



GRAY DAWE
CONSULTING

AUTUMN 2020

AIR AND HOTEL MARKETS

An insightful report into the status of business travel in the UK, with data trends and commercial analysis to help inform policy and behaviour.

This report focuses on business travel trends during the current climate of border restrictions and travel quarantine measures.

While the content and our analysis is relevant to all business travel, we concentrate on the implications for the manufacturing industry and present advice on how your business may navigate the current climate.

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WELCOME

Part of the Gray Dawes Group, Gray Dawes Consulting is an impartial, team of experienced travel data experts who combine 90 years' experience, market-leading tools and inspired analytics to drive corporate travel booking efficiencies, cost savings and traveller satisfaction.

Our approach is to fully understand a client's business, its culture, employees and business objectives to help us make informed, realistic, achievable and measurable recommendations about enhancing your travel programme.

We deliver up to 22% in savings by looking at 28 KPIs surrounding costs. So if driving value is your goal then our holistic approach is designed to assess and measure efficiencies at every step of the booking process.

ABOUT US

MEET THE TEAM

90 YEARS OF CORPORATE TRAVEL MANAGEMENT EXPERIENCE,
DELIVERING AWARD-WINNING CONSULTANCY AND ANALYSIS TO
DRIVE BUSINESS EFFICIENCIES AND PROCESS INNOVATION



GAVIN SANDERSON

CLIENTS

A seasoned business travel professional, Gavin works closely with clients to fully understand their business to identify how and where we can add tangible value.



AMAN POURKARIMI

CONSULTING

Aman is a management consultant who specialises in assisting organisations transition to a more disciplined approach to their business travel operations.



DAVID BISHOP

COMMERCIAL

With a wealth of experience on both client and supplier sides, David provides high-level business planning to target and achieve company objectives.



**WE TYPICALLY SAVE
OUR CLIENTS AN
AVERAGE OF 22%
ON THEIR TRAVEL
PROGRAMME**

Our approach is to fully understand a client's business, its culture, employees and business objectives to help us make informed, realistic, achievable and measurable recommendations about enhancing your travel programme.

EASING REGULATIONS

AIR & HOTEL MARKET

**AS OF 31ST OCTOBER
THE UK RANKED 8TH
AMONG COUNTRIES
IN TERMS OF
STRINGENCY
LEVELS, A RISE OF
14% FROM JULY**

The impact of COVID-19 on global aviation and international hotel capacity has been nothing short of catastrophic.

On the last week of October, 91% of countries had some level of border restrictions in place, with 23% enforcing a total ban in regard to inbound international travel for non-residents. This high figure still represented an easing of border controls compared to July, where restrictions were in place in 98% of countries, with total ban enforced in 30% of all countries.

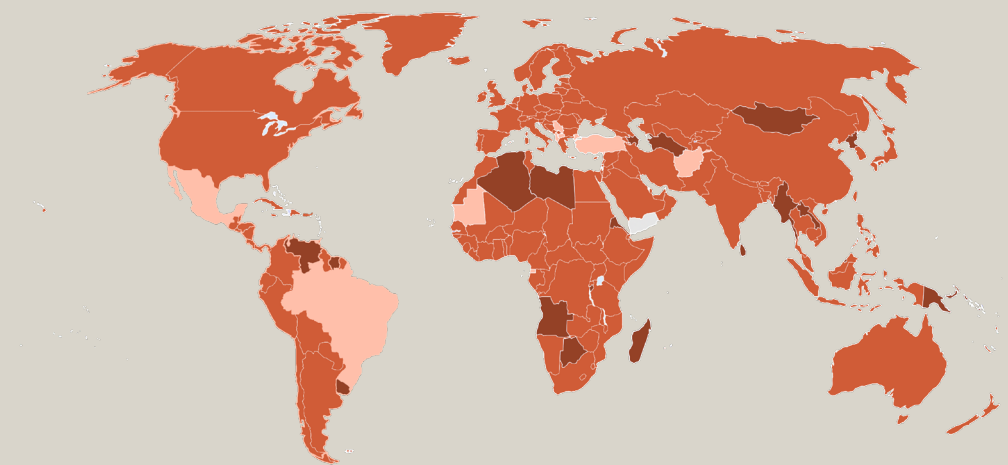
Locally, the level of controls relating to COVID-19 i.e. social distancing measures and the restrictions on public transport (referred to as “stringency”) averaged 64% which was down 10% from August. Indicating that while borders are reopening, the risk of transmission was still being considered a high to restrict movement.

As of 31st October, The UK ranked 8th among countries in terms of stringency levels (74%) a rise of 14% from July with the number of countries on the Travel Corridor list (exempting quarantine measures) down to just 51 from 72 in August.

GLOBAL RESTRICTIONS

COVID-19 TRAVEL REGULATIONS MAP

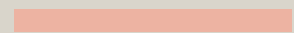
6 November 2020



TOTALLY
RESTRICTIVE



PARTIALLY
RESTRICTIVE



NOT
RESTRICTIVE

Information sourced and provided by IATA

IMPROVING SUPPLY

AS WE HEAD INTO A SECOND LOCKDOWN, WHAT LESSONS
CAN BE LEARNT FROM THE FIRST?



Air

By way of recovery of global flight schedules, posted load factors (number of total passenger seats made available on scheduled flights) for October were down 46.4% compared to the same period last year.

This is still an improvement of 22.7% when compared to the peak of virus in May where the number of flights decreased by 69.1%. The strongest improvement is within Asia where it's a third lower than previous year.

10 of the top 20 global air markets still have decreases of 80% or more with airlines serving Asia and North America enjoying the greater share of recovery. While a late surge in the European holiday bookings saw EasyJet and Ryanair gather some much needed revenues from the leisure market in July-August, that has predictably receded with the re-introduction of travel restrictions across Europe and the end of the summer holiday season in September.



COVID-19 IMPACT ON GLOBAL AVIATION

Scheduled Flights by Month & Week for selected markets

Month/Week compared with equivalent month/week in previous year

	January	February	March	April	May	June	July	August	September	October
Africa	-3.8%	-3.7%	-20.8%	-61.0%	-70.9%	-70.1%	-67.4%	-59.2%	-54.3%	-50.1%
Europe	-3.0%	-2.3%	-36.0%	-89.0%	-89.0%	-81.7%	-63.8%	-53.9%	-58.2%	-61.6%
Asia	5.0%	-22.6%	-27.9%	-53.9%	-47.9%	-41.5%	-36.1%	-33.2%	-31.0%	-29.1%
Latin America	2.6%	2.8%	-11.8%	-69.6%	-74.3%	-70.6%	-66.6%	-64.7%	-59.5%	-53.2%
North America	1.7%	1.1%	-7.1%	-59.7%	-73.1%	-66.0%	-52.1%	-49.2%	-50.9%	-49.4%
Middle East	-1.8%	-2.1%	-27.3%	-63.1%	-78.6%	-65.4%	-62.8%	-61.3%	-58.0%	-58.1%
South West Pacific	-2.4%	-2.9%	-17.2%	-81.0%	-80.2%	-71.0%	-64.4%	-63.7%	-62.2%	-58.1%
GLOBAL	1.5%	-7.8%	-21.5%	-65.9%	-69.1%	-62.6%	-52.2%	-47.6%	-47.7%	-46.4%

IMPACT ON INTERNATIONAL CAPACITY

Top 20 Country Pairs

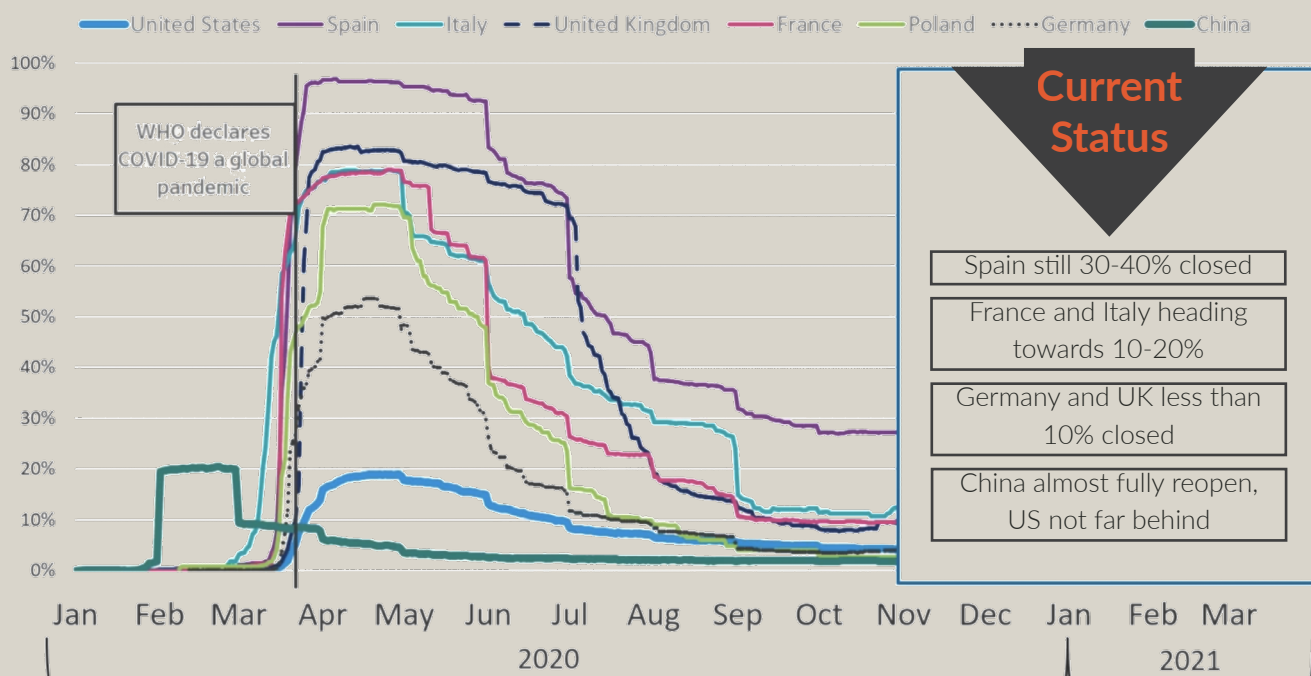
Based on 2019 capacity

Country Pair	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
6 China-Thailand	8.7%	-53.7%	-79.0%	-97.3%	-91.8%	-97.3%	-91.1%	-91.8%	-91.4%	-96.2%
7 China-Japan	55.2%	-27.9%	-80.3%	-93.2%	-86.6%	-93.6%	-90.5%	-90.7%	-90.5%	-94.6%
8 Japan-South Korea	-29.5%	-26.9%	-68.3%	-83.7%	-74.6%	-75.8%	-85.9%	-85.1%	-82.4%	-75.5%
9 China-South Korea	21.6%	-35.9%	-76.4%	-92.7%	-90.1%	-91.9%	-88.2%	-86.3%	-84.8%	-88.0%
16 China-Hong Kong	-20.2%	-71.1%	-89.3%	-91.9%	-87.8%	-87.0%	-90.8%	-90.7%	-87.8%	-85.7%
17 Japan-Taiwan	8.8%	4.5%	-53.6%	-82.3%	-91.9%	-95.5%	-90.3%	-94.2%	-95.2%	-90.7%
1 Spain-UK	-5.8%	-0.3%	-22.7%	-96.0%	-84.9%	-89.9%	-72.7%	-52.5%	-67.2%	-73.3%
4 Germany-Spain	-17.6%	-6.5%	-29.8%	-93.0%	-85.0%	-93.7%	-62.0%	-49.0%	-66.0%	-72.4%
11 Germany-Italy	-2.7%	0.2%	-53.0%	-92.1%	-87.2%	-94.2%	-78.2%	-70.2%	-71.0%	-71.8%
12 Germany-Turkey	6.9%	12.5%	-18.9%	-97.6%	-99.5%	-70.6%	-61.4%	-54.3%	-61.2%	-63.6%
13 Germany-UK	-8.9%	-7.6%	-34.6%	-95.3%	-92.4%	-93.9%	-82.0%	-73.5%	-73.4%	-71.2%
14 UK-Italy	-0.6%	4.5%	-39.5%	-87.9%	-75.0%	-96.0%	-76.7%	-55.8%	-59.0%	-63.5%
15 Spain-Italy	-2.2%	2.1%	-45.2%	-88.8%	-74.2%	-98.1%	-70.8%	-50.8%	-70.1%	-82.0%
18 UK-Ireland	-2.4%	1.3%	-21.4%	-95.9%	-77.4%	-90.9%	-76.1%	-71.2%	-79.7%	-82.6%
19 Spain-France	4.3%	9.0%	-20.2%	-91.6%	-95.2%	-96.1%	-70.0%	-47.9%	-69.0%	-70.7%
20 France-UK	1.8%	4.7%	-17.8%	-93.4%	-90.7%	-95.7%	-79.0%	-57.9%	-70.8%	-85.9%
2 Canada-US	-5.6%	-3.2%	-16.7%	-92.6%	-97.0%	-95.4%	-91.9%	-93.1%	-94.1%	-93.6%
3 Mexico-US	-1.2%	3.0%	-3.5%	-70.4%	-89.2%	-81.5%	-66.7%	-55.2%	-41.7%	-28.0%
5 UK-US	-3.5%	1.4%	-18.7%	-91.9%	-93.3%	-92.6%	-89.8%	-86.1%	-84.8%	-81.6%
10 UAE-India	1.8%	7.9%	-15.3%	-84.1%	-84.6%	-90.3%	-74.9%	-72.6%	-74.2%	-73.7%

As we head into a second lockdown, lessons that have been learned from the first case offer potential stimulus for a stronger recovery for hotels.

Firstly, it seems with social distancing measures, tracking and advanced cleaning standards, less hotels across Europe will be forced to close. At peak of the first wave in May, an average of 70% of hotels were closed across Europe. This currently between 20-10% on average in Europe with the UK at less than 10%. Secondly, while the leisure market faces restrictions from lockdown, countries like the UK, Germany and France have permitted travel for business purposes.

HOW MANY HOTELS WILL CLOSE DURING THIS SECOND LOCKDOWN?



GRADUAL INCREASE IN DEMAND

AIR & HOTEL

AIR PASSENGER NUMBERS HAVE BEEN GRADUALLY RISING
SINCE JUNE TO A CURRENT 30%



Air

- 1 Air passenger numbers (taken from airport screening numbers) have been gradually rising since June to a current 30%, however, this is in context of 46% reduction in available seats. Therefore, overall, the number of passengers has contracted by over 80% year on year. The forecast globally is for an increase of 6% for the rest of the year.
- 2 The poor demand levels are likely to be linked to Government quarantine policies which are adding to consumer uncertainty. The graph on page 12 shows a 40-percentage point fall in flight demand after UK announced Spain was back on the quarantine list only 3 weeks after it was exempted. Spain to UK represents the top international route in terms of seats available.



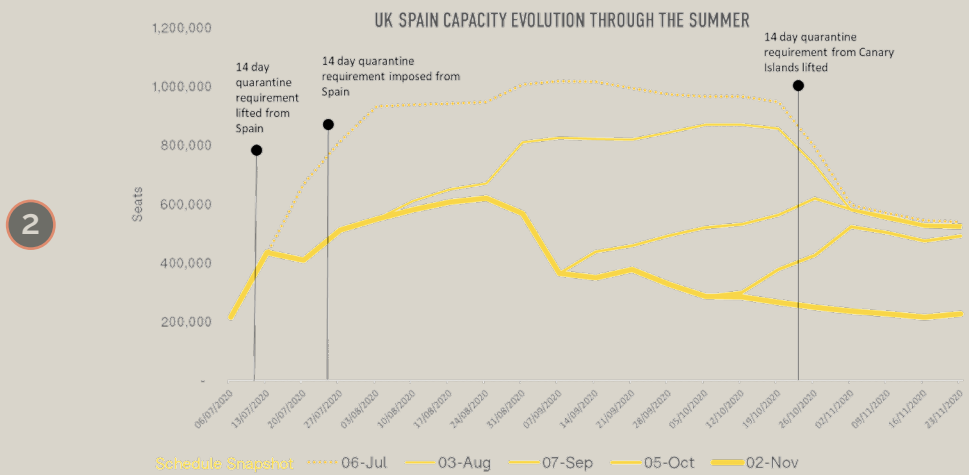
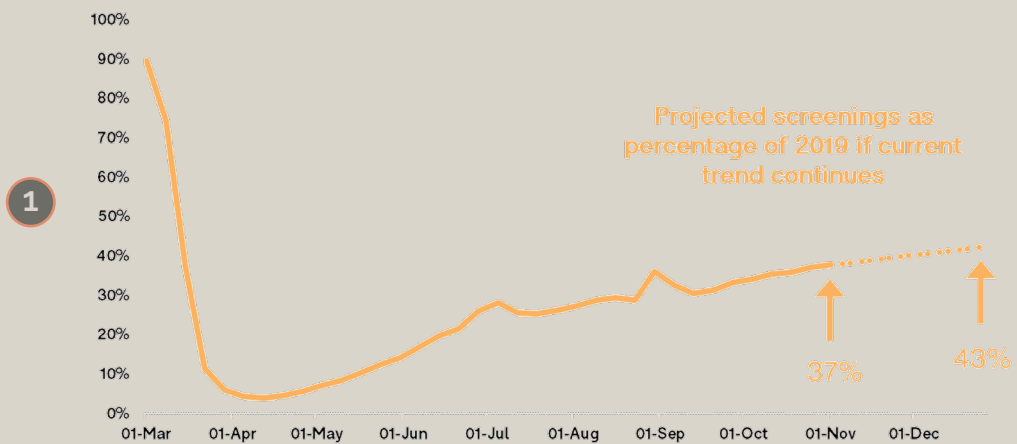
Hotel

- 1 In October, average global hotel occupancy was less than half of that of the same period last year which is a recovery from the peak of the virus which averaged 90% reductions on last year. China demonstrating the market bounce back potential as they've recovered to two thirds of previous levels based mostly on domestic travel.
- 2 However, the rise in COVID19 cases and premise of further travel restrictions places European hotel occupancy levels at just 20% better than peak of the virus -60% in October vs -80% in April.
- 3 The occupancy variances between main cities and their sub-markets is used by way of measuring corporate demand. For UK main cities such as London, Edinburgh and Cardiff would typically attract more corporate stays during the month of October, whereas regional cities such Bath, Swansea and Inverness are more likely led by leisure demand. Main city occupancy levels have grown 8% since July-August, from 20%. However, regional occupancy remain highest across Europe with an average variance of 45% from major cities.

AIR DEMAND



TRENDS AND FORECASTS

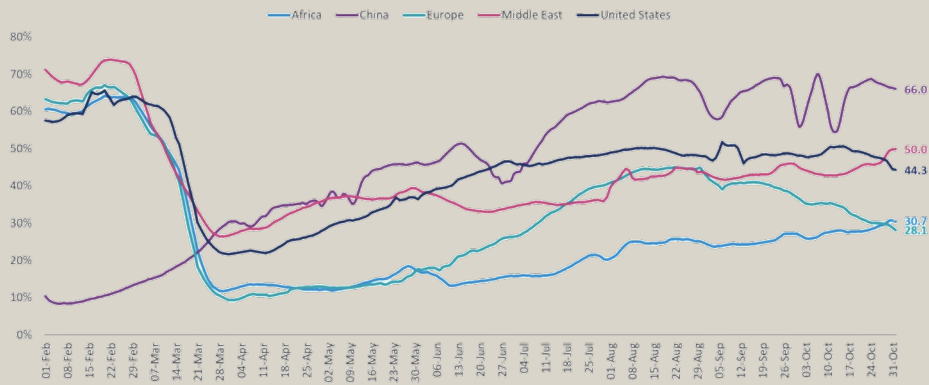


HOTEL DEMAND

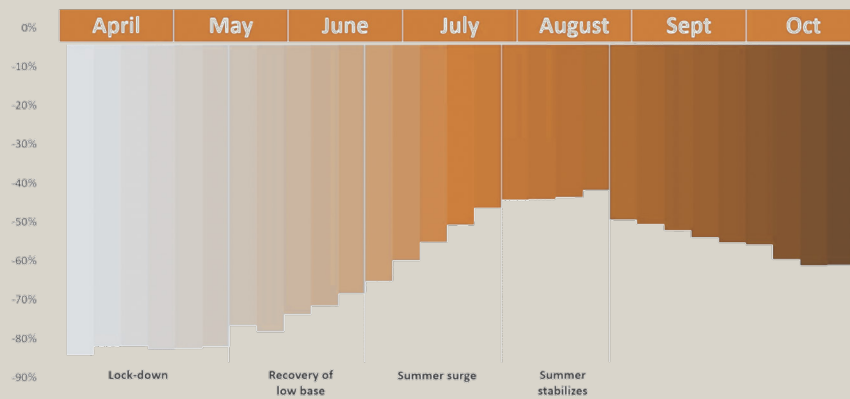


TRENDS AND FORECASTS

1



2

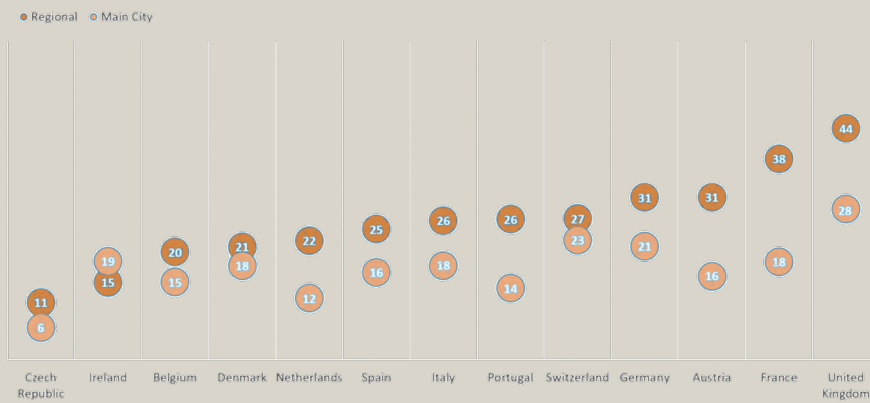


HOTEL DEMAND

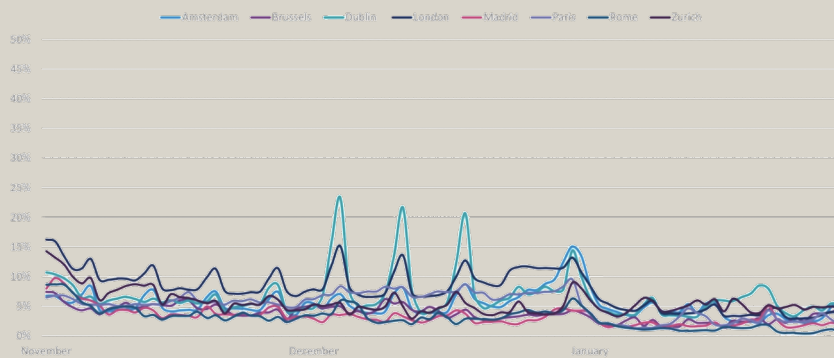


TRENDS AND FORECASTS

3



The forecast for the remainder of the year and start of 2020 is for reductions with as much as 9 out of every 10 rooms remaining empty, owing to further COVID19 restrictions in travel.



PRICE

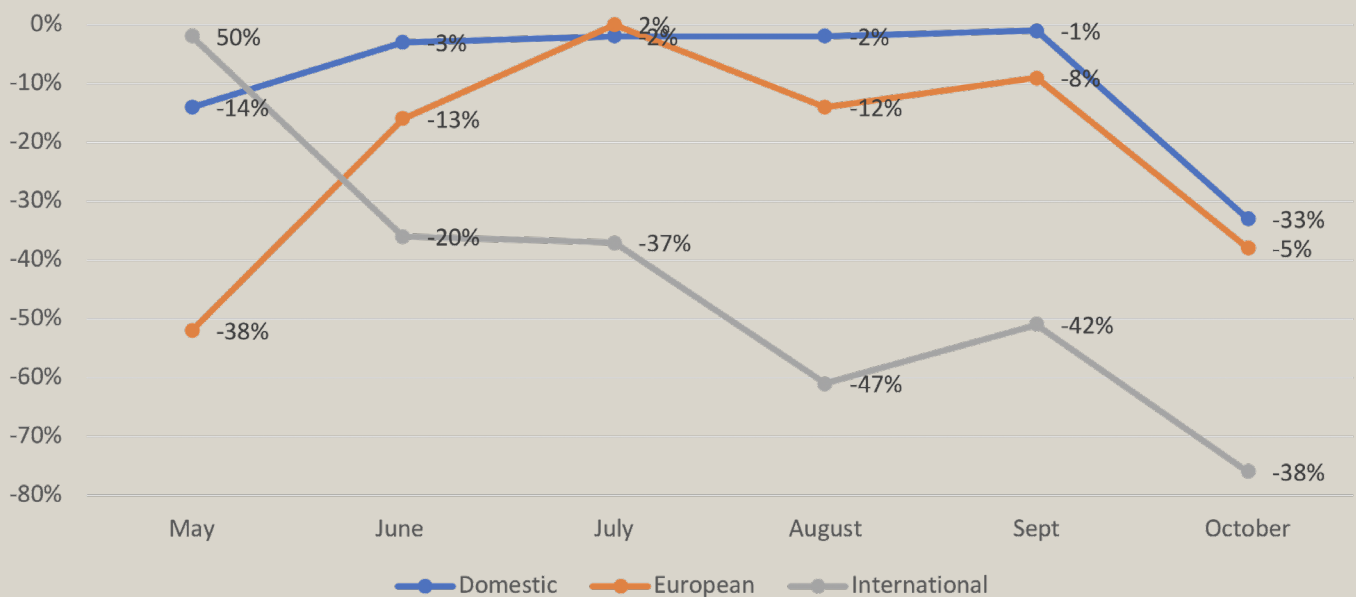


AIR

Overall, cost of flying saw a 25% decrease in average ticket prices (ATP) during October 2020 compared to the same month last year. International flights within European was the market where largest reduction was seen, -38% in October compared with the same month last year. This largely due to airlines hastily ramping up capacity in expectation of a surge in leisure flights, only for restrictions to be reinstated in some key markets.

The UK domestic market saw less of an ATP decrease of 33% owing to a decline in demand in key corporate serving routes. It was not a case of double digit reductions across all markets, however, as European travel is now -5% compared to last. This reflects the 60% reductions in capacity, forcing up prices to an albeit depressed market.

GRAY DAWES CLIENT BASE AVERAGE TICKET PRICE



PRICE

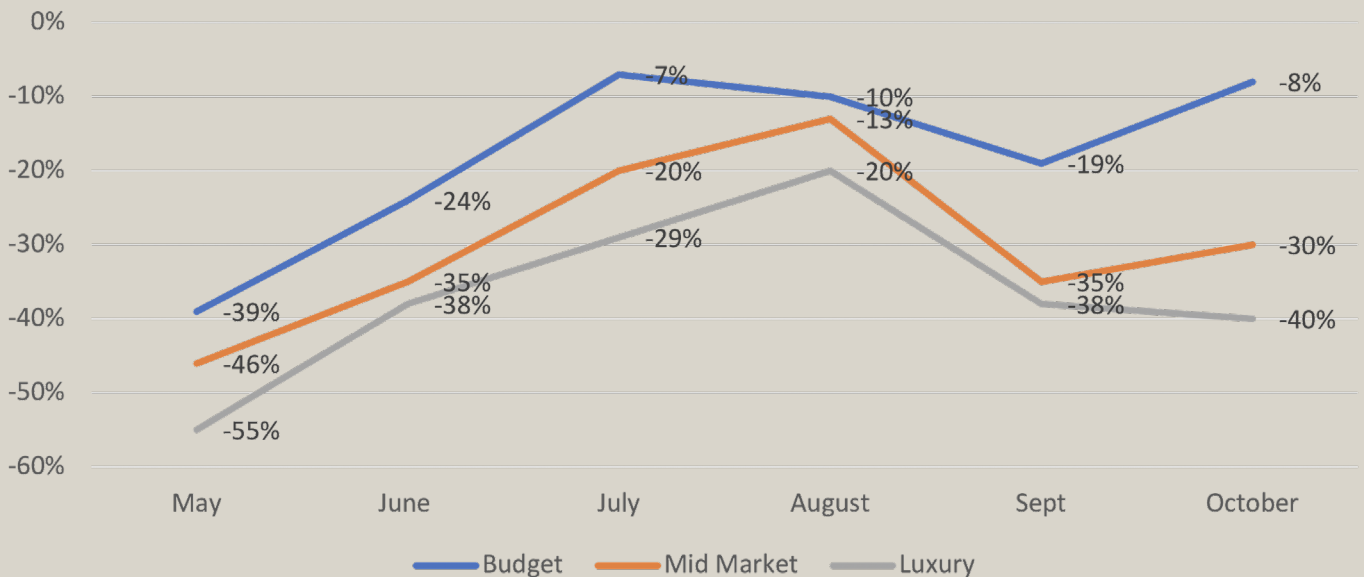


HOTEL

Generally, hotel prices saw a 35% decrease in average daily rate (ADR) during October 2020 compared to the same month in the previous year. However, this reduction overall hides the significant disparity between hotel categories.

Within the budget market, contracted by 8% compared to 40% for luxury hotels as social distancing measures limited the services provided by luxury market, in addition demand from industries still operating i.e. Construction and Manufacturing has meant the budget chains are able to hold up rates better than higher rated hotels

GRAY DAWES CLIENT BASE AVERAGE DAILY RATE



IN SUMMARY

AIR & HOTEL MARKET

**HEAVY
DISCOUNTING
IS LIKELY TO
CONTINUE UNTIL
SPRING 2021 , SO
IMPLEMENT A 'BEST
AVAILABLE PRICE'
TRAVEL POLICY**

As stringency levels heighten in the midst of a second wave, the need for a robust travel management programme, that's fit for purpose in the current climate, intensifies.

Some of the things you need to consider when developing your programme:

- Provide a digital platform for travellers, arrangers and travel managers which contains all the up-to-date and relevant border restrictions and social distancing measures.
- Engage with key airline and hotel suppliers to fully establish their capacity reductions and establish how this is going to impact your own travel demands and needs.
- Implement a policy which promotes best available price, as the heavy discounting is likely to continue until Spring 2021 at least.
- Set clear rules on booking parameters which have safety at their heart. For instance, limit use of public transport by selecting hotels near upper business location.
- Implement a robust approval process which links to associated risks and ensure both traveller and approver are trained to understand and thus accept them.



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