

TRAVEL & TOURISM IN A TURBULENT

2009

INSIGHT INTO CHANGES IN TRAVELLER BEHAVIOUR

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INTRODUCTION

The Travel and Tourism sector has evolved dramatically over the past decade. This evolution is clearly evident in the numbers – *arrivals, revenues, length of stay, dispersion, repeat visitation, investment* - all of the metrics which the industry uses to quantitatively measure performance. With over 7 million travellers travelling internationally each day in 2007, 70 million travelling domestically each day, travel has become a natural part of our work and play lives.

Importantly, at a qualitative level the Travel and Tourism sector has also shown itself to be invaluable in bringing together people of the destination around a shared national identity and invitation to the world, regardless of age, race, religion, profession, personality and political point of view.

Today in our connected world, travel is no longer just about movement from logistical points A to B. Travel has become a powerful vehicle for educating the people of the world about *who we are* - showcasing different beliefs, different codes, different ways of living and ways of thinking. Travel has been essential in breaking down barriers and out of date perceptions about *who we used to be*.

In addition to playing a part in one's individual identity, travel has become a form of personal therapy – the opportunity to escape, experience, exhale...whatever the need may be in these increasingly stressful times.

Clearly Travel & Tourism is about more than just holidays, conferences and business meetings. It is about connection, growth, learning, being and wellbeing.

THE GLOBAL ECONOMIC CRISIS HITS THE TOURISM SECTOR

From the middle of 2008, however, the Travel & Tourism sector saw a dramatic halt to rates of growth of activity seen in the previous 4 years. The almost 5% year-on-

year growth of international arrivals enjoyed since 2004 and going into 2008 began to drop off as soon the second half of 2008 began to unfold, with predictions for 2009 dropping to -2%. At an alarming speed, the global economic downturn evolved from a housing crisis, to a credit crunch, to the collapse of monolithic banking institutions...both nationally and globally. Exports dropped, purchasing dropped, confidence dropped. Finally, by the end of Q3/2008 there was open usage of the 'R' word – *recession* – by economists, retail analysts and politicians alike.

At an individual level, talk of credit squeezes, bank and business closures, job losses, repossessions and unemployment created global panic. The economic recession gave birth to a frightening emotional recession. The end of the year brought on deeper concerns of what was ahead in 2009. The unknown was increasingly unnerving.

IMPACT OF THE ECONOMIC CRISIS ON TRAVELLER BEHAVIOUR

As a result of the economic downturn there have been dramatic changes in **The recession has forced many to cancel travel plans. Business trips turned into teleconferences. Conventions and conferences turned into cancellations. And holidays turned into concerns. The stress and emotional fatigue of the economic crisis has increased the need to go on holiday to escape/recover from the burdens of reality.** Even just the thought offers some relief.

And so, as 2009 unfolds, more and more travellers will be asking not *IF* they should travel, but:

1. *WHERE,*
2. *WHEN* and
3. *FOR HOW LONG.*

These three questions unlock an array of opportunities for destinations competing for travellers in the year(s) ahead.

They also act as platforms for travellers to bring to life how their habits, attitudes and behaviours have changed as a result of:

- our evolving consumer-centric society,
- the overt and covert of travel,
- the evolution of citizen journalism,
- thought sharing through social networks and opinion blogs, and
- increased need to travel yet very real economic constraints.

For the Travel & Tourism sector to recover in a way which meaningfully, sustainably and competitively strengthens the industry and its individual stakeholders it is critical that changes in traveller thinking and behaviour – permanent changes which are unlikely to fade once the red ink turns black again – be understood and embraced.

Below is a list of just some of the ways travellers have responded to the economic downturn...and how it impacts their travel wishes, wants and ways.

A SAMPLE OF SOME OF THE CHANGES IN TRAVELLER BEHAVIOUR IN 2009	
<p>The <u>EMOTIONAL NEED</u> TO TRAVEL HAS GROWN as the economic crisis has deepened.</p> <p>The stresses and fears surrounding the global economic crisis have resulted in an increased need to get away, to escape the pressures of what is and what still could be, even if for just a short while.</p>	

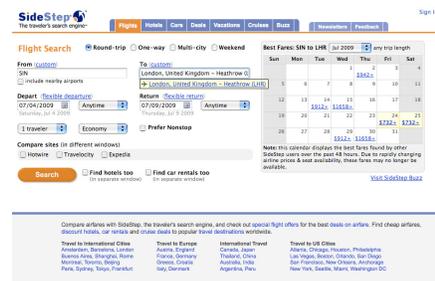
Trading DOWN has become a far better option to **trading OUT**. While the need for a holiday may be increasing, the fact remains that times are tight and budgets thin (if not gone all together). People would rather move to the back of the plane or lose a star on the hotel than pass up getting away all together! Trading down from Business Class seats to Economy for long-haul flights is estimated at over 18% in 2009. Local air travel down-trading is estimated at 1 in 3.



ADVERTISING & WEBSITES play a critical role in **building destination awareness, understanding and preference** for when travellers are ready to say **“Let’s book – I’m ready to go!”** Planning where next to travel dramatically increases the pleasure and emotional sense of relief of the travel experience – even before the travel is undertaken. 62% of travellers surveyed state advertising influences destination choice (OCS 2009).



Travellers have adopted a D.I.Y. APPROACH TO TRAVEL PLANNING with a growing sense of **confidence and cleverness**. Meta-search engines have increased the ability for travellers to dream about and directly book their travel – and decreased the need for travel agents. Over 50% of American travellers compare online site prices.



CASHING IN IS KING! Airline and Credit Card Reward Programmes have become a powerful way of purchasing/upgrading tickets and accommodation. With travel budgets under pressure other forms of travel ‘currency’ are being used to keep moving - and keep moving as comfortably as one may wish. In 2009, cashing in of air miles increased 600% in the Middle East region.



LAST MINUTE travel has become a fun way of getting away...at a far better price.

Travellers are more flexible in the WHERE as long as the main WHAT and WHEN criteria for getting away are in place (ie: dates, price, weather, travel time). Essentialtravel.co.uk reported a 70% increase in last minute bookings since November 2008. Packages (airfare + accommodation) are key.



STAYCATIONS – holidaying closer to home - have become a great alternative to long-haul vacations. Not only do they cut travel costs, they allow travellers to discover the travel offerings within their own country/region. 20% of Britons who travelled abroad in 2008 plan to vacation locally in 2009. Domestic/Pan-Regional advertising is vital to Destination Marketing Strategies and resulting tourism results.



<p>SERVICE MATTERS! It is a critical part of quality Brand delivery and <u>it costs nothing to deliver</u>. But when service is poor or even absent, it can cost not only customers but also reputation, Brand equity and future revenues. Lack of budget is no excuse for lack of good service.</p>	
<p>Now more than ever GOD IS IN THE DETAIL. Small acts of kindness and generosity – <i>upgrades, acknowledging a guest's birthday, free wifi</i> – establish and embed Brand loyalty and preference... a powerful differentiator and competitive edge. Over 53% of American travellers state '<i>free breakfast</i>' seals the deal.</p>	
<p>BRAND EXPERIENCE DELIVERY IS NO LONGER PURELY ABOUT THE CORE BUSINESS. Air travel is about more than just the in-air experience. Lounges and Chauffeur Drives matter. Understanding what is truly important to travellers allows for Brand equity growth through competitive, connecting Brand differentiation and experience delivery.</p>	

The economic crisis of 2008/9 has dramatically altered how global travellers view:

- Need and value of travel
- Role of service providers within the Travel & Tourism industry
- Travel decision making and purchase process

Importantly, changes in traveller attitudes and behaviours will remain a part of the psychology of travellers long after economies around the globe have come out of their recessions and started to enjoy regular traveller traffic once again.

As a result the global Travel & Tourism community must prepare for, and embrace, more hands on, high expectation, savvy and spontaneous behaviour of travellers.

Critical for the industry to remember in these unique Travel & Tourism times is that:

- BRAND BUILDING matters,
- PRICING matters,
- PACKAGED OFFERS (airline + accommodation + attractions) matter,
- SERVICE EXCELLENCE matters,
- GENEROSITY in travel experiences matters,
- TRAVELLER LOYALTY matters,
- STRONG MEDIA PRESENCE (on-line and TV) matters, and very importantly,
- PAN-REGIONAL ADVERTISING matters,
- TRAVEL DREAMING matters.

We cannot go back to the way things were – *our world has changed* at so many levels. Within these changes, however, lie the seeds to future competitive advantage within the Travel & Tourism sector – the foundation for meaningful long-term destination recovery, growth and development.

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