UK Market Update

June 2020

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UK Update – June 2020

CONTENTS

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Consumer Sentiment & COVID crisis

The following pages have been selected from a survey by statistical consultants BVA / BDRC and Alligator, published on 2/6/20.

Their methodology is included at the end of this report.

UK daily COVID deaths remain high. On 3 June, more daily deaths were reported in the UK than in all the EU 27 countries combined.

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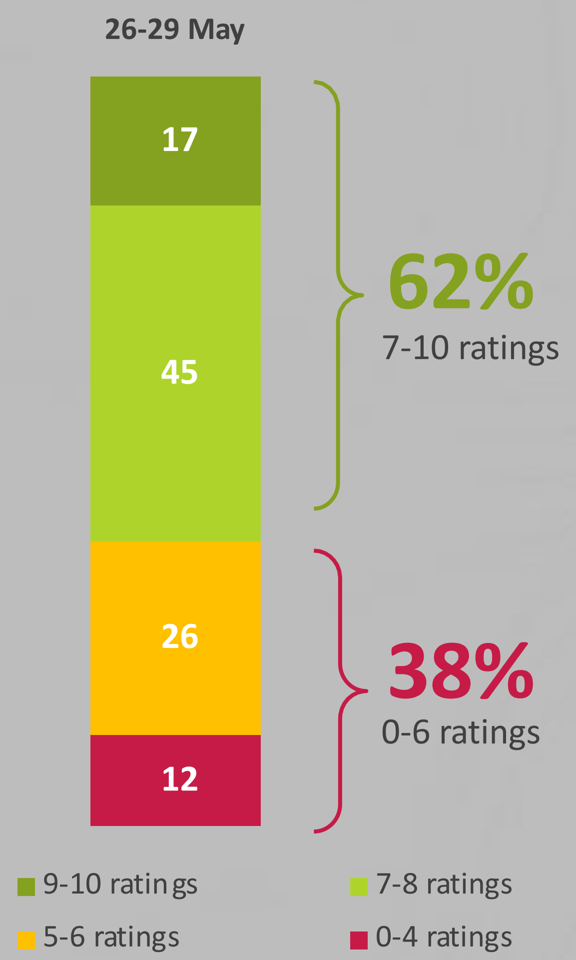
The average mood of the nation is now consistent from week-to-week. On average, our national mood remains slightly more positive than the French and Italians – but the gap is closing.

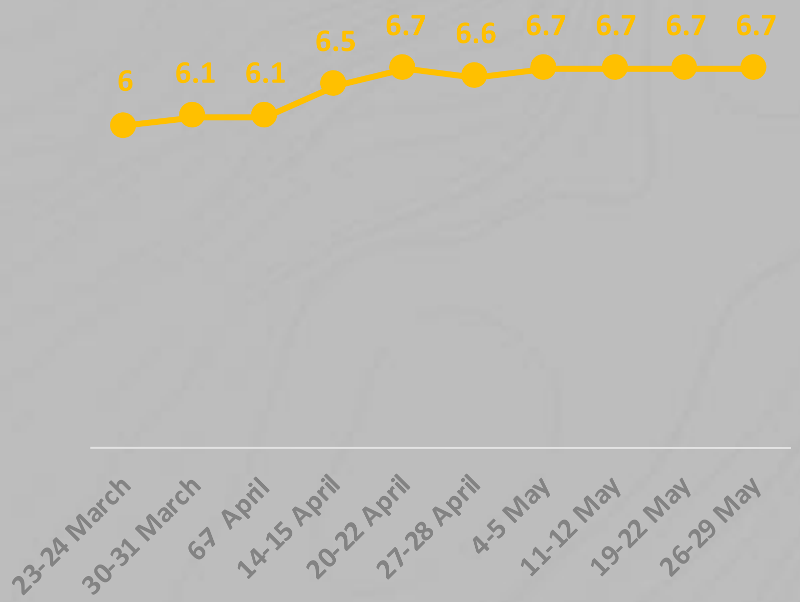
26-29 May 2020

Average mood

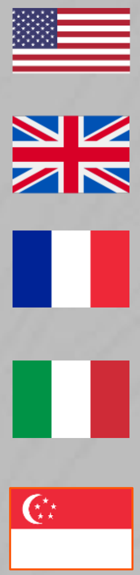
6.7



Average mood week-on-week (UK Adults)



International Comparison



7.1 (21-22 May)

6.7 (26-29 May)

6.6 (28 May)

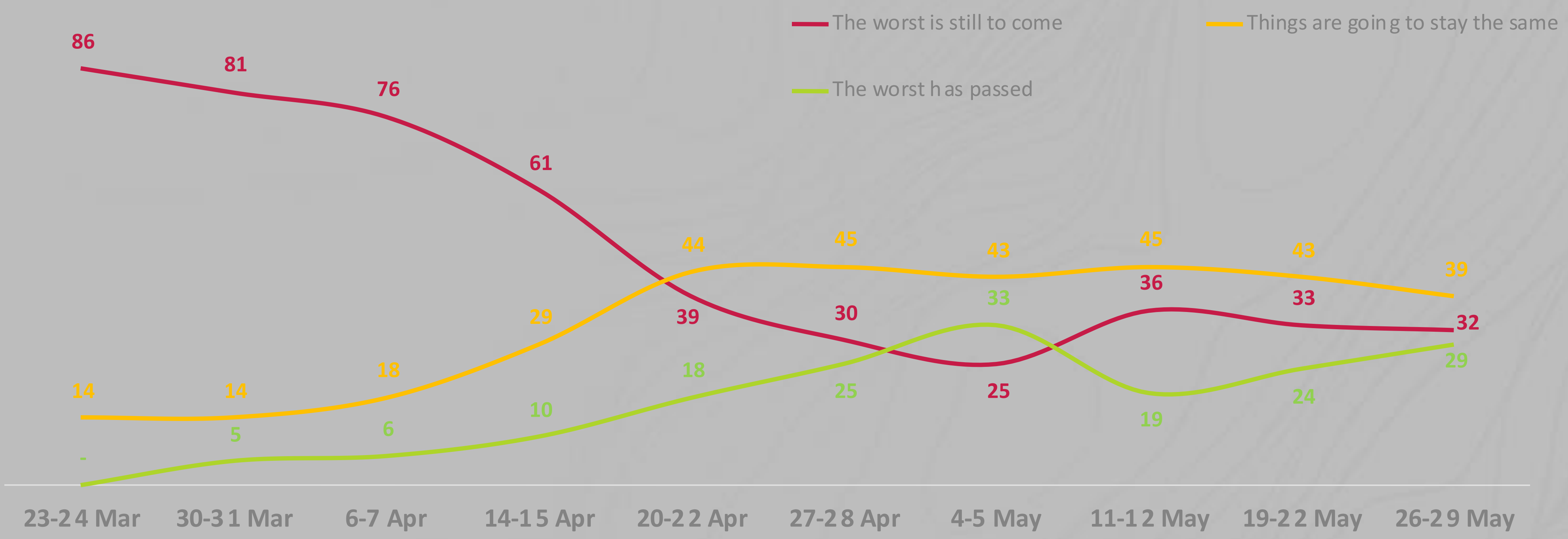
6.5 (22 - 25 May)

5.6 (23 May)

Q5: How would you rate, between 0 and 10, your mood today? (%)

ALLIGATOR BVA BDRC

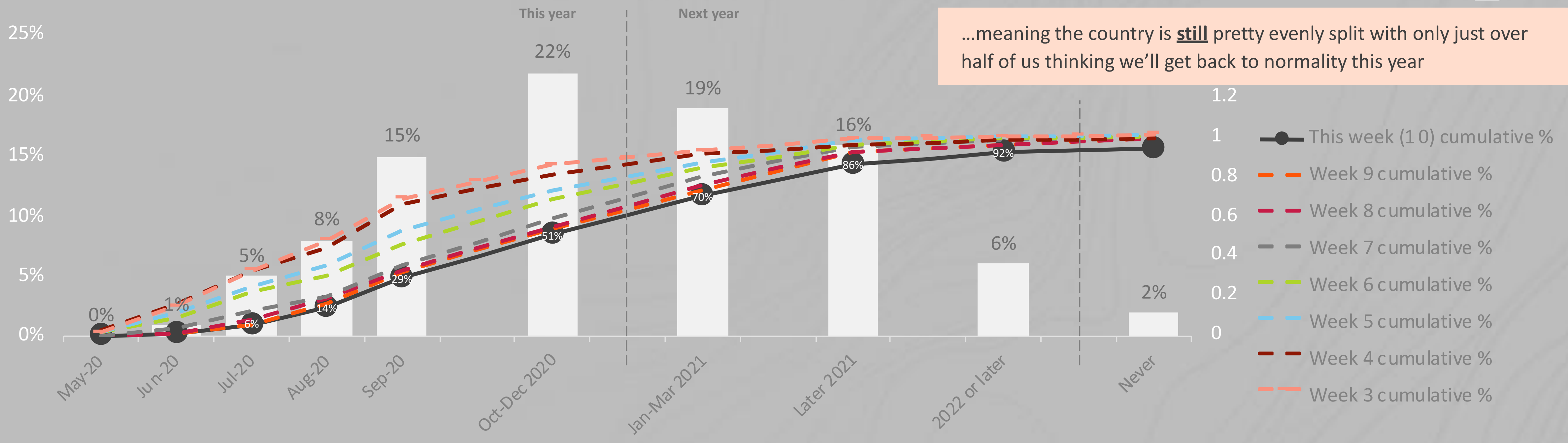
There is a second consecutive week of recovery in the proportion of the population who feel that *the worst has passed.*



Q7: Regarding the situation of Coronavirus in the UK and the way it is going to change in the coming month, which of the following best describes your opinion? (%)

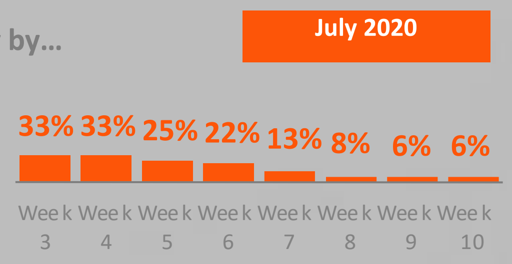
ALLIGATOR BVA BDRC

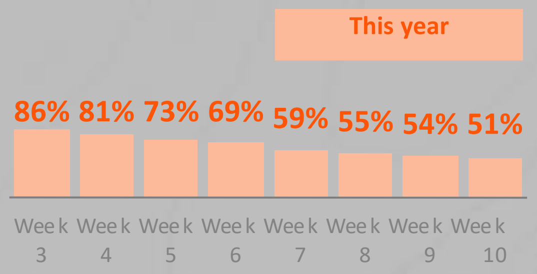
Slightly more Brits shift their expectations of when life will return to normal into 2021, but the gradual re-opening of society is now bringing some stability

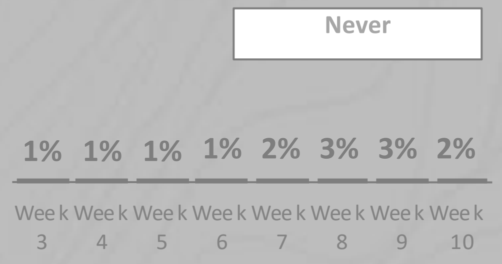


...meaning the country is **still** pretty evenly split with only just over half of us thinking we'll get back to normality this year

Total % Expecting Normality by...







Q16: Given what you know today, when do you think life will return to something close to normal?

ALLIGATOR BVA BDRC

Consideration of overseas trips remains relatively consistent with the previous two weeks with some shortening of lead-times.

A few weeks after the announcement of a 14 day quarantine for return visitors to the UK, intention to take an overseas summer holiday remains a consideration for on small minority. On average those considering a trip overseas don't plan on taking it until Spring 2021. Outbound tour operators should continue to focus on promoting winter sun opportunities.

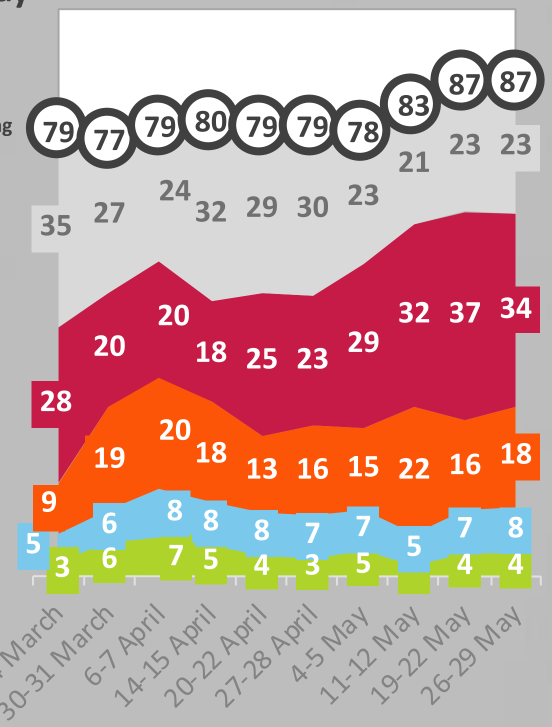
Plan an overseas holiday

This week

6.6

months

Average time before the activity



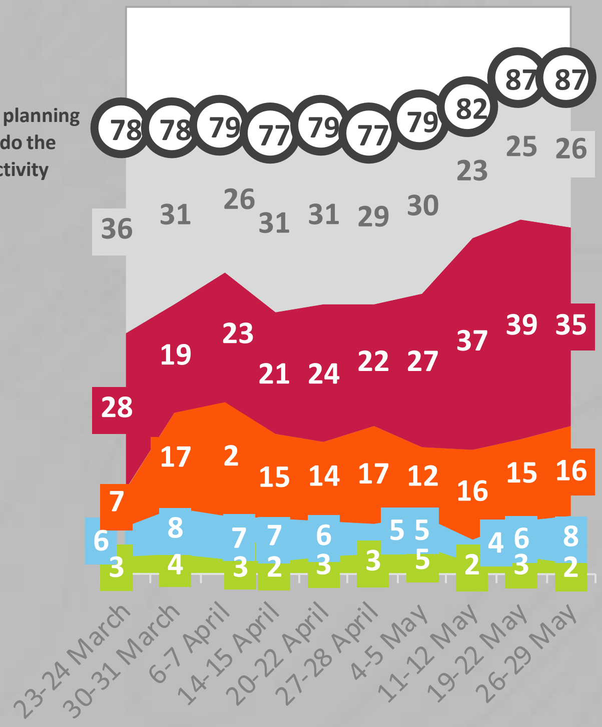
Book an overseas holiday

This week

7.0

months

Average time before the activity



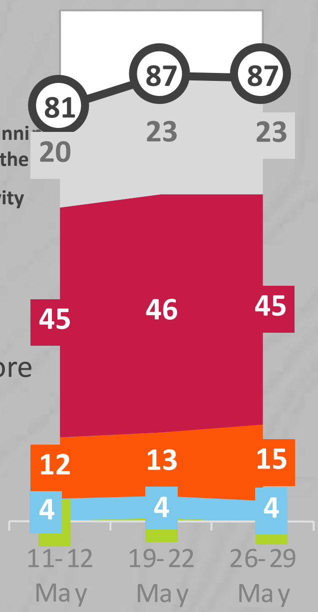
Go on an overseas holiday

This week

8.7

months

Average time before the activity



Planning on doing it but don't know when

Not planning on doing it

Within the next 6 to 12 months

Within the next month to 3 months

Within the next 3 to 6 months

Within the next month

Q12. Given what you know today, when do you anticipate doing the following? Base all

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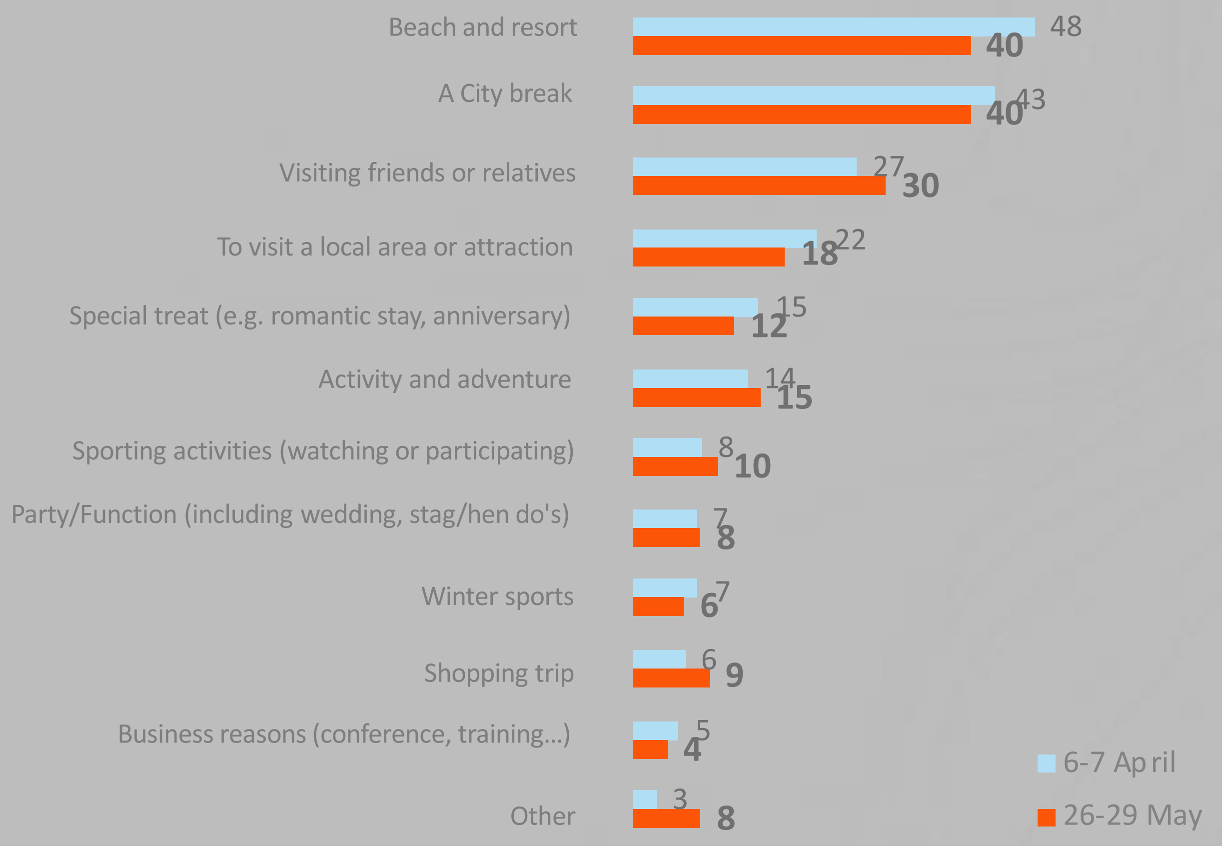
Beach and resort are the most appealing type of overseas holiday destination, followed by 'city breaks'. Spain is the leading single destination mentioned.

Which of the following type of oversea holiday you are planning/going to book?



And where are you planning to go?

Top 5 mentions

1. Spain
2. France
3. USA
4. Greece
5. Netherlands

Q26: Which of the following type of UK holiday you are planning/going to book
Q28: And where are you planning to go in the UK?

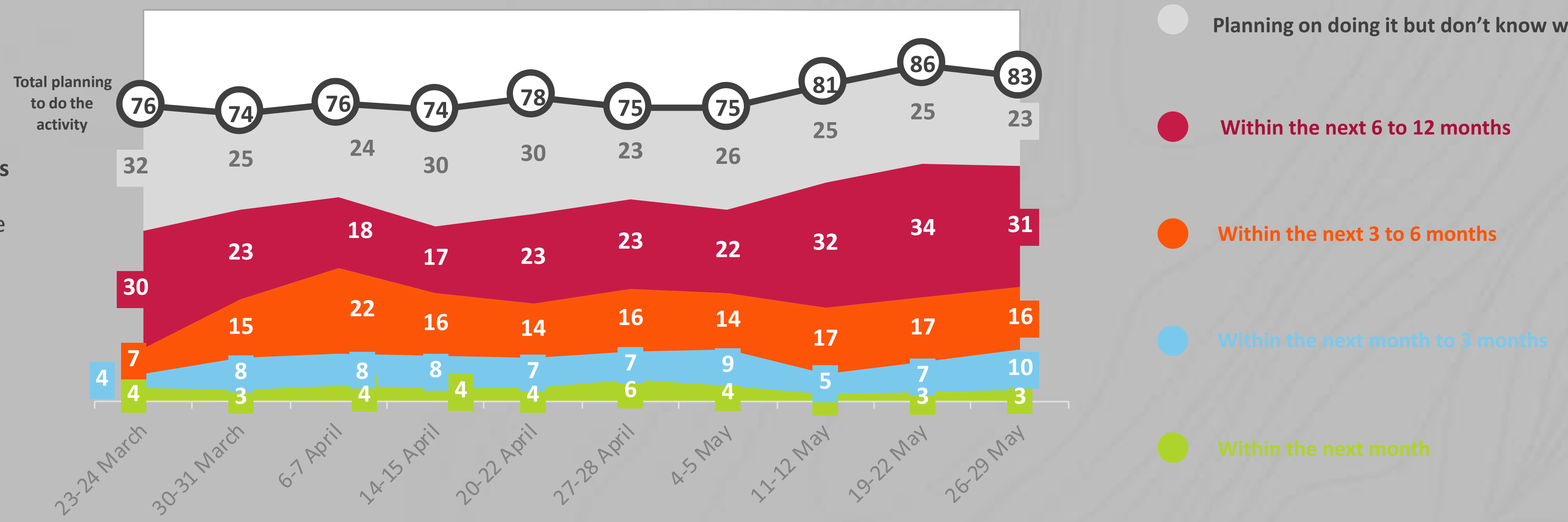
Whilst the total number intending to book a flight drops slightly, we see the highest proportion yet for booking in the next 3 months – countries like Spain announcing they will forego the 14 day quarantine has influenced this rise

Book a flight

This week

6.5 months

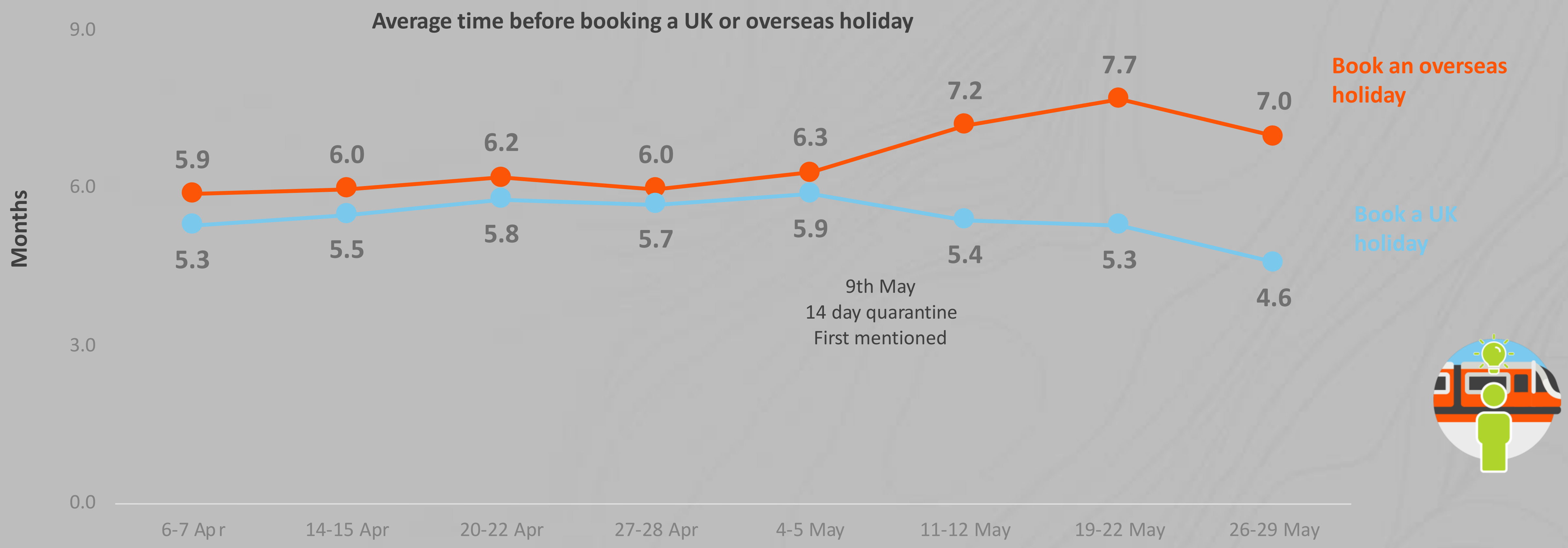
Average time before the activity



 Q12. Given what you know today, when do you anticipate doing the following? Base all

ALLIGATOR BVA BDRC

As airlines such as easyJet and Ryanair are announcing their returns in June and July, lead times for overseas holidays drops back down – lead times for UK holidays are getting ever shorter



On social media – Is advanced technology the immediate future or the new way forward for hotel stays?

Could hotel service robots help the hospitality industry after COVID-19?

Check in has become the new **check** out.

COVID-19 boosts the prospect of contactless commerce
Retailers have pushed mobile payments as a means to reduce contact.
nrf.com

Detection technology

Wouldn't it be better to finally develop #coronavirus detection technology?

Non-direct human contact

Assisted by technology, hoteliers can manage almost all the hotel processes without direct human contact.

Technology

'New normal' for hotel industry may revolve around advanced technology

Non-direct human contact

@HiltonHotels used @RedHat technology to improve their guest experience, including 100% digital check in/check out. As hotels start to reopen for the summer season, digital check in could become an essential part of #socialdistancing

Digit tech, robots and apps

Industry experts say ultraviolet, germ-killing lighting, germ-killing robots and contact-tracing apps could all be embraced by the hospitality industry

Robots and loss of the 'old'

Mini bars replaced. Housekeeping robots. And no more buffets... how coronavirus will change hotels

Virtual interfaces to deal with customer queries during Covid-19

Innovative hospitality businesses in Cornwall and the Isles of Scilly are developing virtual assistants to support their businesses during the Covid-19 pandemic

ALLIGATOR BVA BDRC

UK Tour Operators

- Government advice
- Peak season
- Q3
- Finance
- 2021

UK Tour Operators

- UK Government advice remains “do not travel unless absolutely necessary”.
- As such, any customers are unlikely to have valid travel insurance until this advice changes.
- Quarantine is now in place when you return to the UK – although you can travel on public transport to your place of quarantine.
- Additionally, any new bookings will generally not be covered by travel insurance for cases relating to COVID whilst on holiday.
- Combined with the economic and health concerns in the UK, demand remains low for 2020, but 2021 is seeing some activity.

UK Tour Operators (cont'd)

- Peak season bookings are seeing low cancellation rates amongst TO's (but very few new bookings).
- These existing bookings will have valid insurance policies so slightly more confidence about their safety when abroad.
- Q3 new bookings remain low as this traditional non-family customer consider their options.
- Management in TO's remain focussed on business survival.
- Jet2, BA, easyjet, On The Beach have all raised cash through the markets and/or the UK government to survive this period.
- Consumer anger at the refund policies of easyjet, Ryanair, TUI and BA remains high, whilst Jet2 have generally been quicker.

UK Tour Operators (cont'd)

- March, April and May 2021 dates are now on sale with BA and easyjet.
- Easter weekend in the UK is 2 – 5 April and school holidays are likely to span this weekend.
- Many TO's report guests who have not been refunded are rebooking for 2021.
- Thus bookings for 2021 are at acceptable levels, but demand remains weakened.
- The UK "furlough" scheme will end by October but impacts will be felt from June onwards if redundancies are to happen.

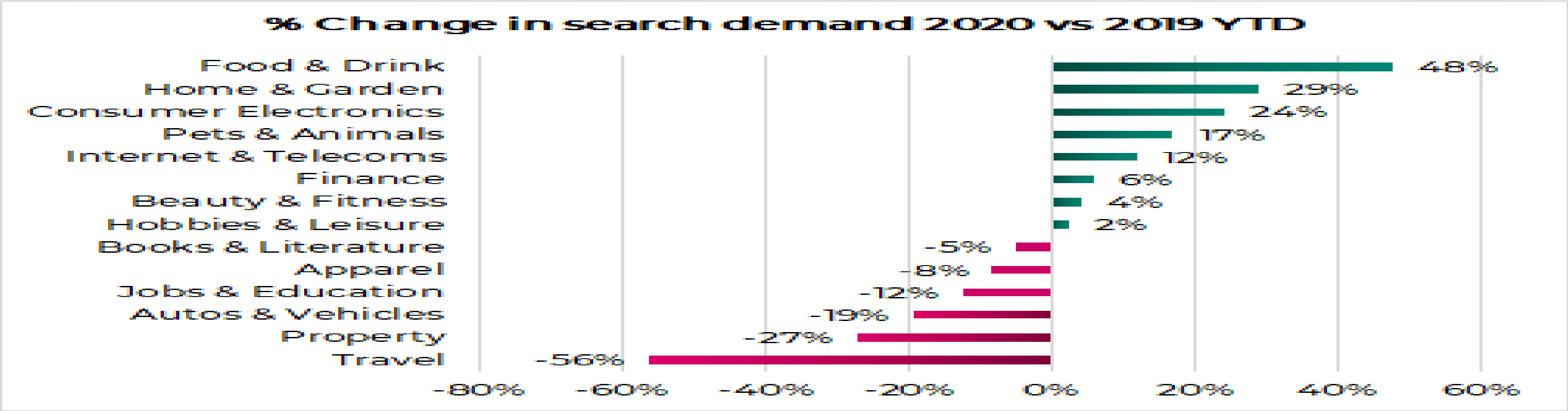
Online Travel Search Data

The following pages have been selected from a report by Search Intelligence, a subsidiary of Propellernet – one of the UK's leading digital marketing agencies – and was published in the last week of May 2020.

Their data comes from Google search data.

How does Travel demand compare to other sectors?

Travel, and more specifically Tourism, is by far the worst impacted industry in terms of search demand compared to last year.



Unlike many other sectors, travel has experienced a pretty much total shutdown and any return to normality will rely not only on UK government policy, but also on how other countries relax their border policies moving forward.

The graph shows year to date metrics but the picture is far bleaker if you look at the last two months verses the same period last year which shows searches down by as much as 90%.

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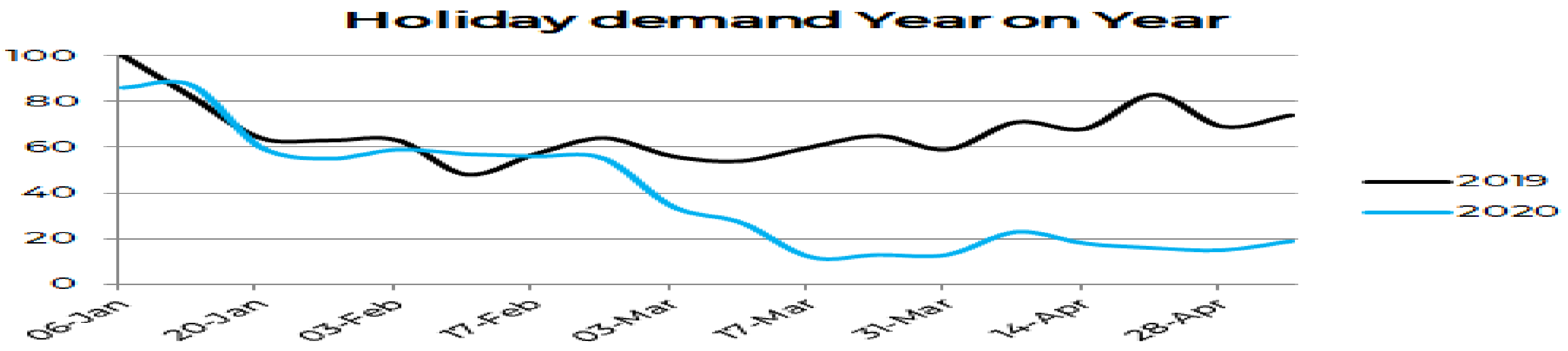
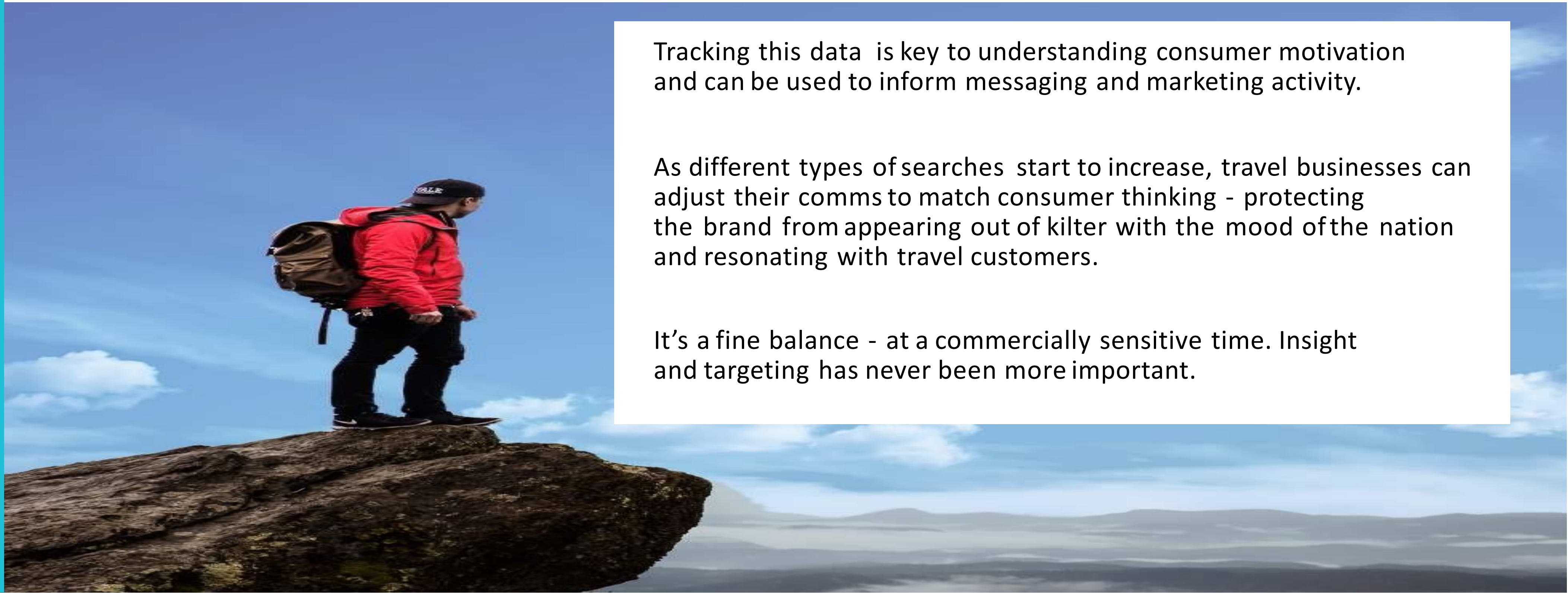
We are beginning to pick up signals in search data which show a steady change in behaviour and some demand returning for holiday research.





Tracking this data is key to understanding consumer motivation and can be used to inform messaging and marketing activity.

As different types of searches start to increase, travel businesses can adjust their comms to match consumer thinking - protecting the brand from appearing out of kilter with the mood of the nation and resonating with travel customers.

It's a fine balance - at a commercially sensitive time. Insight and targeting has never been more important.

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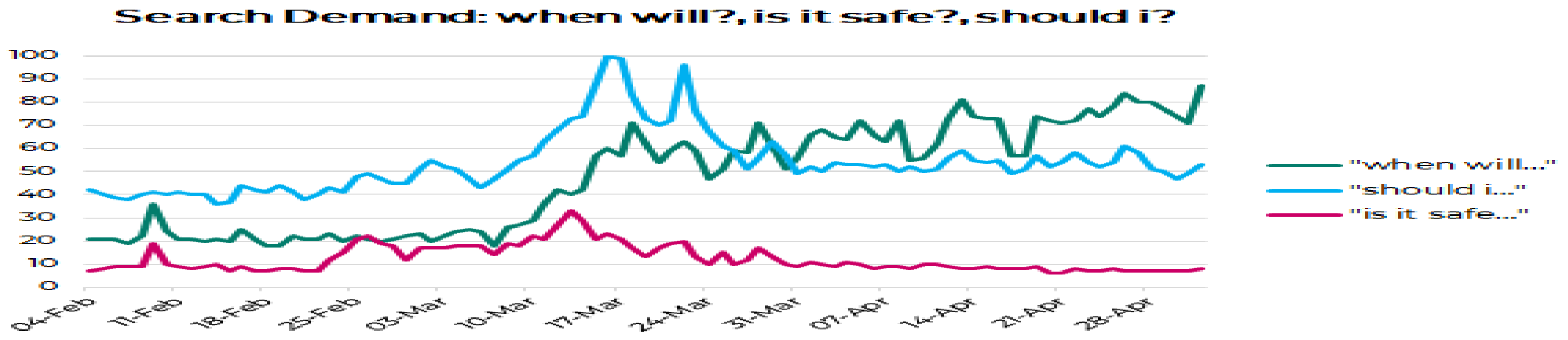
How are consumers thinking?

Safety fears and permission turning into desire for normality in the future.

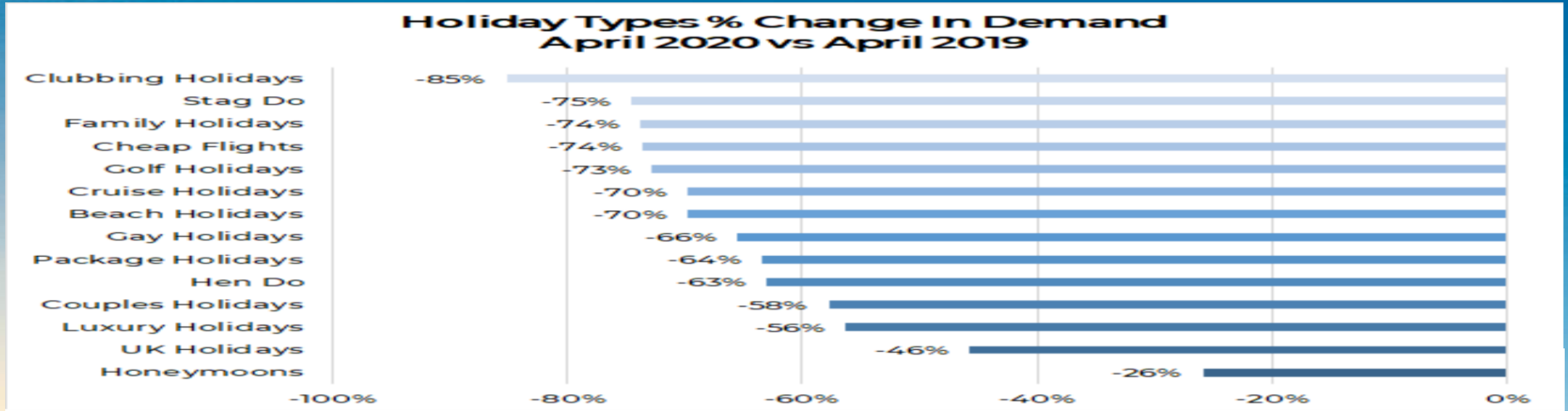
Searches including ‘is it safe’ and ‘should i’ phrases were prevalent during the most uncertain time moving into UK lockdown at the end of March. Those expecting to depart on holiday wanted to know if it was still safe to travel and whether there were risks of being caught up in the disruption.

These initial spikes at the start of the outbreak were short-lived and now we have seen queries including ‘when will’ show sustained and continuous growth from March onwards.



Digging into the data, different holiday types have fared differently.

Searches for all holiday types have seen a significant decline in demand versus the same period in 2019. Group trips including family, cruise, golf and stag have seen particularly large drops alongside clubbing holidays - reflecting the cancelled summer of events across Europe.



Sample of most common types of holiday taken by UK travellers

Honeymoons and UK holidays have seen the least decline, the former a reflection that 'life events' are being postponed rather than cancelled and the growth in UK-based holiday searches unsurprisingly reflects the uncertainty about air travel and international borders.

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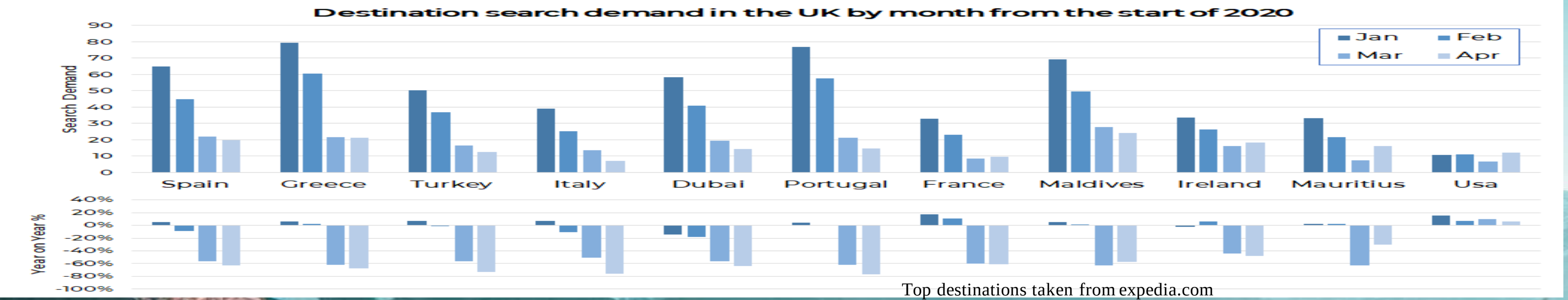
Some destinations are seeing demand return faster than others



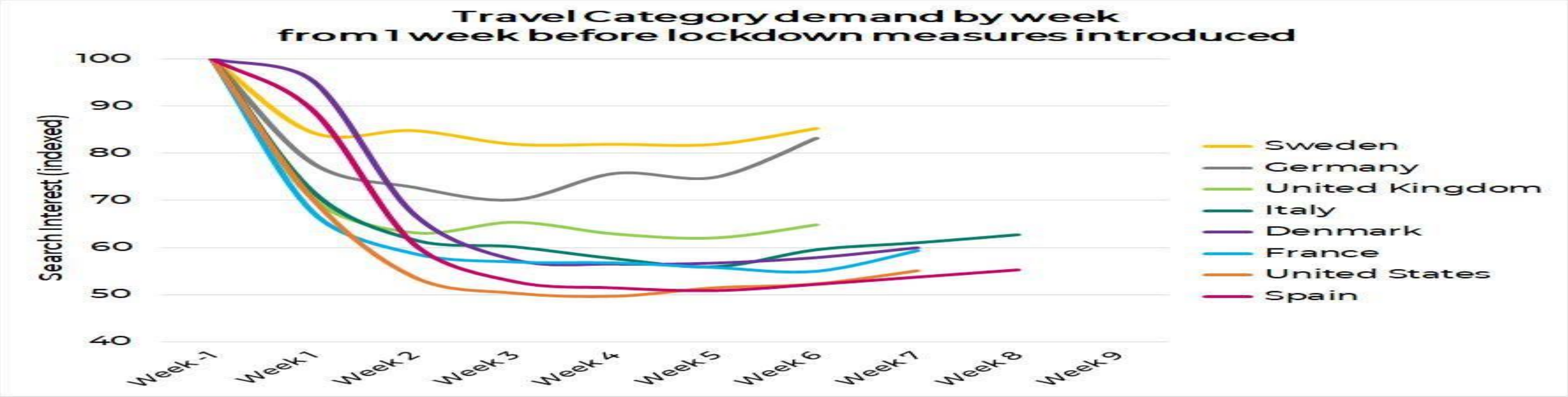
Top destinations taken from expedia.com

Looking at the UK's top holiday destinations shows that Italy, Portugal and France are the hardest hit with demand falling as far as 80% year on year. The UK's love of holidays to Spain has not waivered as much (61% drop) and perhaps most surprisingly, April showed a month on month growth for interest in USA holidays, with Mauritius also experiencing an uptick in interest - perhaps due to the televised Masterchef Final.

Mel Withero @PSMJW · 15 Apr
#Masterchef in Mauritius and it looks amazing.... added to my holiday list!

What can we learn for the UK from returning travel demand in other countries as they come out of lockdown?

Using data from countries that have already eased lockdown conditions, we can predict the demand curve for travel interest in the UK.



We can see how the coutries that have managed the virus outbreak best to limit the number of cases and deaths (Germany and Sweden) have suffered the lowest drops in travel searches and are already only less than 20% down on pre-lockdown levels.

The UK follows a similar demand curve to Italy and France. As Italy and France have come out of lockdown earlier, they have seen an uplift of 10% for travel search demand, something we can expect to see in the UK. We may therefore see UK demand returning to 25% down on pre-lockdown levels within the next two weeks (approximately mid-June).

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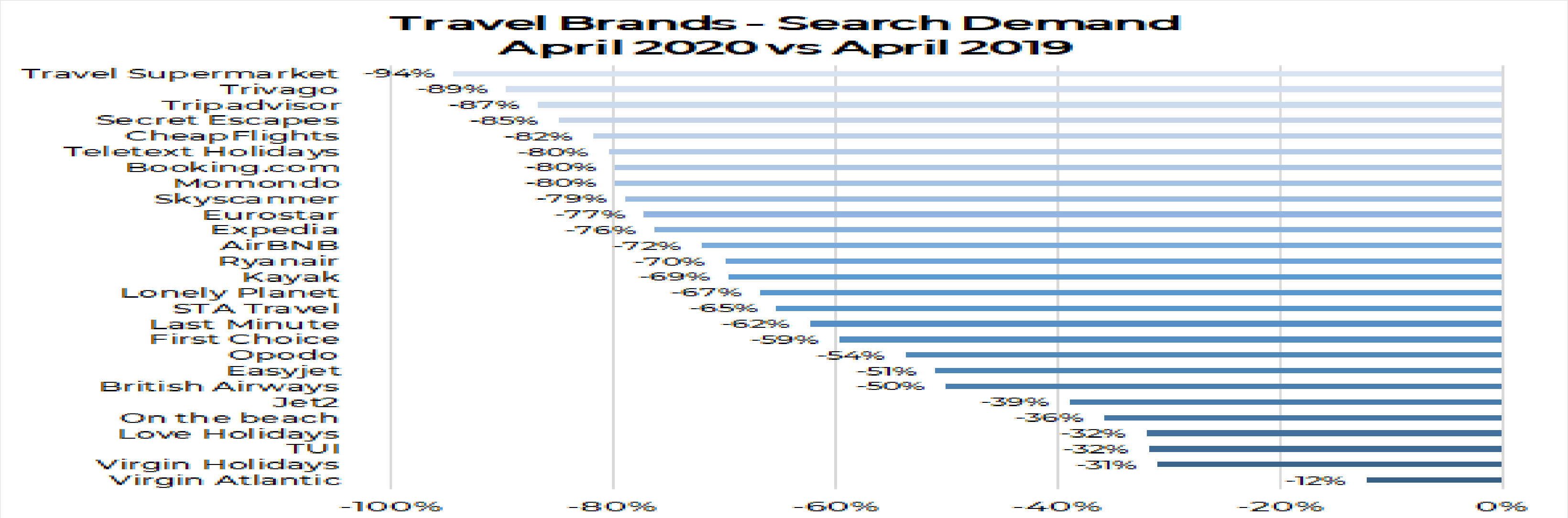
How are brands faring in the sector?

With customers unable to travel now or plan for future trips with any certainty, brand search demand has fallen sharply across the board but it is travel aggregator sites that have been worst hit.



Sample of 27 leading UK travel brands with online presence

As the middlemen in a booking, sites like Trivago, Cheapflights and Travel Supermarket are less exposed to the customer service responsibilities that airlines and tour operators are. It will be the growth in demand for these kinds of sites that will be a closer indication of how customers are starting to research new trips.

The fact that the UK's biggest travel barometer Tripadvisor is 87% down on last year demonstrates just how far out of people's minds travel is.

For the brands that have seen less decline it's important to note that much of the demand seen for airlines and operators is in relation to rebooking, cancellations, refunds and news - most prominently the unfolding story of Virgin Atlantic.

Conclusions

- Demand for overseas holidays before Q4 is substantially subdued, not helped by the restrictions now being imposed by the UK government.
- "Air bridges" – being discussed between the UK and Greece, Cyprus and Portugal - may help alleviate the question of quarantine for passengers returning to the UK.
- Those who have booked for peak may keep their bookings but the traditional market for September & October remain hesitant until more details are available on the holiday & travel experience.
- The big UK tour operators are likely to get bigger market shares of a smaller market. Independents with HNW individuals will need additional nurturing if they are to survive.

Strategies

- To secure bookings, customers will need to know that your hotel (and destination) offers what they need from their holiday including details on safety and space provided.
- Images / video of the "new normal" in your hotel can help re-assure customers of your efforts to ensure their safety and ITS are discussing the need for this with, initially, TO sales and support staff.
- Similarly, this content can be presented to tour operators as "virtual site inspections" that ITS can facilitate.

Strategies (cont'd)

- Past customers know your hotel and will initially be more comfortable with re-visiting a familiar place in unfamiliar times. Relevant, timely promotions to this data set could prove valuable and ITS can assist you with these.
- Promotion will now be increasingly digital and new opportunities are opening up in unfamiliar channels (e.g. You Tube) as customers seek a deeper narrative on what they can expect on their holiday choice and this must be considered.
- The landscape is still evolving and we shall continue to update you and adapt as more information becomes clear.

Methodology

Survey of Consumers

Nationally representative online survey, conducted weekly. This week we surveyed 1,757 British adults.

During the first 8 weeks of tracking, our otherwise nationally representative survey filtered on people actively engaged in two of the following sectors:

1. Public transport / mass-transit
2. Visitor attractions
3. Hotels & paid-for accommodation

From Wave 9 onwards, we have not filtered on engagement with these sectors, but provide a directly comparable sub-sample of those who would have met the equivalent criteria.

For ease of reference in our reporting we use two icons to distinguish between the two audiences:


= 'Travel Activists' (based on the definition above and used in Waves 1 - 8)


= 'All UK Adults' (nationally-representative)

Social media analytics

With customers increasingly communicating directly with organisations and their peers through online channels, these conversations cannot be ignored in the assessment of the COVID-19 crisis on brands.

Our social analytics capability gets closer to the conversations happening in the online space, by listening to how brands are talked about across social media and how brands' reactions to the situation is viewed online.

Rigorous content cleaning and checks are set and regularly reviewed to ensure data quality. The analysis is focused primarily on conversations around the coronavirus over the past week.

Similar to the quantitative survey, social media will be analysed on a weekly basis. For this report we've examined:

- 36,006 posts for the transport sector
- 23,268 posts from the leisure sector
- 20,532 posts from the hospitality sector
- 3314 posts from financial sector