



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.

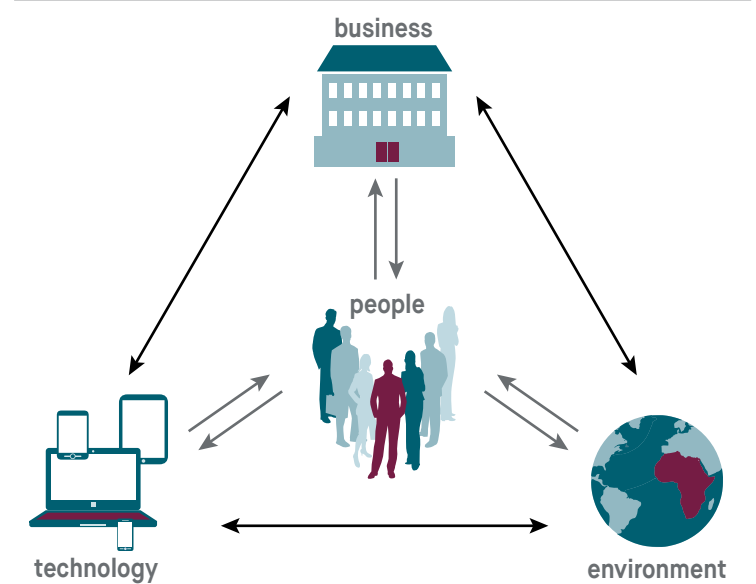
This report is based on the relevant literature and scientific contributions in «trend and future» studies, and it combines these findings with the results of the qualitative analysis of interviews and more than twenty workshops. Forty hospitality industry leaders from fifteen countries have given us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

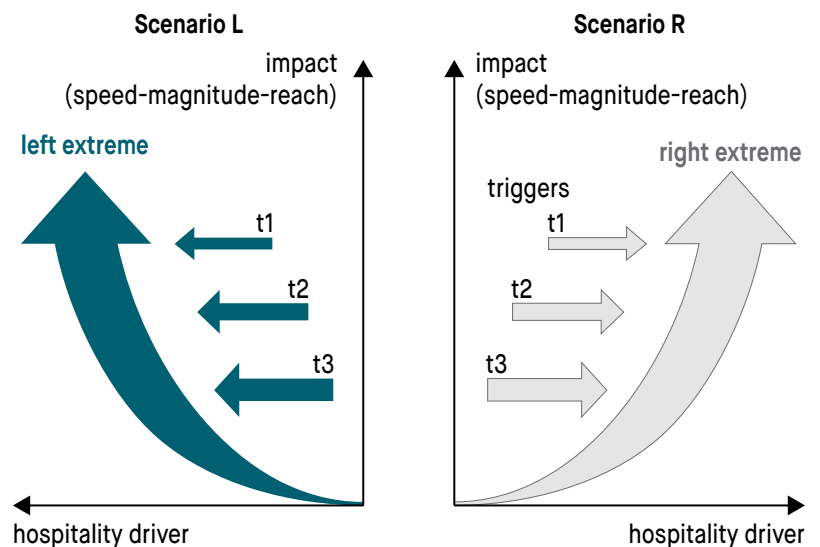
Under normal conditions (no disruptions or black swan events), many characteristics of both extreme scenarios are valid and co-existing. This situation is represented by the «smiley model» (see figure «the smiley model»), which merges the two perspectives.

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

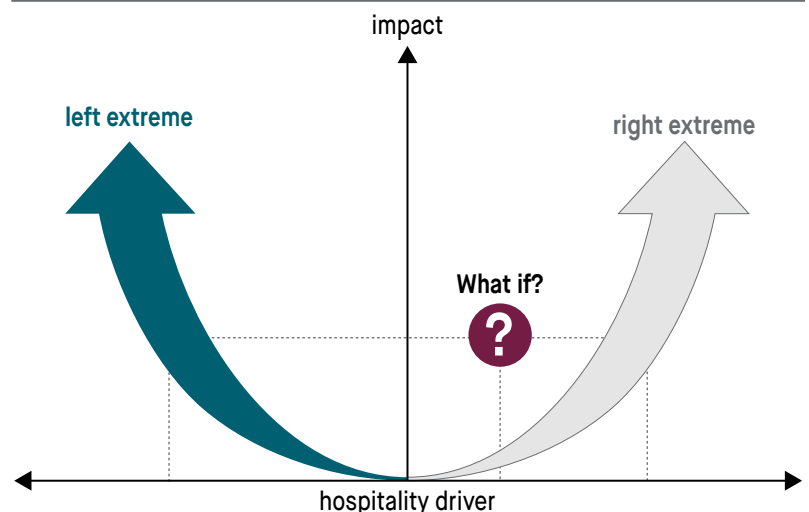
What is each hospitality manager's position between these two extremes? The answer to this question defines the mix of constraints and opportunities hospitality managers have to take into consideration to evaluate the best possible strategy for the future – a strategy that leads to decisions that have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



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





thesis #4

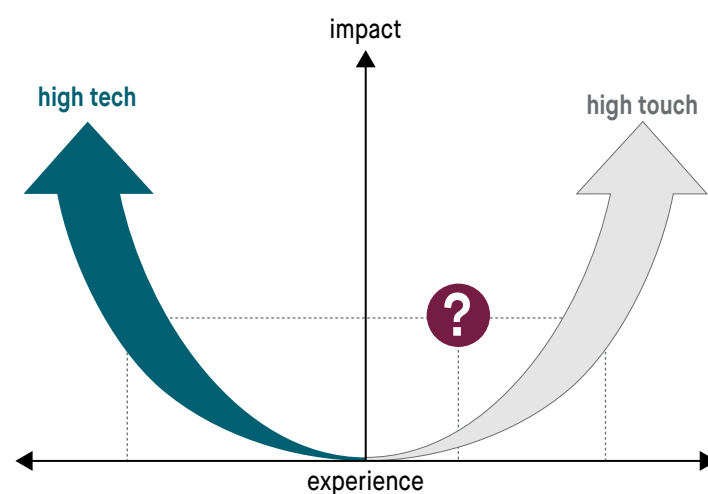
THE EMOTIONAL EXPERIENCE

high tech vs high touch

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EXTREMES



FACTS AND FIGURES

PRE-STAY MONEYMAKER

Digital travel sales
generated

\$534 bn

(2015) and are forecast
to grow to

\$762 bn

by 2019

Source: eMarketer

ON-STAY THE DIAMOND OF THE RING

81%

of travelers mention that
the quality of beds and the

**sleep
experience**

are the decisive factors
when choosing
a place to stay

Source: themoscovtimes.com

POST-STAY SHARE SHARE SHARE

31%

of holidaymakers
actively post

**travel-
related
reviews**

on a review website

Source: Deloitte, Travel Consumer 2015

WHAT EXPERTS SAY

«Creating an emotional connection with our guests through their engagement and through customized service is one of the most powerful drivers of our success.»

Christopher W. Norton
President, Global Product and
Chief Operating Officer
Four Seasons Hotels and Resorts

«In fact, I believe robots will mostly be used to facilitate heavy duties. That is a more interesting, smarter way to go about it, and the gain in terms of time and energy makes sense.»

Paul Dubrule
AccorHotels founder

«You get a digital platform where you can pre-select your preferences, pre-book certain things, and touch and experience them virtually up front.»

Bernard Bohnenberger
President
Six Senses Hotels Resorts Spas

DOES THE GUEST OF THE FUTURE WANT HIGH TECH OR HIGH TOUCH?

The futurologist John Naisbitt introduced the concept of high tech and high touch in his 1982 bestseller «Megatrends».^[28] He maintained that in a world of technology, people long for personal, human contact. Thirty-five years later, high tech and high touch have indeed become key concepts in the hospitality industry. Scanning the hospitality environment by using the P-BTE model (people, business, technology, environment) shows that changing perceptions are part of an irreversible and accelerating trend as well as a topic of controversial discussions.

The main challenge of hospitality managers in the future is to improve guest experience. Guest experience involves perceptions and emotions, and guests may react in many different ways. People may or may not make the kind of experience that hotel operators aim for. Therefore, hospitality companies must plan carefully what kind of guest experience they want to create and what reaction they want to get from their guests.

In Silicon Valley, the cradle of digitization, more and more entrepreneurs have expressed a desire for their kids to start their education in the most traditional way: without any interference from the latest technologies. In a high tech world, people are longing for balance. The answer to high tech is high touch – that is emotions. To quote Naisbitt: «Technology is relentlessly accelerating our lives and stirring profound yearnings for a more emotionally satisfying existence.»

Over the next 20 years, high tech will conquer the world. At the same time, millennials and generation Z in developed countries might embrace low-impact lifestyles and be drawn to spirituality, morality, and holism. However, due to their desire for perpetual digital connectivity and the need to prevent and reduce crime, most individuals will experience a significant loss of privacy. Personal data of practically everyone and every single commercial transaction will be recorded and stored.

Technology, for instance a robot at reception, may trigger positive emotions in one guest and negative ones in another. In order to meet a guest's expectations,

hospitality companies will have to fine-tune and tailor their services and provide the right mix of high tech and high touch in a more heterogenic market.

Against this background, two divergent scenarios are conceivable:

- **Scenario A** high tech shapes guest experience, or
- **Scenario B** high touch defines emotions

« Technology may trigger positive emotions in one guest and negative ones in another. »

SCENARIO A

HIGH TECH SHAPES GUEST EXPERIENCE

Rationales for high tech

Technology convergence

Technology has entered the age of intelligent interaction between machines and humans. This convergence is called the «third wave» or the «second economy» and is based on the Internet of Things (IoT). This «second economy» is the key enabler for the seamless digitization of the overall economy, and it will allow for a higher vertical and horizontal integration of the whole supply chain. Vertical integration will reshape the digital journey in terms of pre-, on- and post-stay services and integrate peripheral travel business partners. Horizontal integration enables the interaction with public infrastructure with the aim to optimize processes, costs, and productivity.

in, check-out, room control, geo-tracking, etc. will be done via mobile devices. Mobile technology is spreading quickly throughout both developed and developing countries. According to the telco company Cisco, in 2030, there will be about 5 billion mobile-only broadband users.^[30] ■

Artificial intelligence

By overlaying and connecting their internal and external infrastructure zones, the IoT will make physical devices, sensors and processors «intelligent». This type of artificial intelligence is based on cloud managed Customer Integrated Business Processes (CIBPs). The more precisely such processes are defined, the higher the value for customers and hotel operations will be. The standardization and centralization of CIBPs will be essential in automating hotel operations.

Smart devices

«What's really changed is that today it isn't about giving the guest the technology. It's about giving the guest the capability of leveraging all of the technology that they're traveling with», says Wayne Goldberg, President and CEO of La Quinta Inns & Suites.^[29] Reservations, check-

« What's really changed is that today it isn't about giving the guest the technology. It's about giving the guest the capability of leveraging all of the technology that they're traveling with. »

did you know?

Silent travelers do not want to be flooded with digital marketing material, emotional pop-ups, and other advertisements.^[31] They want to use the technology available – such as smart phones – to get things done and to book a restaurant table in three clicks. They consider all personalized services as a harassment and would like to have their peace and quiet, or, at best, be served by efficient robots and not by chatty and time-consuming staff. They would like to have a good night's sleep, a smart TV and connectivity – and that is that. They stick to brands, if they meet their demands, and they care about privacy. Silent travelers primarily belong to the generation of baby boomers. The best hotel concept for them would be an unmanned and fully automatized hotel with a user-friendly interface that meets requests efficiently.

Productivity and innovations

High tech will increase productivity and profitability. The smart interlinkage between guest-oriented technology and property and distribution technology will allow a hotel company to automatize workflows, reduce costs, and increase productivity. Concepts such as seamless travel will provide digital access to services at all stages of the itinerary (pre-, on-, post-stay). For guests, digitization means no more than efficient access to automatized services to increase their own productivity and give them more leisure time.

Millennials and generation Z are digital natives, they will request continuous high tech innovations. Lifestyle concepts have to cope and keep up with this. The next wave of automatization will include robotization and increased interaction with artificial intelligence. ■



SCENARIO B

HIGH TOUCH DEFINES EMOTIONS

Rationales for high touch

In a world that is shaped by our interaction with technology, the ability to provoke and track emotions will be the key factor for the success of a hospitality business.

Affective revolution

Recent changes in social values and lifestyles have turned emotions into the core drivers of individual wellbeing. Emotions are targeted by advertising campaigns and are the pet topic of the media. Over the last two decades, emotions and happiness research have been included in many scientific disciplines. It is high time hospitality fully embraced this affective revolution.

Emotions are predictable

Emotions influence the way human beings think and make decisions. Previously held notions that human beings are rational decision-makers are outdated. Emotions are key to decoding human decisions as they are strong motivational forces that shape decision-making processes. Emotions and affect are no longer perceived as irrational phenomena, but as adaptive responses instead. This «affective revolution» has given birth to the affective sciences, referring to an interdisciplinary field of study devoted to the biological, psychological, and socio-cultural aspects of emotions.^[32]

Questionnaires and surveys as well as behavioral experiments (real-world, online, in the laboratory, and in virtual reality environments) are used to measure explicit choices, types of behavior, and emotional processes. A large number of neuro-imaging methods (EEG, fMRI) measure physiological responses such as heart rate, skin response, eye tracking, etc. They show aspects of the emotional response that are not explicitly

known or steered by the participant, but are vital to understand the emotional process and its influence on decision-making. New technologies could let guests experience an augmented reality as well as create and stimulate emotions.

Recognition and stimulation

In a digital environment, guests want to be appreciated holistically – their emotions, moods, and desires. They would like to be emotionally stimulated throughout their travel journey, and they need to identify emotionally with a brand. They expect a new bandwidth of emotional triggers. Staff need to become «stage directors» who provide an individual, memorable guest experience (see thesis #6 «The scope of knowledge»).

« Emotions are key to decoding human decisions as they are strong motivational forces that shape decision-making processes. »

Holistic wellbeing

Services related to transport and accommodation can make a guest happy and create positive emotions, but so can facilities that target a guest's physical and emotional wellbeing. Upscale hotels are increasingly focusing on diversifying revenues from rooms to the capitalization of wellness infrastructure and F&B capacity. The costs of health care continue to rise and prevention and wellness programs will be an increasingly important source of profitability in hospitality. Wellness is going mainstream, and guests will be joining multiple health communities to address different health concerns, including disease management, food allergies, stress reduction, and weight loss. At the same time, people have a heightened perception of health-related risks.

As health is moving out of its clinical setting and into people's everyday lives, the hospitality sector may take advantage of this new opportunity. By providing a hospitality environment for health management, hoteliers can deliver new services and forms of value. ■

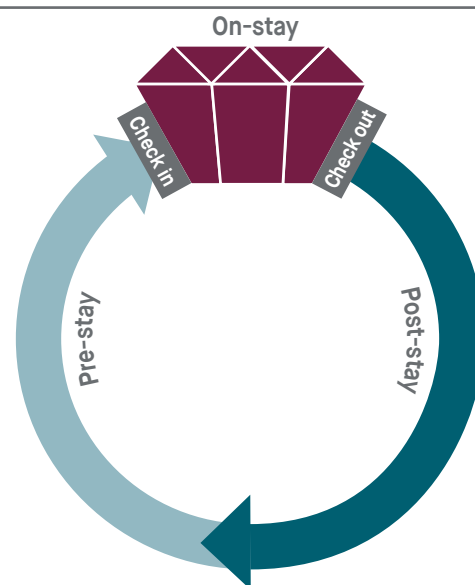
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THE HOSPITALITY JOURNEY

In any decision-making process, customers go through a series of steps to achieve their objectives. In hospitality, the classic path of a customer's decisions and the journey itself is described as the customer journey. This starts with the critical moment when customers first interact with the property online; the moment of truth comes when the guest arrives at the property and checks in. Guests' perceptions either match their expectations – or not. Therefore, hospitality has to identify and create various touchpoints along the journey. This will require specific knowledge and a smart deployment of technology. Maximizing guests' satisfaction at those touchpoints can positively impact their perception.

The customer journey involves three main stages: pre-stay, on-stay, and post-stay. All steps combined denote what we refer to as the «hospitality ring» (see figure «hospitality ring»). However, classic hospitality operations happen between check-in and check-out. ■

HOSPITALITY RING



Pre-stay

Before booking transport and accommodation, a traveler will explore all the options available. Previous and ongoing guest experiences thereby influence any subsequent decisions. Customer consideration and awareness as well as retention and loyalty systems are pivotal.

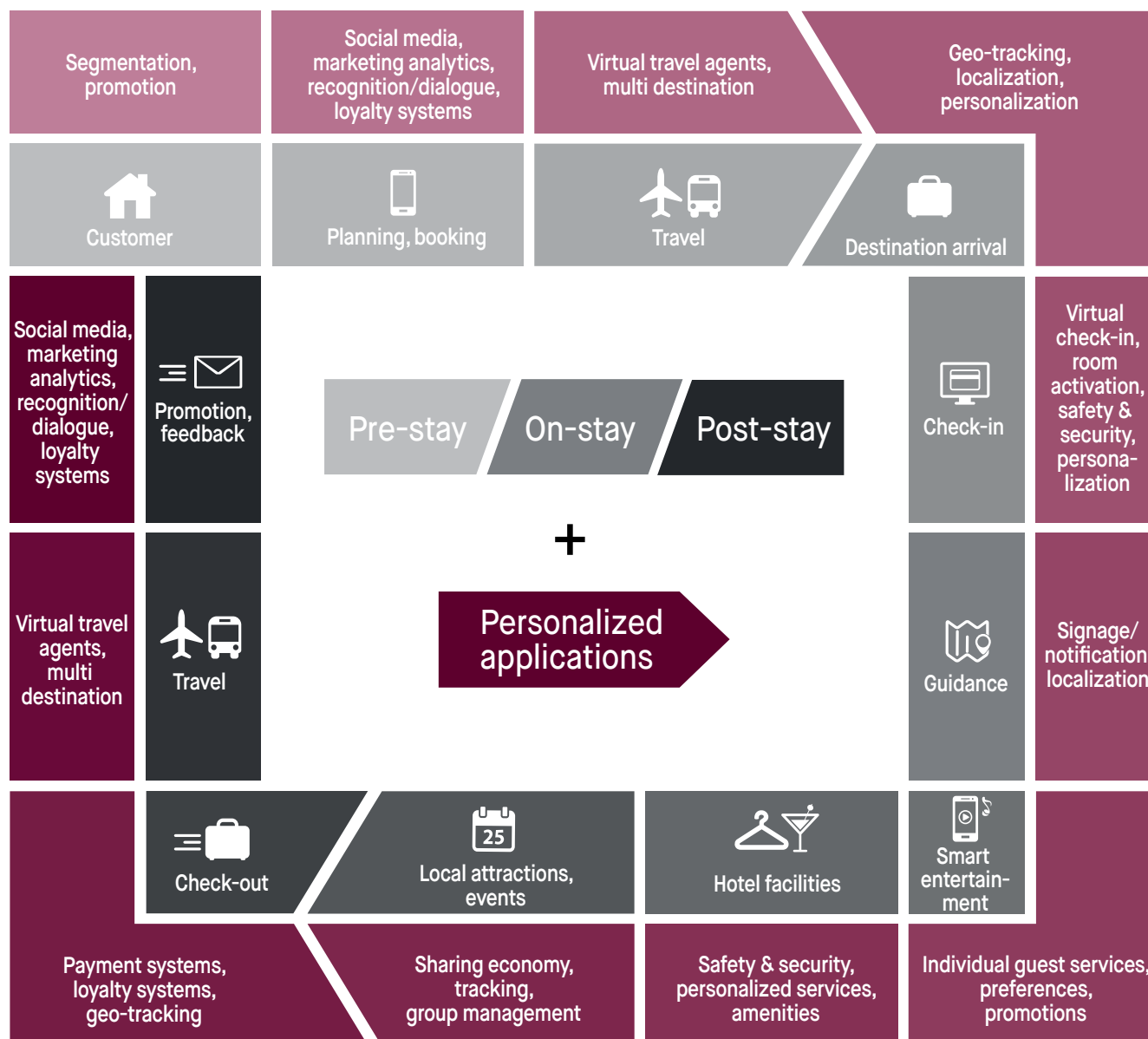
To turn a prospective guest's casual browsing activities into an actual booking, hotels will have to develop a competitive and distinctive affective hospitality journey strategy (see figure «affective hospitality journey strategy»). This can be achieved by:

- using data analytics to identify specific need-based customer segments,

- understanding the affective hospitality journey for each customer segment,
- investing in the right technologies to obtain a competitive advantage,
- developing mobile technologies such as apps offering mobile booking, check-in and room keys, and
- streamlining the digital booking experience on the web.

These targets will allow hotels to identify the right business opportunities to improve their customers' experiences. ■

AFFECTIVE HOSPITALITY JOURNEY STRATEGY





did you know?

New mobile technologies entirely redefine how a trip can be planned. 83 per cent of leisure travelers and 76 per cent of business travelers plan their trips online.^[33] 96 per cent start their hotel planning on a search engine, 47 per cent do so on their smartphones. «Do-it-yourself-travelers» – who plan, manage and book their trip door-to-door online – are the protagonists of the new supply economy. They enjoy their trip without having to interact with travel agents, hotel concierges or tour guides. This presents a challenge to an industry that focuses on the human service element. To fulfill these customers' needs and set off their range of services against those of other providers, digital-only companies such as Airbnb, Roomorama, HomeAway and CitizenM use the absence of human interaction as a sales argument.

On-stay

Although all the steps of the affective hospitality journey have an influence on both the perception and experience of a trip, a guest's stay remains the deal breaker for any decision to return or not. A hotelier's main task therefore is to make sure that his guests' stay not only meets their expectations but exceeds them.

Any stay begins when a guest checks in. In the future, a customer recognition process will trigger personalized services. For example, upon arrival, «geographic tracking» will allow hotels to precisely schedule the guest's arrival on-property, and prompt the building systems upfront to prepare customer-specific settings (e.g. room comfort, service preferences, certain security and safety configura-

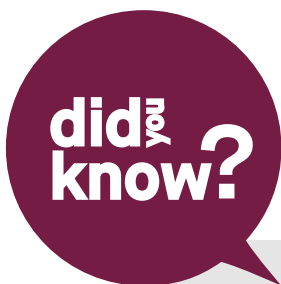
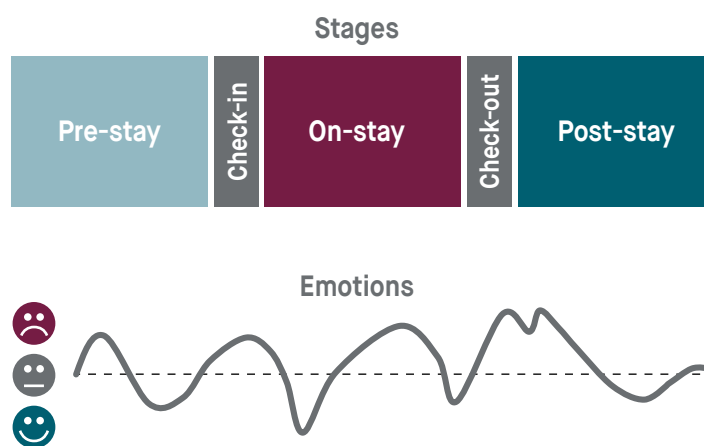
tions, etc.). Negative stereotypes, such as waiting in a check-in line, will disappear, instead there will be a mobile check-in. Interactive signage will guide customers and authorize them to access their room via smart phone. Personalized information and offerings could be pushed to smart devices or to virtual avatars (doppelgangers) by the hotel as well as by allied partners to stimulate guest choice and experience. In addition, travel groups could be clustered accordingly in order to provide the most personalized community-related services. Check-out and payment procedures will be mobile, in line with a guest's individual preferences. ■

Post-stay

«Recommend, evaluate, share and rank» are the post-stay touch points. If the post-stay experience manages to create such an impact that the trip will be considered a success, the evoked emotions can be transformed into future revenues. In the past, hotels have used several guest evaluation and retention tools: the classic satisfaction survey before check-out, loyalty programs, communication with the guest via mail and e-mail, and incentives for executive assistants, frequent clients, etc.

In the future, social networks and new mobile applications will assume this function. Any post-stay experience will be connected to pre-stay and on-stay experiences. Guests will share their emotions and impressions in the digital space in real time. TripAdvisor, for instance, already has the same impact as Booking.com or Expedia, and the impact of such rating tools will only increase. Online rating platforms will track guest hotel ratings and trip preferences and manage them transparently. Based on the ID of the guest's virtual avatar, changes in preferences and interests could be extracted and used by hotels to adapt a guest's future stay. ■

EMOTIONS VARY ALONG THE THREE STAGES OF THE CUSTOMER JOURNEY



Internet service providers are creating personalized profiles of all users – that is, of all of us. The more data we produce, the more accurately such digital profiles represent our «real» profiles, or, in other words, the more closely our avatars resemble us. The step from discrete data profile to avatar will have consequences that are similar to the progression from the relatively primitive Arpanet (the internet's predecessor) to the public World Wide Web. Everyone will be able to analyze their own data and monitor changes in their avatar. In principle, an av-

tar operates like a Google search engine: atomized molecules of information are assembled to generate a holistic picture.

The second wave of avatars (doppelgangers) will create an unprecedented market transparency that guests would not normally be able to reach via manual research. This will force hotel operators to care about their digital reputation. Avatars will become chief brand ambassadors as they unite revenue management and digital marketing at the new digital point of sales.

BETWEEN HIGH TECH AND HIGH TOUCH

Digital marketing tools may well make dreams fly, but then property features and services may not live up to their promises. Moreover, marketing efforts might not be able to push the right buttons to create the demand – and a guest's dreams are reduced to a best price model.

In guest relations, dealing with emotions is more problematic and challenging than not being able to offer the lowest price. A hotel's ability to stimulate emotions puts it into a position of power and therefore of responsibility.

To fulfill their promise, brands have to offer their guests authenticity and sustainable and consistent services. New technology-enabled services have to be used in a reasonable and non-manipulative manner to deliver real added value.

The new «emotional transparency» based on big data will also provide sensitive data that guests do not want to be disclosed and used for analytics as they touch privacy. The selection of data will be a challenge. Even if today it is widely accepted that privacy is no lon-

ger an issue, there will be a counter trend. Guests will change their minds during their different stages of life and insist on the protection of their privacy. ■

« A hotel's ability to stimulate emotions puts it into a position of power and therefore of responsibility. »

WHAT IF – HOSPITALITY WERE TO BE AFFECTIVE?

The affective sciences have an enormous potential to help to understand the factors that determine a guest's emotional experience – and move towards the new concept of «affective hospitality».

Affective hospitality provides the means to transform a client into a guest and the guest into a brand ambassador. It represents a thorough re-engineering of the classic hospitality relation between host and guest. It is also a way to re-evaluate and rethink the company's brand value – which today represents a hotel chain's most important asset.

Hoteliers should turn back to their core competences and be affective. All the emotional opportunities provided by the digital environment cannot substitute but only enrich the physical on-stay guest experience. The ultimate goal is to have a guest physically on-site to create long-lasting emotional connections. ■

CASE STUDY – THE RISE OF FOOD TOURISM: A HIGHLY EMOTIONAL EXPERIENCE

«Food tourism is any tourism experience in which one learns about, appreciates, and/or consumes food and drinks that reflect the local, regional or national cuisine, heritage and culture», states the Ontario Culinary Tourism Alliance (OCTA). Millennials are dominating the generation of «foodies»: 51 per cent identify themselves as foodies, they eat out 22 per cent more often than other generations, and 53 per cent seek out local cuisine and ambiance when traveling.^[34]

Local food has always been part of the travel experience. Yet, to travel specifically to a destination to experience its food is a quite recent trend. The American Culinary Traveler Report reveals that the percentage of culinary US leisure travelers grew from 40 to 51 per cent between 2006 and 2013.^[35]

According to the University of Florida report titled «A Flash of Culinary Tourism», 39 million US leisure travelers choose a destination based on culinary experience opportunities, while another 35 million seek out culinary activities after choosing a destination.^[36] In 2012, tourism expenditures on food services in the US have topped USD 201 billion, nearly 25 per cent of all travel income. Therefore, food services are the category travelers spend most on.

On the other hand, a counter trend could develop if travelers cannot find the cuisine they are familiar with. This could be the case for Asian travelers in particular.^[37] The factor food could keep Chinese tourists from leaving Asia and traveling internationally.

Travelers who connect their destination of choice with its culinary environment constitute a trend that will lead to the renaissance of hotel F&B strategy. Hotels have already begun to provide local «homemade» cuisine, and are reformatting hotel restaurants in cooperation with local partners into culinary lifestyle temples. As an additional benefit, these restaurants do not just attract hotel guests, because if locals start to frequent these hotel restaurants, hotel guests will follow automatically, true to the motto «if you would like to hang out with the locals, stay with us».

Sharing F&B experiences on social media with friends and strangers around the world is going to be the number one trend. «Food porn» is the new term that denotes a spectacularly glamorous visual presentation of dishes, cooking, and eating.

FOOD FOR THOUGHT

Return to the diamond of the ring

Some hospitality top managers put all their efforts into the pre-stay and the post-stay stages of a trip in a bid to compete against OTAs and instead manage guest relations directly. It is important to stress at this point that this strategy will not be enough to control the supply chain. Unfortunately, despite the fact that the guest's stay is the core business – the diamond of the hospitality ring – very few noteworthy innovations are currently implemented between check-in and check-out. Important research is conducted on the future of concepts such as a good night's sleep, de-stressing, relaxation, and, in general, enjoying the stay in a room and its amenities.

The main question for the future luxury hospitality must be: «What could we provide that our guests do not already have at home?» Guests do not want to feel at home, they want to experience something new and unexpected. They want to be surprised and be astonished – the triggers of emotions and memorable experiences. To master these challenges, R&D departments are needed. The hospitality sector cannot continue to rely on outdated experience and trial and error; guests are decidedly not guinea pigs for new concepts and strategies. Other industries have long established research and test laboratories, hospitality definitely needs to follow suit. ■

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

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Photos

Adapted from Shutterstock

shutterstock.com

Photos page 5, 42, 82, 85, 88

EHL

Printing house

Vögeli AG

