

Business or leisure?

Why capturing the post-pandemic leisure traveler
is the urgent priority for travel companies



Introduction

The whole travel industry is grappling with the ongoing impact of the COVID-19 pandemic. Travel priorities have changed radically for both leisure and business customers—with dramatic consequences for airlines and hospitality businesses. An end to the pandemic may be on the horizon. But will the travel industry ever look the same again?

In the near- and mid-term, both the global travel market and the global travel customer base will look very different. Scheduled airline capacity has been halved worldwide¹, although it's recovering as vaccines are rolling out. Business travel is almost entirely grounded. And the needs and preferences of leisure travelers have changed significantly.

Many believe the Summer of 2021 will be a strong boost to recovery. However, business travel—the staple of the global travel industry—is likely to recover much more slowly. To survive the next few years, airlines and hoteliers must adapt quickly to capture the opportunities in this new industry landscape.

The imperatives? To refocus the strategy around leisure travel, and for many, the particularly high-value travelers. To reposition the brand and rethink customer experiences, products and services, and loyalty programs for a leisure-dominated market. To capture new business with personalized media and content that inspires leisure travelers and is tailored to their unique needs. To ensure customer experience lives up to the brand promise, extending the focus into the “post travel” phase. And to enable all this with deep customer insights derived from data.

A new kind of travel customer

The pandemic fundamentally changed the priorities, values and behavior of travelers—whether by necessity or choice. Unsurprisingly, the emphasis is now on traveling as safely and healthily as possible. But consumers are also much more aware of the environmental and societal impact of their travel choices, building on a trend that predates the pandemic. There are four key areas of change:



1. Integrated personal wellness



2. Living for local



3. Doing real good



4. Reinventing connection



1. Integrated personal wellness

Health and wellbeing are now priorities for travelers. People want to be sure they aren't putting their health at risk—or any friends and family they may be visiting. But there's also a broader trend here, with the market for "integrated wellness" expected to grow \$1.3 trillion by 2024². Consumers want a more holistic approach to their health, whether that's access to fitness facilities at a hotel or taking care of their mental wellbeing by minimizing stress during a journey. Every business is now a wellness business.



of consumers fear for their health



of consumers fear for the health of others³



of consumers would be extremely likely to book a wellness vacation in the next two years⁴



2. Living for local

Throughout the last year, we've seen how the pandemic has refocused people's attention on their local communities, something that retail companies in particular have adapted to well. But the impact on travel may be even more dramatic, as it reshapes all sectors of the industry—from car rentals to flying patterns to where people choose to stay. Staycations and domestic travel will be the priorities for leisure travelers over the short term.



of travelers say they aren't planning to fly domestically or internationally on their next trip⁵



3. Doing real good

Travelers in the post-COVID era are looking for sustainable experiences that blend their own need for wellness with that of the planet. However, many also say they lack the information they need to travel in a more sustainable way—they're looking for help from travel companies in making the right choices.

58%

of consumers are thinking more about sustainability since the pandemic started⁶

86%

of travelers want to travel more sustainably, but only half that number manage to do so often⁷



4. Reinventing connection

The huge acceleration in digital adoption sparked by the pandemic has fundamentally changed how people connect. Videotelephony has gone from niche business application to global consumer necessity as friends and family have realized they can connect virtually, wherever they are in the world. Some of this behavior may be permanent. But, equally, there's no substitute for seeing loved ones face to face. So there's likely huge pent-up demand waiting to be released once people are able and willing to travel again.

65%

of consumers are now connecting virtually with friends and family⁸

A new kind of travel market

What do the next twelve months hold for airlines and hospitality businesses? So much depends on the speed of the global COVID-19 vaccine rollout.

Amazing progress is being made in some countries, while others are lagging. But the logistical complexity of manufacturing and administering enough doses across the world means it could be many more months before the true impact is seen.

On top of this, the world must contend with the possibility that mutations and

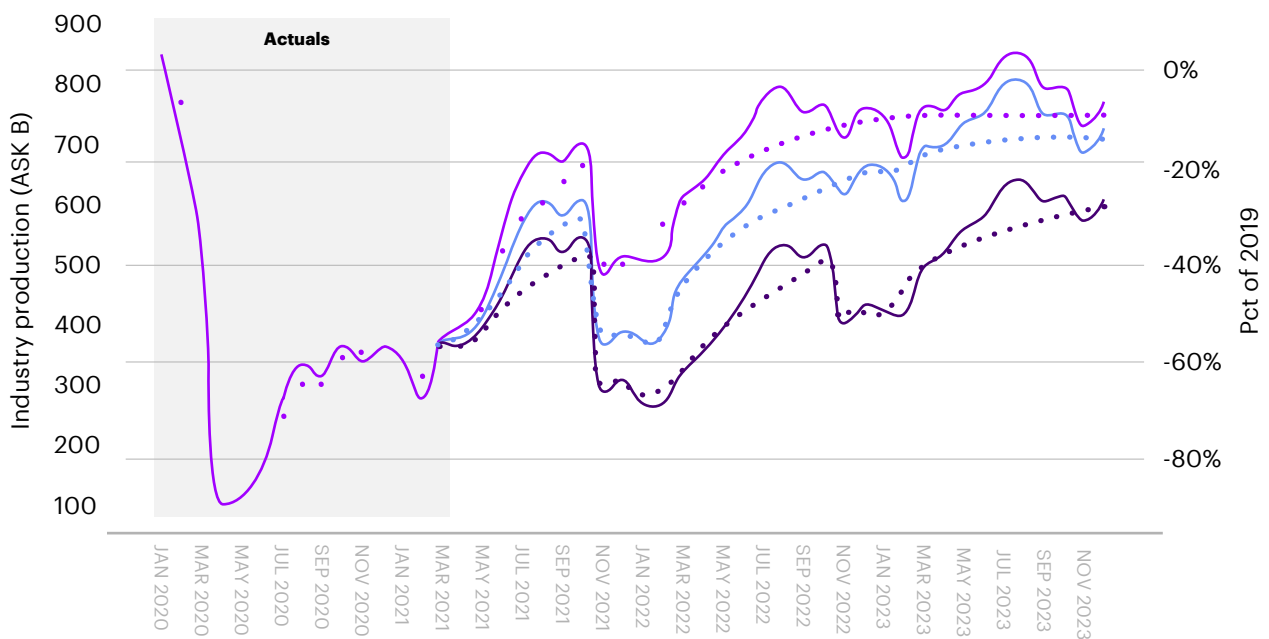
variants in the virus itself may yet lessen the efficacy of vaccines or extend the rollout by requiring booster shots.

For airlines in particular, recovery is highly dependent on when G20 countries achieve a “critical mass” of vaccinations. The best-case scenario? Passenger numbers this year may be only 29 percent down on 2019 figures⁹. The worst? If vaccinations stall or boosters are needed, airlines could yet see a decline on 2020’s historically low numbers.

Figure 1. Passenger capacity summary

Monthly passenger capacity (Global, 2020 – 2023)

Billion ASK(LHS), percentage of same month in 2019 (RHS)



Dots represent pct of 2019 capacity and are plotted on the right axis

The travel business is now a leisure business ... and a smaller business

However, the pandemic hasn't just affected passenger numbers and hotel occupancy, it has restructured the whole industry. The profile of demand has changed fundamentally—and in some ways permanently—as companies around the world realize much of their business can be done remotely. The need to travel and stay overnight for a face-to-face meeting will likely be much lower.

So the travel market is now, in effect, a leisure market. And that's a structurally smaller market than airlines and hotel companies have been used to operating in. All players in the industry are now competing for a bigger slice of a smaller pie.

What's more, it's a slice that for many travel companies was always a secondary focus. Most travel business models have principally been focused on the business customer first and foremost, meaning leisure customers often had to pick up whatever was left over (unless they were willing to commit earlier or pay a little more).

This structural shift changes how those companies need to go about attracting, converting and retaining customers. It also means they need to think creatively about what to do with underutilized assets. Scheduled airline capacity is down by 54 percent on 2019 levels¹⁰. Hotel occupancy is down by 25 percentage points since March 2020¹¹. That's a lot of idle airplanes and unused hotel beds eating into travel companies' profitability.



A new playbook for travel companies

So, how should airlines and hotels reposition themselves for the post-pandemic market? First and foremost, they must refocus on creating and capturing demand for leisure travel.

This changes the playbook for travel companies in six key ways:

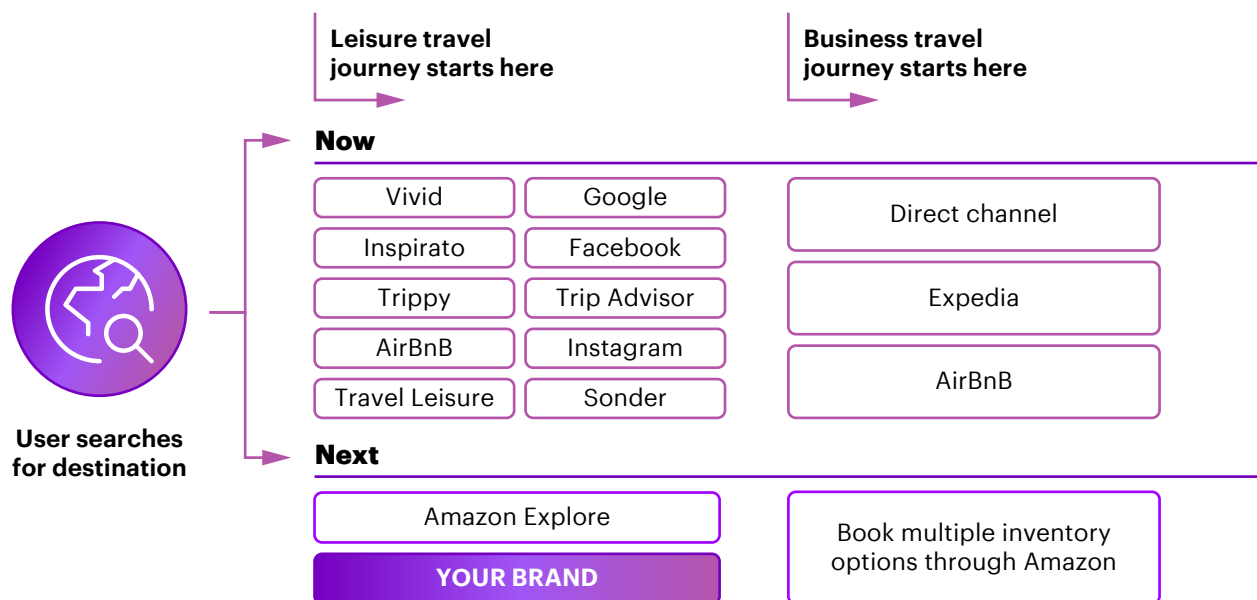
- 1. Inspiring customers to travel becomes a priority**
- 2. Global marketing needs local flexibility**
- 3. Loyalty will require a fundamental rethink**
- 4. Personalized digital media and content production at scale is critical for capturing new business**
- 5. Data-driven decisions should guide the whole business**
- 6. Delivering on the promise of seamless experiences is essential**

1. Inspiring customers to travel becomes a priority

In the pre-pandemic world, airlines and hotels could rely on a steady stream of business travelers without having to think all that much about the discovery phase of the customer journey. The emphasis was on streamlining and enhancing the booking phase onwards. But when it comes to leisure, airlines and hotels must engage with customers much earlier.

The focus needs to widen to include inspiring potential customers and triggering a desire to travel in the first place. That means being active on social media and working more closely with travel inspiration channels. It also has one key added benefit—it creates an opportunity to drive customers into direct booking channels, bypassing the third-party sites that cut into profits.

Figure 2. Outside threats are aiming to solve for pain points in the leisure journey through verticalization



2. Global marketing needs local flexibility

The need for a global marketing strategy hasn't gone away—it's still essential for providing consistency and protecting the brand. But for leisure travel, it needs to be complemented with genuine local flexibility. The way the brand approaches and interacts with leisure travelers will look very different in the US, the UK, Europe, and China, for example.

This is not a new need. But travel companies are still struggling to find the right balance and build the capabilities to deploy the strategy at scale. As such, too many are failing to achieve the right level of local relevance to capture the leisure opportunity in each market.

3. Loyalty will require a fundamental rethink

Traditional points-based loyalty programs focused on frequent business travelers simply don't work for leisure customers. How many people are willing or able to spend \$100,000 a year with a single airline for personal travel? How many holidaymakers are going to have 25 different stays in the same hotel chain over that year?

The fact is, loyalty programs require a fundamental rethink. They need to be recentered around a far less frequent leisure traveler. But also, they need to recognize the distinct segments within leisure travel itself, such as making special provision for high-value leisure travelers.

In addition, programs need to be rebalanced around both the functional side of loyalty (give me points for my return business) and the emotional side (understand the things I care about and help me trust your business).

The good news is that travel companies can get a head start in this process. By combining data from their business-centered loyalty programs with third-party sources and then using advanced analytics, they can derive insights into the leisure preferences of existing customers, and use them to kick-start growth in new leisure-focused programs.

4. Personalized digital media and content production at scale is critical for capturing new business

To attract and convert new leisure customers, travel companies need to be hyper-relevant to their needs. That means having highly attuned personalization and localization capabilities that can be delivered on a global scale.

The goal is continuous personalized connection with individual leisure travelers, whoever they are and wherever they are, across all channels and throughout the whole marketing funnel. That's a complex process for global companies who need to target customers in many different markets, using many different approaches in many different languages around the clock.

To do this, travel companies will need efficient and scalable media and content operating models capable of running tailored digital media campaigns across both traditional and new channels. They also need proper governance and the ability to leverage synergies from running different capabilities under the same umbrella—not just media and content but also creative, translations, integration with data, digital channel operations, and so on.

5. Data-driven decisions should guide the whole business

Data is the key to unlocking the leisure opportunity. It enables the business to understand specific local needs in each market, personalize the value proposition, increase efficiency, and prioritize where to focus investments.

To deliver the level of personalization needed in the leisure market, at scale, the business will need a mature data and analytics capability, including advanced customer segmentation and targeting. That will not only help the business understand leisure customers better, but it can also be used to drive up operational efficiency and prioritize marketing spend across different markets.

Cloud technology is an essential part of managing data at scale and maximizing its value as a strategic asset. Cloud platforms offers scale, agility, real-time data, and access to the most advanced machine learning and analytics tools in the market.

They support deeper analysis, faster insights, and streamlined collaboration—both within the business and with partners. When its data is on the cloud, an organization has the agility and adaptiveness needed to capture new opportunities, and fuel a data-driven reinvention of the business.



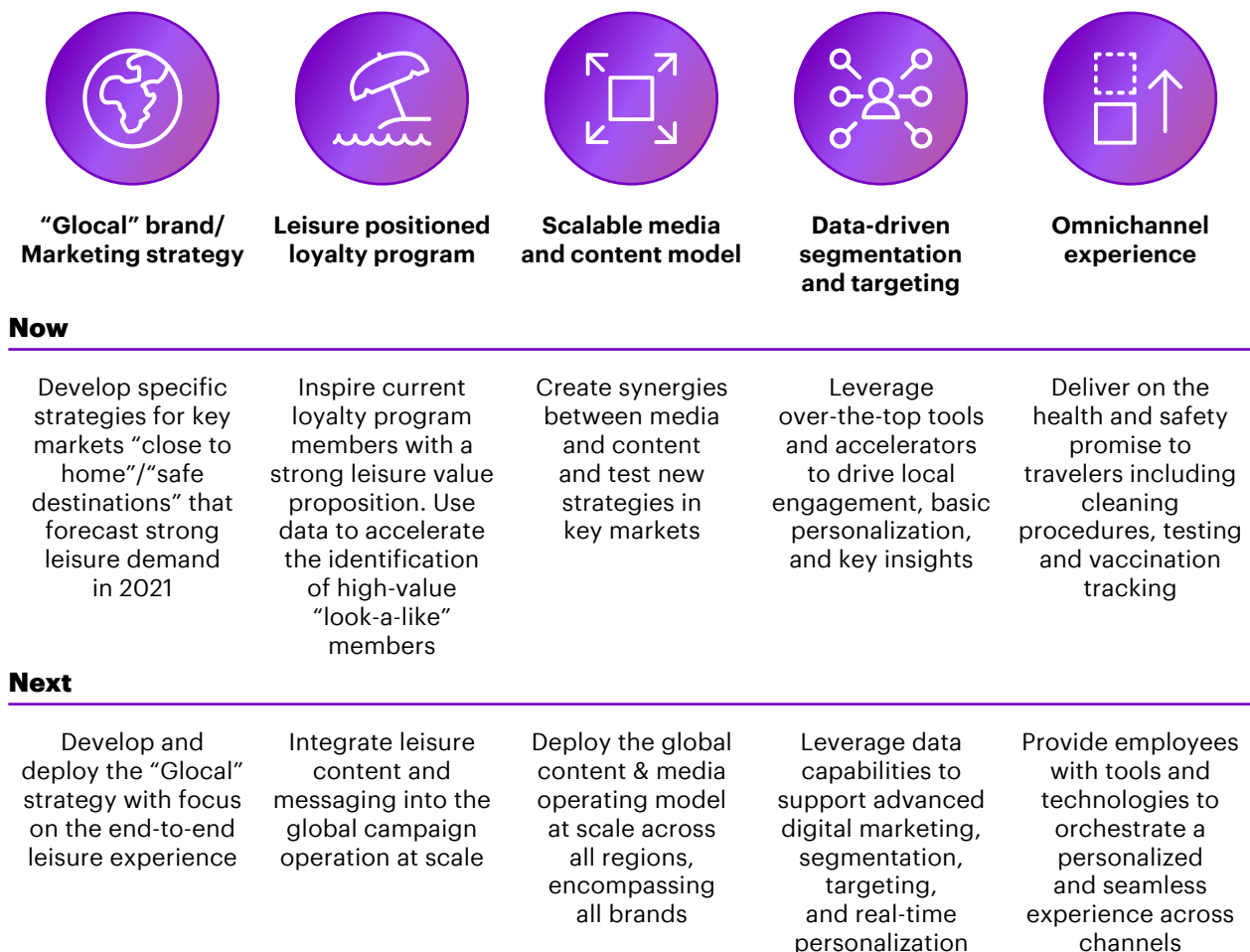
6. Delivering on the promise of seamless experiences is essential

However strong your data analytics and traveler personalization, most of your customer experience still comes down to delivery. Whether its stringent health and safety, seamless check-in, streamlined boarding, or anything else, if the experience doesn't match up to the promise, all the hard work reconfiguring marketing, data and loyalty will count for nothing.

Get it right, however, and there are huge opportunities to increase brand affinity and loyalty. And when combined with smart product design, this will also open up numerous cross-selling and upselling options. That might include, for example, premium packages that offer added value to customers at a price—such as faster check-in, bypassing the line, or other benefits.

Figure 3. Activating the leisure strategy—What to do now, what to do next

Here are some key steps travel companies can take to activate a new strategy focused on leisure travelers, both right now and over the medium term:



A new chapter for an industry in flux

There's no doubt the travel industry is going through a seismic shift. Revenues from traditional business models built around business travel have disappeared overnight. Those revenues will not return immediately. Indeed, they may never recover to pre-pandemic levels. The leisure travel industry *is* the travel industry for the time being.

That's why it's essential that airlines and travel companies take action now. The risk of delay is high. But the opportunities for those that can adapt quickly are huge. This is the time to refocus on leisure, not business, and find new growth in the post-pandemic travel industry.

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