



From the front line...
Luxury Vacation Trends
2018

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I. Introduction

2017 was the *Bounce-Back Year* for all of us in the luxury travel space. The year came in like a lion but out like a lamb. From the get-go, it was a banner year with nearly 35% growth. As challenging as 2016 was with fears of Zika, terrorism and a tumultuous political quagmire, somehow the ball dropping in Times Square on January 1st 2017 instantly marked a new outlook on travel and consumer confidence. Business came back strongly in the first quarter and more than doubled in the second quarter. Group business rebounded to 2015 levels and our celebration/event business more than tripled.

By Q2, Zika seemed to wane in the shadow of “*Trumpism*” and even the London terrorist attacks didn’t seem to affect things too much. Despite ongoing concerns in France, summer European travel hit epic levels. Then came September – with a slew of disasters – one after the other: hurricanes, earthquakes, warnings of safety in Mexico, Catalonian independence woes, fires, terrorism in NYC (twice), the traumatic attack in Las Vegas, and recoiling of Cuban policy. Oh, and of course there was the Middle East crisis, with Qatar being ostracized from its brothers and Saudi princes pitting against each other, both severely impacting a lucrative base of travel business across the world. The Russian slump continued and the dollar fell in many countries by year-end, especially against the Euro.

Indeed, as Rafat Ali, CEO of Skift puts it, “*Travel is the global crucible for everything.*” Ali observes “it is where the largest consumer and tech trends first meet and are quickly tested. Everything converges in travel. Travel is where perma-anxieties show up in concentrated form.” And whether it is a disease outbreak, a natural disaster, political game, terrorist attack, visa restriction or a Muslim ban, we in the travel business are usually the first to feel the impact and have to deal with it. So yes, the autumn conversations seemed to relive 2016 – talking people off the ledge... Was this the end of a short-lived lucrative cycle?

Luckily, it was not. While it got a bit tougher to close business, it was easier than 2016. It seems there was a new resilience in our client base. Fear did not guide their decisions as strongly as it did in 2016. Instead, the general feeling was, “*If I am going to travel, I want it to at least have meaning; I want it to be impactful.*” This quest for meaning, amidst all the world’s mass confusion and disasters has become the central theme for the way we now sell and this year’s observations.

Fear is still in the picture, but more for framing conversation and destination. Where 2016 saw a surge in domestic business where clients feared leaving America, 2017 saw a strong (as in 76%) recovery towards international business. For example, Greece was the comeback kid of 2017 shifting business from France (mostly) which took a hit this year. Climate [change] actually had a stronger effect on business than fear, whether it was the millions of dollars we had to shift from affected islands in the Caribbean (and dealing with the notion that the entire Caribbean was shut down for business) or moving people at the last minute who noticed unusual weather forecasts in their destination. The startling lack of snow the past 3 years in mountain regions across the USA and Europe has resulted in a 43% slump in ski vacations. Anything ski related has been booked between 1 and 30 days in 2017 and we expect the same for 2018.

In general, transactions remained flat, but revenue was up by almost 35%, back to 2015 levels. Pace for 2018 looks extremely promising. Revenue per transaction is up 13% while pace is 21% ahead of 2017. Oil prices are rising steadily, which is good news for the Russian and Middle Eastern markets. Brazilians

are back on the road and ADR at hotels seem to be more stable. And despite Trump creating an utterly embarrassing situation for worldly Americans, incoming business to the USA did not wane in 2017.

Indeed, the outlook for 2018 looks strong. The world economy seems to be booming. According to the Luxury Institute, "Employment is healthy throughout the world and wages are picking up slightly. Real estate is healthy. The global stock market is up with the United States at record levels, and that favors affluent spending."

And with the continued shift from spending on experienced-based services over goods, travel has never been so well positioned for success -- *if done right!* While business is great in the now, this is no time for any of us to rest on our laurels. On the tech front, acronyms loom in our midst and promise continued disruption. BD still looms strong, while VR and AR take center stage, and BCT and AI are looming on the forefront as their accuracy matures (wait for it). Meanwhile, to stay relevant, trends in family travel, celebrations, wellness and gastronomy cannot be ignored.

So what does this mean to all of us in the luxury travel world? Below is a snapshot of luxury travel trends from our standpoint. Our observations are based on interaction with our mostly Gen-X and Millennial-focused client base solely in the luxury leisure space in 2017 and future bookings for 2018 (with very little reference to the corporate travel space). Remember, our clients have an extremely high net worth, usually above \$100 million, and our 2017 ADR hit \$1,804/night, and, thus, behave quite differently than most Americans. So with all that you may read below, remember, this is not necessarily a snapshot of the travel business, but more a microcosm of what we at Ovation Vacations, a proud Virtuoso affiliate, experience day-to-day in the ultra-luxury segment.

It first includes market observations that, though not directly related to travel, significantly impact travel trends. I then relay consumer trends and travel-specific trends, lead into hard metrics and ending with predictions and opportunities.

IF you make it to the bottom of this Trends Report to the Opportunity section I think you will find my final epiphany to be game changing for everyone. I hope you find this both informative and inspiring... inspiring new stories to tell, new business models to sell, new innovative concepts to try and new profit channels to pursue. And while this report has a strong focus on travel it very much speaks to the luxury consumer; so even if you are not in the travel vertical, if you sell to the same consumer, the trends you will read will surely be applicable to you in one way or another.... It's up to you to draw the conclusions. One thing's for sure: all of our vertical spaces in the world of luxury are colliding and the smart players will continue to seek brand partnerships to take advantage of this convergence. Of course, I would love to collaborate with you on any new concepts you want to test, as "crazy" as they may be!

And yes, ***I would love to hear from you!*** What are you seeing? How does it differ? What advice would you give us?

II. Market Observations

Top 10 Observations affecting the luxury and travel marketplace

1. Big Data, Artificial Intelligence & Blockchain Technology: The mining of “Big Data” with a new generation of “Artificial Intelligence” (AI) have been buzz-worthy stories for the past few years (along with this year’s new darling “Blockchain Technology”) that are now sending ‘legacy’ OTAs into a tizzy with respect to new eye-ball dominating players like Facebook and Google. No doubt the world’s biggest influencers are the platforms that both capture the most eyeballs and track individual user’s aspirations and habits. The leaders in this space -- Google, Facebook, and Apple have the power to control nearly any market with highly targeted messages based on accumulated data. And they already are: your Facebook and Instagram feeds are carefully orchestrated; your Netflix page and even Google search results are not at all random nor are the ads that pop up whenever you make a search request. Known in the tech world as “Big Data,” (BD) this over-abundance of nuance by user can be one of the most powerful marketing tools in history if mined wisely. The key to using all of this information is a new generation of Artificial Intelligence (“AI”). You see it is not just about collecting Big Data; it’s knowing what to do with it. And while AI has been around over 30 years, its effectiveness has been mediocre at best. Improved technology, however, allows “smart” computers (now referred to as robots) to continuously learn as it interacts with a user. So whether it is targeted selling of retail goods, travel experiences, or services, AI will purportedly be able to better emulate human judgement and give relevant advice to users.

Technology should not replace humans, it should enhance them; it should automate the routine and humanize the exceptional

This year these dominant information collectors will start to sell that data more aggressively and truly control who sees what information. And the fascinating thing is that successful Big Data hoarders are cultivating data across platforms in different spaces obtaining a more holistic idea of who each customer is, where their attention goes and what their passion points are in all facets of their life. While the dawn of Blockchain Technology (more on that below) will help, companies gather more Big Data, Facebook and Google will still dominate since they are portals to a consumer’s whole life.

Will all this technology replace humans in travel business? I don’t think so, but it will continue to erode humans in transactional capacities. And while AI is still in its infancy I predict that it will be a significant driver of information within the next 5 years and become a major disruptor 5 years thereafter. So how do we prepare from now? AI and Big Data go hand in hand and their synergy is required for ideal results. You see, AI uses the enormous amount of accumulated data to make intelligent decisions and recommendations. And while AI is still not ready for prime time in hospitality, Big Data is. We have already seen many companies (few in hospitality) starting to cultivate data from customers in anticipation of AI becoming a game changing tool in selling. Hotels are starting to get in on the game as well with new CRM and operational tools like Porter & Sail, Alice, and Watson helping them gather data points and using them to better service and market to their guest. The game changer will come when the hospitality industry mimics the digital world in sharing data across platforms. In our world that means

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building a platform where front line travel advisors can mutually exchange information with hotel companies to both improve the customer experience. Granted confidentiality laws, especially in the EU may inhibit this, but for those that can do it, you will be able to deliver the entire end to end consumer experience with robust emotional impact.

The frightening thing is that many in the retail trade (especially travel agents) are eschewing AI, claiming that robots will never replace humans in the luxury space. While I hope that is true, I personally think that we in the retail space must not be naive. AI will be integral to success; however, in the luxury space AI should be used to *enhance* people's service and perfect advice and not replace them. Without embracing this, consumers are going to grow a lot less patient with humans and expect a greater anticipation of needs that they get from AI-backed providers in every other aspect of their life. Clients will expect a customized journey just like they get on Netflix or any other service they subscribe to.

If used correctly, AI will help advisors become better service providers and allow them to spend more time building the irreplaceable human connection.

For those true advisors who profess advice and first hand insight, if used correctly, AI will be a remarkable tool to make them more efficient. But AI is not enough on its own. Advisors will still need to educate themselves and use AI as tool and not a replacement for knowledge. I liken it to giving a child a calculator without teaching him how to add first.

Thus, the future of successful AI in the high-end service business is intelligent people becoming better, not uneducated people becoming intelligent. You see technology should not replace humans, it should enhance them; it should automate the routine and humanize the exceptional. When perfected, AI will be the biggest disruptor since the internet – will lead to highly personalized travel product recommendations and a whole new level of brand/consumer engagement. It will help humans become better service providers and allow them to spend more time building the irreplaceable human connection. Ironically today the human element is still the weakest link in the luxury service sphere which clearly needs to be perfected for survival in the robot-driven world of the future.

2. Fear Factor morphs into Market Confusion - Fear was the most influential decision factor in 2016. Contrarily, this year's waning media coverage on Zika eased consumer concerns and started opening up the Caribbean and Mexico as a strong destination while less overt terrorist tragedies put Europe back on the map for many. Though most of 2017 was quiet and brought a surge of travel back into the marketplace – especially from the USA and China, our clients' intense fears from 2016 morphed into market confusion this year. Is Zika still a threat? Is the entire Caribbean shut down? Will the effect of the wild fires in California damage my lungs? Should I be afraid to go to Paris or Spain? Yes, these are all questions we continue to get on a daily basis. The good news is people are asking us these questions, whereas in 2016 people were adamantly opposed to even considering these destinations. The bad news is that obtusely slanted negative media coverage and propagation of the "Fake News" concept has left consumers feeling helpless and frustrated with what is real, what is trusted, and what is not. Sadly, the media's obsession with fear-infusion to sell ads and grab air time literally takes food off of people's tables and shuts down economies driven by tourism.

Historically bad news and bad things always existed. However, two conditions have magnified them in recent years: (1) the increased sensationalism of media and (2) the proliferation of social media. More and more people are consuming their news via social media which is not necessarily accurate and often has a specific agenda – with no one to vet its credibility – thereby giving birth to so called "Fake News." Indeed, if you say something loud enough and constant enough it becomes a perceived truth. And though nothing may change, once there is something more exciting to talk about it suddenly gets forgotten –

leaving consumers with a puzzlement on its status in the first place. As media tries to redefine its relevancy, it will continue to sink in the wake of sensationalized media. Good news for us this has led to a surge in the use of a travel advisor to help people make sense of everything; but in the long term this is bad since it weakens the persuasive effect of positive media such as travel magazines that inspire our clients to travel. Indeed, the Trump-era media has dispelled any sense of unbiased media and causes consumers to focus their attention on micro-influencers despite their lack of credibility. People are turning more and more towards private groups, Facebook Groups, Summit Series or Habitats for news and validation, turning inwards to people they are connected with. While many of these trusted “friends” are not necessarily experts, they are people consumers trust, which can be quite dangerous in the long run.

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Travel advisors are now having to educate themselves and their clients about destinations they visit and act like thoughtful global citizens instead of consumers. In the words of Skift CEO Rafat Ali, “*What technology cannot teach us is to keep an open mind and respect a local culture.*” This is one of the reasons we see more and more travel related media focusing on and promoting the travel trade as the voice of reason and the advisor who can help consumers navigate through the market confusion.

3. Social Media - Social media is still one of the strongest influencers for travel inspiration and is proving equally influential in other luxury verticals such as fashion and food. Video and live video are the “it” now (Insta Stories, FB Live). Stories can be made shoppable and interactive through quick swipes that can take users to whatever page the brand deems appropriate. The most successful campaigns seem to be the ones that engage the consumer and encourage them to interact. Look at JK Capri’s “JK Selfie” campaign that encourages would-be guests to post their selfie at JK before they depart. The Mark’s Bergdorf Express has been snapped by locals, celebrities, and tourists alike.

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On the retail side, 2017 saw the strongest conversion of social media posts into demand for travel. Social media leads grew 48% in 2017 as more and more advisors are learning how to better use social media to drum up business and as a platform to reach their customers and engage with them. In the past, agencies had a main marketing person post imagery carefully aligned with their brand. Now we see more individuals using their personal accounts and selling themselves as opposed to a pretty picture from their agency. In addition, more advisors are engaging with clients on social media and making the leap from indirect influence to direct sales.

This leads to the million dollar question -- *Who is the influencer?* Travel providers are inundated with “influencers” asking for free stays and hefty fees to post a shot. They find themselves on a constant quest to find out who their audience really is, how engaged they are; and check references from other hotels. But with all this, it still remains true that the greatest influencer is the paying guest. Presumably a guest’s sphere of influence are like-minded people who can afford to experience a similar travel product. Thus, the smart travel provider invests heavily in creating “Insta-moments” for their own guests. Marriott is heavily investing in encouraging guest influence. They have created a control center to monitor all social feeds to engage guests more. You can post a shot of yourself at St. Regis Bora Bora and by the time you get back to your room there is a picture of it framed bedside.

- ***The Rise of the Micro Influencer*** - Outside of that, there is a strong focus on “*micro-influencers.*” Luxury sellers are learning that there is such a thing as being too popular. It turns out that once a social media influencer reaches a critical mass of followers, audience engagement actually begins to decrease. In fact, influencers with 1k fans showed an 85% higher conversion than influencers with 100k fans. These campaigns have driven 10x higher efficiencies than influencers with larger followings, making them more cost effective. Rather than looking at the number of *followers*, marketers are looking at *engagement*. Better engagement means a higher ROI, greater retention, and deeper connections. Media Hub, a company that measures influencer success, noted upwards of 50% higher engagement using micro-influencers. These micro-influencers are real people, and their content is real. They are thought leaders with smaller followings that are more interested, more engaged, and more connected, compared to their macro-influencer counterparts. They are also cost-effective, enabling marketers to activate a host of micro-influencers for the fraction of the cost of a big name. What’s more, travel marketers are not just looking at travel influencers but those playing in the same luxury lifestyle space (like food or fashion). Instagram changed its algorithm within the past year to mirror Facebook’s. Now, posts from profiles that users follow and interact with are shown first in Instagram feeds, and authentic, quality content is prioritized over promoted content from big brands. This makes micro-influencers content more visible than content from celebrities if the algorithm determines users might be more interested in it (which they are).

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4. Luxury Retail: Luxury retailers, especially fashion retailers, have suffered tremendous setbacks in the past few years. Even flagship department stores like Lord & Taylor and Macy’s in New York (granted not in the true luxury space) are downsizing and subleasing their space moving the bulk of their inventory online. Rather than accumulate clutter, people are investing in lifetime memories and shared enriching experiences. According to Bain & Company, in 2017, luxury consumption shifted away from goods and towards experiences such as travel, events and gastronomy, which grew faster than luxury goods by at least 5%. I see three main contributing factors to this evolution:

- a) *Minimalism is the New Opulence*- Luxury consumers are placing a higher value on buying experiences over goods, and in fact trying to reduce their accumulation of things.
- b) *Digital Convenience* – the maturation of sophisticated online shopping experiences has given luxury buyers the ability to comfortably buy luxury goods online which has proven to be a major convenience to people who would shop in a local store. Virtual Reality providing a 3D virtual shopping experiences will continue to invade this space. Amazon and big retailers like Nordstrom grab this business from SEO and ad buys in fashion the same way OTAs do in travel. And look no further than powerhouse LVMH who is investing millions in totally reincorporating digital into its stores and creating its own online department stores.
- c) *Pop up shops* – the rise in pop up shops across the country have allowed boutique brands and even digital shops go real time – with even more excitement. As an example, despite the fact that Neiman Marcus does not have a presence in New York, it hit a home run at Marie Claire’s *Next Big Thing* pop-up in NYC. Loewe did a similar splash at the Ibiza Museum of Contemporary Art this past summer.

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- Reinventing the Retail Experience:*** The luxury retail shops that are surviving are relying primarily on tourists in destinations with great exposure like New York and Paris (despite high rents). But even these stores are reinventing the retail experience to embrace the wave of change. Rather than being building focused on transactions they are carrying less inventory and creating more of a museum-like atmosphere to tell their story. And though brick-and-mortar stores still account for 90% of sales in luxury retail they are slowly shifting the store experience to be focused on brand building and positioning. Like in China, where most stores are “brochures” for locals to browse and buy when they travel outside their country (where prices are significantly less), retailers are paying rent to tell their story and engage customers in their meaning. They are incorporating special events and brand partnerships to bring people in. One of the most successful events by Saks was its “*10 Galleries – a Decade of Shoes*” exhibit, a museum of shoes on its shoe floor. Other high end malls and boutiques are hosting fashion shows and transforming their sales people into proactive personal shoppers. Meanwhile, more mainstream malls are converting themselves into entertainment spaces and mini-amusement parks to draw in buyers. On the luxury end, retail is taking more of a hospitality approach, offering more high-end, speedy service with digital integration making shoppers feel the privilege of shopping in store. Service providers in stores are shifting into the relationship business with buyers, calling them when relevant merchandise comes in and keeping in touch via social media. This is where Artificial Intelligence for fashion retail will be a game changer – digital will thrive here and the key to success will be to connect digital purchases with brick purchases; shopping assistants in stores should be able to pull up a consumer’s profile and help target what they like or need.

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- The Intersection of Fashion & Travel:*** So why is this all relevant to travel trends? Well, because our clients do not silo their purchasing behavior, we need to expect our customers to want to interact with us the same way. They will want digital access with human assistance. Further, we will no doubt continue to see a convergence of fashion and travel. We already see brands like Armani, Bulgari, Fendi and Ferragamo in the hotel space. And no, they are not in the hotel space to make it big on a room night; rather they are in the space to get clients to immerse themselves in their brand and have people live their story as nothing but a travel experience can do better. Hotels are becoming hubs for future pop-ups helping both the hotel and the fashion brand position themselves. You see, in the luxury space, facing the client on a holistic lifestyle level will be a key to success in the future. We already see how food is converging with travel. The next phase is immersive trips focused on brands where car companies bring customers to their factory and fashion houses create custom 2-3 day fashion experiences in their country of origin so guests can meet their designers, visit an atelier and become a part of the brand fabric. Automotive is also crossing lanes, with Porsche having created its Porsche travel experience mimicked after BMW’s successful run. Travel companies will align with more brands to take their top clients or potential clients on immersive journeys to experience the brand or cross borders to buy the brand’s good at more attractive/ Duty-free prices. Watch this space!

 - Lessons from Fashion*** – in addition to trends and opportunities it would be wise to garner some lessons from the fashion space. First and foremost, we need to focus on our story and not our product. On the advisor side, this means focusing on our process and where that adds value. From a supplier side, your digital platforms need to be more about storytelling and brand positioning than transactional. Of course they should be transactional, but need to first and foremost draw viewers in with imagery. So many

hotel companies completely miss the mark with small pictures or a hidden photo gallery. The first thing anyone wants to look at is the photo gallery for images. Everything else is secondary. If you are not captured by the images you are off to the next site. Like fashion, sites need to take their customers on a *virtual* (not written) journey beyond the selling point. They must be the personality through multiple-channels and communicate the brand culture and experience with pictures. The company that I have seen do this best is MGM with their incredible brand video where they clearly define the business they are in --- they are not in the hotel business. They are in the entertainment business – most notably, they the Holy S**t business! WOW. Now, that is brilliant!

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5. Political Setbacks – Despite the price of oil rising, continuing tension in the Middle Eastern countries threaten market compression. With Saudi princes being imprisoned in Riyadh’s Ritz Carlton and Qatar being ostracized from its brethren the lucrative Middle Eastern travel business has been significantly curtailed. This is a huge base for iconic international hotels with little opportunity to be replaced, especially as Russia continues to face its challenges. British travel is down in the wake of Brexit and the weaker pound. These have caused compression to wane and, with increased inventory, rates to fall, presenting great opportunities. The biggest growth markets in 2017 was in China and Americas.

- **Asia** - All hotel companies with exposure in the Asia Pacific called out phenomenal strength in China and Southeast Asia, and most cited an ongoing recovery in the Europe after geopolitical events negatively impacted results in 2016.
- **US Economy** - The travel market from the USA was strong in 2017 with Ovation’s leisure business growing over 35% from 2016. Forward indicators are also extremely promising with low unemployment, GDP forecasts all looking positive with supply growth remaining below long-term historical averages and a new tax bill that will presumably give our luxury clients more disposable income. More recently, the focus has decidedly shifted to people looking for experiences - in particular, experiences for the whole family which garners much higher price points. This shift in the way people vacation plays beautifully to our sweet spot. I believe that we’re experiencing the benefits of that shift today and it’s partially the reason that we’re doing so well.
- **Latin America** - greater stability in Latin America has been helping their travel business grow, with increased demand especially in Europe.

6. Stagnant Corporate Business – though leisure travel was extremely strong, corporate travel was primarily flat. It’s not weak in absolute terms. The hotels are performing well, and the corporate accounts are performing well, but there has been a stronger focus on costs across the average corporate customer today than might have been the case in past economic recovery cycles. This will obviously lead to tighter per diems and average daily spend.

7. Credit Card Shakeup - 2017 has seen a huge shift in credit card usage. In the past 98.5% of our clients paid with an AMEX Centurion or Platinum Card. For 2017, that number dropped to 80.2%. Use of Chase Sapphire has soared, filling in most of the gap, with Citibank’s new Prestige card accounting for almost 4% of payments (and growing). The war on loyalty, points and perks is affecting every area of travel (which is at the core of their reward and benefit programs). Where AMEX was the main contender when it came to amenities and perks, these new players present a host of challenges and competitive programs to deal with.

8. Shift in The Hotel Business Model – Major hotel chains are now in the real estate management, distribution, and technology business -- not the hospitality business. Arguably, the hotel business today is a lot less about hospitality and more optimizing people’s assets. Never before have I seen property owners in such control, a factor exacerbated by the fact that most big brands have divested themselves of ownership in place of management. General managers have been moved from the front of house to the back of house, immersed in financial reporting and strategy rather than facing guests and inspiring their team. Obviously this is mostly prevalent in large brands whose quest is on expansion, many times compromising their brand pillars in the name of scaling up. From an owner’s perspective, this is a great business proposition; but from a consumer’s perspective it is a tragic end to the luxury travel experience. But owner beware: aside from losing business to viable independent luxury options, hotels that lose their high touch and experiential element will begin to go head to head with platforms like Airbnb who commoditize bricks and mortar. As Airbnb’s inventory becomes more and more luxurious, hotels that are not focused on the “*soft*” component of hospitality will surely begin to suffer. Soon all hotels will need to rethink their value proposition -- from being a commoditized building with beds and pretty furniture to a true experience for all senses and a platform for which guests can experience their surroundings and have needs anticipated. And as GM’s focused on hospitality get shifted into finance, their passion for hospitality and for their job is shifting. This year in particular I have seen a seismic number of general managers looking to reinvent themselves or completely dissatisfied with their jobs. The thought is that if they cannot be real hoteliers they at least want equity or skin in the game. If they are going to play in the financial space, they want to be compensated as such and ensured a long-term proposition instead of feeling disposable. Imagine the effect this has on the team and guest experience? Ironically, the soft touch is going to be more and more important to combat the elevated offerings other channels are beginning to adopt. And while they have incredible homes and apartments, they don’t offer personal service, amenities, nor people.

- ***Consolidation and its effect on branding*** - What’s worse for big brands is that as consolidation and growth continues their brand promise get diluted, especially when corporate CMOs come in to redefine them, often times not truly understanding the company’s DNA and history, confusing once loyal guests even more. Some brands do it well. Taj Hotel’s “*Tajness*” – with its microsite of compelling imagery and historic insight tells its story well; Shangri-La’s #loyaltys expresses what it means to the customer to be a part of the Shangri La family. And again, MGM clearly lets the customer know that they are not in the hotel business... they are in the Holy S**T business!; Unfortunately many are still getting it all wrong trying to entice the Millennials to something they just are not. As great as Rosewood and Belmond have been in keeping their hotels focused on uniqueness and hospitality – almost the anti-chains – their new “relevant” branding is completely confusing to customers and describes nothing of what the brands mean nor what the brand experience is. If anything they try to position themselves as something they are not -- which means that if someone buys based on that they will only be disappointed when they arrive. Branding 101 = stay true to yourself.

As consolidation and growth continues, brand promises get diluted especially corporate CMOs come in to redefine them, often times not truly understanding the company’s DNA and history.

- ***Blurred Branding*** – the even bigger brands that have consolidated with others are in an even worse mess leaving our clients with little meaning or value in the brands. More and more clients eschew a St. Regis, Ritz Carlton or Fairmont. To them they have become amorphous companies with little distinction and just “don’t get it” anymore (in the words of a recent client). Corporate CMOs and consulting companies poorly position these similar brands by focusing on subtle syntax that means nothing to nobody. And who can tell the difference between a Hyatt, Grand Hyatt, or Hyatt Regency; many are grappling with what even a Park Hyatt means. You see, as chains compromise their brand DNA to bring on more properties they lose complete brand messaging. What makes it different? As much as

fashion houses are struggling in retail, the one thing that the likes of LVMH and Richmont get right is their branding; they guard their brand story and quality as if it were their firstborn. For some reason, most get it completely wrong in hospitality and it is significantly affecting the way we sell them.

9. The Dominance of the Independent – David v Goliath – All of the above has led to a *measurable* shift in the way luxury clients buy. For the first time ever, this year our business to independent hotels exceeded that to chain hotels. Bespoke, fabulous, mostly family-run luxury hotels are what clients seek most today. As brands consolidate or grow, their value proposition and consistency in delivery is diluted. You can see this in other areas of luxury as well, with micro-boutiques and micro-labels being the new hot thing. Everyone has a Gucci; how cool to be different! In the travel space, real luxury travelers are not motivated by points; rather seek out ‘the best option in a destination [for them] (and not by brand!) and options that feel most local with a sense of place. Independents are best positioned to stand out and have been succeeding in gaining significant market share in this space. It has never been a better time for independent hotels to shine. Indeed, many iconic hotels are struggling to stay relevant and unique while embracing and respecting their tradition and personality. Staying true to their personality does not mean keeping an outdated hotel. It also doesn’t mean leaving it all behind in place of a beige-on-beige modern room. Some hotels lost the memo that “Millennials” in particular want a hotel with personality and sense of place, not a slick, Zen room everywhere they visit. They go to an independent hotel to avoid feeling like they are in Atlanta when they are in the Serengeti. Clients with a Millennial mindset want the reliability of flawless service but appreciate the unpredictable, local surprise of a hotel that embraces its destination with a local heart and soul. And it is that heart and soul that breeds loyalty; that is what brings people back; that is the anti-Airbnb. And what of loyalty programs? As you will see further below, points are not effective on true luxury leisure travelers. They are ideal for corporate road warriors or point hoarders. Wealthy clients will use points to redeem at luxury hotels but they will not choose a luxury hotel for the points they will accrue. Who is our customer? Indeed, distribution is probably the biggest issue independents face, especially with groups and corporate business, in the wake of massive brand consolidation. It is also more challenging in attracting a Chinese and Middle Eastern clientele who are very brand centric. For the American or British client with a Millennial Mindset it is a recipe for success though. The ones most successful seem to be focused on the following:

- *Personality* - owning their personality and culture and not being shy to let it shine in all that they do even if it does not appeal to everyone.
- *Personalization* – they are creative in all that they do, innovating with low cost, high emotional impact surprises and experiences.
- *Positioning* - taking a clear position within a market is key to success. A younger generation of guests don’t trust large brands – they find them too greedy, selfish or detached from reality. Make sure you are clear on what you are (and what you are not) and embrace it in all you do.
- *Messaging* - they focus on their guest as their influencer and on highly focused micro-influencers.
- *Focus on Old Fashioned Hospitality* – and becoming best in class in their destination through old fashioned hospitality with a relevant approach. They seize the opportunity being lost by big brands. Their GM’s and key leaders become integral personas in the hotel. High-net worth travelers want to meet the GM and feel important. This is becoming less common at

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brands whose GM's have become managers of asset managers and stay locked behind closed door working engulfed in spreadsheets and emails.

- *Sense of place* – they embrace their destination in their design, their service approach and their gastronomy. They bringing in the local community to their spaces and make guests feel immersed in a destination rather than removed tourists.

Hotels like Acqualina, the Faena, Grace Bay Club and The Mark are all extremely successful properties that embrace their uniqueness and independence and thrive in the crowded brand marketplace.

10. The Commoditization of Unique Experiences - the onboarding of Airbnb Tour along with the continued success of crowd-sharing tour platforms like Viator or Marriot's new PlacePass are going to continue to erode business from boutique destination management companies who thrive on "insider" unique experiences. Indeed, the offerings on these sites are quite impressive and actually define "insider" even more than what a DMC can create. That's because they are really created by local hosts who bring people into their world – even if it is not always so polished (one client noted that their local "host" - *which we didn't book, thank you!* - was smoking pot in front of their kids). Top guides are getting in on the action using sophisticated tools like online scheduling and YouTube videos to publish their service to the world. No longer is the "insider visit to the Louvre" unique; we need to get more creative. With the financial strength of Aribnb it will continue to create a platform for any experience imaginable to proliferate and almost become a commodity. Whether it is to book a cooking class in a local (i.e. stranger's) home, go on a pizza tour of New York or an insider art gallery tour, visitors can get inspired by hundreds of cool options and even talk to the provider in advance. And soon, self-driving cars, already on the road in beta test, will replace black cars and drivers. What's more concerning is that pricing is significantly less going direct than through a DMC whose markup often hits 30% or more. As this space matures what is to become of the DMC? Like hotels they are going to need to focus on what makes them truly unique. The key is not to just develop experiences but to curate them in order to "guarantee" quality and to build a cohesive story to a trip as opposed to a hodgepodge of experiences. They must also position themselves on providing access to places otherwise closed to the public. Whether it is a private home or VIP experiences at hot local events, DMCs must become more creative and focused. They must also embrace new technology, get over the fear of having their guides exposed or committed and have YouTube videos disseminated. They need to become more transparent on pricing (or implement differentiated pricing) noting that many guides will be available to DMCs and online direct to consumers. It will be no different than hotel villas being sold by ownership for less than a hotel sells them. This shift will be seismic for brick and mortar travel advisors who use DMCs as a point of differentiation from transactional digital channels.

DMCs must embrace new technology, get over the fear of having their guides exposed or committed, disseminate YouTube videos and learn to become more transparent on pricing.

III. Consumer Observations

15 General Consumer Behaviors Affecting Travel

1. **Word of the year – MEANING:** In 2017, the travel world seemed to embrace a new buzz-word, “*Transformational Travel*.” Everyone wanted in on the “transformational” phenomenon, hailing it as the biggest epiphany since the boutique hotels of the 80s. And while having a transformational experience is certainly a desire of a client, you really cannot program a transformational experience nor predict when it will happen. Not every trip you take will result in transformation – nor should it. Rather, I encourage people to reconsider the real buzz-word, the root of what makes something transformational – that is *meaningful*. Indeed, “meaningful” gets to the heart of transformational but also gives credence to more mundane travel experiences which breed connections that are important to that particular person. In fact, meaning is where everything is converges. It is incredible how many times I have heard the word “meaning” from clients this year. It is as if someone created a trendy new word. Where “transformational” is flashy and extreme, meaningful is more mindful and focused on emotional impact. My philosophy is that coming off a year of fear and havoc, people want to get back to traveling but make it more impactful, especially if they have kids or are in a relationship. People are looking for more than an experience; they crave something meaningful in which they can connect on a personal level – with or to – and that *may* lead to transformation.

“Meaningful” gets to the heart of transformational, but also gives credence to more mundane travel experiences which breed connections important to that particular person.

- ***What is meaningful?*** The thing about meaning is that it translates differently to different people. It is the role of the travel advisor and the travel provider to learn more about the client and learn what is meaningful to them. For many there is a common theme of a search for some connection, some emotion or some understanding of something. It is something significant on their journey towards self-fulfillment or enrichment. And this ability to invest in meaningful experiences toward self-fulfillment and personal growth is the true luxury today. It can happen climbing Machu Picchu or sitting on a beach connecting to a loved one or even yourself. For families, it often means less Disney World and more safari. It means more experiences that leave an impact on their children’s perceptions. And if it is a beach, many are asking for more substance, whether it is a family beach Olympics or a study on marine biology. This especially resonates with clients that have a Millennial mindset. They are working to live not living to work, and take their living time very seriously. Though travel is an integral entitlement, they do not take their free time for granted -- and they want to travel with intention and mindfulness. Many times they want to explore themselves through travel experiences.

It is this ability to invest in meaningful experiences toward self-fulfillment and personal growth is the true luxury today.

According to Skift Editor Greg Oats, “The luxury needle is moving from Maslow’s second hierarchical need (“esteem”) where consumer luxury has traditionally lived, to the top spot (“self determination”) where people want to realizing their full potential. What is their value proposition to the world? What are their values? Their character?”

It is no surprise that destination celebrations and other celebratory events have seen a marked rise. People are investing in orchestrated, self-contained celebratory experiences outside of the routine to create meaningful moments that will create a lifetime of memories. For the ultra-wealthy, sharing these moments with the people they love is the greatest *Return of Life* they could ever imagine.

On an individual level, adventure travel is often most compelling for meaning as it takes people outside their comfort zone to push them further and learn more about themselves along the journey. Being active also facilitates learning, and encourages people to enrich and invest in themselves. It often involves some kind of social encounter or resonates with some kind of social impact that may inspire them do greater things when they return. Look no further than the rise of think-meets like TED Conferences, Summit Series, Brite Spokes and travel company selling “thematic travel” like a week as a fashion designer or conservation ranger. Nihiwatu has found tremendous success with its visiting scholars and field experts who live on property and interact with guests, and many hotels from the Faena Miami Beach to the One&Only Reethi Rah in the Maldives or Capri Palace have artists in residence programs where artists interact with guests. And with all this comes a yearning for simplicity in their travels so they can focus less on logistics and more on themselves and gaining clarity in their life amid today’s tensions and digital distractions.

- ***Meaningful Consumption*** - Outside of travel, people with a Millennial Mindset are looking for “*meaningful consumption*.” They want to spend wisely, not because they have to but because they want to and they feel good about it. There is no such thing as a typical luxury buyer anymore with moods/likes changing as fast as the information chain, which is why we must personalize every experience for them. It is not uncommon for an UHNW client to buy those Prada shoes and that Pucci scarf but snag an accessory in Zara and school supplies from Walmart. It may mean staying at an Aman next week in Utah but securing an Airbnb to share with friends the following month in Aspen. As one client insinuated, it is almost like a badge of honor to stay in an Airbnb one day and a Four Seasons the next or both on the same trip! As they get older, however, they have less tolerance for service issues (though they rarely complain about accommodations.) Think about the age of most of these clients. Many of them were kids who came of age in 2008, a time where *inconspicuous consumption* was the *show-du-jour*. They saw that being too flashy was not a good thing. Many of them also have friends that extend outside their financial sphere and don’t want to exclude friends or family by being “too fancy.” And for younger people who make their money in their early 30’s they feel like “*Now what? What do I do with this? I make my \$300 million or \$500 million. It’s not fun anymore. What can I do that is meaningful?*” It is almost like winning an Olympic gold medal at 16 and having to define the rest of your life having reached the ultimate pinnacle. They are looking to invest in something impactful and crave meaning through all they do especially travel.

People with a Millennial Mindset are looking for “meaningful consumption”. They want to spend wisely, not because they have to but because they want to and they feel good about it.

Make it meaningful, mindful and memorable. Remember, memory becomes an embedded part of the product and service delivery. That is what guests take home and relish forever.

2. **BUT ... people want to chill, too** – Despite an affinity towards transformational experiences and cultural immersions, people have not abandoned the good old desire to unwind – or on the other hand – party. Party vacations, even for people in their mid-50’s continue to climb, up 44% this year, with the world’s hottest DJs calling clients to spend upwards of \$25,000/night for a prime table by the dance floor. For Gen Xers and young boomers, the party scene is a fountain of youth and a release completely in line with their “work hard, play harder” philosophy. Like intense fitness routines, the club-centered scenes of St. Tropez, Ibiza, Sardinia, and Mykonos, among others, attract a global crowd of millionaires and billionaires of all ages until dawn. Culture is imperative but not the only driving force. You see, rather than replacing a chill vacation with a meaningful one, we see clients doing both – or peppering experiences with chill time. “Meaningless” beach vacations and jaunts to Ibiza, Sardinia and Mykonos still dominate much of the luxury travel landscape. It’s not all or nothing. It is both. Like life, travel is a balance.

Today’s luxury is about quality with comfort and connection; it is about inclusion -- not exclusion.

3. **Approachable Luxury** - The luxury consumer today wants luxury that is approachable rather than stuffy. People want buzz-worthy, socially savvy luxury that is sophisticated and flawless but also doesn’t take itself too seriously. Watch as grand-dame mainstays are beginning to break down their tall formal desks, add whimsical elements and replace fussy with fun. The Crillon and Royal Monceau in Paris are perfect examples of palaces that have let down their guard without sacrificing an ounce of impeccable service. The phenomenon of the “naked” wedding cake, Jean George’s ABC Kitchen or the likes of Dirty French are examples in the gastronomy world. Guests are treated to the most incredibly fresh and flavorful gastronomy of the greatest quality, as you would in JG’s Michelin starred restaurant, but in a relaxed, laid back, trendy atmosphere with mismatched place settings and a quirky ambiance. The key is to balance their tradition and personality with a fresh approach to service. It is serious with a whimsical flair. It is serious food but it is fun and light. There is even a growing demand among UHNW to mix traditional luxury with artisanal, craft, DIY and singularly local experiences like Copenhagen’s Papillon food hall or Singapore’s food stalls. Luxury boutiques who once hid their merchandise, are opening up their stores and turning them into museums. Concepts like Paddle8 are helping bring other luxuries like art mainstream by creating an approachable channel in an otherwise “snobby” marketplace. Today’s luxury is about quality with comfort and connection; it is about bringing in a local community and inclusion -- not exclusion. To survive today you need to make your brand exclusive, but to also feel warm, relaxed, human and not all that serious.

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4. **It's all about the Micro** – Gone are the days of the big and bountiful. In line with meaningfulness is the focus on the micro. We've discussed the effect of the micro influencer and we've all seen the micro-brewery emerge, the independent hotel and the micro-site. Today we are seeing micro-communities resonate, whether facilitated by Facebook or with local affinity groups. But the biggest thing to keep in mind is the value of the *micro-moment*. At the end of the day you can have the most over-the-top experience and a party with 1,000 people but the most impactful and meaningful time will be the micro-moment you shared connecting to one person or the epiphany you had connecting to one small situation. We need to think big in how we structure things, but plan small and build in opportunities to allow micro-moments to happen.

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5. **Remove "Millennial" from your vocabulary – and replace it with "Millennial Mindset" – really!** Referring to Millennials when it comes to marketing is as outdated as a pay phone. It is so **over and OUT**. We all know that 40 and 50 year olds can act like Millennials and some Millennials act like 40 year olds. Lines especially blur in the 30-45 age bracket as both segments are immersed in parenthood and careers. It doesn't matter if you are 20 or 50; you're on your mobile phone all day looking things up. You want instant gratification. Everybody's looking for experiential travel now, not just kids in their mid-20s. People in their 50s or even their 60s, want more adventure and more immersion. They don't want to feel like a tourist. The *median* age of Burning Man was 34. Today it is more common to see parents with young children at Glastonbury or Coachella. They are all looking for travel to provide enrichment and personal enhancement (Meaning!). While demographics can play a role in consumer behavior, today it is all about attitudes and aspirations of a client. For many entitlements, loyalty, use of technology transcends age. Examine millennials and later generations as the trendsetters which now roll up to their predecessors.

People don't want to deal with an inept human or a human who is less efficient than a machine. They want humans who can transcend logic; who understand them and can guide them with pointed advice.

6. **Ferraris for Florence - Continuing to spend on Experiences over goods** - According to a recent study by Evenbright, 3 out of 4 Millennial Mindsetters prefer to spend on experiences over goods. While discretionary spending on things like fashion, jewelry, watches and home décor are down 11% according to a recent YouGov Affluent Prospective in 2017, affluent spending for leisure travel, communication services and fine dining are up 9% -- with a whopping 43% of discretionary spending on travel. And according to a recent Huffington Post study, 72% of Millennial Mindsetters choose to spend their money on experiences over material objects. They prioritize a simpler, more unique life, often described as "rich [i.e. Meaningful] in experiences".

7. **Relevance of Personal Service:** Despite having access to robust digital platforms and 24/7 instant gratification, luxury clients still value humans. Remember, people buy people before they buy products. That's why the relationship business is still so critical in any art of selling, especially with big ticket items in the luxury market. They value the *lost art of human connection*. According to Accenture Global Consumer Pulse Survey 85% of Americans prefer to deal with a human and 45% of consumers will pay for better service. Of course people don't want to deal with an inept human or a human who is less efficient than a machine. They want humans who can transcend logic; who understands

To be effective we need to be educated, sharp, critical thinkers and need to be specialized in the client and know more than they do.

them and can guide them with pointed advice. With so many players rushing towards seamless Do-it-Yourself online capability and AI, the luxury consumer is still not ready to make really big purchases online – especially with travel. Overwhelmed with content, people want a human to know them and tell them where to go. Our hybrid website, Skylark.com (www.skylark.com) allows users to purchase a full luxury vacation online and supplement it with our expert agent support. Guess what? 84.5% of all purchases over \$2,000 were closed *offline*; users IM'd or called a travel advisor for a live conversation. This counter-intuitive movement is further reflected with the luxury travel agent network growing 10-20% annually. No question, digital is still progressing and Artificial Intelligence will be a game changer when ready – but in some industries, like luxury travel, AI will be most effective as a tool to *supplement* rather than replace the human expert travel advisor. Yes, people can do it themselves but they don't want to make a mistake. They rather have an expert tell them what is best for THEM instead of spending hours figuring it out (if they can). Many occasions they don't have the time or don't want to do the immersive task. As humans, to be effective we need to be educated, sharp, critical thinkers and need to be specialized in the client and know more than they do. In order to be successful the client must walk away thinking: *Why do it myself if someone will do it so much better than me.* Humans need to make the impossible possible to go above and beyond what the modern day website can – noting that you are only as good as your last success.

Remember, people buy people before they buy products.

8. **Disconnect to Connect** – To a growing segment of our clients we see people traveling with the intense desire to connect to something! Ironically, as connected as we are in the Social Media age, we are completely disconnected. Humans crave personal touch and attention which has become a huge void. Travel presents an opportunity for people to put their fast-paced “connected” world behind them and build true, deep connections that you just can't get from a Facebook Feed or InstaLive videos. They want to connect to other cultures, not just by exploring the world, but more so, connecting to the people traveling with them -- whether it be couples, friends, or family. People seek fulfillment by sharing experiences with others. A yearning for disconnecting, including a desire for road trips and trips that offer a real connection to the land (picking veggies from a farm or doing yoga in the woods, for instance, are hot.) And while many hotels scramble to up their bandwidth, some properties like the Ranch at Malibu and Clayoquot have cut it off. At the new Villa Stéphanie spa in Baden-Baden, walls are embedded with copper plates so that, at the flick of a switch, guests can obstruct Wi-Fi or any other electronic signals permeating the air.

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9. **Bifurcation of Luxury Buyers** – As the world's billionaires get richer, we see a growing dichotomy among affluent purchasing habits both in and out of travel. The mainstream luxury traveler take more routine transactional trips like a quick jaunt to St. Barts and annual pilgrimage to St. Tropez. They are least loyal and most likely to compare us to FHR or book online. On the other side of the spectrum is the Ultra High New Worth uber-traveler who consistently wants complete immersive experiences. This group seeks full concierge services and is looking for a more holistic approach to their lifestyle wanting the same level of service while at home or abroad. For this group, success is about precision and knowing individual travel quirks. They expect critical thinking, top tier service and most importantly, expect you to advocate on their behalf. While not price sensitive, they are value driven with a strange paranoia of getting ripped off. For them rules are mere guidelines. They expect you to “get to yes” when the answer is no and want

things done at their time and pace – especially if they have their own plane. Planning a 7 day safari on 1 day’s notice is no longer an exception with this group. They are uber flexible and often want to travel on a whim – when their schedule seems to look clear. They also tend to seek more active or outdoor adventures, but of course still want the fashionable St. Barts, Aspen, Courchevel, Ibiza, St Tropez visit – of course with the best table on the dance floor.

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10. **Wellness** - wellness is not waning. In fact, it is getting stronger and accounts for 22% of our travel demand. The broad term encompasses many different areas which are necessary to segregate in order to understand and take advantage of the space. Last year, the world spent \$16.8 billion on wellness and so many hotels want in on this as wellness drives ADR and length of stay; in fact, wellness travelers spend 130% more than the average traveler.

The top wellness spaces include:

- Mental wellness
- Nutrition
- Mindfulness
- Fitness
- Health
- Weight loss

To understand wellness we must understand that it yet another manifestation of our quest towards self-improvement, the “self actualization” in Maslow’s hierarchy. It has also magnified with the toxicity of social media and its image-focused mandate to always look your best for the show.

Successful companies clearly define the wellness experience they provide. However, as we see with many hot trends, companies try to jump on the bandwagon offering a dumbed-down version to appeal to a greater audience and use it in marketing materials. This could be a hotel with a nice spa that is suddenly a destination spa or wellness facility. These travel companies destroy the credibility for the true wellness providers by diluting what wellness really is and confusing the market place with paltry experiences. It is therefore extremely important for people in the wellness space to clearly position and define their wellness proposition.

The number one driver of wellness is stress management and sleep, which has led to the proliferation of technology and results-driven experiences in spas around the world.

People are looking for alternative treatments and therapies beyond the standard massage. Many travelers seek programming in line with the “wellness approach/program” back home, while others looks to explore new concepts. The number one driver of wellness is stress management and sleep, which has led to the proliferation of technology and results-driven experiences in spas around the world.

Nutrition and Fitness are especially popular with Americans, especially from key coastal cities. It appeals to a prime segment of people in their 30's – 50's who are focused on anti-aging and staying young – and this year it is going prime-time in travel: Hyatt purchased Miraval Spas; Equinox is launching an ambitious hotel company and Soul-Cycle expands it pop ups around the world. We at Ovation have even begun a new business line focused on fitness travel partnering with celebrity Soul Cycle instructors (www.tone-escapes.com). Tone Escapes fuses fitness and luxury travel by bringing celebrity trainers on the road to some of the best hotels in the world (think posh hotels like JK Place Capri, Finca Cortesin in Marbella, and Chateau St. Martin near Antibes) with 6-day intensive fitness programs, leaving afternoons for options like regional exploration or additional training. Not to be outdone, Accor has partnered with Banyan Tree Spas, and Fairmont (owned by Accor!) forged a partnership with Reebok and Technogym. Rosewood debuts Asaya at its hotels which features lifestyle coaches, nutritionists and therapists on staff. Westin and Four Seasons have both partnered with Peloton offering in-room spin bikes, while The Edition New York started offering Urban Retreats where guests can burn 10,000 calories in a weekend, with experiences at up to 15 different experimental fitness studios in a 5 block radius.

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But wellness goes well beyond travel. In the luxury space it invades nearly every vertical. Gastronomy has seen significant impact with customers demanding healthier options, organic cuisine, and farm-to-table concepts. Where steakhouses were the plate du jour, today's hottest bites are produce based and laden with nutritional hotties like quinoa or kale. Most any restaurant now caters to a host of dietary needs, be they vegan, lactose free, gluten free or a laundry list of allergens. Look no further than Jean George's ABC Kitchen whose healthy, laid back, yet utterly amazing cuisine continuously expands.

Fashion has taken on wellness with the advent of "athleisure," which started with Lululemon and is now mimicked by hallmark brands across the world. Even Saks and Selfridges joined in on the trend when they each created an entire wellness floor in their flagship locations. And the world of real estate has used wellness as a selling tool, with many buildings incorporating prime space and focus on wellness elements that go beyond just a gym.

11. **The Unpredictable Gypsy** – No less than 5 years ago people wanted to know everything about the product they were purchasing, the destination they were going, and the life they would lead. They took comfort in consistency and predictability. More and more, today's consumer looks to challenge themselves and leave their routine more often than not. Whether it is a virtual office that can be in a WeWork in New York one day or a Starbucks in Seattle the next, people are letting their shackles loose. In an era where change is exponentially faster than before, people are embracing change as a part of life and expecting to see and learn different things when they travel too. They want a predictable level of luxury, of service, of standards, but how and what that looks like must embrace their destination and be different than what they have at home. Companies like Remote Year and Venture with an Impact organize accommodations, 24/7 office support as along with cultural events and activities, as well as skills-based volunteer projects for groups of professionals who travel to Thailand, Portugal or Colombia.

12. **The New Bucket List** - The new bucket list is not about a place but an experience. You see, it's not about where you go or who you go with but who you can be. It is about "what" and "why" not "where." The destination has become the backdrop to create meaningful connections between people. In an age where people are so connected digitally, they realize that they are totally disconnected. They need to create micro-moments in their life, outside their comfort zone, to develop real bonds – real connections – whether to themselves, the places they are going or the people they are going with. Instead of telling us they want to go to Borobudur or see the Pyramids, our clients are now asking for challenging adventures, opportunities to focus on wellness or fitness, or immersions in interests like food, music, and wine. Extreme experiences are on the top of the lists where people push themselves beyond their boundaries, from polar expeditions to climbing Kilimanjaro (!!here we come!!!).

The new bucket list is not about a place but an experience. You see it not about where you go or who you go with but who you can be. It is about "what" and "why" not "where".

13. **Art** – Where food has been the buzz word for some time, we see a significant focus on art. Mainstream clients are getting in on the once "elite" art world and incorporating it into their lives. So many properties are recruiting an artist-in-residence and turning their public spaces into evolving galleries from local artists. The Capri Palace and The Quin in New York both have artists in residence with revolving art exhibits and the new Faena in Miami kicks up the art theme with a whole art district, art programs for guests and a children's art immersion experience where local artists inspire kids to create their own masterpieces. The new Baha Mar in Nassau has over 2,500 pieces of local Bahamian artwork with monthly artists in residence and an extensive program to help burgeoning artists. And while the 21c Hotel bills itself as an art museum, taking it a step further, the Silo Hotel in Cape Town is literally located inside the new Zeitz Museum of Contemporary Art Africa. The Ritz Carlton Toronto has an in-house artist who not only designs plates for the hotel's restaurant but also works with guests to design their own. Raining in paradise? No worries at One&Only Reethi Rah, where an in-house artist helps guests stay busy by creating their own masterpiece. They even have an in-house pottery maker for those who prefer ceramics over canvas.

14. **Food** continues to accelerate as a priority in affluent spending. From celebrity chefs to authentic local trattorias to foodie pilgrimages around the world, the food craze has even trickled down to mainstream America thanks to its sensationalist celebration on popular TV. And as with wellness, this leading consumer trend is only magnified when people travel (more on that below too). People are choosing a destination because of its food scene and then asking what to do in between meals! Indeed, food is becoming more of a focus in travel and, in some cases, even motivating travel. Many clients are more excited about their meals and getting the local vibe or exploring a culture through cuisine than in a museum. These "foodies" plan their touring to "fill time" between restaurant reservations. As alluded to above, local food movements are more prevalent than overly sophisticated and stuffy culinary orchestrations. Buzz words like "farm to table," "micro-brewed," "foam free," and "Zero Kilometer" are drawing people to places like Babylostoren in South Africa or Blackberry Farm in Tennessee. Nearly 7.5% of the vacations we planned this past year were focused primarily on gastronomy, up almost 40% in the past 5 years. Gastronomic pilgrimages to hot restaurants anywhere in the world and food experiences like truffle hunting have grown by 20% in 2016. This led us to bring on our very own food specialist (who is a popular restaurant blogger) as a culinary concierge. In the 2 years since, 63% of our clients spend for our concierge services to set them up at top restaurants. Savvy hoteliers have embraced this movement, several making it the hallmark of their experience.

Philanthropy has become a beautiful way for people to define themselves and, again, seek more meaning and fulfillment in their lives

15. ***Philanthropy*** - In the spirit of enrichment, more and more people are looking towards a greater good. In addition, many wealthy parents want to instill in family members a sensitivity to others and an appreciation for what they have. More and more people identify themselves just as much by their economic accomplishments as by their philanthropic accomplishments and affiliations. Philanthropy has become a beautiful way for people to define themselves and, again, seek more meaning and fulfillment in their lives. Several passionate philanthropists have used hospitality as a driver in raising money in the name of community and philanthropy. Hotels like Singita, Fogo Island and Mustang Monument were created as engines to raise money for their local communities, employ locals, and further promote conservation.

IV. Travel Trends

How our clients are traveling and buying travel

A. Top 5 Influencers

1. **Multi-gen travel** is still the biggest growth area for us, and has been consistently growing for years. In 2017, multi-gen experiences grew by 22% and now account for 32.4% of our transactions and 43% of our overall revenue. People realize how sucked into daily life they get and how important it is to leave their routine to refresh and reconnect to the people around them that they really care about in a *meaningful way*. Whether it is a corporate-style team building activity or interactive contests like a family color war, game show or cooking contest, concepts that take ordinary people out of their comfort zone and push them back together help transform people and by creating fulfilling experiences that build the stronger connections. And as families crave these connections to their digitally-focused family members, retreats forcing them to be together are becoming more and more prevalent. And the destinations seem to be getting broader too. No longer is it a large villa in the Caribbean or Europe, but small resort take overs in far flung places of the world are the new normal. Africa keeps popping up as a “meaningful” multi-gen destination as do destinations with a lot of active options such as Peru or a ranch/glamping experience. That being said, the accessibility of private jets has opened more destinations to multi-gen families looking to hit remote areas. Hotels and cruise lines that build programming to address these desires will flourish in this ever-growing market.

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2. **Destination Celebrations**– While 2016 saw a sharp decline in destination celebrations (mostly due to fears of Zika and terrorism), 2017 saw marked growth: 28% above 2015 levels which is almost 75% more than 2016. Our clients are embracing the world as global venue to celebrate any occasion even more than ever. These numbers are completely in line with the consumer trends noted above which focus on meaning, spending on experiences and building platforms to facilitate connections. The most important factors in destination selections seem to be:

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- (a) *Setting* – and its conduciveness to keeping people together. We are seeing more self-contained resorts win out over cities by a ratio of 3:1.
- (b) *Access* - for their guests, with non-stop flights from key cities of origination
- (c) *Size of property* - the overall greatest preference for celebrations is to do a full hotel or buy out as opposed to a room block. People want a place with privacy and a place that they can completely take over to do what they want to do when they want to do it without worrying about other people. This has also increased demand in private islands, private yachts and even private camps.
- (d) *Event Spaces* - destination with a robust selection of memorable spaces that can accommodate guests and offer a variety of different party experiences within one trip.

The ability to identify resorts that fit the anticipated event size is therefore critical in selling destination celebrations. We are also seeing more and more local party planners looking to shift their business into destination events recognizing that they can garner more revenue and create more impact in a 4-day event than a 4 hour party.

3. **Family Travel** - The family trip that used to be going to a beach in the Bahamas is now trekking through New Zealand or doing a philanthropic experience in Vietnam. People want to give that eye-opening insight to their kids. The amusement park experience for families is waning; rather than touring the world through EPCOT center, families are taking their kids to remote places of the world to truly build their character and develop global-thinking leaders of tomorrow. There seems to be 5 overarching motives by families today:

- a) **Perspective** - Parents that invest in broad travel know that they are not only gifting their children with incomparable perspective but the world with open-minded leaders who truly understand issues from a first-hand basis. They want their children to develop connection to other societies to avert fear (i.e. the unknown) and develop a sense of empathy, tolerance and gratitude that comes from open minded exploration and people to people connections. In the words of Matthew Upchurch, CEO of Virtuoso, “*Boundaries Divide, Travel Unites*” something so many parents, especially under the Trump administration, want to propagate. And with these opens mind comes broader thinking and encourages overarching imagination in all facets of their lives.
- b) **Solidify Values** - We also see families delving into their family values and asking us to program experiences to accentuate them. Family getaways are now more about *intentional travel* and *open minded travel* to combat the slanted, toxic material they consume digitally every day.
- c) **The Art of Togetherness** - Move away from digital addictions and plant seeds for kids to be global citizens. You see kids have over-programmed lives today – after school programs, sports, music, etc. They lose the art of togetherness and family. Travel helps remove people from their hectic routine and gives families members a chance to explore their character and develop an identity that will become the foundation for their future and contribute to their self-esteem.
- d) **Gratitude** - Parents also want their kids to grow up with gratitude and appreciate the endless luxuries they live with. Whether it is from encountering new cultures or weaving in philanthropic experiences to their otherwise indulgent trips this is an important cornerstone for parents whose children seem to have everything they need.
- e) **Education** - We see parents asking to give their children a 4-dimensional education by supplementing what they learn in school through their family vacations. Whether it is focusing on the French Revolution in Paris and discovering the power of democracy, witnessing the power of authentic perspective in Vietnam, or delving into biology in Africa or the Galapagos, more and more families are looking to align their travels with their children’s school curriculum.

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4. **Safety** – As Skift CEO, Rafat Ali coins it, ‘we are living in a state of *Permanxiety*’ with the constant fear of something while traveling. While our clients have not curtailed travel, we have noted many times how fear has changed where they travel to and how they travel. Interestingly, as 2016 was more focused on “fear”, 2017 was more focused on safety. Though it seems a matter of syntax, it is really a refreshing shift in the way people are approaching travel. Fear was overwhelming to many which led to irrational decisions. Concern for safety begs intelligent conversations and more level-headed decision making. I believe the terrorist attacks and atrocities in the U.S. coupled with the waning coverage of Zika helped morph fear into concern. People have been inquiring about resort safety procedures instead of writing a destination off their list and have been actually shifting away from Airbnb in favor of hotels that offer true security.

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5. **Emotionally Impactful Experiences** - In an age where people are so connected digitally they realize that they are totally disconnected. They need to create micro-moments in their life, outside their comfort zone, to develop real bonds - real connections - whether with themselves, the place they are going or the people they are going with. From Multi-generational experiences to large celebrations to unique experiences, travelers are looking for much more meaning in their travel than ever before. Meaningful experiences (1) help people achieve new goals towards self-fulfillment, (2) immerse them in new experiences, (3) connect them and/or (4) enhance their perspective and appreciation for things.

B. Still Trending

1) **Safaris Go Mainstream: Redefining Remote** – for many, off-the-beaten-path is not “off the grid” enough, causing people to look further for unique/remote experiences. Consider that less than a decade ago, taking your family on a safari or trekking in Tasmania was a rare and remote experience. Today they are as mainstream as going to Europe for our clients and often appeal to multi-gens, which were predominately limited to places of close proximity. Interestingly, these once remote places are starting to suffer from over-tourism, making the remote no longer “remote” and pushing the needle to the “uber-remote” – to places like the Lapland, New Guinea, or even Kazakhstan. These true explorers are looking to go to places others have not been, creating opportunities for luxury outfitters who literally can work off a “*build it, they will come*” approach. Look no further than the emergence of a White Desert camp in Antarctica or the Kakslauttanen Igloo pods in remote Finland. This also helps the travel advisor find relevance in continuing to find new obscure destinations that meet this growing need. However, contrary to popular rhetoric, many luxury travelers do not favor “*frontierism*” (i.e. being among the first to go somewhere). We notice that most of our clients looking for the new “remote” don’t want to compromise the style in which they travel, and would therefore wait to go in the right fashion once a luxury outfitter has “tamed the wild.” This is where outfitters like Le Ponant come in by sending their new luxury boutique ships to corners of the earth otherwise inaccessible for those who had a minimum level of comfort they could not live without.

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2) **Continuing rise of the Secondary Location** - we are continuing to see secondary and tertiary destinations on the rise. Whether it is hipster cities like Nashville or Austin or “new” neighborhoods in popular cities, the “off” location is becoming the “it” location for the in-the-know. Clients are even more willing to take connecting flights or trek a few extra miles out of the way to experience this way. We attribute this affect to a few market trends:

- a) **Safety** – as safety concerns shrink the world of possibilities for most American travelers, our clients have solicited our creativity to explore places they would not ordinarily consider. And though international travel bounced back in 2017, the concept of exploring safe havens remains in the age of uncertainty. Greece, Spain and Italy all showed double-digit growth because they were perceived as safe. Ordinary staples like the Caribbean and Mexico were 30% down while France was 65% down.

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b) **Over tourism** - No tourist worth their salt wants to feel like a tourist today! In fact, over tourism has created almost a paranoia in the minds of sophisticated travelers who don't want to feel like a herded tourist. You become paranoid about what is a real experience and what is staged. You almost don't want to visit the Eiffel Tower or Empire State Building because it is too touristy. Instead, you would opt for an insider visit to the top of the Chrysler Building or lunch at *Jules Verne* in the Eiffel Tower as an alternative. Travel has become so banal and cliché to the point of aversion to many. The image of Americans with fanny packs getting off mass cruise ships or tour busses repels a new breed of explorers. It is 'soooo not cool'. They do not want to go to the staged tribal village selling wares. They don't want to hear the kids sing in the orphanage on queue. They don't want to feel "taken." Instead, they want to go to places that rarely see tourists. No matter how wealthy they are, they don't want to see a Prada or Gucci on every corner. They don't want a Nobu in Tuscany. They want local boutiques and local restaurants. This presents an amazing opportunity for destinations to reinvent and market themselves and attract new visitors. It also drives people to secondary experiences within prime markets – to see London as a typical tourist would not. To explore the hoods and not even bother with the Abbey.

No tourist worth their weight in gold wants to feel like a tourist today

c) **Live like a local** – People are constantly looking to transcend the commoditization of travel – to do the 'insider', unique and local thing – to go to the cool, local city, to explore the unexplored (as long as there is a luxury outpost there!). And if you sprinkle enough uniqueness, then the 'touristy' visit to the Coliseum becomes a 'cute' nuance – more like "look at me doing the touristy thing, too!" The concept to live like a local has been promulgated on social media and proliferates with the ascension of the likes of Vayable, Viator and Airbnb Tour. People want to love and feel a destination from the inside not the outside.

- **Exclusive & Local** There still seems to be hope in the luxury space for traditional DMCs as we note that our clients still want to see things differently – in an "exclusive" manner. So instead of going to the Changing of the Guards in London, they want to go behind the scenes, behind the gates and watch all the tourists from the inside. They want immersive creative experiences, and adventures, forever pushing the bar in creative options.

- **The Neighborhood** - within cities we are seeing more and more clients looking to stay in and explore local neighborhoods. Look no further than hallmark cities like New York and London where the Financial Districts are becoming new, cool spots to stay in (New York's Tribeca, London's City or Marylebone...). Cool new hotels are opening bringing a young, local, vibrant buzz and allowing visitors to explore local shops otherwise catering to residents as opposed to tourists.

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d) **Hipster Holidays** - Hot secondary cities are redefining themselves to ride on the cool "*Brooklyn Effect*" often coupled with great music, local food trends, unique boutique shopping and authentic experiences that you may not get in "been-there, done-that" iconic cities. They are bragging rights for people to claim they "discovered" the next "it" place. Think Stockholm, Brooklyn, Austin, Charleston, Reykjavik, Lisbon, San Sebastian, Nashville, Cartagena, and even Berlin.

e) **Connecting Communities** - People continuing to crave connections and are using events and digital platforms to create micro-communities meet like-minded/passionate people. Emanating from larger events like Burning Man, Art Basel or Secret Island Nation, there is a rise in micro-events where these connected communities are continuing to travel together to. There is more and more

interest in these types of experiences, festivals and events and we notice that many look to connect through philanthropic organizations to meet like-minded people that also want to improve the world at large [or have a greater social impact with a greater life's meaning].

3) Multiple Trips: Clients are looking to take a more holistic approach to their travel plans and more frequently asking us to plan and discuss multiple vacations over the course of 2-3 years in one discussion. They are looking for a broader story to weave between trips, to get different meaning and make different connections from each. Thus, it may be one trip with their friends, one alone, one with their kids and one multi-gen with a few random relaxation weekends peppered in.

4) Impulsiveness: The booking window for spontaneous trips keeps getting smaller. For 2017, the average booking window shrunk from 26 days to 19 days. We attribute a lot of it to current events, politics and in-the-moment safety. We also observe that many business leaders are still not comfortable blocking off time to travel too far in advance not knowing what issues may arise at work too far out. Clients are taking the plunge and booking a trip quicker than in the past: no time to think things over, just do it. No time to even decide - just go. Clients are becoming more and more impulsive and just going for it.

5) Bizcations - While a growing trend for years, the Bizcation trend seems to be relentlessly surging. With time at an incredible dearth for people and value still reigning, flying significant others down after a business trip continues to flourish bringing amazing opportunities for city hotels to fill their rooms on quieter weekends. Our Bizcation business grew 33% in the past 2 years and we see it rising as people's harried lives make tacking on a few days from a business trip a perfect excuse to squeeze in quality time. Of all our Bizcation business, 43% stayed in the destination they were doing business in while 57% added on another destination in close proximity to their business location.

6) Global Citizenship – Look out for the rise of families seeking to turn their children into global citizens. Parents want to prepare children to thrive in a global economy and learn through the lens of travel, giving them perspective, depth, worldliness and sophistication. On an extreme scale, families are taking children out of school for a year and exploring the world with a teacher.

7) Convenience is Priceless – With travel in general becoming more and more gruesome and commonplace, luxury clients are flocking to buy ancillary services that will make their travel experience easier. In fact, over the past 3 years we have had a 39.2% increase in ancillary travel products. Examples include:

- **Travel Insurance:** more and more clients are not only taking insurance, but when we present it they are giving less pushback. They are now saying “good idea” instead of “why do I need that.”
- **Photographers** – one of the most popular ancillary travel products are local photographers who can do local photo (or video!) shoots or accompany a client in a destination to capture it all on film while the clients focus on what is in front of them rather than what is reflected on the lens of their phone.
- **Luggage Shipping** – With increasing baggage fees and looming fear of delayed or lost luggage, people are making the choice to ship luggage more and more, up 24% in the last 2 years. This presents a great opportunity for advisors. Hotels can take this a step further and offer packing/unpacking/shipping solutions for guests.
- **Park Guides** – VIP park guides are a critical component to any amusement parks client visit with their families. They don't want to wait with the masses nor think about where to go next. And with rates averaging \$1,500/day, it is often more than the hotel and flights combined.
- **Airport Greeters** – The use of airport greeters has exploded by 47% in the past 3 years. Greeters are used all over the world to assist clients with connections, arrivals and departures. After a long

flight, clients don't want to think about where to go or wait in lines through immigration and security. Instead they want someone waiting for them at the gate of the plane to guide them right through to their car. Airport arrival lounges are flourishing where clients sit for coffee or tea while immigration is processed and their bags are retrieved and placed right into their vehicle waiting outside.

- **VIP Terminals** - as VIP becomes more common, watch out for new as VVV-VIP concepts. Forget the VIP lounge. Now new ultra-VIP *terminals* are on the rise where true VIPs can stay in their own separate terminal for check-in, security and lounge. Walk to the gate? Totally for commoners. Real VIPs get driven. Think of it as a FBO for commercial flights, with airports like Heathrow, Munich, Doha, Dubai, Frankfurt, and soon JFK getting in on the trend.

- 8) **The LGBTQ Family** – The LGBTQ market has been a focus for some time, but the LGBT family market is quickly growing with legalized marriage not only in the U.S. but in many countries abroad. Our LGBTQ family market grew 88% between 2014-2016.
- 9) **More Vacation Days for Americans?** – We are seeing people taking more short vacations while our average vacations days are getting longer over the past 3 years. Gen Xers are still not taking all of their vacation days. Obviously entrepreneurs and C-level business men don't actually "have" vacation days, but they still minimize time out of the office. As mentioned before, Millennials feel that *travel is an entitlement*. Thus, not only do they take their vacation days, but many even go over their vacation day allotment and opt for unpaid time off to travel. In our space, they care less about "paid time off" and more about time off and lifestyle.
- 10) **Artisanship and bespoke experiences** –The relentless march of technology is creating a desire to return to romantic notions of old-school class and permanence. Exclusivity is a hallmark of luxury and the super-rich. This extends to all lifestyle brands from whiskey to watches. With travel they are seeking out more secret doors, bespoke hideaways and made-to order services. It is also morphing into people wanting to participate in local artisanship and create their own story behind what they buy. Examples of how this manifests itself include travelers working with local vintners to create their own wine label, hand crafting their own sandals in Capri, foraging vegetables for their lunch or working alongside a Michelin starred chef to prepare dinner.

C. Distribution Trends

1. The new rulers in travel distribution: Google & Facebook– Yes, Google & Facebook. No, you didn't miss the memo; they were never in the travel business before but they are starting to disrupt the travel distribution model significantly. The first to feel the effect are the large OTAs like Priceline, TripAdvisor and Expedia. In fact, for the first time in over 5 years, the OTAs lost significant valuation in the third quarter of 2017. Google and Facebook are dominating the distribution of information, including travel, and the never-ending black hole for ad words, placement and other buys are having diminishing returns in the wake of a flattening market trajectory. For example, Expedia spent \$1.4 billion this year alone on ad buys and digital marketing. What's worse for the OTAs is that they are losing ad money from travel sellers. You see ad money by hotels and the likes of Trip Advisor or Trivago with the top OTAs (like Expedia) are moving towards Facebook and Instagram for greater long-term branding noting that ads on sites like Expedia yield no loyalty and are an ongoing cost of temporal client acquisition. This has coupled with a strong push towards direct bookings by the dominant hotel brands and airlines and the looming impendence of blockchain technology (more on that later) has spelled disaster on Wall Street. OTAs are all working on loyalty programs but they remain hard to compete with the eye-catching value and soon to be seamless integration by Google and Facebook. Lastly, despite adding home rentals to their platform, Airbnb has been taking away market share from the large OTA. Finding itself in similar quicksand, Accor ended its quest to become a booking engine for independent hotels, noting that the cost to maintain relevancy in the B2C space was too expensive to generate profit. Accor invested in this program to overtake Expedia and Priceline as a one-stop-shop. After spending over \$26 million in advertising it noticed that most consumers booked Accor-only hotels and the ephemeral investment in buys would not yield a profit in the current environment. The other recent change that could have a significant impact on the way people access information over the Internet is the reversal of the net neutrality laws, giving big players a significant advantage in the market place as premium charges could take universally accessible platforms like Netflix, Facebook, etc and price smaller users out, changing the game online and separating the haves from the have nots in new, unexpected ways.

Google and Facebook are dominating the distribution of information, including travel, while the never-ending black hole for ad words, placement and other buys are having diminishing returns in the wake of a flattening market trajectory.

1. Blockchain Technology & Cryptocurrencies - these two buzzwords are nothing new (they have been in beta for over a decade) but in 2017 they have come of age with the explosion of cryptocurrencies like Bitcoin and are starting to invade travel speak. Like AI, Blockchain ("BCT") is still in its infancy but is quickly shaking up the distribution world across all transactional industries and will soon significantly impact the way we buy and sell travel. Companies like TUI and Marriott are already experimenting with this technology which can potentially be as huge of a disruptor as the telephone or internet. You see, BCT is a whole new way of transacting business that eliminates middleman, resulting in huge distributions cost savings (hello – commissions and markups!) and helps companies cultivate better "Big Data" about their customers. You see, the system would also allow the company to capture guest data from the PMS and feed it into the blockchain, creating a marketing engine that would enable one-to-one marketing to guests.

What is BCT? For those who have not stumbled on the jargon, BCT is defined as "an incorruptible, decentralized ledger of economic transactions that can be programmed to record anything of value, not just financial transactions." Whatever that means (!!-- bottom line is that

this technology consolidates the transaction/booking, payment, confirmation, and content cultivation all in one centralized system saving tons of money along the way by eliminating any middleman. And with the legitimization of cryptocurrencies such as Bitcoin and Ethereum, BCT is becoming even more compelling by eliminating things like credit card fees and bank reconciliation fees! All parties can access the blockchain, which updates at specific intervals. Companies like Expedia, Airbnb, and Booking.com changed the game by delivering a level of speed and range of selection that would have been unimaginable 20 years ago. But the success of these companies has become a threat to so many hotels who feel like they are held hostage by this oligarchy. With margins hovering around 25% and no end in sight, companies are desperate for a more efficient solution. It seems to me aggregators or travel sellers like Expedia will have to stay focused on being a marketing company that sells travel. For while BCT makes the transaction more efficient and facilitates direct marketing it does little for client acquisition. Still a lot more to come in this space.

2. Airbnb Forges into the Luxury Space - Following the \$300 million purchase of Luxury Retreats this year, Airbnb is beginning to experience in the luxury space, trying to learn from the challenges of Accor's OneFineStay integration (and profitability) while experimenting with supplementary services to round out the luxury experience. Services like housekeeping and outsourced concierge for experiences will be offered to buyers in this space. It will also continue to expand its offering of traditional hotels in a quest to morph Airbnb into a one-stop-shop travel hub, making the playing field more attractive presumably to hotels as power gets diluted from the big OTA bullies. But will this expedition dilute the value proposition of Airbnb or strengthen it? As Airbnb dilutes its core concept it seems to be diluting its effectiveness in a quest to be all things to all people. According to Skift citing a Morgan Stanley report, consumer adoption of Airbnb in the US and Europe is slowing, despite unprecedented awareness. Key issues Airbnb is facing include (1) travelers citing privacy and security as a concern (especially as it tries to immerse into the corporate space further), (2) legal issues in large markets like New York and Barcelona, and (3) competition with large OTAs bringing on alternative accommodations.

- **The Villa Market Gone Wild (!)** – The success of Airbnb's "sharing economy" phenomenon has spurred many hospitality companies to hedge with related acquisitions. It seems this year every major player wanted in on villa rental market to especially compete in the luxury space. Airbnb started it all with its purchase of Luxury Retreats while Accor keeps investing in this lucrative market, purchasing One Fine Stay, Travel Keys and John Paul. Even the Four Seasons George V converted 5 suites into apartment style units while the company examines selling more of its residential inventory on the market. The biggest issue with this (as many other brands experience) is that owners often sell their units directly for a fraction of the cost on crowd sharing platforms by cutting the hotel company out of the deal. The key to success here will be consumer confidence in reliability, predictability and consistency of product. Meanwhile, hotels are trying to reinvent their offerings to be more experiential base. Hah! Not to be outdone, Airbnb has added incredible initiatives to bring a community/experience element to their offerings with local exclusive events, access to private local clubs and now Airbnb Tour! Then there are the hotel opportunities – companies like Eden Rock St. Barts and Grace Bay Resorts are starting to manage villas on their islands, renting them as an extension of their hotel and adding access, service and their quality assurance.

3. The Role of the Travel Advisor: The role of the travel advisor has transformed to become a *memory maker, match maker and information navigator* and has never been so strong. With an overwhelming amount of content, even millennials are going offline begging for help. It is not so much that vacations can be disappointing because they don't live up to expectations, it's that the amount of time and effort it takes to plan a trip (small or large) on your own is overwhelming and frustrating, and often outweighs the payoff. People just don't want to make a mistake with their precious vacation time. The success of the travel advisor will be hinged on their focus as an *advisor*. The minute they go back to focusing on being a transactional middleman the more they will face decimation. There is no way humans can compete with robots built for transactional efficiency. And with the dawn of technology like AI and BCT there is no hope humans will survive as transactional intermediaries. Travel Advisors that are focusing on service, on storytelling, on memory making, on information navigating and on adding meaning to the lives of their clients (on a holistic level) will be poised for success in the future.

The role of the travel advisor has transformed to become a memory maker, match maker and information navigator and has never been so strong.

The Hybrid: Technology when you want it, people when you don't --connection all the time. –

In no way does this mean that travel advisors should eschew distribution technology. On the contrary, they should embrace it and compliment it, letting robots do what they do best and humans do what they excel in. As established above, affluent Millennials and Gen Xers love to do things with a stroke of their fingers, but they still LOVE to feel important and love to feel like a VIP with a PERSONAL connection and not just an email greeting. Look for more hybrid models like Skylark, Pana and Lola which seem to be the future of luxury travel. These provide high end clients with full digital access to review highly curated content and book air and hotel while also pairing users with a knowledgeable advisor who can help them make relevant decisions (which hotel in London?) and also plan bespoke insider activities, suggest the hottest dinner reservations, and more.

Bespoke local destination management companies that offer creative experiences, buy smartly and service best will remain strong in the marketplace.

Retail Consolidation: Similar to the consolidation on the supply-side of the chain, retail consolidation continued in 2017. As with hotel chains, the independent players are starting to strengthen as they become more innovative, agile and enterprising compared to their corpulent counterparts. These “younger” agencies are focusing on the true customer journey, innovative approaches to service and fresh cultures. The biggest problem with these smaller companies is price integrity and leverage. Look for new retail concepts that will emerge to deal with these issues as larger companies focus too much on transaction ROI, air overrides and corporate sales and lose sight of the true meaning of hospitality, pitting human inefficiency against robotic productivity in the transaction space. Like hotels pitting themselves against the likes of Airbnb, to survive, humans need to be in the relationship and service space (i.e. hospitality) and stay as far away from the transaction space as possible. Today's smart agencies invest resources in their human assets. They spend significant time and money in soft-training and empowerment, mentorship and openness to creative arrangements. Talent acquisition means finding the right people and training them to adapt and constantly learn to stay abreast of the changing landscape, rather than finding people who already know the existing tools and products. That is why at Ovation we never hire people with experience, following the credo of Four Season's founder Isadore Sharp who taught us to hire for attitude and not skill.

4.

D. Destination Trends

Destination Trend Stimulants: Destination trends are dependent on several factors. The four most significant are (1) world events, (2) media (3) the level of luxury product and (4) access.

As alluded to above, the first two factors were the most significant drivers in destination decisions in 2016 and 2017 and though we believe new luxury product and improved access will be more significant drivers in 2018 as people become a bit more resilient to world events.

World events often discourage people from traveling to a destination. Whether it is fear (terrorism, disease) or even a world-recognized event (like the Olympics), we find world events only deter people from going to a place. Negative media sensationalizing these or other situations can bring tourism to a halt. Positive media on the other hand is the single biggest driver of destination trends – and new luxury product in these destinations often drive the media. And so, reflecting on all of the above noted trends, this is how our 2017 and prospective 2018 business translates into destination business around the world:

Our festive business for 2017 ended off flat which was a miracle, noting that a whole 37% of it came in after Thanksgiving this year. And while Zika concerns are waning, the lucrative Caribbean and Mexico business has been a struggle with pace off by 22%. Much of that is now attributed to a lack of product and continued perception that it the entire region has been decimated. The island with the biggest impact for us was St. Barts which has been our #1 winter destination for over 10 years and is virtually irreplaceable when it comes to similar destinations. And while the Caribbean closures caused great compression in the marketplace, it only helped Mexico by about 15% for us. Mexico still struggles with bad press, crime, continued Zika threat and compromised weather. Our Mexico business remains down about 18% from last year.

But, that is nothing compared to our ski business. The startling lack of snow the past 3 years in mountain regions across the USA and Europe has resulted in a 43% slump in ski vacations. Anything ski related has been booked between 1 and 30 days in 2017 and we expect the same for 2018.

In Europe, Greece was the darling of 2017's summer season and took most of the market share from France. While Spain came in third place for us, we are quite concerned about tensions with Catalonia and hope it will quell by the time prime season rolls around. With the exception of Hotel du Cap (a destination in itself), South of France, including St. Tropez, was down 26% and Paris continues to be off by about 30% though it is slowly coming back. We expect small gains in market share for France this year barring any incidents. The UK fared flat which is remarkable taking terrorist attacks and Brexit looming in the background.

So where does that leave us for 2018? Below is a summary of what are seeing:

Markets

On The Rise: Iceland, Portugal, Canada, Sri Lanka, Hawaii, National Parks, Slovenia, Croatia, Panama, Australia, South Africa, Tanzania, Glamping, Southeast Asia/Indochina (Vietnam, China, Laos/Myanmar), Galapagos, Sweden (Stockholm), Norway, Maldives, Italy (Amalfi Coast, Puglia, Florence, Venice), Greece (Mykonos, Santorini, Crete), Bhutan, Bali, River Cruises, Botswana, Berlin, Chile, Miami, Hawaii, North American Ski Resorts, Fiji, Tahiti/Bora Bora.

Strong but flat: Sicily, Tuscany, New Zealand, Holland, London, Rome, Dubai, Cartagena, Morocco.

Struggling: Cuba, California (Los Angeles/Southern California, Napa Valley), Spain (San Sebastian/Basque, Ibiza, Marbella, Mallorca), France, Caribbean, Mexico, Belize, UK (beyond London), Russia & the Baltics, Germany, Turkey, Tunisia, Israel, Paris, Morocco, Kenya/Tanzania, Argentina, Brazil, Peru, Costa Rica,

Forecast for 2018:

A. Top 15 Hot Destinations for 2018:

- 1) **Caribbean:** Despite several islands being “under renovation” following a string of devastating hurricanes, the Caribbean is HOT this year. With resorts like Jumby Bay in Antigua, Grace Bay Club, Amanyara and the hot new Shore Club open on beautiful Turks and Caicos and the sexy Viceroy Sugar Beach in St. Lucia, the Caribbean is back in action and jammed packed this year.
- 2) **Ireland** – with a newly upgraded luxe quotient, people will continue to flock from France to Ireland this year. People love that Ireland is off the grid and a host of fabulous golf courses along with major hotel renovations like Adare Manor, Ashford Castle, and great new experiences like the uber-luxe Belmond Grand Hiberian train (which is the first of its kind on the island).
- 3) **Greece** - vying with Italy for top summer destination Greece is the comeback kid. After years of economic and political turmoil, Americans have been flooding back to this perceived safe haven on the Med. Partying has never been more electric than nights at Scorpio on Mykonos while a string of new luxury resorts in Santorini welcomes guests with stunning sunset views. And this year the Four Seasons Astir Palace debuts just 30 minutes from Athens on its own private peninsula with its own beach club looking onto the endless Aegean sea.
- 4) **Rwanda** – from the new Bisate Lodge to One&Only’s debut with not one but two distinctive nature retreats, Rwanda is ready for its close up. After years of turmoil a new government has not only brought stability but progress and reform as noted in the cool capital of Kigali. There has never been a more luxe way to go gorilla trekking.
- 5) **Mexico** - With a string of new luxury resorts popping up in Cabos and, on the opposite coast, indulgent resorts on the sparkling Riviera Maya Mexico is back to welcoming guests this year. Even smaller cities like Puebla and San Miguel Allande are attracting Americans like never before.
- 6) **Arctic** – because remote isn’t remote enough anymore, clients are headed to the Arctic with luxury expedition ships like Ponant or hitting the *terra firma* in the Lapland staying at cool places like the Arctic Light Hotel or Glass Igloos at the Kakslauttanen.
- 7) **Japan** - Japan continues to excel with newcomers like **Amanemu** and the **Four Seasons Kyoto** bringing Americans back in droves to Tokyo’s endless nights, Hakone’s majestic Mt. Fuji and even skiing at the Capella in Niseko, Japan’s first luxury ski resort.

- 8) **South Africa** – South Africa has gone prime time and become the destination du jour for multi-generational families looking for the perfect blend of beach, adventure, and gifting their family by witnessing the Circle of Life together on safari. And with the price of the Rand still about 40% below its peak 2 years ago there is no better time to supersize your budget on an over-the-top safari.
- 9) **Maldives** – beach bums running from Zika are going long-haul this year. So many figure if they are going to go far, go for the best sand and sea in the world: The Maldives! With more access from all across the globe and the strong dollar, sexy resorts like the One&Only Reethi Rah, LVMH’s Cheval Blanc and the new St. Regis will be a magnet to people looking for an island worth flying across the world for.
- 10) **Iceland** – As the glaciers melt in nearby Greenland, UHNW clients are clamoring to stay at one of the boutique luxe-esque lodges like **Deplar Farms** now peppering the Icelandic landscape. Adventurers, explorers, photographers and nature lovers are finding this unique haven an ideal quick getaway.
- 11) **Antarctica** – This will be the year for Antarctica. Luxury ships like the new Ponant and Quark’s all-suite Island Sky finally make the experience bearable. And with special flights now jumping over the dreadful Drakes Passage, explorers avoid the sea sickness and can see Antarctica in just 7 days. Don’t want to sail, stay at the incredible new White Desert Adventure Tented Safari Camp.
- 12) **New Orleans** – The Creole capital of the world is no longer for the down and grungy. This year brings a new Salamander resort -- the cool NOPSI and even a Four Seasons just in time to celebrate its 300th anniversary.
- 13) **Portugal** – The oft forgotten country heats up following a growth year in 2016 as people look for “off the grid” experiences in Europe. Incredible value and great new hotels opening up the coastal regions and wine lands make Portugal the next big thing.
- 14) **Ibiza** – Ibiza is all grown up now, enticing mega yachts and luxury jet setters heading to revel with the world’s best DJs all night long. This year sees the opening of the **Seven Pines Resort** in San Jose, Ibiza, Spain joins the new Nobu Ibiza in the heart of Ibiza Town.
- 15) **Mauritius** – the reemergence of **One&Only Le San Geran** is bringing glamour back to this French-infused island, a perfect combination with a Middle Eastern or African experience.

B. Top Destinations by Category:

1) Top Far Flung:

- South Africa
- Australia/NZ
- Maldives
- Japan & Southeast Asia (including Bali, Vietnam, Cambodia and Thailand)
- Chile

2) Top Multi-Gen Destinations:

- Italy
- Arizona
- Australia/NZ
- Africa
- U.S. Ranch Vacations and National Parks
- London

- Morocco
- Greece
- Pacific Northwest
- Caribbean & Mexico (despite Zika)
- Orlando (specifically the Four Seasons)

3) Summer Retreats:

- National Parks and Ranch vacations
- California
- Amalfi Coast
- Italy (other)
- Iceland
- Ibiza
- Mykonos and Santorini, Greece
- Spain (Ibiza, Marbella/Basque)
- Croatia/Montenegro
- Marbella/Malaga

4) Top Growth Destinations:

- Iceland
- Greece
- Portugal
- Scandinavia
- Ireland
- Japan
- Maldives
- South Africa
- Australia
- Southeast Asia

5) Top Celebration Destinations:

- Italy
- Caribbean
- Mexico (Cabos, Riviera Maya, Punta Mita)
- Greece
- Southern Spain
- Luxury Ranches
- California coast
- Aspen
- Napa Valley
- Southeastern resorts
- Morocco
- Croatia/Montenegro
- Iceland
- Argentina
- South Africa

- Hawaii

6) Opportunity Destinations:

- Paris
- Portugal
- Peru
- Amsterdam
- Dublin
- Caribbean & Mexico
- Argentina
- London
- South Beach
- Rwanda

7) Top Honeymoon Destinations:

- **Dubai & the Maldives** - The Maldives have inched up to the top honeymoon spot for 2018! With probably the silkiest sand, most brilliant water and a host of uber-luxe resorts all set out on their own private island, the over water bungalows in the Maldives are what honeymoons are made of. Top picks for our clients include the **One&Only Reethi Rah**, ideal for those who want seclusion with some buzz and bling sprinkled in. For those seeking the utmost privacy, the over-the-top **Cheval Blanc Randheli, Maldives**, owned by LVMH has just 45 oversized accommodations are the most sumptuous décor. It is the ideal hideaway where you will feel like you have your own private island even when they are full. For honeymooners seeking the privacy with a bit more activity, **Velaa Private Island** is another incredible option featuring its own golf course and submarine for just 40 rooms. The Maldives pairs perfectly with Dubai (just 4 hours away) where honeymooners can get a contrasting experience in this ostentatious, bustling city with endless nightlife and shopping – not to mention the privilege of flying on Emirates Airline’s private sky suites. **Time to go:** December – May. **Don’t miss:** Snorkeling or diving on one of the pristine reefs surrounding most of the islands.
- **South Africa & Mozambique** –South Africa has leapt to second place in terms of honeymoon popularity in part because it offers something for everyone and delivers an extraordinary value with the strength of the dollar there. Most honeymooners decompress by the majestic winelands outside of Cape Town in the fabulous **La Residence**, followed by 3-5 days of adventure in the glorious seaside city of Cape Town where we *love* the design-centric **Silo Hotel** (with the buzziest rooftop) or the **One&Only Cape Town**, an urban resort in the middle of it all. All this sets the stage for a journey of a lifetime on a luxury safari that is sure to blow anyone away, especially if they stay at **Singita** or **Royal Malewane**, consistently rated one of the top 5 resorts in the world. End it all off at the private island resort of **Azura** in Mozambique, just a 1 hour flight away. **Time to go:** All year round! **Don’t Miss:** Paragliding and Rappelling down Table Mountain
- **Caribbean** - While several islands remain closed following a string of hurricanes, most have been unaffected and continue to welcome honeymooners with incredible flair. One of our favorites for romantics is **Jumby Bay Resort** in Antigua where beachfront bungalows have their own private pools just off the sand. For those looking to be transported to the exotic lawns of Asia, **Amanyara** in Turks and Caicos offers sensual spaces with complete privacy. For something over the top, head to **Sandy Lane** in Barbados which pairs perfectly with **Pink Sand Canouan**, a private island resort just 40 minutes by private plane. **When to go:** November – June. **Don’t Miss:** a private beach picnic on Iguana Island in Turks and Caicos.
- **Italy** – For honeymooners looking for a more cosmopolitan experience, Italy is always number one. Its people, passion, topography and food are a favorite, especially when by the shores of the Amalfi Coast and

Capri for a little *Dolce Vita*. Up north, Lake Como and Lake Garda weave romance into every lakefront crevasse while cities like Venice and Florence never seem to lack romantic alleys and adorable trattorias where magical micro moments are created. **When to go:** May – September. **Don't Miss:** A private tour of Rome's Coliseum when it is closed to the public.

- **Greece** - Greece has taken center stage this year with a host of new romantic resorts, amazing food and fabulous nightlife. **Santorini** offers romantic sunsets, especially from the perch of the uber-private **Canaves Resort's** private pool suites. For more action, **Mykonos** is a favorite with resorts like **Santa Marina** and the **Mykonos Blu** offering luxury suites and access to some of the hottest DJs in the world. For a more casual resort atmosphere, **Amirandes** and **Blue Palace** both have private pool villas at incredible values all set on the beautiful bays of Crete. **When to Go:** May – September. **Don't Miss:** Sunset in Oia in Santorini.
- **South Pacific** – For a memorable adventure, **Australia** and **New Zealand** offer some of the most iconic scenery and pristine adventures in the world. Start out in the fabulous city of **Sydney** followed by a few days on *Kangaroo* Island by **Southern Ocean Lodge**. Queenstown in contrast is set on spectacular mountainscape and dubbed the adventure capital of the world where **Matakauri Lodge** offers the perfect balance of city and rural basecamp. End it all off in the world's most sumptuous (and most expensive) private island resort, **Laucala**, in Fiji for the ultimate indulgence. **Don't miss:** Having breakfast with the kangaroos. **When to go:** November - April
- **Southeast Asia** - culture and beach buffs love the unique encounters of Southeast Asia. Whether it is the adventurous beaches on **Bali** or the silky white sandy shores of Thailand's **Phuket** or Vietnam's famed **China Beach**, Southeast Asia offers a perfect blend of adventure, romantic beach resorts and exciting cities. We love **Amansara** as a base to explore the mystical Angkor Wat, while the **Four Seasons Nam Hai** offers endless roman in Vietnam. **The Metropole** will take you back in time in Asia's most charming city of **Hanoi** while the luxury tented camps of the **Four Seasons Golden Triangle** gives you up close encounters with local tribes as you trek atop elephants through the jungle. **When to go:** All year (depending on the areas you want to focus on) **Don't Miss:** A tour of the bunker at Hanoi's Metropole Hotel.

Regional Metrics:

- 1) **Europe:** “Confused Concern” was the reigning sentiment in 2017. Safety concerns had the greatest impact on business to Europe in 2017. France was the country to take the biggest brunt of it all. Our business to the country was down 40% with business going mostly to Greece and the south of Spain. In fact, for the first time ever, Greece was our number two summer destination after Italy. Strangely enough business to the UK remained flat despite Brexit and multiple terrorists attacks this year. We only wish we could understand why, as the logic of UK being flat but Paris, more than 2 years after their attacks, remains down. In our metrics, we focus on our core European leisure season between May and October (inclusive).
 - *Shift in business:* Summer requests for European vacations rebounded in 2017 which were down almost 70% in 2016. Though not at 2015 levels, domestic business was only 22% of our summer vacation business. In 2016 it was almost 80% a marked increase over what is historically under 10%. In 2015, 84.5% of our travelers went to Europe for their summer vacation (between May and September). In 2016, however, this plummeted with 61.3% for the same time period. Back then most of our travelers opted to explore the Americas instead of hopping across the pond to the Med. Indeed our domestic *leisure* business between May and September historically hovers around 4%. In 2016, this number catapulted to a startling 38%, with almost all clients citing fear of terrorism in Europe as a reason to holiday closer to home. Luckily for summer 2017 our domestic travel dropped back down to 8.5%.
 - *Lead time:* In 2015 over 75% of our requests for summer vacations to Europe for summer 2015 came in the month of June (compared to over 80% in 2014), many with only a

week's notice. Last minute took on a new definition 2016, with just over 50% of our summer vacation bookings originating in the month of June and a whopping 30% in July – for July and August. Refreshingly, for 2017 lead time mimicked 2015 with 69.8% of our summer leads originating in June. Clients traveling to Europe in 2017 stayed in very limited areas with the top 3 countries taking almost 65% of the market-share:

1. Italy
2. Greece
3. Spain

And while for the first time in my career I was able to easily snag coveted St. Tropez rooms in July and August, getting a room on the Amalfi Coast or even Mykonos was virtually impossible. People felt these countries were safe or off-the-grid enough (*translation: out of the press enough*) to visit without anxiety. There was also a flight to finally let tensions loose this summer and hit the hot summer party spots. In fact, DJ-oriented destinations took center stage with 61% of our summer business incorporating a heavy nightlife focus with VIP tables and red rope access. On the flip side, iconic cities like London and Amsterdam bounced back. The outlook for Greece and Italy look incredibly strong for 2018 but we are very concerned about business to Spain for 2018 based on the proposed Catalanian ascension and remain hopeful but tepid about France. The UK seems to be more resilient to terrorism and Brexit concerns something we hope will sustain.

Of all countries in Europe, Italy continues to win over American hearts and will continue to lead in 2018 barring any negative events. The Amalfi Coast leads the way, with the Lake District and the Tuscan Coast (Maremma) just behind. Venice had an exceptionally strong Biennale year in 2017 but we don't expect it to maintain its pace for 2018. And where many clients would combine Italy with the South of France or Paris, this year secondary destinations within Italy like Umbria and Puglia or Croatia both saw double-digit growth further fueling our insatiable love affair with country.

In line with the party-centric mood, Spain continued to be strong for us with 57% of our Spain bookings touching down for the techno clubs and celebrity DJs of Ibiza. Indeed, Ibiza continues to be an amazing driving force behind Spain's growth and continues strong for 2016. Marbella grew about 15%, the Basque a cool 12.5% while Mallorca grew just over 5%, though Barcelona and Madrid both fell about 8%.

And while Portugal made a big leap in 2016 (with a 28% growth) 2017 was pretty flat. .

Greece was the darling of 2017. It seemed that Mykonos became the center of the universe in July, with a whopping 1 in 4 clients touching down on the craggy island. As the destination matures and becomes more sophisticated (it still has a long way to go), we predict it will continue on an upward pace in 2018 finally rebounding after 5 years of political and economic turmoil that kept people away. Mykonos grabbed 55% of our visitors to Greece who also stopped off in Santorini who snagged 41%. Crete was third most popular, with just over 30% of our clients this year paying a visit, while Athens saw barely 3% of our clients this past year.

It comes as a surprise to us that our traffic into to France is rebounding at a snail's pace. Paris business had been down 80% in 2015 and out business in 2017, though greatly improved is down 30% from pre-2015 levels. The South of France followed with a 47% decline. France's long-term slump continues to be a puzzlement for us all here at Ovation. Despite fabulous new product and incredible experiences, and despite terrorist activities occurring in many other destinations that have barely felt an affect (London, New York), France is still soft and is having lot harder of a time bouncing back than anyone ever anticipated. We are hoping that peace prevails in this remarkable country and that positive media attention reminds people how magical the city of Paris is.

Outside of London, the UK countryside and Ireland had a strong year with a combined 25% increase in business – this on the cuff of a 22% increase in 2016. London’s fresh cosmopolitan scene and new neighborhoods is the new “New York” and has been a jumping board to explore secondary areas like the Irish countryside, Scotland and the lakes district. Once reserved for gray haired seniors, new properties with a fresh flair have been attracting whole new markets. In addition to stronger corporate business going into London, the weak pound (thank you Brexit) has attracted many leisure guests for shopping jaunts, especially in the autumn.

Ski Europe: Outside of the summer holiday season, we have seen a 20% increase in ski business to Europe. Further details can be found below under our “skiing”.

Below is a list of top European destinations and percentage of our summer European business over the past 4 years. I also include my predictions for 2018 which are based on peace in the region and trend. Of course, any terrorist activities will have a jarring effect on business.

<u>Destination</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 prediction</u>
Italy	23%	25%	30%	32%	27%
Spain	21%	20%	20%	14%	16%
Greece	15%	4%	15%	28%	24%
Croatia & Montenegro	15%	13%	10%	5%	6%
France	19%	22%	8%	6%	10%
UK & Ireland	3%	6%	5%	6%	7%
Iceland & Scandinavia	2%	3%	5%	4%	4%
Eastern Europe (Prague, Budapest, Vienna)	0%	4%	4%	2%	3%
Portugal			2%	2%	2%
Germany & Switzerland	0%	2%	1%	1%	1%
Turkey	2%	1%	0%	0%	0%

- 2) **Islamic-oriented Countries:** Vacation travel to Turkey came to a complete halt this summer and connecting through the country even stopped once Americans were inhibited from getting visas. Israel surprisingly grew by about 12% this year. Morocco also saw a healthy rise up about 6% in 2016 and Dubai continued to be steady as well. Both Israel and Morocco are looking much stronger for 2018 with Morocco taking the lead though many people are concerned about ISIS and Islamic hatred towards Americans. Business and requests for Egypt remains abysmal.
- 3) **Far Flung Exotics:** This year more than ever we see Gen X clients compelled towards experiential travel and exciting different, far flung destinations. There is a strong interest being shown by long time clients who would ordinarily stay close to home (i.e. Europe, Caribbean, Mexico), requesting places like Thailand, Vietnam, Fiji and the Maldives. Exotics are not for adults alone either. Last year, 35% of our far-flung sales (i.e. flights of 10 hours or more) included kids. The prospect for 2018 looks even stronger, with families who would holiday in the Caribbean or Mexico now going to places like the South Africa, Tahiti, Southeast Asia and the South Pacific. Nearly 55% of these family far-flung trips were set around a celebration, including birthday, anniversary, or bar mitzvah. The common thread of all these vacations is a desire for an engaging, recreational way to explore in a more “authentic” environment outside of routine and apart from the mass tours and canned guided itineraries.
- 4) **Sub-Saharan Africa:** Travel to Africa remained strong in 2017 following the relaxation of coverage on Ebola in Western Africa since 2015. Again, South Africa continues to grab the “lion’s share” of this market (74.5%) with Tanzania taking second place (11%.) More than 60% of our Africa reservations comprised of honeymooners and families. Outlook for 2018 look as though we will be seeing about a 12% growth.
- 5) **Australia/NZ:** Australia and New Zealand were strong in 2017 with a 22% gain. The average trip to the region was 12.1 days, the longest for any destination. New luxury lodges and its “way off the radar” perception were especially appealing. The outlook for 2018 looks like there will be about a 5% growth.
- 6) **Mexico:** Mexico continues to get battered. As soon as it gets back up it is beaten down. Late 2016 (Q1 and Q2) saw a strong rebound for Mexico with bookings up 22% once Zika fears waned. By summer 2016, Mexico was back in the news with random drug-cartel bullets hit tourist destinations like Cabos and Cancun. And while compression from closed Caribbean destinations helped stabilize the situation, safety concerns continued to mount in the media. Needless to say, pace for 2018 is off by almost 25%. We are extremely concerned and cautious with the situation especially in Cabos.
- 7) **Caribbean:** Like Mexico, the Caribbean had a softer start in 2017 and flattened out by mid-year. Zika was the biggest issue in closing business and had the biggest impact on groups and celebrations. And once Zika concerns finally waned, the region got hit with two massive hurricanes that closed several key islands like St. Barts (our #1 winter destination). Irresponsible mass media created devastating confusion giving the impression that the entire Caribbean was shut down hurting all the other islands waiting for business. Market compression was the only saving grace for this region which barely made it through the lucrative festive season (December 20th – January 3rd). Indeed, the most important 10 day period of the year for the Caribbean just barely scathed by with every resort closing business within days of the season. For the first time in our history we closed 43% of our festive bookings between Thanksgiving and Christmas. Forecasts for 2018 look promising though not without struggle. We are optimistic that our overall business to the Caribbean will be flat or slightly down, due mostly to the fact that there are less

options and we are being charged with giving clients other alternatives. For the Caribbean islands open, I expect their luxury resorts to have a flat year benefitting from the many closures and the security concerns in Mexico. The biggest driver for this region is extremely cold weather in the Northeast which we have to all pray for.

- 8) **Domestic Travel:** Our travelers are clearly international jetsetters, though they might not be the most intrepid of travelers. Historically domestic *leisure* travel accounts for 8% of our business (peaking to 12% in the winter and dipping below 4% in the peak summer months). Typically, 93% of all of our travelers who travel domestically take at least 1 international trip in the same year. In contrast, our corporate business drives 63% of its business domestically. Then 2016 happened, with Zika and terrorism that created a seismic shift in leisure domestic business to 37% in of our overall leisure business. Thankfully this dropped back down to just under 10% for 2017 and we expect it to return to 8% in 2018. While we appreciate our domestic partners and properties, the fact is that ADRs (and thus profits) are exceptionally lower domestically than internationally which significantly affects our bottom line.
- 9) **Canada:** Canada grew as a noticeable destination for us in 2016 and 2017 with a growth of nearly 60%, attributable to the same factors as domestic travel – the feeling of safety and being close to home. In fact, many Americans feel that Canada is even safer than America. Safety coupled with a drive towards active vacation requests and the amazing value the weak Canadian Dollar presented drove business from Vancouver to the Canadian Rockies to Montreal.
- 10) **South America:** South America showed an 18% increase in 2017, though still about 20% behind pace from pre-Zika 2015 levels. We are quite optimistic about growth in South America for 2018 though as pace is already 24% ahead of 2017 and booking patterns and types reflect 2015.
- 11) **Ski:** The terrible last 3 ski seasons (2015, 2016 and 2017) continue to have an traumatic impact on our ski bookings for 2017. Climate change is wreaking havoc on popular ski destinations both in Europe and the Americas shrinking our business and especially our booking window. As of Q4 our ski business is down 40% in the Americas and 23% in Europe. We expect 2018 will bring another wave of last minute ski requests based on the way snow patterns falls.
- 12) **Wellness:** Destination spa vacations continue to grow with a 25 % growth this year (for us this grew just over 25% in 2016, 20% in 2015, over 28% in 2012 and grew almost 20% overall in 2010); for the meeting and incentive market, destination spas actually began taking hold with 10% growth in meetings going to a destination spa. Destination spas are defined by all-inclusive, wellness focus properties as opposed to properties that have a nice spa program. Talking to clients it seems people really need to remove themselves from the chaos of the world and assess the direction of their lives and/or plan for their future with a clear mind. Health and wellness have become a critical component of travel, especially for Gen Xers and Millennials who travel frequently. This also follows a trend of fitness and activity. People will literally choose their hotel based on availability of healthy food options and fitness facilities. The biggest jump in the spa market continues to be from men, who accounted for almost 40% of spa vacations in 2013 and 42% in 2015 and 38% in 2016. Clients are also asking for more active ways to explore destinations. Whether it is private bike tours of a countryside or running guides through cities, a determination to stay healthy on the road remains top of the list. No doubt this will continue to

grow, as will the demand for special dietary requests which are becoming the norm as opposed to the exception.

- 13) **Cruises:** Cruise bookings fell again in 2017 by about 15%, while revenue decreased almost 25% as demand for cruises softened especially in Europe. Anything touching Istanbul was a big challenge as well. European cruise bookings account for 70% of our cruise business. In 2015 cruise business was down almost 15%, and 33% for the Mediterranean and Baltics and they don't look much better for 2016. We attribute the decline to fear of terrorism and also to the strong dollar encouraging people to take advantage of rates on land. It should come as no surprise then that, despite saturation, the River Cruise market stayed steady from last year's growth. We believe this is because people perceive it to be off the grid and safe – again, focusing on “secondary” destinations. In general, cruise business to Europe increases when the dollar goes down against the Euro but suffers when the Euro is weak against the dollar. Those that are thriving are more localized river cruises (think Aqua Mekong, Belmond Orcaela) and expedition ships that take you to places like Antarctica, Galapagos, Papa New Guinea and other places not accessible to the luxury traveler.
- 14) **Air:** With the price of fuel staying steadily low and competition mounting, airfares are staying at relatively low rates, especially in business class where the biggest opportunity exists. Summer rates to Europe were almost 50% less than this time in 2014 and about 5% less than 2015 in the front of the plane. This has a major influence on clients changing their destination to more saturated markets offering more reasonable airfares – something we have seen many, many times.

Other Luxury Travel Metrics:

A. **Top Leisure Travel Booking Trends.**

As noted, business in 2017 took a huge leap with nearly 40% growth in the luxury leisure segment. And while transactions were actually up only 21% revenue per transaction grew over 56%. Our Celebrations business grew 350% over 2016 and pace for 2018 shows an already 50% growth. What's best is that our closure rates went up to 86.7%, in line with pre-2016 levels. Closure time went from an average of 15 days to 8 days.

B. **Celebrations:** Our Destination Celebration has been hardest hit by 2016's fear-factor. Though we had a banner year with our events and celebrations business in 2015, celebrations in 2016 were down 40%. That all changed with pent up demand in 2017 which experienced a whopping 350% growth. Smaller multi-generational celebrations with 50 people or less was up 168%.

Ovation Celebrations, our multi-generational, destination celebration division sprouted in 2014 and officially exploded in 2015. In 2014, Ovation Celebrations grew 123% ahead of 2013 and 250% in 2015. Consider the following:

- Our average celebration spend in 2012 was \$429,613 per celebration. In 2014 the average spend was \$590,122. In 2016, the average spend was \$1.2 million, and in 2017 it was \$3.3 million
- Average length of stay for a celebration is 4.1 nights.
- Average number of people is 278.

Our celebrations have ranged from destination weddings to destination bar mitzvahs, birthday celebrations, anniversaries, engagements and any other “excuse” people can have for a party! Since 2016 we have reworked our business model as we are no longer doing event production. Rather, we are working to forge relationships with the world’s best party planners to focus on production whilst we focus on logistics and site identification.

In the past, Ovation Celebrations has chartered full-fledged cruise ships, taken over private islands, palaces, and hosted celebrations for 50-400 people in places like Courchevel, Tanzania, Mexico, Argentina, Anguilla, St. Tropez, Puglia, Crete, Rome, Costa Rica, Paris, Versailles, Morocco, the Bahamas, Dubai, New Zealand, Florida and South Africa. As you can see, the destinations run the globe. Weddings, however, seem to stay within the United States, Mexico and Caribbean with just over 60% of weddings staying in this region. The remainder are usually staged in Europe. We continue to focus on growing this lucrative segment which we expect will soon overtake our FIT business in revenue and profits.

C. **Multi-generational family vacations:** Family vacations continue to grow.

- In 2013, they grew by 43% and accounted for 24% of our transactions and 41.5% of our revenue (with more than half of that coming from festive and Spring Break seasons, both of which command inflated room rates).
- For 2014 they grew by another 52% and accounted for 28% of our transactions and 44% of our revenue.
- 2015 saw continued growth of 12% accounting for 31% of our transactions and 46% of our revenue.
- 2016 grew by 10% accounting for 30% of our transactions and 40% of our revenue.
- 2017 grew by 168% accounting for 32.4% of our transactions

In addition to the typical beach, ski and Disney vacations, families seem to be taking their children on more and more far-flung trips. Places like Africa, Australia/New Zealand, and Dubai/Maldives are among the most popular far-flung family experiences. South America started off strong but fell off towards the middle of 2016 and continued to be down. The biggest growth markets for multi-gens in 2016 and 2017 seem to be Europe, South Africa, California and Arizona. Many avid skiing families have begun looking more and more to European ski resorts. Cruises are still not a huge segment for our families unless they are headed to “cruise” destinations like Alaska.

D. **Bizcations:** Bizcations remained a hot excuse to holiday in 2017 with a healthy 40% growth. This came on the back of with nearly 150% growth in 2015 and 22% growth in 2016.

Top Bizcation hot-spots were Europe, Florida, New York, Southern California and San Francisco. Keep an eye on this bursting trend.

E. **Festive Season:** The 2015-2016 festive season (December 21st – January 3rd) was the strongest in our company history. For many hot spots this is the most lucrative 2 weeks of the year and our most profitable 2 weeks as well. Both 2016-2017 and 2017-2018 festive seasons remained relatively flat over 2015-2016, which for us is a near miracle. This year in particular we just barely scathed by, with over 35% of our festive bookings coming in after Thanksgiving.

F. **Concierge Partnerships:** Since 2010, Lifestyle management was the fastest growing service segment in the luxury market. We continue to partner with over 15 different luxury lifestyle/concierge companies, acting as their outsourced travel department, many times on a

private label basis. Though still strong, the concierge business has seemed to flatten out. Still, the average transaction through a concierge service was \$24,715, about 33% higher than our internal average transaction. Average daily rates were \$2,245, which is about 17.5% higher than our internal average room rate.

G. **Market & Rate Trajectory:**

Value Focus: Seasoned travelers, especially Gen Xers and Millennials are still looking for value and value-add to help close sales and connected travelers are validating rates more than ever – *regardless of price point!* This is exacerbated by the OTA wars where OTAs are selling inventory lower than a hotel is directly by taking a loss or sourcing it from obscure international tour operators. Rate credibility is becoming more and more of a struggle pushing the focus on negotiated rates in nearly every transaction. Outside of peak-peak periods, people are still looking for deals, though, and they are affecting the decision making process.

- Average room rates will likely stay steady in 2018 for the following reasons:
 - Continued focus on domestic and secondary-destination experiences which are less expensive than “hot” destinations
 - Stabilization of the Dollar (causing the US Dollar value to be less on an international currency ADR).
 - Softness in the Middle East and Russian markets softening compression.
- Average stay has stayed basically the same: 7.5 nights. This breaks down
 1. Q1 6 nights
 2. Q2: 4.9
 3. Q3: 12 nights
 4. Q4: 5.5 nights
- Family vacations account for 79% of travel in December and January but only 14% of travel in February (except President’s day weekend which is 84% family.) In March, it jumped back to 60% (attributed to an elongated Spring Break.) For June, it looks like it will surge to 55% of our business, mostly as part of multi-generational celebrations.

This growth is an extension of what we saw in 2017:

- Revenue per transaction growth: +56.6%
- Transactions were up: 21%
- Average room rate was up by 25% to US\$1,868.26/night
- Average length of stay was 7.5 nights (almost the same as last year)
- Average transaction was US\$21,392.

We are hopeful that 2018 to experience 25% growth based on pace and financial indicators.

Metric Trajectory

	Closure rate	Avg. Transaction (excluding events)	Return Rate	Avg. Nightly Rate	Fees as % of Revenue
2018 (prediction)	86.7%,	\$25,550	11.5%	\$1,950	35%
2017	86.7%	\$21,392	11.39%	\$1,868.26	31%
2016	71%	\$12,925	10.1%	\$1,443	29%
2015	88%	\$16,571	11%	\$1,850.71	34%
2014	85%	\$12,295	10.1%	\$1,684.28	26%
2013	83%	\$9,055	11.31%	\$1,418	22%
2012	86%	8,232	10.2%	\$1,377	24%
2010	84%	\$6,872	10.51%	\$1,050	15%
2009	88%	\$7,480	10.75%	\$1,152	18%
2008	77%	\$8,946	8.97%	\$1,245	19%

Though transactions were up in Q1 of 2016 our closure rate was down and we anticipate it to creep lower as our advisors spend more time on the phone talking clients through world issues, many of whom decide to postpone a trip for a “safer” time.

Consumer groups with more traction: The Gen-X market continues to be our strongest and most profitable segment. This market is driving several significant behaviors:

- *Value* - a continuous drive for value (as described above)
- *Transparency* - with so much at their fingertips clients expect transparency in their transactions and no longer accept highly inflated “package” rates customized “FIT” vacations
- *Validation* - (and marketing) through social networking
- *Service* - Though they focus on value and transparency, Gen-Xers (and their Millennial counterparts) are most inclined to pay fees for service and for advisors to help navigate through the inundation of information.

V. Opportunities

- 1) **Focus on the micro, not the macro** – The most emotionally impactful impressions come from the minute details, not the big picture. Encourage your people to think from a gradual level of small touches that just say “I care, I listen.” Those are the “OMG” moments. Those are the things that grab the heart and touch the soul. Facilitate meaningful encounters amongst your guests with micro-moments, through micro-influencers and meaningful touch points.
- 2) **Sell your people not your product** - as the world continues to make products commodities, whether it be from a retail transaction standpoint, or Airbnb competing on pretty rooms, invest in relationships which is something a robot could never replace. The human connection is going to be our key to survival. Every frontline staff member, whether a housekeeper, a concierge or a general manager should strive to build relationships and continue those relationships after the client leaves you. Each staff member should continue engagement on a personal level. You can get all the Big Data and invest in all the marketing programs you want, but at the end of the day, clients will come back to reunite with “Jane” or “Jerome” over another beautiful pool or room.
- 3) **Make Meaning** – Listen to your customers. Listen beneath the surface. What are their passion points? What is important to them? Focus on that meaning and customize experiences for them. Whether it is connecting to family or challenging themselves to something new, take a bespoke approach to everything you do to enhance your customer’s journey.
- 4) **Make Memories** – Jump on the continuously growing multi-generational trend. Hotels that build programming around this and put families in these unique positions will flourish. Not one company in hospitality is owning this the way they can. People are reacting, but no one is being proactive and positioning themselves for it. Designate a concierge or staff member to be a guardian angel for these groups; create programming options for them, whether it is a beach Olympics, immersive city-wide scavenger hunt or a live game show, offer creative family experiences for people to let their hair down, leave their comfort zone and connect.
- 5) **Get in on the Celebration** – Focus on the growing destination celebration market, taking it beyond a way you would focus on corporate events. In the social space, expand your purview beyond weddings and add the big birthday bash, the bar mitzvah, the milestone anniversary celebration to it. Millions are being spent on these alternative events and we’ve only touched the tip of the iceberg of a trend where clients literally have to invent reasons to celebrate together.
- 6) **Consistent messaging** - The greatest opportunity of all is for all of us in the travel space to band together with colleagues, competitors, trade, and press to create more consistent and accurate messaging relating to world events. Regional CVBs need to be more aggressive to work with their local authorities to secure and communicate up-to-date and accurate information. We as an industry need to step up and be proactive, creating a strong network of leaders who will take responsibility for gathering and disseminating information and utilizing all of our PR engines in tandem. If we don’t tell the story someone else will, and it usually will not be favorable to us. I cannot be the only one screaming from the top of our 11-floor building in New York! We are all in this together and need your commitment.

- 7) **Get with the program** - DMCs need to change to stay relevant. Like hotels, DMCs are going to need to focus on what makes them truly unique. The key is not to just develop experiences but to curate them in order to “guarantee” quality and to build a cohesive story to a trip as opposed to a hodgepodge of experiences. DMCs must embrace new technology, get over the fear of having their guides exposed or committed and have YouTube videos disseminated and learn to become more transparent on pricing (or implement differentiated pricing) noting that many guides will be both available to DMCs and online direct to consumers. Like retail advisors, they need to focus on insider information, critical thinking, curating experiences, storytelling, pointed advice, and creativity without sacrificing rapid response and accuracy.
- 8) **Make it easy** – Make the travel experience easy. Whether you are a travel advisor, a cruise line, an airline or hotelier, make it easy for people to research, book, travel and stay. Use technology to make things simpler for people and not more complicated.
- 9) **Let new destinations shine** – The window is now to grab new visitors who are more open than ever to consider new destinations. This presents an amazing opportunity for destinations to reinvent and market themselves and attract new visitors. It also drives people to secondary experiences within prime markets – to see London as a typical tourist would not. To explore the hoods and not even bother with the Abbey.
- 10) **Extend your brand** – Extend your customer base and strengthen goodwill with lifestyle partnerships that are truly aligned with your brand. Look for needs in other verticals like fashion, automotive, or gastronomy and play on synergies for mutually beneficial storytelling.
- 11) **Embrace technology to connect to clients** - Instead of using technology to replace people (like a mobile hotel check in and room key), use it to redistribute staff to connect with clients and guests more and in more meaningful ways.
- 12) **Embrace your Independence** – Anyone with a Millennial Mindset these days wants something local, something different, something unpredictable without sacrificing creature comforts. Look at what brands are doing and do the opposite. Stake your place in the world. Whether it is your décor, your food, or your entertainment, keep it local. Do what it takes to attract locals to your hotel, to bring a local feeling into your ship, and help clients engage with local people in an authentic way. Play on service and consistency. Play on your people, your soul, and the feeling you give people when they stay with you.
- 13) **Keep it fit** - Embrace the health obsession, offering healthy cuisine and access to fitness experiences beyond the gym.
- 14) **Profile your clients** - Prepare for the dawn of Artificial Intelligence. Create meaningful, detailed profiles for your clients using technology to package the data in executable (and marketable) nuggets. Keep your profiles robust and deep, confidentially sharing them with your partners. Invest in a CRM that can be shared between travel providers and retailers. This is an opportunity to rise above the noise with clear added value and wow-factor.
- 15) **Articulate the role of the Travel Advisor:** Travel retailers must clearly position themselves “advisors” and not agents. They must focus on their *process*, not their *product*. Communicate the way they orchestrate travel through storytelling and meaningful experiences and provide return on life. Your service must move from being product centric to being client centric. Focus on relationship building at every level of your process, deliver the exceptional and hold steadfast to

being an information navigator and advocate for your client. Remember people can close transactions themselves. They come to you to save time or to avoid mistakes. You must be an expert in your client. Engage your client with personalized interactions before, during and after their travel experience – across all channels to build trust and loyalty.

- 16) **Own your most valuable influencer**– Focus on your guests and clients to be your most valuable influencer. Invest your marketing funds into orchestrating postable moments for them with meaningful touch points. Encourage your clients and guests to tell their story by creating “*postable*” moments that will grab their friends’ attention and promote what your brand is all about. Basic storytelling through custom content has become one of the most powerful ways travel marketers can get their messages across. Become the platform for people to explore local communities or follow their passions whether it is through something like fitness or any other interest with specialize symposiums or events that tie into virtual communities. Outside of your guests, look at influencers with high engagement levels and a vetted sphere of influence over mass influencers with mass appeal that may not even reach your real customer.
- 17) **Make Love not War: Travel Industry to make peace in the world** - because we connect to humans and not with flags or borders. We work together. We focus on people and their emotions. We look at each other eye to eye.
- 18) **Go Hybrid** - Invest in hybrid technology enabling customers to use technology when they want it but have incredible people behind it for anything they may need.
- 19) **Inspire and Inform** - Traditional media have so much potential for a comeback. The only thing standing in their way is themselves. By fusing what new media has done with their current business model, traditional media can not only survive but thrive. Develop personalities, eliminate sensationalism, maintain editorial credibility, embrace digital distribution, engage readers and create smart brand/lifestyle partnerships and brand extensions. Don’t implode. Don’t sensationalize. Be critical. Be honest. Inspire. Try it. It may not work for the mainstream reader but it will for the affluent and educated reader.
- 20) **Get into the Hospitality Business to Build True Loyalty** – Lastly, but most importantly is the opportunity to build cultish-loyalty that transcends marketing plans, ad buys and loft client acquisition budgets. Loyalty is bred when hotels are able to build deeper relationships with their guests because their brand identity is truly more congruent with their target customers and lifestyles. It is the people to people, the touching of the heart that breeds true loyalty in the luxury space. That is what created the “Amanjunkie.”

The [lost?] Art of Hospitality -- We can analyze trends all we want, but all signs point to the same premise. . . . A shocking phenomenon in the travel space. Reverting to old fashioned hospitality where guests are truly touched by humans who care and anticipate needs will create an unbreakable loyalty and move it beyond irrelevance. Yes, hospitality – the real kind, not the SOP-laden, structured, robotic kind. Incorporate all the technology you want and swath walls with all the silk or slate you can find, but style and bricks won’t do it. It may be cool, it may be fun, but it is completely replaceable and easily disrupted. So, we can analyze loyalty programs and the scientific breakdown of what breeds loyalty; we can sign up for credit card programs and give out points, but at the end of the day you are only as good as the next loyalty program. Look what happened to Amex when Chase Sapphire came out. The craving of a person to person interaction, the feeling of love and for being cared is what we are programmed for and that will never go away. If anything, the few times it is actually experienced will be magnified beyond reproach since it has become such a rare occurrence.

So instead of looking outside and worrying about Airbnb and other disruptors that will compromise your future relevance, introspect and worry about yourself. Are you destroying your own future by abandoning the very thing that justifies your existence? Get out of your own way. Of course you need to be smart business people and you need to scale up, but if growth means compromising your DNA it will be a short-lived profit. True hospitality does not need to mean that you operate at a loss or barely a profit margin. It means you need finance people to focus on finance and hospitality people to focus on your guests. You need to create a balance.

You cannot have owner or asset manager up a general manager's rear for one more report. You need them front and center. You need them motivating the team. You need them to be a leader. If you seek *long-term* asset optimization that is where you will find it. You may have a lower NOI this year or a lower RevPar next year, but in exchange you will have sustainability. So if a hotel is looked at as a mere asset to be flipped, let it stay in the premium marketplace. But if you want to be sustainable in the luxury business you need to embrace true hospitality to survive the small, privately owned, independent hotels that are built with heart, soul and sweat. I believe one day in the next 10 years someone at some big brand will wake up with a revolutionary "new" concept – to create a true hotel experience focusing on old-world hospitality – connecting to a guest on a personal level and customizing their experience with your heart not your screen -- and what a revolution it will be. Why take a step backward?

VI. Predictions

- 1) **Facebook and Instagram are going to start phasing out** – yes I really think people are starting to rethink their love affair with these two social media darlings. What was once authentic is now becoming a blatant channel for marketing. Where once users could dictate how and what they wanted to see from their friends now they are told what is “relevant” for them to see and what is not. Influencers cloud “authentic” encounters and a slew of fake news and annoying ads clutter this personal space for many people. According to some digital experts, many consumers are turning away from social platforms like Facebook and Twitter as more research suggests they may have a negative impact on mental health. Vanity Fair technology writer Nick Bilton wrote in late 2017: “Yes, it’s true that we’ve heard this all before — that people are abandoning social media, that the platforms are doomed. The New York Times has written variations on that story so many times over, it could have been a standing column in the business section of the paper. But I do believe that this time is different, the beginning of a massive shift.” While social media is not going away I think it is ripe for a new vehicle that will be less intrusive.
- 2) **Food, Fitness & Family:** These “F-factors” will continue to be the leading drivers of affluent travel decisions in 2018.
- 3) **Destination Celebrations:** Celebrations of all kinds will continue to hit the road as people seek to invest in memories over products. New excuses will be invented with a 20% increase in celebratory events predicted for 2018.
- 4) **Sophisticated Multi-Gen Experiences:** The bar will continue to rise in the multi-gen market with more far-flung experiences and a more elaborate approach to programming that will morph into mini destination events.
- 5) **Secondary Destinations:** I predict that this trend towards secondary cities and more rural areas will continue into 2018 even if things stay peaceful. It is the ideal time to market them as people are more open than ever to try something new.
- 6) **Airbnb:** Despite fierce regional legal battles and a significant setback in New York which could set precedence around the world, Airbnb will continue to grab market share from the luxury sector as it expands its upscale portfolio and adds relevant travel products like flights, tour guides, experiences and services such as concierge and housekeeping to its offering.
- 7) **Zika:** Zika will go to the way of Dengue Fever and Chikungunya, which means it will not go away but fade into forgotten oblivion.
- 8) **Consolidation will continue** - As market forces become stronger by newly emerged giants, smaller players in all areas of travel will consolidate further. This includes travel agencies, destination management companies, wholesalers and hotel companies.
- 9) **Price Integrity** - price integrity will get worse before it gets better and I predict 2018 will bring an explosion in the war between OTAs, desperate wholesalers and hotels. In fact, large tour operators

are getting just as strong and aggressive as OTAs. Many of them are reselling to OTAs, making the trail of origin even more complicated to trace – and hotels are getting fed up.

- 10) ***Reckoning of the OTA*** - 2018 will be a year of reckoning for dominant OTAs where I predict further consolidation to counter the influential effects of Google and Facebook who are stealing their marketing dollars and suffocating them with quicksand-like ad buys. OTAs are going to look to further align themselves with content to keep relevant eyeballs close to them and build their own loyalty programs.



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Jack S. Ezon is President and Partner in Ovation Vacations, a travel management firm specializing in luxury travel experiences. In his role, Jack oversees the agency's independent contractors and in-house vacation consultants. Over the past twelve years, he has grown Ovation's leisure business from \$3 million to over \$400 million by catering to Ovation's high-end corporate clients.

As part of Ovation Travel Group, a \$1 billion business and the nation's sixth largest travel agency, Jack focuses on cultivating young advisors who are new to the industry and marketing to the next generation of luxury travelers. This has helped attract a core group of wealthy Generation-X and Millennial clients and build one of the country's largest luxury social destination event businesses.

A former commercial finance attorney, Jack left the law to pursue a life-long passion of upscale, experiential travel. As a member of luxury travel network Virtuoso, he sits on the Hotels & Resorts Committee and served as the first chairman of Virtuoso's Next-Gen Committee, a group focused on attracting the next generation of luxury travelers. Well respected by some of the world's most renowned hotel companies, Jack is often sought after for his insight on branding and product positioning. He also serves on advisory boards for *Travel+Leisure* magazine, Aman Resorts, Belmond, AccorHotels Luxe (Fairmont, Sofitel & Raffles Hotels), JG Black Book. Additionally, he is an active member of the Park Hyatt Leadership Forum and The Ritz-Carlton Presidential Roundtable.

Jack was named one of the Top 10 "Super Agents" in the world by *Travel+Leisure* since 2013, continues to be on the Conde Nast Traveler top travel specialist in the world list and recognized in as one of the top 25 Travel Agents in the industry by Travel Agent Magazine. He was also awarded the title of Virtuoso's Most Innovative Travel Advisor for 2010 and is often featured as an industry expert in a myriad of media including the NY Times, Wall Street Journal, NBC's Today Show, Fox News, and USA Today. Jack has also authored six books throughout his career.

A father of four, he received a B.S. from New York University's Stern School of Business and a J.D. from Cardozo School of Law.

About Ovation Vacations:

Ovation Travel Group, a member of the prestigious international luxury travel network Virtuoso, is a \$1 billion travel company based in New York. Ovation's luxury leisure division, Ovation Vacations, is a growing, dynamic agency focused on creating bespoke travel experiences. Visit OvationVacations.com for more details.

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