

THE IMPACT OF
COVID-19
ON CORE TRAVEL
SECTORS AT
A GLANCE



REPORT OVERVIEW



Several reports provide insights into the effect of the coronavirus on the tourism industry, advice on pricing, marketing and so on. This study attempts to explain by providing a single narrative across the millions of available voices and different snippets of data.

We follow the timeline for the virus of COVID-19, which has spread as a basis for discussions centered on some of the countries most affected so far, beginning with China where the virus was born and then heading to Europe, which is the epicenter of this global pandemic at the time of the writings.

So there is a discussion on the situation in the United States, which is monitoring Asia and Europe, but which is starting to show a significant rise in reports and deaths, and we examine what sector performance in Asia and Europe may tell us about what the nation is going to achieve.

We are as uncertain as anyone about the future, but see signs that this might be a long way to recovery. However, we do believe that the industry will recover.



**TOURISM
SHUTDOWNS**

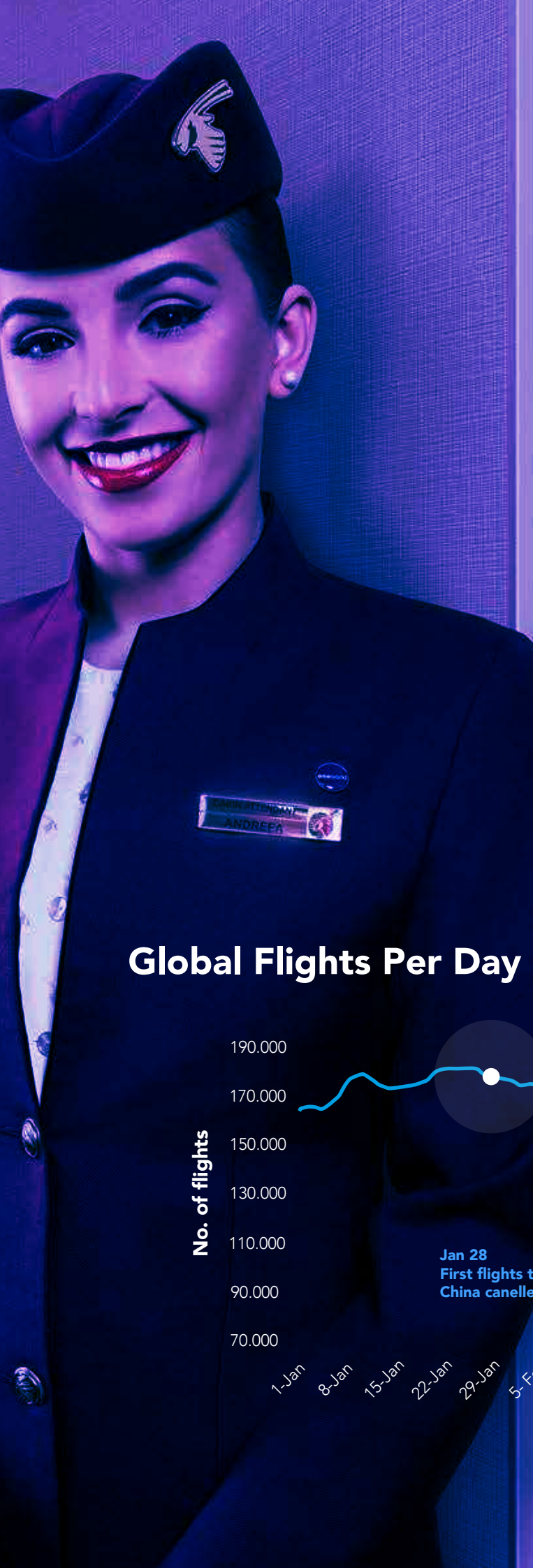
AIRLINES

Airlines are on the frontlines of media attention and you can quickly see why. Borders and travel restrictions have impacted the industry. Whole airlines and airports shut down operations before the situation improves and experts expect the need for some financial assistance from virtually all airlines to cope with this crisis.

If governments won't intervene, **CAPA predicts that most airlines will bankrupt** by the end of May.

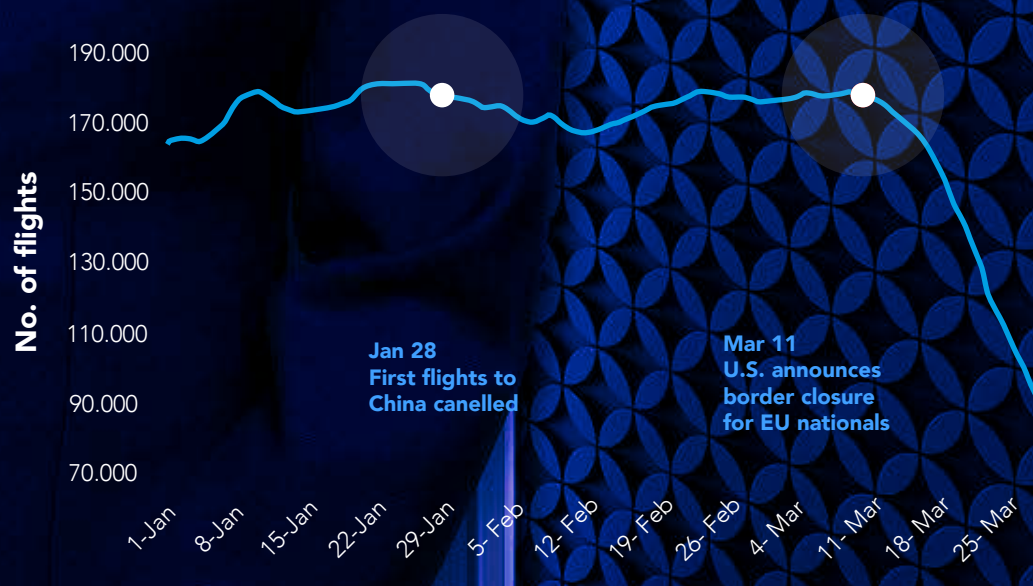
On 28 January, the first decline occurred as airlines started to cut flights to China. The capacity of flights from China to the rest of the world was that by 80 per cent according to ForwardKeys. However, from 11 March a second and deeper wave occurred, when the United States declared its border closure for EU nationals.

In comparison with 2019, IATA predicts a loss in passenger income of **\$252 billion**, down 44% over the year. The forecast assumes that limitations on the border remain ongoing for up to three months and a slow economic recovery will follow.



QATAR

Global Flights Per Day - 7 - Day Moving Average





PLAN
YOUR
VACA-
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ONLINE TRAVEL AGENCIES

As with airlines, travel agents and online travel agents often feel pressure, as the travelers stop and try to cancel booked trips.

In the first quarter of 2020 Chinese Trip.com, owner of Ctrip, Skyscanner and Qunar travel brands, expects revenues to fall by up to 50%. It was attributed to a slowing of growth in late 2019, as outbound demand from China, which was already extremely strong for several years, started to slow.

Both Expedia Group and Booking Holdings, the two largest online travel agencies outside China, have withdrawn their guidance in 2020 because their stocks have fallen in the face of the coronavirus uncertainty.

CEO Glenn Fogel revealed in a letter of 23 March for Booking Holdings that he and other executive team Members have neglected their pay, detailing further steps to minimize expenses, particularly in their marketing spending. He wrote: "This is not the first major disruption to travel we have endured as a business, but the impact of COVID-19 is more than all the previous disruptions ... combined."

Cuts in marketing spending on reservations may also flow through Google. Booking Holdings is known to be one of the biggest marketing customers of Google and we estimate that the search engine spends up to \$3 billion on this. World Touris Forum Institute reports that the travel industry will spend up to \$16 billion on Google around the world and the effect of drying up advertisement revenues for Google has already been seen.

For hotels running metasearch engines the cost per click (CPC) has decreased significantly. During the span of three days between 12 March and 15 March, CPCs on meta search engines decreased by %40 and auctioning for leading selections fell prices by %75, according to Koddi results.

Tourism is loading... Please Wait!



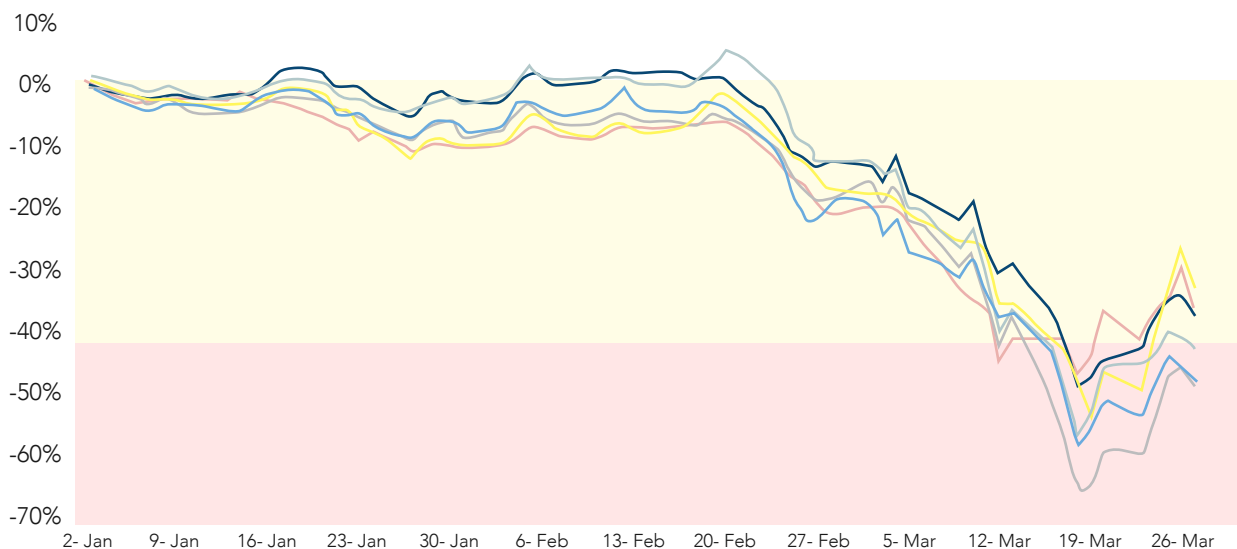
HOTEL INDUSTRY

The situation for hotels differs slightly, since the impact of the hotels on the location, price segment and form of accommodation is different. Moreover, although some of the hotels need to be entirely closed, some are reserved for stranded travelers and workers, converted into homeless shelters, doubled as quarantine centers or are provided for use by healthcare staff.

This does not mean that the hotel industry has less impact than the airlines on the coronavirus crisis; far from that. The data that are now beginning to appear show significant declines, particularly in the worst affected countries and cities, in occupancy and room rate nearly everywhere. Whereas, cancellations are through the roof.

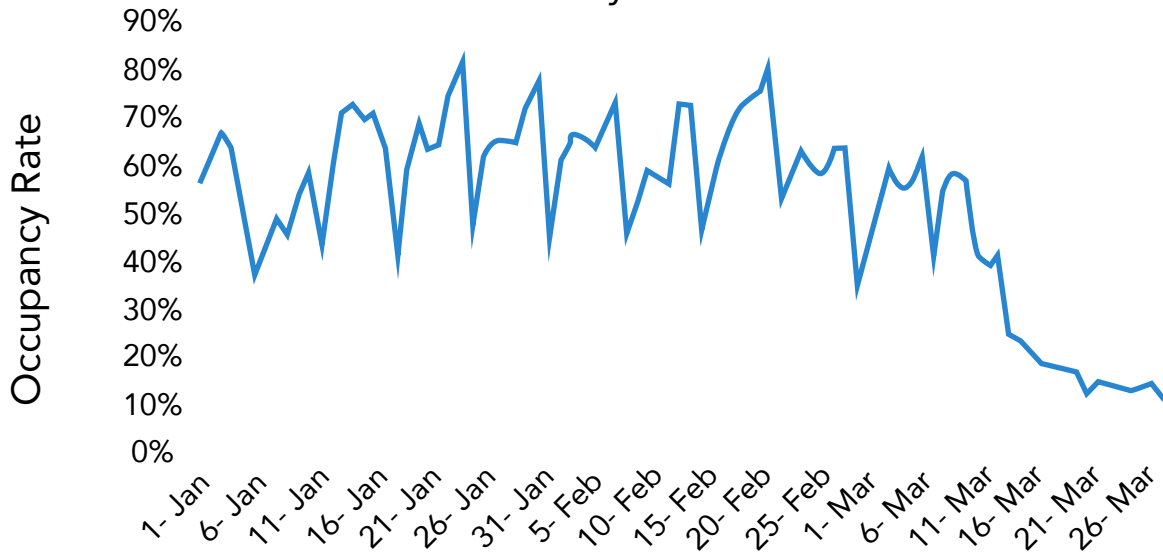
Every sector, from the small hotelier to major global chain operators, is hit by the crisis. Stocks and big hotel chains are in the firing line having crashed. In a video message recently for staff and shareholders, Marriott President and CEO Arne Sorenson said: **“Covid-19 is having a more severe and sudden economical impact on our business than 9/11 and the 2009 financial crisis combined. The worst quarter we had in those earlier crises saw a roughly 25% decline in hotel revenues on average across the globe. ... In most markets our businesses are already running 75% below normal levels.”** The corporation has been forced to furlough 10,000 employees along with other chains such as Hyatt

Share Price Growth of Largest Hotel Chains



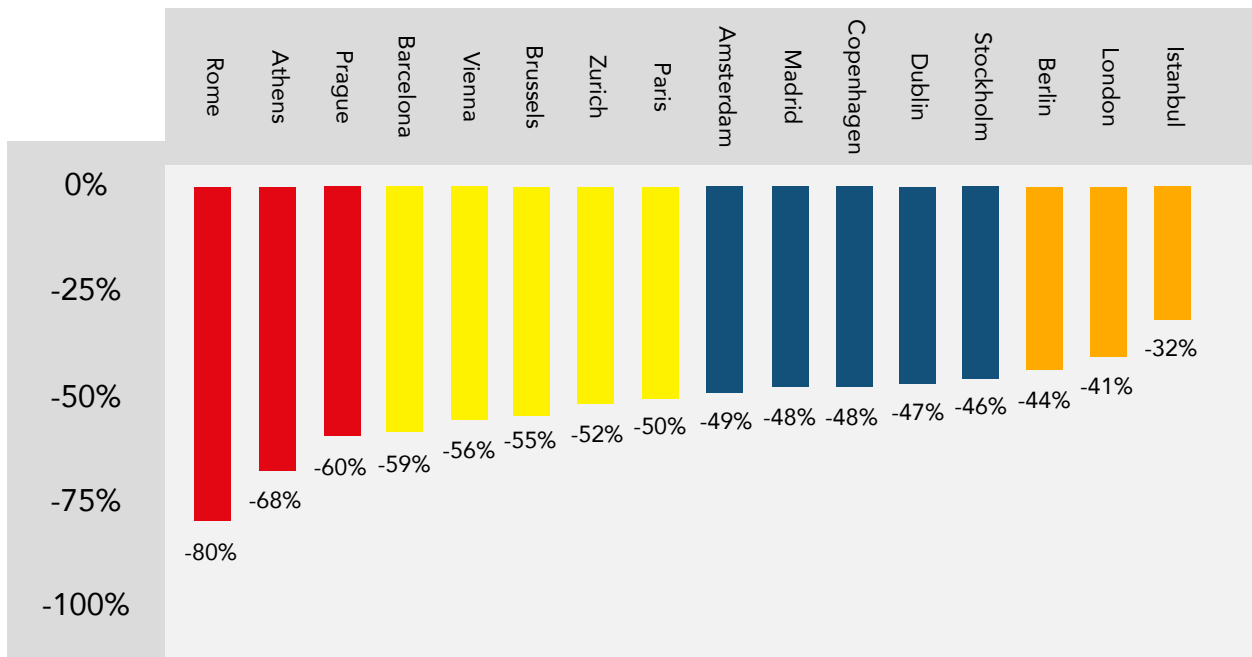
Taken along with revenues per room available (RevPAR), globalized occupancies have plummeted. Skift Research data by the revenue management company Atomize indicates a significant decrease in occupancy since the beginning of March. Atomize covers a worldwide range but its product line is predominantly Europeans, which partially explains the rather late drop-off, however, as Alexander Edström, CEO of Atomize, explained during a recent webinar in a further explanation, several hotel rooms have been pre-paid without a cancellation clause.

Realized Occupancy for Atomize Portfolio
January - March 2020



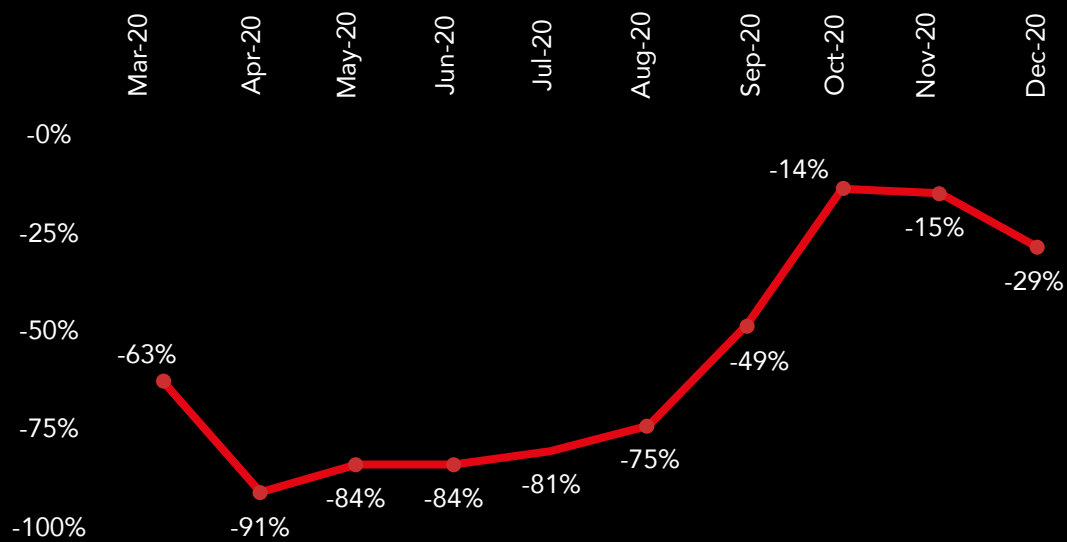
Revenue per available room saw similar declines according to STR. Regional data indicate that in Asia-Pacific in February the effect is mainly felt. The effect on RevPAR results in major European cities is shown below. Europe and North America are currently in the center of the effect. STR said that the RevPAR results in the USA and Canada decreased by about %70 for the week ended March 21, which indicates that these regions now have maximum pandemic pressure.

RevPAR Change in Major European Cities 28 Day up to March 22



According to data from 38,000 software properties obtained by HotelRunner, forward reservation values have hit, and reservations made during the week starting on 16 March compared to the year 2019 would be down. It is no surprise, because no one knows when it's safe to go out. March has been a write-off of both present and prospective bookings for Christmas holiday reservations. Whether lost profits at the moment can be recovered after limitations are lifted is unclear.

Confirmed Gross Booking Value Change YoY % Change



Sources:
CAPA - Centre for Aviation
IATA
Koddi - Advertising Technology for Travel
STR

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**WORLD
TOURISM
FORUM**
Institute

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