

CONNECTING TRAVEL

insight report

2023



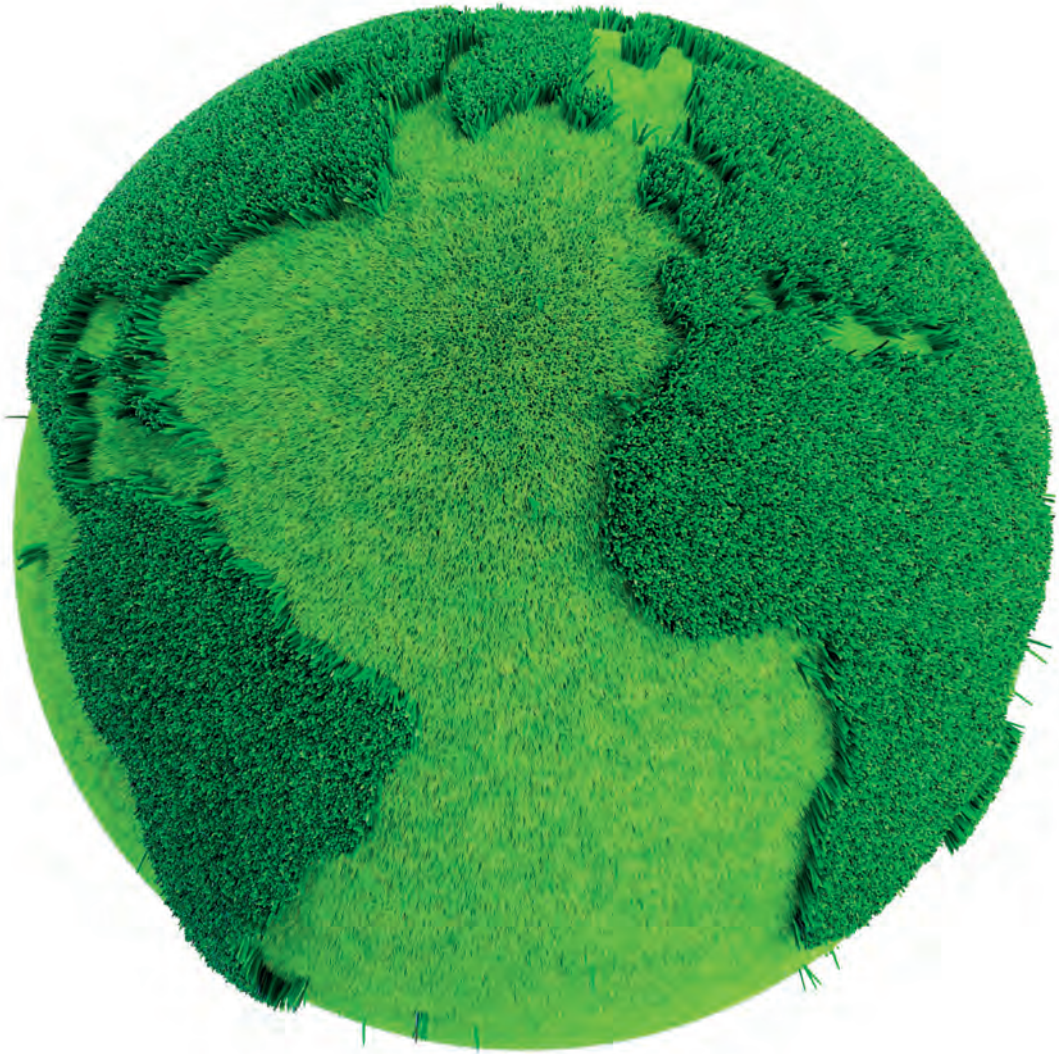
Recovery, Resilience and Growth

Shaping travel and tourism in the Middle East in 2023

Produced in association with

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CONTENTS

CONNECTING TRAVEL INSIGHT REPORT 2023

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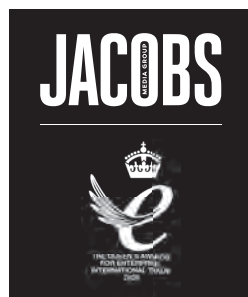
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- 4 Foreword
- 5 Key Findings
- 6 Executive Summary: Hassan Malik, Deloitte
- 8 Trends: The new norms of today's traveller
- 13 Tourism: Agents' views from the front line
- 17 Hospitality: Recovery in a time of rising costs
- 20 Hospitality: Hotel design as a catalyst for change
- 24 Hospitality: How to improve guest satisfaction scores
- 26 Loyalty: Rise of membership programmes in the AI era
- 30 Wellness: The trends driving medical and health tourism
- 36 Cruise: Rapid recovery on the high seas
- 40 Sustainability: A long way to go to net zero
- 48 Aviation: The future of flying
- 54 Report Partner: Deloitte

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FOREWORD

PASSING THE PEAK

With Middle East destinations at the forefront of recovery, the travel sector is set to surpass pre-pandemic figures but other challenges lie ahead

Welcome to the 2023 edition of the **Connecting Travel Insight Report**, compiled in association with industry thought leaders **Deloitte**.

Globally, today the total market value of the travel and tourism sector is US\$9.5 trillion. That's just 5% below the pre-pandemic levels of 2019 when it was at its peak. Research by the World Travel & Tourism Council suggests the sector's value will climb to US\$15 trillion over the next decade, and that 34 countries – including the UAE – have already surpassed pre-pandemic figures.

As the industry continues to grow, so too will the mounting challenge of cutting carbon emissions to achieve net zero targets. Alongside this, consumer demand for sustainable travel is on the rise – and the industry is in the spotlight.

Estimates show the travel industry generates between 8% and 11% of global greenhouse gas emissions, with the majority from transportation. In the face of rising consumer awareness, being able to facilitate “guilt-free travel” for the consumer will become essential. This responsibility extends beyond carbon emission rates to encompass the entire spectrum of environmental, social and corporate governance (ESG).

Increasingly, travellers will want to know how companies are impacting not only the environment but the communities in which they operate, and whether the staff at the heart of the industry are being fairly treated, from the hours they're requested to work to the salaries they receive.

Collectively, all stakeholders have a duty to ensure ethical standards are met within the industry. Only from this solid foundation can we promote the many benefits the travel and tourism sector brings to the world.

While more than 10% of the global economy relies on the sector, certain



“
In the face of rising consumer awareness, being able to facilitate ‘guilt-free travel’ for the consumer will become essential

countries depend on tourism almost entirely. The number of jobs generated by the sector will increase from 295 million to 430 million in the next 10 years – and that number represents 12% of the entire working population. The positive impact is evident – and this is where our efforts should be directed. In an industry that tackled a global pandemic with such resilience, we can surely employ the same commitment and acumen to tackle the challenges we face today.

Sarah Hedley Hymers
Editorial Director,
Connecting Travel

KEY FINDINGS

US\$9.5tn
Total value of the
global travel and
tourism sector
today



34 Number of countries
that have **exceeded**
pre-pandemic travel
and tourism **GDP**

1 in 11
Proportion of people
employed in travel
and tourism in **2022**

295m
Number of
jobs in
travel and
tourism
globally



37m
Number of **cruise**
passengers
forecast to sail in
2025 – up from
32m in 2023

4.48m
Number of passengers
travelling through **DXB**
in **April 2023**, making
it the world's busiest
international airport



28%
Proportion of Middle
East travellers
planning to book a
work-and-leisure
'flexcation'

40.1%
Proportion of
millennials who consider
'Instagrammability'
the most important
factor when
choosing
a holiday



9.8% The Middle East
share of the **global air**
passenger market in 2022

100m
Number of
active monthly
ChatGPT users
within **six**
months
of the app's
launch



US\$173.10
Middle East **hotel**
room ADR in 2022,
up **22.2%** on 2021

63.6%
Middle East **hotel**
occupancy in 2022,
just **3.3%** below 2019

Sources: Clia, Expedia, WTTC, Scofield's Insurance, dnata Travel Group

EXECUTIVE SUMMARY

TRAVEL ADVANCEMENTS SHAPING THE FUTURE

The past two years have not only been about recovery but have also set the trajectory for the decade to come



The past 48 months in the Middle East region have not just been about recovery within the travel and tourism sector. Since the pandemic, we have witnessed significant advancements that are likely to shape the trajectory of the sector over the coming decade.

There are two major areas of advancement. First, there are significant investments being made into travel and tourism-related infrastructure, offerings, destinations, technology and sustainability. Second, there is growing popularity of event-led and experiential tourism, with a focus on conferences, sports, arts and culture.

NEW INVESTMENTS

The GCC (Gulf Cooperation Council) countries have been investing heavily to develop travel and tourism-related infrastructure. This includes but is not limited to investments in new airports, airlines, hotels, resorts, technology and sustainability. Some recent and notable

“

The region is rapidly adopting and investing in new technologies to enhance the visitor experience and streamline operations

examples include Riyadh’s King Salman International Airport, Bahrain’s plans to build a multibillion-dollar airport, and Dubai’s mega-resort, Atlantis The Royal, which cost more than a billion dollars.

Another example is the new Saudi Arabian carrier Riyadh Air, which has been created to meet the growing demand for air travel in the country. The airline has already announced aircraft orders and plans to launch routes to destinations across the region and the rest of the world.

These investments have an emphasis on technology and sustainability. The region is rapidly adopting and investing in new technologies to enhance the visitor experience and streamline operations. This includes the use of artificial intelligence, virtual and augmented reality, and mobile applications to provide personalised recommendations, navigation assistance and real-time updates.

On sustainability, the region is shifting towards more eco-friendly practices. Governments and private sector players are investing in areas like renewable energy, waste reduction and responsible tourism initiatives.

Major investments are also driven by the development and extension of destinations, led by a desire to attract more tourists, provide new and memorable experiences, diversify the economy and create opportunities for growth. One example is the investments made by Saudi Arabia in the development of AIUla and Diriyah. AIUla is home to several ancient archaeological sites and natural wonders. The development of this destination has been focused on preserving its cultural heritage while providing modern amenities and infrastructure for visitors. Diriyah is also a destination focused on creating a unique cultural experience for visitors, with plans to add more attractions and activities.

Such investments have a positive impact, attracting more visitors to the

region, which is expected to continue to develop in the coming years. Additionally, investments present opportunities for the local economy, creating jobs and boosting business for local companies.

EXPERIENTIAL AND EVENT-LED TOURISM

Tourists around the world are increasingly seeking unique experiences and events that take them beyond traditional sightseeing, and this trend has been embraced in the region. Demand is leading to an increase in adventure tourism, art and cultural tourism, culinary tourism, event-led tourism and MICE tourism, with many local travel and tourism businesses and start-ups working towards offering personalised experiences.

Recent developments in experiential tourism offerings include Dubai's Museum of the Future, the development of the Hatta mountain region, and Abu Dhabi's Saadiyat Cultural District with upcoming museums including the Zayed National Museum and Guggenheim Abu Dhabi, joining the existing Louvre Abu Dhabi.

Hosting of sports and cultural events is also on the rise. Qatar recently hosted the FIFA World Cup 2022, the most-anticipated sporting event of the year globally. It attracted millions of fans and visitors to Qatar from all over the world. The tournament is expected to have generated significant opportunities for the country's economy.

Besides this, other events in the region include the NBA, UFC and F1 hosted in Abu Dhabi. In Saudi Arabia, upcoming events include F1, the AFC Asian Cup 2027, the Asian Winter Games 2029 in NEOM and the annual MDLBEAST festival, to name a few.

These sporting events have the potential to attract millions of visitors from all over the world, while generating significant revenue and contributing to the growth of the sector.



PICTURE: SHUTTERS/STOCK/FABEDCHIA

“
The Middle East's mega-events have the potential to attract millions of visitors from all over the world

There is also a significant push towards hosting international conferences and business events. Some examples include Saudi's Future Investment Initiative (FII) and LEAP, and Dubai's goal to host 400 global economic events annually by 2025.

Importantly, the new investments, events and experiences will allow the region to attract new and diverse visitor types from different source markets, with a growing focus on attracting more tourists from Asia, the Americas, Europe and Africa. This includes increased marketing efforts in these regions and the development of tailored experiences to meet the needs of these specific customer segments. ■

Hassan Malik
Lead Partner, Tourism Sector,
Deloitte ME
Managing Partner, Monitor
Deloitte ME

ABOVE: Fans gather at the FIFA World Cup Qatar 2022

TRENDS

THE NEW NORMS OF TODAY'S TRAVELLER

Visitor preferences and market size

The global travel industry has demonstrated increased resilience to disruptive events as people grow accustomed to adverse situations, adapting and returning to their daily lives more quickly. Recovery of travel demand following the pandemic started in 2022, much earlier than after previous devastating international incidents such as the September 11 attacks in the US in 2001 – then, global international arrivals only saw signs of recovery in 2004.

International arrivals worldwide recovered to 63% of pre-pandemic levels (917 million) in 2022 and are projected to reach 80% to 95% in 2023, depending on the economic climate, the return of travel in Asia Pacific and the evolution of the conflict in Ukraine.

The growth of the global travel market will likely continue at pre-pandemic levels in the long run. According to the United Nations World Tourism Organization (UNWTO), international tourism arrivals grew uninterruptedly from one billion in 2010 to 1.5 billion within a span of 10

“
Strong travel rebound and the trend of ‘revenge travel’ highlight the growing recognition of travel as an essential activity in people’s daily lives

years, with a compound annual growth rate (CAGR) of 4.4%. Concerns and the impact of global economic uncertainty are unlikely to disrupt the long-term growth trend.

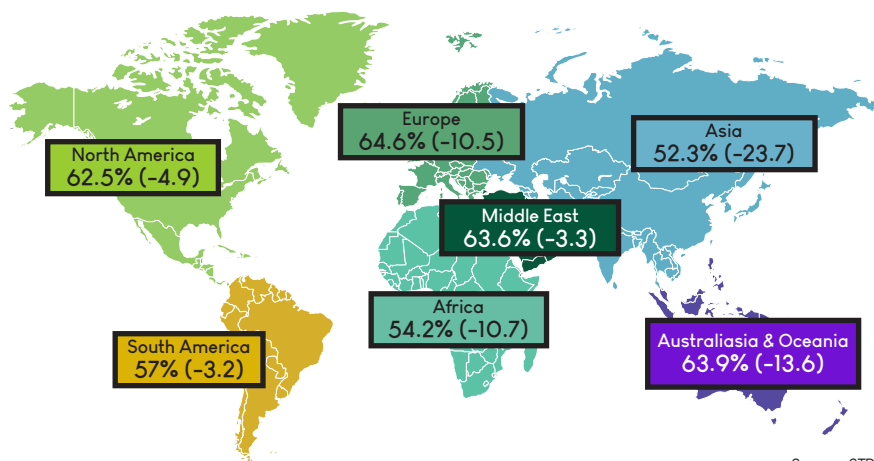
The 2008-09 financial crisis saw international tourism arrivals fall by 37 million, paling in comparison with the loss of 1.1 billion arrivals due to the pandemic. Despite consumers worldwide showing signs of financial stress now with global inflation reaching a 25-year high of 7.9% in 2022, planned spend on leisure travel still holds a 12% share of their wallet in January 2023, one percentage point higher than at the same time last year, according to Deloitte’s Global State of the Consumer Tracker. Data shows that 36% of respondents are also planning to spend more for upgraded travel experiences. Travel appears to be returning along with an appetite to spend more.

Tourists’ willingness to pay more was evident at year-end 2022. Despite hotels passing on the inflationary pressure to consumers by driving Average Daily Rates (ADR) above 2019 levels, consumers are still returning in large numbers, with global hotel occupancy reaching 89% of 2019 levels.

The industry is also waiting for China to come back in full swing after reopening its borders at the start of 2023. The world’s largest outbound tourism source in 2019 by expenditure (\$254 billion) will reshape the trajectory of global recovery.

In January 2023, 62% of Chinese respondents said they were planning to spend more for upgraded travel experiences, with spend on leisure travel likely to account for a 14% share of their wallet.

GLOBAL HOTEL OCCUPANCY RECOVERY, 2022
And percentage point difference versus 2019 (brackets)



Source: STR

LEFT: Average hotel occupancy rate in the Middle East last year had recovered to just 3.3 percentage points below its 2019 level, compared with a 10.5 point deficit in Europe and a 23.7 point deficit in Asia



GROWING DEMOGRAPHICS AND PREFERENCES

Three key trends to look out for in the coming years are extended stays, slow(er) tourism and the rise of luxury travel spurred by an increase the high-net-worth individuals (HNWI).

HNWI luxury travel

Despite the economic uncertainty, the number of HNWIs grew by a CAGR of 6% between 2014 and 2021, according to Capgemini Research Institute, with the largest growth in North America and Asia Pacific. Key preferences observed include:

- ◆ **Simplicity and assurance:** Travel experiences are increasingly simplified to focus on quality instead

of quantity. Additional services pre, during and post-travel are also highly valued, indicating that the experience is personalised for the visitor.

- ◆ **Novelty and unique experiences:**

Based on Skift Research for the top tourism source markets (US, UK, China, India, Australia), more than 50% of their Gen Z respondents are looking for travel experiences that their families and friends aren't aware of. HNWIs are looking for more off-the-beaten-path destinations and uniquely crafted experiences to either learn, recharge, connect, explore or improve their state of mind or wellbeing.

- ◆ **Hospitality products beyond**

TRENDS

THE NEW NORMS OF TODAY'S TRAVELLER

hotels: New products such as the Ritz-Carlton Yacht Collection and the strong growth and normalisation of closed-door suites on airlines, such as Singapore Airlines, Emirates and Ethihad, are examples of new forms of hospitality experiences.

Extended Stays

According to global research firm JLL, US demand for alternative accommodations in 2022 exceeded 2019 levels by 15%, driven by an increase in short-term rentals in both urban and resort destinations. Co-living spaces and serviced apartments are customised to serve the needs of both corporate and family tourists. Such accommodations create spaces to address evolving visitor needs:

- ◆ **Blended travel:** Reduced separation between a hotel and a home design, providing more amenities and services that mimic tourists' normal life at home.
- ◆ **Multi-purposed spaces:** Guests on extended stays seek spaces that can be customised to suit their needs and provide a more comfortable away-from-home stay.

Slow(er) Tourism

The pandemic triggered a growing focus on wellbeing and sustainability during travel, and tourists have become more conscious of how trips impact them, while also prompting them to treasure opportunities to travel more. Based on data from Trip.com, the average length of stay also increased from nine days in 2019 to 14 days in 2022, providing a good amount of quality time for travellers to fully own and participate in the entire experience. Slow(er) tourism also includes the following trends:

- ◆ **Conscientious consumption:** Concerns about environmental, social and governance (ESG) issues are increasingly important to guests. Guests are more aware and curious about hospitality providers' ESG initiatives in the hope to avoid creating a large carbon footprint



when travelling or being destructive to the destination they are visiting.

- ◆ **Authenticity and personal connection:** Visitors are increasingly craving real connection with the places and people they encounter during a holiday. The desire to travel purposefully has become more evident as more millennials and Gen Z dominate the demographics of today's travellers.
- ◆ **Hyper-personalisation (see page 34):** Micro-moments, such as actively customising itineraries and stays according to a service team's observations of the customer's likes and preferences, are increasingly valued. Technology has enabled hospitality service providers to engage guests through multiple touchpoints, using platforms such as customer relationship management (CRM) to track and identify opportunities to surprise and delight guests.

CHANGING ATTITUDES TOWARDS TRAVEL

The growth of distinct and diverse traveller segments has been spurred by a change in attitude towards travel and a shift in how people seek travel inspiration.

Work-Life Balance

One of the greatest breakthroughs of the pandemic was the realisation that people's livelihood and lifestyle choices are not bound by location anymore.

Activities such as wellness routines and working could take place in a confined environment with the advancement of technology. Conversely, visitors emerging from the pandemic are less inclined to compromise on their habits and lifestyle preferences during their travel.

The rise of 'bleisure' – blended work and leisure travel – emphasises the desire for a healthy work-life balance, while the use of services such as ClassPass (a global online platform offering one-time visit passes to local fitness and wellness venues), serves visitors' wellbeing needs.

The ownership and personalisation of every aspect of the travel experience has become more relevant than ever. Consequently, hospitality service providers should aim to cater beyond

“

The most popular social media source for travel ideas is Instagram (40%), followed by Facebook (33%) and TikTok (25%)

traditional travel needs, holistically attending to customers' living habits too.

Social Influence

Almost half of Skyscanner Horizon Report survey respondents revealed that their travel plans were inspired by social media content. Millennials and Gen Z now account for almost half of the world's population, almost all of whom are on social media platforms, illustrating a changing pattern of information sourcing.

These demographic segments respond better to the emotional appeal of hospitality products and services or the experience they wish to consume. Social media platforms address this desired emotional closeness by amplifying shared user-generated content through digital communities of likeminded people and influencers, accelerated by algorithms to maximise outreach to the right customers.

The availability and accessibility of personalised and relevant travel inspirations on social media can acknowledge the diversity of customers' lifestyles and preferences and be easily compared to traditional push marketing content on other mass-media platforms.

Authenticity and Adaptability

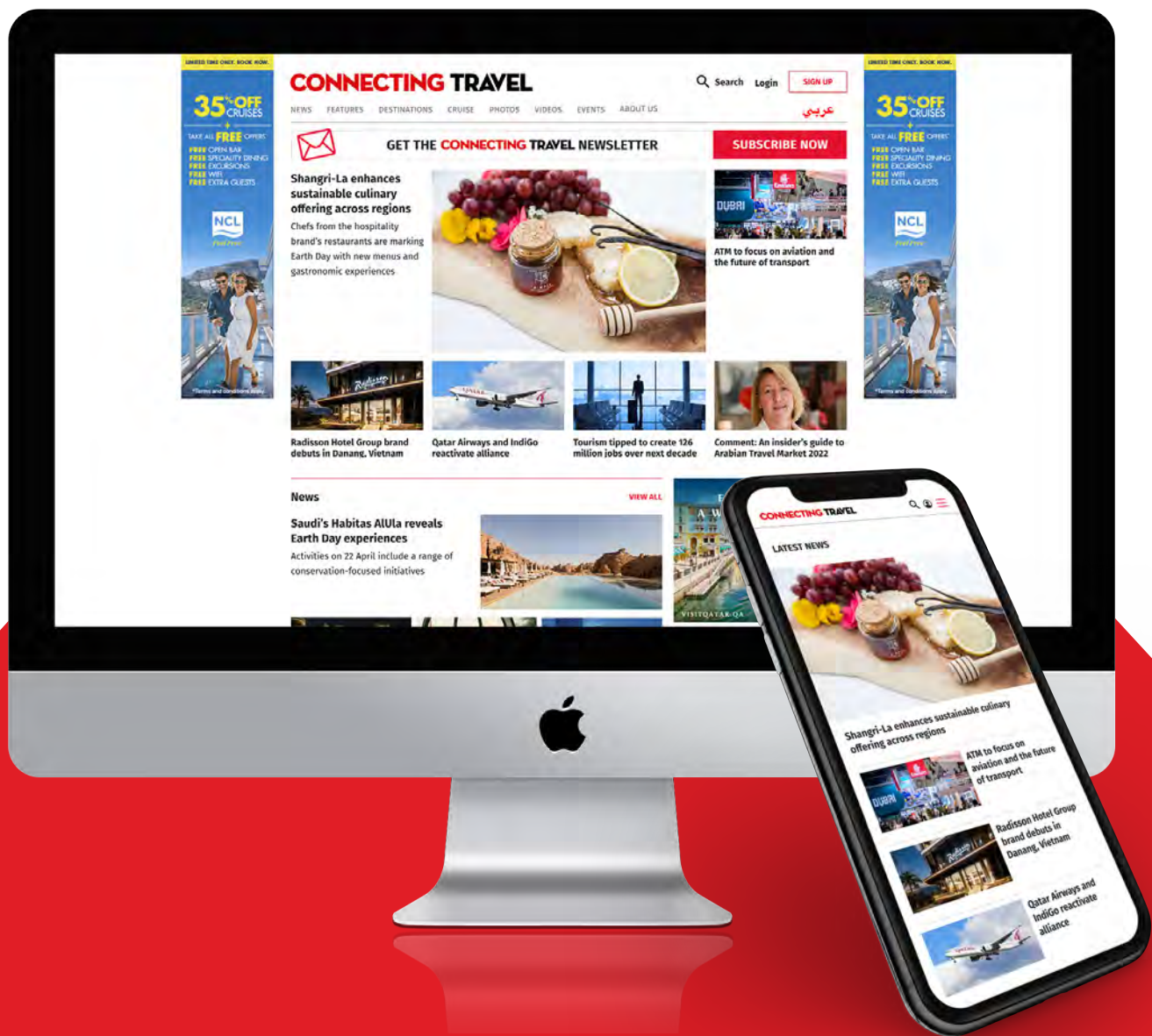
Not all traditional pre-pandemic trends will resurface again. The pandemic has fundamentally reshaped consumers' attitudes, priorities and preferences. Businesses should continue to embrace the changing and diversified needs of tourists and create more innovative products and ways to connect with travellers, focusing on authenticity, quality with simplicity, and sustainability. Personalisation and adaptability to the traveller's lifestyle are ever more important as the divide between a day at home and a day in a hotel grows thinner.

Now and in the years ahead we will see more changes, such as the return of the East Asian markets. Businesses should meet these prospective market conditions with excitement and optimism, capitalising on them as stepping stones to grow alongside the evolution of travellers' needs. ■



PICTURES: SHUTTERSTOCK/ANDREI MINSKI, I AM KULZ, PETR MALINAK, SAGIN PA RAKSA

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TOURISM

THE TRAVEL AGENT'S VIEW FROM THE FRONT LINE

John Bevan and Muzzammil Ahussain report on consumer demand in 2023 and the sector's ambitions for growth

Based in the UAE, John Bevan is the divisional senior vice president for Travel at dnata Travel Group, and Muzzammil Ahussain is the CEO of Almosafer, part of Seera Group in Saudi Arabia. Ahussain is known for his strategic acumen and operational expertise in running large-scale organisations and spearheading the growth of the kingdom's most holistic travel platform, while Bevan leads the travel division of dnata Travel Group, consisting of more than 20 leading international travel brands, including travel agencies, global travel consolidators, destination management companies and airline representation services.



PICTURE: SHUTTERSTOCK/SORBIS



JOHN BEVAN,
divisional
senior vice
president for
travel, dnata
Travel Group

“ We represent the travel division of dnata, one of the world's largest air and travel services providers, with businesses that cover the full spectrum of the industry. Following a positive year of travel in 2022, we anticipate growth in all business areas to continue in 2023, reaching or surpassing pre-Covid levels.

DMC expansion

We aim to expand the source markets of our B2B businesses, including the UAE's leading destination management company (DMC) Arabian Adventures. In strengthening our product offering, we aim to align with the Dubai Tourism Strategy to attract 25 million tourists by 2025. By developing Arabian Adventures' offering as a destination management company and improving its award-winning

“ We're finding face-to-face bookings are proving most popular, with customers preferring to make reservations in person at their local dnata Travel stores

UAE-based desert safaris and city tours, we aim to further enhance the country's position as an attractive destination for international travel.

We also aim to build on the success of our stopover programmes, emphasising Dubai's position as more than just a beach destination, highlighting its desert and mountain attractions – and beyond – to encourage more and longer stays. As part of this, an area of development for Arabian Adventures includes multi-centre travel options across the Middle East, launching operations in growing tourist hotspots across the region, including Oman and Saudi Arabia.

Emerging trends

Traveller requirements have changed, and in the traditionally last-minute UAE market, this shift in behaviour includes bookings being secured further in advance. As the UAE's longest-serving travel provider, dnata Travel recently conducted a survey with thousands of UAE travellers. The majority of respondents (28%) expressed plans to

TOURISM

THE TRAVEL AGENT'S VIEW FROM THE FRONT LINE



PICTURE: SHUTTERSTOCK/PAKHNYUSHICHY

book leisure travel two to six months in advance, compared to a matter of days or weeks in years previous.

Data shows a 17% increase in travel bookings already being recorded across summer 2023 compared to the same time last year, as travellers are making plans earlier to secure a perfect trip.

To make the most of a journey and secure added value, customers are also booking more-extensive holiday packages, with 37% of travellers in our recent survey adding 'all-inclusive' as part of an ideal getaway in 2023.

Our travel experts are also reporting increases in the length of stay and average booking values as travellers extend trips and opt for fuller packages that include hotel stays, flights, transfers, experiences and insurance.

We're also finding face-to-face bookings are proving most popular, with customers preferring to make a travel reservation in person at their local dnata Travel stores.

Clients are seeking the advice of our on-hand specialist teams in store to support their requirements and customise trips to their needs. Part of dnata Travel's planning for 2023 is to expand its retail footprint across UAE communities.

The most popular destinations for holiday bookings from the UAE in 2023 so far with dnata Travel include the Indian Ocean islands of the Maldives and Mauritius, while Thailand leads the way

for a resurgent Asia. Growth in travel to this part of the world continues to soar, with Indonesia and Singapore also starting to trend.

Challenges to tackle

To continue the levels of growth witnessed in 2022 and 2023 so far, our teams remain agile to adapt to the evolving needs of local and international travellers.

The price of air travel continues to prove the most prominent challenge, as airlines grow flight capacity to ensure the volume required meets demand. Our airline partners are working hard as we continue to see promising growth in this area, with new routes and aircraft coming online for a wider range of destinations around the world.

In terms of accommodation, the level of new hotel openings and projected developments, particularly in destinations such as the UAE, ensures supply continues to meet increased demand.

Strategy for success

At dnata Travel Group, we're in the unique position of being available across all industry verticals and touchpoints, with stores and solutions online and offline, and 24/7 travel expertise and support. This enables us to remain agile to support the changing needs of global travellers.

Bringing 60-plus years of experience and global partnerships, we work with

ABOVE: The Maldives, one of the most popular holiday destinations for UAE customers of dnata Travel Group this year

hotels, resorts and other partners to offer travellers incredible, unrivalled travel content, supplied directly to the end consumer or operators all over the world. This extends our impact, as we support the industry in many ways on a global scale.

Our aim is to continue to provide the best possible service for global travellers, across all markets and businesses, including our DMCs, and leisure and corporate travel divisions and beyond, with ongoing product and service enhancements that are adapted to latest trends.



**MUZZAMMIL
AHUSSAIN,
CEO,
Almosafer**

What's clear is that there is a huge, unwavering appetite for travel. Even despite the various global economic uncertainties, people still want to travel. For outbound travel from Saudi Arabia, we're seeing that Saudis are choosing to spend more on meaningful and luxury travel.

For inbound tourism, we're seeing an increase in demand from the CIS [Commonwealth of Independent States] and European countries, and MICE is playing a key role in attracting regional and international visitors, driven by events such as Saudi Seasons and Formula 1.

Domestic tourism in the kingdom remains strong, even as international borders have reopened. More than 40% of our consumer segment bookings are for domestic travel.

The key goals for the kingdom's travel and tourism industry are to work collectively to position Saudi Arabia as the destination of choice for travellers and ultimately work towards realising the goals of Saudi Vision 2030 to welcome 100 million visitors annually by 2030.

To achieve this goal, we must work to create seamless travel experiences for visitors to the kingdom by utilising



PICTURE: SHUTTERSTOCK/ MHD PHOTOGRAPHY CO

“
Domestic tourism in Saudi remains strong, even as international borders have reopened. More than 40% of our consumer segment bookings are for domestic travel

expertise and technology and developing a wide range of products and services to meet the travel needs of the kingdom.

We still need to educate our travel partners and the wider international travel community on the many cultural, historical, natural and religious attractions in Saudi Arabia. The country remains unknown to many people, who may have misconceptions about the kingdom.

We also need to develop the necessary infrastructure and human capital to support a sustainable and thriving tourism industry – this includes having the necessary hotels, transport and trained workers.

There needs to be collaboration between the private and the public sector. For example, we work closely with the Saudi Tourism Authority to promote domestic and inbound tourism. And there also needs to be an industry-wide cohesive effort towards our shared goal. This can be achieved through strategic partnerships to help boost tourism. For example, we have partnered with leading industry players such as airlines, hotel chains and international tourism boards to boost tourism.

Additionally, government policy plays a key role in setting the direction and the framework for stakeholders to operate within. It ensures a level of cohesion and efficiency. Events such as Arabian Travel Market are also a great opportunity to exchange knowledge and expertise to help the industry innovate and collaborate. ■

ABOVE: AIUIa,
Saudi Arabia

connections *luxury*

The international private community for trusted
decision-makers in luxury travel

Presenting a powerful directory of decision-makers, including a versatile event programme, ConnectTALKS series, news bulletin and online platform, members can connect, share, learn and do business with the best in the industry, 24 hours a day, 365 days a year.

GBP 4.25bn

*buyer member
spending power*

95%

*director-level
& above*

100%

*carefully chosen &
qualified*

50+

nationalities

Upcoming 2023 events

Connections Luxury Europe 4-7 June
Connections Luxury Adventure in Madeira 3-6 September
Connections Luxury UK & Ireland 24-27 September
Connections Luxury Bahrain 15-18 October
California Luxury Forum powered by Connections 22-25 October
Connections Luxury Seoul 12-15 November

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HOSPITALITY

RECOVERY IN A TIME OF RISING COSTS

The challenges of staffing, supply chains and ESG

The hospitality sector could hardly have wished for a stronger recovery in summer 2022. Hospitality data analyst STR reported global occupancy in October had recovered to 94% of 2019's level, with the US and Middle East on par.

In 2021, Middle East hotel occupancy reached 56.5% (14.1% below occupancy rates in 2019). In 2022, it reached 63.6% (just 3.3% below 2019).

At the same time, the average daily rate (ADR) increased from \$141.16, which was about the same as in 2019, to \$173.10, representing a 22.2% rise over 2019.

With room rates running high, revenue per available room (RevPAR) also leapt from \$79.77 in 2021 to \$110.12 in 2022 – a jump from 14.4% below 2019 RevPAR to 18.2% ahead.

Speaking at the Deloitte European Hotel Investment Conference in London late last year, STR managing director Robin Rossmann described global hotel demand as “amazingly resilient”.

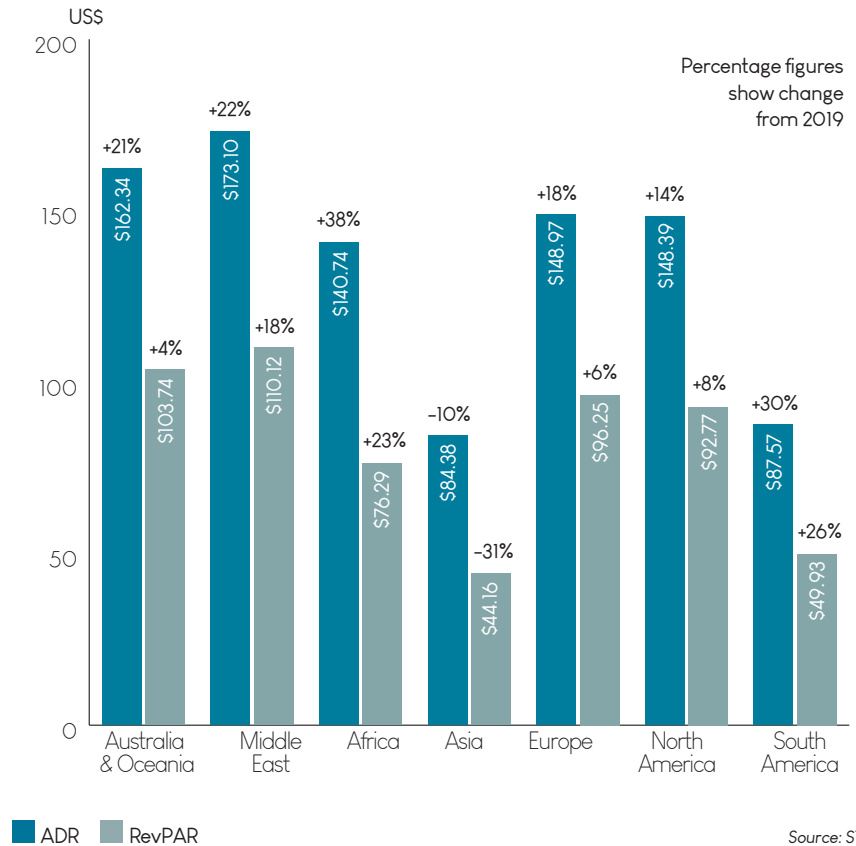
Deloitte UK lead partner for hospitality and leisure Andreas Scriven said: “We saw a stronger recovery than anybody expected in most markets and types of hotel. Some leisure-focused hotels outperformed. RevPAR recovered significantly and people were able to pass on a lot of inflationary costs to customers through the summer.”

He added: “There were challenges in some city-centre markets because long-haul and corporate travel was not fully back. But the vast majority [of hospitality markets] felt more positive. The corporate market recovered better than expected, although there is a trend to reduce corporate travel to comply with the environmental, social and governance (ESG) agenda, especially among larger corporations.”

THE PRICE OF ESG

Scriven highlighted costs as a major challenge facing the industry today.

GLOBAL ADR AND REVPAR RECOVERY IN 2022



“Costs were starting to be a challenge from a labour and food standpoint pre-pandemic,” he said. “Certain issues may have been accelerated by the pandemic but weren’t caused by it. The labour crisis has been brewing for years. People have adapted how they run businesses. Additional demands have been placed on staff to be flexible.”

Scriven argued: “Pay is part of the issue. Another aspect is the hours of work and split shifts. The industry needs to think more creatively about engaging and retaining people. The other aspect is training and development. Parts of the industry have invested little in this. Employers in the luxury market train and develop people, but that is not

ABOVE: The ADR at hotels in the Middle East last year had increased by a greater rate (22%) compared with 2019 than RevPAR (18%)

HOSPITALITY RECOVERY IN A TIME OF RISING COSTS



consistently the case and more employees are looking for this.”

He added: “[Employers] are cautious about increasing pay because it erodes the bottom line. There is real concern about that. Payroll costs for the average hotel have shot up.”

THE DRIVE TO CUT CARBON

Another issue facing the hospitality industry is energy price volatility.

Scriven said: “There is talk of high energy pricing accelerating sustainability – and it will. But there’s a huge cost to replacing a heating and cooling system and it takes six to 12 months. Hoteliers are also looking at operational tweaks such as closing off a hotel floor. But a lot of businesses stripped out cost during Covid, so there is not much more they can do. The only other option is to pass on the costs to customers. The vast majority have tried to pass on the overall inflationary pressures, but it’s not sustainable.”

The drive to net zero is on every company’s agenda but, according to Scriven, many hoteliers aren’t sure what they should be doing, and there’s also debate about how to tackle the issues. Scriven said decision-makers are wondering if they should try to “solve this as an industry or develop their own thing”, but, he warned, if every

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Certain issues may have been accelerated by the pandemic – but they weren’t caused by it

**Andreas Scriven,
Deloitte**

company does their own thing it becomes meaningless to the customer.

He added: “People are launching initiatives, which is positive, but it’s challenging to say how much progress has been made. You can launch a lot of initiatives in 12 months, but for those to bear fruit and to assess and measure them you need five years. It’s still very much at the beginning. Government regulation is what is going to drive change. Demand from guests is quite far down the list. There are discussions around what consumers are willing to pay for, but from an investor standpoint, the issue is what if you don’t do this? What is the valuation if you have an ESG-compliant asset versus one that is not? If you’re publicly listed and you don’t do this,



you could be destroyed in the markets.

“Regulation from a financial reporting standpoint is probably more effective than [hotel sustainability] certification because there is a deadline you have to comply with. Certification, while well-intentioned, is meaningless unless you get a critical mass. These systems only work if people know and trust one or two sources, so who measures it? Who tracks it? How is it geographically defined? If bigger corporations have to engage with a different certification process in every country, it’s a serious pain.”

SEEING THE FUTURE IN SAUDI ARABIA

Scriven suggested one development stands out above others, saying: “If you look at where the most monumental change in hospitality is happening, it’s in Saudi Arabia, which is on the way to becoming another Dubai by diversifying from an oil-reliant economy to one that is service and tourism-oriented. There is almost a blank sheet of paper in how to do this in terms of technology, infrastructure, mobility, sustainability, distribution, and the virtual and actual experience.” ■

EXPERT INSIGHT

Deloitte risk advisory partner James Meadowcroft and senior manager Bethany Hawkings share guidelines for building resilience and future-proofing your travel business



It took a pandemic for the world to realise how important travel is to the economy and to the way people work and socialise. Covid-19 also led to a collective reflection on the role of travel and its impact on the environment.

The industry demonstrated incredible resilience, but the end of the pandemic proved no less disruptive. Geopolitical issues, economic uncertainty, labour shortages and changing regulations now pose new threats and risks.

As it recovers, the travel sector is having to work harder on its relationships with consumers and stakeholders, not only to remain attractive but also to build greater resilience in anticipation of future challenges and crises ahead.

Guidelines for building resilience:

- ◆ Build resilience beyond the operation and finance functions by strengthening the resilience of the organisation’s reputation, people and environment.
 - ◆ Focus on selling travel products at the right price, achieving sufficient margin, as opposed to a ‘race to the bottom’ to sell volume.
 - ◆ Restore the workforce by acquiring talent with the required skills and knowledge to build resilience as well as upskilling existing staff so they can help the sector address its key challenges.
 - ◆ Align or find common ground in competing strategic priorities within a business, such as addressing climate change risks and managing cashflow.
- ◆ Dedicate greater attention to environmental, social and governance (ESG) risks given rising expectations and increased scrutiny from stakeholders and the pressures to manage climate risk. Travel businesses need to be ready to demonstrate their contribution towards addressing climate change given the sector’s difficulties in abating emissions.

The aim in building resilience is to meet the needs and expectations of stakeholders regardless of uncertainty. It is imperative that organisations foster their ability to evolve rapidly and adapt to new conditions, identifying and responding to the opportunities for growth that change brings.

PICTURES: SHUTTERSTOCK/FIZES, 3RDTIMELUCKYSTUDIO, MIHA CREATIVE

HOSPITALITY

HOTEL DESIGN AS A CATALYST FOR CHANGE

How hotel makeovers are increasing customer satisfaction as well as profits

The impact of Covid-19 on tourism and hospitality was without precedent in terms of its speed and severity. However, even before the pandemic, the tourism and hospitality sectors were in a state of disruption and constant change driven by several trends, including changing consumer preferences and behaviours, new customer segments, increased need for personalisation and customisation, digital transformation and technological advances, ESG and sustainability. All these factors were impacting the industry's business and operating models, as well as the ability of hotels to attract and retain customers.

Design not only defines hotel identity, character and image but also influences the functionality, accessibility and operations of a property. All aspects of a guest's stay – functional and intangible – are impacted by hotel design.

To give their customers distinctive and memorable experiences, hoteliers are changing the appearance and facilities of their properties by utilising exterior and interior design as a differentiating factor.

Authenticity, sustainability, wellness, biophilic design (enhancing occupants'

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In a survey by Booking.com, 60% of respondents said they 'desire to have real experiences that are typical of the local culture' when they travel

BELOW: More travellers are seeking hotels that reflect the local culture

OPPOSITE: Consumers are 'willing to pay 38% more' to make their travels more sustainable

connectivity to the natural environment), health and safety, smart technologies, 'Instagrammability' and flexibility are all shaping hotel design trends that have emerged or accelerated since the pandemic.

AUTHENTICITY: TAPPING INTO LOCAL CULTURE

Global travellers belonging to the upper and middle classes are increasingly searching for authenticity and a sense of place, creating a global market for hotels and resorts that reflect local culture and vernacular design. In short, travellers are searching for more than just a place to sleep. They want to feel a connection to the local community and to immerse themselves in their destination.

Hotels are being designed to emphasise and reflect what's synonymous with their locations to provide guests with a more genuine experience. Displaying local art, using locally sourced materials and partnering with local businesses are all techniques to boost authenticity.

Authenticity in hotel design allows properties to establish a better connection between guests and the local community, and to develop a distinctive narrative and identity, thus proving guests with a far more personal and authentic experience.

By embracing local culture and neighbourhood identities, hotels can differentiate themselves from competitors and better appeal to guests. Moreover, in the post-pandemic world, successful hotels also seek to attract and engage local people by positioning themselves as 'cultural hubs', bringing together visitors and local communities by developing facilities and offerings, from wellness and fitness centres to community spaces and restaurants. Outsourcing services to local businesses is an effective way to do this.

SUSTAINABLE BY DESIGN

As travellers become more conscious of the environmental impact of their journeys, they are seeking





out hotels that adopt eco-friendly practices and incorporate sustainable materials in their designs. Hotels that prioritise sustainability can appeal to environmentally conscious travellers, increase guest loyalty and enhance the hotel's brand image. According to Booking.com, 73% of global travellers opted for accommodations that followed sustainable practices in 2021, and 72% strongly believed that travel companies should offer more sustainable options.

According to a survey by Expedia Group Media Solutions, 90% of consumers look for sustainable options when travelling, and, on average, guests are willing to pay 38% more to make their travels more sustainable.

Sustainability in hotel design refers to the integration of environmentally conscious elements and practices across the entire hotel experience, minimising the negative environmental impacts of operations, improving the performance of the building, and supporting the health and comfort of guests. The primary

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Hotel designers should focus on nature-inspired interiors, bringing the outside in, and connect indoor and outdoor spaces through biophilic architecture

principles of sustainable design include, but are not limited to, exploiting the geolocation of the hotel to benefit from prevailing winds and natural shading; offsetting energy consumption with higher levels of insulation; eliminating non-renewable energy consumption; using 'environmentally preferable' products; conserving water; and using local supply chains.

BIOPHILIC DESIGN IN THE WELLNESS ERA

Biophilic design is gaining momentum, especially in the post-pandemic era, as more people realise that the environmental crisis demands that we start appreciating the natural world to a far greater extent than ever before.

According to Allied Market Research, the global wellness tourism market is projected to be worth \$1,593 billion by 2030, fuelled by a compound annual growth rate of 7.2% between 2021 and 2030.

Hospitality venues are well positioned to take a large piece of the pie, especially those offering modern and strong wellness and spa facilities and amenities. With this goal, hotels and resorts should focus on promoting physical and mental wellbeing through their facilities and incorporate biophilic elements into their design, such as green spaces, natural lighting and materials, and organic shapes that creating a tranquil and refreshing atmosphere, providing guests with an immersive, rejuvenating ambience.

Hospitality companies must also focus on designing guest rooms that provide extensive wellness amenities and services. Partnerships with brands such as Technogym have allowed hotels to quickly enhance their health and wellness offerings by adding in-room fitness kit and access to classes on apps and televisions.

HIGH-TECH HEALTH & SAFETY

Health and safety has become a multidimensional trend with certain

HOSPITALITY

HOTEL DESIGN AS A CATALYST FOR CHANGE

aspects converting into major drivers such as cleaning, sanitation and safety, mainly driven by the implications of the pandemic.

In response to the newly identified needs in sanitation, hotels and resorts are making changes to their premises. Greater emphasis on cleanliness and hygiene to prevent the spread of Covid-19 has led to the implementation of enhanced cleaning protocols, the installation of hand sanitiser stations, and the increased use of disinfectant products. Lobbies, lounges and restaurants are being redesigned to accommodate social distancing and more space is being dedicated to open-air areas, while less space is used for seating. Moreover, to minimise contact between guests and staff, many hotels and resorts are implementing contactless check-in and check-out processes, such as online check-in and self-check-in kiosks. In addition, they are using sanitation technologies and solutions, such as UV light air purification and surface-appropriate disinfectants that contribute to enhanced hygiene.

As hoteliers focus more on hygiene and cleanliness, we will see a shift to minimal aesthetics and the increasing use of easy-to-clean, anti-germ materials used in flooring, textiles and fabrics for mattresses and bedding that are durable enough to withstand tougher and frequent cleaning.

INSTAGRAMMABILITY

Instagram has become an increasingly important factor in the hotel industry as guests hanker for distinctive and shareable experiences. Hotel designs are becoming social media-centric to encourage photos and high ratings on online review sites for effective and cost-efficient advertising.

This trend mainly targets new consumer generations such as Millennials and Gen Z 'Zoomers' who are most active on social media and travel frequently seeking new experiences and adventures.

More and more hotels and restaurants are explicitly aligned according to Instagram-friendly criteria, incorporating visually pleasing and aesthetically intriguing elements into their design that prompt guests to capture and share the moment.

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40% of millennials consider 'Instagrammability' as the most important factor when choosing a destination, according to a Schofield Insurance survey

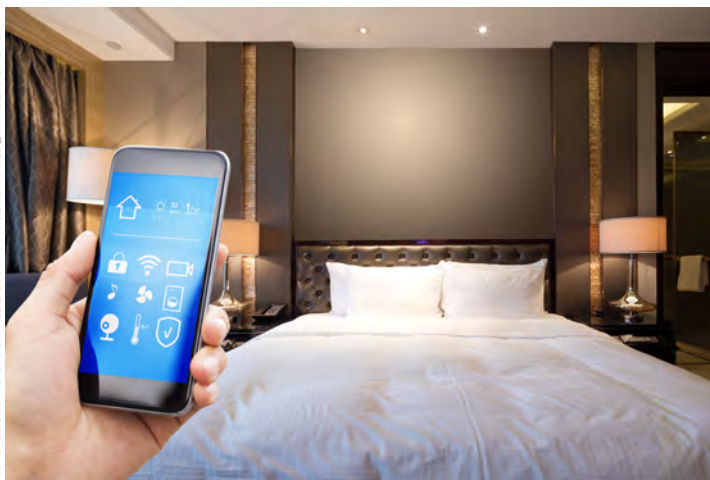
Successful design elements include eye-catching flooring in hotel lobbies, picturesque rooftop terraces, funky lettering on walls, interactive 'photo sets' such as swings, dramatic infinity pools and specific themes or concepts, such as the Harry Potter Resort, Disney's Art of Animation Resort, and Dubai's Legoland Hotel.

SMART TECHNOLOGIES

The increased penetration of digital technologies in daily life during the pandemic has resulted in greater usage of digital tools across all stages of the traveller journey. At the same time, technology has advanced the possibility of flexible and remote working, leading to the rise of 'blended' or 'flexcation' travel.

Viewing this transition through the lens of hotels, there is great potential to accommodate and draw in the growing remote workforce. According to Expedia Traveller Value Index 2023, 28% of consumers are looking to take a flexcation trip in the next 12 months. In response, hotel design is leaning towards a more tech- and business-friendly format, with marketing highlighting amenities such as strong Wi-Fi, ergonomic workstations and long-lead calendar availability, positioning hotels as ideal places for work and play.





Hospitality companies are increasingly implementing emerging and touchless technologies to enhance the guest experience, maintain constant communication with guests, meet the needs of tech-savvy customers, optimise the operation of their properties, increase the revenue generated per room and differentiate their assets from competitors.

The design of the hotel of the future must evolve beyond the built environment and incorporate smart technologies such as artificial intelligence, robotics, the Internet of Things, advanced audiovisual technology, and gesture- and voice-activated controls.

Smart technologies and high-tech design elements – from aroma features to smart windows that control the amount of ambient light – can provide guests with a higher degree of control over their stay but also the capacity to customise their experience, enhancing their overall customer satisfaction.

FLEXIBILITY: PIVOT POINT

Flexibility is becoming crucial in hotel design, driven by the need for versatility in response to changing and evolving guest preferences and needs. Flexible working, hybrid working patterns and the freelance workforce are on the rise, meaning that hotels and resorts need to adapt their design to cater for the needs of emerging customer segments, particularly leisure travellers and digital nomads.

In addition, there's a distinct increase in parties travelling in multigenerational and larger family groups, which is an attractive segment for hotels as they tend to be high spenders, occupy more rooms and stay longer. They're also effective word-of-mouth marketers. They require rooms with a flexible layout, as well as facilities, amenities and bonding activities and experiences for all generations.

According to Deloitte, the hotel of the future will have to offer memorable experiences tailored to the expectations of every guest. Holistic changes must take place to accommodate this and at the epicentre of change lies design, a key differentiating factor and catalyst for enhancing customer experience and loyalty.

Design is the fundamental component at the core of the identity, character and brand of hotels and resorts, defining aesthetics, functionality, accessibility and operational requirements. Visually appealing and functional design will increasingly be a primary differentiator in a competitive industry.

By incorporating the latest design trends, hotels can create an environment that reflects the changing needs of their guests, enhancing guest satisfaction, which leads to positive reviews, in turn helping to attract new customer segments, and build brand loyalty and awareness.

This will ensure that hotel design will be a key driver in delivering the experiences necessary to exceed guest expectations and build deeper, more valuable relationships. The decision to implement specific design elements during either the construction and development phase or the next scheduled renovation could be what differentiates a hotel from the competition and a key aspect in enhancing guest experience and loyalty in the future.

All stakeholders in the hospitality industry – owners, investors, hotel brands and independent properties – need to closely monitor, evaluate and understand the latest hotel design trends to identify the key elements necessary to increase not only consumer appeal but also the value of their properties. ■

ABOVE: Smart technologies can enhance the hotel guest's experience

LEFT: Design elements are fundamental to a hotel's 'Instagrammability'

HOSPITALITY

HOW TO ACHIEVE BETTER GUEST SATISFACTION RANKINGS IN 2023

Assess hotel rooms against this checklist to estimate their guest dissatisfaction score

Connecting Travel surveyed hotel guests and found respondents shared many of the same complaints regarding hotel design and amenities. As hoteliers strive to secure repeat bookings and create a “home-away-from-home” experience for guests, these easily actionable insights should be considered. Tick the boxes next to each factor present in a hotel room to discover the likelihood of guest dissatisfaction.

TOP HOTEL DISSATISFACTION FACTORS

1. Complicated room controls and poor lighting

One respondent summarised their biggest hotel gripe as: “Smart lighting systems that require a PhD in order to operate them.” Other lighting irritations included room controls where more than one light is grouped (such as both bedside lights) so they can only be switched on and off together; overly bright, coloured or excessively dim lighting; and blinking fire alarm lights above beds. Similar sentiments were expressed about air-conditioning – guests crave easy-to-operate A/C systems.



2. Poor or costly Wi-Fi connectivity

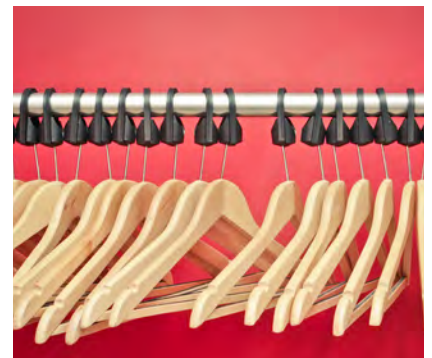
In 2023, guests regard Wi-Fi almost the same way as they do air – charging for it or restricting access to it is considered preposterous, even in wellness retreats. Digital detoxes should be optional now that so many customers rely on apps to relax, from guided meditation apps to audiobooks for reading.

3. Insufficient plugs/USB sockets

In the age of connectivity, plugs and USB ports should be plentiful and well-placed.

4. Lack of coat hangers/coat hangers permanently attached to the rail

Respondents said the provision of fewer than 10 coat hangers per room was parsimonious. Hangers fixed to the rail was also a particular bugbear.



5. Lack of amenities

The absence of an iron or ironing board was the most common complaint regarding missing amenities. “Old-fashioned hairdryers” was another complaint shared by many.

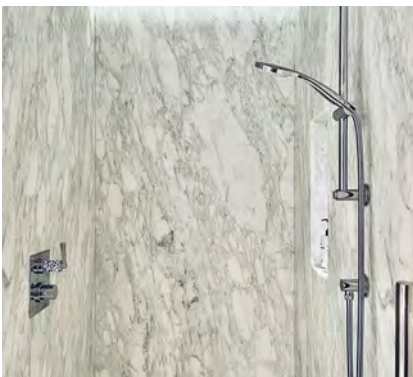
6. One-size-fits-all dressing gowns and slippers

“Drowning in dressing gowns with sleeves that reach the knees” and “size 10 clown slippers” were questioned as fashion choices for hotel loungewear.



7. Badly designed bathrooms

Mirrors were a source of common complaint, both those poorly lit and those positioned too far from a plug socket for use with electronic styling tools. Taps also featured – in particular, those with unclear hot and cold symbols. Shower taps should not be placed – as they typically are – directly under the shower head, ensuring guests are hit with water before they’ve ascertained the temperature; instead, they should be positioned on another wall, as they are in Doha’s Waldorf Astoria Lusail (*pictured*). Rain showers are trending, but when guests don’t want to get their hair wet, a moveable wall-mounted showerhead is preferred. When guests do want to get their hair wet, medium-sized towels should be available to wrap hair in, but it was noted that many hotels provide only hand or body towels.



8. Unsuitable toiletries

“Mixed shampoo and conditioner in one is an affront to hair follicles,” said one respondent. Shampoo and shower gel in one product is also frowned upon, though fortunately rarely seen. While single-use plastic containers were identified by most as environmentally unfriendly, some respondents felt that dispenser bottles bolted to walls looked cheap, but others had concerns about freestanding full-sized toiletries being constantly topped up as the products at the base would eventually become rancid. As the world navigates sustainable best practices, communication is needed between hoteliers and consumers to outline the reasons behind the supplies procured. Make sure your toiletries tell a positive story that is shared with guests.

9. Limited drinks selection and small cups

One of the fundamental purposes of a hotel room is to provide a good night’s sleep, and yet so few hotels provide a suitable range of caffeine-free hot drinks. Camomile tea is usually the only option, if any. Cups are also a pain point: often too small to accommodate the water required to brew a tea bag, with handles too small for more than a single finger, so the hot cup leans against and burns the hand. The hotel guest of 2023 expects a separate kettle and coffee machine, and a range of tea and coffee with suitably-sized cups.

10. Disregard for sustainability

Plastic water bottles were listed as the biggest red flag that a hotel is not taking its sustainability pledges seriously. Interestingly, leaving televisions switched on with personalised messages (often with the incorrect gender or name of the guest) was also highlighted as a waste of energy.

DISSATISFACTION RANKING:

[_] / 10

LOYALTY

THE RISE OF MEMBERSHIP PROGRAMMES IN THE AI ERA

Behaviours change, but values are good long-term predictors

In the last three years, consumer behaviour has experienced the turbulence of an aircraft in stormy weather. It's too early to base long-term recommendations on current transactional trends and customer actions, so instead Deloitte is monitoring the underlying motivators of human behaviours, actions and beliefs: their values.

Loyalty programming should address customer values rather than engineer behaviours. This paradigm turns the KPIs of a loyalty programme on their head.

Deloitte's proprietary Values Compass is built on an algorithm that uses targeted questions to map humans against seven cardinal values: ambition, trying new things, curiosity, belonging, caring for others, control and learning new things.

Deloitte's recent analysis explored how values shifted during the pandemic and found that values are the aggregate of our experiences, are slow to shift, and are therefore a good way to predict people's long-term behaviour.

Organisations that can identify, communicate and act upon a brand purpose that overlaps with the values of their customers will be better positioned to thrive as we enter a new normal.

Airline and hotel-loyal frequent travellers, who often travel for business, are largely the same group of people and as such have values that mirror each other. Unsurprisingly, Deloitte found that both groups of loyal customers have nearly identical values, and in particular are aligned on the same top two values: sharing with others and trying new things.

This group likes to share their experiences and thoughts digitally with others and is also motivated by trying new technology and experiences. Aligning to values will be a critical ingredient for success as airlines and hotel brands focus on re-engaging their customers – and an efficient way to do this is through rewards and loyalty programmes.

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Organisations that can identify and act upon a brand purpose that overlaps with the values of their customers will be better positioned to thrive

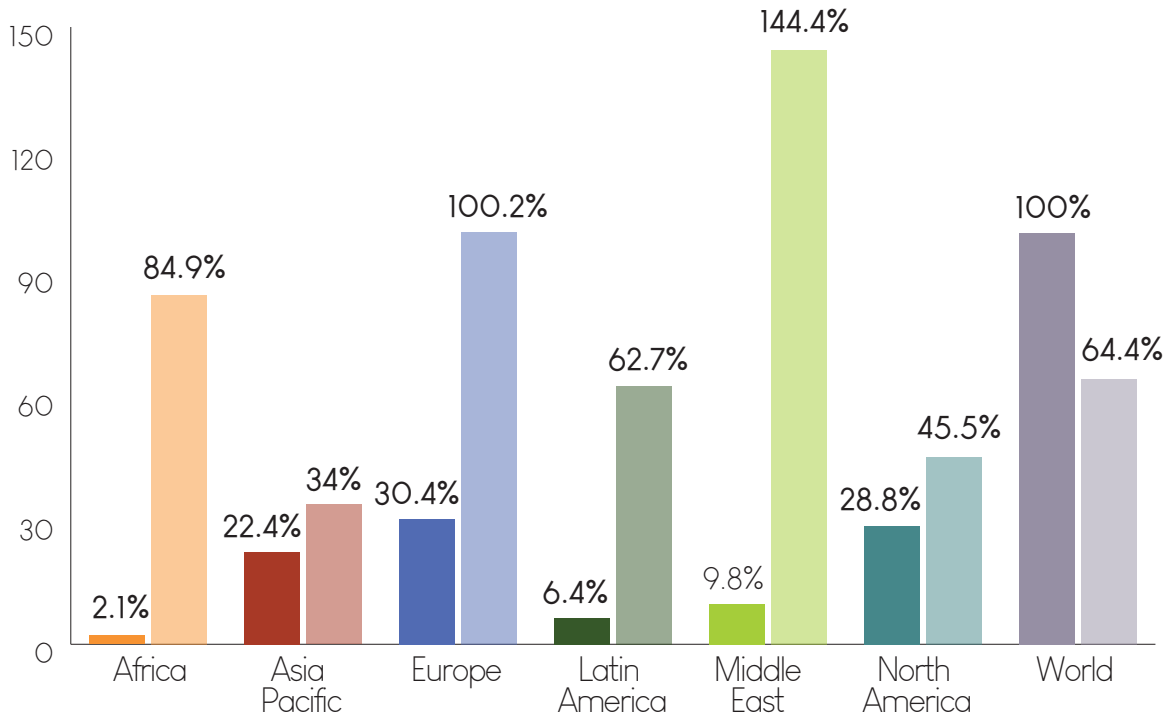
For example, points or miles could be used to help returning guests experience all the unique activities the location has to offer. This would have a compound effect of reinvigorating local economies and small businesses in the area, while ensuring your guests are treated to experiences that they would be unlikely to find elsewhere.

Another example could be where an airline establishes a 'value for values' programme, a purpose-based loyalty platform that extends on an airlines' net zero ambition and broader ESG objectives.

Unlike the traditional model, this type of programme would reward guests with points for sustainable travel and socially good behaviours, as well as for interacting with purpose-driven brands and ESG-focused partner assets. The awarded points could then be invested into ESG-related assets and funds or redeemed for various travel benefits, such as lounge access, or used to purchase products from purpose-driven brands or ESG activities, such as carbon offsetting.



THE RISE OF AIR TRAFFIC TRAVEL IN 2022
Increase as measured by Revenue Passenger Kilometres versus 2021



■ World share, 2022 ■ Increase in RPK (Revenue Passenger Kilometres)

Source: IATA

THREE FACTORS IMPACTING LOYALTY PROGRAMME ENGAGEMENT

Factors impacting loyalty programme engagement both negatively and positively in 2023 will include:

Factor 1: Consumers travelling and spending again

In 2023, the world is looking back at Covid-19 in its rear-view mirror as the economy is on the runway preparing to take off once more. According to IATA, globally, in December 2022 total traffic measured in RPK (Revenue Passenger

Kilometres) rose 64.4% compared with December 2021 and reached 76.9% of the December 2019 level. Regionally, Middle Eastern airlines saw a 144.4% rise in traffic in 2022 compared with 2021.

The airports are benefiting from this. Dubai International airport, for example, doubled its annual passenger traffic in 2022. This data was also reflected in consumer spending at Dubai Duty Free, which saw a 78% increase in revenue in 2022 versus 2021, with consumers spending 20% more per transaction versus 2019. Using hospitality and aviation-linked credit cards, consumers can earn points and miles not only in the air but on all retail transactions.

ABOVE: The growth in passenger traffic in the Middle East in 2022 significantly outpaced the global average, IATA figures show

LOYALTY

THE RISE OF MEMBERSHIP PROGRAMMES IN THE AI ERA

Factor 2: AI-generated hyper-personalisation

The rise of generative artificial intelligence (AI) – bots that can create content – is well-documented. Deloitte is seeing businesses explore use cases for generative AI tools, such as ChatGPT and Copilot, despite the technology’s fairly nascent debut.

Deloitte identified several micro markets for enterprise use cases of generative AI. Among them are accelerating processes, like creating manuals and training materials; content creation, such as dubbing TV shows for different international audiences; and automation for tasks like code generation.

A major inclusion in those use cases was to increase personalisation, which is being applied to loyalty programmes. Customers are increasingly seeking personalised offerings, and generative AI is an effective tool to enable ‘hyper-personalisation’.

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ChatGPT reports that monthly active users globally jumped to 100 million within six months, setting a record for the fastest-growing user base



Hyper-personalisation will be the new game for all customer engagement and revenue growth in which companies are no longer creating propositions for a segment of customers but for a segment of one.

With the increased ability of LLMs (Large Language Models) and technologies like ChatGPT to have human-like conversations, loyalty programmes should be leveraging this capability to hyper-personalise customer experiences and pivot to serving customers with an ‘AI-first’ mindset.

For the first time, hyper-personalised experiences in loyalty programmes have the ability to build deep trust with consumers.

For example, a digital assistant can serve as a hyper-personalised travel concierge. Users can indicate their preferences and budget (a mix of hard cash and partner currencies that the platform can ‘clear’ to be the equivalent of hard cash) to ‘bid’ on the end-to-end guest vacation experience. By drawing on past travel history and engagement with the platform and airline’s partners, an ‘AI assistant’ can start to hyper-personalise a travel itinerary, including making suggestions on where to travel and what experiences, restaurants and hotels to book.

Expert Insight

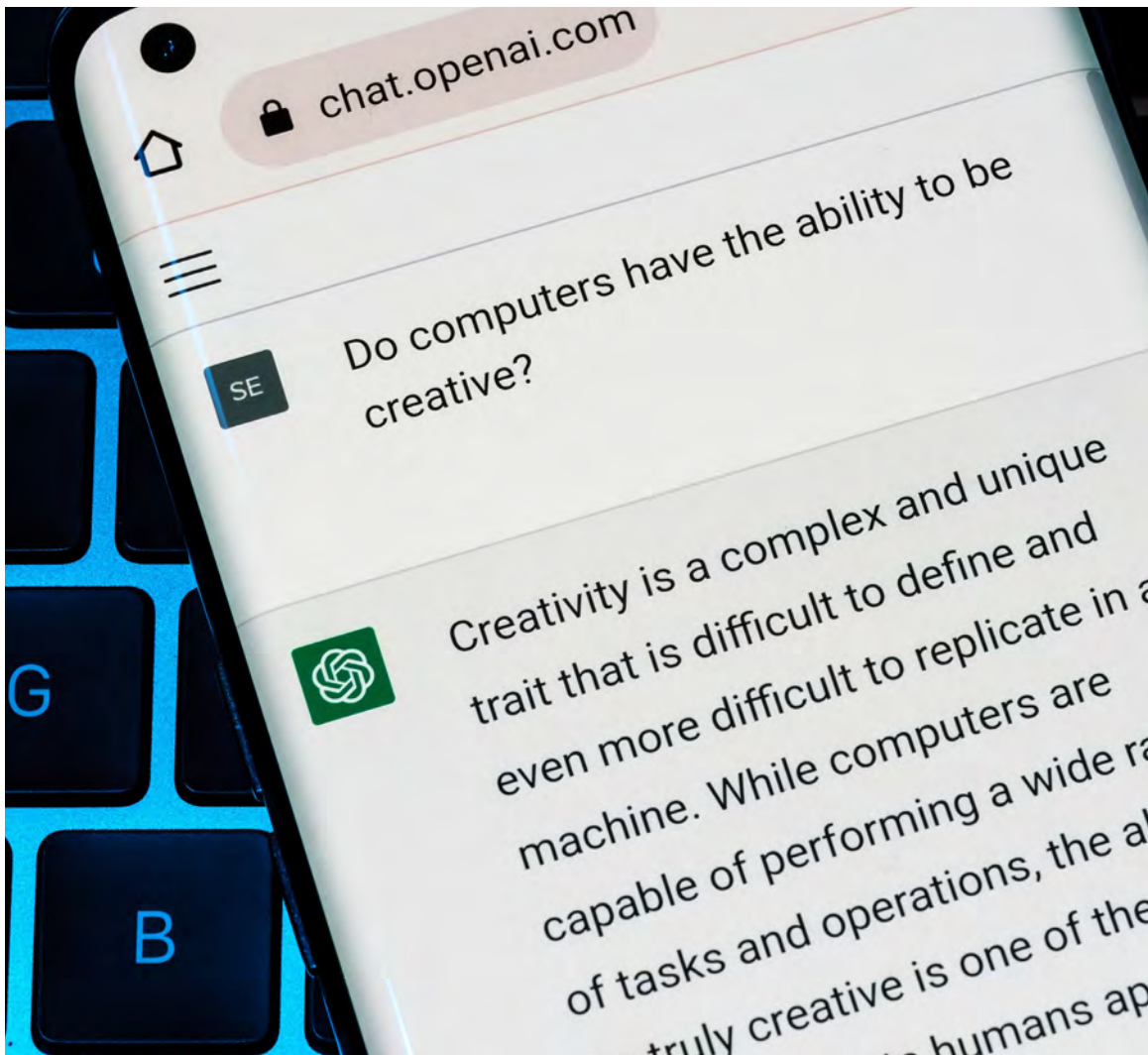
Generative AI presents the biggest opportunity yet for airlines and hotels to redefine loyalty, says **Nida Unas**, director of loyalty at Alshaya Group



Consumers want to be spoken to based on what they value. Customer experience is key to gaining customer loyalty, and the airline and hospitality industries must rethink what loyalty means for the traveller. Loyalty mechanics will always be a sweet touch to the overall proposition, but what ultimately matters is a consistent experience and, more importantly, an elevated experience for your members.

It’s critical that companies look at ‘Customer Lifetime Value’

and improve the proposition to improve long-term KPIs versus developing propositions to improve short-term revenue. We continue to live in an uncertain world with a challenging economic situation. Therefore flexibility, convenience, a wide offering and customer service are key themes to focus on to gain customer loyalty in 2023 and beyond.



PICTURES: SHUTTERSTOCK/JASCANNIO, ALEKSANDRA GIGOWSKA, SDECORET

Consumers can engage with a hyper-personalised assistant that curates their travel itinerary, unlocks exclusive benefits and removes financial friction by putting control back in the hands of the guest. The assistant stays with them throughout their stay, offering suggestions and generating collages and even Da Vinci-style paintings based on their holiday pictures.

Factor 3: The forward-inflation squeeze

The “revenge spending” cycle, in which travellers have been making up for lockdowns and lost time after Covid by

aggressively spending on bucket-list trips, is coming to an end. The typical consumer of 2023 is likely to have less money in their pockets moving forward after spending their pandemic savings.

Coupled with rising interest rates and companies cutting back on business travel spending, the inflation squeeze is set to take hold.

On average, global airline prices have risen 26% year on year, far outpacing general inflation. If this leads to a drop in demand for air travel, it will put more pressure on airlines to find innovative revenue streams and pricing strategies to capture customer spend. ■

WELLNESS

THE TRENDS DRIVING MEDICAL AND HEALTH TOURISM

As the region's first wellbeing retreats take root, international competitors are targeting increasingly health-conscious Middle East travellers with new therapies

Research from the Global Wellness Institute (GWI) showed the wellness market was valued at US\$4.9 trillion in 2019. Unsurprisingly, the value fell to US\$4.4 trillion during the pandemic in 2020 but – as consumer preferences shifted towards healthy holidays in the wake of Covid-19 – GWI predicts that the segment will grow by almost 10% a year and be worth US\$7 trillion by 2025.

Despite the Middle East's proven reputation for creating five-star resorts, and its array of alcohol-free locations – both seemingly a good fit for detox retreats – the Middle East has yet to establish itself as a wellness destination, but that is changing.

THE GULF'S FIRST WELLBEING RETREATS

Zoya Health & Wellbeing Resort in Ajman in UAE, and Zual Wellness Resort by Chiva-Som in Al Ruwais, Qatar, are the first two fully immersive wellness retreats to open in the GCC region. Zual opened in March 2022. With 120 rooms it has almost twice the capacity of 61-key Zoya, which opened a month later in April 2022. Launching in the wake of the pandemic was a challenge, but the teams behind both Zual and Zoya are optimistic about 2023.

“Last year marked a significant change when the world opened up after the pandemic, and travel and exploration found itself on the top of everyone's priority list. After a fast-paced, experience-packed 2022, we expect to see significant growth in wellness travel in 2023, with a focus on personal development,” said Zoya founder Ameer Said. “Following the pandemic, the need to invest in self-improvement and personal and

“Zual Wellness Resort is the first in the world to blend the holistic wisdom of Traditional Arabic Islamic Medicine with modern therapies

emotional development has risen. Now, more than ever, we're seeing sustained demand for mental and physical health breaks, as well as meditation and mindfulness retreats.”

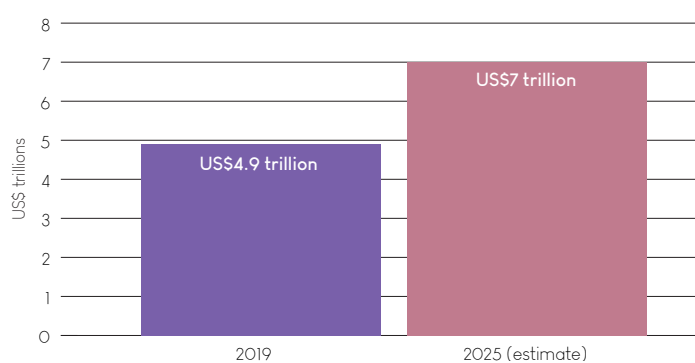
Said added: “Globally, when it comes to wellbeing, we're moving towards adopting a multidisciplinary approach that places a greater focus on emotional and social experiences. We are seeing an increase in individuals seeking spirituality and embarking on fitness journeys for emotional improvement and to relieve the effects of day-to-day stress.

“As the UAE's first fully integrated wellness experience, it's crucial for us to remain pioneers in the industry and on top of these global trends and conversations, constantly implementing new methods and best practices as the concept of wellness continues to evolve and change in response to global trends, as well as to our guests' needs.”

Heinrich Morio, general manager at Zual, agrees about regional market potential.

“There's definitely an interest and demand for this type of wellness holiday experience. Zual is among the first in the region, and with more to come, the demand is only set to increase,” he said.

GLOBAL VALUE OF WELLNESS SECTOR IN 2019 AND 2025



Source: Global Wellness Institute



PICTURE: LANCE CENVAR

“As the Middle East’s largest full-immersion wellness destination, Zulal Wellness Resort is the first in the world to blend the holistic wisdom of Traditional Arabic Islamic Medicine (TAIM) with modern therapies. With such a new and unique concept, we have attracted interest from travellers, whether they’re new to wellness travel or they’re seasoned wellness aficionados who are familiar with the spas of Europe and retreats of Asia.”

Morio added: “Outbound travel from the UK and Europe to Asia for wellness holidays is well-established, and well-known wellness retreats in Thailand, such as Chiva-Som, have been in business for almost 30 years. This works in Zulal’s favour because it means that we’re not starting from scratch in educating our target markets on the concept of

a wellness retreat holiday. In addition, Zulal’s convenient location in the Middle East benefits guests who may have previously spent 12 or 14 hours travelling to Asia, as they can now travel half the distance in half the time for the same great health and wellness holiday experience, leaving more time for relaxing and less time recovering from jet lag.”

Moving forward, Zulal’s wellness programming will be shaped by global wellness trends. “Women’s health is front and centre of 2023’s wellness trends,” said Morio. “Just as tech companies are collecting data, releasing apps and tailoring devices to support women’s health, wellness resorts are creating programmes to do the same and tackle issues, from premenstrual syndrome and fertility to menopause.”

ABOVE: Personal yoga training at Zulal Wellness Resort, Qatar

WELLNESS

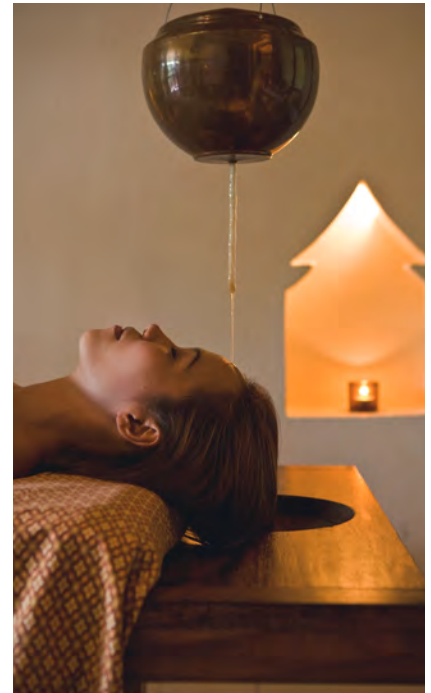
THE TRENDS DRIVING MEDICAL AND HEALTH TOURISM

The retreat also plans to launch genomic testing. Morio explained: “Genomic testing looks at ways in which our genes interact, and how these interactions can affect health; for example, how our bodies respond differently to different types of food, exercise and lifestyle behaviours. Testing can provide peace of mind for anyone who may be concerned about inherited illnesses, and knowing your genetic predisposition to diseases can help you to devise a suitable approach to managing your health. We will do the tests on-site at Zual, with the results taking approximately four weeks to come through. From there the health advisors at Zual will create personalised wellness solutions for each guest based on their own unique genetic make-up.”

HEALTHY COMPETITION: NEW THERAPIES AT INTERNATIONAL RETREATS

While local wellness retreats are attractive because of their proximity, pricing is obviously a deciding factor for many travellers in the current economic climate. At the same time, established wellness retreats such as Kamalaya in Thailand and COMO Shambhala Estate in Bali are targeting the increasingly health-conscious Middle East market with an array of new and trending therapies.

“Sleep health is taking up more of the stage as most people become more aware that the quality of their sleep directly affects their health”



COMO Shambhala Estate director of wellness Kimberly Rose Kneier keeps a keen eye on consumer preferences in the wellness arena.

“As the world continues to emerge from the pandemic, people are seeking connection,” she said. “We have seen this demand for social connections first-hand, with the majority of our integrated wellness programme guests creating bonds with other guests during group classes. A connection to nature is also important for wellbeing. At COMO Shambhala Estate, we have nine hectares of pristine natural beauty in Bali’s tropical rainforest to relax in.

“Another aspect of connection that we’re seeing is guests seeking authentic cultural experiences combined with their wellness travel. This is evident from the attendance on our cultural activities, such as our in-house Balinese Gratitude ceremony, rice-paddy field hikes and bike rides, and visits to local Balinese healers.”

Other trends Kneier has identified include the adoption of technology to improve wellness and a growing focus on the importance of sleep. She said: “Based

Wellness Industry Leaders



Ameer Said
founder, Zoya Health & Wellbeing Resort



Giuseppe Mucci
founder and CEO, Bioscience Institute



Heinrich Morio
general manager, Zual Wellness Resort by Chiva-Som



Karina Stewart
founder and chief wellness officer, Kamalaya Koh Samui Wellness Sanctuary & Holistic Spa



Kimberly Rose Kneier
director of wellness, COMO Shambhala Estate

PICTURES: DON LOBIEZO, RALF TOOTEN, IVANA MAGLIONE

on scientific research, we're planning to integrate technology into our wellness programmes, including tech that enhances sleep through a combination of sound and vibration. Sleep health is taking up more of the stage as most people become more aware that the quality of their sleep directly affects their health. Other equipment we're introducing includes ice baths and a hyperbaric oxygen machine to further enhance guests' wellbeing. In general, people are more interested in working on not just a health issue but their whole wellbeing journey – at home as well as while travelling."

In Thailand, Karina Stewart, founder and chief wellness officer of Kamalaya Koh Samui Wellness Sanctuary & Holistic Spa, is an authority on holistic health and a master of traditional Chinese medicine from Yo San University in California. At her retreat, she has introduced several treatments for 2023.

"From April 2023, most of our wellness programmes will be enhanced with treatments and therapies available at our new Longevity House," Stewart said.

"The latest therapies include intravenous therapy and ozone therapy, as well as hyperbaric oxygen therapy. Ozone therapy is an effective treatment that works by administering ozone gas to help the body to form more red blood cells and proteins. It elevates the supply of oxygen in the body – making you feel healthy and rejuvenated while reducing bacteria, fungi and viruses. Other restorative powers of ozone therapy include improvements in breathing disorders, enhanced immunity, detoxification, stem cell repair and naturally glowing skin.

"Hyperbaric oxygen therapy is a highly effective technology that sets the stage for a truly integrated wellness experience. A guest will enter a hyperbaric chamber that delivers the highest-quality oxygen to all cells in the body and provides transformative results to health by accelerating injury recovery, providing an anti-ageing boost, reducing the risk of diseases, strengthening the immune system and increasing energy levels."

Kamalaya has also introduced High-Sensitivity Preventive Cancer Screening, providing "early detection insights that help people be proactive about their health". Based on the results, Kamalaya provides support, guidance and bespoke wellness programmes for guests. In addition, new set programmes have been introduced, and, as at Zulal, there will be a greater focus on women's health.

"We have a lot of new and exciting additions coming to Kamalaya this year," Stewart added. "It's a pivotal moment for us, as the world regains confidence in travel and the demand for wellness tourism grows. A new wellness programme will be launched focusing on women's health. Also, to meet the demands of our guests, we're introducing 21-day wellness programmes

FACING PAGE: Asian Bliss wellness programme, Kamalaya Koh Samui, Thailand

BELOW: Kedara water garden, COMO Shambhala Estate, Bali



WELLNESS

THE TRENDS DRIVING MEDICAL AND HEALTH TOURISM

as wellbeing sabbatical escapes. Post-covid, the average length of stay per guest has become increasingly longer as people are now much more mindful about travelling internationally.”

MEDICAL TOURISM: CREATING HEALTHCARE DESTINATIONS IN THE MIDDLE EAST

Each year, according to the Medical Tourism Association, an estimated 14 to 16 million medical tourists travel to undertake procedures, both essential and aesthetic, that are either unavailable or unaffordable in their own countries. The UAE is homing in on this segment of the market, supporting the expansion of the industry with medical tourism portals.

In Dubai, for example, Dubai Health Experience was launched under Dubai Health Authority, the government entity that oversees Dubai’s health sector, to give

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The average cost for a hair transplant procedure in the UK is US\$20,000 compared with US\$8,500 in the UAE

BELOW: Serenity Wellness Centre at Zula Wellness Resort, Qatar

health travellers access to a spectrum of accredited clinics and hospitals. The portal allows medical tourists to book procedures and access a wide range of tourism services such as direct contact with healthcare providers, visa issuance, hotels and transportation. The benefits are being felt. Today, for example, a Brit might opt to holiday in Dubai to take advantage of a ‘half-price’ hair transplant; the average cost for the procedure in the UK is US\$20,000 compared with US\$8,500 in the UAE.

Offering high-quality medical services at lower costs is one way to attract key markets. Another is to offer services that aren’t widely available elsewhere. Bioscience Institute in Dubai’s Healthcare City is the first and only GMP-certified clinic in the Middle East and Europe, offering the most-advanced personalised autologous cell therapies worldwide, attracting medical tourists to the emirate from far and wide.

Bioscience Institute CEO and founder Giuseppe Mucci said: “One of the most important trends emerging this year in the healthcare industry is regenerative medicine and anti-ageing treatments, and our role is providing the highest technologies and safest treatments using stem cells and regenerative medicine.

“From a global perspective, in this post-Covid pandemic period, there’s a greater international demand for stem cell treatments. Stem cells represent one of the richest and safest sources of exosomes. Exosomes are an exciting new field in regenerative medicine with the possibility of using a variety of body cells to heal. They can be collected, concentrated and used for several clinical applications. Exosome therapy can help manage degenerative conditions, tissue repair and anti-inflammation due to its ability to target injured or ageing cells, instructing them to regenerate and repair.”

Mucci’s patients travel from across the Middle East and Europe to receive stem cell therapy for ailments ranging from erectile dysfunction to early menopause. Stem cell treatments are also a game changer in the aesthetic field,

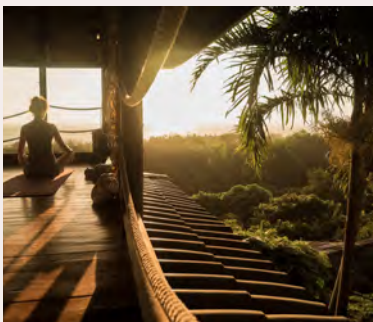


PICTURE: LANCECENAR



Top 10 Wellness Trends in 2023

1. Meditation/mindfulness retreats
2. Sleep enhancement programmes
3. Genomic testing/High-sensitivity preventive cancer screening
4. Emotional, social and spiritual activities
5. Focused women's health programmes, addressing menopause, fertility and more
6. Stem cell and exosome therapy
7. Hyperbaric oxygen therapy/ ozone therapy
8. Intravenous therapy
9. Nature/culture immersions
10. Traditional Arabic Islamic Medicine



PICTURE: SHUTTERSTOCK/SHELLYGRAPHY

“ Mucci’s patients travel from across the Middle East and Europe to receive stem cell therapy

according to Mucci, whose clinic offers a range of aesthetic treatments from breast augmentation to Exo Skin, an anti-ageing exosome facial therapy in which exosomes are injected into the skin. According to Bioscience Institute research, exosome facial rejuvenation can increase skin collagen in the treated areas sixfold and increase elastin levels by up to 300%.

Mucci explained: “Regenerative medicine and stem cell treatments have been gaining much popularity over the last few years, especially because toxic and artificial products are not useful for the skin tissue and don’t work on the organ ageing process, and some even have side effects, while stem cell and exosome treatments work on delaying the ageing process and enhance the look and feel of patients, without the risks or side effects.

“With the ability to regrow, repair or replace damaged cells and tissues, stem cells and regenerative medicine provide a natural method of treatment that’s less traumatic to the body and more effective than other more invasive treatments and surgeries, and the stem cell therapies provided by the Bioscience Institute are proven in Europe and the Middle East by scientific evidence of better safety and efficiency than any other treatment.”

ABOVE: Zoya Health & Wellbeing Resort, Ajman

CRUISE

RAPID RECOVERY ON THE HIGH SEAS

Middle East industry leaders outline the opportunities and challenges on the waters

Globally, cruise lines returned to near-normal operations through the summer of 2022 following a somewhat slower resumption than short-haul international travel, largely owing to the requirements of the US Centers for Disease Control, which only relaxed its Covid-19 requirements for the cruise industry in July.

Thereafter, the recovery proved rapid. The world's largest cruise group, Carnival Corporation, reported "booking volumes for all future sailings considerably higher than 2019 levels" at the end of September, with ship occupancy in August at "nearly 90%" and about 95% of capacity in operation. The group expected to return to almost full operation by the end of the year, with the exception of the Chinese market, which remained closed to cruising owing to the government's zero-Covid policy.

Royal Caribbean Group's full fleet, comprising Royal Caribbean International, Celebrity Cruises and Silversea Cruises, resumed operations in June. The industry number-two reported "better than expected" third-quarter results amid "continued robust demand" and announced it was nearing the point of full recovery in November. It reported booking volumes "significantly higher than in the third quarter of 2019" with "a substantial acceleration in demand for 2023 sailings".

The group noted: "Guests continue to make cruise reservations closer to sailing than in the past, resulting in about 50% more bookings in the quarter for current year sailings compared to the third quarter of 2019." At the same time, booking volumes for 2023 doubled during the third quarter compared to the second and were considerably higher than bookings for 2020 sailings during the comparable period in 2019, the highest in company history.

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It's almost like starting from scratch post-pandemic, educating consumers about cruise lines' high standards on safety and illness prevention measures on board

Mohamed Saeed,
Royal Caribbean
Arabia

Industry number-three Norwegian Cruise Line Holdings reported "robust pricing" and predicted 2023 would be a record year after dropping all pre-cruise Covid-19 requirements for vaccinated passengers from early September. The group, which owns Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises, added *Norwegian Prima* – the first of six ships in its Prima class – to the fleet in the summer having completed the relaunch of its fleet in early May.

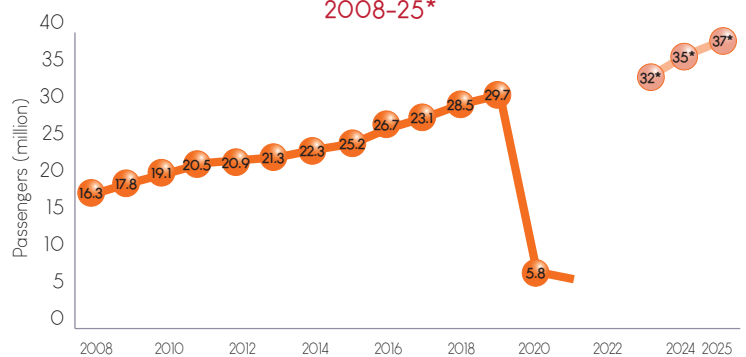
Industry body Clia (Cruise Lines International Association) forecast a return to the sector's historic growth trend once operations recovered fully from the pandemic restrictions, with global cruise passengers expected to hit 32 million in 2023, up from just under 30 million in 2019. Clia forecast a further increase to 35 million in 2024 and 37 million in 2025.

CUTTING CARBON

The global expansion of the cruise industry will sharpen pressure on the sector to cut carbon emissions, not just per passenger but overall, with cruise and aviation caught increasingly in the decarbonisation spotlight.

Clia reported that by 2027, 16% of global capacity, or 26 ships, would be LNG-powered; two-thirds (66%, 174 ships)

GLOBAL OCEAN CRUISE PASSENGERS
2008-25*



* Forecast numbers Source: CLIA

would have shoreside power connectivity, and 81% of non-LNG-powered capacity (176 ships) would be fitted with Exhaust Gas Cleaning Systems.

At the same time, ships representing one-fifth of total capacity would still be operating without advanced wastewater treatment systems in 2027. There remains a considerable way to go in a sector that will depend to a large extent on advances in alternative shipping fuels and port infrastructure to sustainably reduce its gashouse emissions.

Leading figures in the Middle East cruise industry are working together to address the challenges that lie ahead and increase the shared opportunities in the region, both in the more established outbound market and the fledgling domestic market, which is being fuelled by the development of ports across the Gulf.

In 2023, the second edition of Cruise Travel Mart took place in Dubai. The cooperative networking event, held by the region's cruise industry leaders, hosted agents, tourism organisations, airlines and travel media in a bid to boost awareness, sales and collaboration.

Talking to Connecting Travel, Ashok Kumar, the founder and managing director of one of the Middle East's leading cruise agencies, Cruise Master, said: "The cruise industry continues to be one of the fastest-growing travel sectors and with its growth has come concern about the impact of cruise tourism on coastal and marine environments, local economies, and on the sociocultural nature of port communities. To reduce the industry's impact on the climate, cruise lines are following a path to decarbonisation with advancements in technology, infrastructure and operations. Multiple pilot projects and collaborative initiatives are under way. New engines and propulsion technologies are actively being planned and tested for use on cruise ships. LNG-powered cruise ships have reduced carbon emissions by approximately 30%, and the number



ABOVE: Norwegian Cruise Lines' Norwegian Prima, which entered service in 2022

FACING PAGE: Global cruise passenger numbers are forecast to resume their steady upward trajectory post-pandemic and reach 37 million by 2025

of cruise ships with shoreside power capability will more than double by 2028."

Kumar insisted that cruise tourism growth needs to be environmentally sustainable and supported by adequate port infrastructure, "especially with some of the new ships having the capacity to carry more than 6,000 passengers and 3,000 crew members" and "as the ships increase in size, their fuel consumption increases proportionately".

CruiseXplore CEO Lakshmi Durai agreed, saying: "Sustainable sailing is a major goal. Cruise lines are already taking initiatives to implement more environmentally friendly practices and cruise line members of Clia have committed to reducing carbon emissions by 40% by 2030 and reaching net zero by 2050."

BUILDING AWARENESS

Another challenge that the Middle East's cruise sector leaders are addressing is industry and brand awareness among both

CRUISE

RAPID RECOVERY ON THE HIGH SEAS

travel agents and consumers, particularly in the post-pandemic era when onboard safety was pushed into the spotlight.

“It’s almost like starting from scratch post-pandemic, educating consumers about cruise lines’ high standards on safety and illness prevention measures on board,” said Mohamed Saeed, managing director of Royal Caribbean Arabia. “Building and maintaining trust with travellers, addressing safety concerns and managing potential negative perceptions about cruise travel is a challenge.”

He continued: “The Middle East is still a novice market; the presence of other cruise lines, alternative forms of travel, and emerging destinations can impact the cruise industry. Other impacting factors may include the regulatory environment, and geopolitical and global events. We stay attuned to these factors and adapt our strategy accordingly.”

Durai added: “Our goal is to bring the unmatched and rich experiences of cruise vacations to more Middle Eastern guests with the help of our travel industry partners. We must continue to educate the travel industry about the benefits of selling cruises and train them to sell the

“
We are seeing more cruisers interested in visiting smaller, off-the-beaten-track ports

Lakshmi Durai, CruiseXplore

right cruise for each customer. Cruising is not a one-size-fits-all product. There are different categories of cruises: mainly contemporary, premium, ultra-luxury cruises, expedition cruises and river cruises. Selling the perfect cruise that matches the profile and style of each guest ensures that travel agents gain a good percentage of repeat business. With the persistent training, education and support offered at CruiseXplore, we aim to see more cruise specialists selling worldwide cruises efficiently in the Middle East market.”

EMERGING TRENDS

Kumar added: “Cruise holidays are increasing in popularity as cruise lines rapidly evolve and adapt to the needs of the traveller, delivering ships with facilities and experiences tailored to their requirements and often exceeding their expectations. The growth in demand of cruise tourism is partly due to the long-term growth in consumers’ disposable income and higher standards of living. Increased leisure trips, including voyages taken by Generation Z, along with the growing preference for luxury is contributing to the market growth.”

Kumar also pointed out that greater cruise capacity in new regions and the introduction of new homeports for many cruise lines was spurring growth.

“For example, the Middle East cruise market has been growing, with ships sailing in the Arabian Gulf from either Dubai, Abu Dhabi or Doha, and it has been attracting both locals and expats,” he said. “We need to watch out for the development of ports in the Red Sea with Cruise Saudi acquiring ships that will be homeported in Jeddah. We also need to watch the rising popularity of river cruises, which offer the possibility of docking right in the middle of cities and not just the coastal area. They are becoming increasingly popular not just in Europe but in India, Vietnam and China as well.”

Other global travel trends affecting the Middle East cruise sector include a rising interest in unique and less-known destinations.

Middle East Cruise Industry Leaders



Lakshmi Durai, CEO, CruiseXplore



Ashok Kumar, CEO, Cruise Master Middle East



Mohamed Saeed, managing director, Royal Caribbean Arabia



Durai said: “We are seeing more cruisers interested in visiting smaller, off-the-beaten-track ports. Seabourn has launched new purpose-built expedition ships recently with very exciting itineraries to the Arctic, Amazon, Antarctica and Iceland. We’re seeing good demand for these cruises from younger travellers, a segment of untapped potential.”

Saeed has also witnessed this trend impacting product development and sales at Royal Caribbean Arabia. He said: “Trends such as increased interest in experiential travel – as well as sustainability, wellness and multigenerational travel – are all influencing the cruise product offering. Royal Caribbean understands and caters to evolving consumer preferences to stay competitive in the market.”

THE TECH EFFECT

“Technology is rapidly changing the cruise industry too,” Saeed pointed out. “It is impacting aspects such as ship design, onboard amenities and guest experiences with mobile apps, high-speed internet connectivity and seamless booking processes. These advancements are enhancing the overall guest experience

“
The suspension of worldwide cruising during the pandemic had a significant negative impact on the economies of destinations, especially small island countries

**Ashok Kumar,
 Cruise Master
 Middle East**

ABOVE: Royal Caribbean International’s Spectrum of the Seas in Hong Kong

and attracting new consumers to Royal Caribbean.”

Durai agreed: “Over the past few years, cruise ships have embraced new technologies that are transforming travellers’ experiences on the high seas. Examples include wearable devices equipped with RFID (radio frequency identification) technology, and enhanced communication through designated apps, robots and voice-powered AI services.”

Kumar added: “New technologies continue to play a major role and will become increasingly important in enabling cruise lines to achieve their targets and meet new health measures and regulations, as well as improve the whole cruise experience. Companies have been investing in different apps to improve the onboard experience, such as voice and facial recognition devices, and wearable technology like the Medallion system introduced by Princess Cruises, which allows cruisers to unlock their stateroom and swipe and pay for food and drinks without contact. Robotics bartenders introduced by Royal Caribbean and MSC Cruises have also proved popular.”

While technology is pegged to provide the tools to achieve sustainability goals, collaboration is required to preserve cultural and environmental heritage in ports, allowing increasingly environmentally aware cruise passengers to enjoy visiting destinations guilt-free.

“Cruise lines are collaborating with ports and destinations to achieve mutual objectives that will help preserve the integrity, cultural heritage and beauty of the world’s most treasured destinations for the future,” said Kumar, highlighting the importance of cruise tourism on global GDP.

“The suspension of worldwide cruising during the pandemic had a significant negative impact on the economies of destinations, especially small island countries and communities whose economies largely depend on the cruise industry. The crisis showed how important the cruise industry is for many visited destinations’ economies.” ■

SUSTAINABILITY

A LONG WAY TO GO TO NET ZERO

Decarbonisation needs to speed up to avoid catastrophic climate change, say industry experts

Climate change loomed larger than ever at the turn of this year following scorching temperatures, record wildfires and floods in 2022, and a disappointing close to the COP27 climate conference in Egypt in November.

Despite a breakthrough agreement to provide “loss and damage” funding to “particularly vulnerable” countries, COP27 broke up amid recriminations over the failure to reach a deal on greater cuts to greenhouse gas emissions or to agree on a phasing out of fossil fuels.

The Financial Times newspaper reported: “The world’s biggest fossil fuel producers succeeded in staving off demands for bolder action.”

EU climate chief Frans Timmermans said: “The world will not thank us. This is the make-or-break decade.”

New Zealand’s minister for climate change, James Shaw, blamed “denial or delusion about the state of the climate crisis”, and UN secretary-general António Guterres argued: “Our planet is in the emergency room. A fund for loss and damage is essential but it’s not an answer.”

Days before COP27 convened, the UN Environment Programme (UNEP) published an analysis of countries’ climate pledges which concluded these remain “woefully inadequate” and – referring to the Paris Agreement to limit global warming to 1.5 degrees – that there is “no credible pathway to 1.5C in place”. Guterres warned: “We are headed for a global catastrophe.”

UNEP concluded the world is on course to warm by 2.4C to 2.6C by the end of the century even if every existing government commitment is met, while the UN Framework Convention on Climate Change estimates the figure at 2.9C.

TOURISM DECARBONISATION

Industry sustainability charity the Travel Foundation put the COP27 failure and UNEP report in context for the sector by calling for “limits to aviation growth” and a cap on long-haul trips as it warned the industry’s current reliance on carbon offsets, technology efficiencies and biofuels “are woefully inadequate” when global tourism numbers are forecast to double by 2050.

When the Travel Foundation report *Envisioning Tourism in 2030* appeared

UAE to host COP28 in 2023

The 2023 UN Climate Change Conference will take place in the UAE between 30 November and 12 December 2023. Dubai Expo City will host the 13-day global event, which will include the 28th meeting of the Conference of the Parties, better known as COP28.

It will also comprise the fifth meeting of the COP serving as the Meeting of the Parties to the Paris Agreement (CMA 5); the 18th meeting of the COP serving as the Meeting of the Parties to the Kyoto Protocol (CMP 18); the 59th meeting of the Subsidiary Body for Implementation (SBI

59); and the 59th meeting of the Subsidiary Body for Scientific and Technological Advice (SBSTA 59).

The first Global Stocktake of the implementation of the Paris Agreement will conclude at COP28. Each stocktake is a two-year process that happens every five years, with the aim of assessing the world’s progress towards achieving climate goals.

Sultan Ahmed Al Jaber, UAE minister of industry and advanced technology, and special envoy for climate change, has been appointed to serve as COP28 president-designate.



in February this year it went further, ruling out a 50% reduction in emissions by 2030 – a target recommended by the UN and signed up to by hundreds of travel organisations in the Glasgow Declaration on Climate Action – noting “only Covid-like volume restrictions” would achieve this.

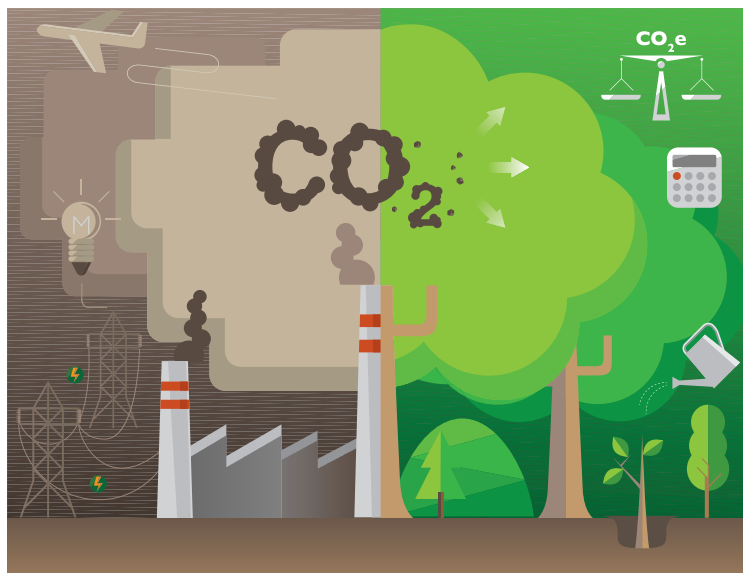
Instead, the report argued: “By combining all available measures, slowing the rate of growth of aviation and capping [the] longest-haul trips to 2019 levels [the industry could] reach 50% by 2036 [and] get close to net zero by 2050.”

The study behind the report used a ‘systems dynamics model’ to examine “what a thriving, decarbonising tourism sector could look like in 2030 and 2050” and found only one “plausible decarbonisation pathway that allows the sector to grow”. This, it said, would require “trillion-dollar investments in all available decarbonisation measures... and the prioritising of trips which reduce emissions most readily – by road, rail and [over] shorter distances.”

The report argued: “Some limits must be applied to slow aviation growth until it is fully able to decarbonise, in particular capping the longest-distance trips [over 16,000km return] to 2019 levels.”

It pointed out that flights of this length “made up just 2% of all trips in 2019 but are by far the most polluting. If left unchecked, they will quadruple by 2050, accounting for 41% of tourism’s total emissions yet still just 4% of all trips.”

It concluded decarbonisation requires “nothing short of transformation” and warned that continuing on travel and tourism’s current course would see “tourism-related emissions rise steeply by 2050”. Yet at the same time, it calculated the investment required to transform the sector as “no more than 2% or 3% of total tourism revenue over the period” and urged “the redistribution and smarter



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The UN Framework Convention on Climate Change warned current commitments put the world on course to warm by up to 2.9C, or almost double the Paris target

and more equitable use of available investments, subsidies and resources”.

The academic researchers behind the report – drawn from Breda University of Applied Sciences, the European Tourism Futures Institute at NHL Stenden University of Applied Sciences and the Centre of Expertise in Leisure, Tourism and Hospitality in the Netherlands – examined a range of emissions-reduction measures. They concluded: “Current strategies that rely on carbon offsetting (even assuming 100% effectiveness), technological efficiencies and sustainable aviation fuel are woefully inadequate” and using taxation to manage demand “was found to be of limited use”.

The report noted that a review of 5,700 carbon offset schemes, published in 2016, found only 2% delivered the promised reductions and the authors dismissed the Carbon Offsetting and Reduction Scheme for International Aviation (Corsia) as “an irrelevance with barely any impact”.

The report concluded: “We cannot simply rely on technology, sustainable aviation fuels (SAF) and offsetting

SUSTAINABILITY

A LONG WAY TO GO TO NET ZERO

schemes. Technology arrives far too late, SAF has serious resource constraints, and offsetting is inadequate and unreliable. We're at a fork in the road, with two distinct options: decouple tourism from emissions or accept the need to curb global tourism."

The only way to achieve the former would be by investment "at a huge scale in clean energy solutions" backed by "political and business will and the right incentives". Without this, they warned: "Tourism in many places will effectively become impossible."

In a foreword to the report, Travel Foundation chief executive Jeremy Sampson argued: "We have delayed action for too long and our options have narrowed. We should call out the many overly optimistic strategies and plans that assume we can carry on as usual."

THE WINDOW IN WHICH TO ACT IS CLOSING

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), published in instalments over the course of 2021-23, made sobering reading.

The second instalment, entitled 'Climate Change 2022: Impacts, Adaptation and

“**Choices and actions implemented in this decade will have an impact for thousands of years**”
IPCC Synthesis Report

Vulnerability', released in February last year, warned the consequences of climate change are likely to be worse than previously forecast and the window in which to act is "rapidly closing".

It concluded that the effects of warming would be more severe and at lower temperatures than the IPCC warned in 2014. The report's authors stated "impacts are much more widespread and are accelerating" and "multiple ports and coastal infrastructure are at risk" from rising sea levels. They suggested: "Any further delay in concerted global action on adaptation and mitigation will miss a brief and rapidly closing window of opportunity."

The third and final instalment of the IPCC's sixth assessment, issued in April, concluded greenhouse gas emissions must peak by 2025 and halve this decade to present a chance of limiting global warming to 1.5C above pre-industrial levels.

By the time the IPCC issued its Synthesis Report on these sixth assessment 'instalments' in March this year, the outlook appeared even bleaker. It stated that the world is rapidly approaching "crunch time" on global warming, with "limits to adaptation" already reached in some tropical, coastal, polar and mountain regions; that warming is "already affecting weather and climate extremes in every region"; that almost half the world's population live in regions "highly vulnerable to climate change"; and that "every increment of global warming will intensify multiple and concurrent hazards".

Reductions to date have only partly offset the growth in global greenhouse gas emissions, which hit a new record last year, and existing policies are projected to result in higher global emissions in 2030.

The report notes investment in coal, oil and gas production remains higher than investment in sustainable energy, and it questions the "feasibility and sustainability" of carbon capture technology, touted as a way to 'clean up' fossil fuel use. However, it also concludes:



“Deep, rapid and sustained reductions in greenhouse gas emissions would lead to a discernible slowdown in global warming within around two decades.”

The authors describe the report as “a final warning”, arguing the tools to address climate change already exist. They conclude a lack of political commitment poses the greatest risk to progress. They recommend governments “significantly” enhance emissions-reduction targets by bringing the 2050 net zero deadline forward as near as possible to 2040.

In just one example of the implications of warming for tourism destinations, the report notes a rise in sea level will mean “current one-in-100-year extreme sea level events [will] occur at least annually in more than half of all tide gauge locations by 2100 under all scenarios”. Tide-gauge locations measure the changing level of tides around the world.

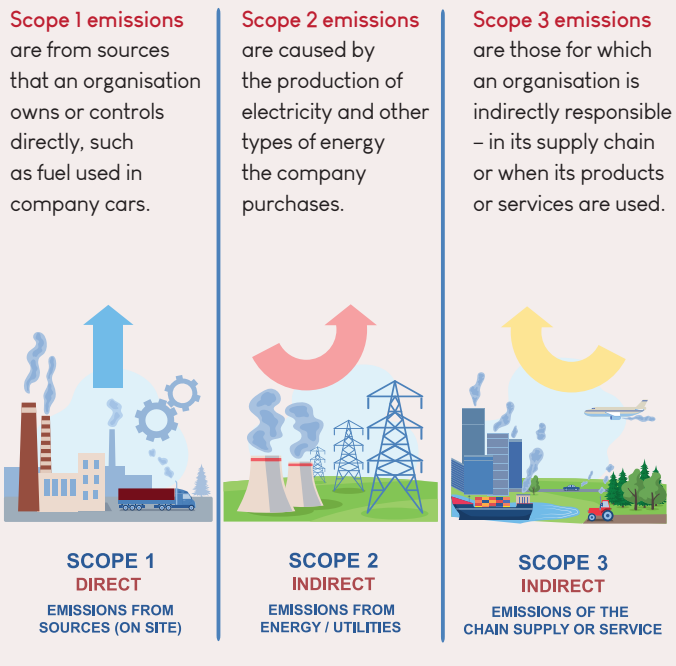
The report was published as government leaders met to discuss the agenda for the COP28 climate conference due to be held in the UAE from 30 November to 12 December 2023. IPCC reports are the product of tortuous exercises in compromise, requiring 100% agreement by thousands of scientists – and their governments – for the conclusions to be signed off, so the warnings cannot be taken lightly.

REGULATION IS COMING

Bethany Hawkins, Deloitte UK senior manager and specialist on sustainability and ESG (environmental, social and governance), said: “The science is only getting worse. The action being taken isn’t sufficient to limit warming to 1.5C. Current roadmaps aren’t sufficient. They’re not granular enough. The level of detail underpinning commitments isn’t sufficient. But regulation is coming. There is a lot of regulation in the finance sector that will drive change for the travel industry and change how insurers relate to travel businesses. There will be requirements for reporting and granular information, for commitments, targets and detail on how these will be reached.”

Definitions of emissions

Essentially, scope 1 and 2 emissions are owned or controlled by a company, while scope 3 emissions are a consequence of a company’s activities occurring from third parties



Two of the most prominent requirements in Europe are the EU Sustainable Finance Disclosure Requirement (SFDR) and the EU taxonomy for sustainable activities – a classification system designed to identify investments considered environmentally sustainable.

Hawkins explained: “These have detailed requirements that are going to drive a lot more disclosure and should mean companies take action based on disclosures. There are lots of different thresholds to determine which companies the regulations apply to – that is one of the complexities.

“There are also lots of different timelines for disclosure, but we’re seeing the thresholds get lower. For example, some of the requirements now hit companies with 500 employees and that threshold is coming down. The landscape is changing quickly. We also have

SUSTAINABILITY

A LONG WAY TO GO TO NET ZERO

[indirect] scope 3 requirements becoming mandatory for some organisations.”

Hawkings added: “It’s a complex landscape that companies need to get to grips with. When they will have to do that depends on whether a company is listed, the size of the company and where it is based. There are lots of pieces to the puzzle. But for the largest companies, it will be 2023.”

Alistair Pritchard, Deloitte lead partner for travel and aviation, noted: “There are requirements already in the UK that apply to the largest listed businesses, and the next category to start complying will be the largest unlisted companies. There is going to be a requirement to understand what your supply chain is doing and that is going to trickle down to capture more companies. The timeframes vary but it’s only going in one direction. The EU will have a big impact. The US is pushing forward as well. If a business is a subsidiary of a US parent that is going to impact in the not-too-distant future.”

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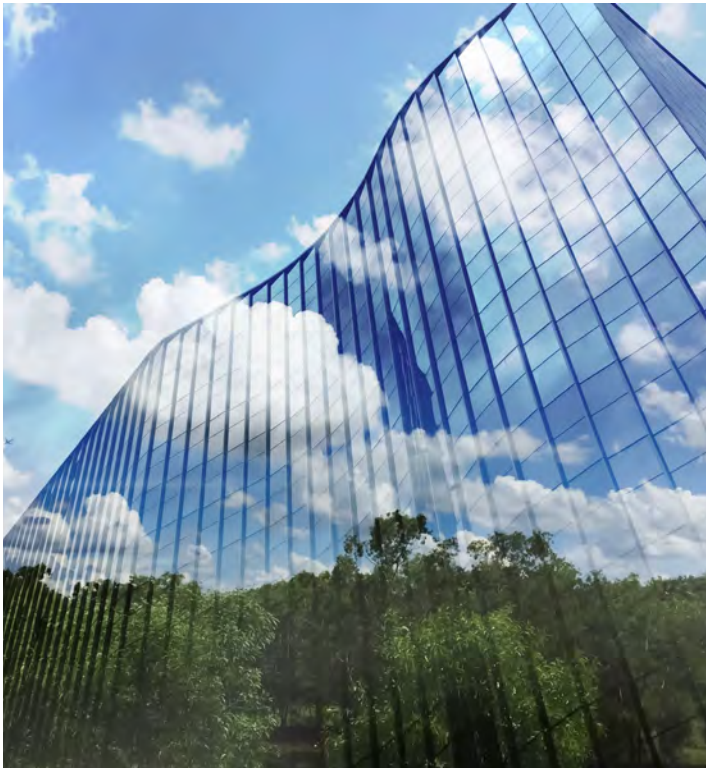
A business that doesn’t have a credible plan and isn’t investing in becoming more sustainable will be worth less than it would otherwise

Pritchard added: “Investors take a broader view of this, in terms of environmental, social and governance issues, not just carbon. There is a broader environmental piece relating to water, plastics, the circular economy and so on, and the social and governance pieces are important partly because many investors have made commitments themselves. Many source cash from banks, investment funds or pension schemes with expectations on how those funds are deployed. Investors see it as a key part of their investment strategy to understand what a business is doing and will do.

“Will investors be able to sell a business in a few years if it hasn’t made progress on this agenda? A business that doesn’t have a credible plan and isn’t investing in becoming more sustainable will be worth less than it would otherwise. We’ve only seen investor interest in this increase over the past 12 months. It’s not going backwards. Customers are still a laggard in terms of driving this.”

Hawkings added: “Regulation and investors go hand in hand. The regulations coming in are so significant, they will drive the finance sector to move. A lot of onus tends to be put on consumers. There are survey indications that consumers place importance on sustainability issues. But we lack information on what defines ‘important’ and how that translates into whether consumers will put money where their mouth is.

“The priority is measurement – measuring scope 1 [direct greenhouse gas emissions] and scope 2 [indirect] emissions, if those are not already completed, and understanding your hotspots in scope three. Then set commitments on how you’re going to decarbonise with a level of granularity as to how you’re going to meet them. The root is understanding your key climate risks, ideally with a scenario analysis, and including that in your governance. What is your carbon footprint? What are your climate risks? How are these driving decisions in your business and being embedded through the organisation?”





Pritchard pointed out: “This involves a 30-year transformation, and business leaders today are not going to be leading these businesses in 30 years. But this is probably the biggest transformation project they will undertake. The detail is specific to a business, depending on where they operate, the market they operate in, what their supply chain looks like, how they’re set up and how far down the journey they are.”

Hawkings noted the increasing efforts to develop and standardise sustainability certification in travel and hospitality and said: “There are lots of issues around how we bring all the different accommodation providers up to a consistent standard. Certification can form an important part of that, but there are lots of issues with certification. There needs to be a review of certification systems. Are they good enough? What is the standard we’re trying to achieve?”

ABOVE: Sustainable aviation fuel requires significant investment before it can be produced in sufficient quantities to make a marked difference to aviation’s emissions

There is work required both in terms of what certification schemes are best and in bringing the volume in that is needed. It’s an area where there is a lot of consumer confusion. There are lots of different schemes and consumers don’t know which ones are best. Sometimes consumers don’t trust any because there are so many.”

There are even bigger question marks over carbon offsetting, which features prominently among the environmental efforts of many businesses in the sector but which Hawkings describes as “a bit like the Wild West”.

She said: “Some schemes are significantly better than others. More and more we talk with clients about the hierarchy of decarbonisation, which starts from avoidance and goes down to offsets at the bottom. Offsetting has a place within the decarbonisation hierarchy, especially for the travel sector

SUSTAINABILITY

A LONG WAY TO GO TO NET ZERO

because of the difficulty to abate carbon emissions. It is wrong to exclude it. The question is how to ensure carbon offsetting schemes effectively capture the carbon we need them to, and the right investments are made.” However, most offset schemes are not independently verified, and Hawkings noted: “If they’re not verified, what are they doing?”

A LONG WAY TO GO

Both Hawkings and Pritchard see reasons to be hopeful that the travel industry will take the kind of action required.

Pritchard noted: “Some businesses have expressed concern about the costs of operating going up and depleting their ability to invest in environmental sustainability. Unfortunately, some will choose to defer investment. But others will invest because they see a competitive advantage in doing that, and there will be things they have to do because regulations require it.”

Hawkings argued: “There is great collaboration in the travel industry through groups like Abta, where we can develop and learn from one other. That is critical. Learning from other sectors is important too, and there is a huge opportunity for travel companies to start to engage with consumers on sustainability. But travel companies need to acknowledge a lot of work needs to be done. There is a long way to go to become net zero and climate positive.

“The food sector is starting to develop thinking around the consistency required to measure scope 3 emissions. Companies are working together on developing consistent assumptions and data collection across the value chain to measure scope 3 emissions. Travel has a similarly complicated, if not more complicated, value chain. That is exactly the kind of approach required, where the data isn’t perfect and there is no silver bullet, but if you collaborate to come up with consistent assumptions you can start to improve the data quality over time.

“That also applies to mapping climate risks and opportunities. The Task Force



“**Travel, in particular aviation and cruise, is a sector in which emissions are hard to abate; as other sectors reduce their emissions and the ratio of the travel industry’s emissions rises, it is going to face more scrutiny**
Bethany Hawkings, Deloitte

on Climate-Related Financial Disclosures (TCFD) approach and framework [which requires the reporting of climate-related financial information by listed companies] could be used regardless of whether a business is required to make TCFD disclosures.”

More than 700 travel industry organisations signed up to the Glasgow Declaration on climate action in tourism, launched at the COP26 climate conference in Scotland in 2021, which commits signatories to a 50% reduction in emissions by 2030.

Asked whether they can hit that target, Hawkings said: “This goes back to the granularity point. Are there specifics in their roadmap to get to that 2030 goal? Is it possible? Yes. But work needs to happen very quickly. The level of detail that underpins the commitment is critical. It requires collaboration and leadership, and sustainability to be embedded in an organisation.”

She argued: “There is a reputational risk for organisations that sign up to commitments they might not reach. It’s something that requires real focus. The key things are collaboration, action – and prioritisation of action – and governance. How we use the measurement of a carbon footprint to drive action and to ‘hotspot’ areas to decarbonise is important, as is finding investment for the areas more challenging to decarbonise.” ■

CASE STUDY: Hilton's ESG framework and goals

As one of the world's leading global travel companies, Hilton has created a framework that outlines the priority areas for action within its 'Travel with Purpose' strategy, organised beneath the three pillars of ESG.

1. ENVIRONMENTAL

WATTS: CARBON/ENERGY

- ◆ Cut managed emissions intensity by 75% by 2030
- ◆ Cut franchised portfolio emissions intensity by 56% by 2030

WATER

- ◆ Cut water use intensity by 50% by 2030

WASTE

- ◆ Cut landfilled waste intensity by 50% by 2030

2. SOCIAL

CAREERS

- ◆ Create 5 million learning and career growth opportunities by 2030
- ◆ Achieve 50% gender diversity at leadership level by 2027
- ◆ Achieve 25% Ethnic Diversity at leadership level in the US by 2027

COMMUNITY

- ◆ Meaningfully impact 20 million community members by 2030

CONDUCT

- ◆ Promote responsible inclusive conduct across 100% of value chain operations

3. GOVERNANCE

PUBLIC AFFAIRS

- ◆ Advocate for public policies that advance the Travel with Purpose goals

PARTNERSHIPS

- ◆ Create and partner with cross-industry networks to advance the Travel with Purpose goals

POLICIES AND REPORTING

- ◆ Operate through best-in-class measurement (LightStay), governance and oversight



PICTURES: SHUTTERSTOCK/RAFAPRESS; SARAKUT_SY, KAE B YUKI, SCHARSINN; VIDEO MEDIA STUDIO EUROPE

AVIATION

THE FUTURE OF FLYING

As Middle East airports remain among the busiest in the world, industry leaders are seeking slicker ways to operate

The busiest international airports are concentrated in the Middle East and Europe, with two in the Middle East and six in Europe, while the other top-10 busiest airports are in Singapore and South Korea.

According to Iata, Middle Eastern airlines saw a 75% traffic increase in February 2023 compared with February 2022. The busiest airport for international flights in April 2023 was Dubai International (DXB) yet again. Furthermore, with almost 4.5 million seats, the airport had 17% more international capacity than the next busiest international airport, London Heathrow, which was served by just over 3.8 million seats. Amsterdam, ranked third, topped 3 million seats.

As airports become busier, aviation leaders are looking for slicker ways to operate. The past year has marked a sea change in airlines' attitude to technology, according to Deloitte head of aviation Andy Gauld and colleague Martin Bowman, Deloitte director of aviation technology and digital assets.

Gauld said: "A lot of airlines are thinking differently, wanting to change their operations and customer experience, looking not just at the booking process but the end-to-end process they provide and defining the right technology and digital channels. I'm aware of 10 airlines that have gone out to tender for work to redefine the customer experience, including the operations side. Historically, you might have had one or two do that at a time."

He argued: "Covid-19 and everyone wanting to understand more about their carbon footprint has been the catalyst for change. Airlines want to do something different and are looking outside their circle. There are three key opportunities. One is to move legacy systems onto modern platforms. The

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I'm aware of 10 airlines that have gone out to tender for work to redefine the customer experience – historically you might have had one or two do that at the same time

Andy Gauld,
Deloitte

shift into the cloud has taken a massive step forward over the past 12 to 24 months. That can create efficiencies and cost savings, which funds the other two – the customer experience and improving airside operations. Both these need a lot of funding in an industry suffering a cash shortfall.

“At least half-a-dozen global airlines are trying to shift into the cloud as soon as possible. The challenges are in two areas. First, they think their systems are the worst and most complex in the world. But I've seen banking and retailers' systems that are worse and have more data. The second issue is ensuring operational systems remain active when you move over – no different to when a banking system transfers.”

Bowman agreed, saying: “Every sector of the industry has come out of the pandemic willing to challenge historical assumptions, with an open-mindedness I've not encountered before.

“There are some realities the





Source: OAG

industry has woken up to. Aviation was thought of as a ‘sexy’ industry, easy to get people into. That has turned on its head. The industry doesn’t have access to the talent pool it did pre-pandemic. Historical assumptions about the volume of traffic and how you handle processes have also been turned on their head. There is almost a tech-first mindset now, thinking ‘We’re not going to have the people we need. We need alternative ways to deliver the service.’

“Some airports have invested in operational efficiency technology, which helps with processes formerly done by people. For example, Amsterdam Schiphol has digital signage orchestrating the passenger flow. That is just one area, but there is a tech-first approach because the challenge around resources is not going away.”

He argued: “In the last 12 months we’ve

seen initiatives around tools to manage specific areas of operations dynamically – for example, dynamic allocation of check-in desks. The passenger experience at an airport is basically a series of processes built around people, bags and planes, and if you optimise one but another isn’t fine-tuned, all you do is pass the problem down the chain. Some airports are starting to look at the whole operation. We’re starting a project looking at how the subsystems at an airport can come together to give a total view and orchestration.”

Gauld added: “There is a big push around the check-in process, trying to get as much confirmed as possible prior to a passenger’s arrival. There is also a re-emergence of the fight around who owns the customer. Airlines are looking to what they can learn from retail and consumer goods companies. For the first time in

ABOVE: Dubai International is the world’s busiest international airport, offering 17% more seats than its nearest rival, London Heathrow

FACING PAGE: Dubai International Airport

AVIATION

THE FUTURE OF FLYING

a while, airlines are looking outside the industry for examples and looking for people outside the industry to help them.”

INVESTMENT IN TECH

Travel businesses are making funding for investment in technology available where they can, but for a project to go ahead, the business case and return on investment must not be in doubt.

Bowman said: “There is much more focus on robustness. You need a thorough view of the value of a project and to track it through to conclusion. There have been too many lazy technology projects sold on a dream in the past.”

Bowman identifies a number of developments aimed at improving both the customer experience and operations, citing research on passenger sentiment and the priorities for passengers that “has driven a series of initiatives”.

He noted: “The priority for passengers is to minimise deviation from their expectations. That can be around queue times at the airport and getting a bag into the overhead compartment on a flight, through to wanting disruption dealt with as efficiently as possible. That has translated into developing [airlines’]

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According to IATA, Middle Eastern airlines saw a 75% traffic increase in February 2023 compared with February 2022

mobile apps as more of a day-of-travel, concierge-type service.

“Most airlines’ apps are primarily a sales channel that has a boarding-pass capability built in. We see a move away from that. Passengers are looking for the app to make the journey ‘as expected’ as possible and help manage any disruption. For example, instead of rescheduling a flight and booking hotels if there is a delay, the app does it for you. Or, using predictive analytics, a carrier could know in advance whether the overhead compartment on a flight was going to be full and give customers the option to go to bag drop.”

Bowman explained: “The way check-in and bag drop currently work at an airport is through a ‘common use infrastructure’ which multiple airlines share. The airline pays a passenger fee to use the infrastructure. The airport determines the strategy. The airline’s systems need to integrate with every airport it flies to. An airline that flies to 200 airports has 200 integrations, which drives complexity.”

By contrast, he said: “A large European airline is moving check-in and bag drop to its app, so the self-service check-in and backdrop facility becomes like a scanner and printer. This massively simplifies the infrastructure, reduces the airline’s dependency on the common infrastructure and cuts its cost. You only have to create one set of integrations and roll it across a network. The airline doing this will become 100% digital and add a premium for passengers to use paper.”

An important development involves movement to cloud computing. Bowman said: “The cloud is no longer viewed just as an infrastructure capability but as transformative. The big cloud platforms offer way more than just economies of scale in storage. A whole toolbox of capability comes with the cloud that allows you to do things from a development point of view. For example, the cloud allows for turnaround analytics using cameras to monitor the turnaround of aircraft and artificial intelligence to predict where turn times will be missed





and what is contributing to on-time departure issues.”

He said: “Pre-pandemic, aviation in the cloud was ‘toe-in-the-water’ stuff. The industry is in having a swim now. There is a lot of migration to the cloud going on. The sector is not doing lengths at Olympic pace but there is a lot more activity.”

CYBERSECURITY AND DIGITAL IDENTITY

Bowman sees cybersecurity as less of an issue in the latest technology solutions than in some that have been around for a while, saying: “The approach now is security by design. That is one of the pillars [of technology development], along with usability, so I am less worried about it from the point of view of new technologies. It’s common-use systems where there remain vulnerabilities.

“Where cybersecurity has always been an issue in aviation is in systems used across stakeholders. Ground handlers may log into one airline’s system and then another and the cybersecurity approaches to this historically have been poor.”

He also sees a potential vulnerability in the increasing connectedness of so many aircraft systems, arguing: “Aircraft cybersecurity, the notion of aircraft-specific

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In the next two years if an airline is not doing simulator training of a cyberattack on an aircraft’s systems it won’t have a proper grasp of the emerging risks

**Martin Bowman,
Deloitte**

protection, is not mature and not recognised as a big risk. But it is a risk and the industry won’t have the luxury of ignoring it.”

However, some technologies are being pursued less rigorously than previously thought. That appears to be the case with digital identity and ‘seamless travel’ technology and the harmonisation of credentials around health.

Bowman noted: “The aviation industry dropped the idea of health passports as quickly as it could. I was probably naive thinking health passports would be a catalyst for developing ‘seamless travel’ technology. That has not been the case. The industry sought to get rid of the additional checks and infrastructure.

“I don’t get any sense that end-to-end seamless travel is a priority for anyone in the industry, including the passenger. The feedback from passenger sentiment research is that passengers don’t prioritise the end-to-end process or biometrics. It’s just not a priority. They want the aircraft to turn up on time. They want to know where their bag is. It’s all about minimising anxiety and stress.

“As a vision, there is nothing wrong with seamless travel. But the business case to make it happen doesn’t exist. Unless you’re talking about cooperation

AVIATION

THE FUTURE OF FLYING

at a country-to-country level and have governments saying, ‘you must do this’, it’s not going to happen. There is limited value in the investment.”

Despite calls for digital harmonisation and standardisation of entry requirements, it’s likely we’ll see a host of different electronic visa or visa-waiver systems – and these will “be about entry not about flow”, according to Bowman.

A DYNAMIC ENVIRONMENT

There was much talk of beacon technology at airports pre-pandemic, but Bowman said: “The beacon-enabled airport is not something we’re seeing. The technology was pitched around wayfinding, but it has evolved into mobile device enablement, simplifying self-service bag drop and check-in.”

Distributed ledger technology, often confused with ‘blockchain’, appears to remain peripheral. The notion was that distributed ledger technology could enable ‘self-sovereign ID’. But the need for such technology appears to have gone and Bowman said: “I’m not aware of any other clear use case.”

He also sees less progress on Iata’s long-touted New Distribution Capability (NDC) than its enthusiastic championing by major airlines and travel technology companies might suggest. Bowman argued: “NDC has more legs than digital health credentials, but I don’t think it’s ever going to be the transformative, game-changing capability it was pitched as.”

Noting a tendency to “oversell and hype technology”, he said: “NDC is in that category. There will be airlines that invest in it. It will open new channels. But do I think it’s transformative? No. The case for doing it does not exist to the extent that the level of investment and level of change requires.”

“It seemed a big play for the legacy carriers. But it’s almost as though all bets are off in aviation. Things we assumed pre-pandemic, we’re not assuming any more. That applies to business models and to how airlines interact with the market and with intermediaries.”

Bowman also adds a caveat on the



PICTURES: SHUTTERSTOCK/SORBIS; FASTTAIL/WIND

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As an industry, we’re subject to macroeconomic and geopolitical issues more than many industries. You never know what is around the corner

Martin Bowman,
Deloitte

availability of funding for technology development, noting: “There is strong sentiment around travel and the indicators are that will continue. But I wouldn’t be complacent. We live in a dynamic environment. As an industry, we’re subject to macroeconomic and geopolitical issues more than many industries. You never know what is around the corner.”

THE ULTIMATE PRIORITY

An unavoidable priority for the sector is the requirement to reach ‘net zero’ on carbon by 2050. Bowman noted: “There are big plays under way – sustainable aviation fuel [SAF], electric propulsion, hydrogen. These are really going to move the needle and there needs to be investment. But a lot of it is around building investor confidence.

“SAF is viable at a core technology level. The issues are around price, availability and what happens when other industries want a similar fuel stock, because all the assumptions around SAF availability are based on aviation being the primary consumer.

“Pretty much everyone recognises electric propulsion is not going to be viable beyond short-haul, 500km operations.

On hydrogen, there are some serious organisations making serious plays and I'm confident we'll make progress, but we're not moving to hydrogen propulsion at scale in the next 10 years."

He argued: "When it comes to priorities for the next decade, there are basically three things aviation can do. It can fly more-efficient aircraft. It can offset. And it can squeeze every ounce of efficiency out of how it flies. There is a massive area of opportunity in that third category, whether it be airspace modernisation or trajectory optimisation.

"The priority for technology investment should be technologies that minimise carbon emissions from existing aircraft and the existing infrastructure. At a conservative estimate, if we modernised airspace globally, we could take 15% of emissions out of the network."

"There are plenty of initiatives to minimise fuel burn. A large international carrier has technology that gives its flight crew insights on their fuel burn proportionate to others flying similar routes. I see airlines investing in the personalisation of climate insight on

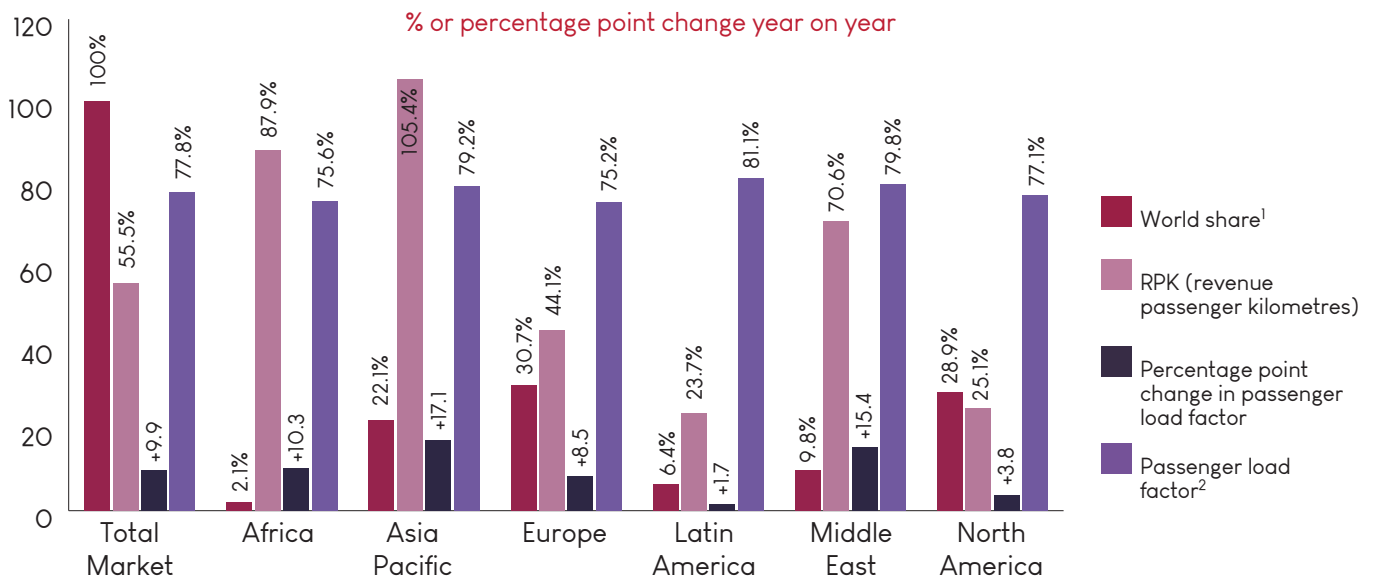
things like single-engine taxiing, the climb out of the airport, the steepness and speed of climb, the trajectory flown, the altitude. The flight crew can't determine all this, but they can influence some of it. It's about being knowledgeable about the bits you can influence, and that is where data comes in. There are opportunities in each phase of a flight to minimise fuel burn.

"But we also need to drive performance improvement at the network level. This is probably an area the industry has not got its head around and it's a missed opportunity because we could crack on with it.

"I equate it to punctuality and on-time performance. When we measure on-time performance in aviation, we don't care who causes it. We have codes for an airport delay, air traffic control delay, flight crew delay, ground crew delay. We don't dispute where a delay came from, we just measure it. We need to get to the same place on fuel burn, get a global measurement structure in place and then look at what contributes to that at an airport, airline and air traffic control level, and do everything to minimise it."

BELOW: Aviation in the Middle East saw a 70.6% rise in RPK and a 15.4 percentage point increase in passenger load factors in February compared with the same month last year

GLOBAL AIR PASSENGER MARKET, FEBRUARY 2023



FOOTNOTES: 1) Percentage of industry RPK 2) Percentage of available seats sold Source: IATA

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A MESSAGE FROM OUR PARTNER

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