

STRATEGY

Travel and hospitality Luxury Memo special report

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VistaJet is helping bolster the lucrative Chinese traveler demographic with a new digital platform aimed at them. Image credit: VistaJet

By BRIELLE JAEKEL

Travel is one of the largest sectors in the luxury industry, but shifting consumer values, rise of Airbnb and looming threat of terrorism have affected how high-end hospitality brands operate.

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Similar to retail and marketing, the travel industry has had significant opportunities to transform the guest experience as technology startups take hold and digital continues to significantly influence consumer behavior. A recent Deloitte report shows that the sector will reach almost \$381 billion by the end of 2017, an increase of 6 percent. However, terrorism and continually shifting destination popularity will threaten various areas.

"The luxury market has really grown as boomers and others spend more on experiences and less on tangible products," said Ron Kurtz, president of the [American Affluence Research Center](#), Atlanta. "The market is large enough to support numerous niche segments.

"The major themes are personalization of the experience and unique product features," he said. "Technology is being used to facilitate the personalization of luxury travel and respond to individual interests and priorities."

Disruption in travel

In the current climate, the increase in terrorism is a thought on almost every traveler's mind. Fear of attacks, paired with heightened security and increased sanctions are greatly impacting various destinations.

For instance, following the November 2015 attacks on Paris, the capital and other French destinations saw their usual tourist numbers spending their time in Italy instead in 2016.

The trendiest travel destinations also now double as the world's most peaceful nations, which have resulted in surging interest and appeal among affluent travelers, according to a report from Travel Leaders Group.

Looking at the top-ranked countries in the "2016 Global Peace Index," Travel Leaders Group found that Iceland, New Zealand and Portugal rate the highest among international destinations for wealthy American travelers. These nations that have had longstanding times of peace are rated as high-interest destinations among affluent travelers ([see more](#)).

However, there is more than just terrorism plaguing the travel industry. Millennials' impact on retail in general has been vast, and has caused hospitality brands to take completely different approaches to appeal to the new consumer. Millennials are more interested in experiences over luxury goods, but more importantly unique experiences. The uniqueness of a trip will overpower the appeal of luxury amenities for these consumers.

"The impact of millennials on the travel industry has been far reaching and profound," said Taylor Rains, managing partner at [Flugel Consulting LLC](#), Charleston, SC. "First and foremost, tech integration within the travel industry has undeniably been informed by the millennial market.

"Recent years have seen hotels of all sizes and markets adopt a more integrated approach to hospitality services, be it something as simple as offering in-app check in for guests to more robust tactics like digital concierge services and in-room tablets," he said. "Secondly, and perhaps more importantly, the millennial market has been a major driver of the rise of Airbnb and other such vacation rental marketplaces that have been the most significant change agent in the industry in years.

"Traditional hospitality companies have been forced to review their own offerings with a critical eye in an effort to compete with these growing, largely millennial-driven, channels."

Travel experiences are dramatically more important to affluent millennials, with most interested in hotel accommodations and flight tickets rather than luxury products.

A recent report from Agility showed that across the globe the majority of prosperous millennials are likely to travel abroad within this year. Percentages in China, India, Singapore, Malaysia, Hong Kong, South Korea and Taiwan are all above 71 percent for those interested in abroad travel over the next 12 months ([see more](#)).

Customizable experiences are interesting to all demographics of consumers, not just millennials. Destinations such as Iceland, Greenland, Africa and Cuba have seen a growing interest due to their ability to offer a unique, one-of-a-kind trip.

Baby boomers are the leading demographic making up the luxury travel market spend with higher numbers of annual visits, according to Allied Market Research.

The Luxury Travel Market report shows that luxury travel is increasing with a compound annual growth rate of 6.4 percent, eventually leading the industry to \$1.2 billion by 2020. While baby boomers aged 51 to 69 lead the pack, Gen X follows but is more known for preferring to travel with multiple generations of the family such as kids, parents and grandparents ([see more](#)).



Private dining at Tarkuni Safari Camp, South Africa. Image courtesy of Resonance

"For the more adventurous traveler Antarctica, Iceland, Greenland and North Pole cruises will continue to increase in popularity," said Chris Ryall, president of [Travel Marketing Experts Inc.](#), Toronto. "Cruisers will tire of the Danube and Rhine and want to explore other river cruises along Douro in Portugal/Spain, Zambezi in Africa, and trade in the small cruise ships for luxury barges to gain access to inland waterways and where you have a more customized cruise experience.

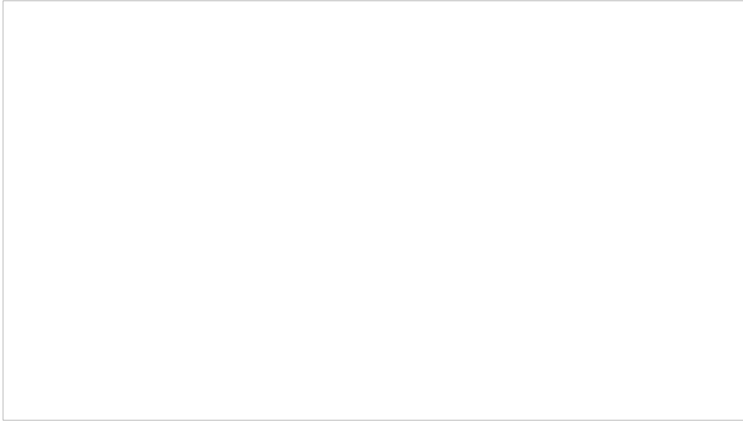
"Terrorism incidents will have some impact, though minimal for the long-term," he said. "Africa, in particular Rwanda and Uganda, will gain in popularity.

"Many affluent travelers have done safaris, but Uganda and Rwanda have those plus gorilla trekking. With less than

1,000 mountain gorillas left in the world, this will be one of the highly sought-after travel experiences."

Luxury travelers of today are looking for an experience in which they can say they have gone, or done something, that not many others have had the opportunity to do.

For this reason, Cuba is a popular destination for U.S. tourists. With the travel embargo recently lifted, not many Americans have visited the country. Travel experts originally thought that the destination's popularity would fizzle with time, but the current White House administration is threatening to readjust the embargo lift.



Manzana de Gomez in Havana, Cuba. Image credit: Kempinski Hotels

The looming threat of reinstated restrictions for Americans traveling to Cuba will continue to push travel to the country as consumers are looking to visit the destination before it is too late.

Experiences offered by the hospitality brands themselves are extremely important in attracting consumers. Hotels and resorts must craft an experience that will be unparalleled by others in the hospitality space.

For instance, hospitality brand Marriott International Inc. is continuing to invest heavily in its rewards programs to provide members with one-of-a-kind experiences and skills.

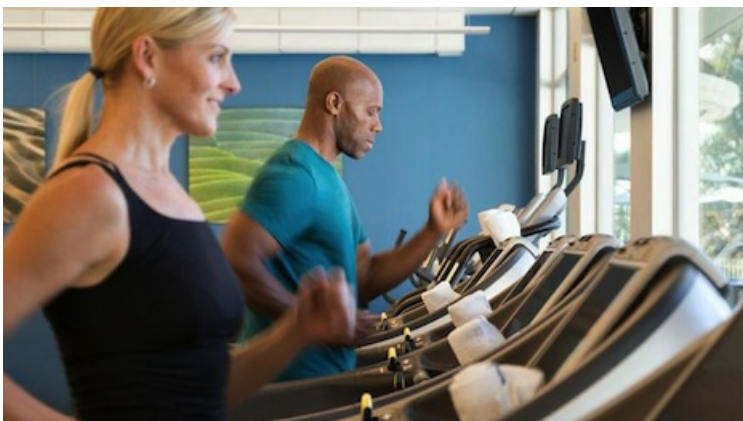
After becoming the world's largest hotel conglomerate, Marriott is continuing to act bullish with its offerings for its affluent customers. Beefing up its rewards program even more, members will be offered a series of classes at various Marriott locations from experts and celebrities in various fields ([see more](#)).

Wellness is another important factor brought on by the new consumer in terms of attracting travelers. Euromonitor discovered that in 2016, the health and wellness industry worldwide reached \$686 billion and is expected to grow by a further 17 percent by 2021 to \$815 billion.

Many hotels and hospitality brands are making sure to focus on healthy activities and dining options to appeal to the growing number of consumers looking for these experiences.

For instance, Fairmont Hotels & Resorts put a greater emphasis on fitness at its properties, hoping to make it easier for travelers to keep up their fitness routines while away from home.

Through a partnership with high-end fitness equipment maker Technogym, Fairmont will be outfitting its locations with a Wellness Ball for Active Sitting available upon request. Fairmont already implements a strong focus on fitness at its properties with a Reebok partnership that provides athletic wear to guests ([see more](#)).



Fairmont's fitness increase. Image courtesy of Fairmont, Claremont Berkeley

Rosewood Hotels is introducing a new program named Asaya in which each visitor will be able to craft a bespoke experience around wellness. Lifestyle coaches, nutritionists and therapists will assist guests in creating a trip that will be centered around a healthy experience.

"Wellness travel is one of the fastest-growing sectors in travel, with many destinations, resorts and spas ramping up their offerings to include more locally-made farm-to-massage ingredients in their treatments and expanded focus on wellness related activities," Travel Marketing Experts' Mr. Ryall said. "There is a trend towards staying in smaller, boutique and family-run luxury properties.

"Affluent travelers want the personal touch, but that goes beyond having butler service," he said. "Closer interaction with the general manager, the chefs, bartender, activity director – they want to get to know the people creating their vacation memories.

"It's not all about luxury."

Hotel de Crillon, a Rosewood Hotel

Sustainability is on par with wellness in terms of consumer interest and has now surpassed being just a trendy benefit when it comes to staying at a luxury hotel or resort, and now directly affects booking decision-making.

As environmental issues become not just a hot-button topic in society, but also a main driver in how many consumers behave, travel is also becoming a large part of that conversation. A survey from AIG Travel shows that consumers are now making their travel decisions based on the sustainability of the hospitality brands ([see more](#)).

The Airbnb effect

Airbnb has dramatically affected the travel industry, as a whole. As consumers look more toward immersing themselves in local culture while traveling, Airbnb offers this more so than other hospitality brands and for a more convenient price.

The platform has changed the way consumers are looking at booking, with a sleek application design and a focus on visuals and convenience. Its payment platform was a pioneer in mobile payments as well, getting consumers more comfortable with purchasing third-party rentals on digital platforms.

But now it is not just indirectly affecting the luxury travel sector by shifting consumer behavior, it is also competing for these guests with an addition of a high-end tier.

Tentatively named Airbnb Lux, the new tier will be a hub for users looking for luxury home rentals such as mansions and penthouses. The high-end classification will be one of many new tiers from Airbnb that will help users search easier for what type of accommodation they would like to book ([see more](#)).

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Airbnb embraces the sharing economy trend. Image credit: Airbnb

Innovation and technology

Airbnb is one of the many new platforms that have risen and disrupted the way in which booking takes place.

Digital solutions for booking need to be at the forefront of hospitality brands' strategies, and they must be intuitive and personalized for the consumer. Trip destination recommendations and trip guides are extremely influential in assisting affluent travelers craft their ideal vacation.

However, the concierge or travel agent is not lost in today's digital focused world. While many consumers take to the Internet for discovery and planning, many still feel more comfortable actually booking with a person.

For instance, in a presentation during the Luxury Interactive 2016 conference, a speaker from high-end hospitality network Virtuoso shared third party research that showed that travel agencies are planning to hire, and are actually struggling to find the right qualified personnel.

The number of full-time travel advisors is projected to grow 10 percent through 2020, while the population of independent advisors has grown 434 percent in the last 10 years, with further anticipated growth ([see more](#)).

"How we research and book travel has changed dramatically the past few years but what is old is new again," Travel Marketing Experts' Mr. Ryall said. "We have information overload.

"Affluent travelers may research hotels and flights if they have a passion for it and the time, but most luxury travelers

will seek a travel advisor or travel agent," he said. "They didn't become affluent by being foolish with money.

"Travel advisors who may or may not also book the actual travel, if they are certified, will at least research and advise and become a matchmaker - not with another person but with a destination, hotel and tour. When dropping four to six figures on a trip, the traveler wants to make sure things go right and will go to a trusted advisor and agent."

Another important tool in booking is conversational commerce.

Chatbots for travel brands will soon likely go beyond something that is simply unique and interesting, but will be a necessity that consumers will come to expect.

Example of a travel chatbot experience from Expedia

According to "Are bots worth the bother?," a new report from EyeforTravel, the cost of creating chatbots is lowering, which means artificial intelligence technology will be more accessible for brands and become more of an industry standard.

Travel is a sector that could be significantly affected by chatbots in a positive manner, as these AI agents can make booking and other tasks much simpler ([see more](#)).

Booking in actual transportation for affluent travel is greatly affected by technology. Private aviation firms are now being influenced to provide high-functioning booking on mobile as well as loyalty applications to keep consumers coming back to book.

For instance, XOJet is one of many private aviation firms partnering with JetSmarter to appeal to the mobile-savvy consumer. JetSmarter is essentially Uber for the air and makes it easier for affluent users to book private jet flights.



JetSmarter's mobile app

"Digital and online tools provide a more seamless experience in terms of communicating with a private aviation

vendor and scheduling a flight," said Anthony Tivnan, founder and president of [Magellan Jets](#), Quincy, MA. "Travelers are looking for resources to help them select a private aviation vendor, and rely on thoughtful industry insights.

"In saying that, we find that travelers enjoy access to educational tools that help them decide how and when they should fly privately," he said. "I personally like that video is becoming the preferred choice for content absorption because it helps travelers envision what their experience is going to be like."

Loyalty on mobile is becoming important with hotels and resorts as well, especially since Marriott's merger with Starwood made the two hoteliers' already-powerful separate rewards platforms one major loyalty program on digital and mobile.

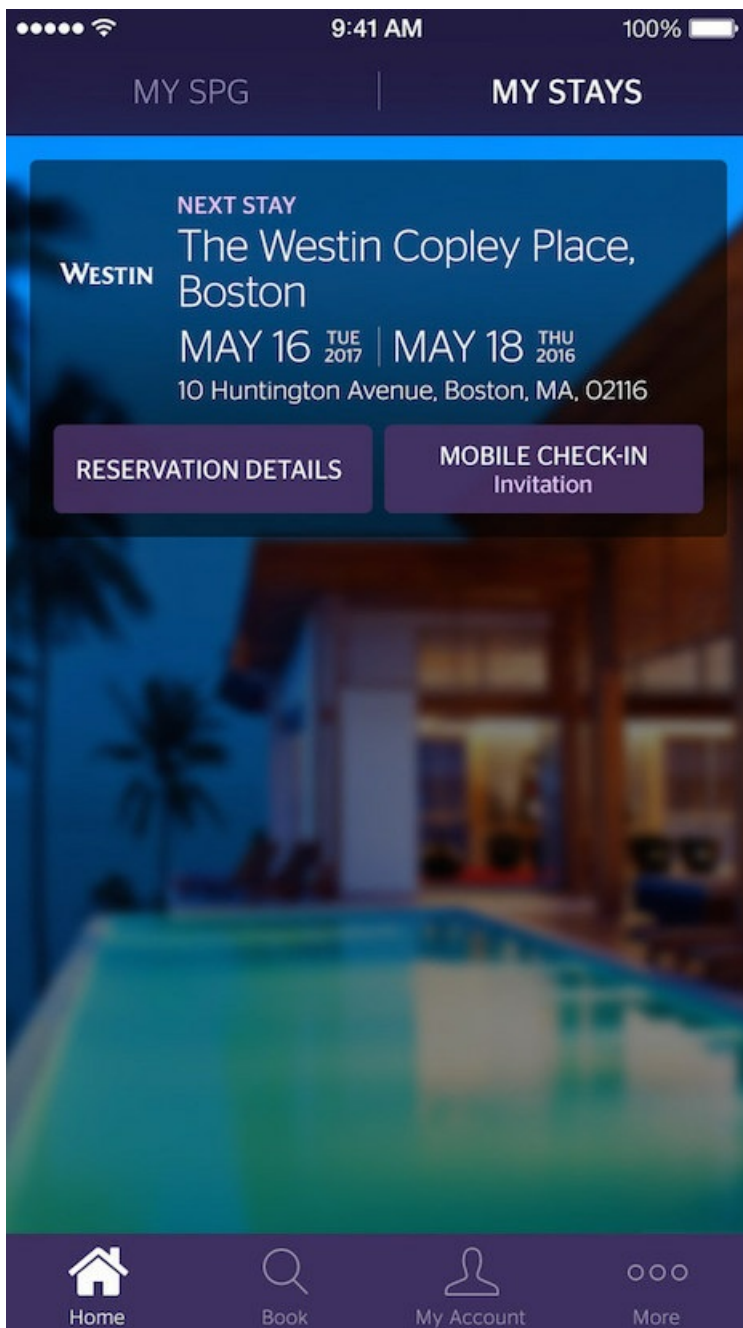
Insights from industry leaders on the Marriott and Starwood merger

Preferred Hotel and Resorts, for example, recently released a new update for easier booking and rewards for its iPrefer program. The app will soon allow users to interact with personnel from its hotels on the platform.

While booking and loyalty have been transformed from digital, technology on-site at a hotel property has also shifted. Mobile check in and room keys are becoming more prevalent with luxury hospitality brands.

For instance, members of Marriott International's loyalty program will now be able to check in to a large number of hotels through a mobile app, streamlining the check-in process for the hotelier's preferred customers.

The new mobile check-in feature will be available for every customer who is a member of the Starwood Preferred Guest program. Global rollout of this new mobile feature is expected to wrap up around the end of 2017 ([see more](#)).



The SPG mobile check-in feature. Image credit: Marriott International

Check-ins and room keys on mobile though are not the only technological enhancements being seen at hotels. Many luxury brands are looking to include interesting technology in their infrastructure in guest rooms and beyond.

For instance, the Peninsula Hotel in Tokyo has equipped each room with a variety of tech features such as Internet radio, mood light and nail polish dryers.

Many hotel brands now allow users to control their comfort options in their rooms such as heating and air, music and lighting through a tablet or iPad that is fitted in each guest room.

"Digital is being used to expand functions and information before, during and after a travel experience," American Affluence Research Center's Mr. Kurtz said. "All types of information on where to stay and what to do are available online, as are the various methods for checking prices and making reservations direct or through an intermediary.

"During a trip, one can use an app to open a hotel room door, order room service, check available activities, et cetera, and send photos to friends and family," he said. "After the trip, one can post reviews, respond to satisfaction surveys, check their loyalty reward points, et cetera."

Emerging market segments

Culinary experiences, while always a mainstay in travel, are becoming more sophisticated and unique. As with all activities in travel today, guests are looking for a breathtaking experience unlike any other for special culinary treats.

For instance, the Four Seasons recently took affluent culinary enthusiasts on a journey that spanned multiple continents with once-in-a-lifetime experiences.

As part of the Four Seasons Jet Experience, the Culinary Discoveries journey appeals to the foodie, spanning nine locations in 19 days. The \$135,000 per person trip included a variety of encounters having to do with food that guests will not be able to experience anywhere else ([see more](#)).

Also tapping into the experiential dining trend popular among affluent consumers, The Venetian Las Vegas hotel took guests on a grand culinary voyage led by internationally renowned chefs.

The hospitality brand planned a decadent weekend-long experience for its high-tier guests, filled with grand tasting menus, libations and one-off experiences. Now in its fourth year, The Venetian's "Ultimo – A Week of Excellence" brought together the hotel's exceptional service, in-house gastronomy and, for the first time, the greater Las Vegas valley ([see more](#)).



Ultimo – Weekend of Excellence's Grand Banquet. Image credit: The Venetian

Yachting is another experiential market that has become more popular in recent years.

Yacht brands and hotels alike are looking to the waters to craft one-of-a-kind activities, trips and experiences to entice the affluent consumer.

For example, The Ritz-Carlton Hotel Co. will set sail to bring its brand of hospitality to destinations around the world via a custom-built yacht.

Ritz-Carlton announced its entry into the luxury yachting and cruise sector in June and will embark on its maiden voyage in the fourth quarter of 2019. Across the board, hospitality brands have rapidly expanded their hotel footprints in practically every viable market, leaving only the world's oceans left ([see more](#)).

Private jets remain a mainstay in luxury travel, but the business itself is shifting. As previously mentioned, loyalty programs are becoming a necessity with private aviation firms, as well as partnerships.

For instance, Delta's private jet arm recently partnered with Porsche to provide ground transportation to and from the airline's flights.



Delta Private Jets is helping travelers get to their connecting flights with Porsche. Image credit: Delta Private Jets

Personalization is extremely important when it comes to private flying, more so now than ever. Private aviation firms need to work hard to make sure each flyer has a special experience catered to his or her personality and situation.

Hotel brands are also looking to private air to create special trip experiences. Both Four Seasons and Hilton-owned Waldorf Astoria have created special trips in which customers are transported to various destinations through a private jet.

Similar to Four Seasons' culinary trip, Deer Jet's 787 Dream Jet transported Waldorf Astoria guests to a series of locations such as Rome and Paris in a one-off trip experience ([see story](#)).

These major brands will have to continue tapping into these unique markets to compete with the growing startup and technology-fueled companies that are entering the luxury travel market, attracting affluents with flashy, vastly different and convenient experiences.

For instance, day-stay hotel provider HotelsByDay and ground transportation tech firm FlitWays Technology are partnering to provide transportation for guests staying a day at hotels.

HotelsByDay marketing

Also, Chinese leisure travel company Tunui provides special activities and tours through a convenient mobile app. Platforms such as these will likely continue to push the travel industry forward, but will also give established players a run for their money.

"Millennials have had a tremendous social impact on the industry," said Michael Schubach, strategic deployments and program management director at [Infor Hospitality](#), Atlanta. "Besides being the largest, most ethnically diverse and globally-minded generation ever to have existed, they are very travel-oriented and far more inclined to join loyalty programs than older generations.

"In fact, 14 percent of millennials have joined travel rewards programs versus 6 percent of Gen Xers and only five percent of baby boomers," he said.

"Furthering the group profile, statistically, millennials scan quickly rather than reading information in full, crave program input and recognition, seek immediate gratification and reward, place more credence on personal referrals and recommendations from their social tribes over conventional advertising or ratings, and expect round-the-clock access, whether self-directed, online chat or direct agent contact."

Best-practice tips for luxury travel and hospitality

Taylor Rains, Flugel Consulting:

- "Best practices within the travel industry haven't necessarily changed in recent years, it's just their means of execution that have evolved. For example, custom guest experiences and customer service are still of the utmost importance, but customer expectations for what those mean have changed. Customization could mean curating a stay specific to a guest's wants and needs based on pre-stay communication.
- "Customer service could take a much more digital approach, with in-room applications. Ultimately, the most important thing is to listen to and understand your customer. Knowing who they are and how they operate is crucial to driving the successful evolution of hospitality practices."

Michael Schubach, Infor Hospitality:

- "Unfortunately, the best practices in any industry are not always the most common. Today's emphasis in travel is customer centricity: focusing on guest recognition, guest preference, and personalizing a unique guest experience. The differentiator that separates good operators from the great ones is the selection and use of proper technology.
- "Today's consumers are craving systems that support a 360-degree view of the guest and make information accessible without being invasive. Hand-in-hand with the right system is the need for having the right people with the right training in the right place at the right time. Today, we automatically think about the next gadget, gizmo or killer app, but we do not pay nearly enough attention to the end-user. The great operators are investing in their people along with their systems, so they can achieve the very best results from both."

Ron Kurtz, American Affluence Research Center:

- "Luxury travelers are seeking unique and rarely visited destinations, such as Galapagos, Iceland, Vietnam, et cetera, and modes of travel. Established hotel companies are creating new brands with new designs all the time and even luxury product brands such as Bulgari and Karl Lagerfeld are entering the hospitality industry.
- "River cruises have become very popular well beyond Europe, where they first started. Private jet tours such as those of Four Seasons and Abercrombie & Kent offer everything from regionally focused itineraries to round-the-world trips in less than a month. Cruise lines are offering more round-the-world cruises of 90 or more days. Oceania even offers a 160-day round-the-world cruise. The luxury segment of traditional cruises is growing impressively, as are the expedition or soft-adventure specialists such as Lindblad, Quark and Zegrahm and the specialty divisions of Celebrity and Silversea. Small yacht-like ships of Sea Dream and Seabourn will soon be joined by three newly built yacht cruisers under the Ritz-Carlton brand."

Chris Ryall, Travel Marketing Experts Inc.:

- "Experiential, authentic and artisanal travel continues to resonate for the luxury traveler. Many European destinations have been offering these types of travel themes and experiences for years, but only recently have destinations such as those in Asia are just catching up. Affluent travelers want the comforts but in tandem with authentic experiences the destination, hotel or tour can offer. It's about bonding while traveling whether that be with a loved one, family, friends or locals - having shared conversations and shared experiences.
- "Hotel apps are useful but you will find especially the boomer affluent traveler would still prefer to speak to the concierge or butler for recommendations, reservations and other local information. Where digital has made an impression is sites such as TripAdvisor. A person will read some reviews to get a sense of a destination, hotel, cruise ship, tour, restaurant or attraction. But a seasoned traveler will take it with a grain of salt and weed out the overly negative or positive reviews.
- "Social media has influenced how we travel and what we say. We take it to a highly more personal level. Rather than tell people about our travels after the trip, we are doing it for the most part in real time. An Instagram photo here, Facebook post or tweet there. We describe and show our experiences to our friends, family and public. In luxury travel, there could even be a sense of bragging - 'We are now here in the Presidential Suite of the Ritz Cancun, enjoying our Champagne and caviar.' Brands love social media, free advertising, when it's positive. They have an unpaid sales and marketing team. Everything is a brand nowadays and people are wearing the brands on their beach bags, sunglasses, T-shirts, wraparounds, sandals and hats."

Anthony Tivnan, Magellan Jets:

- "If you were on the outside looking in, you would think the largest theme is the commodification of private travel via shared ride services, free empty leg flying, et cetera. However, the theme that we are having success with is emphasizing a purely-private experience focused on the individuality of our passengers. The reason being is because we stick to the fundamentals of private air travel, we're also seeing perfection and seamlessness throughout the entire travel experience, both on the ground and in the air.
- "Finally, keeping relationships with customers as a priority has always been a successful theme for us. Our customers value relationships that stretch beyond a starting and ending destination, especially with Magellan Jets. In private air, cheap and fast might seem appealing, but really, the biggest themes attracting travelers have to do with customer satisfaction."

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