FROM THE FRONTLINE

LUXURY MARKET & DISTRIBUTION OBSERVATION REPORT

JULY, 2019

By: Jack S. Ezon

EMBARK.
BEYOND TRAVEL

Introduction: 2019 started off strong with a solid first quarter and even better second quarter. Though not at the upward trajectory of 2015-2018, our numbers at Embark grew a steady 12% this year. Cautious optimism remains as a multitude of threats seem to face our clients and our industry, which despite false predictions, still have not deteriorated our growth. Indeed, future prospects look promising though our last minute pace (measured as a percentage of bookings within the month for the month) keeps growing. In July 2019 alone, over 50% of our bookings for the month of July were originated in the month of July, with price points an average of 28% higher (with an ADR of $2,932) than bookings originated earlier for travel in July.

Despite signs of economic downturns, spending is healthy. It seems there is a continuing resilience in our client base though we are starting to see signs of more mindful spending, both in the transient business and our celebrations business. Value and purpose continue to be a central influencer in the luxury space whether in fashion, travel or any goods or services consumed by a younger mindset.

International politics continue to shift destinations, with Paris, Russia and China being most challenged and destinations like Dominican Republic, Sri Lanka and Mexico continue wane from safety fears. Meanwhile, “off the map” destinations like Egypt and Turkey are showing glimmers of bounce back. Greece is still hopping, though it fell to our number “3” position this summer (practically tied with the south of Spain), as South of France had a stellar comeback coming in right behind “number 1” darling Italy. Ireland fell slightly this year overall (having grown 45% in the past two years) while Morocco continues to see the most overall annual growth for a second year in a row. International travel made up 94.2% of our business between May 2019 – July 2019 and forecasted to remain the same in August.

And while our high-flying jetsetters saturate the Med this summer, back home, mega- players Google, Facebook and Amazon along with a host of other tech giants continue to infringe into the lodging and experiential space with new capabilities aiming to own the way customers find anything in travel while vastly improving the way they offer relevant, targeted content to differentiate the overall experience.

In this Installment: Many of the trends outlined in last year’s report are still very relevant and continue to amplify. This “issue” will focus less on specific travel trends and more on developments affecting luxury travel, though not necessarily directly in the travel space. First, we will look at market observations influencing our clients followed by distribution developments that are continuing to impact our relevancy. Lastly, we’ll present a brief update on some of the most exciting hotel openings this quarter. While some of these developments seem grim, they also present tremendous opportunity for those committed to innovating and elevating.

As a reminder, in response to many of our readers we are trying a new format this year. Rather than one long, exhaustive document, we will publish this report quarterly, splitting up subjects into shorter, more digestible nuggets. While this may obscure a holistic picture of the marketplace, I think it may make the information more manageable. For purposes of context, the next reports will focus on the following:

- **October:** towards the end of this year we will reassess luxury consumer *travel* trends (specifically) and focus on hot new product openings, top destinations, business opportunities and predictions for 2020.
- **January:** the new year will bring a full reflection on 2019 with specific travel metrics, while examining travel trends that we expect to influence different travel categories for 2020.
- **April** will focus on destination metrics and pace, while also outlining general consumer behavior observations that we think effect the luxury and travel space. We will include more granular travel trends outlining how our clients are traveling and buying travel and an update on hot new product opening in the current quarter.

A Note on EMBARK… As you may already know, **EMBARK** is now a stand-alone luxury travel advisory with a focus on building an entrepreneurial-focused partnership model.

EMBARK is a luxury lifestyle and travel advisory focused on delivering meaningful experiences to an ultra-high net worth international Gen-X and Millennial client base.

Our structure resembles a law firm more than a traditional travel agency. Instead of building an independent contractor model, we aim to build a partnership model where forward-thinking travel advisors become partners in the firm. Under the plan all partners will own a piece of the host agency and we will give our employees an opportunity for a partnership track (giving Millennials a clear career path). We believe this new model will better align our people and enable us to make impactful investment in marketing, training and technology to stay relevant in this dynamic business place.

With an ear to the ground both from our customers and our close travel partners we are still able to closely track trends from the front line. We are delighted to collaborate with you to share detailed metrics and our acute analysis of the luxury travel marketplace whenever you need and remain available to connect you to great sources and discuss emerging issues that often develop into great stories. For now, below is an abridged version of our report's top luxury travel trends.

That being said, ***I would love your candid feedback***, not only on the substance of what I present below but also the new format. I am not convinced this is the best way to format the plethora of content I have to share, so any comments or suggestions you could provide would benefit us all.

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From the Front Line ….

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I. Market Observations

Top 10 Observations affecting the luxury and travel marketplace

1) **Economic Viability:** We remain cautiously optimistic on economic viability for 2019. Business is still extremely strong, especially here at Embark. However, our business is up a modest 12% from last year which is still exceptional considering the giant gains of the past 5 years. However, softening real estate and declining retail remain extremely concerning. In the US alone, already 4,810 store closures have been announced by major retailers in 2019, according to Coresight Research. Coresight expects this number to reach 12,000 by the end of the year (as compared to a record 8,139 closures announced in 2017). These stores range from luxury retailers like Neiman Marcus and Henri Bendel to value outlets like Old Navy and JC Penny. According to the Commercial Property Executive report in June 2019, vacancy rates for the first quarter of 2020 are expected to decline in almost every region, dropping 10 basis points on a national level in America. Rates in the western region of America are projected to decrease the most (down 30 basis points), followed by the Midwest (down 10 basis points) and the South (also down 10 basis points). Vacancy rates in the Northeast are expected to remain unchanged at 4.1%. And while these closures may not be directly indicative of the luxury market, it presents a domino effect of lost income to a multitude of luxury buyers behind the real estate, product and servicing of these retailers.

2) **Effects of New Supply:** We expect to see rate and occupancy erosion as new supply outpaces demand in key markets over the next two years. New debt remains exceptionally attractive and plentiful. Many institutional owners are evaluating debt quotes at LIBOR +220-300 for 5-year paper while the US Federal Reserve is contemplating lowering interest rates to maintain a strong economy. This is not only fueling a strong supply of new builds but has been the fuel behind a slew of new property openings in the past year with more to come in the next 6-12 months, causing oversaturation in certain markets. This was the primary reason that almost every prognosticator at last June's NYU Hospitality conference forecasted a decreased in their 2019 RevPAR growth forecast (most now at 2.0%) while leaving themselves room to take it down further as the year progresses.

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3) **Political Impact:** While politics have historically impacted travel trends, they seem to have a strong effect this year. Of course, blatant issues like the Yellow Vest Protests in Paris halted our rebounding business the city and partially rebounded business to Mexico fell about 10% in 2019 in response to continuing

media exaggeration of unrest and boarder issues. Political differences between Middle Eastern countries seemed to loosen up in 2019 though there remains a sensitivity towards influence and ownership of properties and destinations.

Outside of the GCC market there was also a second wave of Dorchester boycotts launched against its ownership group (controlled by the Sultan of Brunei) when the monarchy finally instituted Sharia Law. In addition, trade wars are now impacting travel decisions, especially Chinese Travel. According to an estimate by Baine & Company, 73% of Chinese luxury goods consumption occurs outside of China with an estimated $115 billion in spend. Chinese tourists will not be the only ones relocating their shopping sprees to more “favorable” countries, but at a certain point, it will become cheaper for them to shop at home. This not only affects retail, but greatly impacts hotel compression in key shopping cities like New York or Los Angeles. On the flip side, Americans are making more shopping pilgrimages to Europe and the UK taking advantage of extremely attractive exchange rates affected by the ongoing Brexit turmoil.

4) **Labor & Talent Glut:** Low unemployment means higher costs and lack of quality talent for many hospitality companies around the world. According to Filip Boyen, CEO of Forbes Travel Guide (who not only rates hotels but also oversees front-line training), the average turnover of hotel staff worldwide is now between 30-45%. Training new employees who have “an average 2-year lifespan” is expensive and compromises their ability to deliver a luxury experience. In a business where service is what people are ultimately paying for, all of us in the luxury market continue to be challenged with cultivating talent to exceed client expectations. Most of the new labor force is looking for more of a work-life balance which is in total conflict to cultivating passionate players to service an even more demanding client. This is most concerning as technology matures leaving space only for the best humans to survive in a high-touch service market. The attitude of the workforce today calls for a new approach to retention and culture and something we as an industry all need to figure out for our joint survival.

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5) **Wealth Class Bifurcation:** The wealthy are getting wealthier and the affluent are beginning to dissipate. The growing gap between our “affluent” client base and our Ultra High Net Worth (UHNW) clients seem to be growing wider each year. We see many very affluent clients cutting back tremendously on their spend as their businesses decline. At the same time, our UHNW clients are spending more than ever, with growing portfolios spiking in value. As we say internally, this has also greatly affected our “deluxe room and junior suite” clients while our “suite” clients catapult into the “penthouse suite” sphere. Capgemini, in its World Wealth Report 2018, noted global high-net-worth

individual wealth rose 10.6% to surpass $70 trillion, the first time it has reached this level and following six consecutive years of wealth gains.

We are also concerned about growing resentment in the marketplace and a reboot of anti-Wall Street like protests which are most visibly mirrored in the recent Paris Yellow Vest turmoil. In 2008, this “resentment” caused a seismic reaction in the marketplace changing spending patterns towards less conspicuous consumption translating in less spend on overtly “luxurious” products. On the bright side, it shifted our clients to spend more on experiences than goods. It also sparked our UHNW clients to work with us differently, looking for a more holistic and overarching approach to their personal lives while “mainstream affluents” remain a lot more transactional. This presents tremendous opportunity while also threatening an important base that brings compression to all of our businesses.

6) **Experience Overload:** As if the word “experience” has not been overused enough, the *concept* of the experience is now growing beyond a consumer’s grasp. Every business, from handbag shops to restaurants seems to be promising an amazing, unique experience and *everything* seems to be an “experience” today. Once the sacred domain of travel advisors and local DMCs (Destination Management Companies) in the travel space, experiences and “insider access” have gone prime time and now almost fully transparent. Most hotel companies are now creating experiences designed by their in-house teams, not to mention the likes of Airbnb. Even more threatening, experiential-focused portals like Viator, GetYourGuide and Klook raised in aggregate almost a billion dollars this past quarter alone. Together they flaunt an overloaded container of tours and experiences. Will clients get “experience overload” like they do “information overload”?

Every business, from hand bag shops to restaurants, and even youth hostels seem to be promising an amazing, unique experience and everything seems to be an experience.

We see this going in the direction of content overload where there is such an overwhelming amount of noise and information that eventually clients need navigators. Really good advisors can help tell clients which experiences are worthwhile and which are not for their specific client. In the meantime, there will be a lot of pressure on travel companies to stay relevant and profitable in a space on the verge of disruption. There is also a tremendous opportunity to engage with luxury brands craving for an experiential component to their product. Many brands whose doors were closed with arrogance are open to creating exclusive experiences to strategically engage current or future clients with their brands. Luxury associations like Altagamma in Italy, Comite Colbert in France and Walpole in the UK are more open than ever to collaborate on creative experiences for their brands.

7) **Wellness Overload:** We are seeing another backlash of the careless overuse with the word "wellness". Wellness has been showing up in everything from fashion to beauty to food and of course travel. Yes, wellness is an all-encompassing lifestyle component but our clients are getting overwhelmed by the mixed messages they are hearing. Suddenly every hotel with a 2-cabin spa is in the wellness business. Who are the real wellness players and how exactly do they manifest wellness in a guests' stay? We strongly believe the key to stay relevant in this space is to clearly define your position in the wellness space and to reinforce it constantly. Are you focused on fitness, sleep, diet, eastern medicine, etc? We also think the real opportunity this year is less in the leisure segment (which is oversaturated) and more on the corporate space, especially when it comes to fitness and dietary sensitivities. Road warriors are most deprived of balance and staying healthy on the road; they crave routine and mindfulness when jumping between airports and time zones. When on leisure, wellness is more about exploring wellness options or immersing deeper into wellbeing, while corporate wellness travel is much more about maintaining an already established wellness routine.

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We are seeing more of our corporate travelers wanting to stay fit while on the road and are starting to make decisions not just on rate or corporate programs, but on what fitness facilities or wellness programming a property has. Look no further than the new Equinox hotel or the explosion of Peloton bikes in hotel gyms (an exceedingly common request now). I personally have been known to choose my hotel based on its distance from a Soul Cycle.

8) **Digital Content Boomerang:** Luxury brands are focusing more on unique content marketing to amplify brand identity in a world oversaturated with social messaging. What's most fascinating is that while brands are embracing influencers, video, and a host of other digital channels to stay engaged, many are turning back to print. Despite its limited life, Net-a-Porter led the way with its successful launch of Porter Magazine, a beautiful glossy fashion magazine that showcases its products and ethos is a sexy way. Many other brands have evolved their vanity publications to rise above the digital noise, with Southeby's *Reside*, *Here* by Away Luggage, *Navigator* by yacht company Northrop & Johnson, Bentley Magazine, and a host of hotel companies from Four Seasons, Oetker, Ritz Carlton and Rosewood. Four Seasons' new Envoy program has been raising Millennial eyebrows by soliciting artists, writers and other creatives to produce meaningful content indirectly related to a hotel stay which can be repurposed across different platforms. Even celebrity event planner Matthew Robbins is launching *Invited* magazine not only showcasing some of the incredible celebrations he orchestrates, but also showcasing lifestyle brands and experiences that reflect his brand. These magazines help speak to clients from a lifestyle perspective outside of the product they

directly sell. For example, Porter has an incredible travel section while Rosewood features notable fashion pieces. And despite the proliferation of video, podcasts are becoming an ever more popular channel of communication, giving brands a way to connect to audiences about their brands in a more authentic and credible way.

9) **Luxury Digital Evolution:** Digital spend across all luxury categories is growing significantly. According to the 2019 US Luxury E-commerce Report from the NPD Group, there has been a nearly 50% increase in dollar sales seen in the past 3 years across luxury segments. The biggest spending increase within the online luxury market came from apparel – growing 17% to an average of $716 spent per buyer (with $794 average online luxury footwear purchase). And while consumers are getting more comfortable spending considerable sums online, we believe that an augmented approach where humans assist in the digital transaction will be the key to success in the next decade. Conversion and average sale prices jump when pairing the convenience of digital accessibility and instantaneous gratification with human judgement. In the travel space we look to Skylark, a leading hybrid luxury booking platform, for a glimpse, where 12.6% of their online bookings are over $1,000 and an average Hotel ADR hovers just over $660/night with volume up 290% in 2018 and 57% thus far in 2019. We believe this reflects a growing comfort of people booking luxury rooms and suites online. It also indicates that clients want the freedom to make significant travel purchases at times convenient for them with almost 60% of all online sales closed after regular business hours. However, consider that with Skylark, where human agents access buyers by chat, email or over the phone, the average booking grew over 200% when a human intervened.

Many luxury brands like Gucci are experimenting with fusing their digital platforms with human salespeople and in store experiences. As this collaboration between people and robots matures the key to survival is surely going to be superior education and personal judgement by humans coupled with the predictability and access of digital distribution.

10) **Overtourism:** Overtourism has turned into a paranoia for many of our clients and is becoming a rising concern in the travel industry from almost every perspective. While this is no new trend, we are finally seeing it translate into client conversations and influence decisions.

Client Paranoia: Our clients want to feel like travelers not tourists. The image of Americans with fanny packs getting off mass cruise ships or tour busses repels a new breed of explorers. It is '*soooo not cool*'. They are very clear that they don't want to do a "touristy" thing nor walk out of a hotel "in Times Square". They don't want to be "trampled over by cruise passengers in Santorini" and want to "escape the hordes of day-trippers in Capri." They do not want to go to the staged tribal village selling wares. They don't want to hear the kids sing in the orphanage on queue. They don't want to feel "taken." Instead, they want to go to places that rarely see tourists and want to feel more "local". No matter how wealthy they are, they don't want to see a Prada or Gucci on every corner (no less a Zara and H&M). They don't want a Nobu in Tuscany.

They want local boutiques and local restaurants.

This has resulted in several distinct reactions from our clients:

1) Requests for us to find charming and fabulous "new" secondary destinations to explore
2) A growing trend toward staying in secondary, more "local" neighborhoods in primary destinations
3) Altering their schedules to visit a city at quieter times when it can be "theirs;"
4) A strong and concerning anti-cruise sentiment
5) Calls to rise above it all with "elite access."
6) A demand for local and authentic experiences that do not feel staged

The Ubiquitous Cruise Contention: The biggest culprit that many industry colleagues keep pointing to is the mass cruise line. While they have opened the world up to a global middle class by bringing people to iconic places in a very affordable way, they also seem to wreak havoc on the destinations they oversaturate. When 5 ships holding 4,000 – 5,000 people pull up to a small island like Capri or Santorini in one day the destination simply cannot hold them. What's worse is that most of the locals *do not* even benefit from them.

Cruise passengers usually cannot afford the shops and usually restrict eating to their ships. Thus, higher end shops and restaurants actually *lose* because their real patrons (i.e. those staying in a local hotel) avoid popular areas for most of the day while they are flooded with people who are not their customers. Many communities are starting to fight back by lobbying to greatly limit the size, number and quality of ships calling on their destinations.

New Markets; New Seasons: As upsetting as Overtourism is to many, it presents an amazing opportunity for destinations to reinvent or market themselves to attract new visitors. It also drives people to secondary experiences within prime markets – to see London as a typical tourist would not. Indeed, the phenomenon of staying in "neighborhoods" has grown 29% in the past 3 years, where our clients look to stay in secondary districts in primary cities (think Marleybone in London, Tribecca in New York). Kyoto is a prime example of a city being proactive in highlighting lesser-known neighborhoods and pushing attractions to open earlier.

This trend begs CVBs and Destination Management Organizations to start telling stories about new cities and new neighborhoods in their destinations in an effort to spread the wealth and disperse crowds. To encourage this smart governments are spurring growth with tax incentives to build properties, especially luxury hotels that are optically captivating. And while one or two small luxury hotels will not directly impact growth, luxury grabs the attention, becomes viral social media content and has a strong trickle-down effect to the rest of the marketplace.

Elite Access: At the same time, many destinations are playing with limited access. Some are timing entrance or using dynamic pricing for attractions. At the same time, many destinations like Rwanda, Bhutan and Botswana are investing solely in the luxury market, making it extremely cost-prohibitive to experience them. Rwanda charges US$1,500/day to enter Volcanoes National Park to witness the gorillas. Venice is limiting certain neighborhoods to card- carrying residents and rerouting large cruise ships to ports outside the city.
London and New York have implemented a tax on cars flooding their streets during peak hours. Iceland limited Airbnb rentals to 90 days per year and launched marketing campaigns to encourage visits outside of high season, while Dubrovnik is setting strict limits on the number of cruise passengers.

All the while, our travelers are looking to explore "above it all" and are happy to pay extra to see places like the Hermitage or the Vatican when they are closed to the public. They fork up premiums to go to places like Costa Smerelda, whose price points are a clear barrier to entry, or they head to exclusive beach clubs or private yachts during the day in places like Capri to avoid the herds, limiting time to enjoy the island to the morning and evening.

Commoditizing Authentic Experiences: The other question leans towards the experiential component. With the proliferation of "insider" and "authentic" local experiences flaunting themselves through billion-eyeball channels, when do insider things become so commonplace that they are no longer authentic? How do things remain authentic when they are overdone? After a few people get the privilege of cooking with a Contessa in her ancestral home or visit a remote tribal village, these "authentic" locals (and their neighbors) begin to catch on and think like entrepreneurs. In comes the value engineers and the souvenir shops, and out goes the authenticity.

When does a unique "insider" experience not become authentic anymore?

What's Next?: This concept of elite access for a price is creating an even greater bifurcation of classes across the world. The big question is whether other destinations will begin to focus on a wealthy segment thereby discriminating against middle-income wanderlusters. And if they do, how does that effect local economies dependent on them? Real estate values? Retail values? What becomes of airlift that bases frequency to a destination on load factors in the back of the plane? How do destinations strike a delicate balance of tourism and mass tourism especially those whose economies depend on tourism? Will UNESCO and other preservation associations become stricter in guidelines for visitors? And ironically, if a destination becomes intrinsically "elite" will it lose the gritty authenticity that elitists like to feel a part of? Lastly, what of the burgeoning cruise business that keeps growing its mega-ships?

II. Distribution Observations

Top 10 Distribution Observations affecting the luxury and travel marketplace

1) **The New Rulers in Travel Distribution:** Google, Amazon and Facebook (including Instagram) are entering the travel distribution space with an overly proactive approach and more robust tools to capture their users' thirst for travel. Not only does this triumvirate own more personal data about the world's inhabitants than any other entity, they have a captive audience and very much control what is presented to them. And while none of them want to get into the business of actually selling airline tickets or hotel rooms, they will soon have a stronghold on determining who will (and for a significant fee). Launched last month, Google's new Travel Desktop Website puts flights, hotels, vacation packages and a host of planning tools on one clean page. The features are now even available on Google Maps, which Skift predicts will soon become "superapp of travel, dining and events". In essence, these three players will control the distribution of most if not almost all online travel. And while OTA will continue to exist, they will be at the mercy of these three companies to get eyeballs. Google will control the environment and lead its users to the channel they are most incentivized to lead them to.
   Not only are OTAs poised to spend more money on driving traffic from these companies (Expedia spent $1.53 billion with Google in the first quarter of 2019 alone), but also likely to lose ad revenue, a significant part of their income, to these three players who own the "top of the funnel".

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2) **OTAs:** By the beginning of 2019, OTAs have also consolidated into 3 dominant players. Booking Holdings (which owns Priceline and Kayak) and Expedia (which now owns Trip Advisor, Hotels.com, Orbitz) have engulfed most other players, while Airbnb continues to grow and is soon expected to sell more hotels and air tickets on its portal. In response to the dominance of Facebook, Google and Amazon controlling distribution, all three players are shifting their spend from transactional click-ads into more branding ads. Their new strategy is to drive customer loyalty which they hope will make their platforms the first place travelers go to when researching a trip. The OTAs are also changing their business model significantly. They are broadening their product offering to include vacation rentals and experiences, including restaurants, transfers, and tours. They are also focusing more on a merchant mark-up model. Booking's merchant hotel revenue grew 53.4% in 2018 while commissionable revenue grew less than 1% according to Skift. This merchant model allows for more markup and also for flexible pricing to protect their rate integrity in a

competitive environment. All the while hotels invest more to control the pricing, many find themselves stuck against local anti-trust requirements. According to Triptease, Agoda (owned by Booking Holdings) undercut their client hotels' prices 27.5% of the time, compared to Expedia at 13.1% and Booking.com at 11.7%.

3) **Battles with Hotel Bed Wholesalers over Rate Integrity:** As if the proliferation of merchant model pricing by the OTA is not enough, hotels struggle to reign in so called "hotel bed" sites and distribution networks that can sometimes sell rooms at 50% of their published BAR. The issue lies in the way hotels sell to tour operators. Historically, hotels would sell set rates to tour operators and wholesalers which would be between 20-40% below rack. They would offer these rates to niche markets or wholesalers who had an alternative distribution and marketing strategy that complimented the hotel's efforts. Often times these niche operators added value with air and other ground services. However, in the age of dynamic retail pricing, these static wholesale rates may have started 20% below BAR but end up 40% below BAR when market compression causes BAR to jump. Many wholesalers have been taking advantage of this variance by reselling their static contracted rates through a host of travel sellers including a multitude of micro-sites constantly degrading rate integrity. These companies have come to be known as "Hotel Bed Wholesalers" and having a massive impact on rate integrity and business mix.

In an age of global access, there is no such thing as niche distribution… with global distribution private rates have been leaking to other channels or being undercut directly from the wholesaler resulting in public rate disparity.

Indeed, as these hotel companies have learned, in an age of global access, there is no such thing as niche distribution. A small wholesaler in Uganda can be reselling their contracted rates to a company in China, Russia or the USA with little effort. Gone are the days where a hotel could apportion 15-20% of their inventory to wholesalers and keep those numbers relatively at bay. And this year high-profile Booking.com started promoting Booking.basic, which offers their users access to these wholesale "hotel bed" rates on a large scale.

This year Accor and Belmond were among leaders in the hotel space who took initiative to reign in Hotel Bed companies. Historically this has been a problem because most wholesalers could only work on static pricing since they had no access to real-time BAR and availability. But today, with the advent of companies like SynXis (which puts real time availability and pricing in the hands of wholesalers), requiring floating NET rates is a possibility and will likely become a requirement by many hotels in the next 2 years. It will require wholesalers to update their systems to accept NET rates that float as a percentage under BAR. Thus, if a wholesale rate is 20% off “BAR” and that BAR rises from say $500 to $800, the NET rate would ride from $400 to $640.

4) **NDC Goes Prime Time:** NDC technology, the “next generation” of travel distribution is finally going prime time. NDC is the “New Distribution Capability” system launched by IATA for the development and market adoption of a new, XML-based data transmission of travel inventory and pricing. This new technology allows for more universal integration into a host of platforms and allows travel sellers to bypass the GDS or sell carriers that are not loaded in the GDS. Further, NDC’s use of customer data will allow travel sellers to sell ancillary products and personal offerings based on the consumer’s profile. These include upgrades, preferred boarding, extra baggage, on board meals and lounge access. Following a beta-launch by TripActions and United Airlines, by the end of the year more than 20 airlines are expected to use the NDC platform to better sell their products based on specific consumer data. This is becoming increasingly important as airlines such as Lufthansa and Emirates are unbundling premium and business seats.

5) **Tech Takes on Managed Travel:** Technology companies are getting deeper into the managed corporate travel space – and not just as a tool provider but as a travel provider. Not only will this begin eroding the market share of TMCs (travel management companies) but also curtail the number of negotiated rates that corporations negotiate with hotels. Consider the latest partnerships between travel companies and technology companies. American Express’ GBT has partnered with Lola, launched by Kayak founder Paul English, whose AI- based mobile technology sets out to be the savior of the road warrior. Flight Center just purchased a 25% stake in Upside, launched by Priceline founder Jay Walker, which aims to incentivize business travelers to spend less on travel by incentivizing them with gift cards and other personal perks. And startup TripActions, now with a $1 billion valuation, just raised another $154 million to scale its corporate travel technology to incentivize travelers with similar perksto book within their own travel program or shift choices towards the lowest market price. Not only are these entrants going after large managed corporate accounts, but they are also fiercely invading lucrative small managed and unmanaged travel markets often handled by independent contractors or boutique travel companies. Further, the ability of these technology companies to scour the web for lowest price options while also incentivizing travelers to buy down is causing corporations to drastically pull back on their corporate hotel programs. Many corporate procurement managers are frustrated by getting undercut by OTAs or see the benefit of letting the OTA help incentivize each traveler to save the company money. This of course gives more control to a few technology companies and will likely be bad for hotels in the long run, once again putting distribution in the hands of a few dominant players.

6) **Home Sharing Goes Hybird and Forges Deeper into the Luxury Space:** Marriott and Hyatt joined the likes of Accor and other hotel companies by getting into the home sharing space this year. Hotel companies hope to add the edge of branding, hospitality, predictability and service to homes and apartments, setting them apart from Airbnb and VRBO. Many will fold in concierge services from their local hotels while adding in precious loyalty points for booking home-share products within their family. If done right this could have a tremendous impact not only on the Airbnb space but on the entire hotel space. You see, hotels are now left to trade on their soul and their service rather than on their bricks and mortar. Once hotels begin to sell home-style unitswith their services the value proposition of a hotel will surely begin to shift. That will be a challenge for ownership, though it presents an opportunity for management companies and independent hotels to extend their inventory without financial investment. On a small scale, the Eden Rock in St. Barts and Grace Bay Club in Turks & Caicos have pioneered this effort in the luxury home sharing market by selling villas not only with the full services of their hotel, but also access to their private hotel facilities including its pools and beaches. Guests have full signing privileges and lounge access at their host hotels giving them the best of both worlds. If larger hotels can get this model right the possibilities are endless.

   Airbnb does not seem to be resting on its laurels though. It just launched two incredible new initiatives that are extremely compelling. Airbnb Luxe offers thousands of spectacular homes with staff and concierge services while its new Airbnb Adventures takes on tour companies, pairing Airbnb homes with truly immersive and unique experiences around the world. They are also investing deeper in local content and gatherings to offer Airbnb guests a sense of community and gathering to replace the hotel lobby.

   ThirdHome is another relatively new contender which could take a significant share of the luxury market. Unlike Airbnb, ThirdHome is a home “exchange” service accessible only for a pre-approved community of peers who own high- end second homes. Those in the program can put a designated number of nights of their home into a “pool” for other home-owners to ‘exchange’ within the network. And since ThirdHome takes only a platform fee for acting as a conduit, it does not face the regulatory issues that Airbnb and other home sharing companies face.

   For longer stays, companies like Lyric just received almost $200 million. Positioned as the WeWork for sleeping, the company leases partial or full apartment buildings, furnishes them, and sells them at competitive pricing. Sonder and Guild who both raised over $140 million in aggregate, are poised to sell apartments by the night while adding in a vibrant public gathering space and concierge desk for a more hotel feeling.

7) **WeWork is the New Soho House*:*** In addition to these hybrid homeshare- hotel models, the next hot thing we see coming on board is shared office and living options. WeWork has been trialing WeLive apartments while Accor is looking to grow its WoJo business into the largest co-working brand in the world offering temporary office space, long-term apartments and overnight stays for guests traveling within its network. It would act almost like a Soho House where members of the shared-working environment have access to Wojo rooms across the world at insider prices.

8) **The Next Frontier: *Bookable* Experiences:** Booking travel experiences online is the new holy grail in the travel marketplace and it is probably the most threatening trend to the traditional travel company. As noted to above, this year alone nearly $1 billion has been invested in companies focusing on getting tour companies, guides, hosts, museums, attractions and amusement parks on a unified digital platform. Klook garnered $225 million and GetYourGuide snagged a whopping $484 million investment as Viator got acquired by Trip Advisor. Selling yourself as a tour guide or a local host has never been easier and operates almost as easily as listing your apartment on Airbnb. And since this sector of the travel sale is most disjointed, it represents the biggest growth area in travel. It also helps companies differentiate themselves from commoditized airline seats and hotel beds by rounding off the offering to their user, truly becoming the central hub for travel planning. Airbnb Tour and Airbnb Adventures are off to a strong start with over 30,000 experiences in 1,000 destinations quickly catching up to market leader Viator which offers over 70,000.

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Needless to say, selling online experiences is about to get *very* serious. In addition to these, niche players large and small are racing to aggregate existing group tours, activities and attractions. Context Travel was one of the first in this space with experts leading food, art and local tours. Traveling Spoon aggregated local chefs to provide cooking classes around the world, while Global Greeter Network created a network on volunteers to show hidden spots in their city -- *for free*. Velo Guide pairs bike enthusiasts with local bikers and Lyfx connects adventure seekers with local outdoor adventure hosts. These are joined by a slew of digital services that provide VIP entrance to top attractions, night clubs, museum passes, and immersive trips around the world. And while 3 or 5 years ago people would generally not buy intricate or exotic trips themselves, these high-ticket, far flung experiences are closing online more and more each day.

What does this mean to traditional tour operators or DMCs who mostly rely on direct bookings or travel trade to use their services? And what does this mean to travel advisors who would often tell clients they offered experiences thatthey "cannot google"? Now that you can google so many incredible experiences it is imperative that advisors and DMCs collaborate to continue to raise the bar in unique, authentic experiences, get a stronghold on the truly best guides and hosts, and offer the accessibility and transparency that these new platforms will provide.

9) **Maturation of the CRM**: While CRM and AI technology is still maturing, it exponentially accelerates every few months. New technologies are being developed to allow hotels to be more holistic in their selling approach and offer more than just their rooms. By profiling shoppers, it allows hotels to "package" meaningful components like golf, spa, or even something as specific as a cooking class based on the passions they know about their shoppers. The growing issue remains an archaic platform which these new technologies sit. Major progress has been forged, as CRM's improve data integration from disparate databases, reservations systems, concierge interfaces, purchasefolios, and other internal systems. Look out for the growth of "*Headless Commerce*" which allows user interface among a number of platforms tying back into legacy systems. Gathering this disparate data into central pools will give companies a more holistic view of their client to better understand their customer's journey, their preferences and passion points to better tailor an experience and better target upselling opportunities using artificial intelligence to lead the way.

10) **The Luxury Travel Advisor Distribution Model**: Currently in the USA, most large travel companies are comprised of Independent Contractors ("ICs"). Each IC runs its own independent business and pays its host agency a percentage of profits in exchange for back office and accounting support, marketing, branding, technology and a number of other services. This model has been very successful in empowering advisors to deliver more dedicated service for their clients (who are the lifeline of their survival) while enjoying the influence and infrastructure of a larger company. However, that model is currently being questioned in California and several other states looking to pierce the corporate relationship between these ICs and their host agencies, deeming ICs employees. Not only will this have a huge impact on the financial viability of the IC model but will require a full restructuring of the approach to luxury travel business in America.

III. Hot Hotels Opening this Quarter

1) **Singita Kwitonda, Rwanda**: Though only 8 rooms, Singita's entry into Rwanda will catapult the already bourgeoning country onto the main stage of luxury destinations. While most lodges are an hour-plus away from Volcanos National Park, Singita Kwintonda is a mere low stone wall separating it from the park. That means earlier and easier exclusive access to get up close to the gorillas. In total Singita style, no comfort will be overlooked and you can expect a major focus on food and wine.

2) **One & Only Nyungwe House & One & Only Gorilla's Nest, Rwanda** – -One&Only Nyungwe House & One&Only Gorilla's Nest, Rwanda –One&Only Resorts will pave the way for travelers to experience Rwanda and all its natural wonders in true luxury. The 22 room One&Only Nyungwe House opens on the grounds of lush working tea plantation on the footsteps of the ancient Nyungwe Forest National Park (the oldest on the planet)– famous for its chimpanzees. It is a perfect combination with One&Only Gorilla's Nest which debuts on the foothills of the acclaimed Virunga Volcano range where guests will have the opportunity to encounter one of the rarest wildlife experiences in the world (which only a few thousand people a year have access to) – interacting with Gorillas in their native habitat.

3) **JK Paris, Paris France:** JK brings the first ultra-luxury boutique hotel to Paris' left bank. Located in the fabulous 7th Arrondissement, Michaele Bonan's 30 sumptuous designed rooms take this coveted area of Paris to another level, literally acrossfrom place de la Concorde, next to Musee D'Osay on the corner with Saint Germain, set in a former embassy. Think Italian chic fused with Paris elegance.

4) **Six Senses Shaharut**: Just outside of Eilat, this will be one of the hottest properties in Israel in a gorgeous dessert setting with an amazing Spa adjacent to a local Kibbutz where guests can partake in making cheese and wine.

5) **Hotel Torre Mazza** : A beautiful 45 room reinvention of an ancient Apulian Farm House by Olga Polizzi, Torre Mazza has been flagged as a fabulous Rocco Forte resort just steps from the beach offering a boutique resort experience with adose of RF's famous color pops and modern vibe.

6) **Equinox, Hudson Yards New York:** Not only does this hotel represent the first hotel opening in the greatly anticipated Hudson Yards project but also the first foray of Equinox into the hotel space. The sleek new build promises to fuselifestyle and luxury (Think Four Seasons meets Ace Hotel) with a strong dose of wellness, including a 60,000 sft Equinox gym complimentary for guests, a slick new Soul Cycle and 15,000 sft spa. Guests can have their gym clothes cleaned daily with compliments of the house and have their personal training profile follow them at any Equinox hotel or gym around the world.

7) **Auberge Blue Sky, Park City, Utah:** Set outside of Salt Lake City's pristine mountains, Blue Sky will be a game changer in offering a luxury ranch and tented camp experience within easy reach of a hub city. Its luxury yurts will be among the largest glamping options in the country while its bespoke approach to outdoor adventures, let by ex-Aman visionary Stuart Campbell, will redefine the way people explore the American West. Guests will have exclusive access to heli-skiing landing directly at Blue Sky for incredibly private off-piste adventures with over 1 million acres of private back-country skiing within a 10 minute flight.

8) **Cabrits Resort Kempinski Dominica**: Look for the new Kempinski to redefine luxury on the sleepy island of Dominica. Surrounded by the Cabrits National Park, home to 365 rivers, waterfalls and pristine hot springs, the Kempinski will offer guests eco-tourism activities with world-class accommodations in a beautiful beach setting.

9) **Raffles Hotel, Singapore**– the legendary Raffles Singapore (originally built in 1887) reopens its doors after a 3 year extensive renovation heralding back Singapore's glamourous Imperial age. With a whole new shopping and culinary experience, reimagined rooms that embrace the past and present and a commitment to preserving the Raffle's elegant sense of arrival, there's never been a better time to try a Singapore Sling where it was invented.

10) **Four Seasons Philadelphia** At Comcast Center - Four Seasons returns to Philadelphia in the city's tallest tower, with restaurants by Jean-Georges Vongerichten and Greg Vernick, and a 57th-floor spa and pool, aiming to be the first true luxury resort in Philadelphia.

Other Notable Openings:

1. Four Seasons Sao Paulo
2. Alila Villas Koh Russey, Cambodia
3. The PuXuan Hotel & Spa, Beijing, China
4. The Houghton, Johannesburg, South Africa
5. Ānanti Resort, Residences and Beach Club, Rezevici, Montenegro
6. Baglioni Resort Maldives
7. Hotel Villagio (Yontville, January 2019)
8. Rosewood Bangkok
9. Rosewood Guangzhou
10. Edition Rome (Sep-19)
11. The Ritz-Carlton, Perth
12. Zadun, a Ritz-Carlton Reserve, Cabo
13. Four Seasons Los Cabos
14. The Ritz-Carlton, Mexico City
15. The Ritz-Carlton Rabat, Dar Es Salam
16. The St. Regis Hong Kong
17. Lefay Spa Dolomiti
18. The St. Regis Amman
19. Nobu Chicago

About Embark**:** Embark is an international luxury travel and lifestyle partnership group, attracting the very best forward-thinking talent through shared ownership. This cutting-edge concept in the luxury lifestyle space has helped the company launch with over $100 million in sales to a sharply-focused, highly confidential black book of ultra-high net worth clients composed mostly of Gen-X and Millennial A-list celebrities, sports stars, Fortune 500 executives, dynamic financiers, entrepreneurs and real estate moguls around the world. Not only does the company pride itself of creating tailored, meaningful global experiences for individuals, it also hosts the largest luxury social destination event businesses in the Americas. Embark's platform encourages synergies amongst partners touching an UHNWI's life with expert advisors specializing in an individual's preferences, passions, life goals and legacy.

About Jack Ezon: *Jack* S. Ezon is founder and Managing Partner at Embark, a luxury lifestyle partnership specializing in bespoke travel experiences. In his role Jack oversees the company's direction, expansion plans, strategic partnerships, PR and customer journey mapping while inspiring talent and business development.

Ezon is one of the most well connected and influential travel advisors in the world, known as a true innovator and outspoken leader in the global luxury travel business. His deep and broad relationships coupled with his global black book of clients and local purveyors had him dubbed the "*Olivia Pope of travel*" by Bloomberg in 2018. Lauded for his ability to deliver luxury travel experiences tailored to the next generation of travelers, he has attracted a core group of UHNW Generation-X and Millennial clients and built one of the America's largest luxury social destination event businesses, partnering with an elite group of celebrity event planners to orchestrate incredible destination weddings, birthdays and other celebrations around the world.

As a member of Virtuoso, Jack sat on the Hotels & Resorts Committee for 8 years and served as the first chairman of Virtuoso's Next-Gen Committee, a group focused on attracting the next generation of luxury travelers and advisors. Well respected by some of the world's most renowned hotel companies, Jack is often sought after for his insight on branding and product positioning, sitting on advisory boards for many travel companies including Belmond, Ritz Carlton, Aman and Accor. Ezon has an eye for new talent, which is why he has focused his efforts on cultivating savvy Millennial advisors and has launched Embark as a lifestyle partnership, providing equity opportunities for forward-thinking leaders in the luxury lifestyle and travel space.

Previously, Jack built Ovation Travel's leisure business under the banner of Ovation Vacations and Ovation Celebrations, growing it from $3 million to over $350 million. A father of four, he graduated from New York University's Stern School of Business and received a J.D. from Cardozo School of Law.

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