

Covid-19



Market Watch: Travel Tech Industry Bulletin

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 **ENTERPRISE
IRELAND**



Introduction



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As a result of the Global Pandemic due to COVID-19, Enterprise Ireland Travel Technology companies are experiencing very challenging times because of the rapid deceleration in bookings for all travel sellers. The unprecedented changes in market dynamics will impact the industry significantly and arguably may result in a different industry that may present some unique opportunities. Industry stakeholders will need to innovate further, place more emphasis on revenue generating opportunities, and create a more meaningful customer experience through enhanced technology and systems.

Our Market Watch for the Travel Tech industry provides insights from Enterprise Ireland's leading market advisors across the world, which you should find beneficial as you seek a comprehensive guide to what COVID-19 may mean for your business moving forward.

Reporting from each market, we share information on the client and buyer sentiment and outlook and consider demand and expectations from partners in market. We look at overall challenges and opportunities from leading travel stakeholders within the Travel industry, as well as different Government mandates and financial supports in place for businesses impacted by Covid-19.



Travel Tech – Europe

SUMMARY

- Tourism and travel account for 15% of Spain's GDP and it will hard hit with a projection loss of €55bn for this season implying a sharp fall in demand.
- Italy's tourism industry accounts for 10% of the national GDP. In 2020, Italy is expected to register a decrease of 28.5 million tourist arrivals due to its impact.
- German travel stakeholders are also reporting great difficulties in the sector. They are experiencing a major drop in new bookings combined with a rise in customer enquiries about cancelation or rescheduling of trips.

DEVELOPMENTS

- In Italy, Alitalia is in the process of being nationalized.
- Finnair has signed a Letter of Intent to cooperate with Chinese airline company Juneyao Air.
- TUI has secured a bridging loan of €1.8 bn from the German government to help with credit during the current crisis.

SUPPORTS

- The Spanish government has outlined support measures for the tourism sector. This financing line has been endowed with an additional 200 million euros and will be applied automatically.
- Key Italian government measures include protection against job losses and a suspension for payments of taxes. They also have the possibility to reimburse customers with vouchers.
- German government initiatives, include emergency aid from the German Government, Liquidity Support, Entrepreneur Loans and reimbursement of special VAT advance payments.

OPPORTUNITIES/ CHALLENGES

- An ease of restrictions already in markets such as Germany and Austria is welcomed by manufacturing companies.
- Germany's tourism industry will see holiday makers stay in Germany and favour Airbnb and alternative accommodation to hotels
- Innovative technologies in the area of customer experience, AI and cyber security have been highlighted as future areas in which the industry will be investing.



Travel Tech – UK

SUMMARY

- The Travel sector is among the most severely hit in the U.K. British Airways has suspended more than 30,000 staff until the end of May under the UK government furlough scheme. Hotels have also begun to furlough workers and in some cases closed properties. A proposed support package from the UK government does provide optimism for the sector though.

DEVELOPMENTS

- UK Ministers are discussing a £4 billion support package for the UK travel industry which would allow it to sustain this period of uncertainty and provide a more positive outlook for clients targeting this market.
- The feedback from the region is that buyers are not eager to be contacted currently due to the unrest in the market. Initial feedback is that it will be the end of May before they will be ready to take on new opportunities.
- To build trust with customers for future bookings, companies are relaxing their cancellation fees and becoming much more sensitive to their customers.

SUPPORTS

- There are several financial supports available in the UK which would be helpful for Irish companies with a UK entity;
- [Job Retention Scheme](#) - you can furlough employees and apply for a grant that covers 80% of their usual monthly wage costs, up to £2,500 a month
- [Vat Deferment](#) – Deferment of Vat payments for 3 months from March to June.
- A full list of UK Covid-19 supports are listed [here](#)

OPPORTUNITIES/ CHALLENGES

- U.K. regulator blocks Sabre acquisition of Farelogix due to the possibility of stifling innovation.
- Rail travel expected to come back first in the U.K. and this may encourage combination of travel options.
- Knight Frank have said the UK hotel sector will rebound strongly particularly in London & Edinburgh based on data from previous economic downturns.



Travel Tech – Middle East, India, Africa

SUMMARY

- India intuited nationwide restrictions for 21 days and this has brought economic activity to a standstill. The Indian tourism and hospitality industry is staring at potential job losses of around 38 million, which is around 70 per cent of the total workforce (KPMG).
- Major African airlines like SAA (which was already in trouble) and Kenya Airways have applied for immediate and urgent government bailouts to help them survive the next 6 months. SAA has suspended all international flights until 31 May.

DEVELOPMENTS

- Etihad Airways is trialling new technology allowing self-service devices at airports to identify travellers with medical conditions, including the early stages of COVID-19.
- Effective 6/04, Emirates flights will commence from DXB to London Heathrow, Frankfurt, Paris, Brussels and Zurich - these flights will only carry outbound passengers from the UAE.

SUPPORTS

- In a bid to mitigate the impact of COVID-19 on South Africa's tourism sector, the Department of Tourism is urging eligible small, micro and medium-sized enterprises (SMMEs) to apply for a share of the R200 million Tourism Relief Fund. Capped at R50,000 per entity, the grant funding can be utilised to subsidise expenses towards fixed costs, operational costs, supplies and other pressure cost items.

OPPORTUNITIES/ CHALLENGES

- The event and exhibition industry across MEAI has been impacted significantly by the current crisis but SA Tourism has recommended postponement rather than cancellation of events in the hope that they can recover more quickly post-pandemic.



Travel Tech – North America

SUMMARY

- The inhabitants of all major economic regions of the USA, equating to 75% of Americans, are under “shelter in place” directives, however, restrictions are now expected to be lifted in stages.
- All travel stakeholders are under immense pressure as demand has declined significantly to record lows.
- There is signs of optimism with a return of some long-haul flights, many hotel and event bookings moving to the second half of the year, and hotels experiencing less closures than other parts of the world (Marriott at 16%).

DEVELOPMENTS

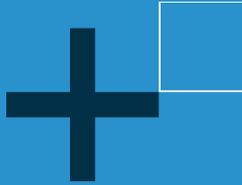
- Most travel stakeholders have implemented widespread cost cutting measures, including layoffs, furloughs, and reduced salaries. Fear that some key stakeholders were in trouble have subsided.
- Many stakeholders are now "reimagining travel" and therefore are reviewing existing systems and are looking at solutions to innovate their business and drive new revenues.
- Overt sales and marketing campaigns are being tempered to be more messaging and tone sensitive to current environment. Now is a good time to collaborate on innovation

SUPPORTS

- A \$2 trillion federal relief package was announced—the CARES Act. It includes \$350B of loan forgiveness grants for small businesses. If you have a business entity in the U.S. you can apply [here](#).
- Through CARES Act, U.S. airlines, larger hotels and car rental companies will have access to \$50 billion, half in grants, and half in loans. This will ease pressures and allow them to make payments on outstanding payments due.
- The Government of Canada has similarly rolled out robust support.

OPPORTUNITIES/CHALLENGES

- Reports are that current challenges have prompted innovation in the hotel sector and that other stakeholders are acting more quickly to sign agreements to drive new revenue opportunities.
- There is more of a focus on revenue generating vs. cost centre solutions. Opportunity for ancillaries, retailing, martech, customer care, biometrics, personalization and alternative payments. Key is having a solution that is easy to implement.
- IT initiatives have largely been put on temporary hold; however, some deals that were in negotiation prior are moving forward.
- Since many stakeholders have laid off or furloughed IT resources there is a possible opportunity to collaborate on development work.



Travel Tech – APAC



SUMMARY

- Similar to the rest of the world, APAC has seen an almost complete falling off of international flight capacity as authorities attempt to control the spread of the pandemic. Skeleton international network services are currently running from APAC within the region as well as to Europe and North America.
- Singapore's Changi Airport has announced it will close Terminal 2 for a 12 to 18-month period and use this time to speed up renovation work in a vote of confidence in the future of the sector as well as potential short-term opportunities in the digital technology space.

DEVELOPMENTS

- Should government and financial system backing (such as debt restructuring, raising of finance and debt guarantees) for many major airlines proceed, this will mean travel tech market will continue to operate and grow at the conclusion of the current crisis. Cost-saving or ancillary revenue generation solutions will become increasingly attractive to an industry aiming to move back towards profitability.
- Vietnamese airlines have begun to reinstate domestic services between the main cities and are continuing an expansion of the market.

SUPPORTS

- EI clients with local Singaporean staff and a Singapore entity can apply for a 75 % wage offset for the first S\$4,600 of monthly wages for every local worker they employ, under an enhanced Jobs Support Scheme.

OPPORTUNITIES/CHALLENGES

- The challenge for EI clients in a new business sense is that travel tech buyers in ASEAN are currently deferring investment decisions due to cash problems as a result of the almost complete collapse of the international business and some clients have experienced their clients pausing payments. Clients may find it difficult to set up conversations around new business and for the time being, all international travel to support new or existing business the region is not possible.
- However, in China the initial shock has been overcome quite rapidly and they are currently setting into recovery mode which indicates a potential bounce back across APAC in Q3/Q4 could also be on the cards. Some airlines in China have begun to hire expat flight crews.
- According to a mid-April study by C9 Hotelworks and DAC China Digital Services, more than half of those surveyed within China said they would like to travel in 2020 with the most popular months for trips abroad for the remainder of the year being August, October and December.

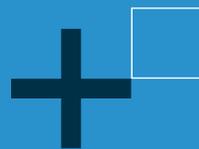


Industry Insights

See the following industry resources from Skift, Phocuswire, World Aviation Festival and STR.

- **Coronavirus and the Travel Industry** (see report [here](#))
- **The critical role of innovation in travel during the Covid-19 crisis** (see report [here](#))
- **Aviation and COVID-19** (see Webinars [here](#))
- **COVID-19: Hotel Industry Impact** (see Webinars [here](#))
- **Great list of resources compiled by Jet Blue Technology Ventures** [here](#)

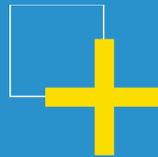
Please contact the Enterprise Ireland Market Research Centre at market.research@enterprise-ireland.com for additional information and industry reports.





During this unprecedented period Enterprise Ireland is on hand to support you in overseas markets, to help you secure and sustain existing business relationships and to research opportunities that may emerge during the crisis. Please connect with our experienced Market Advisors by email to discuss further opportunities across the regions.

For funding supports, please reach out directly to your Development Advisor in Ireland. They will guide and assist you with the application. Finally, please keep in mind our existing supports like R&D and Market Discovery Fund grants are still available.



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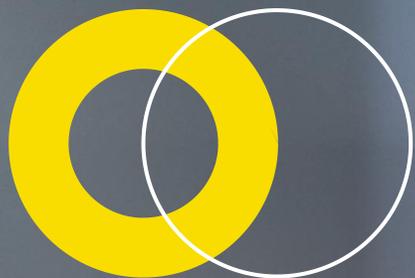
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