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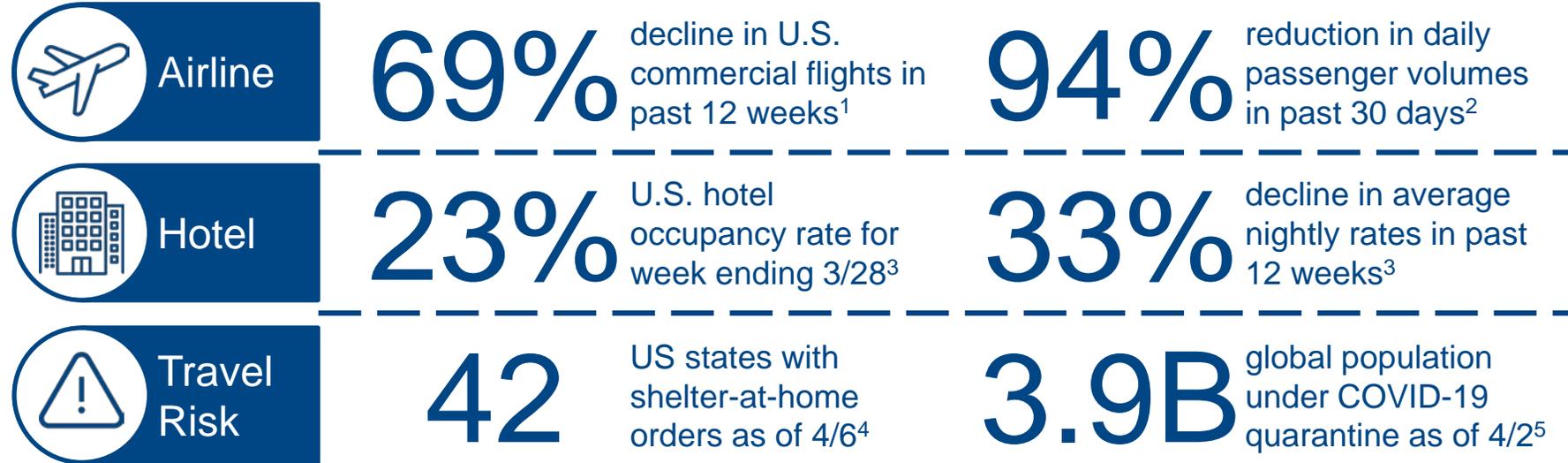
ISG Travel Center of Excellence POV

COVID-19 Update



Travel Trends and Recommendations at a Glance

In the midst of the COVID-19 pandemic, there's not a lot of travel taking place...



...but what remains is likely more critical than ever. Practical steps for travel procurement leaders in the midst of a crisis:

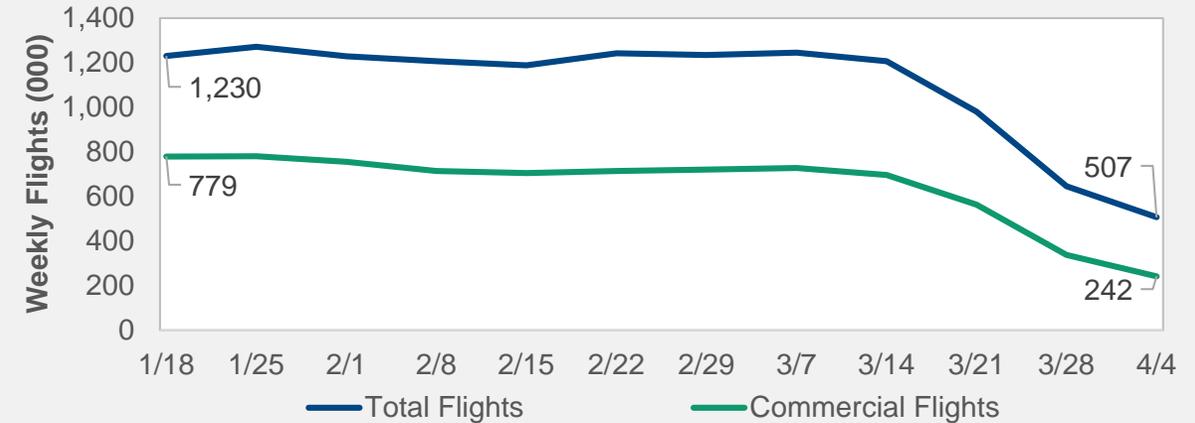
- 1 Focus on the needs of those who must travel.** Work with your teams and TMC partners to understand and accommodate the needs of workers who can't be at home. Close capability gaps and provide concierge-level service to those on the front lines.
- 2 Turn off what's not essential.** Expenses like monthly in-flight wifi subscriptions and mobile hotspots might not be needed when most of your travelers are at home. Take a close look at expense reports to find smart ways to trim costs in this time of uncertainty.
- 3 Reflect and reposition for the next normal.** Start to think about how you will refine your programs in the aftermath of this crisis. Do you have duty of care capability gaps? Can this demand shift be made permanent? How can you reposition with suppliers?



COVID-19 Impact

- Commercial and total flights volumes in the US have declined substantially since mid-January, with an inflection point in mid-March
- The flights that are in the air are carrying less passengers; daily passenger volumes were down 90-95% year-over-year (YOY) by the end of March
- Ticket prices are down significantly and numerous airlines have begun waiving fees for ticket changes and cancellations for impact travelers
- Declining oil prices have reduced variable costs of jet fuel for airlines
- To manage liquidity and costs, airlines have grounded substantial portions of their fleet and have furloughed or laid off portions of the workforce

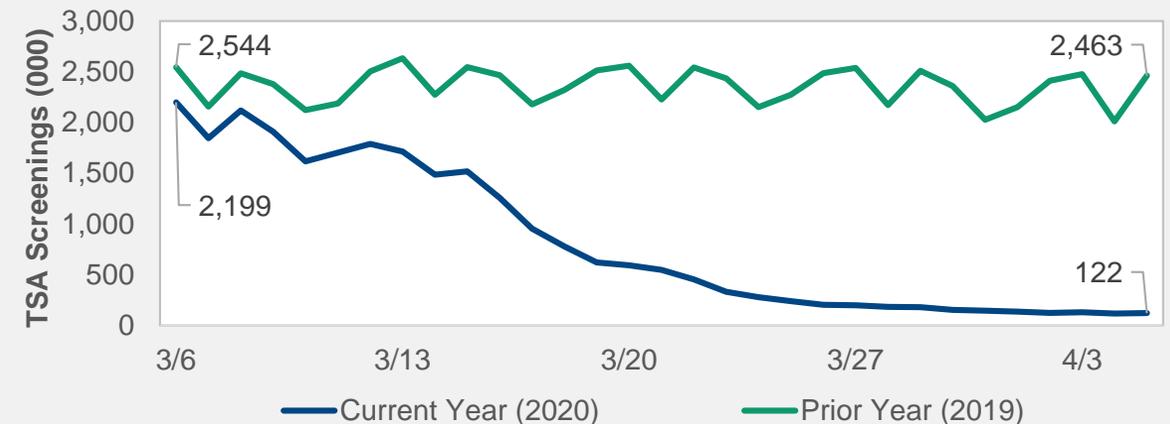
Commercial flight volume has dropped by 69% since mid-January¹



Future Projections and Recommended Next Steps

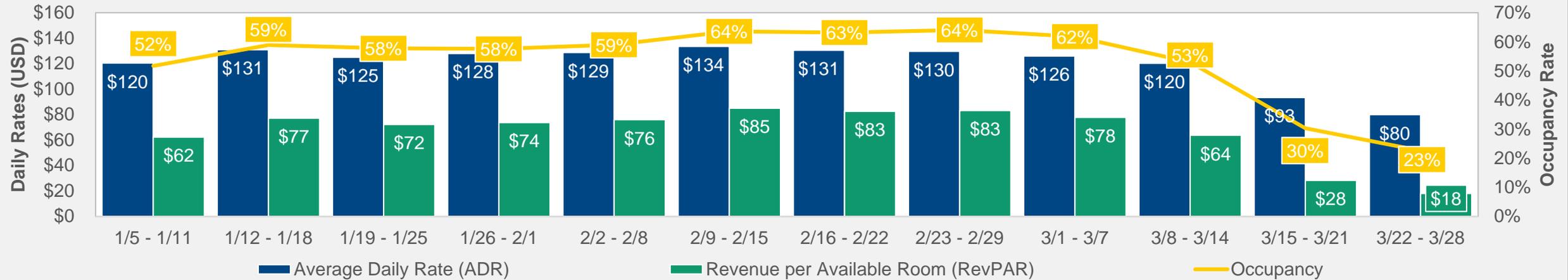
- The IATA projects a 38% YOY decline in RPMs and over \$250B decline in annual revenues across the global airline industry³
- Review all active air itineraries to ensure travel is necessary; if not, work with travelers and TMCs to cancel tickets at no cost due to policy changes
- Corporate furloughs may make shorter-term efforts to renegotiate airline contracts difficult or impossible, but airlines will be looking to buoy business performance as the world recovers from the COVID-19 pandemic
- If you have not done so recently, consider working alongside your TMC partner to consolidate and renegotiate airline contracts to improve pricing and value-added services when travel resumes

Passenger volume has dropped 95% in the past month (and YOY)²





Hotel daily rates (-33%) and occupancy (-56%) have plummeted since January, resulting in a 71% decline in revenue per available room¹



COVID-19 Impact

- Occupancy rates have fallen 68% year-over-year to 22.6% as of 3/28 and projections suggest occupancy may decline further in the coming weeks
- Average daily rates are down nearly 40% year-over-year and have declined by one-third since the beginning of 2020
- RevPAR has declined throughout March, dropping below \$20 in the last week of the month
- The AHLA projects that nearly 3.9M jobs have or soon will be eliminated, including roughly 70% of direct hotel employees being laid off or furloughed²

Future Projections and Recommended Next Steps

- CBRE projects that 2020 annual RevPAR will fall 37% year-over-year to just under \$55; annual RevPAR has been above \$80 every year since 2016³
- Furloughs may hinder renegotiation of corporate hotel contracts in the short-term, but individual hotels and operating groups will be looking for business
- For essential team members that remain on the road and/or unable to return home, you may be able to negotiate significantly reduced rates to secure short-term business at individual locations during this turbulent period
- As the world recovers, look to consolidate and renegotiate location-specific and corporate contracts to drive savings as hoteliers try to quickly rebound

Recommendations for Travel Procurement Leaders



01

Focus on the needs of those who must travel

What emergent needs must be met?

- Tighten or escalate travel approval processes
- Establish processes and a response team to identify and coordinate with essential team members who cannot be at home
- Provide heightened support to ensure the needs of essential travelers are being met – whether it's safe transport home, lodging, or other needs
- If lodging accommodations are needed for essential workers, consider negotiating directly with hotels to secure low rates given current vacancy rates

What capability gaps must be quickly closed?

- Evaluate real-time incident monitoring capabilities
- Identify data visibility gaps that may be caused by lack of booking compliance
- Coordinate with TMC partners to heighten SLAs in the short-term as needed

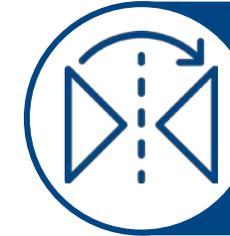


02

Turn off whatever is not currently essential

What avoidable expenses might be shut down during this work-from-home period?

- Review employee expense reports to identify opportunities to directly reduce short-term discretionary costs, such as the following:
 - Monthly in-flight internet subscriptions
 - Mobile wifi hotspots
 - Gym memberships
 - Monthly parking or transit passes
 - Rideshare discount program subscriptions
- Closely monitor departmental P-cards and expense reports for compliance with T&E policy at a time when demand should be low



03

Reflect and reposition for the next normal

What was learned while working from home and how will it impact future policies and budgets?

- Identify areas of the business that flourished while working remotely – they may provide case studies on how to reduce demand for travel
- Fine-tune the travel policy with the mindset that economic recovery may take longer than you hope
- This is zero-based budgeting in real life – trim 2020 budgets and challenge the status quo for the future

How can you reposition with suppliers coming out of this crisis?

- Plan for consolidation and renegotiation of hotel and airline contracts, especially considering volume commitments and potential demand shifts
- Reflect on your current TMC's capabilities in response to this crisis and review the scope of services provided to meet future needs



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