Integrated Recovery of Air Transportation and Tourism

Affiliate member of UNWTO

September 10, 2020
ICF Introduction

Results-Oriented Consulting Around the World - including in the Tourism and Aviation Industries

• We work with hundreds of companies and governments to plan, design, and implement transformative projects. With +7,000 people across +70 countries, we solve complex problems in unique ways.

• At ICF, business analysts and policy specialists work together with digital strategists, data scientists and creatives

• We combine unmatched industry expertise with cutting-edge engagement capabilities to help organizations solve their most complex challenges

• Since 1969, public and private sector clients have worked with ICF to navigate change and shape the future

• We work from conception to creation, strategy to success, idea to execution. We change thinking and behaviours at scale and at pace – we make big things possible.

Learn more at icf.com
ICF’s Broad Travel & Tourism Business Capabilities Are Under One Roof

**Tourism Strategy**
- Destination Management
- Stakeholder alignment
- Target markets and niche
- Tourism promotion
- Strategic planning
- Assessment
- Benchmarking
- Shared-value

**Air Service Connectivity**
- For destinations, airports, national level
- Source markets for tourism growth
- Holistic programs with multiple stakeholders
- Strategic and analytical approach

**Sustainability**
- Economic
- Social and equality development
- Environmental
- Disaster preparedness and recovery

**Marketing + Communication**
- Brand strategy and identity
- Creative campaign + asset development
- Paid media
- Public relations
- Social engagement
- Digital marketing
- Loyalty + CRM
- Data management + visualization

**Economic Impact Analysis**
- Quantified value of flights and tourism infrastructure
- Aids in stakeholder buy-in and funding efforts

**Aviation Consulting**
- Airlines
- Airports
- Financial transactions
- Regulators
- “Big Data”
- Loyalty Programs
Air Service - and what to do about it

Jared Harckham
The pandemic is changing the airline sector in every global region and tourism connectivity is affected due to downsized or disappeared carriers.

Latin America/Caribbean is one example region where almost every airline is in a transition, some shrinking and others growing.

- **Restructuring**
  - AEROMEXICO
  - Avianca

- **Market exits**
  - LATAM
  - norwegian

- **New alliances**
  - Azul
  - GOL

- **Betting on growth**
  - Interjet
  - JetSMART

Argentina exit confirmed.

Brazil domestic? Colombia?

Returned most A320 fleet.

Volaris
Unlike past crises, COVID-19 will drive major changes to passenger behavior and industry practices.

### Long-term Changes to Passenger Behavior

<table>
<thead>
<tr>
<th>Change</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger scrutiny of health conditions in their destination country?</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>Faster adoption of video-conferencing for work and education?</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Increase preference for nonstop flights?</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Reduce demand for conferences and other large events?</td>
<td>51%</td>
<td>49%</td>
</tr>
</tbody>
</table>

### Long-term Changes to Industry Practices

<table>
<thead>
<tr>
<th>Change</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strict aircraft hygiene controls?</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>Sanitary controls at airports, such as passenger temperature screenings?</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Passenger health verification prior to international flights?</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Widespread passenger use of protective equipment?</td>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: ICF COVID-19 Survey, April 2020
The pandemic has stopped most business travel, and the segment will be slow to recover

Once COVID-19 quarantines started, your company’s travel policy:

- Suspended all travel: 57%
- Suspended except for essential business reasons: 41%
- Did not suspend travel: 2%

Your company’s travel activity will only resume once we have a viable treatment or cure for COVID-19?

- True: 63%
- False: 38%

Once the pandemic is over, your company’s business travel spend will be:

- Lower than pre-pandemic: 54%
- About the same: 43%
- Higher than pre-pandemic: 3%

Source: Customer survey for July 16 2020 webinar
The timing and shape of the recovery depend on standard global control or mitigation of the pandemic

**Current phase: the longer this lasts, the slower the recovery**

**Quarantine Phase**
- Essential passenger flights
- Repatriation flights
- Cargo flights

**Pre-Recovery Phase**
- Domestic resumes first
- Non-standard border opening limits International recovery
- Mainly VFR and leisure; less business travel
- Health protocols fully in place
- Need to convince customers that traveling is safe again
- Need to plan air service for future

**Recovery Phase**
- Full border opening
- Passenger behavioral change affects business and leisure – but how much?

Recovery speed depends
- a) depth of economic recession
- b) health of remaining airlines
- c) availability of vaccine to the public

Current phase: the longer this lasts, the slower the recovery
COVID-19 shut down air travel globally – but as economies reopen, flight activity is resuming.
Domestic air service is where recovery is taking place now.

Source: ICF analysis of Flightradar24 data
Airlines have begun publishing more air service but they have not operated all of it, signaling new problems.

Example: Lanzarote

Example: EU and UK

Number of published flights compared to the number of operated flights

Fuente: Flightradar 24 y SRS Innovata itinerarios publicados
Pre-Covid-19, the island of Lanzarote had air service from 29 carriers, 13 Full Service/Hybrid carriers and 16 LCC/Charters but not all routes are returning.

Lanzarote Air Service Route Map October, 2019

- Lanzarote had non-stop service from 62 destinations only in Europe
  - 48 routes were point to point
  - 14 routes were to airline focus cities

Source: SRS Innovata October 2020 Published Schedules
ICF identified 13 viable new routes for Lanzarote including premium travel markets by linking outbound tourism preferences, market trend data and aviation data with the repositioning strategy of the island.

**Lanzarote Potential New Destinations**

- 9 viable hub routes including
- 6 premium destinations
- 3 major point to point routes

<table>
<thead>
<tr>
<th>Hub</th>
<th>Premium O&amp;D Markets</th>
<th>Beyond Hub Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>London-LHR</td>
<td>✓</td>
<td>83</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>✓</td>
<td>86</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>✓</td>
<td>77</td>
</tr>
<tr>
<td>Munich</td>
<td>✓</td>
<td>53</td>
</tr>
<tr>
<td>Paris-CDG</td>
<td>✓</td>
<td>73</td>
</tr>
<tr>
<td>Istanbul</td>
<td></td>
<td>92</td>
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<tr>
<td>Casablanca</td>
<td></td>
<td>31</td>
</tr>
<tr>
<td>Lisbon</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Moscow</td>
<td>✓</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: ICF Analysis and Forecast
Fostering airport competitiveness through a tourism strategy

Yolanda Perdomo

10 September 2020
Some inspiring experiences
The case of Hokkaido

- Facing political and demographic challenges
- Private sector to adopt a new role
- DMOs: new form of collaboration
Hokkaido Sichi: The Star of Japan

CONCEPTUAL APPROACH – HOKKAIDO 7 AIRPORTS

7

Number 7 = SHICHI* = positive number = symbolizes "togetherness"

7 destinations in Hokkaido

Seven-pointed star = interconnection

THE STAR OF HOKKAIDO

- Tourists will perceive the destination as a whole, with 7 points that they have to visit to have a complete and satisfactory experience.
- Specialization in four segments:
  - Gastronomy tourism
  - Sports tourism
  - Nature-based tourism
  - Well-being tourism
- The seven destinations will portray a unique mixture of these four segments.
- The value proposition will have distinctive elements in each location based on the specific resources of every destination.
- The product development strategy will focus on innovative tourism products that must reflect this unique combination.

CONCEPTUAL APPROACH – HOKKAIDO 7 AIRPORTS

Coincidentally, the seven-pointed star is the central symbol in the flag of Hokkaido

*SHICHI in Japanese
The case of Malta

- Seasonality
- Tourism Repositioning
- Governance
The case of Lanzarote, Canary Islands

El lujo en época de pandemias: efectos del COVID-19

- Oportunidades:
  - Espacios abiertos
  - Instalaciones y oferta de ocio no masificadas
  - Exclusividad = premium
  - Destinos con buenos protocolos e instalaciones hospitalarias adecuadas
  - Gestión por fases con una estrategia diseñada ex-profeso, diferenciada de los competidores
  - Comunicación B2B y B2C coordinada y eficiente

Alineamiento de la oferta de Lanzarote al segmento Premium

1. Desarrollo de actividades experiencias seguindo las tendencias Premium: singulares, personalizables y exclusivas
2. Fomento de la oferta comercial en este segmento con artículos adecuados para potenciar las compras
3. Adaptación de la oferta hotelera a las expectativas del segmento Premium y los requisitos por nacionalidades y perfiles (inteligencia de mercado)
4. Formación en servicio de alta gama
5. Organización de la oferta en torno a una propuesta de valor común altamente aspiracional que pueda encajar en un potente estrategia de branding y comunicación

Hoja de ruta hacia la especialización

- Planificación
- Implementación gradual por pilotes
- Documento estratégico de reposicionamiento
- Presupuesto
- Analítica
gestión de imagen e interioridad
- Medición del impacto de los cambios
- Mejora de la imagen e interioridad
- Descripción de los cambios

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ICF LINKS SUSTAINABILITY TO EVERYTHING WE DO

- Not just environmental, our approach aligns with the UN Sustainable Development Goals and the three dimensions of sustainability: social, economic, and environmental.
- Our methodology incorporates a shared-value approach to engage all relevant stakeholders from the public and private sectors, including travelers.
- It also develops a set of measurable Sustainable Tourism Indicators to establish the best benchmarks.
12 results-driven modules, in combination, create Tourism Strategies that result in World Class results.

Tourism Conditions Assessment

Repositioning Exercise

Governance, Sustainability, and Marketing Outreach

Management Evaluation for continuous improvement

Existing Tourism Positioning

Segment Specialization

Inbound Target Markets

Tourism Product Adjustment

Existing Tourism Positioning

Stakeholder Alignment

Shared value

Tourism Marketing

Air Service Connectivity

Metrics

Capacity Building

Innovation
Getting ready for the new times

Disruption  Opportunities  Complexity  Outstanding Strategy  Collaboration  Leadership Legitimacy Governance
Marketing in a new landscape

Shannon Lovich
How are we tracking ever-changing consumer sentiment?
- Audience insights
- Attitudes
- Beliefs
- Expectations

How has travel changed or how do we predict it will change?
- Relevance
- What matters to people now

How will the brand evolved based on this new landscape?
- Brand personality
- Points of difference
- Ownable attributes
Belize: Building a distinctive position

Experiences are at the core of social currency and self-discovery.

Transformative self-discovery cannot be planned.

The true magic of Belize lies in the unexpected.
Hotels.com: Tapping a new cultural truth to engage

People are realizing RVs aren't maybe as great as they'd hoped.

Hotel life offers something that RVs never can.

Road trips are hot and RV sales are on the rise.
Delta: Brand building through “customer-oriented” approach

Delta teams up with Lysol to innovate on travel hygiene

Delta Air Lines Commits To Blocking Middle Seats Through 2021

Social pressures around travel continue to be divisive.

CULTURAL TRUTH

TRAVELER TRUTH

BRAND TRUTH

Consumers continue to express anxiety about travel

Delta is doing more than other airlines to protect the health and safety of its customers
Our global work includes airlines, hotel chains, airports and destinations.
Thank You!

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