

BRIEF TOURISM & TRAVEL UPDATE

**3 2018 & 2019 IN TRAVEL
AND TOURISM**

**4 THE MARKET SITUATION
CURRENTLY**

**7 WHERE IS THE MARKET
GOING**

8 WHAT TO DO NOW



HRB
HOSPITALITY
MANAGEMENT
SOLUTIONS

INTRODUCTION

Dear GBO member,

We have developed this presentation for GBO members considering different sources. During this process we have filtered and compared statistics from different channels to deliver an accurate report.

Considering the amount of reviews and reports being delivered lately, we do not want to present exhaustive and technically sophisticated information, but rather easy to understand figures. The analysis contained in this report are based on the sources we mention at the bottom, which in some cases are part from their primary and secondary sources.

There is no precedent for an international crisis affecting public health and the economy in such a scale, which makes difficult to predict scenarios and trends associated to this phenomenon. We strongly encourage members to remain well informed and verify reports with different sources to get a better understanding of the global COVID-19 crisis impact.

To understand the tremendous impact on Travel and Tourism Industry we start this brief report by exposing 2018 & 2019 statistics, followed by our impressions about the market and the last topic is exclusively dedicated to share some general marketing suggestions and actions for companies, some these measures for immediate implementation.

We hope you find it useful!

With kind regards,

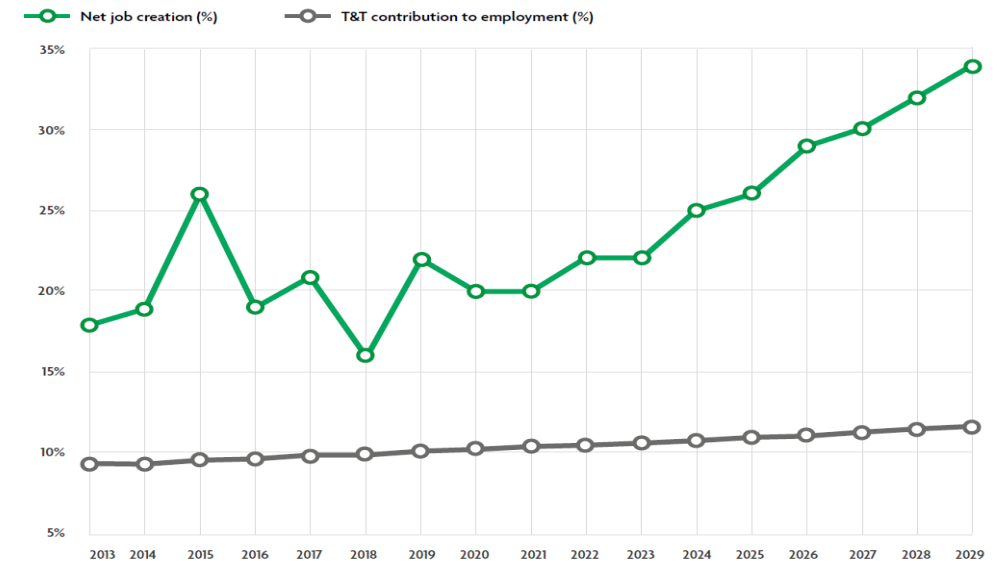
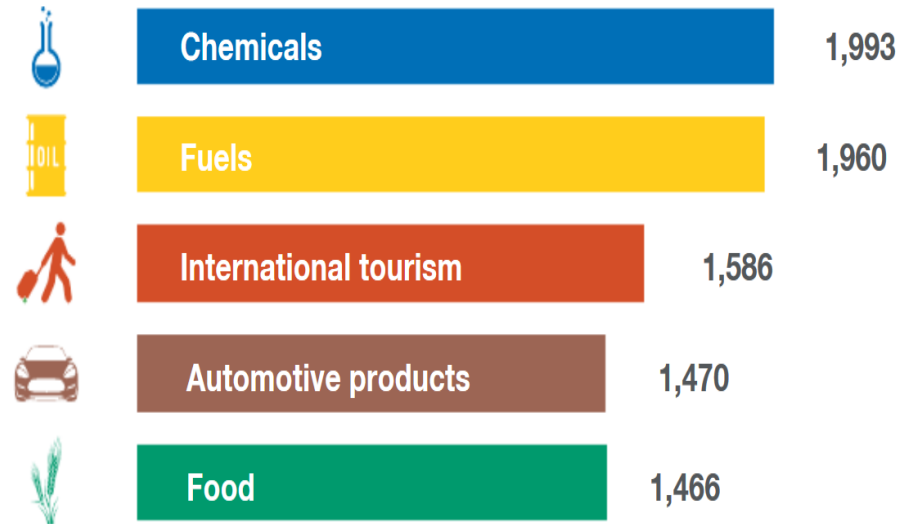
Hamlet Ramírez

CEO Hospitality Management Solutions

Sources : World Travel & Tourism Council , The World Tourism Organization , World Economic Forum, IATA, The economist, The Wall street Journal, Financial Times, Frankfurter Allgemeine, Hosteltur, Preferente, KPMG, Travel daily news, Hotelier Magazine, McKinsey & Company, Deloitte

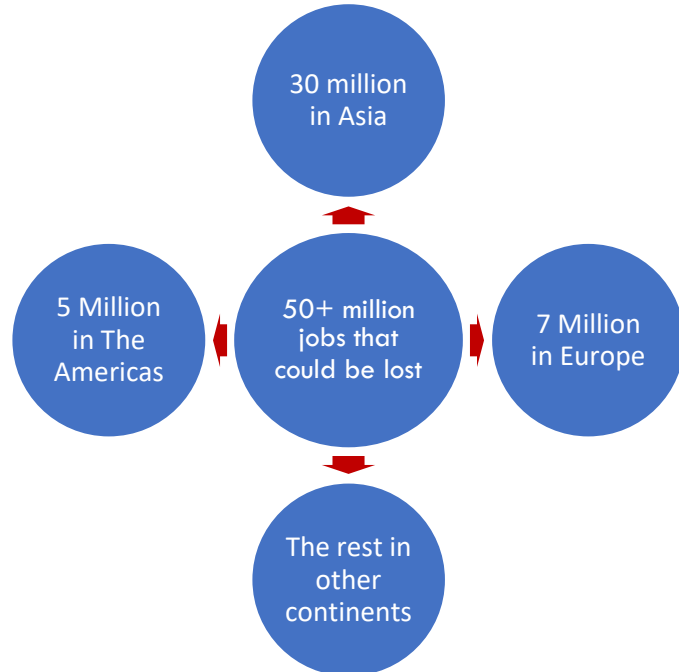
2018 & 2019 IN TRAVEL AND TOURISM

- In 2018 the industry generated 10.4% of world's GDP
- 2018-2019 Growth = +3,8%
- In 2019 the industry generated 10.2% of world GDP
Geopolitical and social tensions and the global economic slowdown contributed to a slower growth in 2019, it affected mainly advanced economies and particularly Europe and Asia and the Pacific.
- In 2018 it was said that by 2029 the industry contribution to GDP would be expected to rise by nearly 50%
- International tourists increased + 69 % between 2009– 2019
(as per *World Travel & Tourism Council*)
- International Tourism is the world's third largest export category
1 in 10 direct occupations
- Jobs 2019 = 320 Million 1 in 10 direct occupations
- T&T 2019 generated 1 of every 4 new jobs
- Key Movers :
Spain and France are the top performers for the report.
The top 10 are, from highest to lowest score: Spain, France, Germany, Japan, the United States, the United Kingdom, Australia, Italy, Canada and Switzerland.

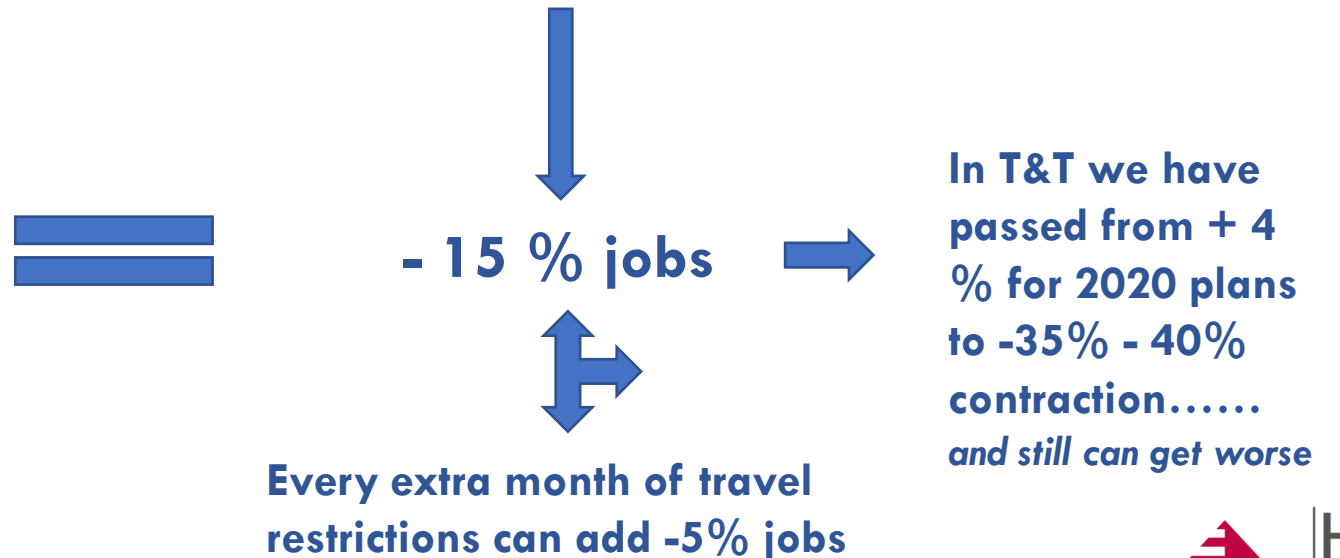


THE MARKET SITUATION CURRENTLY

- The origin of this crisis is not related to macroeconomic performance. The last crisis in 2008-2009 affected first banks but now it hits citizens and companies directly.
- Businesses forget three-year planning to focus on fighting for three-month survival. Liquidity is a big issue.
- The current performance indicates that the global GDP will contract round 3 – 3,3 %
- The Tourism & Travel Industry might contract between 35 – 40 % considering current predictions. Some scenarios consider -55 %
- The public sector is already starting to participate and nationalize temporary strategic companies in Travel sector :
US will dedicate € 22.7 billion to the rescue of national airlines, Air France – KLM will receive "massive support" from the State and could be nationalized, Italy studies the nationalization of Alitalia, the three main air alliances (Oneworld, Sky Team and Star Alliance) urge governments to take measures to support the sector.



3 months of global travel in 2020 could lead to



THE MARKET SITUATION CURRENTLY

- Only for the airline industry annual loss is expected to be \$210-252 billion , minimum contraction of 40 -45%
- 75 % of airline companies have liquidity only for 3 month
- COVID crisis has created tension between different sectors of Travel & Tourism:

Travel agencies VS Airlines :

Thousands of flights cancelled → Passengers are entitled to reimbursement → But airlines offer vouchers
Leaving agencies vulnerable to the customer → Airlines do not have the liquidity to return everything

TTOO & OTA VS Hotels:

Booking.com allows customers to cancel without penalties → but did not inform Hoteliers previously → Hoteliers finances damaged with no option to offer the customer a deferment instead of direct refund.

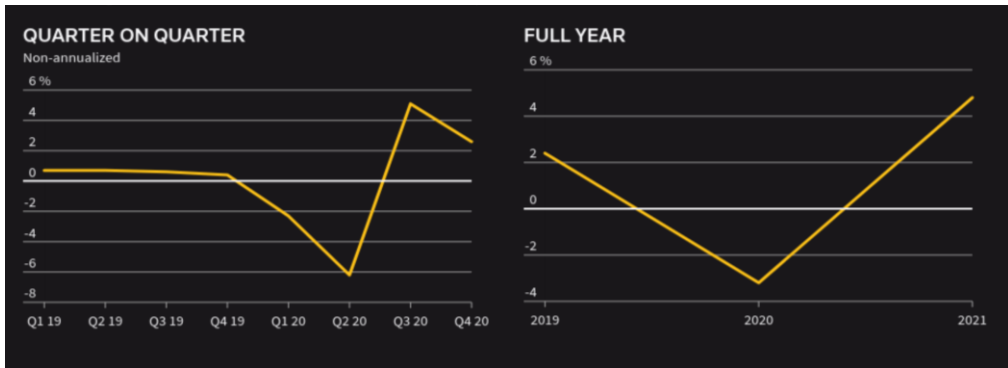
- The potential recovery scenarios change almost daily, predicting and forecasting is extremely difficult.
- 50 to 60% of potential tourists are planning to spend summer holidays in their countries and postpone travelling for 2021.
- Due to uncertainly and difficulty to make predictions some destinations and companies are planning to resume activity directly in Q1 2021.
- Some airlines are planning to resume operating partially in late Q2, or Q3 - Q4.
- The hotel property market begins to oversupply, and sales prices begin to drop.
- Frictions arise between different T&T sectors regarding strategic recovery plans and aids to the industry.
- Some companies in the sector do not want to adapt their business model to the new situation, therefore there are conflicting interests that may delay national macroeconomic responses in some market destinations.

THE MARKET SITUATION CURRENTLY

FOUR POSSIBLE SCENARIOS FOR RECOVERY PROCESS

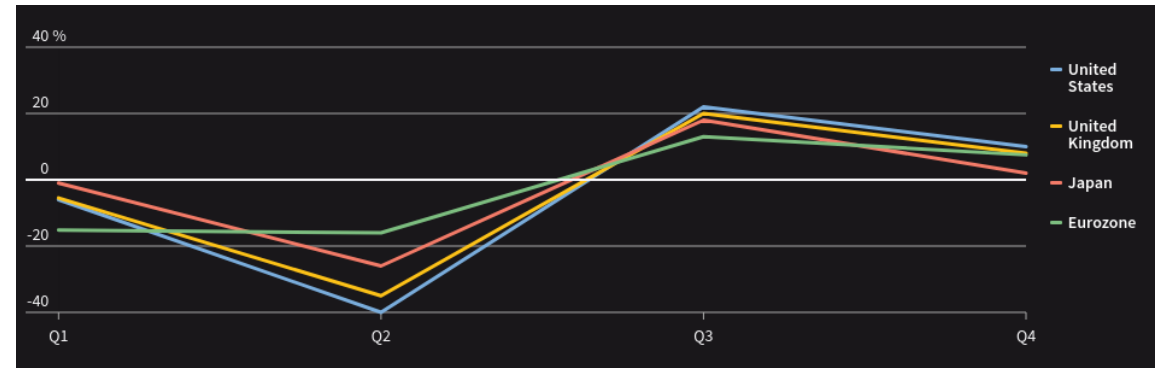
V-SHAPE – The best-case outcome !

The contraction is followed by an equally sharp recovery
The peak in new cases will be delayed until May, it creates a larger economic contraction in Q2, but a stronger recovery in Q3
very unlikely.....



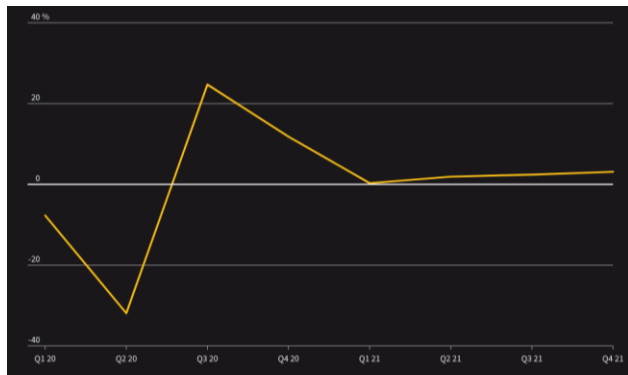
U SHAPE : Recovery takes +2 Quarters

Lockdown measures relaxation will be gradual while social distancing will continue, and the tourist industry will likely continue to suffer
could be the, will know it in 2 weeks time.....



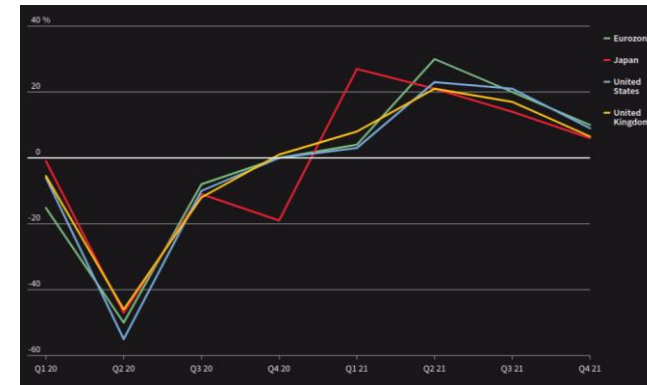
W-SHAPE – Double dip recovery

Lockdown relaxation boosts activity but the effects of unemployment and corporate bankruptcies then start to filter through



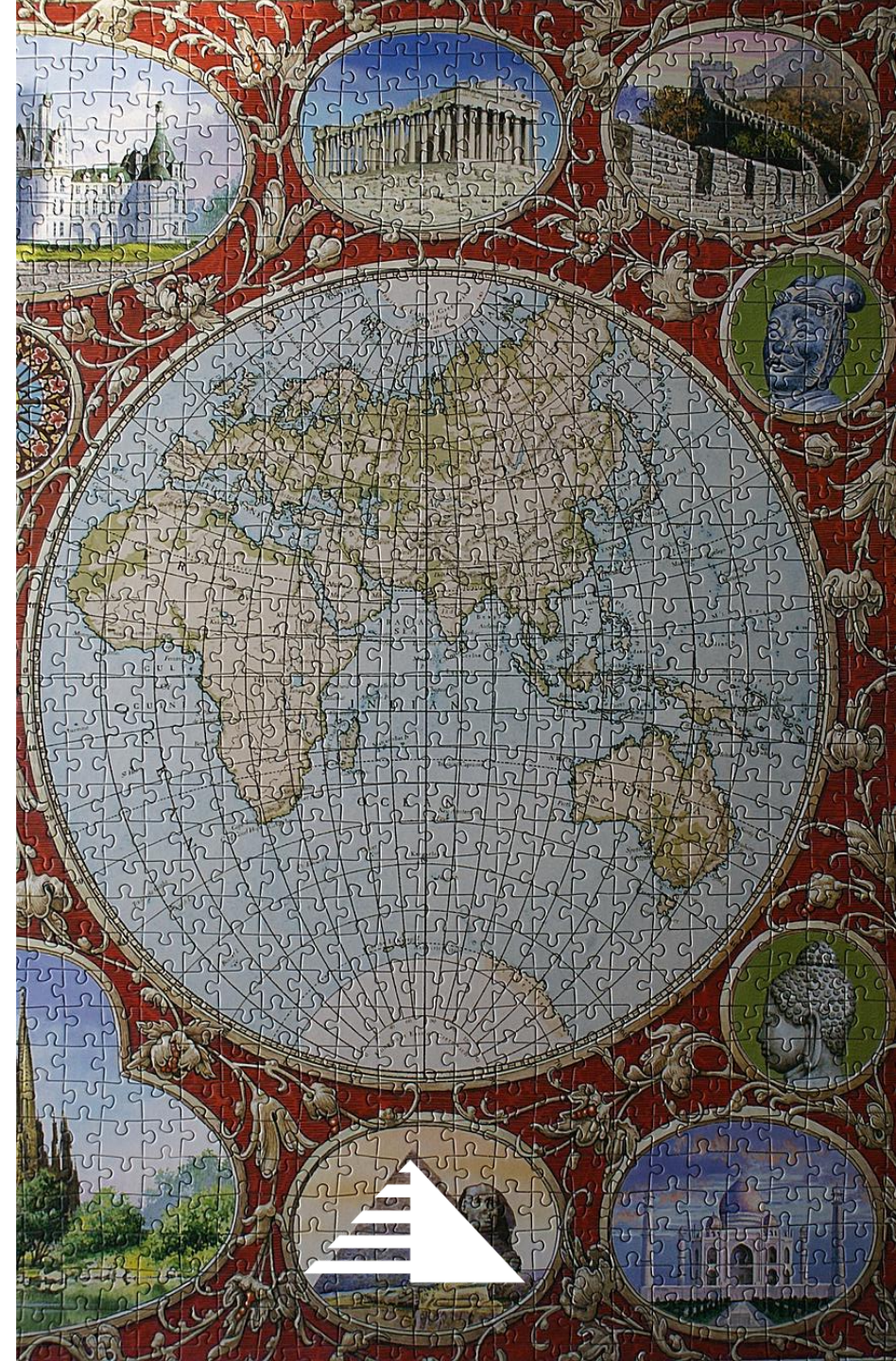
L -SHAPE – It does not recover for some time

The virus tally continue rising, forcing protracted lockdowns
currently very unlikely.....



WHERE IS THE MARKET GOING

- Governments are likely to no longer so merrily relocate the production of essential and strategic supplies
- Commercial barriers will be reviewed
- The debate on deglobalization will continue in the background until the spread of the virus and its consequences are contained
 - We expect a full recovery by 2023, based on how the travel industry recuperated from past slumps, once the situation has stabilized
- Estimated global activity resuming by Q1 – Q2 2021
- The excess of offer for a very limited demand, this will increase the very last-minute reservations behavior forcing players to gain flexibility and capacity to react in time
- The relationships between TTOO and hotels or tourist destinations will be reviewed
- Delays and defaults in payments and credits
- Consumers will be more sensitive to aspects such as public health and safety
- The lack of international demand for some destinations will be partially supplanted by domestic demand
- Digitization and new technologies continue to gain prominence and companies that do not consider this reality may disappear
- Some tourist destinations will be affected in the short term due to the lack of temporary services
- The Average spent per tourist will decrease dramatically



WHAT TO DO NOW



Prioritize

people safety and continuous engagement

- Ensure safety and wellbeing of employees
- Prioritize General Interest as strategy
- Opportunity to engage talent assuring the business continuity
- Reinforce flexibility



Reshape

strategy for business continuity

- Evaluate short-term liquidity
- Assess financial and operational risks
- Monitor direct costs
- Monitor the pressures that may be impacting some customers, suppliers, contractors or partners.
- Consider alternative supplies and suppliers



Communicate

with relevant stakeholders

- Clear, transparent & timely communications with all parties
- Inform about changes to reinforce health security, Transmit company and brand's values
- Sustainability, solidarity and social commitment
- Communicate tranquility



Maximize

the use of government support policies

- Monitor nation-wide government and organizational opportunities for support
- Identify and understand each offer of support
- Determine which offer are best for the organization



Build

resilience in preparation for the new normal

- Review and renew business continuity plans
- Execute based on revised plans
- *Conduct scenario planning using updated indicators*

Think about the next horizons of COVID-19. In the urgency of the moment, it's easy to lose sight of the actions that might be needed tomorrow

WHAT TO DO NOW

Choose convenient online channels for your business model and considering using online channels as much as possible to gain exposure

Upgrade and consolidation of online channels

Purchase models

Consider Local demand and expectations, sustainable, culturally connected experiences, social commitment, security, health awareness

Historically Luxury segmentation recovers first and although reducing their budget allocation for leisure, still consume and demands quality

Focus on Quality, Luxury segmentation suffers less

New clientele requirements & expectations

Last minute request, rapidity to answer, online face to face, cryptocurrency payments, flexibility on the offer and tailor-made packages, reinforce reputation and reviews policies

Redefinition of communication channels :
Social networks, online, influencers, community groups, content platforms, etc.)
Reduction of catalogs, brochures
SEO / SEM on online platforms

Improve and update of marketing mix

5 MARKETING PRIORITIES

WHAT TO DO NOW - MORE MARKETING & SALES ACTIONS

Update Your Website

Interact with Customers and Employees

Update Your Business in “Google My Business”

Inform potential customers know what has changed. Update your hours and business description, share Google Posts with updates and offers

Audit Your Marketing Assets

Kept an inventory of your content assets— photos, videos, blogs, email, presentations, white papers, e-books, and others

Review your Analytics and Sales/lead Data

What is in the analytics data that you have missed , compare offline and online trends and determine what you could fix today that you have never had time to do

Record Videos Today for Social Media Use in the Future

Brand Photoshoot and Video

Perfect time to get your brand video and/or photoshoot completed if pending

Evaluate and Enhance Your Digital Marketing

Digital marketing is faster, cheaper and more effective than traditional marketing. An email or social media campaign can connect a marketing message to a targeted subset of consumers for a fraction of the cost of a TV ad or print campaign, immediately.

Improve Your Online Reviews Strategy

Create a reviews policy and, if you have a good candidate, train an employee now to manage your online reviews going forward . Hire professionals if not.

Make a “Frequently Asked Questions” section or video

Create FAQ pages to enhance information about your business and ensure healthy SEO for your website through your FAQ

ABOUT US

Hospitality Management Solutions is a consultancy and management company supporting Hotels , Restaurants, Beach Clubs and Bars. We are based in Majorca but also work in other areas and countries. We offer the following services:

INVESTMENT CONSULTING – BROKERAGE

Study of investments viability . Development of sustainable projects with broad viability. Link investors to assets with attractive return on investment.

BRAND MANAGEMENT – REPOSITIONING

Brand development, positioning and management for hotels and catering business. Re-conceptualization and repositioning of brands. Market studies.

REVENUE MANAGEMENT – E-COMMERCE

Price and channel management to optimize revenue management through the average price per room (ADR), revenue per available room (RevPar) and occupancy. Positioning strategies and management for electronic commerce.

OPENING MANAGEMENT

Consulting and management for new asset investments , Investment feasibility analysis, Due Diligence, Conceptual design, Interior design, Architectural and schematic development, Brand creation and positioning. Management of pre-opening, Opening and post-opening processes for hotels.

HUMAN RESOURCES MANAGEMENT

Executive coaching, Professional development plans, In job training, Headhunting for executive profiles, creation of standards and operating procedures, creation of management strategies and development of human resources in the company.

OPERATIONAL AUDITS

Customized operational audits to optimize the performance of hotel and restaurant establishments. Rooms division Management – F&B – Quality Management – Purchase Management – Spa Management – Golf Resort Management – Event Management

HOTEL AND CATERING MANAGEMENT

For investors and owners who require management to start their hotel or catering ventures, short or long-term asset management. Also management during management changes, business redirection or strategic process changes.