

Post Covid Travel Costs

The pandemic has had a wrenching effect on the travel industry. Within weeks of President Trump's European travel ban, airline passenger loads were reduced to less than 5% of the same period (day, week, month) one year earlier.



Below we will address two topics: 1) what will travel provider pricing look like post Covid and 2) the key benefits and steps to maximize the value of your spend from effective travel management.

The global travel industry has never experienced anything of this magnitude, so no one knows exactly how it will play out. However, below are outlined our thoughts about travel costs for the near, middle and long-term future of approximately 6, 12-18 and 24 months, respectively.




The travel industry has always been a volume driven business and we do not expect that to change as we look to the rest of 2020, 2021 and possibly beyond. That said, this is also a great time to implement a travel program as the travel providers (airlines, hotels & rental cars) are aggressively looking for new business commitments.

Airfare:

If you shop airfare right now there are some great deals! These fares were shopped week of May 25, 2020. Chicago to Los Angeles June 14-18, 2020

| | | | | |
|---|--------------------------------|-------------------|---------|---------------------|
|  | 8:30 AM – 11:05 AM American | 4h 35m ORD-LAX | Nonstop | \$291 round trip |
|  | 9:45 AM – 12:13 PM United | 4h 28m ORD-LAX | Nonstop | \$297 round trip |

Or Chicago to Los Angeles Sept 13-17, 2020

| | | | | |
|---|-------------------------------|-------------------|---------|---------------------|
|  | 7:30 PM – 9:52 PM United | 4h 22m ORD-LAX | Nonstop | \$139 round trip |
|  | 10:48 AM – 1:24 PM Spirit | 4h 36m ORD-LAX | Nonstop | \$140 round trip |
|  | 7:30 AM – 9:51 AM American | 4h 21m ORD-LAX | Nonstop | \$150 round trip |

These low fares are due to dramatically reduced demand for the short term of 3-6 months.

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Looking forward mid to long term, we do not expect these low fares will be available for several reasons:

1. The airlines have dramatically reduced schedules and available seats domestically and even more so internationally.
2. US and Foreign Flag carriers are all reducing fleets. Older less efficient aircraft are parked in the desert. As business resumes, new fuel-efficient aircraft will be brought online and many have stated goals to homogenize the fleet, standardize operations and gain added efficiencies.
3. Work forces are also being reduced throughout the organizations, not just hourly but also senior management via early retirements and furloughs. As government loan obligations to keep payrolls intact expire, tens of thousands of employees will be laid off. Early reports suggest 30-40% RIF.
4. Please visit these links for Covid related airline moves:
 - [United Offers Miles & Buyouts](#)
 - [Delta Offers Buyouts Amid Weak Demand](#)
 - [AA Fond Farewell to Five Fantastic Fleets](#)
 - [Delta Reduces/Simplifies Wide Body Fleet](#)
 - [Delta Fleet Plans Due to Corona](#)

What does all this mean? Reduced airline flights, seat capacity, trained staff, pilots and management. The airlines will not be able to rebuild their routes and workforces overnight. As business resumes and demand grows, the law of supply and demand will force prices up.

We do not know how far and how fast, there is a balancing act no one can predict and involves several factors:

- How comfortable will people be to get on an airplane?
- If you are willing to travel, are clients willing to meet you?
- Airlines will add capacity when they see demand exceed supply? Remember a few months ago and you could only get a middle seat? That is the demand level they will want to see before acting.
- How comfortable will people become with Zoom?
- How quickly can they add aircraft, hire, train or re-train employees?

Hotel Rates:

Hotels are a trickier question because you cannot park a hotel in the desert. Approximately 25-30% of all hotels globally completely shut down and 20% remain closed as of this writing. Some may be closed permanently or repurposed.

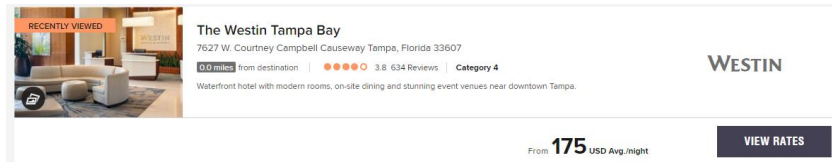
We expect to see very dynamic hotel rates going forward. It will depend upon the market, the brand, the time of year and how quickly people resume normal life. Another very big question will be in person conventions, trade shows etc. as they are very large demands on room inventory.

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If you do not watch it closely, you will overpay. Why? Look at these rate quotes for the near term; they are at or above 2019 rates!

We quoted the Westin Tampa Bay on May 29th for June 22 – 25th, 2020. Tampa is a seasonal market, these dates are low season and this published rate is 17% higher than 2019 rates of \$150, for an upscale hotel per Business Travel News. **This published rate does not appear to be discounted due to Covid.**



RECENTLY VIEWED

The Westin Tampa Bay
7627 W. Courtney Campbell Causeway Tampa, Florida 33607

0.0 miles from destination | 3.8 634 Reviews | Category 4

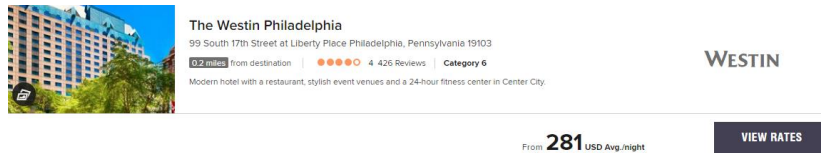
Waterfront hotel with modern rooms, on-site dining and stunning event venues near downtown Tampa.

WESTIN

From **175** USD Avg./night

VIEW RATES

Philadelphia is not a seasonal market. During Q2 - Q3 2019, upscale hotels in Philadelphia averaged \$215 per night, per Business Travel News. This stay was quoted week of May 25, 2020 for June 22-25, 2020 and comes in 31% above last year same period. **This published rate does not appear to be discounted due to Covid either!**



The Westin Philadelphia
99 South 17th Street at Liberty Place Philadelphia, Pennsylvania 19103

0.2 miles from destination | 4 426 Reviews | Category 6

Modern hotel with a restaurant, stylish event venues and a 24-hour fitness center in Center City.

WESTIN

From **281** USD Avg./night

VIEW RATES

We have been speaking with hotels to prepare for the “return” of business travel regarding hygiene, traveler confidence and rates. Most are being very aggressive and are offering negotiated rates of 10-20% and more below what was negotiated last year during the annual Q4 negotiation period.

Some unknowns regarding hotel pricing going forward include:

- New fees for added cleaning efforts or “financial recovery assessment” to make up revenue deficits for March, April, May and until travel resumes...
- Reducing amenity mixes i.e. Free Wi Fi, Free Breakfasts etc.
- Increased nonrefundable rates
- Increased meeting costs for rooms, F&B, AV etc.
- Local taxes, municipalities love to tax business travelers - **they do not vote**

What to expect:

- Equal or higher published rates
- Fewer included or complimentary amenities
- Increased meeting costs
- More fees and possibly higher taxes

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Rental Cars:

Rental car companies are more like airlines in that they can manage the available supply. And like airlines, they are reducing fleets. Add to that Hertz and Advantage Auto Rental recently entered Chapter 11 and not everyone believes they will emerge. Hertz also owns Dollar, Thrifty, Firefly, Hertz Car Sales, and Donlen Leasing.

We believe rental rates will dip in the short term due to the dramatic and sudden loss of demand. However, prices will quickly rebound and exceed recent prices for these reasons:

1. Shrunken fleets reduce supply
2. It is expected that many travelers (business & leisure) will rent and drive before getting on an airplane and increase demand
3. Car companies will respond to reduced airline routes and schedules, pull cars from secondary and tertiary airports impacting available supply

Please review these rental car news releases in aftermath of Covid:

- [Rental Cars Flood Retail Market with Used Cars](#)
- [Rental car industry has ground to a near halt](#)
- [Hertz Declares Bankruptcy](#)

In conclusion, we believe that prices will remain low in a short term dip then be higher than they were at the beginning of the year and in comparison to 2019 due to supply and demand, travel providers yield management efforts to maximize revenue and possibly increased fees and taxes.



How to Manage Business Travel Costs Post Covid

Travel is a volume game and can be successfully managed to provide several benefits to both the enterprise and traveler. The benefits and results of effective management include:

1. Increased cost control thru supplier discounts and economies of scale
2. Increased visibility to who is traveling, why and at what cost
3. Improved traveler services via provider amenities for travelers
4. Increased efficiencies due to standard purchase process and best practices
5. Improved Duty of Care via best practices and robust tools, this is incredibly easy to setup!
6. Establishment and benchmarking KPI's for ongoing measurement and improvements

What is the savings potential?

If your organization is currently unmanaged, poorly managed or you're not effectively leveraging your volume, the savings potential exceeds 10%.

There are several key steps available to your organization:

1. Aggregate the volume of all companies and operations
2. Engage the travel providers and industry participants for discounts, rebates and amenities
3. Mandate the use of these programs by each operation with travel policy and approvals
4. Leverage the latest travel management technologies for:
 - Improved purchase process and management controls
 - Gain employee efficiencies
 - Access to more and better travel inventory
 - Take advantage of provider pricing discrepancies and dynamics i.e. TripBam
5. Benchmark all travel activity and expenses
6. Develop continuous improvement practices