WORLD
TRAVEL &
TOURISM
COUNCIL

TRAVEL & TOURISM
GLOBAL ECONOMIC IMPACT
& ISSUES 2017

GLOBAL ECONOMIC IMPACT & ISSUES 2017

"This is the sixth year in a row that Travel & Tourism has outpaced the global economy, showing the sector's resilience, and the eagerness of people to continue to travel and discover new places, despite economic and political challenges across the world."

David Scowsill, President & CEO, World Travel & Tourism Council

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FOREWORD

For over 25 years, the World Travel & Tourism Council (WTTC) has been quantifying the economic and employment impact of Travel & Tourism. The 2017 Annual Economic Reports cover 185 countries and 26 regions of the world, providing the necessary data on 2016 performance as well as unique ten year forecasts on the sector's future potential.

Travel & Tourism: Global Economic Impact and Issues 2017 has a different style this year, building on the flagship economic impact research which shows the breadth of the data available, to give more insights behind the numbers and to provide a fascinating view of Travel & Tourism now and into the future.

Despite the increasing and unpredictable shocks from terrorist attacks, political instability, health pandemics, and natural disasters, Travel & Tourism continued to show resilience in 2016. For the sixth successive year, growth in the sector outpaced that of the global economy. The outlook for business and leisure travel in 2017 remains robust. Over the longer term, growth of the Travel & Tourism sector will continue to be strong, as long as governments continue to invest in the necessary infrastructure.

The United Nations has designated 2017 the *International Year of Sustainable Tourism for Development*. Travel & Tourism creates jobs, drives exports, and generates prosperity across the world. The International Year provides an enormous opportunity to further showcase the tremendous economic, social, cultural, environmental, and heritage value that the sector brings to people of all nations. 292 million jobs are provided by this sector, which now accounts for 1 in 10 jobs in the global workforce. By 2027, it is anticipated that our sector will be supporting over 380 million jobs, as Travel & Tourism continues to grow its economic contribution.

Future growth and success for the sector also depends on recognising trends which will drive future travel habits and consumer expectations. WTTC Industry Partners have contributed their expertise and insights in a set of stimulating articles, which are contained within this new style report. These leading global companies provide valuable products and services to the sector, and we appreciate them joining the conversation about business and leisure travel. Contributions in this report highlight some areas where businesses will need to focus as they drive their future growth. The right policy and planning decisions are best made with authoritative, reliable, and accessible data, combined with expert marketplace insights. WTTC is proud to provide the evidence base required, which helps both public and private bodies make the correct decisions for the future growth of a sustainable Travel & Tourism sector.

David Scowsill
President & CEO
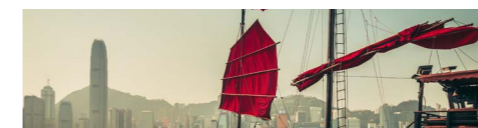
TRAVEL & TOURISM'S CONTRIBUTION TO THE WORLD'S ECONOMY

Travel & Tourism is a key sector for economic development and job creation throughout the world. In 2016, Travel & Tourism directly contributed US$2.3 trillion and 109 million jobs worldwide. Taking its wider indirect and induced impacts into account, the sector contributed US$7.6 trillion to the global economy and supported 292 million jobs in 2016. This was equal to 10.2% of the world's GDP, and approximately 1 in 10 of all jobs.

1/10
OF ALL JOBS WORLDWIDE

Travel & Tourism's impact includes people travelling for both leisure and business, domestically and internationally. In 2016, 76.8% of all travel spend was as a result of leisure travel, compared to 23.2% from business travel.

Domestic travel generated 72% of the sector's contribution to GDP, thus making a significantly larger contribution than international travel, with foreign visitor spending at 28%

TRAVEL & TOURISM'S CONTRIBUTION TO GLOBAL GDP 2016
Business vs Leisure / Domestic vs Foreign Spending

23% BUSINESS SPENDING

77% LEISURE SPENDING

28% FOREIGN VISITOR SPENDING

72% DOMESTIC SPENDING

TOTAL

DIRECT
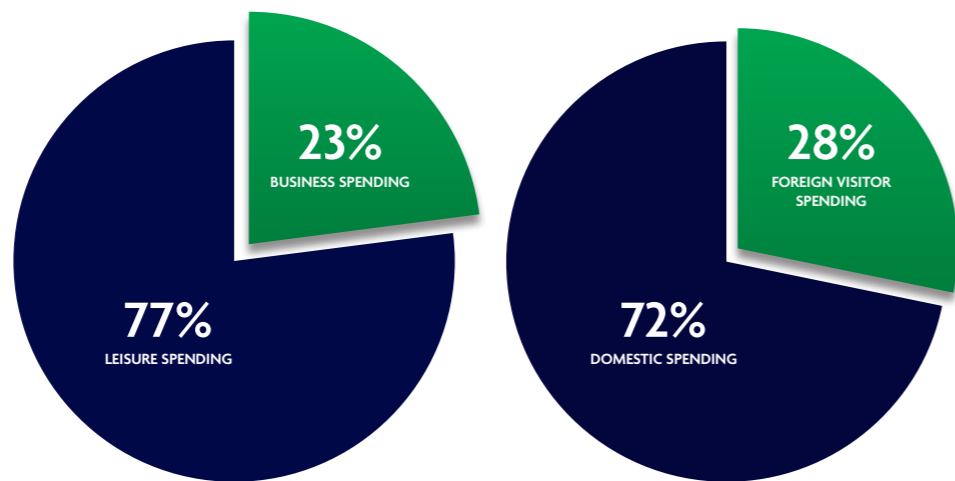
Travel & Tourism is an export sector, attracting foreign spending to a country in the form of international visitors. In 2016, global visitor exports accounted for 6.6% of total world exports (a total of US$1.4 trillion) and almost 30% of total world services exports.

2016 GROWTH

Travel & Tourism's direct contribution to GDP grew by 3.1% in 2016. This was faster than the global economy as a whole which grew at 2.5%, meaning that for six consecutive years, the Travel & Tourism sector has outperformed the global economy.
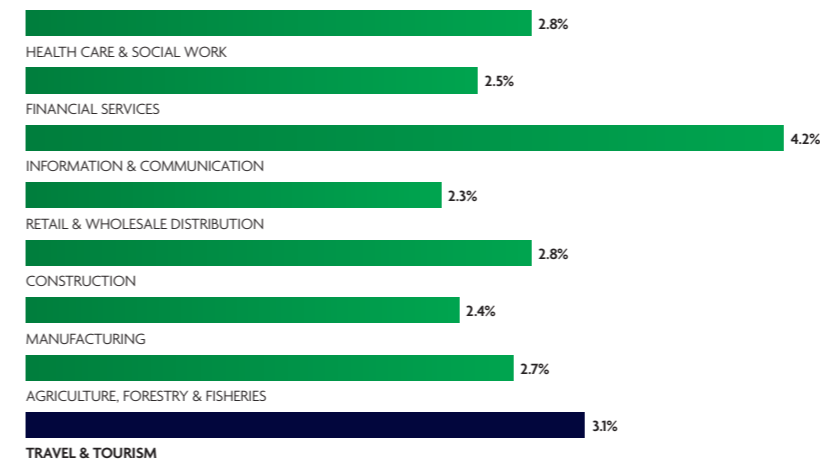
The direct contribution of Travel & Tourism to employment grew by 1.8% in 2016 meaning almost 2 million net additional jobs were generated directly by the sector, and a total of around 6 million new jobs created as a result of total direct, indirect and induced activity. This means that almost 1 in 5 of all new jobs created in 2016 were linked to Travel & Tourism.

ANNUAL GROWTH

● GLOBAL GDP ● DIRECT T&T GDP
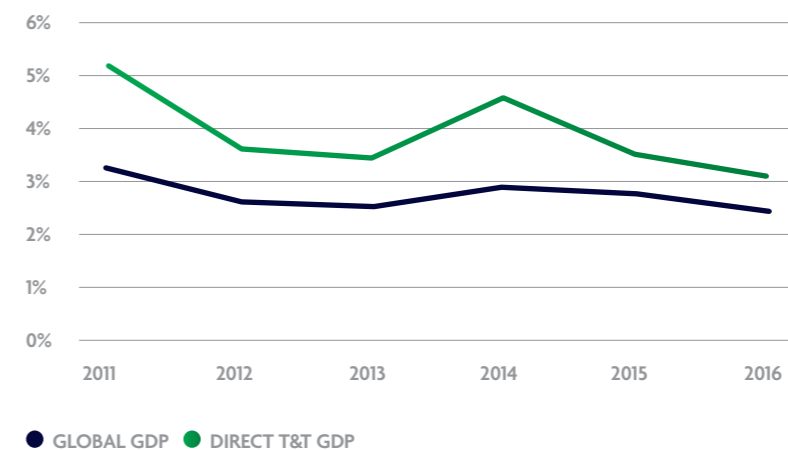
In addition to outpacing global economic growth, the Travel & Tourism sector also outperformed several other major global economic sectors in 2016. Specifically, direct Travel & Tourism GDP growth was stronger than the growth recorded in the financial and business services, manufacturing, public services, retail and distribution, and transport sectors, but was marginally slower than growth in the communications sector.

WORLD INDUSTRY GDP GROWTH

|	
HEALTH CARE & SOCIAL WORK	2.8%
FINANCIAL SERVICES	2.5%
INFORMATION & COMMUNICATION	4.2%
RETAIL & WHOLESALE DISTRIBUTION	2.3%
CONSTRUCTION	2.8%
MANUFACTURING	2.4%
AGRICULTURE, FORESTRY & FISHERIES	2.7%
TRAVEL & TOURISM	3.1%

FOCUS
TERRORISM

Visitor exports growth in 2016 suffered somewhat from continued terrorism and knock-on impacts to sentiment, despite air travel remaining comparatively cheap with the low level of oil prices and a number of countries adopting more visitor-friendly visa policies. In Europe, there were contractions in inbound tourism spending in Belgium, France and Turkey, while inbound visitor spending continued to contract in Egypt after weakness in 2015, with international tourist arrivals now over 60% below the 2008 peak level. However, while the Travel & Tourism sectors in these countries have suffered, several other destinations have profited by being seen as 'safe-haven' substitute destinations. Specifically, inbound tourism to Bulgaria and Cyprus picked up noticeably in 2016, while Malta, Portugal and Spain appear to have benefited also.

Forecasts for 2017 are positive, but unfortunately considerable downside risks to the international Travel & Tourism spending outlook due to the continued threat of terror remain.

WEST & EAST MED: VISITOR EXPORTS

EAST

WEST

Indexed: 2000=100
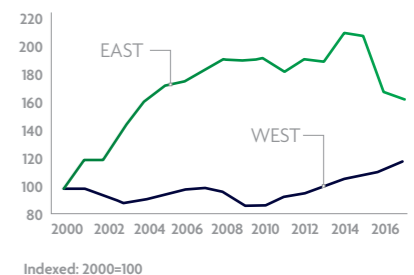
OUTLOOK FOR 2017

In 2017, the total contribution of Travel & Tourism to the world's economy is forecast to grow by 3.5%.

Continued solid growth at a global level is expected across the main economic indicators of GDP contribution, job creation, investment and visitor exports, with visitor exports making an especially strong contribution.

T&T GLOBAL GROWTH 2017
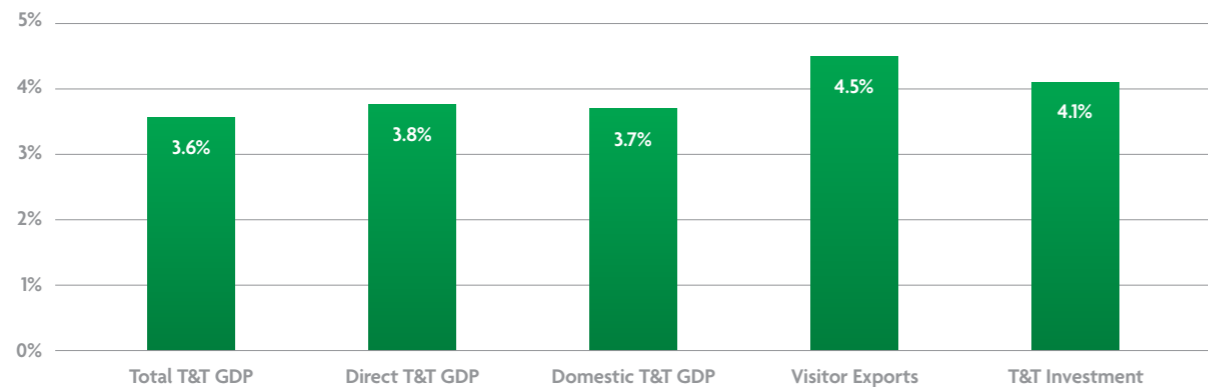
A key challenge for Travel & Tourism in 2017 will be a general slowdown in consumer spending power which will impact consumer spending on Travel & Tourism. The combination of higher inflation caused by recovering oil prices (which could have knock-on impacts for air fares), rising debt servicing costs as interest rates rise, and a slowdown in job creation across the globe is curbing global spending power which is expected to grow at the weakest rate for eight years in 2017.

The outlook, however, varies across the different outbound markets.

- With the dollar strength expected to persist, 2017 is forecast to be another strong year for the USA, with growth of 5.4% in outbound Travel & Tourism spend expected. The most likely beneficiaries of this strong growth will be other North American destinations such as Canada and Mexico as well as Caribbean and Mediterranean destinations.

- In China, after 7 consecutive years of annual growth in excess of 20%, outbound spending is expected to cool slightly, yet remain very strong by international standards, with growth of 12.0% expected in 2017.

- The depreciation of sterling is forecast to continue during 2017, which is expected to lead to a substantial slowdown in outbound Travel & Tourism spending growth from the UK, from 8.0% in 2016 to a contraction of 4.2% in 2017. The markets most likely to suffer as a consequence are European destinations and longer-haul travel to the USA.

OUTBOUND TRAVEL EXPENDITURE BY COUNTRY
Percentage of global total (2016)

- REST
- CHINA
- USA
- GERMANY
- UK
- FRANCE
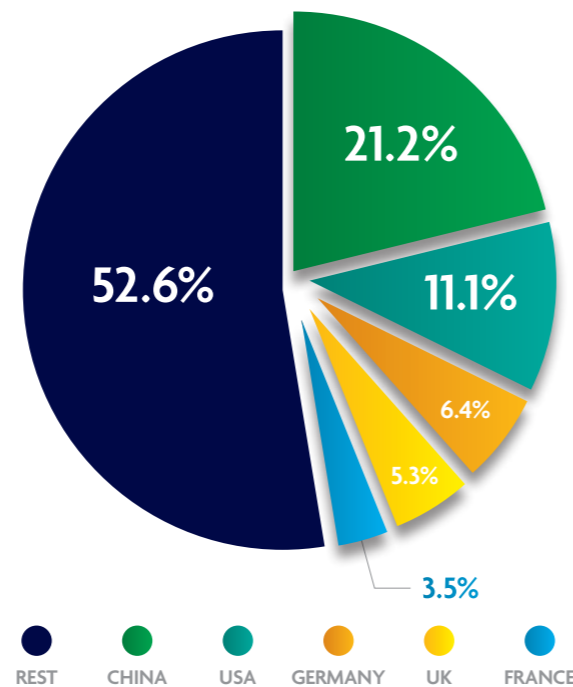
Travel & Tourism is expected to contribute around 23% of total global net job creation over the next decade

TEN YEAR FORECASTS

Travel & Tourism's direct contribution to GDP is expected to grow at an average of 3.9% per year over the next ten years.

By 2027, Travel & Tourism is expected to support more than 380 million jobs globally, which equates to 1 in 9 of all jobs in the world and the sector is expected to contribute around 23% of total global net job creation over the next decade. Meanwhile, total Travel & Tourism GDP is expected to account for 11.4% of global GDP and global visitor exports are expected to account for 7.1% of total global exports.

Furthermore, the sector is expected to outperform the global economy throughout the forecast period and increase its share of global economic activity across each of GDP, employment, exports and investment.

In addition to outperforming the global economy over the next ten years, Travel & Tourism is also forecast to outpace a range of other major global economic sectors, including communications, financial and business services, manufacturing and retail and distribution.

GLOBAL TRAVEL & TOURISM CONTRIBUTES...

US$ 7.6 TRILLION TO WORLD GDP

292 MILLION JOBS WORLDWIDE

30% OF TOTAL SERVICE EXPORTS

OVER THE NEXT 10 YEARS, THE SECTOR WILL...

23%

SUPPORT 23% OF NEW JOBS CREATED

OUTPERFORM THE GLOBAL ECONOMY

FOCUS
SUSTAINABILITY

2017 is the International Year of Sustainable Tourism for Development, and WTTC – along with the sector as a whole, is increasingly focusing on the issues potentially challenging the future growth of the sector and will be publishing more on this through the year. Sustainability certainly remains an especially important issue for some of the fast growing tourism destinations around the world. One way of looking at this is through the number of international visitors compared to the local population, which provides one indicator of impact tourism may have on the destination. For example, in Iceland in 2016, overnight international tourism arrivals outnumbered the resident population by a ratio of 5.1 to 1. The ratio is also particularly high in growing tourism hotspots like Croatia (3.3 to 1) and Montenegro (2.6 to 1). This ratio highlights destinations where continued strong growth may put a squeeze on infrastructure capacity and could lead to environmental pressures if not managed appropriately.

In 2016, international arrivals to Iceland outnumbered the resident population by 5:1

2016 DATA

GROWTH

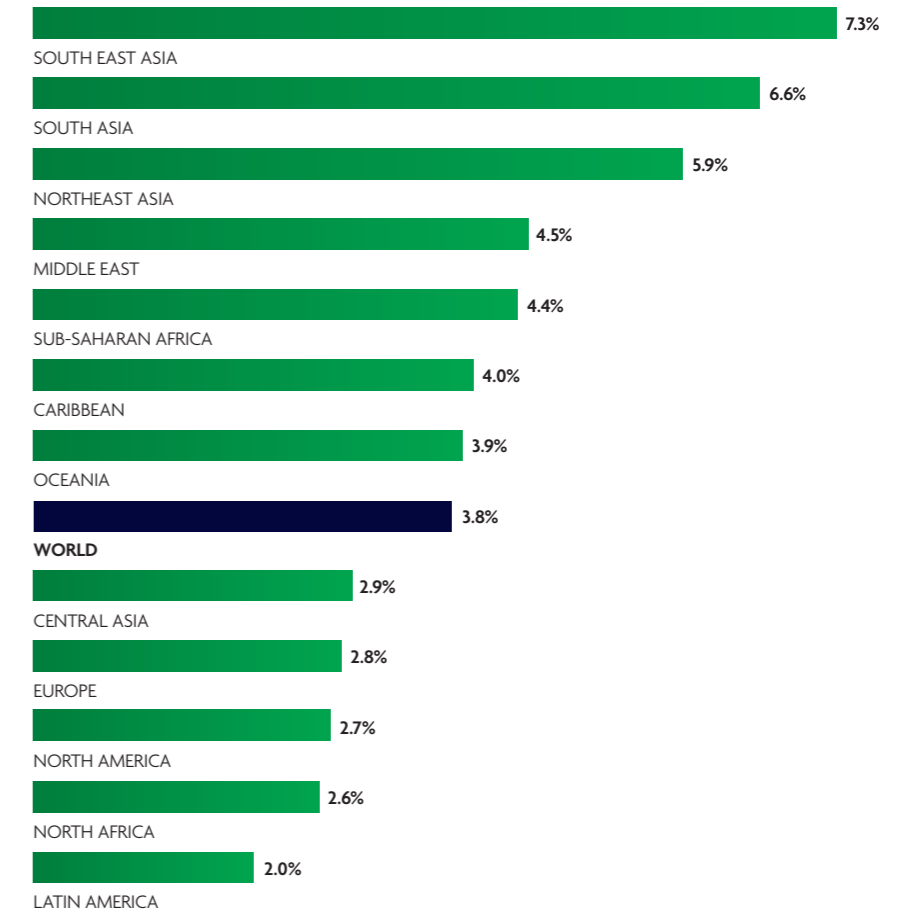## THE REGIONS

EUROPE   +2.0%

$ 2.0 trillion   ⇅ 36 million

BREXIT: In 2016, the value of the sterling dropped sharply, by around 15%, in the aftermath of the EU referendum vote and has shown no signs of recovery since. Despite this, there was little evidence of a boost to inbound travel in 2016 from the depreciated sterling, with the more noticeable impact likely to occur in 2017.

ASIA PACIFIC   +6.1%

$ 2.3 trillion   ⇅ 159 million

RAPID GROWTH: the strongest growth was experienced in Southeast Asia (8.3%), which has benefited with rapid growth in the China outbound market, and South Asia (7.9%), with Sri Lanka (10.7%), Thailand (10.7%), Vietnam (10.7%), Philippines (8.9%), Singapore (8.7%), India (8.5%), and Indonesia (5.8%) contributing impressively.

AMERICAS   +2.4%

$ 2.2 trillion   ⇅ 43 million

NORTH AMERICA: Inbound tourism to the United States was weak in 2016, partly as a consequence of the continued strength of the dollar and the associated implications for the price competitiveness of the US relative to regional competitors such as Canada and Mexico, who both enjoyed strong years for inbound tourism in 2016.

LATIN AMERICA: The Latin America region endured a largely stagnant year in 2016, with direct Travel & Tourism GDP growth of just 0.2%. However, growth in the region overall was dragged down by weakness in its largest economy, Brazil (-1.0%), with other Latin American countries such as Costa Rica (12.1%), Colombia (7.9%), and to a lesser extent Peru (5.1%), Paraguay (4.9%), and Chile (3.7%) performing well above the regional average.

AFRICA & MIDDLE EAST   +1.8%

$ 393 billion   ⇅ 26 million

NORTH AFRICA: After a weak year in 2015, direct Travel & Tourism GDP contracted again in 2016 in North Africa. Continued weakness in Egypt (-16.1%) in the aftermath of further terror attacks and bombings has driven this wider regional decline, with Egypt's direct Travel & Tourism GDP now about 50% below its 2008 peak level. The large devaluation of the Egyptian pound in 2016 and resulting boost to competitiveness, on top of already large price discounting and excess supply capacity, should help the Travel & Tourism sector to recover from its current low base but it could be very challenging to restore average dollar spend values to previous levels.

2017 DIRECT T&T GDP CONTRIBUTION GROWTH

In 2017, all world sub-regions are expected to experience growth in direct Travel & Tourism GDP. South East Asia and South Asia are expected to be the fastest growing world regions with growth of around 6.5-7%. This year is also expected to mark a turnaround in fortunes for Latin America (2.0%) and North Africa (2.8%) as modest growth returns after weakness in 2016.

Region	Growth
SOUTH EAST ASIA	7.3%
SOUTH ASIA	6.6%
NORTHEAST ASIA	5.9%
MIDDLE EAST	4.5%
SUB-SAHARAN AFRICA	4.4%
CARIBBEAN	4.0%
OCEANIA	3.9%
WORLD	3.8%
CENTRAL ASIA	2.9%
EUROPE	2.8%
NORTH AMERICA	2.7%
NORTH AFRICA	2.6%
LATIN AMERICA	2.0%

REGIONAL LONG-TERM FORECAST

South Asia is expected to be the fastest growing world region over the next 10 years, with average annual direct T&T GDP growth of 6.7% expected, with strong growth in India (6.8%) the driving force. In China long term annual average growth of 7.5% is expected, with the Travel & Tourism sector being increasingly viewed as a high-potential priority sector by authorities, which has led to an upgrade in our long-term Travel & Tourism investment forecast. Northeast Asia overall is forecast to grow by 5.9% per year, ahead of Southeast Asia where average annual growth of 5.7% is expected. The next tier of sub-regions, with growth in the 3-5% bracket include Sub-Saharan Africa (4.8%), the Middle East (4.6%), North Africa (4.0%), the Caribbean (3.6%), Latin America (3.5%) and North America (3.2%). Slower, yet robust growth is expected in Oceania (2.9%) and Europe (2.4%).

COUNTRIES SHOWING STRONG INTERNATIONAL TRAVEL & TOURISM GROWTH

Travel & Tourism has been outpacing the global economy for the past six years, which is reflected in the growth figures for individual countries as well. Several countries have shown especially dramatic growth in visitor exports over this time period. They have seen significantly increased inflow of tourism spending, thanks to prioritisation of tourism, opening borders, infrastructure investment, and promotional efforts, among other factors.

VISITOR EXPORTS: ANNUAL AVERAGE GROWTH 2010-2016

73.5%	49.8%	36.4%	34.1%
MYANMAR	SUDAN	AZERBAIJAN	QATAR

30.1%	26.4%	25.5%	22.7%	20.0%	19.5%
SAO TOME & PRINCIPE	SRI LANKA	CAMEROON	GEORGIA	ICELAND	KYRGYZSTAN
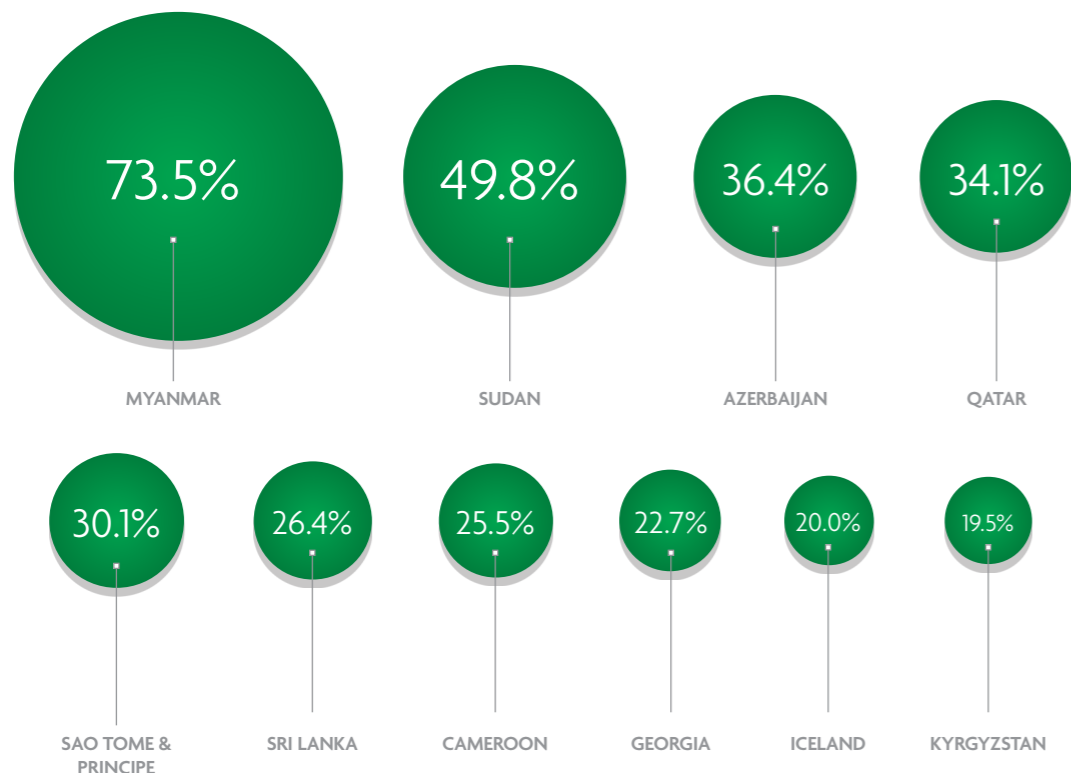
WHICH COUNTRIES PERFORMED BEST IN 2016?

At country level, amongst the fastest growing Travel & Tourism economies in 2016 and buoyed by strong inbound international visitor spending were Azerbaijan (46.1%), Mongolia (24.4%), Iceland (20.1%), Cyprus (15.4%), Kazakhstan (15.2%), Moldova (14.2%), Costa Rica (12.1%), Georgia (11.2%), Sri Lanka (10.7%), and Thailand (10.7%), which grew even more strongly than fast growth markets like India (8.5%), China (8.1%), and Indonesia (5.8%).

TRAVEL & TOURISM OUTPERFORMING ECONOMY

At country level, direct Travel & Tourism GDP growth also outpaced economy-wide GDP growth in 116 of the 185 countries covered by this research.

Bulgaria, Cyprus, Iceland, Qatar, and Thailand are some of the countries which saw their Travel & Tourism sectors outperform the general economy most significantly.

G20 countries whose Travel & Tourism performed better than the economy as a whole in 2016 include Australia, Canada, China, India, Mexico and South Africa.

WHICH ARE THE COUNTRIES TO WATCH IN THE FUTURE?

At country level, the fastest growing larger Travel & Tourism countries are expected to be China, India, Thailand, and Indonesia. By 2027, China is expected to have overtaken the USA in terms of total Travel & Tourism GDP, domestic Travel & Tourism spending and investment. However, the USA is expected to remain on top in terms of direct Travel & Tourism GDP, visitor exports and business travel spending.

TOTAL CONTRIBUTION TO GDP 2016–2027

2016	
TOTAL GDP	**CONSTANT US$BN**
United States	1509.2
China	1000.7
Germany	376.7
Japan	343.2
United Kingdom	283.2
France	221.3
India	208.9
Italy	207.6
Spain	177.2
Mexico	165.9

2027		
	TOTAL GDP	**CONSTANT US$BN**
▲	China	2150.0
▼	United States	2099.6
►	Germany	479.3
▲	India	424.5
▼	Japan	403.1
▼	United Kingdom	363.7
▼	France	268.3
►	Italy	245.3
▲	Mexico	232.1
▼	Spain	219.2

India is expected to establish itself as the fourth largest Travel & Tourism economy by 2027, both in terms of direct and total GDP, only behind China, the USA and Germany. Thailand is expected to continue its fast-paced growth and become the third largest market for visitor exports by 2027, taking over Spain which is expected to drop to fourth place. Other notable countries expected to move up the Travel & Tourism GDP rankings considerably by 2027 include Qatar, UAE, and Vietnam.

Amongst the smaller economies Kyrgyzstan, Namibia, Myanmar, and Rwanda are expected to be star performers in terms of Travel & Tourism growth to 2027.

BREXIT

In 2016, the value of the sterling dropped sharply, by around 15%, in the aftermath of the EU referendum vote and has shown no signs of recovery since. Despite this, there was little evidence of a boost to inbound travel in 2016 from the depreciated sterling, with the more noticeable impact likely to occur in 2017. Similarly, a significant slowdown in the UK economy is expected this year as Brexit related uncertainty weighs on consumer spending and investment.

Thus, in 2017, the economic fallout from the Brexit vote is expected to have diverging implications for domestic and international Travel & Tourism spending. Due to higher inflation and weakened consumer spending prospects, the domestic Travel & Tourism spending outlook has been downgraded. At the same time, the depreciated value of sterling should provide a boost to inbound international spending. Outbound Travel & Tourism spending from the UK was very strong in 2015 and 2016, but should slow considerably in 2017 through a combination of the weaker consumer outlook and the exchange rate depreciation, with the latter expected to switch some demand from international to domestic. Overall, direct Travel & Tourism GDP growth in the UK is expected to slow to 2.9% in 2017, down from 3.2% last year.

LEAGUE TABLES

WTTC looks at the economic impact of Travel & Tourism across 185 countries, in terms of the four major indicators of GDP contribution, employment, visitor exports, and investment. This allows for comparisons across countries, now and over the next 10 years.

The league tables below highlight a selection of the interesting results from the latest data, showing the countries which are performing the best and expected to grow the fastest.

In which countries was the direct contribution of Travel & Tourism to GDP greatest in 2016?

DIRECT GDP CONTRIBUTION 2016	
ABSOLUTE TERMS	CONSTANT US$BN
United States	503.7
China	275.2
Germany	138.1
Japan	110.5
United Kingdom	90.0
France	89.8
India	86.2
Italy	76.7
Spain	71.1
Mexico	63.7

DIRECT GDP CONTRIBUTION 2016	
RELATIVE TERMS	% TOTAL OF GDP
Maldives	40.9
British Virgin Islands	34.3
Aruba	28.6
Macau	27.3
Former Netherlands Antilles	23.3
Seychelles	22.0
Bahamas	19.8
Anguilla	19.2
Vanuatu	17.2
Cape Verde	17.2

In which countries did the direct contribution of Travel & Tourism to GDP grow fastest in 2016, and in which countries will it grow fastest from 2017–2027?

DIRECT GDP CONTRIBUTION GROWTH 2016	
DIRECT GDP	REAL GROWTH %
Azerbaijan	46.1
Mongolia	24.4
Iceland	20.1
Cyprus	15.4
Kazakhstan	15.2
Moldova	14.2
Costa Rica	12.1
Georgia	11.2
Thailand	10.7
Sri Lanka	10.7

DIRECT GDP CONTRIBUTION GROWTH 2017–2027	
DIRECT GDP	10 YEAR REAL GROWTH, % (ANNUALISED)
Namibia	7.9
Kyrgyzstan	7.6
China	7.5
Rwanda	7.4
Myanmar	7.4
Uganda	7.0
St Lucia	6.8
India	6.8
Tanzania	6.8
Thailand	6.7

In which countries will the direct contribution of Travel & Tourism to employment grow fastest from 2017–2027, and in which countries will this contribution be greatest in 2027?
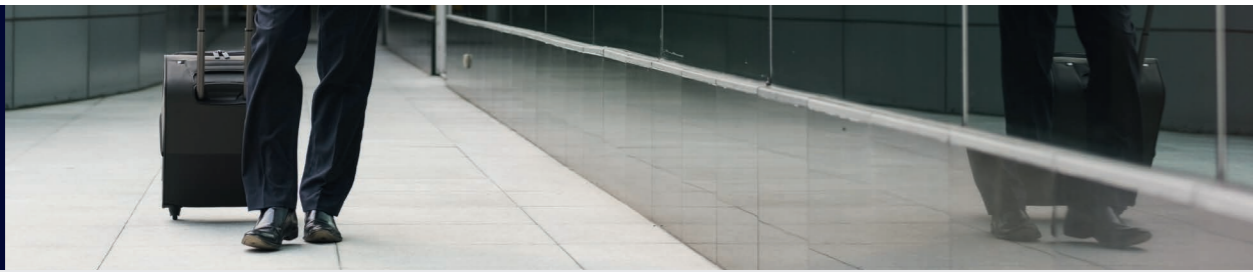
DIRECT EMPLOYMENT CONTRIBUTION 2017–2027	
T&T DIRECT EMPLOYMENT	10 YEAR REAL GROWTH, % (ANNUALISED)
Gabon	6.6
Tajikistan	5.6
Belize	5.3
Turkey	5.1
Cape Verde	5.1
Thailand	5.0
Uganda	4.9
St Kitts & Nevis	4.9
Myanmar	4.8
Cambodia	4.8

DIRECT EMPLOYMENT CONTRIBUTION 2017	
T&T DIRECT EMPLOYMENT	'000 JOBS
India	31910.2
China	28194.2
United States	7073.9
Mexico	4993.7
Thailand	4009.4
Germany	3475.7
Brazil	3272.0
Philippines	2962.6
Indonesia	2516.9
Vietnam	2294.7

In which countries were visitor exports the greatest in 2016, and in which countries did visitor exports grow fastest?

VISITOR EXPORTS 2016	
RELATIVE TERMS	% OF TOTAL EXPORTS
Anguilla	93.0
Macau	87.0
Maldives	78.5
Sao Tome & Principe	73.0
Antigua & Barbuda	67.4
Cape Verde	66.4
Aruba	65.7
British Virgin Islands	64.7
Bahamas	62.2
Barbados	62.1

VISITOR EXPORTS GROWTH 2016	
FASTEST GROWING	REAL GROWTH, %
Nigeria	101.4
Azerbaijan	70.6
Kazakhstan	44.1
Mongolia	42.2
Iceland	27.5
Mexico	23.8
Sierra Leone	17.5
Cyprus	17.1
Lesotho	16.8
Tajikistan	16.0

In which countries was capital investment in Travel & Tourism highest in 2016, and in which countries will it grow fastest between 2017–2027?

T&T INVESTMENT 2016	
ABSOLUTE TERMS	CONSTANT US$BN
United States	160.8
China	137.6
France	37.2
Japan	34.4
India	34.0
Saudi Arabia	28.6
Germany	27.2
United Kingdom	21.2
Brazil	17.5
Turkey	17.5

T&T INVESTMENT GROWTH 2017–2027	
INVESTMENT	10 YEAR REAL GROWTH, % (ANNUALISED)
United Arab Emirates	11.0
Myanmar	9.6
Bangladesh	9.3
Qatar	9.2
Gambia	8.9
Cape Verde	8.6
Honduras	8.4
Pakistan	8.0
Sierra Leone	7.2
China	6.9

HOW MONEY TRAVELS
THE DIRECT, INDIRECT, AND INDUCED EFFECT OF TOURISM SPENDING

TRAVELLERS PAY DIRECTLY TO…
Airlines, coaches, rental cars, trains, cruise lines, travel agents, hotels, convention centres, restaurants, shopping centres, sports arenas, entertainment, theatre, recreation etc.

DIRECT

THESE ARE SUPPLIED BY…
outside goods and services such as marketing and PR, cleaning and maintenance, energy providers, catering and food production, design and print etc.

INDIRECT

BOTH OF WHICH CREATE JOBS…
which pay salaries, wages, profits, and taxes

JOBS

WHICH PAY INTO…
infrastructure, agriculture, technology, real estate, communications, education, banks, healthcare and more.

INDUCED

This chart highlights the way in which the economic contribution of Travel & Tourism spreads far beyond the direct transactions made by tourists. WTTC's analysis examines the economic contribution of Travel & Tourism on three levels:

- **DIRECT** includes only direct transactions by tourists for tourism services and products such as accommodation, recreation, transportation, and other related sectors.
- **INDIRECT** measures the supply chain impact.
- **INDUCED** measures the impact of money spent in the local economy by employees working in jobs supported by tourism both directly and indirectly.

Adding together the direct, indirect, and induced impacts shows the total economic impact of Travel & Tourism.

INDUSTRY PARTNER INSIGHTS

"Future growth and success for the sector also depends on recognising trends which will drive future travel habits and consumer expectations."

David Scowsill, President & CEO, World Travel & Tourism Council

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TRENDS DEFINING THE GLOBAL TRAVEL INDUSTRY IN 2017

Adam Weissenberg
Global Leader for Travel, Hospitality and Leisure, Deloitte

The world of travel and hospitality has entered a new era of growth and transformation. Global business travel spending hit a record-breaking $1.2 trillion in 2015, up five percent from the previous year.[1] In the United States, renewed consumer confidence, along with a shift in household spending from goods to services and experiences[2] (Figure 1) helped leisure travel gross bookings sustain a growth rate well ahead of gross domestic product (GDP).[3] Healthy booking trends in the business segment, as well as growth in some of the world's largest leisure markets, will fuel global travel growth in 2017. Direct travel & tourism GDP growth is projected to reach 3.8%, outpacing broader global GDP growth of 2.5%[4].

While healthy booking growth is projected to continue across the leisure and business fronts in 2017, the spoils are not guaranteed to travel's biggest or most-well-known brands. The past few years taught established industry incumbents to never again underestimate a seemingly innocent travel startup.

A combination of forces, including shifts in the global economy, game-changing innovation, geo-political turmoil, natural disasters, pandemics, and rising consumer demands reshaped the travel landscape in 2016. Expect a similar climate in 2017. Below, we reflect upon powerful elements of change in our industry, including evolving consumer mindsets, enabling technologies, rising forms of risk and platforms, and how they may all transform travel in 2017.

[1] Global Business Travel Association Press Release, June 11, 2016
[2] Deloitte's Retail Volatility Index 2016
[3] Phocuswright's Online Travel Overview: 15th Edition
[4] WTTC projections (March 2017)

Global business travel spending hit a record-breaking $1.2 trillion in 2015, up five percent from the previous year

Fig 1. CONSUMER EXPENDITURE
(% of total household expenditure)

Source: US Bureau of Labor Statistics, 2016
Note: Goods include Food & Drinks, Tobacco, Clothing & Footwear, and household goods
Services include Communications, Leisure & Recreation, Hotels & Catering

TRAVEL BRANDS STILL ASPIRE TO MEET HIGH CUSTOMER EXPECTATIONS SET BY NON-TRAVEL BRANDS

With the exception of frequent business travellers, most consumers in even the most mature global travel markets like the USA and Europe do not travel very often—maybe two or three times a year. Consequently, their exposure to travel brands is relatively limited. Everyday brands, however, showcase their innovation and services to their customers often—sometimes daily. Many well-known brands, such as Amazon and Starbucks, are leading on the customer experience front and setting the bar quite high for consumers' brand expectations. Travel and hospitality brands will find themselves subject to the

Well-known brands, such as Amazon and Starbucks, are leading the way in customer experience

same expectations. Those able to capitalise on these changing expectations with speed and agility are more likely to capture their share of the billions of additional dollars that will be spent on travel in 2017. Experience is now integral to core travel product offerings.

But what exactly are these expectations? While different businesses offer consumers various products and services, there are overarching themes around how expectations are changing—and these generally centre around authenticity, personalised experiences, removal of friction and on-demand functionality.

NAVIGATING THE TECHNOLOGY PARADOX

From augmented and virtual reality to the Internet of Things (IoT), the promise of emerging technology has never been greater. When it comes to leveraging new technology, today's travel brands have a daunting amount of choice. 2017 should be the year travel companies think beyond the "what" of technology innovation and proliferation —the shiny devices, applications, and capabilities—and understand what technologies consumers are ready to adopt, and what experiences will drive real value. Travel companies must

first envision the customer experience they want to deliver. Then, they can explore the technology options best suited to support their goals. Companies should resist the urge to invest in new technology simply because it seems innovative.

TRAVEL BRANDS PRIORITISE RISK MANAGEMENT

The influence of Brexit and recent terrorist acts in Western Europe are reminders that, while globalisation has brought innumerable benefits to the travel market, interdependence also has its downsides. Pandemics such as the Zika virus can also have regional and global impact on travel behaviour.

Additionally, travel and hospitality companies will become more vulnerable to other risks in 2017, such as cyber-attacks and food safety. Data breaches are happening more often—and with unprecedented sophistication. In the months ahead, mitigating cyber-risk will only prove more challenging as travel companies continue to open their 'doors' to new technology enablers and third-party vendors. And, in an effort to satisfy the enormous demand for locally-sourced, organic food options, restaurants and hotels are leaving themselves more exposed to food safety incidents. Investing in Enterprise Risk Management (ERM) is no longer an option for travel and hospitality companies. Thoughtful awareness of risk should be embedded into the very fabric of the organisation—with senior executive and board level support.

CONCEPTUALISE YOUR BRAND AS A PLATFORM... AND SEEK NEW AVENUES TO SCALE

Finally, in 2017, we urge travel companies to conceptualise their brands as platforms

for new opportunity and growth. Travel is fragmented across many micro-experiences. For example, during a single trip, a traveller may transact with a variety of suppliers and businesses—including hotels and private accommodations, airlines, cruise ships, and multiple modes of ground transportation. And don't forget destination activities and shopping. Most travel companies operate in just one (or maybe a few) of these verticals. With organic growth hard to come by in today's competitive market, travel brands must realise the benefits of scaling across the travel experience—rather than only trying to grow within their vertical.

## CUSTOMER EXPERIENCE WILL DRIVE MORE LOYALTY THAN POINTS AND MILES

For years, travel suppliers have been trying to crack consumer loyalty by offering intricate programs and schemes. 2017 calls for a shift in thinking to make customer experience paramount. Over the next 12 months, travel companies should leverage an increased awareness of customer expectations, re-imagined technology strategy, and differentiated offerings to provide unmatched travel experiences. Loyalty will follow.

Thank you to Marcello Gasdia (Center for Industry Insights at Deloitte) for his contribution to this piece.

TECHNOLOGY TRENDS & THE FUTURE OF TRAVEL
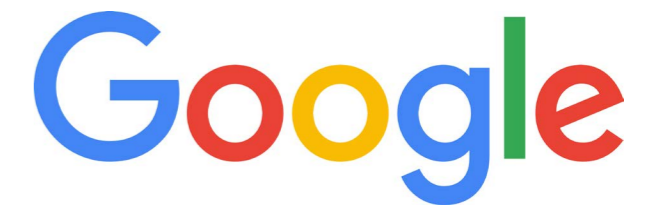
Rob Torres
Managing Director, Google

A t Google, we believe that we are only 1% of the way to how technology will transform our lives and businesses. The foundation of acceleration for the next 99% has been fully coming into place with the combination of mobile devices, increased connectivity, and machine learning. We believe this combination of transformational technology will challenge each company to reimagine their core business, resulting in new and innovative approaches to the historic complexities of our industry.
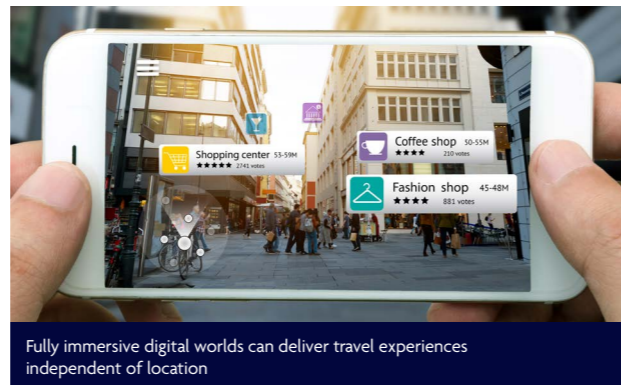
Fully immersive digital worlds can deliver travel experiences independent of location
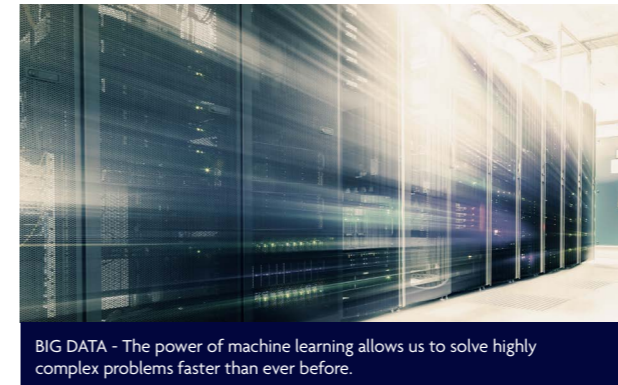
BIG DATA - The power of machine learning allows us to solve highly complex problems faster than ever before.
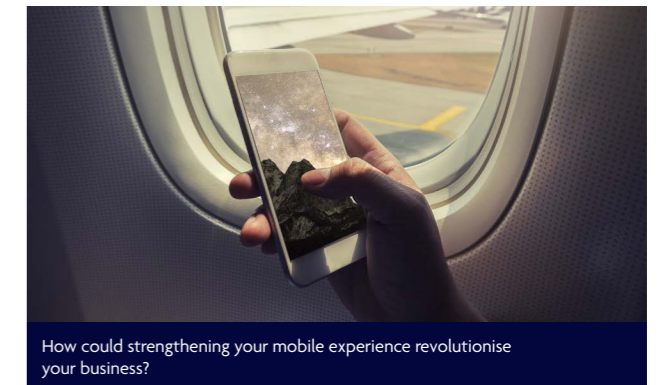
How could strengthening your mobile experience revolutionise your business?

MOBILE-FIRST USER EXPERIENCE

Over the next 4 years, another 1 billion people globally will be coming online in emerging markets; for the vast majority of these people, a mobile device will be their only computing device. A burgeoning population of mobile users, however, remains starkly in contrast to the slow pace of mobile development that we see across travel companies at large.

The onus of being mobile-first is now on travel companies; we owe it to global mobile users to both improve baseline experience (in terms of speed and usability) as well as to take advantage of the powerful capabilities of mobile devices (there are about 10 distinct sensors in most smartphones). Progressive Web App technology is delivering lightning fast speeds for companies like MakeMyTrip and Booking.com as well as offline functionality for AirBerlin passengers on the go. Uber, which used the power of GPS to revolutionise transportation, recently allowed travellers to book simply via phone number in India, where downloading the full app might present a barrier for many users.

From initial research to on-location assistance, mobile devices have the ability to truly transform the core of travel experience... but only if companies reimagine their offering in a user and mobile-first way.

SO WHAT?
* Deliver a mobile experience that assists the traveller, agnostic of web vs. app channel
* Develop for fast page load times (goal of ~2 seconds) on global networks (2-3G)
* Leverage mobile technologies (e.g. GPS, accelerometer, camera) to create inspirational or highly useful travel experiences

IMMERSIVE CONNECTIVITY

A few years ago, I wrote that true transformation would occur when travellers were being assisted by technology, but the technology itself was no longer noticeable. Between increased overall connectivity across device types and the rise in virtual/augmented reality, we appear to be moving solidly in that direction.

Computing infuses our daily lives, built increasingly on devices that work together to solve complex user problems. Our TVs and phones are connected through systems that extend to our cars, our thermostats, our watches. Correspondingly, as connected devices become ubiquitous, the dominance and even physical presence of any one specific device fades.

New ways of interacting with computing also accelerate this trend. Progress in natural language processing means we will use fewer keyboards; for the global traveller, being able to converse, without stopping to type, will be transformational. Virtual reality (fully immersive digital worlds) can deliver travel experiences independent of location. Augmented reality (digital objects presented in the physical world) enables an entirely new layer of interaction with one's surroundings.

Ironically, with more devices and technologies, we are able to focus more closely on the experience being delivered.

SO WHAT?
* Develop relevant technology partnerships to create experiences that delight your user
* Deliver compelling brand experiences that extend beyond your existing consumer base

MACHINE LEARNING

Major technology shifts come in roughly decade-long waves - from the PC to the web to the smartphone. Though travel, as an industry, is still playing catchup in terms of mobile adoption, broader technological shifts are already driving us all to consider the next wave: machine learning. What is machine learning? Simply put, it means that computers don't need to be told exactly what to do. They can be given an objective and lots of data and then teach themselves how best to achieve the objective.

The concept of machine learning may be applied to transform nearly every component of how businesses function. One example of this connects back to the importance of mobile experience: Google recently partnered with leading data analytics company SOASTA to use machine learning to determine the biggest drivers of mobile bounce rate and conversion rate.[1]

The power of machine learning allows us to solve highly complex problems faster than ever before. Most importantly, the nature of this data-driven transformation is that it is something that any company, no matter how big or small, can use to evolve or scale their business for the future.

SO WHAT?
* Leverage existing machine learning algorithms, like the open source code from SOASTA, to improve insights and business operations
* Hire and develop a strong data science team, employing the best and brightest to innovate with your company's goals in mind

1 https://www.thinkwithgoogle.com/articles/mobile-page-speed-load-time.html

CHALLENGE YOUR THINKING

Travel companies cannot hope to simply add new features to old business models and succeed. Instead, we must always keep our eyes to the horizon, thinking about how certain transformational technology will allow us to reimagine our business in ways that benefit the user and the industry.

* Is your mobile experience fast, simple, and delightful? How can mobile experiences strengthen, and possibly even revolutionise, your core business?
* Are you leveraging the connectivity of devices or immersive experience to deliver a superior discovery, booking, and/or travel experience?
* How can you use machine learning to solve the biggest challenges in your business?

TOURISM & WORLD PEACE IN THE COGNITIVE ERA

Dee K Waddell
General Manager, Global Travel & Transportation Industry, IBM

Travel is more than an industry; it is the physical mechanism through which citizens of the world come to understand and appreciate other places and peoples on the Earth we share. Those who believe, as we do, that an improved understanding of others leads to deeper appreciation of their cultures and views they hold will agree that finding ways to help people travel more has the potential to make the world, or at least those who are able to travel, a bit more peaceful. This is a noble ambition for our industry, and should serve as a motivation for us all to continue to make travel easier, cheaper, and more enjoyable. Artificial intelligence (AI), or what we at IBM call cognitive computing, has the potential to improve travel in exactly these ways.

SIMPLICITY
Anyone who has taken a trip knows that while travel is a beneficial an enriching experience, it is often complicated and at times frustrating. This is because travel is not a simple business, and although a host of companies promise to make everything from shopping for a vacation package to checking-in for a flight simple and easy, many travellers feel these procedures work against the goals of simplicity and efficiency. Cognitive computing, with its ability to understand the travel context and apply traveller-specific preferences to each step in the travel journey, can ease this burden by using data to further automate even the most complex travel processes. Context-driven personalisation, and the opportunities it will create for travellers and travel providers, is the primary focus of our recent publication titled "Beyond bots and robots: Exploring the unrealized potential of cognitive computing in the travel industry."[1] Cognitive systems can help make shopping a simple and personal process, and give travel providers the power to simplify each subsequent step in the travel process.

SECURITY
Process improvements benefit both travellers and travel providers, but security processes, more than most others, are ripe for cognitive-enabled improvements. Cognitive systems have the power to understand the context of airport, aircraft, and at property security in new ways. As opposed to current systems, most of which are designed to treat all actors as equally likely threats, cognitive systems can apply a more probability-informed assessment of threats, thereby directing more resources to the highest threats, and less to actors who deserve the least scrutiny. The International Air Transport Association (IATA) recently published a whitepaper on a process it calls "one identity" [2] in which it extolls the benefits of cognitive-enhanced security to the air travel industry. Additionally, AI tools can also be used to passively monitor entire environments with cognitive-enabled video and speech systems. Cognitive tools have the power to make travel safer, while reducing the stress and hassle associated with traveller screening.

SEGMENTATION
Although there are exceptions to nearly everything in the travel industry, most travel providers offer two or three levels of service. On an airline, there is generally an economy section, a business class section, and a first class section. Hotels and rental car companies follow similar logic offering elite members of their loyalty programmes a higher level of service (often shorter lines, member-only support channels, and special assets). In an era of cognitive computer, consumers will soon begin to expect much more granular segmentation. AI can help airlines, hotels, and rental car companies offer dozens of unique service experiences, and it can also help direct customers to those experiences they are most likely to prefer. In this way, cognitive systems will help the travel industry realize its long-held vision of delivering personalised marketing and service to each customer. While it has been discussed and debated for decades, delivering personalization will be a revolutionary improvement to all aspects of the travel experience.

THE COLLECTIVE IMPACTS OF COGNITIVE COMPUTING ON TOURISM AND WORLD PEACE
Applying cognitive computing to the industry will improve travel in many ways, and the benefits these changes will bring about are significant. Cognitive technologies will make travel more simple by automating the ordinary and delivering the extraordinary. Travel will be made safer through the application of cognitive tools that help the industry direct security resources to the threats that deserve the most attention. Finally, but perhaps most importantly, cognitive tools will help the industry serve its customers as individuals, as opposed to members of a generic travel segment or demographic category. Collectively, these cognitive-driven innovations help diminish the current barriers to travel, leading to more travel, and an increase in our individual understanding of the people and places that make our world special. Therefore, in small but important ways, the application of cognitive computing to the travel industry will improve the prospects of world peace.

1   https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=GBE03776USEN
2   http://www.iata.org/whatwedo/stb/Documents/2016-White-Paper.pdf

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THE JCB WAY: PAYMENT GLOCALISATION

Koremitsu Sannomiya
President and COO, JCB International Co., Ltd.

March 31st 2014. That is the day when the sales of traveller's checks, which for a long time had been a must-have for travelling, were terminated in Japan. I recall the strong emotion I felt at the time because payment cards had now become common as a payment method for travellers after more than a half century had passed since they were introduced in the 1950s.

In the history of payments, travellers first paid with cash, then with traveller's checks, and now with payment cards, resulting in more convenient and secure payment than ever before. While this development has led to growth in consumption at the destination, the needs of travellers have also led to evolution in the payment system, which has created a positive spiral. The tourism industry and the payment card industry have been, and will continue, growing synergistically.

The penetration of payment cards has been brought about by common global standards developed by the global payment schemes and the infrastructure set up by payment operators in each country in accordance with the global standards. Thanks to this effort travellers can use their payment card with confidence regardless of country or currency, and enjoy a more diversified range of travel activities than before.

However, while the payment system has secured interoperability at the global level, now we are seeing something different. That is the new trend toward localisation: the pursuit of local identity and profit, exemplified by inbound travel visa restrictions and trade protectionism. While diverse reasons are given, such as the protection of personal information or economic rationality, more and more local and regional payment schemes pursuing local identity are appearing in various areas. Local scheme payment systems have a unique identity that improves convenience for local cardholders' day-to-day payment based on the infrastructure and business practice. However, while that kind of payment system should be respected, it only benefits cardholders inside the country, and causes the loss of universal acceptance outside the country. In addition, local schemes need to address information security and anti-money laundering measures as well as high-cost infrastructure, which require high expertise and technical skills. It's quite challenging for local schemes to set up and maintain their infrastructure.

That is why we, as one of the global payment schemes, believe it is time to further evolve our payment systems. We have come to the conclusion that it is essential to connect the universal acceptance we have created so far with unique identity leveraging regional characteristics so that cardholders can enjoy the benefits of both a global brand and a local brand with one payment card. In other words, what JCB must aim for is to realise payment 'glocalisation' which enables a seamless connection between the local and the global.

Based on this idea, we are working to support and collaborate with local schemes by providing the functions and know-how of the JCB payment system. That will enable the local scheme to set up an infrastructure combining local identity with global versatility with a minimum amount of effort and time.

Another big movement is the evolution of technology such as smart phones. Each individual person has a smart phone which is connected with an information network and utilises new services such as Google Maps and Uber to diversify travel style and enjoyment. In the payment industry, we are also seeing innovative technologies and services, such as Fintech.

We are committed to respecting the needs and market environment of each locality, and expanding payment schemes that provide users with better services by utilising the latest technology based on the expertise JCB has built up over the years without being trapped in traditional methods.

We are therefore aiming to achieve further growth and expansion together with the tourism industry so that all users in the world can enjoy travelling with greater confidence than ever before.

HOSPITALITY & TOURISM INVESTMENT: FORCES FOR THE FUTURE

Lauro Ferroni

Senior Vice President, Research and Strategic Advisory, JLL

T he travel and tourism sector generates nearly 10% of economic output and supports 1 in 11 jobs in the global economy, making it a critical global industry. JLL examines several sweeping global trends, and how they stand to impact the future of hotel investment.

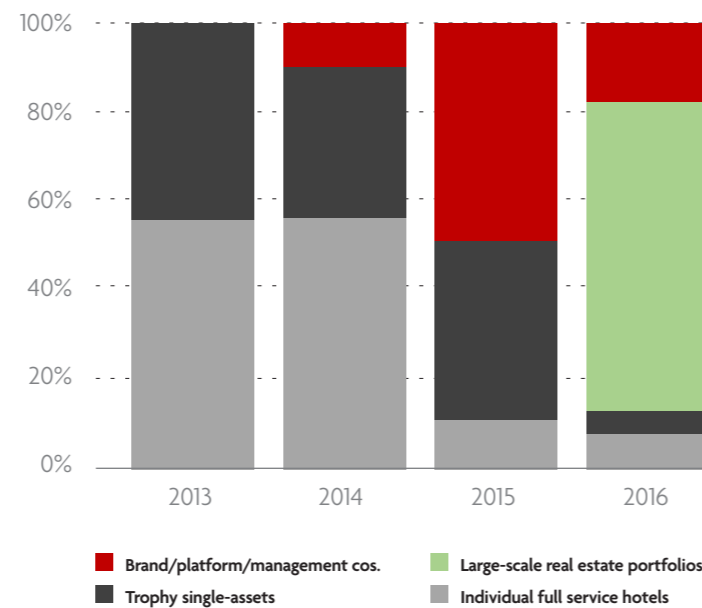## ROLE OF CHINESE CAPITAL IN THE GLOBAL HOSPITALITY INDUSTRY

Having only made large outbound investments starting in 2012, Chinese investors have quickly become a major force to reckon with in the global hospitality industry. The increase in outbound travel spend of Chinese travellers has been closely correlated with Chinese investors' purchase of assets in the sector. Mainland Chinese' investments in hotel real estate and hospitality companies outside of China grew by a compound annual growth rate of 130% from 2012 to 2016. Last year, Chinese investment in hotel real estate was the largest spend on hotel transaction stemming from any one country other than the United States.

Moreover, the Chinese investors' strategy has evolved notably during this short timeframe. They started off by targeting one-off hotel acquisitions, a strategy which quickly turned to trophy hotels such as Anbang Insurance Group's purchase of the Waldorf Astoria New York and Sunshine Insurance Group's acquisition of the Baccarat Hotel & Residences New York.

This quickly-evolving outbound capital source did not stop here. Since 2014, Chinese buyers set their sights on corporate entities and brand/operating platforms, such as Shanghai Jin Jiang International Hotels Group Co.'s purchase of Louvre Hotels Group and HNA Tourism Group Co. Ltd's purchase of Carlson Hotels. The market has also seen Chinese groups investing in travel companies such as Fosun International's stake purchased in Thomas Cook Group. Investors are targeting vertical integration, seeking to own portions of the entire spectrum, from booking to travel to hotel stay.

In 2016, the focus shifted to large-scale portfolios of hotel assets led by Anbang Insurance Group's purchase of Strategic Hotels & Resorts. In addition, Chinese developers are funding multi-hundred-million-dollar mixed-used, hotel-anchored developments in Los Angeles, Chicago, and London.

MAINLAND CHINESE OUTBOUND CAPITAL FLOWS INTO HOSPITALITY SECTOR: PROPORTION BY TYPE OF INVESTMENT

Legend:
- Brand/platform/management cos.
- Trophy single-assets
- Large-scale real estate portfolios
- Individual full service hotels

But after reaching a staggering $11.7 billion in 2016, the amount deployed by mainland Chinese companies in the global hospitality sector will likely reset in 2017 as Chinese regulators look to cool capital outflows amid a weakening currency. China is now taking a more cautious stance on outflows, introducing curbs on purchases that are not part of a company's core business.

While there will be short-term slowdown and delays, few long-term structural changes are expected. Even at low leverage, Chinese investors are often able to realize returns of 15% in the U.S. and Europe, which can exceed those at home. This, coupled with the investors' long-term hold continue to make offshore investments a favorable prospect.

The trend of Chinese capital 'going out' for real estate won't stop. If anything, it is going to gather momentum due to the country's enormous capital base. The strong projections for the movement of people will lead to the ongoing desire to move capital around the globe.

EVOLVING PHYSICAL SPACES CHANGING HOW PEOPLE TRAVEL

The globe's approximately 16.5 million hotel rooms have been joined by several million home sharing listings. At the same time, hotel occupied room nights are at all-time highs, suggesting that the home sharing model is leading to new, induced demand. Impact from home rental sites and alternative accommodations remains relatively small in the grand scheme of the global hotel sector. The alternative accommodations market is estimated at approximately 10% of hotel room bookings in gateways such as New York, London, and Paris.

Alternative accommodations have notable runway for growth in secondary and tertiary markets, but research suggests that the number of home sharing room nights accommodated is plateauing in urban gateway cities; due in part to new regulations and the number of willing hosts reaching a structural ceiling.

Alternative accommodations primarily tend to take share from lower-tier hotels, but a significant portion of the demand, often as much as 30% to 50%, is induced, meaning that those visitors may not have made the trip had it not been for what is often a lower-priced option.

The lines between traditional hotels, serviced apartments, and home sharing will continue to blur. Hotel companies are yearning to become fully integrated accommodations providers. Also blurring are the lines between business and leisure travel, which has its own implications for the sector. The trend is for more localised experiences, and in many cases for smaller and unique rooms.

ENDURANCE AGAINST THE ODDS AMID A NEW WORLD ORDER

With headlines about travel restrictions abounding and the world making sense of resurging populist movements, the hotel investment community asks itself where we will go from here. But travel is here to stay; mature economies will continue to spend increasing amounts on travel and emerging powerhouses—despite renewed political pressures and slowing economic growth—cannot keep a lid on double-digit growth in outbound travellers. These forces stand to underpin tourism and travel markets, and as goes the flow of people, so do investors' capital flows.

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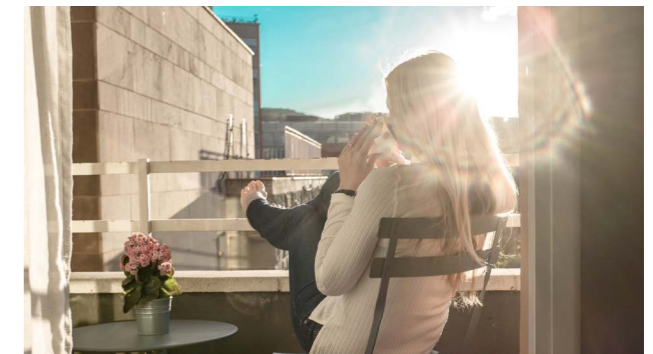
New regulations and structural limitations could be partly responsible for a plateau in homesharing accommodations in urban gateway cities.

The lines between traditional hotels, serviced apartments, and home sharing will continue to blur.

Research suggests that the home sharing model is leading to new, induced demand.

PARTNERING FOR INCLUSIVE GROWTH: FROM DIGITAL DIVIDE TO DIGITAL DIVIDEND

Carlos J. Menendez
President Enterprise Partnerships, Mastercard

For all of us, travel is a way to escape from the day-to-day grind. Yet, for nearly 300 million people across the globe – representing one in every 10 jobs – travel-related activities provide work and income, making the tourism industry one of the largest global employers.

Over the last 50 years, the industry has invested billions of dollars in destinations – often laying the foundation for broader economic development. As the world has become smaller and as almost every corner of the globe is more accessible for many, the UN Year of Sustainable Tourism for Development is a reminder that more work is needed to channel the positive forces of travel and tourism.

Tourism is already a vital sector for development across all continents. In countries like the UK, Greece and Thailand, it accounts for between 3.4 to 9.2 percent of GDP, according to the World Travel & Tourism Council (WTTC). However, the economic benefits of tourism are not always shared equally – it is the big cities or those with the main tourist attractions that reap most, if not all, of the benefits. Anyone interested in promoting tourism as a development strategy should consider ways to more equitably spread the benefits throughout a country. Looked at through this lens, Sustainable Development Goals[1] such as responsible use of natural resources, the broad creation of quality jobs and poverty reduction are all closely related.

COMPARING TOURIST SPENDING IN COLOMBIA AND THE NETHERLANDS

An analysis of international tourist spending[2] conducted by Harvard's Center for International Development in collaboration with the Mastercard Center for Inclusive Growth recently compared two countries, Colombia and the Netherlands. The top five destinations in Colombia account for 80 percent of total tourist spending. In comparison, tourist spending is widely dispersed in the Netherlands, with even the smallest municipality seeing a sizable number of foreign visitors. As a result, local small businesses in Colombia are less able to share the economic benefits of international tourist spending than their counterparts in the Netherlands.

Travellers are more likely to spend money in new countries where making payments is convenient and secure. When acceptance of card payments is limited to large establishments in big cities and up-market resorts, then the majority of local small businesses are missing sales opportunities. They are suffering from a digital divide – between those places that are connected to the digital payment economy and those that are not. Simply enabling greater acceptance of electronic payments in every community is one way to increase the opportunity for broader and inclusive growth.

LEVERAGING INSIGHTS AND TECHNOLOGIES

Mastercard sees the travel and tourism industry as a key partner on that journey. How do we do that beyond increased payment acceptance? As an example, data analytics can help small entrepreneurs establish credit to scale their business. Meanwhile, globally standard contactless and mobile technologies make access to public transport easier for these travellers – bringing new destinations within reach and also decreasing their carbon footprint. Furthermore, for many of these municipalities, clear insights into consumer spending trends can inform crowd management and urban planning, reducing congestion and improving daily life for tourists and residents alike.

There's an African proverb that says: "If you want to go fast, go alone. If you want to go far, go together." Today's challenges are way too big for any singular effort. At Mastercard, we believe in the power of partnering with governments, businesses, NGOs as well as organisations such as C40 Cities and WTTC.

Today's technologies give us clear insights and easy to use tools to advance sustainable and inclusive growth. Let's join together and embrace the opportunity to overcome a digital divide – and deliver a digital dividend into the hands of those that need it the most.

1 http://newsroom.mastercard.com/2015/10/12/how-mastercard-is-working-towards-the-sustainable-development-goals/
2 http://mastercardcenter.org/insights/tourism-inclusive-growth-colombia/

WHAT'S REALLY DRIVING THE GROWTH OF THE SHARING ECONOMY?

Alex Dichter & Nathan Seitzman
Senior Partner, and Associate Partner, McKinsey & Company

The sharing economy is challenging to define. The impact on incumbents is difficult to measure. But most importantly, the customer needs driving the success of the sharing economy are relatively unexplored.

Companies across numerous industries, including travel and tourism, are constantly seeking to better understand and respond to the growth of the sharing economy. Some responses are designed to directly capitalise on this growth while others are more defensive in nature. AccorHotels is a helpful example of this spectrum, with strategies ranging from acquisition (of high-end rental provider onefinestay) to new concept development (of the Jo&Joe brand that includes collaborative kitchens and other community elements).

Our clients from across the travel industry often ask: How can we most effectively respond? We believe there is a better place to start, whether the potential disruption in your sector is present today (e.g., lodging, ground transportation) or an unclear prospect (e.g., air, cruise): What deeper, unmet customer needs are really driving the growth of the sharing economy?

The traditional perspective is that this not-so-new sharing trend (see: Craigslist, Wikipedia, etc.) is rapidly expanding and disrupting industries due to under-utilised assets and labour; aggressive technology adoption; and pushing the regulatory and legal envelope.

If these were the only or primary drivers, then sharing success would be difficult for incumbents to learn from and respond to. The narrow path would likely focus on acquiring successful players or legal challenges and other largely defensive measures.

But a closer look suggests several deeper unmet customer needs that sharing economy leaders have identified and built their businesses around solving, including:

- Desire for authenticity, active discovery and being connected
- Distrust of many large institutions and brands
- Expectation of transparency and flexibility
- Appreciation for feedback loops
- Eagerness for simplified interactions and payments

Understanding and identifying these needs among your own customers opens an alternative path: addressing these customer needs in your core business. This is easy to write and harder to execute because the exact response must build on your existing sources of strength (e.g., brand positioning, operational excellence, loyalty programmes, and customer data). As a starting point consider the following strategies and illustrative examples below.

While some of these initiatives may already be on your roadmap (and other actions like M&A or building sharing capabilities may still be part of the solution), their potential to form the foundation of your sharing economy response makes them worthy of re-evaluation and prioritisation. Given the strong future outlook of sharing businesses, the best (and maybe the only) long-term approach for incumbents is to truly address these underlying customer needs.

STRATEGY	SHARING ECONOMY EXAMPLE	INCUMBENT EXAMPLE
Developing streamlined digital experiences across platforms that allow customers to quickly navigate and act	Indonesia's Go-Jek provides a single platform for ordering transportation, food, and personal services like cleaning and hair styling	Virgin America's mobile app shifts from emphasising booking to focusing on check-in beginning 24 hours before a scheduled flight
Enabling digitally-integrated customer journeys to improve transparency into processes like flight status and service requests	Food delivery services like PostMates and DoorDash offer real-time order and driver tracking	Numerous brands including Booking.com, Expedia, Hyatt and KLM have introduced messaging platforms and bots at various stages of the customer journey
Introducing instantaneous, single-click peer/customer feedback with proactive customer service to improve agent accountability	Transportation apps like Uber and Lyft provide single-click driver and rider rating systems	Marriott's "M Live" social media team engages in real-time conversations to deepen personal relationships with guests
Creating personalised service through more opportunities to connect people, like recommendations from local staff	Airbnb is expanding into peer-to-peer tours, activities and location guides	Delta uses a handheld "guest service tool" to help flight attendants identify key information like frequent-flier status and tight connection times and connect with travellers
Designing authentic, non-commoditised experiences, like differentiated cabin or room designs with stories and background	onefinestay's expanding portfolio of vacation rental properties focuses on distinctive homes in major cities like London, New York and Paris	AccorHotels has begun distributing independent hotels through AccorHotels.com and plans to reach thousands of properties over time
Drastically simplifying payments (and expanding the range of payment options) while providing full transparency into costs and fees	Small air carriers like Rise and Surf Air operate subscription-based models that give customers the option for streamlined, all-in payments	Carnival's Ocean Medallion device can be worn as a wristband or necklace and enables simple onboard payments, among other uses

CULTURE AND STRATEGY IN THE TRAVEL & TOURISM SECTOR

Jerry Noonan
Global Consumer Practise Leader, SpencerStuart

Organisational culture is a critical driver of transformation and business performance, but one that many leaders can find hard to define — or to change.

For hospitality, travel and tourism companies, which sell the dreams and experiences of travel, culture reinforces the guest service ethic and engages diverse and widely spread associates in the mission to create memorable experiences for guests. Whether people are travelling for business or for pleasure, people want to feel cared for, appreciated and welcome, so hospitality and travel companies by definition need to inspire and care for customers, more so than many other industries.

Ongoing advancements in technology and evolving customer expectations about how they want to interact with companies — online check-in, mobile boarding passes and keyless hotel rooms are just a few examples — require travel companies to find ways to still deliver high-touch, brand-building interactions balancing personal touch and technology. This is driving an additional cultural imperative: flexibility and learning. Increasingly, travel industry leaders are recognising the need to build cultures that are adaptable so they are better positioned to respond to changing market and competitive conditions and leverage data and technology to transform the customer experience at the point of customer contact.

But what is the best way to do this? We have identified a few questions that can help leaders begin thinking about the organisation's culture and how the culture may need to evolve in a dynamic market.

WHAT IS THE CURRENT CULTURE OF THE ORGANISATION?

This may seem obvious, but leaders frequently struggle to describe what drives their company's culture or whether the current culture supports or works against the strategic priorities of the business. Culture is not the aspirational values posted on the website. Culture is the culmination of the shared values, beliefs and assumptions that shape the behaviour of the organisation. These "unwritten rules" guide the thousands of decisions associates throughout the company make every day. Leaders should consider: What ARE those unwritten rules that everyone just knows but can't necessarily articulate clearly? How do I articulate those rules in way that people can understand them?

HOW WELL-ALIGNED IS OUR CORPORATE CULTURE WITH OUR GO FORWARD STRATEGY?

A high-performing organisation with a strong alignment between culture and strategy produces more financial growth and better employee engagement. Leaders should identify the organisational behaviours that are required to achieve the go forward strategy and evaluate how well the organisation is demonstrating those behaviours today. Leaders also should consider what measurements are needed to understand how the culture is changing. For example, where innovation and a learning culture are keys to the strategy, is a larger percentage of revenue coming from new services? What do these findings say about the culture relative to the strategy? Where do organisational behaviours open the organisation up to risk?

WHAT IS THE DIFFERENCE BETWEEN OUR CURRENT AND IDEAL CORPORATE CULTURE?

Effective leaders can describe both the culture as it currently exists and the culture to which the organisation aspires. This ability is sometimes called "cultural fluency," and it is a critical skill for leading on culture. When culture change is on the agenda, leaders should assess the organisation's cultural impediments and prioritise ways to overcome them. An important tool for evolving the culture is identifying the most influential people who "get" the ideal culture and deploying them effectively across the organisation.

HOW WELL DO OUR ORGANISATIONAL STRUCTURE AND PRACTICES SUPPORT OUR IDEAL CULTURE?

Structures, processes and practices exert significant influence on shared behaviours, and business success can be impeded when these are not aligned with the ideal culture. This lack of alignment can become most apparent when a company is making a change to its organisational structure or processes. For example, a company seeking to centralise core functions in a culture characterised by autonomy will be at risk. Similarly, a company creating a new role for an "innovation leader" will encounter cultural roadblocks in an organisation characterized by order and stability. Leaders can better understand the cultural impact of these organisational factors by asking questions such as: When a necessary and thoughtfully planned organisation change is not going well, what aspects of the culture could be getting in the way? How might different compensation structures help shape different types of organisational culture over time?

HOW DO WE CONSIDER CULTURE IN OUR TALENT MANAGEMENT PROGRAMS?

The way a company identifies, promotes and develops future leaders communicates a lot about the culture an executive team is trying to build, so the Board of Directors and CEO should think carefully about how the company is developing and promoting emerging talent, especially those who may be contenders for the CEO and senior leadership roles. To make sure that the next generation of executive talent aligns with the culture that the company wants for the future, talent management and development programs and employee evaluations must reflect the mindsets, behaviours and capabilities that will be needed. For example, if the organisation needs to move to a more driven, results-focused culture, then training, development programs, the way meetings are run and how executives communicate all may need to evolve to signal to emerging leaders how to be successful in the future culture.

VISA SEES TRAVEL & TOURISM AS A KEY DRIVER OF U.N. SUSTAINABLE DEVELOPMENT GOALS

Dr Zoe Hibbert
Head of Corporate Communication, Asia Pacific

Visa is committed to helping deliver on the promise of the United Nations Sustainable Development Goals, and no goal is closer to our hearts and our business than #8: Good Jobs and Economic Growth.

In March 2016, GfK research released findings that showed many consumers believe that creating good jobs is one of a corporation's most important responsibilities. To us, good jobs give people a sense of meaning, provide transferable skills and help harness those professional skills for the good of the community. The jobs created by the travel and tourism industry do just that.

The WTTC estimates that 1 in 10 jobs worldwide are in travel and tourism, and estimates its GDP value at US$7.6 trillion — so over 10 percent of the global GDP as well. It remains one of the highest growth sectors in the world, and Visa sees its role in promoting travel and facilitating international commerce as a vital component of that economic growth.

Visa helps tourism growth by transforming commerce. Research from Moody's Analytics in 2011 and again in 2015 show that electronic payments grow economies. That research estimates an added US$296B to GDP in 70 studied markets (which account for 95% of world GDP). In addition to economic growth, electronic payments add an estimated 2.6 million jobs, as business that can sell more can hire more.

Visa also supports travel and tourism growth by working with governments, local tourism authorities, financial institutions and merchants to understand, and take advantage of emerging travel trends. For example, research conducted into the future of travel by Visa Performance Solutions looked at the rise of the travelling class (middle class households with more than US$20,000 in annual income), expected travel of the world's aging population (65+ years of age) and the role connectivity plays in the future of travel.

That research predicts that by 2025:

- one in eight households will travel overseas;
- the number of trips taken by people over the age of 65 will double to more than 180 million; and
- 340 new airports will come online and increased mobile connectivity will drive more travellers to seek new sources of information that will help lead them to new experiences in new markets.

More on this survey can be found on our interactive website on 'International outbound travel projections'.

Finally, we help make trends resonate with key travelling groups to drive tourism across the globe. We promote less-seen destinations to help travellers understand how to turn their yearnings for experiences and off-the-beaten-path destinations into reality by providing a platform for sharing travel ideas and experiences as well as deals that help direct tourist dollars to emerging destinations and 'on fleek' experiences.

Whether through fostering good jobs or encouraging travel and the economic growth it brings, Visa will continue to do all we can to help deliver on the promise to build economies and create better jobs.

REGIONS, SUB REGIONS & COUNTRIES 2017

WORLD

REGION	SUB-REGION	COUNTRY
AFRICA	NORTH AFRICA	Algeria
		Egypt
		Libya
		Morocco
		Tunisia
	SUB-SAHARAN	Angola
		Benin
		Botswana
		Burkina Faso
		Burundi
		Cameroon
		Cape Verde
		Central African Republic
		Chad
		Comoros
		Congo
		Cote d'Ivoire
		Democratic Republic of Congo
		Ethiopia
		Gabon
		Gambia
		Ghana
		Guinea
		Kenya
		Lesotho
		Madagascar
		Malawi
		Mali
		Mauritius
		Mozambique
		Namibia
		Niger
		Nigeria
		Reunion
		Rwanda
		Sao Tome and Principe
		Senegal
		Seychelles
		Sierra Leone
		South Africa
		Sudan and South Sudan
		Swaziland
		Tanzania
		Togo
		Uganda
		Zambia
		Zimbabwe

REGION	SUB-REGION	COUNTRY
AMERICAS	CARIBBEAN	Anguilla
		Antigua and Barbuda
		Aruba
		Bahamas
		Barbados
		Bermuda
		British Virgin Islands
		Cayman Islands
		Cuba
		Dominica
		Dominican Republic
		Former Netherland Antilles
		Grenada
		Guadeloupe
		Haiti
		Jamaica
		Martinique
		Puerto Rico
		St Kitts and Nevis
		St Lucia
		St Vincent and the Grenadines
		Trinidad and Tobago
		US Virgin Islands
	LATIN AMERICA	Argentina
		Belize
		Bolivia
		Brazil
		Chile
		Colombia
		Costa Rica
		Ecuador
		El Salvador
		Guatemala
		Guyana
		Honduras
		Nicaragua
		Panama
		Paraguay
		Peru
		Suriname
		Uruguay
		Venezuela
	NORTH AMERICA	Canada
		Mexico
		USA

REGION	SUB-REGION	COUNTRY
ASIA-PACIFIC	NORTHEAST ASIA	China
		Hong Kong
		Japan
		South Korea
		Macau
		Mongolia
		Taiwan
	CENTRAL ASIA	Kazakhstan
		Kyrgyzstan
		Tajikistan
		Uzbekistan
	OCEANIA	Australia
		Fiji
		Kiribati
		New Zealand
		Papua New Guinea
		Solomon Islands
		Tonga
		Vanuatu
		Other Oceanic States
	SOUTH ASIA	Bangladesh
		India
		Maldives
		Nepal
		Pakistan
		Sri Lanka
	SOUTHEAST ASIA (ASEAN)	Brunei Darussalam
		Cambodia
		Indonesia
		Laos
		Malaysia
		Myanmar
		Philippines
		Singapore
		Thailand
		Vietnam
EUROPE	EUROPEAN UNION	Austria
		Belgium
		Bulgaria
		Croatia
		Cyprus
		Czech Republic
		Denmark
		Estonia
		Finland
		France
		Germany
		Greece

REGION	SUB-REGION	COUNTRY
EUROPE	EUROPEAN UNION	Hungary
		Ireland
		Italy
		Latvia
		Lithuania
		Luxembourg
		Malta
		Netherlands
		Poland
		Portugal
		Romania
		Slovakia
		Slovenia
		Spain
		Sweden
		UK
	OTHER EUROPE	Albania
		Armenia
		Azerbaijan
		Belarus
		Bosnia and Herzegovina
		Georgia
		Iceland
		Macedonia
		Moldova
		Montenegro
		Norway
		Russian Federation
		Serbia
		Switzerland
		Turkey
		Ukraine
MIDDLE EAST		Bahrain
		Iran
		Iraq
		Israel
		Jordan
		Kuwait
		Lebanon
		Oman
		Qatar
		Saudi Arabia
		Syria
		United Arab Emirates
		Yemen

The World Travel & Tourism Council is the global authority on the economic and social contribution of Travel & Tourism.

WTTC promotes sustainable growth for the Travel & Tourism sector, working with governments and international institutions to create jobs, to drive exports and to generate prosperity. Council Members are the Chairs, Presidents and Chief Executives of the world's leading private sector Travel & Tourism businesses.

Together with Oxford Economics, WTTC produces annual research that shows Travel & Tourism to be one of the world's largest sectors, supporting over 292 million jobs and generating 10.2% of global GDP in 2016. Comprehensive reports quantify, compare and forecast the economic impact of Travel & Tourism on 185 economies around the world. In addition to the individual country reports, WTTC produces a world report highlighting the global economic impact and issues, and 24 further reports that focus on regions, sub-regions and economic and geographic groups.

To download reports or data, please visit **www.wttc.org**

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Assisting WTTC to Provide Tools for Analysis, Benchmarking, Forecasting and Planning.

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WTTC appreciates STR's contribution of data to the WTTC Economic Impact Model, which was used in calculating the results shown in this report.

FURTHER RESEARCH

The full set of WTTC's Economic Impact Research, including individual reports for 185 countries and 25 country groupings is available online on the WTTC website:
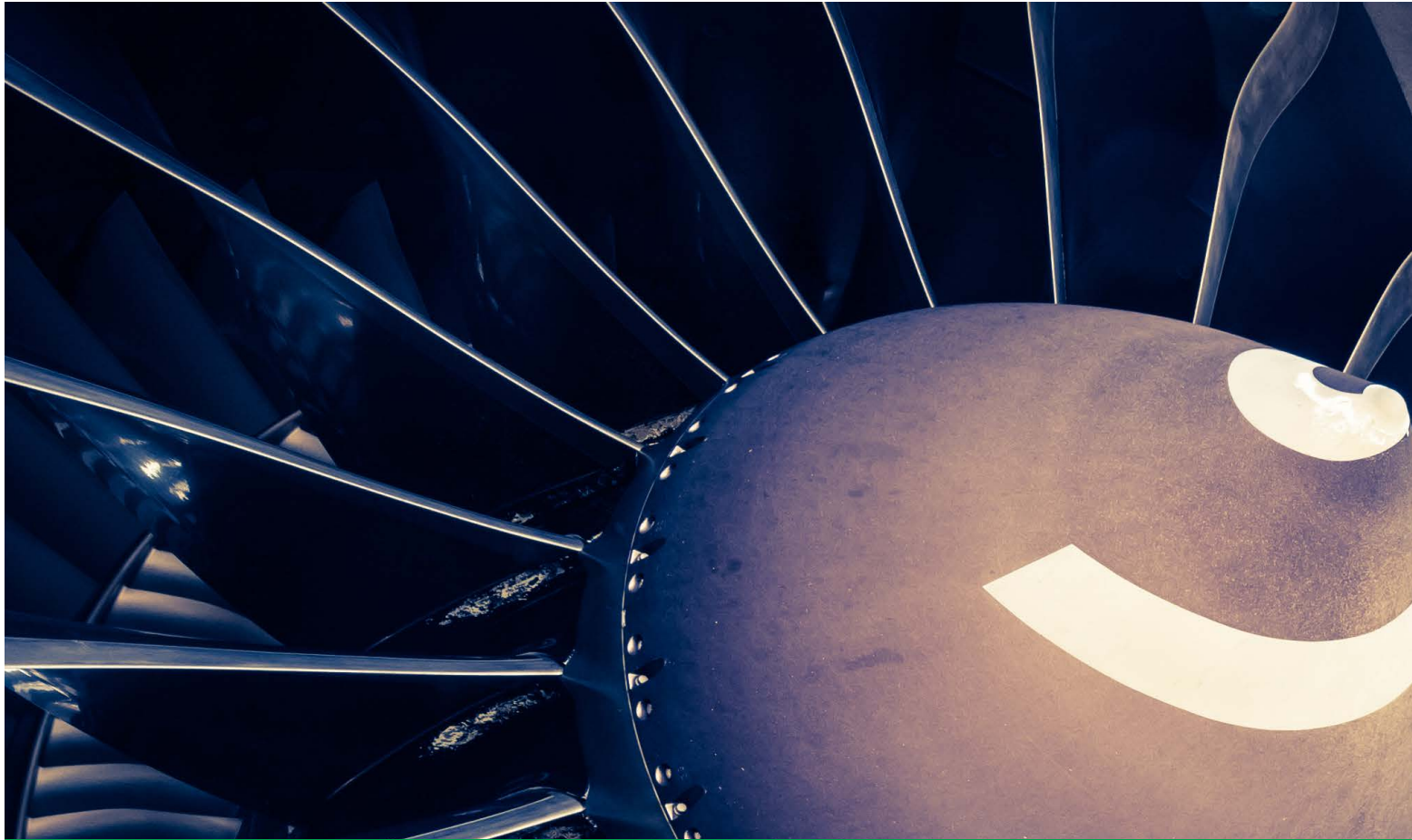**www.wttc.org/research/economic-research/economic-impact-analysis**