



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.

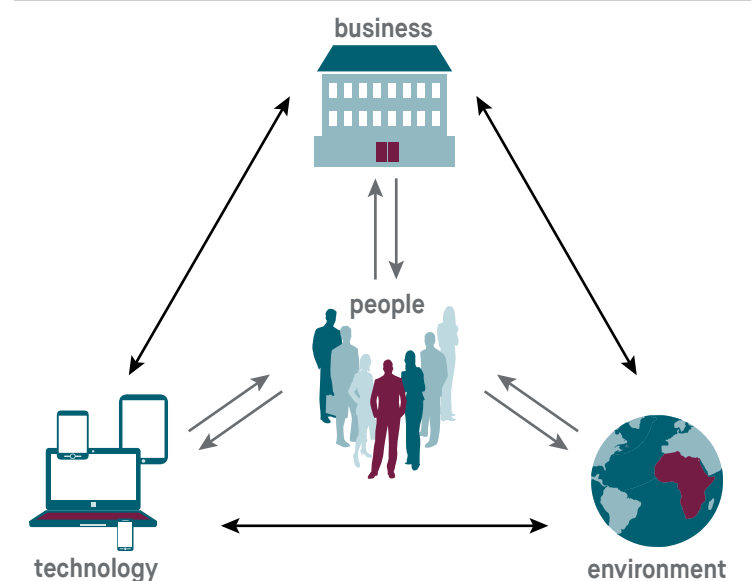
This report is based on the relevant literature and scientific contributions in «trend and future» studies, and it combines these findings with the results of the qualitative analysis of interviews and more than twenty workshops. Forty hospitality industry leaders from fifteen countries have given us 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).

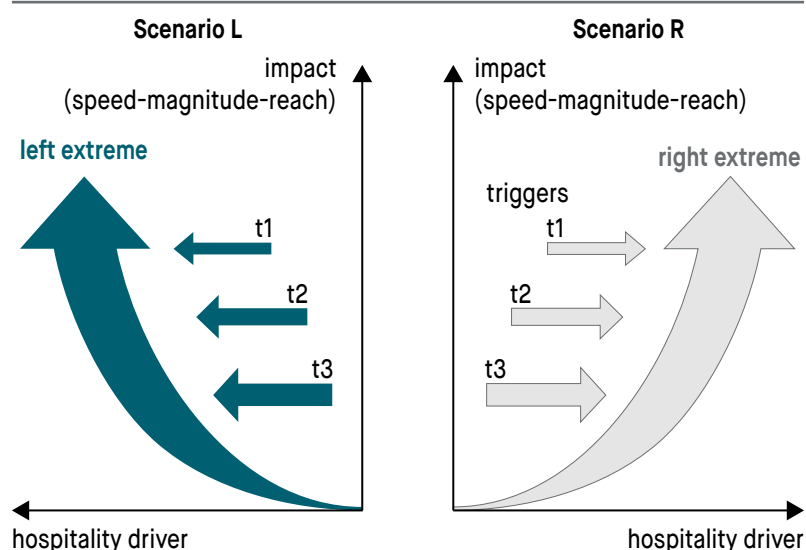
Under normal conditions (no disruptions or black swan events), many characteristics of both extreme scenarios are valid and co-existing. This situation is represented by the «smiley model» (see figure «the smiley model»), which merges the two perspectives.

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

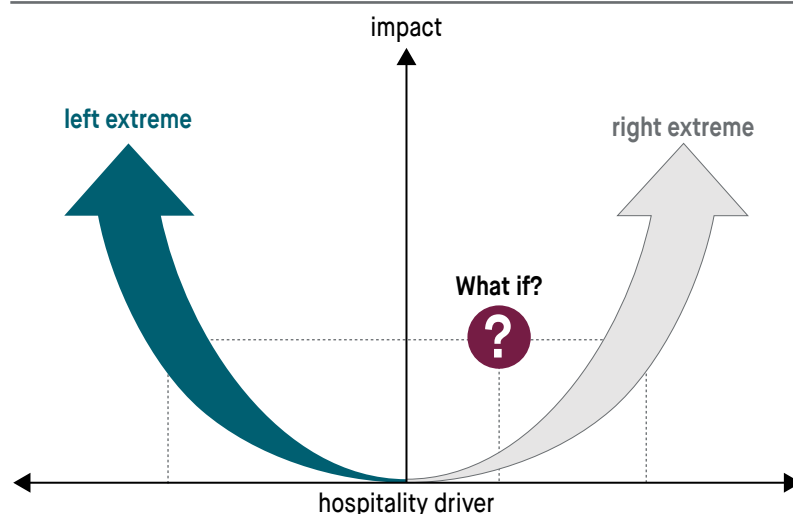
What is each hospitality manager's position between these two extremes? The answer to this question defines the mix of constraints and opportunities hospitality managers have to take into consideration to evaluate the best possible strategy for the future – a strategy that leads to decisions that have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

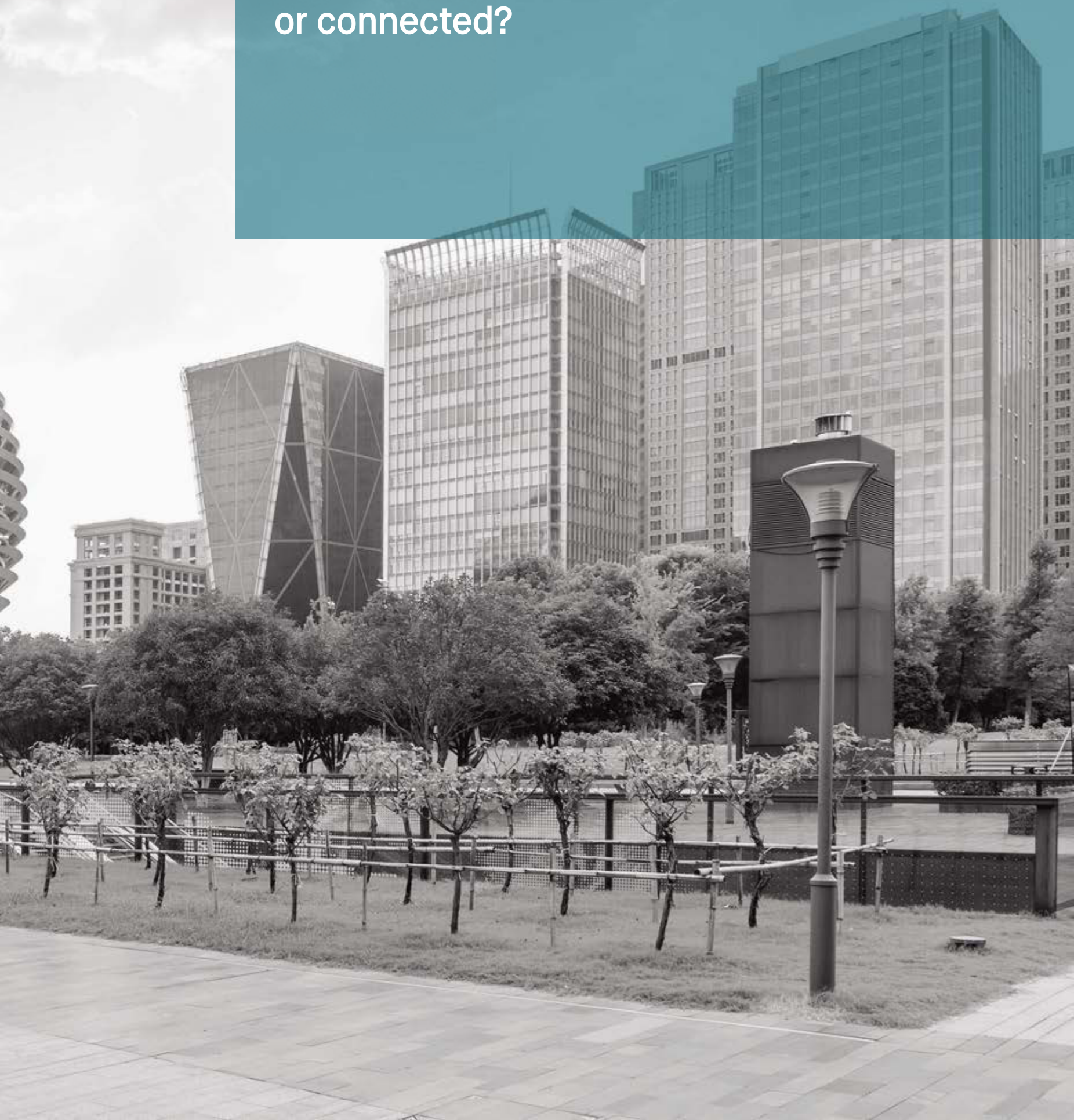


THE SMILEY MODEL





Will smart hotels be autonomous
or connected?



thesis #5

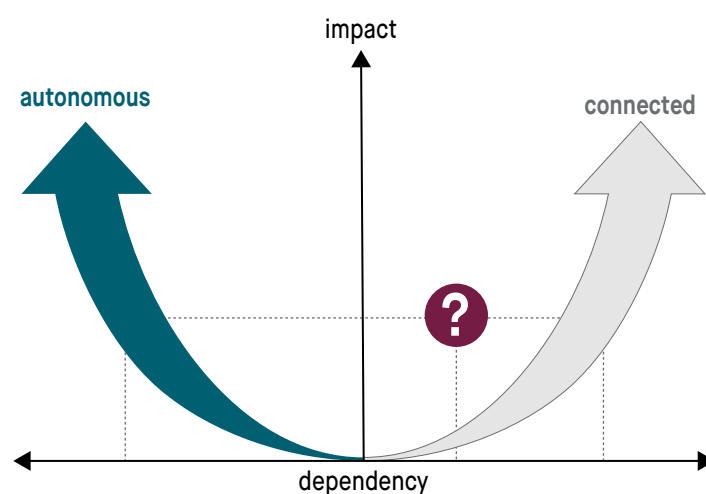
SMART HOTELS DEPEND ON SMART DESTINATIONS

autonomous vs connected

CONTENT

	Page
Will smart hotels be autonomous or connected?	68
Urbanization	68
Smart city clusters	69
Scenario A – smart hotels need to be autonomous	70
Smart hotels are green hotels	70
Autonomy rationales	71
Scenario B – smart hotels must be connected	72
Connectivity rationales	72
Autonomy requires connectivity	74
What if – regulators were to tax hotels for their untouched energy savings potential?	74
Case study – inclusive green economy: learning for the future	75
Food for thought	76
Smart hospitality laboratories	76
The digital concierge	76

EXTREMES



WHAT EXPERTS SAY

«Hotels in France will have to be energy self-sufficient by 2025. This will have a tremendous impact on how to use and store energy, and how to align these new concepts with public infrastructure providers.»

Peter Fankhauser
CEO
Thomas Cook Group

«In developed countries, we need to adapt to an aging population and cope with demanding new generations. In emerging markets, we have to accommodate for both a growing population and rapid urbanization.»

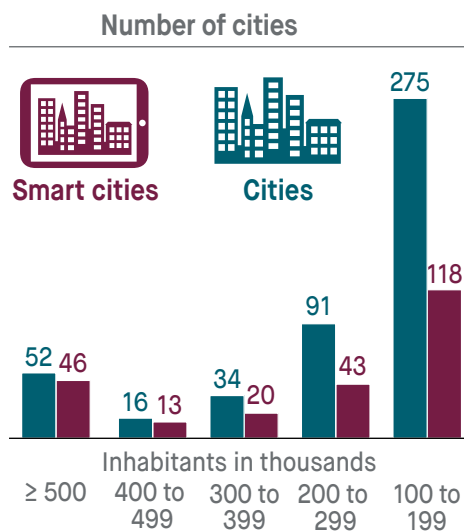
Tetsuro Inumaru
Operating Director & Deputy General
Manager Imperial Hotel Tokyo

«Sustainability is real, not a trend. It will change the perception of everything in this world.»

Pierre Landolt
Chairman
Sandoz Family Foundation

FACTS AND FIGURES

THE RATIO OF CITIES AND SMART CITY INITIATIVES ACROSS THE EU



THE FUTURE ACTOR

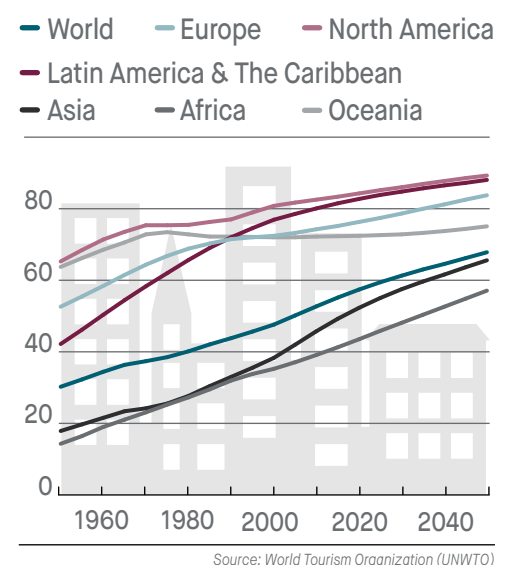
London and other European cities
join forces in a

**EUR
25 mio**

project to demonstrate
how innovative uses of technology
can improve the
lives of their residents

Source: World Tourism Organization (UNWTO)

PERCENTAGE OF POPULATION RESIDING IN URBAN AREAS 1950–2050



WILL SMART HOTELS BE AUTONOMOUS OR CONNECTED?

Urbanization

The share of the world population living in urban areas will continue to rise rapidly. In 2030, more than five billion people or sixty per cent of the total population will be living in cities.

Current, unprecedented urbanization is boosting economic growth and offers hundreds of millions of people the hope for a better life. Yet, it is placing a tremendous strain on urban environments. An increasing number of cities are swelling to the size of countries: In 2030, London, for instance, is predicted to have a higher population than Greece.^[38] New York will surpass Chile, Shanghai will

have more inhabitants than Australia, and Tokyo more than Malaysia. This trend will require smart city developments.

The infrastructure of smart cities will be digitized, decentralized and adaptive. It will need to cope with population growth, scarcity of resources, pollution, food security, urban safety and security, water supply and new mobility. Technology based on the Internet of Things (IoT) will be the key enabler of this connected infrastructure. However, the scope of such developments can no longer be mastered by individual cities. They have long become national topics. ■



did you know?

An initiative is a smart initiative if at least one of the following criteria is met:

Smart technology: converged e-platforms, energy yield management, sensors and controls, predictions and simulations, safety and security

Smart economy: innovations, entrepreneurship, city reputation, productivity, labor market, internationality

Smart mobility: sustainable transport systems, international and national accessibility, ICT infrastructure

Smart environment: air quality, ecological awareness, sustainable resource management

Smart people: education, lifelong learning, ethnic plurality, open-mindedness

Smart governance: political integration, public and social services, efficient and transparent policies

Smart living: cultural and recreational facilities, health supply and conditions, individual security, housing quality, education facilities, touristic attractiveness, social cohesion

Smart grids acting like yield management systems calculate the consumption and production of energy dynamically. Hotel chains will have the chance to participate in virtual power clusters. Such clusters will balance energy consumption between a chain's individual hotels and distribute a potential energy surplus to other grid members, helping them to be energy self-sufficient. For instance, a hotel in Nice potentially produces more energy than a hotel in the North of France. Its energy surplus could be provided to the hotel in the North. Due to the ongoing digitization of infrastructure, there will even be transnational virtual power grids.

Smart city clusters

By 2030, many cities will have been embedded in so-called smart city clusters. This will pave the way for mutual investments, buffer energy and water supply 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 established. Arable land can be shared to ensure food security. Joint educational and technological resources may spur innovations. Future mayors will be city cluster managers who coordinate the execution and operation of region-wide master plans.

Hotel chains need a superior locational strategy. In all the discussions about CRM (customer relationship management), personalization and social networking, it is often forgotten that, in most cases, travelers target destinations and not specific hotels. Thus, the choice of a hotel will almost always be a second-level decision. Hospitality depends on the attractiveness of destinations. Municipal lobbying is key to the success of destinations, however, only as a collaborative and sectoral approach. Therefore, hotels should cooperate with destination management companies (DMCs).

Smart city initiatives are on the rise, travel patterns are changing, and sustainability as well as safety and security issues are becoming more and more important. What strategy should a hotel embrace to be successful in this environment?

The evolution of two divergent scenarios is possible:

- **Scenario A** smart hotels need to be autonomous, or
- **Scenario B** smart hotels must be connected ■

SCENARIO A

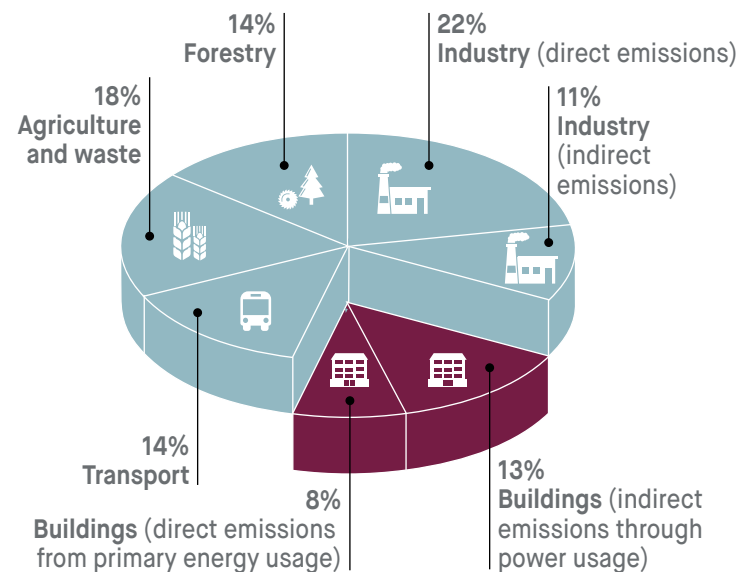
SMART HOTELS NEED TO BE AUTONOMOUS

Smart hotels are green hotels

The hospitality industry must know the environmental footprint of all the destinations on offer. These footprints influence a location's sustainable attractiveness, its travel connectivity, the placement of appropriate brands, guest segments, hotel concepts and the deployment of technology. The hospitality industry's lobbying with smart cities is essential, as hotels should become influential partners in many initiatives and urban policies.

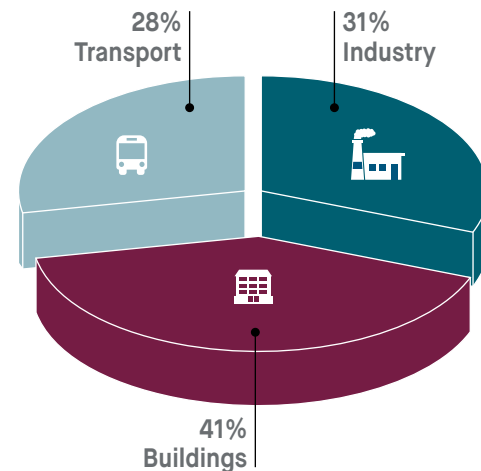
Increasing urbanization will have a significant impact on greenhouse gas emissions with clear consequences with respect to policies and regulations. The average carbon footprint of buildings and facilities amounts to about 47 per cent of the overall footprint of a city. Hotel buildings are responsible for 4 to 7 per cent of those 47 per cent^[39] as they consume more energy than office or mixed-use buildings (see figures «worldwide emissions» and «tourism-related emissions»). The current green initiatives of cities will eventually impose a framework of green efficiency measures on hotel operators.

WORLDWIDE EMISSIONS (IN %)



TOURISM-RELATED EMISSIONS (IN %)

Emissions from international and domestic tourism represented 6 to 8 per cent of global emissions in 2015.



Source: extrapolated from World Tourism Organization (UNWTO), SAG

Autonomy rationales

Environmental issues, the scarcity of resources, and the management of emergencies can be strong incentives for hotels to become autonomous and therefore reach a competitive advantage over peers.

Resource independence

City policies will request hotels to be energy self-sufficient. Hotels must set up their infrastructure according to these requirements, and they must be able to be independent and autonomous, not least due to rising costs for energy, water and other resources.

Autonomous vertical farming

The limitation of arable land will require new and more efficient farming methods that use less water and energy and produce less waste than traditional forms. Such concepts are not new but are now being industrialized for profitability. Among other countries, the USA, Russia, Canada, South Africa, Japan and Germany have already shown a keen interest in vertical farms. Energy efficient technology (e.g. HVAC, LED, water management, etc.) will enable vertical farming in urban buildings with large facades. As a part of the integrated building management systems, any required shading, heating and air circulation will not need further investments.

Even though vertical farming is still in its fledgling stage, the hospitality industry will make use of it and enhance the guest experience with a freshly harvested and processed food offering. Examples for this trend are the Tampa Hotels and the Renaissance Chicago O'Hare.

Inadequate infrastructure

Developing countries are still building their infrastructure that often does not meet the requirements for city networks or advanced grids yet. Hotels located in such countries cannot rely on the public infrastructure and must have their own supply and treatment systems, for instance to filter water and to produce energy. However, cities in less developed countries embrace the idea of becoming «smart» to manage their resources. ■

did you know?

Hydroponic farming^[40] – a form of hydroculture using mineral nutrient solutions – could be a smart solution for the future. Vertical farming is based on hydroponics but also provides lighting and heating for skyscrapers. Hydroponics will be valuable for countries that strongly depend on the tourism and hospitality

industry. For example, in many cases hotels and further touristic facilities are built on arable land ousting local farmers. Hydroponics could be an alternative for farmers to produce vegetables on non-arable sites. This food does not have to be imported and therefore balances out the eco-footprint.

SCENARIO B

SMART HOTELS MUST BE CONNECTED

Connectivity rationales

Being connected to a smart infrastructure enables hotels to optimize their utility management and therefore increase profitability and reduce emissions at the same time.

Seamless travel

Regional city airports could disappear. Main airport hubs will be connected to high-speed ground transportation to link city clusters (e.g. hyper-loops). Smart infrastructure will allow seamless door-to-door travel and provide access and individual security.

International business travel will increase. Domestic business travel, on the other hand, is predicted to decrease as most people will be connected and work from home. Project teams from different countries will temporarily work together, which will be an opportunity for hotels to provide office-like workspaces. The travel journey will be inter-connected and inter-dependent and include transportation, booking platforms (code sharing, multi-destinations), mobile ticketing, mobile check-in/out, mobile payments, convertible loyalty systems and transparent data analytics.

Smart and safe infrastructure

Shared infrastructure will reduce the use of resources via smart network load balancing, smart sensors (e.g. water leakage), and forecasting. Simulations of resource deployments will help to optimize costs and to track smart KPIs. Smart public safety and security networks will decrease reaction times, increase the efficiency of measures in general, enhance transparency and suggest and implement preventative measures.

As a whole, urban security procedures for prevention, emergency and disaster management will become highly networked. Public buildings and hotels will need to be

able to plug into this infrastructure and exchange relevant data to decrease vulnerability (see thesis #2, «Vulnerability on the rise»).

Hotels are virtual power plants

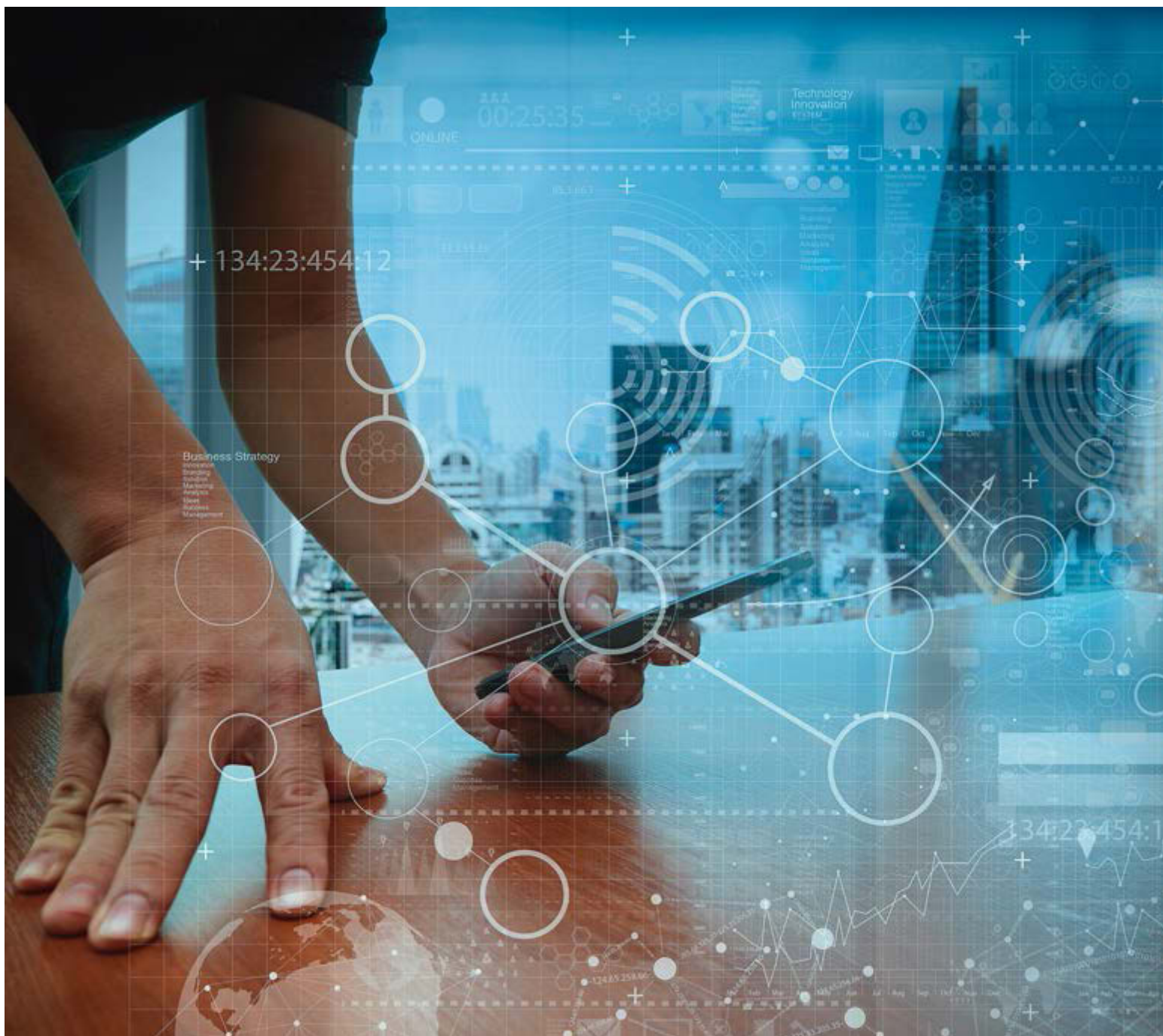
Smart buildings must interact with different users (guests, staff, management) for different functions (kitchen, guest rooms, banqueting); service and comfort levels, processes and energy consumption are controlled via pre-defined application corridors.

Smart grids and the digitization of the energy supply chain will also allow for the balancing of energy production, grid capacities, energy storage and energy consumption. New sophisticated systems will enhance and streamline yield management among hotel properties. Smart hotel buildings are already «prosumers», meaning that they consume but also produce energy. As an oversupply of renewable energy cannot yet be stored adequately, intelligent energy storage systems will become imperative.

The bundling of small energy providers such as hotels to virtual power plants will boost the trade of energy between so-called micro grids and the large utility providers. Instead of negotiating individual prosumer contracts with utility providers, independent hotels should regionally collaborate to create virtual power plant clusters. This would give them more negotiation power and therefore reduce costs.

Lack of benchmark standards

Currently, most hotels adhere to the «Greenhouse Gas Protocol» (GHG, adapted to ISO 14064) framework, which sets the global standard for how to measure, manage, and



report greenhouse gas emissions. However, it lacks official hospitality standards. In hospitality, GHG emissions are mostly considered from an operational point of view – and not from a lifecycle or supply chain point of view. The allocation of the different types of emissions in hospitality is complex, not yet reflected in official standards, and therefore not covered in sustainability reports.

As companies have to declare their own environmental footprint with respect to their travel activities, business

travelers want to know their individual footprint per stay, per event, per conference, etc. as part of an overall green travel approach. The selection criteria for hotels have been extended from pure location and pricing criteria to environmental benchmarks, which are increasingly enforced by large companies. The challenge for the hospitality market will be to provide both data for individual guests and dedicated reports for their stakeholders. Connectivity is the only way for the industry to establish benchmarks. ■

AUTONOMY REQUIRES CONNECTIVITY

Smart grids will enable hotels to become independent virtual power plants. Smart infrastructure will help them to become autonomous in terms of energy – but this requires connectivity. Automated data exchange with smart city infrastructure (e.g. transportation, safety and security, energy supply) and administration (e.g. CO₂ declarations, CO₂ trading, smart metering) only works if a hotel is connected. Operational advantages and a reduction in costs cannot be achieved without connectivity.

Safety and security measures too require connectivity (e.g. interchange of data between governments and hotels). At the same time, however, a hotel should be able to disconnect from a shared infrastructure and be able to keep running autonomously and remain fully operational

in a case of emergency. Smart hotels will therefore have to find a balance between autonomy and connectivity. They need to take advantage of the infrastructure smart cities offer, and they must avoid the risks and costs of becoming too dependent. ■

**« Connectivity
is the only way for
the industry to
establish benchmarks. »**

WHAT IF – REGULATORS WERE TO TAX HOTELS FOR THEIR UNTOUCHED ENERGY SAVINGS POTENTIAL?

The hospitality sector should intensify its lobbying with urban authorities to be a powerful partner in energy efficiency related master plans. This is especially important if governments start to define emission policies such as CO₂ caps and taxation and trading schemes for small and medium-sized enterprises (SMEs), such as hotels.

Hoteliers could influence the CO₂ emissions trading policy by providing transparency and benchmarks. Emission caps and taxation could otherwise be estimated along the sector-specific untouched saving potential. This has already happened with air traffic management policies,

where the Intergovernmental Panel on Climate Change (IPCC) ^[41] has identified a 12 per cent energy saving potential based on evaluated inefficiency. The same could happen to the hospitality industry as a result of inefficient use of building automation and control systems (BACS).

Such an additional tax could significantly increase the cost of energy consumption and emissions. Mandatory energy declarations and the trade-off between guest comfort and energy costs will force the hospitality sector to learn how to exploit the full potential of networked management applications. ■

CASE STUDY – INCLUSIVE GREEN ECONOMY: LEARNING FOR THE FUTURE

To justify and prove the values and societal benefits of the hospitality sector, the balance between the eco-footprint and the positive contribution to economic development needs to be evaluated. This core concept is called «inclusive green economy». In line with the resolution of the Rio +20 Conference, it is becoming the global guideline for sustainable tourism development.

A study conducted by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)^[42] on hotels in Peru sheds light on how the impact of the hospitality industry on developing countries can be evaluated.

The data analysis on eco-performance indicators (e.g. use of land, energy consumption, water withdrawals) in comparison with the economic impact, shows a low eco-footprint and highly efficient economic impacts. The qualitative and quantitative analysis resulted in the following selected findings:

Benefits

- **Economic footprint:** The hospitality industry in Peru requires less than 100 hectares (1 km²) of land to create 10,000 jobs and less than 1 hectare to produce a contribution of USD 1 million to the Peruvian economy. Mid-level and luxury hotels of a certain size in attractive cities are a very resource-efficient way to create jobs and income for local people with a low level of preparation education.
- **Employment:** In total on every 1000 m² of land used by hotels, 5 to 7 jobs are created in a backpacker hostel and up to 32 jobs in mid-level city hotels and luxury eco-lodges. These findings can be converted into 12.5 jobs per 1000 m² or 125 jobs per hectare on average.
- **Salary levels:** The monthly salary hotels are paying is between USD 300 and USD 800. Employees receive additional merits such as free meals and in some cases also free transportation, which makes hotels more attractive employers than other industries. In total, hotels are paying USD 60,000 to 300,000 in salaries per 1000 m². Staff interviews have revealed that employees spend 70 to 80 per cent of their salary on basic and other needs at local level.
- **Supply chains:** On average, hotels purchase only 16 per cent of the goods and services in the local market, whereas 81 per cent are from national providers, and only 3 per cent are direct imports.

Use of resources

- **Eco-footprint:** Decentralized eco-lodges built in rural or nature areas will increase the eco-footprint as they need

additional infrastructure. However, such facilities boost additional tourism benefits in more remote areas and create incentives for the conservation of natural assets, biodiversity and culture, which in turn could compensate for the higher eco-footprint.

- **Water consumption of hotels:** The total water consumption of the researched hotels in Cusco ranges between 120 liters per guest night in a budget hotel without a swimming-pool and laundry and 300 liters per guest night in a luxury hotel providing those facilities. These results are within the bandwidth of international benchmarks. In comparison to other economic sectors such as agriculture, hotels are therefore not large consumers of water.
- **Energy consumption:** The annual energy consumption of hotels is on average 60,000 KWH per 1000 m². These average figures for different types of hotels correspond with international benchmarks. Eco-lodges are off-grid and run on diesel generators. Such properties can be considered carbon neutral as they help to protect the rainforest area through their tourism operations.
- **Biodiversity and culture:** Most hotels play an active role in adding value to biodiversity and nature through the generation of income for both protected areas and adjacent communities. This helps to motivate local communities to refrain from destructive activities such as logging, hunting, and slash and burn agriculture. The involvement of indigenous communities in tourism can also contribute towards the conservation of their culture.

Conclusion

The hospitality industry could be a unique partner for rural and under-developed countries as in comparison with other sectors, it generates many more jobs, saves more resources, boosts the local economy and helps to conserve biodiversity and culture.

FOOD FOR THOUGHT

Smart hospitality laboratories

Hospitality experience is part of the destination experience. The concept of Smart Tourism Destinations (STD) exploits the strong interference between high tech and high touch (see thesis #4 «The emotional experience») to enhance guest experience. The future development of smart destinations will have to consider the entire customer journey – analyzing needs, wants and motivations before, during and after the trip.

Developing a smart hotel means to develop one node of the STD network. The most innovative cities will build Smart Hospitality Laboratories (SHLs) in cooperation with universities in order to align and focus interests and investments on the same objective: the attractiveness of their destination. SHLs will develop tools to enhance tourist experience from virtual space into reality, monitoring perceptions and interactions. SHLs can be an incu-

bator for hospitality, helping to develop new crowd-sourced applications that capture the monitoring of tourists and their feedback. ■

« Hospitality experience
is part of the
destination experience. »

The digital concierge

To this day, the tours and activities sector is almost untapped from a digital point of view. This provides opportunities to integrate this sector as concierge services for instance. A distinct lack of digital platforms makes many travelers wait until they arrive at the destination before they make any tour purchases. Providing packaged tour offerings also on mobile applications – as part of mobile hotel apps – will create a new demand. In addition to that, hotels could sell this tour business to locals and travelers alike.

Consumers are estimated to spend USD 100 to 200 billion annually on tours and further activities.^[43] This sector has now been discovered by the largest travel companies such as TripAdvisor, Expedia and Airbnb, and they have already boosted their investments to meet the necessary digital innovations. ■

« Consumers are
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SMART HOTEL AND SMART CITY CLUSTER SCENARIOS

1
International travel for internal meetings could disappear – internal meetings will be conducted through augmented cyber-conferencing.

2
The travel journey will be inter-connected and inter-dependent – transportation, booking platforms (code sharing, multi-destinations), ticketing, check-in/out, payments, loyalty systems, big data.

3
International corporate headquarters will be reduced – international project teams will work together temporarily – hotels will have to provide workspaces for communities.

4
Corporate business travel policies will focus on travel efficiency (cost reduction and reasonability), environmental footprints (declaration), safety and security conditions – hotels will have to meet the demand.

12
Business travel will be concentrated on selective urban hubs – networked to city and transportation clusters.



5
International business travel could increase, domestic business travel could decrease – most people will work from home or in common spaces.

11
Smart city clusters will provide a shared, decentralized and fully digitized energy supply infrastructure – hotels will be prosumers with their own energy grids (energy self-sufficient).

6
Personalized, virtual avatars will accompany travelers holistically on their travel journey (pre-, on-, post-stay) – avatars will be loaded with corporate travel policies and personal preferences.

10
Public safety and security networks will decrease reaction time, increase efficacy of measures, increase transparency, and allow prevention – hotels will need to interact with public infrastructure to decrease vulnerability.

9
Shared infrastructure will decrease the use of resources through smart «load balancing», smart sensors (e.g. water leakage), yielding and forecasting – cost optimization, simulations, new KPIs.

8
Smart infrastructure (mashed IT networks) will allow seamless door-to-door travel – always online, geographic tracking and tracing, individual security.

7
Regional city airports might disappear – main airport hubs will be connected to high-speed ground transportation as the new standard (hyper-loops).

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». ■

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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

Graphic design and layout

Sandra Meier

gestaltungskiosk.ch

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