

**Deloitte.**

The UK travel sector  
Competing in a changing  
world

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# Agenda

**The business outlook**

**Over-capacity concerns**

**The successful travel company of tomorrow**

**Key takeaways**

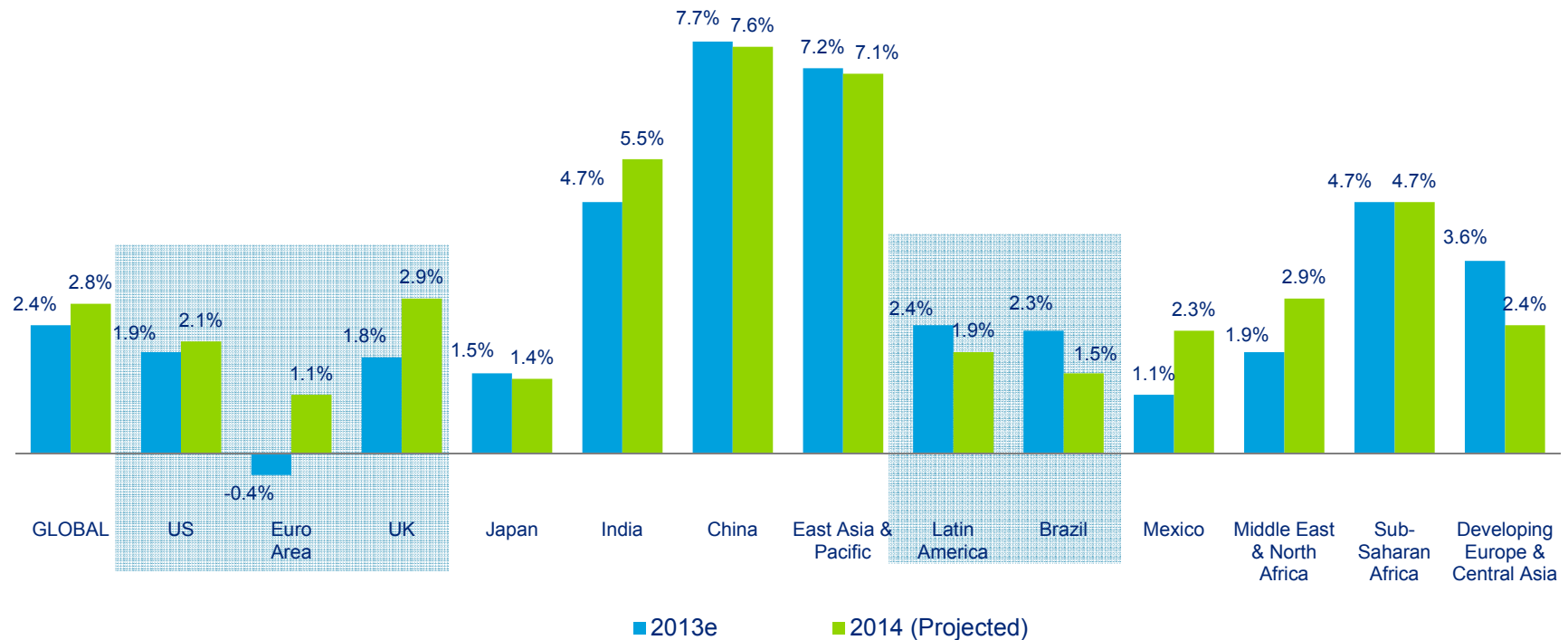
# Business outlook



# Emerging markets driving economic growth

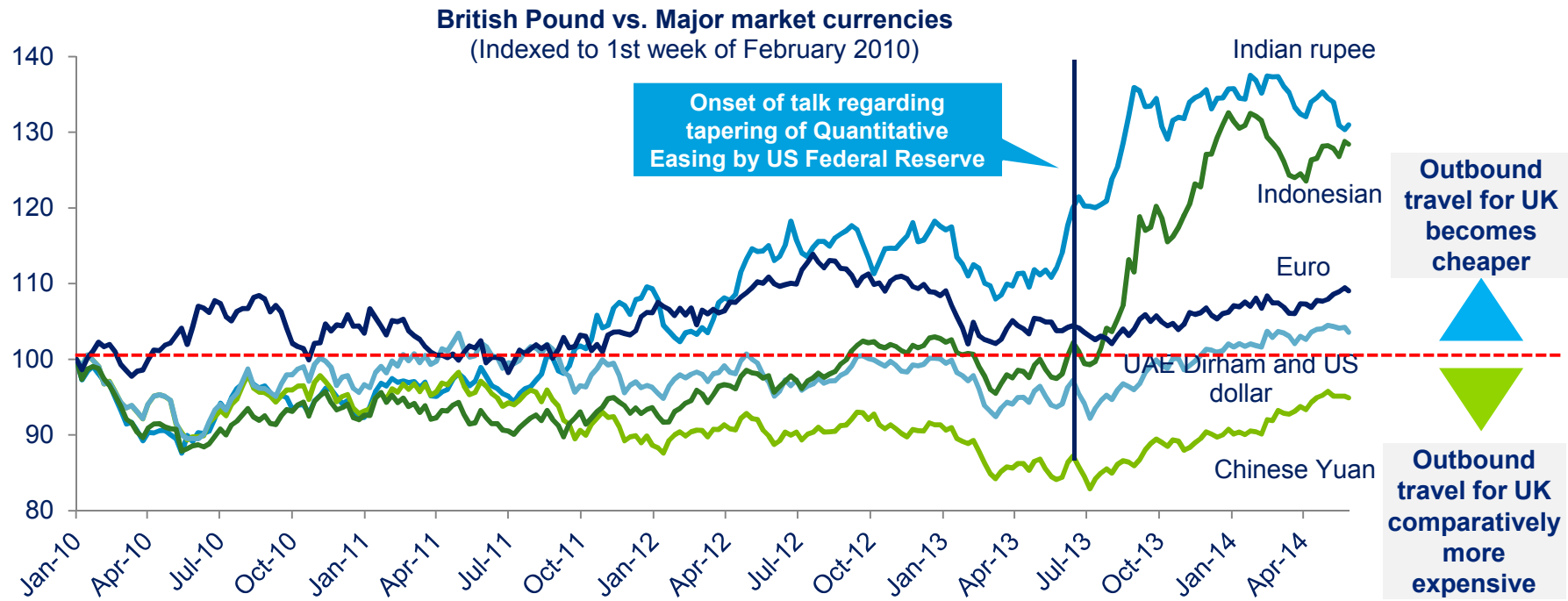
While Eurozone creates concern in the developed countries, some emerging markets are experiencing slower growth

Global outlook for growth of Gross Domestic Product (Year on Year,%)



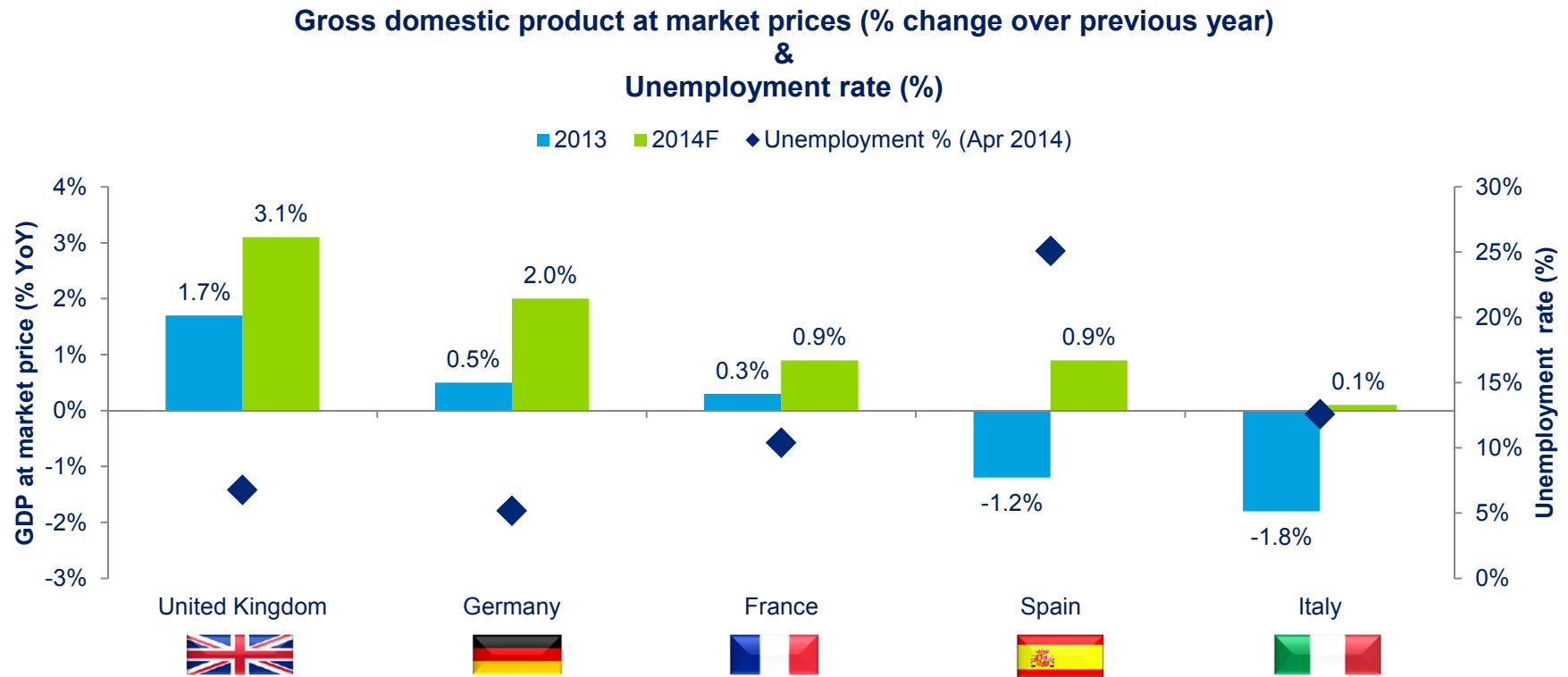
# The currency effect

Improving currency rates make UK outbound travel more attractive



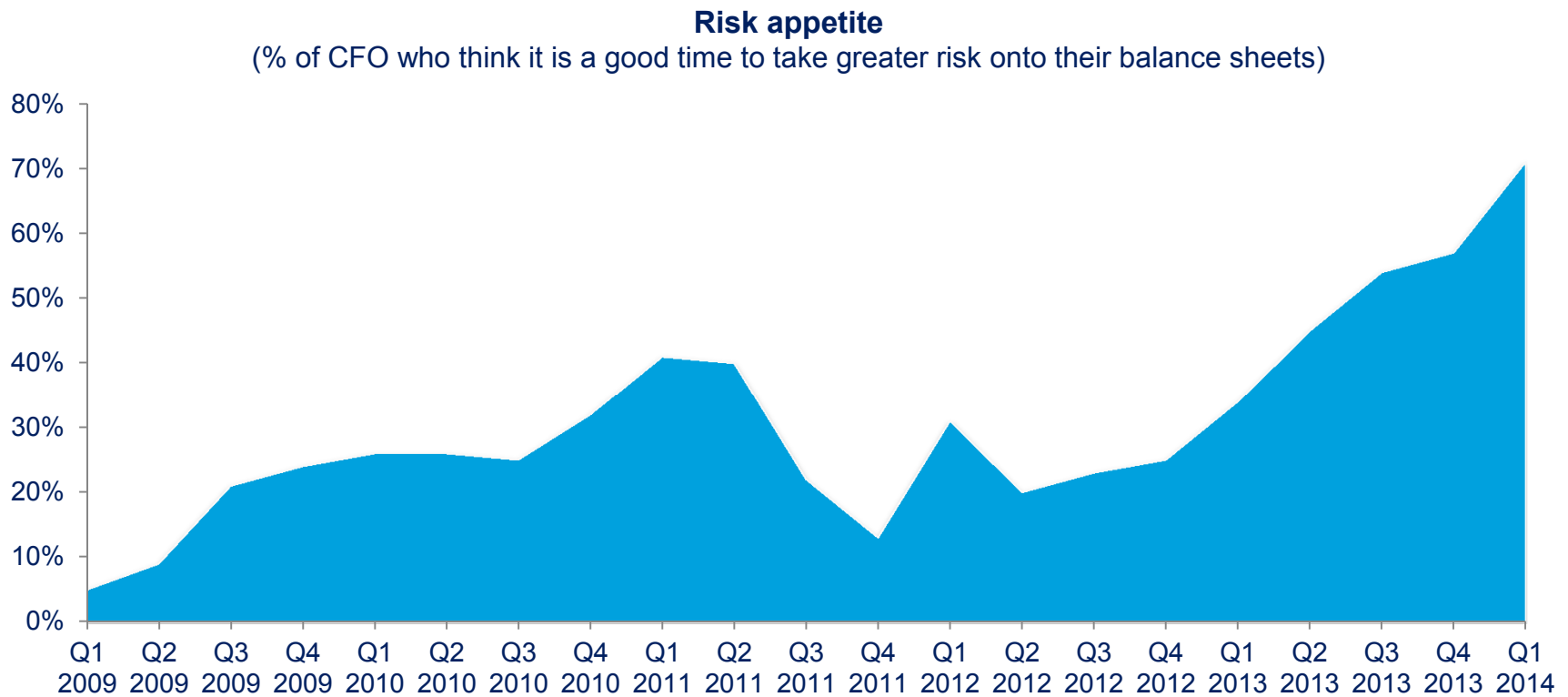
# UK vs. other European countries

UK is leading the growth scenario in Europe



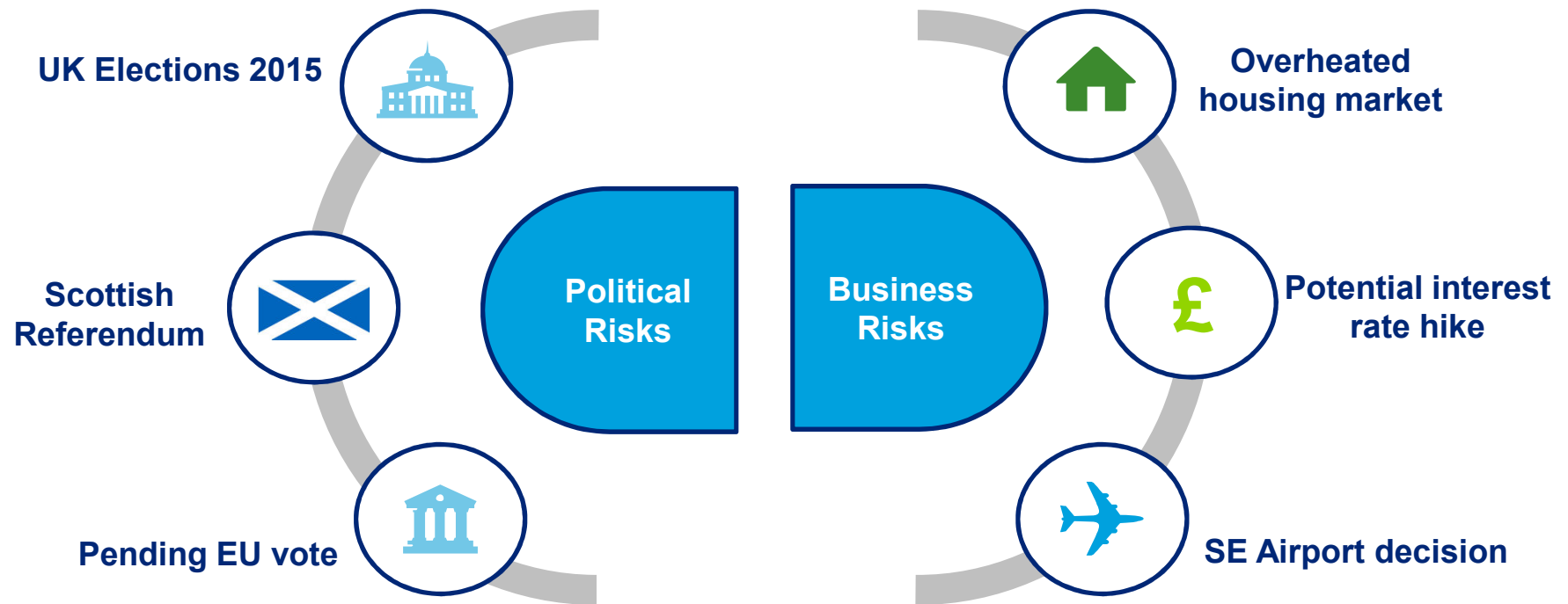
# Improving business confidence in UK

UK CFOs are becoming more confident and show increasing appetite for risk



## Political and business uncertainties

The uncertainty around the outcome of the referendum and UK position with the EU has increased business and consumer uncertainty



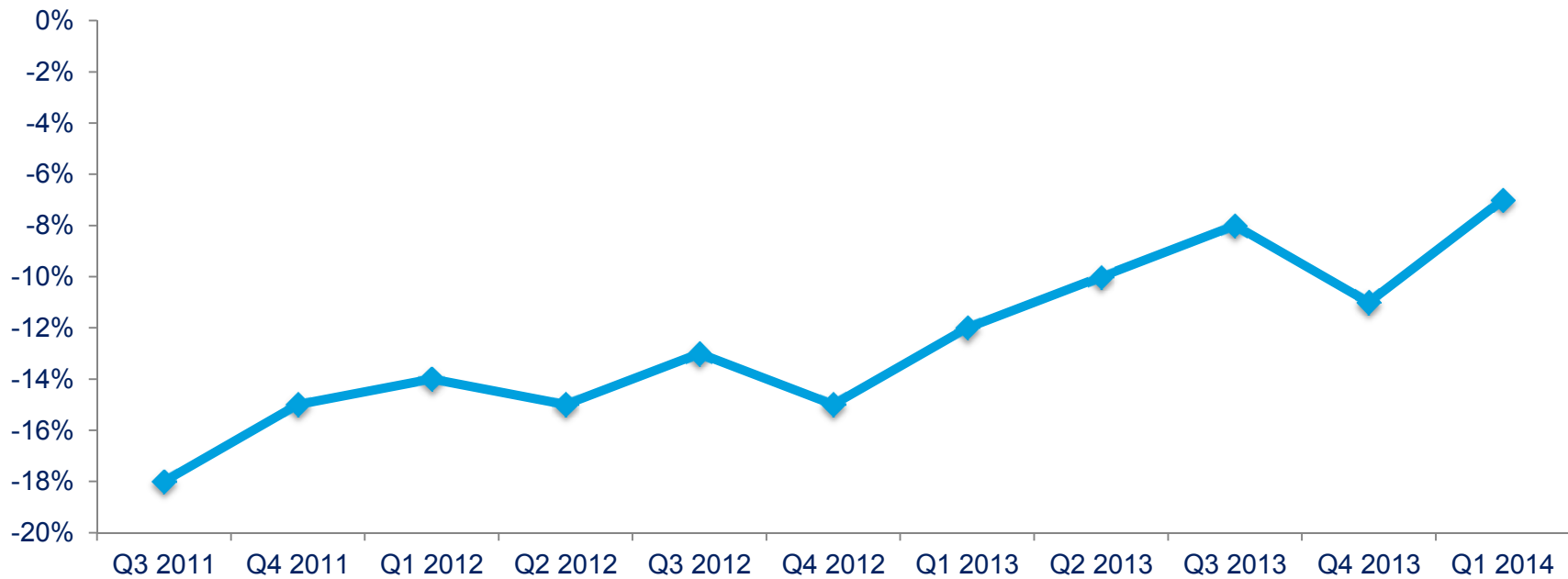


## Consumer confidence on the rise

Growing consumer confidence could be reflected in higher consumer spending during the year

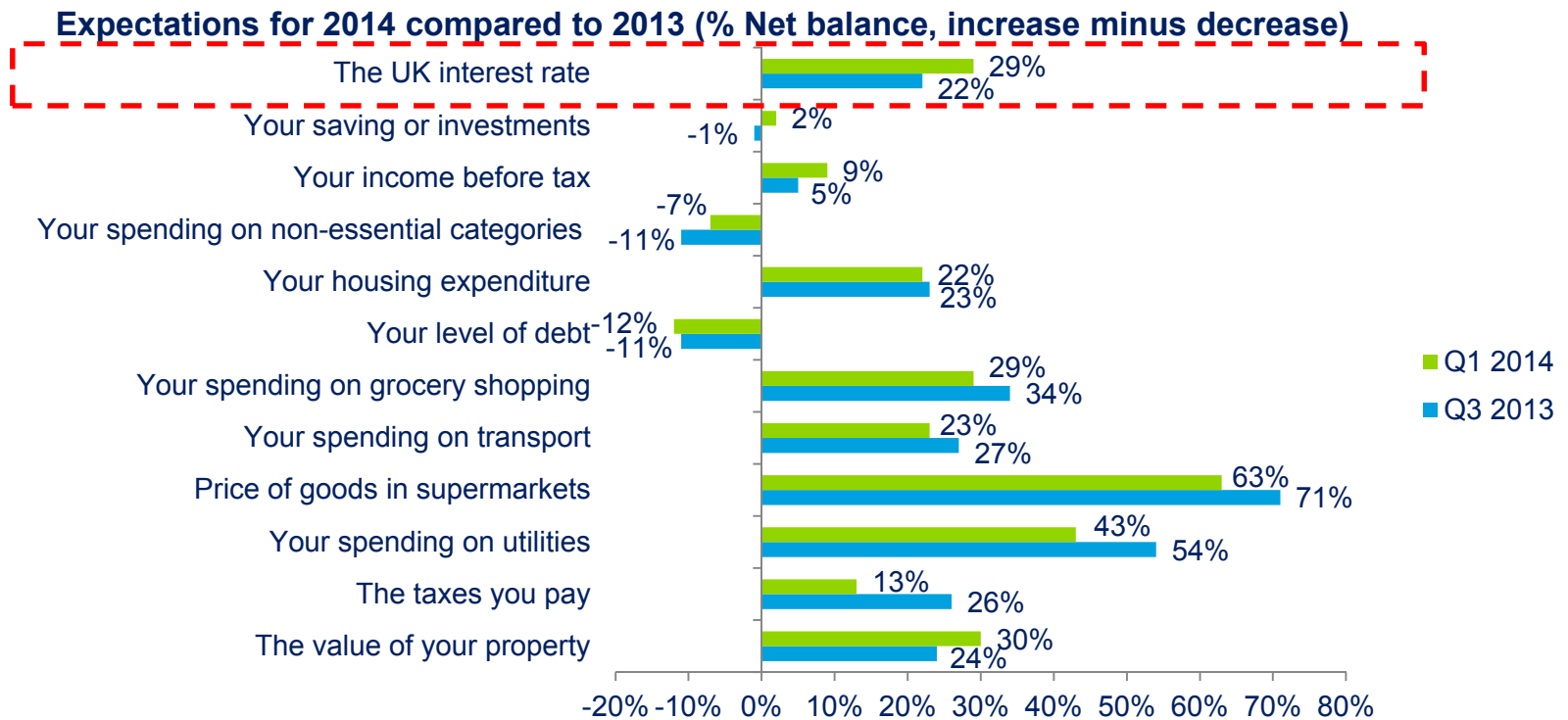
### Deloitte Consumer Confidence

Net % of UK consumers who said that their level of confidence has improved over the last three months



## Interest rate risk

UK consumers also expect conditions to continue to improve in 2014 but rising interest rates remain a key concern



# UK household debt

The rising levels of household debts in the UK raises serious concerns over liquidity

**£54,629**  
  
**Average household debt**



**£161 million**  
  
**Daily interest paid**

**Per 5 min 12 sec**  
  
**A person declared bankrupt**

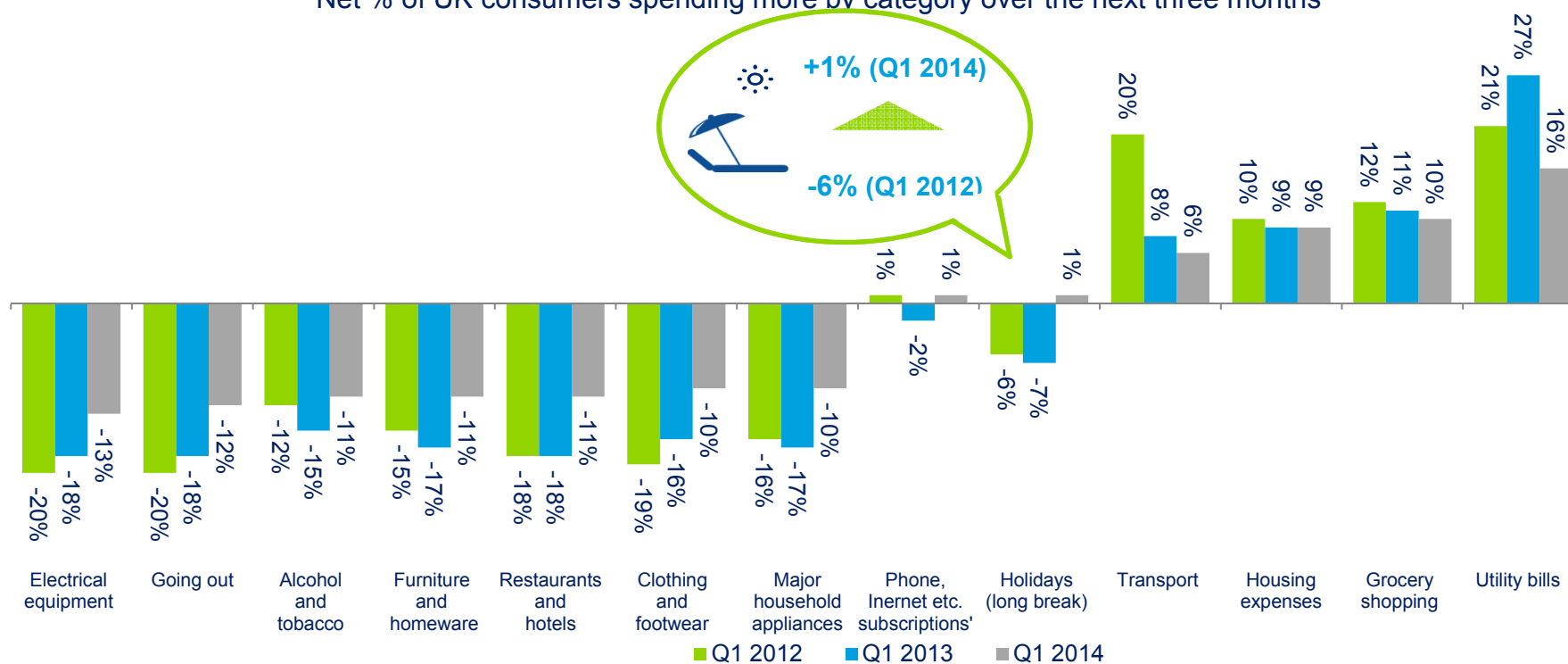
**£1.496 billion**  
  
**Daily purchases using plastic cards**

**£7.3 million**  
  
**Loans written off daily**

# Consumer category spending in UK

UK consumers are more positive about the economy and are expected to take more holidays this year

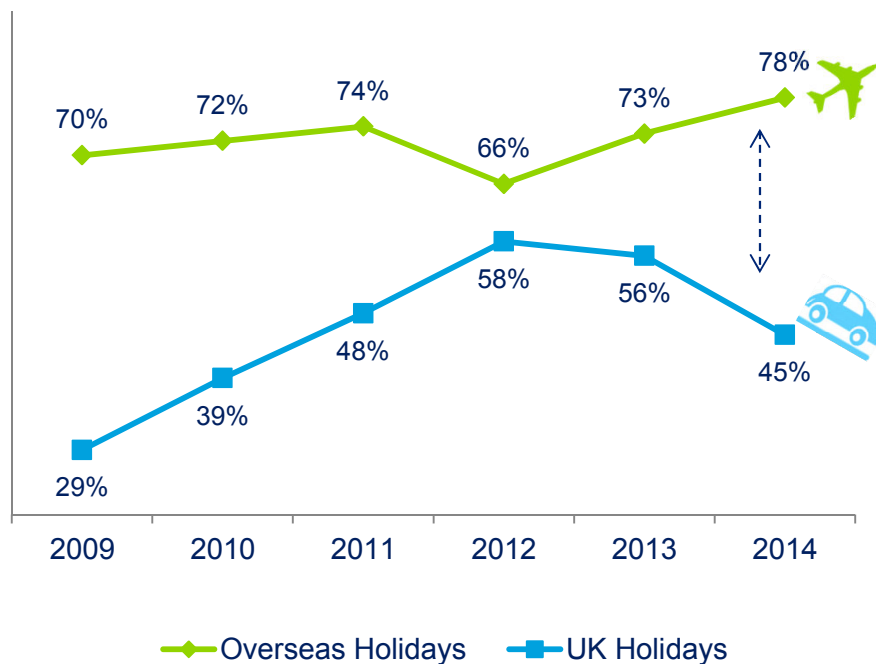
**Category spending in the next three months**  
 Net % of UK consumers spending more by category over the next three months



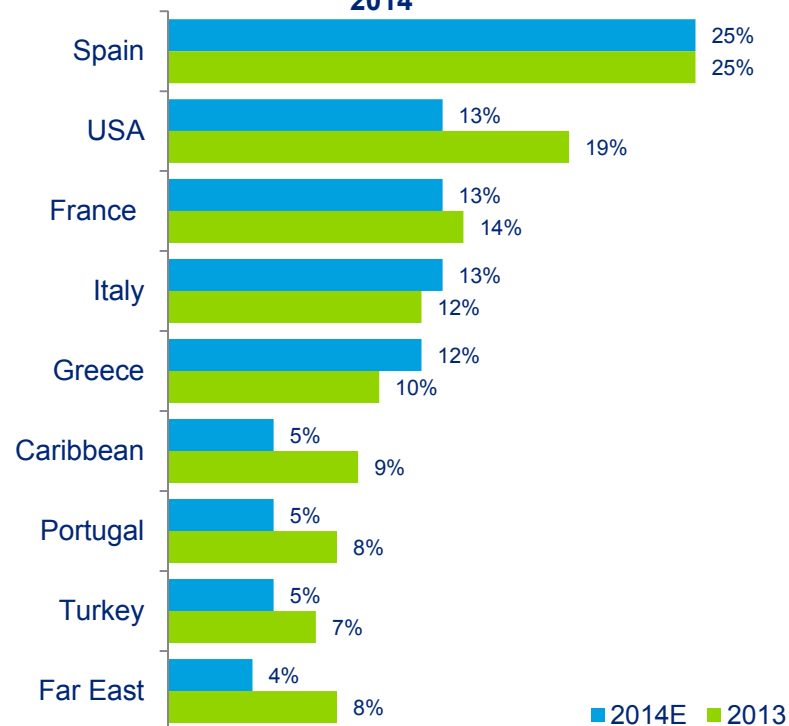
# UK domestic vs. international travel

Greater consumer confidence and expectations for rises in real income in 2014 is likely to see an increase in overseas travel at the cost of holidays in UK

Domestic and Overseas travel intentions of UK residents (7+ nights)  
(In percentages)



Top outbound destinations considered for 2013 & 2014

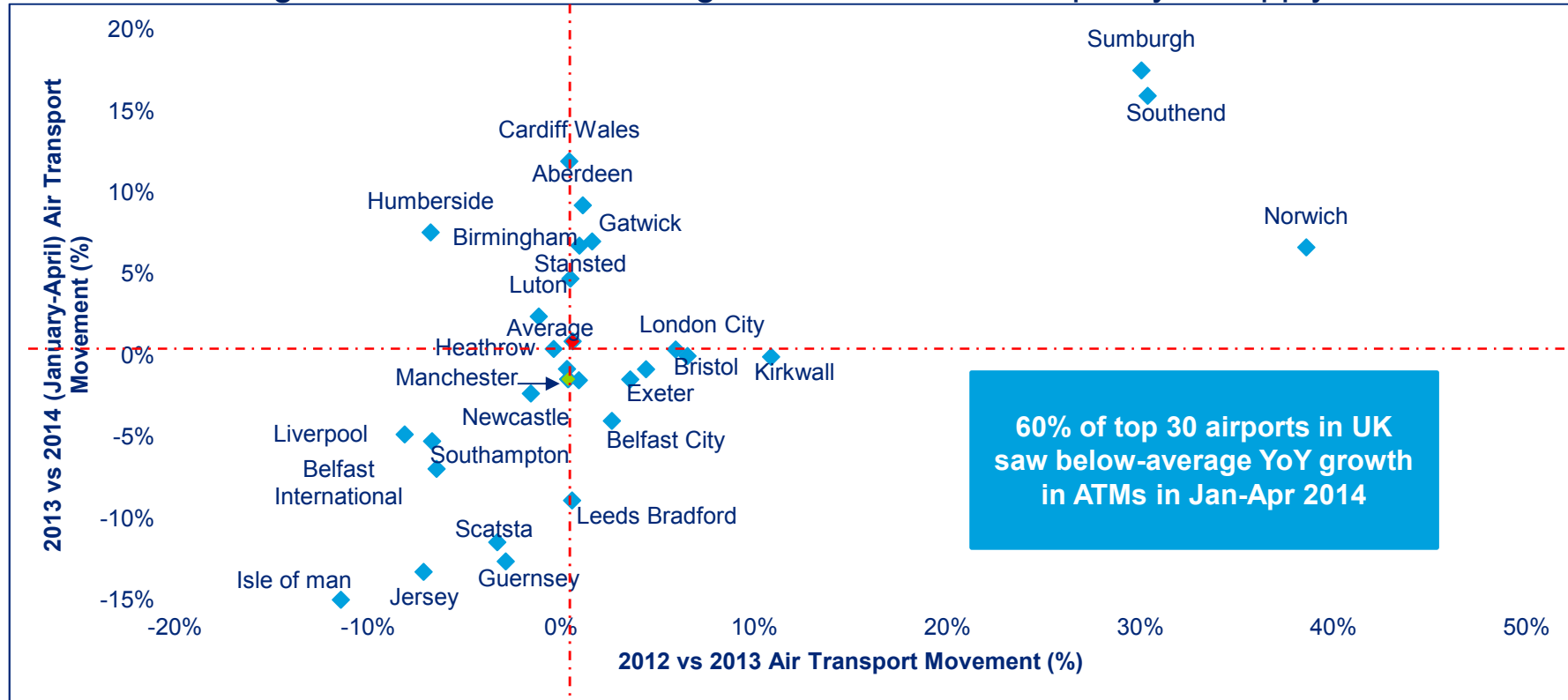


# Over-capacity concerns in the airline industry



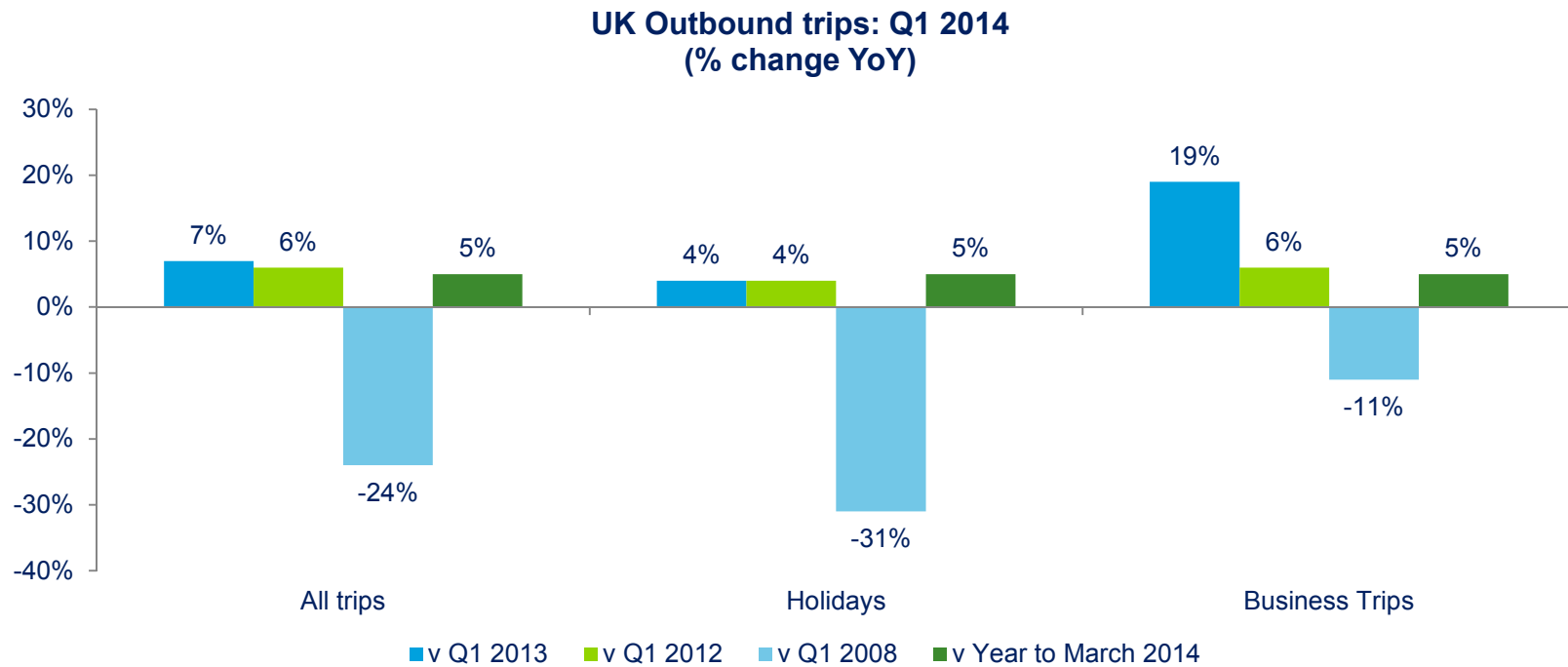
# Air traffic movement

Airline movement at major UK airports grew at a slower pace in early 2014, except in South East, thus raising concerns about reducing demand and over-capacity in supply



# Over-capacity risk in the airline industry

Outbound holiday trips see a modest growth in the first quarter of 2014, adding to the fear of over-capacity



Source: Travel Weekly Insight, May 2014

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# Industry concerns on over-capacity

Concerns on over-capacity increases as more airlines plan to add new planes and new routes

## Overcapacity Could Be Approaching

Pierre Sparaco | Aviation Week & Space Technology

EMAIL SHARE Tweet +1 Recommend 0



Photo credit: Boeing

Could a quite spectacular speculative bubble pop in the next few years? Most of the world's airlines are ordering a lot of commercial transports perhaps more than the need. If this is the case cancellations may not be far behind, to be followed by a serious industrial crisis. In light of



## Scandinavian Airlines points to overcapacity for yield problems

Alan Dron

May 9, 2014



Scandinavian Airlines Boeing 737-800  
By Rob Finlayson

Scandinavian Airlines (SAS) is facing "historically high" pressure on yields that will affect its full-year financial results. The carrier said Thursday that capacity in its Scandinavian home markets has

## British Airways Outlines Summer 2014 A380 and 787 Deployment

Posted 12 December 2013 13:00



British Airways is introducing more choice and benefits for passengers as it extends the number of routes operated by its new aircraft and increases frequencies across its long-haul network for the summer 2014 schedule from March 30, 2014. A key aspect of the

easyJet today announces a one third increase in capacity to and from Rome Fiumicino airport

12 Dec

Channels:

easyJet today announces a one third increase in capacity to and from Rome Fiumicino airport



Tags: Carolyn McCall, Frances Ouseley, Rome Fiumicino, spring 2014, New routes

From Spring 2014, easyJet will be launching a number of new routes from Rome Fiumicino airport including Prague, Nantes, Menorca (Mahon) and Rhodes and adding extra flights to and from a number of destinations.



## KLM INCREASING CAPACITY, DESTINATIONS

POSTED BY MAXIME ZECH ON 12:02 CEST, THURSDAY, 6, MARCH, 2014 IN BUSINESS | COMMENTS OFF

KLM will this Summer be adding 2.6 percent more capacity than last year, the airline announced Wednesday.

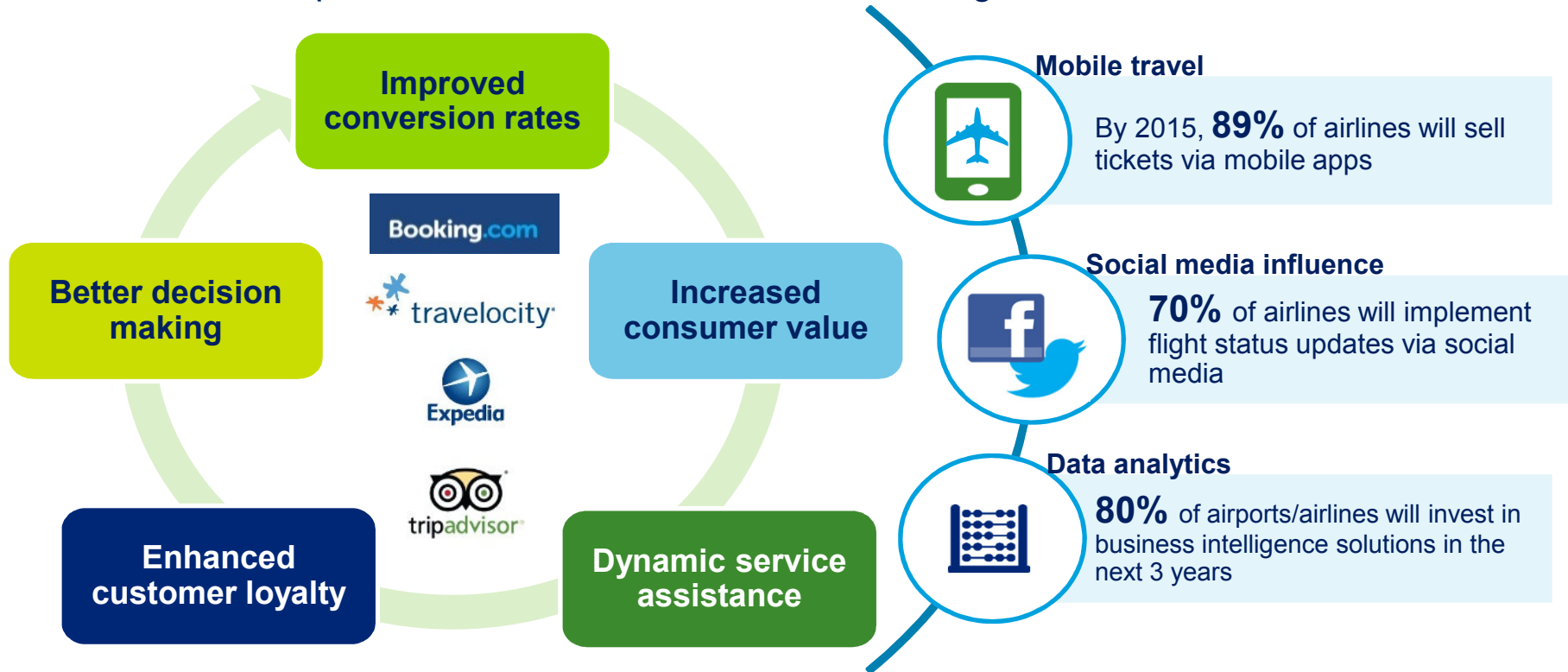
More chairs will be available for passengers traveling inside Europe. Thanks to more efficient use of the existing fleet, 7.8 percent more seats will be made available. On longer flights, capacity will be increased by 1.5 percent, nu.nl reports.

# The successful travel company of tomorrow



# Investing in digital technologies

Digital has become a major driver in the sector as travel companies recognise the efficiency and customer acquisition and retention benefits it can bring



## Consumer centricity

Travel agents are looking at innovative ways to increase consumer engagement and enhance customer experience



# Key takeaways

How to build on success in 2014/2015?



## UK economy

- Improving consumer confidence and economic situation in the UK creates a positive environment for more overseas trips
- But interest rate hikes and rising household debt remain key concerns for UK consumers
- Political uncertainty over Scottish referendum and potential EU votes add to business fears
- Fear of over-capacity due to disproportionate increase in fleet additions and slower growth in passenger traffic could create pricing pressures for the industry later this summer season



## Successful travel company of tomorrow

- Using social media and mobile technologies to benefit from efficiency and increase customer satisfaction
- Leveraging analytics for targeted marketing and delivering tailored travel offerings
- Striving to provide end-to-end travel solution leveraging digital technology to enhance customer experience
- Strengthening loyalty programmes to compete with online and offline travel agency competitors



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