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Luxury hôtellerie: a study of the new high-end hospitality trends

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Introduction

At the core of this study there is an analysis of the luxury hospitality sector and of the influence that new generations are demonstrating to have both on the management of hotel activities and especially on industry trends. Precisely, the attention during the whole thesis is focused on Millennials and Generation Z, their preferences and their most relevant characteristics.

Surely, the choice to analyze this particular topic was made thanks to a deep interest in the great newness of the issue of managing new generations in the luxury sector and the interest for the hotel industry in general. In my opinion, one of the most interesting characteristics of this sector is certainly the great attitude to innovate and use the most advanced technologies, even if it is considered a traditional industry, which is able to maintain very high standards and always respect the guests' most disparate cultures and nationalities.

The aim of this thesis is to provide an accurate analysis of the sector both from a quantitative and a qualitative point of view, highlighting the threats and challenges that hotel managers are facing, while paying a great attention to the modernity of the sector and the most up to date researches.

The thesis is articulated into eight chapters, which are divided into three parts: in chapter one there is a first introduction to the frame and the characteristics of the sector, its continuous growth and the legislation on the subject at an international and Italian level; in the second chapter the focus is on the industry segmentation, made in respect to the different styles and by making a distinction between independent hotels and hotel chains, with particular attention to the Marriott International case (also because of the relevance of its recent merger with Starwood).

The second part is dedicated to analyzing the current context in which the sector is: in fact, in the third chapter the luxury travelers' traits are introduced and at the same time also a study about the means of communication with which today is more appropriate to approach them (hence social media) is carried out, with a particular attention placed on Instagram which, when it comes to travel, is considered as the social network par excellence; the fourth chapter highlights the great threat posed by Airbnb and its recent moves towards the luxury industry with the creation of various dedicated new services (Plus, Experiences, Select) and some of its latest important acquisitions as well, the chapter is concluded with some considerations on the effects of the home-sharing industry on that of hospitality; the fifth chapter deals with the issue of reputation and the rating services, particularly TripAdvisor, and how much these can affect today a reality

considered so unique and peculiar as that of luxury; lastly, with the sixth chapter, one of the most used management strategies is analyzed, the Revenue Management, focusing on the revenue sharing activities, and it is demonstrated that even luxury hotels have to look at the “experiential” trend and to the enrichment of the travel package offered to guests.

The third part is instead focused on the study of the new generations and it is perhaps the most important element to conclude the analysis: in fact, in the seventh chapter the new generations are analyzed in detail, with a particular attention given to the Millennials, their socio-demographic characteristics and the influence that globalization has on our modern society; the eighth chapter consists in a research about two of the most interesting Apps in the field of luxury hospitality, intended as millennials-driven and -oriented, that are Raleigh & Drake and Black Tomato, and their specific characteristics and functionalities are described, the chapter is then concluded with an interview to the general manager of St. Regis Rome, Mr. Giuseppe De Martino, which explains the effects of new generations on their activities and services, confirming what is claimed during the whole analysis.

This is followed by the conclusions where the industry as a whole and the trends in the sector, which, as analyzed, is increasingly modified and shaped by new generations, will be evaluated.

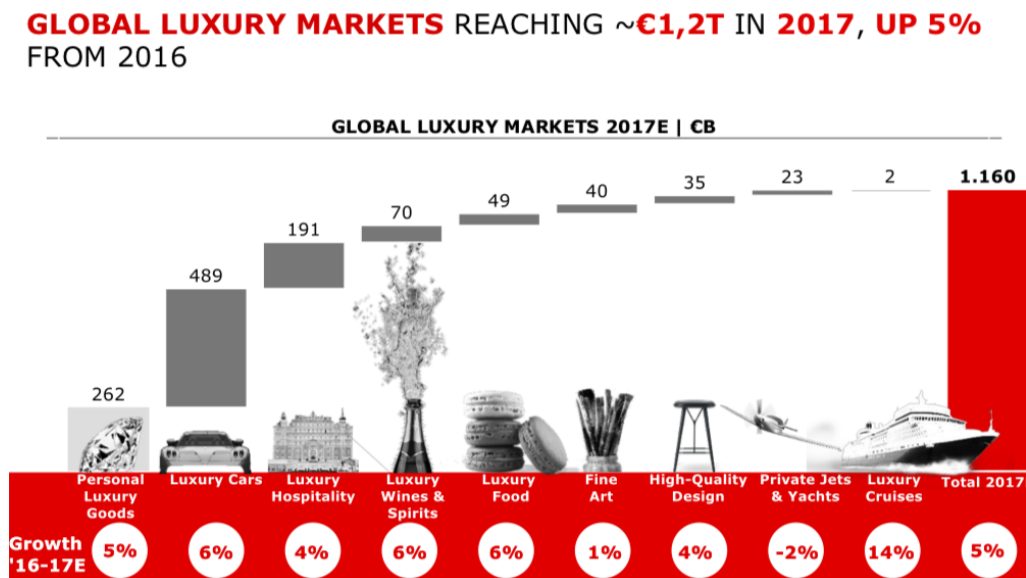
Part I: Description of the luxury hospitality sector

1 – Industry characteristics

Luxury hospitality industry, for years now, has been one of the most dynamic and with a positive growth sectors in the luxury market. A clear evidence of this phenomenon is provided by the growth rates of revenues recorded in 2017, + 4% compared to 2016, that is almost the same growth of the entire luxury market over the same period + 5% (Bain & Company "Altgamma Monitor", 2017). The steady growth and at the same time a significant turnover have led new players to enter the industry.

For decades, the largest fashion groups, with a particular attention to risk diversification, have started operating in new markets, basically through two strategies: extension of the original brand or the acquisition of companies already operating in the sector of interest. Armani, for example, has decided to extend its brand towards hotels and restaurants with the birth of Armani Hotels and Armani Nobu. On the other hand, we have the giant LVMH which began a policy of acquisitions to enrich the group's portfolio of brands by investing in the purchase of historic brands in every luxury sector, including the haute hôtellerie, thanks to the acquisition of Cheval Blanc.

Figure 1



Source: Altgamma Monitor on World Markets, 2017

Each and every year, Bain & Company creates the "Altgamma Monitor on World Markets" for the Altgamma Foundation. The monitor is one of the most accurate and recognized analyses regarding the luxury market, and it illustrates annually the economic and financial situation of the sector while it identifies the trends for the 12 months period.

It could be interesting to compare the last two monitors, relating to the years 2016 and 2017 to understand if there is a stable growth trend and what are the expected trends for the future.

According to the documents, in 2017, the luxury market was worth around € 1.2 trillion, with a +5% on the previous year (2016). Personal luxury goods (a category that includes perfumes, clothes, leather goods, etc.) produced a turnover of € 262 billion, while the only *hôtellerie* exceeded € 190 billion. The alcohol market, on the other hand, had a turnover of € 70 billion with an annual growth of 6% compared to 2016.

In the past years, the driving factors in the growth of the hotel industry were identified in the recovery of the building sector after years of stagnation, in the exceptional contribution of the demand in Mexico and the economic recovery in Germany and the United Kingdom. In fact, after the stagnation, in 2017 the market finally experienced a healthier new normal.

However, the growth in hotel revenues was not the same all over the world. In fact, it was slowed in China by some "measures against excesses and extravagances", commissioned by President Xi Jinping to combat rampant corruption among Chinese government officials, who were the object of gifts such as luxury wines and spirits, 5-star hotel trips and sport cars in exchange for tenders and favors (Battaglia G., 2014). The stricter rules and the increase in anti-corruption controls have helped to slow down the sales of luxury goods in general, specifically also for stays in 5-star hotels in Macau or Hong Kong (the only cities in which gambling is legal).

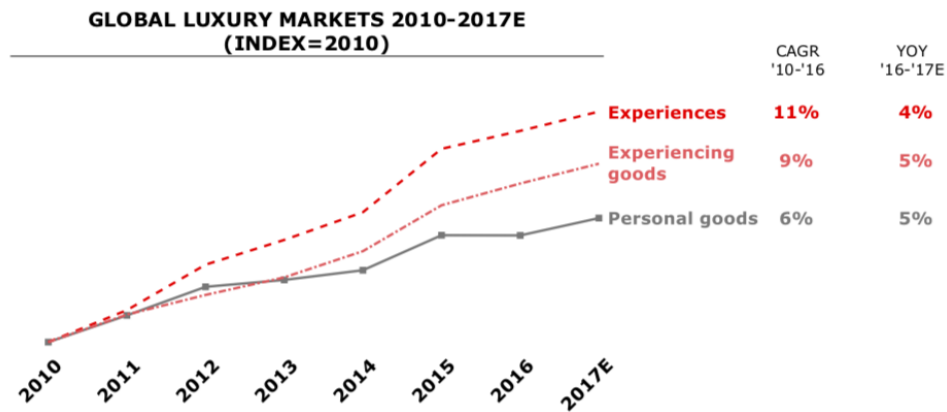
Analyzing the Altagamma Monitor 2017 and comparing it with the previous one, we can immediately notice the considerable increase in the value of the entire market, which reaches the historical figure of € 1.2 trillion (compared to € 1.081 trillion in 2016).

According to the same 2017 research, the future macrotrends for the entire luxury market are:

- Growing importance must be given to the experiences rather than materialism;
- More attention to the younger customers must be given;
- Increasing importance of China and Chinese new generations which act differently from the rest of the world;
- Online-world plays a leading role;
- Market segmentation is losing importance, there is a need of interpretation of the clients' needs and aspirations while remaining true to the brand DNA;
- Content, inspiration and engagement are of the utmost importance;
- Rising relevance of the Millennials must be taken into consideration;
- A particular importance is given to the relevance of the experiences.

Figure 2

EXPERIENCES ARE WINNING IN THE POST-CRISIS ERA



Source: Altagamma Monitor, 2017

1.1 Trends and new technologies in the luxury market

Traditional retail is changing quickly, indeed it has already changed with the Copernican digital revolution, and the word "omnichannel" is now perfectly describing the reality of brands.

The present and the future of retail in fashion and luxury is explained and theorized in the interesting study "Frontier(less) Retail", just published by The Innovation Group, research laboratory of advertising giant J. Walter Thompson, in partnership with WWD¹. A futuristic report, where they deprecated retailers who think that "innovating" means flooding their own store of interactive screens, and instead they examined the potential of virtual reality, artificial intelligence, emotional marketing, drones and robots able to read the client's emotions through complex cognitive technologies.

The world itself, in reality, will be increasingly digital and connected: Bi Intelligence estimates that by 2020 there will be 24 billion devices of the Internet of Things, an average annual growth of 41%, which will be used in large part by the "Generation Z "(13-17 years old) ready to substitute the Millennials and Generation X. In any case, as the report found, everyone would be much more interested in entering a store if there were solutions that combine advanced digital shopping and entertainment.

¹ WWD stand for Women's Wear Daily, that is a fashion-industry trade US journal

The retail of the future, in fact, will be more and more "experiential", as luxury in general, and that is why on the right track those, like Ralph Lauren, Prada, Versace, Armani, also invest in hotels and restaurants, as we said before.

However, in the future, experiences will evolve into artistic, scientific, better if visually spectacular events, so as to be shared on Snapchat or Instagram - the report claims. There will also be a focus on volunteering, on well-being, and on personal growth activities or festivals that combine innovation, spirituality and proper nutrition. Of course, this poses enormous creative challenges, because brands will be no longer appreciated for the logo or the products themselves, but for the experiences they will offer, that is a much more subjective aspect of a mere price.

Paradoxically, however, since the physical store will be the center of this evolution, the new tools will help sales in the store, where the customers will find sales assistant robots, able to read their emotions (one was presented right on the stage of the last Luxury Summit of Sole 24 Ore), virtual reality (already successfully tested by Tommy Hilfiger in some stores, where you could buy the AI 2015 collection as sitting on the front row of the fashion show), artificial intelligence and "emotional retail" (that of UMood, device launched by Uniqlo that suggests the most suited shirt to the mood of the client, of whom he reads the brain signals).

Of course, these are expensive innovations, which only giant players in the field can afford, at least for now: that's why, for example, Amazon is often considered as a pioneer in this sense, and with its innovations the challenge for the other players becomes bigger. When, the company has launched its "Prime Air" service, drone delivery in 30 minutes, it was not easy to keep up with it for the competitors. But even in this case, according to Morgan Stanley, by 2020, 19% of US clothing sales will be on Amazon.

However, nowadays for the luxury sector the real benchmark to watch is China, where the mix between the use of online social-shopping-experiential luxury is in some ways more advanced than the western markets and pushes the construction of "physical" shopping malls: in 2015, for Cbre², 10 of the 12 world's top cities by number of shopping centers were in China.

Figure 3

² United States Commercial Real Estate Services



Source: Sole 24 Ore, “Ricchezza globale 2015 e trend aumento spesa stimato per il 2020”, 2015

However, as a proof of all that has been said until now, the final consideration of the 2017 Altagamma report is for luxury companies in general to be customer-obsessed and Millennial-minded to become successful in the future and stay innovative.

Moreover, some of the macrorends of the hôtellerie sector were detected in the same study:

- The increase in revenues in the major European cities after years of stagnation;
- The progressive deceleration of the growth of large US hotel chains;
- China's difficulty in offering organic and structured growth of the entire hotel sector, favoring the growth of only few specific hotel chains;
- The challenge represented by the growing influence that search engines and specialized sites have on people's consumption decisions (Booking.com, TripAdvisor, Expedia);
- The advent of a new and indirect form of competition represented by the US player Airbnb.

1.2. Meaning of luxury in the hôtellerie sector

"When you walk into a hotel room and close the door, you know there's a secret, a luxury, a fantasy. There is comfort. There is reassurance." (Diane von Furstenberg)

For a holiday, a stay related to work, a meeting, a press conference, the hotel is definitely a location that should be chosen carefully.

The choice must always take into account needs and expectations of the customers. For this reason, a luxury hotel becomes much more than just a place to spend the night or a few hours to attend a business meeting. Entering a 5-star hotel is definitely an experience that should give the sensation of being into a dream, with the comfort and beauty of a structure designed in detail and with a highly trained staff to meet every kind of need.

Naturally, the 5 stars for a hotel structure represent top and absolute excellence; a hotel - in order to have recognized this very high level - must have some basic characteristics without which it is not possible to receive this certification.

According to the latest provisions, which are different from country to country but maintain a common line, for the allocation of stars to hotels, it is essential to be recognized, first of all, as a hotel with at least 7 rooms available. Subsequently, the following essential parameters for 5-star hotels must be taken into consideration for the majority of countries:

- 1) Room size: the room (excluding the bathroom) must be at least 9 square meters large for 4- or 5-star hotels and must reach at least 14 square meters for 5-star luxury. In the case of double rooms, minimum 15 square meters for 4-star, 16 square meters for 5-star and 20 square meters for 5-star luxury;
- 2) Room amenities: bathrobes, towels, shower gel, shampoo and slippers for every single person, linen, furniture and fabrics in perfect condition, mattresses of no more than 7 years, safe, telephone also available for external calls, satellite TV, minibar, armchair, internet network also with wireless, hairdryer;
- 3) Facilities: air conditioning, lift on all floors, meeting room, restaurant, wardrobe space or luggage storage. At least three complementary facilities – flat screen TV for each room, free pay TV in the rooms, pool of at least 50 square meters, gym of at least 20 square meters, meeting room with a minimum of 20 seats, Jacuzzi;
- 4) Other services: 24 hours a day for every service, night porter, luggage transport 24 hours a day, staff uniforms, at least three languages spoken by the staff, restaurant, bar service 16 hours a day, bar service in the rooms 24 hours on 24, room service for breakfast, room service at all meal times, 24-hour parking, daily cleaning of rooms with afternoon care, daily change of linen for the bathroom.

Obviously, in addition to these characteristics, there are various services that apply to all categories of hotels such as a television and a telephone in the common room, a photocopier, heating in the rooms and common areas, fireproof mattress etc.

In addition to the so-called characteristics that we could define as basic "techniques" of a luxury hotel, there is one important feature that is to consider the high professionalism that all the hotel staff must demonstrate, a feature that would go well beyond any parameters and legislation, but then turns out to be the crucial element to ensure that a large hotel can truly be defined as such.

Among the various key figures, certainly, that of the concierge is the most emblematic and it is able to really make the difference. To be more precise, we consider the figure of the porter, who in a hotel is the soul of the entire organization, as well as being the person who is more often in contact with the customers by fulfilling any desire or simply helping them for some piece of advice.

The concierge is the figure that can give a right tip on which places to go, who can find impossible things at the most unthinkable times or solve small and big problems that the guests may have, but always maintaining a great discretion and confidentiality, especially with famous customers or with who need tact and anonymity. This figure is very often extremely confidential and can determine the reputation of the whole hotel, being the mean by which the hotel has more opportunities to retain the customers. Certainly, the tact, the organizational capacity and the number of contacts available are a prerogative so that this figure can be really complete and efficient.

"Looking to the future, it seems that luxury hotels are destined to become points of reference for their respective destinations. Concierge teams are constantly growing and are not showing signs of diminishing. What once was one of the skills of a concierge is now accessible to everyone, in fact, just a smartphone is sufficient to find information about restaurants, attractions and museums in a city". "The problem is that online research involves an overload of information that is difficult to filter and is often of doubtful reliability. The modern concierge must be able to filter these data thanks to the experience and in the coming years his tasks will expand into new areas, contexts and levels of exclusivity " says Rahim B. Kanani, expert in luxury hospitality and author of the famous book *"A Wealth of Insight: The World's Best Luxury Hoteliers on Leadership, Management, and the Future of 5-Star Hospitality"*.

In addition to all this, the design of the structure can be another fundamental point, whether you have a more classic or decidedly more modern style, the important thing is that everything is always done according to the customers tastes to make the stay as much relaxing as possible, giving also the possibility of enjoying the beauty and splendor of the structure. It could be a breathtaking or a central location in the heart of a big city,

the care of the garden, the majesty of the hall or the decorations that are found when you are on a holiday etc., nothing will ever be left to chance.

Nowadays, also the attention to technological services is beginning to make the difference, such as the use of tablets and interactive screens to request and activate services, adjust the temperature of the room or turn the lights on/off. Some of the most interesting future trends can be reassumed in:

1. **Virtual Reality:** it has an enormous potential when it comes to hospitality and travel. It possesses the power to awaken the emotions and the imagination of the traveler. Although it is not the most recent of innovations, only now is beginning to be seriously implemented in several businesses, as well as in hotels;
2. **Voice-activated instruments:** according to Forbes, vocal search will be one of the hotel's technological innovations in 2018. Just as Virtual Reality is something completely new, voice-activated instruments offer a great challenge. For instance, what Siri has done for iPhone users is transforming an entire industry. Thanks to devices like Amazon Echo, hotels can now guarantee customer assistance through voice control only, as for example the Acme Hotel of Chicago, precursor of this innovation;
3. **Internet of Things (IoT):** Internet of Things has the potential to impact hospitality in a great and positive way. Every day, almost without realizing it, we rely on our devices for a multitude of actions: if we go on vacation, we need our phone on many occasions, if we go on a business trip, we take with us our tablet or our laptop. All these electronic devices, together with the power of the internet, can help us make a better stay in a hotel: the big chains and big travel groups have understood it immediately, in fact the hospitality industry has invested in the IoT sector first. In the coming years, it will be increasingly important for hoteliers to integrate these technological innovations into their facilities, as travelers will use them more and more and expect to have more and more integration and connection. It is no longer rare to have the ability to control your own smartphone room, and companies that produce integrated solutions are prolific;
4. **Artificial Intelligence:** another key trend that will mark the year 2018 is artificial intelligence. Many operations that until today have required human interaction and the time needed to learn, can be replaced by a form of automatic intelligence. There is no doubt that computers are in the future in this sense: they can contain a large amount of data and even mimic human behavior, such as chatbots. These tools are captivating especially for the hotel industry, which strongly depends on the customer service and the experience of the guests. Obviously, it is difficult to think that all human

interactions will be replaced by machines, human contact will always be necessary, but artificial intelligence will surely be useful when it comes to customer support, especially regarding generic questions and perhaps coming from different time zones. Among other technological innovations in the hotel, more and more chains are providing a chatbot on their site, Hilton has even developed Connie, a real physical Robot that acts as a concierge advising customers on the best attractions in the area;

5. Blockchain: this is the mechanism behind the Bitcoin virtual currency. It is a distributed database that uses peer-to-peer technology that anyone can take from the web, in this way becoming a network node. In other words, it is the accounting book which records all the transactions made in Bitcoin from 2009 to the present, transactions made possible by the approval of 50% + 1 of the nodes. An open system of verification that does not need the approval of the banks to carry out a transaction. Extrapolated from its context, it can be used in all areas where a relationship is needed between several people or groups. Blockchain is sustained to be the evolution of the Internet, a sort of Internet of transactions summarized in 4 very clear concepts: decentralization, security, transparency and immutability. A system able to guarantee all the possibilities to create and control in total transparency unalterable data files.

Among the things that very often are able to stand out, there is certainly also the presence of the SPA inside the hotel building, with all the attached services, that can be a true flagship of many large hotels, where it will be essential to relax, receiving massages or finding relief in a sauna or a hot tub.

Big luxury hotels in some cases can also have many opportunities for fun, such as a casino or golf courses, tennis courts and gyms equipped for every sport lover.

1.2.1. The importance of exclusivity

For a conspicuous and growing number of consumers, luxury is becoming purely a synonymous of exclusivity, and this is extremely clear in this sector. That could be represented by sojourning in the same room where a famous star stayed or by other elements. In fact, this exclusivity is given not only by the possibility to afford the acquisition of goods which are prohibitively costly for the majority of people, but also from the faculty of getting the privilege to live a once in a lifetime experience. To make this affirmation clearer, we can bring some practical examples.

For instance, the Spontaneity Suite, that is a recent creation of the newly formed Australian joint venture between Hotel Tonight and Ovolo Hotels, a high-end real estate group, is a bright model of this new concept

of luxury. This project consists in two containers that are assembled to create a large hotel room with a terraced roof with Jacuzzi, Apple TV and, if desired, a dedicated butler. Apparently, this is not a totally new concept, apart from the fact that this structure is a removable pop-up positioned by the property, in an itinerant manner, in some of the most suggestive corners of Australia. It was built initially among the vineyards of the Yarra Valley, it was launched at a promotional rate of just over €60/night for the first 4 nights, but the cost has soared day after day until the “expiration day”, expected within a few days. The last night in the luxury hotel starts from a cost equivalent to € 20 thousand (about 32 thousand Australian dollars), and it goes down by one thousand Australian dollars every ten minutes until the time of the last sale.

From this interesting example, we can try to understand what the word luxury really means today: people who do not take the chance immediately will never have the same opportunity again. The only alternative to live this particular experience if you miss it, is to try again in another place, that is kept strictly secret by the company until the installation is completed, in which the Spontaneity Suite will be re-assembled and marketed following the same pricing method, but it will not be the same experience.

However, there is another last curious aspect of this initiative. It lies in the destination of the earnings. In fact, all the profits are donated to Oz Harvest, the country's leading non-profit food aid organization. This is certainly a way to increase the degree of exclusivity of the experience.

In conclusion, this example gives us the proof that luxury today is not only about the economic privilege, but also about the possibility to take part to a project that is really limited to very few people and bonded to an extremely short amount of time.

According to some market observers, it will be *time* - a resource that is now very scarce and, therefore, increasingly precious - the keystone on which to base the luxury proposal of the future. Following this principle, the firms which will win the market will be the ones able to give the client the certainty or, at least the reassuring sensation, of having caught the fleeting moment.

Even in Italy, lately, the luxury hôtellerie proposal is being oriented towards exclusivity translated in mobile luxury accommodation solutions and, precisely for this reason, adaptable to the most disparate natural frames. One of the most *avant-garde* projects was presented at the 40th edition of the “Grande Fiera d'Estate” in Cuneo, and bears the signature of the Mansi Orsi Service, a company in the province of Cuneo that created the “Dream House”. The result of this experiment is a living module that the owner Mauro Orsi likes to define "intelligent prefabricated, functional and of great aesthetic appeal". These characteristics are guaranteed by the hand of Simone Micheli, a well-known architect in the world of luxury hotels, who has

managed to place in a 40 square meters apartment a kitchen equipped with all modern comforts for the production of sophisticated recipes, bedrooms with tapestries customizable in advance through a digital design system, and bathrooms equipped with a sauna and a shower with chromotherapy and aromatherapy.

Once again, a form of luxury no longer conceived as a display of expensive elegance and distinction, but more as an opportunity reserved for a restricted, and therefore privileged, user. "*An answer for those who - Orsi himself synthesizes - want to feel themselves as the explorers of the latest, innovative frontier in the world of hospitality*".

In conclusion, when we are referring to luxury hotels, we mean a hotel that is not only able to stand out from the crowd, that is elegant, refined and expensive, but that is also exclusive, original and able to satisfy every need of its guests. The world of luxury hotels must fully respond to new trends, it must employ highly qualified personnel, it must be located in unique places (such as ancient buildings, important historic centers, seaside resorts of excellence) and it must present design elements as well as offer experiences of high level to customers. The clients' nationalities in this type of accommodation are the more disparate.

1.3. The legislations

What is requested all over the world from 5-star hotels by law? As we already mentioned before, this concept is sharply different from country to country, depending on different legislations.

Considering the five main tourist destinations in the world, only two are providing a mandatory classification. In France, Germany, the United Kingdom and the United States, classifying a hotel is an absolutely voluntary operation.

In Italy and Spain, on the other hand, the rules for hotel classification are of regional competence and the stars are assigned by each region according to a series of minimum requirements.

All classification criteria are established nationally in France, Germany, the United Kingdom and the United States. In France, this task is entrusted to private consulting agencies authorized by the French Cofrac Accreditation Commission; in the United Kingdom there is the Quality Tourism, which operates under the supervision of the tourist organization "Visit England" (this system also applies to Scotland, Wales and Northern Ireland). In Germany and in several other European countries, the classification is managed by the HotelStars Union under the patronage of the HOTREC organization, that is the European trade association that brings together hotels, restaurants and cafés. Finally, in the United States, the classification of hotels is established by independent groups such as the American Automobile Association (AAA) or travel websites.

In Greece, the classification of hotels is also based on a system of state regulations and in 2015 a ministerial decree introduced a new star system, mandatory for all hotels in the country.

	Regulatory agency	Mandatory	Classification
France	Private consultant agencies authorized by Cofrac	Voluntary	1-5 stars
Germany	HotelStars Union	Voluntary	1-5 stars – for each category is possible to be mentioned as “Superior”
Greece	Government	Mandatory	1-5 stars
Italy	Regional governments, which take into account the minimum national standards (except from Trento and Bolzano)	Mandatory	1-5 stars; some regions permit the mention of “5-star luxury”
United Kingdom	Quality Tourism	Voluntary	1-5 stars
Spain	Regional governments	Mandatory	1-5 stars; some regions permit the mention “Gran Lujo”
USA	Groups and independent travel websites	Voluntary	1-5 stars

Table source: <https://businessblog.trivago.com/it/classificazione-hotel-nel-mondo/>

Hotels’ classification standards have evolved in many areas, replacing rigid and outdated rules based mostly on structural factors.

The current criteria are standardized in most cases. However, there are still clear differences between regions and regions within the same country and among different countries. All the standards take into consideration four main aspects: rooms, bathrooms, basic services offered by the hotel (e.g. reception) and catering services.

By comparing the main differences between each country, three types of rules emerge:

- 1) Rules based on minimum mandatory requirements by category: Spain and Italy are the most restrictive countries. Many of their regions have laws that minutely describe the exact characteristics and the minimum requirements of each category. However, some regions have introduced less restrictive rules. Compliance with these rules is guaranteed by public inspectors who visit the facility in person;
- 2) Regulations that combine minimum requirements by category with services and optional facilities, which allow you to get points to move to the higher category: this is the system chosen by France and Germany. This approach guarantees minimum standards, but also recognizes the differences in value added that individual hotels offer thanks to their facilities and services, which can change from time to time. The accommodations are categorized by inspectors;
- 3) Regulations that combine minimum requirements for both category and quality: United Kingdom and United States are examples of markets that adopt this model. Although it is necessary to ensure a minimum level of facilities and services related to the category granted, the total number of these services is less important than their quality. The facilities are visited by consultants who not only classify the different aspects of the hotel, but also provide the management with an opinion on how to improve services to access a higher category.

To have a unified international system seems a very difficult goal to achieve, because the tourist realities are extremely different in the various countries in terms of customer expectations, infrastructures, transversal standards, etc. But, thanks to the demands of society in general and of travelers in particular the things are starting to evolve in a positive way. One aspect that should not be underestimated is the introduction of a series of measures that encourage more accessible and sustainable tourism. These are reflected in various standards that aim to guarantee minimum standards, especially in Anglo-Saxon countries where the traveler is provided with lots of suggestions on how to spend a more pleasant stay, to create a type of tourism more acceptable socially, economically and environmentally speaking.

1.3.1. Italian regulations

Making a brief digression on our country, Italy, it was possible to assign some minimum standards of services and facilities for 5-star hotels that are valid throughout the territory only after a Decree Law of the 21st October 2008. Prior to this regulation, the individual region was able to choose the standards, and this involved significant gaps between the services guaranteed in one region over another. Of course, this meant

that in Molise we had different standards compared to Puglia, and this could bring to dissatisfaction from customers.

Today the 5 stars are attributed to all hotels able to meet a certain quality standard given by the presence of the following elements:

- Reception must be open 24 hours a day;
- The staff must speak at least 3 foreign languages (especially the knowledge of Russian is requested) and must wear the hotel's uniform in order to guarantee order and recognition;
- Presence of a restaurant (and even more than one) is requested;
- Special dedicated breakfast room;
- In the common areas there must be toilets (both for men and women);
- In the case of structures dislocated on more than a few floors, the presence of the lift is requested;
- The rooms, depending on the type, must comply with a certain size (the single rooms must be at least 9 square meters, the double rooms of 16 square meters and the respective bathrooms must be at least 5 square meters);
- The rooms must be cleaned once a day and a further afternoon tidying up must be proposed;
- The bathroom must be equipped with a bathrobe, towels, a hairdryer and complimentary toiletries (it is recommended to pay attention to the quality of the chosen fabrics and products);
- In every room there must be satellite TV, Wi-Fi, the bar fridge (with food and drinks of first choice), air conditioning and a safe;
- A luggage transport service must always be present and available;
- There must be a laundry service (washing and ironing) with same-day delivery;
- A car park (possibly kept) that can accommodate 80% of the cars in proportion to the present accommodation;
- Availability of suite rooms is requested;
- Possibility to access extra services of a certain level (spa, elegant car rental with driver, possibility to use a meeting room, restaurants and a gym or fitness area).

The combined presence of all these features makes a hotel worthy of the fifth star³.

Some other features for most luxury hotels are, for instance, that the staff is invited to enter via a secondary entrance avoiding, as long as there is no service, to walk through the common areas where the guests are. It

³ Melis V., “*Hotel 5 Stelle: i segreti del lusso*”, 8/06/2018 - <https://www.mycomp.it/blog/hotel-5-stelle-i-segreti-del-lusso/>

could seem almost an unpleasant and classy concept, but in reality, it is just an extremely professional management of roles, in line with this type of market.

Often, those working in luxury hotels are subject to strict labels: maximum privacy, education and seriousness are just some of the characteristics required. Nonetheless, there is no need to appeal to any syndicalism in the protection of these workers, and this is because the salaries are usually commensurate with the required professionalism and the tips are often very high.

As for the attribution of the "fifth luxury star", however, the required standards are internationally given and among the requisites there are the presence of panoramic views, carpets and curtains of the highest frieze, swimming pool, any private beach and many other amenities.

So, in conclusion, despite the fragmentation of the different laws and regulations concerning the characteristics of a 5-star luxury hotel, we can still find a sort of common line which connects all the countries in describing what a luxury hotel should be.

2 – Different types of luxury hotels

Not all the luxury hotels are segmented in the same way or try to capture the same customer base.

There are many different characteristics which identify diverse types of hotels.

To better understand the many different hotel categories and to analyze the vastity of types and styles of hotels, we can take some definitions provided by institutions and associations. For instance, Frances Kiradjian, who is the founder of BLLA – Boutique & Lifestyle Lodging Association, announced that the definition of universal standards describing the sector is being studied to allow a hotel to declare itself as a "boutique hotel". Together with a working group of experts and hotel owners, they will work on definitions and terminology to eliminate the current confusion on the topic and give clarity to this fragmented sector within the hospitality industry.

Kiradjian claims that having a special ranking for the sector will allow boutique hotels to compete on a more equitable plan with the most important hotels and could give them the opportunity to put themselves in a better way on the market. Consequently, this will also make possible to satisfy those demanding travelers who are constantly looking for unique hotels and help them to distinguish individual traits.

There are many different names to highlight unique services: lifestyle hotels, bed & breakfasts, hotels, villas, boutique resorts, boutique hotels, spa hotels, wellness hotels, design hotels, designer hotels or trendy hotels, to name just a few. What is able to distinguish them in the hospitality industry, apart from the high-quality standards and incredible attention to detail, is that they can be found as in the metropolis as in the countryside, in a Unesco world heritage context, within wineries or in the middle of an African safari tour. They are frequented by the sophisticated host, by the artist, by the politician and by all those travelers looking for a hospitable formula full of personality.

As a starting point, the BLLA, in order to clarify and to better understand how the process of defining the hospitable categories has been started, has created the following glossary⁴:

- *Boutique Hotel*:

This term is used to describe a structure that is usually luxurious or eccentric and refined, oriented to a particular clientele. It is a small, stylish and fashionable hotel that is not part of a chain (group of hotels belonging to one company)⁵. The creator of this concept, Ian Schrager, claims that this is a structure with rooms and common areas which are designed and furnished in a personalized and unique way.

The prerogative, according to Schrager, is given by the fact that in the boutique hotels each room is different from the other, and in each room elements of design and furnishings of a certain type stand out.

Who choose to stay in boutique hotels are prevalently the Millennials, the current generation of travelers which love refined but accessible solutions, and look for a modern but practicable luxury able to satisfy their young and youthful taste.

Some common elements that can be grouped to classify these refined structures are:

- 1) The size – boutique hotels are defined as quite small structures (commonly structures that reach a maximum of 100 rooms). The feeling that the guest must be able to enjoy is that of privacy and exclusivity;
- 2) Independence – boutique hotels are independent hotels that are not part of large hotel chains, as mentioned above. In reality, this is not always true, because there are some famous and renowned

⁴ Classification source: <https://www.hospitalitynews.it/cosa-intendiamo-con-boutique-hotel/>

⁵ Definition given by: <https://dictionary.cambridge.org/it/dizionario/inglese/boutique-hotel>

chains such as the MGallery Boutique Line of Accor Hotels or the Atlas Hotel Israeliana involving the boutique hotels. However, the concept is that you must not create a "standard" effect;

- 3) Design – boutique hotels are designed with eccentric furnishing elements from the world of architecture or art. The attention to detail must also involve the fabrics, the products (e.g. the bathroom set or the fridge bar equipment) and the common areas (e.g. the restaurant);
- 4) Personality – every boutique hotel has its own personality, reflects a specific philosophy or a particular mission. Its style must be unique and absolutely unconventional;
- 5) The environment – a boutique hotel is born in the center as well as in the suburbs, in the countryside as well as at the sea, but always in historical, artistic, emerging or reserved areas.

The fact that the boutique hotels are small in size allows the owners to amaze the guests with the use of new technologies, with personalized services and innovative ways of managing client's needs.

- *Lifestyle Hotel:*

This is a type of hotel that combines elements of common life in a functional design giving the guests the opportunity to experience exactly the desired experience. It can be considered as quite comparable to a boutique or a luxury hotel. Lifestyle Hotel cannot be contemplated as a 'proper hotel category', but we can define it through the listing of some specific features.

Some of the characteristics of the lifestyle hotels are similar to the ones of the boutique hotels, as mentioned above. In fact, they are both considered as unique in their character and rather distinctive. The adjectives that can better describe what is a Lifestyle Hotel are: quirky, cutting-edge, avant-garde, trendy, funky and charming⁶. The appearance of a lifestyle hotel, differently from that of a boutique hotel, can be described as contemporary, with a particular design and architecture, and a high level of technology. It offers services distributed in a more ancillary way and focusses on wellness and life-enrichment.

The Boutique & Lifestyle Lodging Association (BLLA), provides the definition: *'Lifestyle hotels are the next generation of boutique hotels. Driven by the chains, they borrow the best elements of boutiques – small, intimate and modern – and throw in advantages only a chain can offer, like loyalty perks, consistency and*

⁶ <https://www.xotels.com/en/glossary/lifestyle-hotel>

economies of scale. As a result, lifestyle hotels are generally more affordable and accessible than boutiques – and soon to be ubiquitous’.

After having considered this definition, we can assert that the lifestyle hotels are similar to franchised boutique hotels. According to a Delphi study (responses from diverse experts from the lodging industry) *‘boutique hotels are best characterized as small, stylish hotels that offer high levels of service. Lifestyle hotels are described as innovative and provide more of a personal experience than so-called “branded” hotels’* (“Emerging Definitions of Boutique and Lifestyle Hotels: A Delphi Study”, Jones, David L. Day, Jonathon, Quadri-Felitti, Donna, 2013/10/0, Journal of Travel & Tourism Marketing).

- *Luxury Boutique Hotel:*

These are extremely luxurious hotels created to express unique life experiences. The Hotel becomes synonymous with health and well-being. Similar to Boutique Hotels, but with a further concept of luxury.

- *Trendy or Modern Hotel:*

The Trendy or Modern Hotels are characterized by a unique design, which makes them special places where both the atmosphere and the thematization offer unique travel experiences.

These are hotels which are able to offer customers a unique and sophisticated design. They can be described as special places that guarantee an unrepeatable experience linked to the location and the unique theme, that this type of hotel provides.

- *Design Hotel:*

These hotels stand out for their unique architecture, where the design of the rooms is as important as the mattress, and the style with the care of the environment are important factors.

Design hotels vary thanks to the unique abilities of their creators: the "archistars", who, with their artistic expression and imagination, combine structural elements that ensure guests a comfortable stay. The design hotels are, as we can imagine from the name, structures which are notable for their design. The focus is certainly on the visual concept, on the architecture, the inside decorations, the aesthetics and décor⁷.

⁷ <https://www.xotels.com/en/glossary/design-hotel>

Obviously, appearance is the most important feature of a design hotel and the crucial point is to evoke astonishment in the potential guests.

The peculiarity of design hotels is that they are often designed by renowned architects and the building becomes the expression of the architect's unique style.

Normally, a design hotel can be considered as a contemporary, innovative and cutting-edge structure, frequently with minimalistic and angular characteristics. The style of both interior and exterior must be the top. For these reasons, the majority of the design hotels are luxury hotels. Often, they are owned by fashion designers or fashion design houses (such as Bulgari, Versace, Armani etc.).

Another interesting aspect of the designer-branded hotel trend is the design of some individual hotel rooms which are being curated by fashion designers. For instance, there are some famous stylists who designed suites, such as: Diane von Furstenberg for Claridge's in London; Karl Lagerfeld for Schosshotel im Grunewald in Berlin; Dior, Tiffany, and Bentley's designer suites in the St. Regis New York; Betsey Johnson's "Eloise" suite at The Plaza Hotel New York; The Schiaparelli Suite at The May Fair Hotel in London.

- *All Suite Hotel:*

From a hotel that defines its status as "All Suite", all rooms are expected to have the sleeping area physically separate from the living area. Often these hotels offer mini bar fridge and kitchenette.

- *Architectural Hotel:*

These hotels are for people who think out of the box: they are similar to design hotels, showing off design and unique architectural solutions.

- *Artistic Hotel:*

Combining a new-age receptive structure and an artistic work, it offers its guests the feeling of living in a modern art museum. Art hotel (or artistic hotel) is a term that identifies hotels characterized by a personalization of spaces linked to colors or insertions of furnishings inspired by works of artists. You can also be able to find some real creations as paintings or pictures. In these hotels, the common areas acquire a strong communicative power, becoming a valuable tool for strategic communication, helping to develop awareness, identification of the client with the concept proposed by the hotel.

Another characteristic of the artistic hotels is the attention to the communicative power that is more intense compared to traditional hotels.

- *Avant-Garde Hotel:*

The Avant-Garde hotels are part of the branch of the Artistic Hotels. In fact, with this style the designers become able to move the limits of our expectations on what one can call a 'hotel room'. Adjectives that can describe the avant-garde hotels are: unusual, extravagant, artistic and funky. These characteristics are the ones that a cutting-edge hotel must have.

- *City Hotel:*

City hotels are specially created to reflect the atmosphere and the character of the cities in which they are located. Usually, these hotels are placed on the edge of the city center and they are easily accessible and well connected with all the facilities of the city itself.

- *Classic Hotel:*

The classic hotels are able to return to the days of the theatrical lobbies. They are often adorned with majestic chandeliers and cozy furnishings that were once the standard for the whole hotel industry. The classic hotels nowadays give a way to a more sober and minimal style, without displaying superfluous things, which for example is something we cannot say about the current chain hotels.

- *Classy Hotel:*

Classy hotels attract the luxury traveler who expects a refined stay experience. From this type of structure, the guests expect during their stay to see works of art and class antiques, a good atmosphere and high-end services.

- *Comfortable Hotel:*

The comfortable hotels try most of all to avoid being classified as noisy, drafty, and undersized. In fact, on the opposite, in this type of hotel the guest will find thick walls, a comfortable bed and pillows, a thorough cleaning and a relaxing environment to escape from the modern society.

- *Conference Hotel:*

This kind of hotels mainly offer facilities for business meetings, banquets and special events. The conference (also called resort) hotels are structures that usually provide every kind of luxury service as well as full-service accommodations and amenities. These hotels might lure clients who want to organize business conferences or that simply need a vacation place to go. These structures can be organized as major flagship hotels, conference center hotels, destination hotels or destination resorts. Usually, resort hotels are recognized thanks to their distinctive architecture, upscale lodgings, ballrooms, large conference facilities, restaurants, and the possibility of participating to recreation activities such as golf or skiing. The building can be placed in a variety of settings, which goes from important metropolis to remote locations.

- *Contemporary Hotel:*

The contemporary hotels take part to the small group of stylish and elegant hotels which can be classified in the "Artistic Hotel" family. They count on modern comforts along with a dash of unique artistic inspiration.

- *Corporate Hotel:*

The corporate or business hotels are oriented to the business traveler who usually searches for an accommodation that is seamlessly a transition from the office to the hotel room. Nowadays, this means a quality work environment, reliable Internet and other technologies, along with fast service and functional accommodation.

There are four crucial features that a corporate hotel must respect:

- 1) Connection with work – a hotel must be able to transform into an office during the stay. This can be translated into Wi-Fi connectivity (possibly even from the room), the ability to print and scan documents, send or receive faxes. Then, of course, it is very important to have a telephone in the room and a desk to make the employee feel in the company;
- 2) Check-in mode – when a customer is traveling for business reasons these hotels must keep in mind that time is money. The bureaucratic part must be as short as possible, both for the registration phase of documents, the assignment of housing and for making the payment. The abbreviation “fast check-in / out” indicates that the facilities are equipped to perform this type of service. Even more essential for those who are not on holiday, it is the flexibility of arrival and departure times: strongly

recommended 0-24H reception to not have to worry about making appointments with customers or fixing flights;

- 3) Breakfast and meals at the hotel – it can happen to plan the day in a particular way and due to many possible variables and to a fast pace working environment seeing the plans ruined. So, these hotels should guarantee an abundant breakfast, served possibly during the early morning and quickly. A restaurant in the building is an interesting feature to add, because it can be very useful in terms of cost control by the company, control to which is added considerable savings since usually the price of a meal inside the hotel in which it is housed is lower than the cost in an outdoor restaurant and of course for the customers it is a way to save time;
- 4) Location – trivially, a corporate hotel should be located the closest to the places where customers need to go (business centers, urban areas, airports etc.).

- *Country Hotel:*

"Escape from everyday life" is the password of the country hotels. They are quiet and charming hotels, which are able to offer a wide range of services depending on price and location.

- *Distinctive Hotel:*

Similarly to boutique hotels, distinctive hotels are a category which, as well as being unique marvels for the interior design, is often located in touristy places. Very often, the travel destinations that are predilected for these structures are off the beaten track.

- *Extraordinary Hotel:*

In these hotels there are no limits concerning the structure, the location and the design: they can be made of ice or another unthinkable material, they can be placed underground, on a tree, or overhanging the sea. For a traveler, these hotels are themselves the destination.

- *Funky Hotel:*

In the Funky Hotel, guests are impressed by the creative use of color, abstract design and unique furnishings.

- *Hotel Relais:*

Out of this BLLA classification but still relevant is the hotel relais. The word relais, in the French language, means turn, relay, mute, change. But it also indicates a hotel, usually in the countryside. In ancient times, the relais was the post office, that was the place where the postal stagecoaches changed the horses exhausted for the long journey. Here people usually spent the night, to refresh and leave the next day to the destination. *Relassier*, not by chance, is a verb translatable into relax, whose etymology comes from Latin relax (melt, relax).

The term relais, today, has maintained the value linked to refreshing, relaxing, but enriched by a touch of exclusivity. The hotel relais is a modern concept, even if its roots can be found in the old facilities dedicated to dining. The current relais are places where the refreshment is lived within a luxury context, with a real full immersion in wellness and exclusive services.

Generally, these structures are luxury properties with large rooms, swimming pool, open spaces, Spa. They can also be widespread hotels, where the focus is always the Spa and the corner dedicated to wellness. The hotel relais can be found in the city center, perhaps immersed in a beautiful park. Or it can be isolated and classified as a country house or a widespread hotel, in a panoramic position maybe with a sea view. The spas of the hotel relais are modern and elegant, with Turkish bath, sauna, jacuzzi, exclusive treatments and highly qualified staff ready to assist the customers.

2.1. Classification by style

After the classification by type of structure we can highlight a way to distinguish the different luxury hotels by style. This classification gives us six different types of style (it is provided by Rita Geson, IDM Südtirol, SMG trends research⁸).

The hotels will have to identify which style is best for them, of course avoiding copying the others. The six styles are:

- 1) ORIGINAL:

⁸ Geson R., Ricerca sui trend, “L’ALBERGO DEL FUTURO – Le principali tendenze dell’industria alberghiera”, IDM Südtirol Alto Adige

The first requirement for this particular style is genuineness. In fact, this style of hotel is characterized by the loving respect of the tradition handed down over time, without however copying the past. There are some possible developments: the research for authenticity is one of the primordial goals of mankind and it has intensified during the recent years.

2) SUPERCOOL:

This style can be described as deliberately eccentric. The design is almost uncomfortable, this is because it focuses entirely on staging. Possible developments: supercool hotels will adapt to global changes and will evolve into "mooding", "casual" or "ecological" structures.

3) OPULENT:

In this case, we have the key word "excess". There is an intense desire for baroque and voluptuousness, for gold and luxury as an intention for a better world. It is the rediscovery of opulence. Possible developments: the crisis is destined to leave traces and therefore this style has less chances of diffusion than the others. In any case, opulence must be accompanied by signs of humility: opulent, but also ecological and fair (this is one of the trends for the future years).

4) ÖKOSIGN:

This style is able to emphasize genuineness, untreated materials and natural surfaces, without renouncing to high-class design. Possible developments: this type of approach has a huge margin of development. In the path that will lead to a preference for new energy sources, electromobility and ethical consumption, Ökosign is at the forefront.

5) CASUAL:

In the casual hotels, guests love the informality and freedom of being themselves. In these types of hotels, nothing is considered perfect, but everything is in order. The environment is absolutely "casual", familiar and welcoming. Possible developments: it will depend on the number of "creative travelers" and the growth forecasts are very encouraging.

6) MOODING:

Playing with emotions. The materials are reduced to a minimum level, to leave as much space as possible for variations and moods. The concept of "mooding" focuses on sensory seduction, leaving the guests free to choose the mood they want in that particular moment. Possible developments: tourism will continue to be a matter of subjective choices, so even in the years to come, playing with emotions will continue to be successful.

As we have seen, the lines between the different hotel categories are becoming blurred, with a variety of brands and concepts which cross many segments. This phenomenon is more spread within the high-end hotel sector, with lifestyle and boutique hotels among the most common classifications that this type of hotels claims.

2.2. Market segments

According to the Hospitality Sales and Marketing Association International (HSMIAI), which has worldwide relevance, in the hospitality market the market segments can be focused on three macro-areas: product, price and distribution. Miguel Solis (VP, Sr. Director Revenue Management, Hospitality Resource Group and Revenue Management Advisory Board member for HSMIAI.org's Knowledge Center) writes that the need to segment the market is more important in the hospitality sector now, because of the great and rapid changes in the clientele needs and the huge quantity of product offerings. The idea of a unique consumer segment is not new to the sector, but it could produce some relevant results.

Recognizing the necessity for a clearer segmentation, Marriott International recently reclassified its portfolio in the attempt to highlight the distinctive character of each of its global banners. The brands have been distinguished in two main portfolios, classic and distinctive, and each of them is then divided in luxury or premium, select and extended-stay brands.

After having listed some of the most common types of hotels and their possible different styles, it can be interesting to make an outline of the luxury chain hotels present on the market and then make a brief digression on the segmentation that some of them have made during the past years. "*Luxury has evolved to mean much more than price*" says Don Cleary, president of Marriott International Canada.

MKG Hospitality (a French company based in Paris that deals with analysis and reports in the world of hospitality in general, but with particular attention to the performance of large international hotel chains) annually publishes the ranking of the largest hotel chains in the world by number of facilities and rooms.

In fact, in the hôtellerie sector these are the two key dimensions on which the rankings of the groups are drawn up (not the revenues as in most sectors). The number of structures and rooms not only represent the coverage and the penetration of the hotel chain in the market, but they are also a litmus test of the popularity and strength of the group's brand.

InterContinental Hotels Group (IHG) currently has 5,518 Hotels with 825,746 rooms, with 1,828 hotels and 267,235 in pipeline.⁹ IHG operates in around 100 countries through 15 proprietary brands: Regent Hotel & Resorts, InterContinental Hotels & Resorts, Kimpton Hotel & Restaurants, Hualuxe, Even Hotels, HolidayInn, HolidayInn Express, HolidayInn Resort, HolidayInn Club Vacations, Staybridges Suites, Hotel Indigo, Voco, Crowne Plaza and Candlewood Suites, Avid. Group revenues at 31 December 2017 were \$ 1,784 million (+4% compared to 2016) with a group operating profit of \$ 763 million (+12.5% compared to 2016)¹⁰. InterContinental Hotels Group proposes a diversified offer to its customers thanks to the use of numerous brands, as regards the scope of this analysis, that is about luxury hotels, only InterContinental and Kimpton fall within the category. In particular, InterContinental is inserted by Digital Hotels Group (a leading company in the analysis of the hotel industry) in the Luxury Major Integrated Chain category, which is a luxury brand that belongs to a large integrated hotel chain (IHG). Kimpton, purchased in January 2015, falls into the Upper Upscale Brand category, brands of higher category hotels that do not belong to the super-luxury category.

Marriott International Inc. is the leading group in terms of turnover, with approximately 22.9 billion U.S. dollars in revenue in 2017¹¹, and highest number of rooms worldwide, 1.26 million in 2017. Marriott operates in 127 countries and can count on over 6500 hotels in 30 leading hotel brands¹². Marriott owns 30 brands including 7 Luxury ones (Ritz & Carlton, JW Marriott and Bulgari Hotels, St. Regis, Edition, W Hotels, The Luxury Collection), 10 Upper Upscale (Sheraton, Westin, Delta Hotels, Autograph Collection, Renaissance, Gaylord Hotels, Le Meridien, Tribute Portfolio, Marriott Executive Apartments, M Marriott). In addition, it is also important to remember the recent merger with Starwood Hotels and Resorts Worldwide, which is certainly one of the most important groups for the prestige and fame of the brands in the portfolio, among which appear for example St Regis, Le Meridien Sheraton, Westin and W Hotels (onto which we will deepen the analysis later on).

Hilton Worldwide Group, with over 856,000 rooms and a turnover that in 2017 was close to 9.14 billion \$, is certainly one of the most relevant players in the hotel industry. It operates in 105 countries through its 14

⁹ <https://www.ihgplc.com/en/about-us/our-global-presence>

¹⁰ Data source: Annual Report and Form 20-F 2017, IHG

¹¹ Data source: <https://www.statista.com/statistics/266279/revenue-of-the-marriott-international-inc-hotel-chain/>

¹² Data source: <http://news.marriott.com/2018/01/marriott-international-marks-2017-year-historic-international-expansion/>

brands and it is certainly among the pioneers of luxury hotel chains with over 96 years of history¹³. Among the luxury brands appear Waldorf Astoria and Conrad Hotels while the Upper Upscale include Embassy Suites, Hilton, Curio and Double Tree.

Other players in the sector haute hôtellerie which deserve a mention for the fame and quality of service, are Mandarin Oriental, Jumeirah, Shangri La, Kempinski, Hyatt and Four Seasons.

According to M. Chase Burritt, who is the senior principal in Laventhol & Horwath also the price can be considered as one of the main factors in the segmentation strategy. This is because price is an instrument which makes the customers properly distinguish among luxury, cheap or in-between solutions. While a single hotel can occupy a unique position, the chains can easily choose to amplify their market and explore different types of hotels with different price ranges. Usually, a high-tariff hotel is able to satisfy the majority of customers' needs, providing spacious suites, which have high quality furniture and fixtures, a luxurious dining room, personalized services and a wide range of accessory services. Chain hotels are able, through segmentation, to reach virtually every market. They can develop separate divisions to satisfy the needs of distinct targets. According to W. Mosser, vice senior president for development, Quality International, this targeting market approach is followed by many of the most important chains nowadays.

2.2.1. Marriott International

Marriott International developed a multiple segments strategy, also thanks to the recent fusion with Starwood. The luxury segment was covered by the Marquis hotels; the upscale business market is covered by Marriott Suite hotels; Marriott Hotels and Resorts are dedicated to independent business and pleasure groups; the moderately-priced suite hotels Courtyards are targeted at the independent business travelers; Resident Inns cover the segment of extended stays; then, there is the Jefferson in Washington D.C., which is a retirement-cum-healthcare unit; the W Hotels which want to combine “the personality and cutting-edge style of a boutique hotel with distinct positioning”; the Element by Westin (both Element and W Hotels are brands acquired thanks to the fusion with Starwood), that is described on Marriott's website as a segment which is “*transforming the extended stay with bright, modern design, eco-conscious practices and an innovative guest experience that resonates with today's traveler. From spacious guest rooms featuring fully equipped kitchens to spa-inspired bathrooms*”, so, here the segment covered is the one of the extended stays.

If we make a deeper analysis on these last two brands, we can see how they can be different and individually complex. For instance, W Hotels is a luxury lifestyle brand which is generally addressed to a very young

¹³ Data source: Hilton Corporate Report, 2017 - <http://www.corporatereport.com/hilton/2017/ar/>

crowd (Millennials and new generations). Launched by Starwood in 1998 with the W New York, it is a conversion of the previous hotel Doral Inn on the 541 Lexington Avenue, Manhattan. From that moment on, the brand extended with more than fifty hotels and resorts all over the world. Even if hotels vary from very modern buildings to conversions from previous hotels, they all have a common theme: modern and minimalist design, informal names for room categories and common areas. For instance, the W hotels try to include the “W” whenever it is possible, the swimming pool is known as “Wet”, the laundry bag found in each room is called “Wash”. Another characteristic of these hotels is the philosophy “Whatever/ Whenever” – according to this concept, thanks to a simple button on a remote in the W rooms, the customers could ask whatever they need whenever they want it, from a pair of shoes at 3 am to a bathtub filled with champagne.

Surfing on the W hotels website, we can easily notice that it is extremely catchy, with bright colors and a modern design, due to the young target they try to appeal. The destinations are divided in “Escapes” and “Residences”, depending on which type of staying the client is looking for, a more relaxing one in exotic destinations rather than in a metropolis somewhere in the world. *“Combining the personality and style of a dynamic boutique hotel with distinct positioning, W Hotels has created an entirely new segment in the hotel industry. It provides insider access to What’s New / Next, balancing the power of a global brand with the relevance and personality of a local insider. Boundary-breaking design and key passions around fashion, music, design, and fuel (W’s unique spin on eating well, exercising, looking good and feeling good) are infused throughout the W experience. W Hotels and Escapes can be found in the most exciting emerging and established international gateway cities and in some of the most exotic leisure destinations in the world. W provides owners the opportunity to develop an “it” destination through distinctively designed spaces, buzzy Beverage and Food programs, and stylish ambiance.”*¹⁴ W operates 52 hotels in 25 countries, and it is expanding the business both domestically and internationally.

To make a comparison between the two brands we can take a deeper look also to what Element (by Westin) is. We can say first of all that it was announced in 2006 by Starwood and it is the first brand hotel meant to be environmentally friendly. The characteristics of this hotels are most of all to be energetically and water efficient. *“With a rapidly expanding portfolio, Element Hotels is transforming the extended stay segment. Bright modern design, eco-conscious practices and an innovative guest experience that resonates with today’s traveller is driving soaring satisfaction scores and increasing developer demand. With updated room types, flowing multipurpose areas and a reduced cost to build. Since its launch, Element Hotels has created a buzz in the development community, resulting in a strong pipeline that continues to grow in key markets globally. With growing guest demand, Element is slated to nearly quadruple its footprint by 2019. Element has pioneered sustainable design while enhancing the guest experience. Its flexible design*

¹⁴ <https://hotel-development.marriott.com/wp-content/uploads/2018/11/W-NoAm-November-2018-One-Pager.pdf>

*approach allows for customization of each product based on market and building type—including prototypical and non-prototypical new builds, conversions and adaptive reuse projects. Spacious guestrooms with fully equipped kitchens, spa-inspired bathrooms, the signature Heavenly Bed, and signature programming, Element is geared at today's longer-stay travellers. Element continues to evolve, offering additional room types and innovative activation of the public space to accommodate those that want to fuel a life in balance on the road.”*¹⁵ A very interesting feature for who want to stay in the Element hotels is the possibility to take a virtual tour in the various buildings and rooms, which helps the customer to decide where he/she wants to book the long stay.

2.3 The weight of branding for luxury Hotel Chains

As we can understand also from the Marriott International example, one of the most valuable assets for companies in the luxury market is definitely the brand, as it is an instrument which is useful not only to attract attention and purchases through brand identity and brand awareness, but above all to sell the final product at a higher price than an identical but unbranded one, since the consumer recognizes an extra value in the brand present in the product (Kotler P., et al., 2015). For this reason, it is of the utmost importance to understand the luxury hotel sector, to analyze the strength of the brands of the biggest international players, represented every year by the World Luxury Index.

Digital Luxury Group annually prepares the World Luxury Index¹⁶, an analysis of the most sought-after brands on the web within the luxury market. The ranking divided by sector (6 in total: Fashion, Watches, Hospitality, Beauty, Jewelry and Cars) includes more than 400 brands and collects data from the largest search engines such as Google, Yandex, Bing and Baidu. The World Luxury Index represents the most authoritative benchmark in the luxury market of the most skilled brands in attracting the attention of global consumers. In fact, it is published on the most famous newspapers and magazines in the world, including Financial Times, Forbes, Reuters. Specifically, we will see only the part of the report which focuses exclusively on luxury hotels to understand the relevance of the brand within this sector.

The World Luxury Index Hotels research divides the hotel chains of the world into three categories: Luxury Major, which are luxury brands of a major integrated chain (e.g., Sofitel, RîF Carlton, JW Marriot, etc.); Luxury Exclusive, which are luxury brands of a small/medium sized exclusive luxury chain (e.g., Four Seasons, Kempinski, Mandarin Oriental, etc.); Upper Upscale Brand (mainly from integrated chains such as

¹⁵ <https://hotel-development.marriott.com/wp-content/uploads/2018/12/Element-NoAm-Nov-2018-One-Pager.pdf>

¹⁶ http://www.digital-luxury.com/reports/World_Luxury_Index_Hotels_by_Digital_Luxury_Group.pdf

Hilton, Sheraton etc. but whose average price per room does not justify admission to the luxury hotel category).

The WLIH annually draws up the ranking of the most sought-after hotels on the web. It is interesting to analyze the subdivision of the offer on the luxury hotel market: 38% of the total number of luxury hotels is composed of Upper Upscale hotels, 40.5% by Luxury Exclusive and 21.5% by Luxury Major. Comparing the number of structures on the market with the number of researches on the web that these hotels bring, you can realize that the upper scales conquer 76.2% of the online researches, the Luxury Major the 3.3% while the Luxury Exclusive the 20.5%.

Looking at the growth rates of web researches, it is clear that the Upper Upscale brands, while continuing to be the category subject to the largest number of online researches, recorded a decline of 1.1%. On the contrary, Luxury Major is the fastest growing category with a + 12.1%, while for Luxury Exclusive there is a +5.6%.

Looking at the individual hotel chains, it emerges that Hilton, Ritz-Carlton and Four Seasons are the most sought-after hotels on the Internet in the Upper Upscale, Luxury Major and Luxury Exclusive categories. The Brand that records the highest growth is Jumeirah, owner of the Burj Al-Arab hotel, which sees web researches increased by 14.8%.

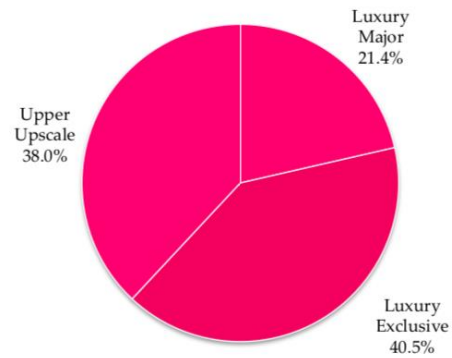
Digital Luxury Group has identified a significant statistical correlation between the volume of research on the Web, directly measured by them, and the number of rooms sold during the year measured by Smith Travel Research. This observation certainly confirms what we have already mentioned before and will further develop during this thesis: that the online world, since it is the new generations' first mean of communication, is of the utmost importance for the hotel industry. This correlation demonstrates that World Index Luxury Hotels is not only an important ranking in terms of brand awareness on the web, but above all an excellent means of projection of revenues from international hotel chains.

Figure 4

MOST SOUGHT-AFTER HOTEL CATEGORIES
(no of searches)



HOTEL CATEGORIES BREAKDOWN
(no of hotels)



Source: World Luxury Index Hotels research, 2012

2.4. Conclusions

What is very clear from this modern way of segmenting and branding hotels, is that, as we said before, luxury is becoming most of all synonymous of exclusive experiences. These experiences must be unique and bring emotions to the customers, who want to see something new every time, or at least they expect to be surprised. Of course, for the hotels is also important to remain faithful to their category and their soul.

The best way to guarantee the travelers exclusivity and modernity is that of studying Millennials and the new generations, in this manner it will be certainly easier to keep pace with the times and the new technologies.

For luxury hotels, independently from the category or the style, it is of the utmost importance not to be ordinary, and always try to reach the target surprising it with astonishing details.

This work is aimed to study the new phenomena of the luxury hôtellerie market and in particular how the Millennials are shaping the industry. The question is, where is the industry going? How can the new generations influence a sector which is so rooted and, in some ways, so traditional?

PART II: The context

3 – The Luxury Hôtellerie customer

When we take into consideration the evolution of luxury market in general during the last five years, the word “digital” is certainly one of the first terms which comes to our minds. This is true even for the hospitality and travel industries. This concept is pretty clear also for the luxury chain hotels. In fact, as Paul James (Global Brand Leader St. Regis, The Luxury Collection, W Hotels Worldwide) said: *“Our customers look a lot different than 10, even five years ago, and we have to offer the product and services that cater to their needs. 85 percent of Starwood’s luxury guests hail from generation X and Y, allowing us the unique position to cater to this emerging and ever-more global generation of affluent travelers. This growing cadre, which we call ‘Generation LuXurY’, is multi-national and cross-generational, mobile and jet-setting; more comfortable moving across our portfolio of luxury hotels for business and leisure, but also demanding personalized service at every turn”*. We can also see another interesting quote about this topic, which confirms this clear tendency for the whole industry, this time from Florent Bondoux (Head of Strategy & Intelligence at Digital Luxury Group): *“Four Seasons benefits from an outstanding level of online awareness reflecting a high level of brand desirability. The iconic Canadian brand is a best in class in luxury brand management and has invested massively in digital.”*

Also, Elie Sassine (director of Sales and Marketing at The Ritz-Carlton, Toronto) claims that the luxury customer has evolved during the past years and has become more experiential driven. In fact, she says, at The Ritz-Carlton they offer a variety of services which tries to cover all the guests need. For instance, the Spa my Blend by Clarins, the TOCA restaurant with the culinary program Off the Eaten Track.

The Thompson Toronto Hotel is another Canadian great example. It offers a standard made of excellence, with a personalized approach to the customer. In fact, today the luxury customer desires more tailored services and less pre-packaged ones.

Also, the definition of luxury itself has developed and changed in a drastic way over the past 25 years. Nowadays, guests are tech-savvy and well-informed travel researchers who try to obtain the highest value possible without sacrificing the experience they are looking for. This experience can include premium amenities, high-end offerings and carefully curated design.

Many different factors are exponentially contributing to the growth of the luxury travel sector. A study made by Amadeus (2016), foresees that during the next ten years the growth rate of the luxury travels in foreign countries will be of about 6,2%, almost a third more than generic travels (4,8%) (Fasone, 2007).

In 2016, the luxury consumption moved from the material goods towards experiences such as travels and gastronomy, which grew faster than the luxury goods in general and we can expect this tendency to continue for the next years. A worldwide trend at the moment is the research for the experiences rather than the material goods, because materialism is less important in this historic moment (Euro Monitor 2017).

Recognizing this change in the customers' preferences, chain hotels such as Hyatt, for example, launched "The Unbound Collection" in March 2016, which offers travel experiences such as river cruises and other interesting and unusual adventures to bring an added value to the offer for the clientele. At the same time, the last marketing strategy of Hilton Conrad Hotels highlights the selling experience through local guides in a "blog style", allowing a completely customizable travel for the guests needs and interests. With this trend of being less ostentatious, we have also that the luxury customers are trying to find higher spiritual and emotional motivation. For instance, the need for inner fulfillment, self-esteem, creativity, sense of belonging and satisfaction, in this way guiding the desire of travelling. Consequently, an always more important aspect of the luxury travel is health and wellness: travelers match their traditional vacancies with meditation services, yoga, fitness and spas. A good example of this phenomenon can be seen in the Boutique Hotels, which we have analyzed in the first chapter.

The modern consumer no longer represents a clear and unique profile, but on the contrary it is shaped by a fragmented and fluid set of different profiles put together. In fact, thinking of the consumer as a member of a relatively static market segment is very difficult and senseless nowadays. This is because sociological and anthropological theories of consumption affirm that a first goal that consumers pursue, through the act of consumption, is to differentiate themselves from others (Fasone, 2007).

Veblen first introduced the idea that consumers are aware agents who use a system of consumption symbols to establish their differences from others and their personal identities. Bourdieu introduced the notion of "habitus" to explain how individuals unconsciously use classifications and systems to differentiate themselves from others. In the case of tourism, Mullins describes a traveler who is more interested in authentic vacations in developing countries. In fact, this type of travel gives travelers a certain distinction of social position by virtue of the symbolic meaning connected to the activity.

In general, scholars talk about a consumer today who has a "mercurial character", and that is therefore very difficult to "trap" and segment in a predictable way. Williams says that companies which work in hospitality

must forget the market segmentation and the traditional aspects of marketing theories. Instead, they need to offer a sufficient variety of services, a constant change and improvement of their supply, so that individuals can consume in any way they want without referring to any specific and standardized process of consumption.

For this reason, personalization is the core of many luxury service providers, since they try to offer personalized experiences, which are extremely appreciated by luxury travelers. For instance, there are Ultimate Travel Company, Inspiring Travel Company or Kuoni, which are some of the main examples of tailored luxury holiday packages. These organizations are travel consultants, that try to match the customers with the right sensational experiences. Probably, the high-end travel agencies are something belonging to the past, and this is reflected nowadays by the just online presence and the phone service offered by this new wave of luxury travel companies.

Just as their non-luxury counterparts, the luxury travel agencies are living a fierce competition. In fact, as we said above, luxury travelers are self-sufficient and tech-savvy, so they are used to web research, using impartial reviews websites such as TripAdvisor, Timeout or Lonely Planet, booking independently from the travel agents.

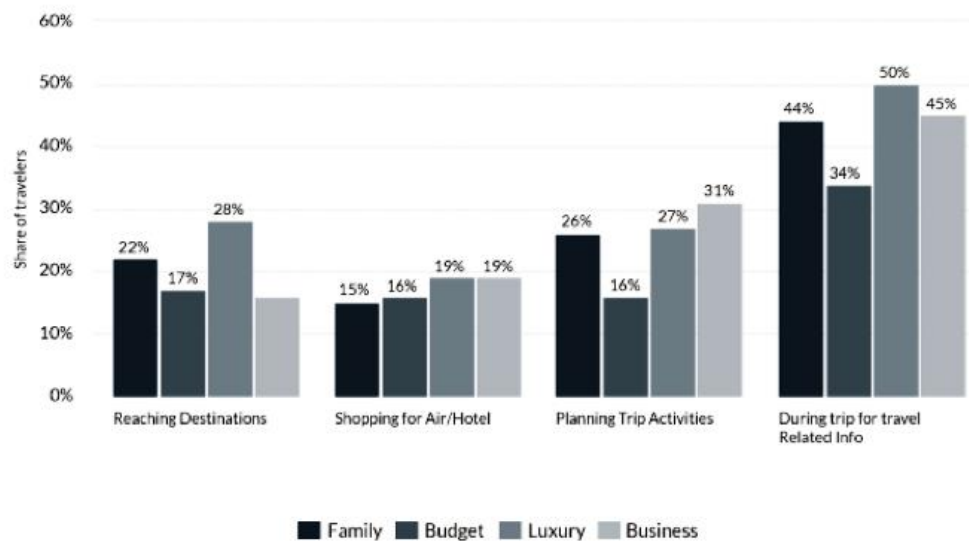
Even the restoration is becoming one of the most relevant attractions for luxury travelers and mostly local kitchen has become an unmissable experience to try while on vacation. Both restaurants and travel agencies are highlighting it to reach innovation and unique culinary experiences all over the world, in this way attracting more customers.

Another important feature of the modern luxury customer is certainly the use of mobile phones. In fact, through these devices the travelers search and book for planes, trips and hotels with a very high frequency. Each customer has his/her own favorite app or website.

The Skift research in 2016 showed that smartphones trip bookings have grown of about 33% during the last year. Even if the reservations have not happened online, it is very likely that at a certain point before or after the trip, the luxury travelers will interact with the brand directly through his/her smartphone.

Figure 5

Share of travelers who used smartphones during the travel process in the United Kingdom (UK in 2015, by trip type)



Source: comScore, Expedia – Statista 2017

3.1. Social Media relevance

Social media go hand in hand with luxury travels. As a matter of fact, luxury travelers have embraced social media and are always able to find up to date information which allow them to confront immediately brands and experiences at the same time, to make the best choice by their own. The influence of travelling contents generated by the users is extremely higher than the traditional advertising. The appeal of the travel report made directly by the travelers themselves is rapidly and exponentially increased and Instagram is full of travel bloggers who continuously upload pictures and share travel stories. The “Instagrammability” of the destination is considered as the more important factor for the Millennials in choosing the travel destinations. A recent study has revealed that 20% of Millennials are choosing to leave for a place depending on its Instagrammability.

According to a recent research made by Schofield's (a UK-based holiday rental home insurance provider) and conducted on a sample of 18-33 years old Millennials, the destination choice is guided by the Instagrammability of it. The survey was on 1000 adults and it has revealed the growing importance of the social-networks shareable travels. About the 40% of the interviewers valued as the more important factor how their vacation could appear to their friends and families on social networks. The results in order of popularity were:

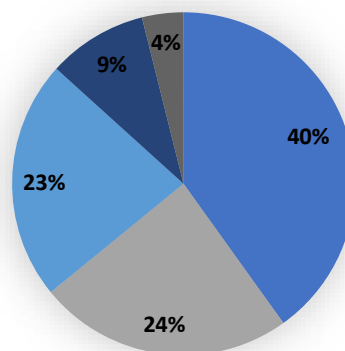
- How “Instagrammable” is the holiday: 40.1%

- Cost/availability of alcohol: 24%
- Personal development: 22.6%
- Possibility to try local kitchen: 9.4%
- Opportunity to visit the city: 3.9%

Figure 6

FACTORS INFLUENCING THE DESTINATION CHOICE:

■ Instagrammability ■ Alcohol cost/availability ■ Personal development
■ Local kitchen ■ Visit the city



Source: personal elaboration of data

Giving even more credibility to these researches, Anna Nash, the Head of Global Public Relations from Aman, claims that, for the firms, social media represent both risks and opportunities. On one hand, social media offer to brands a useful platform to connect with clients and shape their perceptions. On the other hand, they have undoubtedly moved the power on the individual, who has the possibility to share even negative opinions on consolidated firms with a single post on a blog and rapidly connect a large amount of people sharing this viewpoint. In this way, even the single individual has the possibility to negatively influence a powerful brand's decisions.

So, the use of Instagram is certainly having an impact on the travel destinations. Today, the places which were remote and appealing only for the most dynamic travelers are overcrowded by tourists. For many of them, the only goal is to capture the perfect snapshot to post lately on the famous social network.

In some places, the enormous number of travelers has caused also some negative externalities. These destinations are now totally overcrowded. In some cases, governments have had to make some important decisions. For instance, in Santorini there has been fixed a daily limit to the number of the cruise ship tourists authorized to enter the island. Obviously, the huge confluence, the high impact on the local resources and the environmental issues are very real and worrying.

On the other hand, there are also some positive externalities as well. We can highlight the example of Wanaka, a small town in New Zealand, which has begun to be of a certain interest to social media influencers. In this way, they have reached an increase of about 14% in tourism, and they have thanked Instagram for this important result.

3.1.1. Instagram-driven travels

The “Instagram factor” clearly plays a decisive role when we talk about the Millennials decisions about their travel destinations. According to some, the idea of gaining followers and likes on the platform is truly appealing. According to others, the social network acts like a proper travel guide, being able to choose the most marvelous destinations through the pictures posted. Even the credibility of Instagram itself can be considered as an influent factor. In fact, the travel agencies or in general brands connected with travels, must create a faithful and sincere presence on the platform and most of all involve the customers through high-quality pictures and videos.

The “Instagrammability” has assumed such a great relevance that, for instance, the Ministry of Tourism of the Republic of Indonesia has planned to transform some of the most interesting local places to become “Instagrammable” tourism destinations, and this will be a key side of its strategy to lure Millennial travelers. The ministry wants to increase the efficiency of the country’s promotional activities using digital media and digital tourism networks, in this way encouraging the use of social media and online business in every segment of the market.

According to The Jakarta Post, Tourism Minister Arief Yahya is studying which are the most trending tourist attractions and activities in the country, that could target and be able to attract millennial tourists. In the journal is also claimed that the ministry is trying to reach 20 million travelers within 2019.

Moreover, according to Antara news, Indonesia through an OOH strategy is trying to strengthen the so called “Wonderful Indonesia” tourism brand in London. In fact, 350 famous black cabs and 15 tourist buses present in the city were used for the promotion of the “Wonderful Indonesia” branding with tourism visuals.

Lately, this country has been progressing to increase the tourism offerings towards Millennials. Last month, Indonesia’s tourism ministry signed an agreement with Liverpool FC player Sadio Mané, following a contract signed between Tourism Indonesia and Mediapro Asia. This agreement can be a way to produce a higher interest towards the country as a tourism destination for Millennials.

In addition, the ministry is looking to support foreign tourism arrivals to reach its target of gaining 17 million international tourist arrivals by the end of this year. Recently, the country signed a partnership with the famous travel brand Expedia to promote and drive travel demand to key destinations in Indonesia.¹⁷

4 – Airbnb luxury services

Airbnb is a portal, a marketplace in the jargon of insiders, made for the meeting between supply and demand of houses, rooms and private apartments for stays all over the world. People who rent an accommodation are called hosts. Those who book an accommodation are called guests. The strength of Airbnb stands in its community of hosts and guests. The ability of this platform is most of all to aggregate a strong community of travelers, content published by hosts and guests, stories and travel tips included. These are the first strengths that have pushed the portal towards international success.

The company was founded in San Francisco in October 2007 under the name Airbedandbreakfast.com. The idea is Brian Chesky’s and Joe Gebbia’s, who arrived in San Francisco a few months before founding the company. It all started with the annual conference of the Industrial Design Society of America. With the availability of rooms in the city exhausted, Brian and Joe, in difficulty with their rent, have decided to offer part of their loft to those who want to attend the conference. In February of 2011, Airbnb cut the milestone of millions of nights booked, the turnover was getting higher and higher and the funding was arriving from all sides. The rest is very recent history.

Anyone (or almost) can become a host on the platform, that is to offer on Airbnb their accommodation for rent for a stay. The announcement of the accommodation is free. An entire house or a small room, an

¹⁷ Farzanah Farveen, “Indonesia tourism ministry targets Millennials, gets more ‘Instagrammable’”, 09/11/2018 - <https://www.marketing-interactive.com/indonesia-tourism-ministry-targets-millennials-gets-more-instagrammable/>

apartment or a room in a bed & breakfast, a tree house or a private island. On Airbnb you can find everything, all over the world.

The portal distinguishes the types of rooms in three categories: shared rooms, ideal for those looking for low-cost accommodation and for more flexible travelers; private rooms, for those who love privacy, "paying a third of a room in a hotel" - reads the Airbnb Help Center; an entire house / apartment, as if you were the landlord.

The costs are pretty low, especially if you are a small establishment and sell the same rooms on Booking.com or some other Online Travel Agency (OTA). In fact, Airbnb charges guests a 3% commission fee for each confirmed reservation. Those who stay are asked for a variable service cost between 6 and 12% for each booking, calculated on the rate applied by the host. Payments are possible only with a credit card and the security of transactions is guaranteed by the portal.

Ten years after its foundation, Airbnb is launching a new strategy with the aim of reaching a billion guests a year in 2028. The value of the most used home-sharing platform in the world has jumped to 30 billion \$. The company is not listed on the stock exchange yet, but the value can still be obtained from Equidate, a market where the shares of unlisted technological companies are traded. A "gray" market where the companies which usually will go public through initial public offerings are present. In recent days, Airbnb has informed the State of Delaware that it is about to raise \$ 850 million in equity capital. In the 29-page document there are no names of investors, but it is enough to update the valuation.

In June 2015, the value was about 5 billion lower, computed after the company had raised \$ 1.5 billion from a pool of investors consisting of Baillie Gifford, General Atlantic, Hillhouse Capital and Tiger Global Management. The maneuvers did not end here. Recently, it had raised one billion from a group of banks formed by JP Morgan, Citigroup, Bank of America and Morgan Stanley.¹⁸

New categories of housing, certified housing and a renewed affiliation program are the tracks of the ten-year development plan put at point from the tourism rental platform. Today, Airbnb aggregates 4.5 million housing distributed in 81 thousand cities. It is also estimated to have generated \$ 41 billion for collections for the hosts and to have reached 300 million stays by now.

After the launch of the travel experiences, a year and a half ago, the new action plan of Airbnb returns to focus on the main object of research on the site: the houses. The offer will include four new categories of

¹⁸ Data source: <https://www.ilsole24ore.com/art/finanza-e-mercati/2016-08-10/quanto-vale-sito-airbnb-ad-oggi-30-miliardi-081459.shtml?uuid=ADrUy03>

accommodation: holiday homes, unique accommodation, bed & breakfasts and boutique hotels. Add to the three types already available mentioned before: the whole house, private room and shared room.

The aim is to offer "greater clarity regarding the types of housing available" and "to highlight the particularities of its offer". Searches can be more targeted. On Airbnb there are already 180,000 bed & breakfasts, doubled compared to last year, and 54 thousand boutique hotel rooms.

To improve the search for the most suitable accommodation for the tourist needs, the collections program has been added. Today, also the families and work categories are available. There will also be social, weddings, honeymoons, friends and dinners. Another segment that is added to the renewed offer is luxury. On the website it will be possible to book a stay in luxury homes.

At the presentation of the new plan, Brian Chesky, co-founder and CEO of Airbnb, said: *"Ten years ago we would never have imagined that Airbnb could become all of this. So, people thought that exchanging homes between strangers was insane. Today millions of people do it every day. But we want to go further, supporting and expanding our community, so that in ten years more than a billion travelers each year will experience the unique travel experience that Airbnb offers."*

Another important move made by the Californian company was that it has signed an historic agreement with the hotel chain Châteaux & Hôtels Collection, for which the 500 hotel properties will appear on Airbnb. The agreement stems from the awareness of sharing the same concept of hospitality, which makes the collection a natural partner for Airbnb, allowing its rooms to become part of the portal portfolio. It is the first time that Airbnb is allied with a star of the hotel industry and *haute cuisine*.

In addition to the accommodation proposals, Châteaux & Hôtels Collection has created exclusively for Airbnb four new gastronomic experiences in Paris, offered to travelers on the Airbnb Experience platform. A proposal provides the opportunity to learn the secrets of modern French *cuisine* with the starred chef Gilles, at the helm of the Citrus Etoile restaurant, another is aimed to learn about art and techniques of artisan chocolate with the French *mâitre* chocolatier Nicolas. Or again, you can share the secrets of mixing cocktails with Marjolaine, expert bartender and creator of world-famous cocktails, or those of the famous Alain Ducasse School of Cuisine.

Châteaux & Hôtels is a luxury chain, whose customers do not seem to be exactly the same as the ones targeted by Airbnb and for the first time ever, the company has made a formal agreement with hotels.

Airbnb has only declared that it shares with the new partner the commitment to offer guests unique and local experiences thanks to people and communities with great talent and ability.

4.1. Plus

Another Airbnb service called Plus must certainly be seen as a competitor to the *haute hôtellerie* sector.

On Airbnb Plus website, the houses are mentioned to be lovely, the hosts exceptional and they offer both verified quality and comfort.

Airbnb Plus is a new service that collects only the highest quality homes with hosts featuring great reviews and attention to details. Each house is visited in person to make an inspection with over 100 quality checks to ensure maximum comfort, homogeneity in the services offered and design care. All the houses after being verified will have the Plus badge.

Each Airbnb Plus home must be unique, furnished with care and equipped with a standard set of services, whether it is a private room or an entire room for the customer. Airbnb Plus hosts offer hospitality at the Superhost level. They have an average of high ratings, they are reliable and committed to offering a perfect stay. No detail is left to chance, from high quality linens to comfortable beds, blackout curtains and excellent toiletries.

The furnishings are carefully arranged, towels and pillows are present in abundance. The customers will find hangers for clothes and a drawer to store their belongings. Services from fast Wi-Fi to TV with streaming services, to the well-equipped kitchen are guaranteed. Moreover, the guests will find: filtered or bottled water, the essential for cooking, including oil, utensils and crockery, iron and hairdryer.

Airbnb Plus hosts will do their utmost to ensure that the house is spotless, clean and fully functional: from well-kept outdoor spaces to impeccable bathrooms with high-pressure water. In addition, the guests will have all working appliances, locks working in all the bedroom doors placed on shared spaces, all spaces must be clean and tidy¹⁹.

This new Airbnb service is aimed at that group of users who are not always satisfied with the homes on the platform. In some cases, the hosts (the owners of the apartment) are impolite, while in other cases the houses are deprived of essential services. In Airbnb Plus there are only the best apartments in the city: the hosts

¹⁹ <https://www.airbnb.it/plus>

must comply with strict selection criteria (including having accepted at least 95% of bookings and having received an average rating of at least 4.8 out of 5) and pass the check of the Airbnb inspectors who ensure that these meet the highest standards in terms of uniformity of services offered, attention to detail, style, cleanliness and accessories, through a checklist of over 100 points.

Logically, to sleep in these homes you need to spend slightly more than the standard of Airbnb, but the costs are still lower than those of a 4 or 5-star hotel, and here we can clearly see what the *haute hôtellerie* have to fear. The service is currently available in only 13 cities (including Milan and Rome), but Airbnb has assured that by the end of this year new ones will be added and other apartments will be made available.

Eight months after its launch, Italy is the country that has recorded the most positive feedback on this new opportunity, both in terms of the number of ads, grown by 120% from the launch to today, and in use of the service, with a + 60% recorded in the number of bookings between the second and third quarter. Our country, with three markets already active and another eight planned for 2019, is certainly among the countries that have been able to better seize the opportunity of a category guaranteed for quality and comfort, but which finds its distinctive feature especially in the uniqueness of design of each apartment.

Rome and Milan in particular are the protagonists of the growth also at the international level: Milan stands out for its growth rate (+ 86%), while Rome together with San Francisco, Sydney, Melbourne and Barcelona is among the markets with the highest bid.

These first two markets have just been added to Florence and are close to launching Venice, Turin, Bologna, Naples but also the Tuscan countryside, Sicily, the Amalfi coast and the province of La Spezia.

Airbnb Plus bookings in Italy today mainly come from the United States (44%), England, Australia, Canada and France. As for the Italians who choose Plus when traveling abroad, the preferred destinations are Los Angeles (26%) London (16%) Cape Town (16%), Barcelona (8%) and Toronto (4%).

As it is explained above, Airbnb Plus is a service that offers users homes that meet higher standards than others. In order to become part of the "Airbnb Plus" housing club, the host must first pay a \$ 149 subscription. This price is aimed to cover the costs that Airbnb will support to ensure that the apartment offers a certain amount of services. For instance, the platform will appoint specialists who will carry out an inspection to see how the house is and then make available to the host a professional photographer who will take pictures that will highlight the best characteristics of the house.

The homes that are part of Airbnb Plus must be of design. The apartments that will receive the Plus badge will be recognized quite easily. When making a research, this type of apartment will have at the beginning of the description the word "Plus" and then "Verified". Moreover, the graphic interface of the page is different from the usual one: more space is given to the images and the characteristics of the dwelling. Nonetheless, thanks to the very large icons you can understand all the services that are offered.

Alternatively, to find only "Plus" homes, you can enter "City Name - Airbnb Plus Taxes" in the search space.

For the prices, the platform ensures that on average an Airbnb Plus home will cost \$ 200 a night.

At the end of the process, the Plus hosts, however, can enjoy clear economic advantages, as globally, there has been an increase in bookings of 40% and a 75% increase in earnings.²⁰

To all this, another possibility is added: real luxury homes will be available thanks to the incorporation of Luxury Retreats. Villa saraswati in Bali, Owl creek in Aspen, 16th century Villa San Luigi in Tuscany. The cost is obviously higher (starting at least € 250), but the goal is to offer "the journey of a lifetime" through first level hospitality, precious homes and the "Airbnb experiences".

4.2. Experiences

About two years ago, Airbnb implemented a new feature called Trips, as part of an app update designed to provide travelers with a single channel for multiple services. The new feature focuses on three macro areas, of which "Experiences" takes part. The other two are called "Places" and "Homes", but the company has announced plans to add other services, such as flights.

The first macro area is the most interesting: some practical examples can better clarify this offer of Airbnb and can explain why it is so dangerous for the hôtellerie sector.

For instance, if a customer wants to discover the art of burlesque, then it is possible to choose to be guided by Bettie to London in an 8-person burlesque class held in Camden Town for three days. Or if a guest in Japan is curious to learn the art of kintsugi, Japanese pottery, Master Showzi in Tokyo holds a workshop and

²⁰All the *Plus* data about Italy are taken from: Palladino D., "Airbnb Plus, Italia guida la crescita mondiale: prossime aperture Venezia, Torino, Bologna e Napoli", 23/10/2018 - https://www.webitmag.it/airbnb-plus-italia-guida-la-crescita-mondiale-prossime-aperture-venezia-torino-bologna-e-napoli_139851/

offers a good Japanese tea. In Italy, for example, one of the main cities for the experiences is Florence: you can go looking for truffles with Giulio, for a gastronomic experience and two-day nature trip.

"Experiences allow you to immerse yourself in the local community," said Chesky. "These are offered by local hosts, and we have two types of them: diving, which are experiences for several days, and we have also one-day experiences, which last only a few hours."

In essence, Airbnb, to create these experiences, has taken advantage of its community, now vast and worldwide, and has selected its best hosts, offering its users something more than a home: the adventure pills to be enjoyed in a few days.

You can learn from local legends such as professional surfers, emerging artists, high-level chefs and founders of non-profit organizations.

Hosts can contact Airbnb to request to offer their experiences, so as to expand the offer. The advantages of joining this initiative for the hosts are clear: get more visibility and have a preferential channel to promote the brand and the business. Finally, of course, the opportunity to meet new people, which is the most important factor of Airbnb's success.

Very interesting is also the choice of Airbnb to present these experiences with customized trailers and "posters", to highlight the "adventure" of these experiences.

The app update provides many other small pearls for travelers who book through Airbnb: thanks to the Places function, the app offers the possibility, for example, to get to know in the city where hidden and very exclusive places, recommended by the same hosts, are.

By the way, Airbnb has also formed a partnership with Detour to offer access to tours with audio guides to discover the neighborhoods in a truly original and, above all, authentic way. Guided tours will be available at the beginning for the city of Los Angeles, but will soon be added to San Francisco, Paris, London, Tokyo and Seoul.

With Trips, Airbnb also shifts the focus from the app to real life, organizing real meetings for thousands of Airbnb users in the same city on a given evening. In the Places section, it will be possible for local businesses to organize regular or *ad hoc* targeted events for the Airbnb guests.

Finally, for those who do not have the time to take care of an apartment to rent directly, they can now find thanks to Airbnb, a co-host that will help them manage their space even when they are out of town.

By the way, the new Trips feature boasts 500 possible experiences for travelers to choose from in 12 cities around the world, including Los Angeles, San Francisco, Miami, Detroit, Havana, London, Paris, Florence, Nairobi, City of the Cape, Tokyo and Seoul.

As Chesky said, Airbnb is planning to become something magical and engaging. Surely the update will upset the app market by putting the giants of travel sharing in crisis and will offer a new opportunity to promote local brands and small businesses.

The famous rental service has shared data on the development of the Experiences market – so, the "activities" organized by the hosts – since the launch, which took place in November 2016. Airbnb Experiences have rapidly established themselves also in all the major Italian cities. In the last year, the total experiences available in Italy through the Airbnb platform has exceeded 1500 thanks to the enthusiasm of the hosts that promote local excellence and that more and more frequently, thanks to the quality of their proposals, are able to influence the itineraries of travelers who visit our country, taking them to discover off-of-the-beaten-track places.

Italy is currently ranked first in Europe by number of experiences bookings, ahead of France and Spain, second only to the United States globally. Nonetheless, it is the only country to have two destinations (Rome and Florence) in the top ten of the markets preferred by travelers.

"We are proud to be the first European country by number of Experiences available on Airbnb, a global business that has grown 25 times faster than that of Homes in their first year. The hosts throughout Italy have responded enthusiastically to our proposal to show the world the real Italy and today the offer on the platform exceed over 1500 Experiences both in the unmissable places of art and in areas less known to an international public, such as the magnificent hinterland of Sardinia or the small villages not far from the big cities", commented Matteo Frigerio²¹, Country Manager Airbnb Italia.

The 2018, was declared Year of the Food by MIBACT (Ministry of Cultural Heritage and Activities). This also marks the success of the Food Experiences on the portal: the food and wine experiences are in fact the most booked in the world on the platform and currently represent 37% of the offer with almost 600 available experiences.

²¹ All Frigerio's quotes are taken from: Webitmag, *"Esperienze su Airbnb: Italia prima in Europa e seconda nel mondo"*, 29/06/2018 - https://www.webitmag.it/esperienze-su-airbnb-italia-prima-europa-e-seconda-nel-mondo_137382/

Despite being on average more expensive than the others (65 € against a general average of 54 €), the experiences related to food remain the most appreciated by the community of travelers, a trend that is also reflected by the earnings of the hosts: the 60% of total revenues, in fact, has been generated by those who offer an enogastronomic experience.

"Experiences can be used as an effective tool to promote food made in Italy and rural Italy. Our challenge will be to make thousands of farmers and producers aware of the local gastronomic excellences that their activities offer, and that there is often a huge tourist potential that can be valorized and monetized thanks to the creation of Airbnb Experiences ", added Matteo Frigerio, Country Manager Airbnb Italy.

4.3. Select

There is also another Airbnb service which deserves to be mentioned that is considered a luxury service which will compete with luxury hotels: it is called Airbnb Select.

This service is extremely interesting for Airbnb hosts. At the moment, this program is not entirely available on the platform and only few hosts, under invitation, are able to participate. During the past year and a half, the pilot program has been active, and more and more hosts have reportedly received invitations.

The "luxury" Airbnb version should not be an independent platform, but a section inside the current one. To be admitted, the hosts will have to present their candidacy. The company will send its own inspectors, who will verify the presence of certain services and high standards before giving their permission to go ahead. The service also includes the collaboration of professional photographers, who are responsible for portraying the apartments. The codename for internal use of the project is - according to Bloomberg - "Select", but it could change with the arrival on the market.

The "Select" project is not a steering, but rather a natural evolution of the road taken by Airbnb: the app has been trying for some time to improve the standards of the hosts, bringing them closer to the hotels' world as much as possible. Therefore, the service aims to be less and less homely and increasingly professional. A move that aims to enlarge the audience of users. The "premium" version would allow to attract those who, until now, have shown reluctance: that is, older customers and (above all) with a higher spending capacity. Consequently, "Select" could erode the public that (suspicious and with some extra money in his pocket) has preferred until now to take advantage of the services offered by luxury hotels. The novelty threatens to further stiffen the already tense relations between the American company and professional hotel facilities.

This program offers rentals that could be enhanced by Airbnb. The service is partially different from the other programs offered by the rental platform. Moreover, it is the first time ever that the firm is actually making direct investments into the properties owned by its hosts.

The principal objective of Airbnb Select is to create standardized hotel experiences for the guests. While the properties do not have to be luxurious to be accepted in the program, the platform is working to establish the minimum standards for the hosts and the properties invited to Airbnb Select.

With this program, Airbnb is actually trying to target those customers which will not use the platform as it is right now. Some guests would not use Airbnb because they prefer to stay in hotels. Moreover, they do not like the idea to stay in single-family homes, which many hosts are offering on Airbnb. Also, for this reason, Airbnb staff is helping the hosts to reach hotel standards with their own properties.

Select is only on invitation. In fact, some of the hosts in the Airbnb community are already reporting of receiving email invitations. With these emails, Airbnb asks the hosts to adhere to some established standards and to fix an appointment for a property review and a set of professional photographs.

Depending on the clients' needs, the program offers some free pieces of advice for finding the best interior design and which photographs to take. Once a property has been examined and approved for the inclusion in the pilot program, the host receives the access to the premiere support, better listing placement, higher pricing, and other features for the first time. So far, the hosts referred that there have not been any fees charged for the participation to the service.

The criteria that make a host eligible for the invitation to the service are not clear yet. When the program will be officially presented, a list of requisites, which the users must satisfy, will probably be published. However, everything the hosts must do right now is what the participants to the program are saying on the various communities and blogs about Airbnb Select.

For instance, a host referred that after being selected for the participation to the program, Airbnb asked to have a list of services ready for the property inspection. These services included soft towels, nice sheets, fast Wi-Fi, coffee machine, clutter-free interior, and maintained grounds.

So, the amenities which attract the hotel guests the most would likely be the first things that the hosts will add to their own property to increase the possibilities of being selected for the program. Since Airbnb is trying to use the service to offer to the guests a real hotel experience, it probably means that it is necessary to offer similar features that appeal to hotel guests.

Therefore, it could be necessary to have the same security functionalities which hotels must have and maintain. The proof of this is that Airbnb asked to another host to buy a carbon monoxide detector before the Airbnb Select review inspection.

Eventually, hosts must maintain high ratings and reviews to take part to the program. Since Select aims to provide a higher level of service compared with the other Airbnb programs, optimal ratings and reviews are certainly a determinant factor. Hosts in this program are held at a higher level also for what concerns interactions with the guests and property quality. The majority of who was invited to take part to Select so far is already a Super-Host. This extremely desired label identifies expert landlords that offer certified hospitality standards that are higher than others. The Super-Guest program will also be added, at the beginning for just 10 thousand guests. The service is dedicated to the guest users with the best reviews who will be entitled to special offers and last minutes, access to airport lounges and other benefits.

Furthermore, we can talk about the possible introduction of the so-called "split payments" function, which is an integrated system that allows the users to manage the booking and the payment by dividing the sum up to 16 people.

In practice, if you rent a shared apartment between several people, there will be no longer the burden of the payment for one only person, but for everyone involved. Airbnb, in fact, answers to one of the most pressing requests from users: simplify operations in the presence of groups.

Tourism today, as we have already said before in this thesis, is mainly made up of experiences. The days of vacation available are very few. So, the priority is to take advantage of the available time in the best possible way to relax, learn, discover, eat. Everyone has his priorities. With Airbnb it is possible to rent a beautiful palace, paying less than a luxury suite in the same place, which is an example of how the sharing economy is revolutionizing the sector.

A palace in Cannes, for example, which boasts 4 bedrooms and 1600 square meters of land, costs around 900 euros a day, compared to around 500 euros (if not more) for a room at a local 5-star hotel. This means that 4 couples could enjoy a similar, but perhaps superior, experience, spending less than half and investing the rest of the same budget in other activities.²²

²² Data source: D'elia D., "Airbnb sfida gli hotel di lusso con super appartamenti", 23/06/2017 - <https://www.tomshw.it/altro/airbnb-sfida-gli-hotel-di-lusso-con-super-appartamenti/>

While, on the one hand, it can be considered a blow to the traditional hotel industry, on the other it meets the needs of the times and above all consumer demand. Putting aside for a moment the problem of the rules - legitimate the debate on the rules that mediate between the old and new business models - we must recognize that the consumer should always be listened to.

If customer requests change, the industry must change the services offered. And consequently, the industry itself must be changed.

Airbnb is trying to differentiate its offer as much as possible, in order to respond to the needs of those who want to pay a little sum for staying a night somewhere in the world, and those more interested in accommodations of greater value and therefore in paying something more, without having to choose a hotel anyway.

4.4. Luxury Retreats acquisition

By the end of the year, the company plans to launch another service that will be called Airbnb Beyond and which will collect lists of luxury homes to stay. In this case, the catalog will be made using the knowledge of the Luxury Retreats site, which Airbnb acquired last year (2017).

Luxury Retreats is a Canadian company that is specialized in dream vacations with the rental of villas and estates by millionaires with a personal assistant service included. Each of the over 4,000 offers in 100 locations have been inspected by Luxury Retreats to ensure full satisfaction of the demanding clientele. Each guest can count on a personal assistant service available 24 hours a day throughout the stay.

So, Airbnb is clearly expanding its business also taking care of enchanted retreats in exotic locations for the short-term lease of millionaires' property intended for customers with a portfolio and needs completely different than usual.

According to Cnet, Airbnb is the fourth-largest venture-funded company in the world, valued at \$ 30 billion. Before turning to luxury rentals, Airbnb also has bought a shareholding in the Resy startup for restaurant reservations.

For now, Luxury Retreats' teams and businesses remain at their Montreal headquarters in Canada, but the luxury rental offers will be soon included in the Airbnb platform. In fact, CEO Joe Poulin will become the manager of Airbnb's "luxury homes" division and this implies that the luxury sector, which until now has remained marginal in the communication of the brand, is in fact the new focus of the holiday home giant.

Luxury holiday homes are an extremely important growth area in the tourism sector, because they allow higher margins, through the offer of particular and unrepeatable "experiences", compared to the ones provided by more standardized or mass products.

In fact, Airbnb's competitors are not just looking, despite this defeat after the firm's move, they are turning towards the purchase of other companies. Accor has in fact acquired the OneFineStay luxury rentals site last year, and it is negotiating to purchase Travel Keys, a private villa broker in the Caribbean. Expedia is expanding the offer of luxury homes by HomeAway, through its Luxury Rentals division.

The acquisition of Luxury Retreats can be considered as one the most important acquisitions ever made by the leader of the sharing of homes and houses for short stays and it is only the first of a series of purchases. According to industry experts, the objectives seem to be the aggregation websites of flights, price and payment management, aimed at giving additional tools to the owners who want to make money with their properties. In addition, of course, strategic acquisitions in the big developing markets, namely China and India.

What we can say about this particular acquisition in the luxury sector is that through Luxury Retreats, Airbnb certainly has acquired the company's full listings, but the most important thing can be found in the technology used. In fact, the know-how that the luxury company owns in managing of extra luxury amenities, can be used by Airbnb at a scale level (bartenders, masseuses). The aim is to bring luxury to scale around the world. The direction of Airbnb is to project the company to cover everything that is considered leisure and experience in the global travel industry. And we can see this through all the acquisitions and moves mentioned above.

In addition, we must say that an important feature of Airbnb is certainly the advertisement. Airbnb is one brand that has done an amazing job in generating a huge following and plenty of engagement on Instagram and social networks in general. They share compelling snaps of beautiful destinations ranging from beaches to the Alps both made by professional photographers and guest's photos and stories as well. This dovetails very nicely with the company's carefully curated reputation for sincerity and this attitude creates a great customer relationship.

4.5 Home-sharing effects on the hotel industry

From the analysis we made, we can certainly affirm that Airbnb is trying to shape and revolutionize the home-sharing sector. The company's aim is fulfilled by monitoring hotel rates in the country and making

additional rooms available when and where there are more requests (especially during peak periods or particular events), because hotel rooms very often run out and the prices rise quickly.

This is one of the most dangerous threats that hotel industry is facing nowadays. In fact, hotels usually gain the highest margins exactly when rooms are very requested and the supply is limited, so that customers are forced to pay higher prices.

"The benefits for travelers and the reduction in hotel tariffs are really concentrated in certain cities and at certain times"²³, says Chiara Farronato, co-author of the study "*The Welfare Effects of Peer Entry in the Accommodation Market: The Case of Airbnb*". "When the hotels are full, Airbnb expands the rooms capacity", she claims. The research was written by Farronato, assistant professor at Harvard Business School, and Andrey Fradkin, postdoctoral fellow at the digital economy initiative at the Massachusetts Institute of Technology.

The study has focused on the 2014 data, but the impact on hotels could be even greater today, given Airbnb's strong growth since then. By the way, a first evidence of the research is that the entry of Airbnb in 10 of the cities with the largest market share in the United States has produced a decline of at least 1.3% of hotel nights and a loss of 1.5% in hotel revenues.

In addition to have access to a greater variety of rooms, travelers have also had other benefits in locations where Airbnb is in greater competition with hotels. During their stay, the guests enjoyed an average "consumer surplus" of \$ 57 a night. This surplus did not necessarily mean more money in the pocket for a visitor but meant better accommodations at more reasonable prices.

"Consumers do not always pay a lower price," explains Farronato. "What changes is the quality of the listings: you can find an apartment on Fifth Avenue or a place near the beach at a more reasonable price than you would if Airbnb were not an option, or an ad might have additional services, such as a kitchen and if you still prefer a hotel room, the Airbnb competition allows you to pay a lower price. "

Airbnb offers listings are covering 191 countries and the total number of listings - 4 million - are higher than those of the five major hotel brands combined together.

²³ All Farronato's quotes in 4.5 are taken from: Gerderman D., "*The Airbnb Effect: Cheaper Rooms for Travelers, Less Revenue for Hotels*", 26/02/2018, Harvard Business School – Working Knowledge, <https://hbswk.hbs.edu/item/the-airbnb-effect-cheaper-rooms-for-travelers-less-revenue-for-hotels>

To compare the performance of hotels with Airbnb, the researchers used hotel data from Smith Travel Research, which follows approximately 161,000 hotels, as well as proprietary data provided by Airbnb. They studied prices and employment rates in 50 large US cities between 2011 and 2014, focusing on the markets with the highest presence of hotels.

During the research period, Airbnb has brought a relatively small threat to the overall short-term housing market. Its rooms accounted for 4% of all guests and less than 1% of the total housing units in all cities and it has not had much effect on hotel occupancy rates in general. Since reservations were mostly when hotels were already almost full, a good portion of these bookings (between 40 and 60%) would not have been made in hotels if Airbnb was not an option.

However, the researchers found that Airbnb's growth until 2014 reduced hotel variable profits by up to 3.7% in the 10 US cities with the largest Airbnb presence.

This phenomenon was particularly intense in cities that had a limited hotels capacity during days with a higher demand. At that time, hotel room prices were more influenced than the occupancy rates, and for this reason a hotel room in one of these cities could still be booked during peak times, but Airbnb competition may have forced the hotel to lower the prices for those same rooms.

The rooms on Airbnb are plenty more in the cities with greater demand for accommodation, as well as in areas with more expensive hotels, such as New York, Los Angeles and San Francisco. For instance, in Los Angeles about the 6% of Airbnb hosts manage more than one apartment, getting the 35% of all income generated by Airbnb to L.A.

Farronato said that it is of the utmost importance to note that not every city is affected by Airbnb effect. For instance, in Atlanta or Houston, there are enough rooms to meet the demand, so the hosts do not find entering the house-sharing market attractive.

Within each city, other Airbnb rooms have become available during the most popular travel times, such as Christmas and summer. Even during sports games, festivals and other events there has been a peak in requests. For example, in Cambridge, Massachusetts, the highest request period came during graduation.

Probably, one of the biggest strengths of the platform lies in this: the hosts can respond very quickly to market conditions, keeping their homes for private use when prices are low and hosting travelers only when the demand for rooms and profit proceeds are higher.

As a countermeasure by hoteliers, since 2016, the American Hotel and Lodging Association has supported the efforts of the Federal Trade Commission and the state of New York to investigate the impact of Airbnb on local housing prices, according to the New York Times.

As pressure on Airbnb property margins increases over time, hotels will be forced to further intensify their competition. The main problem lies in fixed investment costs. In fact, the demand for rooms is always fluctuating, but it is not enough for hotels to have a sufficient capacity to meet the highest demand points, so hoteliers are challenged to find the right middle ground. "If you have too much capacity, you will have many empty rooms most of the time," says Farronato. "And if you have insufficient capacity, you will not be able to meet demand and Airbnb hosts will come in and drop prices when demand is high."

Farronato said that home-sharing platforms are likely to become more relevant over time as consumers become more and more aware of their benefits, so it is important for hotels to find creative ways to compete effectively. At the same time, as cities are constantly adding and changing house-sharing regulations, Airbnb's benefits for consumers and hosts, as well as hotel bills, will probably be less pronounced in the future.

Just as Airbnb is adding experience packages to its offers, so are hotels like Marriott International. Farronato suggests: "You could have rooms that change quickly and dynamically from hotel rooms to conference rooms, so you can have this flexible capacity of rooms available on New Year's Eve but become conference space at other times. It requires a whole new way of designing things. It is worth thinking about it."

A research accomplished by Boston University gives further relevance to these findings by showing a link between the number of properties on Airbnb in a specific destination and the monthly revenue of hotels in the same area.

Airbnb is in fact a substitute for a product already on the market - hotel rooms - and every transaction on the home-sharing platform can often mean a loss of revenue for hotels. With Airbnb preparing to attack the medium-high and luxury market, it is necessary for the industry to analyze the phenomenon more academically, for example by quantifying the influence of Airbnb on hotels.

A useful method to study the impact on the offer and demand of a new competitor on the market is to study the price of its product, yet many analyses do not take into account the positioning of the Airbnb prices.

The sample on which the research is based is geographically limited, not leaving the border of Austin in Texas, but the data collected are extensive and in-depth, retrieving information from TripAdvisor for hotels

and Airbnb for homes, then aggregating them to economic results of hotels per quarter registered in the Texas Comptroller of Public Accounts from 2008 onwards.

The first result confirms the negative impact of Airbnb: the presence of short rented houses on the market significantly lowers the RevPAR²⁴ of a hotel.

In their sample, the homes on Airbnb cost a higher average than hotel rooms and they noticed how the negative impact of Airbnb on RevPAR decreased as the price difference increased. This, according to the researchers, is caused by the "agglomeration effect" where a low-cost hotel has a higher RevPAR if it is strategically placed in an area with more expensive facilities.

The research also dispels the myth of Airbnb as a competitor of only mid-level hotels: the effect of Airbnb on the RevPAR does not vary significantly based on the quality attributes of the hotel, such as the number of stars or the average rating in online reviews. In other words, no hotel is immune to the decline in RevPAR linked to the sharing economy.

5 – TripAdvisor and the rating websites influence

Another important instrument, already mentioned in this thesis, which has been crucial for maintaining a high RevPAR for luxury hotels, is certainly TripAdvisor. This website is so relevant nowadays for maintaining a high reputation. In fact, getting more reviews is at the top of the list of priorities for many hotels and pensions owners.

Before going in depth with this particular website influence, it is appropriate to make a brief introduction to what rating websites in general are and in which context they are used. Nowadays, people use websites that collect reviews and votes generated by users to inquire about a product or a brand of their interest. Rating sites are third-party websites that collect ratings and rankings about different product alternatives based on certain criteria, provide consumers with a neutral source of information and for managers represent a source of feedback, as well as a form of communication. Therefore, the fundamental objective of the rating sites is to provide a set of comments, ratings and rankings regarding the offer of a given sector (Dabholkar, 2006).

There are rating sites for various types of products and some of the main rating sites in the tourism sector used are TripAdvisor, Booking.com, Expedia. These platforms collect and make available to a large

²⁴ RevPAR is the abbreviation of Revenue Per Available Room. It means turnover generated per room available and is an indicator used in the hospitality industry

audience the experiences told by consumers so that other people can have a great deal of information. The user can search for a hotel or a tourist destination and read the impressions of those who have previously experienced it, with reviews on various aspects of the service offered including cleanliness, comfort, kindness of the staff, value for money (Maistrello, 2009).

Consumers consult these websites because they are convinced that in doing so, they will make better decisions easily, learning from other consumers, saving time and effort (Dabholkar, 2006). Moreover, thanks to the rating sites they can easily compare alternatives and make quick assessments. Online review sites, of any kind, usually contain similar dynamics, functions, interface: those dedicated to tourism usually contain a part dedicated to the sectors reviewed (such as "hotels", "flights", "activities", "restaurants"), a part to offers and one to the community (Antognazza et al., 2013). In addition, a rating site usually contains the following elements: numerical rating (rating), reviews, identifying characteristics of the reviewer (at least a personal username), date of writing of the text, utility of the review (Korfiatis, García-Bariocanal and Sánchez-Alonso, 2012).

These web platforms contain numerous reviews on different products but also on the same good, and therefore each comment is preceded by reviews that have already given a judgment on a product (Sridhar and Srinivasan, 2012). In fact, a reviewer can consider him/herself as a member of an online community of reviewers (social groups) in which commentators who act as opinion leaders for future reviewers and are influenced in turn by other opinion leaders. Consequently, a consensus is formed regarding the evaluation of a product, a conformity to the group (Sridhar and Srinivasan, 2012). Aral also states that ratings are more influenced by positive rather than negative reviews. When people read that others liked a hotel and recommend it, this generates the same positive feeling about the structure first (Aral, 2014). In addition, there are also other consumer assessments that, on the contrary, are different because they intend to distinguish themselves from others (need of uniqueness) (Henning-Thurau et al., 2004). There is therefore a social influence on rating sites, and this is usually adaptive and bidirectional. The social influence of other consumer ratings can both strengthen and weaken the assessment of another consumer (Sridhar and Srinivasan, 2012).

In these sites trust is an essential element (Henning-Thurau et al., 2004) and, given that the authors of the evaluations are often unknown, the quality and quantity of the reviews and the votes are important. The rating itself, not justified by an explanation, does not generate credibility and trust in the reader, while the content of the review (the quality), and therefore the length and objectivity of the comment are important to overlook the lack of information on the source. A high-quality review is more logical and persuasive and supports evaluation with reasons based on objective factors of the product. It must also provide a sufficient amount of information. The number of reviews and ratings (quantity) may represent the popularity of the

product as it is assumed that the number of evaluations is linked to the number of consumers who made the purchase. Less involved consumers are more influenced by the quantity of reviews rather than quality, while those involved are influenced by both, especially by the quantity when the quality of information is high (Park, Lee, Han, 2007).

However, rating sites seem to attract, due to their free and open nature, also false evaluations. While OTAs (Online Travel Agency) can guarantee that only consumers who have purchased are allowed to write reviews, in other sites that do not allow direct booking, such as TripAdvisor, this is not guaranteed. In fact, the little information about the author and the possibility of creating false online identities allow cheating and strategic manipulation of contents and evaluations (Dellarocas, 2003). Many tour operators could use false identities and share information that is not true to promote their image or to harm competitors. Thus, we can distinguish three types of assessments: the true ones written by consumers who have used the product; defamatory false ones usually written by competitors who try to damage one or more competitors; false positive ones, usually written by the structure itself or by paid users that praises the characteristics of the hotel (Antognazza, 2013).

There are various measures to assess the veracity of a review: TripAdvisor for example has added the system of "Star badge" that allows users to be recognized, providing visitors with the ability to check which reviewers are more experienced, then reliable. In addition, many scholars have identified criteria for identifying which evaluations are false: Keates (2007) talked about the solitary visit of the reviewer (Hardey, 2011), Yoo, Lee, Gretzel and Fesenmaier (2009) claimed that fake reviews differ from those true in terms of lexical complexity, use of first person pronouns, inclusion of brand name and personal feelings, admitting that it may be difficult to distinguish reviews based on structural properties. Vásquez (2011), said that the inclusion of positive comments next to the negative ones means that the reviewer is seen as more reasonable, able to grasp what is beautiful and what is missing or is below the standards. Other content analysis researches revealed similar factors and concluded that most user-generated evaluations are genuine.

It can be interesting to analyze a research made on a partnership between an important Hotel Chain, the Best western, with TripAdvisor to better understand the importance and the influence of the most well-known rating website.

With over 4,000 hotels worldwide, the Best Western chain has many franchise facilities, whose owners focus particularly on collecting traveler reviews.

As the TripAdvisor Service Director, Minesh Shah explains, *"Reviews impact a hotel's reputation and its popularity on TripAdvisor, which in turn affects the level of attention and direct reservations that the hotel*

gets from travelers". For this reason, in order to get more reviews, Best Western has decided to collaborate with some perfectly qualified experts.

"It is easy for travelers, and hotels can gather additional reviews without effort" says Minesh Shah, Director of services for reviews on TripAdvisor. This is why the rating website has worked with the Medallia customer experience management company. This joint initiative, called "Medallia Promote for TripAdvisor", is based on integrating the TripAdvisor review publication form into guest satisfaction surveys that Medallia sends to recent hotel guests. As Shah explains: *"Guests of the Best Western company can easily send a review as soon as they interact with the brand by responding to the survey."*

The Best Western structures that collect reviews on TripAdvisor through the Medallia survey record 76% more reviews thanks to this partnership. For example, in August 2013, Best Western structures totaled 8,638 reviews through the partnership, in addition to 10,071 reviews collected in other ways. The average score increased from 3.98 to 4.28.

Although the main goal of the partnership was to increase the number of reviews published, it is interesting to note that the quality of the reviews has also improved. The average score of the reviews collected through the partnership is 4.28 out of 5, compared to 3.98 of the reviews collected in other ways. Shah believes that one of the factors driving this improvement is the reviewer's involvement. *"With the Medallia guest satisfaction survey, we are asking for reviews from guests who probably would not have posted a review on TripAdvisor, people who are willing to complete the survey and write a review at the same time are very involved people."*

Furthermore, as a 2013 Cornell survey reveals, there is a direct promotional relationship between the number of reviews and the TripAdvisor rating.

Whenever the structures are able to implement strategies to improve the three fundamental factors described below, the chances of gaining a better position in the popularity ranking on TripAdvisor increase:

- 1) Quantity of reviews: the number of reviews received by the hotel;
- 2) Quality of reviews: the evaluation of the structure by travelers;
- 3) Current reviews: how recent are the reviews.

Recent reviews (quantity and current affairs) with high scores (quality) collected through the partnership have resulted in better positioning of Best Western structures in the popularity ranking. As a result, these

structures appear in higher positions in the search results on TripAdvisor, which helps them to attract more attention from travelers seeking accommodation.

The opportunity is certainly to overcome competition. But, to achieve a real competitive advantage, the structures must have a proactive attitude. The partnership is just one way to collect more reviews and improve the popularity of the hotel on TripAdvisor.

5.1. The reputation

TrustYou and Accor Hotels made an important research aimed to demonstrate the link between TripAdvisor reviews and hotel bookings and rates. What has been proved is that even if the hotel costs more, the user books the one with the best reputation.

The tests examined the reservations of a group of Accor hotels both in Europe (225 structures) and in the Asia-Pacific area (182 structures), monitored between November 2013 and September 2014. These bookings have been monitored in connection with the reputation of each hotel on TripAdvisor. The correlation between the number of bookings received, the progress of the reviews on TripAdvisor and the relative positioning on TripAdvisor in the ranking were analyzed.

TrustYou had already conducted analyses of this type, demonstrating the correlation between the reviews and the propensity of users to book: last year an analysis conducted with the heatmap showed that, at the same rate, 60% of users prefer the hotel with the highest score and that even when the hotel increases its rate, if it has a better reputation, 76% of users are willing to pay more.

"Understanding the nuances of these correlations – such as the score at the time of the ranking in TripAdvisor, the time frame within which the reviews were written, the value of the brand, the geographic market – can be a big challenge," declares TrustYou.

To better understand the relationship between TripAdvisor reviews and the number of bookings, the company launched a test in collaboration with Accor Hotels and the Statistical Consulting Unit of LMU Munich, one of Germany's most accredited academies.

Data on the methodologies used have not been released, but we know that the Munich LMU achieved the results using a variety of models, favoring the linear regression tool.

The analysis revealed interesting results, both related to the correlation between reviews and bookings, and related to the positioning itself on TripAdvisor:

1) The 5 stars reviews affect the overall ranking of the structure more than anything:

The positioning of the structure in the ranking of TripAdvisor logically increases with the increase of the percentage of reviews by 5 points and the average score. But which factor turns out to weight the most?

In Europe, the percentage of 5 stars reviews have the greatest effect on the positioning of a hotel on TripAdvisor. If the percentage of 5-point reviews increases by 10%, the hotel's positioning improves by 11.3%. If the average score increases by the same percentage, the hotel's ranking increases by 6.1%.

It is important to underline, however, that in Asia-Pacific the correlations have had an opposite and much lower outcome: in case the percentage of 5 points reviews increases by 10% the positioning increases by 3.7%, while if the review score increases in same percentage, the ranking increases by 4.3%.

2) Scores and reviews of 5 affect the increase in bookings from TripAdvisor:

To understand the correlation between the TripAdvisor reviews and the bookings, the analysis examined in particular the positioning on TripAdvisor and the sales coming from this channel. However, it does not clarify how the impact on offline bookings or from other online channels has been calculated.

If the ranking on TripAdvisor improves by 10%, the expected number of bookings on TripAdvisor increases by 4.6% in Europe and 5.7% in Asia-Pacific. If the average score on TripAdvisor improves by 10%, the expected number of bookings on TripAdvisor increases by 9% in Europe and 15% in Asia-Pacific.

Reviews in Europe seem to have a stronger impact on offline channels. Online reviews in Asia-Pacific have a greater impact on web channels.

It should be emphasized that the effect of the average / positioning score decreases over time. An increase in placement is correlated with an increase in bookings initially of 5.2% but four weeks after the impact decreases to 3.5%.

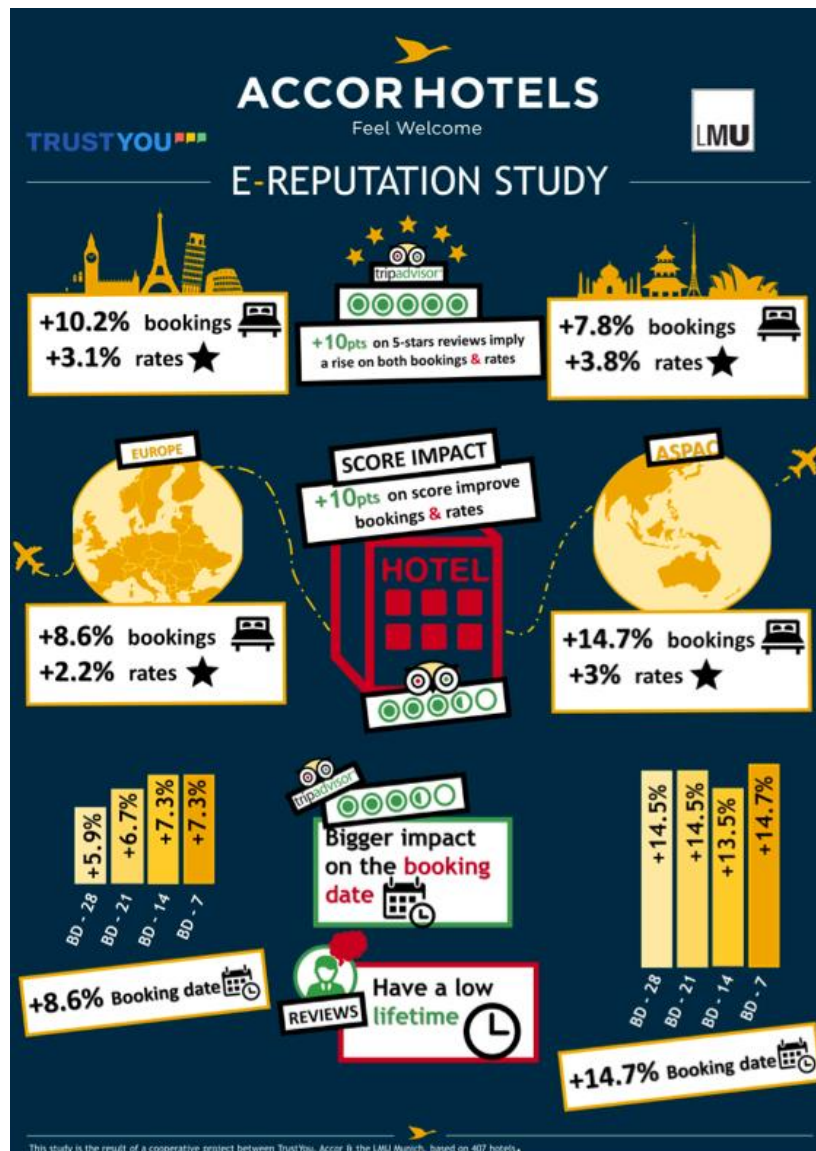
3) The increase in rates linked to the increase in 5 stars reviews:

As already shown by Cornell, also in this case we see how the hotels with better scores and reviews can afford to increase also their average rates.

According to the analysis in Europe the percentage of 5-points reviews shows the greatest correlation with the increase in rates, followed by the average score, both in Europe and in Asia-Pacific.

Once again it is worth reflecting on the weight and importance of one's online reputation.

Figure 7



Source: TrustYou website

6 – A strategy to manage new threats and make profit: Revenue Management

The birth of Revenue Management goes back to the liberalization of the airline industry in the 80s and the birth and development of electronic commerce. A closed system opened the doors of free competition, the air companies have faced a new challenge that saw them engaged in trying to place on the market a limited number of perishable resources - seats - to an audience made of consumers willing to pay a different price when certain conditions change. Also known as yield management, precisely because at the beginning the focus was mainly on sales and, therefore, on revenues, it can be realized in all the service companies that have three conditions:

- 1) Limited resources;
- 2) Perishable resources;
- 3) Different willingness to pay.

Although the essential conditions are only three, some authors identify others. S. E. Kimes (Sheryl E. Kimes is a professor teaching “operations management” in the school of “Hotel Administration” of Cornell University), for example, adds the high variability in changing costs, the ability to segment demand, advance sales, stochastic demand, and more. It seems common to most Revenue Managers to include at least a fifth variable, that is, the sales channel.

The RM is, therefore, that business process that aims to strategically manage the demand during the entire administrative year, maximizing the revenues of each segment. It is a combination of various elements, such as demand segmentation, inventory management, forecasts, pricing and other disciplines. It can be considered as a combination of human intuition, systems and organization. The best applications require a perpetual process that starts with performance monitoring, followed by evaluation, strategy and implementation of corrective actions and new monitoring, and so on.

However, no RM initiative can be successful in the long term if it is not perceived as being right in the eyes of consumers.

The risk, in fact, is to adopt short-sighted behaviors, that is, they aim to achieve the maximum that every consumer is willing to pay at that precise moment regardless of the quality of the service provided. A dissatisfied customer does not only translate into a lost customer, but into an extremely large number of potential lost customers, thanks to the use of feedback amplification channels for every consumer (see TripAdvisor and rating websites).

Looking inside a receptive structure, a Revenue Manager finds a different collocation according to the managerial evolution of the same. If the functions performed are analyzed, exactly the same conclusions are drawn.

In Italy, for instance, only the large, mature cities in the hospitality sector have begun to organize themselves in this direction. The rest of the structures, however, is still characterized by a strong rigidity and an anchorage to the past and to factotum professional figures. On the one hand, there are the long seasonality and the relative prices, on the other, dynamic prices that fluctuate according to certain parameters, first of all employment.

So, we can say that Revenue Management is a technique that anticipates consumer actions to maximize hotel revenues.

We can define it as the integrated management of price and resources in order to maximize the company's revenues. In fact, the most famous definition of this technique is: "selling the right product, to the right consumer, at the right time and at the right price", and we can add through the right distribution channels. By the way, the definition of this topic is in continuous evolution due to the different changing variables of the market.

All the Revenue Management operating techniques are based on some basic assumptions:

- Business customers usually book after the economy customers and have a greater spending capacity;
- The revenue manager must decide about what is better between selling the place today to the client who offers 200 or waiting for the potential customer who buys the same accommodation for 400.

The same reasoning goes for the management of cancellations:

- Is it advisable to go over-booking and thus reduce the risk of having vacancies due to last minute cancellations?
- So, it is acceptable to risk disappointing the customer who is forced to stay without a room due to overbooking?

6.1. Some important distinctions

By the way, we have to make a distinction because the application of revenue management will have different connotations whether we are talking about chain hotels or small/medium independent hotels.

In fact, the organization of chain hotels is very sectorial and developed through a vertical hierarchy: usually we start from the divisional level, to get to the regional up to the area and / or property level. Revenue Management is normally managed by a department of two or more dedicated professionals that cover specific roles and tasks according to a hierarchy headed by the Revenue Manager / Director. The level of detail, analysis and reporting are extremely high as well as the measurement of the performance. So, the leadership becomes one of the fundamental characteristics of the Revenue Manager that is no longer associated with the profile of the "technician" who is systems expert or the analyst, but it becomes the real strategist of the Hotel. The evolution of the role is naturally supported both by the organization chart and by the investment in technology typical of the chains, in order to streamline the operational processes to the maximum and to leave more room for analysis and strategy.

In independent hotels there is not a fixed rule about the organizational chart, and the function is performed in the best scenarios by a dedicated Revenue Manager. However, in many other cases, revenue management is performed in a hybrid form by professionals who cover several functions at the same time, under the guidelines of the director or the property, or are carried out by the front office. These types of organizations are justified by the limitations related to staffing or the impossibility of investing in a full-time resource. Revenue management in independent hotels is slightly more technical and operational than the chain hotels' *modus operandi*. It prioritizes the performance of daily operations and tasks for the management of systems, distribution channels, pricing and reservations in order to ensure optimal management of sales processes. An important difference is that while in the chains Revenue Management is transversal to other functions and at the same time influences them, in the independent hotel it blends in the operational management with the other functions such as online, marketing and sales functions.

It is important to make a distinction between revenue management applied to a generic or to a luxury hotel environment. The main difference lies in the positioning of the structure.

In general, the channels, segments and pricing techniques available for the luxury segment are the same as any other hotel. What really makes the difference is the choice: in the channel that reflects the right target, in the market segment that is the type of customer that wants to host, in the tariff plan that communicates its status on the market and the comparison with the competition. The positioning is also composed of all that intangible elements, which are still visible to the customer.

Therefore, the Revenue Management assumes importance in the Luxury market as in any other market. In order to function correctly, no channel or no incremental revenue opportunities should be underestimated and above all, paying attention to creating win-win opportunities for both the hotel and the client is of the utmost importance.

Lastly, in the Luxury market, greater attention needs to be paid to competition: not only from the point of view of pricing, but also from the point of view of supply and service - qualitative variables that can decisively influence demand and consequently the strategy of Revenue to be applied.

6.2. How to make revenue-oriented tariffs: the indices

We can make a synthetic analysis about the method applied to make revenue-oriented tariffs.

We must start with the creation of the Bottom Rate, that is the selling price below which it becomes uneconomical to sell, which is based on the hotel costs. Then, we analyze the history of the previous years to identify areas for improvement and to create the starting rate every day of the year, paying attention to all event dates (leisure and business). We proceed to an analysis of the competitors (we talk about benchmarking), a study on positioning and also a SWOT analysis (strengths, weaknesses, opportunities and threats) that is always useful for this purpose. Knowing your market, as already underlined, is essential to predict the different needs of potential customers, so doing the dynamic pricing also becomes necessary to directly satisfy different market segments and the right target audience.

The benchmarking activities allow several advantages. First of all, they are used to gain an awareness of the role of the structure within the competitive set. Secondly, they stimulate creative renewal within the structure. Then they bring further experience, continuous improvement and a new spirit, based on the idea of "learning" from others.

By taking advantage of these incentives for improvement it is possible to achieve a very good final performance: but to be sure that we have achieved a truly positive result, we need to adopt the necessary measurement tools for a concrete analysis of the results: revenue management indicators.

As already mentioned above, revenue management aims to better manage revenues, to do this it becomes essential to collect data that when combined together give rise to performance indicators.

The first important index, that provides a fundamental data for the analysis of the performance of a hotel structure, is the employment rate.

It highlights the way in which the company is operating in terms of rooms sold and it is calculated with the ratio between the number of rooms occupied and those available in a certain period of time, all multiplied by one hundred.

At the same time, it may become useful to analyze the production of a hotel in terms of occupied beds, even if this figure is less sought after than the previous one and it is obtained by computing the ratio between the number of available beds and the presences, always multiplied by one hundred.

What is derived from these data on the employment rate is the seasonal trend that may concern the week, month or year. In fact, with these data surveys, further information is obtained that contributes to improve the management of capacity and price; think about the possibility of knowing what the occupation in a certain month of the previous year was and the consequent possibility of making managerial choices as well as tariffs to improve the final result.

The employment index is certainly one of the most important for the information it can provide, but we must not be settled for this data. In fact, they do not describe in a comprehensive way the performance of a hotel: remember that having a high level of employment is not always synonymous with good results from an economic point of view (Locane, 2009).

Among the indices that must be integrated with the occupational analysis there is, for example, room revenue: it gives the value of the revenues obtained only from the sale of the rooms in a specific period. To calculate it, it will be necessary to separate the cost of breakfast, if included in the rate, or for example that of meals, in the case of rates including half-board or full-board. The result obtained from the single room in the reference period, must then be added to that of the other rooms to obtain the desired value (Ravenna, Pandolfi, 2010).

Then, we have the average room rate: it refers to the average price at which a room was sold in a certain period of time. To obtain this information it is necessary to divide the total revenue by the number of rooms actually sold in a period. It is one of the most used indicators in the revenue. However, it has a limit, that of not considering the lost profit due to the unsold rooms. The same index can be calculated for different periods, such as the day or the week, according to the needs.

Even here it could be useful to calculate the deduction from the sale price of any breakfast included in the rate. However, this could be difficult and of little value if the tariff included within it this service and its

monetary value was not so clearly identifiable. At the same time, it would be useful to make considerations in the event that it was sold at room-only rates and therefore breakfast was considered an additional service.

These indices, relating to employment and the sales average, are certainly useful for a complete vision and evaluation of the occupational and economic performance of the hotel business. However, they acquire further importance if compared with the performance of the other hotels belonging to the group of competitors: this would allow to measure their performance compared to that of others, obtaining any suggestions about the maneuvers to be carried out (Locane, 2009).

And finally, perhaps the most important index, the revenue per available room (RevPAR), already mentioned in this document: there are two methods to calculate it, the first one takes into consideration the first nominated index, that is the room revenue and divides it by the number of available rooms. The second one uses the average selling price of a room and multiplies it by the percentage of occupation. This is certainly the index that is most used by hotel companies, but also by airlines as it compares actual employment with the selling price (Ravenna, Pandolfi 2010).

Precisely for this reason, this index is seen favorably by the revenue managers who, trying to maximize the variables of employment and revenue, see in the RevPAR the signal of a good or poor management strategy, especially compared to the competition.

All the indicators mentioned above indicate the performance of a hotel, but there are others that allow a comparison between the hotel and a certain number of hotels that belong to the same market and that can be defined as competitors for similar characteristics. They can be identified by taking into consideration variables such as location (so the hotels located in the same area of the reference hotel will be examined), rather than the accommodation capacity (all hotels with a very similar number of rooms will be included in the comparison), or the classification or type of hotel.

Among the indicators related to the performance of a hotel in a certain market compared to competitors, we can find the fair market share that indicates the market share that each hotel should be able to conquer if it could sell all the rooms: compared to the actual market share, which gives the real market share compared to that of competitors in terms of total quantity of rooms sold, we can understand how far we are from the optimal situation.

Finally, the market penetration index defines the trend of sales compared to competitors, as regards the reference market. More precisely, it is the relationship between the hotel's occupation with that of its

competitors; a value higher than one will mean a good performance of the hotel in question, even higher than the average. A result lower than 1 will state otherwise. (Ravenna, Pandolfi 2010).

The two most important moments for implementing good revenue management policies are those of data collection and processing. In fact, it is thanks to their analysis that it will be possible to understand how the company will have to behave in the future.

The data that will serve to a good revenue manager to be able to draw useful information about the behaviors to be implemented the following year are those related to the previous year's history. It is therefore very important to record the daily number of rooms available and sold, with the relative turnover.

Once these data have been obtained, various analyses can be carried out, concerning the long term, such as the year, the medium term as the month, or the short period as the week.

The types of forecasts that can be made are of two types: ex ante and ex post. With the first type of forecast we mean a series of observations on the future trend, with the aim of setting the offer and future pricing policies. Those ex ante instead use current data to look for their optimization in the future. For this type of analysis, it is necessary to have an accurate history that can provide information about the past employment, or some trends that outline a certain seasonality, all to have a framework outlined at least of what could happen in the future.

One of the most important data for a good analysis is that related to events: there are part of those holidays that occur every year like Christmas, Easter, August, but also the feast of the patron for some cities, both those singular events that happen once every few years, but which also bring a huge flow of tourist demand, such as sports events, concerts, fairs, etc. and of course a fierce competition with house rental services such as Airbnb, as we already analyzed before.

It is also important to understand how much the hotel guests spend on extra services, which could be the restaurant, perhaps highlighting the relationship between what they spent on the room and the extra service, to understand if, and how, the purchase of the room can be a source of purchase generation of other services.

Finally, referring to customer satisfaction, it is useful to understand what type of customer books the hotel, which segment it belongs to and through which channels it buys the stay and maybe also the reason why he/she has booked that hotel (because it was recommended on TripAdvisor rather than from the friend who has already been there, or because he saw it in an advertisement).

However, the mere detection of these data is not enough: in order to give some important values, their elaboration is necessary. This means knowing the characteristics of the market to which the hotel in question belongs, and at the same time perfecting the strategies for optimizing sales in the various segments. Whether considering the long term or the short term, it will be necessary to use some of the indices mentioned in the previous paragraph and compare them with those of a competitor for example.

The indices that are taken into account for this type of analysis are normally 3: the average room rate, the percentage employment rate and the RevPAR.

After having reworked the data, we finally reach the so-called forecast. With the term forecast we intend to forecast the future demand in terms of employment for each moment of the year and for each segment. Often three types of forecasts are calculated: one of short, one of medium and one of long period.

We start therefore considering the re-elaborated data relative to the previous year, to integrate them first with the monthly ones and then with the weekly ones, with the aim of eliminating possible distortions as much as possible.

Let's start with the long-term forecast. The first thing to keep in mind is that the days of the week of a year will never correspond to those of the following year: therefore, an analysis will be effective if we consider the first Monday of the current year and the first Monday of the month of the coming year, regardless of the corresponding number on the calendar.

This reasoning does not apply to holidays: some anniversaries such as Christmas and New Year are made on specific dates, whatever the corresponding day of the week.

For all the other events in which there is no fixed date, two considerations can be made: first of all, we can obtain the value of the impact which that event had, beyond the fact that we can repeat it on another date. Secondly, the future demand can be calculated on that date assuming that the event does not take place, simply by subtracting the surplus demand that it has made.

Finally, the short-term forecast is made the week before the arrival date. This is certainly the most hectic week, where the greatest number of bookings and cancellations arrive. This type of forecast is intended to provide the latest information useful to modify and improve the final result.

However, we cannot talk about Revenue Management without developing also a Product Marketing strategy. It is necessary to understand which products are the most appropriate for the targets of the various

segments: the types of rooms for sale and the products marketed by the hotel that could be too many or too few. The history and the analysis of the market will give us feedback on this topic. Understanding the habits and needs of our typical client will allow us to develop targeted campaigns and promotions, but above all to know when and how to position them throughout the year.

Knowing well our customer and his "habits", we could search and select operators specialized in specific markets and for specific targets, thus developing the market that interests the firm.

The creative and alternative distribution is an important lever to exploit, there are different channels respect to the normal online and offline ones, for example the "Gift Box" or the "Club", but there are many others, all considered as very important sales tools, which if properly calibrated can give the company what it needs, when it needs it. Also, a careful eye on Social Media Marketing activity will be important, as we already mentioned the importance of these channels for today consumers.

Obviously, we must not forget a fundamental part of the activities of a hotel: the ones dedicated to the Corporate client. The client of the Middle Week, which must be cuddled, loyal and even indulged, but that unfortunately the hotels miss very easily.

Counter-settlement activities or telephone follow-ups are a fundamental part of helping to develop the best hotel Revenue strategy. The analysis of the Top Accounts understands which tariff is considered the most correct convention and for whom, without ever asking for a minimum of guaranteed nights or the countersigned convention. One thing that must be avoided at all costs is that the rate exposed during the Middle Week falls below the Corporate rate, this must be true to avert unpleasant surprises such as corporate bookings from Booking.com.

An integral part of a good Revenue Management activity is the Training of Front Office staff as well as Managerial.

All this work is aimed at achieving three objectives of primary importance: cost reduction, optimization of daily employment and maximization of turnover for all the departments of the hotel.

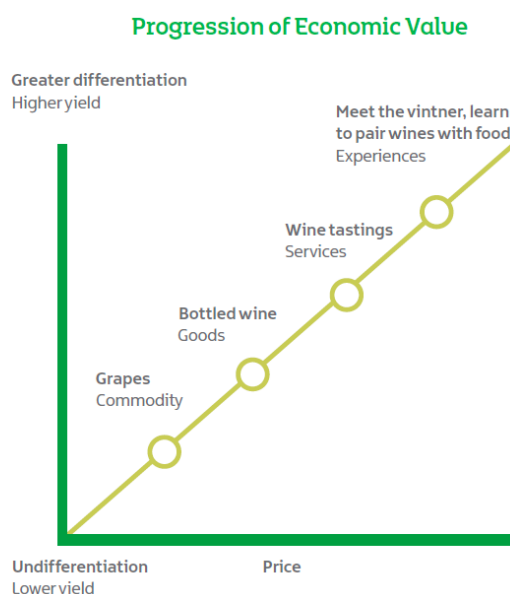
6.3. Revenue sharing activities

In conclusion, generally Revenue Management strategies nowadays are used within the whole hôtellerie industry to face new challenges and threats and to rise the RevPAR using the KPIs to measure the hotel performance. An important element of the strategy is also to create revenue sharing on additional services,

for example, by proposing a series of inclusive packages which might comprehend experiences and services that are not normally included in the booking of a hotel room. In fact, experiential tourism represents an enormous opportunity for accommodation facilities that are able to differentiate themselves from the standard tourism product expected by the customers of that specific destination.

The business resulting from the offer of experiential packages is very interesting as it allows to obtain from guests the availability to pay a so-called "premium price" in order to benefit from the experience and of course it permits to compete with the aforementioned Airbnb and also obtain higher reviews on rating websites such as TripAdvisor.

Figure 8



Source: Nancy Arsenault, Celes Davar and Todd Lucier, 2011

An interesting example of this phenomenon is, as we already mentioned before, the one by the Hyatt. In fact, the chain hotel launched two years ago “The Unbound Collection”, that is a rather different experience than the normal stay in the hotel. In fact, they organize boat trips, cruises and other adventures to bring the added value we are talking about and adapt to the new customers’ needs given also by the entrance in the market of Airbnb and its Experiences.

PART III: The new generations – changes and developments in the luxury hôtellerie sector

7 – How the sector is being shaped by new generations

Why this focus on the Millennials? The answer is simple: they represent the future of the market.

For the companies it is not exactly good news, given that the much-vaunted Generation Y presents behavioral traits that were never seen before and that can put in danger even the most expert of the market analysts.

As we will see, the Millennial has an extremely subjective and diversified perception of the world and of the products that are launched in the market day after day. It is not easy to identify a trend or a particular target on which to base its market research, precisely because fashions and tastes have a virtually nonexistent cycle, given the speed with which trends are changing today. A factor which then was even more accelerated and made available to everyone after the advent of technology.

For these reasons, we will analyze the Millennials both from a technical / demographic point of view and from a purely psychological and social point of view, trying to dig deep to understand how the under 35s relate to the market and how much cultural origin can influence the entrance in it.

Very difficult to classify, the Millennials seem to be able to live without the luxury consumption, but at the same time they are strongly attracted by expensive products, unregulated life and statements of power (obviously understood in a social perspective). All these contradictions actually result in disruptive buying behavior, where there are no half measures and will probably never exist.

Our society has been invested by social networks, cross and delight of the era in which we are living. The advent of this kind of portals has heavily influenced the way of thinking about personal relationships and how to relate to people. There are those who say that they are tools that have become indispensable in everyday life, both for the construction of emotional relationships and for working life, thanks to the ease of dissemination and sharing of news. Then, there are opposing currents of thought, where the general conviction lies in affirming that in reality these portals provoke the completely opposite effect to that for which they were conceived, that is, inserting future generations into a sort of hyper-connected context, a limbo, which leads, however, to neglect enormously the "real" personal relationships, the moments of everyday life and, more often, good manners. In short, whether if their use is positive or not for the

development of relationships, nowadays social networks are still considered indispensable tools under many points of view, especially if you want to effectively lead a normal life within our contemporary society.

An interesting aspect about this matter is dictated by the application that the world of luxury has made of these powerful communication tools. Especially among young people (but not only) it has spread a current, which we can safely now define a cultural derivation, recognized as the "Rich Kids", in which the rich offspring of extremely wealthy families (especially Europeans and Americans), share daily photos and videos on social channels, in order to show "ordinary people" their way of life decidedly over the top. "First there were Rich Kids (literally rich guys) of Instagram, now there are the Rich Kids of Snapchat that, on the king of social networks, Facebook, show off their lives made of days spent between private jets and yachts, luxurious villas, sports cars, vices, luxury items and above all a lot of money. They decided to show their wealth to the world. From the captions and comments that accompany their photos you can see the contempt for simple life and above all the contempt for people who do not have money. As told by the Daily Mail, the Rich Kids often turn to the less fortunate calling them farmers" (Scimenes, 2011).

7.1. Generation Y traits

The Generation Y (better known as Millennials or "MTV generation" – defined in this way above all by American sociologists, because the historical station lived its golden period between 1981 and the end of the 1990s, becoming a major influencer not only on a musical level but on the cultural level of the aforementioned generation. Since its debut on television, MTV has had a profound impact on the music industry and on mass culture. Slogans like "I want my MTV" have become true symbols of entire generations) includes those born between 1980 and 2004, or those who are defined as "the generation of the new millennium".

A large segment of the world's population is included in this generational division which presents some very particular characteristic traits, able to distinguish the Millennials from all previous generations of the past in a very marked way. The differentiation is so high that it is defined as "uncontrollable and revolutionary" by a large number of sociologists and economists, so much that companies and markets have generally found themselves faced with purchasing behavior that were never seen before, so as to redesign operational strategies and communication to succeed in coming up against the bizarre needs of this new heterogeneous type of clientele.

Where does this name come from? Strauss and Howe in their work *"The History of America's Future, 1584 to 2069"* explain that the term Millennials was coined directly by the same members of the generation, this is because they did not want to be confused with the members of the past ones (Generation X above all).

Starting from this simple clarification it immediately emerges how one of the traits of this particular population is to be over the top, characteristic which has fascinated scholars from all over the world, leading them to attempt a conceptual theorization as difficult as dynamic and evolutionary over time, since the liveliness that characterized this generational current. The very conception of life is greatly different from what has been conceived over the years by past generations. Once, the evolution of a person observed a linear path, in which we grew, we found a job and then we went to live at home with a wife with the aim of setting up a family. For a Millennial this kind of reasoning is absolutely out of question. The options offered by life are many and they flow in an incalculable number of possibilities and different combinations that translate into lifestyles that are often out of the box or tend to be different from those that the young people of twenty or more years ago were able to adopt. Family independence is achieved in late age, usually after 30 years (Bianchi, 2016), and a return home can occur in the future. Forming a family is no longer a binding condition on which to base the goals of one's life. The work is no longer seen as a long-term commitment, but now we are aware of the fact that the working environment will be characterized by a series of different and heterogeneous experiences.

Flexibility is the watchword that characterizes the Millennial, the future is taken lightly, and it is now established that some certainties now belong to a past world in which the Millennials do not recognize themselves. Tendentially, however, there is optimism regarding the future and the lifestyle that will one day be taken, even if objectively recent studies have shown that this positivity tends to fade over time (Espinoza, Ukleja, Rusch, 2010).

We must not neglect a very important distinctive feature that deeply characterizes this generation and probably also the generations that will come: globalization. This is the first generation able to break down geographical and linguistic distances that did not allow in the past a real interaction between the different cultures scattered around the world. They are defined as hyper-connected, social generation or simply "always-on", given the possibility of being in constant contact with the world thanks to the technological diffusion of the means of communication.

Why are Millennials so feared in terms of economic policies and market strategies? Starting from a purely demographic assumption, this segment of the population includes a large number of people, extremely heterogeneous and coming from all over the world. Shortly, they represent the type of consumer that will dominate the markets (both in terms of numbers and in terms of capacity of spending) for the next 20-30 years and then going to be configured as the specific target on which to focus on building the future of their companies.

To get an idea in numerical terms we are talking about 79 million Millennials only in the United States and about 160 in Europe. Exorbitant numbers that make understand the generational "weight" that in the immediate future will greatly influence the way to conceive and develop the products to enter the market. It will be up to companies to incorporate new needs, to build strategic plans capable of providing bespoke offers that are capable of capturing large sections of the market.

7.1.1. Millennials' influence in the luxury sector

The luxury industry is enormously interested in knowing the needs of these "emerging consumers" as it is believed that they will be the future also for this sector. If we talk about luxury, the projection becomes necessarily long-term, since, ignoring exceptional cases, this type of purchases take place following a series of goals such as the realization of a professional career, the purchase of a house and so on.

Millennials are the generation of consumers to whom luxury will totally refer in 15 years. They have new myths, a new language, a slang, they inform each other differently, they have totally different purchase drivers from those who preceded them. They demand a change of pace and new ways of interacting with brands, 66% of them want to build an emotional connection. If satisfied, then, they are active promoters both offline and online, where they seek a continuous interaction with brands. It means not only informing yourself on the net before making a purchase, but reviewing it, photographing it and uploading images onto a social network – prevalently Instagram and Facebook (60% of Millennials against 29% of Non-Millennials).

Talking about them does not mean framing a generation, but finding a new angle through which to look at the whole business model, from marketing, to sales, to communication. Becoming a reference brand for this generation is essential to win the luxury game in the future (The Boston Consulting Group, 2016). Needs, languages, goals and social relationships change. Emotional involvement will be of enormous importance, an element in which future generations seem to believe very much. Luxury will lose that personal and "private" connotation to make room for a form of sensory fruition that will probably detach itself, as previously stated, more and more from materialism and common consumerism.

The big brands belonging to the luxury sector, but more generally the market itself, are starting an evolutionary process able to increase the customer's sensory involvement, and this innovative way of understanding the customer approach will definitely invest Millennials too during their "commercial life".

The leaps in technology have led to over-exposure of communication. According to various research institutes (Nielsen e Statistic Brain), about 27 million different contents are shared worldwide and the

average attention span for each individual has dropped from 12 to 8 seconds in 15 years of analysis. This means that the modern consumer, who identifies with the generational group we are analyzing, has less interest and time to devote to an increasingly saturated and invasive offer. "We check our smartphones on average 150 times a day. Our email 20 times per hour (during business hours). The amount of information continues to double every 18 months. All these data pass from our heads, but only some of them create real attention in us. It is a battle of information to win the consumer's engagement" (Serni, 2014).

The Millennials, accustomed to find themselves in a global market, strongly saturated and in continuous growth, are a type of customers that is really difficult to influence, whose attention to be captured needs to receive a series of stimuli able to make something perceived as different from the usual routine of products and offers to which they are already notoriously overexposed.

This drives companies, for example, to rely on new techniques of manipulation useful to capture customer attention, such as visual marketing, based on the principle of creating a link with consumers through images, elements of product design or through the simple management of the layout of the store able to arouse an emotion thanks to a story. Here a link is recreated, in which, for example, a Millennial can recognize him/herself and through the use of social media in turn, so as to encourage the promotion of the product in question through word of mouth. Thanks to stories, consumers learn information by adding a chronological sense and a basic theme or a moral and have the opportunity to take a position, discuss it with friends, highlight the motivations they perceive, etc.

Obviously, for the luxury sector, operations of this type are fundamental for the survival of brands, even if the high prices penalize the virality of the diffusion. Storytelling and content marketing are essential to create new needs that a constantly evolving generation like the one in question proposes to companies every day. The dynamic market calls for dynamic strategies, constantly evolving targets and advertising maneuvers able to engage large audiences. To survive it is necessary to know how to adapt.

7.2. Generations defined

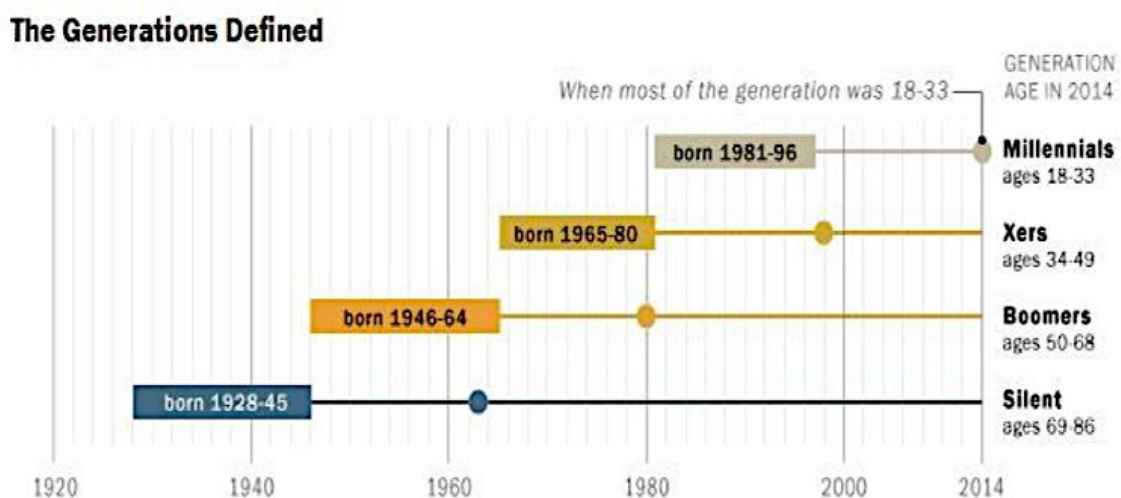
The so-called generational marketing, divides the various generations into 7 groups (D.Martone, *I Nuovi Dei dell'Olimpo dei Consumi: alla conquista dei Millennials: La Generazione Y a confronto con quella Europea e Mondiale*, 2015), able to effectively distinguish the various market targets, so as to be able to launch specific operational strategies both in the short and medium / long term. The subdivision includes:

- Lost Generation: which identifies those who fought the First World War (1883-1900);

- Greatest Generation: includes those who lived their youth during the Second World War period (1901-1924);
- Silent Generation: the generation that lived the period immediately following the great wars (1924-1942);
- Baby Boomers: the name derives from a real demographic explosion that took place between the 40s and the early 60s. It is a generation with values similar to the one we are analyzing, at least for the fact that this remarkable increase in the volume of births derives from the desire for change and overthrow of the dominant principles of the society of that time (1942-1962);
- Generation X: represents the recent past. Characterized by a wide heterogeneity and diversity of thought in many fields such as languages, religion, racial differences and so on. (1962-1980);
- Generation Y (Millennials): identified in what we are analyzing (1980- 2004);
- Generation Z: born shortly after the start of the new millennium. This generation represents the future, but its still embryonic nature does not yet allow it to be studied effectively and definitively (2004 onwards) According to the US Chamber of Commerce Foundation, the Generation Z will move about \$ 600 billion only to the US, and then rely on an autonomous spending capacity of \$ 43 billion.

Taking as a basic sample the American population, there are some important differences between these different types of generations. From an educational point of view, Millennials are much more educated, for example when compared to the Silent Generation, whose women graduates were around 7% of the population, while now the percentage is practically quadrupled (about 28%, according to the latest census revelations). The same applies to men, although obviously the percentages in the past were slightly higher due to the strong sexual discrimination in the workplace and school.

Figure 9



But it is precisely considering the differences between the sexes that we can highlight the real change in the generational lifestyle. Making a comparison between the two sexes, among the Millennials there are more graduated women than men: 27% against 21%. Looking at the past generations, in the Silent Generation the difference is equal to 5 percentage points, with men at 12% and women at 7%. Among the Boomers the difference is thinner, with women climbing to 14% and men to 17%. With Generation X there is instead overtaking, with women climbing to 20%, compared to 18% for men (Prima Online Comunicazione, 2016).

This change reflects how modernity also translates into a more open attitude towards women, stronger and more independent. Even in the workplace the situation is very similar, in the '60s about 65% of the female workforce was not inserted in the world of work. The real change has been witnessed since the 80s onwards with the advent of the boomers, which has raised the female employment by about 30 percentage points, giving rise to a more and more present and extended work development.

However, it is interesting to note that for Millennials the employment world is still considered as a territory hostile and difficult to enter, due mostly to external causes, and not necessarily (or as the popular belief imposes) to lazy or poor interest in their own future. Millennials have entered the world of employment in difficult times. If during previous generations 78% of the males had a job, the percentage of employees in the Millennials fell by 10 percentage points. Female employment has also suffered from the same problem. The growth recorded since the 60s reached its peak during Generation X, with 69% of employed women, and then began a downward trend, reaching 63% for Millennials. A piece of information that however, could be put in relation also with the extension of the scholastic course (Prima Online Comunicazione, 2016).

Even the marital aspect has profoundly changed over the decades. A study conducted by a well-known American researcher (Richard Frey, researcher based at the Pinton Research Center in Washington), highlighted both the fact that about 7 Millennials out of 10 are not married, and that the average age of couples who decide to marry has increased compared to the past. It has gone from an age range that averaged between 20 and 23 years in the '50s, to an average of 28.2 in 2014. The main reasons according to this study are due to the lack of economic security and the retraining of priorities in the life of Millennials. Curiously, as a result of the introduction of voluntary leverage, the percentage of enlisting modern boys has fallen dramatically.

As already stated above, several studies have tried to analyze and "catalog" the Millennials, but the extreme heterogeneity of the subjects involved in addition to the fact that in the same generation are contained in their turn the "generational sub-divisions" has made it all more complicated. Labels and various definitions

can contradict each other, testifying the difficulty in identifying the basic components along which the Millennials build their values.

According to the Huffington Post, from a demographic point of view this generation seems to be by far the most numerous compared to those of the past. There are about 80 million Millennials in the world and last year they even outnumbered the generation of Baby Boomers numerically speaking. Moreover, it is estimated that during their life they will spend about 10 trillion dollars. In ten years they will account for 75% of the US workforce (N.Howe, W. Strauss, *Generations: the history of America's future, 1584 to 2069*, 1992), and this data should be enough to understand why they are object of observation by companies all over the world.

Furthermore, the important element of longevity of life must also be considered. Millennials have a longer life expectancy than that of past generations (raising 10-12 years compared to past life averages) and therefore this increases both the commercial vision of the relationships that the companies will go to activate with future customers (no more short and occasional and long and trust-based buying behaviors) and the way people deal with life.

7.3. The consequences of globalization

Millennials were born and raised in a very particular phase of the world economic system, that is the period that goes from the creation to the integrated and widespread development of a perfectly contextualized global system. It is absolutely normal for them to do not really understand the true meaning of distance or geographical barrier. Everything is close at hand (or more specifically click), even cultural barriers no longer seem insurmountable as they once were. It radically changes the way of conceiving the world with respect to past generations: it is perceived as an open, dynamic system in constant evolution. It is considered a separate entity that can enjoy its own life and rely on a series of factors that allow rapid changes in short periods of time. Everything is connected, everything is dynamic. Change is a practice that fits well within the life of the young Millennial.

This openness has heavily influenced people's lifestyles, leading to greater "intellectual tolerance". Young people know their origins and have their own intellectual identity, but they are not afraid to look any further and therefore believe that there is always a way out that can guarantee them a better future. Since young age, they have become accustomed to considering the possibility of going abroad to live in the future, implementing the knowledge of a foreign language, considered as a fundamental baggage to be integrated.

Obviously, this kind of tolerance is not addressed only to the outside. Critical themes such as racism, abortion, euthanasia and so on are more easily listened to and analyzed, thanks to an internationalized and multicultural vision that allows us to consider the problem from many points of view.

Furthermore, the opening of mental horizons favors the formation of a widespread curiosity, supported by the network and by the research portals that allow people to access daily a series of increasingly heterogeneous contents. This continuous research forms a specific knowledge, widened to the most disparate sectors and able to enrich experiential baggage and to form increasingly large companies prepared on a very large number of topics.

Very popular in terms of globalization is the term "contamination", inserted in the cultural sphere. The most striking example is that linked to the food culture that perhaps more than anything has suffered in this sense. It is sufficient to see how in Italy there are many new Chinese restaurants, fast food restaurants or even multi-ethnic restaurants that can boast of offering a whole series of dishes of cuisines from different parts of the world.

Certainly, this openness can not only entail positive aspects capable of constantly improving coexistence among the "citizens of the world". The main problem of globalization is easy to understand: the great cultural sharing on the one hand can and must be interpreted as the future to be achieved, where people can travel and integrate without any problem in every part of the world, but on the other side we must always consider that every country, culture and person derive from a very specific frame, which translates into a sense of identity that can give security and pride at the same time.

The symptom of belonging is perhaps the real obstacle to be demolished to guarantee the development of globalization, and as in all things, even in this situation there are a whole series of pros and cons that should be evaluated and verified.

Immigration is often perceived as a symptom of a slowdown in the country, where resources are channeled in the wrong direction, thus favoring policies that produce a lackluster result, translating into the loss of competitiveness in the various economic sectors. Obviously, we are talking about perceptions of immigration and not of real and objectively measurable results. The media play an extremely important role in this sense, since it is precisely through these channels that the perception is modified and above all that the phenomenon is expanded like wildfire, encouraging the formation of ideas and conjectures on the policies imputed by the various governments.

Another interesting aspect is related specifically to Millennials. According to a recent ISTAT research, young Italians (under 35) have a sort of linguistic gap, compared to age-related residents in some European countries. In short, certain more incisive education and training policies abroad make certain countries have a more pronounced tendency to consolidate the study of foreign languages (for example through the Erasmus cultural exchange project) than others. Naturally, this greater propensity translates into an extension of work flexibility, both as regards the movements of pure geographical character, and the different types of jobs that a professional in the course of his career is willing to take into consideration. The interesting thing is that this desire for change not only affects young people, but over time the age group has widened with interest in enriching the linguistic background.

By the way, according to a report by the Boston Consulting Group, the Millennials generation is more interested in travelling abroad than in previous years (70% against 48%). And the United Nations estimates: today young tourists are 200 million and generate more than 180 billion dollars in annual turnover in tourism. An increase of almost 30% compared to 2007. In addition to the shortened distances and a freer lifestyle (without children and not yet professionally stable), Millennials have more flexibility to organize their travels. And just the lack of professional stability leads them to prefer to spend their money to explore the world rather than the mortgage of a house or the purchase of a car. Better to travel today than to save money for an uncertain future.

7.4. Experiential luxury

By 2035, the Millennials will become what, even the American expert and writer Pam Danziger, in his paper "*Five Luxe Trends for 2015*", has defined "the generation with the greater purchasing power in history". Understanding Millennials is therefore fundamental for the companies in the luxury sector, and it is also because this generation is transforming and redefining the concept of luxury itself. As we read in the Danziger paper, if for previous generations to buy luxury goods meant to witness the achievement of a certain social status, for Millennials the paradigm has definitely changed.

Millennials have a different vision of life: their world is a place in which luxury goods no longer serve to flaunt a status achieved, but they rather contribute to define their own identity, to express their point of view and the emotional bond that link them to famous brands.

Luxury for Millennials is above all an emotional experience. Some important evidences have emerged on the consumption habits of the Millennials. Deloitte's experts made a report called "Bling it on", which was released in 2017. The study has collected the impressions of more than a thousand consumers between 20

and 30 years in the United States, United Kingdom, Italy and China and opens up interesting considerations for the luxury tourism sector.

We can summarize the analysis in an effective example: between buying a haute couture and staying in a 5-stars hotel, Millennials are inclined towards the second option. In particular, the US customers and the British prefer this type of purchase, with percentages that exceed 65% and 61% respectively (NN Investment Partners, 2017).

More in detail, the Millennials:

1. Choose an "experiential" luxury: more than 53% of respondents prefer to enjoy a memorable experience, such as an expensive concert or a special weekend getaway rather than buying a luxury product. And this is also true when it comes to making a gift. This trend, stronger in mature markets such as the United States and the United Kingdom, assumes less importance in China, where luxury products still indicate the belonging to a certain social status and still represent the way to show off a privilege. In another Deloitte research on the subject, entitled *"Global Fashion & Luxury Private Equity and Investors Survey 2017"*, the Millennials' preference for exclusive experiences emerges clearly, with trips in first place. Millennials love to make memorable journeys: from excursions to kite surfing to unusual places or long bike rides to discover distant countries. In short, rather than spending big money looking for golden beaches in ultra-luxury resorts, the Millennials make adventurous journeys with a strong emotional matrix;
2. They discover on the social media everything you need to know about luxury and current trends: in this sense, Instagram assumes a primary role for companies in the sector that are increasing their advertising budgets on online channels. Nevertheless, fashion websites and magazines remain important sources for Generation Y, confirming that these buyers follow a purchasing process based on multiple sources;
3. Express their values through the choice of brands: Millennials choose luxury brands for the values they communicate and for the causes they support. They contribute to expressing the personal and social identity of this generation. Therefore, their purchase choices are oriented towards brands with positive perceptions and a strong brand equity symbol of quality.

In order to capture the attention of Millennials, luxury brands must learn to give products and services that offer an emotional value that goes beyond their economic consideration. They have to reinvent themselves,

accept the challenge of digitization, create a genuine involvement between the Millennials and their brands, keeping pace with the evolution of the market. Some of the most important brands in the sector are already working in this direction. There are those who have chosen a female character from one of the most famous videogames in the world as testimonial of their collections and who have decided to forge partnerships with music streaming platforms to make available to the customers the playlists used during the fashion shows. Rather than celebrating their legacy and prestige, companies must be able to praise their clients' passions, leaving them the space to express their emotions and desires.

Another important study which helps us to better understand Millennials preferences within the luxury travel sector has been carried during the fifth edition of Luxury Travel and it is about international trends. The research was conducted by Aigo, with the partners of Pangea Network involving 636 professionals in the sector. What emerges is that Generation Y opts for exclusive and unique experiences, combined with customizable services.

The data showed that luxury travel is not a niche at all, given that as many as 93% of respondents treat them and are expected to grow by 6-10% over the next two to three years. Most of them would be the Generation X (36-55 years, 62%), followed by 37% by the Baby Boomers (over 55).²⁵

Making the difference in the choice is by far the destination (74%), followed by a long distance from the overall experience (20%), while it seems to count very little accommodation (5%). Finally, if the high-spending "nomads" still mostly book offline, the average budget per trip is between 5,000 and 10,000 euros. Decisive advice from friends and relatives and reviews on the internet (again TripAdvisor and more in general rating websites' importance is underlined).

7.5. The economic weight of new generations worldwide

As we mentioned in the first chapter of this thesis, according to the estimates of the "Worldwide luxury market monitor" by Altagamma and Bain & Co, the high-end sales continue to grow and the merit is all of the under-40s: in 2018 the sales of "personal luxury goods" - only a portion of the most articulated luxury market that is worth € 1.2 trillion (+ 5%) - will grow by 6% and will reach € 260 billion, compared with € 254 billion in 2017. The six billion difference is entirely attributable to the purchases of Millennials and Generation Z. That, if today they absorb 33% of the luxury market, in 2025, when the sales of personal luxury goods will range between 320 and 365 billion euros, they will buy more than half (55%). And they will contribute to the growth - estimated at between € 65 and 110 billion - for 130%.

²⁵ <http://www.businesspeople.it/Lifestyle/Tempo-libero/luxury-travel-generazione-X-103989>

For the Made in Italy sector, the luxury manufacture is worth 9 billion. With the example of Italian Millennials, that is a generation still struggling with the search for job stability and, often, with low wages, it is difficult to imagine the under 40s as a propeller of the high-end market. To do so, we must shift our gaze to the East and, more precisely, to China: according to the Monitor, presented during the 17th Altagamma Observatory, citizens of the Republic buy 33% of luxury products worldwide. And, in seven years, it is estimated that they will make almost one in two purchases (45%). Chinese consumers (young, fashion and hyper-digitalized) should be monitored not only for their willingness to buy, but because their evolving shopping habits will significantly affect the geography of the luxury market. If, in fact, in 2018 purchases are concentrated mainly in Europe (84 billion, or 33% of the total) and America (80 billion, 32%), thanks to the abolition of import duties on high-end products by the Beijing government, in force since July 1, the Chinese will do more shopping "at home": in 2025 the People's Republic will have a 22% market share, similar to that of Europe (25%) and the US (25 %), because the Chinese will make 50% of their purchases at home.

The first signs of this shift in the global luxury axis which is already underway are that sales in China in 2018 will touch € 23 billion, + 18%. From the data on the tax-free shopping in Europe presented by Global Blue we have that in the first nine months of 2018 the Old Continent recorded a drop (-6%) of tax-free sales, a market segment which between 2011 and 2018 more than doubled its turnover. The Chinese, who owe 29% of purchases, made less purchases both in Europe (-4%) and in Italy (-5%). Our country has suffered (-8%) above all for the negative performance (-15%) of Russian tourists.

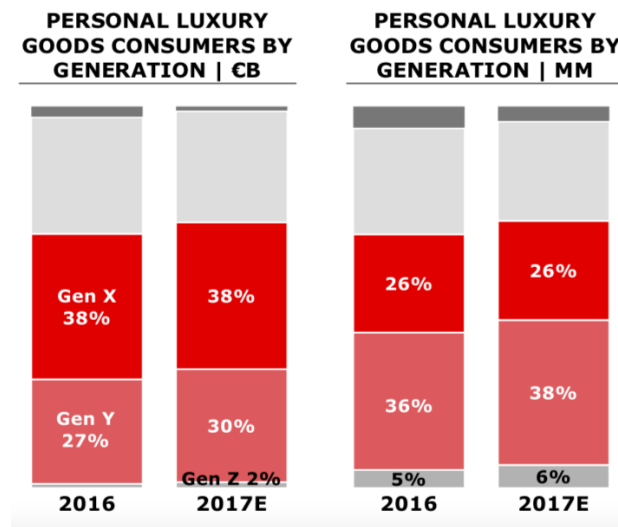
In a situation of uncertainty in which everyone admits the difficulty of making predictions, 2019 will be another positive year for luxury: according to the Altagamma Consensus the market will grow by 5%, with leather goods and accessories (+ 7%).

Other important considerations about the Millennials influence on the luxury and most of all the haute hôtellerie sectors were made in the Altagamma and Bain & Co 2018 Research: a positive performance of luxury hotels will be recorded; the main challenge will be to attract and retain exactly the Millennials.

In fact, the new generations will deliver about the 130% of the market growth, with the Generation Z which will show some new and original traits compared to Generation Y. In fact, Generation Z is approaching in a very fast way and it is showing specific attitudes and differences with the previous generation.

According to the same study, there will be a brisk growth of luxury cruises driven by a strong appeal to both Baby Boomers and Millennials.

Figure 10



Source: Altagamma and Bain & Co 2018 Research

The younger generations are considered as the main growth engine of the market, about the 85% of the luxury growth was fueled by generations Y and Z in 2017.

Another interesting evidence carried out by this research was in the discovery of a virtuous circle around the younger generations' acceleration: in fact, the Millennials are keeping entering the market with clear tastes and behaviours, influencing other generations. Winning brands must develop tailored strategies and upgraded value propositions, because Millennials are extremely responsive and engaged beyond expectations. All these strategies are aimed to amplifying their spending and advocacy.

By the way, the luxury travel firms still ask themselves if it is better to focus their resources on baby boomers or millennials. This is still an important question for those involved in marketing in the luxury travel sector. One target, however, does not exclude the other: Ken Dychtwald, a successful baby boomer, and his son Zak, an enterprising millennial, claim so.

Father and son agree that the tourism and hospitality industry should always keep in mind both the target groups of travelers, emphasizing now the one, now the other according to the changes in the market.

At a recent conference organized by Virtuoso, an intermediary for luxury tourism, the Dychtwald presented to the public "*The New Language of Leisure: A Boomer/Millennial Smackdown*", that is a comparative study of the perspectives related to leisure as conceived by the baby boomers, that is, as we already mentioned above, the Americans who were born in the twenty years of the post-war economic boom, and the millennials.

The reasons for the great attention paid to the duo by a major tourism brand are to be found in the long experience in the sector: for over 35 years, Ken Dychtwald has been studying the lifestyles that characterize the generation of baby boomers. In 1986, he founded Age Wave, an organization that implements products and services for people with more than fifty years for companies.

His twenty-seven-year-old son, Zak, has recently returned to the United States from a four-year experience in China. Today, Zak takes care of the Chinese initiatives for Dilenschneider Group, which also deals with communication for tourism companies. He is also the author of *“Young China: How the Restless Generation Will Change Their Country and the World”*, a study on Chinese millennials.

In the specific area of the theme "luxury tourism: generations in comparison", Dychtwald senior has also spent some words on the X generation - which is generally not considered as a luxury travel user. In fact, explains Dychtwald, forgetting about the Generation X is a huge mistake and it is interesting to note that there is a consistent amount of luxury tourism marketing experts who mistakenly focus exclusively on Millennials.

There is a need to bring attention to the age range of 50 years up, boomers and Generation X, because this is where 70% of US disposable income is concentrated. The combination of this concentration of economic well-being, plus the excess of free time that occurs when crossing a certain age threshold makes the boomer "the ideal users of luxury tourism".

Taking the millennials into account in this area is far from a waste of time. In fact, as you can learn from one of the interventions that Zak Dychtwald made during the interesting presentation held with his father, as many as 5 million American millennials are millionaires. And although the millionaire boomers in the US are exactly the double, millennial millionaires are more numerous than those belonging to Generation X (4 million). It is a fact that makes us reflect and that naturally activates tourism marketers in this sense.

So, economic well-being has to do with the younger age groups. But even if it were not so, as Zak Dychtwald points out, the desire to travel is so strong for them that the millennials are willing to sacrifice something else just for the pleasure to leave.

Currently, even those of them who do not have sufficient financial resources to undertake exclusively luxury travel are able to gather enough to allow themselves even just one experience. As Zak Dychtwald explains, "the desire to live a life full of experiences that can enrich us, as long as we are young, is the spring that leads us to spend even more than we can afford."

Millennials are known for the tendency to tip the balance on the side of experiences rather than that of material goods. Not because they want to go against the current compared to their parents. The basic objective is common: to arrive at old age. With the difference that, as Zak explains, "we prioritize experiences. We do not dream of a house in the countryside, but heavenly beaches. No more stability, therefore, but a life full of experiences to remember."

In reality, when the common denominator is the travels, we notice that the two generations in comparison are not so different. Even Dychtwald junior admits that "the millennial mindset was invented by the most emancipated baby boomers".

At the base of the symbolic comparison between generations conceived by father and son Dychtwald there is in fact the idea that luxury tourism marketers should leave every stereotype and start thinking about new strategies that act on the generations in a transversal way, to take hold on everyone's dreams.

8 – A research on new Apps and trends

As we already explained, thanks to a series of new features such as globalization, Millennials are the new protagonists of the travel world. Today, according to the latest outlook of the World Travel Monitor made by Ipk International, they hold 40% of all international travel in the world.²⁶

Moreover, their way of traveling is veering more and more towards the luxury target, as we have seen, so much that the half of the so-called 'rips', trips that involve spending more than 750 euros per night if short break or 500 euros for the night if longer holidays, are the prerogative for them.

Basically, Millennials have as their first motivation for an international trip that of holidays, while only for 15% it is work and the type of travel preferred is the short break in a city, with a market share of one third of all holidays carried out by the segment.

Among the characteristics of the travels, the search for authenticity and the escape from overcrowded destinations, with a marked sensitivity for the issues concerning the over-tourism and at the same time the risks of a terrorist attack.

²⁶ https://www.ttgitalia.com/stories/agenzie_viaggi/147035_pi_lusso_e_viaggi_al_femminile_ecco_le_vacanze_dei_millennials/

8.1. The context

A recent study carried out by the IBM Institute for Business Value, involved over 700 people sampled from several generations, including Millennials, Gen X and Baby Boomers, which influence the B2B purchasing decisions of their companies.

The result of the research was that Millennials usually take decisions very differently from their older colleagues. The new buying habits impose new strategies, including the systematic and constant use of social media and tools for analysis and collaboration.

Their aptitude for technology and new media means that Millennials with these natural characteristics end up impacting business decision-making processes. Unlike the Baby Boomers, 64% of the Generation X and 56% of the Millennials think that to make decisions is essential do make comparisons.

This scenario inevitably also implies that the choices relating to the purchasing process that for most Millennials derive from teamwork, for Baby Boomers derive in less than half of the cases from consultation with the colleagues and they are also much less likely to share their shopping experiences.

From the study, the behavioral results of Millennials during the purchase phase have emerged, and can be summarized here:

- During the research of the products of their interest, those belonging to the age group in question, which as we explained usually goes from 18 to 35 years, tend to seek direct communication with the representatives of suppliers and colleagues, much more than the Generation X or Baby Boomers, who are, however, more likely to trust articles and blogs written by external experts;
- After choosing the product, it comes the second phase, the one that most concerns this generation, the convenience factor. Here interactions in person become a burden, more than an advantage;
- As regards the methods for communicating with suppliers, Millennials mainly prefer the email and telephone tool.

They are also inclined to virtual meetings in video calling and chat, and they use WhatsApp and other instant messaging apps without any problems. But the real news is that communication is gradually shifting more and more towards social media, considering that young people in decision-making positions are growing:

today, 41% of those in the 21-25 age group already use these tools to communicate, while the eldest represent only the 18%.

Data analysis and personal contacts play a primary role in the purchasing phase - just like when they make personal purchases.

In contrast, Generation X and Baby Boomers look to personal experience to make the right choice. This element can represent a real challenge for suppliers and producers who need to rethink how their goods and services are perceived by potential buyers and try to reach even their personal network.

But the real important point of view is the social one. In this field it is interesting to note that, according to the IBM study, it is very likely that Millennials will increasingly tend to share their positive buying experiences directly on the suppliers' websites.

It is not usual to do the same, when, on the contrary, their expectations remain disappointed: only less than 10% of the interviewed Millennials said they were willing to publish a negative review on a company's website, on social media profiles or on the website of third parts. Generation X and Baby Boomers are also very keen to share positive reviews across various channels, but they have a greater propensity to share negative complaints.

Social media are therefore extremely important also for the tourism sector. But how to conquer the Millennials Tourist? Knowing the habits of these potential customers is essential. Especially if you take a look at the data released by Chris Fair, president of Resonance Consultancy, at the latest Bit edition. Having said that millennials are almost always connected, it should be added that 80% is very sensitive to online reviews, 57% upload photos even several times a day, while 51% is connected to the smartphone to comment or post updates on their vacation.

So, where travel agencies do not arrive, there comes Facebook. On the most popular social network, 56% of users' posts are about travel, while 76% connect to know what their friends are doing on holiday.

But even the choice of destination and bookings are often inspired by Facebook (in 54% of cases). Furthermore, 88% of users find the "tips" of their holiday contacts useful. Not only that: 83% have clicked at least once for the symbol "like" when in its bulletin board has seen a brand linked to the world of travel. The literature on the use of Facebook in tourism is very wide. According to Forbes, 15% of Millennials reported being heavily influenced by Facebook posts and 13% by Instagram even during the trip.

As a matter of fact, we analyzed in the second chapter, Instagram is also very strong, becoming a reference point for those looking for a holiday inspiration. We are talking about a social network that records 150 million accesses aimed at collecting useful information on accommodation facilities and tourist locations.

Even on Twitter we can find some relevant data: for 30% of travelers, the hashtags - the compasses of the new millennium - become inseparable travel companions. Since they know that special offers and promotions from hotel chains or airline companies also can arrive in that way.

Moreover, sector operators take into account another fact: not only the smartphones go on holiday with their owners (essential to make access on Facebook and the other various social), but 85% of them admit that last year they used it to plan their holidays, to book a hotel room (78%) or an airline flight (77%). It is no coincidence that 72% of those who use smartphones and tablets have downloaded at least one travel app.

Also interesting is another survey conducted by the luxury travel network, Virtuoso, which has unveiled some of the secrets of luxury travel in the Millennials generation. Even them, if carefully selected, can become excellent customers: the travelers aged 22 to 32 tend certainly to use with particular frequency the online agencies (87% of them do it).

And it is also true that their average daily travel expenses are 62% lower than that of the "mature" tourists' segment. Nevertheless, if these potential clients are approached and "cultivated" adequately, it is possible to significantly reduce this gap (up to 24%). These young globetrotters often prove to be more loyal customers than those belonging to other age groups.

The analysis of Virtuoso was carried out on the behavior of tourists purchasing the highest segment of the market on the basis of their date of birth. The results obtained, if on the one hand certainly confirm the widespread opinions, on the other hand they also deepen the reasons behind certain behaviors, while at the same time denying some of the most consolidated clichés.

Continuing the analysis on Millennials, one has the feeling of being in front of a generation rather focused on itself, with little time available and stubbornly convinced that a smartphone can, alone, solve many of its problems. It is true that the Millennials generation has always been one of the most coveted, studied, mythologized and perhaps, misunderstood reference market in history.

Involving and training these young tourists, showing them a lot of patience, is therefore the key to turning them into good customers. Itineraries and tailor-made experiences for real independent travelers are the best strategies to implement in order to engage them.

Tourism marketing must shape its proposals to this generation with ever-changing wishes. This is why tourism service providers are warned: the priority for the future is to shape sales channels based on the habits of Millennials as consumers and to focus on simple and immediate communication, based on new technologies and social networks.

But first of all, before going on the hunt for Millennial travelers, it is also appropriate to reflect on what emerged from a huge research (involving 600 thousand people of various age groups) conducted by the US company *J.D. Power*.

Of course, the generalizations are not useful at all, but it is also true that the identikit traced by this survey clarifies well the ideas to the many companies that actually know little or nothing about this important slice of potential customers.

Firstly, it is not easy to become able to retain them. But whoever manages to conquer them with a satisfying service, hardly loses them: if they are treated well, they do not change even for money, unlike other age groups.

By the way, the service must be excellent, otherwise even this segment of customers will be lost. The Millennial tolerates little or no delays or mistakes, they want everything to work better. In the hotel environment they want everything to go smoothly from the first moments of the check-in, the Wi-Fi connection must not fail, etc. Another determining factor is the quality-price ratio. They want to pay the right amount and get a competitive service. Image, status, brand loyalty are concepts that do not fascinate them at all.

Nor do they worry about privacy: they "sacrifice" it quietly if they can get special offers or other benefits in exchange for personal information on their account. By the way, they are also considered optimistic. Despite the crisis and various uncertainties, they think that in the future they will be better economically, which is why they believe they will continue to travel.

Firms in the luxury hospitality sector must be able to keep pace with the times because after the Millennials, in fact, the Z Generation is already driving a completely mobile revolution.

In the United States, marketing experts have already been studying it for a while: it represents a quarter of the population and has a potential of \$ 44 billion. It is a more demanding generation that requires more attention and respect. Knowing how to interpret the tastes and expectations of the Z generation, knowing the

new online communication channels that they prefer, means having conquered the customers of today and tomorrow also and above all in the world of travel.

8.1.1. Raleigh & Drake

In this context, some interesting Apps were born, which tries to satisfy the new generations' travelling needs while organizing experiences and new kind of entertainment activities guaranteeing an unforgettable journey or creating platforms to get to know new and interesting places all over the world through sharing pictures and locations.

For instance, we can talk about the *Raleigh&Drake* App. It is a travel / technology brand, which is Millennials-centered, and it is based on the concept that this new way of travel can be able to transform and shape the whole tourism industry. On their website it is described as *“Travel is social currency. Engage millennials on their terms by leveraging Raleigh&Drake - the world's first influencer-driven discovery platform”*. The aim of this App is to create a real-world map made of recommendations from locals and expert travelers or influencers, who exploring the most disparate places in the world are able to give pieces of advice to users for a unique trip. In this way, the user will be able to book experiences and to choose where to go in few minutes rather than hours. A very sophisticated technological platform stands at the center of the App, and it allows anyone to build their own mobile-app (called RAD) that will be travel guide to anywhere in the world, in a very short amount of time with the RAD curator earning a commission on any transactions made: *“Engagement = revenue. Our platform enables your customers to save, share, and book commissionable experiences - all in one place, all on-demand”*.²⁷ *“Our goal is to build a travel brand that reflects the value system of millennials while leveraging their social travel recommendations to build the definitive social network for travel and experiences”*²⁸ says Patrick Sarkissian, one of the founders.

The name of the App comes from Sir Francis Drake and Sir Walter Raleigh. They had a solid vision, they wanted to undertake an intrepid expedition to chart the New World. The creators were inspired by that, they want to turn the world's largest industry, travel, into an opportunity for both exploration and equitable economic exchange.

On the iOS AppStore we can find this description: “Here's what you'll get in this iOS experience from Raleigh & Drake:

²⁷ <https://raleighanddrake.com>

²⁸ <https://www.digital.nyc/startups/raleigh-drake>

- A personalized selection of beautifully-designed custom guides within the app;
- Real-time scheduling and booking of recommended tours, activities and restaurants within the app - fully secured;
- Offline maps and directions so you're never lost;
- Transparent layout of all costs, mark-ups and commissions for tours & activities;
- Transformation. 2% of every dollar goes back into the communities you visit via Kiva.org.

Years ago, on a dusty road in Vietnam, two young women from NYC ran into each other. One spoke exuberantly about the wonders of Saigon, the other about the intrigues of Hanoi. They feverishly scribbled down each other's' recommendations, then disappeared into the sea of scooters.

Fast forward to the present - the world has gotten even more crowded, more scooters everywhere. There's too much noise. So, we decided to build a clean, well-lit space to enable discovery from those you trust.

RAD has carefully selected 500 Explorers to maps their world for you, allowing you to quickly find and favorite authentic experiences.

Here's what you'll get in this iOS experience from RAD:

- A curated selection of authentic spots from trusted Explorers
- Personalized filtering
- The ability to favorite any experience you want
- Geolocation and mapping with Google maps / Uber integration

RAD. Welcome to your world.”²⁹

When you open the App, you have the possibility to enter with a username and a password, or to connect both with Facebook and Instagram. Then, you will find many cities to explore from Miami to Buenos Aires to Yerevan. Once you have chosen, you will find different activities and beautiful places to visit and you can press a diamond shape icon to save them in your “Treasures”, that is a list of your favorites. Among the different functionalities you have also the search, where you can digit the name of the city, the activity or experience and some “Activities near you” are highlighted as well. In the same search section, you will find a list comprehensive of all the Explorers and if you click on their names a page with the RAD and the activities advised will be opened.

²⁹ <https://itunes.apple.com/us/app/rad-discover-the-authentic/id1085858316>

The management is composed by all experts of the travel industry: FOUNDER / CEO is Patrick Sarkissian, who can boast 20 years of digital brand marketing for top brands, he is a startup investor/mentor and active world traveler; PARTNER / CREATIVE DIRECTOR is Riley Milhem, with 15 years as a Design Director / Creative Director, over 20 awards including 3 Cannes Golden Lions; FOUNDER / PRESIDENT is Gilad Goren, 10 years in travel as an innovator and leader and Ace salesman; CTO is Ashot Tonoyan, who guarantees 20 years of bootstrapping delivery of MVP's for startups, team management and advanced architectural / cycle planning for tech platforms.

Gilad Goren, one of the founders and president of Raleigh & Drake claims that there are three main reasons for undertaking a journey today, and they can be summarized in: urban travel; the genuineness of attending in person a music festival or an art show and anything that cannot be done using an electronic device; travel for improving a skill or a hobby. As Goren says about travel: *"It is an anecdote for future conversations; an activity/meal/interaction that both epitomizes and highlights the destination you chose, and the reason you went in the first place"*.³⁰

This team created an app that is certainly very interesting giving the context described.

8.1.2. Black Tomato

Speaking of true online travel agencies competition, we can certainly mention the luxury travel App called Black Tomato, a renowned and award-winning travel agency based in the United States and England.

*"Travel now meets you in the spaces you congregate in and is, in fact, empathetic"*³¹ claims Tom Marchant, owner of the company. Rather than providing only a limited list of packages for their customers, Black Tomato wants to become able to cater to and address the feelings that the travelers experience from the very beginning of the organization of the journey, so the thrill and the anxiety, to the post-journey experience, so a kind of depression due to the returning of a routine. *"Half of the fun of travel is the anticipation. As a travel company it is our job to tap into that and also use that process to get people adequately prepared,"* Marchant sustains. The Black Tomato's team in this first phase begin the process with a so called "art of travel" kit, that includes a series of music playlists, books and other tools which are inspired by the

³⁰ "Why millennial luxury travellers are harder to please - and how the industry is rising to the challenge – Customised travel experiences now incorporate tech elements and local culture", Daniel Scheffler, 5 May 2016 / Updated on 11 May 2017

³¹ All Tom Marchant's quotes in this paragraph are taken from "Why millennial luxury travellers are harder to please - and how the industry is rising to the challenge – Customised travel experiences now incorporate tech elements and local culture", Daniel Scheffler, 5 May 2016 / Updated on 11 May 2017 - <https://www.scmp.com/magazines/style/article/1939112/customised-travel-experiences-incorporate-tech-elements-and-local>

destination, all to make the traveler feel in the right mood to leave and prepare him/her in the most appropriate and customized way. Just as this first step, at the end of the journey there is a “back to reality” feature that is able to greet the traveler when he/she comes back to make him/her feel more comfortable with the return mood.

Moreover, the company allows every user to control simply through the app the house's heating, taxi booking, music playlists for back home. *"So, while lying on the beach the day before they board their flight, or in the taxi on the way to the airport they can create a far more welcoming environment to return to and avoid as best they can the 'back to reality blues' feeling,"* Marchant claims.

One of Black Tomato's newest examples of tailor-made experiences is called Blink. This unique facility gives the possibility to create prefabricated pods which are tailored just for the single user. These extremely customized pods can be organized in many different places all over the world, often in remote and tranquil destinations, where nobody has ever stayed before. According to the app's owner, this can be viewed as the definition of new luxury. *"Inspired by the rise of pop-up restaurants, bars and retail stores, we've cast our eyes to the world of accommodation and immersive travel experiences to offer travelers a personalized experience that can be enjoyed for a brief moment, but soon after gone forever".*

The luxury traits of this service can be found not only in the highly customization, but also in its evanescent nature. This app's technological features are certainly disturbing the luxury travel industry, but the human element still remains important. *"Human expertise and insight are necessary and so the role [of the travel expert] has never been more important,"* Marchant says. Travel experts of today might not be agents or concierges, but "regular people" that Millennials can easily relate to.

Black Tomato is described as *“an award-winning, creative and cutting-edge luxury tour operator. Whatever your destination, however unusual your request, Black Tomato is the only place to go to book your ultimate trip away.”*³²

On the iOS AppStore we can find this description: “Welcome to Black Tomato: award-winning creators of rare and wonderful travel experiences.

We've designed this trip planner app to be your ultimate travelling companion. It puts all your key travel information into one place, allowing you easy access – without the need for an internet connection. Here's what you'll find:

³² https://www.blacktomato.com/?utm_expid=.loVOu6lqRjqDpRnkDgA-mw.0&utm_referrer

- Flight, transfer & accommodation details
- Your travel itinerary with at-a-glance, day-by-day summary
- Essential travel documents
- Live flight info
- Countdown
- Destination weather report
- Local maps
- Our insider restaurant & bar recommendations
- Emergency contacts
- Photographs upload area – for everyone on your trip to use and share
- No internet connection required

We hope you find this helpful. Relax, and welcome along.”³³

By the way, you can log into the app only with the reference number and passcode given by the travel agency after having organized the trip.

When you enter the website, you have the possibility to choose the month when you want to travel and the reason why you are travelling. You can also go on the function “Start Planning”, so that you will open a page where you will find many different details to insert about the trip you want to organize (such as where, when, how long, how many, how much you want to spend and in what currency, personal information and it is possible also to add comments or special requests). You can find a list of some types of experiences such as safaris or cruises as well, that will be then personalized for your needs, on the same page.

They also propose “The Agenda” that is a brochure reimagined with beautiful imagery, personal thoughts and everything you need to know about travel in 2019. To access to this agenda, you must enter your email.

For the communication, on the website you can also find two telephone numbers to talk to the expert team, one for the calls from USA and one from the rest of the world. You can also sign up for the newsletter, share your travels through your favorite social network (from Facebook to Pinterest) and of course leave a review on the company itself.

³³ <https://itunes.apple.com/na/app/black-tomato/id1385366125?mt=8>

Another very interesting feature is the so called “Panic Button”, when you press it a page with the writing “*Need to be on a plane, like yesterday? Fill in this form and we’ll contact you and ease the stress*” or you can call the “panic team” to organize the trip in the smallest amount of time possible (you have to fulfill a 2-minutes-form first).

One of the new travel experiences proposed by this innovative travel company is called the *Get Lost Tour*. The only thing required in the organization phase is an act of trust towards the tour operator: if you decide to leave the one piece of information you will have is from which airport. On the official website you can leave some clues regarding which your ideal type of travel could be. You will have to choose the preferred environment well, because each of them involves a completely unique and different experience. The final goal of the trip will be revealed only once arrived at the destination. The reasons for embarking on such a journey are the most disparate: to sharpen your mind and use skills that perhaps you did not even know you have; to disconnect from everything and start again from scratch once you have returned; to become a true explorer; to find that sense of completeness and personal fulfillment (alone or in company); or just leave to discover unknown and unexplored places. The secret behind the success of this project by the Black Tomato tour operator is to think out of the box. They go against the current and make the traveler rediscover the true sense of the journey. The only amenities available to the users who choose to undertake one of the Get Lost Tours will be their skills and the partnership of the travel agency with what3words (a geocoding system for the communication of locations with a resolution of three meters): a way accurate, and above all offline, to be able to browse without ever really losing the orientation.

Moreover, Black Tomato has developed for the most demanding customers the Drone the World program that supports the traditional guide with a cameraman, expert in the management of drones, so as to make customers taste an even more exclusive point of view on the place they are visiting. The agency uses experienced operators who have worked on adventure film sets or collaborate with National Geographic: at the end of the holiday, customers receive a personalized package of digital photos of their excursions immortalized by the eye of the drone.

In conclusion, sophisticated destinations, tailor-made itineraries and innovative services are the elements which contradistinguish this App, giving it an extremely relevant role in the luxury travel sector and particularly towards Millennials and new generations.

8.2 Interview with Giuseppe De Martino, St. Regis Rome General Manager

To enrich and confirm the analysis’ results, an expert of the sector has been interviewed. In fact, Mr. De Martino is the general manager of the historical luxury hotel St. Regis Rome from March 2018. The St.

Regis Rome started its history in 1894 and it is part of Marriott International group. The interview was centered on discovering the Millennials' influence on the hotel's activities and means of communication.

- In your opinion, how much has the percentage of young people staying in your hotel (particularly Millennials and Generation Z) changed during the last 5 years?

The percentage of Millennials that use our services is certainly high. In fact, they appreciate the comfort of the luxury hotel, but they demand a service that is designed especially for them, that is very interactive, engaging, technological as well as attentive, punctual and precise as requested by the protocol for the luxury hospitality industry. Interaction with guests must be personalized according to the interests and motivations that have driven the client to travel, which can be cultural rather than aimed to a particular occasion. With this customer-centered strategy we can certainly achieve loyalty from the young guests, thus creating contents that fit their profile, starting from the services, passing through the products offered and the initiatives undertaken. To this purpose, we have also collaborated with some brands, for example Garage Italia with which we have restored a car (a 1954 FIAT 600) to which an electric motor has been mounted, since young people are very attentive to eco-sustainability, and that is used as courtesy car. The design is by Lapo Elkann and recalls a Palazzo Barberini's fresco.

- Do they travel more often alone or with the family? And for short periods of time (2-3 nights) or longer (one week or more)?

During summer and in general during holidays, it is more common that families with young children between 20- and 24-years old stay for longer periods (one week or more). In this case, Millennials appreciate the fact of being able to live a luxury, historical hotel with all the 5-star services, but including elements that are closer to their tastes (music events, cocktail bar, Wi-Fi, etc.).

- What are the most popular offers among young people provided by your hotel?

Our customers appreciate an environment that shows a great attention to detail and a bright design. Young clients appreciate this as well, but the environment should not be extremely formal, they must feel comfortable in it. The hotel in general has had to adapt to new generations' needs, for example, we have implemented a training course for all the staff members on how to treat this new type of customers, also because many employees have been in service for more than 30 years.

- What are the means of communication with which guests get to know more often your hotel and your services? How much and which social networks are used to communicate with your customers?

We are present on all social networks, but the focus is on the website that is highlighted on all search engines dedicated to hotels (Expedia, Booking.com, TripAdvisor). It is important to always provide valid content and a very attractive photographic material. In fact, we use Instagram very much, where we also work with the hashtag #StRegisRome with which our customers, including many influencers such as Riccardo Pozzoli, follow us.

- How important are online rating websites in your opinion? Is there a specific team role that deals with this type of communication (such as TripAdvisor)?

There is a figure that must respond within 24 / maximum 48 hours to any complaints or negative comments from customers (established by the company policy), if this is not respected the hotel will have to pay a penalty to the company.

- Do you also offer "experiences" other than simple overnight stays? If yes, which ones? And who benefits the most from this type of services?

Yes. In the evening there is always musical entertainment, with a DJ attentive to the musical tastes of the youngest. In addition, Millennials are also very interested in high quality food and beverages, so we created a bar service called Lumen which provides a series of cocktails that are inspired by a collection of butterflies, where the glasses are designed by young artists (e.g., Federico Pepe). Moreover, at 7 pm every evening there will be a sabre event, with a video created by a Milanese video-maker that recalls the moment of this particular ceremony. All these initiatives are designed to attract customers of the new generations.

Conclusions

This work is aimed to study the new phenomena of the luxury hôtellerie market and in particular how the Millennials are shaping the industry. The question is: “Where is the industry going? How can the new generations influence a sector which is so rooted and, in some ways, so traditional?”.

To this purpose, an analysis on the sector, that goes from the delineation of the characteristics of the industry, going through the description of the client's needs, to the strategies implemented by the companies to face the new challenges and threats, was carried out. The focus is, as anticipated, on the new generations and in particular on Millennials (Generation Y).

In addition, in the last chapter, a research was conducted on two recently created applications which define themselves as Millennials-driven and Millennials-oriented, that are Raleigh & Drake and Black Tomato, where the latter has won several awards starting from the recognition of THE GUARDIAN / OBSERVER as Best Travel Website in the years 2007-2006, up to TRAVEL + LEISURE for which it was Listed on the Travel + Leisure 2017 List of the Top Travel Agent.

What emerged from this analysis is that the luxury hospitality industry is going through a period of important changes, linked not only to technological development, but also to the evolution of the behavior of travelers. It is expected that the perfect integration between personal tastes and technology and the increasing use of data will significantly change the way hotels operate.

In particular, the changes that the hotel industry has experienced over the past five years are unprecedented. For this reason, we must expect further revolutions in the next two or three years. In particular, the combination of the use of big data, artificial intelligence and the anticipation of travelers' wishes implies a change in the whole travel experience.

Technological innovation, personalization and creativity are the three engines that will guide the evolution in this scenario and lead to the elaboration of many interesting ideas.

The contextualization of the Generations Y and Z in a society that is so globalized, frenetic and hyper-connected as that of today has made this sector shaped by these new needs. Through the study of these generations, we can affirm that one of the changes already in place is certainly a greater personalization of the whole "journey" perceived as the life cycle of the traveler – pre-stay, stay and post-stay (elements that are treated in their entirety by the Black Tomato App). This greater personalization, largely based on

technology, will make every stay personalized according to the needs, wishes and tastes of the guests and everything will be easily managed by personal devices.

Especially for large hotel chains, it will be very important to invest in technology, because the number of guests grows, and they expect a perfect technological integration in every structure. Even private *hôtellerie* must invest in innovation and in creating a loyal clientele.

With the Revenue Management strategies, we can further assert that data play a decisive role in the daily operations of the entire hotel industry, including the luxury one, and that their use will be increasingly broad and deep in the coming years. Data today drives all hoteliers' marketing decisions, that otherwise could not keep up with their customers' needs and expectations.

In conclusion, also thanks to the interview with an expert of the sector, Mr. De Martino, the general manager of St. Regis Rome, we can affirm that the influence of young people today leads to a never-before-seen Customer Centricity, which corresponds to the future of the sector and requires hoteliers to reason no longer by segment, but *ad personam*, to obtain truly personalized experiences and reserve extreme attention to the customer. Luxury hotels are forced to change their activities and services on the basis of new generations' needs.

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Abstract

It follows a brief summary of the thesis, in order to synthetize the whole study into some key points.

The crucial point of the study is an accurate analysis of the luxury hospitality sector and the influence that new generations are demonstrating to have both on the management of hotel activities and especially on industry trends. Precisely, the attention during the whole thesis is focused on Millennials and Generation Z, their preferences and their most relevant characteristics.

The study is articulated into eight chapters, which are divided into three parts.

The first part is about the description of the luxury hospitality sector, where a first introduction to the frame and the characteristics of the sector is made.

The first chapter is, in fact, focused on the industry characteristics, considering the most adopted new technologies in the sector (Virtual Reality, Voice-activated instruments, Internet of Things (IoT), Artificial Intelligence, Blockchain) and the importance of exclusivity, that is given not only by the possibility to afford the acquisition of goods which are prohibitively costly for the majority of people, but also from the faculty of getting the privilege to live a unique experience.

Then, some fundamental requisites and international legislations on the hospitality sector are analyzed, with a particular attention to the Italian regulation (precisely the Decree Law of the 21st October 2008). What emerges from this first approach to the industry is that the laws covering this subject are quite standardized all over the world and are aimed to pursue the best services and the highest standards possible everywhere.

In the second chapter, different types of luxury hotels are listed, in particular the subdivision by style given by BLLA (Boutique & Lifestyle Lodging Association) is analyzed. According to this classification the following categories have been distinguished: Boutique Hotel, Lifestyle Hotel, Luxury Boutique Hotel, Trendy or Modern Hotel, Design Hotel, All Suite Hotel, Architectural Hotel, Artistic Hotel, Avant-Garde Hotel, City Hotel, Classic Hotel, Classy Hotel, Comfortable Hotel, Conference Hotel, Contemporary Hotel, Corporate Hotel, Country Hotel, Distinctive Hotel, Extraordinary Hotel, Funky Hotel and another category out of this classification, but still important, is Hotel Relais. Also, another classification has been given by Rita Geson (IDM Südtirol – SMG trend research) classifying hotels by style and here we have: Original, Supercool, Opulent, Ökosign, Casual and Mooding. What emerged from both the classifications is that the

lines between different hotel categories are becoming blurred, with a variety of brands and concepts which cross many segments. This phenomenon is even more evident within the high-end hotel sector, with lifestyle and boutique hotels among the most common classifications that luxury hotels boasts.

To better understand how the sector is shaped from the inside, we have analyzed also the market segmentation and some of the most important hotel chains in the industry (IHG, Marriott International Inc., Hilton Worldwide Group). In particular, a parenthesis on Marriott International Inc. is opened, also because of the relevance of this giant in the field after the merger with Starwood and the consequent acquisition of its important portfolio. Two of the most important brands are studied (W by Weinstein and Element – both acquired from Starwood). To remain in the luxury Hotel Chains field, we tried to understand the importance of branding also through the World Luxury Index Hotels research, which divides the hotel chains of the world into three macro-categories: Luxury Major, which are luxury brands of a major integrated chain (e.g., Sofitel, Ritz Carlton, JW Marriott, etc.); Luxury Exclusive, which are luxury brands of a small/medium sized exclusive luxury chain (e.g., Four Seasons, Kempinski, Mandarin Oriental, etc.); Upper Upscale Brand (mainly from integrated chains such as Hilton, Sheraton etc. but whose average price per room does not justify admission to the luxury hotel category). What was very clear from studying this modern way of segmenting and branding hotels, is that luxury is becoming most of all synonymous of exclusive experiences. These experiences must be unique and bring emotions to the customers, who want to see something new every time, or at least they expect to be surprised. Of course, for the hotels is also important to remain faithful to their category and their soul.

The thesis goes on with part two, which is dedicated to a deep analysis of the context where the luxury hospitality operates through the customers' description and a report on social media relevance (particularly Instagram). It is well known that, nowadays, guests are tech-savvy and well-informed travel researchers who try to obtain the highest value possible without sacrificing the experience they are looking for. The modern consumer no longer represents a clear and unique profile, but on the contrary it is shaped by a fragmented and fluid set of different profiles put together. In fact, thinking of the consumer as a member of a relatively static market segment is very difficult and senseless nowadays. This is because sociological and anthropological theories of consumption affirm that a first goal that consumers pursue, through the act of consumption, is to differentiate themselves from others. In general, scholars talk about a consumer today who has a "mercurial character", and that is therefore very difficult to "trap" and segment in a predictable way (Fasone, 2007). For this reason, personalization is the core of many luxury service providers, since they try to offer personalized experiences, which are extremely appreciated by luxury travelers. In this context, for their innate possibility to let the users express themselves freely and individually, social media are extremely relevant. As a matter of fact, luxury travelers have embraced social media and are always able to find up to date information which allow them to confront immediately brands and experiences at the same

time, to make the best choice by their own. The influence of travelling contents generated by the users is extremely higher than the traditional advertising. The appeal of the travel report made directly by the travelers themselves is rapidly and exponentially increased and Instagram is full of travel bloggers who continuously upload pictures and share travel stories. The “Instagrammability” of the destination is considered as the most important factor for the Millennials in choosing travel destinations. So, the use of Instagram is certainly having an impact. Today, the places which were remote and appealing only for the most dynamic travelers are overcrowded by tourists. For many of them, the only goal is to capture the perfect snapshot to post lately on the platform. The “Instagram factor” clearly plays a decisive role when we talk about the Millennials decisions about their travel destinations. According to some, the idea of gaining followers and likes on the platform is truly appealing. According to others, the social network acts like a proper travel guide, being able to choose the most marvelous destinations through the pictures posted. Even the credibility of Instagram itself can be considered as an influent factor. Consequently, travel agencies or in general brands connected with travels, must create a faithful and sincere presence on the platform and most of all involve the customers through high-quality pictures and videos. The “Instagrammability” has assumed such a great relevance that, for instance, the Indonesian Ministry of Tourism has planned to transform some of the most interesting local places to become “Instagrammable” tourism destinations, and this will be a key side of its strategy to lure Millennial travelers.

Continuing with the analysis, the fourth chapter highlights the great threat posed by Airbnb and its recent moves towards the luxury industry with the creation of various dedicated new services (Plus, Experiences, Select). Briefly, we can make a description of what these three consist of: 1) “Plus” is a new service that collects only the highest quality homes with hosts featuring great reviews and attention to details. Each house is visited in person to make an inspection with over 100 quality checks to ensure maximum comfort, homogeneity in the services offered and design care; 2) “Experiences” allow guests to deeply get to know the local community. They are offered by local hosts, and there are two types of them: diving, which are experiences for several days and one-day experiences, which can last only a few hours.

In essence, Airbnb, to create these experiences, has taken advantage of its community, now vast and worldwide, and has selected its best hosts, offering its users something more than a home, the adventure pills to be enjoyed in a few days. You can learn from local legends such as professional surfers, emerging artists, high-level chefs and founders of non-profit organizations. The advantages of joining this initiative for the hosts are clear: get more visibility and have a preferential channel to promote the brand and the business. Finally, of course, the opportunity to meet new people, which is the most important factor of Airbnb's success; 3) “Select” program is not entirely available on the platform yet and only few hosts, under invitation, are able to participate. During the past year and a half, the pilot program has been active, and more and more hosts have reportedly received invitations. The principal objective of Airbnb Select is to create standardized hotel experiences for the guests. While the properties do not have to be luxurious to be

accepted in the program, the platform is working to establish the minimum standards for the hosts and the properties invited. With this program, Airbnb is actually trying to target those customers which will not use the platform as it is right now. Some guests would not use Airbnb because they prefer to stay in hotels. Moreover, they do not like the idea to stay in single-family homes, which many hosts are offering. For this reason, Airbnb staff is helping the hosts to reach hotel standards with their own properties. To be admitted, the hosts will have to present their candidacy. The company will send its own inspectors, who will verify the presence of certain services and high standards before giving their permission to go ahead. The service also includes the collaboration of professional photographers, who are responsible for portraying the apartments.

After these new services provided by the platform, a research on new acquisitions and partnerships was made. In fact, recently Airbnb signed a partnership with Châteaux & Hôtels Collection, for which the 500 hotel properties will appear on Airbnb. The agreement stems from the awareness of sharing the same concept of hospitality, which makes the collection a natural partner for Airbnb, allowing its rooms to become part of the portal portfolio. It is the first time that Airbnb is allied with a star of the hotel industry and *haute cuisine*. In addition to the accommodation proposals, Châteaux & Hôtels Collection has created exclusively for Airbnb four new gastronomic experiences in Paris, offered to travelers on the Airbnb Experience platform.

Then, we have the acquisition of Luxury Retreats, a Canadian company that is specialized in dream vacations with the rental of villas and estates with a personal assistant service included. Each of the over 4,000 offers in 100 locations have been inspected by Luxury Retreats to ensure full satisfaction of the demanding clientele. Each guest can count on a personal assistant service available 24 hours a day throughout the stay. So, with these move Airbnb is clearly expanding its business, also taking care of luxury accommodations in exotic locations for the short-term lease of millionaires' property intended for customers with a portfolio and needs completely different than usual. For now, Luxury Retreats' teams and businesses remain at their Montreal headquarters in Canada, but the luxury rental offers will be soon included in the Airbnb platform. In fact, CEO Joe Poulin will become the manager of Airbnb's "luxury homes" division and this implies that the luxury sector, which until now has remained marginal in the communication of the brand, is the new focus of the holiday home giant. What we can say about this particular acquisition is that through Luxury Retreats, Airbnb certainly has acquired the company's full listings, but the most important thing can be found in the technology used. In fact, the know-how that the luxury company owns in managing of extra luxury amenities, can be used by Airbnb at a scale level (to provide bartenders, masseuses services etc.). The aim is to bring luxury to scale around the world. The direction of Airbnb is to project the company to cover everything that is considered leisure and experience in the global travel industry.

In the last paragraph of the chapter, we have made a consideration about the effects of home-sharing on the hospitality industry and on luxury hôtellerie as well.

"The Welfare Effects of Peer Entry in the Accommodation Market: The Case of Airbnb" (2018) by Farronato C. and Fradkin A., is an important research with which some of the Airbnb negative effects on hotels' revenues were demonstrated. In fact, even if during the research period Airbnb has brought a relatively small threat to the overall short-term housing market, the researchers found that Airbnb's growth until 2014 reduced hotel variable profits by up to 3.7% in the 10 US cities with the largest Airbnb presence. This phenomenon was particularly intense in cities that had a limited hotels capacity during days with a higher demand. At that time, hotel room prices were more influenced than the occupancy rates, and for this reason a hotel room in one of these cities could still be booked during peak times, but Airbnb competition may have forced the hotel to lower the prices for those same rooms. The rooms on Airbnb are more in the cities with greater demand for accommodation, as well as in areas with more expensive hotels, such as New York, Los Angeles and San Francisco. For instance, in Los Angeles about the 6% of Airbnb hosts manage more than one apartment, getting the 35% of all income generated by Airbnb to L.A.

Moreover, a research accomplished by Boston University gives further relevance to these findings by showing a link between the number of properties on Airbnb in a specific destination and the monthly revenue of hotels in the same area. The first result confirms the negative impact of Airbnb: the presence of short rented houses on the market significantly lowers the RevPAR (it is the abbreviation of Revenue Per Available Room) of a hotel. In their sample, the homes on Airbnb cost a higher average than hotel rooms and they noticed how the negative impact of Airbnb on RevPAR decreased as the price difference increased. This, according to the researchers, is caused by the "agglomeration effect" where a low-cost hotel has a higher RevPAR if it is strategically placed in an area with more expensive facilities. The research also dispels the myth of Airbnb as a competitor of only mid-level hotels: the effect of Airbnb on the RevPAR does not vary significantly based on the quality attributes of the hotel, such as the number of stars or the average rating in online reviews. In other words, no hotel is immune to the decline in RevPAR linked to the sharing economy.

The fifth chapter deals with the issue of reputation and the rating services, particularly TripAdvisor, and how much these can affect today a reality considered so unique and peculiar as that of luxury.

A parenthesis on the partnership with Best Western and its results on the reviews is made. Although the main goal of this partnership was to increase the number of reviews published, it is interesting to note that the quality of the reviews has also improved. In fact, the average score of the reviews collected through the partnership is 4.28 out of 5, compared to 3.98 of the reviews collected in other ways. Furthermore, as a 2013

Cornell survey reveals, there is a direct promotional relationship between the number of reviews and the TripAdvisor rating. Recent reviews (quantity and topicality) with high scores (quality) collected through the partnership have resulted in better positioning of Best Western structures in the popularity ranking. As a result, these structures appear in higher positions in the search results on TripAdvisor, which helps them to attract more attention from travelers searching for accommodations. The opportunity is certainly to overcome competition, but to achieve a real competitive advantage the structures must have a proactive attitude. The partnership is just one way to collect more reviews and improve the popularity of the hotel on TripAdvisor.

To understand the importance of reputation, TrustYou and Accor Hotels made an important research aimed to demonstrate the link between TripAdvisor reviews and hotel bookings and rates. What has been proved is that even if the hotel costs more, the user books the one with the best reputation. The tests examined the reservations of a group of Accor hotels both in Europe (225 structures) and in the Asia-Pacific area (182 structures), monitored between November 2013 and September 2014. These bookings have been monitored in connection with the reputation of each hotel on TripAdvisor. The correlation between the number of bookings received, the progress of the reviews on TripAdvisor and the relative positioning on TripAdvisor in the ranking were analyzed. The analysis revealed interesting results, both related to the correlation between reviews and bookings, and related to the positioning itself on TripAdvisor:

- 4) The 5 stars reviews affect the overall ranking of the structure more than anything: the positioning of the structure in the ranking of TripAdvisor logically increases with the increase of the percentage of reviews by 5 points and the average score. But which factor turns out to weight the most? In Europe, the percentage of 5 stars reviews have the greatest effect on the positioning of a hotel on TripAdvisor. If the percentage of 5-point reviews increases by 10%, the hotel's positioning improves by 11.3%. If the average score increases by the same percentage, the hotel's ranking increases by 6.1%. It is important to underline, however, that in Asia-Pacific the correlations have had an opposite and much lower outcome: in case the percentage of 5 points reviews increases by 10% the positioning increases by 3.7%, while if the review score increases in same percentage, the ranking increases by 4.3%;
- 5) Scores and reviews of 5/5 affect the increase in bookings from TripAdvisor: to understand the correlation between the TripAdvisor reviews and the bookings, the analysis examined the positioning on TripAdvisor and the sales coming from this channel in particular. However, it does not clarify how the impact on offline bookings or from other online channels has been calculated. If the ranking on TripAdvisor improves by 10%, the expected number of bookings on TripAdvisor increases by 4.6% in Europe and 5.7% in Asia-Pacific. If the average score on TripAdvisor improves by 10%, the

expected number of bookings on TripAdvisor increases by 9% in Europe and 15% in Asia-Pacific. Reviews in Europe seem to have a stronger impact on offline channels. Online reviews in Asia-Pacific have a greater impact on web channels. It should be emphasized that the effect of the average / positioning score decreases over time. An increase in placement is correlated with an increase in bookings initially of 5.2%, but four weeks after the impact decreases to 3.5%;

- 6) The increase in rates linked to the increase in 5 stars reviews: as already shown by Cornell, also in this case we see how the hotels with better scores and reviews can afford to increase also their average rates. According to the analysis in Europe the percentage of 5-points reviews shows the greatest correlation with the increase in rates, followed by the average score, both in Europe and in Asia-Pacific.

We can conclude from these evidences that is worth reflecting on the weight and importance of a hotel's online reputation.

With the sixth chapter, one of the most used management strategies is analyzed, the Revenue Management, focusing on the revenue sharing activities, and it is demonstrated that even luxury hotels have to look at the “experiential” trend and to the enrichment of the travel package offered to guests. We can define RM as the integrated management of price and resources in order to maximize the company’s revenues. In fact, the most famous definition of this technique is: "selling the right product, to the right consumer, at the right time and at the right price", and we can add through the right distribution channels. By the way, the definition of this topic is in continuous evolution due to the different changing variables of the market.

After a distinction between the technique applied in a hotel chain rather than in an independent hotel, a technical analysis of the strategy focusing on the indices and their use is carried out, followed by a research on the importance of revenue sharing activities. In fact, creating additional services, for example, by proposing a series of inclusive packages which might comprehend experiences and services that are not normally included in the booking of a hotel room, allows to obtain from guests the availability to pay a so-called "premium price" in order to benefit from the experience and of course it permits to compete with the aforementioned Airbnb and also obtain higher reviews on rating websites. In fact, experiential tourism represents an enormous opportunity for accommodation facilities that are able to differentiate themselves from the standard tourism product expected by the customers of that specific destination.

The third part is focused on the study of the new generations and it is perhaps the most important element to conclude the analysis.

In the seventh chapter, the new generations are analyzed in detail, with a particular attention given to the Millennials, their socio-demographic characteristics and the influence that globalization has on our modern society. This particular generation includes those born between 1980 and 2004, or those who are defined as "the generation of the new millennium". A large segment of the world's population is included in this generational division which presents some very peculiar characteristic traits, able to distinguish the Millennials from all previous generations of the past in a very marked way. The differentiation is so high that it is defined as "uncontrollable and revolutionary" by a large number of sociologists and economists, so much that companies and markets have generally found themselves faced with purchasing behavior that were never seen before, so as to redesign operational strategies and communication to succeed in coming up against the bizarre needs of this new heterogeneous type of clientele.

We must not neglect a very important distinctive feature that deeply characterizes this generation and probably also the generations that will come: globalization. This is the first generation able to break down geographical and linguistic distances that did not allow in the past a real interaction between the different cultures scattered around the world. They are defined as hyper-connected, social generation or simply "always-on", given the possibility of being in constant contact with the world thanks to the technological diffusion of the means of communication. To get an idea in numerical terms we are talking about 79 million Millennials only in the United States and about 160 in Europe. Exorbitant numbers that make understand the generational "weight" that in the immediate future will greatly influence the way to conceive and develop the products to enter the market. It will be up to companies to incorporate new needs, to build strategic plans capable of providing bespoke offers that are capable of capturing large sections of the market.

Millennials are the generation of consumers to whom luxury will totally refer in 15 years. They have new myths, a new language, a slang, they inform each other differently, they have totally different purchase drivers from those who preceded them. They demand a change of pace and new ways of interacting with brands, 66% of them want to build an emotional connection. If satisfied, then, they are active promoters both offline and online, where they seek a continuous interaction with brands. It means not only informing yourself on the net before making a purchase, but reviewing it, photographing it and uploading images onto a social network – prevalently Instagram and Facebook (60% of Millennials against 29% of Non-Millennials). The Millennials, accustomed to find themselves in a global market, strongly saturated and in continuous growth, are a type of customers that is really difficult to influence, whose attention to be captured needs to receive a series of stimuli able to make something perceived as different from the usual routine of products and offers to which they are already notoriously overexposed.

Then, a brief description of the different generations is made to better understand the differences between them. The subdivision includes:

- Lost Generation: which identifies those who fought the First World War (1883-1900);
- Greatest Generation: includes those who lived their youth during the Second World War period (1901-1924);
- Silent Generation: the generation that lived the period immediately following the great wars (1924-1942);
- Baby Boomers: the name derives from a real demographic explosion that took place between the 40s and the early 60s. It is a generation with values similar to the one we are analyzing, at least for the fact that this remarkable increase in the volume of births derives from the desire for change and overthrow of the dominant principles of the society of that time (1942-1962);
- Generation X: represents the recent past. Characterized by a wide heterogeneity and diversity of thought in many fields such as languages, religion, racial differences and so on (1962-1980);
- Generation Y (Millennials): identified in what we are analyzing (1980- 2004);
- Generation Z: born shortly after the start of the new millennium. This generation represents the future, but its embryonic nature does not allow it to be studied effectively and definitively (2004 onwards) According to the US Chamber of Commerce Foundation, the Generation Z will move about \$ 600 billion only to the US, and then rely on an autonomous spending capacity of \$ 43 billion.

As it was mentioned above, one of the most important differences with the past is that of globalization influence. In fact, Millennials were born and raised in a very particular phase of the world economic system, that is the period that goes from the creation to the integrated and widespread development of a perfectly contextualized global system. It is absolutely normal for them to do not really understand the true meaning of distance or geographical barrier.

According to a report by the Boston Consulting Group, the Millennials generation is more interested in travelling abroad than in previous years (70% against 48%). And the United Nations estimates: today young tourists are 200 million and generate more than 180 billion dollars in annual turnover in tourism. An increase of almost 30% compared to 2007. In addition to the shortened distances and a freer lifestyle (without children and not yet professionally stable), Millennials have more flexibility to organize their travels. The lack of professional stability leads them to prefer to spend their money to explore the world rather than the mortgage of a house or the purchase of a car. They have a different vision of life: their world is a place in which luxury goods no longer serve to flaunt a status achieved, but they rather contribute to define their own identity, to express their point of view and the emotional bond that link them to famous brands. This is the reason why they prefer an “experiential” type of luxury. Luxury for Millennials is above all an emotional experience.

The eighth chapter consists in a research about two of the most interesting Apps in the field of luxury hospitality, intended as millennials-driven and -oriented, that are *Raleigh & Drake* and *Black Tomato*, and their specific characteristics and functionalities are described.

According to the latest outlook of the World Travel Monitor made by Ipk International, Millennials hold 40% of all international travel in the world. In this context, some interesting Apps were born, which tries to satisfy the new generations' travelling needs while organizing experiences and new kind of entertainment activities guaranteeing an unforgettable journey or creating platforms to get to know new and interesting places all over the world through sharing pictures and locations.

Raleigh&Drake App is a travel / technology brand, which is Millennials-centered, and it is based on the concept that this new way of travel can be able to transform and shape the whole tourism industry. The aim of this App is to create a real-world map made of recommendations from locals and expert travelers or influencers, who exploring the most disparate places in the world are able to give pieces of advice to users for a unique trip. In this way, the user will be able to book experiences and to choose where to go in few minutes rather than hours. A very sophisticated technological platform stands at the center of the App, and it allows anyone to build their own mobile-app (called RAD) that will be a travel guide to anywhere in the world, in a very short amount of time, with the RAD curator earning a commission on any transactions made. Gilad Goren, one of the founders and president of Raleigh & Drake claims that there are three main reasons for undertaking a journey today, and they can be summarized in: urban travel; the genuineness of attending in person a music festival or an art show and anything that cannot be done using an electronic device; travel for improving a skill or a hobby. This app is trying to satisfy each of them in an innovative and appealing way.

Black Tomato is a renowned and award-winning travel agency based in the United States and England. Rather than providing only a limited list of packages for their customers, Black Tomato wants to become able to cater to and address all the feelings that the travelers experience from the very beginning of the organization of the journey, so the thrill and the anxiety, to the post-journey experience, so a kind of depression due to the returning of a routine. The company even allows every user to control simply through the app the house's heating, taxi booking, music playlists for back home and provides a series of interesting different experiences to book. One of Black Tomato's newest examples of tailor-made experiences is called Blink. This unique facility gives the possibility to create prefabricated pods which are tailored just for the single user. These extremely customized pods can be organized in many different places all over the world, often in remote and tranquil destinations, where nobody has ever stayed before. According to the app's owner, this can be viewed as the definition of new luxury. The luxury traits of this service can be found not

only in the highly customization, but also in its evanescent nature. This app's technological features are certainly disturbing the luxury travel industry, but the human element still remains important.

One of the new travel experiences proposed by this innovative travel company is called the *Get Lost Tour*. The only thing required in the organization phase is an act of trust towards the tour operator: if you decide to leave, the one piece of information you will have is from which airport. On the official website you can leave some clues regarding which your ideal type of travel could be. You will have to choose the preferred environment carefully, because each of them involves a completely unique and different experience. The final goal of the trip will be revealed only once arrived at the destination. The reasons for embarking on such a journey are the most disparate: to sharpen your mind and use skills that perhaps you did not even know you have; to disconnect from everything and start again from scratch once you have returned; to become a true explorer; to find that sense of completeness and personal fulfillment (alone or in company); or just leave to discover unknown and unexplored places. The secret behind the success of this project by the Black Tomato tour operator is to think out of the box. They go against the current and make the traveler rediscover the true sense of the journey.

In conclusion, sophisticated destinations, tailor-made itineraries and innovative services are the elements which contradistinguish this App, giving it an extremely relevant role in the luxury travel sector and particularly towards Millennials and new generations.

To conclude the analysis, an interview to an expert of the sector has been conducted.

The St. Regis Rome's General Manager, Giuseppe De Martino, answered to some questions giving even more relevance to the analysis' results and describing what the strategies implemented by the roman hotel are.

Mr. De Martino is the general manager of the historical luxury hotel St. Regis Rome from March 2018. The St. Regis Rome started its history in 1894 and it is part of Marriott International group. The interview was centered on discovering the Millennials' influence on the hotel's activities and means of communication.

According to De Martino, the percentage of Millennials that use luxury travel services is certainly high. In fact, this new generation appreciates the comfort of the luxury hotel, but also demands a service that is designed especially for them, that is very interactive, engaging, technological as well as attentive, punctual and precise as requested by the protocol for the luxury hospitality industry.

Interaction with guests must be personalized according to the interests and motivations that have driven the client to travel. To this purpose, St. Regis Rome has collaborated with some brands, among which there is Garage Italia with whom they have restored a car (a 1954 FIAT 600) to which an electric motor has been mounted, since young people are very attentive to eco-sustainability, and that is used as courtesy car. The design is by Lapo Elkann and recalls a Palazzo Barberini's fresco. Moreover, as a form of dedicated entertainment, in the evening there is always some music played by a DJ attentive to the musical tastes of the youngest. In addition, Millennials are also very interested in high quality food and beverages, so the hotel provides a bar service called Lumen with a series of cocktails where the glasses are designed by young artists (e.g., Federico Pepe) and that are inspired by a collection of butterflies. Moreover, at 7 pm every evening there is a sabre event, with a video created by a Milanese video-maker that recalls the moment of this particular ceremony. All these initiatives are designed to attract customers of the new generations. Young clients appreciate this kind of attentions, the environment should not be extremely formal, they must feel comfortable in it.

The hotel in general has had to adapt to new generations' needs, for example, St. Regis Rome has implemented a training course for all the staff members on how to treat this new type of customers, also because many employees have been in service for more than 30 years.

De Martino also confirms their presence on all social networks, but the focus is on the website that is highlighted on all search engines dedicated to hotels (Expedia, Booking.com, TripAdvisor). It is important to always provide valid content and a very attractive photographic material. In fact, Instagram is used very much, where they also work with the hashtag #StRegisRome with which the customers, including many influencers such as Riccardo Pozzoli, follow us.

For the rating web services there is a figure that must respond within 24 / maximum 48 hours to any complaints or negative comments from customers (established by the company policy), if this is not respected the hotel will have to pay a penalty to the company.

To conclude, we can affirm that also thanks to the interview with Mr. De Martino, it is even more clear that the influence of young customers today is leading to a never-before-seen Customer Centricity, which corresponds to the future of the sector and requires hoteliers to reason no longer by segment, but *ad personam*, to obtain truly personalized experiences and reserve extreme attention to the customer. Luxury hotels are forced to change their activities and services on the basis of new generations' needs.

