Trying to gain some perspectives on a more likely future

Against a background of where what we expect, or believe, to be the case will condition our actual behaviour, it is of both interest and importance to take into account what are perhaps best described as expectations surveys. Whilst it is not possible to apply the results from these surveys into quantifiable outcomes, they are useful in providing a view of what might be considered to be important in a particular environment or set of circumstances.

We have always found such surveys to be of great interest but now they are not only interesting but also important in informing both perspectives and subsequent actions. The results have a wide range of applications from "front running" and testing potential policies, or responses, as well as enabling a view to be taken on what might now be considered to be both necessary and acceptable for the restart and recovery of a number of sectors.

There is no shortage of surveys that focus on the economy, travel and tourism and indeed we will be launching our own survey in the next few days – so please look out for it. In this note we have considered, and present, some of the responses from surveys conducted by two companies covering a wide range of consumer and business activities. In simple terms the key questions around travel and tourism focus, not unexpectedly, on three key issues; What would make you feel safe to travel again? Which modes might you avoid? And when are you considering travelling again?

In a number of countries the COVID-19 data is sufficiently detailed to be able to show at a very local level the number of cases and the outcomes and enable intending travellers to assess the risk of visiting. Although the risk on this basis might be considered to be acceptable to an inbound tourist, there are a number of associated issues. Whilst from an economic perspective local communities may well wish to see a return of tourists, there will be real concerns about importing the virus and becoming a hot-spot and the source of "super-spreaders" not least where we have already seen legal cases at least being contemplated, if not yet brought, against some resorts in Austria which were considered to be sources of the virus in February.

Against a background where in a number of European countries the "lock-downs" are beginning to be relaxed, or relaxations are being contemplated, we have seen:

- The WTTC calling for a set of internationally agreed health protocols (which appear to mirror the answers to the survey question *"what needs to be done to make you feel safe to travel?"*) where it has suggested some "stop-gap" measures to get the industry re-started (although there are severe doubts about the practicality of some of these where they are also clearly not a long term solution) and where a number of airport and airline CEOs view the operation of airports and airlines as being incompatible with social distancing;
- That there have been suggestions that the US might not open its borders to travellers from China and Europe until 2021;
- Airlines offering passengers the opportunity to pay to keep the middle seat free – even though the gap is insufficient to ensure "social distancing compliance" and where there

are still plenty of exposed hard surfaces and a range of process and behavioural issues that would need to be addressed around not least boarding and leaving the aircraft

- TUI is seeking a travel corridor for its German clients to travel to Spain and
- That it is likely that there will be a Trans-Tasman "travel bubble" for travellers between Australia and New Zealand

There is also the issue of social distancing and its impact on restaurants and bars everywhere and not just in terms of the destinations. On the basis of a 2 metre rule the UK Hospitality Association has suggested that the *"compliant capacity"* of a casual dining restaurant may be just 33% of what it was before and where this figure rises to 45% for a "fine dining restaurant". More generally the much loved "buffet" style of eating is going to be off the menu for some time to come too – something that has implications for many hotels in terms of capacity and cost too.

When the same set of questions is regularly asked it is also possible to see how the significance of some of the issues or factors change and also the momentum of that change which has an important bearing on the emergence and timing of turning points. Furthermore as a number of things become clearer, and patterns of activity and their future paths more defined, some of the current strongly held aversions are also likely to moderate; however for now the results provide some pretty clear perspectives.

Considering the responses

The Harris Covid-19 Tracker poll [1] in the US provides a wealth of data on almost everything including on future buying behaviours of services and products and where it will no doubt be a relief to be aware that some 20% of those sampled indicated that they planned to buy more deodorant when the restrictions were lifted. In what follows we have considered a number of the key findings as they relate to travel. We have also reviewed data produced by YouGov on UK holiday intentions and how they have changed.

What are you missing most?

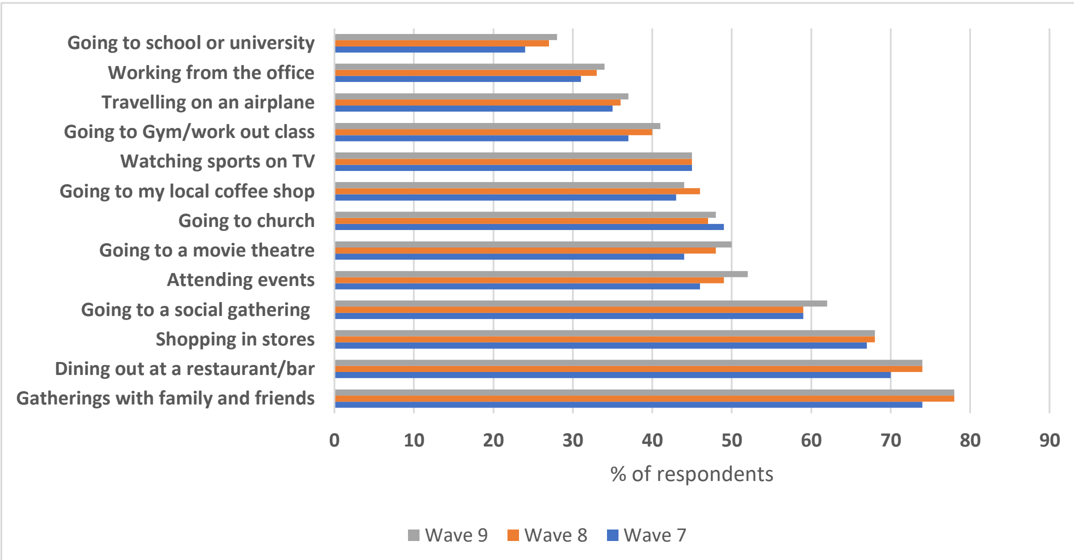
As a starting point it is both important and interesting to understand what people appear to be missing most. Whilst there are in reality few surprises and not even where the data suggests that not going to the gym ranks more highly than not flying on an aircraft (41% vs 37%). The data is however revealing in a number of respects and adds weight to the likelihood that Visiting Friends and Relatives traffic (VFR) will recover quickly although the data also indicates there may be a significant modal shift (at least until virus-free travel is assured from 'planes to cars – even for "long distances") - but where this view appears to have begun to moderate slightly. Indeed when

---

[1] Harris Insights and Analytics LLC; latest data shown is Wave 9 - 27th April 2020

“virus free” travel is either assured, or the risk of catching the virus is when flying is considered to be acceptably low, this will cease to be seen as a reasonable alternative.

Chart 1 How much would you say you miss a lot or somewhat?



Source: The Harris Poll COVID-19 tracker

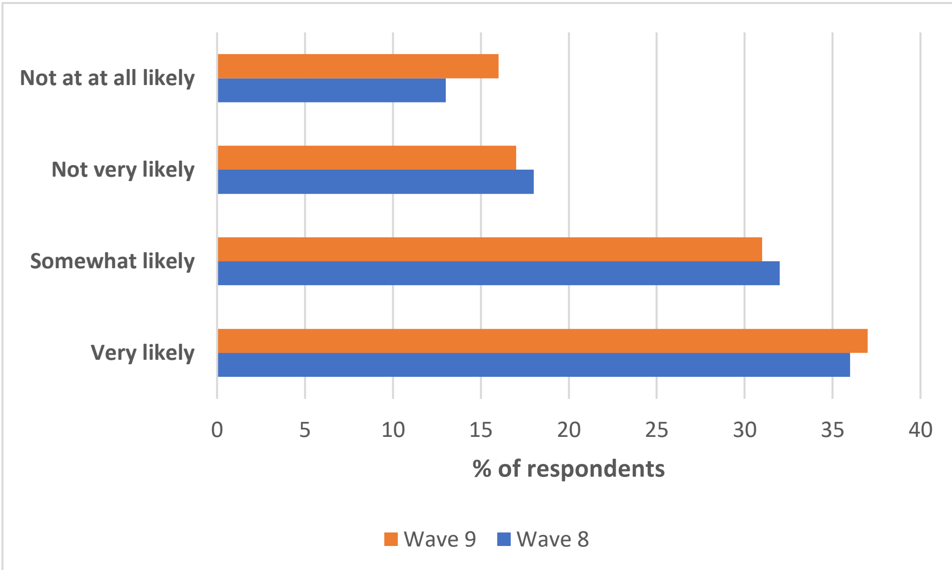
There are few surprises in the results shown in Chart 1 and where in all cases the sense of “missing” has increased; particularly in respect of gatherings with family and friends. Conversely the latest data also shows that only 35% are missing working from an office, something which is clearly positive for “restart” strategies.

Changing behaviours

It is important to understand how and also why travel behaviour will be different and to consider the likely consequences.

Although what constitutes “non-essential” travel is subjective, it is clear is that for a period time at least, albeit undefined, such travel is likely to be materially lower with the concomitant effects across the “travel chain”.

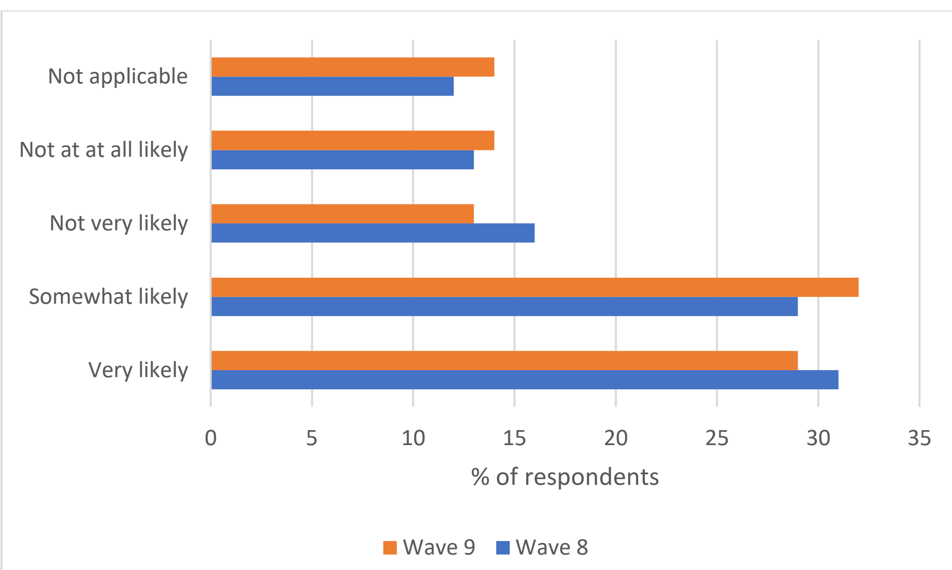
Chart 2 Will you avoid non-essential travel?



Source: The Harris Poll COVID-19 tracker

Whilst as we show later 7% of respondents replied that they would not go on a 'plane again Chart 3 shows that some 60% of respondents were either *"very or somewhat likely"* to use the car rather than the 'plane for long distance journeys at least until the risk of travelling by 'plane is demonstrably virus free or the risk, and any associated processes and actions necessary to complete the journey, are considered to be acceptable.

Chart 3 Use my car rather than a 'plane for long distance journeys?

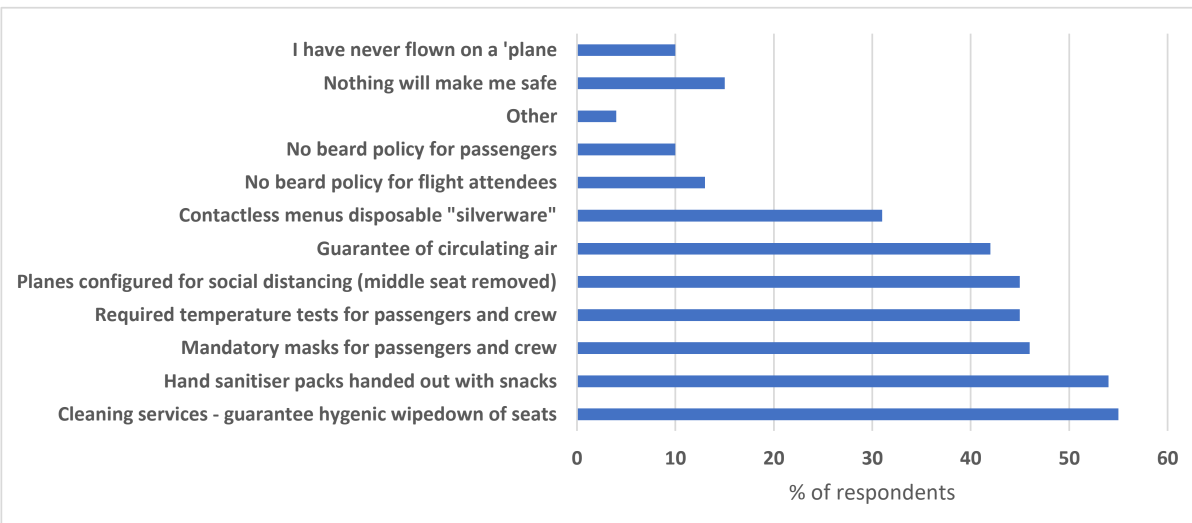


Source: The Harris Poll COVID-19 tracker

What will make me feel safe on a 'plane again?

In the absence of a vaccine or indeed a system where travellers are shown to be virus-free, this is clearly a key question. Of course, whether keeping the middle seat free results in compliance with social distancing depends on the recommended gap. In the UK it is 2 metres, 1 metre in France and Italy and 6 feet in the US. However the width of a narrow body fuselage is c 3.7 metres and the "social distance gap" will not only need to be across the row but also between rows and where, on this basis, to ensure that the "safety zone" for the crew is not compromised this suggests a load factor of 25-30% may be the maximum achievable. Whilst there is a need for agreed and enforceable standards it is clear that these are some way off and much more evidence needs to be collected, analysed and put into the public domain, and even then, the standards and associated processes and requirements, would need to be accepted by sufficient numbers of passengers. Against this background some of the protocols recently suggested by the WTTC align with the answers given to the question which are set out in Chart 4.

Chart 4 What will make me feel safe on a 'plane again?

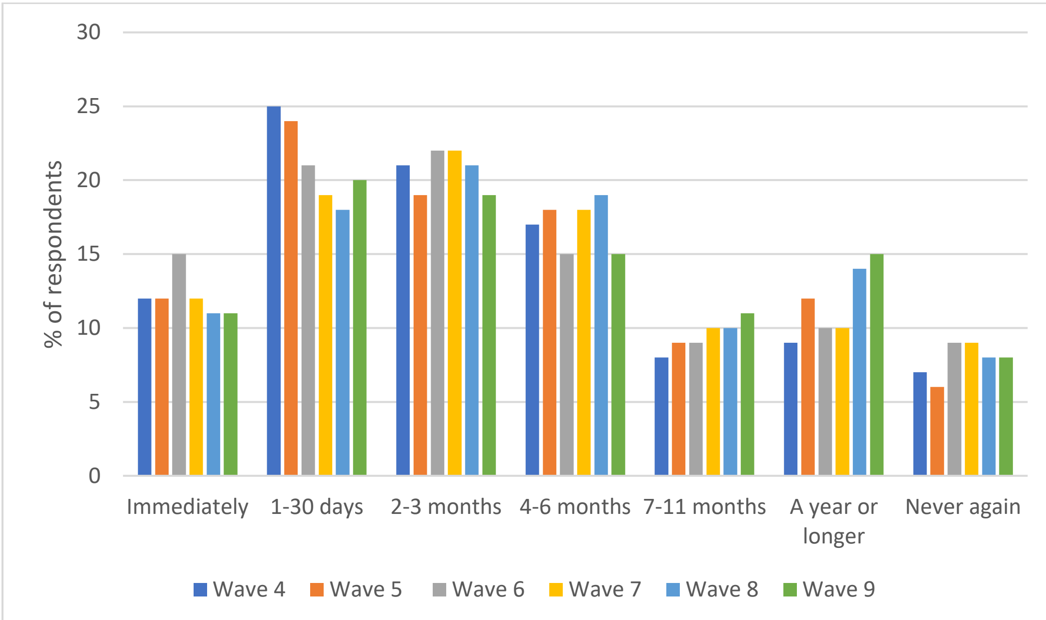


Source: The Harris Poll COVID-19 tracker

How long before travel and related activities return?

We have used going to the gym as a type of reference group (Chart 5) where within three months some 50% of respondents say they will be back compared with 30% in the case of flying on an aircraft; as an aside what is also of interest is that a similar percentage of respondents 8% (7% for going on an aircraft) say that they will never return.

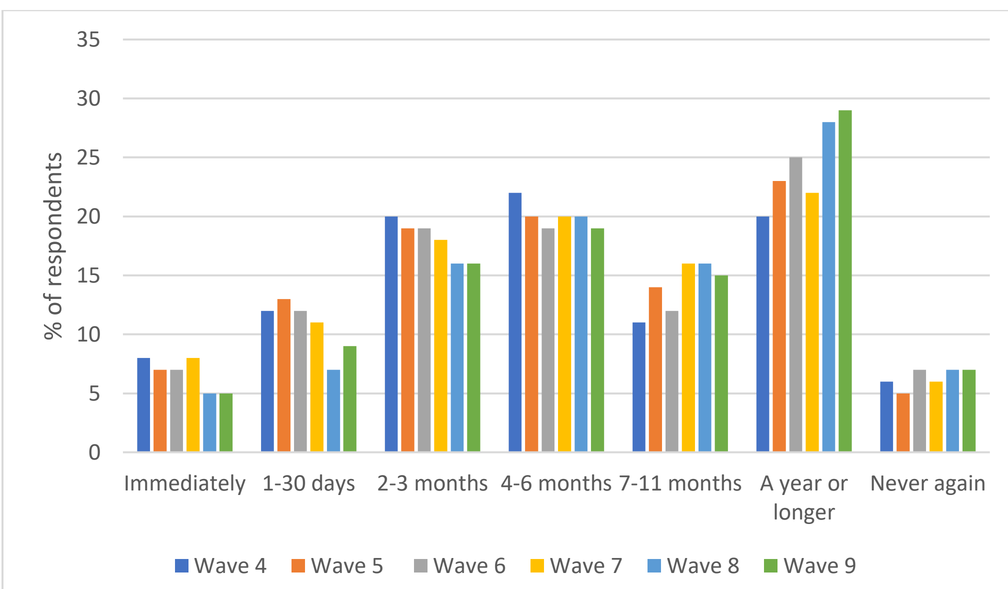
Chart 5 Once the spread is flattening how long will it take you to go back to the gym?



Source: The Harris Poll COVID-19 tracker

In respect of flying again (Chart 6) the responses also suggest is that there will be a similar percentage of those who have said that it will take *"a year or longer"* to fly on a 'plane again as those who have said that they will return within 3 months of *"the spread flattening"* (29% vs. 30%).

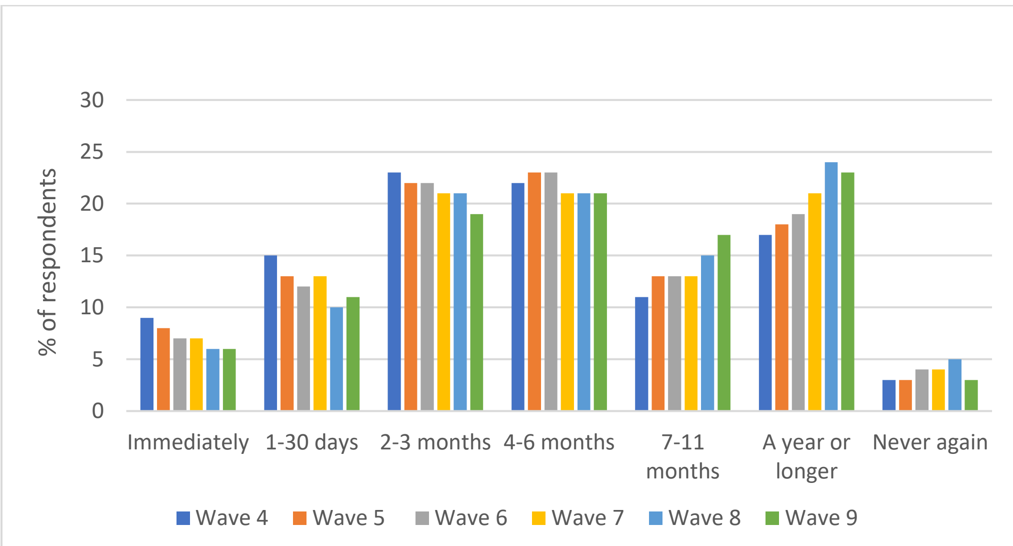
Chart 6 Once the spread is flattening how long will it take you to take a 'plane?



Source: The Harris Poll COVID-19 tracker

Flying is only one element of travel activity and the data here, and also from other sources – including activities that are "missed most", suggests that VFR traffic will be the first component to recover. It is also particularly worthwhile considering some of the other activities that are related to travel. Chart 7 shows the responses to the question; *"When would you consider staying in an hotel again?"* In this case some 36% suggest that this would be within three months or some 6 percentage points more than those who said they would fly again within the same period – notwithstanding the numerical difference, not least as flying is not a necessary condition for staying in an hotel, it is clearly consistent in terms of direction.

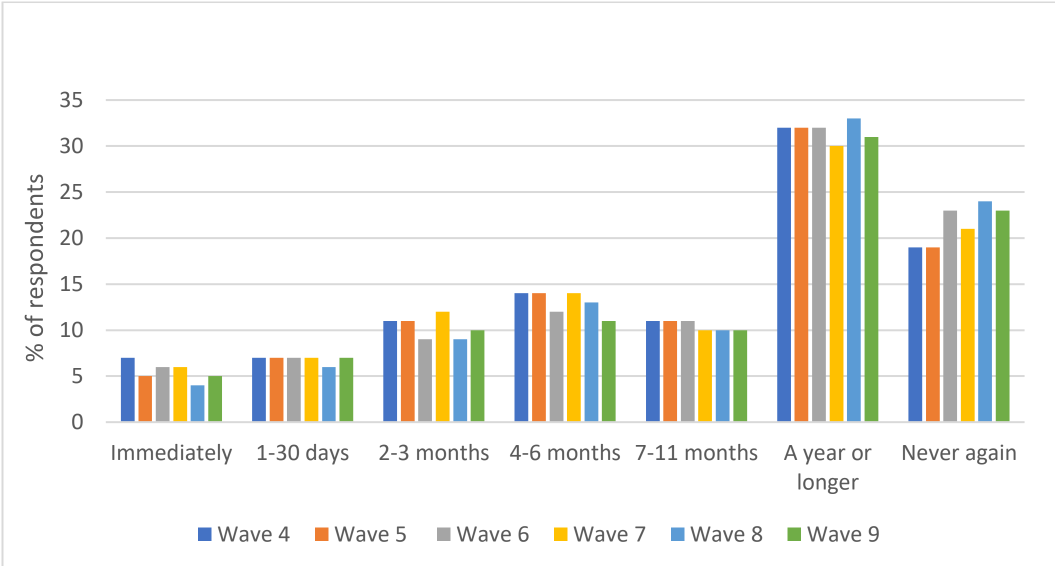
Chart 7 Once the spread is flattening how long will it take you to stay in an hotel?



Source: The Harris Poll COVID-19 tracker

Unsurprisingly the recovery in *"dining out"*, which scores highly as a *"missed activity",* and more often than not doesn't involve anything other than local travel, is particularly rapid. Here some 13% reported that they would go to a restaurant *"immediately"* and where at the end of three months this figure had reached 65%.

Chart 8 Once the spread is flattening how long will it take you take a cruise?



Source: The Harris Poll COVID-19 tracker

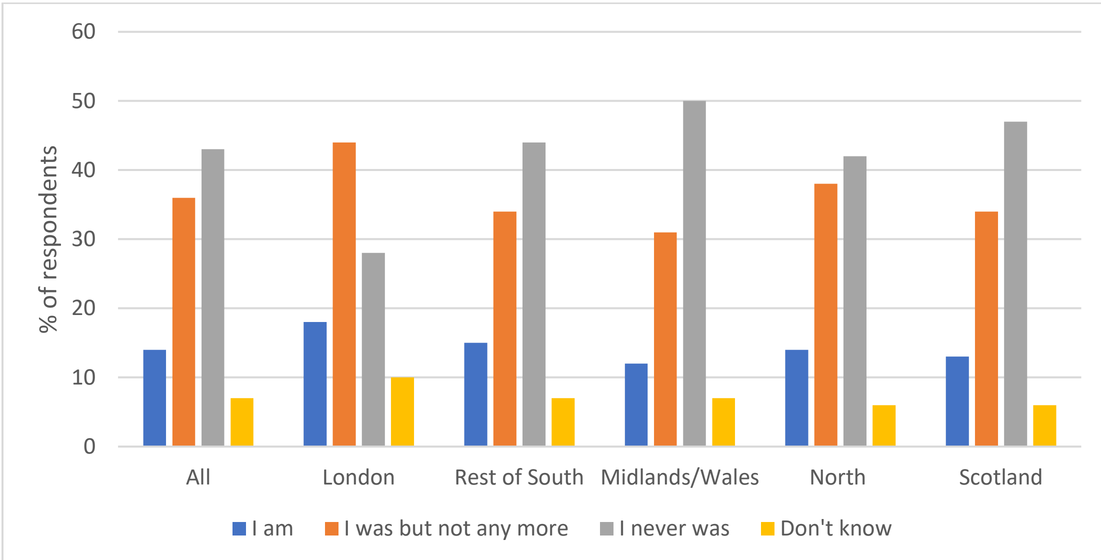
Another area where the responses are unsurprising are in respect of cruising (Chart 8), not least given the experiences of cruise passengers in the early stages of the outbreak and the fear of history repeating. Not only is it likely that there will be a very slow recovery in activity but almost a quarter of the respondents have said that they would never cruise again. Whilst this will be material for the cruise industry, with significant implications for the business models of individual operators, not least given both the size of the current fleet but also the delivery schedule for new ships, it also clearly represents a reduction in passenger numbers for airlines.

From a UK perspective

Turning to a different data series and for the UK where the particular survey was undertaken by YouGov; we have reviewed how perceptions on taking a holiday this year have changed and particularly in respect of those who had planned to take a holiday and are now not going to do so. There was only one question; *"were you going to take a holiday this year?* With four options for answers; *"I am", "I was but am not going to now"; "I wasn't" and "don't know".*

Whilst the data is presented in various ways; including by political preference and whether a Brexit Remainer or Leaver, it is perhaps by region and age group where there is the greater interest.

Chart 9 Were you going to take a holiday this year?

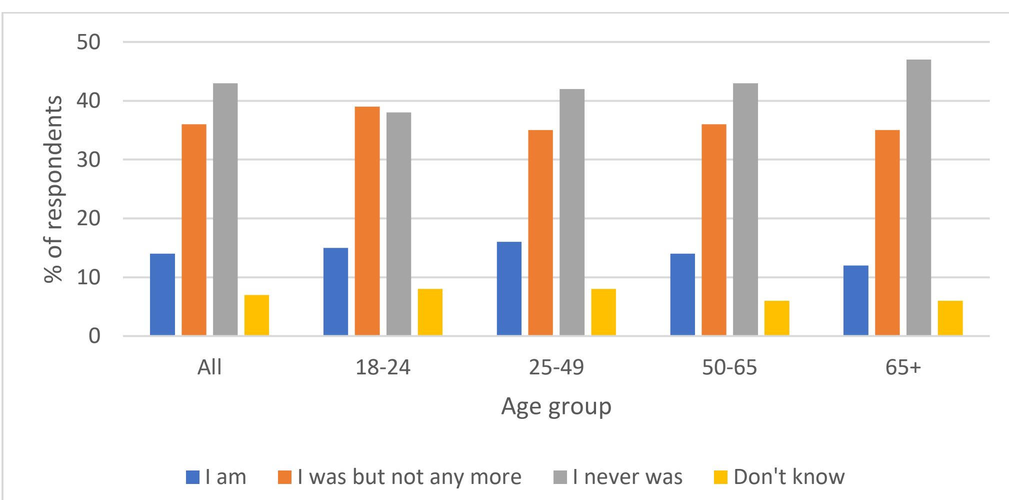


Source: YouGov survey dated 1st May 2020

In terms of those who were going to take a holiday, this group accounts for 50% of the total but where the figure is 62% in London and 43% in the Midlands/Wales area. Notwithstanding these differences, the share of this subset which is now not going to take a holiday this year is between 69% and 72% which represents a material reduction in the market size.

In terms of segmentation by age group the largest percentage of those now not going on holiday is in the 18-24 age range which given the generally recognised higher propensity of this group to travel suggests both economic reasons (borne out by recent ONS data) as well as for some a timing issue, around the expected initial recovery and the start of university terms.

Chart 10 Were you going to take a holiday this year?



Source: YouGov survey dated 1st May 2020

Concluding comments

We will continue to review and report on this and other survey data as it is published. Whilst the real world or actual outcomes may well differ in numerical terms from those suggested here, it is the “direction of travel” and momentum suggested by the data that are important to consider at this stage. Indeed, data of this type takes me back to my first essay as undergraduate when the requirement was to discuss *“whether it was better to be half right or completely wrong”*. In the current environment where few things, other than perhaps ongoing uncertainty, are certain, it is it is reasonable to conclude that history is no longer a particularly good guide to the future and where it is still unclear just what the “new norm” might look like and how long it will last.

CT

06th May 2020.

Important notice