



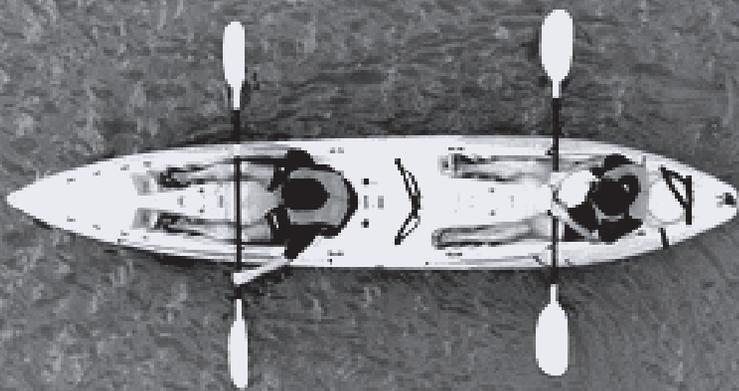
# AGENDA 2021

## THE TRAVEL RESTART

MARCH 2021

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# AGENDA 2021

## THE TRAVEL RESTART

IN ASSOCIATION WITH



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#### AGENDA 2021

This report on travel in 2021 was compiled by Rob Gill and produced by TTG Media and PwC in March 2021 to coincide with the TTG Media event Agenda 2021: The Travel Restart, hosted in association with PwC

#### METHODOLOGY

Consumer insight: surveyed 2,000 consumers, nationally represented across age, demographics and region, in March 2021, and compared results to previous surveys from May and October 2020.

Trade insight: surveyed around 20 travel operators in March 2021, and compared results to previous surveys conducted in May, June and November 2020.

Anyone following the fortunes of the travel industry over the past 12 months could be forgiven for falling back on the words of legendary Hollywood screenwriter William Goldman on the movie business: “Nobody knows anything.”

What started out as predictions for a strong lates period for summer 2020 disappeared as the effects of Covid wore on; hopes were briefly raised when some summer travel was allowed, only to be dashed again as the second wave hit. The expectation for some form of peaks this January, which the industry spent a lot of last year looking forward to, was further blighted by lockdown number three.

But with the UK vaccine programme going well, a clearer path ahead is emerging, alongside the prime minister’s “roadmap” out of Covid. And that’s reflected in the latest findings of a survey carried out with PwC – our second Agenda 2021 report following the programme’s launch last December – which show, among many other things, that consumer confidence around spending their money on holidays is clearly growing.

We hope you find this consumer and trade analysis useful as you make your own plans for the travel restart.



**DANIEL PEARCE**  
CEO, TTG Media

# CONSUMER INSIGHT



# READY TO TAKE FLIGHT

## UK CONSUMERS ARE FEELING MORE CONFIDENT ABOUT THEIR FINANCES AND WANT TO SPEND MORE ON HOLIDAYS WHEN ABLE

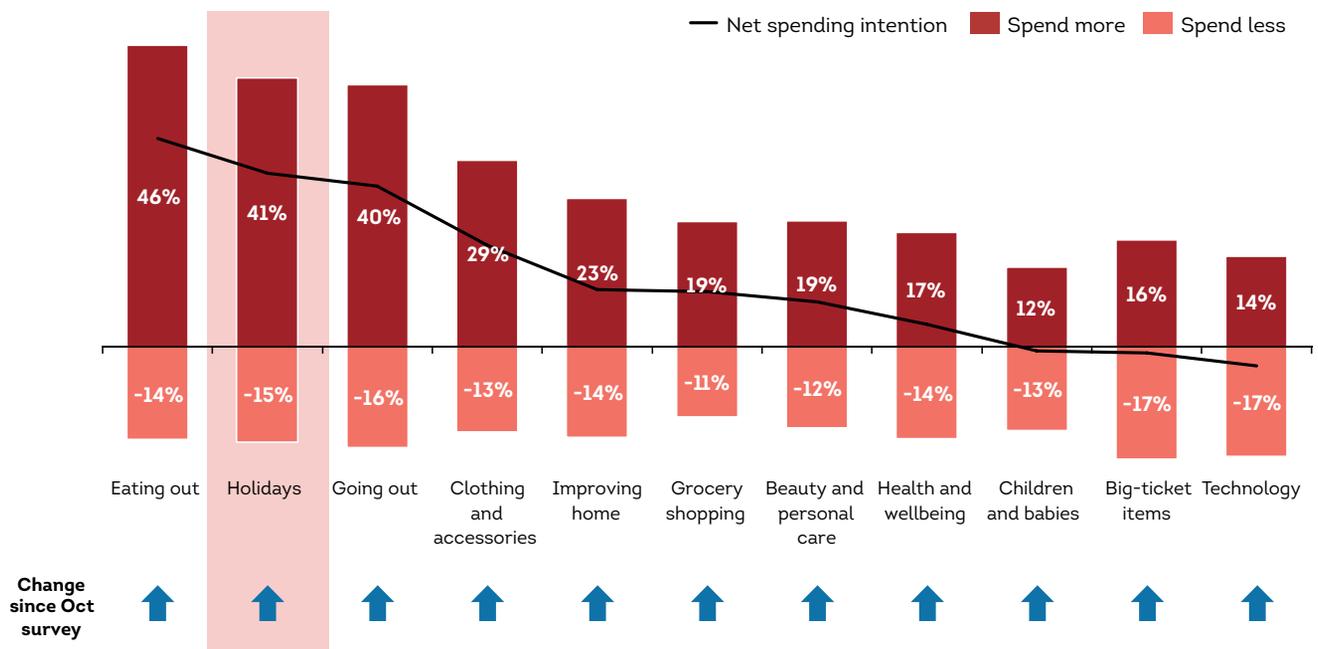
**C**onsumers are feeling much more positive about their financial position than six months ago, with spending money on holidays one of their top two priorities – this was one of the most encouraging findings in the latest research conducted by PwC.

The survey of 2,000 consumers in March found 41% planned to increase their spending on holidays over the next year compared with the previous 12 months, with only 15% saying they would be spending less on breaks. The only category that ranked higher for consumers was eating out, with 46% planning to spend more on visiting restaurants.

This illustrates the priority consumers now place on taking a holiday as the Covid-19 ►



## Expected change in spend by category in next 12 months versus the past 12 months



crisis finally abates. These findings represent a complete turnaround from the last study in October, when just 10% of consumers said they planned to spend more on holidays, and 45% saying they intended to spend less on travel.

Consumers also seem to have an increased appetite for resuming travel more quickly than they did last year – both for domestic UK and international holidays. This is particularly true for younger people, aged from 18 to 34, although all age groups are showing more willingness to resume travel. The roll-out of coronavirus vaccines is clearly helping to significantly boost this desire among older age groups to travel in the near future.

“Younger people are more likely to travel imminently, but there is willingness to travel at all age groups,” said David Trunkfield, hospitality and leisure leader at PwC. “Younger people being more willing to travel reflects their lower concern over catching the virus and also relative optimism in the outlook for their financial situation versus older age groups.

“That has been common across our surveys through the pandemic. What has changed since

## “What has changed since October is increased willingness to travel among older age groups”

October is increased willingness to travel among older age groups – likely due to the vaccine roll-out giving more confidence on the safety of travelling.”

Domestic holidays unsurprisingly lead the way for all age groups and social classes who were willing to travel “imminently”, with travel intention reducing slightly as the generations go up the age scale. UK and Europe almost completely dominate holiday planning with 42% and 24% of consumers planning to stay close to home this year, with North America the top long-haul option among 5% of consumers.

“UK-based holidays are better positioned to recover first, with more caution over international trips. This reflects both the restrictions on international travel and perceived safety of ▶

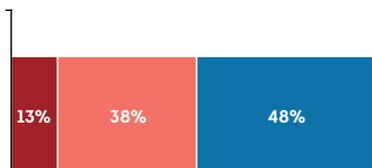
## Travel plans: once restrictions are lifted, how long will it take you to do each of the following?

### MAY 2020

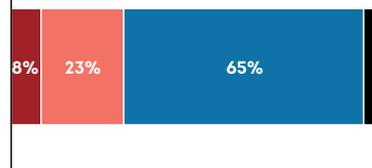
- Immediately
- In a few months
- Not until things are back to normal
- Never again



Go on a holiday within the UK

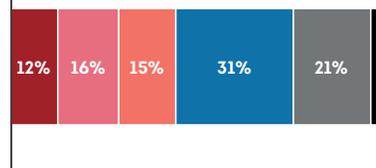
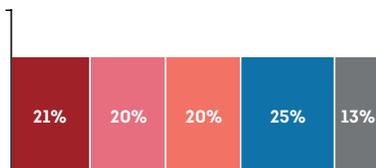


Go on an international holiday

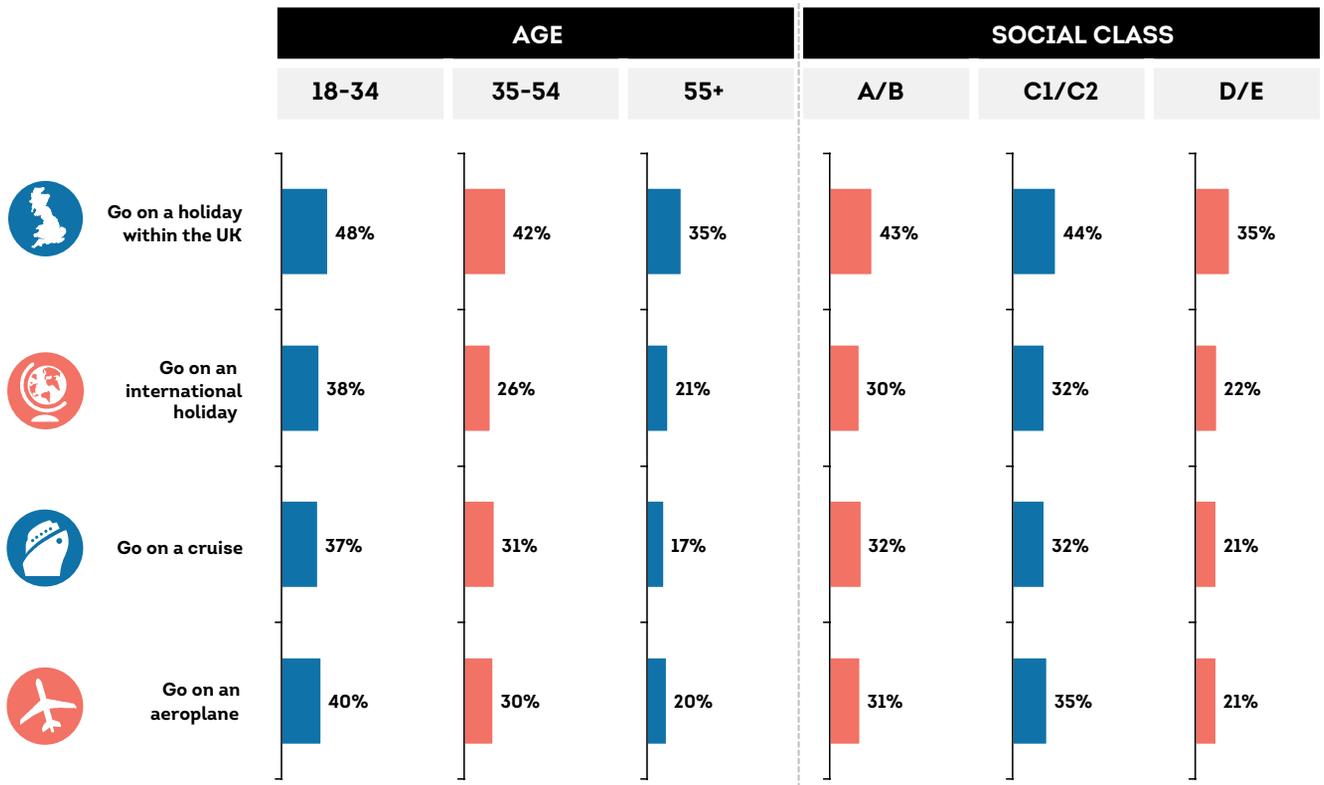


### MARCH 2021

- I did this when it reopened last time and will be happy to do it again
- I haven't done this yet, but would be happy to do this now
- In a few weeks/months, once more people have safely done it
- Not until virus incidence and risk of infection is much lower
- Not until I've had the vaccine
- Never again



## What are you happy to do now?



travelling on planes and to overseas destinations,” added Trunkfield. “We are likely to see a bumper domestic holiday year, at least for the parts of the season that are open for business. But being closed for Easter will be a big hit to the sector.”

### HOLIDAY CHOICES

Beach holidays remain the most popular type of breaks for summer 2021 and are closely followed by visiting friends and family, which ranks higher than in pre-Covid surveys and is not surprising given that so many families have been separated for a year or more due to the pandemic.

Consumers are also looking for a wide range of accommodation, with hotel stays ranking just ahead of caravan parks and campsites, cottage/villa rental and even Airbnb properties. Just 6% of people are considering a cruise, although this should be weighed against the fact that cruise only represents about two million of the 40 million holidays taken by Britons each year.

“Beach holidays come out higher than city breaks, which could be that cities are seen as less

“We are likely to see a bumper domestic holiday year, at least for the parts of the season that are open for business”

safe,” said Trunkfield. “People seem willing to use a range of accommodation options – hotels, Airbnb, cottages, caravans – and are likely selecting them based on perceived safety as well as level of service offered.”

The encouraging thing for the industry is that consumers clearly have a greater expectation of more normality in the coming year, which can only help to boost travel bookings, despite mixed messages from governments both here and overseas.

### OVERCOMING BARRIERS

Of course, barriers to travel remain for consumers, with the biggest concern being



the UK government actually allowing travel, closely followed by the fear of getting Covid at the destination and the potential of having to quarantine both when they return to the UK and at their destination.

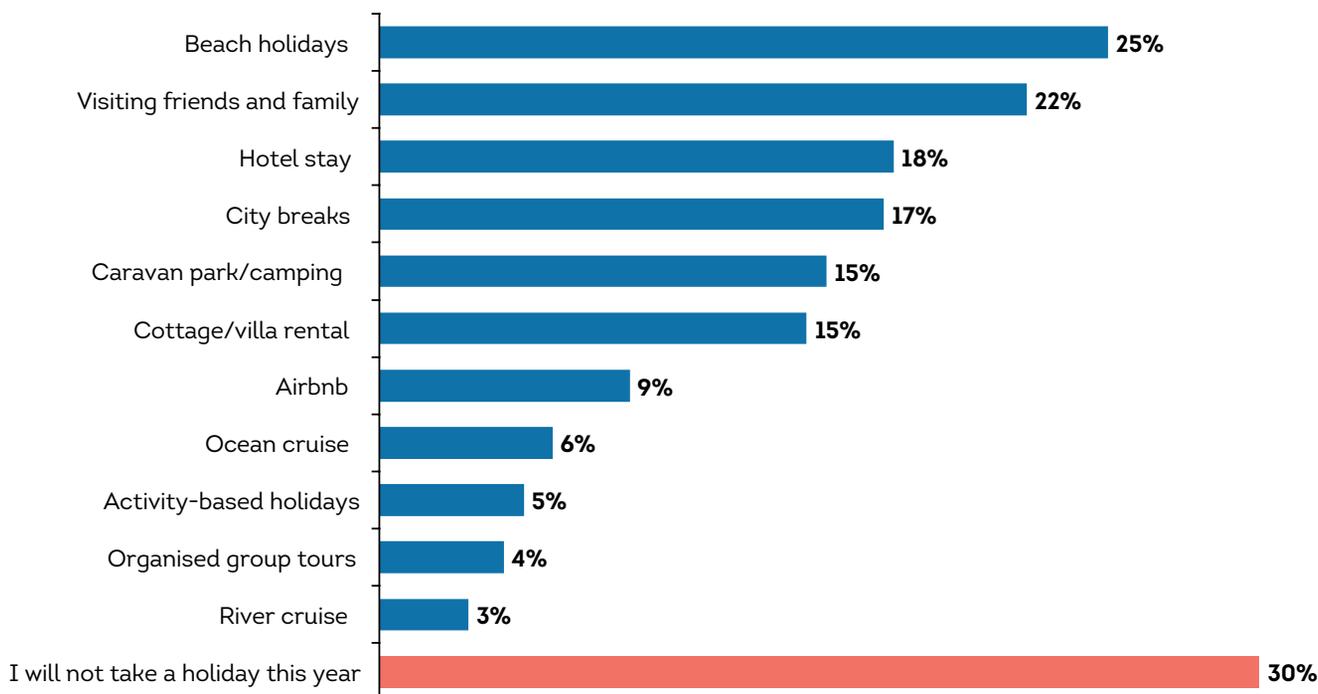
“The top barriers to people travelling remain restrictions to travelling (either in the UK or the destination), the need to quarantine and fear of catching Covid. That means a lot has to happen for travel to resume en masse,” said Trunkfield. “The vaccine roll-out in the UK will help, but lags in other countries, and the rise of new virus strains will continue to hamper a return to international travel.”

Although fear of catching Covid while on holiday still ranks highly as a barrier, it has reduced significantly from the results for summer 2020 travel, when fear of getting the virus at destination or while travelling was seen as a barrier by 50% and 51% of consumers respectively; these figures have now dropped to 29% and 28% respectively for summer 2021.

Interestingly, the requirement to take a Covid test before travel was a relatively low barrier (at just 14%) for consumers. This further illustrates the importance of lobbying the UK government to get rid of quarantine ▶

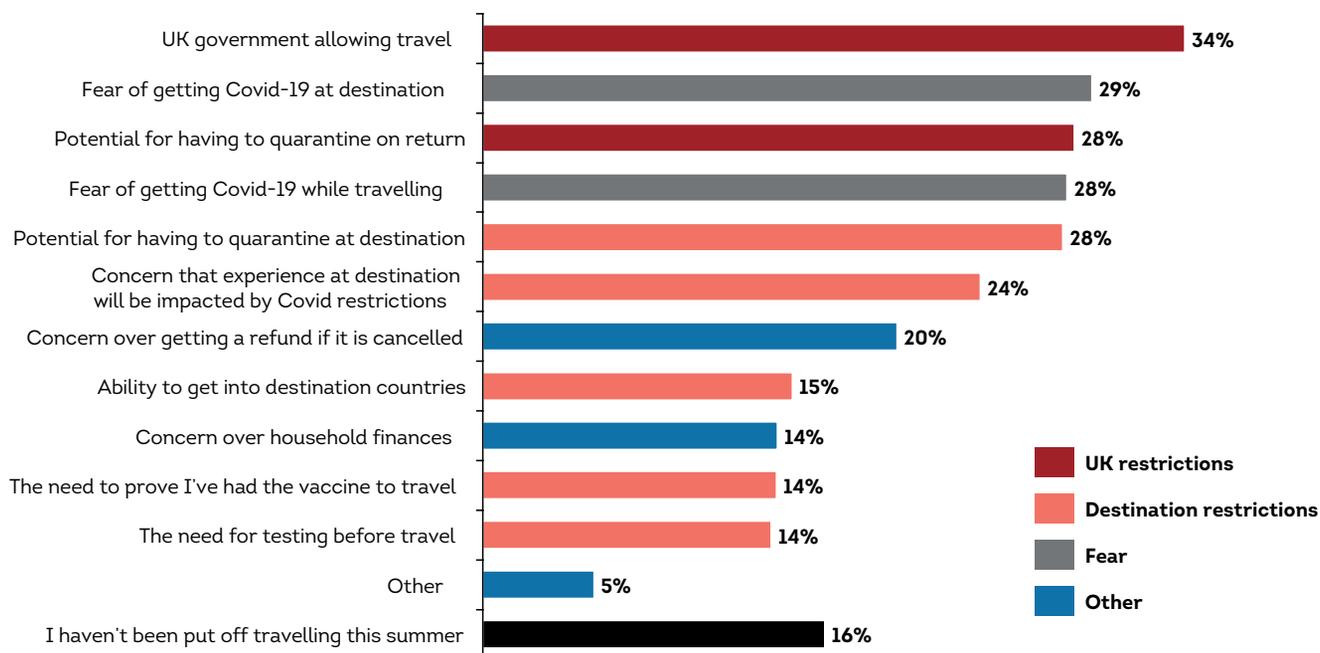


## What type of holiday are you considering for 2021?

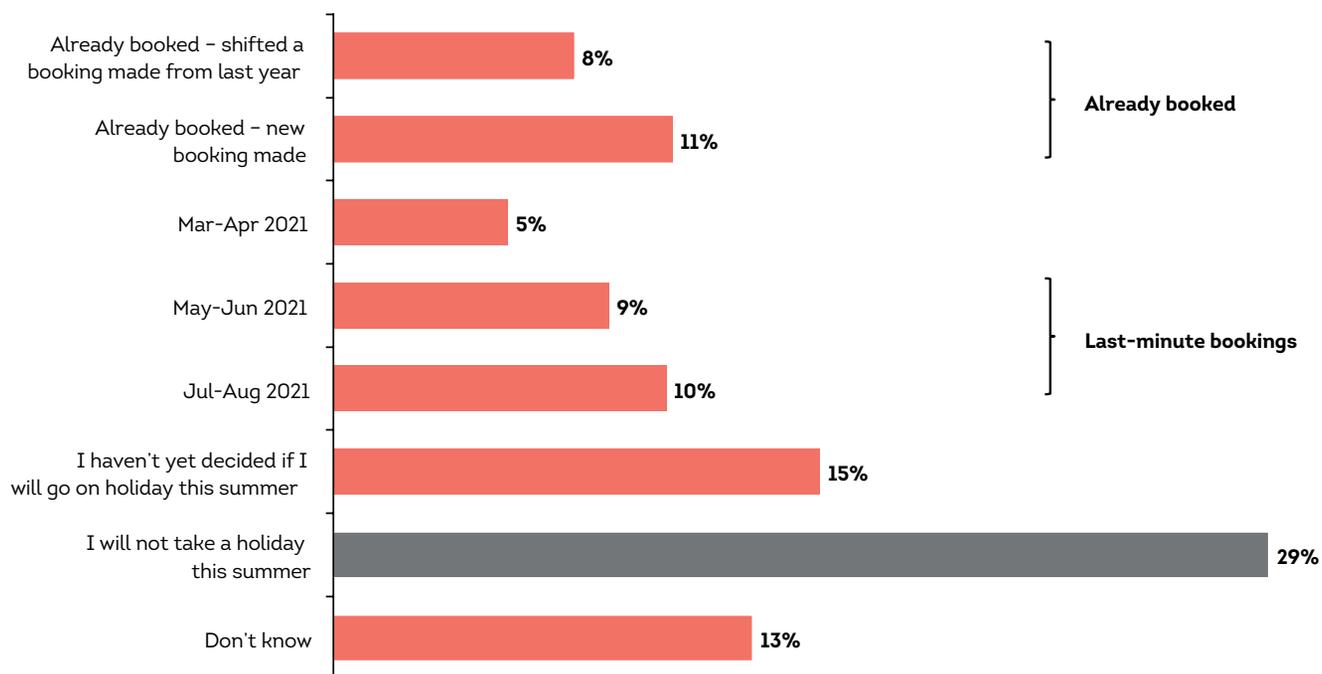




## What are the biggest barriers to you travelling in 2021?



## When do you expect to book a summer holiday for 2021?



“Many people are as yet unsure if they will take a summer holiday given how much uncertainty there is”

requirements entirely and replace them with a testing regime as a crucial component to a successful bounce back in 2021.

Any requirement for travellers to prove they have been vaccinated against Covid does not seem to be much of a disincentive either (14% said it would be a barrier to travel). Indeed, the majority believed a vaccine passport or certificate should be required for flights and for accommodation both in the UK and overseas once everybody has been offered a vaccination. These figures were even higher for those aged over 55.

### EXPECT EVEN LATER ‘LATES’

Given all these ongoing uncertainties, the industry is likely to have to accept that bookings are going to continue to be much later than in normal years. Just less than one-fifth of

consumers had already made a booking for summer 2021, with 8% having already shifted a booking from 2020 and 11% making new bookings this year.

Only 5% of consumers expected to make a summer booking in March or April, with this number increasing to 9% in May and June, and up to 10% in July and August, adding extra credence to the expectation that there could be an exceptional “lates” market this summer, as consumers wait for more certainty about which destinations they can travel to, as well as the restrictions and requirements they may face both on their holiday and on their return home.

“Many people are as yet unsure if they will take a summer holiday given how much uncertainty there is over if and when people will be able to travel,” said Trunkfield.

“It is therefore likely that more people will book last minute than in a typical year, waiting to see what happens to restrictions, travel corridors and virus prevalence. This presents challenges to tour operators in managing capacity and yield.”

These findings show that the trade will have to play a waiting game to eventually cash in on growing consumer desire to take that much-delayed and needed holiday. ●





# THE TRADE INSIGHT

# SURGING OPPORTUNITY

## CAN THE TRAVEL INDUSTRY CAPITALISE ON THE PENT-UP DEMAND FOR HOLIDAYS WHEN IT FINALLY ARRIVES?

**T**he phrase “pent-up demand” has been repeated almost like a mantra for the industry as it looks for a silver lining in the Covid crisis, and the PwC trade survey backs this up with 83% of travel companies believing this potential wave of demand will be the biggest opportunity of 2021.

Although, even with a significant release of pent-up demand in the coming months as restrictions are hopefully lifted on international travel, operators do not see a full return to pre-Covid levels of business until 2022.

Other opportunities for the industry coming out of the pandemic include stronger demand for more premium options, as holidaymakers seem prepared to spend more money on their breaks after cutting back or missing out entirely during 2020.

“This aligns with the fact that many people are feeling relatively well-off, having not spent ▶



much and saved more over the past year, as well as wanting to treat themselves given they haven't been able to travel as usual for an extended period," said Eleanor Scott, director of Strategy at PwC.

The survey also revealed that 11% of operators thought there would be greater interest in "experiences" from consumers, creating more opportunities for firms to boost ancillary spending, while a similar number expected there to be more focus by holidaymakers on sustainable travel.

Operators also believed that holiday prices would go up this year, which will be driven by higher costs and also the fact that consumers are expected to be less "price-sensitive" with more money to spend in 2021.

#### **BOOKING WINDOWS**

The pandemic is also inevitably creating changes in booking windows. The majority of operators (94%) continue to be either "significantly behind" or "behind" normal sales levels for summer 2021, compared with the booking cycle seen during a typical year.

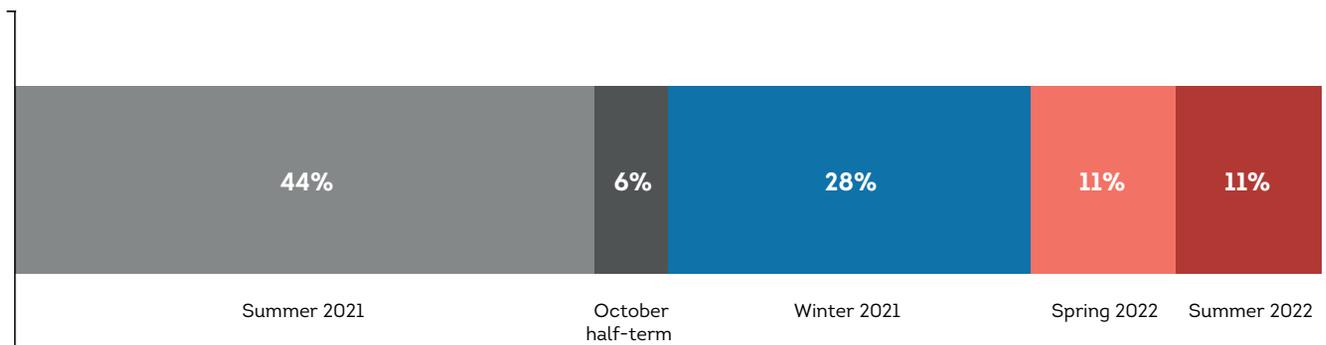
While summer 2021 still accounts for 44% of sales for operators, there have been strong forward bookings for winter 2021/22 representing 28% of total sales, while longer-term bookings for spring and summer 2022 account for nearly a quarter of operators' business (22%), fuelled by the earlier-than-usual release of 2022 programmes.

"A lower mix of summer 2021 versus a typical year reflects the ongoing uncertainty," said ▶



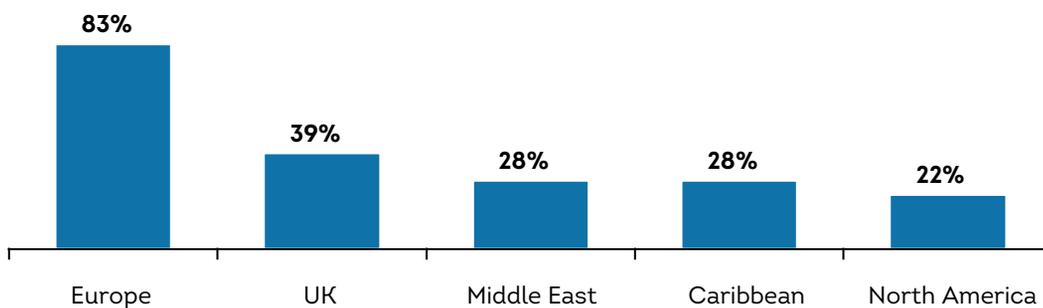
"Many people feel relatively well-off, having not spent much and saved over the past year"

## Since January, for which period have you seen the greatest number of bookings?

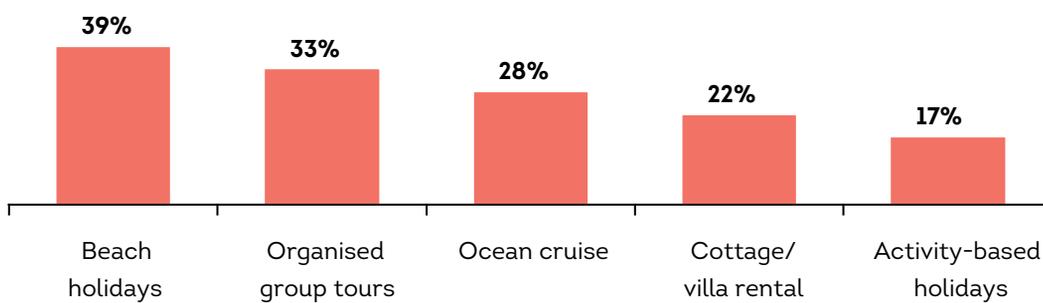




## Where are you seeing demand for holidays in 2021/22?



## What type of holidays are you seeing demand for in 2021/22?



Scott. “Bookings for winter suggest some pent-up demand and consumers wanting to book ahead to ensure they get the holiday they want, given the potential for a bounceback in travel once restrictions ease.

“There are more bookings for further out than we saw in the autumn – this is partly due to timing, but also driven by operators releasing 2022 dates for sale early.”

As for what types of holidays and destinations have been booked through operators, Europe dominates with 83%, well ahead of the UK at 39%, followed by the long-haul options of the Middle East, Caribbean and North America.

Beach breaks were the top type of holiday for operators – reflecting the findings of the consumer survey – followed by group tours, ocean cruises and cottage/villa rentals.

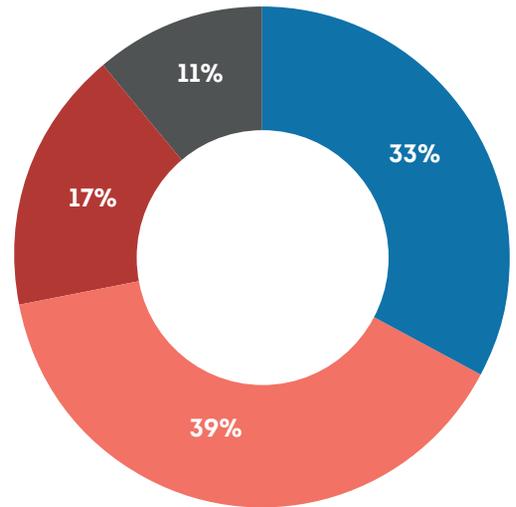
**CASH CONCERNS**

One of the top concerns for travel companies will be ensuring that they have enough cash to keep their businesses afloat through the rest of the crisis. The crunch point for operators, according to the survey, is set to be the second half of 2021, from July onwards when they have resumed operations and will need to pay suppliers.

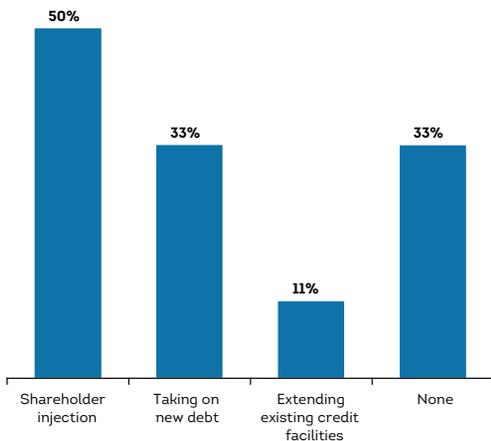
Companies are now primarily raising money from shareholders or taking on new debt to get through this potential cash squeeze later in the year. The percentage of firms extending their

**As a result of Covid-19, when do you foresee your key cash period?**

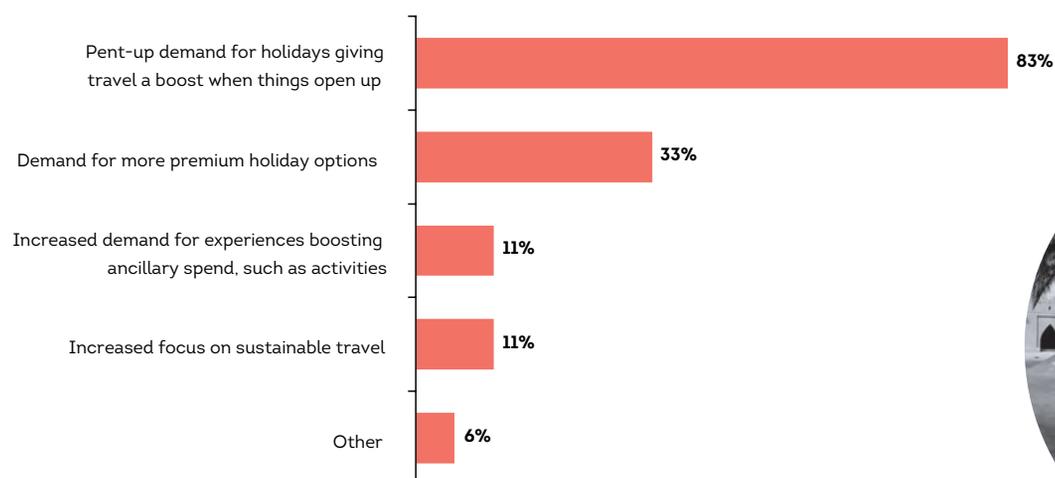
- Oct-Dec 2021
- Jul-Sep 2021
- Apr-Jun 2021
- Jan-Mar 2021



**Are you considering any of the following funding options?**



## If you are seeing new opportunities for 2021, where are they arising?



“There are more bookings for further out than we saw in the autumn, partly due to timing”

existing credit facilities with their banks has dwindled in recent months (down from 25% to 11%), suggesting more reluctance from lenders to supply this type of credit as the pandemic drags on.

“Whereas last year most cited extending existing credit facilities for funding, that option is less available now and the focus is more on securing funding from shareholders,” added Scott.

More positively, the survey re-emphasised that those travel firms who make it through to the other side of pandemic were likely to come out as stronger businesses than when the crisis started, as they have been forced to become more efficient, flexible and creative with the holiday products they are offering to the public.

That’s not to say that the next few months won’t be difficult, with the main operational challenges being the danger of repeated travel closures due to spikes in Covid infections, as well as having to deal with the potential increase in last-minute bookings and cancellations. ●

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