

Barclays Travel Forum 2017

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Nearly 300 travel industry professionals attended Barclays Travel Forum, which was hosted by Chris Lee, Head of Travel, Barclays. The UK inbound sector is enjoying a growth in the number of domestic and international holidaymakers, but the outbound sector faces several challenges.

A new uk holidays landscape

The depreciated value of the pound following the EU referendum vote and TV shows like 'The Crown' and 'Downton Abbey' have attracted more international visitors to the UK.

Barclays new report '[Destination UK](#)' showed 63% of international travellers said they were more interested in holidaying in the UK than last year.

"The weak pound has definitely had an impact. It's not that visitors care so much about the vote, but rather that it has led to the UK becoming better value for them," said Mike Saul, Managing Director, Hospitality and Leisure, Barclays.

It has also found that overseas visitors have very different tastes. Chinese visitors to the UK want high-tech gadgets in their hotel rooms, while American tourists want to be able to talk to people on holiday and share their experiences.

'UK holidaymakers' tastes are changing as well,' said Saul. "They want authenticity – gin and craft ale are now very popular – and new experiences,"

He added that UK hoteliers could miss out by not properly catering for disabled travellers, many of whom were prepared to pay for good service.

Airline costs predicted to rise in 2017

Airline costs will continue to rise in 2017, but the carriers will struggle to push their prices up because of intense competition in the market, according to industry experts.

Graham Pickett, Global Head of Aviation and Travel, Deloitte said that fuel prices were expected to increase for airlines. In addition, airlines would have to invest in advanced security equipment to combat the growing threat of terrorism.

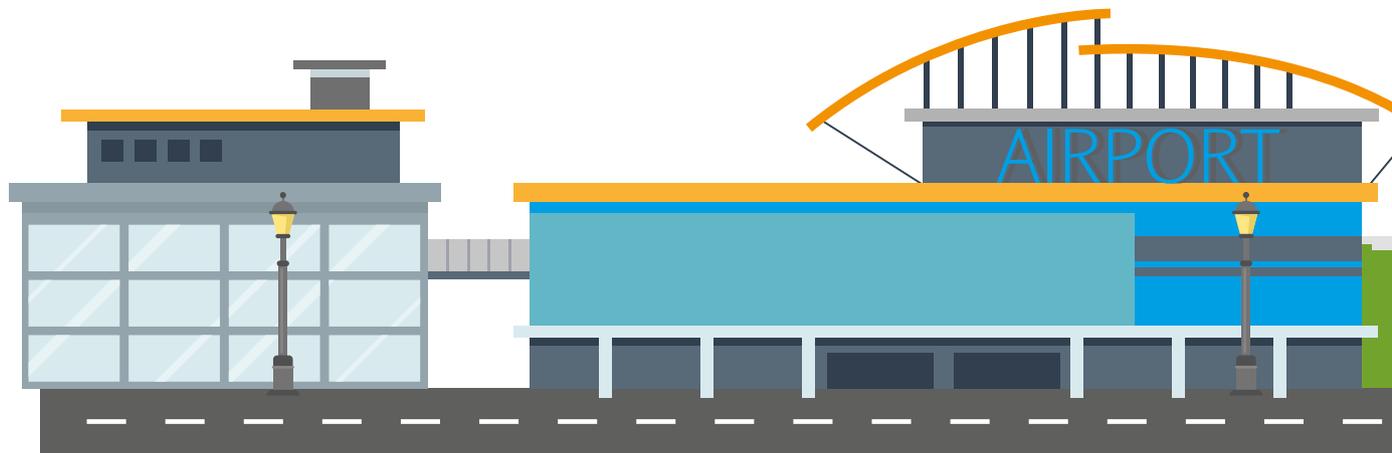
But he felt airlines would struggle to pass on these additional costs to consumers because they have increased their fleet sizes in the past two years, leading to increased competition in the market.

"Is the perfect storm about to happen?" asked Pickett.

Tony Russell, Managing Director, Trailfinders agreed that airlines would be unable to raise prices. "I think they'll remain fairly stable as there's a lot of capacity in the market, particularly to the south-west Pacific," he said.

However, there was not universal agreement, with some travel professionals predicting a rise in airline prices.

Farina Azam, Partner, Travlaw said: "I think they'll increase and I think they might increase quite significantly, mainly because due to Brexit in particular, there are going to be a lot of increases in airline costs and charges which they will no doubt pass on to the consumer."



The UK's withdrawal from Europe could have a big impact on the airline sector.

"We'll have to negotiate a new open-skies arrangement, there will be the air traffic control arrangement that will need re-negotiating and I also think it will affect European airport capacity for British carriers," said Azam.

Challenging conditions for UK economy

The UK economy is expected to be affected this year by a mix of factors such as falling retail sales, a drop in household incomes, rising inflation and the weakness of sterling.

"Despite the UK economy remaining stable in the short term, 2017 will continue to be challenging as the macroeconomic impact of the decision to leave the EU starts to have an impact," said Graham Pickett, Global Head of Aviation and Travel, Deloitte.

"We've recently had the biggest fall in UK retail sales in seven years and inflation is likely to lead to lower real

household incomes in 2017. Meanwhile inflation is expected to reach 2.7% in 2017 and rise further to 2.8% in the first half of 2018 as sterling weakness causes price rises across the spectrum."

"Sterling depreciated by 16% in 2016. Further weakness is expected in 2017 as the dollar strengthens, making fuel costlier and outbound holidays expensive."

Turning to challenges facing the travel industry, Pickett said cyber risk was his number one concern. He said sharing data with other businesses carried a risk and pointed out that data breach fines can be up to 4% of a company's global turnover, or \$20m, whichever is the higher.

Terrorism continued to be a major issue for the industry.

Pickett added that in a world where everything is shared on the internet, brands can suffer long term damage if they mistreat customers, citing United Airlines' recent handling of a passenger, who was dragged off an over-booked flight.



Security measures could be extended

Laptop computers have been banned on flights to the United States and the UK from some countries and, at the time of writing, the ban is expected to be extended to other countries.

Travel industry experts felt that this would be a logical move as the current policy could be confusing for some travellers.

Aviation expert John Strickland, from JLS consulting, felt that people weren't fully aware of the current rules. "There needs to be a global approach to this. A small number of routes just don't make sense," he said.

Jo Kolatsis, Partner and Head of Aviation, at Hill Dickinson, said she also preferred a more consistent approach. "It's currently full of holes, but once the US announced it, the UK was bound to follow suit. The most troubling thing to me is that it is limited to a few destinations and that just doesn't make sense," she said.

Strickland also said there was a big problem with so many people checking in computers that had lithium batteries, because they could be flammable.



Flybe specialises in regional routes around the UK and currently only 20-30% of its travellers check bags into the hold. Chief Executive from Flybe, Christine Ourmieres-Widener said any change could have an impact on business travellers, who wanted to be able to work on flights.

Alison Zacher, Retail Managing Director UK & Ireland from Flight Centre, agreed that if the ban was extended, business travellers would be most affected.

But there was not universal agreement on who would be most affected. Tina Rose, Managing Director, Travel Leaders, felt that leisure travellers would be hit hardest. "I think families are a little more worried about getting through security. On the business side, people are prepared for it and ready for it and it's just part of their every day travel," she said.

Travel management companies extending credit facilities to clients

Some travel management companies (TMCs) are extending credit facilities to their clients in order to retain them.

The International Air Transport Association (IATA) switched from demanding payments monthly from TMCs, to requiring them fortnightly, but some TMCs are not insisting that their clients follow suit.

"We're now seeing that some TMCs are effectively acting like banks," said Anthony Rissbrook, Chief Executive, Hillgate. "They have to pay IATA every fortnight, but are only collecting money from their clients every month. They're probably doing it to keep the client happy, but it's crazy."

Rissbrook said it was important for clients to realise the valuable job that TMCs do for them. The fees that TMCs receive from clients were too low and that they had to rely

on supplier payments from airlines, hotels and GDSs. "We need to be a bit prouder – there's a level below which TMCs should not go in terms of fees," he said.

Young people demand new experiences

Young people want unique experiences on holiday and to be able to share their adventures immediately on social media.

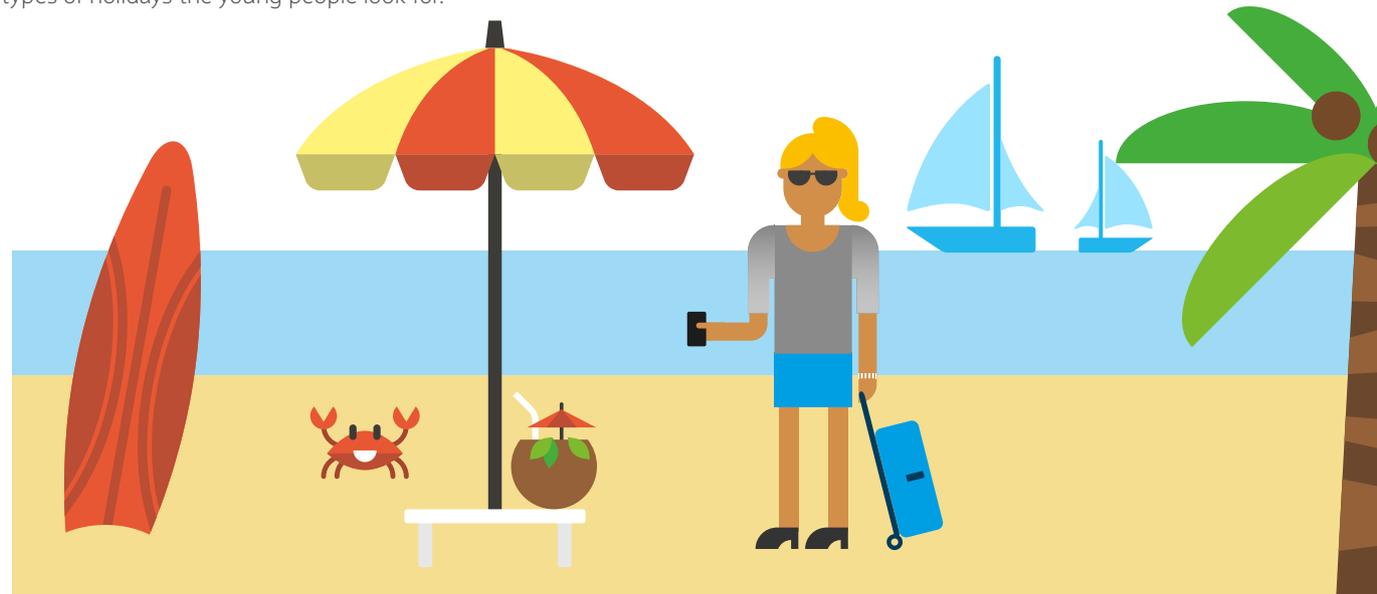
Farrah Storr, Editor-In-Chief, Cosmopolitan said that her typical reader was a 27-year-old female, often living at parent's home and with enough money to be able to afford luxurious holidays. "If they're working, they may have the money to take several holidays and they like luxury and experiences." said Storr.

Social currency – the ability to share what they are doing with everyone – was very important for the young generation. They want different culture experience which could be shared on social media, and this will impact the types of holidays the young people look for.

This was reconfirmed by John Evans, Associate Director, Barclays and David Tarawali, Propositions Manager, Barclaycard, both aged 24, who wanted something different from the traditional package holiday.

Meanwhile, young people are also increasingly buying through their mobile phones. Tarawali said he had never been to a traditional travel agent to book face-to-face and Evans said that he would search and pay for everything on apple pay on his phone, which allows payments up to £650.

International Celebrity Networks' Chief Executive Geoff Baker said he was surprised that the travel industry was not offering more loyalty schemes and that the 'reverse auction', where someone says they have a set amount of money and invites holiday companies to offer the best trips for it, could be popular. This could be an interesting concept as price can be a very important factor when buying a holiday, as mentioned by Evans.



Social media is vital in attracting young people. “I don’t think you can ever underestimate the importance of a good instagram shot to the younger generation,” said Storr. Pushing notifications through apps could another way to engage them.

However, Storr warned against travel companies working with prominent users of social media, simply because they had a large following. “You have to look at their history and where these followers come from. If, for example, you find that someone has got a lot of followers because they’ve posted naked pictures of themselves, it can be very damaging to your brand,” she said.

Turning to the how young people are perceived in the workplace, it was admitted by Evans that his generation expected a lot at work and could be difficult to manage.

Millennials tend to be impatient and will move on quickly if they are not given responsibility. Employers need to give young people a clear career path and keep them stimulated if they want to retain them.

The Route to Success – Southall Travel

Growing over 20 years from a turnover of just £500,000 in 1997 to £600m in 2016, Southall Travel is planning on future expansion – launching a student travel division within the next three months.

“When I think of something, we do it quickly and I think it will be within 3 months for student travel,” said Founder and Managing Director Kuljinder Bahia.

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Next on the agenda would be short-haul destinations, including Turkey, and a sports travel division, under the brand ST Sports.

“We will definitely go short haul, which is becoming more popular,” he said. “I also think Turkey will come back big and we want to be there. A sports travel division takes longer to set up, but we will do it.”

Long-term, Southall Travel was looking to expand overseas, but not in the short term, as it was concentrating on UK expansion.

The company is moving from its head office in Buckinghamshire to Dover Street in central London in June. Bahia said this would enable the company to attract more talented people and it would make the team more productive.

In a wide-ranging interview, Bahia said that he had succeeded by following his instincts and investing, often against the advice of colleagues.

The company has a call centre in Delhi with 1,300 staff and following the devaluation of the pound, salaries rose 20%. Some in his company told him he had to cut back, but he did the opposite and it paid off handsomely. “We had our best year and increased turnover by £100m.”

He said his success had been a combination of sheer hard work, good management and good luck. However, he added: “But it is impossible to always keep going on an upward curve and I’m scared that I’ve almost set myself up for failure,” he said.

Bahia said that he got bored on holidays as his mind was always active thinking about the business and ruled out any sale of the company.

Bahia initially tried to sell the business when he took it over 20 years ago, but couldn’t get the £20,000 he wanted for it.

“That has probably worked out for the best,” he admitted.

