



Revenge Travel: How the
post pandemic demand
revolution is a trigger for
change for Revenue
Management Practices

A short introduction of the main speakers today



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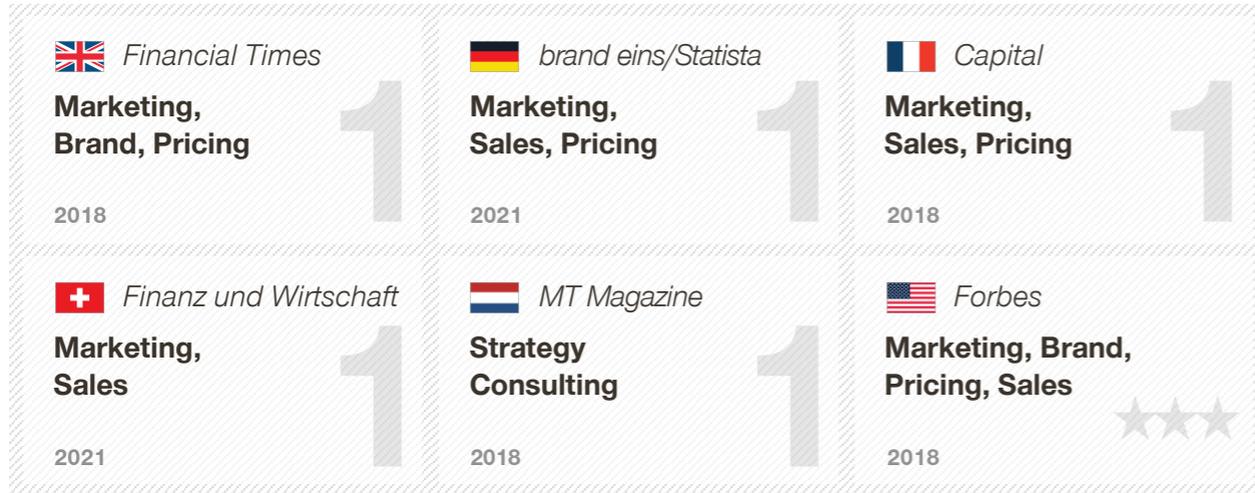
Director

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Simon-Kucher & Partners at a glance

Globally renowned consultancy for top-line improvement



What others say about us

No one knows more about pricing than Simon-Kucher.

Philip Kotler, marketing guru

Simon-Kucher is a down-to-earth consultancy, highly committed and trustworthy. They deliver what they promise.

Member of the executive board,
Bank Julius Baer & Co. Ltd.

Simon-Kucher was a great partner during our research phase. We appreciated their support, expertise, and partnership throughout the process of developing Uber Rewards.

Barney Harford, former COO, Uber

Pricing strategy specialists.

The Wall Street Journal

Facts and figures



Simon-Kucher profile

TopLine Power®

This is what Simon-Kucher is all about. We boost our clients' revenue and profits by optimizing their pricing, sales, marketing, and strategy.

Simon-Kucher Digital

We advise clients on how to improve their top lines with digital technologies, from big data analytics, machine learning, and artificial intelligence to tailor-made pricing and sales tools.

THE unicorn advisors

We have worked for over 30 unicorns, such as Asana, Stripe, and Uber.

The Simon-Kucher difference.



We are specialists in pricing & RM.

We are the **#1 pricing and RM consultancy** in the world



We customize the platform to your needs.

We involve you to ensure the platform **perfectly fits** your business needs



We know your industry.

We focus on **travel & tourism** and have custom built **15 solutions** in the last **4 years**



We boost your revenue.

Our customers report a **2-10% uplift** in revenue through **our dynamic pricing** platform



We support you beyond revenue management.

We also help you with designing the **processes** and **organisation setup**



No-black box approach to our solutions.

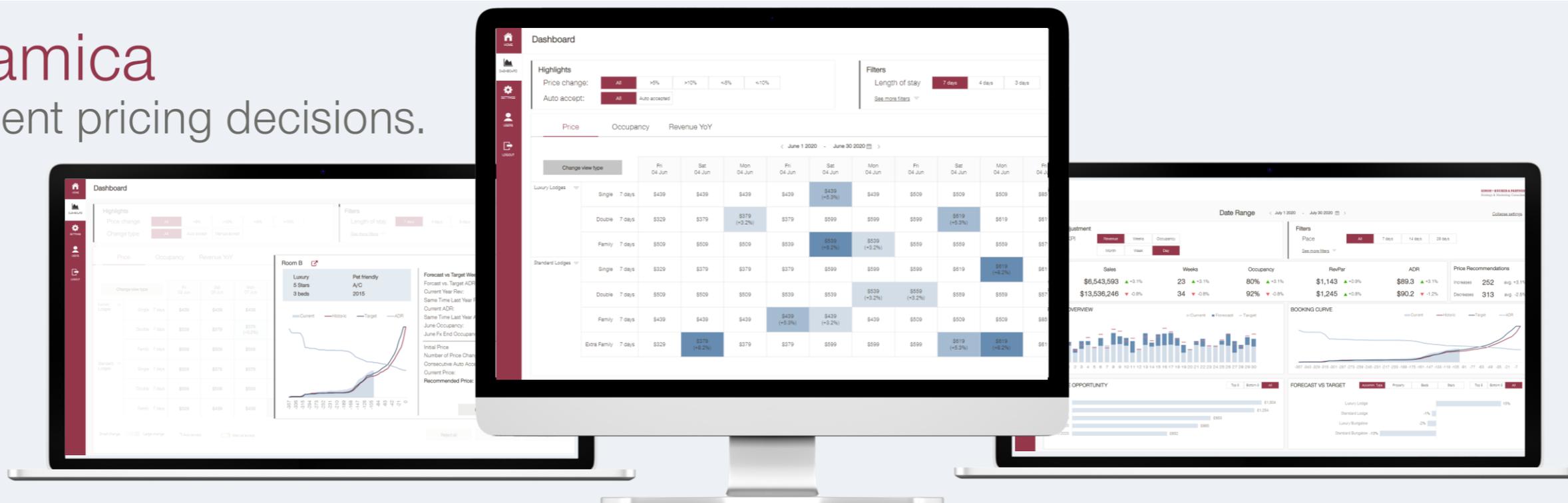
Our solution is **NOT a black box**, combining clever analytics & ML with business sense

We have a proprietary Dynamic Revenue Management platform to drive intelligent pricing decisions

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Strategy & Marketing Consultants

Dynamica

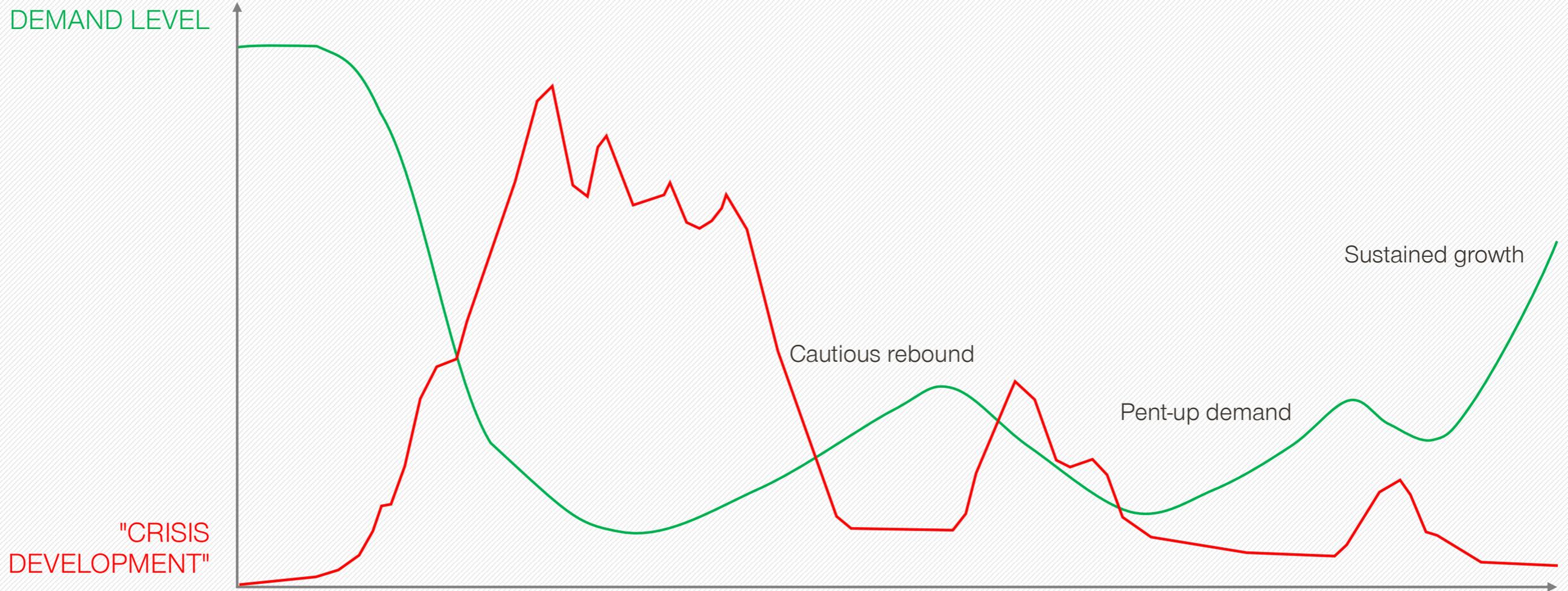
Intelligent pricing decisions.



Intelligent pricing decisions

The Dynamica pricing platform uses your input data to optimise and automate your prices to maximise revenue through a configurable machine learning engine.

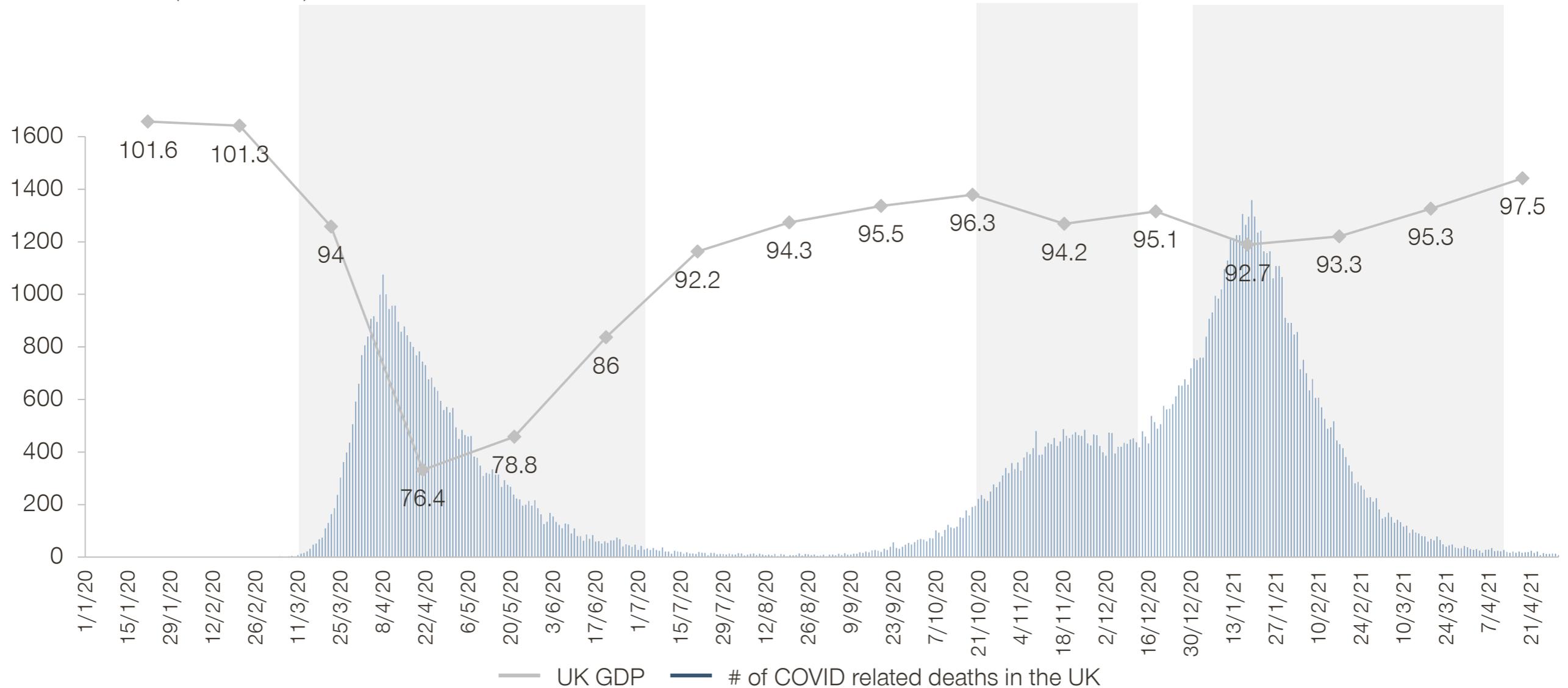
Let's rewind to RMAPI 2020: Last year, at about this time we predicted a resurgent crisis...



...and it seems we did experience a recurring crisis both financially and from a health perspective

of daily COVID 19 deaths (in the UK)

GDP index (100 = 2018)



But as we get out of this mess, there are some structural changes in consumer demand

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Strategy & Marketing Consultants



60% of consumers are making more purchases that are either **ethical** or **sustainable**

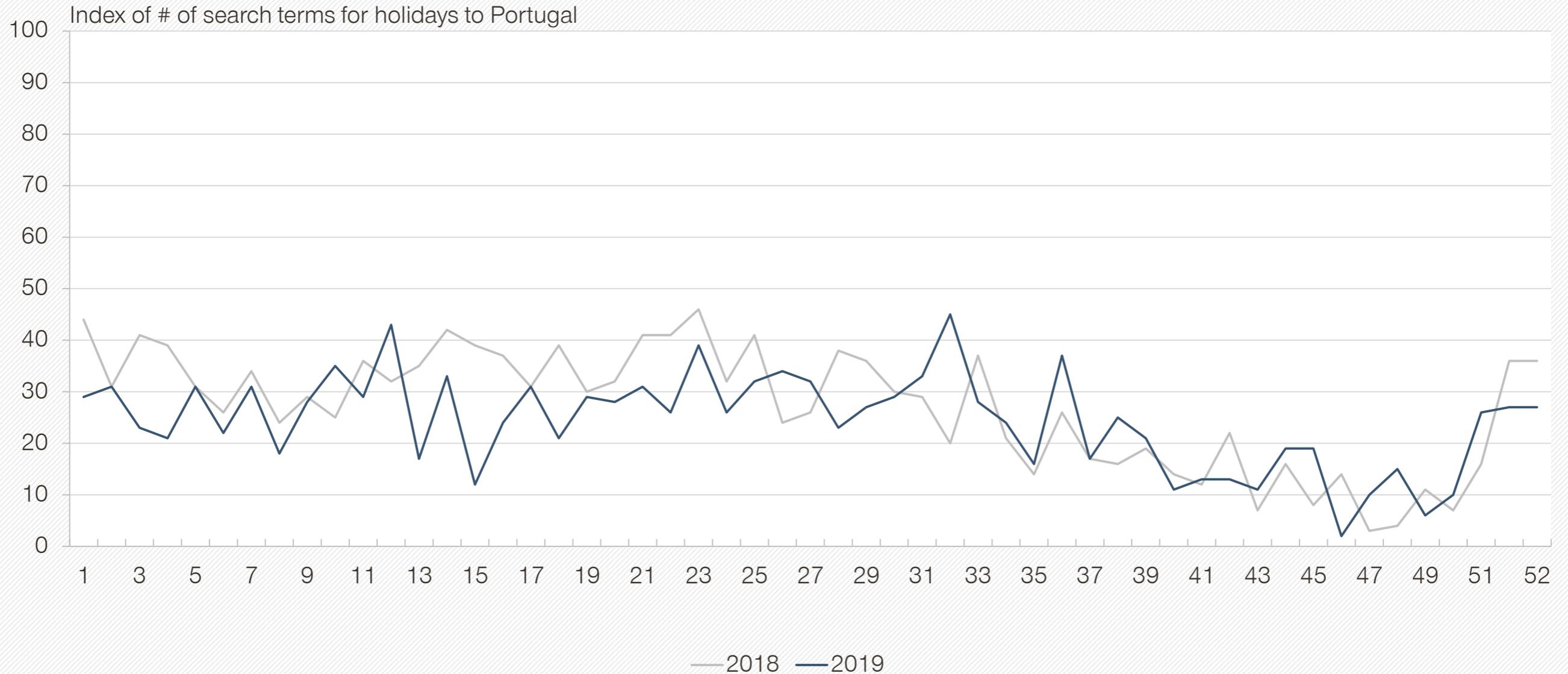
75-95% of workers will prefer a **hybrid working** model and...
80% of employers are willing to offer that

X2 the number of American shoppers who **shop online** vs. 2019

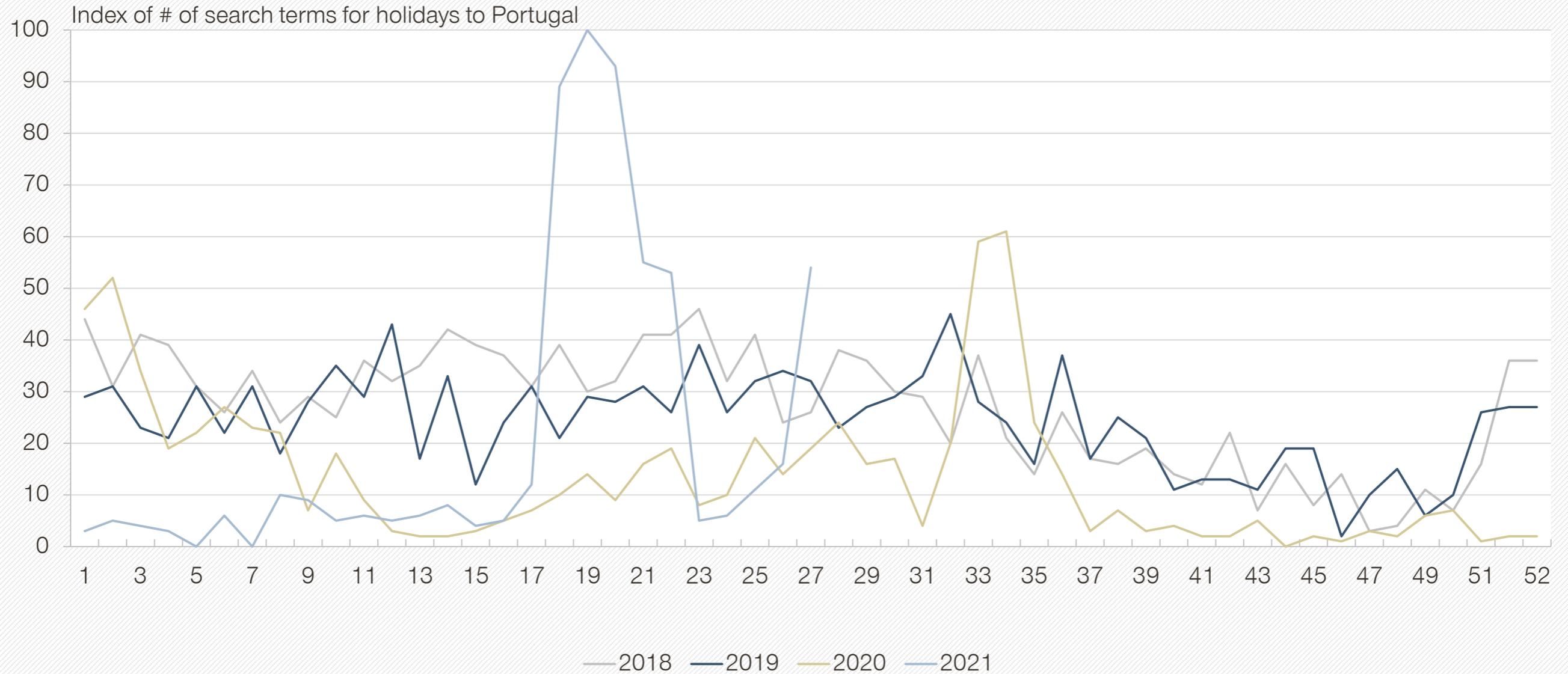
47% drop in **ATM withdrawals** in January 2021 vs. January 2020

39% of UK consumers stated they are far more likely to go on **holiday domestically** in 2021

Demand has moved from being predictable...



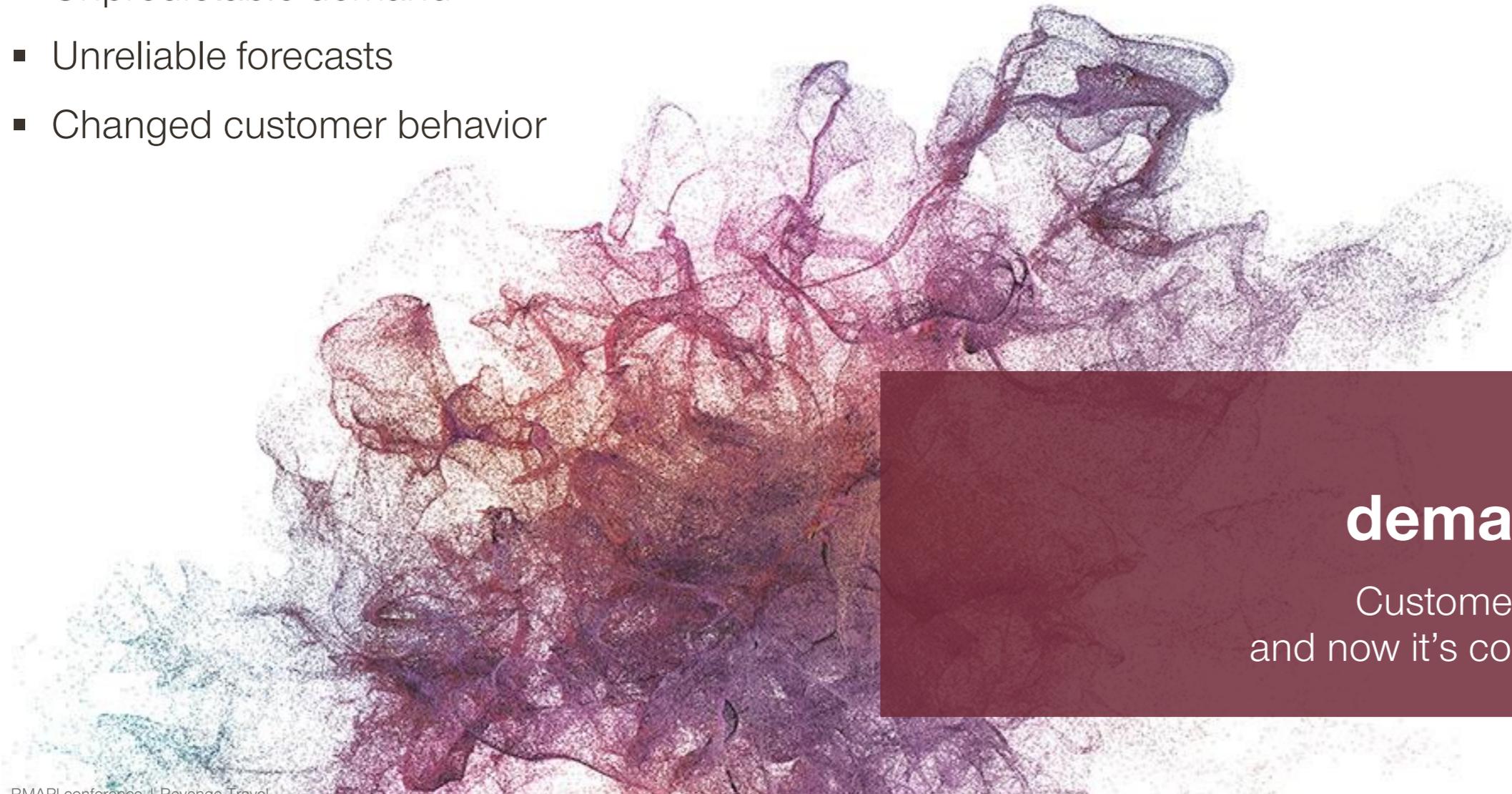
...to volatile and unpredictable



Welcome to the DEMAND REVOLUTION

The COVID-19 crisis has created an environment of:

- Unpredictable demand
- Unreliable forecasts
- Changed customer behavior



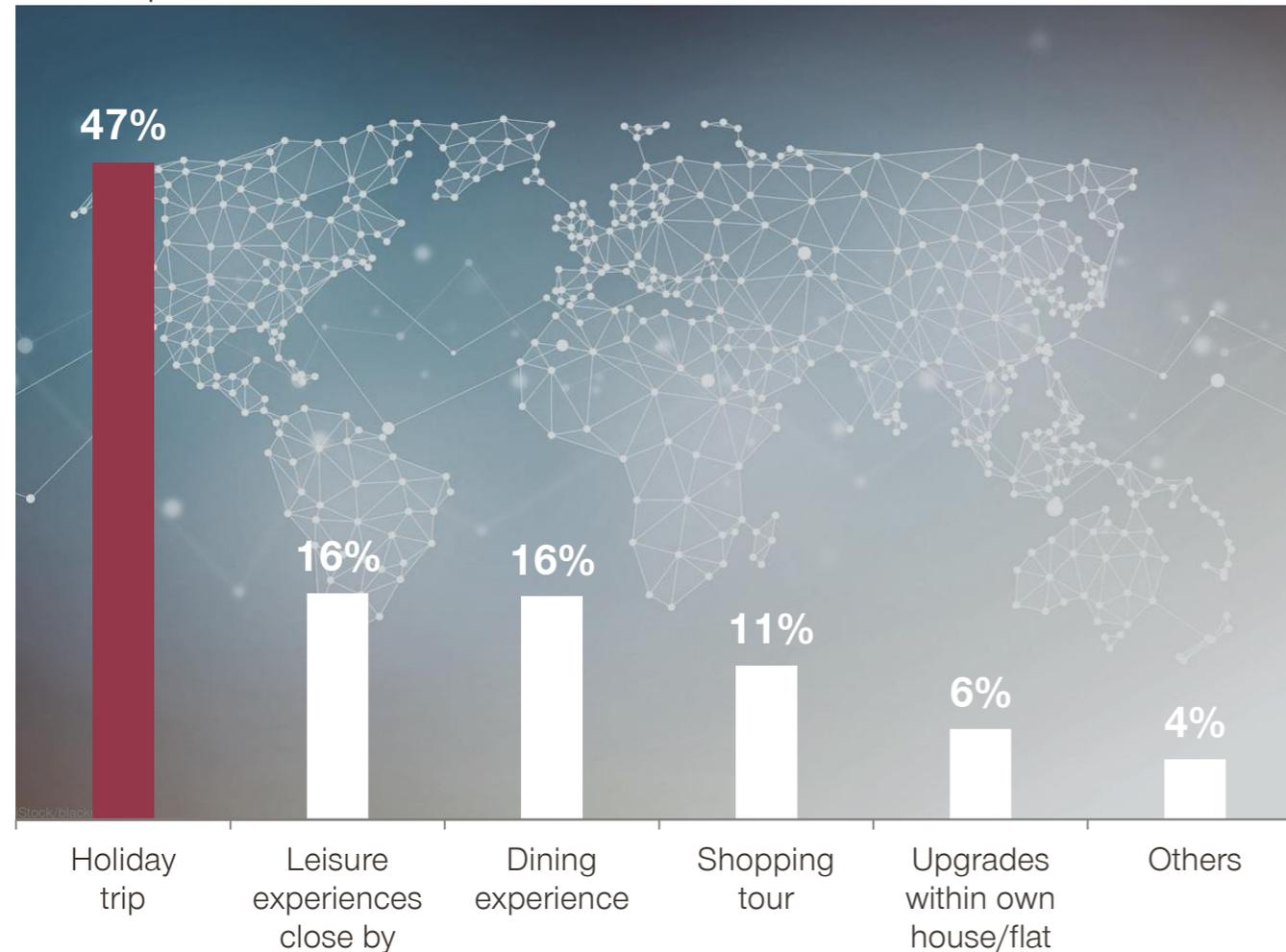
This is the
demand revolution

Customers have taken the lead,
and now it's companies' turn to adapt

We are entering the era of “Revenge travel”, the Demand Revolution for Travel

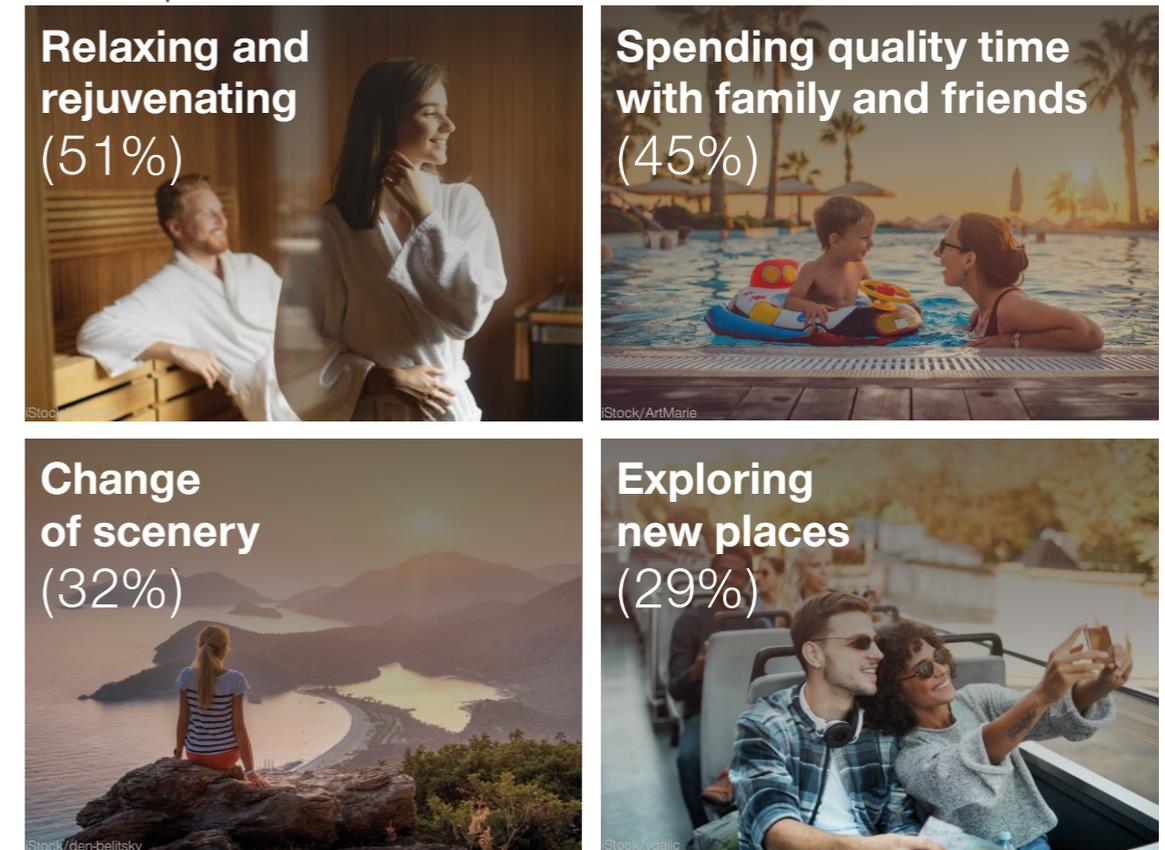
To what special treat are you looking forward the most?

% of respondents

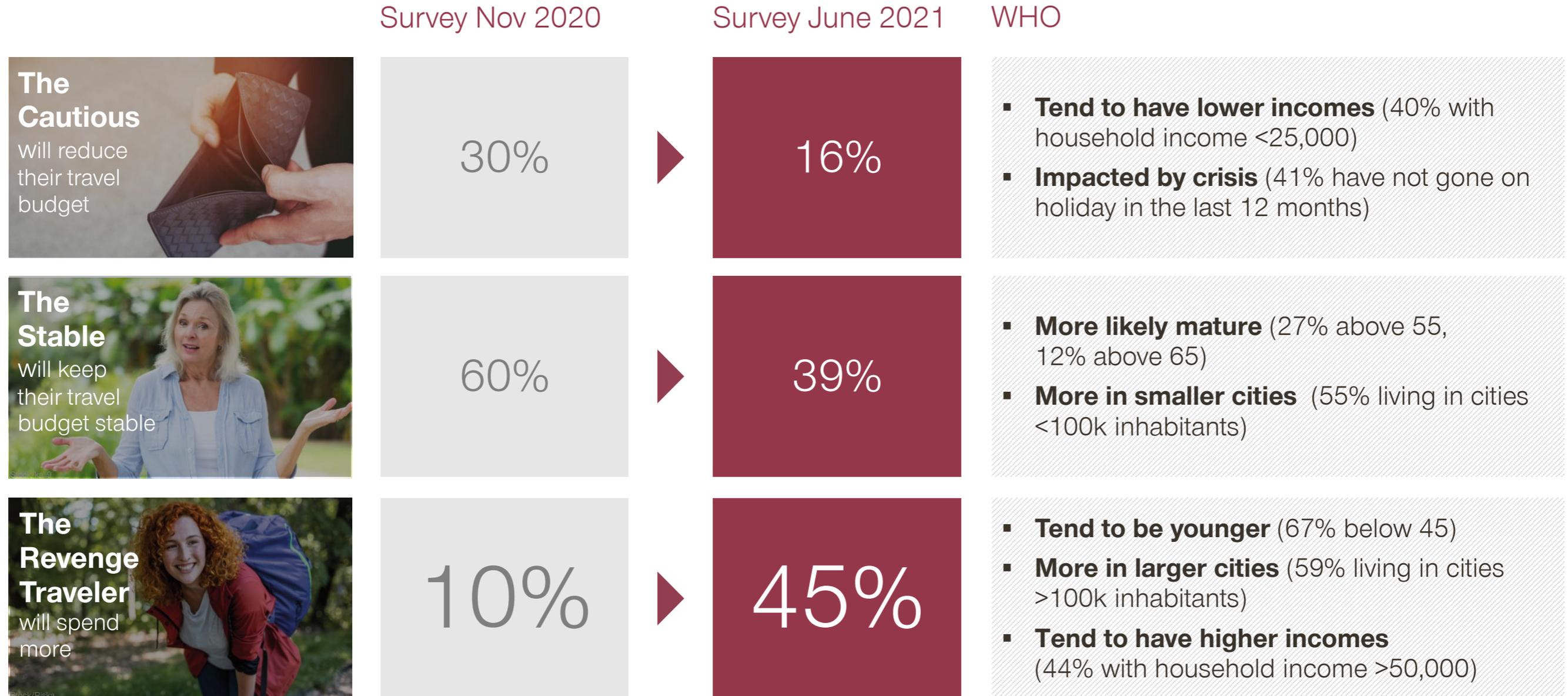


What are you most looking forward to during your summer holiday?

% of respondents



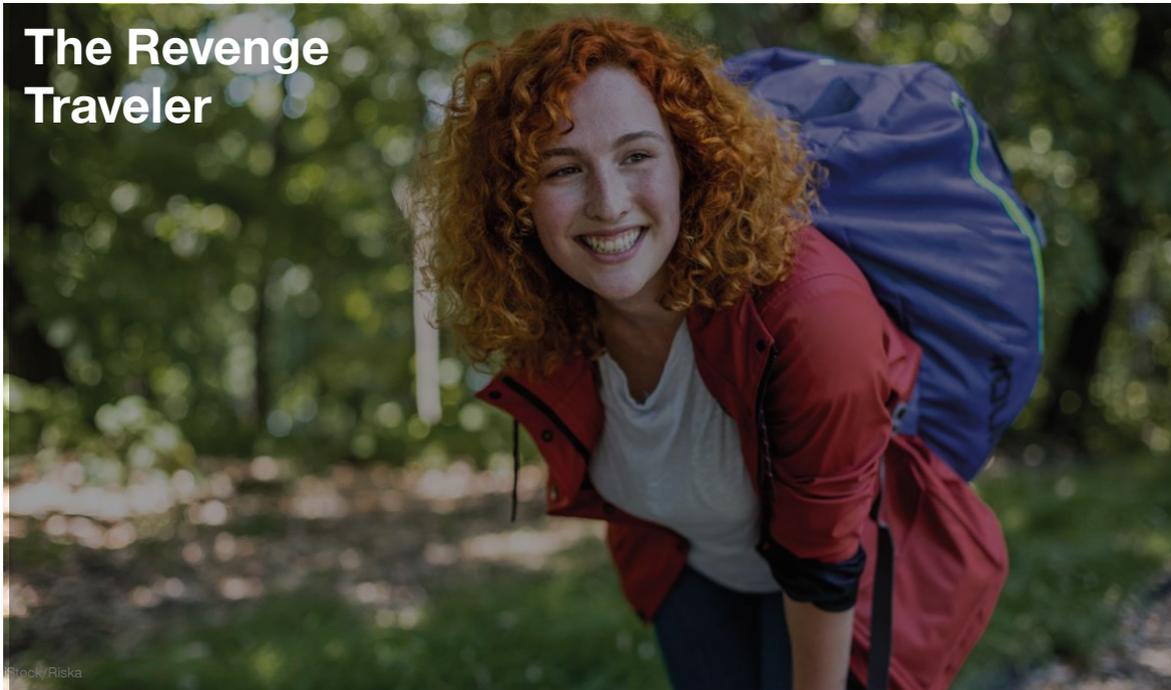
"Revenge traveling" is now a key trend, whereas back in November we saw the first indicators of it



Source: SKP market research survey conducted June 2021, Regions: UK, Netherlands, Germany, France, USA, Russia, China; N= 7,028

Despite higher expected spend, respondents perceive prices to be lower than before the COVID crisis

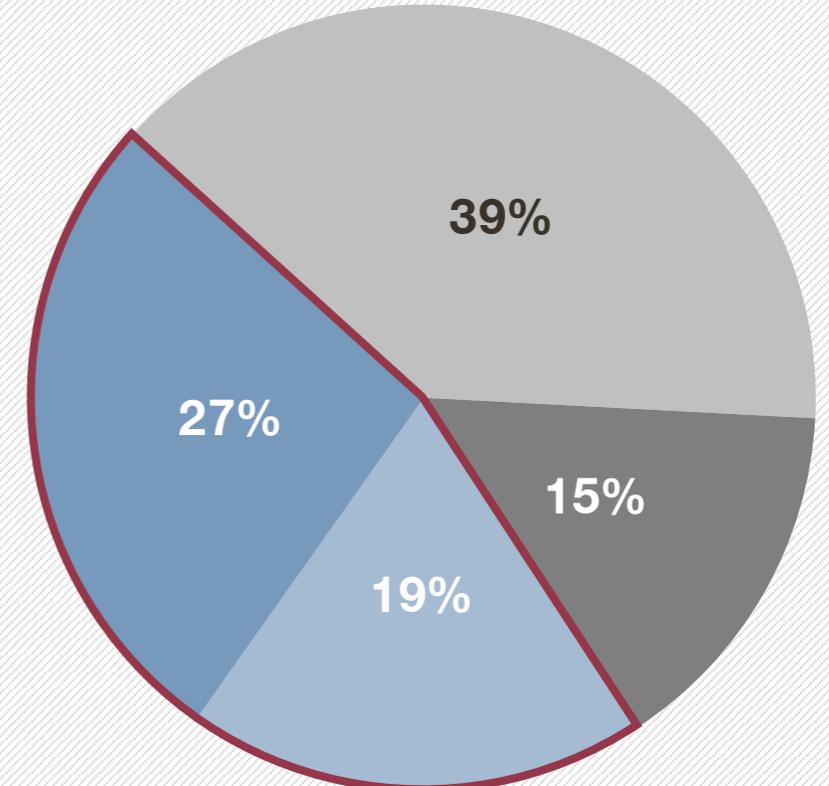
High share of revenge travelers expected



45% of respondents expect to spend more for their upcoming summer vacation than before COVID

Price perception

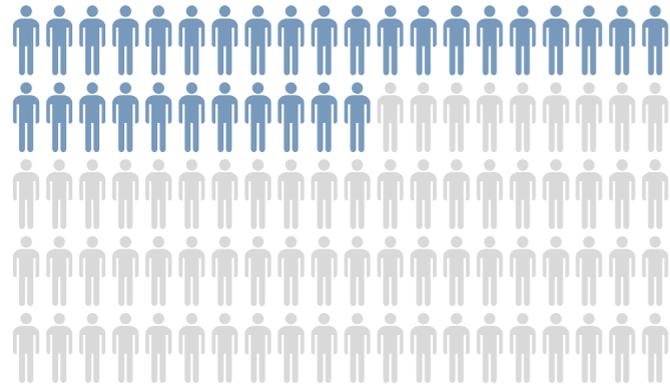
46% of respondents perceive prices to be similar or lower than before COVID (also a high share of the revenge travelers)



- Prices appear to be lower
- Prices appear to be similar
- Prices appear to be higher
- I do not know

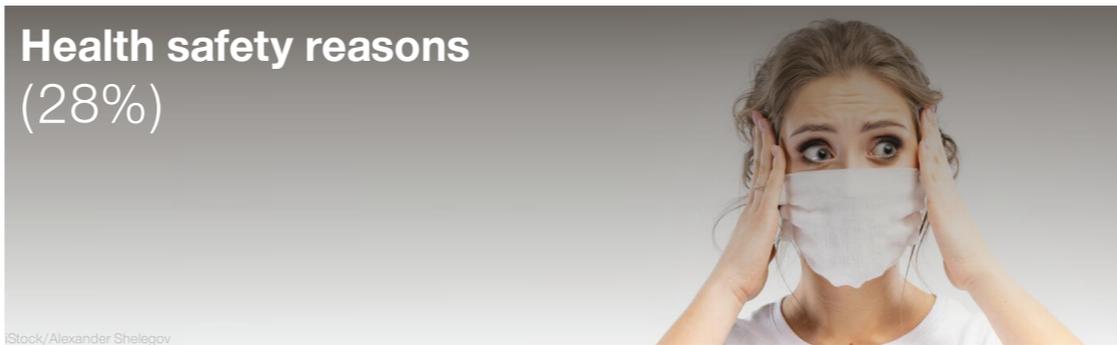
Source: SKP market research survey conducted June 2021, Regions: UK, Netherlands, Germany, France, USA, Russia, China; N= 7,028

Hesitant travellers should short-term be convinced via “COVID peace of mind” - but are expected to go back to their old behaviour mid- to long-term



31%

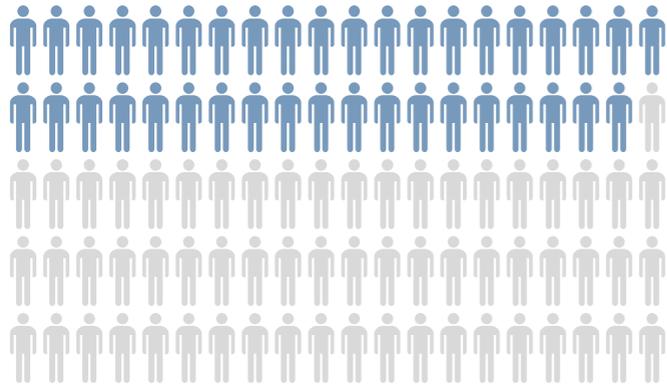
do not plan
to go on vacation
in 2021



How to handle the hesitant traveler:

- Do **not** try to convince hesitant customers via **promotions or discounts**
- Rather **push a "Covid peace of mind"** (provide information and additional services)
- Be aware that **key reasons** to not travel are COVID bound and **likely to fade mid- to long-term**

A large demand for a summer vacation 2021 is still out there



39%
still plan to book
their summer
holiday 2021

Online search and personal recommendations

Online search (48%), recommendation from family & friends (40%) and social media (37%) as key information sources



Stock/Lyndor-Stratford

Price and COVID restrictions key booking criteria

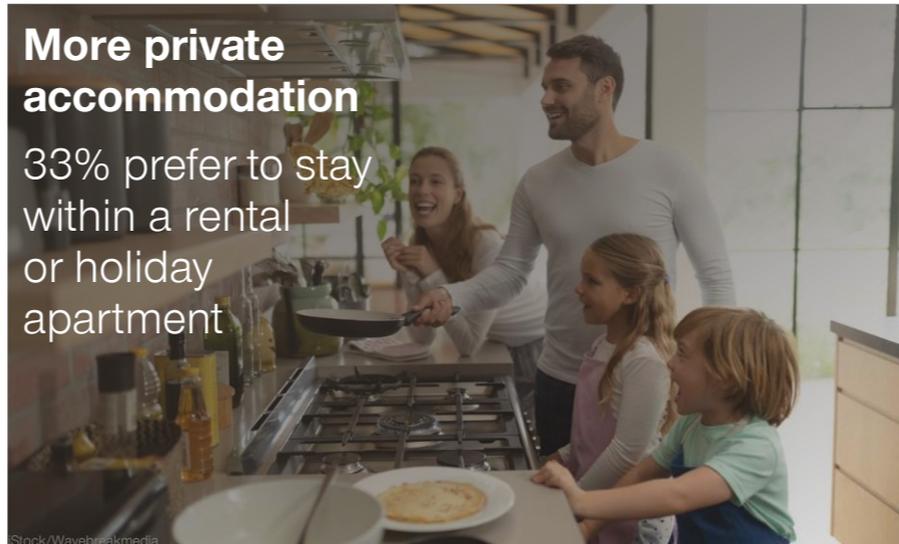
Price (41%), restrictions at destination (31%) and restrictions when returning home (29%) most important booking criteria



Stock/georgie76

More private accommodation

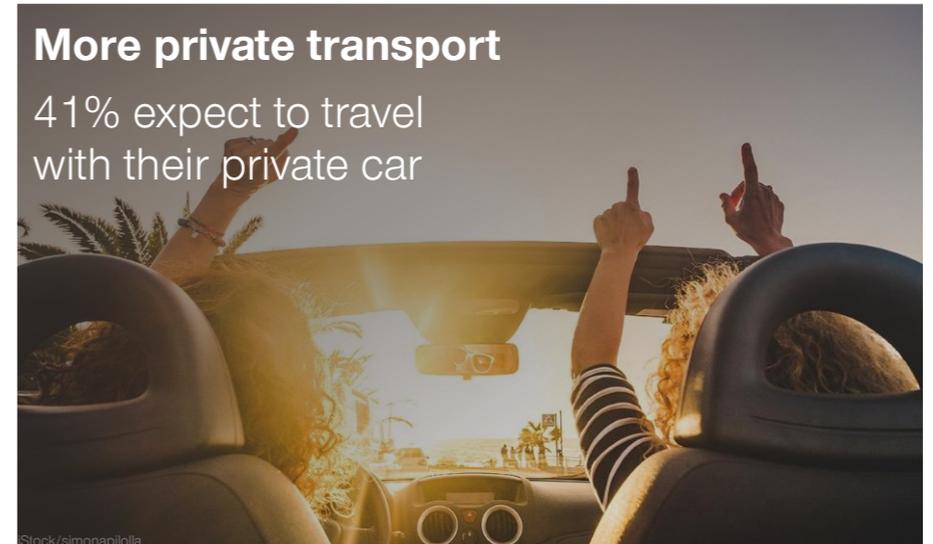
33% prefer to stay within a rental or holiday apartment



Stock/Wavebreakmedia

More private transport

41% expect to travel with their private car



Stock/simonapillola

To win the remaining travelers for this summer, you should...

1 COVID PEACE OF MIND



Reduce fear of restrictions and health issues by providing clear information and additional services (test facilities, medical contact person, ...)

2 ATTRACTIVE OFFERING



Support last-minute demand generation by **attractive offerings but avoid unnecessary over-discounting**

3 UPGRADE OPTION



Provide attractive upgrade options after initial booking to benefit from higher spending expectations of revenge travelers

4 PRIVACY

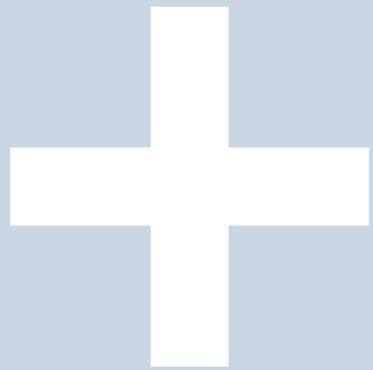


Push privacy aspects within offering communication, as customers prefer to go on more private vacations together with their family & friends

70% of respondents expect the Covid-19 pandemic to change their future travel habits considerably



Long-term travel: The way **HOW** people book and travel is not changing completely, but in some aspects



Higher travel budgets



More domestic travel, wellness retreats, and nature/outdoor trips



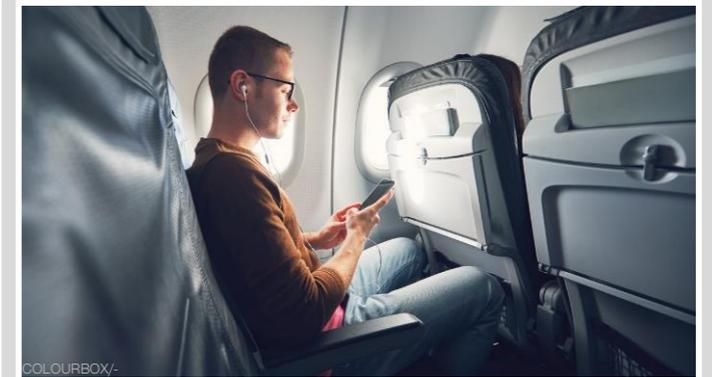
More last-minute bookings



Decreasing number of vacation days (lower frequency)



Less hotel / resort stays and package holidays

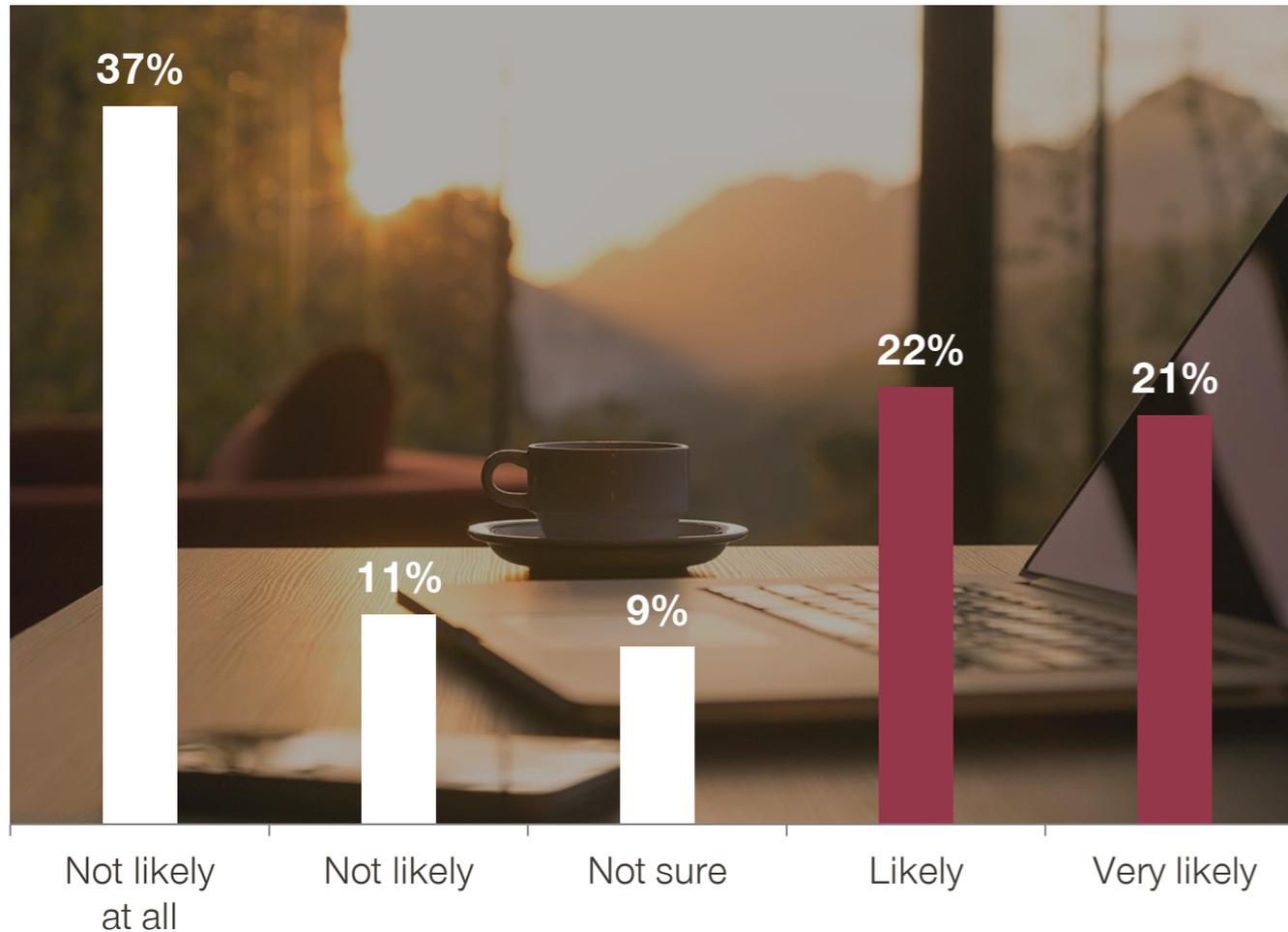


Less public transport usage

High additional demand from ‘workation’ travellers can be best attained if high-speed internet and additional working rooms are offered

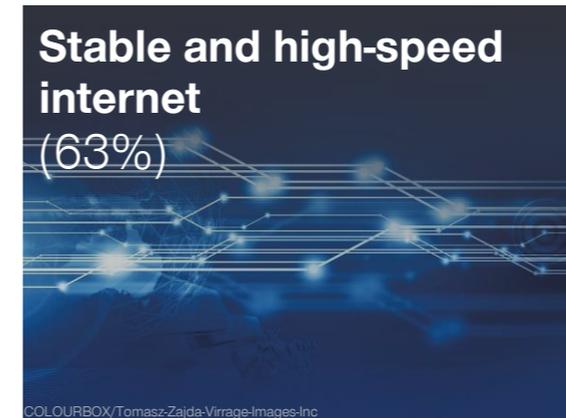
Likelihood of doing a ‘workation’

% of respondents



Convincing features

% of respondents



Key differences among countries: expectations on travel budget and number of vacation days, as well as importance of 'workations' and privacy

Long-term travel budget

- Majority does not expect change in spending (50%)
- Equal share of respondents expect spend to be stable, spend more, or less
- Majority (50%) does expect to spend more

Peace of mind, privacy

- High share willing to pay for privacy DE (59%), RU (48%)
- Lower share willing to pay CN (18%), UK (31%)
- Similar share willing to pay (around 40%)

Number of vacation days (lower frequency)

- High decrease in frequency
- Lower decrease in frequency

'Workation'

- Very high likelihood to do a 'workation' (70%)
- * All other countries similar likelihood (around 40%)

Source: SKP market research survey conducted June 2021, Regions: UK, Netherlands, Germany, France, USA, Russia, China; N= 7,028

To be ready for the future traveler, you should

Maintain the old, embrace the new:

Covid has shaken up travel and booking habits, but not all changes are here to stay

Push up- and cross-selling to lever higher WTP¹ for holidays:
73% expect their budget to stay stable or even increase in the next years



Tailor offering and communication towards increased desire for privacy:
39% are willing to pay a premium for silence and privacy



Reflect changed booking behaviour in your revenue management:
Bookings on short notice are doubling & number of vacation days is decreasing

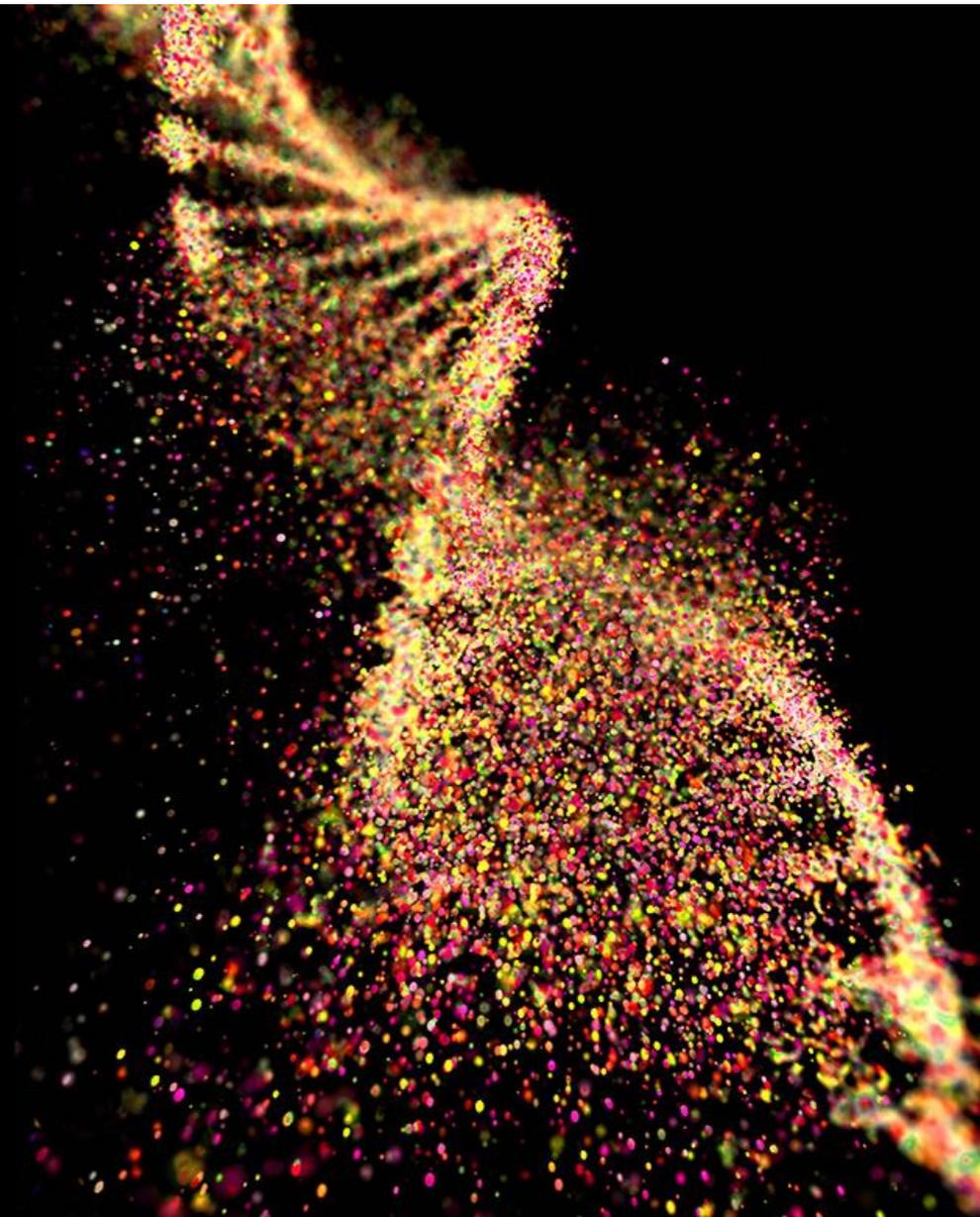


Facilitate and promote 'workations':
43% are likely to do a 'workation' that is mostly expected to extend leisure holidays for more than one week



Commercial creativity

The ability to re-engineer every cylinder of the revenue engine in response to the demand revolution



How will you harness your commercial creativity?

Five creative levers

Essential parts of any go-to-market model

Fundamentally altered in intensity and opportunity by the demand revolution

The five creative levers

Customer experience

Channel

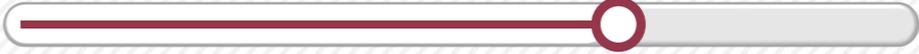
Product re(invention) and innovation

Revenue model

Pricing



So what is commercially creative in these 5 pillars

PRODUCT RE(INVENTION) AND INNOVATION	Capacity		Asset heavy		Asset light
	Product differentiation		1 Product (fixed)		Fully customizable
CUSTOMER EXPERIENCE	Experience		Analogue		Digital/Virtual
REVENUE MODEL	Monetization model		Transactional		Recurring
PRICING	Pricing		1 Price		Multiple pricing
	Price level		Static		Dynamic
CHANNEL	CRM		Mainly acquisition		Acquisition, Retention, Upsell
	Salesforce		F2F only		Digital, Tele, F2F

Commercial creativity is about rebalancing your commercial model across these dimensions and set-ups

How can you/should you be commercially creative on pricing & RM in the Travel Industry

Commercial creativity in relation to pricing, has to be looked at both in terms of pricing & Revenue Management (RM)

Pricing architecture



Price Product:

Redefine your product set-up to appeal to the changing customer needs



Price Structure:

Adjust your “price formula” to appeal to new “more prominent” needs



Revenue model(s):

Explore non-transactional models, when capacity is ample



Price Bundles:

Redefine your bundles (e.g. season tickets) to reflect the “new demand”

Revenue management model



RM objective:

Explore CLTV based RM rather than just yield based RM



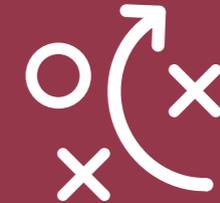
Demand forecasting:

Move from history based to “very recent” based



RM approach:

Ask the customers’ price rather than predict it



Price optimisation:

Use ML to update elasticity frequently

Price product: Adapt your price product to reflect the shift in customer needs

Product	Price	Key Features
Light	£ 90.27	Meal, Cabin baggage (8kg), Personal item, Ticket changes (€20), Non-refundable, Standard seat selection (free)
Flex	£ 103.27	Meal, Cabin baggage (8kg), Personal item (under seat), Ticket changes (unlimited), Standard seat selection (free), Checked baggage (23kg)
Light (Updated)	£ 90.27	Meal, Cabin baggage (8kg), Personal item, Ticket changes (unlimited, For a limited time only!), Non-refundable
Flex (Updated)	£ 103.27	Meal, Cabin baggage (8kg), Personal item (under seat), Ticket changes (unlimited), Standard seat selection (free)
ComfortFlex	£ 144.27	Meal, Cabin baggage (8kg), Personal item (under seat), Ticket changes (unlimited), Up Front seat selection (free), Checked baggage (23kg), Change to an earlier or later flight (free), Hold my booking for 6 days (free)

- Pandemic increased need for flexibility (amends, refunds)
- 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

Commercial Creativity take-away: Be ready to redefine your product to adhere to a change in customer needs due to the demand revolution

Revenue model: Explore new products that are less transactional



hotels ▾ destinations ▾ work ▾ subscriptions ▾ offers more ▾  

global passport by citizenM



Move with us:

- stay for 29 continuous nights
- at a fixed rate
- anywhere in the world
- pay deposit, book 24 hours later

- Pandemic meant considerable capacity is available
- ...while at the same time, the remote worker trend emerged
- CitizenM combined the two in a **global passport concept** targeted for the remote worker
- ...enabling customers to stay at any Citizen M hotel for up to 29 nights a month at a fixed monthly fee

Commercial Creativity take-away: Be ready to consider revenue models that are opposite to what you are used to, when your usual constraints no-longer apply

Price model: Be ready to expand to adjacent offerings that expand your price model

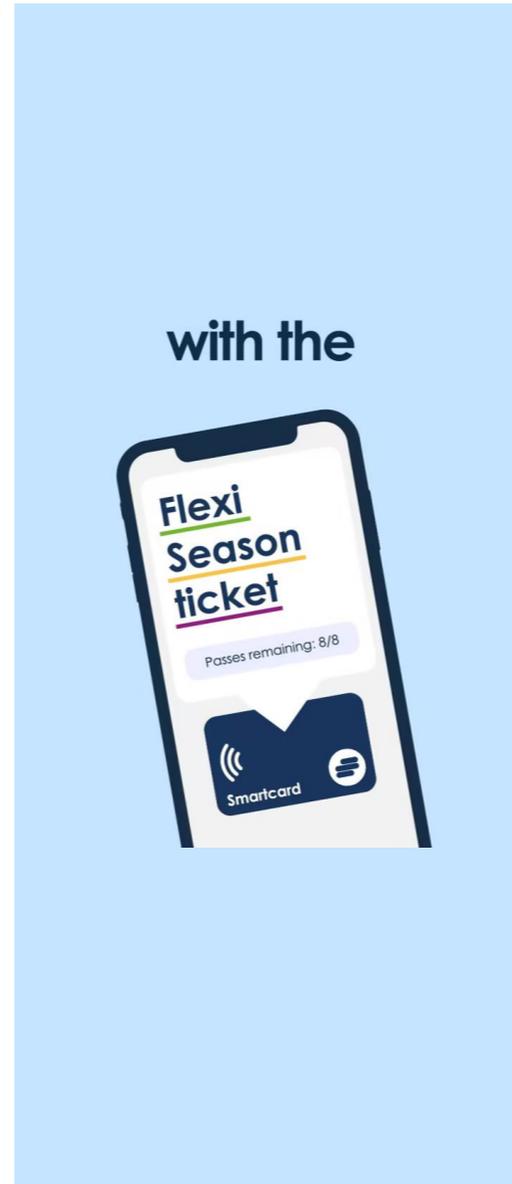
The screenshot shows the Airbnb homepage. At the top left is the Airbnb logo. At the top right are links for "Become a host", "Sign up", and "Log in". The main search area is a white card with a pink "Search" button. The search fields are: "LOCATION" (Paros, Greece), "CHECK IN" (Thu, Jul 1), "CHECK OUT" (Sat, Jul 31), "ADULTS" (2), and "CHILDREN" (0). Below the search fields is a pink "Search" button. To the right of the search card is a large image of a woman sitting on a wicker chair on a porch, looking at a laptop. Below the image is a white card titled "Try adding a long-stay discount". The card contains the following text: "39% of nights booked in your area are for stays of at least 7 nights. Longer stays let you save time and money that would otherwise be spent on cleaning your place and welcoming more guests for the shorter stays." Below this is a sub-header "To attract these bookings, try adding a weekly or monthly discount." and two options: "Weekly" (Add a discount for stays of 7 nights or more) and "Monthly" (Add a discount for stays of 28 nights or more). At the bottom of the card is a pink "Set a discount" button.

- Pandemic has benefited long-term vacation rentals
- ...with workation trends seeing demand for longer stays
- Airbnb introduced a sublet concept for longer-stay durations
- ...with hosts being able to specify their long-term discount
- ...and cancellation policy

Commercial Creativity take-away: Be ready to extend your price model to cater for different type of demand as holiday patterns shift to longer (or shorter) length of stay

Price bundle: Forget products that appeal to the past, move to more flexible bundles that define today's traveller

The screenshot shows the NCP website interface. At the top left is the NCP logo. To its right is a 'Login to my account' button with a user icon. Further right is a search bar with the placeholder text 'Enter your search term here' and a magnifying glass icon. Below this is a navigation bar with four items: 'Find a car park', 'Parking solutions', 'Partnership', and 'Help centre'. Underneath the navigation bar is a breadcrumb trail: 'Home > Parking solutions > Season Tickets > Season Tickets Guide'. The main heading reads 'NCP Season Tickets - our best price for frequent parking'. Below the heading is a graphic titled 'Parking that works around your schedule' which shows a calendar grid with car icons for Monday, Wednesday, and Friday, indicating a flexible parking schedule.



Bolton > Manchester

Anytime day return	£7.20
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Based on travelling two or three days per week:

New Flexi season ticket (max eight days travel – ticket lasts 28 days)	£6.35 per day
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Four or more days travel per week:

Monthly season	£6.10 per day
Annual season	£5.29 per day

Commercial Creativity take-away: Be ready to redefine your price bundles (e.g. season tickets) to reflect changes in demand revolution such as working patterns

Revenue manage CLTV: Is it better to go for CLTV rather than Yield

Typical Hotel RM		Typical Casino RM		
		High CLTV	Low CLTV	
	£400 p/n		£0 p/n	£600 p/n
	£200 p/n		£0 p/n	£300 p/n
	£80 p/n		Not offered	£80 p/n

- Typical RM systems will look at things transactionally (i.e. supply & demand at this point in time)
- ...meaning that even high CLTV customers might get a high price in a highly constrained demand
- Casino hotels are more long-term thinkers, who decide who gets what at what price based on CLTV (i.e. gambling propensity)
- ...the higher CLTV you have the more likely you are to get the best room for free

Commercial Creativity take-away: Start deciding your optimal price accounting for the relationship with the customer rather than just on the transaction

Move from yield to bid pricing: Consider bid pricing to extract customer willingness to pay

Your Flight Information



Air Canada
Flight AC126

YVR
Vancouver



YYZ
Toronto
4 h 17 min

Upgrade

BUSINESS CLASS

PREMIUM ECONOMY

Your Offer(s)

620.00 CAD per passenger (2)

No Offer 700.00

Offer Strength



Really Good

Product Benefits:

- Greater recline (17.8 cm/7") and a larger seat compared to Economy Class
- A next generation entertainment system featuring your own personal touch-screen TV
- Complimentary wine and spirits as well as premium cuisine and a hot towel with every meal service on international flights
- An adjustable headrest, a comfortable pillow and blanket, and complimentary amenity kit



 Air Canada
Flight AC1714

YYZ
Toronto



BGI
Bridgetown
5 h 5 min

Operated By Air Canada Rouge

PREMIUM ROUGE

540.00 CAD per passenger (2)

No Offer 600.00



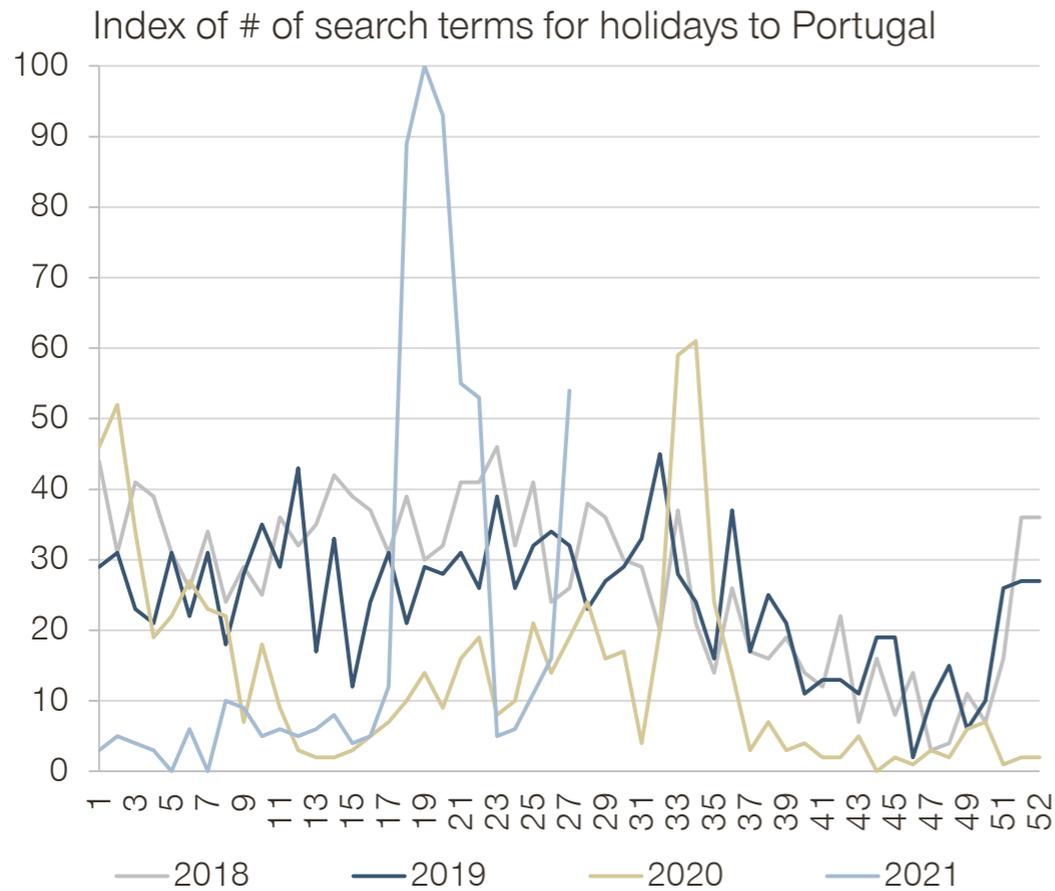
Really Good

- Bid pricing is not new, it has been used by airlines for some time
- ...it is a great way to upsell customers based on their WTP and the capacity of premium stock you have
- In a period of subdued demand it is a great way to move away from a system stating the price, to the consumer stating the price to upgrade

Commercial Creativity take-away: Where you have ample capacity, extract WTP directly from customers using bid mechanics

Demand forecasting: In the new world don't rely on YoY trends, just ensure your forecasts pick up recent trends quickly & effectively

YoY based forecasting is inaccurate and irrelevant...



Develop instead forecasts that pick up recent trends through dynamic clustering..

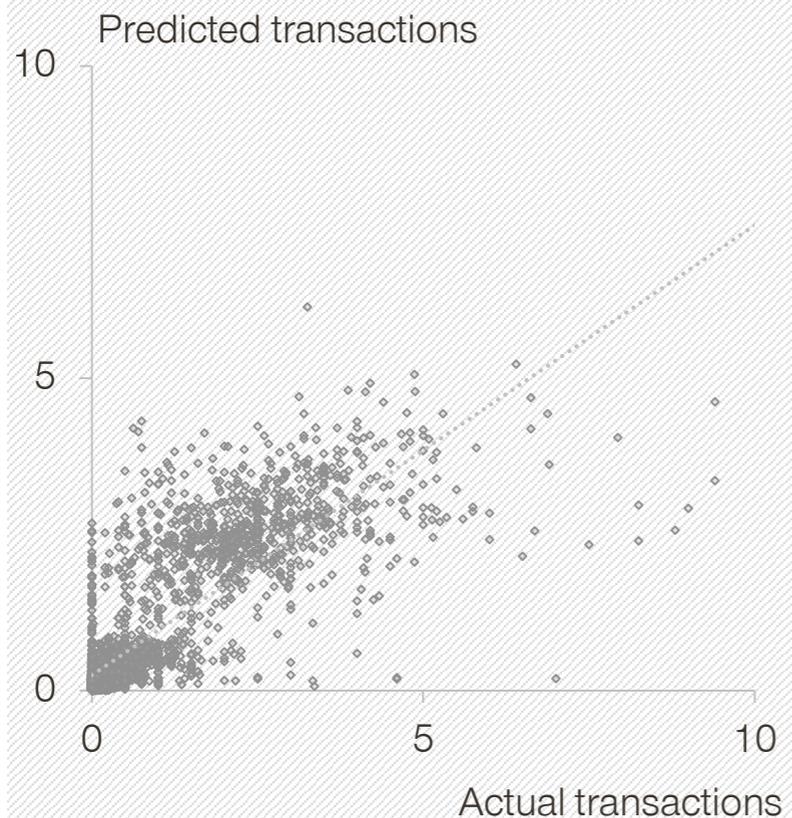
Rate of Sale based on...	Hotel Week		Hotel Week Date			Hotel Week Date Room			
	Hotel	Week	Hotel	Week	Date	Hotel	Week	Date	Room
1 DAY	100 bookings ✓		10 bookings ✗			1 booking			✗
3 DAYS	300 bookings		15 bookings ~			2 bookings			✗
1 WEEK	700 bookings		60 bookings ✓			12 bookings			~
2 WEEK	1,400 bookings		100 bookings ✓			20 bookings			✓

✓ Sufficient bookings to get a trend ~ Almost enough data ✗ Insufficient data for a trend

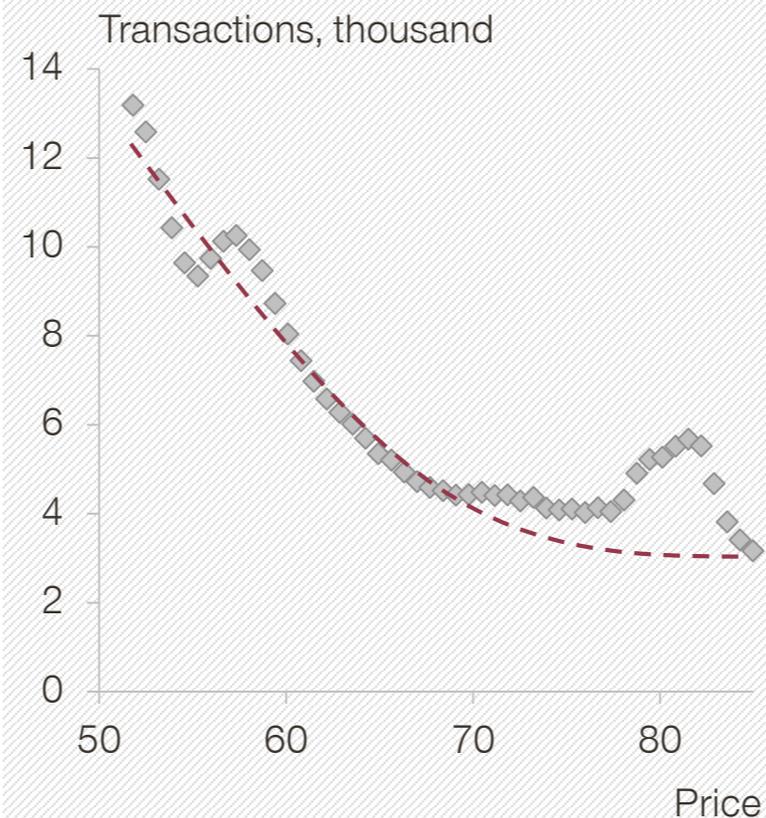
Commercial Creativity take-away: Move from history based forecasting to dynamic forecasting that reflects and picks up recent trends

Price optimisation: Move to up-to-date elasticity using ML methods to optimise prices frequently and accurately

Machine learning methods are used to develop a demand predictor on price...



...Derived insights are transformed to a price response curve



...To feed into a price optimiser to find revenue optimal prices



Commercial Creativity take-away: Move away from fixed segmentation and elasticity models, to machine learning elasticity models that enable you to optimise pricing daily and accurately

So what is commercially creative pricing in Leisure, Travel & Hospitality...

Pricing architecture



Price Product:

...that are adaptable to customer needs



Price Structure:

...that extends itself to different use cases (e.g. longer stays)



Revenue model(s):

...that move away from transactional to more recurring



Price Bundles:

...that recognise changes in the upsell mechanic (e.g. flexibility vs. days)

Revenue management model



RM objective:

...that looks at the customer rather than just the transaction



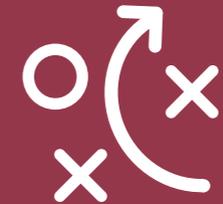
Demand forecasting:

...that is truly reactive rather than history based



RM approach:

...that gathers rather than predicts customer WTP



Price optimisation:

..that captures changes in customer WTP and price elasticity

About TopLine 2021

TopLine 2021 offers the perfect combination of regionally focused content and global, cross-industry keynotes. Our local Simon-Kucher offices will host simultaneous, coordinated events, each featuring content and guest speakers specifically hand selected for your region. All attendees will connect to enjoy livestreamed interactive keynotes and Q&A sessions.

**Livestreamed
keynotes**

Americas

EMEA

APAC

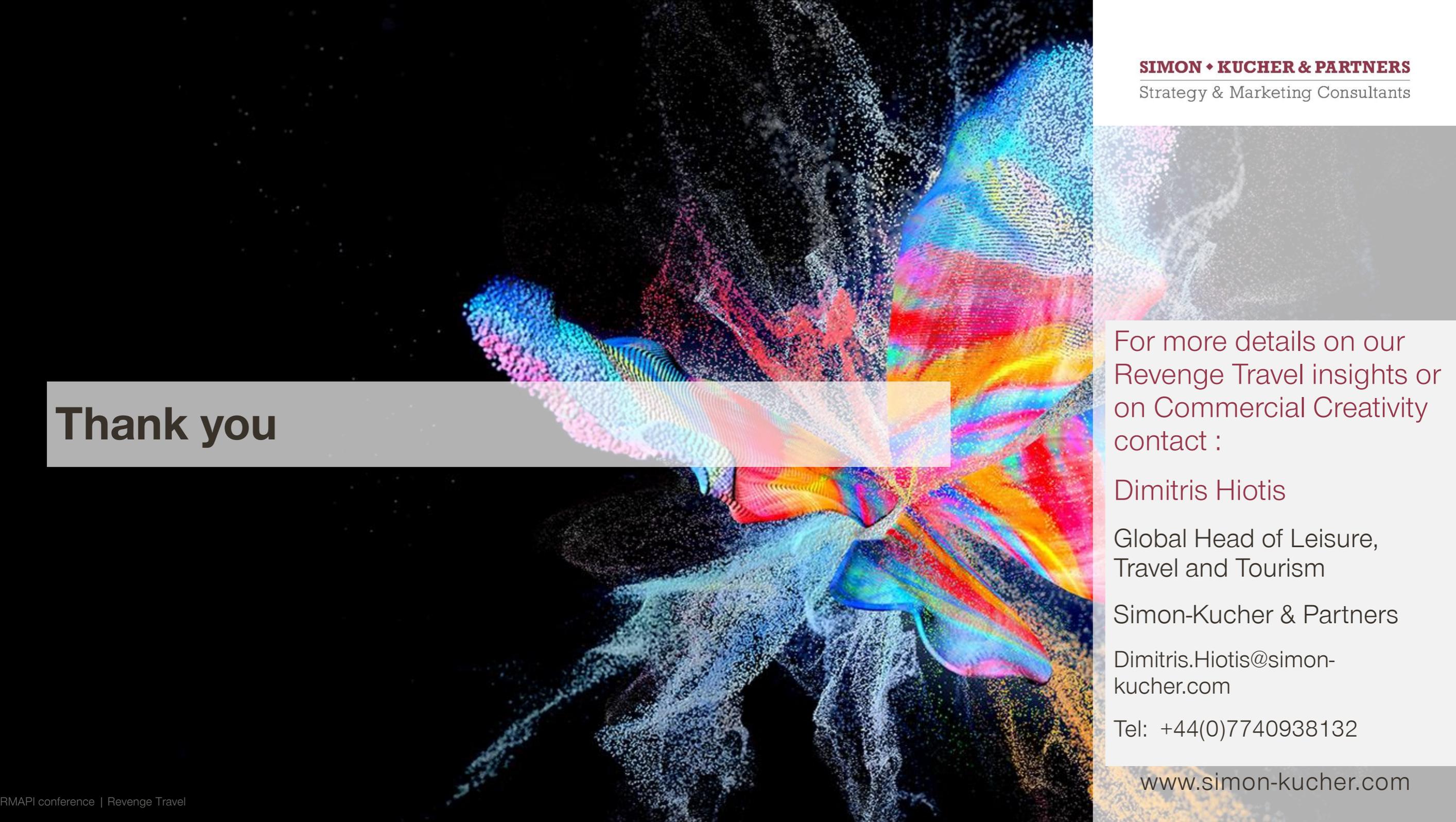
**15+ events
across 3 regions**

- Austria
- Belgium
- Egypt
- France
- Germany
- Italy
- Netherlands
- Nordics
- Poland
- Spain & Portugal
- Switzerland
- Turkey
- UAE
- UK & Ireland

**Interactive
sessions**

Who is presenting?

Your agenda and speakers will vary depending on which regional event you attend, however, all events will feature the same livestreamed keynotes. Attendees won't have to worry about missing out either; all attendees will have post-event access to on-demand content from events in other regions.



Thank you

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Strategy & Marketing Consultants

For more details on our
Revenge Travel insights or
on Commercial Creativity
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