

RETURN TO CORPORATE NORMAL?

Martina Hoffard, Head of Marketing, Spectrum Markets.



As far back as early 2021, there were predictions of an imminent return to normality¹ after the radical reduction in business travel forced by the Covid-19 pandemic. However, Martina Hoffard, Head of Marketing at Spectrum Markets, suggests that while the Covid-19 pandemic drags on and we become ever more accustomed to remote working and video conferencing, temporary behavioural changes could become permanent cultural shifts.

Martina, are we about to see the return of business travel?

We shouldn't regard the Covid-19 pandemic as history. It is still ongoing and new variants have continued to emerge, delaying any possible herd immunity and weakening the impact of vaccination programmes. Therefore, I expect the recovery of business travel will begin later than some had hoped and it's likely to be less strong than some expect.

The travel industry is learning to cope with Covid-19, so why the pessimism about business travel?

It is true that there are signs of recovery. For instance, airline losses for 2022 are expected to reach \$9.7bn, a great improvement on the \$137.7bn lost by the industry in 2020 and \$42.1bn losses from 2021. And a return to profitability is on the horizon, with some markets expected to turn a profit this year².

However, it would be a mistake to assume that this recovery is being matched, let alone led by business travellers. Airlines' return to profitability is being driven largely by efficiency gains, while pent-up demand for leisure travel accounts for the queues at airport check-ins (queues which hardly encourage time-conscious business travellers to return to their old Air-Mile-accumulating ways).

Almost all virologists expect to see seasonal peaks in Covid-19 cases and there is the possibility of new, more transmissible variants emerging. This has the potential to dampen any increase in business travel volume.

Another potential dampener on the future of business travel has to do with environmental aspects that play an increasingly important role both in individual and corporate decision-making. Thirdly, look at how collaboration habits have changed over the course of the Covid-19 pandemic with video conferencing platforms having ousted many in-person meetings and conferences.

But will the popularity of remote working environment persist? It has its downsides.

Back in 2020, Bill Gates predicted³ that more than half of business travel would disappear permanently and that one third of office presence would also cease. While it's too early to say for sure, there are indications that he may have been right.

There are many from the tech world who claim that the Covid-19 pandemic has merely accelerated an inevitable trend towards remote, working that was already underway. I'm not sure that there is strong evidence for this being the case, but what is certain is that many employees are now sold on the benefits of remote working and it will be hard to convince many of them of the necessity to return to the office on a full-time basis. It will be even harder to ask them to go to meet clients somewhere in person. The Covid-19 pandemic has demonstrated that new ways of working can be as efficient as in-person working, leading many to conclude that there are far better uses of their time than travelling.

This argument will not lose any of its force once, hopefully, Covid-19 is consigned to the history books. In the meantime, there will be a camp of people saying that working from home is a strong form of infection protection. This perspective seems reasonable when considering the impact of the Covid-19 pandemic – or any future pandemic – on the broader economy.

What's more, many companies that would otherwise prefer to see staff in the office have discovered the significant savings potential of reducing office space. Most of them will not give up their city bureaux entirely, but many have already downsized to the extent that they're no-longer capable of providing desks for all of their employees at the same time.

So, has business travelling become economically senseless?

Given the new normal of video conferencing and virtual meetings, the classic business trip where you travel for a whole day to attend a one-hour-meeting seems outdated. In 2020, Gates said that it's no-longer the gold standard to say, 'Yes, you flew all the way over to sit in front of me.' It can be done over a virtual connection, meaning that there will be a very high threshold for actually doing an in-person business trip. Also, the cost-return ratio issue becomes even more aggravated by rising travel prices. Just freezing travel budgets where they are will require companies to cut the volumes of business travel that they do. And the situation is worse if they plan to curtail travel budgets.

What lifts the bar even higher is the sustainability debate – while an individual employee may find it hard to refuse a business trip due to ecological concerns, the company itself might take a different view. If a company wants to reduce its carbon footprint, it can't ignore corporate travelling. Some larger companies have made commitments themselves; smaller and mid-sized companies will be pushed by their clients who are increasingly focusing on the green credentials of those they work with.

Where do you still see the need for physical presence meetings?

In certain areas physical presence will remain essential. If you're going to give an important sales presentation, for example. Here you will want to exploit the full persuasive potential of the relevant sales and advisory personnel and you don't want the target audience to get distracted by atmospheric or technical deficiencies. Then there are situations where in-person meetings are statutory or demanded by the client. Finally, board members or other staff who have representative obligations will also continue to need to go on business trips regularly.

What does that mean for the travel industry?

The dip in client-related business travel is likely to be enduring, however, other trends could emerge to fill the gap. While people enjoy the benefits of working from home and meeting virtually, there is a clear interaction deficit emanating from this situation that may appear in different forms and that may affect individuals differently. HR departments know this, which is why they increasingly organise retreats. These get-togethers are best when held off-site since the office environment is not conducive to the community spirit that such events demand.

Another trend amplified as a result of pandemic-driven remote working culture is the "workation", a portmanteau of work and vacation or "bleisure", the mixing of business and leisure. In these cases, a business trip is combined with touristic, holiday activities. Also, don't forget the many conferences and trade fairs that were skipped or held as virtual meetings during the Covid-19 pandemic. There is now massive pent-up demand for the full potential of these events as in-person meetings. These are likely to bounce back stronger than they were before the Covid-19 pandemic. Taken together, these developments may at least partially compensate the travel industry for the loss of a large portion of classic business travel.

Thank you very much!

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