



# ATOL reform: assessment of funding arrangements and the protection of customer money

2CV Final Debrief

➔ **MAKE YOUR MARK.**

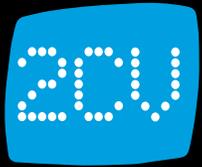
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6. Views on ATOL levy charging structure





# Objectives & Methodology



# Research objectives



To understand consumer attitudes to ATOL protection and to get reactions to ATOL holders' funding arrangements

## RESEARCH TO:

**#01**

Establish context: the package holiday market

**#02**

Understand consumer perceptions of ATOL and other financial protection

**#03**

Explore understanding of ATOL

**#04**

Consider the future of ATOL from a consumer perspective

# A mixed methodology deliberative approach

## THREE CORE ELEMENTS



### 1. Exploratory digital community



A one-week digital exercise fully completed by 39 respondents via 2CV Hub, our bespoke digital tool

A gentle, individual immersion into the subject:

- Understanding the context of package holidays in lives
- Exploring how ATOL features in current decision-making
- Gauging current understanding of ATOL
- Kickstarting thinking on more nuanced elements



### 2. Semi-Deliberative Groups



32 respondents participated in a series of 90 minute deliberative sessions

Harnessing the group dynamic for a deeper dive into ATOL

- Recapping perceptions of ATOL and understanding of ATOL
- Introducing the concept of how ATOL holders use consumer money
- Exploring reactions to different funding arrangements via scenario-based questions



### 3. Quantitative online survey



15-minute online survey of 1000 respondents to complement the qualitative research

Quantifying findings and identifying demographic variations

- What risks consumers consider important
- Steps they take to protect themselves from risks
- Gauging awareness of ATOL and impact on purchase decisions
- What they believe ATOL should focus on
- Views on ATOL levy charging structure

# Sample summary | A broad cross-section



## Qualitative

39 participants completed the digital community, and 32 of these took part in the focus groups. Split was as follows:

### Regular purchasers

1 –  
High spend

2 –  
Low/ medium  
spend

### Occasional purchasers

3 –  
High spend

4 –  
Low/ medium  
spend

### Specific purchasers

5 –  
Tailor-made package  
holiday makers

6 –  
First-time purchasers

**Regularity** defined as: 'regular' = those that purchase a package holiday at least once a year; 'occasional' = those that purchase at least once every couple of years, based on a pre-covid basis

**Spend** defined as: 'low' = under £1,000; 'medium' = £1,001- £3,000; 'high' = over £3,000



## Quantitative

Approx. 1,000 total, with a similar sample frame

### Demographics

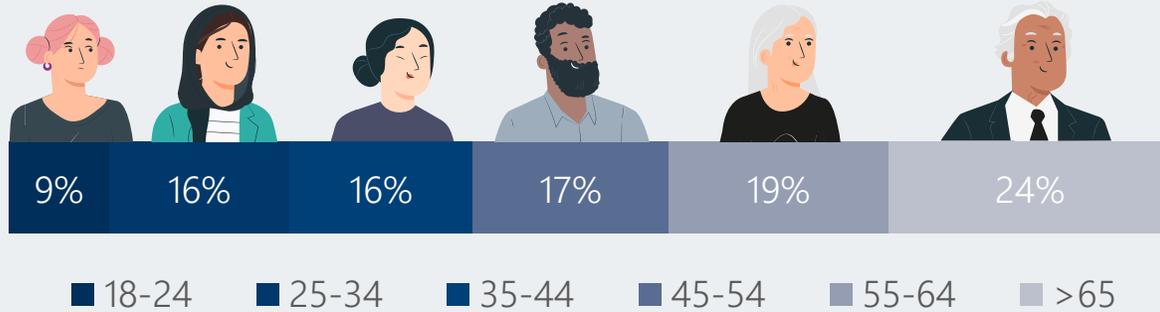
- First 50% of interviews screened to achieve a sample which was nationally representative of the wider population by both age and gender
- From this, we calculated the incidence of package holidays among each age and gender group
- The sample mix for the remainder of the interviews was then adjusted to be representative of the observed package holiday demographics (meaning fewer interviews for under 24 year olds)

### Qualification criteria

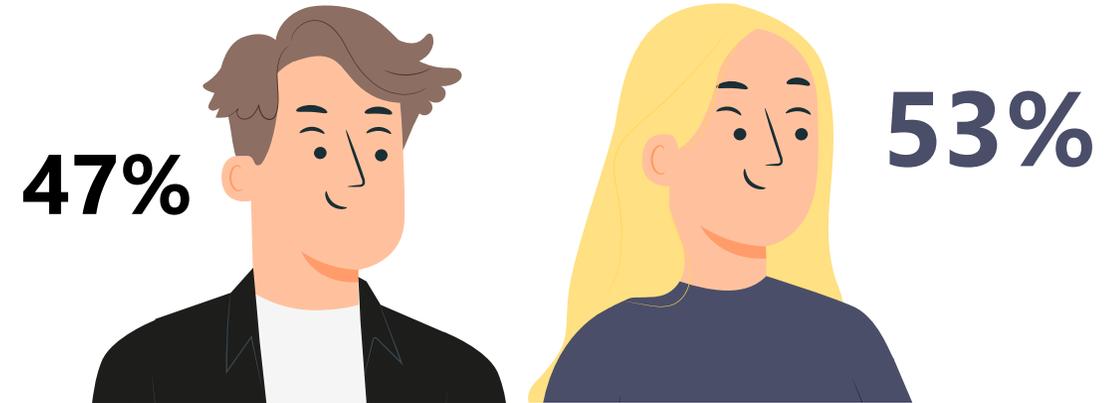
- All to have purchased at least one package holiday (either with or without ATOL protection) between 2019 and 2022
- Must be sole or joint decision maker for holiday purchase
- Range of holiday spend, but low/medium/high bands adjusted from qual to match incidence in the population

# Quant - representative sample of consumers taking package holidays\*

## Age



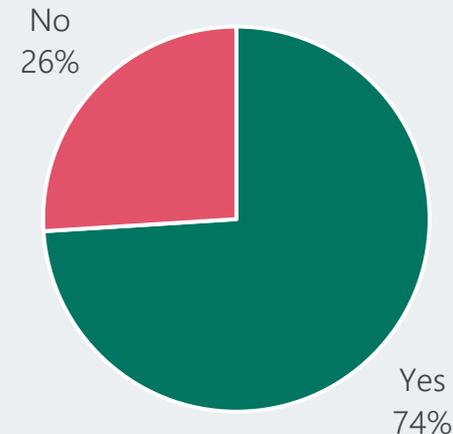
## Gender



## Region

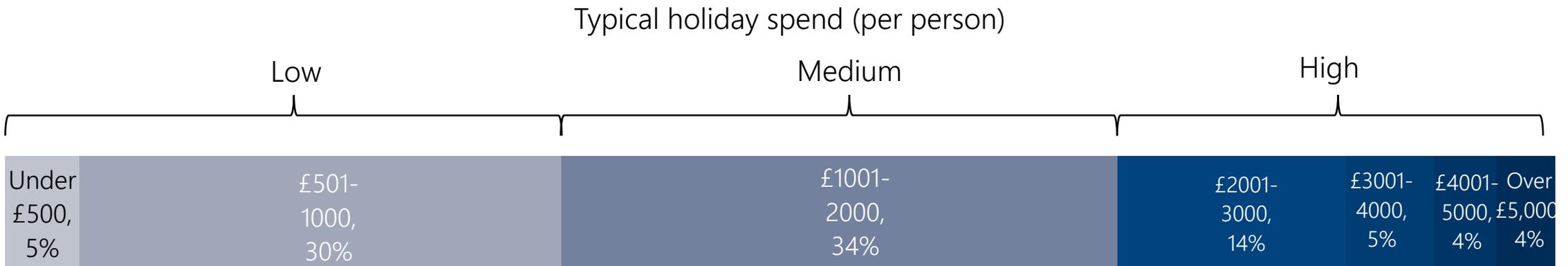
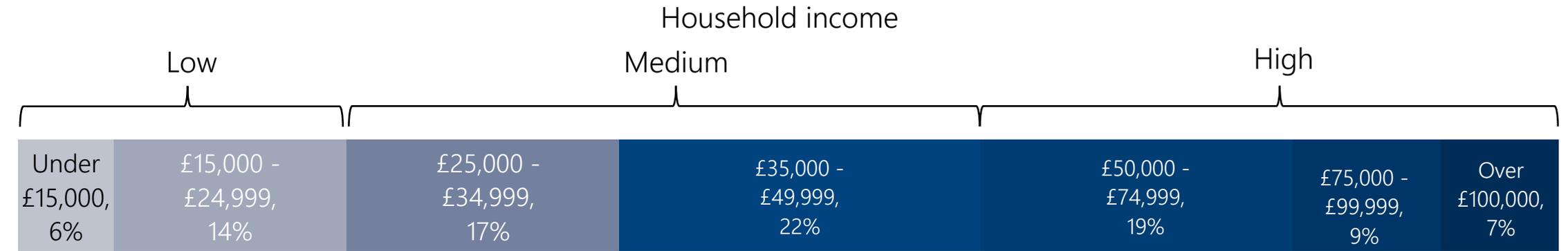


## Taken out travel insurance



\*Package holiday could have included ATOL protection or not

# Quant - income and typical holiday spend fell out naturally from the sample. They are divided into broad segments for analysis



Household income and typical holiday spend are partially correlated. Household income appears to predict a maximum amount spent (e.g. only 3% of households in the medium income band will spend more than £3,000). However, significant minorities of higher income households have low spend (e.g. 21% of the high-income band spend less than £1,000).

D2. Into which band does your average annual household income fall before deductions (such as income tax)? Base: All consumers taking packaged-holidays= 1,043

D3. What is your typical spend per person, when buying a package holiday? (Approximation is fine)? Base: All consumers taking packaged-holidays= 1,043



## Key Takeaways: 1. Booking holidays

- Booking and planning holidays is an exciting process. There's an underlying positive and optimistic mindset at play.
- Still, concerns do come up. For example, the standard of accommodation or planned activities falling below expectations, transport technicalities, and delays or cancellations.
- Specifically, the risk of a chosen travel company becoming insolvent is not a front-of-mind concern when booking holidays because:
  - Consumers trust that their chosen holiday company will deliver their holiday. They have implicit goodwill in the company and a positive expectation that this will be the case.
  - They derive a general sense of security from ATOL and travel insurance, even if they do not have full understanding of how exactly the protection for insolvency from ATOL would work.
  - Among their concerns, other matters, such as the quality of accommodation, feel more immediate and readily accessible in their minds.
- Note, while a company becoming insolvent is not a spontaneous or front of mind concern, when expressly asked about this possibility, consumers deem it to be concerning.

# Key Takeaways: 1. Booking holidays

- To help allay concerns regarding travel, consumers book with companies they view as 'trustworthy'. A company's 'trustworthiness' comes from:
  - The company being known, used before, recommended, or positively reviewed
  - The company offering ATOL protection also ties into its trustworthiness
    - Associations to ATOL are positive but general: ATOL gives peace of mind, but how exactly ATOL works and protects is not usually questioned (thus, not fully understood) when booking; from a minority, there is also a sense that if a company offers ATOL protection, then this company lives up to a certain standard of quality
  - A company's general reputation informs its trustworthiness. Specifically, the company's financial structures and the mechanics of how it uses consumer money are not elements consumers focus on. But, if they trust a company, they implicitly expect it will be (financially) able to deliver the holiday.
- Additionally, to help allay concerns regarding travel, consumers also take out protection:
  - ATOL is rarely the sole form of protection consumers say they rely upon (although in practice it may be the only protection for the circumstances it covers)
  - The expression "*layers of protection*" is useful as often consumers derive a sense of reassurance from having a combination of protections in place (e.g., ATOL + travel insurance + credit card protection)
  - Having protections provides an overall sense of security, though the specifics of each type of protection are not always studied (nor therefore understood) in detail when these are taken out

## Key Takeaways: 2. Perceptions of ATOL

- There is high awareness and appreciation of ATOL:
  - With the exception of ABTA (scoring 4 percentage points lower), the proportion claiming to be well informed about ATOL is significantly higher than other protection schemes
- Immediate associations with ATOL include peace of mind; security; safety
- These positive associations form a key role ATOL plays for consumers when they book holidays – ATOL reassures
- However, understanding of the detail of ATOL is limited, including amongst those self-describing as “well informed”. Even during discussions with consumers, understanding of ATOL was often general, as an overarching cover for cancellation for example.
- There are significant gaps in understanding of how ATOL protects consumers:
  - Regarding both the circumstances covered...and the extent of coverage (in terms of what types of products are covered)
  - Lower income households appear less aware of ATOL and less well informed
- The more complex subject of how companies obtain an ATOL licence, and how these ATOL licence holders use consumer money, is unknown and removed from consumers’ thought processes.
- In the absence of problems or emotional triggers (e.g., a news story), there is no urgent desire to want to investigate and find out about this.

## Key Takeaways: 3. Views on ATOL holders' funding arrangements

- Consumers do not think about ATOL holders' funding arrangements spontaneously. There is little indication most consumers want to think about how travel companies use consumer money.
- When the subject is put on the table:
  - In a forced trade-off, consumers believe travel companies *should* first spend consumer money on delivering their holiday, before using it for other expenditure/ taking profit
  - However, when speaking about this in depth, the perceived reality is that businesses have various demands and general expenses (e.g. may need to pre-fund items; need to take profit) that need to be met
  - There is a feeling that, provided companies live up to delivering the holiday, they should be allowed discretion over funds – in other words: *'as long as I get my holiday, I don't care how the company uses the money'*. The implicit assumption of consumers here, though, is that the company should financially be able to deliver the holiday. Some go further and point out that the company should have its own measures, financial contingencies and practices in place to be able to deliver, without consumers knowing what these practices are in detail.
  - The idea of companies locking all consumer money away until the consumer has returned from holiday is polarising. It has its merits but can be seen as unrealistic
  - Consumers are detached from this topic: they believe the end consumer chooses a travel company, but it is not their place to question or find out about the mechanics of how companies allocate and use funds. They don't usually question how companies in other sectors use their money and don't see a need to do so around holidays either.

## Key Takeaways: 3. Views on ATOL holders' funding arrangements

- Despite this detachment, consumers are in favour of an authority (e.g., the CAA) 'vetting' and 'policing' companies. They raise parallels to other industries that are regulated (e.g. the FCA regulating the financial industry).
- This idea of CAA vetting companies includes:
  - The ATOL logo, when displayed by a travel company, should signify that it has been vetted and deemed financially responsible by the CAA (i.e. it is unlikely to go bust and will be able to deliver the holiday as expected)
  - Companies should have safeguards in place in the form of financial contingency measures to enable them to deliver the holidays purchased by consumers. The monitoring of these contingency practices should lie with the CAA.
- Unless information is solicited, consumers do not feel they need to know the ins and outs of this vetting and monitoring.

## Key Takeaways: 4. Views on the structure of the ATOL levy

- Consumers do not know what they currently pay for ATOL
- Guesses range from a variety of figures to an assumption that it is calculated as a percentage of the total holiday cost
- Consumers' views about the best fee structure appear to vary based on how the information is presented to them:
  - When they do not know how ATOL works or the current £2.50 flat fee (as in the quantitative research), they prefer a differentiated pricing structure based on a percentage of the cost of the holiday
  - But in the qualitative research, when informed about ATOL and that it currently costs a flat fee of £2.50, this structure was seen as a bargain, as well as simple to understand.
  - The idea of charging based on the 'riskiness' of the holiday company is less popular: consumers are concerned that, if a higher fee reveals to consumers that they are booking with a riskier company, they will opt not to use that company (consequently, this could drive some companies out of business).
- When discussing a flat fee, consumers' initial assumptions are that it will be higher than £2.50, and there is some concern about whether £2.50 is sufficient to provide the cover associated with ATOL
- However, on further discussion, consumers start to imagine that while this is a very small amount it makes sense: funds will accumulate through millions of people going on ATOL-protected holidays and there is an assumption ATOL does not have to pay out extremely often; while only a minority spontaneously have this view, the logic can be compelling
- A levy below £10 is considered acceptable by the vast majority of holiday makers, and below £5 opinion is almost unanimous that the levy represents great value for money

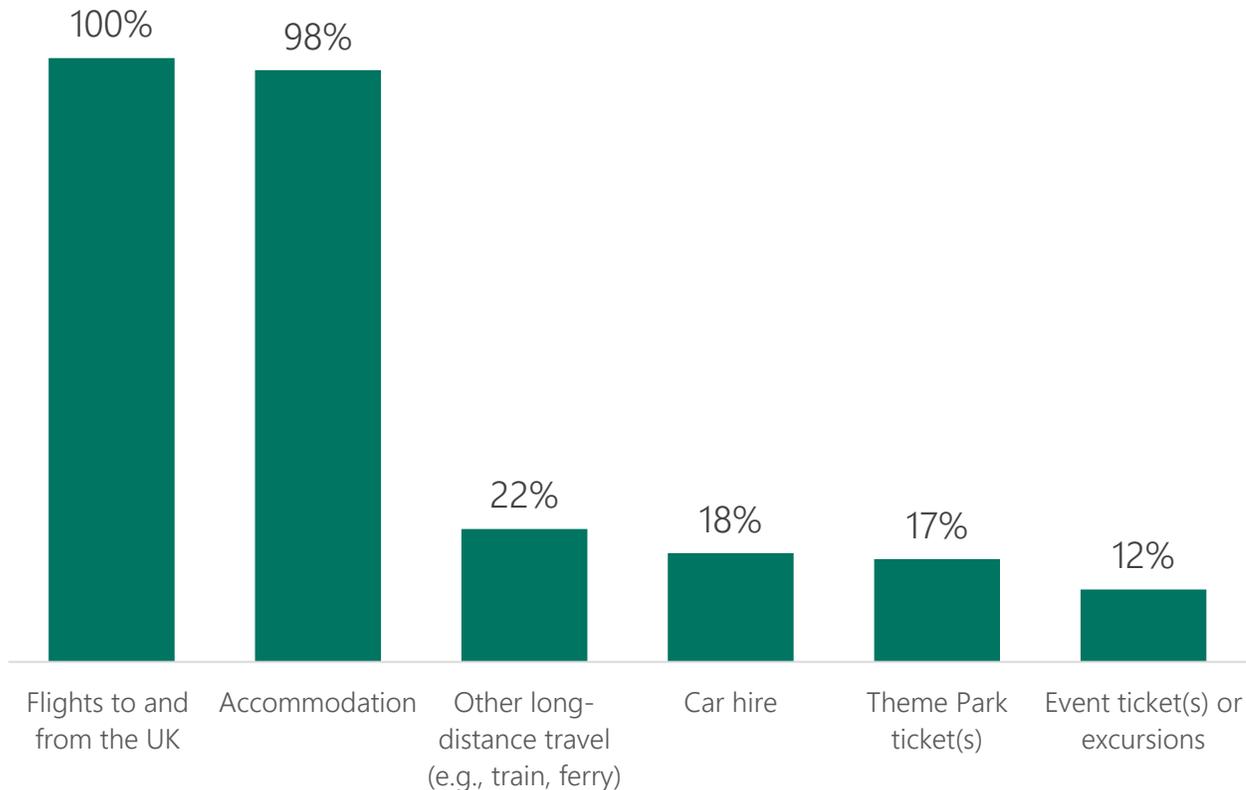


# Booking holidays and protection

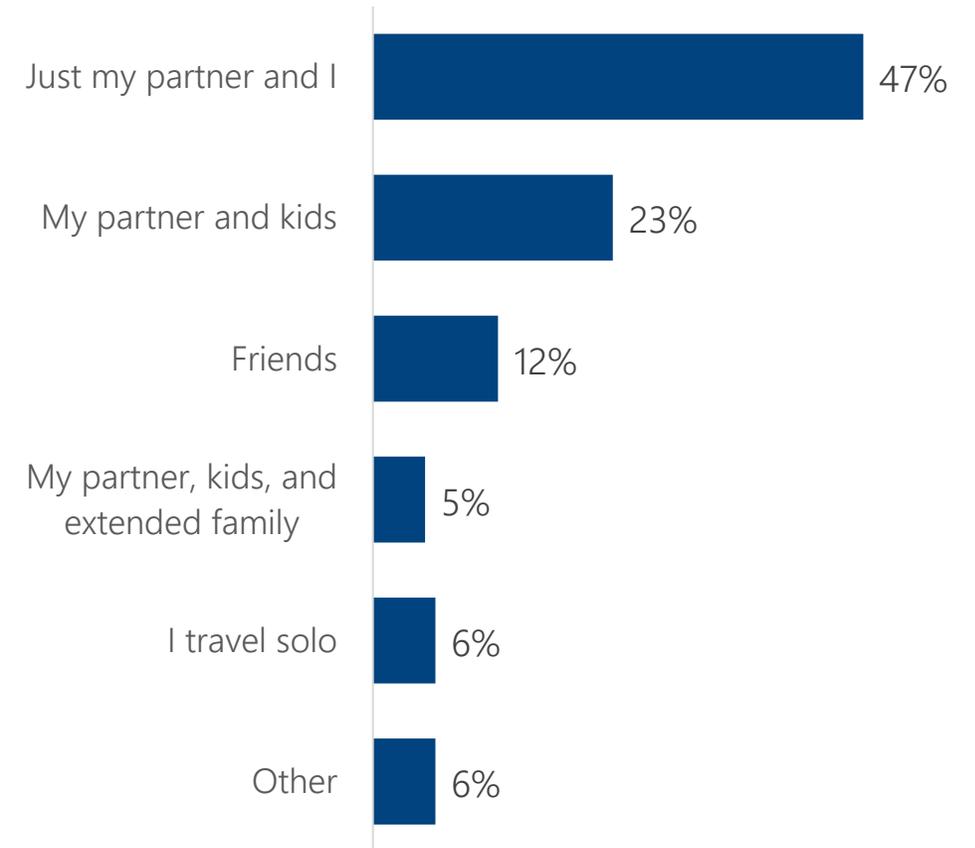


# Most consumers are booking holidays with family and friends. Only a minority are booking items other than flights and accommodation

What items are booked as part of a package



Who do you normally travel with

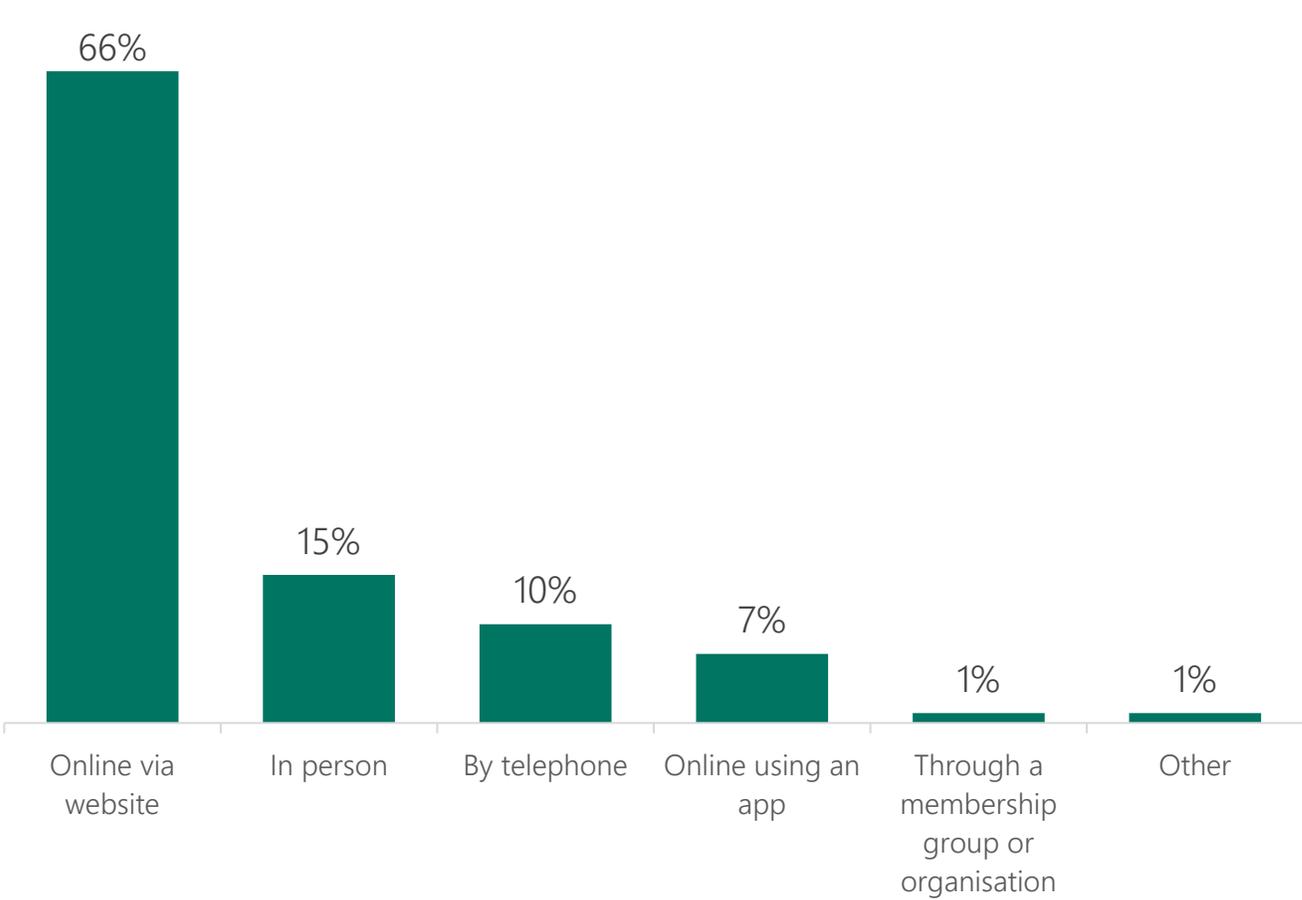


S3. Please can you indicate whether your holiday(s) over the last three-four years (2019-2022) included any of the following components and if so, were they part of a package? All consumers taking packaged-holidays= 1,043

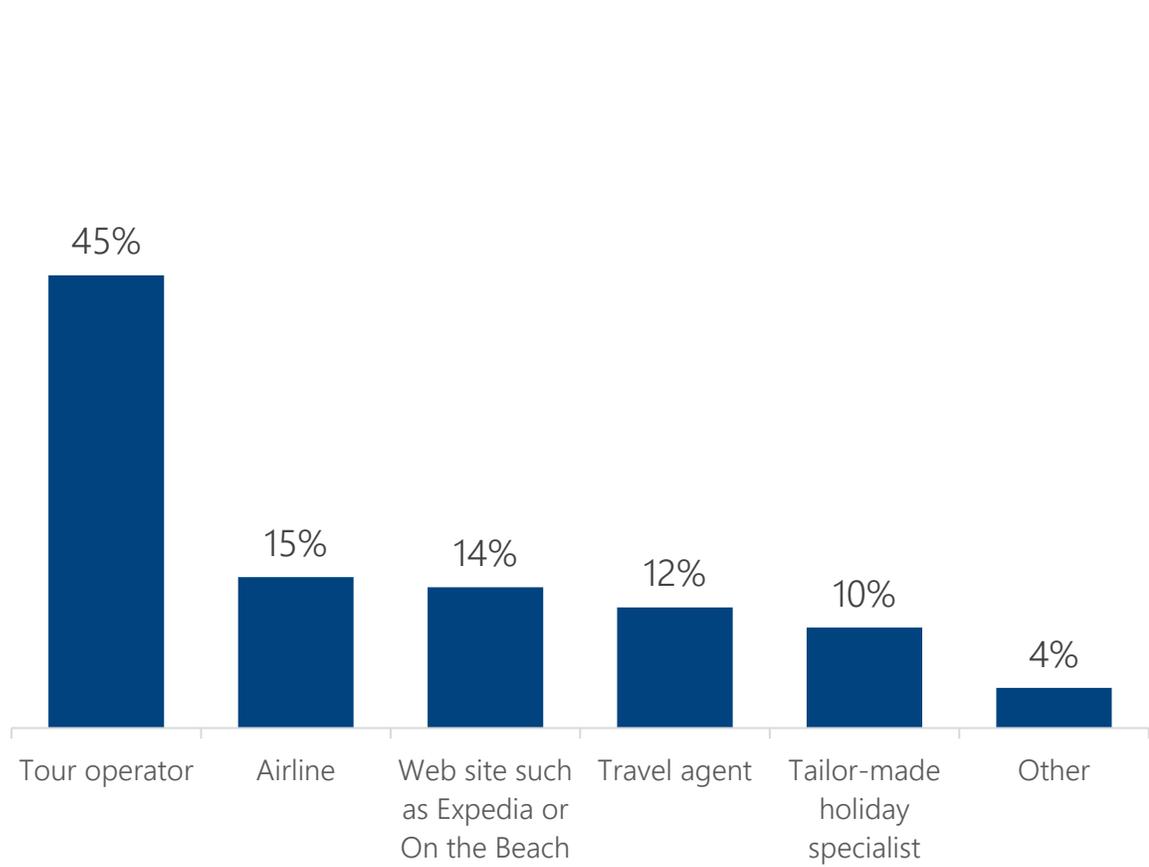
S5. Who do you normally travel with on these holidays? Base: All consumers taking packaged-holidays= 1,043

# Two thirds of bookings are now made online. Tour operators account for a half of bookings, with the remainder widely spread

How booking made



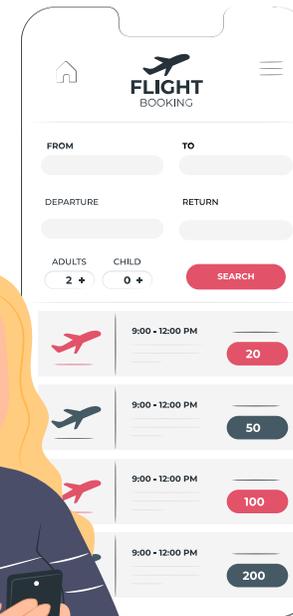
Type of company booked with



A3. How did you make your booking? Base: All consumers whose most recent holiday was package = 794  
A4. And what type of company did you book your holiday with? Base: All consumers whose most recent holiday was package = 794

# Booking holidays is exciting. To help ensure holidays go well, consumers choose companies they see as 'trustworthy'

- Although there are potential stresses when planning a holiday (e.g. finding the right package and activities; spending a large amount of money; dealing with Covid concerns), the **underlying feeling is of looking forward to the upcoming trip.**
- Given this positive mindset, **fears about the travel company going bust are not front-of-mind**
  - Although consumers are aware of previous high-profile company failures (such as that of Thomas Cook), insolvency is not something they often consider the risk of at the time of booking
  - The degree of consideration on this matter often only extends so far as booking through a **company they view as reputable and trustworthy**, though this is often just for a more general feeling of "safety"
- Much like with other purchases, how a travel company uses their money once the booking is complete is not something holidaymakers spontaneously consider.

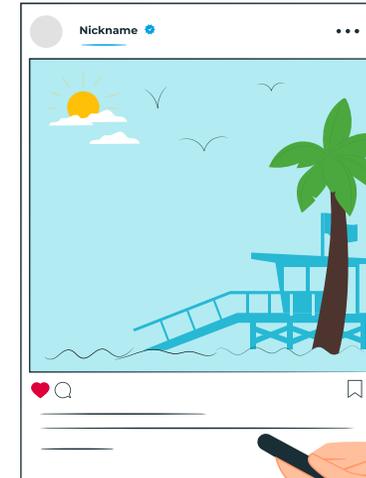


Once you've pressed pay, what you're looking forward to is the day of travel...you're getting excited about going on holiday, and your only hiccup could be going from your own home to the airport.  
- Female, Tailor-made holiday purchaser

The last thing I'm thinking about is what that company is doing with the money. I'm thinking about 'I'm getting ready for the hols!'  
- Male, Tailor-made holiday purchaser

# While trust in a company is important, the factors influencing trust are rarely scrutinised in detail

- Choice of travel company is very important when deciding on package holidays, and this has only been accentuated by the pandemic. Customers need to **feel reassured** they are booking with a **'good'** travel provider.
- Company reputation, a sense of money being safe, value for money, and an easy booking experience are regarded as very important by most:
  - The company offering flexible booking, having wide destination knowledge, and providing tailor-made recommendations are less important. Similarly, operator size and high street presence are rarely regarded as important factors.
- Overall, consumers want a **sense of knowing they can trust** the company in case anything goes wrong. Factors that **underpin trust** in a travel company are:
  - **Familiarity and general reputation of the company** (e.g. through general awareness and perception of a company, previous experience, recommendation)
  - **Positive reviews on travel review sites** (e.g., TripAdvisor) of the travel company and the services it offers (hotels, activities)
  - **The company offering ATOL protection**



A company's general reputation informs the trust consumers place in it. More specifically, the company's financial structures do not come up as something which consumers consider when booking holidays. Having said this though, if a consumer trusts a travel company, they implicitly expect it will use their money in an appropriate manner and follow through on delivering the holiday.

# Holiday booking does trigger concerns, but among these, companies becoming insolvent is not front-of-mind

- When probed, holidaymakers report **similar concerns** vis-à-vis their trip. These often centre around more specific aspects of the trip, including **quality** concerns, **timings**, and transport **technicalities**.
- The most readily accessible and frequently voiced concerns included:
  - Changes to Covid guidelines while abroad
  - The standard of accommodation falling below expectations
  - Delays with flights or transfers
  - Specific aspects of the trip going wrong – (e.g., lack of flexibility regarding the activity itinerary, fear of being part of a 'one-size fits all' approach, insufficient activities for children at the hotel, poor quality of booked activities/day trip)
- Although there is a general worry of things going wrong, **the specific eventuality of a company going bust is generally not a spontaneous top-of-mind concern** and is only brought up by a minority.
- In the quantitative survey however, **when prompted, consumers do express concern about travel company or airline failure**. In sum, spontaneously, the risk of company insolvency is not a top-of-mind concern but when explicitly mentioned, it's deemed concerning.

Clearly, at the moment, Covid is an issue, so that would be our main concern – that we may have to quarantine either side of the trip or possibly even have the trip cancelled.  
-Male, Occasional purchaser, low/medium spend

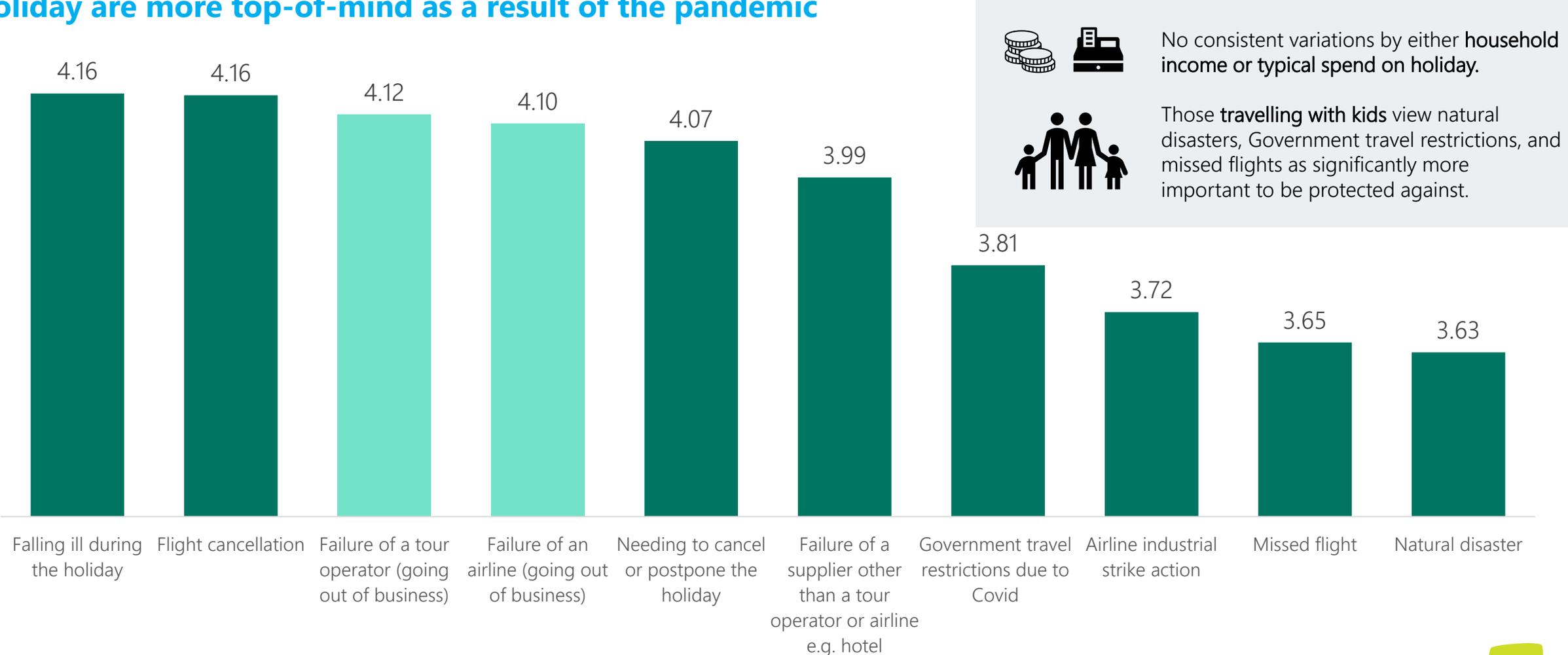
My main concerns about booking a package holiday are how good the food is and the cleanliness in the hotel. You can't tell from the picture if either of these standards are high and have to rely on past reviews.  
-Female, Specific purchaser, first-time purchaser

I'd like to know the place I'm travelling to is safe and has good reviews.  
-Female, Specific purchaser, first-time purchaser



# Coverage against illness and flight cancellation are regarded as most important, closely followed by those components covered by ATOL

There are indications from the Qualitative phase that flight cancellation and cancelling / postponing a holiday are more top-of-mind as a result of the pandemic



 No consistent variations by either household income or typical spend on holiday.

 Those travelling with kids view natural disasters, Government travel restrictions, and missed flights as significantly more important to be protected against.

A6. How important was it that you were covered against the following? (rated 1-5; where 5= very important)  
 Base: All consumers whose most recent holiday was package = 794

# Aside from trusting their travel companies, various forms of protection are also important for consumers

- Aside from a travel company feeling trustworthy, consumers also derive a sense of reassurance from:

## Getting travel insurance

### Seeing the ATOL protection “stamp”

Even if the ins and outs of ATOL protection are not well understood, and worrying about travel companies becoming insolvent is not front of mind, ATOL provides a general sense of security, peace of mind, and comfort to many

### Buying on a credit card (and therefore having credit card protection)



- Often, a combination of these protections are used, feasibly in an attempt to cover all eventualities; the idea of “layers” of protection

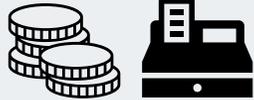
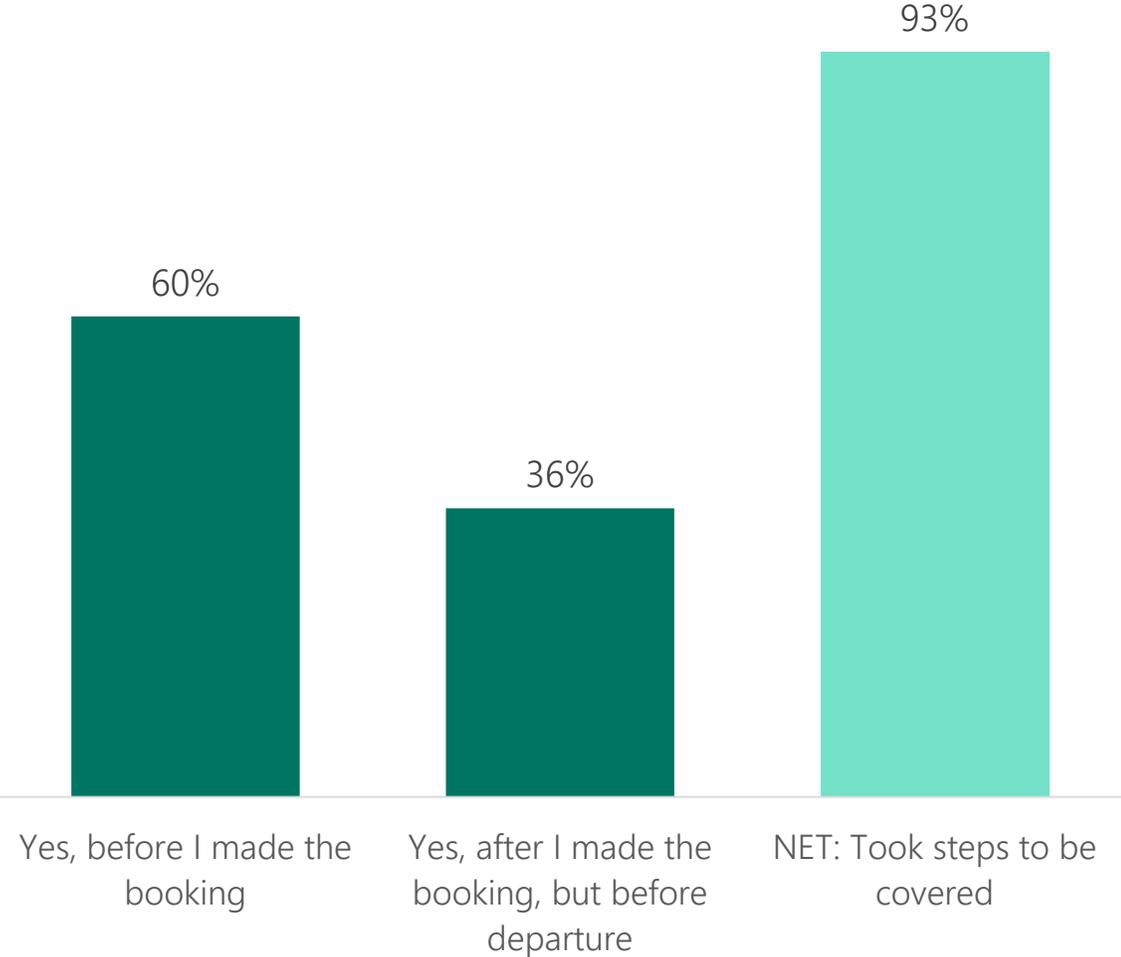
I always use a trusted provider who has a reputable name – these are usually ATOL protected but I do just check. I also have travel insurance through my bank, but I always double check it covers me before I travel.-Female, Occasional purchaser, high spend

I want to make sure that I’ve taken every precaution possible. So, making sure I’ve got insurance, and whoever I book through is reliable.  
- Female, Regular purchaser, high spend

I feel confident knowing I can claim back costs via section 75 through my credit card should anything go wrong.  
-Male, Regular purchaser, low/medium spend



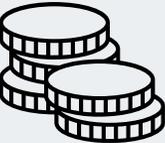
# Almost all consumers take steps to protect themselves if something goes wrong, usually when then they make the booking



Very little variation by either **typical holiday spend or income** in the overall proportion taking steps to be covered (between 92% and 93% in every segment).



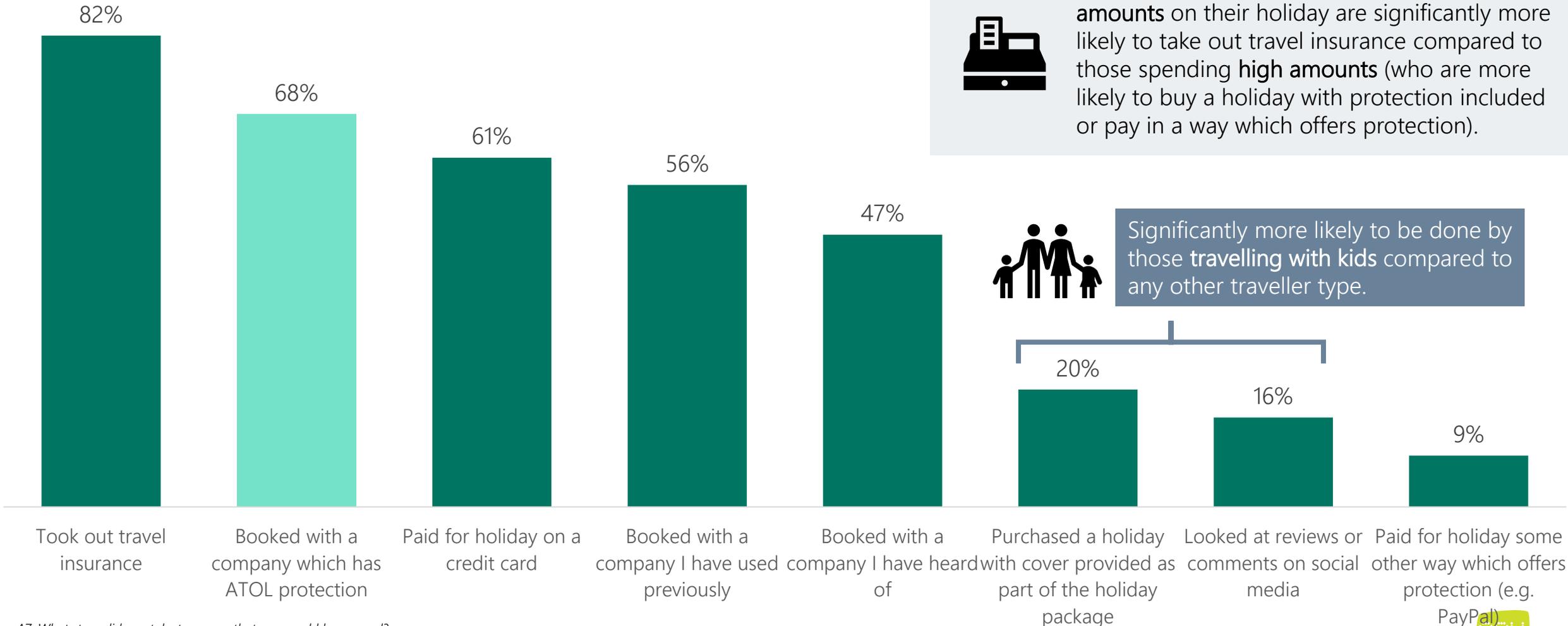
Those with a **greater typical holiday spend** are more likely to take steps at the time of booking (72%). Those with lower spend are more likely to take steps after they made the booking, but before departure.



The same directional variation exists by **household income**, but the differences are not so great and not statistically significant.

A5. Did you take any steps to ensure that you would be covered in case something went wrong before or during your trip?  
Base: All consumers whose most recent holiday was package = 794

# The high uptake of travel insurance confirms most consumers do not rely solely on ATOL protection

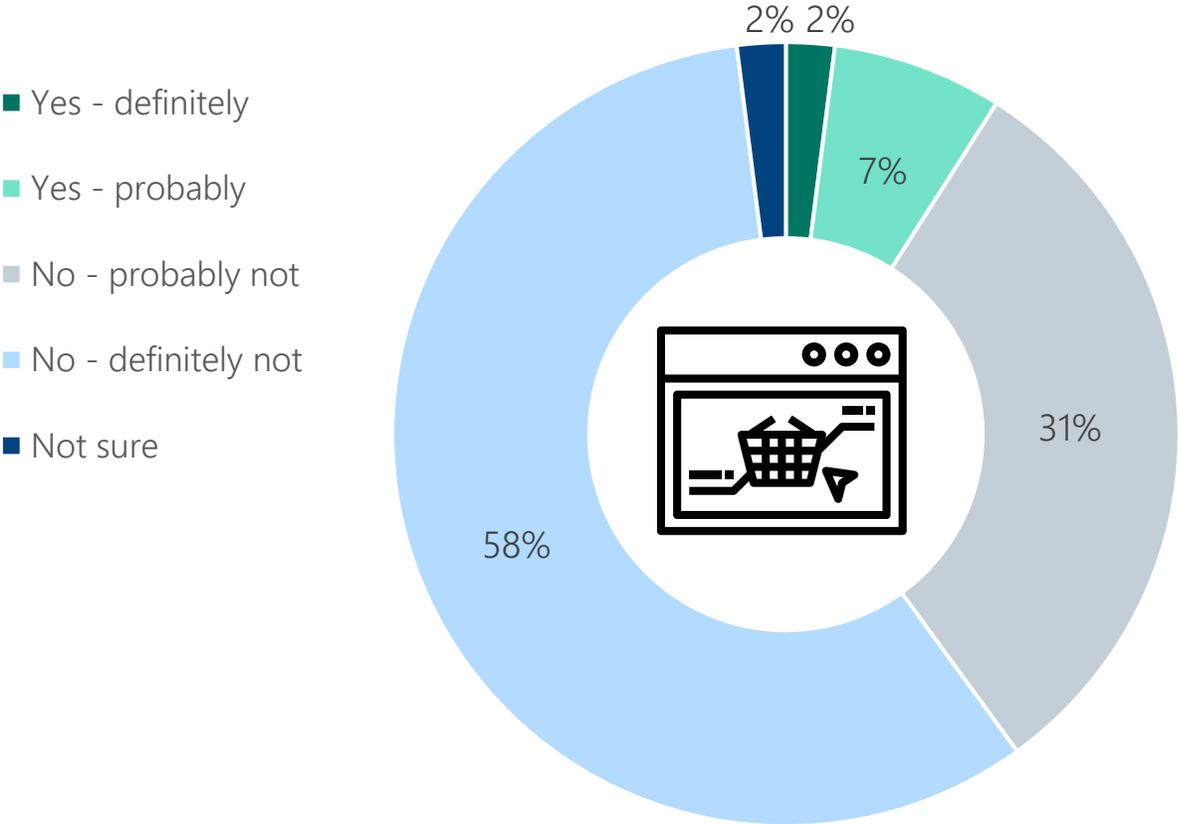


A7. What steps did you take to ensure that you would be covered?  
 Base: All consumers taking steps to be financially protected = 738

# The minority who would still book without ATOL describe how they would instead rely on alternative forms of travel protection

Would you still book a company without ATOL protection?

Of those who would still book...



They state they only book through companies who they view as being **trustworthy, reliable, and reputable** anyway. This solidifies their belief that **nothing will go wrong**, or that they will be protected should anything go wrong.

They describe feeling comfortable relying on **other forms of protection** (e.g., from paying on their credit card or taking out travel insurance), either solely or in combination.

A8a. If the holiday company had not had ATOL protection, would still have booked with them? Base: All consumers booking through company with ATOL = 505



# Awareness and perceptions of ATOL



# Consumers are generally aware of ATOL and value it

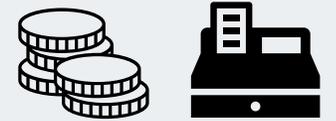
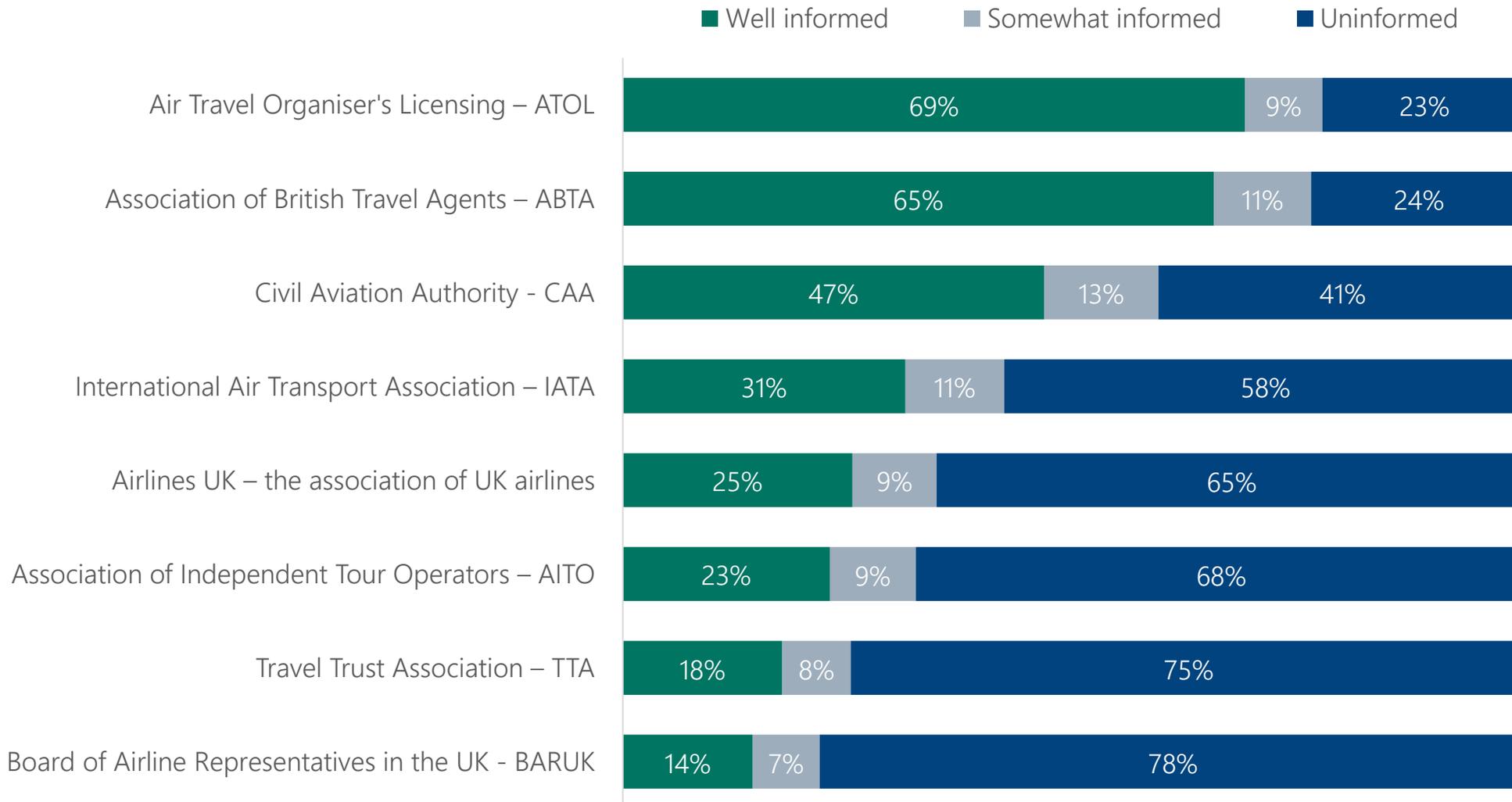
- High awareness of ATOL
- Associations to ATOL tend to be **positive, albeit general** : gives “**security**” , “**peace of mind**”; a sense of “**money being safe**”.
- The fact a company offers ATOL protection **ties into the travel company feeling “trustworthy”**
- Among those who ensure their holidays are ATOL protected, there is **history** and habit of always having done this

Its something I always make sure is included as I know in my bones it's important to have this cover/protection. I've always had it since I started booking holidays when I was younger.  
– Female, Regular purchaser, low/medium spend

I just feel that it gives that added peace of mind and credibility to the holiday company and its obligations to you as a customer.  
– Female, Tailor-made holiday purchaser



# Self-described knowledge is highest for ATOL and ABTA. Almost 7 in 10 respondents describe themselves as well-informed about ATOL



Those in the lowest household income bracket and those typically spending the least on their holiday are significantly less likely to feel well informed about ATOL (58% and 63% respectively).

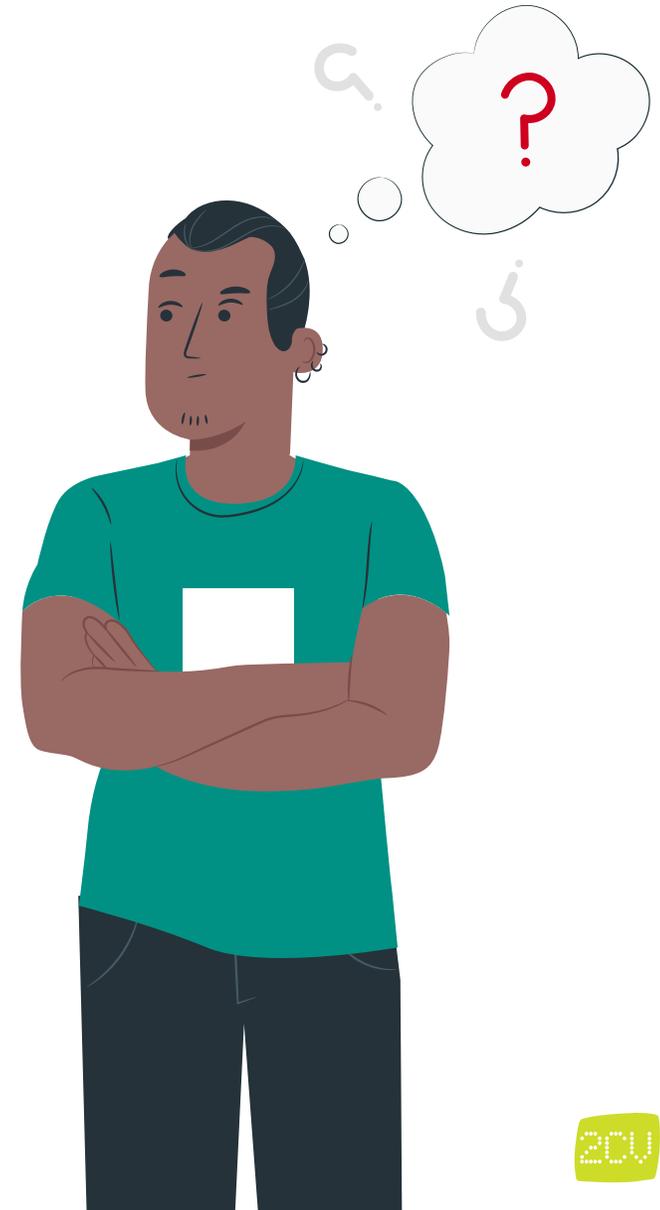
Similar variations exist for most of the other providers.

B1. Several travel industry associations and regulators exist covering the travel industry. How well informed do you feel about the types of consumer protection each of them offers?

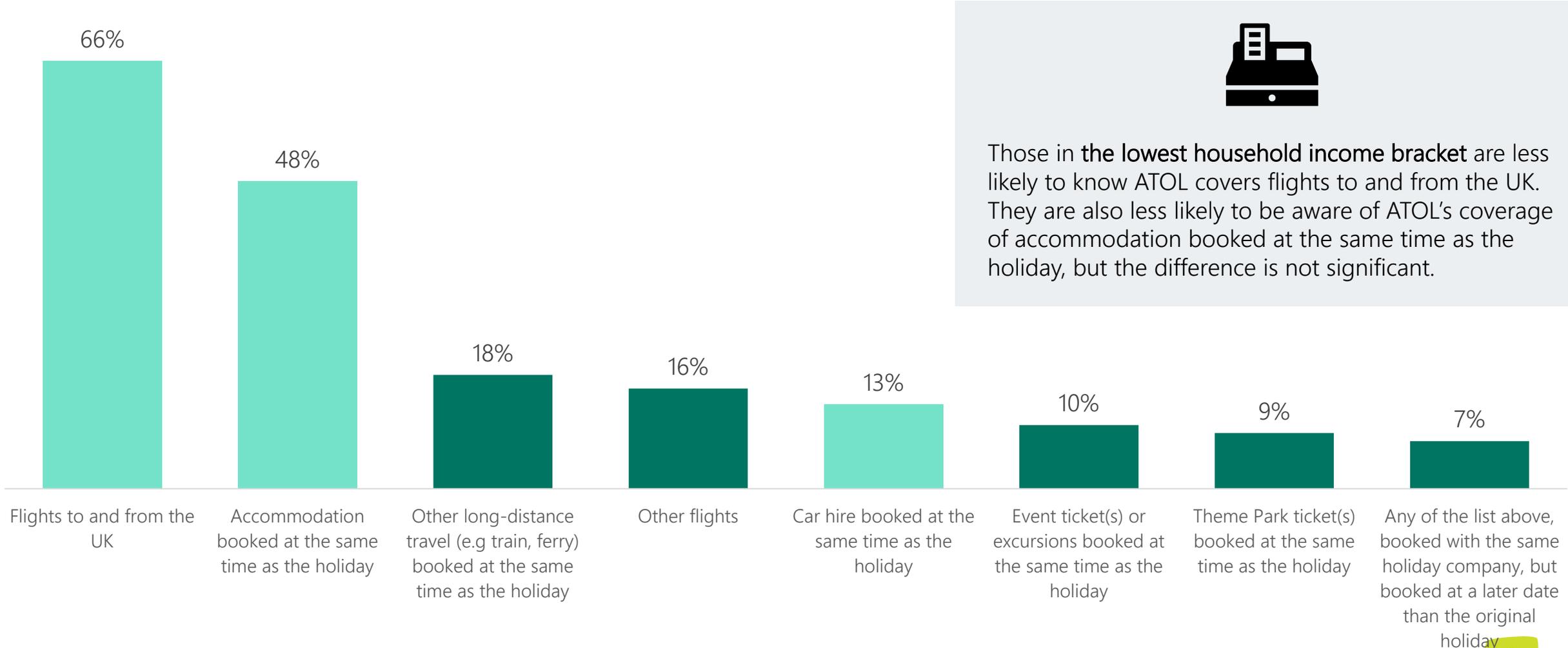
Base: All consumers taking packaged-holidays= 1,043

# However, when probed, consumers' understanding of ATOL is limited

- Consumers know that ATOL offers “protection”
- However, the specifics of what ATOL protects against and how it does this are not completely clear
- Understanding of ATOL tends to be high-level:
  - Several do link it to repatriation and money protection when travel companies become insolvent (driven in part by awareness of Thomas Cook and other examples). Highly valued as a protection that will not leave you “stranded”.
  - However, it is often seen as a **general cover for cancellation**
  - The view of ATOL as a **quality assurance** also comes up, albeit from just a few - (ATOL as a standard of quality companies adhere to; an idea that companies have to live up to an certain standard in order to offer ATOL)
- What one pays for ATOL protection is also hazy territory
- Consumers want to know how ATOL affects them directly: what ATOL is and when, what, and how it would help them. **How travel companies comply with ATOL behind the scenes is unknown and removed from consumers' thought processes.**



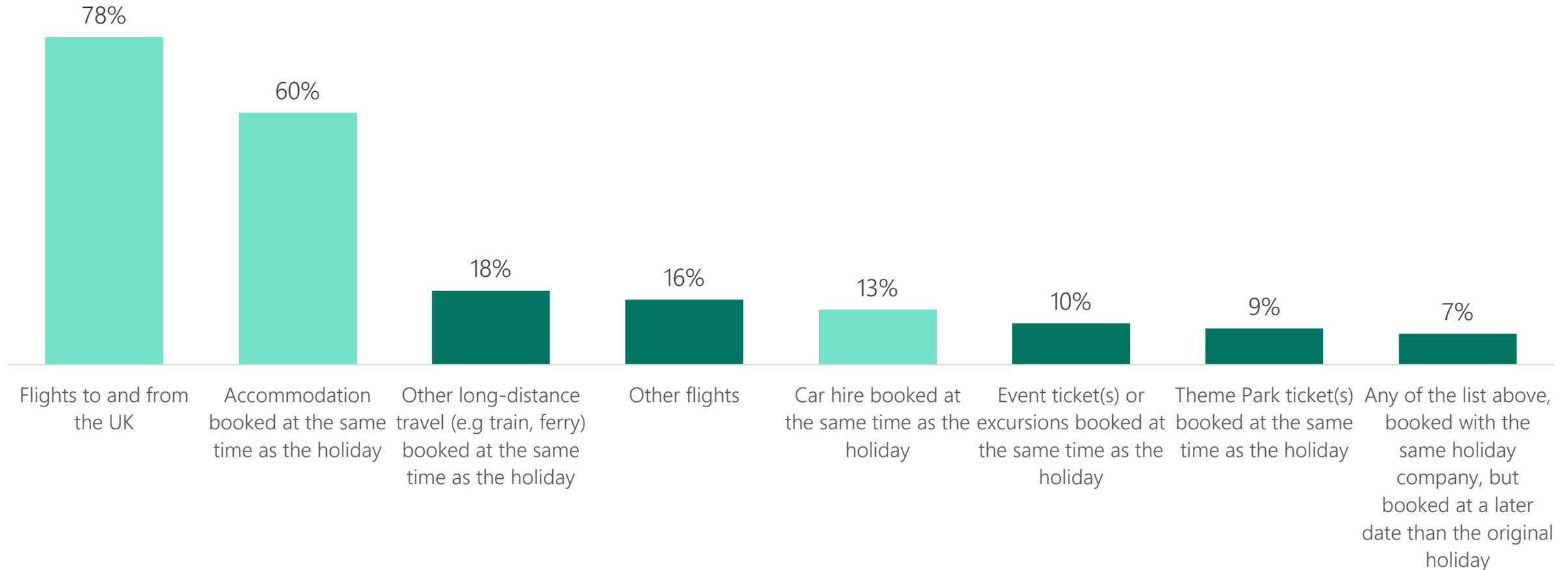
# Two thirds of consumers believe that ATOL covers flights to and from the UK, and a half that it covers accommodation booked at the same time



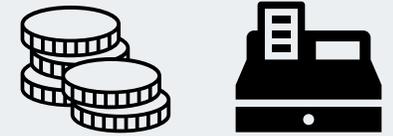
Those in the lowest household income bracket are less likely to know ATOL covers flights to and from the UK. They are also less likely to be aware of ATOL's coverage of accommodation booked at the same time as the holiday, but the difference is not significant.

B2. What parts of your holiday do you believe are covered by ATOL?  
Base: All consumers taking packaged-holidays= 1,043

# Even amongst those whose most recent holiday was ATOL protected, there are significant gaps in knowledge about the extent of coverage

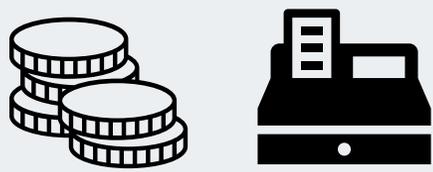
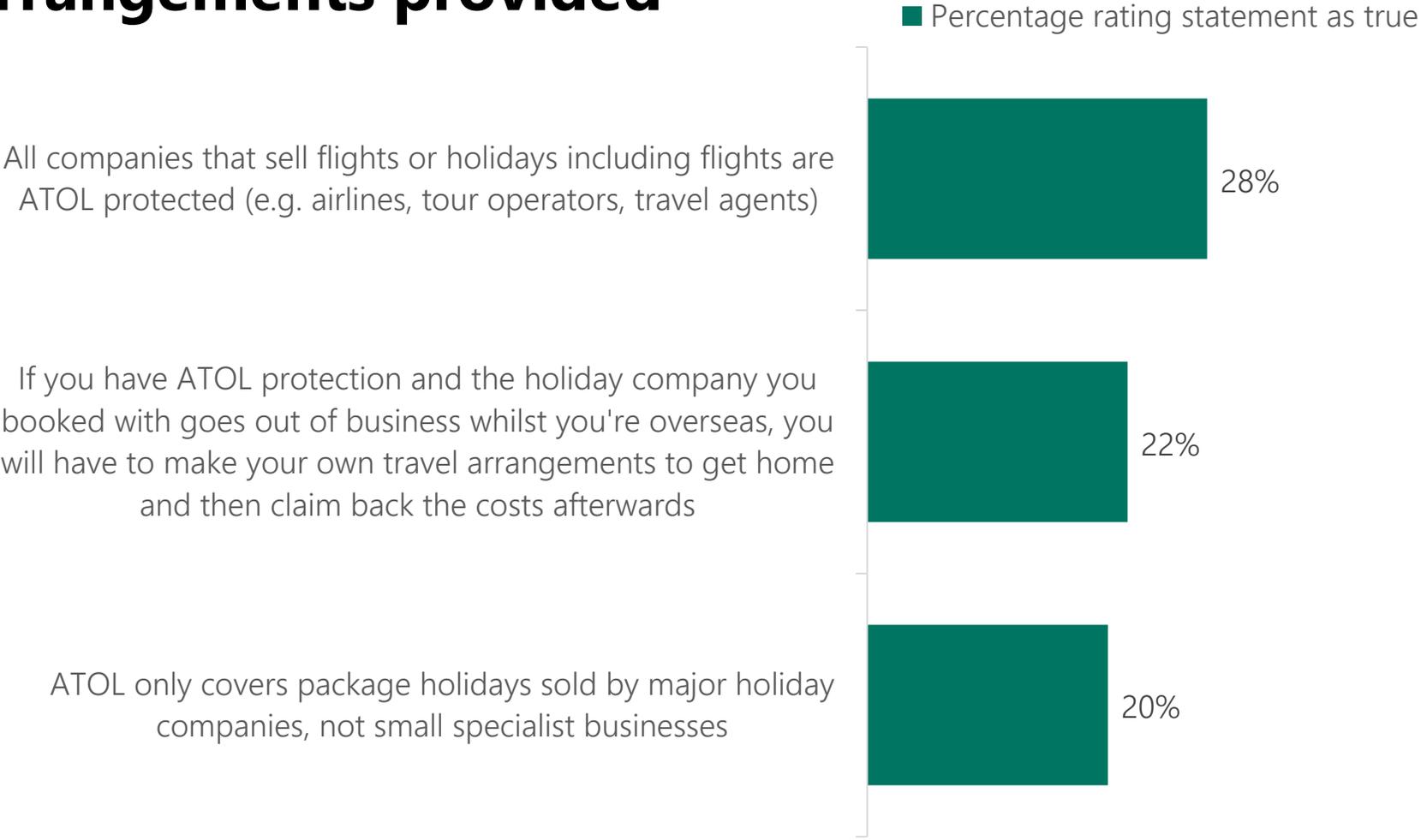


# Consumers lack knowledge of the key elements of ATOL protection, in particular in relation to airline failures



Those in the **lowest household income bracket** and those typically **spending the least on their holiday** are less likely to say that any of the statements are true (including the incorrect ones).

# Around a quarter of consumers hold incorrect views about the scope of ATOL protection in terms of companies covered and travel arrangements provided



Those in the lowest household income bracket and those typically spending the least on their holiday are less likely to say that any of the statements are true (including the incorrect ones).

B4. Based on what you know about ATOL protection, which of the following statements do you think are true?  
Base: All consumers taking packaged-holidays= 1,043

# Understanding of ATOL in consumers' own words

I know it's a financial protection that covers me when I book a holiday - I'm actually not sure if it's just package holidays or all types of holidays - I haven't given that part much thought until now. My understanding is that if anything happened to the company who I had booked my holiday through I would be able to get my money back because its 'ATOL Protected'. – Female, Occasional purchaser, high spend

ATOL is a scheme which protects your holiday. I think this may cover you if anything happens. I don't know too much about the details, but I know it's an important document that you should always get when you book a holiday. I always make sure I have mine. – Female, Regular purchaser, low spend

We look for this when booking with travel providers, we have not booked with a provider that is not ATOL certified. I know that the flight part of our package holiday is protected so we will get our money back should any issues arise with flights for example in the case of cancellations. – Female, Regular purchaser, high spend

I remember I booked a trip to Disneyland Paris through a company that was part of Thomas Cook and when they went bust, I got my money back as they was ATOL protected. Thinking now isn't that ABTA protected? – Female, Tailor-made holiday purchaser

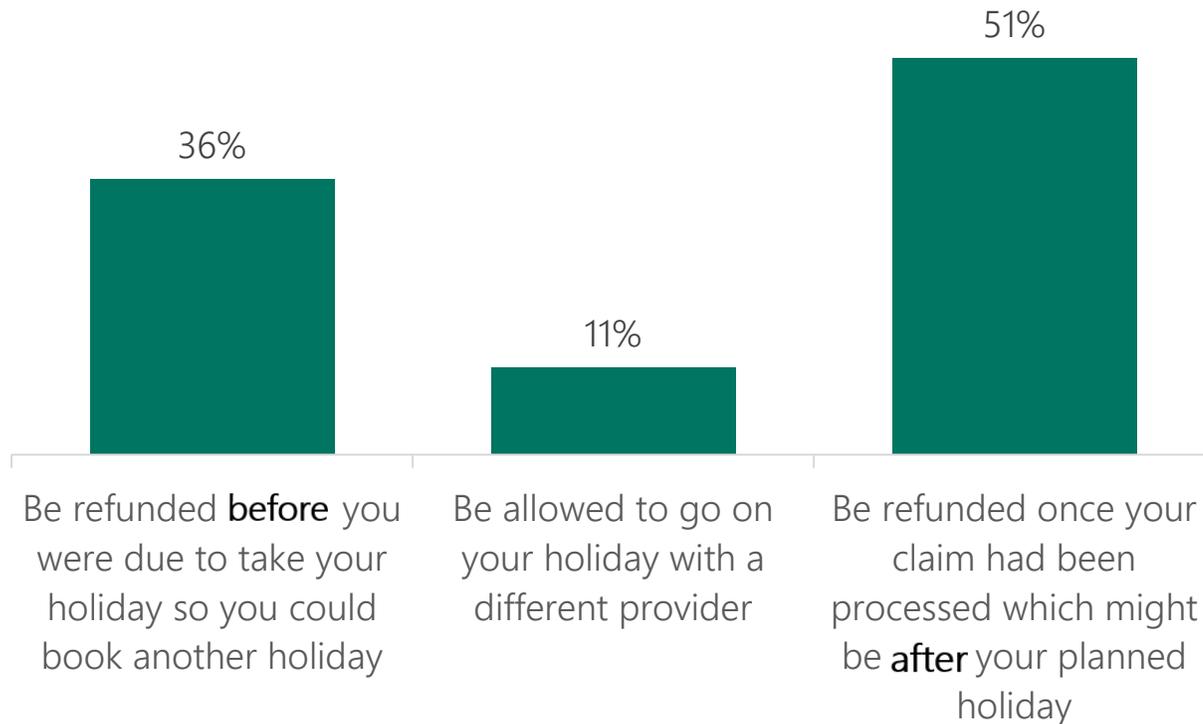
It sounds official and will be but I'm not sure what they do that insurance doesn't cover – Female, Occasional purchaser, high spend



Consumers are not well informed about what exactly ATOL covers

# The majority of consumers believe their coverage will refund them, though not necessarily that this will be before their planned holiday

If your holiday company had gone out of business before your trip, which of the following best describes how you believe you were covered?



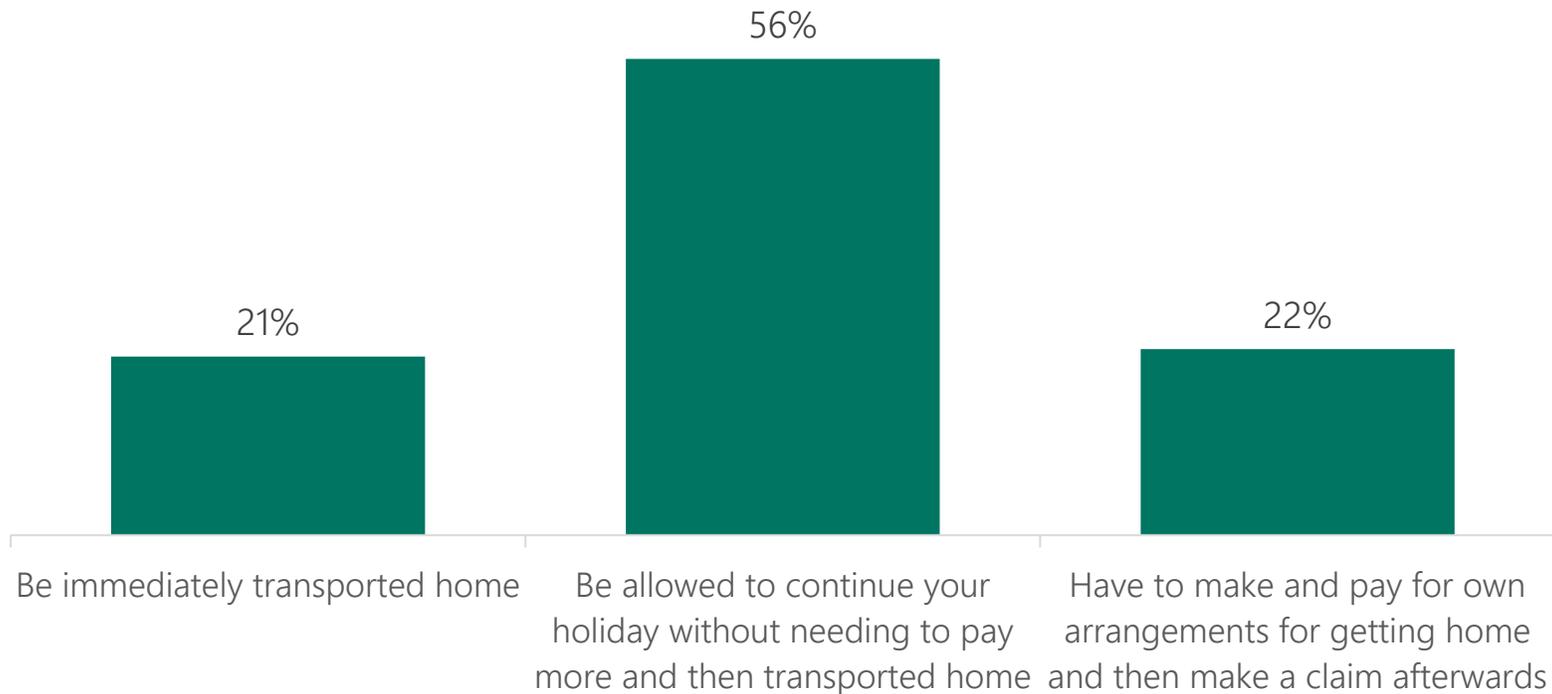
Those with a **greater typical holiday spend** are more likely to believe they will be allowed to go on their holiday with a different provider (24%). The same directional variation exists by household income.



Those **travelling with kids** are more likely to believe they will be allowed to go on their holiday with a different provider (18%).

# A half of consumers believe they will be allowed to continue the holiday without needing to pay more and then be transported home

If your holiday company had gone out of business during your trip, which of the following best describes how you believe you were covered?

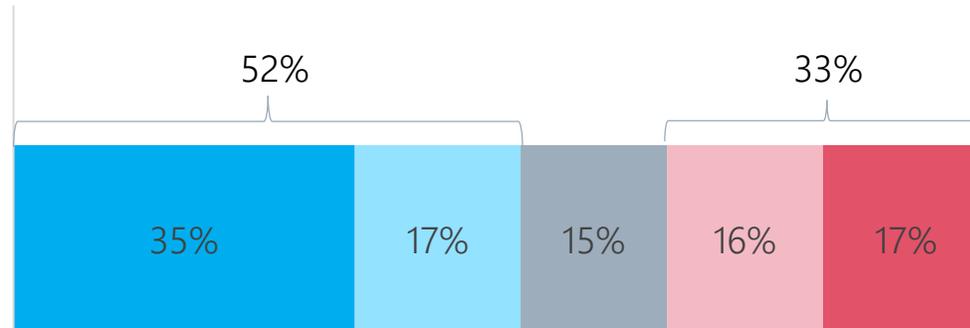


Those with a **greater typical holiday spend** are more likely to believe have all three types of cover (possible because on average they have obtained cover from a greater number of sources).

# Opinion is split regarding whether receiving a refund or the holiday going ahead as planned is preferable, with a third favouring the latter

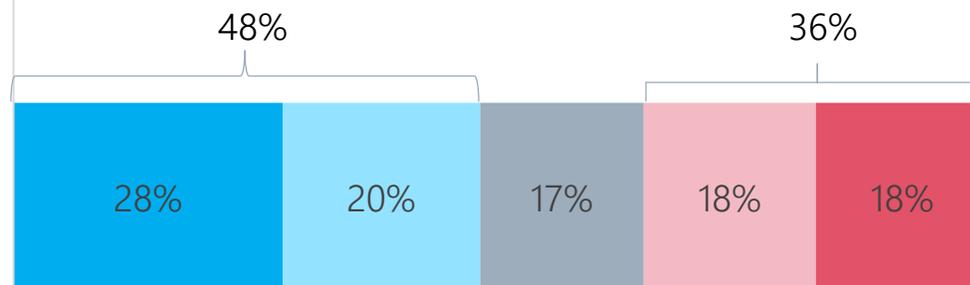
■ Agree completely with A  
 ■ Agree slightly with A  
 ■ In the middle  
 ■ Agree slightly with B  
 ■ Agree completely with B

A) What's most important to me is knowing that I will receive a refund if my holiday company goes out of business



B) What's most important to me is that I get to go on my holiday as planned

A) If my holiday company fails, ATOL should arrange for me to take my holiday with a different holiday company without me paying any extra

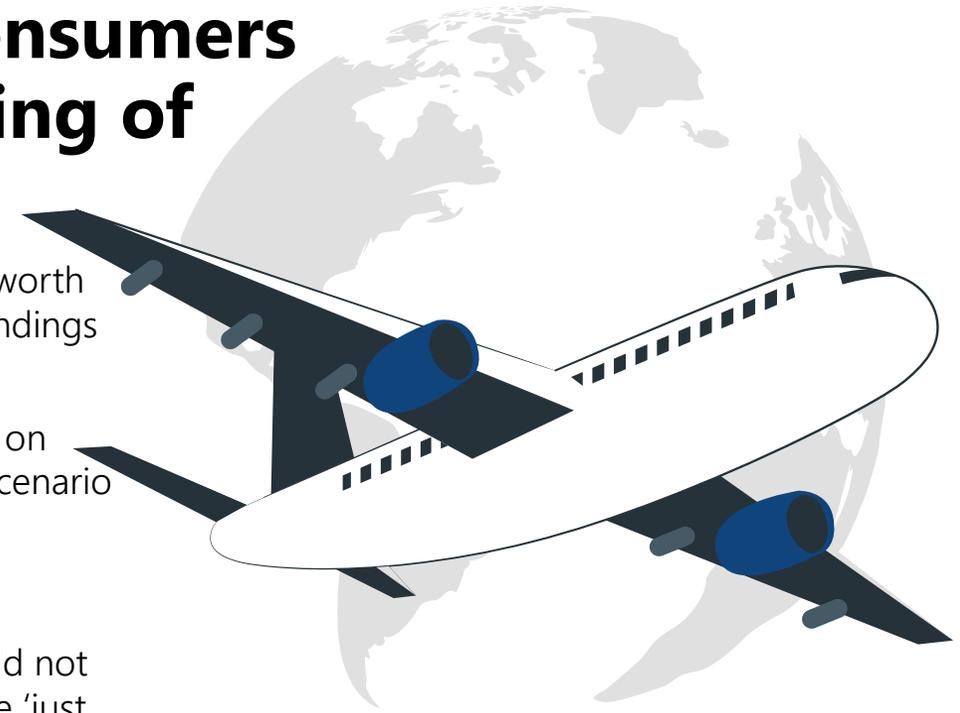


B) If my holiday company fails, it should be up to me whether to use the refund to rebook my holiday, even if this means I might have to pay extra for the same holiday:

C1. Below are some general statements that might describe how ATOL should operate. Please read each pair of statements and decide which statement you agree with more, and whether you agree with the statement completely or slightly.  
 Base: All consumers taking packaged-holidays= 1,043

# Emotional attachment rationalises why consumers want coverage to extend to the re-arranging of their holiday

- Although the knowledge that ATOL will provide a full refund reassures consumers of its worth as a form of protection (as seen in the first chart on the previous slide), the qualitative findings show that consumers place great value on the **actual experience** of going on holiday:
  - A holiday is an emotional (not purely financial) investment; the idea of “losing out” on that, and all the planning involved, is perceived to be an extremely disappointing scenario
- Many claim they would be willing to **pay more** at the time of booking if they knew this additional cost meant they would be able to take their trip as planned
  - Of those who aren’t willing to pay more, points arise regarding the fact that it would not be their ‘fault’ if the company went bust; therefore they shouldn’t have to pay more ‘just in case’.
- This idealised scenario, in which coverage includes arrangements so that they are able to take the holiday as planned, is well regarded by most as the **best outcome** for a number of reasons:
  - Instantly taking away the “stress” of having to go through the entire holiday research process again
  - The unlikelihood of being able to find the same holiday at the same cost and for the same dates if they were to try independently. They also assume the holiday would cost more if they were to try to find their own replacement – estimates of which average between 20-25% of the original holiday cost.
- The quantitative research found the majority was also in favour of ATOL arranging a replacement holiday rather than having to arrange it themselves



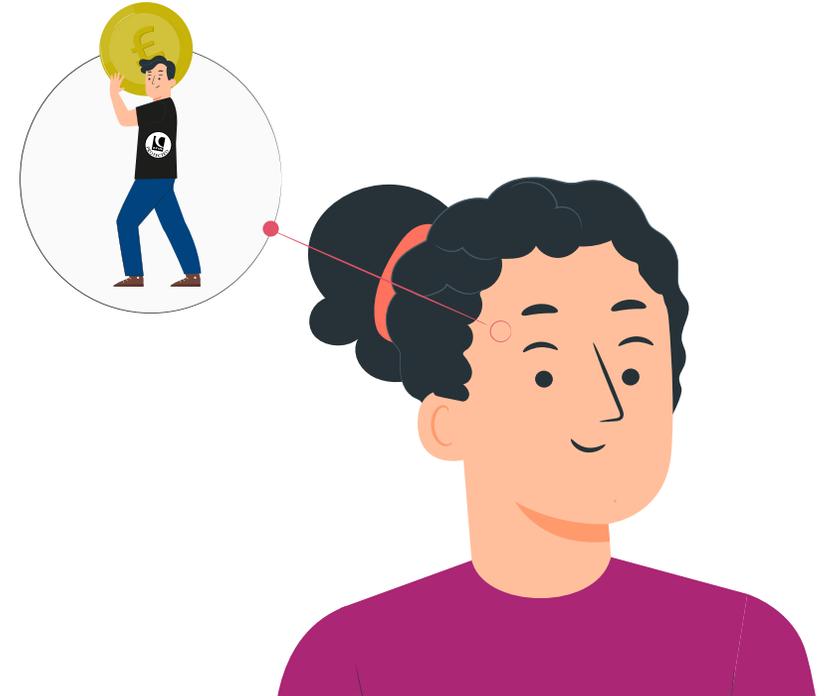


# Views about ATOL holders' funding arrangements



# Consumers do not think about ATOL holders' funding arrangements

- When consumers pay a travel company for an upcoming holiday, they simply **expect to get what they paid for**
- They **do not think about how or exactly when the company uses their money**. This is not something consumers actively care about spontaneously
- When asked about it, they guess the money is used for a **combination** of holiday expenditure + business costs + profit. But they do not want to know how the money they pay is allocated as part of the operations of the travel company.
- Without thinking about it much, consumers have **implicit goodwill** in the company they've chosen, as well as a general belief that regulation governs company behaviour. With this in mind, they are not bothered about scrutinising a company's financial practices.
- Given this detachment, to have consumers engage with this topic requires guiding them to think about it progressively. Without this approach, the expectation is that it would take an emotional trigger (e.g. news article) to bring this subject into mainstream attention
- It is likely that there are multiple behavioural biases at play here: optimism bias (assuming the best); avoiding cognitive overload (no need to "open a can of worms")



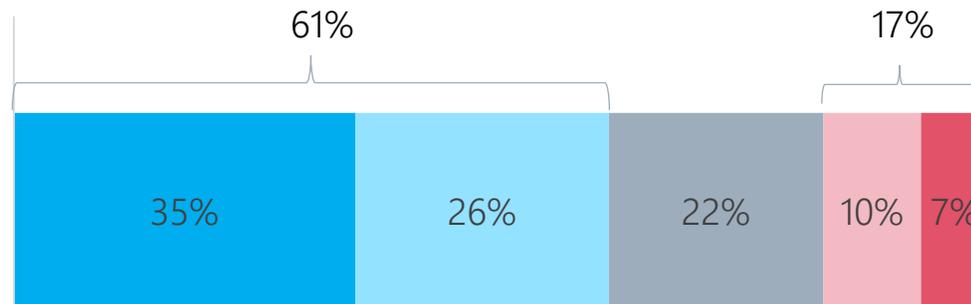
I think we all put a lot of trust into these companies, to give us what we paid for.... **What they do with that money, I couldn't care less...As long as I get the service that I've paid for, I'm more than happy**  
– Female, Regular purchaser, high spend

# When asked to make a forced trade-off, consumers believe that companies *should* prioritise using their payments to pay for the cost of their holidays

However, the qualitative discussions suggest that so long as consumers are confident that they will get their holiday, they feel much less strongly about this

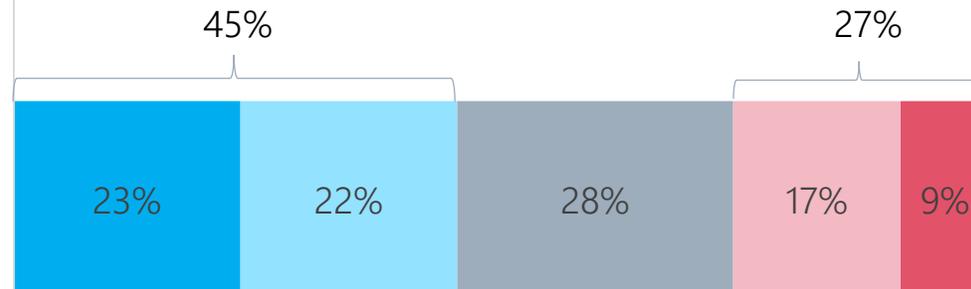
■ Agree completely with A  
 ■ Agree slightly with A  
 ■ In the middle  
 ■ Agree slightly with B  
 ■ Agree completely with B

A) Once I book my holiday the holiday company should first spend the money I paid on providing my holiday (my flight, accommodation, etc.), and only after that should they use the money left over to pay for other things (like salaries, etc.)



B) Once I book my holiday, I don't care what the holiday company does with the money I paid

A) Holiday companies should wait until I'm back from holiday before they spend their financial profit from my booking



B) Once I book my holiday, I don't care what the holiday company does with the money I paid them

C1. Below are some general statements that might describe how ATOL should operate. Please read each pair of statements and decide which statement you agree with more, and whether you agree with the statement completely or slightly.  
 Base: All consumers taking packaged-holidays= 1,043

# However, provided they live up to delivering the holiday, consumers believe companies should be allowed discretion over their funds

- When speaking in depth about how ATOL holders use money, consumers feel a **company has the right to decide** how it uses funds, provided it delivers the holiday. They do not expect, nor want to be informed of the detail.
- This is commonly accepted business practice and, generally, **consumers do not question how other companies (incl. banks) use their money**
- The fact the delivery of the holiday comes later than at point of payment is not seen as a main difference, nor reason to be informed of how the money is used. This time lag is accepted as the nature of the travel industry.
- Consumers acknowledge there are risks BUT they are:
  - **Reassured by ATOL protection** and feel ATOL will protect their money
  - **Reassured by other protections** they take out (e.g., travel insurance, credit card)
  - **Reassured in the trust they place in their chosen travel company.** When unpacking this trust, comments arise regarding assumptions that trustworthy companies have competent financial advisors/ staff; some consumers also voice an assumption that companies have contingency and backup plans to stay afloat



"Once I've paid, as long as I get my holiday in 6 months time, I don't mind how the company uses the money I've paid them."

This position is relatable

..As long as your holiday happens. And if it doesn't happen, you get your money back. That's the baseline,...[Companies] pre-fund things, they take the money. It's how a lot of companies work. You just don't know about it – Male, Occasional purchaser, high spend

.. But when you're booking a holiday, your only concern is going away, not what people are doing with the money– Female, Regular purchaser, high spend

# Locking money away is seen to have merits, but can come across as unrealistic



Exposing customers to an arrangement whereby companies lock all the money consumers pay away until the holiday has taken place results in **polarising** views

## At best:



This is seen as insightful and prudent; a more financially-resilient way of using customers' money than co-mingling.

*(These viewpoints tend to come from the most engaged/ most savvy about business finance)*

## At worst:



This is seen as unrealistic and out-of-touch with the way business works; too idealistic because businesses need to take money to pre-fund holidays, and to cover their day-to-day running expenses;

Something that would result in more expensive holidays – this comes up as a concern

Something that would only favour only the large providers

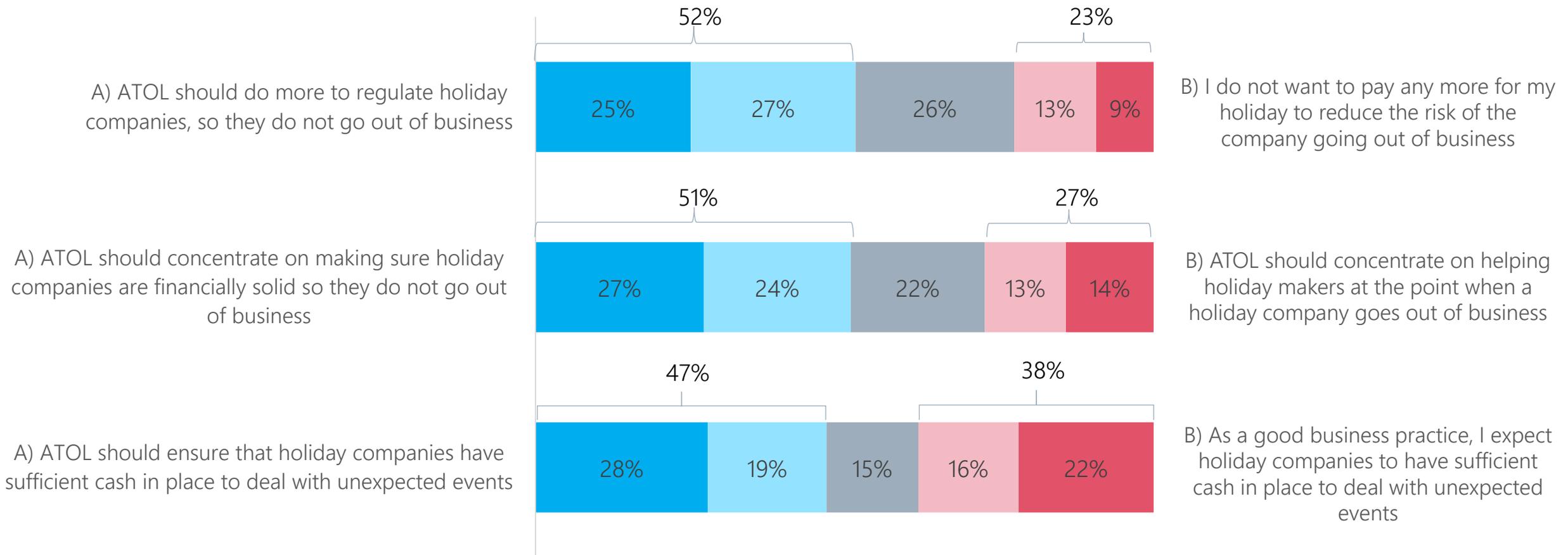
# The conclusion consumers get to is that an authority should 'police' the industry to avoid risky financial practices

- After thinking about the topic for some time, 2 key points arise:
  - 1. That an **authority (namely ATOL, CAA)** should **vet companies**, and 'police' them to ensure their financial practices are sound. The reasoning is akin to having the FCA regulate financial organisations
  - 2. That ideally businesses should apply some sort of **contingency practices** (without needing to know what these practices are) as a safety measure to avoid insolvency. The monitoring of companies' contingency practice should lie with the CAA
- Consumers feel that if they see the ATOL logo on the company they are booking with, that should signal ATOL has financially vetted the company
- **The quantitative research backs the qualitative findings** that ATOL should regulate firms, and in the forced trade-off, extend this to say that regulation to prevent companies from failing is more important than focussing on recovery of holiday makers in event of a company failure
- With regards to ATOL monitoring companies, an idea arises regarding releasing data to consumers on how risky ATOL deems a company to be (e.g., akin to a star rating). However, this is criticised because it would necessarily be subjective + lower ratings that signal a company is riskier will push people away from booking with them



# When asked to make a forced trade-off, the majority support the notion that companies be vetted to ensure financial resilience

■ Agree completely with A  
 ■ Agree slightly with A  
 ■ In the middle  
 ■ Agree slightly with B  
 ■ Agree completely with B



C1. Below are some general statements that might describe how ATOL should operate. Please read each pair of statements and decide which statement you agree with more, and whether you agree with the statement completely or slightly.  
 Base: All consumers taking packaged-holidays= 1,043

## In consumers' own words...

I think this is an ATOL problem not an end consumer problem. Because I think as long as we know we're covered by ATOL, we'll get our money back.  
– Male, Occasional purchaser, high spend

...ATOL's got to take a bit more responsibility and they've got to do more to vet companies to make sure they never get into that state [go bust]  
– Female, Regular purchaser, high spend

I would expect businesses to actually build into their business plans a contingency of some kind. I don't obviously know what that would be. But surely every business has a pot that's like a safety net of some kind...You know, if you need to sell your assets in order to make up the money. Whatever, they have a contingency plan. Every business has that, depending on need. So, I would expect a travel company to have a similar procedure in place,  
– Male, Occasional purchaser, high spend

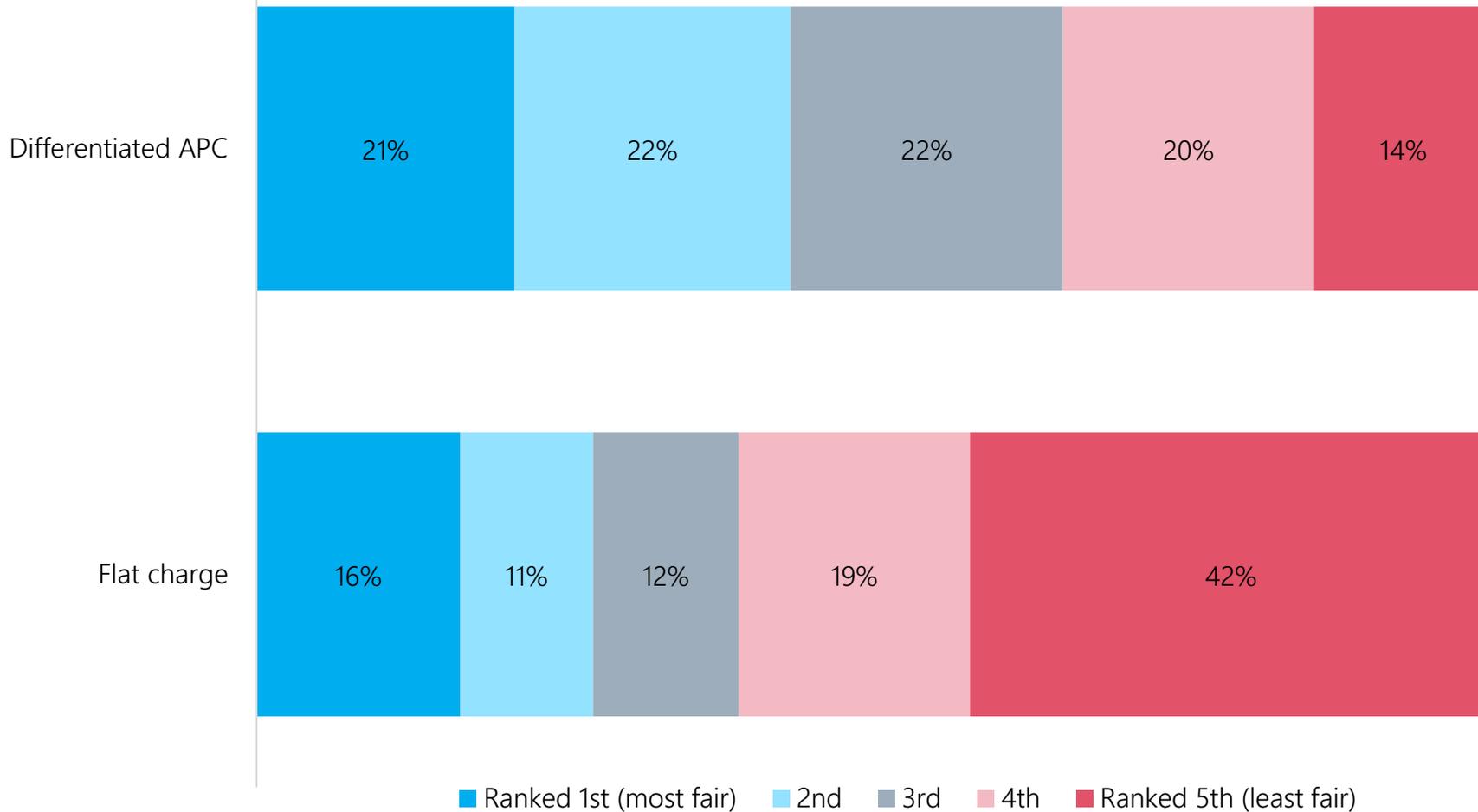




# Views on ATOL levy charging structure



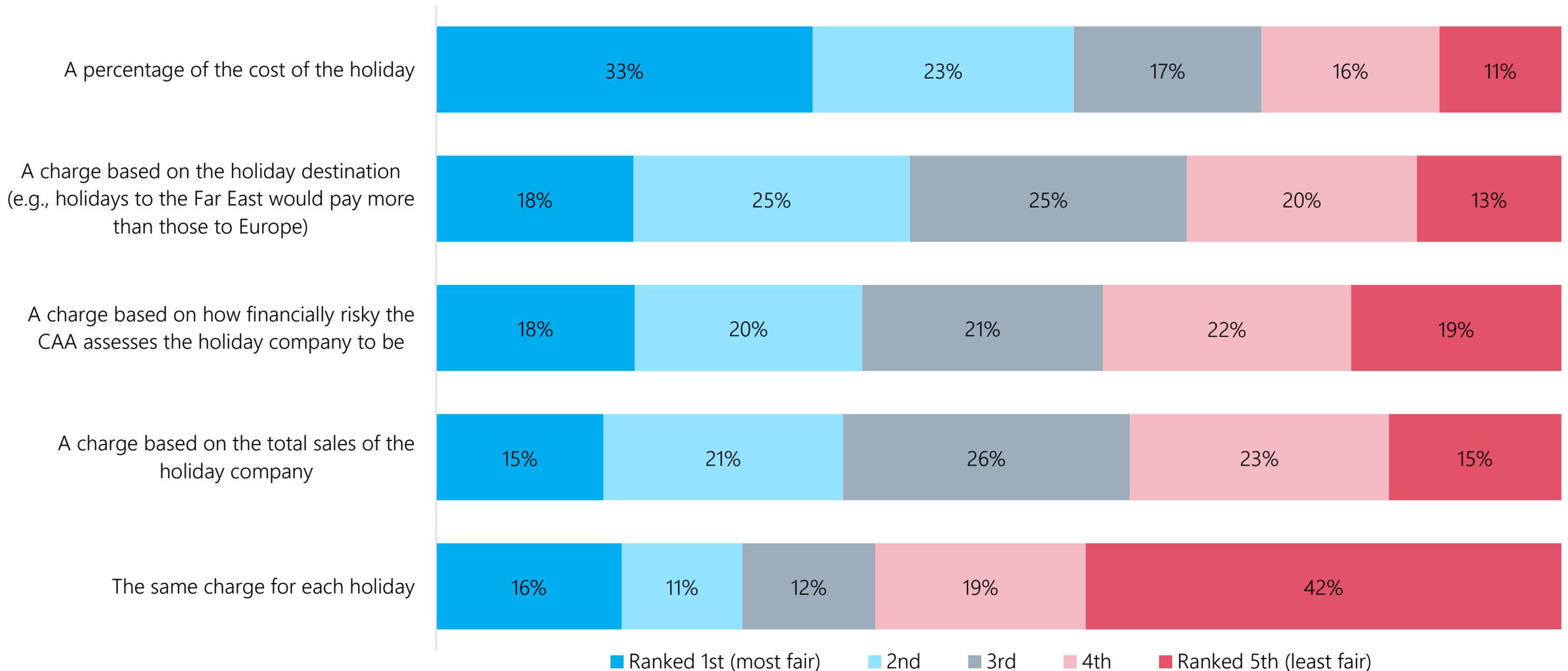
# There is a preference for a differentiated vs. flat charge when consumers do not know the current flat charge is £2.50



When it comes to choosing preferred pricing structure (without knowledge of values):

- 16% put flat rate as their **#1 preference**, while **84% did not**. Therefore, there is a large majority that prefer some form of differentiated charge
- 42% put flat rate as their **fifth preference**, meaning that 58% expressed a clear preference for differentiated over flat rates.

# In theory, a charge determined by holiday value is deemed most fair by the majority



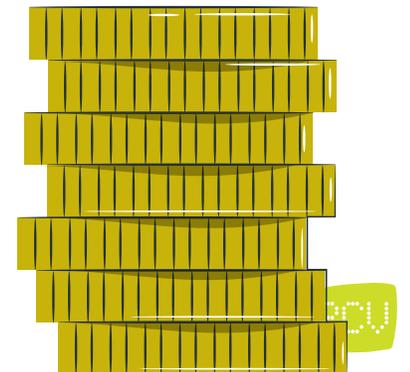
C3. Here are some different ways the CAA could calculate the amount of the charge that holiday companies to pay into the ATOL fund. Please rank from best to worse based on which is fairest.  
 Base: All consumers taking packaged-holidays= 1,043

# Consumers do not know what amount they pay for ATOL and often guess it is a function of the total holiday cost

However, when we reveal the £2.50 flat fee, this garners appeal

- Spontaneously, consumers do not know what amount they pay for ATOL
- If they have to guess, a wide range of figures comes up, often in relation to the price of their whole holiday – a **guess that it is indeed a percentage of the value of the total holiday**
- However, when we reveal to consumers it is a flat rate of £2.50 this is: surprising - lower than expected; feels like a **bargain** - and therefore a “no brainer” to get ATOL
- Beyond this, additional advantages of the £2.50 flat fee come up:
  - It's **simple** and easy to understand
  - While it is a small amount, funds will **accumulate** given millions of people going on ATOL-protected holidays, and there's an assumption ATOL does not have to pay out extremely often – this view comes up from a minority, but the logic garners interest
- Ultimately though, when considering whether the fee should remain £2.50 or become a **small** percentage of the total cost of the holiday, there are polarised views, with some accepting **that the fee evolves in relation to the total cost / destination of the holiday**. On this latter point, a parallel is drawn to how travel insurance charges work
- Having the fee be a function of how risky the company is unfavoured and problematic. If a higher fee reveals to consumers they'd be booking with a riskier company, they would not opt to use that company (could drive some players out).

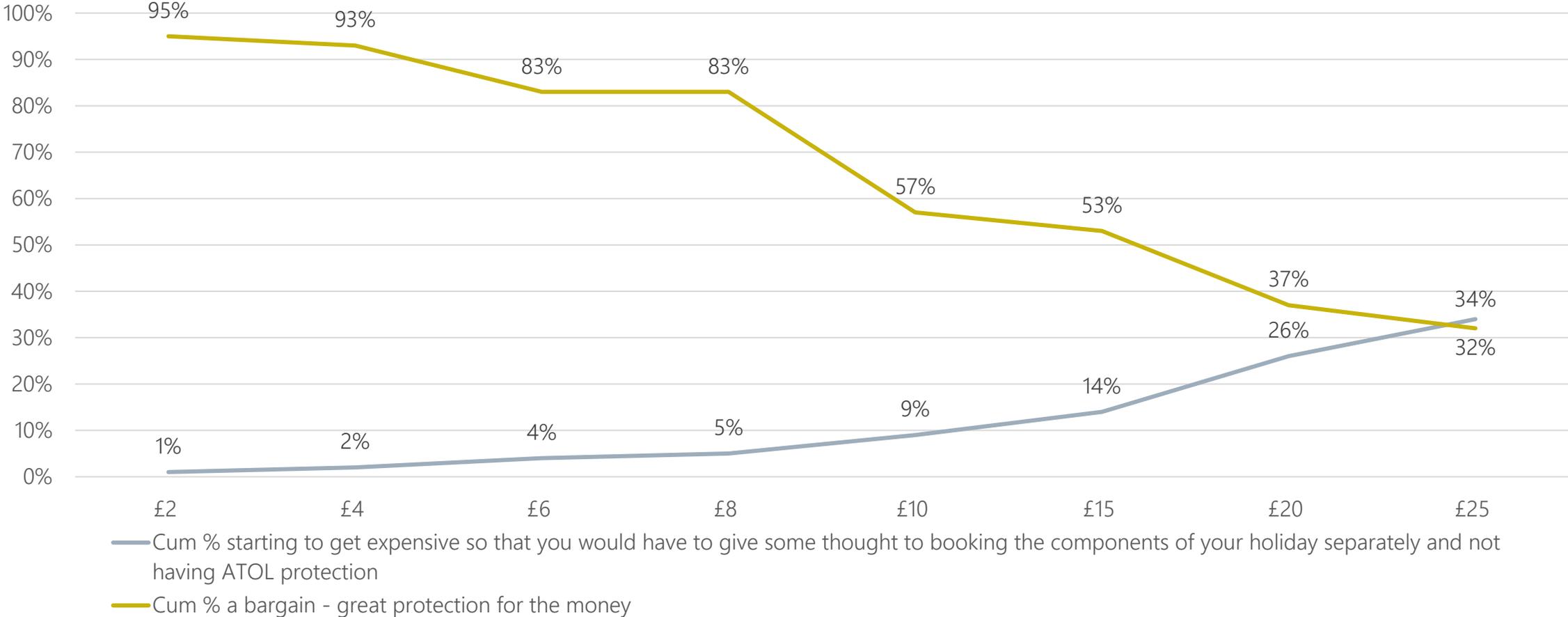
I think a flat fee makes sense. I think when you start changing the amount, people will start having different interpretations. It might hinder people booking certain companies or whatever, so I think a flat fee makes sense.  
– Female, first time purchaser



# Consumers' views about the best fee structure appear to vary based on how the information is presented to them

	Quant (asking about preferred fee structure without mentioning figures)	Qual (discussion-based, and the flat fee of £2.50 brought up explicitly)
A percentage of the cost of the holiday	The most attractive approach	Polarising. On the one hand, a percentage is how it is often guessed it would be. But the current low flat fee garners appeal for its simplicity and cheapness
A charge based on the holiday destination (e.g., holidays to the Far East would pay more than those to Europe)	Viewed slightly favourably, but much less so than the percentage cost of the holiday	
A charge based on how financially risky the CAA assesses the holiday company to be	Opinion was split roughly evenly on this approach	Viewed as problematic. If a higher fee reveals to consumers they'd be booking with a riskier company, they wouldn't opt to use that company
The same charge for each holiday	The most disliked approach	Polarising, but seen as simple to administer and understand. When this same charge is £2.50 it appeals as cheap and simple.
A charge based on the total sales of the holiday company	The least favoured approached, but didn't attract great hostility	Not raised spontaneously

# A levy below £10 is considered acceptable by the vast majority of holiday makers, and below £5 opinion is almost unanimous that the levy represents great value for money



C7. We are interested to know how much you think the Civil Aviation Authority should charge holiday companies, per person, for ATOL coverage. Please assume that the charge will be the same for all holidays.  
 Base: All consumers taking packaged-holidays excluding those considering the same charge for each holiday as unacceptable = 617



# Appendix: Quantitative questionnaire questions



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# Appendix – quant questionnaire

**GENDER.** What is your gender?

**AGE.** Please could you confirm which of the following age brackets you fall into?

**S0.** In the last three-four years (2019-2022), have you done any of the following?

**S1.** In the last three-four years (2019-2022), have you been on any of these types of holidays abroad? Please do not include holidays in the UK or holidays including no paid accommodation.

**S2.** Did any of these holidays abroad over the last three-four years (2019-2022) involve flights originating from the UK?

**S3.** Please can you indicate whether your holiday(s) over the last three-four years (2019-2022) included any of the following components and if so, were they part of a package?

**S4.** How many times in the last 3-4 years (2019-2022) have you taken holidays booked as a package abroad?

**S5.** Who do you normally travel with on these holidays?

**S6.** Are you the main decision maker when it comes to purchasing package holidays?

**A1.** Which of the following best describes this holiday?

**A2.** What did the [INSERT HOLIDAY TYPE FROM A1] booking include? Please do not include things you booked separately, or parts of the holiday you paid for at the destination.

**A3.** How did you make your booking?

**A4.** And what type of company did you book the [INSERT HOLIDAY TYPE FROM A1] with?

**A5.** Did you take any steps to ensure that you would be covered in case something went wrong before or during your trip?

**A6.** How important was it that you were covered against the following?

**A7.** What steps did you take to ensure that you would be covered?

**A8a.** If the holiday company had not had ATOL protection, would still have booked with them?

**A8b.** Why would you still have booked that company, regardless of whether they had ATOL protection or not?

**A9a.** If your holiday company had gone out of business before your trip, which of the following best describes how you believe you were covered?

**A9b.** And if your holiday company had gone out of business during your trip, which of the following best describes how you believe you were covered?

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# Appendix – quant questionnaire

A10. Thinking specifically about this [INSERT HOLIDAY TYPE FROM A1], did the company providing your holiday go out of business either before or after going on holiday?

A11. Which company was this?

A12. Please select which of the following arrangements you were provided with?

B1. Several travel industry associations and regulators exist covering the travel industry. How well informed do you feel about the types of consumer protection each of them offers?

B2. What parts of your holiday do you believe are covered by ATOL?

B3. Have you ever taken a holiday with ATOL protection?

B4. Based on what you know about ATOL protection, which of the following statements do you think are true?

C1. Below are some general statements that might describe how ATOL should operate. Please read each pair of statements and decide which statement you agree with more, and whether you agree with the statement completely or slightly.

*(C2 was deleted during questionnaire testing)*

C3. Here are some different ways the CAA could calculate the amount of the charge that holiday companies to pay into the ATOL fund. Please rank from best to worse based on which is fairest.

C4. In your own words, why do you believe this is the best charging scheme?

C5. Please look at the list of options again and select any options which you feel are unacceptable or unfair.

C6. In your own words, why do you believe [ANSWER FROM C5] is unacceptable or unfair?

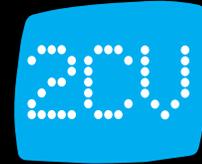
C7. We are interested to know how much you think the Civil Aviation Authority should charge holiday companies, per person, for ATOL coverage. Please assume that the charge will be the same for all holidays.

D1. Which of the following best describes your current employment status?

D2. Into which band does your average annual household income fall before deductions (such as income tax)?

D3. What is your typical spend per person, when buying a package holiday?

D4. Which ITV region do you live in?



**Let's talk.**



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