

March 8, 2021

Zoom vs. handshake battle to impact business air travel's fate

IdeaWorksCompany contributed information to this article - - see italics.

Many experts are convinced business travelers won't fly as much as they did before the pandemic. But others say these people might be underestimating the power of a handshake.

Microsoft co-founder and philanthropist Bill Gates set off a debate in the aviation industry when he predicted late last year that more than 50% of business travel would permanently disappear after the COVID-19 pandemic, as companies cozy up to working from home.

Gates said companies would retain a "very high threshold" before sending their employees packing on business trips.

While many aviation experts have dismissed Gates' forecast as way too dire, they tend to agree that some portion of business traffic might have gone away for good thanks to conferencing platforms such as Zoom, Microsoft Teams or Google Meet and the feasibility of working from home.

Any fall in business travel would deal a big blow to an industry already devastated by the pandemic. Airlines rely on lucrative business trips to lure leisure passengers by offering them tickets at a discount. US airlines raked in half their revenue from business travelers before the pandemic, even though they accounted for only 30% of the trips, according to Airlines for America, a US industry group.

"Passengers in the business class cabins and also those business travelers in the economy class are paying full-price tickets. They want the flexibility," Richard Maslen, an analyst at CAPA-Centre for Aviation, told DW. "The loss of these is going to hit airlines quite hard. A lot of these airlines have higher cost structures, but they offset that because of the premium demand and the high yields that these passengers are paying for the benefits that they gain."

Blame it on Zoom

Much of the bleak forecast for business travel can be attributed to the rise in popularity of conferencing platforms such as Zoom and Microsoft Teams. Zoom said in November that in the fiscal third quarter of 2020 it witnessed a 485% year-over-year jump in business customers with more than 10 employees.

While conferencing tools such as Webex and Skype have been around for years, they were largely seen as a good-to-have option and were often dismissed as unwieldy. The pandemic, which forced people to work from their homes, has warmed companies up to the tools' financial, health and environmental benefits.

But Nick van der Kolk of Barcelona-based business travel platform TravelPerk feels people may be exaggerating the long-term impact of Zoom and other tools on future business travel.

"The pandemic has shown how much we can do via video, but it's also revealed to us all how important in-person interactions still are," he told DW. COVID-19 "caused us to temporarily change our behavior but it hasn't changed our fundamental need for social interactions, in business and our personal lives."

Van der Kolk sees a strong revival for business travel over the next few years fueled by "Zoom fatigue."

A McKinsey survey published in October showed that China saw a strong rebound in business travel once COVID-19 restrictions were lifted. Another survey by the German Travel Management Association (VDR) published earlier in the month showed that German businesses are waiting eagerly to restart business trips after a year without in-person meetings with clients and business partners. The survey found that 46% of firms see business travel as necessary.

Power of a handshake

While conferencing platforms might replicate much of the experience of face-to-face meetings, they have their limitations when it comes to networking, forging new partnerships or repairing damaged relationships with clients.

Research shows that handshakes and hugs play a key role in building trust between strangers and sustaining cooperation.

Gates himself confessed in that interview with The New York Times that he hasn't made new friends since the pandemic began.

"The fact that the software does not have any sort of serendipitous thing of people you run into after a meeting or a gathering. So, more could be done there," he said. "There is something missing there."

United Airlines CEO Scott Kirby also spoke of the challenges of virtual dealings during a Politico event in September.

"These may be a substitute for being there in person, but they are not the same," he said. "At the beginning, people will try and stick to doing things virtually but the first time a business loses a sale to a competitor who showed up in person and who took the team for dinner and got to know them better would be the last time they would do that. They will get back on the road and double down on getting back on the road."

Business air travel by trip purpose



Source: IdeaWorksCompany

But not all business trips are meant to win over clients or repair relationships.

A recent study by Idea Works found that only 25% of all business air trips are undertaken to support sales and secure clients. Intra-company meetings account for 20% and those commuting to work by air for another 5%.

"This category [intra-company meetings] will be a strong candidate for cost savings and in-person activity will be condensed to fewer events," the study found, adding that the need to travel to work will also "diminish in the era of remote working."

The study concluded that between 19% and 36% of airline business travel would not return after the pandemic.

Wooing leisure travelers

The impact would be particularly pronounced for flag carriers such as British Airways and Lufthansa, as they are more reliant on business travelers to make money. Business trips accounted for 45-50% of the German carrier's revenue before the pandemic.

With the business travel sector likely to shrink, these airlines could turn their focus to leisure routes and winning holidaymakers from lower-cost carriers. That wouldn't be easy, given budget airlines' experience of making money from leisure customers and their lower-cost business model.

Lower-cost airlines "don't have the expensive infrastructure in place to attract the higher fare paying corporate traveler," Ben Baldanza, former CEO of US-based Spirit Airlines, wrote in a Forbes column. "Airlines that have built their company to attract corporate travelers often don't realize how this effort affects every line of their P&L [Profit and Loss statement]."