

THE EXPERIENCE REVOLUTION

WHAT MATTERS FOR THE FUTURE OF TOURISM



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EXECUTIVE SUMMARY

Tourism and travel are surging across the globe, driven by a growing middle class. In 2017, there were 1.3 billion tourists traveling to and fro across the world. By 2030, UNWTO expects the number of tourists to swell to 1.8 billion, thanks to broad-based economic growth throughout the world, but particularly in Asia. By the end of the next decade, 30 percent of international travelers will be Asian.

Coupled with this rapid growth, new trends across the globe are reshaping the tourism industry. Understanding them is key for stakeholders to redefine their value proposition and meet customer behaviors and expectations. The following trends will have the greatest impact over the coming decade and beyond: the rise of the Asian middle class; digitalization; the emerging sharing economy; tourism and sustainability; the solo traveler; personalization; and the shift from product to experience.

These shifts will all have an important impact on tourism and on the industry, as will the challenges of sustainable development and heritage preservation, which are becoming increasingly complex. But perhaps the most important of these trends is the movement towards greater personalization and experience-based travel.

Travelers everywhere are redefining expectations. They are seeking tailor-made journeys, with a shift from a product-based to an experience-based paradigm, aiming to live memorable experiences. This is creating new challenges for industry players but also presents unique opportunities for differentiation, development, and investment. To meet the needs of tomorrow's travelers, the industry will need to adapt, which means understanding the subtleties and differences between customer preferences and motivations.

Travel players need to position themselves as much as possible across the entire travel lifecycle, from the initial phases of planning and travel to the experiences during the travel and beyond, with the aim of offering the best customer experience possible. Harnessing the paradigm shift from product to experiences also means starting from the key interests of the guests.

We are in the very early stages of what is an "Experience Revolution," with expectations from travelers that go far beyond products and traditional services. To satisfy the growing aspiration for truly inspirational experiences, travel players need to start from the key interests of the guests to develop the right offerings. Hotel operators will need to adapt to be able to meet guests' expectations in alignment with their community of interests. Marketing, pricing, distribution, partnerships, customer engagement, and human resources will also need to evolve accordingly.

For those tourism actors who can successfully adapt and stand out by providing unique quality experiences to attract global travelers, the "Experience Revolution" represents an opportunity.

INTRODUCTION

Tourism is a global phenomenon, one that has undergone an extraordinary transformation over the past 75 years. Unlike the past, when travel and tourism was a privilege enjoyed by the wealthy few, travel today is open to vast numbers of people across the globe, in every country and on every continent. But the ultimate objective and goal of travel, an objective that goes back to time immemorial, has remained constant: to experience something new, authentic, and unique. Indeed, in an age of commoditized travel and tourism, people increasingly are seeking the experience of those earlier travelers and explorers: travel as a form of exploration.

Travel has become accessible to an increasingly broad spectrum of the population. In 2017, there were 1.3 billion tourists going to and fro across the globe vs. just 25 million in 1950—a 52-fold increase. (See Exhibit 1.) Last year, this number grew significantly in all regions of the world and well above all forecasts (7 percent in 2017 vs. 3.8 percent per year for the period 2010-2020 forecast by the United Nations World Tourism Organization [UNWTO]). By 2030, UNWTO is expecting 1.8 billion international tourists thanks to continued global economic dynamism.

Coupled with this rapid growth, new trends across the globe are reshaping the tourism industry. Understanding those forces is key for stakeholders to redefine their value proposition and meet customer behaviors and expectations.

For example, 30 percent of international travelers will be Asian by 2030 (many of them from China). While Chinese tourists historically focused on shopping and visiting world-famous cities, they are also showing a growing interest in alternative experiences. In addition, new trends, such as immersive technologies, digitalization, and the sharing economy, are emerging. Travelers everywhere are redefining expectations. They are searching for tailor-made journeys, with a shift from a product-based to an experience-based paradigm, and are aiming for memorable experiences. These are but a few of the new trends, which we will examine further. But to meet these needs, businesses will need to adapt, which means understanding the subtleties and diversities of tourists' preferences and motivations. This is creating new challenges for industry players but is also presenting unique opportunities for differentiation, development, and investment.

Given these trends and customers' expectations, an essential dimension for industry players to consider is the desire of tourists for unique and truly inspirational experiences. Travel actors need to position themselves across the entire travel lifecycle, from the initial phases of planning and travel to the experiences during the travel and beyond, with the aim of offering the best customer experience possible. Harnessing the paradigm shift from product to experience also means starting from the key interests of the guests: art, culture, wellness, adventure, and sport (to name but a few), which as entry points are quite different from the classic criteria of hospitality.

In this context, brand standards or "classic" experiences are largely insufficient and will need to be rethought.



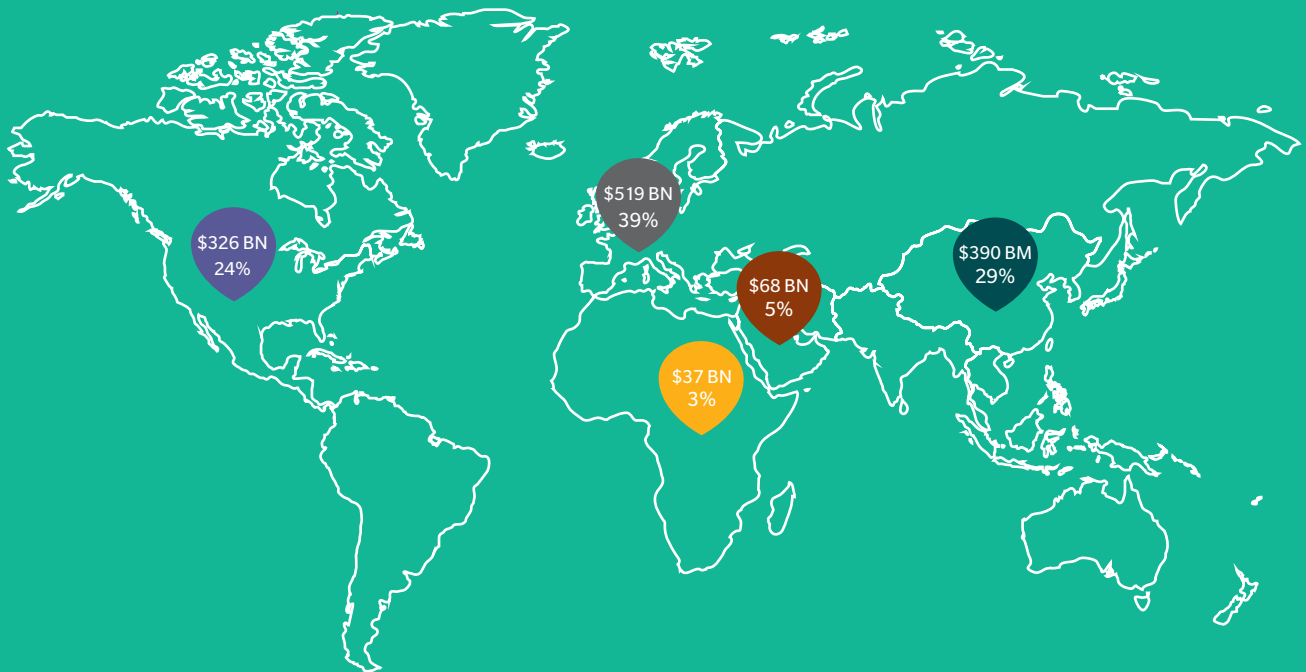
Exhibit 1: Breakdown of the tourist spending and tourist arrivals per region

Competitive Landscape World Tourism Market

THE NUMBER OF TOURISTS IN THE WORLD HAS INCREASED FROM 1.235 MILLION IN 2016 TO 1.326 MILLION IN 2017 (+7%)



TOURIST SPEND
% OF TOTAL SPEND



Tourist arrivals 2017 and Growth vs. 2016

Spend in US\$ BN; 2017 tourists arrivals in MM and growth vs. 2016

Region	2017 Arrivals (MM)	Growth vs. 2016 (%)
World	1,326 Million	+7%
Americas	211 Million	+5%
Europe	672 Million	+8%
Africa	63 Million	+9%
Asia Pacific	323 Million	+6%
Middle East	58 Million	+5%

Notes: Expenditure by international visitors on accommodation, food and drink, entertainment, shopping and other goods and services in tourism destinations
Source: UNWTO, Oliver Wyman Analysis

SEVEN KEY TRENDS SHAPING THE FUTURE OF TOURISM

Demographic changes, customers' evolving needs and behaviors, and new technologies will profoundly transform tourism over the coming decades through several trends. (See Exhibit 2.) Understanding those trends is key for players to redefine their value proposition, meet new customers' expectations, and strengthen their position in the market. We have identified seven key trends that will impact the future of tourism:

- The Rise of Asian Middle-Class Tourism
- Digitalization
- Sharing Economy
- Tourism and Sustainability
- The Solo Traveler
- Personalization
- The Shift from Product, to Experience

Exhibit 2: Tourism trends

WHAT TRENDS ARE SHAPING THE FUTURE OF TOURISM?



ASIAN MIDDLE-CLASS TOURISM

30% Of international travelers are expected to be asian by 2030



DIGITAL

The new generation of tech savvy travelers expect stronger digital engagement



SHARING ECONOMY

Collaborative platforms with robust value propositions are booming



RESPONSIBLE TOURISM

Awareness around sustainability is rising



SOLO TRAVEL

Globetrotters are going solo, especially women and adventure seekers



MASS PERSONALIZATION

One size does not fit all anymore



EXPERIENCE OVER PRODUCT

Customers are shifting from a product to experience paradigm

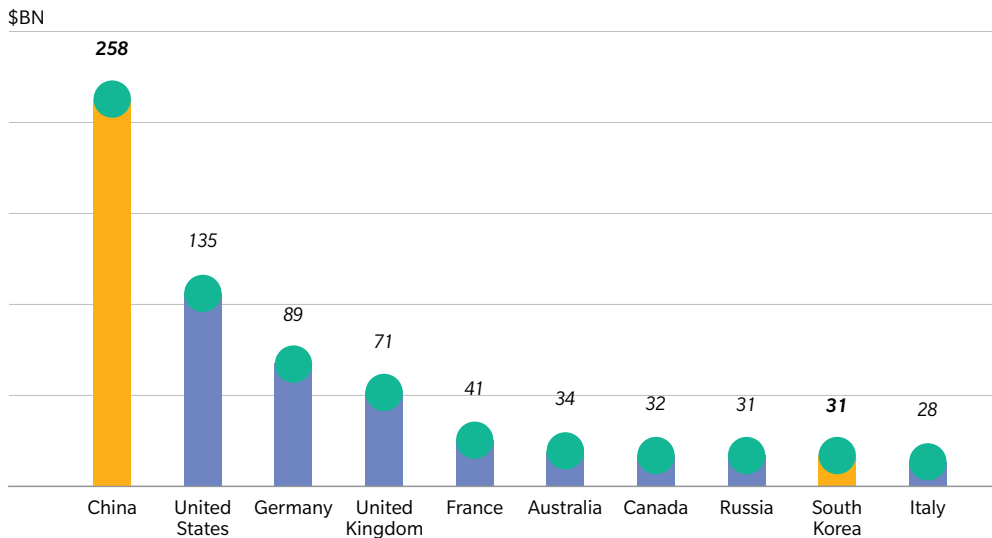
Source: Oliver Wyman Analysis



ASIAN MIDDLE-CLASS TOURISM: 30 PERCENT OF INTERNATIONAL TRAVELERS ARE EXPECTED TO BE ASIAN BY 2030

In 2017, Chinese tourists led the world in holiday dollars spent. (See Exhibit 3.) Every year sees more outbound Chinese travelers than the last, with the number reaching 150 million annually. These travelers have gained a reputation as big spenders, and many businesses worldwide are targeting them closely. Indeed, Chinese tourists traditionally focused their trips

Exhibit 3: Top tourists spenders in 2017



Source: UNWTO

Exhibit 4: Preferences of Chinese tourists



x1.5 less consider affordability when choosing overseas travel destination vs. non-Chinese tourists



Travel preference type are **more diversified** (independent travel, semi-independent travel, package travel & customized travel are resp. preferred by 49%, 42%, 34% & 25%)



X1.6 in shopping spending vs. non-Chinese tourists



65% use mobile payments platforms during oversea travels vs. 11% for non-Chinese tourists

Source: Nielsen, Outbound Chinese Tourism and Consumption Trends, 2017

around shopping and on visits to famous and historically important cities. However, they too are beginning to show signs of a broadening of interests and are displaying a curiosity and awareness of alternative experiences.

Looking forward, the most significant increase in demand for tourism will come from Asia: of the more than 2.4 billion people who are projected to join the global middle class from 2015 to 2030, 90 percent of them will be Asian. By 2030, 30 percent of international travelers will be Asian.

To effectively address this growing group of tourists, industry players must adapt to their specific preferences and needs, which differ from those of other international travelers. One prime example of adaptation is the French department store Galeries Lafayette, which opened an annex dedicated to Chinese tourists. The annex features a targeted collection of items aimed at appealing to Chinese tastes and sensibilities; but in addition to targeting the wallet of the Chinese (who on average spend 1.6 times more on shopping than other tourists), there are other more subtle attractions: the annex's architecture was designed to reflect Asian themes, and the labels are in Mandarin, further aiding the Chinese in their shopping journey.

Growth of Asian tourism and rise of Asian fintechs

In 2018, one-third of the exhibitors in the Consumer Electronics Show in Las Vegas were Chinese. China's tech industry is rapidly growing, fueled by a massive demand by a tech-savvy population: mobile payments, money transfers, and express delivery are common in China at a time when these technologies are still emerging in Western countries. (See Exhibit 4.)

To ensure the best experience for Chinese tourists, travel players are starting to introduce these Chinese technologies, thus enabling the expansion of fintech in the West. For example, Dubai-based Mashreq Bank partnered in 2018 with Alipay, rebranded as ANT Financial Services Group (a Chinese mobile payment provider), to enable 1,000 retailers in the UAE to offer mobile-payment services, thus making it easier for Chinese travelers to use their devices to make purchases. ANT raised \$10 billion in May 2018, turning it into the world's most valuable unicorn startup, with a valuation of US\$150 billion.

In 2017, Marriott hotels chain partnered with Alibaba in a joint venture. The joint venture will manage Marriott's storefront on Fliggy, Alibaba's travel service platform, link both Marriott and Alibaba's loyalty program, and help Marriott hotels provide a customized travel experience to Chinese travelers through tailored content, programs, and promotions.

DIGITAL AND SOCIAL MEDIA: THE NEW GENERATION OF TECH-SAVVY TRAVELERS EXPECT STRONGER DIGITAL ENGAGEMENT

With the emergence of new technologies and the rise of a connected generation of travelers, customers have strong expectations concerning players' digital engagement. Indeed, the journey of the tourist, whether she/he is Asian, European, or African, begins long before the tourist departs

home and ventures abroad. All of the travel industry’s key actors need to have a digital presence across the entire customer journey—before, during, and after the travel experience. This presence needs to be omni-channel: 50 percent of online travel searches are mobile and generate more than 25 percent of online travel revenues. Digitization has become even more crucial, with the emergence of travel digital giants like Booking.com and Airbnb, which have captured 40 percent of the travel market value in little more than a decade of being in business.

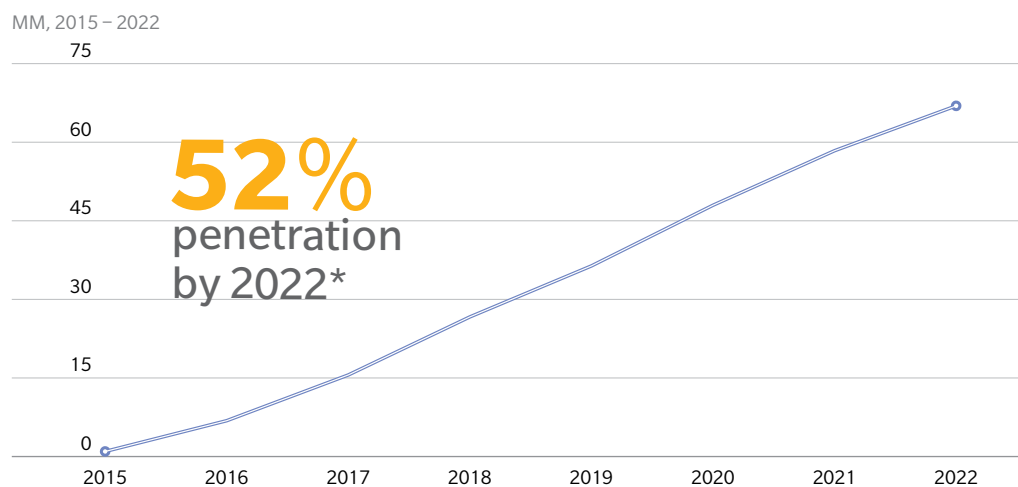
Furthermore, in a world where 42 percent of the population is active on social media, 40 percent of users are following their favorite brands, and 25 percent of users are following brands from which they might make a purchase, companies need to have a strong presence and strategy for social media marketing. Brands need to view social media marketing not as a requirement, but as an opportunity: a mature social media strategy is capable of leveraging influencers whose posts can deliver up to an 11 times higher return on investment than other forms of digital marketing, according to Nielsen. Social media marketing will integrate new advertisement tools offered by platforms such as Facebook or Instagram.

If tackled effectively, digital can become a great accelerator for industry players by helping them reach a larger audience, optimize their resources, increase their revenues, and improve customer experience. Several travel players are already transforming their operations to better integrate digital, creating new positions, such as community managers to reinforce their presence on social networks, and investing into IT to be able to keep pace. In parallel, they are experimenting disruptive technologies such as intelligent assistants, smart payment solutions, Blockchain technologies, and virtual reality to stay ahead of competitors.

Illustration with Intelligent assistants technology

Interaction with AI assistants, whether via voice or chatbot, is an increasingly prevalent and important channel for customer engagement.

Exhibit 5: Growing digitalization : # of US households with smart speakers



* Assuming a 0.8% yearly growth in the # of US households for 2017-2022 (2012 – 2017 CAGR)

Source: Statista

The rise of smart speakers is a more recent trend but is expected to rapidly grow: given the boom of smart speaker penetration over the past years, consumers are becoming accustomed to talking to vocal assistants, and travel companies will need to adapt. As of today, voice technologies functionalities for travel booking are still limited. Google Home for example allows users to check prices but not to book their hotels and flights. However, there is a strong drive to get voice technologies into hotel rooms: Recently, Amazon launched Alexa for Hospitality, a special version of Alexa dedicated to hospitality players. Alexa for Hospitality is customizable and acts as a personal concierge. Several hotels chains such as Marriott, Best Western, and IHG have begun using Amazon’s new technology. (See Exhibit 5.)

Chatbots are already actively used by companies: on Facebook, more than 100,000 chatbots have been created and two billion messages are exchanged monthly between customers and businesses. Expedia for example launched a Facebook bot in 2016 that allows users to search and book hotels in English only. KLM’s bot is available in 10 languages and responded to 1.4 million customers’ queries in 2017. Companies’ efforts over the coming years will need to focus on more actively leveraging the strong potential of this technology to further automate their operations and offer more functionalities via chatbots.

SHARING ECONOMY: COLLABORATIVE PLATFORMS WITH ROBUST VALUE PROPOSITIONS ARE BOOMING

In 2015, 30 percent of the market value of the top 30 digital companies came from collaborative platforms like Airbnb, Uber, or HomeAway. Thanks to technological progress, these platforms have experienced rapid growth since 2012, and this trend is expected to continue over the coming years. (See Exhibit 6.) For example Airbnb generated \$2.6 billion in 2017 vs. \$500 million in 2014 (a five-fold increase) and is expected to generate \$8.5 billion by 2020, according to Fortune.

These actors have created disruption in the travel industry, and traditional players need to adapt to protect their market share. As such, they need to further leverage loyalty programs, seek

Exhibit 6: Strengths of collaborative platforms over traditional players

	Lower pricing	➤	-20-40% lower prices on Airbnb compared to traditional models
	More satisfying experience for the customer	➤	+35 pts in customer satisfaction compared to traditional models
	Better quality through autoregulation	➤	+14m/y reviews on Airbnb
	More local and authentic experience	➤	X2.1 longer stays of Airbnb guests compared to traditional models
	An accelerated adoption with users acting as both producers and consumers	➤	x3.5 additional income vs. interests earned on savings

Source: Oliver Wyman Analysis

to offer more unique local experiences to travelers by partnering with sharing startups (like EatWithALocal), and emphasize the sense of community that travelers are increasingly seeking.

They can also enter this new space via acquisition, as in the case of Accor (the French hospitality company that operates AccorHotels). Accor acquired Onefinestay, a luxury P2P housing platform, and has launched an innovative new brand Jo&Jo which offers “open houses” with shared spaces to foster community and experiences.

RESPONSIBLE TOURISM: AWARENESS AROUND SUSTAINABILITY IS RISING

With a scarcity of resources on the rise, an increased pace of climate change, and the rapid extinction of many species, overpopulation and the impact of human activities on the planet is becoming a concern. This is particularly true in the tourism industry, which represents 10 percent of the world GDP and is an extremely resource-intensive activity.

The impact of overtourism

In 2017, 25 percent of tourists felt that their destination has been overcrowded and 10 percent said that this overcrowding affected the quality of their trip, according to IPK International. Overtourism

Exhibit 7: Sustainable tourism: the impact of overcrowding on Venice

550 tourists per inhabitant

1,000 locals leave the city each year out of 50 000 inhabitants

Tourists are x4 more profitable leading owners to **evict locals**

Rise in **demonstration** against tourism

Restrictions on tourists for certain areas

Campaign launched to encourage tourists to respect the city

Ships over 55,000 tones will be banned from 2021

Source: France Cuture, Responsible tourism

Exhibit 8: Tourism impact on environment

Intensive **water** usage > **590 Liters** per occupied room per day in US hotels in 2015

Intensive **energy** usage > **75 kWh** per occupied room per day in US hotels in 2015

High **pollution** > **859m** tones of CO2 emitted by civil aviation in 2017

Sites **overcrowding** > **x5** more tourists than locals in Iceland in 2016

Heritage **deterioration** > **x1.5** more people visiting Petra than what infrastructures allow

Source: Oliver Wyman Analysis

has become a major concern among travelers, and the rise in the number of tourists will further fuel this phenomenon. (See Exhibit 7.) Overcrowding is deteriorating the environment of sites and cultural heritage, impacting local residents' lifestyles, and affecting the experiences of the tourists themselves:

- 80 percent of Koh Khai Islands' coral reefs in Thailand have been damaged by people
- The fast growth of inbound tourism in Barcelona has led owners to evict local residents to rent properties to tourists at higher prices; violent clashes and protests against tourism followed
- Overtourism in Dubrovnik results in a saturation of the city's airports, causing flight delays and poor customer experience

To cope with the effects of overtourism, stakeholders have adopted various strategies: limiting the number of visitors, giving access to sites under certain conditions, closing sites to tourists, and applying strict regulation to players disrupting the local economy (to name a few). For example, the Greek island of Santorini is capping the number of daily visitors arriving by cruise ships. In Nepal, only travelers accompanied by a guide are allowed to climb Mount Everest. Venice has placed temporary restrictions on tourists in areas designated for residents and regular visitors.

To raise awareness on sustainable tourism, the United Nations named 2017 as the International year of sustainable tourism. (See Exhibit 8.)

Companies and governments are starting to take positive action, shifting to sustainable tourism, a form of tourism 'that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities,' according to the UNWTO definition. (See Exhibit 9.) This translates into a commitment to reducing usage, transforming operations to achieve objectives, enforcing controls to track performance, seeking credibility through accreditation, and developing disruptive innovations as a step further toward sustainability.

Beyond social responsibility, sustainable tourism represents an opportunity for travel players, because raising awareness attracts consumers who care about their social impact and are willing

Exhibit 9: Action taken by tourism actors toward sustainability

Control number of tourists	➤	Machu Picchu is capping the daily # of visitors
Commit to reduce usage by setting targets	➤	Starwood has committed to reduce energy usage per room by 30% by 2020 vs. 2008
Control to effectively track goals' achievements	➤	IHG requires all its hotels to measure their environmental impact
Conform to sustainability accreditation standards	➤	+1,800 Marriott hotels have a TripAdvisor GreenLeaders badge
Offer ecotourism travel options	➤	Ec lodge hotels have made important environmental improvements to minimize their environmental impact

Source: Oliver Wyman Analysis

to pay more for sustainable brands. According to a study from Nielsen in 2015, 66 percent of the population was willing to pay more for sustainable brands up from 55 percent in 2014. The social awareness is particularly on the rise among millennials, with 73 percent willing to pay more for a sustainable brand, up from 50 percent in 2014.

SOLO TRAVEL: GLOBETROTTERS ARE GOING SOLO, ESPECIALLY WOMEN AND ADVENTURE SEEKERS

Some 50 percent of all those who travel on holiday, go solo at least once a year, and that trend is expected to grow, driven mainly by women travelers and adventure seekers. According to Hostelworld, the world's leading hostel-focused online booking platform, solo travel bookings increased by 42 percent of between 2015 and 2017.

During the same period, solo bookings by women grew 45 percent vs. 40 percent for men. (See Exhibit 10.) Popular destinations for American women traveling solo are Cuba, Macedonia, Guatemala and the United Arab Emirates. To address this fast-growing demand, women-only travel companies are booming. Understandably, the main concern of solo travelers has been safety, which strongly impact their destination choice.

MASS PERSONALIZATION: ONE SIZE NO LONGER FITS ALL

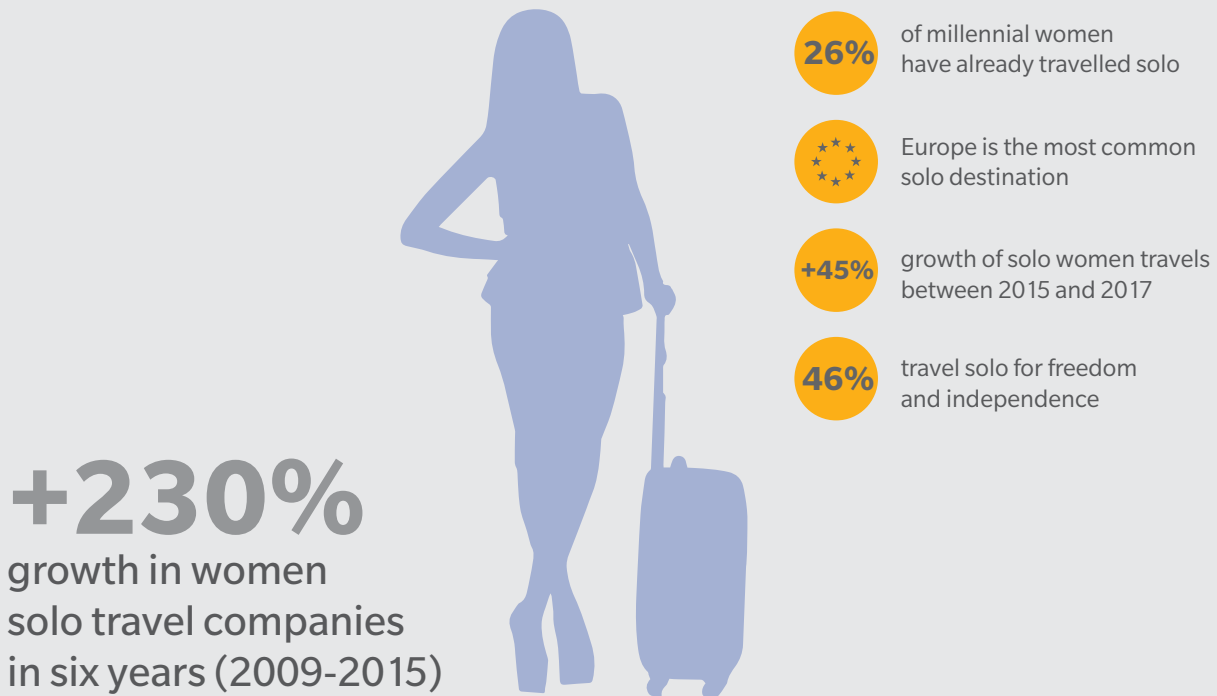
In today's highly connected world where users are used to getting what they want fast, the demand for personalized services is on the rise. In fact, a majority of travelers would value a personalized customer service experience over speed of service and would expect brands to adapt their information based on their personal preferences or past behaviors. Moreover, according to an Epsilon study, 94% of consumers would be more likely to do business with travel and leisure companies if they offered personalized experiences. This demonstrates just how important tailor-made offerings have become. (See Exhibit 11.)

As a result, the personalized customer experience has become a top priority for businesses everywhere and in every industry. The good news is that with the help of AI, data science, and other technological tools, firms have the potential of offering a bespoke experience by leveraging the voluminous data generated by the customer.

But the demand for tailor-made travel-related services outstrips other types of services, with holidays, hotels, and flights the top three services for which consumers have expressed an interest for personalization, according to the Deloitte study.

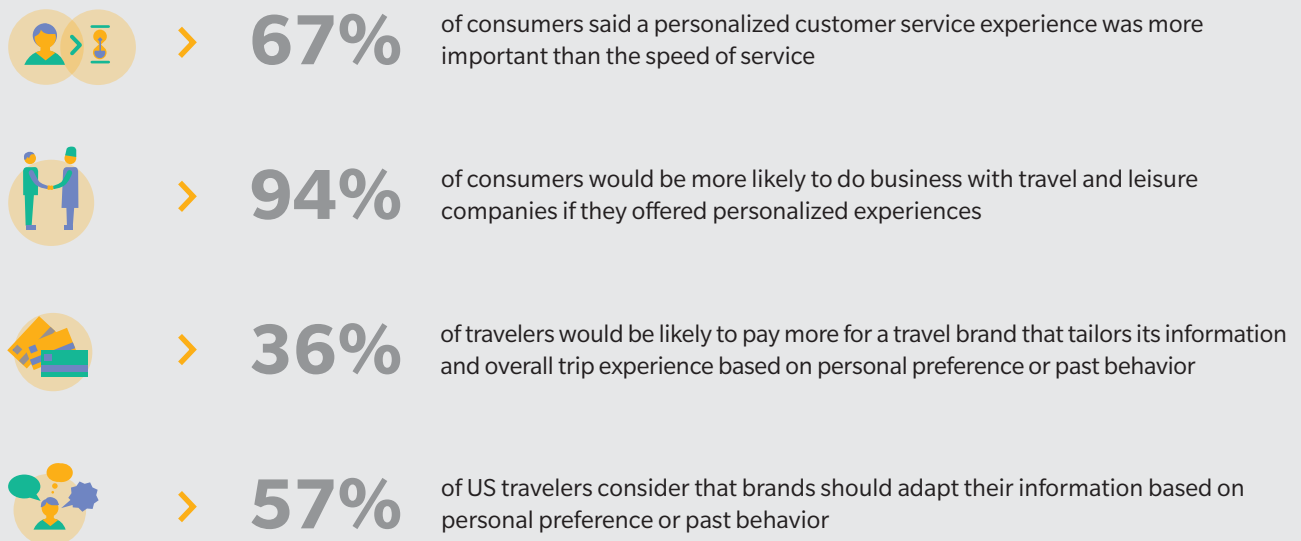
To meet customer demand, travel companies are offering more personalized services. For example, Booking.com provides its customers with personalized recommendations, while Airbnb allows customers to look at "recently viewed places." Best Western uses geo-targeting to send specific offers based on users' location.

Exhibit 10: Female travelers going solo: key figures



Source: Solotravelerworld.com, travelsmartwoman.com, smcp.com, elledecor.com, gutsytraveler.com

Exhibit 11: Increasing personalization: interest in personalized travel services



Source: Aspect, Epsilon, Google, Phocuswright

But personalization does not necessarily depend on technology and data alone. Virtuoso, for example, is the leading luxury travel network. It provides its customers with tailor-made experiences in which every part of the trip is created to suit their individual style and budget.

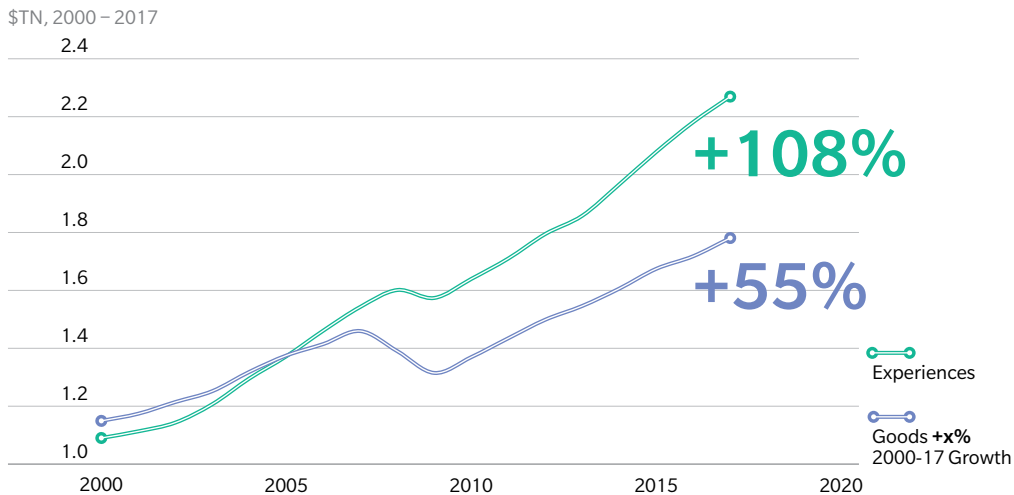
EXPERIENCE OVER PRODUCT: CUSTOMERS ARE SHIFTING FROM A PRODUCT TO EXPERIENCE PARADIGM

Perhaps the most profound shift among tourists has been the movement away from product and the move towards experience. According to an American Express Travel survey, 82 percent of respondents value “making memories” more than they value making money. Similarly, a Harris study found that more than three quarters of all millennials (78 percent) prefer spending money on an experience or event to buying products. (See Exhibit 12.) Consequently, consumer spending on experiences has increased and is now higher than spending on goods: in 2017, US consumers spent 1.1 times more on experiences than on goods—in contrast to 2000 when they spent 1.3 times more on goods!

By definition, travelling is intrinsically an experience. However this paradigm shift that we are seeing emphasizes even more plainly the desire of travelers to experience a unique, authentic, local, and immersive journey.

To meet customers’ changing needs, travel companies need to reposition themselves from a product-centric perspective to an experience-centric one. For example, in the hospitality

Exhibit 12: A greater emphasis on experience over goods: total spending on experiences vs. on goods in the US



Experience include: Domestic air & water transportation, Recreation services, Food & accommodation, International travel

Goods include: Cars-related goods, Recreation goods, Clothing & footwear, Mobile & related equipment, Personal care products

Source: US Bureau of Economic Analysis

sector, the value proposition traditionally has revolved around the delivery of exceptional products and services. In its place, the hospitality industry will need to focus its efforts and resources on providing customers with an exceptional and memorable experience through unique activities and events.

The shift from a product-centric to an experience-based paradigm in tourism is the focus of the next section, where we will see that focusing on experiences has proven to be a more performing model, requiring industry players to start from the key interests of their customers and transform their value proposition.

THE EXPERIENCE REVOLUTION

THE EVOLUTION OF EXPECTATIONS FROM PRODUCT TO EXPERIENCE BASED CALLS FOR A CHANGE OF MODEL

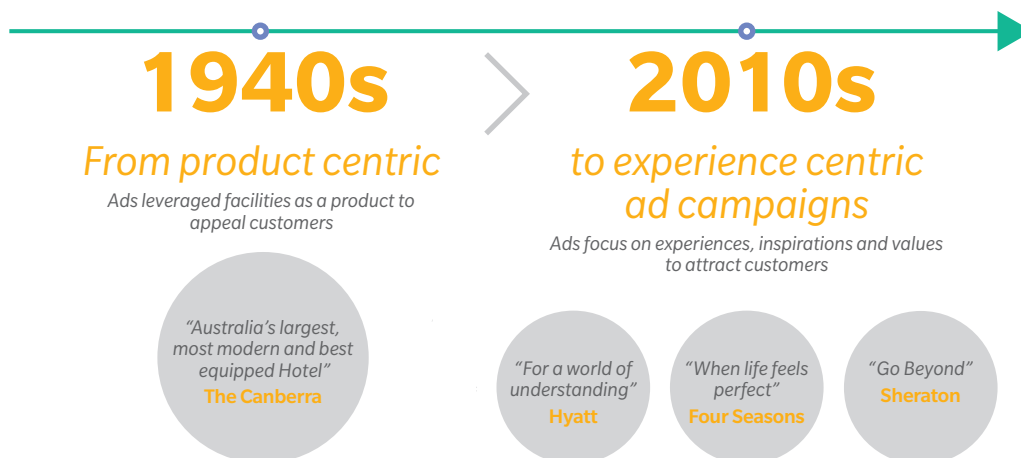
The era in which a hotel was a standardized product is past. There is a fundamental shift underway among consumers, emphasizing values and experiences that bring happiness and wellbeing over material goods. Travelers today increasingly make decisions based on their values and interests. They are actively seeking authentic and inspirational experiences—and are prepared to pay more for it. Hence, there’s a growing need for the travel industry to shift toward simplicity, balance, human connection, self-discovery, and authenticity. (See Exhibit 13.)

Most brands are aware of the need to adapt and are aiming to be more authentic, local, and immersive, something that is apparent in their advertising and marketing strategies, which increasingly are becoming experience centric.

Across industries, companies are becoming more than service providers; they have turned into lifestyle pillars, as in the case of Google, Facebook, and Netflix. These brands are well positioned to generate the personalization and goodwill to keep people coming back.

In that respect, the aim for travel actors is to move away from a transactional relationship and build stronger relationships with the traveler who can rely on the brand for quality recommendations and information. Groups like Accorhotels or Marriott international are making significant efforts to build trust with their customers through their loyalty programs and by offering various new services and activities. Marriott teamed up with PlacePass in 2017, adding more than 100,000 travel experiences for guests worldwide. “We want our guests to count on

Exhibit 13: Moving from product, to experience



Source: Oliver Wyman Analysis



Remember that happiness is a way of travel – not a destination.

Roy M. Goodman

We wander for distraction, but we travel for fulfillment.

Hilaire Belloc

You can shake the sand from your shoes, but it will never leave your soul.

unknown author

Investment in travel is an investment in yourself.

Matthew Karsten

We travel, initially, to lose ourselves; and we travel, next to find ourselves. We travel to open our hearts and eyes and learn more about the world than our newspapers will accommodate. And we travel, in essence, to become young fools again – to slow time down and get taken in, and fall in love once more.

Pico Iyer

Traveling – it leaves you speechless, then turns you into a storyteller.

Ibn Battuta

Experience, travel – these are as education in themselves.

Euripides

A mind that is stretched by a new experience can never go back to its old dimensions.

Oliver Wendell Holmes

To Travel is to Live.

Hans Christian Andersen

Travel is the only thing you buy that makes you richer.

unknown author

A great way to learn about your country is to leave it.

Henry Rollins

To my mind, the greatest reward and luxury of travel is to be able to experience everyday things as if for the first time, to be in a position in which almost nothing is so familiar it is taken for granted.

Bill Bryson

If you think adventure is dangerous, try routine; it is lethal.

Paulo Coelho

Once a year, go someplace you've never been before.

Dalai Lama

We live in a wonderful world that is full of beauty, charm, and adventure. There is no end to the adventures we can have if only we seek them with our eyes open.

Jawaharial Nehru

One's destination is never a place, but a new way of seeing things.

Henry Miller

Travel is more than the seeing of sights; it is a change that goes on, deep and permanent, in the ideas of living.

Miriam Beard

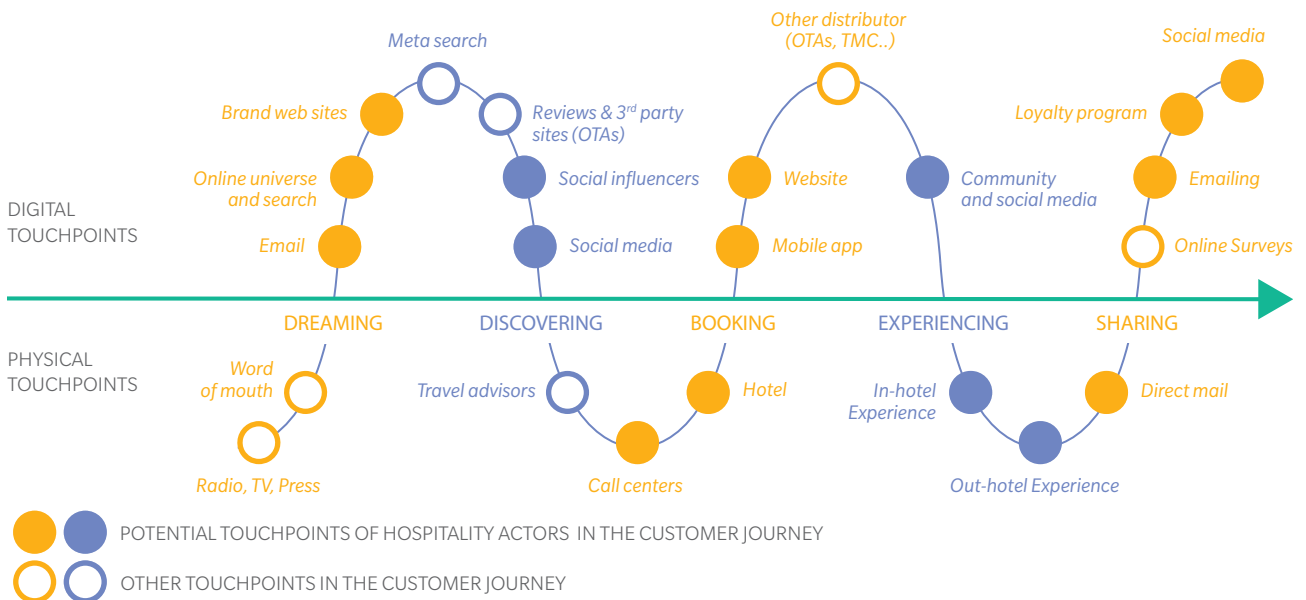
Marriott to give them access to more of the destinations and things they love to do when they travel,” said Stephanie Linnartz, Marriott International’s global chief commercial officer.

The customer experience is not limited just to the trip, encompassing every stage in the travel lifecycle: pre-stay, the stay itself, and post-stay. (See Exhibit 14.) Hospitality actors can provide value to customers across the entire travel lifecycle by multiplying their touchpoints with them and offering the best customer experience possible at each stage.

In the pre-stay phase, for example, social media is a good way to engage customers in discovering and dreaming about their destination. Starwood, which is now part of Marriott International, is highly active on social media, with 250,000 followers on Instagram and 500,000 likes on Facebook. In 2016, Starwood ensured the promotion of two hotels in Paris, Le Metropolitan and Le Dokhan’s, by leveraging social influencers on Instagram and Facebook. Moreover, beginning May 2018, customers can book hotel rooms directly from Instagram, making it even more valuable for hotels to have a presence on such platforms. A quality website, mobile application, and a loyalty program with meaningful “inner circle” exclusive personalized privileges are musts for assisting customers in the booking phase and making them more likely to book directly through the hotel instead of going through other distribution channels such as online travel agents.

Post-stay, hotels can maintain contact with former guests by inviting them to exclusive events at the hotel based on guests’ personal interests, or send guests personalized souvenirs, such as photos taken during their travel.

Exhibit 14: Accompanying the traveler along her/his journey



Source: Oliver Wyman Analysis

During their stay, which is the core focus of hospitality actors, the first step is to ensure the traditional hospitality offering through quality service, rooms, and facilities. In moving beyond that initial commitment to excellence, hospitality players need to harness the paradigm shift from product to experience, a process that involves starting from the guest's key interests. (See Exhibit 15.)

Each of the experience areas provides a range of opportunities that hotels can seize by positioning themselves proactively. Take gastronomy: On average, 25 percent of travel spend is food and beverage related—and that reach as high as 50 percent in the case of culinary tours. Indeed, more than 75 percent of American leisure travelers consider a culinary activity a strong motivation for visiting a destination and 52 percent of millennials list food experiences as the top reason to travel, according to the World Food Travel Association.

Gastronomy increasingly is becoming experiential, not simply because of the growing fascination with authentic local cuisines but also as a result of a rise in alternative diets. As such, culinary tourism has thrived, with trips that may involve excursions to sustainable farms, farm-to-table cuisine, cooking sessions with local chefs, and much more for foodies who desire to have a cultural and interactive experience. Hotels may position themselves in various ways, such as arranging an event where customers can visit a kitchen/chef, leveraging authentic local products,

Exhibit 15: Examples of experience areas for travelers



Health & Wellness



Sport & Adventure



Fashion & Style



Gastronomy



Beach holidays



Art & Culture



Social impact



Business & Entrepreneurship



Nature & Heritage

Source: Oliver Wyman Analysis

or combining gastronomy with culture by visiting La Colombe d'Or Hotel and restaurant near Nice in France, which features the work of noted artists, such as Henri Matisse and Pablo Picasso.

To optimize its resources, a hotel should determine which experience area to invest in to create a unique and differentiated value proposition. It may focus on one to three areas that constitute its core identity and then provide adjacent offers on a subset of other areas directly and/or through partners to satisfy a wider range of customers. (See Exhibit 16.)

Selecting these experiential areas means considering a range of factors, such as:

- The current image and positioning of the hotel: luxury vs. economy hotel, family vs. business
- The environment and surroundings: climate, nature, and shops
- Customer preferences
- Competitive intensity and ability to keep pace with other hotels or other type of actors

A luxury hotel or resort that wishes to offer a state-of-the-art wellness experience may invest in a fitness pavilion (in partnership with a sports club) or in a family-friendly wellness spa. It may also provide alternative medicine services (featuring sessions with nutritionists, therapists, and doctors), meditation spaces, and a diagnostic center.

Exhibit 16: Segmenting customers by their interests

	Health & Wellness	Social impact	Fashion & Style	Beach holidays	
Segment 1					 High level of customer interest
Segment 2					 Medium level of customer interest
Segment 3					 Low level of customer interest
Other elements to consider			Unable to compete (competitors and other businesses)		 Core area of focus
	↓	↓	↓	↓	
Areas of focus for Hotel X					 Area to be covered Low priority

Source: Oliver Wyman Analysis

EXPERIENTIAL OFFERINGS CAN LEAD TO POSITIVE OUTCOMES

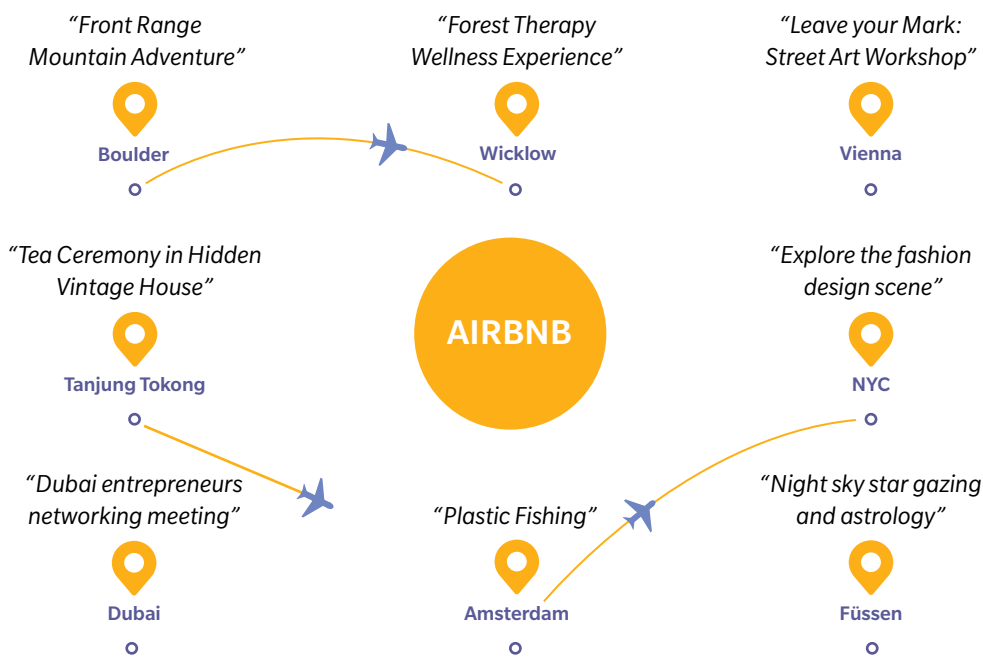
Given that brand standards or “classic” experiences are deficient in meeting the needs and desires of tomorrow’s traveler, industry players need to rethink their value proposition to make it revolve around a true and unique experience that encourages and cultivates what matters most to the customer.

This involves more than just picking the right experiential areas to focus on. It calls for starting from the experience and offering activities and platforms to fulfill and satisfy the traveler, whether it is to unwind and connect with the local environment and communities in an authentic, smart, and convenient manner or to refocus on unique and personal interests.

Traditional customer segments, which typically have relied on price, origin, and demographics, are no longer sufficient. Industry actors should instead seek to further group their customers by shared interests and deliver an adequate proposition to each group.

A number of companies are moving towards experiential travel and are proposing unique offerings meeting their customers’ core interests. The Icehotel in Sweden puts guests into extreme weather conditions and offers thrilling and local activities (such as cross-country skiing, survival courses, and more) to attract adventure seekers. The Marriott Renaissance in New York attracts design and art lovers by immersing its guests into a multi-sensory interactive and digital experience in which the hotel comes to life and is continuously transformed. Me to We is an innovative social enterprise that offers travels for people who want to have a positive impact on the world, providing them with an opportunity to volunteer on a development project, such as building a school for a community.

Exhibit 17: Airbnb’s Experiences



Source: Oliver Wyman Analysis

Airbnb leverages locals' experience and knowledge to provide travelers unique and authentic experiences that cover all types of interests. (See Exhibit 17.) Today, Airbnb is offering more than 15,000 different experiences through its Experience platform, and the growth of the platform has been breathtaking: in 2017, bookings grew by 2,500 percent vs. 2016, with more than 50,000 hosts offering Experiences.

The study of experience-oriented hotels confirms the strength of this value proposition, demonstrating the robustness of the economic model and the improvement it brings to the customer relationship. Indeed, customers are willing to pay more for these types of experiences, enjoy them for a longer time, and become loyal to the brand. (See Exhibit 18.)

To effectively deliver their new value proposition, the operating model of players needs evolve to enhance the centricity around the customer and her/his interests:

Marketing: brands need to be associated with specific and well-defined types of experiences. Brands' differentiation must be based on the experience offered to the customer

Pricing: products, services, and experiences should be offered as packages aligned with customers' interests






Distribution: platforms need to be designed to integrate the brand's qualities and services. New distributions channels related to customers' interests should be leveraged

Partnerships: experiences can be fueled through partnerships with local companies and people offering authentic and exceptional activities

Customer engagement: customer's interests must become the pillar of a bespoke customer relationship

Human resources: job positions must revolve around the community and the delivery of experiences: HR people must move towards becoming experience curators who can ensure that customers are have high-quality experiences, CRM managers must become community managers, animating the community and understanding its expectations, while staff members become concierges, providing personalized services to customers.

Exhibit 18: Case studies of improved performance for wellness resorts and adventure travels

	WELLNESS RESORTS	ADVENTURE TRAVELS
	5-7 nights average length of stay	8 days average length of stay
	40-50% of repeat guests	Higher repeat guests rate
	+53% of spends vs. average traveller (international traveller)	+60% of spends vs. average traveler (young traveler)
	74% of direct booking with no booking through OTAs or GDS	71% are making arrangements on their own (American travelers)
	x2.5 RevPAR vs. traditional similar resortst	
	Source: Global Wellness Institute, Horwath HTL Health and Wellness	Source: UNWTO Global Report on Adventure Tourismt

CONCLUSION

The growth of tourism worldwide is being accompanied by new trends, such as digital experiences, social media, and the sharing economy. These shifts will all have an important impact on tourism and on the industry, as will the challenges of sustainable development and heritage preservation, which are becoming increasingly complex. At the same, however, the challenges represent opportunities for industry players to define their unique value proposition and develop truly differentiated offerings.

We are witnessing an “Experience Revolution” with expectations from travelers that go far beyond products and traditional services. To satisfy the growing aspiration for truly inspirational experiences, travel actors need to start from the key interests of the guests to develop the right offers.

Hotels of the future will become platforms where the individual comes to meet his inspirations and focus on what matters to her/him or their community. The study of these new offers confirms the strength of the value proposition and the robustness of the economic model, which also allows hospitality actors to drastically improve their relationship with the customer. Hotel operators need to adapt to be able to meet guests’ expectations in alignment with their community of interests. Marketing, pricing, distribution, partnerships, customer engagement, and human resources will also need to evolve accordingly.

The “Experience Revolution” represents a great opportunity for tourism actors that can successfully adapt and stand out by providing unique quality experiences to attract global travelers.

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