

The new trends in Travel Market

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We have entered a new era of luxury travel. As the market grows to be more competitive than ever and newly affluent travelers from various demographics take over the lead, it is becoming increasingly challenging to cater for each luxury customer while remaining exclusive and relevant. To help tackle the upcoming changes, we explore five key points, coined the "R.I.C.H.E" factors, that will shape the Luxury travel and accommodation market in the years to come.

R - FOR REASSURANCE:

We are living in unsettling times with the climate of fear that shaped 2016 and 2017 further affecting consumer behaviour on many levels; The traveling and leisure industry being no exception. Whilst 2015 saw travel as a key trend, with immersion and experience as top priorities, things are now looking less bright for the travelling market. The fear of health safety, natural disasters, terrorism and global political events have impacted travellers, as well as marketers.

"An astounding 73% of Americans say they feel concerned about their safety when traveling outside of the United States". Mintel Marketing Trends 2017

This growing level of fear manifests itself through a shrinking map of possibilities for holiday destinations, with terrorism across Europe, natural hazards such as the earthquakes in Mexico and violent hurricanes becoming the dominant drivers of vacation planning. This feeling of heightened caution and tophobia is also a direct consequence of sensationalized media and speculative news, often from non-official sources. Indeed, in the case of terrorism, the general sense that "nobody is safe" is exacerbated by media propaganda, thus inflating the issue furthermore. Yet, these recent events aren't stopping people from travelling, they are just changing their patterns. With safety as a priority and escapism in mind, consumers are shifting their focus to new destinations, thus opening new opportunities for cities and countries sometimes overlooked.

With this in focus, it will be imperative for the travel industry to be responsive to the fear and the overload of information, often misleading. The travel industry is directly concerned due to the nature of the market; natural disasters, viruses, traveling security are many of the factors having an immediate impact on leisure travel. Preparing for worst-case scenarios and being transparent about any travel risks will become essential for travel brands, as the consumer will seek out information about threats and will overlook any destination potentially unsafe. Hotels and travel agencies will have to convey flexibility and be forthcoming as well, in order to provide a sense of comfort and protection to its customers, making them partners in difficult times. Yet, despite unprecedented levels of safety uncertainties, tourism has proved resilient in 2017 (PWC report, Hospitality forecast 2017-2018). European cities such as Porto, Dublin and Budapest have good growth prospects despite the global threat of terrorism, whilst the outlook for travel in Switzerland also remains very positive. With a tradition of neutrality, Switzerland has always shown itself to be Europe's safe haven. Offering beautiful nature and excellent infrastructure, both in hospitality and gastronomy, Switzerland is indeed set to become more popular as a leisure destination, while the more favorable business environment will boost business travel.

I - FOR INTERNET:

Internet is disrupting many markets and the luxury travel industry is equally affected by its ever-growing possibilities and challenges. Spontaneity and convenience will become the key words for consumers in this maturing travel market. Indeed, According to Booking.com's travel report for 2017, 44% of travelers already expect to be able to plan their holiday in a few simple clicks on their smart phone and 52% expect their use of travel apps to increase in 2017. It will become vital to keep in mind that the customer's experience begins the minute they find you on Google, thus offering a hassle-free and personalized booking experience will enhance the first interaction and make you stand out from the crowd. OTA's (online travel agencies) are yet another destabilizing factor for Luxury hotels, as they are cutting rates, to the extent of losing money, in order to offer the best prices to keep their customers and earn new ones. Creating promotional opportunities in surplus has triggered a decrease in transaction in 2016, with average rates lowering about 20%. These online booking tactics are thus worrying Luxury hotels as they are now more than ever concerned that they cannot offer competitive products to stay relevant on the market. Similarly, Airbnb, the 7-year-old company that closed the year 2016 with \$1 billion in sales, is also disrupting the luxury market by elevating its offering to luxury standards. Although Airbnb doesn't offer the personalized service and human interaction that a luxury hotel would, its mansions and prestige apartments come at a much lower price, pushing luxury hotels to work extra hard on their human connection and customized services to remain relevant and retain customer loyalty.

Another main point is that digital platform disruption is here to stay and brands and companies will need to get used to traveler behavior shifting to a digital space. Social medias such as Facebook, Instagram, Snapchat and Foursquare as well as leaders such as Google and TripAdvisor have the power to accumulate unprecedented Big Data. When used in a meaningful way, this data is one of the most powerful marketing tools available, as it offers direct insight into what customers are looking for and what they expect as individuals. As these analytical tools become more sophisticated, huge opportunities lie in increasing travel personalization to increase value.

"83% of millennials said they would allow travel brands to track their habits in exchange for a better, more individual experience" American Express, Future Travel Trends 2016 survey.

But with technology, the consumer has become savvier and more demanding. They are well aware that companies are collecting their Data, thus expect greater personalized service in return. The basic service just won't cut it anymore. Reaching out for the wrong customer at the wrong time with the wrong offer will also create impatience and lead to a lack of trust in your brand. In the future, companies will have to learn to combine Big Data and customer service, because digital efficiency is much more powerful when used by an empathic person who anticipates and is flexible in order to create a 360° experience.

C- FOR CONNECTION:

In the near future, luxury will be defined by big stories. Opulence has become a dated concept which no longer suffices in the current competitive market. Today's luxury is about connection; People seek fulfillment through experiences and strive for deep connections to other cultures and loved-ones. This has transformed consumer habits, shifting the priority from materialism to collectable memories. Traveling thus becomes an opportunity to disconnect from the fast-paced world and, ironically, connect to deeper experiences and human interaction. According to a My Travel Research 2017 report, the High Net Worth Individuals (HNWIs) with over US\$1 million are also looking for off the beaten tracks and one-of-a-kind adventures to recharge the mind, body

and soul, with mindfulness and wellness retreats gaining top spots. Furthermore, Booking.com's hospitality survey, 2017, found that 2 out of 5 people were interested in a health and well-being travel experience and 48% intended to use their vacation to "reflect and make better life choices". This is especially true for Gen-X's and Millennials, who want to feel as healthy and energized as possible, understanding that it enables them to live their adventures to the fullest.

There is also an increasing number of HNWIs who are taking their travel with a backpacking philosophy - luxury accommodations in supplement -according to Jack Ezon, president of Ovation. They are seeking day-by-day adventures, wandering from one destination to another without a true plan, seeking true cultural immersion and unique experiences on a high budget. From spiritual healing and fitness to adrenaline holidays, travelers are looking for unique ways to unwind, live and recharge holistically.

"72% of millennials prioritize a simpler, more unique life, often described as "rich in experiences" rather than accumulate clutter." Huffington Post study, 2016.

For brands to connect with this new trend, becoming great story-tellers will be vital, as stories connect products with people and the traditions of a destination. Images, videos and now virtual reality are allowing brands to embrace storytelling, not merely to enhance the experience itself but to boost their marketing strategy. Indeed, combining human connection to technology enables you to reinforce every step of the travel, particularly the "dreaming step", before the customer has even booked the trip. The traveler might forget what your company said in ads or newsletters, but (s)he will never forget the way your company made them feel and the special memories that were created while on vacation.

H - FOR HUMANITY:

In an age of digital overload, an important facet of the luxury travel experience is the human touch. Indeed, whilst travelers rely on technological devices to make choices and find the best holiday trips, they still want to feel that their needs and preferences are understood once they arrive at their destination. Luxury hotels will have to cater services and create strong human bonds in order to enhance their guest's trip and make them memorable.

"42% of travelers assert that they wouldn't stay in an accommodation without friendly/helpful staff" Booking.com, Eight big travel predictions for 2017.

The ultimate representation of modern luxury will be to put the human touch front and center to create incredible experiences, supported by - but never supplanted - by technology. Meanwhile, luxury hotels that trim back on human services will find themselves in direct competition with sites like Airbnb. Consequently, in order to retain key value proposition, luxury hotels must focus on highly trained staff and human-centric environments. Booking.com's report of 2017, found that 42% of travelers stated they wouldn't stay in an accommodation without friendly/helpful staff, and similarly, over 40 percent of travelers would not stay in a hotel with more than few negative reviews. Many Luxury hotels, have a strong culture of personalized services and human touch. Their strength lies in personally delivered service, through exquisitely trained humans who remember guest's names and who strive to meet not only direct demands from guests but to identify what guests may not even know they need yet. On the other hand, we are seeing luxury hotels go the polar-opposite with a low-touch strategy focused entirely on technology. Ian Schrager's latest luxury hotel, named Public, relies on technology at all touchpoints with only 50 members of staff for the hotel's 370 rooms, two restaurants, and three bars. The concept may suit low-touch travelers who seek no assistance and rely on technology to

cater their needs, but high-touch service is a traditional component of luxury travel, thus the issue at stake for luxury hotels will be finding the sweet spot where both very high-touch and low-touch travelers are catered for. The idea is to create strong loyalty, to the point of making the customer a brand advocate of your company, because word-of-mouth remains the best advert there is - at a cheap price. As brands focus on personalized services and human connections, new opportunities to curate vacations based on specific consumer preferences will occur. The ability to enhance the experience from the very beginning will allow brands to remain top of mind for a longer period of time, extending brand awareness and increasing loyalty. The question is no longer what is best offering, but what best suits the customer's personal aspirations.

E - FOR ENRICHMENT AND EXPERIENCE:

Travel does not mean one thing to all. However, it is clear that enrichment will be an important hallmark of traveling in 2018. On many levels, travel has become a connection to the history, people and culture of a destination. But this yearning for enrichment doesn't come with an unaffordable price tag, quite the contrary. Travelers will be craving customized local experiences wherever they go, heading off the beaten track. Subsequently, the United Nations World Tourism Organization predicts that tourism in emerging economies will grow to 57% of the global market by 2030. And the big driver behind this shift is the search for new, local "true" vacations.

As people will seek fulfilling experiences, companies and brands in the travel industry should focus on offering once-in-a-lifetime experiences that teach travelers something about themselves and the world. Companies such as Airbnb are already extending their brand offering to "hosted experiences" in various cities, with locals guiding guests through cheese tastings or sightseeing. Active and adventure trips are also growing in popularity across demographics.

As for the Luxury sector, following a shift in consumer values from the material to the experiential, brands must strive to appeal to luxury travelers by delivering beyond their material selling product. A pre-packaged deal - even VIP - will seem inauthentic and drive the customer away. Brands who strike the right emotional chord for consumers, by offering "non googleable-offers" and one-off experiences, will thrive over the more reluctant companies. Luxury has always been about having access to the most incredible, sought-after possessions. And travel has become no exception.

"More Americans are in the VIP category now than at any point in U.S. history: The wealthy travel more, and spend more per trip; the luxury market is growing almost a third faster than the overall travel industry." Virtuoso, 2017 Luxe Report.

The proliferation of luxury and experiential options has given the average traveler an opportunity to go for the occasional splurge without going completely off budget. And as emergent middle classes seek the material aspect of luxury travel, more mature markets are craving a new, evolved kind of luxury. This is why offering luxury customers a relevant, personal and exclusive experience will become even more crucial than it is today - it will be a differentiating factor between old and new luxury. The other variation comes with the ultra-affluent, the one-percenter billionaires, who do not take ready-made vacations. They simply want unique experiences.

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