multiple airline problems hit our cash reserves. Brexit slowed demand." The merger deal with DH Enterprise closed

“Companies do fail and it's not the role of government to prop them up

on February 14. But Jackson said: "We never had an opportunity to realise the benefits."

Having failed to secure a CBILS loan, by July, he said: "We required a loan from the shareholders which was not forthcoming."

Cruise & Maritime Voyages, based in Essex, ceased trading in July after also failing to secure a loan under the CBILS scheme and drawing a blank on private equity funding. The company operated six ships and had a seventh on order.

Also in July, US and Caribbean specialist Funway Holidays announced it would cease operating from September. The operator had been acquired by the US-based travel, hospitality and leisure group Apple Leisure in 2018.

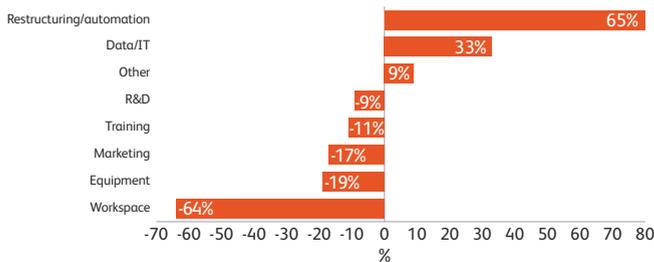
Another well-known name, STA Travel, went into administration in August after its holding company was placed in administration by its wealthy Swiss family owners. STA Travel finance director Anthony Mercer said the company was "sitting on cash when it failed, but this was tied up providing collateral. We had tens of millions tied up with Iata."

The business suffered from exposure to the Australian bush fires in late 2019 and Mercer said: "We were already in crisis mode." STA Travel was yet another business to be denied a CBILS loan having reported losses in the previous two years. ■

COMPANY restructuring and IT appear likely to be the biggest areas of business expenditure (Figure 52). Homeworking, pandemic planning and government intervention appear here to stay and tax rises are expected (Figure 53)

FIGURE 52:
COVID-19 & CAPITAL EXPENDITURE

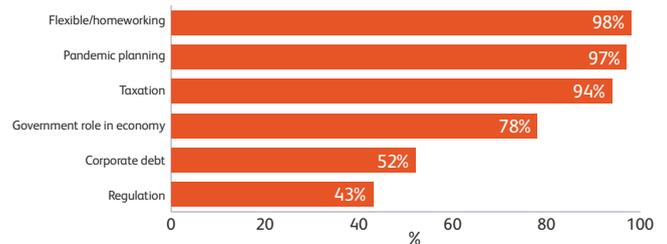
Net % of CFOs expecting investment to rise/fall



Source: Deloitte CFO Survey, Q3 2020

FIGURE 53:
LONG-TERM EFFECTS OF COVID-19

Net % of CFOs expecting increase in:



Source: Deloitte CFO Survey, Q3 2020

HEALTH & SAFETY

VACCINATION AND TESTING BRING REAL PROMISE

The UK Medical and Healthcare Regulatory Agency approved use of the first Covid-19 vaccine as this report neared publication, with vaccination due to begin as the report appeared. It brought a realistic prospect of pandemic restrictions easing in 2021 once the vaccinations process has been widely rolled out.

Karen Taylor, head of the Centre for Health Solutions at Deloitte, welcomed the string of vaccine announcements in November, but stressed “cautious optimism” about the impact. She said: “Obviously it’s significant. What surprised the market were the high levels of efficacy reported by all three vaccine front-runners.

“UK regulatory approval was fast-tracked so vaccination will begin sooner than might have been expected. Vaccines will be rolled out to care staff and vulnerable groups first. While this is undoubtedly good news, there are caveats, particularly in terms of how long the vaccine will be effective, how it will work in different groups of the population and whether it will continue to be effective in relation to any mutations of the virus, as is the case with flu vaccines.

“Some of the vaccines have to be transported and stored at very low temperatures. The UK government has published a distribution plan based around the hospital and primary care network of GP practices, with the distribution channel determined by the ‘cold chain’ transportation and storage needs of the particular vaccine.

“There is the experience of rolling out the flu vaccine programme this year, so in some ways we’ve had a trial run. There are other drugs that need to be transported at very low temperatures, so there is an element of the life sciences supply chain that is used to dealing with these challenges. But the existing global vaccine ‘cold chain’ has not had to work with such low-temperature requirements,

The UK rollout of a Covid-19 vaccine gives cause for ‘cautious optimism’

especially at the scale now required.”

Taylor again stressed “cautious optimism”, but said: “I’m generally optimistic that science will find a way. There have been amazing developments in the last nine months, the like of which have never been seen, particularly the high level of collaboration and partnerships alongside the sharing of data and expertise.

“The results are so positive it does give cause for optimism, tempered by some vaccines still needing regulatory scrutiny. The focus now is to get approved vaccines as soon as possible to those most at risk.”

However, Taylor said: “The world is likely to need more than one type of vaccine, particularly as children will have to be included at some point.”

Restrictions will need to remain in place and testing will remain vital until vaccination is widespread. The UK’s test and trace system came in for criticism despite capacity reaching more than 500,000 tests a day.

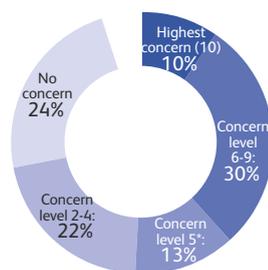
Taylor pointed out the UK test and trace scheme had to be developed from scratch, in contrast to that of South Korea – which drew widespread praise – which “had an infrastructure in place because of their experience of Sars [Severe Acute Respiratory Syndrome] and Mers [Middle East Respiratory Syndrome]”.

She added: “Governments and regulators were rightly cautious about approving tests too soon. But there are now hundreds of types of tests being rolled out globally, so the capacity is there, and a lot of new tests such as point-of-care lateral flow tests that are much quicker to provide a result and don’t require being sent to or tested in a laboratory.

“These lateral flow tests are being rolled out for testing hospital and care home staff where you need to test regularly, so we’re getting more of a longitudinal [repeated observation over a period] and population insight. For example, Slovakia introduced testing of the whole population and found more

FIGURE 54:
CONCERN ABOUT
COVID-19 AMONG
TRAVELLERS

Concern on scale of 1-10
(low to high)



*Average rating
Base: 50,000-plus US air travellers
at airport, Sept-Oct 2020
Source: JD Power

HEALTH & SAFETY

VACCINATION AND TESTING BRING REAL PROMISE

cases than expected, demonstrating that a percentage of people are asymptomatic.”

She noted: “The virus is still an unknown quantity. There have been cases of individuals who were asymptomatic and spreading the virus and others, particularly children, who have the virus but don’t spread it. There is also a genetic link that is being explored.”

Taylor said: “Once mass vaccination is under way we’ll be able to take a more informed attitude to risk in our response to Covid-19. Once you’ve had a vaccination and a negative test it could provide a level of confidence to open up society.”

TEST AND RELEASE

Alongside the vaccine developments, the government moved to establish a ‘test and release’ scheme to reduce quarantine restrictions on travel arrivals.

Privately provided tests, to be taken

CONCERN about rates of Covid-19 in destination countries rises with the age of those intending to travel in 2021 (Figure 55). Having to self-isolate on holiday or being ill while away are the biggest concerns among prospective holidaymakers, but 43% appear concerned about flying (Figure 56)

after five days’ self-isolation, were due to be available for arrivals from December 15. That promised a partial easing, but there was recognition that more will be needed to open up travel, with pre-departure testing and bilateral government agreements the likely next stage.

Callum Irvine, Deloitte health, safety and environment practice lead, said: “The biggest challenge is having customers confident to travel. There might be protections in place at my departure airport helping to reduce the risk of travel. But if I’m given the all clear, it tells me nothing about whether everyone I encounter during my trip has met the same standard of control.”

Teresa Arnone, Deloitte risk advisory manager, agreed: “Customers have to trust that everything is in place – they need trust and confidence in the operator and clear messaging about where they can and can’t go.”

She said: “There have been some great strides in Covid-secure services, but there are two challenges. First, some consumers don’t yet recognise Covid-secure certification. Second, rules and restrictions continually evolve, making a ‘good’ standard harder to define. The focus has to be on industry associations collaborating around common standards. There has to be a unified stamp so consumers can be confident, and industry associations need to drive that.

“Unless the industry works together, we’re not going to get to a positive end

FIGURE 55: LEVEL OF COVID CONCERN AMONG HOLIDAYMAKERS

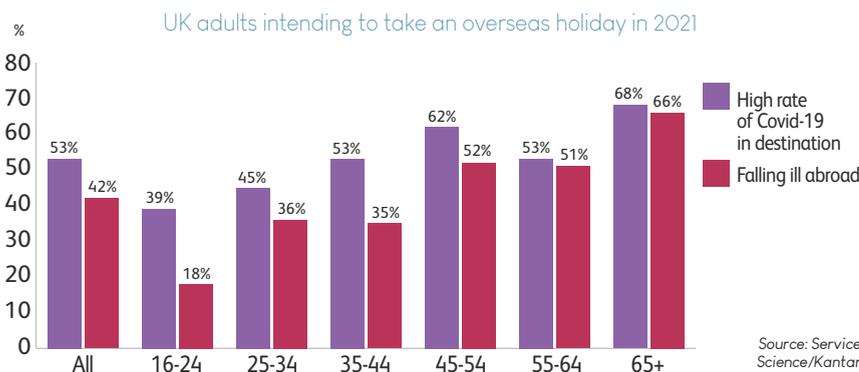


FIGURE 56: COVID CONCERNS AMONG HOLIDAYMAKERS



point.” She noted: “Cruise operators are working together. The frustration for the cruise industry is each port authority has different rules. It requires more collaboration.”

Irvine agreed “some consumers have never heard of these certifications” and suggested it requires “everyone to work together to align what we mean by Covid-secure and to package this in a way that will resonate, regardless of who people book, travel or stay with”.

He argued: “A common rule set is a key step towards more consistent control. With a longer run-in, you would perhaps see some Covid-related controls becoming regulated to achieve this. Compliance is going to continue to be a challenge and puts a huge weight on frontline employees to make tough decisions.

“For example, if I check in people at an airport, I check their passport and ticket and I’m in no doubt as to my licence to do so. It’s harder to land the same level of compliance with Covid-19 controls. I can ruin someone’s holiday because their temperature is a bit high. Suddenly, I’m making big decisions in an area where ambiguity reigns. The key will be Covid-19 controls that can be easily implemented with little ambiguity.”

SAFETY IN DESTINATIONS

Irvine noted the challenge in destinations, saying: “You have to find cash for extra controls and it’s difficult when bookings are at an all-time low.

“Operators may put in all the right controls, but if guests go on excursions they could contract Covid-19 and bring it back to a resort. Top of my mind would be finding the balance point at which you’ve done all that is reasonable to make a resort safe without digging deeper only for your efforts to be undermined as people flow in and out from other services.”

Arnone agreed: “It’s going to be a challenge in some destinations. It’s a challenge to survive at the moment. Hotels have demonstrated a commitment to health and safety, but now there is a whole host of additional things to do. A

“**Safety is not competitive. [The industry should] push competition to one side, collaborate, wait, and see double-digit growth when we come back together**”

US AIR travellers appear most concerned about flying and time at the airport and least concerned about contactless technology, according to a US survey (Figure 57). The same survey did find almost one in four US air travellers with no concerns (Figure 54, page 39)

global international standard, inclusive of smaller, independent hotels and large chains, would aid efficiency. Other industries have managed to do that and there is an appetite to do it.”

She sees health and safety becoming inextricably linked with sustainability, suggesting: “Health and safety will shape sustainability and how we do that. They can’t be separated.

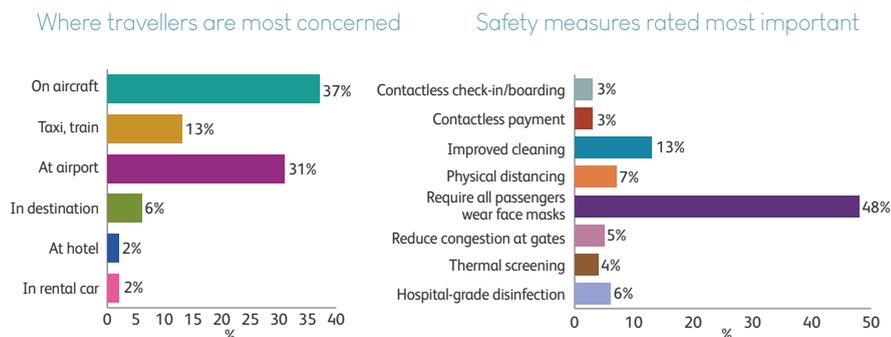
“The way to get destinations up and running is to work collaboratively on safety. If customers don’t feel safe, there will be no travel industry.”

Closer to home there is the issue of safety at work and concerns over mental health. Irvine said: “We’ve seen some good practice emerge – allowances so people can set up at home and investment in mental wellbeing. But many businesses don’t know whether what they do is good compared with others. Businesses communicating with one another on what they’re doing can help.”

He insisted: “The industry needs to return together. Safety is not competitive – it’s in the best interests of everybody and in the industry’s best interests.

“Either we can let frustrations surface, deciding ‘Let’s hurry up and demonstrate we’re Covid-secure’, take a competitive edge, sneak a couple of percentage points of business. Or we can push competition to one side and collaborate, wait, and see double-digit growth when we come back together.”

FIGURE 57: AIR TRAVELLERS’ CONCERNS AND SAFETY PRIORITIES



Base: 50,000-plus US air travellers at airport, Sept-Oct 2020 Source: JD Power

TECHNOLOGY

INVESTMENT WILL FOCUS ON DRIVE FOR VALUE

Digital technology was transforming travel before Covid-19, but the pandemic triggered a surge in use of contactless technology for payments, check-in, self-boarding and many other processes.

Martin Bowman, Deloitte director of aviation digital assets, said: “All the big passenger processing vendors reacted very quickly to enable contactless check-in and so on. But aspects of it are more challenging. How do you make airport security contactless? How do you do a contactless pat down?”

He said: “One of the big-ticket spending items for airports is the next generation of CT [computerised tomography] security scanners. Some airports put plans for these on hold. Others saw CT scanners minimise contact. Passengers don’t need to remove liquids and laptops from bags. They adopted a strategic lens.”

The industry may have to adapt continually for a period to comply with changing border requirements. Bowman pointed out: “Whatever policy changes we see are not going to be the last.

“There will be a need to align testing approaches, so you have the complexity of that. A Covid-19 travel health credential will be a major challenge because medical records are subject to the highest level of data-privacy regulations. Airports ideally don’t want to touch that data let alone hold it and store it.”

He said: “There are a number of initiatives on Covid-health passports and that is helping to develop the discussion and future policy. The future will be based around trust, choice and interoperability.

“This has encouraged stakeholders to work together and share information. At the policy level there is alignment between airline association Iata, airports association ACI and the International Civil Aviation Organisation. By and large there has been a single voice across the aviation industry.”

His colleague Andy Gauld, Deloitte

Technology credited with providing solutions and facilitating collaboration in response to the pandemic

partner and head of aviation, agreed saying: “Collaboration has come on dramatically. There is not only industry collaboration, there is collaboration with those outside the industry. This crisis affects everyone.

“There is a lot more openness and communication with airports and airlines trying to work together to make the experience more seamless. One of the biggest challenges in the past was the lack of communication. We’ve seen a change in that. There is a lot more collaboration on areas like health passports.”

VIRUS ‘A CATALYST’

Covid-19 has been “a catalyst” for digitisation around a health passport “and we expect to see that develop”, said Bowman.

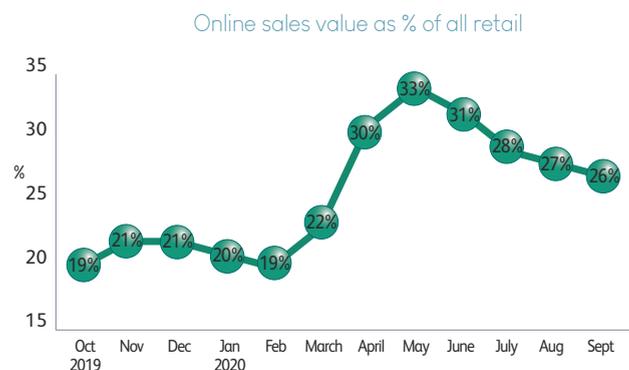
“Pre-pandemic, everyone agreed on a vision of seamless travel. The challenge was there wasn’t a clear business case or a clear return. Now a Covid-19 Health Passport as a subset of a digital ID can be the foundation of seamless travel.”

He forecast “multiple initiatives” not “a silver-bullet platform”, saying: “The last thing we want is to create another single-platform monster.”

Bowman added: “Finally, they have found a use case for blockchain [distributed ledger technology]. It was a technology looking for a problem. But

UK ONLINE sales soared during lockdown before settling back to a level above the pre-pandemic proportion (Figure 58)

FIGURE 58: ONLINE SALES



Excludes auto fuel Source: ONS

distributed ledger technology does work really well for a digital health passport. The ability to validate the authenticity of a record without having to share that record is key – being able to trust the credential while minimising the requirement to share data.”

An issue for many businesses will be the additional debt taken on to survive the pandemic. Could that curtail technology investment? Certainly the need to cut costs led to wholesale suspension and stripping back of planned capital expenditure.

Bowman said: “The financial challenge is real. In the short term no one is expecting any major investment. Normally, you would have a strategic reason for a project. Take CT scanners – you can see why you would invest in them, but they are really costly.”

Asked if he sees IT projects being delayed, he said: “In the main, delay, but focused acceleration if you can show clear benefits and savings. There is an awful lot less resource in the industry.”

Gauld insisted: “It will be down to value generation. Investment in technology will be around things that drive value.”

That has brought a reordering of priorities. Gauld said: “We’re still doing consultancy work on how to improve

services and drive efficiencies through technology, but there is a lot more emphasis on digital passports and the technology to support it. Work on a new financial system or reservations system has gone on the back burner. There is a reluctance to spend on projects that won’t yield immediate value.

“I can see the outlay on new operations systems being on hold for some years. Investment in technology that can improve the experience or offer a more cost-effective process will take priority.”

Programmes put on hold include

CAA FIGURES suggest UK travel agents and tour operators sell about one-third of all flights, and intermediaries in total 65% (Figure 59). Those aged 35–64 are most likely to make the highest-priced purchases online (Figure 60)

FIGURE 59: UK FLIGHT BOOKINGS, 2019

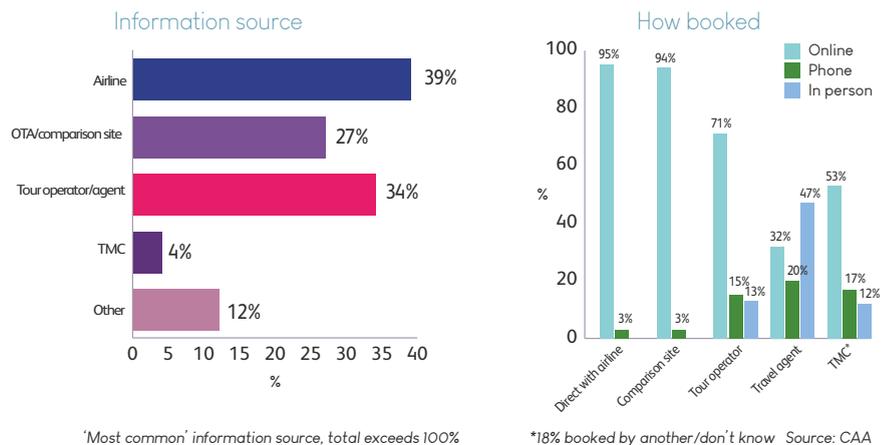


FIGURE 60: VALUE OF ONLINE SHOPPING, 2020



TECHNOLOGY

INVESTMENT WILL FOCUS ON DRIVE FOR VALUE

those of airlines for New Distribution Capability (NDC). Gauld suggested: “There is still a lot of thinking about what NDC can enable, but I don’t see it coming in the current format.” Bowman agreed: “I’ve not heard NDC come up in a conversation all year.”

MANAGING VOLATILITY

The travel industry faces unprecedented volatility. Bowman said: “The whole aviation operating model is built around the predictability of schedules and slots. The challenge now is to manage the volatility. The industry has never had to deal with that before.

“It’s difficult to predict what demand is going to be. It is a real challenge to ensure sufficient capacity is in place without over-resourcing. Standard

“It’s going to take a while to get back on track [but the industry’s] openness and sharing gives me confidence it can recover

A MAJORITY of those intending to take an overseas holiday in 2021 will book through intermediaries (Figure 61). One in five intends to use a high street travel agent, seven percentage points up on a year ago

forecasting models are not going to help.

“It’s hard to say what summer 2021 will look like. If demand is higher than expected, are airlines going to be able to respond? Will they have the fleets, the pilots, the crew? Airlines are good on planning, but there are too many factors in play. Where airlines previously looked at weather and destination data, now they are looking at the R-rate [Covid-19 reproduction rate] in destinations.

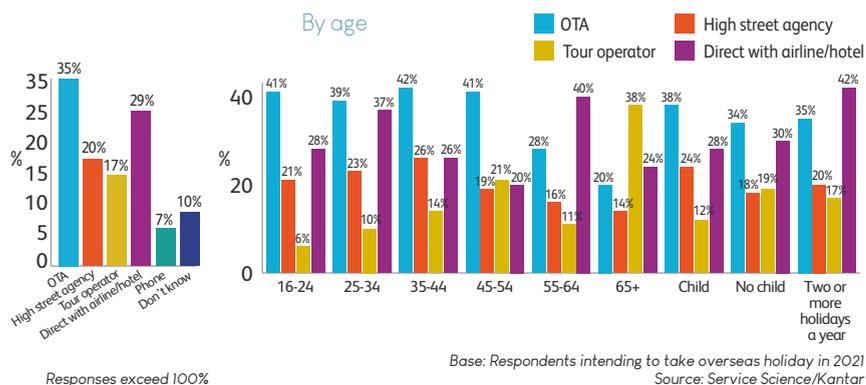
“Airlines most able to use data analysis are likely to have more success in how much uncertainty they level out.”

Gauld insisted: “Two areas have changed and hopefully the change will be maintained. One is the increase in collaboration. Players are sharing the pain and trying to work together. Second, we’ve seen a pattern previously where, if you weren’t born in the industry, you can’t know how it works. Now there is a greater emphasis on openness to organisations that don’t have a track record in aviation. If you speak to a manufacturer or a retailer, you can learn.

“It’s going to take a while to get things back on track. The openness, the sharing gives me confidence the sector can recover.

“We’re not going to lose our desire to travel. It may take time and we’ll see a transformation and a different experience. But businesses that take time to think not only ‘how do we transform in the short term but how do we operate in 24 months?’ will become leaders in the market.”

FIGURE 61: LIKELY WAY TO BOOK NEXT OVERSEAS HOLIDAY



The Deloitte view

How has the pandemic changed the mobility landscape? First, we must acknowledge the impact Covid-19 has had on aviation and the job losses colleagues in the industry have endured.

But like all crises, the pandemic has catalysed innovation. Take Beyond Visual Line of Sight (BVLOS) drones. Previously solid-use cases for BVLOSs, such as delivering medical supplies in harsh geographies, have shown benefits with respect to minimising human contact. Regulators have shown previously

unseen levels of agility to enable trials, not only helping collect data to inform future regulation but enabling operators to validate the technology and business models. Deloitte is working on a pilot programme in the Scottish Highlands, but there are many others.

What does this mean for mobility and, specifically, air mobility? Combined with the evolution of vehicles, advances in artificial intelligence and autonomy have the potential to repurpose the regional airline model.

However, this can only be successful

when technology, infrastructure and regulation are developed concurrently. For example, the removal of a pilot needs to be considered alongside operational safety, certification requirements and travellers’ willingness to make a journey.

A stepping-stone course of action is most likely to succeed: removing the pilot from a vehicle to control it remotely, then using increasing levels of machine assistance through to full autonomy.

■ James Cranswick, director, Aviation, Deloitte

FUTURE TRAVEL EXPERIENCE

NAVIGATING THE 'NEW NORMAL'

The travel and aviation industry has been particularly hard hit by the pandemic with travel bans or restrictions in most countries. Covid-19 has left consumers nervous about their safety when travelling.

While the sector's recovery will be uneven, there is a strong desire to return to normal, whatever the 'new normal' may be. Consumer behaviours are evolving and this will dictate what the future of the travel and tourism sector looks like. The travel industry is rapidly adjusting its approach to stay in line with these trends.

It is critical that businesses consider which emerging behaviours are here to stay. With economic activity not expected to return quickly to pre-pandemic levels, businesses will need to start gearing up now to rebuild the industry.

FLEXIBILITY AND CONTROL

Pandemic-induced uncertainties have resulted in consumers wanting more choice and control of their experiences. Access to robust, transparent, personalised, actionable and real-time updates will help build trust and brand loyalty.

Companies will need to empower customers to build their own flexible itineraries using connected digital tools and make it easier for them to modify or cancel plans. Furthermore, companies must recognise that factors which promote customer loyalty may have shifted. Near-term uncertainty may mean, for example, that the ability to cancel a reservation matters more than brand choice or price.

Consumer decisions on which travel provider to use will be influenced by transparency and clarity around cancellation and rescheduling policies. Simple messages that communicate a high level of flexibility will be most impactful. Additional measures like cancellation of change fees or improved insurance policies will increase consumer confidence.

Safety and efficiency with cleanliness have also emerged as key priorities. Travellers want providers to prioritise

Deloitte director and head of travel Danielle Rawson considers the future for travel businesses

enhanced cleaning and sanitisation, especially hotels and resorts.

The level of service provided by travel companies will influence consumers' choices. It will be essential to make customer service more robust, either through human interactions or digital tools. Pre-booking check-in slots and protection shields, for example, will help to alleviate safety concerns.

CONTACTLESS TECHNOLOGY

As the initial shock of the pandemic subsided the industry focused on addressing traveller concerns regarding health and safety across each touchpoint.

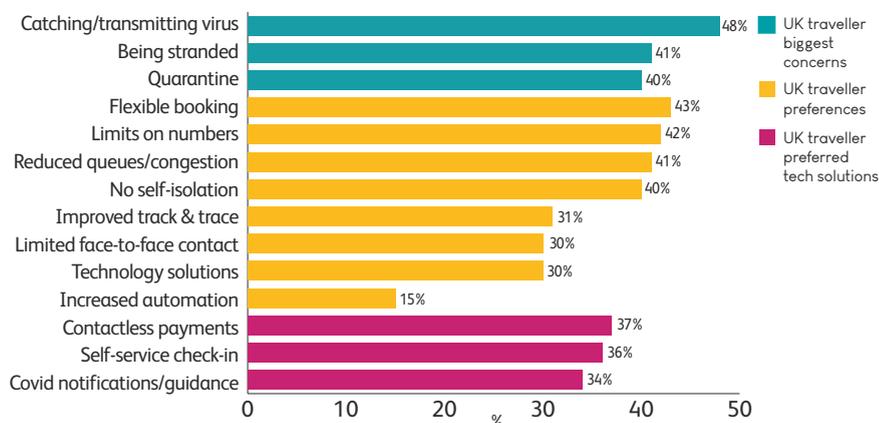
Airport authorities used crowd management technology to enforce social distancing and manage queues. The speed of implementation of contactless technology at airports and hotels has increased, allowing travellers to print boarding passes and luggage tags, go through boarding gates and use self-service check-in to access hotel rooms.

Hotels have increased deployment of keyless access to rooms using mobile phones, robots for in-room cleaning and communication systems to minimise interaction between guests and staff.

Consumers have become more

CATCHING Covid-19 when travelling is a bigger concern than quarantine for UK travellers and technology 'solutions' not uppermost in most people's minds (Figure 62)

FIGURE 62: TRAVEL, TECHNOLOGY & COVID



Base: 6,074 respondents in UK, France, Germany, India, Singapore and US who travelled abroad in past 18 months. Source: Amadeus, October 2020

FUTURE TRAVEL EXPERIENCE

NAVIGATING THE 'NEW NORMAL'

hygiene conscious and more uneasy about handling cash. Adoption of contactless payment surged across all industries in response. A YouGov survey found 80% of UK adults made more contactless payments and 24% more mobile-wallet payments after the first lockdown. When asked why, 57% said it “feels safer”.

Travellers also seem open to using nascent technology including biometrics, facial recognition, health screening monitors, digital identification and e-passports. These technologies reduce human touchpoints as well as turnaround times.

Demand for unique experiences was on the rise pre-pandemic. In the post-pandemic world, there will be higher value placed on authentic experiences, focused on relationships and memories.

Travellers are likely to make fewer trips and demand for locations away from popular holiday destinations could increase, providing opportunities to boost regional and seasonal spread of tourism across destinations. Major cities and venues may be forced to offer more exclusive and ‘intimate’ experiences. Covid-19 has also accelerated demand for wellness breaks and outdoor activities.

Awareness of environmental impacts has increased, fuelled by media coverage and cleaner air during lockdown, and some consumers may consider options offering more-sustainable modes of transport or destinations closer to home.

SHARED DATA

It is no surprise that consumers are resorting to more online activities, especially for communicating. The pandemic has become a catalyst for digital transformation.

The ‘new norm’ could mean more videoconferencing between consumers and businesses. For hotels, this could mean adding an online video concierge service for guests. Travel agents could offer the option of virtual appointments.

Travellers want brands to engage with personalised offers using data they have already shared, meaning brands may need to form end-to-end alliances across the



In the post-pandemic world, there will be higher value placed on authentic experiences, focused on relationships and memories

travel journey. Brands already have access to a wealth of data, from geolocation to individual preferences, and can use it not only to create seamless customer journeys but to minimise risk and disruption.

However, the increased digital use and data sharing comes with cybersecurity risks. Online fraud in the aviation sector rose by 61% in 2019, according to the Fraud Attack Index from Forter. Loyalty fraud across the industry increased 89%. Robust digital and data-safety processes will be crucial to mitigate such risks.

OPERATIONAL RESILIENCE

Responding to the pandemic has required organisations quickly adapt and deploy workforces to different areas of the business. Data-driven decision-making will continue to be critical in meeting changing customer needs.

The slowdown in travel presented an opportunity to evaluate ways of working. Stronger organisational resilience will be required to weather future storms. Supply chains, technology, premises, privacy and data will all play crucial roles in enabling a safe and resilient resumption of core business and physical operations.

Above all, maintaining the good health and wellbeing of staff is paramount.

Although it’s difficult to predict future behaviours accurately, the opportunities and challenges organisations face as a result of the pandemic are becoming clear. A key indicator of how well businesses may perform post-pandemic is the degree to which they embrace new digital tools as these will have a significant role.

Engaging customers via active communication will also be a driver of post-pandemic success. Travel agents will continue to play an important role as consumers seek more-personalised information and more human touchpoints.

No doubt some businesses will rebound faster than others. Those which are faster enablers of technology and emerging consumer behaviours are likely to prosper.

Danielle Rawson, director and head of travel, Deloitte ■

RESILIENCE REIMAGINED

FUTURE OF WORK

'CHANGE IS GOING TO ACCELERATE'

The Covid crisis triggered the most-rapid change in work anyone has experienced since the Second World War. The full implications have yet to become clear.

Oliver Graves, organisation transformation director at Deloitte, said: "People responsible for the technologies we're utilising now say it has accelerated adoption by seven years. So there is a massive transformation.

"In most cases, people continue working in the same way using these technologies, many of which allow you to capture things live and manage them across teams. So this is adoption of technology that is not yet fully utilised."

He added: "I can't see us going back. The new generation coming into the workplace are often shocked because companies don't use some of the more common platforms. Change is going to accelerate. Organisations adapted quickly. Now people will say 'We did it during Covid, why will it take two years?'"

The first question for many businesses beyond managing employee safety is 'Do we return to the office?' Graves explained: "Many organisations have worked out how long it will take to

Covid-19 condensed years of change into a few months. Some of the transformation will be permanent

get people into the office based on lift capacity, with a 'blue team, red team' concept in which teams attend two days one week, three days the next."

The Deloitte consumer tracker suggests that regardless of current working arrangements, workers' expectations around working from home have changed. On average, office-based workers would like to work from home for half the working week and only 15% are ready to be entirely office-based, dropping to 9% among younger workers. The research found half of office-based workers would like permanent flexible working policies.

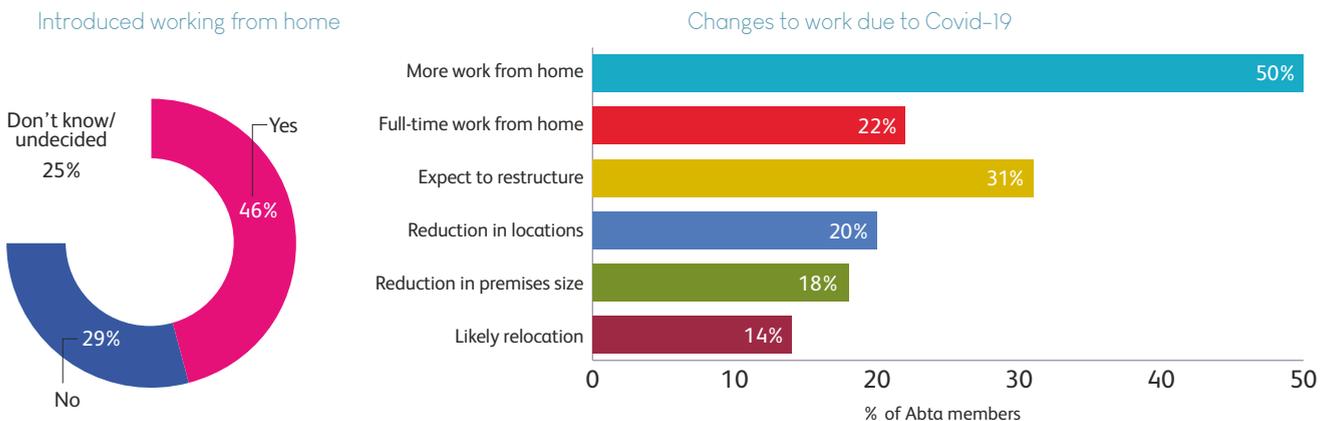
Graves suggests flexible working will "likely become an important decision driver for prospective employees" and said: "Companies which lag behind might struggle to attract and retain talent."

For now, he said: "The numbers in an office will be determined by the Covid-secure capacity. The priority will be those who need to be in the office or where technology in the office needs accessing.

"That will continue as a vaccine rolls out. The likelihood is those who do work in the office will continue to communicate on a computer. So offices will generally be used for collaboration, creativity,

ALMOST half of Abta member companies have introduced homeworking (Figure 63)

FIGURE 63: ABTA MEMBER HOME WORKING



Base: 255 Abta members Source: Abta/RSM survey, October 2020

FUTURE OF WORK

'CHANGE IS GOING TO ACCELERATE'

face-to-face meetings and learning.”

Graves believes increased working from home could change the hours of the working day. He said: “People at home have in many cases extended their working day.” He noted there are restrictions on sending emails after 6pm in some EU countries and suggested this may lead to workplace emails requiring a note that: “I’m sending this now because it suits my situation. That doesn’t mean I expect you to respond at this time.”

WORKPLACE DOWNSIZING

He considers a reduction in the size of many workplaces inevitable. Graves said: “There will likely be some downsizing. This has been limited so far by furlough, but the combination of Covid and Brexit will continue to cause disruption.

“A chief executive will be less likely to sign off on a 45-year lease. Many are now considering utilising short-term rented office space.”

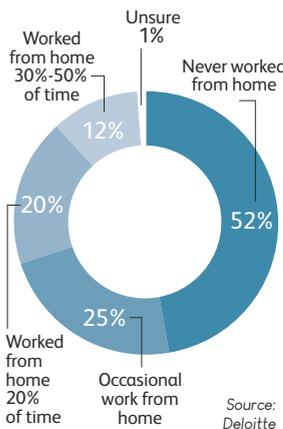
He added: “The management style for years has been ‘You’re in front of me, I can see you’re working.’ This ‘presenteeism’ has now changed. Organisations no longer need to say ‘We all need to be in the office.’” However, Graves said: “People thrive on social interaction. They will want to congregate.”

He predicts a reduction in travelling for business, at least in the short to

MOST of the UK office workforce worked only occasionally from home pre-Covid-19 (Figure 64). Despite the transformation, less than one in three were working solely from home by October 2020 (Figure 65). Hiring rates in travel not surprisingly lagged other sectors throughout 2020 (Figure 66). Two in five businesses expect to reduce their workforce (Figure 67)

FIGURE 64: WORKING FROM HOME PRE-COVID

% of UK workforce office-based



medium term. Graves said: “We’re getting together virtually and still able to do business. A lot of people enjoy getting on a plane, but has there been a need to do that at the scale we have? Probably not. Many have found they can still deliver without getting on a plane.

“A chief executive may want a get-together but consider the expense of getting 200 people together from 40 locations and question the benefit. Do we need to come down to London for business in the same volume? A chief financial officer may ask ‘Why am I spending £1,000 a week for someone to travel from Leeds to London? They have had many months of not signing off these expenses. Businesses will also be more acutely aware of their impact on climate change.”

He suggests businesses will ask: “What can we automate? Do we need a full-time equivalent? I see greater flexibility and an uptick in the gig economy. We see extensive use of third parties that can be turned on or off depending on needs.”

Adaptability and flexibility will be key and “arming people with technology that is mobile”. He said: “I can’t imagine a desktop PC being the go-to solution anymore.”

Diversity will likewise be “an increasing focus”, with organisations recognising that “diversity brings a diversity of thought to business”.

FIGURE 65: UK WORKFORCE WORKING FROM HOME

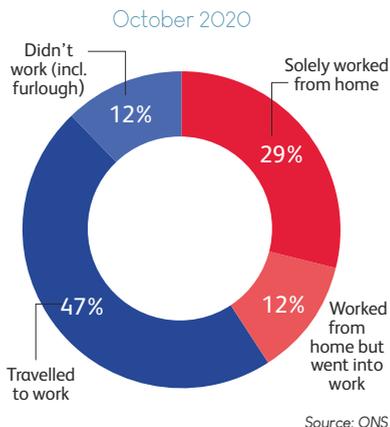


FIGURE 66: UK BUSINESS HIRING RATES, 2020

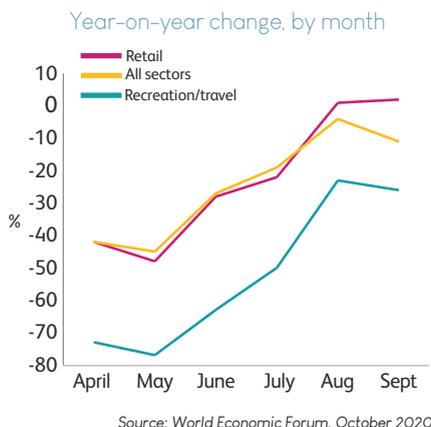
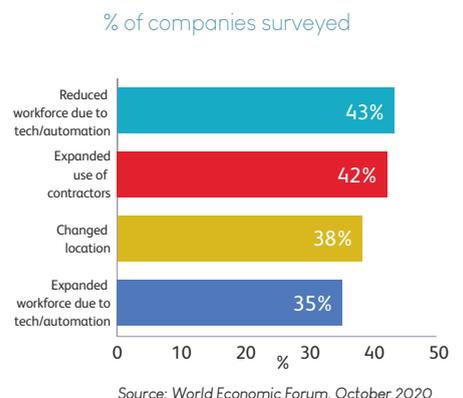


FIGURE 67: FORECAST CHANGES TO WORKFORCE BY 2025



SUSTAINABLE TRAVEL

COVID MUST NOT OBSCURE THE CLIMATE IMPERATIVE

Covid-19 dominated the headlines in 2020, but the year began with catastrophic wildfires in Australia and drew to an end following a record-breaking hurricane season, highlighting the growing impact of a warming climate.

Scientists drew attention not just to the 30 tropical storms in the Atlantic by mid-November, but to the strength and rapid intensification of the storms.

Emily Cromwell, Deloitte director for climate change and sustainability, suggested the impact of Covid-19 accentuated the need for climate action and welcomed the UK government announcement in November of an end to sales of new petrol and diesel cars by 2030, saying it conveyed “the right sense of urgency”.

Cromwell also noted that “TCFD-aligned reporting [Taskforce on Climate-related Financial Disclosure] will be mandatory by 2025, initially for banks and premium-listed companies”.

She said: “Combined with the 10-point green plan and the electric vehicle target, the UK is moving in a decisive direction. Ambitious targets will be needed to achieve the goals in the Paris Agreement. Businesses have to step up as well.”

The TCFD was set up by the international Financial Stability Board of the G20 economies and the European Commission. The 2016 Paris Agreement set emissions targets aimed at keeping the rise in global temperature this century below two degrees.

Cromwell said: “While setting these targets is positive, they won’t be easy to achieve. We need government intervention and businesses to take decisive action.

“Many companies are grappling with climate risk. For travel, the appeal of some locations is based on climate. We published a paper on climate change with the Met Office in September, with four potential scenarios.” The report, ‘Climate scenarios and consumer business: four futures for a changing sector’, explores

The world is at a ‘critical juncture’ and the ‘travel industry could take more decisive steps’

THERE was a five-point increase year on year to 60% in the proportion of UK holidaymakers registering a concern about sustainability. The big rise was in awareness of tourism’s impact on destinations (Figure 68)

“how different climate change pathways could impact businesses”.

Cromwell explained: “A two-degree warming in southern Europe could impact tourism by €6 billion a year. You would see both an operational and a business impact – consider sea-level rise on coastal properties and Unesco World Heritage Sites.

“Our actions now will likely have impacts many decades into the future. The travel scenario we considered was in a four-degree warming world, which is where we may end without action.

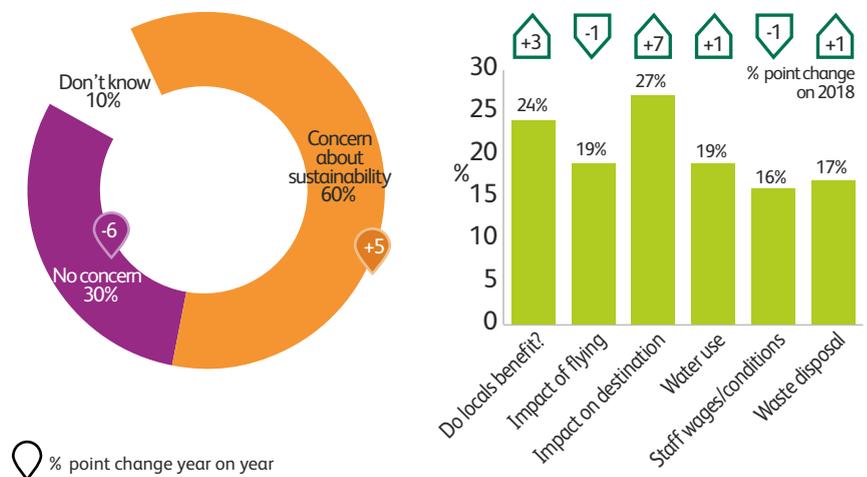
“Events in the last couple of years show climate change is beginning to have a quantifiable impact. We did a project for a hospitality investor looking at coastal flooding. It would be naive not to consider whether an island coastal property is going to be there in 30 years – that is not doom and gloom, it is due diligence.”

CONSUMER EXPECTATIONS

Cromwell acknowledges that squaring sustainability with luxury “is the million dollar question” but she said: “It’s about consumer expectations. Rife consumerism and population increase paired with a

FIGURE 68: HOLIDAYMAKERS’ SUSTAINABILITY CONCERNS

% UK adults planning overseas holiday in 2021



Source: Service Science/Kantar

SUSTAINABLE TRAVEL

COVID MUST NOT OBSCURE THE CLIMATE IMPERATIVE

luxury lifestyle will stress the Earth's resources. It's time for a reset on consumer expectations.

"Sustainability and luxury don't have to be mutually exclusive. If you define luxury as eight swimming pools and having the air conditioning on with the windows open, it is incompatible with sustainability. But it's not inherently incompatible. Luxury in future can still be mindful. 'Ultimate luxury' could mean disconnecting."

She said: "Hotels need to understand their carbon footprint and minimise it to the absolute amount they can."

"Beyond climate, hoteliers are in a unique position to engage with local

CAA RESEARCH reveals a steady rise in awareness of the environmental impact of flying and suggests an increasing willingness among air passengers to pay more to reduce the impact (Figure 69). Concern about overcrowding in destinations appears to have soared among prospective holidaymakers (Figure 70). The sharpest rise in awareness of sustainability in the past year appears to be among travellers aged 55 and above (Figure 71)

communities and take a stand against biodiversity loss. Hoteliers first need to understand the risk to biodiversity and then aspire not to have just a minimal impact on a locality, but explore how they can have a regenerative impact."

Looking at sustainability more broadly, she said: "Hoteliers more to take a strategic view rather than have a checklist. This means not simply looking at towels and air conditioning use. The aspiration should be not only to minimise negative impacts but also to give back to communities. Travel is in a unique position to have a broad positive impact."

Cromwell insisted: "There is more awareness now than 24 months ago – driven by the wild fires, by high-profile figures and by the financial sector. There is also a big push from investors. Strong environmental, social and governance (ESG) strategies are considered alongside financial results now. Companies are expected to report on ESG and TCFD metrics. We have increased awareness among consumers and increased government action."

"A lot of companies are taking action on sustainability and climate change and if they haven't they will be left behind. A hotel with great sustainability and climate credentials should be a no-brainer for travellers. Those in the industry who are early, bold movers on sustainability will

FIGURE 69: CONSIDER IMPACT OF FLYING, 2016-19

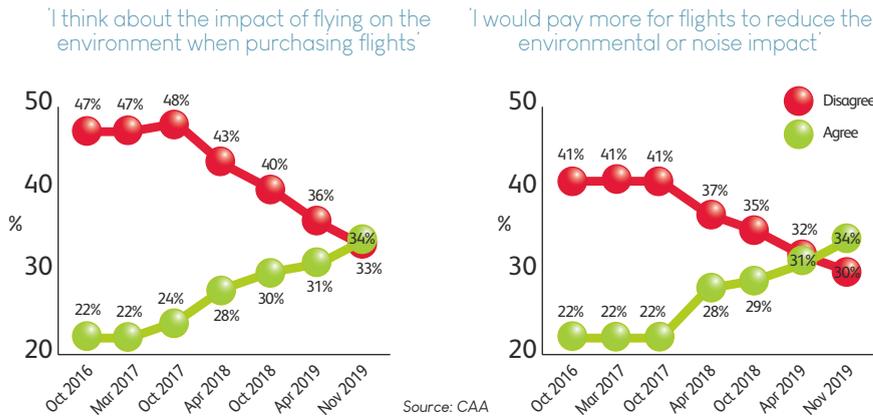


FIGURE 70: CONCERN AT OVERCROWDING IN DESTINATION

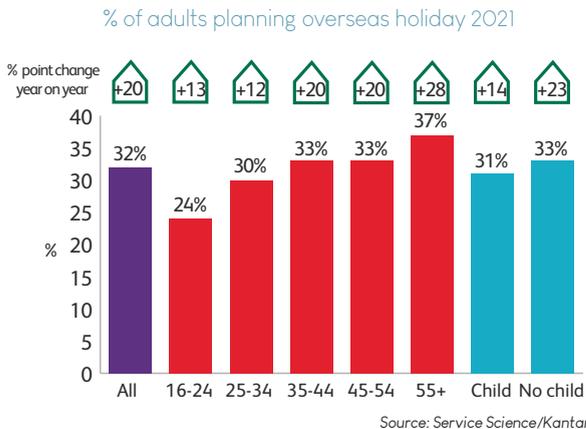
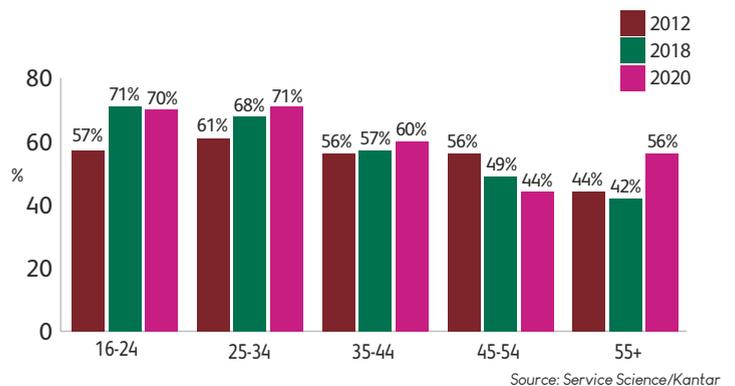


FIGURE 71: ANY TOURISM SUSTAINABILITY CONCERN



turn this into a commercial opportunity.”

Cromwell challenges the idea that sustainability should cost more, saying: “Relying on consumers to spend more on sustainability means you go after a certain demographic, whereas going for sustainability as a core strategy could drive savings. Think of sustainability as efficiency and of access to debt at lower rates.

“Sustainable finance has very much landed. Sustainable businesses can get money at cheaper rates. The business benefits of sustainability probably eclipse the costs. But if we rely on consumers, we may be waiting a while and it is inherently unequal. You will have sustainable travel for the wealthy.

“Mass tourism could be compatible with sustainability and address climate change. It needs clear goals and to be structured in the right way.”

AVIATION CHALLENGE

Cromwell acknowledges “the biggest challenge is air travel”, but she said: “For areas where we don’t think it’s realistic to meet goals, we should put contingency plans in place. If one-fifth of the solution is impossible, it needs to be made up for elsewhere. We need to do what makes the most impact while being realistic about how people will travel in future.”

Carbon offsetting forms a big part of efforts to mitigate the aviation sector’s

“
Mass tourism could be compatible with sustainability and address climate change. It needs clear goals and to be structured in the right way

THE RESEARCH suggests greater awareness of the impact of tourism on destinations and of concern that local people benefit among older holidaymakers (Figure 72)

footprint outside of developments in fuel efficiency and sustainable fuels.

Cromwell is careful in her assessment of offsetting, saying: “There is a wide variety of schemes from the highly reputable to those that require a lot more work. If you’re relying on offsets you need to approach it with a critical eye and conduct your due diligence to ensure it is having the impact you believe. Also, with carbon pricing, offsetting could become increasingly expensive.

“There are all kinds of anecdotes about carbon offsetting, [but] without it a lot of companies would not be able to achieve their carbon reduction goals. Offsetting is filling a gap now, but companies need to set bold, meaningful, measurable goals paired with plans to reduce overall energy use.”

She added: “A lot of companies are making net-zero commitments. Carbon offsets can be part of that with due diligence, but we urge companies to focus on reduction of energy use, increased efficiencies and a shift to alternative energy.”

Cromwell gave an equally careful assessment of carbon capture and storage, saying: “I hope it comes about. But decisive action is needed now rather than relying on a future technology that may or may not deliver.”

She said: “We’re at a critical juncture. The travel industry could take more decisive steps and accept a leadership position for some of these initiatives. Travel plays a unique role in people’s lives. It captures imaginations and inspires, and can drive change in the way people behave when they return to their normal lives. The industry should look to how it can spread an important message.

“Sustainability does not need to be just a cost. It needs to be viewed through a long-term not a quarterly lens, with other types of capital – environmental and social capital and biodiversity – considered.”

She warned: “Not being sustainable will put the commercial feasibility of a business at risk in the years to come. Companies that understand and manage the risks will survive. This is going to be the foundation of corporate strategy for years.”

FIGURE 72: SUSTAINABILITY CONCERNS, BY AGE



Source: Service Science/Kantar

RESEARCH PARTNER

TRAVEL WEEKLY INSIGHT ANNUAL REPORT 2020-21



Service Science brings insight and expertise together

Service Science is a specialist market research agency focused on the hospitality, leisure, tourism and travel sectors. We work with clients to bring actionable findings, from their customers and people, to help improve the customer experience.

We have four practice areas:

- **Think Like Your Customers:** using behavioural science techniques, qualitative and quantitative, we provide insight to help understand and influence customer behaviour.
- **Online Reputation Management:** through the monitoring and management of online reputation we provide the means to increase loyalty and maintain clients' competitive edge.
- **Service Quality Measurement:** through mystery shopping, brand standards audits and survey tools we ensure clients deliver exceptional service.
- **Employee Engagement:** our innovative approach ensures our clients' teams are motivated and engaged so they deliver service that sets them apart.

Service Science was founded in 2010 by Clive Nicolaou, a market researcher with 27 years' experience in the hospitality, leisure and tourism sectors. Prior to that Clive was head of hospitality and leisure at Kantar TNS having previously been a successful operator in the hospitality sector. He is a fellow of the Institute of Hospitality and a member of the Market Research Society.

Tom Costley is the most experienced researcher in the team with almost 40 years' experience in market research from both a client and agency perspective. He has wide-ranging experience but especially in travel, transport and tourism research. Prior to joining Service Science in 2018, Tom headed the travel and tourism team for Kantar TNS, the UK market leader in travel, transport and tourism. His client portfolio included national tourism organisations, leading operators, airlines, hotel groups and travel firms. He is a member of the Market Research Society and a fellow of the Tourism Society.



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RESILIENCE

TIME FOR A RESILIENCE RESET

Almost no one could say they were prepared for the Covid-19 pandemic. But Deloitte partner Tim Johnson, a specialist in crisis and resilience, denies the crisis was a total surprise.

He said: “This was reasonably foreseeable. It has been 100 years since the last global pandemic. It won’t be 100 years until the next because of globalisation and travel.

“It begs the question whether investors will reward greater financial resilience in future and whether ‘just in time’ processes will be accepted by consumers and by the market.”

Johnson highlights two features of the crisis which made it “different from classic crisis management”. He explained: “Crises divert management attention, leadership and resources, and one of the challenges is making sure a business continues to function. That was not an issue with Covid. At the same time, there was no one to blame. It was happening to everyone. That is unsettling for a sector that is pretty well prepared for crises.”

RESILIENCE IN THREE AREAS

He said: “The first task is to survive – and that is about balance sheet strength and, potentially, government support – and then to build a more resilient and adaptable organisation.

“We talk to clients about what resilience means in three areas – financial, operational and reputational.

“You can define reputational risk as what is expected of an organisation and what it does.

“When you’re in a crisis it begins with what you need to do. Most businesses know what they would like to do. It’s a question of not being able to do it.

“Crisis management involves understanding there is a trade-off and choosing the least bad option. It is not clear-cut. Those with deeper resources will be able to make trade-offs quicker.”

Fellow risk advisory director James Meadowcroft leads Deloitte’s transport,

Demands for data sharing grow as cyber risks ‘increase exponentially’

hospitality and leisure team. He noted: “The crisis brought to the fore a range of frauds exploiting the change in business operations, including the rise in remote working, changes to supply chains and claims for government support. A number of key processes and controls were not able to function adequately and fraudsters were able to exploit the gaps.”

Meadowcroft said: “We have worked with several airlines and transport businesses on how they transform their risk and control resilience and come out of this in the strongest possible way – considering how they were prepared, ensuring silos are broken down and having one version of ‘the truth’ – so risk-intelligent decisions can be made.”

Johnson said: “A lot of clients created Covid special taskforces or committees. We support those in a range of ways, including scenario planning.

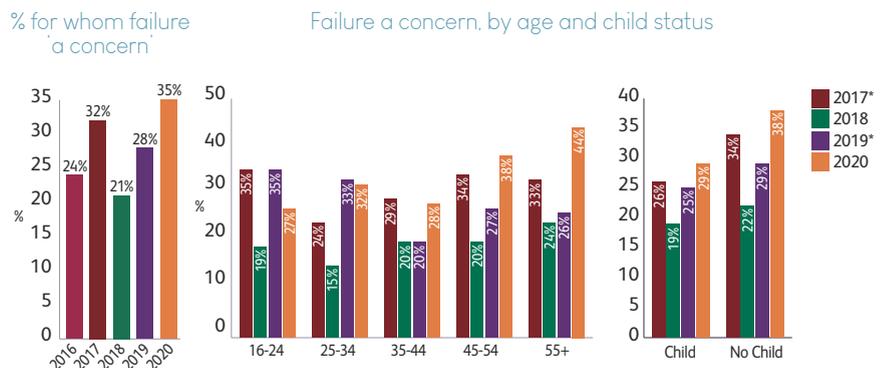
“Very few businesses prepared robustly for a pandemic.”

He added: “When an organisation is in crisis there is a break in how it sees the future. A crisis puts a barrier between now and ‘then’. Do you reconnect to the future you once knew or a new future? For some players in the sector, there will be a new future.

“The big issue is, what is in your control? For example, airlines have very

CONCERN at the risk of travel company failure has risen, hardly surprisingly (Figure 73)

FIGURE 73: CONCERN AT RISK OF TRAVEL COMPANY FAILURE



*2017 survey followed collapse of Monarch; 2019 survey followed collapse of Thomas Cook
Source: Service Science/Kantar

RESILIENCE

TIME FOR A RESILIENCE RESET

little control at present. So we see an increasingly vocal industry asking for testing to mitigate the impact of quarantine and to reassert some control.”

VULNERABILITIES GROWING

Johnson noted cyberattacks “have increased exponentially over the last nine months because of the opportunities”.

Deloitte cyber and privacy partner Peter Gooch agreed: “We’ve seen an exponential increase and we were seeing organisations struggle to keep up with ever-more sophisticated attackers before. Travel companies hold a lot of data and that provides opportunities for criminals. Some organisations may have their guard down because people are working from home. It’s a real challenge.

“We see threats changing with more remote working, but fundamentally the threats and vulnerability are increasing – particularly for this sector.

“Some of the threats with homeworking are not obvious. Vulnerabilities are increasing dramatically and it’s easy to take your eye off the ball because of the need to keep things running.

“There is also the speed of change. Some organisations suddenly had 20,000 people working remotely and were installing remote access servers in a rush. What has that done to their

“
Some organisations may have their guard down because people are working from home. It’s a real challenge

exposure? There is a ticking time bomb there.”

The Covid crisis also raises issues with the requirements to share data.

Gooch said: “Sharing data is increasingly the fundamental risk to organisations. Health passports have huge ethical implications. Are travel firms set up to do it? Should firms even be doing it? They should be deploying privacy by design if they do.

“What data do we need to relax restrictions and how will it be used? Do you collect data you don’t know how you will use? This is uncharted territory and different regulators will take different views. There is a lot of talk about Covid health passports, but there is no data to back it up and a lot of the talk has not materialised. The data would have to be perfect. Will people choose not to be vaccinated? There are huge hurdles to a health passport.”

DATA BREACHES

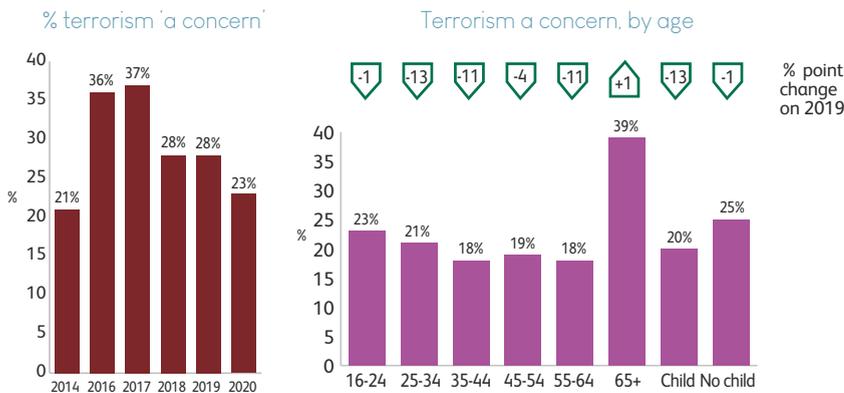
He noted organisations will also be wary of fines for data breaches, despite the UK Information Commissioner’s Office (ICO) sharply reducing the first major fines for breaches since the General Data Protection Regulation came into force in 2018. The ICO confirmed fines of £20 million for British Airways and £18.4 million for Marriott International in October 2020, after initially informing BA it would be fined £183 million and Marriott £99 million for breaches in 2018.

Meadowcroft said: “There is a clear link between cyber and fraud. The crisis has shown organisations where the gaps and weaknesses are. A key part of the response will be considering these gaps and what changes need to be made in order to enhance resilience.”

Johnson added: “There are a lot of legacy players in travel. This provides an opportunity for a reset. There will be opportunities to make changes organisations perhaps wanted to bring about anyway. We will see some structural change – there is no doubt of that.”

CONCERN about the risk of terrorism when on holiday has fallen to a five-year low, but remains significant among travellers aged 65-plus (Figure 74)

FIGURE 74:
UK HOLIDAYMAKER ATTITUDE TO TERROR THREAT



REPORT PARTNER

TRAVEL WEEKLY INSIGHT ANNUAL REPORT 2020-21

Deloitte.

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Our team provides insight and understanding of the challenges of today's environment and the ever-changing travel and aviation landscape. We work with most of the world's leading companies and provide an outstanding service – with a focus on maximising value for our clients and enabling them to make informed decisions.

If you would like to discuss any of the topics in this report, or our services, please contact one of our travel and aviation specialists. ■



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Resilience reimagined