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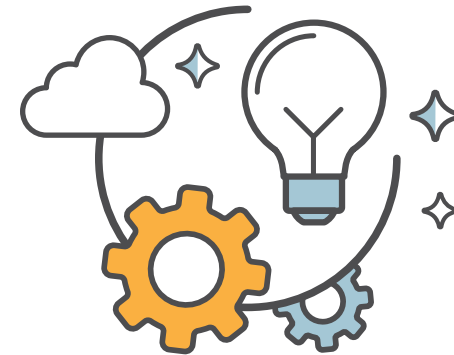
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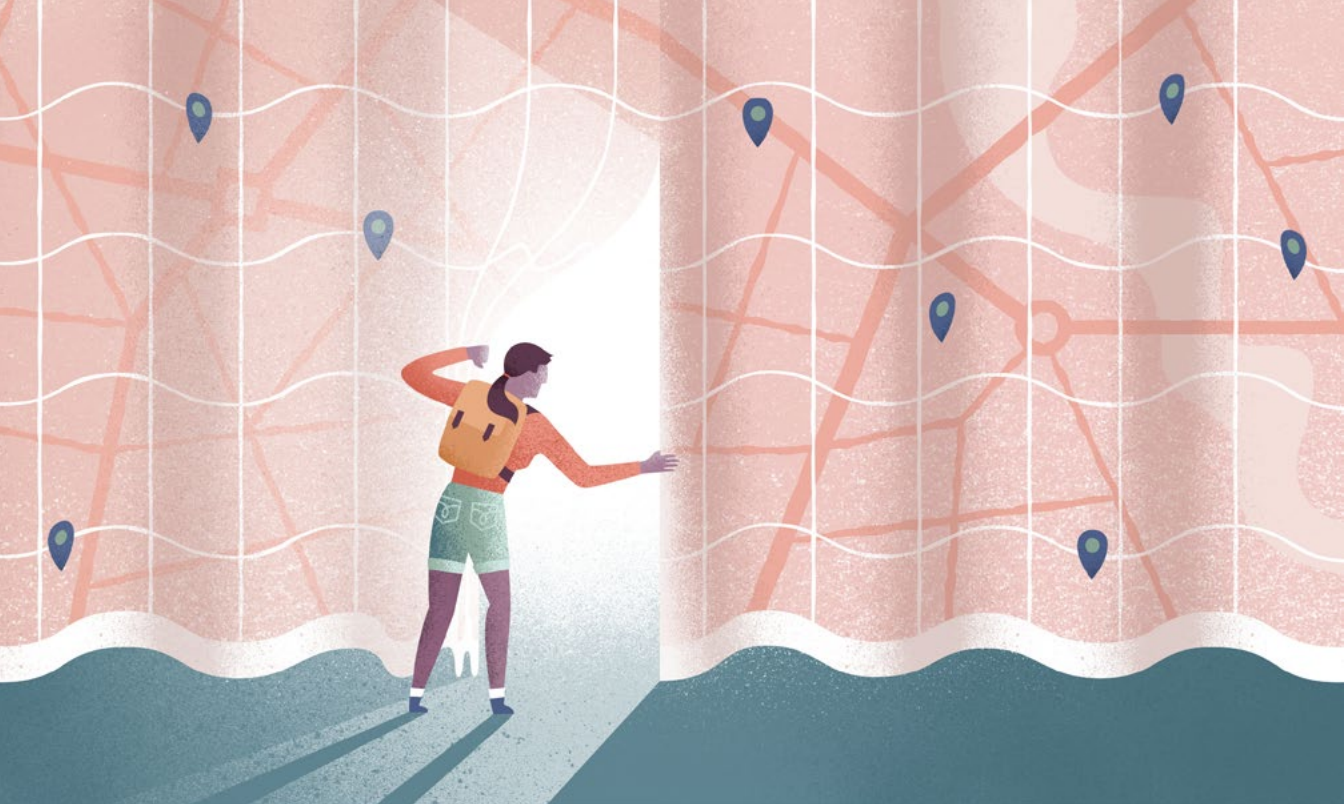
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Illustrator: Melissa McFeeters

## 2017: THE YEAR TRAVEL FOUND ITS LARGER PURPOSE IN THE WORLD

Our Skift Megatrends annual package is the largest annual editorial effort from the Skift reporting team. These megatrends reflect our work on connecting the dots through Skift's intensive daily and long-term 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.

The 2018 Megatrends that Skift is watching in the coming year will be about travel's continued rise and evolution despite extreme manmade and natural events. Across new frontiers in technology, brands are focusing on strategic expansion beyond traditional boundaries; travel's purpose is growing with an emphasis on diversity and inclusion; improvements in back-end tech are driving the business of travel; operators are finding new ways of bundling in travel while new unbundling continues to change how travel gets sold; and innovators are taking new approaches to creating immersive experiences in hospitality in the face of increased digitization, among others.

The year 2018 follows two years of extreme uncertainty and instability that upended the travel industry in many ways.

Back in September 2016, I wrote a long manifesto about how travel was now the geopolitical center of the world. But little did I realize what was to come a few weeks later with the U.S. presidential election, and the year that followed would make that manifesto's contention even more true than it ever has been in the past.

My manifesto was an aspirational call to the travel industry, to elevate ourselves in an age of constant global and regional turmoil:

*"A wholesale change in mindset is needed on how travel is structured and marketed, enmeshed and embedded in all the glorious imperfections of the planet. The geopolitical realities of our world are worth embracing by the travel industry, instead of ignoring them or, worse still, wishing them away. And even more so, travelers will reward the industry for it by traveling more, by being more aware of the world and travel's key place in it, rather than staying in isolationist bubbles for people to indulge in when they need an escape once in awhile."*

The year 2017 has been a seminal year where the travel industry — especially in North America and Europe — found its voice and its larger purpose in the world, in a year of upheaval on all possible fronts.

It has been the year where Skift's clarion call for many years — "Travel is the world's largest industry; let's start acting like it" — may have finally become a reality for the sector. Destination marketing organizations, mayors, state governors, hotel CEOs, tour operators, online travel leaders, and many others have realized that sitting out the political and geopolitical issues of the world is no longer an option when it comes to attracting and retaining travelers. The only sector which has been relatively silent has been the airline sector, though the reasons for U.S. airlines are clearer: lobbying against more competition from Gulf carriers with a "friendly" government.

The larger issues of immigration — and restrictions placed on it in various countries and especially in the United States — also have a direct impact on the travel economy, and in 2017 it became clear as to how and why, as well. That has been the biggest rallying issue for the travel companies, who in many ways depend on immigrant labor for their daily operations. Any restrictions also have a chilling effect on overall travel, and we have seen early evidence of that happening in the U.S. all through 2017. The trend likely will continue this year as well.

Travel is the most progressive expression of human curiosity. It behooves us to take on more activist roles on behalf of our right to travel and the future of the travel industry. 2017 was the year the travel industry began to take on a more activist role, a new role it is awkwardly embracing. It's also a new role worth celebrating.

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](mailto:ra@skift.com).

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Regards,  
**Rafat Ali**  
Founder and CEO  
**Skift.**

# TRAVEL BRANDS WANT TO BECOME EXPERIENCE PLATFORMS

○ SKIFT TAKE

*If we received a penny for every time a travel industry executive talked about how consumers are looking for “experiences,” we’d be billionaires by now. But in all seriousness, there’s a definitive strategy behind travel brands’ desires to play an even bigger role in travelers’ experiences.*

Writer: Deanna Ting

Illustrator: Bing Qing Ye

Presented by



It used to be that airlines simply got you from point A to point B. Hotels offered you a place to rest your weary head at night. Tour companies herded tourists onto buses and drove them around to see the sights. Cruises gave you a sea-level view of the world. Online travel agencies allowed consumers to begin booking their own flights and hotel accommodations.

But all of that is, bit by bit, changing today. While it’s still very true that, fundamentally, hotel companies run hotels and airline companies run airlines, it’s also become increasingly clear that more travel brands want to expand beyond what they’re known for doing in travel and into new segments of travelers’ experiences.

This erosion of traditional silos in travel is transforming travel brands into true experience platforms, or channels through which we, the travelers, can have our vacation and business trip experiences shaped and guided not by a multitude of companies, but by just a handful — and soon, maybe only one.

The online travel agencies, which disrupted traditional travel agencies, were the first to empower consumers to take more control over their own travel experiences, letting them book their own flights and hotels. Gradually, as these companies began to buy up more businesses, from restaurant reservations systems to tours-and-activities platforms, they became the precursors to the experience platform model that nearly all travel brands now aspire to have. Today, on Priceline or Expedia or Ctrip or even TripAdvisor, a consumer can book almost every facet of his or her travel journey.

However, those companies still have some distance to cover in owning every facet of the traveler experience, and other brands are catching on as they seek to become the new channels by which we not only book our travel, but how we actually experience it too.

Take Airbnb, for instance. When the company announced in November 2016 that it was launching its own tours and activities division, called Airbnb





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Trips, it was a clear signal of a larger objective: to not only be a platform where you can pick a place to stay but also where you can book in-destination experiences, access curated destination content, and eventually even find flights, restaurants, on-demand transportation services, and much more. Earlier this year, CEO Brian Chesky said that by 2020, he expects more than half of Airbnb's revenue to come from businesses that the company currently isn't operating in.

Simply put, Airbnb wants to position itself as the only brand a consumer would ever need, for every part of his or her journey, whether on the road or not. And it isn't alone in that pursuit.

It's another reason why global hotel companies like Marriott International, Hyatt Hotels & Resorts, and AccorHotels are trying to expand beyond what they've always been known for — and no doubt trying to develop more direct relationships with their customers by encouraging them to book direct and bypass the Expedias and Pricelines of the world.

Earlier this year, Marriott invested in PlacePass, a metasearch platform for tours and activities. Hyatt scrapped its old loyalty program and debuted a new one entirely focused on the concept of experiences, acquiring wellness brands and investing in alternative accommodations along the way. AccorHotels is using its properties to not only serve travelers but locals, too, with hyper-local services, all in an effort to keep the brand ever-present in the minds of consumers, whether or not they are traveling.

Airlines are also trying to play a larger role in the overall travel experiences of their passengers. Take SAS Airlines, which created the SAS Dreams program. As part of the program, the airline invited some of its most loyal frequent flyers to accompany the airline's head chef on a five-day trip to Japan. And Southwest Airlines recently announced a plan to bring more surprise in-flight concerts to the skies.

In addition to owning the travel experience by being the conduit for travelers to have their experiences, brands are also concerning themselves with trying to solve the multitude of friction points and challenges that still take place in travel.

Cruise operators, including Carnival Corp. and Royal Caribbean Cruises, are building out their technology to better personalize cruisers' experiences and make them more meaningful and frictionless.

Marcie Merriman, an executive director at professional services and accounting firm EY covering brand strategy and retail innovation, said: "A lot of different companies, from cruises to theme parks, are doing in-depth analysis around those friction points and trying to hack away at reducing those. It's not just about getting consumers to book a cruise or go to a theme park — they're building on that with great experiences."

That's really where all companies are headed, too, as they aspire to be true experience platforms. In addition to being intermediaries, they want to be channels through which you not only have a good travel experience, but a truly great one. And they're doing that by curating content, and harnessing big data and artificial intelligence to personalize the experience and make it that much faster, better, and smarter.



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# HOW HILTON GARDEN INN IS GOING BEYOND THE GUESTROOM

## SKIFT TAKE

*Travelers today expect the hotels they choose to offer more than just a room to sleep in. We discuss how Hilton Garden Inn is looking to play a bigger role in travelers' experiences and more with John Greenleaf, global head of Hilton Garden Inn.*

*Writer: Alison McCarthy*

Today's travel brands are thinking about the experiences they're offering customers in a much broader, more expansive way than they have in the past. In the case of hotels, many brands are going beyond simply providing travelers with a place to sleep. Instead, they're looking to expand their offerings into other facets of the travel journey to accommodate the needs of modern travelers and become all-encompassing experience platforms.

Hilton Garden Inn recently updated its hospitality experience to reach beyond the guest room, make travelers' stays more meaningful, and reduce traveler friction. SkiftX spoke with John Greenleaf, global head of Hilton Garden Inn, to learn more about the company's approach to its updated hospitality experience, why they made these enhancements, and how this fits into the way today's travel brands are shifting their focus to play an even bigger role in travelers' experiences.

**SkiftX: How is Hilton Garden Inn's revamped experience addressing the evolving needs of travelers today?**

**John Greenleaf:** Traveler needs have evolved in so many different ways, but we focused on three key areas in the experience we offer: design, food and beverage, and guest service. We've customized our experience by introducing six new design prototypes, varying by the location. We've also completely revamped our already award-winning food and beverage menus and are updating our 24-hour retail space to offer travelers fresh food, gourmet coffee, and regionally specific merchandise. Additionally, we've enhanced our Team Member culture globally to offer an even more guest-centric experience.

**SkiftX: Why do you think hotels have put more focus on offerings beyond the guest room in recent years?**

**Greenleaf:** It goes back to the changing needs of travelers and increased time constraints, both for leisure and business travelers. Our goal is to offer a welcoming, functional, and flexible environment that can be used for any number of purposes, whether that means sitting down for a cocktail, getting work done, holding a meeting, or eating a made-to-order breakfast, lunch, dinner, or a late-night snack.

**SkiftX: Can you talk more about the enhanced focus on local in the food and beverage experience you're offering?**

**Greenleaf:** We've placed a focus on local to give people an opportunity to have a tailored, unique, and authentic experience that puts a smile on their face. We've developed individualized menu items for all 50 states in the U.S. There's also a requirement that a certain percentage of items offered in our retail space come from local markets.

**SkiftX: How do you balance in-person guest interactions as technology plays a larger role in how we travel?**

**Greenleaf:** As a brand, we're focused on using technology to advance the guest experience we offer versus replacing guest interactions. We ensure our Team Members are well-versed in the technology, but never miss an opportunity for a personal interaction.

**SkiftX: What does the future hold for Hilton Garden Inn's hospitality experience?**

**Greenleaf:** We're taking an increasingly flexible approach to our guest offerings and will continue to make adjustments to meet travelers' needs. We believe that as we increase the flexibility and adapt to changing needs — while maintaining our core attributes — we'll become increasingly attractive to different owners around the world.



**John Greenleaf,**  
Global Head,  
Hilton Garden Inn





# WELCOME



## BRANDS EMBRACE DIVERSITY AND INCLUSION MESSAGE AMID RISING NEO-NATIONALISM



SKIFT TAKE

*Travel brands no longer get political at their own risk — they avoid politics at their own risk. With so much at stake in the Trump era, remaining on the sidelines about multicultural acceptance isn't an option.*

Writer: Sarah Enelow    Illustrator: Bett Norris

Presented by



Things were never quite the same after President Donald Trump's first travel ban, decried by civil liberties groups as a discriminatory Muslim ban. Three travel bans in, companies are finding that speaking out about multicultural acceptance, diversity, and inclusion isn't a risky move, or even the new normal — it's the new mandatory.

In such a polarized environment, brands can't afford to support the travel ban, border wall, or other isolationist ideas, all of which make travel harder and hurt bottom lines. Arguably, brands can't even afford to remain neutral when so much is at stake, which is turning executives into activists of multicultural acceptance.

The first travel ban elicited widespread condemnations from those targeted by the order and other people of color, both within the travel community and outside it. But what was more unusual were condemnations from the CEOs of Expedia, TripAdvisor, and other huge corporations — even those that are usually too risk-averse to get political. Dara Khosrowshahi, who was then

CEO of Expedia and is now Uber's CEO, is himself an immigrant from Iran, which was included in all three versions of the ban.

In an interview backstage at Skift Global Forum in September, Delta Air Lines CEO Ed Bastian discussed the uncertainty that reigned in 2017.

"The political rhetoric was not good; it was very divisive," he said. "You had a lot of nationalists, not just in the U.S., but Brexit and other parts of the world as well. There was a lot of fear regarding the ability to bring people together or is it safe to travel."

President Trump's ability to torpedo the U.S. tourism industry makes it easier for U.S.-based travel leaders to speak out, but similar factors are not at work in the European Union. Before the June 2016 Brexit vote, airlines and tour operators were mostly united in pushing for a "remain" vote, but with the UK now set to leave, travel executives seem quietly accepting.



Michael O'Leary, the outspoken boss of Irish low-cost carrier Ryanair, is an exception. While not criticizing the Brexit decision, he frequently lambasts politicians for their lack of action. In addition, some in the EU hospitality industry voice concerns that resurgent nationalism may mean fewer EU migrants staying in the country, which would devastate hotels and restaurants.

For all the talk of rising nationalism across the EU, there was no big breakthrough politically for the far right in 2017. In France, centrist Emmanuel Macron comfortably beat the National Front's Marine Le Pen. German federal elections were less conclusive, with Chancellor Angela Merkel still hoping to stay in power in a new coalition government, but the big unresolved challenge remains Brexit and the future shape of the EU without the UK.

Social issues have also occasionally prompted travel executives outside the U.S. to speak up. Alan Joyce, CEO of Australian airline Qantas, took time during one of the company's earnings calls to support the legalization of same-sex marriage, and urged others to do the same. It was a rare but courageous decision, and recently, lawmakers voted to legalize same-sex marriage in the country.

Back in the United States, unusually strong messages appear more and more frequently in marketing campaigns. Expedia ran an anti-border wall video, Airbnb ran a Super Bowl ad promoting multicultural acceptance, Hyatt did the same around the Academy Awards, and the Los Angeles tourism board created their "Everyone Is Welcome" campaign.

As discriminatory "bathroom bills" drove away meetings and events in North Carolina, the president and CEO of Visit Dallas announced the "Texas Welcomes All" campaign at the state capitol to protest the state's proposed bathroom bill and protect those business interests. Paulette Kluge, CEO of the Corpus Christi Convention and Visitors Bureau, said she participated in the campaign and that travel brands are feeling the pressure to get political.

"It just got to the point where we had to get involved," said Kluge. "I have to stop what my job is and get involved politically....We can't allow a few idiots to ruin an industry."

When asked whether the proposed bill impacted visitation, Kluge said: "I think we're fine because they didn't pass it. But we had threats. The Final Four and the Super Bowl, they will not come to a state that has this."

Politics intersected with leisure travel in New Orleans when the city removed four Confederate monuments and Mayor Mitch Landrieu made a speech about welcoming people of color. Even as fights over the fate of such statues persist throughout the South, some smaller destinations such as Biloxi, Mississippi started to remove these symbols in an effort to make residents and tourists more comfortable.

Diversity and inclusion concerns are heating up internally in boardrooms as companies are forced to look inward. Travis Kalanick, former CEO of Uber, was not only ousted due to allegations of harassment and discrimination, but the company strains to distance itself from his toxic image.

If travel brands are to keep up with the diverse world we live in, they must move past hitting diversity quotas to actual inclusion, listening to these new voices and fully incorporating them into decision-making processes.

*Europe Editor Patrick Whyte contributed to this report.*

# IT TOOK 3 WEEKS BEFORE DECIDING TO APPLY. 3 YEARS LATER SHE WON TOUR LEADER OF THE YEAR.

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# TRAVEL MERGERS AND ACQUISITIONS BECOME MORE FOCUSED ON STRATEGIC INNOVATION

○ SKIFT TAKE

*The smartest travel companies are beginning to buy startups that may not be central to their main businesses or help them consolidate market share, but could boost the innovation metabolism of their motherships.*

Writer: Sean O'Neill

Illustrator: Patricia Mafra

When travel companies go shopping, they often have market consolidation in mind. But lately, some businesses have been using acquisitions and equity investments as a strategic learning opportunity.

Often the additional goal now is to try to cross-pollinate a startup's culture and innovations with the operations and thinking at corporate headquarters.

"I'm seeing travel companies increasingly get creative with strategic investments in emerging technology," said Jen Ford, chief financial officer of vacation rental property management tech startup TurnKey and a former key mergers and acquisitions negotiator for HomeAway. "They're creating dedicated venture capital funds that are designed to create deep partnerships with private companies. This approach allows the investing companies

to tap into and rapidly deploy innovative products and services that delight their customers while maintaining focus on their core competencies."

To be sure, there are still plenty of traditional mergers and acquisitions. A case in point: In 2017, Accor acquired Mantra, an Australia-based hotel operator, to help the French global giant consolidate its market share in Asia Pacific.

But Accor also ventured into a strategic acquisition, attempting to expand beyond its core competency of lodging. In October 2017, Accor acquired Gekko Group, owner of hotel booking sites that serve 14,000 travel agencies — representing a departure into travel management.

Earlier in the year, Accor made a minority investment in events catering company Potel & Chabot, which runs food service at the French Open tennis tournament and the 24 Hours of Le Mans car race. The deal aimed to inject expertise in creating tailor-made food and beverage offerings at high-end meetings and events hosted at its properties.

Deals like Accor's only work if the companies do more than just write checks, though.

"A danger that corporate venture capital faces is a temptation to invest in the next bright shiny object without setting up methodical ways of internalizing the insights," said Katherine Grass, head of innovation and ventures at Madrid-based travel technology company Amadeus.

"In the past few years, we at Amadeus have gotten better at instituting processes to make sure our strategy is aligned with key innovations," Grass said. "We've narrowed our interests to a half-dozen of the most salient themes. We're also engaging with entrepreneurs more routinely, such as by sorting out collaborations with startups hoping to use our APIs [application programming interfaces, or ways of exchanging data]."

Online travel agencies are in on the trend too. In 2017, Booking.com developed its own mergers and acquisitions practice rather than rely on parent company Priceline Group's team, with a goal of getting closer to the startups themselves.





It bought and absorbed its first company, Evature, which was an Israeli company specializing in artificial intelligence, or AI, that powers chatbots.

Booking.com CEO Gillian Tans is expecting her team to look closely at artificial intelligence-based innovations. "Today a lot of interfaces for booking require a lot of clicking and typing," said Tans, while speaking in November at Web Summit, a technology conference in Lisbon. Natural language search and chatbots powered by artificial intelligence can make booking interfaces easier to use, she said.

Artificial intelligence can help in other areas, too, Tans said. "If you think about it, the two questions customers struggle with today are 'Where am I going to go on vacation?' and 'What am I going to do once I'm there?' and AI technology can really solve these two questions in a much better way than we have today."

So expect Booking.com to consider closer relationships with startups that have specialized expertise in artificial intelligence, machine learning, and related technologies.

Trivago, for its part, created a subsidiary in 2017 focused on growing business-to-business services for hoteliers and other suppliers. It also acquired a technology vendor that specializes in analyzing data to identify the desires of its customers and become more sophisticated at proposing relevant, customized offers. Trivago's business-to-business push differs from its core hotel-search business.

Meanwhile, the largest hotel enterprise software company in China, Shiji, acquired ReviewPro, a Barcelona-based company that gives hotels actionable analytics on guests for sales, marketing, and revenue management – services that the parent company hasn't offered on its own.

What's driving the trend in mergers and acquisitions becoming more strategic? Large companies are trying to head off the threat of being overtaken by nimble startups.

Complacency often lulls established players into thinking it is trivial to create a layer of products or services above or below their core competency. A

“**MERGERS AND ACQUISITIONS ARE BECOMING MORE STRATEGIC BECAUSE LARGE COMPANIES ARE TRYING TO HEAD OFF THE THREAT OF BEING OVERTAKEN BY NIMBLE STARTUPS.**”

startup may often fill a gap others have left open, and then use it as a foothold for a later land grab.

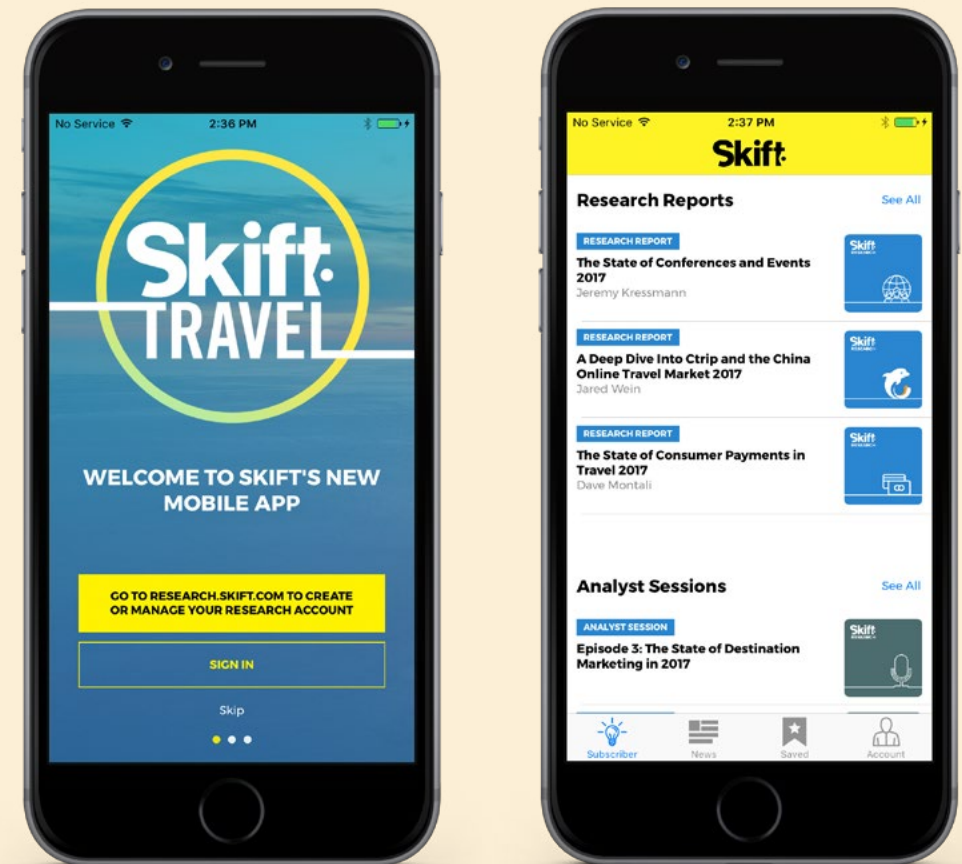
Looking ahead in 2018, we can expect more creativity in how companies buy and invest.

"I see the rise of a trend within this corporate investing trend, where travel companies are partnering with or launching an accelerator for startups whose products are of strategic relevance to the company, such as JetBlue Technology Ventures and Booking.com Booster," said Ford of TurnKey. In the past four years, the number of such accelerators and incubators for travel specifically has risen from three to 16.

"Accelerators give companies significant influence while assuming less risk than investing directly in a developing company," Ford said.

# NEW SKIFT TRAVEL APP

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# THE HOTEL OF THE FUTURE NEEDS TO BE EVERYTHING TO EVERYONE

○ SKIFT TAKE

*Think of this as mixed-use 2.0. As consumer demands and mobile technology evolve, hoteliers are becoming smarter about designing their spaces to accommodate our multitasking lives.*

Writer: Deanna Ting    Illustrator: Bett Norris



At this point, the rise of Airbnb and alternative accommodations has loomed over the hotel industry for nearly a decade and despite the impending threat, the global hotel industry continues to thrive.

But hotels are finally beginning to understand consumers' growing desires for alternative lodgings — and why they sometimes choose to stay at someone's apartment instead of in a hotel, whether for the value or for the experience of living like a local. It's really a difference of experience and, in response, hotels are beginning to double down on the things they already have, the experiences that the Airbnb down the street can't always easily deliver.

The biggest advantage hotels have today is the ability to deliver a true sense of community: to be the gathering place for locals and guests alike. And more often than not, hotels are delivering that sense of community through mixed-use projects, or spaces that enhance the way we live our daily lives.

While the idea of mixed-use hotel concepts has been around for some time, those projects are increasingly blurring the lines between traditional residential, commercial, retail, and hospitality.

Today, hotels have become converging points for co-living and co-working; living, breathing showrooms for retail brands; and in some instances, immersive entertainment centers all their own. They're also becoming more fluid, flexible, and adaptable spaces.

"As lines become more fluid and you can use spaces more fluidly, there are new ways for hotels and developers to compete and new ways to use their space to pull individuals in and develop new business models off of that," said Marcie Merriman, executive director and brand strategy and retail innovation leader at EY, the global professional services and accounting firm.

## Co-Everything

In late 2016, Skift wrote that "the tenets of 'co-living' — that emphasis on collaboration and community — will permeate much of the hotel guest experience in 2017." It has, and it's something that will continue into 2018 and beyond.

Whereas mixed-use 1.0 would have commercial offices in the same building as a hotel, but located on different floors and largely separated from the hotel itself, mixed-use 2.0 brings the office

inside the hotel so that they're almost one and the same. You see this especially in hotels that are opening up their lobbies to serve as informal co-working spaces, or those that are adding formal co-working spaces of their own. They're often a seamless extension of the lobby or main bar area — a place where everyone is encouraged to gather, commune, or "be alone together," as the saying goes.

Not only that, but hotels also increasingly want guests to really feel like they "live there," even if it's only for a few days. In some instances, the lines between purely residential and purely travel are becoming more blurred than ever. This includes Zoku Amsterdam, which is home to a mix of long-term guests or residents, extended-stay guests, and short-stay guests. Another example: Airbnb's new branded apartment building, in which tenants are encouraged and incentivized to rent out their units on Airbnb to ensure the property has a mix of both travelers and long-term residents.

## Hotel as Interactive Showroom

The concept of hotel retail is no longer being limited to the hotel shop. The surge of retail brands entering the hospitality market are not





like the ones that preceded them. It used to be that only high-end luxury designer brands like Versace, Fendi, and Ferragamo dared to enter the hotel market.

But today, we're seeing retail brands like West Elm, Restoration Hardware, Muji, and Shinola opening their own branded hotels. And in doing so, they're transforming entire hotels into more accessible, interactive showrooms for their brands, and the lifestyles they promise to deliver to guests.

Some brands are also experimenting with new ways of delivering retail experiences. At the Four Seasons Resort Orlando, guests can send a message through the Four Seasons app to request their own hand-selected outfits be delivered straight to their room. It's on-demand fashion retail in a hospitality setting.

### Next-Level Immersion as Entertainment

For proof of the existence of the mega-resort/entertainment complex, one need only look to Las Vegas for some prime examples. But going forward, expect to see hotels that aspire to deliver truly immersive experiences, like the upcoming Star Wars hotel that Disney is building in Orlando.

Another example already in operation is the Legoland Hotel, as HVS president and CEO Stephen Rushmore Jr. told Skift in June: "When you go in the hotel, you feel like you're in a Lego movie. It's like a whole Lego world, and you're totally immersed in a Lego ecosystem. You forget that you're in a hotel. The experience is just so dramatically different. In so many hotels you feel like you're in a hotel or you're in someone's house. This takes you to another place.... It's that type of experience where you go in and you totally forget where you are, your sense of where you are."

Rushmore added: "Sometimes people just want to escape. They just want to escape from reality. There's no question there's a market for that, but so few hotels really go out and go take the experience that far."

### Fluidity of Spaces

Over time, hotels have evolved to serve a multitude of purposes: sleeping, eating, drinking, socializing, entertaining, and learning, among them. However, what's changed today is that hoteliers are realizing that the spaces that they are creating can't just be designed for those specific needs in particular spaces. Guest rooms are no longer just for sleeping. Bars, lobbies, and restaurants aren't just for eating and drinking or socializing or entertaining.

All of the spaces in a hotel need to be able to transition from one sort of need to the next, seamlessly and without any friction whatsoever. They need to be flexible and adaptable. One of the primary reasons for this is because of technology; the ubiquity of mobile technology has made it that much easier for us to multitask as never before.

Architecture firm Gensler charted this phenomenon in a recent report. The Gensler Experience Index noted how "single-use spaces are becoming obsolete" and "traditional uses of spaces are blurring."

The survey of 4,000 people identified five different "experience modes": task, social, discovery, entertainment, and aspiration. Responses showed the best spaces are those that can cater to many — or all — of those modes at a single time. The best design is design that isn't just beautiful or novel, but also authentic, clear, inspiring, and welcoming.

In short, for the hotel of the future to stand out from the rest, it needs to deliver a truly differentiated experience, and one of the primary ways for hoteliers to do that is through exceptional design. It's about taking the concept of "mixed use" to another level, to create spaces that encompass a multitude of experiences and needs beyond our traditional concepts of what constitutes accommodations, retail, lifestyle, work, and entertainment.

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# THE BIG VISION FOR AUGMENTED HOSPITALITY



## SKIFT TAKE

*As hospitality brands rethink their service offerings beyond the overnight guest experience, the hotel of the future has a bigger role to fill as a community hub and everyday problem solver for locals.*

Writer: Matt Heidkamp

Hotel brands are re-envisioning the way they're being thought of and utilized. Beyond providing accommodations for travelers, hotels are striving to become essential to the everyday lives of locals in the communities in which they reside. Need a safe place to deliver a package, drop off dry cleaning, or grab a coffee before work? Your local hotel's got you covered.

AccorHotels has reshaped its core business around the idea of "Augmented Hospitality" — a refined vision for what a hotel stands for and the services it can provide to a community of customers made up of guests and locals alike.

The Paris-based brand has undertaken a dramatic transformation over the past two years, acquiring new businesses and launching services to increase interactions with its customer base. Most notable is the launch of the AccorLocal mobile app, which, according to CEO Sebastien Bazin, has the aim of "becoming the daily life enhancer for our guests, during holidays, business travel, or even when you're at home — anything you might need in your daily life."

SkiftX spoke with Maud Bailly, who joined AccorHotels as chief digital officer in 2017, to better understand the brand's evolved positioning, and to get a better sense for how Augmented Hospitality will take shape.

**SkiftX: What's the idea behind "Augmented Hospitality" and where does AccorHotel's digital transformation fit that notion?**

**Maud Bailly:** The notion of "Augmented Hospitality" is closely linked to our three-vertical pillar strategy: travel, accommodation and catering — consistent with our historical business; additional services that improve a guest's experience while positioning us as a provider of services other than accommodations; local services, such as those we are able to provide with the acquisition of John Paul and the creation of AccorLocal.

These have a clear ambition to make our hotels real "life companions" which deliver a range of daily services to all the people living in their neighborhood.

All initiatives we have undertaken through our digital transformation are central to achieving our ambitions in these verticals. Digital is critical to our core business since it is our key enabler.

As a service provider, our mission is to increase hotels' visibility, help them strengthen their relationship with customers and provide the hotels with efficient and robust distribution, but also the best tools to run their business. Digital is even more at the core of the second vertical with Fastbooking and Availpro forming two

pillars of our digital factory. In combination, they provide independent hotels with a wide range of best-in-class software and digital solutions to help them increase their direct sales.

This represents Augmented Hospitality: a traditional business that retains people and exceptional service at its core but is powered by all the new levers of the digital era.

**SkiftX: What is your strategy to improve the lives of citizens (as opposed to guests)?**

**Bailly:** With the advent of purely digital business models and consolidation by global players, customers are increasingly embracing more local, conscious consuming habits. However, the time constraints of busy people in combination with the lack of a personal touch in online purchase and delivery do not easily allow for trust-based, local relationships.

This is where we see an opportunity for our 4,200+ hotels which are open 24/7 and our 250,000+ employees with unrivaled know-how to play a central role as daily service providers.

We firmly believe that the perception of hotels as places for travelers only is outdated and that time has come for hotels to fully take up their role as central hubs providing everyday services to the many as open places in the very heart of cities.

This has begun with the launch of AccorLocal, which provides the opportunity for neighboring communities to use their local craftspeople and businesses' services within their hotels and outside the normal opening hours of these businesses. Hotels can also open up their services such as the spa, gym, or co-working spaces to non-residents.



**Maud Bailly,**  
Chief Digital Officer,  
AccorHotels

It's all about proximity, instant gratification, and the feeling of belonging to a community.

**SkiftX: How is AccorHotels competing with the sharing economy?**

**Bailly:** We don't see the sharing economy actors as competitors. They brought about a more client-centric culture that, as an industry, hoteliers had a bit dismissed, focused as we were on our products, brands, and concepts. We've put all our efforts into transforming our model to ensure it is now fully customer-centric. Among numerous AccorHotels' initiatives that seek to match clients' new expectations, the millennial-minded brand Jo&Joe, our private rental offer through Onefinestay, and the enriched loyalty program Le Club AccorHotels through its Elite experiences support both key notions of personalization and experiential accommodation. We firmly believe that our "caring economy," by which we mean the guest-centric service we provide through our teams, brands, and offers, is something that differentiates us from many competitors.

**SkiftX: How does the Internet of Things and the ubiquity of mobile technology play into the idea of Augmented Hospitality?**

**Bailly:** It does to the extent that it opens up a range of services that go well beyond the hotel stay. Since October, in France, the AccorHotels app is among the first available on the Actions of Google platform. Clients can therefore interact with Phil, our chatbot, on the available facilities such as parking spaces or meeting rooms, as well as finding practical information about the selected hotel such as opening hours or location, using Google Assistant through smartphones, Google Home, or any compatible device.

In the near future, our digital personal assistant Phil will assist clients in all other aspects of their journey including check-in, transportation, and restaurant bookings. Phil will therefore give our clients more time to fully enjoy their experience in our hotels, as they will be freed from the constraints that come with any normal trip. That is how we see digital: a tool for enabling exceptional service to our customers.

# PERSONAL FULFILLMENT IS THE NEW ULTIMATE LUXURY

SKIFT TAKE

*For luxury travelers, an experience in itself is no longer enough. The personal fulfillment and self improvement one gains from an experience are taking precedence, and luxury brands can help travelers reach this goal.*

Writer: Meghan Carty

Illustrator: Vanessa Branchi

Luxury is an ever-evolving concept, with a definition that changes as rapidly as the values of consumers and the world they live in. Luxury travel is no exception. Travelers today live in a world that is increasingly connected, tumultuous, and fast-paced, with stimuli and worries coming from all angles. With the bombardment of news of global unrest, terrorism, climate change, and other instabilities, along with the superficiality of hyperconnectivity and social media relations, luxury travelers are looking for ways to escape these realities and reprioritize what matters to them on a personal level.

Just last year we wrote about the continued importance of memorable, bespoke experiences in luxury travel, but as ever, we are witnessing an evolution. Experiential travel is still desired, but it has spread so widely in the travel ecosystem, it is now readily available to travelers outside of the luxury category, thereby losing its exclusive edge. To compensate, luxury travel today has gone deeper than the experience itself. Rather, the ultimate luxury lies in the transformational value of the experience and how it helps travelers become the person they aspire to be. In other words, the new luxury is personal fulfillment.

This evolution is part of the wider shift from the Experience Economy to the Transformation Economy, where the product that is purchased is not an experience, but rather the improved self that results from it. Stemming from consumers' desire to move up Maslow's Hierarchy of Needs, luxury has moved beyond the second tier of the hierarchy, "esteem," to the inward-looking, highest tier of "self-actualization."

This new level of luxury is entirely personal and contextual. What constitutes a transformative travel experience can only be defined by each individual traveler based on their own personal values, passions, and aspirations at a particular moment in time.

"Transformative travel encompasses a broad spectrum of experiences, whether that may be learning a new skill to having a meaningful conversation with an artisan in his or her studio who explains the process and story behind each object he or she creates," Melanie Brandman, CEO of the luxury travel communications agency The Brandman Agency, told Skift in 2017.

Luxury travelers are increasingly traveling with intention, motivated by the internal journey that accompanies these types of personally relevant physical experiences.

With such a specific journey in mind, luxury travelers are looking to brands to help them find the experiences that will lead to their fulfillment. Travel brands that want to appeal to the luxury segment must prove themselves to be understanding of this goal. They can only set themselves apart from the experience-saturated market by clearly portraying the transformational, self-actualizing value they can provide or facilitate. In return, the brand's connection with this journey is likely to facilitate meaningful customer loyalty.

Marriott is one such brand that has taken action to appeal to travelers motivated by personal fulfillment. The hotel company has started to offer high-end, self-improvement activities as part of its loyalty program at some of its luxury brand locations. Guests can bid rewards points for master classes like private basketball training with Dwyane Wade, a golf clinic with Annika Sörenstam, and a cooking lesson with Eric Ripert,

among others. With guests bidding upwards of 300,000 points for each master class, these experiences provide the personal transformation luxury travelers now crave, while maintaining the exclusivity they continue to desire.

Large brands are not the only players looking to entice luxury travelers in search of transformation. Boutique travel companies are also getting on board. From high-end yoga retreats and luxury "glamping" experiences in remote wilderness settings, luxury travelers are being presented with increasingly personalized travel experiences created with the sole aim of guiding them on their journey toward personal fulfillment.

As with any quickly adopted trend, this one also runs the risk of being exploited by brands that use transformative-travel language, but don't actually provide the life-changing experiences luxury travelers are after. Only those that truly embrace the meaning of the trend and commit to helping customers on this personal journey will see the payoff by attracting and meaningfully connecting with luxury travelers.



# BLOCKCHAIN WILL SPARK A NEW TYPE OF TECHNOLOGY RACE IN TRAVEL

## SKIFT TAKE

*Some companies are betting big on blockchain's bandwagon effect. Time will tell whether the new technology materializes into cheaper, better, and faster travel experiences.*

*Writer: Luke Bujarski*

*Illustrator: Bing Qing Ye*



## Travel Content Moves Into the Ether

Call it the Sputnik of travel.

Most of us probably know the story of Sputnik and how the Soviets jostled America in 1957 by beating them to launch the world's first orbiting satellite. What followed was the costly Space Race that eventually got us to the moon. While the lunar landings added little direct benefit to humanity, the spirit and the efforts that went into research and development spurred advancements in rocket propulsion, avionics, telecommunications, and other innovations no one had imagined possible. Where would Elon Musk and SpaceX be without Sputnik?

In that way, blockchain could become the travel industry's Space Race — completely insane yet likely revolutionary with spin-off effects across the entire ecosystem.

Short of completely transforming the industry in 2018, blockchain will become a yardstick against which travel enterprises measure their tech prowess. Dabbling in blockchain will send a message to partners and investors. It declares that your company has the bandwidth to look beyond today's mundane operational challenges. During these early stages, having a self-proclaimed blockchain specialist-in-residence qualifies.

The long-run question is whether blockchain can add real value and make global travel better, faster, and cheaper. At this point, though, it may not really matter. Its mystique and disruptive potential as the next big thing since the Internet will send the industry chasing its lofty promises. Blockchain and "decentralization" is also starting to catch on as a statement against big tech. Early adopters will be rewarded with accolades as innovators and "knowers," well before blockchain actually lives up to its disruptive potential.

Blockchain technology has the potential to disrupt a lot of things in travel. Everything from loyalty programs to hotel distribution has a place on the blockchain — in theory and increasingly in practice. One of Europe's biggest tour operators is using a private blockchain to better track its hotel inventory. Airlines and various technology solutions providers are looking to blockchain to help streamline things like aircraft maintenance. Just about every global consultancy now has a blockchain "practice" ready to help enterprises understand the technology. One small company called Winding Tree is aiming its sights on Priceline, Expedia, and travel management companies by creating a decentralized repository of travel content.

Think of Winding Tree as a self-sustained, commission-free global distribution system. Picture the world's travel content such as flights and hotel room listings floating around in the ether (the Winding Tree blockchain), accessible free of charge by enterprises, individuals, and travel managers via custom-built interfaces.

Blockchain is likely to disrupt corporate travel first. In today's global economy, enterprises spend exorbitant amounts on travel. If companies like Winding Tree can power the back end and promise commission-free bookings, then those same companies will build the interfaces that connect them with air and hotel supply.

Leisure or unmanaged travel would come later. It boils down to market education and bulk versus individual purchasing. Reaching the consumer still takes marketing dollars. Arguably, airlines and hotels still see value in paying intermediaries to spend those dollars for them. The future of tokenization remains unknown. Bitcoin, Ethereum, Bitcoin Cash, and other tokens have sprung up on a regular basis. Some power and fund applications through initial coin offerings or ICOs. Others aim to become the next global currency. The idea that any would replace fiat currencies like the dollar or euro or yuan is unlikely — at least anytime soon.



During these early stages, technologists are fixated on blockchain's disruptive "potential" rather than existing applications. That's like pouring gasoline on a fire when it comes to momentum and hype.

## A Self-Fulfilling Prophecy

Injecting FOMO, or fear of missing out, could be the biggest contribution that blockchain makes to travel in 2018. Hype spurs interest and interest spurs action. Bonny Simi, president of JetBlue Technology Ventures, has said that blockchain is what the Internet was in the 90s. Those that missed out on the early days of the Internet will look to hedge their bets with blockchain. And it seems like things are actually starting to get real.

Blockchain could become a self-fulfilling prophecy with spin-off effects tackling some of the bigger friction points in travel. Distribution is a big one. Hoteliers and airlines often gripe about their overdependence on trusted third parties. Hotels hate working with intermediaries because of commissions and limited access to customer data, while airlines dislike them mostly because rigid distribution systems of yesteryear no longer work in today's e-commerce reality.

Momentum behind blockchain will, at the very least, motivate the two sides to think about where they should be cooperating — or not. That conversation goes beyond squabbles over distribution.

One hotel executive currently exploring blockchain also pointed to things like artificial intelligence and voice search, and wondered whether blockchain will be the digital bedrock that powers that tech. Where blockchain goes is still based largely on vision and assumption.

## Cultural Backlash Against Big Tech

Just as blockchain hits the mainstream, the big tech companies have built something of a bad name for themselves. The "fearful five," as they

have been dubbed, are gobbling up everything in tech. Google, Amazon, Apple, Facebook, and Microsoft now account for the majority of our screen time. Once symbols of the hip hoodie-wearing geek counterculture, the platforms have been turning consumers off due to issues like Russia's meddling with elections through fake news and questionable best practices in digital advertising and data privacy. And that doesn't include the swell of digital disruption coming out of China and companies like Tencent, which owns WeChat, and Alibaba.

Blockchain-powered applications and currencies could turn into the anti-establishment thing that becomes the establishment. Empathy for the underdog is a powerful force. Decentralization and cryptocurrencies were born from the ashes of the global financial crisis as a backlash against big banks and corporate greed.

The whole idea behind blockchain and distributed ledger tech focuses on eliminating the middleman. No big banks, no big government manipulating cash reserves. The steady wave of resentment against these entities could give blockchain a lift in 2018. As this turns into a David and Goliath story, the big players will start paying more attention.

## Perfect Storm Brewing

The current landscape is a "perfect storm" of sorts for a nascent technology like blockchain. Global business is generally good. The economy is strong. Companies are hungry and willing to take risks. Technology is moving so fast that visibility is limited, and executives and investors want to be there before it happens. Taking calculated and moonshot risks is how technology investments get made these days. Hotels also see an opportunity to break from the online travel agencies. Airlines are profitable and looking for ways to insulate themselves against the next inevitable oil price rally. Blockchain could be a perfect thing to throw money at in 2018.

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# EUROPEAN TRAVELERS RETURN TO ONCE-DISRUPTED DESTINATIONS

○ SKIFT TAKE

*Things can change very quickly in travel. Geopolitics plays a big part in deciding a destination's popularity. With Spain undergoing its own problems, and fewer terrorist incidents taking place in North Africa and the Middle East, the tourist spread is starting to rebalance itself.*

Writer: Patrick Whyte    Illustrator: Bett Norris

Every summer, millions of European tourists head abroad for two weeks of sunshine with those living in the north of the continent — think the Nordics, UK, and Germany — likely to seek warmth outside their home countries. France, Portugal, and Spain have long been the dominant destinations, but over the last couple of decades, mass tourism has been growing on the southern and eastern fringes of the Mediterranean. Cheap flights and accommodations have made Turkey, Egypt, and Tunisia appealing to those on a limited budget.

Over time, they all rose in popularity. But during the past year and a half, this trend reversed. For slightly differing reasons, all three countries have suffered from lower numbers, as many potential foreign visitors decided it was just too much of a risk to visit. In all three countries, tourism has been a huge contributor to overall gross domestic product; more recently, reduced numbers have meant depleted receipts.

Slowly, though, things look like they are getting better. Much of this can be attributed to a combination of internal and external factors. But it will be a long time before the countries fully recover.

## Terrorism Concerns

The threat of terrorism has been a major deterrent — not without cause. In two separate attacks during 2015, 60 people, mostly tourists, were killed in Tunisia. Travel companies were quick to

pull their programs and, two years later, some are only just starting to go back.

Turkey has periodically had to deal with terrorist attacks over the last couple of years as well as an attempt to topple the government in July 2016. Egypt is still suffering from the downing of a Russian aircraft carrying 224 people in October 2015, which followed years of violence and unrest. Russia and the UK still ban flights to the popular Egyptian tourist destination Sharm El Sheikh, though Russia recently announced intentions to restore flights to Cairo.

Social media and a 24-hour news cycle magnify such events, making the impact on tourism much greater in the short term.

In 2016, Turkey saw the number of foreign visitors fall by 30 percent to 25.4 million, while in Egypt tourist arrivals dropped from 8.1 million to 4.8 million. And although Tunisia saw a 6.8 percent uptick in arrivals at its borders that year, it recorded a 3.8 percent decrease in tourist receipts.

## An Uptick in Visitors

It is easy to imagine tourists never returning to these once-popular places, but slowly they have come back — in part due to problems elsewhere.

Spain was one of the main European countries to see a sharp rise in tourism in 2016, which

continued into 2017. But a recent series of events has cast a shadow on inbound travel, prompting some to question whether its growth can be sustained. First, there was the growing anti-tourism movement in places like Barcelona and the Balearic Islands, where locals are concerned about the exponential growth of the visitor economy. Second, there were the terror attacks in Barcelona and Cambrils, which killed 16 people. Finally, there is the ongoing uncertainty and unrest surrounding the potential secession of Catalonia.

All of these things might make people think twice before booking their holiday to Spain in 2018. Cost is also likely to have an impact. Earlier this year, one of Europe's biggest tour operators, Thomas Cook, said that growth in Spain had been limited because of competition and higher hotel costs. Some people had suggested that Spanish hoteliers had become greedy because of a perceived lack of competition.

In 2018, things look likely to change. Visitor numbers in Egypt, Tunisia, and Turkey came back strongly in 2017 and increased demand is likely

to see tour operators such as Thomas Cook and market leader TUI add more flights and secure more beds in 2018. All three of these destinations are likely to be much less expensive than Spain, making them more affordable for people who like to book a package holiday.

Governments are also offering assistance to companies that can deliver tourists. The Turkish government handed out subsidies to some airlines flying into the country, and Egypt offered a similar incentive.

This is likely to spur more tourism to countries few Europeans wanted to visit in 2015. In a country profile report on Spain, research firm Euromonitor noted: "The recovery of competitor countries such as Egypt, Tunisia, Turkey, and even a better situation in terms of terrorism within neighboring countries in Europe, is likely to reduce arrivals to Spain. Overall, the affordable prices of such Mediterranean destinations are likely to allow them to offer fierce competition when the security and geopolitical issues are alleviated."





# AIRLINES RACE TO BECOME STOREFRONTS BEYOND THE SEAT

## SKIFT TAKE

*Airlines should fear a more sophisticated e-commerce company might disrupt their business. They must spend 2018 refining their merchandising strategies.*

Writer: Brian Sumers    Illustrator: Patricia Mafra

Peter Glade, commercial director of Sun Express, a leisure airline owned by Lufthansa and Turkish Airlines, likes to say that airlines must decide whether to be Uber or the Uber driver.

"Our decision as an airline shall be, 'Am I the one that is transporting the passenger from A to B, or am I the one that is managing the problem that the customer has to an extent that the customer is happy and wants to fly with me again,'" he said in an interview. "Do I want to be a transportation organization or a problem solver?"

Put that way, it's an easy decision. An airline doesn't want to be reduced to being a transportation provider, while another company — perhaps Google or Amazon, or an online travel agency, or maybe a firm that doesn't exist yet — provides an ultra-sophisticated platform to sell everything from seat assignments and baggage fees to related hotel and car rental bookings. A healthy modern

airline wants to know its passengers better than anyone so it can offer them the right products and services at the most opportune time.

It's trickier than it sounds. Yes, airlines have always sold tickets, but they were not built for modern retailing. They are transportation providers, and so many resources go into the core business — providing safe, reliable operations — that many have not invested in e-commerce.

"It is simply not that easy to catch up in a breath based on legacy IT and an online distribution mindset that is still developing," said Christian Langer, Lufthansa Group's chief digital officer. "The good news is, more and more players are gearing up fast."

In 2018, many airlines will try to regain customers from online travel agencies and other companies that serve travelers. Most obviously, carriers seek

to sell directly to customers, but there's more. Lufthansa Group is emphasizing sales of upgrades, seat reservations, and baggage.

It's important stuff, because if airlines can't perfect merchandising, Glade said, they could lose access to customers.

"There could even be a world where passengers say, 'I don't care who I am flying with,'" he said. "The most important thing is that I booked on platform ABCD, because that's where I get the best service."

## Serving Customers Everywhere

Before September, when a pilot shortage forced Ryanair to cancel thousands of flights, executives from the low-cost carrier repeatedly said they wanted to create the "Amazon of Travel."

Ryanair gets more web traffic than any other airline and wants to leverage it to create new revenue, while giving other travel providers a low-cost way to distribute their product, Kenny

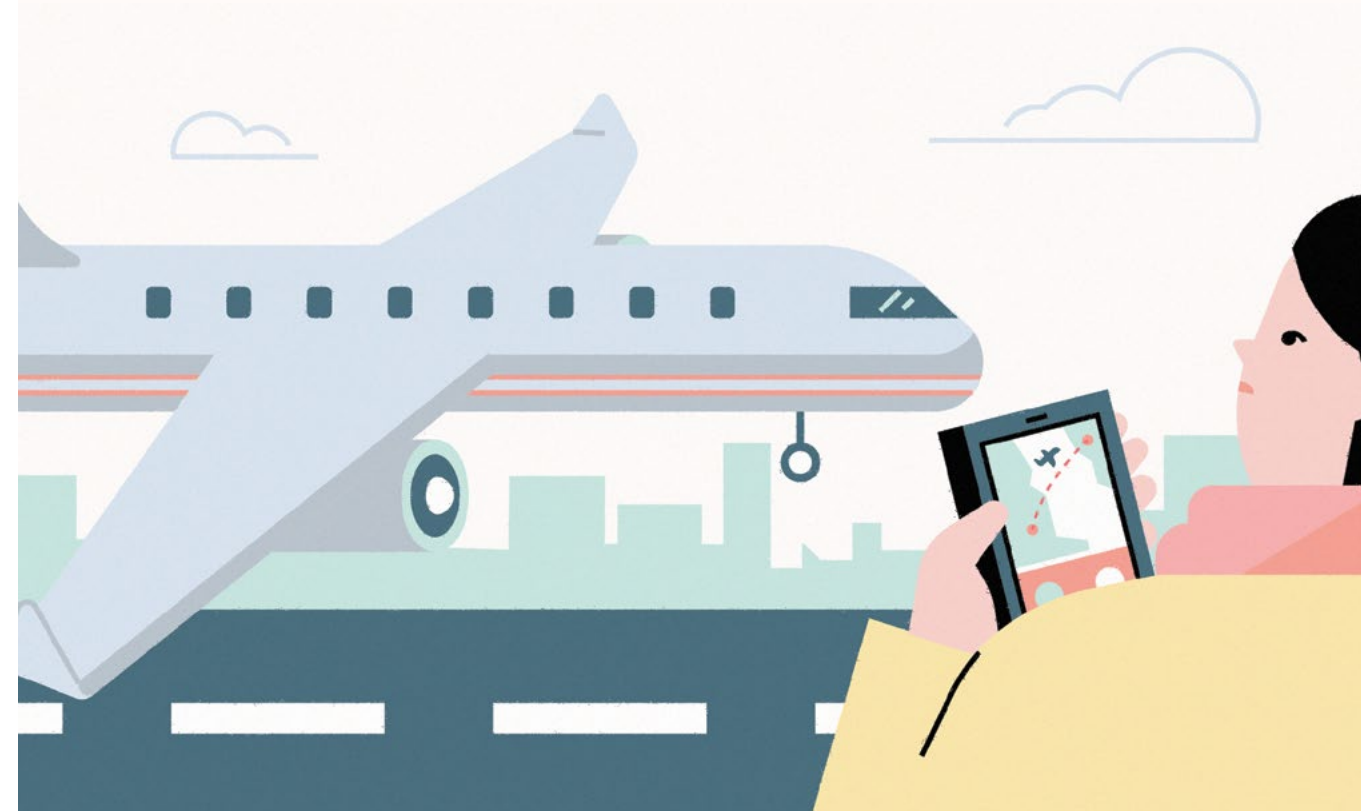
Jacobs, the airline's chief marketing officer, said.

It already experiments with selling tickets for quasi-competitors. Since May 2016, Ryanair has sold some long-haul routes for Air Europa, a low-cost Spanish airline.

"Just like Amazon is what you think of when you think of buying general merchandise, Ryanair is who Europeans think of when they think of low fares," Jacobs said. "But it doesn't mean they'll always fly with us."

Ryanair plans to expand the initiative. First, it expects most itineraries will include a Ryanair segment, but eventually it might allow customers to buy tickets without one. Perhaps it might sell for Lufthansa or British Airways, turning Ryanair into "almost a competitor" to Skyscanner and Google Flights, Jacobs said.

At Sun Express, a leisure carrier with relatively few flights, Glade said he would consider something similar. Sun Express might not always fly when a customer wants. Sometimes, he said, his best



option might be selling a ticket on a competitor, losing one sale but retaining a customer.

Still, Glade said he might not make defecting easy. "If someone wants to buy a ticket on my competitor on my website, he can be sure that at least 50 percent of the screen will convince him that it's better to buy on me," he said.

Lufthansa Group's Langer said he understands why airlines might try the approach. But he said carriers seeking good customer relations also must implement other strategies.

"Competition," he said, "is not about who sells whose seats on his website." Instead, he said, "it is a matter of who offers superior service to its customers and tailors it to their personal needs and interests."

But Lufthansa Group is servicing customers at other carriers in a different way. In 2017, Lufthansa's Innovation Hub launched a website called AirlineCheckins.com that allows passengers to check in on more than 100 airlines.

Early on, Langer said, a few airlines sent cease-and-desist letters. But he said passengers like it, and many airlines want to participate. More than 80 percent of check-in requests involve non-Lufthansa Group airlines. "It could be a separate business one day where the Lufthansa airlines are one customer among many," Langer said.

### More Sophisticated Ancillary Sales

Not all airlines will sell tickets on competitors, or help customers check in on another carrier. But most know they must improve ancillary sales.

This is not new. But while this business is already profitable, many executives say airlines still lag other industries.

When Jacobs joined Ryanair in 2014, travelers might make 25 clicks before buying a ticket, and at some point, the airline would ask if they wanted a rental car. If they said yes, they would go to a white label website.

Today, Ryanair is craftier. For cars, it uses CarTrawler, an aggregator, giving it access to more inventory. Even better, Ryanair knows more about customers, including for how long the person is traveling, whether it's a business or leisure trip, and whether the traveler is bringing children.

About two months before a trip — when interest in cars peaks — Ryanair can send the customer an offer.

"We will let them book the flight," Jacobs said. "And then we will say, 'Do you want to book car hire?' And here is a Citroen Picasso with child seats available in Malaga at the time your flight arrives."

But while many carriers, including Ryanair, have perfected email offers, Glade said airlines should consider reaching customers elsewhere.

Sun Express sells tickets via WhatsApp, a popular social network among Turkish people living in Germany. An airline, he said, must know "24/7, where are my customers, what are they doing, how do they live and what needs do they have? And then I need to shape the commercial offers purely around these concerns."

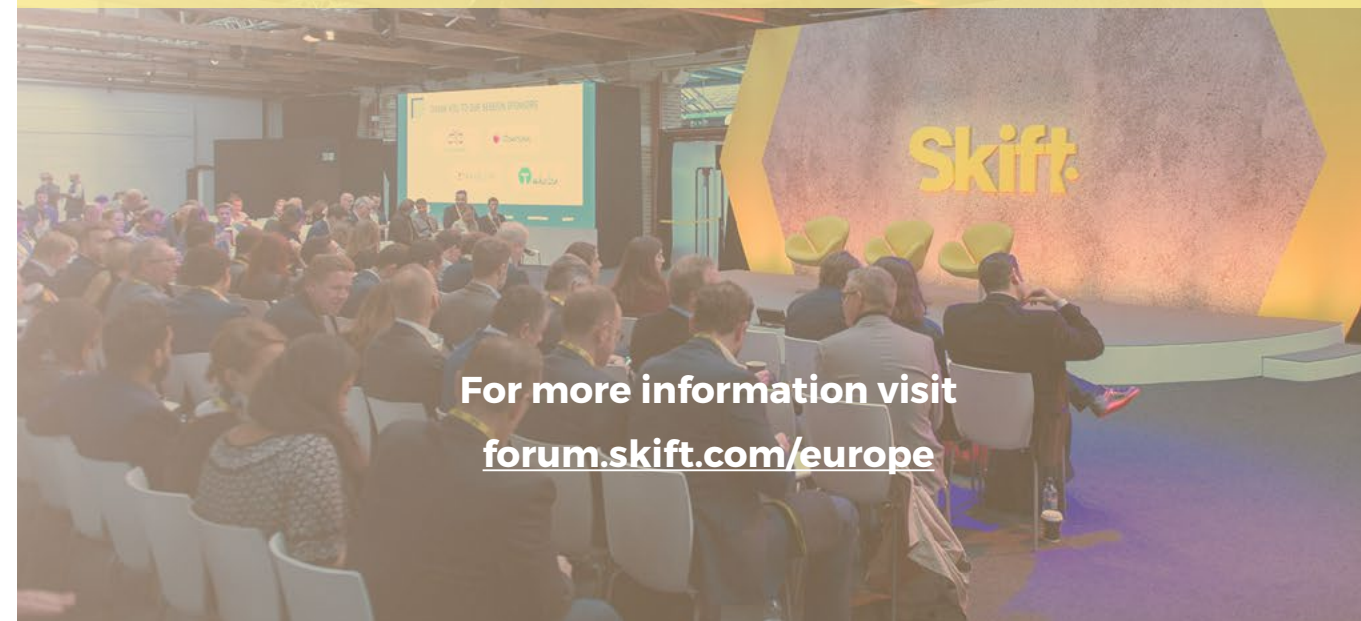
KLM is also exploring new channels. In August, it became the first European carrier to accept payments through WeChat, the Chinese networking site. Later, KLM introduced a new bot on Facebook Messenger that can book tickets for customers.

"We are, of course, not at par with the likes of Amazon," Jean-Marc Janaillac, Air France-KLM's CEO, said in an interview. "They are the best in the world for that. But it's our goal right now to organize this data and have the proper technology tools to know about the customers' past habits, what their desires are, to make them offers that will increase their travel and their buying."

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# NEW LEADERS OF ONLINE TRAVEL AGENCIES ARE ALREADY RESHAPING THEIR COMPANIES

○ SKIFT TAKE

*Anyone who thought the three new online travel agency leaders — Jane Sun, Glenn Fogel, and Mark Okerstrom — intended to be mere caretakers of their predecessors' policies and legacies would have been mistaken. To a large degree, they are stepping out into new territory.*

Writer: Dennis Schaal    Illustrator: Patricia Mafra



There's been a changing of the guard at the top echelons of online travel leadership, and the CEOs of the three largest companies are reorienting their companies to meet head-on what they perceive to be challenges of today and tomorrow.

Until relatively recently, Jane Sun had been Ctrip's co-president, Glenn Fogel had headed the Priceline Group's worldwide strategy and planning, and Mark Okerstrom had been Expedia Inc.'s longtime chief financial officer. But in a rapid-fire series of events starting in late 2016, all three ascended to the CEO slot at their respective companies. Sun became CEO in November 2016, Fogel took office on January 1, 2017, and Okerstrom started calling the shots in September 2017.

To a great extent, the three are starting to shape the companies in their own images.

Arguably the biggest changes to date have come from Fogel at the Priceline Group and Sun at Ctrip.

In a stunner, Fogel recently told investors and analysts that the Priceline Group, which is Google's largest travel advertiser and grew into its current size nurtured on digital advertising, is rethinking its online advertising strategy and plans to put more emphasis on brand advertising — meaning TV commercials.

There are myriad reasons for Fogel's strategy shift.

Fogel said it's in the company's interest to develop one-on-one relationships with its customers so they can come direct to Booking.com or sister brand Agoda.com, for example. Fogel would also love to see customers downloading and repeatedly using Booking.com's and Kayak's apps, for example, so these subsidiaries don't have to keep paying Google or others to reacquire users over and over again.

It isn't a case of the Priceline Group abandoning digital advertising; instead, the company plans to deemphasize it to a degree in favor of TV. Prodding customers to visit Booking.com directly or to download its apps would improve the subsidiary's return on investment "once we get to the optimal level of spend" on TV, Chief Financial Officer Daniel Finnegan said during a recent earnings call.

In a related strategy tweak, Fogel said the Priceline Group will ratchet back its advertising spend in unspecified third-party marketing channels because some of these companies — presumably including Trivago, TripAdvisor, and Google — use the revenue to compete against Priceline. Fogel's company has definitely trimmed its advertising through Expedia's Trivago, and TripAdvisor has publicly noted that some of its advertising partners are reducing their spending in TripAdvisor.

Over at China's Ctrip, Sun is expanding the country's largest online travel company beyond Asia. Ctrip is already the second biggest online travel presence in the world by market cap after Priceline.

Sun, the lone woman heading one of the big three online travel agencies, announced in late November 2016 — within days of becoming CEO — that Ctrip was acquiring Scotland-based flight metasearch company Skyscanner. Available in more than 30 languages and with a presence throughout Europe, and a lighter presence in North America, Asia, and Latin America, Skyscanner increases Ctrip's global footprint.

And Skyscanner is increasingly becoming a booking site, not merely a place where consumers can search for airline tickets.

In November 2017, Ctrip/Skyscanner made two additional acquisitions: U.S.-based Trip.com and London-headquartered Twizoo. Both companies enhance Skyscanner's destination content and social media-generated reviews.

But Sun wasn't done. She also repurposed the Trip.com domain and turned it into a pared-down English-language version of Ctrip, replete with flight, hotel, and train offerings. So now Ctrip has two English-language sites, and the newest, Trip.com, amounts to a rebranding of Ctrip for site visitors.

In this series of moves, Sun is expanding Ctrip's global footprint and broadening its traditional mission beyond serving the Chinese traveler.

Another head-turner of a move was Okerstrom's proclamation that Expedia would forego big acquisitions in the foreseeable future in favor

of organic growth. Expedia, like Ctrip in 2015 and 2016, bought almost everything that wasn't nailed down. At Expedia, those purchases included Wotif, Travelocity, Orbitz Worldwide, HomeAway, and others.

Under Okerstrom's new strategy, unless Expedia hears an offer it can't refuse or sees a potential acquisition that is just too enticing to turn down, the company plans to fuel further growth from its existing portfolio, including Expedia.com, Hotels.com, HomeAway, the Expedia Affiliate Network, and Egencia.

If Okerstrom sticks to his word to "disproportionately" tilt toward growing internally instead of via acquisition, Expedia could benefit from the enhanced focus. Following its 2015 acquisition spree, Expedia stumbled in integrating Orbitz Worldwide, and saw its hotel room night growth tumble. With the further integration of HomeAway and Trivago's challenges on his plate, Okerstrom wants to avoid miscues and distractions.

Travel startups and other companies that may have been looking toward Expedia for a potential exit strategy thus may have to woo others among the relatively limited roster of potential suitors with big resources to make acquisitions.

Okerstrom also said he intends to give more focus to enhancing Expedia's operations, including putting an emphasis on signing up more hotels in key local markets around the world rather than necessarily adding new markets. It's unclear how that would play out in practice.

Tours and activities, Okerstrom said, may also deserve higher priority now than under the previous regime, as he juggles the order of Expedia's to-do list.

With Sun and Fogel already marking their one-year anniversaries at their new gigs, and Okerstrom settling in, it's clear that their current challenges are requiring them to forge ahead and make clear breaks with what their predecessors accomplished.

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# CITIES ARE BETTER NAVIGATING THE COLLISION OF THEIR VISITOR AND LOCAL ECONOMIES

## SKIFT TAKE

*City leaders in government, tourism, and economic development are collaborating more strategically to grow their leisure and business travel sectors in alignment with the interests of their local communities and industries.*

Writer: Greg Oates

Illustrator: Patricia Mafra

Traditionally in cities, tourism boards have strived to attract higher numbers of visitors, while economic development agencies focused on strengthening the local business community and infrastructure. Different government departments worked with each side, but in the big scheme of things, there often wasn't a lot of collaboration between the people stewarding the growth of their visitor economy and local economy.

Today, the public and private sectors promoting tourism and economic development are collaborating more intentionally to benefit area residents and diversify tourism spend.

Beginning with the leisure travel industry, every city is attempting to diversify visitor spending and push incoming travelers beyond the most frequented tourism areas. This is designed to alleviate congestion and spread tourism dollars more evenly into underserved regions. At the extreme end, cities like Barcelona, Venice, and Reykjavik are suffering acute overtourism that threatens to destroy the cultural fabric of their neighborhoods.

To increase visitor dispersal, cities and countries are promoting local culinary and cultural tourism in partnership with regional organizations, spurred by the demand for more authentic travel experiences. For these initiatives to deliver a positive return on investment, it's critical for tourism organizations to work effectively with their local government and economic development agencies to secure the necessary public funds and business community buy-in.

For example, the International Institute of Gastronomy, Culture, Arts and Tourism (IGCAT) launched the European Region of Gastronomy Award & Platform in 2016. It designates regions with strong culinary traditions beyond the major gateway cities, such as Aarhus in Denmark, Riga in Latvia, and Spain's cava country outside Barcelona. To earn the designation, regions must prepare comprehensive bids showing a coalition of support among the public, private, and academic sectors, and they're required to produce new research on culinary tourism development for the benefit of the entire continent.

"The aim of the award is not just to celebrate the region's great gastronomy," said Diane Dodd, president of IGCAT. "It will only be given if the region proposes a year of events and projects that will kick-start a process that ultimately will contribute to a better quality of life in the region, by highlighting distinctive food cultures, educating for better health and sustainability, as well as stimulating gastronomic innovation. And curiously, it is Europe's lesser-known regions that are providing a treasure trove for the more adventurous creative and food-loving travelers."

Likewise, Tourism Australia's "Restaurant Australia" campaign and various partner platforms like Luxury Lodges of Australia have been successful in driving visitation to secondary markets such as Tasmania, Perth, and the Northern Territories. Tourism Ireland, meanwhile, invested tens of millions of dollars to develop the "Wild Atlantic Way" and "Ancient East" marketing campaigns and self-drive itineraries along the western and eastern coasts, which boosted economic activity beyond Dublin.

## Repositioning Meetings as Economic Accelerators

In the meetings and events sector, destinations are working more intentionally to attract conferences that align with their priority growth sectors in advanced industries, ranging from clean tech to life sciences.

For example, the UK Department of International Trade has prioritized a number of sectors where England, Scotland, Wales, and Northern Ireland are world leaders. The government is now providing funds and ministerial support to cities across the UK to help attract conferences aligned with their respective advanced industry clusters. The initiative benefits host destinations in terms of increased knowledge share and potential outside investment. At the same time, the strategy also provides an attractive value add for North American conference organizers and attendees who benefit from collaborating with thought leaders specific to their fields.

VisitBritain's new research this year validates that, detailing how conference owners and organizers seek destinations with a large cluster of aligned industry leaders, as much as other factors relating to value, access, and infrastructure.

Building on that, VisitScotland Business Events launched a new two-year initiative in November 2017 to attract conference planners active in Scotland's growth industries. Under the banner of "Scotland: Where Ideas Become Legend," the strategy is designed to increase the exposure of Scotland as a leading destination for high-tech conferences, beyond the country's historic charm and tourism assets.

"This is a way to position Scotland as very forward-thinking and innovative in research and academia, and give that more visibility as it relates to business events and conferences," said Richard Knight, senior marketing manager for VisitScotland Business Events. "Conferences and business events in these sectors are really a bridge to further investments in Scotland, so we're linking those to continue driving growth in our economy."

Beyond that, the Legends campaign illustrates how regional and national governments are collaborating with local tourism organizations and their travel partners to deliver benefits for both destinations and visitors. While not a new concept, public-private partnerships are becoming a lot more intentional and structured to deliver greater and more measurable impacts.



# EXTREME WEATHER IS CREATING TRAVEL UPHEAVAL

## SKIFT TAKE

*Extreme weather is the new normal. It's changing destinations for the worse, and it's not going to get better any time soon.*

Writer: Dan Peltier

Illustrator: Bing Qing Ye



With recent climate change data pointing to violent storms and warmer temperatures becoming more regular, airlines, hotels, and especially tourism boards must reconsider both their short- and long-term planning.

It's no secret that millions of tourists traveling each year often do more harm than good for the planet. Consider water waste, the garbage tourists leave behind, and the greenhouse gas emissions generated by traveling to destinations — especially by air.

In the U.S. and Caribbean, the 2017 Atlantic hurricane season was one of the loudest climate wake-up calls the travel industry has had in years, especially following a 12-year stretch without a major hurricane making landfall in the United States.

Recent storms like Irma and Maria brought entire islands including Barbuda and Puerto Rico to their knees, and for many western travel companies, the harsh realities of climate change

suddenly felt much closer to home and brought new lessons on how to communicate with travelers during a storm.

Researchers have been sounding the alarm on climate change for more than 20 years, but in general, tourism planning has yet to acknowledge its reality, according to Megan Epler Wood, director of the International Sustainable Tourism Initiative at the Center for Health and the Global Environment at the Harvard School of Public Health.

"We have only recently reconceived how tourism should be measured and planned," she said.

Wood said many destinations are still in the early stages of planning for climate change.

"The climate change challenge really has to be brought up when you ask about infrastructure," she said. "Most of the things you've seen happening in places like Miami Beach, where they've had huge overbuilding right on the coast in major tourism areas, has not really been arrested."

The high-rise buildings and coastal development that have sprung up in cities like Miami in the past 10 years highlight how waterfront city planning is accounting for more frequent flood-prone weather patterns, but neglecting to address what happens when sea levels in Miami, for example, will be nearly a foot higher in 2030 compared to 1992 levels.

Rising ocean waters are also top of mind for largely waterfront New York City, which changed building codes after Hurricane Sandy in 2012 to require core electrical equipment and generators to be installed on upper floors rather than the ground level in case of floods, for example.

The world's oceans are heating up as sea levels rise. Perhaps one of the greatest casualties from warmer ocean temperatures is Australia's Great Barrier Reef, a major tourist attraction, where some 50 percent of coral reefs have died because of warmer waters. There's still time to prevent the rest of the reef from deteriorating, as Netflix's "Chasing Coral" 2017 documentary argues, and many researchers studying the area suggest

that revenue from tourism visits are integral to finding solutions. That's ironic, considering that the act of traveling to the reefs contributes to their decline.

Peru offers another spotlight on the issue of climate change. The country's Pacific coast, which typically does not see much rain, suffered damaging rain storms due to an El Niño pattern in early 2017. The deadly flooding that resulted prompted government and tourism officials to implement plans to be proactive rather than reactive to future extreme weather events.

Even before Hurricane Harvey spiraled over Houston in August, that city's tourism board had a plan in place to deal with extreme weather. Within hours of the storm moving away from Houston, the mayor told the press that the city was open for business and that only certain neighborhoods had been severely impacted.

After learning from Hurricane Katrina and acting as host to thousands of Katrina evacuees, Visit Houston was also on the front lines of helping



storm evacuees find temporary shelter at the city's convention center while continuing to market parts of the city that weren't impacted by the storm.

California has also been feeling the wrath of a warmer planet. The state expects wildfires every year, especially after five years of drought, but the 2017 wildfires were the most expensive and some of the deadliest on record in the U.S.

Recent wildfires near California's wine country highlighted the travel industry's vulnerabilities to climate change even when much of the fire damage didn't impact tourist attractions. Other wine-growing areas such as those in France and Italy have also reported that grapes have been impacted by climate change and regions as improbable as the UK are trying to take their place as a wine destination.

## Long-Term Threats

There were plenty of signs that the planet was suffering before Hurricanes Harvey, Irma, or Maria – some of the largest and deadliest Atlantic storms on record – disrupted travel and wreaked havoc throughout the U.S. Gulf Coast and Caribbean.

Melting glaciers have been a concern for years, but two of Antarctica's largest glaciers received media attention in 2017 after they started to crumble. If these glaciers and others in Greenland collapse – which is increasingly likely given average global temperatures are projected to rise as much as four degrees Celsius by 2100 – enough water would be unleashed to eventually submerge nearly every coastal city on Earth. Nearly 300 major cities like New York, Mumbai, Shanghai, and Sydney would be early victims.

By 2100, much of Southern Europe including Spain, Italy, and Greece will be too warm to visit during the summer months and the sea levels will be too high in many tourist resort areas, according to data from the Euro-Mediterranean Center on Climate Change. That's an inconvenient truth for the travel industry, given 51 percent of European hotel bed capacity is concentrated

in coastal areas and nearly half of all overnight stays in Europe are in coastal areas.

More tourists could soon be booking their summer holidays in Central and Northern Europe, data show, if countries don't curb greenhouse gas emissions. The landmark 2015 Paris Agreement was one crucial step in that direction, and although U.S. President Donald Trump has announced his intention to withdraw from the agreement, many U.S. cities have pledged to commit to emissions reductions set forth in the agreement regardless of the federal government's position.

The global travel industry has started to rally around these issues and understands that many of the attractions and destinations travelers flock to are at risk because of climate change. Expect more travel brands to enter the climate change fray in 2018 and make a greater point to let their customers know that they want to be on the right side of history – and the planet.

## Dear travel industry thought leaders,

Travel's next big thing, most believe, is mobile. But exactly how will mobile revolutionize the industry?

In a word: magic.

Mobile platforms – integrated with AI, the cloud, GPS, machine learning, Big Data and other advanced tools – will soon enable travel suppliers to provide a “magical” level of customer service beyond anything previously imagined.

Not just “I want to change my seat or my room” service. The future is:

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- **Service that anticipates endless travel problems, and frequently solves those problems for you in advance.**

Just as no astronaut would attempt spaceflight without Mission Control, and no driver would brave the Indy 500 without a pit crew, in two years nobody will travel without a “mobile service genie.”

But achieving magical service will require more than adding on newer, slicker mobile apps. Magical service must be absorbed into our corporate DNA and designed into our core architecture.

Magical service is already beginning for unmanaged business travel. It will expand quickly to all travel. Upside is proud to sponsor Skift's 2018 travel Megatrends because magical service is what we're all about.

We have not only seen the future...we're helping create it.

Sincerely,



**Jay Walker**  
Founder and chairman, Upside

 UPSIDE™

# MOBILE DEVICES MOVE BEYOND CUSTOMER SERVICE TO PREDICT TRAVELERS' NEEDS AND SOLVE PROBLEMS IN REAL TIME

## SKIFT TAKE

*Think today's mobile-powered travel services are impressive? The coming revolution in mobile predicted by many industry experts will make the current experience seem quaint.*

Writer: Jeremy Kressmann

In the 1940s, IBM president Thomas J. Watson famously predicted, "I think there is a world market for about five computers." We all know how that story turned out. But Watson's erroneous prediction illustrates a key point: It's easy to underestimate the impact new technologies will have on consumers and businesses. Nowhere is this more true than the emerging impact of mobile devices on the travel sector.

In 2018, a convergence of emerging tech tools like artificial intelligence, machine learning, location services, and cloud-based data will finally realize their potential on the smartphone. Already, hotel guests can unlock their room with their smartphone. Instead of waiting until they get home, consumers share real-time vacation photos on Instagram. And paying in store is easy with a mobile wallet.

What's still to come is much bigger: a mobile-based revolution in travel service that will anticipate your needs in advance — completely changing

the experience, efficiency, productivity, and even enjoyability of travel. The key will involve a shift in mobile usage from a device used reactively (when there's a problem) to one that proactively handles an issue before a traveler even knows they have one.

What will this frictionless tool look like? Think of it as half technology-powered concierge, half personalized team of travel experts, combining the easy-to-use interface of Uber, the personalization of Amazon, and the predictive abilities of Google Now all rolled into one. Have a delayed flight? Tomorrow's mobile travel service automatically contacts the hotel to let them know you're late and to not release your room. On a business trip and a meeting is cancelled last-minute? Your mobile travel service sees your calendar change, books you two hours at a local co-working space, and shares directions to get there in your rental car — or surfaces your local LinkedIn contacts and pre-populates an email invitation to catch up at a nearby coffee shop.



While the technology for this type of anticipatory travel tech may seem futuristic, the reality is that the pieces are already in place, just waiting to be fit together. Because of their portability, mobile devices will serve as the platform that stitches together an emerging combination of maturing innovations including artificial intelligence, cloud-based data, machine learning, voice recognition, GPS, apps, and more into a singular experience.

And one of the more interesting side effects of this snowballing revolution? It's most likely to begin in a place where few expect major innovation: business travel. The mobile support revolution offers the most immediate value to business travelers because their travel requirements are highly structured and demanding, yet predictable. The opportunity is even bigger when it comes to the "unmanaged" business travel segment, a group of DIY road warriors who enjoy more

flexibility and demand better travel tools than their corporate travel peers.

This DIY sector of the business travel world, representing an estimated \$165 billion in spending from small and midsize companies without a travel department, is the perfect starting place to deploy this new predictive mobile service revolution, a movement which is likely to then spread to the leisure segment over the next few years.

Business travel — and eventually all travel — will never be the same.



# STARTUPS GO DIRECT TO CONSUMERS IN BATTLE FOR BUSINESS TRAVELERS

## SKIFT TAKE

*Companies have finally realized that creating happier business travelers starts with empowering them instead of ordering them around. Now the rush is on to land those road warriors as customers with the understanding that they are experienced consumers.*

Writer: Andrew Sheivachman    Illustrator: Bing Qing Ye

Business travelers around the world are stressed out. Travel disruptions, along with limitations placed on how they travel by their companies, make them feel a lack of control when they have to travel for work.

More companies, however, are finally realizing that serving business travelers and tweaking their behavior should involve reaching them directly instead of pushing down mandates.

Both new entrants to the market and established players are targeting small-to-mid-sized businesses with a different kind of value proposition than usually applied to giant companies seeking corporate travel management solutions. By focusing on traveler behavior, and giving them incentives or personalized service and recommendations, smart players are looking to redefine the business travel experience.

This also requires marketing to business travelers directly instead of pushing down rules and restrictions from on high that they won't follow.

Two leaders have emerged, looking to crack the market for unmanaged or lightly managed travel at small and medium-sized businesses. Marketing is a big part of their play to become a lasting solution for business travelers.

Lola launched in 2015 with the goal of connecting travelers with travel agents through a mobile app. Equipped with artificial intelligence and

machine learning, the app would be able to provide personalization and 24/7 service to customers.

"I thought I was building a consumer company like Kayak and discovered it was business travelers that wanted chat," Kayak co-founder and Lola founder Paul English told Skift. "The second thing is that I thought we were building for chat, email, and phone. We found that people almost never want to talk on the phone. The older road warriors are almost more expert than younger ones, and they're really interested in efficiency. They like sending a command and going off to do something while we do something for them."

There is also Upside, which has brought packaged travel into the business travel arena. The service is able to negotiate better deals for the components of a trip, and gives users a gift card for picking specific packages that save their companies money.

The brainchild of Priceline founder Jay Walker, Upside faces perhaps a more difficult challenge in attracting customers: Travelers simply aren't used to buying packages when they travel for work. Road warriors are also used to more granular control over their trips, including the ability to make changes on the fly based on their meeting schedule.

So how do you solve this problem? Offer 24/7 solutions through a mobile app, whether self-serve or assisted through a customer service representative.

These companies are investing heavily in advertising. Upside has advertised on radio in markets across the U.S., in addition to running frequent ads on podcasts. Concur, as befits one of the biggest travel companies in the world, constantly pushes its solutions in train stations, atop taxicabs, and in other venues.

In recent years, the importance of paying attention to traveler behavior has become apparent to many across the industry. The companies offering behavioral incentive solutions have gained traction across the ecosystem. Giving travelers a reason to select a worse hotel or more annoying flight — but rewarding them for doing so with gift cards or other perks — has become an effective way to tweak traveler behavior.

Companies such as Rocketrip and TripActions have raised millions in recent years to develop different methods for rewarding travelers for making good purchasing decisions.

At the same time, there has also been a relative loosening of corporate travel policy with the emergence of ridesharing, roomsharing, and the fragmentation of hotel brands across the world.

Research shows that business travelers hate long flights, delays, and a poor work environment on the road. It seems like some of them, however, are willing to trade comfort for a financial reward. It turns out, in travel, money can buy happiness.

We've seen the bigger travel management companies realize, almost in slow motion, that creating more traveler-friendly tools is necessary to get business travelers to book on their platforms. Concur's acquisition of Hipmunk, a brand aimed at consumers, is just one piece of this wider shift.

The apparent success of Airbnb and Uber's recent pushes into business travel shows the power of leveraging consumer behavior in the business travel space. While travel management companies tend to have a captive audience, there are many business travelers they aren't reaching.

Startups including Lola and Upside are trying to find their niche by getting back to basics while developing advanced technological solutions to common business travel problems. The problem they must tackle now: finding frequent customers outside the purview of giant companies that already have managed travel programs.



# GOOGLE'S PRODUCT-LED VISION IS BEARING FRUIT

Writer: Dennis Schaal    Illustrator: Vanessa Branchi



## ○ SKIFT TAKE

*Little can stop Google Flights and Hotels from continuing to take market share because of Google's speedy response time, enhanced focus on user experience, and position as a dominant search engine — except the looming threat of regulation.*

At Google, the product side in travel is gaining an upper hand over its traditional advertising business.

What this means is that the trajectory of Google's own travel offerings beyond the search box — in Google Hotels, Flights, Maps, Trips, and Home, to name a few — highlights the fact that the product folks are winning out over the ad sales team.

Not that anything is so cut and dried at Google. Google Hotels and Google Flights are still, by and large, advertising-driven businesses, but they may be gaining an edge within Google in comparison to its traditional search business.

Rob Torres, Google's managing director of travel, has said that advertisements in Google Hotels, the company's metasearch product, convert at a higher rate than those generated in a conventional Google search. The hotel product has dates and rates, and consumers selecting an advertisement with those details are closer to making a buying decision than those who are just starting a search with "hotels in New York."

In addition, a Google promo for Hotel Ads quotes Ted Schweitzer, La Quinta's senior vice president of marketing and e-commerce, as saying that Hotel Ads convert at twice the rate of "what we see on regular mobile traffic."

So this megatrend makes for an interesting twist on the Google dilemma: Will it be more aggressive in building its own travel products, and could that come at the expense of its massive Google AdWords business? In its drive to provide consumers with better answers to queries,

Google indeed seems to be tilting toward the product side and is adapting AdWords to meet the challenge.

Google will have a breakout year in its travel products in 2018 as it builds on its behind-the-scenes technology acumen and focuses anew on user experience.

But Google's strides on the product side don't mean it won't face difficulties and a huge regulatory challenge. The European Union fined Google \$2.7 billion for favoring its own shopping products over those of its rivals in 2017. Although the regulatory slap didn't directly impact products such as Google Flights and Google Hotels, these travel businesses are likely next on the agenda in the EU's antitrust review.

At the same time, Priceline Group CEO Glenn Fogel announced that his company would be reviewing — presumably reducing growth in — its advertising spend with companies that compete or help others compete against it. Most of the headlines have been about Priceline and its Booking.com unit consequently reducing spending in Expedia's Trivago hotel-search business. TripAdvisor, too, is undoubtedly feeling Priceline's sudden marketing miserliness.

But Google, including Google Hotels, is likely a huge focus of Fogel's review as Priceline tilts toward TV/brand advertising to enhance its direct relationships with its customers.

That being said, 2018 likely will be a big expansion year for Google in travel. After several years of product experimentation, Google has relaunched



Google Hotels on mobile and may be leaning toward making it once again a standalone destination instead of embedding it in Google Search.

Google also has recrafted its hotel technology stack to provide faster responses to consumer queries and offer more relevant results.

Meanwhile, Google transitioned Google Flights, which had a somewhat utilitarian look and feel, into a more consumer-friendly redesign that may owe some inspiration to Kayak.

By all accounts, including a Phocuswright-Jumpshot study, Google Flights several years ago surpassed flight search leader Kayak in traffic. Google Hotels hasn't yet matched TripAdvisor's audience, according to the study, largely because of the site's substantial lead in hotel reviews. But TripAdvisor is floundering as a hotel-transaction site, and Google will likely make further traffic gains with its improved user interface.

TripAdvisor CEO Stephen Kaufer acknowledged at a Liberty TripAdvisor Holdings investor day that Google is likely picking up share from TripAdvisor. Meanwhile, in a brief statement about TripAdvisor in a third-quarter earnings call in November that received scant attention, Liberty TripAdvisor Holdings CEO Greg Maffei said: "TripAdvisor certainly experienced a tough quarter for online travel in general and TripAdvisor in particular, with headwinds from Google and mobile." Liberty TripAdvisor exerts voting control over TripAdvisor and Maffei doubles as TripAdvisor chairman.

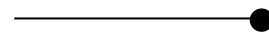
A TripAdvisor spokesman said Maffei's comments were meant to summarize trends that have been in play in recent years and weren't intended to pinpoint drivers of TripAdvisor's performance in the third quarter.

In addition to Google expanding its flight and hotel products, it is separately experimenting in Europe with offers of both vacation packages and vacation rentals, the latter being a bow to the sharing economy gains of Airbnb and a host of other homesharing businesses.

As a harbinger of Google's potential to get more aggressive in its growth plans, Google may be feeling less constrained in the U.S. because its five-year antitrust agreement with the Department of Justice over Google's purchase of flight fare and shopping engine ITA Software ran its course. Google marked the occasion by ending its offerings of ITA flight-search technology, called QPX, to small businesses. The move hasn't seemed to impact Google's portfolio of large customers, particularly major airlines.

One thing that at first glance could be standing in Google's way is the move by the Priceline Group to reassess its spending in third-party channels — presumably including Google Hotels. But even if Priceline decided to diminish its spending in Google Hotels, the search giant would be big enough to take the hit even though Priceline is Google's largest travel advertiser.

Looming regulatory constraints, particularly in Europe, would likely be more impactful if anything is to get in the way of Google's growth trajectory in travel.



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# BACK-END TRAVEL TECH GETS A DESIGN RENAISSANCE

## SKIFT TAKE

*The travel industry urgently needs operational software that normal people find intuitive, flexible, and powerful. Otherwise it will lose efficient early-career workers to other sectors that have superior tools.*

Writer: Sean O'Neill

Illustrator: Bing Qing Ye

Easier-to-use business software has begun to spread in the travel industry, promising to make workers more efficient.

Technology vendors such as Sabre, Expedia, and Duetto are responding to a demand by travel companies. "Business buyers are demanding the same type of experience that they enjoy as consumers using sites like Amazon," said Ellen Keszler, a technology consultant who sits on the board of many travel companies.

While workplace tools will never be as easy to use as a mobile app to order a pizza, they are becoming more intuitive to work with.

A few years ago, enterprise applications drew twice as many complaints on average as consumer applications did, according to a study by research firm MeasuringU. But a change in the way businesses buy software is driving improvements.

Until recently, companies sold enterprise software to airlines, travel agencies, hotel chains, and others in the following way: The vendor cut a one-time deal with someone in the C-suite (often after many free tickets to sports events and other soft bribes) who had little idea of what employees needed.

So vendors delivered clunky workplace tools. Just ask any travel agent who has typed cryptic codes on a so-called "green screen," or monochromatic desktop ticketing software.

Today's better software is the side effect of companies adopting the software-as-a-service business model. Tools are now delivered over the internet instead of from a box sitting in a closet on a company's premises. Companies pay the bill for the tools monthly instead of in a large upfront sum.

The model has slashed the stakes of software-buying decisions, while boosting the ease of switching between vendors. So executives are increasingly giving a voice to the teams who actually use applications when it comes time to buy. Funny enough, when workers have a say, they insist on products that are straightforward.

"The people in marketing and e-commerce roles at hotels must demand applications that make it easier for them to see the right information and take action in real time," said Marco Benvenuti, co-founder and chief marketing and strategy officer of revenue management software provider Duetto. "The days of using spreadsheets and MS-DOS-like products should be gone, but too many hospitality professionals are still stuck with these kinds of tools."

In 2018, travel technology giant Sabre expects to migrate more than half of the 250,000 travel agencies that use its desktop reservations software to a fully revamped version. Sabre Red Workspace includes many little functionalities that will likely bore executives but may endear it to some agents.

Its air pricing tools let agents quickly see airline ancillary services as potential add-ons without them having to toggle out of their main screens. The software also remembers an agent's settings, location, and identity each time it is opened, unlike before. It loads quickly and works without hiccups even in areas with low internet bandwidth — vital in the developing world. And while some agents say that Sabre still has much more work to do on the usability front, they welcome the progress.

Another factor driving the trend of better business tools is that the travel industry is witnessing a narrowing contrast between how consumer and enterprise applications are designed.

A case in point: Expedia debuted in summer 2017 a property analytics tool for hotel revenue managers that aims to provide detailed and contextual information, with a simple and intuitive interface, to make it easier for them to evaluate performance. "We've worked hard to bring over the design principles we've learned from our consumer-facing tools into all of our tools for our Expedia Partner Central platform for hoteliers," said Nicolas Daudin, senior director of global product management for the company.

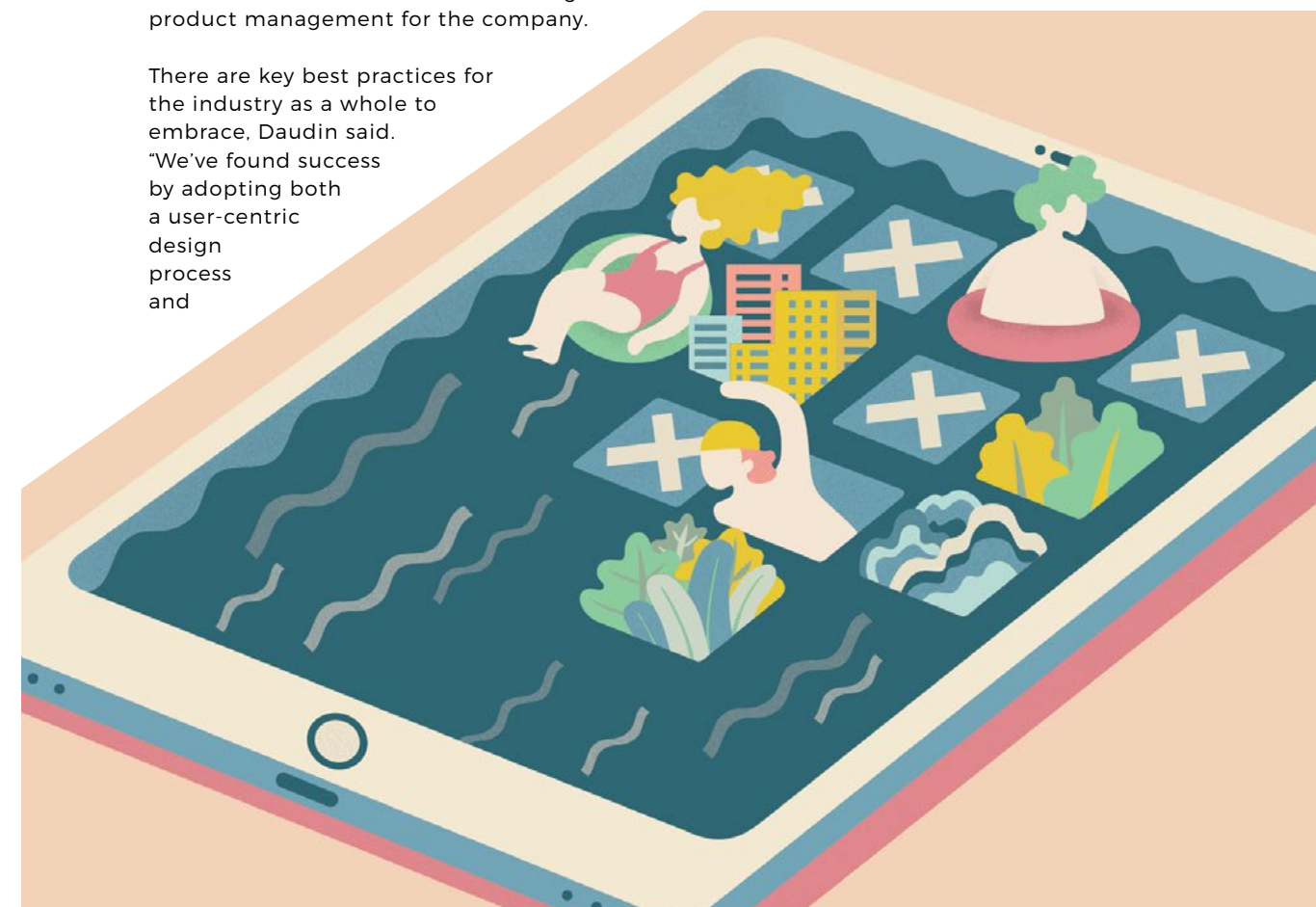
There are key best practices for the industry as a whole to embrace, Daudin said. "We've found success by adopting both a user-centric design process and

an iterative approach of asking users for feedback on features and on usability along the way and not just at the end."

Another factor helping to bring user experience out of the dark ages is that travel technology companies are increasingly shamed by the ease of use of other tools, such as messaging service Slack, expense manager Expensify, client tracker Salesforce, and project management tool Asana. The contrast between good and bad software is becoming sharper by the day.

Benvenuti of Duetto said his company's chief technology officer used his earlier experience at Salesforce "to push us to deliver interfaces as attractive, intuitive, and easy-to-use as other enterprise tools that companies are using."

"We have heard from our partners," said Daudin of Expedia. "They need simplified tools that can be easily understood and leveraged by someone without an IT degree."





## AFRICA DISCOVERS IT NEEDS TO WOO MILLENNIALS BOTH AT HOME AND ABROAD

### SKIFT TAKE

*Millennial-friendly products and services are finally on the rise in South Africa's tourist industry, and the desire for immersive experiences could see a much-needed trickle down of tourism spend.*

Writer: Richard Holmes    Illustrator: Vanessa Branchi

With new products and services, the tourism industry in southern Africa is quickly understanding the needs, wants, and spending power of the authenticity-seeking, hyper-connected millennial traveler.

With its bespoke mobile app, disruptive room decor and dedication to curated experiences, the Radisson RED Cape Town, which opened in September, is a bellwether of the shift. The Carlson Rezidor Hotel Group evidently sees potential in the millennial market in South Africa: It's just the fourth of 60 Radisson RED hotels the group plans to open worldwide by 2020.

A homegrown competitor hitting similar touchpoints is the Protea Hotels Fire & Ice brand, launched in 2006, with features that include in-house DJs, high-speed Wi-Fi and an Instagrammable pool deck.

"We're no longer just in the business of selling rooms," said Avukile Mabombo, group marketing manager for Protea Hotels. "From public spaces to services to entertainment, the full hotel experience has become so much more important."

Mabombo flags intra-African millennial travel as a key growth point for the rest of the decade as cross-border collaboration booms, particularly in creative industries. Marriott International

acquired Protea Hotels in 2014 in a \$141.1 million (ZAR 2 billion) deal. It'll be interesting to watch if Marriott will expand the Fire & Ice brand, or launch its own millennial-friendly Moxy brand into Africa.

Regardless of the name, the sustainability credentials of the property may drive purchasing decisions. Many African cities are resource-restricted, and whether it's tackling water scarcity in Cape Town or energy-saving in Accra, "millennial travelers are going to start making hotels more accountable," Mabombo said.

### Safari Operators Adapt

While city hotels are obvious targets for millennial-focused brands, safari operators are also courting younger travelers. The millennial market is even impacting how safari holidays are marketed and booked. Travel agents still may deal with the details, but image-rich social media threads increasingly inspire safari travel.

"The millennial generation is all about authentic experience, about writing their own scripts, telling their own stories," said Lindy Rousseau, director of sales and marketing for luxury safari and conservation company Singita, where rates are above \$1,800 per person per night. While it's typically their parents picking up the tab, "once they arrive, we know what they want."



That means high-speed Wi-Fi regardless of the lodge's remote location, flexible safari activities infused with unique experiences, and the opportunity for authentic community engagement. That could mean meeting the graduates of the Singita School of Cooking, a local upliftment and training project, or understanding the reforestation projects at Singita's Rwandan lodge set to launch in 2019.

Another safari operator, an experiential travel company called AndBeyond, has similarly adapted its offering. Alongside the safari staples of twice-daily game drives and sundowners on the savannah, guests can volunteer in community projects and engage in hands-on conservation projects, working alongside veterinarians and rangers to ear-notch endangered white rhinoceroses.

### Local Travelers Important Too

The future is as much about local travelers as inbound millennials, however.

"South African millennials travel a lot, have sizeable budgets, and are adventurous," said Sean Kritzing, managing director and co-owner of tour operator Giltedge.

But as much as their aspirations are similar, their limited spending power — compared to inbound millennials — has led to specific local product offerings.

For example, free Wi-Fi is an essential offering for hotels looking to capture the millennial market because the country's mobile data costs are inflated. There's also the issue of limited access to credit, which has forced airlines to develop distribution channels in mid-level supermarkets and through in-store charge cards.

Further, what the travelers want is slightly different. The local millennial traveler "still cares about brand and brag value, whilst foreign travelers want a more meaningful and mindful experience," noted Mariette du Toit-Helmbold, a destination marketing expert based in the Cape winelands.

## CTRIP BRANCHES OUT BUT MANY CHINESE TRAVEL COMPANIES WILL BE DOMESTICALLY FOCUSED

### SKIFT TAKE

*The global travel industry wonders when Chinese companies and investors will play a bigger role. Restrictions on foreign investment are getting tighter. On the other hand, maybe they're just not that into us.*

Writer: Steven Schwankert

Illustrator: Bett Norris

Did you pay for your last latte using Alipay? Was your most recent vacation booked on Ctrip? Are travelers able to rent your spare bedroom via Tujia? Unless you're Chinese, the answer is probably no, and that's not an answer that looks likely to change anytime soon. And most of those companies don't really care.

The exception may be Ctrip, which bought the Scotland-based flight-search business Skyscanner in 2016. To boost Skyscanner's local and travel content, Ctrip in late 2017 tacked on U.S.-headquartered Trip.com and London-based Twizoo, which aggregates reviews from social media. Ctrip followed up those deals by converting the Trip.com domain into an English-language version of the Chinese travel site.

During China's October Golden Week, which in 2017 lasted eight days, an estimated 700 million Chinese — more than half of the nation's population — traveled somewhere. And more than 100 million of them ventured outside the country. But why aren't China's major travel brands following their citizens overseas?

The idea itself is not new. In late 2008 and in 2009, when European and North American economies were teetering after the onset of the financial crisis, China's continued growth and deep reservoirs of cash led many to wonder — and in some cases, hope — that the long-expected wave of Chinese mergers and acquisitions would begin.

In 2010, Chinese automaker Geely bought Sweden's Volvo from Ford Motor Company. And that was about that, a wave that barely got anyone's feet wet.

While their war chests may have been ready for conquest, China's big companies weren't. Despite having hundreds of millions of customers at home, they had almost no experience running overseas operations. The difference was, China's consumers were driving demand for goods and services at home, but not abroad.

In less than a decade, the Chinese outbound traveler has become a force. And now, when China's travel market sneezes, many surrounding countries catch bad colds. Case in point: China opposed South Korean deployment of a U.S. anti-missile system to defend that country against possible attack by North Korea. Despite China acknowledging the threat and working with the United States to reduce tensions on the Korean Peninsula, China also banned tour groups from visiting South Korea early in 2017 — causing travel numbers there to dip by 40 percent.

Similar sharp sticks have been used by China to poke nearby countries, including the Philippines, and occasionally Japan. Many of those markets are already hooked on the Chinese travel yuan, and have found out the hard way that the withdrawal symptoms are nasty when forced to quit cold turkey.

Part of the seeming lack of ambition by Chinese travel and transportation players is that there is

little incentive from outside the market to go elsewhere. In late 2016, any number of news outlets were reporting that China was buying Hollywood, namely film studios and production companies. That was before Chinese currency regulators stepped in and put a halt to those deals, with a chill settling over what had been seen as a new mergers and acquisitions warming trend.

While HNA bought a \$6.5 million stake in Hilton in 2016, and Anbang has made substantial buys, including the Waldorf Astoria in New York, it's unclear what the future is for these types of moves given changes in Chinese policy about foreign investments.

The message from President Xi Jinping's government, which has moved to stem a tide of billions of dollars in capital outflow by individuals and companies, was clear: Chinese companies should invest their money in China, make their money in China, and then spend that money in China.

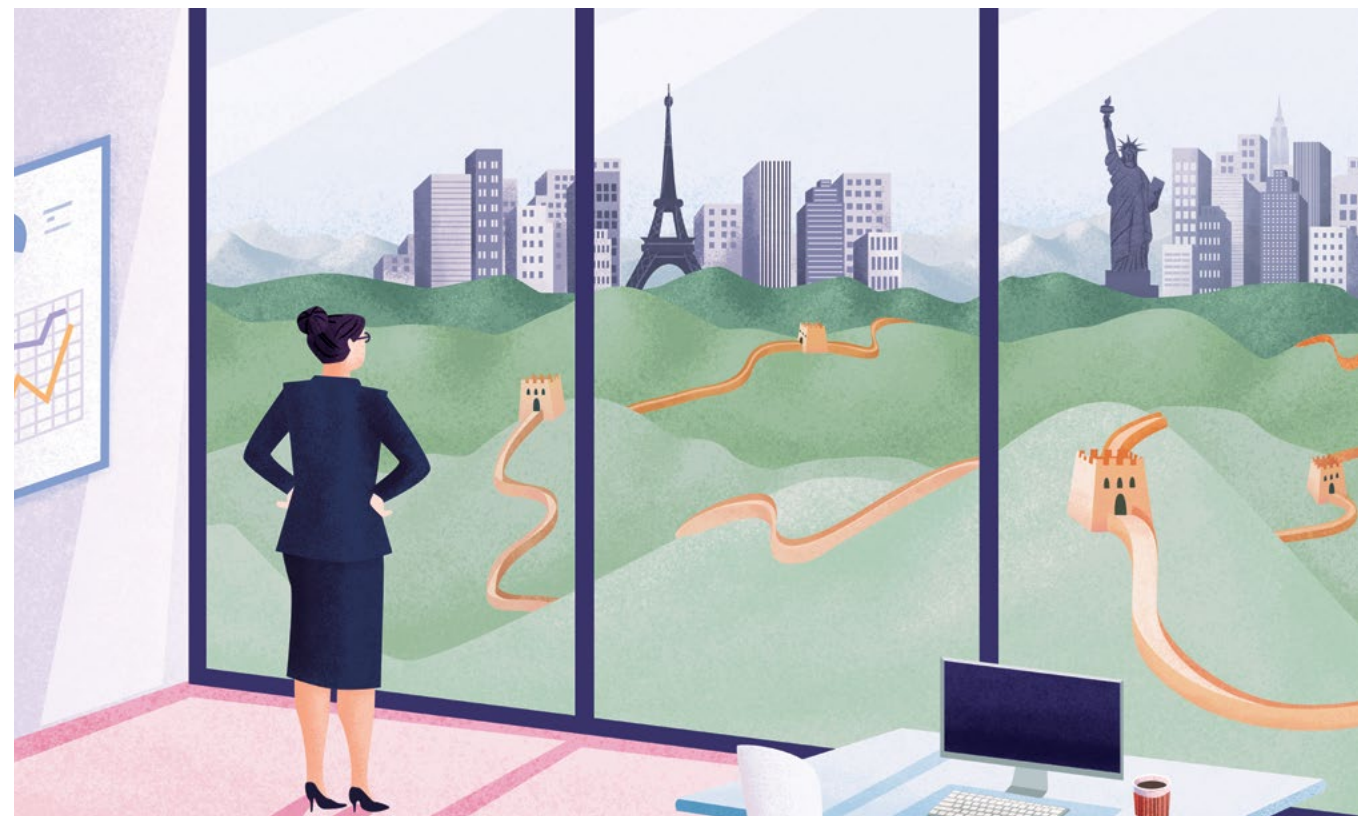
Even for Chinese companies with international ambitions, focusing on the domestic market is just too easy. Despite China's geographic diversity, for the most part its 1.4 billion people read the same language and largely understand a single spoken dialect projected by a dominant, state-run television broadcaster.

Add to that a sole currency — one that is not fully convertible — that is increasingly spent using cardless, cashless, electronic payment methods such as Alibaba's Alipay and Tencent's WePay, and suddenly the desire to make life difficult by going overseas and dealing with new banking rules, multiple currencies, different languages and website interfaces, and higher labor costs starts to seem really unappealing.

Wouldn't it be easier just to expand the domestic customer base, or revenue per existing customer? On the other hand, businesses will always be tempted to grow their geographies when feasible.

Past performance is no guarantee of future results. In this case, it means that Chinese companies won't make any significant acquisitions right up until the moment they decide to start making significant acquisitions.

While China's own laws prevent foreign companies from owning majority or equal stakes in many industries, the country's own companies are not restricted in the same way when looking abroad. However, for the most part, that isn't a situation that's likely to be a problem anytime soon.





# ASIAN UPSCALE TRAVELERS ARE CREATING A LUXURY TIPPING POINT

## SKIFT TAKE

*2018 will see greater numbers of Asian luxury travelers, but also greater challenges to meet more complex needs. As these travelers want to play in Asia, new high-end agencies are entering, while old ones are restructuring, creating new luxury divisions, or launching new luxury brands.*

Writer: Raini Hamdi

Illustrator: Bett Norris



One need not read seminal studies to see how Asian luxury travelers are growing in numbers and are increasingly impossible to pigeonhole as generic "upmarket" tourists.

Their rise and increased diversification are noticeable to all in the travel space. Many new high-end players seek to serve them, as well as old players who are creating new luxury divisions.

Take Singapore, an Asian market with many seasoned travelers, and one that is seeing growth from specialized outbound luxury players. These could be seasoned overseas operators opening a regional office, such as Scott Dunn, which added Singapore to its two offices in London and San Diego in May. Or they might be well-traveled individuals who team up to create new agencies because they feel they can do better than legacies at offering personalized and experiential trips. One example is Beyond X Boundaries, founded by a veteran from a legacy outbound agency, David Song.

Inbound agencies also are scrambling to cater to a more elusive breed of Asian luxury customers. It's an important business, as more than 70 percent of Asia's source markets are from the continent.

In Bangkok, the world's most visited destination city with 21.5 million international overnight visitors in 2016, specialist inbound agencies are starting to launch new luxury divisions, including Diethelm Travel Group with its Diethelm Design division.

Many are creating new structures to cater to these travelers. Asian Trails Group believes creating a division to handle luxury travelers is pointless, as each luxury market is different, so it designates customer service professionals for each market to approach, quote, and tailor itineraries to suit different needs. Another company, Destination Asia, has specialists to handle VIP and luxury travelers.

The Asian luxury market is changing so rapidly it has blurred clarity. Why are specialist inbound agencies creating specialist divisions and brands? Aren't they supposed to be specialists already, competing on destination knowledge and personalized service rather than on price, which the mass market does?

The reason is that in many Asian markets, the upper end of mainstream travel is quickly tipping into the luxury category. And many are newly rich millennials whose notions of luxury are different than the old style of five-star hotel, pool villa, fine dining, and private transfer which, as Buffalo Tours managing director Suyin Lee points out, is "where the mainstream division of luxury now belongs."

This "Insta-generation" is creating a lot of ambivalence about luxury travel. "He or she can ask for the high life today but a simple guesthouse and local life tomorrow," says Niels Steeman, Asian Trails' e-commerce and marketing manager.

And those travelers don't necessarily need inbound agencies for what they want. There are plenty of young Asian online tours-and-activities startups, such as Thailand's Localalike (whose tagline is "Going Local is the New Luxury"), Singapore's Backstreet Academy, or Hong Kong's Klook, and they deliver what these travelers want the way they are used to having it.

About half of Klook's users book a tour, activity, or attraction upon arrival, and 70 percent do so via mobile. Klook's president and co-founder Eric Gnock Fah says he wants to cement Klook's mobile-first and instant confirmation solutions, and create personalized experiences through artificial intelligence, as he predicts demand for spontaneous travel will keep growing.

So 2018 will see a greater dispersion of Asian luxury travel dollars, flowing into both inbound agencies and online platforms, as well as global cities and rural villages, Michelin-starred restaurants and street-side food vendors.

And as the Asian luxury traveler is value-conscious, a lot of the spending will remain in Asia, where prices are lower, service standards are higher, and tourist attractions are as diversified as the Asian luxury travelers themselves. Many of the region's tourism offices — in Singapore, Thailand, Malaysia, and Hong Kong to name a few — have already switched their focus from quantity to quality tourism.

# LATIN AMERICA WILL TAKE NATION BRANDING TO NEW EXTREMES

## SKIFT TAKE

*Latin America's tourist destinations have excelled at nation branding by creating vibrant and colorful content to entice travelers. In 2018, the region's tourism offices will get more savvy with their digital marketing efforts as the visitor economy grows in importance.*

Writer: Luke Bujarski

Illustrator: Bett Norris

These days, it takes more than pretty palm trees and beaches on paper pamphlets to entice an increasingly sophisticated consumer. People want more out of their travels. They want more local culture and experiences, transformation and authenticity, and unique gastronomy with high-touch amenities.

For the most part, tourism bureaus have wised up to these trends. The quality and tone of their ads reflect this. They also know that attracting the right kind of visitor now requires a personalized and digital touch. Platforms like Facebook, Instagram, YouTube, and Google have made it easier to set the right ads with the right emotional triggers. Hotel and retail brands and others in the private sector have gotten quite good at this process. Arguably, government agencies have been slower to adapt. This is starting to change, however.



In 2018, we will see an overall broad improvement in the level of sophistication in digital destination marketing strategy. In Latin America, we also expect marketing budgets to balloon, as tourism bureaus make good on executing the campaigns developed in 2017. Tourism has become a critical driver of economic development for the region as destinations increasingly depend on leisure traveler dollars for growth.

Competition between country brands will intensify as Mexico, Colombia, Peru, and others promote local gems that have yet to hit the mainstream. Armed with fresh creative touting the region's rich diversity, campaign managers will likely put their budgets on social media marketing first, and offline channels second. Hyper-local culture will be a leading hook.

With iconic events like Mexico's Day of the Dead festival and historic cultural monuments like Peru's Machu Picchu having already become household brands, efforts will now focus on promoting

second-tier destinations typically reserved for locals and savvy travelers. And while 2017 was a year of theme and campaign development, 2018 will be the year of campaign execution.

Places like Traslasierra in north-central Argentina will showcase its spa towns and resorts. In Colombia, the tiny Caribbean island of Providencia, with its scuba diving and local charm, will pull travelers from Bogotá and Medellín. More adventurous travelers will be inspired to visit places like Chan Chan in Northern Peru. Meanwhile in Mexico, rather than beach and sun, tourism efforts will focus on promoting towns like Cuernavaca in the region of Morelos.

## Coming out of a Slump

Part of the rise in visitors to the region will likely be a comeback effect from a few difficult recent years when the tourism sector took a series of hits. The crash in crude oil prices in 2015 depressed many Latin American economies. Intra-regional



travel declined as individuals and businesses tightened purse strings. Political upheavals and scandals in Brazil and Venezuela also likely turned off would-be visitors.

More recently, the situation has marginally improved in the region. Riding on the coattails of a stronger global economy, Latin America will likely see more consistent macro performance. Despite a rosier outlook, we believe that certain industries will lag as nations work out their deeper institutional challenges. Here, tourism will become a bigger draw for many of the countries going forward. Tourism ministries will feel the pressure to attract more tourism dollars.

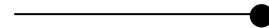
The region still has some deeply rooted social challenges to overcome. That includes corruption and histories of violence, but also things like bureaucratic red tape and lagging investments in education. These maladies will challenge countries to compete in the modern global knowledge economy. Governments and local officials will thus focus more on tourism as an economic driver. Even politically and socially torn nations like Venezuela are now looking to tourism as a core economic driver. "Tourism has become the first engine of economic development in our country," said Venezuelan Vice President Tareck El Aissami, while inaugurating its 12th International Tourism Fair, called FitVen, on the island of Margarita.

As other exportable industries hit headwinds, tourism will garner more focus from economic development bodies. This will likely translate into bigger marketing budgets for immersive campaigns and digital advertising. Part of this uptick is also a result of better marketing metrics for destination marketing organizations.

Tools like ad targeting and high-performance marketing, geofencing, and mobile device tracking means that destinations can measure campaign return on investment more effectively. Traditionally, this has been difficult to do for entire countries and cities. Greater visibility into ad spend effectiveness will empower destination marketers to go after more government dollars.

The destination brand arms race now taking place in Latin America reflects a broader shift in global culture, driven by mass tourism and the convergence of the local economy with the visitor economy. As destinations increasingly depend on global reputation for economic growth, living the brand will become more important. Countries will need to match visitor expectations with ad campaign promises.

Hopefully, this puts pressure on governments and enterprises to find solutions to other, bigger structural challenges. Political transparency, personal safety and security, environmental stewardship, better access to fresh foods, and improved infrastructure will build stronger place brands. Increasingly, politicians, businesses, and governments will be held accountable for delivering on their campaign promises, both to improve the basics of daily life, but also the reputations of their countries for generations to come.



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## THE RISE OF CUSTOMER CENTRICITY IS DELIVERING PERSONALIZATION AT SCALE

### SKIFT TAKE

*Every travel brand is attempting to deliver a more personalized, end-to-end customer journey to increase consumer loyalty. They're doing that by segmenting and expanding their products in alignment with different traveler profiles, and embracing new technologies to customize online messaging and offline engagement.*

Writer: Greg Oates

Illustrator: Vanessa Branchi

Almost every brand in any given industry today is shifting from a product-led approach to a customer-centric approach. That's because companies have access to such a large volume of data on consumer behavior and they finally have the wisdom and tools to effectively leverage it.

Amazon and Netflix were among the first brands to drive that shift. Their ability to serve customized content to the individual end user, based on data captured from customers' online activity, is one of the primary foundations for each brand's market success. They have thrived because of their proprietary customer intelligence that supports mass personalization, which can't be duplicated by other brands, versus their commoditized products that are available everywhere.

"It's a very fundamental shift in how people now engage with companies," said Josh Sutton, head of artificial intelligence at Publicis.Sapient, which works with the biggest global brands in travel.

"It's about looking through the lens of individual customers and understanding what they want to achieve, and looking at that across the entire customer journey. It's not about getting caught up in the specific individual pieces of technology or processes that all too often define how people do business. Instead, we're looking at everything from the customer perspective."

Sutton says personalization is the biggest buzzword in commerce today because customer centricity is the best proven way to drive customer loyalty. To deliver on that in the travel industry — at the most basic level — brands are segmenting and/or developing new products based on consumer data profiling.

Cities, for example, are no longer one entity. Rather, they're positioned as networks of individual neighborhoods, each marketed with customized messaging to align with different traveler psychographics. "The higher the congruence between



self-concept and destination image, the greater the satisfaction of tourists," explained Kaye Chon, tourism and hospitality professor at Hong Kong Polytechnic University.

Likewise, hotel chains are consistently developing new brands and delineating their existing flags to cater to emerging customer segments. Airlines are expanding their seating categories and technology platforms to address different passenger needs. Cruise lines are developing a wider breadth of onboard experiences and shore excursions. All of these companies share the same goal of customizing ways for individual consumers to plug into their inventories, informed by customer data culled from a wide variety of sources.

In 2018, travel brands are building on that by leveraging the increasing sophistication of artificial intelligence tools. The recommendation engines driving the Amazon and Netflix platforms use artificial intelligence to collect and collate data to create end-user profiles. Travel companies are now doing the same by partnering with technology companies such as Accenture and Adobe, among many others. The sophistication

of artificial intelligence usage ranges from basic integrations like those that power chatbots, using natural language processing typical of Amazon's Alexa and Apple's Siri, to deep machine learning frameworks employed by the largest global brands.

As an example of the latter, Carnival Corp. is launching its Ocean Medallion "guest centricity" program aboard Princess Cruises through 2018. Ships are being retrofitted with an Internet of Things ecosystem that tracks passengers' onboard behavior via the wearable Ocean Medallion device to create a much deeper customer profile than previously possible. Passengers can also purchase products and services with the device, adding to the volume of data that Carnival collects in one integrated system, which can then be used to recommend other purchase options that align with the guest profile.

"Carnival will be able to offer each guest their own personal digital concierge that knows what they like and can customize their experiences to cater to their individual preferences," said Beau Williamson, managing director of Accenture Travel Services.



The artificial intelligence-powered framework supporting this is the Accenture Genome, designed to deliver on this assertion by the company: "Customers are far more likely to make a purchase when they are recognized, remembered, and receive relevant recommendations."

Likewise, online travel agencies are investing in artificial intelligence platforms to better personalize their customer messaging. In 2017, Booking.com acquired the artificial intelligence tech company Evature, for example. Expedia and Kayak both launched dedicated chatbots last year to help customers find the best travel products aligned with their preferences. And India's MakeMyTrip integrated Freshwork's Freshchat, which can be plugged into websites, apps, and other messaging platforms such as Facebook Messenger.

Representing another development in artificial intelligence-powered personalization in 2017, the new Adobe Experience Cloud platform brings various digital tools together in one package. Experience Cloud aligns incoming customer data collection and outgoing customer messaging to help companies manage the entire end-to-end customer journey more effectively.

"From a travel perspective, that interconnectivity, that integration, is critical for all aspects to come together and deliver on messaging and communications, especially when you're orchestrating an entire customer journey," said Julie Hoffmann, head of industry strategy and marketing for travel and hospitality at Adobe. "As a marketer, it's paramount to be aware of it all, both where they are in their journey and whether they are in-market versus out-of-market."

Marriott is one of many large travel companies utilizing Adobe Experience Cloud to customize guest engagement. According to Andy Kauffman, vice president of digital marketing for Marriott International, the company has digital command centers worldwide to collect customers' online activity in every form referencing a Marriott product. If, for example, a couple honeymooning at St. Regis Bora Bora shares a photo on Instagram, Marriott's online nerve centers can reroute that to the hotel where staff can print and deliver the

photo to the guests' room within a short period of time. Or maybe it's just delivering a short note acknowledging the social media post and a bottle of champagne as a gesture of thanks.

"I think it's very cool when we're taking social content, which is another form of data, and we're reacting in real time and delivering physical experiences down to the hotels for those guests," said Kauffman. "That's an example of high tech and high touch coming together."

Ideally, that engagement touchpoint is part of a larger customer experience scenario called "marketing orchestration." Research and advisory firm Forrester defines it as "an approach to marketing that focuses not on delivering standalone campaigns, but instead on optimizing a set of related cross-channel interactions that, when added together, make up an individualized customer experience."

"A lot of the themes you hear about customer centricity, orchestration, and personalization are all evolving as we enable a much more cohesive approach to things," said Kauffman. "You have to look at the journey. You can't look at a channel or brand silo anymore. You really have to enable customer centricity with this always-on, multi-channel model where you deliver the right message in the right context every time."



## NEXT-GENERATION RESTAURANTS FIGHT THE DELIVERY BOOM WITH IMMERSIVE EXPERIENCES

### SKIFT TAKE

*The in-restaurant experience is changing, and it's a direct result of new technologies aimed at making our lives simpler. Sometimes the tech creates a threat, as has happened with delivery. And sometimes it creates opportunity, as we see in the ways smart restaurants are addressing said threat.*

Writer: Kristen Hawley

Illustrator: Patricia Mafra

Speaking at Skift Global Forum in September, Union Square Hospitality Group CEO Danny Meyer made the restaurant industry sound like an easy puzzle he had already figured out.

"What's working today is what's always worked," he said. "I don't think we are going to want to stop being with people. As long as human beings remain the tribal creatures that we've always been, we're going to crave high touch just as much as high tech. We provide, at our best, an opportunity to come together with people."

When you're New York City's most well-known restaurateur — not to mention the man behind Shake Shack — you can get away with saying things like that. In fact, most people believe you when you do. But for a host of other restaurants, maintaining business and attracting new guests amid challenging economic conditions means coming up with ways to differentiate time spent inside a restaurant versus time spent with just the food.

In the third quarter of 2017, same-store restaurant sales declined by 2.2 percent and same-store traffic fell as well, by 4.1 percent, the second-worst rates in over five years, according to TDn2K's Restaurant Industry Snapshot. Still,

the National Restaurant Association projected industry sales of nearly \$800 billion in 2017, so there are clearly restaurant dollars to be found.

At the same time, both publicly traded and venture capital-backed delivery companies are growing at a rapid clip, and shelling out millions on marketing with no plan to slow down. In October, Grubhub closed its acquisition of Yelp's Eat24, creating a 75,000-restaurant network of delivery and takeout options neatly baked into sites across the web. Links to quickly order takeout and delivery via Grubhub live on review and ratings sites like Yelp and TripAdvisor, through Grubhub's own channels, and through restaurant websites and social channels.

## Success Depends on Creating and Defining a Place

First and foremost, a restaurant — from fast food to fine dining — must become a destination. Now that customers can get the food from a restaurant anywhere they are, businesses must double down on what happens inside.

This could take the form of quirky and iconic design, like tables emblazoned with the restau-

rant's name for maximum Instagrammability. It could be a huge mural, unique tile pattern, or other differentiating design feature. It could be really comfortable chairs, the best soundtrack ever, or awesome lighting. But most importantly, this goes beyond just the design-for-Instagram aesthetic that we keep hearing about. Sure, an inviting, immersive space that photographs well is great marketing, but it's also a way to create a sense of place so crucial to a restaurant's success.

"Restaurants are communal gathering places," said Philadelphia-based restaurateur Ellen Yin, co-owner of High Street Hospitality Group. "They are designed to give a complete dining experience from curating the food to warm hospitality, great music, and vibe. If your goal is to just eat, then delivery or takeout is more appropriate."

At New York's Cote Korean Steakhouse, Simon Kim spent \$250,000 on lighting for the restaurant, which certainly helps how it looks and feels. But it's the restaurant's concept that brings guests in the door (and invites glowing critic reviews, including a Michelin star after just five months of operation). His Korean steakhouse concept is made for sharing. "Nobody orders one cut of meat to themselves. Everyone gets to share," he

said. "It brings people together." Meat is delivered to the table raw, and cooked by guests on a grill, with the help of servers.

Kim has also discovered what is perhaps the ultimate compliment of his in-restaurant experience: "People aren't really on their phone. The restaurant gets people engaged in cooking and sharing and that social element."

Not everyone needs to spend a quarter of a million dollars on lights. New York's Tokyo Record Bar was carved out of a basement and decorated on the cheap. The restaurant is reservation-only and diners pre-pay via Resy for its two prix fixe seatings a night. Before ordering drinks, they are told to request songs on small pieces of paper, which the DJ/owner uses to piece together the meal's soundtrack. At the end of the night, the bill arrives handwritten in a notecard that serves as a memento of the evening. The dinner is an experience that can't be replicated at home, and at \$50 a person, it doesn't break the bank either.

"You have to sell people a culture, something they want to be a part of," said restaurateur Eddy Buckingham, co-owner of New York's Chinese Tuxedo. "It can start with something as simple as your address," he said, referring to his modern restaurant's traditional Chinatown location. "This is where restaurants will always have an advantage over the alternatives, but you must be deliberate and exceptional at executing it."

## Smarter Technology Will Change the Game

Restaurants are also looking to new technology to both enhance and — in some cases — define the in-restaurant dining experience. Our thinking about digital connectivity and physical service has completely changed, just like it has changed the way we hail a cab. In the same way, restaurants are using technology to power much of the guest experience. For some restaurants, specifically fast food and some fast-casual locations, tech is front and center, providing assurance that these chains understand and embrace new methods of ordering and interacting. Touch-screen ordering, cashless transactions, and more personalization can make the experience more exciting for a guest.

There's also the question of what to do when the out-of-restaurant experience works better than what's inside. For example, according to Shake Shack CEO Randy Garutti, average customer spend at the chain is higher on orders placed via the Shake Shack mobile app than in stores. One idea: Replicate the app experience in the store, with touch-screen ordering instead, as Shake Shack does in one of its New York locations. (It's still too early to know if the touch screens have the same effect as the mobile app, though Garutti says initial feedback is very positive.)

At sit-down and fine dining restaurants, it is the opposite: Many of the technological breakthroughs that help to improve the experience happen quietly in the background. A restaurant's reservations and point-of-sale system are the starting points here, not only storing guest contact information, preferences, and other details, but also providing useful application programming interfaces and technological tie-ins to other services.

Resy co-founder and chief technology officer Michael Montero offered his take on in-restaurant technology at October's TechTable Summit in New York, explaining how he hopes to use Resy's point-of-sale system and its associated data to enhance a restaurant's ability to get to know a guest ahead of them showing up at the restaurant. Resy offers the booking guest the ability to invite other diners in their party to join the reservation. What if, for example, a restaurant knew that when you come in with your spouse, you preferred relaxed, slower service, ordering wine by the bottle, and leisurely lingering over espresso? What if that same restaurant knew that when you come in with your boss, you want quick service and no offer of dessert or coffee? "None of this information is powerful on its own without connectivity," Montero said. But when applied correctly, it's possible for restaurants to provide these specially tailored experiences.

Good design plus smart technology will lead the way to elevating the guest experience this year, working together to create not only the experience diners have come to expect, but one they want to enjoy.







## MEGATRENDS

### ○ SKIFT TAKE

*We define the future of dining out by all of the technological, social, and business decisions that will impact the way restaurants operate in 2018. Here's an abbreviated look at the ideas that will shape the year ahead in restaurants from tech to design to finances. Read the full versions online at [table.skift.com/restaurant-megatrends-2018](http://table.skift.com/restaurant-megatrends-2018).*

*Writer: Kristen Hawley*

### Fast Food Drops the Corporate Voice in Favor of Personality



When fast food got its start decades ago, the commodification and corporatization of food were appealing to a forward-looking population. Now, though, after decades of mass production, pink slime, and preservatives, customers are searching for something less corporate. In addition to fast food companies choosing to ethically source fresh, not-frozen ingredients, they've augmented these efforts with robust marketing campaigns — both on social and more traditional media — that give the brands a voice rather than a script. Often fun, irreverent, and at times provocative, these brand voices work to engage a customer base that has become fragmented due to the abundance of restaurants and availability of well-priced food.

### Restaurants Make Sustainability Visible



A decade ago, listing suppliers — namely, nearby farms — on a restaurant's menu was as good a method as any to inform diners of the connection between local providers and the meals on their plates. The next step: showcasing true sustainability, in some cases inside the restaurants. The Perennial, in San Francisco, "is a restaurant and bar dedicated to reversing climate change through food," its menu states. Beyond serving responsible food, the restaurant is involved in a host of initiatives dedicated to the cause. Mission Chinese in New York recently debuted an in-restaurant "minifarm" designed to grow mushrooms on display right inside the restaurant. Since the produce is grown on site, the time from harvest to kitchen is reduced to the amount of time it takes to walk between the two spaces.

### Restaurant Design Is Having a 'More Is More' Moment



The Brooklynization of the world carries on, with its heavy-handed use of wood, white marble, and artisanal tile aesthetic multiplying and spreading across dining rooms. But new restaurant design is becoming more focused on what's in the room than what's not. Instead of minimalist setups and those telltale Edison bulbs, new restaurants are opening with lavish interiors, upholstery, and, of course, millennial pink. From Sketch in London to The Aviary in New York City, restaurants are feeling more opulent than midcentury modern. Neon signage is back in a big way, too, throwing back to diners and pre-Starbucks coffee shops. Restaurant design is always evolving, but thanks to the popularity of social sharing, trends and ideas fly around the globe at new speed, fueling Instagram posts and creating a new sense of place.

### Fine Casual Is the New Fast Casual



Fast casual, the dining phenomenon that's taken over the industry, is evolving. Fast casual is made from equal parts design, food, and service style, but elements of this elevated experience have been making their way into fast food. Fresh ingredients, eye-pleasing design, and more customization — once hallmarks of fast casual — are now top tenets of fast food. On the opposite end, our familiarity with fast casual service has led to a new class of restaurant: fine casual. Restaurateur Danny Meyer defined the term: "Fine casual marries the ethos and taste level of fine dining with the fast food experience." As elements of fine dining and hospitality are moving into more casual settings, fine casual is again raising the bar for what consumers expect at any given restaurant. From Meyer's Martina in New York to San Francisco's Souvla, fine casual is about relaxed service with excellent food at prices higher than a diner expects at a fast casual restaurant. It's also poised to go big in 2018 with more concepts in more cities, further blurring the lines between restaurant types.

## Chains Turn to Famous Chefs for Menu Development



Now that the Food Network's star-making power is undeniable and it's strange when a celebrity chef doesn't have their own restaurant group, established chains are turning to big names for menu development. In September, Chipotle announced it had tapped celeb chef and former Top Chef-testant Richard Blais to lead menu development at its Tasty Made burger concept. Pilot Flying J (yes, the truck stop) partnered with chef Tim Love this year to offer fresh, packaged, to-go meals in its southwestern U.S. locations. A professional chef brings variety and creativity to any menu; that's a given. A celebrity chef brings all of those things, plus his or her name, lending credibility and endorsing a brand in need of a refresh.

## Real-Life Delivery Logistics Will Always Challenge the Ambitious Algorithm



All the delivery, driver, and kitchen optimization in the world can't get you your food order faster if traffic's at a standstill. That's why all the major delivery services are working to connect restaurants, couriers, and diners via mapping technology, layering data and other information for the best user experience on both sides. As a start, companies like Grubhub are scrutinizing every bit of data along the entire order-to-delivery process. "We break down all the components of the delivery process," said Grubhub chief operating officer Stan Chia. "How long does a driver spend looking for parking? How long do they spend waiting at the restaurant? We have all of that data completely broken out." Even as these companies work to control every small piece of the puzzle that they can, though, one street closure can still throw a wrench into the best-laid plans.

## Content Provides the Path to Bot Recommendations



Restaurants and restaurant recommendation engines alike are chasing personalization. Smartphones, their apps, and location tracking data offer insights to restaurants on our behavior and buying habits, but that alone isn't enough to power the artificial intelligence that will eventually recommend places to dine. "What we often see today is a list of every restaurant we think is best," said Reserve CEO Greg Hong. "Everyone has their different version of what best is depending on the day of the week or who they're going out with. How do we find the best restaurant for you then?" While companies like Reserve work to build these recommendations, they're also investing in authentic and useful content — descriptions, images, and lists — on which eventual artificial intelligence will be built.

## Bucket List Dining Is Driving Culinary Tourism for Better or Worse



Destination restaurants have existed as long as restaurants have existed, and traveling to experience a certain chef's work has always been a part of tourism. What's different is the pace at which restaurant recommendations rocket around the world, fueled by photos, reviews, ratings, and lists determining the best foods to try before you die. Did you really eat at Noma if you didn't photograph your ants on steak tartare? Why bother standing in line for a cronut if you can't photograph and share it? At its best, this trend encourages adventurous eating among diners and creativity among chefs — you have to stand out. At its worst, it encourages hit-list dining as diners ignore what could be a great menu in search of the one popular and photogenic dish.

## Digital Ordering and Cashless Transactions Will Create Diner Haves and Have-Nots



Are digital ordering and cashless operations forms of discrimination? This may seem an extreme interpretation of the implications of new technology, but by accepting only orders placed online or payment via credit card, a restaurant does alienate some potential customers. Different segments of the restaurant industry, of course, create inherent haves and have-nots; a 10-course tasting menu isn't accessible to everyone. But the digital ordering and cashless trend has caught on in lower-priced and quick service restaurants and will likely grow. This technology-created divide starts innocently enough, maybe by ordering online to skip the line. As restaurants streamline their operations and hone their app-based loyalty programs, the divide between those who can participate and those who can't will be drawn by technology.

## Investors and Private Equity Are Radically Remaking Independent Restaurant Groups



As competition in restaurants heats up, it takes a lot more than an idea, talent, experience, and a business plan to open and operate a successful business. It also takes a lot of money, especially in cities where real estate is exploding. Private equity is rapidly changing the restaurant industry as restaurateurs and chefs look to firms and investors to back their ideas and concepts, both new and growing. This is why restaurateur Danny Meyer started his New York City-based private equity fund: to help young restaurants with good ideas grow and thrive where they may have otherwise seen prohibitive barriers to entry.



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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.**

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ISBN 978-0-9986958-1-5