



**SIMON ♦ KUCHER & PARTNERS**

Strategy & Marketing Consultants

**COVID-19 Webinar Series:  
How do we expect customer behaviour to  
change in both the Interim Period and in the  
long-term new 'normal'?**

## Welcome to the 3<sup>rd</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 do we 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



**Katia Savoca**

Senior Revenue Manager

Villa Plus



**Rosalind Hunter**

Partner

Simon-Kucher & Partners



**Dimitris Hiotis**

Global Head of Leisure,  
Travel and Tourism

Simon-Kucher & Partners

## Recap from Webinar 2: Key points

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



### 1 We are facing a resurgent crisis, uncertainty is the only certainty

- We are **entering a period of a resurgent crisis**, with **volatile demand** driven by a health and an economic crisis
- **Lacking a clear plan** on how the UK will emerge from lockdown, particularly for Travel and Leisure firms
- Everything needs to be **more agile and “dynamic”**- an opportunity for RM professionals

### 2 Hierarchy of operational controls are being considered

- Many **businesses are beginning to implement operational approach to mitigate Covid-19's impact**, the most popular strategies being those linked to **social distancing, the use of PPEs, and enhanced cleaning**
- These link closely to the measures the RMAPI survey respondents were considering

### 3 Product adaptations introduced to overcome social distancing

- **Digitalization of the sales experience** alongside **reduced capacity** are the core elements being used to reduce human contact
- Examples includes **apps** identifying quieter times to travel and **online experiences** to allow people to explore new cultures and locations from home

### 4 Pricing and RM approaches need to adjust

- 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

## Developments this week:

# Quarantine debates, furlough extensions, financial difficulties and operating under social distancing



### Ryanair: Air passenger quarantine plans 'idiotic'

Ryanair Chief Executive Michael O'Leary, has told BBC Radio 5 Live Breakfast that **government plans to quarantine air passengers** for 14 days after entering the UK have "so many exemptions, they are laughably ineffective".

Speaking to Chris Warburton, Mr O'Leary said the measures "are not based on any science".

You can read more about the latest UK government advice on face masks [here](#).

18 May 2020

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### Coronavirus: 6,000 jobs at risk at Cafe Rouge and Bella Italia owner

18 May 2020 432

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Coronavirus pandemic



## Furlough scheme: Agencies welcome extension

by Travel Weekly Reporters 13 May 2020, 08:04 [f](#) [t](#) [in](#) [G+](#)

A four-month extension of the government's furlough scheme to October 31 has been welcomed by a host of travel agencies.

The Job Retention Scheme, which pays 80% of salaries up to £2,500 a month, will be extended for all sectors and regions, chancellor Rishi Sunak announced on Tuesday.



AVANTI  
WEST COAST



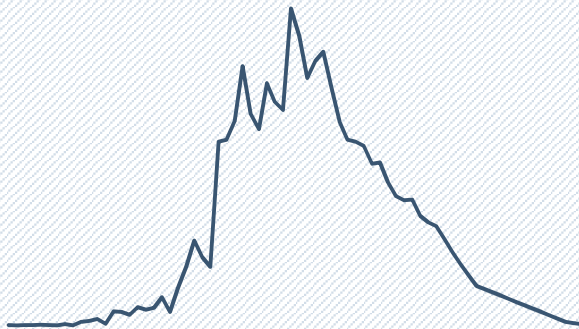
[Tickets & Savings](#) [Where We Go](#) [Onboard](#) [Travel Information](#) [Help & Support](#)

- Queue management will be in place outside some stations to support social distancing inside and on platforms.
- All Ticket Office counters will be fitted with a temporary screen for the period that social distancing remains in place.
- Wherever possible, customer flows will follow a one-way system. This includes entrance and exit only points.
- We've increased signage and floor markings to help you safely find your way.
- Boarding controls will be established to help with social distancing onboard the train.
- Our First Class Lounges and waiting rooms remain closed until further notice.
- Customers must have a reservation before boarding the train. These can be made up to five minutes before you're scheduled to travel.

#### Onboard our trains:

- We're actively managing capacity to enable social distancing. This will be promoted onboard with markers to guide you.

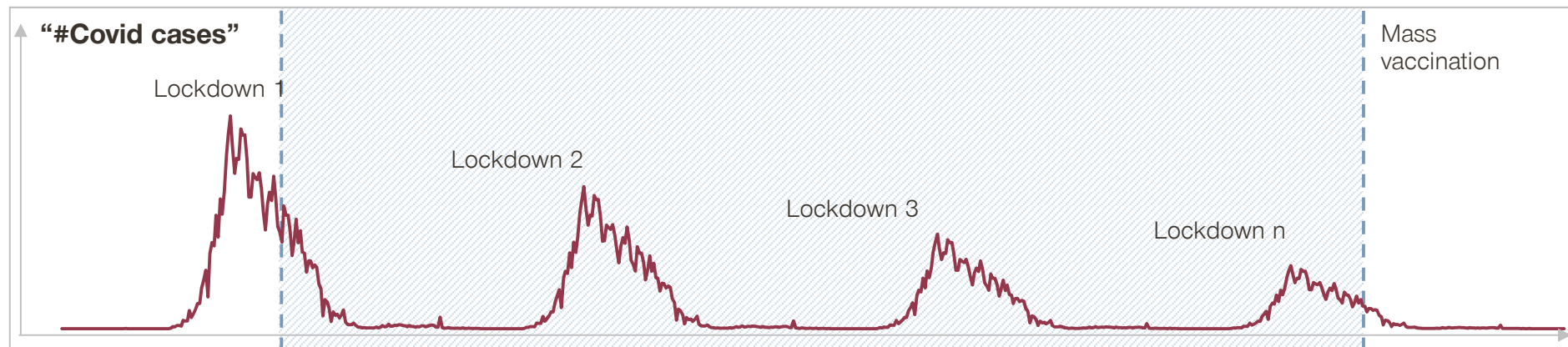
# We are now moving into the restart phase

	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>

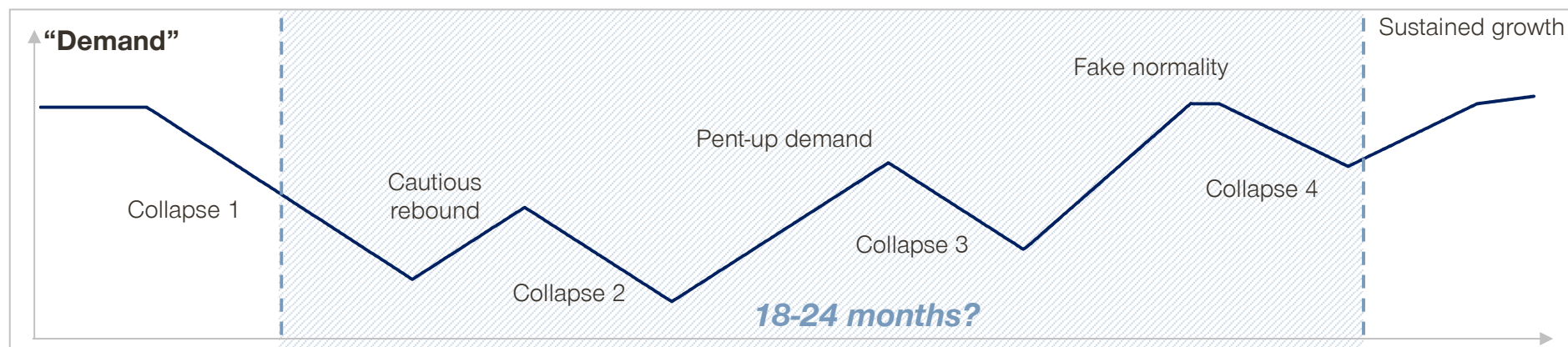
# We are entering a period of a resurgent crisis, with volatile demand driven by a health and an economic crisis

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W  
U  
L

## The Health crisis ....



## ...instigates a resurgent economic crisis



**The Reality: continued uncertainty for weeks/months ahead**

**The Challenge: How will consumers react to the uncertain world ahead?**



# Today we are going to discuss how the travel consumer is going to change over the coming weeks and months



## Views from industry: Villa Plus



Source: Villa Plus

COVID-19 Webinar Series | How do we expect customer behaviour to change in both the Interim Period and in the long-term new 'normal'?

Villa Plus

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

# Customer behaviour – "Post" COVID 19

## Customer behaviour will undoubtedly change in the future. What does it mean for the travel industry?

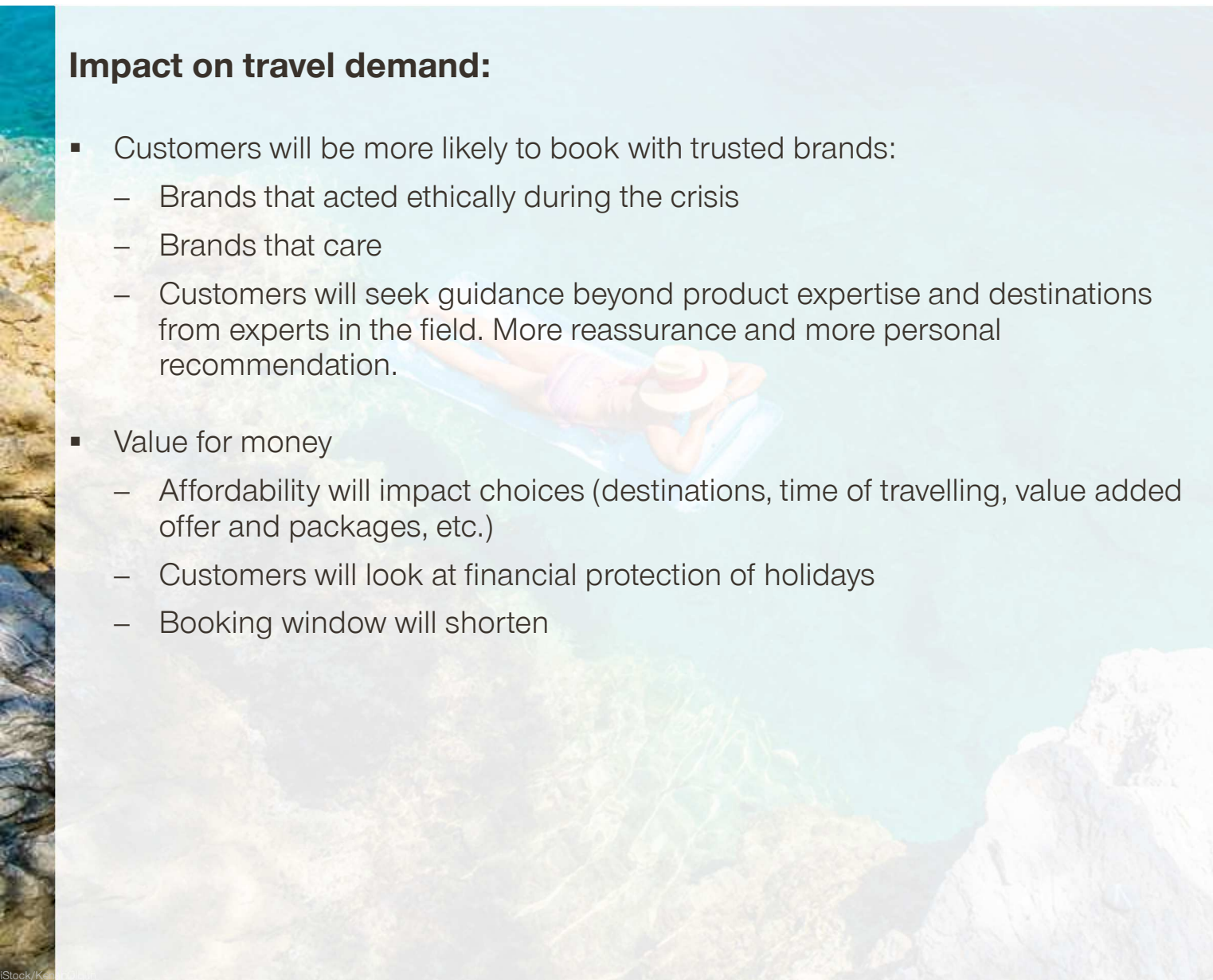
- Revenge travelling
  - Leisure travel will return (when and how quickly?)
  - In the short term some people (vulnerable category) may decide not to travel
  - Scope of travel may be different (holidays and visit/reconnect with loved ones abroad)
  - Travelling companions (loved ones, not necessarily in the same household. Multigenerational travel)
  
- Destinations of choice may change
  - Travel constraints (quarantine)
  - Safer destinations (good health system)
  - Uncrowded destinations and places
  - Short haul
  
- Focus on health & safety
  - Hygiene and cleanliness
  - Privacy
  - Social distancing rules



# Customer behaviour – "Post" COVID 19

## Impact on travel demand:

- Customers will be more likely to book with trusted brands:
  - Brands that acted ethically during the crisis
  - Brands that care
  - Customers will seek guidance beyond product expertise and destinations from experts in the field. More reassurance and more personal recommendation.
  
- Value for money
  - Affordability will impact choices (destinations, time of travelling, value added offer and packages, etc.)
  - Customers will look at financial protection of holidays
  - Booking window will shorten

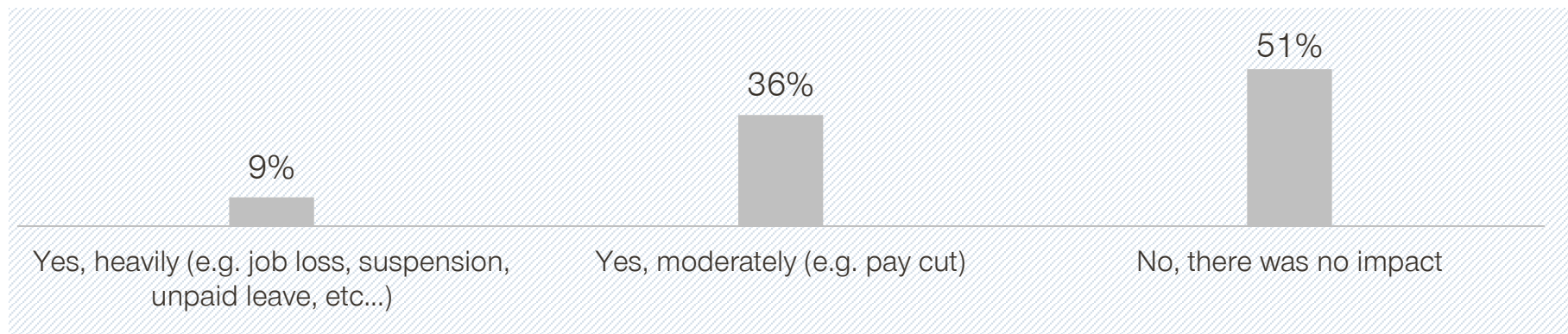


# Insight from the consumer

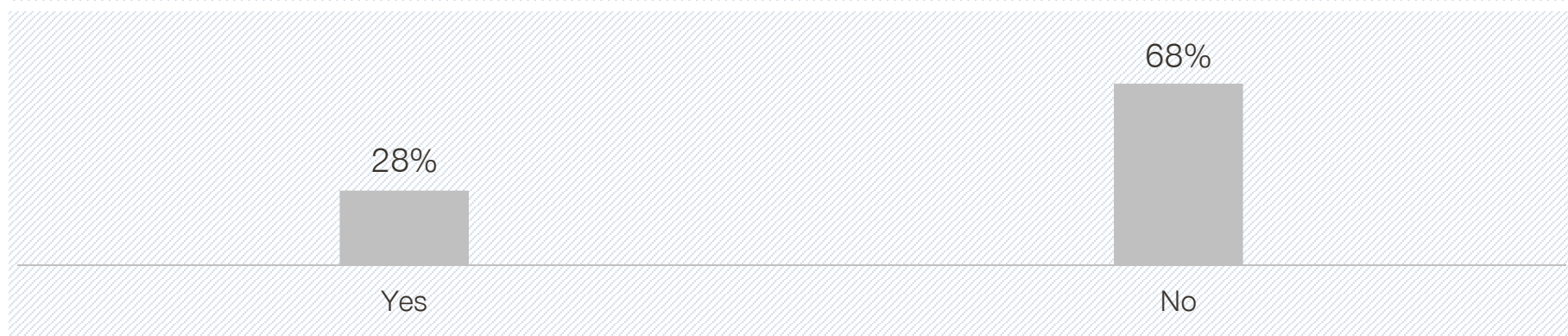


# In our samples we see 49% impacted in terms of pay, 28% in terms of health and a mixed view on future spend

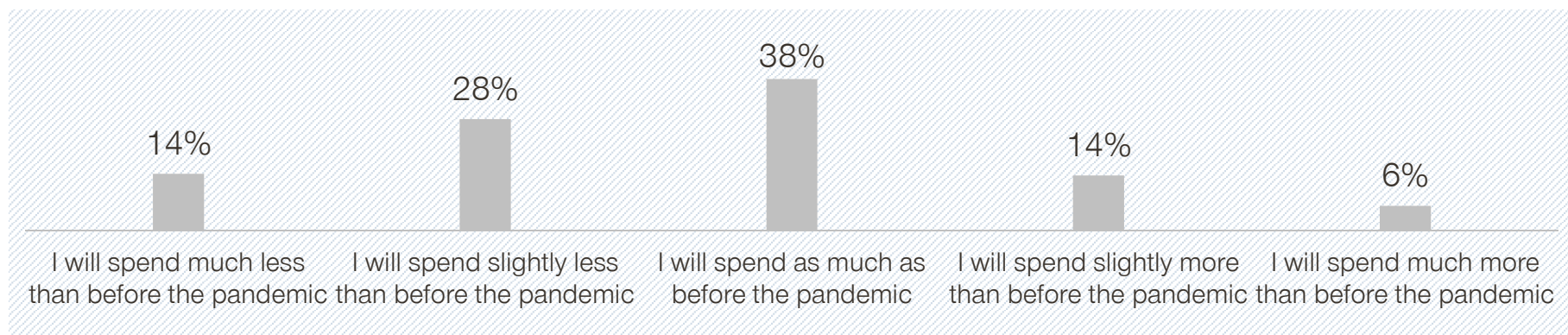
## WORK IMPACT



## IMPACTED DIRECTLY BY COVID-19



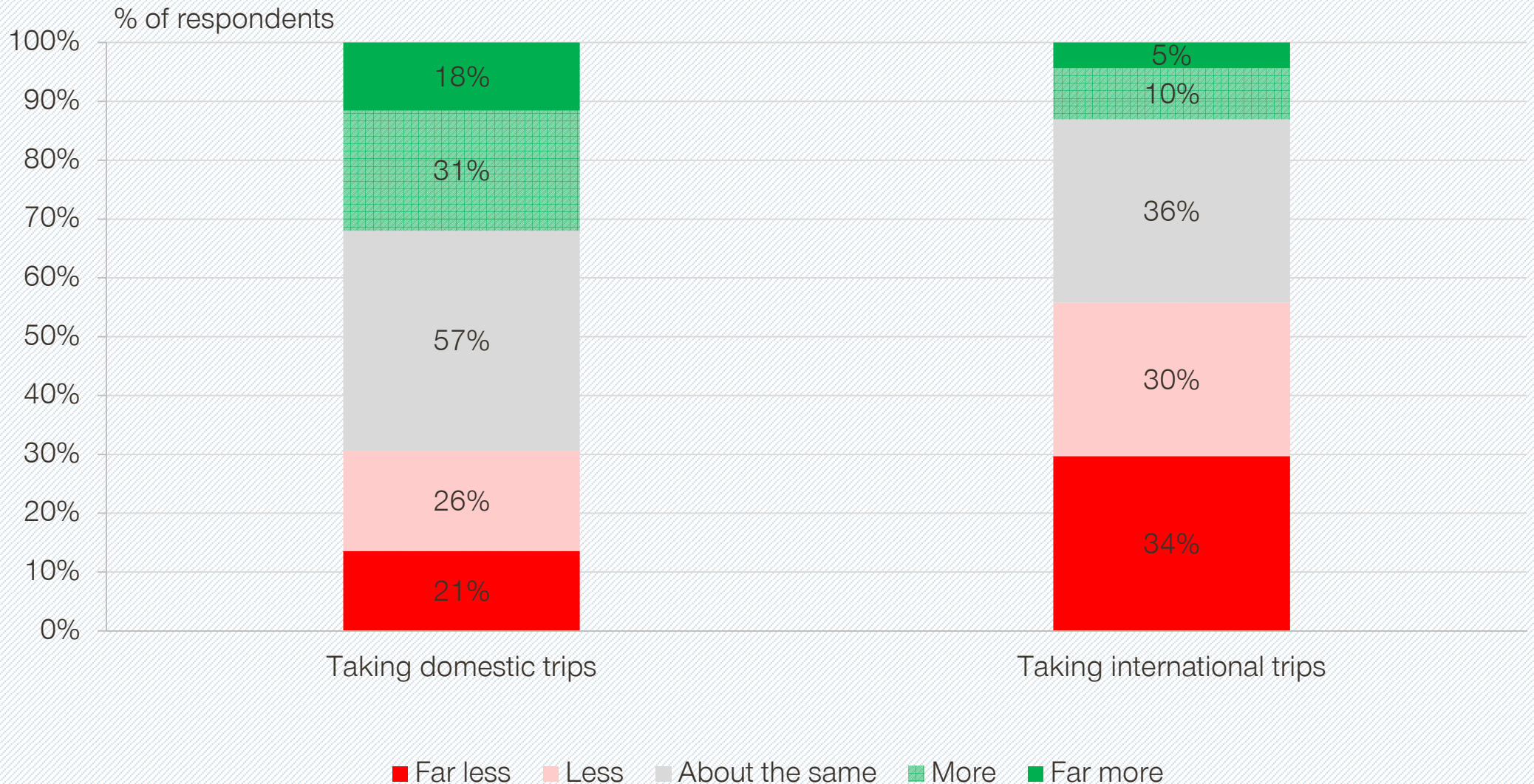
## WILLINGNESS TO SPEND



Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Initial results, not to be used for commercial decision making. Work impact indicates whether a member of their household's income has been impacted by COVID-19. Health impact indicated whether the respondent or their close family/friend have has/is believed to have had COVID-19.



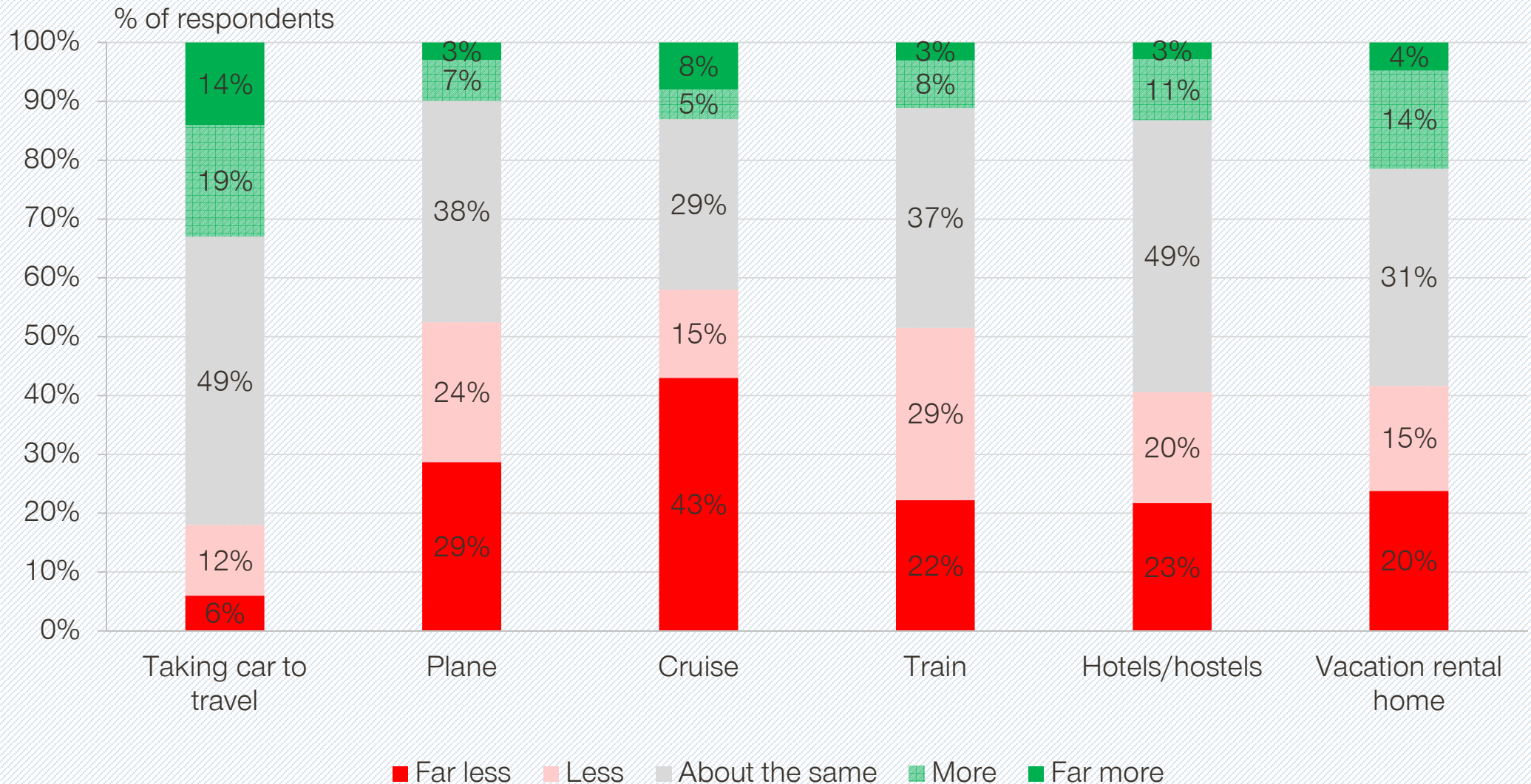
# Domestic vs. International travel: Domestic trips set to grow with many indicating their international travel will drop in the near future





# Leisure travel:

## Cruises hardest hit, travelling by car will be the preferred mode of travel this year



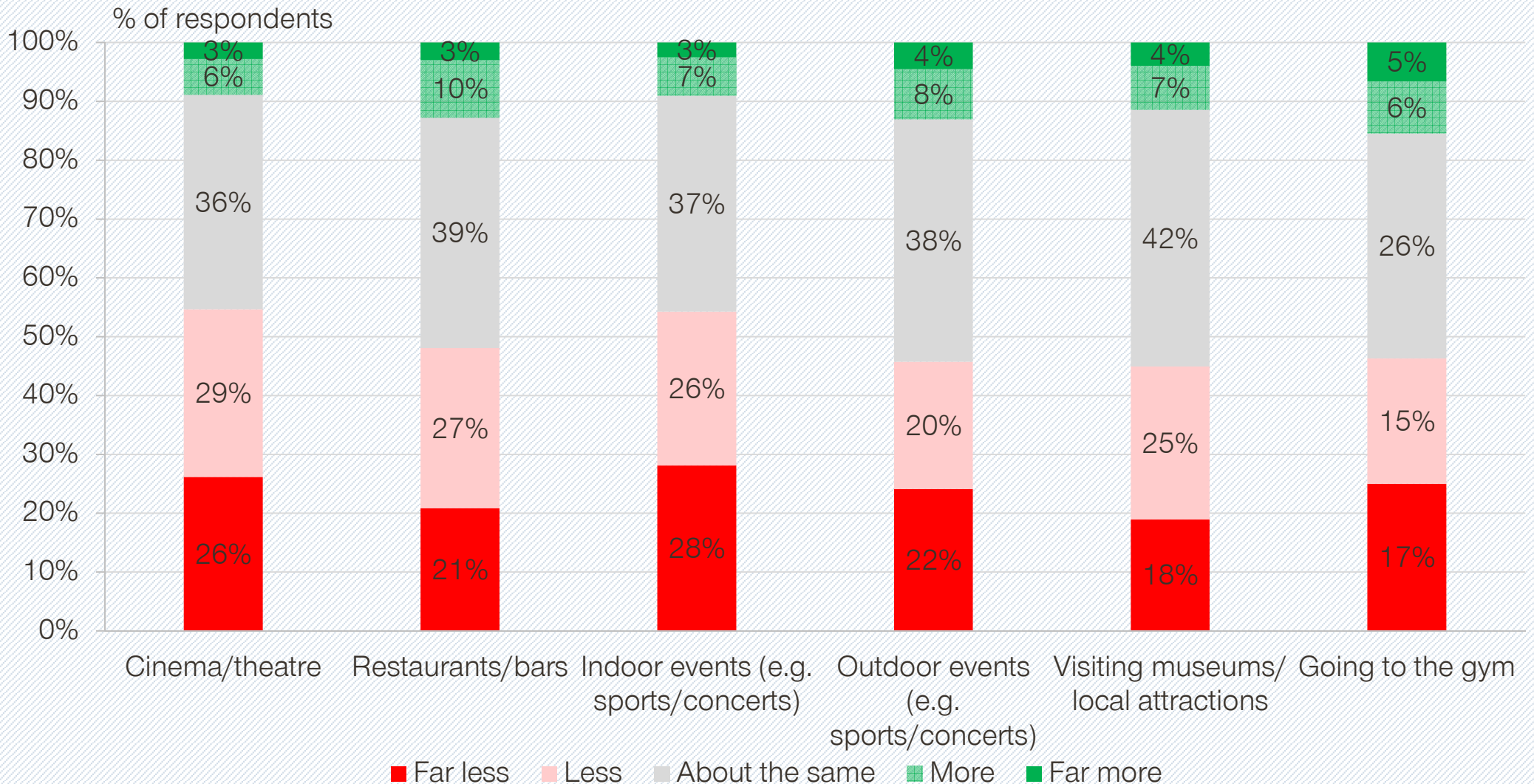
Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Those who do not undertake the activity are removed from the relevant calculations. Initial results, not to be used for commercial decision making.  
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# Leisure:

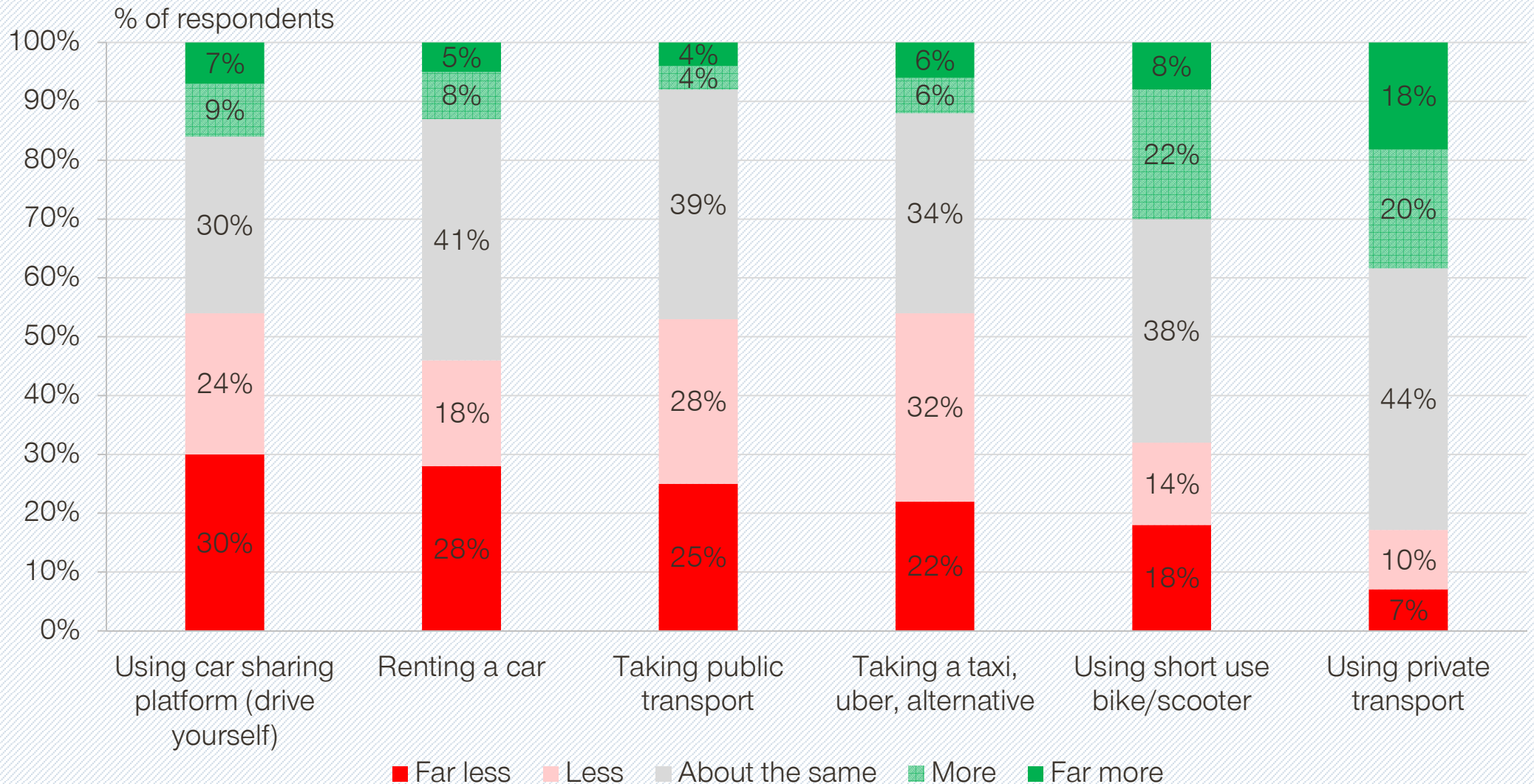
## Similar trends seen across domestic leisure offerings



Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Those who do not undertake the activity are removed from the relevant calculations. Initial results, not to be used for commercial decision making.  
COVID-19 Webinar Series | How do we expect customer behaviour to change in both the Interim Period and in the long-term new 'normal'?



# Transportation: Individual/personal transportation grows in popularity, car sharing and rentals facing a decline

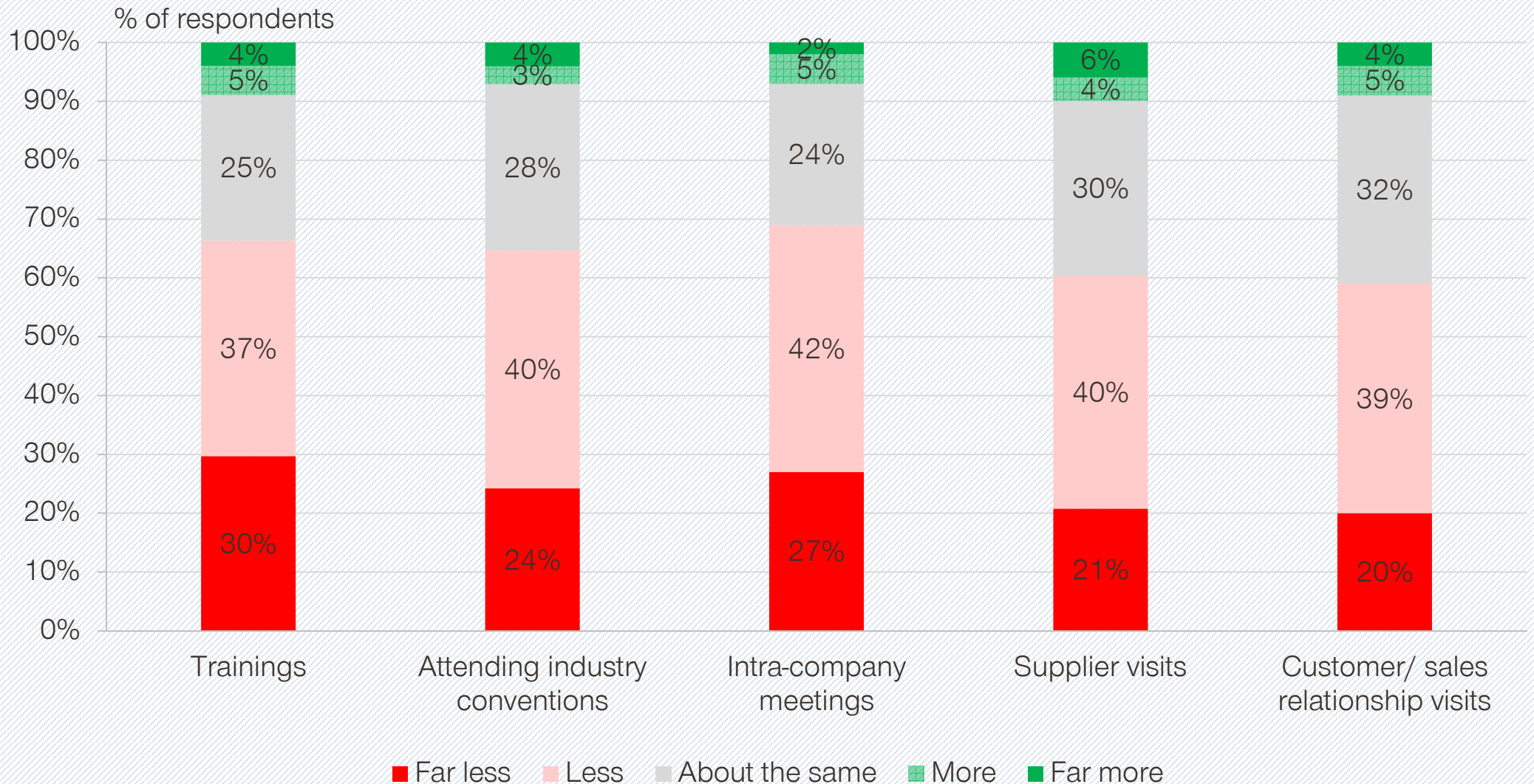


Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Those who do not undertake the activity are removed from the relevant calculations. Initial results, not to be used for commercial decision making.  
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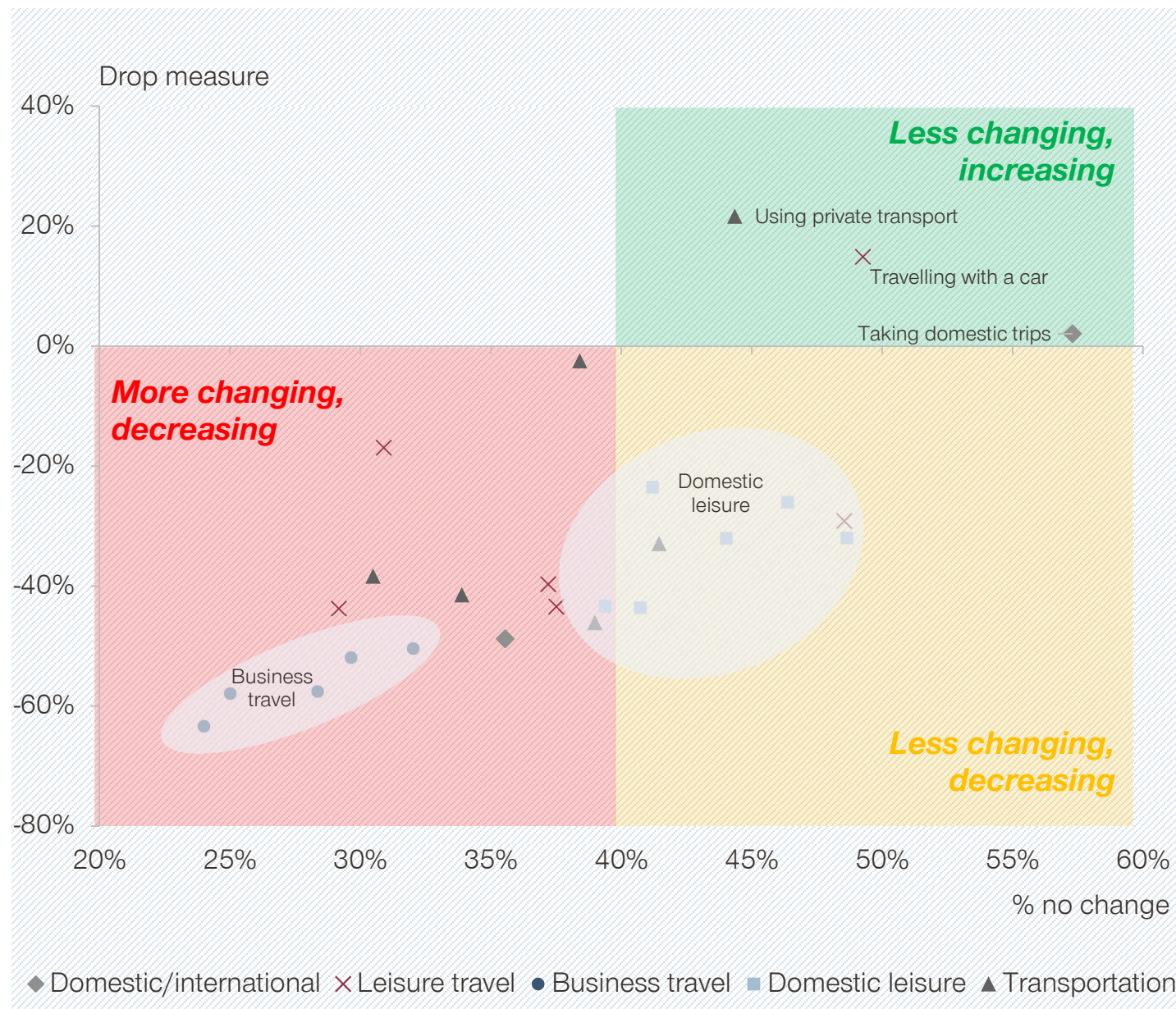
# Business travel:

## Will be hit significantly with customer and supplier visits being the least hit overall



Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Those who do not undertake the activity are removed from the relevant calculations. Initial results, not to be used for commercial decision making.  
COVID-19 Webinar Series | How do we expect customer behaviour to change in both the Interim Period and in the long-term new 'normal'?

# Impact matrix shows winners and losers across transportation, travel and leisure



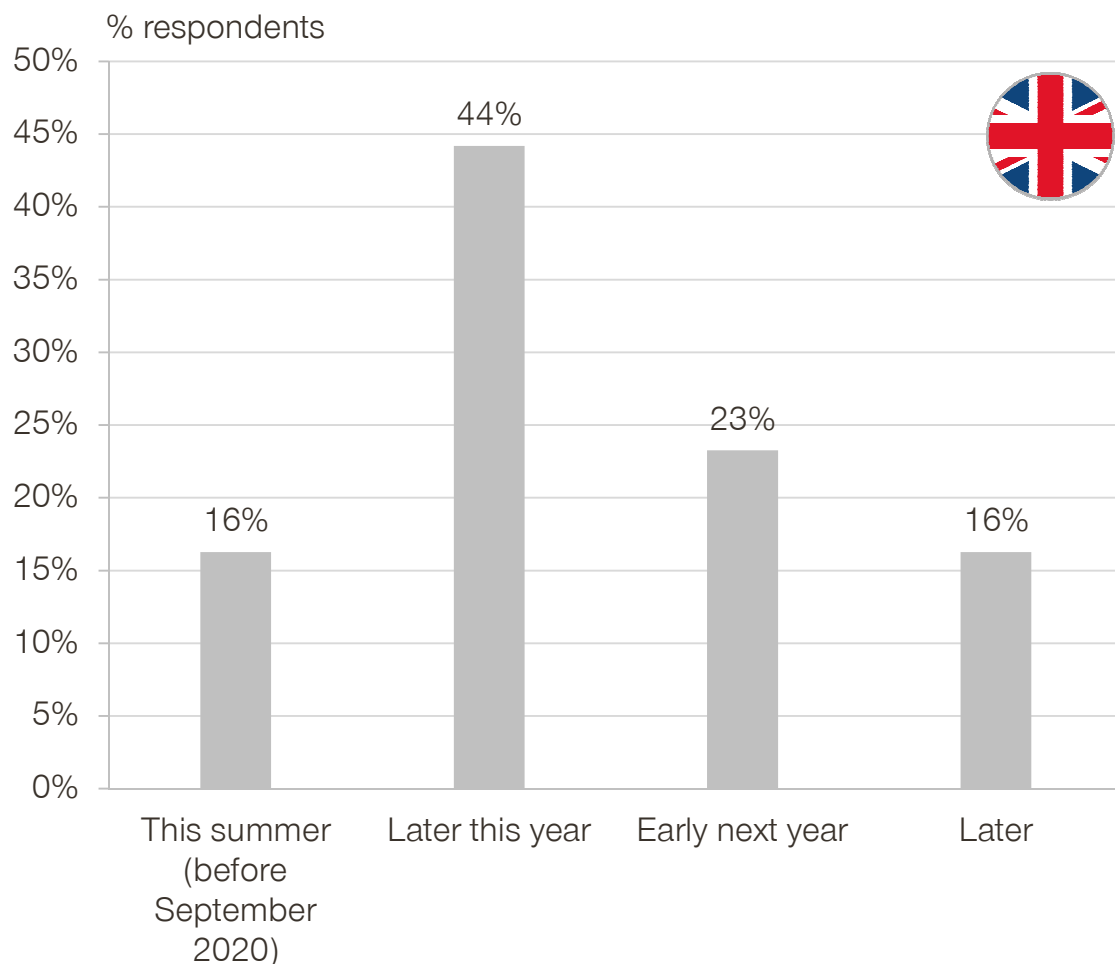
## Summary:

- Private transport and domestic trips growing
- Business travel hardest hit
- Smaller drop-offs in domestic leisure
- Impact on transportation modes more varied

Source: Simon-Kucher & Partners Traveller survey. UK responses. N=247. Initial results, not to be used for commercial decision making.

# The majority plan to start travelling again later this year

## WHEN DO YOU THINK YOU WILL START TRAVELLING (i.e. A MULTI-DAY TRIP) FOR LEISURE PURPOSES AGAIN?

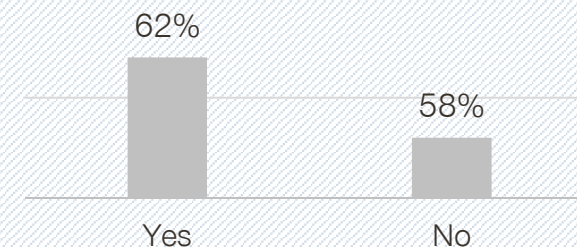


### Children under 18

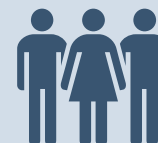


Small increase in families travelling

#### % who will travel this year

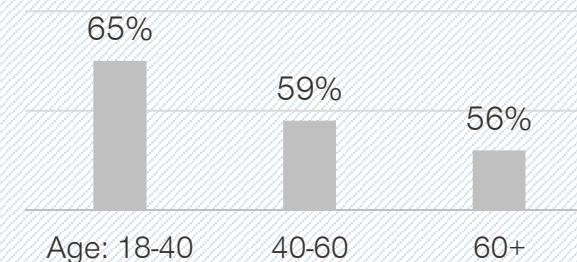


### Age



Decline in travel as age increases

#### % who will travel this year

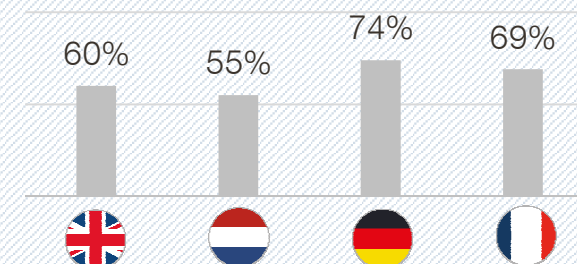


### Origin country



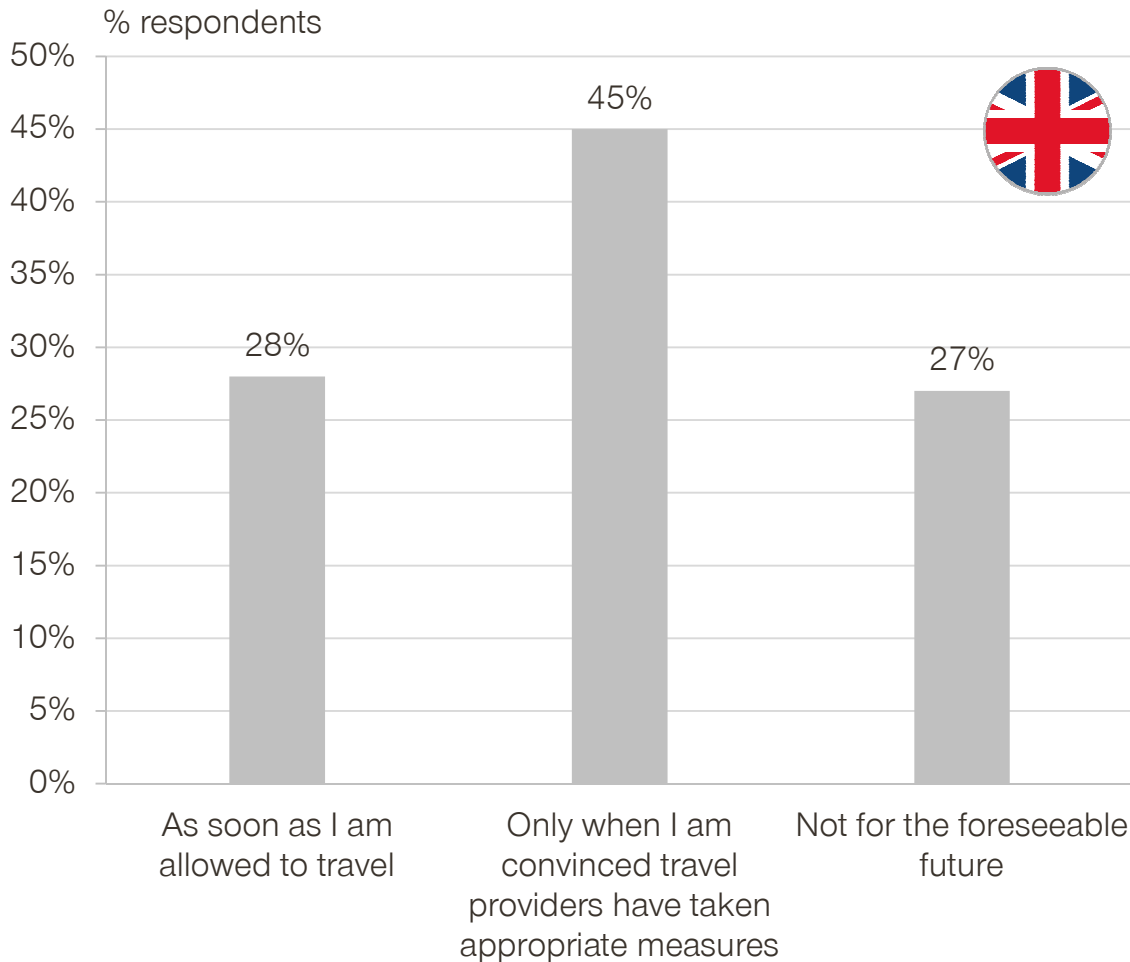
UK and NL show lower levels than DE/FR

#### % who will travel this year



# ...but they need to be convinced appropriate measures have been taken for their security

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

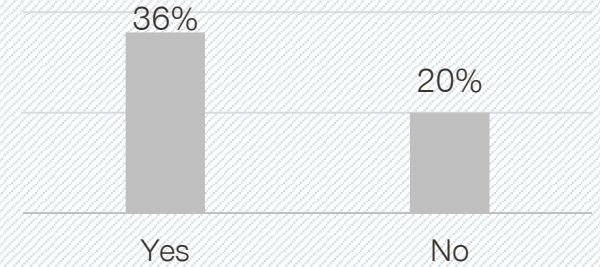


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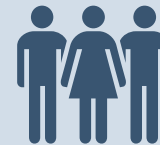


Small increase in families travelling

#### % "As soon as I am allowed to travel"

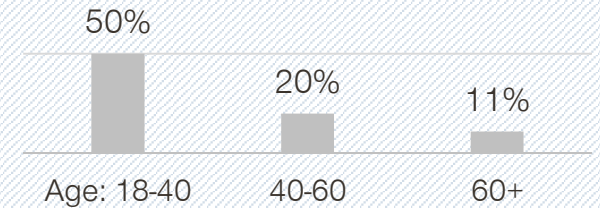


### Age



Decline in travel as age increases

#### % "As soon as I am allowed to travel"

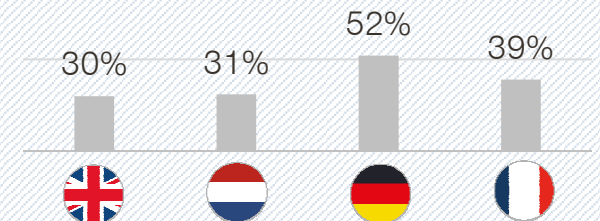


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UK and NL show lower levels than DE/FR

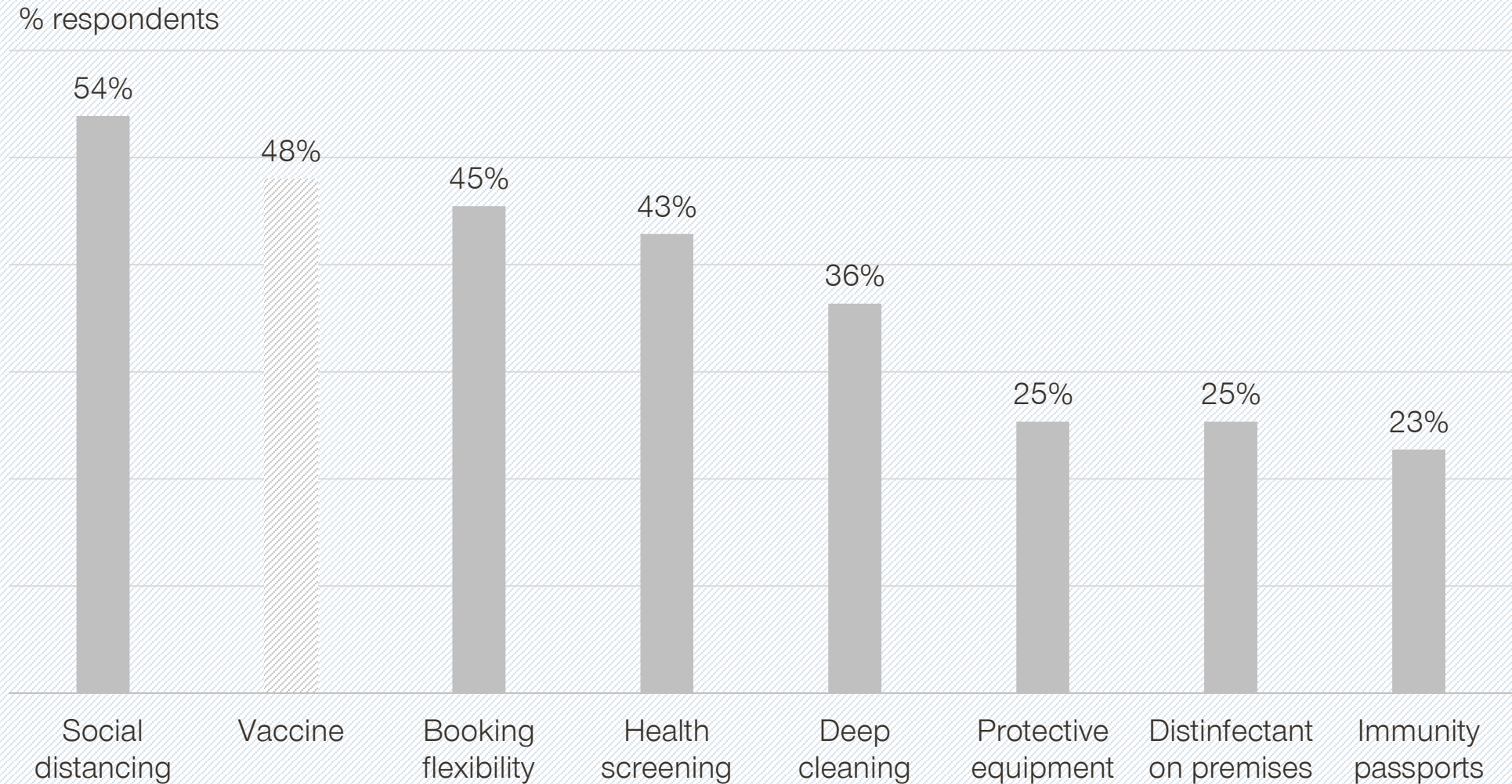
#### % "As soon as I am allowed to travel"



Source: Simon-Kucher & Partners Traveller survey. UK responses unless indicated otherwise. UK N=247. Initial results, not to be used for commercial decision making. N=180-250 for NL/FR/DE.

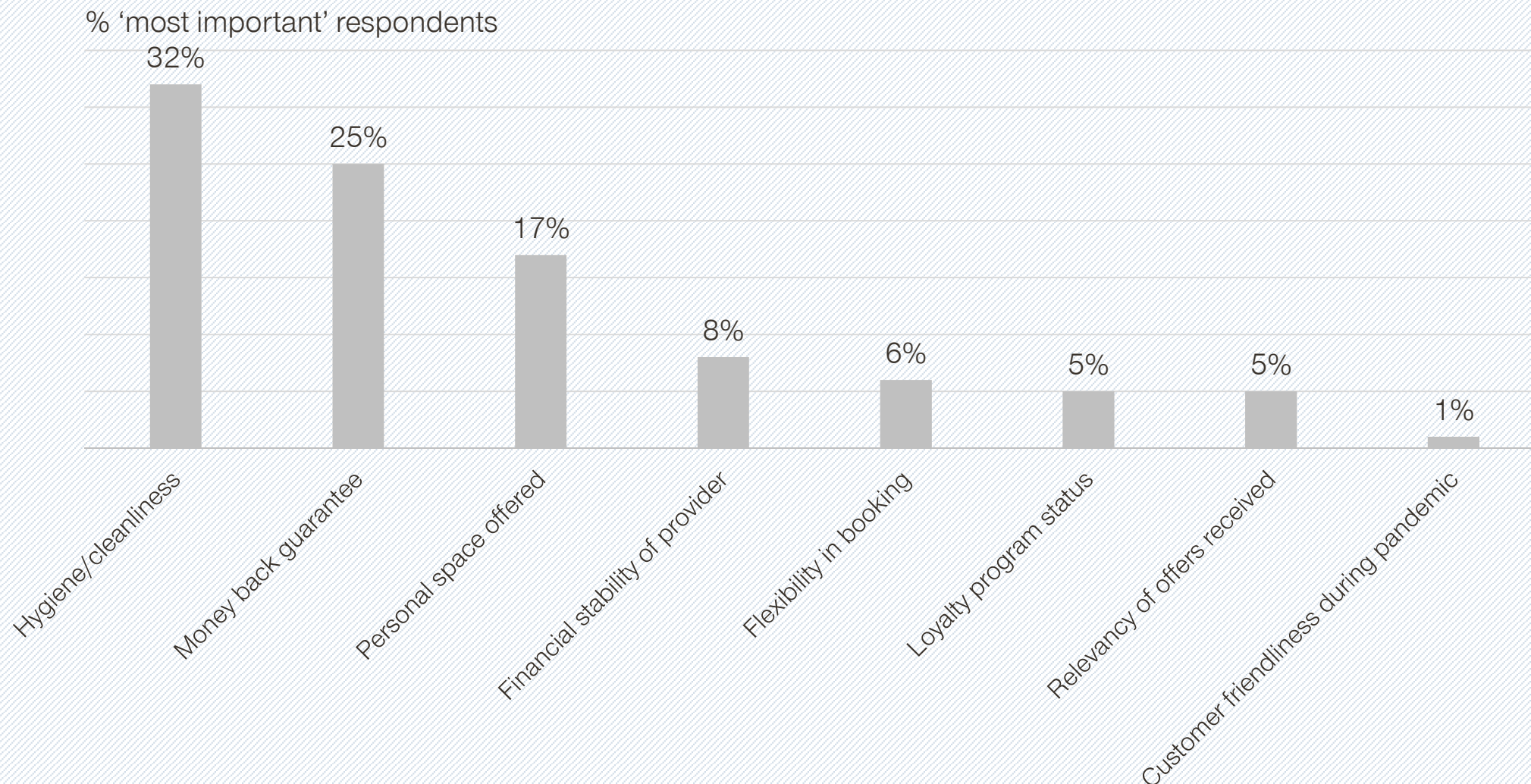
# Social distancing and flexibility are the most effective re-assurances for consumers

Which of the following elements will be the most effective to provide you re-assurance to travel for **leisure purposes** after the pandemic?



# Hygiene alongside money back guarantees are the most effective elements to provide re-assurance

Considering **travel for any purpose**, how would you rank the following aspects when considering which provider to book your travel with?

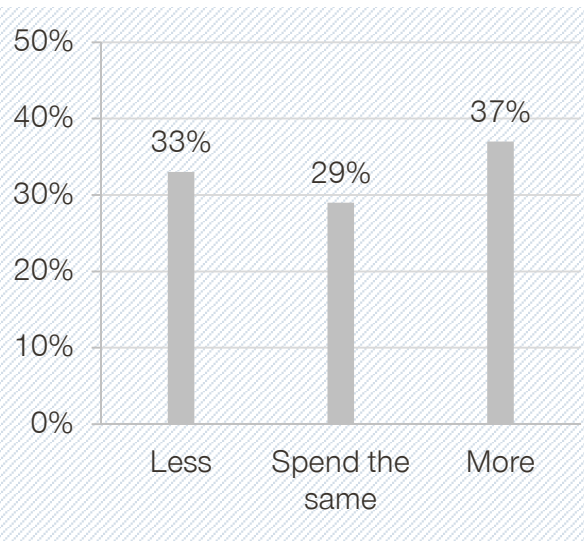




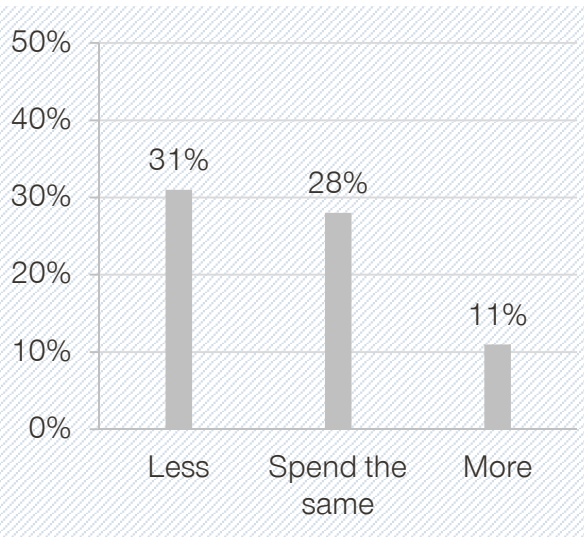
# Those on lower incomes and planning to spend less focus on money back guarantees

## POST PANDEMIC SPENDING PLANS

### HYGIENE



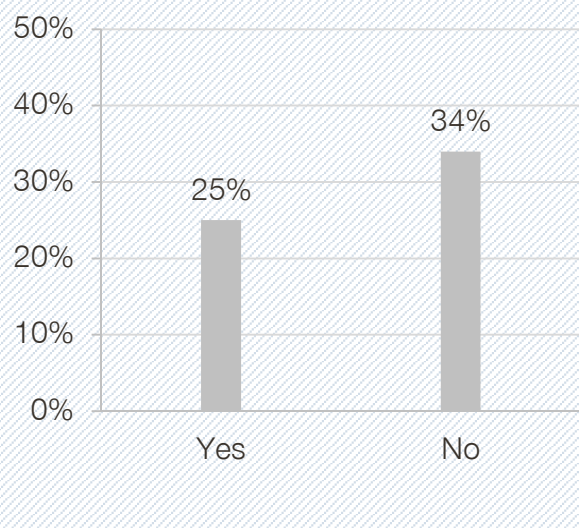
### MONEYBACK GUARANTEE



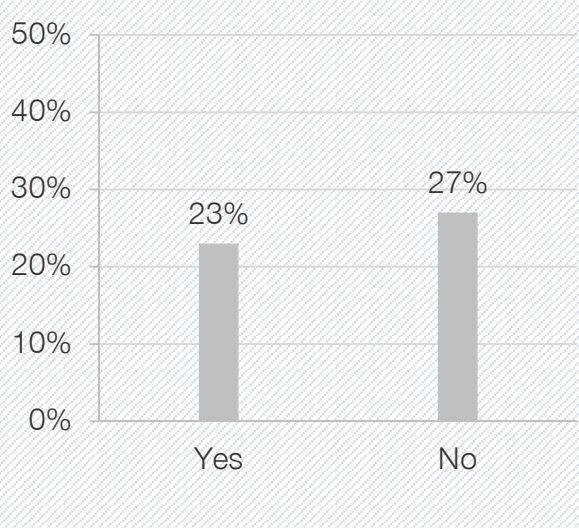
# Traditional demographics are still the strongest differentiator of customer needs

## HEALTH IMPACTED BY COVID (DIRECTLY OR FRIEND/FAMILY)

### HYGIENE



### MONEYBACK GUARANTEE



# Additional travel behaviours will vary across customers

## SOME MORE CONTRADICTIONARY



62% expect higher prices



70% expect more promotions



42% to book more in advance



55% to book more last minute

## WHEREAS OTHER BEHAVIOUR APPEARS MORE CONSISTENT



74% book less often



58% book shorter trips

## Key insights from today



1

**The impact on the travel consumer is varied, some are hit hard financially but others are desperate to travel again**

2

**Domestic travel linked to private car travel will be the first to rebound**

3

**Domestic leisure will see customers return but at lower rates**

4

**Age is the biggest driver of variance in terms of needs to restart, income is also a key driver**

5

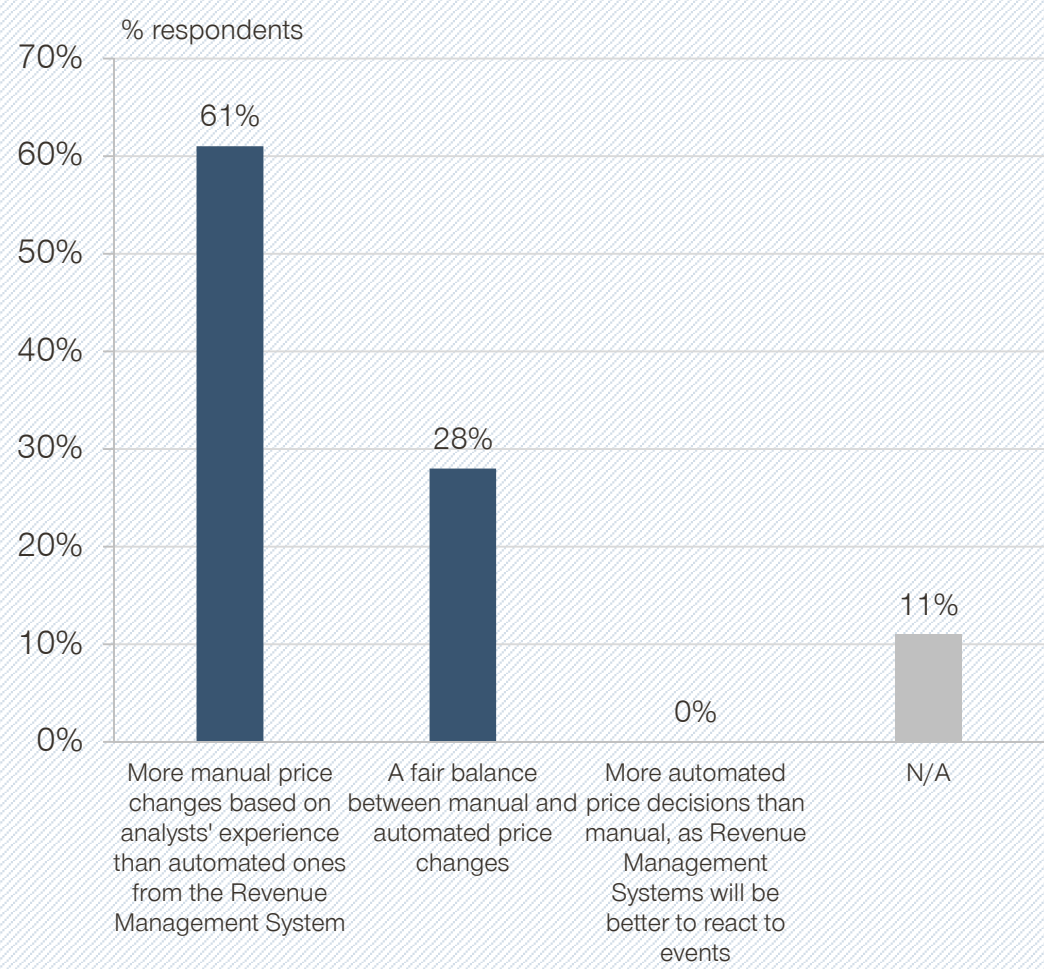
**Addressing health concerns alongside and financial risk will be critical in convincing consumers to travel again – you need to know your segments and adapt accordingly**



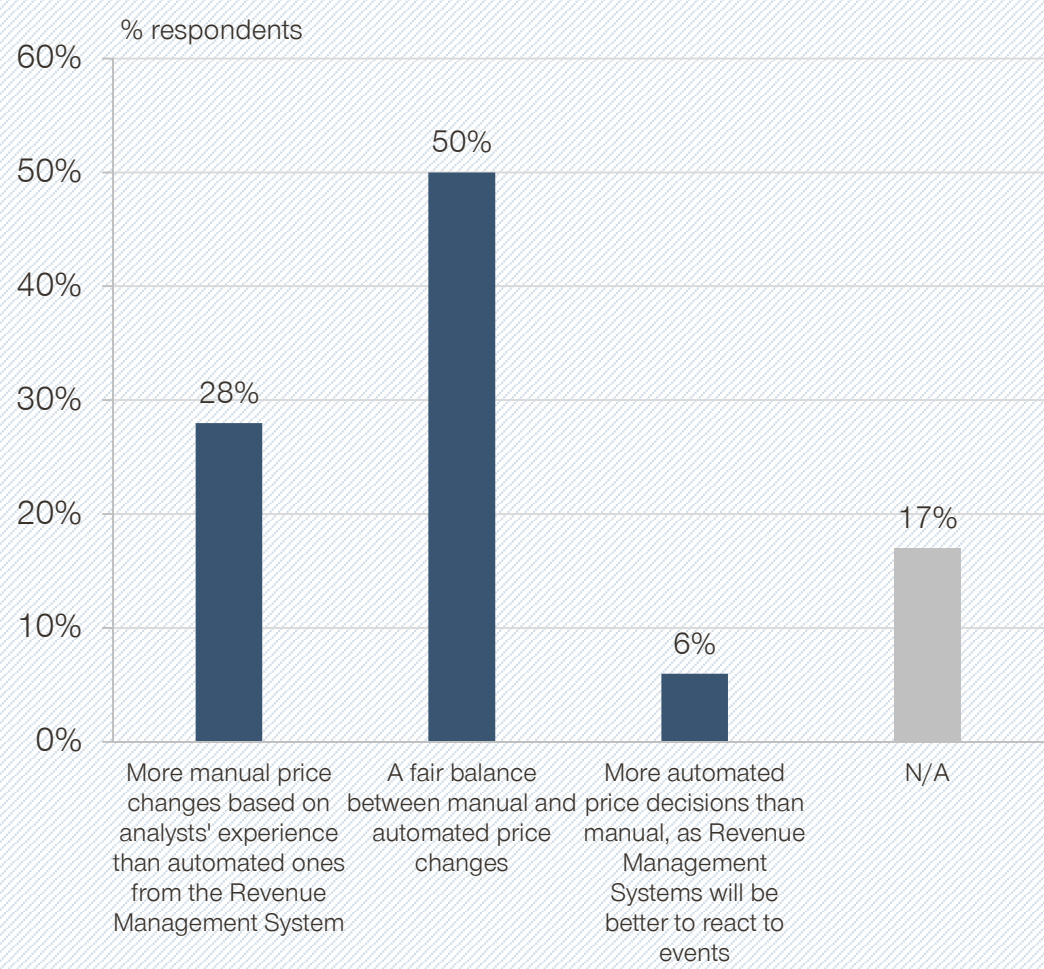
## **Next week:** How to adapt RM to the new normal

# As we move to the 'new normal' you expect to run a fair balance between automated price changes and manual adjustments

For the **Interim Period**, what do you think is the most likely to happen with your RM and pricing actions?



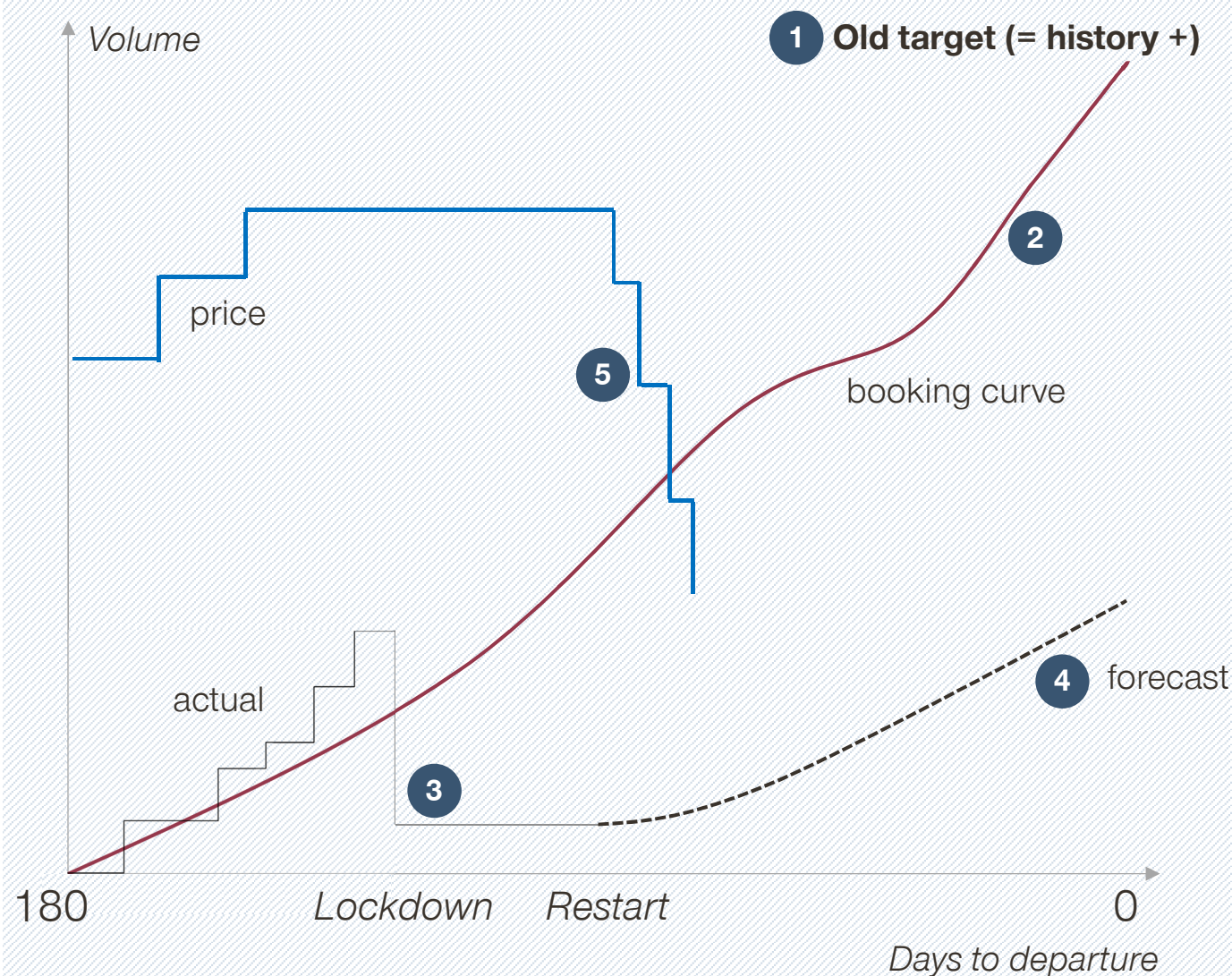
As we ramp up into the '**New Normal**' environment which of the following best describes the source of your pricing actions.



Source: RMAPI members survey, N=18

# 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 next week...**





# 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'?

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



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WEBINAR 4



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

27<sup>th</sup> May



Email Tim if you are interested in speaking  
on RM for 5 minutes in the next session

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

Email Dimitris if you have a specific RM  
topics to be addressed next week

[dimitris.hiotis@simon-kucher.com](mailto:dimitris.hiotis@simon-kucher.com)