



SIMON ♦ KUCHER & PARTNERS

Strategy & Marketing Consultants

COVID-19 Webinar Series:
**How has COVID impacted the Travel, Tourism
and Leisure Industries so far?**

Welcome to the 1st webinar in our series

WEBINAR 1



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

6th May

WEBINAR 2



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

13th May

WEBINAR 3



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

20th May

WEBINAR 4



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

27th 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

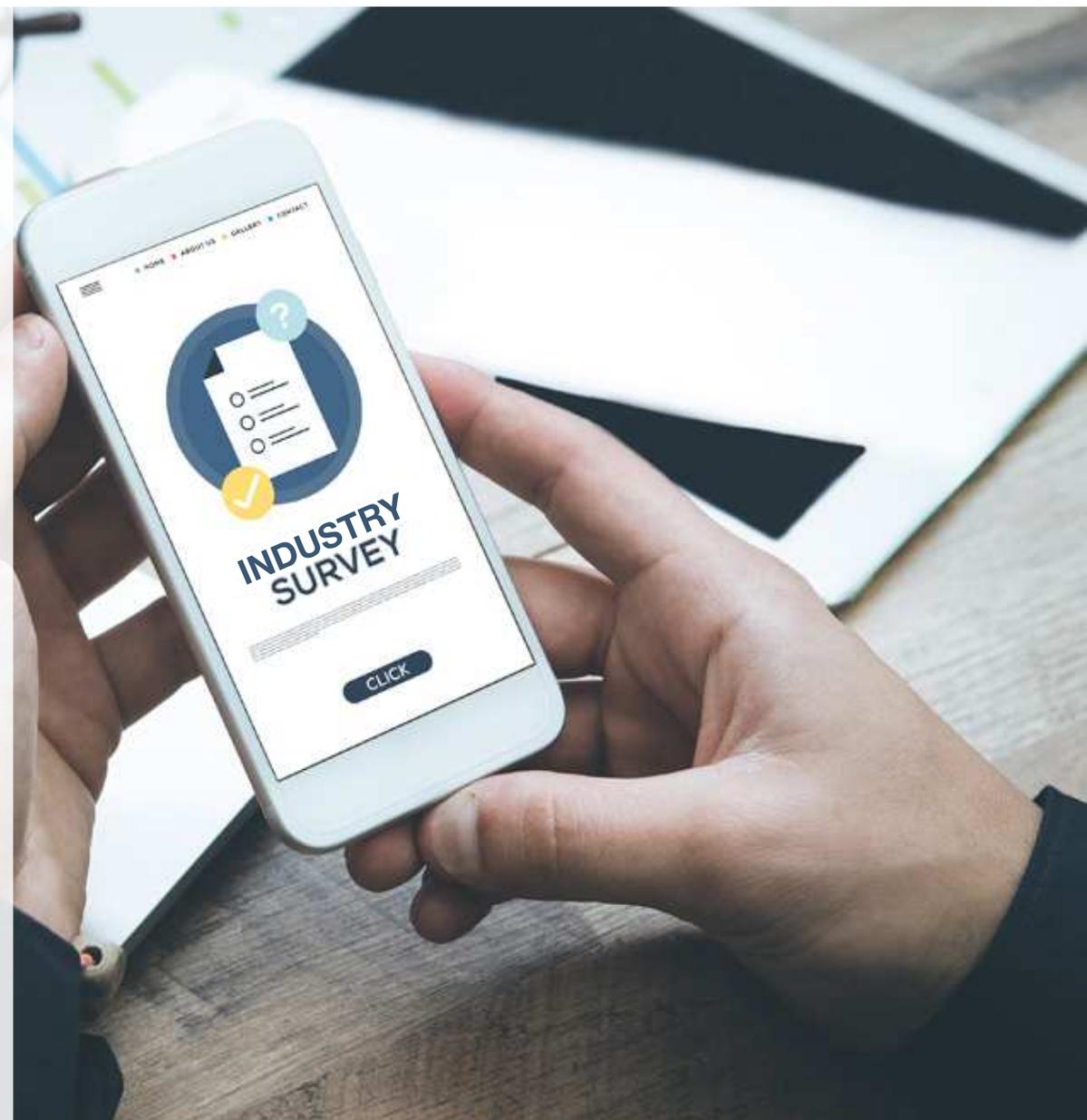
Partner
Simon-Kucher & Partners

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



The UK is hitting the peak, today we will review the impact to date and initial thoughts on the way forward

1. PRE-PEAK



2. POST-PEAK



3. POST-LOCKDOWN



Context

- Cases and deaths increase exponentially
- Governments order lockdowns
- Start of social distancing
- People on furlough

- Cases and deaths have peaked and started to decline
- Governments starting to think of relaxing social distancing
- Social distancing becoming “habitual”

- Daily deaths in single digit figures
- Governments lift lockdown
- Social distancing has changed customer behaviour
- New operating models req’d

Business priorities

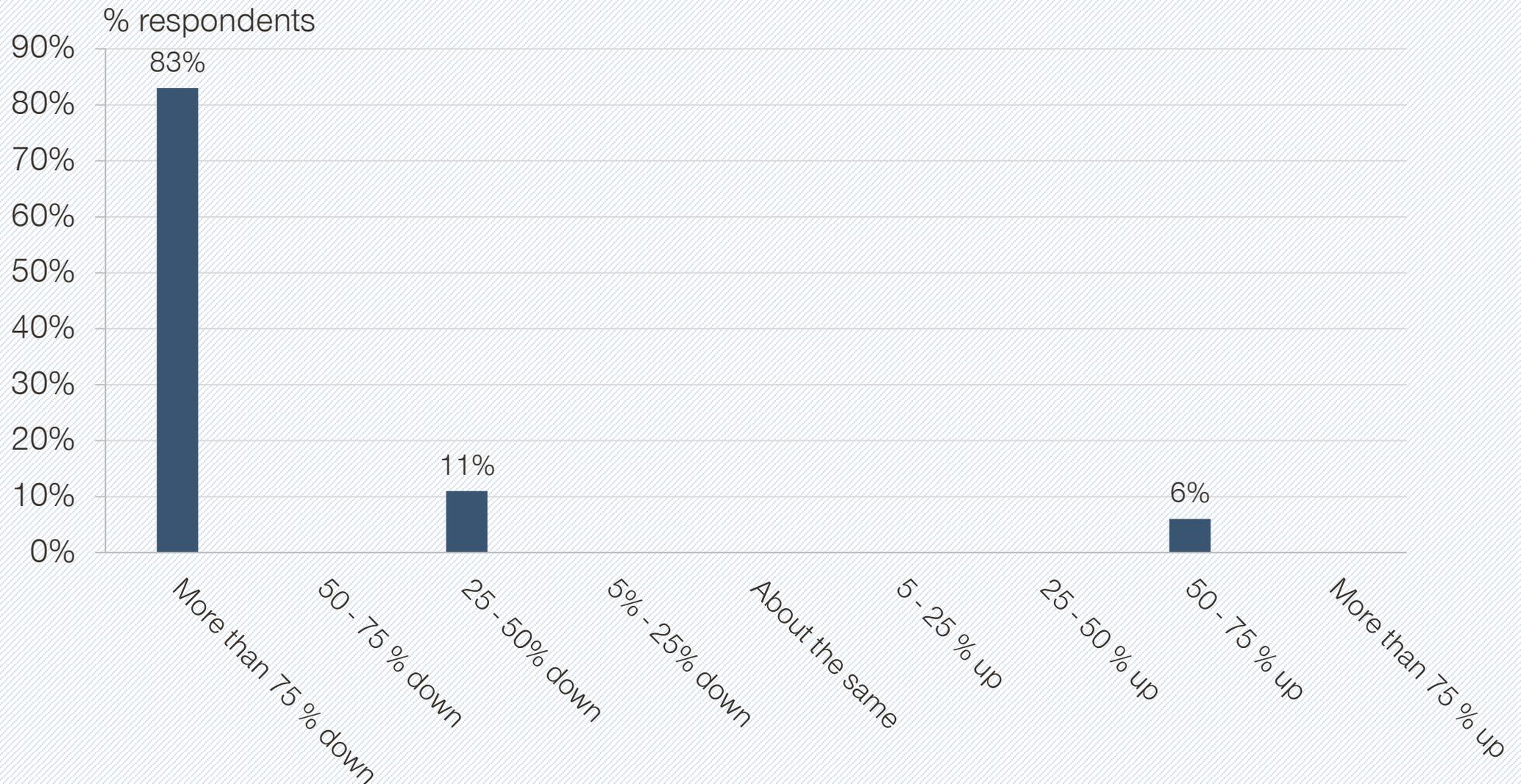
- **Revenue preservation**
- **Cash collection**
- **Cost reduction**

- **Cash preservation**
- **Restructuring**
- **Prepare for Restart**

- **Demand rebound**
- **Revenue growth**
- **Rethink/ reshape the business model**

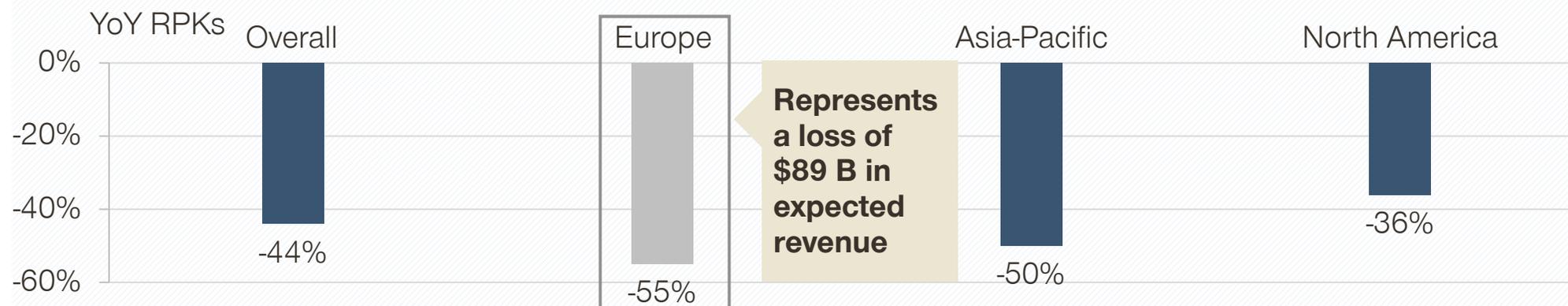
Over 80% of respondents are seeing bookings down 75% or more

ON AVERAGE WHAT IS YOUR CURRENT LEVEL OF BOOKINGS DURING THE LOCKDOWN PERIOD COMPARED TO THE SAME PERIOD LAST YEAR?



Airlines have seen severe impacts from Covid-19, with ~90% of capacity grounded throughout April

FULL YEAR 2020 ESTIMATED RPK IMPACT OF CORONAVIRUS

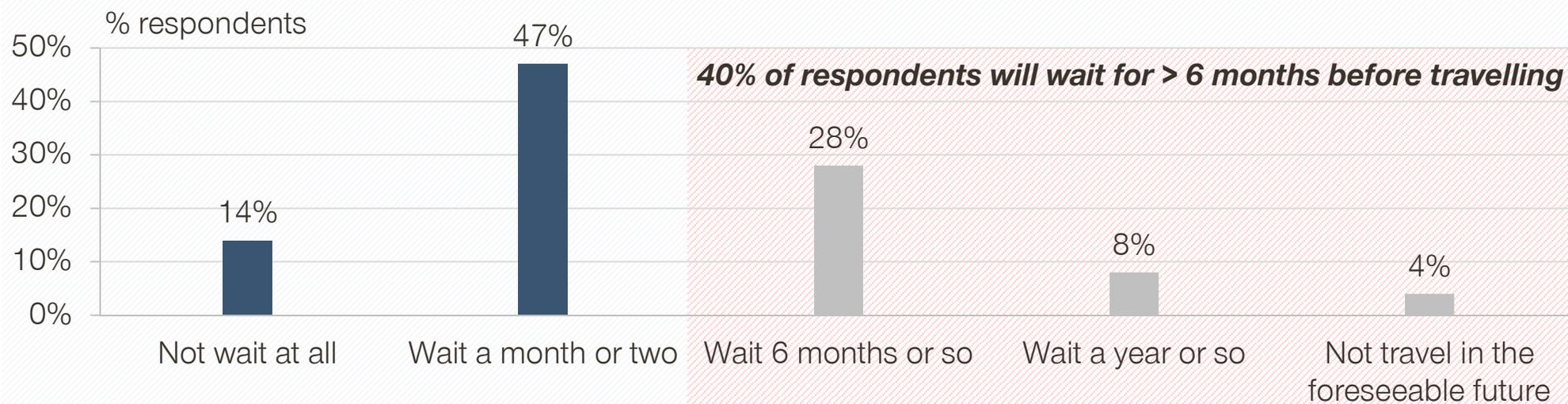


YOY SCHEDULED FLIGHTS

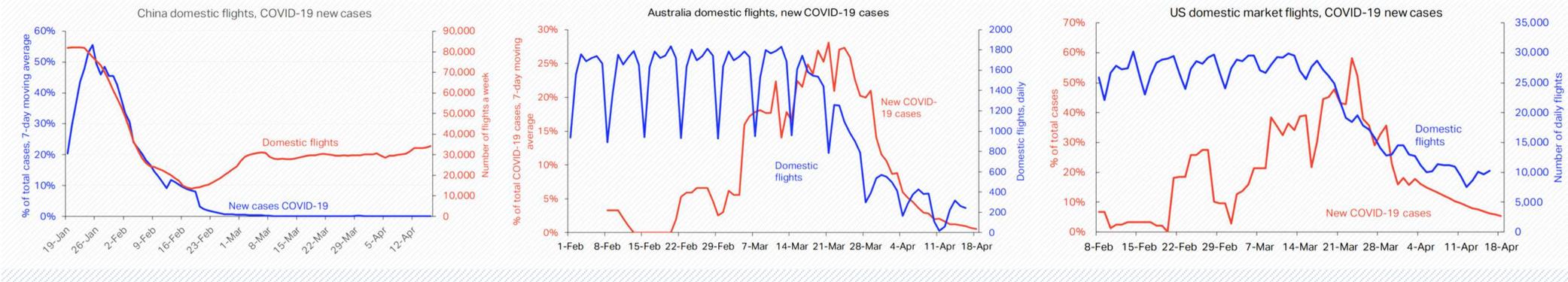
Countries	January	February	02-Mar	09-Mar	16-Mar	23-Mar	30-Mar	06-Apr	13-Apr	20-Apr	27-Apr	04-May
Spain	-3.7%	-1.8%	-1.4%	-2.9%	-13.7%	-74.3%	-88.5%	-92.6%	-94.2%	-95.1%	-94.1%	-92.3%
Germany	-8.5%	-6.9%	-5.0%	-15.4%	-30.2%	-71.9%	-88.6%	-92.6%	-92.5%	-93.7%	-92.9%	-90.5%
Italy	-3.3%	-4.2%	-8.8%	-21.6%	-73.9%	-88.0%	-89.2%	-89.0%	-92.2%	-81.2%	-80.2%	-78.1%
France	-0.8%	0.4%	-2.0%	-3.8%	-13.7%	-41.3%	-81.4%	-87.0%	-92.1%	-91.7%	-91.8%	-91.9%
UK	-3.8%	-3.3%	-2.7%	-15.5%	-19.3%	-53.5%	-75.6%	-90.7%	-92.0%	-93.2%	-93.5%	-92.5%
Sweden	-9.2%	-5.6%	-4.8%	-6.4%	-14.1%	-65.3%	-77.1%	-84.2%	-84.4%	-90.0%	-89.8%	-88.5%

A swift recovery is in doubt, with 40% of passengers saying that they will wait 6 months or more before travelling again

CUSTOMERS PLANNING TO TRAVEL AFTER “END OF CONTAINMENT” ANNOUNCEMENT, APRIL 2020



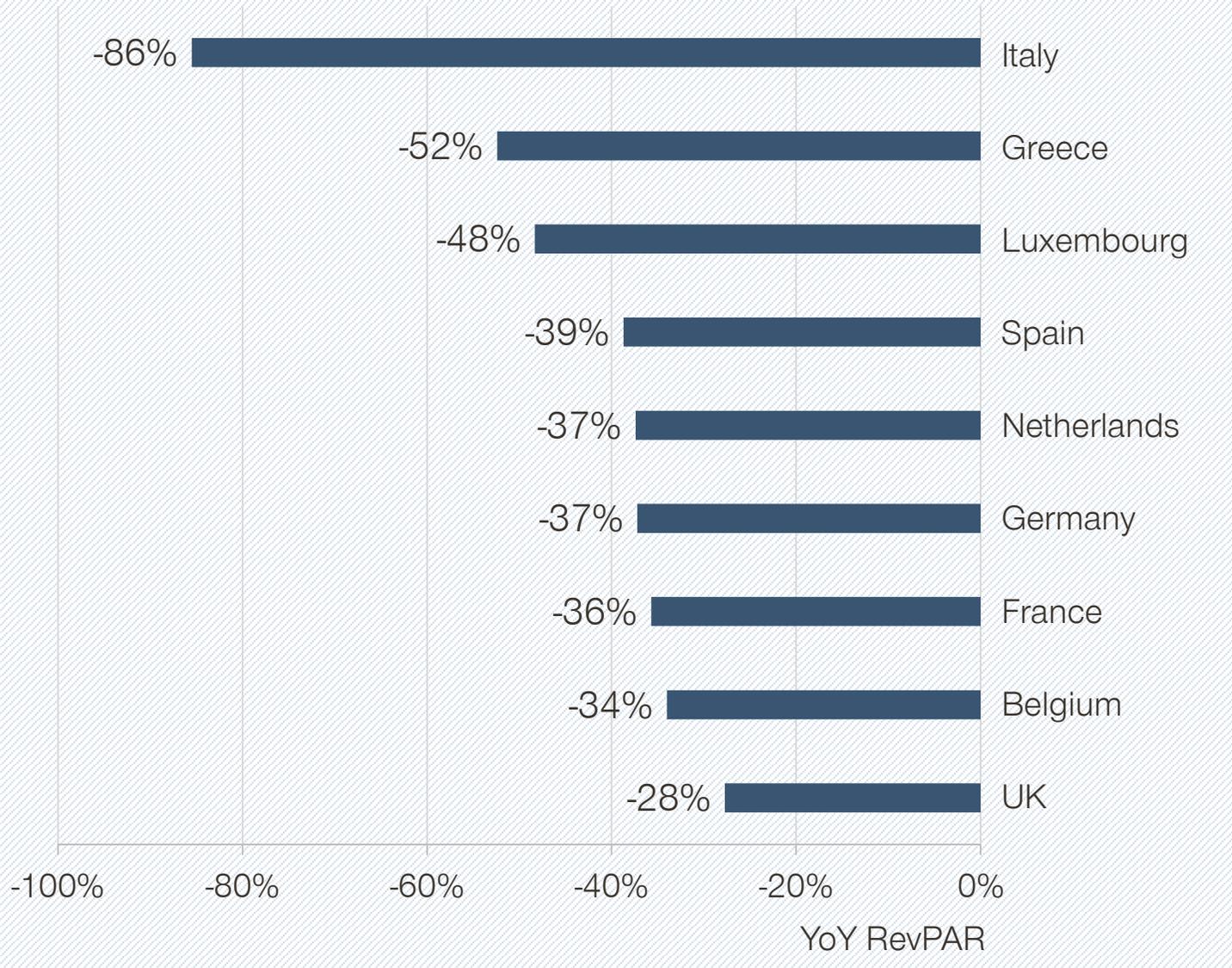
CHINA HAS SEEN A SMALL REBOUND IN ITS AVIATION MARKET WITH THE DECLINE OF COVID-19, BUT OTHER MARKETS HAVE NOT...



Sources: IATA, FlightRadar24, WHO, Simon-Kucher & Partners

Hotels have been similarly impacted, with large decreases in RevPAR seen throughout March and April

YOY REVPAR, MARCH 2020



Average European hotel occupancy at 12% as of March 28th

Hotels **ordered to stay closed by governments** in many countries until the summer

More than **400 major events and conferences cancelled** or postponed

Profit decline of 10-30% expected YoY for global hotel industry

International travel destinations are expected to suffer for longer, as domestic travel is less impacted and likely to pick up first

How to mitigate the crisis

Nine key focus areas

Adjust your offering

Engage with existing customers Focus on lifetime value

1 Streamline inventory
Manage volume – e.g. reduce capacity, switch product to higher demand products

2 Focus on engaged customers
Focus your marketing efforts on engaged customers that are more likely to consider your proposition

3 Shift to digital
Change your method of sales and scope of service to meet changing customer needs – e.g. digital channels rather than physical or digital product

4 Stop price promotions
Stop price promotions and focus on communication with existing customers to achieve a margin improvement

5 Promote value
Generate additional volume by promoting discounts in kind e.g. better product or added value, free upgrades, more nights etc.

6 Upsell and cross-sell
Push cross-selling and upselling to increase revenue with higher margin products

7 Offer flexibility
Provide customers with free cancellation, guarantees or warranties to reduce the risk

8 Reward customers
Be customer-centric and offer complimentary upgrades where appropriate especially as you have lower demand

9 Incentivise future purchases
Offer credit toward future purchases, an exclusive look at a new product and definitely launches



Don't profiteer from the crisis through increased prices



Adjust your offering

It is important to be proactive and not reactive: reposition your offering and focus on your strongest customers to meet demand

1 Streamline inventory

Manage product volume, switch products or introduce a related offering to meet current demand

e.g. a distillery may produce hand sanitizer rather than alcoholic beverages.

A beauty brand may stock an increased range of moisturizing soaps



Source: Simon-Kucher & Partners

3 Focus on digital

Social distancing measures have significantly reduced footfall on the high street. Sales channels need to shift online and consumers become aware you are open for business. Provide additional forms of communication with FAQ as call centres face long wait times

e.g. a consumer goods store may introduce a live webchat to answer consumers questions and contactless delivery

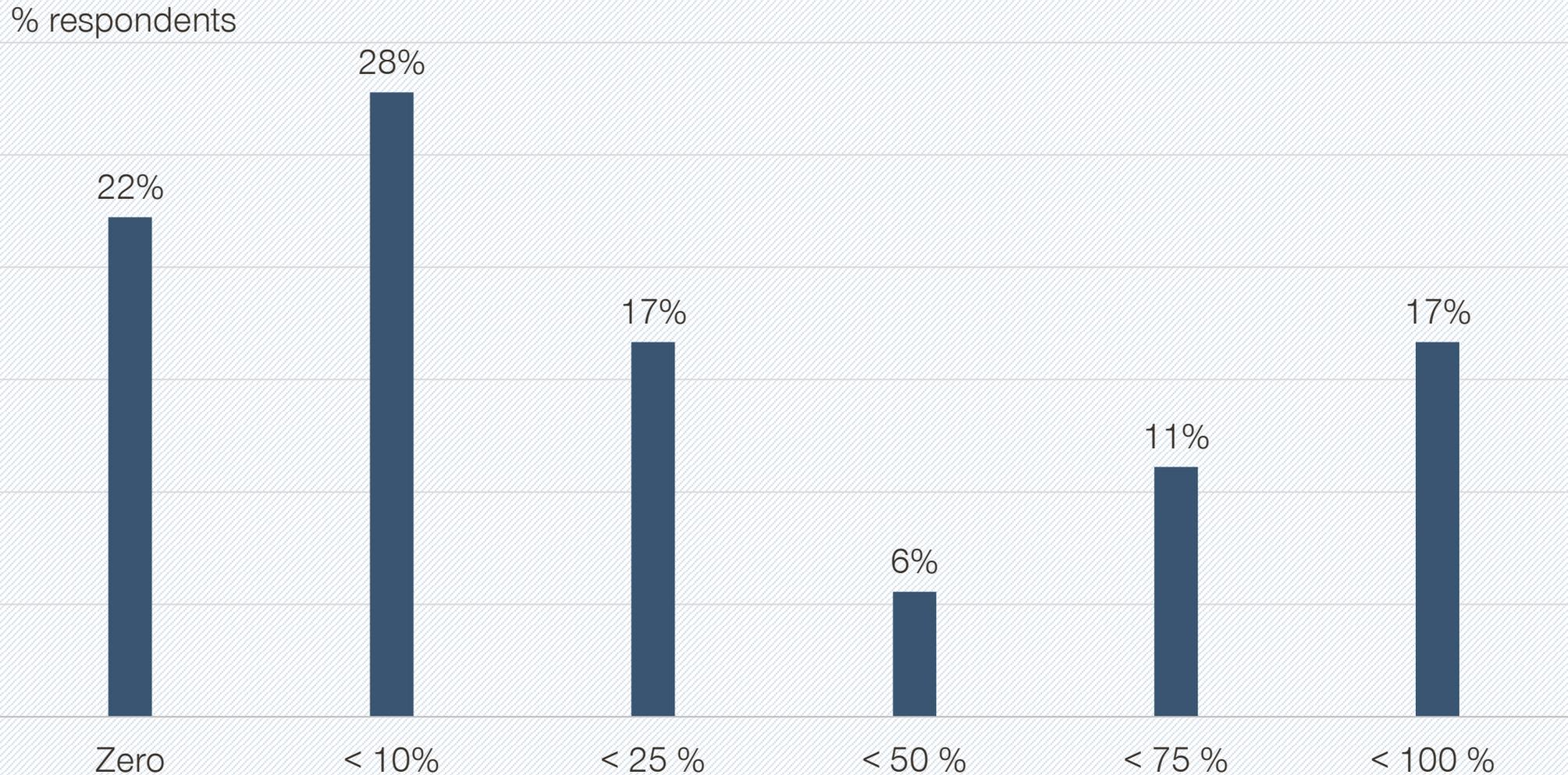


2 Focus on engaged customers

Some customers will be more affected by the crisis than others. Whilst it is important to maintain contact with all prospects, focus on fostering long term relationships with those who have brand affinity already like past customers

Some operators are still running with almost 100% capacity, but majority have reduced capacity significantly

WHAT PERCENTAGE OF YOUR CAPACITY IS CURRENTLY OPERATIONAL UNDER THE COVID-19 RESTRICTIONS?



Increased flexibility example: British Airways removed change fees, while maintaining fare difference & cancellation policies

Standard allowances

	Basic	Plus	Plus flex
2 pieces of hand luggage	✓	✓	✓
1 checked bag	For a fee	✓	✓
Choose seats	For a fee	Free from 48 hours	Free anytime
Change flights on day of travel	For fee + fare difference	Free until 1 hour before departure	
Change flights anytime before day of travel	For fee + fare difference	For fee + fare difference	For fare difference
Full refund if cancelled by customer	✗	✗	✓

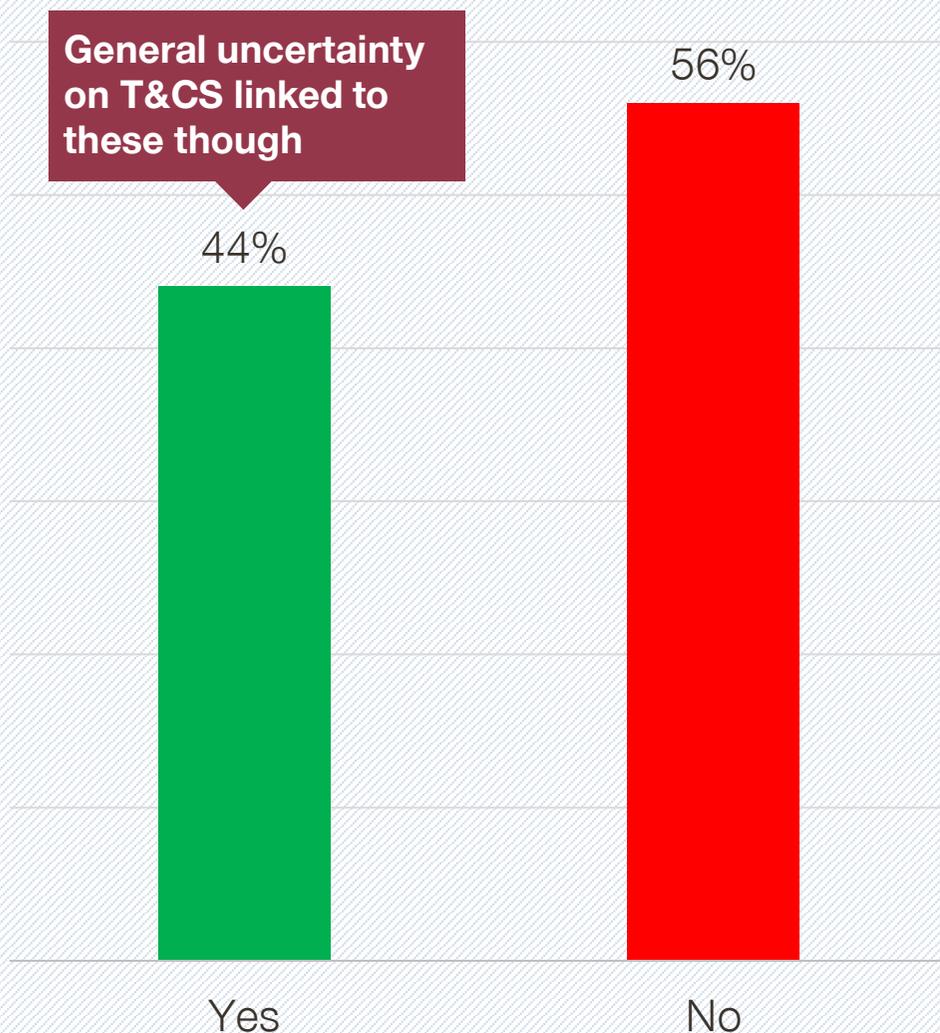


New allowances

	Basic	Plus	Plus flex
2 pieces of hand luggage	✓	✓	✓
1 checked bag	For a fee	✓	✓
Choose seats	For a fee	Free from 48 hours	Free anytime
Change flights on day of travel	For fare difference	Free until 1 hour before departure	
Change flights anytime before day of travel	For fare difference	For fare difference	For fare difference
Full refund if cancelled by customer	✗	✗	✓

More than 40% have issues vouchers in lieu of refunds

HAVE YOU ISSUED VOUCHERS, IN LIEU OF REFUNDS, TO YOUR CUSTOMERS?



We need to start thinking of the longer term implications:

“The confidence in the industry is low ... all focused on the short term and the survival of companies but there is a concern in the medium to long term about the confidence of customers to book again”

Which? travel editor Rory Boland
<https://soundcloud.com/travelweekly/rowland-boland-podcast>

iStock/artisteer



Engage with existing customers

Focus marketing efforts on your existing rather than trying to acquire new customers, review promotions and push cross selling



4

Stop price promotions

Reduce unnecessary discounts, and focus communication on existing customers



Stop widely dispersed, rounded discounts to protect margin: a lower price is not going to drive purchase at this point in time



©Stock/Natali_Mis

5

Promote value

Protect volume and customer perceived value



Keep prices the same but offer the customer a free product or a free upgrade: the value perceived by the customer will be higher than the cost



©Stock/marchmeena29

6

Upsell and cross-sell

Motivate existing customers to buy as many products as possible from the supplier's range to increase revenue and boost customer loyalty



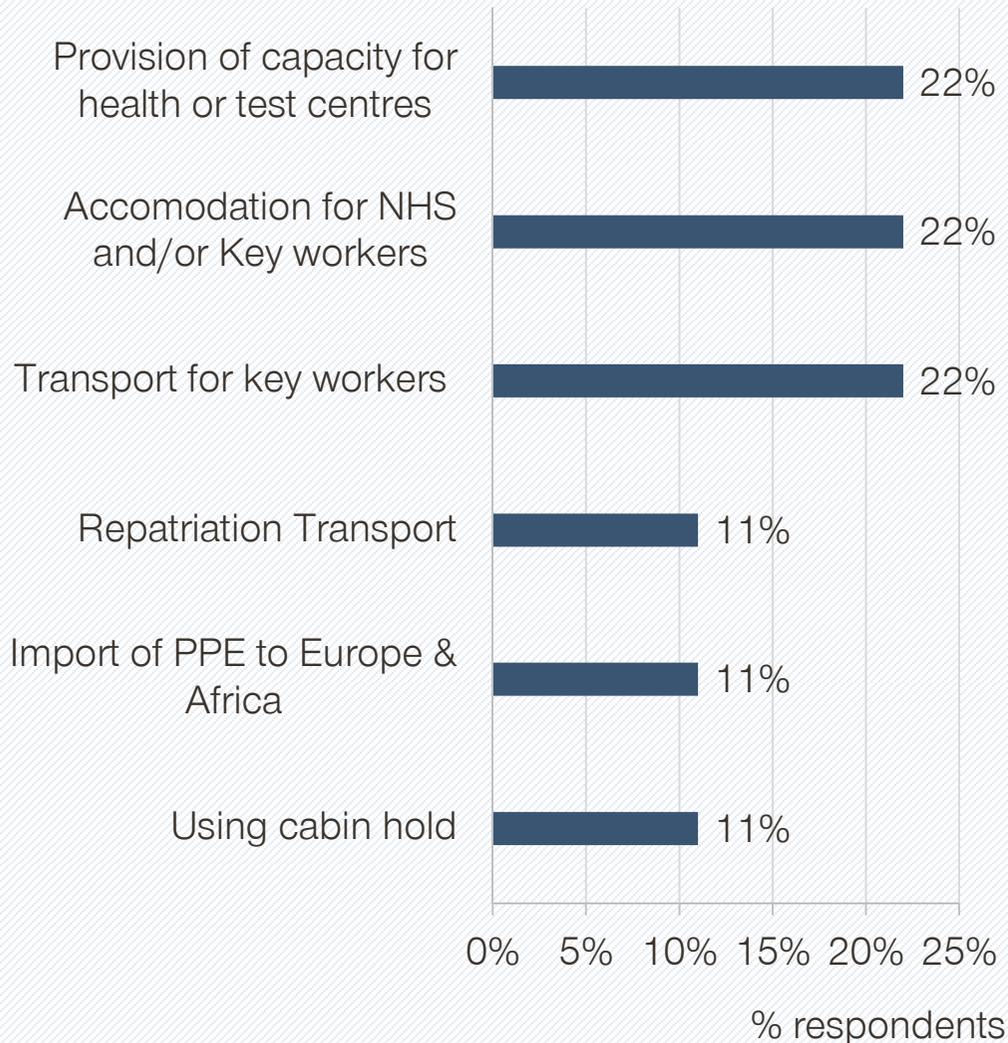
Use 'sold-with' analyses to identify potential cross/upsell opportunities for customers under the new environment (e.g. bundle product with sanitizer)



©Stock/William_Potter

Engagement in the initial phase has often been linked to support for key workers

SOME OF YOU HAVE REPURPOSED YOUR CAPACITY DURING THIS TIME



OTHER INNOVATIVE IDEAS HAVE COME OUT ACROSS THE INDUSTRY



Community Corner

Great Wolf To Dontae 10,000 Free Rooms To Nurses

For every room booked from May 4 to 12 with the code THANKYOU, Great Wolf Lodge will donate a free overnight stay to a registered nurses.



Focus on lifetime value

Introduce measures to ease purchasing anxiety and reward your loyal consumers to build lifetime value when the crisis alleviates



7 **Offer flexibility**

- Reduce the risk perceived by a potential customer
- Reassure customers with a money back guarantee or free last-minute cancellation or flexible financing to encourage spending in an uncertain market – don't add more uncertainty to the purchase process.

8 **Reward customers**

- Be customer-centric by reassuring customers they are getting value in difficult times and rewarding loyalty
- Offer upgrades where appropriate, eliminate blackout dates, give additional points per spend or loyalty only offers especially where you have capacity to do that
- Extend the loyalty status period

9 **Incentivise future purchases**

- During economic uncertainty, you should maximise future sales
- Incentivise customers to not cancel but postpone purchase by offering additional credit/voucher instead of straight cancellation, offer exclusive products to loyal customers, enter them into a lottery when they make a purchase or offer discounts for additional purchases

As we move to the next stage, how should travel companies prepare for the Restart

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

The new normal:

Two crises in parallel, create a non-linear demand world for the foreseeable future



How do you “restart” your commercial model in a world of non-linear demand and considerable uncertainty?

Commercial model decisions to Restart

In this non-linear demand model, there are a number of commercial decisions to be made

Commercial model Key questions/challenges to address

Capacity



How do I change my **capacity** to be more aligned to the **demand** I forecast to have? Should I find **alternative uses** of my capacity that can ensure revenue growth in periods of subdued demand for my original use-case?

Product



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

Marketing



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

Core Focus

Pricing & RM



How do I **start pricing** when I go back to the market? Can I use the **RM system** I have in place, as it relies on historical data which are less relevant? What is a **plausible alternatives** that reflects the big changes in demand?

CRM



Should I focus on **acquisition, retention** or **upsell**? Or should I change my objective depending on where I am in the demand cycle? How do I best get equipped to do that?

Salesforce



What should **size and focus** be of **my commercial teams** as demand comes & go? How can I **refocus fast** enough in terms of **country, channel, customer segment, etc**? How do I **adapt negotiation guidelines** based on market evolving needs?

Data maturity

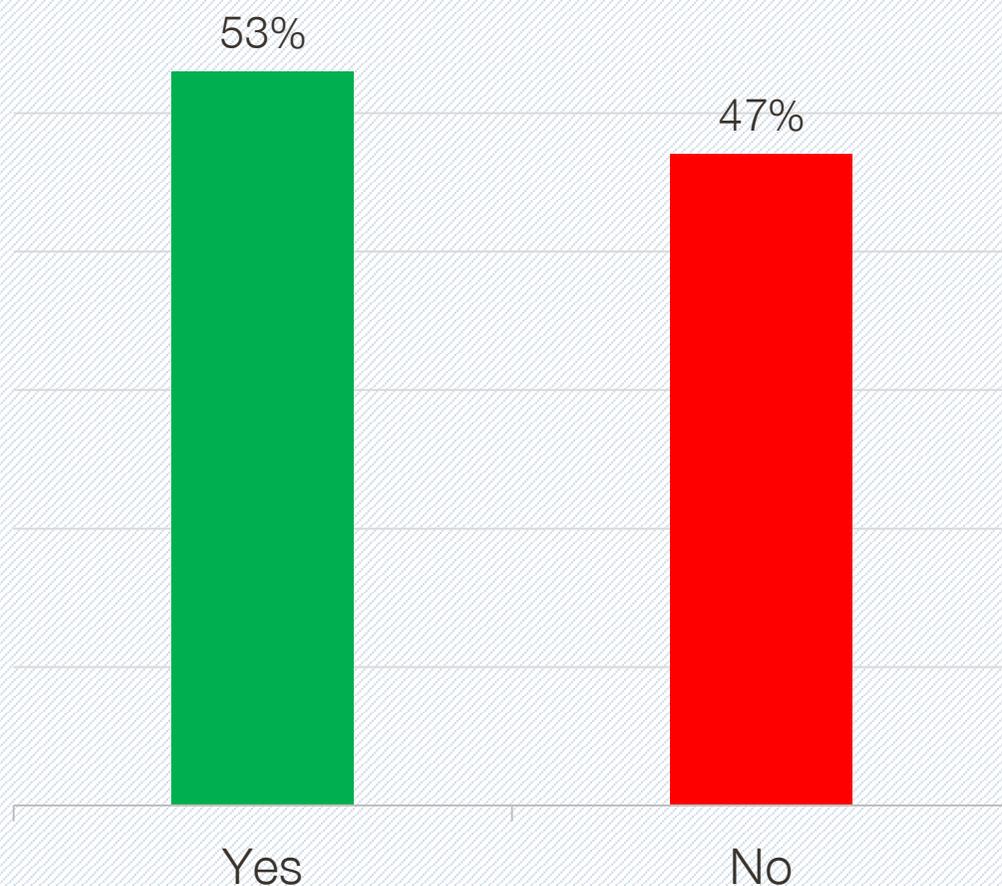


How flexible is my infrastructure in adapting to new processes? How can I **leverage data** to better utilize automation, AI, Machine Learning and IoT to **make decisions, deliver insights, etc**?

53% of respondents are selling 2021 products

ARE YOU CURRENTLY SELLING PRODUCTS FOR DELIVERY IN 2021?

% respondents



*“Our main reason for going on sale for 2021 was **to accommodate customers wishing to transfer existing bookings** to next year”*

*“**We were not selling a year ahead** this time last year”*

*“We have **released our inventory forwards** to the end of 2021 **which we haven't done previously**”*

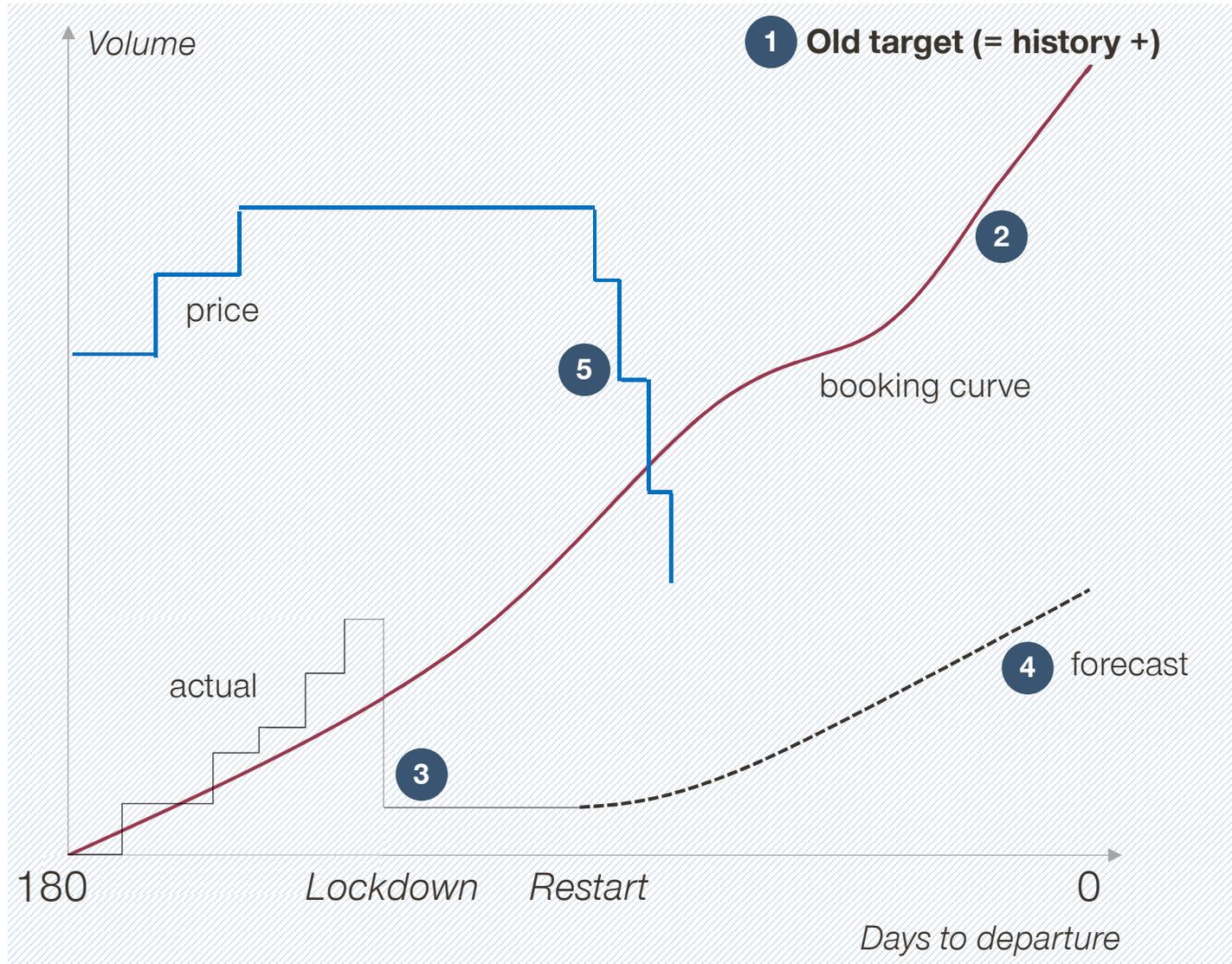
*“**Significant uptake for 2021 dates**, especially for international destinations”*

COLOURBOX/Syda-Productions



RM & Pricing: 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



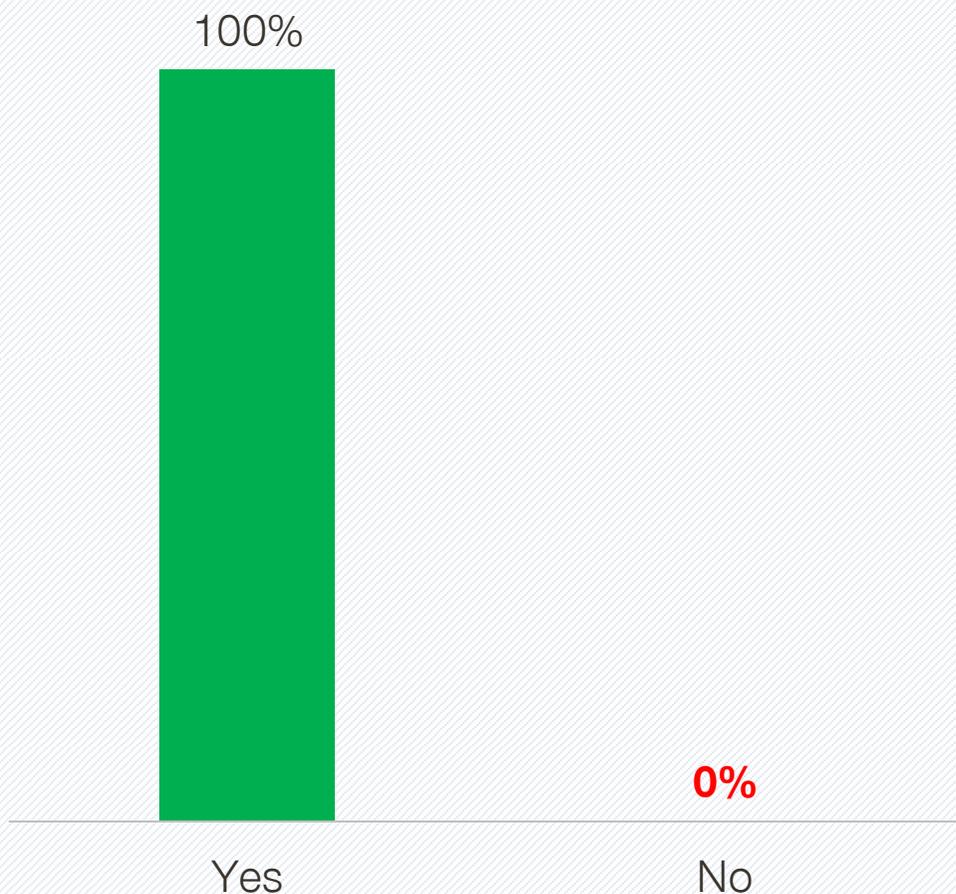
Existing RM systems are history based and react with price reductions in current crisis as...

- 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

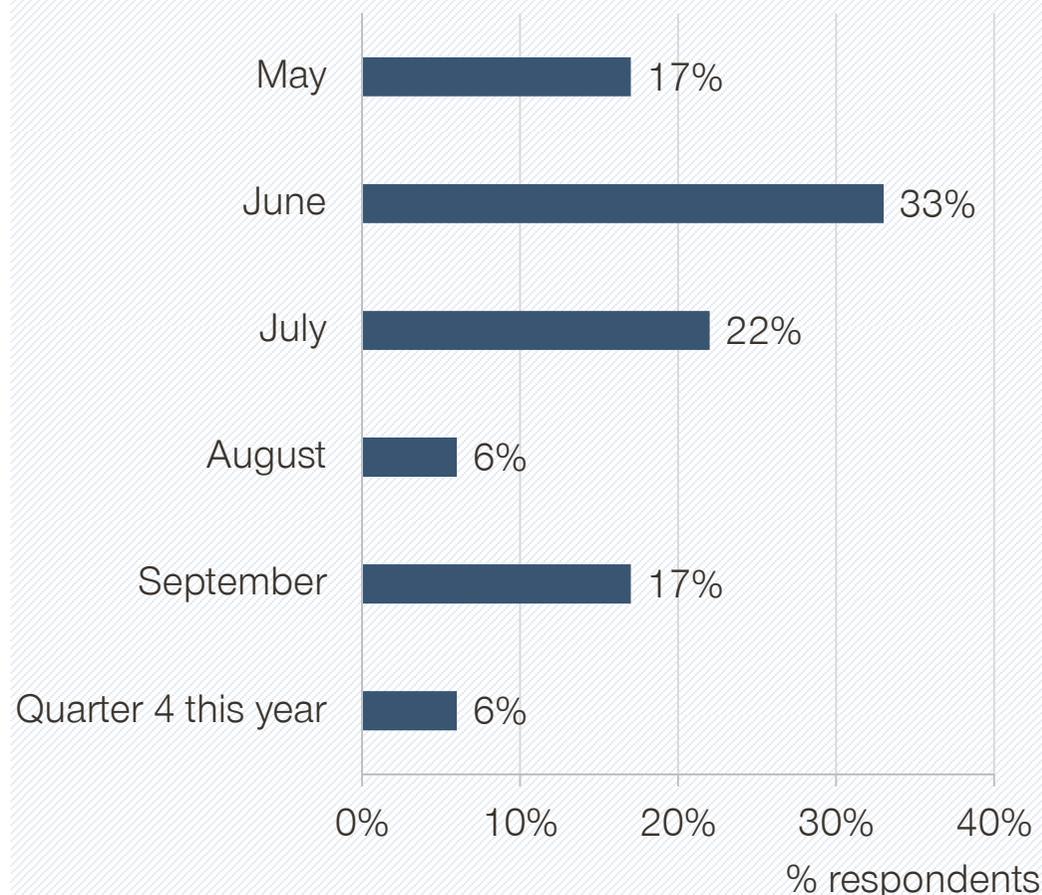
More in the next sessions

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

DO YOU BELIEVE THERE MIGHT BE AN INTERIM PERIOD OF RESTRICTED OPERATIONS FOR A FEW MONTH BEFORE WE ARE ABLE TO RETURN TO 'NEW NORMAL' OPERATIONS?

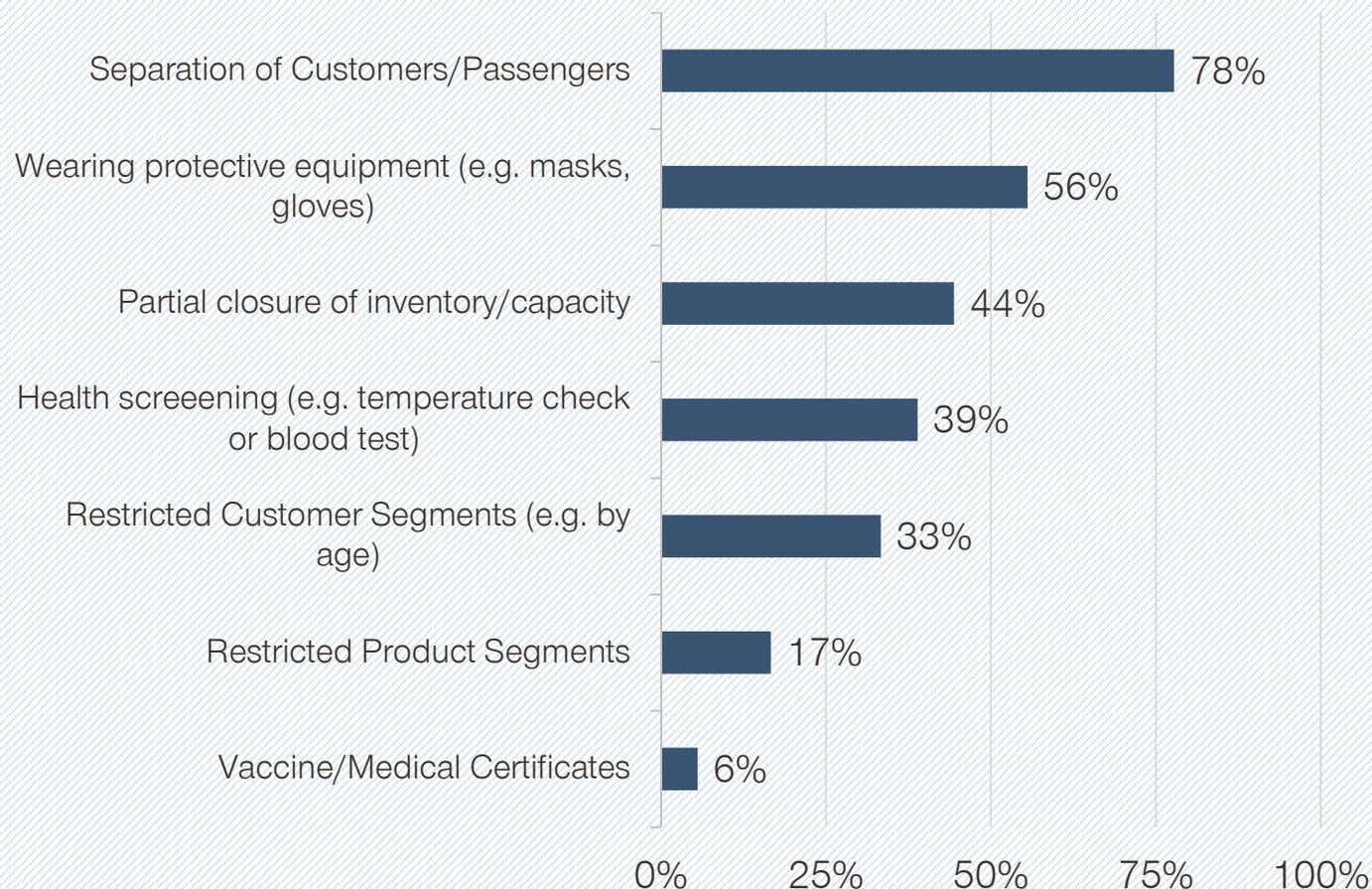


WHEN DO YOU BELIEVE ANY INTERIM PERIOD OF RESTRICTED OPERATION WILL BE ABLE TO START?



Preview: Passenger separation and protective equipment are core themes

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



Additional single responses:

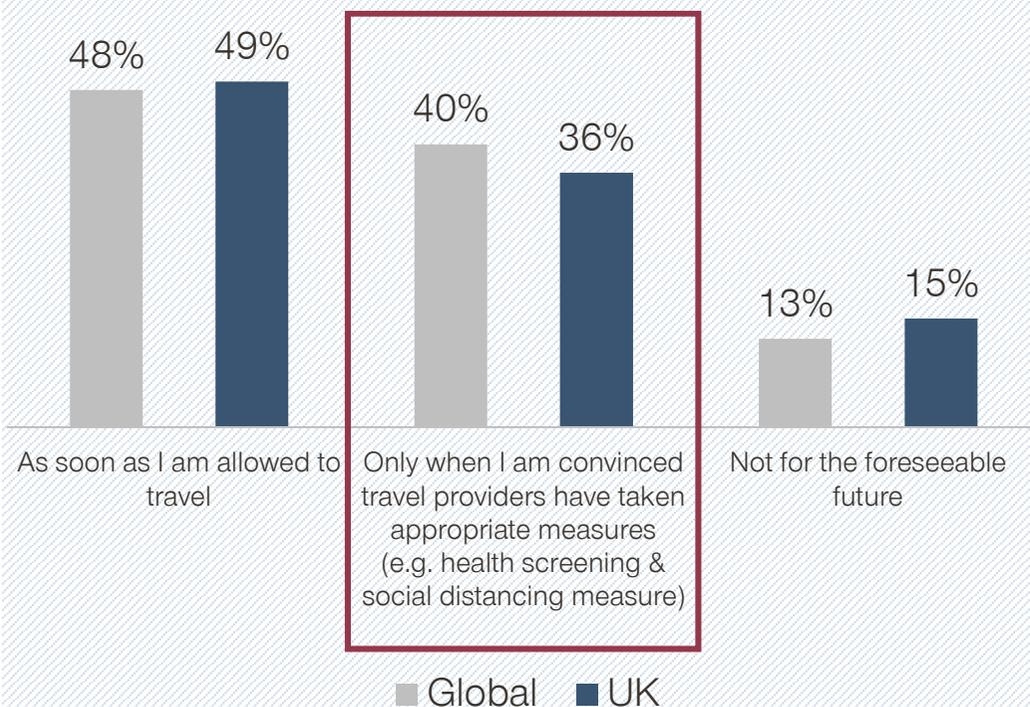
- Limiting distance of travel to/from work or for other business or leisure purposes
- Limiting size of gatherings
- Limiting use of hospitality services to pre-booked (hotel rooms, restaurant reservations etc.)
- Restriction on non-essential travel
- Complete hibernation of services
- Proscribed cleaning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

Key questions to address: How does pricing and RM interact with the new product and service needs?

Preview: Over 35% of consumers will need to be convinced these measures are in place before they will travel again

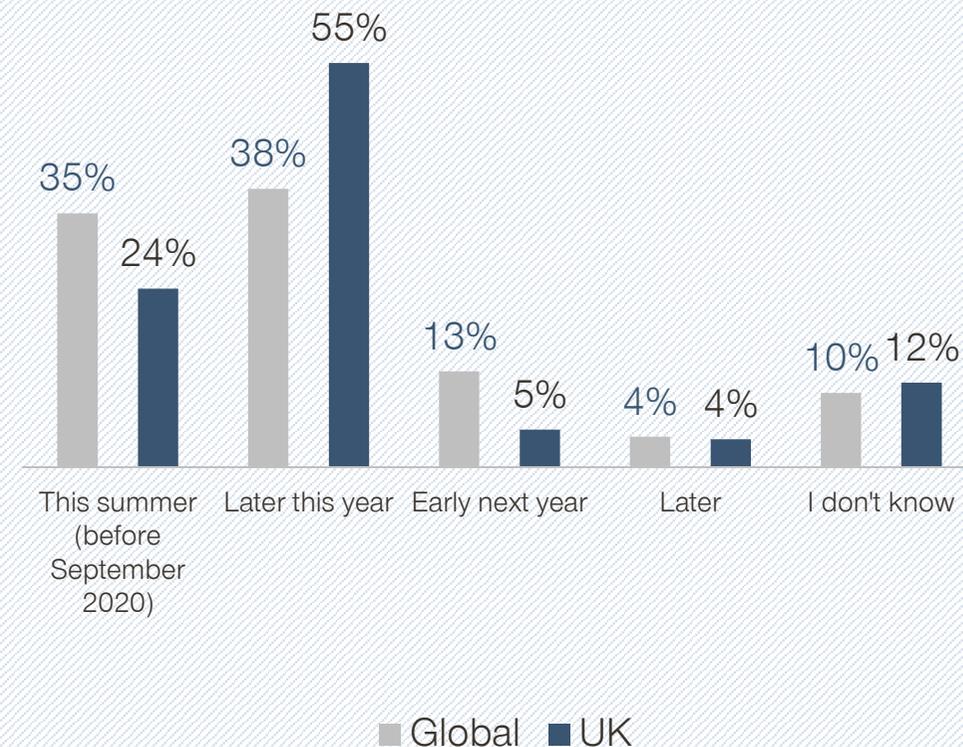
UNDER WHAT CONDITIONS DO YOU INTEND TO TRAVEL FOR LEISURE PURPOSES AGAIN?

Preliminary results



WHEN DO YOU THINK YOU WILL START TRAVELLING FOR LEISURE PURPOSES AGAIN?

Preliminary results



...this isn't going to be easy

Coronavirus: Heathrow boss says social distancing in airports would mean kilometre-long boarding queues

John Holland-Kaye calls on world leaders to agree a "common international standard" to get air travel moving again.

Monday 4 May 2020 09:07 UK

COVID-19 CORONAVIRUS HEATHROW AIRPORT



Passengers should undergo mandatory health checks to fly, Heathrow's boss said

Coronavirus: Aer Lingus review after packed flight complaint

By Kelly Bonner
BBC News NI

4 May 2020

f WhatsApp Twitter Email Share

Coronavirus pandemic



SEAN MALLON

Most seats were occupied on the Belfast-Heathrow flight, despite government guidance people should stay two metres apart



Questions and comments

The next webinar is on 13th May: How are businesses preparing for the return to operations as social distancing measures are relaxed?

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27th May



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

tim.rosen@rmapl.org