Post-Covid Tourism trends for Mediterranean Destinations: between common sense and niche markets

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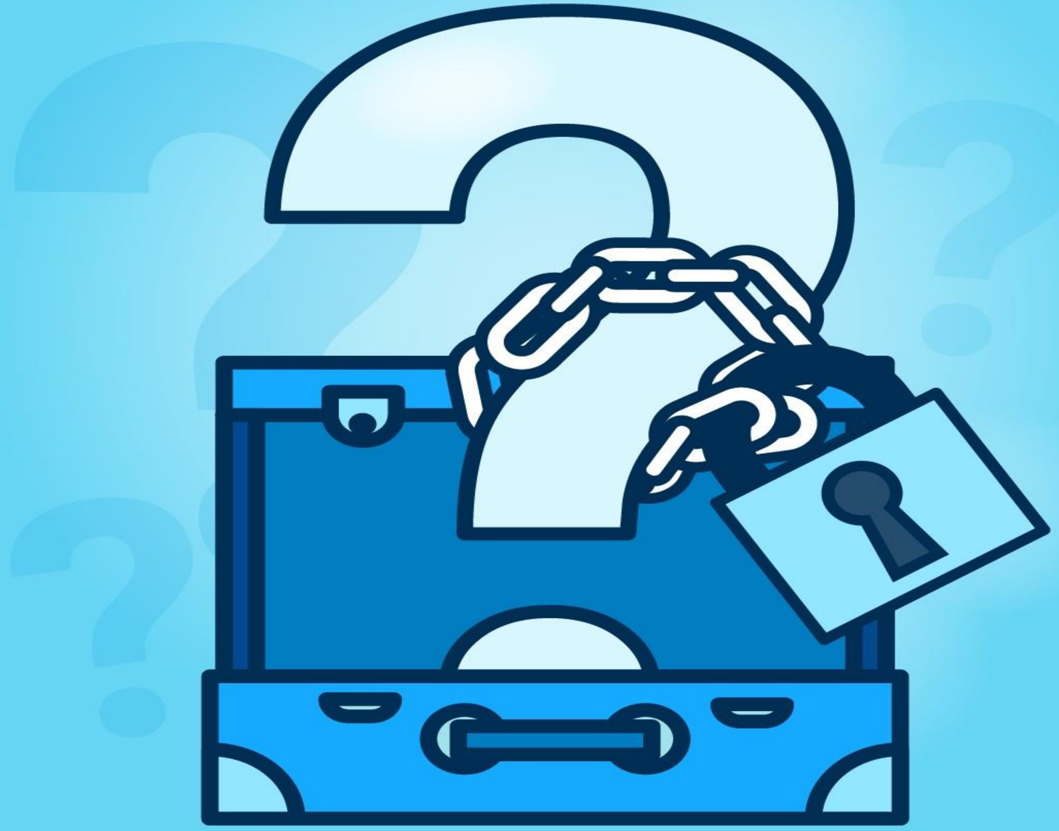
National Tourism Organizations(NTO)
DURING/AFTER (when?) COVID:

HOW?



Source: European Travel Commission

NTO's CHALLENGES EXPECTED IN THE SHORT-TERM

- According to the latest wave of the NTO survey (July 2020), the main challenges that NTOs are expecting to face within the next 6-12 months include:
  - Maintaining liquidity and viability of tourism businesses, and preventing closures
  - Significant decline in tourist visits
  - Limiting the loss of jobs and skills from the tourism sector
  - Weak consumer confidence and sentiment to travel in domestic and international markets
  - Maximising demand in the domestic market
  - Ensuring that tourism businesses can adapt to social distancing requirements (e.g. through purchase and installation of additional hygiene equipment or installing online booking systems)
  - Lack of air capacity due to suspension of air routes
  - Fall in demand for specific market segments or products (e.g. business travel or cruises)
  - Reacting to the effects of possible successive waves of the coronavirus

NTO's recovery strategies implemented

- The following areas were highlighted as areas of focus for NTOs' recovery strategies to date:
  - Stimulating demand in the domestic market
  - Stimulating demand from neighbouring markets, easily reachable by road
  - Supporting tourism businesses in adapting to new social distancing and hygiene measures
  - Supporting businesses in sectors that had been particularly affected by public health restrictions or the decline in international visitors, such as the meetings industry, spas and wellness centres,
  - Promoting products and experiences associated with nature, health & wellbeing, outdoor activities
  - Supporting DMOs with strategic guidance and funding in meeting the needs of local businesses and local communities

NTO's recovery strategies implemented

- Their approach about products to be promoted can be summarised as below:
  - Creating inspiration and reassurance to travellers about the extent of open spaces and nature-based activities available in the country
  - Commonly promoted experiences including hiking and cycling routes, cultural trails in rural areas, beaches and surf spots, national parks and small villages, and outdoor adventure activities
  - Towns, villages and nature spots that are easily accessible by car, allowing flexibility around planning a visit

- These experiences would be promoted primarily to consumers in neighbouring countries, often who already had some familiarity with the country and would feel more confident to plan their visit and travel freely without additional assistance.

COVID-19, SUSTAINABLE TOURISM AND EMERGING TRAVEL TRENDS

- Key trends observed by NTOs to date include:

  - Greater concern around personal wellbeing, air quality and humans' impact on the environment
  - A strong preference for travel domestically, or to neighbouring countries with easy access by car
  - A desire to spend time in open spaces, with fresh air, and private accommodation
  - A desire to avoid high-density accommodation and activities, or mixing too closely with strangers (e.g. cruises or long-haul flying)
  - A preference for active holidays, involving fitness activities or following hiking and cycling routes
  - A long-term increase in precautionary savings, as well as falling consumption rates and increas- ing frugality among consumers, potentially leading to a fall in discretionary leisure spending

COVID-19, SUSTAINABLE TOURISM AND EMERGING TRAVEL TRENDS

- Further significant trends that align with the principles of sustainable tourism include:

• A desire for consumers to be seen (through social media images) as safe and responsible, with travel plans scrutinised through the lens of what is safe, rather than what is popular

• A stronger awareness of the impact of COVID-19 on small businesses and the livelihoods of local communities, leading to prioritised spending with SMEs in order to support the community.

COVID-19 AND NTOs' LONG-TERM ASPIRATIONS

A long-term increase in the appeal for domestic vacations among the domestic market

Digital processes (many accelerated by the coronavirus crisis) consolidated in the tourism sector, resulting in improved productivity and competitiveness

A type of 'slow' tourism that helps to improve visitors' physical and mental health

Improved safety and hygiene standards among tourism businesses

An improved brand image for (smaller, lesser known) countries that are perceived to have managed the COVID-19 crisis well

Improved satisfaction among local residents about tourism and its role in destinations, as well as increased awareness among residents about the role that tourism plays in economic prosperity

Increased value among newer markets and neighbouring countries

Small Medium Enterprires (SME)
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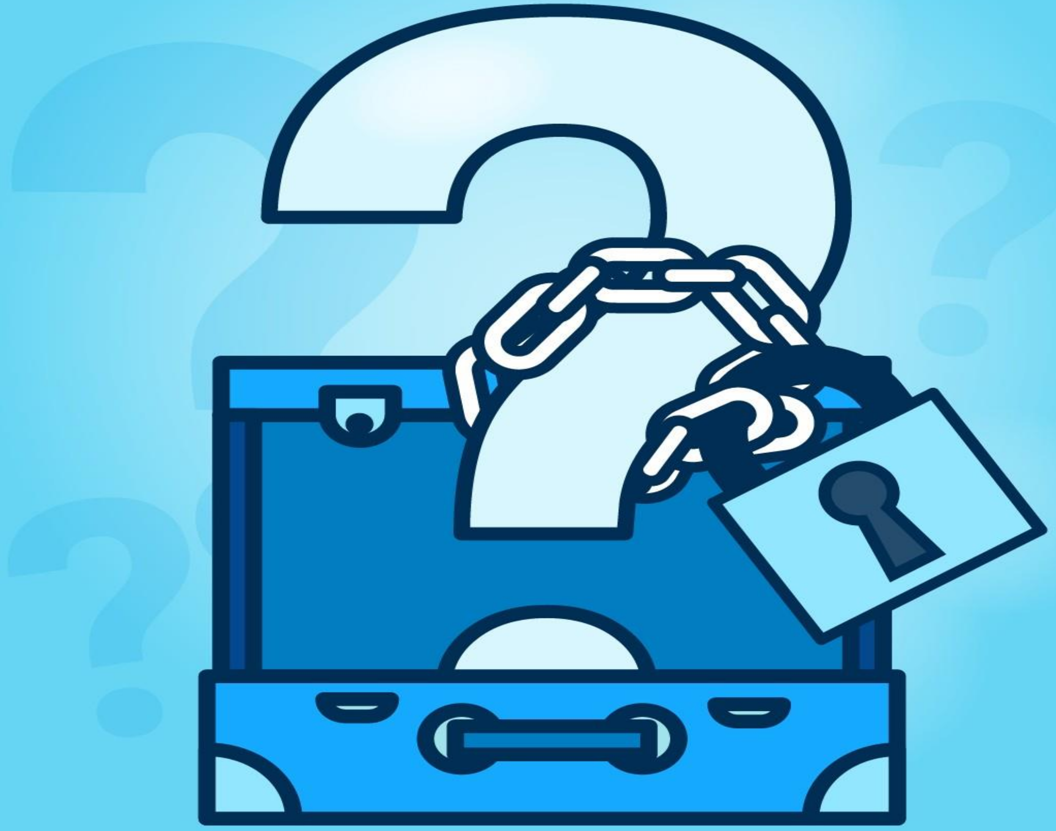


Source: University Politecnico of Milan (Italy)

10 CHANGES IN DEMAND AND INNOVATIONS OF THE OFFER

.01 NEVERENDING TOURISM

.02 .02 DESTASIONALIZATION AND HOLIDAY WORKING

.03 HIKING AND DISCOVERYOF THE NEARBY TERRITORIES

.04 SUSTAINABILITY

.05 ODIGITAL AND CONTACTLESS JOURNEY

.06 INVESTIMENT **ON DIRECT CHANNELS**

.07 REAL TIME PREDICTIVE DATA ANALYSIS

.08 FLEXIBILITY AND SAFETY

.09 DIGITAL CONSULTAN CY

.10 AGGREGATION

Neverending Tourism

- Neverending tourism is the possibility of extending the tourist experience, both physical and digital, in space (not only in destination) and in time (not only during , but also before and after the travel experience).
- A new tourist offer, made up of online content (visits to museums and cities, sports activities set in destinations but practicable virtually, cooking classes linked to the territories visited ...) or local products, can therefore be produced and distributed via digital channels, to anticipate the relationship with the customer in the pre-trip and continue after the trip and generate additional sources of income.
- The growing use of digital content (+ 40% for video entertainment in 2020) and eCommerce of destination products (carried out by 12% of digital tourists in 2019) amplify market spaces for neverending tourism and various realities (startups, but also actors in the hospitality industry) are working to derive value from this phenomenon.

Seasonalization and holiday working

- The trend towards neverending tourism bring an expansion of the tourist experience that aims to be continuous and not only during traditional holiday periods.
- The widespread possibility of working remotely can give benefits to tourism actors and destinations: 39% of Italian accommodation facilities hosted remote working customers in 2020!

Hiking and discovery of neighboring territories

- Opportunities for the experience market
- The proximity obligation, experienced in 2020, has generated a legacy in terms of rediscovery of nearby destinations, with a positive impact on the experience market which has already grown strongly in recent years (in 2019, 50% of digital tourists carried out cultural activities, 30% participated in events, 29% took advantage of guided tours, 27% enjoyed relaxation and wellness activities, 26% carried out sports activities).
- In 2020, outdoor activities were the main drivers: it is precisely in this sector that several players are working to ensure more professional management and greater digitization, especially in the booking and purchase phases.

Not only environmental but also social sustainability

- The health emergency is accelerating the rising up of some drivers of tourists'choices such as sustainability in its various kinds.
- According to some studies, travelers will make more informed decisions in the future: more than 50% of tourists will reward brands (hotels, airlines ...) that adopt social responsibility policies.
- The 17 sustainable development goals of the 2030 Agenda are therefore influencing the action programs of a growing number of organizations, public and private.

Journey increasingly digital and contactless

- The need for social distancing has accelerated the process of digitization of the journey which has already begun.
- In Italy, now around 30% of accommodation facilities accept mobile payment solutions and offer the possibility of online or mobile check-in (in 2019 they were only 8%); there was also a surge in the offer of assistance via chatbots (14%, it was 2%) and virtual tours of the rooms (13%).

Investments in direct channels

- In the light of the greater attention paid to the direct channel by tourists, many operators are trying to improve their channel management capacity, for example through the use of a Channel Management System or Central Reservation System, present respectively in 70% and 61% of Italian hotels.
- Specialized Channel Management systems are also spreading in the area of experience, confirming the progressive evolution of this sector.

Real time forecasting systems

- The number of operators adopting Customer Relationship Management, Business Intelligence and Revenue Management systems has grown in recent years.
- The shock of the demand produced by the pandemic has, however, highlighted the limitation in relying exclusively on historical data.
- An area of innovation and investment therefore concerns the integration of systems with software and data sources that allow the needs and behavior of demand and competitors to be grasped in real time, with an involvement also at the level of destinations.

Growing demand for flexibility and safety on the part of travelers and the role of specialized professionals

- In the **business travel** area, flexibility (46%) and safety (35%) have become the main drivers of choice of suppliers for business travel by companies. To increase the level of safety and assistance to the traveling employee, 39% of companies use apps or other tracking and communication systems and 46% use platforms or information systems on the risks of the destination, necessary vaccinations, etc.
- As for supply chain relationships, the use of Travel Management Companies or external consultants has been reduced in 42% of the companies interviewed, but it seems only a momentary step: only 3% of companies said they want to give up their trusted intermediary.
- Similarly, in **leisure tourism**, greater attention to the level of service and guaranteed flexibility, which become more important than price as a driver for choosing the supplier, supports the propensity to book at an agency.
- Furthermore, according to a survey of over 8,500 travelers worldwide, travel insurance will become an increasingly necessary service.

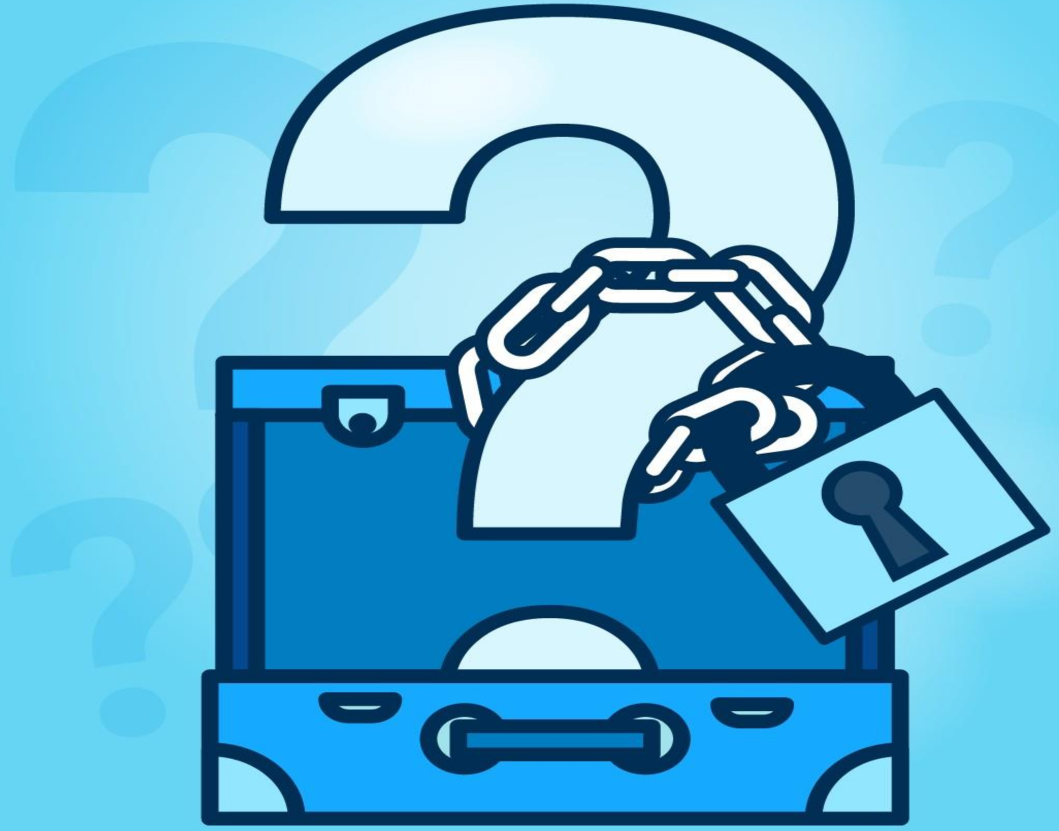
Consulting and digital are the main levers for 'traditional' intermediation

- The traditional agency model was already undergoing major changes before the health emergency with an increasingly decisive push towards the transformation from agents to travel consultants.
- The health emergency and the inability for many to bear structural costs have favored the consolidation of 'hybrid' models.
- Networks have also made great efforts to support agents in this step, and in the greater use of digital tools to support a new relationship with the customer.
- The personal relationship and the ability to provide assistance and reassurance are the distinctive elements of 'traditional' intermediation, but the pandemic has helped to understand how this does not necessarily have to pass through physical contact; on the contrary, the possibility of offering customer services through the most appropriate channel for each moment becomes the real source of competitive advantage.

Aggregation in groups and trade associations

- The crisis has favored the propensity to concentrate and the birth of a 'new' associationism.
- In the holiday homes and short renting businesses there is a phenomenon of professionalization that also passes from joining groups of property managers and greater associations.
- Even in tour operating, the crisis has led operators to seek new operating models that enhance possible synergies, following a general trend marked by greater cohesion, despite this a strong fragmentation remains in the sector.

RECAP



Looking at the 2020 Google travel research, we can identify 3 consumer-side trends:

Change the type of destination

Travelers are looking for new types of destinations and prefer domestic trips

Change the way to travel

Those who travel use different transport services instead of the usual ones and different accommodations too

Priorities change

Travelers expect flexible and safe solutions for their health, more than anything else

Looking at the 2020 Google travel research, we can identify 3 business-side trends:

Health Safety & Flexibility "new normal" for travel

All travelers expect flexibility of cancellation or change of dates and the guarantee of traveling in a safe and hygienic way, it is therefore essential to re-adapt your offer based on these new needs

Domestic and local demand still central in 2021

Until national and international mobility are definitively stabilized, travellers will come to local and less crowded destinations and above all in the domestic market will still be central

Data-driven approach necessary to adapt to the consumer

With a World that has never been so dynamic and unpredictable day after day, always keeping an eye on the progress of travel searches and its shifts will be crucial in order not to miss any opportunity

Thank you for your attention

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