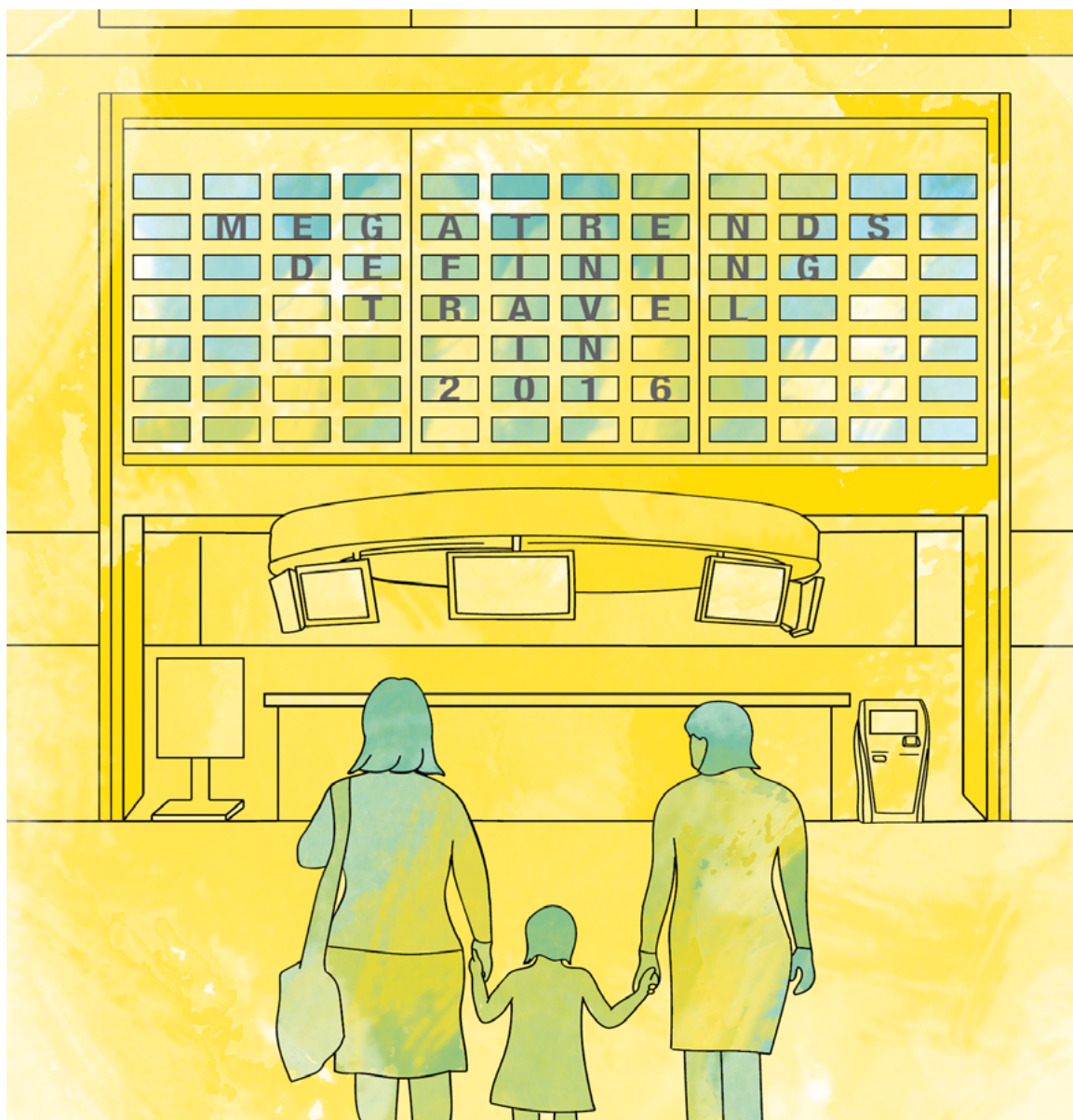


# SKIFT MAGAZINE

Megatrends Defining Travel in 2016



**SKIFT:**

**DEFINING**

**THE**

**FUTURE**

**OF**

**TRAVEL**

# SKIFT PRODUCTS

## **SKIFT.COM**

### **DAILY NEWS AND INSIGHTS**

Skift.com is the daily homepage of the travel industry. Through original reporting and analysis, it's the leading source of intelligence for the industry and its watchers.

## **TRENDS REPORTS**

### **BI-MONTHLY DEEP INDUSTRY DIVES**

Skift Trends Reports are aimed at the strategists, marketers and technologists in travel, providing the latest intelligence on travel trends.

## **SKIFT GLOBAL FORUM**

### **THOUGHT-LEADERSHIP EVENT**

The Global Forum is a creative business forum, with carefully curated topics and speakers to inspire the professionals in travel about the business and creative promise of the sector.

## **SKIFT X**

### **BRANDED CONTENT STUDIO**

Skift's in-house content studio redefining the way the travel industry approaches marketing through creative storytelling.

## **SKIFT PODCAST**

### **CONVERSATIONS WITH LEADERS**

Our twice-monthly podcasts bring leaders and experts into our studio to discuss emerging trends and compelling industry developments.

# A YEAR OF BIG DISRUPTIONS – LITERALLY AND METAPHORICALLY – IN THE GLOBAL TRAVEL INDUSTRY

*In your hands is the Skift Megatrends 2016 magazine, devoted to our annual trends projection and analysis for the coming year.*

What a year 2015 has been for this planet of ours (as you can see in review in our “25 Moments That Mattered.”) Still-strong Western economies, weakening Eastern economies, war and strife in vast regions of the world leading to migrations on a scale not seen in a century, the escalation of terrorism fears in Europe and the U.S., Russia as the global spoiler in everything, and other geopolitical upheavals. And that’s just the macro global situation.

It all converges in travel, the bellwether sector, in ways both good and bad. The big faultlines of disruption in travel are showing, as we outlined in our magazine The Versus Issue (<http://bit.do/skiftmag2>) a few months ago.

Big hospitality is in turmoil, with seemingly helter-skelter consolidation as the going operating model for now. U.S. legacy airlines are locked in an open fight with the big Gulf carriers even as airline consumers have spoken with their pockets and the rest of the industry has sided against them. Online travel, at least in the U.S. and Europe, is largely consolidated between the giants Priceline and Expedia after a monumental acquisition

spree by both players. But that duopoly is being nipped at from the likes of TripAdvisor and Google. The on-demand economy continues to monopolize the attention of significant parts of the travel industry. The surprisingly fast opening up of Cuba to U.S. travel brands is among the few bright spots on the geopolitical tourism front.

We have outlined many of these major developments of the past year in the first section of this magazine.

The bulk of this publication is devoted to our analysis of the big trends playing out in the global travel industry, from changing consumer habits to the big marketing changes happening to how consumer data are finally being used to understand the traveler, among other trends.

Skift has deep experience identifying and synthesizing existing and emerging trends based on its daily coverage of the global travel industry, its twice-monthly Skift Trends Reports, and its flagship Skift Global Forum annual conference.

Using this expertise, this Skift magazine identifies these key megatrends that will help you be better informed about building your business strategies over the next year, and will keep you on the cutting edge of the future of travel in 2016 and beyond.

**“THERE’S ALWAYS A STORY. IT’S ALL STORIES, REALLY. THE SUN COMING UP EVERY DAY IS A STORY. EVERYTHING’S GOT A STORY IN IT. CHANGE THE STORY, CHANGE THE WORLD.”**

As we have always maintained here at Skift, there are a few ways to future-proof yourself against being consumed by the big disruptions in travel:

- Terry Pratchett, *A Hat Full of Sky*

- Marketing / Tech / User Experience / Design: As long as you are in the crosshairs of these four pillars you have future-proofed yourself.
- Don’t get swept up in the headlines all around you, build around larger emerging trendlines instead.
- Be fanatically focused on the changing consumer behavior.

**HAPPY SKIFTING!**

**RAFAT ALI**

**FOUNDER AND CEO, SKIFT**

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# 25 MOMENTS THAT **MATTERED** **IN 2015**

While we're looking ahead to what's in store for 2016, we also think it's important to see the headlines from 2015 that brought us to this point. You can't think about what's going to happen next with online booking without understanding everything Expedia did in 2015, and you can't grasp the changes happening in tourism without considering the wrench that an open Cuba throws into the status quo of North American travel. History always helps the understanding.

To make our selection of 25 moments, we thought back to the stories that drove reader engagement and sparked discussion among both travel experts and the general public. Some stories were quick blips that represented bigger things while others were narratives that built slowly through out the year. Each one, though, spoke to where we are right now when it comes to the big business of global travel.



## 1. THE FIRING OF STARWOOD'S FRITS VAN PAASSCHEN

Starwood Hotels & Resorts Worldwide Inc.'s CEO Frits van Paasschen was a CEO's CEO. He had the cool brands, the digital toys, a strong team and he looked cool on a bike. While they may not have wanted his growth numbers — in his last year Starwood's were two points below target — they wanted his mojo.

But modern hospitality companies trade in quarterly earnings rather than mojo or long-term brand building these days. Acting CEO Adam Aron said shortly after van Paasschen's removal that "It's something that's been building over the past few months." You could sense a bit of palace intrigue taking place, too, with Aron's title changing over the months as "acting" disappeared then reappeared before his CEO title. Not content to be a placeholder, Aron moved quickly to implement a strategic review to identify acquisitions or a strategy for being acquired.

As we saw in November, the second half of that strategy worked, and the Starwood we've known in recent years will be radically transformed.

## 2. ALL OUT WAR BETWEEN U.S. LEGACY AIRLINES AND GULF CARRIERS

Not many people in the U.S. were watching in February when Delta Air Lines CEO Richard Anderson appeared on CNN International's "Quest Means Business" show and indirectly blamed the Gulf carriers — Emirates, Etihad, and Qatar Air — for the attacks of 9/11. But we were. In the days that followed, all the decorum usually seen among airline execs went out the window as Delta tried to apologize in at least three different ways and Qatar Air's CEO, Akbar Al Baker claimed Anderson's complaint was an attempt to "hide his inefficiency."

In the months that have followed, The U.S. three formed the lobbying group Partnership for Open and Fair Skies to distribute questionable research and push U.S. lawmakers to alter open skies agreements in order to limit the Gulf carriers' growth. United and American's CEOs have been content to let Anderson lead the charge and he has largely done so alone. Travel leaders in both the U.S. and Europe have come out against the U.S. carriers, as has the U.S. Justice Department and airlines including JetBlue.

The battle isn't over, but it's becoming more lonely for Anderson and his peers at United and American.

## 3. KEYLESS ENTRY EMERGED ON A MASS SCALE

The guest journey at hotels is increasingly becoming a digital one, as technological innovation is driving consumers to opt for convenience and look for more control over their stay. Cue the keyless entry. Starwood pioneered the concept in 2014 before introducing it as a feature at its Aloft, Element and W Hotels. Other companies soon followed, embracing and implementing the new technology. Hilton started with its U.S. properties and is expecting to expand internationally by the end of 2016. Marriott also announced it would be testing keyless entry, as did Intercontinental Hotels.

Plastic key cards are not yet a thing the past. With the keyless revolution comes setbacks, like security concerns, high costs and overall added value to the guest experience, because in the end, customers satisfaction is the ultimate key to success.

## 4. EXPEDIA ATE ITS LONGTIME RIVALS

After you beat 'em, acquire 'em. That might be Expedia Inc.'s mantra as it went on a buying spree and the once-Big Four U.S.-headquartered online travel agencies became the Big Two — Expedia Inc. and The Priceline Group.

Expedia acquired Travelocity North America in January 2015, added Orbitz Worldwide in September and piled on in November with a deal to acquire vacation rental giant HomeAway. The rollup formula is working — for now. Expedia Inc. saw its hotel room nights sold leapfrog 36 percent year over year in the third quarter with acquisitions accounting for eight percentage points of the jump.

The big question for Expedia and its competitors is whether this sort of strategy is sustainable and whether Expedia will trip up over the complexity of its purchases. And what will Expedia do for an encore?

## 5. U.S. TOURISTS AND TRAVEL BRANDS STARTED PLANNING THAT CUBA VACATION

A year after President Obama told the world that the U.S. would re-establish relations with Cuba after a half century of hostility and silence, booking travel to Cuba is still a jagged ordeal for Americans.

Charter flights are still the best option for travel between the U.S. and Cuba as governments from both countries work to iron out agreements. The lodging sector has seen only slightly more progress. Airbnb began listing Cuba properties earlier this year while hotel companies remain barred from opening on the island nation.

The number of U.S. travelers visiting Cuba is up about 40 percent year-over-year since Obama's historic announcement. This coincided with TV personalities such as Anthony Bourdain and Conan O'Brien each hosting shows from Havana and other large Cuban cities, presenting a lively, diverse island in transition to American audiences. Cuba still has a long way to go before it's the most popular Caribbean island on American's travel wish lists, as search and booking data show, but the inevitable oncoming of direct flights and U.S. hotel chains will help position it on that path.

## 6. CHINA'S ONLINE BOOKING SITES FINALLY GOT RATIONAL

Hotel discounting in China is definitely a contact sport with online travel agencies Ctrip, Qunar, eLong, and others competing to expand and offer lower hotel pricing than their rivals.

But now there is hope among China's online travel agencies and hotels, if not necessarily travelers, that more moderate pricing policies will ensue.

In a move that rivals Expedia's acquisitions of Travelocity and Orbitz Worldwide, Chinese market leader Ctrip in October engaged in a share-swap deal with search-engine Baidu, which controls Qunar, that gives the combined Ctrip-Qunar a market-leading position in hotel bookings and airline tickets. Several months earlier, Expedia sold its majority stake in eLong to Ctrip and other investors.

Ctrip CEO James Liang recently told investors that Ctrip can now "eliminate some of the irrational promotions on the market," meaning the wave of hotel discount coupons. In other countries this might trigger antitrust actions but not necessarily in China.

## 7 ■ VIRTUAL REALITY BECAME AN ROI REALITY

Virtual reality (VR) is no longer a wonder of the future. Travel brands in multiple sectors demonstrated during 2015 that VR can do more than bring the wow factor to armchair travelers. They've also shown that the technology's business opportunities provide a more immediate return on investment as brands wait for VR headsets to become more widely available and affordable to most travelers.

In October, Shangri-La Hotels was the first international hospitality brand to roll out Samsung Gear VR headsets for each of its 17 global sales offices and 94 individual hotel sales teams. Visit St. Petersburg/Clearwater was in the same school of thought when it bought its own VR equipment to produce all such videos in-house, with the goal of using them to promote the destination's meetings and convention venues as well as its array of offerings for leisure travelers.

And VR isn't limited to the ground — Qantas was one of the first carriers to dabble in VR when it introduced its Samsung Gear VR headsets in March. The headsets feature popular entertainment content and tours which "showcase the delights" of the airline's network destinations.

## 8 ■ AMAZON CHICKENED OUT OF TRAVEL

Skift broke the story more than a year ago that Amazon would attempt to transform its heavily discounted and sporadic hotel-booking service and seek to get serious about hotels, offering hoteliers the chance to sell their rooms on an ongoing basis at published rates.

The company launched Amazon Destinations in April, as a limited service that focused on hotel stays within driving distance of several locales in the Pacific Northwest, Southern California and the Northeast. Then it abruptly shut down its hotel business with little notice in October.

Asked why Amazon obliterated the service, a spokesperson merely said that the company had learned a lot from the experience.

Perhaps the situation was best summed up obliquely recently by Expedia CFO Mark Okerstrom, who said at a financial conference, without specifically mentioning Amazon, "And I think that like many before them have found, it's not as easy as coming up with a website, it's different."

## 9 ■ UNIVERSAL CARRY-ON BAG SIZE DIED A QUICK, SILLY DEATH

Wouldn't life be easier if there was one consistent carry-on bag size that eliminated all the guesswork that goes into booking and boarding airlines these days? The International Air Transport Association thought so, which is why on June 9 the airline group revealed its Cabin OK baggage proposal at its annual conference.

One week later it pulled the idea.

Blame for that lies directly with the airlines, of course, which impose fees that drive passengers to bring aboard refrigerator-size wheelies while ensuring flight attendants the bags will fit beneath the seat in front of them. IATA's decision to forgo the Cabin OK baggage proposal marked a tremendous victory for lethargy and the status quo. Now we can all go back to bag shaming and cursing the passenger who stole the space above our seat.

## 10. TOURISM BUREAUS RALLIED AROUND NEXT-GEN STRATEGY

Destination Marketing Association International—a travel industry organization supporting global tourism bureaus—wrapped up its two-year DestinationNEXT research in 2015. Many bureaus are faced with shrinking budgets and growing oversight from government and business stakeholders, so DestinationNEXT was designed as a roadmap into the future.

Strategies focus on new technology platforms to spur two-way communication between cities and visitors. There's a growing emphasis on smarter content marketing to differentiate city brand identity for both leisure and group markets. Bureaus are also collaborating more with their economic development agencies and academic institutions to develop new travel experiences and events. Bureaus such as Sydney, Berlin, Vienna, Amsterdam and Singapore are leading these shifts by positioning themselves as smart cities of the future.

## 11. CRUISE LINES STOPPED PAYING LIP SERVICE TO CHINA

The big three major cruise lines moved in unison this year to build stronger ties in Asia, the region which many expect to surpass North America as the world's largest cruise market sometime in the next decade.

Carnival Corp. signed a deal to develop a new brand for Chinese passengers, and inked a tentative agreement to custom-build the vessels in China itself. Royal Caribbean Cruises strengthened its ties with Singapore, Asia's most popular individual cruise port. Norwegian Cruise Line, as well, will send its newest ship to China with a specialized design for the market.

If more of China's vacationers start to cruise, these moves will become crucial to cruising's global business model. If they don't, the cruise lines have the luxury of sailing ships back to Europe and North America.

## 12. TRAVEL AGENTS FOUGHT BACK

It's true that travel agents have mostly disappeared from the public eye in the U.S., but the voice of the travel agency community continues to be a meaningful force in the travel industry.

Agents pushed back this year publicly when Lufthansa Group announced it would hike its booking rates on global distribution systems, effectively making booking with an agent more expensive than a direct booking.

And when Marriott International ran an ad online comparing travel agents to a creepy gas station attendant, a backlash forced Marriott to remove the video from YouTube.

Contrary to their relative invisibility in the U.S., travel sellers worldwide have the power to push back against travel providers looking to edge out intermediaries or take advantage of consumers.

## 13. INSTAGRAM SURPASSED TWITTER TO TOP SOCIAL MEDIA STRATEGIES

This year photo-centric Instagram eclipsed Twitter to claim more monthly active users than the microblogging platform—more than 400 million compared to Twitter's 307 million.

Besides having the highest user growth rate when compared to Facebook and Twitter, Instagram also has the most engaged community. According to Forrester, 4.21 percent of brands' total followers have engaged with their content in comparison to 0.03 percent and 0.07 percent of brands' total followers on Twitter and Facebook, respectively.

Some brands have experimented with using Instagram for bookings to monetize the platform. Conrad Hotels and Resorts' Instagram followers on mobile and desktop are able to click a link to view a microsite filled with a curated gallery of existing Instagram photos that lead to information about the property, TripAdvisor reviews and a booking widget. Also, Instagram's launch of its new ad product carousel allowed brands to share a series of photos in one post and lead users to a mobile website of the brand's choosing.

## 14. BLACKFISH FINALLY TOOK DOWN SEAWORLD

As it turns out, imprisoning orca whales in tiny pools and forcing them to dance for tourists is becoming less appealing to the American public or international vacationers.

A combination of atrocious publicity from the 2013 documentary film "Blackfish" and stern competition from rival theme parks has left SeaWorld, and its 11 theme parks across North America, floundering.

SeaWorld CEO Joel Manby said the company isn't going to invest even more in marketing to reform its tarnished image. He also told investors that international visitors are now more likely to visit competing parks in Orlando featuring Harry Potter or Mickey Mouse than SeaWorld.

As the world becomes more sensitive to the impact of tourism on nature and the environment, SeaWorld's global appeal could diminish even more than it already has, and it's a signal to attractions around the world that the old ways won't work for a new generation.

## 15. U.S. JUSTICE DEPARTMENT IDENTIFIED TRIPADVISOR AND GOOGLE AS BOOKING THREATS

When the U.S. Justice Department cleared the way for Expedia Inc. to acquire Orbitz Worldwide in September 2015, the DOJ cited the emergence of TripAdvisor Instant Booking and Google flights and hotels "with related booking functionality" as competitive counterweights to online travel agency consolidation.

Indeed, TripAdvisor is much further along than Google in becoming a booking platform but the duo likely will become a challenge for online travel agencies such as Booking.com and Expedia, as well as hotel chains, as TripAdvisor and Google siphon off bookings that might have otherwise gone directly to online travel agency and hotel websites.

Priceline Group sites Booking.com, Agoda and Priceline.com, as well as Expedia brands, will cooperate with the TripAdvisor-Google booking trend as part of the new reality, although they would have rather seen this development fail to materialize.

## 16. CRUISE LINES FINALLY COMPETED WITH GOOD WI-FI

For a long time, cruise lines lagged behind airlines and hotel chains in terms of providing Internet connectivity onboard. The price tag associated with providing internet access while at sea was too costly. Until 2015.

Carnival Corp. announced that it would bring high-speed Wi-Fi to all of its global brands, with reduced-price options for cruisers looking to access only social media sites. Royal Caribbean International, likewise, rolled out its high-speed VOOM service to more vessels.

Cruise lines hope that customers will share their positive experiences online during their sailings, and that the cruise experience overall will become more enticing to those who can't completely leave the Internet behind on vacation-- especially millennials.

## 17. COMPLETE CRISIS IN UNITED AIRLINES' LEADERSHIP

Every living being outside of United's executive circles knew that CEO Jeff Smisek was quickly killing the airline, but it took a scandal involving a close ally of New Jersey Governor Chris Christie to finally bring him down. In October the airline announced his abrupt departure following an investigation into improprieties at Newark airport, and the appointment of railroad exec Oscar Munoz as the new CEO.

United's employees moved quickly to cheer the ouster, with the machinist union boss saying, "The dedicated, hard-working employees at United deserve better than the questionable leadership Jeff Smisek provided." Munoz did a quick tour of the airline, earning praise from employees after he offered frank assessments of the state of United. Munoz's team-building exercises came to a halt following a heart attack, but not before engendering goodwill from its beleaguered staff. General Counsel Brett Hart, who had few ties to Smisek's rule, is watching the airline until Munoz returns in January.

He'll have some heavy lifting to do.

## 18. BIG PLAYERS BUY IN TO TOURS AND ACTIVITIES

Tours and activities startups have spent nearly five years trying to live up to the promise laid out for them in widely misinterpreted Phocuswright study that projected a \$4.1 billion opportunity in the sector (which some read as \$27 billion). And although the peer-to-peer players flamed out and consumers still have yet to embrace any of the tours and activities startups, they are raising more money and seeing interest from larger digital players.

In November GetYourGuide raised an additional \$50 million in a Series C round, bringing its total to \$95 million. TripAdvisor is seeing its \$200 million purchase of Viator begin to pay off as revenues from this business line grow. At Expedia, CEO Dara Khosrowshahi spent over \$6 million to advertise Expedia's tours offering, and told investors, too, that he was "very excited about our tours business."

Now we just need to see consumers show similar excitement.

## 19. AIRBNB WON ITS SAN FRANCISCO FIGHT AND PREPARED FOR MORE

Airbnb won its battle against a San Francisco ballot measure in November 2015 that sought to put teeth into current rules for short-term rentals in its own hometown. But rather than silence critics, the ballot battle raised issues in other cities about how they can regulate and/or tax the service.

During the fight, Airbnb settled on its lobbying message for the next cycle of conflicts: Airbnb is about helping people afford their homes during tough economic times. This certainly plays better than focusing on its nearly \$30 billion valuation and support by some of the richest venture capitalists on the planet. Whether this can withstand the pressures of data disclosures that result in tougher restrictions is likely a race against time.

## 20. RUSSIAN TOURIST PLANE BOMBED OVER SINAI PENINSULA

In late October a Russian aircraft carrying 224 people crashed in a remote mountainous region in the Sinai Peninsula about 20 minutes after taking off from a Red Sea resort popular with Russian tourists. Russians had emerged as the dominant group along Egypt's Red Sea beaches, but they're now turning away for other markets that could be safer (like Israel).

There were no survivors, and in response Air France and Lufthansa said they'll avoid flying over the Sinai Peninsula, and the British government suspended all flights to and from the area. Investigators have since deemed the crash as a terrorist act and concluded that a homemade explosive device was used to down the plane. It's another challenge to Egypt's inept and corrupt government and a blow to the mass of Egyptians that base their livelihoods on a shrinking tourism sector.

## 21 ■ MARRIOTT BOUGHT STARWOOD

Some company was going to buy Starwood in the near future. It was simply a matter of which one. While the media – including us – was focused on Hyatt, InterContinental Hotels and Chinese conglomerates, Marriott snuck in and grabbed the rudderless Starwood for a cool \$12.2 billion.

The purchase gives Marriott 30 brands to play with, as well as big shares of big markets like New York, where the combined group now controls 60 percent of rooms. It also gives Marriott the Starwood Preferred Guest program, arguably the hotel world's most innovative loyalty plan. In the coming months we're likely to see the combined Marwood (or is it Starriott?) shed brands, expand its Washington, D.C.-area base, and begin figuring out how to work all the moving parts in the new 800-pound gorilla of the hotel world. Expect severe growing pains.

## 22 ■ THE DEATH AND REBIRTH OF AIRLINE LOYALTY

Airline loyalty programs for the big three U.S. carriers – Delta, United and American Airlines – are now about dollars spent versus miles flown.

Delta first moved from a system that awards miles based on flight distance to one that recognizes how much a customer spends with the airline. United followed, matching a revenue-based scheme that had been used previously by airlines such as JetBlue and Southwest.

Last month American became the latest carrier to change-up its program, now awarding passengers miles based on the price of the ticket purchased. And award redemption levels will be calculated on a flown basis, so whatever a passenger's status is when they fly those actual segments, that will be the multiplier used for that segment.



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## 23. PARIS ATTACKS FORCE EUROPE TO RETHINK BORDERS

The world watched in horror as the Nov. 13 terrorist attacks on Paris showed the City of Light in a dark place, leaving 130 people dead and forcing the French government to impose a national state of emergency.

As fear rippled across Europe, not only did countries heighten their security levels, but governments examined their current open-border policy under a microscope, an issue that was already being dissected in the face of the worst migration crisis since World War II.

Though reimposing borders has clear advantages for the continent's security, such a move greatly affects Europe's economy. Open borders are conducive for trade and tourism; passport checks and border guards are not. Re-imposing borders means longer lines, traffic jams and fewer travelers and goods moving throughout the different countries.

## 24. HOTELTONIGHT'S TROUBLES SIGNAL A RECKONING FOR HIGH-VALUE STARTUPS

Last-minute hotel booking sites and apps such as Booking.com's BookingNow have caught up to first-mover HotelTonight, which debuted its app exclusively for same-day bookings five years ago and subsequently discovered the market was too niche and expanded to hotel bookings seven days in advance.

HotelTonight, which has raised some \$81 million in venture capital funding at a valuation of around \$320 million, recently axed 20 percent of its staff, around 37 employees. HotelTonight CEO Sam Shank insists the company's prospects are still healthy and the move was needed to position itself for the long term but there is abundant skepticism about the road ahead.

When we asked in August whether it was crisis time for HotelTonight or all systems go, the answer now clearly seems to be the former as the company struggles to grow at a clip amidst all the competition to justify the hefty valuation.

And if HotelTonight is stumbling, what will become of its peers that have less money and fewer users?

## 25. U.S. VISA WAIVER SYSTEM COMES UNDER POLITICAL SCRUTINY

An abundance of terror attacks in 2015, both in the United States and abroad, has led the U.S. Congress to reconsider the country's visa waiver program, despite the fact that no attack in the U.S. has been linked to it. The program, which allows citizens of 38 countries to travel to the U.S. for up to 90 days without acquiring a visa, has come under fire from both Democrats and Republicans, who say that it could allow potential terrorists to enter the U.S. without proper screening.

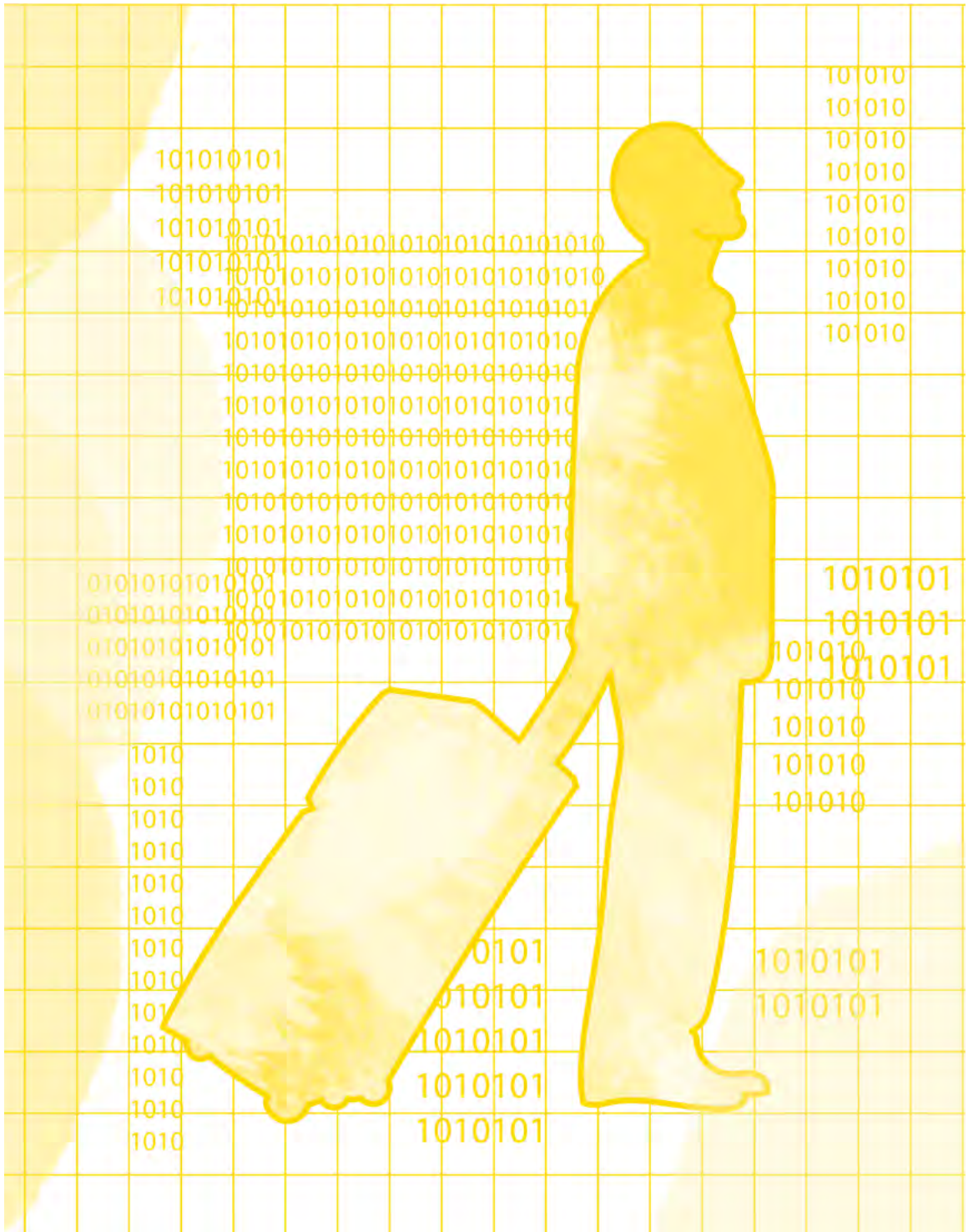
While the program has been active since 1986, politicians are keen to prevent a potentially threatening citizen of Belgium, France or another waiver country to gain easy entry to the U.S. Time will tell how strict the visa waiver program will become, whether normal travelers will be affected by the changes, or even if Customs and Border Control will be given the tools they need to do a more effective job of policing entries.



# 1. THE TRAVEL INDUSTRY IS NOW READY FOR A **360-DEGREE VIEW OF THE TRAVELER**

by Alex Palmer

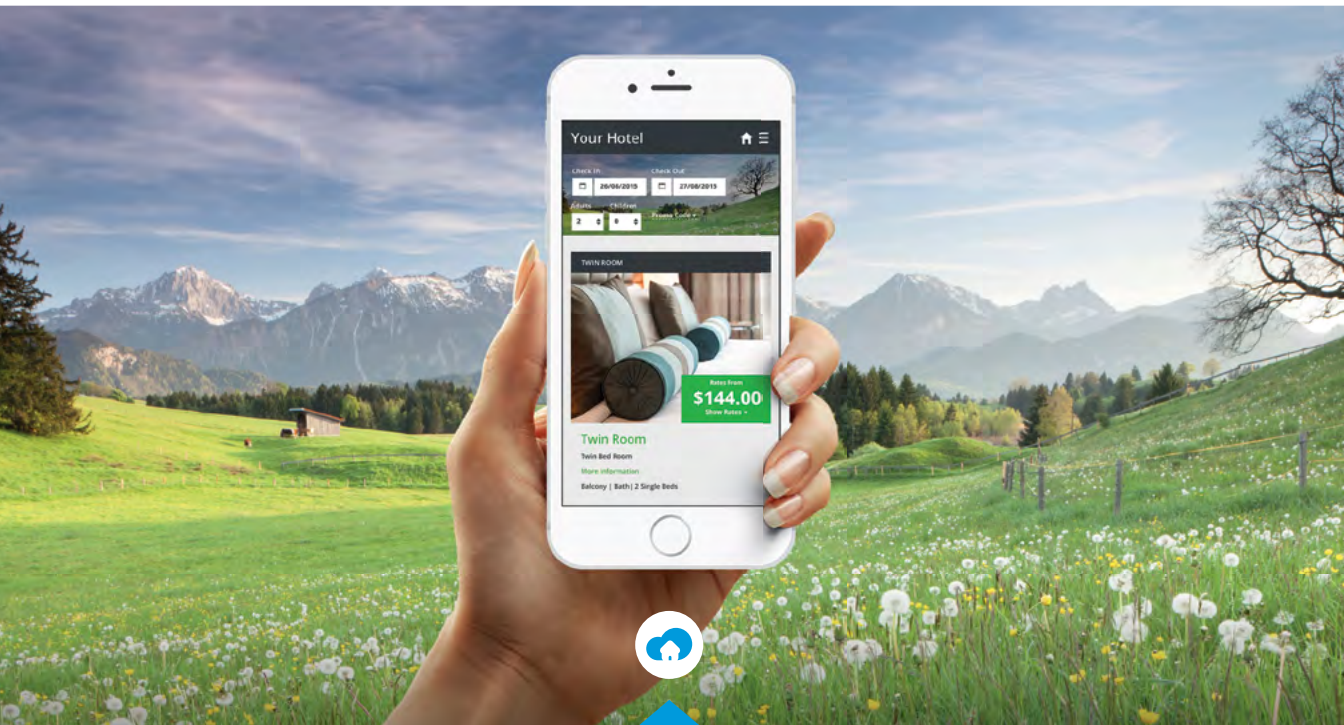
*Data, it has often been said lately, is the new oil. Just as oil in the 19th century was an untapped resource that ushered in wholesale changes to the world economy, so is data, which has the potential to make businesses smarter and turn all marketing communication into one-on-one conversations with customers.*



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In 2016, this torrent of change will engulf the travel industry. Travel companies have traditionally helped consumers go on a journey. Now, the industry is mining the customer's journey to do a better job.

In the past, a hotel would know when a guest has booked and could track some behaviors while they are on site, but understood much less about that consumer's overall trip -- where they were traveling to next and how they would be getting there.

That is changing with the wide adoption of mobile and willingness of consumers to interact with travel brands in a growing number of ways. The speed with which solutions providers are rushing to tap into the increasing amount of available consumer data, and evolving technology means that in the coming year, marketers will approach an all-encompassing view into customer behavior and preferences.

Helping to drive this are the evolving CRM systems and technologies underpinning them, providing more details on travelers than in the past. The rapid shift of CRM technology into the cloud (Centaur Partners puts it at 31 percent of the current SaaS market with expectations for rapid growth in the coming year) has meant lower cost of entry and more rapid deployment for brands. Solutions providers have been working to help clients deepen their understanding of customers' purchase paths and long-term behavior, offering brands a wealth of customer data trails, drawn from social media, Google and elsewhere, based simply on a customer's name and phone number.

Data from online reputation management (ORM) efforts, including travel reviews and survey data, is being integrated into CRM programs while major hotel brands are building more robust customer service efforts on social media, and integrating this data into their prospecting and retargeting efforts. Mobile messaging is enjoying a larger role as part of a brand's communication stack, and hotels and airlines have made greater investments in this area. This means more data from a wider range of sources and steps in their path to travel, allowing for personalized messaging on a grand scale. Consumers are sharing more information

than ever, and while brands must be careful not to overstep with respect to consumer privacy, those that strike the right balance have a far more robust understanding of the traveler.

Context-aware apps and those using beacon technology has deepened this further, allowing brands to present customers with offers or services based on their location within a hotel or travel journey, such as Marriott's LocalPerks or James Hotels' James Pocket Assistant. Mobile deep-linking is also allowing mobile apps to reach outside their silos, creating potential for cross-app marketing, and a seamless experience for customers. Such a 360-degree view into customer behavior opens up a huge number of possibilities for travel marketers, from leveraging a larger number of channels more effectively, to making the growing amount of consumer data more actionable.

With this comprehensive view into the traveler's journey, the industry is poised to elevate and personalize the travel experience further than ever.

## SKIFT TAKE:

With this comprehensive view into the traveler's journey, the industry is poised to elevate and personalize the travel experience further than ever.

# 2. THE BIG TURMOIL IN BIG HOSPITALITY

by Alexandra E. Petri

## ▶ SKIFT TAKE:

Mergers, killing brands, globalization and an ongoing fear of Airbnb and its ilk will keep 2016 interesting and prepare the industry for a bit of needed evolution.



*The global hospitality industry, comprised of the organized hotels sector, the organized vacation rentals sector and the former sharing economy sector, is driving all innovation in travel now. That much we said last year in the Skift Megatrends For 2015. That is still true.*

**W**hat is also true that at a time where everything about hospitality is being rethought, the industry that pioneered the chain experience and made global business travel consistent, stable and possible, is now in the midst of all kind of turmoil.

This is happening despite a record-level 2015 performance, and the big hospitality industry is left wondering what to do for a second act.

Last year was marked by a wholesale reinvention of hotels with heavy investments in design and technology and tremendous growth through life-style properties and soft brands. Hotels vied for first place in the race for relevance, fueled by OTA dominance, the sharing economy and consumer desire for local, authentic experiences.

To ride that momentum of innovation and to grow on top of record, hotels may turn to one strategy, mergers and acquisitions (M&A), which historically occur when the industry is on the uptick of its business cycle. That's where where we find ourselves now.

Marriott seized the moment by buying Starwood for \$12 billion. Weeks later AccorHotels paid \$2.9 billion for Fairmont, Raffles and Swissotel. Continued demand growth and record occupancy levels matched with modest supply growth will also foster 2016's frenzy. The economic climate, healthy with flushed cash, is conducive for expansion. Furthermore, brands today are asset-light – wherein they franchise and manage hotels rather than own them – freeing up cash to make companies cheaper to acquire and increasing market presence, attracting hotel owners keen for exposure.

M&A's can also greatly shift the OTA landscape. Marriott's deal created the world's largest hotelier, rich in a portfolio of 30 brands. Such a powerhouse yields tremendous influence when negotiating with OTAs, as they themselves are huge entities. Brands

## BIG HOSPITALITY IN TURMOIL: THERE IS A FOUR-SIDED COLLISION HAPPENING IN HOSPITALITY

**1.** The former 'sharing' economy - the Airbnbs of the world - is moving up the chain and taking over the vacation rentals sector.

**2.** The vacation rentals sector realizes it can't sit out the city rentals revolution and is jumping right in.

**3.** This alternative accommodation sector is colliding with the hotel industry as stealing share in ways big and small.

**4.** Alternative accommodation is also colliding with online booking played as hotels provide an untapped yet high-margin opportunity for them.

can also better compete against disruptors like Airbnb by way of product differentiation, offering everything from budget to high-end resorts.

Growth is everything for hotels; it keeps shareholders happy, and it also expands their global footprint. Yet consolidation is a gamble. Acquiring brands, depending on whom they acquire and the integration process, could triumph. Smaller companies may benefit from parent company resources like CRM, marketing, sales, and reward programs. Consumers may become spoiled with a vast network of choices and ample means to accrue loyalty. That's the hope anyway, as the stage has been set for a flurry of M&A deals that will transform the industry.



# 3. THE BOURDAIN EFFECT:

## FOOD IS NOW THE LEADING HOOK IN TRAVEL

by Greg Oates

*In a time in which almost every experience can be digitized, food stands alone as stubbornly analog.*

**P**erhaps that's why culinary travel experiences are now the most popular method for driving tourism business. Food has an unmatched ability to communicate a unique sense of place. Local cuisine provides a direct connection to the history of a region, the soul of its people and the rhythm of daily life.



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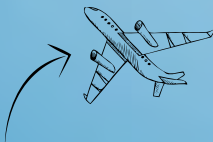
43% OF MILLENNIALS ARE PART OF A LOYALTY PROGRAMME



3 OUT OF 4 DOMESTIC TRIPS TAKEN ARE FOR LEISURE PURPOSES



31% BOOK A TRIP BASED ON THEIR OWN PAST EXPERIENCES



**BOXEVER**

## ▶ SKIFT TAKE:

Food tourism is nothing new, but its exponential growth is remaking how destinations position themselves in the global tourism marketplace.

Food app Reserve's CEO Greg Hong put it very well, speaking at Skift Global Forum in October 2015: "Dining will be the last form of live entertainment. As we start to digitize experiences, we are going to yearn for authentic experiences where we can break bread together."

As a result, restaurants have shifted the travel brand identity of destinations from Las Vegas to Cape Town. Noma in Copenhagen, for example, redefined the Scandinavian travel landscape after winning San Pellegrino's World's Best Restaurant multiple times. Cheap Southeast Asian street food has evolved on the world's culinary stage so much that Michelin added a new section in its annual star ratings to profile the best food stalls in Hong Kong and Macau.

The most future-thinking travel brands are now connecting immersive food and beverage with other travel experiences following in the footsteps of culinary travel explorers like Anthony Bourdain. Visit Britain extols the virtues of gastropubs in Manchester. Australia pushes traffic to the Northern Territories with indigenous cuisine-themed itineraries.

Hospitality, cruising and aviation brands across every budget tier are also providing context around native cuisine by incorporating local products and producers into their marketing and strategy. Conrad Hotels launched a new "Smart Luxury" campaign highlighting the most intriguing local travel experiences around its properties, including restaurants and fresh markets. The Seabourn cruise line is opening fleet-wide restaurants operated by star chef Thomas Keller, and United Airlines is partnering with AFAR to develop local destination content with an emphasis on food and beverages.

Travelers today are hungry to explore behind the scenes of any given destination, and they're using culturally specific food to discover and understand the world like never before.

# 4. THE DIRECT

by Dennis Schaal

## BOOKING WARS ARE IN FULL BLOOM

*Hotels and online travel agencies have long been locked in a perennial battle for travelers' bookings. In 2016, that shows no sign of abating. While hotels got more aggressive in 2015, they will likely make an even more concerted effort this year.*



## ▶ SKIFT TAKE:

It's a great time to be a consumer as brands will do what they can to get you to be loyal to them first, even if it means foregoing some fees on the process.

**A**fter TV ad campaigns by Hilton Worldwide and Marriott International in 2015, and a lobbying campaign by the trade group the American Hotel & Lodging Association all designed to spur travelers to book directly on hotel websites, some hotels are even saying privately that they plan to reduce their room allotments to online travel agencies in 2016.

When the online travel agencies are sold out then booking on hotel websites becomes an even more practical endeavor.

Hotel chain website and mobile share globally seemed to be “trending up” in 2015, says Henry Harteveltdt, founder and travel industry analyst for Atmosphere Research Group, while online travel agency share grew more modestly, one percentage point to 20 percent.

The share breakdown, according to Atmosphere's numbers was:

- Hotel brand websites and mobile, 25 percent
- Local properties' websites, 8 percent
- Online travel agencies, 20 percent

The rest was divided among channels including hotel phone reservations, walk-ups and traditional travel agencies.

In 2016, Marriott and Starwood, which announced that they will merge, as well as Hilton Worldwide, and InterContinental Hotels Group, are all expanding options for loyalty program members to bypass front desks and use smartphones for keyless room entry, and this feature won't be available for travelers who book their stays on Expedia, Booking.com and TripAdvisor, for example.

What's needed here? More imagination from hotels. Hotels will continue to add exclusive perks, such as points and basic Wi-Fi for free for those travelers who book direct. The most creative properties and chains will also offer direct-booking perks such as early check-ins or late checkout, too.

Such frills illustrate that while there's no obvious victor yet among OTAs and hotels, the consumer is a clear winner.

# 5. THE RISE OF FAST

by Grant Martin

## CASUAL DESIGN IN TRAVEL

*At the Element Harrison hotel outside of Dallas-Fort Worth Airport, the free breakfast queue snakes through the lobby in a sleep-deprived conga line. Mini-quiches, bagels and cereals cascade across a cool tiled wall and guests ratchet through in self-service, stacking their plates high with simple, warm food. It's an efficient and yet appealing way to feed an army of hotel guests in a style that's quickly catching on within the travel industry: fast and casual.*

The whole concept of fast and casual within the hospitality industry is a throwback to recent progress within the restaurant space. Chipotle, now famous for capturing market share from the legacy fast food brands, was able to resonate with younger customers by deconstructing the ordering process and dressing up the overall experience, making customers feel both classier and more in control of their purchases – all without breaking the bank. And now Shake Shack is one of the hottest purveyors of the fast casual concept, making it a brand restauranters around the world are copying.

Hotel brands like Element and Aloft, both Starwood properties, have now applied this model to the hotel space, using tools like self-serve meal kiosks and free Wi-Fi to appeal to a younger generation of travelers more sensitive to cost and less interested in the complexity and stuffiness of legacy brands.

"Fast casual seems to be a reaction to a decade of overdesign and superdesign," says Lionel Ohayon, the CEO of Icrave, an innovation and design studio responsible for properties such as the Hotel Gansevoort Lobby in New York City and the C and D Delta terminals at LaGuardia Airport. "I think that there's an elemental quality that people are now

looking for in their travel experiences, something more spontaneous and participatory."

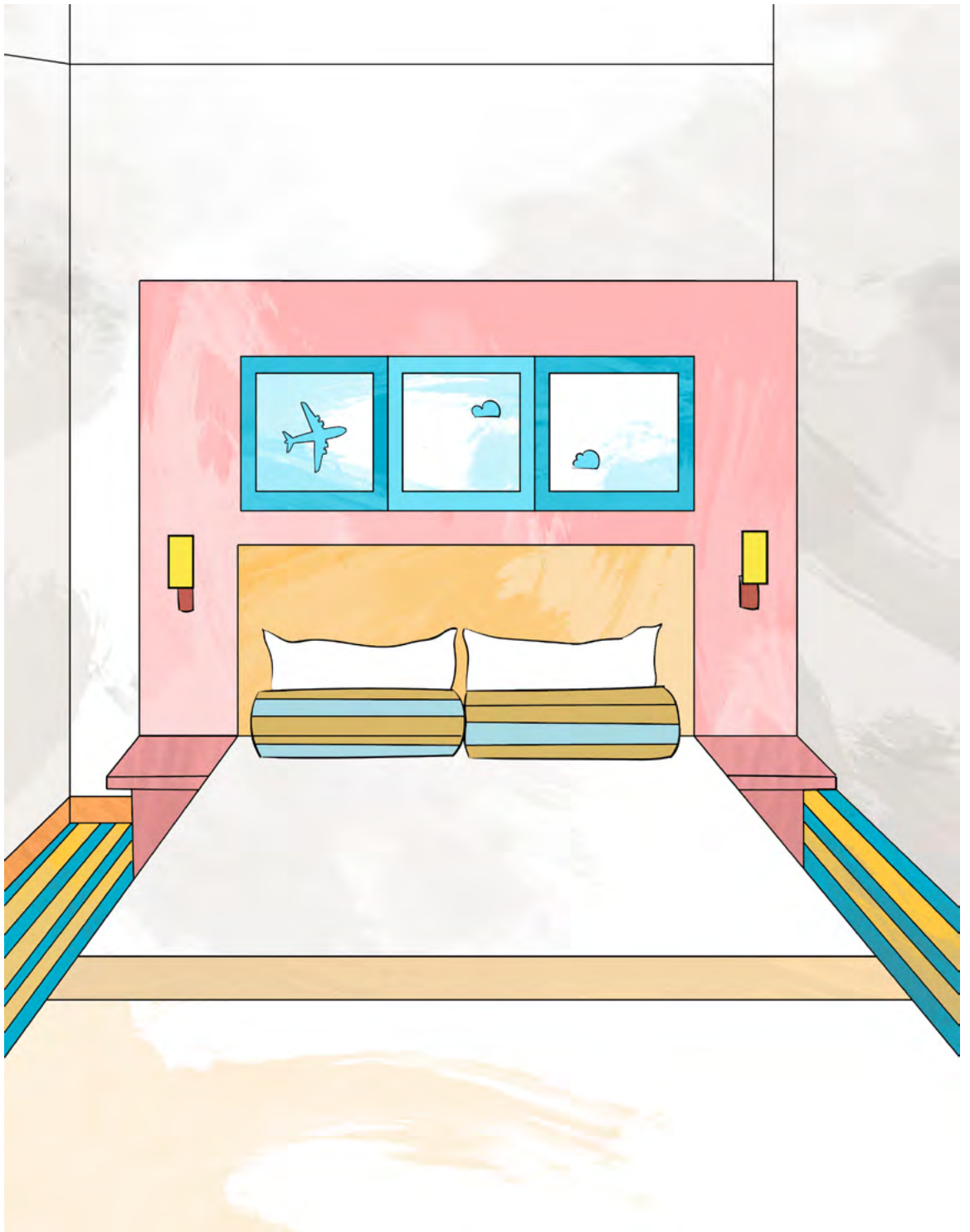
Over at Marriott, the newest solution comes from Moxy hotels. Now open in Milan, Moxy's design leans heavily on do-it-yourself meals, connected spaces and a communal lobby, shirking the traditional hotel standbys of sit-down restaurants and concierges.

Do it yourself meals and pricing, or à la carte experiences, are also catching on in the airline space, where younger, cost-conscious travelers can choose the perks they want to pay for, ranging from checked bags to upgrades to frequent flyer miles. This is why budget carriers like Ryanair and Spirit have always done well with younger travelers – and why dinosaurs like Delta are now exploring ultra-barebones fares.

Looking forward into 2016, the concept of fast casual in design will continue to rise, creating simple and cleaner experiences across the spectrum of user touch points. Travel providers will benefit by creating more efficient products that are less expensive to operate and that can be portioned out piecemeal for extra revenue. Consumers will benefit too, through cleaner user experiences and simpler, easier to understand fare and product structures. In the end, everyone will come out a bit more efficient – and hopefully a bit happier too.

### ► SKIFT TAKE:

Consumers like the simplicity of à la carte and only paying for the things that demonstrate clear value. Let's get rid of the clutter.





# 6. THIS IS THE YEAR OF THE AMERICAN TRAVELER

by Jason Clampet

## ► SKIFT TAKE:

It may be a bit messy considering geopolitics and the coming divisive election, but U.S. Travelers are still in an excellent position to travel with fatter wallets and broader horizons than they have in a decade.

*If you're a U.S. citizen with disposable income, your odds of having a stellar year of travel are higher now than they've been in at least two decades.*

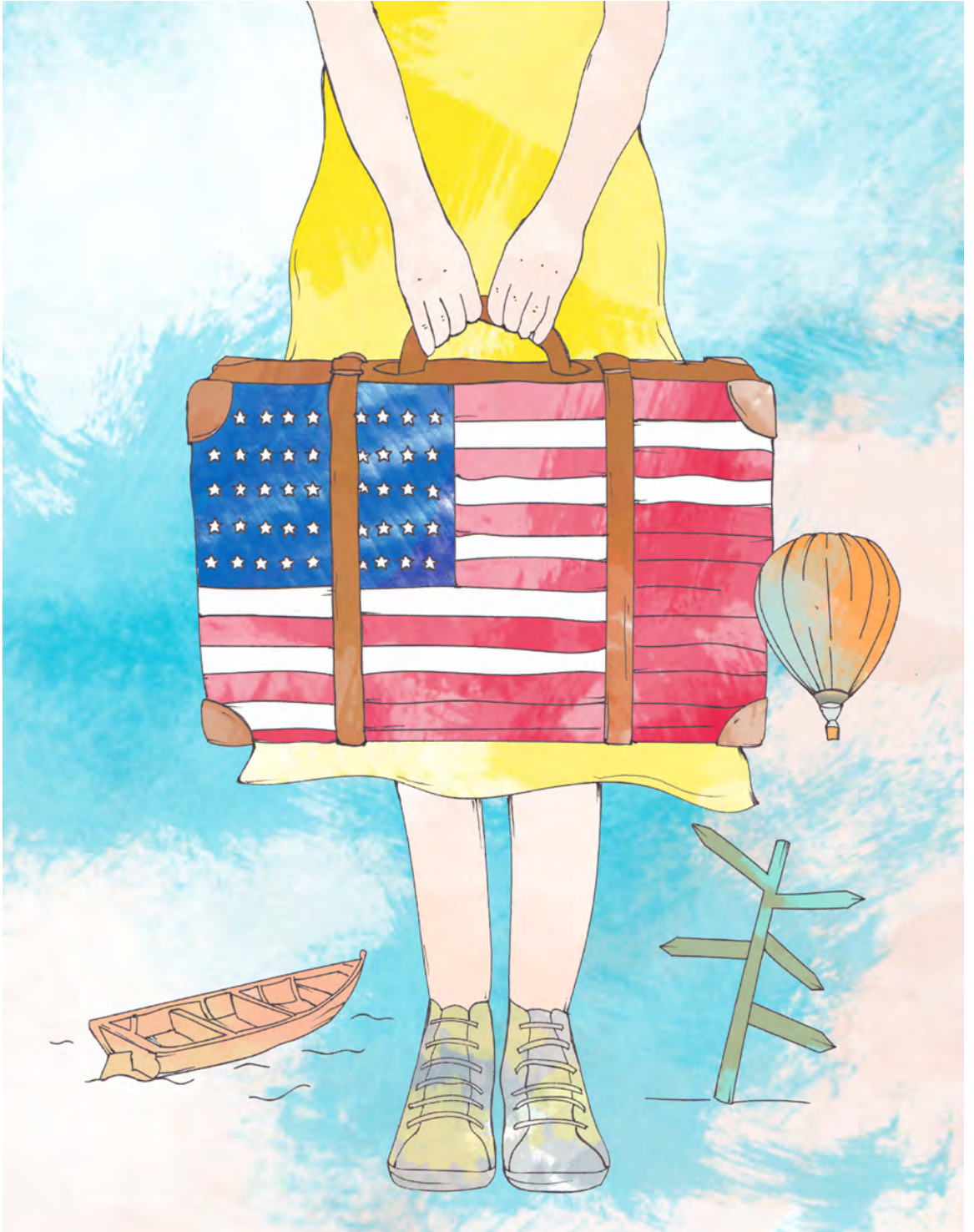
**W**ith an economy that's clawed its way back from the disastrous policies of the Bush II years, the U.S. dollar is stronger now than it's been in recent memory, and unemployment levels are back to pre-Bush levels. The dollar is now at a 10-year high against the euro, the Brazilian real, Japanese yen, Turkish lira, and many other currencies in desirable places. It's even improved its position against British pound since the latter's low in 2009, but better than the preceding 10 years when the rate was as poor as \$2 to £1.

But Americans don't have to go abroad to get a deal. Domestically, oil prices are so low — already down 25 percent year over year — you can get two road trips for the price of one.

Not only is the money situation improving, the few remaining barriers of red tape are coming down, too. Brazil will suspend its reciprocal visa policy for Americans (among others) in a three-month period around the Olympics. Visa-on-arrival and visa-free policies are becoming more of the norm elsewhere, too.

It's not all sunshine. There's a refugee crisis stretching from Afghanistan to Berlin and ISIL's horrific attack in Paris in November is a reminder that the War on Terror hasn't defeated terrorism.

And then there's Cuba. After 50-plus years of holding its breath in hopes that doing so would succeed in getting the Castro brothers to leave, the Obama administration tried a new tack in December of last year and announced a thaw in relations that's already resulted in an ease on visits, banking policies, more charter flights by JetBlue, and ports of call for Carnival. By the time this appears in print, we'll likely see commercial flights, too. We're pretty sure that a few thousand Carnival passengers invading Havana's streets will get upend more than a half-century of Castroism faster than an exploding cigar.



## THE SKIFT TAKE

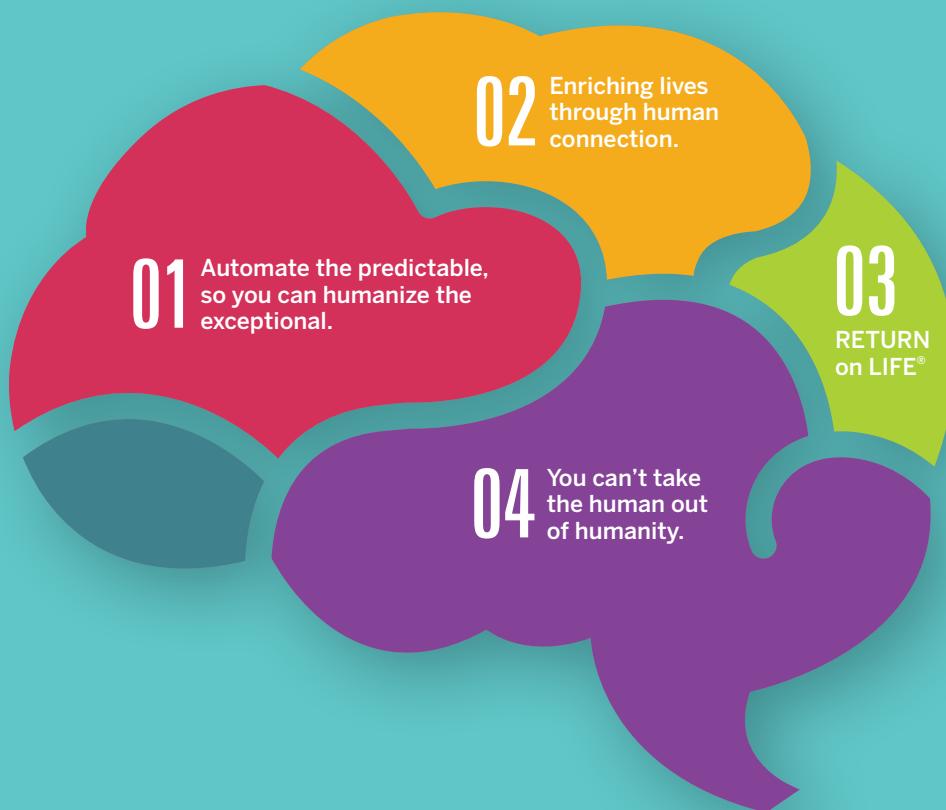
**01** Ubiquity of information means everyone's an expert; thus, need for deeper connection beyond digital.

**02** Travelers want deeper experiences (inspiration, personalization, self-discovery).

**03** Travel brands re-imagine themselves as lifestyle connoisseurs.

**04** Travel innovation is not just tech.

## VIRTUOSO'S TAKE



*This just in!*

**Don't believe everything you hear.** A career in travel advising is hotter than ever. Virtuoso just announced a 26% growth in travel advisors in 2015 to more than 11,400 worldwide. Not bad for a profession the pundits claimed wouldn't be around in the 21st century!



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# SMART TRAVEL AGENTS

## ADOPT THE CONCIERGE MINDSET

by Skift x Virtuoso

*Travelers have more do-it-yourself resources at their disposal than ever. They book trips from their iPads, Google local attractions from their phones, and can take to TripAdvisor for on-the-go suggestions.*

**T**he radical self-reliance of modern travelers has caused a ripple in the travel industry, spawning a litany of apps, products and services to enable travelers to call their own shots. Most affected are travel agents, the specialists with the inside information underutilized by-way-of technology.

Smart travel agents are evolving to better meet the rising needs of today's traveler. They've realized that the transactional model doesn't work anymore. Wary of being commoditized as just another sales channel, they are becoming increasingly focused on end-to-end customer experience, acting in part as concierge, advisor and confidant. More emphasis is being placed on building long-term relationships.

The rise of worldwide mobile connectivity and social media has magnified the difference between an agent and trusted advisor for the traveler. Travelers can easily text or call their advisor to fix a problem mid-trip. They can even Snapchat, WhatsApp and Facebook message many of them as they become more integrated in the daily lives of their customers.

They're not only using this connectivity in a problem solving capacity. Travelers are sharing more information than ever across a multitude of platforms, giving advisors an opportunity to synthesize actionable information on-the-fly. They are helping travelers discover new and interesting experiences unfounded otherwise. When a traveling couple

### ▶ SKIFT TAKE:

**The travel agent of the future is focused on end-to-end customer experience, utilizing technology to forge better relationships with travelers.**

shares a photo on Instagram at an obscure locale in Rotterdam or Seville, the top comment might be from their advisor recommending the best underrated restaurants or off-the-beaten path attractions down the road.

Success for travel agents moving forward rests on continuously learning more and more about their customers. They're diving deep into deciphering data in a holistic manner. Focused travel sectors like hotels, airlines and cruises collect "vertical" data based on singular interactions between brand and traveler. Agents need to take a wider approach, collecting "horizontal" data to map out all travel habits from flights, accommodations, and travel within a destination. Even more important is the unstructured data obtained by in-depth conversations

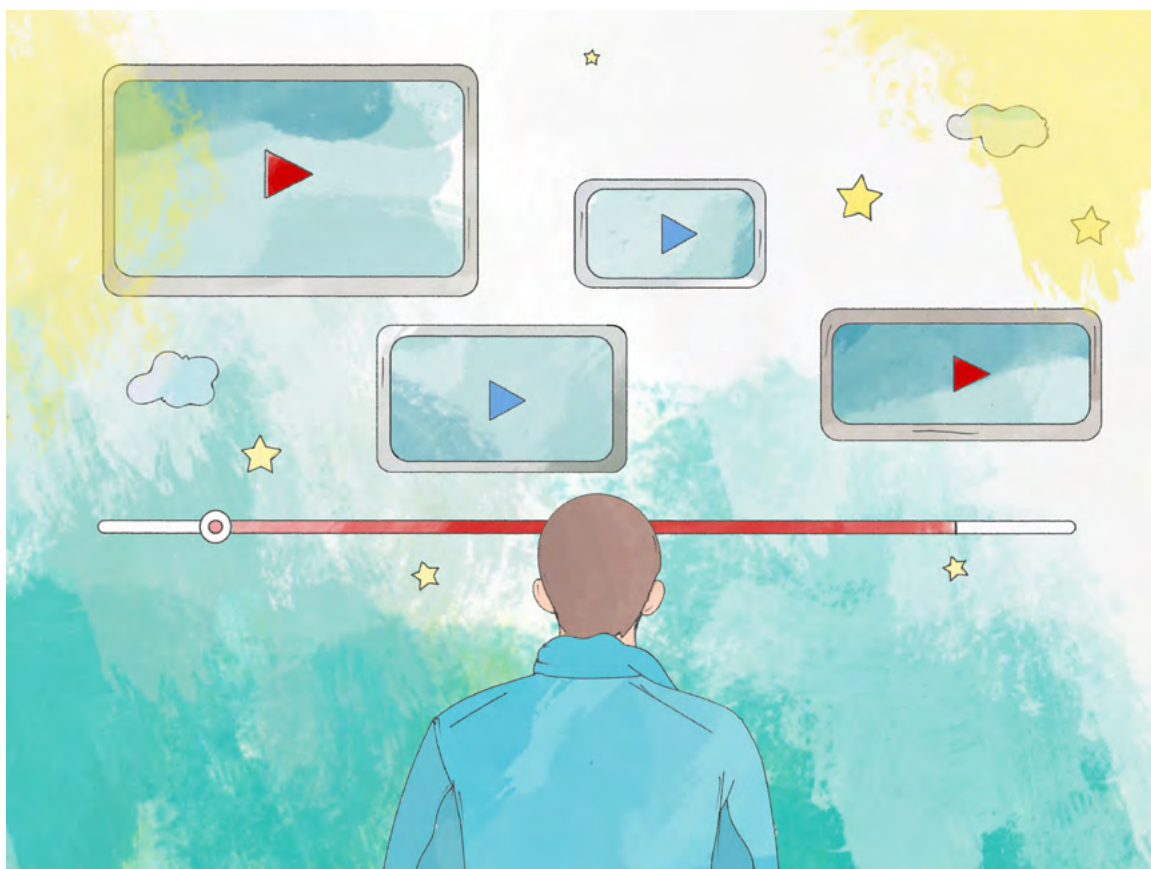
The most important data will be collected through human interaction. In-depth conversations and post-trip debriefs will give advisors an advantage that online booking sites can't replicate. New technology can be a major key for travel agents, as long as the human element is put first.

# 7. VIDEO IS THE NEW LANGUAGE OF **BRAND** COMMUNICATION

by Andrew Sheivachman

*A work-addled American loses his laptop in Paris and finds love in the form of Margaux, a beautiful French woman who tells him, naturellement, to stop obsessing and enjoy life.*

**N**o, this isn't the feel-good romantic comedy of the summer, but a 25-minute film produced by Marriott Hotels that despite its length, logged upwards of 6 million views at this writing.



The film, which took place well before the horrific events in Paris in November, is also possibly the answer to a question plaguing the industry: How can a brand emotionally connect with possible customers?

For a long time, this conundrum stymied many travel companies. When you sell experiences, which is what most travel companies actually do, it's easy to fall back onto time-worn clichés of beaming businessmen relaxing in first-class or couples walking down a sunny beach.

Smart brands have learned that a customer's feelings, in many ways, determine what they buy. Instead of selling hotel rooms and airplane seats as commodities, brands are learning to tell stories using video that create an emotional connection with a specific audience.

Marriott International is the leader in this approach. The brand now operates an entire video content studio, which produces original short films and animated clips, to serve its own needs and create content for clients.

Some airline brands are also making video a more prominent part of their marketing outreach. Turkish Airlines' Delightful Stories campaign, for instance, profiles travelers from around the world, highlighting the motivations that drive them to travel.

"The idea with our video ads is that we're giving our customers soft messages," Turkish Airlines CEO Temel Kotil told Skift. "We're never giving them hard messages such as 'We're the best airline.'"

Why has this new form of video marketing emerged? Consumers have an intimate relationship with mobile technology, with which they increasingly consume video. Streaming video will account for more than two-thirds of all consumer Internet traffic by 2017, according to Cisco.

As more consumers cut the TV cord, they will increasingly turn to online video for entertainment and inspiration. As always, the travel industry will meet consumers wherever they are.

## SKIFT TAKE:

**Brands have realized that video doesn't have to be broadcast-worthy, it just has to be authentic and resonate with viewers.**

# 8. SMART CITIES ARE NOW PLATFORMS AND TRAVELER SERVICES ARE NOW BEING BUILT ON TOP

by Greg Oates

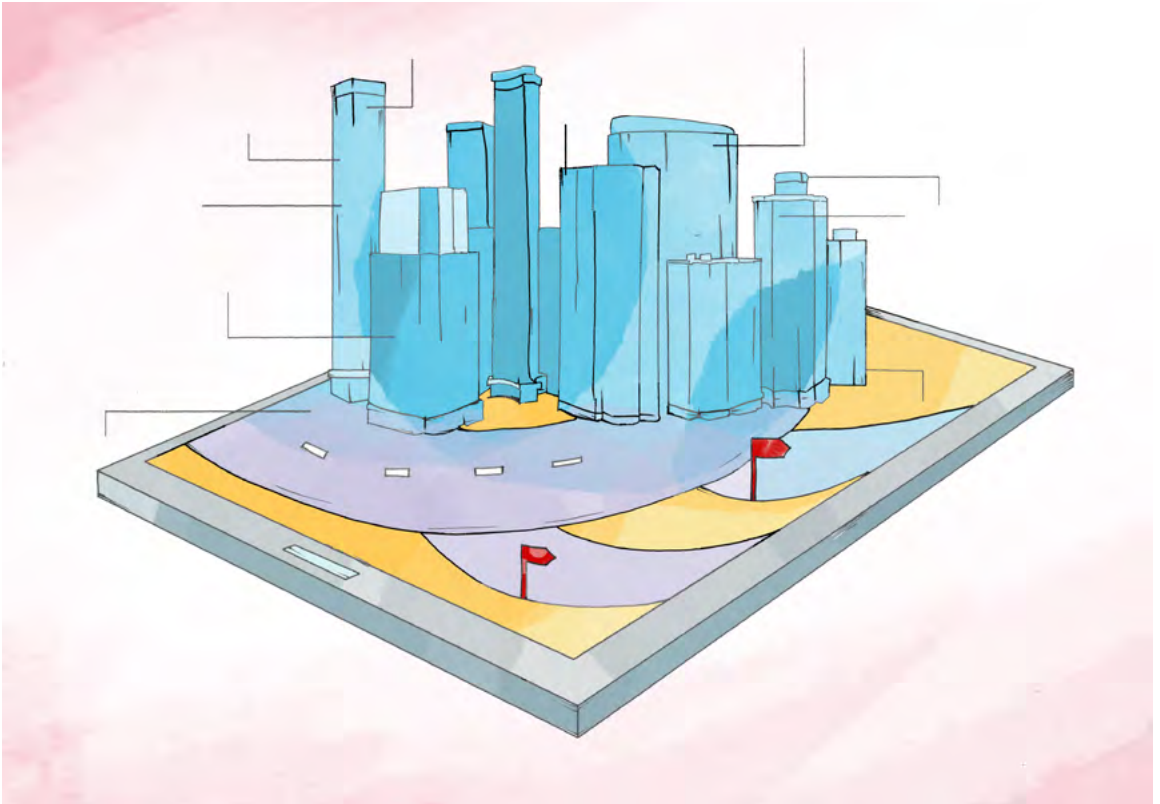
*Twenty-sixteen will be the year when cities start leveraging their exponentially growing volume of open data to provide new services for travelers. While long anticipated, it's only now where the "City As Platform" concept is evolving into a functional urban operating system to support the hype around smart cities.*

**T**he number of devices connected to the Internet of Things (IoT) is expected to grow 30 percent globally in 2016, driving \$235 billion in IoT services. Those "things" are providing a lot of data, and over the last few years, cities have launched open data platforms with new APIs for developers to create new apps with. Today, existing examples of that are transportation apps like Smile, apps4BCN and MyTransport in Vienna, Barcelona and Singapore, respectively, which collect data on traffic patterns, public transportation schedules, weather and more to provide the most efficient ways in real time to get people from point A to B.

Looking ahead, the Melbourne Data platform in Australia is showcasing the next generation of services for different sectors, including the meetings and conventions industry. The city's data sets provide up-to-the-minute information for meeting planners on everything from bookable pop-up conference venues and special events to public art and local barbecue parties.

Or, what if someone wants data on Melbourne's famous laneways? Yep, there's an API for that.

In the private sector, organizations like MIT's SENSEable City Lab are developing systems that collect a city's open data to create holistic platforms that also integrate user-generated content from the public. VisitBerlin's new Going Local Berlin app also crowdsources information from locals and visitors, creating rich data offering insight into real world consumer behavior.



In effect, cities are becoming their own macro social media networks for sharing information between humans and machines. The challenge is that all of the millions of networks in thousands of cities have different APIs or they're full of "dark data" that goes unused. They don't speak to each other very well, which hampers the cross pollination of data and the ability for people in one community network to share information with another in a different city.

Therefore national and regional governments primarily in the U.S. and Europe are developing cooperative initiatives like "CitySDK (software development kit)" APIs, which ensure a consistent user experience in cities that provide a CitySDK interface. As that gains adoption over time, travelers will be able to plug into different community networks without requiring a new app everywhere they go.

## ► SKIFT TAKE:

Cities often tell us more than we know what to do with, but with the right thinking this surfeit of intelligence can be turned into an exceptional opportunity to distinguish destinations.



# 9. BUILD YOUR OWN PASSENGER EXPERIENCE IS THE FUTURE OF FLYING

by Marisa Garcia

*For decades, flying has been predictable, reliable but a bit boring. Limited reservations systems, and long lead times to adopt change, kept airlines stuck in a sales rut, offering customers little or no flexibility*

**M**arket shifts, customer demand and the emergence of new technologies are changing that model to a fully customized experience.

Airlines have broken up their total product costs, selling anything beyond the right to fly as add-ons. The urge to reap profits from unbundling has forced changes to reservations systems, allowing airlines to sell unique product combinations. They can now offer ancillaries at the time of booking, and closer to the date of travel through email and SMS promotions.

Airlines like Finnair increase send well-timed emails to Economy ticket holders offering limited-time upgrades to business class. This is an effective work around to premium 'sticker shock' at the time of booking.

Airlines are also beginning to use apps to sell products and services at the right time, during the journey, when passengers are less price sensitive and more open to suggestions that solve specific problems.

The next step is digitally driven. As reservations and sales systems become more sophisticated, on-the-spot solutions via mobile and with apps could allow better ancillary sales onboard.

## ▶ SKIFT TAKE:

BYO doesn't have to be a bad thing and the best airlines will convince passengers its even better than old-school frills.

JetBlue is already ahead of this trend, making it easier for passengers to buy in-flight food and beverages with Apple Pay on their Apple Wallet or through the airline's app.

On passenger's personal electronic devices and even on airlines' in-flight entertainment systems, airlines can sell more ancillaries including: last minute upgrades to empty premium seats, lounge access during connections, duty-free items shipped home, in-flight meals, comfort products, premium entertainment, hotel reservations, ground transport, special events, tours—nearly endless combinations.

Some of personalization is already becoming part of the airline passenger experience today. Airlines will offer new features at an accelerated rate as they profit from these new sales models, and technology makes it easier.

Despite initial consumer resistance to unbundling, everyone wants to have a better trip and they want control. If what airlines offer their customers solves a problem, and enhances the flying experience, passengers will dig into their wallets.



**10.** MESSAGING IS THE NEW  
LANGUAGE OF THE GLOBE,

**ARE TRAVEL**

**BRANDS**

**LISTENING**



by Rafat Ali and Dan Peltier

*With mobile taking up more than 50 percent of consumers' time, messaging is the new social media. Travel brands ignore this at their peril.*

**S**napchat, WhatsApp, WeChat, Facebook Messenger, Viber and many other messaging platforms dominate much of how the modern world communicates. Travel brands that haven't jumped on those platforms yet are missing out on the future of how people prefer to communicate both at work and at leisure, around the globe.



“

**SERVICE DELIVERY IS BEING CHANGED IN A  
PRETTY FUNDAMENTAL WAY, AND FOR US GUEST  
COMMUNICATION POWERED BY CHECKMATE IS  
AT THE HEART OF THIS CHANGE.**

-- Niki Leondakis, CEO Commune Hotels + Resorts

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Today's travelers live on their mobile devices.  
CheckMate provides hotels with tools to reach  
these guests:

- ▶ SMS and multi-channel messaging
- ▶ Mobile check-in
- ▶ Real-time feedback loops

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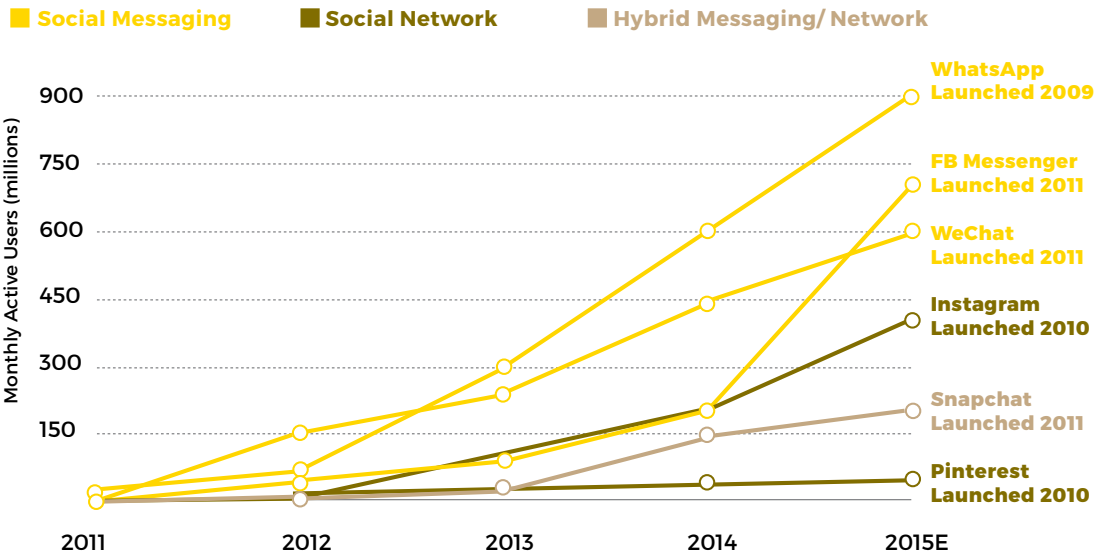
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**Messaging has been the fastest-growing online behavior within the social landscape over the past five years, surpassing social networks**

Growth of Messaging Platforms vs. Network Platforms, Monthly Active Users (MAUs), 2011 - 2015\*



Sources: Business Insider, Fortune, Mashable, Instagram, AppAnnie, Adweek, Quartz, Yahoo Finance, Experian, TechCrunch, Forbes, Tech in Asia, eMarketer, Compete, Activate analysis

Messaging apps are a place for connection. The one-size-fits-all booking search box is not a place for connection. Messaging is how you break out of the tyranny of the online travel search box, in use since 1995. Team messaging app Slack demonstrates just how penetrable messaging has become.

So far since launching, Slack has hosted the #nomads and #TNDistrict channels. The former is an invite-only 3,000 member strong group of (primarily solo) business travelers that “chat about life, work and travel.” The latter is a premium, subscription-based travel advice community for millennial-friendly black travelers.

These communities feel more intimate than tweeting at a brand or commenting on an Instagram photo. Messaging groups are focused and committed to their topics, and that is the mindset global travelers yearn for as traveling becomes more common in emerging economies where messaging is dominant and these populations seek advice on how to move about the world.

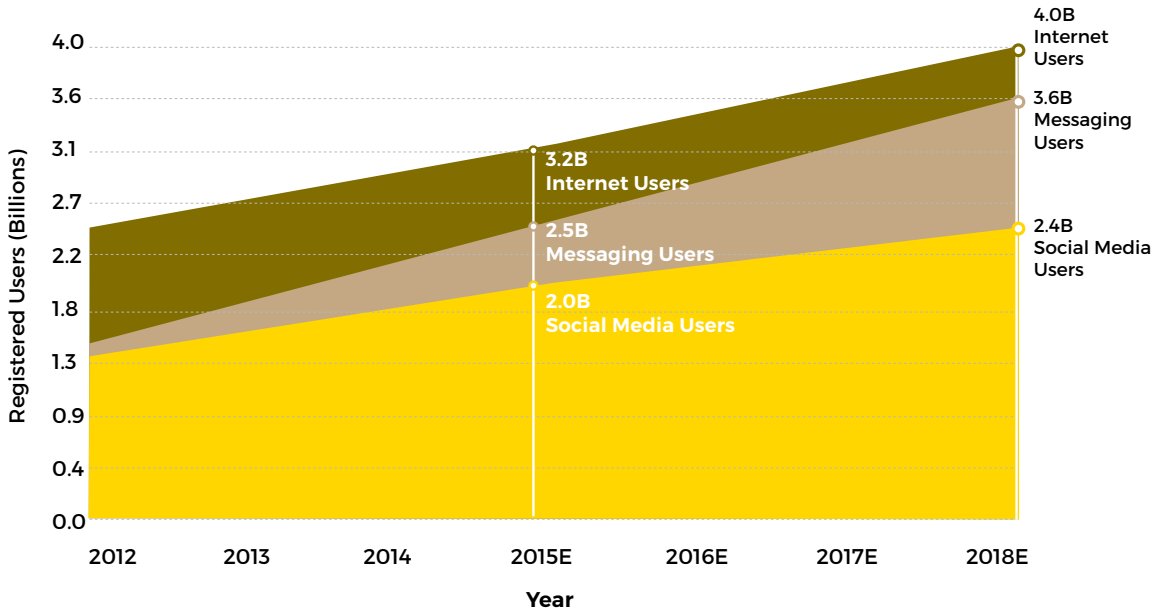
Airlines and hotels have already taken note of the phenomenon. Hyatt, for instance, has been using Asian messaging app WeChat to connect with the Chinese market and Shangri-La uses WeChat for content marketing campaigns. In the airline category, the 28 airline members of Star Alliance are making a concerted push to reach international travelers in China via WeChat. KLM has also tested WhatsApp for its Dutch customers with strong results, and is considering expanding that more widely.

Industry figures point to social messaging as the fastest-growing online behavior within social media during the past five years and WhatsApp, WeChat and Facebook Messenger all individually have more monthly active users globally than Instagram, Snapchat and Pinterest put together. Social messaging will account for 2.5 billion global users by 2018, more than the 2 billion general social media users.

## Messaging will add 1.1 billion new users by 2018

- Internet Users
- Messaging Users
- Soical Media Users

Users of Messaging, Social Media, and Internet, Global, 2012-2018E



Sources: Activate forecast, GlobalWebindex, eMarketer, ITO, Activate analysis.  
 Note: Number of monthly active users is lower than number of registered users

As Activate, the media consultancy puts it in its Think Again: Tech and Media Outlook 2016 presentation, "what users do in native apps today, they will also do in messaging apps tomorrow," and travel brands should heed this advising as they weigh the pros and cons of improving their desktop and mobile web booking experiences or thrusting full force into pushing bookings to messaging.

Travelers will increasingly turn to messaging for a one-stop shopping experience where they can book everything and communicate everything that doesn't remove them from mobile apps that have increasingly become their primary digital interface with the world.

One thing is certain: expect these messaging apps to become a conduit to customer service for all kinds of brands, especially travel brands, as travelers on the move use messaging as the primary way they keep connected to family, friends and the rest of the world.

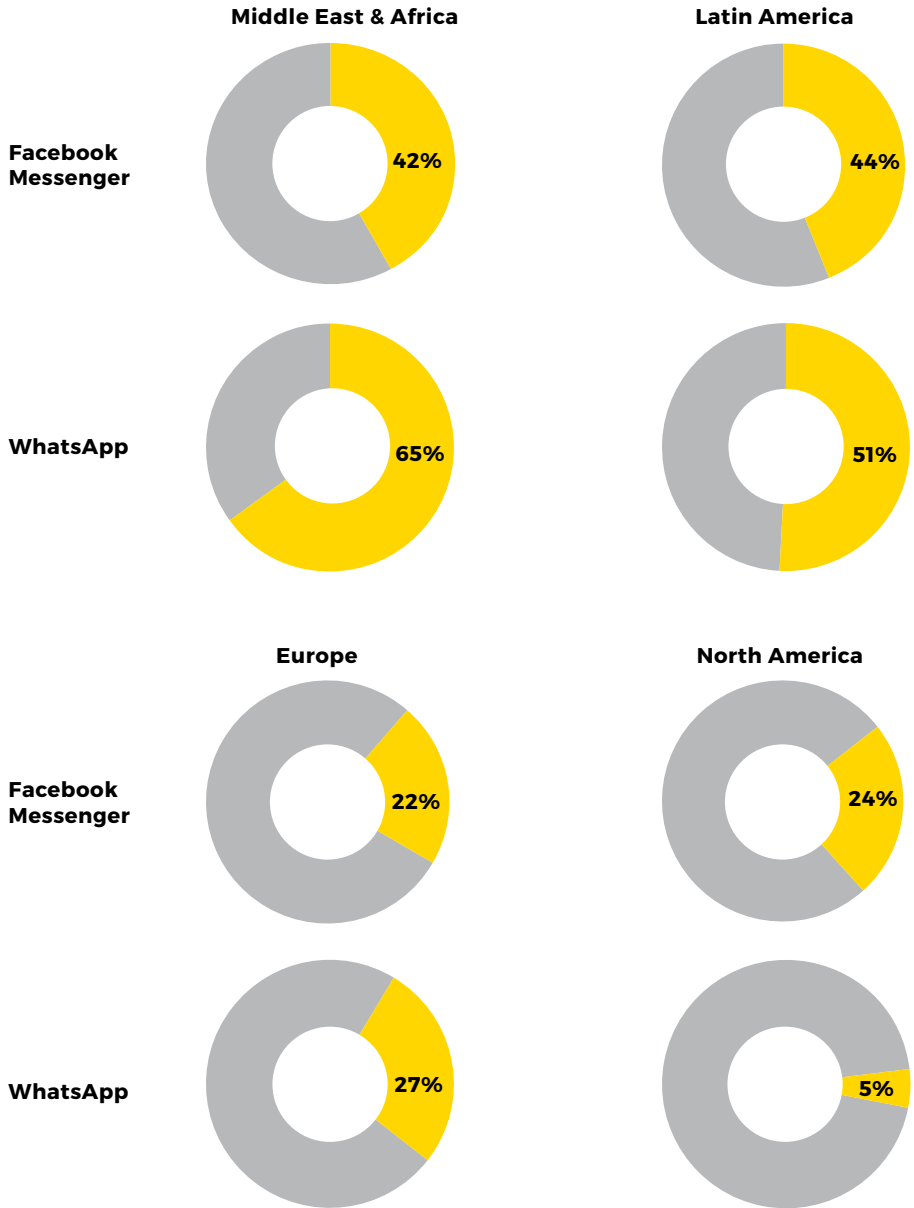
### ► SKIFT TAKE:

Messaging gives brands a direct, intimate relationship with consumers that social media only hinted at. What will be the long-term effect on marketing when a hotel or airline can contact customers like their loved ones do?

**Facebook's WhatsApp and Messenger are the only global players, leaving them in the best position to capitalize on messaging**

Messaging App Regional Share of Smartphone Owners

■ Penetration Rate



Sources: GlobalWebindex, Tech in Asia, Activete analysis. Facebook Messenger penetration Q1 2015, WhatsApp Q4 2014



*If your enterprise or business is focused on building on-demand functionality, travel verticals are ready for you to innovate.*

**H**oteliers understand that on-demand technology is changing passenger and guest expectations around service and responsiveness. They also know that it's better to partner with existing on-demand providers than to try to create their own services.

Implementation is moving in two key directions: plug-in infrastructure and external service providers to on-site guests.

1.

Plug-in on-demand infrastructure means, most directly, a back-end overlay in large part replacing what have traditionally been telephone- and in-person operations for hotels. Third-party on-demand providers such as Alice are already allowing hoteliers to satisfy guest requests for room service, house-keeping, tickets, dinner reservations, even booking a private jet as part of a mobile digital interface. Furthermore, hotel management can monitor all requests and services from a 360-degree vantage. While large hotel companies are working with in-house iterations of this on-demand/mobile-based tech — Marriott and Virgin Hotels, for example, have recently done so — smaller hotels will turn to third-party solutions, and Alice is the first of them, rather than expend massive resources on building out the needed infrastructure by themselves.

# 11. PARTNERSHIP TIME FOR HOSPITALITY IN THE ON-DEMAND ECONOMY

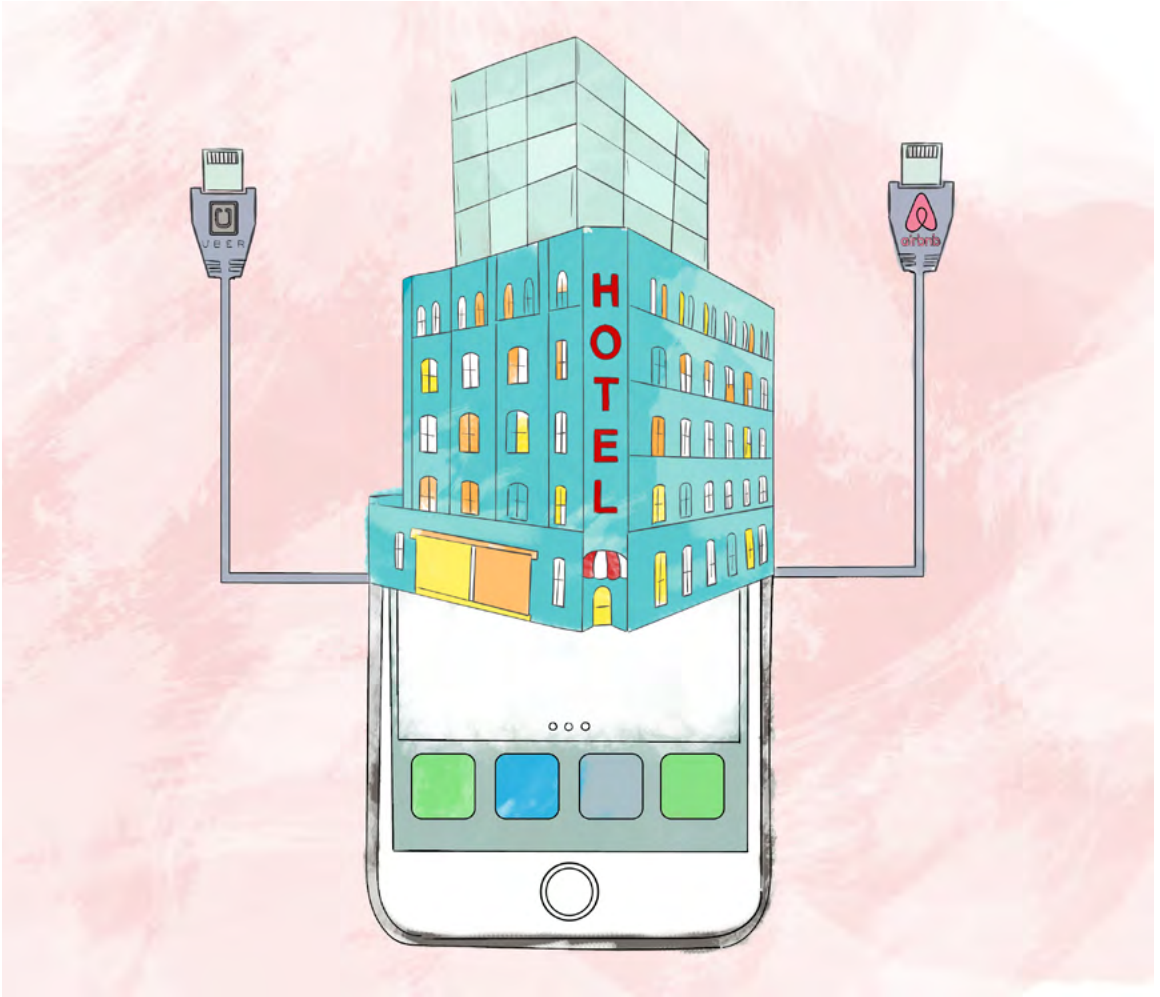
by James O'Brien

2.

External service introduction is another angle of on-demand that hoteliers are talking about. The deeper unbundling and more extensive opening-up of the on-demand milieu to third parties who can bring outside services into the travel brand's space stands to augment or replace traditional hotel food and other services. For hotels, bringing on partner-level on-demand suppliers stands to eliminate expenses and create a percentage-based revenue stream without the ancillary business responsibilities of running an on-property venue.

## ► SKIFT TAKE:

Hotels are watching guest behavior closely and identifying opportunities to both connect them closer with services they already use and cut out services that have become superfluous.



Success at solutions such as those in the preceding examples rely upon close attention to partner selection and incentives: hospitality will have to either pair with the best and brightest third parties – ones capable of supplying deep inventory, significant variety, and white-glove customer satisfaction strategies – or they'll have to create incentives. Logically, these would be incentives attached to loyalty programs – ones that nudge the on-demand partner into the first-choice/

most-favorable category for users seeking points, discounts, and increasingly personalized offers.

When they work, on-demand partnerships will put cost-cutting and service-amplifying features into travelers' hands – and they offer the potential of creating new leaders among the vanguard hotels that adopt them – creating a tangible advantage, in 2016, within an increasingly unbundled milieu.

BUSINESS IS A  
500 MPH  
30,000 FT  
POND CROSSING  
SLIDE TWEAKING  
DEEP ZZZING  
SMOOTH LANDING  
MEETING MAKING  
FIRM HANDSHAKING  
HEART POUNDING  
PITCH NAILING  
CONTRACT SIGNING  
CLOUD NINING  
CHAMPAGNE TOASTING  
SOUVENIR BUYING  
CLUB LOUNGING  
COCKTAIL SIPPING  
HOMEWARD BOUNDING  
ADVENTURE.

MAKE  
IT  
EPIC



# FROM STRICTLY BUSINESS TO EPIC ADVENTURE: THE RISE OF THE SKY HERO

by Skift x Virgin Atlantic

## ► SKIFT TAKE:

Business travelers are increasingly viewing work trips as adventures, embracing travel as transformative experiences that positively impact their personal lives and careers.

*In 1949, Joseph Campbell introduced the concept of “The Hero’s Journey” in The Hero with a Thousand Faces. He outlined the steps a protagonist takes as he is called to a challenge, bravely takes on the battle, and emerges victorious and transformed; identifying the construct that we see in everything from Greek mythology to modern-day superhero movies.*

**B**ased on conversations with its flyers, Virgin Atlantic noticed that many business travelers follow a similar quest, with every journey providing an opportunity for adventure. Richard Branson’s transatlantic airline put this theory to the test, asking 1,000 frequent international business travelers about their thoughts on work travel. Nearly three in four say it feels like an adventure – and their actions, behaviors and attitudes support this statement.

The survey shows a positive shift in the mindset of business travelers, which is especially encouraging as global business travel spending hits a record high\* and more companies invest in sending their employees abroad.

Here’s a glimpse into today’s **Sky Hero’s Journey**:

Nearly all international business travelers (99.5 percent) look forward to business trips and nine in 10 say they always get excited to fly. Three in four say it feels like **A Call to Adventure**, with new people, places and things to experience.

The journey is playing an increasing role, with nine in 10 saying that business flights offer time to think and get inspired. It’s also an opportunity to **Meet the Mentor**: more than half have done business with someone they met on a flight.

As they **Cross into the Special World**, 84 percent say the outbound trip feels very different from the return. On the way there, people feel focused and optimistic, and they’re absorbed with working and eating healthy. The return trip evokes feelings of relief and gratification; they’re more likely to relax, sleep, and enjoy the in-flight entertainment and a cocktail.

**Trials and Tribulations** are inevitable: Top gripes amongst frequent international business travelers across all airlines include lack of sleep, loud passengers, and not enough healthy food options to energize them for the challenge ahead, but travelers appreciate ease of check-in, in-flight Wi-Fi, and great customer service.

After the journey, the Sky Hero emerges transformed: four in five say business travel has had a positive effect on their personal lives, while 94 percent agree it has a positive effect on their professional lives. Most (64 percent) feel that they’ve truly **Returned with the Elixir**, saying the knowledge they gain from other cultures gives them a real advantage in business.



\*Source: Global Business Travel Association

\*\*Source: Adapted from Joseph Campbell's *The Hero with a Thousand Faces*

# 12. FOCUS SHIFTS FROM MILLENNIALS TO GEN Z

by Dan Peltier

*Disregard applying anything you've ever learned about millennials to their successors, Generation Z. Well maybe not everything, but don't assume that the two generations are more alike than not.*



In 2016 this generation ranges from ages six to 20. Many don't have part-time jobs or haven't yet reached college. Still, Gen Z is already more than one-sixth of the world's population. By 2020 they will have more than \$44 billion in spending power from their weekly allowances or after school jobs.

And in five years they'll make up 40 percent of the U.S. population.

Naturally, they will begin to take some of the spotlight away from millennials and force brands into a changeup in strategies for a different generation. How so? Here are a few major differentiators, according to Nancy Nessel, a Generation Z researcher:

- The crash of 2008 might be the defining feature of Gen Z psychology. They'll be more conservative with their money, though not fearful of splurging on trips that enhance their views of the world.
- The biggest number to remember about Gen Z is actually incredibly small: eight. That's the number of seconds – much smaller than previous generations – that Gen Zs take to process information, consider what it means and then move onto the next thing that catches their eye. Within that 8-second window, travel brands' best bets for reaching this generation of travelers lies in using images rather than words.
- Gen Zs' brains are actually fundamentally different than those of older generations. They have evolved to process information much faster, but they have trouble retaining that data. They value social media, but not the kind their older siblings, parents and even grandparents share infatuation with – Gen Zs love incognito apps like Snapchat and Whisper much more than Facebook and Twitter, but Instagram's popularity with this group remains high.
- In fact, the number of Gen Zs using Facebook is on a steady decline while Instagram adoption continues climbing, according to Sparks & Honey, a marketing consultancy.

### Gen Z's attention spans are getting shorter

**8 SECONDS**

is the average American attention span (down from 12 seconds in 2000)

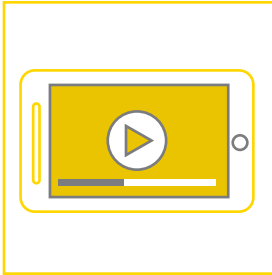
**11%**

of children 4-17 years old have been diagnosed with ADHD (up from 7.8 percent in 2003)

Source: National Center for Biotechnology Information, U.S. National Library of Medicine, The Associated Press

### ► SKIFT TAKE:

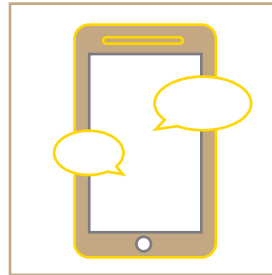
Brands have plenty of time to prepare for the next generation of travelers, but it's worth incorporating ideas now that reflect the type of changing consumer behavior that crosses demographic lines.



Gen Zs watch  
**2X**  
as many videos on  
mobile as other  
generations



**70%**  
of Gen Zs watch at  
least two hours of  
YouTube per day



Gen Zs receive  
**OVER  
3000 TEXT  
MESSAGES**  
a month



Gen Zs prefer  
**SNAPCHAT &  
INSTAGRAM**  
Facebook & Twitter  
are less important

Data source: Upfront Analytics, November 2015

Nessel says Gen Zs are digital natives like millennials, but adds that term “doesn’t seem strong enough.” Millennials take trips for experiences while collecting flashy photos with iconic backgrounds, but, on the whole, Gen Zs travel for deeper purposes.

In the coming years they’ll study abroad to help build new schools or take their entrepreneurial talents to interning and working in foreign markets, even more so than millennials. Instead of embarking on a “cultural” high school or college class trip to Paris or Beijing to learn history, they’ll visit those places for symposiums and knowledge sharing opportunities.

This will be travel’s year of action with Gen Z, opposed to hypothesizing that has defined the past year.

Dallas’ Convention and Visitors Bureau, for example, wants to portray the city as an ideal place to not only visit, but also start a business (which this generation is more likely to do than others) and also hone its storytelling skills by spending less on videos Gen Zs can watch on their smartphones or tablets.

#### Entrepreneurship is in Gen Z’s DNA

**72%**  
of high school students  
want to start a business  
someday (compared to  
**64%** of college students)

**61%**  
of high school students  
want to be an entrepreneur  
rather than an employee  
(compared to **43%** of  
college students)

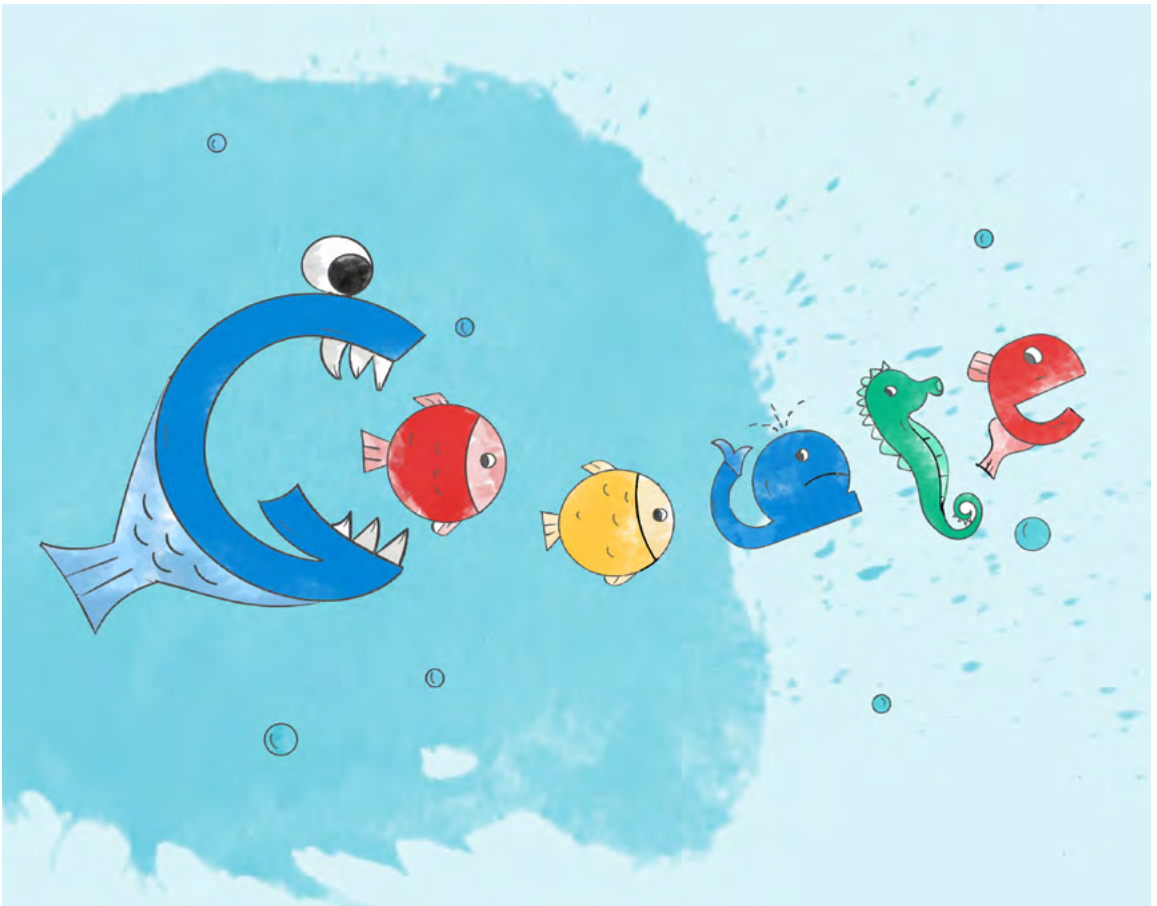
Source: Millennial Branding and Internship.com, 2014, Mintel 2014



# 13. ONLINE BOOKING SITES' NEWEST RIVAL: THEIR **FORMER** **FRIENDS**

by Dennis Schaal

*In every industry, companies that distribute products often get the bug to take more of the business for themselves. Supermarkets push their own private label goods. Amazon doesn't just sell books from other companies, it publishes them itself.*



**T**he reason is simple: it is a bigger margin game, and you also own the customer, at least in more ways than just being an aggregated marketplace.

The same thing is now happening in the travel industry. Metasearch providers TripAdvisor, Trivago and Google, which had built businesses by generating leads for online travel agencies and hotels are now becoming booking sites in their own right.

## ▶ SKIFT TAKE:

Last year we said that everything is a booking site and this year it went beyond our expectations. The one-time gatekeepers are now the booking outlets, too.

### **Witness what has happened just in 2015 among the big players:**

- TripAdvisor launched Instant Booking on its own sites and apps in 2014 with a handful of partners. After reeling in seven of the 10 largest global hotel chains as participants, it recently signed on Booking.com as a partner. This will let TripAdvisor accelerate the international rollout of Instant Booking.
- Expedia's Trivago hotel-metasearch site likewise is launching Express Booking for online travel agencies, and is offering an Internet booking engine for hotel partners.
- Google, meanwhile, is introducing Book on Google for hotels and online travel agencies. Hotels and online travel agencies can participate either by paying a commission or through bidding on clicks.
- Expedia, while giving TripAdvisor Instant Booking a cold shoulder, has expressed interest in testing Book on Google as Expedia touts the more prominent branding and lack of consumer confusion through the Google experience.

In the perennial battle between online travel agencies and hotel websites, online travel agencies commanded 41 percent, 69 percent and 64 percent of the hotel gross bookings in the U.S., Europe and Asia-Pacific in 2014, respectively, according to "The Phocuswright Yearbook 2014: The Year Ahead in Digital Travel."

But now online travel agencies themselves will become increasingly dependent on third parties, namely metasearch sites such as TripAdvisor, Trivago and Google, which will increasingly attract a share of their booking spoils.

In these metasearch site bookings, the hotels and online travel agencies are still the merchants of

record and handle customer service for guests but the metasearch sites will gain a foothold in consumer consciousness as booking sites.

As Dara Khosrowshahi, Expedia Inc. CEO, recently told analysts, "We don't know exactly where it is going to shake out."

Neither does anyone else. But one thing is clear: the trend is definitely greater distribution and an increased number of bookings through newly strengthened and growing travel metasearch players. We wouldn't be surprised if the supposed "frenemies" for now would end up truly competing with each other in the next few years, with the resultant severing of the existing relationships.



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