WYSE TRAVEL CONFEDERATION

COVID-19 TRAVEL BUSINESS IMPACT SERIES

MARCH 2020

Youth travel anticipating 30% decrease in business for 2020

Business outlook by youth travel sector

Looking back in order to see ahead

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Young travellers are vital to the travel industry and travel is imperative to a connected, open and peaceful world. In light of the current COVID-19 pandemic and the crisis that it has brought upon our industry, WYSE Travel Confederation is concerned about the future of youth and student travel and the organisations that serve the unique interests and needs of young travellers.

Travel and tourism was an industry growing faster than global GDP. In 2019, the youth travel segment generated tourism receipts for destinations worth approximately USD 330 billion. Twenty-three percent of the world's international arrivals were young travellers under the age of 30. They were holidaymakers, but also international students, au pairs, interns and overseas volunteers and teachers, immersive language learners, cultural exchange programme participants, backpackers, flashpackers, digital nomads and a lot in between.

This report provides a summary of survey results from March 2020. Data for this report were collected between March 3 – 9, 2020 by WYSE Travel Confederation via a web-based questionnaire (in English) titled Business impact survey - COVID-19. The survey attracted 599 responses from 73 countries. Four-hundred and twenty-one responses were retained for analysis. Respondents included organisations specialised in youth travel products as well as those representing mainstream travel products.

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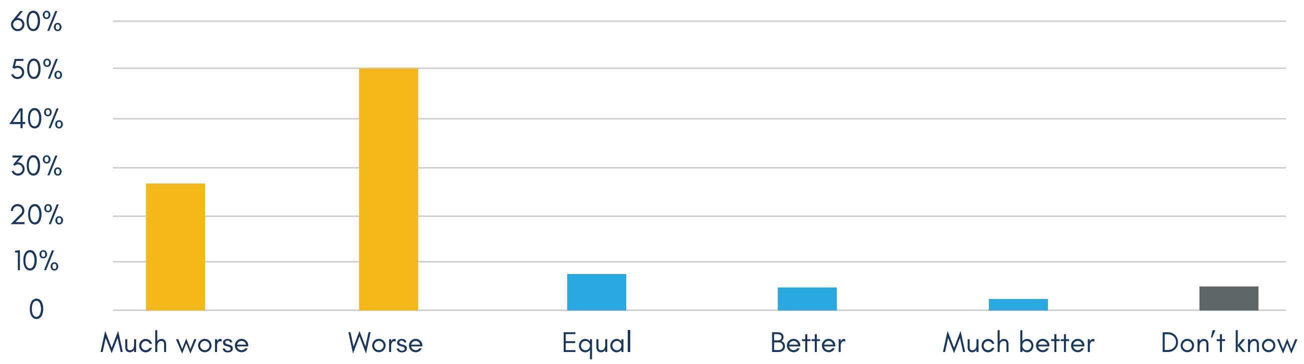
Youth travel anticipating 30% decrease in business for 2020

Findings from WYSE Travel Confederation's COVID-19 business impact survey[1] indicate travel businesses are anticipating a 30% drop in business for this year. Based on this, the estimated decline in receipts for the youth travel industry could equate to 87 billion euros in 2020.

Overall outlook and average decrease in business

More than 80% of businesses believe that their business prospects will be worse over the coming year.

Thinking about your business in relation to the global COVID-19 outbreak, what are the overall prospects for your business over the next calendar year?



On average, a 26% drop in demand for business in Q1 2020 compared to the same period last year was reported by respondents across all sectors. Looking ahead to the rest of the calendar year, respondents anticipate, on average, a 30% drop in business volume.
There was no significant difference between businesses specialised in youth travel [2] and other travel businesses in terms of business decreases reported and the outlook for the rest of the calendar year. The average change in volume anticipated for 2020 is 30% for both youth travel specialists and non-specialists. Youth travel specialists reported a slightly lower decrease in demand (24%) for Q1 2020 vs the same period in 2019 than did non-youth travel specialists (30%).

Concerns

The top five concerns for businesses are the same for the immediate and long term and relate to fairly broad issues such as economic and political uncertainty and travel restrictions. Visa regulations, pricing, marketing, staffing, and the availability of placements are longer-term concerns for businesses.

Please rank the relevant immediate and long-term concerns for your business in relation to the global COVID-19 outbreak

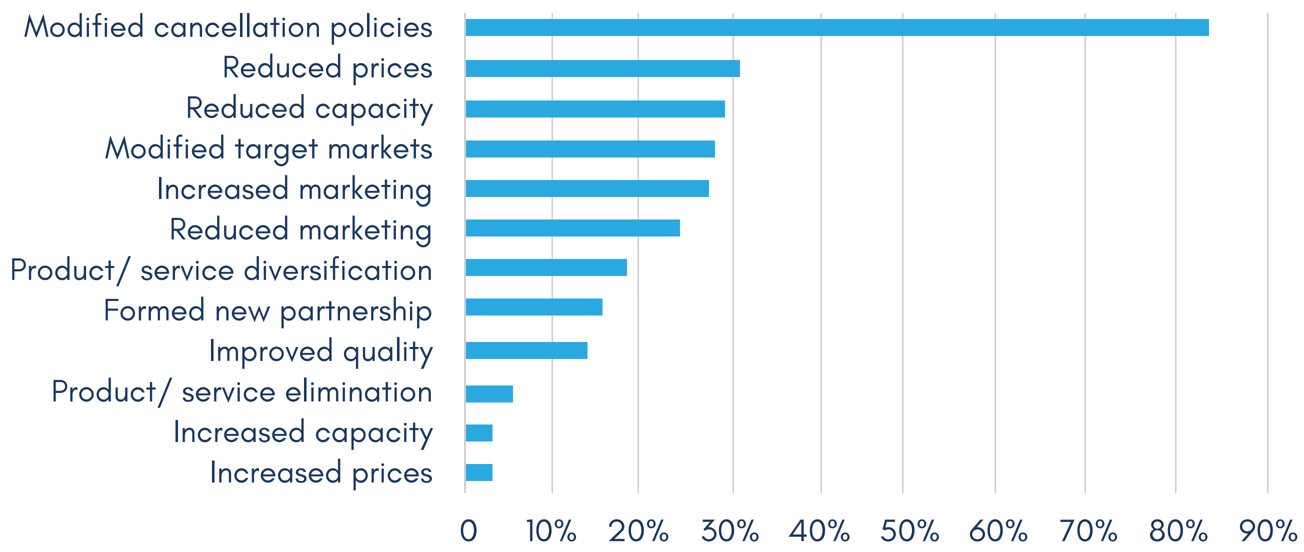
Rank	Immediate concerns
1	Economic uncertainty
2	Travel restrictions
3	Employment
4	Political uncertainty
5	Exchange rates
6	Pricing
7	Marketing
8	Visa regulations
9	Staffing
10	Placement availability

Rank	Long-term concerns
1	Economic uncertainty
2	Travel restrictions
3	Employment
4	Political uncertainty
5	Exchange rates
6	Visa regulations
7	Pricing
8	Marketing
9	Placement availability
10	Staffing

Actions

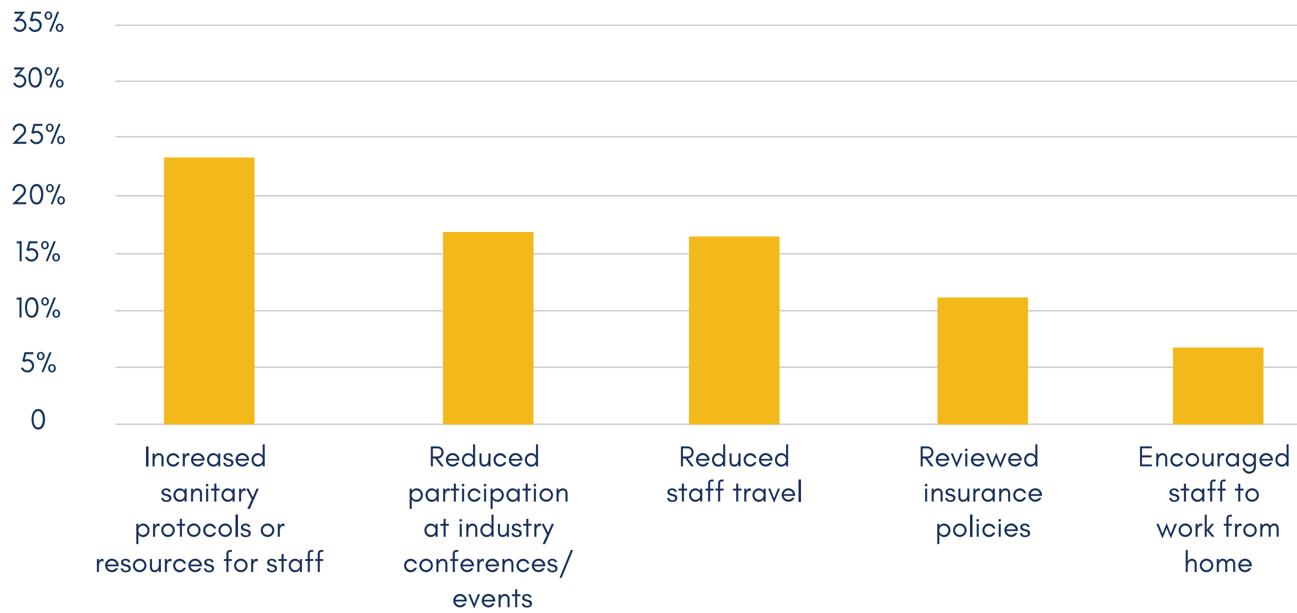
The most important action that businesses reported taking in relation to the global COVID-19 outbreak was, by far, the modification of cancellation policies. Reducing prices and capacity followed in importance. Improving quality, forming new partnerships and adjusting marketing and product offering seem to have lower priority for businesses right now. In particular, several respondents mentioned a shift in marketing to local or regional domestic markets. Not surprisingly, increasing prices and capacity are not actions being utilised by many at the moment.

Most important action your business has taken related to the global COVID-19 outbreak



Other actions relate to personnel and internal business operations such as increased sanitary protocols or resources for staff, reducing travel and industry conferences/events. Encouraging staff to work from home and reviewing insurance policies were reported by fewer respondents.

Please indicate other actions that your organisation has taken in relation to the global COVID-19 outbreak



Additional measures that respondents mentioned included the formation of crisis management teams, administering daily briefings, and streamlining policies and protocols with partners.

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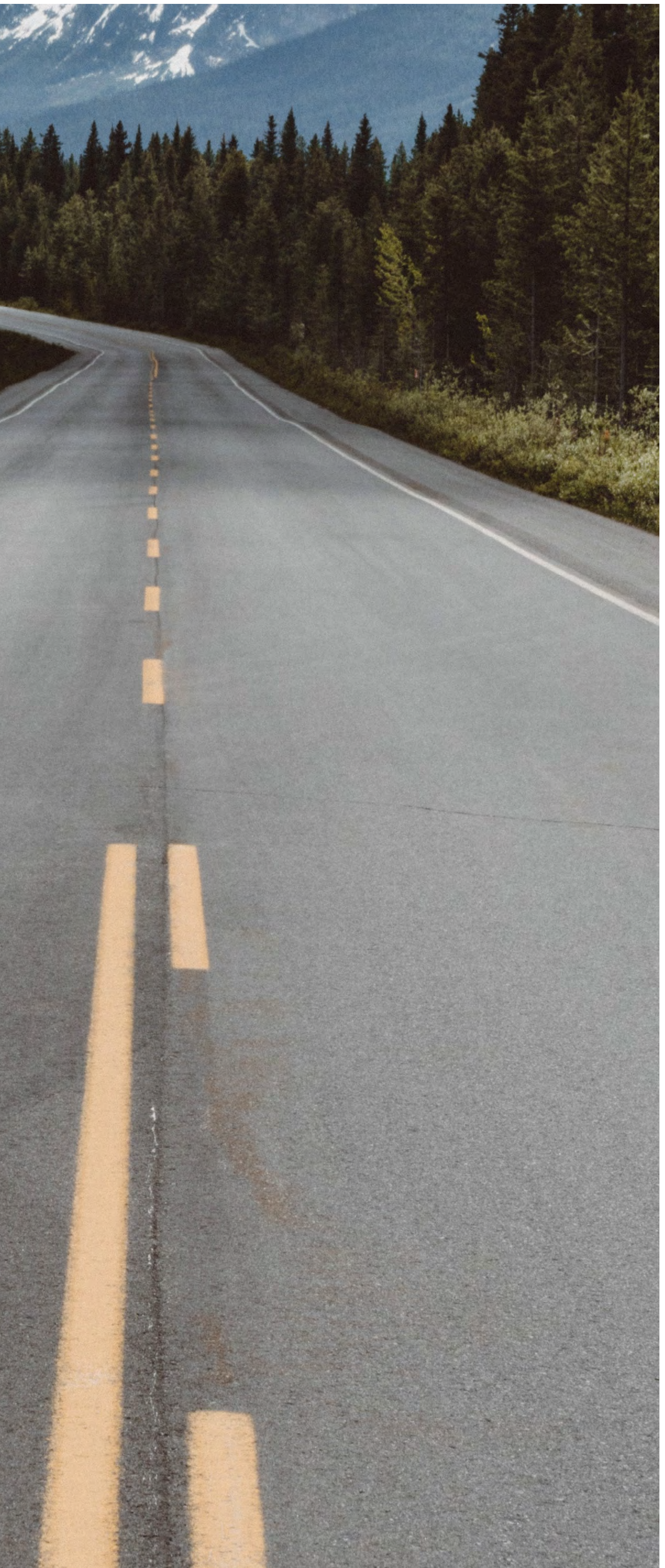
[2] Fifty percent or more of business is focussed on the youth travel segment. Youth travel is defined here as travellers aged 15 to 29.

Business outlook by youth travel sector



Cautious with pockets of optimism

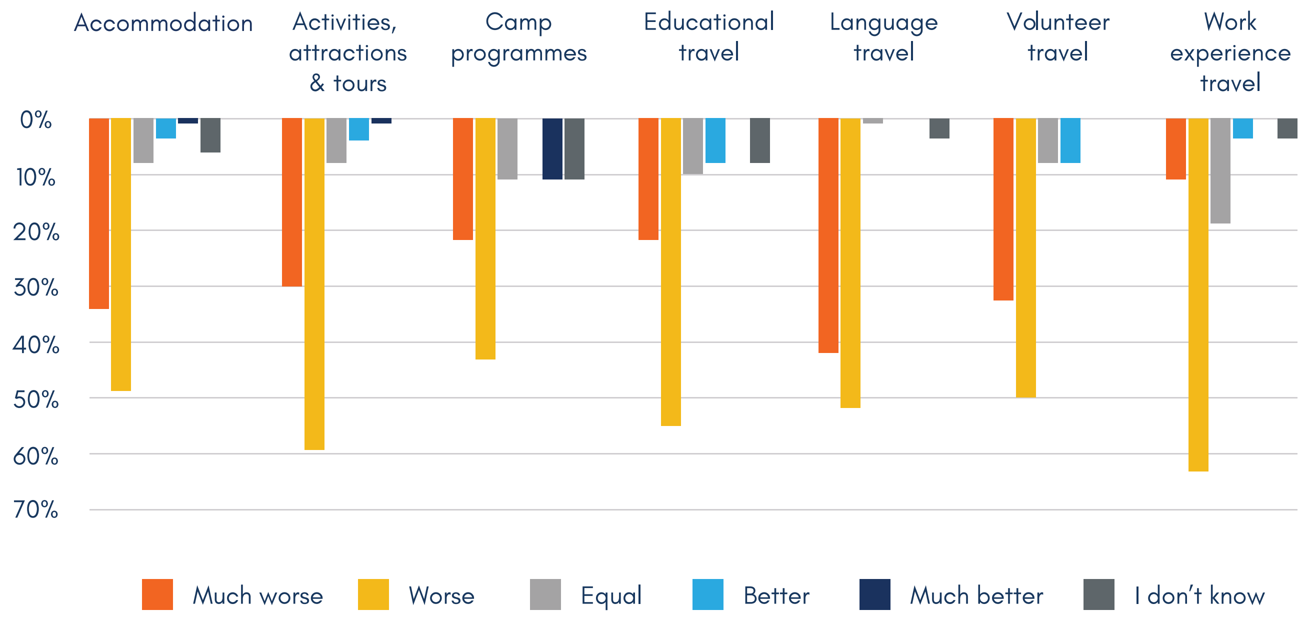
Findings from WYSE Travel Confederation's COVID-19 business impact survey [1] show a mixed picture across various sectors when it comes to the outlook for 2020. Some experiential travel programmes, such as camp programmes, educational travel, language travel, volunteer travel and work experience travel, remain somewhat optimistic while suppliers of general travel products such as accommodation, activities & tours, and transportation anticipate the drop in business as remaining stable for the year. Furthermore, there is no correlation between the proportion of youth travel product/programme in a company's business mix and expectations about the effect of COVID-19. In other words, both youth-focussed and general travel businesses currently share similar business outlooks in the context of the global Coronavirus outbreak.

Overall outlook by sector

Not surprisingly, most sectors reported drops in demand for Q1 2020 in comparison to the same period in 2019. Camp programmes reported the smallest decrease (12%) while language travel reported the largest (34%). However, the picture is mixed in terms of what sectors are expecting for the rest of the year.

Camp programmes seem slightly optimistic about their overall prospects this year, perhaps because the summer camp season in the northern hemisphere is still a few months away. Also, educational, work experience and volunteer travel programmes seem to believe that their business prospects will remain stable for 2020. Again, this is perhaps due to timing of these programmes during the summer months. However, it should be noted that these responses were collected before any major actions were announced and implemented by the government of the United States of America, a popular destination for such programmes.[2]

Thinking about your business in relation to the global COVID-19 outbreak, what are the overall prospects for your business over the next calendar year?

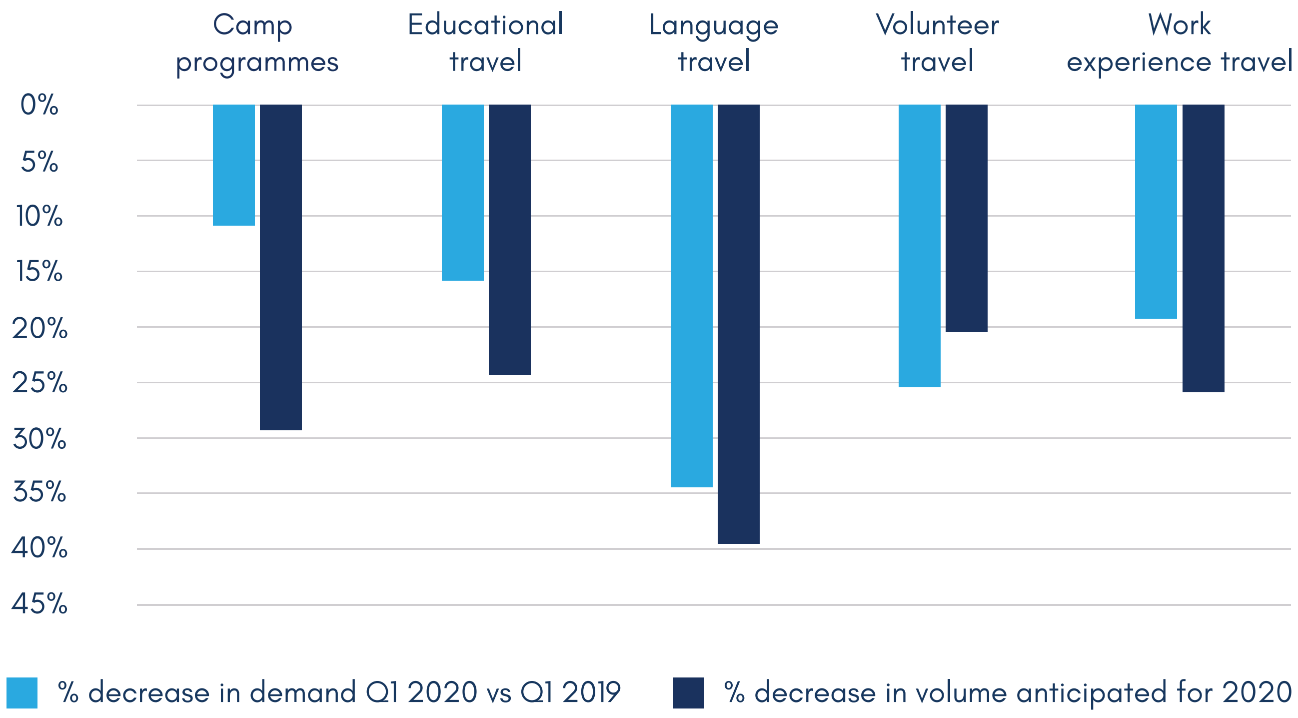


Q1 2020 and anticipated 2020 business changes

Insurance was the only sector that reported positive results in Q1 2020, with a 2% average increase in demand during the period vs the same period in 2019. Insurance providers were optimistic about their prospects for the rest of the calendar year, anticipating, on average, 5% increase in business volume.

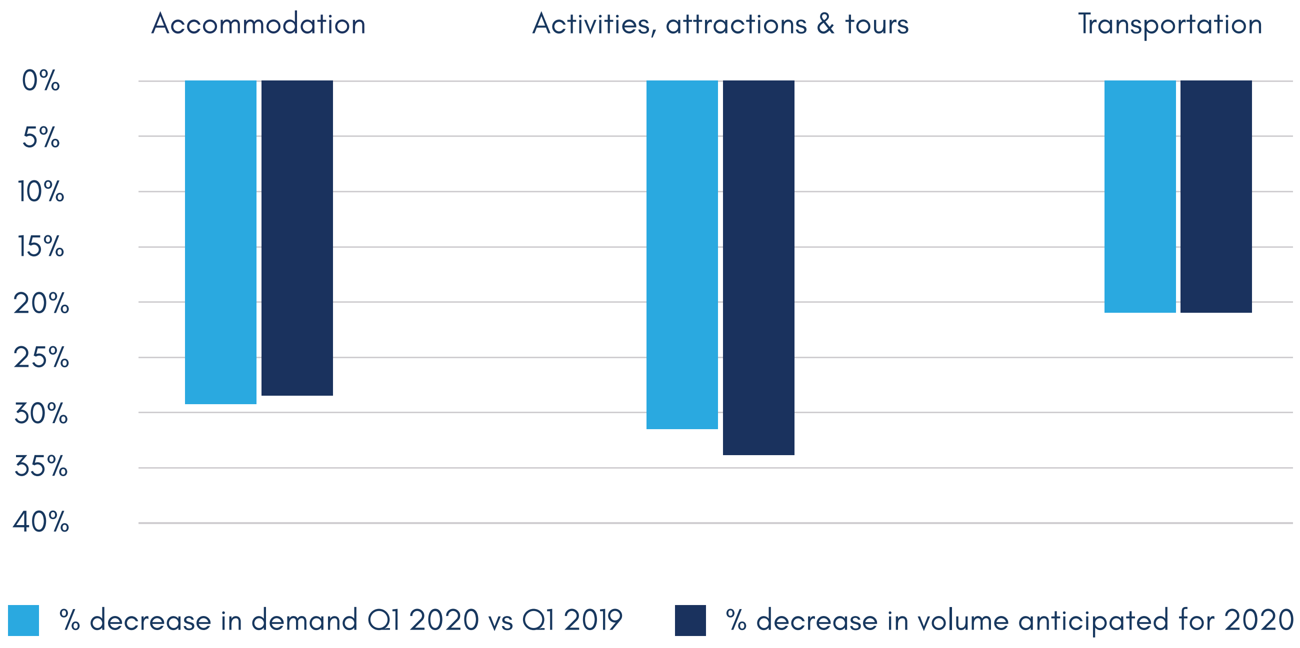
Technology providers reported a mixed picture. On average, technology reported an 11% average increase in demand during Q1 2020 compared to the same period in 2019, however, the tech sector is anticipating a 21% decrease in demand over the course of 2020. Experiential travel sectors, such as camp programmes, educational travel, language travel, volunteer travel and work experience travel reported the largest differences in current demand and anticipated demand for the remainder of the calendar year. Of the experiential travel sectors, volunteer travel is the only sector anticipating a slightly lower drop in business for 2020, perhaps in anticipation that youth interest in helping others abroad will resume once the health risks of COVID-19 are reduced.

Average percent decreases Q1 2020 vs Q1 2019 and anticipated change for calendar year 2020



Providers of accommodation, activities, attractions & tours, and transportation all reported drops in demand for Q1 2020 in comparison to the same period in 2019. Unlike the experiential travel sectors, these suppliers anticipate a drop in business volume over the course of 2020 to be at levels similar to what they have already experienced in Q1.

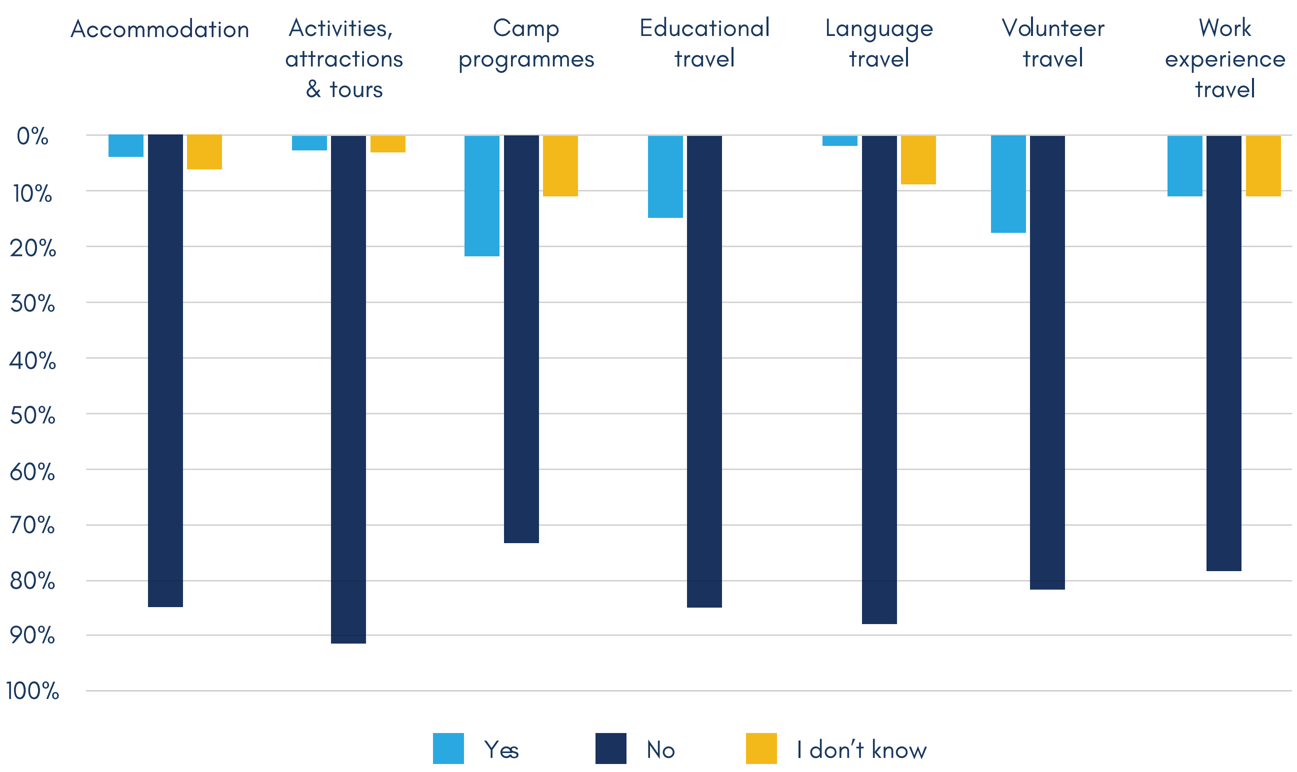
Average percent decreases Q1 vs Q1 2019 and anticipated change for calendar year 2020



Positive effects of COVID-19 on business

Over 80% of respondents could not see any positive effects of the COVID-19 outbreak on business. However, in the experiential travel sectors of education, volunteer and camp programmes, some businesses do see the potential for positive effects. This perhaps relates to an anticipated shift in demand from international to domestic markets. However, with governments now moving to limit or lock down even domestic travel, optimism in markets closer to home might become less or even more localised.

Do you think the global COVID-19 outbreak will have any positive effect on your business?



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[2] The United States government announced travel restrictions (effective 14 March 2020) and temporary pause of certain international exchange programmes (12 March 2020).

Looking back in order to see ahead

Findings from WYSE Travel Confederation's first COVID-19 Travel Business Impact Survey [1] have indicated that youth travel organisations experienced significant drops in business by the first week of March 2020 as a result of the global COVID-19 (Coronavirus) outbreak. Organisations based in Asia or receiving travellers from Asia, China in particular, were already reporting cancellations and slowed bookings for future stays at the end of January 2020. Perhaps needless to say, most youth travel organisations have expressed a pessimistic outlook for the remainder of 2020 – an outlook that has now most likely worsened since early March, the time of the first survey in this series. Put simply, yet powerfully by Phocuswire: *"we haven't been here before."*

Surely many of us agree that we've never seen or experienced anything like what is happening to the travel industry due to the halt of the movement of people across borders. This is not to mention changes to our local societies and cultures as we know them. In this third part of the WYSE Travel Confederation COVID-19 Travel Business Impact Series, we look back at what WYSE Travel Confederation learned from the global economic crisis of 2008 – 2010. How did the sectors of youth travel fare during that global economic crisis? What actions did businesses take in response to the crisis? What are the key characteristics of the youth travel marketplace that we should keep in mind as we look ahead?

Most importantly, we would like to hear from businesses about what they think might change about the youth travel marketplace by the time COVID-19 travel restrictions are lifted, health risks are reduced and confidence in travel resumes. With this in mind, we urge you to plan on participating in the April 2020 edition of the WYSE Travel Confederation COVID-19 Travel

Business Impact Survey.

Global macro context

As UNWTO routinely states in its quarterly World Tourism Barometer, "Since the global economic crisis of 2009, international tourism has seen ten straight years of sustained, and sometimes remarkable growth, with an average 5% per year increase in arrivals through 2019. International tourism outperformed global GDP each year in terms of arrivals, and nine out of ten years in terms of international tourism receipts, reflecting the sector's resilience and potential. [2] In other words, travel and tourism have done very well for ten straight years. The same trajectory of strong growth can be seen in the youth travel segment, the global marketplace of travellers aged 15 to 29. In 2015, UNWTO and WYSE Travel Confederation assessed the youth travel segment as a proportion of the global travel marketplace and agreed that the segment had grown from 20% to at least 23% of international arrivals. [3]
In January 2020, UNWTO projected 3% to 4% growth for international tourism this year. [4] This projection was revised in early March 2020 to negative growth of -1% to -3% and will likely be revised again in due course. [5]

Youth travel during the global economic crisis of 2008-2010

WYSE Travel Confederation conducted the Youth Travel Industry Monitor from December 2008 to March 2010 in response to the global economic crisis of that period. The survey routinely measured the impact of the economic crisis on youth travel organisations and generated insights on how organisations were responding to the challenging conditions. The aim was to help WYSE Travel Confederation members and the wider travel community make informed decisions and develop forward-thinking strategies. The survey was launched in December 2008, conducted quarterly throughout 2009 and completed at the end of Q1 2010.

Actions taken in response to global economic crisis vs global COVID-19 outbreak

The most important initial actions that businesses took in December 2008 to deal with the economic crisis were increasing marketing while also cutting costs, staff and prices. As things progressed in 2009, businesses focused on improving quality and looking for new opportunities and partnerships while adjustments to marketing were of the lowest priority. In contrast, the most important actions businesses reported taking in response to the global COVID-19 outbreak were modifying cancellation policies, reducing prices, and reducing capacity.

Most important actions your business has taken in response to the crisis (2008, 2009, 2020)

December 2008		October - December 2009		January - March 2020	
Increased marketing	1	Improved quality	1	Modified cancellation policies	1
Cutting costs/staff	2	Looking for new opportunities	2	Reduced prices	2
Reduced prices	3	Looking for new partnerships	3	Reduced capacity	3
Diversification/innovation	4	Cutting prices	4	Modified target markets	4
No impact (yet)	5	Diversification/innovation	5	Increased marketing	5
Improved quality	6	Cutting capacity	6	Reduced marketing	6
Looking for new opportunities	7	Increased marketing	7	Product/service diversification	7
Reduced capacity	8	Product/service elimination	8	Looking for new partnerships	8
		Reduced marketing	9	Improved quality	9

Change in business volume during the global economic crisis of 2008-2010

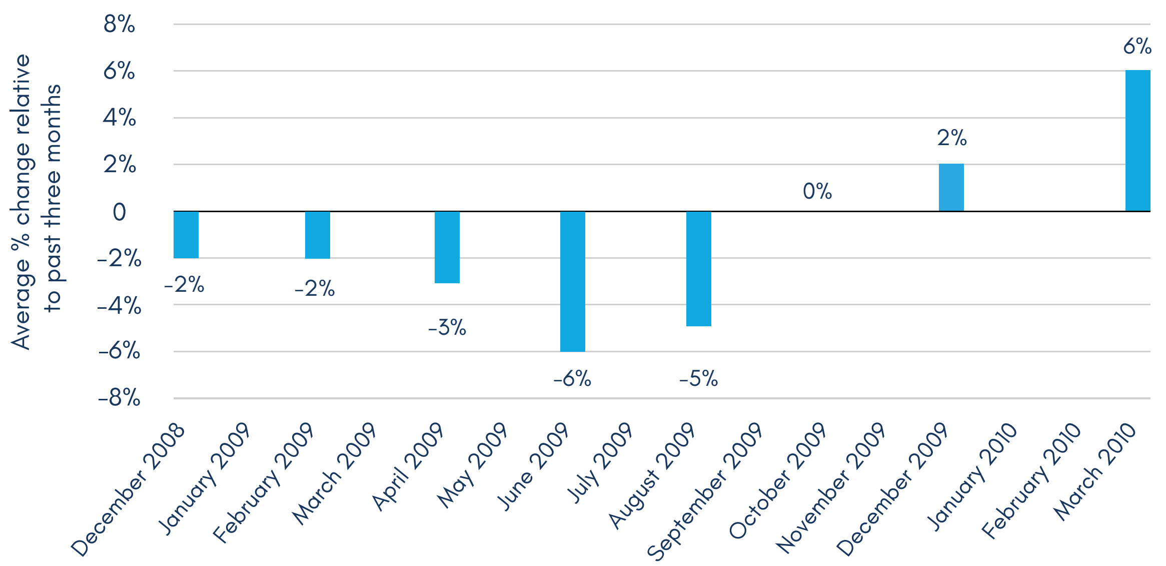
The overall average decline in business volume for the youth travel industry Q1 2009 vs Q4 2008 was around -2.4%. Suppliers of youth travel accommodation were particularly hard hit, as were retailers and tour operators. Small increases for au pair and language study travel suggested that some young people were looking for programmes that enabled opportunities to travel and continue educational activities while prospects in the job market were not ideal.

Change in core business volume Q1 2009 vs Q4 2008

Sector	Average % change
Retail sales of student or youth travel services	-5.8
Tours, adventure & group travel	-4.5
Youth travel accommodation	-6.5
Au pair	+1.5
Language study travel	+0.5
Work experience and volunteer travel	-1.5

In the longer term, the decline in core business volume for youth travel businesses for the whole of 2009 was only -0.3%. In comparison, UNWTO recorded a -4% decline for international tourism at large in 2009. The steady decline in youth travel noted in the first part of 2009 was reversed later in the year, with many sectors of the youth travel industry seeing some growth by August, and the industry as a whole growing again by December 2009.

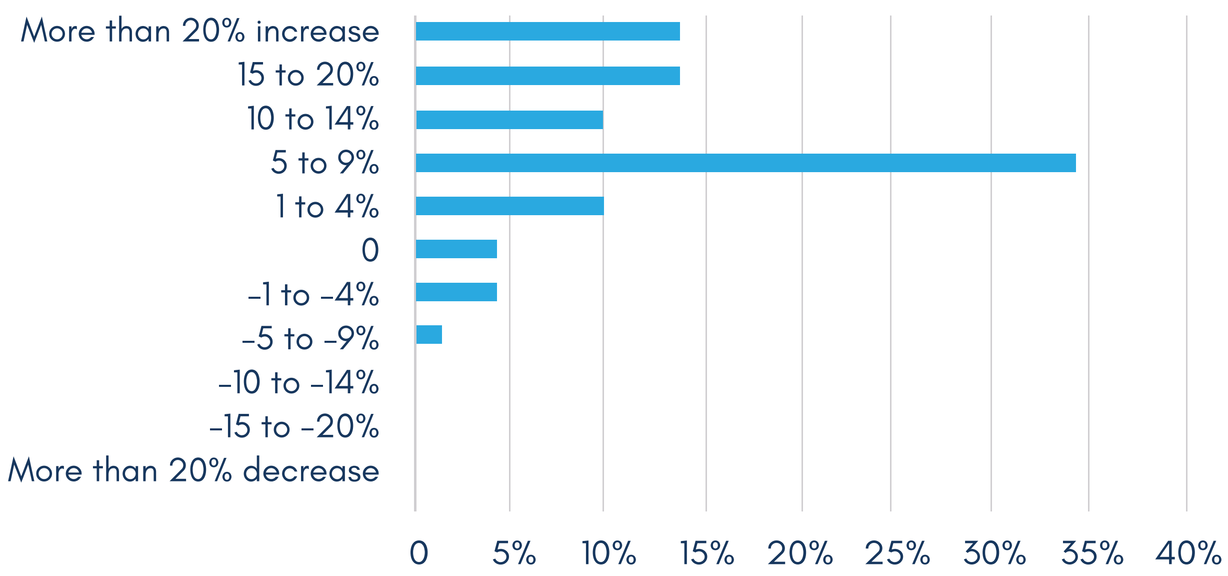
Average percent changein youth travel business volume relative to past three months, (reported December 2008- March 2010)



The outlook for 2010 at the end of 2009

Towards the end of 2009, respondents of the Youth Travel Industry Monitor were asked to indicate what they thought their business prospects were for the coming two months (January-February 2010) relative to the same period the year before (January-February 2009). There were clear indications that the youth travel industry expected a return to growth around this time, with about a third of organisations expecting growth of between 5% and 9%. Only 6% of youth travel organisations expected a decline. In the broader tourism context, UNWTO recorded 8% growth in international arrivals between 2009 and 2010 from 880 million to 948 million.

What do you expect the change in demand for your core business will be for the period Jan-Feb 2010 compared with the same period in 2009?



The resilience and stamina of the youth travel market

In the past, the youth travel industry has managed to adapt, innovate and be resilient during and after periods of crisis or disruption; WYSE Travel Confederation has seen this from business data collected in the past through surveys like the Youth Travel Industry Monitor. A less dire example is the hostel and youth travel accommodation industry's adaptation to OTAs and Airbnb as seen in the STAY WYSE Hostel Booking Sources reports. WYSE Travel Confederation has also seen the market's tendency towards resilience since 2002 in data collected from young travellers via the New Horizons Survey. What are the unique characteristics of youth travel that have contributed to this market's resilience in the past? Longer stays, higher spend, activity intense and travel motivations that go beyond leisure.

Young people are motivated to travel by opportunities to explore other cultures, experience everyday life in another country, and increase their knowledge; travel is more than just a vacation or holiday for many young people. On average, the youth traveller stays longer and spends more than a typical tourist or holidaymaker. The average length of stay for an international trip taken by youth aged 15 to 29 in 2017 was 52 days and the average trip expenditure was EUR 2,867. Furthermore, youth travel has been a growing market as far as volume and spend since WYSE Travel Confederation has been measuring it. 2017 expenditure represented an increase of 18% compared with 2012. [6]

Of course, the unique characteristics of each crisis have affected international youth travel and the different sectors within it in different ways. However, it could be argued that young travellers stand to play a crucial role in supporting economic recovery once COVID-19 travel restrictions are lifted, given that their top three in-destination activities generate direct spending to the small and local businesses that are currently being hit hard - enjoying cafes/restaurants, visiting historical sites/monuments and shopping.

Next survey in the COVID-19 Travel Business Impact Series

WYSE Travel Confederation will repeat the COVD-19 Travel Business Impact Series 3 -13 April 2020. As with past travel business crises that we have monitored, it is important for the industry to come together and take its collective temperature, so to speak. Given that youth aged 15 to 29 represent 23% of international arrivals, all travel businesses, regardless of their focus on youth-tailored travel products, are welcome to participate in the survey.

If your business would benefit from unique business insights on the youth travel market, industry representation for common business interests, and hopefully soon, new trading opportunities with international partners, we invite you to discover the resources of our global trade association for businesses serving young travellers.

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[2] UNWTO World Tourism Barometer Volume 18, Issue 1, January 2020

[3] Youth and student travellers age 15 to 29 represent 23% of international tourist arrivals, September 2015

[4] UNWTO World Tourism Barometer Volume 18, Issue 1, January 2020

[5] COVID-19: UNWTO calls on tourism to be part of recovery plans, 6 March 2020

[6] New Horizons IV: A global study of the youth and student traveller, July 2018, WYSE Travel Confederation.

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