Pivot to Purpose: Building Sustainable Tourism for Success

Euromonitor International

CTO – October 2020
OVERVIEW

COVID-19 world impact

Destinations and source markets

Consumer shifts

Transition to purpose
World economy -4.8% growth in 2020 in a best case scenario

Global Real GDP % Growth by Region 2019-2022

% Growth YoY

2019 2020 2021 2022

World
Asia Pacific
Australasia
Eastern Europe
Latin America
Middle East and Africa
North America
Western Europe

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World Inbound Arrivals Baseline and COVID-19 Scenario 2019-2022

Source: Euromonitor International – Travel Forecast Model

-50%
Best case – world arrivals
% growth 2020

-61%
Worst case – world arrivals
% growth 2020

3
Number of years to recover to pre-crisis levels, minimum
Intra-regional arrivals for Latin America by 2025, but 22% of receipts.

Higher average spend per trip by Asia Pacific, on a par with Western Europe.
Inbound Receipts by Region
USD billion 2019-2025

USD882 billion - world inbound receipts 2020

30% % value share for Asia in 2020, overtaking Western Europe

21% CAGR 2020-25 fastest growth by North America post COVID
Domestic Tourism Dependency - value

<table>
<thead>
<tr>
<th>Region</th>
<th>Dependency</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>68%</td>
</tr>
<tr>
<td>North America</td>
<td>82%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>74%</td>
</tr>
<tr>
<td>Latin America</td>
<td>71%</td>
</tr>
<tr>
<td>Australasia</td>
<td>57%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>56%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>44%</td>
</tr>
<tr>
<td>Middle East/Africa</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
Biggest sales declines forecast for scheduled airlines and package holidays

Latin America Travel Forecast Sales 2019-2021

Source: Euromonitor International

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Online and Mobile Travel Sales Average % Penetration 2019-2025

- **Online Travel Sales to Residents**
- **Mobile Travel Sales to Residents**

<table>
<thead>
<tr>
<th>Region</th>
<th>Online Sales</th>
<th>Mobile Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>50%</td>
<td>15%</td>
</tr>
<tr>
<td>North America</td>
<td>55%</td>
<td>20%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Latin America</td>
<td>35%</td>
<td>12%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>45%</td>
<td>18%</td>
</tr>
<tr>
<td>Australasia</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>48%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International

**3 years**

Mobile travel sales to return to 2019 levels in Latin America

**36%**

Mobile travel sales as % of online sales in Latin America

**24%**

CAGR for mobile travel sales 2020-2025
Destinations and source markets
Caribbean destination performance decelerates due to COVID-19

Caribbean Destinations Year to Date Arrivals % Growth 2020

Source: CTO
Note: Jan-Aug 2020 for all, except Jan-Feb - Cayman Islands Jan-Mar - Saint Lucia, Aruba, British Virgin Islands Jan-May - Cuba, Martinique, Montserrat Jan - Jun - Belize, Trinidad & Tobago, US Virgin Islands Jan-Jul - Anguilla, Bermuda, Bahamas, Guyana, Puerto Rico
Hotel search data shows rising interest

Change in Hotel Volume in LATAM, Indexed

Source: Sojern
World receipts and Latin America outlook to 2021

Total Receipts by Country, 2021
Latest Quarterly Update Forecast
USD mn, 2019 constant prices, fixed year exchange rate

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US facing recession and elections

US GDP % Growth Baseline vs COVID-19 3 Scenario: 2012-2030


Selected Scenarios
- Euromonitor Baseline
- C19 Pessimistic1
- C19 Pessimistic2
- C19 Pessimistic3

Source: Euromonitor International
UK outlook uncertain after COVID-19 followed by Brexit

UK Outbound Expenditure and COVID-19 Scenarios: 2019-2025

Selected Scenarios
- Euromonitor Baseline
- C19 Pessimistic1
- C19 Pessimistic2
- C19 Pessimistic3
- Disorderly ND Brexit

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Need to diversify beyond traditional markets to look at NWTs – New World Travellers

Leisure Intermediaries Sales by Key European Countries 2019-2025

Fastest growing leisure intermediaries per cap: Colombia, Argentina, Poland, Hungary, Saudi Arabia, Peru, Slovakia
Travel engagement with UN SDGs

64% of global consumers are worried about climate change, yet only 50% of travel companies engage with SDG13 on climate change.
Consumer shifts
Consumers move away from international travel to holidays closer to home

+7.9% more consumers say they will reduce international travel permanently

% growth April - July 2020

Expected Future Consumer Behaviour - July 2020

More holidays taken close-to-home
Reduce international travel
Reduce overall spending
Decrease overall carbon emissions due to limited travel
Greater attention paid to how companies treat people

Q: How do you think consumers will change their behaviour as a result of the COVID-19 pandemic?
Improving the customer journey is the top priority for travel companies, not COVID-19

Q: What do you see as the most important commerce-specific developments for your organization in the coming 12 months?

<table>
<thead>
<tr>
<th>Commerce Developments in Next 12 Months</th>
<th>World</th>
<th>China</th>
<th>US</th>
<th>Germany</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the customer journey and user experience</td>
<td>59.6%</td>
<td>69%</td>
<td>61%</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>Integrating new technologies</td>
<td>50.7%</td>
<td>63%</td>
<td>55%</td>
<td>62%</td>
<td>58%</td>
</tr>
<tr>
<td>Enhancing customer service</td>
<td>48.2%</td>
<td>53%</td>
<td>53%</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>Providing information and advice to customers about COVID-19</td>
<td>45.3%</td>
<td>47%</td>
<td>55%</td>
<td>43%</td>
<td>46%</td>
</tr>
<tr>
<td>Creating a consistent brand experience across channels</td>
<td>44.7%</td>
<td>59%</td>
<td>51%</td>
<td>64%</td>
<td>68%</td>
</tr>
<tr>
<td>Becoming consumer centric</td>
<td>43.5%</td>
<td>47%</td>
<td>45%</td>
<td>64%</td>
<td>54%</td>
</tr>
<tr>
<td>Shifting from physical to online platforms</td>
<td>39.7%</td>
<td>31%</td>
<td>33%</td>
<td>53%</td>
<td>46%</td>
</tr>
<tr>
<td>Co-creating new products and services with consumers</td>
<td>38.9%</td>
<td>38%</td>
<td>39%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>Building mobile presence</td>
<td>37.4%</td>
<td>34%</td>
<td>49%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>Deepening customer loyalty programmes</td>
<td>34.1%</td>
<td>31%</td>
<td>33%</td>
<td>38%</td>
<td>42%</td>
</tr>
<tr>
<td>Enhancing cybersecurity</td>
<td>30.4%</td>
<td>31%</td>
<td>35%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Diversifying payment options</td>
<td>29.7%</td>
<td>31%</td>
<td>18%</td>
<td>34%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Voice of Industry Survey – Travel and Tourism, April 2020

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Q. - What attributes do your customers most value from your travel company or organization?

### Source market priorities

<table>
<thead>
<tr>
<th>Attribute</th>
<th>World</th>
<th>US</th>
<th>China</th>
<th>Germany</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe destination</td>
<td>60.1%</td>
<td>56%</td>
<td>58%</td>
<td>56%</td>
<td>70%</td>
</tr>
<tr>
<td>Authentic &amp; local experiences</td>
<td>52.0%</td>
<td>64%</td>
<td>58%</td>
<td>63%</td>
<td>70%</td>
</tr>
<tr>
<td>Value for money</td>
<td>54.5%</td>
<td>56%</td>
<td>63%</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>Unique travel experiences</td>
<td>51.1%</td>
<td>52%</td>
<td>68%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Cultural immersion</td>
<td>39.9%</td>
<td>44%</td>
<td>47%</td>
<td>38%</td>
<td>45%</td>
</tr>
<tr>
<td>Immersion in nature</td>
<td>29.3%</td>
<td>28%</td>
<td>32%</td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td>Rest &amp; relaxation</td>
<td>34.9%</td>
<td>36%</td>
<td>32%</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>Curated &amp; personalised experiences</td>
<td>40.5%</td>
<td>40%</td>
<td>32%</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>Give back, travel with a purpose</td>
<td>29.9%</td>
<td>36%</td>
<td>37%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Adventure</td>
<td>24.6%</td>
<td>28%</td>
<td>42%</td>
<td>22%</td>
<td>30%</td>
</tr>
<tr>
<td>Sustainable with minimal impact</td>
<td>34.6%</td>
<td>24%</td>
<td>32%</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Holistic wellness</td>
<td>20.3%</td>
<td>20%</td>
<td>5%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Digital detox</td>
<td>10.6%</td>
<td>16%</td>
<td>11%</td>
<td>16%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Voice of Industry Survey – Travel and Tourism, April 2020
57% of global consumers support local businesses and communities

51% of global consumers stay in eco-friendly accommodation

Source: Euromonitor International Voice of the Industry – Travel and Tourism, April 2020
AR/VR Experiences

46% of global consumers value online virtual experiences

77% of global consumers value real world experiences

Source: Euromonitor International Voice of the Industry – Travel and Tourism, April 2020
Transition to purpose
Brands with purpose – Prontopia

- Prontopia was launched in 2018 with the aim to provide help and assistance to visitors in a destination, whether the elderly or parents with children.
- Founded on the principles of the SSDGs to provide decent work, as well as foster empathy.
- Operating in the US and Italy.
- Help includes navigation from the airport to hotel or destination, how get around the city and use local transport, along with custom in-trip requests, helping local businesses to achieve higher rating scores.

37% of travel companies are purpose-driven vs 51% for all industries.

Closing the loop - NEST

- NEST is the modular and innovation building of EMPA (Materials, Science and Technology) and Eawag in Switzerland
- Through research and development, NEST aims to make resources and energy more sustainable and circular to close the loop
- Recently joined the European Network of Living Labs and announced a partnership with Innovation Park Central Switzerland to launch innovative building solutions and urban districts
- Leverages digitalisation, energy and circular economy

53% of travel companies aim to invest in energy initiatives in the next five years

57% of travel companies plan to invest in waste in the next five years

Source: Euromonitor International – Voice of Industry Sustainability, July 2020
Intrepid is a global sustainable travel leader and aims to be climate positive by 2020.

The company offsets its carbon emissions through purchasing carbon credits for renewable schemes.

Going climate positive starts with sequestering seaweed, so in partnership with the Climate Foundation and the University of Tasmania they aim to build the first seaweed platform, that will remove CO2 from the air.

- 21% of travel companies offset their carbon emissions
- 23% of consumers offset their carbon emissions
- 18% of travel companies offer a carbon tracking tool to consumers
76% of consumers are expected to be more concerned about sustainability after COVID

Yet, 42% of travel companies will postpone development of new sustainable products

Euromonitor International
Voice of Industry Sustainability Survey, July 2020
Key takeaways

Global recession in 2020, with travel and tourism constrained with recovery not likely until a vaccine, mid 2021 at the earliest and 2023 at the latest

Digitalisation and sustainability will accelerate to rebuild tourism in an efficient and resilient way, whilst unsustainable business models must be retired

Travel brands and destinations that act with purpose, striking the right balance between people, planet and profit will be best placed to succeed

Great opportunity to rewire, taking forward only social and environmentally sustainable practices and for regions like the Caribbean to lead by example
Thank you!

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