

## Travel Buyer Snapshot - EMEA

June 1, 2020

We have concluded our Round 3 of SpringBoard Sessions. We talked again with over 100 travel buyers, this time specifically focusing on EMEA. Here's the conversation.

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### *EMEA: A societal and commercial view.*

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**Shock:** First tackling the broader societal and commercial view of COVID-19, the impact amounted to tremendous cultural shock and significance in Europe with closing of borders and quarantine. Europe has densely populated areas with people used to moving relatively freely across country borders. So, shutters coming down was really a shock for citizens, especially for the younger generation.

**Under control:** Europe largely now has control with testing, contact tracing and ramped up medical support – most nations reporting significantly reduced casualty numbers and starting to remove controls and release lockdown measures.

**Africa acted quickly:** Interesting to note countries in Africa took a very aggressive approach quickly, closing borders and even some banning alcohol. They of course partly were quick to shut down because a lot of these countries lack sufficient medical facilities to handle a run on hospitalizations, more so than Europe, Americas and Asia. But also, largely a younger population than many regions may reduce impact.

**Fast action in Middle East:** In Middle East, quick responses as well with Dubai airport closure – literally turned off the lights. Emirates led the way on the ground by implementing no boarding of aircraft unless negative testing. Also, some interesting cross-border relations and positive happenings. UAE and Iran setting aside some differences with UAE providing support and ventilators to Iran. Countries are realizing they need to work with their neighbors.

**Different approaches:** Hugely different approaches across the region and results as well. For example, UAE at 220 deaths and Belgium at 9,000 despite having a broadly similar population size. Different countries taking different approaches but seeing a lot of recovery right now.

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### *The need for recovery.*

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**Leisure opening.** In Europe, the tourist season is short, but it's such a large driver for the economy so there's the desire to get open again as soon as possible. Starting to see it happen with leisure, but all signs point to business travel being slower with some countries requiring quarantines, such as the UK.

**Some collaboration.** At first collaboration between countries in Europe was little to nonexistent but starting to happen now with agreements to lift quarantines between UK and France, for example. Quarantine 'bubbles' being talked and in some cases formed, for example between the Baltic states of Estonia, Latvia & Lithuania.

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## *Domestic vs. international travel.*

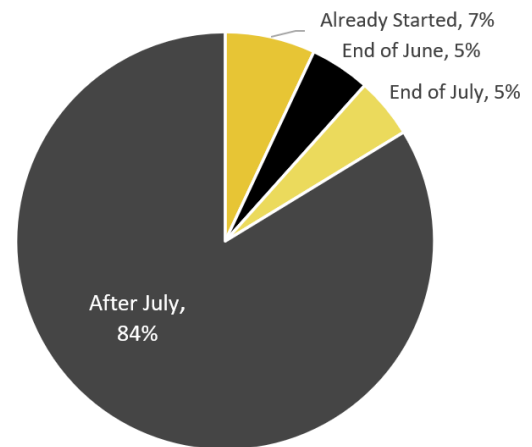
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**Air travel is mostly international in Europe.** When it comes to domestic travel, many people may not hesitate to jump on a plane right now. But for international it's a different story. And international is a big play in Europe given the numerous borders, and in many cases, smaller geography. The majority of the time you're getting on a plane in the region, you're crossing a country border. Some countries don't have any domestic air routes at all -- Netherlands and Belgium for instance where reliance is on surface transport such as train and car.

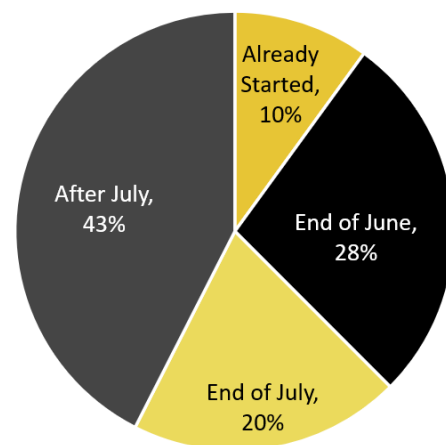
**Complexities.** International travel right now means dealing with each country and their isolated views.

- **Track and trace** – Each country developing their own technology. Phone alerts for example: you're fine in own country, but what's the app once you're international, is roaming switched on and in what language is the alert, and where does the traveler go when they get it. Most getting to grips with their own country, international is another layer.
- **The privacy issue** – This is a big one in Europe considering the love affair with GDPR. There is a lot of privacy regulation in Europe and that makes contact tracing and traveler tracking that much more complex. And what does it mean for companies requesting employees to register and report more frequently? Some travelers just may not be comfortable with this level of tracing.
- **Anti-foreigner sentiment** – It sounds horrible, but travelers may have to deal with subtle, but real anti-foreigner sentiment. As much as we don't want to say it, people may not be comfortable with travelers coming into their areas, especially some of the smaller towns and villages.
- **Open and closed** – Such a mixed message right now with governments opening up but at the same time requiring quarantine. Bubbles happening – France with the UK due to low amount of cases and deep commercial ties. It's like the reciprocal Visa arrangements – I won't force it on yours if you won't force it on mine.

When do you expect your company to resume interantional travel?



When do you expect your company to resume domestic travel?



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## *Traveler sentiment.*

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**Automobile travel.** Companies are trying to figure out if it makes sense for people to be in their own cars. Typically, policy may have been to offer up a rental if trip was, say, 100 miles or more, but now employees may just prefer their own vehicles for longer distances.

**Modality in general.** People saying I'm just going to drive instead of fly. Other considerations for Europe is train travel. Similar challenges to flights in terms of social distances. Messaging coming from some governments is you have to pre book, no more walking into the station and boarding. Keeping it at 25% capacity. We just may see supplier balanced shift as people rethink the drive vs. train.

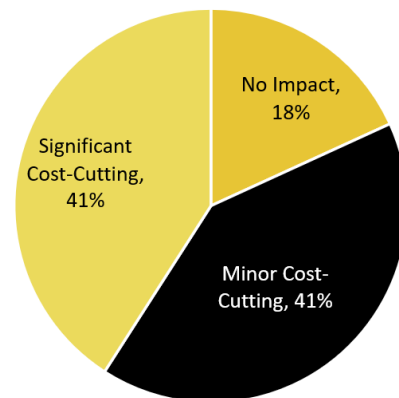
**Is travel as glamorous?** The 400k road warrior, he was keen, but will he be more wary? Some yes, some no. Some are seeing the sales model work virtually and some are chomping at the bit to get out there.

### **Return to travel documentation and communication:**

One buyer talks about starting to prepare return to travel documentation even though not preparing to return any time soon. Communication so important in ways and concepts we haven't even thought of before. Being in touch all throughout the journey is going to be so key as well as keeping them engaged even as they move across country lines. The really seamless tools aren't in place yet for that.

**Is anyone surveying their travelers about willingness to travel?** Some travel agencies are, GoldSpring just release its [traveler sentiment survey](#) with industry benchmark data.

When travel does resume, how do you think policy will be impacted?



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## *The money.*

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**Travel budgets.** Initially, just the operational issues of unused tickets was the nightmare. Now we're seeing the issue impact travel budgets. If there's the credit bank, there's not as much travel budget needed for next year and this could trend budgets down for the next year as well.

**New aspects of T&E:** Looking at current T&E, it's down so much already this year, the cost cutting is happening regardless. Looking at riders for expense policy on things we haven't considered before (masks, medical supplies, quarantining upon return for a short amount of time, medicines, walk-in clinics, COVID tests). Travel and procurement team is assessing with other groups. Leadership has asked for a forecast of costs which is really a challenge.

**ROI of Travel:** What happens if people do get hospitalized, especially internationally? With things like hospital costs or extended stays, the ROI of travel changes suddenly.

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## *The virtual trend.*

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**Now we know:** We are finding out if people need to travel or in reality if they can do it remotely.

**Meetings:** Cost cutting coming because perception is now that a lot of it can be handled virtually.

**Sales and travel.** Buyers are embracing the virtual model, with some sales teams seeing little impact to results. Others are ready to hit the road. One buyer mentioned that the sales teams who have embraced the virtual model and are successful in this new mode will be the ones to succeed and thrive going forward.

**Don't visit me please.** One buyer made an analogy to the days when travel managers really got courted by suppliers with visits and how this changed over time to a virtual model. Now with change overs to full procurement models, some buyers really encourage suppliers *not* to visit. Mentioned it's inefficient, especially with a lot of the team working remotely. Would rather see effort put into the travel program and increase the ROI with the supplier.

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## *Airlines and the region.*

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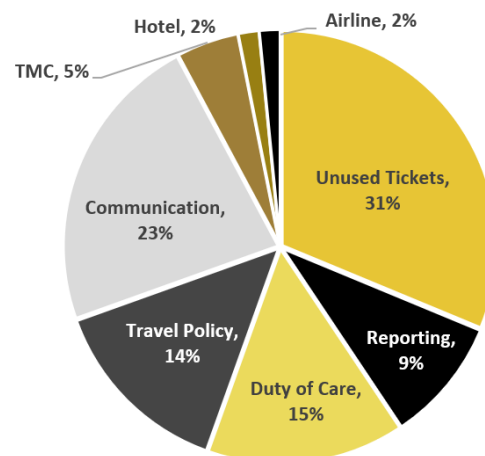
**The culture:** Less pressure on airlines from buyers in Europe. Less government subsidy creates less competition and almost a nervousness about hitting for example the airlines too hard. We need them to survive. If we collectively push too hard, the risk is they're not going to be around very long, and if they're not around then we're in a far worse position. Lots of sub conversations taking place around this and we see changes afoot already with an unprecedented bailout in one case.

**NDC:** Will be interesting to see what government ownership does. Lufthansa has obviously been a leading the charge in NDC and distribution changes globally. But with bailout, it may be less a commercial giant than a government asset. Could see NDC decelerating.

Airlines are wanting a more efficient distribution model and opportunities for ancillary revenue. When times are good you can be aggressive and dig your heels in and drive the market your way, but that's changed. With recent bailout and government ownership some could be less commercially minded and decide, well NDC, let's park it for a few years.

**Unused tickets:** Management of unused tickets is especially unique for Europe. Unlike North America, name changes and credits on profiles aren't part of the model. In EMEA you pay to change it, refund it or put it in the bin. So having massive credits is a new position for EMEA to be in. Still, if we have a million dollars in credits we soften our tone, we need the airlines to be there. If they go under we'll be in a far worse position going forward. The money's there. Let's not use it as a block credit but space it out over time to give flexibility to some carriers – one, two, even three years.

Choose 3 of the following priorities that you believe the industry will focus on in the coming 3 months:



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## *The coming tidal wave of new TMC agreements.*

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### **Dominant TMC remuneration methodology?**

Some combination has been the leading answer. Buyers are using this time to review their TMC providers. As an industry, it comes down to the fact that everything has been transaction based, but now we all know there is the potential for no transactions, so TMCs will want alternatives. We're definitely going to be looking at something totally different in the future. To stay alive, they will have to do something, whether increase management fees or some type of subscription per traveler -- will have to be some type of hybrid.

### **Customization and the hybrid model:**

It depends on the sector you're in terms of the level of volatility and level of bespoke. COVID has affected everybody. The whole industry has just stopped. Some say that for the TMC, it's ultimately just the risk of doing business. But as buyers we have to be careful for what we wish for. TMCs need to have conversations. No one wants to pay for something they haven't had to pay for before and they don't want to pay just to have agents sitting around. But buyers are also going to want to have some level of insurance and control, some continuity in people (support) and will have to look to the fixed fee. TMCs will be incredibly aggressive pushing this through post-COVID. Buyers have to push for strong ROIs and strong cases for why any change would be needed. With management fees, the fear is TMCs may not be quite as cost conscious.

**Cost mix:** So for sure, a hybrid TMC commercial model going forward. Buyers are saying certainly a mix of transaction fees and management fees. Expect to have management fees even on transient travel, but buyers expect a reduction in their transaction fees if there's going to be a management fee.

**Now is the time to act.** New contract terms and new financial relationships with TMCs are in play. Wise buyers are getting in front of that instead of being on the receiving end. Be mindful of that.

**Continuity of TMCs and Transparency.** If holding onto a contract puts someone out of business, in the long run that hurts everyone. But right now, some clients are definitely feeling railroaded with new methodologies. Time for TMCs to have honest conversations and be really transparent.

**Everything being reworked.** Reality is commission structures and commercial models are being reworked, and as costs are passed on to buyers, there's the reality of higher transaction fees in the future. Question is are you getting in front of it and talking or negotiating now with TMCs, or will you be managing it once the lines are already drawn.

