

# Lessons from the other side



What U.S. travel managers  
can learn from the Asia Pacific  
return to business travel

zeno  
BY serko





# The U.S. business travel industry has more to be hopeful about in 2021 than it did in 2020.

Though suppliers large and small have struggled since March 2020 to hold out against the sudden and sustained drop-off in business travel caused by COVID-19, we have not seen the vast majority go bust the way some predicted. While uncertainty remains, the approval and rollout of multiple vaccines across the country has given rise to optimism that the end of the pandemic is near.

**Nevertheless, once the virus is under control, how—and, more importantly, how quickly—will business travel return?**

In the early days of the pandemic, few letters of the alphabet were spared from serving as a descriptor for the shape of recovery we'd see. We also heard predictions about the permanent contraction of business travel from great minds like Bill Gates.

Which prognostications about the industry's path forward are correct and which will live on only in headlines? It's too soon to say.

Yet, some clues exist if we look beyond the U.S. to markets that managed to control the virus early. Specifically, the recovery of business travel in the Asia Pacific region offers insights into what the U.S. and, indeed, the entire business travel industry can expect in the months and years ahead.

**In this e-book, we'll explore the recovery of business travel in Asia Pacific markets, what lessons we can glean from the speed of recovery there and what has and hasn't changed about the business travel industry since COVID-19 hit.**

We'll also offer guidance on what matters next for your program as you prepare to get your workforce back on the road and in the air.

# Comparing U.S. and Asia Pacific Recovery Outlooks

On March 17, chief executives from the largest hotel companies in the world met with U.S. President Donald Trump to explain the dire state of the hospitality industry amid the COVID-19 crisis.

Marriott International's late president and CEO Arne Sorenson said that by the third week in January business at hotels across China fell 90%. In Macau, occupancy bottomed out at 2% but was rebounding to 30% occupancy by mid March — the same month the rest of the world went into a freefall. Marriott is the largest hotel company in the world with 1.38 million rooms worldwide pre-COVID, but the other executives at the table reported similar conditions. Hotel volumes in China were at or approaching bottom and occupancy at hotels around the globe was in a nosedive.<sup>1</sup>

## By September, however, things changed in China.

Just months after bottoming out, hotel demand in that market had returned to its pre-pandemic levels, according to STR.<sup>2</sup> In its third quarter earnings report, China's Trip.com said most of its business segments had rebounded to pre-pandemic levels.<sup>3</sup>

Similarly, Australia and New Zealand were seeing returns by the third and fourth quarters of last year, evidenced not just in strong hotel occupancy, but also in a return to domestic business travel, fully booked restaurants and packed sports stadiums.<sup>4</sup>

Meanwhile, the U.S. hotel industry had its single worst year in history and hotel and tourism forecasts for 2021 warn of continued challenges until the third quarter as the U.S. attempts to beat back rising COVID-19 case numbers and roll out vaccines to the population.<sup>5</sup>

The U.S. and its Asia Pacific contemporaries took very different approaches to respond to COVID-19. Where countries like China, Australia and New Zealand went into swift lockdowns early in the pandemic, halting or strictly limiting international and domestic travel, the United States remained largely open. Restrictions were put in place for inbound international travel, but these limitations didn't apply to U.S. citizens, and domestic travel remained largely unrestricted.

**The outcomes for travel recovery are evident — markets that controlled the virus early are now seeing travel return, and those that didn't face continued travel challenges this year.**

While this is unfortunate news for the U.S. travel industry, it also presents an opportunity to look to those who are months ahead. We may not know just how recovery will play out, but the return of business travel in Asia Pacific offers some pretty big clues and some significant lessons for travel managers looking to plan ahead.

# What Asia Pacific Tells Us About Travel Post-COVID

When the pandemic first hit, there were a lot of declarations about how *fill in the blank* thing would never be the same. While there's no doubt that aspects of the business travel industry will be changed by COVID-19, when we examine what's happened in countries that are emerging from the crisis, it's clear that human behavior is surprisingly resilient and much of what we were familiar with in business travel will continue.

## People Still Want to Travel

In March 2020, it was easy to imagine a world in which no one would ever want to travel again. Air travelers were sharing stories about "flights from hell." Cruise ship passengers found themselves stuck in quarantine off the shores of various cities. Pitiful holidaymakers trapped in isolation lounged listlessly on hotel balconies.

Overnight, travel became enemy No. 1 and it was obvious that nobody would ever feel comfortable again.

But that, too, appears to have been blown well out of proportion. Traveler sentiment has recovered quickly, particularly in markets where the virus has been well-contained early.

In its consumer surveys from October, Think with Google APAC found an increased intent to travel during the next six months, with the largest increase of travel intent in Australia (+13 points), Vietnam (+9 points) and New Zealand (+5 points).<sup>6</sup>

It's true that consumer travel is not the same as business travel — one may choose to go on a personal holiday but be restricted by their company to travel for

a business trip for duty of care or budgetary reasons. But if a key hindrance to travel is willingness to travel, it's safe to assume that once people get comfortable traveling for leisure they won't hesitate to go to that in-person meeting.

One indicator of how quickly business travel can bounce back is in Serko's home markets of Australia and New Zealand. Once COVID-19 had been eliminated from the community in New Zealand and travel restrictions were lifted, domestic business travel bookings rapidly returned to around 80% of pre-pandemic levels within 2 months, and this lifted to around 90% by month four.

In Australia, as community transmission was contained and state borders re-opened in late 2020, business travel bookings re-gained 15% of prior year volume in just one month.

The old world of bustling airport lounges, packed planes and buzzing hotel bars was back faster than anyone could have expected once the threat to traveler safety was eliminated and most things looked surprisingly similar to the pre-pandemic world.



# Virtual Meetings and In-Person Will Co-Exist

Prior to COVID-19, organizations around the world were already trending toward remote work. The pandemic merely accelerated that trend, forcing more companies to adopt IT systems and meeting technologies that accommodated working and collaborating outside a brick and mortar office.

It may be tempting in this climate for pundits to declare face-to-face meetings dead and suggest we all worship at the feet of Mother Zoom. Yet, anyone who has spent an entire day on video calls knows that virtual meeting technology has its limits.

Researchers from the Institute of Management Development (IMD) have found that certain

corporate activities, namely collaborating, innovating, culture building and community building are tricky to execute and maintain without meeting in person at some point.<sup>7</sup>

Additionally, despite successful virtual conferences held out of necessity during 2020, many regular convention attendees are looking forward to returning to in-person events to drive sales and network. In i-Meet's Planner Confidence Index survey in December 2020, planners said they expected in-person events to resume in the third and fourth quarters of 2021, with 69 percent saying they had a future event or face-to-face meeting contracted.<sup>8</sup>

## Business Innovation Matters More, Not Less

There's a way in which particular corporate agenda items can go from the top of an organization's priority list to the very bottom once a crisis or economic downturn occurs.

When COVID-19 first hit, travel industry leaders understood that some innovation would be necessary to meet the challenges it created. But there was also speculation that the financing to invest in longer-term industry innovations like NDC would dissipate amid staggering losses to airlines, TMCs and GDSs.<sup>9</sup>

Instead, we've seen NDC developments continue with new deals and connections materializing in the back half of 2020.

In Asia Pacific, Australia's Qantas Airlines benefited in 2020 from its new distribution channel, first launched in 2019, reporting it would be back to 68 percent of pre-COVID domestic capacity in December.<sup>10</sup> The carrier recently announced NDC-only offers, which it will distribute through its direct channel to provide enhanced benefits for customers in the first quarter of 2021.

Even outside of recovering regions, NDC activity isn't standing still. American Airlines Chief Customer Officer Alison Taylor said in December that the carrier had seen an acceleration of NDC interest among travel agencies that view it as an efficient way to get bookings done after significant cuts to their workforce.<sup>11</sup>

## TMCs Are Still Important

Travel management companies proved to be essential partners early in the pandemic, helping travel programs locate employees, manage massive travel disruptions and make sense of penalties, refunds and unused air tickets.

Nevertheless, the transaction model used by most TMCs put them in a difficult financial position as travel came to a standstill. News of massive layoffs and impending bankruptcies created concern that the industry was witnessing the end of the TMC.

That result has failed to materialize. Instead, we see the TMCs adapting and innovating amid the difficulties of COVID-19.

They are exploring new commercial models that put them in a better position to monetize the actual

value of their offerings. They are investing in new technologies and distribution models, including the previously mentioned NDC interest. And yes, they are consolidating, with recent mergers that include American Express Global Business Travel's acquisition of Ovation, Direct Travel's purchase of Professional Travel and CTM's takeover of Travel and Transport.

There remain challenges ahead, particularly for smaller TMCs that have remained afloat thanks to government aid. But given the long overdue and well understood need to evolve among corporate agencies, the changes underway across the TMC landscape should make those that manage to stick around more resilient.

## What Matters Next?

While the "everything will change, nothing will be the same" view of travel is proving to be less-than-true so far, it is a reality that when the U.S. emerges from its battle with the pandemic some things will matter more than ever before. Using the benefit of a lens into the Asia-Pacific business travel recovery here's where we see the focus for North American travel managers coming out of COVID-19.

### Adaptable travel

The early crisis showed the importance of flexibility. Looking ahead, it's going to be critical to continue to place a premium on technologies and supplier relationships that accommodate rapid changes in market conditions, travel restrictions and health and safety requirements.



Major U.S. airlines have taken a step in the right direction by eliminating change fees for domestic and some international airfares, but that approach needs to inform every portion of your travel program.

Look to providers, processes and technologies that empower you to adapt to sudden changes and requirements. For example, if new travel restrictions crop up (such as mandatory contact tracing introduced in Australia), how easy is it for you to adapt your travel program, assert that change in your booking environment and communicate it to travelers?

## Cost management

COVID-19 put travel—and the spend associated with it—front and center for many organizations. As the economic challenges created by the pandemic pressure companies across nearly every industry vertical, scrutiny of travel and expenses is likely to remain high for the coming years.

In order to provide transparency to senior leaders and keep spend in line with budgets, it will be important to leverage technology that can deliver enhanced data visibility and spend controls.

There's some debate about whether companies should make travel policies more restrictive or less restrictive post-COVID. Whichever side of the fence you land on, you'll want to make sure that you know where your travelers are booking, what they're spending and have tools in place to intelligently identify and address out-of-policy expenses.

## Risk management

Just as T&E costs will face scrutiny coming out of the pandemic, so will traveler safety and duty of care. As the rollout of vaccines remains fragmented and uneven across global markets, it will be important to know just where travelers are and where they're going long after the U.S. manages to get COVID-19 under control. It will also prove useful to be proactive for any future crises.



Make sure you're able to track travelers effectively and that you have the ability to restrict travel to and from markets as risk levels change.

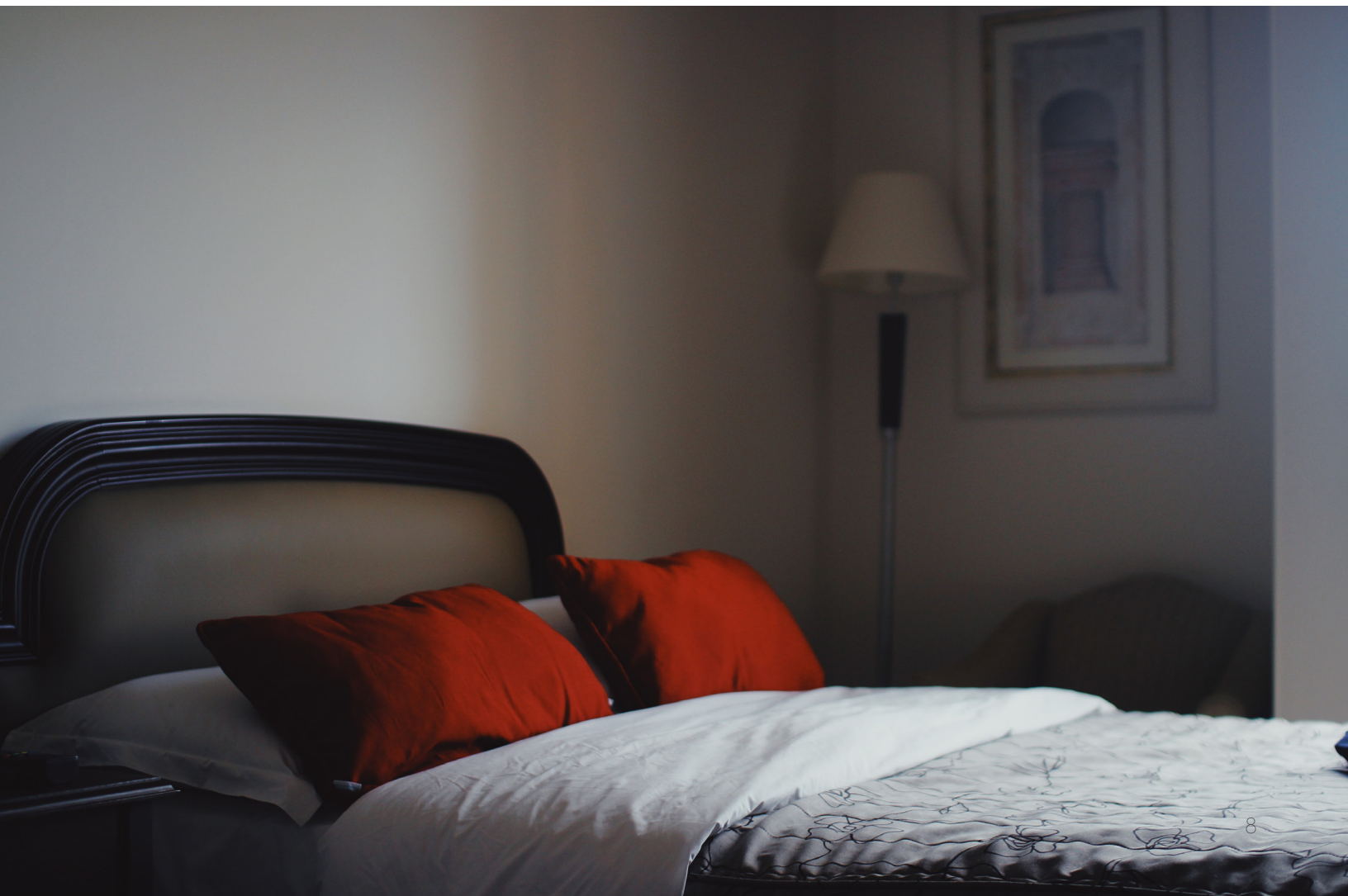
Additionally, don't underestimate the power of your travelers to serve as the first line of defense in risk prevention. Make sure they have access to special information and enhanced content at the point of purchase. This should include details about the safety protocols being followed by individual air and hotel providers.

## Traveler well-being

The desire to travel may recover quickly, but travel managers shouldn't overlook the mental hurdles that might remain for people getting back out on the road for the first time.

Find ways to support travelers through enhanced information and communication across any potential channel they might use to research or book travel. Consider also how you might adapt your travel policy and technology to accommodate for additional anxiety. For some programs this may look like adding hotels to their program that feature kitchens or meal kit services. For others it may be allowing more travel tiers to book premium economy or business class airfares.

What's important is that you have a way to easily make adjustments to your program policies for travelers and keep the lines of communication open so individuals feel supported coming out of the pandemic.







## The Wrap Up

The year ahead, like the one that came before it, will continue to be characterized by uncertainty. We've said it before: We don't know what the return of U.S. business travel will look like.

Yet the resilience and survival of business travel and our industry feels more certain now than it did last spring. Based on the learnings from markets across the Asia Pacific region, it is unquestionable that people still want to travel and, in spite of advancements in remote work technology, companies will still need to travel.

There has never been a better or more important time for collaboration between industry partners and corporates and for open communication and planning among stakeholders within organizations. Every travel manager has the power to take immediate steps to ensure that their company's return to the road and the air is safer, more dynamic, less costly and more positive than it was before.

# Sources

<sup>1</sup> "WATCH: Airbnb, hotels seek U.S. government aid as demand flattens." PBS News Hour, March 17, 2020. <https://www.pbs.org/newshour/economy/watch-airbnb-hotels-seek-u-s-government-aid-as-demand-flattens>

<sup>2</sup> "China much closer to recovering ADR than Europe and the U.S." STR Data Insights Blog, Dec. 21, 2020. <https://str.com/data-insights-blog/china-much-closer-to-recovering-adr-than-europe-and-us>

<sup>3</sup> Linda Fox, "Trip.com Group sees ongoing financial improvement, ups marketing spend." PhocusWire, Dec. 2, 2020. <https://www.phocuswire.com/Trip-com-Group-continued-improvement-domestic-market-Q3>

<sup>4</sup> "Demand may be moving markets during Australia's summer season." STR Data Insights Blog, Dec. 31, 2020. <https://str.com/data-insights-blog/demand-may-be-moving-markets-during-australias-summer-season>

<sup>5</sup> "Video: U.S. performance results for year-end 2020." STR Data Insights Blog, Jan. 28, 2021. <https://str.com/data-insights-blog/video-us-performance-results-year-end-2020>

<sup>6</sup> Hermione Joye and Christopher Siantar, "Charting a bumpy path to travel recovery in APAC: Latest insights and tools." Think With Google, December 2020. <https://www.thinkwithgoogle.com/intl/en-apac/consumer-insights/consumer-trends/charting-bumpy-path-travel-recovery-apac-latest-insights-and-tools/>

<sup>7</sup> Robert Hooijberg and Michael D. Watkins, "When Do We Really Need Face-to-Face Interactions?" Harvard Business Review, Jan. 4, 2021. <https://hbr.org/2021/01/when-do-we-really-need-face-to-face-interactions>

<sup>8</sup> Donna M. Aioldi, "Survey: Most Planners Look to the Second Half of 2021 to Resume In-Person Events." Business Travel News, Dec. 23, 2020. <https://www.businesstravelnews.com/Meetings/Survey-Most-Planners-Look-to-the-Second-Half-of-2021-to-Resume-In-Person-Events>

<sup>9</sup> Jay Boehmer, "Once Boiling, NDC Development And Deployments Now Simmer." The Beat, April 22, 2020. [https://www.thebeat.travel/News/NDC-Development-And-Deployments-Now-Simmer?utm\\_source=website&utm\\_medium=widget&utm\\_campaign=search](https://www.thebeat.travel/News/NDC-Development-And-Deployments-Now-Simmer?utm_source=website&utm_medium=widget&utm_campaign=search)

<sup>10</sup> Sean O'Neill, "Qantas Pursues Breakaway Distribution Strategy Despite Grumbling From Some Travel Agencies." Skift, Nov. 30, 2020. <https://skift.com/2020/11/30/qantas-pursues-breakaway-distribution-strategy-despite-grumbling-from-some-travel-agencies/>

<sup>11</sup> Jill Menze, "VIDEO: COVID-19's impact on airline distribution." PhocusWire, Dec. 9, 2020. <https://www.phocuswire.com/covid-19-impact-on-airline-distribution>

