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2018: THE POST-TURMOIL YEAR OF TURMOIL

NOTE FROM THE CEO

The Skift Megatrends annual package is the largest annual effort from the Skift global editorial team. These Megatrends defining the future of travel in 2019 and beyond reflect our work on connecting the dots through Skift's intensive daily editorial and long-term Skift Research coverage of various parts of the travel industry, our hundreds and hundreds of hours of talking directly to the leaders and operators in the travel industry, and our surveys, interviews, and focus groups with travelers throughout the year.

Twelve other travel Megatrends from Skift in this annual package speak about tech-enabled upselling entering a new era; emerging destinations reacting against overtourism with a push for meaningful growth; low-cost carriers around the world running into various headwinds in the face of rapid growth and competition from mainline carriers; online booking companies really scrambling for the next phase of their growth and stumbling and succeeding in various ways; the next phase of travel loyalty programs; and labor issues and shortages becoming a bigger and bigger issue for hospitality sector companies, among other trends.

As Skift grows in various geographies around the world and our brand moves into covering the travel-adjacent sectors of dining and wellness, we will continue to cast a wide net on the ways travel is changing the world and vice versa, our original promise when we launched Skift six years ago.

Travel's larger role in the world is now a given, and we at Skift continue to push and prod the industry in various ways, even if sometimes that means pointing out the uncomfortable truths about the travel sector. That's what I did in my piece in August on the "21 Uncomfortable Truths That I Have Learned About the Travel Industry" as I saw it, a story that generated tons of reaction from the industry.

We will continue to serve in the watchdog+innovator role at Skift as we grow; the Megatrends we present here fit into that larger narrative arc we have created.

Please let me know if you have any feedback for our work here, or if you would like for us to help you and your company understand the larger Megatrends affecting your business. Email me at ra@skift.com.

Regards,
Rafat Ali
CEO and Founder
Skift

The bigger picture Skift is watching in the coming year will surround the settling down of gains made by the travel sector in 2018 — the recovery of many regions around the world — while the larger turmoil in geopolitics continues to play out. This seemingly contrary faultline — ongoing turmoil as the new normal and travel's continued rise in all parts of the globe — in my opinion is one of the most fascinating tensions to watch in the world.

The other major battle we're following is the big tech backlash. The year 2018 proved to be the year of tech backlash, as we predicted at the start of this year. Will these platforms clean up the mess of hyper-addictive products, fake news blight, and digital harassment issues? It looks like at least they are moving toward giving consumers more control over data, though regulation seems to be where we're heading.

In travel, there is more consciousness over giving more control to consumers as well while building in serendipity and surprise, and our flagship Megatrend for 2019 speaks to that. That Megatrend alone casts a big net across product, marketing, tech, and sales for every travel brand creating experiences for travelers.



HOW HYATT IS TAKING STEPS TO INCORPORATE WELLNESS INTO EVERY ASPECT OF ITS BUSINESS

► Skift Take:

With so many hospitality brands jumping on the wellness bandwagon today, the companies that are actually going to resonate with customers are those that create true opportunities for customers to enhance their wellbeing.

Wellness has become the trend du jour across the hospitality industry as of late — there’s been no shortage of brands sporting imagery of a guest thoughtfully “zenning out” in a yoga pose or at a hotel spa in the last few years. But Hyatt believes true well-being goes way beyond some updated branding and a few healthy food options. Hyatt is making a promise to care for its guests and colleagues both inside and outside its hotel properties.

SkiftX spoke to Mia Kyricos, Hyatt’s senior vice president, global head of wellbeing, about how the company is integrating wellness into not only its spas, menus, and fitness centers, but its larger brand values and business philosophies.

SkiftX: Where does wellness fit into the equation for Hyatt?

Mia Kyricos: Hyatt’s growing focus on wellness is unique in the marketplace in that it did not stem exclusively from a particular product or service, or the wellness brands we’ve incorporated into our organization. We view well-being as more than spas, fitness centers, and healthy food options on an in-room dining menu. We offer these types of amenities and options, but well-being at Hyatt is ultimately driven by our purpose — we care for people so they can be their best.

We think of wellness as the road and well-being as the destination you hope to reach, and this journey is personal to each and every one of us. There are detours, of course, like work, the weather, the environment, or even politics, but we empathize with these realities and aim to positively impact how our guests and customers feel, fuel, and function every day.

SkiftX: What exactly does a “global head of wellbeing” do?

Kyricos: At Hyatt, this role is about realizing our purpose, and that comes to life by building on our current foundation to further incorporate well-being into our DNA. Commercially, that means considering the value proposition of our brands, the cultures we work in, and the needs of our most loyal guests and customers. It also means looking at the traditional wellness areas of our hotels, like spas and fitness centers, while also considering how to make wellness transcend the four walls of our hotels, and the relationship we have with our guests both during and in between their stays.

Internally, it’s about focusing more on how we work, rather than what we do, and making the culture of care and well-being something that can be felt across our workforce. The fact that

Hyatt has created a dedicated position to set the vision and strategy for well-being, both internally and externally, which speaks volumes about how seriously Hyatt takes its purpose.

SkiftX: How is Hyatt integrating wellness options into its World of Hyatt loyalty program?

Kyricos: Amy Weinberg, senior vice president, World of Hyatt & consumer insights, has been very focused on integrating well-being into the World of Hyatt loyalty program. One example of how we’ve brought this to life for members is by providing access to complimentary Exhale fitness classes when staying at our hotels. Additionally, we’re making Exhale On Demand, a platform to stream Exhale fitness and meditation classes, available for guests to access in over 19,000 Hyatt Place and Hyatt Regency hotel rooms in the U.S.

We’re also committed to our members’ well-being when they’re not traveling, evident by the recent integration of Exhale into World of Hyatt, where members can earn and redeem points for Exhale fitness classes and spa therapies. This is the first integration of its kind and was a collective effort with the World of Hyatt team and Exhale CEO Annbeth Eschbach.

World of Hyatt also recently launched FIND, a new well-being experiences platform, which was shaped by consumer interest in experiences over “things” and transformative travel. Through this platform, eligible World of Hyatt members can earn and redeem points on a curated selection of well-being experiences, both in and outside of hotel stays. FIND allows us to provide members with more value and care while aligning with our overall well-being focus.

Well-being is also part of the new World of Hyatt credit card, which allows cardholders to earn twice the points on fitness and was the first of its kind to reward self-care. These are all examples of how Hyatt thinks and approaches wellness and well-being differently in the marketplace, and stands to make wellness and well-being a greater part of our overall DNA.

SkiftX: What else is Hyatt developing in the wellness space?

Kyricos: We have a lot of exciting things in the works. Internally, we’re piloting a program to help colleagues find their own paths to well-being. We’re also working with a partner company to help colleagues learn how to better manage their energy, whether at work, home, or play.

Commercially, we’re piloting new products and services with our wellness brands, Miraval and Exhale, to learn how to have the most positive impacts on the health and well-being of our guests and customers. Creatively expanding those brands within our portfolio continues to be a priority, as is leveraging the decades of expertise they offer in the areas of spa, fitness, mindfulness, and holistic well-being in other ways.

SkiftX: How do you determine the return on investment of well-being?

Kyricos: We focus on what’s in the best interest of our colleagues, guests, and customers. We also look at data and research from organizations like the Global Wellness Institute that provide insight into the business of wellness to prove that these investments are indeed worth pursuing in the travel industry.

For example, wellness tourism is growing twice as fast as global tourism. And we now know that wellness tourists are spending between 50 percent and 180 percent more than their average counterparts. So the opportunities and demand for well-being are there — and it’s clear that they’re here to stay.



Mia Kyricos ►
Senior Vice President,
Global Head of Wellbeing,
Hyatt

BRANDS GIVE TRAVELERS MORE CONTROL OVER THEIR EXPERIENCE

► Skift Take:

Creation is the new consumption, as travelers weary of commodity travel seek to have a more active role in curating their experiences, and digital platforms more seamlessly mediate in-trip discovery increasing the opportunity for serendipity.



Writer: Andrew Sheivachman

Sponsored by 

Illustrator: Vanessa Branchi

Booking a trip is complicated, with dozens of platforms and providers jockeying to sell accommodations, flights, and experiences. Yet as travelers have become wiser and more empowered by digital tools, they are now looking to more actively determine the shape and contours of their trips when they are already in a destination.

Having an increased level of choice and flexibility at the fingertips of travelers will lead to a new era as travel brands act as trusted guides and enablers of the rarest and most valuable travel phenomenon: serendipity.

The emergence of co-creation and collaboration between travel company and traveler has become perhaps the most impactful change the industry has seen, the end result of a long period of digital development by the global travel sector. The control that travelers now have during every phase of their trip will begin to revolutionize the sector starting in 2019, and smart travel companies are paying attention to ways they can empower their customers without eroding the value of their brand.

For decades, the online travel revolution didn't really extend to the tours and activities travelers experience during a vacation. Companies like Expedia and ITA Software pioneered the software that undergirded e-commerce for flights in the late 1990s, while Booking.com helped to bring online the long tail of hotel properties in Europe and around the world over the last decade-plus.

Today, the tours and activities sector is undergoing a similar expansion in the digital space. There are numerous reasons for the slow speed of digital adoption, ranging from the extreme fragmentation of tour operators to the buying habits of consumers, who tend to book activities anywhere from a few days before their trip to a few hours before a tour takes place, limiting the need for robust online booking.

As travelers choose travel apps over a hotel desk or information booth for booking tours and activities, though, a major opportunity has emerged for established travel brands to sell those activities alongside their usual products.

Travelers want more control over their trips than ever before, and new digital tools allow them to co-create a trip within the structure of the apps and services they already use. The technical plumbing is now in place to allow a new wave of engagement with travelers from a wide range of industry giants ranging from Google to TripAdvisor and relatively new players like Airbnb.

It's still early days, but Airbnb has made one of the most robust efforts to integrate its Airbnb Experiences venture with its traditional homestay product, accompanied by a recommendation-fueled itinerary management service baked into its mobile app.

"We so far have seen that hosts can be empowered to provide something that hits their passion and also makes the guest's trip a lot better," said Joe Zadeh, Airbnb's head of experiences. "We are seeing the growth experiences to be even faster than the growth of our personal homes visits because we already have an engaged travel audience that wants to have a real local experience."

Google has straddled both sides of the line this decade, providing flight and hotel booking tools to consumers while also deploying the capability for travelers to track their itineraries using Google services.

Over the last year, there has been a major convergence emerging from both sides of the company's bifurcated strategy; the Google Maps app now serves up dining and activity recommendations, while the company's traditional

travel selling efforts have become integrated in a more robust way into Google's wider suite of technology tools.

Want to track that affordable flight to Paris for your anniversary in six months? Want to remember that hipster coffee shop in Austin for your next visit? Now you can do it seamlessly inside Google's ecosystem with proactive notifications from Google services.

TripAdvisor launched a social networking platform to allow users to save and then book elements of a vacation when they are ready to travel. Enabling travelers to choose, instead of pushing them offers and deals they don't want, will soon become the new normal for smart travel brands.

Travelers no longer have to spend hours before a trip pricing out activities or manipulating the timing of their trip for the best experience; they can now do so via the same apps they've used throughout the planning process, pulling from options they've already saved to their account.

Global hotel brands are also getting into the game, with a slightly different calculus behind their strategies. A major problem faced by hotel and flight providers is frequency of use by customers; most people travel a couple times a year, and many never travel.

So how do you encourage existing customers to visit your platform more often while attracting those who don't travel to your travel brand? By building a platform with relevant products for locals in addition to travelers. Local residents also eat at restaurants, need on-demand deliveries of purchases, and crave unique local experiences showing them the parts of their city they have never seen.

AccorHotels' AccorLocal program is the first example of what these platforms will look like, using the company's hotels and local connections as a services platform for Parisians. Why not book a spa treatment at a hotel, then follow it up with dinner at the property's best restaurant?

Airlines, too, have moved to sell better seats, lounge access, and in-destination experiences in more integrated ways than ever before. While

TRAVELERS WANT MORE CONTROL OVER THEIR TRIPS THAN EVER BEFORE, AND NEW DIGITAL TOOLS ALLOW THEM TO CO-CREATE A TRIP WITHIN THE STRUCTURE OF THE APPS AND SERVICES THEY ALREADY USE.

global airlines are reaping a financial windfall by charging fees, an even bigger opportunity is to become more deeply integrated into the wider trip booking and planning experience for customers.

Travel companies face a major challenge as they concoct marketing efforts to educate travelers about the options available to them in a world where the boundaries between travel sectors are breaking down.

The coming changes will also flatten the ecosystem, allowing smaller providers of experiences and services to compete against enormous legacy companies retooling on the fly to capitalize on a future defined by co-creation. As companies like Amazon and Uber have shown, consumers value convenience and affordability above all else.

The wise, empowered consumer of the future will choose the travel services that suit them best instead of incumbents. Control is power, and travelers want more.



Announcing the all-new VisitDallas Experience Center.

A revolutionary addition to Klyde Warren Park in downtown Dallas, blending best-in-class customer service with mixed-reality technology to immerse visitors and residents in a personalized journey through Dallas.

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BEHIND THE SHIFT FROM **DESTINATION MARKETING TO DESTINATION MANAGEMENT**

► **Skift Take:**

The role of destination marketing organizations (DMOs) is evolving and expanding into destination management to elevate the customer experience more intentionally.

Today, leisure and business travelers are sharing their experiences over multiple online channels, and in doing so, they're taking over the promotion of the destination, for better or worse, on a scale far greater than any tourism board could.

As such, the most progressive DMOs are developing new partnerships with local organizations to improve the destination experience, based on global trends reshaping consumer expectations in the global visitor economy. So much so that many destination leaders are now calling themselves "DMMOs" — destination marketing and management organizations.

That shift is manifested in many different ways. VisitDallas, for example, developed the Margarita Mile by creating a collection of top bars and restaurants that each celebrate the frosty cocktail in innovative ways.

Through the destination management initiative, VisitDallas staked a claim that Dallas is the "Official Home of the Frozen Margarita," as the frozen margarita machine was invented by Dallas restaurateur Mariano Martinez in 1971. However, the Margarita Mile is much more than a collection of the best and most brazen margaritas in the city, conveniently located in a colorful mobile application. The app also helps visitors discover great neighborhoods, restaurants, and bars across the region that they may have never found otherwise.

In another very different example of destination management, VisitDallas built a statewide coalition of tourism and non-travel-industry partners to successfully defeat discriminatory legislation that would have degraded the visitor experience for convention attendees visiting the city.

At the end of the day, destination management, or what some refer to as destination development, is about customer experience. Just like any other industry worldwide, all brands prioritize a customer-centric approach to compete in a national or global marketplace.

VisitDallas Curates the Customer Experience From Inside-Out

According to Phillip Jones, president and CEO of VisitDallas, the destination marketing organization views customer experience as over-delivering on what people expect, while bringing to life all of the surprising little touches along the way. In 2016, VisitDallas developed an entire department — and a C-level position — around this concept, making it the first DMO in the country to move in this direction. It's putting visitor experience at the top of everything it does by becoming a much more involved concierge for the city.

In effect, the organization is moving from an information curator to an experience curator by leveraging its knowledge of global tourism to drive innovation in customer service locally.

"VisitDallas is committed to making the total visitor experience our number one priority," said Jones. "We are hiring top talent within, as well as training all front-line hospitality employees to deliver on memorable moments and top shelf customer service."

The department works with industry partners including airlines, nightlife, shopping destinations, hotels and resorts, arts and culture facilities, attractions, and more to collaborate and provide the best experience for all visitors.

VisitDallas goes beyond just getting a visitor to their city. It strives to build an overall experience that keeps them coming back and sharing their stories with family and friends.

For example, in an effort to truly drive the experience design, VisitDallas partnered with Southwest Airlines to build the Customer Service Master Class, "It's Hospitality Y'all," to train front-line hospitality employees on how to best create and deliver on the airline's customer experience. The immersive one-day event brought together everyone from restaurant service staff to hotel employees to learn how to deliver a unique and inclusive experience from some of the best in the business.

The training encourages hospitality employees to go above and beyond to ensure visitors coming to Dallas are greeted with the Southern Hospitality the city is known for, and feel at home from the minute they step off a plane, sit down at a restaurant, or walk into a hotel lobby. The customer service training has pop-up sessions throughout the year and culminates with an annual Master Class at Southwest Airlines.

Expert Leadership takes the Experience to the Next Level

To ensure the success of the VisitDallas Customer Experience department, VisitDallas CEO Phillip Jones brought in a hospitality expert to completely disrupt the destination management sphere. Renee McKenney was hired as chief experience officer (CXO), and brings nearly three decades in the hospitality field to VisitDallas, most recently working as national sales director for Disney Destinations — the Walt Disney Company.

McKenney believes there are three key elements to delivering a great customer experience: listening, discovering, and personalizing. By working with visitors and listening to and understanding their needs, VisitDallas is able to craft trips based on individual motivators.

Looking ahead, the future state-of-the-art VisitDallas Experience Center in the newly expanded Klyde Warren Park is revolutionizing the traditional Visitor Center — blending best-in-class customer service with interactive technology that tells the story of Dallas. Using a variety of mixed reality platforms, the Experience Center will immerse visitors in a personalized journey unprecedented in North America.

The design and construction of the 20,000-square-foot pavilion, which will house the Experience Center, is scheduled to begin in 2019, with completion expected in 2023.

VisitDallas aims to design all kinds of experiences that leave a long-lasting impression. Whether you are a native Texan or from hundreds of miles away, Dallas has a way of always coming to top of mind.

Dallas brothers Jason and Michael Castro, of "American Idol" fame and the band CASTRO, were so inspired by the experiences they've had in their city, they worked with VisitDallas to write the song "Forever Texas."

"We wanted a song to represent our city, and CASTRO was the perfect voice to capture Dallas' essence in a catchy tune," said Frank Libro, chief marketing officer of VisitDallas. "They have an incredible story that represents Dallas' can-do attitude. We are excited to have them as ambassadors to our city and think it will be a song everyone will be singing along to."

Now, visitors and locals alike can sing along and recount all their BIG experiences. To top it off, there is a music video that features CASTRO's favorite Texas spots, from the Deep Ellum neighborhood, to the State Fair of Texas at Fair Park, green space in Klyde Warren Park, and margaritas at Beto & Son in foodie heaven, Trinity Groves. Check the video out at www.VisitDallas.com/ForeverTexas.



PREMIUM MEDIocre GOES MAINSTREAM

► Skift Take:

Despite what the name might suggest, premium mediocre isn't necessarily something bad. It's just that after a while consumers are going to cotton on to the fact that simply adding avocado to every meal doesn't always make it more luxurious.

Writer: Patrick Whyte

Illustrator: Vanessa Branchi

When writer Venkatesh Rao coined the term “premium mediocre” in 2017, he probably didn't realize how well it would end up describing the zeitgeist.

It's a phrase fit for our sliced-and-diced times where companies are increasingly looking for new ways to sell us average products at luxury prices. It doesn't matter which part of the sector you look at, airlines, hotels, and tour operators are all trying it.

Premium economy isn't a new concept in the aviation industry. What is new is the way they have divided up regular old economy. Legacy carriers have copied the likes of Southwest, Ryanair, and most notably Norwegian and introduced new fare classes.

Sometimes they are offering customers an inferior product at the same price. At other times, they are trying to convince us to part with a bit more money for something that looks slightly fancier. It's marketing 101 redefined for the Instagram generation.

In March 2018, Virgin Atlantic split its economy product into three different segments: economy light, economy classic, and economy delight.

Economy light is a carry-on only fare and is similar to what other transatlantic carriers have done. Economy delight, however, is a different beast. It is trying to convince passengers to part with an extra \$127 or so based on a random search for flights between New York and London. And what do they get for that? Mainly, a bit more legroom and priority check-in and boarding.

Rao identifies millennials, especially those on the urban east and west coasts of the U.S., as the prime audience for the premium mediocre phenomenon. Perhaps because this group — and it's the same in Europe, Asia, and Africa — is acutely aware of its standing in society with a desire bigger than any other generation to be seen in a certain way.

Rao calls them the “rent-over-own, everything-as-a-service class of precarious young professionals auditioning for a shot at the neo-urban American dream.” It is this group of people that companies are targeting with their premium mediocre offerings. You can tell because of the number of hotels now offering avocado toast — or avocado anything — with their breakfasts.

Premium mediocre consumers are aware they are consuming premium mediocre goods, but do so anyway. It is not “clueless, tasteless consumption of mediocrity under the mistaken impression that it is actual luxury consumption,” Rao argues, rather it is “dressing for the lifestyle you're supposed to want, in order to hold on to the lifestyle you can actually afford — for now — while trying to engineer a stroke of luck.”

Airlines aren't the only travel sector tapping into this cultural movement. Tour operator Thomas Cook is consciously going after the millennial market with its new branded hotel product: Cook's Club, which goes further than avocados by actually talking up its vegan food offering.

It's the same in the next generation of boutique hostels. As the CEO of Generator, Alastair Thomann, said: “You're charging 4-star rates and you're offering a 2-star service, which is what makes it so profitable.” By picking a design-led “luxury” hostel over the nondescript regular, variety consumers are signalling willingness to make a premium mediocre choice.

Boutique hotel pioneer Ian Schrager has long talked about the split within high-end hospitality and this inspired him to launch Public hotels. The concept of luxury-for-all, while not quite the same as premium mediocre, touches on some similar themes.

Rao's essay, which appeared on the Ribbonfarm longform blog, looks a lot at the consumer

responses to premium mediocre but is also worth examining from the point of view of marketing departments. Crucially, premium mediocre doesn't mean something is bad — who doesn't want extra legroom and avocados every day? — it's just about giving the experience a name.

Would companies have been able to get away with calling something signature, or luxury, when it manifestly wasn't 10, 20, or 30 years ago? Doubtful.

In 2016, market research company Nielsen analyzed data from more than 30,000 consumers in 63 countries to look at consumer attitudes toward premium, which it defined as "goods that cost at least 20 percent more than average price for the category."

What it found was that premium demand is truly global. Between 2012 and 2014, the segment grew 21 percent in Southeast Asia and 23 percent over the same period in China.

Nielsen wasn't looking particularly at the travel sector, but even viewing examples elsewhere it is easy to draw similar conclusions.

"In many cases, successful innovation results from reimagining traditional category definitions," said Liana Lubel, senior vice president of the Nielsen Innovation Practice. "For example, the dairy category in the U.S. was stagnant but, by redefining the category to include dairy alternatives such as almond milk, brands were able to offer more premium products, and therefore bring new consumers into the category and re-engage lapsed consumers."

For decades, the most successful brands have been able to redefine their product offering, thus improving profits. But are we facing a backlash?

We live in an age of social anxiety where we signal what we are thinking through our choice of sandwiches — which, if you believe some people, is the reason why millennials can't afford to buy a house.

It's easy to forget that premium mediocre isn't a bad thing, per se, it's just that eventually consumers are going to wise up.

**PREMIUM MEDIOCRE IS
A PHRASE FIT FOR OUR
SLICED-AND-DICED TIMES
WHERE COMPANIES ARE
INCREASINGLY LOOKING
FOR NEW WAYS TO SELL
US AVERAGE PRODUCTS AT
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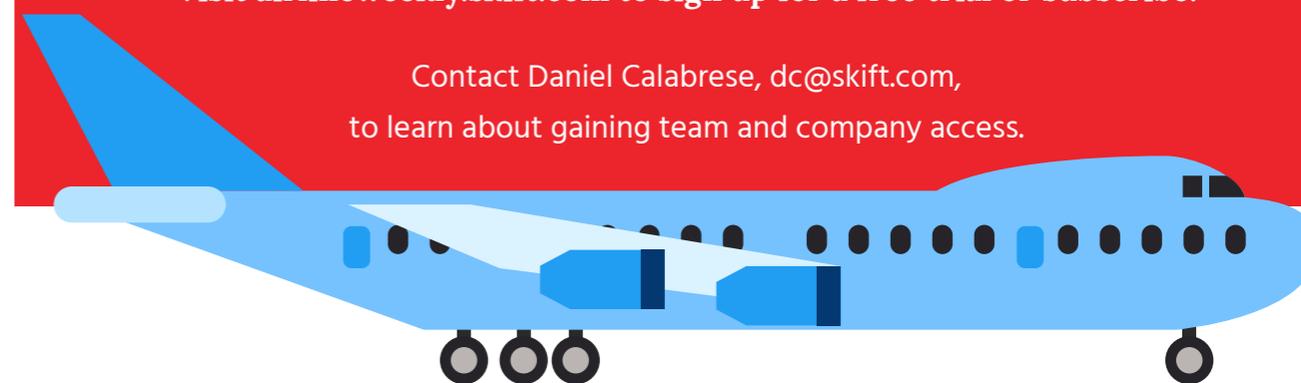
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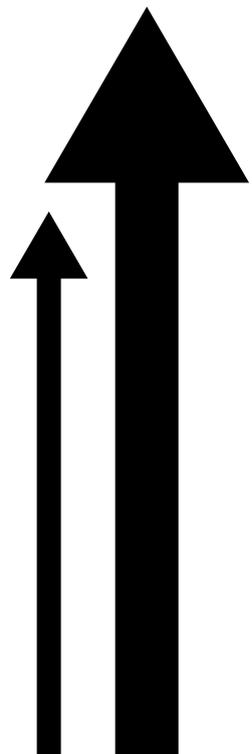
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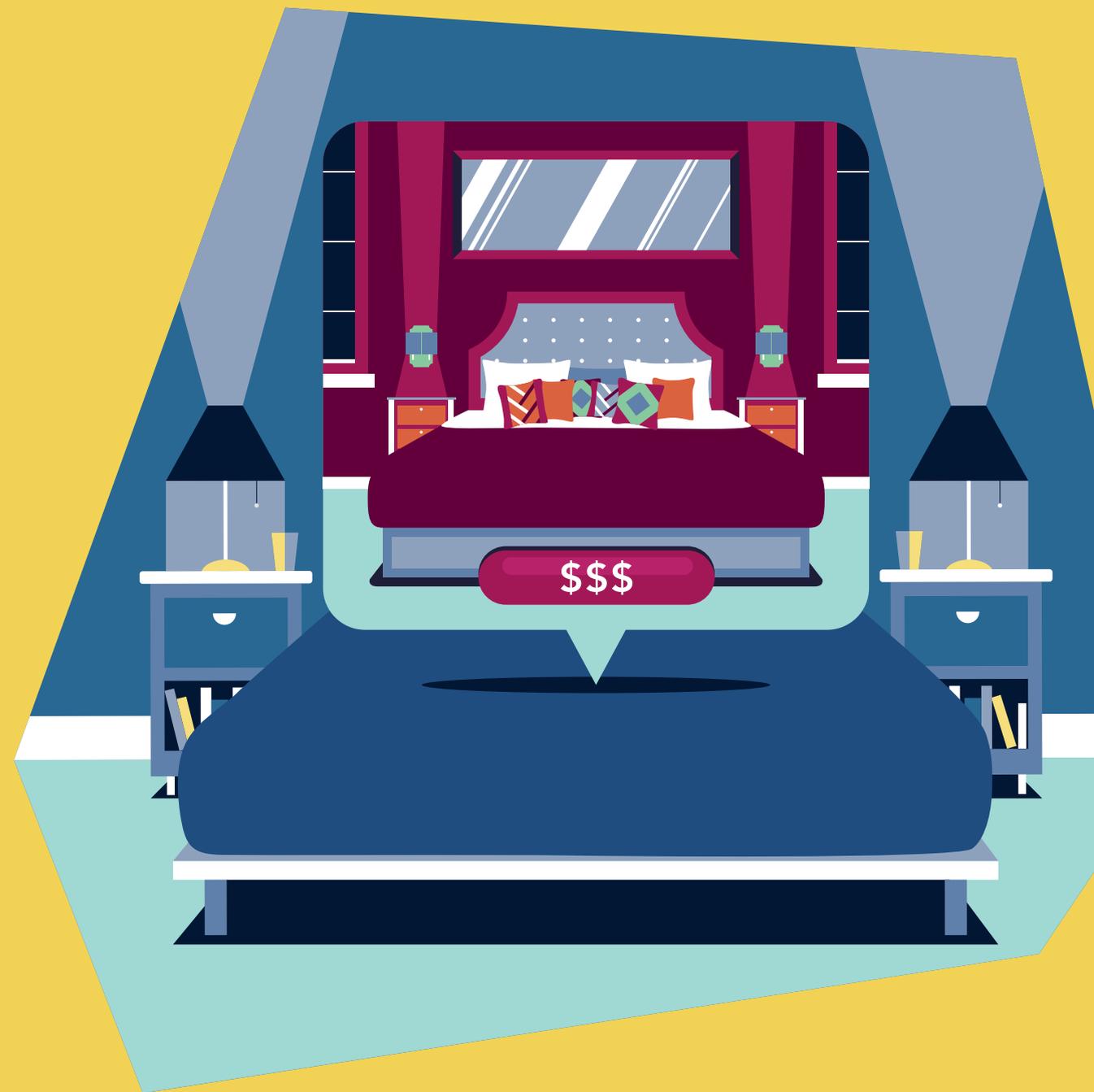
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TRAVEL UPSELLING GETS SMARTER THAN EVER



- ▶ **Skift Take:** Travel companies have long tried to woo their current customers into buying more, but their promotional tactics have tended to be generic and blunt. Not anymore. Brands are now adopting sophisticated technology to make their sales pitches relevant and effective.



Writer: Sean O'Neill

Sponsored by **CONVERSANT**

Illustrator: Vanessa Branchi

Travel brands are adopting next-generation marketing tools, helping to persuade more of their current customers to splurge on extra products and services in their never-ending quest to boost revenue on the edges.

No prizes for guessing that airlines lead the way. Carriers famously sell more than tickets to fly. They long ago pioneered charging for nearly everything. Now, like other travel suppliers, they're moving away from one-size-fits-all, open-to-everyone promotions.

Airlines have long known they could boost their sales of high-margin products and services if they better understood how to target relevant offers to different customer segments at ideal times. However, they struggled to do that because they had divided their customer information among a jumble of separate databases, such as reservation systems and customer relationship management software.

Today, airlines and other travel companies are solving that problem by merging the data in various ways. Some are pooling their information into so-called data lakes, where artificial intelligence-powered software connects the dots on customer behaviors and preferences. In this effort, the travel industry is taking cues from Amazon and other retailers, which are data-mining pioneers.

"Travel brands find they're more successful at upselling when they show only a few offers that match customers' likely interests," said Kabir Shahani, CEO of marketing tech firm Amperity. "Having an integrated view of all their data enables them to do that."

Airlines have also been giving travel management companies more insights into cross-sell options for corporate travel, such as adding ground transportation to a flight reservation. They're using new communication methods to talk with newly enhanced reservation systems from travel tech middlemen Amadeus, Sabre, and Travelport. More airlines this year will display visual representations of their ancillary products, such as access to expedited airport security lines, which will encourage agents to attach more products to corporate travel bookings.

For consumers, airlines are increasingly communicating with chatbots, which show promise as an upselling tool. Finnair, for example, debuted a chatbot via Facebook Messenger to help passengers book tickets. Finnair's bot has recently been suggesting ancillary products, such as a guided northern lights observation trip.

Chatbots make it easier to find out what a customer wants in the moment, and artificial intelligence can help companies provide relevant extras. If a Finnair customer asks about how to get from Helsinki Airport to downtown Helsinki, for instance, the chatbot can sell several ground transport options, such as a 48-hour public transit card.

Airlines are debuting new upselling tricks, too. A case in point: Many airlines send flight confirmation emails with the option to let customers add their trip details as an event alert in their digital calendars.

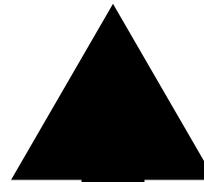
"Expect airlines in 2019 to start testing the calendar as a communications channel where they can remind travelers to book airport parking or activities at their destination," said Bruce Buchanan, CEO of marketing tech startup Rokt.

Other travel sectors besides airlines are upping their marketing games, too. Cosmopolitan Las Vegas found that hotel guests who text its chatbot, Rose, spend as much as 30 percent more than those who don't.

Hotels will be able to get more creative with upselling this year. Like the airlines have done, many hotels are linking their various databases together with the help of tech vendors such as Amadeus, Channex, Impala, Mews, Oracle, Sabre, and Shiji.

"Many hotel groups have centralized a customer's transaction, profile, and preferences data into a so-called golden record," said Tim Sullivan, chief revenue officer of hotel marketing tech firm Cendyn. "Now they can analyze a customer's record and tailor offers to what the person will have the highest propensity to like."

The lines between selling and upselling are beginning to blur. Some hotel groups, such as Hilton, InterContinental Hotels Group (IHG), and



TRAVEL COMPANIES HAVE LONG TRIED TO WOO THEIR CURRENT CUSTOMERS INTO BUYING MORE, BUT THEIR PROMOTIONAL TACTICS HAVE TENDED TO BE GENERIC AND BLUNT. NOT ANYMORE. BRANDS ARE NOW ADOPTING SOPHISTICATED TECHNOLOGY TO MAKE THEIR SALES PITCHES RELEVANT AND EFFECTIVE.

Marriott, have been experimenting with replacing the standard list of generic room types for a new booking interface, called attribute-based booking, on their direct websites and mobile apps.

"In an attribute-based booking, the concept of one-size-fits-all room types is eliminated," said Joe Youssef, executive vice president for marketing and corporate development at Amadeus' hospitality unit, which is providing the tech for IHG's effort. "Consumers instead select desired attributes that add an incremental price to the base room rate — for example, a king bed with a sea view on a high floor — to create a room that meets their needs."

The widespread consumer use of mobile devices is fueling in-the-moment sales pitches. Hotels have been learning how to time their promotion emails and push notifications with the help of data science.

"A big theme of 2019 for hospitality companies will be the improved timing of offers," said Jason Bryant, CEO of hotel upselling tech startup Nor1. "Hotels are now able to tap machine learning to know precisely when to send, say, a special discount for the hotel's restaurant or an invitation for a late check-out in exchange for a nominal charge, to a particular type of guest."

Online travel agencies will also increasingly use data science to become more effective at cross-selling products. In June 2018, Expedia debuted Add-On Advantage, which lets customers who have booked a flight or rental car see hotel rates that the company claims are up to 43 percent cheaper than booking a hotel separately.

Expedia Group CEO Mark Okerstrom explained why his company finds the move to be lucrative. "Generally, when hotels get booked with a flight or something else, you get lower cancellation rates, and you get longer lengths of stay," he said.

Smaller independent hotels are also trying upselling solutions. For example, in 2018, about 700 hotels signed up for upselling services from Amsterdam-based startup Oaky, in a sign of popularity for such functionality.

"Consumers also prefer marketing that's pertinent," said Justin Steele, vice president of product development at travel tech company Switchfly, which has seen semi-personalized promotions from its partners result in increased transactions.

To illustrate, American Express has curated a collection of luxury hotels and resorts it calls Fine, and it tends to reserve its marketing message for them to Platinum and Centurion cardholders who have top-tier status in airline programs. The reason? It believes those travelers are the type who would most enjoy the elite properties.

Cruise lines are finding that personalization can help with coaxing travelers into spending more money. Exhibit A: Regent Seven Seas launched an interactive mobile quiz where travelers could choose between various options to build the perfect Alaskan cruise. With each response, Regent learned about customers' latest preferences for excursions. The cruise line then emailed travelers promotions based on what it had learned thanks to help from marketing tech startup Jebbit.

Some consumers may grumble about what they see as a shakedown, but travel companies are looking at it differently. "Travelers are typically in a good mood when they've just booked a trip," said Buchanan of Rokt. "It's a moment when consumers are especially receptive to add-on offers, which can sustain the positive mindset."



THE PERSONALIZED APPROACH TO UPSELLING, CROSS-SELLING, AND EVERYTHING IN BETWEEN

Immense amounts of traveler data and advances in analytics technology have enabled travel marketers to effectively upsell and cross-sell throughout the traveler's purchase journey. These new tools and capabilities are allowing brands to generate more revenue from every booking. But success hinges on thoroughly knowing the traveler and recognizing them across all touchpoints.

For travel marketers, building a comprehensive view of each traveler requires understanding his or her interactions with a particular brand, purchase patterns with other brands, and engagement with the travel sector at large. In order to create a holistic view of a traveler and understand his or her likelihood to purchase add-on products, the following knowledge sets must be brought together:

- ▶ First party or internal data
- ▶ Data on spend with competition
- ▶ Historic trip-related spend data

This kind of in-depth traveler information enables marketers to create comprehensive traveler profiles for each individual. Do they prefer luxury hotels? Are they looking for a trip that the kids will love? When and where do they typically travel? How much do they spend annually in your travel sector? These details will help travel brands accurately identify the moments in the booking journey that matter most to the traveler, and the information and offers that will be most relevant based on his or her individual needs. Then, companies can activate the right marketing strategy and channels to engage the traveler, regardless of what stage of the buying process he or she is in.

Understanding a traveler on an individual level requires knowing him or her beyond a few specific transactions with a particular travel company or platform. Travel brands must have a deeper knowledge of where travelers book, when they are most likely to finalize their transaction, what devices they use, and what kinds of experiences they prefer. This shift to more people-based advertising not only increases share of wallet but also share of travel over time.

Personalizing Post-Purchase Ancillary Offers

Using aggregated data and machine learning, travel marketers can now more accurately identify their customers and serve custom messages, relevant upgrade offers, and other add-ons for their upcoming trips. This wave of personalized upselling and cross-selling is contingent on having access to travel purchase data — knowing that a person has booked a flight for a specific time or for a specific destination, for example. Then brands can activate trip-specific messages for that individual across their known channels and devices.

The travel industry is largely doing well with upselling and cross-selling during the post-purchase through email. However, most travel brands aren't currently able to identify the same traveler across digital channels. For example, the same data used to serve a traveler customized offers through display advertising on one site can also be used to serve an offer through a mobile app, but many travel brands aren't making those data connections. Better recognition of an individual across channels would enable the brand to connect not only through email but across the internet.

At Conversant, for example, we worked with an international cruise line that was looking to increase onboard revenue. In order to effectively do this, we helped identify existing guests for upcoming cruises, and then used profile data to determine which offers would be relevant to each customer. The existing guests were served relevant offers related to shore excursions or dining and beverage packages before they ever set foot on board. The campaign messaged upcoming guests that had already booked a cruise, resulting in 20,000 upgrade purchases and \$5 million in incremental revenue.

This campaign's success can be attributed to identifying those guests who were most likely to upgrade, and then connecting them to the right offer. Applying similar people-based marketing tactics to drive upsell and cross-sell initiatives throughout the consumer journey can yield additional incremental profit.

Finding the Moments to Upsell and Cross-Sell Throughout the Traveler's Journey

Upselling and cross-selling don't just apply to post-purchase activity — they should be an active part of the entire buying process. An integrated view of each individual will enable travel brands to know when to serve which message through which channel to effectively engage each traveler at every stage of his or her buying journey.

The purchase journey begins in the "dream" phase, when travelers begin to think of their next trip. Travel brands can get in front of the traveler in the early stages of their purchase journey, and strive to get a larger share in their overall travel transaction. As is the case when upselling or cross-selling after a booking, understanding each traveler on an individual level before he or she makes a purchase is key to gaining a larger share of an individual's travel spend.

For example, a travel booking platform can use historical purchase data to identify which traveler to target for packages during their initial search phases. If someone is searching for an airline ticket to Orlando, does it make sense to also show them a Disney World package? Or are they a regular business traveler to the Orlando area? Upselling and cross-selling while the traveler is still in the planning phase can sometimes help

to significantly simplify the booking process for certain kinds of travelers — and reduce wasted ad spend.

Using historical data and predictive analytics, a marketer can build comprehensive travel profiles and create moments for selling, upselling, and cross-selling. Data not only helps to identify the kind of vacation a traveler is looking for but also what elements of the vacation a traveler might be inspired by, allowing brands to anticipate his or her needs.

For example, if a person regularly books family-friendly vacations in March for their upcoming summer break, a brand can start engaging them with relevant offers — think family-oriented cruises or a beach resort with water slides and activities for kids — starting in February, leading up to that traveler's typical booking window. Then, when the person begins to plan the trip, this brand will be top of mind and can present customized offers at every step to increase its share of wallet. In essence, the brand is using their comprehensive traveler profile to build demand, as opposed to waiting for the traveler to start searching again. People-based marketing to cross-sell and upsell allows travel brands to be proactive.

Using this traveler-centric approach across the full traveler journey not only helps to drive incremental revenue for that travel brand, but also builds loyalty over time. Every ancillary sale has a direct impact on a company's bottom line. Smart personalization and data-driven strategies are no longer good-to-haves for travel brands. Both are essential for success.

By **John Ardis** ▶
SVP Client
Development,
Conversant



EVERYTHING IS CONVERGING IN HOSPITALITY



Skift Take: ◀

This is the year the hospitality industry starts seeing itself the same way its guests do.

Writer: Deanna Ting

Sponsored by  **SOJERN**

Illustrator: Bett Norris

If there's one common thread that we've seen throughout the hospitality industry in recent years — from vacation rentals and private accommodations to luxury hotels, timeshares, and hostels — it's that the traditional demarcations between lodging categories are all starting to blur.

Hostels are borrowing from posh luxury hotels in terms of elevating the guest experience. Midscale hotels are looking to hostels for inspiration on how to “activate” their public spaces. Camping has become glamping. The operators behind new boutique apartment rental brands like Lyric, Sonder, and The Guild are borrowing what they've learned from boutique and lifestyle hotels. And even homesharing is becoming more hotel-like with the advent of new products like Airbnb Plus.

And the truth is, while the industry itself may be puzzled by all these blurred lines, consumers aren't — or they just don't care.

“In the hospitality industry, there's this massive convergence taking place right now,” said Simon Lehmann, CEO and founder of AJL Consulting and the former CEO of Interhome, a Swiss home rental platform. “All different types of hospitality are becoming one, dependent on the consumer's requirement. The consumer is looking for whatever he requires at that moment from hospitality. Most people don't even know what they are booking, whether it's a serviced apartment rental or a hotel. The convergence taking place is not being driven by the hospitality industry, but by the consumer.”

Think about your own travels, and Lehmann's explanation for how everything in hospitality is converging begins to make more sense.

For instance, a traveler might be traveling for work and prefers to stay in a traditional full-service hotel, but if she brings along her husband, or her family, she might opt for a homeshare or vacation rental instead. One day, she might want to stay in a tent; the next, she might want to stay in a five-star luxury resort.

Does she particularly care about the type of accommodation that she's booked, or whether it's midscale or upper midscale? Likely not; all she cares is that it's a good experience that meets her needs for that particular trip.

IF THERE'S ONE COMMON THREAD THAT WE'VE SEEN THROUGHOUT THE HOSPITALITY INDUSTRY IN RECENT YEARS — FROM VACATION RENTALS AND PRIVATE ACCOMMODATIONS TO LUXURY HOTELS, TIMESHARES, AND HOSTELS — IT'S THAT THE TRADITIONAL DEMARCATIONS BETWEEN LODGING CATEGORIES ARE ALL STARTING TO BLUR.

Enabling the ability for a traveler to do just that is the tremendous amount of choice today's consumers have when it comes to lodging.

"We used to have four demand segments — commercial, leisure, group, or SMERF [social, military, educational, religious and fraternal]," said Bjorn Hanson, clinical professor at the NYU Jonathan M. Tisch Center for Hospitality and Tourism. "Now, though, for every trip, it's a unique demand segment and consumers have more choices than ever before."

The Consequences of Convergence

If every individual traveler comprises his or her own demand segment, the implications for the industry go far beyond blurring categories, or borrowing ideas from different verticals. It means that the entire hospitality industry needs to rethink how it organizes itself, how it markets itself, how it develops product, and also how it sells it.

Organizationally, the hospitality industry can't limit itself to any one category: Hotels don't just do hotels anymore; hostels aren't just hostels; homesharing isn't just what we might think of as homesharing. Brands and the developers, owners, and management companies behind them need to think of themselves as hospitality providers first and foremost — and whether that hospitality is being provided in a tent, or in a massive 1,000-key resort, it has to be good, no matter what.

In other words, the product they're developing shouldn't be confined to traditional notions of what a hotel should be. And above all else, even budget accommodations must possess some baseline of quality; developers should strive for premium mediocrity at the bare minimum.

We also shouldn't be so focused on the room itself. The hospitality industry has, for years, likened itself to a business that essentially sells sleep, and while that's not necessarily changing, what is changing is the fact that hotels shouldn't just be selling rooms anymore. They're selling different combinations of features in a room, or

in a particular location or property, thanks to the advent of new guest reservations systems that make it easier to sell attributes.

While these blurred definitions or categories may also be causing some confusion or even a loss of brand identity for some traditional hospitality companies, they're also forcing them to rethink how they market themselves to consumers, too.

And if the hospitality industry really wants to take on the online travel agencies, big players need to think more like them — which they have for at least the past few years.

"If you look at what the platforms are doing, they are aggregating all of this content, all of this product, wherever they can," Lehmann noted. "The consumer chooses what her immediate needs are, and she expects a certain level of service."

The entire travel industry, hotels included, are selling entire experiences, as we've noted before. And as our overarching megatrend demonstrates this year, in this post-experience economy we've entered into, they need to sell experiences that are more than just commodities or that have become shallow representations of themselves. And the industry needs to begin marketing that all the more.

The hospitality industry has seen plenty of disruptions over the years, from the rise of the branded chain hotel to the boutique hotel, and now homesharing. And if the industry wants to continue to evolve — and to be able to absorb the next big disruption — it needs to recognize what's happening right now, embrace it, and think of how it can use this convergence to its advantage.

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PERSONALIZATION IN TRAVEL MARKETING: **MOVING BEYOND THE BUZZWORD**

As we learned from the Skift 2019 Megatrend, “Everything Is Converging in Hospitality,” hoteliers are shifting their focus from merely selling hotel rooms to acting as merchants and marketers who offer access to nearly every piece of the customer travel journey. The new objective is to deliver the perfect travel experience for each customer along every touchpoint on an individualized, trip-by-trip, basis.

But accomplishing this is no easy feat. As travel brands across all industry sectors are starting to realize, the process of understanding the customer journey and what travelers want in the moment requires a more tailored approach to marketing than what’s currently offered. It will require a willingness to take personalization to the next level, evolving beyond broad-based target segments and commodity products to offer exactly the right product, to the right customer, at the right time.

To do that, today’s top travel brands must get smarter about how they gather and use customer data, using that knowledge to deliver customized, real-time marketing at scale. Doing so will allow them to do their jobs better, provide a deeper understanding of their customers, and more personalized paths to purchase for the traveler. It will also allow for a smarter allocation of media dollars and marketing budgets, unlock more precise campaign targeting, retargeting, and optimization, and ensure better overall performance on campaigns.

Thankfully, travel marketers don’t have to make this leap on their own. With the help of technology partners like Sojern, travel brands can help

lay the groundwork for a more personalized one-to-one strategy moving forward. To better understand the changing role of personalization and how today’s marketing technology companies support this evolution, SkiftX spoke with Kurt Weinsheimer, senior vice president of Sojern, and highlighted key takeaways from the conversation below.

SkiftX: Tell us about your vision for the future of one-to-one personalized marketing in the travel industry. What’s changed, and what’s the broader opportunity for travel brands?

Kurt Weinsheimer: Personalization across multiple customer touchpoints has always been the goal for travel marketers. It’s not just a better brand experience, it’s the difference between winning or losing the booking. A recent study from Epsilon found that 87 percent of consumers are more likely to do business with travel brands offering personalized experiences.

What’s exciting is that the technology to execute on this personalization at scale is now becoming available. Major brands that invest in the right tools and partners can now combine demographic data with psychographic data, along with their CRM and loyalty data, as well as look at real-time trip intent indicators like search and booking data — all to power tailored marketing programs that systematically deliver timely offers and great customer experiences.

SkiftX: The longstanding model for travel marketing was built on this notion of targeting different “segments,” whether that was a business traveler, leisure traveler, or luxury traveler. Is that model helpful in this new era of personalization we’re describing?

Unfortunately a lot of the personalization happening in travel right now is missing this point. Travel is very occasion-based, so you need to understand the trip motivation for that person in that moment and then use that to determine how they want to engage when they’re in that situation.

The good news is that on any major trip, I’m going to be visiting websites and conducting searches literally hundreds of times prior to completing my planning and booking. Travel brands need to understand how to see those intent signals, interpret them, and act on them in a timely manner. Because I’m not a business traveler, or family traveler, or a romantic getaway traveler — I’m all those things. It just depends on the day and the hour that I’m there. Personalization has to be, I think, trip-based customization.

SkiftX: Are there any limitations with the industry’s current approach to personalizing its digital marketing and customer interactions?

Weinsheimer: I think the biggest challenge with personalization is when travel brands base their efforts on the activity of a very small number of loyal customers. Everybody thinks their loyal customers are devoted to them. But that’s not always the case. In addition, the vast majority of people that are coming to your hotel or airline are people that you’ve not seen before. This is where travel marketers have blind spots, where they try to take what they know about a very select number of travelers and push that out and then force that on everybody. On top of that, travel brands are limited by the data they can collect from loyalty programs and through a website visit or app engagement.

All of this is to say that even the most sophisticated and well-resourced companies can benefit from working with a partner with access to wider pools of data from across the industry to help them do things they cannot simply do on their own.

Sojern, for example, is able to see a traveler’s path-to-purchase across multiple competitor and travel planning sites to stitch together a more comprehensive view of how booking decisions

are made. This helps our clients find the right audiences — whether brand new prospects, competitive conquests, loyalty marketing, upselling, and more. With the huge amounts of data analyzed on our platform, we’re able to predict which travelers to target, at what time, and on what inventory source, with what message in order to influence a booking. This allows us not only to drive outcomes but also to maximize the return on our clients’ marketing spend.

SkiftX: If someone who’s reading this says, “Okay. How do I get started? What do I do next?” What would be your pitch for how to move forward?

Weinsheimer: The first step is acknowledging that your brand may have blind spots in its broader understanding of how travelers are thinking. Then you need to apply data science against your static personas. Don’t assume anything about a user. Let the data tell you what that user is looking to do, and test it against what the insights are actually saying their intent is versus what your “static” view thinks it is.

We can run that assumption against the hundreds of millions of users that we see in our algorithms, and potentially come up with different, more creative ideas and observations, and see what works. And that’s really leveraging our data, our platforms, and our insights on the back-end to understand what works, what didn’t work, and then iterate against that. Because we’re no longer in a world where you can run a campaign, see what happens, and take a break. You’ve got to be always on, all the time, so that you can iterate and grow, and so the models can learn on a minute-by-minute basis.

Kurt Weinsheimer ▶
Senior Vice President,
Sojern Inc.



UNDER-TOURISM IS THE NEW OVERTOURISM

Skift Take:

Skift has covered every angle of the overtourism debate for the past three years and the more we've reported on destinations at capacity, the more we've realized those places are outnumbered by many others that understand tourism is about quality rather than quantity.



Writer: Dan Peltier

Illustrator: Bett Norris

Now that the understanding of overtourism has essentially gone mainstream around the world, a parallel trend – undertourism – is playing out in some emerging destinations that are framing themselves as peaceful yet exciting alternatives to the packed streets of other cities.

As undertourism enters the industry's collective consciousness, offbeat destinations or those with new stories to tell are marketing immersive experiences that build relationships with people, places, culture, and community over Instagram-worthy photo ops and mass touring.

Destinations used to be satisfied with meeting visitor arrivals and spending goals that they set for the year and left areas such as economic development and destination management to other organizations. In recent years, overtourism has turned the destination marketing model on its head as many organizations realize their responsibility to either manage visitor growth before it's out of control or make a plan to not become the next Barcelona or Venice. In the short term, this might mean forgoing some revenue. But more destinations are acknowledging that a handful of affluent travelers are better than many cash-strapped tourists, and having the right plan increases the high spenders' likelihood to return.

Destinations increasingly say that they're committed to spreading tourism beyond congested areas to neighborhoods in need of tourism spending, or grow tourism during less popular seasons. But the dispersal approach, if successful, only marginally shifts the problem elsewhere rather than solving it. This approach is often taken before businesses in these neighborhoods are fully tourism-ready or willing to accommodate visitors, or before the off-season actually has compelling offerings that could rival the high season.

Muiderslot Castle, just outside of Amsterdam, recently rebranded itself to Amsterdam Muiderslot Castle in a bid to lure tourists from the city center. Amsterdam's tourism board is promoting the castle and Muiderslot's website, which assures tourists that the castle is easy to reach, but there is limited parking and taking the train or bus involves multiple transfers. Tourists don't want to worry about transportation, yet Muiderslot Castle is asking them to figure it out.

In the three years since Skift first defined overtourism, much of the global travel industry has completely changed its mindset for how it plans and manages tourism's many aspects. Destinations confronting overtourism head-on, such as Barcelona, Venice, and Kyoto, have admitted a problem, and others that don't yet have crowds are doing what they can to ensure their cities and towns don't become overrun.

We've already seen multiple destinations activate undertourism messaging in recent years. Oslo, for example, launched a campaign in 2017 that focused on "rescuing" tourists from popular cities like Paris and bringing them to Norway's capital where museums generally lack crowds, restaurant reservations are easy to get, and public parks have plenty of free space.

Post-peace deal Colombia hasn't wasted time shaping its new image with tourists and international investors. The city of Medellin, once considered one of the world's most dangerous as a center for drug trafficking, has focused on infrastructure investment for its residents as the city enters a new chapter. The mountainous city constructed cable cars to help residents get from their homes miles above the downtown core to the central business district, and it's quickly become one of the most successful municipal turnaround stories. Now that residents from the mountains can easily access the city center, they can also tap into the growing economic impact that tourism is bringing to the city in the form of more employment and cultural opportunities.

AS UNDERTOURISM ENTERS THE INDUSTRY'S COLLECTIVE CONSCIOUSNESS, OFFBEAT DESTINATIONS OR THOSE WITH NEW STORIES TO TELL ARE MARKETING IMMERSIVE EXPERIENCES THAT BUILD RELATIONSHIPS WITH PEOPLE, PLACES, CULTURE, AND COMMUNITY OVER INSTAGRAM-WORTHY PHOTO OPS AND MASS TOURING.

"I don't think Medellin is fashionable or anything like that, but more people are looking at it," said Ana Maria Moreno Gomez, director of the Medellin Convention and Visitors Bureau. "In the past, we put all the city's garbage in a mountain; now we've transformed that area into a garden."

Indeed, Medellin has embraced the green economy in the last decade as it discards its violent past. The city has made biodiversity and sustainability the face of its tourism value proposition, a refreshing decision in a world riddled with destination mismanagement and climate change.

Gomez said Medellin is creating more offerings outside of the city such as coffee farms so that those attractions help prevent overtourism within the city. "The new Colombian [President Iván Duque Márquez] talks a lot about the orange economy, which includes all of the creative industries such as arts and culture," she said.

Without a vibrant orange economy, tourism can't take root. More destinations are cultivating their orange economies in neighborhoods beyond their fabled tourism districts to get tourists interested, while ensuring these are long-term plans. "Now Medellin has a long-term tourism plan and each new administration can't change the plan," said Gomez.

Puerto Rico is another case of undertourism in practice. While parts of the island continue to struggle, Puerto Rico has also made significant progress in recovery efforts and bringing back tourism since Hurricane Maria in September 2017. Tourism officials are working to portray the island as an alternative to crowded Caribbean islands where U.S. travelers would likely spend most of their time at an all-inclusive resort rather than engaging with the local population and businesses. Tourism officials continue to promote the cruise business, but they want tourists to fly in and spend a week in a hotel where more tourism dollars often stay with local communities.

Kyoto, Japan, is different from Oslo, Medellin, and Puerto Rico. The Japanese city has been a well-known stop on a Japanese tour for years, but its profile has recently spiked as the Japan National Tourism Organization has launched marketing campaigns focused on getting travelers beyond gateway cities like Tokyo. The campaigns have

been successful in that tourism has grown, but they've created a prime example of the adage 'be careful what you wish for.'

Kyoto residents are angered by the traffic and congestion that tourism growth has caused, and the government has responded by running an experiment that analyzes cell phone data. The experiment is ongoing and tracks the time of day when the most cell phones are present in the destination, usually in the early- to mid-afternoon hours. Kyoto's Nijo Castle has already adjusted its opening times as a result of data that was gleaned from the experiment. As Japan's government has made tourism a key pillar of its economic growth in recent years – it is aiming for 40 million international arrivals by 2020 for the Tokyo Olympics – the tourism organization found that only 18.2 percent of local residents are satisfied with tourism.

Some tour operators have been fighting overtourism for years. Intrepid Travel, for example, published a "not hot list" for 2019 for Asia that promotes itineraries for alternative destinations such as "Sumatra is the new Borneo" and "Bukhara is the new Angkor Wat."

Global tourism arrivals hit 1.3 billion in 2017, according to the United Nations World Tourism Organization, and tourism arrivals have grown for seven straight years since the official end of the 2008 to 2009 global financial crisis. Post-financial crisis, many governments turned to tourism to help reverse course on their flagging economies, and that strategy helped to make tourism the largest industry in a tiny place like Iceland, which Skift covered in-depth in 2016.

Many governments, however, didn't anticipate that consumers' discretionary spending patterns would trend so dramatically to intangible experiences such as travel, and that's caused political and tourism leaders to rethink how, when, and where they market tourism. Amsterdam, Barcelona, Venice, and Kyoto still contain unknown treasures and unbeaten paths if you know where to look and when to go. The answer for these and other destinations is not to undersell because of overtourism but to adopt smart strategies for marketing the alternatives that tourists didn't know they loved.



MIDSIZE CITIES EMBRACE TRANSFORMATIVE PLACEMAKING

► Skift Take:

Midsized cities are smart to focus on transformative placemaking projects that will not only allow them to bridge together different economic strata and cultural communities, but become in-demand destinations for travel, events, meetings, and conferences.

Midsized cities around the world are focusing more on developing public spaces and venues that provide a forum for bringing together different communities and cultures. Today the success of cities in the global visitor economy is based in large part on their ability to connect a wide range of locals and visitors in places that celebrate progress, creativity, and innovation — which is becoming commonly referred to as "transformative placemaking."

While this theme has been inherent in the development of the world's global capitals throughout the centuries, midsized cities are embracing transformative placemaking more intentionally. Moreover, the strategy often prioritizes inclusive and equitable development that connects both high-growth and underserved neighborhoods.

Placemaking projects, ranging from The High Line in New York City's Meatpacking District to the creative tech community in Shoreditch,

London, have proven to be successful catalysts for economic development supporting the growth of retail, dining, entertainment, and cultural experiences.

Now, cities from Washington, D.C. to Abu Dhabi are transforming their neighborhoods with public spaces and venues designed to bridge communities among different economic strata and cultural makeup. Furthermore, the vision benefits cities in that these types of transformative placemaking projects are attractive destinations for leisure travel, festivals and events, and meetings and conferences of all sizes.

The 11th Street Bridge project in Washington, D.C., for example, is a high-concept architectural venue for public events, connecting the city's central core with the distressed communities across the Anacostia River. In San Antonio, Texas, the San Pedro Creek development is revitalizing the waterways between the central downtown



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business district and primarily Hispanic residential neighborhoods, where locals and visitors can explore local art and culture.

On a more global scale, the Saadiyat Cultural District in Abu Dhabi in the United Arab Emirates is home to world-class cultural facilities, ranging from The Louvre Abu Dhabi to The Guggenheim Abu Dhabi. In effect, the region is designed to bring the East and West closer together around arts and culture defining how people interpret place to define their identities.

This is transformative placemaking on an unprecedented level, bringing together governments, private industry, cultural organizations, and local community groups to create a new narrative for the region.



To learn more about how Abu Dhabi is bringing these different groups together and what the city's new narrative means for meeting planners and attendees, SkiftX spoke to Sultan Al Mutawa Al Dhaheeri, executive director, tourism sector, of Abu Dhabi's Department of Culture & Tourism:

SkiftX: How is Abu Dhabi differentiating itself from other cities in the region, such as Dubai, when it comes to meetings and events?

Sultan Al Mutawa Al Dhaheeri: The appeal of Abu Dhabi as a preferred destination for meeting and event organizers can be mainly attributed to the quality services, facilities, and unique visitor experiences it offers.

The facilities are located in some of the biggest and best hotels in the world, including Emirates Palace, The Ritz-Carlton Abu Dhabi, St. Regis Hotel Saadiyat Island, and the Yas Hotel, as well as the purpose-built Abu Dhabi National Exhibition Centre (ADNEC) — the most modern facility of its type in the Arabian Gulf. There are also some stand-out alternative venues, such as the Abu Dhabi Falcon Hospital and the state-of-the-art Yas Marina Circuit.

Business travelers can also enjoy a plethora of unique activities outside of the halls and conference rooms, such as the theme parks of Yas Island, the Louvre Abu Dhabi, the heritage of Qasr Al Hosn, the magnificence of the Sheikh Zayed Grand Mosque, the aforementioned Falcon Hospital, the sprawling Al Ain Oasis, and our famed desert safaris, as well as the Emirati Experiences initiative.

SkiftX: What are some common misconceptions about the city?

Al Dhaheeri: There are a lot of misconceptions about safety in this region. According to a recent survey from CEOWORLD magazine, Abu Dhabi is actually the safest city in the world. Numbeo, a website that curates global data about cities and countries, also found that it had a crime index of just 11.74 — any city below a score of 20 is considered very safe. Also, while Abu Dhabi is often associated with high-end luxury, it does not mean the city is overly expensive for tourists. Many hotels offer affordable packages and room rates to visitors, especially outside of peak season.

SkiftX: How is the city adapting to meet the unique needs of meeting planners and attendees?

Al Dhaheeri: As part of the Department of Culture and Tourism – Abu Dhabi (DCT Abu Dhabi), the Abu Dhabi Convention Bureau has launched its Advantage Abu Dhabi program, an incentive initiative designed to increase Abu Dhabi's value proposition and provide support through the entire event planning cycle.

This financial injection fund works to incentivize and inspire local, regional, and international entrepreneurs, institutions, and the business community to anchor a variety of best-in-class events in Abu Dhabi.

Abu Dhabi already offers accessibility, safety, affordability, support, and a uniqueness of location and innovative venues with cutting-edge technology. We're adding to the infrastructure through further developments which are designed to enhance the holistic Abu Dhabi experience, as well as provide new and unique venues to hold business events.

SkiftX: How is Abu Dhabi taking the needs of locals into consideration in how it develops its public spaces and infrastructure?

Al Dhaheeri: As the city continues to build assets and capabilities to enhance the Abu Dhabi experience for both residents and visitors, much of the new infrastructure that's being developed has to serve a dual purpose. Not only do these places have to offer new and unique venues for business events, but these venues have to offer something for residents to engage with after business is "concluded." Abu Dhabi's product strategy, for instance, is to develop several distinct districts, with clear value propositions for visitors across all three regions of the Emirate. For example, Manarat Al Saadiyat at Saadiyat Island is one such identified district. It not only provides a unique venue for business-related events, but also serves as a cultural and artistic hub for Abu Dhabi residents year-round through exhibitions, workshops, and outreach projects, as well as internationally renowned events such as Abu Dhabi Art.

SkiftX: How does this new development balance the local heritage and culture while still innovating and looking toward the future?

Al Dhaheeri: Manarat Al Saadiyat is one good example. Another is Qasr Al Hosn, the oldest structure in the city of Abu Dhabi. It recently opened after being completely renovated as a tourism and cultural destination in the heart of

the capital, but has been conserved to preserve its rich historic value. It will also feature new exhibition spaces with the very latest technology and will serve as a focal point for the community and a new option for meetings and events.

The core mission of the Department of Culture and Tourism – Abu Dhabi is to promote and protect the heritage sites that embody this history of our region so that they can inform future generations and engage the communities in which they sit. This goes hand-in-hand with our remit to position Abu Dhabi as a destination of distinction, which is attractive to meeting and event planners and business and leisure travelers.

Sultan Al Mutawa Al Dhaheeri ▶
Executive Director, Tourism Sector,
Department of Culture & Tourism - Abu Dhabi



ONLINE TRAVEL AGENCIES SCURRY FOR SALVATION BEYOND HOTELS

► **Skift Take:**

Online travel agencies will be around a decade from now, but food, activities, and rides will be a lot more important to them and their customers. The saplings of this future growth are already visible in 2019.



Writer: Dennis Schaal

Illustrator: Bett Norris

The online travel agency business over the last couple of decades has largely been built around selling hotel stays. But in 2019, there will undoubtedly be an acceleration of the drive to diversify their core businesses not only into apartments and vacation rentals, but also into tours and activities, restaurants, food delivery, and ridesharing.

The online travel agency future is wide open. Although it has more to do with marketing and business models than products, just consider that Booking Holdings over the last year and a half reversed long-standing practices and leaned into brand advertising instead of paid ads on search engines, and accelerated its use of the prepay merchant model over its mainstay pay-at-the-hotel agency model.

So anything can happen.

But back to the subject at hand, which is the diversification of online travel agency business lines, TripAdvisor has been a leader in the march away from hotels, which however is still its main business at 73 percent of revenue in the 12 months ending September 30. In the same period, TripAdvisor's revenue from its non-hotel segment — experiences, restaurants, and home rentals — jumped 80.8 percent to \$429 million compared with the year-earlier period.

And during the most recent 12-month period, the latest information available, TripAdvisor's experiences, restaurants and home rentals segment contributed 26 percent of the company's total revenue of \$1.59 billion. This non-hotel sector's contribution to TripAdvisor's total revenue increased nearly 4 percentage points compared with the 12 months ending September 30, 2017.

For TripAdvisor, particularly in its peak third quarter in 2018, it was experiences and restaurants that drove the boost in its non-hotel business. The company's alternative lodgings business, mired in a hyper-competitive market alongside Airbnb, Booking.com, and Expedia's HomeAway, saw its revenue decline a single-digit percentage in the third quarter, for example.

TripAdvisor CEO Steve Kaufer has compared the drive to make tours and attractions online bookable to bringing hotels to the internet 15-20

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years ago, and he argues that the profit margins could be similar.

"You see great growth, or we think it's great growth, in terms of online bookable supply," he said during an earnings call several months ago. "And we're still overall at the tip of the iceberg. So when we look at how this attraction business, this experiences business can compare to the trajectory of bringing hotel booking online 20 years ago, we still see remarkable parallels, a similar margin structure. And it starts with collecting demand and supply, bringing it together, and that's exactly what we're doing."

But then there's the financial issue of experiences generally being lower-priced than hotel bookings. We asked Kaufer that question at Skift Global Forum in New York City in September, and he perhaps coined the name of a new sector: food and activities. Or at least it is an interesting way to look at in-destination opportunities. He argued that volume in the breadth of activities, from dining to tours, that travelers pay for on vacation can compensate for the sometimes-lower prices.

"Yes, there are the Motel 6's and the \$250 helicopter tour," Kaufer said. "So on average, I'd probably agree the transactions are of smaller size (than hotels) — I'm not sure — but think about how many things you do when you are in-destination on a leisure trip. And you are spending a comparable amount in in-destination food and activities as you do on the hotel, at least. Therefore, that's a really big spend pie that we can help consumers with."

TripAdvisor will clearly expand its experiences and dining footprint in 2019. It has already begun to expand its TV advertising beyond hotels and into tours and attractions, and officials announced they will broaden the focus of its advertising in terms of all the various things — not just hotels — that you can book on TripAdvisor this year.

Unlike TripAdvisor, Booking Holdings doesn't break out its revenue according to business lines, but undoubtedly makes the vast majority of its money on hotels. While the company, which owns brands from Booking.com and Kayak to OpenTable and Agoda, sold 1.8 million airline tickets and booked 19 million rental car days

in the third quarter, it is branching out through investments in China and Southeast Asia and via its own business operations into tours and activities, ridesharing, and food delivery.

Booking Holdings and TripAdvisor both acquired tours and activities software-connectivity companies in 2018 to further expand in the sector. Booking Holdings picked up FareHarbor for \$250 million, and TripAdvisor bought the smaller Bokun for an undisclosed sum.

"In the area of experiences, we are building out our product capabilities, creating a seamless integrated way to offer more choices for our accommodations customers," Glenn Fogel, the Booking Holdings CEO, said in a November earnings call. "This quarter, Booking.com made progress integrating FareHarbor's products, giving Booking.com access to new local attractions in the U.S. and the ability to leverage FareHarbor's technology to help even more tours and attractions around the world come online."

Booking Holdings' step into tours and activities is clearly not as advanced yet as TripAdvisor's, but it shows how all the major players are branching out beyond hotels, and looking to capture travelers through the entire trip.

"Booking.com's experiences product is scaling well, and we now offer experiences in approximately 70 cities worldwide," Fogel said. "In addition, we are making progress with experience in other areas such as offering at-hotel services and restaurant booking options, though we note these are nascent efforts."

Expedia is less focused on making a big play in tours and activities, although it has offered brick-and-mortar tour businesses in popular vacation destinations such as Las Vegas and Honolulu for years.

As the online hotel booking business gets more competitive, with big chains pushing direct bookings, Google getting into the fray, and Airbnb throwing its weight around, you can look for online travel agencies to continue to point their businesses beyond hotels.



LOW-COST CARRIERS LOSE SOME LUSTER

- ▶ **Skift Take:**
Customers like low-cost airlines, but none so far have perfected the model for long-haul flights. It's not clear they ever will.

Writer: Brian Sumers

Illustrator: Bing Qing Ye

If you've been following the press, you may think low-cost carriers will take over the world, disrupting established airlines and delighting customers with cheap fares for decades to come.

Let's not get ahead of ourselves.

Yes, short-haul, low-cost airlines such as Ryanair and Southwest Airlines have proven they can make money providing service customers like, or at least tolerate. But long-haul, low-cost airlines only have figured out half the equation. Most know how to win customers, but not how to produce sustainable margins.

It shows, again, how rare it is for new entrants to disrupt the world's airlines. Most of today's most powerful airlines have been around for decades, and though some have been resistant to change, they have so much size and scale they can withstand challenges from disruptive competitors. You could argue the last airline to truly change how the industry operates was Southwest, which introduced the low-cost, short-haul model almost 50 years ago.

There is still hope, of course. But this year could be much different than the previous two, when airlines like Norwegian Air, Primera Air, and Wow Air capitalized on cheap fuel and sluggish competition to rapidly add markets and aircraft for transatlantic markets.

Skift wrote about the burgeoning low-cost, long-haul trend in a 2017 megatrend, asking whether these airlines would permanently change how people travel. But Primera went bust last October, and Wow Air is in a precarious place. As it hemorrhaged cash at year-end, Wow returned some aircraft to lessors, while waiting to see whether Frontier Airlines owner Indigo Partners would close on plans to invest in it. Indigo stepped in with an investment proposal after Icelandair walked away from a planned acquisition in November, saying the discount airline could not meet conditions.

Norwegian may be the last hope. It's considerably larger than the others, with a more robust network, so it can better take advantage of scale. But amid fierce competition with legacy airlines, and higher fuel prices, Norwegian may have to adapt.

This year, it will probably try to raise prices as much as competitors permit. And it likely will continue to prune its network, culling poor performers, including flights between secondary cities in the United States and Europe (Hartford to Edinburgh, Scotland was a disaster), as well as ultra-long flights. London to Singapore, the longest low-cost-carrier flight in the world, disappeared in January.

"They couldn't make money when oil was at \$40 a barrel," Ryanair CEO Michael O'Leary said on an earnings call about Norwegian. With fuel now pricier, O'Leary said the airline might suffer further.

Problem With the Model

For insiders, it's not hard to see the problem. Systemically, the low-cost model doesn't work as well for longer flights as for shorter ones.

Take fuel. On a long journey, it accounts for much of an airline's costs. While low-cost carriers usually have several advantages over legacy airlines, including lower labor costs and a more efficient workforce, every airline pays roughly the same price for fuel.

On Singapore to London, which can take 14 hours, Norwegian would have paid nearly the same price per liter as the competition — Singapore Airlines, British Airways, and Qantas. And while Norwegian was the only one of the group to fly the Boeing 787, which burns less fuel than most other widebody aircraft, it paid a premium to acquire its new technology aircraft, negating much of that savings.

Meanwhile, Norwegian was at a revenue disadvantage. Its competitors had four cabins — first, business, premium economy, and economy — allowing them to reach every market segment. Norwegian had just two, both economy products.

Passengers don't tend to care much about premium seats on a one- or two-hour flight, so even a business traveler might defect to Ryanair or Southwest if the price or schedule is right. But on a six- to 14-hour flight, the calculation is different.

On longer flights, premium fares can be so profitable they subsidize the rest of the aircraft, allowing full-service carriers to match prices without materially hurting profitability. And now that many legacy airlines sell a no-frills product that roughly matches a discounter's product attributes — U.S. airlines call it basic economy — they're even better at price matching.

"If they are doing a great job in the front of bus making half their revenue on 15 percent of these seats, it will allow them to price their economy very aggressively," Skúli Mogensen, Wow Air's founder and CEO, said in an interview in September. "I have been impressed. The U.S. carriers at large have been far more aggressive in applying the low-cost model, segmenting the seat structure, understanding the passenger, adding ancillary revenue, adding technology."

There are other issues with the long-haul, low-cost model.

Over the past four decades, low-cost, short-haul airlines have perfected how they turn airplanes, ensuring little ground time. But they lose much of that advantage when each plane flies just two segments a day.

"When a Southwest or a Ryanair plane is on the ground five, six, or maybe seven times a day, that quicker aircraft turnaround time — 10 or 15 minutes faster than a legacy competitor — that adds up to hours of additional flying during the day," said Seth Kaplan, managing partner of Skift's Airline Weekly newsletter.

Then there are different demand patterns. It is not unusual for low-cost, short-haul airlines to offer outrageous pricing, like nearly \$0 fares, plus fees. Those fares can stimulate demand and persuade people to travel more than they otherwise might. But while \$500 round trips between the United States and Europe are a good deal, they're not the type of fares that can get people off the couch and onto a plane.

Not Going Away

While it's tempting to pronounce the low-cost, long-haul model dead already, Norwegian Air

CEO Bjorn Kjos often reminds analysts and travelers he's not going away.

And he might be right. Though Norwegian Air ranked 74th on Airline Weekly's list of the world's 75 most profitable airlines between mid-2017 and mid-2018, the carrier performed reasonably well last summer, producing roughly \$156 million in profit between July and September.

Then again, most airlines can make money flying transatlantic routes in summer, when demand is robust. Winter is tougher, and O'Leary of Ryanair, which was No. 1 on that Airline Weekly list, has said he's not sure Norwegian will survive.

"We expect more failures this winter," O'Leary, a longtime rival of Kjos', said in the fall. "Mostly, we think one of the two Scandinavian airlines."

O'Leary has said similar things before, and Norwegian keeps chugging along. But if something goes wrong, Norwegian might choose a soft landing and sell the company. British Airways owner International Airlines Group, or IAG, expressed interest in Norwegian for much of last year, though the airline's board has rebuffed it. Other full-service carriers could be interested, too.

Even if they disappear, low-cost transatlantic airlines have proven consumer behavior has changed. Once, legacy carriers assumed customers wanted a bundled experience for long-haul flights, with seat assignments, baggage, and food and drink included.

Now, they have gotten the message. Most sell unbundled fares, a trend that likely will continue, and some have created their own low-fare airlines that roughly mimic Norwegian. And while most are defensive enterprises meant to keep the parent company from losing share, some may keep flying no matter what happens with the competition.

TRAVEL STARTUP COMPETITION

AIR PITCH

2018

In 2018, Skift hosted our first ever Air Pitch Startup Competition, in partnership with the Accenture Amadeus Alliance. We reviewed over 50 applications from startups looking to transform the airline industry. At Skift Global Forum 2018, three startups competed in front of a live audience, but it was Volantio who was selected as the winner.

Volantio is a global leader in post-booking revenue and capacity optimization software for airlines. The platform uses machine learning to help airlines reduce denied boarding, better respond to irregular operations, and drive higher unit revenues on full flights. This year, they'll work with the team at the Accenture Amadeus Alliance Innovation Center to take their business to the next level.

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CONSOLIDATION CREATES **TRAVEL BRAND BULLIES**

► **Skift Take:**

In a rush to scale, consolidated travel companies find themselves with outsized market share that often leads to muscling consumers to their advantage. With no good alternatives, how will travelers react to the pressure?



Writer: Andrew Sheivachman

Illustrator: Bing Qing Ye

The last 20 years have been an unprecedented period of consolidation for the travel industry, particularly in North America.

The tangle of major U.S. airlines was whittled down to three following a period of economic contraction a decade ago, while hotel chains Marriott International and Hilton Hotels & Resorts have scooped up competitors in an unprecedented manner. International investment groups, likewise, have bought up and sold off various hotel assets during the same time period.

The quest for scale has only intensified in markets dominated by few players with the wherewithal to push for financial and geographic domination. How these companies choose to deploy their market-shaping power, however, causes frustration and angst for consumers. It also limits resources devoted to developing new solutions that could ease the travel booking process and improve the travel experience itself for customers.

These bullies tend to move in lockstep, one-upping each other in ways that drive revenue and geographic expansion at the expense of consumer experience. If travelers have no choice but to use your travel services, making them pay more for less becomes a competitive imperative. It also becomes less important to create powerful, disruptive services if the corporate focus is on incremental revenue and usership growth.

The airline sector, in particular, shows a follow-the-leader mentality where competition leads to increased costs and reduced amenities for customers. Since customers are so price-sensitive, airlines turned to fees and stripping inclusions from fares to artificially decrease the cost of flights on booking sites. The rise of basic economy fares among the big three U.S. airlines has increased complexity and confusion for travelers in order to extract additional revenue from flyers. At the same time, the muscle deployed by airlines to lock down gates at their primary airports has led to less choice for flyers in major cities.

Make no mistake: increased segmentation ends up costing consumers more and driving more revenue for airlines. It also forces flyers to adopt an aggravated state of constant vigilance during the booking and travel process that is at odds

with the stated mission of the airlines to provide comfortable and timely travel service.

The global proliferation of low-cost and ultra-low-cost carriers has worked to reprogram consumers to expect discomfort in exchange for the blessing of an affordable flight. Now that larger carriers are emulating the low-cost pricing model in order to compete, most travelers don't have a choice but to deal with the unpleasant reality of surcharges and bag fees.

Airline loyalty programs, too, have been tweaked to correspond to the money spent by a traveler instead of miles flown or other considerations. The most valuable customer to an airline is the one spending the most money, leaving the average economy passenger at a loss. Force the most frequent flyers to choose your carrier more often, and forget about fighting for the customer who only comes to you once or twice a year.

For hotels, consolidation has been accompanied by a fundamental shift in business models. Hotel chains don't own hotels anymore; they simply franchise out brands and their distribution networks for a cut of a property's profit.

Thus, brands have proliferated with confusing names and unclear identities. Motto, Aiden, Sadie, Clarion Pointe, and Voco are just a handful of the generic brands announced by hotel chains in the last year. None bring new concepts or amenities to the table.

It's not a coincidence that resort fees are finding their way into the hospitality mainstream at this moment. A recent report from New York University's Bjorn Hanson found that more urban hotels and hotels in secondary cities will begin adopting resort fees as a way to drive revenue by charging for elements of a stay that are normally included. Instead of paying for Wi-Fi and a bottle of water, hotels are now forcing guests to pay for amenities they don't use. Travelers now end up paying for access to the pool or gym even if they don't plan to use them.

There is also the reality that in travel markets with a few major players, much of the investment and effort is put toward competing effectively instead of developing new products and innovations for travelers.

IN A RUSH TO SCALE, CONSOLIDATED TRAVEL COMPANIES FIND THEMSELVES WITH OUTSIZED MARKET SHARE THAT OFTEN LEADS TO MUSCLING CONSUMERS TO THEIR ADVANTAGE. WITH NO GOOD ALTERNATIVES, HOW WILL TRAVELERS REACT TO THE PRESSURE?

In online travel, the competition between Expedia Group and Booking Holdings in recent years has revealed a quest to muscle consumers into using their platforms.

In its attempt to compete, Expedia Group has expanded into homesharing, vacation rental administration, and metasearch. Booking Holdings acquired OpenTable and Kayak, furthering its offerings without developing anything truly new. The struggling TripAdvisor has developed a form of travel inspiration social network for its users without altering its core product offerings, aping countless efforts over the last decade to create an Instagram for travel. It's more of the same, all over.

Google, meanwhile, has steadily added travel services to its digital platform and is poised to make a major play for the wallets of consumers, selling them flights, hotels, and activities before they can even click a link to an Expedia or Booking site. It's already expensive for the online travel giants to acquire customers through search advertising, and the price is likely to go up as Google pushes its own options instead.

By investing in acquisitions and marketing instead of developing new features for users, a certain sameness has settled in for travelers regardless of which service they use. It's just a matter of which connected blob of brands offers whatever you need at any given moment instead of any company offering an interlocked, indispensable set of services. The quest for scale has led to an erosion of differentiation between the major global players in online travel.

Even companies like Airbnb seem to have substituted innovation for competition on a larger scale. The company's announcement of a new strategic roadmap to commemorate its 10th anniversary was heavy on new product categories that compete against Expedia and Booking as intermediaries instead of interesting new services or digital tools for travelers.

As Airbnb bends to the financial necessities to back its push towards an inevitable initial public offering, it seems that the innovative spirit that built the platform has faded and been replaced with practical growth strategies.

Travelers have no choice but to tolerate the effects of consolidation on the travel ecosystem. The good news for smaller and emerging travel companies, though, is that while big competitors are focused on beating each other, there is fertile ground below to work on the technology and products that will push forward the more stagnant segments of the industry.

For now, though, global travelers are going to feel the pressure from brands that don't care about their comfort.

WELLNESS IS THE NEW HOOK IN TRAVEL MARKETING

► **Skift Take:**

It used to be food that created the buzz that lured travelers to all sorts of destinations. Now, wellness is taking over as travelers seek out healthier, more active vacations. Food is still a draw, of course, but it better satisfy a wellness craving.



Writer: Leslie Barrie

Illustrator: Bing Qing Ye

There's no denying that wellness is having a moment — from the organic and farm-to-table food movements to the rise of clean and natural beauty products to, you guessed it, travel. The Global Wellness Institute estimates that wellness tourism grew into a \$639 billion market in 2017, and that number only stands to rise.

"I don't think wellness is a fad, but rather it's a change in society, and what society now expects," said Andrew Gibson, co-founder of the Wellness Tourism Association. "We've seen wellness become a full-blown industry."

To take advantage of this momentum, smart destinations have begun prioritizing wellness in their messaging, luring tourists who want to escape otherwise stressful lives or further their quest toward inner peace. And so far, it's working: World travelers made 830 million wellness trips in 2017, 139 million more than in 2015, according to the Global Wellness Institute. If the upward trend continues — as experts predict — in 2019, the numbers could reach 1 billion.

Clearly, destinations already considered wellness-oriented, like Hawaii or St. Lucia, would be wise to heavily market to this new type of traveler — which shouldn't be too hard a task. Other locales, more known for their "vice" offerings (Las Vegas, for starters), will likely need to play up their existing spa services or the notion that there's "something for everyone" to get in on this huge slice of the tourism pie. As for places with little to no wellness ties? They'll either have to do some marketing soul-searching or skip the trend entirely, which could mean a major missed opportunity for revenue.

Still, it may not be all rosy for destinations with an established wellness scene. Smaller communities known for their health-minded residents may start seeing too much of an influx of yoga, hiking, and spa-going visitors after a big marketing campaign. While that's good for their economy, it may chip away at the residents' quality of life, thus altering what made these destinations so wellness-focused to begin with.

The hope, however, is that if marketed in a strategic way, wellness travel can prevent overtourism, drawing people away from beyond-crowded cities

and into more tranquil, less-touristy locales that could use the economic boost. In the meantime, quick-adapting destinations will push this new hook of "travelers going home in a healthier state than when they arrived," all the while reaping the benefits of a wellness tourism growth rate that's more than twice as fast as tourism overall.

Putting a Label on It

The Romagna region of Italy got in early on the wellness-tourism action. The founder of Technogym, a high-end fitness equipment company, always knew the region had a reputation for active residents, relatively high incomes, and healthy eating habits. Inspired by Silicon Valley, he dubbed the slice of Italy "Wellness Valley" back in 2002.

In 2006, the region launched the "Visit Wellness Valley" campaign, promoting itself to potential visitors by certifying its spas and accommodations and highlighting must-see tourist sights and must-hike trails on its website.

"We wanted to let people know that here, you can go from yoga by the sea to hiking in the mountains in only an hour," said Barbara Candolfini, the Wellness Valley marketing and media relations leader for the U.S. and Canada. It's possible the region may even have joined the movement a little early, before the idea of an all-encompassing wellness trip entered most travelers' minds.

"The public now knows about wellness and what they want, but a decade earlier, there might have been trepidation," said Gibson.

No longer. These days, thanks to the public's newfound appreciation for wellness — and the region's clever messaging around it, which has included slogans such as "Wellness Valley: The land which makes you feel well" — the number of visitors keeps climbing, said Candolfini. Local businesses are catering to a set of travelers who've already seen the likes of Rome, Florence, and Venice, and want to escape the tourist mobs and experience a more authentic, relaxing slice of Italian life.

Capitalizing on a Legacy

As for a city like Boulder, Colorado, it's been known as one of the epicenters of the natural movement since the 1960s, thanks in no small part to its Rocky Mountains backdrop, easy access to nature, and farm-to-table food scene. Last year, National Geographic and Gallup named it the happiest U.S. city. Thus, it's been easy for locals to create a wellness hook.

"Wellness and health is part of our DNA — if you visit Boulder, year-round, it's almost guaranteed you're going to be outside, breathing in the fresh air," said Kim Farin, director of marketing for the Boulder Convention and Visitors Bureau.

To up their wellness-marketing game, Boulder is using subtle messaging tactics in its tourism newsletters. "People know Boulder is a wellness town, so we don't want to hit people over the head with it — it's more of a gentle reminder of all the outdoor activities you can do, and the benefits of living this lifestyle," said Farin. The strategy is paying off.

"There are more people on our trails than ever before; we saw a 34 percent increase since our last report 12 years ago," said Farin, who notes a portion of these new visitors are novice hikers, just getting into the scene. As of January 2018, the city had seen a 24 percent increase in the number of hotel rooms, added Farin.

Meanwhile, cities like Santa Fe, which is known for its hot springs, are also finding it easy to tap into the wellness movement. The city long ago built up a reputation for its enticing spas, but now it's also promoting itself as a destination for all-encompassing wellness all year. Consider, for example, the opportunity to do a "YogiHiker" excursion (spas even offer oxygen treatments for the high-altitude weary), or go rafting on the Rio Grande river, or visit the only few-years-old desert wellness resort, Sunrise Springs, which has a whole team of "Thrive Guides."

"We freshened up our ad campaign last fall to show a woman getting a massage, but the image flows into mountains and scenery," said Joanne Hudson, public relations manager for Tourism

Santa Fe. "The concept was to pair the natural environment here with our reputation of relaxing and rejuvenating."

Entire countries, too, are using wellness as a draw: A recent Switzerland tourism newsletter promoted the Certified Wellness Destinations across the country (Switzerland Tourism gives these locales the designation), from St. Moritz to Bad Ragaz as well as its Spa & Vitality Hotels.

"We like to joke that a week in Switzerland is like spending a week at the spa," said Alex Herrmann, director of Americas at Switzerland Tourism, noting the country's popular pastimes: skiing, hiking, mountain biking, and eating well in the fresh Alpine air. "Doing anything here in Switzerland is like a wellness vacation."

Looking ahead, Hermann is mulling how to promote the medical aspect of tourism—for example, visitors can come to a top spa for a checkup with a doctor, as well as get a massage and thermal soak. "Many five-star properties have moved more into the medical side," said Herrmann. "Different people see different things in wellness."

Opportunities Ahead

If a destination isn't traditionally known for wellness, that's OK, too, said Gibson. With the right marketing, most cities can still highlight the well-being offerings they do have. "With Detroit, for example, you hear a lot of news about industry and unemployment—but there could be more messaging about the spas and bike paths to show they're moving in the right direction."

More conventional wellness destinations also have room for growth, said Gibson. A resident of Santa Monica, California, himself, he is baffled that the beachside city hasn't done much to publicize its position at the forefront of health. "I see so much wellness here—it's impossible not to be healthy," he said. "But they haven't really gotten the message out. I don't think full capitalization around wellness has been realized."



TRAVEL LOYALTY IS OVERDUE FOR DISRUPTION

► **Skift Take:**

Being a member in loyalty programs today is about as engaging as a trip to the auto mechanic. For most, complex rules and constraints take much of the utility out of the programs while other, more motivated travelers simply find them uninspiring. To survive, tomorrow's loyalty programs will need much more than blockchain — they'll need true disruption.

Writer: Grant Martin

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Illustrator: Amanda Berglund

We're in an era of copy-and-paste loyalty programs. Cowed by active investors and afraid of straying too far from the pack, operators of today's airline, hotel, and car loyalty programs run the conservative game of offering nearly the exact same thing that the competition delivers. It annually takes 25,000 miles and \$3,000 in spend to earn low-level elite status on the major U.S. carriers. Stay in a big-brand hotel for 10 nights and the loyalty benefits start to roll in.

That formula may work for now, but tomorrow's consumers want more from their loyalty program. "Airline loyalty programs stopped becoming useful to me after all of the airlines started determining status in the same way — by how much you

pay for a ticket," said Jonathan Khoo, a software engineer who travels frequently for work. "Now, I pretty much make flight booking decisions on wherever the cheapest flights take me."

According to research from Skift, tomorrow's travelers are less interested in the drumbeat of accumulating points for their weekly flight between Omaha and St. Louis and more in how they can use those points for unique experiences. In short, they want faster gratification and deeper engagement from their loyalty programs. Even shorter: they want disruption.

If only it were so easy. Most legacy loyalty programs are so intertwined with co-branded credit

cards, dining-for-miles schemes, and esoteric partner programs that throwing a wrench into the mechanics could make the whole machine explode.

"The problem with loyalty programs today is that they have become too complicated and it often seems like a bait and switch," said Michael Trager, who runs TravelZork, a website dedicated to loyalty programs. "Promises of free flights to great destinations often require way too much work or are impossible to book. Not to mention, most want to use their miles for family and leisure travel. This means they are trying to travel during peak periods. It's very difficult for a family to be flexible, when they have to book (for example) during Easter break."

Indeed, since the inception of revenue-based loyalty programs several years back, the calculus for earning award points and elite status has become dramatically more complex. Fly from JFK to San Francisco, for example, and you'll earn 2,500 elite qualifying miles – the distance between those two points on the earth. But in terms of award miles, the points redeemed for your next vacation in Hawaii, you only earn 1,400 – because your flight cost \$200 and as a Gold member of your loyalty program, you earn seven award miles per dollar spent.

Loyalty program backends, too, have become staggeringly complex, especially when giants like Marriott and Starwood merge IT systems.

"Marriott's done a fairly good job of incorporating some of the best benefits of Starwood, like free breakfast and suite upgrades at many hotels," said Zach Honig, an editor-at-large at The Points Guy. "These perks are implemented inconsistently, though – hotels often don't provide an upgrade unless you ask, and the breakfast benefit can range from coffee and a pastry in the hotel lobby to a full à la carte or buffet spread. Customers never know what they're actually going to get until they arrive at the hotel."

Airlines are no better. It still takes at least 24 hours for miles to post from a United flight, and if the credit is coming from a partner carrier or credit card, it could take weeks.

COWED BY ACTIVE INVESTORS AND AFRAID OF STRAYING TOO FAR FROM THE PACK, OPERATORS OF TODAY'S AIRLINE, HOTEL, AND CAR LOYALTY PROGRAMS RUN THE CONSERVATIVE GAME OF OFFERING NEARLY THE EXACT SAME THING THAT THE COMPETITION DELIVERS.

The simplest solution to this hurricane of complexity, of course, is to wipe the slate clean and rebuild. Slowly, some operators are starting to pull it off.

In 2015, Wyndham relaunched its rewards program to offer a simple, fixed kickback on every night booked. Every hotel in its portfolio earned the same number of points per night while every award night – whether at the Howard Johnson or Wyndham Grand – cost the same. For its efforts, Wyndham saw a boom in new loyalty program sign-ups and was picked as the "most rewarding" hotel loyalty program in 2017.

Hilton ran a similar overhaul to its Honors program in 2017, taking special care to offer flexible options for more particular travelers. After the relaunch, travelers could redeem Honors points for partial room payments and e-commerce purchases. They could even pool points into family accounts, a perk nearly unheard of in the domestic loyalty program game.

For those without the ability to start from scratch, the solutions may come in the form of better technology adoption. One group ahead of the curve is Carnival Corp. Last year, the operator started piloting the Ocean Medallion, a wearable bit of technology that allows travelers to wirelessly access VIP levels of the cruise experience and feed valuable location and preference information to the mothership.

Big data may also help travel providers better target and address customer needs. It's far easier to fly 125,000 miles and earn Delta Diamond status out of Detroit, a Delta Air Lines hub, than it is out of San Francisco, where United is king. So why is a San Francisco-based Diamond treated the same as one from Detroit? Could a loyalty operator potentially create a program custom-tailored to that Delta passenger in San Francisco?

Dig through the mountains of hype, and blockchain could be one of the keys to getting us out of the doldrums of today's loyalty programs. But there isn't an easy solution on the horizon. Reporting from the Loyalty Live 2018 conference,

writer Seth Miller soberly pointed out that many of the blockchain concepts currently in development were solutions looking for a problem. One diamond in the rough at the conference, however, was in a new system designed to recognize and post loyalty points on a faster cycle. In the next 10 years, blockchain could easily help your miles post to your account the instant you step off the aircraft.

As the median-age traveler moves more toward the digital generation, mobile technologies will also take a front seat to innovation in the loyalty program space. Until recently, it still wasn't possible to book an award ticket through an airline's mobile app or pay for an upgrade. But later in 2019, both American and Delta plan to open up that functionality, making it easier for mobile-first travelers to streamline their journeys.

Hopeful as these technologies may seem, there's still a long way to go toward making loyalty programs ready for the next generation of travelers. To get started, airline, hotel, and car rental loyalty program operators need to find the courage to step away from the pack and truly innovate. Some, like Wyndham and Hilton, are already doing that. Others need to start thinking more disruptively – else they get left behind in the dust.



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LOYALTY 2.0: FROM INCENTIVIZING TRANSACTIONS TO CREATING VALUE

The loyalty landscape in the travel industry is evolving. Brands like Airbnb, JetSmarter, Lyft, and Uber provide travelers with a wide range of diverse and competitively priced options, which has changed expectations and behaviors. The impact on loyalty is clear: Hotels are no longer competing with the loyalty programs offered by other hotels; rather, they're competing with a wide range of travel products that create value in different ways. Traditional point-based loyalty programs are no longer enough, and companies risk losing market share to innovative competitors that offer more flexibility and personalization.

Customers expect more. They want diverse ways to redeem points, deeper engagement, quicker gratification, more flexibility and relevance, and easier processes. Today's travelers are more empowered and in control than ever before. They seldom book all their travel through one company, and often opt to book separate components of a journey based on where they can find the best deal. Unfortunately, many legacy loyalty programs require their members to consolidate their travel activities within a single program in order to truly take advantage of benefits.

With so many booking options available, why would travelers book with only one brand? As we look at the future of travel loyalty, we see that success awaits those companies that simplify and democratize points and benefits for all travelers. Here are three key trends prompting this need for disruption in loyalty offerings:

Loyalty programs shift from being an incentive to a strategic imperative

Today's loyalty program members expect to receive more than points when interacting with a brand. The transactional benefits of points alone no longer lead loyalty. Brands have begun to reconsider the role of loyalty offerings in the company's overall growth strategy and rethink what it truly means to be loyal across all aspects of their business. Loyalty must become fully integrated into the brand's business strategy and culture.

Intense competition means travel brands are fighting for attention with each member

Travel brands are not only competing with their own industry for loyalty dominance. They're also being compared to stellar loyalty programs in other industries. The Colloquy Loyalty Census found that the average U.S. household is enrolled in more than 18 loyalty programs and actively using eight. Consumers are constantly, if subconsciously, comparing each of these loyalty offerings — the value of their benefits, ease of use, how quickly the points can be redeemed, and so on. Within the travel industry, redemption is more complex. It takes the average traveler multiple hotel stays to earn a free night; contrast that with getting immediately redeemable points on credit card purchases or earning a complimentary drink at your favorite coffee shop. The program rewards occur much faster in other industries' loyalty programs, increasing the perceived value for the individual.

Expectations of personalization evolve beyond one-to-one communications

The messaging strategy commonly referred to as one-to-one communications — which offers personalized promotional offers — is evolving. The next phase will consist of a more holistic customer experience strategy that's personalized with the best choice for individuals across all points of interaction, creating a more identity-based marketing framework. Members expect each and every interaction and experience with the brand to be personalized, and when it's not, the value of the loyalty program to these members diminishes substantially. Members now expect even their points redemption options to be customized to fulfill their specific needs.

The Loyalty Path Forward

It's time for travel brands to pause and evaluate their loyalty offerings. In order to thrive in the new loyalty ecosystem, companies must simplify their programs. For example, an airline can simplify its program by basing loyalty statuses on the frequency of flights taken, instead of taking both miles and dollars into consideration. A business traveler flying weekly between Boston and New York is not going to accumulate that many miles since these trips are short, but he or she should have the opportunity to earn elite loyalty status based on the high frequency of his or her travel.

As travel brands evolve their loyalty offerings, they should look at other companies that are managing the aforementioned change triggers well. Walgreens is one such brand. It leveraged Epsilon's technology to support its loyalty program, Balance® Rewards. The platform integrates customer data for each member from multiple

sources including online purchases, in-store enrollments, and even from registered devices like Fitbits. The program supports real-time enrollment through multiple channels; points can be earned through in-store purchases as one would expect but also through activities, like when a customer takes his or her blood pressure or meets his or her daily step goal. Each interaction with the brand, and each member experience, is fully personalized.

The loyalty marketing journey is a marathon not a sprint. In order to ensure the success of loyalty offerings, brands must deliver personalization and create offers and rewards that are relevant to members' unique needs. Companies must determine how to shift from transactional reward structures to experiential fulfillment, all while ensuring exclusivity for the most elite loyalty program members. And it has to be an iterative process that constantly collects feedback along the way.

Loyalty is a way of doing business and the overall brand experience needs to live and breathe both inside and outside of your organization. Stop focusing on your loyalty program and focus instead on driving loyalty through your way of doing business. After all, loyalty is a business mindset.

By Tad Fordyce ▶
Senior Vice President of
Loyalty, Epsilon



LABOR SHORTAGES

FORCE A WAKE-UP CALL FOR TRAVEL BRANDS TO TREAT WORKERS BETTER

► **Skift Take:**

From cockpits to guest rooms, the travel and tourism industry confronts a dire need in finding and training qualified job applicants to fill their needs. Training and rewarding workers in even the lowest-paying jobs is vital because they can make or break a brand or a trip.



When a hotel management company was opening a new Homewood Suites near Salt Lake City, Utah, last year, the company posted job ads for housekeepers — and initially didn't get a single applicant.

The company, The Hotel Group, eventually filled its positions and opened the property by recruiting workers at community colleges and offering bonuses for workers who remained on the job for various periods.

That difficulty in finding workers, particularly for lower-paying jobs such as housekeepers, highlights a growing labor shortage problem in the United States. Citing U.S. Bureau of Labor Statistics findings, the American Hotel & Lodging Association estimated in November 2018 that there were 900,000

Writer: Dennis Schaal

Illustrator: Amanda Berglund

unfilled positions in the U.S. hospitality industry, and that was a sharp rise from the employment gap that existed earlier in the year.

That difficulty in filling jobs isn't just a problem for U.S. hospitality.

"Human capital development," said Paul Pruangkarn, a spokesman for the Pacific Asia Travel Association, "is one of the industry's greatest challenges, especially in a region experiencing an incredible rate of growth." While the Pacific Asia Travel Association sees this as a priority in 2019 and for the foreseeable future, so does the American Hotel & Lodging Association, which offers several programs to develop talent in both low-level and managerial positions.

At the trade association's committee meetings, recruitment and retention of skilled workers is an issue that members frequently bring up, Pruangkarn said. "Some members have created their own programs to recruit and train workers while others look at alternative solutions to address the issue," he added.

A Wake-Up Call

One can easily see how the labor shortage may place increasing pressure on big travel and hospitality companies to treat their workers better in 2019. With the U.S. unemployment rate at a 48-year low, 3.7 percent in November; nationwide calls for a higher minimum wage; a strike against Marriott giving prominence to hospitality worker grievances; and little hope for immigration reform in a gridlocked Washington, D.C., there is every indication that the problem will be more acute this year. The only relief in sight from a labor shortage standpoint would be an economic recession — and nobody wants that.

The dilemma for hospitality workers at the low end of the wage scale is that they often live paycheck to paycheck trying to support their families, and some chains' business models seem to be based around outsourcing and not giving their workers enough hours to make ends meet.

Brian Crawford, senior vice president of government affairs for the American Hotel & Lodging Association, said that even in U.S. municipalities

where unions are not strong, "the starting wages for hotel employees far exceed the minimum wage." In heavily unionized cities, such as Chicago, the starting hourly wage for room attendants is nearly \$20, he said.

"The federal minimum wage might impact some of our properties that have restaurants attached to them; in large measure, it's not an issue that we focus on," Crawford said.

Crawford pointed out that the "global iconic brands" often have the resources to address the labor crunch and recruitment issues, while smaller, regional players likely don't have the same options.

"Especially if you are a management company or an owner that operates in one geographical area, you're drawing upon the workforce available to you in that specific area," Crawford said. "The brands obviously have a much further reach, and they have more resources."

The hotel association realizes that it can't rely on the government to pass legislation to increase the labor pool; there already is an acute shortage of available guest workers through the federal H-2B program to meet seasonal needs, for example, as the hospitality industry has to compete with other sectors for the limited ranks of these foreign workers.

"When there's not enough workers, what happens is is that resorts and hotels suffer," Crawford said. "They can't operate at full capacity. Maybe they can't take on that wedding that occurs over the weekend or maybe they can't have 100 percent of their rooms available. It is a real challenge, and the reality is that with this low unemployment, there are very few Americans that are seeking part-time seasonal employment. They want full-time employment, and it's a very competitive market."

Crawford noted that the American Hotel & Lodging Association is working with Grads of Life to recruit young people into low-skilled positions so "they can get their foot in the door"; started an apprentice program for hotel assistant general managers; and is offering a cost-free college program through tuition reimbursement

and scholarships for recruitment and retention purposes.

"What we do is pull all those pieces together for the applicant while they are working at the property," Crawford said. "They could also be going to school online or in person to further their degree."

To varying degrees, the difficulties in training and finding workers to meet the needs of the travel and hospitality industry is a global problem.

In the ridesharing industry, for example, Uber struggles to recruit and retain drivers, who are independent contractors, and is enticing them with rewards and other incentives. Taking a page from Starbucks and the U.S. hospitality industry, Uber is helping drivers obtain college degrees.

Many tourism boards around the world grapple with training locals, from taxi drivers to airport employees, in customer service so visitors will have satisfactory experiences when arriving on vacations.

Pruangkarn of the Pacific Asia Travel Association noted how recruitment for tourism and hospitality jobs is a key challenge in the region. The association has a young tourism professional ambassador program for outreach to university students and for visits to the organization's student chapters.

"Over the past few years, we have also created various activities and programs for youth from around the region to get involved and have their voices heard," Pruangkarn said.

The training and recruitment of enough airlines pilots is also a growing concern in regions such as Southeast Asia, for example, where domestic and international tourism is increasing at a frenetic pace. The New York Times highlighted the issue when discussing the November crash of Lion Air flight 610 into the Java Sea.

"The crash also points to a growing problem in aviation indirectly caused by the advent of low-cost airlines and an explosive growth in the number of people who can afford to fly," the story said. "While Boeing and its European

FROM COCKPITS TO GUEST ROOMS, THE TRAVEL AND TOURISM INDUSTRY CONFRONTS A DIRE NEED IN FINDING AND TRAINING QUALIFIED JOB APPLICANTS TO FILL THEIR NEEDS. TRAINING AND REWARDING WORKERS IN EVEN THE LOWEST-PAYING JOBS IS VITAL BECAUSE THEY CAN MAKE OR BREAK A BRAND OR A TRIP.

rival, Airbus, are producing planes as fast as they can, the number of experienced pilots, aircraft engineers, mechanics and even air safety regulators has lagged."

Even if a potential economic recession relieves some of the strains on labor shortages, the travel and hospitality industry would still have to put together economic packages to entice high-caliber employees to join its ranks.

Writer: Hannah Sampson

Illustrator: Amanda Berglund

REAL-WORLD EXPERIENCES GAIN VALUE IN AN ERA OF TECH BURNOUT



- ▶ **Skift Take:** Travel companies are honing their own technological innovations even as Silicon Valley acknowledges the dangers of tech overload. Travelers must find a balance.

The sight has become so commonplace it's no longer remarkable: Travelers hunched over their phones as they walk through a foreign street, crowded around a piece of art only to view it through a screen, or posed in front of some stunning vista just to grab a selfie.

But through the constant glow, a consensus is emerging: This is not good. This is not healthy.

"There's this sort of idea that there are limits, and the basic functioning of our physiology is pointing to these limits," said Christopher J. Lee, a Lafayette College history professor whose book, *Jet Lag*, explores the negative implications of modern technology. "It's simply important to listen to our bodies, sort of identify what's preventing us from getting rest. Is it this technology that keeps our attention and keeps us awake longer than it should?"

Apple and Google are giving customers tools to cut back on phone use. Silicon Valley executives are trying to keep their kids away from screens. Facebook is trying to de-emphasize mindless videos. And former tech company bigwigs at the Center for Humane Technology are working to combat the problem of technology "hijacking our minds and society."

Wired wrote in mid-2018 in a story about digital wellness: "Our devices have never been more powerful, and people have never been so desperate to escape them through 'digital detoxes' and 'dumb phones.' Unplugging is the rallying call of our time."

Those sentiments build on concerns about security in light of numerous data hacks. And new questions about privacy revolve around smart speakers such as Amazon Echo and Google Home. Even Marriott CEO Arne Sorenson, whose company is installing Alexa voice-powered devices in hotel rooms, sounded uncertain about the technology's future.

"I've got a couple of the devices still in a box in my closet at home," he said during Skift Global Forum in September.

Some customers are similarly uncertain, he said, wary of having the gadget in their rooms.

"I think, as a society, we're going to try and figure out, are these devices that we can trust?" he said. "I think inevitably we will figure that we can trust them because they offer enough convenience that collectively we'll figure out a way to tap into that convenience and still be confident that they're not listening to us when we don't want them listening to us."

Travel Loves Tech

So where does all that leave travelers?

Airlines, hotels, and cruise lines are working harder than ever in 2019 to foster tech-driven relationships with their customers. They are updating their apps to better track behaviors and tailor offers. They are wiring more rooms to let guests control lights, temperature, and TV settings with their phones. Cruise lines — once known for terrible and expensive internet access — are upgrading their infrastructure to keep passengers more tech-tethered than ever.

And social media remains an important way for travel companies to promote their products to consumers. Fewer eyeballs online could mean fewer potential guests at a hotel or destination.

"Basically, there's a very direct conflict right now between the business goals of travel companies and the idea of reducing our reliance on technology," said journalist Sara Clemence, author of the book *Away & Aware: A Field Guide to Mindful Travel*.

In recent years, a smattering of hotels and other travel companies have acknowledged the issue with tech-free promotions, though they are often short-lived. A company called Off the Grid garnered headlines in early 2018 with a promise to take customers on vacations sans smartphones. By late in the year, the company's website was down and its founder unreachable.

Tour operator Intrepid Travel launched a series of "digital detox" trips in 2016, promising to make cellphones off-limits. While some trips are still placed under that category, the no-phone, no-social media part of the deal is no longer enforced.

Instead, the operator is catering to those who want a tech break by recommending specific



BASICALLY, THERE'S A VERY DIRECT CONFLICT RIGHT NOW BETWEEN THE BUSINESS GOALS OF TRAVEL COMPANIES AND THE IDEA OF REDUCING OUR RELIANCE ON TECHNOLOGY.



destinations where connectivity is a challenge. Intrepid said U.S. bookings to some of those locales were up significantly in 2018 compared to a year earlier: Patagonia saw a 114 percent increase, while Mongolia trips jumped 35 percent.

"We are seeing an increase in those more remote destinations where you get that opportunity to unplug and reconnect," said Darshika Jones, Intrepid's director of North America.

Overall, the tours and activities sector is still seeing rapid growth and significant investment as consumers shift their spending to experiences rather than belongings. In its 2018 U.S. Affluent Traveler Survey, Skift Research found that 67 percent of high-income travelers said they would rather spend their money on activities than a nicer hotel room. That number climbed eight percentage points from the previous year.

The survey also found that 75 percent of affluent travelers had participated in at least one organized tour or activity. And since travel giants such as Marriott, Airbnb, and TripAdvisor have all been investing in growing their tours business, the sector appears likely to continue to draw customers.

A Happy Medium

Clemence, the author who wrote about mindful travel, said she doesn't expect travel companies to voluntarily scale back their reliance on technology. She believes it's up to individuals to find their

own happy and healthy medium. She offers tips on how to be more thoughtful during trips, such as using a film camera for pictures, navigating with a physical map instead of an app, or taking a random bus route for unexpected discoveries.

"I don't think the answer is either you travel in a way that's super plugged-in or you go on some digital detox holiday that's specially structured and your phone gets locked away when you arrive," she said. "There's got to be something in between. I think that sort of has to be driven by individual travelers."

Still, some companies are trying to be thoughtful in how they deploy technology. J. Allen Smith, CEO of Four Seasons Hotels and Resorts, said at Skift Global Forum 2018 that it was important to avoid "technology bling," or the shiny new object that might be fancy but ultimately not all that functional.

He said one innovation he was pleased with was the company's chat service, which can translate 100 different languages through the Four Seasons app, WeChat, text, or Facebook Messenger.

"At the end of the day, it's all about people," Smith said. "You can't let the technology override that notion. Everything we do with respect to technology is in the quest of serving our guests in a more effective way and providing a better experience."



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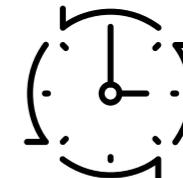
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1. Franchisees Assert Their Power Over Chains

Many decisions get made on a corporate level, but implementation of these changes and policies rests squarely on the shoulders of individual restaurant owners in a franchise model. Toward the end of 2018, we're seeing franchisees in companies from McDonald's to Papa John's assert their collective power to effect change and expect this trend to continue.

2. Labor Crunch and Costs Determine In-Restaurant Changes

Labor and staffing issues plague every restaurant business from fast food corporation to one-off independent restaurants. Leaders are implementing plenty of solutions to help with the crunch and rising minimum wages, and some of these changes have begun to alter the way that restaurants operate.

3. Blockchain Brings Transparency to Sourcing if Restaurants Care

Blockchain technology isn't just for bitcoin — it's useful in tracking food sources, too. Restaurants can track and verify ingredients from meat to produce thanks to new technology, in turn reducing errors and potentially illness or allergic reaction. But the technology is only as good as it is applied.

4. Forget Second-Tier Cities, It's the Year of the Suburb

As they race to dominate in the market, third-party delivery companies are targeting large, suburban markets to fuel expansion. National chain partnerships boosted these efforts in 2018 and will continue to drive growth in 2019. At the same time, as costs of operation in cities rise, restaurants are re-thinking locations. Thanks to digital marketing and social media, an address on the corner of Main and Main isn't necessary for success.

5. Restaurants Finally Create Healthier Work Cultures

2018 was the year of #MeToo, and the message seems to have resonated among industry leaders. Restaurant businesses of all sizes are implementing new programs to hire, train, retain, and support staff.

6. Consumer Microfeedback Leads the Way on Product Development

"Startups" are out of the spotlight. Instead, these once-upstarts have become mature companies focused on iterating and designing relevant, successful products. Now that they've proven their premise, reservations, delivery, and other restaurant-supporting software providers are drilling down into the smallest pieces of feedback to guide product development. Forget big picture and go deep on what people actually want.

7. The Lines Between Meal Times Have Been Erased

Taco Bell pioneered this years ago with its wildly successful "fourth meal" campaign, but again, delivery services are leading the way, creating new moments for dining that may not have existed for restaurants before. At the same time, an all-day cafe boom is sweeping the country as restaurants maximize their profits to offset fixed costs like rent — and customers are loving it.

8. Front of the House Hospitality Seriously Ups Its Game

Sorry, so-called "rockstar chefs," front of house service from GMs to hosts to waitstaff is stepping back into the limelight. New digital tools and technology are making it easier for hospitality staff up front to remember, recognize, and serve guests. Stories of above-and-beyond service go viral online. As restaurants work to set themselves apart from the rest, an elevating front of house service works in any setting, from fast casual to fine dining.

9. Google's Domination of Local Discovery Is Almost Complete

Changes in Google's Maps product have made searching, booking, and navigating to restaurants a seamless experience. Thanks to our reliance on smartphones and GPS, it's become an indispensable tool for restaurants. At the same time, Google's ad search business, allowing keywords to go to the highest bidder, change the way restaurants must market themselves.

10. The Battle for Loyalty Takes Place on Multiple Fronts

Customer loyalty is big business, and savvy restaurants are employing tactics from third-party vendor contracts to building in-house programs. Credit card providers are introducing more restaurant-facing loyalty programs. LevelUp, one of the biggest players in the loyalty space, was acquired by Grubhub this past summer. Who will own the space?

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