UK Market Update

March 2021

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UK Update – March 2021

This month we bring together some of the market data currently emerging from the UK for international travel in summer 2021.

The road ahead still remains unclear as borders remain closed at time of writing.

However, opportunities are now emerging and we will highlight some of them here.

Timelines

12 Apr.

UK Government announce proposals for resumption of international travel

17 May

Earliest possible date international travel will resume

21 June

Target for lifting all COVID restrictions in UK

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Impacts

Hopes of sales from Easter to May have diminished

The "earliest possible" opening date of May 17 also puts overseas family holidays at May half-term in doubt and reduces yield opportunities at this key date

Capacity is being further cut by the UK's Tour Operators -

"Capacity for 2021, on what we originally planned, is quite significantly down, by over 20%. But we will bounce back in summer 2022." – Steve Heapy, CEO, Jet2 Holidays

(NB – Jet2 already planned a 9% reduction in volume compared to 2019)

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Impacts

The second half of this summer shows some signs of life. Search data from online travel agency, Ice Lolly, for the period 22-28 February shows –

"Overall, summer 2021 accounted for nearly 80% of all searches with one in five being for August travel.

May 2021 lost share, as icelolly.com's users confidence over when they'll be able to travel moving to later in the year.

Share of search for stays 31-90 days in the future was the biggest % share gainer again this week, though searches for 3-6 months out was still the most-searched.

Across those two periods there is a small window (171 to 181 days from search date) that account for 15% of all searches. That covers travel from August 12 to 18."

SOURCE : ICE LOLLY.COM PULSE REPORT 22-28 FEB 2021. AS PRESENTED BY TRAVOLUTION.COM

Not Just The UK

Netherlands –

"At the moment, the Dutch are not booking I'm afraid, but we have quite a few holidays that have been transferred from last year to this summer"

TUI NL Head of External Communications Petra Kok (SOURCE – GTP.GR 1/3/21)

Germany –

"The German travel industry does not expect a tourism restart before May and now predicts 50% of 2019 revenues at best this year. Ahead of ITB Berlin Now, the German Travel Association (DRV) released its latest market trend figures and gave a downbeat outlook for this year" (SOURCE – FVW.DE 4/3/21)

Consumer Sentiments - UK

The next few slides are thanks to the excellent BVA / BDRC reports that have been tracking consumer confidence in the UK since the pandemic began.

Every 2 weeks, they sample c.1800 UK citizens to determine their changing attitudes to how COVID is affecting their lives.

More details can be found at -

www.bva-bdrc.com

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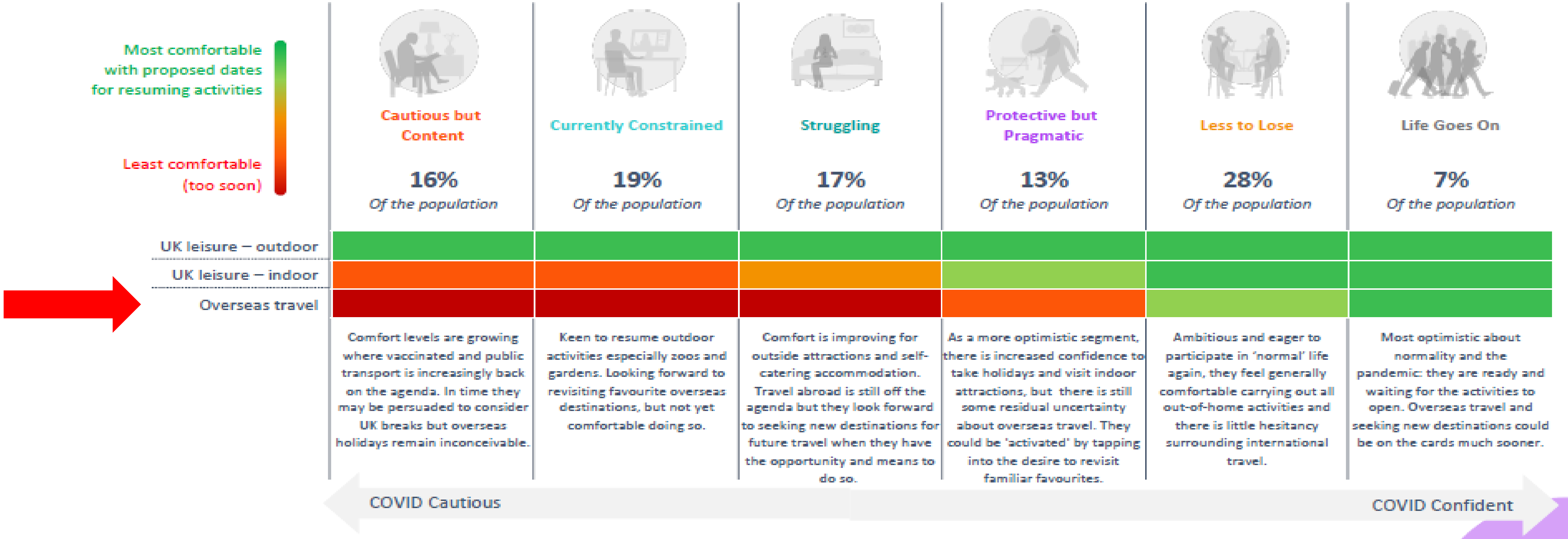
Consumer Confidence UK

All segments are broadly comfortable with the proposed roadmap for re-opening UK outdoor leisure activities however, for all but the most Covid confident segments, it feels too early to contemplate indoor activities and overseas travel.



SOURCE : BVA / BDRC CLEAR SIGHT ON COVID REPORT MARCH 2021

ClearSight

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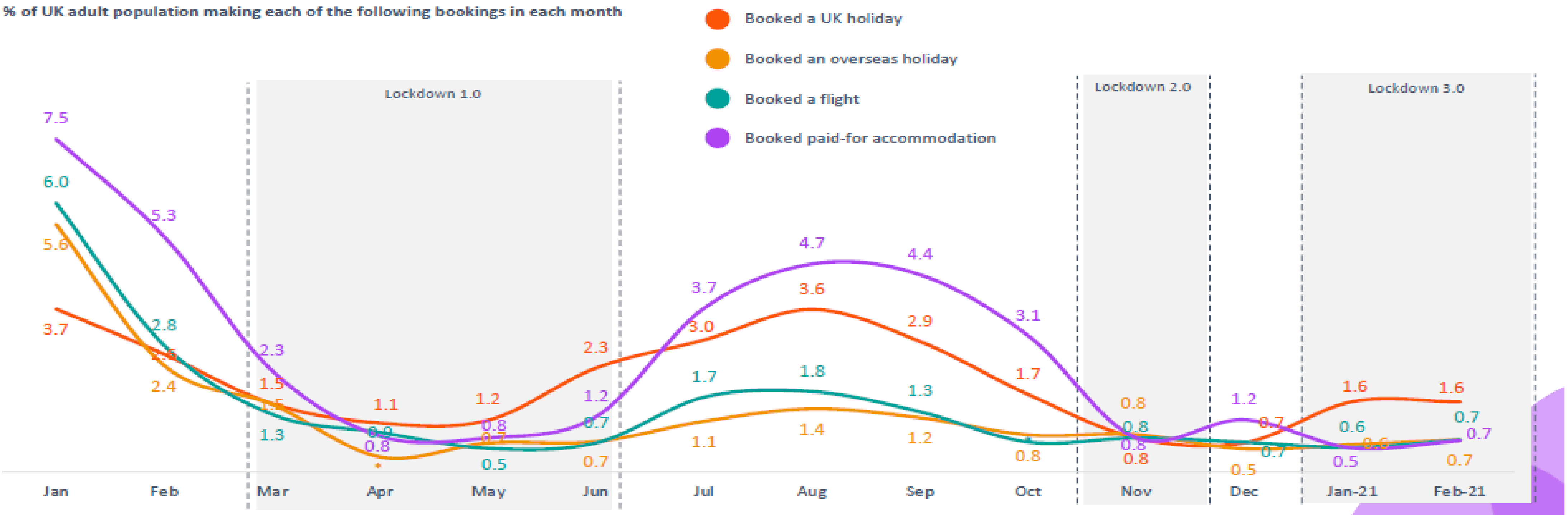
Consumer Confidence UK - bookings

The uptick in UK holiday booking activity reported in January, has consolidated (but not accelerated) in February. Flight and accommodation bookings remain at negligible levels.



SOURCE : BVA / BDRC CLEAR SIGHT ON COVID REPORT MARCH 2021

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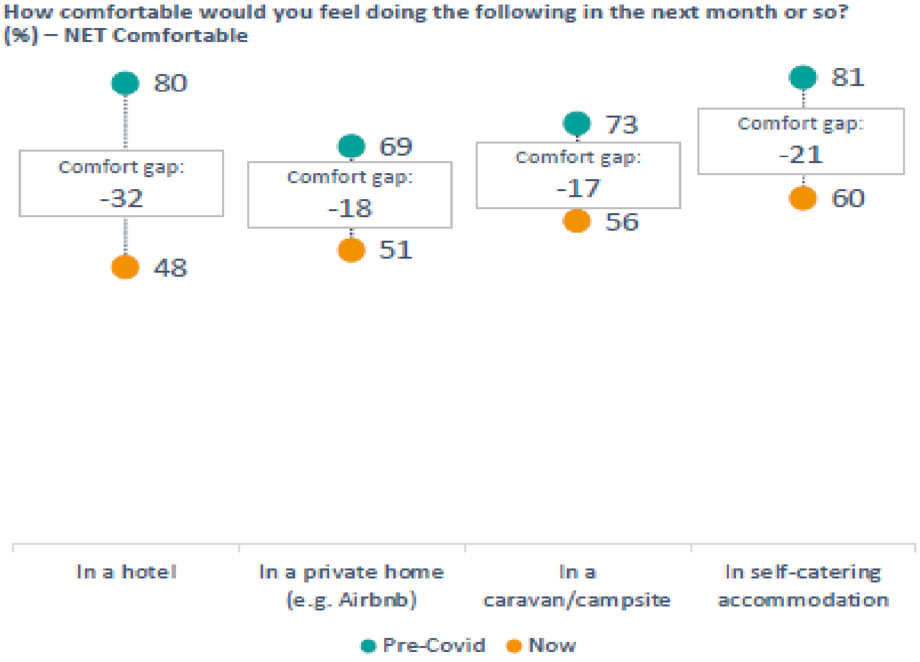
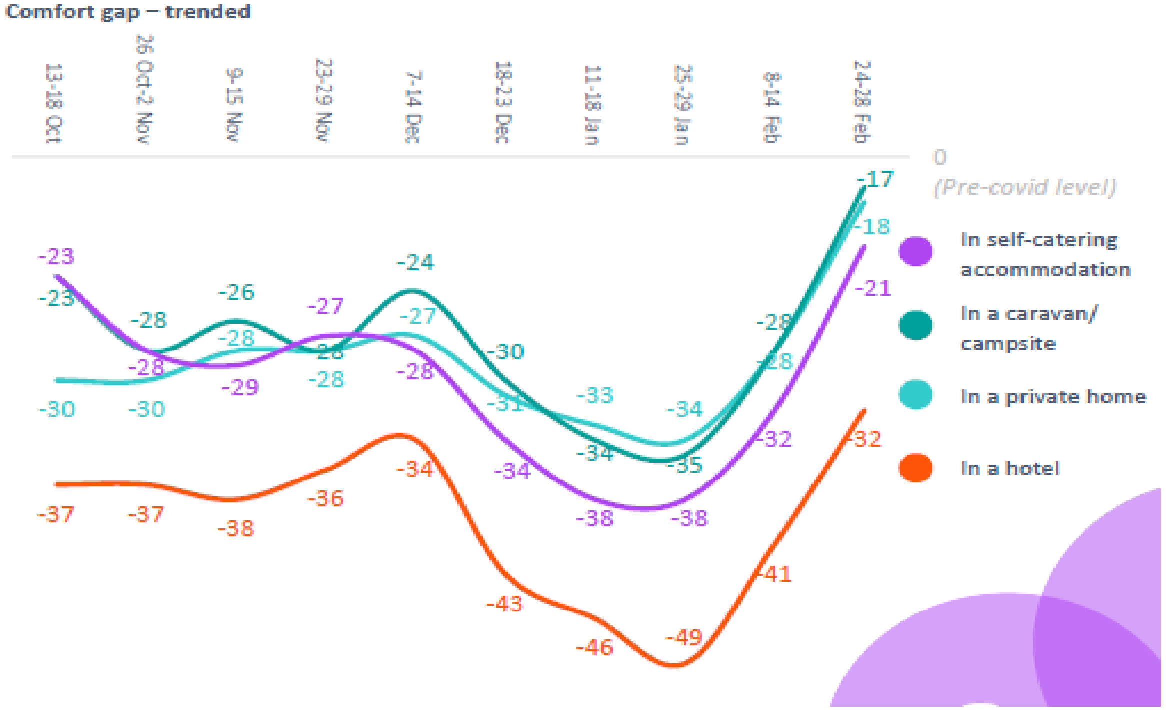
Consumer Confidence UK – travel plans

In a boost for the hotel and accommodation sector, levels of comfort with the prospect of staying away from home show dramatic improvement since January. However, hotels still have a wider 'comfort gap' to close relative to self-catering / private home rental.





SOURCE : BVA / BDRC CLEAR SIGHT ON COVID REPORT MARCH 2021

ClearSight

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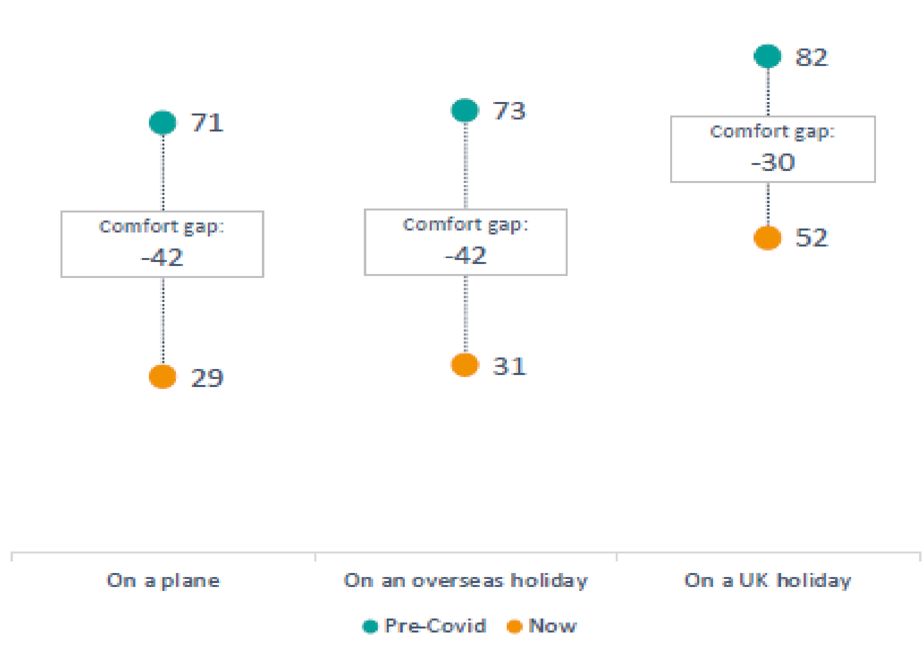
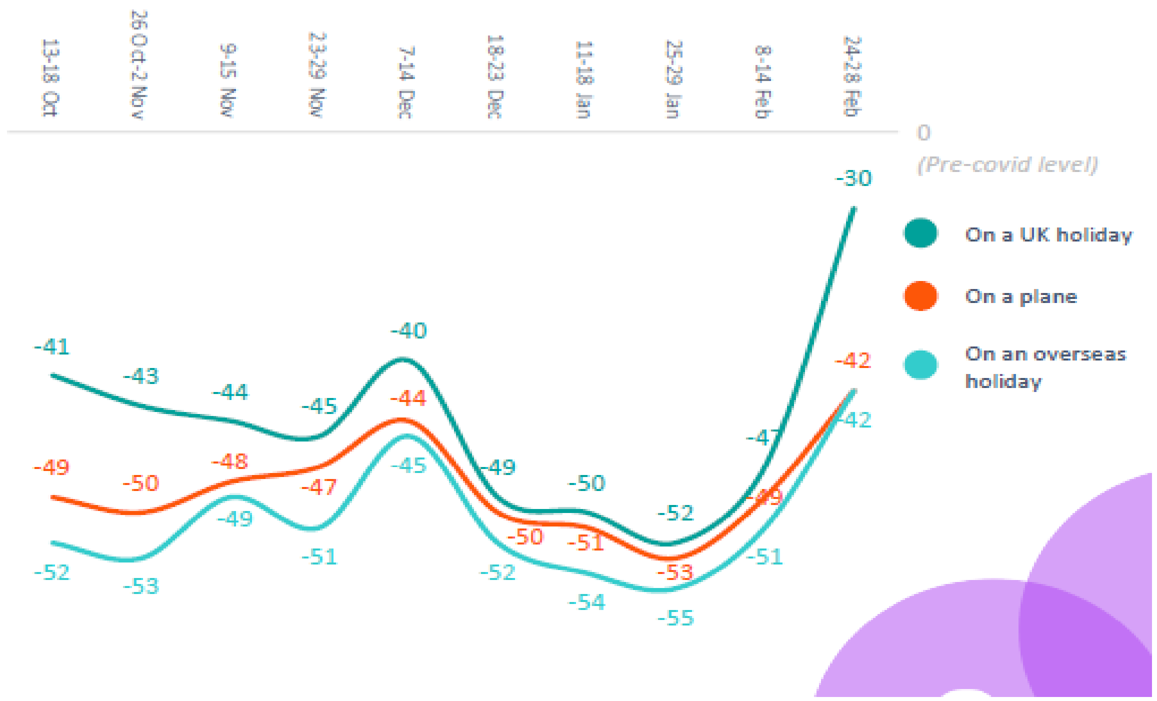
Consumer Confidence UK – travel plans

A similar trend, with narrowing comfort gaps, is in evidence for holidays – though month-on-month progress is more dramatic for staycations than for overseas holidays and air travel.

How comfortable would you feel doing the following in the next month or so? (%) – NET Comfortable



Comfort gap – trended



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SOURCE : BVA / BDRC CLEAR SIGHT ON COVID REPORT MARCH 2021

UK Consumers – Where to travel to?

When allowed to travel again, as many people are likely to revisit old favourite destinations as seek new ones, although that varies by cohort

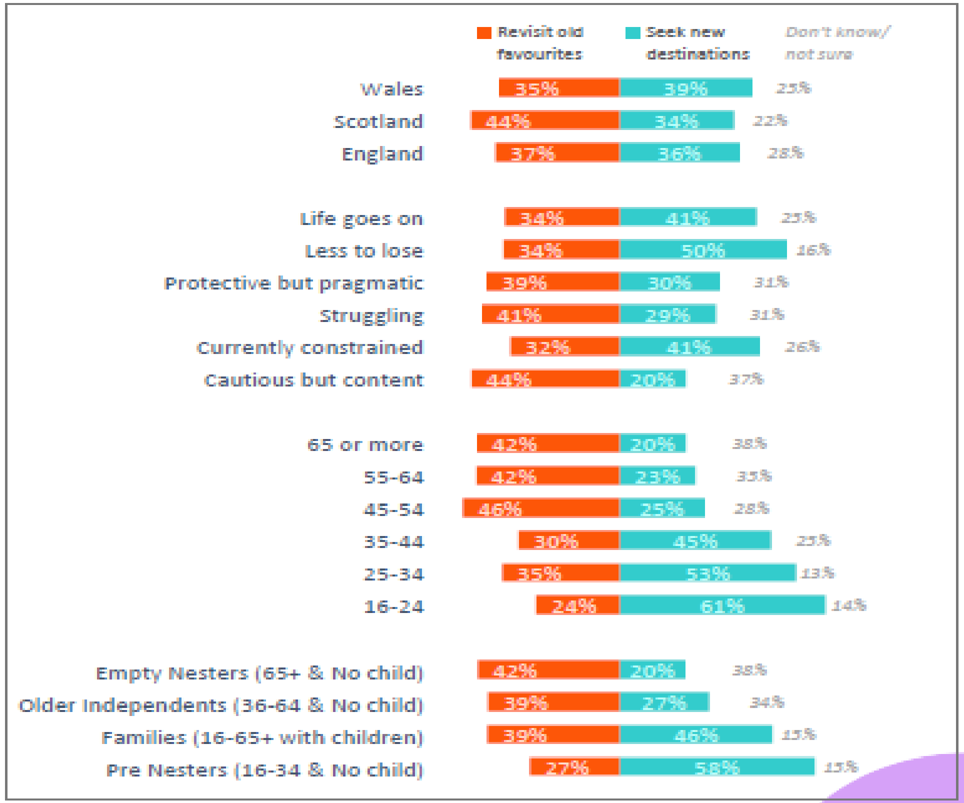
When you travel again, are you more likely to seek new destinations or revisit old favourites?

With travel messaging normally focused around seeking new adventures and experiences, it seems that at present, just as many people are likely to seek out the comfort of old favourites when able to travel again.

Whether fuelled by nostalgia or just general conservatism, there seems to be a strong pull towards revisiting old favourites amongst the older and more cautious segments of the population, with the age of 45 seemingly the point at which the pattern reverses.

Amongst the attitudinal segments, those for whom *life goes on* and who have *less to lose* are eager to seek new experiences. They also have the smallest proportion of those who currently are not sure. The more *pragmatic* respondents tend towards old favourites, while the *cautious but content* segment does so significantly.

There is no real difference between the thoughts of residents in England and Wales, but those in Scotland tend ever so slightly towards the old favourites.



SOURCE : BVA / BDRC CLEAR SIGHT ON COVID REPORT MARCH 2021

The Return

As more of the population in each country is vaccinated, then confidence of international travel increases.

The BVA-BDRC data on the preceding slides shows that confidence in overseas travel, whilst low, is now tracking higher than in autumn last year.

A survey of 20,000 consumers in the UK by AITO (Association of Independent Tour Operators) reflected this as the age groups vaccinated first confirmed they are the most likely to begin travelling again.

GRAPHIC THANKS TO AITO & SAM CLARK @ EXPERIENCE TRAVEL GROUP

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The Return

Whilst there is now a clear likelihood that there will be some international travel in 2021, it is certain that it will be by no means a “return to normal”.

For the UK, there will be no travel before May 17, impacting margins greatly. Greater clarity on when travel will be allowed will be announced on 12 April.

However, already some UK tour operators are planning to extend their seasons by +1 week

	Couples	Families	Markets
April			Closed
May			Last minute - maybe
June			Late bookings
July			Good demand
August			Good demand
September			Peak demand for couples
October			Families late October holiday

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The Return – other countries

Germany –

"Bookings for the spring are minimal given widespread uncertainty about the prospects for travel during the Easter holidays. Most of the bookings are for the summer (60%) or the autumn (25%), or even for next year, according to the DRV/TDA figures" (SOURCE – FVW.DE 4/3/21)

Netherlands / Belgium / Denmark –

"We've seen a growing trust especially for departures starting mid-May. Couples, for example are already booking… May until mid-June in terms of bookings will be challenging months but we expect many last-minute bookings in July while we feel very positive about the August – October period, as we expect borders to be open"

Sunweb Group Chief Commercial Officer Tim Van den Bergh (SOURCE – GTP.GR 1/3/21)

The Return - airlines

Airlines across Europe will be desperate to maximise utilisation and load factors this summer – their survival depends on it

Jet2 in the UK have confirmed that they plan to extend their flying season into November for some of the southern Mediterranean islands

Eurowings from Germany are moving planes to the UK on the expectation that this market will recover quicker than the German market

Expect all airlines to look to extend their flying programmes by +1 week (if demand is there) and to start their summer 2022 programmes earlier too. Keeping planes on the ground is expensive, they will be looking for any chance to fly again.

Pricing strategies

+

Lower discounting early July
Lower discounting September & October
Higher yields October school holiday
Possible extra week at end of season

−

Loss of business April & May
Lower yield May school holidays
Possible lower yield in family rooms

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April / May now look to be the peak booking months for the UK

A percentage have already booked a UK holiday for this summer, reducing some demand for overseas holidays.

The level of bookings transferred over from last year will give some comfort, but rate of sale in expensive room categories will be crucial.

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Conclusions & Strategies

- The UK market has shrunk greatly compared to 2019, but may now be one of the first to bounce back, albeit to around 60% for 2021
- April 12 will be a crucial date as the UK govt. announce travel plans
- From this point on, everything will become very busy. Likely due to high customer demand, but equally a decision could be postponed, or a re-start pushed back to later in the summer – say late June time.
- There is still some fluidity in airline capacity plans for 2021. Expect capacity to shift as demand and which destinations are deemed safe for travel becomes clearer.
- Island destinations seem more likely to succeed than those on the mainland, as we saw last year.

Conclusions & Strategies

- Family bookings will need extra encouragement this year. Most will book with a reliable, bonded, TO. Consider room upgrade offers to secure these customers and ensure your COVID guidelines are clear.
- Returns to a "favourite place" will be popular. As we advised previously, marketing to your past customers is crucial this year.
- The world of tourism has changed. Our experience and personal networks will help your business recover quickly.

Email – steve@itravelsolutions.co.uk

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Let us discuss with you how we can help improve your yield, marketing or sales – all in a cost-effective manner.

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