

Adapting To Endemic Covid-19: The Outlook For Business Travel

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FOREWORD

COVID-19 has had a major effect on Travel & Tourism. But the sector and its people are resilient and have made great strides in adapting to the circumstances. Given that the global context has changed so dramatically over the past 18 months, the World Travel & Tourism analysed the current Travel & Tourism context and offer a perspective on a potential path forward, specifically for business travel.

This report draws on joint research carried out between WTTC and McKinsey & Company. The report not only builds on research and data analysis, but draws on insights from key Travel & Tourism leaders. Interviews with 19 CEOs and key stakeholders were conducted to gain their perspectives on shifting trends, the challenges they have faced, and the outlook and opportunities for the future.¹ The hope is that stakeholders find the analysis and perspectives helpful in formulating their approaches to the challenges and opportunities that lie ahead.

The report examines issues affecting the sector and the implications for business travel. One important factor which will alter how the Travel & Tourism sector plans for recovery is the likelihood that COVID-19 will become endemic. Experts predict that COVID-19 will transition from a pandemic to an endemic state, with continuing ebbs and flows of disease outbreaks and travel restrictions.² This has significant implications for international travel and will affect the pace of Travel & Tourism's recovery and shape demand for business travel.

The good news is that international travel is resuming in parts of the world, and there has been an initial rebound - particularly in the domestic and leisure segments. However, business travel was disproportionately affected by COVID-19 and has been slower to resume. Given that business travel is vital for many sectors of the global economy, it is important that all stakeholders join forces to find solutions to aid its recovery.

Despite the challenges of the past 18 months, the sector is adapting and recovering. The intention is for this report to play a part in highlighting opportunities for all stakeholders to collaborate in stimulating growth and aiding business travel's recovery.

Julia Simpson
President and CEO
World Travel & Tourism Council



EXECUTIVE SUMMARY

COVID-19 has had a major effect on Travel & Tourism, leading to financial losses of almost US\$4.5 trillion and a loss of more than 62 million jobs. But there are signs that the sector is beginning to recover, with global travel spending on the rise.

However, the road to recovery will be a long and winding one, given the likelihood that COVID-19 will become endemic. Experts, including the World Health Organization (WHO), predict that the pandemic will not end with the virus disappearing, but rather that the virus will persist, albeit with decreased potency over time. In this context, the Travel & Tourism sector may need to contend with shifts in international travel restrictions which could last for several years.

This report examines what endemic COVID-19 could mean for the sector, and for business travel in particular. It draws on insights from Travel & Tourism stakeholders around the world to shed light on the shifting trends experienced over the past 18 months—and how these may influence the sector's recovery. The report also highlights opportunities and offers potential actions that stakeholders can take to adjust to the new reality and strengthen recovery.

The research underpinning this report makes it clear that the **sector's recovery will be heavily influenced by vaccine rollouts and virus management strategies**. To date, these have varied globally. There remains a highly uneven rollout of vaccines, and this large variation will influence how quickly travel rebounds. There may be high variability in the degree to which governments adopt different strategies, including travel restrictions, to contain COVID-19.

Moreover, government decisions and actions to protect their citizens regarding healthcare considerations and travel policies will continue to have a significant and immediate effect on Travel & Tourism. Policy shifts may also disproportionately affect certain markets that depend on international travel.

Within these broader trends, the sector has experienced significant changes over the past 18 months, particularly in demand, supply, and the overall operating environment that affect business travel:

- **Demand.** Business travel has been slower to recover than the leisure travel segment. Furthermore, corporate policies continue to influence business travel demand and vary across regions according to organisational needs and national restrictions in both departure and destination locations.
- **Supply.** The sector experienced rapid changes in operations as the pandemic hastened the move to digital, with businesses adjusting their operating models and expanding their technology for service operations. With the increasing digitisation of the business world, hybrid events have become a new paradigm for business and technology-supported formats now enhance in-person activities. Simultaneously, the sector is facing a talent risk and a considerable labour-shortage crisis resulting from Travel & Tourism businesses laying off millions of workers globally - many of whom have since reskilled or pivoted careers and thus are not available for rehire. This sector-wide issue has implications for business travel providers that may need to upskill staff to provide the levels of service that business travellers expect.
- **Operating environment.** Clarity around rules, policies and regulations is now more important than ever. Certainty and consistency regarding rules and procedures are now key considerations for business and leisure travellers alike. More broadly, the market remains fragmented, with a high share of small and medium-sized businesses. This means the risk of business closures will persist and smaller enterprises may need long-term support.



Looking ahead, it is likely that business travel recovery will vary by region, country, and industry. Business travel may return faster in Asia than in many European and American markets, with recovery possibly taking place in phases depending on dominant industry sectors. Given spending patterns over the past year, industries such as manufacturing, pharmaceuticals and construction are early adopters of a return to business travel.³

Given the significant disruption to the business travel segment, and its uneven recovery to date, business travel recovery will likely be bumpy. However, in the interim, there are opportunities for Travel & Tourism stakeholders to look to domestic and leisure markets to stimulate growth and aid recovery. For instance, business travel providers looking for resilient growth, largely in domestic markets in the short-term, could consider ways to find new clients and diversify geographies. They could also adjust their revenue model by providing additional services and improve the digital services on offer.

Finally, all stakeholders have a role to play in Travel & Tourism's recovery and can collaborate to help the sector take advantage of opportunities in the leisure and domestic markets, stimulate business travel, and expand to new countries of origin. Governments are the key decision makers around international mobility restrictions which continue to have a direct effect on business travel. Destination management organisations could assist ministries and healthcare entities to disseminate official information on travel health and safety guidelines, taking care to ensure transparency across the sector and clear communication lines with all stakeholders. Governments could also play a role in offering support to travel companies and business travel providers, for instance by finding ways to help small businesses digitise operations or reskill staff. Companies can also play a role in stimulating business travel demand.



BUSINESS TRAVEL IN CONTEXT

Global travel-related spending declined significantly from 2019 to 2020. As a result of COVID-19 and the ongoing restrictions to international mobility, the Travel & Tourism sector suffered losses of almost US\$4.5 trillion, and more than 62 million people lost their jobs. Domestic visitor spending decreased by 45 percent, while international visitor spending fell by an unprecedented 69.4 percent.⁴

But there are signs of recovery. According to WTTC's latest research, following a 61 percent decline in 2020, global business travel spending is expected to rise by 26 percent this year and by 34 percent in 2022, implying a recovery to 66 percent compared to 2019⁵ In a few regions, business spending growth is set to be faster than leisure spending this year. Regional projections are as follows:

- In the Americas, business spending is expected to rise by 14 percent this year, and by 35 percent in 2022
- In Asia-Pacific, business spending is set to rise by 32 percent this year, and 41 percent next year
- In Africa, business spending is set to rise by 36 percent this year, slightly stronger than leisure spending at 35 percent, followed by a 23 percent rise next year
- In Europe, business spending is set to rise by 36 percent this year, stronger than leisure spending at 26 percent, followed by a 28 percent rise next year
- In the Middle East, business spending is set to rise by 49 percent this year, stronger than leisure spending at 36 percent, followed by a 32 percent rise next year

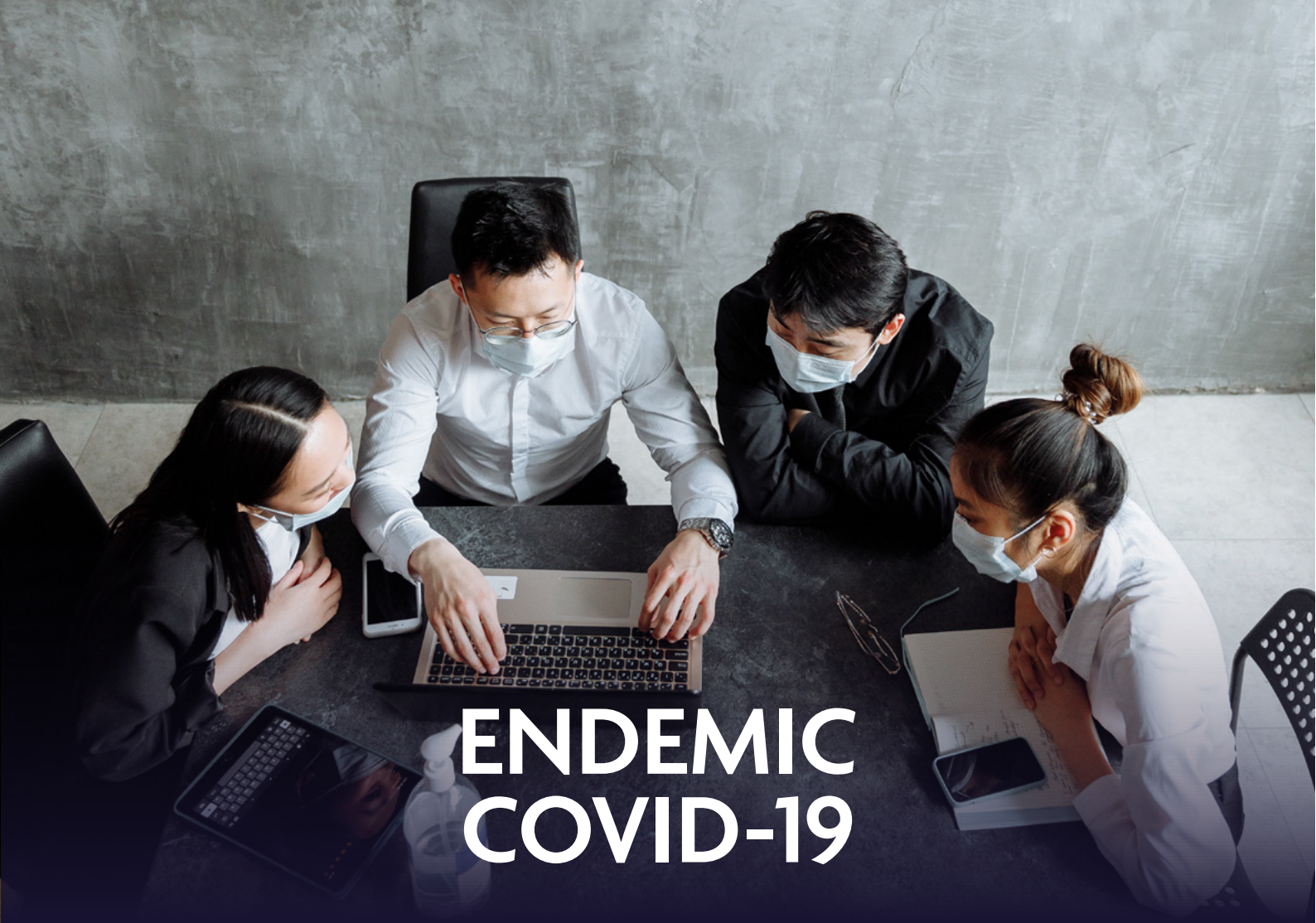
Even though these figures are encouraging, the Travel & Tourism sector as a whole will likely have a bumpy road to recovery. Although lockdowns and restrictions have begun easing in certain parts of the world, it is expected that the effects of COVID-19 will persist, as the World Health Organization (WHO) predicts that COVID-19 will likely become endemic.⁶ This means that the sector may have to adapt and adjust to continuing ebbs and flows of endemic COVID-19.

Over the past five months, the World Travel & Tourism Council (WTTC) and McKinsey & Company collaborated to better analyse the outlook for the sector as it get to grips with the effects of COVID-19 and shed light on the implications for business travel. Interviews with 19 CEOs and key stakeholders in the sector were conducted to gain their perspectives on shifting trends, the challenges they have faced, and the outlook and opportunities for the future. Their experiences and insights highlighted how various segments have been uniquely affected, particularly as business travel has been slower to recover than domestic travel to date.

In these volatile times it is difficult to make forecasts with any certainty, but by examining what industry experts have experienced, recovery will likely vary by travel segment, business sector, and country. But the good news is that people are eager to resume travelling and there are opportunities in the short term that Travel & Tourism stakeholders can leverage to support the sector's recovery.

This report explores what COVID-19 becoming endemic means for Travel & Tourism. It examines the trends that have affected business travel and how these may influence recovery; sheds light on opportunities in leisure and domestic travel; and offers potential actions that various stakeholders can take to adjust to endemic COVID-19 and aid recovery.





ENDEMIC COVID-19

The WHO, along with experts around the world, predict that COVID-19 will become endemic. An article in the British Medical Journal states that “COVID-19 will become endemic but with decreased potency over time ... More than 70 percent of the researchers surveyed by Nature, the British scientific journal, believed that the ability to adapt and evade immune defences would drive continued circulation of SARS-CoV-2.”⁷

This view is supported by Yonatan Grad, an Immunologist at The Harvard T.H. Chan School of Public Health. “The expectation that COVID-19 will become endemic essentially means that the pandemic will not end with the virus disappearing; instead, the optimistic view is that enough people will gain immune protection from vaccination and from natural infection such that there will be less transmission,” he says.⁸

As COVID-19 becomes endemic, the Travel & Tourism sector will need to prepare for ebbs and flows of outbreaks and changes in travel restrictions, which may last for several years. This implies that the sector’s recovery will ultimately be driven by vaccine rollouts and pandemic management—but to date these have varied globally and may continue to change over time.

To date, there remains a highly uneven rollout of vaccines and this large variation will have an effect on how travel rebounds. The share of people fully vaccinated against COVID-19 ranges from less than 1 percent in Tanzania to 78 percent in the UAE. Countries such as China, Canada, and the UK have passed the 60 percent mark, and the US is around 50 percent, but others such as India are lagging well behind this at 12 percent (as of September 2021).⁹ As vaccination rates increase, countries will likely continue to open borders and allow quarantine-free travel to vaccinated travellers—but as new variants emerge, travel policies may change with travel restrictions potentially being reintroduced despite industry efforts to restore international mobility.

Vaccine rollouts may affect outbound and inbound travel as vaccination rates will likely determine country-level decisions, but individual choice will also be a factor as travellers may not want to visit countries with low vaccination rates. As Gunther Bright, Executive Vice President and General Manager at American Express, stated, “One of the biggest threats to recovery is the psychology of the traveller; does he/she feel comfortable travelling or not?”

Travel recovery could also be influenced by the share of adults who choose not to get vaccinated. However, vaccine hesitancy is declining. Published surveys indicate that between April and August 2021, the share of adults who were unwilling to get vaccinated, or who were uncertain about doing so, decreased across a number of countries.¹⁰ France and Germany experienced a significant drop from around 50 percent to under 20 percent, whilst numbers in China and India fell from roughly 20 percent to under 10 percent. Countries such as Japan, Spain, and Russia also saw a steady decline. The UK and the US experienced lower rates of change, but are also in decline.

Varying approaches to travel restrictions will likely persist

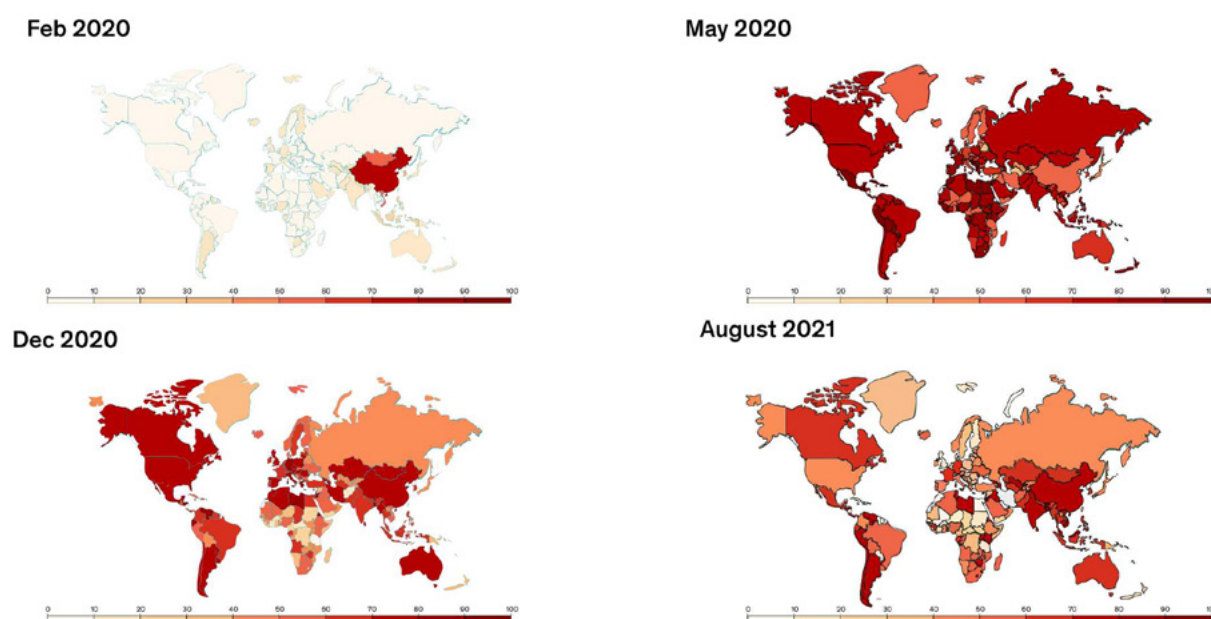
There has been a high variability in the degree to which authorities have set different strategies, including travel bans, to contain COVID-19 over the past 18 months. As governments are likely to continue adjusting strategies and policies to cope with endemic COVID-19, these changes will continue to affect the speed and consistency of Travel & Tourism’s recovery.

The University of Oxford’s COVID-19 stringency index records the progression of lockdown-style policies that primarily restrict citizens’ behaviour—including travel bans, school closures and workplace closures. Looking at the broad spectrum of measures taken over the last 18 months, it is apparent that there is no one best solution and, despite vaccination successes, a variety of restrictive policies remain in place. Exhibit 1 highlights how the virus has mutated in waves around the world as new variants have arisen and governments have reintroduced strict measures, reflecting the transition of COVID-19 from a global pandemic to an endemic state.

Exhibit 1¹¹

Governments have adopted different strategies in managing the pandemic over the course of 18 months

Covid-19: Stringency Index



Source: University of Oxford Covid-19 government response tracker

As COVID-19 continues to ebb and flow, different countries may open to international travel at different times depending on vaccination rates, disease outbreaks, and the emergence of new variants. Recent analysis shows that countries can be classified according to three archetypes, notably: 1) “High vaccination” countries that have achieved high overall immunity and may open travel to each other’s vaccinated travellers; 2) “case controllers” that have accelerated vaccine rollouts but continue to use public-health measures such as entry quarantine to control transmission; and 3) “at risk” countries that are currently experiencing outbreaks or are at risk of doing so due to low immunity.

How countries decide to open travel to each other will likely be influenced by this country archetype. The type of restrictions they may apply when doing so could range from limited restrictions such as vaccination requirements, to moderate restrictions such as a test-fly-test requirement, and significant restrictions such as mandatory hotel quarantine (Exhibit 2).

Recent examples illustrate these approaches in practice. Some countries are still closed to travel and remain cautious about opening borders. Other have put plans in place, with various restrictions. For instance, the US plans to open inbound travel for fully vaccinated travellers from 33 countries, commencing in November this year. Countries include 26 Schengen members, the UK, China, South Africa, Brazil, and India.¹²

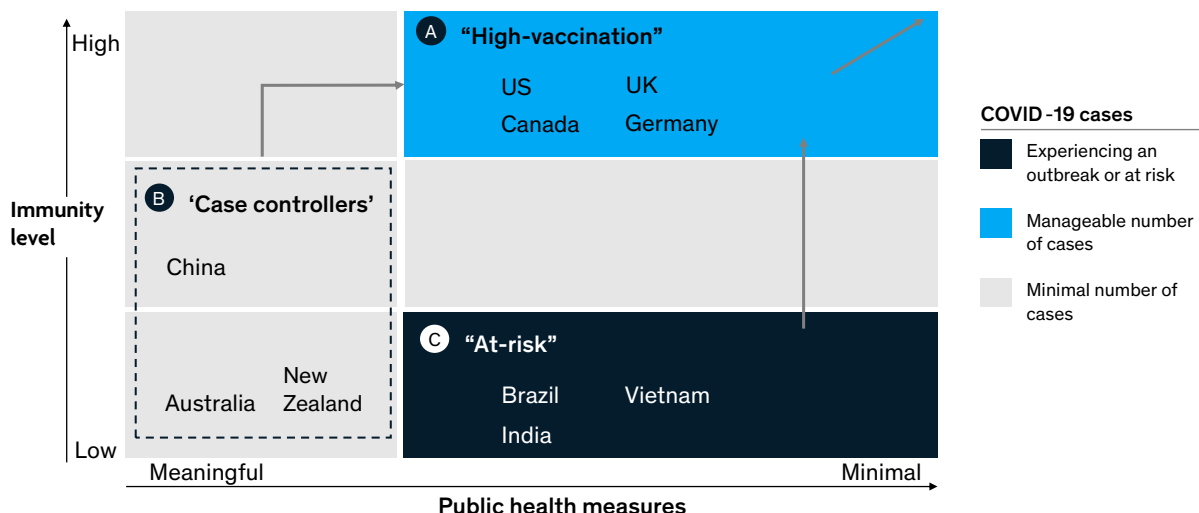
In Asia, Singapore currently allows travel from certain countries, with restrictions in place. All travellers entering or transiting through Singapore, including Singaporean citizens and permanent residents, are required to take a pre-departure COVID-19 Polymerase Chain Reaction (PCR) test within 48 hours before the scheduled departure date of their flight. Short-term visitors can only enter Singapore if they hold a valid approval entry pass, such as a vaccinated travel pass. The country has a vaccinated travel lane that is currently open to travellers from Germany and Brunei but may open to other countries such as Denmark, Canada, Italy, and Switzerland as well as the European Union in the near future.¹³

In Europe, the UK implemented a traffic light system, according to country of departure. However, from October, the system will be simplified as follows: 1) Vaccinated travellers from all countries will require an antigen test, no quarantine; 2) travellers who are not fully vaccinated will require a pre-departure antigen test, PCR tests on the second and eighth days of their stay, and must quarantine for 10 days; 3) travellers from red list countries, whether vaccinated or not, must quarantine for 10 days in dedicated hotels.



Exhibit 2¹⁴

Three archetypes of viral spread and vaccine availability emerge



Intended to provide insight based on currently available information for consideration and not specific advice. References to specific organizations are solely for informational purposes and do not constitute endorsement or recommendation

While public health has been a priority for all economies, many governments have been trying to balance healthcare considerations and economic ones linked to travellers’ needs, especially where countries are more dependent on international than domestic travel. The recovery of international travel will likely require the integration of four key healthcare considerations for countries, notably:

- **Vaccination rates.** Vaccination, including potential booster regimes, decouples infection and morbidity rates. Domestic and partner country vaccination rates will likely be considered in policy decisions.
- **Mutual recognition.** This includes cross-border recognition of tests and vaccines as well as vaccine certificates.
- **Variant prevalence and hospitalisation rates.** New variants may increase contagion and morbidity and affect the current vaccine regime in a country; they may also have an impact on border closures. In this context, domestic hospitalisation rates are a primary healthcare concern, with positivity rates and numbers of cases often being lead indicators. As signs of new variants develop, the hospitalisation rates in partner countries may also be considered in policy decisions.
- **Testing.** Testing has been effectively employed by countries as a tool to control transmission, even of vaccinated people. However, the cost of testing does influence travellers’ decisions around when and where to travel. In July 2021, an International Air Transport Association (IATA) survey indicated that 70 percent of respondents found the cost of testing to be a significant barrier to travel, and 78 percent believe that governments should bear the cost of mandatory testing.¹⁵

Travel-dependent economies, while mindful of healthcare considerations, have put various strategies in place to stimulate travel, leading to a rise in the cross-border tourism economy. Indeed, countries with high vaccination rates and strong international tourism propositions have opened borders earlier or more broadly, with certain healthcare precautions in place. Similarly, countries with a high proportion of visiting family and relatives, or large diaspora populations, have sought to allow safe travel for family reunions. What is more, countries with a high dependence on particular source markets have looked at bilateral agreements or other forms of alignment with healthcare precautions to allow borders to re-open.

Healthcare considerations have a significant impact

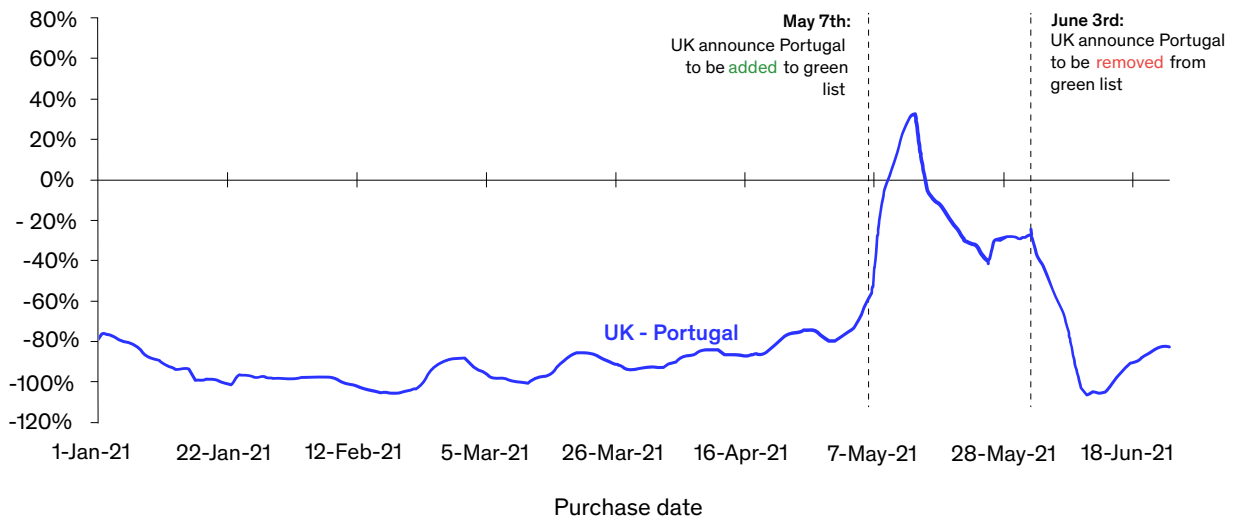
While the Travel & Tourism sector is navigating travel restrictions, changes in government policies continue to cause spikes and dips in travel patterns. Government decisions and actions have a significant and immediate effect on travel behaviour. For instance, in May 2021, when the UK announced that Portugal was to be added to its green list (travellers not required to quarantine on returning to the UK), there was a 40 percent increase in air ticket sales from the UK to Portugal. However, less than a month later, when Portugal was removed from the green list, sales dropped quickly to below January 2021 levels (Exhibit 3).

Exhibit 3

The travel sector is learning to deal with travel restrictions, but policy changes can cause spikes and dips

Forward bookings, UK - Portugal travel

% change vs the same period in 2019, 7 -day MA



Source: IATA Economics using data from DDS

As countries continue to adjust to endemic COVID-19, and make decisions around restrictions, Travel & Tourism spending in all countries will be affected. Yet the importance of specific nations and routes in driving Travel & Tourism recovery should be underlined. For instance, analysis shows that 20 countries accounted for 64 percent of total global international spending in 2019.¹⁶ Furthermore, when looking at international-arrival data, 20 pairs of countries made up 23 percent of all international trips in 2019. Considering that there are approximately 8,000 pairs of countries that contribute to regular international travel, the proportional impact of the top-20 pairs is enormous.¹⁷ These findings underline the interconnected and interdependent nature of Travel & Tourism and highlight the extent to which changes in one country can affect others. Furthermore, policy shifts may also be disproportionately impactful for economies that depend on international travel.





RESHAPING TRAVEL & TOURISM

Across the Travel & Tourism sector total travel expenditure dropping by almost 50 percent in 2020. Insights from key leaders show that over the past 18 months, the sector has experienced changes in demand, supply, and the overall operating environment. Stakeholders also pointed to four realities that the sector will have to deal with in the medium term.

Changes in demand

Corporate policies have shaped business travel demand. Data clearly points to the disproportional impact of COVID-19 on business travel versus leisure travel; with corporate policies continuing to shape and impact travel demand. In effect, corporates across sectors play a large role in determining how business travel adapts to national health guidelines to form internal corporate travel policy. Zubin Karkaria, Chief Executive Officer (CEO) of VFS Global Group, explained, “One of the threats to business travel recovery is the health and safety risk perception of large corporations and their cost efficiency priority. Based on their experiences of the past couple of years, some corporations may have a view that they can temporarily reduce business travel without it having any adverse impact on business.”

Some business roles—such as certain manufacturing ones—require physical presence, making these flows more resilient. Technology will no doubt change how some employees work, but business requirements for relationships and culture-building will shape decisions around virtual or hybrid work. “There are things that cannot be done virtually, such as confidential meetings or where standards of hotels are checked, or repair services carried out. Also, sometimes people need to see each other face-to-face to bond emotionally,” said Vivian Zhou, Vice President at Jin Jiang International Group. Additionally, opportunity to travel will likely remain a key recruitment factor for many employers and potential employees.

It is also important to consider the overall risk appetite within a region. As a whole, the Japanese traveller tends to be more risk adverse and thus will likely travel later than many. “Senior executives are very careful about pandemics and Japanese companies are generally risk adverse under states of emergency. Even if younger generations are more risk tolerant, they will not be able to travel if company policies as well as public opinion take a more risk-sensitive approach to travel,” said Makoto Yamaguchi, Head of Global Business at JTB CWT.

Bleisure has become more popular. In the past decade, business travel had evolved from its traditional form, with an increasing number of business travellers adding a leisure portion to their business trip, known as “bleisure travel”. In turn, bleisure travel increases the positive impact of Travel & Tourism in a destination beyond the business meeting or conference. A 2018 Expedia report found that 60 percent of business trips over the preceding year were extended for leisure purposes.¹⁸ Couples and families are also travelling together more often alongside business trips. Furthermore, adding remote work to holidays, instead of adding leisure to business trips—called reverse bleisure—was also on the rise.

Changes in supply

The pandemic hastened the move to digital. According to American Express Global Business Travel’s CEO Paul Abbott, “the pandemic made digital easier to launch”. While technology adoption was already increasing, pre-pandemic, the urgency to adapt to the crisis provided the Travel & Tourism sector with impetus and opportunities to accelerate digitisation. For instance, customer-facing functions expanded their technology for service operations, especially to address the increasing frequency and complexity of communications such as clarifications on health and safety protocols and refund policies. Many businesses also scaled analytics applications to streamline internal operations. Maria Anthonette Velasco-Allones, Chief Operating Officer, Tourism Promotions Board of the Philippines, said “the virus compelled everyone to adapt or perish. As a key strategy, we adopted smart tourism which meant pivoting to the use of digital tech and digital marketing”.

The crisis also led to more innovation as companies evolved their business models and developed new product offerings to quickly adapt to a sudden fall in demand. Rajiv Rajian, Executive Vice President, Airlines and Travel Sellers, Americas at Amadeus IT Group., noted “the challenges and demands of the current environment have led to the acceleration of innovations that streamline and improve the traveller experience throughout the journey. Innovative trends we were seeing before the pandemic are now accelerating to become the new norm”.

These trends include an omnichannel approach, traveller demand for increased contact, and updated traveller engagement to suit new preferences; affecting both leisure and business travel. Sergio Purcell, Chairman, Cocha Travel, explained, “people want to be connected with you—from everywhere—in every single way they can. The omnichannel strategy is here, growing, and very important. Our number one concern through the pandemic is how to connect with our customers and how to be there for them in the way they want to be connected”.

Counterintuitively, the rise in digitisation across all industries poses a challenge for the Travel & Tourism sector. Gary Chapman, former President Group Services & ddata, Emirates Group explained, “IT people are in demand. The technical skills required to support the business are being poached in large numbers because they are being offered opportunities all over the place. That is probably the biggest threat to Travel & Tourism”.

Hybrid has become an interesting paradigm for corporate travel providers. When lockdowns were enforced around the world, hybrid events and hybrid work started emerging and technology-supported formats replaced in-person activities. Initially this may have had a negative effect on business travel, but hybrid models may provide new opportunities in the future. Once business is able to return to a sense of normality, hybrid events could be used to great advantage to complement core business travel. For instance, hybrid event models that do not reach full capacity can allow for year-round or regional activation and subscription models. For B2B2C providers, hybrid service tools can also be used to create new revenue pools beyond transactions, for instance through additional personalised services.

Barbara Weizsäcker, Secretary General of the European Exhibition Industry Alliance (EEIA), highlighted that although the exhibitions and tradeshow industry lost 70 percent of revenue in 2020 compared to 2019, digital proved a meaningful tool for the sectorial communities to bridge the times without physical meetings. Hybrid events can provide new opportunities to revitalise the sector. “In the mid-term, [the exhibition] businesses can grow in size by fully taking advantage of digital. It has also helped widen our reach to additional and younger audiences.”

The sector now faces a talent risk. The labour-shortage crisis in the sector is considerable. In the UK alone it is estimated that the hospitality industry now faces a shortage of 188,000 staff.¹⁹ During the pandemic, Travel & Tourism businesses, including hotels, laid off millions of workers globally—many of whom have since reskilled or pivoted careers and thus are not available for rehire. Border restrictions also had an effect on the available talent pool, especially in countries that relied on foreign workers. Now many businesses need to start from scratch to train service professionals and may risk losing the high service standards of experienced staff. This sector-wide issue has implications for business travel providers that may need to upskill staff to provide the levels of service that business travellers expect.



Changes in the operating environment

Clarity is more important than ever. Certain pockets of Travel & Tourism demand have proved to be resilient, and people still want to travel. However, fears and concerns about rule changes may prevent them from doing so. Consistency and standardisation around rules and procedures are quoted as key factors of concern when considering a trip, more than stringency of actual rules. Moving forward, greater clarity on rules will help business and leisure travellers decide when to travel and where. Paul Griffiths, CEO of Dubai Airports, feels that shifting policies cause problems for travellers. “Governments need to come up with policies that are sustainable in the long term so we don’t have a problem where people commence a journey and then get stuck,” he stated.

The market is fragmented, with a high share of small and medium-sized businesses. Travel & Tourism is a key sector in many economies, however, it is highly fragmented. The high share of small and medium-sized businesses, amounting to approximately 80 percent of the sector, means that the risk of permanent business closure will remain if travel restrictions continue.

The sector will have to contend with new realities

In addition to these trends, stakeholders indicated that in the medium term, the Travel & Tourism sector will have to contend with four new realities.

First, there will likely be an uneven and slow rebound in business travel, therefore planning around domestic and industry-driven segmentation could help smooth recovery. Second, the business travel rebound is likely to be driven by the business-sector composition of different economies and affected by border restrictions and health regulations. Third, consumer preferences and business traveller’s needs are changing, and the travel sector will need to adapt to change. Fourth, in the leisure and bleisure markets, the imposition of outbound border restrictions on origin markets will impact some countries more than others and will require a longer-term strategy and sector support.



BUSINESS TRAVEL HAS BEEN DISPROPORTIONATELY AFFECTED

Business travel was more heavily affected than leisure travel as a result of the increase in workplace flexibility, a rapid adjustment of corporate travel policies, as well as the lack of air connectivity. Globally, leisure spending decreased by 49 percent, and business spending decreased by 61 percent from 2019 to 2020. Kurt Ekert, former President and CEO of Carlson Wagonlit Travel, summed up the effect of COVID-19. “The impact has been profound, and on business travel has been even more substantive than on overall travel. In fact, business travel was still down 80 percent [in our organisation], 12 months into the pandemic,” he said.

During the pandemic, business travel varied globally, though most business travel spending was concentrated in domestic travel, especially in large economies. Analysis shows that in 2019, most large countries depended on business travel for 20 percent of their tourism, 75 to 85 percent of which was domestic.

Furthermore, in most European countries, business travel spending was equally split between domestic and international travel. There were, however, some notable exceptions. France and Belgium were outliers, with business travellers spending more overseas than at home; while Germany reflected more domestic business travel, with its business activities being spread across a few cities. India and Brazil, on the other hand, had a higher share of business travel in their Travel & Tourism sectors overall.

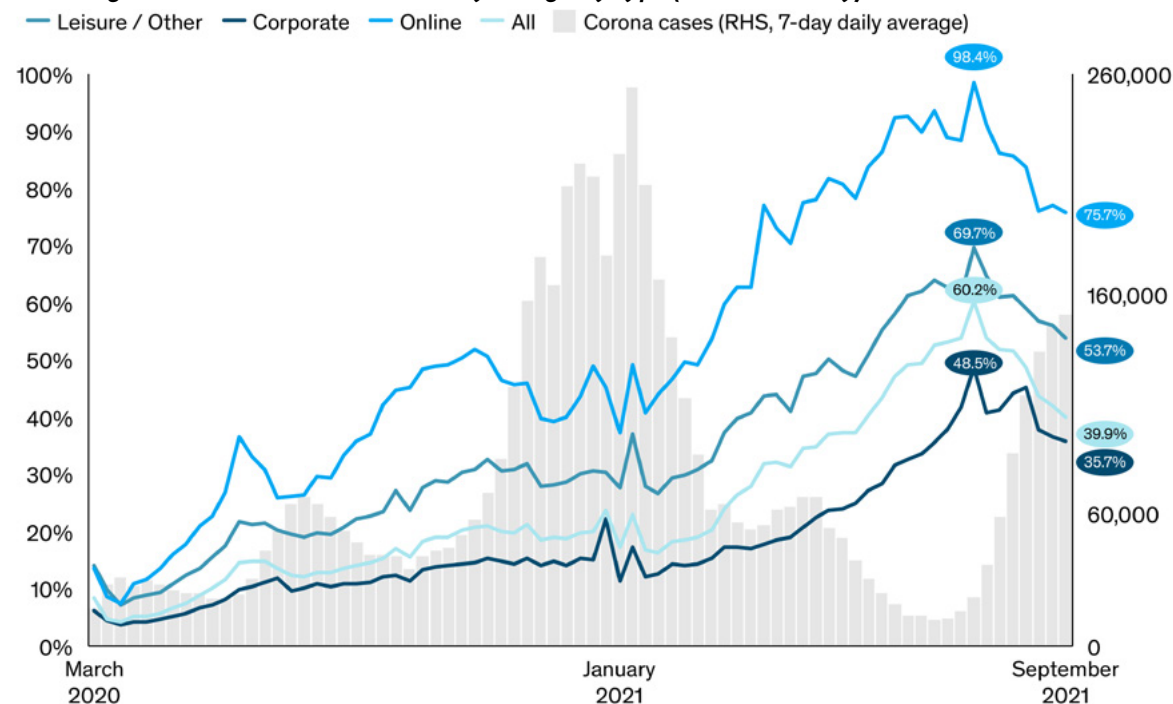
With tighter restrictions for international travel, the domestic share of total business travel spending increased across markets. Countries that used to have large outbound business travel markets had higher shares of domestic business travel spending—such as South Korea that had a 30-percentage-point increase in its domestic share from 2019 to 2020. However, countries that already had large domestic business travel markets in 2019, such as Russia and Germany, experienced smaller increases of only 8 and 7 percentage points respectively.

Although there have been signs of an upswing in business travel in 2021, leisure travel continues to drive the sector’s

recovery. For instance, while global hotel volumes followed an upward trend from January 2021, occupancies from business travel lagged consistently behind leisure travel, which in itself was led by family leisure travel followed by non-family leisure travel. By July 2021, business travel continued to show lower signs of recovery than both family and non-family leisure travel. Analysis of air travel bookings in the US indicates a similar pattern (Exhibit 4).

Exhibit 4

In the US, air ticket bookings show that leisure travel is driving the recovery, while corporate continues to lag
Percentage share of 2019 air tickets sold by US agency type (in value, weekly)



Source: ARC; CDC

Given the trends observed to date, business travel recovery will likely be slower than leisure travel recovery and vary largely by business sector, putting additional pressure on corporate-travel-dependent businesses.

Factors affecting business travel recovery

Business travel recovery will likely vary by region and business sector. Even though Asian countries have followed a more cautious approach to removing travel restrictions, spending patterns over the past year indicate that certain industries are early adopters of a return to business travel. For this reason, business travel may return faster in Asia than in many European and American markets, with recovery possibly taking place in phases depending on dominant industry sectors.²⁰

There are three categories that illustrate how different business sectors may influence business travel recovery: 1) Early rebounders including manufacturing, pharmaceuticals, and construction; 2) market followers such as real estate, oil and gas, and finance; and 3) sectors that are likely to experience long-term disruption such as service-orientated and knowledge industries including healthcare, education, and professional services.

Looking at the top ten business travel markets' spending in 2019, Asian countries spent a larger proportion in early rebounder sectors than European or American countries. For instance, in 2019, China spent US\$66 million on travel from industries including pharmaceuticals, manufacturing, and construction and South Korea spent US\$56 million—compared to US\$23 million in the UK, US\$25 million in the US, and US\$36 million in Brazil.

Going forward, it could be helpful to identify early rebounders, even if these sectors may still experience changes that influence business travel. For instance, the meetings, incentives, conferences, and events (MICE) segment may take on new formats such as hybrid events.

Business travel recovery will also be influenced by proximity and reason for travel.²¹ In terms of proximity, regional travel that can be completed by car will likely recover faster than domestic travel by air or train. International business travel by air will likely be slowest to recover. Reason for travel will also affect recovery speed. In-person sales or client meetings and essential business operations will be the quickest to recover, while internal meetings, training programmes, and other small-group gatherings are not as urgent and may be delayed. Large industry conferences, trade shows, exhibitions, and events will most likely be slower to recover given the large number of people involved and associated health and safety concerns, the possibility of substituting these with virtual events, and the dependence on bilateral or multilateral travel agreements between countries.

Additionally, travellers may have more concerns around health and safety than they previously did which may in turn impact their business trips, particularly if they plan to include family members. As Gabe Rizzi, President of Internova Travel Group, stated, “traveller concerns for personal health and safety, and that of their families, will cause business travellers to think differently. There are more considerations to be had than prior to the pandemic which makes having a trusted partner that much more important pre-trip.”

Sustainability is becoming increasingly important and will not only likely shape travel recovery going forward but be a factor when setting corporate travel policies. Sustainability issues were already gaining traction pre-pandemic, and while economic conditions have taken precedence over sustainability in the short term, sustainability will continue rising in importance and become a consideration for business travellers.

Sean Donohue, CEO of Dallas Fort Worth International Airport, said “sustainability is not a ‘nice to have’ anymore, it’s a requirement. In addition to the imperative of addressing the impact of climate change, it is also important to highlight two other drivers, first is the younger generation who pay a lot more attention to the environment and are demanding that the companies they do business with are committed to sustainability. Second, there are the same demands from the business community, from investors, and from companies that want to know you are committed to sustainability if they are going to do business with you”.



Chris Nassetta, President and CEO of Hilton, shared similar views. “One of the great risks in our industry, outside of pandemics, is environmental sustainability. They are real issues and governments are going to be regulating around it; if we don’t do things ourselves as an industry we may not like what it does to the golden age of travel.”

Others believe that the pandemic may have increased the prominence of sustainability and led to changes in consumer behaviour, and companies’ approaches. It is however not clear if there is a correlation between sustainability demand and COVID-19, but the sentiment has been observed. Maria Anthonette Velasco-Allones said, “that’s one of the best gifts of the pandemic. It afforded both tourists and host communities the insight into the deeper need to manage our tourism gems with greater responsibility and shared accountability. Now there are broader conversations among stakeholders; you see partnerships flourishing”.

Why reopening business travel matters

Although business travel represented 21.4 percent of global travel in 2019, it is responsible for the highest spending in many destinations, making it essential for the recovery of the entire travel sector and for its many stakeholders.

Fred Dixon, President and CEO of NYC & Company said, “while 80 percent of New York City’s travel spend is leisure, it is the business travel segment that drives the spending and the rates. They have a larger impact per person and it’s a critical sector for us. Leisure will lead the recovery, but we need to get business travel back for our economy to recover.”

Paul Abbott believes that business travel is an important service because it plays a more holistic role than just bringing business people together to complete a transaction in person. “Many people take a transactional view of business travel—if it doesn’t result in a deal, it has no value. This is so simplistic. A lot of business travel is about building relationships and building a culture. Creating an organisation that attracts, retains, and develops the best talent. Creating an organisation that’s tolerant and has an understanding of different cultures and can operate on a global stage. That learning comes from travelling,” he said.

Business travel is essential to most sectors of the global economy. Most notably, the MICE industry has an impact on both the supply and demand aspects of business travel. Indeed, this industry brings travellers to destinations, with a positive effect on all aspects of Travel & Tourism, and shapes demand for business travel through its offerings. Such events are key for business travel providers and for the destinations where they are held.

Business travel also impacts migrant labourers, in sectors such as construction, manufacturing, shipping, consulting, and pharmaceuticals, who may work on projects away from their homes for months at a time. While the digital boom has effectively enabled office employees to work from anywhere in the world, it cannot replace all in-person work. Indeed, without travel - domestic, regional, and international - some workers would be unable to earn a living. According to Chris Nassetta, “at every step of the journey of innovation and technological advances, we end up with more demand for travel - not less.”



Other industries also rely on business travel. For instance, business travel is an important part of the service offer of airlines and high-end hotels. Prior to COVID-19, around 70 percent of all global revenue for high-end hotel chains came from business travel, and between 55 and 75 percent of airline profits came from business travellers who made up around 12 percent of all air passengers.

While some of those interviewed were of the opinion that corporate travel will fully recover, albeit at a slower pace than other segments, others believe a small share of corporate travel will likely be permanently lost as business gatherings move to digital or hybrid formats. Estimates to date vary widely on whether a share of corporate travel will be permanently eroded - and how much.

For instance, Kurt Ekert feels that business travel may take longer to recover. “People have become quite accustomed to video-conferencing technology in the pandemic. Long term, I think, there will be some permanent structural replacement of business travel and phone calls. This will have somewhat of a chilling effect on the industry for the near to medium term, so we will have a smaller industry for at least several years,” he said. Others have a more optimistic view. Jane Sun, CEO of Trip.com Group, said, “Travel & Tourism is an extremely resilient sector. The impact of COVID-19 will gradually ease and the sector will adapt just like after other crises. After 9/11 many news reports said it would change travel forever as people may no longer wish to fly, but while it took time, volumes did ultimately return”.

Sean Donohue, CEO of Dallas Fort Worth International Airport, said, “I subscribe to the view that business travel that is focused on meeting with customers and clients will come back at levels that we saw pre-pandemic. The one area of business travel that I do believe will structurally change is travel that is internal to a company.”

But as Paul Griffiths points out, no one really knows what will happen, and predictions are often incorrect. “People will be less disposed to invest in business travel when you consider the time saving and huge cost avoidance possible with video technology. But most predictions about how technology will change the world have usually ended up being incorrect. Technology has increased the pace of business and the time to do the deal has been cut by 80 percent—but there are 80 percent more deals.”

Given the massive disruption to the business travel sector, and its uneven recovery to date, business travel will likely continue to lag domestic travel. Nevertheless, as the future of business travel plays out, there are opportunities for Travel & Tourism stakeholders to look to other markets to stimulate growth and aid recovery.





OPPORTUNITIES FOR DIVERSIFICATION

Business travel providers looking for resilient growth, largely in domestic markets in the short term, could consider ways to find new clients and diversify geographies. Larger business travel accounts will likely get smaller in the mid-term as many companies may continue at reduced internal travel and conference attendance levels. In this context, growth potentially lies in new and smaller accounts, mostly likely in domestic markets.

Competing for small and medium-sized business will most likely be tough for large travel management companies (TMCs) as it implies tighter competition with online-first business travel players. Focusing on new and smaller clients also involves investments from TMCs, such as building up new services and adapting their global footprint.

Looking forward, there are three areas of opportunity for business travel providers, and stakeholders across Travel & Tourism. They could adjust their revenue models, expand their geographic focus, and improve their digital services.

- **Revenue model.** Companies could consider adjusting their revenue model, for instance by providing additional transport or accommodation services. There may also be room to expand to B2C and B2B2C services. Different ambitions and company strategies will obviously impact product strategy, pricing, loyalty, and sales strategy.
- **Geographic focus.** Border restrictions may make large domestic markets more attractive than before, especially in Asia-Pacific. In some instances, travel providers could look to acquire new customers in new geographies. Companies doing so may need to make strategic decisions around footprint and local language capabilities.
- **Digital service.** Digital and remote self-service are now considered ambitions across the sector, and any decisions made on the target revenue model and footprint will impact these digital service models. An example of this would be whether to build a detailed B2B2C CRM, or choosing between communications platforms, such as iMessage and WhatsApp.

There are also opportunities for growth in the leisure market, particularly by diversifying origin markets. This is necessary as some tourism leisure markets had successfully grown China as a country of origin but if China continues to restrict outbound travel, many countries dependent on Chinese tourism will feel the pinch.

For example, in 2019, Thailand had 15 percent of the market share of China's outbound travellers, while 40 percent of the country's total inbound receipts were from China. Similarly, Chinese travellers to Vietnam made up 7 percent of the market share, but Vietnam's inbound receipts from China formed 40 percent of its total receipts, making China an important origin market.

Given the anticipated ebbs and flows of travel from important markets of origin, Travel & Tourism stakeholders—including policy makers and travel companies—could implement measures to expand to other markets. Two strategic themes have emerged that can help leisure travel stakeholders open opportunities in new origin markets:

- **Diversifying origin markets by taking a quicker, portfolio approach.** If border restrictions are to be increasingly shaped by vaccination rates, including booster vaccinations, governments and companies may find it helpful to drive origin-market development in line with these changes. For instance, countries with a usually low share of US or European travellers, may want to consider these countries' potential for 2021 Christmas travel.
- **Recognising the role of marketing and the new reality of destination branding.** Being top-of-mind in the origin market will be vital when border restrictions are eased. For instance, McKinsey's COVID-19 Travel Sentiment Survey in April 2020 showed that Chinese travellers have an interest in overseas travel, leading to an expectation that demand will return quickly once outbound travel is allowed.²² Staying top-of-mind, however, requires marketing spend and targeted brand objectives. Travel companies and destination management companies could develop marketing plans with attention to digital spend to build brand awareness.

Furthermore, endemic COVID-19 means that Travel & Tourism stakeholders may need varying levels of support through ebbs and flows. Small and medium-sized businesses may need greater levels of support. The sector could put new systems in place to help small travel businesses, for instance by supporting their digitisation efforts. Economic development agencies may also need to start transitioning out of furlough models to long-term plans that build resilience in the sector.





LOOKING AHEAD

Travel & Tourism's uneven recovery, and business travel's slow recovery in particular, has several implications for all stakeholders. There are, however, opportunities for stakeholders to work together to adapt to endemic COVID-19 and help business travel recover. Rajiv Rajian believes that collaboration is essential to rebuild business travel. "The future of travel is a shared challenge, and the speed and success of the recovery will hinge on nurturing and developing existing partnerships, as well as establishing new ones," he said.

Stakeholders can help the sector take advantage of opportunities in the leisure and domestic markets, stimulate business travel, and expand to new countries of origin. Areas for potential action include government policies, industry-specific initiatives, and efforts to stimulate business travel demand.

Governments have a key role to play in travel's recovery as they are key decision makers when it comes to international mobility restrictions and healthcare considerations—particularly as policy changes have an immediate and pronounced effect on the sector. As Zubin Karkaria pointed out, business travel depends on health and safety, noting that "most governments are eager to ease travel restrictions as soon as possible as they see it tied to economic recovery and vaccination rate, but they have to balance this against the COVID risk perception they have." León Herce, Chief Sales Officer at Hotelbeds, also highlighted the key role of the public sector in driving demand for business travel. "The public sector plays a big part in travellers feeling safe and secure. This goes along with public policies and the vaccination rate," he said. Governments may also play a role in offering support to travel companies including ways to help small businesses digitise operations or reskill staff.

Destination management companies (DMCs) have a role to play in collaborating with all Travel & Tourism stakeholders to disseminate information regarding travel restrictions, policies, and procedures; received from **Destination management organisations (DMOs)** on behalf of ministries and healthcare entities. Both entities can also improve

travellers' trust by managing end-to-end journeys. Furthermore, DMOs could work with countries to revisit their marketing strategies to expand to new geographies through targeted campaigns.

Airlines may choose to revamp operations as they are responsible for adhering to government restrictions and border rules. Airlines could rethink their networks and capacities, and work in close alignment with governments to maintain international connectivity.

Accommodation providers will need to continue to implement and adhere to safety standards. High levels of customer service are now more important than ever. Accommodation providers could find new customers by using data to understand market segments and making data-driven marketing decisions for new target markets.

Travel & Tourism stakeholders could work together to help business travel recover. Rajiv Rajian believes that “collaboration is essential to rebuild business travel. The future of travel is a shared challenge, and the speed and success of the recovery will hinge on nurturing and developing existing partnerships, as well as establishing new ones,” he said.

Organisations involved in the MICE segment could play a role in providing new business models, ensuring the safety of existing models, and developing hybrid strategies to host events thereby increasing demand for business travel. Companies could offer virtual and hybrid alternatives to in-person events and diversify the use of venues beyond corporate events. They could also increase bleisure offerings to take advantage of this growing trend.



In a world of endemic COVID-19, driving the recovery of the Travel & Tourism sector will take foresight and imagination. Recovery may vary largely by segment and country, but the key trends observed indicate that business travel will likely continue to be slower to resume than other segments. In the medium term, Travel & Tourism stakeholders can take advantage of growth in domestic and industry-specific segments to aid recovery. Yet, border restrictions and healthcare regulations will likely continue, at different times for different countries, and travel stakeholders should work together to expand markets of origin in line with these changes. In this new context, public-private cooperation, dialogue, and continued policy engagement will be an essential part of the sector successfully navigating the ebbs and flows of endemic COVID-19 to restore international mobility and rebuild traveller confidence.



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Together with Oxford Economics, WTTC produces annual research that shows Travel & Tourism to be one of the world's largest sectors, supporting 334 million jobs and generating 10.4% of global GDP in 2019. Comprehensive reports quantify, compare and forecast the economic impact of Travel & Tourism on 185 economies around the world. In addition to individual country fact sheets, and fuller country reports, WTTC produces a world report highlighting global trends and 25 further reports that focus on regions, sub-regions and economic and geographic groups.

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Endnotes

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