



# Redefining Possibilities to Ensure Post-Pandemic Readiness in Travel, Transport, and Hospitality

Thriving in the Next Normal



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# Executive summary

As Travel, Transport, and Hospitality (TTH) firms are trying to come to terms with the next normal and revive their fortunes, they have realized the significance of investing in technology and modernization initiatives. With travel still in nascent stages of recovery, firms need to increase their business resiliency and accelerate digital transformation. This faster pace of change is shifting the focus toward two aspects for success in a post-pandemic landscape:

- **Funding models:** As TTH firms emerge from the current pandemic, managing liquidity while continuing investments in new technology will be a key imperative for them. Sustainable and self-funded models will be important to companies' digital transformation journeys
- **Stakeholder experience:** TTH firms will need to rethink stakeholder experience, as they will be judged on how well they manage their stakeholders' safety and keep them reassured. Thus, it will be of vital importance to re-engineer a new trust equation centered on safety and hygiene when collaborating with other travel and tourism players

Confronted with new realities, TTH firms will need to re-assess their digital transformation strategies and fine-tune them to factor in customer trust and confidence.

## Digital transformation amid COVID-19 and beyond

The coronavirus outbreak has adversely impacted almost every industry, but few have been hit as hard as the TTH industry, which has been severely impacted by the strict lockdowns and closure of international borders. Today, as travel restrictions are beginning to ease in most countries, demand is increasing at a slow pace and firms expect a staggered recovery. In fact, most organizations are bracing themselves for a long recovery cycle (spanning 8-12 quarters) with lower yields.

While the pandemic has exposed the industry's vulnerability, TTH firms are also trying to use this period productively to recover faster. They are taking up projects to re-platform and support their post-pandemic business models. While, for most businesses, digital transformation was already a part of their agenda, the pandemic has forced them to accelerate digital adoption and also reorient their operating principles amid a volatile demand environment.

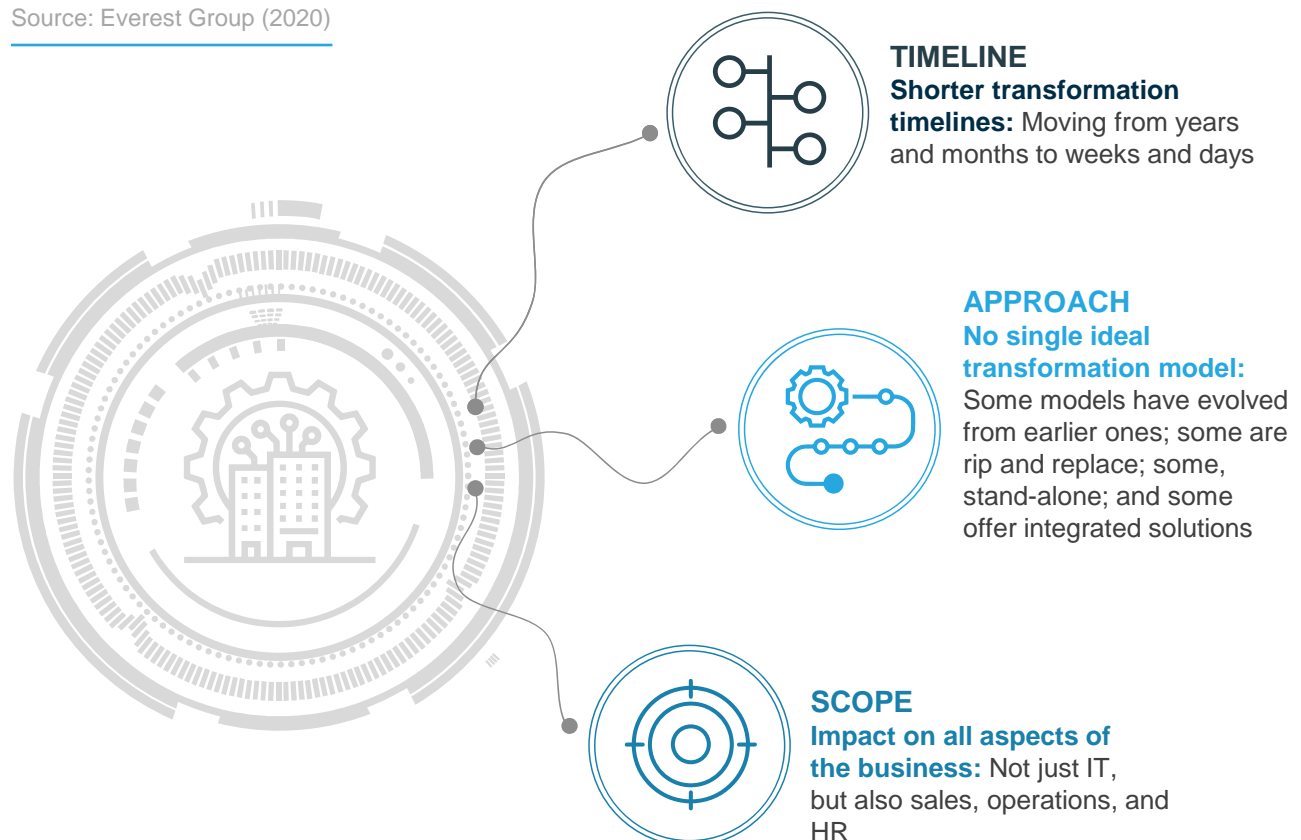
However, not all TTH organizations are experiencing lower demand; some, such as cargo units, are trying to keep pace with historic demand levels, drawing attention to the urgent need to expand digital infrastructure and support resilience efforts. The timelines for these initiatives are getting shorter, with heightened focus on impact and Return on Investment (ROI).

Exhibit 1 showcases the key shifts in digital transformation amid the pandemic.

### EXHIBIT 1

#### Shifts in digital transformation amidst COVID-19

Source: Everest Group (2020)



## Key considerations for post-pandemic readiness

The pandemic has accelerated digital transformation across TTH firms, and we believe that this change is – and will be – centered on two core aspects:

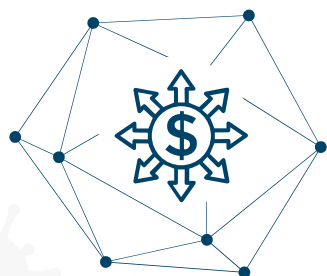
- **Funding models:** conserving cash and creating a sustainable funding model for accelerated technology transformation/modernization
- **Stakeholder experience:** determining the new customer journey roadmap and reassuring employees about hygiene and safety

Exhibit 2 illustrates the key considerations for post-pandemic readiness for TTH firms.

### EXHIBIT 2

#### Key considerations for post-pandemic readiness

Source: Everest Group (2020)



#### Funding models

##### Question to consider:

How can we bend the cost curve for digital transformation and breakthrough value creation?



#### Stakeholder experience

##### Question to consider:

How do we change our business to account for new stakeholder expectations?

We examine these aspects in the following sections and also look at examples from leading enterprises to understand them in greater detail.

### Funding models

Post-pandemic demand recovery for TTH firms will likely be inconsistent and staggered. While investment in technology is of paramount importance, TTH organizations will need to strike a balance between modernization initiatives and fiscal prudence. In particular, they will need to focus on two fronts to bounce back:

**Bolster their cash position:** Currently, most TTH CIOs are focusing on surviving and ensuring business continuity. To do so, they are addressing urgent liquidity issues by lowering their discretionary spend. Firms must judiciously plan their cash flows and aim to become cash flow neutral in the short-medium term. In the long run, businesses will need to recalibrate their spending levels, as things go back to normal.

The hospitality industry is looking to reduce infrastructure costs by shutting down non-operational floors. Lay-offs and salary reductions are also commonplace. For instance, major hotel chain Hyatt Hotels Corp. laid off over 13,000 employees and implemented pay cuts for employees to curb costs.

Opting for smaller teams and adopting a no-shore model will help firms cut costs in the short term. Firms are also focusing on lean innovation by leveraging productivity levers such as distributed Agile, RPA, DevOps, and hyper automation.

**Optimize their OpEx spend:** While expenditure on most new initiatives is on hold, we expect digital transformation to continue. However, TTH firms will have to rethink the CapEx versus OpEx composition in funding these projects. To this end.

- Most businesses are already investing in smaller transformation projects for which they foresee a clearer business case and short-term payback. A major air cargo firm, for instance, has continued its ERP rollout after the COVID-19 outbreak but accelerated its implementation (to move at 2X the original velocity) to ensure faster time-to-value
- Businesses will seek partners that can provide favorable contract terms for their transformation initiatives. Transaction-based payment models, payment term extensions, and payment deferrals are here to stay, as businesses continue to invest in modernization efforts
- Organizations will need to variabilize IT costs during the pandemic. A major hotel franchise, for instance, has leveraged the cloud to operate during this lean environment. It shut down a few business and enterprise applications, which were linked to GPU usage or billed on a reservation-linked basis. Service partners and technology vendors will have to play a critical role in enabling this shift for enterprises

The pressing need for digital transformation is likely to drive more discussions on innovative funding for these projects.

### Stakeholder experience

The pandemic is altering stakeholders' fundamental expectations. As businesses prepare for the long haul, their focus will be on determining which behaviors are here to stay and which will fade away. Enterprises will need to strengthen their investments on two fronts:

- **Enabling a zero-touch experience:** With passengers hesitant to travel even after the virus spread is contained and at least until a mass-produced vaccine is available, businesses will have to redesign their processes with emphasis on social distancing norms, safety, and hygiene. Many firms have already started investing in self-service kiosks and contactless technologies. Car rental companies are testing concepts such as self-unlocking to ensure minimal touch. In the hospitality industry, hotel chains that had not already invested in mobile apps are now accelerating their investments in the area. Aviation and hospitality firms are also establishing safe workplace guidelines and conducting online training programs to have their staff trained in safety and hygiene aspects.
- **Internal digitalization:** While external demand has taken a hit, firms are using this pause as an opportunity to advance internal digitalization for improving workforce efficiency and to undertake new projects. They are investing in innovation to adapt better to the dynamic demand environment. A leading air cargo firm, for example, has launched a startup to digitalize the transaction process for its end customers (such as freight forwarding firms). A major US-based car rental business has invested in crowdsourcing new ideas and conducted hackathons to find creative solutions, thereby reducing its costs by over US\$10 million.

As organizations undertake these initiatives to become more resilient, they will need to hinge their efforts on re-establishing trust among customers, who will need authentic and proactive assurance. Airlines, for instance, are investing in initiatives such as providing face masks to passengers, prioritizing an exhaustive in-flight sanitation process over reduced turnaround time, and providing packaged food before boarding. For such initiatives to succeed, airlines, hospitality, and travel rental companies will need to join forces to boost demand and create a new trust-based ecosystem.

Exhibit 3 highlights a few ways in which airlines, hospitality, and car rental companies are responding to get ready for the next normal and regain customer trust.

**EXHIBIT 3**

Addressing new customer expectations in a post-pandemic era

Source: Everest Group (2020)



INDICATIVE

Customer expectations in a post-pandemic era



Aviation	Hospitality	Car rentals
<ul style="list-style-type: none"> <li>• Contactless check-in</li> <li>• Pre-boarding meal service</li> <li>• Use of digital payment methods</li> <li>• Health check using sensors</li> <li>• RFID tracking for baggage handling</li> </ul>	<ul style="list-style-type: none"> <li>• Digital check-in and digital keys for rooms</li> <li>• Mobile apps for controlling room lighting, temperature, etc.</li> <li>• Digital menus</li> <li>• Temperature checks for guests</li> <li>• Sanitized rooms</li> <li>• More sanitizing tools for guests</li> </ul>	<ul style="list-style-type: none"> <li>• Booking and signing rental agreement on app</li> <li>• Self-collection and self-unlocking</li> <li>• Assurance that the vehicle is clean and sanitized</li> <li>• Temperature scanning of employees and customers</li> </ul>

## Conclusion: focus on the journey

COVID-19 has disrupted the business landscape and forced enterprises to rethink their existing business models. While technology investments were always a part of the corporate mandate, businesses will look to expedite their digital transformation and achieve faster RoI. TTH firms will need to reshape their self-funding models to become leaner and collaborate with their partners to overcome their liquidity crunch.



TTH firms must also realize that some of the existing business models will cease to exist, and enterprises will need to re-establish a new customer roadmap that factors in a new trust equation considering changing customer expectations and behaviors.

Exhibit 4 showcases distinct changes in the two aspects of post-pandemic readiness – funding models and stakeholder experience– in a pre-COVID-19 versus post-COVID-19 business scenario.

### EXHIBIT 4

Pre-COVID-19 vs. post-COVID-19 scenarios

Source: [Everest Group \(2020\)](#)

Pre-COVID-19 / current view		Post-pandemic / the next normal
<p>Technology investments viewed as a cost element, with incremental efficiency in steady state</p>	 <p><b>Funding model</b></p>	<p>Breakthrough value creation with partners to focus on creative, sustainable, and self-funded models for transformation; accelerated core modernization efforts</p>
<p>Focus on delivering a seamless experience across the lifecycle and providing convenience</p>	 <p><b>Stakeholder experience</b></p>	<p>Emphasis on engineering a new trust equation, rethinking workforce productivity, and ensuring continual education</p>

As TTH firms strive to revive their fortunes, digital transformation efforts that help regain customer trust, reduce cost, and deliver faster RoI will be a key imperative for them. While, it is too early to say when industry will achieve former levels of growth, what is clear is that firms will need to accelerate their digital investments while collaborating with players across the TTH landscape.





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