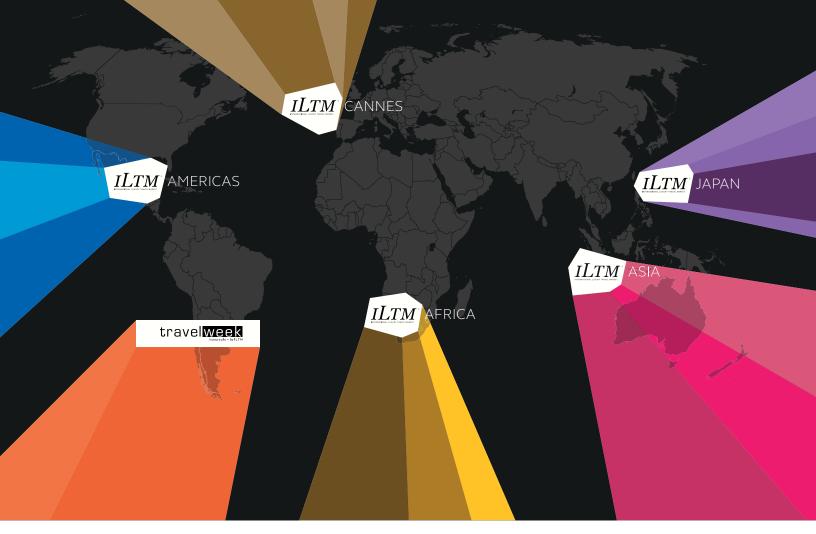
BUILDING BRAND LOVE AND LOYALTY IN LUXURY HOSPITALITY

Luxury hospitality brands and independent hotels are striving to increase customer loyalty in an increasingly crowded and fractured travel marketplace by aligning their brand identities with travelers' lifestyle priorities.



If you have any questions about the report please contact skiftx@skift.com.





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EXECUTIVE SUMMARY

This Skift Trends Report, produced in partnership with International Luxury Travel Market (ILTM), explores the many disruptions in luxury travel where tired narratives about what upscale travelers want no longer suffice. The very definition of "luxury" is nebulous today, meaning different things to a widening arc of customers with myriad psychographic profiles, age brackets, and personal lifestyles, emerging from a continually expanding range of source markets.

Adding to the complexity, the world is shifting off its traditional piers. The Trump administration, Brexit, growing terrorism fears, plunging economic conditions in certain source markets, environmental havoc, and the non-stop digitization of everything are challenging many people's sense of stability worldwide. The clustering of macro and micro stressors are rearranging luxury travelers' long-held assumptions of purpose and value, causing inward reflection. Springing from these uneven times, there's growing demand for travel experiences that align with the three primary trends defining luxury travel in 2017 – mindfulness, simplicity, and transformation.

For high-end hoteliers catering to today's rapidly evolving audience in an era of mass disruption, it's a lot to deal with. However, for those who understand the fault lines and see the trend lines on the horizon, the opportunities are significant. According to Bain & Company, the global luxury consumer market grew four percent in 2016, reaching an estimated US \$1.06 trillion (€1.08 trillion) in retail sales value.

Adapting to the new normal in luxury travel today is the key to building a passionate brand following and lifetime customer value. Brand love is a powerful thing, driving attitudinal loyalty versus transactionalbased loyalty. Both independent hotels and international hospitality groups are redefining and reimagining their individual cultures and identities to align with specific customer psychographics more assiduously than ever before. While at the same time, they're striving to remain flexible and nimble enough to engage luxury travelers who have more opportunities for high-end travel experiences than ever before.

Meanwhile, data-driven, omni-channel marketing is now paramount to speak to the individual luxury consumer in real-time, as the world of business shifts from a product-centric service mentality to a customer-centric paradigm. Hotel brands are looking to fashion and retail for inspiration to develop content strategies to communicate their brand culture, as much as their products and services.

According to leading firms specializing in data analytics and artificial intelligence, the future of consumerism is personalized, customized, transparent, and on-demand due to the vast amounts of available personal data. Technology is creating a world where everything is scored and measured, requiring brands to be among the best in their segments, and where people's "AI agents" make decisions for them. While it might seem like the world is pivoting off its axis into a world of technology-fueled "mixed reality" these days, there's a growing sense that things haven't even started to get interesting yet.

Therefore, the travel industry's shift toward greater online/offline convergence and the luxury consumer's demand for more mindful, simple, and transformative travel experiences will present the greatest challenges and opportunities for the luxury hospitality sector in the coming years.

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ABOUT SKIFT

Skift is the largest industry intelligence platform, providing Media, Insights & Marketing to key sectors of travel. SkiftX is Skift's in-house content marketing studio, working collaboratively with partners on integrated projects including webinars, video, research, and live events.

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MASTHEAD

President / Carolyn Kremins Director, Business Development / Lisa Weier Parilla Editor / Greg Oates Writer / Norie Quintos Branded Content Director / Katherine Townsend Senior Designer / Ping Chan

INTRODUCTION: THE MANY FACES OF TODAY'S LUXURY TRAVEL CONSUMER

Ask 10 high-income people what luxury hospitality and travel means to them today and you'll get 20 different answers. They will have multiple answers to that question depending on the particular context surrounding their personal travel goals and luxury aspirations, and who and what they want to connect with in any given destination.

Based on the growing sophistication of data-driven consumer profiling, brands are developing a more customer-centric engagement strategy to drive higher loyalty and lifetime customer value. Likewise, the luxury hospitality sector is shifting its focus from targeting demographic segments, based on traditional connotations of luxury, to psychographic profiles based on personal lifestyle preferences. Today, luxury is a much more fluid concept, depending on the context surrounding the individual traveler's circumstances.

The end-user luxury mindset today is much more bifurcated than even a few years ago because of the increasing digitization of business. In effect, every traveler wants to upload everything stored in their personal devices into their physical IRL (in real life) travel experiences. Today, our networks, to a large degree, define our lifestyle value systems and priorities to the point of shifting our self-identities. As the high-end Monster audio electronics company promotes: "You are who your friends are." Or, as Peter Vidani, founding creative director of the micro-blogging Tumblr platform, posits: "We are what we share."

As travelers continually expand their online networks, they're inspired more and more with new and continually diverging possibilities about what luxury travel looks like for other people. From a wealthy traveler's individual perspective, they're staring out into a sea of faces on Facebook, Instagram, Twitter, and Snapchat, who are all exploring the world in uniquely different ways.



That's creating not only a widening definition of luxury travel; it's also creating a competitive streak in people to share travel experiences that seem more sublime, adventurous, exciting, exotic, creative, and/or unique. One common phrase to describe this phenomenon is "experience one-upmanship," driving many travelers to seek ever-more innovative travel destinations, accommodations, and tour operators to elevate their social equity.

However, with so many opportunities available at the click of a mouse, luxury travelers are relying more on travel companies and travel advisors to guide their individual consumer journey from conceptualization to conversion. There's a growing demand for personalized stewardship during the travel research phase to find "just the right thing" – whether it's via an automated digital platform using artificial intelligence (AI), or a live interaction with an experienced human advisor.

"I'm frequently asked about the definition of luxury, mainly because luxury has become one of the most overused words today," says Matthew Upchurch, CEO of Virtuoso. "My feeling is that luxury is having someone — an actual person — know you well enough that they can anticipate your needs and know what it is you truly value, and then respond by fulfilling that request. It's simple in concept, but increasingly more difficult to deliver against."

While the growing demand for luxury travel advisors is unquestioned, this report will also examine the evolution of data-analytics and AI to support the advisor role.

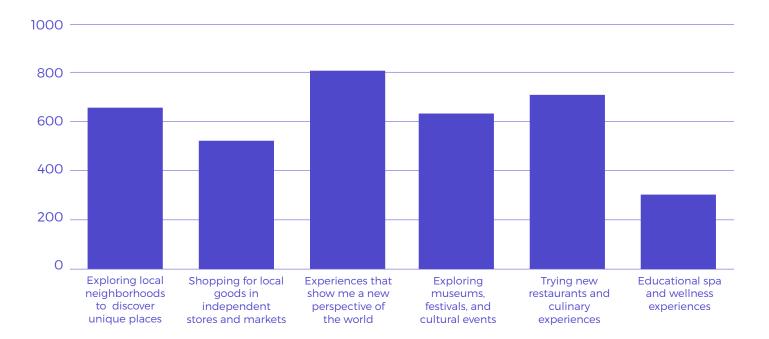
The ability for travel brands to continually customize their products to match the individual consumer's specific desires, using next-generation AI platforms, provides a continual feedback loop between the buyer, supplier, and advisor to build loyalty over the long term. The success of that matchmaking is fundamental to increasing lifetime customer value in luxury hospitality today by understanding the individual consumer's priorities.

Aligned with that, top-tier hospitality brands are shifting how they're engaging luxury consumers on a more authentic, personal level to build loyalty. The human element has never been more important in the luxury marketplace. To deliver on that more effectively, hospitality companies are continually refining their brand identity to achieve higher levels of brand affinity — or "brand love" — to win the hearts of the high-end repeat traveler. As explored later in this report, our connection with our favorite brands shares more than a few similar characteristics with the connection we have with the people we love.

As an example of the growing emphasis on the human element in travel, Hyatt launched its newest ad campaign, "For a World of Understanding," during the Academy Awards in February 2017. Shot on location in Thailand, Morocco, and Spain, the commercial shows a series of vignettes of Western travelers uncomfortable exploring unknown lands with people foreign to them, at first. But then the montages evolve into a series of friendly interactions, illustrating the potential to engage with new people across cultures, and the value of that, through travel. The ad shows experiential luxury travel in an entirely new perspective, ending with a weary traveler arriving to a gracious welcome at the Grand Hyatt Erawan Bangkok.

"I think travel in itself is experiential, which is very important, and I think it's great for the whole industry," says Hyatt CEO Mark Hoplamazian. "But I think that the core fundamental reality — which is this draw toward humanity, toward authentic human engagement — is really the key big issue. I think staying focused around how you actually serve that, and be a part of that and engage in that, is really the key issue for our industry."

As the following survey data shows, there's clearly a demand for travel that opens our eyes to new possibilities and new people beyond our borders. Luxury travelers participating in a 2017 Skift survey responded that the #1 growing priority for them is: "Experiences that show me a new perspective of the world."



I am more interested in the following types of activities when I travel than I was 3-5 years ago. (Select all that apply)

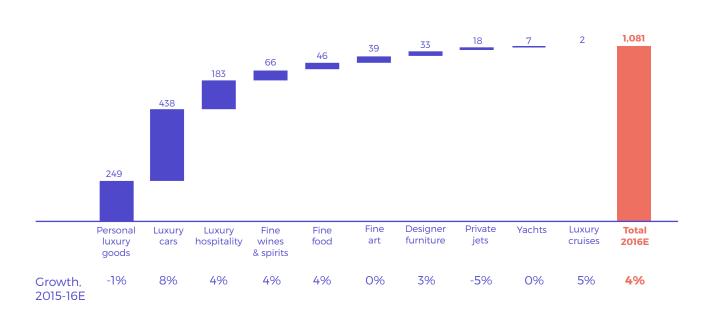
Skift Research: When asked how their preferences for travel activities have evolved in the last 3-5 years, 60.1 percent of respondents stated they are more interested in travel experiences that give them a new perspective on the world than they were previously. (Responses = 1,351)

LUXURY HOSPITALITY IS LEADING THE LUXURY CONSUMER MARKET

From a macroeconomic perspective, the global luxury consumer market was healthy in 2016, growing four percent overall, with luxury hospitality leading the upward push. According to Bain & Company, in the "Luxury Goods Worldwide Market Study, Fall-Winter 2016" report:

"The global luxury market tracked by Bain & Company comprises 10 segments, including personal luxury goods, luxury cars, luxury hospitality, luxury cruises, designer furniture, fine food, fine wines and spirits, yachts, private jets and fine art. The overall market grew at 4% in 2016, to an estimated €1.08 trillion (US \$1.06 trillion) in retail sales value. Luxury consumption shifted away from goods and toward experiences such as travel and gastronomy, which grew faster than luxury goods by at least 5 percentage points. The best-performing categories were luxury cars, luxury hospitality, fine wines and spirits, and fine food."

"The global luxury market exceeded €1 trillion in 2016, with overall growth of 4% coming largely from cars, hospitality and gastronomy."



Worldwide Luxury Market, 2016E (€billion)

Source: Bain & Company

However, luxury hospitality brands are finding it challenging in this era of mass disruption and distraction to differentiate their value proposition when the definition of luxury has expanded to mean many different things to many different people. There are decidedly fewer constants today when it comes to identifying what makes luxury travel luxurious due to a global array of new emerging source markets, four very different generations with luxury buying power, and the tidal forces of social media to influence consumer trends and purchasing decisions in real time.

Some things will never change in the luxury hospitality space. Gracious, anticipatory service; inspiring food and beverage; a sense of exclusivity and privilege; and any physical environment that stirs the heart on a visceral level are still primary, of course.

But then, what else? Other traditional definitions of luxury are dying hard.

"Luxury is always about choice," many hoteliers insist. Joe Pine, author of The Experience Economy, disagrees. "Luxury consumers don't want choice," he says. "They want what they want."

The luxury hospitality industry also needs to dispense (or at least re-evaluate) three other illusions about what luxury travel is.

First, the endlessly-quoted assertion that luxury consumer demand in travel has shifted from highquality "things" to high-quality experiences might be true, but it's a somewhat tired cliche from a marketing and guest engagement standpoint. There is diminishing competitive advantage for hospitality brands to trumpet themselves as "experiences" when so many brands in almost every market segment are saying the same thing.

Second, Disney and Carnival are at the forefront of personalizing guest experiences with their MagicBand and Ocean Medallion platforms, respectively, using wearables and highly sophisticated beacon technology to provide customized services. The all-inclusive and big box hotel groups will be next, copying the same technology. So it's no longer valid to say that luxury travel places a priority on personalization when the most mainstream, mass-market brands are leading the revolution around that. For now, the large brands have the scale to validate the technology spend required to deliver real-time personalization, which will eventually trickle down into the luxury arena.

Three, luxury hospitality is not about local or immersive or authentic travel experiences any more than any other budget segment. Social media, Airbnb, AFAR, and any number of other industry and social factors are responsible for the rabid mainstream consumer demand for deeper destinationspecific experiences. Furthermore, it's often travelers at the lower half of the budget spectrum seeking the most authentic local engagement.

That's not to say that the three overworked themes above are not relevant for luxury travelers — it's just that they're expected. They're table stakes, not differentiators.

Experienced hoteliers retort: "Differentiation is in the delivery." Maybe. Except, that's a razor-thin edge to try and separate one brand from another in today's luxury landscape, which is attempting to corral such a continually diversifying audience across an ever-widening sea of digital connectivity platforms. This report attempts to define what makes a luxury hospitality brand sticky in 2017.

2017 LUXURY TRAVEL TRENDS: MEANINGFULNESS, SIMPLICITY, AND TRANSFORMATION



Looking ahead, the three big macro trends gaining traction in luxury hospitality in 2017 are: meaningfulness, simplicity, and transformation. They are all related to travelers' psychographic drivers and emotional triggers, and as such, they are fluid. They morph easily into different contexts, cultures, and age brackets, providing a new way to define luxury in a shifting travel landscape and marketplace.

The growing emphasis on meaningfulness, simplicity, and transformation is a causal reaction to the cacophony of change and lack of stability in the outside world, and the inner isolation often created by our online social media echo chambers. High-end consumers are re-examining how they define value and purpose in an era where North America and Europe, especially, are growing more intolerant and divisive, while seemingly uncoupling themselves from their founding principles.

Fear of "the other" is rampant today, and festering worldwide, and communities are retrenching. Travel is, of course, one of the best salves for that narrow-mindedness, which is why so many travel brands are now marketing themselves even more emphatically as platforms for cross-cultural connectivity.

"Now, more than ever, it is important to understand different cultures," suggests Tina Edmundson, global brand officer for Marriott's luxury and lifestyle brands. "For me, the whole travel industry is based on the idea that people enrich their lives by seeing more than just their backyard."

Let's dig a little deeper into these 2017 luxury travel trends.

Meaningfulness relates to the adage that people don't just buy what a company sells, but why they sell it. Luxury travel and hospitality are wide open for disruption within this context, especially amid so much political, social, and economic upheaval, combined with the busyness and bluster of today's omni-channel noise and fake narratives. True and transparent meaning is equated with trust and believability. Trust is the new currency in travel, and reputation is the new credit score, but that's only the starting point. Consumers want more than just to trust a hotel brand. They want to align with a company's brand pillars, more consciously than before, that advocate for their priorities.

"We live in a world of content overload, where every day 500 million tweets, 4.3 billion Facebook messages, and 500 million hours of YouTube footage are sent, posted and uploaded," explains Yannick Bolloré, chairman of the Havas Group, in the company's 2017 Meaningful Brands Index. "In this world, only brands that form more meaningful connections with people will prosper. Brands need to know why people care, and what makes their brands meaningful."

Next, the desire for greater simplicity throughout the travel experience is based on growing demand for clarity and transparency in an increasingly complex and partisan world filled with divisive opinions and intractable debate. The pre-travel booking phase is also becoming as equally confusing and frustrating at times, with the weekly influx of new digital tools to search, review, and purchase every hour of the travel journey.

Jack Ezon, president of New York-based Ovation Vacations, produces a comprehensive luxury travel trends overview every year. For 2017, he writes: "We've been obsessed with words like 'experience,' 'authentic' and 'curated.' The word of 2017 will be: 'Simplicity.' We've made travel too complicated — too many options, too many channels, too many inconsistent prices. At a time when people are overwhelmed with apps, blogs, reviews, aggregator sites, social media channels, inconsistent news feeds, and endless options therein, people will revert to simple options. We are also in a time of so much fear and uncertainty — so much anxiety, that people are looking to simplify their lives and de-stress."

"

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– JACK EZON, PRESIDENT, OVATION VACATIONS

Undraa Buyannemekh, president of Nomadic Expeditions, adds, "More than ever, the greatest luxury is still the ability to get away from it all. In a world where we are constantly barraged by emails, texts, calls, and other disruptions, high-end travelers are seeking places where they can indulge in a digital detox."

Rounding out the big three trends in luxury hospitality emerging in 2017, transformative travel is the natural evolution of experiential travel.

Building on the themes of meaningfulness and simplicity, transformative travel relates to the internal journey that finds shape during the physical travel experience. It is wholly personal, and it can be as lofty or as basic as the individual traveler defines within his or her own context.

Some hotels might not provide a transformative experience that radically rewires guests' minds and bodies over the course of a weekend getaway. But they can certainly provide the online and offline platforms to help guests travel with intention and guide their progress along their personal journeys toward self-actualization.

"Transformational travel can be any travel experience that empowers people to make meaningful and lasting changes in their life," says Michael Bennett, co-founder of the Transformational Travel Collaborative.

"Whereas in the past, the mindset was, 'Let the mountains speak for themselves,' where travel was transformational in and of itself, and little needed to be done to facilitate self-discovery. Nowadays, we are finding more and more operators and accommodation providers bringing varying degrees of conscious design to the travel experience, with the intention of creating these life-changing moments and experiences for clients."

BUILDING BRAND LOVE TO DRIVE LONG-TERM CUSTOMER LOYALTY



According to academic researchers specializing in hospitality, "brand love" is not much different than human love.

Academics who specialize in the field of human relationships define love as the result of personal connections developed over time, based on lifestyle alignments that engender powerful emotional experiences and long-term loyalty. That's not very romantic, maybe, but the definition is important to understanding the science of consumer loyalty.

Considered a leading academic on the science of love, Cornell University human development professor Robert Sternberg developed the complementary "Triangular Theory of Love" and "Theory of Love as a Story" frameworks. Sternberg's research underpins a wealth of recent academic research exploring the fundamental human psychology equated with brand loyalty. Here is a brief overview of Sternberg's assertions:

Triangular Theory of Love: The triangular theory of love holds that love can be understood in terms of three components that together can be viewed as forming the vertices of a triangle: intimacy, passion, and decision/commitment. Each component manifests a different aspect of love. The triangle is used as a metaphor, rather than as a strict geometric model.

Theory of Love as a Story: Love triangles emanate from stories. Almost all of us are exposed to large numbers of diverse stories that convey different conceptions of how love can be understood. Some of these stories may be explicitly intended as love stories; others may have love stories embedded in the context of larger stories. Either way, we are provided with varied opportunities to observe multiple conceptions of what love can be. These stories may be observed by watching people in relationships, by watching media, or by reading fiction. It seems plausible, that as a result of our exposure to such stories, we form over time our own stories of what love is or should be.

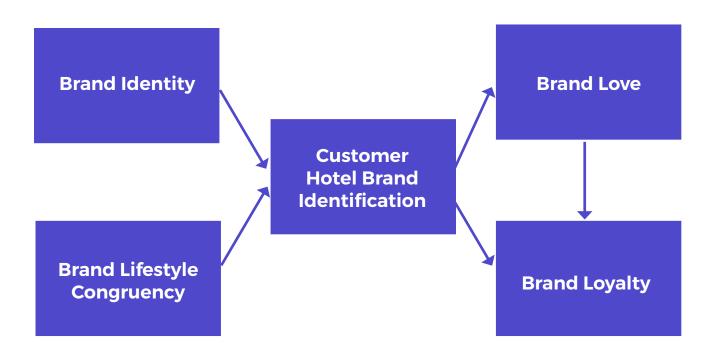
There are numerous academic papers in the field of hospitality that build on Sternberg's research, but one of the most recent and relevant for hotel executives today is: **"Exploring the Role of Brand Identification and Brand Love in Generating Higher Levels of Brand Loyalty** (2015)."

Produced by hospitality professors at the University of Petra in Jordan, the report provides one holistic model that integrates the concepts of brand identity, brand-lifestyle congruence, customer hotel brand identification, and brand love to deliver an actionable output to build brand loyalty.

The research states:

"The three indicators of love – passion, intimacy, and decision/commitment – are quite popular when conceptualizing consumer's love for brands.... [And] although there is a theoretically grounded agreement among researchers that perceived quality, perceived value, and satisfaction offer the best assessment of brand loyalty, the limitations of these constructs in explaining and predicting brand loyalty are widely acknowledged.

"Accordingly, several calls have been made to identify new mechanisms of brand loyalty, which may offer superior predictors relative to traditionally used marketing constructs. Such an issue becomes increasingly important in the hotel industry because of the fierce competition, low switching costs, and the increasing difficulties in finding ways to differentiate hotel products and services from competitors."



*Exploring the Role of Brand Identification and Brand Love in Generating Higher Levels of Brand Loyalty" University of Petra, Jordan (2015)

At the center of the report's methodology, Customer Hotel Brand Identification (CBHI) is based in social identity theory, stating that self-identity, self-esteem, and how people make sense of the world are enhanced by the groups they engage with, ranging from their online networks to the virtual "tribes" they belong to that patronize specific brands. In other words, people who buy Prada or Patagonia are including themselves in a community of like-minded people with similar tastes, and therefore, shared identities. CBHI refers to how customers make sense of a hotel brand's positioning and value in the world.

CBHI is defined by two things. The first is a hotel's brand identity, which satisfies consumers' symbolic needs more than their functional needs to help them filter options during the top-of-the-funnel research phase. The second is brand lifestyle congruency, which denotes a specific set of shared values, beliefs, aspirations, and attitudes toward life between the brand and consumer. CBHI is comparable to a job interview — it requires a range of factors to align before proceeding and ultimately moving forward.

CBHI, in turn, inspires varying degrees of brand love after a first encounter, ranging from curious and mildly interested to outright obsession. According to the University of Petra report, "Consumers usually associate a brand with human personality traits, which act as a basis for building a relationship with the brand. Thus, a consumer can form and develop a loving relationship with a brand, as if it was with another person."

Lastly, the level of brand love influences the degree of brand loyalty, which the report defines as: "a deeply held commitment to re-buy or re-patronize a preferred service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior."

The science of evaluating and understanding what motivates loyalty, however, is much more highly complex than that. In academia, there's behavioral loyalty (or, transactional loyalty) and attitudinal loyalty.

Behavioral loyalty is utilitarian and cognitive based. It lumps repeat customers into one group based on their repetitive behavior, often motivated by obligatory or semi-obligatory reasons, such as earning perks as a loyalty member or saving money based on discounts. Loyalty, in that case, is influenced by other factors than how a visitor personally feels about a travel product's image, brand, and unique visitor experience.

Attitudinal loyalty, meanwhile, is visceral, emotional, human. It's not logic-based. With attitudinal loyalty, the factors motivating travelers to return to a hotel or hotel brand over and over are manifold and difficult to empirically categorize. In which case, that kind of hotel loyalty can only be described as being a matter of degree that is fluid among different types of travelers in ways that are wholly personal to them.

Both behavioral and attitudinal loyalty are important to understand repeat purchase behavior, according to the research report published in the Tourism Review International journal: "Analyzing the Complex and Dynamic Nature of Brand Loyalty in the Hotel Industry (2013)."

The researchers from Lincoln University New Zealand state: "The attitudinal approach is criticized mainly for lacking a predicting power towards an actual purchase behavior, and overlooking an underlying element of purchasing habit and repetition. Therefore, both [attitudinal and behavioral] approaches are considered insufficient in explaining brand loyalty. Rather than solely using a behavioral or an attitudinal approach, researchers suggest a simultaneous consideration of a composite of both attitudinal and behavioral approaches in the measurement of brand loyalty."

The combination of attitudinal and behavioral loyalty is called conative loyalty, or composite loyalty, which in effect is how loyalty really plays out in both the hearts and minds of most loyal customers of any brand. However, academics suggest that attitudinal loyalty is more powerful.

"Loyalty is a very liquid concept," says Asli D.A. Tasci, professor at the Rosen College of Hospitality Management, University of Central Florida, who authored the report, "A Quest for Destination Loyalty." She explains, "The most significant finding of my research is that the best indicator of loyalty is not the actual past travel, or the potential future intention to visit either. People can travel somewhere repeatedly but they may not be loyal. That's behavioral loyalty. The best loyalty indicator is the attitudinal loyalty. That refers to how likely they are to talk about a hotel or destination to others, or recommend it in their social media." "

ALMOST ALL OF US ARE EXPOSED TO LARGE NUMBERS OF DIVERSE STORIES THAT CONVEY DIFFERENT CONCEPTIONS OF HOW LOVE CAN BE UNDERSTOOD.

77 – ROBERT STERNBERG, PROFESSOR OF HUMAN DEVELOPMENT, CORNELL UNIVERSITY

There is an obvious parallel then between attitudinal loyalty and the industry standard Net Promoter Score, which is calculated based on the single question: "How likely is it that you would recommend our company/product/service to a friend or colleague?"

Summing up the findings of the University of Petra report, the researchers conclude:

"The insights that the findings of the current research offer to brand managers are threefold. First, when a

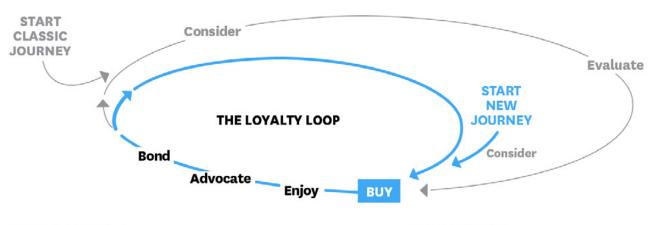
hotel wants to explore its brand identity, it needs to examine both internal and external factors. Internally, the hotel considers who it thinks the brand is, whereas, externally, the hotel considers the guest's view of who the brand is. Once the firm explores 'Who is the brand?', a logical next consideration relates to 'Who does the brand want to be?' Exploring the current brand identity leads to the formulation of brand-related objectives."

The report continues: "This in turn leads to the formulation of strategies of achieving those objectives. As the hotel becomes deeply analytical about the brand's identity, it increases guest identification with the hotel brand. The results of brand lifestyle congruence, brand identification, and brand love also indicate that guests are motivated to differentiate themselves through brand experiences, which need to be tailored and personalized to support the individuality, uniqueness, and distinctiveness of guests."

Therefore, based on the above intelligence, hotels are better able to build deeper relationships with their guests when their brand identity is more congruent with their target customers' lifestyle priorities, but that's only the beginning of the relationship. Lifestyle congruency just gets customers in the front door. It opens up the opportunity for a first, and maybe a second date.

Rather, long-term loyalty in the luxury leisure travel industry is directly impacted in a proportional relationship by heightened levels of brand love. That requires a deeper alignment with the consumer's psychographic makeup and their emotional triggers, beyond their lifestyle proclivities. As stated in the trends section, those triggers in 2017 in luxury hospitality are: meaningfulness, simplicity, and transformation. Hotels that align their identities with that have a better platform to develop "passion, intimacy, and decision/commitment" between their brands and their guests.

CUSTOMER LIFETIME VALUE: LOYALTY PIVOTS TOWARD THE LONG GAME



Streamlining the Decision Journey

CLASSIC JOURNEY

In the classic journey, consumers engage in an extended consideration and evaluation phase before either entering into the loyalty loop or proceeding into a new round of consideration and evaluation that may lead to the subsequent purchase of a different brand.

SOURCE DAVID C. EDELMAN AND MARC SINGER FROM "COMPETING ON CUSTOMER JOURNEYS," NOVEMBER 2015

NEW JOURNEY

The new journey compresses the consider step and shortens or entirely eliminates the evaluate step, delivering customers directly into the loyalty loop and locking them within it.

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The fundamental reason for building consumer loyalty is the recognition that each customer represents not just a single sale but potentially many sales over the course of his or her lifetime. Customer Lifetime Value is the holy grail for marketers in today's experience economy.

In fact, Virtuoso and other luxury travel advisor groups have launched training programs to help their members build long-term relationships with clients seeking multi-year travel consulting.

There's a growing focus across all business sectors on the theme of Customer Lifetime Value, because the data tools are now available to have a much more holistic overview of customers' purchasing patterns.

A Forbes article in August 2015 entitled, "Customer Lifetime Value - The Only Metric That Matters," expresses the topic succinctly. It reads:

"Customer Lifetime Value (LTV) is one of the most important metrics a business can have. As a measure of the amount of profit you can expect to generate from a customer over the entire time they do business with you, LTV tells you a lot. It lets you know who's in it for the long haul, and who's not; who's going to invest time, energy and money in your products and services for years to come; and who might just be fairweather. That's information you can use to decide how to allocate resources for marketing, customer retention and other areas so that you get the best possible return on those resources."

Hotel marketers are focusing more on how they can achieve higher levels of Customer Lifetime Value by developing better data and content marketing strategies to target specific consumer profiles. The next evolution of loyalty-building for brands focuses on engaging consumers along the entire customer journey with sophisticated "marketing orchestration," where every touch point is integrated into one narrative specific to the individual consumer from initial brand conception to purchase conversion.

MARKETING ORCHESTRATION IS 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.

- FORRESTER

"Marketing orchestration is the new black," explains Andy Kaufman, VP of digital marketing at Marriott.

Data is changing everything in travel today, in terms of how consumers engage with brands, because it facilitates the ability for everything to be measured, scored, rated, and ranked. Today we live in a digital platform economy, powered by data, creating a convergence of online and offline experiences in real time, which continually drive purchase decisions.

Therefore, because everything can be ranked online by customers, the global consumer industry is shifting from a product-centric approach to a service-centric approach – or customer-centric paradigm.

Buyers are now in control of brand reputation, and they have an infinite amount of options available to them in the travel marketplace via search and sharing.

However, according to "Competing on Customer Journeys" in the November 2015 issue of Harvard Business Review, brands can help shape that journey based on personalized data insights to drive competitive advantage. In fact, as suggested by the content below, the online experience is becoming as important as the offline experience for many consumers.

The story reads:

"The explosion of digital technologies over the past decade has created empowered consumers so expert in their use of tools and information that they can call the shots, hunting down what they want when they want it and getting it delivered to their doorsteps at a rock-bottom price. In response, retailers and service providers have scrambled to develop big data and analytics capabilities in order to understand their customers and wrest back control. For much of this time, companies have been reacting to customers, trying to anticipate their next moves and position themselves in shoppers' paths as they navigate the decision journey from consideration to purchase.

"Now, leveraging emerging technologies, processes, and organizational structures, companies are restoring the balance of power and creating new value for brands and buyers alike. Central to this shift is a fresh way of thinking: Rather than merely reacting to the journeys that consumers themselves devise, companies are shaping their paths, leading rather than following. Marketers are increasingly managing journeys as they would any product. Journeys are thus becoming central to the customer's experience of a brand — and as important as the products themselves in providing competitive advantage."

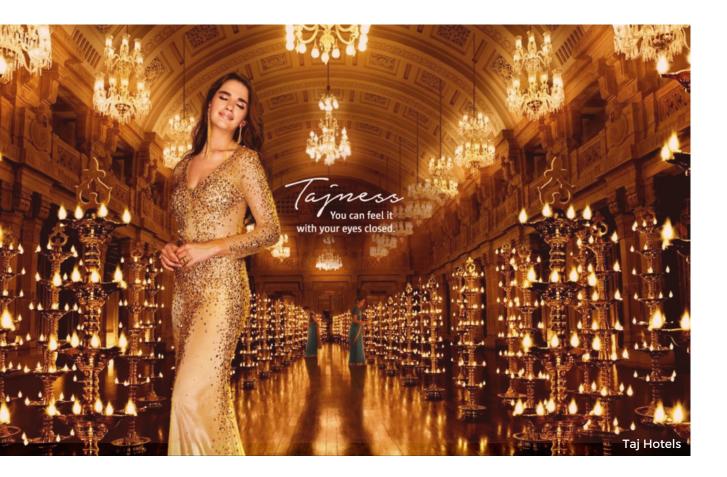
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MARKETERS ARE INCREASINGLY MANAGING JOURNEYS AS THEY WOULD ANY PRODUCT. JOURNEYS ARE THUS BECOMING CENTRAL TO THE CUSTOMER'S EXPERIENCE OF A BRAND — AND AS IMPORTANT AS THE PRODUCTS THEMSELVES IN PROVIDING COMPETITIVE ADVANTAGE.

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- HARVARD BUSINESS REVIEW

DEFINING LUXURY HOTEL BRAND IDENTITY IN 2017



Marriott International, Hilton Worldwide, AccorHotels, Taj Hotels, and Shangri-La Hotels provide a composite overview of how hospitality brands are redefining their luxury brand stories in an effort to connect with the next-generation of luxury travelers and develop higher levels of brand love.

Marriott International's Platform Approach to Luxury

Following its acquisition of Starwood in 2016, Marriott now has 30 hotel brands divided into separate market segments, including eight in the luxury tier: The Ritz-Carlton, The Ritz-Carlton Reserve, St. Regis, The Luxury Collection, Bvlgari, W Hotels, and EDITION.

Part of the motivation behind the merger for Marriott was capturing Starwood's SPG loyalty members. Also important, Marriott can now delineate each luxury brand more effectively with more nuanced messaging to engage more defined audiences. For example, instead of Marriott's Ritz-Carlton flag competing head-to-head against Starwood's St. Regis for the same customers, Marriott can now subtly differentiate the two brands for slightly different guest profiles. How Marriott refines each of its luxury brands' storytelling is the hotel group's priority in 2017. Marriott also now has a broader network of luxury partners across a wider swath of the globe to develop new partnerships with, and a wider lens to glean shifting consumer trends across more international borders.

The company's new upscale brand matrix can now be compared to a luxury consumer platform such as LVMH, which owns Dom Perignon, Veuve Clicquot, and Moët & Chandon. Those champagnes are all luxury products, but they each have a clearly unique brand story and brand audience. Therefore, Marriott has more flexibility to match more diverse product with more nuanced guest demands and expectations.

"When it comes to the luxury traveler today, and the future of luxury travel, we're seeing that they want what they want depending on their mood, so their desires are momentary," explains Edmundson. "The type of travel determines what types of luxury they're looking for, whether someone is attending a fashion show at London EDITION, or they're on a business trip at St. Regis New York. So having the benefit of all these amazing diverse brands gives us the ability to serve all of those different needs."

W Hotels will also have an interesting impact on the future of Marriott's luxury portfolio. The W brand has always led the push for more diversity, inclusivity, and tolerance in hospitality and travel, industry-wide. The nervy "Whatever/Whenever" service standard and the "New/Next" brand attitude resulted in attracting a more varied upscale clientele – globally, culturally, socially, and every other way – starting almost two decades ago.

"We try to actually avoid the word 'luxury," explains Anthony Ingham, global brand leader for W Hotels. "For W, luxury has many traditional connotations, and sets a bunch of expectations that we don't necessarily want to be burdened with. We prefer to say that 'W sits alongside luxury, not confined by it."

Therefore, suggests Ingham, as the rest of the hospitality industry is witnessing the luxury hotel guest segment splintering into dozens of sub-groups, they're looking at W for direction.

"Our guests are thinking differently in terms of their value for money when they're booking a W hotel, and they defy the rules of the way the traditional luxury consumer is characterized," he says. "What we're seeing is this sort of buying behavior among our luxury consumers for Prada and Pucci one minute, and Ikea and Zara the next minute, and mixing all of that stuff together. So this idea, which is perpetuated by the old-school luxury industry, that the luxury consumer drives a Bentley, wears a Rolex, and orders a suit from Savile Row, and lives entirely within the luxury ecosystem – that really is absolutely not true for a W luxury consumer."

Explaining how that will impact Marriott and other hotel groups in the luxury sector, Ingham continues, "When I look at what's happening with our business now for St. Regis, The Ritz-Carlton, and The Luxury Collection, this is a shift that is macro. So this will eventually be impacting all of the luxury brands in the consumer segment, and I think it's going to change how all hotel brands think about luxury."

AccorHotels' Strategy to Define Luxury Brand Identities

AccorHotels also significantly increased its luxury hotel portfolio last year when it acquired Fairmont Raffles Hotels International (FRHI). For Chris Cahill, CEO of the newly created AccorHotels Luxury Brands portfolio, his priority is to ensure the luxury and upper upscale brands maintain their unique identities in an increasingly crowded field of high-end product.

"We're trying to avoid any type of brand creep or brand leak across Accor's inventory to keep them very distinct," Cahill says. "So it's about tightening up the consumer messaging. The core of it, and I don't care if they're millennials or baby boomers, because I'm not sure I see a lot of difference anymore in terms of their psychographics, is individual recognition. Recognition is not about throwing a bunch of stuff at them. It's about knowing who they are."

That drive toward mass personalization to build loyalty is a priority for every legacy hotel brand leader. Cahill said Accor already personalizes the room experience for high-value members based on their profile, so the next wave of personalization needs to extend beyond the physical hotel experience into the local community.

Cahill, however, acknowledges that there's still a certain amount of training and technology that the hotels have to develop to deliver that effectively and consistently. The actual process of collecting the data to better understand the personal preferences of every guest who walks through the door is not necessarily the biggest challenge. The thing that keeps luxury hoteliers awake at night is figuring out how to ensure that service staff act on that data, and that they do so without being too intrusive.

"Personalization and customization based on your passions is really the holy grail," Cahill explains. "So when you check-in, and we know you love Cuban food, we want to be able to say, 'By the way, there's a great Cuban restaurant up the street that just opened.' It's all about offering things in the destination that you want that you don't know about."

Hilton Worldwide Delineates Conrad and Waldorf Astoria

For years, there was some confusion about what differentiated Hilton Worldwide's two luxury flagships – Conrad Hotels & Resorts and Waldorf Astoria Hotels & Resorts – until late 2015 when the company developed new brand stories for each.

Conrad was positioned as "Smart Luxury," emphasizing "self-improvement and actualization by exploring local culture and meeting local people to expand global perspectives." To deliver on that, Hilton created the Conrad 1/3/5 platform, which provides suggested travel itineraries in the hotels' local communities for 1-, 3- and 5-hour time frames.

"Today, you have to stand for something," suggests Stuart Foster, VP, global marketing at Hilton. "If you're just a pretty hotel with great design, an amazing bed, great food and beverage, then you might as well take Conrad Hotels off the front of the building and just be X Hotel, and some people have chosen to do that." Waldorf Astoria is now tagged as "Unforgettable Experiences" for hotel-centric stays in landmark properties, for customers who want to feel "rich in life" (versus just rich), packaged with a wide variety of exclusive curated tours.

In late 2016, Hilton began posting 1/3/5 content on the @conradhotels Instagram channel, including video, depicting colorful scenes celebrating local culture. The profile header atop Conrad's Instagram page includes Curalate's Like2Buy application that directs users to a page with all of the photos, with each one linking to its respective 1/3/5 story. The end-goal is to codify the use of hyper-local social media.

"We're not going to tell you how to visit the World Trade Center, because you can figure that out yourself," says Fosters. "But maybe you want to visit Tokyo's Tsukiji fish market to watch the fish auction. We're going to show you how you can curate a whole experience around that."

Taj Hotels Expresses its 'Tajness'

Taj Hotels, Resorts & Palaces launched the "Tajness" microsite in August 2016 specifically to try to rise above the luxury hospitality din promoting local experiences and personalized service.

"Tajness" is a spirit of hospitality cultivated over centuries," explains Chinmai Sharma, chief revenue officer at Taj Hotels. "Tajness is a brand and service philosophy. Luxury becomes real when it has a legacy, and the Taj is built on legacy. Since we've been in the market for over 100 years, in essence, Tajness refers to some of the experiences inspired by generations of Indian hospitality and heritage."

The Tajness campaign succeed in defining a luxury hotel culture with a consumer-facing message that's clearly defined and directly communicated. The comprehensive microsite is part of the company's new brand.com website, which Sharma says now has over 10,000 pages. Many of those pages are dedicated to new destination content, some of which was created by Lonely Planet, divided into various editorial sections labeled as: Nobility, Pioneering Spirit, Sincere Care, Homage to Local Culture, Sensorial Journeys, and Authenticity.

There's also a 360/VR video section where Taj shows Tajness in action. One example includes a royal processional horseback parade escorting arriving guests to a hotel's port-cochere, where a bevy of dancers are waiting to greet them with traditional Indian performances.

"The way Tajness manifests itself for guests is how they will go through the experiences at the hotels customized to each location, so you'll see, for example, very distinct features in terms of the arrival and warm welcome," says Sharma. "We're trying to make sure that translates to all of the hotels and services we provide around the world."

Attempting to evoke the spirit of Tajness outside India at a hotel like The Pierre New York or Taj Cape Town is something that's going to require a certain amount of extended vigilance. That said, the launch of Tajness does succeed in giving the brand a due north worldwide.

Shangri-La Hotels Explains What #LoyaltyIs

Shangri-La Hotels & Resorts asked its guests in 2016 to submit user-generated content explaining their feelings about loyalty. The company's "#LoyaltyIs" brand campaign and microsite first kicked off with videos of five cultural influencers discussing their attachment to specific cities from Paris to Hong Kong. Their stories are more pointedly about their personal and professional evolution in each of the cities, rather than the Shangri-La properties in those destinations.

Then Shangri-La launched additional videos profiling long-term employees and repeat guests who shared their views about the importance of loyalty. One of them is Edward Wa, who has worked as a lobby ambassador at the Kowloon Shangri-La, Hong Kong for 35 years.

"I have to say watching that video gives me goose-pimples and makes my eyes water because he's still working for us, and I know him well," says Barbara Pang, SVP, sales & marketing at Shangri-La Hotels. "It's a very emotional video and it brings out the human side of travel, and that's how we're connecting with our customers, by sharing that content."

With those initial videos in place, the hotel group then launched the #Loyaltyls Contest late last year, asking guests to share their feelings about loyalty in general. Guests like Tuyan Richelle, who got married at Shangri-La Mactan Resort & Spa in the Philippines, wrote: "#Loyaltyls choosing to love someone you promised your whole being to. It's not based on feelings, it's a choice."

"It's really interesting to see how the five influencers looked at loyalty differently because they come from different cultural backgrounds," said Pang. "They also really inspired people entering the contest to put in a lot of quality content."

Park Hyatt: Luxury is About Access

From Philippe Roux-Dessarps, VP of global brands for Park Hyatt and Andaz:

"For the Park Hyatt and Andaz brands, luxury is all about accessibility. Our research shows us that guests today really don't want that white-glove, master-servant type of service. Instead, luxury is all about unlocking a more personal and less formal experience, all while still delivering a high-quality experience. Guests have an incredible sense of curiosity, and we feel that our luxury experience today should help unlock that curiosity in new and exciting ways. For example, our Masters of Food & Wine program at Park Hyatt Hotels around the world lets guests be a part of the process. It provides them with access to the very best purveyors, artisans, and craftsmen, and it gives them an inside look at the process behind the development of amazing experiences. For example, our upcoming Masters class in Ningbo is all about discovering green tea and working with a local expert to pick, select and taste different green teas. To us, giving authentic accessibility to our guests is what creates a true luxury experience."

THE SHIFT FROM THE EXPERIENCE ECONOMY TO THE TRANSFORMATION ECONOMY



Joe Pine and James Gilmore co-authored "Welcome to the Experience Economy" in Harvard Business Review in 1998, which they followed up in 1999 with the bestselling book, "The Experience Economy."

Their central theme emphasized that businesses have to provide memorable events to engage the next generation consumer effectively, whereby the memory becomes an embedded part of the product or service delivery. That sparked the birth of modern customer experience management, and it ushered in a tidal wave of mainstream marketing that repositioned everything as experiences.

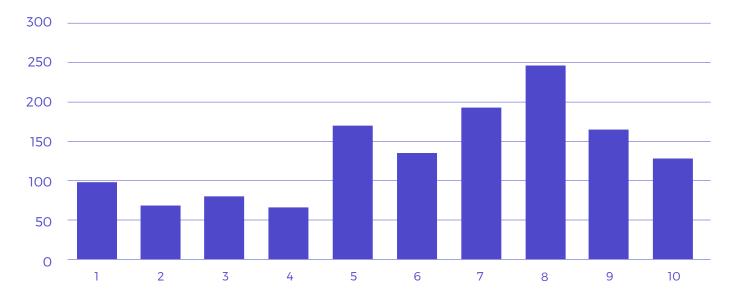
Millennial travelers were among the first to look sideways at packaged travel and generic destinations suffering under the weight of overtourism and gentrification. For them, experiential travel requires a certain element of exploration, discovery, spontaneity, and activity. That focus continues to evolve across the travel landscape today with more innovative experiences like Airbnb's new Trips platform, where travelers can now buy customized tours on the P2P platform.

With so much emphasis on experiential travel over the last 15 years, that has now created a marketplace offering every kind of imaginable experience to match every kind of traveler, and the bulk of it can generally be found easily online.

Today, you can book a cooking class in a stranger's home on the other side of the world from the comfort of your kitchen table. Meaning, experiential travel has become a commodity, to varying degrees, and anything that becomes a commodity is open for disruption.

Pine suggests that the next logical evolution of the Experience Economy is the Transformation Economy, which applies especially to travel.

"We're now going beyond the Experience Economy to what people are calling the 'Transformation Economy,' where an experience changes us in some way during a particular moment in time," he suggests. "When you can easily design the experience to be so appropriate for a particular person, and exactly the experience that they need at a particular moment in time, then it becomes easier to deliver a life-transforming experience. That's an experience that changes us in some way. That's the transformation in the travel industry right now. We're now using experiences as the raw material to guide people to change and evolve."



On a scale of 1-10, how much importance do you place on transformative travel experiences? (10 = most important)

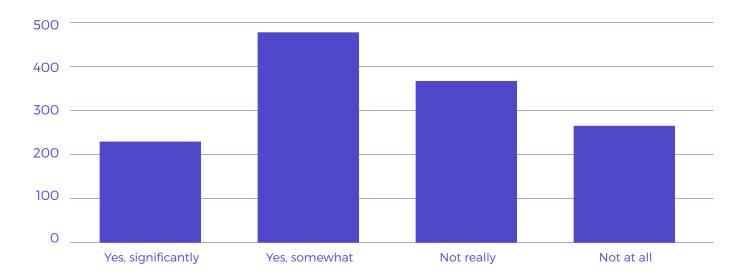
Skift Research: 54.3 percent of respondents ranked the importance of transformative travel experiences at least 7 out of 10 or higher. (Responses = 1,351)

A story in *Vogue* in February claimed: "Transformative Travel Will Be the Travel Trend of 2017." Although not invested in travel industry research, the publication does understand consumer sentiment.

The author writes, "Industry leaders are saying that 'transformational travel' is the next evolution. It has similar elements of experiential travel, but taken a step further — it's travel motivated and defined by a shift in perspective, self-reflection, and development."

Critics are eager to point out that personal transformation has always been inherent in travel. They argue that the transformative travel trend is more marketing-speak than anything else, forcing the theme upon an unwitting public eager for the next new thing. That's entirely valid. The danger here is that there will be no shortage of brands adopting the transformative travel narrative, without integrating any real opportunities for personal enrichment into their products and programming beyond the norm — just like hotel companies have been accused of greenwashing their sustainability messaging.

"I can see that, and that's why I haven't made a big deal about transformative travel yet," says Pine. "People ask, 'When are you going to write a book on the transformation economy?' I say, 'Well, the world isn't ready for it yet.' It is a very intimidating word, but it is in fact what people are just naturally increasingly looking for, because people are always looking for things that affect them in some new way."



Has the value that you place on transformative travel experience for you and/or your family increased during the last 3-5 years?

Skift Research: 52.8 percent of respondents say the value of transformative travel for them has increased in the last 3-5 years. (Responses = 1,351)

The root of the transformative travel theme is found in Joseph Campbell's "Hero's Journey," which defines how all cultures throughout history have shared a common story revolving around personal growth and transformation by exploring beyond the boundaries of home.

A more modern interpretation is Maslow's Hierarchy of Needs, which also has a direct correlation with why people desire to travel. Traditionally, luxury hospitality has always marketed to audiences primarily in relation to the second level of Maslow's pyramid – "Esteem" – prioritizing prestige, status, feelings of self-worth, peer respect, etc. Since the dawn of tourism, luxury hotel brands have delivered on that, and it was enough to satisfy most high-end travelers.

Because of rising competition in the luxury hospitality sector, brands are now percolating toward the top level of Maslow's pyramid – "Self-actualization" – referring to achieving one's aspirational desires beyond status symbols and outward appearances.

"The Transformation Economy isn't pitted against the Experience Economy, it is the natural evolution of it, borne out of the increasing desire of the consumer to satisfy the highest tier of Maslow's Hierarchy of Needs: self-actualization," says Claudia Roth, founder and managing director of the London-based Soul Luxury consultancy firm.

"In the Experience Economy, businesses and brands curate memorable encounters, thus the experience becomes the product. In the Transformation Economy, consumers are seeking more than mere experience. They crave something meaningful to which they can connect on the most personal level, and in doing so, undergo an actual sense of transformation."

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IN THE EXPERIENCE ECONOMY, BUSINESSES AND BRANDS CURATE MEMORABLE ENCOUNTERS, THUS THE EXPERIENCE BECOMES THE PRODUCT. IN THE TRANSFORMATION ECONOMY, CONSUMERS ARE SEEKING MORE THAN MERE EXPERIENCE. THEY CRAVE SOMETHING MEANINGFUL TO WHICH THEY CAN CONNECT ON THE MOST PERSONAL LEVEL, AND IN DOING SO, UNDERGO AN ACTUAL SENSE OF TRANSFORMATION.

- CLAUDIA ROTH, FOUNDER, SOUL LUXURY

CODIFYING THE TRANSFORMATIVE TRAVEL INDUSTRY



Here's a little context around the rise of transformative travel in 2017.

AFAR Magazine launched in 2009 with its entire brand based on the rise of experiential travel. Prior to that, the experiential travel theme was more of a niche for adventure travelers, and yet less than a decade later, it's commonplace across every sector. The idea of experiential luxury cruising, for example, doesn't raise eyebrows. A decade before AFAR, however, no one talked about experiential travel. It was called "backpacking." Today. the Transformational Travel Collaborative (TTC) advocates for traveling with intention to enrich one's personal identity with meaning and purpose, which its founders say will also be considered obvious and commonplace one day. And once again, the adventure travel industry is leading the trend. The Adventure Travel Trade Association published new research this year in collaboration with *Outside*, providing data on a survey exploring the motivations for adventure travel.

"Transformation" ranked number one. Interestingly, "unique experiences" was last. Moreover, "fun and thrills," which used to define adventure travel, scored in the bottom third behind themes that wouldn't have necessarily characterized adventure travel in the past, such as "mental health."

"Transformative travel, which is an ancient style of traveling, is going to slow down the growing alt-right nationalism that is bubbling up to the surface today," says Jake Haupert, one of four cofounders of TTC, and operator of Seattle-based Evergreen Escapes. "Those individuals lack empathy, but not for their family, and not for their neighbors, but for those who they haven't met yet. Travel, at its purest, inspires empathy and stewardship. Those two traits are what the world needs today."

Haupert is presently working with Gordon Hempton, The SoundTracker, who located what he calls the "One Square Inch of Silence in North America" in Olympic National Park in Washington state. While silence is anecdotally understood to inspire personal reflection, mindfulness, and calm, Haupert's goal is to empirically define and measure everything. He says, "We're asking Hempton to go into specific lodges and listen, if you will, to the silence, study it, and provide feedback with the goal of identifying the quietest lodges."

Michael Bennett, another co-founder of TTC, wrote his doctoral dissertation on transformational travel. The organization is leveraging his research to bring structure and scientific rigor to TTC's travel products and educational services offered by its network of travel operator partners. That academic foundation is informing the development of an online/offline "Hero's Journal" platform scheduled to launch in April 2017. It's designed so both individual travelers and groups can state their intended travel goals before their journey, track their progress during the travel experience, and then review and share their learnings afterward.

The Journal will be linked to TTC's growing body of research that categorizes various transformative travel goals, inspired by Joseph Campbell's work, including: The Call to Adventure, Being Open to Experience, Entering the Zone Unknown, Challenging Experiences, Meaningful Interactions, Reconnection to Self, and Taking Action. The wide spectrum of those goals allows customers to plug into the various themes that resonate with them the most, providing an easy way to customize the purpose of travel to the individual.

"Everyone faces existential questions in the course of their lives," says Bennett. "Travel takes us to literal forks in the road that help us wrestle and ultimately reckon with the direction we want our lives to go. Transformational travel can be any travel experience that empowers people to make meaningful and lasting changes in their life. When people are called to set forth on their own Hero's Journey – and travel with intention, mindfulness, a sense of openness to embrace the unknown and push beyond the limits of their comfort zones – they are bound to have life-changing experiences."

The Travel Industry Defines the Meaning of Travel in 2017

Skift reached out to a number of travel industry leaders for insight into the future of luxury travel through the lens of meaningfulness, simplicity, and transformation:



Matthew Upchurch, CEO, Virtuoso: "Eric McNulty, who is the director of research for Harvard's National Preparedness Leadership Initiative, was a guest presenter at our Symposium last year. He spoke about global "VUCA," which stands for Volatile, Uncertain, Complex, and Ambiguous. VUCA reflects the uncontrollable nature of world events that can impact daily life as well as travel and tourism. McNulty shared the disruptions and challenges facing the world such as climate change and urbanization, and the need for organizations to think like media companies when sharing information with clients. The solution, he said, comes with leadership, noting that those who are adaptive and run on principles over protocol, who are resilient with the ability to bounce forward not back, and those trusted within their field, will prosper.

"The transformative power of travel is palpable, and never has it been more important and needed, especially as it relates to children. September 11 was an inflection point. People who intellectually knew the power and greater importance of travel started to plan their travels differently, and it changed the advisor-client relationship because the advisor was no longer reactionary. Their role became to assist families by planning with purpose. The world is – and will continue – going through turmoil. The U.S. is feeling polarized due to our political climate, as is the E.U. due to the United Kingdom withdrawing via Brexit, and many other countries are still feeling the effects of terrorism. In a way, we are depending on future generations to further evolve and fix these issues. Travel helps turn them into global citizens by exposing them to different people, cultures, religious beliefs, and ways of life."



Tina Edmundson, global brand leader, Marriott: "I grew up in Mumbai and travel has always been in my blood, so I simply can't imagine another way to live life. There are a lot of trends that our brands and hotels lean into, from wellbeing and mindfulness offerings, to providing access to the destination like only locals can. With all of the distractions and unpredictability of travel, and today's overscheduled and always-on culture, travelers are evolving to incorporate smaller transformative moments into their travel. We are seeing people around the world regain control of their time and routine, and realign their priorities to put their well-being first. Baby boomer business leaders and twenty-something socials are talking about getting a better night's sleep in an effort to be more creative, more centered, and more productive. Honeymooners are seeking high-octane activities from heli-skiing to kite-surfing, and millennials are approaching mindfulness with a fresh, more communal mentality."



John Hitchcox, COO, Yoo Hotels & Resorts: "Luxury travel will become a much more personal experience. Travel experiences within the luxury sector will be measured by personal value. The times where the luxury traveler needed to visit the most exotic destination or most expensive local restaurant to have a fulfilled holiday are gone. Exotic destinations will still be of interest but the deciding factor will be the potential result in personal change and transformation, with so much choice on offer within the luxury sector. Sustainable travel and personalization will be crucial factors within this development. to learn and reflect, and in turn, change your life at home for the better of the community, environment and yourself.

"Transformative travel also results in a much deeper, personal attachment to the destination, or hotel or resort. Emotional attachments lead to much higher consumer engagement, even after guests have returned home. Many long to return as the hotel and destination is linked to the feeling of personal growth for the individual. In this context of transformative travel, online and offline convergence is more important than ever. True change and personal growth can only occur in a consistent environment, where people walk the talk. If online presence and offline experience don't match, consumer engagement and the long-term business will suffer."



Melanie Brandman, CEO, Brandman Agency: "Just offering beautiful interiors and luxury amenities, in a classical sense, won't cut it for today's savvy luxury traveler. Part of the shift toward transformative travel has to do with the rise of affluent millennial travelers who see travel as a necessary way to understand the world and shape their worldviews through meaningful experiences. But there's also a shift in targeting a psychographic versus a demographic. There used to be a time when hotels honed in on their target age group, whereas now it's about focusing on the type of lifestyle travelers lead, and carving programming to fit their interests, whether it's comprehensive wellness programming, contemporary art, etc. 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.



Lynn Cutter, EVP of Travel, National Geographic Partners: "We're seeing travelers integrate their leisure pursuits and their passions and their purpose more, which is why someone would travel by floatplane or ski plane to the remote edge of Hudson Bay to stay in one of our lodges in the Canadian Arctic. It's the unique chance to observe polar bears in the wild and in the company of naturalists affiliated with an organization with a mission."



Hans Pfister, president and co-founder, Cayuga Collection: "Time continues to be an important part of luxury travel – as in don't waste my time – so hotels need to ensure that interactions are meaningful. Present me with thoughtful design that is functional and beautiful. Provide me service that anticipates my needs, and helps me to connect with the local culture. Teach me something new that perhaps opens up a new world or helps me become a better person. Brands that are doing luxury travel well are frictionless, and they're helping me to infuse meaning into my life by leaving a positive impact. Luxury brands are not only providing guests with transformative experiences, they are helping their guests be more transformational travelers, while positively transforming the destinations they are experiencing."

Bob Shevlin, co-owner, UXUA Casa Hotel & Spa, Trancoso, Brazil: "Emotional impact is at the heart of the next evolution of luxury travel. It doesn't matter what experience is being delivered — no matter how elaborate or carefully structured — if it doesn't give a real emotional impact to a traveler, and doesn't provoke feelings of empathy and a sense that one has gotten an insight into humanity and the world that wouldn't be gained without being there at that place and time. There's just less and less reason in modern society to even leave home. Entertainment options, access to information, and comfort are just so amazingly high in the home today, and most destinations feel so homogeneous. To keep people traveling really demands satisfying something primal, like the search for emotion, connection, and understanding."



Claudia Roth, founder and managing director, Soul Luxury: "The world is changing. Global consciousness is rising. Consumer behavior has shifted. Brands who only offer superficial satisfaction will flounder, while brands and hotels that adjust in line with this evolutionary shift and offer enriching product experiences that resonate with their customers' inner values will flourish. Hotels must realize that they are selling more than a product. They are the enablers for something bigger, the catalyst for something profound. We are shifting from the Experience Economy to the Transformation Economy where a kind of 'better me' is the product."



Anna Pollock, founder, Conscious Travel: "A transformational trip is one in which the traveler experiences an inner shift in perception, or a significant change in their state of being that the individual deems as life changing. It is utterly personal and priceless, and like beauty it's defined by the beholder. They may see the world and their part in it differently or may feel greater clarity, peace, freedom, hope, etc. For some it may be a sense of mastery that comes from trying something completely new, or a deep sense of connectedness that replaces a feeling of loneliness or separation. For others, it's about deeper insights into their personal purpose."



Jonny Bealby, founder and managing director, Wild Frontiers Adventure

Travel: "One particular experience in a far-off place can make people question what they think they know about the world and themselves. When I take travelers to Pakistan, or any place in what's considered the edgy Islamic world, people often go in with one idea. More often than not, they come out with another. They find it humbling. It makes them question their own sense of knowledge about the world that has come from years of preconceived ideas of what we get fed, which in reality is a far cry from what life is like in the rest of the world. I took a Jewish guy from New York who wrote for "The Simpsons" to the Hindu Kush to meet a pagan shepherd who slaughtered goats. What do they have in common? Turns out, everything. All those notions and ideas fall away, and all that's left is for two people to connect. That's what travel is all about. That's transformation."

More from the Transformational Travel Collective:



Jake Haupert, co-founder: "Do we want our children to travel with eyes wide shut or eyes wide open? Instilling the art of intentional, open-minded travel is something that we need to be teaching our children from the moment they start taking their explorations outside. In an age of digital addiction, relentless chaos, and the subsequent impact on a child's imagination, it makes it that much more critical to make sure children see, do, and experience as much as possible, from human interaction to exploring the nearby city or countryside, just as long as it's different. Our children need to develop a sense of empathy, tolerance, and gratitude that I believe can only be found through personal, open-minded, often challenging exploration. The results of this kind of immersion are far reaching, from a more developed sense of self to improved social skills and a genuine connection to not only their home, but to faraway places. When this is instilled in them, eyes and hearts open up, imagination blossoms. It's travel that pushes a child into a globally conscious citizen."

BRINGING DEEPER MEANING TO FAMILY AND MULTI-GENERATIONAL TRAVEL



For parents planning family and multi-generational luxury vacations, it's no longer about finding a program in which to park the kids while the parents venture off on their own.

With quality family time diminishing, and/or being swallowed up by school and other endless obligations, luxury hotels and travel companies are helping parents and children rediscover the magic of togetherness through more meaningful and sophisticated family programs.

There's a growing consciousness in family-friendly luxury hotels about the value of returning some of the freedom, independence, and challenges that are disappearing from modern childhood. Kids are craving the freedom to run around and make decisions without parental hovering, freedom to engage with the local community safe from harm, and the thrill of accomplishing something difficult. Therefore, brands are engaging kids' curiosity in a non-school environment to spark a lifelong love of learning, while other brands recognize that couples are having children at a later age, who have already experienced a taste of luxury travel. Now with children, they are loath to give up a luxury lifestyle, so properties are expanding their children's amenities so mom and dad can get some of the pampering they deserve.

"It is all about personalizing the experience at the high-end – because a luxury moment for you may not be the same for me – but in general we see that parents want to truly connect with their kids during a vacation in meaningful ways," says Edmundson. "So we try to offer the best for both, like an outdoor cinema next to a glamorous bar at sunset, or a kids' club close to the beach so that parents can more easily spend time with their children during the day without getting too far away from their lounger."

Stacy Small, founder and CEO of Elite Travel International, adds, "It's also less about wanting a hotel kids' clubs onsite and more about asking us to pre-arrange private activities for the entire family to enjoy. Families are also traveling with their kids and their kids' friends more, so everyone can enjoy these experiences together. We see this a lot lately, especially to Hawaii."

Virtuoso, meanwhile, launched its "Journey to Global Citizenship" program to develop a structure of thought leadership focusing on educating children through travel. The emphasis focuses on exposing children to other people, cultures, languages, and cuisine in a safe environment, and showing them what exists beyond their own neighborhood.

"With travel comes tolerance, and an understanding and appreciation for the different," says Upchurch. "Oftentimes travel will enhance what they're studying in school, or sometimes it's a way for grandparents to bring the entire family closer together, and further instill family values. In either case, the end effect is that children become more aware of their place in the world while developing a better understanding of others, which will ultimately give them an advantage throughout life."

Parents Want More Appreciation and ROT (Return on Time)

Brian Pentek is a luxury travel advisor with Travel Associates in Chicago, who says multigenerational travel continues to be one of the biggest growth areas in the industry. In the spring of 2017, he organized a \$150,000 customized vacation for four families traveling together with their children and their children's' friends ranging in age from 6-19. The itinerary included Rome and Tuscany, and then South Africa where they did a safari and volunteered in an orphanage.

Pentek says parents are demanding more active travel experiences than ever before, "because no one goes on a family vacation just to sit on the beach anymore." Also, his clients are prioritizing vacation experiences where the children are immersed in the local culture so they have some appreciation of their place in the world. Mostly, he says, parents just want their kids to understand how lucky they are to travel and stay in upscale accommodations.

"I can't tell you how many parents I speak to that say: 'I don't even know why we're doing this because the kids won't appreciate it. We're spending \$50,000 on this trip, and they have no idea how hard we worked for this,'" Pentek explains. "With everything going crazy in the world, maybe that's where some of this is coming from. I think parents are just sick of throwing money at a trip when the kids aren't getting anything out of it."

Lawrence Horwitz, executive director of Historic Hotels of America, explains that both his organization and families are extremely conscious of ROT – Return on Time. Parents having to wait seemingly endlessly for anything while their kids start going sideways has unraveled more vacation days than anything else.

"Time is a precious commodity, so we are supremely conscious of ROT for the family," he says. "We ask ourselves: Are activities readily available or do families have to wait?"

In recent years, Horwitz has seen a growing demand from parents for more educational programs for children. At the Hermitage in Nashville, for example, Historic Hotels partnered with Land Trust of Tennessee to carve out a dedicated 15 acre-plot with crops grown more than 150 years ago.

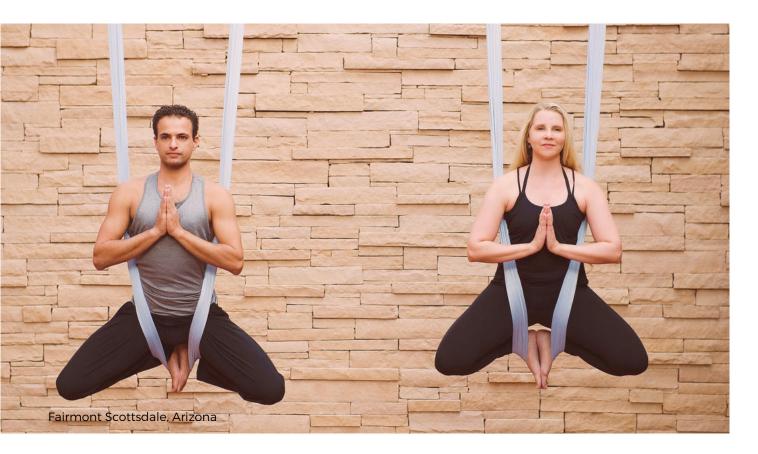
"Families can go out, pick what's in season, and consume the food that same day," says Horwitz. "It's much more than farm-to-fork. It's about connecting with the past and with nature, and learning about the food chain in a way kids will never forget. For families, the hotel experience becomes part of your memories. But what's beyond experience? It's enrichment."

"

I CAN'T TELL YOU HOW MANY PARENTS I SPEAK TO THAT SAY: 'I DON'T EVEN KNOW WHY WE'RE DOING THIS BECAUSE THE KIDS WON'T APPRECIATE IT. WE'RE SPENDING \$50,000 ON THIS TRIP, AND THEY HAVE NO IDEA HOW HARD WE WORKED FOR THIS'.... I THINK PARENTS ARE JUST SICK OF THROWING MONEY AT A TRIP WHEN THE KIDS AREN'T GETTING ANYTHING OUT OF IT.

- BRIAN PENTEK, TRAVEL ADVISOR, TRAVEL ASSOCIATES

WELLNESS AS A LIFESTYLE CHOICE Is now mainstream



Wellness is now mainstream in luxury hospitality. Travel marketing firm MMGY Global launched a survey in 2016 stating that premium health facilities with on/off-site fitness classes influences hotel purchase decisions for more than 50 percent of millennials. Only a third of GenX and less than a quarter of baby boomers responded similarly.

Likewise, an American Express Travel 2016 survey shows that 49 percent of millennials think onsite gyms are one of the most important hotel amenities, and the American Hotel and Lodging Association reported last year that 85 percent of hotels have fitness facilities today, up from 63 percent in 2004.

Also supporting the rise of wellness as a more mainstream lifestyle priority, athleisure is a major fashion trend and artificial intelligence-powered wearables with health-tracking analytics are an everyday physical extension of the body. However, surprisingly, "FitTech" is hitting a lot of roadblocks these days, which was supposed to revolutionize hotel health and fitness strategy. Clinical studies show results of fitness wearables are underwhelming, and actually antiproductive at times.

In a two-year University of Pittsburgh research trial, "Effect of Wearable Technology Combined With a Lifestyle Intervention on Long-term Weight Loss," test subjects were separated between those using wearables and those provided with traditional weight management strategy.

The conclusion reads: "Among young adults with a BMI between 25 and less than 40, the addition of a wearable technology device to a standard behavioral intervention resulted in less weight loss over 24 months. Devices that monitor and provide feedback on physical activity may not offer an advantage over standard behavioral weight loss approaches."

Instead of tech, according to Jack Ezon, president of Ovation Vacations in New York, "Hotels seeking to differentiate themselves in the burgeoning wellness space are signing lucrative partnerships with leading wellness partners":

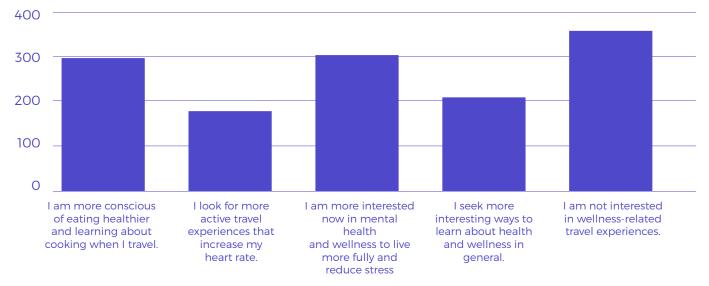
- Lululemon and Shangri-La Hotel, Toronto collaborated together on the development of an original yoga video with Lululemon ambassador Amber Joliat. Guests can access the video on the Shangri-La's guestroom TV's and iPads, while practicing yoga in the privacy of their rooms on Lululemon yoga mats.
- Mandarin Oriental Hotels and The Mayo Clinic launched a series of Healthy Living Programs at properties including Mandarin Oriental, Washington DC and Mandarin Oriental, Bodrum in Turkey. The programs marry Mandarin Oriental's spa facilities with The Mayo Clinic's restorative therapies, with packages ranging from 1-5 days.
- Park Hyatt New York partnered with the popular MNDFL meditation studio to develop a series of private and semi-private guided meditation sessions, hosted in dedicated meditation spaces within Spa Nalai. More recently, Park Hyatt Hotels partnered with Dr. Frank Lipman to incorporate his Be Well brand into its programming and products.

Global Wellness Summit Report

In 2017, the Global Wellness Summit's annual trend report proposed eight shifts in the wellness marketplace, ranging from a greater emphasis on mental health to the rise of zero-sound spas like the new Therme Laa Hotel & Silent Spa in Austria. The report reads: "Mental wellness will be the biggest future trend, period, from wellness destinations and spas bringing in neuroscientists and psychotherapists to meditation becoming seriously mainstream."

Undraa Buyannemekh, president of Nomadic Expeditions and Three Camel Lodge in Mongolia, adds, "While massages and body treatments do wonders for the body, they do very little for long-term spiritual well-being, so Three Camel Lodge is offering guided meditation sessions."

In Miami, Acqualina Hotel & Spa launched a new monthly Health and Wellness Series with events like "Mark Oliver's Simple Techniques to Quiet the Mind." The session is promoted as: "When the mind stops spinning we find ourselves in the present moment. We long for moments of calm serenity. Bliss and happiness seem elusive, but there are some very simple actions we can perform to calm the mind."



How have your feelings about wellness-related travel experiences changed the most in the last 3-5 years?

Skift Research: 74.6 percent of respondents report a growing interest in wellness-related travel experiences, with the most overall interest in mental health wellness. (Responses = 1,351)

Seeing the growing demand for more advanced mental wellness and life coaching, luxury hotels are developing multi-day packages incorporating traditional spa experiences and psychology-themed sessions. According to Ezon, this is opening up a new travel niche he calls: "Fitcations."

"Fitcations are vacations people take to get themselves in shape, often with friends, and they are one of our fastest growing initiatives," he explains. "People are starting to make decisions on where to stay based on their food and fitness options. The emergence of Fitcations are a phenomenon that grew about 15 percent in the past two years. We have done full buy-outs of bootcamps like the Ranch at Live Oak [in Malibu, California], and in addition to these larger events, smaller Fitcations for groups of 6-10 people are becoming popular."

Likewise, Canyon Ranch is expanding its week-long Life Enhancement Center programming, which delivers a series of coaching sessions targeting all aspects of a person's health routine and wellness lifestyle. Each package is customized to the individual client who defines his or her goals beforehand with the Center's instructors to ensure a degree of codified learning and progress. According to Kathleen Shea, CMO of Canyon Ranch, the agenda incorporates fitness and movement classes, hands-on sessions, workshops, and group discussions with physicians, nutritionists, life management experts, and exercise physiologists.

"Canyon Ranch embraces an integrative approach to optimal wellness, including tapping into one's emotional, mental, physical, and spiritual state," she says. "The various disciplines help guests achieve their goals, create greater balance in their life, and feel their very best. This approach goes beyond just relaxation, but allows our guests the opportunity for complete transformation, beginning at our resorts and extending beyond their stay."

Another one of the biggest trends in the hospitality health and wellness market is the exponential rise of men booking spa programs. Ezon says that men accounted for almost 40 percent of spa vacations booked in 2013, 42 percent in 2015, and 38 percent in 2016.

"Clients are also asking for more active ways to explore destinations," Ezon explained. "Whether it's private bike tours of a countryside or running guides for cities, a determination to stay healthy on the road remains top of the list."

Sleep and Eat With Six Senses

Neil Jacobs, CEO of Thailand-based Six Senses Hotels Resorts Spas, says it's imperative for his company to continue innovating in the luxury wellness space, because the entire travel industry is coming around to what has always been Six Senses' fundamental mission promoting wellness as a lifestyle. As such, Six Senses launched its Integrated Wellness platform in December 2015. The holistic approach "empowers in-house experts to measure and analyze key physiological biomarkers from a system based on the preventative principles of Eastern medicine combined with result-oriented Western influences."

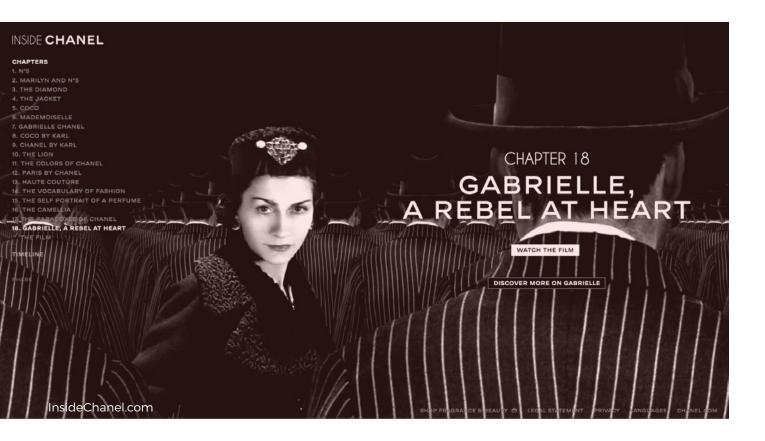
Those in-house experts are educated by Six Senses' advisory board consisting of noted physicians specializing in nutrition, sleep, cardiovascular, and complementary medicine. One of those experts is Dr. Mehmet Oz, who appeared on the Oprah Winfrey Show for five seasons before hosting his own show.

"Wellness is not about fru-fru type spa stuff any more; we're very focused on evidence-based programs," says Jacobs. "Integrated wellness today starts with screening, and then we provide four different programming themes: Sleep and Resilience; Trim and Fit; Cleanse and Detox; and a heavy-duty exercise program we're calling '100% Full Potential."

In November 2016, the company launched a "Sleep With Six Senses" initiative, based on the idea that sleep is the single most important thing for a healthy lifestyle. All new room products are being rolled out in every Six Senses hotel room, anchored by new smart beds developed by Naturalmat in England. Constructed by hand using coconut fibers and latex materials sourced from what the company says is the world's only certified organic rubber plantation, the beds are designed to let the body breathe. They also have built-in motion detectors to track how guests sleep, so hotel staff can then develop customized therapies based on the individual sleep data.

Next, for mid-2017, the company is developing a new "Eat With Six Senses" program around organic foods and nutrition education. "The programming will revolve around menus, ingredients, and content, not to detract from taste and texture, but to focus on what's going into your body," says Jacobs. "Even if you want a big fat cheeseburger, it's about knowing where the meat is from, what kind of cheese it is, and the bun is gluten-free, etc."

HOW FASHION AND RETAIL MARKETING ARE INFLUENCING LUXURY HOSPITALITY CONTENT



Fashion, retail, and other consumer sectors are driving innovation in omni-channel marketing, which is influencing how luxury hotels are developing their digital narratives. Continually cannibalized by e-commerce, brick-and-mortar retail outlets are under significant pressure to pivot their physical delivery into more visceral experiences that can't be duplicated online. In turn, the experiential delivery provides opportunities for more engaging online content across all of their online channels to optimize digital platform sales – giving rise to the "brick-and-mobile" era.

IBM's 2017 Customer Experience Index Study provided an overview of the state of omni-channel marketing that includes the following imperatives:

- Be alert to emerging shopping trends. Identify evolving consumer needs and adapt the organization to address and outpace the expectations of your target customers. Leverage sophisticated profiling capabilities to help them shape future expectations.
- Provide in-context shopping experiences tuned to customers' life stage and lifestyle. Personalize experiences with data-driven applied insights.
- Consumers do not recognize channels; they only see your brand. An inconsistent experience frustrates consumers and may cause some to switch their loyalty and spend.

- Design the digital experience around the evolving expectations of the any-channel, always-on customer to capitalize on future growth.
- Replicate online capabilities in-store. Provide a compelling, personalized, mobile-enabled experience at all touch points in the reinvented digital store environment.

Companies such as Chanel, Burberry, Hermes, Dior, Tiffany, Fendi, and Rolex have powerful in-house media groups that create some of the world's most stirring online content, always communicating the brands' specific cultural legacies with a modern, experiential delivery.

In 2016, for example, Fendi produced a fashion show atop glass runways perched just inches above Rome's Trevi Fountains to celebrate the brand's 90th anniversary. That resulted in online content not only showcasing the event, but also content detailing how Fendi spent millions to restore the fountains, which is why the company was permitted to use the attraction for commercial purposes. Chanel, meanwhile, updates its incomparable Inside.Chanel.com microsite on a continual basis, integrating new developments and archival footage celebrating the past and present. The online portal is also one of the most innovative media relations platforms in fashion, where Chanel integrates press releases into the content well.

"The fashion retailers that do this best, in my opinion, are the ones that are nimble, who can make changes quickly to adapt to fast-changing trends," says Edmundson. "It also means that their collections can be locally relevant – something that's a hit in New York may not work in Beijing – and this connects perfectly to the hotel industry. We can be at the cutting edge of the latest trends worldwide, and quickly identify and respond to the changing demands of today's upscale traveler."

"Luxury hotel companies are taking a page from the books of innovative fashion and retail brands by continuing their customer's journey beyond just the selling point," adds Shea. "Brands are no longer just speaking to consumers during the sales experience, but rather are becoming a personality through multiple channels and faces. Our newly redesigned Canyon Ranch blog, for example, is where all of our health and wellness experts are able to share their knowledge, tips, tricks, trends and answer questions."

However, while many hotels and hotel groups have significantly developed their online, crosschannel storytelling over the years, few match the sophistication of a brand like Chanel or Fendi when it comes to communicating the unique culture of a brand beyond the product experience.

Summing that up, The Wharton School at University of Pennsylvania published the "Online Luxury Retailing: Leveraging Digital Opportunities" report in 2016, stating:

"Luxury brands are meaning-based assets, so luxury brand management, at its core, requires meaning management. While all brands may carry some symbolic meaning, luxury brands derive most of their value from what they symbolize and how they help consumers present their identities to the world. The meanings associated with luxury brands contribute a significant share of the exchange value that the products realize in the marketplace. Brand meaning is influenced by product designs, advertisements, popular culture's usage of the brand, the consumer's personal experiences with the brand, and the stories and myths associated with it."

Standard Hotels Goes 'Culture-First'

Standard Hotels has been producing its own content-focused editorial projects since the launch of the much-loved Standard Culture online platform back in 2010, which focused heavily on fashion, food, music, art, and retail. Skift spoke with Amar Lalvani, CEO and managing partner of Standard International, about how the company's content approach to Standard Culture has evolved over the years, why the hotel uses almost no traditional advertising, and the importance of celebrating people, places, and a company's individual culture.

Skift: Standard Culture was arguably one of the first hotel projects to embrace the idea of content marketing. How has the brand's approach evolved over the years?

Amar Lalvani: It's much more than a project now. If we go back in history, it started as a blog and it was something that was independent of the Standard Hotels website. And we found that people really enjoyed it, it was getting a lot of visibility, and it represented our brand well. So over time, we realized the culture is what we're about. We love our hotels and we love their offering, but we're about much more than just the physical place. It's who we are, what we do, what we're interested in. So about two years ago, we decided to take Standard Culture to the next level, so that from a web perspective there wasn't a disconnect between Standard Hotels and Standard Culture. If you look at our website now, it's as if Standard Culture subsumed and took over Standard Hotels. I would venture to say we're one of the only ones in the industry who has put culture at the absolute forefront of our online presence.

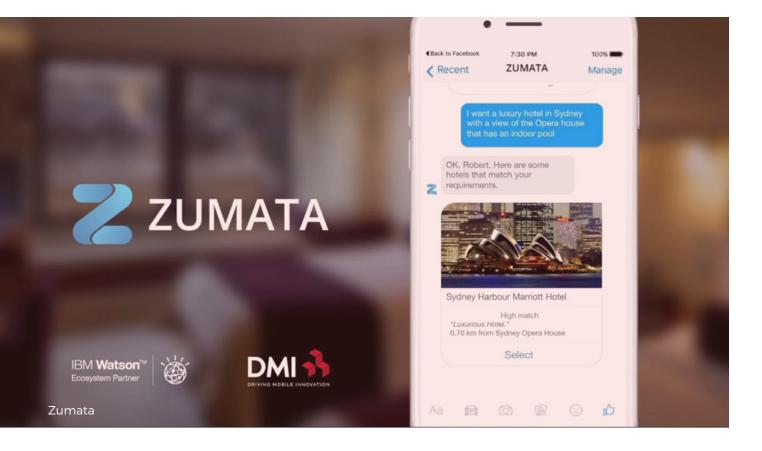
Skift: Does Standard Hotels still use traditional ad campaigns? Or is this content creation the focus of your marketing efforts now?

Lalvani: Very little, this is the bread and butter. We do almost no traditional ad buys. It's really about the content creation and the culture of who we are. Obviously there's a public relations aspect, which is natural because of what we do at our properties, which attracts a lot of attention. You won't see traditional advertising by us, virtually at all.

Skift: What you're doing with Standard Culture feels almost more like a pop culture magazine than a website for a hotel.

Lalvani: It really is content creation. Our team that does Standard Culture is referred to as the editorial team. We have a unique point of view that people have come to enjoy over the years because of what we like, what we do, and who we hire, and those interests that are core to us are what come through and guests appreciate. I would also say that we try to make the content of the place. We're experts on New York, Miami, and L.A. We also have so many interesting people coming through our doors and staying at our hotels. So one of the greatest sources of content is those people, whether that's our team, people who stay at our hotels, and people who perform at our hotels. But it's not marketing in that way. We're lucky to have those people, and we like celebrating those people.

DATA CAPTURE AND DYNAMIC CONTENT ARE THE FUTURE OF PERSONALIZATION



According to John Marshall, chief strategy and innovation officer at Lippincott, the technological disruption impacting our lives today is just the tip of the iceberg. Lippincott is a "brand innovation and culture firm" that helps companies build brands and long-term innovation agendas to develop new value propositions and new business models.

Marshall studies technologies such as virtual reality, artificial intelligence, and distributive ledgers, and what they mean for how businesses will make money and how customer experience will change. The biggest evolution in the short term, he says, is the continued shift from "stocks to flows," where everything is available on-demand in real time on digital platforms.

Due to that global digitization toward online marketplaces, everything is increasingly being tracked and measured to provide data to judge brand quality, which means consumers are going to be a lot less patient in the future, and they'll expect things to be a lot more customized.

"Every year that goes by there will be more tracking, more scoring, more transparency, and so any particular service offering will be more rated and more scored than it has before," says Marshall. "And so living in that world means that you actually have to be the best at what you do in particular. There will be more scoring of brands and there will be more scoring of behavior, which makes it largely harder for brands to compete, and it makes it harder for marketing spend to have an impact over how brands compete."

The value proposition of any company's brand identity, therefore, will need to be super fine-tuned.

"And so," Marshall continues, "the concept of selective excellence – picking the thing that you're better at than anyone else in the world – is going to matter way more in a few years. That's because the degree of transparency around product quality is going to go up exponentially, whether it's the quality of a room on Airbnb, or the on-time performance of a flight."

Based on that, Marshall says we're all going to increasingly rely on our virtual assistants, or "artificial intelligence agents," in the near future to make decisions using all of that available data, as AI gets more sophisticated. Soon our phones will be like mini-IBM Watsons plugged into our subconscious. That will lead to more automation and the growing "abstraction of control and choice" when we'll rely more on our AI agents to do things like book flights, hotels, restaurants, and activities.

"So I think the performance scoring actually gets very important for brands," Marshall explains. "If you're in the commodity business, the purchase of your product is going to start to become invisible. We'll just empower our agents to be able to do that based on the scores that we expect. If something is measurable it may become invisible, and our machines may make these decisions on our behalf.

"That's effectively what a Kayak is, right? It's a machine that makes choices for us. So brands may matter in the end, but you really have to differentiate as a brand in order to garner preference."

Marrying Big Data and Artificial Intelligence

To help travel brands leverage artificial intelligence to manage all of that data, Publicis.Sapient provides AI solutions for most of the major players in the travel and hospitality space.

According to Josh Sutton, head of artificial intelligence at Publicis.Sapient, the huge volume of available data today is why businesses are shifting fundamentally from a product-centric world to a services-centric world. The ongoing digitization of business is facilitating how companies are looking through "the lens of an individual customer to see what that person wants to achieve."

Data provides that lens, and it's getting more nuanced every year. Most importantly, data capture technology today sees across the entire customer journey, and all of a person's digital activity across platforms and devices, to create a complete profile unique to the unique shopper.

"The challenge we've found is that a lot of companies get caught up in thinking about the design of a website, or say, the design of a physical experience in a hotel, and all of these other service design things in isolation," says Sutton. "What they don't think about is the entire end-to-end experience of the customers, and looking at all the things that impact them behind the scenes, which are either creating moments of delight, or moments of frustration. That's what makes up the overall experience of that customer when you combine all of that."

Sutton explains that there are three important use cases where artificial intelligence and big data overlap within the customer journey-driven strategy. They are: insight generation, conversational engagement, and process automation. The first two are most relevant to this report.

Insight generation is culled through the collection of first-, second-, and third-party data on individuals based on their prior travel and online activity, which Sutton suggests is basically table stakes now. Machine learning technology makes that process very easy today to discern how a brand should approach a customer.

"The next level of understanding of the customer relates to the ability to use natural language understanding tools to extract insight from the conversations that that person has," Sutton says. "Those are either customers' chat dialogs or text dialogs or phone dialogs, or things that they've published on social media that they've made available to the world. So from that you can extrapolate a great deal about an individual — personality types, likes, dislikes, and other things that might be relevant — that give you the ability to either provide an unexpected moment of delight, or provide cross-sell or upsell opportunities to the individual that would be well received."

Publicis.Sapient works with all of the major AI players including IBM Watson, Google DeepMind, Amazon AWS, and Microsoft Azure. Those and others are providing the backbone for the second use case converging AI and big data in the hospitality space: conversational engagement.

"You're starting to see a tremendous acceptance of this from the public in the form of chatbots, and that's created a growing shift where people are becoming comfortable talking with technology, rather than feeling like they have to engage with technology in a very explicit way," Sutton says. "So, you can even start to see that adoption, especially among younger children becoming a predominant way people engage."

In fact, the technology has improved so much in recent years that "it's now enabling a very different interaction paradigm, where you can start to have a real conversation with a digital footprint."

That ranges from hotel groups and travel advisors using chat platforms powered by IBM Watson to kids engaging with Disney characters on a first-name basis in artificial reality with their iPads.

The value for the luxury hospitality space is how data and AI are elevating the combination of conversational interfaces and natural language understanding specific to the individual luxury traveler, where customer sentiment is highly nuanced. There's also the opportunity to drive higher levels of loyalty with the ability to fine tune offerings based on an incalculable number of touch points, which become more specific to the individual with every interaction, again highly valuable to the luxury customer mindset if delivered seamlessly.

"Money is more of a commodity, while time is the more valuable component, so the ability to maximize somebody's time and experience by understanding everything they say is a huge benefit," Sutton asserts. "Although, there's still a lot of design work that needs to go into that to make sure that it's a positive experience and not a creepy experience."

Al, in effect, is the future of customer experience management.

"So if I'm a top-tier hotel brand, one of the things that I should always be seeking to understand is what can I do to provide a better experience for my customers," Sutton sums up. "And, right now there's a lot of opportunity that's not being tapped by some of those high-end hotel brands. They're not mining the unstructured data that is out there from their customers, and pinpointing what they love and what they don't like about the experience across the entire customer journey. That is what they need to do to actually define process change within the organization."

7 KEY TAKEAWAYS TO ENGAGE THE NEXT GENERATION LUXURY TRAVELER

There is no such thing as a typical luxury traveler in 2017 – Today's modern luxury travelers are young and old. They're adventurous and conservative. They're comfortable with technology but they're overwhelmed with it as well. They might be loyal to a hotel brand, but they just as likely may not. Luxury customer profiles today consist of myriad social preferences and subjective psychographic drivers, and to complicate matters even more, high-end travelers purchase travel based on their moods, and their moods are ever changing.

Meaningfulness, simplicity, and transformation are growing in importance – Forget the traditional digital detox. Today's luxury travelers are seeking a full reboot with a greater focus on what true value for them as an individual really means. People want more meaningfulness and simplicity from their travel partners because they want more clarity in their life amid today's tensions. And more luxury travelers are seeking that clarity to travel more intelligently and transform their personal views of the world at large, and their experience in it, even to a small degree. Transformative travel is going to quickly evolve in coming years. Joe Pine, who co-authored the Experience Economy in 1999, says we're on the precipice of the Transformation Economy becoming mainstream.

The luxury hotel marketplace needs some new talking points – When everyone is saying the same thing about the value of personalized, authentic, local, and immersive experiences, nothing feels very special. It's time for a new conversation for a new generation of luxury consumers, and luxury hotels can lead that discussion. Brands ranging from Shangri-La Hotels to Standard Hotels are developing content that celebrates their guests' lifestyle choices and personal priorities by leading with messaging that celebrates a brand culture narrative.

Brand and consumer identities need to align to win luxury travelers' loyalty – As the luxury consumer audience grows more fractured, brands are repositioning their cultures and identities to varying degrees to connect with the evolving mindset of the young luxury traveler. There's a growing focus today on attitudinal loyalty, versus behavioral loyalty, where brands will win their guests' long-term business if they can better empathize with customers on a more human level throughout the entire customer journey. The rise of marketing orchestration – maintaining personalized customer engagement before, during and after the travel experience across channels – is paramount to drive higher levels of Customer Lifetime Value.

Hotels are elevating the value of their family and multi-generational offers – Greater consumer demand for more meaningful brands is especially apparent in the family and multi-generational space. An overwhelming number of parents today want their kids to have a better appreciation of how fortunate they are to travel, especially within a luxurious environment. Parents are sick of throwing money at vacations so their kids can sleep-walk through the experience. Therefore, luxury hotels are doing a better job at creating experiences that inspire children of all ages, versus shuttling them off to a kids or teens club.

Health and wellness is now mainstream in travel – Research shows that the majority of luxury travelers are conscious of how much hotels are committed to health and wellness. Professional fitness facilities, healthy food and beverage options, and wellness programming are all becoming priorities for more luxury travelers, but the biggest growth market is mental wellness. Hotels are adapting to that demand with more programs and partnerships offering holistic therapies designed to shape both the mind and body.

Artificial intelligence will be the biggest shift in travel since the dawn of the

internet – People can now have a real conversation and build a relationship with a machine. Children now think of Alexa as their half-brother or sister. The most powerful machine learning platforms know everything about you, and we'll soon have personal AI agents that make decisions for us, exponentially more than they do now. That will lead to highly personalized travel product recommendations, and a whole new level of brand/consumer engagement. However, when everything in travel will eventually be digitally scored, measured, rated, and ranked, that's going to devalue the role of marketing to influence purchase decisions, and raise the value of human travel advisors more than ever.

A NOTE TO LUXURY TRAVEL PROS: Move on or fall behind

Transformational travel is the biggest disruption to luxury since the dawn of boutique and lifestyle hotels in the 1980s. Just as boutique design made us question the future of 'traditional luxury', mounting demand for emotionally complex travel itineraries is causing a fair amount of reflection among travel companies catering for the higher-end of the market.

Adding to that complexity is the paradigm shift in lifetime loyalty culture. While trying to attract travellers who are overwhelmed with options, hotel brands are realising the importance of standing for something and are moving towards emphasising their brand culture first and foremost. All this leads to a growing sense of urgency, as travel companies grapple with the dual tasks of defining who they are and pivoting towards the hallowed future luxury consumer at the same time.

With talk of 'experiential' travel and 'authenticity' already feeling tired and cliché, what does this next phase of enlightened luxury marketing actually look like? And what are the practical steps we need to take to adapt?

For those of us working in luxury, all this change is good news, because as the desire for life-changing travel itineraries goes up, travel advisors become more important, the term 'luxury' is refreshed with new meaning, and new source markets emerge alongside new ways to impress.

FURTHER READING

- 1. Bain & Company's Luxury Goods Worldwide Market Study, Fall-Winter 2016
- 2. Hyatt Gets Political in Advertising Campaign for New Loyalty Program
- 3. Customer Centricity & The Experience Economy
- 4. Havas Group's 2017 Meaningful Brands Index
- 5. Transformational Travel Collaborative: Stories of Life-Changing Travel Experiences
- 6. Why "Transformative Travel" Will Be the Travel Trend of 2017
- 7. Duplex Theory of Love: Triangular Theory of Love and Theory of Love as a Story
- 8. Exploring the Role of Brand Identification and Brand Love in Generating Higher Levels of Brand Loyalty
- 9. Analyzing the Complex and Dynamic Nature of Brand Loyalty in the Hotel Industry
- 10. A Quest for Destination Loyalty
- 11. Customer Lifetime Value The Only Metric That Matters
- 12. Competing on Customer Journeys
- 13. <u>Research Reveals Adventure Travelers Primarily Motivated by Transformation</u>
- 14. IBM's 2017 Customer Experience Index Study
- 15. Online Luxury Retailing: Leveraging Digital Opportunities

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Carolyn Kremins President, Skift ck@skift.com 212-564-5830