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Strategy & Marketing Consultants

**COVID-19 Webinar Series:  
How are businesses preparing for the return to  
operations as social distancing measures are  
relaxed?**

## Welcome to the 2<sup>nd</sup> webinar in our series

WEBINAR 1



How has COVID impacted the Travel Tourism and Leisure industries so far?

6<sup>th</sup> May

WEBINAR 2



How are businesses preparing for the return to operations as social distancing measures are relaxed?

13<sup>th</sup> May

WEBINAR 3



How does the industry expect customer behaviour to change in both the Interim Period and in the long-term new 'normal'?

20<sup>th</sup> May

WEBINAR 4



How should revenue management and pricing change to adapt to long-term changes in customer behaviour?

27<sup>th</sup> May

## Before we start

- This combined RMAPI and Simon-Kucher & Partners series of Webinars is a forum explore and discussion the challenges to revenue management and pricing from COVID-19.
- Just as with the RMAPI Conferences, these must not be used as a forum to attempt, or engage in, any practices which are in breach of Competition Law within the UK, Europe or Internationally.
- The presenters, and the audience, of these Webinars must recognise the principles and provisions of competition law and must not use these webinars to make agreements, decisions or practices which may directly or indirectly fix purchase or selling prices or any other trading conditions; nor limit or control production, markets, technical development or investment.

## Today's speakers



Tim Rosen

Founder & Director  
RMAPI



Dimitris Hiotis

Global Head of Leisure,  
Travel and Tourism  
Simon-Kucher & Partners



Rosalind Hunter

Partner  
Simon-Kucher & Partners

# Many thanks to those who answered our survey

23 respondents

12 industries

Sectors	Respondents
Consultancy/RMS systems	5
Train Operator	4
Ferry	2
Car rental	2
Air Travel	2
Hospitality/Hotel	2
Education	1
Campsite & Tour Operator	1
Live entertainment	1
Cargo	1
Bus or Coach	1
Other	1



# Recap from Webinar 1: Key points

The following elements are the key takeaways from the previous session...



## 1 Businesses are seeing a severe commercial impact from Covid-19

- Across the leisure, travel and transportation space, revenues are severely impacted. **Revenues are down more than 75% in the case of 80% of respondents** to the RMAPI survey.
- Covid-19 is also heavily impacting businesses from an internal, operating perspective, with **50% of respondents running at less than 10% capacity**

## 2 Interim period expected before “new normal” begins

- **100% of respondents surveyed expect an interim period** of operations before things return to a new normal
- **78% of respondents believe that this interim period will begin by the autumn**, and that it will be **characterized by social distancing and the required use of PPE**

## 3 RM systems/processes are not fit for “new normal”

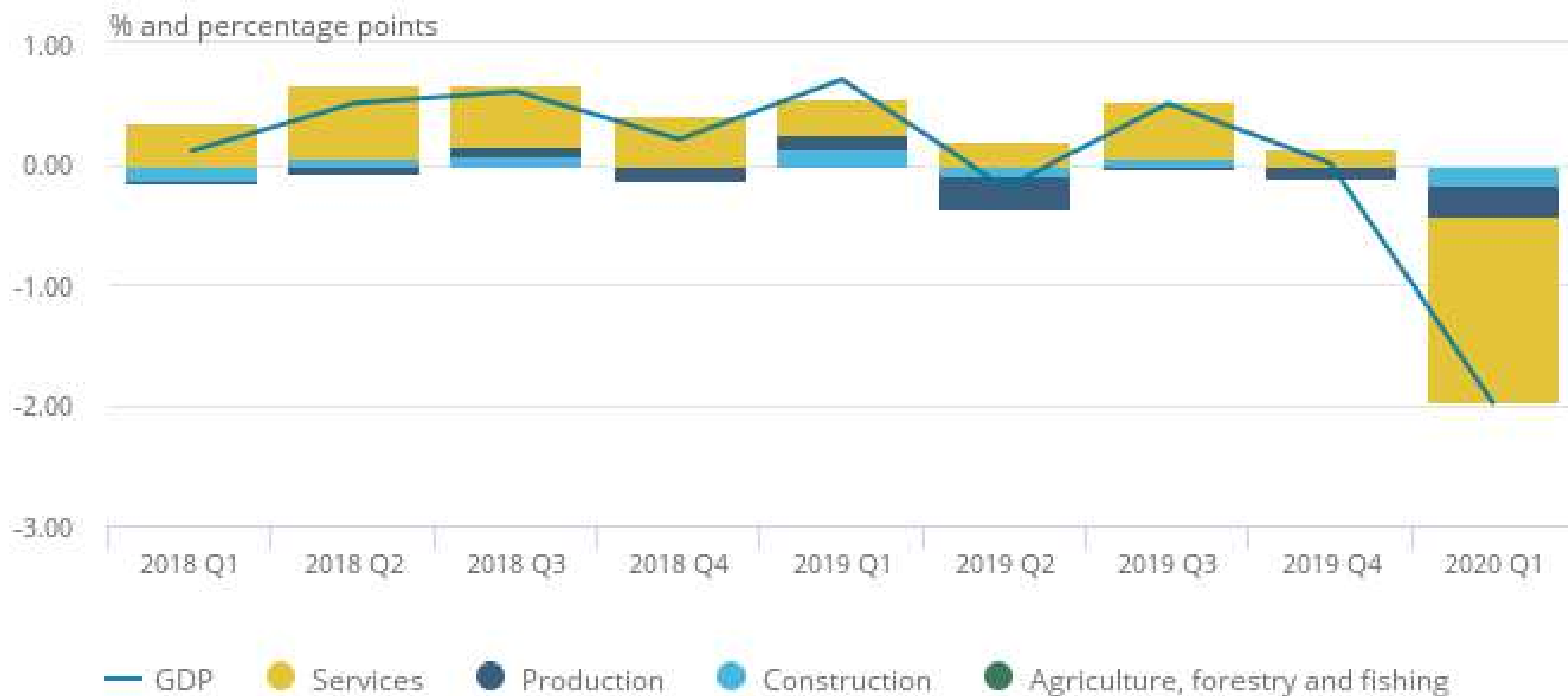
- RM systems **rely on historical data** and on the principle that **future behavior will follow previous patterns** – **this is not generally considered to be true** for this interim period
- Businesses are generally **not well set up for widespread manual pricing**, having come to **rely on automated mechanisms** to manage their relatively complicated portfolios

## 4 New offerings are being developed to meet new needs

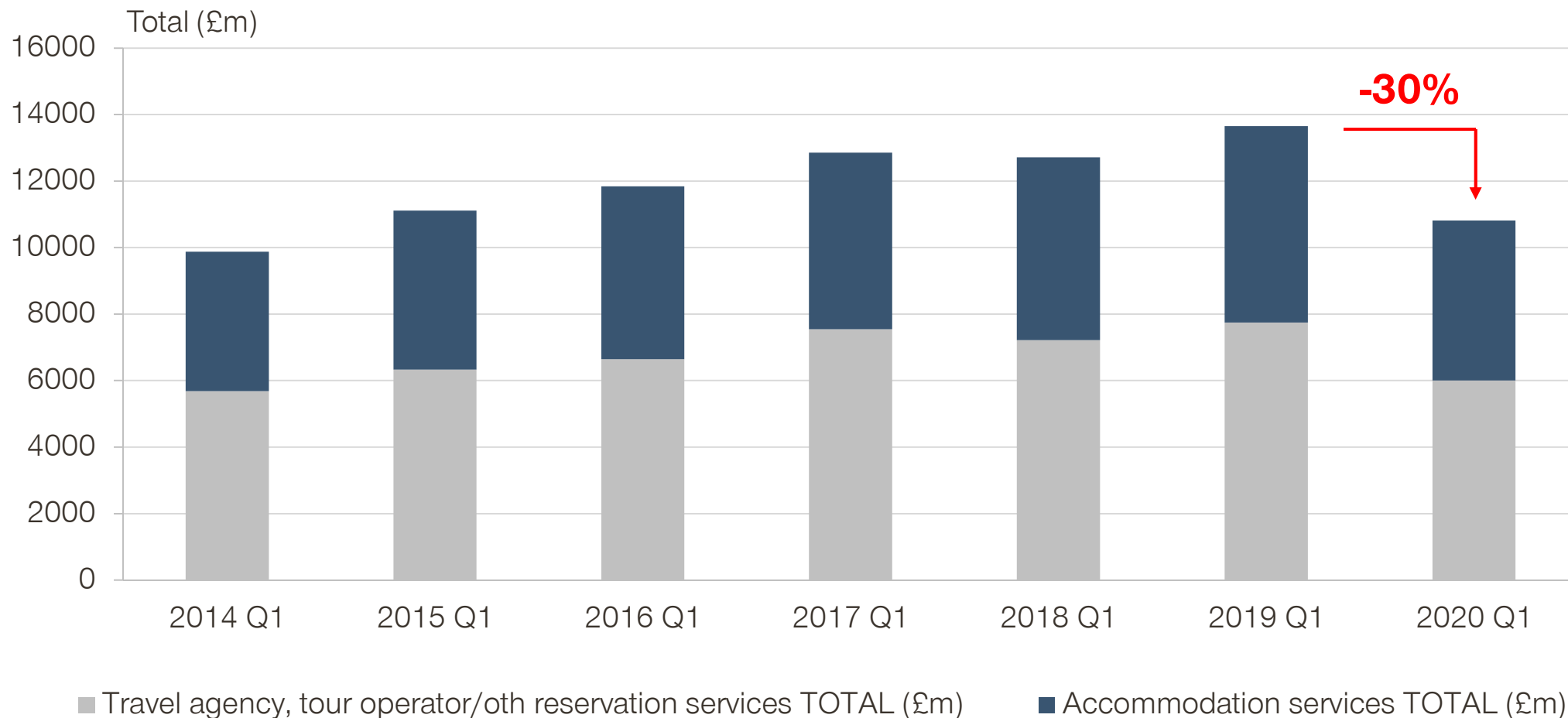
- **Many businesses have adjusted their offerings** to try and retain customers and mitigate the impact of coronavirus on their business
- The most common responses seen so far have been **increasing flexibility** through relaxed cancellation and changeability restrictions and a **shift towards digital offerings**

# The ONS initial Q1 GDP announcement this morning shows the services sectors is the widest hit by far

There was a widespread fall in output across the services, production and construction sectors in the first quarter






# Travel agency and accommodation services were down 30% on the average



**Significant restrictions only came in mid way through March so the majority of the impacts will appear in the Q2 figures**



# We are now moving into the restart phase

	1. PRE-PEAK	2. POST-PEAK	3. POST-LOCKDOWN
			
Context	<ul style="list-style-type: none"> <li>▪ Cases and deaths increase exponentially</li> <li>▪ Governments order lockdowns</li> <li>▪ Start of social distancing</li> <li>▪ People on furlough</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cases and deaths have peaked and started to decline</li> <li>▪ Governments starting to think of relaxing social distancing</li> <li>▪ Social distancing becoming “habitual”</li> </ul>	<ul style="list-style-type: none"> <li>▪ Daily deaths in single digit figures</li> <li>▪ Governments lift lockdown</li> <li>▪ Social distancing has changed customer behaviour</li> <li>▪ New operating models req’d</li> </ul>
Business priorities	<ul style="list-style-type: none"> <li>▪ <b>Revenue preservation</b></li> <li>▪ <b>Cash collection</b></li> <li>▪ <b>Cost reduction</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Cash preservation</b></li> <li>▪ <b>Restructuring</b></li> <li>▪ <b>Prepare for Restart</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Demand rebound</b></li> <li>▪ <b>Revenue growth</b></li> <li>▪ <b>Rethink/ reshape the business model</b></li> </ul>

# ...with relatively unclear guidance on how things will evolve

The governments first step to ease social distancing does not bring clarity as to when restrictions may be lifted and will be dependent on maintaining a rate of infection less than 1

## INTERNATIONAL TRAVEL



- Measures and restrictions introduced at the UK border
  1. All international arrivals to supply their contact and accommodation information
  2. All international arrivals not on a short list of exemptions to self-isolate in their accommodation for 14days on arrival

## WORK



- For the foreseeable future, workers should continue to work from home rather than their normal physical workplace, wherever possible

## TRAVEL



- When travelling everybody (including critical workers) should continue to avoid public transport wherever possible. If they can, people should instead choose to cycle, walk or drive
- Social distancing guidance on public transport must be followed rigorously

## FACEMASKS



- People should aim to wear a face-covering in enclosed spaces where social distancing is not always possible and they come into contact with others that they do not normally meet





## PUBLIC SPACES




- Exercise outside as many times each day as they wish subject to: not meeting up with any more than one person from outside your household


# So we are heading for a crisis – but what type of crisis are we likely to experience?


## PAST CRISES FOLLOWED A LINEAR RECOVERY PATTERN

	<p><b>Past epidemics</b></p> <ul style="list-style-type: none"> <li>• SARS</li> <li>• H3N2</li> <li>• H2N2</li> </ul>
	<p><b>Double-dip before recovery</b></p> <ul style="list-style-type: none"> <li>• USA 1980s</li> <li>• Euro zone 2010s</li> </ul>
	<p><b>Prolonged recession</b></p> <ul style="list-style-type: none"> <li>• Oil shock 1970s</li> </ul>
	<p><b>Lost decade recoveries</b></p> <ul style="list-style-type: none"> <li>• Japan 1990s</li> <li>• Greece 2000s</li> </ul>

## WHY THE SHAPE OF THE RECOVERY MATTERS

- 

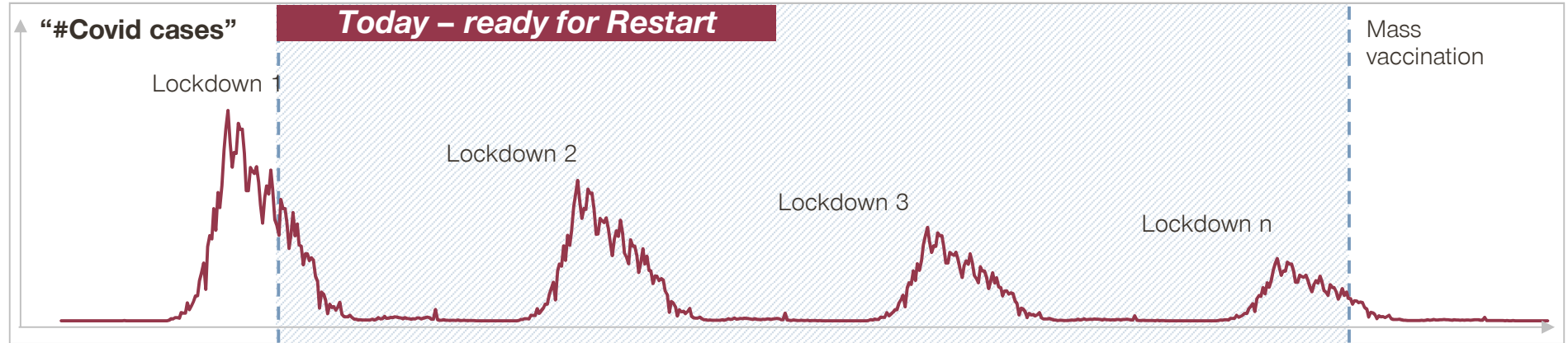
How much to cut costs, capacity etc.
- 

How strictly to manage cash flow
- 

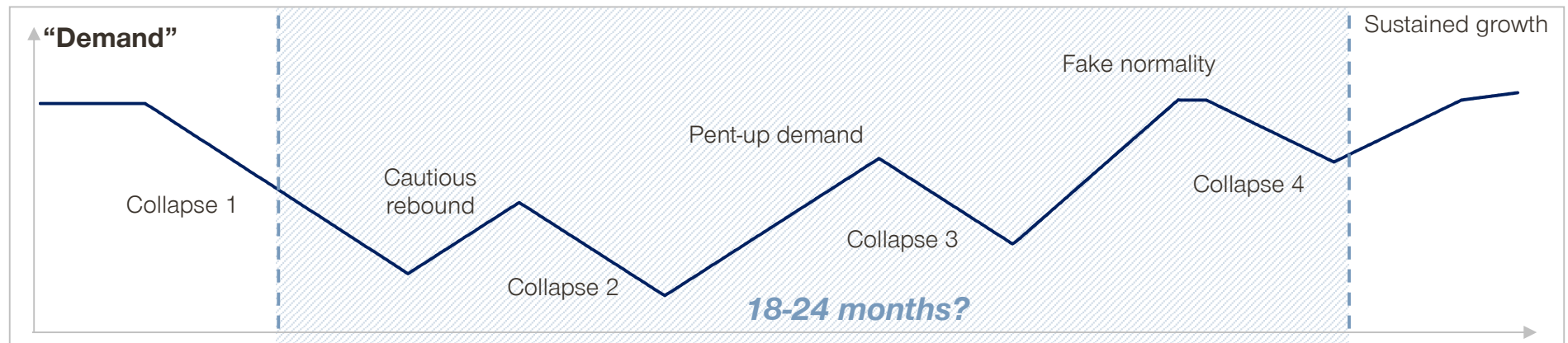
When to start investing in future growth

# We are entering a period of a resurgent crisis, with volatile demand driven by a health and an economic crisis

## The Health crisis ....



## ...instigates a resurgent economic crisis



**The Challenge: How do you “restart” your Go to Market model in a “resurgent crisis” world?**

# A resurgent crisis means that everything needs to be more agile and “dynamic”- an opportunity for RM people

## GO-2-MARKET MODEL KEY DECISIONS TO RESTART YOUR BUSINESS

Capacity/  
Operations



How can I prepare my **assets** to be **adherent** to **social distancing**? Can **capacity** be more aligned to **demand**? Are there **alternative uses** for our capacity that can ensure **revenue growth** in periods of subdued demand for my original use-case?

Product



In light of customer need changes, is our **product fit** for **purpose**? Do we need to offer **more flexibility** to customers to deal with the uncertainty? Is there a **virtual version** that doesn't rely on human touch?

Marketing



In **which channels** should we invest? Which ones are **most effective** and have the best return on investment in a world where cash is precious? What are the **right campaigns** to run?

Pricing



How should we **price** when we go back to the market? Should we start with a **discounting strategy** to get demand in? Or should we **stick** to a **higher price** and adjust in response to demand?

CRM



Should we focus on **acquisition, retention** or **upsell**? Or should we change objectives depending on where we are in the demand cycle? How do we best get equipped to do that?

Salesforce



What should be the **size and focus** of our **salesforce**? How can we **refocus fast** enough in terms of **country, channel, customer segment**? How do we **adapt negotiation guidelines** based on market evolving needs?

Data maturity

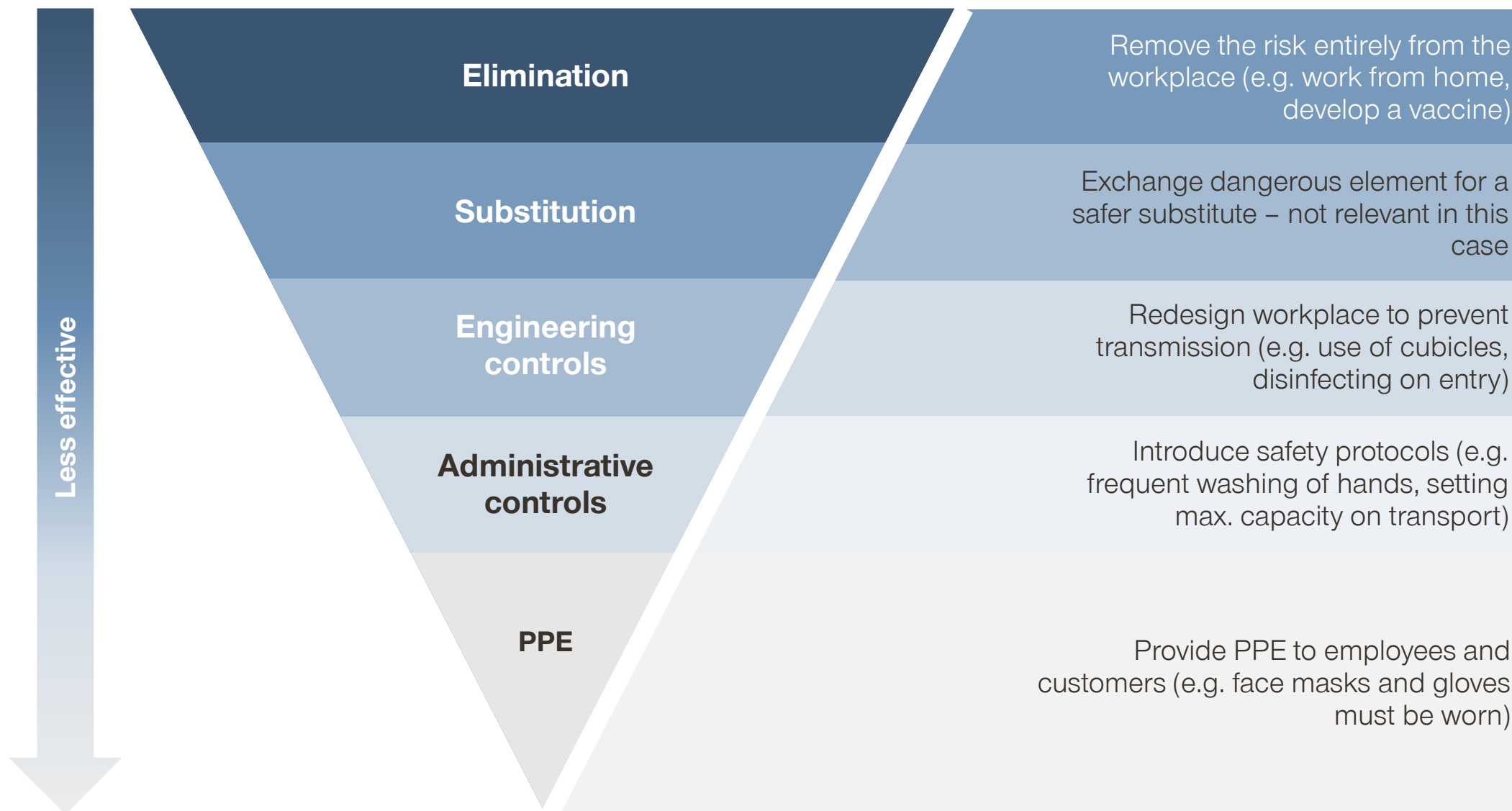


How flexible is our infrastructure in adapting to new processes? How can we **leverage data** to better utilize automation, AI, Machine Learning and IoT to **make decisions, deliver insights, etc in a quick & effective manner**?

# From a capacity and operations perspective, there is a hierarchy of controls to impose under 5 key categories

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## HIERARCHY OF CONTROLS



## Many businesses, opening this month across China and USA, are implementing strategies to mitigate Covid-19's impact

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### SITUATION OVERVIEW...

- **Closed on 24<sup>th</sup> January**
- **Reopened on 11<sup>th</sup> May**
- Walt Disney Co. **net income -91% YOY H1 2020**

### BUSINESS GUIDELINES TO REOPEN...

- **Social distancing** guidelines enforced
- **Maximum capacity set at 30%** to limit crowding
- Some facilities **where social distancing is not possible will remain closed**
- **Timed entry slots** assigned to prevent crowding
- **Green rating on Chinese health app** required for entry
- Guests' **temperatures measured** at entrance and all required to **wear face masks**



### SITUATION OVERVIEW...

- Locations **closed in March**
- Some locations **opening from mid-May**
- Revenues expected at **-21% YOY for Q1**







### BUSINESS GUIDELINES TO REOPEN...

- **Admission is only allowed with online booking** (required to allow control of number of guests)
- **Temperature checks** done at entrance and all guests required to wear **face masks**
- New technology used to **limit face-to-face interaction**: mobile ordering, virtual queueing, cashless payments
- **Hand sanitization stations** made available throughout the parks

# The most popular strategies being employed centre around social distancing, the use of PPEs, and enhanced cleaning

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## REOPENING STRATEGIES – MITIGATING CUSTOMER RISK

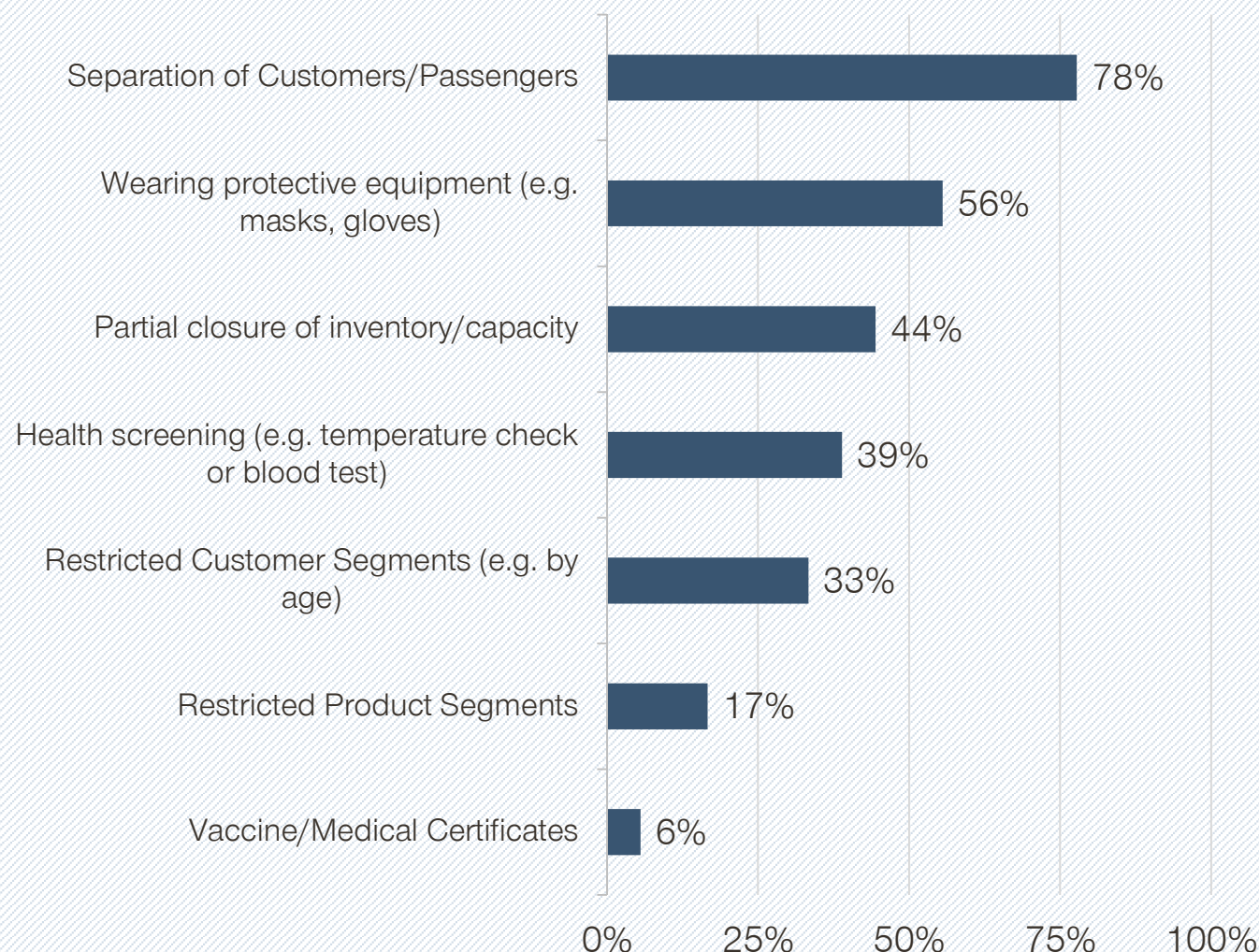
Hierarchy level	Strategy						
Engineering Controls	Partitions at check-in	✗	✗	✓	✗	✗	⚠
	Online/mobile check-in	✗	✓	✓	✗	✓	✓
	Cashless transactions	✓	✓	✓	✓	✓	✓
	Limited activities/facilities	✓	✗	✗	✗	✓	✓
	Virtual queueing	✗	✓	✗	✗	✗	✗
	Hand sanitizer available	✓	✓	✗	✓	✓	✓
Administrative Controls	Staggered entry	✓	✗	✗	✗	✗	✗
	Social distancing	✓	✓	✗	✓	✓	✓
	Limit capacity	✓	✓	✗	✓	✓	✗
	Pre-booking required	✗	✓	✗	✗	✗	✗
	Health app/tracker	✓	✗	✗	✗	✗	✗
	Enhanced cleaning	✓	✗	✓	✓	✓	✓
PPE	Measure temperatures	✓	✓	✗	✗	✗	✗
	Wear masks	✓	✓	✓	✓	✓	✓
	Wear gloves	✗	✗	✗	✗	✗	✓



## These steps resonate with your expectations for the UK restart

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### WHAT MIGHT THE CHARACTERISTICS/RESTRICTIONS BE FOR THIS INTERIM RESTRICTED PERIOD?



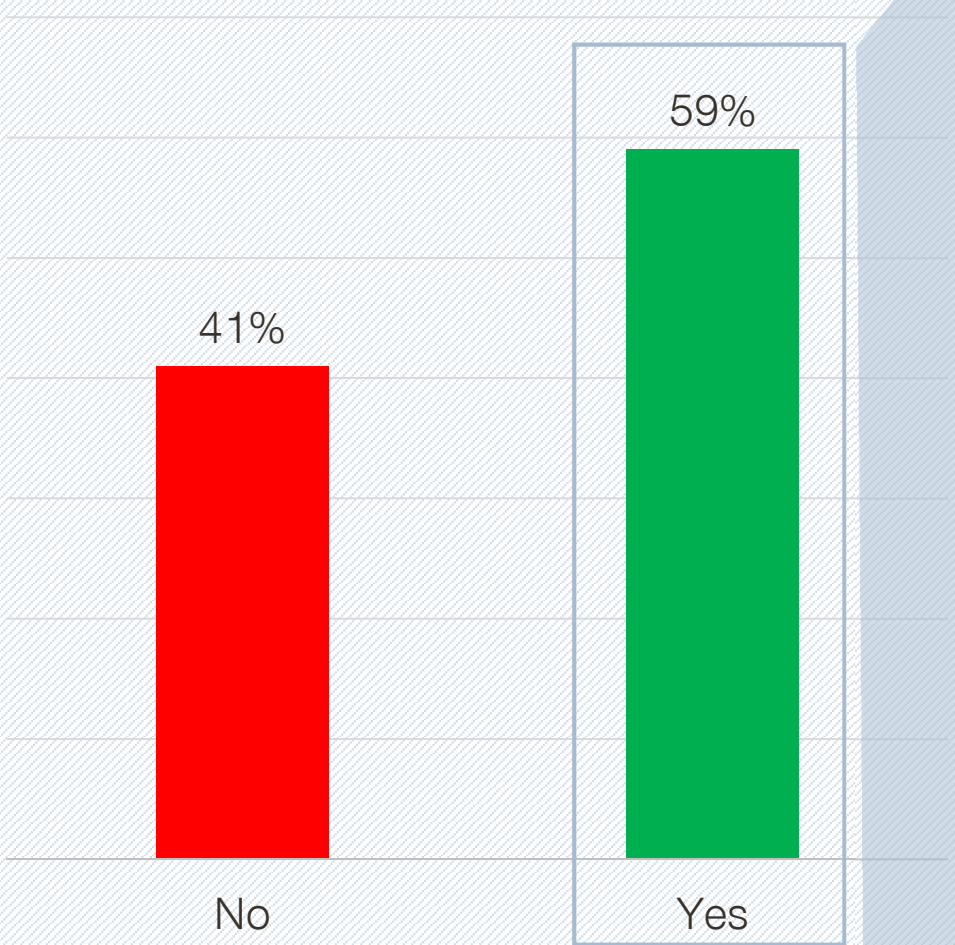
#### Additional single responses:

- Limiting distance of travel to/from work or for other business or leisure purposes
- Limiting size of gatherings
- Limiting use of hospitality services to pre-booked (hotel rooms, restaurant reservations etc.)
- Restriction on non-essential travel
- Complete hibernation of services
- Proscribed cleaning regimes for vehicles and customer touch points

# Digitalization of the sales experience alongside reduced capacity are the core elements being used to reduce contact

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DURING ANY INTERIM PERIOD DO YOU EXPECT CUSTOMERS TO SEEK LESS HUMAN INTERACTION IN THE SERVICE COMPONENTS OF THEIR HOLIDAYS OR TRAVEL?



IF YES, CAN YOU PROVIDE EXAMPLES OF HOW THIS MIGHT BE DONE?



- “Contactless – online”*
- “Assurances over spacing at key points”*
- “Reduced demand for F&B and leisure facilities e.g. swimming pool”*
- “Sales restricted to **online only**”*
- “Fewer face to face sales transactions, less **cash handling**”*

Source: RMAPI members survey. N=18. Travel Weekly podcast.

# Some players have used digital apps to better inform travellers how busy carriages are prior to departure

DSB (National Rail in Denmark) created an app to see by O&D the bookings by O&D per day as well as introducing a default requirement for seat reservations on all regional trains

**Hvornår er det bedst at rejse?**

Se, hvilket tidsrum du skal vælge, hvis du vil holde størst mulig afstand til andre.

**Find bedste tid** >

**Tjek dit S-tog**

Følg S-togstrafikken lige nu og tjek, hvor mange der er med de enkelte tog.

**Tjek S-tog** >

**Højest 50% passagerer i alle DSB-tog**

Med færre rejsende i hvert tog, kan vi bedre holde afstand til hinanden. Derfor har DSB indført en ny regel for alle tog: Vi kører højst med 50 % af det antal passagerer, der normalt er plads til. Sådan passer vi bedst på hinanden.

**Tilpassede anbefalinger 14/04/2020**

- Du kan sagtens holde afstand
- Du kan sagtens holde afstand
- Du kan godt holde afstand
- Du bør tage et andet tog
- Du bør tage et andet tog



Bedste tid Tjek S-tog

**Find bedste tid**

Vælg rute og se, hvornår på dagen du bedst kan holde afstand i S-toget

Fra  ×


Til  × Mandag ▾

Tag kun tog under den røde streg

**Utilising available data to forecast per O&D and day to indicate which trains to board trains only below red line**

# Airbnb has created virtual experiences using their digital channels

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Add location

Add date


Q

## One-of-a-kind activities hosted by experts


**Introducing Online Experiences**  
Unique activities we can do together, led by a world of hosts.




**CROATIA**  
Farm to Table from the Mediterranean  
From £11/person · 1.5 hours  
★ 5.0 (81)



**INDIA**  
Bring the Flavors of India to Life at Home  
From £9/person · 1.5 hours



**JAPAN**  
Sake Secrets from Japan's Oldest Brewery  
From £8/person · 1 hour  
★ 4.97 (118)

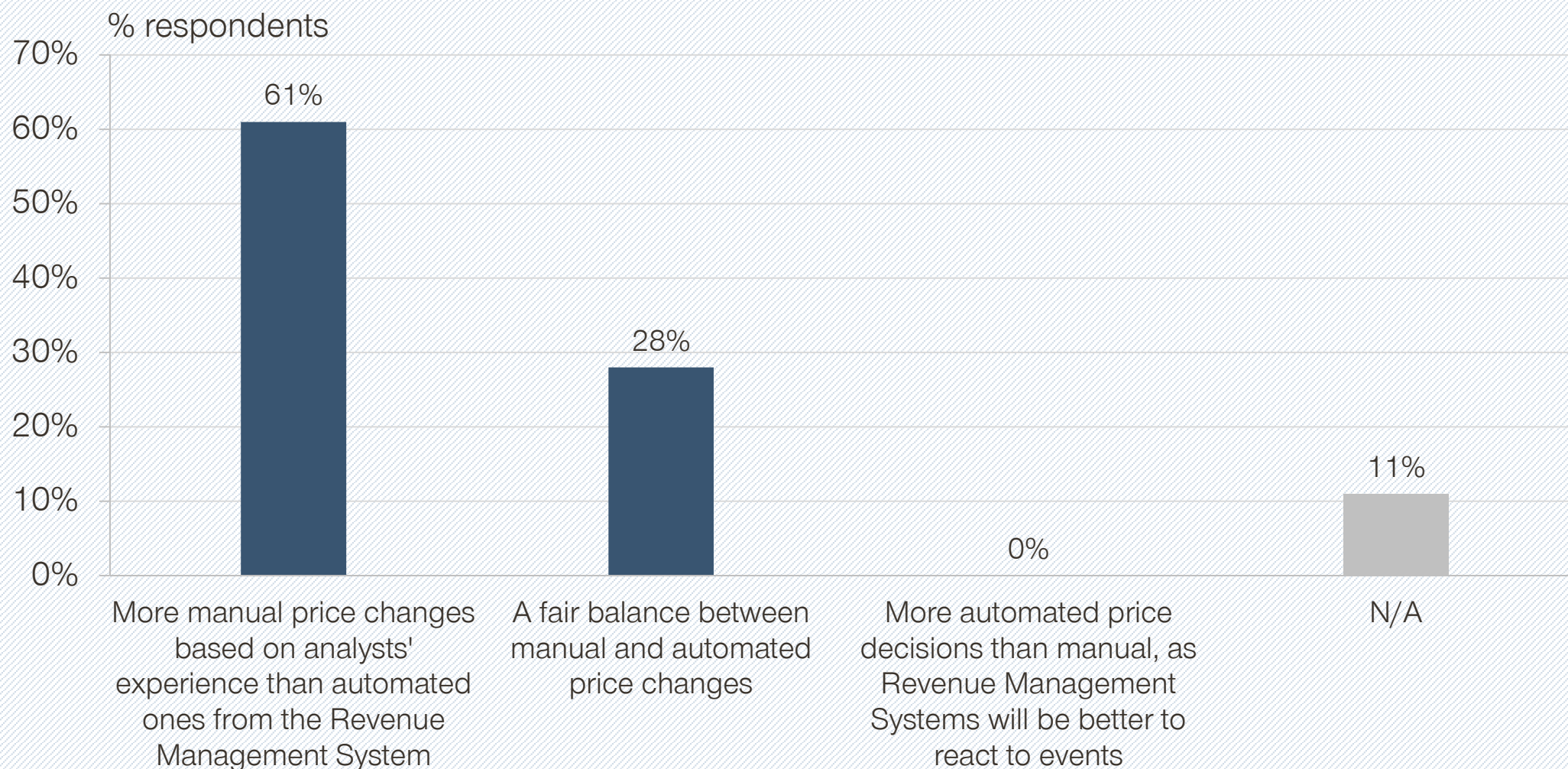


**ARGENTINA**  
Tango Concert with Latin Grammy Nominee  
From £9/person · 1.5 hours  
★ 4.99 (276)

## RM systems are expected to struggle in the “new normal”, causing many of you to resort to manual pricing

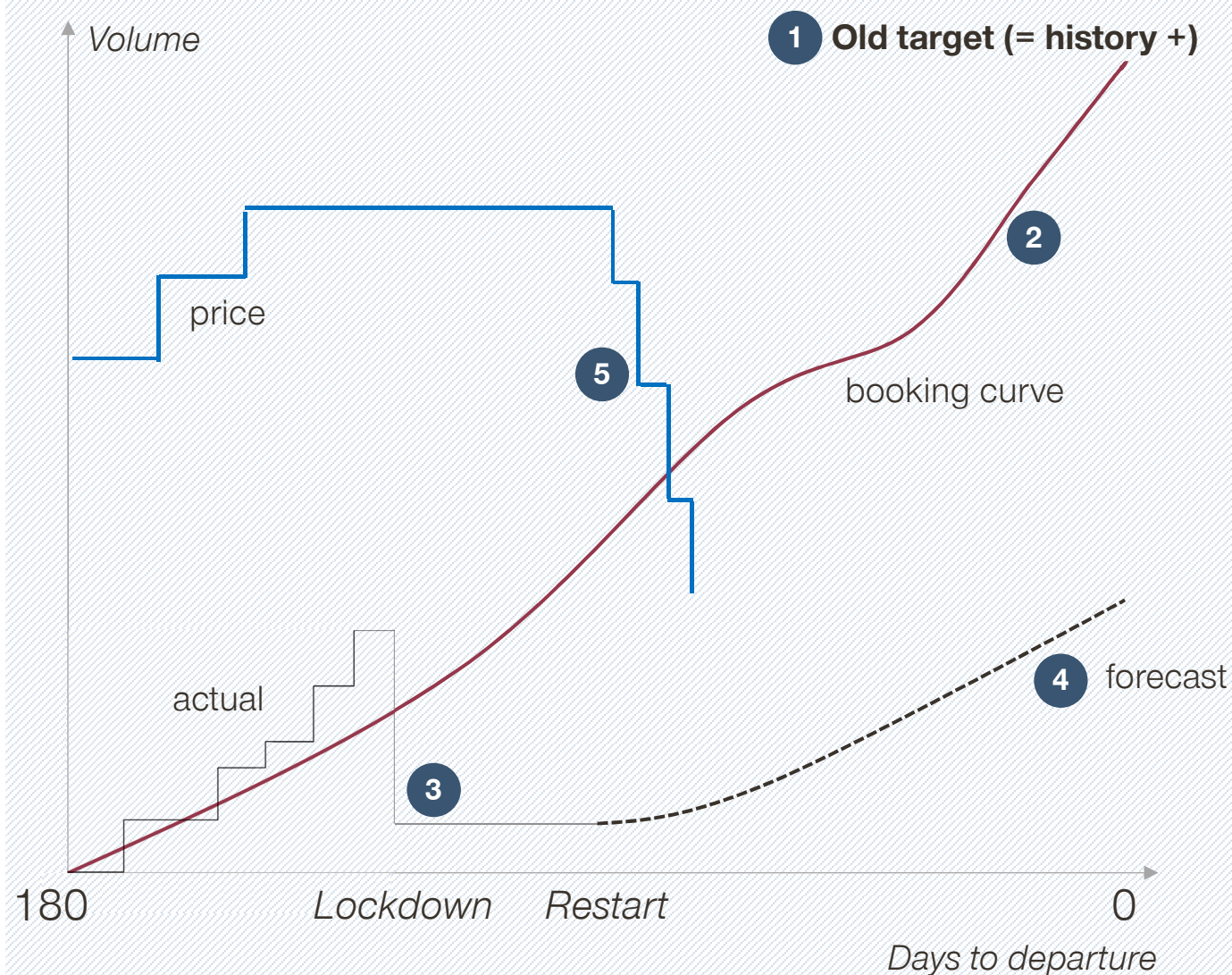
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FOR THE INTERIM PERIOD, WHAT DO YOU THINK IS MOST LIKELY TO HAPPEN WITH YOUR RM AND PRICING ACTIONS?



# Existing RM system need “re-calibration” to adjust to the new world


EXISTING REVENUE MANAGEMENT SYSTEMS ARE NOT SET-UP TO DEAL WITH THE IRREGULAR DEMAND SHOCKS OF THE CRISIS





Existing RM systems are history based and react with price reductions in current crisis as...


- 1 They are set-up to achieve an **unrealistic target** or fill-up rate of capacity
- 2 ...using a **booking curve** that is based on how bookings came in **previous years**
- 3 ...picking up a **significant drop in demand** due to the lockdown
- 4 ...that **leads to a low forecast** of demand to come
- 5 ...for which they **prescribe a reduction in price**, which they hope will bring back the demand


## You need to reconfigure your RM system and logic to be target-based rather than history based


- 1** Reset your targets 

Don't try to chase the fill-rate of last year or a target based on historical performance; **Reset** your **target** to what is **optimistically possible** that also accounts for potential **reduced capacity** in the interim period
- 2** Move to target curves 

Re-adjust your booking curve and “**re-purpose**” it as a **target curve** that reflects how you expect your revised target to be “met” from today till departure
- 3** Use dynamic forecasts 

Revert to **rate of sale forecasts** that do not rely on historical bookings, but instead picks-up recent rate of sale and re-act accordingly and effectively to project how close you are to the target
- 4** Revert to rules-based pricing 

Start with a **simple rules-based** pricing **approach** to instigate **price change** rather than rely on a “black-box” price optimisation that is based on price elasticities from price changes done in history, under normal demand scenarios
- 5** Visualise to react quickly 

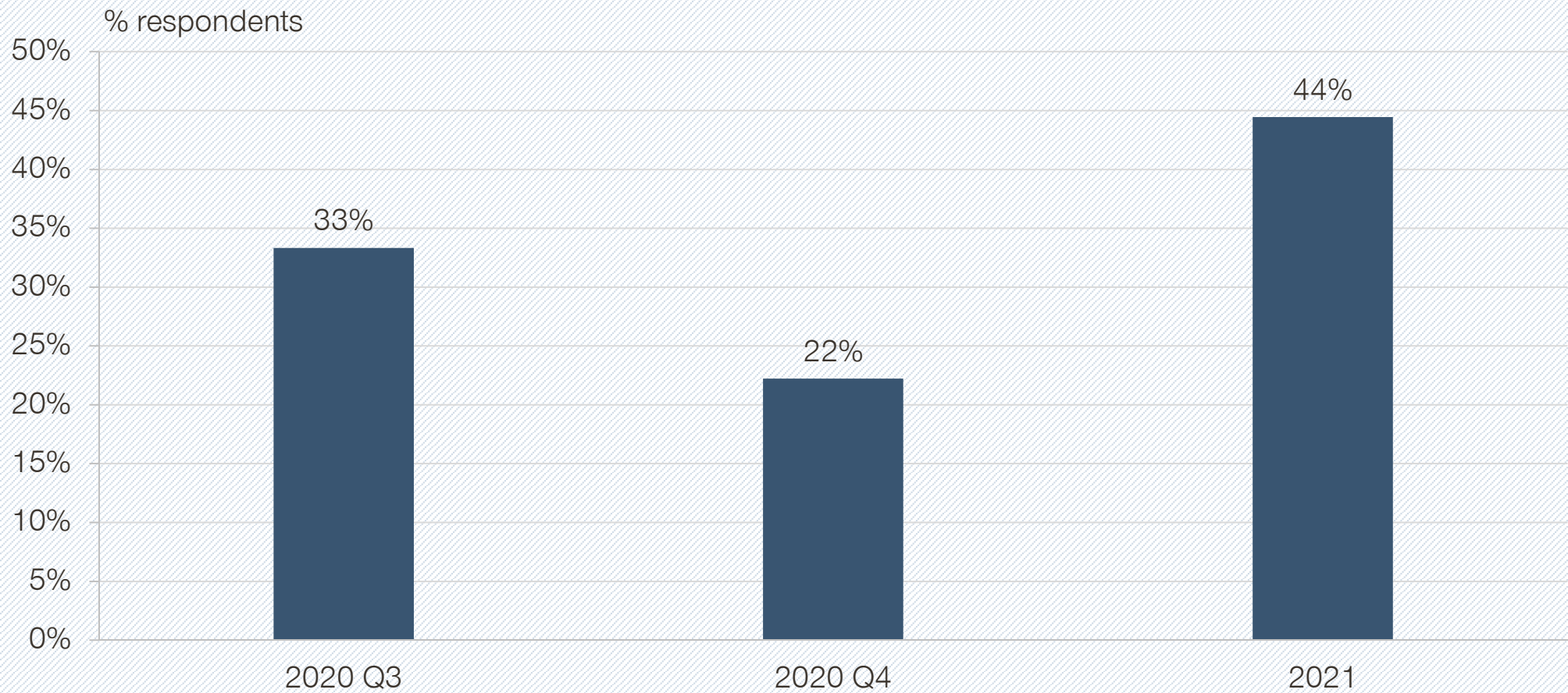
Build **quick** and **effective dashboards** that **monitor** your **progress** to the revised target and identify opportunities quickly and effectively to change price
- 6** React, adjust & learn 

As demand comes in, be ready to **revise targets** and adjust your reports  
...while at the same **ensure** that **2020** is “**skipped**” as relevant history for 2021 bookings

**More to come in the next 2 webinars...**

# 56% believe a longer term “new normal” will appear by the end of the year

WHEN DO **CURRENTLY EXPECT** YOUR INDUSTRY SECTOR TO BE ABLE TO BE **OPERATING UNDER THE "NEW NORMAL" LONGTERM CONDITIONS?** THIS IS THE TERM WE ARE USING TO DESCRIBE THE PERIOD AFTER COVID-19 WHEN WE HOPE TO OPERATE AS NORMAL BUT WITH SOME CONSTRAINTS.



Source: RMAPI members survey, N=18



# How will the travel and leisure consumer change?



# Customer impact will vary by segment:

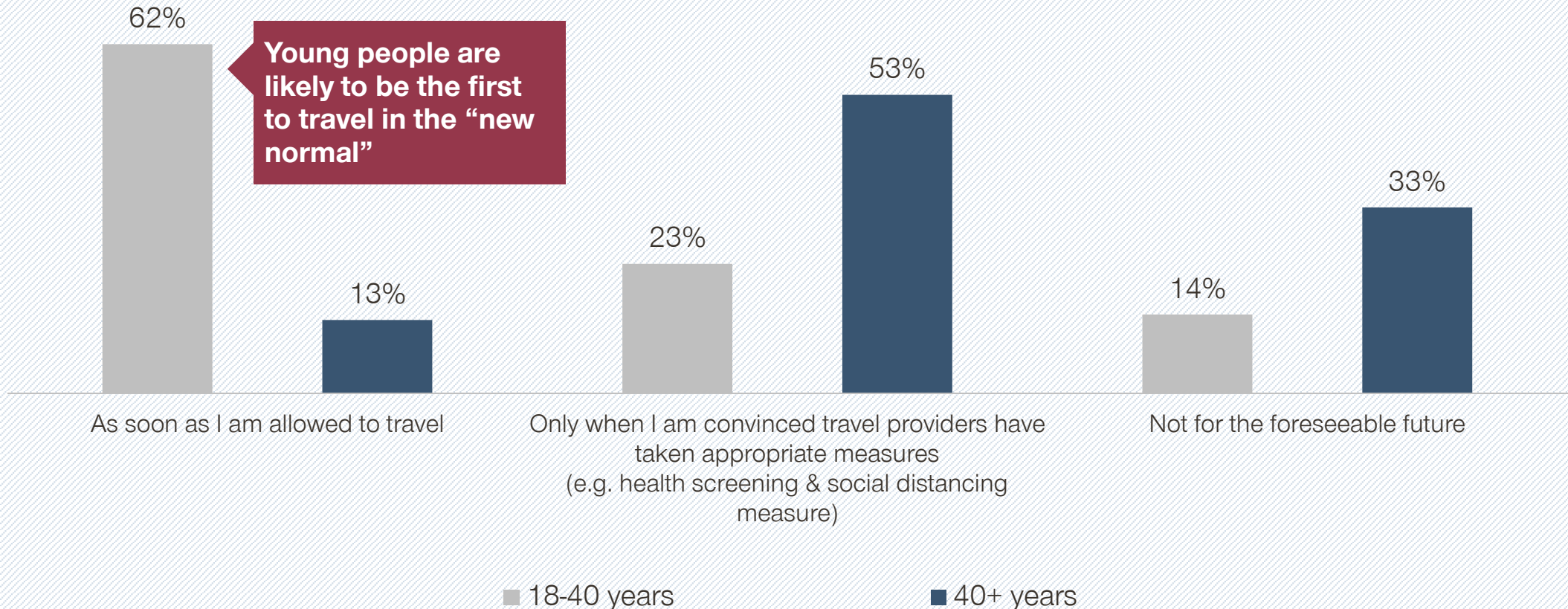
## Younger people are likely to be the first to travel again, though 42% of them will need reassurance before they do so



CONSUMER SURVEY

UNDER WHAT CONDITIONS DO YOU INTEND TO TRAVEL FOR LEISURE PURPOSES AGAIN?

Preliminary results



Source: Simon-Kucher, Global Leisure Traveller survey, preliminary results n=264. UK respondents only.

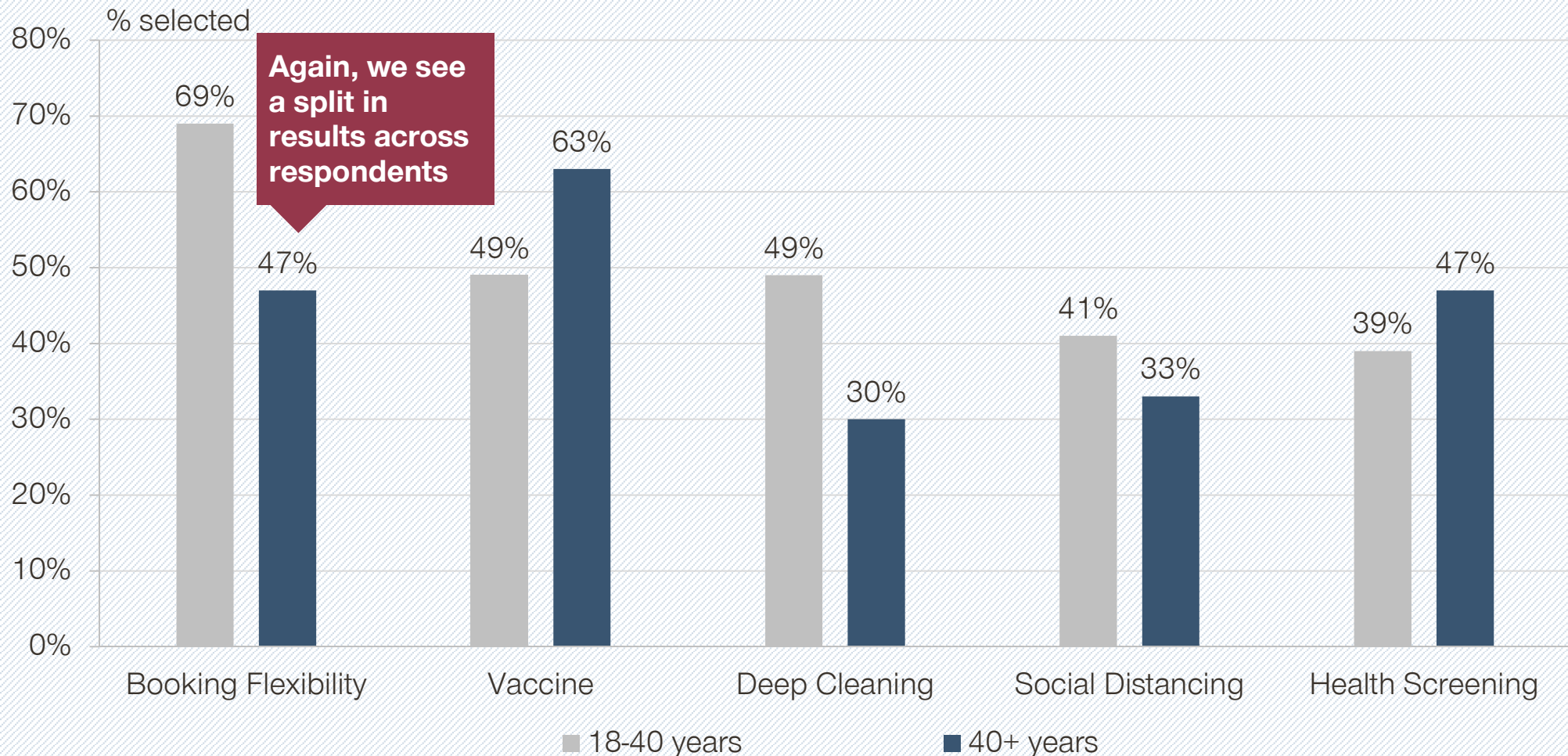
# Longer term, flexibility and deep cleaning are core elements you can offer to encourage leisure travel



## CONSUMER SURVEY

WHICH OF THE FOLLOWING ELEMENTS WILL BE THE MOST EFFECTIVE TO PROVIDE YOU RE-ASSURANCE TO TRAVEL FOR LEISURE PURPOSES AFTER THE PANDEMIC?

### Preliminary results



Source: Simon-Kucher, Global Leisure Traveller survey, preliminary results n=264. UK respondents only.



# Questions and comments

# The next webinar is on 20<sup>th</sup> May:

## How does the industry expect customer behaviour to change in both the Interim Period and in the long-term new 'normal'?

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27<sup>th</sup> May



Email Tim if you are interested in speaking for 5 minutes in one of the following sessions on your approach

[tim.rosen@rmapl.org](mailto:tim.rosen@rmapl.org)