2020

HOSPITALITY OF THE FUTURE

TRENDS, PROSPECTS AND OPPORTUNITIES IN THE ITALIAN HOTEL SECTOR

L'OSPITALITA' ITALIANA
FEDERALBERGHI

gabetti
PROPERTY SOLUTIONS

SPONSORSHIPS

WE WOULD LIKE TO THANK

Centro Studi Federalberghi for their close collaboration and for providing the data and information to draw up this report.

Enit, **Confindustria Assoimmobiliare** and **Fondazione Università Ca' Foscari** for their sponsorship.

Alessandra Priante - UNWTO Director Regional Department for Europe
Studio Marco Piva - Photographic archive

INDEX

HIGHLIGHTS

The report analyses the new trends in the hospitality market, with particular focus on the hotel sector, in light of the new dynamics that have emerged following the Covid-19 pandemic.
Starting from the social, economic, environmental and technological macro trends and from their impact even in the pre-Covid era, we hypothesise the future scenarios for the evolution of tourism demand and supply. Lastly, the possible advantages for hotel operators that swiftly react to this change will be quantified.

TRENDS IN THE HOTEL SECTOR

- CONSOLIDATION OF DOMESTIC DEMAND
- LOWER GROWTH RATE OF INTERNATONAL ARRIVALS
- REDUCTION IN BUSINESS TRIPS

OPPORTUNITIES

- HIGHER DEMAND FOR REMOTE-WORKING SPACE
- DAILY USE OF THE HOTEL
- HIGHER WEEKDAY OR LOW-SEASON DEMAND
- CONTAMINATION OF BUSINESS AND LEISURE
- SENIOR TOURISM AND MEDICAL TOURISM
- CONVERSION OF EMPTY SPACE/CHANGE IN USE

NEW FORMULAS

- WORKATION
- WORK HUB
- REMOTE-WORKING ROOM

ESSENTIAL FEATURES

- MODULAR AREAS
- CUSTOMISATION OF SERVICES
- FUNCTIONAL, HYPER-TECHNOLOGICAL AND HYPER-CONNECTED ROOM
- EXTENSIVE USE OF TECHNOLOGIES

NEW TARGET

REMOTE WORKERS

NEW GENERATIONS

“NEW OLD” GENERATION

EXTENDED FAMILY TRAVELLERS

FUTURE SIGNIFICANT FACTORS IN CHOOSING A HOTEL

GUEST EXPERIENCE

CUSTOMISATION

TECHNOLOGY

HEALTH & WELLNESS

SUSTAINABILITY

EMERGING HOTEL CATEGORIES

LUXURY HOTEL

BUDEGET HOTEL AND HOSTELS

MIDSCALE RENOVATED

BOUTIQUE AND DESIGN HOTELS

TECHNOLOGICAL INNOVATIONS

5G REVOLUTION

API

ROBOTICS

NEW MATERIALS

INTERNET OF THINGS

MACHINE LEARNING

USE OF ARTIFICIAL INTELLIGENCE

APPLICATIONS IN HOTELS

- CUSTOMISATION OF ROOM AND SERVICES
- INTERACTIVE DESKS/VIDEO WALLS/FLOATING BEDS
- AUTOMATED SERVICES/ VIRTUAL ASSISTANTS
- MOBILE INTERFACE/VOICE CONTROL/BIO-CHECK-IN

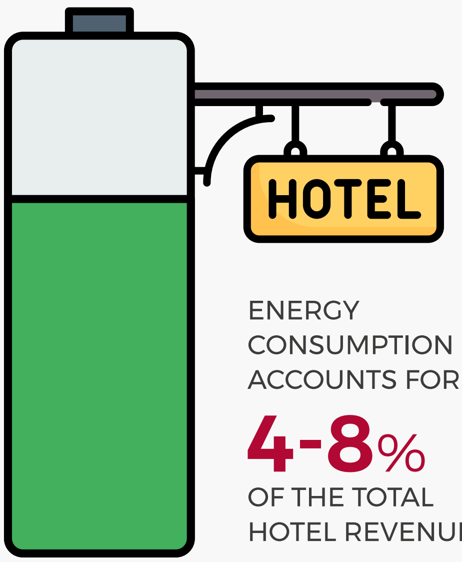
NEW TECHNOLOGIES

+

ECO SUSTAINABLE SOLUTIONS

- PROCESS EFFICENCY
- REDUCTION IN OPERATING COSTS
- INCREASE IN REVENUES

ENERGY CONSUMPTION



ENERGY CONSUMPTION ACCOUNTS FOR

4-8%

OF THE TOTAL HOTEL REVENUES

ENERGY EFFICIENCY INTERVENTIONS MAY LEAD TO

20%

ENERGY SAVING

AND LOWER PAYBACK OF

2 YEARS

REPORT SUMMARY

The **tourism** sector is a **transversal** one, strongly influenced by exogenous factors of a social, economic and environmental nature that shape the underlying trends, but it is also characterised by everything that physically expresses the destination. In this scenario, Hospitality, which in fact represents the final phase of the trip, is one of the sectors that has suffered the most in terms of drop in demand and sales following the Covid-19 emergency.
Consequently, it requires more policies to support businesses, but also **greater expertise and renewal capacity** by operators in the sector. Apart from the short-term risks that may arise from the pandemic, the sector is particularly vulnerable to a prolonged crisis over the medium term[1].

This report, which is the result of many years of studies and analyses of the hospitality sector, is aimed in particular at investors and operators who intend to enhance their activities purely from a real estate standpoint.

The objective of the analysis is to identify the **economic, social and environmental macro trends already underway before the pandemic which could change in the post-Covid era** and which would impact the tourism sector (leisure and business), and in particular to monitor the **changes** already **taking place in hotel supply**, hypothesising the **paradigms of what the future could hold in store especially** in our Country.

1 OECD ECONOMIC OUTLOOK, VOLUME 2020 ISSUE 1 © OECD 2020

INTRODUCTION

The evolution of tourism and the new possible paradigms of hospitality are hotly debated issues at the international level, currently impacted by the Covid-19 health emergency. We write these words[2] on World Tourism Day, dedicated to the development of rural tourism, while the future of hospitality will be discussed in Riyadh[3] during an event organised by the Ministry of Tourism of Saudi Arabia, with the support of the UNWTO and the WTTC and participation by all of the top experts in the sector.

Indeed, the hotel sector connected to both leisure and business suffered significantly during 2020: the numbers on total events and organisation of trips and stays for recreational, educational or business purposes declined sharply, leading to a consequent **decrease in demand in hotel facilities**.

This is evident if we look at the massive **international movement** of people to which we have grown accustomed from the dawn of globalisation and which today is undergoing a period of uncertainty due to the impossibility for an individual to reach a continent other than their own, for as long as the closure of the borders continues; **indeed, tourism and transport** are closely related in the context of the **global economy** and it is no coincidence that the volume of passengers arriving in Italy with international flights during the decade 2009-2018 showed the same upward trend as that of arrivals of foreign guests in Italian hotel facilities.
In this scenario, **domestic demand**, which normally corresponds, in number and intensity of “trips by Italians”, to the trend in national GDP (ISTAT/Bank of Italy), shifted during the summer months mainly towards national destinations, partly contributing to reducing the impact of the decline in international tourism. Nevertheless, the effects of the pandemic and of the developments that may unfold over the winter months could generate significant repercussions on the hospitality sector, and on hotels in particular, over the medium term.

Our hotel supply is unparalleled in the world: Italy is European leader in terms of beds, boasting an enviable diversification in supply, with regard to type as well as quality, and it counts the highest number of luxury hotels in the world. Despite this, it is **generally not aligned to the rapid evolution in demand**, also due to the significant difficulty by operators in navigating the regulations and bureaucracy, particularly in the construction field.

This leads to excessively slow renovation of the properties, which are often not in synch with the changes underway. In fact, few new hotels are constructed to replace those which are obsolete, and the refurbishment works to reposition the hotels are often limited by bureaucracy and by the complexity of the regulations.
Instead, the urban planning and building regulations aimed at redevelopment, along with the incentives for companies in the sector, are tools that should encourage the adaptation of these properties in line with the evolution of demand.

In this scenario, it becomes even more important to analyse and anticipate the future post-Covid scenarios, in order to redefine and reposition hotels that are facing difficulty in light of the changing requirements of demand.

2 NDA - 28 September 2020

3 Future Hospitality Forum - 26-27 October

Hotels that are **refurbished and repositioned** on the market, perhaps with a new location, on average lead to almost immediate “growth”. All the more reason to carry out such work out in areas with a higher concentration of structures and in which the market share of a hotel in that location is relatively low. Having increased the level of competitiveness through refurbishment allows one to quickly acquire market share to the detriment of one’s competitors, also due to the immediacy of communication of the OLTA portals and of the web sites.

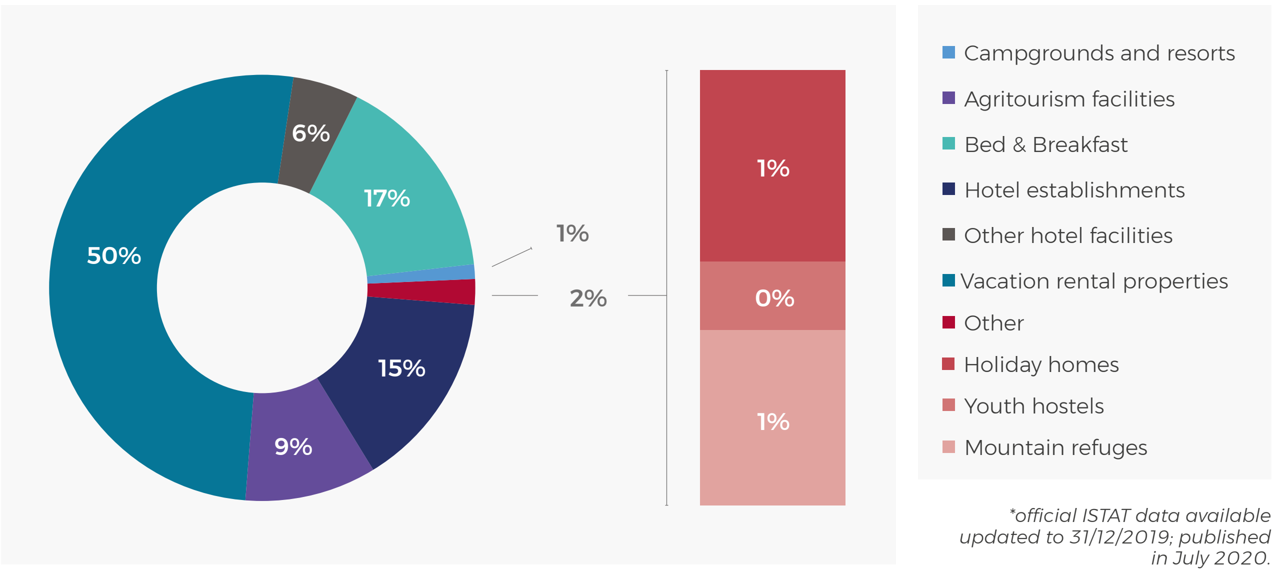
The real challenge in the reconfiguration of outdated hotels is the revolution of the very concept of hotel, which after the refurbishment must be able to generate not only new economic value but social value as well, satisfying both the emerging needs of guests staying there, but also those of the social context in which they are located. Hotels will have to increasingly become a liquid and multi-faceted space open to transformation, optimising on all they have to offer in order to acquire and satisfy a wider client base.

Emilio Valdameri
Head of Hospitality and Leisure
Gabetti Agency

A LOOK AT THE FUTURE OF ITALIAN HOSPITALITY

1. TOURISM DEMAND AND SUPPLY: HOW WILL THEY EVOLVE IN THE UPCOMING YEARS?

Hotels **represent** the biggest **component of accommodation** supply, in addition to being the one that tends to satisfy **demand for higher quality**[4]. In fact, over the last ten years, we have seen a significant increase of hotels in the higher segment, namely **4- and 5-star**, respectively up by **31% and 76%**, and a progressive decline in the 1- and 2-star category, partly replaced in the overall context by alternative types (agritourism facilities, bed & breakfasts, private accommodations for short-term rental) in the non-hotel segment[5].



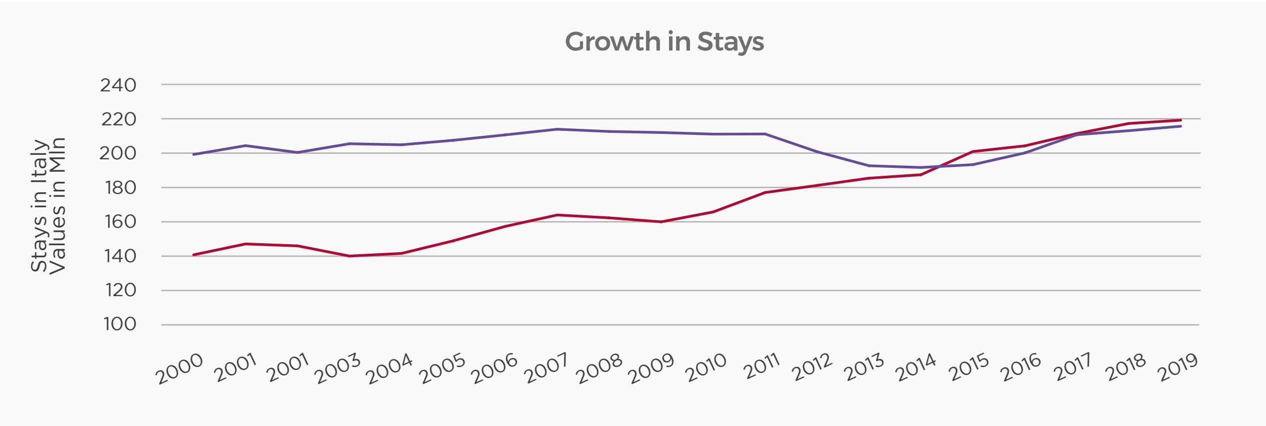
*official ISTAT data available updated to 31/12/2019; published in July 2020.

4 Bank of Italy, analysis of tourist spending

5 Report On Hotels Q2-2020 Gabetti Research Centre (download: LINK)

TYPE	Hotels			Beds		
	2019	2008	Diff, 2019/2008	2019	2008	DIFF, 2019/2008
HOTELS	**32,730**	**34,155**	**-1,425**	**2,260,490**	**2,201,838**	**58,652**
★	2,597	4,299	-1,702	61,535	56,208	5,327
★★	5,451	7,196	-1,745	171,735	635,901	-464,166
★★★	15,128	15,160	-32	917,786	974,995	-57,209
★★★★	6,074	4,623	1,451	816,984	234,330	582,654
★★★★★ and luxury	554	315	239	84,913	101,152	-16,239
aparthotels	2,926	2,562	364	207,537	199,252	8,285

With regard to **tourism flows** in our country, up until 2019, **domestic tourism** in Italy represented just **under 50% of the total; that of non-residents**, which until 2014 was lower in terms of stays, **from 2015 exceeded Italian tourism by quantity (and spending)**; the historic trend of the last 5 years highlights a similar trend among these two macro segments of demand which, in 2019, had both undergone a slight slowdown in growth.

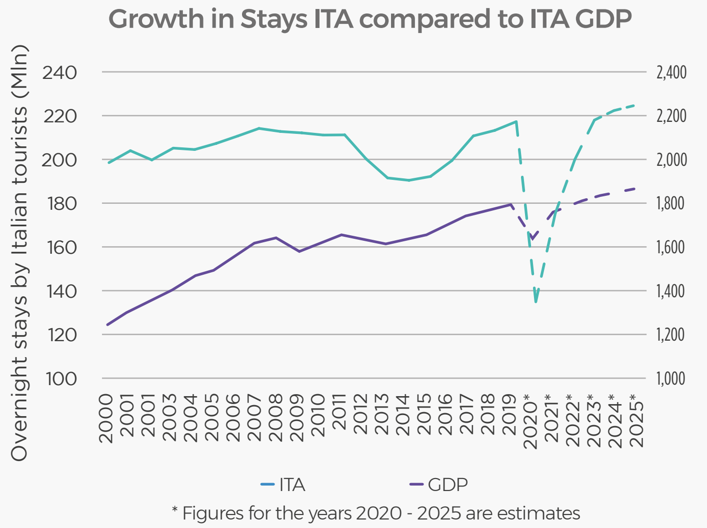


Gabetti Research Department analysis of Istat data

For Italian hotels, **2020 had a good start**, with an **increase in stays in January** (+3.8% for non-residents and +4.8% for Italians) compared to the prior year, but then in **February**, Covid-19 triggered an initial decline until **April, when the market came to a complete standstill**.

At the beginning of the summer, Federalberghi disclosed that only **40% of Italian hotels were open**, a percentage that essentially doubled between July and August, but the remaining 20%, locatedpredominantly in the cities, would not reopen until September, and many would remain closed indefinitely.

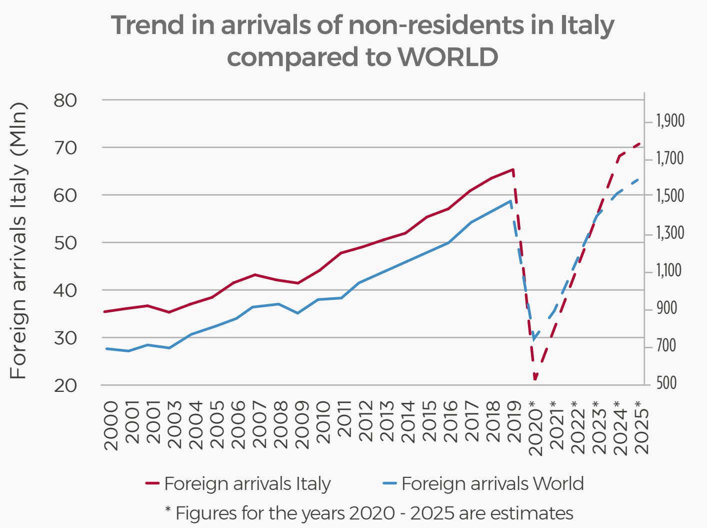
What should we expect for the end of 2020 and for the upcoming future? Based on the total arrivals and overnight stays recorded by ISTAT from January to June, on surveys of the trend during the summer and on projections from now until the end of the year, Federalberghi estimates that 2020 will see a **decline in total stays of 56.1%** or approximately 245 million total stays lost, particularly due to the 74% decline in stays by non-residents (in line with the WTO forecasts that estimate a global drop in arrivals of between 70 and 75%) and 37.9% drop in stays by Italians. For the subsequent 2/4 years, forecasts by international experts in the sector indicate progressive growth with a return to the results achieved in 2019; the time variable will depend on dissemination of the Covid-19 vaccine, which should allow a return to a normal health situation starting from next year. **From 2024/2025**, we can reasonably expect tourism flows to resume their natural growth, assuming no other disruptive factors intervene. The repercussions on the employment market have been and will be substantial: according to the data contained in the report accompanying the August decree, recruitments in the tourism and thermal spas sectors from January to May 2020 fell by 80% for seasonal contracts and 60% for temporary contracts; from August to the end of the year, the government estimates a reduction in hiring of around 70%.



Processing of ISTAT and Bank of Italy data

Overnight **stays** by Italian tourists in Italian accommodation facilities are **strictly correlated to the economic resources of households**; if this figure grows at high rates, the propensity to travel abroad grows as well: however, if it grows more slowly, remains constant or even drops, then there is a predominant propensity to choose to remain in Italy.

Therefore, **the results of the relative facilities will depend** to a good extent on the country's **economic evolution**.

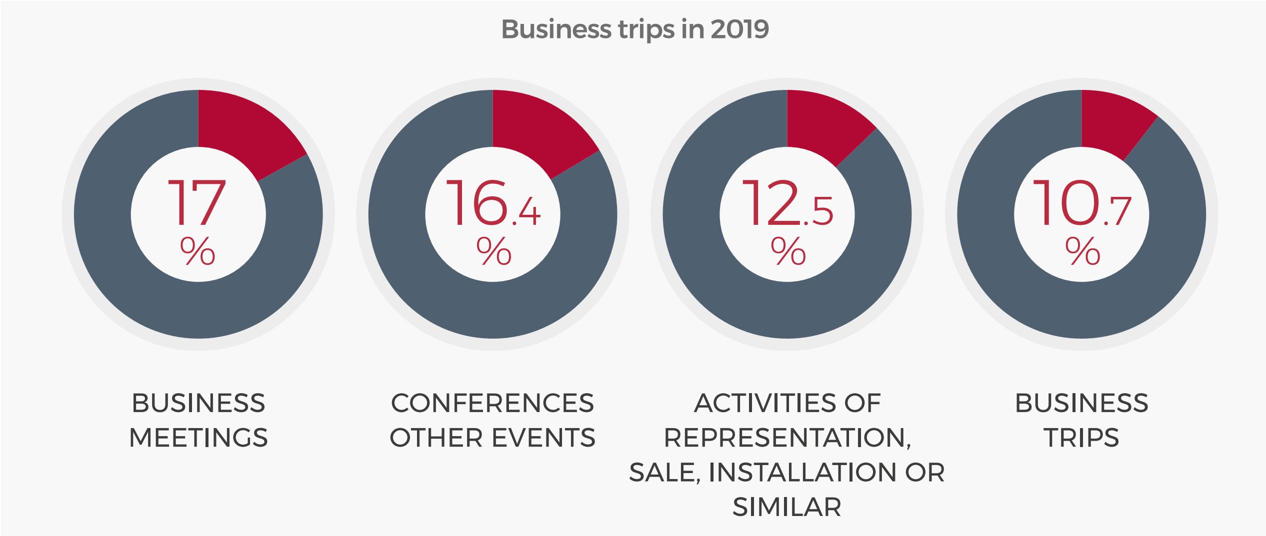


Processing of ISTAT and UNWTO data

The increase in overnight **stays by non-residents**, on the other hand, has a similar trend to **total growth in global tourism demand**, and an analysis of the historical trend in international arrivals over the last twenty years shows the close correlation.

This means that in the last 20 years, Italy has not lost market share, but it has not gained any either, despite the significant change in the geographic origin of tourists.

In terms of the **reasons for travel and stays** in hotels, what could the post-Covid consequences be? Until 2019, **89% of trips** with overnight stays by Italian residents (equal to approximately 72 million, for a total of 410 million overnight stays) were **for vacation purposes**, while business trips **accounted for only 11%** (6.6% of stays) (ISTAT, trips and vacations by Italians). Conference-based tourism accounted for 10.8%, thanks to over 430 thousand events (+2.3% against 2018) for a total of nearly 30 million participants (OICE, Observatory of conference-based tourism), and spending on business trips for € 20.6 billion (Milan Polytechnic Observatory of Business Travel).



Processing of ISTAT, Viaggi e Vacanze 2019 data

While in the last 10 years, so-called **business tourism** had already shown a significant decline, despite a temporary inversion of the trend in 2018 and 2019, **what would be the consequences of a massive shift to remote working and to the various video conferencing methods** (Webinar, Zoom meeting, etc.)? Which are connected to growth in online sales, distribution of products with autonomous vehicles, evolution of transport and communication channels and delocalisation of production? It is hard to answer this today, but the world of meetings and conferences, organisation of trade fairs, traditional distribution and events will certainly change, with a consequent impact on the movement of people travelling for business purposes.

FORECASTS

- **Consolidation of domestic demand**, which is rediscovering the treasures of our country
- General **decline** in growth of **international arrivals**, at least for several years
- Further **reduction in business trips** and consequent decline in overnight stays

OPPORTUNITIES

- Higher demand for **remote working space**
- **Contamination of business and leisure**
- **Building** conversion with change in designated use

In this future scenario, which also indicates a partial disruption in demand connected to the gradual arrival onto the market of Millennials, Gen Z and Gen X, **a large part of hotels**, which are the biggest component of our accommodation supply, **require renovation and reconfiguration**, as a significant portion was constructed in the last century.

This is all the more reason to gain new market shares in the post-Covid context, where it will be essential to identify the most interesting and attractive structures and formats for demand.

In this context, campaigns to support Italian tourism by ENIT and other Government and Regional Entities will be fundamental, combined with public interventions aimed at the general improvement of our accommodation supply, so that private individuals can invest in adapting their facilities to change.

2. HOW HOTELS ARE CHANGING

The real challenge for the future of hotels is the revolution of the very concept of hotel, renewing its contents and functions to generate new social and economic value, satisfying not only the emerging needs of guests staying there, but also those of the social context in which they are located.

The hotel of the future should aim to be a liquid and multi-faceted space capable of transforming itself by optimising on all it has to offer to acquire and satisfy a wider clientele base that does not only use the hotel for overnight stays or meetings, but also as a place that offers innovative and qualified services:

- **space and services for remote working**
- **ideal social areas in which to relax or meet other people**
- **areas for relaxation of the body and mind**
- **transformable multi-functional areas for events**
- **bars and restaurants with a varied 24H offer**
- **services for free time and sport**

In actuality, the hotel of the future will not have just one format or one success model: there will be as many as there are possible combinations of solutions determined based on the main variables that define the most effective sustainable solutions.
It will have countless combinations, impacted by the various **environmental**, **social** and **economic** characteristics of the location, by the **client profiles** it objectively intends to target and by the characteristics **of the investor/owner**.
The variables that will affect the characteristics of the hotel of the future may be broken down into three macro categories:

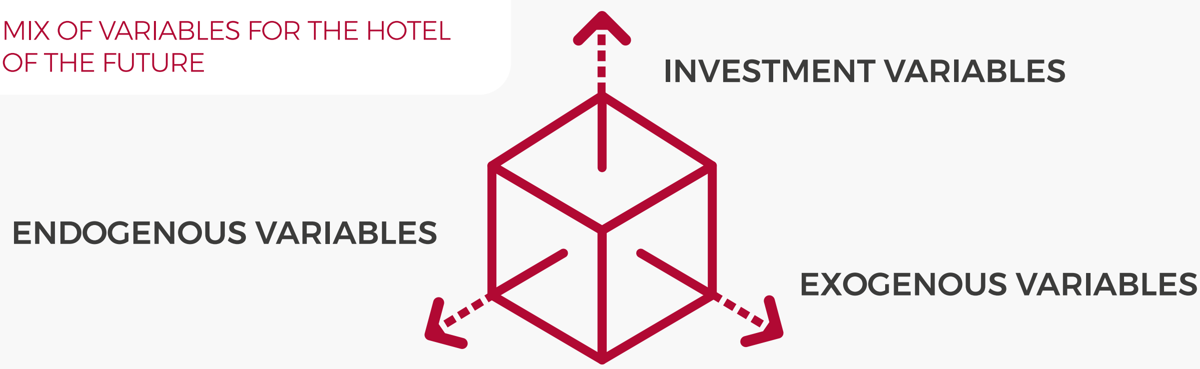
ENDOGENOUS VARIABLES
location, size,
intrinsic characteristics

INVESTMENT VARIABLES
owner, investor,
type of use

EXOGENOUS VARIABLES
client target,
requirements

An appropriate analysis of the **mix of these variables** generates scenarios thanks to which it is possible to identify the ideal solutions that characterise the hotel of the future.

MIX OF VARIABLES FOR THE HOTEL OF THE FUTURE



ENDOGENOUS VARIABLES

DESIGNATION: hotel located in an area frequented by business or leisure clientele, in a large city, art city or provincial city, at the sea, in the mountains or countryside, in a thermal spa town, outside of the populated areas or in picturesque locations, in areas with high landscape or cultural value, etc.

LOCATION: the area in which the hotel is located, namely the centre, periphery, in a transport hub (train station, airport, motorway junction, commercial harbour or marina), in an industrial zone or in a park, and whether it is easily accessible or not.

SIZE: if the existing volume cannot be increased or decreased or if, conversely, it may be modified based on the town planning regulations in effect and on the available exemptions.

INTRINSIC CHARACTERISTICS: annual or seasonal opening, physical characteristics of the building, new construction or refurbishment, possible aesthetic shape, any applicable restrictions, etc.

INVESTMENT VARIABLES

TYPE OF OWNERSHIP
Institutional, instrumental, private/family owner

PROMOTER ROLE IN THE INVESTMENT
Manager, lessor or lessee

ECONOMIC RESOURCES
Financial capacity

EXOGENOUS VARIABLES

Exogenous variables, referring to the requirements of target clients, are fluid and not easily predictable. Apart from factors such as location and specific marketing strategies (such as price), the main drivers that influence **the decisions of tourists** are connected to emerging trends such as **experientiality**, **customisation**, **technology**, **sustainability**, **health and well-being**.

Hotel characteristics that impact the choice by tourists

GUEST EXPERIENCE

CUSTOMISATION

TECHNOLOGY

HEALTH & WELLNESS

SUSTAINABILITY

GUEST EXPERIENCE (EXPERIENTIALITY)

Tourism experientiality mainly refers to the search for the unique socio-cultural features of the territory. It is provided through a package in which the tourist has a spectator role (passive), or one in which the guest becomes the main actor (active) of the same offer.

The **guest experience** in the hotel means:
- creating empathy between the Guest and staff
- offering a personalised stay (customisation).

Even now[6] but more so in the future, hotels must build and provide guests with memorable, personal and extremely rewarding experiences, starting with the reservation by guests who, upon arrival, will already have at their disposal everything previously requested and in the manner requested.

Therefore: **Comfort** (customised), **Recognition** (the guest has a name and surname), **Unique experience** (guest specifies prior to arriving), **Service** (essential), **Cleanliness**, which from Covid onwards also means **Sanitisation**, and **Functional Design**, particularly in the rooms.

COMFORT

RECOGNICTION

UNIQUE EXPERIENCE

SERVICE

CLEANLINESS

FUNCTIONAL DESIGN

Deloitte's research indicates that one of the elements of success of the customer experience is tied to the fact that the hotel recognises the needs and preferences of its customers.
A summary of these elements is represented by the following key words: **Know me, Hear me, Engage me, Empower me, Delight me**[7].

In the hotel setting, this translates into greater attention to these aspects:

- **Identity** - greater link with the cultural identity of the place
- **Design** - attractive and captivating environments, functional furniture, lighting, room scenting
- **Food & Beverage** - high quality
- **Wellness** - fitness and well-being area
- **Connectivity** – WiFi and large smart TV

But looking further ahead, beyond everything that has become fundamental and that should already distinguish a modern hotel today, what will the new generations who will be the guests of the future expect?

- **Flexibility** – free access to all services of the hotel through the appropriate tools during the stay, personalisation of the hotel stay
- **Engagement** – access to all information within the hotel as well as of the surroundings, update on events organised, as well as the possibility to interact with other guests and with the local population
- **Surprise** – finding "surprising" areas and situations in the hotel that the guest does not expect and that will remain impressed in their memory (and which are normally made public via social media).

CUSTOMISATION (PERSONALISATION)

A trend underway already today, which for the hotel of the future will be essential, is the **guest experience**, which implies for the accommodation facility the need to be increasingly modular and flexible to adapt to the various changing and diverse needs of clients, but especially to offer a fully personalised stay (customisation).

The fundamental key words of the customisation are:

Experience right from the start (during booking)

Personalisation (of the room - choosing the pillows, beds, mattresses, mini-bar products, temperature, lights, and of the stay - managing activities, meetings and visits, etc.)

Preferences (starting from food to handle any intolerance, allergies, etc.).

On the one hand, this translates into organisation by management, and on the other into **designing the hotel so that it can be managed simply and efficiently**.

7 Deloitte, Next-gen hotel guests have checked in; The changing guest experience

Determining the ideal combination for the characteristics of the hotel of the future, therefore, requires specific and precise decisions:

- Towards a clear specialisation based on the segmentation selected
- Towards total flexibility, namely variety and personalisation of rooms and services

Authentic and characteristic spaces must be provided, particularly in facilities where one stays for more than one night, thereby avoiding standardised, impersonal and trivial accommodations.

In the future of the hotel sector in Italy, the home of fashion, art and culture, design will increasingly dominate **both interior and exterior environments** and furnishings.

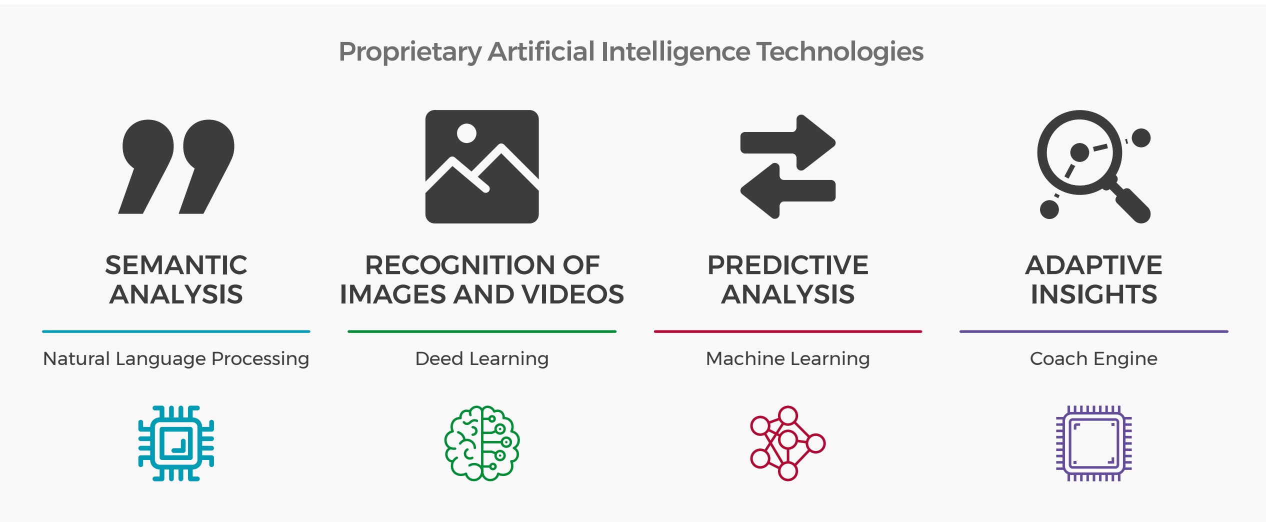
A **functional design**, while suitable for the hotel's main function, must also be **adaptive**, meaning that it must give the hotel an aesthetic identity that also reflects the local context

TECHNOLOGY

The technological innovation that is already present in modern hotels will increasingly and significantly impact every aspect of tourism and hotel supply.

New apps, new tools, **the 5G revolution**, **new materials**, use **of artificial intelligence** and **of the internet of things**, use of **robotics, machine learning**, API (Application Performance Interface), and Blockchain will be the main technologies that impact the sector, without removing personalisation of service and human contact, but instead improving and speeding it up.
The development of these technologies has resulted in changes in consumer behaviour in the various phases of approaching the trip.

The inspiration phase, the selective phase and the phase of consumption of the tourism product itself are destined to evolve over time, impacted by the emerging[8] technologies.



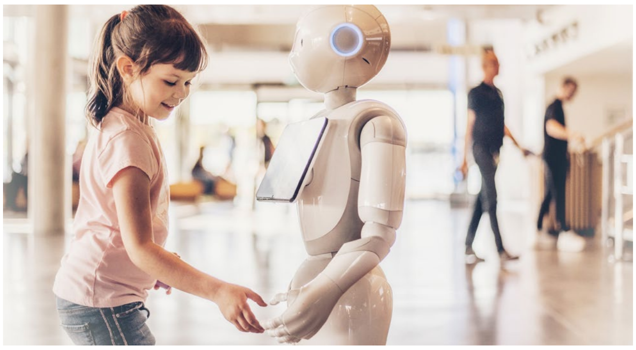
8 TdLab, from "Google - The 2013 Traveler, Eurobarometer"

A modern accommodation facility must therefore be equipped with an adequate **technological structure** at all operational levels, which requires a **design adapted to the renewed management models**.

The adoption of these new technologies inevitably changes all of the functional processes in hotels, from **reception of guests** upon arrival to the **use of on-demand services both en-suite as well as in the common areas** and outside. It will be essential that technology, while sophisticated in the back-side, be **intuitive** and **easy to use for the client and for those who work inside the hotel**.

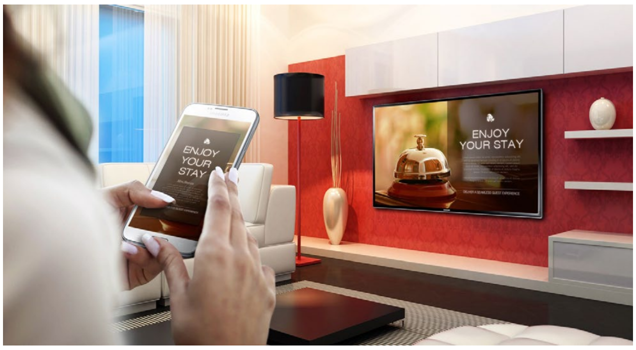
In order to design or reorganise the hotel of the future, however, increasing amounts of information (Big Data) will be available, useful in understanding the client and thus anticipating and satisfying their needs.

AUTOMATED SERVICES/VIRTUAL ASSISTANTS



INTERACTIVE DESKS/VIDEO WALLS/FLOATING BEDS

MOBILE INTERFACE/VOICE CONTROL/BIO-CHECK-IN

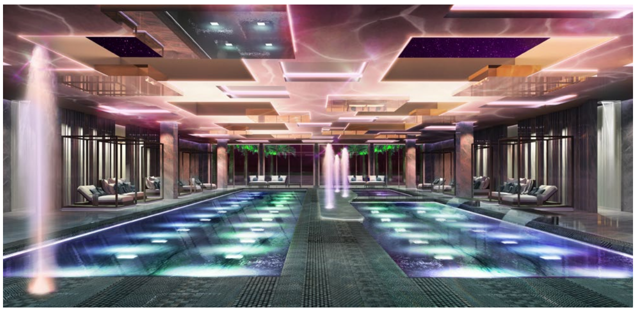


Samsung for business

HEALTH & WELLNESS

The very concept of **wellness**, with the social changes underway and the adoption of new lifestyles related to the future socio-economic scenarios, tends to evolve rapidly and take on new meanings.

Starting from the integration of wellness of the body and mind, which is at the basis of the new Bio/Eco SPA, one of the most original expressions of eco-sustainability, through an all-encompassing idea of wellness that unites individuals to their places of stay or holiday. The Bio-Spa, or eco-sustainable Spa, is powered by photovoltaic panels or other renewable sources, management software to monitor energy and water saving, menus created with local “zero-kilometre” products, furniture made of organic materials, outdoor fitness trails, Feng Shui inspired layout of spaces and so on.



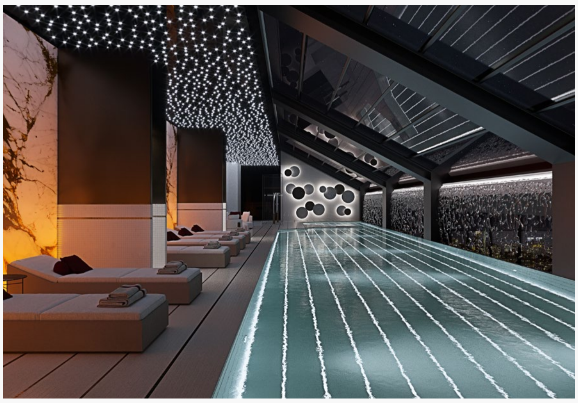
Forum El Djazair Hotel_Algeri, Algeria – Studio Marco Piva

Excelsior Hotel Gallia_Milan, Italy_palestra Technogym Studio Marco Piva

A concrete example of how fitness combines with eco-sustainability is the possibility of exploiting the energy produced by the use of equipment[9].
Among the key words of the new wellness is that of the world-class health spa, i.e. wellness centres with a higher and widely-recognised international standard, which all hotels of a certain level must have.

The evolution of the concept of wellness also includes the catering sector, which promotes a cuisine with tasting itineraries based on local products.

World-class health spas



Tonino Lamborghini Towers_Chengdu, China – Studio Marco Piva

- STATE-OF-THE-ART FITNESS CENTERS
- YOGA RETREAT
- PRIVATE SAUNAS
- IN-ROOM FITNESS EQUIPMENT
- AIR PURIFICATION SYSTEMS
- HEALTHY FOOD AND DRINK OPTIONS

9 Technogym Linea Artis Renew

SUSTAINABILITY

In light of environmental emergencies and climate changes underway, the hospitality sector is also called upon to pursue the objectives of a more sustainable future for the environment and for our cities, through the adaptation of its real estate assets. Design choices and management practices must increasingly respond to the principles of environmental protection and must go beyond pure cost and business logic. **Thinking in an integrated manner about** the **shape, sizes, ecological features and materials of the building** is now indispensable to achieve the goal of reducing CO2 emissions through energy efficiency. According to the WTTC (World Travel and Tourism Council), adopting sustainable development models improves **energy efficiency by around 20%**.

For hotels, however, adopting environmental sustainability criteria is also a marketing strategy, given the high percentage of those who choose hotels that claim to adopt sustainable criteria.

Environmentally friendly materials of the future

- Bricks and cement that absorb carbon dioxide
- Facades that change shape and adapt to the outside temperatures
- Translucent wood that can replace glass
- Biomimetic materials that change shape with the rain
- Hydro-ceramic panels that heat by absorbing solar energy
- Glass capable of dynamically controlling heat and light flow

As was the case for fitness and wellness centres in the past, being eco-sustainable in the future will no longer be a plus for the hotel, but a must, without compromise, adopting innovative materials, systems and processes.

3. DISTINCTIVE AND FUNCTIONAL CHARACTERISTICS OF THE HOTEL OF THE FUTURE

The functional characteristics of accommodation facilities (rooms and common areas), already undergoing significant renewal even before the pandemic, due to the arrival of new generations of clients, were subject to a sort of stress-test during Covid-19 that will certainly lead to a redefinition of contents and size.

Staying in these facilities during this phase has meant complying with new rules and adopting new protocols. Some of these, such as maximum attention to hygiene in rooms subject to scheduled sanitisation, the use of **room service or delivery of food**, drugs, etc., or delivery using hands-free/touch-free technologies for doors or lifts, are destined to remain in effect in the future, at least in part, possibly adjusted and corrected, since they are appreciated by clients and in line with trends. Others (such as the abolition of breakfast buffets) are destined to disappear, as they are not functional or in line with clients' preferences.

HANDS-FREE/TOUCH-FREE TECHNOLOGIES FOR DOORS OR LIFTS

ON AIR design Marco Piva for IGV_Full Emersion

Vitrum design Marco Piva for VDA

FOOD DELIVERY IN HOTEL

Hi interiors

The progressive but certainly extensive introduction of new technologies already partly underway but which will undergo a sharp acceleration in the future will also generate considerable changes in management services:

- reorganisation and **downsizing** of so-called **BOH** (**Back Of House**), i.e. service areas and back office
- necessity to adapt the hotel's systems

The proliferation of distribution channels and new promotion and marketing techniques will also require essential decisions to be made by hotels, aimed at constant approval by clients, or rather at generating customer amazement. The "**likes**" **on social media** must be earned, the images to be posted on Instagram pursued and videos on TikTok or YouTube are a must, but the areas must be made more captivating.

The Hotel of the future will tend to take on several new characteristics, which also depend on the main function for which the hotel is used: the main segmentation is between hotels intended for **business** use and those aimed at **leisure**, setting aside the so-called themed hotels for the purposes of this report.

BUSINESS HOTELS

The working world of the globalised future dominated by the sharing economy will be characterised by hyper connectivity and artificial intelligence; business travel will be increasingly reserved for a few people and only for special occasions and events - or to return to their home base because they work remotely.

The **business client** must be profiled in order to know their needs in advance and adapt the services and areas dedicated to them, through the analysis of behaviour on the online channels (OTAs, social networks, loyalty programmes) pre-stay, during the stay and post-stay, as well as offline (questionnaires), in order to create personalised[10] experiences.

Essential services:

- automatic check-in and check-out, via app
- respect of client privacy and cybersecurity
- areas for remote working (work-hub, work room, etc.)
- areas to meet clients
- relaxation areas
- fitness and wellness areas
- flexible 24H catering service
- shuttle and taxi service

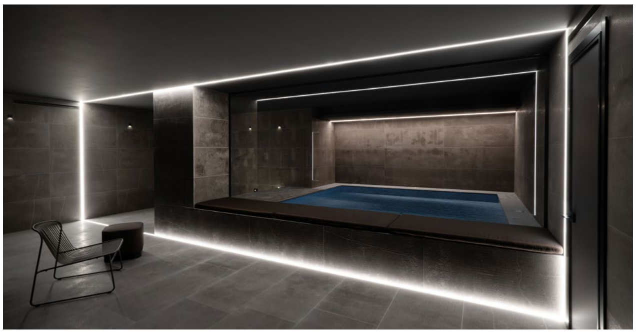
Use of smart technologies en-suite (e.g., tablets, voice assistant, etc.)

Customisation of room remotely:

- lighting
- room scenting
- configuration and type of bed and pillow
- mini-bar
- type of bathroom to courtesy products
- fitness equipment

10 CDP (2019) Innovation of tourism

Key words
Essential, functional, elegant, interactive, adaptive, self-customisation, work-room, room service, self-catering, fitness, health & organic food


La Suite Hotel_Matera, Italy – Studio Marco Piva


Excelsior Hotel Gallia_Milan, Italy – Studio Marco Piva


Domus Aventino_Rome, Italy_palestra Technogym – Studio Marco Piva


Excelsior Hotel Gallia_Milan, Italy – Studio Marco Piva

LEISURE HOTELS

The way of taking holidays in the future could be significantly impacted by the greater recourse to **remote working**, in addition to new lifestyles influenced **by the evolution of technologies, transport** and climate change.

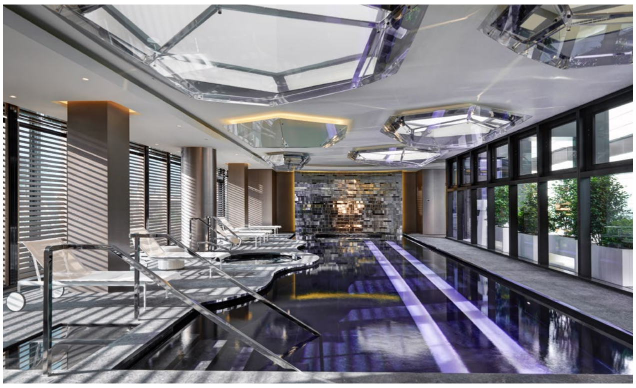
People will be able to go on holiday when they wish, at various times of the year, on days other than the weekend and in constantly different places, because moving around will be faster and easier. Many will live where they go on holiday today, in what are now their second homes, and will seek moments of leisure different from those of today. For those living in pleasant areas, a return to spend a few days in the city will often be an opportunity to stay a few more days to connect with old friends. They will be more indulgent than business guests, but like them they will want to personalise their stay and will choose a hotel according to certain characteristics and how they are presented. For example, thanks to new technologies, **virtually previewing the places** where you are going to spend your holiday through interactive screens and walls seems to be a highly appreciated service that will become a standard.
A service that is not only guaranteed by the hotels located in the major cities of the world through virtual tours of the main attractions of the city, but also by accommodation facilities located in small and medium-sized towns in Italy's inland areas that offer cultural and food & wine tours, horseback riding, trekking and bike tours, in order to combine the need to do business with discovery of the local area. Thanks to these services, the hotel offers not only a bed in which to sleep but an experiential stay in the place chosen for a holiday. It can be said that the territory becomes a fundamental element on which to develop the hotel's marketing strategies.

Also highly appreciated are the common areas for the social interaction of visitors, usually located in the reception area, equipped with lounge and wine bar service, sports TV, billiard rooms and shops with local products, which provide the so-called value added to traditional hotel services.

Essential services
- augmented and virtual reality services
- creation of areas for co-working and remote working
- organisation of experience tours and visits, involvement of local entities
- short supply chain in food & beverage
- eco-sustainability, use of environmentally friendly materials

Key words
Attractive, innovative, eco-sustainable, cultural, identity-driven, areas to socialise, work hub, biodynamic spas, 24H local-oriented catering

Tonino Lamborghini Towers_Chengdu, China – Studio Marco Piva



Excelsior Hotel Gallia_Milan, Italy – Studio Marco Piva

BLEISURE HOTELS

The hotels of the future will have to adapt to the different needs of clients, which will change depending on the reasons for travel, and will therefore have to include a mix of the features listed for those oriented towards business and for leisure; the ideal mix will be determined by its characteristics.

Key words
Flexibility, versatility, architecture, design, wow experience

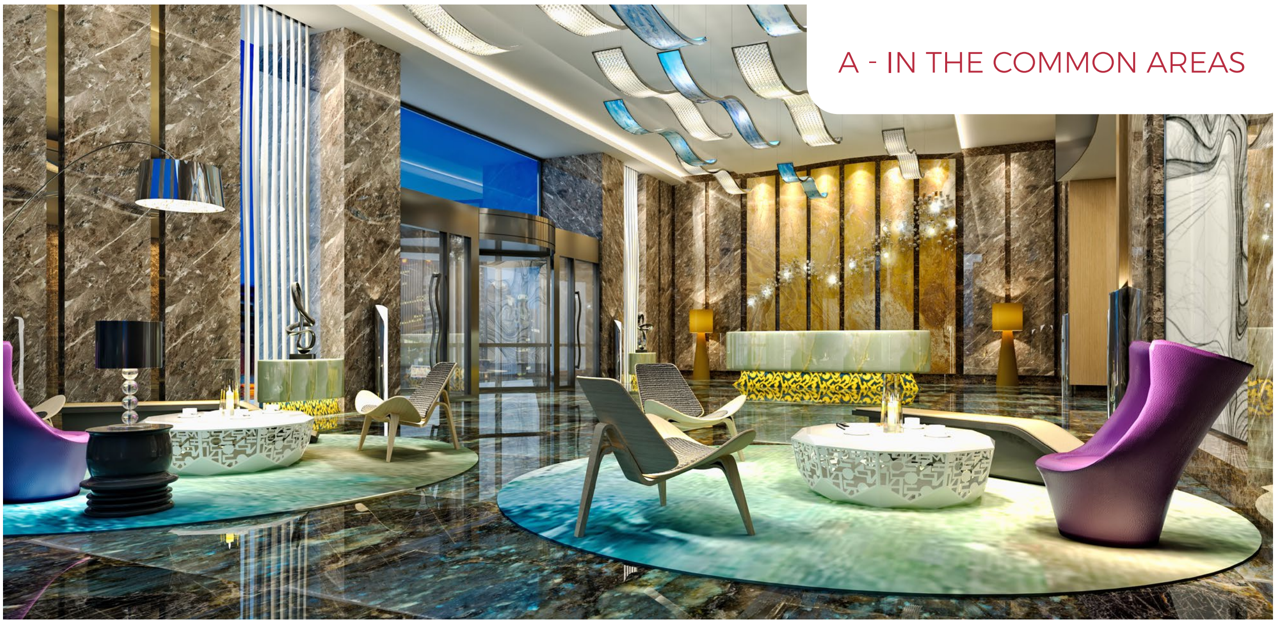
Essential services
To be selected based on an analysis of strategic positioning.

Some characteristics should essentially be common to all hotels, more or less emphasised according to the strategic positioning analysis.
Design and architecture will play a very important role, as the organic inclusion within the urban or suburban context can be decisive for the architectural relevance of the building envelope.

To achieve flexible modulation of spaces and comply with the principles of sustainability and new technologies, the design criteria adopted must act on:

- the building envelope
- internal areas designated for clients
- common areas
- internal areas dedicated to staff

A - IN THE COMMON AREAS



The hotel's common areas, i.e. the areas within which guests can move freely, have always played a fundamental role in the success of any structure designed to host people, as they are, together with the aesthetic aspect of the structure, its calling card. The spectacular halls of the Grand Hotels of the past are the historic evidence, but they have lost much of their glamour over time, leading many hotels to reduce these areas to the mere function of receiving guests, with just a few lounges and a small bar (services required by Italian regulations for hotels from 3 stars upwards). The changes in demand trends since before the Covid-19 pandemic, however, were already modifying the features and characteristics at every level of quality (from budget hotels to luxury hotels), encouraging integration and mixing of the various functions they have to perform: reception, accommodation, work, catering, etc.

The current trend was to redefine these spaces to increasingly support visitors' desire for social interaction, making them a more comfortable place in which to work but also in which to meet other people, with innovative bar services, large TV, leisure activities such as billiards, mini shopping areas for local products, etc. All to provide the so-called value added to the traditional services of the hotel.
It is highly likely that this approach to the configuration of common areas, which was almost entirely sacrificed during this pandemic that prohibits gatherings and imposes social distance and constant sanitisation of environments, will naturally resume its course with the return to normality; how to achieve it depends on the combination of the variables that determine the specifications of the hotel.

Casa Alitalia_Italy – Studio Marco Piva

The common areas of the future must be

- FLEXIBLE
- WELCOMING
- FUNCTIONAL
- INTEGRATED
- ABLE TO OFFER WOW EXPERIENCES

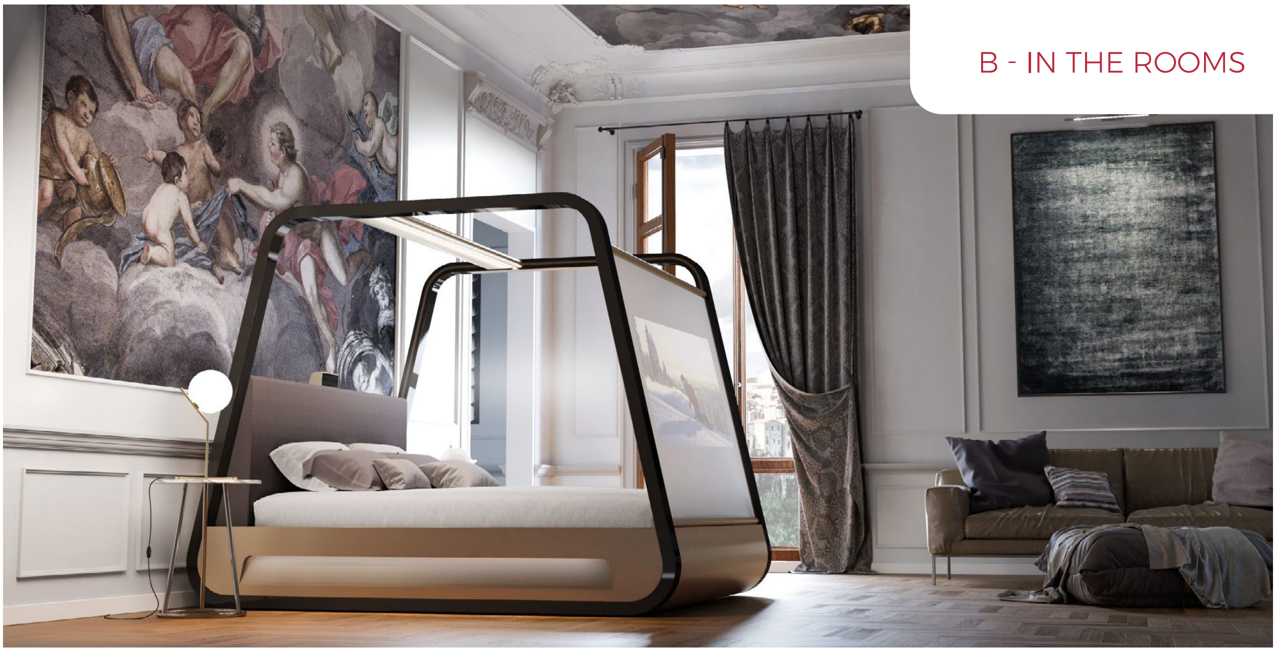
Citizen M

Mama Shelter by Accor

Tempo by Hilton

Hoxton

B - IN THE ROOMS



Hi interiors

The hotel room of the future must be

- FUNCTIONAL
- FLEXIBLE
- MODULAR
- HYPER-TECHNOLOGICAL
- HYPER-CONNECTED

Ever since hotels have existed, rooms have had a single function: to provide the guest with a place to sleep and make their stay as comfortable as possible.

Rooms have not undergone significant changes in layout over time, although the needs of tourists have increased and diversified: the design may have changed, the beds are more comfortable, the bathrooms are increasingly associated with wellness, and televisions are larger and have more options, but a radical change has not yet occurred, except in specific situations.

What will change the hotel room **of the future** will be its **new functional use**, increasingly oriented towards different functions and equipped with technology aimed at such functions.

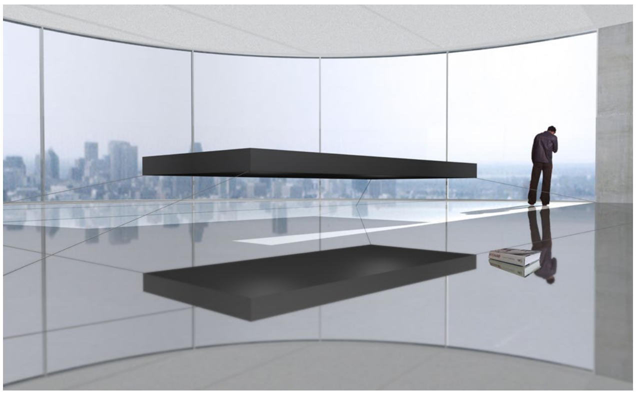
Already today, solutions are being developed to enable remote working in hotels, instead of at home: solutions include proposals for suitably equipped common areas, but if the guest desires more privacy and comfort, it can also be set up[11] in a specifically equipped **room**.

Technologies are already available today that could, for example, make the room a sensory and totally immersive experience, but they are objectively still quite expensive: thanks to interactive video walls, scent diffusers and sophisticated audio systems, it is possible to create a fully personalised scenario, reproducing places and situations desired by the client.

But it will be the advent of new materials that predominantly favours development:

- **floating glass TV** that can be situated as desired,
- **glass wall** that can assume various degree of opaqueness,
- **magnetic floating beds** that can be easily moved to create space, all controlled by voice.

Hi interiors



Floatingbed

Hi interiors

Xiaomi Glass TV

11 https://www.daybreakhotels.com/IT/it-IT -a start-up established in 2014 with the objective of making the rooms and services of luxury hotels available during the day as well

C - IN THE CHOICE OF IMAGE (independent or chain)

An underlying decision that will guide the development of the hotel is whether it should be independent or adhere to a brand, which involves taking very different paths. They range from total adherence to the **standards imposed by the brand** of the chain, to **maximum freedom of choice** if you want to keep your identity intact.

The **presence of hotel chains in Italy is still very** low at the national level, although it is growing thanks to the pipeline envisaged in the country's key markets with new branded facilities soon to be opened. Indeed, despite having the largest supply of rooms, Italy ranks second-last in Europe in terms of presence of national and international hotel chains.

Not all experts[12] agree that the "BRAND factor" is an essential element for the success of an accommodation facility: the proliferation of hotel chain brands leads to an ever-increasing targeting of the offer, which is only one of the options that a hotel operator can choose.

Joining one of the brands available on the market today means identifying the client targets one has decided to pursue and deciding to rely largely on the ability of the chain to promote the hotel.

The alternatives in this decision are many:
- big, classic & well-known brands
- specialized brands
- emerging brands
- multi-brand
- soft brands
- consortia
- independent brands

The criteria and methods of affiliation are known and vary according to the brand characterisation, from total alignment to simple adherence to promotional campaigns.

12 Amadeus IT Group. (2008). The future of the hotel industry: next month, next year, next decade–a blueprint for the future of the hotel industry

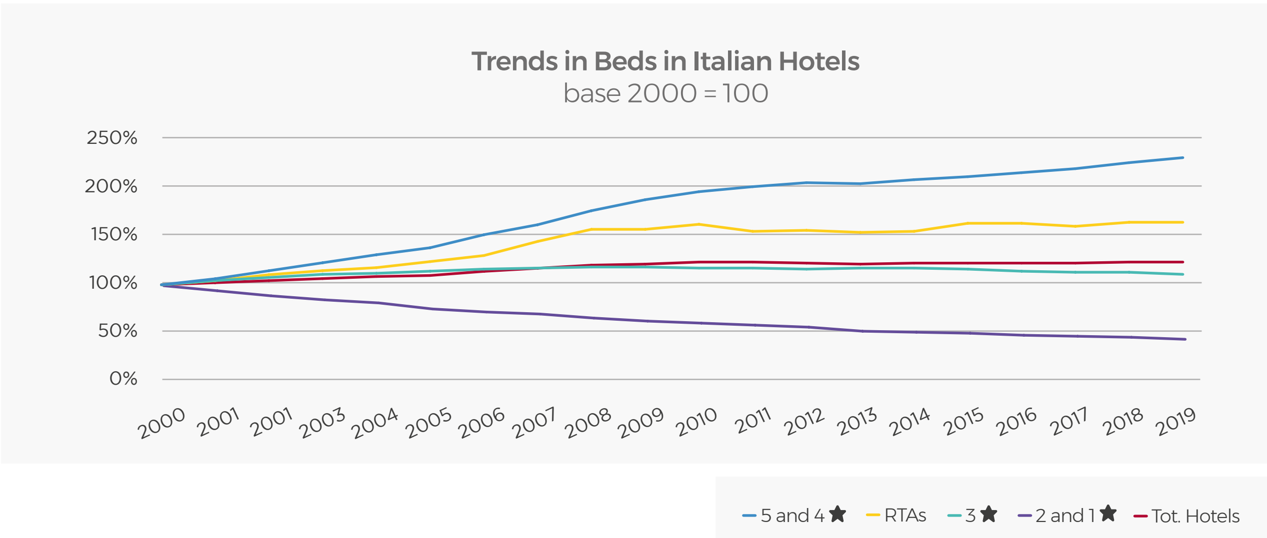
EMERGING TYPES

The development of accommodation facilities in the future will focus on certain types.

In the hotel sector, we envisage:

- an **increase in the gap between the various categories**
- concentration of the supply on two **"extreme" macro-segments**: Luxury Hotels and the Budget segment, with consequent growth for modern budget hotels (higher level hotel-hostels), followed by boutique & design hotels and by cheaper hotels (the so-called affordable luxury).
- evolution of the so-called **"central" segment** (3- and 4-star hotels), increasingly **oriented towards redefining its offer** in relation to the location, size and target clientele.

The types that will show the highest growth on a proportional basis will therefore be luxury and new budget hotels, while those that decline will be hotels targeting "only business" clientele, situated in the peripheries of non-regenerated cities.



DECREASING	INCREASING
4/5-star executive-business hotels	Luxury hotels everywhere, city and leisure
3-star family-run hotels	Bleisure hotels in the city centre
Tourist residences (in favour of merged holiday homes)	Resorts in pleasant picturesque locations
Hotels in the peripheries of non-regenerated cities	New budget hotels (Hostels, new 3-stars)
Hotels in secondary tourist locations	Affordable hotels oriented towards sustainability

In the non-hotel (or hotel equivalent) sector, the emerging types will be:

- apartments for tourists
- facilities designated for outdoor tourism
- facilities for psychological-physical recovery
- facilities in pleasant locations or near attractions (recreational, cultural, landscape) where it is often difficult to build a traditional hotel.

HOTEL CATEGORIES

Luxury, Super Luxury, Extra Luxury Hotels
By the end of 2023 there will be 43,000 more people with personal assets (excluding principal residence) of at least $30 million; these are the so-called Ultra-high-net-worth individuals (UHNWI) who will continue to fuel the super-luxury market even in the hotel industry[13].

In this context, Italy has proven to be particularly attractive for key luxury brands: Mandarin Oriental in Milan, W in Rome and soon in Milan, Rosewood in Tuscany, and Aman in Venice are just some of the new hotels that will be added to the various Bulgari, Armani, Four Seasons, Hayatt, Rocco Forte and Dorchester hotels, destined like them to become a point of reference for hospitality in our destinations.

Budget hospitality
The new generation of hostels which, in addition to the typical offer of these facilities, have integrated catering services highly characterised by the socialisation of users, including rooms with 2/4 beds similar to hotel rooms, like the Meininger or our own Ostello Bello, often integrated with student housing, as in the case of The Student Hotel.

Mid target
The modern 3-star budget hotels of fair size (on average around 100 rooms and more) often franchised with brands specifically created by large international companies that guarantee their marketing as Ibis Style or managed directly by companies such as Moxi Hotels.

Boutique and Design Hotels
Smaller hotels, generally family-run (second or third generation), or run by mini-chains, characterised by clear references to fashion, design and contemporary architecture, making uniqueness and experientiality their best features, generally concentrated in the centre of major cities.

13 Frank, K., & Bank, C. P. (2014). The wealth report 2014. Retrieved July, 18 July 2019

NON-HOTEL CATEGORIES

Apartments for tourist use (short rent)
The real estate assets of individuals in Italy consist of approximately 19 million main dwellings, 6 million leased properties and over 6.2 million available properties, i.e. neither leased nor used continuously[14].

These data provide an idea of the opportunity to use homes for tourism, as an alternative to hotels. The tendency to use this "on-demand" offer in the same way as organised accommodation facilities is made possible by the new portals and by the technological management of hotel-type services (access to units, virtual contact with mobile video devices, etc.). This segment is growing due to the flexibility and variety of possible locations and, as we know, location is almost always the main reason for choosing a place to stay.

Facilities designated for outdoor tourism
The trend already underway of a return to nature became even stronger with the Covid-19 crisis, and spending time outdoors is increasingly appreciated. The forms of accommodation that characterise this type of tourism have changed a great deal over the years and the facilities, previously simple and minimally equipped areas, are now complex structures with various types of services, taking on the characteristics to satisfy an increasingly sophisticated clientele: in other words, Glamping, from the words "**glamour**" and "**camping**". Characterised by very comfortable accommodation and extremely accurate design and luxury, the camp-resorts are mixed structures that host tourists in various forms of accommodation, from the simple private tent pitch to traditional hotel rooms, villas or flats in specifically dedicated buildings.

Facilities for psychological-physical recovery
The health-based hotels of the past often located in spa destinations are a legacy of our history (Taerme Romane), and due to our changing lifestyles, they can take on new functions by offering, in addition to the renowned therapeutic capacities of the local waters or mud, other modern services dedicated to psycho-physical recovery.

14 MEF (2019) Real Estate in Italy

Facilities in pleasant locations or near attractions (recreational, cultural, landscape) where it is often difficult to build a traditional hotel

Italy is studded with extraordinary places and attractions often located in protected areas in terms of landscape or culture/architecture. The future trend of changing the way we spend our holidays will tend to increase the so-called "targeted" short breaks dedicated to a specific theme. Therefore, the use of alternative accommodation facilities located near landscape, cultural or leisure attractions is likely to grow, but with shorter stays.

Mixed Use Accommodation Facilities and Resorts

As the need to offer more flexible services increases, so does the contamination between the different types of accommodation, i.e. between traditional hotel services and those offered in flats or outdoors. Many operators have already equipped themselves to offer services aimed at people staying for medium-long periods with hotel-type areas, equipment and services, even in flats owned by third parties. A concrete example is the Condhotel, as well as the tourist resorts that include both leisure and private residences, an ideal answer for future remote-workers.

4. ADVANTAGES FOR HOTEL OPERATORS OF A SUDDEN REACTION TO CHANGE

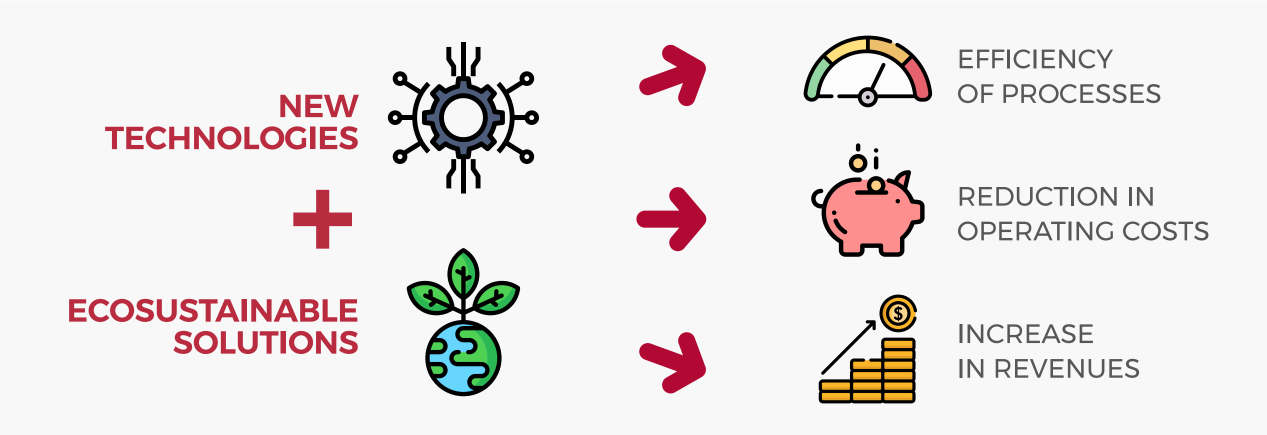
Based on what is illustrated in this report, it is clear that the adoption of best practices for the restructuring and adaptation of hotel structures to the new requirements of demand may have a positive impact on many of the economic and operating aspects, for both managers and owners.

In fact, it is thanks to the ability to adapt to new types of demand, which are profoundly different from the past, that facilities will be able to recover their central position in the national accommodation panorama.

The greater appeal of the hotel is reflected in the lower risk perceived by players in the real estate market, with a consequent **greater ease of access to equity** and to forms of financing and capitalisation of the value created.

The conversion of common areas into areas for co-working or even temporary shops and babysitting services will guarantee **stability of incoming revenue flows, even in the case of temporary reductions in ordinary accommodation flows**, which will allow hotel operators to stabilise and in some cases even increase turnover thanks to a type of service not strictly related to accommodation. These measures will allow the revenue lines of accommodation facilities to be resilient to change even in periods when tourism is not particularly active, such as during low season or like the phase we are experiencing during these months due to the restrictions caused by Covid-19.

Moreover, the adoption of new technologies, such as the Internet of Things (IoT), and of architectural-managerial solutions of environmental eco-sustainability, leads to **efficiency of processes** and a consequent **reduction in operating costs**. Indeed, environmental requalification can in fact generate value by reducing operating costs. Such measures may also lead to **increased revenues**, both because they create interest in consumers who are more attentive to sustainability criteria, as well as in the specific case of hotels which, due to high energy costs incurred during the winter period, would reduce open days; lastly, because they **increase the feeling of comfort and** guarantee high **satisfaction for users** who are willing to pay for it.



Careful **management of energy consumption**, for example, merely by investing in correct management of systems through the introduction of probes, temperature detectors, sensors to turn on the lights, etc. generates up to 20% savings on consumption. The introduction of an assessment to evaluate the building/plant system and the people who govern it identifies any waste and issues for improvement of operating costs. Given the impact of these costs, normally between 4 and 8%, this can generate, with a negligible investment, an overall savings of 1% of revenues and a payback of less than two years[15].

From the economic-financial standpoint, to start and complete the necessary works for adaptation and re-functionalisation, aimed at redefining layouts and customising areas based on users, digitisation, renewal of systems, and adoption of eco-sustainable solutions, the **initial investment, depending** on the degree of initial obsolescence of the structures, could range from a **minimum of 200€/sqm to a maximum of 3,000€/sqm**.

The unit cost for refurbishment, according to a survey of September 2020[16] by THRENDS Tourism & Hospitality Analytics, based on the analysis of 135 projects carried out, also varies according to location (northern or southern Italy) and management (branded or independent). The cost for a large refurbishment project in upscale city hotels is about 14% lower than that of a resort (City Hotel: 1,060 €/sqm - Resort: 1,230 €/sqm); for hotels located in the northern Italy, typically business hotels, the cost of renovation (always with regard to full refurbishment) is similar to that of southern Italy, which are generally tourist resorts (northern Italy: 1,363 €/sqm compared to southern Italy: 1,296 €/sqm). Similarly, renovations of upscale branded hotels compared to independent hotels on average accrue lower costs of approximately 13% (Branded: 1,070 €/sqm vs. Independent: 1,230 €/sqm), likely due to the average age of the hotel properties considered.

15 EPI 4.0 Digital Building Management
https://www.cavazzoniassociati.it/newision/wp-content/uploads/2018/10/PROGETTO-EPI.pdf

16 Building & Renovating Hotels: Italy

If instead we only look at **interventions on plants**, the cost of a basic electrical system for a 3/4-star hotel is approximately € 10,000 per room. If we include a restaurant, spa or meeting rooms, the cost would rise to € 15/17,000 per room; for mechanical systems, costs amount to between € 200 and € 250 per sqm, depending on the type of plant, namely 2-pipe or 4-pipe.

In general, such investments, if well-supported by a strategic and technical feasibility study that generates a fully coherent project focused on the requirements of demand, allows the structures to reposition themselves on the hotel market, among that limited group of modern, sustainable structures with high levels of management and functional efficiency, thus ensuring a solid brand awareness and a competitive advantage over its competitors.

An investment driven by these levers will have, thanks to the proportional increase in revenues, a **limited and safe payback period within a minimum of 3 years**.

CASE STUDY:
We subsequently analyse the effects of a major revamping intervention on a 4-star hotel situated in northern Italy.

PRE-INTERVENTION SCENARIO	
HOTEL DATA	
No. of rooms	80
Occupancy rate	55%
Average rate	100
Days open	365
OPERATING REVENUES	
Rooms	1,606,000 €
F&B	160,600 €
Total	**1,766,600 €**
DEPARTMENT COSTS	
Camere	722,700 €
F&B	96,360 €
Total	**819,060 €**
COSTI GENERALI OPERATIVI	
Administration and general expenses	141,328 €
Sales&Marketing	88,330 €
Maintenance	52,998 €
Utilities	70,664 €
Total	**123,662 €**
GOP	**823,878 €**
NON-OPERATING COSTS AND REVENUES	
Property Tax	21,199 €
Insurance	9,600 €
Total	**30,799 €**
EBITDA	**793,079 €**
Market Rent	**353,320 €**
Cap Rate	**6.50%**
Market value	**5,435,692 €**

POST-INTERVENTION SCENARIO	
HOTEL DATA	
No. of rooms	80
Occupancy rate	60%
Average rate	115
Days open	365
OPERATING REVENUES	
Rooms	2,014,800 €
F&B	201,480 €
Total	**2,216,280 €**
DEPARTMENT COSTS	
Rooms	906,660 €
F&B	120,888 €
Totale	**1,027,548 €**
COSTI GENERALI OPERATIVI	
Administration and general expenses	155,140 €
Sales&Marketing	88,651 €
Maintenance	33,244 €
Utilities	44,326 €
Total	**77,570 €**
GOP	**1,111,162 €**
NON-OPERATING COSTS AND REVENUES	
Property Tax	21,199 €
Insurance	9,600 €
Totale	**30,799 €**
EBITDA	**1,080,363 €**
Market Rent	**443,256 €**
Cap Rate	**6.40%**
Market value	**6,925,875 €**

The hotel in question, built in the early 90s, had undergone a partial renovation limited to the common areas in the early 2000s. In 2017, in order to improve the hotel's appeal to increase revenues and reduce operating and overhead costs, the hotel undertook major renovations to optimise the heating systems, ventilation and air conditioning, introduced home automation systems to manage the artificial lighting of areas, heat regulation, security and access to the various rooms and carried out general modernisation work on the rooms. A comparison of the pre- and post-intervention income statement shows how renovation and revamping positively impacted key parameters: the occupancy rate, revenues and operating costs with regard to utilities.

In fact, the occupancy rate increased by 9% compared to the pre-intervention scenario (55% vs 60%), the average rate per room increased by 15%, while the cost of utilities suffered a significant post-intervention decrease of -37%.

The renovation work had a cost per room of around € 45,000 for a total of € 3,600,000. Based on the GOP (Gross Operating Profit) achieved in the first year after the intervention, Patrigest estimated a payback period of about 3 years, considering a 2% growth in GOP for each subsequent year.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial investment	3,600,000 €	-	-	-	-	-
Cash flow (F)	-	1,111,162 €	1,133,385 €	1,156,053 €	1,179,174 €	1,202,758 €
Cumulative cash flow	-3,600,000 €	-2,488,838 €	-1,355,452 €	-199,399 €	979,775 €	2,182,533 €

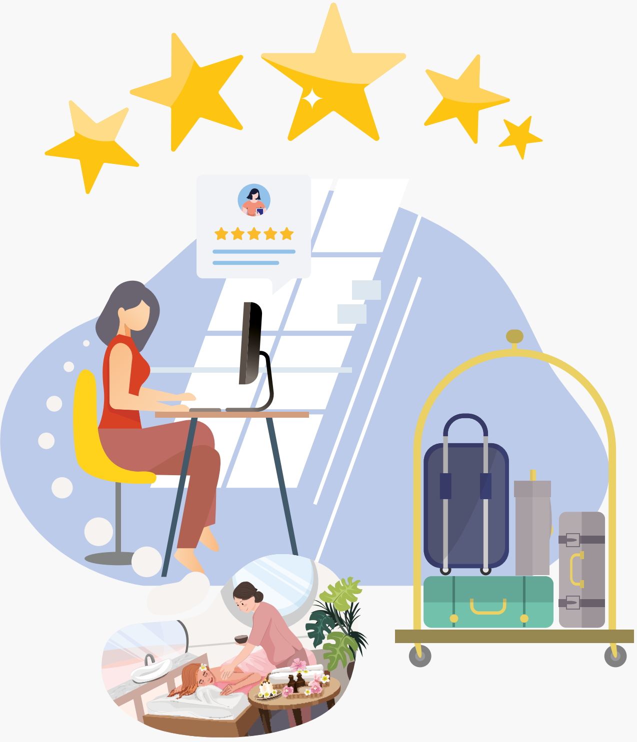
PAYBACK PERIOD IN YEARS	3.2

Patrigest analysis

The proposed case study unequivocally highlights the positive impacts in terms of GOP and EBITDA.
In fact, the Hotel analysed showed a significant increase in GOP and EBITDA equal to a growth of about 36% compared to the period prior to the renovation works.

4 THE EVOLUTION UNDERWAY IN TOURISM DEMAND AND HOTEL SUPPLY

The following pages will attempt to establish a relationship, contextualised to what is happening in the world and in particular in Italy, between socio-economic changes after COVID-19, movement of people and the accommodation sector, and we will try to identify what scenarios may emerge in our country in anticipation of a return to "normality", and if and how some trends will change as a result of the discontinuity caused by the pandemic.



REMOTE WORKING
NEW OPPORTUNITIES FOR HOTELS

DEMAND IN ECOSUSTAINABLE FACILITIES WITH THE BEST REVIEWS

DEMAND IN LOW SEASON OR WEEKDAYS RATHER THAN WEEKENDS

DEMAND FOR ANTI-STRESS VACATIONS

SENIOR TOURISM AND MEDICAL TOURISM

BLEISURE AND WELL-BEING

New Targets

REMOTE WORKERS

NEW GENERATIONS

"NEW OLD" GENERATIONS

EXTENDED FAMILY TRAVELLERS

4.1. NEW SCENARIOS IN THE EMPLOYMENT WORLD: REMOTE WORKING

What would be the impacts on the hospitality sector if remote working methods were definitive? It is clear, as indicated in the above pages, that **remote working** means fewer **business trips, which** could result in fewer clients for hotels. Conversely, spending the work week at home, which means **saving on transport costs** but also fewer social relations, could encourage **trips on the weekend, with leisure** seen as a form of escape from the alienating condition that working from home sometimes produces. However, the reduction in business trips, fair and events, which translates into fewer rooms and meeting rooms occupied in hotels, also means more empty space and therefore **greater flexibility of areas**, which may be used for other activities.

BASSA STAGIONE

INCREASED DEMAND IN LOW SEASON

INCREASED DEMAND FOR ANTI-STRESS VACATIONS

INCREASED DEMAND ON WEEKDAYS RATHER THAN WEEKENDS

INCREASE IN SHORT BREAKS, INCLUDING TO SECONDARY DESTINATIONS AND SMALLER CITIES

In this respect, even Copernico, group specialised in co-working, has identified the concept of the **distributed office** as a new trend, namely no longer a large building in which all employees are concentrated, but many locations in various points of the city, including within co-working areas, to avoid the stressful commuting to and from the centre[17]. Therefore, one of the hypotheses **to use part of the empty space of all those widespread business-oriented hotels** could be that of conversion into co-working areas, partially satisfying demand that was growing even before the pandemic.

Opportunities

REMOTE WORKING ROOM

WORKATION

WORK HUB

CONVERSION OF EMPTY HOTEL SPACE INTO CO-WORKING AREAS

24h

FOR USE DURING THE DAY (HOURLY)

A recent article published in Corriere della Sera[18], discusses the "**Workation**" phenomenon, namely a neologism that combines the words **work and vacation** as a phenomenon that emerged during the summer of 2020, during which many workers spent their vacations in hotels that had areas from which to work remotely. Rimini, for example, was one of the most forward-thinking cities,

17 "Gran Milano. Smart Opportunity", il Foglio, 10 September 2020

18 "Smart working in hotel, la formula che potrebbe risollevare il mondo dell'hotellerie", Corriere della Sera Online, 23 September 2020.

launching a social campaign portraying itself as the ideal place in which to spend one's holiday and work at the same time, thanks to accommodation facilities which have organised their areas for this purpose. Work Hub and Smart Week are other neologisms resulting from the impact of remote working on Hospitality.

What changes is the very concept of hotel, which is increasingly viewed as not only a structure in which to sleep (along with a series of hospitality services), but also for daytime use. A remote worker could choose a hotel as the place to spend their workday, perhaps when travelling, and use services such as meeting rooms, restaurant, swimming pool, gym, parking space, sanitised environments, etc.

CASE HISTORIES

The **Best Western Hotel** group offers in all of its hotels throughout Italy the possibility to work in a **Smart Working Room** with high-speed Wi-Fi connection, coffee corner and press service.

VOIhotels, another Italian chain that is part of the Alpitour group, has added to its hotel services the **Smart Week** package, for those who need a holiday but cannot take time off work. The package includes high-speed connection in the room, pocket lunch delivery to eat at your PC, and free use of scanner and printers.

Even **Club Med** has launched its "**Work Hub**": relaxation areas situated in the Gourmet lounge areas and existing meeting rooms, with free access to Internet, gourmet snacks and coffee. It also adapted its Meetings & Events areas and the other available space, setting up tables and desks, chairs and sofas, in accordance with the social distancing rules and relative sanitisation. Accessories such as extension cords and power bars are also present for each workstation, as well as self-serve coffee machines.

4.2. BLEISURE E WELLBEING

Recent studies show that over 60% of **business trips** over the last year included a part dedicated to **entertainment and leisure** (Expedia Media Solutions, 201819). Approximately 80% of **Bleisure** travellers spend from one to five hours on their search, both in the inspiration phase as well as planning - a higher amount of time compared to the typical booking times for leisure (PhocusWire, 2018[19]).

While a survey by Booking.com indicated that one in five people were planning to take trips dedicated to **health and wellness**, one third to visit a spa or receive beauty treatments, over 20% to practice sports, and over 15% to take a detoxifying holiday for the body and mind (weight-loss centres, yoga, etc.), in the post-Covid future we can expect this trend to grow, with substantial evolution due to the repercussions of the pandemic, as well as to the changing lifestyles.

4.3. THE NEW PARADIGMS: ECONOMY AND ENVIRONMENT

In light of an expected slowdown of the global economy that will likely be quite lengthy, international tourism demand, strongly correlated to economic resources and, consequently, **"arrivals" in accommodation facilities, will probably tend to grow** less than the UNWTO had predicted for the near future, mainly due to the **drop in "business" demand, trade fairs and conferences**, destined to be replaced by virtual events and meetings.

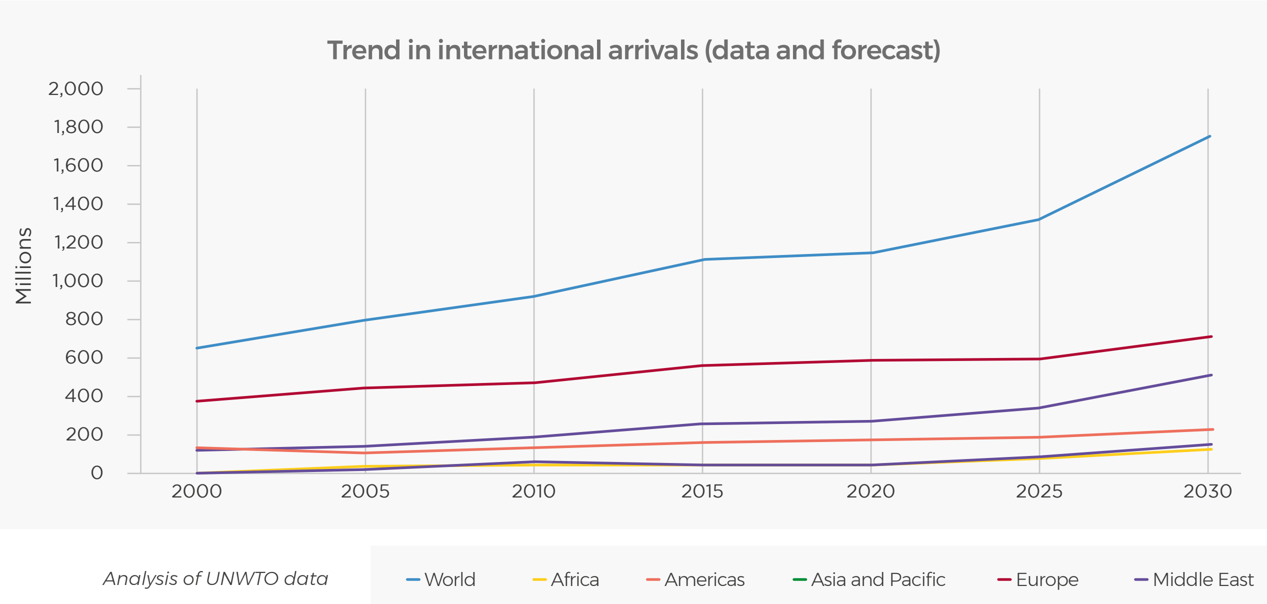
However, having fewer **possibilities to travel** also means focusing any decisions on **products with high environmental and cultural content**, which will be preferred by consumers, and in this respect Italy undoubtedly represents an essential destination for the large majority of tourists.

The new forecast will have to be reformulated based on the trend of international departures from the main countries with the most significant impact on tourism, starting from the more traditional ones like the United States and Germany, and analysing the flows from the emerging Asian markets; the expected lower economic resources should encourage arrivals of tourists from nearby

19 https://www.phocuswire.com/Expedia-Media-Solutions-bleisure-travel

bordering countries:

- drop in business demand, trade fairs and conferences
- higher demand for products with high environmental and cultural content
- shift in demand to the upper and lower segments
- general redefinition of the content of products offered

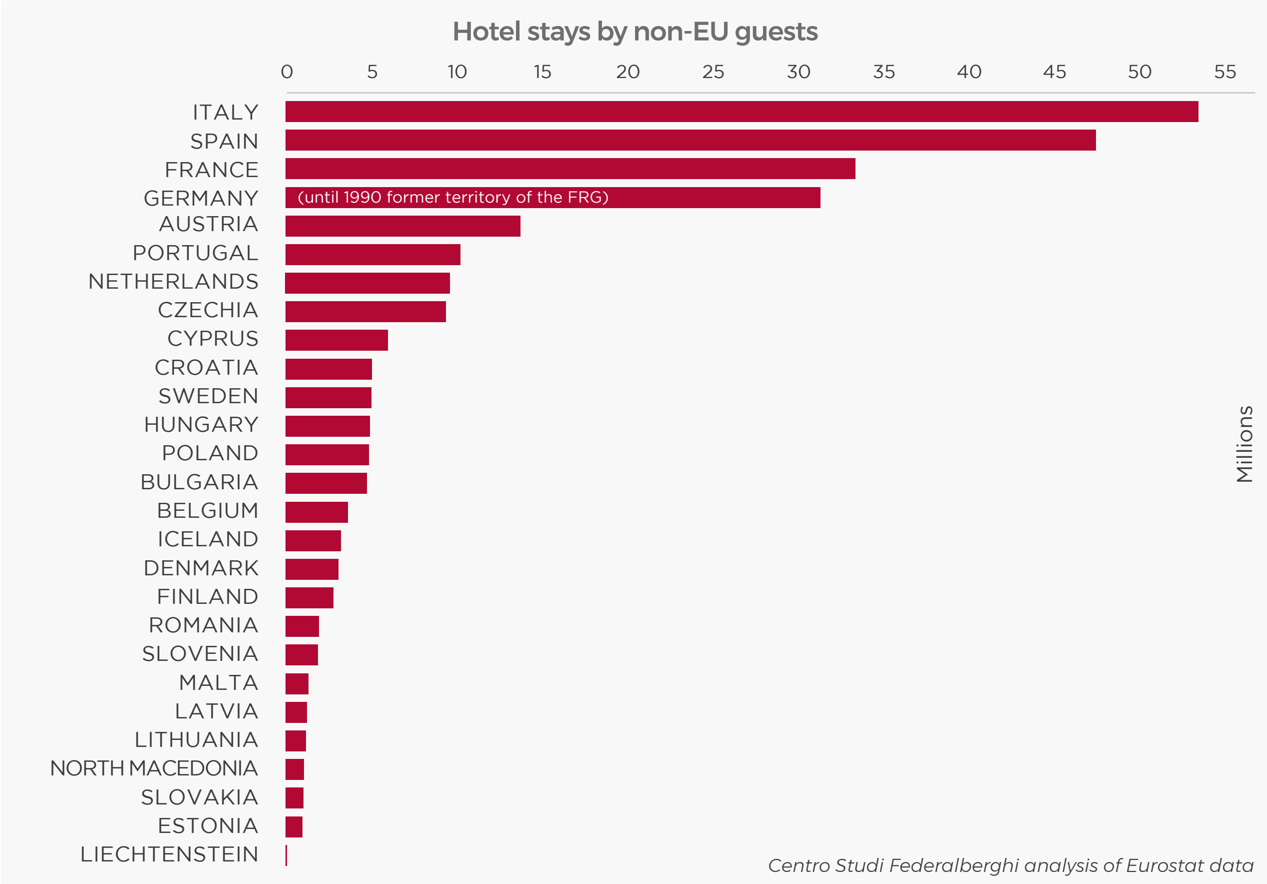


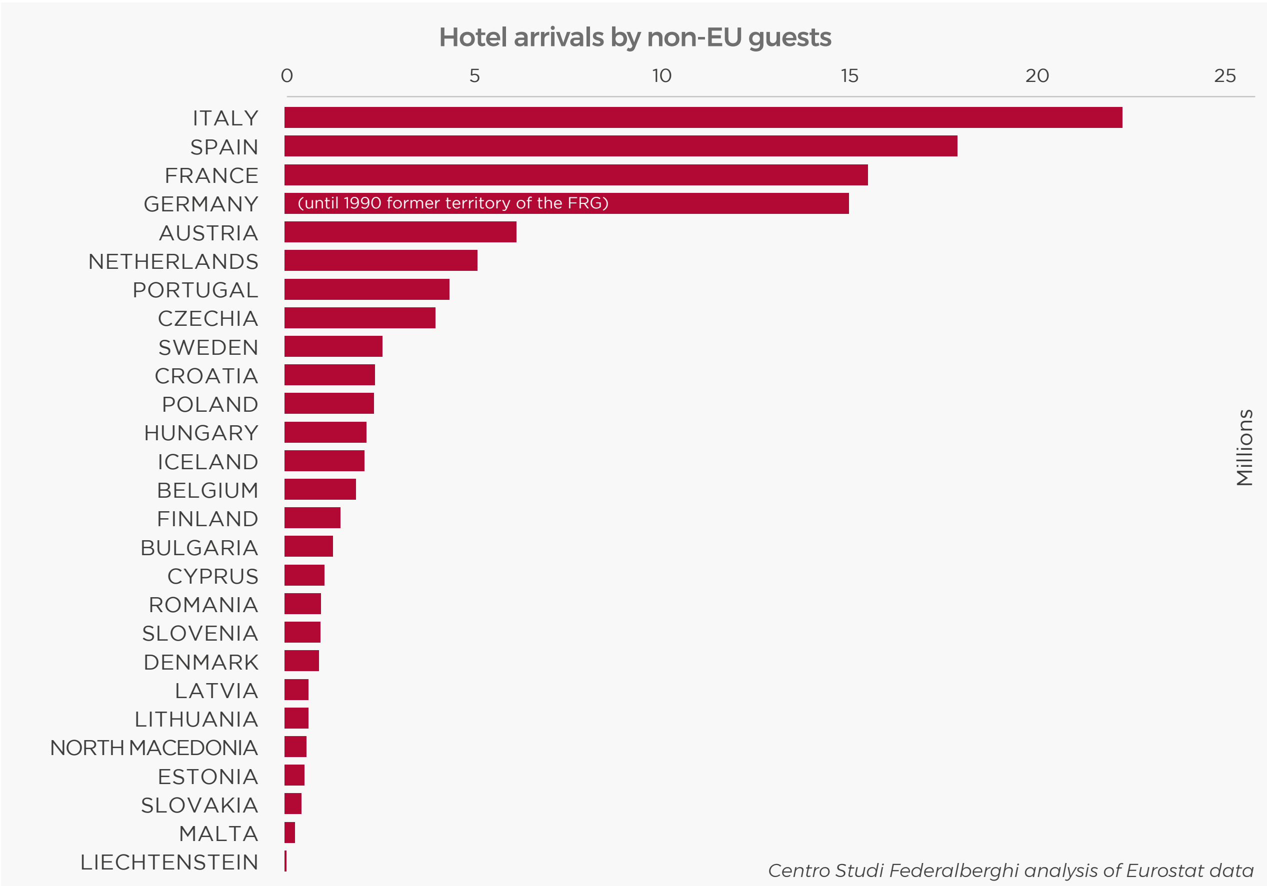
Analysis of UNWTO data

In 2019, Italy was firmly at the top of the list of arrivals and stays by non-EU guests in European Union hotels (analysis by Centro Studi Federalberghi on Eurostat data), and this must be exploited as soon as it becomes possible to resume flying between continents.

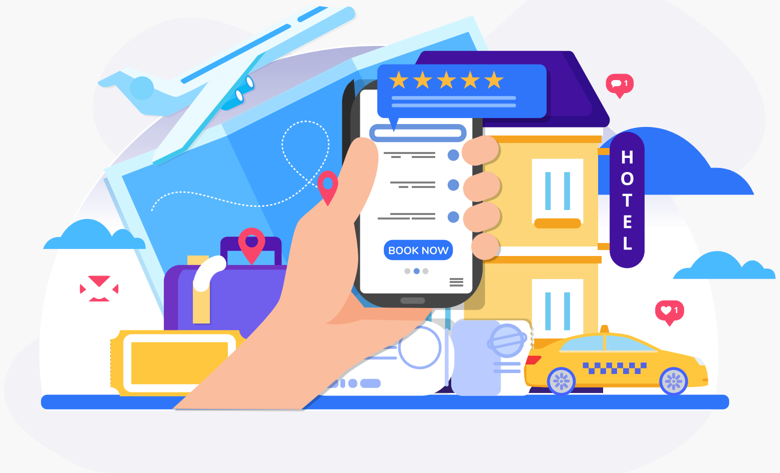
Consequently, in terms of tourism, the image of our country could benefit from and increasingly fuel tourism demand, especially quality demand which, as a natural consequence, would result in an increase in mass demand as well. We therefore expect an **increase in the progressive shift of demand both upwards and downwards in** the economic segments and a **general redefinition in the contents of the standard product supply for the** business target towards new market niches that will at least partially replace this segment of demand.

Government policies aimed at supporting and protecting the environment have also undergone a sharp acceleration (see the programme of the new European Parliament), but they will only have significant effects if fuelled by the right incentives for the economic sector, as pursuing these policies is costly and the burden cannot be passed on to businesses. An example of how some measures can have significant effects is the **110% Ecobonus** introduced by our Government. Looking ahead, it is therefore foreseeable that the growth in social awareness will induce **consumers of tourism to increasingly prefer structures that declare themselves to be eco-sustainable** and which adopt concrete measures in this respect.


Hotel stays by non-EU guests
0
5
10
15
20
25
30
35
40
45
50
55
ITALY
SPAIN
FRANCE
GERMANY
(until 1990 former territory of the FRG)
AUSTRIA
PORTUGAL
NETHERLANDS
CZECHIA
CYPRUS
CROATIA
SWEDEN
HUNGARY
POLAND
BULGARIA
BELGIUM
ICELAND
DENMARK
FINLAND
ROMANIA
SLOVENIA
MALTA
LATVIA
LITHUANIA
NORTH MACEDONIA
SLOVAKIA
ESTONIA
LIECHTENSTEIN
Millions
Centro Studi Federalberghi analysis of Eurostat data


Hotel arrivals by non-EU guests
0
5
10
15
20
25
ITALY
SPAIN
FRANCE
GERMANY
(until 1990 former territory of the FRG)
AUSTRIA
NETHERLANDS
PORTUGAL
CZECHIA
SWEDEN
CROATIA
POLAND
HUNGARY
ICELAND
BELGIUM
FINLAND
BULGARIA
CYPRUS
ROMANIA
SLOVENIA
DENMARK
LATVIA
LITHUANIA
NORTH MACEDONIA
ESTONIA
SLOVAKIA
MALTA
LIECHTENSTEIN
Millions
Centro Studi Federalberghi analysis of Eurostat data

4.4. TARGETS OF THE FUTURE: NEW GENERATIONS, “NEW OLD” GENERATIONS, SINGLE AND EXTENDED FAMILY TRAVELLERS



NEW GENERATIONS

The use of big data (especially by information, tourism promotion and booking portals) is already able to clearly orient consumers’ propensity to purchase towards those destinations or products that are most visible.

It is not difficult to predict that in the future, the impact of information technology on the selection criteria of **new tourists** (especially Millennials and generations X and Z) will be increasingly decisive.

The ability to **interact with these systems** will be fundamental and the success of a product will depend to a large extent on how destinations are able to promote their image on IT channels and how accommodation facilities succeed in gaining visibility on specialised portals.

“NEW OLD” GENERATIONS

Demand is expected to **evolve with respect to the non-active population**, which has **free time**, **supported by insurance** and **pension policies** that allow them various new options. We expect generalised **growth** in **tourism by seniors**, but with new objectives, **focusing on simple body care and on the new frontiers of medical tourism**.

The growth in **family bookings** has been **higher than that of those not travelling with family** since the summer of 2012, with the sector accounting for almost 40% of summer bookings and just over 20% of winter sales (Travel Weekly, 2018).

Also worthy of mention is the phenomenon of "**one-family households**", consisting of couples without children or single parent with child, and of "**single-person households**", consisting of only one member. In 2016, the latter accounted for 32.5% of households in Europe (Eurostat data).

Google searches for "**solo trips**" and "travelling solo" were the highest ever in January 2018 (Intrepid, 2018). Some 70% of the solo travellers of Abercrombie & Kent take at least one trip abroad per year, of which 70% female and half are aged between 50 and 60 years (Abercrombie & Kent, 2018). A survey of 20,500 travellers throughout the world published in May 2018 indicated "an increase in solo trips {...} with two-fifths (40%) of Baby Boomers around the world having taken a solo trip in the last year and another fifth (21%) which plans to take one in the future" (Booking.com, 2018).

BIBLIOGRAPHY

Alivernini, A. (2012). Una valutazione delle spese turistiche fra il Centro Nord e il Mezzogiorno (1998-2008). [An assessment of tourism spending in the Centre, North and South]. Rivista di economia e statistica del territorio, (1).

Amadeus IT Group. (2008). The future of the hotel industry: next month, next year, next decade - a blueprint for the future of the hotel industry.

Becheri, E., & Maggiore, G. (2018). Rapporto sul turismo italiano 2017-2018 [Report on Italian tourism 2017-2018]. XIX Edition. Franco-Angeli.

Colombo, A., & Dalla Zuanna, G. (2019). Migrazioni, demografia e lavoro in un paese diviso [Migration, demographics and labour in a divided country] (No. 45). Bank of Italy,

Economic Research and International Relations Area, pg.17.

Frank, K., & Bank, C. P. (2014). The wealth report 2014. Retrieved 18 July 2019.

Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., & Zenghelis, D. (2020). Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change? Oxford Review of Economic Policy, 36.

Moretti, E. (2012). The new geography of jobs. Houghton Mifflin Harcourt.

Tria, G. (2019). La globalizzazione contemporanea: caratteristiche, conseguenze e sfide. Documenti geografici, (1), [Contemporary globalisation: characteristics, consequences and challenges. Geographic documents.] 159-168.

Kansakar, P., Munir, A., & Shabani, N. (2018). Technology in the hospitality industry: Prospects and challenges. IEEE Consumer Electronics Magazine, 8(3), 60-65.

Schwab, K. (2016). The fourth industrial revolution by Klaus Schwab. Translated by KJ Song, Mega-study Corporation, Seoul.

Stefan Gössling, (2020). "Tourism and food: making a difference for climate change, Hotel Book Year 2020

Zaf, i., & Oecd, c. (2020). Despite early and strict containment measures, the virus is affecting many. OECD Economic Outlook, 2020(1).

REPORT

Bank of Italy, (2018). Turismo in Italia Numeri e potenziale di sviluppo [Tourism in Italy: numbers and growth potential]

CDP, (2019). Innovazione del turismo [Innovation of tourism]

CDP, (2019). Innovazione e hospitality: quali leve per la competitività del turismo in Italia? [Innovation and hospitality: what are the competitive edges for tourism in Italy?]

Gabetti Research Department, (2020). Report on Hotels Q2-2020

MEF, (2019). Immobili in Italia [Real estate in Italy]

ISTAT, (2012). Viaggi e vacanze in Italia e all'estero [Trips and vacations in Italy and abroad]

ISTAT, (2013). Annual Report

ISTAT, (2019). Situazione e prospettive delle imprese nell'emergenza sanitaria Covid-19 [Situation and prospects of companies in the Covid-19 health emergency].

ISTAT (2020) Situazione e prospettive delle imprese nell'emergenza sanitaria Covid-19 [Situation and prospects of companies in the Covid-19 health emergency].

FMI, (2020). World Economic Outlook Update

WEBOGRAPHY

Future Hospitality Forum https://futurehospitalitysummit.com/

Deloitte Hotel Guest Experience https://www2.deloitte.com/us/en/pages/consumer-business/articles/hotel-guest-experience-strategy.html

TdLab, The 2013 Traveler, Eurobarometer". https://magicitaly.files.wordpress.com/2014/09/tdlab-interoperabilitc3a0-e-big-data.pdf https://www.daybreakhotels.com/IT

EPI 4.0 Digital Building Management https://www.cavazzoniassociati.it/newision/wp-content/uploads/2018/10/PROGETTO-EPI.pdf

Coronavirus e imprese: rientro dalla delocalizzazione in Asia? [Coronavirus and companies: the end of delocalisation in Asia?], https://www.unive.it/pag/14024/?tx_news_pi1%5Bnews%-5D=8731&cHash=fede62468cb27d004a4ab0c11970835f

UN 75 – I grandi temi: Una demografia che cambia [The big issues: Changing demographics] https://unric.org/it/un-75-i-grandi-temi-una-demografia-che-cambia/#:~:text=Oggi%2C%20circa%20il%2055%20_per,per%20cento%20entro%20il%202050.

Il dopo COVID-19 accelererà o rallenterà il cambiamento climatico? [Will post-COVID-19 accelerate or slow down climate change?] https://www.techeconomy2030.it/2020/05/08/il-dopo-covid-19-accelerera-o-rallentera-il-cambiamento-climatico/

Moving from Crisis to Recovery https://www.idc.com/misc/covid19

33 IoT post covid: servizi ad alto valore aggiunto per imprese, pa e cittadini [IoT post-covid: high value added services for companies, pa and citizens] https://www.interlogica.it/insight/iot-post-covid/

Internet of Things Observatory, Milan Polytechnic School of Management https://www.osservatori.net/it/ricerche/comunicati-stampa/il-mercato-italiano-dell-internet-of-things-vale-6-2-mld-di-euro-nel-2019-plus24

Entro il 2020 i millennial saranno il 50% della forza lavoro [By 2020, millennials will account for 50% of the workforce] https://www.mark-up.it/entro-il-2020-i-millennial-saranno-il-50-della-forza-lavoro/

Boom dell'ecoturismo sostenibile, 1 italiano su 2 preferisce le vacanze green Boom in sustainable eco-tourism, 1 out of 2 Italians prefers a green vacation] https://ecobnb.it/blog/app/uploads/sites/2/2018/03/6_CS_Boom_Ecoturismo.pdf

C. Vadam (2015) How to reduce energy consumption in hotels https://www.hotelnewsnow.com/Articles/25821/How-to-reduce-energy-consumption-in-hotels

HES (2012) Analysis on energy use by Europena hotel: online survey and desk research https://www.unwto.org/archive/global/publication/analysis-energy-use-european-hotels-online-survey-and-desk-research

Being 'green' is paying off, claims Abta study https://www.travelweekly.co.uk/articles/58226/being-green-is-paying-off-claims-abta-study#.Vj-ttS0BjYF.twitter

ENJOY (2020) Rapporto sulla Percezione dell'Italia Turistica – Sociometrica [Report on the Perception of Touristic Italy] https://www.sociometrica.it/sites/default/files/enjoyReportFinale.pdf

Travel & Tourism Industry is More Resilient Than Ever According to New Research by WTTC and Global Rescue https://wttc.org/News-Article/Travel-Tourism-Industry-is-More-Resilient-Than-Ever-According-to-New-Research-by-WTTC-and-Global-Rescue

Indagine CGIL (2020) sullo smart working presentata dalla Cgil e dalla Fondazione Di Vittorio in data 18 maggio [CGIL survey (2020) on remote working presented by Cgil and Fondazione Di Vittorio on 18 May] www.cgil.it/admin_nv47t8g34/wp-content/uploads/2020/05/Indagine_Cgil-Fdv_Smart_working.pdf

More than 40 Percent of Business Trips are Extended for Leisure Purposes https://advertising.expedia.com/about/press-releases/more-than-40-percent-of-business-trips-are-extended-for-leisure-purposes/

More than 60% of business trips include leisure component https://www.phocuswire.com/Expedia-Media-Solutions-bleisure-travel

NEWSPAPER ARTICLES

"Onu, la pandemia di coronavirus causerà carestia biblica: l'allarme delle Nazioni Unite", Libero Online, 22 April 2020. [UN, the coronavirus pandemic will cause biblical famine: alarm by the United Nations]

"Gruppo FS, l'Alta Velocità ha cambiato il Paese e la vita degli italiani: adesso c'è il futuro", Il Messaggero, 6 December. [FS Group, high-speed has changed the country and lives of Italians: ready for the future]

"Gran Milano. Smart Opportunity", il Foglio,10 September 2020.

"Smart working in hotel, la formula che potrebbe risollevare il mondo dell'hotellerie", [Remote working in hotels, the formula that could save the world of hospitality] Corriere della Sera Online, 23 September 2020.

"Gli effetti della globalizzazione: ricchezza per pochi e Covid-19 per tutti", [Effects of globalisation: wealth for few and Covid-19 for all] Corriere della sera, 7 June 2020.

OUR REPORTS:

- Residential Overview
- Leasehold Market
- The Prestigious Homes Market
- Investment Overview
- Office Market Overview
- Office Quality Focus
- Hotels

You can find all of our reports at **gabettigroup.com** in the Research Department section

Stay updated on our upcoming reports by following our **page on linkedin**

Gabetti Research Department
Francesca Fantuzzi
Market Research Manager
ffantuzzi@gabetti.it

Research Analysts:
Roberta Giusto
Diego Vitello

Emilio Valdameri
Head of Hospitality and Leisure
evaldameri@gabetti.it

Giovanni Sparvoli
General Manager Patrigest and Head of Business Development Gabetti Group
gsparvoli@gabetti.it

Gabetti Property Solutions
Via Bernardo Quaranta, 40 – 20139 Milano
Tel. +39 02 775 5301
www.gabettigroup.com

GABETTIGROUP

gabetti
PROPERTY SOLUTIONS