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Accelerating Travel Innovation After Coronavirus

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Do not use this seat
Keep your distance

Introduction

Sending out a global SOS

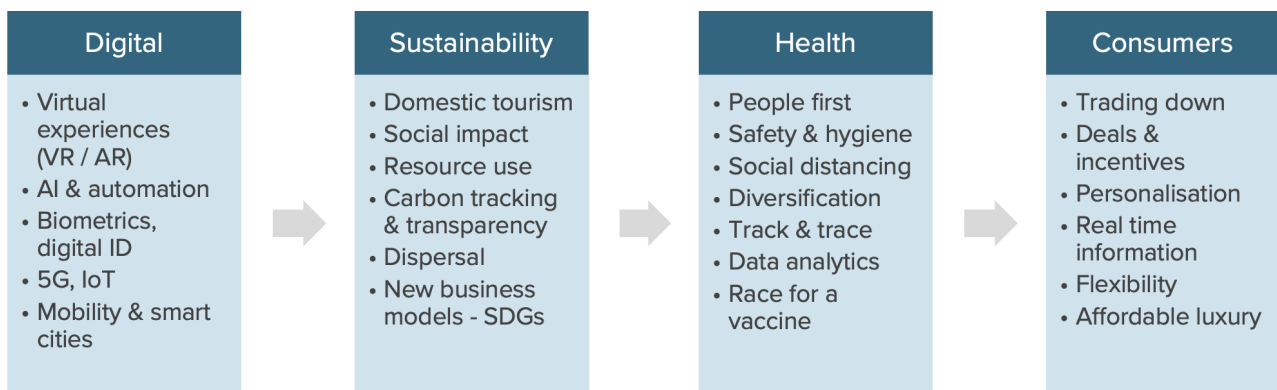
Travel and tourism experienced an existential crisis in 2020 due to Coronavirus (COVID-19). Being COVID-19-ready quickly transformed into the new normal, with travel businesses doubling down on hygiene protocols, social distancing measures and providing a customer-centric approach to kickstart recovery.

Innovation is taking multiple forms as digitalisation and sustainability accelerate. New source markets, consumer segments, business models and alternative revenue streams are just some of the strategies being explored to ensure survival.

Drawing on Euromonitor International's bank of innovation concepts across 100 countries, we review how the travel industry has jumped on innovation as a way to survive the seismic impact of Coronavirus that brought global travel and tourism to an abrupt halt in 2020.

Responding to the global travel SOS, Euromonitor International highlights best practice — from the most technologically advanced to the most simple of solutions — to help get businesses and communities back on their feet.

Travel Innovation after Coronavirus



Source: Euromonitor International



Global overview

Unimaginable impact on destinations and communities

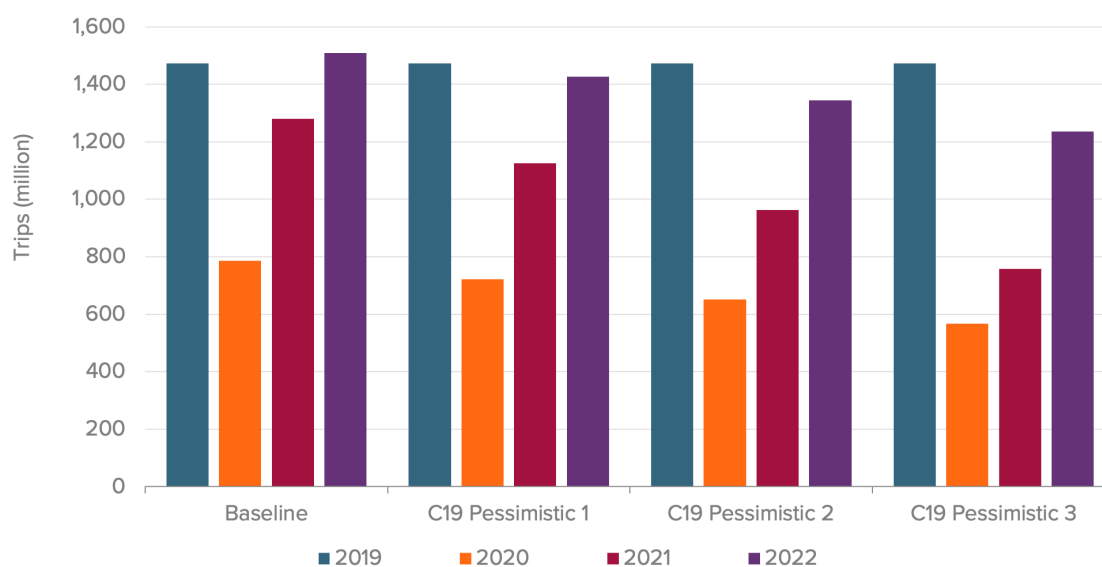
Since the World Health Organisation declared COVID-19 a global pandemic in March 2020, the world has witnessed the collapse of travel and tourism, as bans and restrictions were imposed by governments in an attempt to control the spread of the disease.

Last year, it was unthinkable that there would be zero international travel. Demand hit an all time low in April and May 2020 when most regions were in lockdown and consumers were told to stay at home.

The situation remains highly fluid due to the non-linear development of the disease, making forecasts challenging. However, Euromonitor developed four best- to worst-case scenarios, with a baseline drop of -50% for world arrivals in 2020, and a worst-case scenario seeing a decline of -60%.

Recovery is dependent on the duration of social distancing measures, the efficiency of COVID-19 tracking apps (as exemplified by countries like China, South Korea, Australia, Singapore and Germany) and the economic impact of the pandemic, particularly on unemployment. We expect tourism demand to take a minimum of three to five years to recover for trips and value, with lags for hotels, airlines and intermediaries. For the mid-term at least, the travel industry will have to recalibrate to lower levels of demand.

World Inbound Arrivals Baseline and COVID-19 Scenarios 2019–2022



Source: Euromonitor International – Travel Forecast Model

The Great Reset: From tragedy to hope

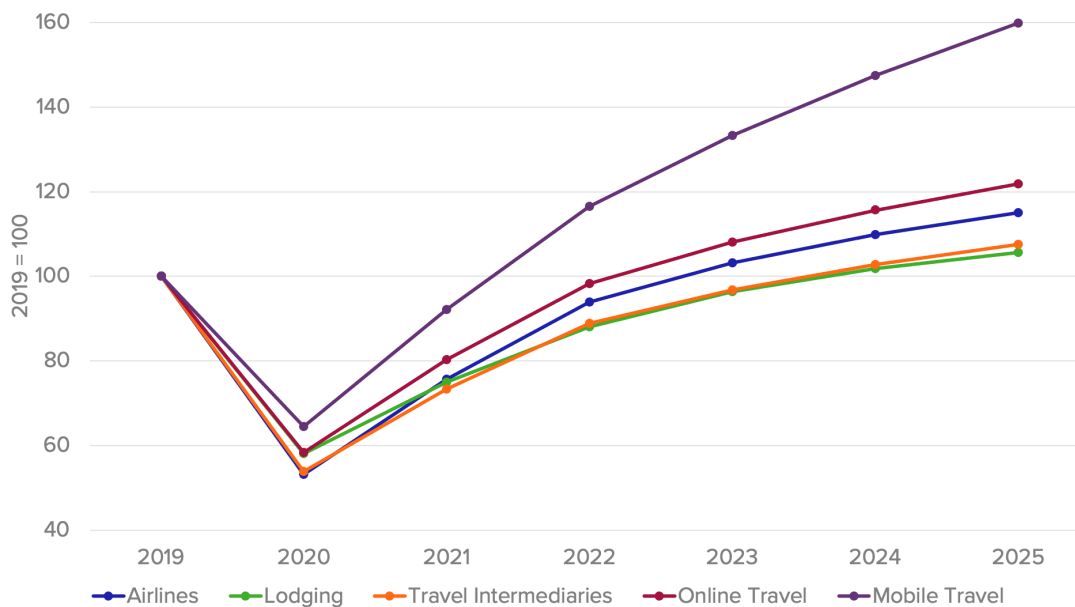
COVID-19 is a human tragedy and its effects are multi-faceted. It directly impacts families devastated by grief and loss to workers losing their jobs at airlines, hotel chains, travel agents, cruise ships or local tour guides while indirectly impacting shops, bars, cafes and restaurants due to tourism's multiplier effect.

Governments were forced to support the travel industry. The vast majority of companies are small to medium enterprises (SMEs), with over 30% of companies employing less than 10 people according to the International Labour Organisation. Support took a variety of different forms including government stimulus packages, tax breaks, debt referrals, airline bailouts along with employee schemes. The existential threat faced is so stark that the UNWTO expects a potential loss of 120 million jobs in 2020.

Every part of the travel supply chain continues to be under threat. Certain sectors of the industry are forecast to rebound quicker, particularly mobile travel sales, taking three years to recover to pre-crisis levels, and enjoy a percent forecast compound annual growth rate (CAGR) of 24% from 2020–2025. Provided that the pandemic is contained within a year and demand begins to rebound in 2021, we expect airlines to take a minimum of four years to recover, whilst lodging and intermediaries will take even longer.

However, the uncertainty of the virus and risk of a resurgence remain extremely high whilst there is a race for a vaccine, with some airlines and hotels operating at below 50% or less of their former capacity levels, potentially for the next three to four years.

World Forecast Travel Sales Index 2019–2025



Source: Euromonitor International

Note: Baseline forecast; 2019 is the base year (given as 100) for value sales in USD million

Corporate fall out

Global GDP growth is expected to fall by -4.8% in 2020 and travel businesses have been affected immensely. Companies across the world laid-off workers to survive in the short term, whilst others entered bankruptcy protection, including major airlines, such as LATAM, Avianca, Virgin Australia and Virgin Atlantic. Airlines, car rental and cruise operators are also looking to downsize their fleet.

Online players reverted to start-up modes and doubled down on their agility to navigate through the crisis. Meanwhile, hotels took different strategies — IHG that had already undergone major operational restructuring continued to expand and mooted a merger with Accor Hotels Group. Even Google took a big hit on its advertising revenues, yet rose to the occasion to expand its Google Travel offer to include tours and activities, alongside flights and hotels.

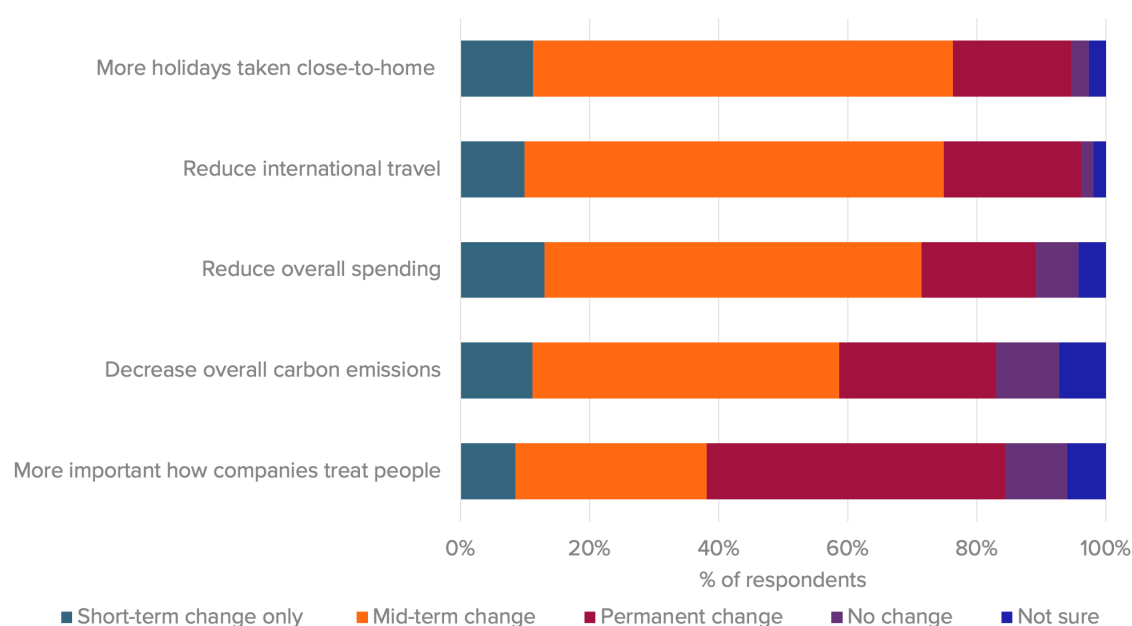
SMEs in destination were particularly exposed to the negative repercussions of COVID-19, with PATA's Mario Hardy advising "pivot or die" as a means of survival, through diversification into adjacent industries, such as agriculture.

Consumer sentiment shake-up

There is a strong inverse correlation between the consumer appetite for travelling internationally and holidaying closer to home, with the latter being the preferred post-covid travel option, particularly over the short to mid-term, with 76% of consumers choosing this option. Over July to October 2020, the level of global consumers that said that they would move permanently away from international remained at over one fifth (21%) saying that they would not go back to international travel, which also corresponds with the desire to reduce carbon emissions.

Coronavirus revealed some unpleasant truths about our former travel behaviours that we were unwilling to accept, such as the negative impact on the environment. Now, many consumers are questioning whether they will revert to their past behaviours and consumption as a matter of principle. This message is being reinforced in certain regions, such as Scandinavia and Europe, where the emphasis is on a digital green transformation and pivoting to the circular economy.

Expected Future Global Consumer Behaviour 2020



Source: Euromonitor International — Voice of the Industry, COVID-19 October 2020

Travel SOS for a sustainable recovery

With travel and tourism in dire straits, the urgency to innovate, digitalise and embrace sustainability is even more critical, reinforced by the demands of activist investors. Travel businesses with a strong sense of purpose that balance social and environmental concerns are resonating with consumers and employees.

However, sustainable transformation is not without its challenges. Based on the results of Euromonitor's Voice of Industry Survey, the travel industry is falling behind other industries, such as consumer goods, retail and packaging, when it comes to overall engagement with the 17 Sustainable Development Goals (SDGs) that make up the UN's 2030 agenda.

In the three SDGs where travel and tourism were called out, the industry is underperforming in decent work and economic growth (goal 8) and responsible consumption and production (goal 12) whilst levels of engagement with life underwater (goal 14) remain low.

Yet, there are areas where the travel industry is excelling, with high levels of engagement with industry, innovation and infrastructure (goal 9) and sustainable cities and communities (goal 11), with scores of 61.5% and 66.7%, respectively. However, there is more work to be done to integrate the SDGs into recovery strategies and rethink operations.

Furthermore, 42% of the travel industry stated that they would roll back or cancel developing sustainable products and services due to COVID-19, at a time when they are needed most. Seeing sustainability as a competitive advantage is more pressing as a growing number of destinations and travel start-ups are starting with the SDGs as their blueprint, giving them an advantage over more traditional players that were built to drive volumes and ROI to please shareholders.

42%
of the travel industry stated that they would roll back or cancel developing sustainable products and services due to COVID-19

Travel businesses have come together to add their weight behind the cause, such as Tourism Declares a Climate Emergency and the recently formed Future of Tourism Coalition.

Travel Industry Engagement with the Sustainable Development Goals 2020

| | 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% |
| 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 Survey, July 2020

Europe

Europe faces its darkest hour since post-war

Economic performance in Europe was sluggish even before COVID-19, and following the pandemic is forecast to be pushed into a depression with % GDP growth of -8.8% in our baseline scenario for the EU specifically. A strong rebound of 5.2% is expected for 2021, provided social distancing measures remain in place for no more than four quarters if there is one main virus wave and smaller local waves.

The outlook varies across the region's key countries, with Germany and Russia relatively better off with -6.7% economic growth respectively, compared to Spain, France, the UK and Italy, facing drops between -11% to -12%. The EU also faces the repercussions of Brexit as the UK edges closer to leaving without a deal. Nationalism has taken hold in many countries, leading to divisions and putting the future of the European project at risk.

In response to the disruption caused this year, the EU committed EUR1.8 trillion to its COVID-19 recovery plan, aiming to build resilience, transform economies and societies and double down on its aim to be climate neutral by 2050. Despite the stresses on public finances tackling the pandemic, the region appears determined not to roll back on its Green Deal sustainability commitments.

Bans, masks and border closures

In response to the grounding of international aviation and the closure of borders, bailouts came thick and fast. Some were even conditional to new green commitments, such as national government bailouts of Air Austria and Air France, calling for reduced carbon emissions, stopping short-haul flights where a rail alternative exists and investing in alternative fuels.

Travel restrictions are being updated constantly based on COVID-19 development, leading to a chaotic operational nightmare for travel brands. In September, the EU Commission announced its intention to coordinate travel restrictions between members. With measures changing constantly, consumers were often caught off guard and forced to cut their trips short to avoid quarantine. Social distancing measures remain in force and face masks are still mandatory in public places for many countries including the UK and in cities like Paris, with many countries entering second waves.

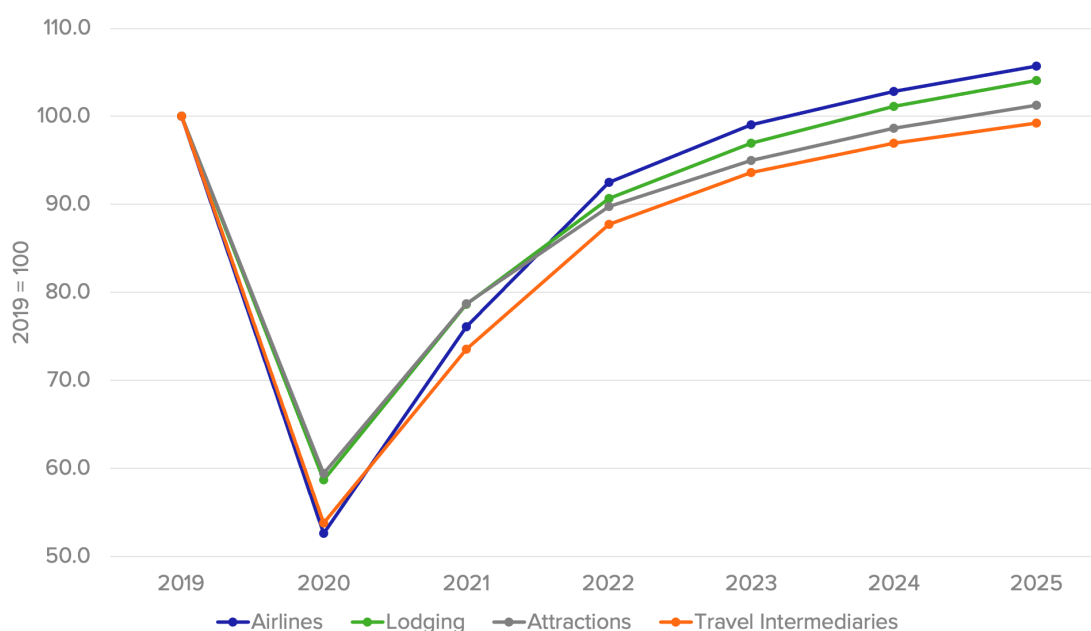
Value-driven mindset to build back better

Western Europe is a mature region, traditionally showing a high propensity to travel and enjoying high levels of digitalisation. However, pre-COVID-19, the region suffered from increasing levels of tourism, resulting in the balance between residents and visitors being out of kilter in some of the world's most iconic destinations such as Barcelona and Venice. The break in visitor numbers has allowed destinations under pressure to take some time to recalibrate and take steps to minimise negative environmental and social impacts.

After lockdown, the first response to the pandemic was for consumers to default to domestic tourism, driven by the desire to catch up with friends and family, as well as take advantage of nature and open space after staying indoors for months. This resulted in domestic tourism expenditure falling by half the levels of inbound receipts, forecast at -25% vs -54% in 2020 — reviving the staycation trend. While perceived not to be as glamorous as international travel, domestic trips are all part of building a resilient and thriving tourism industry, especially one that it is not restricted to seasonality and in the short term acts as a necessary economic buffer.

Post COVID-19, recovery is expected to be slow, taking a minimum of four years for inbound receipts and travel product sales to return to pre-crisis levels, with products like package holidays taking several years. The shift towards value-driven tourism is pivotal for survival, as unsustainable forms of tourism that focus on driving visitor numbers will no longer work post-pandemic.

Europe Forecast Travel Sales Index 2019–2025



Source: Euromonitor International

Note: Baseline forecast, includes Western Europe and Eastern Europe; 2019 is the base year (given as 100) for value sales in USD million

Pandemic collides with Brexit in the UK

The UK is feeling the pressure from the eleventh hour deal with the EU that needs to be in place by end of the year or the UK will face the reality of a no deal Brexit. Euromonitor forecasts that the UK economy will contract by -11% in 2020 in the baseline scenario, with a potential rebound in 2021 of 5%, providing that there is not a prolonged period of social distancing measures. Unemployment is expected to double to around 8%, which could triple if a worst case scenario of extended business and consumer restrictions for another year.

In terms of inbound tourism, receipts are expected to fall by -49% in 2020 in a best case scenario. There may be further decline in 2021 if there were to be between three to five waves of the virus, along with a delay in the widespread distribution of a vaccine until 2022 / 2023.

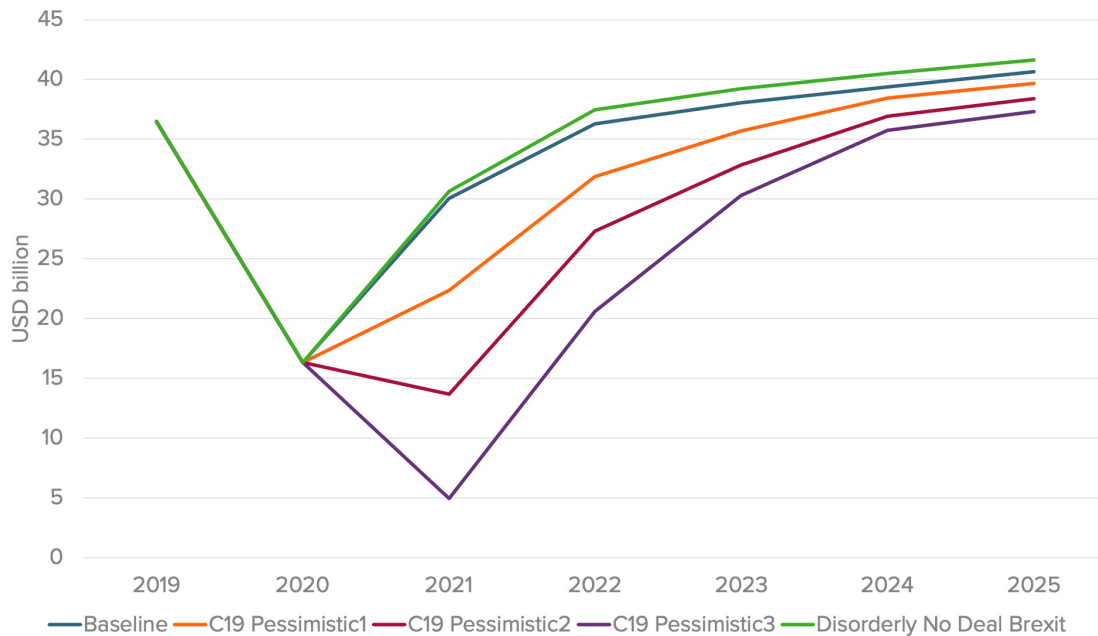
As elsewhere, the UK travel industry has been thrown into chaos with the focus shifting to domestic tourism and with consumers returning home from trips abroad early due to changing FCO travel advice on quarantine rules. Many travel businesses took up government financial and fiscal support including the Job Support Scheme and the new Winter Economy Plan. However, it has not been plain sailing with further restrictions still being introduced to curtail the second wave with a new lockdown recently imposed in England until early December.

In response to COVID-19, innovation has taken many shapes and forms. Heathrow began trialling a digital health pass called CommonPass, a joint initiative between the World Economic Forum and The Commons Project. The aim is to build trust between countries and passengers by sharing COVID-19 test results via QR code to enable speedy transit and, most importantly, move away from blanket travel bans.

Gatwick Airport found that its trial of boarding by seat number helped with social distancing requirements, removing the need for queuing, thanks to new technology solutions and providing a more seamless passenger journey. UK start-up, Arrival, launched plans for a social distance-friendly electric bus with flexible seating, tackling the challenges simultaneously the challenges of the climate and health emergencies.

As travel agencies shut down, the pivot to remote working accelerated, already a trend in motion. New products were launched to target the UK domestic market, such as Cosmos' one-stop escorted tours, offering free flexible rebooking options through its peace of mind scheme. Hotels and cruises rolled out new health and hygiene protocols, especially concerning mask wearing and removing communal dining facilities. Recovery for tourism and hospitality in the UK looked to be on shaky ground with multiple tiers of restrictions across the four nations with major concerns for jobs and livelihoods.

UK Inbound Receipts Forecast Scenarios USD billion 2019–2025



Source: Euromonitor International — Travel Forecast Model

Note: COVID-19 and Disorderly No Deal Brexit scenarios run for Q1 2021

Holistic system approach

National tourism boards are increasingly shunning destination marketing for a more proactive destination management approach such as Visit Flanders or Amsterdam. Visit Flanders has embraced regenerative tourism, as pioneered by Anna Pollock. This includes reframing the tourism paradigm to take a holistic approach, very much putting communities at the heart and having a restorative, net positive impact.

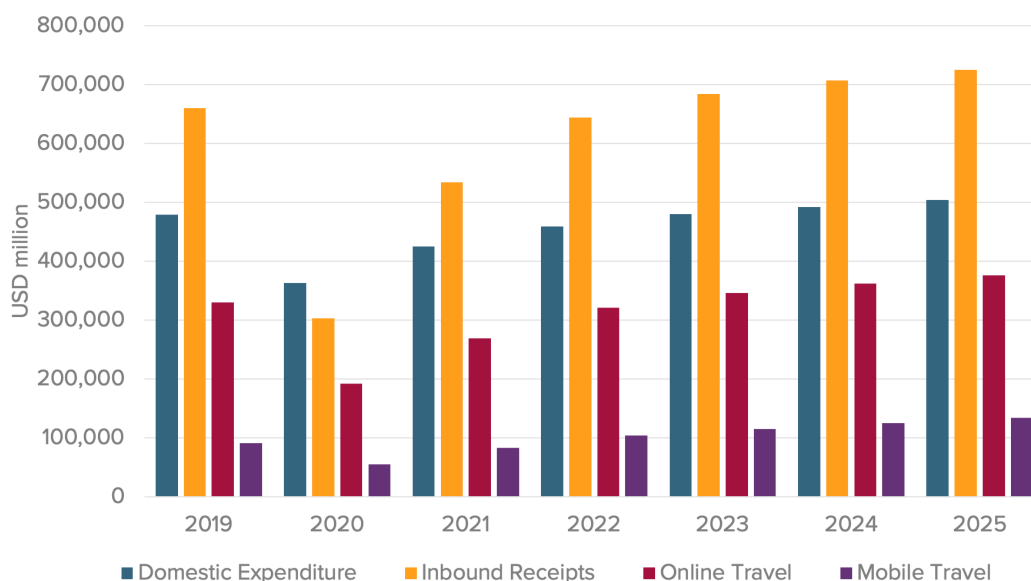
Regenerative tourism is bolder and more inspiring. It aims not just to do less harm, but to go on and restore the harm that our system has already done to the natural world, and by using nature's principles, to create the conditions of life to flourish. It views wholes and not parts, and is a very different way of looking at the world.

Anna Pollock, Founder, Conscious Travel

Going forward, it will be vital to account for the true costs of tourism demand in terms of water, waste, energy, biodiversity, food provenance and pollution, alongside community engagement, economic value and job creation. Establishing the true value and benefits of tourism requires taking a holistic approach across the value chain.

If travel brands take a short termism view to survival and start discounting heavily, then recovery will not endure and there will be a race to the bottom. Embracing digitalisation and building products and services that resonate with consumers will be key to enhancing quality and price dynamics, while adjusting procedures to be COVID-proof.

Tourism Expenditure in Europe 2019–2025



Source: Euromonitor International

Note: Baseline forecast, includes Western Europe and Eastern Europe

Our Invisible Burden report with EplerWood International and Cornell University identified the root causes of why destinations have struggled to manage tourism well. These have been amplified by the COVID context. The challenge is to fully understand the implications of growth in destinations, driven by a poor understanding of the full impacts and costs of visitor demand. Unless these are addressed, efforts to rebuild tourism, address its vulnerabilities and prepare for future crises will be severely hampered.

Jeremy Sampson, CEO, The Travel Foundation

Innovating out of the crisis

Visitors — the lifeblood of the tourism economy — disappeared in Q2 2020, forcing European destinations to go back to the drawing board and get creative. Reinvention through virtual experiences was popular as seen with the Faroe Islands’ remote tourism experience, whilst others turned to online

marketing to keep the conversation going with potential visitors, like #GdanskWillWait. European cities turned to their residents for local demand and leveraged apps to discover ‘off the beaten path’ authentic activities and tours.

Digitalisation and personalisation of the customer journey continued apace, with AI and automation deployed to iron out pain points and create seamless experiences. Other apps tackled the need for greater transparency of carbon impact monitoring such as www.Meravando.de in Germany to help consumers with carbon offsetting for their cruises.

Innovation was also spurred on by the new hygiene and social distancing protocols caused by COVID-19 such as the need for contactless and self-service. Aircraft seat design even got a makeover with www.aviointeriors.it and its Janus seat innovation — the highly newsworthy reverse middle seat with protection.

Meanwhile, mobility companies embraced greater levels of hygiene protocols, flexible pricing and cancellation policies along with electrification. Others explored new consumer segments in non-traditional families or alternate source markets closer to home.

Immersion in nature for mental wellbeing

COVID-19 has taken an enormous toll on mental wellbeing, caused by the stress and anxiety of lockdown and as a result of regular routines replaced by confinement and social isolation.

Post-lockdown in countries like Ireland and Scotland has seen an uptick in nature-based activities such as wild camping, biking, trekking and wild swimming. Scotland’s Glentress in the Tweed Valley (www.glentressforest.com) is working with Developing Biking in Scotland (DMBinS), Napier University and Scottish Borders on a therapeutic recovery programme to measure the psychological benefits of biking. As furlough schemes come an end with unemployment levels forecast to rise, it will be more important than ever to ensure sustainable, nature-based experiences are accessible to all including the most vulnerable groups.

Nordics: The leader of the sustainability pack

Scandinavian countries continue to be highly engaged with sustainability and haven’t been knocked off course by the pandemic. According to Euromonitor’s Voice of the Industry — Sustainability Survey (July 2020), 65% of travel businesses in the Nordics are implementing a sustainability strategy, 10% higher than the global average, and 46% said that they were purpose driven, noticeably higher than the average.

Sustainability is also a key feature in half of the new products and services being developed in the region, infusing environmental and social elements into NPD and innovation, while 80% see the value of

sustainability for developing resilience and protecting the triple bottom line.

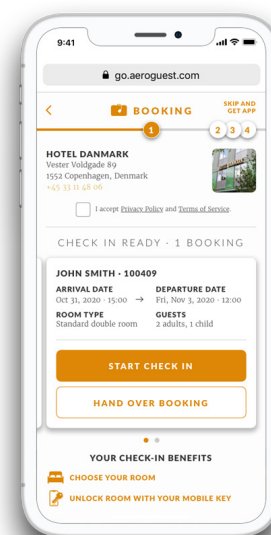
Initiatives about waste and energy are the priority over the next five years. It is interesting to note the primary motivation was not cost-driven (22%), or legislative (54%) but due to customer perception and brand reputation (79%). Four out of five businesses in the Nordics also said sustainability was critical to the company's value proposition.

Innovation concept 1: Aeroguest — digitalised and touch-free for a post COVID world

Award-winning, Danish app, Aeroguest, provides consumers a fully digital and touch-free hotel experience from the booking stage to check-out. The mobile app enables users to book, pay, remote check-in, select a room, unlock the room with a digital key and book experiences all from within the same app. Hotels in Denmark, Finland, the UK and Iceland are on offer, with additional features such as room selection and room upgrades to drive incremental revenue streams.

Marketed as a way to “digitise your trip and reduce your carbon footprint”, AeroGuest is targeting environmentally conscious travellers who want a seamless, digital experience whilst feeling that they are making a positive difference, by helping reduce the amount of paperwork and plastic involved with the traditional check-in process. The 100% digital, touch-free experience takes on even more importance during the COVID-19 pandemic where health and safety are paramount.

To date, the app has over 52 thousand users, and booked over 8,000 rooms. It has reduced guest check-in to 30 seconds thanks to its SNAP mobile technology, freeing up staff time to be more responsive to guests — providing value added service. Some of their partners include Oracle (hospitality solutions), eRevMax (hotel distribution), Apexx (payments) and Dormakaba (electronic door access) among others.

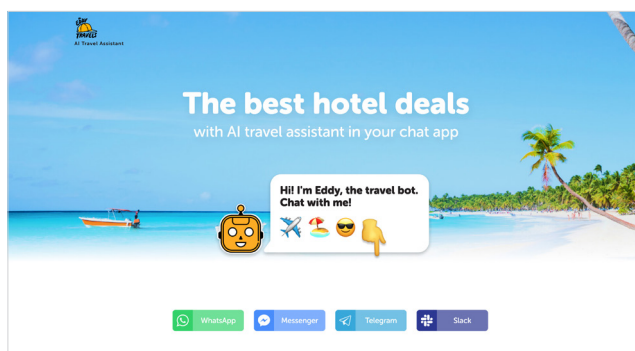


Source: AeroGuest.com

Travel sos: It would be interesting for Aeroguest to prioritise and showcase sustainability leading hotels with strong social and environmental credentials. Consumers could be rewarded for making a greener choices: vouchers could be redeemed in hotel restaurants that support local producers and farms, grow their own, or at local foodservice outlets.

Innovation concept 2: Eddy Travels — AI personal travel assistant

Lithuanian-Canadian start up, founded in 2018, Eddy Travels is an AI-enabled personal travel assistant, helping consumers find the best travel deals instantly on several chat apps such as WhatsApp, Messenger, Telegram, Line, Rakuten, Viber and Slack. To date, the company has 2.5 million users. Crunchbase reported that the company had raised USD1.2 million in seed funding and last year it took part in the Techstars Toronto Accelerator programme.



Source: EddyTravels.com

The company provides tailored travel planning services, applying unique machine learning technology for natural language processing (NLP). Using software like Rasa for creating contextual assistants, its NLP accuracy is 96% and it's able to understand more complex information.

Targeting Millennials, it is a simple way to organise trips from low cost flights to personalised activities, avoiding the use of multiple apps, or causing unwanted spam messages and emails.

For flights, car rental and hotels, Eddy Travel partners with Skyscanner; other partners include Emirates, SafetyWing, Vertoe, G Adventures to offer medical insurance, packages, visa information and other services.

In response to COVID-19, the company integrated alerts and information about travel restrictions through its partnership with Sitata and its Risk Management API that includes information from the likes of John Hopkins.

Travel SOS: A possible next step could be integrating impact data to provide consumers with greater transparency about their travel behaviours on the environment and local communities, such as displaying the amount of money kept in destination across the different travel options.

The Americas

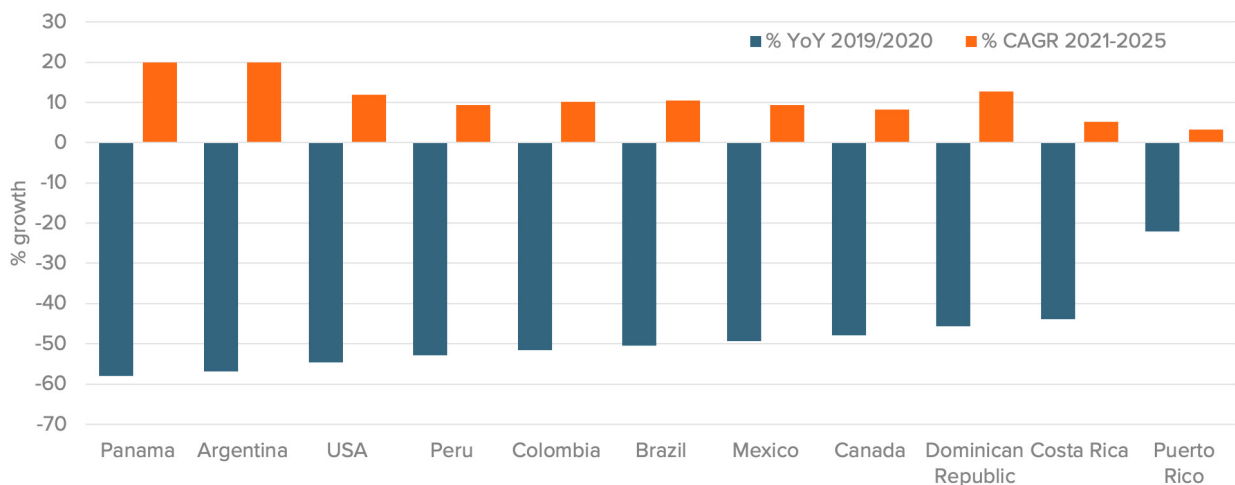
A perfect storm

The Americas continued to be beset by the pandemic in the second half of 2020. Countries in Latin America were some of the last to leave lockdown and see borders reopen, further compounded by social unrest pre-COVID-19 which had already had a negative impact on consumer confidence and spending.

In North America, the economic impact of COVID-19 is forecast to be severe, the worst since the Great Depression of the late 1920s, with the economies of the US and Canada expected to contract by -6.5% and -8.0% in 2020 respectively. The US land borders with Canada and Mexico remain closed until the end of November 2020. Trade tensions with China were also high before the pandemic.

Furthermore, as well as facing one of the most vitriolic elections, the US appeared more polarised than ever, with racial tensions at boiling point following the murder of George Floyd at the hands of the police that erupted into mass protests and international condemnation, putting race and discrimination at the forefront. The US west coast was ravaged by wildfires and battered by hurricanes, reinforcing the real effects of climate change.

Inbound Receipts by Country % Growth 2019 / 2020 vs % CAGR 2021–2025



Source: Euromonitor International

Note: Baseline forecast

Travel in meltdown

There were historic losses for travel companies and destinations as key demand metrics like passengers carried and hotel occupancy tanked. Some did not survive, including high profile bankruptcies from Avianca and LATAM both entering chapter 11 protection. The reality of millions of workers being laid off is expected to lead to unemployment in the US, Canada, Brazil and Argentina exceeding 10%.

The US passed the USD2.2 trillion CARES bill in March 2020 to help US companies of all sizes across the travel and tourism spectrum navigate through the crisis, with an extension in September for some but not all the airlines. There was great concern that after the bill expired on 1 October that many companies would enter a phase of mass redundancies as they restructured and downsized.

Business travel was decimated as companies imposed travel bans — some extending to mid 2021 — having a major impact on scheduled airlines and luxury hotels. The death knell sounded for meetings and conventions / MICE as destinations like Las Vegas saw mass cancellations. Many expect a major structural write-down, with the shift to virtual events sped up during lockdown — an irreversible change as the industry goes hybrid. Hopes rest with the North American domestic leisure market that accounts for over 60% of total tourism expenditure in the region, banking on pent up demand.

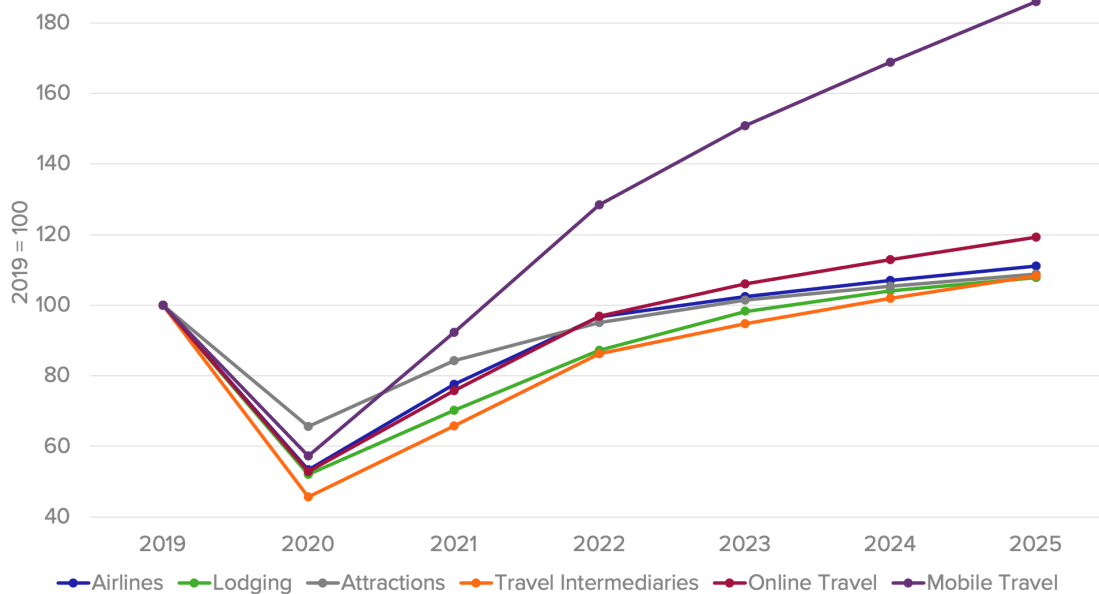
Travel businesses also realised the need to quickly deliver safe and seamless experiences, that are equally appealing for their authenticity — the number one priority for the US even ahead of safety, according to Euromonitor International's Voice of the Industry Survey, Travel (April 2020).

On a sustainability front, the US trailed the global average and other key source markets like China and Germany, with only 24% saying that they want to have a positive impact when they travel. However, there were signs that travelling with a purpose resonates with some US travellers (36% of respondents), but it is still below the global average, reinforcing that US consumers have yet to adopt the need for change in their lifestyles and travel behaviour. Industry associations such as The Transformational Travel Council advocate a more conscious form of travel, calling for a more equitable, purpose and impact-driven type of travel industry for the recovery and great reset.

There is a global awakening occurring and there needs a change in mindset, go beyond sustainability and embrace regenerative and transformational tourism — to be mindful of nature and culture, and connect more deeply, and cultivate stewardship and global understanding.

Jake Hauptert, Co-Founder, Transformational Travel Council

Americas Forecast Travel Sales Index 2019–2025



Source: Euromonitor International

Note: Baseline forecast, includes North America and Latin America; 2019 is the base year (given as 100) for value sales in USD million

Innovation: Seamless for safety

In the Americas, new travel concepts promoted sustainable travel experiences with positive social and environmental impacts while leveraging new technologies. For example, companies such as Wanderbus in Ecuador looked to become B Corp certified for their social and purpose driven values.

A range of technology such as biometrics, blockchain, Internet of Things, AI, big data, analytics and the cloud were deployed to remove pain points across the customer journey from the airport to in-destination. Equally, there was a raft of innovations to tackle the unprecedented safety and hygiene challenges of COVID-19, seen with the Hilton CleanStay programme in partnership with Reckitt Benckiser and the Mayo Clinic.

61%
of US travel companies expect artificial intelligence to impact their business in the next five years

Innovation concept 1: Imagine Initiative — Empowering future generations

The Imagine Initiative, launched in Argentina in 2019 seeks to combat climate change by promoting good travel behaviour and best practices for companies and destinations through sustainable tourism, environmental education, gamification and Corporate Social Responsibility.

Imagine created the Green Passport, an environmental tourism guide, which allows consumers to calculate their carbon footprint during the trip (depending on the level of impact), choose responsible companies, local guides, low-impact experiences and sustainable destinations. The sustainable travel agency has reached 25,000 consumers across 56 destinations.

The Imagine initiative also encourages people to become sustainability ambassadors in their own towns and cities to spread the word through direct engagement, leveraging the power of the crowd, while aiming to educate consumers to change their daily lives.

With calls for a global health passport to help combat COVID-19, sustainability could be integrated into a universal scheme, leveraging the power of biometrics and blockchain. This could take the form of calculating average distance travelled and alerting consumers about the respective carbon emissions created.

Source: Iniciativaimagine.com

Travel sos: Often simplicity is the best way to deliver clear messaging and ensure the necessary change as seen with this idea of a green passport. Mobilising young people (like Greta Thunberg did) to tread lightly is also critical to drive radical behavioural change.

Innovation concept 2: COVID RD — Safety reassurance through transparency

The Ministry of Tourism in the Dominican Republic developed the COVID-RD mobile app, that allows citizens and inbound visitors (with a QR code) to view information about COVID-19 in the country. It can also be used to report symptoms, has real time access to newsletters from the Ministry of Public Health and allows visitors to gain access to information on health services.

The Dominican Republic relies heavily on inbound tourism, and witnessed a drop of -65% for year-to-date (YTD) September 2020, with 1.7 million arrivals. For the app, the country leveraged artificial intelligence and geolocation to build a map of cases and provide visitors with important information about hygiene safety and control. The app also contains a chatbot Aurora to provide additional help and resources.



Source: App Store

Travel sos: Digital track and trace apps are one way to help reassure the public about travelling again although it would be better if they were all inter-operable. The Dominican Republic has gone a step further by offering a travel assistance plan to hotel guests free of charge, including emergency cover, COVID-19 testing, costs for extended stays and flight rebooking in case of illness.



Asia Pacific

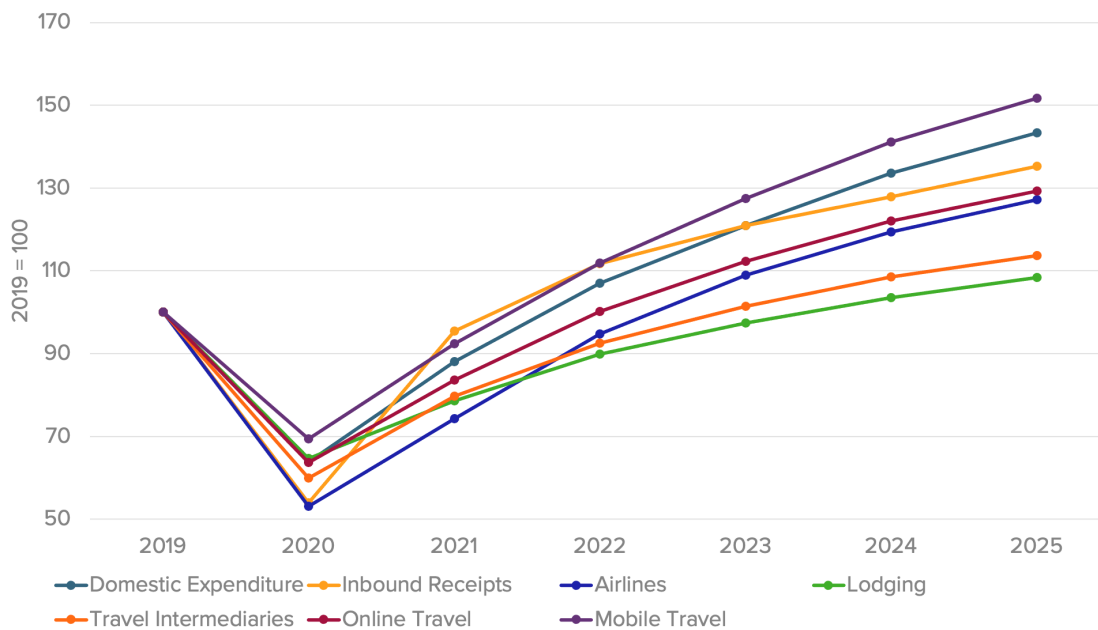
Decade of dynamism brought to a halt

Asia Pacific was the first region to face COVID-19, with the virus first emerging in Wuhan, China in late 2019 and leading to the lockdown of millions of people in an attempt to curtail the spread in the first half of 2020, with partial restrictions still in place.

In terms of economic performance, the region is forecast to see % real GDP decline by -2.9% in 2020, picking up strongly in 2021 by 7.6%, in a best case scenario, provided social distancing measures are left in place for a maximum of four quarters with one main wave followed by smaller localised waves before the roll out of a vaccine.

China's economy recovered better than expected with growth forecast of 1.7% in 2020, and forecast to rebound well by 7.5% in 2021. Following lockdown, the Chinese government took measures to kickstart the economy including encouraging domestic tourism as international travel remained off limits. Consumer confidence, however, remains modest in low to middle income households due to hours worked and job losses. Countries such as South Korea, Japan and India were thrown into recession with % real GDP falls of -1.2%, -5.8% and -10.5% respectively in 2020.

Asia Pacific Forecast Travel Sales Index 2019–2025



Source: Euromonitor International

Note: Baseline forecast, includes Asia Pacific and Australasia; 2019 is the base year (given as 100) for value sales in USD million

Stealing a march on recovery

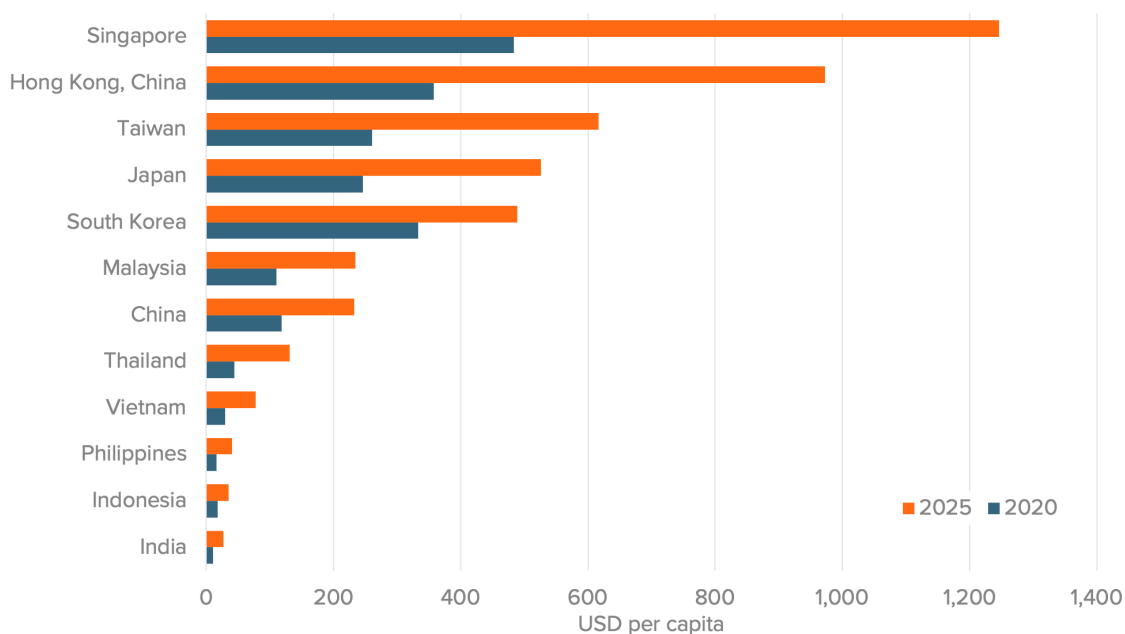
Buoyed by the region's income potential, recovery post-pandemic is going to be relatively quick for Asia Pacific compared to Western Europe. Our latest research points to recovery in tourism demand (international and domestic) in Asia Pacific within three years, with spending holding steady. In the short to mid-term, domestic and intra-regional tourism will act as a shock-absorber for the decline in international long haul demand.

Growth will be spurred on by value for money products such as short term rentals and low cost carriers which are predominantly booked online or via mobile. There will be a time lag in certain sectors like hotels and traditional package holidays, expected to take five years to recover to pre-crisis 2019 levels. The main challenge for Asia Pacific remains how to manage its growth in a sustainable way that protects the triple bottom line.

The region will have to adapt to the changing source market landscape, as a key 'feeder' country like China takes a step back from international travel in the short to mid-term, pivoting to domestic tourism. The recent deal between Trip.com and JD.com points to a greater focus on the domestic market which will entail diversification in many destinations, particularly in Asia Pacific. Some key priorities for Chinese

consumers include unique and inspiring travel experiences (68%), and even more important to support local businesses and communities (70%), according to Euromonitor's Voice of the Industry Survey — Travel (April 2020).

Online Travel Sales Per Capita USD 2020 and 2025



Source: Euromonitor International

Note: Baseline forecast

Digital-first innovation

Home to the world's largest population of internet users — 1.9 billion people and spending USD2.8 trillion on digital commerce — innovation thrives in Asia Pacific. Top innovation countries in the region were India, Singapore, South Korea and Hong Kong in 2020 according to the Global Innovation Index.

Across the innovation concepts collected by Euromonitor International, the majority were infused with digitalisation, tackling a variety of different needs related to COVID-19, such as the customer journey, mobility, sustainable destination management and virtual experiences.

The acceleration towards AI and automation were visible in countries such as China's FlyZoo Future Hotel where facial recognition and robotics are deployed to create a seamless customer experience. However, major concerns remain about privacy and personal freedom. Mobile sales are the most developed in Asia Pacific, accounting for 62% of all online travel sales in 2020.

Innovation concept 1: Largest floating solar system — Lux* Resorts

The Maldives is often used as an example of the very real existential threat posed by climate change, as the low-lying coral islands face potential submersion from rising sea levels. Lux* Resorts in South Ari Atoll launched a unique patented system of floating solar panels in August 2019, that are placed on the sea to gather energy to power the island and are integrated with the grid.

The resort has partnered with Swimsol, specialising in offshore photovoltaics to achieve its energy goals and moved onto the ocean due to limited space on land. Complementing the existing solar roof panels, the floating solar system has boosted energy capacity by 40% and reduced diesel consumption enormously.

Equally, the SolarSea platform was designed to protect the coral reefs and the local ecosystem. Guests at the resort have access to a live solar tracker which is placed in the villa's IPTV. This IPTV indicates energy produced, diesel saved and carbon dioxide emission savings created by the solar energy usage.

According to Euromonitor International's Voice of the Industry Survey — Sustainability, 53% of travel companies are looking at investing in energy over the next five years, and an ever higher 59% will focus on developing sustainable products and services.



Source: Hoteliernmiddleeast.com

53%

of travel companies are looking at investing in energy over the next five years

Travel SOS: *Although many sustainability initiatives are operational and may not be perceived to be 'sexy' — be it waste, water or energy — it is vital to be transparent and showcase these actions to drive consumer awareness. This will help raise expectations consumers have of other travel and tourism providers, ultimately holding unsustainable operators to account against a higher sustainable standard.*

Innovation is key to achieving true sustainability.

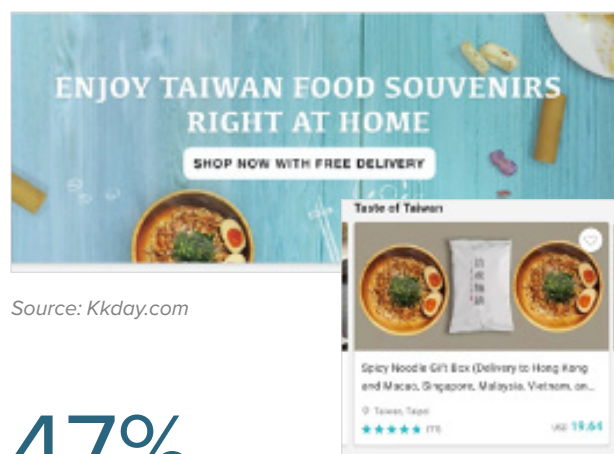
Jonas Amstad, General Manager at LUX* South Ari Atoll

Innovation concept 2: KKday — Taste of Taiwan

KKday is a leading online travel agent and travel unicorn start-up in Taiwan offering tours and experiences, lodging and transport. In April 2020, KKday proactively launched online ordering of Taiwanese snacks to deliver around the world when the travel industry was heavily disrupted by COVID-19. This concept showed KKday's ability to quickly adapt their business model for the new normal, without compromising their business vision.

Unable to travel, food experiences at home can be a great alternative. On the supply side, this move not only maintained brand awareness for the destination, it also helped to boost sales

for food suppliers in Taiwan. It is also part of diversification and wider pivot undertaken by Asian companies to find alternative revenue streams. Spending on food and restaurants is increasingly taking a greater share of Asian visitors' budgets, to account for almost 20% by 2025.



Source: Kkday.com

47%

of travel businesses globally plan to invest in sustainable sourcing in the next five years

Travel sos: Agritourism, offering immersive rural experiences, at the time preserving local agriculture has huge opportunity in Asia especially as the region increasingly urbanises. Post COVID-19, more tourism businesses are looking to invest in agriculture to establish local supply chains as well as create unique experiences — a win-win for the triple bottom line.

Middle East and Africa

Triple shock

The Middle East and Africa suffered a triple shock effect from COVID-19, historically low oil prices that turned negative in April 2020 as well as the shutdown of travel and tourism.

Saudi Arabia, a key oil producing country, is forecast to experience a decline in economic output of -6% in 2020 hit by the oil price war with Russia that led to the collapse of oil prices, whilst Nigeria is likely to fall by -2.9% and South Africa faces a steeper fall of -8.5% in real GDP growth.

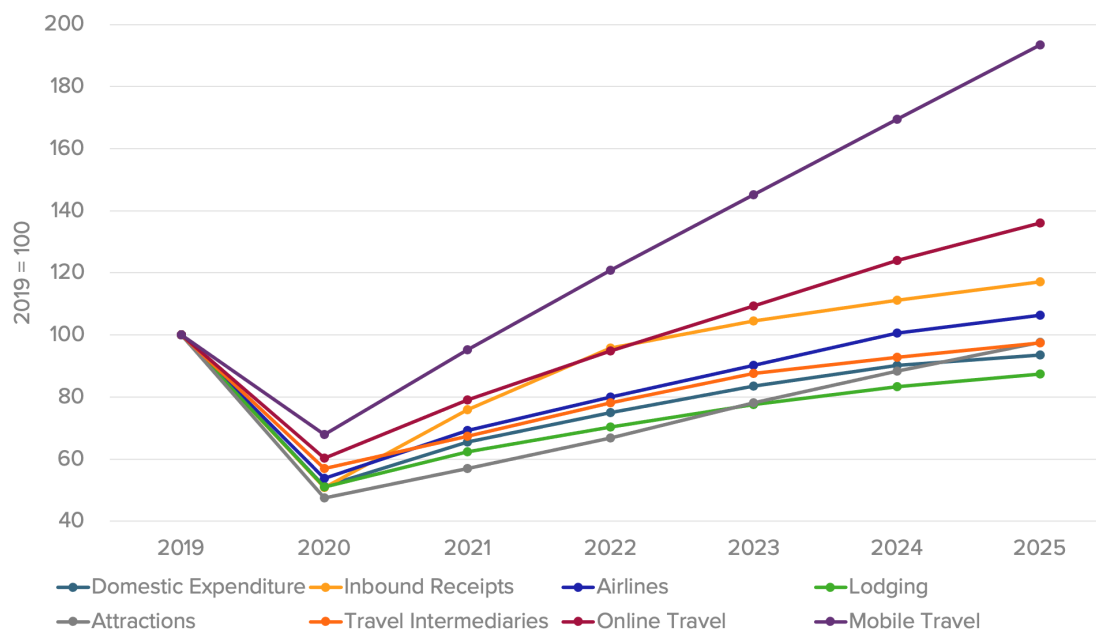
Lebanon was one of the worst hit economically, with a decline of -13.2% forecast this year, coupled with an already weak economy due to the war in Syria. Beirut also suffered the tragic explosion at the port in August that caused death and destruction, leaving hundreds dead and over 6,000 thousand injured. Egypt and Kenya were some of the few economies to enjoy positive growth, despite slowing to 4.5% (due to the timing of the Egyptian financial year) and 1.7% respectively in 2020.

Long, hard times ahead

Like the rest of the world, in Q2 2020 the Middle East and Africa saw lockdowns, mass flight cancellations and outlet closures. In the best case scenario, the Middle East and Africa is predicted to take at least four years to recover to pre-crisis levels of demand and spending. Business and MICE travel is set to pick up faster, with a lag for leisure, whilst the outlook for domestic tourism looks fragile, taking several years to return. Although domestic visitors offer lower spend per trip, destinations turned inwards to their domestic tourism markets once restrictions were lifted.

Lodging, intermediaries and transport players are also expected to face a long haul taking five to seven years to return to previous sales levels after mass closures and cancellations. Large hotel chains like Marriott permanently closed in markets such as Mozambique. The brightest outlook is expected for online travel categories, taking four years to make up for lost ground and mobile sales within three years. Short term rental players like Airbnb are set to benefit from the shift to domestic through public partnership.

Middle East and Africa Forecast Travel Sales Index 2019–2025



Source: Euromonitor International

Note: Baseline forecast, 2019 is the base year (given as 100) for value sales in USD million

The outlook for inbound tourism spending is bleak, with sharp drops of -70% for the UAE. It is even worse for Saudi Arabia which could see -80% less receipts following curbs on religious tourism with COVID-19 restrictions to holy sites eased in October, allowing a maximum of 6,000 pilgrims to the Grand Mosque in Mecca. Tourism remains a key pillar in the kingdom's diversification away from fossil fuels, with ongoing investment in giga projects like Neom and the Red Sea part of Vision 2030.

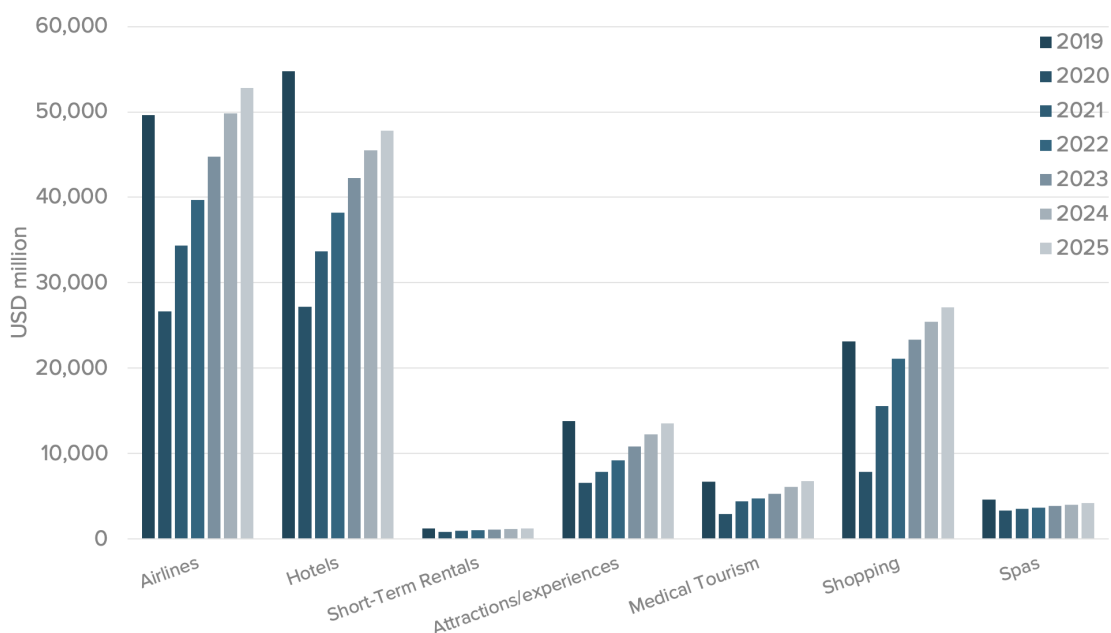
Key destinations like South Africa, Israel and Kenya were braced for major drops in value between -40% and -50% in 2020. Struggling airlines like South African Airways went into bankruptcy protection, avoiding liquidation thanks to a government bailout, with Comair also receiving a rescue package from investors.

For wildlife tourism, the impact of COVID-19 had catastrophic effects on conservation following the collapse of tourism revenues that help support communities, conservancies and national parks in a sustainable way. This puts communities that usually receive income for protecting the land and wildlife in a highly precarious position, raising the risk of turning to poaching for a source of revenue.

For luxury travellers, the region offered some small respite from the pandemic in the form of private jet safaris offered by Ker & Downey Africa in Tanzania and Zanzibar, to enjoy the wilderness and seclusion. The company was advising consumers to book for end 2020 and 2021.

Travel SOS: Post pandemic, it is likely that European source markets may be more conscious of their carbon footprint, as seen with the flight shaming movement. For the rebuild, destinations and brands would do well to double down on their sustainability practices operationally as well as for developing sustainable products for consumers. Looking for alternative high income markets would also be wise.

Middle East and Africa Forecast Travel Sales in USD million 2019–2025



Source: Euromonitor International

Note: Baseline scenario, shopping by domestic and international visitors

Innovation for COVID proofing

The majority of innovation was witnessed in the launch of new COVID-19 health and hygiene protocols, adopted by destinations and travel brands to reassure consumers that it was safe. In South Africa, the V&A Waterfront was the first visitor attraction to adopt the global standard Safe Travels rolled out by the World Travel and Tourism Council, based on WHO and CDC guidelines. The global safety stamp is available for several categories including hospitality, aviation, short term rentals, car rental, cruise, tour operators, MICE and destinations. Hundreds of businesses have already signed up.

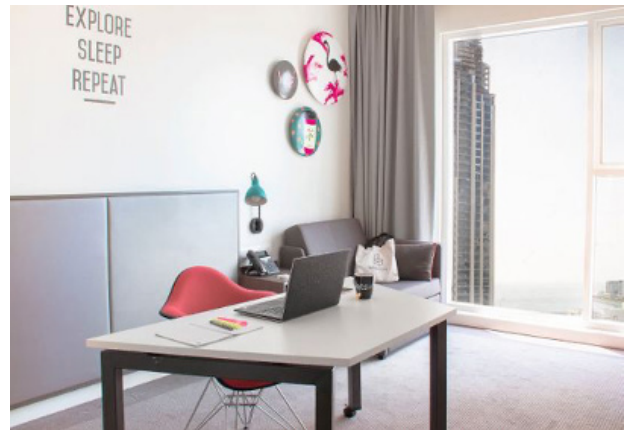
In Saudi Arabia, technology was developed to scan visitors when entering the Grand Mosque in Mecca with thermal cameras, scanning 25 people at once, and visitors were also required to undergo a process of being sterilised with sanitising spray. Ozone technology was used at the Mosque in Medina for disinfection.

In destination marketing, countries from Egypt, Uganda to South Africa launched virtual experiences including virtual safari tours thanks to live streaming with some like &Beyond featuring a guide to answer questions.

In South Africa and Nigeria, 5G is beginning to roll out, ushering in the potential of smart connected cities. There is also a major push for accelerating digital identity for all (D4ID) which is a top development priority for inclusion. Biometrics were also present in key airports, driving seamlessness and convenience.

Innovation concept 1: Rove Hotels offer Rooms as Offices

With restrictions on public movement in the UAE and 30% limitation on office occupancy, people were forced to work from home. However, finding dedicated workspace offering a productive environment was a challenge for many. Rove Hotels therefore is offering rooms as private offices in Dubai in partnership with the country's largest co-working space provider, Letswork. With all amenities, water and coffee with high speed internet, a private bathroom and sofa bed from AED79 per day, guests can also upgrade to a meal package. With more people working from home, hotels looked to this segment to generate alternative revenue streams during the pandemic. Lower than average prices in hotels are becoming cheaper than residential rentals.



Source: The Gulf News

A key target were people without appropriate working conditions at home, looking for a distraction-free and peaceful work environment. In addition, corporate companies offered this service to their employees if their own offices were not adapted to COVID-19 protocols.

Travel sos: Remote working became the norm in 2020 and hotels pragmatically provided co-working spaces as demand evaporated, expediting a trend already in motion pre-pandemic with the likes of Selina and Hilton offering co-working spaces. Embedding with the local community is a natural pivot and builds a more resilient sector, rather than operating in a tourism vacuum.

Innovation concept 2: Convivial conservation — unlocking the value of wildlife

In Africa, COVID-19 had a devastating effect on communities that depend on tourism for income and caused a major funding crisis for conservation. Pre-pandemic, new financial schemes like Wildlife Credits were being rolled out in countries like Mozambique, Namibia and Tanzania. Communities are financially rewarded for dedicating land to wildlife, and not resorting to poaching, and can claim for wildlife damage to land or property. Measurement of success is based on the number of sightings of wildlife along with breeding numbers.

Post pandemic, innovative approaches for incentivisation are being taken one step further to help secure the survival of species under threat, such as lions in Tanzania through convivial conservation. Driving this initiative, Conviva (meaning living with) aims to “establish a transformation approach to conservation that benefits both wildlife and humans” through structural change and grassroots activities. The project led by Wageningen University (NL) is also looking at similar projects for apex predators in Brazil with jaguars, bears in California and wolves in Finland.

One of the approaches being explored by Conviva is the idea of a Conservation Basic Income, moving away from a market economy driven approach, resetting the relationship between humans and biodiversity, simultaneously helping to eradicate poverty. This marks a paradigm shift and could be a game-changer in achieving a sustainable future that balances environmental needs, communities and biodiversity.

29%
of global consumers
valued immersive nature
experiences in 2020

Travel sos: *The pandemic gives us a once in a lifetime chance to break the mould. Business as usual is not an option. Africa is embracing the circular economy and looking at alternative business models and innovation that drive financial and digital inclusion for the benefit of generations to come.*

Key takeaways

During the pandemic, the travel industry faced its worst nightmare as tourism demand was shut down in the first half of 2020, starving millions of SMEs and communities of much needed income. Faced with this existential threat, a myriad of different government responses were employed to curb the spread, save lives and protect jobs, with varying degrees of success.

Faced with the reality of a deep global recession and new waves of the virus, the rebuilding of the travel industry begins, with local communities taking charge of destination stewardship. The speed of recovery remains up in the air — mainly dependent on a vaccine. One thing is for certain, the next few years will not be for the faint-hearted as supply and demand recalibrate to the next normal.

Responding to the global SOS, travel brands and destinations went back to first principles and got creative. Many came back fighting, showing great resilience, agility and strength in times of adversity. Innovation was a key vehicle for adapting to the new norms, accelerating digitalisation and sustainability to future-proof recovery.

The pandemic has sharply revealed the fault lines in the industry's business model, redrawing the global map as new priority corridors and alliances emerge post lockdown. Unchained from the past, there is a chance to reset and correct the course of history, to chart a better path based on the universal values that unite us, rather than divide us.

Putting aside differences and acting with purpose, the path to carbon neutrality, equality and social justice can be achieved by following the SDGs. With technology as the enabler, it is time to harness nature, culture, adventure and shared experiences to build a travel industry fit for purpose.



How Can Euromonitor International Help?

Euromonitor International is a global market research company providing strategic intelligence on industries, companies, economies and consumers around the world. Comprehensive international coverage and insights across consumer goods, business-to-business and service industries make our research an essential resource for businesses of all sizes.

