



MASTERCARD RECOVERY INSIGHTS

# Travel Check-In

A Global Perspective





## Trend to Watch: Travel's "Virtual" Reality

Virtual reality, among other digital experiences, has been on travel's horizon for some time.<sup>2</sup> Like many nascent trends, Covid-19 is hastening its emergence in a manner somehow fitting in today's surreal reality.<sup>3</sup> This is not surprising as travel is a natural extension of "immersive commerce" solutions that already let consumers shop online as if in a physical store.

Being able to shop Paris's Champs-Élysées and New York's 5th Avenue in the same day—and from the comfort of home—puts a new twist on cross-border shopping. It also adds a new dimension to Mastercard Travel Rewards, which connects international travelers with merchant offers at their destinations and now includes over 600 online luxury brand offers.

Viewing a sunset or learning about a famous work of art through a screen won't ever replace visiting in person. But, as effective marketing or creative revenue generation, it will be hard to beat.

Covid-19 hit travel hard. Yet, despite many remaining challenges, there are already signs of recovery. After all, travel consistently ranks as one of the most missed activities during the pandemic.<sup>1</sup>

Half a year has passed since the first stay-at-home orders were issued. Many domestic markets are now starting to relax restrictions on movement and are establishing intra-regional "travel bubbles" with other markets. Still, progress is neither even nor linear. Upticks in Covid-19, and the risk of second waves, are provoking new restrictions within countries and between countries.

This report, the second in our Recovery Insights series, looks for signs of gradual improvement in travel spending. We approach the story of where, how and why people are traveling from two levels:

- the travel story from the air
- the travel story from the ground

*The Shift to Digital*, our first Recovery Insights report, identified key retail trends to watch. With online travel agents having steered almost all travel spend online well before Covid-19, many such trends also have implications for travel. We weave some of those trends into this report.

## The Travel Story from the Air

Airline spend across Europe, North America, the Middle East & Africa and Asia Pacific was less than a tenth of 2019 levels by mid-April (see figure 1).

Grounded airplanes meant the number of filled seats was even lower than the spend would suggest because flights could only be booked for departure dates further out. Recent lifts in spend are an encouraging sign of growing demand, but do not necessarily mean people are flying yet.

As with filled seats, the prevalence of Covid-19 in a country doesn't always correlate with travel spend either. Although the less steep drop in spend in Latin America & the Caribbean could be associated with a delayed Covid-19 impact, Asia Pacific isn't leading the recovery despite being the first region to be hit. Spending on air travel is recovering faster in Europe as a result of the opening of European corridors (see figure 1).

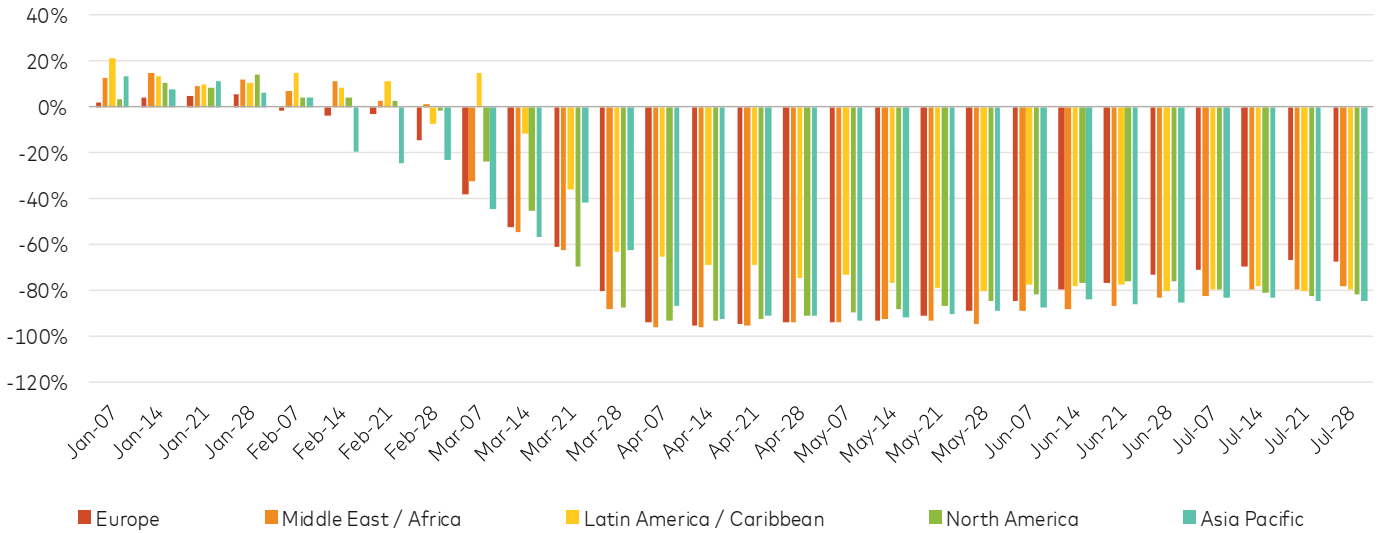


<sup>1</sup> Mastercard proprietary survey. Australia, Brazil, Colombia, China, France, Germany, India, Italy, Japan, Mexico, Spain, Russia, UAE, USA, UK. N=150/country. May 11, 2020 – May 17, 2020.

<sup>2</sup> "The Realities of Virtual Reality in the Customer Travel Experience," Mastercard, 2019.

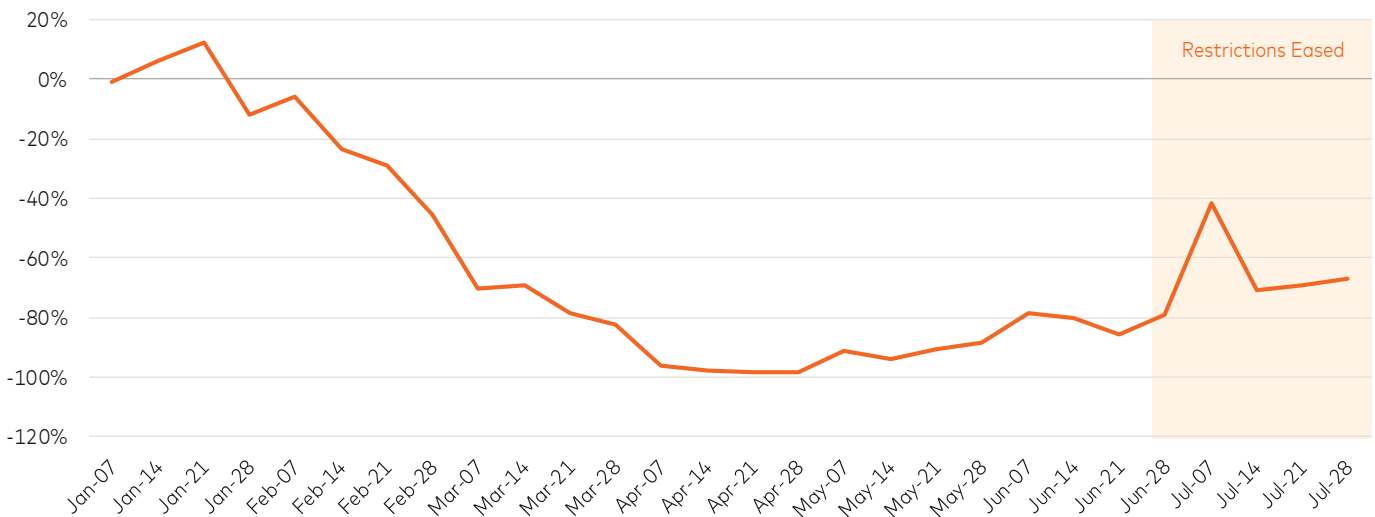
<sup>3</sup> "Trending the Rules: Top Retail Trends are Trending at an Unprecedented Rate," Retail Touchpoints (article by Mastercard), July 27, 2020; "No Rest for Restaurants," Mastercard, 2020.

**Figure 1: Percentage growth of airline spend by region in 2020 relative to the same time last year<sup>4</sup>**



Although many Asian countries are further along in navigating Covid-19 than their European counterparts,<sup>5</sup> recovery is more contingent on domestic sentiment than regional arrangements. For example, almost three-quarters of consumers in Thailand said in April 2020 that they would postpone major purchases. Almost four-fifths had canceled or delayed trips. But almost two-thirds also said they would resume travel after restrictions lifted.<sup>6</sup> True to word, airline spend rose quickly in July after the government announced its latest easing of restrictions, which included a limited resumption of international flights (see figure 2).

**Figure 2: Percentage growth of airline spend in Thailand in 2020 relative to the same time last year<sup>7</sup>**



<sup>4</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.

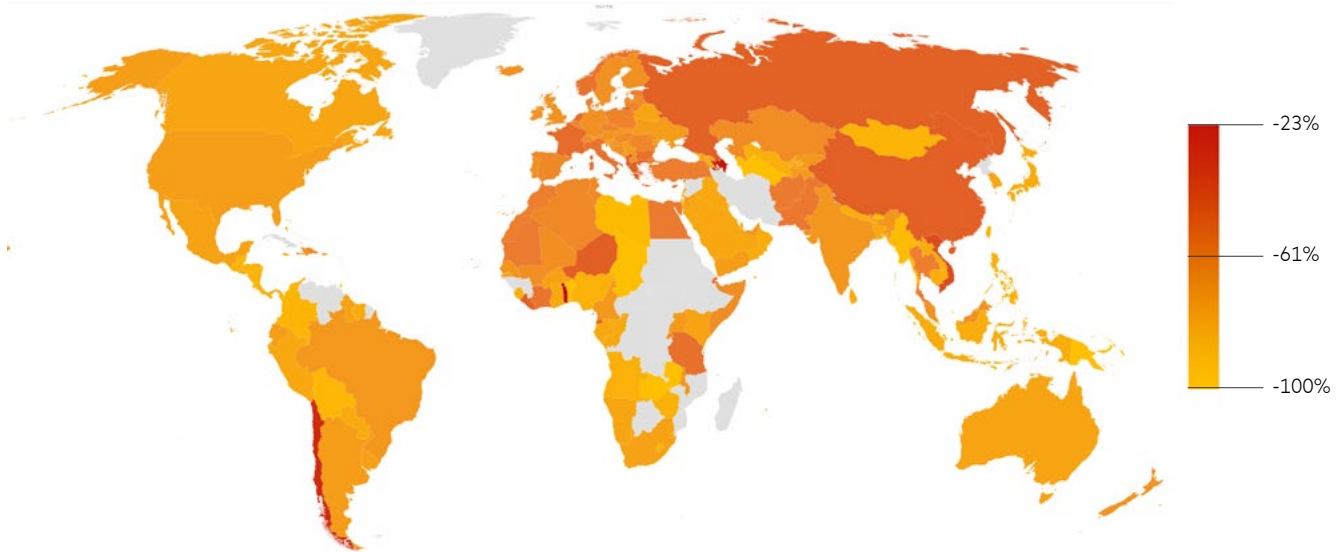
<sup>5</sup> "Sailing Against the Wind: How Businesses in Asia are Navigating Covid-19," Mastercard, 2020.

<sup>6</sup> "Mastercard Impact Studies—The Black Swan Series: Thailand," Mastercard, May 2020.

<sup>7</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.

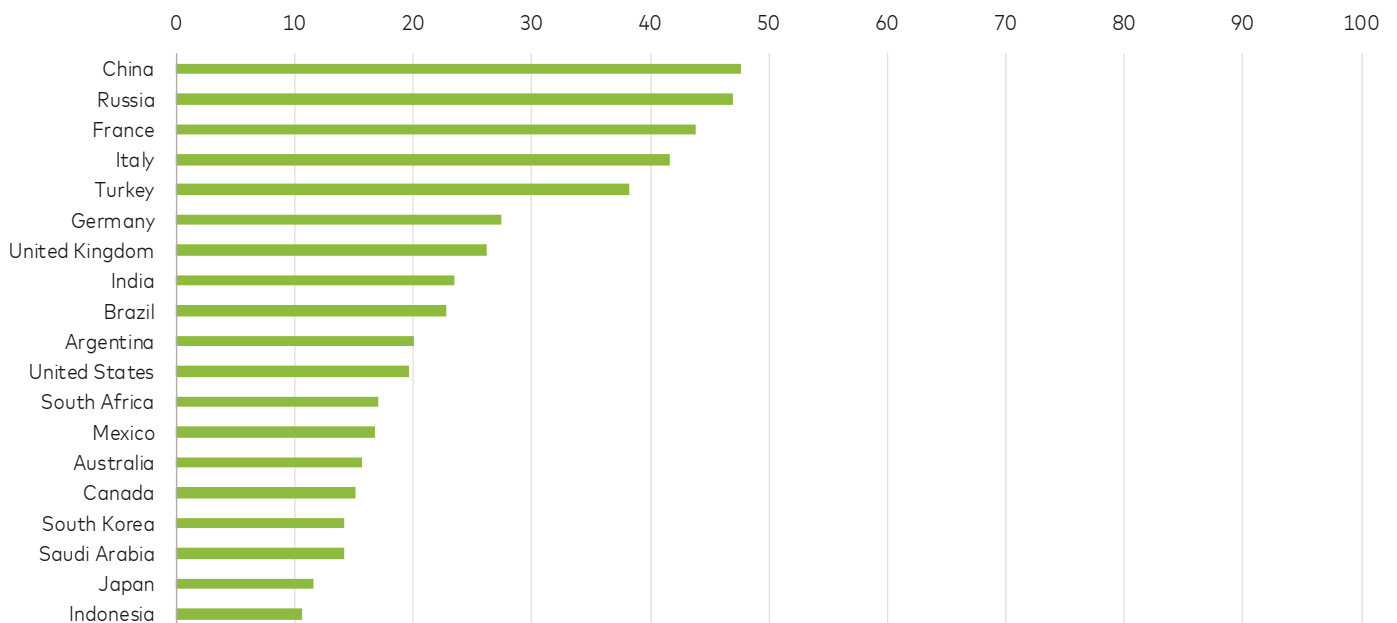
Europe might be leading the regional recovery through intra-regional travel, but some larger individual countries are recovering relatively quickly in terms of domestic airline travel. That's noticeable in the BRIC countries of Brazil, Russia, India and China. The impact of domestic and regional considerations means recovery varies across the four. China and Russia stand out globally, while Brazil and India are recovering quickly relative to overall regional levels (see figure 3).

**Figure 3:** Percentage growth of airline spend by country in July 2020 relative to last year<sup>8</sup>



China and Russia also top the G20 nations in airline spend recovery. India and Brazil take the eighth and ninth spots. Sandwiched between the BRICs are five geographically smaller countries—France, Italy, Turkey, Germany and the UK—that all feature in the list of the top-10 most visited countries by international tourists, according to the UN World Tourism Organization.<sup>9</sup> They are benefitting from the opening of intra-regional travel in Europe (see figure 4).

**Figure 4:** Recovery of airline spend in G20 countries in July 2020 relative to last year (July 2019 = 100)<sup>10</sup>



<sup>8</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.  
<sup>9</sup> "International Tourism Highlights, 2019 edition," UN World Tourism Organization, 2019.  
<sup>10</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.

## Trend to Watch: Loyalty Programs Flex

With people unable to travel, travel loyalty programs are using creativity and flexibility to keep members engaged.

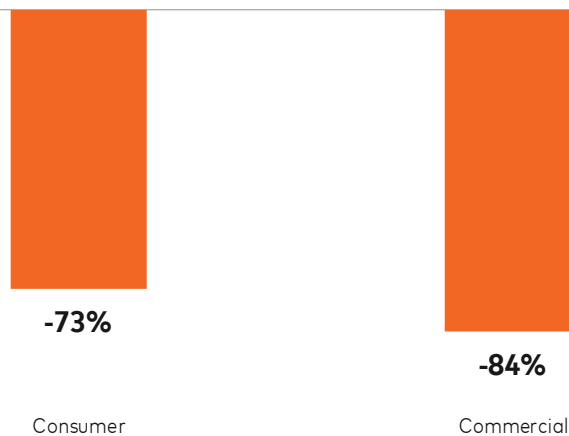
For instance, American Airlines is making it easier for passengers to earn elite status by granting one mile toward Million Miler status for every \$1 spent on eligible AAdvantage credit cards between May 2020 and December 2020. And Singapore Airlines' Miles of Good campaign aims to raise 100 million miles to donate to essential workers.

To meet the changing needs of Mastercard cardholders, we shifted the focus of our Mastercard Travel & Lifestyle Services from activities like booking trips to securing grocery deliveries and even sourcing masks. As the recovery progresses differently around the world, it will be interesting to see how loyalty programs continue to flex.



Looking at why people are traveling, consumer air travel is recovering faster than commercial air travel. This is a potential concern for airlines because commercial travel is the more profitable for airlines of the two.<sup>11</sup> Commercial spend is likely lagging as a result of risk and cost management, while better video conferencing technology is helping fill the temporary need for in-person meetings as restrictions remain in place (see figure 5).

**Figure 5:** Comparison of growth rates of consumer and commercial airline spend in July 2020 relative to last year<sup>12</sup>



<sup>11</sup> "Why Airlines Are Rushing to Add Premium Economy Seats," Financial Times, November 29, 2019.

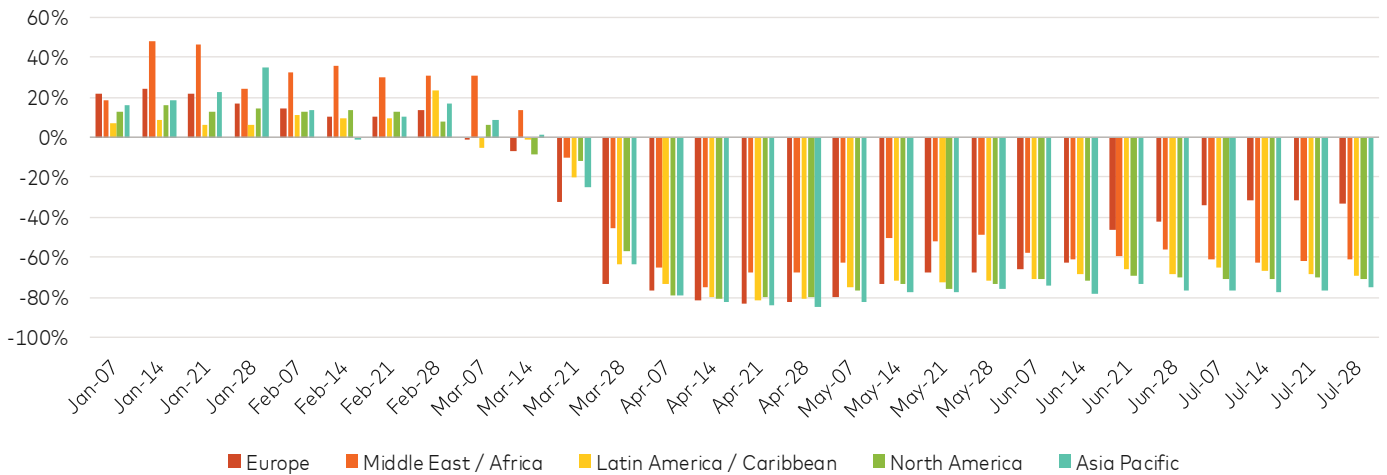
<sup>12</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.

# The Travel Story from the Ground

The number of travelers crossing European borders by land means the actual travel recovery story there is better than the one told solely by the airlines.

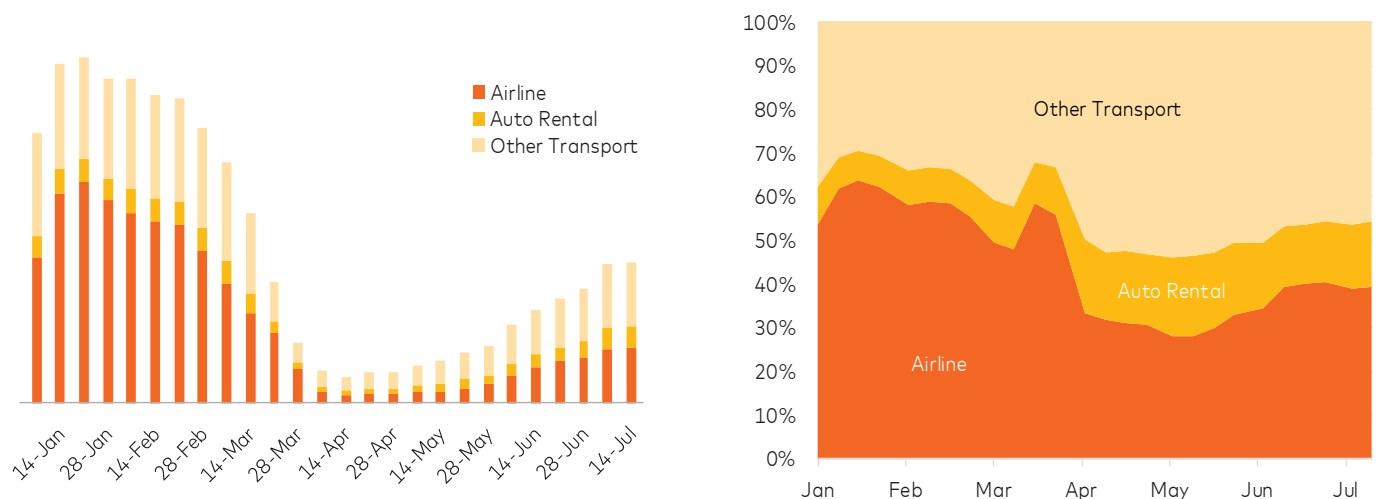
In Europe, cross-border gasoline sales are now surging relative to the rest of the world. The resurgence seems influenced by the current ease of driving across borders relative to flying, a perception of greater safety in an individual vehicle and the ability to control the entire journey door to door (see figure 6).

**Figure 6:** Percentage growth of cross-border spend at gas stations by region in 2020 relative to the same time last year<sup>13</sup>



When looking at spending across all modes of transportation, car rentals in Europe have remained relatively steady compared to pre-Covid levels and now take a larger share of overall spend. While car rentals cover domestic as well as cross-border travel, geographically small European nations are less reliant on domestic air travel than many larger nations in other parts of the world. This supports the gasoline story by underlining the current importance of cars as a mode of cross-border travel (see figure 7).

**Figure 7:** Composition of transportation spend in Europe as a share of total transportation spend in 2020<sup>14</sup>

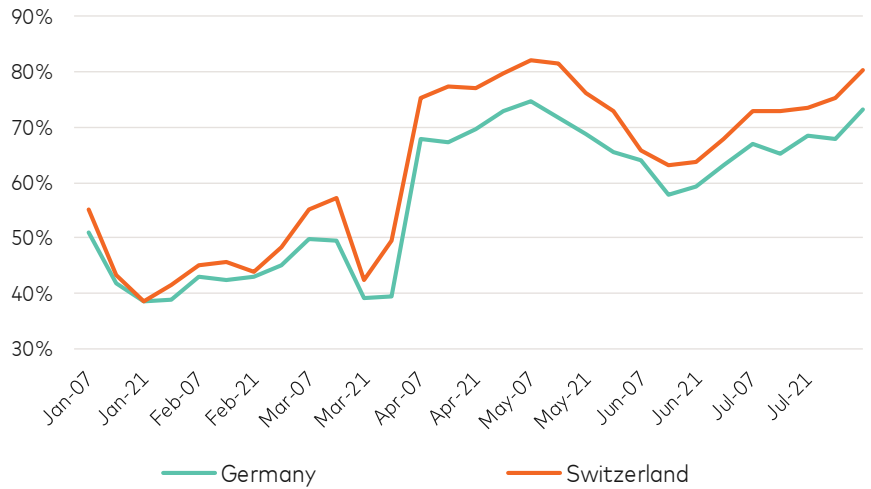


<sup>13</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border.  
<sup>14</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—levels of spending for Europe based on air, auto rental and other travel (e.g., bus, taxi / hire car, cruise ship). The chart on the right shows the same data as a proportion of the total.



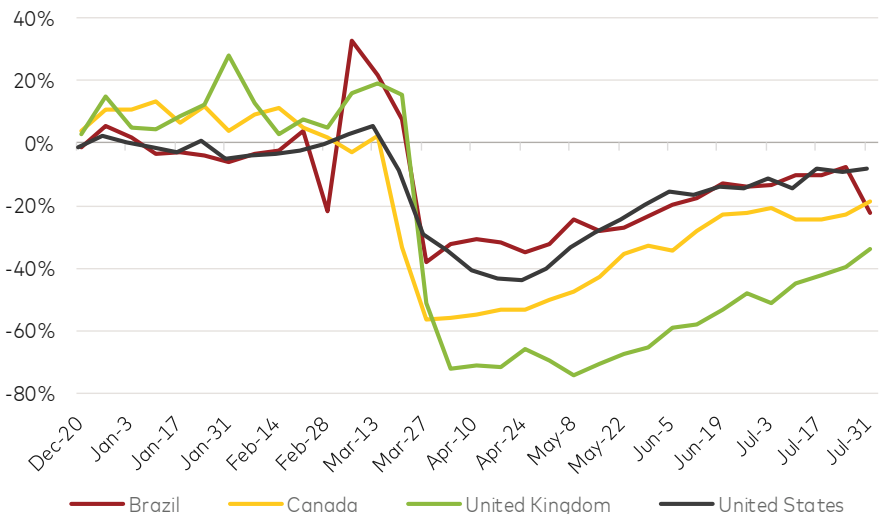
Other transportation options in Europe have also grown in share, largely on account of domestic public transport. Some early spikes were possibly also influenced by consumers failing to cancel their monthly travel passes once lockdowns came into effect. Nonetheless, the shift is noteworthy in countries with a variety of public transportation options, such as Switzerland and Germany (see figure 8).

**Figure 8:** Share of non-air travel spend as a percentage of total travel spend in Switzerland and Germany in 2020<sup>15</sup>



Although Europe is leading the recovery in cross-border gasoline sales, many countries all over the world are seeing some uptick in domestic gasoline sales as consumers travel closer to home (see figure 9).

**Figure 9:** Percentage growth of gasoline spend across all payment types, including cash, in Brazil, Canada, the UK and the US in 2020 relative to the same time last year<sup>16</sup>



<sup>15</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—includes credit and debit, domestic and cross border. The chart includes all modes of transportation except air travel and does not include gasoline.

<sup>16</sup> Not price adjusted. Insights from Mastercard SpendingPulse, which measures overall retail sales across all payment types, including cash and check.



**Trend to Watch:**  
**Localism Takes Off as**  
**Consumers Stay**  
**Closer to Home** 

It's hard to find a bicycle for sale right now. And it's not just recreational activities that are happening closer to home. Auto rentals, bike rentals, gas purchases—they all speak to consumers getting out and spending but maintaining a tighter footprint. In *The Shift to Digital* report, we dubbed that a “home-centered retail radius.”

The focus on local, neighborhood shopping can be a lifeline for small businesses. But it still doesn't fully compensate for overall reduced traffic in their localities. In Canada, our recently launched Mastercard Preferred program offers rebates to cardholders who spend at partner merchants, including small businesses. The program has seen a seven-fold increase in cardholders spending at those merchants, and 29% of cardholders have made a repeat purchase two months out.

In addition, we've seen an uptick in interest for our Local Market Intelligence tool, which provides small businesses insight into local retail sales patterns so small businesses know how they fit in the context of their broader market.

The tendency to travel closer to home also appears in the trajectory of rentals of micromobility solutions, such as scooters and bicycles, in countries like the United States (see figure 10).

**Figure 10:** Recovery of micromobility spend in the US in 2020 relative to a 2019 average<sup>17</sup>



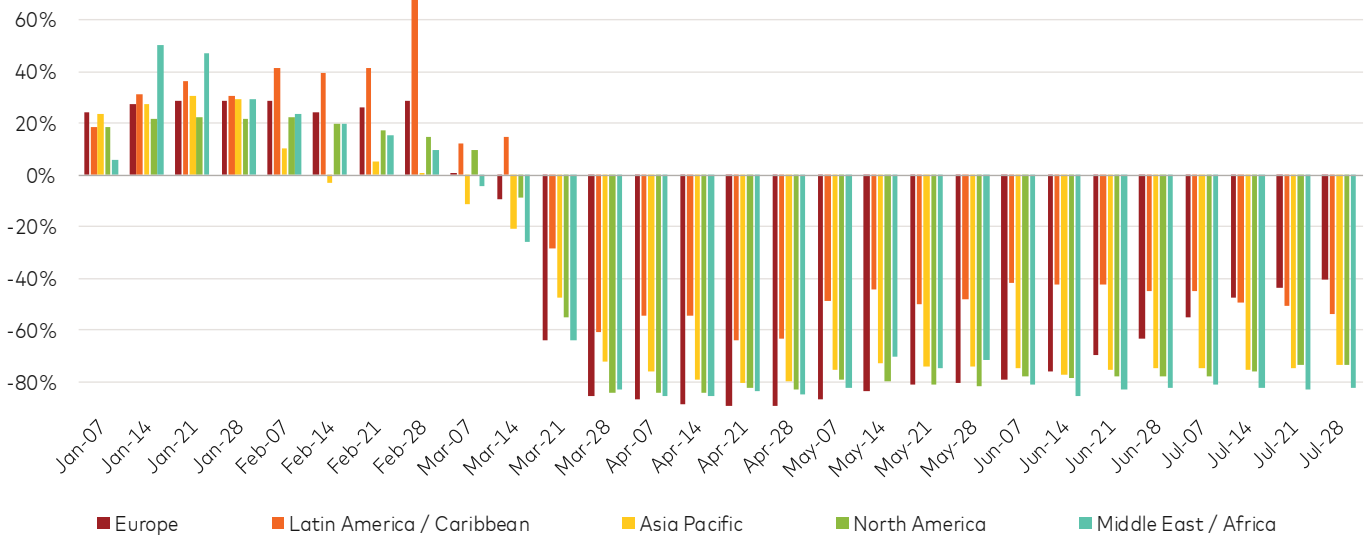
Turning to broader entertainment spend, a resurgence in cross-border food & beverage sales supports the evidence from gasoline sales that Europeans are moving across borders (see figure 11).



<sup>17</sup> A seven-day moving average of micromobility solutions. Aggregated from transaction data based on a collection of merchants. Data is indexed to 100 relative to the 2019 average.



**Figure 11:** Percentage growth of cross-border spend on food & beverage by region in 2020 relative to the same time last year<sup>18</sup>



When looking at the recovery of broader travel & entertainment (T&E) spend, the ranking of G20 countries is different from what we saw when just looking at airline spend. While airline spend is limited domestically in smaller countries, broader T&E spend is not. And Italy, one of the earliest places to be hit hard by Covid-19, now tops the G20 list (see figure 12).

In this context, T&E includes such activities as flying, eating out and lodging, but excludes activities like going to the cinema. Italy's quicker recovery makes sense in a country with a significant restaurant culture and extensive domestic tourism down its north-south corridor, which includes the islands of Sardinia and Sicily.



<sup>18</sup> Food & beverage includes all types of restaurant and bar sales. Aggregated Mastercard switched volumes—includes credit and debit, and cross border.

## Trend to Watch: Data Drives the Customer Journey

Personalization is nothing new. Consumers want highly relevant experiences at every stage of the travel journey—from an offer for a preferred flight to a smiling concierge at the door. The challenge is that just around the time when pioneering companies were starting to connect data points across customer journeys, the journeys—and the consumers—dramatically changed. What was once a given may no longer be relevant.

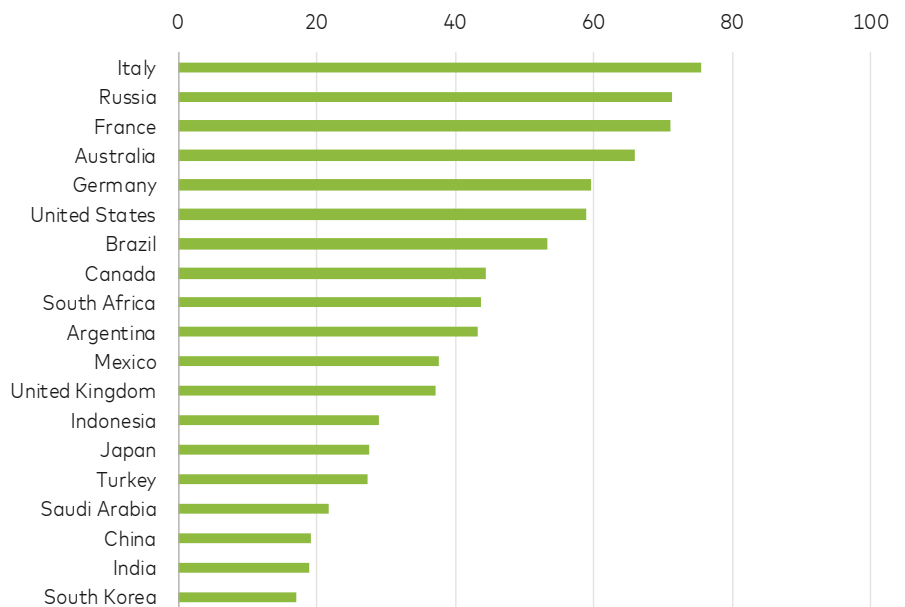
So, it's no surprise that we're seeing increased demand for data-driven insights into evolving consumer trends, preferences and needs. In addition, testing which personalized experiences and offers work is essential.

For instance, we've used our Test & Learn experimentation



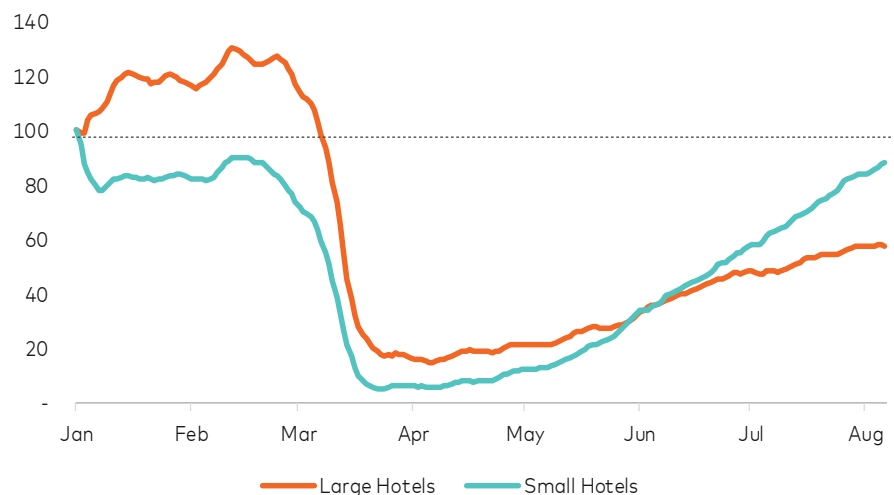
tool to take a restaurant beyond curbside pickup and improved delivery options to adjust menu timing, options and promotions to accommodate new behaviors. We've also recently applied it to an airline's promotional strategy to identify a potential 30% increase in bookings on select routes.

**Figure 12:** Recovery of T&E spend in G20 countries in July 2020 relative to last year (July 2019 = 100)<sup>19</sup>



Moreover, despite having the largest supply of hotel rooms in Europe, the penetration of international hotel chains in Italy is 5%. Only Albania's percentage is lower. By comparison, France has roughly three-fifths the number of hotel rooms and a chain hotel penetration of over four times as much.<sup>20</sup> Italy is well positioned to accommodate an emerging global trend of travelers opting to stay in small independent hotels that allow for easier social distancing (see figure 13).

**Figure 13:** Recovery of spending at small independent hotels in 2020 compared to large hotels (January 7, 2020 = 100)<sup>21</sup>

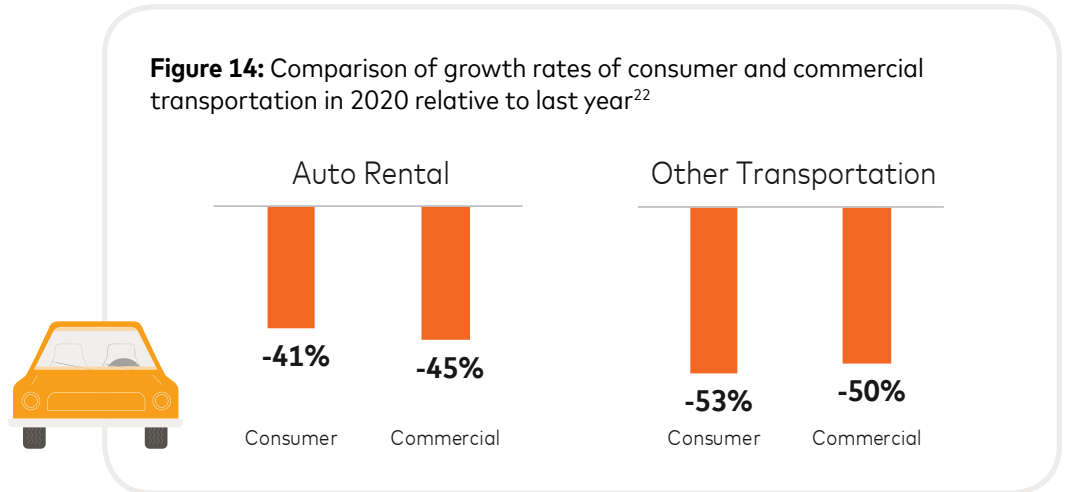


<sup>19</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—credit and debit, domestic and cross border. Entertainment includes all types of lodging, restaurants and bars.

<sup>20</sup> "European Chains & Hotels Report 2019," Horwath HTL, 2019.

<sup>21</sup> Based on anonymized and aggregated switched volumes across the Mastercard network—credit and debit, domestic and cross border. Classification of small versus large hotels are estimated using number of locations.

As to why people are traveling, rental cars follow airlines in showing a quicker recovery of consumer over commercial spend. The reasons are similar, but the difference is less pronounced in car rentals than air travel presumably as a result of differences in cost and ease. Land transportation, which includes buses, taxis and cruise ships but not car rentals, shows a slightly faster recovery in commercial. But the recovery is still slower in both categories and demonstrates the overall preference for cars (see figure 14).



## Departing Words

Whatever the purpose, whether by country or region, or by domestic or cross-border travel, travel’s horizon is not flat. There’s no escaping the downturn, but there are also some promising upticks. Once the Covid-19 journey is over, the story won’t be so much about how people stopped traveling. Rather, it will be about how their travel behaviors changed along the way.

**For more information, please visit [go.mastercardservices.com/recovery-insights](https://go.mastercardservices.com/recovery-insights)**

Mastercard SpendingPulse™ reports on national retail sales across all payment types in select markets around the world. The findings are based on aggregate sales activity in the Mastercard payments network, coupled with survey-based estimates for certain other payment forms, such as cash and check. As such, SpendingPulse™ insights do not in any way contain, reflect or relate to actual Mastercard operational or financial performance, or specific payment-card-issuer data.

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<sup>22</sup> Aggregated Mastercard total switched volumes—includes credit and debit, domestic and cross border. Other transportation includes buses, taxis / hire cars, cruise ships, etc.