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2021: Pandemic Travel Recovery: The Road Ahead

2020: U.S. Travel Industry's "Lost Year"

Generation X—ages 35-54—will lead the resurgence

- ▶ Based on Omnitrak's TravelTrakAmerica™, one of the world's largest profiling programs that surveys 9,500 U.S. households monthly. **TravelTrakAmerica™** is the only program that integrates travel profile with travel attitudes, future travel intentions and travel sentiment in a single data set.
- ▶ Baby Boomers (born 1946 to mid-1960s) have greater financial stability and remain interested in travel, but are most affected by concerns about travel safety.
- ▶ In normalized times (pre-pandemic), these "Active Gen X"™ travelers tended to spend more per trip and travel in larger groups than other age groups. **TravelTrak America™** monthly 2019 data show that Active Gen X™ travelers spent an average of \$914 per trip, vs. \$724 for Boomers and \$836 for Millennials (age 18-34). **Active Gen X™** travelers reported an average of 2.49 persons per travel party, compared with 1.79 for Boomers and 2.42 for younger adults.

Drive vs. Fly: Americans turn to auto travel

- ▶ TravelTrak America™ monthly data for 2018-2019 show drive travelers have typically outnumbered air travelers by a factor of five to one. Given the perceived relative safety of automobile vs. air travel during the COVID-19 pandemic, drive travelers expanded further to outnumber air travelers by a factor of eight to one in 2020.
- ▶ Looking ahead, TravelTrakAmerica™ data show that this gap could widen further in 2021, as drive travel demand has recovered significantly faster than air travel demand.
- ▶ In fact, future auto travel intentions weakened but did not plunge in 2020. Travel intentions in the fourth quarter ended the year relatively even with first quarter levels.

Leisure travelers will lead the way, with business travel lagging considerably

- ▶ Recovery in business travel to prior levels not expected until 2024
- ▶ According to the U.S. Travel Association, domestic leisure person trips nationwide are not forecasted to return to pre-COVID levels until 2022, and domestic business person trips are not projected to approach such levels until 2024.

The global availability and administration of effective COVID-19 vaccines will play an essential role in the U.S. recovery. The travel industry remains subject to many factors beyond its control, including national public health policies; economic volatility; and international travel restrictions to and from the U.S.



2020: The “Lost Year”

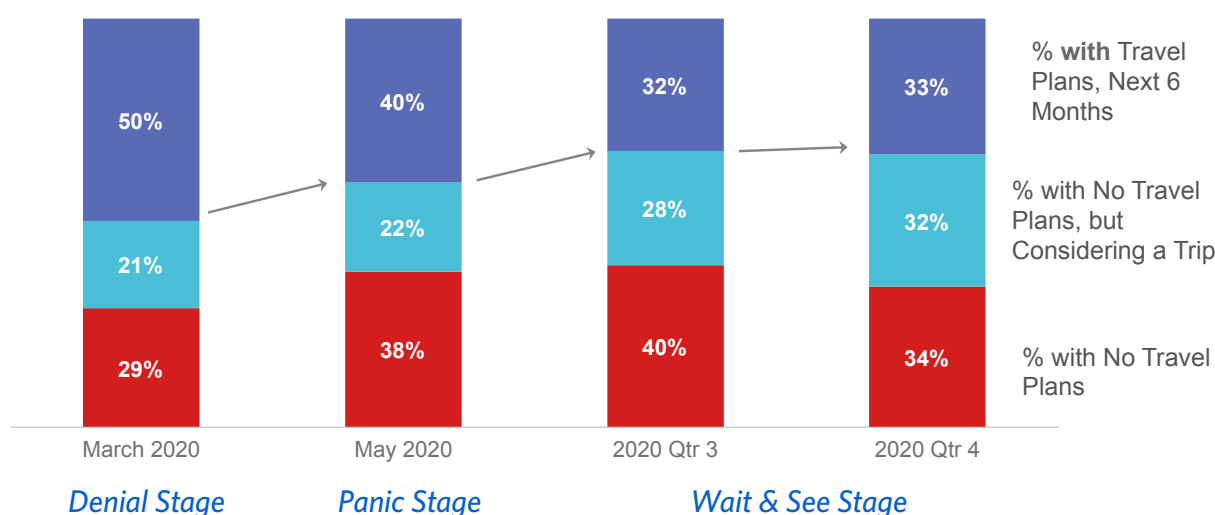
After a decade of rising domestic travel volumes, the COVID-19 pandemic hit the “pause button” on domestic travel late in the first quarter of 2020--a year originally expected to bring continued growth. As 2020 drew to a close, the U.S. Travel Association projected major decreases in both domestic person trips (-31%) and traveler spending (-40%) in the “Lost Year”.

The 2020 Response: Denial, Panic...and Acceptance

In March, domestic travelers--apparently in a state of denial--appeared ready to continue their normal travel behaviors through the newly declared pandemic, as 50 percent of travelers surveyed reported having plans to take to the roadways and skies in the next six months.

However, by May, panic set in and the number of travelers possessing future near-term travel plans decreased to 40 percent. Trip cancellations rose and future bookings slowed, as states across the country largely rode out spring under stay-at-home orders and advisories to curtail nonessential travel.

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By the time the U.S experienced a second wave of COVID infections in the summer, travelers had largely adopted a wait-and-see attitude toward travel. Just under a third (32%) of travelers reported having travel plans for the next six months as of the third quarter. Meanwhile, the urge to travel was building, as 28 percent of travelers said they did not have near-term travel plans but were considering a trip.



The pandemic continued to constrain near-term travel volumes as a third wave of COVID infections surged in the fall. However, early signs of a travel recovery glimmered on the horizon in the fourth quarter, as the number of travelers with near-term travel plans and those with no plans but were considering a trip inched above third quarter levels to 33 percent and 32 percent, respectively.

Looking Ahead: 2021 and Beyond

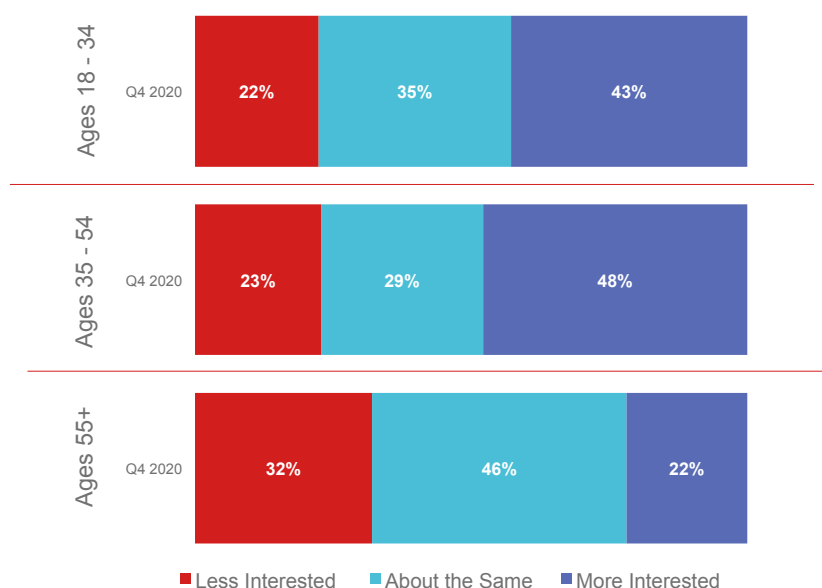
Interest in Travel and Travel Safety Improve Slightly, Personal Finances Weaken

Mirroring the early signs of a recovery observed in near-term travel plans and travel considerations, interest in leisure trips and perceptions of travel safety improved very slightly in the fourth quarter above levels observed earlier in the year. Nonetheless, travelers' assessment of their personal financial condition has weakened as the year progressed.

Travel Interest

After a sharp decline in the second quarter, travelers started showing sparks of increased travel interest in the latter half of the year. Among the age groups, Active Gen X™ travelers ages 35 to 54 reported the highest interest in travel as of the fourth quarter of 2020, with 48 percent saying they were more interested in taking a leisure trip relative to a year ago. By comparison, 43 percent of Millennials (ages 18 to 34) said they are more interested in travel, as are 22 percent of Baby Boomers ages 55 and older.

“Active Gen X™ travelers ages 35 to 54 reported the highest interest in travel...”

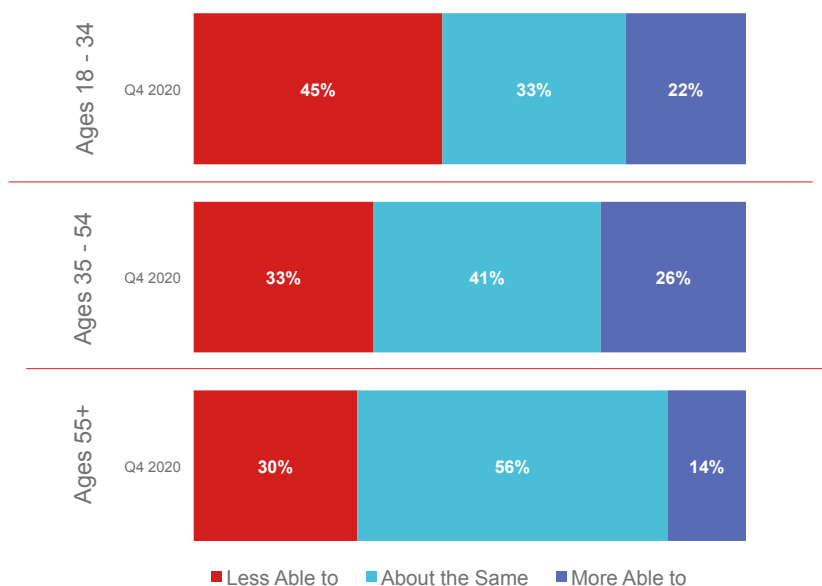




Personal Finances

While Travel Interest showed renewed signs of hope, travelers' perceptions of their Personal Financial conditions ended 2020 weaker than where they were at the start of the year. Among the age groups, Millennials ages 18 to 34 reported the greatest weakening in their financial conditions, with 45 percent in the fourth quarter of 2020 saying they were less able to take a leisure trip due to Personal Finances relative to a year ago. By comparison, 33 percent of Generation Xers ages 35 to 54 said they are less able to travel, as are 30 percent of Boomers ages 55 and older.

- ▶ Despite entering the downturn from this position of greater financial stability, Baby Boomers and Active Gen X™ travelers cut back on travel at a slightly greater rate than Millennials. As a result, the generational mix of overall travelers changed very slightly within the steep downturn of the overall market.
- ▶ Millennials' share of travelers edged up three percentage points to 33 percent in 2020. However, this slight shift in market share toward younger travelers (i.e., a leading target for many travel marketers) in 2020 is expected to reverse itself in the year ahead.

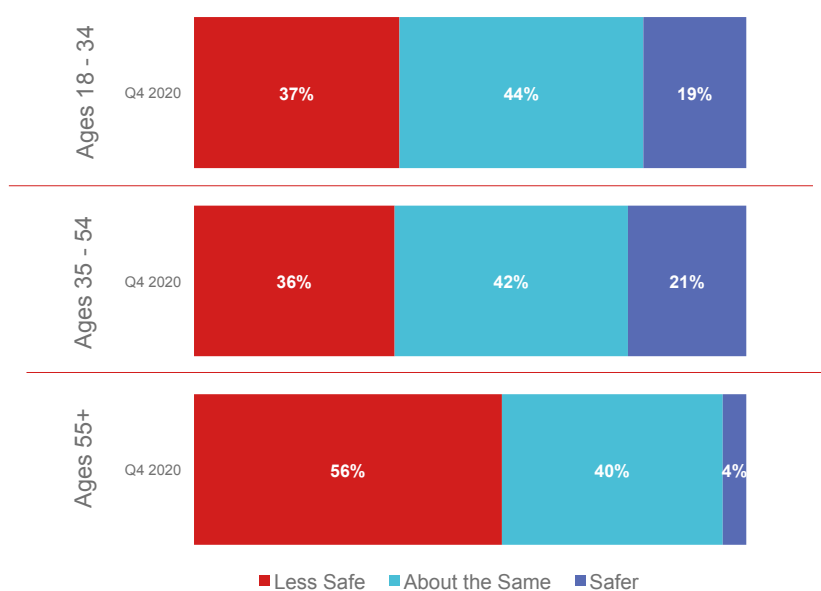


“**Millennials ages 18 to 34 reported the greatest weakening in their financial conditions...**”



Travel Safety

Along with Travel Interest, perceptions of Travel Safety also plunged in the second quarter, and travelers started showing an easing of safety concerns in the fourth quarter. Among the age groups, Boomers ages 55 and older were the least likely to say that their travel safety concerns had eased, with 56 percent saying that travel was less safe than a year ago. By comparison, 36 percent of Active Gen X™ travelers ages 35 to 54 said that travel was less safe, as did 37 percent of Millennials ages 18 to 34.



Taking the various Travel Confidence measures into consideration, while the youngest travelers ages 18 to 34 possess relatively strong Travel Interest and among the lowest concerns about Travel Safety, they also experienced the greatest weakening of their Personal Finances. Meanwhile, Boomers ages 55+ are the group least likely to say their Personal Financial condition has weakened, but heightened concerns over Travel Safety have curbed their Travel Interest.

Given the Personal Financial concerns of the Millennials and the safety considerations of the Boomers, Active Gen X™ travelers are expected to lead the recovery in domestic leisure travel. In addition, as an increasing share of the U.S. population takes the COVID-19 vaccine in the coming year, Travel Safety concerns are expected to ease, thus setting the stage for renewed travel among Boomers.


“Active Gen X™ travelers are expected to lead the recovery in domestic leisure travel.”




Future Travel Intentions: 12-Month Travel Intentions

Given the relative safety and more budget-friendly aspects of automobile travel, longer-term travel intentions for leisure trips in the next 12 months by personal vehicle continue to outpace those by air, and by a wider gap than they did in the largely pre-COVID period of the first quarter.

Demonstrating the resilience of travel demand, longer-term 12-month travel intentions have weakened, but have not collapsed since the beginning of the year. With about 45 percent of Active Gen X™ers and Boomers ages 55+ saying they are Extremely Likely to travel in the next 12 months, the older age groups are the most likely to lead the recovery in drive travel. By comparison, about a third (34%) of Millennials ages 18 to 34 are Extremely Likely to take a road trip in the year ahead.

Heightened concerns about the health safety aspects of air travel have resulted in a more pronounced reduction in future air travel intentions than drive trips. This decrease is observed across travelers of all ages, but Millennials (22%) and Active Gen X™ travelers (25%) possess slightly stronger future travel intentions by air than do Boomers (15%).


“the older age groups are... most likely to lead the recovery in drive travel.”



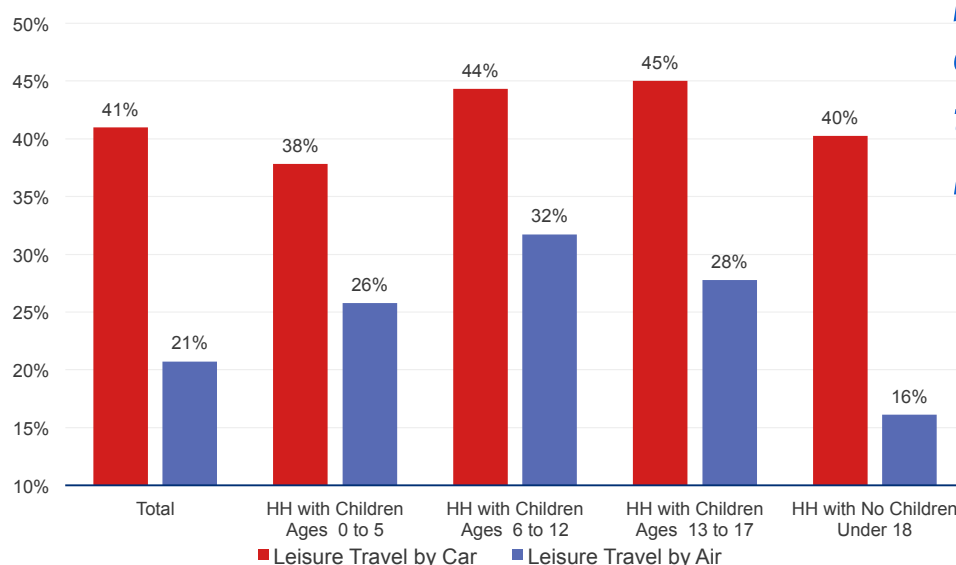


In addition, Active Gen X™ families are expected to lead the recovery in 2021, as households with children ages 6 through 17 report higher drive and fly travel intentions than those households without children.



“families are expected to lead the recovery in 2021...”

% Extremely Likely to Take Leisure Trip by Car or Air, Next 12 Months, as of 2020 Q4



Charting the Course Ahead

As travel considerations and interest in travel strengthen in 2021, the strongest barriers to travel will be Personal Finances and Travel Safety.

Destinations:

With business and international travel expected to remain depressed through late 2021, leisure travelers offer the best near-term opportunities.

- ▶ Challenge: Motivate travelers, especially those in driving range, to discover (or re-discover) U.S. destinations in fresh ways. Are there high-potential regional markets of first-time visitors who may have not considered a visit to your destination in the past?
- ▶ Does the new remote working environment open up opportunities to attract travelers outside of the traditional peak travel seasons?



The Active Gen X™ Influence

While many destinations and travel businesses have focused on Baby Boomers as key drivers of the leisure market, some have overlooked or placed less value on Active Gen X travelers.

- ▶ By traveling in larger groups and spending more per trip, Active Gen Xers™ will likely play a disproportionate role as the industry recovers from the pandemic.

COVID-19 Vaccine Availability:

Vaccine availability and administration, along with travel safety protocols, will be the biggest factors in easing Travel Safety concerns among all age groups.

Among those who have traveled within the last year, more than four out of 10 (43%) surveyed in January 2021 said they plan to get the vaccine as soon as it is readily available.

With nearly half (45%) of these “ASAP Vaccinators™” planning to take a leisure trip by car in the coming year, travel intentions among these consumers outpaced those of persons more hesitant about getting vaccinated.

Travelers' Financial Concerns

We expect issues with Personal Finances to take longer to abate than Travel Safety concerns.

Will this translate into more budget-conscious travelers in the near term?

- ▶ Or will older, more economically secure travelers who did not travel in 2020 have two years' travel budget ready to spend on pent-up travel demand?



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