

THE EXPERIENCE ECONOMY REBOUND



INTRODUCTION

Nostalgic feelings and memories for holidays, outings and events are ever present for many Brits right now.

However, with the recent government announcements and plan for lifting lockdown came an expectation that Brits will once again be able to experience life beyond the confines of their homes.

The pandemic has had a profound and devastating impact on both the tourism and events industries, with experience led consumerism the most significantly impacted in the past 12 months as a result of lockdown measures and restrictions.

In the two months between February (the UK's last month of 'normality' before the pandemic hit) and April 2020, international arrivals to the UK by air fell by a staggering 98.3%¹. The current most optimistic scenario for international air travel is that it will recover to 50% of pre-pandemic levels by the end of 2021², with a full recovery expected to take three to five years.

With international travel off-limits for much of the year, domestic trips became the norm for Britons last year. More than three quarters (76%) of Brits who travelled during 2020 did so domestically, compared to just 45% travelling internationally. According to Google search data, searches for 'staycation' were up by more than 500%³ year-on-year in July. This was supported by Tripadvisor data⁴ that showed domestic search traffic rose to 61% in February 2021 versus 55% in 2020 on the site, as Brits swapped the beaches of Lanzarote for the views of the Lake District.

¹ <https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coronavirusandtheimpactontheuktravelandtourismindustry/2021-02-15>

² <https://think.ing.com/articles/outlook-aviation-lasting-restrictions-put-airlines-longer-to-the-test#a3>

³ <https://trends.google.com/trends/explore?date=today%205-y&geo=GB&q=staycation>

⁴ Tripadvisor website data – United Kingdom % search traffic (unique users) for domestic versus international

Although domestic travel increased, fewer people overall were populating Britain's towns and cities, resulting in the events and experiences industries suffering. When lockdown restrictions gradually eased in summer 2020, service businesses that did open were only able to do so at a reduced capacity and with additional safety precautions in place. By July, just 20% of London's hotel rooms⁵ were occupied, compared to 90% during the same period in 2019.

The government-sponsored Eat Out to Help Out scheme – which subsidised meals and non-alcoholic drinks at 50% of their cost in August 2020 – saw a surge in demand, at a cost to the Treasury of around £500 million. However, despite its short-term effects, the scheme failed to sustain restaurant visits once it ended, and the scheme is not planned to make a return in 2021.

Though bars and restaurants re-opened and travel resumed, nightclubs remained closed, live gigs were scrapped, and virtually the entire summer festival calendar of 2020 was cancelled.

As bars and restaurants prepare to re-open in the coming weeks, national travel resumes, and theatres and festivals start to take bookings again, summer 2021 looks to be more promising. However, encouraging everyone to participate once again in the experience economy is clearly going to take more than the promise of a rollover ticket or a discounted meal.

While there's evidently pent-up demand for travel and experiences to be had this summer, there's an opportunity for brands to get ready for the rebound by aligning with people's desires and mindsets in the coming months ahead.

⁵ <https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coronavirusandtheimpactontheuktravelandtourismindustry/2021-02-15>

ACKNOWLEDGING THE FINANCIAL CHALLENGES IMPACTING TRAVEL AND EXPERIENCES IN 2021

2020 saw a tale of two halves when it came to financial stability amongst Brits, with some fairing far better than others – and this divide is set to continue into 2021.



Data from YouGov emphasises these parallel groups, with 45% very or fairly worried about their finances, and 48% not very or not at all worried by their own financial situation. The impact of financial stability is likely to impact the scale and size of experiences that consumers book and take part in during 2021.

Those who haven't had their employment status impacted have benefitted from working at home, having seen their savings grow over the course of the year. ONS found that between April and June 2020, households were able to save an average of £3 out of every £10, resulting in 29.1% of disposable income being saved – smashing the

previous record of 14.4% set some 27 years ago.

This additional saving has resulted in an appetite to spend on large ticket items, with the7stars QT finding a 23% uplift in intentions to spend on major home and garden improvements in the next 12 months. The trend amongst this group suggests there will be a proportion of Brits in a position to spend on more premium experiences than they may have previously.

On the opposite side sit those whose financial stability has been dramatically impacted by COVID-19. Research by Lost in Transaction found that, in 2020, 5.6 in every 1,000 were made

redundant due to the pandemic. Gen Z was particularly hard hit, with 28% of graduates having had job offers rescinded or start dates delayed due to COVID-19. Such financial woes led many to drastically cut back on expenses: in the past year, 47% of renters forced to move home for financial reasons were aged 18-24 (Resolution Foundation, 2020).

The impact of COVID-19 on employment prospects has meant these groups are less financially secure, with far smaller savings – if any – available. It is likely, therefore, that this group will hold off spending

on big ticket items until their dual financial and employment situations improve, with the7stars QT reporting a 43% decrease in those planning to spend more on one-week holidays in the next 12 months.

Even among those whose financial situation remained intact throughout lockdown, brands should not assume that such consumers will be ready to splash their cash as soon as restrictions are eased. Just as we witnessed in the aftermath of the financial recession of 2008-09, few Brits are without a friend or loved one

whose own financial situation was not plunged into peril by the impact of COVID-19. The pandemic has served as a telling reminder that financial stability is not always guaranteed, and, as such, many will be clutching tightly at their purse strings while they await the pandemic to finally come to an end. Understanding these key differences – both between the divergent groups and among those whose bank balances have remained relatively intact – will be critical to brand messaging in the next year and beyond.





THE MINDSETS SHAPING TRAVEL AND EXPERIENCES IN 2021

Following the announcement, in February, of the UK Government's roadmap out of lockdown – with the devolved nations releasing their own lockdown exit strategies shortly after – the travel and experience industries experienced a surge in bookings, despite the fact that the government's proposed date for ending all restrictions, on June 21st, remains more of a wish than a promise. The morning after the announcement, TUI reported an increase in bookings⁶ for international trips of 500%, while Awaze broke its record for bookings in a single day. The events distributor Ticketmaster received a surge in visitors following the announcement, with an increase of more than 600%⁷ in site traffic.

⁶ <https://www.bbc.co.uk/news/business-56161129>

⁷ <https://www.canvas8.com/signals/2021/03/16/uk-festival-tickets.html>



Yet, despite promising early signs of a rebound from the travel and experience industries, many people remain to be convinced. As the vaccine rollout continues, the lockdown exit roadmap was launched and restrictions gradually lifted, we have seen three experience audiences emerge:



Delivering unforgettable experiences for the enthusiasts, while courting pragmatists and convincing sceptics, will be crucial to ensuring the industries rebound in 2021 and flourish into 2022.



Experience Enthusiasts

EXPERIENCE ENTHUSIASTS, MAKING UP AROUND 28%⁸ OF THE BRITISH POPULATION, WILL BE THE MOST LUCRATIVE OF THE GROUPS FOR BRANDS IN THE NEAR FUTURE.



⁸ The Experience Economy Rebound

The Experience Enthusiasts are desperate to make up for what they perceive as time lost over the past year and are intending to take a trip for leisure as soon as it is possible. They are assured of the vaccine rollout's promise of progress, worry less about the impact of COVID-19 on their personal health, and fully intend to experience as normal a summer as possible in 2021.

⁸ the7stars Lightbox Pulse

Many among this group travelled in 2020 even as others stayed home, with the safety concerns of traveling during a pandemic playing second fiddle to the emotional strain of remaining indoors for this group. While domestic trips will continue to be the norm for now, international travel will be of increasing importance to this group towards the end of the year and into 2022. With 82% of Enthusiasts⁹ say they are comfortable being in an airport once they reopen – making it a matter of when, not if, they will book their next holiday abroad.

⁹ YouGov Profiles

Experience Enthusiasts deeply miss socialising and are looking for any opportunity to meet up with friends and family this summer, with nearly 93% already saying they are comfortable with visiting beer gardens¹⁰ and 95% comfortable with indoor dining¹¹. The challenge for the industry is not of convincing them of the safety of traveling and engaging in experience events – it lies in persuading them that their experience will offer a summer like no other.

¹⁰ YouGov Profiles

¹¹ YouGov Profiles



HOW TO ENGAGE EXPERIENCE ENTHUSIASTS

Experience Enthusiasts' desire to fill their diary with new experiences means that the time for brands to convert them is right now. Communication that leans into multi-sensory cues including rich visuals, provocative sounds and even tastes and smells that speak to the intensity of the experience on offer will heighten the anticipation for this group. They are ready to act so reducing complexity and removing any barriers in the journey to purchase is vital to make it a no-brainer for the Experience Enthusiasts and make it easy to convert their good will into sales.



HOW TO ENGAGE PRAGMATIC PARTICIPATORS

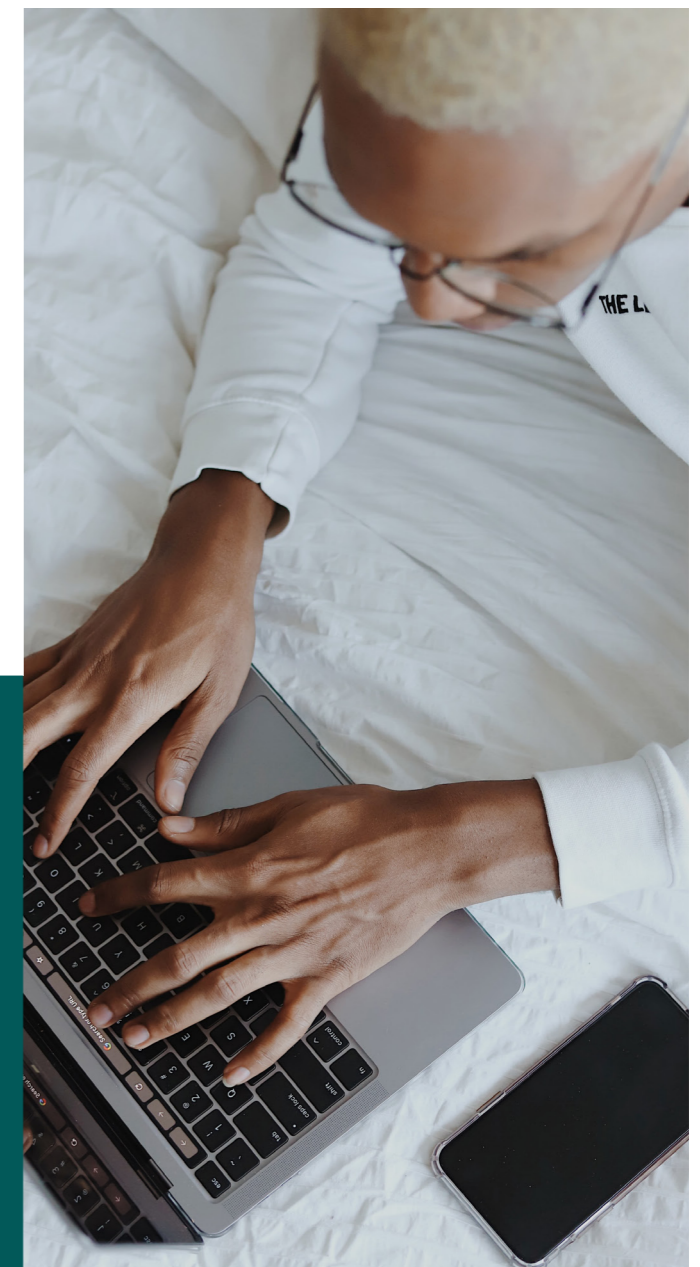


PRAGMATIC PARTICIPATORS COMPRISE THE LARGEST SUB-SECTION OF THE UK POPULATION, WITH ABOUT 49% OF BRITS¹² FALLING INTO THIS CATEGORY.

Pragmatic Participators are those who are cautiously optimistic of a return to normality this summer and are willing to take the plunge and book if provided with adequate information. They are encouraged by the progress of the vaccine rollout but are prepared to wait slightly longer once restrictions are eased before making their experience trips. They see booking ahead as giving them something to look forward to but are doubtful after a year in which holidays were cancelled, re-arranged and, in some cases, cancelled again.

Thus, assuring them that their bookings are risk-free – with flexible amendments and cancellations – and that their money is ultimately safe will be essential to Pragmatic Participators. Should vaccine passports be implemented¹³ as a requirement for international travel and domestic events, as is currently being considered, this group may feel more relaxed about making such trips. In the meantime, however, brands should focus on convincing Pragmatic Participators to book more frequent – and longer – trips and experiences.

While the Experience Enthusiasts look like the obvious easy win, there is potentially more long-term value in experience brands targeting the Pragmatic Participators if they play it right. Communications would need to begin in earnest and continue with regular frequency into the next stage of restrictions easing, as this group are likely to require some reassurance. Multiple proof points such as cancellation or re-booking guarantees using trusted, information-rich channels such as eCRM and publisher content would help give the Pragmatic Participators the level of confidence they require to book.



¹² the7stars Lightbox Pulse

¹³ <https://www.bbc.co.uk/news/uk-politics-56517486>



FINALLY, SOCIAL SCEPTICS ARE THE SMALLEST OF THE THREE GROUPS, AND WILL BE THE MOST CHALLENGING TARGET FOR BRANDS OVER THE NEXT YEAR AND BEYOND.

Representing just under one-quarter of the UK adult population (24%)¹⁴, Social Sceptics are those who, for a variety of reasons, remain unconvinced about the safety of travel and are nervous about making bookings. For this group, domestic and local trips will continue to be the norm in 2021, with smaller groups travelling mostly by car and choosing intimate, self-service accommodation. Many are thinking ahead to 2022 for their experiences, presenting an opportunity to incentivise longer-term bookings while promoting the safety of domestic travel this year. Even as bars and restaurants re-open and festivals and gigs open their doors once more, this group remains concerned about the potential for such events to accelerate the spread of COVID-19, particularly given that some of the UK's

earliest coronavirus outbreaks were linked to festivals and sporting events.

Furthermore, while many in this group have sufficient savings to travel, having spent less in 2020, they are not yet ready to splash the cash: with some 52% of Britons anticipating a recession¹⁵ following the pandemic, many are hanging tightly to their cash in case financial hardship comes calling. Convincing Social Sceptics of the safety of traveling domestically – particularly once they have received both doses of the coronavirus vaccine – should be a priority for brands this summer, while incentivising risk-free, longer-term international bookings.

¹⁴ the7stars Lightbox Pulse

¹⁵ <https://www.canvas8.com/signals/2020/05/21/uk-finances-lockdown.html>

HOW TO ENGAGE SOCIAL SCEPTICS

As with the Pragmatic Participants there is a long-term opportunity for brands who can engage with the Social Sceptics and win their commitment. This group are likely to spend a great deal of time researching their international travel options meticulously to make sure they get it right, so communications should prioritise high-dwell time environments in trusted sources such as newspaper supplements and direct mail. Reassurance focused messaging should be balanced with more emotive and aspirational messages, reminding them of the personal value in travel.



LOOKING AHEAD

As we look ahead to the rest of 2021 and into 2022, the brands that win will be those that acknowledge the financial disparity across the country but also recognise the nuances in how consumers' mindsets for how they are approaching travel and experiences. For the Experience Enthusiasts, it will be providing them with experiences now and the tools to make future plans. Whilst the Pragmatic Participants will need more support and reassurance before rushing into bookings so it will be about capturing them in the mid to long terms for experiences. Whereas the Social Sceptics will be a long term play as they will need far more reassurance and confidence if they are going to make a booking.

