

The impact of COVID-19 on commercial aviation and consumer travel confidence

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Foreword

Dear reader,

Around late March, many countries began enforcing lockdowns and imposing travel restrictions in the wake of the COVID-19 pandemic. Three months on, much of the world is still in lockdown, and the virus has claimed over 480,000 lives. However, there are signs that recovery is underway. In China and Hong Kong SAR, life is largely getting back to normal after the epidemics there were brought under control (albeit with second spikes in some locations). In Europe too, many countries are beginning to think about how to ease lockdowns and re-open international borders. Despite this, it is clear that the road to recovery is not going to be smooth—or rapid. A vaccine is still a long way off, and governments and industry are still trying to work out how travel will look while the specter of COVID-19 still looms.

Our conviction that we will get past COVID-19, and that aviation will recover, remains un-dimmed. ICF has been conducting its own analyses and forecasts of what the future will hold. Our surveys of aviation sector participants and consumers allow for the collection of broader views, provide invaluable insight into perspectives from across the world, and, crucially, explain how these views are evolving over time.

We thank you for taking the time to participate, and we hope that you will find the survey results informative.



Executive summary

The surveys, conducted in late May/early June 2020, captures the views of aviation sector executives and consumers from across the world. This survey repeats some questions from an earlier aviation-focused survey in late March/early April to chart how sentiment is changing over time.

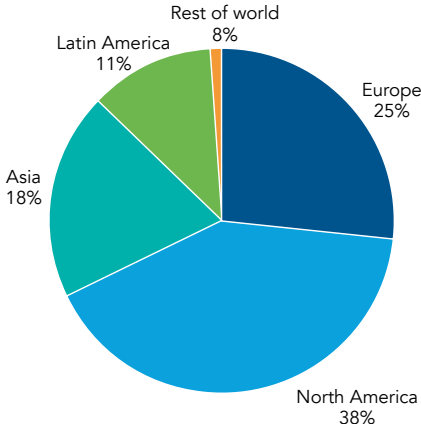
The key findings are:

- Respondents' views on the recovery have become markedly more pessimistic.
- Respondents expect a much slower recovery to pre-crisis activity levels. Where previously most expected the recovery to take six to 12 months, now the majority of respondents expect the recovery to take at least two years. A recent ICF forecast echoes this view.
- It is already apparent that 2020 will see an unprecedented fall in global air traffic, but what is beginning to become clear is that 2021 will also be an extremely challenging year. Around 70% of respondents expect 2021 traffic in their region to be at least 20% lower than 2019 levels.
- COVID-19 will also impact consumer preferences. A majority of respondents expect an airline's social and corporate responsibility to become an increasingly important factor, demonstrating the importance of trust in getting passengers back in the air. There was a definite consensus on the increased importance of airlines offering standard flexibility in order to win back consumer confidence.
- There was widespread support for the government bailout of airlines, but little consensus on other government measures.
- In an encouraging sign for the environment, respondents appear overwhelmingly committed to their carbon reduction and sustainability goals, despite the economic and financial pressures brought about by COVID-19.
- Consumers returning to travel will expect the basic essentials of health and hygiene to be delivered consistently and to the highest standards. Industry players across the travel spectrum will have to take a responsible stance as they look bring people back to traveling by restoring confidence through the adoption of high levels of health and safety standards and protocols.
- The recovery will certainly be a slow and stuttered ride. However, this setback will present an opportunity for the industry to uncover areas ripe for disruption that will transform the consumer experience and enable the design and development of the next generation of global travel.

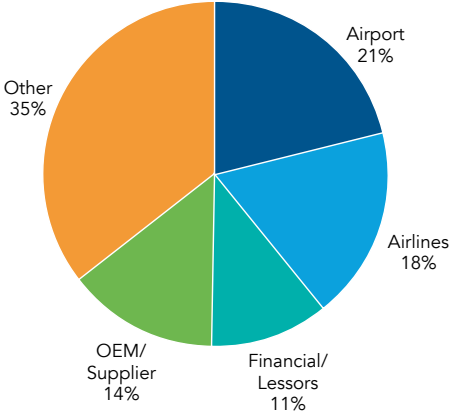
Survey participant summary

Aviation sector survey profile

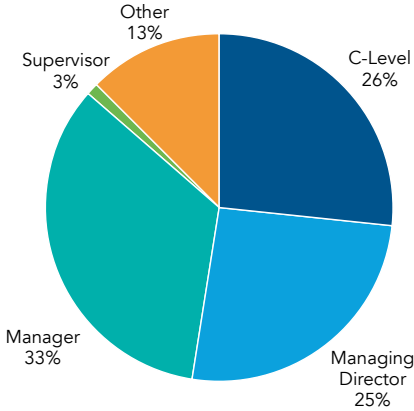
By Region



By Sector

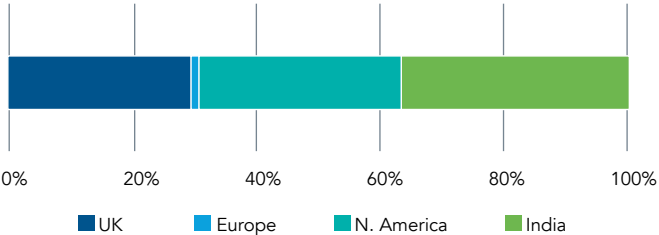


By Function

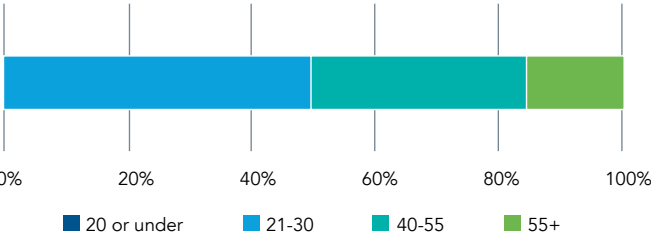


Consumer survey profile

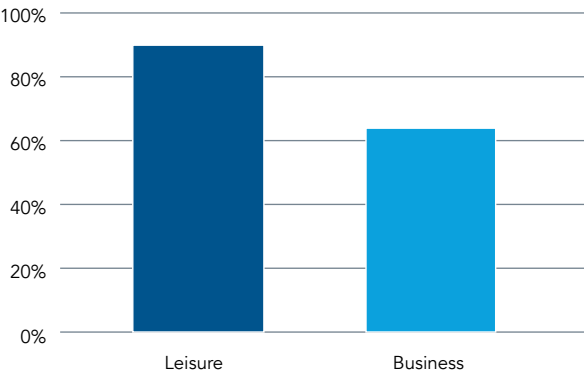
Where do you live?



How old are you?



What do you use air travel for?



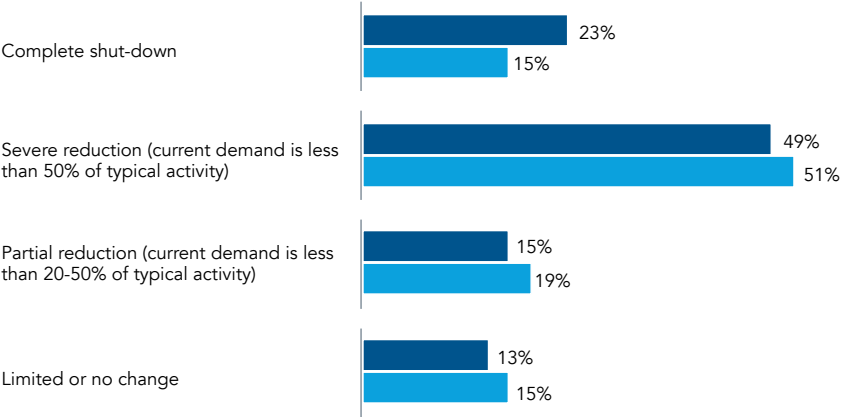
COVID-19 impact



COVID-19 impact

Unsurprisingly, most **aviation industry** respondents indicated that business activity severely contracted as a result of the COVID-19 pandemic, with a quarter of respondents reporting the pandemic resulted in a total shutdown of their business. Respondents who did not experience a notable reduction were primarily concentrated in the financial sector. Our latest survey indicates there has been a slight reduction in the share of businesses that are completely shut down, indicating some areas of the industry are potentially beginning to open up.

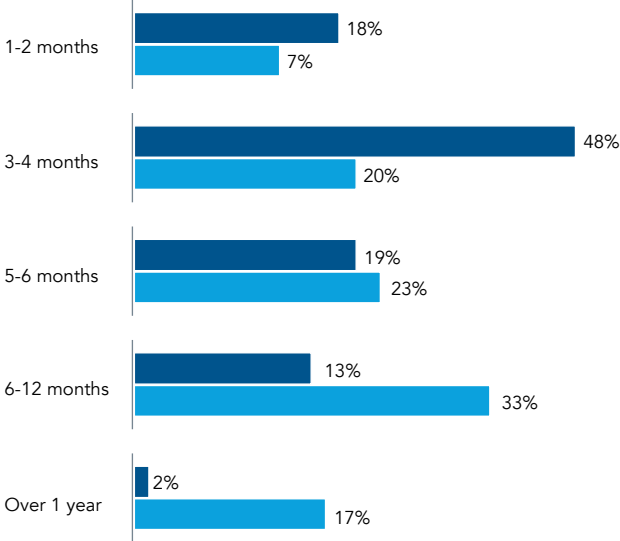
How has Covid-19 impacted your business?



■ March/April survey ■ May/June survey

As to how long business activity will remain depressed, half of the respondents now expect the severe shut-down period to last for at least six months, up from only 15% of respondents previously.

How long do you expect for passenger flight activity to be severely reduced (or stop altogether)?



As for **consumers**, regardless of location or reason for traveling, almost everyone (95%) is thinking differently about traveling in the wake of the COVID-19 pandemic.

Consumers' travel "muscle memory" will be tested as they venture back out into the world. People will dream, plan, book, and experience travel differently. Spontaneity will be characterized by those people anxious to "get out," while others will go deeper into research mode to find the best solution to allay their fears and concerns, and to protect their health and safety.

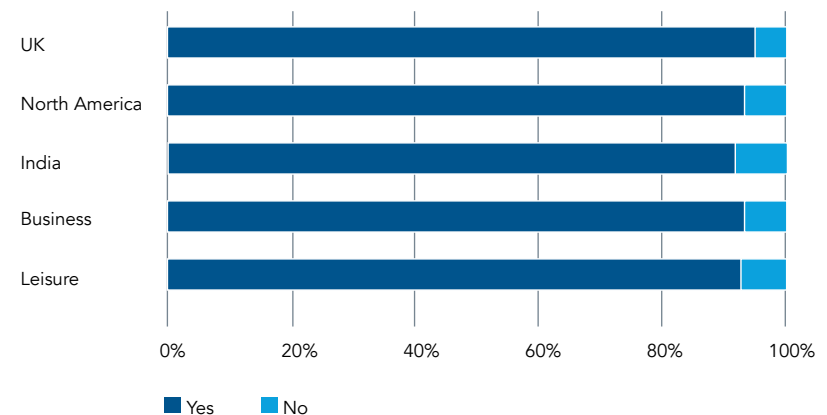
While counterintuitive to some, the leisure travel market is likely to come back to life in a more measured fashion, fueled in part by pent-up demand untethered by the constraints imposed by a sustained period of lockdown.

Traveler confidence has been hit hard. Travel brands will have a responsibility not to simply lure travelers back onboard aircraft, into hotels or back to destinations, but to convince them it is safe to travel, and that the industry has taken every precaution and applied rigid guidelines to mitigate risk.

A fundamental shift in consumer behavior offers a clear signal to a tourism industry anxious to reboot itself. These newfound consumer concerns and behaviors will stagger the return of travelers. Like window shopping, consumers will be tempted to buy what they see in the showroom. However, they will resist the natural urge to book more exotic offerings in favor of closer-to-home alternatives, reserving time and resources to do more research before taking the plunge.

Consumers will expect all parts of the value chain to be collectively committed to the highest standards. As neutral non-commercial entities, destination tourism organizations are uniquely positioned to play a vital role in brokering coalitions and ensuring the local tourism industry acts to consistently execute against expectations and to fulfill their brand promise.

Has the Coronavirus made you think differently about travelling?



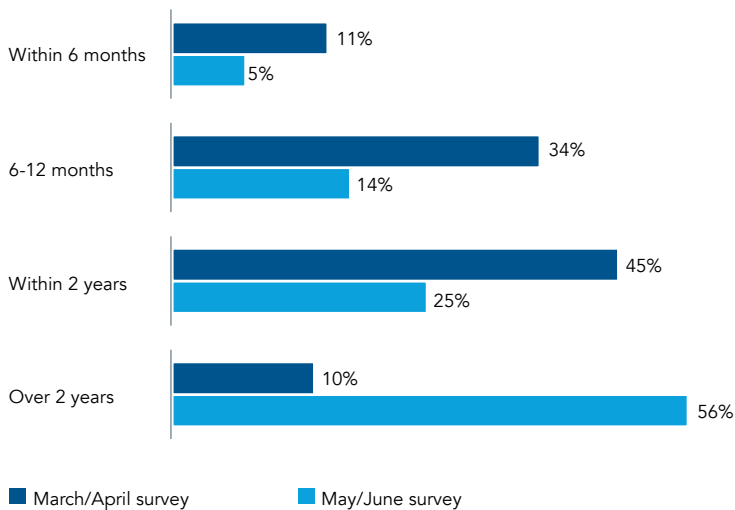
Recovery timing



Recovery timing

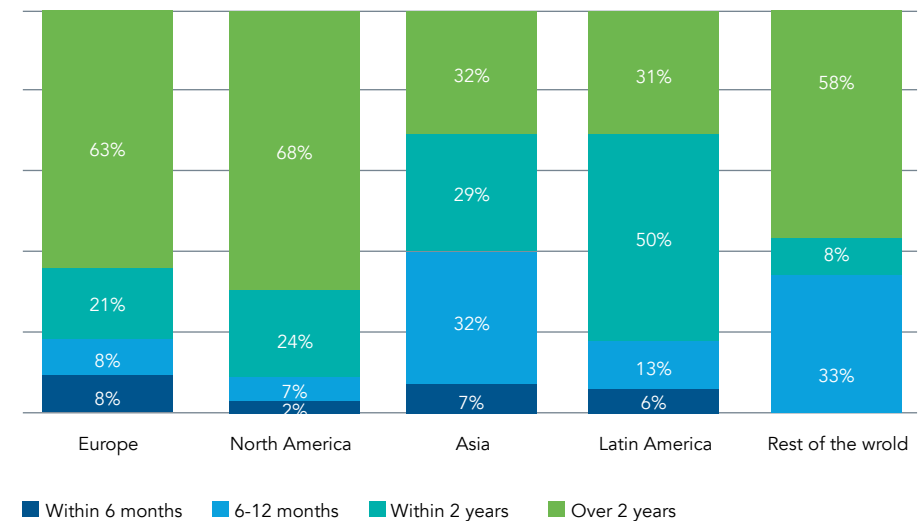
As the full extent of COVID-19 economy becomes more apparent, **aviation industry** respondents' views on the recovery timescales are becoming increasingly more pessimistic. Where just a month prior, most respondents expected a recovery to pre-crisis levels within six to 24 months, now over half of the respondents expect the recovery to take over two years. Within this category, 28% of respondents answered between two and three years, 24% answered between three and four years, and only 4% expected the recovery to take longer than four years.

Once regular scheduled flights resume, how long do you expect to recover pre Covid-19 levels of business activity?



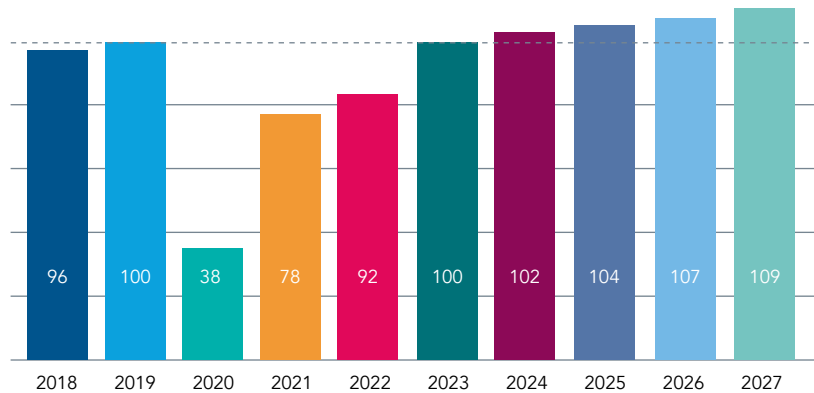
In terms of recovery timing, as in the previous survey, we observe regional differences in respondent's views. Respondents' in Asia are the most optimistic about the future rebound in business activity, with almost 40% expecting a full recovery to pre COVID-19 levels in less than 12 months (compared to 60% in the previous survey). On the other hand, respondents in Europe and North America are the least optimistic, with two-thirds expecting the recovery to take up to two years or more. All regions have seen respondents more pessimistic about the recovery timetable than a month prior.

Once regular scheduled flights resume, how long do you expect to recover pre Covid-19 levels of business activity?



These survey results are consistent with ICF's view on the recovery. In our recent report, [COVID-19 air passenger recovery phases and forecast](#), we forecast global passengers to recover to 2019 levels in 2023 (a three-year recovery). Our forecast predicts global air passenger volumes in 2021 to be 22% lower than 2019 levels.

Exhibit 3: Global passengers forecast (Indexed, 2019 = 100)*

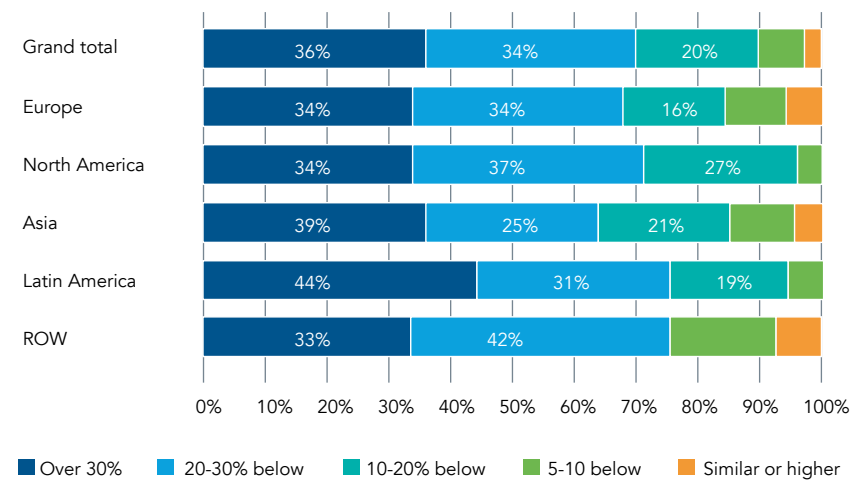


*This forecast assumes that a cure or treatment is available in Q1 2021. Source: ICF analysis

It is increasingly looking like 2021 will also be a very challenging year. Whether the strict travel restrictions and quarantines are still in place or not, it will likely take time to recover consumer confidence in travel. This is in addition to the economic hardships many consumers will face following job losses, reduced economic activity, and supply-side pressures from airline bankruptcies and fleet downsizing.

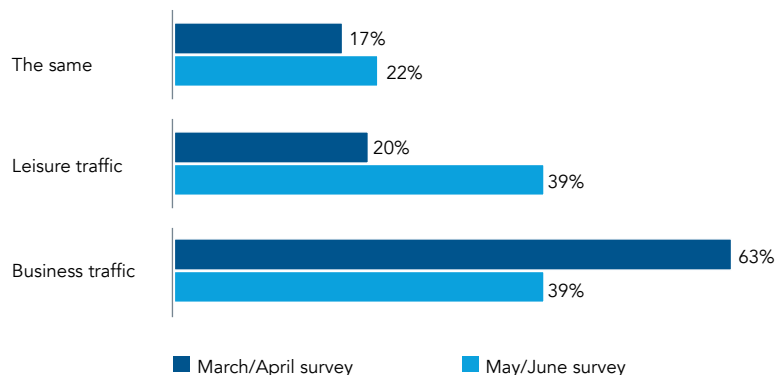
To delve a little deeper into respondents' expectations for 2021, we asked how they expected the year to look relative to pre-crisis levels. Aside from a small proportion, all respondents expect 2021 traffic to be well below pre-crisis levels, with the vast majority expecting traffic levels to be at least 20% lower in their region than pre-crisis levels.

How will 2021 air traffic in your region compare to 2019 levels?



In terms of which market segment recovers first, there is far less consensus. Previously there had been a strong preference for business travel to recover ahead of leisure travel. This may reflect a belief that working habits have undergone a structural change; the widespread adoption of video-conferencing and teleworking may well continue beyond this crisis, leading to reduced travel demand. Companies, like leisure consumers, will be tightening their belts in the face of what is fast becoming an economic crisis as much as a health crisis. It is also plausible that companies will apply more caution in resuming travel due to concerns over employee safety.

Which traffic segment do you think will recover first?



Consumer travel intentions

Our **consumer** responses suggest that air travel will lose favor to road on short-haul sectors (domestic, intrastate, and interstate), where practical. These short-duration bursts will relieve the pressure of being in containment as humans go about in search of civilization. “Staycations” will also be an alternative for travelers less adventurous but looking to venture out —just not too far from home.

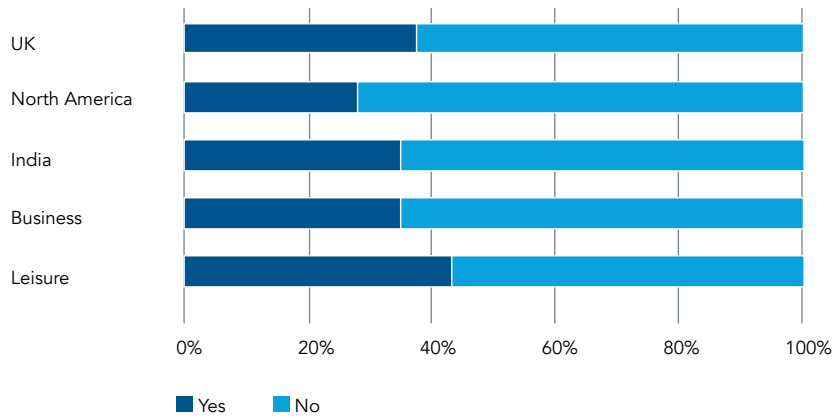
The temptation to travel will not necessarily extend to large cities. This pandemic has rocked the core of consumers the world over, and travelers will tread delicately, mindful of situations that might compromise their new-found interpretation of social distancing.

- Most respondents (67%) believe they will not travel abroad through the remainder of the calendar year, particularly in North America (71%), with leisure travelers slightly more optimistic than business travelers (59% versus 67%).
- Of respondents who will fly, they all believe it will be within six months of lockdown restrictions being lifted in their local area, though only 20% say they would fly immediately.
- Of those respondents who will not fly this year, the most likely travel alternative (particularly in North America) is by car.
- Of those respondents who do plan to fly, Europe is the most common destination (68%), though many in North America intend to make domestic flights (71%).

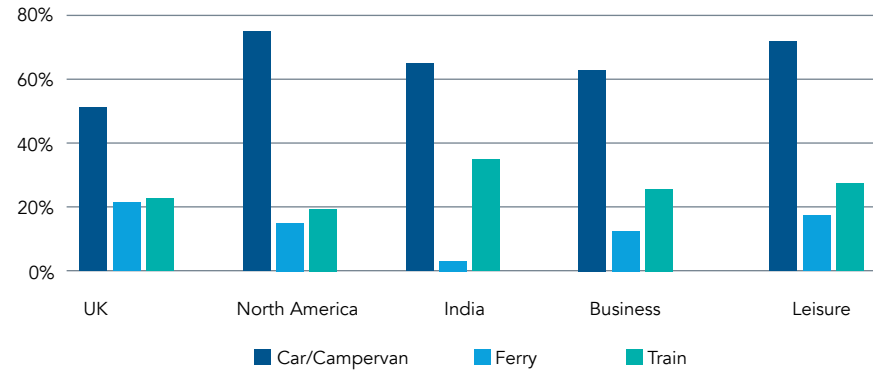
Ultimately, longer-haul and off-shore travel demand will experience an uplift only once the crisis is under control, international borders begin to open back up, and the “free trade” of travel resumes.

The virus has played havoc to varying degrees across the globe and will force travel “bubbles” to emerge (moving from one “safe” region/country to another) rather than the skies completely opening up for all, until a treatment or cure is widely available.

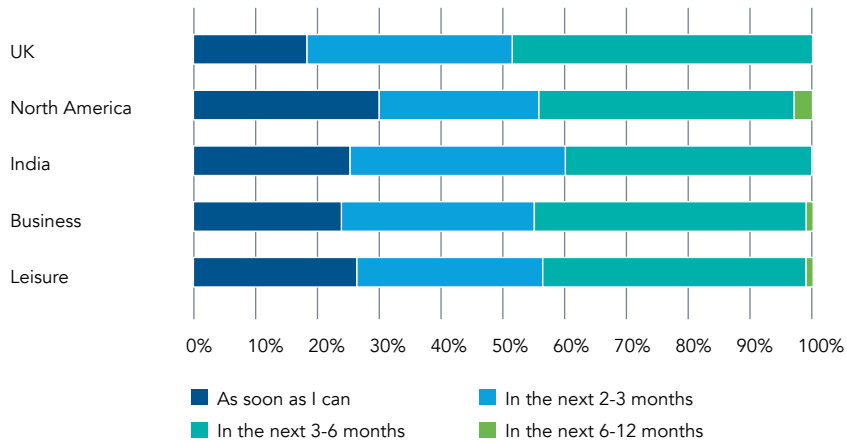
Do you think you will travel abroad this year?



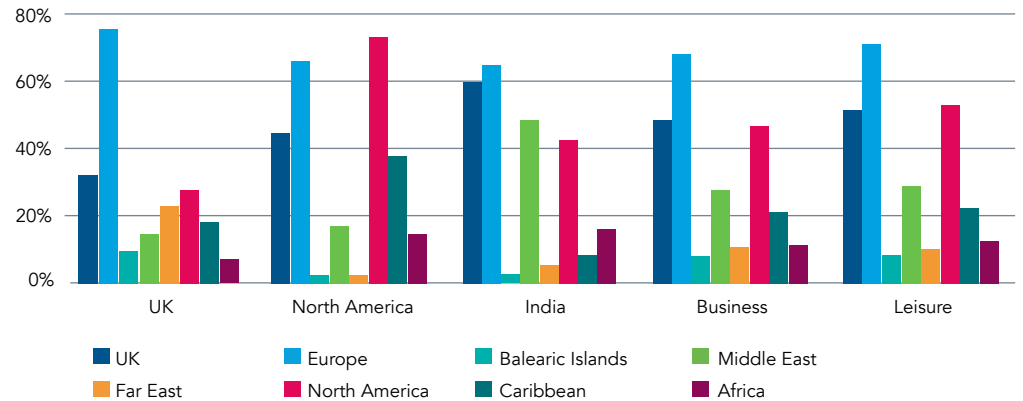
Would you consider traveling instead via:



If the lockdown restrictions are lifted, do you think you will fly?



If you do travel where would you be likely to go?



Business travel

Business travel will likely endure an erratic path as it navigates through the recovery cycle.

- How soon respondents are prepared to resume business travel is widely varied and does not differ significantly by market.
- Most of the respondents (70%) intend to reduce their travel to conferences. A few respondents (11%) will do so for the foreseeable future.

Corporate business expenditure will go under the microscope. Finance departments will apply stricter controls and guidelines around travel and expenses, pushing for much less travel and entertainment activity when business resumes. This will have a significant effect on local tourism economies as business travelers limit the use of their corporate credit cards.

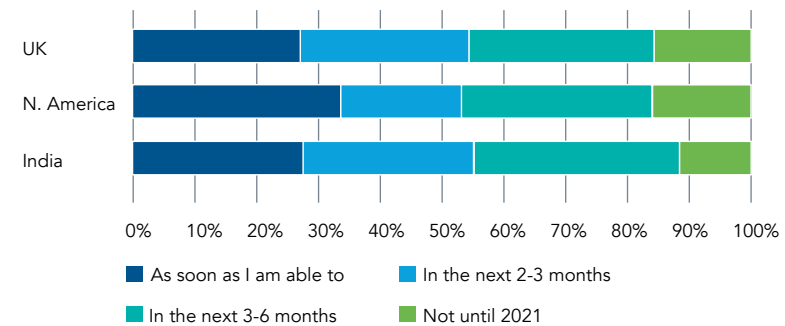
The conference, groups, and meetings segments will be hardest hit. Consumer sentiment and the optics of large group gatherings will be largely considered socially and corporately irresponsible for the time being.

The COVID-19 pandemic has challenged the economic survival of small and medium-sized enterprises. As business resumes, this segment will likely view travel as a luxury rather than a necessity, continuing to leverage digital technology to stay engaged with consumer and colleagues.

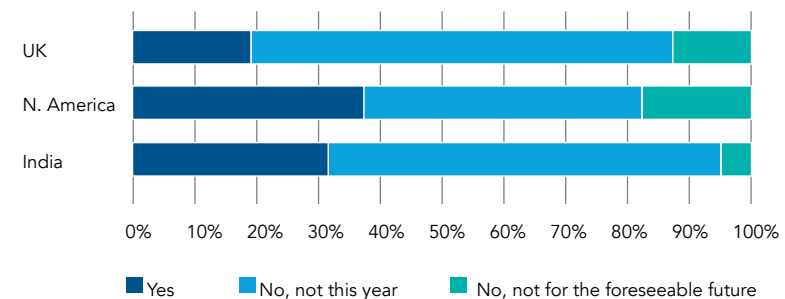
Hotel companies will face a stuttered return. Limited-service, mid-scale, and extended-stay brands, however, will fare better than others as budget-conscious travelers across all segments begin to travel again.

These segments are already seeing small green shoots of regrowth and are anticipated to be sustained benefactors of the upswing in demand. In the foreseeable future, higher-end luxury brands will pay the penalty for price points out of reach of business travelers and travelers with constrained budgets. This will put pressure on revenue management practices to attract demand without decimating rates and erasing profits.

How soon will you be prepared to travel for work?



Once lockdown restrictions are lifted will you attend as many conferences/exhibitions as you did before?



Travel duration and behavior

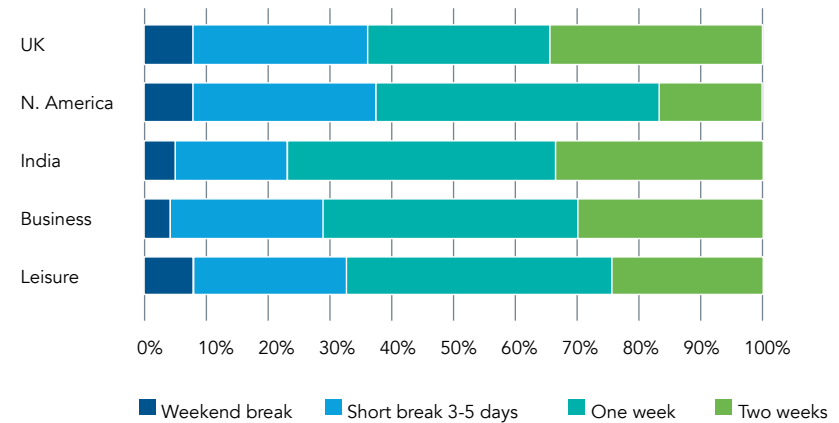
Traveler behavior and spending patterns will recalibrate too. With travel returning in baby steps (shorter distances, shorter duration), ancillary activities like group experiences, dining, and local attractions will be more sparingly built into itineraries. People will not cram too much into their days, avoiding large gatherings and allowing for more downtime and flexibility in their daily schedules. That will, in part, be exacerbated by supply: less tourism attractions and experiences will re-open, many having fallen victim to the harsh business realities of an extended shut-down.

- Of those respondents who will travel, approximately a third (39%) intend to go for one week.
- The majority of respondents (69%) intend to pay for their holiday by credit card. Only 4% of respondents intend to pay for their holiday entirely using air miles.

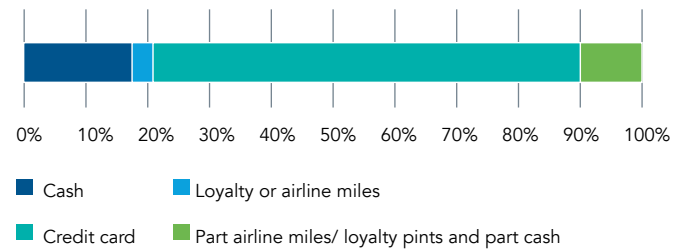
Consumer spending appetites will be diminished, another by-product of the economic slowdown predicted, and already under way. Some travelers will also turn to their travel loyalty and credit card point balances to redeem currencies in favor of cash, at least in the near-term.

Dining out may be preferred over in-hotel restaurants, driven more by a yearning for a change of scenery rather than for hygienic reasons. Over time, assuming no recurrence of the virus and assurances from travel providers that hygiene standards are being met, consumer confidence will grow.

If you go, how long will you go for?



How will you pay for your holiday?



COVID-19 impact on passenger behavior



COVID-19 impact on passenger behavior

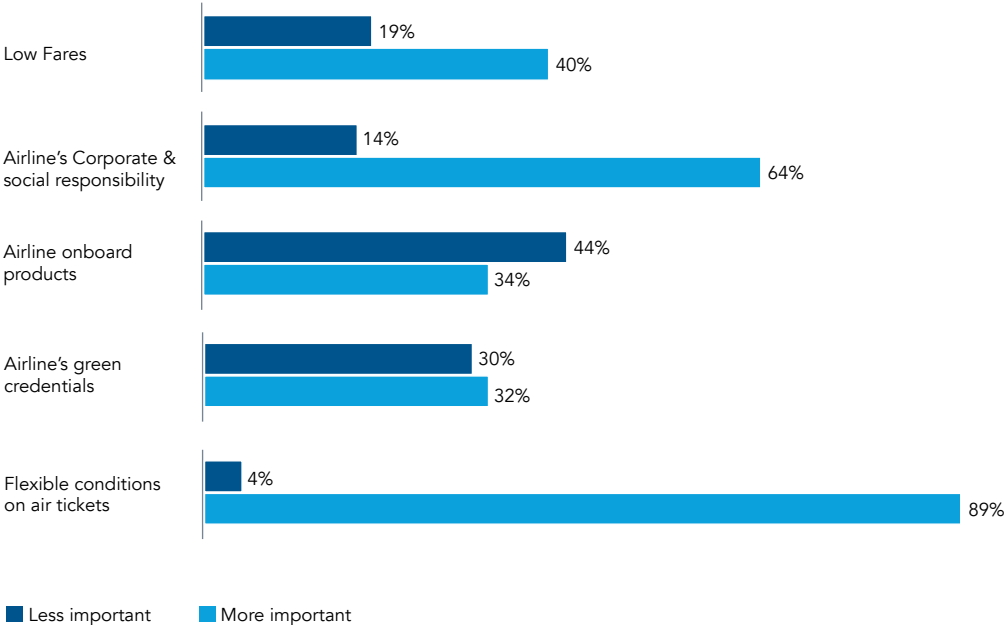
In our **aviation sector** survey, we asked a new set of questions regarding passenger behavior, focused on the relative importance of the decision factors facing prospective passengers. The COVID-19 pandemic has had widespread and disruptive impacts on peoples’ lives, and travel companies are having to respond to the changing demands of their consumers.

Unsurprisingly, given the economic impacts, a large share of respondents (40%) felt that low fares would become even more important to consumers. However, despite the prevailing importance of fares, nearly two-thirds of respondents thought that an airline’s corporate and social responsibility image will become increasingly important to consumers, demonstrating the critical importance of trust in persuading consumers to fly again.

There was a lack of consensus on whether product or green credentials— aspects only tangentially related to the current crisis—would become more or less important to consumers.

Where there was no doubt in respondents’ minds was the importance of offering flexible conditions on all fare classes of tickets. Nearly 90% of respondents expected this to become a more important factor. Traditionally sold as an ancillary product, flexibility will now be expected by consumers who may fear secondary virus peaks and related travel restrictions.

How do you think the importance of these factors will change post Covid-19



Consumer expectations of industry response

According to **consumers** surveyed, the travel and tourism industry must go in search of a greater good in the next phase of its journey. Accelerating tourism recovery efforts is one thing—doing it responsibly, with an eye to building a more resilient future for global tourism, is another.

- About half of respondents (51%) believe airlines are doing enough to restore the public’s confidence in air travel, though the portion is significantly higher in India (75%).
- When it comes to national governments, only 30% of respondents in the UK believe their government is doing enough to restore public confidence in air travel, while the proportion in the United States is 60% and is highest in India at 79%.
- Just over half of respondents (56%) believe airports are doing enough to restore public confidence. In India, the proportion is significantly higher (77%).

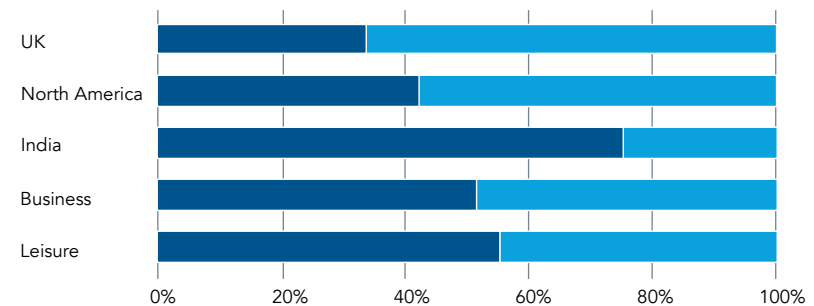
As the aviation industry emerges from this crisis, communication cannot be understated. The more transparent and consistent travel companies are in how they communicate to consumers, the more consumers will feel confident they can re-engage with service providers across the travel value chain.

Collaboration will likely also be a central theme in this recovery phase. Unprecedented times often call for unconventional solutions. Forming “travel and tourism alliances” among unlikely players might be one such catalyst to help the industry get back on its feet.

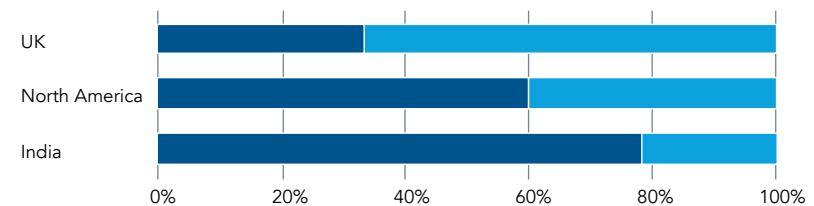
Consumers will be expecting airlines, hotels, tourism boards, airports, and the like to join forces to tackle this widespread challenge. Peace of mind is top of mind, and potential travelers will be expecting consistently high standards of health and hygiene across the entire travel experience

Do you think [airlines] are doing enough to build the public’s confidence to fly again?

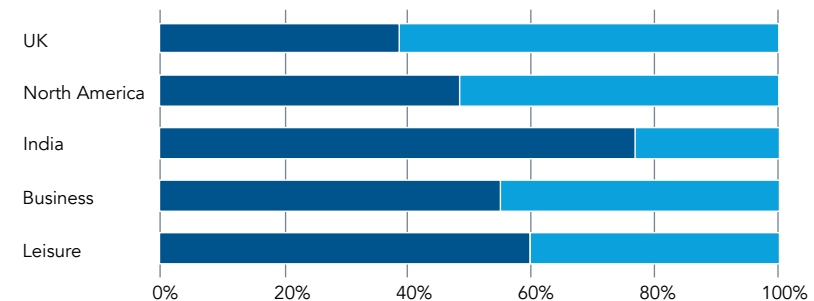
■ Yes ■ No



Do you think [the government] is doing enough to restore the public’s confidence to fly again?



Do you think [airports] are doing enough to restore the public’s confidence to fly again?



Government and policy responses to COVID-19

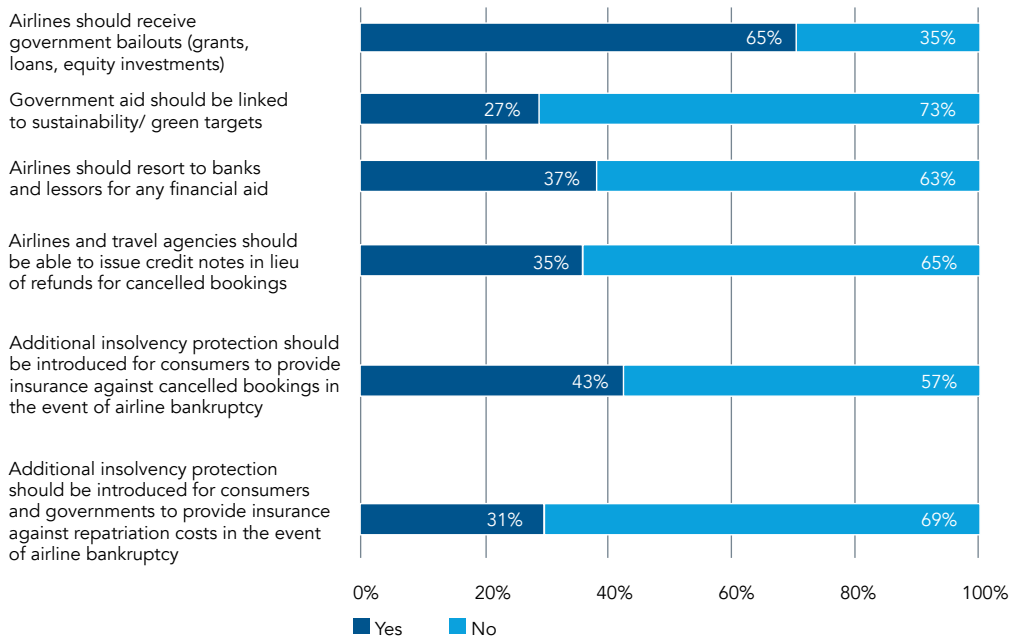


Government and policy responses to COVID-19

The COVID-19 pandemic has put the whole aviation industry under immense pressure, and governments around the world are considering their options in terms of policy measures to support the industry and its consumers. We asked **aviation sector** respondents whether they supported the use of a number of different policy measures.

The overwhelming majority agreed that airlines should receive government bailouts, a policy already enacted in a number of high-profile cases. This was a more popular idea than that of airlines being left to rely on banks and lessors for any financial aid.

Do you agree with the following regarding financial assistance to airlines?



There was considerably less agreement that government aid should be linked to sustainability targets (as seen with the government bailout of Air France).

Three policies were related to consumer protection, in the event that airlines cancelled bookings or became insolvent. Airlines and travel agencies are often required to issue full refunds for cancelled bookings within a relatively short period. In circumstances in which many airlines have effectively been grounded for over two months, this has presented considerable challenges to airlines and agents in terms of administration and cash flow.

Some countries have allowed for a softening of the rules around refunds, allowing credit notes to be issued in their stead; however, this was not a particularly popular option among respondents.

More popular among respondents (but still less than 50%) was the idea of additional insolvency protection for consumer against cancelled bookings. Many consumers are already protected against this risk through travel insurance (if airline insolvency is covered) and/or their credit card (if used to purchase tickets). However, this coverage can vary by region, and there was also some support among respondents for additional protection for consumers.

Related to this is additional protection to cover repatriation costs in the event of an airline's insolvency. Again, some consumers are already covered via a patchwork of insurance and package holiday schemes (e.g., the United Kingdom's Air Traveler Organiser's License [ATOL]), but in practice, governments and passengers often incur considerable costs during repatriation efforts. Despite the extreme financial risks faced by airlines, only 30% of respondents supported this policy. With so few passengers flying right now, repatriation is possibly not top of mind at the moment.

COVID-19 impact on sustainability



COVID-19 impact on sustainability

The last major global crisis, the Great Recession of 2008-2009, derailed attempts to tackle aviation carbon emissions on a wide scale, as governments instead prioritized actions to spur economic growth. There is widespread concern that COVID-19 would have a similar impact on recent initiatives to curb emissions (e.g., the Carbon Offsetting and Reduction Scheme for International Aviation [CORSIA]).

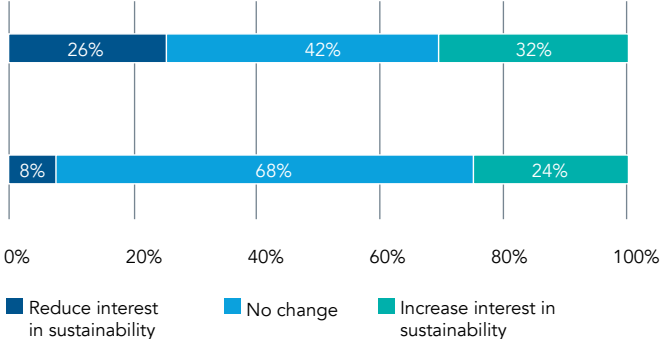
Aviation industry views on sustainability

The latest results of our **aviation sector** survey largely mirror the results in the previous survey, with many respondents replying that their company's commitment to environmental sustainability would stay the same or increase rather than reduce as a result of COVID-19. While not materially different from responses in the previous survey, it is notable that this response remains popular in the face of generally worsening views on the severity of the current crisis—and the length of time it will take to recover.

How will COVID-19 impact...

The aviation industry's carbon reduction and sustainability goals?

On your company's carbon reduction and sustainability goals.



Consumer views on sustainability

Consumers responding to our survey consider sustainability to be a high priority for a travel and tourism industry that had, before the COVID-19 pandemic, made early inroads with responsible actions and commitments to tackle this important issue.

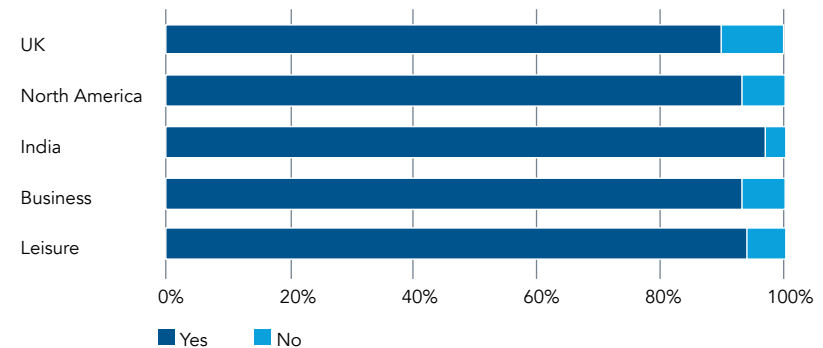
- Almost all of the respondents (94%) believe the travel industry should put more focus on sustainability in the future.
- Most of the respondents (88%) would consider choosing a more sustainable journey in the future.

The term “sustainability” has broad connotations for an industry deeply invested in communities around the world—an industry that spans economic, social, and environmental sustainability. Consumer sentiment suggests a comprehensive view of sustainable practices and a set of tangible actions from a travel industry about to essentially reboot operations.

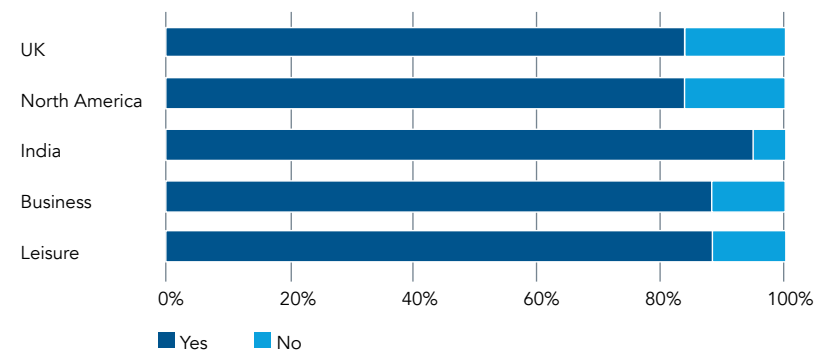
For many countries and regions, tourism represents one of the biggest exports, generating much-needed revenue and job creation to sustain local economies.

The positive impact of cross-cultural interactions, and the transfer of learnings and knowledge, will be considered foundational by consumers who expect a responsible travel and tourism industry to emerge from this crisis. In the future, more conscientious consumers will judge the industry on how it leaves a lighter footprint through reduction in single-use plastics, or lower emissions and waste.

Do you believe that the travel industry should put more focus on sustainability in the future?



Will you consider choosing a more sustainable destination or airline over others in future?



Global Contacts

Please contact us with any questions about this survey, or for more insights related to the impact of COVID-19 on commercial aviation and consumer behavior.

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