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# Raiding The Pandemic Piggy Bank For Travel

Barbara Stewart

**D**uring my March 2020 keynote presentation on women and finance for CFA Society Calgary I polled the 200 women attendees: “According to CIBC, Canadian households are sitting on over \$100 billion in savings due to reduced spending during COVID-19. Once we’re back to normal, what will be the biggest (not necessarily the first, but the biggest) use of the money you’ve saved?” Given a choice between travel, investing, paying off debt, starting a new business, retiring earlier, a mix, or other, the number one answer by far was travel, with nearly half of women saying they’re ready to start flying (and driving and cruising and so on).

## Pent-Up Demand For Travel

Toronto-based private investor Louise de Grandpré is the Co-Founder of Merit Travel Group and was Chief Operating Officer for more than 25 years until it was bought in 2016. Merit was one of the largest private travel companies in Canada, and Louise knows a thing or two about travel! What’s happening these days?

*The corporate side of the business is dead, and it will take a while to come back. Sadly, some of the best people are leaving the industry—there is a lot of unhappiness. We worked through SARS, 9/11, and the 2008 financial crisis...none were comparable to this pandemic in terms of their impact on the travel business. Today it is full stop. No one is travelling. We won’t see travel come back until the U.S. border reopens and we’ve had enough vaccines. On the corporate side, companies have saved a ton of money since their travel budgets went to zero. One Investment Bank says they’ll be back in the office and back on the road selling in September 2021. When*

*they get back in the game, everyone else will have to follow. On the leisure side, there is huge pent-up demand from the people who have lots of disposable time and income. They have done incredibly well in the stock market and no one has been spending much money. One cruise line opened their phone lines at 9:00 am to sell their 2022 World Cruise and completely sold out some categories within 30 minutes. These are cruises that cost \$80-90,000!*

## Post-Pandemic Will We Travel Differently?

Kristina Schneider spent close to a decade travelling the world as an aviation management consultant before taking on her current role in 2018 as Manager, Strategy & Consulting at Accenture in Montreal, when her travel increased, albeit closer to home. Throughout her career, she travelled to 35 countries and would frequently spend the week doing business in one exotic city or another then tack on a weekend at her own expense. Combining personal and business was a cheap way to see the world, but it had its drawbacks. Her Dad jokingly called her “Our Lady of Perpetual Motion”—she never stopped for a minute to take stock of her life. But now Kristina says this pandemic has forced her to really break apart what works and what doesn’t work in her life:

*My work sometimes involved longer stints in various countries like Thailand, Indonesia or Macau SAR. This was great because I actually got to live somewhere for a while and experience life as a local. But whether I was away or at home in Montreal, I used to skimp on my accommodation—all I really cared about was having a bed and a washing machine. Upon*

*reflection, I realize that mixing my personal and business life wasn't such a great idea for me. I've had a whole year all by myself to think about this! At first, stopping was a shock—it felt so discombobulating – but it gave me time to be more mindful and deliberate about some of the decisions I made. The pandemic has allowed me to really break apart what's "work" and what's "my life." I recently moved to a bigger apartment and I'm now investing money in making a proper home for myself and my recently adopted cat. I feel like a different person these days: I take a one-hour lunch break and go into my living room and read a book. And I'm paying a guy to come in and hang photos on my wall!*

Post-pandemic will Kristina have an interest in travelling again? “Hell yes – let me at it! But moving forward I will do what I call ‘travel discovery’. Two years ago, I deliberately planned a vacation with my Mom where we went to the Greek Islands and Athens and I didn’t take my laptop. Being completely disconnected was an amazing experience. As soon as it is safe to travel again, my family is planning to spend time in Italy doing agritourism, or something like that. I want to make these trips count. I’ll plan differently and do more research. My travel will be more expensive and deliberate now.”

## What Comes Next For Air Travel?

I did some of my own research. According to a recent Deloitte tracking survey, consumers globally are saying they expect their flight activity post-pandemic will be 33% lower than it was pre-pandemic. From the same survey, consumers also predict that they are less likely to stay in hotels or eat out at restaurants: some are calling this the “stranger danger economy.” By the time we reach herd immunity, we will have spent 18 months living in fear of each other’s breath. That’s going to be hard to just switch off for a lot of people, according to one view.

I am more optimistic than that. After 9/11 there were multiple forecasts that air travel, especially in the U.S., would be permanently lower. U.S. air passenger miles were over 500 billion in 2000 and fell to 472B in 2002... but were 497B in 2003, through 500B the following year, and almost 600B by 2007!

Equally, although the influenza epidemic of 1918-1920 was pre-air travel, there are some lessons. As a reminder, that pandemic killed about 675,000 Americans (we’re at 600K so far, and still rising about 500 per day), caused

restaurants and theatres to close, kept travellers off trains and boats, and saw widespread mask wearing and fear of strangers. By 1922, theatres, restaurants, bars, sports venues, boats, trains, and hotels were all packed again.

Some consumers genuinely believe (right now, as the pandemic still rages) that they will travel less in the future. But I predict that once we achieve herd immunity through vaccines, most of us will shift rapidly and go back to our pre-pandemic habit in weeks or months. Or even higher—there is a lot of pent-up demand for travel, and consumers worldwide: in the U.S. alone, it is estimated that consumers have a collective \$3 trillion burning a hole in their pockets.

One wild card in all this is business travel. Post-pandemic, companies that have been saving money are going to start flying again to meet clients and drive sales. But many are wondering if they still need to fly quite as many employees across the country for internal meetings: couldn’t some of those be Zoom calls? Savings could be enormous, and as multiple companies make sustainability pledges, the reduction in carbon footprint is a strong additional incentive.

Nobody is expecting business travel to go away, but even small decreases matter to the airline industry: although business passengers are only about 12% of the total, they are twice as profitable.

## How Can We Invest In This Travel Trend?

From a Bloomberg article titled “Funds bet on a consumer boom to rival roaring twenties”: “People want to travel. They want to see family that they haven’t seen in a long time. They want to go out with friends,” said Donny Kranson, European equities portfolio manager at Vontobel Asset Management. Theme parks, airlines, and even beer is back. On the travel side, funds are betting on staycation-friendly hotels like Marriott International Inc. and home-sharing firm Airbnb Inc., theme parks like Six Flags Entertainment Corp., and even U.S.-listed Chinese online travel agency Trip.com Group Ltd. Marriott has gained 8% this year so far, while Airbnb, Six Flags and Trip.com have advanced 0.5%, 35% and 11%, respectively.”

A Barron’s article from April 2021 said “Buy Airline Stocks. A ‘Golden Age’ of Travel is Coming.” The JETS ETF of global airline stocks is up 19% year to date, and 113% since the March 2020 lows, while the S&P500 is up 13% and 83% for the same periods. In all fairness,



that's after a more than 50% collapse in airline stocks last March, but Barron's quotes analysts who see a further 30-45% gain for the sector as a whole.

*Barbara Stewart, CFA is one of the world's leading researchers on women and finance, focusing on real life financial behaviours and providing global insights into how smart women think and communicate. Barbara is an advocate for women, for diversity, and for financial education. In*

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