Travel Trends: Inc Impact of COVID-19 - UK - August 2020

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"The level of service provided by travel companies during the pandemic will influence consumers' future choices. Travel companies that are able to learn and adapt their level of customer service quickly to the ever changing situation caused by COVID-19 are well positioned to gain a competitive advantage."
– Marloes de Vries, Senior Travel Analyst, 14 August 2020

This report looks at the following areas:

More brands should look to offer online self-service options that allow travellers to easily amend bookings or view alternative dates and destinations in order to reduce reliance on call centres.

What you need to know

A fifth of those who were open to taking a cruise prior to COVID-19 would no longer consider this type of holiday, even when a vaccine becomes available. Outbreaks of the virus on cruise ships and subsequent media coverage have caused permanent reputational damage to the industry. As older travellers are currently more risk-averse when it comes to travelling, it has never been more important for the cruise industry to win over younger audiences.

Booking levels are generally rising, albeit at a very slow pace and still well below levels seen last year. Confidence remains volatile, with events such as (regional) lockdowns, rising COVID-19 cases and the re-introduction of quarantining measures for several overseas holiday destinations (most notably Spain and France) impacting consumer demand for travel. Amid the uncertainties caused by COVID-19, cancellation policies have become much more important in travellers' decision-making process.

There is less strong demand for hotel stays than prior to COVID-19, whilst holiday rental properties hold high growth potential. Though hotels are much more associated with hygiene, being with other people in an indoor space is putting people off staying in them. According to UK travellers, hotels should prioritise enhancing sanitisation procedures and social distancing measures.

The level of service provided by travel companies will influence consumers' future choices. Companies that learn and adapt quickly to the ever changing situation caused by COVID-19 can gain a competitive advantage. More travel companies should look to offer online self-service options that allow travellers to easily amend bookings or view alternative dates and destinations in order to reduce reliance on call centres.

Key issues covered in this Report

- **The impact of COVID-19 on the domestic and overseas holiday market**
- **Trends in booking intentions and consumers' confidence in travelling**
- **Considered destinations over the longer term**
- **COVID-19 information needs and desired safety measures**
- **Company innovations in response to COVID-19**

Products covered in this Report

This Report examines the habits and attitudes of British adults aged 16 or over towards holiday-taking in the UK and abroad. For the purposes of this Report, Mintel defined a holiday as a stay of at least one night that is primarily for leisure purposes. Business trips and visiting friends or relatives are not included.

COVID-19: Market context

The first COVID-19 cases were confirmed in the UK at the end of January, with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose, the government ordered the closure of non-essential stores on 20 March.

A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23 March. On 10 May 2020, the Prime Minister announced revised guidance, recommending that people who could not work from home should return to the workplace, and giving people more scope to spend time out of the home. Further relaxations to lockdown rules were announced in the week of the 23 May, including the gradual re-opening of non-essential retailers, and increased opportunities for social interaction across households.

On 23 June 2020, the Prime Minister announced that pubs, restaurants, accommodation and most leisure facilities and tourist attractions are allowed to re-open on 4 July 2020. Businesses are allowed to reduce the social distancing rule to one metre where it is not possible to keep two metres apart. Meanwhile, travellers can stay overnight with no more than two households together.

Initially, all international arrivals except from Ireland, the Isle of Man and the Channel Islands had been required to self-isolate in their accommodation for 14 days on arrival into the UK from 8 June 2020 onwards. At the start of July, the UK government announced so-called travel corridors, which allow travellers from the UK to travel to over 70 countries or territories without having to self-isolate upon arrival in the UK from 10 July onwards. Although several countries have been added to the list of travel corridors, some have been removed, including Spain and France – the UK's most visited overseas holiday destinations.

Economic and other assumptions

Mintel's economic assumptions are based on the Office for Budget Responsibility's central scenario included in its July 2020 Fiscal Sustainability Report. The scenario suggests that UK GDP could fall by 12.4% in 2020, recovering by 8.7% in 2021, and that unemployment will reach 11.9% by the end of 2020, falling to 8.8% by the end of 2021. The current uncertainty, however, means there is wide variation on the range of forecasts, which is reflected in the OBR's own scenarios. In its upside scenario, economic activity returns to pre-COVID-19 levels by Q1 2021. The OBR's more negative scenario, by contrast, would mean that GDP doesn't recover until Q3 2024.

We are working on the assumption that a vaccine will be available by mid-2021, but that there will be continued disruption to both domestic and global markets for some time after.

As long as there is not a second wave of infections, social distancing measures should be relaxed gradually throughout 2020, but we do not expect industries such as spectator sports, tourism or foodservice to return to any kind of normality until a vaccine is introduced. In the meantime, the economic disruption will mean that many operators will be forced out of the market, hitting capacity. In markets that were already in decline, we expect this reduction in capacity to be permanent.

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