Revenue Recovery in the Post COVID-19 Travel Industry

WHITE PAPER
TICKITTO

Travel industry operators have endured crises in the past. From suddenly inviable destinations to global economic downturns, the industry has had to adapt time and again to changing travel needs. The post COVID-19 era will be no different. However, those who survive what could be arguably the most compelling crisis the travel industry has ever faced must prepare now for rapid revenue recovery.

The Travel Industry Decimated

Few industries have been hit by COVID-19 as hard as travel. In just 60 days, a virus that few people had heard about last year has decimated our industry. Recent statistics cited by CNBC show just how significant the damage is:

- 65 countries and territories have fully or partially suspended flights
- 45% of all travel destinations have implemented full or partial border closings
- Commercial flights have declined more than 70%
- Airline revenue is expected to fall by some $314 billion – or 55% – this year
- The travel industry is expected to shed some 100 million jobs this year.

While significant, individual losses do not have to be permanent. Travel industry companies prepared for rapid revenue recovery will rebound once the COVID-19 pandemic is declared under control and people feel safe to travel once again.

We propose focusing on four particular strategies that we believe will drive revenue recovery post COVID-19. Each is outlined in this paper.

Strategy #1: Accelerate Technology

To say that technology has taken centre stage during the coronavirus pandemic is to state the obvious. The pandemic has forced companies of all types to rely more heavily on technology to facilitate remote work and customer relations. Yet this is an opportunity for the travel sector to accelerate its adoption of technology. Like it or not, technology is the future of the travel industry.

To illustrate this example, consider the humble badge. On travel industry websites, badges have proven to be one of the most effective data points for driving user engagement and optimising conversion. Travel industry websites should be heavy on badges and other marketing widgets that provide quick, concise, and accurate information to travellers.

Users want to instantly know whether accommodations are clean and comfortable. They want to know how ticket prices compare from one airline to the next. They want to know what there is to do at a particular destination. All the desired information can be presented quickly and efficiently with badges and widgets.

Along with presenting information is analysing what travellers do with that information. As such, analytics must be an integral part of rapid revenue recovery moving forward. Travel industry companies must get a handle on what their customers are thinking and what they want. Thus, there must be a new focus on developing reliable data points, collecting the data they produce, and analysing that data to better understand customers.

Strategy #2: Rethink Ecosystems

The travel industry is made up of a veritable collage of companies working together to give travellers what they want. Airlines, cruise lines, and hotel chains rely on a mixture of direct sales and partnerships with online travel agencies (OTA) and individual travel planners to drive revenues. In the post COVID-19 travel business, a greater emphasis on OTAs and travel planners seems inevitable.

Data from PhocusWright demonstrates that traveller budgets are divided as follows:

- Airline travel – 40%
- Accommodations – 33%
- Activities – 10%
- Rail travel – 8%
- Other expenses – 9%.

It is clear that airline travel and accommodations rule the day. However, direct bookings can no longer be relied on as the dominant revenue driver. Bear in mind that rebooting travel and tourism in a post COVID-19 world will be driven by buyers rather than sellers.

Travellers are bound to be nervous early on during the reboot. Some will be worried about being stranded in their destinations should a new round of coronavirus infections lead to another shutdown. Others will be nervous about losing deposits or arranging refunds.

Third-party OTAs and individual travel planners are in a better position to alleviate customer fears because, by their very nature, they more directly interact with their customers. Allowing OTAs and travel planners to handle the bulk of customer interactions is also more efficient. Hotels, airlines, and cruise lines are not equipped to handle thousands of phone calls from nervous travellers. OTAs and travel planners are – customer service is their business.

We encourage travel companies to seriously reconsider their ecosystems moving forward. We suggest a greater emphasis on developing third-party sales channels along with new distributor and OTA relationships. We recommend a strategy that is willing to forgo some revenue in order to pay top commissions to those partners capable of the type of customer service larger travel companies are not able to provide.

In the short term, this may mean working more closely with small agencies and OTA partners. In the long term, new partnerships and collaboration models will create a new ecosystem driven by travellers and facilitated by more effective partnerships.

Strategy #3: Do More with Less

Bloat was a genuine but ignored problem in the tourism industry prior to COVID-19. Inefficiencies in marketing and distribution – especially in the arena of technology – suddenly became apparent when trips were cancelled and customers wanted refunds. Now is not the time to return to those same inefficiencies.

Revenue recovery post COVID-19 will be more closely aligned with the bootstrap mindset. As travel companies seek to accelerate technology and rethink their ecosystems, they must think like bootstrapping start-ups that do not have endless piles of cash to burn through.

The bootstrapping mindset is critical when you understand that a high burn rate does not necessarily mean optimal productivity. The rate at which a company burns through cash only demonstrates how willing that company is to spend. It says nothing of production or actual results.

In a post coronavirus world, travel companies need to be able to effectively utilise financial resources in ways that generate quick results. Companies need to be agile. They need to be team orientated and willing to constantly review and analyse. Most importantly, they need to focus less on building from the ground up and more on outsourcing and effective relationships.

For example, there is no need to build an entirely new booking platform from scratch. There are several exceptionally good existing platforms that can be adopted and branded in short order. Start-up costs are lower, the platform can immediately begin generating revenues, and the travel company isn't stuck with the overhead of developing from scratch.

Strategy #4: Develop Ancillary Revenue

Ancillary revenue is a largely unexplored entity in the travel industry. In the post coronavirus era however, it could be the one thing that keeps many travel companies afloat. Now is the time to begin developing ancillary revenue streams by working with strategic partners capable of helping a travel company build end-to-end experiences for travellers.

We suggest exploring products and services that can be effectively added to a travel company's menu to not only increase ancillary revenue, but also keep the traveller from going elsewhere to find those products and services. For example, consider entertainment options.

Hoteliers can partner with local entertainment venues in popular destinations to offer access to a wide range of activities. Cruise lines, already partnering with providers in ports of call, can further expand access by strengthening existing partnerships and developing new ones.

Tickitto would be an excellent partner thanks to our advanced API. Customers can leverage the Tickitto platform to connect travellers with a wide range of activities and events direct from their websites. The right selection of options can increase ancillary revenue and build customer loyalty simultaneously.

Along those same lines, developing ancillary revenue goes hand-in-hand with rethinking the ecosystem. Again, revenue recovery in the post COVID-19 travel industry will be heavily reliant on buyer demand. Buyers are more likely to look for one-stop booking destinations that provide plenty of options and a relative amount of security. Partnering with OTAs and travel planners is a good start; encouraging them to deploy the Tickitto API takes things to the next level.

In Summary

It is abundantly clear that the COVID-19 pandemic has devastated the travel industry. What was a very strong outlook in December and January was completely dismantled in just a couple of months. How the industry responds over the summer and into autumn will determine how quickly it recovers.

The four strategies offered in this white paper are complemented by a rapid revenue recovery strategy as outlined in a recent McKinsey & Company report. That report focuses on a three-pronged approach to managing the effects of the COVID-19 pandemic and emerging on the other side.

Navigating the here and now is the starting point. This includes building up cash reserves and doing whatever is necessary to take care of employees and customers. Next is planning for recovery, which is what we have discussed in this white paper. Finally, expanding on our proposed strategies post COVID-19 will drive the tourism industry into a new normal of customer-focused growth and expansion.