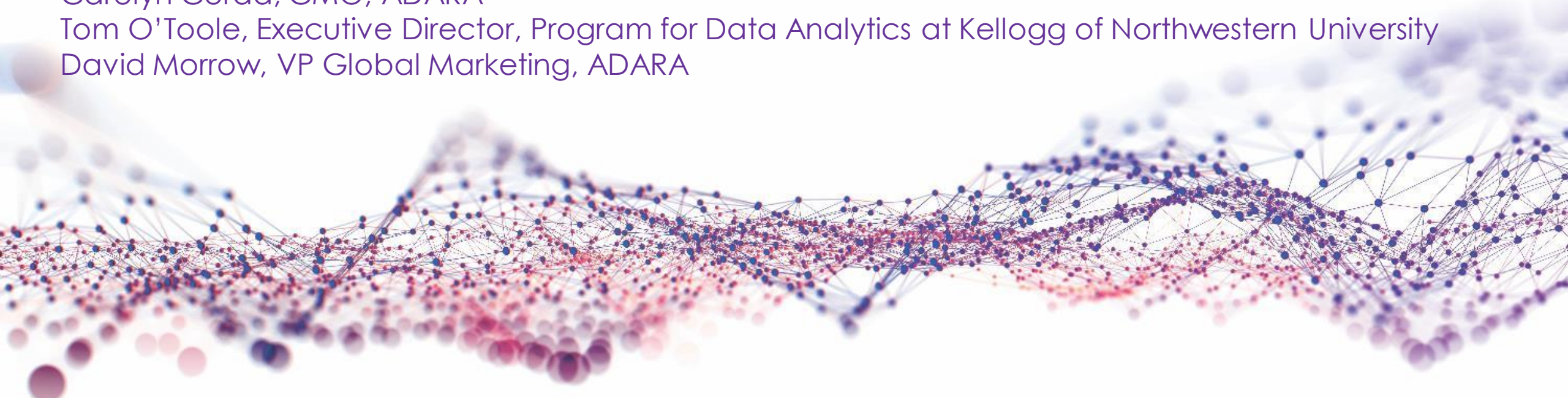# COVID-19 Insight Webinar Series

Inflection Detection: Discerning and Preparing for the Rebound

Carolyn Corda, CMO, ADARA
Tom O'Toole, Executive Director, Program for Data Analytics at Kellogg of Northwestern University
David Morrow, VP Global Marketing, ADARA

INFLECTION DETECTION: Discerning & Preparing for the Rebound

Webinar Agenda

- ADARA COVID19 Resource Center

- Insights - Global travel search and booking data

- Tom O'Toole – Inflection Detection

- Tom O'Toole & David Morrow – Q&A

ADARA Is The World's Travel Data Co-op

With **270+ trusted travel brands**, we have a simple vision of growing the travel industry together
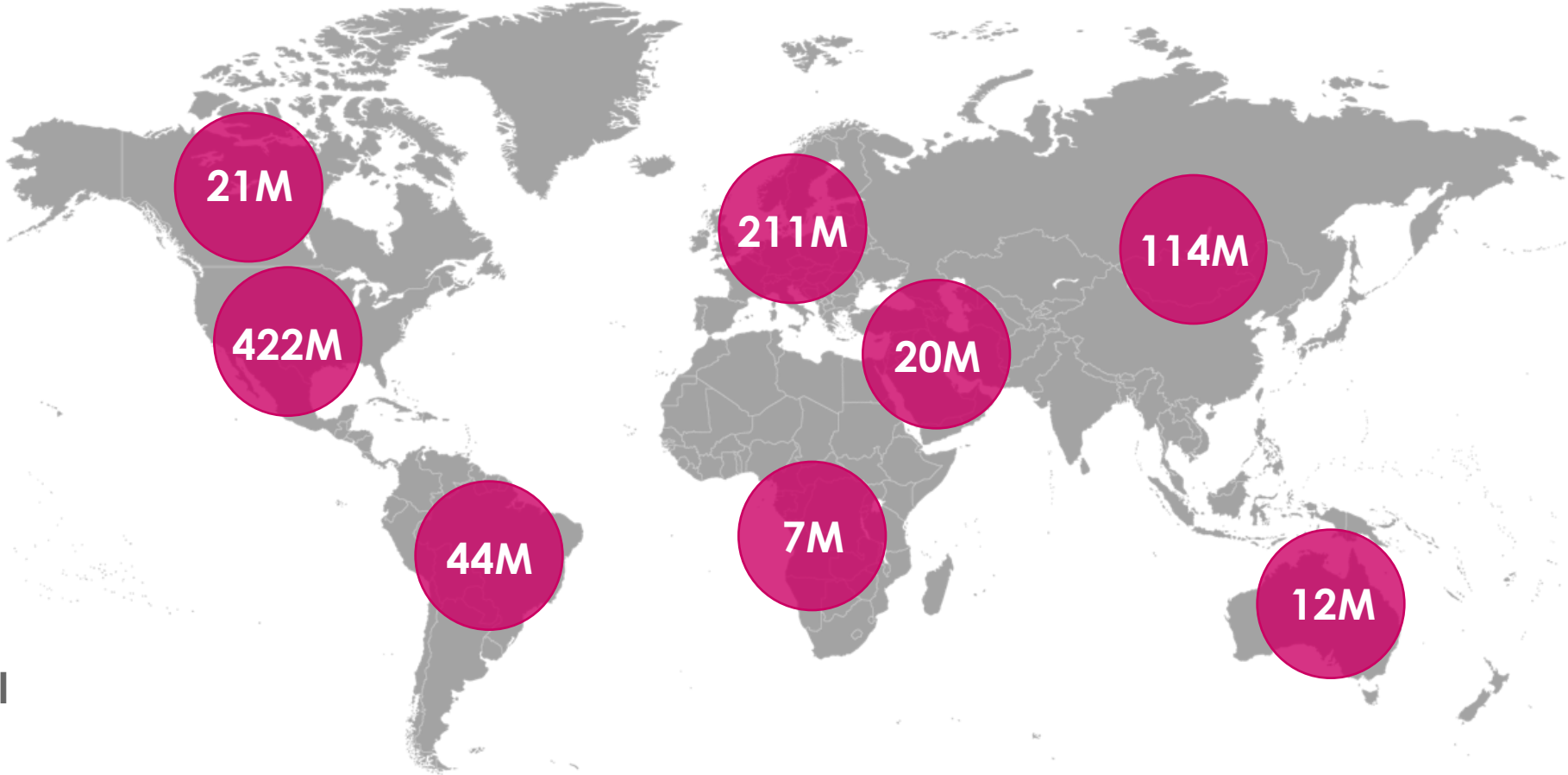
Our Global Footprint

Over **850 Million** monthly uniques

1 Billion rich profiles that include, on average:
30+ data points per profile
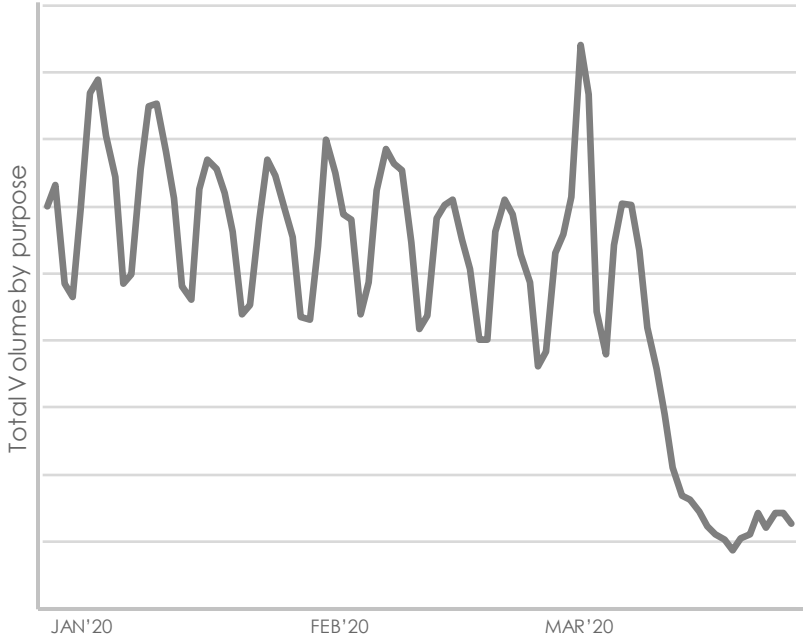
14+ Billion travel searches annually

950+ Million air and hotel bookings annually

21M

422M
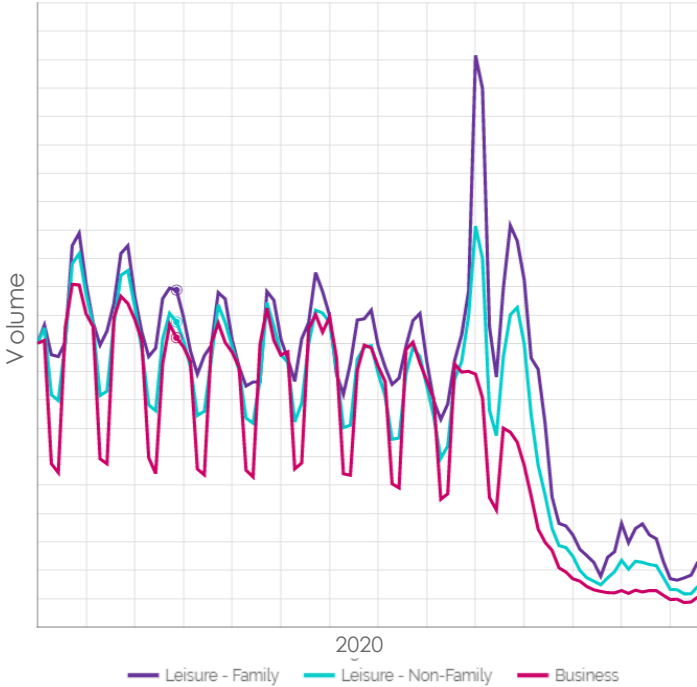
44M

211M

20M

114M

7M

12M

ADARA

What are we looking for?

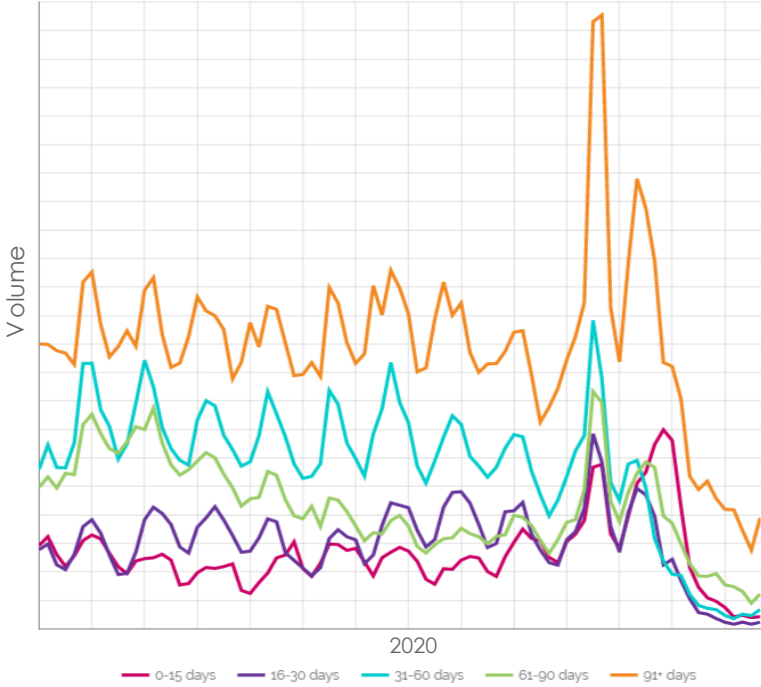## Signals of a rebound are likely to be market-specific and subtle

Total Flight Booking Volume

Flight Volume by Purpose

Trip Purpose: Leisure – Family

Tell tales of important demand shifts

Search and booking data provide an early warning system to changes in demand

- Trip Purpose

- Advance booking window

- Origin/Destination

- Length of stay
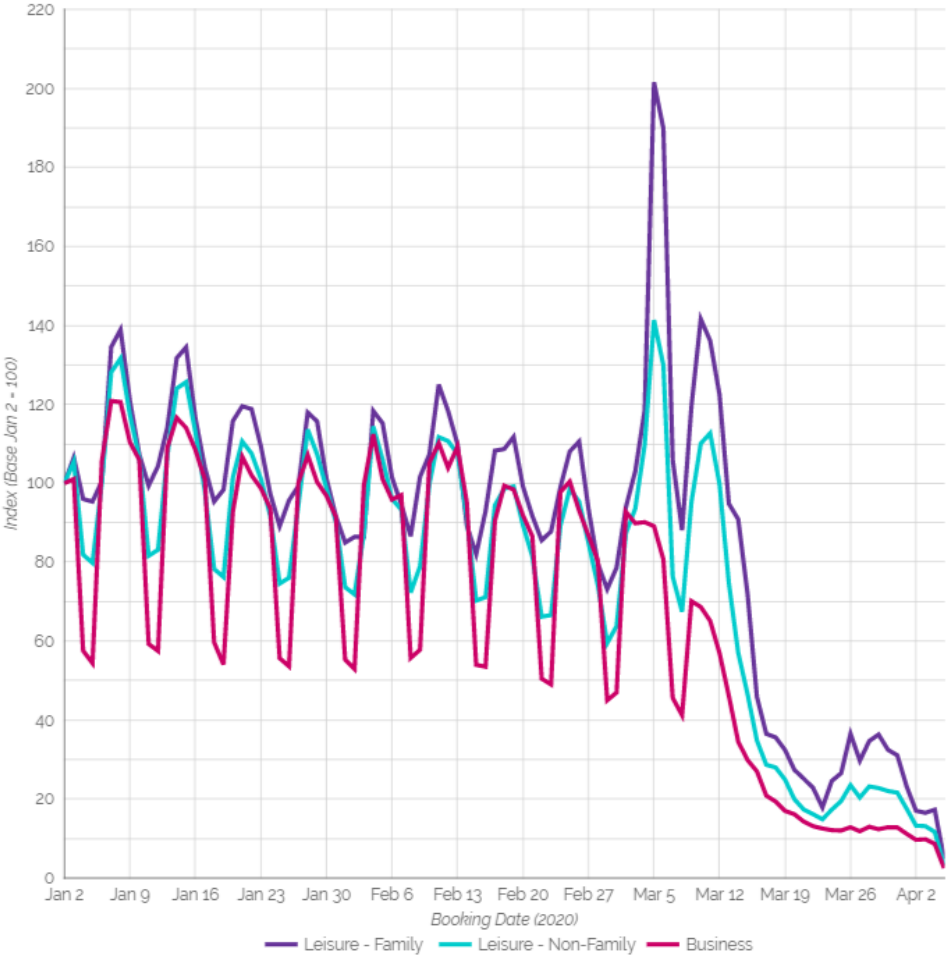
- Class of service

- Transaction value
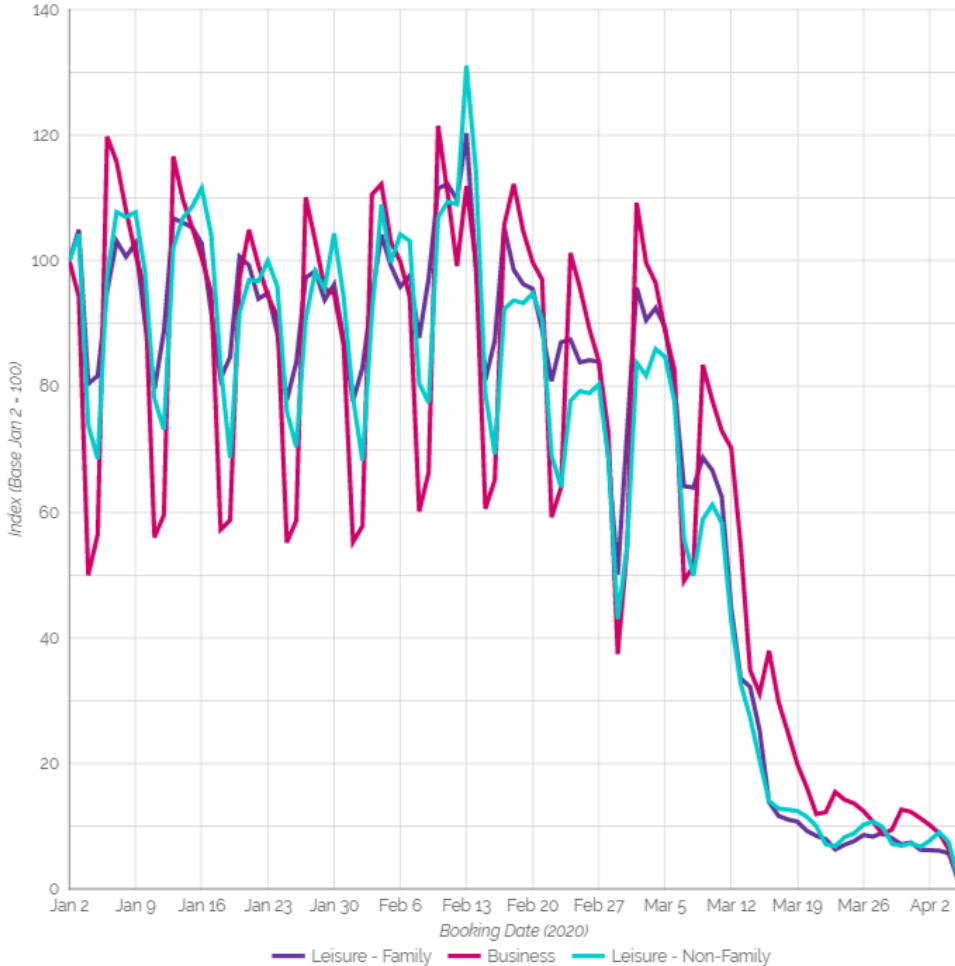
Travel Trend Tracker Insights

United States | Europe | APAC

United States: While activity in aggregate is down, there are some mini-spikes.

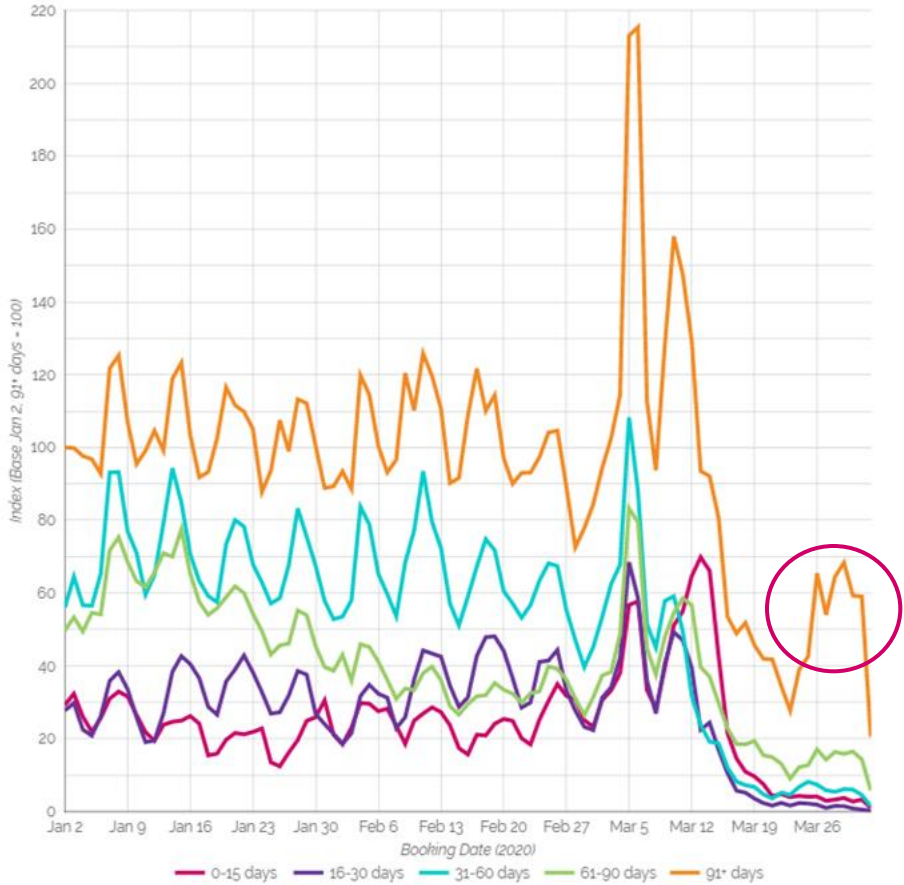
Flight Volume by Purpose

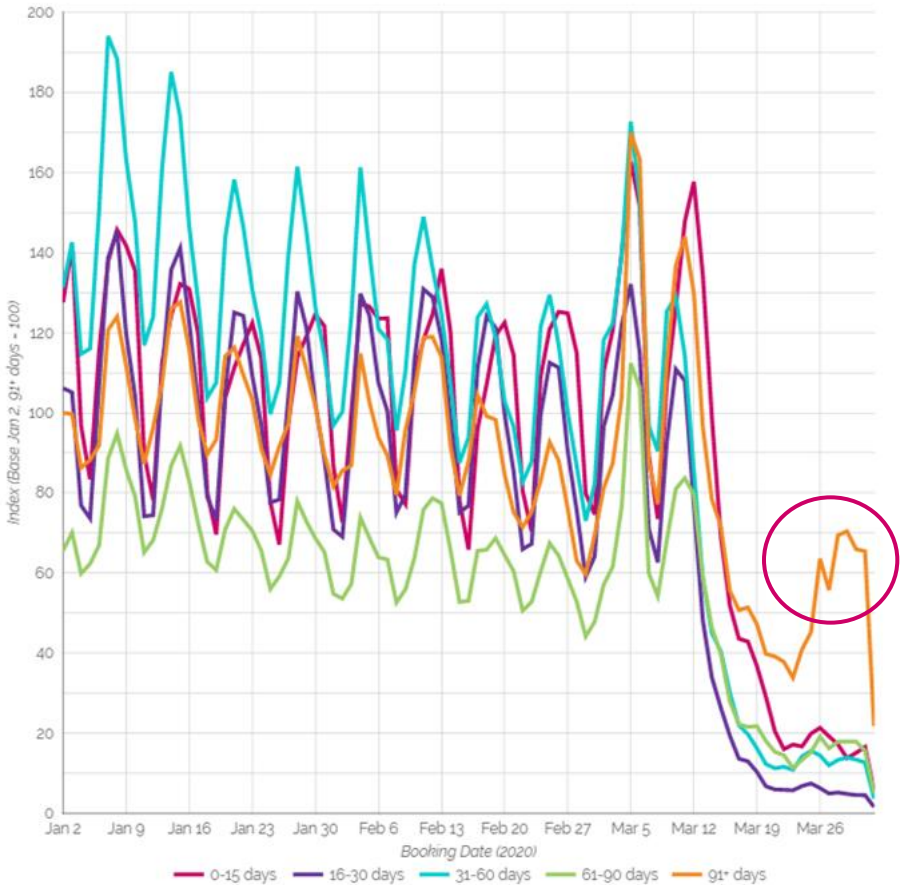Hotel Volume by Purpose

United States: Both types of leisure travel saw a bump in 91+ day bookings.

Trip Purpose: Leisure – Family

Trip Purpose: Leisure – Solo Travelers & Couples

United States

Trend Analysis, Period of Mar 24-31 vs Mar 16-23, 91+ Days in Advance

Major US Destinations

Destination	
Dallas-Fort Worth, TX	
Washington, DC	
San Fransisco - Bay Area, CA	
Las Vegas, NV	
Denver, CO	
Orlando, FL	
Chicago, IL	
Greater Los Angeles Area	
Miami, FL	
New York, NY	

Big Movers

West Palm Beach, FL	
Tucson, AZ	
Savannah, GA	
St. Louis, MO	
Cleveland, OH	
Mobile, AL	
Pittsburg, PA	
Indianapolis, IN	
Honolulu, HI	
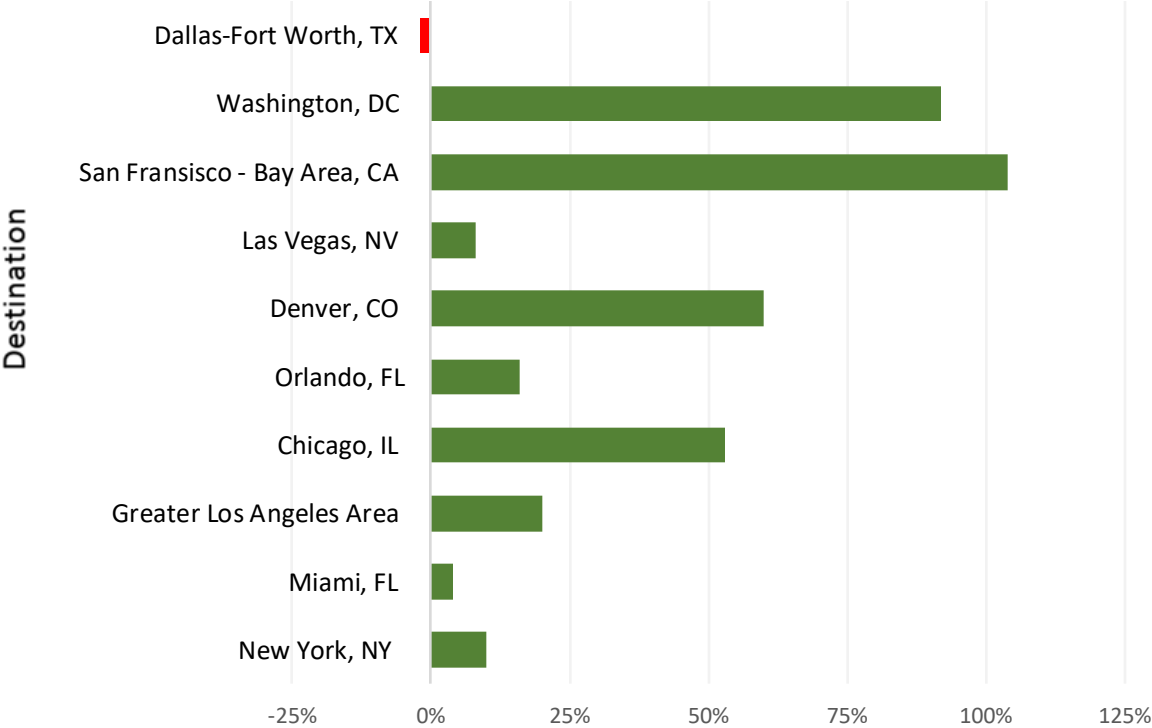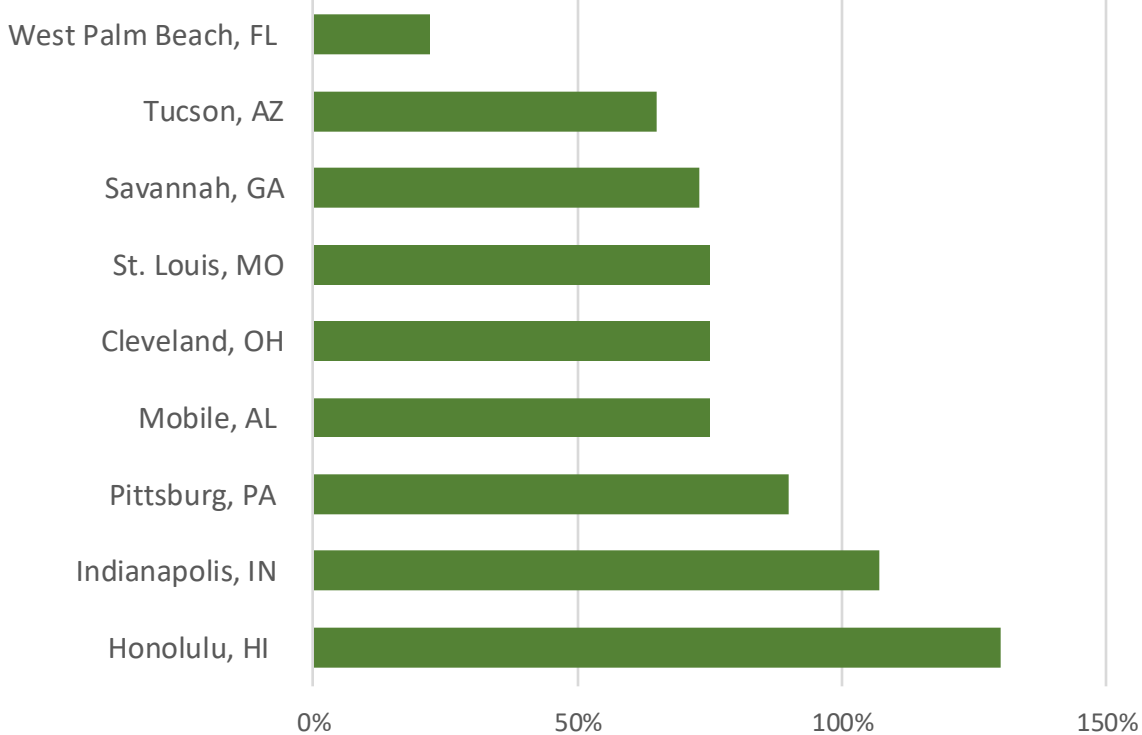
Countries with borders closed to the movement of noncitizens and nonresidents as of March 31, 2020

■ Complete closure   ■ Partial closure
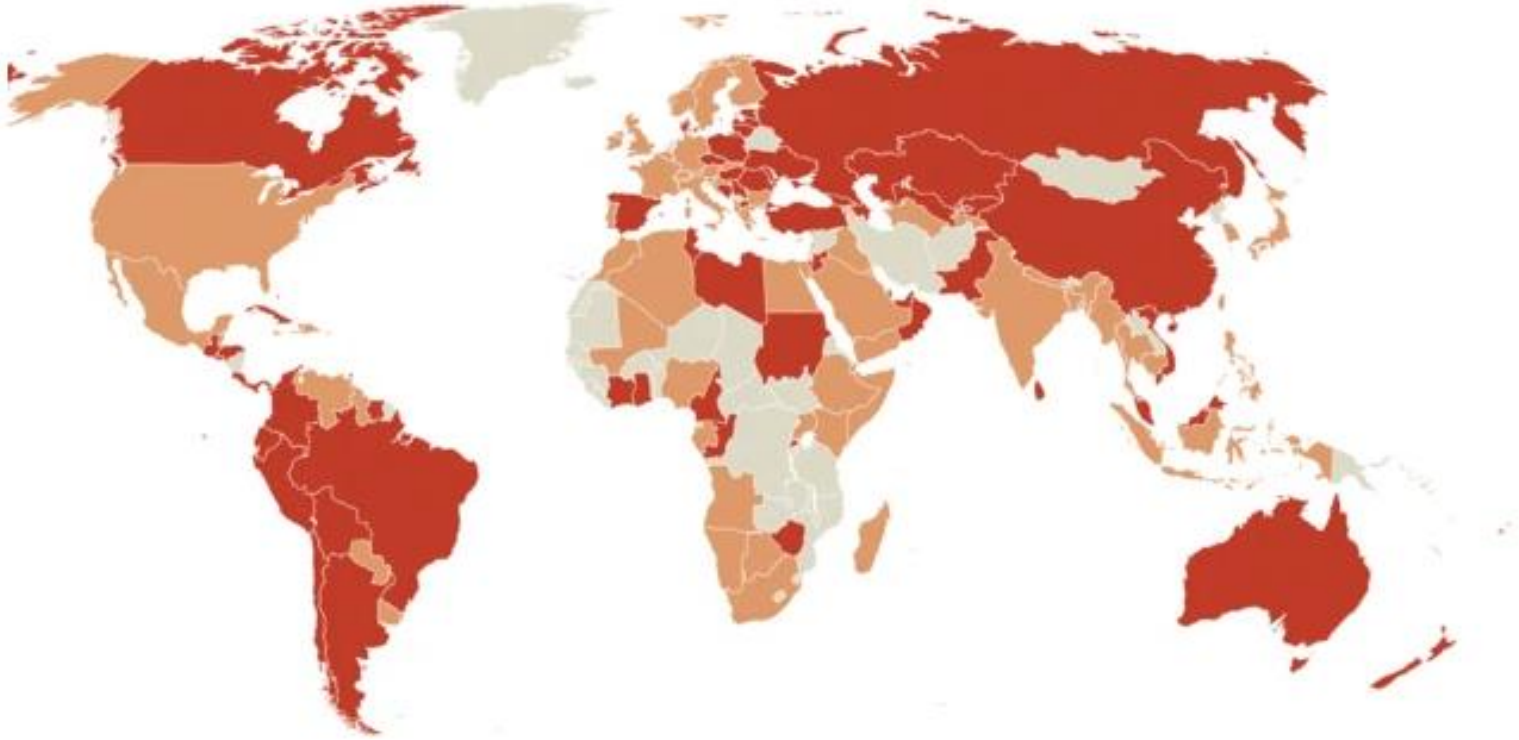
Note: Partial closure is a border closed to people arriving from certain other countries who are neither citizens nor residents of the destination country, including tourists and other noncitizen visitors. Partial closure also includes country situations where not all types of borders are closed (land, sea, air). Complete closure refers to a ban on anyone arriving who is not a citizen or resident of the destination country, with some possible exceptions such as scientists, diplomats, airline crews and humanitarian personnel.
Sources: The New York Times and Al Jazeera (border closures), accessed March 31, 2020.

PEW RESEARCH CENTER

Our pulse report shows YOY demand is down in every country.
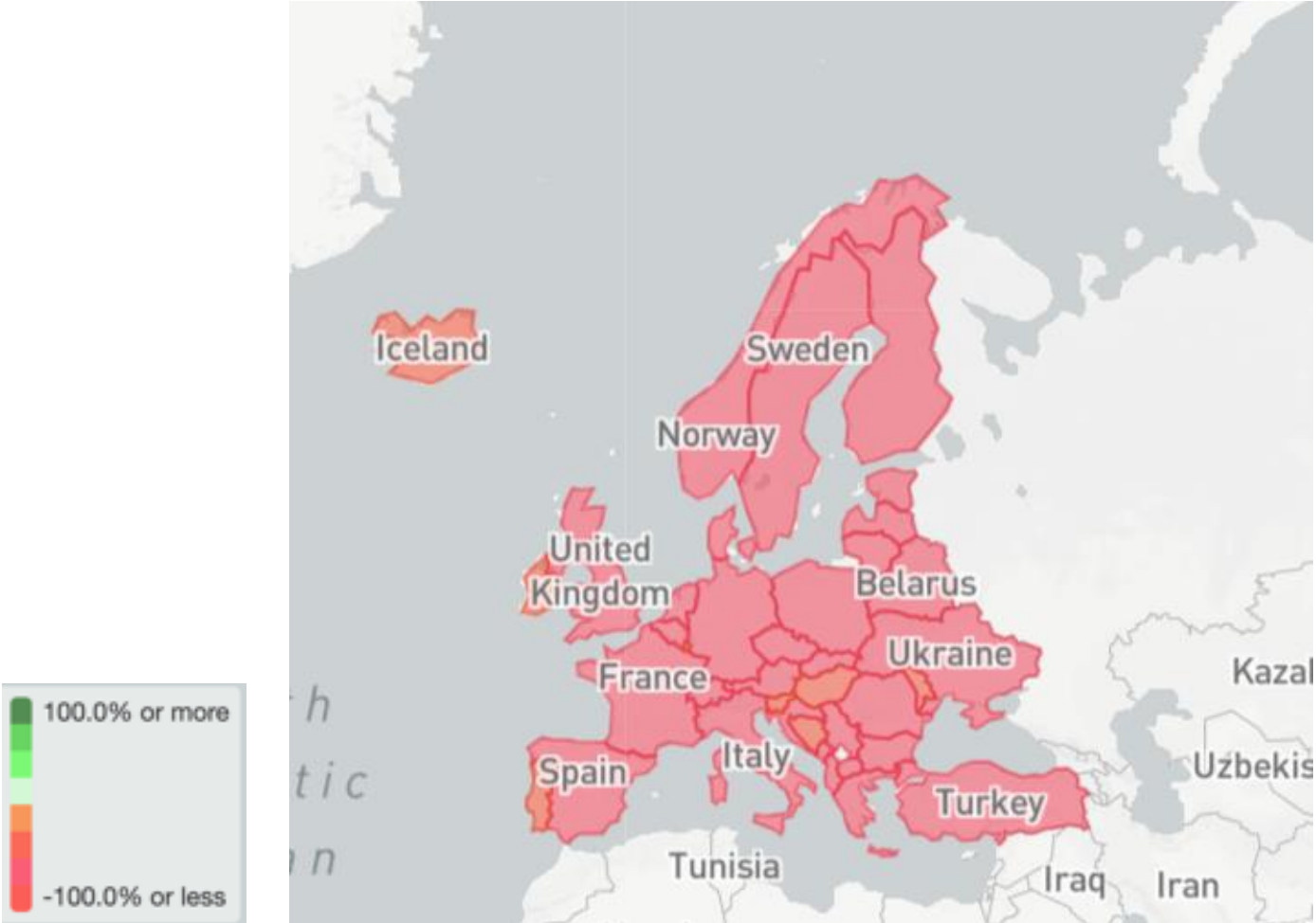
More optimism beginning 6 weeks out.
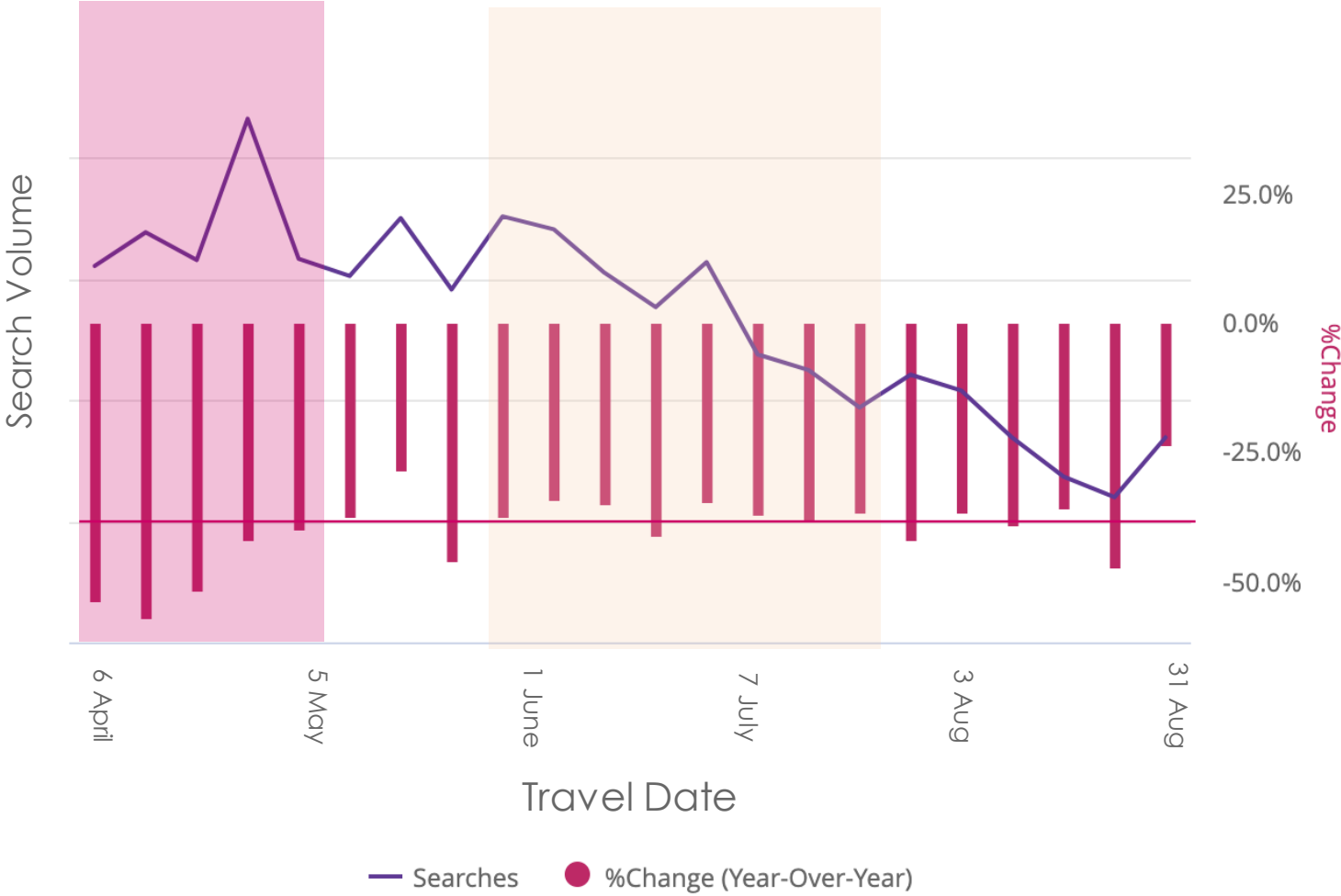
Significant difference between markets in forward-looking intent.
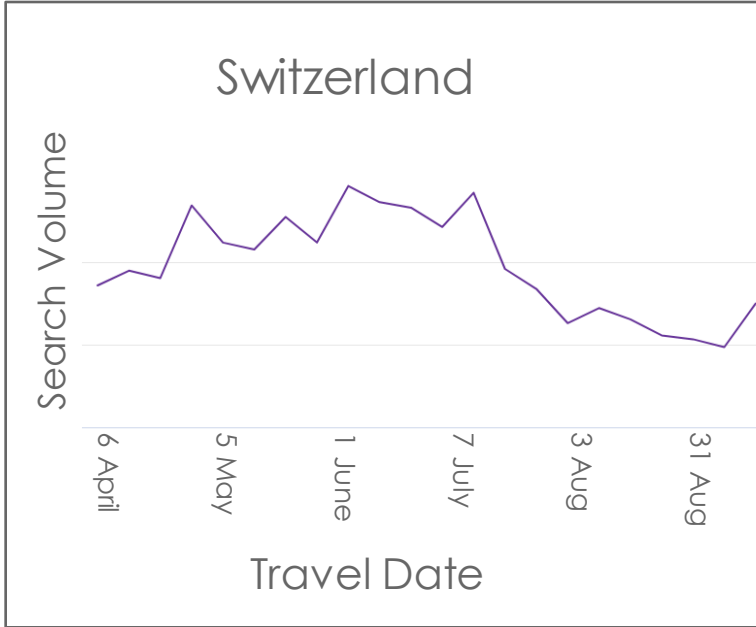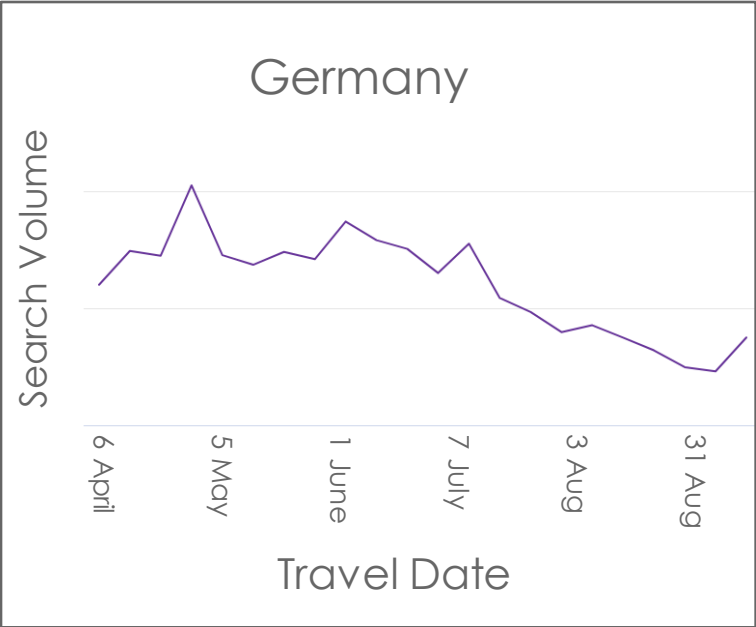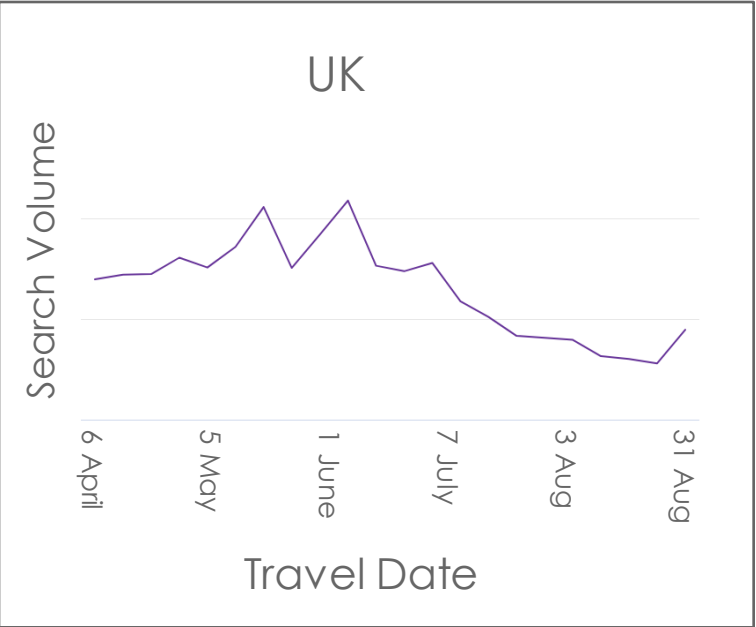
China: Initial resurgence in demand dampened by relapse prevention.
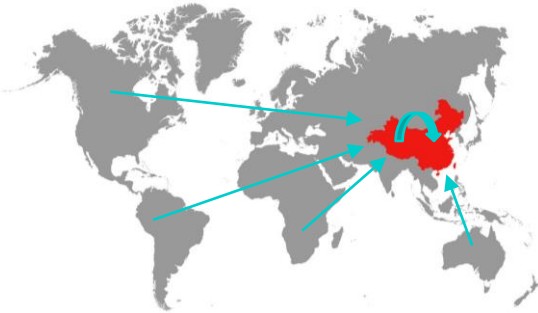
Japan: Bans on foreign arrivals and local actions are stifling intent.
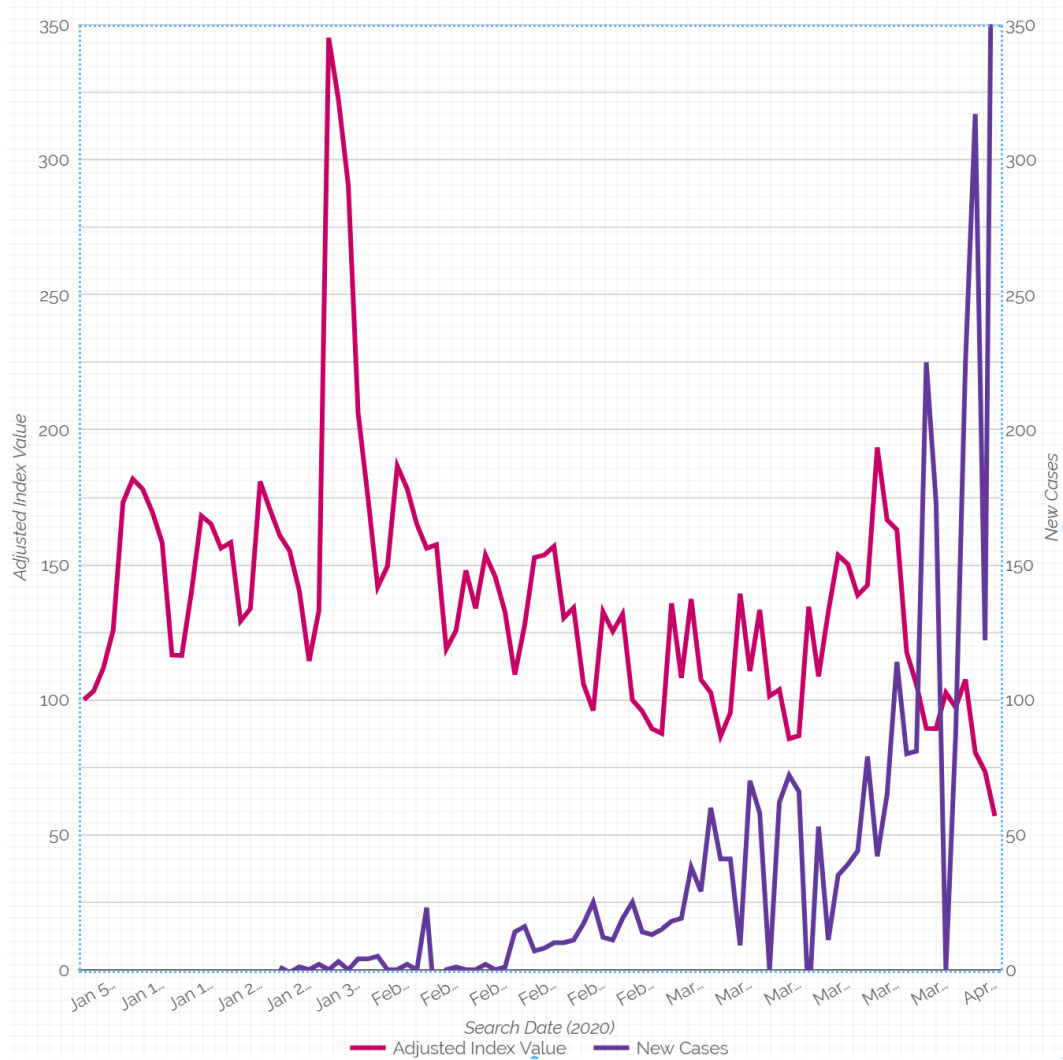
S. Korea: Only one of the three markets that had a slight up-tick.
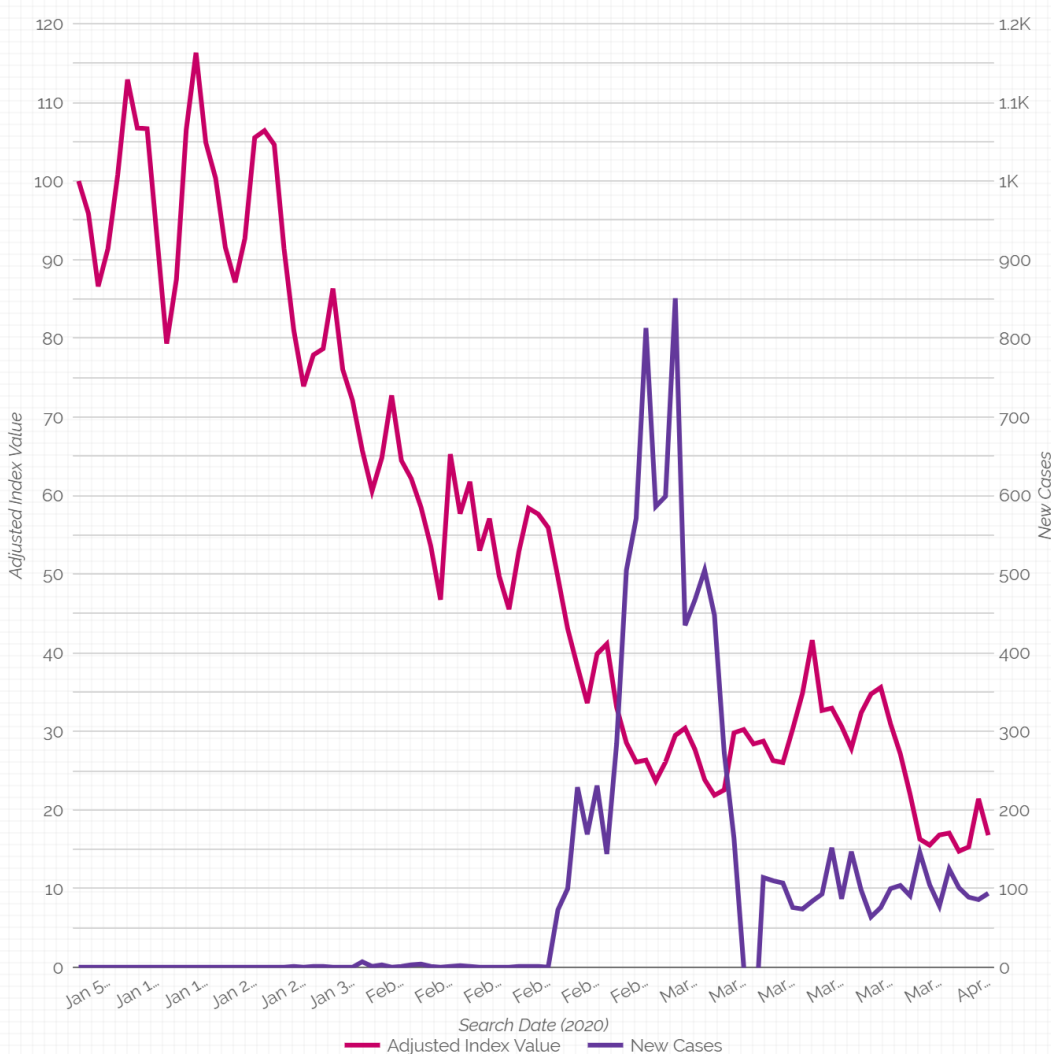
COVID19 Resource Center

Powered by ADARA Traveler Trend Tracker

https://adara.com/traveler-trends-tracker/

Inflection Detection:
Preparing for the Rebound

Tom O'Toole

April 9, 2020

Detection and Thinking Ahead

Not (yet)

Projection and Prediction

Tom O'Toole

April 9, 2020

It's still premature to make meaningful and specific projections of demand upturn based on trend and daily data

- **COVID-19 is an unprecedented event in its magnitude, severity and duration**
- **It involves multiple crises...health and economic...each of which would separately have its own recovery curve...but that are interdependent and will have a sequential recovery process**
- **The health crisis (i.e., illness spread) is still worsening in the United States and other regions**
- **The economic crisis is still worsening in key sectors and businesses are grappling with cost reductions and restructurings**
- **There are likely to be structural changes in certain types of travel demand beyond what has occurred following past disruptions**

Tom O'Toole

April 9, 2020

The overall recovery of demand in the economy will be more differentiated by industry than in past economic recoveries

- **Different industries (e.g., retail, travel, hospitality, manufacturing, professional services) will recover at different rates that will be more pronounced than in the past**

- **Different categories within industries will recover at different rates**

This will be particularly true of the travel industry

Tom O'Toole

April 9, 2020

The travel industry as a whole is likely to take longer to recover (i.e., resume sustained demand growth) than some other industries

- Different categories (e.g., airlines, hotels, cruise, car rental, attractions) will recover at different rates
- Different segments within the respective categories will recover at different rates (e.g., international/domestic, business/leisure, long/short distance)
- Different companies will recover at different rates within categories depending on their specific network, geographic footprint/locations and other factors
- The pattern of recovery by type of travel is likely to be different than in previous events
- Certain types of travel will be more impacted by lingering emotional, psychological and attitudinal concerns
- Certain types of travel are more likely to be impacted by structural changes in travel demand resulting from new experience with substitution

Tom O'Toole

April 9, 2020

The practical reality right now is that:

- Travel demand recovery will require certain gating events to happen and the timing of these is still unknown (and may continue to be pushed out)
- There is high likelihood of false precision in using current data to project demand recovery curves that look compellingly specific but in fact are based on multiple contingencies, unknowns and assumptions
- There are multiple factors and variables involved and each has its own uncertainties

Scenario modelling is much more useful and meaningful than projections

- That's what smart companies are doing
- We can vary the timing of the gating events and different factors under each scenario

Quantifying ranges of demand recovery under different scenarios as the basis for planning in multiple stages (for cost reduction, demand growth, revenue, cash flow) on different time horizons is the best approach right now

Tom O'Toole

April 9, 2020

Modelling scenarios for travel demand recovery needs to take into account:

A. **Gating Events (3)**

B. **Gating Conditions (4)**

C. **Business type and segment differentiation (e.g., business/leisure)**

D. **Category differentiation (e.g., airline, hotel, cruise, car rental, attraction)**

E. **Company-specific (or destination-specific) characteristics (e.g., network, footprint/locations, business mix, origin markets, destination markets)**

Tom O'Toole

April 9, 2020

The following "gating events" must happen for travel demand to begin and be sustained at scale:

1. Reduction in rate of infection (at wide scale)

2. Lifting of shelter in place orders and travel restrictions (at wide scale)

3. Lifting of company policies precluding corporate travel

Tom O'Toole

April 9, 2020

Then, additional "gating conditions" must also happen:

4. Reopening of institutions, events and activities (e.g., universities, programs, conferences)

5. Ability and willingness to invest in travel

    A. Economic
- **Corporate (with draconian cost reductions, including business travel, likely to remain into 2021)**
- **Personal (with high unemployment and economic uncertainty)**

    B. Emotional, psychological and attitudinal
- **Lingering wariness and concern**
- **Different view of discretionary travel**

    C. Structural
- **Continued substitution of videoconferencing and other methods**
  - **Short-term**
  - **Long-term**

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Business Types

- **International**
- **Domestic**

• Length (i.e., distance)

- **Short**
- **Medium**
- **Long**

🟩	**Likely to recover soonest**
🟦	**Likely to recover later**
🟧	**Likely to recover latest**

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- **Business Travel**
  - **Managed corporate travel**
    - **Operational**
    - **Business Development**
    - **Internal**
  - **Unmanaged corporate travel**

- **Meetings and Groups**
  - **Corporate**
    - **Small**
      - **Senior level**
      - **Mid-level**
    - **Large**
  - **Conferences**
  - **Associations and other (e.g., social, fraternal)**

Likely to recover soonest
Likely to recover later
Likely to recover latest

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- **Personal Travel**
  - **Required or deferred (e.g., students returning to universities)**
  - **Visiting friends and relatives**
  - **Leisure**
    - **Short distance**
    - **Long distance**

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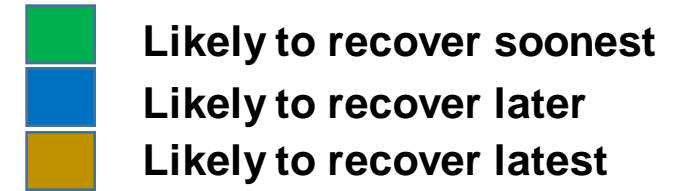
Prognostications at the aggregate level are of limited accuracy and usefulness right now

Multiple factors intersect (e.g., purpose-distance-location)

Local and company-specific factors are highly relevant

The actual picture will be much more fragmented

Tom O'Toole

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We need to take into account additional characteristics for specific business types and segments that may differ from or not have applied in previous situations

- Differentiation of recovery by industry (e.g., health care, professional services, retail, manufacturing)

- Specific routes and destinations may be impacted by individualized factors more so than in the past

- Likelihood of enduring structural change from continued substitution (e.g., videoconferencing for internal corporate meetings)

- Susceptibility to and impact of sustained emotional, psychological and attitudinal wariness

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How to look ahead (to refine scenarios, ranges and projections)

1. Anticipated timing of <u>gating events</u> (at different points)

2. Market feedback and data on <u>gating conditions</u> (e.g., institutional reopenings, GDP, extended substitution, personal travel sentiment)

3. Market feedback and data on specific <u>business types and segments</u> (e.g., corporate travel policies and spending reductions, conferences, regional destinations)

4. <u>Leading indicators and data</u> of upturn in travel demand at <u>highly granular</u> level (e.g., air travel originating in Northeast to Bay Area in tech and professional services, leisure travel booked >21 days in advance for >500 mile radius)

5. Application to <u>company-specific</u> or <u>destination-specific</u> situation

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Sources of information (not exhaustive)

1.   **Gating events**

   - **Governmental, agency and other illness metrics and guidance**
   - **Governmental shelter in place orders and travel restrictions**

2.   **Gating conditions**

   - **Institutional reopenings and event reschedulings**
   - **Market and customer surveys**
      - **B-B (business)**
      - **B-C (personal)**
   - **Governmental, agency and industry economic data**

3.   **Business types and segments**

   - **Market and customer surveys**
      - **B-B (business)**
      - **B-C (personal)**
   - **Governmental, agency and industry economic and activity data**

4.   **Leading indicators and specific demand**

   - **Booking data**
   - **Search data**

5.   **Company-specific and destination-specific**

   - **Booking data**
   - **Search data**

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- **Predictive analytics and new indices combining illness, economic and other data sources are being developed and will be useful**

- **AI (artificial intelligence) is being applied and may be useful in identifying and eventually predicting highly specific demand changes and opportunities**

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Related subjects that are essential but beyond the scope of this webinar include:

- **Capacity planning and restoration**

- **Work force planning and restoration**

- **Corporate financial stabilization**

- **Travel hygiene safety**

- **Infrastructure**

Tom O'Toole

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Rebuilding and stimulating travel demand will require a multi-tiered approach with different players and activities serving different purposes, once the gating events happen, including:

Industry: Rebuilding willingness and encouragement to travel

Company:
- Rebuilding willingness and encouragement to travel
- Targeted demand generation for specific:
    - Routes
    - Destinations
    - Types of travel
- Highly targeted (micro-targeted) demand generation for specific traveler profiles
- Programmatic and promotional incentives to stimulate discretionary and leisure travel (e.g., loyalty program status, earning and redemption)

Tom O'Toole

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A logical framework for the critical events, conditions and factors that will lead to the recovery of travel demand is the context for us to model scenarios for, inform and plan at the industry, destination and company levels and to use data in sound and meaningful ways as the unprecedented COVID-19 crisis continues to unfold

Tom O'Toole

April 9, 2020

Interview with Tom O'Toole

By David Morrow

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Reach out at webinar@adara.com

Thank You