

Accelerating the return of the global traveler:

The transformation of a travel and tourism industry

BY BRUCE LAHOOD

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Executive summary

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An unconventional recovery in an unprecedented time

The world of travel faces an unprecedented crisis: and if beginning a recovery from a standing start position weren't daunting enough, consider the added prospect of a global economic downturn, significant travel restrictions, and tackling a perception battle with guests and travelers that their stay or journey may be unsafe. But like any unforeseen circumstance, the challenge is not the situation itself, but how you respond to and navigate your way out of it.

The travel industry will restart in a different world from the one that it left behind only a few months ago. That new future will require unconventional thinking and robust solutions to bring travel and tourism back to life. It will also require the industry to resurface with the will to collaborate and choreograph efforts to meet market expectations.

Choosing where to over-index and what to de-emphasize will be central to a recovery strategy. Picking your battles, identifying areas open to disruption, and prioritizing scarce resources will be high on the minds of business leaders as a re-birth emerges.

Consumers returning to travel will expect the basic essentials of health and hygiene to be delivered consistently and to the highest standards. The travel industry cannot undervalue this vital consumer need and will need to place this rudimentary priority at the core of its brand promise.

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Heading toward a new reality

We are in uncharted territory. Airlines are rebuilding their schedules after having been essentially grounded. Hotels are temporarily closed or at low occupancy. Tourism attractions are devoid of paying customers assessing whether they can re-open their doors. Cruise lines have ceased operations and will, according to our survey research, experience the slowest comeback of any mode of transportation we explored.

From informal research undertaken with major global travel and hospitality companies and industry bodies around the world, as well as from ICF Next's survey of frequent travelers, the consensus is that a recovery will be slow, erratic, and drawn out.

Cruise travel faces the greatest challenge, with

51%

of respondents saying they **would not be willing to take a cruise until after summer 2021.**

Frequent travelers are far more open to domestic air travel in 2020 than international air travel, with

42%

of respondents expected to **resume traveling by air** domestically this year (versus 24% by air internationally). Of frequent travelers,

22%

do not expect to travel domestically by air until after summer 2021 (versus 41% of respondents who do not expect to resume traveling by air internationally until after summer 2021).

*Findings from the third wave of the [ICF COVID-19 Monitor Survey of U.S. Adults](#), fielded May 18 through May 20

Consumer muscle memory will be tested as a traveling public gingerly ventures back out into the world. People will dream, plan, book, and experience travel differently. Spontaneity will be characterized by those anxious to “get out” while others will go deeper into research mode to find the best solution to allay their fears and concerns and protect their health and safety.

While hard-hit, travel and tourism will bounce back and thrive again. As an industry, it is one of the world’s largest economic sectors, contributing \$8.8 trillion to the global economy in 2018, according to the [World Travel and Tourism Council](#)¹. It’s also one of the most resilient industry sectors and it plays a central role in connecting people and cultures and educating a world thirsty for knowledge and inspiration. With the collective efforts of an industry determined to get back on its feet by restoring vital supply chains, rebooting demand, and addressing the needs of its traveling consumer, travel and tourism will return stronger and better prepared for the future.

In this paper, we look at key findings from our latest consumer travel survey, uncover the central elements of what a demand recovery looks like in the travel and tourism industry, and reveal five fundamental areas of disruption for travel brands that will define the future.

Our perspective

Demand Recovery: travel, tourism, and hospitality



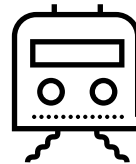
1.0

**Consumer
confidence**



2.0

**Tourism demand:
leisure travel**



3.0

**Tourism demand:
business travel**

¹ Source: <https://wttc.org/>



1.0 Consumer confidence

How might the industry empathetically encourage a return to travel?

Simply put, the majority of frequent travelers are nervous.

They are concerned about:

// Safety. Of frequent travelers, 51% believe the “worst is yet to come” of the COVID-19 pandemic.

// Daily lives. Of frequent travelers, 69% believe that a year from now the coronavirus will impact their and their families’ day-to-day lives in a “very major” or “fairly major” way.

// Finances. Of frequent travelers, 48% had their or someone in their household’s employment hours reduced. This is a plurality of respondents.

Restoring traveler confidence by convincing consumers that it is safe to resume travel, and that necessary actions have been taken to ensure travelers’ health and safety, will be critical as the industry seeks to drive its comeback.

The new future of travel will require unconventional thinking and robust solutions

to bring travel and tourism back to life. It also will necessitate the industry to resurface with a conscience — “conscience” because the COVID-19 pandemic has hit the psyche of all of us. An invisible virus we have yet to fully contain has left an indelible mark in the minds of those of us contemplating traveling again. Will it stop people from traveling? Definitely not. But will it make us all dream, plan, and experience travel differently? Most certainly yes.

Industry players have a responsibility to thoughtfully and empathetically bring people back. That conscientiousness extends to restoring travel confidence, not by simply luring travelers back on board aircraft or into hotels, or salivating over destinations, but by convincing consumers it is safe to travel and that the industry has ensured (as best it can) that its actions have mitigated any risk or concern a “bruised” marketplace might be feeling.



1.0 Consumer confidence (cont.)

According to our research, frequent travelers are highly in tune with public health and social distancing recommendations:

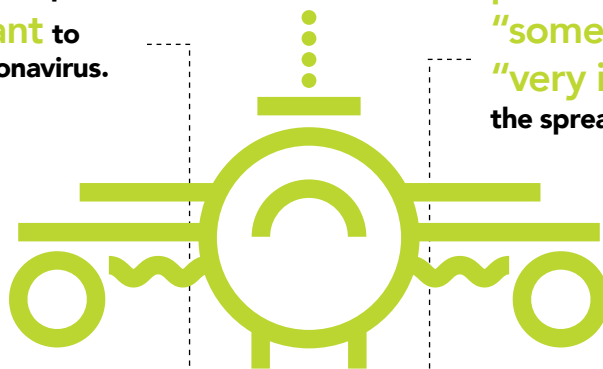
- // **94%** believe that **washing your hands when you leave a public place is "somewhat important" or "very important"** to stopping the spread of coronavirus.
- // **94%** believe that **self-quarantining for 14 days if exposed to someone with COVID-19 is "somewhat important" or "very important"** to stopping the spread of coronavirus.

But their feelings on the virus itself fall outside the norm:

- // **68%** believe it is **"not too likely" or "not likely at all" they will get sick with coronavirus**. This is higher than the national average in our poll. These individuals also exhibit a high propensity for willingness to travel in summer and fall 2020.
- // **69%** are **"very likely" or "somewhat likely" to try to get the vaccine** as soon as available. This significantly exceeds the 49% of the general population polled by the Associated Press².

88% believe that **social distancing** (staying 6 feet apart from others) **is important** to stopping the spread of coronavirus.

84% believe that **avoiding public transportation is "somewhat important" or "very important"** to stopping the spread of coronavirus.



² Source: <http://www.apnorc.org/projects/Pages/Expectations-for-a-COVID-19-Vaccine.aspx>

2.0 Tourism demand: leisure travel

How might we expect leisure travel demand to emerge out of this unprecedented trough?

Which segments will likely rebound first and at what level of intensity?

The leisure market is expected to come back to life with some pent-up demand prompted by lockdown constraints. Short-haul road trips will be the preferred mode of transportation (in favor of air travel) to relieve the pressure of being house-bound for a sustained period. “Stay-cations” will be an alternative for travelers looking to venture out—but not too far from home.

Traveler behavior and spend patterns will recalibrate, and travel will come back in baby steps. Ancillary activities such as group activities, dining, and exploring local attractions will be more sparingly built into itineraries, allowing for more downtime and flexibility.

Even when allowed by their state,

41% of frequent travelers polled in our survey are not planning to visit a sit-down restaurant “until it is safer.”

Spend levels themselves could be curbed by the economic impact of the crisis. Some travelers will over-index on travel loyalty and credit-card programs to redeem currencies in favor of cash (i.e., hotel stays, gift cards). Despite this, there is still a desire for the quick escape dining out can provide, particularly among those feeling financial stress.

Dining out will be preferred over in-hotel dining, driven more by a change of scenery than for reasons of health and safety. Over time, assuming no recurrence of the virus and assurances from travel providers that hygiene standards are being met, consumer confidence will grow as health and safety concerns allay.

Ultimately, longer-haul and off-shore travel demand will experience an uplift (though not to pre-crisis levels) once the pandemic is under control and international borders begin to open up.

But even that notion is in question. The virus has played havoc to varying degrees across the globe which will force travel ‘corridors’ or ‘bubbles’ to emerge (moving from one ‘safe’ region or country to another) rather than the skies completely opening up to all. While some destinations may be getting prepared to open their doors to the world, the origin markets that they typically would look to may not be ready and willing to allow their citizens to travel.



3.0 Tourism demand: business travel

How might we expect business travel demand to emerge out of this unprecedented trough?

Which segments will likely rebound first and at what level of intensity?

Business travel is predicted to have a slow and stuttered recovery, with corporate business hit hardest. Finance departments will apply stricter controls and guidelines around travel and expenses, likely pushing for much less travel spending when things resume or applying zero-based budgeting as business plans are resurrected. This will have significant flow-on effects into local tourism economies as the traveler yield will be significantly less during the first 12 to 24 months of recovery.

25% of frequent travelers surveyed had lost their job or had someone in their household who had lost their job.

74% of frequent travelers had canceled or re-scheduled travel since the outbreak or had someone in their household who had canceled or rescheduled travel.

The industry's conference, groups, and meetings segments will be hit hardest, with consumer sentiment and the optics of encouraging gatherings of large groups being largely considered corporately irresponsible for the time being. Events at scale will be replaced by smaller, regional gatherings and supplemented by digital communications technology to keep people educated and informed.

Hotel companies, for example, will face an erratic return. Limited service, mid-scale, and extended stay brands will fare better than others as budget-conscious travelers across all segments re-enter travel. These segments are already seeing small green shoots of regrowth and are anticipated to be the sustained benefactor of the demand upswing.

Small- to medium-sized enterprises will have been hit hard by the crisis; as business resumes, they will likely see travel as a luxury rather than a necessity.

Frequent (and, more and more, infrequent) travelers will expect and embrace any loyalty and digital offering that simplifies an experience and minimizes touch—like Hilton's digital key to bypass the front desk and access your room and in-room controls—as an innovative, practical solution to the new realities of travel.



Considering all of the above, it would be easy to conclude that the path forward for travel will be long and painful for travel businesses and brands. It is true that the road to recovery will be a slow and bumpy ride. This massive setback will however present a tremendous opportunity for the progressive players within the travel, tourism, and hospitality industry to uncover areas ripe for disruption that will transform the customer experience and enable the design and development of the next generation of global travel.

OUR PERSPECTIVE

FIVE AREAS OPEN TO DISRUPTION: TRAVEL, TOURISM, AND HOSPITALITY

1.0

Customer
centricity

2.0

Brand
loyalty

3.0

Destination
marketing
2.0

4.0

Book direct

5.0

Employee
empowerment



1.0 Customer centricity

How might we engage with members to help design the future of travel?

This may be travel's moment to be the global test market for active participation, where brands create an open dialogue to enable customer voices to be heard.

What got us to this territory

Is C2B—“customer-to-business”—the next buzzword in travel? Perhaps. Travel by design could represent the new marketing engagement model a recovering industry should consider as it searches for its reincarnated self.

The rising influence of consumers will shape the new face of travel, offering the opportunity to the industry to listen to its market as it rebuilds.

Brands must show a willingness to open themselves up to a marketplace looking to an industry for positive transformation, leaning on consumers to help reconstruct more contemporary, customer-centric travel experience and value exchange.

What the future holds

Some travel brands are already taking heed of a marketplace yearning to play a more active role in the shape and form of a revitalized product and service offering.

European carrier Finnair recently polled its frequent flyers to ask for design input to enhance its frequent flyer program. And better still, beyond opening the gates to the market that it serves, the carrier has acted upon some of the recommendations. During this unprecedented time, Finnair has extended elite level status by another six months as well as adjusted voucher and gold card expiration dates. Would it have done this anyway? Possibly. But making the first mover advantage by asking first rather than competitively responding later will leave a lasting and positive legacy for a brand with a listening ear.

Forward-facing and empathetic brands in a post-COVID recovery phase are engaging with their customers in search of insights, pain points, ideas, and opportunities to create a relevant, distinctive, and compelling customer-inspired offering. Of course, the secret sauce is the quick turn from ideation to mobilization, just like Finnair, taking the best ideas and turning them into action. Brands will earn kudos for not just listening but acting.

Expect more of this servant leadership characteristic from brands willing to acknowledge that they aren't perfect, don't have all the answers, and are ready and waiting for participative engagement from their loyalists who are themselves looking to contribute to a greater good.



2.0 Brand loyalty

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How might the industry reboot its customer service and loyalty value proposition?

Will this crisis offer an opportunity for the travel industry to take a fresh look at how it services customers outside of the actual travel experience?

What got us to this territory

While airlines and hotels were quick to positively respond to the crisis by waiving change fees and crediting travelers who had booked nonrefundable fares or rates, it has shed some light on ancillary pricing practices and travel booking conditions considered by some to be archaic and not exactly customer-friendly.

The transactional nature of loyalty programs has also been exposed: these points-based marketing programs are principally designed to incentivize incremental behavior for profit when things are good. Yet these programs have proven to be sub-optimal in recognizing the value of members and in recovering a situation when a crisis occurs.

Does answering the core customer need and sentiment—promise and assurance that a business “has your back”—present a future opportunity?

Adding insult to injury, customer service levels fell to chaotic lows given the unprecedented surge in demand from already booked travelers.

What the future holds

Travel providers may look to more flexible fares and rates in the future. Consumers will demand it, and many will be more willing to pay the premium for the choice and control that comes with it. Airlines and hotels will need to find the right balance between what premium the market is willing to pay and ensuring they themselves do not surrender complete control to their travelers, leaving them vulnerable to refundable cancellations and denied access to ancillary revenue opportunities.

The industry will also take a renewed interest in the power of customer service as a means to both humanize their brand and provide a vital service to their valuable customers. Brand marketers will also take a heightened interest in this often underinvested aspect of service delivery as a central driver of brand preference and affinity in the future.

A health crisis of pandemic proportions does have a profound impact on consumer sentiment. To overcome their natural reservations about travel health and hygiene, consumers will need more immediate access to brands and the people who represent them. Dialogue unlocks trust and transparency. In an uncertain world, we all need to be a little more confident about what lies ahead.



3.0 Destination marketing 2.0

How might the industry reboot its customer service and loyalty value proposition?

The sales cycle for travel to distant destinations will be also be longer, fueled by a cautious consumer anxious to get back into the world but wary of the risks that are top-of-mind post-pandemic. Destination marketers will need to focus on the long game and develop a different marketing strategy and approach.

What got us to this territory

A fundamental shift in consumer behavior offers a clear signal to a tourism industry anxious to reboot itself. These newfound consumer concerns and behaviors will stagger the return of the traveler and, like window shopping, consumers will be very tempted to buy what they see in the showroom. However, they will resist the natural urge to book the more exotic offerings in favor of closer-to-home alternatives, reserving time and resources to do more research before taking the plunge and making the inevitable splurge.

And let's not forget the realization that country borders will not lift in any organized fashion, left to local governments to determine when people can leave their home country and from which markets travelers will be welcomed in.

The free flow of travel across the globe – at least as we knew it – will not resume for some time to come.

What the future holds

As we emerge from the COVID-19 crisis, destination marketers will have to consider engaging with future visitors by investing in a direct relationship with those consumers who show an affinity toward their brand. Destination marketers will need to balance the classical view of how to market a destination—the “if you build a brand, they will come” mentality—with the responsibility to cultivate and nurture a potential market with a longer conversion cycle. A contemporary, consumer-engagement approach will emerge and, with a one- to two-year recovery ahead, destinations will also need to think carefully about which customer segments they want to appeal to.

And in tomorrow's world, content will extend beyond photography, video, and virtual reality experiences to inspire would-be travelers. For example, sharing health and safety standards and protocols (to allay natural concerns) and communicating positive tourism infrastructural developments that will signal the opening up of borders, air services and tourism experiences will be essential information for consumers to know about.

The free, independent traveler (FIT) market is where destination marketers will begin to focus much of their energy, building relationships with prospects through sophisticated, data-driven efforts to earn the right to engage and nurture in meaningful ways that keep destinations top-of-mind for when consumers are ready to travel more frequently again.



4.0 Book direct

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How might the industry accelerate the book direct and customer acquisition strategy?

Will travel companies again embrace online travel agencies (OTA) or try to turn their back on them as they look to restore demand?

What got us to this territory

In the past few years, major hotel companies have built out a powerful customer proposition by investing heavily in loyalty and brands to drive an aggressive book-direct agenda.

In the period after the 2008 recession, OTAs helped accelerate the recovery, providing much needed leisure and small and medium enterprise (SME) revenue to the travel industry.

That critical demand source came at a high cost to hotels, who soon saw the financial virtues of selling directly to consumers, avoiding higher commissions, and gaining access to guests for subsequent travel bookings.

The question beginning to surface amid the COVID-19 crisis is whether hotels will again embrace OTAs or will try to turn their back on them as they look to restore demand.

What the future holds

Hotel owner sentiment will likely prevail in the heavily franchised world of branded hotel chains. While the business logic for holding the course and severing the ties with higher cost intermediary channels has enormous appeal for hotel companies and the long-term bottom line of their franchisees, the near-term pressure to open the distribution gates to all sources of revenue will outweigh a book-direct only strategy. The on-again off-again supplier-intermediary relationship will take a step backward as a recovery resumes.

Hotel companies will however see the merits of maintaining an aggressive stance, witnessed through publicly promoting the benefits of both a stronger loyalty program offering and by booking directly with the hotel brand that hosts you. It will be incumbent upon hotel companies to create more reasons to belong to their programs and tie their value proposition to health and hygiene as much as points and upgrades.

Forward-looking travel companies are seeing the benefit of investing in consumer-facing loyalty brands that serve as a proxy master-brand that unlock and gain access to a wide array of offerings, such as Delta SkyMiles, Marriott Bonvoy, and Accor ALL. However, travel brands will now be expected to market and consistently deliver upon a health and hygiene promise in the post-COVID world and marketers may be wise to consider building this same theme into their program proposition.



5.0 Employee empowerment

How might we build and nurture our organization's service culture in a post-COVID-19 world?

Will a post-crisis world call upon a whole new set of leadership qualities, communications approaches, and management techniques to nurture, develop, and inspire its people?

What got us to this territory

What will the face of the returning workforce look like? It seems inevitable that many colleagues will make a strong and compelling case to continue to work productively from home. Until the world has a total hold on the pandemic, the extended repercussions of social distancing will also have a direct impact on the layout of offices and how they function.

Of most concern for many business leaders will be how to nurture and build a corporate culture central to their competitive advantage and long-term success. Having a fractured workforce living with new ways of working will call upon a whole new set of solutions.

What the future holds

Make no mistake, Travel, Tourism, and Hospitality is a service industry made up of people creating experiences across the entire value chain. This deep-seated service culture coupled with a more remote workforce in the world ahead of us will call upon a new breed of leaders to emerge, armed with creative communications approaches and management techniques to cultivate and inspire a customer-centered organization's employees.

Asia Miles, which is Hong Kong-based Cathay Pacific Airline's progressive loyalty and lifestyle program, recently introduced its 'Work Your Way' initiative. It offers colleagues more control and choice, enabling them to feel like they are part of a new solution that benefits all. Staff are given the individual responsibility to determine when they need to be in the office and when it makes sense to work from home. This flexibility within a framework, underscored by frequent communication, management accessibility, and visibility will be critical, along with shared ownership and accountability from the entire team. Another incredibly important byproduct of this agile approach to running a business is that it cultivates trust and transparency, key ingredients for a healthy team culture.

Business leaders will also need to carefully consider how to define, articulate, and engender commitment to strategies, business plans, near-term priorities, and business performance. With a more remote workforce, leaders will draw upon unconventional methods to get buy-in to the direction the business is taking and the decisions that will need to be taken along the way. That ability to paint the picture, and then put the people "in that picture" will require leaders to be both communicators, inspirational storytellers, and, of course, enthusiastic advocates for the business and its most valuable asset: its people.

Closing thoughts

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Shared values and paving a path forward

The travel and tourism industry must go in search of a greater good during the next phase of its journey. Accelerating tourism recovery efforts is one thing; doing it responsibly, with an eye to building a more resilient future for global tourism, is another.

A successful new world of tourism will rely heavily on restoring vital supply chains, rebooting demand, and effectively and efficiently rebuilding a more resilient industry and economy. Before anyone contemplates hitting the reset button, it might be worth considering creative means to answer these unique challenges.

In order to unlock innovative thinking and refreshingly new, positive, and ultimately impactful solutions, it pays to look at something familiar in a new light. It is incumbent upon all of us to shepherd a positive transformation that will reinvigorate the tourism economy, restore traveler confidence, remain focused on a sustainable future, and reignite the joy of travel.

About the Author



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