Premium & Prestige Business Observatory
ie foundation

High Value City Travel Report

#smart premium city experiences

2017

Foreword

The IE Premium and Prestige Observatory started in 2010 with the goal of generating and sharing knowledge about the premium market and industry worldwide. With the support of MasterCard we have done research on the impact of the digital revolution in luxury client behavior and the industry pace of adaptation. We have explored the meaning of memorable experiences and its key drivers. The Observatory has also supported premium and luxury entrepreneurship and it has given visibility to sustainable luxury entrepreneurs.

Urban tourism is a key driver of this industry. It was among the top ten most challenging issues identified by luxury experts and executives at IE Luxury Barometer both in 2014 and 2015.

The new white paper "High-Value City Tourism: #smart premium tourism experiences" is based on 1700 interviews in the selected source markets US, UK, Russia, and LATAM, a vast amount of secondary research, and the opinions of a panel of experts from the hospitality, gastronomy, and cultural industries, high-value retailers and travel media.

We have taken a closer look at experiences and digital, where they intersect and how. The difference between activity and experience and the importance of digital to drive pre-booking. Interesting insights that show that this is the third segment by importance within the travel industry. Important players include big technology companies and new start-ups both aiming at the same market.

This work could be completed thanks to the support of MasterCard. The panel of experts has generously shared their insights into high-value city tourism experiences, giving a new valuable dimension to this research. Thanks to the author Jörn Gieschen's rigorous work, expertise, and passion for the sector

Maria Eugenia Girón

Executive Director

IE Premium and Prestige Business Observatory

Madrid, January 10, 2017

About the IE Observatory

By generating worthy research & insights in collaboration with industry partners the IE Premium & Prestige Business Observatory aims to be a global reference point and platform for pioneer knowledge for the premium market players in Spain, Europe, and worldwide.

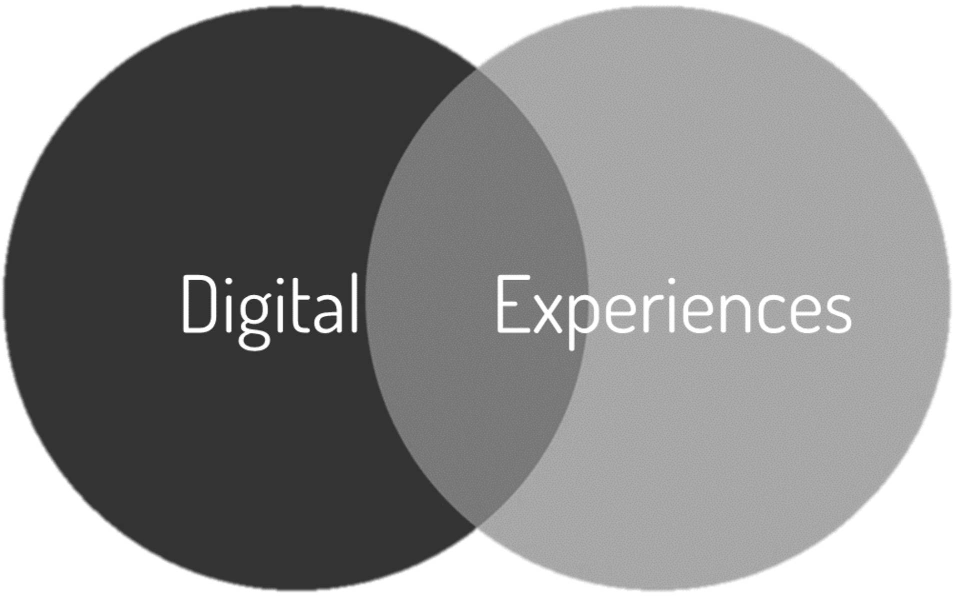
About Jörn Gieschen

The study's author is an experienced freelance tourism consultant, speaker and IE collaborator. Jörn has been helping cities, countries, and companies around the world with their tourism strategies, marketing plans, innovation approaches, and branding projects.

About Mastercard

The group is a world leader in payment solutions with the vision to use their unique expertise and technology to facilitate services in a world beyond cash. Mastercard launched the unique "priceless cities" program, offering cardholders one-of-a-kind experiences in cities around the globe.

Study Focus Digital: goes Experiences: go Digital



The focus of this year's IE High Value City Travel report based is on two megatrends that are much intertwined already and keep becoming even more intertwined day by day: the digital (travel) evolution and the ever-growing quest for deep, meaningful (travel) experiences.

We see digital giants like Google, Airbnb, Tripadvisor and Expedia taking major strategic decisions and investing heavily in travel experiences creation, facilitation, promotion and sales. They are, together with many small and not-any-longer so small travel tech start-ups like Getyourguide and Musement, driving the evolution from online flight and accommodation booking only, towards a much more complete pre-booking approach including activities, experiences and events.

Many of the activities, events, and experiences have been offered before, but they have mainly been sold offline and locally. The mentioned players now offer different channels to finally make all this offer visible and bookable. Without any doubt this is an upload spiral: more experience inspiration and booking channels will stimulate more offer, which in turn will further improve the relevance of the channels, etc.

Before digging deeper in the dynamic supply side development, the report will make understood the elementary difference between meaningful high value experiences and standard activities and events. The art of experience creation, management, and marketing is especially crucial for the premium travel markets. Based on last year's primary research of high value travellers from the US, UK, Russia and Latin America the report will also deeper explore the demand for experiences before exploring the mentioned game-changing developments on the supply side driven by travel and tech firms alike.

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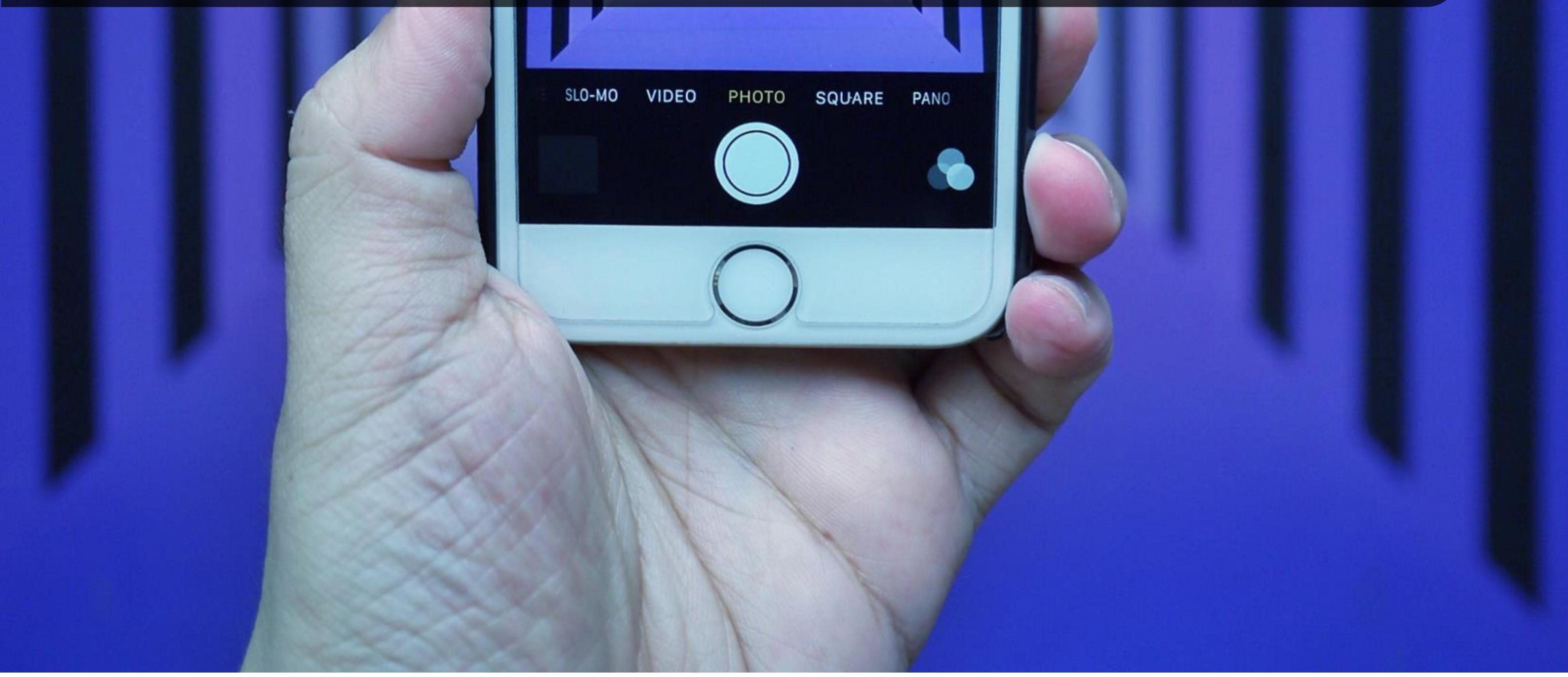


Executive Summary

City travel now 2nd largest tourism type

As of 2016, city travel has overtaken touring as the world's 2nd most important travel segment after sun & beach holidays. According to IPK data, it now accounts for 22% of global leisure travel arrivals. This is a logic result after years of growth. Since 2007 city travel has grown about twice as fast as sun & beach tourism and almost 4x as fast as touring holidays. In some markets city breaks is the most popular travel form. Even in the sun-hungry UK market, in 2014 38% of travelers went on beach holidays vs. 42% on city breaks.

Several drivers behind the trend to city holidays

There is not one, but there are several factors driving city travel as the fastest growing segment. The study reveals 7 major drivers, also following many identified by FU Berlin Researcher Kerstin Bock. Increasing urbanization is one, with city people feeling more comfortable in cities than others. There are always more city flight connections, a trend towards multiple but shorter holidays and an increasing perception of cities as stand-alone destinations. Also, online and mobile technologies are drivers as they push above all low-complexity travel bookings and in-destination guidance in cities as another added value. Last but not least, the trend to look for experiences before destinations leads many people to cities, where the choice is bigger than anywhere else.

2 Spanish cities among Top 6 European destinations

Especially Madrid kept growing above average in the past years as city destination. According to the ECM Benchmarking Report 2016, Madrid moved up to No. 5 in European international city bednights now, only behind London, Paris, Berlin, and Rome, and is closely followed by Barcelona with almost the same number of tourist nights.

Tours & Activities core battlefield of travel industry

The hotel and flight markets are very mature, consolidated, and well distributed since many years, both off- and online. As a logic move in the recent years the industry has finally shifted its focus to the 3rd most important market revenue wise – tours, activities, experiences, events, etc., often simply named T&A market. According to different sources it accounts for 150-250 bn USD or 12-19% of all global travel revenues and is by far the most dynamic and growing segment. Moreover, for travelers, especially premium travelers, it is the most important element responsible for the greatest share of perceived value and happiness. Both, an armada of start-ups and practically all industry and tech giants have turned their attention to the rich opportunities in this extremely fragmented and until just yesterday mostly offline market.

Experiences vs. activities

Experiences is probably the most abused word in travel. The study suggests a separate use of the terms activity vs. experience when talking about bookable "things to do" in destinations. It builds on the four realms of Pine & Gilmore's Experience Economy that define the different types of involvement, from active to passive and from immersion to absorption. Jörn Gieschen, author of the study, suggests to keep using the realms but beyond that has developed a model helping companies wanting to turn ordinary activities into truly meaningful and memorable, high value experiences. It features different stimulation factors like playing with (de)activated senses, connection creators, surprise moments, personal meaning, scarcity and the management of memorabilia and memory cues. This way internal value (for the traveler) can be created with strong (usually positive) feelings, high memorability and a confirmation or even transformation of one's own values. The results for the company are an increased value creation through "happy spending", brand loyalty, and word-of-mouth through user generated content like stories, picture, videos, and recommendations.

Primary research into experience preferences & booking

Going in-depth into the data of the IE Observatory's last primary research in markets like US, UK, and Russia, for example, the report reveals new insights regarding preferred activities & experiences of high value city travelers. Highlights include the crossing of interests, foody tourists, for example, prefer small & authentic shopping while nightlife lovers prefer big brand shopping more than others. Other highlights refer to pre-booking of experiences, e.g. its popularity especially among families, that pre-booking is not a millennial trend, and the fact that pre-bookers spend more money in destinations than others. More demand insights can be found in the report.

Overview of major tech-driven business models in the dynamic experience marketing arena

While direct distribution still accounts for over 50% of bookings for T&A operators, the always more powerful channels and market places driven by start-ups like Musement or Getyourguide and giants like Google, tripadvisor, or Airbnb alike, are becoming increasingly important. Almost all "new" approaches are internet driven, pulling a still highly fragmented sector online full-speed. While still in 2011 80% of activity operators did not even have an own website, now the majority (53%) of their sales comes from online, with the own website still being the most important channel.

The report highlights different cases for some of the key business models in this dynamic arena of activities & experience marketing.

It takes a look at the dedicated activities & experiences market places and B2C and B2B ecosystems like Musement, for example, featuring thousand of experiences from all around the world, mostly in big cities. In an exclusive interview, CEO Alessandro Petazzi tells how important these webs are for premium travelers, and how some experience providers have doubled their sales with Musement & Co.

Also OTAs are betting big on experiences, with initiatives like Expedia's Local Expert program, for example. Also the accommodation sector is on fire incorporating experiences. Hotel chains put that element more and more to the marketing forefront or even make it an essential part of their all-in pricing like Luxury Chain explora does. Hotel portals start upselling experiences through the integration of the rich third party content from Musement & Co. A true leader and innovator in the sector is Airbnb, which has chosen experiences as their first additional element on their way to become a fully-fledged travel super-brand. The study looks at their new Trips and Places approaches, perfectly combining digitalization and highly personalized content. Much of it premium, with over 50% of hosted experiences costing 200 USD or more.

Canada is a pioneer when it comes to destination marketing based on experiences. Deep customer research along the brand funnel led them to a new positioning based on experiences which helped to turn around a negative trend in international arrivals with smart tools like quiz based website personalization and a program getting operators all over the country engaged in top quality experience design.

The report explains Googles to-be killer app approach Trips, one of the smartest tools learning fast all about you based on your emails, calendar and preferences. With the help of heavy tech investments, the winning combination of market place leader Viator & review giant Tripadvisor has turned from a heavily curated to a broader and more open market place model since the 200m USD deal in 2014.

The T&A market remains extremely colorful and broad, full of market niches, special interest offers, and catering to a multitude of big to micro-segments. This, according to the interview with Luis Robledano of cultural city discovery app Toursnapp, is the key reason why there is and will be much space for focused small players and dedicated start-ups in this arena.

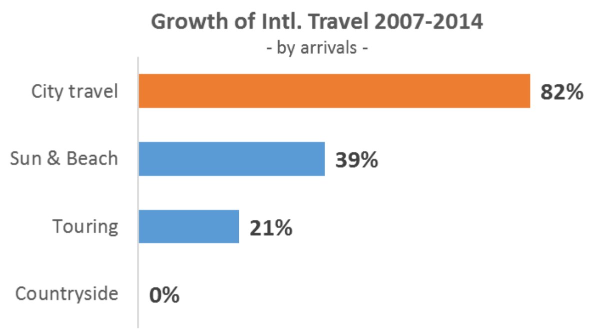
Premium experiences marketing between digitalization and personalization

Digital technologies are certainly the key drivers of the dynamic development of the T&A markets, but especially premium travelers demand high degrees of personalization, even more than before. Innovative luxury tour operators like Black Tomato show how to master this gap with experience focus and personalization reflected in all, website, product and personal consulting approach. The paradox of choice also leads many premium and, that's new, mass affluent travelers to concierge (like) services that can save them lots of time, hassle and more and more focus on close personal ties with local experts. Those are no longer only professional concierges, but passionate locals with very different profiles, interests and styles to choose from, as start-ups like myplusone and meetngreet.me show.

1. City tourism overview

1.1 Global market development

City tourism continues to outperform the overall tourism market. According to UNWTO data, the months January to September 2016 recorded a 4,0% growth of international tourist arrivals worldwide in general. [1] At the same time the average growth rate of the Top 20 city destinations in the world grew at 5,7% [2]. In Europe, the difference is even more drastic. While overall tourism has been growing at a mere 1,6% [1], the Top 10 cities' average expected growth was 3,7% [2], more than twice as much. The latest numbers still have to be counted carefully, though, as the European Cities Marketing organization expected on average a zero-growth or even slight decrease of city tourism.



Source: IPK International, ITB World Trend Report 2015/16

Following IPK International's data, city travel, after cruise holidays has become the second most dynamic form of travel worldwide, clearly outgrowing other travel types like sun & beach holidays, touring, or countryside holidays.

Now city travel has taken rank 2 of the most important travel types. Sun & Beach still accounts for 29%, city travel now makes up 22% of the world's international arrivals, touring 21% and countryside tourism 7%. [3] In some markets city travel even is the most popular travel form. In the UK in 2014, 42% of people took a city break holiday compared to 38% having taken a beach holiday. [4]

Share of affluent travelling min. 1x per year
- per travel type -

Total City Focus	**% of total**
Short city break (1-3 nights)	**72%**
Longer city holidays (4+ nights)	**59%**
City trips for business	**46%**
High probability of city visit/stay	
Round trips / touring (self-drive)	53%
Combination nature/beach holidays with big city stay	49%
Round trips / touring (organized)	40%
Some probability of city visit	
Beach holidays	66%
Nature / adventure focussed holidays	47%
Winter mountain / countryside holidays	43%
Trips to festivals or events (min. 1 night)	43%

Source: Proprietary market research in US, UK, RUS, LATAM in 2015

Our 2015 survey among nearly 1,500 affluent travellers in markets like the US, UK, Russia, and Brazil, also makes clear that reducing the tourism impact on cities to travel forms summarized under the term "City Travel" falls short. Travel forms like touring or even beach holidays and others usually or sometimes, depending on the configuration of each trip, include city visits and even city overnight stays. Among the affluent survey sample city travel, with 72% of travellers taking at least one trip per year, is even the most popular travel form.

1.2 Key factors driving city travel popularity

Why has city tourism grown so much more dynamically than other travel types? Following a Kerstin Bock research [5] and own analysis we can find at least 7 key drivers for this success story:

1. Increasing urbanisation across the world

Urban people feel more attracted and more comfortable in big cities than rural people. By now around 50% of the world population is living in cities and the percentage keeps rising.

2. Always more flight connections

Especially the rise of the Low Cost Carriers has increased city travel relevant flight networks substantially over the past 2 decades. For the affluent traveller, not the low cost are a key factor, but an increased number of destinations at reach with direct flights and more flight days for increased flexibility.

3. Ongoing trend towards multiple holidays

The natural consequence of this trend is also more shorter holidays, benefitting city breaks enormously.

4. Online and mobile booking

City breaks by nature are less complex than round-trips/touring, or even beach or ski holidays, where alone the transfer is more of a challenge. Thanks to this, city travel benefits disproportionately from the still increasing share of online and especially mobile bookings.

5. Mobile in-destination services

Mobile street and commerce guides, restaurant apps, cultural apps are mainly focussed on big cities at the time being. The tech progress in this respect also primarily increases the value of travel in cities.

6. Number and diversity of activities and experiences

Cities have worked a lot on increasing the leisure offer, both for residents and tourists. Tourists nowadays know there is something for everyone's taste in the global metropolitan cities.

7. Cities perception change

In the perception of travellers in the past, cities often were mainly entry, exit, transfer, service or stop-over places. This has changed dramatically as big cities now are basically all seen as possible stand-alone travel destination.

1.3 European city tourism – cities & markets development

Markets – The US remains the most important source market

2015 saw a continued growth of European city bednights. Again, city tourism outperformed overall tourism with 5,6% more bednights than the year before, driven more strongly by international than by domestic tourist arrivals. [6] Still the most important source market is the US, generating more visitors and bednights than any European country across European cities. 2015 saw another impressive increase of US bednights of nearly 7%, one of the higher growth rates among the top source markets. The next two non-European source markets showed dramatically different developments. On the one hand, China, which has grown by nearly 30% while Russia has decreased by over 30%. Also from Japan less tourist nights were counted in 2015.

Top European City Travel Source Markets

Rank	Country	m bednights	15 vs 14
1	United States	36,9	6,9%
2	Germany	32,8	3,9%
3	UK	27,9	7,3%
4	France	21,5	6,1%
5	Italy	18,4	3,7%
6	Spain	14,4	10,9%
7	China	8,1	28,7%
8	Russia	7,7	-30,4%
9	Japan	6,9	-6,1%

Source: European Cities Marketing Benchmarking Report 2016

Destinations - Madrid takes place of Barcelona

2015 for the Spanish city tourism magnets meant a historic change in the ranking. Madrid for the first time in decades overtook Barcelona in the number of tourist bednights. The Spanish capital now reached the Top 5 of European city destinations with just under 18m bednights. The gap to leading London's 78m or Paris 50m is still big, though, but of the Top 15 cities in Europe Madrid in 2015 had one of the highest growth rates with almost 9% more bednights.

	Destination	Total Bednights 2015	2014-15 % change
1	*London	77,570,000	9.8%
2	*Paris	47,959,516	-2.1%
3	Berlin	30,250,066	5.4%
4	*Rome	26,420,620	4.1%
5	*Madrid	17,951,742	8.7%
6	*Barcelona	17,656,329	3.3%
7	*Istanbul	16,899,509	6.4%
8	Prague	15,917,265	7.9%
9	*Vienna	15,138,670	5.3%
10	*Munich	14,055,968	4.5%
11	*Stockholm	12,918,890	9.7%
12	*Amsterdam	12,898,000	2.9%
13	Hamburg	12,639,295	5.3%
14	*Dublin	10,498,360	4.9%
15	*Lisbon	9,061,077	7.5%

*Refer to cities with different definitions and data rectifications. See Annex for more information.

Source: European Cities Marketing Benchmarking Report 2016

Another historic development for Madrid tourism: For the first time in history the city counted more international than national overnight visitors in 2015.

Estimates for 2016

According to the latest arrival numbers and experts' forecasts, not all numbers have been published yet, 2016 will have seen an overall decline in city tourism. Surprisingly, not the long-haul non-European markets are the drivers of this negative development, but especially intra-European and travel from the Middle-East were down. Asia and North-America remained relatively stable.

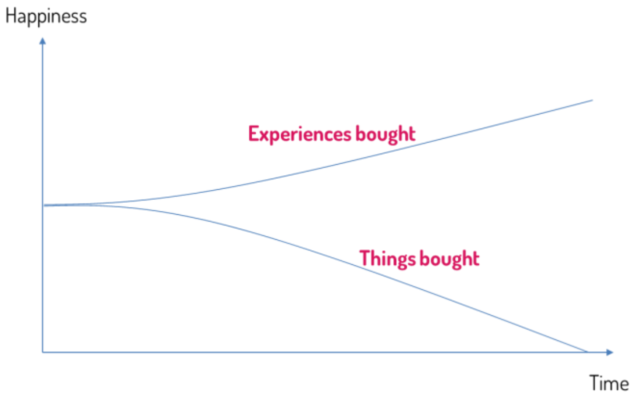
Spanish cities were among the winners also in 2016. Both Madrid (over 11% more arrivals in the first 10 months of 2016) and Barcelona, but also Valencia keep growing strongly and against the overall slightly negative trend in the rest of Europe.

2. Nature & value of (city) travel experiences

2.1 Why activities & experiences matter

286. This is the number of bookable experiences and activities offered by T&A (tours & activities) market leader Viator in Madrid. Well, it was when this was written. Go and count now, the number has probably risen again. Are you back? I assume it has risen, right? Then let's understand why this number is steadily increasing. Certainly, important players in the travel industry have decided to extend their value chain beyond transport and accommodation and develop a new profit zone by massively pushing forward the organized booking, especially pre-trip booking of activities, experiences, services, and events. This would not be successful, though, if there was not a strong demand "undercurrent". Especially in developed markets, but even in premium market segments in emerging economies, people are defining themselves more and more through experiences and less via things or the equivalent in travel: the been-there-seen-that.

A Ferrari purchased today will cause lots of excitement for a while, but its value for perceived happiness and satisfaction will most probably decrease over time. We get used to it, so do our friends, neighbours, and colleagues. Ferrari launches a new model looking even sharper, the neighbours are so proud of their new electric car, and the maintenance cost are ever increasing. An incredible travel experience, deeply moving, exclusive, personal, in meaningful connection with other people, does not only remain its value. Real, deep experiences will repeat to warm our hearts over time every time we think of them. They remind us of who we are or who we can be, of what really counts for us. Often those stories in our own perception grow even a little bigger and better every time we think of them or share them with others. Meaningful experiences create a sustainable value; for the traveller, and for the place or brand connected to it.



2.2 The T&A market

T&A is the most common abbreviation for the market we are talking about. T for Tours and A for Activities. But it encompasses other terms, so it is worth taking a look at what is usually including in this umbrella concept:

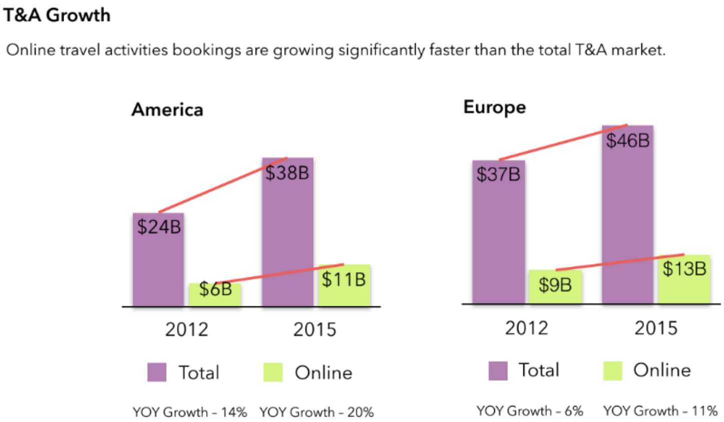
Activities: people get active physically and/or mentally, sometimes only to see something, sometimes to learn or discover something, to live an adventure or challenge themselves. Often the active component also is a major motivation (e.g. walking, climbing, riding a scooter, painting, crafting, cooking, etc.) Activities can be cultural or related to sports, adventure and/or nature.

Tours: moving in an organized, guided way in order to see and visit cultural or natural highlights. Tours can take a few hours, a day or sometimes even include a few overnights. Tours usually mean people are being moved (e.g. by bus or private car with driver) by pre-arranged transport means.

Events: the main type of events for travellers are related to performing arts (concerts, shows, theatre, opera, etc.) or spectator sports such as visiting a football match. The concept also includes festivals, parties, galas, special markets, fairs, vernissages, etc., in any case highlights available only for a very limited amount of time.

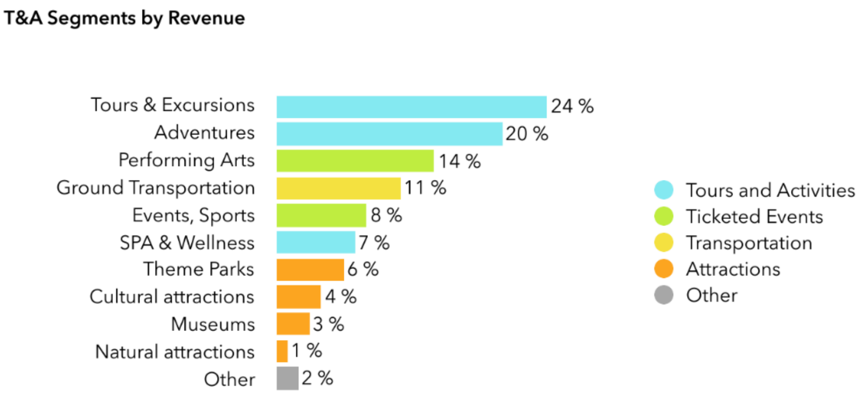
Many also count in organized private transportation (transfers, shuttles, cars with chauffeur, etc., not rental cars) and Multi-day passes, often issued by the big cities, e.g. Madrid Card.

When using this definition, as PhocusWright does, the respective global market by 2017 should have an estimated size of something between 150 and 250 billion USD (own estimations, based on figures from PhocusWright and Peek.com) [7]. That would mean a share of 12 to 19% of the global travel market pie of approximately 1,3 bn USD [8]. In a case study by Anton Genkin [7] figures show the growth of the T&A market in both America and Europe outperforms the overall tourism market by far. Compared with the figures of UNWTO for North America and Europe, we can roughly state that the T&A revenue growth was double the overall market growth, with 14% and 6% average annual growth between 2012 and 2015.



Source: Anton Genkin, T&A Market Case Study, Aug 2016

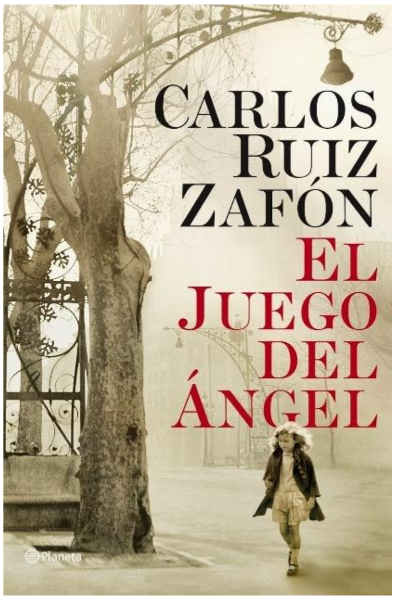
This growth is also driven very much by technology, the growth rates 2012-2015 only for the online T&A market are even higher with 20% and 11% annual growth for America and Europe respectively. The same study also shows the importance of different T&A segments in revenues. Tours & Excursions rank first, followed by so-called Adventures and Performing Arts events, altogether accounting for nearly 60% of the total T&A market. It is supposed that also cultural activities form part of what PhocusWright named the "Adventures" segment.



Source: Anton Genkin, T&A Market Case Study, Aug 2016

2.3 From activities to high value experiences

Activities should be very enjoyable, but many of them are not highly memorable and meaningful, which are concepts more connected with the term "experiences", even though the marketer often will prefer using the word experience as it sounds more attractive than activity. Especially in the premium travel markets, travellers do expect to not only have fun for a moment, though, but to live something extraordinary they remember for a long time. They are willing to pay much more for a real experience than for an ordinary activity. For the sake of identifying ways to create high value for those sophisticated travellers we will in this study clearly differentiate between the concepts of enjoyable activities and extraordinary experiences. The big question is: what makes an experience different from an activity?



Let's start by going through an illustrative example. Having a guided standard tour through the old town of Barcelona and learning about the history and famous buildings is definitely an interesting and hopefully enjoyable activity. Visiting the same area on a Monday winter night at 2 am in the morning with other fans of the famous stories of Carlos Ruiz Zafón, a lantern in your hand and a storyteller letting you revive "La sombre del viento", "El juego del ángel" or other famous stories can be an outstanding experience.

Imagine you entering the canalisation and a surprise meet and greet with the author in the nocturnal Gran Teatro del Raval telling you about the meaning of writing stories for him. At least for the many fans, this is something they will deeply impress them and that they will always remember. THIS for the mentioned target group of travelers is an experience, not just an activity.

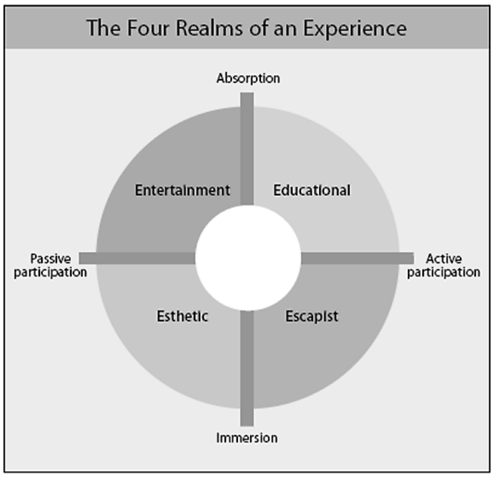
This example does not only show that activity and experience are different concepts, it shows much more:

- An experience obviously has different/additional "ingredients" than an activity.
- An experience is more complex to set up and manage.
- An experience will generate more value for the traveller and the operator alike.
- There should be techniques to turn activities into experiences.

Scientific approaches and models

Already in the early 70s a first book questioned the traditional, still totally unimaginative consumer good business approach all about scarcity of resources (Alvin Toffler, "Future Shock", 1971). He first talked about an upcoming experiential industry that would focus on satisfying people's increasing demand to live amazing experiences. In 1982 Holbroke and Hirschman published a pioneering article about "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun". In the 90s the concept really gained traction. First, German sociologist Gerhard Schulze wrote about the "Experience society" in 1992, Danish author Rolf Jensen published his book on the "The Dream Society" in 1999. [7]

In the same year, the ground-breaking book "The Experience Economy" by Harvard professors Pine and Gilmore made it to the business bestseller books. Their work has provided also for a solid model for experience design. It describes how experiences usually are built around a mix of various or even all (sweet spot) of **four realms**: [8]



- **Educational**: Increase the customer's skills and enhance his/her knowledge through active participation in the experience.

- **Escapist:** Require that the customers actively participate in the events in a real or constructed environment. The customer contributes to the experience or even (co-)shapes it, which offers a way of taking on a better self or even new persona.

- **Esthetic:** Entails customer enjoyment of an enriched, unique physical design. The customer enjoys passively, appreciating or "just being in a setting" of the business.
- **Entertainment:** Entails watching the activities and/or performances of others. The customer is not actively involved in the creation, but the mind is actively engaged during appreciation of the event.

The "Experience Economy" also describes a **five-step process** on how to design meaningful experiences.

1. **Theme the experience**
   A theme is the guiding storyline, it should be concise and compelling and guide all other design elements and events, services, and performances. It can but does not have to be written down, e.g. in the branding of the experience.

2. **Harmonize impressions with positive cues**
   Anything customers can sense while living the experience, visually, acoustically, etc. should support the theme.

3. **Eliminate negative cues**
   While some cues will have to be designed and implemented, other existing ones will have to be eliminated or reduced as they are not aligned with the theme. Visual or acoustic pollution are major challenges for tourism in that sense, for example.

4. **Mix in memorabilia**
   These can be physical memorabilia (souvenirs) that help to keep the memory alive, a pendant for a necklace would be an example. In other cases, memorabilia can be intangible, e.g. a certain song or saying that will always remember the customer of the experience.

5. **Engage all five senses**
   Engage as many of the five senses as possible.

Beyond the Experience Economy approach

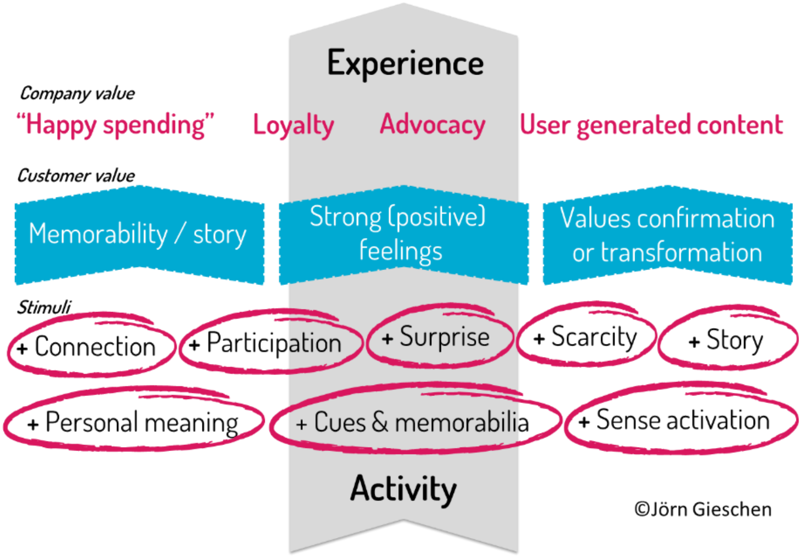
While the basic elements of Pine & Gilmore's approach are certainly valid still today especially for stages experiences, two major change drivers have impacted experience management over the years: First of all, travellers have developed new desires over the past 15+ years: there is a strong quest for authentic encounters, experience co-creation and exclusivity. This is the result of an ongoing individualisation of society, vast travel experience, and the web based learning that there are endless exciting opportunities to live.

> *The idea of the fulfilled life no longer supposes a 'higher life' waiting for us after death, but rather consists in realizing **as many options as possible from the vast possibilities the world has to offer**. To taste life in all its heights and depths and in its full complexity becomes a central aspiration of modern man.*
>
> Hartmut Rosa, German sociologist, 2015

Rosa: Social acceleration: a new theory of modernity, 2015 [9]

The place where we have learnt about this long tail of options in all colours and shapes is the world wide web. New technology also taught us that we can actually find and realize these options faster and better than ever before. Also, we can at least virtually connect with local hosts and experts or other travellers with similar tastes and interests, for example.

This leads to a new model of how to turn generic travel activities into truly meaningful experiences. The author of this study has developed such an approach based on various inputs starting with the Experience Economy and others. It consists of 3 levels of elements: stimuli, customer value creation and company value creation (for the operator).



Level 1 – The 8 Stimuli

This is the level of action experience designers can utilize in order to turn generic activities into high value experiences. The more levers are used at the same time, the more powerful the transformation process and the greater the value created. Possible levers to use are the following:

1. **Personal meaning**
   What is meaningful for one traveller may not mean anything to another. Just thinking of the Old town Barcelona Zafón night tours: this will be an outstanding experience to fans of the books but others will not be able to connect to the theme. For experience designers and suppliers this means they have to do a great research effort in order to deeply understand their target group.

2. **Cues & memorabilia**Cues & possible memorabilia must be carefully analysed and managed. While there can be many positive cues used (in the example of the Zafón Old Barcelona night tours choosing especially narrow and dark alleys for the route, for example) and negative cues to be eliminated (e.g. avoiding parts of the old town known to be frequented by late-night partygoers), memorabilia must be not only well-chosen but also scarce. Often one powerful physical or psychological anchor placed is enough (e.g. an atmospheric framed photo together with C.R. Zafón in the nightly theatre), sometimes two or three may do the job. In any case, the memorabilia should be chosen according to certain success criteria: long-term validity and quality, contact frequency, uniqueness and individuality, attached values and meaning, "shareability", to name the most important ones.

3. **Activated senses**

The more senses are activated through an experience the better. True, but not always. Sometimes, planned de-activation of sense can raise the sensations felt through other, just think of dinners in the complete dark, where visual sensing is eliminated in order to "over-stimulate" the taste sense.

4. **Connection**

The saying "a joy shared is a joy doubled" pretty well describes why connection during experiences is so vital. There are more reasons: connection goes more and more virtual these days, we take less and less time with our loved ones, and by connecting to locals we search a deeper, more authentic and rewarding connection also with the places visited. Exactly this desired meaningful face-to-face connection with people works better when also managing de-connection from our everyday worries, stress, and routines

Connection...
- (Grand) family
- Partner
- Kids
- Friend(s)
- Local population
- Guides/hosts
- Peers/other travelers
- ONESELF

&

Deconnection...
- Worries
- Stuff
- Home
- Work
- Internet
- Phone
- Noise & congestion
- Agendas + lists

5. **Surprise**

Creating unexpected moments is one specific art itself in the art of experience design. It is even harder in times when people share many stories or reviews online and talk about their wow moments. Readers then already know what to expect. This is especially challenging when the experience supplier does not stage the unexpected as a manageable element but rather provides for a setting in which certain unexpected things can but not always must happen, e.g. encounters with local population.

6. **Story**

One of the greatest values of a fantastic experience is the generation of stories or one powerful story the traveller can repeat to others at home and to one-self over time to reconfirm his identity. In order to provide for and guide the story the experience itself must have a storyline. It's what follows Pine & Gilmore's theme concept. The story of the experience should not only be appealing and memorable, it should be value building. How powerful the story is, depends also very much on its authenticity and the connection with the narrator, in the best case the "owner" of an experience.

7. **Scarcity**

There is two ways to increase an experience value around this aspect: usually high value experiences deliver something people are not usually able to live at other times, in other places or settings. Something that is rare, scarce, seldom or exclusive to few. "Once in a lifetime" is the slogan related to this approach, sometimes even fulfilling lifelong dreams. On the other hand, there is a longing to get back to the roots, to what once was the most ordinary we are too often losing in our fast-paced lives. This can be physical work outdoors for urban executives, for example, something ordinary for some but scarce for many.

8. **Participation**

Co-creation is the magic term of these times, meaning the experience to become one needs the input of the customer. This way ownership is created and the experience gains meaning for the customer. Ideally, this happens with other people, e.g. the host, locals, family and friends, or new peers. Not all experiences and not every customer will ask for co-creation

Mastercard Priceless Cities Berlin Experience – Learning from the best, guitar making workshop

Level 2 – Customer value creation

When mastering well the chosen stimuli at level 1, travellers will perceive high value in three major forms:

1. **Powerful, lasting memories**
   Memories that are frequently reawaken to provoke psychological or even physical reactions like bringing back a smile, goose pimples, collywobbles, or simply a warm feeling around the heart. The customer will bring a powerful, memorable story home, that probably gets a little better every time he shares it with people or runs it like a small movie in his mind.

2. **Strong, usually positive, feelings**
   The positive feelings like joy, love, awe, connection, peace, flow sometimes will be mixed with other feelings, e.g. overcoming an initial fear can generate a strong feeling of pride.

3. **A meaningful confirmation or transformation of inner values and believes.**
   This relates to personal growth and transformation. There are powerful experiences that can change your perspective of life by shaking up your current believes and views. Some people come back from travels having found a new central purpose in life. But experiences can also be powerful, when proving and confirming central values and believes, especially those that receive too little nurturing in our daily lives.

Level 3 – External value creation

Company value

"Happy spending" Loyalty Advocacy User generated content

Superior value creation for the customer, especially in the premium segments, should also result in superior value creation for the experience suppliers, which usually will be companies, but often also cities, places, or attractions. The major values generated on this level are the following:

1. **Happy spending**

   Designing, managing and marketing high value experiences, especially in the initial stages, will sometimes be very cost intensive. This is no law, but many top experiences will have higher complexity and along with that higher cost than generic activities. Traveller must perceive and understand this outstanding value so that at the end of the day they will spend the money with joy and a feeling that it was worth every penny. This allows for the creation of jobs, income and company profits.

   Mastercard for its own city experience program found a perfect brand name reflecting this approach: priceless experiences.

2. **Loyalty/wish to repeat**

   Meaningful experiences can turn customers into extremely loyal fans. This can mean that they want to repeat the experience time and time again. But more probably it will mean that they will also trust in you providing them other, related experiences, opening the door widely to successful customer relationship management.

3. **Advocacy/recommendations**

   The game is on. Through the strong rise in online selling of experiences, platforms are beginning to gain critical mass of experience reviews now. Like in most long-tail approaches, also experience selling platforms do not have the means to test and control the quality of each experience sold in-depth. They rather rely on customer evaluations and recommendations, which are highly stimulated. Tripadvisor has shown how powerful this can be for hotels. For providers of experiences, an even higher-impact purchase, the effect of both positive and negative evaluations will be even stronger. In the premium segment especially, it's not all word-of-mouse, even though also here it is getting more and more important. Sharing impressions, stories, and recommendations with family, friends, peers and followers face-to-face has still very high relevance.

Ringing the NASDAQ closing bell - Why reducing experience based brand building to leisure travel?

4. **User generated content (UGC)**

   The big Ford Trends Book 2014 [11], amongst other trends, highlighted the continuously growing distrust in both political and corporate organisations. Still, in high impact purchases like premium travel, the need lots of inspiration and information they can trust. This content gap is increasingly filled by peers, other travellers. Of course, through personal recommendations and online reviews. But people want and need more before buying a high value experience: pictures, videos, live impressions, stories, blogs, etc. And travellers in all segments are increasingly providing this “real” multimedia content. The unhappier or happier they are, the more content they will produce and the more power it will have. Outstanding experiences will lead to outstanding UGC; and all this “free marketing” can even be stimulated by providing travellers with tools to enhance storytelling (providing them with personalized videos, inviting them to exclusive online communities, etc.).

3. Premium city travel demand insights

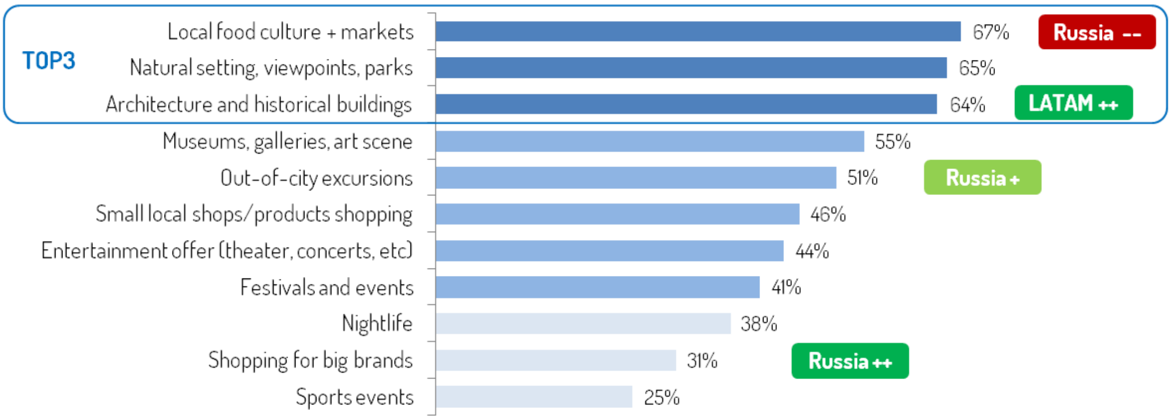
Last year we published a study based on primary research among around 1,500 high value travellers on different topics. This year, the report approach is more focussed, so the results were analysed again in-depth regarding interests, activities, and experience preferences and bookings only. In the following we present key insights from this profound data analysis. A special weight was given to the phenomenon of pre-booking as there is still little understanding of travellers already deciding and purchasing at home what they will do in the destination once arrived. Yet the strong growth of this group of "pre-bookers" is the bet of the many companies investing in experience marketing these days.

3.1 Preferred activities and attractions

Overall, these are the activities most enjoyed by the people surveyed when visiting cities:

Preferred activities on big city holidays

- % people rating interest 4 or 5 on a scale from 0 to 5 -



We already highlighted differences according to source market in last year's study (see above), but for marketers of products within the different categories other factors and information about demand will be interesting to know.

1. Travel group composition

Some findings are self-explanatory, like the fact that people usually travelling with friends have an above average interest in festivals and events. But it may be surprising to learn that those travelling alone with kids enjoy more than the average activities like visiting sports events or going shopping for big brands. More tendencies in the table to the right.

- Target groups for different attractions reg. usual travel group

	Enjoy … ... more than average	.. less than average
Architecture and historical buildings	+ with partner	- alone with kids
Museums, galleries, art scene	+ alone + with partner	
Local food culture + markets	+ with partner	- alone with kids
Out-of-city excursions	+ organized group	- extended family
Entertainment offer (theater, concerts, etc)		
Shopping for big brands	+ alone with kids	- with partner
Natural setting, viewpoints, parks	+ with partner	- alone with kids
Festivals and events	+ with friends	- with partner
Nightlife		- with partner - with partner & kids
Sports events	+ alone with kids	- with partner
Small local shops/products shopping	+ extended family + with partner	- alone

2. Destination selection factors cost and curiosity

In general, more cost-conscious travellers among the premium market sample survey are more enthusiastic across all activities and state to enjoy their activities and experiences significantly more than those stating that trip cost is not a very important factor in the choice of the city destination. Yet there are significant differences in the preferred activities between the two groups. While the ***more cost conscious*** are far more excited **about sports events, small & local shopping, and out-of-city excursions**, ***the not cost-driven*** travellers are relatively more **interested in architecture and monuments, museums, galleries and the local arts scene, and the local entertainment offer (theatre, concerts, etc.).**

Let's take a look at another destination selection factor, curiosity. The study differentiated between travellers that highly value going on first-time visits to ever new city destinations (let's call them *the curious travellers* in the following) and those that don't mind or even prefer repeating visits to their favourite cities (*the loyal travellers* in the following).

The curious travellers: enjoy much more out-of-city excursions, sports events, and big brand shopping.

The loyal visitors: are relatively more interested in musuems & arts, local food culture and markets, and natural highlights like viewpoints and parks.

In general, the curious travellers are far more enthusiastic about all different activities.

3. Information & inspiration sources and channels

Depending on the type of preferred information & inspiration sources, activity preferences are different and vice versa. The table clearly shows where marketers of the listed activities and attractions can achieve superior marketing ROI in comparison to others. Remember, that the table does not show the favourite channels as covered in the last High Value City Travel Report, but shows which groups perform better or worse than average per channel.

- Target groups for different attractions reg. main info & inspiration channels

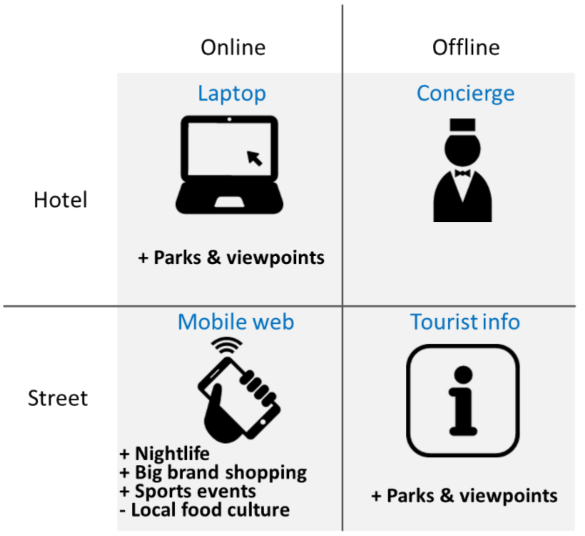
	Enjoy ...	
	... more than average	*.. less than average*
Architecture and historical buildings	+ magazines/newspapers	- leave it to partner
Museums, galleries, art scene	+ magazines/newspapers	- accommodation websites - leave it to partner
Local food culture + markets	+ review sites + magazines/newspapers	- local travel agency - leave it to partner
Out-of-city excursions	+ TV programs + OTA websites	- magazines/newspapers
Entertainment offer (theater, concerts, etc)	--	--
Shopping for big brands	+ leave it to partner + local travel agency	- family & friends - magazines & newspaper
Natural setting, viewpoints, parks	+ family & friends + review sites	- accommodation websites - leave it to partner
Festivals and events		- TV programs - magazines & newspapers
Nightlife	+ leave it to partner + local travel agency + accommodation websites	- review sites - magazines & newspapers - travel magazines
Sports events	+ leave it to partner + local travel agency	- review sites - travel magazines
Small local shops/products shopping	+ accommodation websites + magazines/newspapers	- local travel agency - TV programs

The differences are not dramatic but clearly visible and suggest the alignment of communication channel management. For those selling local food experiences, for example, review sites and general magazines and newspapers are more relevant channels than for out-of-city excursion sellers, who would be more successful using TV than others. Of course, other factors play a role in the channel choice, too, as this analysis only allows for a relative comparison between activities and does not allow for a general ROI analysis.

4. In-destination inspiration & information

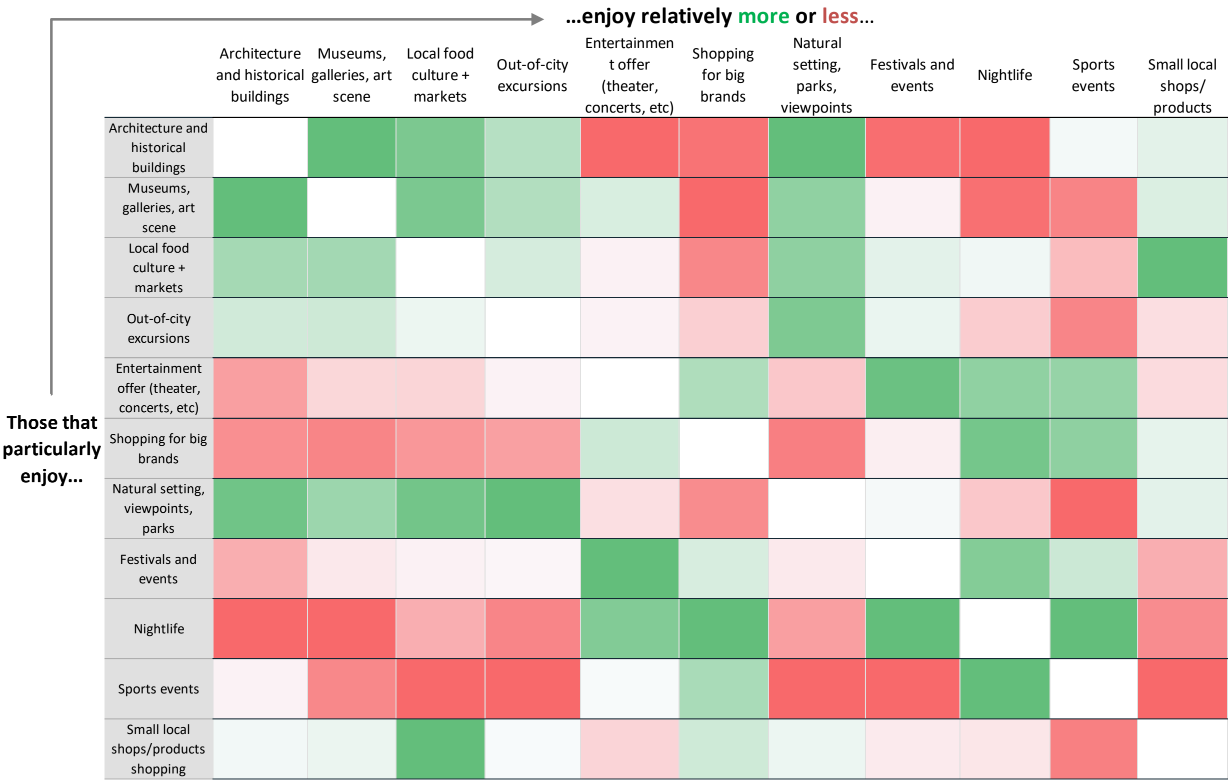
What people particularly enjoy on city trips also is slightly different depending on the main ways they use to look for information, inspiration, and guidance regarding things to do and to see once they have arrived in the city destination. Especially users of mobile web sites and apps seem to have relatively different interests than the other three groups. They are more interested in nightlife, big brand shopping, and sports events than the others. On the other hand, the other three groups are somewhat more interested in local food culture and especially those mainly using the laptop in the room and those usually visiting the tourist office are more keen on enjoying the natural city setting, parks, and viewpoints.

Interests per users of in-city info channels



5. Crossing of interests

The analysis also allows us to see the cross-interests of premium city travellers. This mean we can see that a tourist particularly enjoying local food culture and markets is less interested than others in visiting sports events or go big brand shopping, but he is more keen than others on small and local products and shop visits or enjoying the natural city setting, viewpoints and parks.



3.2 Pre-booking of activities, experiences & services

Most popular destination services booked before city trip

	"I sometimes book in advance..."		+/- Average
1	Excursions	48%	-- UK
2	Rental car	45%	++ US, RUS
3	Theater, concerts, other event tickets	38%	++ LATAM
4	City tour	34%	++ US
5	Restaurants	30%	
6	Car with driver	14%	

Note: only countries mentioned with significant differences from average

In general, the study confirms that a large share of the interviewees already pre-book different travel experiences from time to time. Excursions and rental cars are the most popular things to book before going on a city trip. Almost half of the respondents stated to sometimes pre-book them. Over a third of the group stated to sometimes pre-book theatre, concert, or event tickets before a city trip. We do not have direct data to compare these percentages with lower income groups, but the research shows that within the premium sample group higher income also means above-average pre-bookings.

Another important insight from last year was that of those currently not pre-booking experiences more than a third stated they would love to pre-book experiences but don't know good websites or services where to do so. Still lots of education work to be done by the big new range of premium travel experience marketers. In the next chapter this study focusses on giving an overview of the different approaches trying to change this forever. But back to understanding the demand better:

38%

Share of current non-bookers willing to book destination services in advance if they were presented a good offer

"If I only knew where to pre-book great local experiences..."

10 in-depth insights into pre-booking premium demand

1. Higher travel frequency = stronger interest in experience pre-bookings

In general, the data show that the more often people travel per year, the more they pre-book activities and experiences, but also restaurants. Among the high-intensity travellers, those travelling at least 4x per year, the share of people not knowing where to find great pre-booking experiences is significantly lower than among the rest, even far better than among those travelling "only" 2-3 times per year.

2. Pre-booking is more popular among families

The highest tendency towards pre-booking all kind of activities have those travelling as single parents with kid(s) and those travelling in extended family. This is true for almost all categories except rental car. There is a lower probability among those travelling alone or with their partner. This suggests, that pre-booking amongst other advantages has a problem-solving function for those travelling with various people with different interests. The complexity of managing happiness with the city visit can be reduced with pre-booking the right kind of events and experiences, if with different people of different age.

3. Sense of discovery and lower cost sensitiveness go along with increased pre-booking

For those that love discovering new cities on every trip, pre-booking is much more common than for those rather returning to their favorite cities over and over again. This suggests that another main motivation to pre-book is also using experiences as an excellent means to discover yet unknown cities.

The less cost sensitive pre-book more often than those stating that the trip cost is an important or very important factor in the destination selection process. This is true for all categories, from excursions via rental-cars to city-tours or restaurants.

4. Local travel agency customers are above-average experience pre-bookers

Surprisingly, among those searching information and inspiration on trip destinations in local brick-and-mortar travel agencies pre-booking is more probable than among those primarily using travel review or accommodation booking sites. Of course, pre-booking is not limited to online channels, so for this group it will also include pre-booking of excursions, events or rental-cars through their travel agency.

If comparing the most popular pre-booking items between these two groups, we also find an interesting difference: for fans of web reviews rental-cars is the most-prebooked category when booking a city trip, for the more traditional customers excursions are the most pre-booked item.

5. Different trip booking types = similar interest in experience pre-booking

Surprisingly, the preferred type of travel organization (package vs. modular, OTA vs. offline agency booking) does not make a big difference in the use of pre-booking offers. No matter if preferring package tours or modular booking or if using off- or online travel agencies or booking via preferred airline or hotel brands – the interest in pre-booking activities, experiences and events is more or less similar. One interesting aspect, though, is that the more dedicated people are to a certain type of travel organization, the higher the probability to pre-book activities.

6. Cross-pre-booking among different bookable categories

Those booking a car with driver are the ones most likely to book also other activities/services. This is in line with the finding, that less cost-sensitive travelers are more active in pre-booking experiences at the time being.

On the other hand, those booking a rental car are the ones least likely to also pre-book other categories, also excursion pre-bookers are well below average.

7. Mobile travelers not necessarily more active experience pre-bookers

When comparing people using different means of information once in the destination, the ones mostly using offline info sources (concierge, local tourist office) have excursions as most-pre-booked service. The onliners, those mostly using their device in the accommodation or the mobile on the street, book more often rental cars than excursions.

In line with point 4, again we can conclude that more “traditional” travelers are above average excursion pre-bookers.

8. Different interests – different levels of pre-booking

Although not dramatic, there are differences among types of aficionados when it comes to the intensity of pre-booking different activities and services. Travellers with a very high interest in festivals, sports, and other events, nightlife, and shopping (both big brands and local products) are more avid pre-bookers of services & activities. The least probable to pre-book are those travelers especially enjoying local food culture and markets, and entertainment.

9. Frequent pre-bookers with higher overall spendings

Those that frequently pre-book activities and services, spend more than average across different categories: restaurants, excursions, shopping, entertainment, culture, etc. Especially those that rent a car with driver, but also those pre-booking restaurants, are high spenders overall.

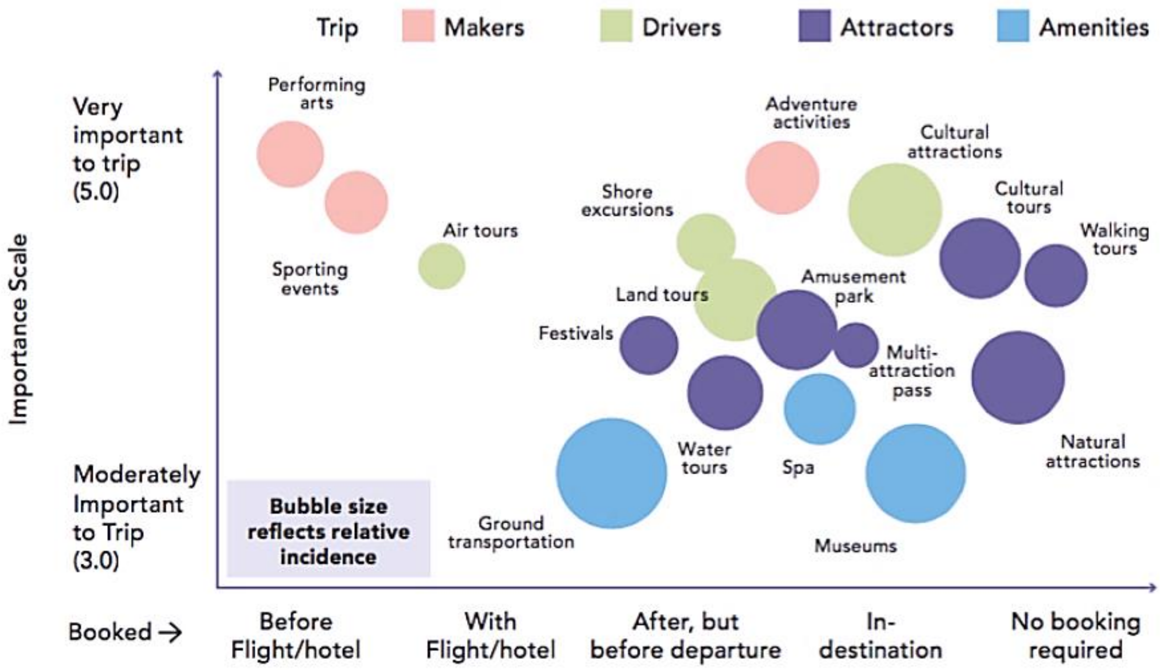
And vice versa: those spending a lot across all these categories have much higher pre-booking rates than those spending little or medium amounts.

10. Pre-booking activities is not a Millennial trend

The 18-25 year olds interviewed for the survey are the ones with lowest pre-booking activity still. This will have economic reasons, but not only: they also state far more often that they would like to travel spontaneously. Surprisingly, considering their high web usage, they also have the lowest knowledge of channels where travellers can pre-book activities.

Pre-booking along the travel life cycle

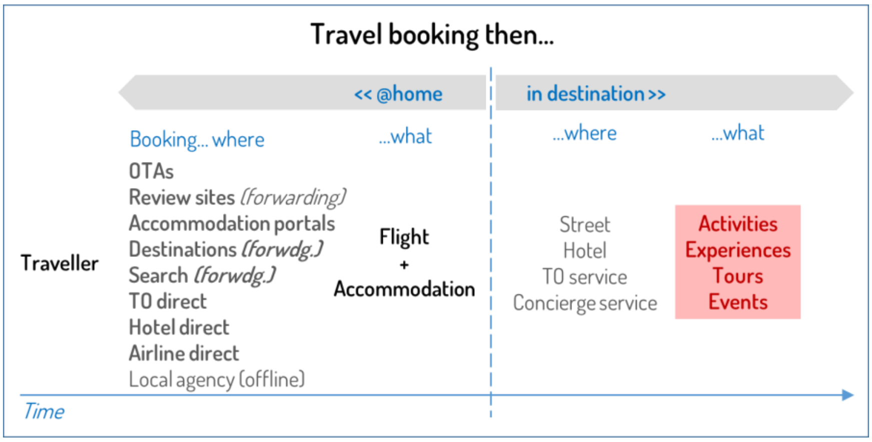
Finally, a word on the different type of services, activities, and experiences that can be pre-booked. They all create different value for travelers and they are booked at different stages of the travel life cycle. PhocusWright in 2014 tried to give an overview of the different T&A segments in this regard. It should help companies in this market arena to better target, time, and prioritize the different type of T&A products.



Source: Phocuswright/Anton Genkin [7]

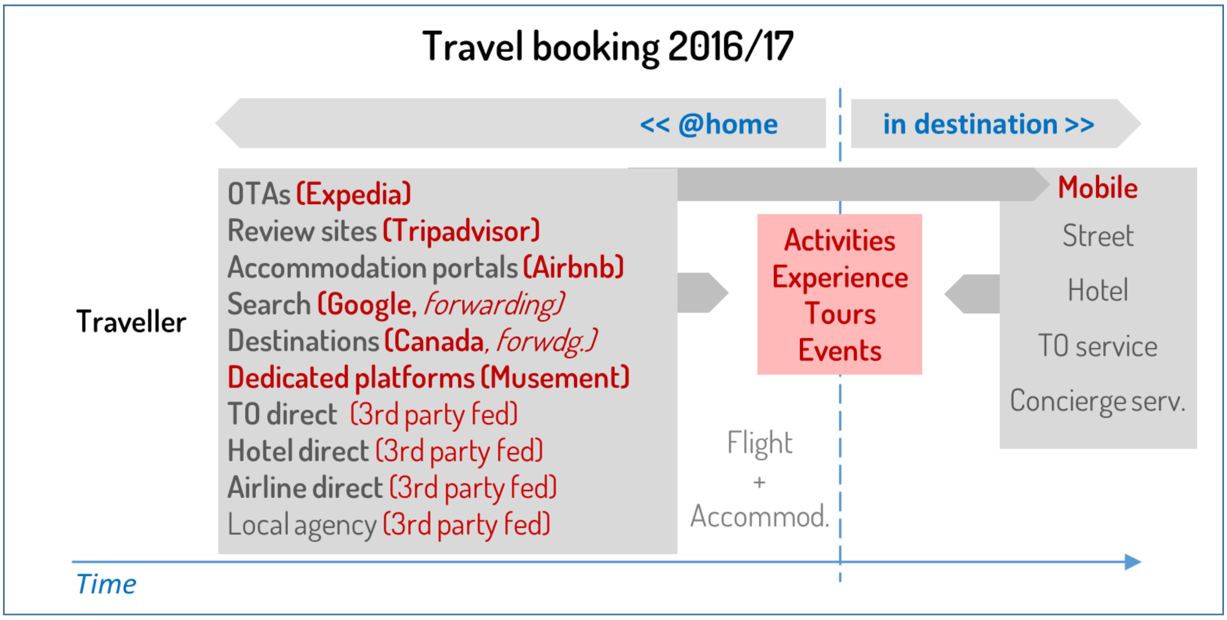
4. Technology & supply-driven market evolution

Selling activities, experiences, and events is without any doubt the most dynamic industry playground and battlefield at the time being. This has two very obvious reasons. On the one hand, the experiences and activities lived, the stories travellers bring home, have always been the most important value generator for tourists. An over 12-year old research of German tour operator TUI among its clients indicated that around 2/3 of the overall satisfaction with the holiday has nothing to do with hotel, flight or booking. These 2/3 of the overall satisfaction, even with a package holiday, were based on things like activities, excursions and personal encounters of TUI clients. This relevance certainly has increased even more over the recent past and the desire to live fascinating travel experiences is greater than ever as laid out before.



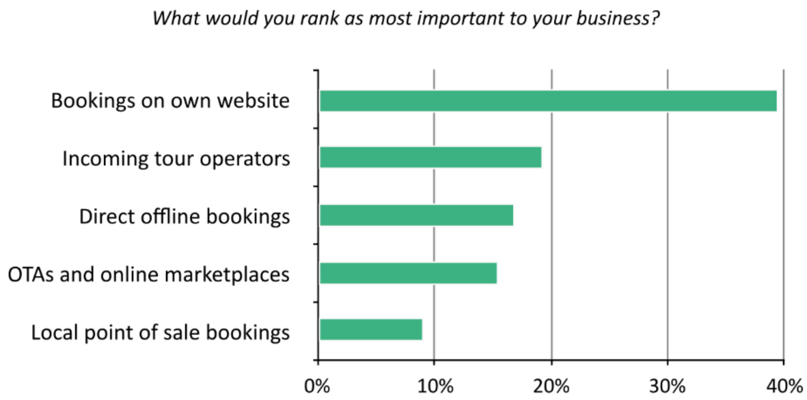
On the other hand, the traditional global business battlegrounds flights, accommodation, mass tour operation, and the respective sales channels have all reached high degrees of consolidation and to a certain degree, market saturation, at least in the mature travel markets.

It was only a logical next step to now turn towards the most essential travel ingredient, build new business models, adapt old ones or simply expand the product portfolio in order to access vast new profit pools. The main driving forces have been travel tech start-ups and online travel giants. Not to forget Google. Also destinations are pushing experiences to the front on their official websites, for example. The lines between the mentioned supply categories are becoming increasingly blurred, search and review sites include bookings, OTAs and destination sites reviews, etc. And especially highly affluent travellers expecting personalized VIP services frequently use Concierge services aka Lifestyle Management companies offering their services both in the destination and at home.



Direct distribution still most important channel for experience operators

Activities and experiences in general now are sold mostly online, with 53% of operator sales being generated via the internet according to a summer 2016 survey among over 200 tours and activity companies all around the world by IT provider Trekksoft [9]. When going deeper and analyzing the most important channels, the extremely high share of direct distribution is striking: 39% of all bookings generated come through the own website. This is also a sign of the remarkable evolution of the tours & activities sector as only 5 years back, in 2011, 80% of the operators did not even haven an own website [10]. With big difference, incoming tour operators booking their services and direct offline sales, follow on ranks 2 and 3, only then followed by online marketplaces and OTAs.



Source: Trekksoft Industry Research [9]

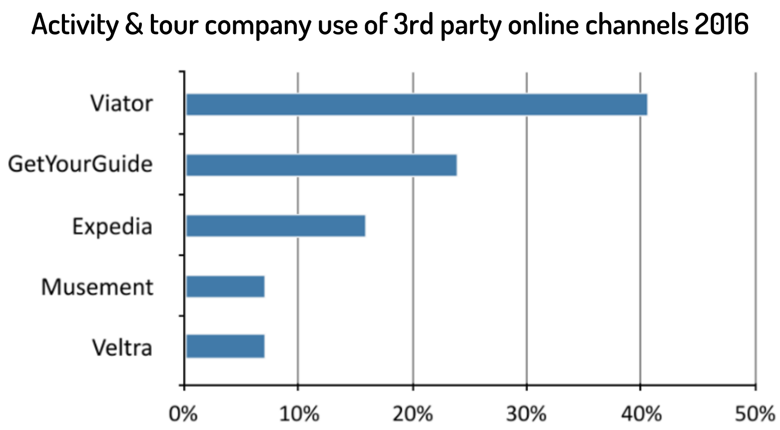
Different experience marketing models

All these channels have different dynamics and models with regards to integrating experiences in their offer. In order to understand the big picture of high value city experiences, in the following some of the major models and dynamics are presented, not in any particular order.

Let's take a look at different solutions for travellers to get informed, inspired and book high value experiences and the business models behind.

4.1 Dedicated activities & tours market places

The start-up world has brought up a wave of companies trying to make a living and more from consolidating the extremely fragmented offer of activities and tours due to the before mentioned attractive market opportunities in the recent years. While there are still new entries trying to find their spot in this market place, more than that we're already seeing a consolidation process with some start-ups disappearing again and others being bought by bigger rivals. The first not-any-longer so "start-uppy" start-ups selling tours & activities now have around 100 employees or more, like Getyourguide or Musement.



Source: Trekksoft Industry Research [9]

Of the Top 5 companies in the world collecting and distributing travel experiences, four are totally focussed on tours & activities, Expedia as No. 3 is the world's largest multi-content OTA. Viator is the clear world leader, it also is the pioneer having been founded already in the 90s by Australian Rod Cuthbert. In 2014, it was purchased by Tripadvisor, its integration into the world's biggest review site deserves special attention and will be looked at later.

Berlin-based Getyourguide is No. 2 worldwide now, Milan-based Musement No. 4 and Japanese Veltra No. 5. Their common model is rather simple: collecting as much content in tours, activities, events, attraction entries, and other services and experiences as possible and selling it to travellers via their own website or through B2B partners like OTAs, airlines, accommodation platforms, hotel chains, etc. They are becoming powerful B2B and B2C agents for experiences. Experience operators pay a commission on every purchase done through those sites. Those typically range between 20 to 30% of the final sale, still shying away quite a few operators, especially those of lower cost & margin products.

Currently, and for some time to come, the majority of the content is big city experiences. This may shift a bit in the future as cities do not only host many different experiences, but also simply were easier to scan for content for the named companies.

Focus on... musement

The business model

The business model of Musement & Co. is quickly explained: find, contract and put online activities, tours, and similar services and experiences from all around the world on their own booking platform, sell it B2C to travellers and B2B via other tourism players like travel agents, OTAs, hotel booking platforms, airlines, hotel chains, or tour operators, for example. Musement charge commissions to the content providers for every experience sold. Musement's own ecosystem gives a nice overview.

Surviving and growing in this highly competitive business environment means contracting as many great activities, tours and services as fast as possible in order to become a one-stop experience shop for all kind of destinations and trips while managing a high quality and variety of the content. The quality of the offer is mainly regulated through customer reviews as with this model it is impossible to personally check all of the content. Having said this, Musement tries to check as many of the experiences before launching as possible by going more local with staff and offices in key city destinations.

In an exclusive interview for this report, Musement CEO Alessandro Petazzi shares more insights into their business approach.

INTERVIEW
Petazzi, Alessandro, CEO, Musement

Alessandro, what is the added value for travelers using Musement?

"There are at least three major new benefits to travelers through platforms like Musement. The first is inspiration as travelers will find a broad array of things to live, from general to special interest. Seeing a special area of Tokyo with an architect or Polo lessons in Buenos Aires are not the typical things to do and would usually not make it to your travel agenda, yet provide for totally new destination experiences.

For major sights suffering from overcrowding, we save travelers chaos, frustration and waiting time. They can be sure to enter, they do not need to worry about where and how to buy the tickets and they can skip many queues. And finally, travelers will have a much richer travel experiences overall. They will be more active, when you pay for an event or an experience upfront you will really do it. And those things go way beyond the generic experiences everybody has in a given city."

And what is the added value to companies selling experiences, activities, etc.?

"Let's differentiate between big and small clients to make it easy. Big clients are ticket wholesalers or giants like Disney. They need special care and we have key accountant managers for them. On the one hand, we are an additional powerful sales channel for them, on the other hand we can help to push certain events, seasons or special packages. Our clients even often expect to find something beyond the normal offer. Also, we reach new target segments that look for inspiration or are not familiar with national sales channels. These companies are listed on tripadvisor, lonelyplanet and other travel information and inspiration source, but we add the sales to the inspiration.

Small clients are very different. A horseback tour operator in Sicily may be not very tech savvy and not aware of channels like Musement. We first have to find these entrepreneurs, call them, let them understand the possible benefits etc. But the opportunities are fantastic, some of our content providers have doubled their sales through us. We also stimulate the creation of new offers and packages, generating higher value for both the tourist and the company. Last but not least, there is a great value generated for destinations as these enriched experiences are at the core of the overall satisfaction with the places visited."

Are travelers ready for booking experiences online already or is it still necessary to educate and convince them?

"The vast majority of people still buy tickets and tours when in the destination. But they begin to understand, companies like Musement totally focused on this experience business, but also players like expedia and Airbnb with their recent moves in that direction, help to get the advantages of pre-booking experiences across.

Still, there is vast room for growth. As content options, diversity and quality grow, so will another important growth lever: customer reviews of experiences. We at Musement believe that one day booking experiences in advance online, and maybe even only 1 hour in advance, will be as common as booking accommodation or transportation via web. The advantages for all stakeholders are obvious, but the whole model is still in it's infancy."

How relevant is Musement for premium city travelers?

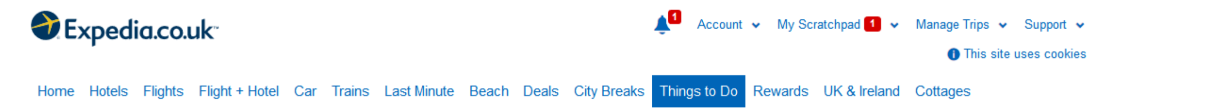
"Very relevant. Regarding city travel, the majority of the content currently offered on Musement is in big cities. This is where we find the greatest number and variety of activities. Also city travel is a very active travel form, time in destination often limited and precious, thus demand for experiences and pre-booking is higher than for other travel forms.

Regarding premium content. We are a young company, but that does not mean our customers are young, too. Our key target group is travelers aged 35 to 55, often with above average incomes. This also is due to our business model and added value: you need to be willing and able to actually pay for experiences from the start. Furthermore, often much of the added value of our experiences is the high degree of personalization, limited access and authenticity. Example: a 5-star rated one-day excursion from Florence to the Chianti region for 535 €, you visit some of the best wineries with an individual tour, experience usually private areas and wines not accessible with other tours, have a professional sommelier with you and get to see an otherwise private world class art collection at one of the estates."

4.2 Generalist Online Travel Agencies (OTAs)

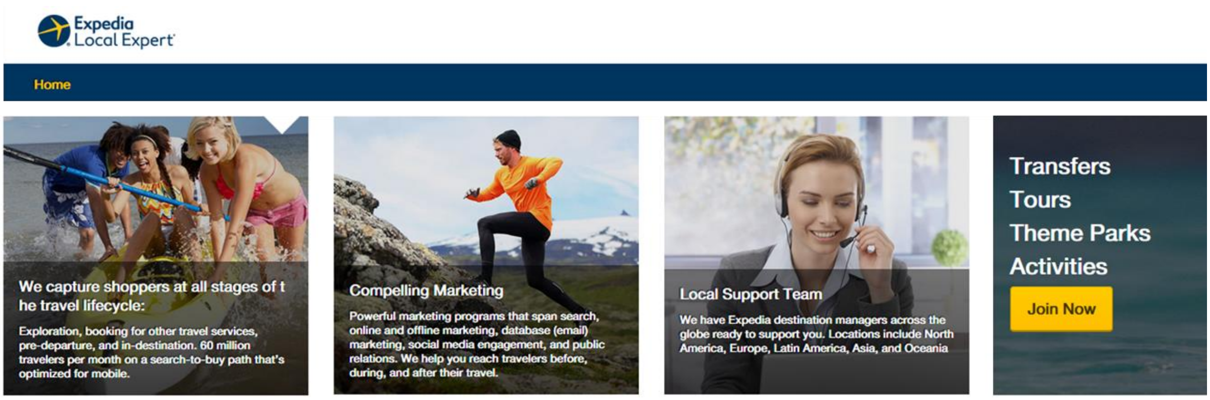
Online travel agencies like Expedia and others have started to integrate experiences into their offer years ago, but it is only now that they are gradually pushing experiences more to the visible booking front. “Things to do” now ranges side by side with flights, hotels, cars, cruises, holiday homes, etc. The most common and easy way to offer experiences for OTAs is via the integration of 3rd party content, often white label solutions of Musement & Co. Opodo, for example, features content from Getyourguide. Others, like Expedia, are more dedicated to the topic and long for more direct control over content quantity, quality and processing. In the following we’ll take a closer look at this committed approach of Expedia.

Focus on... Expedia Local Expert program



Expedia has only recently invested heavily in a more compelling approach to better attract, integrate and promote tours and activities in their system. They are moving more and more to an open marketplace model, meaning companies can sign-up and easily place their content on the platform themselves without lengthy filtering processes.

Expedia runs a program only focused on the T&A market, which they use to attract content providers from around the world. It is called the Expedia Local Expert program. It has been designed to educate and convince operators to place their content on the Expedia platform. As mentioned before, industry awareness building and education is still key in order to push the T&A market online. In the following we’ll take a look at 5 key factors making the program attractive for operators



5 T&A industry focused key approaches of Expedia’s Local Expert program

1. From curated to open marketplace

Curated marketplaces were popular in the past in order to better control the type and quality of activities and tours entering the offer. We now see a critical mass of suppliers going online and more and more people booking and reviewing T&A online, content portfolios need to grow fast. With more and more customer reviews coming, Expedia is convinced that the best operators within each type of experience will make it to the top of the lists, so it opened the gates in order to welcome a multitude of suppliers with competing product offerings. At the time being, many consumers will still suffer from the “paradox of choice", meaning too many options are rather confusing than adding value, but this phenomenon will decrease with every review differentiating the offer of experiences more and giving top quality content also top visibility and market traction.

2. Cross-platform distribution / one-stop shopping

Expedia has taken off the T&A content of the legacy technology platform and developed a proprietary IT solution, enabling the placement of content both vertically and horizontally more easily across the group's network. Not only is Expedia active all along the travel cycle but also across different products, regions, and brands. Currently, the focus is still on the Expedia OTA brand, but integration into hotel platforms like hotels.com or venere.com, search results from trivago, apartment rentals via homeaway.com, car rentals, cruise tours, and even luxury tours like those of Classic Vacations is only a step away or already going on.

The system will certainly allow for smart content filtering, thus luxury travel sites like classicvacations.com will only feature premium experiences. This should also be possible on product level, meaning those booking a 5-star boutique hotel will see different experience suggestions than those booking a hostel room.

3. Upselling all along the travel cycle

Expedia has access to travelers along all stages of the travel cycle. From search and inspiration until customer contact via mobile in the destination. One can simply pro-actively search and book experiences via the "things to do" tab at expedia.com, but more and more, experiences will become part of the upselling process at different stages and via different means. They already are and will always more be suggested on destination landing pages, within the booking processes (of flights, hotels, cruises, packages, etc.) and/or afterwards, e.g. on the booking confirmation site and/or within the confirmation email. Extra emails could be sent, suggestions placed via targeted ads, also via mobile within the destination. Hotels themselves could upsell content to the customers, etc. The possibilities are manifold and time will tell which are the most effective times and places to upsell T&A content along the customer journey. In the end, it also is an essential ingredient for being a one-stop shop solution for travelers.

4. Supplier management tools and support systems

Many of the experience operators are relatively new to online bookings. They shied away from using 3rd party online channels mainly because of three reasons: lack of awareness about the existence and the advantages of using such platforms, fear of the complexity and extra work involved, and lack of understanding and/or acceptance of the cost (commissions) benefit relationship of using Expedia, Musement & Co.

The Expedia Local Expert program tries to diminish these doubts and convince companies to upload their experiences to the platform. Education about the enhanced visibility, reach, and promotion as mentioned in points 1 to 3 is at the core of this, but the system holds also interesting performance measurement and management tools. The sign-up and content placement process has been designed rather lean and easy. Once signed up, Expedia gives its T&A partners a broad array of "in-depth analytics and data reporting about pricing, bookings, and performance of their products across the Local Expert ecosystem." [11]

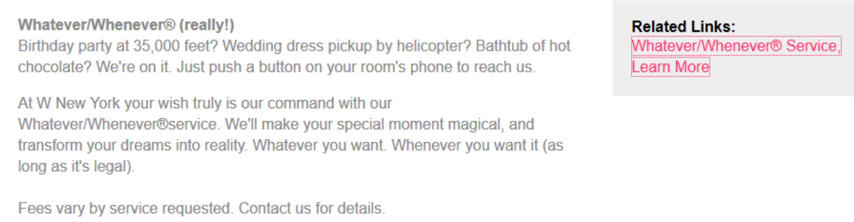
5. From a declared mobile-second to a mobile-first strategy

It's not been long ago that Expedia declared to follow a mobile-second strategy. This now has clearly changed. At the big Expedia conference in December 2015 CEO Dara Khosrowshahi declared that one of the main new strategic goals is to increase engagement with the Expedia mobile app. In-destination activity bookings are at the core of that move, but the app and its marketing are claerly also targeting pre- and post-trip use.

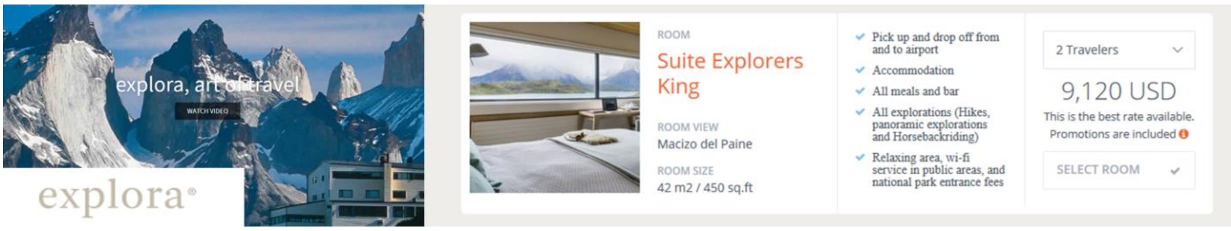
4.3 Accommodation & portals

Before looking into accommodation portals, let's go one step back and look at the role of hotels in the experiential travel boom. More and more hoteliers and chains are discovering that by offering their guests local experiences they can create two major advantages: differentiate their brand in a highly commoditized market and create added-value, both for their guests and income-wise. Most likely, connecting great experiences with the hotel brand will also increase loyalty and customers will be more interested in experience based CRM communication than only reading about hotel news, discounts and special offers.

A concierge-inspired approach to including experiences & activities is that of Starwood W Hotels. (www.starwoodhotels.com/whotels/index.html). The so-called "Whatever/Whenever® Service" is asking guests to turn to this hotel service for any type of interests, wishes, or even crazy ideas. The professionals behind W/W are not only extremely knowledgeable about each city's events, activities, services, and experiences, they are also extremely creative. W is known to not necessarily hire sector experts, but also industry outsiders, staff with no track record in hotels, creative people loving to go beyond the expected, hating the "we-have-always-done-it-that-way's".



One big step further is the concept of luxury hotel chain explora (www.explora.com), albeit not a city chain: they have taken the all-inclusive concept to a new level, not only including airport transfers, all food and beverages, but also all kinds of excursions and other activities.



Exploration, excursions, experiences are at the very heart of this high-end hotel brand from Chile. The concept works well, the chain is continuously expanding its activities, 2016 saw the opening of their latest add, the explora Valle Sagrado in Peru.

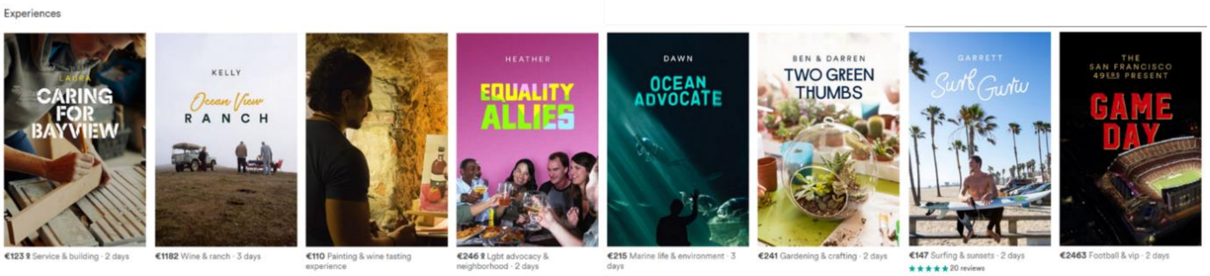
Focus on... airbnb Trips & Places

One of the most interesting and most radical turn towards experience marketing in the accommodation sector is that taken by Airbnb with its Trip approach. The purchase and integration of Barcelona based Trip4real for 10m € in 2016 was only one little step demonstrating the US rule breaker's new strategy. Airbnb asks its accommodation hosts and above all (now providing for 90% of content) other local creatives to design and offer experiences on their platform within its new Trips program. It still is only available for those booking also an Airbnb accommodation in 12 cities. The goal for 2017 is an expansion to 50 cities.

A possible next move to stand-alone experience booking, travel packages, all-inclusive stays, etc. is just a step away. Integrate flights and the company will no longer only be a heavy competitor for hotels, but also for OTAs, Tour & Activity platforms, and tour operators around the world; all based on its local host communities. The experience suppliers pay Airbnb a 20% commission, except the quite interesting number of non-profit organisations receiving all 100% for their projects.

We talk real experiences

We don't talk any longer of activities, tours, or events. The term and the concept "experience" is omnipresent in the Airbnb approach, accompanied by terms like "magical", "unique", "curation", "participation", "personal meaning", etc. It is no coincidence the design of each experience offered looks like a professional film poster.



In an interview with Bloomberg Television earlier this year, Airbnb CEO Brian Chesky said, *"Our basic idea is: I want you to go to a city; you feel like you live there. When people go to a place, they want much more than just a home. They want to be part of a neighbourhood. And what we are really focused on doing is, how can we immerse you into a neighbourhood?"*

50% of the experiences have a price of 200 USD and up, various go into the thousands. There obviously is plenty of high value content, extremely individual, authentic, and personal, certainly capable of attracting premium city travellers from across the world.

Strict quality standards

Airbnb educates and supports experience hosts regarding the design and management of experiences in order to match the requirements of the program. Three key criteria are highlighted in order to get across the high standards set: access, participation, and perspective.

1. Access

Provide an experience that travellers wouldn't be able to find on their own. Give them something that no guidebook or internet search could offer.

A great experience usually provides two or more types of access in these areas:

a) Community (Example: Shopping with fashion designers in Brooklyn, NYC)

b) Place (Paint in a private gallery supported by a local artist)

c) Event (Go to a Sumo match with a sumo wrestler)

d) Inside knowledge (Hike with a botanist who explains the uses for plants & trees along the trail)

e) Curation (Shop at the four best vintage shops in Tokyo with a fashion blogger)

2. Participation

Experiences are not the same as tours. Guests should be able to fully take part in the experience by participating in two or more activities - not just observe them. This could mean:

- Meaningful conversations
- Sharing a meal
- Learning a skill
- Physical activity
- Making/creating something
- Taking part in a cultural activity

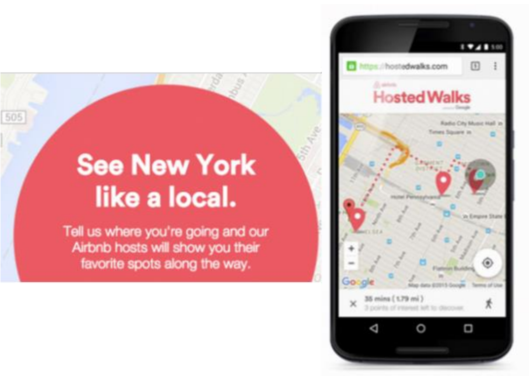
3. Perspective

Every experience should have some sort of personal meaning for the guest, offer an original perspective that people might not have considered before.

Example: *"We'll go on a midnight bike ride through Golden Gate Park and down around Lake Merced. Every third Saturday night, I do this ride with about 60 other riders, called the "Midnight Mystery Ride". It perfectly captures the free spirit and creativity of the city and its people. We'll re-create it with music and lights."*

Digital experiencing – every time more personalized

While the content of the "city hosts" experience portfolio is totally build on face-to-face connection of travelers with locals, the experiential travel evolution at Airbnb does not end there. The Airbnb app is going way beyond simple accommodation booking now. This is especially interesting for the other new approach next to Trips, Places. Local guidebooks are one feature, with almost all content based on local host tips, and insider knowledge. Also, the app is striving towards more personalized content through a matching system, giving you accommodation, experience, and neighborhood recommendations based on your personal profile, guest history, and preferences stated. Airbnb can take advantage of rich information about its users from past trips, recommendations given and received, and well, most people now log-in to Airbnb via their facebook account…



Furthermore, digital guidance goes new ways with the app. Together with a small tech firm called Google, Airbnb has developed digital "hosted walks", again based on content provided by local hosts that know every pocket of their favorite neighborhoods and scenes. Accompanied by the voice of a local host, one receives hints on cool things to do and see while walking the city. A beta version has been developed for NYC, other cities will likely follow soon. Audio guides are already available through a partnership with Detour, also. Last but not least, the app also now enables meeting up with other Airbnb travelers with the same interests, languages, or other criteria, giving way to new un-orchestrated yet possibly powerful personal experiences.

On its way to a global travel super-brand?

Deanna Ting follows Airbnb for skift, she formulates the question the following way: *"Can Airbnb ultimately succeed in doing all of this, or does it risk a devaluation, a massive distraction, or something greater?"* [15] She asks this question, because there have been hints or even announcements that Airbnb is planning to integrate flights, car rental services, restaurant reservations, grocery delivery services, and more. Time will tell which agenda Airbnb follows. Given the dynamic of the company, its amazing global reach, huge community understanding and access, partners, financial backing, tech know-how and ambitions we can expect to see more exciting moves soon for sure.

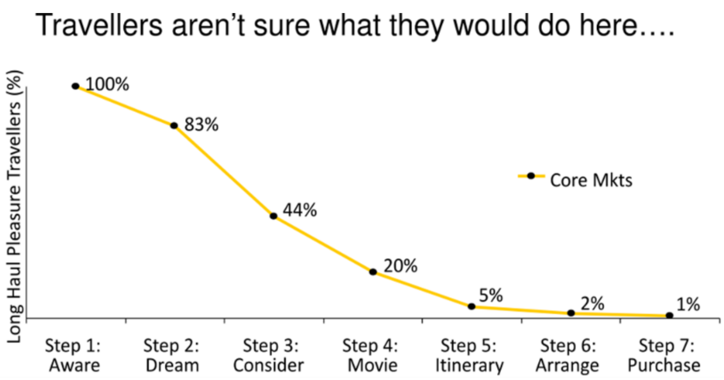
4.4 Destinations – Case Canada

The most credible, trusted source of destination information still are the official destination webs. Here travelers know that there is no commercial intention to sell specific brands, products or services, but that the information given is focused on local cultural and natural attractions, lifestyle, sites, and activities. Usually, destination webs cannot and do not include booking tools. They are all about information and inspiration, the very first stages of the travel cycle. By doing this well, or course, tourist boards want travelers to decide for their corner of the world and book transportation, accommodation, and destination services. But how to do this well, stand out and stimulate bookings in an extremely competitive arena?

Focus on... Canada keep exploring

The challenge of the Canadian tourism sector

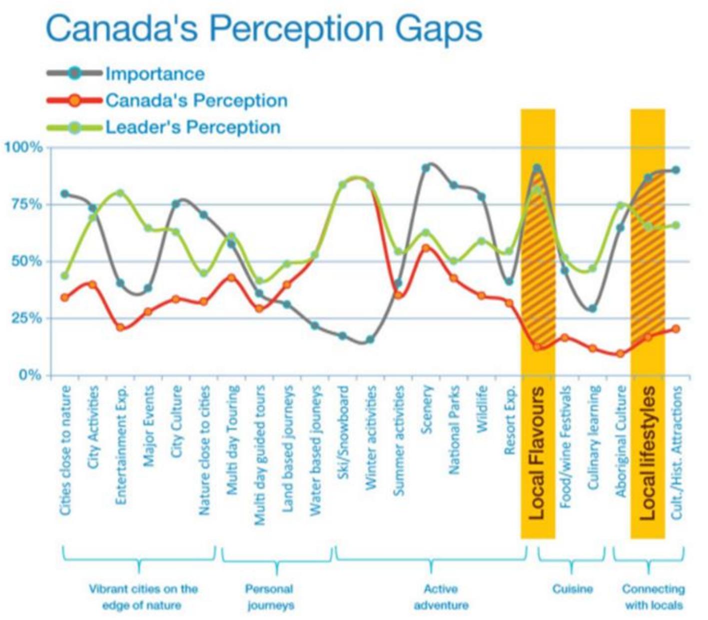
"Ottawa, we have a problem." This is probably what the sector was saying during all the late 90s and early 2000s as international tourist arrivals were dropping year after year. Doing lots and lots of consumer research along the travel cycle, the Canadian Tourism Commission found out that the brand Canada, despite being among the most liked country brands worldwide, did not generate enough stimulus for booking Canada vacations. People all around the world thought that Canada was a great country, they were aware of Canada as a fantastic place for holidays, they would even put Canada on the dream list of destinations; but there was a real conversion problem. People would not take the next step, seriously consider going



Source: Canadian Tourism Commission

into travel planning and developing a Canada "travel movie" in their head. The research found they did not have concrete ideas on what to do, how to enjoy nature, culture, and people of Canada.

When asked about concrete elements of enjoying a holiday destination, the research found especially great gaps between the attractiveness of enjoying local flavors and lifestyles in Canada vs. the leader in the competitive set of destinations. This is dramatic, because these two are among the most important criteria for enjoying cities and countries on vacations, according to the CTC research.



Source: Canadian Tourism Commission

The solution – real experiences to the marketing front

The approach and slogan of "keep exploring" was born, turning the entire marketing concept of Canada upside down. No longer would beautiful places like National Parks, cities, or other natural or cultural sites be at the center of destination marketing. Local experiences, people, and storytelling were the new core of the CTCs marketing approach. The new strategy was launched in 2006, since 2009 until now tourism figures are rising again year after year. In addition, seasonality has been decreasing ever since the beginning of the new era. How did Canada manage to develop, promote, and manage such a powerful system of experiences? A look at some key elements of the experience based strategy.

Canadian Signature Experiences program

Discover the Canadian Signature Experiences Collection

Travellers around the world are telling us they want to explore and live a life that's less ordinary.

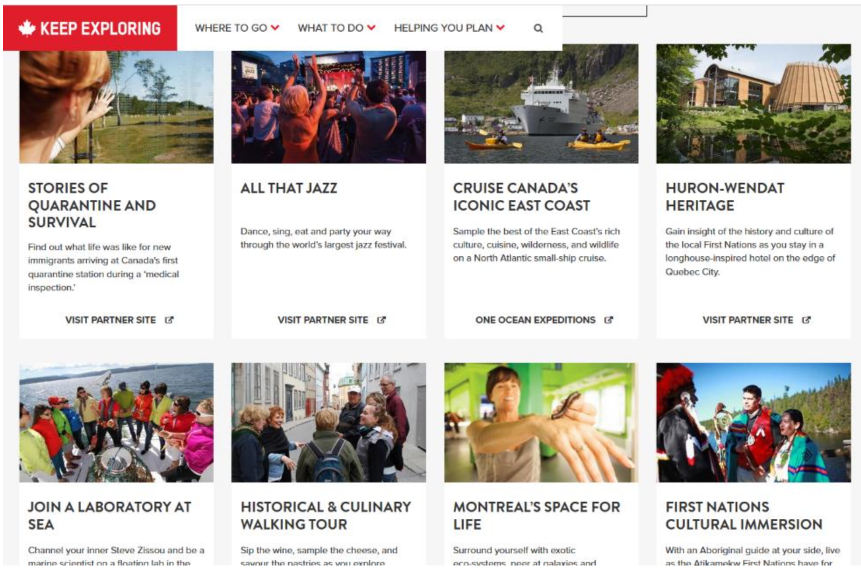
That's why the Canadian Tourism Commission has created the Canadian Signature Experiences (CSE) collection–once-in-a-lifetime travel experiences found only in Canada. They show the world what Canada's tourism brand is all about.

The CSE collection helps eligible tourism businesses promote their product internationally. It also makes it easier for the travel trade to sell more of Canada, and to make more money doing so. Media can utilize the collection to find a rich array of story ideas, media collateral and other resources.

The CSE program is the heart of the strategy, the motor of the country's experiential offer. By promoting very clear benefits for participating firms and giving pragmatic support and guidance, CTC attracts private sector companies from all around the country to design top quality local experiences and apply for the CSE program.

Benefits of the program

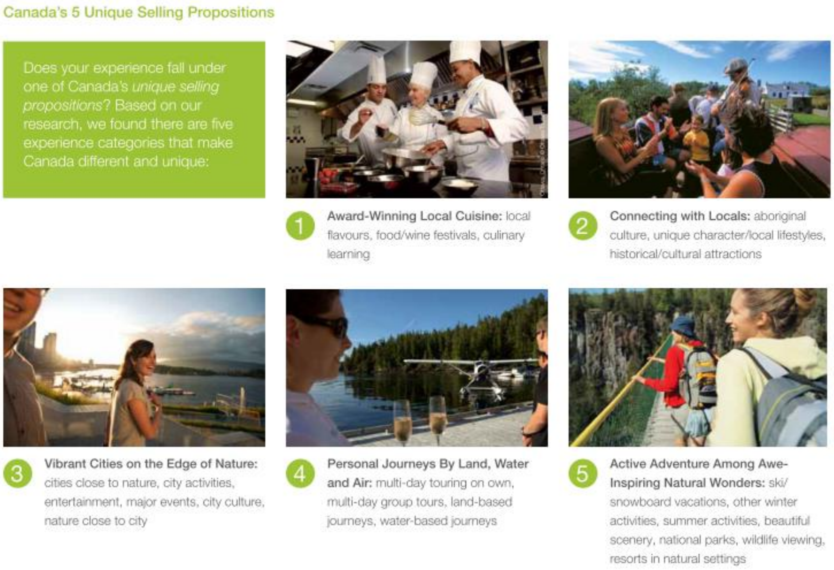
CTC has declared the new system of destination experiences the main competitive advantage of the country in tourism. It has shifted its own marketing focus and put experiences to the front of its websites.



CSE qualified suppliers are represented prominently on national, regional and local destination webs. In addition, they qualify for co-marketing activities with CTC, e.g. in multi-media promotion and/or on trade fairs, etc. Suppliers benefit of great tools and professional guidance in order to increase the quality of their experiences, letting them reach more and happier customers, higher prices and margins, and more and better reviews and word-of-mouth. No wonder many tour and activity providers throughout the nation try to enter the program.

Program access

The program has a limited capacity, though, a formal application process and strict approbation criteria. First of all, experiences have to be aligned with at least one of the declared USP themes of Canada, e.g. award-winning local cuisine, connecting with locals, or vibrant cities on the edge of nature, to name three.



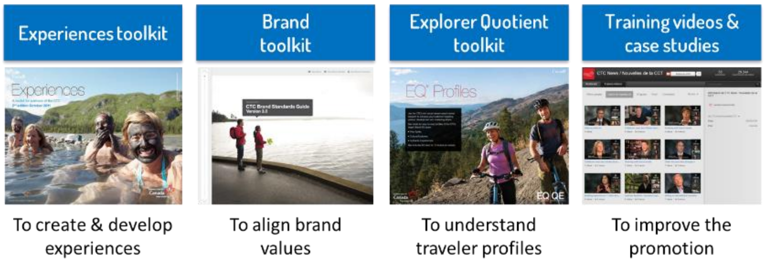
Also, companies have to educate themselves via various guides, check lists, practical cases and take a quiz in order to confirm they have understood the program, application criteria, processes and success factors.

Once accomplished that, operators can apply to join the program and hope to be selected. Each year new experiences are incorporated into the program, others rejected, and current CSEs with quality problems eliminated in order to keep up the high quality of the experiences. This process involves a yearly renewal process every company has to go through and the analysis of customer reviews at Tripadvisor & Co.

Successful experience management and marketing

CSE companies must be prepared to engage in trade marketing in a professional way, they must…

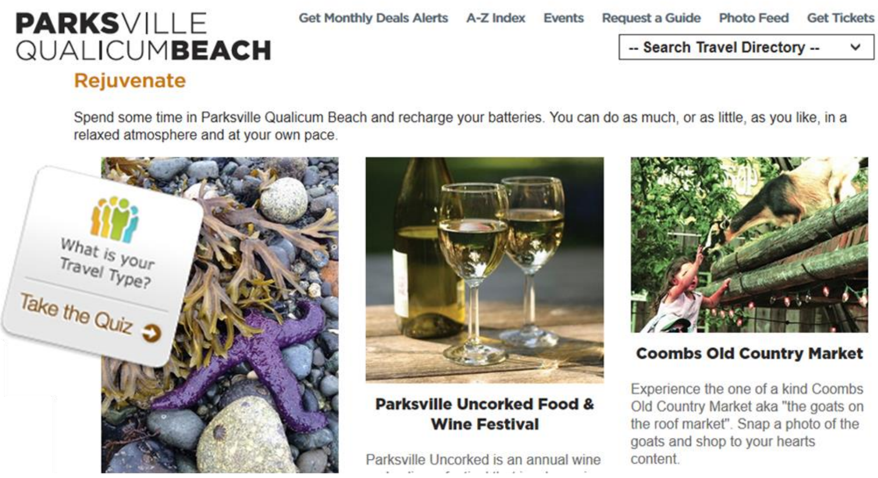
- be willing to pay commissions and formalize agreements with the international trade,
- own a website with a space focused on the trade,
- provide high quality and royalty free images and videos,
- be willing to participate in fam trip arrangements,
- commit to product features and price range for at least 12 consistent months.



On top, CTC invites companies to engage in co-marketing actions directed towards both trade and B2C. Companies get a great deal of supporting tools in order to professionalize their offer and make the most of it. Also face-to-face trainings and support meetings with CTC experts are available. One of the highly innovative and interesting toolkits of the system is the Explorer Quotient.

The Explorer Quotient

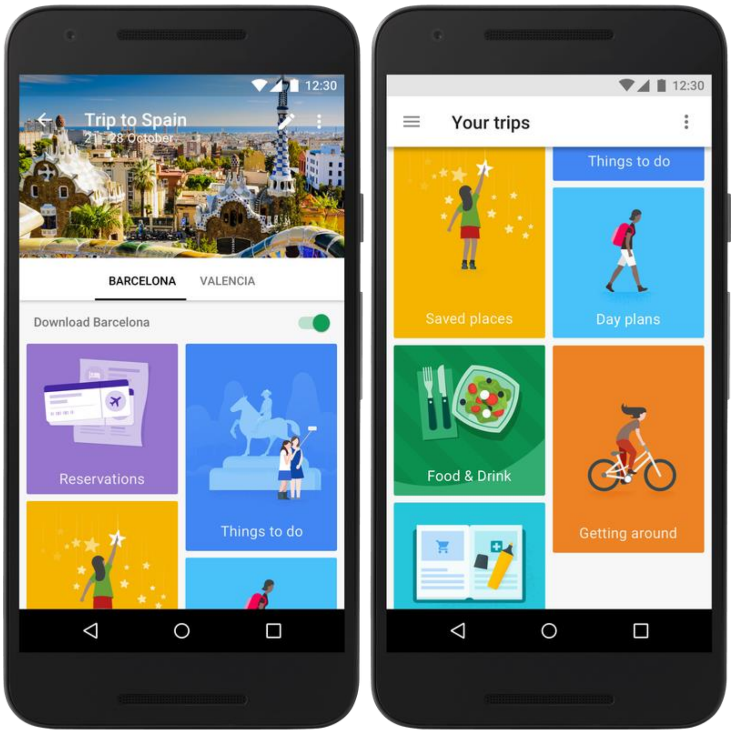
People love quizzes. They especially like quizzes about topics they love, like travel. And it gets even better when the quiz is about oneself, one's own dreams and preferences. That's exactly the essence of the EQ traveler type quiz. Developed in a highly scientific manner with a team of psychologists, it let's you discover which one of 9 different traveler types you are by just answering a few key questions. More importantly, it let's the destination website discover which traveler type you are. According to the result it will personalize the top experiences, places and events offered.



Adapted screenshot destination Parksville Qualicum Beach

Companies in the destination have CTC toolkits available for every different type of traveler. They will know how to find, approach, attract, and satisfy a male French "Free spirit" traveller or a Brazilian female "Hassle-free traveler" with a matching personalized offer of experiences.

4.5 Google Trips



The to-be "killer" travel app Google Trips was officially launched in September 2016. It's ambition is clear: if you want to have only one travel app on your smartphone, Google Trips should be it; before the trip, in the destination, after the trip. If you wonder what this has to do with search, Google's original domain, well, quite a lot: like no other app Google Trips can search the web and make sense of the findings regarding information, multimedia content, reviews, commercial offers, all based on your personal preferences, bookings, contacts, conversations, calendar and more. "Things to do" including experiences is one of four central pieces of it.

Four central elements of Google Trips

1. **Reservations**
   If you have a Google account the app will find hotel, flight and other bookings via your emails and calendar and automatically add them to your trip, including all up-to-date info on delays, contact info, reservation numbers, or flight gates, for example.
2. **Saved places**
   This can be POIs (points of interest) like attractions, accommodations, friend's addresses, meeting points, etc., usually added and saved by the user via email, Google maps, calendar etc.
3. **Food & Drink**
   Shows recommended restaurants, bars, stores, etcl. including descriptions, addresses, reviews, menus, pictures, etc.
4. **And finally: Things to do**
   This part has the potential for a fully fledged destination "guidebook PLUS". Here you will find more and more of all the attractions, activities, tours, events, etc. a city has to offer. This includes always up-to-date information on addresses, contact information, distances and routes, opening hours, most and least visited times, entry fees, etc.
   More importantly in a world where users trust big brands less and less and peer reviews more and more, user evaluations and recommendations from multiple sources will sort the information. This applies also to user generated multimedia content like pictures, videos, or podcasts. For smart selection of things to do, one can categorize, filter, and sort results, e.g. in categories like "with kids", "indoors", etc.

The app does not stop here. It has further sections on local transport showing you the best/fastest/cheapest ways to get from A to B with up-to-date info on schedules, stops, delays, etc. Also, it suggests you "day plans" matching with your hotel area, your interests, and more.

Smarter every day

The app is not yet the holy grail of travel. Without any doubt, though, the still young app will build up more intelligence and power over time and expand to more and more cities. It will get smarter in various ways:

- Increased amount and quality of commercial, professional, and user generated content
- Evaluating the travellers past trips, reviews, bookings, communication, spendings, etc.
- New ideas and technologies, e.g. cognitive
- Multi-device linkage, e.g. Google glasses, smart watches, etc.
- Smart city or business technologies like beacons and more
- Growing popularity among travellers not only generating more content and learnings for the app, but also possibilities to connect with other travellers
- New partnerships, example "Hosted walks" designed in collaboration with AirBnB

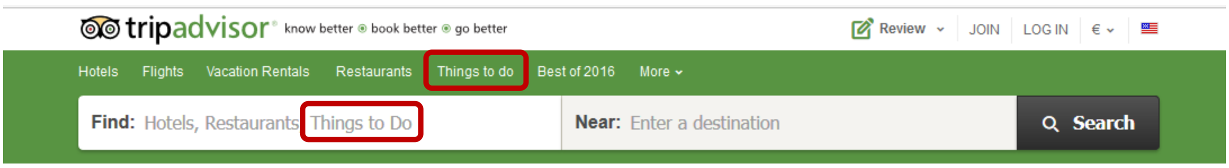
Destinations and businesses, be prepared

At the time being, 85% of travellers still prefer to decide about activities when already having arrived in the destination. [12] Google's new app certainly aims at being especially strong in the destination. With all the information and inspiration at hand with Trips, the next logical thing – bookings, and with it an incredibly attractive business model – is only one step away.

Destination marketing organizations and experience providers should not fight the app, but try to take advantage of it. They better make sure they generate and publish the right type of information and make it findable for Google Trips. Information on their offer, accompanied by inspirational high-quality multimedia content, is key. Still, that is not enough, should the experience not generate fantastic reviews by users. The experience has to be great, only the best experiences will achieve high visibility in Google Trips.

4.6 Tripadvisor & Viator: winning combo built on trust

Viator is the "dinosaur" in the tours & activities distribution sector. It has been around nearly 20 years now. In 2014, it was acquired by Tripadvisor for around 200 million USD. And you don't spend $200m if you don't have a strategic plan with the acquisition. That strategic move became visible latest in September 2016, when Tripadvisor redesigned its home page "just a little bit".



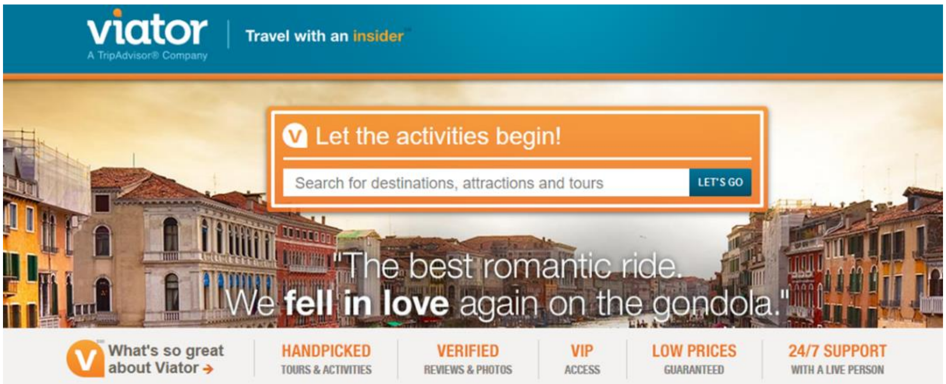
"Things to do" now sits right next to Hotels and Restaurants. Small design change, but big sign and impact.

The sign: For Tripadvisor, experiences now has reached top level strategic importance. Even before putting activities to the front, the company saw a 150% increase in that segment for the first eight months of 2016 compared to 2015.

The impact: people are asked to look for things to do from the start of their Tripadvisor experience. Furthermore, they are asked to evaluate and review experiences in order to add the greatest value Tripadvisor can provide to attractive tours and activities: trust and credibility, key drivers of bookings nowadays in travel worlds of sheer endless choice.

Viator with great potential to be most trusted source for premium experiences

Viator is not only pioneer but also market leader in its competitive arena. It offers over 20,000 tours and activities worldwide, still many of them hand-picked and filtered. In contrast to younger competitors like Getyourguide it did not have the need to grow its content base as quickly as needed now, thus still has



more of a curated than of an open marketplace. Through its longer track record Viator experiences also have significantly more reviews already. And that is crucial for making sure you sell only high quality experiences. From this point of view, the acquisition through review giant Tripadvisor makes a whole lot of sense in order to protect and enhance its position as world leader in quality travel experiences. Especially when talking about high-value, high-cost premium city experiences, Viator has a significant competitive advantage to defend. Nowadays, Viator is more of an open marketplace, but sophisticated automated quality checks and the synergies with Tripadvisor reviews still provide for a sound quality control system.

That also makes the company a preferred trusted partner for third party travel companies like airlines, hotel chains, travel agencies etc. wanting to upsell experiences to their clients. Viator already has more than 3,000 B2B partners worldwide now. Technological partner integration has been a key focus of the past 2 years' investments in the company. The API has received lots of attention in order to become easier to handle and offer more functionality at the same time. Top inventory management and booking systems helping content suppliers with their front- and back-office processes have been integrated, e.g. BookingBoss, RezGo, TourCMS, or ActivityRez, to name a few.

4.7 Specialized apps & platforms

As seen in the previous cases, lots of heavyweights have entered the experience market and some of the early start-ups are on their way to become really big as well. Long-trail often is the strategy, the general idea to incorporate as much content as possible per city and other destinations. Still, in this highly fragmented world there is and will be space for specialist approaches, often implemented by rather small firms and start-ups. In the T&A arena, there are basically two specializations strategies for firms out to play David vs. Goliath.

Specialization by destination

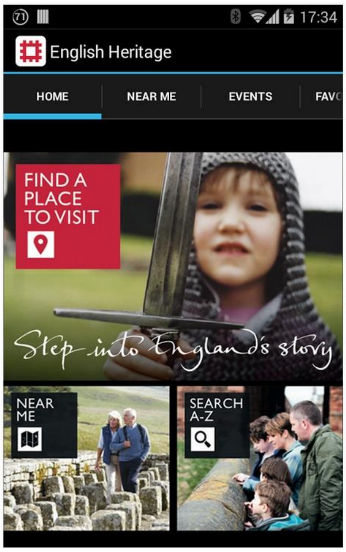
The most obvious way to dominate a niche of the market, especially when you are local and/or have local networks, office and staff on the ground. When looking up Madrid travel apps in Google Play there are more than 250 suggestions of matching apps. Some of them are apps available for various cities, including Madrid. The majority, though, are truly local apps only available for Madrid. Some have more, others less sophisticated technologically, some host a good quantity and quality of content, others not so much. Many of them will not have sustainable business models and will ultimately stop existing, but there is a justification for local apps focused on one destination only. Usually, competitive advantage will not be based on technology, because here the mentioned giants simply have more expertise, experience and resources. Having said this, of course if focusing on technologies rather not essential for the big ones, there are and will be exceptions.

In the short run, there are two, in the long run only one major way to survive as a local specialist app.

1. Simply more local content

It still is possible to stick out and survive by simply having more local (city, regional, country-wide) content, taking advantage of great and many local contacts, knowledge, on-the-ground presence and local credibility. This way a company may become an (albeit not too) interesting acquisition target for one of the big ones looking to expand its global content base. In the long run, increased awareness and traction of the big or otherwise specialized global platforms will be too dominant. Their brands will become too strong, both B2B and B2C wise, and convince not only travelers but in the long run also local experience providers. With more and more reviews available, also their UGC based credibility will outperform generic local heroes.

2. Focus on unique local experiences

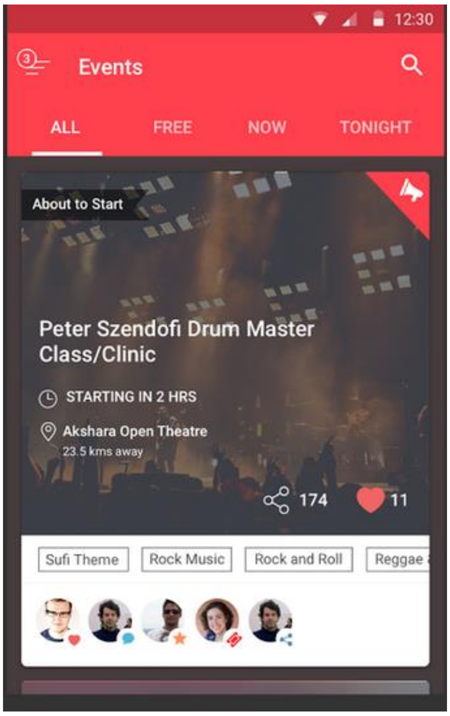


If aiming to survive as local experience marketer, the only long-term successful way is to become a true specialist in one or a few uniquely local fields of interest for a certain target segment. E.g. the Gaudí specialist experience platform for Barcelona, to make up an illustrative example, marketing all types of sites, tours, courses, activities, events, experts in that specific local field. Or the existing English Heritage Days App, which guides you to over 400 official English Heritage mansions, gardens, castles, etc. and offers all general information, pictures, events, directions, prices, reviews, etc. This is often too much niche, too special, requires too much local connection and insight and thus is not top priority for the big global experience marketers. The experience operators, though, may also (or not) find it beneficial to upload their content on Viator, Musement & Co, as well. Still, the rule of thumb is: the more specific a passion/interest, the higher the credibility and competitive advantage of specialist webs and platforms vs. massive approaches like those of Expedia or Viator, for example. This gives way for the other specialization strategy, not necessarily linked to one specific destination:

Specialization by type of experience

The consolidation of experience marketplaces is ongoing, still there is and will be room for apps and webs that focus on being the best for certain types of experiences. Apasionados for medieval music instruments, for example, know there are other "freaks" hosting services and websites totally focused on their common passion. Before looking it up at Getyourguide, they will rather look for specialist information and offers in that field. It does not even have to be that exotic, as the following selected examples show:

- Nearify (App) – totally focused on letting you find events near you: shows, theatre, concerts, parties, vernissages, movie starts, etc. The app lets you use a multitude of filters regarding all kind of different styles and interests
- BringFido (App) – Started with pet friendly hotels, services, and attractions; is also increasing content regarding pet-friendly tours, activities, and other experiences.



Nearify (App)

- Toursnapp (App, Beta) – all about historic monuments in European second-tier cities, only official information, guaranteed absence of commercial guidance, informs you about monuments and historic places on the spot while walking, lets you discover them with the help of augmented reality.
- Mindbody (App) – lets you find and instantly book yoga, wellness, spa, and fitness classes, personal trainers, groups, studios, and events wherever you travel, with all the necessary information and reviews. It brings all your activities together to track your personal performance, as well.

Behind many of the specialist approaches we find young or not-so-young start-ups seeking to defend their space or to sell the company to one of the big global players that need to keep up the growth dynamics. We asked TourSnapp CEO Luis Robledano how small companies in the tours, activities and experience marketing arena can survive and what will happen as more and more travel apps are fighting for the limited space on our smartphone screens.

INTERVIEW

Robledano, Luis, CEO, Toursnapp

Some people say apps will be dead soon: apps, responsive webs or both – what is the future in the travel space?

That has been said for a couple of years now and I partially agree. The world of Apps is too populated and we users normally have many of them. This makes them more and more difficult to access in two senses: 1) Looking for the app to open means browsing through the installed apps cumbersome, 2) we may have even forgotten the name of the app. The second aspect is a matter of branding and marketing expenses. The first one is more difficult to solve. Why should I browse through installed apps when I can just "Google" what I need when I need it? In that sense, responsive websites are a step forward: we can get in the browser a user experience closer to that of apps. That said, the problem is that there are still technical limitations when access to the device is needed, which I am sure will be solved, but are not yet. Apps as we know them now will change dramatically becoming *more ad-hoc to the need at hand instead of something installed. This brings in a revolution on how to market something once the power of "being always installed" is lost. Generally speaking, this environment will bring about fierce competition on offerings closer to user needs, always good for end users. In travel app & web demand often only relates to one trip, many people even got used to install and post-trip de-install apps per trip.*

With all the giants like Google, Airbnb, Expedia also moving into mobile travel experiences, what space remains for start-ups like yours?

Google has been warning about entering the space for years. I remember reading an opinion column not even 3 months ago claining Google couldn't find a way to monetize Google-Trips; the fact is that it has not been a boom as everyone expected yet. In any case the existence of those big players is for the benefit of many startups' life cycle: the Big-Guys buy them... or the startup performs so well that it is not worth to be sold (and becomes an established company). From the user's perspective, big companies often cannot offer the details a local app can, especially when the crowd-sourced information starts to show flaws (fake/biased information, mixing in of commercial interest, etc...). Specialization pays off. The bigger the company gets the more they have to care about the "bottom-line" and the less about solving a problem. The tourism representatives of one city once explained me that they wanted to share some information using Google maps and Google didn't allow them to. TourSnapp (and startups in general) has offerings for users and for cities which big companies cannot afford to offer.

Luis, Toursnapp is all about spontaneous culture discovery. How have cultural tourist experiences been changing over the last years?

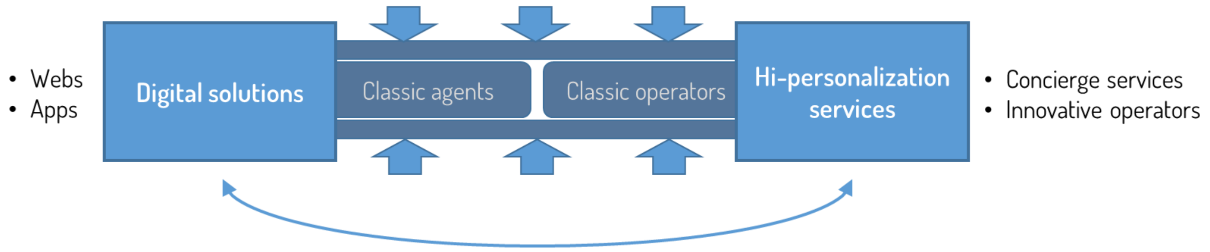
Culture is fascinating because it builds upon what is existing and even though sometimes civilizations are said to destroy previous cultures the fact is that the interest on both the former and the later holds when getting to know a site. In that sense tourism is being not only a showcase where tourists get to know that many-layered local culture but it also adds up into the culture-pot. Therefore, it is extremely dynamic and this is accentuated in the last years by the availability of information and the always-growing number of cultural tourists (expected to double in 15 years). Moreover, UNESCO already emphasized the value of intangible heritage and started to award the badge of Intangible Cultural Heritage of Humanity not too long ago. Putting in contact visitors and locals (holders of the intangible heritage) has become the basis for quite a few startup-businesses. Besides traveling nowadays demands more and more spontaneity, in some cases just because there is no time to plan, in others because all the information available is so overwhelming that it would be just impossible to filter out what to visit. TourSnapp uses geolocation which is in fact the primary restriction when on destination. The app embraces the spirit of "let-the-city-surprise-you" and, based upon the fact that statistically visiting a site exceeds our expectations, brings you to places you probably didn't plan to see but will love even more.

4.8 Premium experience marketing between high tech and high personalization

As seen in the previous examples, many of the new experience marketing approaches are digital-driven. They offer no longer only basic activities and services, but already also include expensive premium experiences. Also, technology is getting smarter and more personalized through intelligent and deep data analysis, rich user web histories, better filtering and categorization, cognitive programs and improved search algorithms. The value of tech-driven experience marketing models is certainly increasing, as previous barriers, especially regarding user (un)friendliness, limited content and reviews, are being diminished. Traveler get access to better content, in better and more fun ways, faster and more spontaneous.

Without any doubt, digital travel services are also increasingly appealing to many premium and luxury travelers, even more for those under 50. These new models put classic premium travel agents and tour operators under pressure in two ways: they are taking away business and they raise the expectations regarding the quality of non-digital travel consulting services.

Structural change of Premium Travel Experience distribution

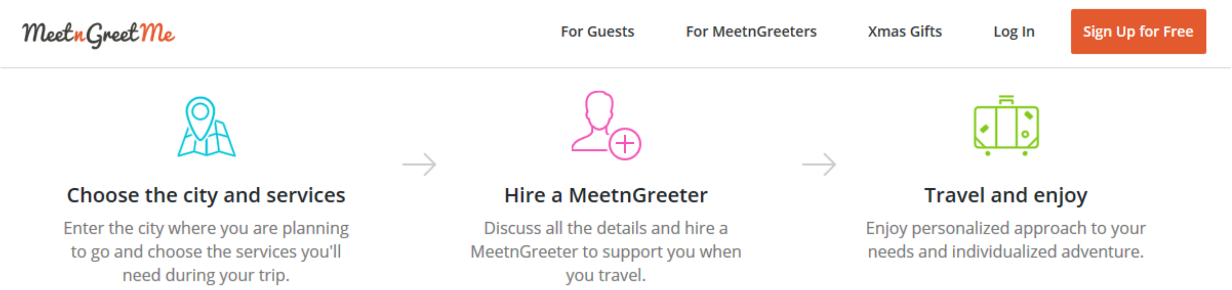


On the other hand, there are also highly personalized innovative businesses putting the classic models under pressure. Concierge and lifestyle management services like Element Lifestyle, Quintessentially, or myconcierge are growing. They grow their networks, connections, and technologies ever more and allow for spontaneous and highly individual experience booking, both at home and in the destination. They are available along the entire customer journey, more and more also combined with technology support. Smartphones are taking a central role as customer service tool, for example, they become an important additional element in the 24/7 concierge service approach. This allows for new "concierging" models enhancing the customer experience and targeting also new market segments:

Concierge-like services for the mass affluent

My+one is such a service that lets you book not only the room but also a local "buddy" giving you tips, helping you with all kinds of doubts and questions, and even guiding you to the best insider places and going for dinner or events with you if you like. All at a rather affordable price and combined with some of the coolest urban boutique and design hotels and apartments. What started out as an idea in Berlin only, now has expanded to other cities like London, Amsterdam, Paris, or Barcelona.

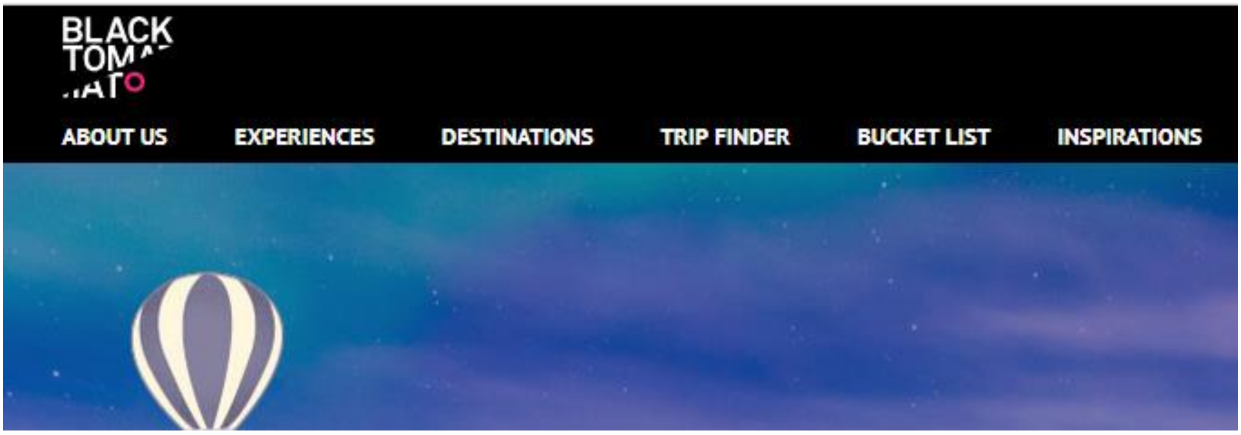
A real global move in that direction is also Meetngreet.me concierge services, a recent European start-up bringing together travelers and non-professional but highly passionate local "concierges". Starting from as little as 20 USD/hour you can "rent" a local expert to inform you, arrange activities and events or even accompany you to discover the city your and/or their style. Based on personal profiles, travelers pick the local expert they think fits best to their own personality and interests.



The days that only HNWIs or very affluent travelers would count on personalized, concierge-arranged travel services are over. Being in touch with locals and paying them to make your stay memorable will become increasingly attractive also among the mass affluent. Travelers will get more and more familiar with such type of services, in fact Airbnb providing for personal contact with local hosts has enormously helped to further boost that trend.

Innovative operator approaches

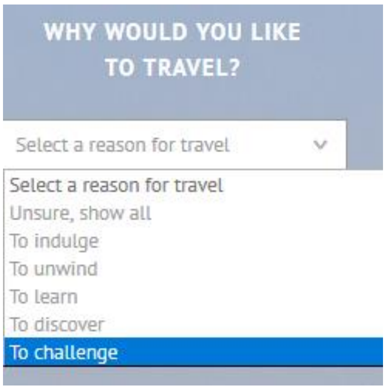
This trend of personalization by connecting with and getting to know the persons behind a place or an experience is also visible more and more in the premium tour operator world; along with the trend to ask for experiences first and then look for the matching destinations and not vice versa as in the "old world". Black Tomato is such an innovative approach, a 9-year old luxury tour operator applying new logics to their consulting model. To understand better, let's take a journey through their home page, where even the order of tabs is reflecting the new business logics.



"About us" as first tab shows the intent to build a relationship with the customer from the very start. It begins with "our story", the team member names and tells users how three friends started setting up their great business idea together.

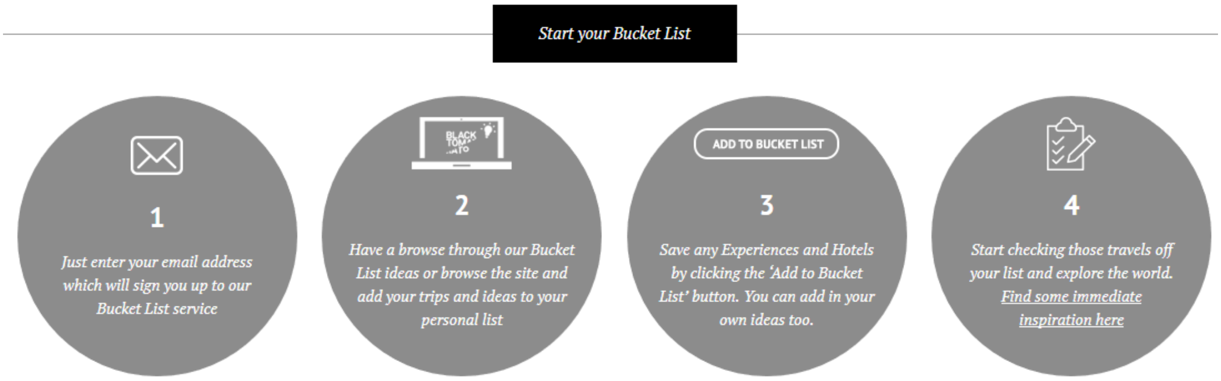
2nd: "Experiences" – comes before destinations, can be searched according to types of experiences or stories, or themes. Provides testimonials and other readings.

3rd: Destinations – only after experiences, select via a piece-of-art world map



Trip finder: let's you search the offer according to type of experiences desired. Choose between different options like discovery, learning, indulging, unwinding, challenging. Almost aligned with Pine & Gilmore's model of the four experience realms…

Bucket list travel: a service feeding you all year long with fantastic ideas regarding the most fascinating travel experiences in the world. Subscribers receive them via email and according to their personal preferences. With one click they can add things to their bucket list, that later can be transformed in real trips by BlackTomato.



Inspiration: Yes, here one finds true inspiration; with top quality videos, globetrotter insights, social media feeds, e.g. fantastic BlackTomato travel pics on Pinterest, expert opinions, etc. Everything is very visual, clear, and tempting. Go and take a look yourself at www.blacktomato.com/inspirations.

Of course, this great digital service world is accompanied by personal service. Travelers can ask for support via email, phone, in the office or at home through a personal expert visit.

Other personalized approaches

There are many other new and not so new approaches building on personalization, digital support, easy and fun selection processes and full-service from inspiration to post-travel experience management. Two more examples to show are AmEx Nextpedition and NYC based Excursionist.

With **Nextpedition**, launched in 2011, American Express Travel offers consumers the exciting opportunity of a mystery travel where the destination and itinerary are unknown until the actual journey begins. The personalized program is revealed day by day via a customized smartphone and reflects the traveler's personality traits and preferences, letting her/him explore the world in an unexpected and intuitive way. *"The trip begins with a quiz designed to attribute a Travel Sign to each user, based on their interests and personality. Travellers can share the quiz on Facebook and then have the opportunity to speak to a Nextpedition Travel Specialist, who will create a vacation based on their Travel Sign, as well as duration and budget. Destinations include cities in the US, Canada and Europe, and the vacation itinerary is revealed gradually via a mobile device; the Travel Console. This device suggests personalized activities and makes recommendations on places to see and things to do. The Travel Console also allows vacation-makers to keep a record of their trip, uploading photograph and videos, sharing on Facebook and making comments – plus family and friends can follow the progress of the trip in real-time."* [13]

Excursionist is *"a members-only travel website selling exclusive vacation experiences curated by local professionals and site members. Excursionist offers vacations to worldwide destinations that involve local individuals, including artists, scientists, chefs and activists. The handpicked travel guides accompany the tourist on their vacation, providing information and local knowledge, so creating a unique, educational experience. Excursionist also works to provide its members with special access to tourism-related sites such as archaeological digs and other places that are often closed to the public."* [13]

Exceeding customer expectations is the declared goal of many tour operators. Those last mentioned innovative approaches make clear that expectations have been changing and tour operators need to react. There are new expectations regarding the travel experience itself, such as contact to or even guidance through welcoming, passionate local experts, for example. Just as important, though, is to exceed customer expectations already during the pre-travel stages of inspiration – information – planning – booking – preparing.

This is where those new approaches have created also a lot of additional value, such as saving time, adding fun and surprise, entertaining and seducing, etc. Very often technology has been the key means to deliver exactly that, becoming an additional value creator on top of an otherwise highly personal consulting and experience approach.

"Hello, Watson" - Cognitive technologies for personalized experiences

IBM by now has created a strong brand for its cognitive technology approach Watson. Spain as one of the leading places for smart tourism hosts a first impressive example of the use of this technology in cognitive tourism. Watson has been implemented in a destination app for the Canary Island of Lanzarote. The local authorities in collaboration with the Madrid office of cognitive tech consultants Red Skios and IBM launched the program in October 2016.

How the app works

140 beacons have been installed at the island's tourism hot spots. Beacons use a low energy signal to constantly communicate with the mobile app of the visitor. They connect them with the IBM cloud hosting different cognitive tools and information from the web, featured by Lanzarote authorities and companies, and from all around the web. What are the outcomes regarding personalized experiences for visitors?

Tips, answers, information, fun, inspiration based on…

1. Where you move…

The Beacons detect your phone and know exactly where you stand, what you're looking at, where you came from etc. Based on that, Watson automatically suggests certain activities, tells and/or shows you certain information or asks you situation specific questions.

2. What you ask…

With its Natural Language Classifier Watson automatically detects your language, even with dialects or accents. And of course, it answers in the same way. It understands your questions and by applying semantic search finds you the right answers and even surprising facts based on the input of the tourism authority and information available from the whole world wide web.

3. How you ask…

With the Tone Analyzer, the app recognizes if you're asking questions or make comments, if you're enthusiastic, angry, or anxious and various its reactions based on your current mood.

4. Where you're from…

Russian tourists tend to be interested in different attractions or attraction details than French tourists, for example. Based on your language and profile, also cultural differences can be differentiated and utilized in the tourist's guidance or the presentation of information and other content.

5. What you're interested in…

You're an architect? Watson will tell you all about the architecture of the the Plaza you're visiting. You're a biologist? Then the app will rather focus on the plants in the Plaza's beautiful little garden. The app also will react according to the information you share but also quickly learns based on your use of the app and your reactions to the content provided.

This totally tech focused approach is perfect for cities. Beacon technology is becoming more and more popular among smartphone users. Europeans are still somewhat behind, but especially Chinese, also premium travelers, have adopted this new technology already and are prepared and increasingly expecting to be auto-serviced, guided, informed, and entertained with the help of respective apps and cognitive technologies.

5. Expert outtakes & outlooks

During a panel with high level travel and technology experts held in Madrid on the 22nd of November 2016, preliminary results of the investigation were shared and discussed. The experts added their great share of wisdom to the study when discussing key challenges for cities, experience operators and marketers alike. Much of their input helped to further sharpen the report and prioritze key issues.

The following experts contributed greatly to this report (in alphabetic order):

Ana Maria Campos
ITH Instituto Tecnológico Hostelero
"If you want to approach the premium sector with experiences, you have to understand the targets' key values first."

Alvaro Carillo de Albornoz
ITH Instituto Tecnológico Hostelero
"In future experience search travelers will communicate with machines that very well understand their needs. This will also conquer premium travel."

Ignacio de Córdoba
Red Skios
"The challenge, especially in premium travel, is to guarantee the experience. Key to that is knowing the most about each target, each individual at best."

Ramon Estalella
CEHAT
"There is a hype around Millennials, but let's not forget a big part of the premium market is 50+. Many of them still consume highly relevant non-digital media, also special interest print."

Augusto Huescar
Consultor
"Before marketing experiences to the premium market, make sure to understand what is a true experience and what is simply a nice activity. The human factor still is key here"

Alberto Knapp
The Cocktail
"Too many companies now have digital technologies and channels but are far from utilizing them well. Just *being there* or *having it* is not enough."

Isabel Llorens
Rusticae
"Usually, it is important that the person creating the experience is also the person narrating and guiding it. To make it a reference, travelers must get to know the person behind the experience."

Antonio Lopez de Ávila
SEGITTUR
"The digitally mobile premium traveler requests above all one thing from technology: making things easier and saving time and hassle."

Sandra Manresa
Google Travel
"We researched the many micro-moments along the customer journey and found that premium travelers don't start their travel search with hotels or destinations, but with experiences."

Luis Robledano
Toursnapp
"Cities should build partnerships with tech & travel firms, but above all stimulate and support local start-ups as innovation paired with local pride and know-how is key in this market."

Eva Ruiz
Mastercard
"In the premium markets, one aspect is especially important when defining experiences: they have to be scarce and not accessible for everyone."

Kevin Sigliano
Territorio Creativo
"More advocacy, less advertising in the premium markets. Following a Deutsche Bank research, 65% of business now comes from happy customers talking & writing about the experience."

Further selected ideas & recommendations of the expert panel along 3 key questions

How to generate value with city travel experiences?

» Excel expectations
» Define experience as principal travel motive
» Experience packaging
» Use of storytelling
» Get across feeling of exclusivity
» Use cognitive technologies to improve experiences
» Make sure to understand and distinguish what is and what is not a true experience
» Use good old Maslow's pyramid concept of self-actualization and beyond (transformation)
» Be honest with the concept of experience vs. ordinary activities
» Keep up customer relevance by constantly updating experiences
» Define the story behind the experience, make it credible, personal, authentic
» Understand well travel context and real-time situation of customer
» Innovate professionally, create an innovation culture
» Creation of surprises and wow-moments
» Dare to carefully leave the customer's comfort zone of usual interests and behavior
» The quality of the host is basic, choose carefully, enable adequately
» Know your local assets. What makes the city great and unique?
» "Activated senses": Offer activities as immersive as possible
» True local experts as experience designers
» Smart clustering of experiences

How to market city travel experiences?

» Build on advocacy and p2p recommendations in the premium world
» Choose battles > prioritize high value target, drop others

- Getting across personalization and exclusivity also in marketing
- Defining and understanding well target segments
- Work with market partners in source markets on city level
- Outline uniqueness of experience
- Deep data analysis for segmentation approaches
- Use technology to increase personalization of offer presentation
- Enable spontaneous booking in destination
- Improve market intelligence for better targeting
- Pre-booking via mobile
- Increased use of HQ videos
- Use of influencers, work on advocacy
- Start working on the customer journey from awareness stage on
- Use well the many specialized and niche distribution channels
- Advocacy over advertising
- Hypersegmentación with respective approaches on- AND offline
- Discreet sales processes
- From impulse shopping to well-prepared selling
- Do not forget the local tourist office, they still have power
- Technology and platforms that premium travelers use (often distinct from mass approach)
- Unobtrusively stimulate content sharing in relevant social network communities
- Further push digital selling of experiences

How to leverage the digital impact on city travel experiences?

- Using new technologies in both product definition AND commercializiation
- Get familiar with tools built on semantic analysis, voice recognition, machine learning, AI, etc.
- Find or build premium experience platforms as Tripadvisor & Co. Cannot catch much of the premium market
- Pulling local hosts & experts online
- Quick & easy experience booking through mobile, also last minute
- Master recommendations and reviews
- Use digital tools to boost advocacy;
- Make finding & booking easier and more fun
- Identify digital channels and key messages per segment
- Artificial Intelligence
- Cognitive technologies
- City support of local startup scene.
- Bots
- Mobile tech to be in touch pre-trip
- Leverage audiovisual quality of contents
- Liquid Multimedia
- Apply tech to keep learning about the customer

Research methodology

General approach

Mix of secondary and primary research plus an expert panel

Secondary research

Studies, reports, data and articles were searched from the internet or made available through partners of the research like Mastercard. Additional in-depth interviews were done with the CEOs of tour & activity marketplace Musement and travel tech start-up Toursnapp. See bibliography for all sources

Primary research

The primary research looked into selected Non-Euro markets that are relevant for big European city tourism, and especially for the Spanish cities of Madrid and Barcelona. In the end it was agreed to focus on three core markets, one in the Americas, one in Europe, and one to the East, to be complemented with targeted primary research insights from Latin America. The final list of countries was: United States, United Kindom, Russia plus Latin America (mix of countries with a focus on Brazil).

The research method was CAWI. In the case of US, UK, and Russia, the research was conducted through Millward Brown Spain, using online panels with people frequently (at least once per year) travelling abroad for holiday reasons and with a minimum household income of approximately 50.000 USD. The Latin America and Brazil research was done through online questionnaires distributed in a panel owned by the IE and in Brazil through our research partner Mercado & Eventos. The questionnaires were all collected during late spring/early summer 2015.

Income groups researched were 50-80 Thsd. USD, 80-140 Thsd. USD, and 140 Thsd USD and more, with their respective amounts in local currencies in the UK, Russia, and Brazil. The research, thus, provides for a good insight into the mid-high income groups on three levels, but does not allow for distinction of results according to commonly used concepts as mass-affluent, affluent, HNWIs, or UHNWIs, for example.

All in all, 1.469 questionnaires were filled, thereof 501 in the US, 516 in the UK, 326 in Russia, 126 in Latin America, thereof 72 in Brazil. Due to the comparably small sample in Latin America the questionnaires have been simplified and did not allow for the crossing of data as in the other markets.

Expert panel Madrid

On the 22nd of November, a panel of industry experts gathered in Madrid to discuss preliminary results of the study and share views and ideas in the course of an open discussion. Leaders from the travel and technology sectors and consultants gave additional insights during a panel discussion and with the help of questionnaires.

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Data and other information, screenshots, pictures and graphics were taken from the websites of the presented companies if not stated otherwise

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