

Revenge Travel Hangover

What is the post-pandemic travel consumer after and what does that mean for RM & Pricing

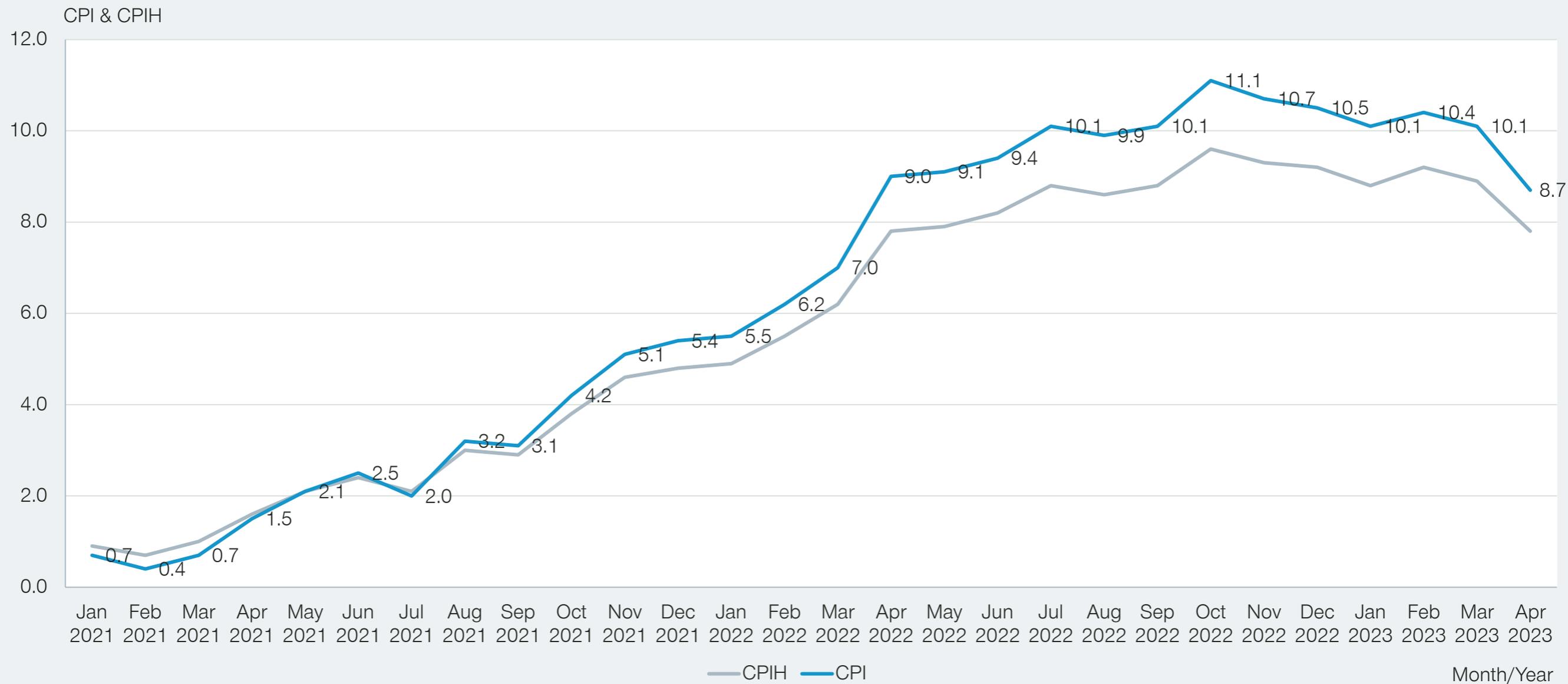


Remember this **???**

...followed by
this



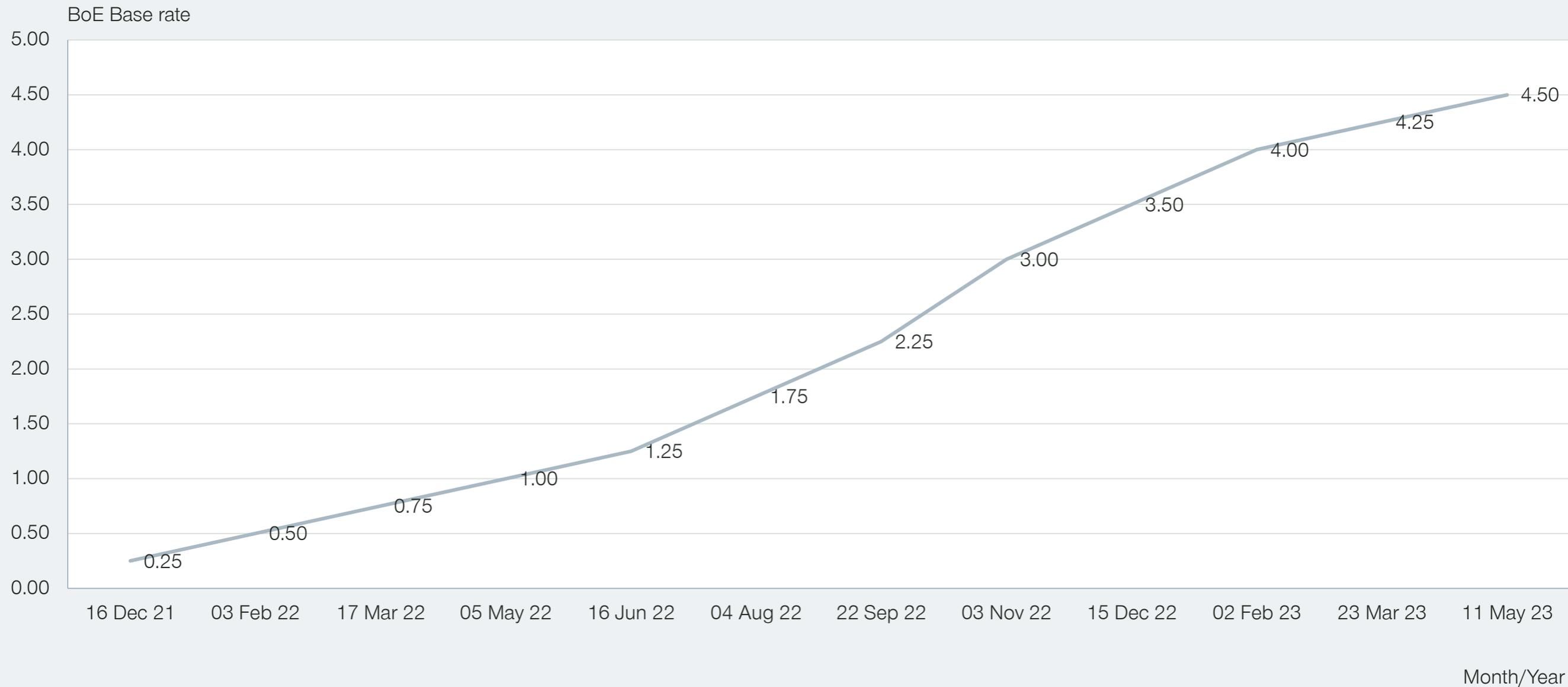
...that caused a bit of this



...and wasn't really helped by this



...that just accelerated this



Travel consumer in 2023 is a bit battered...



- Mentally scarred by a **pandemic**
- ..that led him/her to **revenge travel**
- Experiencing **travel chaos** at a high price
- ...with **cost of living** biting their wallet
- ...and **incompetent politicians** escalating the crisis
- ...and a looming **mortgage rate** that is just going to make things worse

Key trends:

What are the emerging consumer trends in a post revenge travel hangover world?



Spending expectations for this summer

- How are consumers expected to book and spend for Summer 2023



...the key underlying travel trends

- What are the emerging consumer trends that are likely to impact pricing and revenue management principles in the coming years

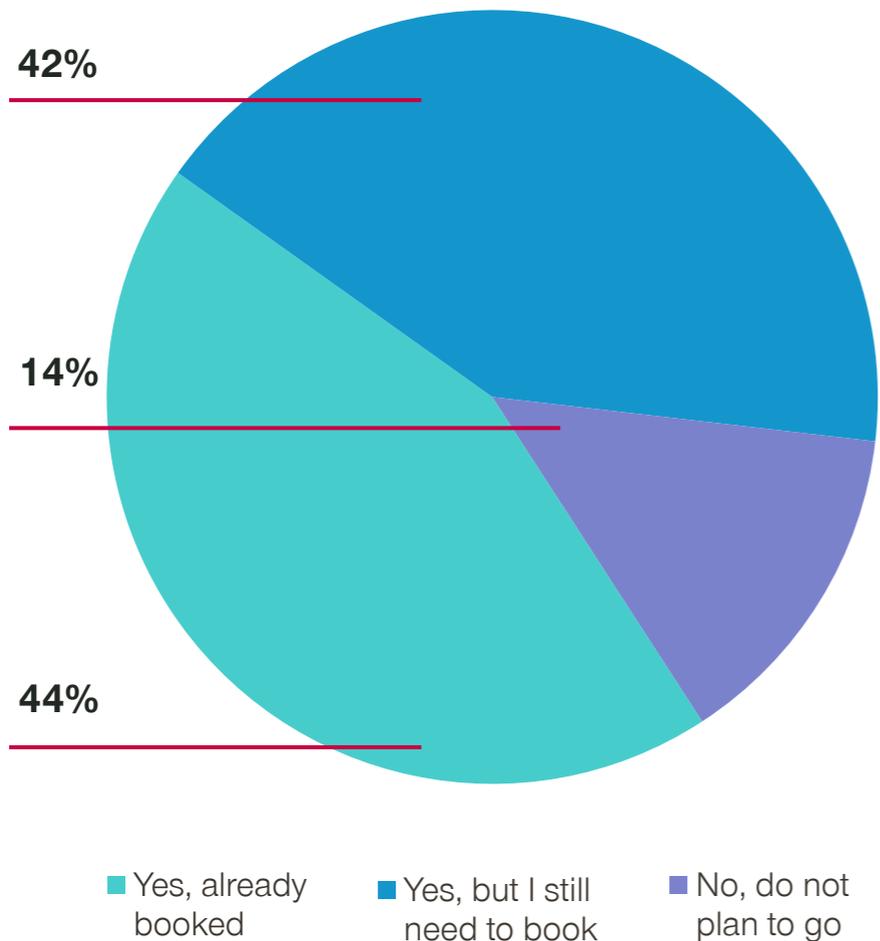


...and the technology trends

- ...and is technology about to disrupt once more the travel industry

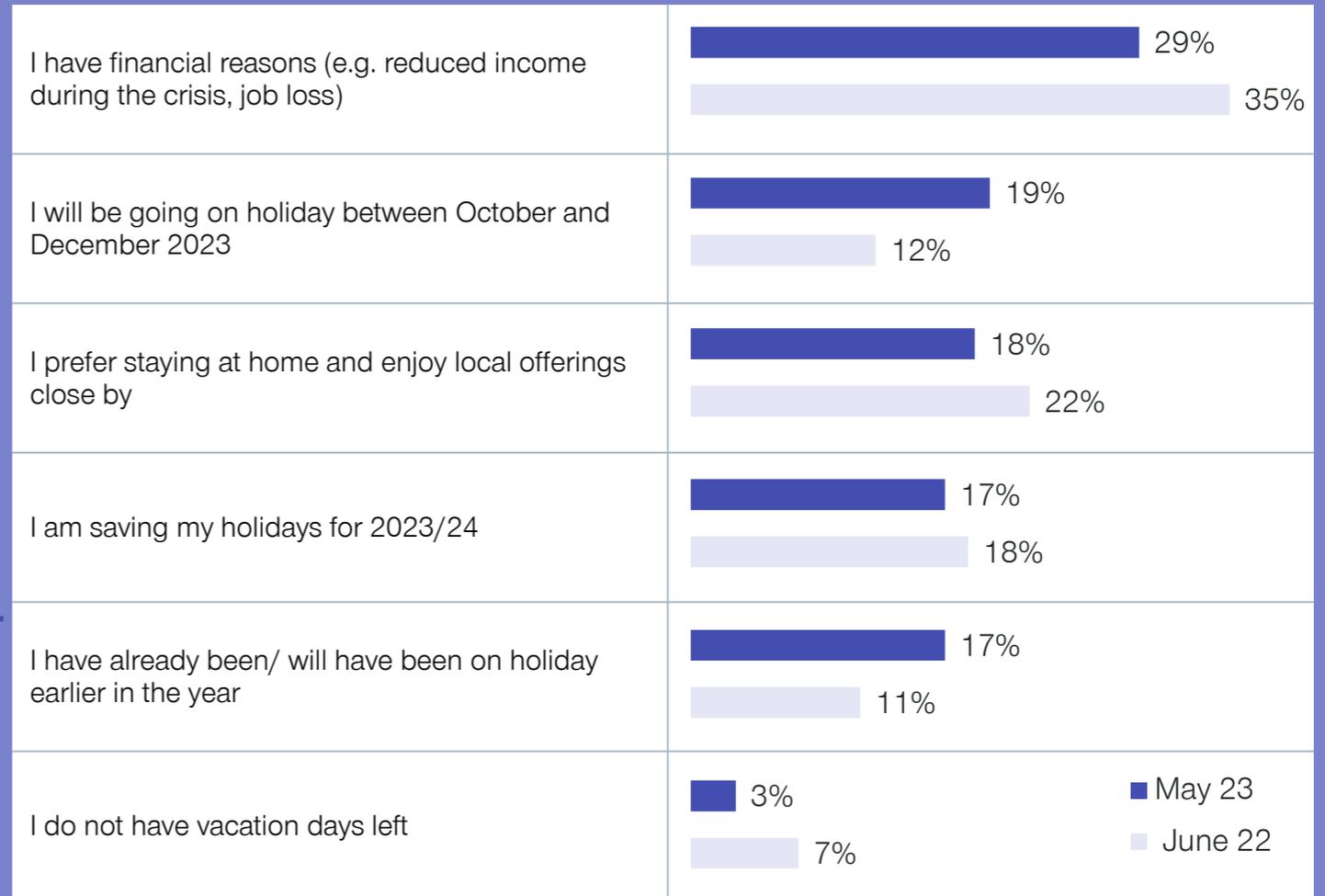
Booking intentions: 86% plan to go on holiday but 14% do not plan to go on holidays this summer, with financial reasons the most common explanation

**Plans for summer holiday 2022¹
UK**



Reasons to not go on holiday this summer²

% of respondents (multiple choices possible)

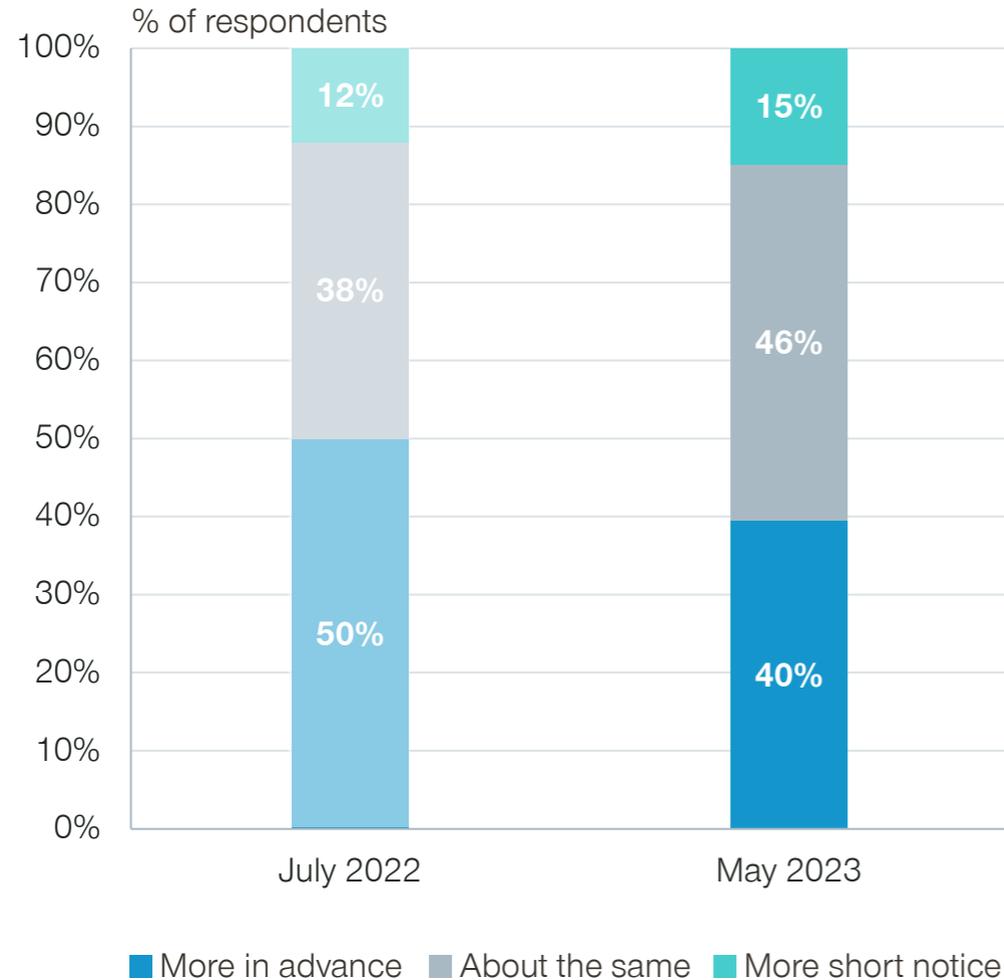


1) Q2: Are you planning to go on a summer holiday this year between July and September 2023?; 2) Q4: What are the reasons for you to not go on holiday this summer (between July - September 2023?); 2) Q4: What are the reasons for you to not go on holiday this summer (between July - September 2022?)
Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

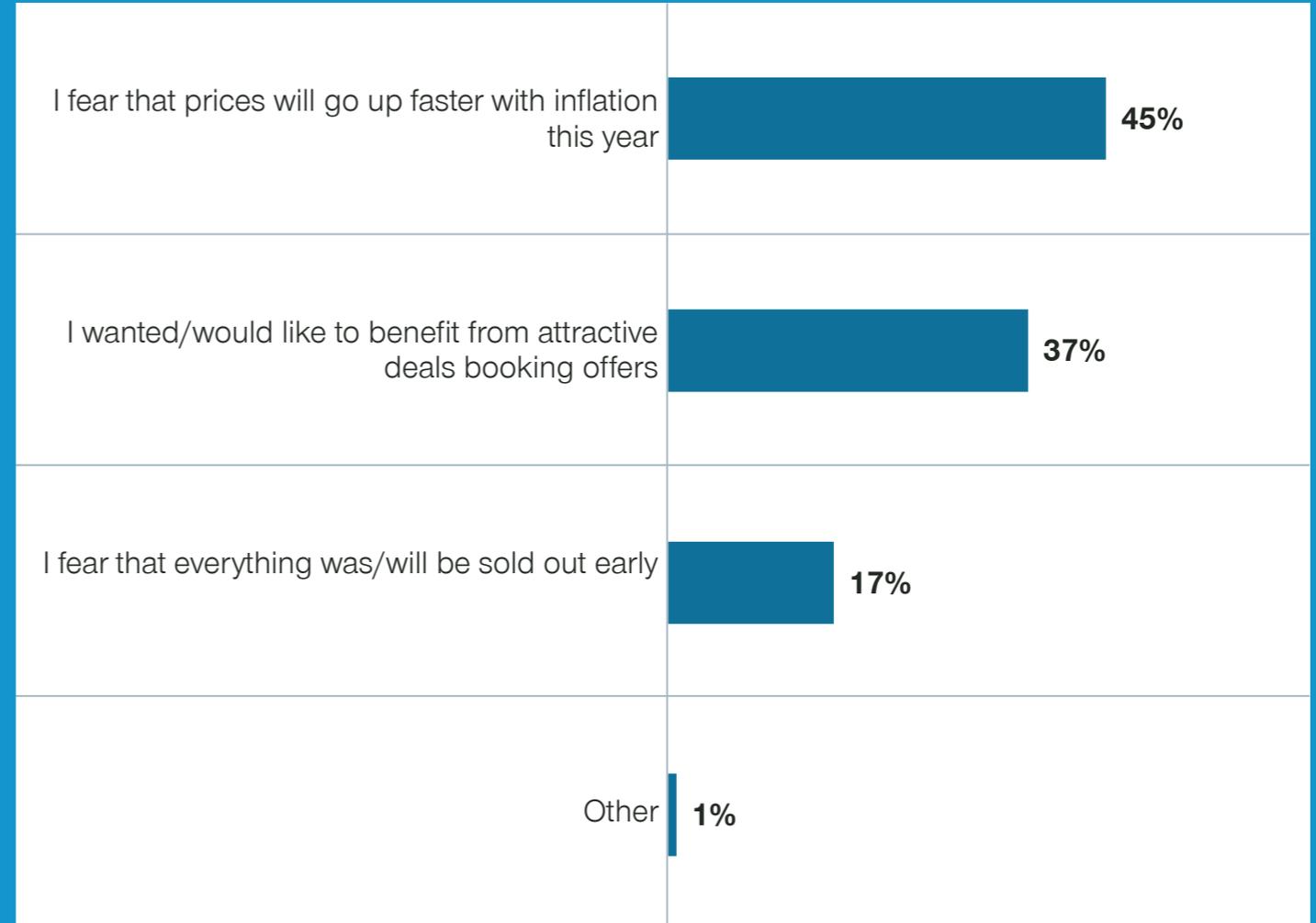
Lead-time: Consumer booking time remains mostly unchanged from 2022, with a slight trend to later booking, but with cost of living key factor for booking in advance



Changes in habits in terms of booking time

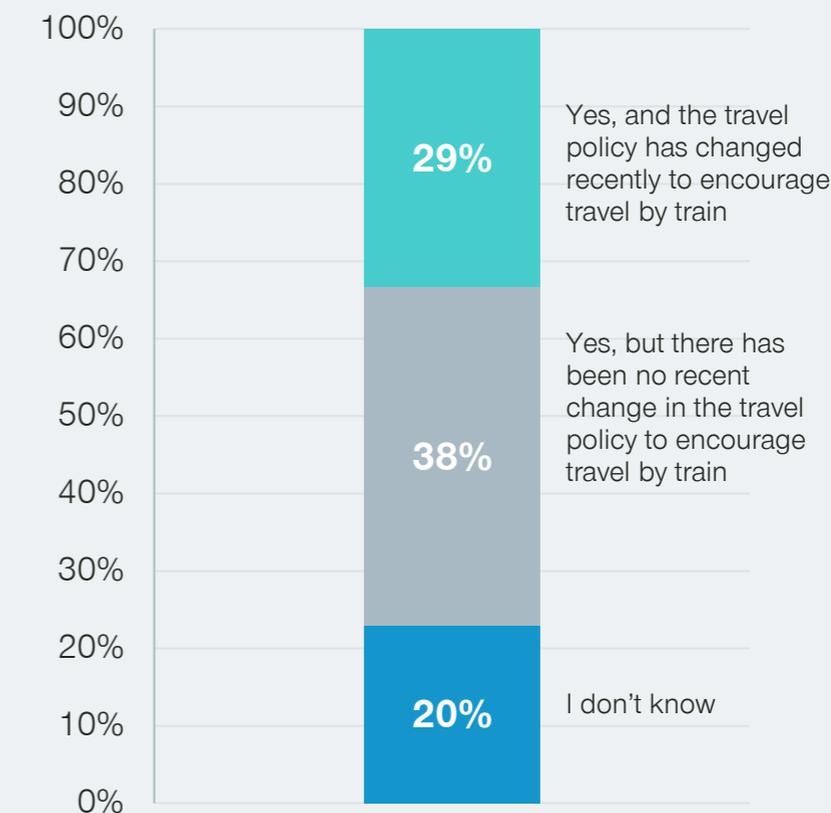


"The Cautious" – books more in advance



1. Compared to last summer (between July - September of 2022), in which way have your booking habits changed? (Q6) 2. What was/is the main reason for you to book your summer holiday this year more in advance? (Q7)
 Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Business travel: Business travel in 2023 looks to be ahead of 2019, however with more uncertainty and evidence of some companies encouraging more train use

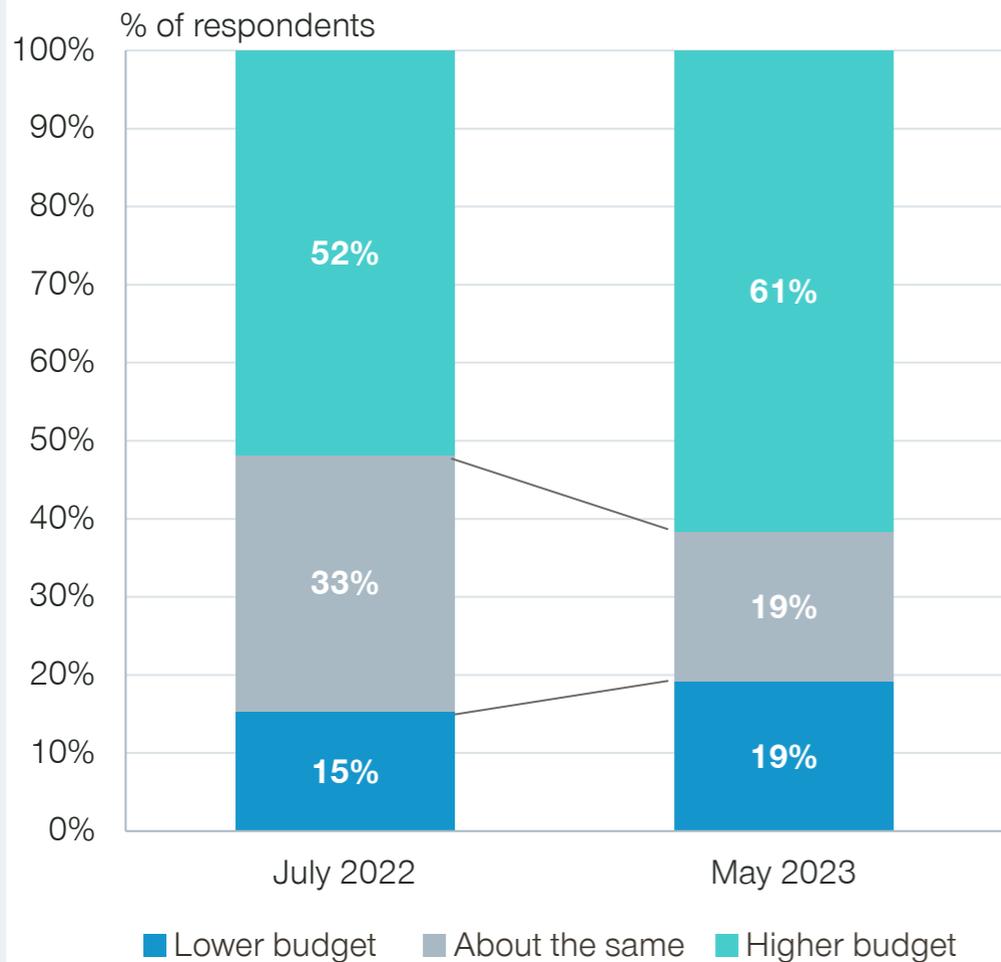


1. How many days per month did you typically go on business trips during 2019? How many days per month do you expect to typically go on business trips during 2023?(Q37c1) 2. Do your company's travel policies encourage travel by train instead of plane? (Q39)
Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Spend: Inflation has split would-be travellers into three buckets – the Splurge Traveller, the Stable traveller and the Cautious one

Development of leisure travel budget

(July 2022¹ and May 2023²)



"The Splurge Traveller" – will likely spend more

44%
Below 45 years old

81%
Went on a summer holiday in 2022

37%
Household income >50,000

"The Stable" – do not expect a change in travel budget

67%
Above 45 years old

70%
Income of <£50k

"The Cautious" – will likely spend less

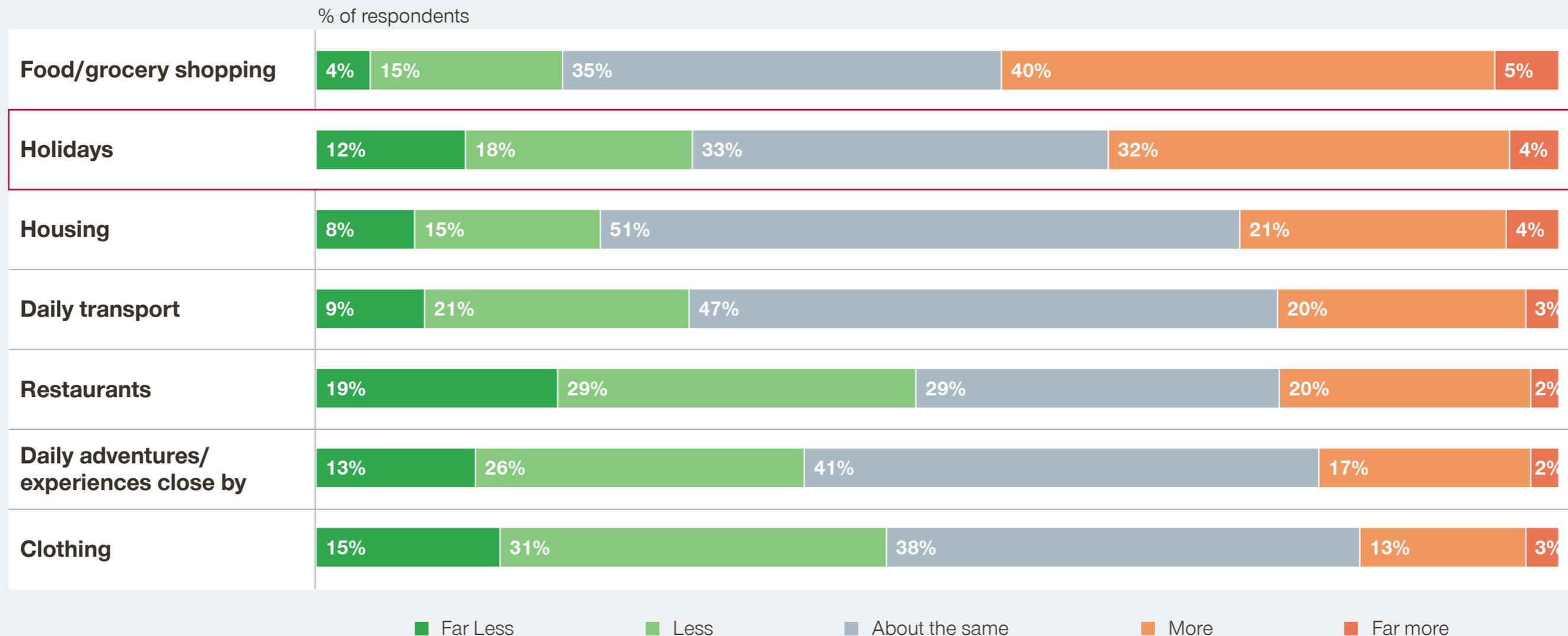
66%
Household income <50K

83%
Went on a summer holiday in 2022

1). Q8: If you compare your overall budget for this years summer holiday (between July - September 2022), with your summer holidays in 2019, how has it developed?. 2) [Q13f]: How will your budget for holidays this year compare to your budget for holidays last year? Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Spend: Holidays remains in the top categories where consumers are expected to spend more, limiting spend on restaurants, clothing and leisure activities

How do you expect your overall spending habits to change over the next few months?

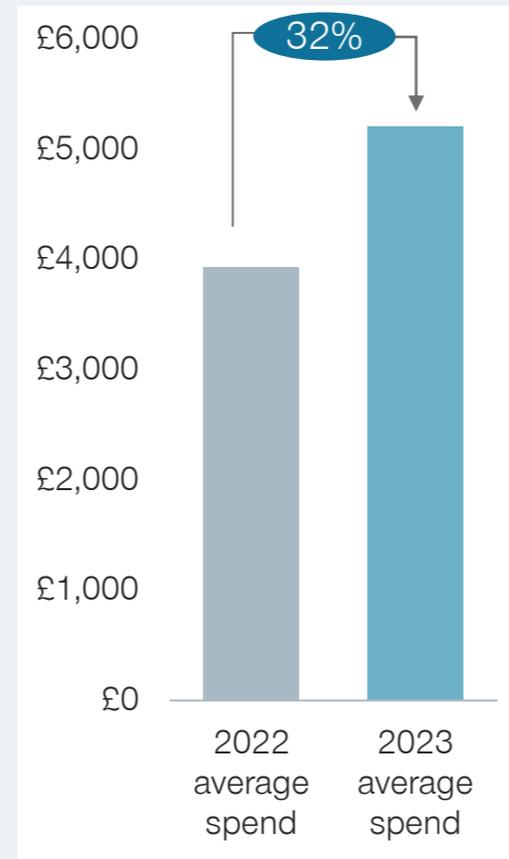


1) Q20b: How do you expect your overall spending habits to change over the next few months?
 Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

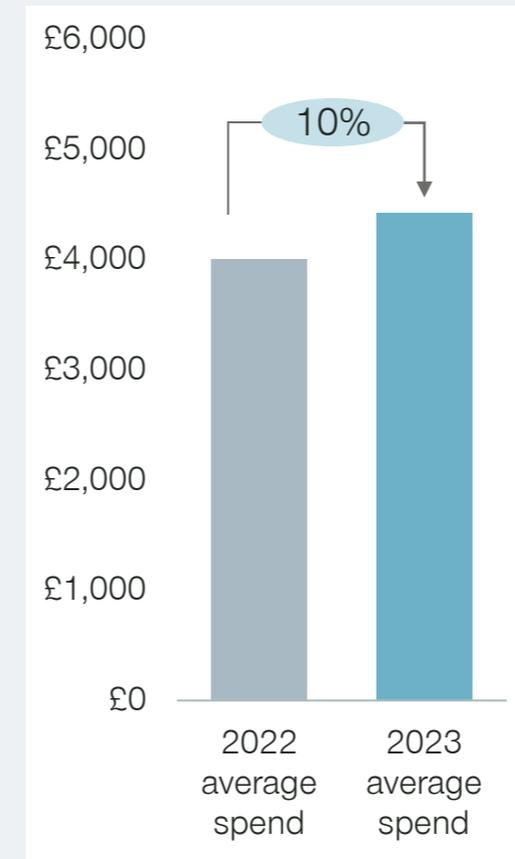
Spend: On average consumers are expecting their 2023 holiday spend to be 17% higher than their 2022 holiday spend



Holiday spend comparison for those expecting to spend **more** in 2023²



Holiday spend comparison for those expecting to spend **less** in 2023²



Consumers who are expecting to increase their spend on holidays are anticipating spending almost a third more on holidays in 2023 than in 2022.

Even customers who expect to spend less in 2023 are still anticipating their total holiday spend in 2023 to be on average 10% higher than 2022.

1: [Q8A1] What is your household's expected total spend on holidays this year (Jan-Dec 2023)? , [Q9A1] What was your household's total spend on holidays last year (Jan-Dec 2022)?
2: [Q13f] How will your budget for holidays this year compare to your budget for holidays last year? Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

What are the emerging consumer trends in a post revenge travel hangover world?



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...and the technology trends

- ...and is technology about to disrupt once more the travel industry

We see some key consumer and industry trends that will be integral to consider in defining your new family fare structure

Post-pandemic



Consumer expectations and needs have shifted as a result of the **pandemic** – e.g. flexibility is key



New travel products have to adhere to key **customer needs** emerging post COVID

Sustainability



Sustainability is a key factor in customer choice along the customer journey



Take sustainability seriously and **monetize** it where possible

Personalization

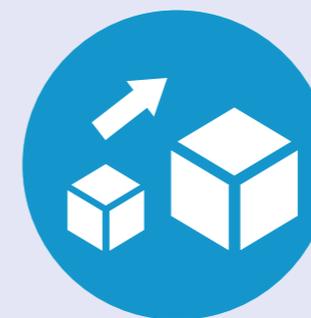


Consumers are moving to more **personalized experiences** and needs



Move to **personalised offerings that are linked** depending on customer segments

Upselling



Ancillary upselling has moved to being **dynamic, bundled & gamified**



Gamify the **upsell** experience to maximise upsell

Subscription



Traditional players with dynamically managed fares are offering **subscriptions**



Offer **relevant subscriptions** that **lock-in revenue**

Trend #1: The pandemic has shifted **customer needs**, even in a post-pandemic world

Which characteristics do you expect to be of high importance when booking your international travel?¹

Flexibility is still the most important aspect followed by attractive prices



Health related topics receding in importance as we come out of pandemic

■ Post Pandemic ■ Pandemic

1) Q21: Which characteristics do you expect to be of high importance within your holiday booking process from October 2021 onwards?
 2) Q21: Which characteristics do you expect to be of high importance within your holiday booking process from October 2022 onwards?
 Source: Simon-Kucher & Partners global market research survey conducted July 2022, Cross-national respondents n 2022 = 4,825; n 2021 = 7,028

Changed needs have led to **revised fare families** for travel providers

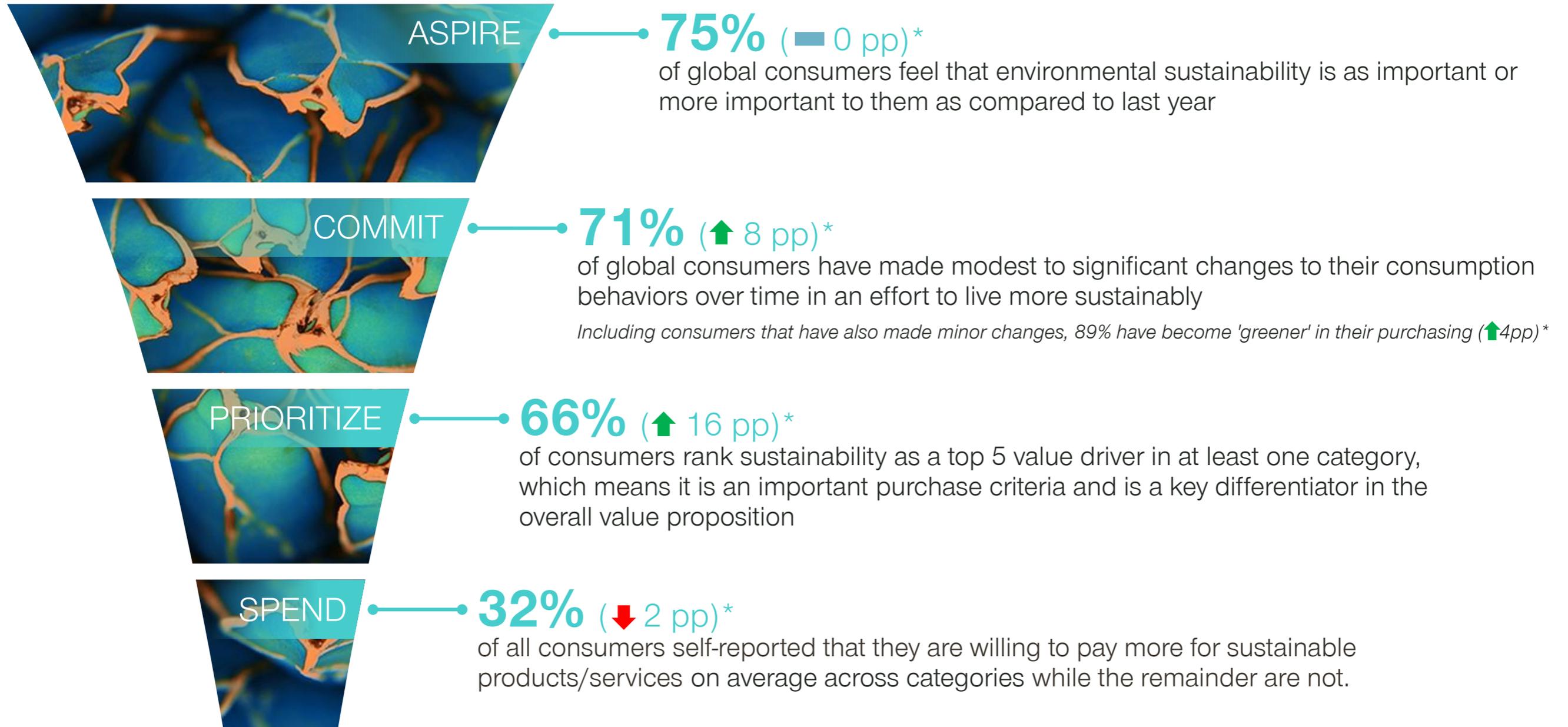
2019		Today		
<p>Light £ 90.27</p> <p>SELECT</p> <ul style="list-style-type: none"> Meal: i Cabin baggage i Carry-on up to 8kg Personal item i <hr/> <ul style="list-style-type: none"> Ticket changes i €20 amendment fee Non-refundable Standard seat selection i For free <p>Miles+Bonus miles: 448</p>	<p>Flex £ 103.27</p> <p>SELECT</p> <ul style="list-style-type: none"> Meal i Cabin baggage i Carry-on up to 8kg Personal item i Placed under the seat <hr/> <ul style="list-style-type: none"> Ticket changes i Unlimited, without rebooking fee Standard seat selection i For free Checked baggage 1 piece up to 23kg <p>Miles+Bonus miles: 1,121</p>	<p>Light £ 90.27</p> <p>SELECT</p> <ul style="list-style-type: none"> Snack i Cabin baggage i Carry-on up to 8kg <hr/> <p><i>For a limited time only!</i></p> <ul style="list-style-type: none"> Ticket changes i Unlimited, without rebooking fee Non-refundable 	<p>Flex £ 103.27</p> <p>SELECT</p> <ul style="list-style-type: none"> Snack i Cabin baggage i Carry-on up to 8kg Personal item i Placed under the seat <hr/> <ul style="list-style-type: none"> Ticket changes i Unlimited, without rebooking fee Standard seat selection i For free 	<p>ComfortFlex £ 144.27</p> <p>SELECT</p> <ul style="list-style-type: none"> Snack i Cabin baggage i Carry-on up to 8kg Personal item i Placed under the seat <hr/> <ul style="list-style-type: none"> Ticket changes i Unlimited, without rebooking fee Up Front seat selection i For free Checked baggage 1 piece up to 23kg Change to an earlier or later flight, within the same day i For free Hold my booking for 6 days For free <p>Miles+Bonus miles: 1,495</p>

- **Aegean airlines** changed fee structure to reflect it:
 - Moved to “no-fee” changes across types, with a “limited” time for Light
 - Restricted Light in terms of cabin baggage and start charging to “select a seat”
 - Flex changed to being refundable & seat for free
 - Introduced ComfortFlex to upsell Flex, using baggage, flexibility within the day and ability to book front-end seats

Key take-away :

Your travel offering needs to reflect the emerging customer needs in the post-pandemic world

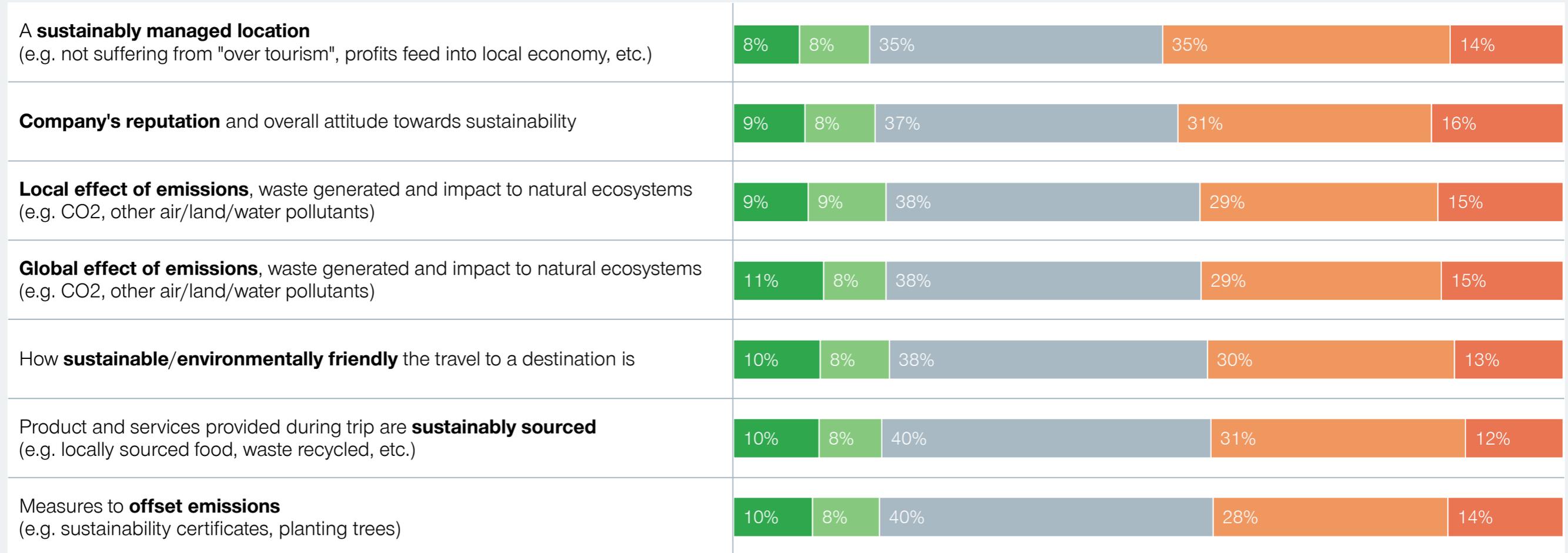
Trend #2: Sustainability is becoming key for consumers – they are changing their habits to be more sustainable and are expecting options to do so



Source: Simon-Kucher & Partners; Global Sustainability Study 2022 (N=11,711); * percentage point change from Sustainability Study 2021

Consumer do not view any one element of environmental sustainability as more important, however they are less keen on emission offsetting

When considering booking a holiday, which elements of environmental sustainability are most important to you?

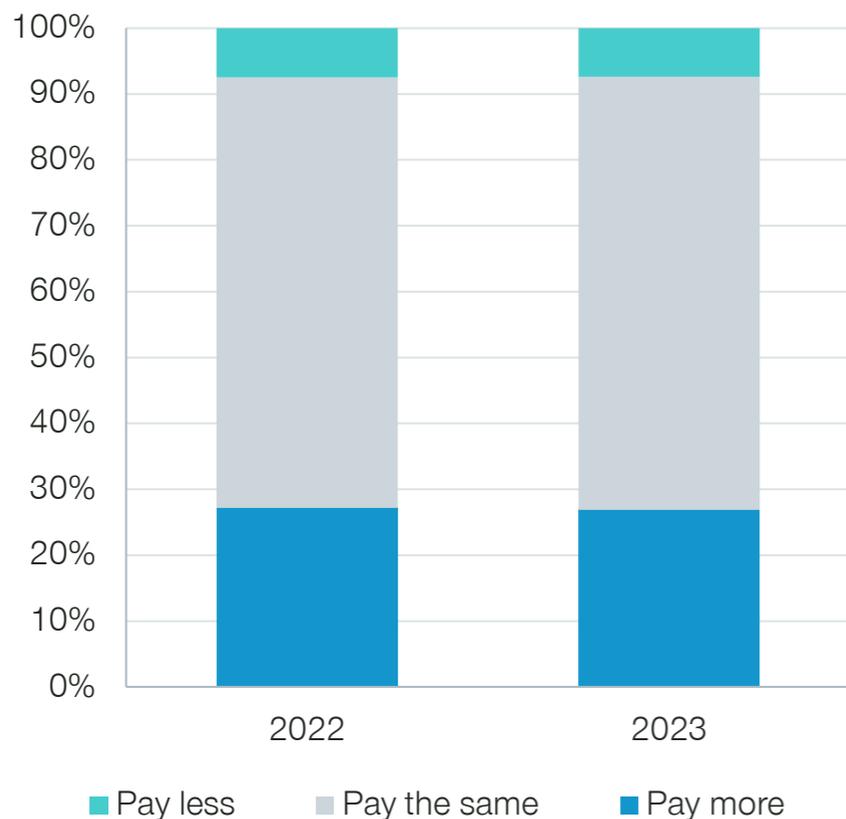


■ 1 - Not important at all ■ 2 ■ 3 - Neutral ■ 4 ■ 5 - Extremely important

1) Q21: When considering booking a holiday, which elements of environmental sustainability are most important to you?
 2) Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Despite increasing prices, some consumers are willing to spend more on sustainable holidays, in particular the young, wealthy and city dwellers

Likelihood to pay for an environmentally sustainable holiday, 2022 and 2023¹

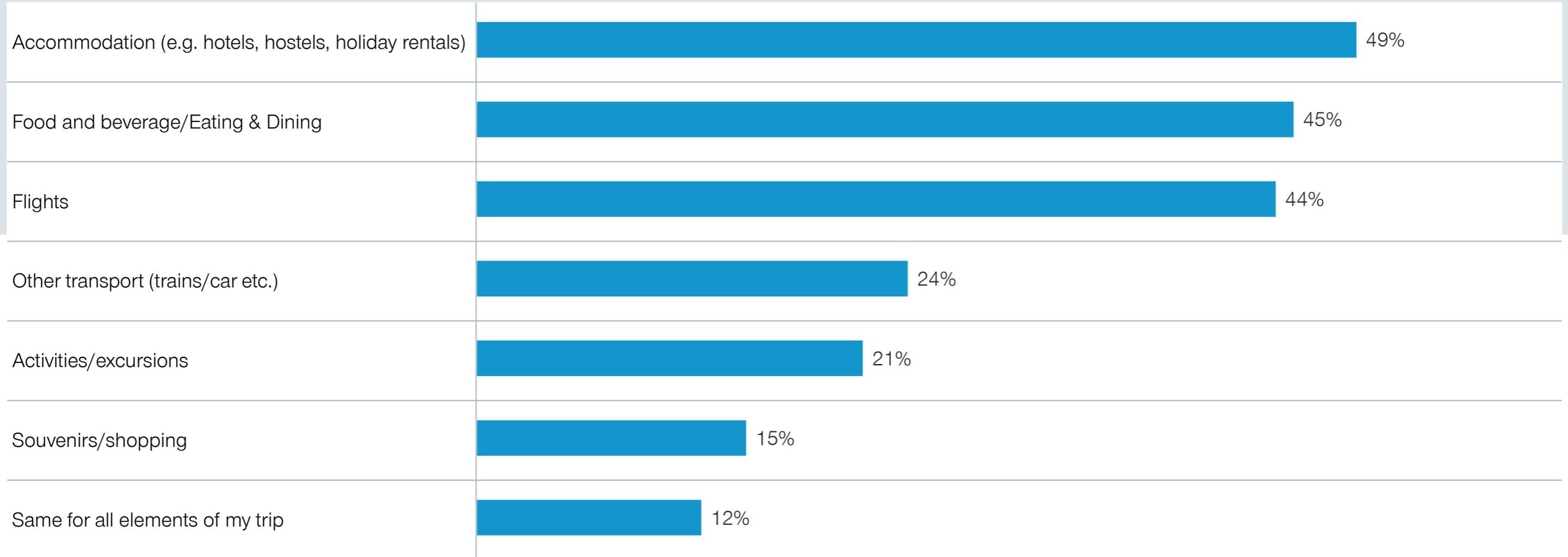


Young city dwellers with higher income would rather pay more



¹) Imagine you are booking a holiday that meets the environmental sustainability expectations that are most important to you. Which of the following best describes your willingness-to-pay for this item? (Q22a)
 Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Consumers appear to be willing to pay more for more sustainable accommodation, dining and flights, but not on smaller ticket items like activities



1) Q22d: Are there certain elements of your trip where you are more willing to pay more for sustainable options? If so, for which trip elements would you be more willing to pay more for sustainable options?
 Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

...and travel providers are moving to more sustainable propositions in their revenue management practices

Economy Flex

- Earlier flight on day of travel (where available)
- Priority Security Lane (where available)
- Priority boarding (where available)
- Seat reservation
- 1 checked bag up to 23kg/50lbs
- 1 carry-on bag up to 8kg/18lbs
- Rebooking without fee (fare difference may apply)
- Refundable, except 70 EUR

USD 162.51

Economy Green

- CO2 neutral by compensation and SAF, additional 20% status miles and 20% award miles
- Seat reservation
- 1 checked bag up to 23kg/50lbs
- 1 carry-on bag up to 8kg/18lbs
- Rebooking without fee (fare difference may apply)
- Refund not possible

USD 162.51

Our recommendation
Economy Classic

- Seat reservation
- 1 checked bag up to 23kg/50lbs
- 1 carry-on bag up to 8kg/18lbs
- Rebooking without fee (fare difference may apply)
- Refund not possible

USD 119.89

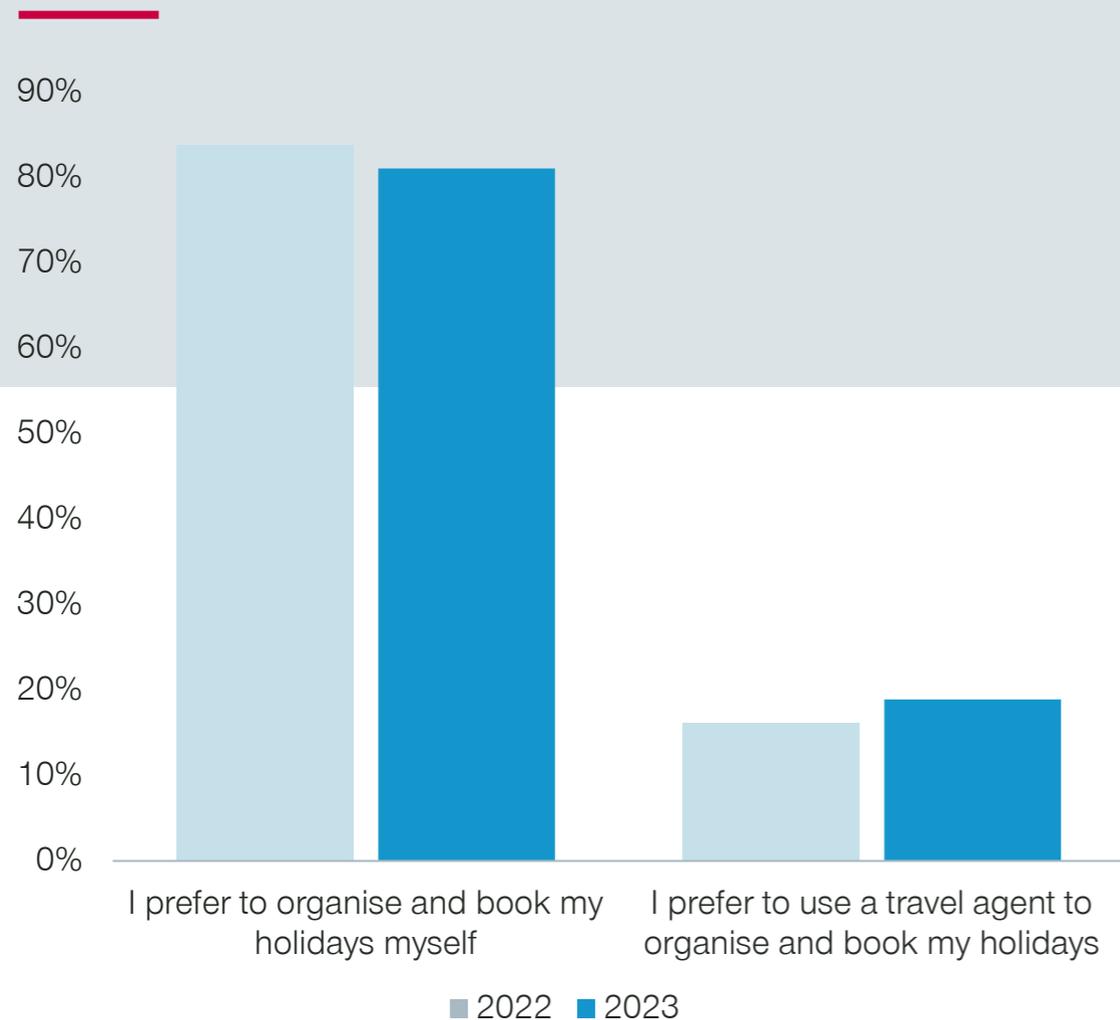
Economy Light

- 1 carry-on bag up to 8kg/18lbs
- Rebooking: 70 EUR plus possible fare difference
- Refund not possible

USD 87.93

Key take-away :
Do not underestimate the importance of sustainability in your proposition, and where applicable, consider monetizing it

Trend #3: Consumers are shifting to more personalized propositions through travel agents that are more tailor-made



1: [Q24]: Which of the following statements best describes your approach to booking holidays?

2: [Q25b]: Which of the following statements best describes your most recent holiday booked through a travel agent? Source: Simon-Kucher & Partners global market research survey conducted May 2023, UK respondents n = 756

Trend #3: As a result travel products are moving to be **more personalized** based on the customer they are serving

FLIGHTS CAR HIRE HOTELS EVENTS & ACTIVITIES

Return trip One way Apply promo code Verified by Ryanair

From London (All Airports) To Athens

Depart Sat, 29 Oct Return Tue, 1 Nov Passengers 2 Adults, 2 Children

Fares

Choose one of the fares for your trip

The selected fare type applies to all passengers for all flights

<p>Value Travel light</p> <ul style="list-style-type: none"> 1 Small Bag only Must fit under the seat (40cm x 20cm x 25cm) Free seats for kids under 12 For up to 4 kids on your booking <p>Continue for £909.12</p>	<p>Regular Great for short trips</p> <ul style="list-style-type: none"> Priority & 2 Cabin Bags Board first, 10kg Cabin Bag and 1 Small Bag Reserved Seat Specific rows available <p>£22.00 more per person on each flight</p>	<p>Family Plus Recommended for you!</p> <ul style="list-style-type: none"> 1 Small Bag Must fit under the seat (40cm x 20cm x 25cm) Free seats for kids under 12 For up to 4 kids on your booking 10kg Check-in Bag for all Must be dropped at check-in desk 1 x 20kg Check-in Bag 1 large Check-in Bag for your family trip <p>£29.11 more per person on each flight</p>	<p>Plus Includes 20kg Check-in Bag</p> <ul style="list-style-type: none"> 1 Small Bag Must fit under the seat (40cm x 20cm x 25cm) Reserved Seat Specific rows available 20kg Check-in Bag Drop bag at check-in desk Free check-in at the airport Up to 40 minutes before your flight <p>£38.49 more per person on each flight</p>
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Families are shown Family Plus Fare type

FLIGHTS CAR HIRE HOTELS EVENTS & ACTIVITIES

Return trip One way Apply promo code Verified by Ryanair

From London (All Airports) To Athens

Depart Sat, 29 Oct Return Tue, 1 Nov Passengers 2 Adults

Fares

Choose one of the fares for your trip

The selected fare type applies to all passengers for all flights

<p>Value Travel light</p> <ul style="list-style-type: none"> 1 Small Bag only Must fit under the seat (40cm x 20cm x 25cm) <p>Continue for £461.56</p>	<p>Regular Great for short trips</p> <ul style="list-style-type: none"> Priority & 2 Cabin Bags Board first, 10kg Cabin Bag and 1 Small Bag Reserved Seat Specific rows available <p>£31.00 more per person on each flight</p>	<p>Plus Includes 20kg Check-in Bag</p> <ul style="list-style-type: none"> 1 Small Bag Must fit under the seat (40cm x 20cm x 25cm) Reserved Seat Specific rows available <p>£38.49 more per person on each flight</p>	<p>Flexi Plus If your plans change, so can your booking</p> <ul style="list-style-type: none"> No flight change fee when changing flight online (up to 2.5 hrs pre-departure) or at the airport (up to 40 mins pre-departure) Only pay the fare difference if applicable <p>Our most flexible bundle also includes:</p> <ul style="list-style-type: none"> Priority & 2 Cabin Bags Reserve any seat type Fast Track through security Free check-in at the airport <p>£83.41 more per person on each flight</p>
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Couples shown Flexi Plus and not Family

Key take-away :

Consider how to personalize your offering even in simple terms, by tailoring the proposition on the customer needs

Trend #4: Transportation and travel providers are becoming more innovative in upselling ancillaries

Differentiating price based on time, O&D & value

BRITISH AIRWAYS

MR DIMITRIOS HIOTIS
Choose seat

Choose your seats

Window, middle or aisle? Choose seats for everyone on this booking and find your favourite.

London to Athens
3h 40m, Airbus A320 jet

Seats available from €11.00

Choose seats

Legend:

- Standard seat
- Your seat
- Unavailable
- Exit row seat
- Extra legroom seat
- Extra legroom exit row seat

Cabin layout details:

Row	A	B	C	D	E	F
9	£21				9	£21
10	£21				10	£21
11	£29				11	£29
12	£29				12	£29
13	£21				13	£21
14	£21				14	£21
15	£21				15	£21
16	£16				16	£16
17	£16				17	£16
18	£16				18	£16
19	£16				19	£16

Upselling ancillaries through bundles

TUI

UPGRADE YOUR FLIGHT
Amsterdam → Malaga

Best + € 69,-

- 25 kg check-in baggage
- Select extra legroom seats
- Priority check-in
- Priority boarding
- Fast lane security
- Complimentary snacks & drinks

Better + € 49,-

- 25 kg check-in baggage
- Select all standard seats
- Priority check-in
- Priority boarding

Source: Based on TUI.nl and colour scheme; Simon-Kucher & Partners

TUI

UPGRADE YOUR FLIGHT

Save on check-in baggage and seat reservation fees by upgrading to one of the bundles below. In addition, you will get more out of your trip by enjoying extra's such as airport priority, an extra legroom seat or complimentary food and beverages on board.

	Best	Family	Good	No bundle
Check-in baggage (25 kg)	✓ 1 bag	✓ 2 bags	✓ 1 bag	Optional (25 kg for € 25)
Sit together	✓	✓ for all	✓	Optional (from € 9)
Select standard seats	✓	✓ for all	✓	Optional (from € 9)
Select front & aisle seats	✓	✓ for all	✓	Optional (from € 9)
Select extra legroom seats	✓	Optional (from € 20)	Optional (from € 15)	Optional (from € 20)
Priority check-in	✓	✓	✗	✗
Priority boarding	✓	✓	✗	✗
Fast lane security	✓	✗	✗	✗
Food & beverages	✓	Buy on board	Buy on board	Buy on board
Price per passenger (except for the Family bundle)	+ € 69,- per pax	+ € 79,- total	+ € 29,- per pax	No cost

Special deal for your family

Your flight

Outbound flight

Amsterdam - Malaga
TUI fly Economy

Passengers: 2 adults, 2 children
Date: 14-01-2020
Departure time: 07:00 am
Arrival time: 09:45 am
Flight number: OR 123
Boeing 737

Inbound flight

Malaga - Amsterdam
TUI fly Economy

Passengers: 2 adults, 2 children
Date: 21-01-2020
Departure time: 10:30 am
Arrival time: 13:15 pm
Flight number: OR 124
Boeing 737

All times are local times

Gamifying the upsells through behavioural “panini sticker” prompts

Plan your whole trip

Book everything you need in one place

Verified by Ryanair

Flights Added

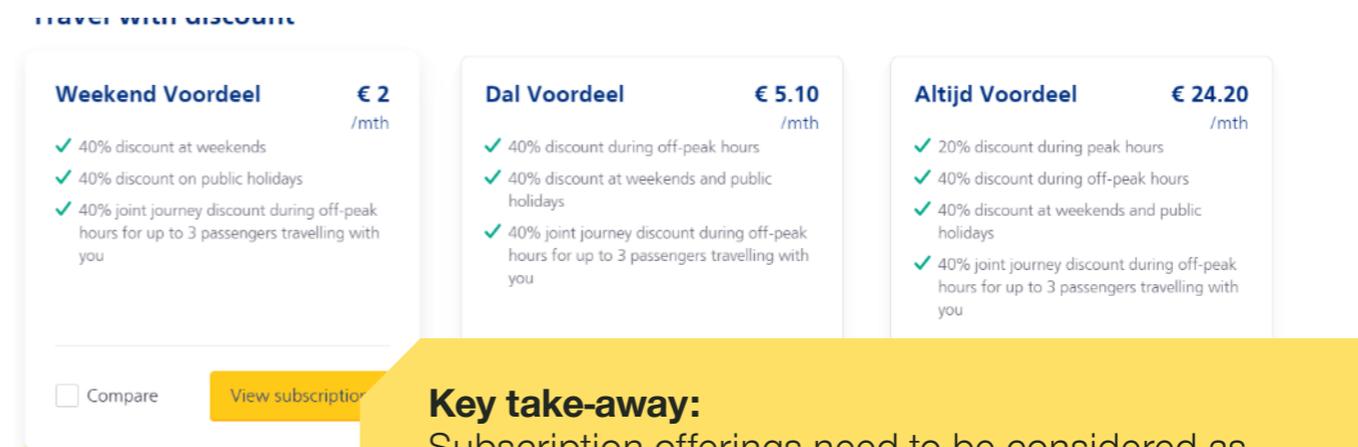
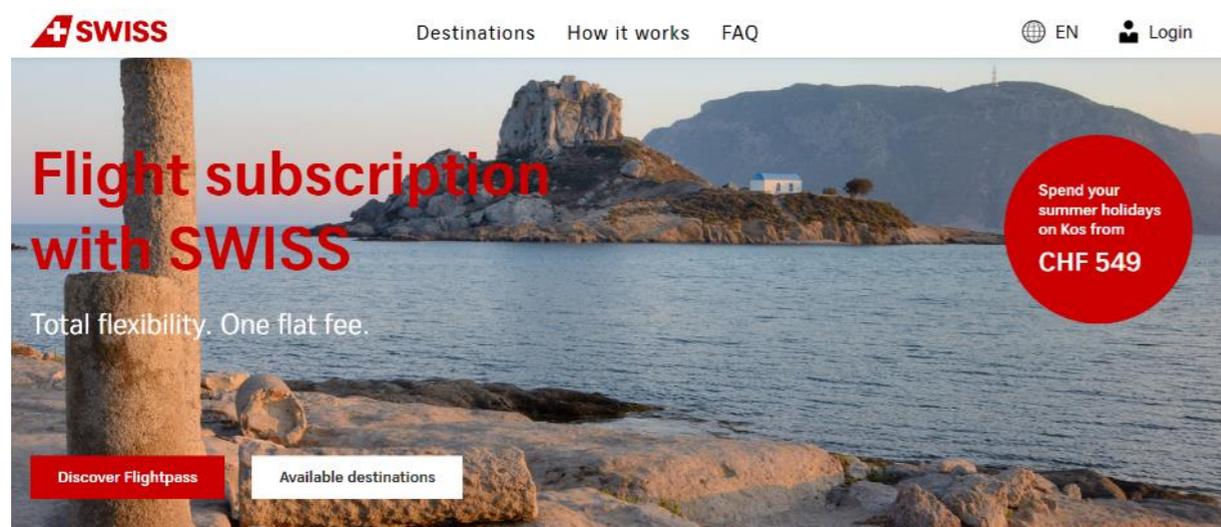
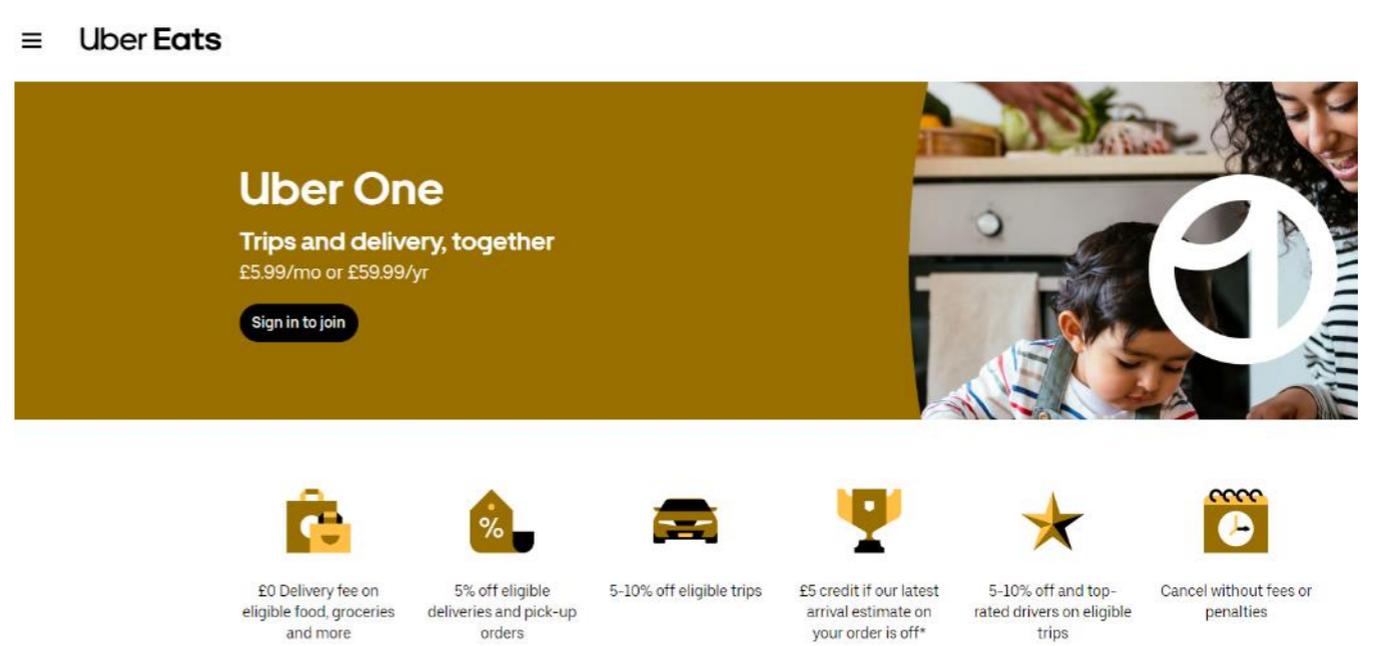
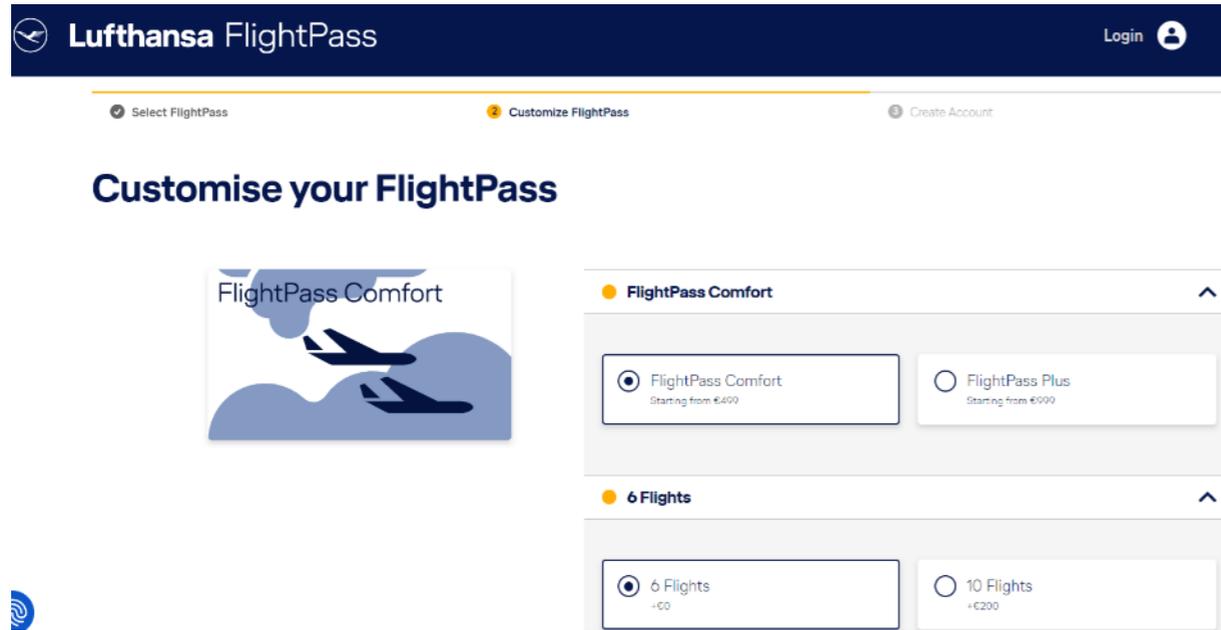
Need more for your trip? >

Add car hire
Other transfers available

Add accommodation
Free cancellation

Add events & activities
Discover Athens

Trend #5: Travel and transportation players are moving to subscription concepts that lock-in demand



Key take-away:
Subscription offerings need to be considered as alternative offerings to transactional based products.

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...the key underlying travel trends

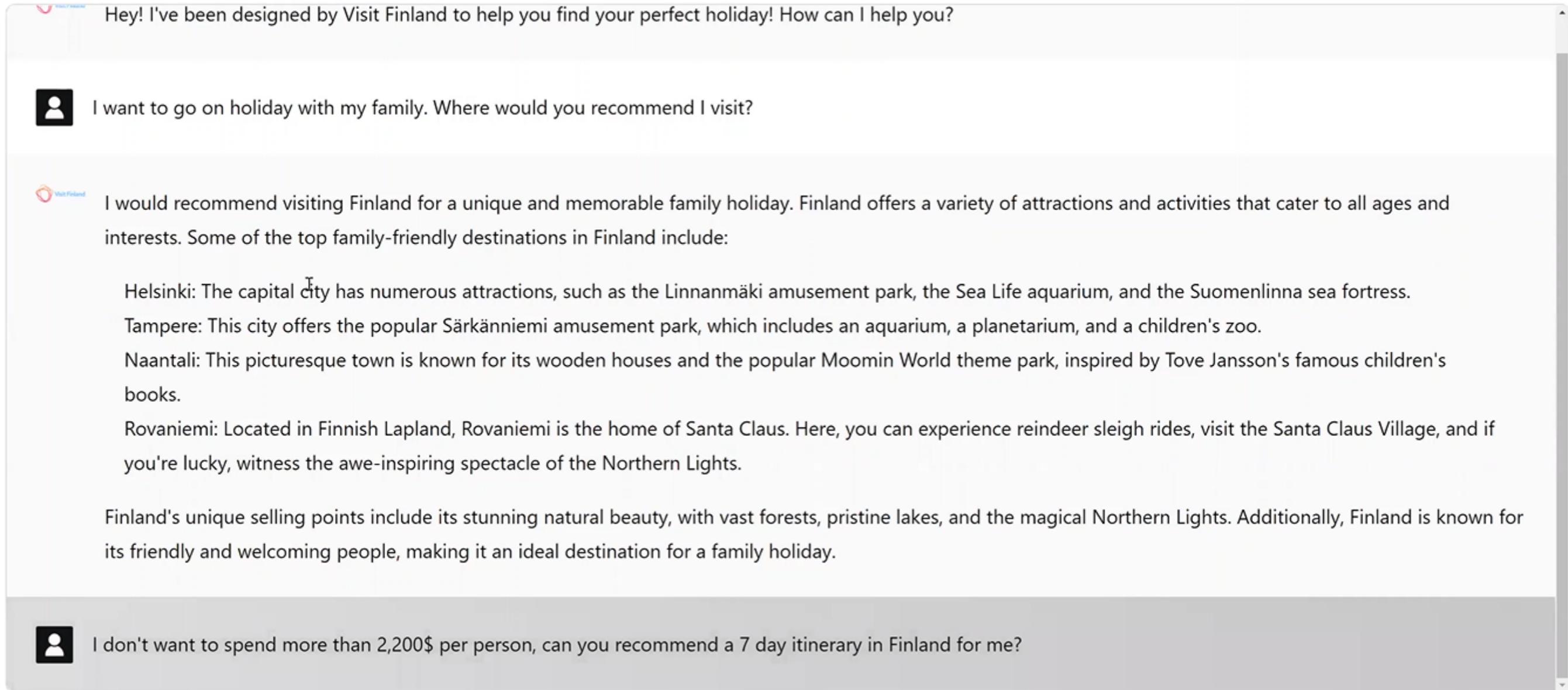
- What are the emerging consumer trends that are likely to impact pricing and revenue management principles in the coming years



...and the technology trends

- ...and is technology about to disrupt once more the travel industry

AI – the next leap for travel, whereby AI based travel agents find your best holiday at the best price



Hey! I've been designed by Visit Finland to help you find your perfect holiday! How can I help you?

 I want to go on holiday with my family. Where would you recommend I visit?

 I would recommend visiting Finland for a unique and memorable family holiday. Finland offers a variety of attractions and activities that cater to all ages and interests. Some of the top family-friendly destinations in Finland include:

- Helsinki: The capital city has numerous attractions, such as the Linnanmäki amusement park, the Sea Life aquarium, and the Suomenlinna sea fortress.
- Tampere: This city offers the popular Särkänniemi amusement park, which includes an aquarium, a planetarium, and a children's zoo.
- Naantali: This picturesque town is known for its wooden houses and the popular Moomin World theme park, inspired by Tove Jansson's famous children's books.
- Rovaniemi: Located in Finnish Lapland, Rovaniemi is the home of Santa Claus. Here, you can experience reindeer sleigh rides, visit the Santa Claus Village, and if you're lucky, witness the awe-inspiring spectacle of the Northern Lights.

Finland's unique selling points include its stunning natural beauty, with vast forests, pristine lakes, and the magical Northern Lights. Additionally, Finland is known for its friendly and welcoming people, making it an ideal destination for a family holiday.

 I don't want to spend more than 2,200\$ per person, can you recommend a 7 day itinerary in Finland for me?

A photograph showing three people from behind as they ascend a wide, modern staircase. The person on the left is a man in a blue suit, the middle person is a man in a brown suit, and the person on the right is a woman in a dark blazer and jeans. They are walking away from the camera towards a bright, sunlit area. The background features tall, modern buildings and a white architectural structure with yellow accents. The overall mood is professional and aspirational.

**What does this all mean
to you then?**

Key take-aways



For this summer...

- Consumers will travel this year in line with last year
- They expect to pay more than last year
- ...but some segments will be more reserved than others, with three segments emerging – the travel splurges, the stablers and the cost conscious travellers

- Opportunities to **yield up** this year
- ...but conscious of **need to be price competitive** to cater to cost-conscious travellers that feel the squeeze



For the immediate future...

- Flexibility and cancellation is the main “hangover” from the pandemic
- Sustainability is key – both a hygiene factor for travel but also a monetization opportunity
- Personalization is key as people seek more personalized offers
- Upselling is becoming as sophisticated as revenue management systems, being more dynamic, personalised and gamified
- Subscription offerings are emerging in products we did not expect

- **Redefine your offering** (e.g. fare structure, value proposition) to be relevant to post-pandemic needs
- Be **sustainable** and **monetize** it
- **Personalize** your offering (and price)
- Revenue manage **ancillaries** & upsells
- Consider **subscriptions**



For the not that distant future...

- Recent advances in AI are likely to disrupt, once more, the way travel is sold and consumed

- Prepare for a world where **travel is sold** in a very different way

Want to learn more – contact us



Dimitris Hiotis

Partner & Global Head of Leisure, Travel and Transportation, London

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- 20+ years experience in consulting and industry
- 100+ projects across commercial strategy and transformation
- Renowned expert on revenue management systems, dynamic pricing strategies, demand forecasting and price elasticity modelling in the travel & tourism industries
- MSc in Decision Sciences and a BSc (Hons) in Management Sciences from the London School of Economics.



Rosalind Hunter

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- 15+ years experience in consultancy focused on consumer-facing industries
- 50+ projects building effective growth strategies and working with clients through to implementation
- Expert on pricing strategy, revenue management optimisation and developing wider commercial growth strategies
- MSc in Econometrics and Mathematical Economics from the London School of Economics and BSc Economics from Warwick University



Vijesh Patel

Director, Leisure, Travel and Transportation, London

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- Director in the Leisure, Travel and Transportation Competency Center in London
- 20+ years experience working in the travel industry with roles across airlines (British Airways), travel technology (Sabre), distribution (Travelport) and corporate travel (American Express GBT).
- Expert on revenue management, pricing, data analytics and driving revenue growth
- BSc in Engineering from King's College London

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