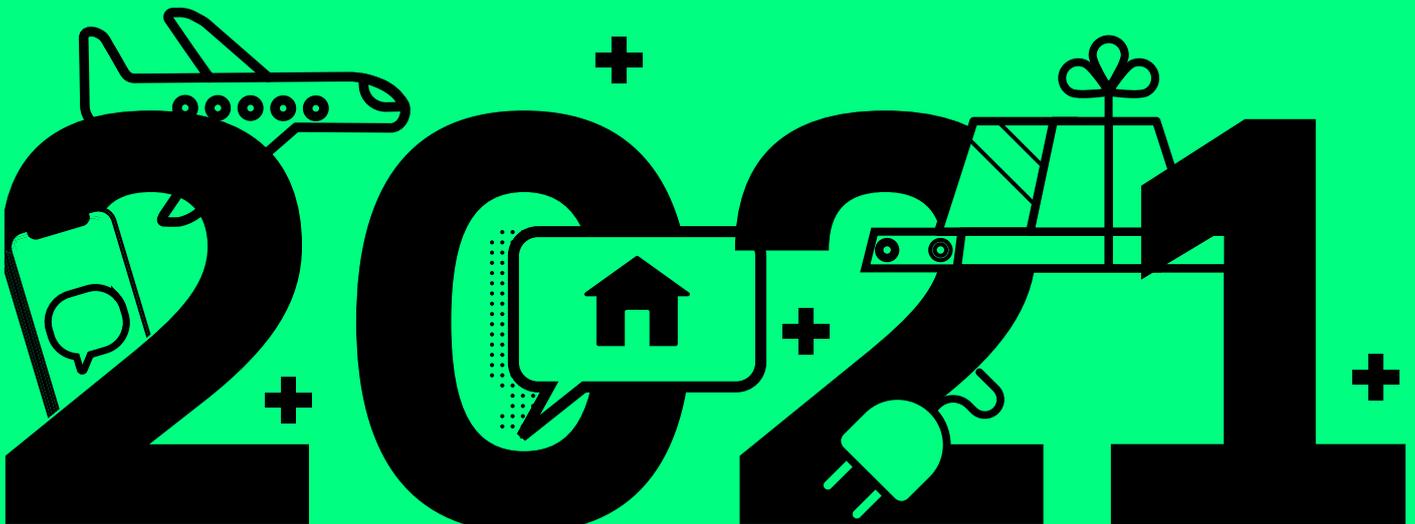




Startup Investment Trends in Travel and Mobility Tech

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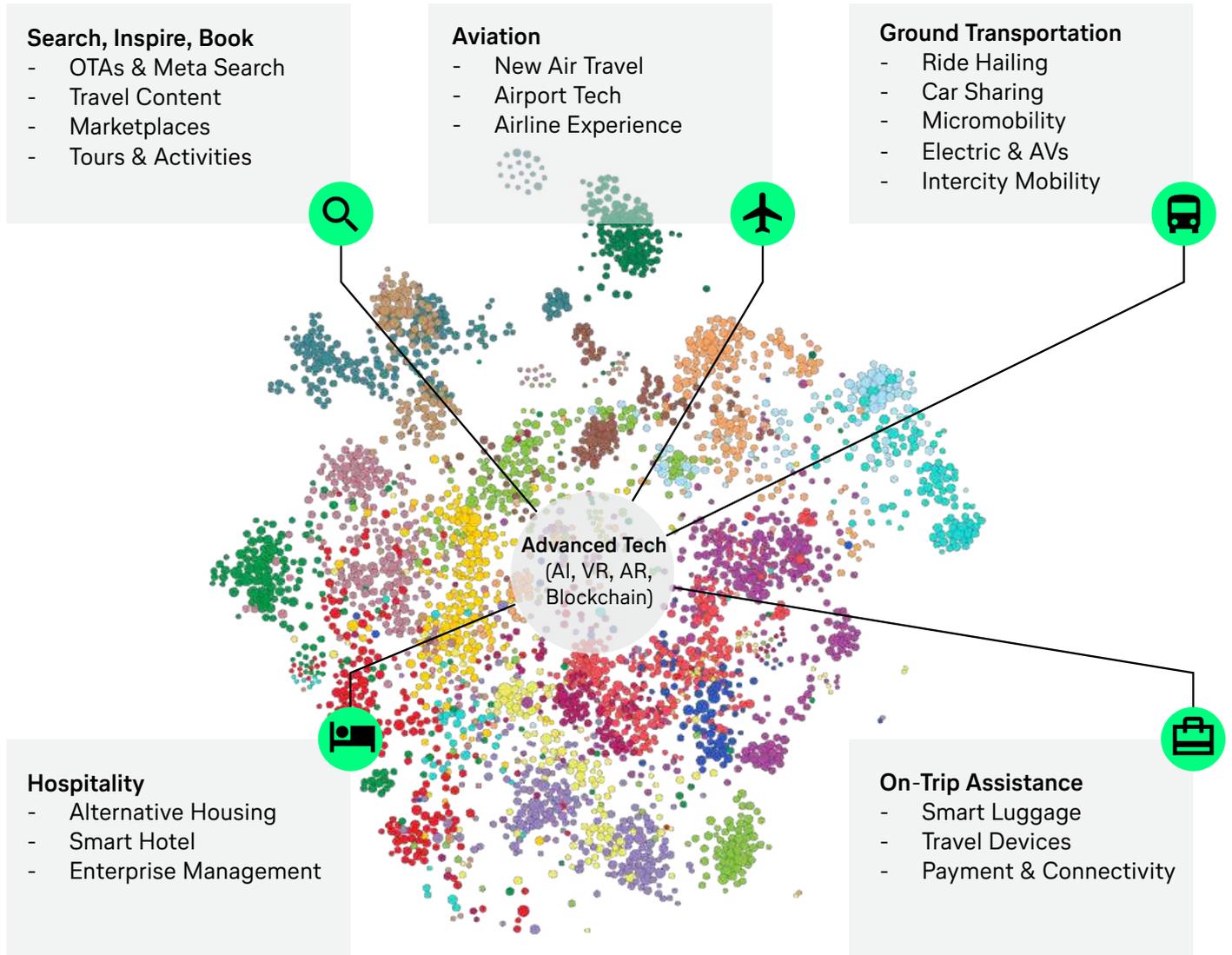
Why we follow the money



In times of overcoming the worst economic crisis in decades, travel and mobility players can't afford to miss out on the trends shaping the next normal. To shed light on the changing innovation dynamics in the Travel and Mobility Tech landscape, we, the Lufthansa Innovation Hub, crunched the numbers for a comprehensive update on investment trends in the Travel and Mobility Tech startup ecosystem to illustrate how the crisis has impacted startup financing and what this might mean for the future of our industry.

The startup landscape grows

Global network of startups in Travel and Mobility Tech since 2010

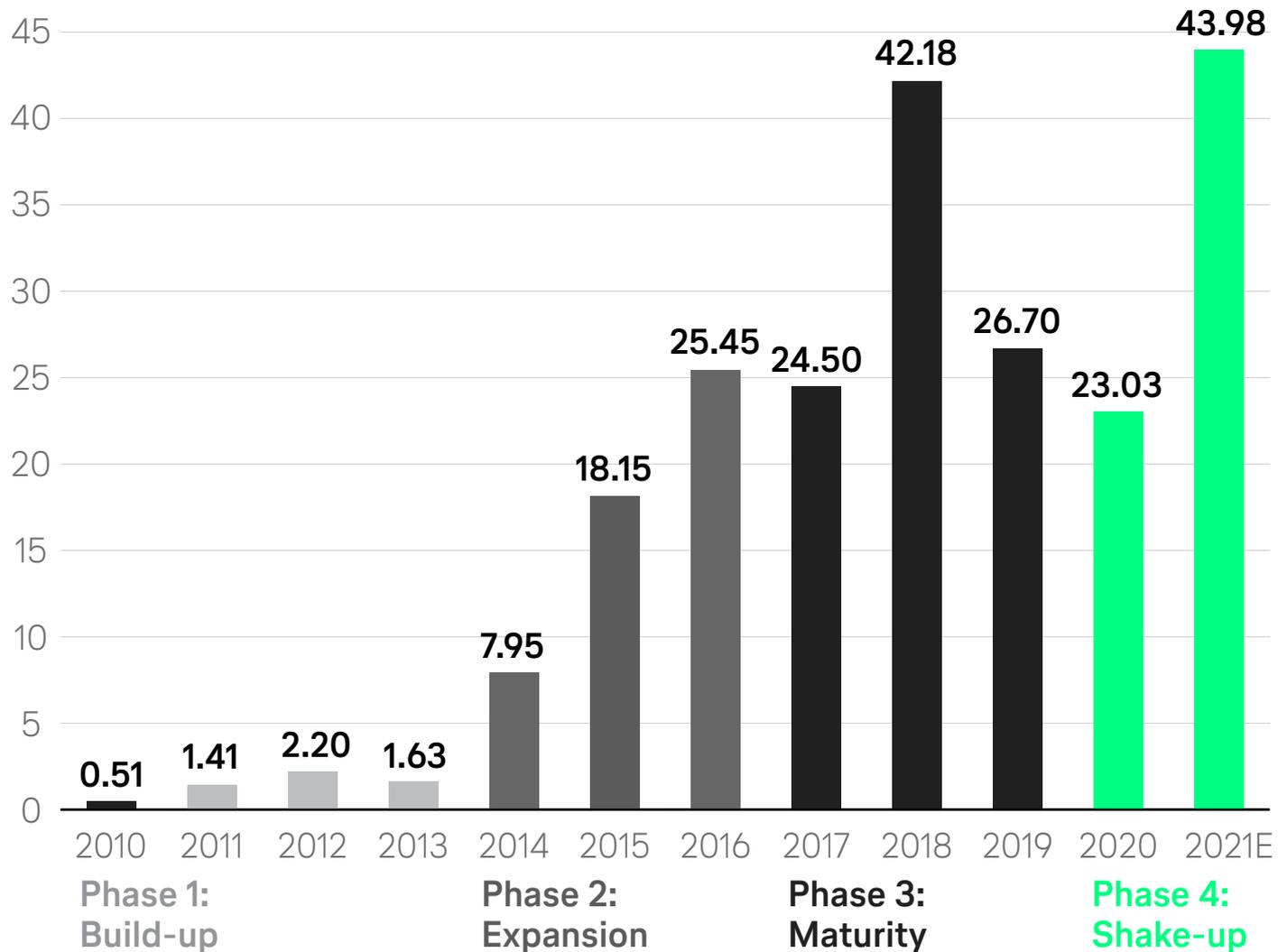


Source: Lufthansa Innovation Hub, TNMT.com, Quid

The Travel and Mobility Tech sector has arguably been hit harder by the pandemic than any other industry vertical. But despite this existential crisis, thousands of startups around the globe continue to work fearlessly on innovative solutions that make travel more efficient, frictionless, and interconnected. As of mid-2021, we register more than 2,800 startups (+5% vs. 2020) across six major company clusters active in the Travel and Mobility Tech arena. Clearly, many founders have identified new opportunities to reinvent the post-pandemic Travel and Mobility Tech world despite ongoing Covid-19 restrictions limiting movement, especially internationally.

Funding bounced back

Global VC funding (in \$B) in Travel and Mobility Tech by year

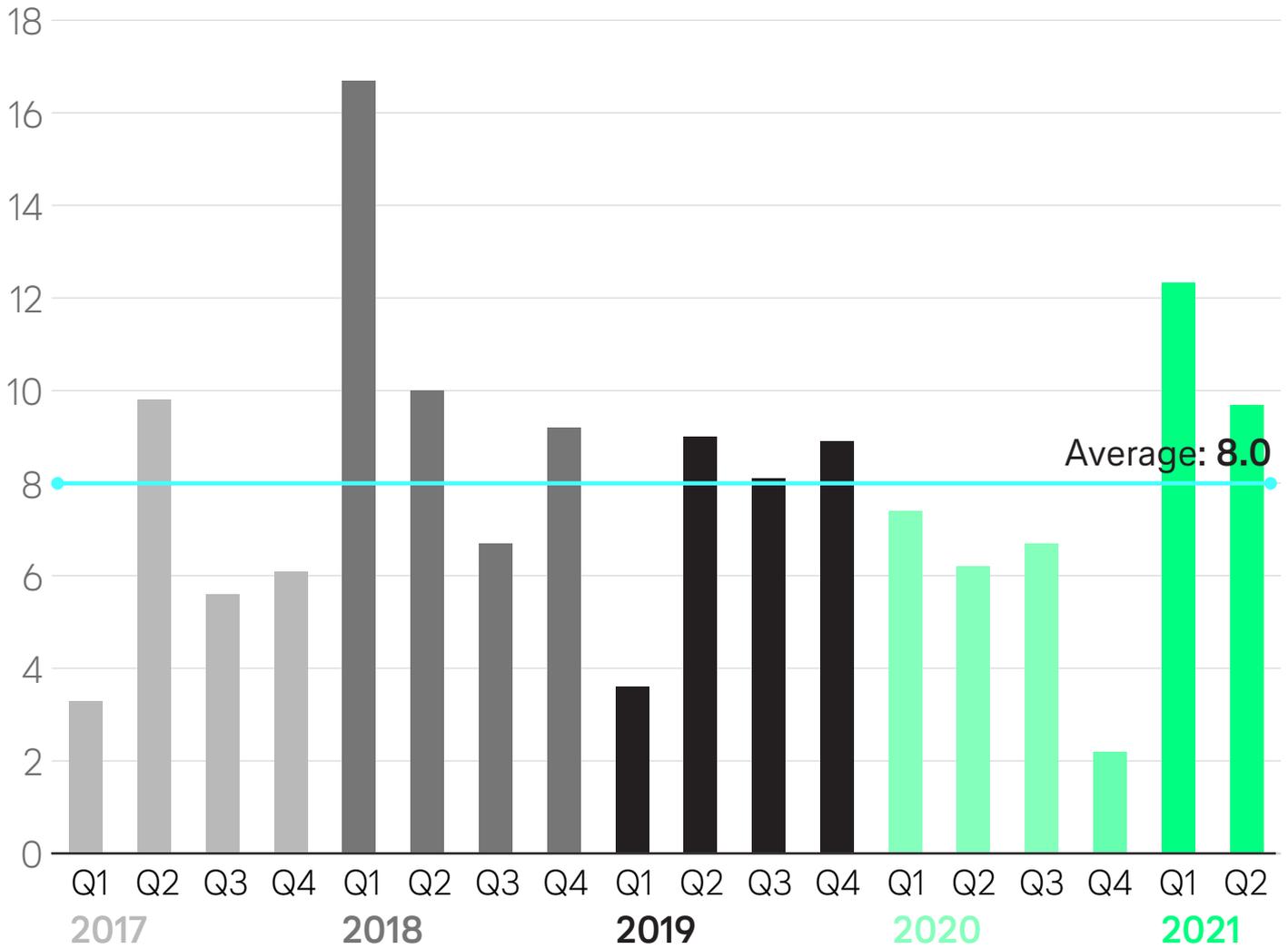


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

Critical for startup founders to bring their ideas to market is VC financing. In 2020, more than 23 billion USD were invested in startups across Travel and Mobility Tech demonstrating that the appetite to invest in travel remains. Furthermore, the drop in total funding of -14% compared to 2019 appears bearable considering the dramatic impact of the pandemic on the overall industry. On the bright side, 2021 is currently expected to bring back full-year funding amounts to 44 billion USD indicating that the startup ecosystem has fully recovered and is ready to overcome the flattening investment trends of the previous few years and return to its long-term growth trajectory.

Dollar amounts slightly drop

Global VC funding (in \$B) in Travel and Mobility Tech by quarter

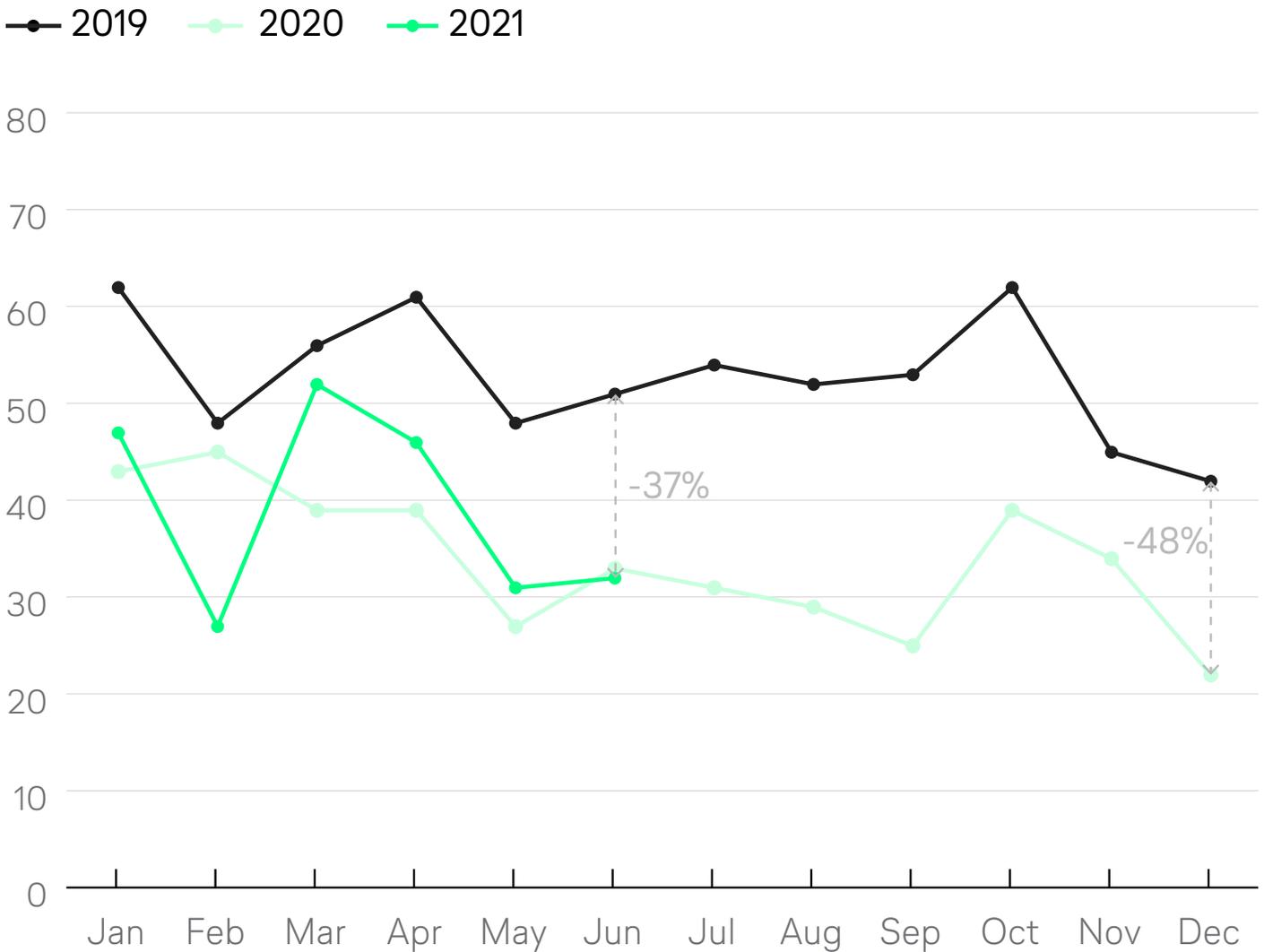


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

A closer look at quarterly funding amounts reveals that the pandemic did, in fact, significantly impact the overall financing environment. No quarter in 2020 was able to reach the average investment amount of 8 billion USD poured into Travel and Mobility Tech startups in the three years leading up to the crisis. Fortunately, Q1 and Q2 of 2021 made up for the lower investment amounts last year, as they came in significantly higher—a sign that investor sentiment has shifted fully back into opportunity mode.

Deal activity badly down

VC deal count (#) in Travel and Mobility Tech by month

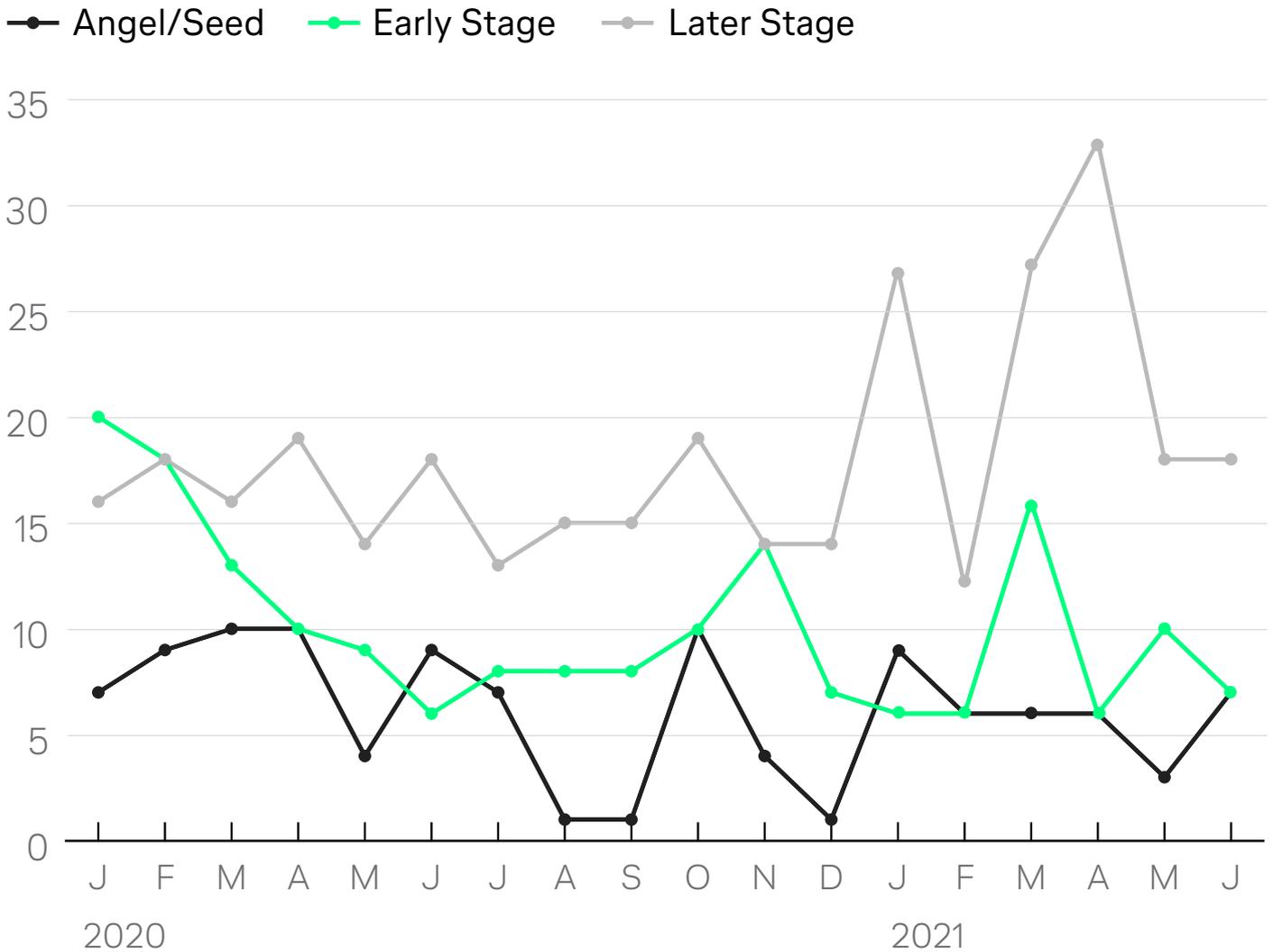


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

The negative Covid-19 impact on the Travel and Mobility Tech startup ecosystem becomes the clearest when looking at VC activity measured by the number of deals that have taken place during the pandemic. Throughout 2020, the number of VC deals saw a major dip, with December figures almost 50% lower than in 2019. In 2021 so far, deal activity picked up slightly, coming in “only” 37% lower compared to June 2019. The main takeaway: the long-term trend of “fewer but bigger deals” in startup land—something we extensively covered in our [2019 Startup Report](#)—has continued to maintain its course during the pandemic.

Young startups struggle most

VC deal count (#) in Travel and Mobility Tech by deal stage

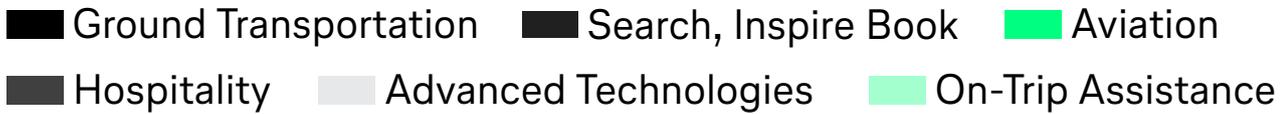


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

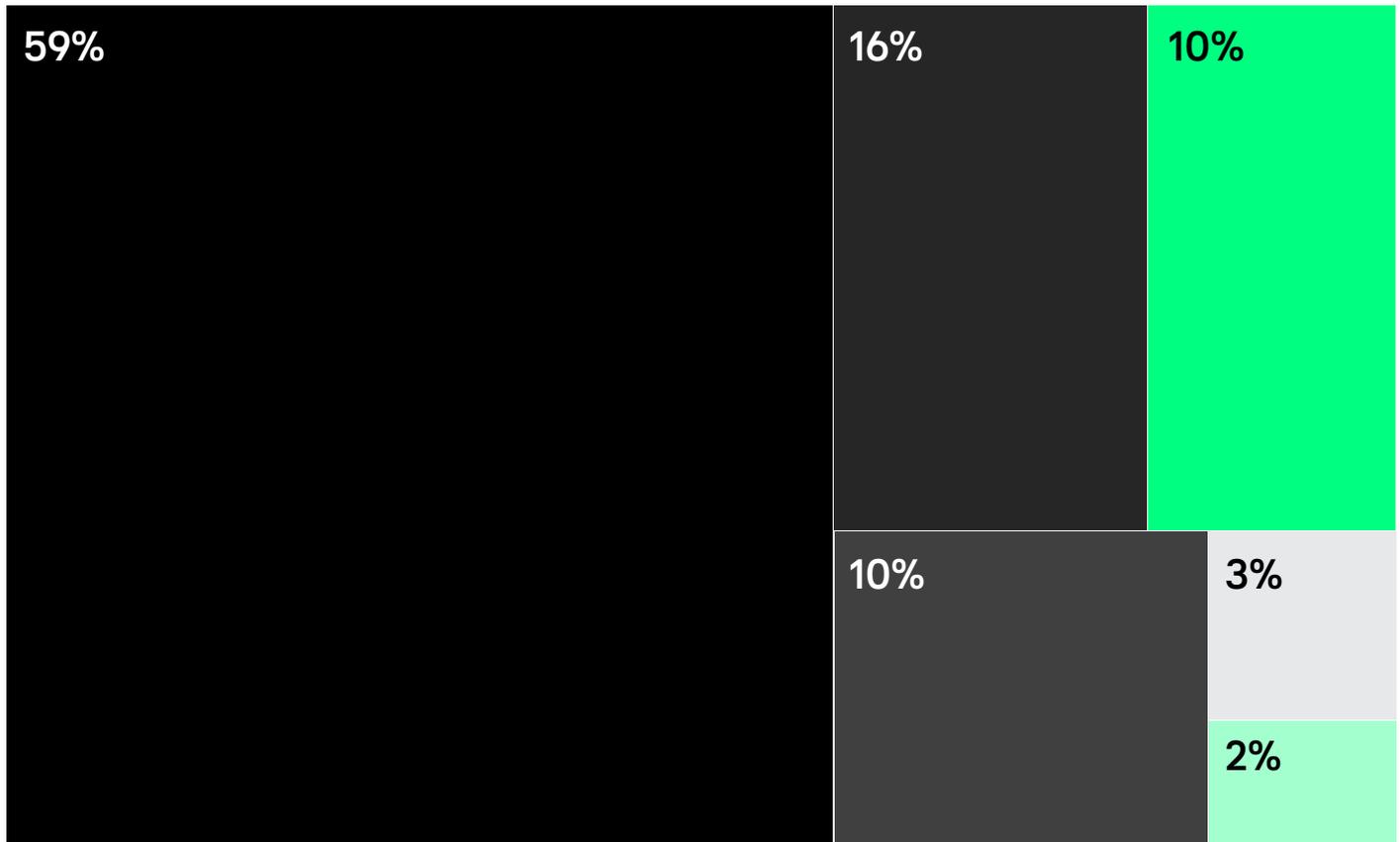
What kind of startups suffered the most during the pandemic? Early-stage deal activity cooled off during the crisis. It seems to be the case that investors primarily focused on stabilizing their existing portfolio companies with follow-on financing—indicated by the ongoing high level of late-stage activity—instead of betting money on the next generation of potential game-changers. Unsurprisingly, the pandemic and the unclear recovery trajectory of the travel and mobility industry have alienated investors and triggered risk aversion. Funding for smaller startups without a proof of concept was much harder to come by.

Ground transport dominates

Share of VC funding value (\$) in Travel and Mobility Tech by sector since 2010



Total 200 billion USD



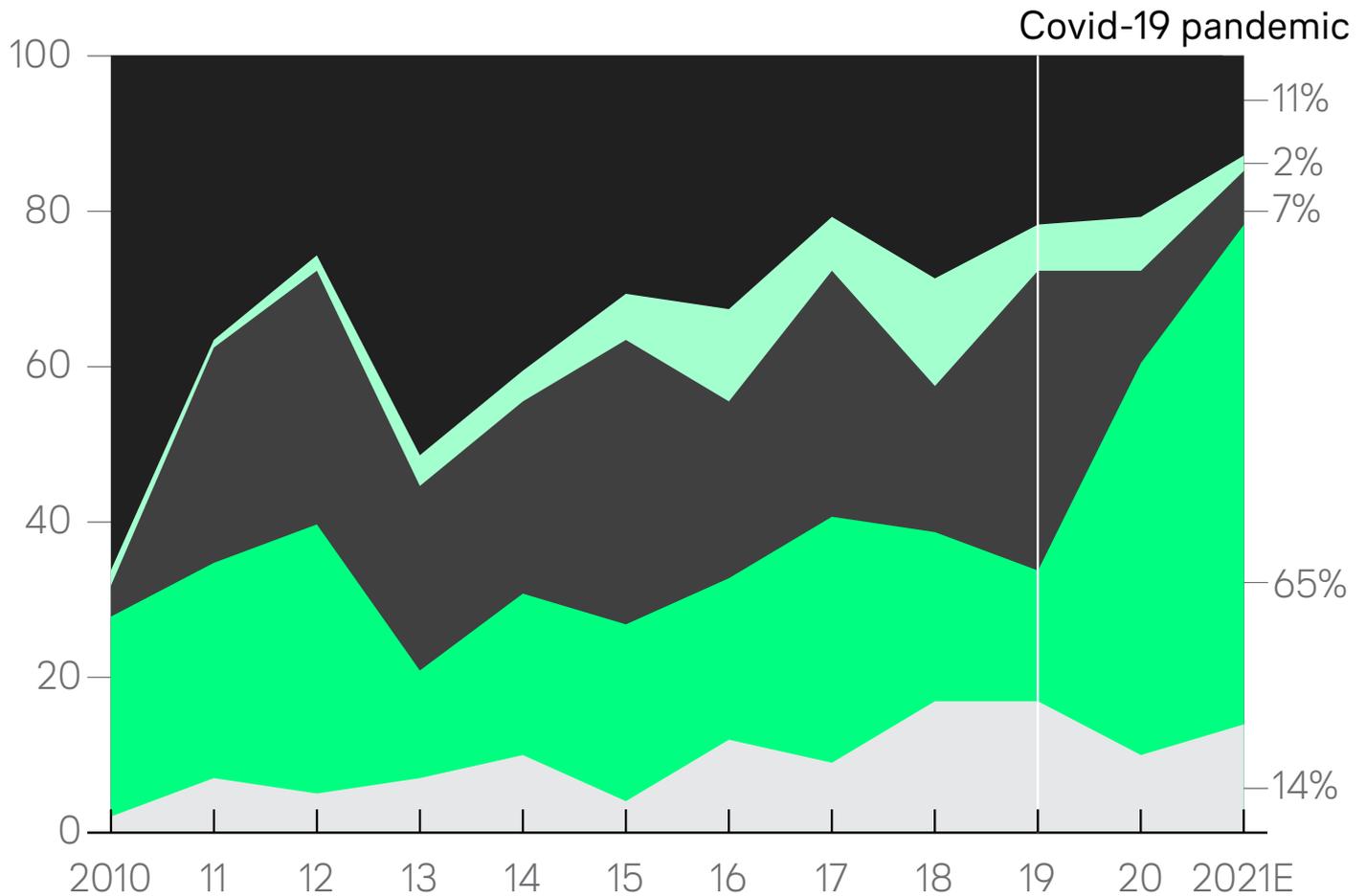
Source: Lufthansa Innovation Hub, TNMT.com, Quid, Pitchbook, Crunchbase

Ground transportation startups have long dominated the Travel and Mobility Tech ecosystem from a financing perspective. Over the past decade, the ride- and taxi-hailers—in particular, Uber and Lyft in the US and Didi, Grab, Ola, and Gojek across Asia—have captured more than half of the \$200 billion allocated to startups in our sector, driven by many of the biggest VC deals in startup history. Next to ground transport, which also includes car sharing and micromobility, private hospitality players (e.g. Airbnb), online booking platforms, and aviation startups collected most of the funding.

Covid-19 pushed aviation

Share of VC funding value (\$) in Travel and Mobility Tech by sector excl. Ground Transportation in %

Advanced Technologies Aviation Hospitality
 On-Trip Assistance Search, Inspire, Book

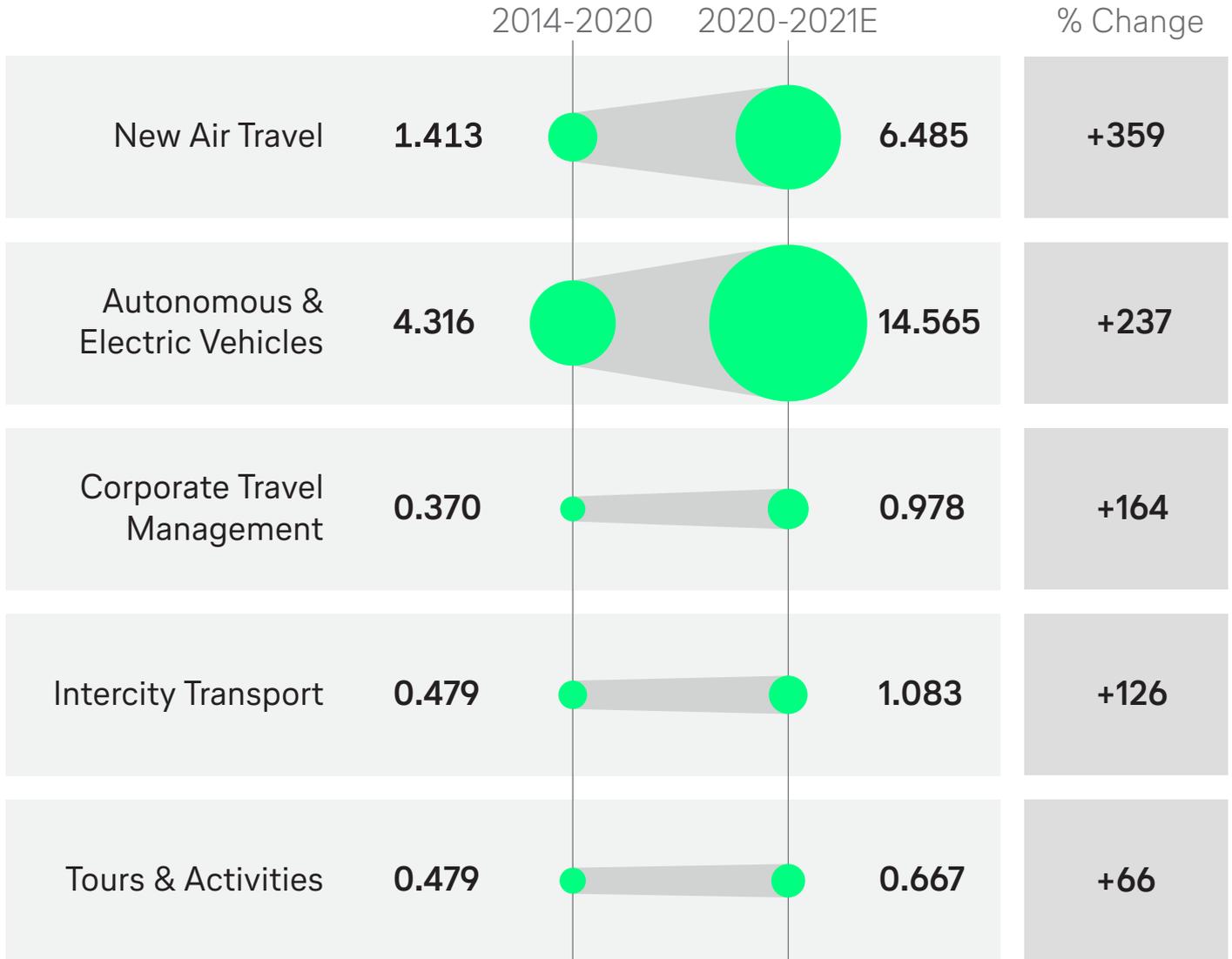


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

When looking at how the non-ground-transport segments in Travel and Mobility Tech performed throughout the pandemic, it stands out that only one category was able to grow its relative funding share during the crisis: aviation. In fact, aviation-related startups raised more than half of all investment dollars during the peak of Covid-19 in 2020 and 65% in 2021 so far. This appears extremely surprising given the dramatic impact of the pandemic on air travel. What kind of aviation startups sparked investor interest the most, and why? To find out, we broke each of the six major startup categories, including aviation, into smaller company clusters to identify the winners and losers.

The winners of the pandemic

Average yearly investment value (in \$B)

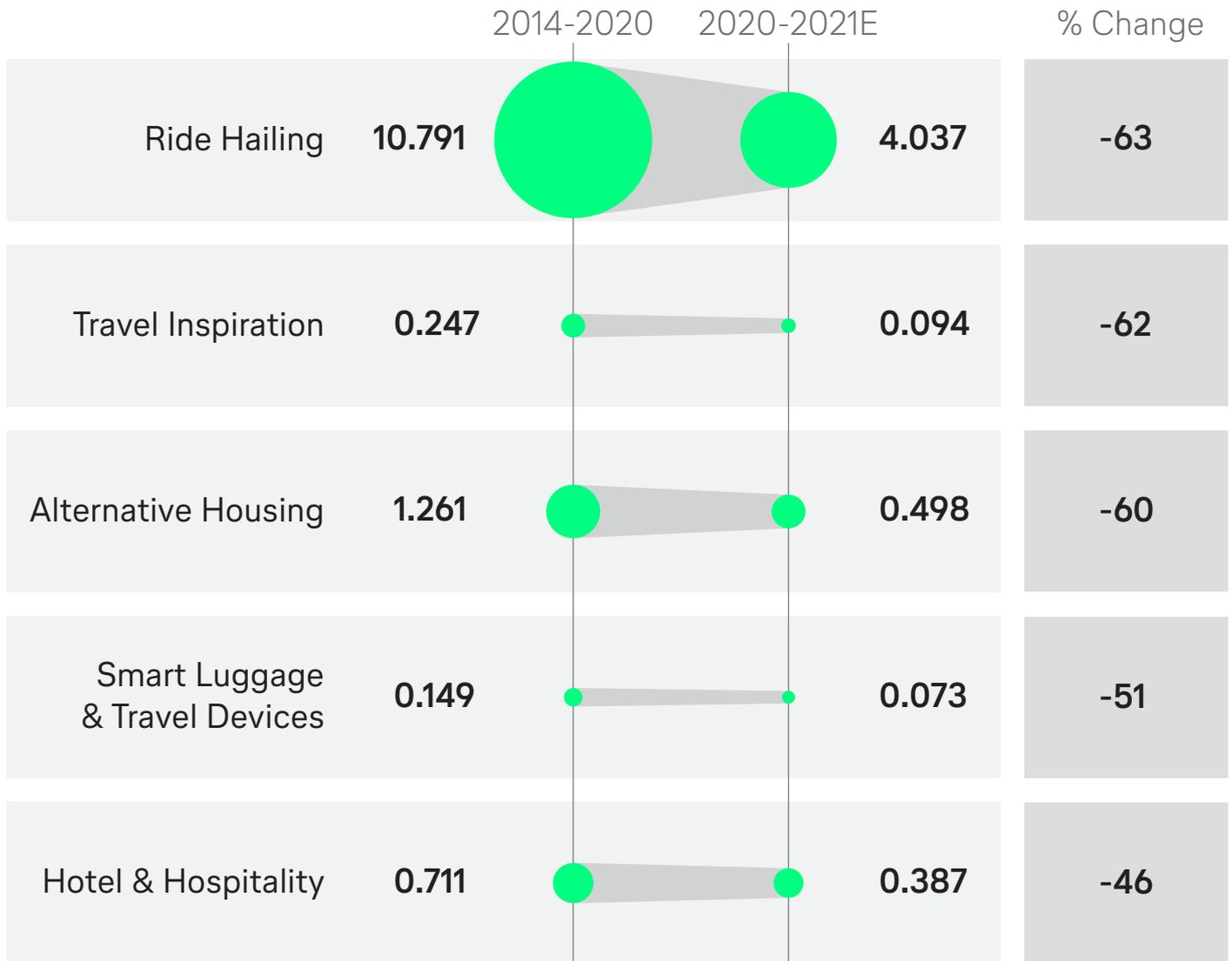


Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

It turns out that the surge in aviation startups is primarily driven forward by so-called “New Air Travel” players, which comprises air-taxi, space-tourism, and Uber-like on-demand aviation services, such as private jets offered by companies like Wheels Up, Surf Air, or Aero. While the rapidly increasing investor hype about promising eVTOL and space-tech companies is backed by several long-term market indicators, including major technology advances—see our [Air Taxi Report](#)—the private jet trend is directly related to soaring demand among the wealthy who avoided commercial flights but still wanted to get to their exclusive getaways during the pandemic.

The losers of the pandemic

Average yearly investment value (in \$B)



Source: Lufthansa Innovation Hub, TNMT.com, Pitchbook, Crunchbase

Contrary to pre-pandemic trends, ride-hailing—the most-funded startup category in Travel and Mobility Tech between 2014 and 2019—has arguably suffered the most throughout the past 18 months. Apparently, investors have shied away from continuously backing their long-time urban mobility favorites as the pandemic has made the idea of sharing a car with strangers a lot less appealing for travelers than before. Such changes could have a lasting impact on transportation preferences, even when the virus fully recedes.

Conclusion

The pandemic has increased financial pressures on travel and mobility companies, particularly smaller, early-stage startups who usually have little savings to prepare for economic downturns as experienced during the past 1.5 years.

But our analysis has also shown that despite this very challenging economic environment, the overall Travel and Mobility Tech startup ecosystem continues to grow, innovate, and raise significant funding amounts.

Particularly interesting are changing investment patterns across the major categories of Travel and Mobility Tech. As consumers now consider shared modes of transport, such as ride-hailing, less safe than private modes (see also our [Category Heatmap](#)), investors are shifting their attention away from the long overhyped shared mobility sector—except for e-scooters and shared bikes, which continued to score mega-rounds as they were one of the only ways to get around town in the pandemic without having to touch or talk to other people. Instead, other modes of [new transport](#), e.g. air taxis, private jets, and autonomous vehicles, experienced a tipping point in financing support during the pandemic. Similar shifts took place in the hospitality space where short-term vacation rentals have been [perceived as safer than hotels](#), therefore, also experiencing a funding revival.

We also witnessed the rise of payment startups as travel subscription and innovative pricing models popped up during the pandemic in an attempt to establish more recurring revenue models—a logical move for many travel

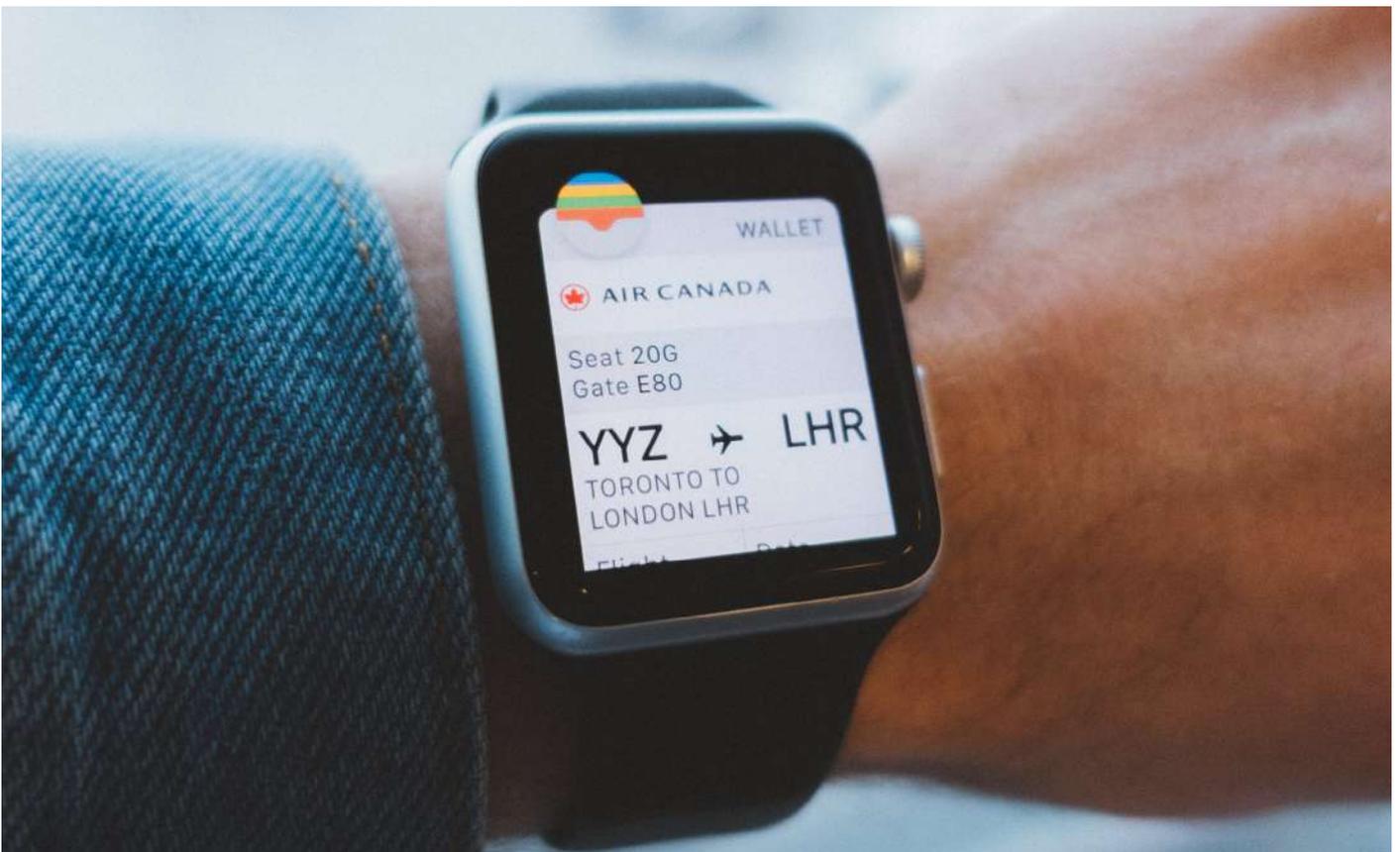
and mobility providers in these cash-strapped times. Also, the synergies between insurance and travel have become particularly relevant during the past year, for instance, in the form of customized insurance, as opposed to the traditional one-size-fits-all offering, to drive forward personalization in the travel context.

Whether the classic travel clusters of B2C online booking platforms will fully return post-pandemic remains to be seen. It's too early to draw final conclusions as travel bans and restrictions make it hard to identify structural, long-term changes in travel behavior on the consumer side beyond a rapidly growing interest in camping, outdoor recreation, and RV rentals.

However, as consumer confidence in the travel and mobility industry is expected to only gradually recover in the months to come (despite strong signals for "[revenge travel](#)"), we expect technology-heavy startups to lead the way in strengthening the infrastructure side of travel and mobility applications. An example of this would be software connecting different modes of transport or equipping booking platforms, for instance in the short-term rental space, with APIs and analytics solutions to offer more inventory and better data-driven management tools of properties.

In summary, a crisis always is a chance for structural re-distribution and leapfrogging, especially in the travel and mobility context as illustrated by our sector analysis. But if there's one thing people will always do, it's travel. Therefore, we continue to be extremely bullish that the overall Travel and Mobility Tech sector will continue to expand and evolve.

Definition of Travel and Mobility Tech



The data in this report is based on a comprehensive start-up database by the Lufthansa Innovation Hub. It contains all relevant companies with a technology component offering search, inspire, and booking services as well as travel planning, on-demand travel sites, urban mobility (e.g. ride-hailing), tourism and hospitality (e.g. alternative housing) along with specific niche segments such as travel support (e.g. virtual assistants), enterprise travel, and travel-related data analytics. We consider both B2C and B2B startups with an initial proof of concept (usually indicated via a disclosed VC-backing).

Disclaimer

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