



Hospitality Industry Insights

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Jabian Hospitality Industry Insights

The Hospitality Industry

Because of the breadth of the hospitality industry and the wide demographic it serves, the industry is affected by, and must respond to, almost every major global trend. To better understand the effects of some of these trends, we took a look at four sub-sectors within the hospitality industry: Lodging; Food and Beverage; Air Travel; and Tours, Attractions, and Events.

Of course, no one study can exhaustively cover an entire industry, so we designed these insights to provide a bird's-eye view of how today's market forces are affecting it and how major players are responding to the constantly changing business environment. These insights are supported by our experience and education, interviews with leaders in the industry, and results from Jabian's Hospitality Consumer Survey.

While we welcome readers to review the insights cover-to-cover, each of the 12 trends acts as a stand-alone analysis and may be read independently to allow you to focus on what interests you most.

FOUR PRIMARY HOSPITALITY SUB-SECTORS



LODGING

Lodging is defined as any form of travel accommodation, which includes hotels, resorts, motels, hostels, bed and breakfast inns, boarding houses, vacation rentals, home shares, and serviced apartments.



FOOD AND BEVERAGE

Food and Beverage (F&B) is defined as commercial restaurant services, including table service restaurants, quick service restaurants, cafeterias and buffets, social caterers, snack and nonalcoholic beverage bars, bars and taverns, managed services, and food and beverage outlets at lodging establishments.



AIR TRAVEL

Air Travel is defined as operating an airline/aircraft to transport passengers and cargo. It includes airport management, contract services such as cleaning, passenger services, as well as aircraft manufacturing and maintenance.



TOURS, ATTRACTIONS, AND EVENTS

Tours, Attractions, and Events are experiences or excursions enjoyed for a limited period of time for recreational, leisure, religious, family, or business purposes. These can include sporting events, amusement parks, museums, concert and entertainment venues, convention and conference centers, and cultural attractions.

IMPACTS AND INSIGHTS

IMPACTS

As we explore each trend, an impact section will describe how that trend is playing out in a particular hospitality sub-sector. In addition, icons will indicate different types of insights that will help characterize the effect of a particular trend on a sub-sector.



TREND IN ACTION

Current examples of how the trend is in play in the marketplace.



STRATEGIC PARTNERS

Partnerships formed to capitalize on a particular trend in a way neither party could individually.



INDUSTRY QUOTE

Comments and quotes from leaders and experts in the industry.



FORWARD THINKING CONCEPT

Projecting what the industry could look like five-plus years from now based on the trend.



IDEAS

Ideas for organizations to consider in order to capitalize on the trend.

Millennials Emerging as the Largest Customer Segment

Millennials are becoming the largest customer segment, bringing with them new values and desires. They value a sense of community, access over ownership, autonomy, interactive technology and media, unique experiences, and innovative and interesting design.



The millennial's preference for social interaction is driving the design of social spaces and technology across the industry.



LODGING

Millennials are the hotel industry’s fastest growing customer segment and will comprise a primary source of purchasing power for the coming decade. As such, lodging companies should understand the needs, wants, and desires of their millennial customer base and take opportunities to involve them in the process.

Creating On-Site Community Spaces: Hotels have started transforming public spaces into social spaces. Even economy segment hotel chains have started exploring ways to create community spaces that appeal to millennials. Red Roof Inn’s president announced that the company is testing outdoor gathering spots with fire pits and picnic areas at specific hotels across the United States.

Engaging Millennials to Co-Create Experiences: Hotels are creating programs and co-creation platforms to engage with millennials on various topics, such as hotel and menu design, to better understand their needs and wants and have them be part of the experience creation.



TREND IN ACTION

Marriott Targets Millennials with Innovation Labs and Social Hour Programs: Marriott debuted an Innovation Lab dubbed “The Underground” that engages consumers in the innovation process. In the studio, guests can view projections, write their likes and dislikes on an “open contribution wall,” design room prototypes, and experience virtual reality travel — all while Marriott collects real-time feedback from its target market. Marriott also debuted a co-creation website called Travel Brilliantly, through which customers have submitted more than 2,500 ideas to co-create their travel experience. In addition, Marriott is looking to build a sense of community at the property level. For example, their Residence Inn program, Residence Inn Mix, offers a social hour with food trucks and local beer.

FOOD AND BEVERAGE

Millennials have high expectations for both experience and speed from food and beverage outlets. They are shaping what we eat, how we eat, and where we eat.

Desire for Instant Gratification: Millennials tend to choose meals based on speed and convenience; they frequently dine at quick service casual restaurants or order from delivery websites such as Seamless (where the experience is mainly based on variety and speed). F&B outlets are starting to adopt next-generation restaurant ordering and payment solutions for faster and more convenient ways to service customers. Grocery stores and convenience stores will likely increase the amount of space allocated for quick service brands/food options in order to accommodate millennials on-the-go.

The Impact of the Sharing Economy on F&B: When millennials dine out, they put greater value around the communal table, more so than other generations. For instance, dishes designed for sharing have become increasingly popular with millennials. Their preference for social interaction is driving restaurant design and set-up. Restaurants targeting millennials often design a layout that accommodates larger group dinners and social hours, but provides some element of privacy and isolation.



INDUSTRY QUOTE

“All of our restaurants really lend themselves to family style communal dining, which caters more to millennials. When we designed the restaurant Double Zero, we purposefully put three large high-top communal tables in the center of the restaurant as a focus for the style of dining we wanted to encourage. Two of our other restaurants, Iberian Pig and Cooks and Soldiers, encourage pinto/tapas style dining for the table to share.”

— Fred and Stephanie Castellucci,
Co-Owners of The Castellucci Hospitality Group

AIR TRAVEL

Millennials travel differently than any other generation.

Millennials are very tech-savvy, comfortable with travel research and planning, and interested in adventure travel and unique experiences. Millennials (and many other travelers) are becoming more reliant on their mobile devices, and air travel companies plan to capitalize on this trend by improving their mobile capabilities. They are creating mobile-optimized websites and expanding services and information available through their mobile apps.



IDEAS

Competitive and Sharable Loyalty Games: Airlines could promote and encourage millennials’ passion for experience travel with gamification and by tracking milestones beyond travel status. Airlines could appeal to millennials by leveraging their travel information and data to make travel more achievement-based and community-oriented. Analogous to how millennials use Fitbit and Jawbone for tracking steps and exercise, they might enjoy tracking and promoting their travel adventures in the form of hours in the air, countries visited, landmarks visited, etc. This capability could drive customer loyalty by: (1) creating feelings of achievement, status, and personal accomplishment; (2) providing the ability to share experiences and compete with others; and (3) showcasing the innovative ways an airline is able to leverage technology for customer engagement and community building (which could boost brand image).



TREND IN ACTION

Delta Targets Millennials by Awarding Loyalty Status to College Students: To explore ways to build brand loyalty as early as possible, Delta Air Lines has been partnering with certain universities and granting students the benefits of Silver Medallion status for a year. This encourages students to travel with Delta throughout their degree program and beyond.

TOURS, ATTRACTIONS, AND EVENTS

Regardless of whether or not they are brand loyal, millennials generally show deep interest in experiences that create emotional and social connections.

Certain event experiences have been generated specifically for this millennial trait, such as Comic-Con and South by Southwest. Tours, attractions, and events operators must offer what millennials value in order to make the entertainment experience more enticing than staying home with a big screen TV, instant access, and constant connectedness. Here are a few examples:

The Increasing Importance of Wi-Fi Access, Connectivity, and Social Engagement: Entertainment venues are increasing the speed and accessibility of Wi-Fi specifically for millennials who can’t stand to be without it. With increased connectivity comes increased usage. Event and attraction companies are engaging millennials with dedicated social media teams during events to monitor conversations, engage with users through dedicated event hashtags, and essentially develop a co-created online event experience through pictures and user-generated perspectives. As such, millennials feel more engaged, connected to each other, and connected to the event itself.

The Rise of Wearable Technology: Smart wristbands are gaining traction in sports venues, live concert venues, and theme parks because they appeal to the millennials’ need for convenience, speed, and connectedness. Smart wristbands contain computer chips or RFID tags, allowing the wearers to access cashless purchasing and the ability to track other members in their group. Technology is also being developed that allows the bands to connect directly with the wearer’s social media platform of choice.

The Need for High-Tech and Personalized Customer Service

Technology is becoming an essential component of exceptional customer service. By the end of 2015, 65 percent of the U.S. population will have a smartphone or tablet; these high-tech devices have led consumers to expect innovation, responsiveness, and personalization. Hospitality companies must simultaneously offer cutting-edge, technology-driven customer service, without losing the personal touch.



The new standard of excellence is empowering customers to access what they need on their own through technology.



LODGING

Excellent customer service no longer involves waiting on customers hand and foot.

The new standard of excellence is having the ability to provide customers with innovative tools and technology that seamlessly tie into their service experience, while incorporating customization to make it feel authentic and personal.

Elevating the Digital Guest Experience and Self-Service: Operators have started integrating smartphones and tablets throughout the entire guest experience. For example, mobile technology and apps allow remote check-in and check-out, keyless room entry, room-service ordering, service/appointment scheduling, as well as the ability to control in-room technology (smart TV, temperature, lighting, etc.). In 2014, Hilton announced that it will soon offer room selection via mobile and web-based floor plans. While these capabilities empower the guest and provide seamless customer service, some lodging companies have found them challenging to execute. Hotels will continue to focus on the operational and system components to improve the service experience, but the industry still has a ways to go.

Social Customer Care: Social media is becoming the main customer service platform for lodging companies and should be thought of as separate from social media marketing. Lodging companies are building separate departments to provide responsive and meaningful customer service to guests through social media.

App Technology to Service Meeting Planning Requests: Lodging companies have started offering tools to facilitate meeting planning for guests. For example, Marriott recently introduced the Red Coat Direct app that allows guests to coordinate coffee refills, additional tables, temperature changes, meal time changes, audio/visual support, and other meeting logistics. In order to provide these services, hotels are implementing fulfillment and workflow tools to manage digital guest requests.

FOOD AND BEVERAGE

The high-tech and personalized customer service trend has already affected F&B companies.

A visible example is the Coca-Cola Freestyle machines that provide guests the ability to create personalized fountain beverages. In addition, many restaurants are now using technology to interact with customers who are waiting to be seated by sending texts when their table is ready. There is also an increasing number of delivery apps that allow third-party vendors to offer takeout and delivery from nearly any restaurant. Here are a few more high-tech and personalized service changes expected to appear:

Intelligent Reservation Matching: Online reservation networks (like OpenTable) are pursuing intelligent reservation matching that benefits both customers and restaurants. To create matches, data about customer behavior and dining history is paired with data about restaurant promotions or specialties to create targeted offers. For example, customers who ordered fish at five different restaurants in the past year might receive a promotional offer for a newly opened seafood restaurant.

High-Tech Self-Service Dining Experiences: Some restaurants have started incorporating technology at the table, allowing customer self-service. From a tablet or personal smartphone, diners can explore the menu, see photos and reviews of dishes, place their orders, track the food prep, and pay.



TREND IN ACTION

Pizza Hut's Table-Top Technology: Pizza Hut is piloting interactive table tops, developed by Chaotic Moon Studios, which deliver perfect customization through technology. Customers interact with the table tops to build and order pizzas, select additional items throughout the evening, and pay without flagging down the waiter. The tables also let people play games while they wait. This concept is appealing because it is personalized, unique, and entertaining.

AIR TRAVEL

The effort to integrate technology throughout the traveler experience is growing in creativity and popularity.

Mobile booking is on the rise, as are mobile boarding passes. There is also escalating excitement about wearable technology that will facilitate identity screening, as well as mobile payments in airports and aboard planes. Airports are enhancing terminals to provide a more high-tech/high-touch experience, such as providing iPads for passengers to use at the gate. Here are a few other examples:

Baggage Tracking Devices: Air travel companies are enhancing service for checked baggage. Delta was one of the first companies to offer baggage location services through its mobile app. More advanced tracking capabilities have started to incorporate GPS location so travelers know the exact location of their bag at all times.

Real-Time Travel Screens and Beacon-Enabled Airports: Many airports are using technology to better service travelers — whether it's figuring out the best route to the gate or by using smart, real-time travel screens to receive updated information. Some airports have made the commitment to install beacons throughout the airport. The data exchange between the beacons and traveler's personal devices will help travelers navigate through the airport and can provide customers with targeted and location-specific coupons.



FORWARD THINKING CONCEPT

Empowering Flight Attendants to Provide Personalized Service: In the future, airlines could equip flight attendants with technology that improves customer service in the air. Flight attendants could carry tablets that display actionable customer information, such as a customer's profile, likes, dislikes, and travel details. Tablets could make tailored recommendations about the service offerings that would increase their loyalty and lifetime customer value.

TOURS, ATTRACTIONS, AND EVENTS

The trend for high-tech and personalized customer service with tours, attractions, and events companies is evolving largely through mobile devices.

Here are two examples:

Optimizing the Service Experience in Entertainment Venues: Stadiums and arenas are improving customer service for visitors using advanced mobile app technology. The apps allow fans to interact with maps and directories to see the closest restrooms and concession stands, view the list of teams' walk-up songs (MLB app capability), and upgrade seats in real time. All the while, companies can record customer preferences to improve offerings and boost sales.

Advanced Mobile Apps at Museums: Museums are also leveraging technology to personalize the visitor experience and make it more engaging and friendly. Visitors can program cards with their language preferences when they arrive, and smart electronic kiosks stationed near exhibits can recognize visitors as they approach and display their preferred language. Visitors can also customize their journey before they arrive through a mobile app, mapping their route based on exhibits they want to see and others they want to skip. While en route, the mobile app provides interactive information as the person walks up to a display. Enhanced technology in museums is making the experience more enjoyable and personal.



TREND IN ACTION

The Sacramento Kings' New High-Tech Stadium: The new Sacramento Kings arena, set to open in 2016, is taking mobile interaction to a new level. It will offer mobile applications for check-in, finding your seat, locating the shortest bathroom or concession lines, upgrading your seat, cashless commerce, and in-seat wireless charging. The Kings are also exploring the use of drone technology to survey available parking spaces and even provide unique in-arena camera angles.

Demand for Unique and Alternative Experiences

Customer appreciation for authenticity and adventure is on the rise. Unsurprisingly, the result is a wide-spread craving for the creative and unconventional. Products, services, processes, and offerings are becoming increasingly imaginative, generating competitive pressure to create more customer experiences that are authentic, original, and compelling.



“Astrotourism,” offered by Trout Point Lodge in Nova Scotia, offers visitors an unobstructed view of the heavens.



LODGING

Guests now value the unique over the tried and true.

Their pursuit of the original and authentic has led to the rise of several new brands and lodging options.

Boutique Hotels Still Profitable but Lifestyle Brands on the Rise:

The Boutique and Lifestyle Lodging Association (BLLA) defines these hotels by their distinctive design, style, and atmosphere. Boutique hotels are usually independent or part of small brands and offer intimate, luxurious, or quirky upscale hotel environments for a very particular clientele. In 2014, the boutique segment posted the highest revenue per available room (RevPAR) compared to all other lodging segments. More recently, however, the focus has been on lifestyle brands — a relatively new segment that is becoming a bigger player in the lodging industry in 2015 and beyond. Lifestyle hotels are nationally franchised but geared towards travelers who are interested in boutique lodging. These hotels “combine living elements and activities into functional design that gives guests the opportunity to explore the experience they desire,” according to BLLA. New lifestyle brands in 2015 include AC Hotels and Moxey Hotels by Marriott, Canopy by Hilton, and Vib by Best Western, to name a few.

Lodging Alternatives in the Sharing Economy: Serviced apartments and home-shares offer amenities not found in traditional hotels, such as fully equipped kitchens and additional living space. Many have pointed out recently that Airbnb has more beds than all the world’s hotel chains combined. With Airbnb’s success to date, we can anticipate that new competitors will enter the market and that the big brands will get involved. In 2015, Hyatt became an investor in onefinestay, which rents owners’ upscale vacation homes. Accommodation is among the top five sectors affected by the sharing economy and we can expect continued growth in this segment.

FOOD AND BEVERAGE

Restaurant patrons often prefer speed and convenience when selecting dining options, but they also put tremendous value on unique and alternative dining experiences.

The impact of this trend is demonstrated by the emergence of the following new concepts:

Physically Unique Dining Experiences: Meals are now served in hot air balloons, on the water, and in submarines. For example, restaurant owners Chet and Thaddeus Fox in Annapolis, Md., launched a gastro pub and restaurant at City Dock inside a decommissioned World War I era submarine.

Multi-Sensory Dining: These experiences offer dynamic lighting, sound, and visuals. For example, as you enjoy a bowl of gazpacho, you are surrounded by a life-size projection of a Spanish flamenco show accompanied by the traditional, percussive flamenco guitar and castanets.

Pop-Up Dining Options at Events or at Home: Pop-up dining options at music, film, or art events are becoming increasingly popular and often include food trucks or chef demos. Alternatively, mobile apps now allow aspiring chefs to host dinners in their own home. Using CookApp, amateur culinary artists can create a profile and sign up to host meals, transforming their apartments into pop-up restaurants.



INDUSTRY QUOTE

“The big buzzword in food and beverage right now is ‘experience.’ More and more people, particularly millennials, are interested and willing to pay a premium to be a part of something completely unique (a departure from the traditional restaurant formula). As the market shifts to meet demand, an increasing number of dining clubs, pop-up events, and multi-stall, food-hall style dining venues have come into the market.”

— Oliver English,
Vice President of Strategy and Development at Todd English Enterprises

AIR TRAVEL

The air travel industry is bringing originality to flying through differentiated flying choices, alternative airport spaces, and ultra-luxury travel.

Airlines are redefining fare classes to differentiate in-flight experiences by price point. On the ground, airports are designing alternative spaces, such as gardens, to bring novelty to travel. In addition, luxury brands are entering the air travel space and raising the bar on luxury travel.



TREND IN ACTION

JetBlue Airways Launches a New and Distinct Premium Flying Experience: *Launched in late 2014, JetBlue Mint has redefined its premium class, offering a unique flying experience at a cheaper price point than competitors’ premium fares. JetBlue has teamed up with a number of unique partners to provide a distinctive product, including “refresh-mint” and “entertain-mint” experiences containing the latest products and cuisines. Mint offers customized amenity kits such as Birchbox, a 15-inch flat screen with DIRECTV programming, and seats with adjustable firmness and built-in massage features. It also offers private suites with closing doors, a new feature for the American domestic market.*

Singapore’s Changi Airport and Seoul’s Incheon Airport Offer Alternative Spaces: *In 2015, Skytrax rated Singapore’s Changi Airport the world’s best airport overall for the third straight year, largely due to its gardens. Changi has a butterfly garden, an orchid garden with a koi pond, and an “enchanted garden,” combining flowers, sculptures, soft ferns, and sparkling lights. Seoul’s Incheon Airport, ranked just behind Changi, has year-round cultural performances and a driving range.*

Four Seasons Debuts a Luxury Private Jet Experience: *A new player is offering ultra-luxury in the air travel space. In April 2015, Four Seasons introduced a branded aircraft with the same style, service, and quality the hotel is known for. This private jet provides travel to and from Four Seasons hotels and resorts.*

TOURS, ATTRACTIONS, AND EVENTS

Tours, attractions, and events providers are luring customers out of their homes by offering unconventional entertainment and leisure options to spark interest.

Projection Mapping and Unique Visual Experiences: Projection mapping is being used to create distinct experiences at sports arenas and even at the Magic Kingdom. Projection mapping is also making its way into concert venues and theater. The industry is exploring more advanced visual media like kinetic machines, which involves projections mapped onto moving objects.

Quirky Attractions and Events: Tourists tired of theme parks and museums have plenty of unique alternatives. For example, “Astrotourism,” offered by Trout Point Lodge in Nova Scotia, offers visitors an unobstructed view of the heavens. Located in a “dark zone” with almost no pollution, guests can use telescopes and high-power binoculars to appreciate the stars. On a smaller scale, tourists can even seek alternative experiences for happy hour. The eccentric Hotel Monaco in Portland, Ore., offers a happy hour for both humans and pets. Daily, from 5 to 6 p.m., it offers free wine and provides free psychic pet readings from an intuitive pet communicator.



FORWARD THINKING CONCEPT

Large-Scale Events to Experience Fictional and Fantasy Worlds: *Though complex to execute, there is demand to create attractions and events based on fictional and fantasy worlds. The hospitality industry can anticipate carnival-style attractions and events with interactive activities and media for all age groups. These events would allow guests to essentially step into another world. These themes could be based on a TV series (such as “Lost” or “Downton Abbey”), movie series, or video games.*

Rise in Strategic Partnerships and Co-Branded Experiences

The term “strategic partnership” is loosely defined here, describing any type of partnership, agreement, alliance, or affiliation that adds value to all parties involved. Strategic partnerships are valuable because they allow companies to expand their offerings and shape their image by working with a partner that already offers those capabilities. For this reason, strategic partnerships are on the rise as hospitality companies look to improve brand image, increase market share, expand distribution channels, distribute costs, improve customer loyalty, or all of the above.



Hotels can partner with luxury companies to improve brand equity by association.



LODGING

Hotel guests increasingly value experiences that offer local or unique opportunities and amenities.

As guest values change, strategic partnerships offer a way to effectively expand product or service offerings, as well as enhance brand image, without developing the capabilities internally.

Local Partnerships and Community Presence: Guests, especially millennials, prefer “local and authentic” travel experiences. Lodging companies are striving to immerse guests in the local community by creating strategic partnerships with local businesses. For example, a hotel might partner with a local artist to display artwork that captures the local identity. In addition, hotels can partner with local breweries and wineries to give guests a literal taste of the locale and create an authentic experience.

Forming Partnerships to Create a New Product, Service, or Experience: There is increased focus on using the assets and capabilities of two or more organizations to generate a product, service, or experience that is memorable and unique. For example, in April 2015, W Hotels partnered with Coca-Cola and music artist will.i.am to introduce Ekocycle branded sheets. One king-sized sheet set is made using up to 31 recycled 20 oz. plastic bottles. Ekocycle sheets are placed on W Hotel beds across the nation and sold in the W Hotel online store. Thus, the W has boosted brand image through association with the edgy new lifestyle brand as well as expanded its product offering.

TREND IN ACTION
Airbnb Partners with Film Location Lodgings for a “Game of Thrones” Travel Experience: This partnership caters directly to travelers thirsty for adventure. This travel experience allows guests to visit the dreamlike “Game of Thrones” filming locations and stay at local Airbnbs (a room in a castle in Ireland, for instance). These companies have leveraged completely different assets to create a travel experience that neither could offer independently.

FOOD AND BEVERAGE

While franchising has been very popular with food and beverage companies, co-branding has just started to gain momentum in the past few years.

Quick service restaurants are testing various co-branding concepts to make it possible for stores to either gain market share or minimize costs. Restaurateurs have been exploring a few different types of brand partnerships:

Ingredient Co-Branding: This strategy incorporates a uniquely branded product into an existing food product for marketing and brand expansion. For example, Smoothie Factory Juice Bar recently started incorporating Red Mango Frozen Yogurt and Smoothies’ yogurt into its beverages and had a record growth year in 2014.

Franchise Co-Branding: This strategy combines two restaurant concepts and brands into one store to share promotional and operational expenses and to increase traffic to the store throughout the day. For example, Tim Horton’s partnered with Cold Stone Creamery to draw morning, afternoon, and evening traffic.

Collaborative Co-Branding: This is an emerging trend where uniquely branded companies team up to create a new product or concept. Certain breweries have demonstrated this trend by partnering to create craft beer events.

TREND IN ACTION
Domino’s Creates Partnerships Outside of the F&B Space: In November 2014, Domino’s announced their partnership with Pebble, a smartwatch technology company, that aims to provide Domino’s’ customers even greater order tracking abilities. The partnership allows Domino’s to position itself as innovative and tech-savvy while providing better customer service.

AIR TRAVEL

Air travel companies are looking at the entire customer travel journey to see how strategic partnerships or branded product integration can better engage customers in the end-to-end travel experience.

The most well-known strategic alliances in air travel are among airlines (Star Alliance, for example). While airline alliances will continue to develop, airlines are looking to other types of partnerships to create reliable, convenient, or luxurious travel experiences that generate additional value.

Partnerships for Travel Convenience: Airline agreements with car service and rental car companies can create a seamless travel experience for the customer. The agreements allow customers to book pre- and post-air travel car service directly on the air carrier’s website — ensuring that neither planning nor travel is interrupted.

Partnerships for Novelty and Brand Equity: Delta recently started serving Georgia’s SweetWater beer on routes from Atlanta to New York to create a hometown feel. Southwest launched a new inflight entertainment experience by partnering with Beats music, allowing customers access to a wider range of music.

Partnerships that Differentiate the Experience for High Value Customers: Companies must recognize and reward their most loyal and valuable customers with exceptional experiences and service; they often do so by partnering with other luxury brands. Delta Air Lines elevated the sleep experience in its DeltaOne cabins by offering Westin Heavenly InFlight bedding designed and manufactured exclusively for Delta. Delta also introduced a new amenity kit with luxury brands Malin+Goetz and Tumi. To help travelers with connections, American Airlines and Cadillac announced a partnership that provides travelers with “on-ramp” flight-to-flight transfers in a luxury Cadillac; Delta and Porsche have partnered to offer similar plane-to-plane service.

TOURS, ATTRACTIONS, AND EVENTS

Tours, attractions, and events companies are forming strategic alliances that create emotional ties for customers and engaging, memorable experiences.

Theme parks, in particular, have been able to capitalize on strategic partnerships that bring stories, characters, and worlds to life. Two examples below include Universal’s partnership with Nintendo and Disney’s partnership with the National Basketball Association (NBA). These examples highlight the ability of the brands to co-create a unique product/experience that will generate revenue, further improve customer loyalty, and potentially expand the existing customer base.

TREND IN ACTION
Universal Theme Parks and Nintendo: In mid-2015, Universal Parks and Resorts announced its plans to create the world’s first-ever theme park attraction based on Nintendo’s games and characters. Universal will be able to leverage the Nintendo brand and bring the game to life with advanced technology and interactive and engaging activities. This partnership will draw an incredible amount of traffic to the theme park, because of the strength of both brands and the experience they are entrusted to create.

Disney and the NBA: Also in mid-2015, Walt Disney Co. announced its plan to expand its partnership with the NBA by opening an attraction in Downtown Disney, near Orlando, Fla., called The NBA Experience. This new attraction will have high-tech interactive experiences and activities, a sit-down restaurant, and an NBA store all in one. Since Disney is an iconic brand with an international customer base, this partnership will significantly build the NBA brand and potentially draw more patrons to NBA games, after visiting Disney’s NBA experience.

Increase in International Travelers from China

China is now the world’s largest outbound tourist market and spender. By 2023, leisure trips are expected to account for 62 percent of total Chinese outbound travel, with the United States as the top growth destination for arrivals. According to U.S. Secretary of Commerce Penny Pritzker, by 2021, 7.3 million Chinese citizens will be traveling to the states, spending \$85 billion per year.



The busiest travel times for Chinese tourists are February and May, around the time of the Chinese New Year and Labor Day, respectively.



LODGING

Increased travel from China has caught the attention of the lodging community, prompting changes to adapt to the customs and preferences of these guests.

For example, some lodging companies are offering cultural training programs and Mandarin language courses to their staff. Third-party gateway companies, like Attract China, are beginning to help hospitality companies target Chinese travelers by recommending strategies to connect with them, and by educating operators on products, programs, and amenities that fit guest needs. Approximately 90 percent of Chinese travelers are under the age of 45 and are very tech-savvy. As such, partnerships with leading Chinese booking engines, such as Ctrip, can provide access to a large number of Chinese travelers.

INDUSTRY QUOTE

“Chinese travelers are unique in their wants and desires; while many hotels do not need to change who they are, they must remember that Chinese are attracted to different aspects of properties than Western travelers. For example, many American hotels boast large room sizes and views. Chinese find these attributes of lower importance in a hotel, considering they spend the least amount of their time in their hotel rooms. It’s about putting your best foot forward in the eyes of a Chinese traveler.”

— Evan Saunders,
Co-Founder and CEO of Attract China

TREND IN ACTION

IHG’s HAULUXE Hotels and Resorts launched in 2012 and is the first-ever upscale brand designed specifically for the Chinese traveler. IHG’s website states, “Our hotels focus on the unique Chinese aspects of etiquette, the importance of rejuvenation, status recognition, and spaces that reflect local customs and heritage.” Some of the unique aspects of the brand include bathrooms that resemble relaxing spas and lobbies transformed into gardens.

FOOD AND BEVERAGE

When traveling to the United States, Chinese travelers tend to visit New York City, Los Angeles, and San Francisco.

“All three cities are ranked among the top 15 global markets in terms of Chinese arrivals and room nights and are expected to remain the most visited within the wider region over the next ten years” (Oxford Economics report for InterContinental Hotel Group). Other popular U.S. destinations for overseas travelers include Washington, D.C., Las Vegas, and Miami. F&B companies in these cities specifically should take action to capitalize on the growth expected from Chinese travelers.

IDEAS

Website Modifications for the Chinese User: *F&B operators should consider designing websites that are easy for Chinese travelers to navigate and understand. Websites should include language translation capabilities, reservation capabilities, and menu offerings that appeal to this demographic.*

Implementing a China-Focused Marketing Strategy: *While Chinese travelers use TripAdvisor, they are more likely to find travel information through local social media networks like Sina Weibo, WeChat, and video site Youku.*

FORWARD THINKING CONCEPT

Interactive Menus for International Travelers: *F&B menus could become less intimidating to foreign travelers if powered by technology. Guests could engage with digital menus to explore the various characteristics of each dish: ingredients, nutrition, food preparation techniques, food sourcing, etc. The interactive menus could also provide translations into a variety of languages. In cases where an ingredient is not common in the guest’s native country, the menu could provide details about the food’s look, feel, and taste, so international travelers not only have fun learning about local cuisine and preparation techniques, but feel more comfortable with their meal selection.*

AIR TRAVEL

Airlines are focused on making improvements to flight schedules, airports, and customer service/call centers to accommodate the influx of international travelers to the United States.

In 2014 and 2015, there has been an uptick in non-stop U.S.-Asia routes. Following United’s and Delta’s lead, American Airlines has recently added flights from Dallas-Fort Worth (its biggest hub) to Hong Kong, Shanghai, and Beijing.

Increase in International Partnerships and Alliances: American Airlines recently signed a marketing agreement that allows Korean Air, a Delta global alliance partner, to easily book travelers on American flights from Seoul. Delta continues to strengthen relationships with China Eastern, China Southern, and China Airlines to increase its intra-China network and capture the influx of additional transfer passengers coming to the United States.

Strategic Investments in Key U.S. Airports: Airlines have provided capital to renovate specific airports to make them more desirable to international travelers and expand the trans-Pacific network. In the next few years, the Los Angeles and Seattle International Airports will undergo massive \$5 billion and \$1 billion renovation projects, respectively.

Heightened Focus on Customer Service and Call Centers: To improve call handling and outcomes, airlines are revamping their call center/service capabilities by improving intercultural communication and offering multiple languages.

IDEAS

Marketing that Targets Chinese Seasonal Travel: *The highest traffic travel times for Chinese tourists are in February around the time of the Chinese New Year and in May around Chinese Labor Day. Air travel companies could develop unique marketing campaigns that celebrate these cultural events and deploy them strategically in the months leading up to the holidays.*

TOURS, ATTRACTIONS, AND EVENTS

With increased Chinese tourism, operators are exploring ways to attract and accommodate Chinese travelers as they represent a large potential revenue source.

According to Chinese International Travel Monitor, the top five products/services that are most important to Chinese travelers on an international trip include: free Wi-Fi, China Union Pay/ Alipay, Mandarin-speaking staff, translated travel/tourism guides, and translated websites. Following the lead of hotels and airlines, operators of tours, events, and attractions should consider incorporating these products/services to appeal to Chinese travelers.

TREND IN ACTION

The NBA Expands Its Fan Base with Creative Marketing Efforts: *Professional sports and theme parks are increasing efforts to develop inroads into China and India. For example, the NBA is pursuing native Chinese and Indian superstars to fire up fan support and strengthen its social media presence. In January 2015, the NBA announced a five-year expansion of their relationship with Tencent Holdings Limited, a provider of comprehensive internet services in China, that will allow the NBA to broadcast more live games. The goal is to attract more visitors and expand its fan base to drive more revenue.*

Six Flags Creates Partnerships to Increase Brand Presence in China: *In 2014, Six Flags Entertainment Corp., the world’s largest regional theme park company, entered a strategic partnership with the Riverside Investment Group Co. Ltd., a leading real estate developer in China, and announced its intention to build multiple Six Flags parks in China over the next decade. The partnership lends Six Flags credibility in a new market — one that has the fastest growing travel and tourism industry in the world.*

Driving Profitability Through Ancillary Revenue

Hospitality companies are driving profitability by offering creative product and service ‘extras’ in addition to their primary offerings. These offers can generate revenue from excess capacity, tap into new market segments, build brand image, and/or improve flexibility, convenience, and comfort for customers.



Ancillary revenue can be generated by creating incentives for guests to purchase value-added — and sometimes last minute — “extras.”



LODGING

Lodging companies are pursuing ancillary product and service offerings that not only generate additional revenue but also further define brand image.

First, ancillary revenue can be generated by creating incentives for guests to purchase value-added (and sometimes last minute) “extras” that make use of available resources, generating additional revenue at minimal additional cost. Secondly, as hotels increasingly position themselves as lifestyle connoisseurs, ancillary offerings can help differentiate the brand.



IDEAS

Targeted and Timely Offers: Hotels are starting to distribute ancillary offers to guests right before their stay. Offers like room upgrades and meal packages would take advantage of existing resources, while offers for tours, activities, or fitness classes could reinforce the hotel’s lifestyle brand. In the most recent Jabian Hospitality Consumer Survey, consumers indicated they were interested in receiving offers and discounts right before their stay. Approximately 48 percent of millennials (18-29 years of age) and about 40 percent of each older age group (30+ years of age) indicated they were “very interested” in or “would probably consider” these offers.

Products that Complement and Enhance Brand Image: Hotels are expanding beyond the bathrobe to offer creative ancillary products that boost brand image. Some examples in the marketplace include beauty products to reinforce an image of luxury and chic; branded alcohols for an urban and edgy feel; or specialty teas that feel sophisticated and time-honored.

Pairing Unique Beverages with Desired Ambiance: Providing alcohol and snacks in hotel lobbies is a proven source of ancillary revenue, especially for limited service hotels. Pairing specialty cocktails or craft beers in unique lobby spaces that are designed for social interaction, can create a distinctive atmosphere that both builds brand image and creates a memorable experience for guests.

FOOD AND BEVERAGE

F&B outlets have been slower to identify innovative ancillary revenue opportunities outside of F&B itself, but the industry is rich with opportunities.

Demand for "Grab and Go" Food Options: Restaurants are starting to redesign their spaces to adapt to changing consumer behaviors. For instance, some F&B outlets are starting to designate space for “grab and go” food options. Demand for prepared and packaged food is on the rise and could be a source of ancillary revenue with minimal incremental investment. Restaurants can offer partially or fully prepared food options with the look and feel of a deli counter in addition to their full-service offering. This trend is also growing in full-service hotels as they move away from sit-down restaurants, and in some cases, eliminate room service, in favor of grab and go options. Many airport restaurants are incorporating grab and gos as well.



IDEAS

Revenue from Loyalty/Membership Programs: Restaurants could look to expand ancillary revenue by borrowing ideas from other industries. For example, restaurants could offer loyalty programs, in which customers pay an annual fee to receive special offers for exclusive meals or live music nights at select restaurants.

Branded Product Offerings: Restaurants with exceptional food or design elements could cross-sell cookbooks featuring restaurant specialties as well as their unique furniture, linens, and lighting fixtures so customers can recreate the feel at home. In the most recent Jabian Hospitality Consumer Survey, approximately 55 percent of respondents indicated some level of interest in purchasing a cookbook from a restaurant, but only 34 percent indicated some level of interest in purchasing restaurant logo wear. Survey results also showed that millennials have more interest in purchasing ancillary products from a restaurant than older generations.

AIR TRAVEL

Ancillary revenue is an expanding focus area for airlines.

Ideaworks, a research company and thought leader on airline ancillary revenue, reported that 2014 ancillary revenue will reach \$49.9 billion worldwide (6.7 percent of global airline revenue), representing an increase of 121 percent from 2010. Traditional sources include baggage fees, seat upgrades, à la carte food, and loyalty program fees, but new offers and delivery methods are beginning to appear.

Tactics to Persuade Ancillary Purchase Behavior: A February 2015 Stanford study by Pedro M. Gardete, monitored a seatback ordering system that sold à la carte food, alcohol, and movies to passengers, and recorded a time stamp, seat number, and receipt for every purchase. The study revealed that passengers are 30 percent more likely to purchase if they observe others purchasing. In response, airlines are making in-flight purchases simpler and more visible. For example, JetBlue introduced Apple Pay for onboard sales in June 2015. The convenience encourages passengers to make frequent, visible purchases, which makes others more likely to buy. Also, many airlines, including Virgin America, Delta, JetBlue, and Singapore Airlines, among others, are offering expanded or upgraded in-flight entertainment options for purchase from each seatback display. Some of the more advanced options include games, seat-to-seat chat functionality, SiriusXM radio, online shopping, and music libraries.



IDEAS

Subscription-Based Offerings for Frequent Travelers: Airlines could offer additional subscription-based packages, such as subscribing to an enhanced entertainment package or upgraded food and beverage program. In addition to generating ancillary revenue (and potentially front-loading this revenue), this strategy would also increase the switching costs for customers.

TOURS, ATTRACTIONS, AND EVENTS

Ancillary revenue will continue to grow in the coming years as a major revenue generator for tours, attractions, and events.

Corporate Sponsorships Offer Large Ancillary Revenue Opportunities: Corporate sponsorships are a primary source of ancillary revenue, as corporations increasingly view sponsorship as an appealing way to build brand equity. U.S. corporate spending on sports sponsorships totaled an estimated \$20 billion in 2013 — one-third of total U.S. TV advertising. Also, sponsorship revenue for the NBA totaled \$679 million in the 2013-2014 season. Why are corporations spending so much? Research shows that official sponsors receive greater recognition from sports sponsorship than from ambush marketing techniques, fueling corporations’ willingness to participate.

Revenue from “Extra” and “Added” Event Experiences: Theme parks and concert venues are also earning increasing percentages of revenue from ancillary sources, such as early admissions, upgraded seating, behind-the-scenes access, and special souvenir packages. Sporting events now offer invitations to pre-game warm-ups or the option to stand next to players during the national anthem. Most famously, and perhaps controversially, NFL teams sell Personal Seat Licenses (PSL) anywhere from \$1,000 to \$150,000 per seat, allowing the customer the right to buy season tickets for certain seats.



TREND IN ACTION

The Atlanta Hawks Organization Creates Space for Sponsors: The Atlanta Hawks are boosting revenue by creating additional signage space for sponsors on the hardwood in front of both benches and on the top of both backboards. Both locations are visible to TV cameras during play, as well as pre-game and half time. Bob Williams, president of the Hawks and owner of Phillips Arena, speculates that the ancillary revenue from these new spots could reach seven figures.

Increasing Labor Regulations and Cost

As of July 2015, the U.S. Bureau of Labor Statistics reports 5.5 percent unemployment, but multiple other sources claim the “real” unemployment rate, includes those not looking for jobs, is closer to 11 percent; due in part to political forces creating an environment unfavorable for large employers. The push for a higher minimum wage, broader overtime protection, increased health care expense, and additional immigration regulations are squeezing margins for labor-dependent hospitality companies.



Maintaining the balance between labor costs and service levels will get more challenging in 2015 and beyond.



LODGING

The hospitality sector has the highest share of minimum wage employees in the United States — thus, any changes to labor regulations or cost could have a big impact on margins.

A Cornell Hotel School article suggested that maintaining the balance between labor costs and service levels will get more challenging in 2015 and beyond.

Direct Payroll Increases Associated with Changes to Minimum Wage and Overtime Regulation: In March 2014, President Obama called on U.S. Congress to raise the national minimum wage from \$7.25 to \$10.10 per hour for federal employees. While the economic impact is debated hotly at the corporate level, the increased cost will likely be handled through price increases or payroll reductions. In addition, the Department of Labor is assessing overtime payment practices in an attempt to protect more of its workforce (which could include salaried employees).

Employee Benefit Costs Associated with Affordable Care Act: Lodging companies will now have to provide health care to employees or pay a penalty. Compared to other industries, the hospitality sector will see the greatest cost impact from the Patient Protection and Affordable Care Act (PPACA). Mercer, a leading resources consulting firm, reported that approximately 46 percent of hospitality employers would see a cost increase of 3 percent or more due to PPACA requirements.



IDEAS

Strategies to Help Control Labor Costs: To mitigate additional costs, lodging companies can consider hiring more part-time employees and outsourcing certain functions (like housekeeping or security) to reduce mandatory employee benefit costs. Automation, self-service and allowing guests to opt out of services, like housekeeping, will help reduce payroll. Another school of thought is that franchisors may need to assume more employment-related liabilities in the future and potentially assume some of the cost.

FOOD AND BEVERAGE

Effective labor management in restaurants requires constant effort and attention.

In addition to facing an increased minimum wage and, in some places, mandatory E-Verify employee authentication, restaurant managers continue to battle traditional labor issues such as high employee turnover and staffing correctly for unpredictable demand patterns. While there is little F&B managers can do to combat minimum wage and immigration legislation, they can make strides in improving both internal efficiency and their agility in responding to fluctuating demand.



IDEAS

Restaurant managers can explore two practices that, respectively, can improve the ability to react to unexpected staff shortages or traffic surges, and reduce the time spent coordinating and communicating with staff.

Cross-Training Employees: It is well-known that employees “call off” at the last minute, and that inexplicable rushes occur. Cross-training employees is the simplest method to combat being understaffed at crucial moments. Servers might need to help the bartender, or assistant managers might need to run food or seat guests. To avoid the wasted time and cost of training everyone to do everything, managers can identify the one to two functions that most frequently become bottlenecks and train accordingly.

Using Labor Management Apps: Managers no longer need to publish schedules on a bulletin board and make multiple phone calls to coordinate trading shifts. Scheduling apps can now fulfill those needs in real-time, freeing up management capacity. ScheduleFly, for example, is an app created for restaurants in which employees can record time off and trade shifts, and managers can publish work schedules and view labor reports. Because it operates on a mobile platform, information can be traded in real time.

AIR TRAVEL

Labor is the second highest cost for air travel companies, just behind jet fuel. Similar to other hospitality sub-sectors, air travel has also seen labor challenges recently. Here are a few labor-related hot topics in 2015:

Labor Standards and Open Skies Policy: Open Skies is an international policy concept that allows the liberalization of rules and regulations throughout the global aviation industry to create a free-market environment. The United States has struck Open Skies deals with more than 100 countries as well as the EU since 1992. Open Skies agreements have fostered the expansion of three Gulf carriers — Emirates, Etihad Airways, and Qatar Airways — who are using questionable government subsidies (estimated at \$42 billion) and leveraging the policy to gain access to the U.S. market. The subsidies not only violate the Open Skies agreements, but also threaten the U.S. airline industry, airline jobs, and the U.S. economy. The three Gulf airlines also have a union ban, resulting in below-market labor costs. U.S. airlines and labor organizations are fighting back with the argument that “fair” policy should accompany “open” policy. This rift could potentially alter regulations and define international labor standards.

Pilot Labor Shortage: A pilot shortage has been detrimental to regional airlines and smaller carriers and has impacted airline operations in some parts of the U.S. “The Federal Aviation Administration’s ruling of hiring pilots with minimum of 1,500 hours of flying experience is held as the root cause behind the shortfall in flight crew” (Zack’s Equity Research). This has resulted in increased labor costs (in the form of wages and/or retention bonuses) or decreased route operations. Compounding this issue, according to industry estimates, more than 14,000 pilots will retire between 2015 and 2022.

TOURS, ATTRACTIONS, AND EVENTS

To combat the additional health care costs of full-time employees required by the PPACA, tours, attraction, and event operators are employing an increasing percentage of part-time, seasonal, and temporary workers.

The Increasing Ratio of Seasonal to Full-Time Employees: The International Association of Amusement Parks and Attractions (IAAPA) recently published the Family Entertainment Center Benchmark Report of 2013-2014, which compiles financial and operational data from more than 300 facilities worldwide. The report states that the average ratio of seasonal/hourly/part-time employees to full-time employees has gone from nearly 50/50 in 2011 to about 70/30 in the current survey.

Affordable Care Act Regulations for Treatment of Seasonal Employees: The increasing proportion of seasonal and temporary employees could be due in part to PPACA regulations stating that seasonal employees do not qualify as full-time employees (under specific conditions), even if they work 30+ hours/week, meaning that employers do not have to provide medical coverage for, or pay fines for seasonal employees. Supporting this trend, the IAAPA report states that approximately 46 percent of respondents offer health/medical insurance to full-time employees, but only 16 percent offer medical coverage for part-time/seasonal/hourly staff.



IDEAS

Creating Part-Time Employment Opportunities for Baby Boomers: Museums, stadiums, and theme parks could target hiring individuals in the 55+ demographic on a part-time or seasonal basis. Obviously, not all jobs would be suitable or desirable for these individuals, but many baby boomers are seeking low-stress, part-time positions that allow them to make a little money without a serious commitment. Part-time employment could allow companies to side-step health care costs and fines.

Stronger Drivers Toward Sustainability

External drivers continue to fuel expectations of improved sustainability, encouraging hospitality companies to demonstrate social responsibility and comply with legislation. Another compelling driver, however, is implementing sustainable practices to reduce operating costs amid times of rising utility costs and a higher cost to serve.



Airports are reducing energy consumption by adding glass walls to allow more natural sunlight.



LODGING

A March 2015 Cornell study revealed that guests expect to find sustainability practices in hotels, but don't value them as highly as cost and convenience.

It also revealed that guests are more likely to participate in such programs if given an incentive. Thus, for a hotel, the best sustainability programs demonstrate true commitment to sustainability, avoid impact on price or convenience for guests, and ideally, provide cost savings and efficiencies for operators.

Assessing Government Support for Sustainability: Often operators are only aware of “hard” government incentives, such as grants for “green” programs, or tax breaks for sustainable practices. Many don't realize that “soft” incentives are sometimes available, and can have longer-term benefits. One example is expedited permitting for new, green construction, which reduces the time to becoming revenue generating. Others can include free marketing and sponsorship. For example, the cities of Chicago and Los Angeles launched green lodging recognition programs where qualifying hotels receive co-branding opportunities and special recognition within the city.



TREND IN ACTION
Boutique Resort Demonstrates Environmental Consciousness: The Paradise Point Island Resort in California has identified simple and effective ways to promote sustainable practices and reduce costs. For example, guest bathrooms feature low-flow toilets and shower heads, meetings rooms are linen-less to conserve water and laundry chemical use, and drought-tolerant plants replaced 50,000 square feet of turf, saving 1 million gallons of water annually.

Hilton Partners with World Wildlife Fund to Strengthen Sustainability Impact: In mid-2015, Hilton partnered with the World Wildlife Fund (WWF) to reduce its impact on the environment, on a multi-faceted and global scale. Hilton was one of the first major multi-brand hospitality companies to make environmental reporting and continuous improvement a standard for all its hotels across all brands.

FOOD AND BEVERAGE

Over the next few years, restaurants should prepare themselves for even greater sustainability scrutiny as industry experts and customers demand to know where their food comes from and whether restaurants are environmentally responsible.

Of course, it is easy to say “go green” or “source locally,” but it can be difficult or costly to implement at scale. The good news is that there are environmentally responsible business practices that also satisfy customer demand and protect the bottom line.



IDEAS
Focus on the Most Impactful Sustainability Efforts: In the January 2015 Nielsen survey “We Are What We Eat,” over 40 percent of global respondents rated “All Natural” and “GMO free,” as very important, while organic and local foods were valued as very important, by only 33 percent and 26 percent, respectively. However, importance doesn't necessarily correlate with willingness to pay. In the Nielsen survey, organic food was the only category for which importance equated to willingness to pay extra (33 percent said it was important, and 33 percent were willing to pay extra). The most recent Jabian Hospitality Consumer Survey found that consumers were also willing to pay a premium for locally sourced food. Approximately 48 percent of respondents said they would “definitely” or “probably” increase their loyalty or spending if a restaurant or hotel sourced from local farms or suppliers; this percentage increased to 55 percent for millennials alone.

The Use of Green Appliances: Energy-efficient commercial foodservice equipment is increasingly available and can provide long-term cost savings while reducing waste. For example, ENERGY STAR-certified steam cookers use less than 10 percent of the water used by standard cookers (3 gallons of water/hour versus 40). Similarly, certified hot food holding cabinets are 70 percent more energy efficient than standard models, saving \$300/year on average for electricity.

AIR TRAVEL

Two of the more visible sustainability efforts within air travel include green airport design and alternative fuels.

Renovations for Green Airport Design: Multi-million dollar renovation efforts are underway at La Guardia, New Orleans, and Dallas-Fort Worth International Airports that will reduce energy and water consumption. The renovations include installing energy-efficient air and plumbing systems, and adding glass walls to allow more natural sunlight.

The Use of Alternative Fuels: Biofuels were approved for commercial use in July 2011, and commercial carriers are beginning to experiment with them. Their continued development is also receiving government support. In March 2015, the USDA and U.S. Department of Energy made available \$8.7 million for biofuel research, among other biomass products.



TREND IN ACTION
Hainan Airlines Explores Alternative Fuel Options: In March 2015 Hainan Airlines completed China's first commercial flight powered by a biofuel derived from waste cooking oil. Although KLM made a similar flight in 2011, the Hainan Airlines flight had significance because in China, the waste cooking oil is often collected, reprocessed, and sold back to customers, despite potential toxicity and contamination risks. Thus, use in aviation provides more than one benefit.



STRATEGIC PARTNERS
Boeing Partners with the Commercial Airport Corp of China: Boeing recently announced a joint initiative with the Commercial Aircraft Corporation of China (COMAC) to address the environmental impact of China's growth. In 2014, the companies set up a facility that converts approximately 650 liters of cooking oil into biofuel each day and estimate that eventually, almost two billion liters of biofuel could be produced in China each year, reducing carbon emissions by 50 to 80 percent.

TOURS, ATTRACTIONS, AND EVENTS

In the past few years, stadiums and arenas have come under fire for their colossal environmental impact.

According to Waste Management (WM), the four major professional leagues (NFL, MLB, NBA, NHL) generate approximately 35,000 metric tons of carbon dioxide (CO₂) each year from their fans' waste activities. Furthermore, stadiums and arenas contribute to the 36 million tons of food waste produced. To go green, venue managers are partnering with sustainability companies or developing their own programs and initiatives to reduce carbon emissions, food waste, and energy consumption.

Sustainable Waste Management in Stadiums: Some solutions to manage waste are simple, such as “FanCans” — recycling containers comically wearing baseball caps or football helmets to encourage recycling. Other solutions are revolutionary, such as the Grind2Energy system that converts food waste into renewable energy. The Cleveland Browns are the first professional franchise to employ the Grind2Energy system from InSinkErator. Food scraps that would otherwise go to a landfill are collected and converted into biogas for energy and fuel uses.

Sustainable Construction: Stadium construction, as a standard, now includes techniques such as low-water bathrooms and high-efficiency lighting retrofits to reduce the environmental impact.



TREND IN ACTION
Entertainment Company AEG Creates Sustainability Program: Entertainment giant, AEG, who owns, is affiliated with, or controls 100 of the world's most renowned stadiums and arenas, has created a dedicated environmental sustainability program called AEG 1EARTH. Since 2010, it has published an annual sustainability report, showing progress toward its 2020 Environmental Goals. Goal categories include: energy and climate; water, waste, and recycling; responsible purchasing; and education and communication.

Availability of Financing and Offshore Investment to Drive Growth

Countries across the globe find various ways to finance growth through domestic and international financing. The United States is still favored by domestic/offshore investors for capital investments because of broad choices in property market. The United States received \$366 billion of inbound investment in real estate in 2014.



By 2020, China is expected to build over 50 theme parks, including Disney, Universal, and Six Flags.



LODGING

Many industry experts have recognized 2015 as the year of upward momentum.

Jones Lang LaSalle (JLL) reported, “A rising tide lifts all boats, and the strong flow of cross-border capital into hotel real estate assets is galvanizing increased deal momentum.” JLL forecast global hotel real estate transaction volume would reach \$68 billion in 2015, the third-highest annual total on record and a 15 percent increase from 2014 levels. Cross-border trades are predicted to account for one-third of deals in 2015, with the United States, China, Singapore, and the Middle East as the biggest capital exporters. Developers are also exploring new methods of financing onshore, such as crowdfunding, which is growing in popularity.

Attractiveness of the U.S. Lodging Market for International Investment: Availability of financing and offshore investment is high in the United States given the attractiveness of the market. Some of this attractiveness is due to: 1) high job/industry growth in smaller cities and secondary markets, which require a lower investment than those in big cities; and 2) the growing popularity of select-service hotels (think Hilton Garden Inn), which offer investors and developers lower purchase prices and higher operating margins.



STRATEGIC PARTNERS

Law Firm Partners with Chinese Investors to Accelerate U.S. Growth: *Jeffer Mangels Butler and Mitchell (JMBM), a law firm specializing in hospitality real estate development, has worked on a growing number of ventures with Chinese investment in U.S. hotels, real estate projects, and EB-5 immigrant investor visa projects. This strategic partner helps Chinese investors purchase or invest in hotels and real estate in the United States by identifying and evaluating hotel and real estate opportunities; performing property due diligence; negotiating purchase and sale transactions; securing debt and equity financings; obtaining government approvals and permits; and planning for tax obligations. JMBM has sourced more than \$700 million of EB-5 financing for new development projects.*

FOOD AND BEVERAGE

Securing financing is a notoriously difficult task for restaurants.

Start-ups struggle because they have no historical income and require heavy capital expenditures at the start, and publicly traded chains struggle to maintain consistent investor support because valuation ratios can vary widely due to economic changes. However, the market is experiencing mounting investor interest in fast-growing, fast-casual restaurants.

SEC Provisions Create Opportunities for Fast-Casual Segment: Several fast-casual chains issued IPOs in 2014, including Habit Restaurants LLC, (\$100 million), Zoe’s Mediterranean Kitchen (\$87.5 million), and El Pollo Loco (\$107 million). This trend may be attributable in part to new SEC legislation that makes it easier for Emerging Growth Companies (EGCs) to go public. Here are a few provisions from the Jumpstart Our Business Startups (JOBS) Act, instated by the SEC in April 2012:

Register Confidentially: EGCs may initiate the SEC registration process confidentially to allow exploration of the IPO without the public commitment and risk.

Ability to Test the Waters with Investors: Before or after filing a registration statement, EGCs may meet with buyers or accredited investors to gauge their interest in a potential offering.

Scaled Financial Disclosure: EGCs may go public using only two years of audited financial statements instead of the traditional three.

Internal Controls Audit: EGCs are exempt from the controls audits of Sarbanes-Oxley Section 404(b).

Extended Phase-In for New GAAP: Private companies are allowed phase-in periods to adopt the new GAAP accounting standards.

The IPO trend for fast-casual restaurants is expected to continue through 2015.

AIR TRAVEL

After years of capacity reductions in the wake of the financial crisis, the airline industry is returning to a period of expansion.

In the past few years, the industry has benefited from low interest rates and relatively low fuel prices. These factors, coupled with a flurry of consolidation activity, have left airlines in a financial condition where expansion is once again viable. The result is a greater ability to finance capital improvement projects, grow fleets, and expand routes.

Financing Airport Renovations: Airport renovations are being financed by major airlines as well as offshore investors (specifically Chinese investors).

Fleet Expansion and Renewal: American Airlines announced that throughout 2015 it plans to take on an average of two new planes a week, totaling more than 100 new planes. In April 2015, Copa Airlines of Panama placed an order for 61 Boeing 737-Max Jets. The \$6.6 billion deal is said to be the largest transaction between the United States and Panama to date. Throughout the first half of 2015, the Import-Export Bank has continued to provide loan guarantees to international carriers for Boeing jets (not without significant discontent from U.S. carriers — Delta in particular).



TREND IN ACTION

Qatar Airways and Delta Air Lines Invest in International Carriers: *Airlines across the globe are investing in overseas airlines to expand their footprint. In early 2015, Qatar Airways invested \$1.7 billion to acquire a 9.99 percent stake in the International Consolidated Airlines Group (LSE:IAG), which owns British Airways and Iberia. Qatar Airways hopes to expand westward, which could include codeshares on flights via the Gulf state — allowing the airlines to sell tickets on each other’s planes. Delta Air Lines also deepened its foreign partnerships by buying minority stakes in three overseas carriers — Aeroméxico, Brazil’s GOL, and Virgin Atlantic — and strengthening its existing alliance with Air France-KLM.*

TOURS, ATTRACTIONS, AND EVENTS

With increased international and domestic travel in China, Brazil, India, and Mexico, entertainment providers may see increased financing availability for two key reasons:

Readiness of the Business and Regulatory Environment: Business ventures into emerging markets often have high risk profiles as unfavorable laws or inhospitable business environments have caused many to fail. However, the industry is now seeing greater willingness of the governments and local communities to support the projects, which, in turn, reduces risk for potential investors. For example, theme parks are appearing faster in China than anywhere in the world, partially due to a government regulation that moves project approval from the national to the regional level. This shift simplifies and expedites the approval process, reducing the barrier to entry. In another example, theme parks in Brazil are receiving financial support from the government. Plano Brasil Maior is a national industry plan which, along with other efforts to encourage international competitiveness, gives theme parks a reduction in electricity tariffs, reduces duties on imports of equipment, and reduces payroll taxes to drive growth.

Established Brands Forge the Way for New Growth: The presence of established entertainment brands can also mean greater availability of financing as new markets become well-known in the investment community. China is expected to build 59 theme parks by 2020, including U.S. branded parks by Disney, Universal, and Six Flags. In addition, The Mohegan Tribal Gaming Authority (a U.S.-based company) recently announced a partnership with Incheon International Airport to develop an integrated hotel-casino resort in South Korea. The attraction is expected to drive tourism to South Korea, creating an epicenter for new entertainment, tourism, and hospitality establishments that will spring up around it.

Higher Cultural Value on Health and Wellness

Consumers, and travelers in particular, have rising expectations for health and wellness as it pertains to overall physical well-being, healthy and specialized diets, stress management, sleep management, disease prevention, and fitness. The rising cost of health care has fortified this trend as customers and employers alike seek to incorporate health, happiness, wellness, and prevention into their daily lives.



In the most recent Jabian Hospitality Consumer Survey, 54 percent of respondents indicated that improved air quality and circulation would “substantially improve” their flying experience.



LODGING

Wellness tourism — travel for the purpose of health, well-being, and relaxation — is estimated to be a \$500 billion industry worldwide and is only a portion of a larger \$3.4 trillion global wellness economy.

Lodging companies are now offering more comprehensive wellness products and programs that surpass the traditional hotel gym. These include spas, fitness classes, and branded programs like Omni’s “Get Fit Kits,” “Get Fit Rooms,” and Trump Hotels’ “Trump Wellness” program. More recently, hotels are pursuing more holistic options to cater to customer needs and outfitting rooms to support guests’ well-being.

Wellness Guest Room Design: Hotels are considering sleep, allergy, and cleanliness concerns in guestrooms. Healthier guestroom design includes sleep and wake cycle optimized lighting, anti-bacterial surfaces, air purifiers, and hypoallergenic bedding. Some hotels have installed Pure Solutions’ hypoallergenic PURE rooms, which eliminate nearly 100 percent of viruses and bacteria and all surface and airborne irritants.



TREND IN ACTION

IHG Launches a Health and Wellness Lifestyle Brand: In 2014, InterContinental Hotel Group launched a lifestyle brand called *EVEN*. Hotels focused entirely on health and wellness. *EVEN* offers wellness-savvy staff, a best-in-class fitness experience, healthier food choices, and natural, relaxing spaces.

Marriott Focuses on Health and Wellness Across Brands: Marriott has been innovative in their health and wellness offerings. The Chicago Marriott O’Hare recently implemented a test pilot in partnership with Farmer’s Fridge, a Chicago startup, to provide a healthy vending machine, which includes kale, quinoa, Greek yogurt, and berries. In another example, the J.W. Marriott revamped its turndown service and created a “Nightly Refresh” program, including nutritionist-engineered, sleep-friendly snacks, and aromatherapy.

FOOD AND BEVERAGE

Health and wellness has been top of mind for many F&B outlets and will continue to be a focus area.

Consumers are now more ingredient conscious and are expressing concern around food safety. A few health-related F&B trends are causing food providers to re-think their menus:

Menu-Labeling Requirements: In late 2014, the U.S. Food and Drug Administration (FDA) finalized two rules, requiring that calorie information be listed on menus and menu boards in chain restaurants and similar retail food shops. Impacted providers have one year to comply.

Concern Around Genetically Modified Organisms (GMOs): There are inconclusive studies as to whether or not GMO foods pose health risks. GMO labeling will continue to be a hot topic that F&B outlets need to be aware of since regulations vary regionally and globally.

Increase in Special Dietary Needs: The rise of customers with specialized diets means healthy eating will continue to take on many different, highly specific forms, such as vegan, low sugar, and low sodium varieties, among others. In some cases, these preferences stem not only from health reasons, but also from personal preference and popular culture. For example, gluten-free foods have gained popularity with many more than those with celiac disease. In response, fast-casual restaurants will alter their menus to accommodate customers and improve transparency.



STRATEGIC PARTNERS

The U.S. Healthful Food Council (USHFC) Develops a Health and Wellness Certification: The USHFC developed a voluntary certification called *REAL* (like LEED or B Corp) that recognizes food service operators committed to holistic nutrition and environmental stewardship. This nonprofit is “dedicated to fighting diet-related disease by realigning the food industry’s incentives with consumers’ health interests.” In addition to the certification, USHFC also provides nutrition consulting and recipe analysis/menu labeling services to food operators.

AIR TRAVEL

Airlines are beginning to explore several avenues for incorporating health and wellness into their service offerings, including improved passenger comfort, higher air quality, and more nutritious food options.

Air Quality Improvements: In the most recent Jabian Hospitality Consumer Survey, 54 percent of respondents indicated that improved air quality and circulation would “substantially improve” their flying experience, and 32 percent said it would “improve their experience a little.” The new 787 Dreamliner from Boeing has higher oxygen and humidity than other aircraft for the purpose of addressing customer complaints of eye irritation, headaches, and general dryness in flight.

Airline Food Evaluation: DietDetective.com is bringing attention to the health of airline food by conducting annual surveys that rate nutritional value, calorie content, and variety. Virgin America rated the highest in 2014, not only for its food, but also for publishing the nutritional content on its website and offering on-demand eating.



IDEAS

In-Flight Cleanliness and Sanitation: One under-explored area of wellness within air travel is cleanliness. In the most recent Jabian Hospitality Consumer Survey, 52 percent of respondents indicated that improved overall cleanliness on an aircraft would “substantially improve” their experience and another 33 percent said it would “improve their experience, a little.” To promote wellness, airlines could take simple measures, such as offering disinfectant wipes on board to clean tray tables. On a larger scale, aircraft manufacturers could consider anti-microbial seat fabrics and/or carpets that repel germs, dirt, and odor. Airlines should also consider aircraft sanitation systems using UV-C lights. GermFalcon has developed a robotic prototype that disinfects all commonly touched surfaces of the passenger cabin with a 99.99 percent germ kill rate in less than 15 minutes of treatment time.

TOURS, ATTRACTIONS, AND EVENTS

The entertainment portion of the hospitality industry is getting on board with healthy eating trends, albeit more slowly than the rest of the industry.

The delay may stem from visitors and fans viewing an outing as a treat, and thus splurging on traditional fare, but health-conscious choices are beginning to appear, as well as those that cater to special dietary needs. The most noticeable improvement can be seen in venues that cater to families and children.

Health-Conscious Eating at Entertainment Venues: Many theme park menus now include vegetarian, vegan, and gluten-free options in their fare. Food carts offering fruit and smoothies are also appearing along with healthy “fast food” restaurants that serve wraps and salads assembled on demand. Stadiums and arenas have added multiple sit-down restaurant options on-site that, while not marketed as healthy options, offer a broader menu and allow for customizations by request.



TREND IN ACTION

Disney’s “Mickey Check” Program Highlights Healthier Menu Items: Disney has introduced the “Mickey Check,” a program designed to make it easier to identify healthy and nutritious options in Disney parks and restaurants. To receive the Mickey Check, a food item has to meet Disney nutritional health guidelines, which were developed by nutrition experts and are based on federal health guidelines. A special icon appears next to approved items on menus in restaurants and online and encourages kids to ask, “What would Mickey eat?”

Strategic Cost Management Along the Value Chain

In order to maintain profit margins and meet heightened customer expectations, hospitality companies are finding innovative and strategic ways to manage their various costs, fees, and expenses. Companies are not only focused on optimizing operating expenses, they are assessing the value of existing supplier and distribution networks in response to cost increases and inconsistencies.



During the last five years, average wholesale food prices have risen roughly 25 percent.



LODGING

Lodging establishments have been focused on the increasing costs associated with business/guest acquisition.

Lodging companies struggle to best leverage the various distribution channels to generate business while controlling the fees and expenses associated with acquiring that business. Two continuing challenges associated with business/guest acquisition include:

Controlling Customer Acquisition Costs (CACs): These are the costs associated with customer “shopping.” CACs have often been increasing at a faster pace than revenue, largely due to price transparency brought on by the increase in online aggregators and meta-search engines. The ability to attract and retain customers while strategically controlling sales and marketing expenses will be even more important as Google and Microsoft enter the travel space.

Managing Distribution Costs: These are the costs associated with customer “booking,” which include fees and commissions paid to the various distribution channels. Bookings through an online travel agency (OTA) could have a 15 percent fee for a national brand and as much as 30 percent for an independent. With this in mind, there will continue to be significant momentum to encourage and incent guests to book directly with the hotel or brand instead of using a third-party intermediary.



IDEAS

Adjusting Industry Metrics for Better Cost Control: Customer acquisition and distribution costs should be a major discussion point among owners, operators, and brand franchise companies. In order to develop a total revenue management strategy, industry metrics need to shift from RevPAR to Net RevPAR to determine revenue generated net acquisition costs, including both sales and marketing expenses and distribution fees and commissions. Companies must also understand true channel profitability. One way to start is by assessing Contribution by Channel: determining the revenue in each channel net of transaction-specific costs.

FOOD AND BEVERAGE

Food, beverage, and labor usually represented between 60 and 70 percent of a restaurant's total costs.

These costs must be carefully managed and monitored in order for a restaurant to maintain profit margins. Food costs have been rising and will continue to do so, according to the National Restaurant Association's 2015 Industry Forecast. Average wholesale food prices jumped more than 5 percent in 2014, which represented the fifth consecutive annual increase. During the last five years, average wholesale food prices have risen roughly 25 percent. F&B outlets are starting to take action with the following:

Smaller Portion Sizes and Portion Control: To compensate for rising food costs, some restaurants are offering smaller portion sizes. If done judiciously, smaller portions can encourage healthier eating and may even generate additional sales as customers have room for dessert or another drink.

Sophisticated Inventory Management Software: Restaurants are leveraging specialized software to manage inventory and reduce waste, minimizing costs in the long run. Software has to be selected judiciously, however, because unnecessary complexities can increase labor hours and diminish any cost benefits.



TREND IN ACTION

The Hotel Nikko San Francisco Creates Cost Efficiencies with Clear Sky Software: The Hotel Nikko recently shifted control of its F&B product inventory over to the Clear Sky software system. This comprehensive system manages purchasing, receiving, outlet transfers/issues/returns and physical inventory, with advanced cost-specific reporting capabilities (like F&B costs by location and product). “This barcode-based software, hardware, and services combination will ultimately help The Hotel Nikko manage their food and beverage inventory with greater efficiency while reducing F&B costs and labor” (ClearSky Software Press Release on Hotel Online).

AIR TRAVEL

While many costs are incurred by airlines, the biggest focus continues to be jet fuel, which accounts for roughly 34 percent of an airline's operating costs.

Airlines have traditionally tried to reduce the volatility and associated cost of fluctuating fuel prices with financial hedging. While financial hedging will undoubtedly continue, new tactics are emerging. Some airlines are analyzing their supply chain in its entirety to identify ways to gain more direct, long-term control of their costs.



TREND IN ACTION

Delta Air Lines' is shifting focus from competing solely with other carriers to being a high-quality industrial transportation company (think railroads, shipping, etc.). As such, Delta has made two strategic investments to control costs and support their growth strategy:

Delta Air Lines' Oil Refinery Purchase: Delta has moved toward vertical integration and better management of fuel costs by acquiring an oil refinery. Delta acquired Monroe Energy for \$150 million in April 2012. Since then, the Pennsylvania refinery has expanded production of jet fuel to supply Delta's operations in New York and Boston. Delta CEO Richard Anderson told CNBC that owning the refinery would allow the airline to participate in the pricing of jet fuel in the United States and would allow Delta greater control over this critical business expense.

Delta Air Lines' Oil Transport Strategies: Instead of relying on rail to transport oil, Delta is starting to transport oil via coastal tanker. In August 2014, the Delta refinery began chartering a 330,000-barrel Jones Act coastal tanker to move oil from Texas to Delaware. Delta plans on purchasing a vessel and constructing a five-mile pipeline to ship oil from a new crude-by-rail hub near Philadelphia to its Trainer refinery, which would allow the airline to scale back the use of Jones Act barges, for an additional \$1/barrel fee.

TOURS, ATTRACTIONS, AND EVENTS

The hospitality industry is beginning to leverage big data as a strategic cost management tool, where “big data” can be described as the exponential growth and availability of data.

As events and attractions become increasingly digital, an expanding array of information can shed light on customer and employee behavior, business seasonality, and operational efficiency. These insights can be leveraged to improve human capital management, as well as provide real-time business intelligence about internal operations.



IDEAS

Mature Big Data Practices Generate Real-Time Insights and Efficiencies: In organizations with sophisticated big data practices, managers spend less time assembling data, and more time analyzing it. When data is consolidated and centrally managed, it provides timely access to reports, financials, and analytics, which can lead to real-time, cost-saving decisions. For example, receiving a real-time alert about labor overages allows for immediate scheduling adjustments to contain cost.

Preventive Maintenance Cost Management: Production data, machine data, and sensor data can be aggregated to build models that predict machine failure, allowing for preventive maintenance. This can be especially important for theme park operators, who can avoid ride downtime, high repair costs, unhappy visitors, and lost revenue.

Establishing a Predictable Business Cycle: Capturing sales for specific days, meal times, and during certain weather or events, helps establish a predictable business cycle. Knowing what to expect allows proactive purchasing decisions and labor scheduling to reduce waste.

Reduced Fraud And Loss: Data analytics can shed early light on theft and suspicious activity. By setting data alerts when promotion percentages look a bit high or cash percentages look a bit low, managers can reduce theft and fraud.

Technology Integration and the Internet of Things

Any object with an on-off switch and Wi-Fi can become ‘smart.’ Adoption of in-home and wearable Internet of Things (IoT) technology will grow in the next five to ten years, driven by millennials and baby boomers. As the IoT gains momentum, customers will expect the same connectedness and convenience they enjoy at home.



Sensors are revolutionizing the sports industry by providing detailed and predictive performance data.



LODGING

IoT technology has the potential to significantly upgrade the guest experience and improve the overall operational efficiency of hotels.

Regardless of whether the technology is a mobile app, point-of-sale (POS) terminal, or a network of sensors and beacons, the IoT can create an intelligent system by enhancing the connectedness of devices, data, and transactions.

Energy Management Cost Savings with IoT: In addition to the obvious IoT applications with guests’ personal devices (mentioned in other sections), the IoT can enable operational cost savings from behind the scenes. IoT technology can monitor lighting, temperature, motion, and other factors and make data-driven and autonomous adjustments as necessary. For example, IoT can be set up to turn off HVAC systems when guests leave their room, which can help reduce energy costs for hotels.

Heightened Awareness of Security and Privacy: Companies should be aware that with more devices sharing data (perhaps some more secure than others), greater opportunity exists for security and privacy breaches. Operators should be wary of the risk and manage appropriately.



IDEAS

Identifying Maintenance Issues Customers Don't Share: *Maintenance issues often go undetected because guests don't notify the hotel. For example, how many people get on and off a broken treadmill before it gets reported and fixed? How does a hotel operator know when a guestroom light bulb is about to go out? IoT and connected devices could sense the usage patterns of machines and appliances and automatically alert maintenance or housekeeping when something breaks or is about to malfunction, which would improve customer service and response time.*

FOOD AND BEVERAGE

Food and beverage outlets are consistently looking for ways to be more operationally efficient.

IoT is starting to transform back-of-house food service operations with “smart” kitchen and storage technology. Smart kitchen technology has a few different applications including:

Smarter Food Prep and Connected Appliances: IoT technology could eliminate human error by recognizing the type of food being prepared and ensuring the correct cook time and temperatures. This would limit variations in food prep to prevent overcooked or undercooked items that could result in food-borne illness or food waste, respectively. Technology that can scan and read food composition could also give customers precise information about the nutritional value of their meal.

Inventory and Food Storage Monitoring: Smarter storage facilities will have temperature control monitors that prolong the shelf life of ingredients and prevent food spoilage. IoT technology can also provide alerts when inventory is low or close to expiration, minimizing food waste and improving inventory management practices.



FORWARD THINKING CONCEPT

Internet of Things Technology Transforming Commercial Kitchens: *Gartner, Inc. predicts that by 2020, the connected kitchen will contribute at least 15 percent savings in the food and beverage industry, while leveraging big data analytics. Food preparation could become completely automated with technology to measure ingredients, prepare dishes from a recipe, and coordinate among appliances to make sure that everything is timed correctly and cooked to perfection. This concept would allow for greater operational efficiencies and could potentially decrease labor needs.*

AIR TRAVEL

Airlines and aircraft manufacturers are just starting to adopt IoT technology to improve operational performance and customer experience.

Airlines are starting to adopt baggage-tracking capabilities that are being integrated and displayed through the mobile app. Other applications of technology integration and IoT include:

Integrated In-Flight Travel Experiences: Technology improvements will be made to the in-flight traveler experience with more streamlined integration of individual data and connectivity between mobile devices/tablets and in-flight screens. Travelers will be able to view and modify travel details in-flight and enjoy an upgraded entertainment experience, all connected to their personal device.

Predictive Maintenance: Approximately 10 percent of all airline-related delays are caused by maintenance problems, costing airlines millions per day. Aircraft manufacturers are building connected planes with predictive maintenance capabilities to pinpoint problem areas and recognize impending equipment failures. Newly designed aircraft like the Boeing 787 and the Airbus 350 XWB can generate terabytes of data per flight. As airlines start to invest in these aircraft and leverage the data/insights they provide, airlines will be able to significantly improve operational performance.



STRATEGIC PARTNERS

Sabre Technology Solutions Accelerate Airlines with Data-Driven Growth: *Sabre Corporation, an innovative technology company for the travel and tourism industry, is partnering with airlines to provide integrated technology solutions that accelerate data-driven growth, enhance the customer experience, and identify revenue opportunities and cost efficiencies. For example, Sabre recently signed an agreement with Aeroflot, the largest airline in Eastern Europe, to accelerate data-driven growth.*

TOURS, ATTRACTIONS, AND EVENTS

In the coming years, the use of sensors and beacons will dominate the world of attractions and events through the use of biometric, proximity, and micro-location technology.

Floods of new data will transform decision-making and reshape the experiences of visitors and fans.

Generating Data and Insights from Wearable Technology: In museums, arenas, theme parks, and stadiums, wearable technology can collect and transmit information about visitors, including their location, programmed preferences, and biometrics (heart rate, temperature, etc.). Based on the combined information, marketers can make inferences about the person’s state of mind and send targeted experiences, promotions, or recommendations.

Advancing Sports Performance Data: Sensors are also revolutionizing the sports industry by providing detailed, and sometimes predictive, performance data. In the future, every racket, ball, bat, club, glove, helmet, and shoe could be digitally monitored with special software platforms to collect and analyze the data. Armed with constant, detailed performance data, coaches can tailor their instruction, managers can make informed “keep or trade” decisions, athletes can study their opponents’ performance in detail, and fans can “geek out” with new volumes of comparative performance data.



STRATEGIC PARTNERS

Disney Leverages The Internet of Things in Theme Parks: *Disney is using IoT technology to enhance its theme park experience, increase security, and gain incredible insight into the habits of visitors. In early 2015, Disney had already distributed 10 million Magic Bands, rubber, wearable technology wristbands that are connected to the park infrastructure. Visitors can connect the Magic Band to their online profile and use it to enter the park, access rides and restaurants (recognizing reservations), and pay for products/services.*

Trends, Impacts, and Insights Summary

LODGING	FOOD AND BEVERAGE	AIR TRAVEL	TOURS, ATTRACTIONS, AND EVENTS
TREND 1: Millennials Emerging as the Largest Customer Segment			
<ul style="list-style-type: none">» Creating On-Site Community Spaces» Engaging Millennials to Co-Create Experiences» Marriott Targets Millennials with Innovation Labs and Social Hour Programs	<ul style="list-style-type: none">» Desire for Instant Gratification» The Impact of the Sharing Economy on F&B» Industry Quote from Fred and Stephanie Castellucci, Co-Owners of The Castellucci Hospitality Group	<ul style="list-style-type: none">» Mobile Capability Enhancements» Competitive and Sharable Loyalty Games» Delta Targets Millennials by Awarding Loyalty Status to College Students	<ul style="list-style-type: none">» The Increasing Importance of Wi-Fi Access, Connectivity, and Social Engagement» The Rise of Wearable Technology
TREND 2: The Need for High-Tech and Personalized Customer Service			
<ul style="list-style-type: none">» Elevating the Digital Guest Experience and Self-Service» Social Customer Care» App Technology to Service Meeting Planning Requests	<ul style="list-style-type: none">» Intelligent Reservation Matching» High-Tech Self-Service Dining Experiences» Pizza Hut's Table-Top Technology	<ul style="list-style-type: none">» Baggage Tracking Devices» Real-Time Travel Screens and Beacon-Enabled Airports» Empowering Flight Attendants to Provide Personalized Service	<ul style="list-style-type: none">» Optimizing the Service Experience in Entertainment Venues» Advanced Mobile Apps at Museums» The Sacramento Kings' New High-Tech Stadium
TREND 3: Demand for Unique and Alternative Experiences			
<ul style="list-style-type: none">» Boutique Hotels Still Profitable but Lifestyle Brands on the Rise» Lodging Alternatives in The Sharing Economy	<ul style="list-style-type: none">» Physically Unique Dining Experiences» Multi-Sensory Dining» Pop-Up Dining Options at Events or at Home» Industry Quote from Oliver English, Vice President of Strategy and Development at Todd English Enterprises	<ul style="list-style-type: none">» JetBlue Airways Launches a New and Distinct Premium Flying Experience» Singapore's Changi Airport and Seoul's Incheon Airport Offer Alternative Spaces» Four Seasons Debuts a Luxury Private Jet Experience	<ul style="list-style-type: none">» Projection Mapping and Unique Visual Experiences» Quirky Attractions and Events» Large-Scale Events to Experience Fictional and Fantasy Worlds
TREND 4: Rise in Strategic Partnerships and Co-Branded Experiences			
<ul style="list-style-type: none">» Local Partnerships and Community Presence» Forming Partnerships to Create a New Product, Service, or Experience» Airbnb Partners with Film Location Lodgings for a “Game of Thrones” Travel Experience	<ul style="list-style-type: none">» Ingredient Co-Branding» Franchise Co-Branding» Collaborative Co-Branding» Domino's Creates Partnerships Outside of the F&B Space	<ul style="list-style-type: none">» Partnerships for Travel Convenience» Partnerships for Novelty and Brand Equity» Partnerships that Differentiate the Experience for High-Value Customers	<ul style="list-style-type: none">» Partnership Marketing to Build Brand Equity» Universal Theme Parks and Nintendo» Disney and the NBA
TREND 5: Increase in International Travelers from China			
<ul style="list-style-type: none">» Channels to Access the Chinese Tourist» Industry Quote from Evan Saunders, Co-Founder and CEO of Attract China» IHG's HAULUXE Brand Is Designed Specifically for the Chinese Traveler	<ul style="list-style-type: none">» Website Modifications for the Chinese User» Implementing a China-Focused Marketing Strategy» Interactive Menus for International Travelers	<ul style="list-style-type: none">» Increase in International Partnerships and Alliances» Strategic Investments in Key U.S. Airports» Heightened Focus on Customer Service and Call Centers» Marketing that Targets Chinese Seasonal Travel	<ul style="list-style-type: none">» Opportunities to Accommodate Chinese Travelers» The NBA Expands Its Fan Base with Creative Marketing Efforts» Six Flags Creates Partnerships to Increase Brand Presence in China
TREND 6: Driving Profitability Through Ancillary Revenue			
<ul style="list-style-type: none">» Targeted and Timely Offers» Products that Complement and Enhance Brand Image» Pairing Unique Beverages with Desired Ambiance	<ul style="list-style-type: none">» Demand for “Grab and Go” Food Options» Revenue from Loyalty/Membership Programs» Branded Product Offerings	<ul style="list-style-type: none">» Tactics to Persuade Ancillary Purchase Behavior» Subscription-Based Offerings for Frequent Travelers	<ul style="list-style-type: none">» Corporate Sponsorships Offer Large Ancillary Revenue Opportunities» Revenue from “Extra” and “Added” Event Experiences» The Atlanta Hawks Organization Creates Space for Sponsors

Trends, Impacts, and Insights Summary

LODGING	FOOD AND BEVERAGE	AIR TRAVEL	TOURS, ATTRACTIONS, AND EVENTS
TREND 7: Increasing Labor Regulations and Cost			
<div>» Direct Payroll Increases Associated with Changes to Minimum Wage and Overtime Regulation</div> <div>» Employee Benefit Costs Associated with Affordable Care Act</div> <div>» Strategies to Help Control Labor Costs</div>	<div>» Cross-Training Employees</div> <div>» Employing Labor Management Apps</div>	<div>» Labor Standards and Open Skies Policy</div> <div>» Pilot Labor Shortage</div>	<div>» The Increasing Ratio of Seasonal to Full-Time Employees</div> <div>» Affordable Care Act Regulations for Treatment of Seasonal Employees</div> <div>» Creating Part-Time Employment Opportunities for Baby Boomers</div>
TREND 8: Stronger Drivers Toward Sustainability			
<div>» Accessing Government Support for Sustainability</div> <div>» Boutique Resort Demonstrates Environmental Consciousness</div> <div>» Hilton Partners with World Wildlife Fund to Strengthen Sustainability Impact</div>	<div>» Heightened Scrutiny of Sustainability Practices</div> <div>» Focus on the Most Impactful Sustainability Efforts</div> <div>» The Use of Green Appliances</div>	<div>» Renovations for Green Airport Design</div> <div>» The Use of Alternative Fuels</div> <div>» Hainan Airlines Explores Alternative Fuel Options</div> <div>» Boeing Partners with the Commercial Airport Corp of China</div>	<div>» Sustainable Waste Management in Stadiums</div> <div>» Sustainable Construction</div> <div>» Entertainment Company AEG Creates Sustainability Program</div>
TREND 9: Availability of Financing and Offshore Investment to Drive Growth			
<div>» Attractiveness of the U.S. Lodging Market for International Investment</div> <div>» Law Firm Partners with Chinese Investors to Accelerate U.S. Growth</div>	<div>» Investor Interest in the Fast-Casual Restaurant Segment</div> <div>» SEC Provisions Create Opportunities for Fast-Casual Segment</div>	<div>» Financing Airport Renovations</div> <div>» Fleet Expansion and Renewal</div> <div>» Qatar Airways and Delta Air Lines Invest in International Carriers</div>	<div>» Readiness of the Business and Regulatory Environment</div> <div>» Established Brands Forge the Way for New Growth</div>
TREND 10: Higher Cultural Value on Health and Wellness			
<div>» Wellness Guest Room Design</div> <div>» IHG Launches a Health and Wellness Lifestyle Brand</div> <div>» Marriott Focuses on Health and Wellness Across Brands</div>	<div>» Menu-Labeling Requirements</div> <div>» Concern Around Genetically Modified Organisms (GMOs)</div> <div>» Increase in Special Dietary Needs</div> <div>» The U.S. Healthful Food Council (USHFC) Develops a Health and Wellness Certification</div>	<div>» Air Quality Improvements</div> <div>» Airline Food Evaluation</div> <div>» In-Flight Cleanliness and Sanitation</div>	<div>» Health-Conscious Eating at Entertainment Venues</div> <div>» Disney's “Mickey Check” Program Highlights Healthier Menu Items</div>
TREND 11: Strategic Cost Management Along the Value Chain			
<div>» Controlling Customer Acquisition Costs (CACs)</div> <div>» Managing Distribution Costs</div> <div>» Adjusting Industry Metrics for Better Cost Control</div>	<div>» Smaller Portion Sizes and Portion Control</div> <div>» Sophisticated Inventory Management Software</div> <div>» The Hotel Nikko San Francisco Creates Cost Efficiencies with Clear Sky Software</div>	<div>» Strategically Managing Jet Fuel Costs</div> <div>» Delta Air Lines' Oil Refinery Purchase</div> <div>» Delta Air Lines' Oil Transport Strategies</div>	<div>» Mature Big Data Practices Generate Real-Time Insights and Efficiencies</div> <div>» Preventive Maintenance Cost Management</div> <div>» Establishing a Predictable Business Cycle</div> <div>» Reduced Fraud And Loss</div>
TREND 12: Technology Integration and the Internet of Things (IoT)			
<div>» Energy Management Cost Savings with IoT</div> <div>» Heightened Awareness of Security and Privacy</div> <div>» Identifying Maintenance Issues Customers Don't Share</div>	<div>» Smarter Food Prep and Connected Appliances</div> <div>» Inventory and Food Storage Monitoring</div> <div>» Internet of Things Technology Transforming Commercial Kitchens</div>	<div>» Integrated In-Flight Travel Experiences</div> <div>» Predictive Maintenance</div> <div>» Sabre Technology Solutions Accelerate Airlines with Data-Driven Growth</div>	<div>» Generating Data and Insights from Wearable Technology</div> <div>» Advancing Sports Performance Data</div> <div>» Disney Leverages The Internet of Things in Theme Parks</div>

It's no secret that the world moves faster today.

But in some ways, the more things change, the more things stay the same.

Shifting customer values, new technology, and the evolving political environment are shaping the hospitality marketplace at an ever more rapid pace; however, these forces have always demanded that companies evolve and adapt. Nevertheless, the foundation of long-term success remains the same: running a great business means getting better every day.

We hope this study provided insight into industry trends, as well as guidance on how key players in the marketplace are handling the newest challenges. Perhaps some of these techniques can be incorporated into your own business to help you achieve long-term success. It's a Strategy that Works.®



About Jabian

Jabian Consulting is a strategic management and technology consulting firm with an integrated approach to creating and implementing strategies, enhancing business processes, developing human capital, and better aligning technology—ultimately helping clients become more competitive and profitable. Jabian blends functional expertise, industry knowledge, and senior experience to think strategically and act practically. It's a Strategy that Works.®

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