



LAUSANNE REPORT

shaping the future of hospitality – outlook 2030

extract

INTRODUCTION

Inspiring leaders and pioneers

As the premier institution for hospitality management education, Ecole hôtelière de Lausanne (EHL) aims to develop and distribute knowledge for the continued growth and renewal of the hospitality industry through applied research, real case studies and innovative publications. Based on this expertise, Lausanne Report identifies key trends and drivers of the global hospitality sector to support its future development.

It strives to stimulate and inspire hospitality leaders, those who will be taking the strategic decisions needed to meet the challenges of the future. At the same time, it addresses the faculties and students in educational institutions that focus on hospitality management, as they too must adapt to a changing business environment. Lausanne Report provides expert advice and knowledge to players in the hospitality industry worldwide.

The main objective of this report, however, is to provoke and stimulate a debate on future risks and opportunities. Its impact lies in exploring possible new landscapes and in disclosing inter-relationships between global megatrends and hospitality trends.

The way people think, behave, communicate, work, consume, live, and perceive reality is changing rapidly. How will these changes affect human preferences? What are the potential disruptions or transformational opportunities these shifts will have on us? In a nutshell: The future of hospitality is all about people. All efforts have to be made in that direction, we have to focus on the human element. In this new landscape, intangibles such as knowledge, experience, and people's involvement in creative processes are becoming increasingly important.

We are quickly entering an age in which access to assets means more than ownership. People are joining forces to create new currencies to support them in their goals and the new paths they want to explore. Cities are fueling this people-centric economy by building innovative hubs to rethink traditional hospitality systems and models.

Lausanne Report exposes different scenarios to respond to these challenges ahead, providing thought leadership, promoting creative thinking and worldwide benchmarking in hospitality. It paints an ambitious view of our future; let us embrace it. ■



Guglielmo L. Brentel
President of the Board of
Directors EHL



Prof. Michel Rochat
CEO EHL

executive summary

SHAPING THE FUTURE OF HOSPITALITY

Change creates opportunities

There are no recognized research methods that could predict the future adequately. Trend research is therefore a procedure that is not science-based, but practice-oriented and focused on decision makers.

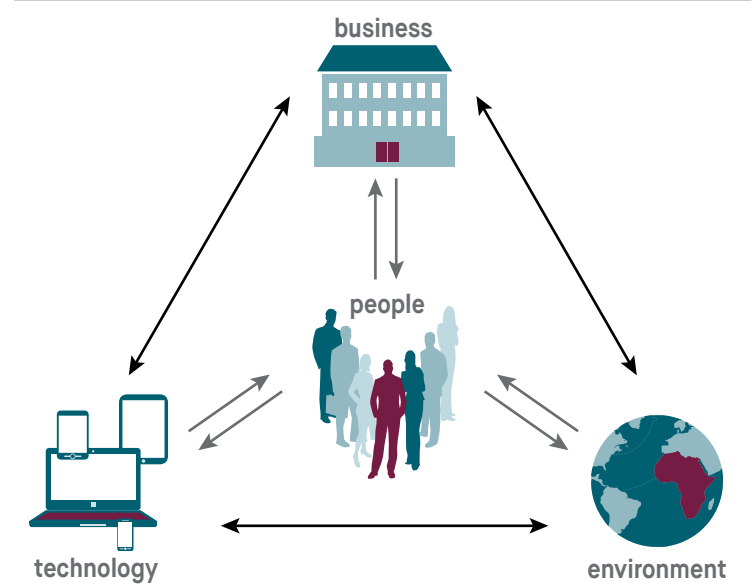
This report is based on the relevant literature and scientific contributions in «trend and future» studies, and it combines these findings with the results of the qualitative analysis of interviews and more than twenty workshops. Forty hospitality industry leaders from fifteen countries have given us their input and shared their views of the future. We have compiled a list of megatrends, sub-trends and forces that will shape the future and with it, the changes to come.

The main result from this process was the «P-BTE model»; it represents the four pillars of the hospitality environment: people, business, technology, and the environment.

These four dimensions and their mid- to long-term impact were studied in detail. Lausanne Report describes the future environment of the hospitality industry holistically and explains the interaction between the various global drivers of change that are affecting the evolution of hospitality. Some of these trends and relationships will lead to profound changes. The industry has no choice but to embrace them.

We have selected the six most important developments that will change the hotel industry for good.

P-BTE MODEL



#1 SHIFT OF MARKET POWER

Consolidation vs fragmentation

Will globalization fragment or consolidate the hospitality industry?

Fragmentation and consolidation are the two opposite directions in which a market structure may evolve. However, both dynamics can co-exist and create risks and opportunities for the hospitality industry at the same time. The hospitality market in the USA is already consolidated and durably so. In Asia, the hospitality industry could continue to consolidate and create regional hotel chains and ownership. Europe is likely to remain fragmented although consolidation is gaining speed.

#2 VULNERABILITY ON THE RISE

Fragility vs resilience

Is hospitality becoming more fragile or more resilient?

Threats resulting from climate change, safety and security issues, wild card events (e.g. SARS, Zika, terrorist attacks, etc.) as well as unprecedented migration streams are today's and tomorrow's game changers. The main challenges for the hospitality industry are the lack of predictability and the magnitude of such events – and how fast the industry can react and adapt to crises. The hotel industry's ability to deal with this new type of fragility will be key to its success.

#3 IN SEARCH OF A SENSE OF BELONGING

Communities vs individuals

Will communities or individuals determine the future?

Concepts such as crowdsourcing, crowdfunding, crowd creation, peer-to-peer and sharing hospitality have their origins in the relationship between individuals and/or communities. Human beings need to believe and to belong – and the hospitality business has to be able to meet and integrate the demands of individuals, communities and networks.

#4 THE EMOTIONAL EXPERIENCE

High tech vs high touch

Does the guest of the future want high tech or high touch?

New armadas of physical and virtual robots will be deployed to meet customers' needs. And avatars will negotiate with avatars to ensure everyone's demands are met, and negotiate the best deals. However, the answer to high tech is high touch – that means emotions. The hospitality industry has to provide these emotions to attract and retain guests.

#5 SMART HOTELS DEPEND ON SMART DESTINATIONS

Autonomous vs connected

Will smart hotels be autonomous or connected?

By 2030, many cities will be embedded in so-called smart city clusters. This will pave the way for mutual investments, buffer energy and water supplies through decentralized resources, and provide a cluster-wide connected and adaptive safety and security infrastructure. Both infrastructure and management of the environment can be centralized, and new mobility concepts can be introduced and deployed.

#6 THE SCOPE OF KNOWLEDGE

Empathy vs efficiency

Must future talents be empathic or efficient?

Future hospitality managers will be stage directors who create memorable experiences and magic moments for their guests. At the same time, they must meet efficiency and profitability requirements and therefore find the best processes, technologies and methods to run their business. Last but not least, they must empower their staff and motivate all stakeholders. ■

How to read this report

To show the most important findings of our research, we have developed a method based on «decision making under uncertainty» and «scenario planning». Possible future landscapes are explored to the extreme in two divergent and antagonistic scenarios (see figure «state of the environment»). We have identified the most important triggers (rationales) for each extreme in the direction of each hospitality driver (horizontal axis). The impact – speed, magnitude and reach – of the states of the environment (scenarios) is highest at each extreme (vertical axis).

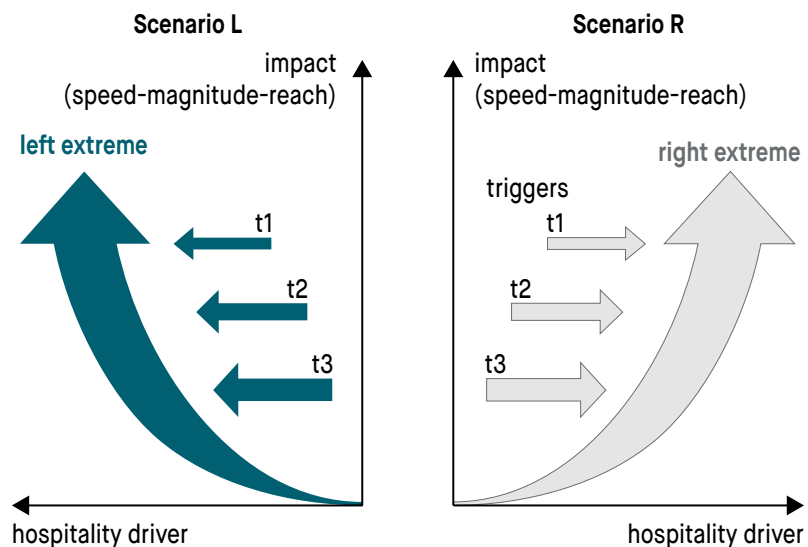
Under normal conditions (no disruptions or black swan events), many characteristics of both extreme scenarios are valid and co-existing. This situation is represented by the «smiley model» (see figure «the smiley model»), which merges the two perspectives.

In addition, changes in the business environment are put into the context of «what if» scenarios.

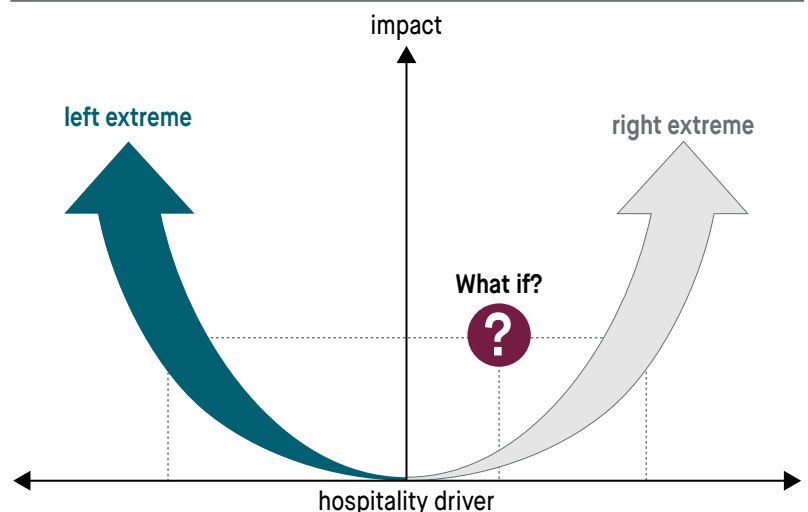
What is each hospitality manager's position between these two extremes? The answer to this question defines the mix of constraints and opportunities hospitality managers have to take into consideration to evaluate the best possible strategy for the future – a strategy that leads to decisions that have to be made under uncertainty.

Each thesis in this report is built around a specific driver of change; in thesis #1, for instance, this driver of change is «market power». Then, we define the rationales for the two contrasting scenarios and explain their respective consequences; thesis #1, for example, looks at «fragmentation and consolidation». The connecting elements that allow for a co-existence of both extremes are subsequently analyzed; as an example, thesis #1 discusses «fragmentation and consolidation go hand in hand». Eventually, we question both scenarios in «what if» cases directing future scenarios in an entirely different direction. As a sort of a takeaway, «food for thought» summarizes actionable opportunities and concludes our journey. ■

STATE OF THE ENVIRONMENT



THE SMILEY MODEL





Will globalization fragment or consolidate
the hospitality industry?



thesis #1

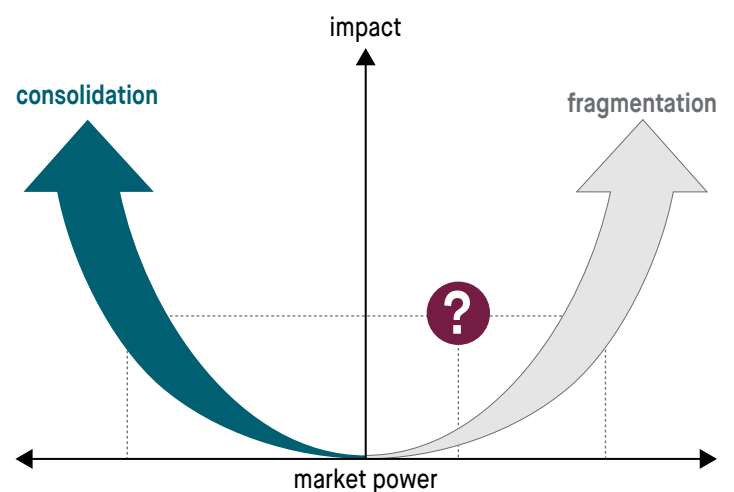
SHIFT OF MARKET POWER

consolidation vs fragmentation

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EXTREMES



FACTS AND FIGURES

NUMBER OF HOTEL ROOMS

Global 19.5 million

60% 40%



Independent



Chains

Europe 6.6 million

73% 27%

Source: MKG, Etude des stratégies de pricing 2015

MOVING TOWARDS A UNIQUE RESERVATION SYSTEM?

Priceline group properties

635,000

Expedia group properties

510,000

Source: Companies' (financial) reports 2015, 2016

THE FUTURE ACTOR

Jin Jiang

from

0 to

3000

properties in 12 years

Source: Phocuswright and h2c's Independent Lodging Market Report, 2015

WHAT EXPERTS SAY

«Currently there are four large global players. My guess is that in a few years' time, there will be only two.»

(speaking about hotel chains)

Simon Vincent

Executive Vice President Hilton & President EMEA

«GAFAs – Google, Amazon, Facebook, and Apple – these are the pacemakers, the trendsetters.»

Dr David Bosshart

CEO Gottlieb Duttweiler Institute

«There's going to be a huge switch to OTAs. Maybe not OTAs as we see them today, but the Googles of the world and the Amazons of the world are going to get into this space.»

Stephen Rushmore

Founder HVS

WILL GLOBALIZATION FRAGMENT OR CONSOLIDATE THE HOSPITALITY INDUSTRY?

Consolidation via mergers and acquisitions (M&As) and fragmentation (splitting companies into smaller entities) are cyclical and successive phenomena that are influenced by the economic stage of a market and its geographical position. Traditional lifecycle models can help to provide useful predictions for a challenging environment, as other industries riding the waves of profound change have demonstrated.

The shift in market power that will take place in the coming decades is predicted to yield the following two potential scenarios:

- **Scenario A** consolidated hospitality (via vertical and horizontal integration), or
- **Scenario B** continuous fragmentation (of the hospitality market and smaller-sized companies) ■



SCENARIO A

CONSOLIDATED HOSPITALITY

Bigger and better?

A look at other sectors such as banking, aviation, the pharmaceutical industry, wholesalers, consumer electronics and others, reveal that all went through a fierce consolidation phase at some point – the economic background being a question of «size matters» and dominant players becoming too big to fail. The following mindset still prevails: In case of stiff competition, the disruptors and innovators are to be either acquired or destroyed by the market leaders.

Hotel chains promote horizontal integration via M&As, which enables them to extend their supply capacities locally and globally. At the same time, they are putting considerable pressure on online travel agencies (OTAs) by means of vertical integration and by teaming up with other travel service partners. OTAs have reacted accordingly by absorbing their competitors, extending their negotiation powers when dealing with hotels to optimize commissions, by integrating search engines and rating systems along the overall journey, and by promoting mobile integration via smart phone apps.

In a highly competitive and syndicated market environment, profit margins will inevitably feel the pressure. Setting standards and taking advantage of market share, brand value and customer base is complex and time-consuming. The rules of the game along the supply chain are set to change against the backdrop of the hospitality market's high concentration. ■

« Profit margins will inevitably feel the pressure. »

did you know?

DOES COMPETING WITH OTAs BY MEANS OF MERGERS AND ACQUISITIONS (M&As) MAKE SENSE?

The merger between Marriott and Starwood^[1], for instance, will create a business group of about 6000 hotels and forge the world's largest hotel chain. Yet, Expedia itself represents 250,000 hotels, not to mention the Priceline universe.^[2] These platforms far exceed the size of Marriott and Starwood combined. In terms of distribution, even the largest hotel chain will be unable to compete with OTAs.

Consolidation rationales

Managed chain hotels with a separated real estate ownership are probably the best examples of a consolidating hospitality industry, as they may benefit from the following main characteristics: economies of scale, shareholder value and power of negotiation.

Does size matter?

Economies of scale do

As a result of economies of scale, the increase in market share in all market segments will reduce costs: by lowering commissions, streamlining transaction costs, consolidating reservation platforms, sharing staff resources, concentrating purchase volumes, etc.

Shared loyalty systems and retention programs on the other hand foster customer retention. Simpler processes of property management systems (PMSs), central reservation systems (CRSs), global distribution systems (GDSs) and OTAs, etc. will facilitate hotel management with the additional help of consolidated room inventories and RevPAR throughout all channels.

Shareholders want more, and quickly

Hotel chains are valued by their frequency of new hotel openings and their global expansion. The main deter-

minant of a hotel company's market value is a globally installed brand. Large hotel chains with a significant market power are better positioned to extend their reach and brand – and therefore improve their shareholder value. Market consolidation supports hotel chains' existing efforts to meet the requirements of their increasingly demanding shareholders.

Negotiate better deals

Global brands facilitate negotiations with owners and electronic distribution channels. They also allow to synthesize the brand portfolio.

Other industries have already experienced fierce consolidation; the same is likely to happen in the hospitality sector – but unlike in other industries, it is bound to happen with a twist. Hotel companies certainly compete with OTAs, but they primarily consider OTAs a necessary evil. As they have to strengthen their own online reservation platforms, they must attract and retain customers, and avoid expensive commissions at the same time.

The OTA channel mostly addresses non-business travelers and is evidently growing faster than the GDS channel, which is predominantly used for business journey bookings. Today, in 50 major world markets, OTAs account for a slightly higher percentage of bookings than GDSs.^[3] As owners of the big data, OTAs spend millions of marketing dollars in order to shift customers to their reservation platforms with their own loyalty systems and by providing best price guarantees on integrated booking platforms. ■

Consolidate into new contracts

Global market consolidation by the year 2030 is an unprecedented though perfectly feasible scenario. The hospitality world will be dominated by three to five major brands competing against two or three reservation platforms.

Mergers and acquisitions in the hotel chain sector as well as among OTAs will cost billions of dollars; the highest expenditures will flow to reservation platforms. At the same

time, the GAFAs – Google, Amazon, Facebook, and Apple – will become the pacemakers for the travel and hospitality industry. Individual hotels and collaborative platforms will benefit most as they can profit from their popularity with both hotel chains and OTAs.

Peer-to-peer (P2P) platforms will become even more integrated as hotel chains will commence hybrid hotel operations. Hotel chains will start to select or acquire their

sharing economy partners, which will make the peer-to-peer business more competitive.

These initial forays of hotel chains into the sharing economy are, without a doubt, just the beginning of a far more extensive effort to capitalize on the strong points of both the sharing economy and traditional hotels. OTAs will also focus on this type of rental business to gain market share from peer-to-peer platforms.

Consolidation will also generate new types of contracts to control brand standards. For example, we can imagine a management agreement that changes into a franchise relationship after a certain period of time, a concept that we call «manchising». This approach will be used to break new ground and launch or convert brands. It meets the demands of operators who want more control over management and standards before they enter into a franchise relationship. Trusted second-tier management companies could play an important role in this phase. ■

After the peak

Eventually, some companies will not be able to keep pace with the market dynamics and fail to generate profits. The effect will be a shake-out, shareholders will re-evaluate their investments, dividends will erode, innovations will be impossible. New strategic investors will enter the picture and buy at the lowest point of the shake-out phase. They will actively shape the new market format. Consolidation will have reached its peak, and this in turn might trigger the next wave of fragmentation.

Cendant Corporation, a former travel and real estate corporation, is a good example for such a lifecycle journey.^[4] It went from fragmentation to consolidation, from consolidation to shake-out, from shake-out to re-fragmentation – until the company split into four separate operations. ■



SCENARIO B

CONTINUOUS FRAGMENTATION

Smaller and better?

Globalization and digitization may push the consolidated hospitality segment to split again, while the fragmented hospitality segment stays fragmented. Consolidation by vertical integration of hotel chains can lay the foundation for future disintegration, given that hotel chains return to their core business. For instance, substantial investments in a distribution platform (internal OTA), and expanding this tool by attracting other brands harbors the risk of an eventual spin-off of the platform. Former Cendant Corporation yet again serves as a good example for post-merger spin-

offs. The company simultaneously ventured into diverse travel and hospitality-related segments and services such as casinos, real estate, travel distribution, hospitality, and vehicle rental companies. Later, Cendant had to spin off each operation separately being unable to compete successfully. Accor also ventured into various hospitality segments, including economy brands.^[5] M&A activities were followed by a refocus on the core business and subsequent sale of companies and participations such as Edenred, Wagons Lits, etc. ■

Fragmentation rationales

Independent hotels and hotel groups – owned and managed by themselves – are the best representatives of a fragmented hospitality industry. Their independence may ultimately make them more agile, more authentic and give them a better reputation.

Agility – speedboats, not tankers

Independent hotels in a fragmented market profit from their agility to adapt and react to guests' wishes and needs. They have more freedom and flexibility than standardized branded hotels, which are bound to centralized corporate policies. The absence of in-depth management structures will provide more incentives to explore niche markets and specialize in boutique hotels, health hotels, aparthotels,

theme hotels, etc. Independent hotels will also develop new hospitality offerings via peer-to-peer platforms (e.g. services for Airbnb apartments such as F&B, laundry or cleaning).

The evolution of hospitality structures characterized by regional centralization may no longer be important. Automation and digital supply chains will allow single hotel operators to compete with chain hotels on an equal footing. Corporate infrastructure is no longer needed. Cloud computing and cloud services will reduce fixed costs, boost efficiency and independence.

Be authentic, be special

Authenticity and specialization can be significant advantages for independent hotels when competing with chains. The focus of individual hotels is to provide a cus-

tomized experience to their guests that matches their special demands and lifestyles. A smart focus on attractive niches is key.

Reputation, reputation, reputation!

Online consumers' opinions increasingly influence customer decision-making. Nine out of ten travelers indicate that online reviews influence their bookings (Leonardo/TripAdvisor, 2015).^[6] Furthermore, the average customer spends 75 per cent of his or her travel research time browsing through what others have to say online. This time investment has and will continue to have a strong impact on how people book and where they choose to stay.

This impact manifests itself in hotel companies' average daily rates (ADRs): Bad ratings and reputations could ruin the best performers and erode ADRs across the brand, whereas a consistently good reputation could increase ADRs and create more value than the brand name itself. ■

**« Independent hotels
in a fragmented market
profit from their
agility to adapt and react
to guests' wishes
and needs. »**

Rethink loyalty

Loyalty systems may have to be rethought as well. If loyalty is perceived as a mere guest-hotel transaction, hotel chains are destined for a commoditized future where loyalty becomes a low-price approach with no emotional attachment to the brand. However, brand loyalty can be achieved, if the purpose of any interaction with a guest is to put them first and make them the focus of attention. In a fragmented market, independent hotels provide a customized, personalized experience. The authentic and diverse experience of a brand will be decisive for its reputation, and customer loyalty therefore ensues naturally.

Brands will remain important to investors.^[7] Successful brands represent standards, reservation infrastructure and a broad customer base, with promising returns on investment. Yet, besides traditional evaluation schemes, social media reports and employee survey results will be the make or break factors of any forward movement. ■

Fragmentation and new hybrid models

Hybrid lodging is a growing trend. The «hostels» segment, hostel lodging with hotel-like offerings, has already witnessed the development of hybrid lodging brands. This recent development is predicted to have significant potential in the years to come.

Another emerging trend are mixed-use developments, that is housing hotels alongside retail, office or residential space. This model reduces the risks for developers and owners by offering a diversified revenue mix from different sectors of commercial activity. For a hotel, the other tenants of a mixed-use development can also serve as juxtaposed demand drivers for the hotel's services. ■

FRAGMENTATION AND CONSOLIDATION GO HAND IN HAND

Fragmentation and consolidation are the two opposite directions into which a market structure may evolve. However, both cycles can co-exist and create risks and opportunities for the hospitality industry at the same time. The hospitality market in the USA is already consolidated and durably so. In Asia, the hospitality industry could continue to consolidate and create regional hotel chains and ownership (Wanda Hotels, Jin Jiang Group).^[8] Europe is likely to remain fragmented. ■

« Consolidating the leading players will have a positive effect on individual hotels. »

New collaborations

Consolidating the leading players will have a positive effect on individual hotels. The dog-eat-dog environment along the distribution channels will push both OTAs and hotel chains to expand their portfolio of hosted hotels – offering individual hotels low commission rates and extended marketing opportunities on their reservation platforms.

Furthermore, they will have to cooperate to survive; new collaborative platforms will play an important role. National and regional hotel clusters that are interlinked with corresponding tourism associations and destination managers will be crucial for business success. ■



WHAT IF – THERE WERE ONE SINGLE UNIFIED RESERVATION SYSTEM?

Regardless of whether the future hospitality landscape will be more fragmented or more consolidated – the mega internet service providers Google, Amazon, Facebook, and Apple (GAFAs) could easily convert into a globally unified reservation platform and mega owner of all products, and produce a hotel supply that is a one-stop shop. The GAFAs are synonymous with the new internet. The conglomerate hosts knowledge (Google), social media (Facebook), supplies (Amazon) and products (Apple). They will integrate all digitized supply chains to meet a myriad of needs; their customer base covers more than 75 per cent of the world population.

Travel agencies, OTAs, GDSs, and TMCs as we know them today could completely change as the smart travel

supply chain is being fully digitized and connected. Virtual assistants (**personalized avatars; see thesis #4 «The emotional experience»**) will take care of our privacy requirements and be the user interface to any demand and supply.^[9] Independent clearing houses for room inventories will unify and flatten commissions; unified reservation systems (URs) will provide access to transparent rates and real-time room inventories. Cryptocurrencies will prevail as the tried and tested payment method. They are not subject to currency fluctuations, economic crises or interest rate changes. Loyalty systems will also move on to cryptocurrencies. ■



RELATED MARKETS THAT WILL CONSOLIDATE IN THE FUTURE

Theme parks

The digital economy with its virtual and augmented reality, its mobile customer access, its robots and a parade of new gadgets (see thesis #4 «**The emotional experience**») will fuel a boom in the development of theme parks. Hotels adjacent to the attractions represent a logical vertical integration and will reinforce the branding of the resorts with the help of themed lodging facilities. A pronounced consolidation can happen in this market, and hotel chains may achieve important advantages.

Cruises

The consolidation process in the hospitality sector will not only affect the hotel market but also adjacent segments such as cruises. The link between cruises and the hotel sector manifests itself in several ways. The chief cruise companies offer their cruise customers hotel packages that typically include accommodation in ports of embarkation or disembarkation. As part of a growing trend, the largest cruise operator, Carnival Cruise Line, already owns and operates twelve hotels or lodges.^[10] River cruises offer particularly good opportunities for hotel groups. They require hospitality expertise, but less need for the nautical technical know-how that is required for ocean cruising. The sector has excellent growth prospects and is ideally suited for an aging public, especially for those with reduced mobility.

Casinos

Traditionally, casino hotels have not been considered profit centers, but as a means of luring players to their gaming tables through offering free or heavily discounted food and beverages, rooms or other services. Nevertheless, these hotels often have rooms numbering in the thousands – in order to be able to accommodate for the hordes of gamers, as well as to realize economies of scale.

There has been some change in recent decades. Major operators are now putting more emphasis on the profitability of the hotels themselves and in the coming years, hotels and F&B are expected to become more profitable than gambling.

Senior living

The senior living sector in the USA is on its way to consolidation. Between 2005 and 2030, the number of people aged 65 or over will have doubled worldwide. Even more dramatically, those aged 85 and over will have increased by 150 per

cent.^[11] The hotel industry has already begun to anticipate this demographic shift.

Senior living facilities demand a higher level of service than ordinary housing, and can significantly increase the demand for hotels in the proximity for catering, housekeeping and facilities management. Additionally, from a real estate and business point of view, the conversion of under-used hotel structures into senior living quarters generates further excellent opportunities.

MICE

(meetings, incentives, conferences, and exhibitions)

The MICE business is mainly operated by the hospitality sector. MICE events for this matter are and will be a substantial source of revenue and profit for hotels, as are the numbers of overnights they generate, the relatively long average length of stay (at least for business traveler hotels) and the use of ancillary services (including food & beverage and conference/meeting room rentals).

In response to the growing fusion of business travelers' personal and professional lives (see thesis #5 «**Smart hotels depend on smart destinations**»), hotels are creating non-traditional meeting spaces, which are still public, but less formal and more intimate. Hoteliers have begun to understand the need to update their offerings to keep up with the trends in the MICE sector that reflect societal evolution in general.

FOOD FOR THOUGHT

Leverage client contacts

In the future, OTAs will only release basic data to hoteliers if relevant for the reservation process. All additional guest information will be withheld as part of an OTA's customer retention program. Therefore, the smart hotelier will strive to collect all guest-related data and feed his own CRM database when guests stay on his property. Hotelier-owned CRM data must meet four important requirements: data has to be relevant, up-to-date, available in real time and actionable. Existing IT systems and

applications have to be interlinked (integrating CRM and PMS) along the overall supply chain (pre-, on-, post-stay) in order to provide the requested transparency for the guests, to allow the hotel management to present special offers and to generate a recurring positive guest experience. ■

Building destination management and hospitality clusters

The digital environment will become increasingly complex and force hotel operators to act. When collaborating, individual hoteliers in various regions maximize their opportunities to increase profits and to protect their businesses. Collaborations must ensue in both the digital and physical market place. Building attractive clusters for high-quality destinations requires private-public partnerships and competent leadership. Exclusive reservation platforms alongside regional tourist associations to consolidate all room inventories on a single regional or national booking portal (e.g. MySwitzerland) would eliminate OTA commissions, strengthen marketing efforts and serve as a firewall against OTAs as well as international competitors.

Individual hoteliers need to collaborate to extend their services and offerings around communal assets in order to create a once-in-a-lifetime guest experience. The focus on authenticity will generate additional business opportunities and boost profitability. Any collaboration on the physical market place could adopt the «Allmend principle». This concept – originating from the custom of Swiss

farming villages sending all livestock to municipal summer alps – essentially means sharing natural assets; local authorities give their citizens the right to commercially use communal assets (e.g. the Swiss Alps, forests, lakes, alpine meadows, etc.). ■

« Building attractive clusters for high quality destinations requires private-public partnerships. »»

conclusion IMPACT

A world of opportunities

From an array of possible future scenarios we have chosen the most striking ones to build our six theses.

Other industries all over the world have experienced a long process of change in the global market: it is now the hospitality industry's turn to face this trend and recognize the powerful potential of mergers and acquisitions. China, the new mega investor, contributes towards this consolidation by bulk buying whatever hospitality offers for sale. However, increasing urbanization and the tourism sector's strong growth give rise to optimism. The hospitality business will undoubtedly continue to thrive, despite a worldwide increase in political instability and uncertainty. What is more, the «silver» segment (baby boomers) with its purchasing power and time to travel will support hospitality and drive it to explore new paths.

Digitization is already affecting the hospitality industry as a whole, an industry usually known to be adverse to change. Everybody speaks about the sharing economy and about robots, virtual reality and other amazing technologies – trends and developments driven by the millennials. The new technologies present considerable challenges to classic hospitality. After a long battle against «evil OTAs», hotel chains have decided to pursue a different approach and fight the «enemy» on their own territory. More is being invested in the pre-stay of the customer journey; hospitality strategists integrate and create their own OTAs, and they exploit new opportunities by collaborating with the peer-to-peer segment.

The question that remains to be answered, however, is what the post-digital economy will look like in an era where digitization has become an integral part of all aspects of life. In hospitality, automation is on its first wave, based on the availability of information, cyber-physical systems and data analytics. Other more advanced industries are already on their third wave of automation. Technology, processes, business models and knowledge will have an unknown impact on our lives, on guests and on service providers.

The automation of industrial production processes could destroy millions of jobs within the next years. Is this also true for hospitality? The arrival of new types of robots, soon available to small and medium-sized enterprises, ensues full and widespread automation. According to the philosopher Bernard Stiegler, «we have to rethink the economy and pass a contributory income». He declares: «Employment is dead, long live work!» The hospitality sector is also a pioneer in devising certain work models: It was hospitality that invented part-time work models, as well as management contracts and franchise business models.

Progress in science and technology manifests itself in different ways in different economies and different political frameworks. Driven by the revolution in knowledge and education, the nature of work will change radically – but only in economies that choose to invest in education, technology, and related infrastructures. Certain types of jobs will be assumed by intelligent robots. Others will be created in areas where the demand for services is growing exponentially, while entry barriers continue to fall. In many hospitality segments, robots will be poor labor substitutes.

The six theses of this report have illustrated our P-BTE model, which represents the four dimensions of hospitality: people, business, technology, and the environment. It has become utterly clear that these are the main pillars of the future. The «P-factor» presents the core of the profit chain in hospitality, it links employee satisfaction to guest loyalty and profitability. We will continue to be «ladies and gentlemen serving ladies and gentlemen». The more important intelligent machines will become (robots, artificial intelligence, and so on), the more important the human factor will be. Hospitality will continue to be about guests and hosts. It will remain a guest-centered industry – with its eye safely on the three Hs: «hands, head and heart». ■

EHL LAUSANNE REPORT

Chairman of Lausanne Report Steering
Committee

Prof. Dr. Ernst A. Brugger

Introduction by

Guglielmo L. Brentel

President of the Board of Directors EHL
and **Prof. Michel Rochat**

CEO EHL

Authors

Dr. Ray F. Iunius

Michael Hartmann

Eva Bruchez

EHL

Editor

Elisabeth Tester

From facts to stories

Language editor

Michèle Anderle

ttt – translation – teaching – texts

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Sandra Meier

gestaltungskiosk.ch

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