Focus

Roland Berger

All change | How Covid-19 has disrupted the future of long-distance mobility

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The Roland Berger Center for Smart Mobility

All change / *How Covid-19 has disrupted the future of long-distance mobility*

The year 2019 marked a peak in long-distance travel demand (journeys greater than 250km) across all transportation modes. But the outbreak of Covid-19 in 2020 led to a sudden and dramatic decline, with long-distance travel falling by 40% across all modes, and air travel alone by 66%. A recovery is underway, but there has been a change in mindset. Its path over the next few years will be driven by three trends: travel consciousness and efficiency; green mobility and sustainability; and mobility modes innovation.

We calculated the impact of these trends on four key travel dimensions to determine the "recovery gap" between pre-crisis long-distance travel and the post-pandemic situation. The dimensions are travel distance (domestic, continental, international); travel purpose (private, business); travel mode (air, rail, road); and region (China, Europe, USA). The trends have the greatest impact on air travel (down 16% globally) and business travel across all modes (down 12% globally). This is largely due to the rise in virtual communications, a desire for more environmentally friendly travel and decreased travel spending.

We also undertook a survey in July 2021 to gauge customer sentiment. It revealed more pessimism than in the market forecasts. Customers expect overall demand to remain low even after the lifting of Covid-19 related restrictions, especially for the corporate sector in the US and Europe (down 24%). We used our data to develop recovery scenarios for the four dimensions. They indicate that demand will recover for all modes fastest in China (early-mid 2022), with the US (late 2022) and Europe (2026) taking longer. Air travel and business travel will be the slowest sectors to recover, with business travel in Europe not hitting 2019 levels before 2030.

These demand shifts will cause considerable structural change in long-distance travel volumes, with a lasting effect on demand patterns, client mix and expectations. This will greatly increase complexity for industry players and put unprecedented pressure on revenue and profitability. We outline key strategic priorities for players to enable them to survive and thrive through the Covid-19 crisis. These include building digital capabilities, increasing cooperation with partners, developing new product offerings and doubling-down on sustainability commitments.

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Introduction

People want and need to travel. Whether to visit friends and family, take a holiday or attend a business meeting, the travel industry has thrived on this demand in the past few decades. In fact, 2019 marked an all-time peak in demand for long-distance travel (journeys of more than 200 kilometers) across all transportation modes. Then came Covid-19.

The pandemic has torn up the travel industry, both private and business. Global air travel fell by 66% in 2020 compared to 2019, for example, and long-distance road travel by 31%. Europe has been particularly hard hit.

The sudden downturn has caused a shift in mindset among travelers, regulators and industry players. The rise of video conferencing, greater awareness of environmentally friendly travel and new technologies such as high-speed trains will all likely change the way we travel in the future, and make it difficult to predict the recovery path.

So will travel bounce back, what might change and how should players react? The purpose of this study is to assess the future of long-distance mobility, based on four market dimensions: travel distance (domestic, continental, international[1]); travel purpose (private, business); travel mode (air, rail, road); and region (China, Europe, USA).

We use a review of market drivers, interviews with industry experts and a customer survey to examine the effects of Covid-19, look at the trends driving post-Covid travel and assess their impact on future demand. From this analysis, we model potential recovery scenarios and offer key strategic priorities for industry players.

[1] Continental travel is defined as different country/same continent; international travel as different continent

1 / The pandemic effect

COVID-19 BROUGHT A DRAMATIC HALT TO THE RAPID RISE OF LONG-DISTANCE MOBILITY DEMAND

Demand for long-distance travel has soared over the past few decades. Between 1990 and 2019, demand for air travel more than quadrupled, with a CAGR of 7.4%. Road and rail followed close behind, with demand for road travel more than tripling and rail more than doubling. This made 2019 the busiest year ever for long-distance travel. → A

There were three key drivers behind this rapid rise. First, a change in behavior. Globalization has made travelers more curious about other cultures and made business travel the norm, and a rise in disposable income (of 8% between 1990 and 2020) has resulted in more frequent travel and higher spending. Lastly, low-cost companies have made travel more accessible and affordable.

Second, regulations have been loosened. Borders are more open and trade has become easier, enabling smoother access to places previously out of bounds. For example, the fall of the Iron Curtain in 1989, the EU's Schengen treaty in 1995 and the North American Free Trade Agreement in 1994.

Third, technologies have advanced. Investments in high-speed trains and more efficient aircraft, as well as infrastructure funding, have made long-distance travel more convenient and appealing, while the internet has revolutionized booking systems and "do-it-yourself" travel.

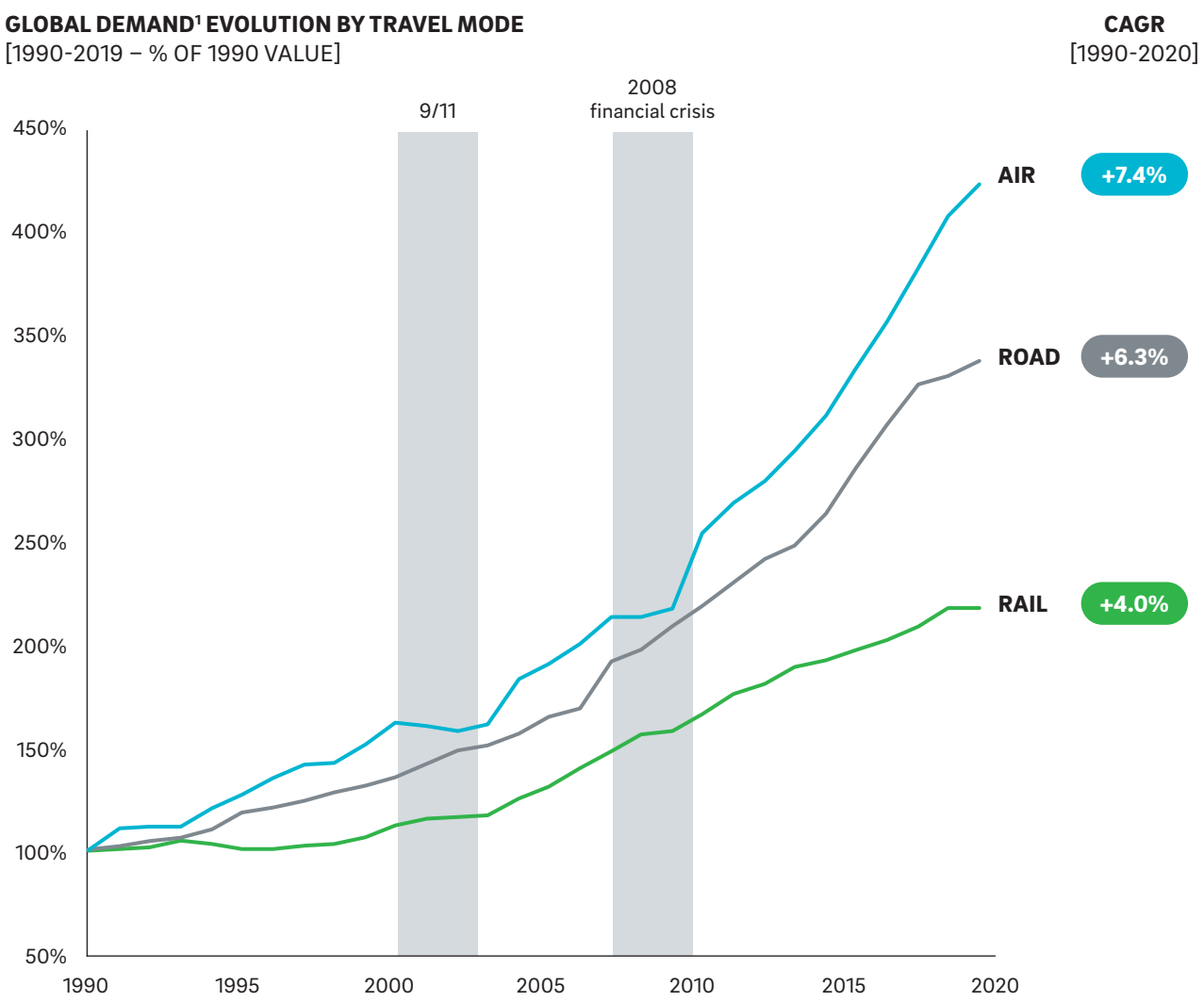
Unfortunately, the Covid crisis has brought the rise in demand to a crashing halt. While past crises, such as the September 11 attacks in 2001, the financial crisis in 2008 and the SARS epidemic in 2003, had only a fleeting impact on mobility demand, Covid-19 has been devastating. It has caused not only a health crisis but also a severe economic downturn.

The result has been a plummet in demand, with air travel down 66% in 2020 compared to 2019, road travel down 31% and rail down 29%. While a recovery is underway in 2021, demand across all modes is still far short of 2019 levels. Business travel and international

A: Peak travel

Global demand for long-distance mobility had been on a steady growth path since 1990

GLOBAL DEMAND[1] EVOLUTION BY TRAVEL MODE
[1990-2019 – % OF 1990 VALUE]



[1] Rail and road data in pkm (passenger-km) and air data in number of passengers carried

Source: World Bank, IEA, OECD, Roland Berger

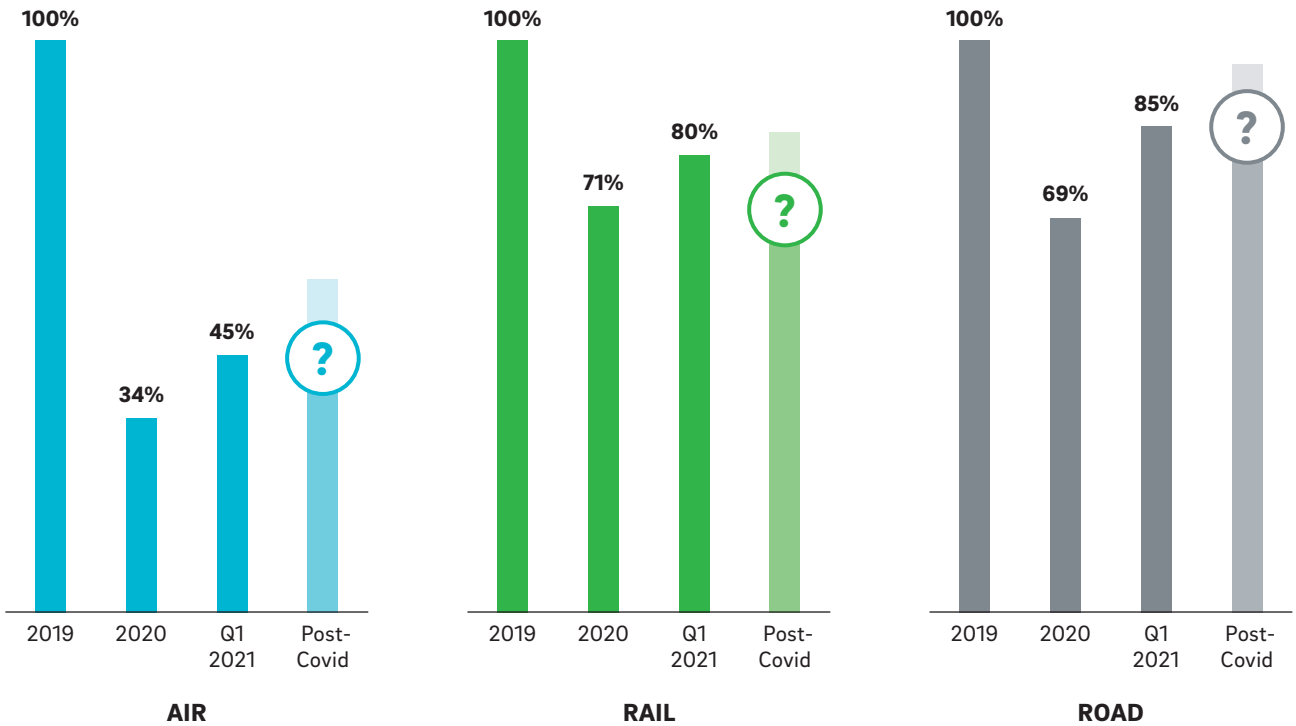
trips have been particularly badly hit. → B

There are also major differences in Covid-19's impact in different regions, notably for air traffic. The recovery in air travel has been driven by domestic journeys. This means that markets with a normally high proportion of domestic flights, such as the US (75% domestic flights) and China (94% domestic flights), are recovering faster than those that are more dependent on international flights, such as Europe (33% domestic flights).

The key question now is what form will the recovery from Covid-19 take? Will it ultimately be similar to previous crises, where growth returned to pre-crisis levels once the underlying problem was removed, or are other factors at work?

B: Covid strikes

The pandemic caused a massive drop in long-distance travel demand, with only a partial recovery so far [% of 2019 value]



[1] Based on YoY development, forecasted 2021 data

Source: IATA, Euromonitor, Roland Berger

2 / Impact on demand

HOW THREE KEY TRENDS WILL RESHAPE THE LONG-DISTANCE MOBILITY MARKET

Covid-19 has undoubtedly turned the long-distance mobility market on its head. But it has also highlighted, or exacerbated, other factors with the potential to reshape the market. Most notably, the sudden plummet in long-distance travel caused a shift in the mindset of travelers, regulators and industry players.

This shift is the result of three key trends, all of which are likely to lead to structural changes that will impact demand for years to come: travel consciousness and efficiency; green mobility and sustainability; and mobility modes innovation.

In this chapter, based on our review of market drivers and interviews with 200 industry experts, we look at the effects of each trend on long-distance mobility demand. We also assess their impact, focused on Europe, across three of our four dimensions: travel purpose (private, business); travel distance (domestic, continental, international); and travel mode (air, rail, road). This includes giving figures for the percentage change in demand between a pre-Covid baseline and the "new normal" (all Covid restrictions lifted).

TRAVEL CONSCIOUSNESS AND EFFICIENCY

Effects

In business travel, Covid-19 travel restrictions have forced companies to change their corporate travel policies. This has led to reduced travel budgets and efforts to improve work efficiency. For example, the bank HSBC believes its travel costs will "about half"[2] in the future, while some companies have implemented a Clean Air Travel Policy to limit international travel. These typically ban plane trips between certain destinations for internal meetings and encourage the use of trains instead.

In addition, organizations have increasingly adopted video conferencing, dematerializing multiple economic, educational and civic activities. Teleworking, telemedicine, distance education and remote courts are just some of the use cases. For example, the Ministry of Land and Resources in China uses a digital platform to remotely connect staff in 34 locations, and videoconferencing is already in operation in UK courts.

Many companies are also investing in more advanced communication technologies, such as holograms, despite their many challenges (high development costs, dependency on 5G, etc.). Stock prices of tech companies with video conferencing tools jumped by more than 700% in 2020 on the back of these developments. Bill Gates, co-founder of Microsoft, believes they could cause business travel to fall by more than 50%.[3] → C

Meanwhile, in private travel, the economic recession and potential travel price increases due to inflation and lower travel volumes are expected to cause a reduction in disposable income. However, as travelers were forced to stay at home during much of the past 18 months, we can expect a short-term surge in demand as people catch up on trips, particularly to visit friends and family. This release of pent-up demand also applies to business travel, although to a lesser extent.

Another factor affecting both private and business travel is customers' desire to minimize time spent traveling by opting for the travel mode with the shortest door-to-door journey time. This change in modal share follows a Covid-19-driven shift that saw people move away from public transit and into private travel modes, such as cars, during the pandemic.

Impact

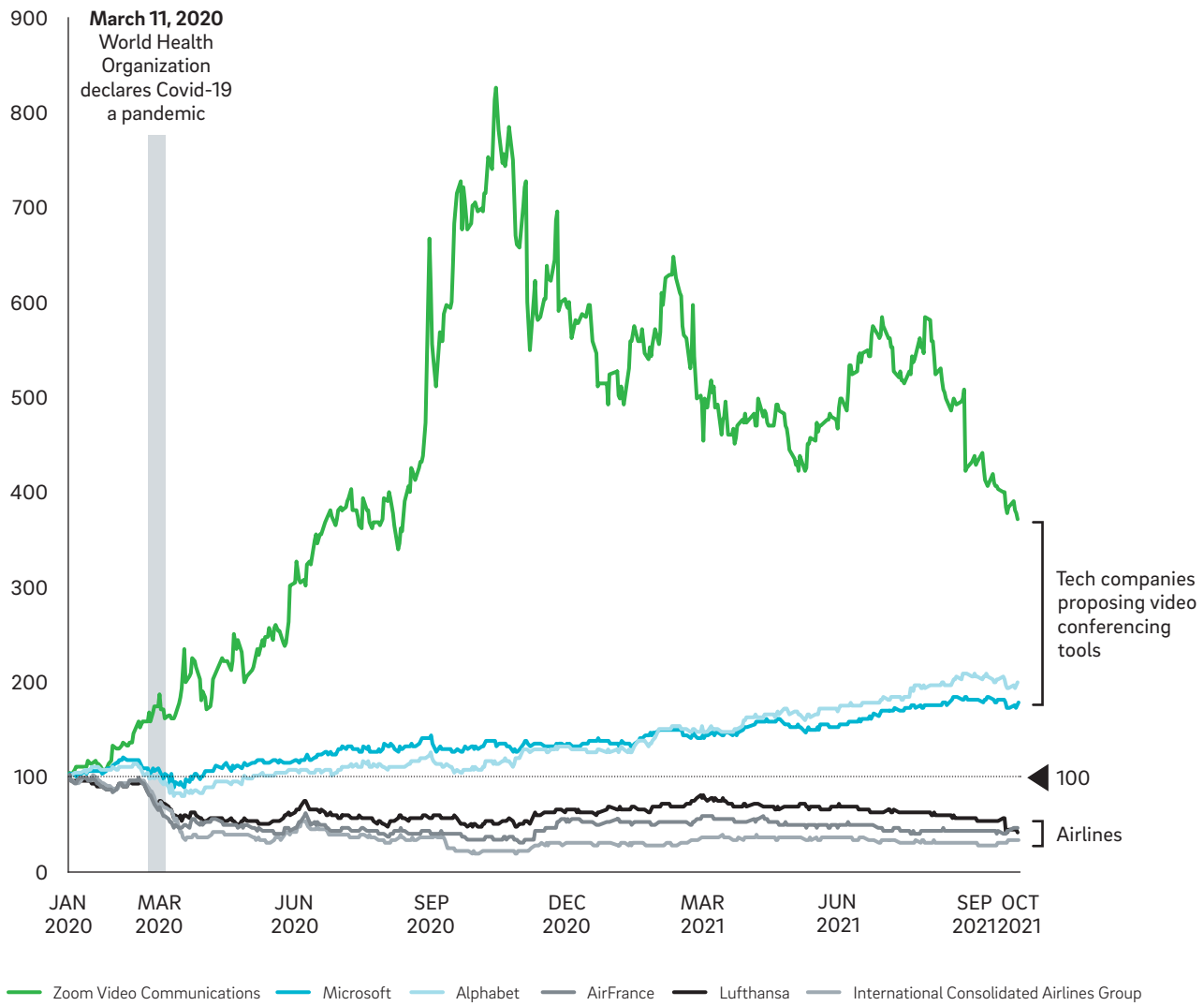
The impact of the travel consciousness and efficiency trend will be felt most in business travel, causing a 12% decline post-Covid in Europe. Virtual communications will continue to offer efficiencies and a better work/life

[2] Interview with Ewen Stevenson, Chief Financial Officer, HSBC, Bloomberg, April 2021

[3] Bill Gates, The New York Times DealBook Summit, November 2020

C: Tech wins

Companies that offer video conferencing saw their share price jump during the pandemic, while legacy airlines' stock fell



Source: Desktop research, CIQ, Roland Berger

balance for employees, while the impact on profitability of savings gleaned from reduced travel budgets will continue to justify stricter travel policies.

We also expect a greater decline in international business travel demand, compared to domestic travel. This is because it is more time consuming for employees and more costly for companies. As the two most used business travel modes, rail and, especially, air travel will feel the squeeze the most.

The impact will be far less in private travel. Video conferencing cannot replace going on holiday or seeing friends and family in person. And any fall in private travel caused by a drop in disposable income will be counterbalanced by the release of pent-up demand. This results in a net positive effect of a 1% increase in private travel post-Covid.

GREEN MOBILITY AND SUSTAINABILITY

Effects

The global effort to reduce carbon emissions is putting a much greater focus on sustainability. Pressure from governments, customers, investors and employees is forcing companies to clean up their act, especially those in the travel sector. This has been emphasized by the Covid-19 pandemic – at the height of the crisis in April 2020 CO_2 emissions related to air travel fell by up to 52% in Europe due to the reduction in flights.

Air and road travel are the main targets, as together they contributed 86% of global emissions in 2019.[4] Several global initiatives have already been launched. CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation, is a good example. Developed by the United Nations aviation watchdog ICAO, it aims to stabilize aircraft CO_2 emissions at 2020 levels by ensuring airlines offset emissions.

[4] European Environment Agency

Europe, in particular, is gearing up to become a global leader in zero-emissions long-distance mobility. As part of its goal of reducing net emissions by 55% by 2030 and being carbon neutral by 2050, the European Commission has implemented many aviation-specific regulations. These include bolstering its Emissions Trading System to ensure all airlines operating in or from Europe monitor, report and verify their CO_2 emissions. Other EU programs include the Clean Aviation Partnership to fund green technology and Single European Sky, which aims to better utilize air space to reduce fuel consumption (by up to 11%).

Work is also underway at a national level. France and Austria, for example, have banned some domestic short-haul air routes (as a condition of local airlines receiving Covid-related bailouts), something we estimate could cut CO_2 emissions by almost 10% if rolled out globally. Meanwhile, the German government and aviation sector have agreed on a green aviation fuel plan which will see a third of the country's avgas requirements produced from green sources from 2030. And in industry, a partnership involving Airbus, Rolls Royce and Shell is developing a 100% sustainable aviation fuel-burning engine, while several companies, including Airbus, Rolls Royce and Safran, are working on electric and distributed propulsion.

But it's not just our skies that are going green. Investments and public subsidies are being pumped into the rail sector in China, the US and Europe, often to fund environmentally friendly high-speed trains. China is leading the way, having invested USD 47 billion in the first half of 2020 alone. Its focus is on high-speed lines connecting major cities, such as Chengdu and Chongqing, that otherwise require a short flight or long drive to reach. In the US, 50 projects in 29 states have been chosen to receive funding under the USD 320 million CRISI program, and plans are afoot to link cities such as Washington and Boston, and Sacramento and San Diego, by high-speed rail.

These investments are being spurred on by the success of new high-speed rail links in Europe. For example, rail accounted for only 20% of non-road trips between Madrid and Barcelona before the opening of the high-speed AVE train route in 2008 – now its modal share is 70%. And the new high-speed connection between Berlin and Munich has seen train passenger numbers double on the route, at the expense of air travel.

Impact

The green mobility and sustainability trend has an impact on both private and business trips, as regulations on CO_2 emissions will change customer and company behavior. The impact is roughly the same, reducing both by 4% compared to pre-Covid times.

Demand for different travel distances is affected across the board. International travel experiences the biggest impact (down 10%) due to its almost total reliance on air travel. The fall is driven by declining business users. Continental travel also suffers, but the push for sustainability will have little impact on domestic travel (down just 2%). This is explainable by the recent partial switch to "staycationing" inflating otherwise depressed domestic journey levels, and the environment being a low priority for people visiting friends and family relatively nearby.

In terms of the impact on modal share, rail is the big winner, up by 3% compared to falls in air and road travel. Rail is expected to benefit from sustainability regulations, such as bans on domestic short-haul flights, as well as growing consumer concerns about the environment. However, the big fall in demand for air travel driven by the sustainability trend (down 9%) may be mitigated in the mid to long term by the development of greener aviation technologies.

MOBILITY MODE INNOVATION

Effects

While the effects of the previous two trends are expected to be largely negative, those of mobility mode innovation will likely be neutral. New mobility modes are still in development and are unlikely to achieve market penetration before 2030. However, technologies such as autonomous vehicles, passenger drones and hyperloop systems could take market share from road and rail in the mid to long term if they achieve scale.

Hyperloop, for example, is a sustainable and competitive new travel mode for long-distance mobility that shoots passenger or vehicle pods through low-pressure tubes at speeds of up to 1,200 km/h, above or below ground. However, the technology still faces significant challenges, not least infrastructure costs, passenger safety and long lead times. Services are not expected to launch before 2030.

Similarly, autonomous driving services are still some way off. We estimate that near fully autonomous light-duty vehicles will achieve only about 2% market penetration by 2030 as costs are expected to be too high for volume customers. Commercial advanced air mobility long-distance flights, most likely by fixed-wing aircraft flying between four and 19 passengers, are even further off.

Impact

While their short-term impact will be neutral (0% or not applicable across all our dimensions), new mobility modes will have a positive impact in the mid to long term. In particular, they will gain market share from air and rail travel for domestic and continental journeys.

3 / What consumers think

OUR SURVEY OF MOBILITY BEHAVIOR SUGGESTS DRAMATIC POST-COVID DECLINES IN LONG-DISTANCE TRAVEL

The expert view on the factors that will impact the long-distance mobility market are clear. But what do consumers think? To complement our market review and expert interviews, we conducted an online survey of 7,000 participants aged 26 to 65+ in China, the US and Europe (Germany, France and the UK) in July 2021.

We asked them 10 questions on their mobility behavior before and after the Covid pandemic. These were based around our four dimensions: travel distance (domestic, continental, international); travel purpose (private, business); travel mode (air, rail, road); and region (China, Europe, USA). We plan to repeat the survey at frequent intervals to observe developments in customer sentiment.

KEY FINDINGS

The survey indicates that two core changes can be expected once all Covid-related restrictions have been lifted:

1. Customers expect their total number of trips (private and business) to be below pre-crisis levels – roughly 20% overall
2. Business travel demand will fall considerably below pre-crisis levels – minus 24% in Europe and the US, minus 21% in China

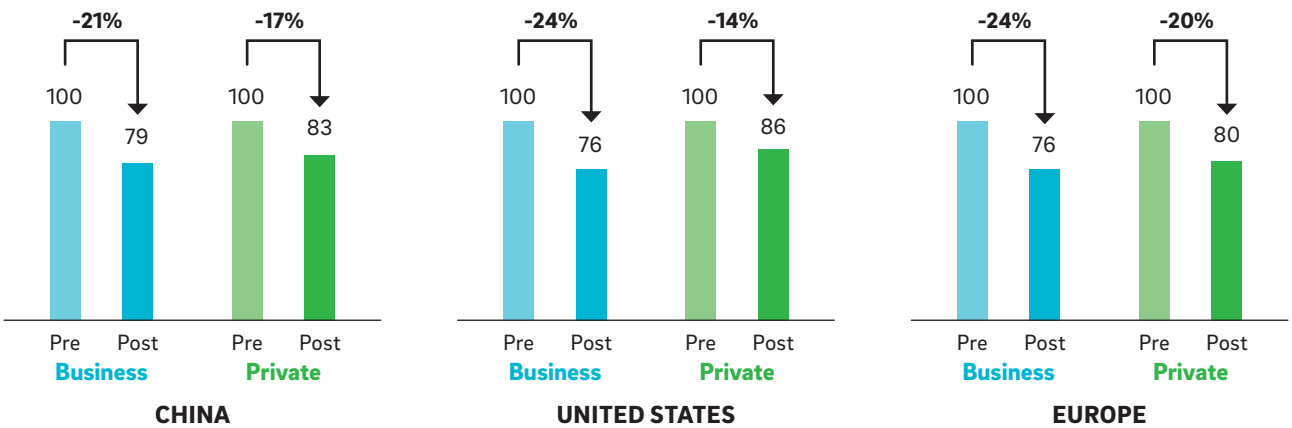
This will translate into a lower post-Covid demand for flights in all regions and across all distances, as well as redefined modal shares in all regions, with train and car travel the biggest winners. → D

D: Tripping over

The number of trips people intend to take post-Covid-19 is down by around 20% overall compared to pre-pandemic levels

Q1 *Before the pandemic, how many trips did you make for different travel purposes?*

Q2 *Once all Covid-19 related restrictions are lifted, how many trips do you intend to make for different travel purposes?*



Source: Roland Berger survey

Analysis: Private travel

Respondents in all three regions expect private travel to fall after the pandemic, with a particular dip in Europe. But the reasons behind these changes vary by region. Chinese and European customers are skeptical about whether travel restrictions (regulation and legislation) will ever be fully lifted, discouraging them from traveling. US consumers, on the other hand, are worried about travel-related health risks. They are also less concerned than their European and Chinese cousins about the environmental impact of continued high-volume travel, instead being more worried about having the funds to pay for private trips. → E

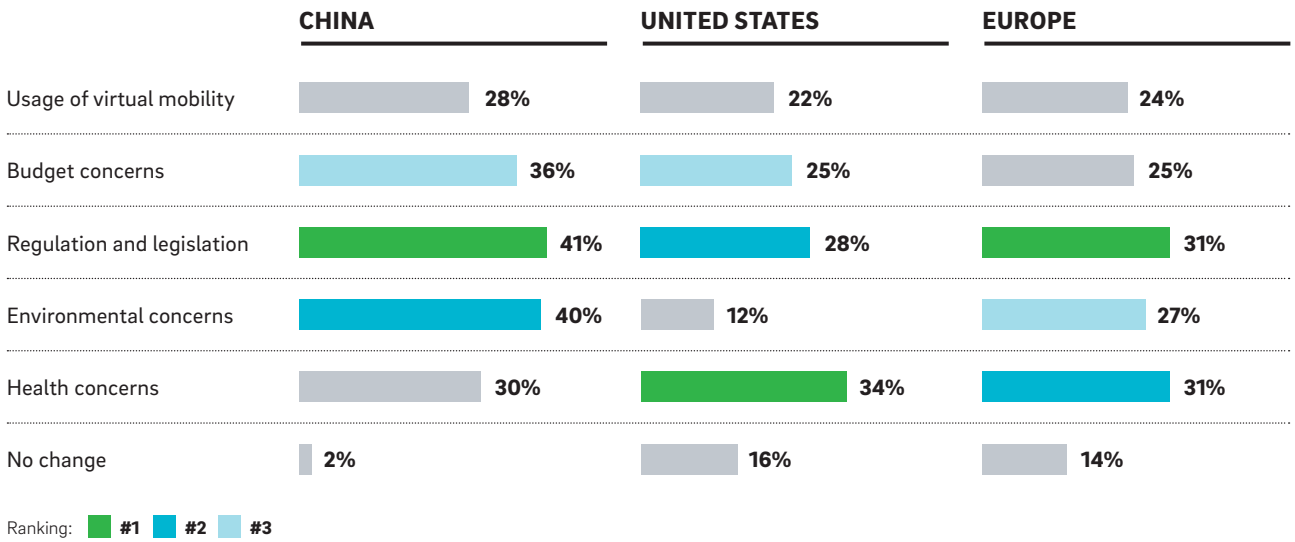
Analysis: Business travel

In business travel, respondents indicate that they are now less willing to travel because they have found video conferencing and other virtual communications an effective substitute to physical mobility. This is especially true in the US and Europe, where 40% and 44% of respondents, respectively, stated virtual mobility as the main reason for changing business travel habits. Chinese respondents are most concerned about residual Covid-19 regulation and legislation, while the tightening of corporate travel budgets was named as a key reason for declined business travel in both China and Europe. → F

E: Private travel habits

Regulation and legislation is one of the main reasons for private travelers changing their mobility behavior

Q7 *What are the reasons for your changed mobility behavior in private travel, once all Covid-19 related restrictions are lifted? (multiple responses possible)*



Source: Roland Berger survey

Across all regions and distances, the expected drop in travel volume translates into lower demand for airlines and a considerable drop in their modal share. Negative sentiment among US business travelers is particularly high, with them predicting a drop in modal share for planes of minus 4%. Expectations are more positive among Chinese and European customers, who expect a drop in model share of between 1% and 2%.

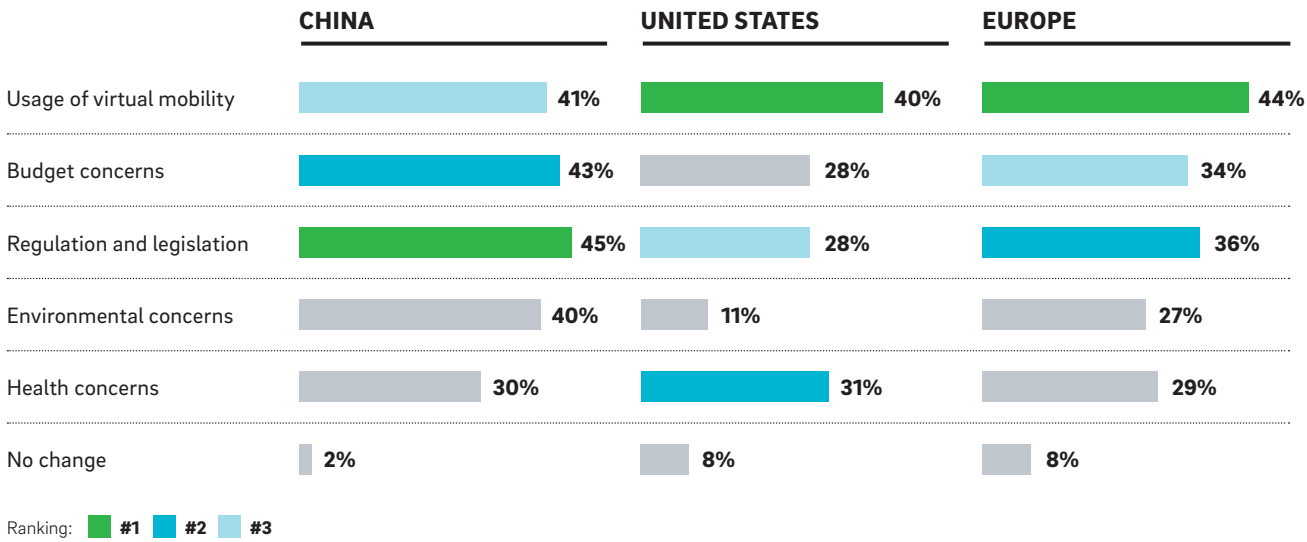
This development is particularly concerning for airlines as business travel has historically been a key revenue and profitability driver for airlines. In addition, the drop in modal share comes on top of the drop in demand outlined in the previous chapter. → G

Overall, our respondents were more pessimistic than market opinion. However, their opinions must be seen in a wider context as consumer sentiment and judgments are often fickle and short-sighted.

F: Business travel habits

Across all regions, usage of virtual mobility is a key driver for changing business travel habits

Q5 *What are the reasons for your changed mobility behavior in business travel, once all Covid-19 related restrictions are lifted? (multiple responses possible)*



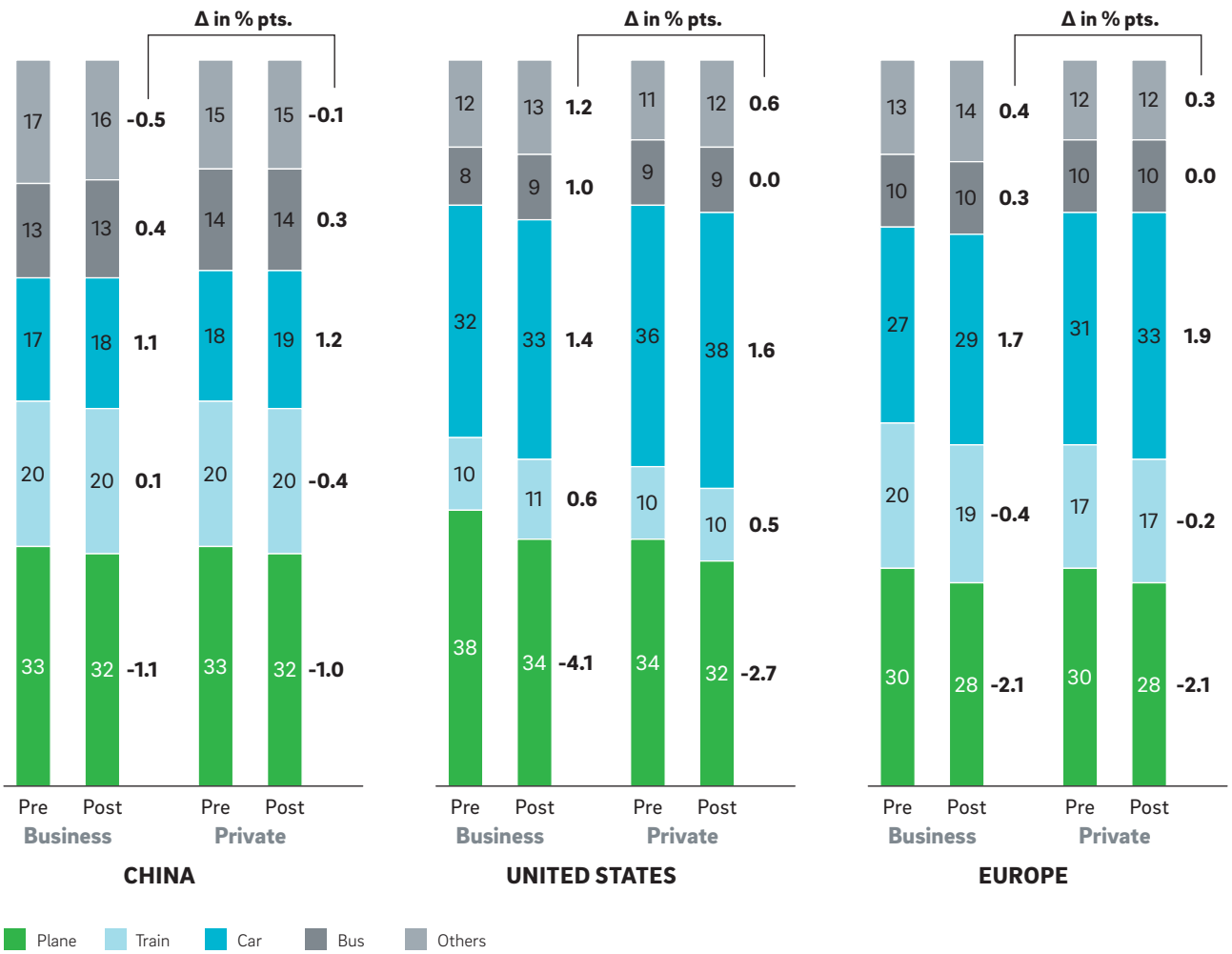
Source: Roland Berger survey

G: Modal split

An overall post-Covid decline in air travel is counterbalanced by a rise in car travel, especially in the US and Europe [%]

Q4 *Before the pandemic, how did you use the different transportation modes for different travel purposes?*

Q5 *Once all Covid-19 related restrictions are lifted, how do you intend to use the following transportation modes?*



Source: Roland Berger survey

4 / Scenarios for 2030

OUR FORECASTS SUGGEST EUROPE AND AIR TRAVEL WILL BE THE SLOWEST TO RECOVER

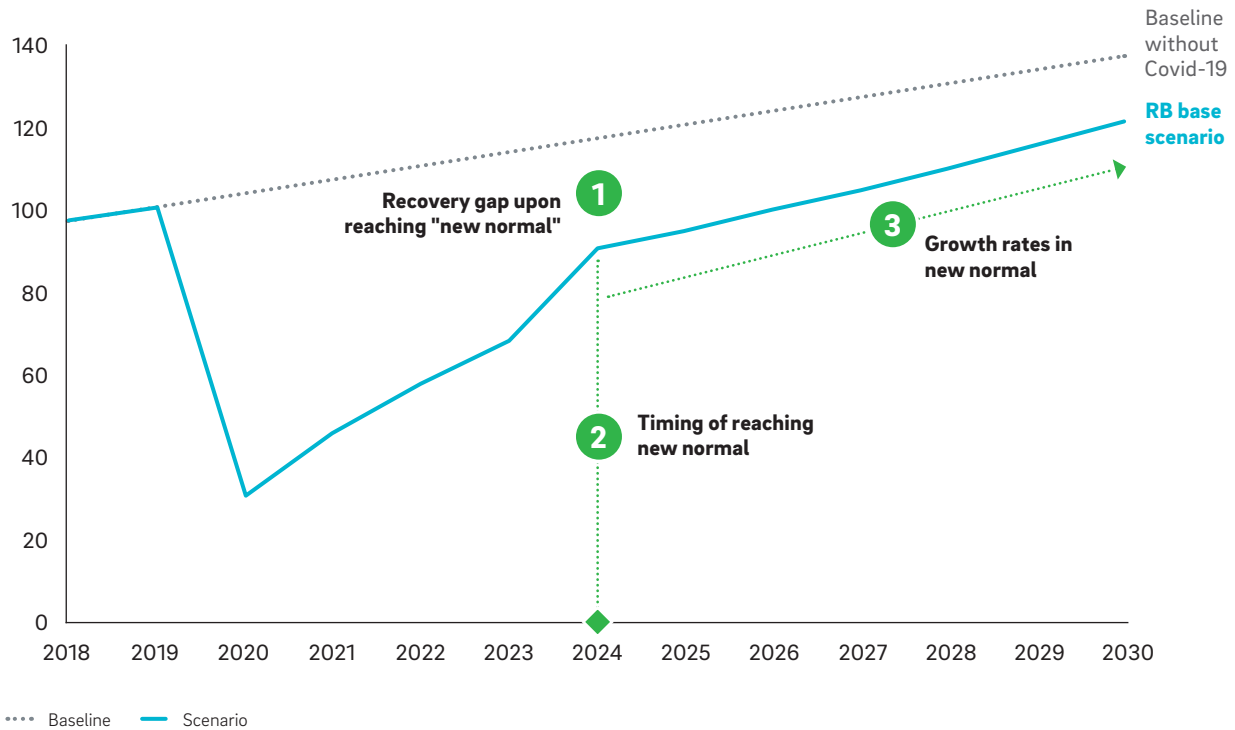
The key question that arises from our assessment of market trends, interviews with industry experts and the consumer survey is when will long-distance mobility demand recover? To answer this, we used all three sources to develop demand recovery scenarios for 2030.

The recovery scenarios were modeled using three inputs:

- The timing of when the "new normal" will be reached, with the new normal defined as when global travel demand stabilizes following the Covid-19 crisis, and all Covid-19 related restrictions are lifted
- The recovery gap when the new normal is reached, that is, the projected drop or increase in long-distance mobility demand compared to the baseline scenario (Covid never happened) by: travel distance, travel purpose, travel mode and region
- Projected growth rates once the new normal is reached → H

H: Model methodology

We based our scenarios for how travel demand will recover by 2030 on three key inputs



Source: Primary and secondary research, Roland Berger

"Our scenarios show that while recovery may be slow in some regions and dimensions, not least Europe, air and business travel, demand will largely be back to pre-pandemic levels in the next few years."

Jan-Philipp Hasenberg
Senior Partner

THE SCENARIOS

Demand, by region

Of the three regions, overall long-distance travel demand is expected to recover the fastest in China, by early to mid-2022. The reason for this is the country's stronger market growth. The US will recover later in 2022, while Europe will experience a considerably slower recovery. It is not predicted to reach pre-pandemic demand levels until 2025-2026. → I

Air travel, by region

More specifically, the recovery of air travel demand is expected to take longer. In China and the US, the difference is only a matter of months (2023), but in Europe air travel demand is not forecast to recover until 2027. → J

Focus on Europe

As it is expected to be the slowest to recover, we performed a deeper analysis on the European market, modeling three scenarios.

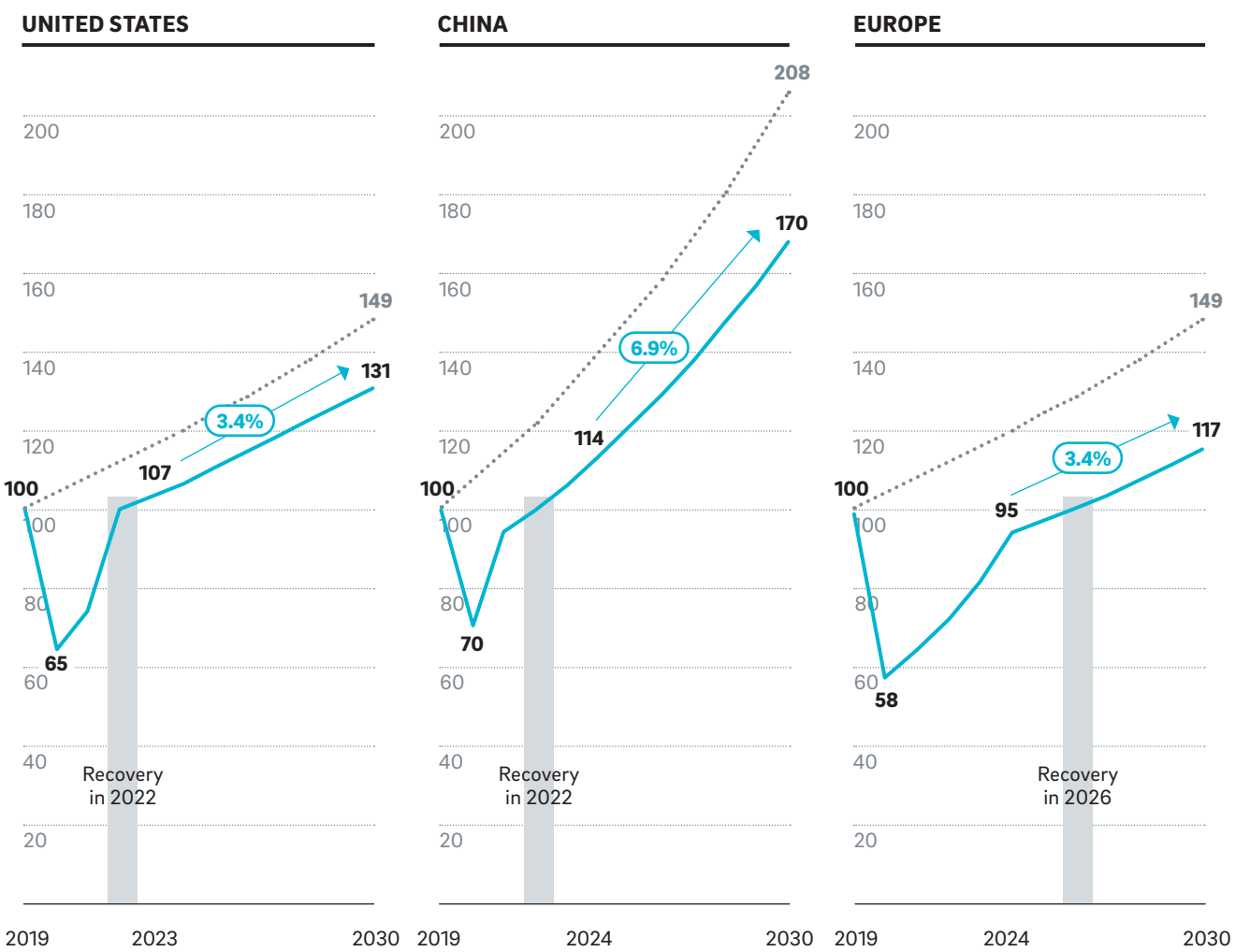
First, an optimistic scenario where business and private demand reach 2019 levels in 2023. Second, a base scenario where the new normal is reached in 2024, with a gap in demand compared to pre-Covid levels of minus 5%. And lastly, a pessimistic scenario where travel demand is expected to reach 90% of pre-Covid levels only in 2025. In this scenario, the rollout of vaccinations takes two to three more years, and long-term CAGR is at 2.8%, significantly lower than in the other scenarios. It is driven by economic growth and a long-term increase in propensity to travel, but inhibited by a slowdown in globalization and potential recession. → K

Of the three scenarios, we expect the second (base) scenario is the most likely to occur. This means the European long-distance mobility market will reach its 2019 levels in late 2025/early 2026, driven by the recovery of the private sector. Business travel demand, however, will not hit 2019 levels before 2030.

Under the base case scenario, our modeling shows that the recovery of European long-distance mobility demand differs significantly according to travel mode, travel distance and travel purpose, as per the three trends outlined in Chapter 2. For example, air travel will be slower to recover than car travel, and international travel will be slower to recover than domestic travel.

I: Recovery by region

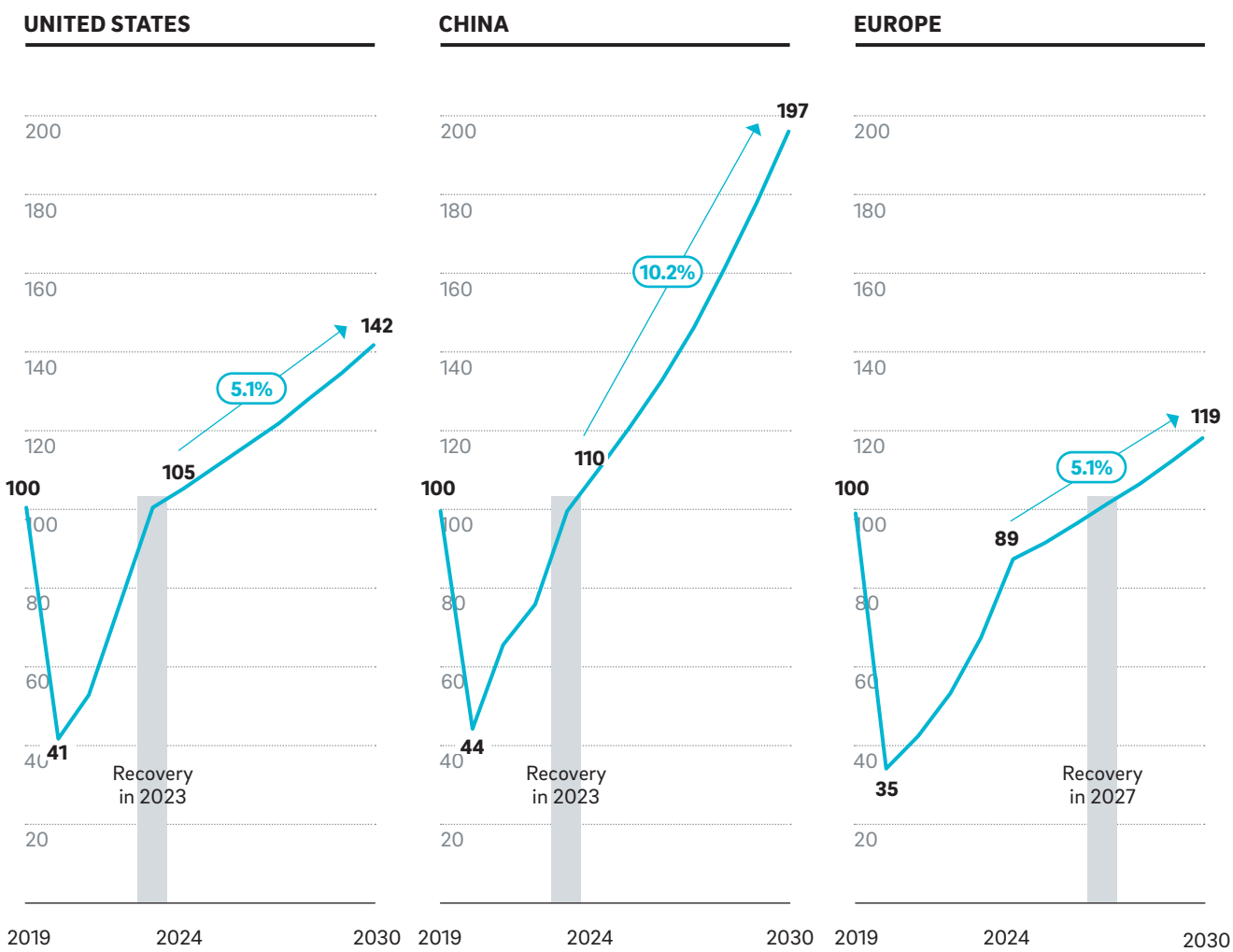
Long-distance demand is expected to recover the fastest in China, driven by stronger market growth [2019 = 100]



Source: Roland Berger

J: Recovery of air travel

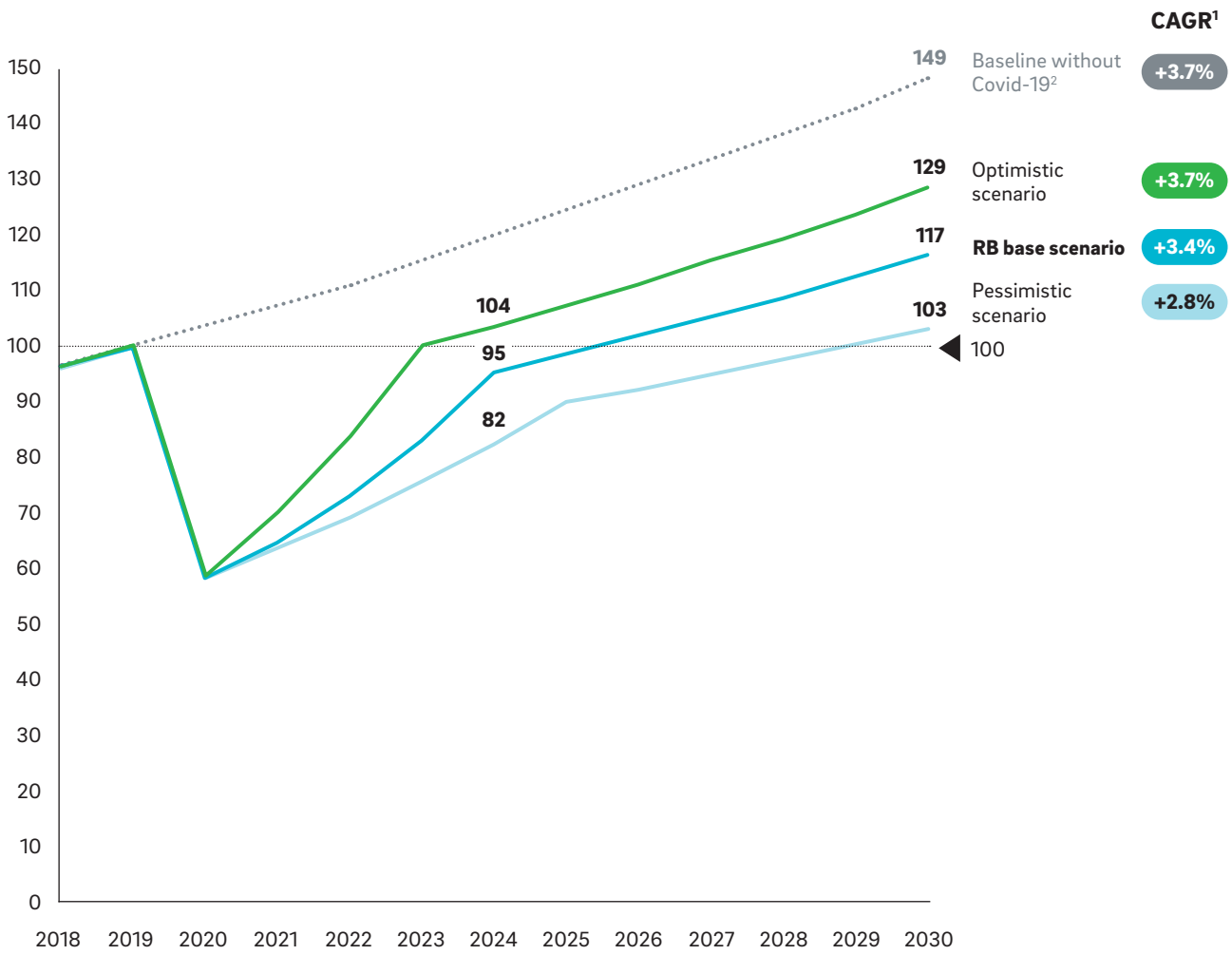
While China leads, air traffic demand in Europe is not expected to reach pre-pandemic levels until 2027 [2019 = 100]



Source: Roland Berger

K: Recovery in Europe

Our favored base scenario suggests a return to 2019 levels of demand by 2025-2026 [2019 = 100]



[1] Expected CAGR in new normal state [2] Estimated demand if Covid-19 had not happened, considering historical CAGR

Source: Primary and secondary research, Roland Berger

5 / **Time to act**

THE POST-COVID WORLD WILL PRESENT CHALLENGES FOR TRAVEL INDUSTRY PLAYERS, BUT REPRIORITIZING WILL HELP OVERCOME THEM

The Covid-19 pandemic is bringing about structural change in the travel ecosystem that will have a lasting impact on long-distance mobility. This is creating increased complexity and unprecedented pressure on revenue pools and profitability in the industry. All players could be affected, from OEMs and operators to infrastructure companies, retailers and the hospitality sector. In this chapter we look at the challenges the changes will present and recommend actions to mitigate them.

WHAT WILL CHANGE?

The past two years have led to great changes in demand patterns, most of which will be sustained after the pandemic. First, demand has been constantly fluctuating, with a shift towards domestic rather than international travel. In addition, business travelers are expected to increase the length of their trips to minimize travel times. This will make predicting demand more challenging, increasing the complexity of capacity utilization and network planning.

Second, the changing client mix between business, leisure and visiting friends and relations will have a big impact on the profitability of ecosystem players and increase financial risk. For example, our calculations suggest the new normal (35% drop in business demand, and a 20% shift to domestic rather than international flights by private travelers in Europe) results in a 6-10% drop in EBITDA for legacy European airlines. This would mean a loss of EUR 70-100 million per year. Additionally, as different customer segments recover at different speeds, the value of segments will reshuffle. Players will also have to adapt to the rise of new segments, such us "bleisure" (business/leisure), as work-life boundaries blur.

Third, clients' behavior and expectations will change. This will make customer relationship management (CRM) more challenging and require players to adapt their product offering and pricing. Booking behavior is expected to change first, with travelers increasingly opting for late bookings.

"Industry players need to adapt. They must chase new customer segments, reconsider their operating models and double-down on sustainability."

Didier Bréchemier
Senior Partner

Consumers now have higher expectations around customer service and are asking for more transparency and communication from operators, notably around sustainability initiatives. Clients are also increasingly demanding improved travel efficiency and better use of technology.

Lastly, regulatory changes driven by national and international authorities will place a greater focus on sustainability, making it a key concern for all industry players, particularly in aviation.

HOW PLAYERS CAN REACT

Key strategic priorities are emerging for ecosystem players to enable them to survive and thrive through the Covid-19 crisis. These focus on operating model, product offering, CRM & pricing, and sustainability. They can be categorized in three segments: → L

- "Continue as is" actions, or strategic priorities already initiated before the Covid-19 crisis

L: Key strategic priorities are emerging for ecosystem players

Strategic consequences for operating model, product offering, CRM & pricing, and sustainability

PRIORITIES	Continue as is	Speed and secure	Leverage and change
Operating model	Continue to implement restructuring and operations efficiency programs to maintain competitiveness and financial sustainability	Consider market consolidation opportunities	Embed the infrastructure and resource management flexibility developed during the Covid-19 crisis
Product offering	Reinforce the robustness and reliability of products and services offered to customers	Create an ultra-personalized customer segmentation and product offering	Redesign the offer strategy and develop new products that are adapted to changing customer needs. Catalyze demand from private customers
CRM & pricing	Develop a dynamic pricing approach to adapt to changing customer segments and expectations	Create an ultra-personalized customer journey	Reinforce loyalty programs with new membership concepts targeting the private customer segment. Review the pricing strategy to adapt to new segments and client types
Sustainability	Continue to show tangible and ambitious commitment to significantly reduce your carbon footprint	Develop innovative features, such as carbon neutral operations, sustainable aviation fuels or more efficient aircraft, to align with tightening regulation and rising awareness among clients	Tailor communication strategies on sustainability to redefine travel purpose and meaning for customers
All priorities		Build data and digital capabilities to leverage revenue management, customer relationship management and operating model optimization	Accelerate cooperation between travel ecosystem players and competitors to create new synergies on operational efficiencies and product offering. For example, capture client data across the travel journey, develop joint offerings on inter-modality, etc.

- "Speed and secure" actions, or strategic priorities identified before the Covid-19 crisis but which still need to be implemented
- "Leverage and change" actions, or new strategic priorities emerging after the Covid-19 crisis

OUR THREE-STEP APPROACH

To address the coming challenges and shift in priorities, we suggest that ecosystem players adopt a three-step approach:

1. Identify changes in demand evolution and patterns in the relevant addressed markets and geographies
2. Analyze in detail the impacts and consequences on business (profitability, operating model, product offering, etc.)
3. Define the strategic priorities to be addressed and implement roadmaps

The approach needs to be scenario-based and take into account customer insights and ecosystem evolution and strategic moves. It also requires close monitoring to navigate the continuously changing landscape.

Conclusion

One thing is for sure in the future long-distance mobility market – people will not stop traveling. Despite the effects of the Covid-19 pandemic, the three trends we outline in Chapter 2 and the negative customer sentiment detected in our survey, the market will endure.

Our scenarios show that while recovery may be slow in some regions and dimensions – not least Europe, air and business travel – demand will largely be back to pre-pandemic levels in the next few years.

Our key message is that this demand will be different to before. For example, a greater share of people will want to travel by train, air passengers will seek out environmentally friendly airlines and business travelers will venture out of the office less, but for longer.

As a result, industry players need to adapt, and adapt fast. They must chase new customer segments, reconsider their operating models and double-down on sustainability. The priorities and three-step approach laid out in Chapter 5 will help them mitigate the challenges ahead, and for those that move quickly, reap the opportunities to come.

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