



More Travel for Fun, Less Travel for Chores: Why Leisure Is the Key Growth Market for Transport Operators

Evolving lifestyles, consumption habits and work culture, much of it driven by the internet, have led to structural changes in the travel behavior of people in the U.K.

Since 2005, the number of trips and the overall distance traveled per person are down by nearly 10%, caused by a drop in commuting and travel for chores (e.g. business and shopping). Meanwhile, leisure travel for entertainment or day trips has increased. Even where we socialize with friends has changed, switching from a visit to their home to trips out together (see Figure 1).

This shift in emphasis from traveling as a chore to traveling to do something fun is set to continue and has significant implications for transport operators across road, rail and air, including the fast-growing ride-sharing companies.

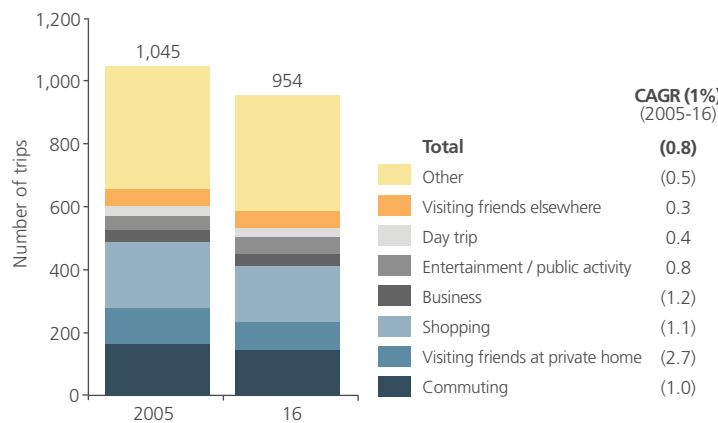
All operators, including those thinking of entering the market, should review how they can develop competitive advantage by optimizing for these trends. For many, this will require a strategic rethink and a repositioning of their products and services.

This *Executive Insights* looks at these changing travel patterns and provides an overview of the eight levers of leisure travel that operators should be addressing.

Travel as a chore is down

The growth of online shopping, both from pure plays such as Amazon and from traditional retailers, is reducing the need to travel. Online retail in the U.K. has risen from 3% to 17% of total

Figure 1
Average number of trips per person per year in England (2005-16)



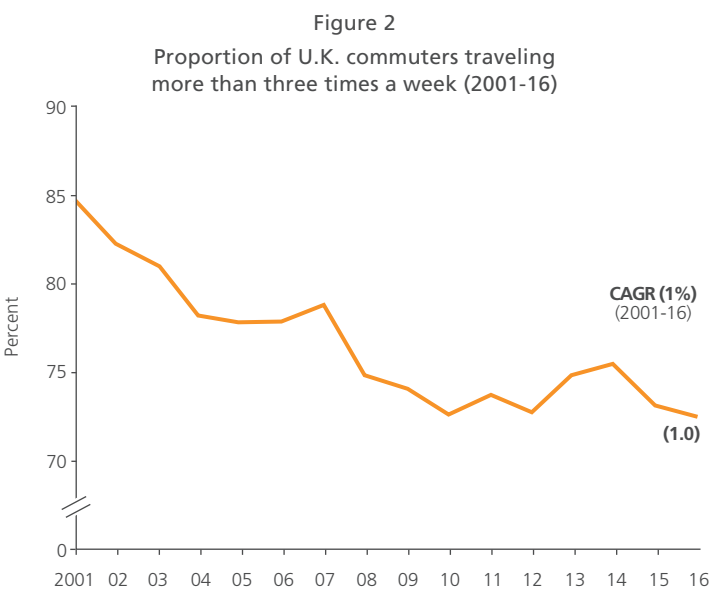
Note: Other includes education, escort education, other escort, personal business, sport, holiday (base), other including just walk
Source: Department for Transport, London

retail sales in the past decade. Continental Europe is experiencing the same shift online, particularly France and Germany, where web sales have grown 13% and 15% respectively since 2014. Supermarkets have been particularly affected. Nearly half (48%) of British people do some of their grocery shopping online, a market now worth £10 billion, and 14% do all of it online — up from 7% in 2014, says Office of National Statistics research.

Working culture has also evolved to become more flexible, with people working from home or in transit, reducing the need for

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the daily commute and increasing employees’ productive time. As Figure 2 shows, the proportion of U.K. commuters traveling more than three times a week declined from 85% to 72% between 2001 and 2016.



Note: Commuters are people who commute on a daily basis to/from work, colleges and education as well as less regular commuters
Source: National Rail Passenger Survey

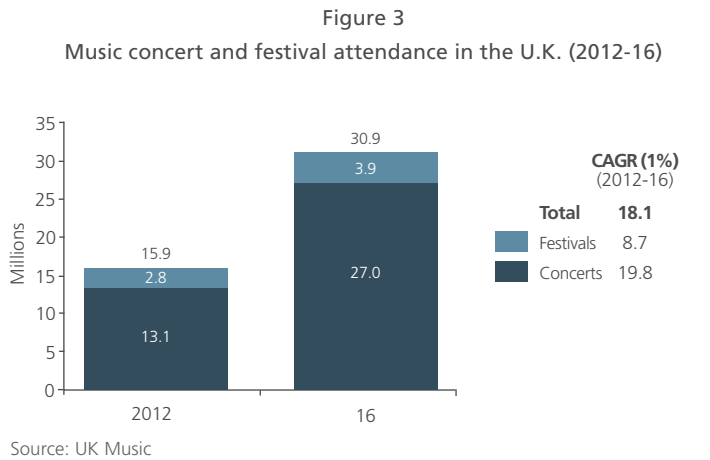
Ongoing technology improvements have played a significant role in enabling effective remote working, especially conference calls and digital video platforms such as Skype. Technology has also contributed to the decline in travel for business meetings outside the office. This is particularly the case for long-distance journeys.

Transport needs are also changing with the widespread use of smartphones, tablets and computers for communication. Rather than going to someone’s house to meet up, friends’ conversations are increasingly taking place digitally, especially through social media, instant messaging and video chat.

Travel for fun is on the rise

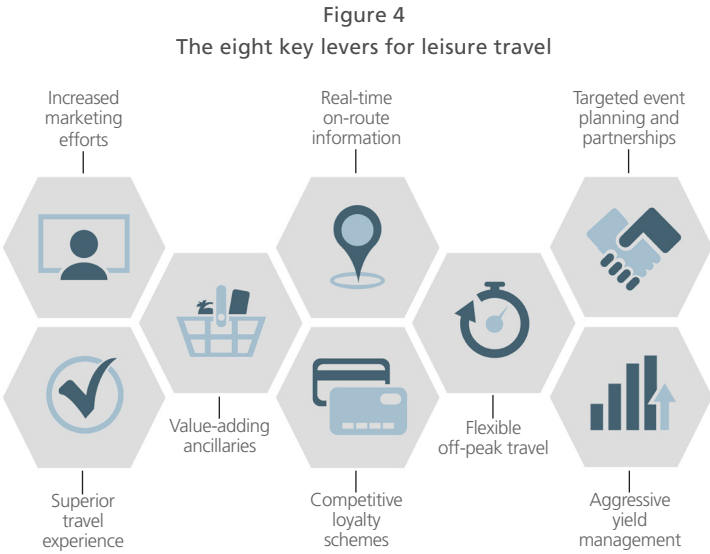
While there has been a steady decline in overall travel in the U.K., people are traveling more for leisure. Figure 1 shows that the average number of trips per person has been increasing since 2005 for entertainment, visiting friends outside of homes and day trips. The upswing in attendance at concerts and music festivals is one area that highlights the trend: In the four years to 2016, the number of people at such events doubled to 31 million a year, according to UK Music (see Figure 3).

The spending habits of millennials reflect the step change — they spend more on taxis, eating in restaurants and going to coffee shops and bars than did previous generations. Credit card spending data suggests that millennials spend 24% of their income on restaurants, versus 15% for older generations.



The eight key levers for leisure travel

Because such trips are optional, transport operators need to prize people away from their home comforts. The competition is not another mode or operator, but a box set and sofa. L.E.K. Consulting’s work in the sector suggests there are eight key factors that influence success in this new travel environment (see Figure 4).



Source: L.E.K. analysis

Increased marketing efforts. Improved and more regular dialogue with customers through engaging marketing campaigns is important in an era in which travel is no longer always a necessity — customers need to be enticed into traveling with a particular operator. U.K. travel companies could learn from Turkish Airlines’ successful YouTube video strategy targeting millennials, and SNCF’s “It’s just next door” experiential marketing campaign to highlight the many European locations to which the French train operator travels.

Superior travel experience. With the wide variety of convenient and affordable transport options available, people need to enjoy their experiences if they are to use the same operator again — and

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require extremely good experiences to prompt them to recommend the operator to their friends. Trenitalia, Italy's national train operator, has tried to differentiate in this area by creating four classes of service on its high-speed Frecciarossa trains.

Competitive loyalty schemes. Attractive loyalty schemes are crucial in many markets to increase brand loyalty and ensure repeat business. Operators should take care to tailor these schemes to their range of customer segments. The airline industry excels at this, using points, rewards and air miles to induce extra trips and create long-term customer relationships.

Real-time travel information. With overall travel continuing to decline, people will become less familiar with operators' routes, schedules and stations. To make the customer experience as seamless as possible, operators should place renewed emphasis on improved real-time travel information via station signage, onboard screens, apps and notifications. Apps such as WienMobil in Vienna, Whim in Birmingham, U.K., and Rome2rio show how integrated travel planning is becoming more commonplace. However, no major operator has truly cracked the provision of live, accurate travel information.

Targeted event planning and partnerships. As people's leisure travel increases, operators should consider partnerships with event organizers and ticket providers to become more than just the mode of transport for customers. This could include negotiated event discounts, early-bird tickets, or partnerships with third parties such as premium food and beverage companies to provide superior dining experiences during a journey.

Aggressive yield management. To maximize their revenues, operators should review their pricing strategy to spread customer demand and increase overall asset utilization. Uber take this approach, using demand-based pricing to keep its fares down when demand is low and to charge more during peak periods of demand.

Value-adding ancillaries. Road and rail operators should learn from airports and implement ancillary services that are natural complements to leisure journeys, such as free Wi-Fi, shopping, dining and limo services. While passengers have more disposable time at airports, there are opportunities to enhance the time customers spend at bus, coach and railway stations, adding non-farebox revenue to operators.

Flexible off-peak travel. Off-peak travel growth is outpacing peak travel, providing operators with the opportunity to offer a wider variety of flexible ticket options. Flexible part-time commuter tickets, for instance, will be attractive to remote workers who might travel to their employer's office just a few times a week.

What to do?

The challenge for operators is how to steal share from other operators and modes in the slowly declining market for necessity travel while simultaneously building share and stimulating new trips in the growing and complex leisure markets. For many operators, this will require a shift in mindset to become more consumer-oriented, drawing on the best examples from the global transport industry. Developing a new approach requires an in-depth understanding of the different customer segments across the full door-to-door experience, and the ability to create and market differentiated service propositions.

About the Author



Andrew Allum is a partner in L.E.K. Consulting's London office and has more than 25 years of consulting experience. His main areas of practice are surface transport and business services, with a focus on human capital sectors such as training, education and recruitment. Andrew holds a BSc (first class) in Physics from Imperial College and an MSc in Computing from Oxford University.

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