Travel 2040

Sustainability and Digital Transformation as Recovery Drivers

Caroline Bremner, Head of Travel Research
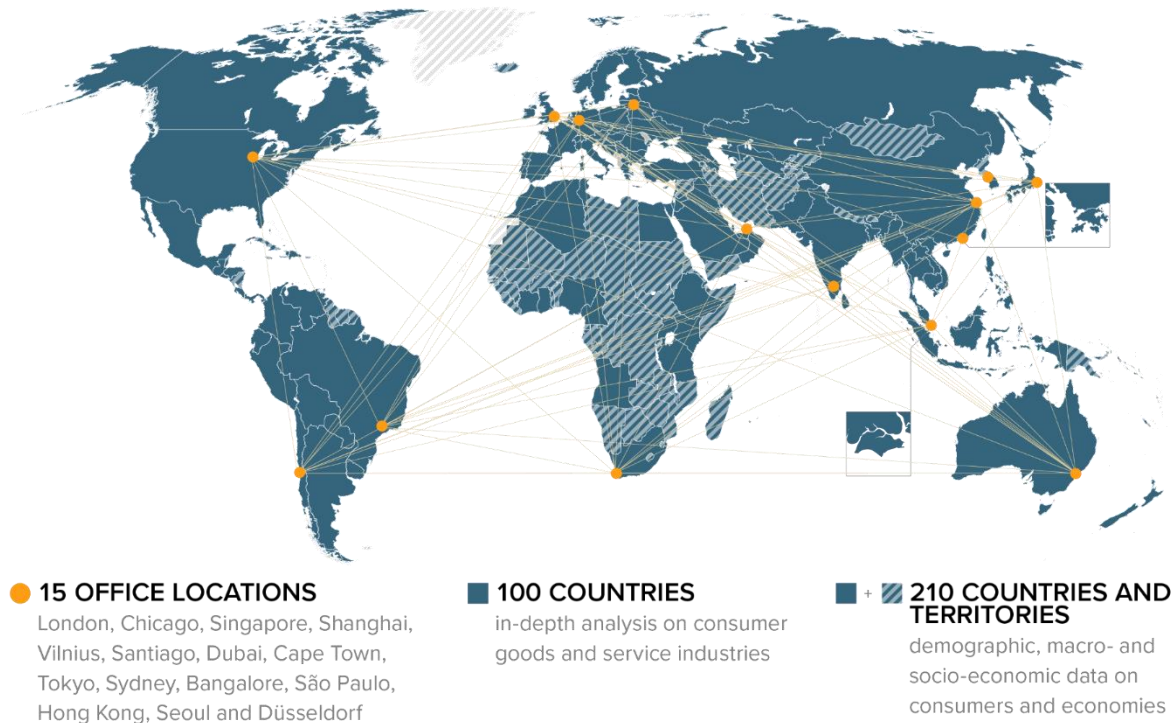
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Overview

COVID-19 impact on travel

Consumer sentiment and behaviour

Innovations to watch

Future glimpse

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Euromonitor International
network and coverage

15 OFFICE LOCATIONS
London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, São Paulo, Hong Kong, Seoul and Düsseldorf

100 COUNTRIES
in-depth analysis on consumer goods and service industries

+ 210 COUNTRIES AND TERRITORIES
demographic, macro- and socio-economic data on consumers and economies
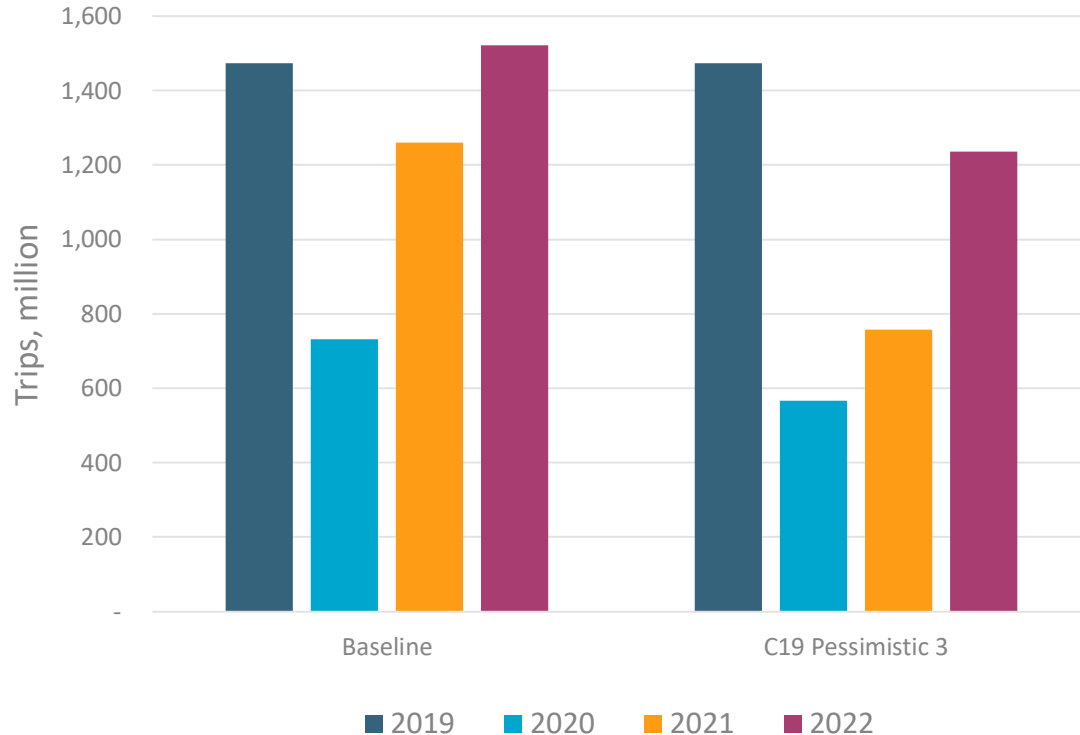
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COVID-19 impact on travel

World Inbound Arrivals Baseline and COVID-19 Scenario3 2019-2022

-50%
Best case – world arrivals % growth 2020
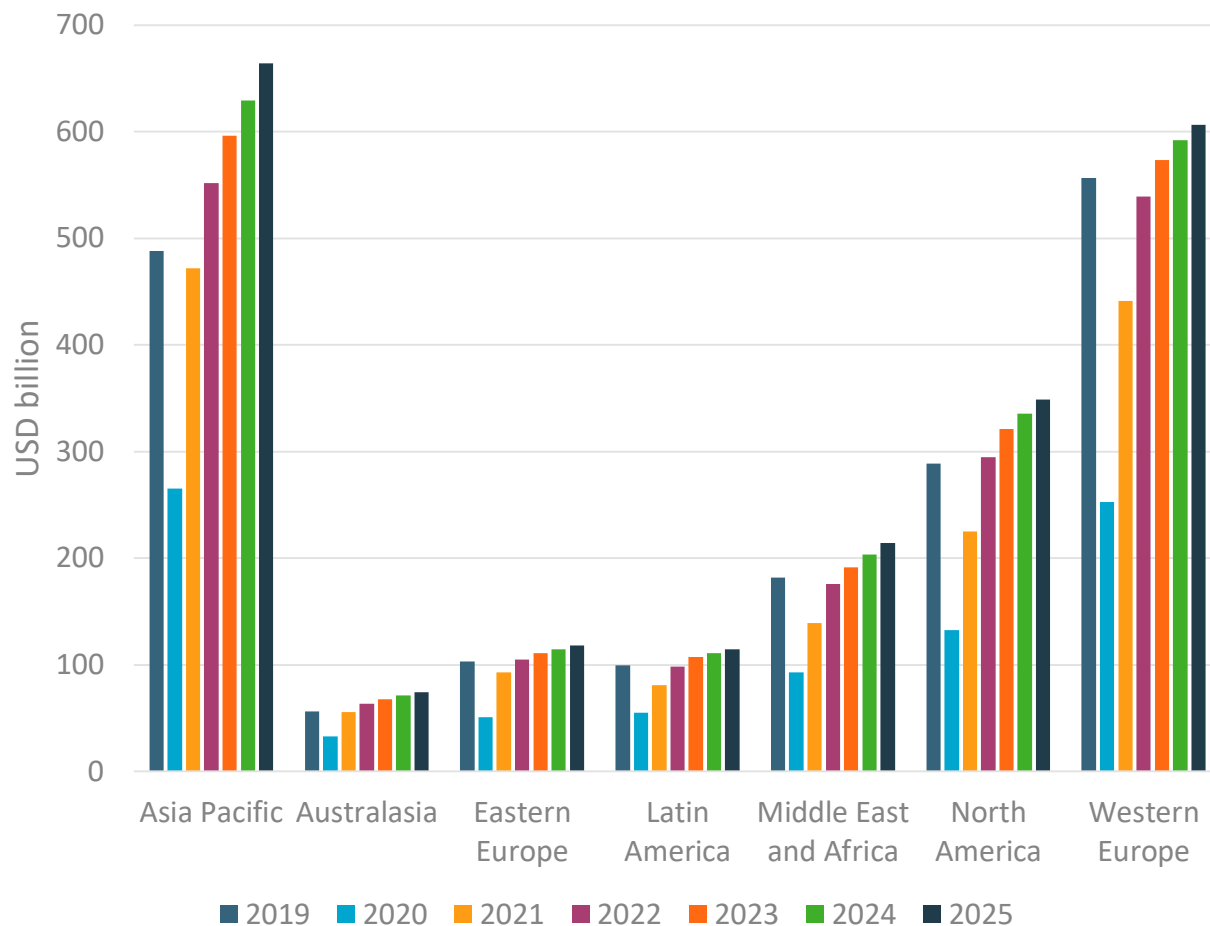
-61%
Worst case – world arrivals % growth 2020

3
Number of years to recover to pre-crisis levels, minimum

Source: Euromonitor International – Travel Forecast Model

Inbound Receipts by Region
USD billion 2019-2025

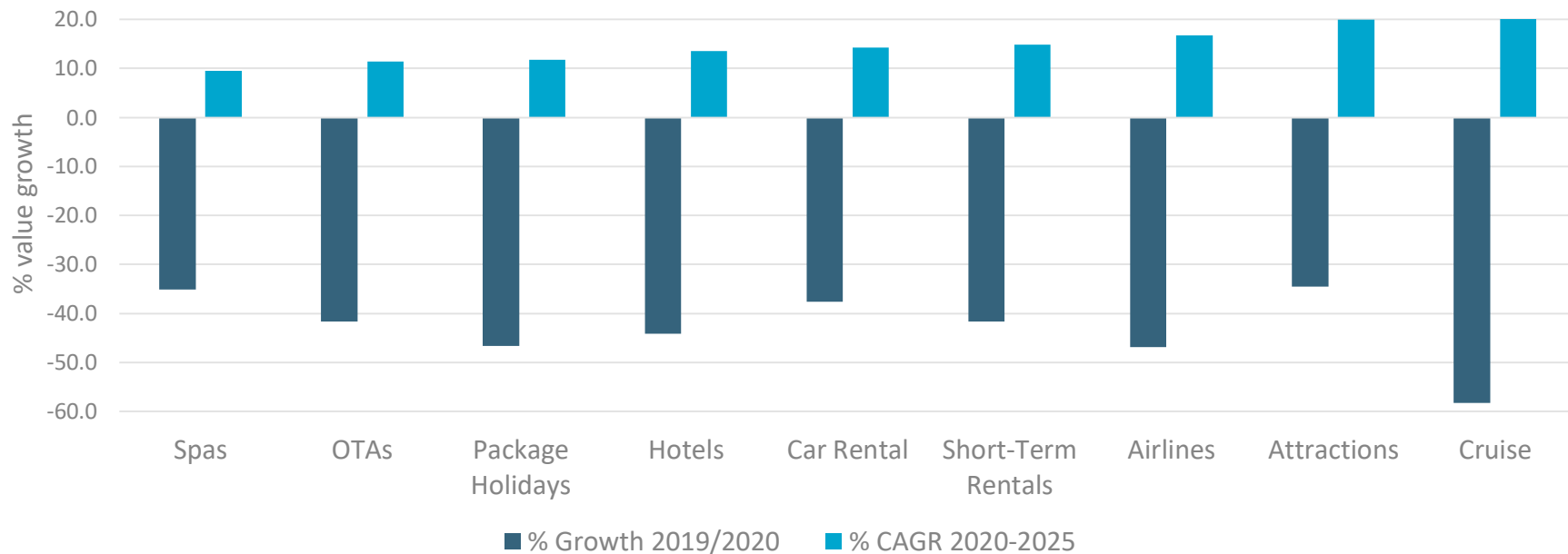USD1.3
trillion - world inbound receipts 2020

30%
% value share for Asia in 2020, overtaking Western Europe

21%
CAGR 2020-25 fastest growth by North America post COVID

Biggest sales declines forecast for cruise and package holidays

World Travel Forecast Sales % Growth

Source: Euromonitor International

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Index of Domestic Tourism Trips 2019-2025

2019 = 100

Legend:
- Asia Pacific
- Australasia
- Eastern Europe
- Latin America
- Middle East and Africa
- North America
- Western Europe

Source: Euromonitor International
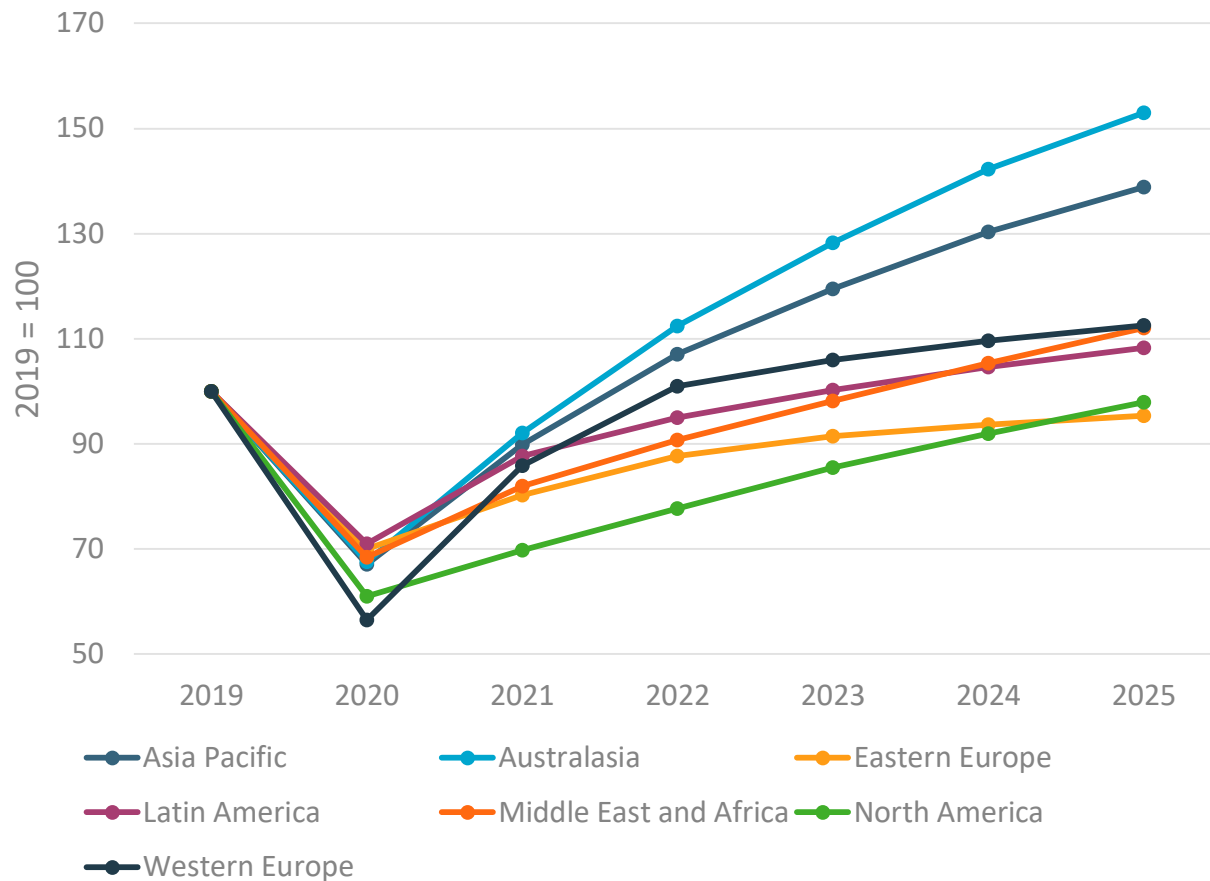
Domestic Tourism Dependency - value

World	**68%**
North America	*82%*
Asia Pacific	*74%*
Latin America	*71%*
Australasia	*57%*
Western Europe	*56%*
Eastern Europe	*44%*
Middle East/Africa	*21%*

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Online and Mobile Travel Sales Average % Penetration 20219-2025

■ Online Travel Sales to Residents ■ Mobile Travel Sales to Residents

Region	
Western Europe	
North America	
Middle East and Africa	
Latin America	
Eastern Europe	
Australasia	
Asia Pacific	

0% 10% 20% 30% 40% 50% 60% 70%
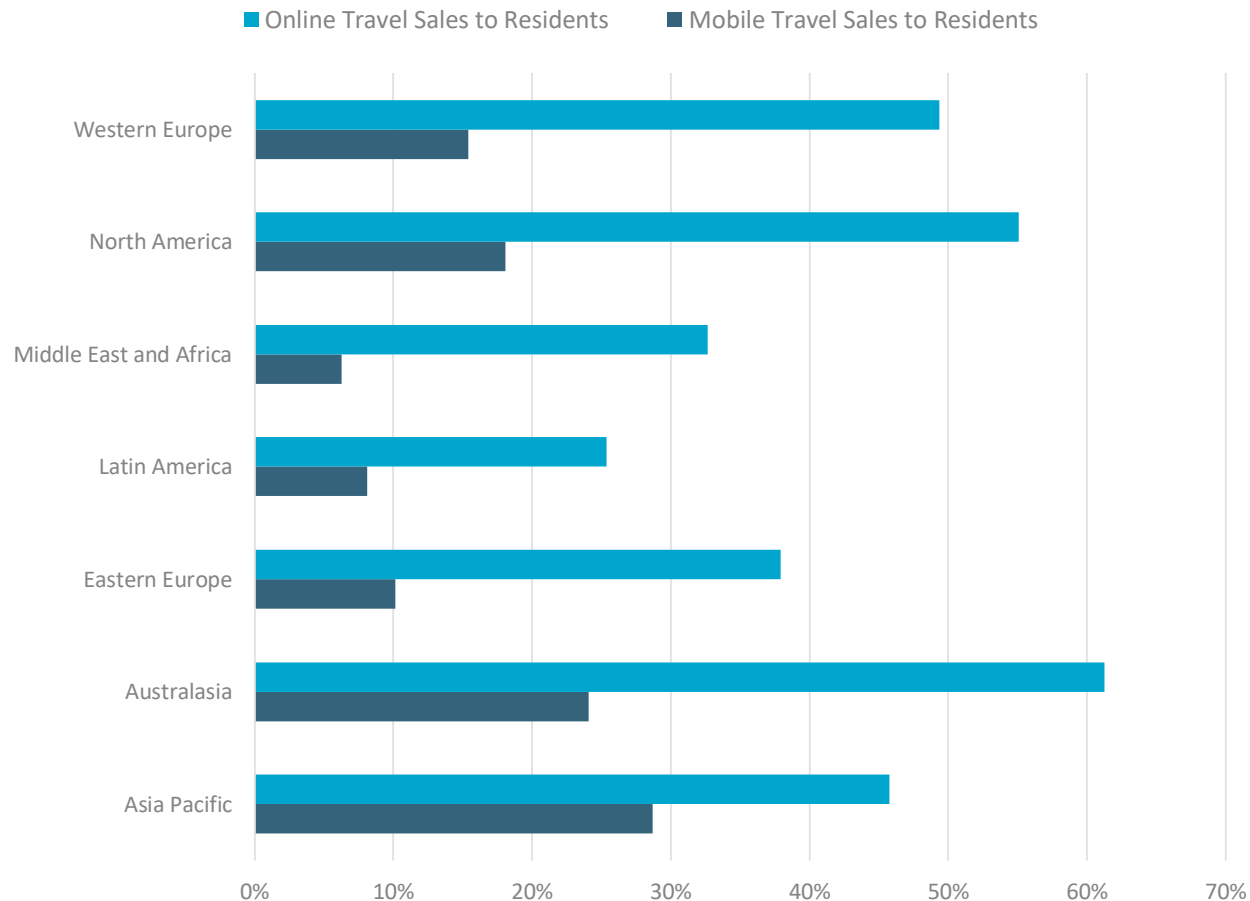
Source: Euromonitor International

41% of travel companies offer a mobile app

Important features:
✓ Search engines (58%)

✓ Family recommendations (55%)

✓ Free cancellations (54%)

✓ Easy site navigation (47%)

✓ Digital wallet checkout (43%)

✓ Free upgrades (42%)

Source: Digital Consumer Survey June 2020

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Accelerating

Domestic, adventure, nature, beach, wellness, luxury

Camping, eco-pods, rentals

Digital, mobile

Families, Gen Z and Y

Social issues balanced with environmental (63%)

Sustainability as a key value proposition (76%)

Decelerating

Long haul, unsustainable models, mass tourism

MICE, corporate business

Baby boomers

Mega cruises, super jumbos

Sustainable sourcing (26%)

Recycling (21%)

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Travel engagement with SDGs

64% of global consumers are worried about climate change, yet only 50% of travel companies engage with SDG13 on climate change

	Travel	All industries
No poverty (SDG1)	15.4%	16.9%
Zero hunger (SDG2)	12.8%	21.8%
Good health and well-being (SDG3)	51.3%	59.1%
Quality education (SDG4)	33.3%	34.5%
Gender equality (SDG5)	56.4%	61.3%
Clean water and sanitation (SDG6)	33.3%	47.0%
Affordable and clean energy (SDG7)	46.2%	45.0%
Decent work and economic growth (SDG8)	56.4%	55.5%

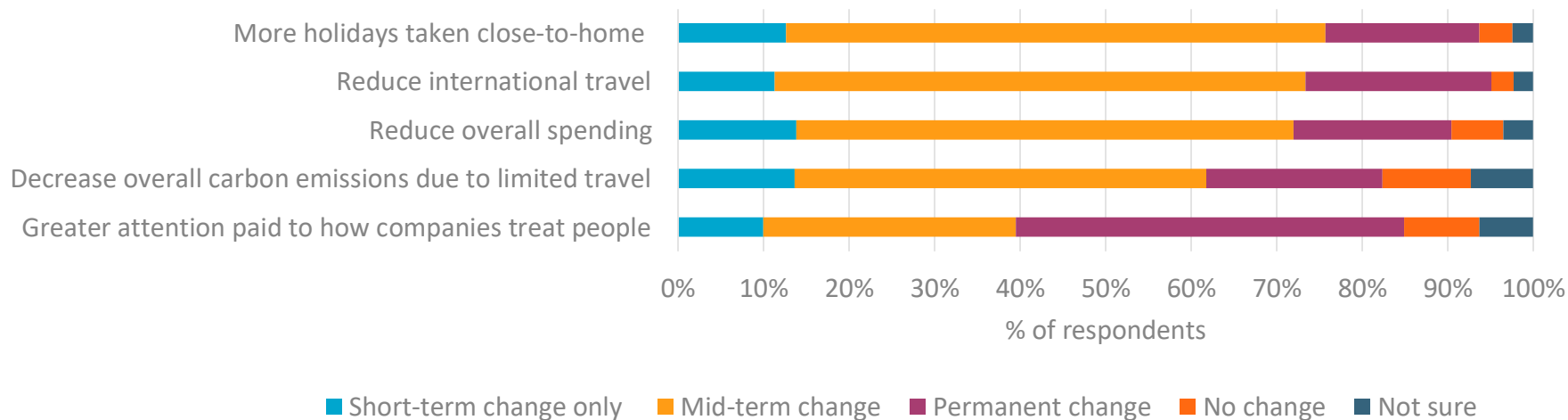|	Travel	All industries
Industry, innovation and infrastructure (SDG9)	61.5%	46.1%
Reduced inequality (SDG10)	20.5%	31.8%
Sustainable cities and communities (SDG11)	66.7%	36.2%
Responsible consumption and production (SDG12)	46.2%	62.7%
Climate action (SDG13)	48.7%	51.9%
Life below water (SDG14)	17.9%	17.1%
Life on land (SDG15)	15.4%	19.9%
Peace and justice strong institutions (SDG16)	15.4%	12.2%
Partnerships to achieve the goal (SDG17)	46.2%	33.7%

Source: Euromonitor International – Voice of Industry, Sustainability Survey (July 2020)

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Consumer sentiment and behaviour

Consumers move away from international travel to holidays closer to home

+7.9% more consumers say they will reduce international travel permanently
% growth April -July 2020

Expected Future Consumer Behaviour - July 2020

Legend: Short-term change only | Mid-term change | Permanent change | No change | Not sure

Chart categories (top to bottom):
- More holidays taken close-to-home
- Reduce international travel
- Reduce overall spending
- Decrease overall carbon emissions due to limited travel
- Greater attention paid to how companies treat people

X-axis: % of respondents (0% to 100%)

Source: Euromonitor International COVID-19 Voice of the Industry Survey, July 2020
Q: How do you think consumers will change their behaviour as a result of the COVID-19 pandemic?

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Source market priorities

Q. - What attributes do your customers most value from your travel company or organization?

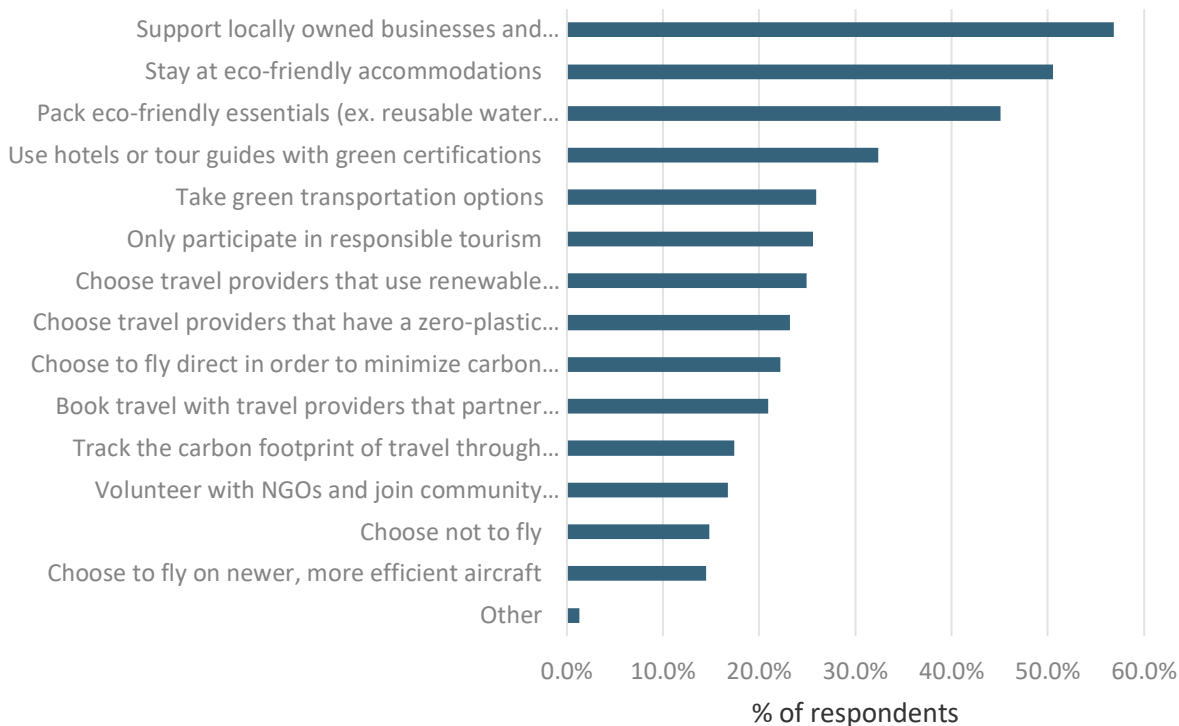|	World	US	China	Germany	UK
Safe destination	60.1%	56%	58%	56%	70%
Authentic & local experiences	52.0%	64%	58%	63%	70%
Value for money	54.5%	56%	63%	50%	58%
Unique travel experiences	51.1%	52%	68%	47%	48%
Cultural immersion	39.9%	44%	47%	38%	45%
Immersion in nature	29.3%	28%	32%	31%	39%
Rest & relaxation	34.9%	36%	32%	44%	39%
Curated & personalised experiences	40.5%	40%	32%	38%	36%
Give back, travel with a purpose	29.9%	36%	37%	34%	33%
Adventure	24.6%	28%	42%	22%	30%
Sustainable with minimal impact	34.6%	24%	32%	28%	21%
Holistic wellness	20.3%	20%	5%	19%	15%
Digital detox	10.6%	16%	11%	16%	12%

64%
of global consumers want to travel sustainably and with a purpose

60%
of global consumers want a safe destination

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Sustainability: consumers value supporting local communities

Most Common Actions Taken by Consumers for Sustainable Travel 2020

Action	% of respondents
Support locally owned businesses and…	~57%
Stay at eco-friendly accommodations	~51%
Pack eco-friendly essentials (ex. reusable water…	~45%
Use hotels or tour guides with green certifications	~33%
Take green transportation options	~26%
Only participate in responsible tourism	~26%
Choose travel providers that use renewable…	~25%
Choose travel providers that have a zero-plastic…	~23%
Choose to fly direct in order to minimize carbon…	~22%
Book travel with travel providers that partner…	~21%
Track the carbon footprint of travel through…	~18%
Volunteer with NGOs and join community…	~17%
Choose not to fly	~15%
Choose to fly on newer, more efficient aircraft	~15%
Other	~1%

% of respondents

57%
of global consumers support local businesses and communities

51%
of global consumers stay in eco-friendly accommodation

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76% of consumers are expected to be more concerned about sustainability after COVID

Yet, 42% of travel companies will postpone development of new sustainable products

Euromonitor International
Voice of Industry Sustainability Survey, July 2020

Innovations to watch

Improving the customer journey is the top priority for travel companies, not COVID-19
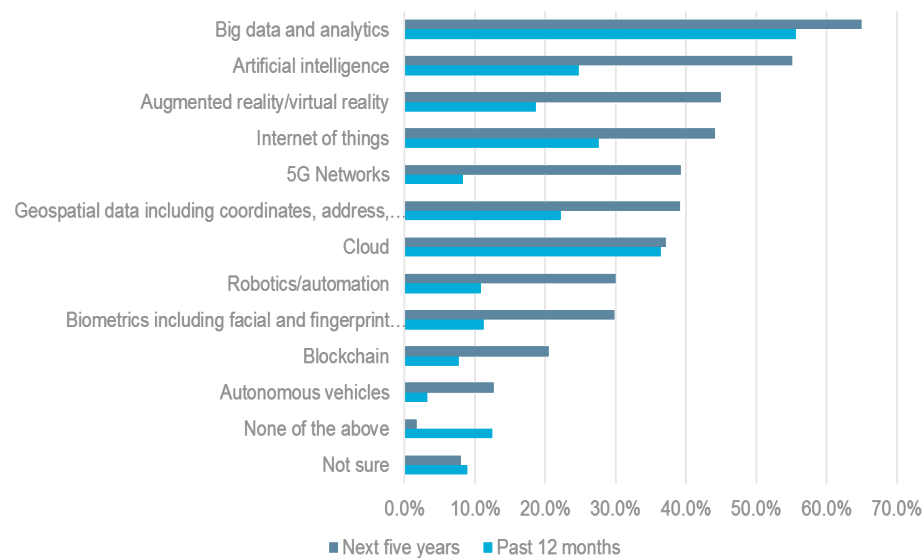
Q: What do you see as the most important commerce-specific developments for your organization in the coming 12 months?

Commerce Developments in Next 12 Months	World	China	US	Germany	UK
Improving the customer journey and user experience	59.6%	69%	61%	53%	53%
Integrating new technologies	50.7%	63%	55%	62%	58%
Enhancing customer service	48.2%	53%	53%	40%	34%
Providing information and advice to customers about COVID-19	45.3%	47%	55%	43%	46%
Creating a consistent brand experience across channels	44.7%	59%	51%	64%	68%
Becoming consumer centric	43.5%	47%	45%	64%	54%
Shifting from physical to online platforms	39.7%	31%	33%	53%	46%
Co-creating new products and services with consumers	38.9%	38%	39%	34%	31%
Building mobile presence	37.4%	34%	49%	23%	17%
Deepening customer loyalty programmes	34.1%	31%	33%	38%	42%
Enhancing cybersecurity	30.4%	31%	35%	42%	42%
Diversifying payment options	29.7%	31%	18%	34%	32%

Source: Voice of Industry Survey – Travel and Tourism, April 2020

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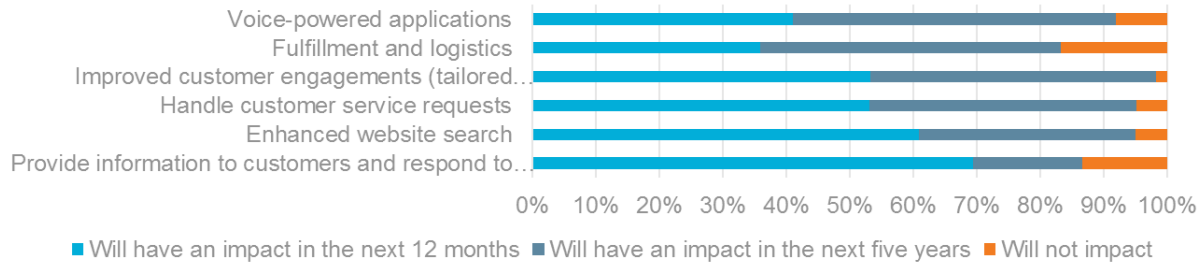EUROMONITOR INTERNATIONAL

AR/VR pivot in the short term for virtual experiences

Which of the Following Technologies Have Impacted Your Business in the Past 12 Months? While Will Impact in the Next 5 Years?
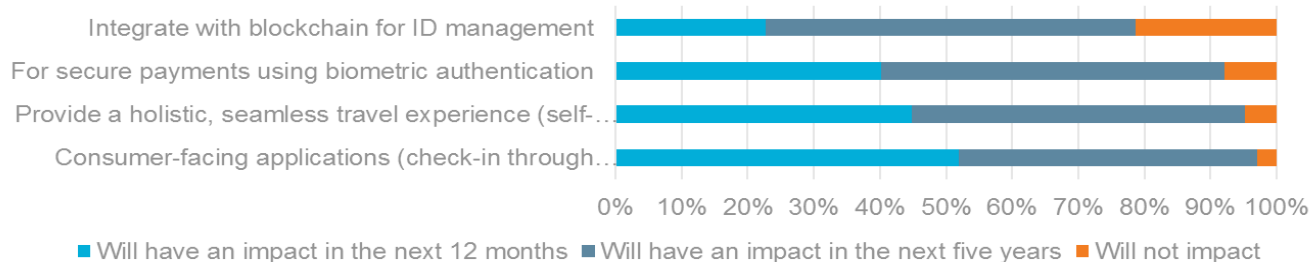
- Big data and analytics
- Artificial intelligence
- Augmented reality/virtual reality
- Internet of things
- 5G Networks
- Geospatial data including coordinates, address,…
- Cloud
- Robotics/automation
- Biometrics including facial and fingerprint…
- Blockchain
- Autonomous vehicles
- None of the above
- Not sure

0.0% 10.0% 20.0% 30.0% 40.0% 50.0% 60.0% 70.0%

■ Next five years   ■ Past 12 months

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AI, voice and biometrics ID management

Impact of Artificial Intelligence on Travel Businesses in the Short vs Long Term

Voice-powered applications
Fulfillment and logistics
Improved customer engagements (tailored…
Handle customer service requests
Enhanced website search
Provide information to customers and respond to…

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Will have an impact in the next 12 months ■ Will have an impact in the next five years ■ Will not impact

Impact of Biometrics on Travel Businesses in the Short vs Long Term

Integrate with blockchain for ID management
For secure payments using biometric authentication
Provide a holistic, seamless travel experience (self-…
Consumer-facing applications (check-in through…

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Will have an impact in the next 12 months ■ Will have an impact in the next five years ■ Will not impact

Source: Delta

Source: Euromonitor International Voice of the Industry – Travel and Tourism, April 2020

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Immersive experiences – the Faroe Islands

- An autonomous archipelago in the Atlantic Ocean, under the jurisdiction of Denmark
- Like the rest of the world, the Faroe Islands have closed their doors to visitors and introduced remote tourism
- Visitors are able to remote control one of the locals, giving commands such as run or jump whilst exploring with a Go-Pro
- In a world of zero travel, immersive virtual reality experiences are being offered to entice future visitors

46%
of global consumers value online virtual experiences

77%
of global consumers value real world experiences

Source: Euromonitor International – Consumer Lifestyles Survey 2020

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Brands with purpose – Protopia

- Prontopia was launched in 2018 with the aim to provide help and assistance to visitors in a destination, whether the elderly or parents with children
- Founded on the principles of the SSDGs to provide decent work, as well as foster empathy
- Operating in the US and Italy
- Help includes navigation from the airport to hotel or destination, how get around the city and use local transport, along with custom in-trip requests, helping local businesses to achieve higher rating scores

37%
of travel companies are purpose-driven vs 51% for all industries

Source: Euromonitor International – Voice of Industry Sustainability, July 2020

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Closing the loop - NEST

- NEST is the modular and innovation building of EMPA (Materials, Science and Technology) and Eawag in Switzerland

- Through research and development, NEST aims to make resources and energy more sustainable and circular to close the loop

- Recently joined the European Network of Living Labs and announced a partnership with Innovation Park Central Switzerland to launch innovative building solutions and urban districts

- Leverages digitalisation, energy and circular economy

https://www.empa.ch/web/nest

53%
of travel companies aim to invest in energy initiatives in the next five years

57%
of travel companies plan to invest in waste in the next five years

Source: Euromonitor International – Voice of Industry Sustainability, July 2020

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29%

global consumers seek immersion in nature

Climate-centric experiences – Brim Explorer
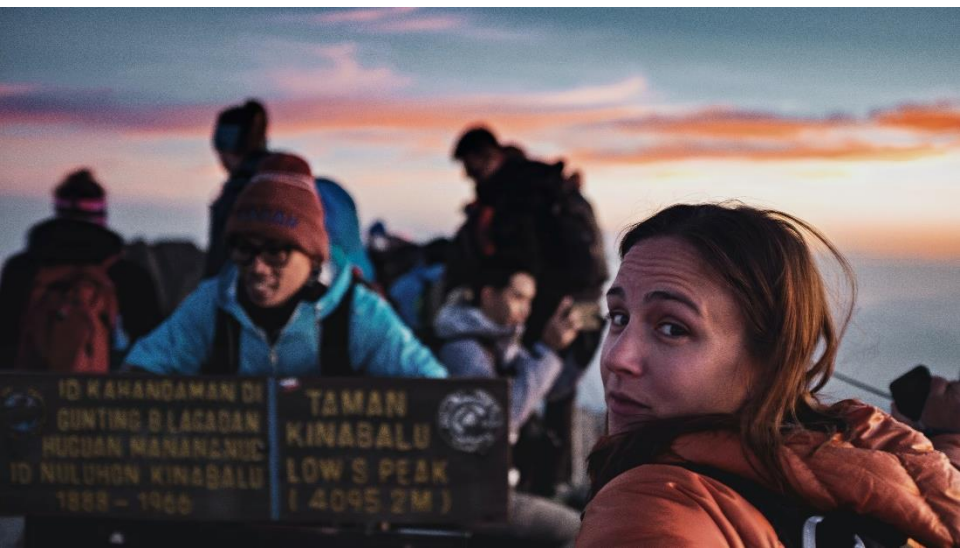
Morning Yoga Cruise

Treat yourself to a unique venue for your Yoga routine

| DURATION | DEPARTURE | SEASON | ADULT PRICE |
| 2 hours | 09:00 | Jun - Aug | 490 kr |

Book this tour

Image source: Brim Explorer

40%

global consumers seek cultural immersion

Cultural immersion – Borneo à la Carte

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Climate positive strategy - Intrepid Travel

- Intrepid is a global sustainable travel leader and aims to be climate positive by 2020
- The company offsets its carbon emissions through purchasing carbon credits for renewable schemes.
- Going climate positive starts with sequestering seaweed, so in partnership with the Climate Foundation and the University of Tasmania they aim to build the first seaweed platform, that will remove CO_2 from the air

21%
of travel companies offset their carbon emissions

23%
of consumers offset their carbon emissions

18%
of travel companies offer a carbon tracking tool to consumers

Health and hygiene protocols

Touch-free or low touch

Socially distanced

Consumer-centricity

Empathetic engagement

Source: Future Traveller Experience

COVID-proofing

Repurposing of operations

Reskilling staff

New business models

Digital green transformation

Source: COVIDinnovations

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Future glimpse

Future of the hotel

Upon arrival at the hotel, technology will be woven seamlessly into the customer service to make it truly personalised. Guests will enter a light, spacious and natural lobby space that can be customised to suit different times of the day

People
Emotive
Attribute-led
Customised

Space
Smart appliances
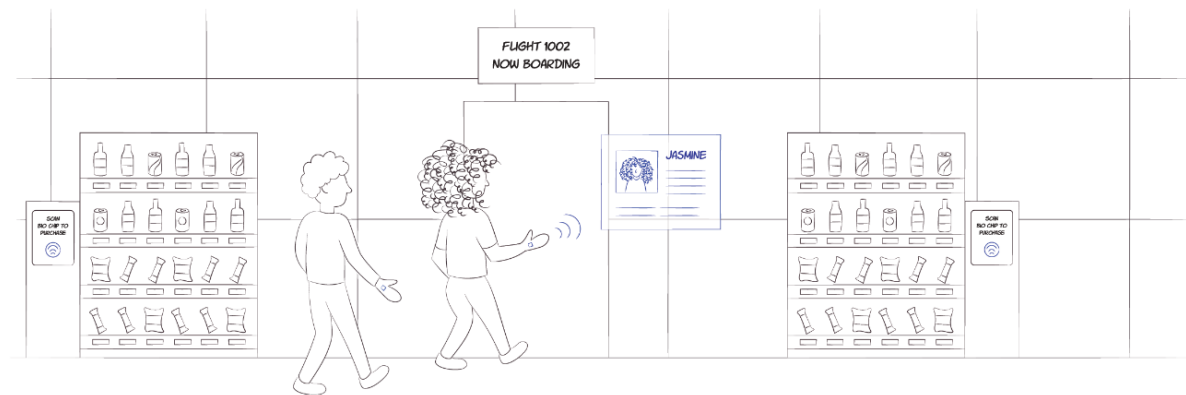Renewable energy
Climate positive
Science based

Digital
Cloud, AR/VR, mixed reality, AI, robotics, biometrics, IoT, SDG compliant

Future of air travel

Air travel of the future will be seamless, where technology will be deployed behind the scenes to make every stage frictionless, safe and secure

People
Consumer-centric
Secure
Touch-free
Contactless

Space
Design orientated
Safe and clean
Sustainable
Sensory

Digital
AI, biometrics, IoT, robotics, electric aircraft, inter-operability, blockchain

Future of urban mobility

Driving along a motorway in the city on a smart road that uses IoT and 5G, sending and receiving information between the road, the car and all the other cars

People
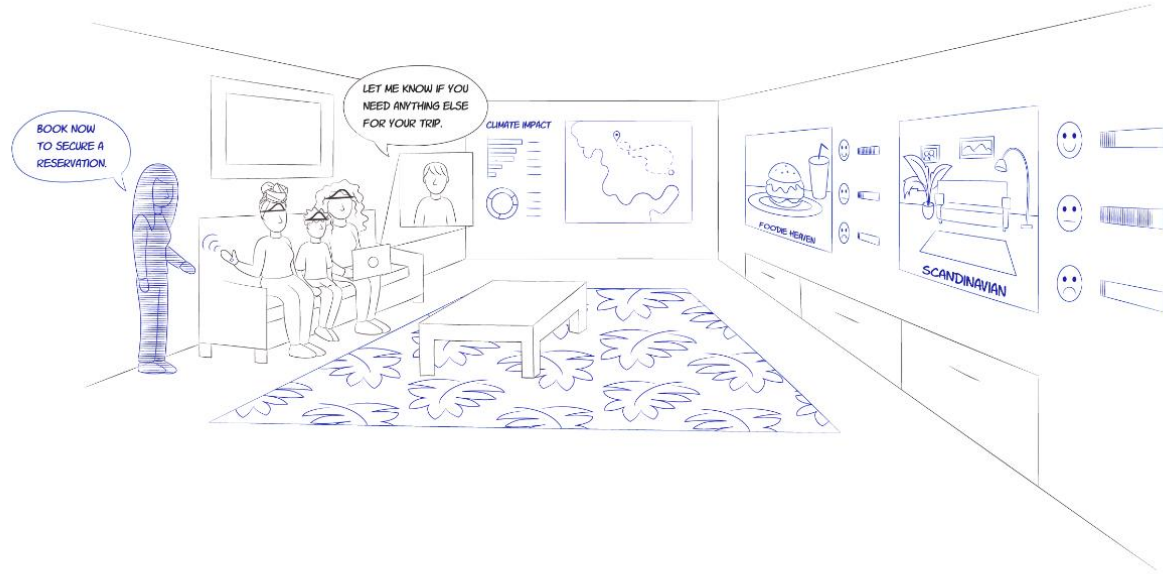Personalised
On-demand
Point to point

Space
Smart roads
Downtown skyports
Vertical farms
Car-free zones

Digital
5G, IoT, eVTOLs, autonomous electric vehicles

Future online travel agent

A digital avatar guides a family in their smart home through their personalised choices during the inspiration stage of a trip, using emotion recognition software to match up preferences with travel products

People
Personalised
Emotive
Attribute-led
Customised

Space
Smart appliances
Renewable energy
Climate positive
Science based

Digital
AI, AR biometrics,
emotion AI, biometrics,
carbon tracking,
big data and analytics

Future negative scenario - business as usual

- Global warming over 3°C
- Rising emissions from fossil fuels and pollution
- Water scarcity and waste problems
- Resources scarcity
- Deforestation and forest fires
- Over-crowding of cities and skies

- Social unrest and conflicts
- Climate refugees
- Sea level rising
- Food insecurity
- Recurring pandemics

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Positive scenario - on track to meet targets

- Meet 1.5°C target

- Carbon emissions reach net zero by 2040

- Clean energy and renewables

- Radical change in consumer behaviour

- Increase in public transport & mobility

- Decarbonised aviation

- Electric vehicles

- Eating more plants and less meat

- Non-fossil fuel plastics - shift to bio plastics

- Personalised carbon footprint tracking

- Greater resilience post-COVID-19

Key takeaways

In the short to mid term, there will be a move away from international travel to destinations closer to home along with lower levels of consumer spending

Adapting to the new normal raises the importance of health and safety, but we can't lose sight of enhancing the customer journey and becoming consumer-centric

A digital green transformation is critical for travel businesses to survive and build resilience over the long term, powered by data and science

Travel brands and destinations that act with purpose, striking the right balance between social, environmental and economic needs will be best placed to succeed

We need to act now to drive radical behavioural change and meet the 2030 global agenda, embracing innovation, creativity and digitalisation

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Thank You

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