TRAVEL TRENDS
FROM THE FRONTLINE
Q1: 2023

By: Jack S. Ezon

2023 has gotten off to an amazing start for most places in the world. It seems we are all just about apathetic towards doom and gloom headlines. The looming recession still seems to be threatening our profits while war continues in Ukraine and Russia. Covid is still happening but for most feels like a distant memory. Inflation is running rampant almost everywhere, prices for labor are insane, if you can even find someone, offices are still half empty, political unrest in Peru, the energy crisis (especially in Europe) is only getting worse. Airlines still can't get their act together. Frequently canceled flights and lost bags are still a real thing. Service almost everywhere, in every industry, is still not improving despite rates sometimes tripling. Warehouses are still overflowing with unsold merchandise, trade with China continues to get more delicate, Russian boycotts still keep a lucrative market away, and commercial real estate across the globe is still half empty. Strikes in Europe seem to be happening more often than not. Crypto seems to be imploding, SVB and Signature Bank collapsed, and oh, did someone say climate change? There is no snow in the Alps, it is below freezing in Miami while it is springtime in New York in February. So what gives?

We truly thought our world was dancing on the edge of a cliff, but it seems we are full steam ahead on an endless roadway. Frankly, we just think people don't care anymore. While the wrath of Covid is less than a year old, it is a distant memory for so many people. People are becoming numb to the headlines. Covid was just so scarring that everything else just seems like a light footnote of caution. Life is too short.

The biggest lesson we learned from Covid is that whatever the situation does to our businesses, focusing on consumer needs and looking at your business from a fanatically consumer-centric lens, you can invent ways to stimulate engagement and profit, even if it means they cannot necessarily walk through your doors. In a more stable crisis, aligning yourself with trends often drives significant business at substantial premiums, as we have also learned that once you find a client's passion and align your value proposition with what's important to them, price is an insignificant part of their buying decision.

This quarter our Embark Trend Report outlines Embark's top 5 drivers for travel and our top 25 observations in the luxury travel space. Next quarter we will publish our destination market report with a summary of our production for 2022 and pace for 2023. Be sure to look out for our third quarter publication which will examine distribution trends, general market trends, and general (not travel-specific) consumer behavior observations that we think affect the luxury space (holistically), and the travel marketplace in general.

Fourth quarter will reassess luxury travel trends (specifically) and focus on new products, top destinations and business opportunities for 2024.

Here's to a great remainder of 2023 for all of us!

Jack Ezon

I. But First..... The Million-Dollar Question

THE BIGGEST QUESTION: Will there be a Recession, and will it affect us?

Are we dancing on the edge of a cliff? Indeed, the biggest question on everyone's mind is what will 2023 bring? How are we preparing? What are we seeing? Will we be affected? Despite so many predictions of recession, there is little sign of anyone cutting back on spending, especially travel spending. Spending is at an all-time high and prices have obnoxiously ballooned far above any expectations. Aside from market decompression, will faltering economy affect RevPar?

Frankly, we sit back truly baffled. People call us complaining about their portfolios, their empty commercial real estate, their over-stocked warehouses with no buyers in sight… and yet they continue to splurge on that $500,000 yacht or that $12,000 suite. Something about it feels very "roaring 20's" but, despite the abysmal news, people are still spending like it is 2021. Will there be a wakeup call? Will things stop short and fall off a cliff like we did in 2008? Are market conditions that much stronger that it won't have the same impact?

And, so what if we have a recession? Historically the ultra-high net worth are not as affected by a recession. However, some things have historically been true:

- People spend money differently when it comes from a bucket and not a faucet. No matter how much is in the bank, when money is being generously generated you spend generously. When you see it depleting, you are generally more frugal. For our clients, it means that they may spend $4,000/night and not $8,000/night. They will still spend and still go but won't splurge as much on "frivolities."
- Though the UHNW clients will continue to spend, the HNW clients and corporate/group clients restrict spending. This creates a weaker base that often limits strong rate growth and demand. Though all suites may be full, if the bulk of the basic inventory is empty, especially within a comp set, the rate will soften.

Many high-profile financial institutions, including Goldman Sachs, predict that we are unquestionably going to be in a recession. That's because all signs point to a recession: escalating inflation, escalating interest rates, volatile markets, escalating energy costs, slowdown in consumer spending, and a slowdown in manufacturing. Another tell-tale sign is that the yield for 2-year Treasury Bonds in the USA exceeded the yield for 10-year ones—by a lot. It's considered an "inversion" whenever the short-term yield eclipses the long-term yield. This signifies that investors expect interest rates to rise in the near term but that those hikes will ultimately damage the economy, forcing rates back down over time. This yield curve inversion has happened before every recession since the 1960s. In addition, global equities lost a record $18 trillion in 2022 amid nearly 300 interest rate hikes from central banks around the world. But if the rich have lost so much of their money, why are they still spending like it's 1999?

Despite this, there are many who disagree, citing that historical data may not be that relevant in predicting this economic situation. Unlike other recessions, unemployment remains extremely low as more people retired or died during the pandemic than a normal time. And the reason manufacturing slowed is because retailers forecasted their inventory needs based on a Covid anomaly and wound up with excess inventory that needs to sell. Retailers are focusing on clearing out inventory and ordering less from manufacturers, causing a slowdown in manufacturing activity. Consumers are leaving more goods on the shelf in general, but this is mainly because prices spiked, not because of a loss of income. Deloitte's Global State of the Consumer Tracker found that Americans of all income levels intend to delay large purchases as concerns over inflation, rising interest rates, tumultuous equity markets, and energy disruptions heighten.

Indeed, ultra-luxury seems to remain strong. Peter Bates, founder and mastermind behind Strategic Vision, highlighted in his recent trends report Bain & Company's findings that the global luxury market grew 21% this year, reaching $1.4 trillion, and will grow anywhere from 3% to 8% next year — slower, but still record-breaking. LVMH, Mercedes-Benz, Kering, and others in high-end commerce have all reported strong earnings, and brands from Chanel and Dior to Hermès and Rolex have raised prices in the face of steady demand. In fact, most high-luxury brands will continue to raise prices by 5-10% in 2023.

Despite this, a study by the Wall Street Journal published in January, 2023 thinks otherwise. Predicting a "Richsession," it surmises that the rich lost wealth in 2022 while lower income workers gained wealth in part to low unemployment and higher minimum wage. American Federal Reserve figures show that the net worth of households in the bottom fifth by income was 42% higher in the third quarter than at the end of 2019, and up 17% from the end of 2021. Compare this to the top fifth which was only 22% higher, but down 7.1% from 2021. Most layoffs are also coming from high-net worth positions in the tech space, with average incomes being let go over $250,000.

Incomes of $250,000 are wealthy but not ultra-wealthy and not our core client base. That's why we are seeing the biggest constriction in the "attainable luxury" segment like Coach, Kate Spade or Marc Jacobs which is constricted not just by falling portfolio, but the priorities associated with extreme inflation on basic goods. On the travel front, this will manifest itself most in the premium-luxury market with brands like Westin, Intercontinental and Royal Caribbean.

Some Good Signs: like luxury fashion, the luxury travel space shows signs of a robust 2023 despite stormy predictions.

1) **Revenge Travel's Just Begun:** Think about it, 2022 was not a full year of revenge travel. While it may feel like years ago, Christmas/New Years and months into winter 2022 were plagued with a fierce onslaught of Omicron. The dam only really exploded during this spring with relaxed Covid measures. Those who have the money have not gone through a full cycle yet and are still willing to spend whatever it takes to travel in such a way that makes up for lost time. Further, we are seeing a larger booking window for summer 2023 after so many people got shut out last summer.
2) **Demand will grow as markets reopen:** Many key markets like Australia, Japan and China are just opening and we expect them to flood the international marketplace in 2023 for the first time in 3 years, adding to market compression.

3) **Corporate and meeting rebound** – even though corporate spending is getting tighter, corporate meetings and incentives are rebounding strongly with many seeing a 60-70% growth back to

2019 levels of requests. We expect these to continue to grow as WFH requires companies to gather their people in person, and leisure demand softening to allow for inventory to be allocated to meetings.

4) **US Dollar remains strong** versus many currencies, giving Americans a strong incentive to travel internationally.
5) **Hybrid work yields more flexibility for big trips**: We continue to see younger people investing in longer experiences that are far from home and for longer periods of time.
6) **Airlines are adding more long-haul routes** which opens up more markets and the ability for people to find decently priced seats to get away.

We expect to see more rate volatility in the coming 12-18 months as all travel segments continue to normalize, but from our vantage, 2023 looks like it will continue its upward trajectory, at least in travel in most markets. The exception? We see rates and occupancy in early-to-rebound markets like Miami and Mexico continue to deplete, but not because of recession; it's because the world has opened up and customers are shifting their destinations to places they could not get to before.

Whatever the vantage, it is clear that we are in unchartered economic territory. Despite that, pace and spending seem to indicate no one really cares. Let's hope we are right!

II. Travel Drivers

1) **Art -** *Art is the new food*! Indeed, art is one of the hottest drivers of travel in 2022 and 2023. Art festivals, cities with an art scene, art shopping trips and visiting artist studios are among the most requested experiences we are getting. Art has gone mainstream and the new "cool" thing to show the world you do. It's become a growing investment vehicle and often surrounds itself with super chic parties. Destinations with a cool art scene are getting attention from jetsetters and the "*culturati*" alike.

2) **Gathering to Connect -** Beyond the multi-gen social group, people are flocking around the world in groups: groups of ladies; groups of guys; groups of 5-8 couples; friends who like botany; fitness instructors bringing their fans to some remote place for a workout; divorced ladies out for revenge… you name the affinity, they are going together. We are even seeing 5-6 families traveling together. In fact, 67% of our surveyed clients plan to travel as some kind of self-chosen small group in the next year. The good news is that hotel and cruise products have great potential to pair well with the trend. Grand estates, large villas and one of the hottest categories, "takeover-hotels", are all the rage in this market segment. People traveling together want the facilities and services of a resort with private gathering spaces just for them. They want private dining spaces, lounge spaces and recreational spaces to connect together without the distraction of others. On a corporate level, we are seeing more high-end, micro-destination gatherings for partners, C-suites and even specialty departments who no longer have a conference room or water cooler to brainstorm around. Huge estates like Jumby Bay or Mustique with 6 – 12 bedrooms are HOT and hotels designed for exclusive use like Necker Island, Ani Villas, Ultima, The Town, Eleven Experiences are the hot new travel ticket.

3) **Celebration Travel** - The proclivity to fuse celebrations with travel seems to be endless since Covid. The pandemic only accelerated the thirst to find reasons to celebrate together outside the ordinary routine of local life. And it's not just about the most beautiful global backdrop anymore; today's celebrations are going bigger and bolder with a quest for creating the ultimate joint memories using headliner entertainment and unique in-market group "team building" experiences to bring people closer together.

4) **Shopping trips** – With the US Dollar historically strong, Americans are flying across the pond with empty suitcases again. We have not seen this level of shopping abroad since the Euro became the dominant currency in Europe. Many are pairing trips with personal stylists to reinvent their wardrobe for a post-covid world and hitting top cities to curate a new look!

5) **Wellness /Body Reset** - Wellness continues to be a strong driver of business. Showing yourself real love is even more prevalent than pre-covid. We see private, boutique, instructor-led fitness and yoga retreats specifically leading the way in the wellness space, even more than destination spas.

III. Top 25 Observations

1) **WORD of 2022: *"Overwhelmed"*** - The word heard across the world was "Overwhelmed" in 2022. The Deluge of "post-covid" business flooded unprepared destinations overnight. Travel demand was like a literal wave sweeping from one country to another looking to find a place to land. Staff were not brought back on, trained nor refreshed. Systems – from air control to baggage handling to visa processing - were not prepared for capacity and many buckled at the seams, even in well-oiled, organized destinations like the Netherlands. And while the wave is first hitting newly opened markets like the South Pacific, Japan and Southeast Asia, other countries are still assessing what a new reality is and trying to determine how to proceed with everything from staffing to budgeting to revenue management and forecasting.

   WORD OF 2023: *"Connection"* - From the consumer side, coming out of Covid the thing our clients crave most is NOT travel – it is what travel delivers – deeper connections. We believed in this core driver so much that we even changed our mission statement and approach to client servicing in 2021. Our new mission is "*Leveraging our Relationships to Build Connections – connecting you to the people you are with, the places you go and to yourself.*" Travel is truly about fresh perspectives to build bonds and memories. The importance of relationships has been completely magnified over Covid, and is one of the most valued thirsts in our society. This presents itself in a proliferation of small-group travel focused on gatherings. Excluding honeymoons, nearly 70% of our leisure trips involve multiple friends or family getting together beyond a nuclear 'family'. That means 4-5 couples traveling together, friends with common passions, and multiple families. People are programming trips to create memories and be more meaningful. They want to go deeper. They want to build community and relationships. Consider the lens in which you are communicating your programming and attributes and how it relates to bringing people together.

2) **Measuring Luxury** – Now more than ever, the real measurement of luxury is clear. It is not the size of the room, not the quality of the silk curtains, not the source of the chandelier, not the experiential options and not even the insider access. All of that is a given. In our environment, and probably forever if we think deep down, luxury is measured by how you make people **FEEL.** It is the ability to tailor a moment for the ultimate "*emotional impact.*" At Embark, we believe that "*loyalty is won from the heart and not the pocket*" and that has never been more true than now. With the cost of luxury so much more inflated and delivery so compromised, making people *feel* special can cost nothing but truly what people talk about most. That means, at the ultra-high-net-worth level you don't need to waste your time with points to win loyalty. You need to focus on your heart instead. While this client base is motivated to redeem points, they will not shift their choices to accumulate points. And "feeling" is not only relevant in

   Luxury is measured by how you make people FEEL. It is the ability to tailor a moment for the ultimate "emotional impact."

hospitality. Take a look at high fashion's deliberate approach to "*clienteling*" that makes shopping personal even better than most companies do hospitality. Every segment of luxury is focusing on making the client feel special with a service tailored just to them. Ironically, hospitality as a whole is going in the opposite direction.

3) **Segment Replacement** - We continue to see segment source swapping in all markets around the world illustrating the importance of a diversified client base. No longer is it isolated to leisure replacing corporate business. We are seeing social groups filling corporate meeting space. We are seeing incentive and meeting space begin to fill the void the slowdown in leisure business, especially in markets focused on US domestic business. We are still seeing Americans, Brazilians and Mexicans filling the gap from the Russians and Chinese, though we expect the latter group to fill in where the former groups will likely slow down a bit. Last summer we saw an overwhelming number of segments concentrated in certain destinations. Americans virtually took over Italy. Maldives was overwhelmed with Russians. Switzerland saw an influx of Mexicans and Brazilians. As we emerged from the pandemic, everyone said "yes" to whatever business came first, discarding their usual "quotas" from certain markets to create a well-balanced atmosphere. The lesson? This coming year we think it may be smarter to be a bit more discriminating in allocating inventory and continuing to invest in a diverse distribution strategy. Every channel will continue to be in flux for at least another year.

Relaxed luxury - Covid was nail in the coffin of formalwear. Today's luxury is less about glossiness and more about how cool you can dress down to look common with a snobby nod to elitism. Luxury brands are embracing street wear and minimalistic styles. Consider brands such as Golden Goose and Kith whose sole existence is focused on premium streetwear. Look no further than Gucci's $2,800 hoodies, Louis Vuitton's streetwear collection (and dedicated shops) or Dior's $35,000 Jordan Nike sneakers to see the trend truly proliferating. Luxury today is not obvious, fusing democratic concepts with a dose of attitude. No doubt this means luxury mainstays need to reconsider dress guidelines. Today's billionaire will show up with a $5,000 pair of jeans to a posh lunch or don $2,500 pair of sneakers with a pair of slacks. Companies continue to struggle balancing the desire to be more relaxed while trying to avoid removing some bit of elegance from every corner of the world. To a large extent, dress dictates ambiance, and we should consider a certain kind of style even if in a limited way, whether at the theater, flying first class, or a night on the Belmond Orient Express. The thing is, this "relaxed" trend extends beyond fashion. For years we have seen people eschewing fussy food, formal engagements with staff, and structured programming.

Luxury today is not obvious, fusing democratic concepts with a dose of attitude.... Today' billionaire will show up with a $5,000 pair of jeans to a posh lunch or don $2,500 pair of sneakers with a pair of slacks.

4) **Space Tourism About to go Prime Time** – What was once a pipe dream has become a reality in 2022 which witnessed the launch of Virgin, Space X, and Blue Origin flights to space. The price and demand for the experience has literally skyrocketed too. For example, seats that went for under $200,000 when Virgin Galactic started selling the opportunity over 10 years ago are now more than double. We think 2023 will be a defining year in which it finally launches regular flights.

5) **Conspicuous Consumption v Conscious Consumption** – Despite being in the conspicuous Instagram age, we are seeing a significant trend towards being more conscious consumption; doing things more for internal fulfillment and drive and less about the external exposure. People are much more deliberate about why they travel and how they travel, though sustainability still has not swayed buying decisions.

6) **Asia Pacific poised for explosive growth in 2023** – Though we don't predict it will be as strong as Europe was when it fully opened last summer, we are already seeing Eastern Asia accelerate. In fact, we are dubbing Japan to be the Italy of 2023! In a matter of days since opening, Japan has been overwhelmed with Americans looking to invade en masse. The biggest inhibition for growth is capacity. It's the same adage we've heard before – while there is inventory, there are not enough people back in hospitality, not enough guides, drivers, or salespeople. Australia and New Zealand's growth are thwarted by a similar situation. Clients are being turned away because there are not enough people (as opposed to product) to service them. The other issue is lift. With China just opening there is a lot less air service into the region making pricing and availability untouchable for many.

7) **Events and Concerts** –Events like Art Basel, the Venice Biennale, Superbowl, Grand Prix, World Cup are more significant than ever. What used to be a niche market has exploded. What's even more important to note is that we find that clients are not that interested in the subject matter of the event they are attending, but primarily going for the ancillary festivities and networking surrounding it.

We find that clients are not that interested in the subject matter of the event they are attending, but primarily going for the ancillary festivities and networking surrounding it.

8) **Overtourism gone extreme** – like bacteria returning with a vengeance, overtourism has gone extreme. Just two years ago, as the world closed, major destinations vowed to avoid over-crowding like a plague. No sooner did the pandemic subside, than overtourism actually exacerbated. Iconic destinations were literally overwhelmed. The whole travel industry was unprepared, causing extreme discomfort for visitors and locals alike. The problem is that 2023 doesn't look much different.

9) **Kosher goes Mainstream** – During Covid, the most resilient travelers seemed to be the most observant. Taking advantage of a growing wealth set of observants, many luxury properties brought kosher restaurants or facilities to their resorts. Baha Mar repositioned one of their Asian-fusion restaurants as kosher, Nizuc, Grand Hyatt Playa del Carmen, Ritz Carlton's Zadun ,and Banyan Tree Mayakoba opened one with great success. Both the Kempinski in St. Moritz and the Capri Tibero Palace have had kosher restaurant for over 5 years while newcomers like Belmond Maroma and Park Hyatt Marrakech will feature kosher as well along far flung locales like Royal Malewane near Kruger National Park in South Africa plus Soneva Jani and Joali in the Maldives. Luxury outfitter, K& Beyond, based in Sao Paolo has found great success organizing bespoke luxury kosher experiences with a private "mashgiach" attendant overseeing kosher preparation anywhere in the world.

10) **Something Old + Something New** – the most common travel pattern we have seen is the combination of something familiar with something new. Next summer seems to continue the trend we have seen the past 2 summers – where clients would visit a mainstay like Paris, St. Tropez or Capri, and look to add something new to it. There is a great desire to return to places you miss and love, while also using it as a launchpad to explore a new, undiscovered region they before experienced. This spells great opportunity for secondary destinations within reach of overwhelmingly popular ones.

11) **Floating Hotels** – As clients seek to explore the unexplored, floating hotels are becoming more and more popular, especially in the expedition space. A floating hotel? Indeed, cruises are repositioning themselves as floating hotels to dispel the notions of traditional cruises and attract a new, younger audience. Look no further than Ritz-Carlton Yachts and Explora Journeys who both launch with a "hotel" approach to sailing. Four Seasons and Aman are set to join in the next 3 years, following inspiration from game changers like Aqua Expeditions, using the ship as a base to explore regions that lack luxury accommodations. Beyond ship design many of these new companies are looking to reinvent the journey, focusing on what happens off the ship rather than on the ship. Four Seasons and Aman are even looking at going a la carte, encouraging guests to enjoy local cuisine and nightlife instead of predictable cruise fare. Others are finally learning that it is not how many ports you touch that a new generation cares about. It is about how much time they spend in a port and how deep they can go within. Shorter itineraries to places like Galapagos and Antarctica are opening the space to a new audience while visits to places like remote coasts of Iceland or the Fjords are now open for luxury, active exploration.

Cruises are repositioning themselves as floating hotels to dispel the notions of traditional cruises and attract a new, younger audience.

12) **The New Tour Guide** – We've seen a transition over the past decade of clients wanting less passive touring and more immersive touring. That has evolved one step further, where many clients don't really want a guide at all. They want an "in-the-know" companion: someone who has some background of the place but more-so is super cool and can show their city as a local- more like a great friend to take them to cool cafes, lounges, boutiques and even parties. Clients want someone to show them a destination and give them perspective on what life is *really* like socially. It's a request that seems to be compounding causing DMCs to rethink the kinds of guides they are hiring.

Many clients don't really want a guide at all. They want an "in-the-know" companion.

13) **E-Butlers** – Previously, the #1 hotel service we would be asked about was about the spa and gym. Today it is about having an e-butler or a contact by simple WhatsApp to get things done. This is indeed the ultimate convenience. People prefer to have one point of contact to ask for anything from anywhere without picking up a phone and explaining themselves or being transferred. Some hotel companies like Four Seasons nail the need while many top-rated properties still lag behind, struggling to create operational protocols and technological facilities to execute.

14) **The Subscription Economy Takes on the World** – Hospitality has joined the subscription economy made popular in the content space. Since Covid, subscriptions to online publications, streaming services, fitness services and gaming services propelled, opening the way to the popularity of private clubs. Pre-pandemic saw a trend of clients wanting to travel to immerse in the local community; to mix with them and be cool like them. That's morphed to include a strong footnote - they want to mix with people that are not just part of a local community but part of a *vetted* community. And so, we have seen an onslaught of new private clubs, especially in the USA. Newcomers like Casa Cipriani, Aman Club, Zero Bond, Six Senses, and Casa Cruz join mainstays like Core Club and Soho House who are all expanding globally with a vengeance. Many of our clients have multiple memberships with aggregate annual dues exceeding $100k. The membership space is so lucrative that hotels are being financed with the notion that they will have ongoing cash flow and predictable patronage from membership.

We have seen an onslaught of new private clubs, especially in the USA....Many of our clients have multiple memberships exceeding $100k in aggregate fees.

15) **Cosmopolitan Travel** - One of the biggest shifts that has really come to fruition is the reason people travel. People are not looking to go to a "bucket-list" destination to check a box and hit the main sights. You see, the whole idea of the bucket list has changed. A new generation of travelers has grown up with much more privilege than the previous generation. They traveled with their parents and "started" at a more advanced and experienced level than their parents did. They've likely hit the iconic spots of the world already.

So they don't go to Paris to see the Eiffel Tower or Rome for the Colosseum. They probably did it already; and if they haven't it would be nice to see but not a reason to visit. Instead, they visit to advance aspirations, focus on passions, or simply enjoy. Most importantly, and this is a marketer's challenge and opportunity – they go for the *ambiance* of new surroundings. We are sending people to Paris for the first or tenth time with literally no agenda. We pair them with a local shopper or "cool" guide to just be available to take them places. Itineraries revolve around restaurants, shops and galleries, not around museums (unless there is some outstanding exhibition). Clients want to feel a place more than see it. They want to taste it and hear it. This is a big problem for old-school tour groups and especially for cruise lines trying to target a younger audience. People don't want to spend 1 or 2 days in Florence. They want to spend 4 or 5 days. But there's not so much to do in Florence? That's old-school thinking. The new traveler wants to deep dive, they want to go slow, they want to stroll, they want a 3-hour lunch and 3-hour dinner, and just want to enjoy a new locale without an intense agenda. Since the new generation is traveling so differently from Baby Boomers or even Gen Xers it will be challenging to market and program for them the same way. Extra care will be needed in crafting itineraries, programming and selling your destination to such distinctive travel styles.

Clients want to feel a place more than see it. They want to taste it and hear it.

16) **Work from Home Persists** - We all thought after the summer, offices would see some sort of revival. Sadly, in much of the world that doesn't seem to be the case, and it's having a profound impact on many things. For the travel industry it means more people are traveling more often and for longer periods.

a. **Long haul and longer trips skew younger**: WFH gives younger people more flexibility than ever. We are seeing younger people taking longer trips as long as they can work around their "at home" schedule. We are still seeing long-term stays of 2-3 months in a destination as well. Now the biggest inhibitor for younger travelers is the school calendar, not the work calendar. The key is to be able to program around the time zone of headquarters and travel to locations that are conducive to that time zone. Of course, strong wifi and good workspace are especially important to attract this audience.

b. **Business Extensions**: The rare business trip has become a boon, with about 65% of our clients extending a business trip or using it as springboard to explore nearby places, bringing others along and adding sometimes a month to their trip.

Regional marketing literally needs to reinvent itself to be one-to-one marketing based on a specific person and where they are, at whatever stage of their geographic lifecycle they are.

c. **Demographic Assumptions and Marketing initiatives:** Since so many people are still working remotely, they are not returning to their HQ cities. This has skewed so many natural assumptions. New Yorkers are not in NY anymore. They are in Miami, Phoenix, Austin, Charleston and Los Angeles. Their buying habits change as they move. The passion points, customs, norms and key drivers of a typical Floridian have changed because it is no longer made up of Floridians. Regional marketing literally needs to reinvent itself to be one-to-one marketing based on a specific person and where they are, at whatever stage of their geographic lifecycle they are.

d. **Drive markets:** Drive market products have also greatly shifted. Major metropolitan cities are no longer the feeders they used to be, especially as many moved into the suburbs and live a more resort-like lifestyle. Conversely, urban hotels are seeing suburbanites visiting the city for a weekend getaway.
e. **Unpredictable Peak Patterns**: Peak seasons have mostly elongated because people have more flexibility with work. Summer season has extended in many locations to autumn and spring.

17) **Corporate Culture grasping for straws** – With a persistent WFH culture in the world, companies are desperate to find ways to build corporate culture without an office or water cooler. This need spells big opportunity for hospitality sellers. Hotels courting small departments or proactively programming ways for companies to get together are winning big business. Many city-center properties are either taking out meetings space or public areas and building a kind of cool way to do a blended corporate-leisure travel. Many hotels are also converting space to accommodate long-term leisure travelers who want to do business but don't want to sit in their hotel rooms to work.

18) **Labor Markets:** The talent void in the hospitality industry is nothing short of a crisis. Talent is the most important component for success in any service business, especially in hospitality. And despite layoffs, qualified labor continues to inhibit the hospitality industry's progress. Whether it is a hotel, a cruise line, an airline or a restaurant, finding and retaining talent is a struggle. Many, especially a younger set, eschew a job that requires them to work in person on a regular basis. They prefer jobs that are more reliable and more flexible. To make things worse, attracting foreign labor has been challenging as well. Many countries are either so backlogged in processing visas or continue to restrict foreign labor that securing reliable, long-term qualified foreign labor has become a diminishing option, especially in the UK and USA. Once labor does get onboard, the other issue seems to be lack of experience. Under normal circumstances, experience is tapered with new people incrementally rolling in under the tutelage of experienced colleagues. The problem is that many companies saw their veterans never return after Covid and now suffer from a whole new inexperienced staff. Thus, many hotels cannot operate at full capacity, many airlines are inhibited from rolling out new routes, or cannot keep up with baggage or flight plans. Many hotels cannot respond properly to qualified RFPs, not to mention service them. Luckily, travel agencies are not suffering from the same experience. To the contrary, many vendor employees are moving to the agency side for a more flexible lifestyle and WFH opportunities.

Anyone in-the-know knows that vintage is IN.

19) **Golf and Pickleball are the new Biking -** Biking was the new golf for many Gen Xers who wanted a more active lifestyle. Now golf and pickleball seem to be the hottest sports clients are asking for when they travel. For many years golf was OUT, but since Covid it has emerged as a cool newly "discovered" sport for young people while at the same time older people have become literally obsessed with pickleball, a cross between ping pong and tennis – so much so that hotels like the JW Marriott in Scottsdale transformed their tennis centers into a multi-level tournament level ground zero for pickleball, and many resorts are following suit.

20) **What's old is HOT** – Anyone in-the-know knows that vintage is IN. Most things retro are as cool as the Polaroid is today. Obscure ancient hobbies like stamp collecting, bird watching, fly fishing, and even golf are cool and hot for young kids today. Imagine, social media sensation Francis Bourgeois has almost 2 million followers obsessed with trains! Some of the most consumed streamers are ancient seasons of Friends, Full House, Boy Meets World and The Office by a group of kids whose parents saw it on live TV. Consider reinventing old passions and old icons. Embrace places and properties that recall the past in a fresh, cool new way. Fuse the personality of the past with the personality of the present.

Consider reinventing old passions and old icons. Embrace places and properties that recall the past in a fresh, cool new way. Fuse the personality of the past with the personality of the present.

21) **Wellness /Body Reset** - Showing yourself real love is even more prevalent than pre-covid. The biggest difference is that we are seeing clients ask for a wellness experience with a specific outcome in mind. They have specific goals ranging from better sleep, losing weight, dealing with diabetes, walking through trauma, etc. You see, travelers looking to enhance their healthy lifestyle are a lot more educated and focused. This accentuated articulation has led to the success of niche experiences. And while destination spa business is up almost 58% from 2019, the biggest growth segment is influential instructor-led pop-up retreats. Embark has recently partnered with celebrity trainer David Kirsch and Santa Marina Mykonos for a fitness retreat. We see the biggest demand for sleep therapy, weight loss and fitness. In line with this trend, we see Mandarin Oriental's new CENAS Sleep Clinic; Equinox has a sleep psychologist on hand to create the ideal room; Langham partnered with World Sleep Society for its Sleep Matters program and the Rosewood Alchemy of Sleep program is designed to promote rest with acupuncture, naturopathy consultations and tea sleep sessions with an herbalist. Having a spa and a nice offering of programs at a resort doesn't cut it anymore. That's why we see serious outfits like Chenault's unique medical approach to wellness has proliferated and we see full resorts being transformed to destination wellness venues such as Four Seasons Sensi and Joali in the Maldives.

22) **Redefining the Group:** Group business was one of the hardest hit during Covid but seems to be coming back with a vengeance, only a bit different. While incentive groups are on track with 2019 pace, the corporate group business is coming back a bit slower. Instead, it is being supplemented by leisure groups, social celebration groups, and smaller departmental company retreats. We have seen our social celebration business grow **148% over 2019**. We are also seeing the concept of hybrid meetings proliferate. This is where larger companies host smaller meetings simultaneously in different places of the world, bringing people together "on screen" for keynote speakers, and creating break-out groups IRL. In our viewpoint, departmental meetings have the most opportunity in the group space. Since so many teams no longer see each other in an office, they seek venues for in-person meetings. Companies have learned that while people can WFH to accomplish tasks, it is much harder to collaborate and ideate remotely. Thus, many companies are reallocating funds that would be used for rent, to host departmental meetings on a quarterly or semi-annual basis. This can range from a small marketing department of 15 people or a larger sales team of 50 people.

The biggest challenge is actually getting space. Many hotels have seen their leisure business explode and replace the need for lower-priced corporate groups. Hotels either haven't replaced staff to respond to RFPs or they are overpricing them -- or even turning leads away. While this is a great short-term revenue strategy, it is a dangerous long-term strategy. As the marketplace returns to equilibrium, having a good group base is integral to drive premium room rates and banqueting revenue which is much more lucrative than a la carte F&B. Another issue plagues foreign groups to the USA, which seem to be down for other important reasons. The US Dollar is extremely strong making the value of doing an event in the USA much less appealing. Even worse, wait times for visas to enter the USA can be up to 2 years (!!) as the USA is still understaffed and recovering from Covid backlogs. Related to government staffing, wait times for foreigners to pass through immigration is up to 4 hours with no fast track or VIP option. It's literally put the kibosh on several lucrative international meetings.

23) **Seasons out of whack**: Shifts in travel patterns have been almost unpredictable making budgeting, staffing, and seasonal closures challenging to peg. The combination of climate change and demand outpacing supply has skewed historically predictable seasons. For example, this summer the Med elongated its peak season from June - September to April – November. Many people who could not get into hot places in August pushed until October. Others moved their dates to avoid crowds, only to be disappointed that they never disappeared. Strangely, business to the Med in June was equivalent to an ordinary busy July, while July

While people can WFH to accomplish tasks, it is much harder to collaborate and ideate remotely. Thus, many companies are reallocating funds that would be used for rent, to host departmental meetings on a quarterly or semi-annual basis.

paced like August and October was September. But then so was November! European Cities gleaned from surprisingly premature closures along the coast and continued to pack in guests until the end of the year… and Q1 does not seem to be weakening. We are not sure if this is because of the strong post-pandemic desperation or if taking what-you-can-get is the new normal.

On the other hand, climate change can have a severe negative impact which we need to be prepared for. Clients are scarred for years when there is no snow in the Alps or they need to don ski jackets in Miami or Athens as it reaches near freezing point. Extreme heat waves in Europe may push clients away from peak season or focus on other destinations.

24) **Stronger Resilience:** Covid has seemed to create a resilience in traveler's sensitivities. Americans have been notorious to quickly avoid destinations due to any small negative report or fear. Travel debacles seem to not scare people off anymore. From impossibly unpredictable flights, lost baggage debacles, extreme heat waves, paltry service for excessive prices, prolific strikes, political unrest, and even war. We are even seeing strong demand for politically fired-up places like Israel and Peru in the summer. Have we been cured of sensationalist travel fears or is this a sign of desperation?

25) **"Revenge Travel" still carries momentum** – Lastly, despite rumblings of recession, revenge travel is not done. If you think about it, 2022 was not a full year of revenge spending. While it may seem like years ago, last festive season and winter period was plagued with a fierce Omicron. Many countries really only eliminated Covid restrictions beginning in the spring of 2022, which is when the travel dam truly exploded. We see the Revenge Travel trend continuing until at least after Summer 2023.

About EMBARK Beyond: Embark is an international luxury travel and lifestyle partnership group, attracting the very best forward-thinking talent through shared ownership. This cutting-edge concept in the luxury lifestyle space has helped the company launch with over $200 million in sales to a sharply focused, highly confidential black book of ultra-high net worth clients composed mostly of Gen-X and Millennial A-list celebrities, sports stars, Fortune 500 executives, dynamic financiers, entrepreneurs, and real estate moguls around the world. Not only does the company pride itself on creating tailored, meaningful global experiences for individuals, it also hosts the largest luxury social destination event businesses in the Americas. Embark's platform encourages synergies amongst partners touching an UHNWI's life with expert advisors specializing in an individual's preferences, passions, life goals and legacy.

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

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

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

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

Jack S. Ezon

Founder & Managing Partner
+1-212-651-3750
jack@embarkbeyond.com
@jackezon

EMBARK Beyond, a Virtuoso Agency
307 Fifth Avenue, 16th floor
New York, New York 10016
www.EmbarkBeyond.com

EMBARK
BEYOND