HOW NEW TECHNOLOGIES ARE TRANSFORMING TOURISM IN LATIN AMERICA AND THE CARIBBEAN

Tourism

Digital economy

NTT DATA

IDB | Invest

BACKGROUND

The Latin America and Caribbean (LAC) region is undergoing a digital revolution, and we are convinced that technological innovations have the potential to significantly accelerate and scale the region's development. These technologies are reshaping both traditional sectors and innovative industries. In this context, the main objective of this report is to address the disruptive technologies that are revolutionizing each of the industries in which IDB Invest operates in a structured manner. New emerging business models will be evaluated in the context of economic and social development, the foundation of the IDB Group. The selected models will prioritize inclusion, productivity, and innovation while addressing cross-cutting issues such as environmental sustainability, climate change, and gender equality.

Although new technologies have enormous potential to drive efficiency and open up new avenues of value creation, they also pose significant challenges in terms of governance, security, and equality. The rapid adoption of digital solutions has highlighted the importance of establishing a strong regulatory and investment framework that maximizes benefits while mitigating risks. As a result, the role of different economic agents and their ability to adapt and adopt these innovations becomes a critical aspect of catalyzing sustainable economic and social development.

As we examine the impact and potential of various key technologies in this report, it is important to understand that we are dealing with an interconnected ecosystem that is growing in complexity and scale. Advances in one area, such as Artificial Intelligence or Automation, are fed back and amplified in constructive collaboration with others, such as Big Data or the Internet of Things, resulting in a multiplier effect on value generation. This report aims to highlight how this technological interconnection is reshaping the economic and social context in LAC, providing an analysis that goes beyond the current situation to forecast how new technologies will continue to shape the region over the next decade.

CONTEXT

Latin America and the Caribbean is a region rich in nature and culture, with enormous potential to become a global tourism destination, driving economic growth and creating high-quality jobs in the region. Despite the sector's strength, the pandemic caused the worst historical crisis in LAC's tourism industry. In 2020, it shrank by 73%[1], causing more than USD 900 billion in losses.

Since the release of vaccines and the decrease in travel restrictions, the industry has experienced a steady rebound in performance. However, the impact still affects tourism levels in most countries. Still, exceptions can be found in destinations such as Aruba, the Dominican Republic, Jamaica, and Mexico, which have already exceeded the levels seen before the pandemic[2].

The socioeconomic impact caused by the pandemic, which affected all sectors, also brought new opportunities for LAC tourism, as current travelers increasingly seek authentic and meaningful experiences and are willing to pay more to access them. There has even been an increase in demand for sustainable destinations (adventure and nature tourism, ecotourism, agrotourism, food and cultural tourism, etc.), which represents an enormous potential for the region's countries, given their extraordinary wealth of natural heritage.

[1] El pais
[2] Fowardkeys, 2022

Trends such as Slow Tourism or Slow Travel that boost local tourism and entail low environmental impact have great possibilities to continue developing in the region since they help create business and commercial connections, mainly in small communities, furthering their development and standard of living, which is in line with the industry´s main goals concerning the improvement in the well-being of rural communities and indigenous peoples; the protection and restoration of biodiversity; the reduction of vulnerability to natural disasters and the creation of new avenues for the creative and cultural economy to thrive (theaters, galleries, museums, etc.).

The new context that the industry is experiencing implies a unique opportunity to promote sustainable and regenerative tourism that, beyond reducing the negative impact on the environment, supports the restoration of natural and cultural heritage, improving the general wellness of the population, besides serving as an advocate for socioeconomic and productive development in the region.

IMPORTANCE OF INDUSTRY

The importance of the tourism industry and the economy surrounding it for the region is more than evident if we look at its contributions in terms of GDP, employment, and exports, to name a few. The tourism industry accounted for 26% of total GDP in the Caribbean and 10% in Latin America[3] in 2019. Moreover, it directly and indirectly generated 35% of employment in the Caribbean and 10% in Latin America.

[3] Cepal

Tourism is a cross-cutting industry that involves different fields such as transport, hospitality, cuisine, culture, leisure, and entertainment. On top of that, it can also be one of the leading sectors in combatting climate change and furthering environmental sustainability and biodiversity conservation in the region.

Concerning IDB Invest, the Tourism division is in an early maturity phase compared to other areas with more significant consolidation within the organization. Currently, the main focus is on the generation of an investment portfolio and identification of emblematic transactions of high demonstrative value to establish a robust portfolio within the unit and serve as a market benchmark on the type of transactions that commercial banking should support to further sustainable and responsible tourism in the region. Moreover, given the current industry status, the unit is contemplating opportunities to assist companies in the process of recovery after the pandemic, and, in the short term (approximately in the next two years), estimates are that the focus will shift to areas of expansion and exploration of new concepts.

On this basis, the report's scope is broader than the current investment goals of the group, it explores the impact of new technologies in the different branches that make up such an intricate industry to expand the area's investment goals in the future.

INDUSTRY CHALLENGES AND OPPORTUNITIES

Despite the post-pandemic recovery, there are several challenges for the coming years that, although they may represent a barrier to the industry's development, also open up a significant opportunity. The main challenges include:

High Industry Fragmentation

The tourism industry in LAC, characterized by high fragmentation, requires help accessing specific technological solutions. The diversity of players, from small local businesses to large international chains, complicates the adaptation and scaling of these tools. Fragmentation can also limit collaboration between players, making it challenging to adopt technologies despite their potential to drive efficiency and sustainability.

High-touch Service Industry

The tourism industry is intrinsically a service industry, where human connection (high-touch) is essential to provide a satisfying experience to customers. As technology becomes increasingly ubiquitous, the challenge lies in using it to improve the customer experience without completely replacing human interaction. Technological solutions can improve efficiency and comfort but should keep the human touch that typically defines a tourism experience.

Slow Adaptation to Technologies

Traditionally, the tourism industry has shown a slow adoption of new technologies, which can be attributed to several factors, such as resistance to change, lack of digital skills, or limited funds for technological investments. This was clearly seen with the emergence of OTAs in the 2000s, which completely transformed the ecosystem and left hoteliers with a share of the market that they still need to recover.

Or the recent case of Airbnb and other short-term rental platforms, trends that were not timely identified by the hotel industry but that are now actively competing in the same environment and diverting part of the demand. This delay in technology adoption can put the sector's competitiveness at risk in an increasingly digitalized world, underlining the need for a more agile and effective adaptation to technological solutions.

Changes in Consumer Preferences

In a new standard setting where telecommuting is on the rise, the tourism industry faces the challenge of adapting to evolving travel trends and consumer preferences. The growth of "Bleisure" and travelers' greater appreciation of the cost-benefit ratio stand out. The industry must build capabilities to deliver superior experiences to meet these growing expectations.

Lack of Qualified Staff

There needs to be more qualified staff in critical areas, from hotels and airlines to air traffic controllers and baggage handlers. The impact of the pandemic on the tourism industry has aggravated the problem, as many workers, after a long period of inactivity, sought opportunities in other areas.

Upon the revival of tourism, the industry faces the challenge of attracting these professionals again, which requires making the industry more appealing and ensuring working conditions comparable to those of other sectors. This scenario, alongside the shortage of technical institutes for qualification, underlines the urgency of investing in human capital.

Financing Difficulty

Commercial banks have resisted funding tourism projects, limiting the potential for developing and improving new projects. This lack of financial support restricts the industry's innovation capacity and hinders its recovery and adaptation to new market conditions. It is necessary to explore financing alternatives and encourage financial organizations to consider tourism a viable and valuable industry capable of generating economic growth and employment in the region.

MAIN INDUSTRY TRENDS

New technologies are reshaping the industry's development, resulting in greater comfort, security, and fewer touchpoints. Whether it's the way travelers make their reservations, the way travel agencies provide service, or the amenities provided by airlines and hotels, technology has permeated virtually every tourism element.

As customers embrace new technologies, the demand for enhanced, personalized, and seamless experiences increases, forcing companies in the industry to keep up with the latest technology trends.

Pricing and dynamic products

Through Artificial Intelligence (AI), dynamic pricing engines have been generated that allow prices to be automated to achieve the highest occupancy of hotels, airplanes, etc., setting optimal prices without incurring situations of unavailability or overbooking.

These systems consider infinite variables, such as customer data, travel trends, etc. It even considers the profiles of the different types of customers and their preferences. For example, a business traveler who values comfort and convenience the most or a leisure traveler who prioritizes the lowest price. Today's dynamic pricing innovations offer new levels of control, allowing companies to coordinate their pricing across all channels quickly and accurately. These capabilities are becoming the new standard and are critical in business models.

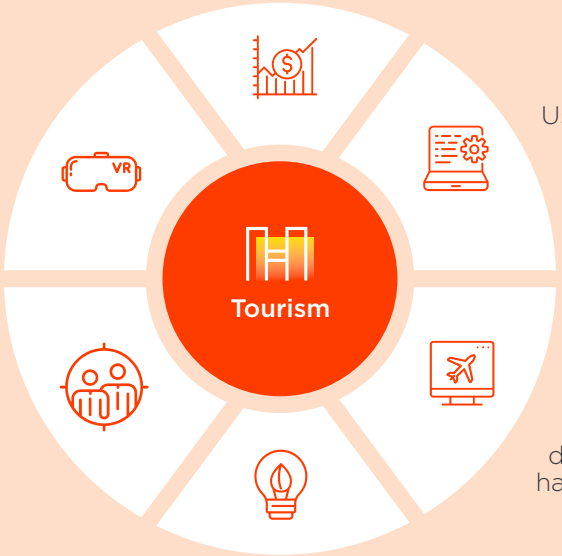
A clear example is the changes that tour packages are experiencing and the reductions in last-minute offers at low prices because the travel market increasingly has access to more information and now has greater knowledge of prices (including real-time costs), products, and demand.

Dynamic pricing and products

Ability to modify the supply of products and their prices on time in response to market demand.

Augmented experience and models involving VR and AR

Use of technologies such as VR and AR to improve the experience in the tourism ecosystem.



Hyper-personalization of travel

Using AI, Big Data, predictive analytics, etc. to achieve a higher level of personalization.

Recognition technologies and security systems

Incorporation of biometric authentication to improve security and experience.

Evolution of OTAs & Tour Operators

Creation of super operators that dominate the market gain ground, and have power over the rest of the players.

Sustainability and climate change

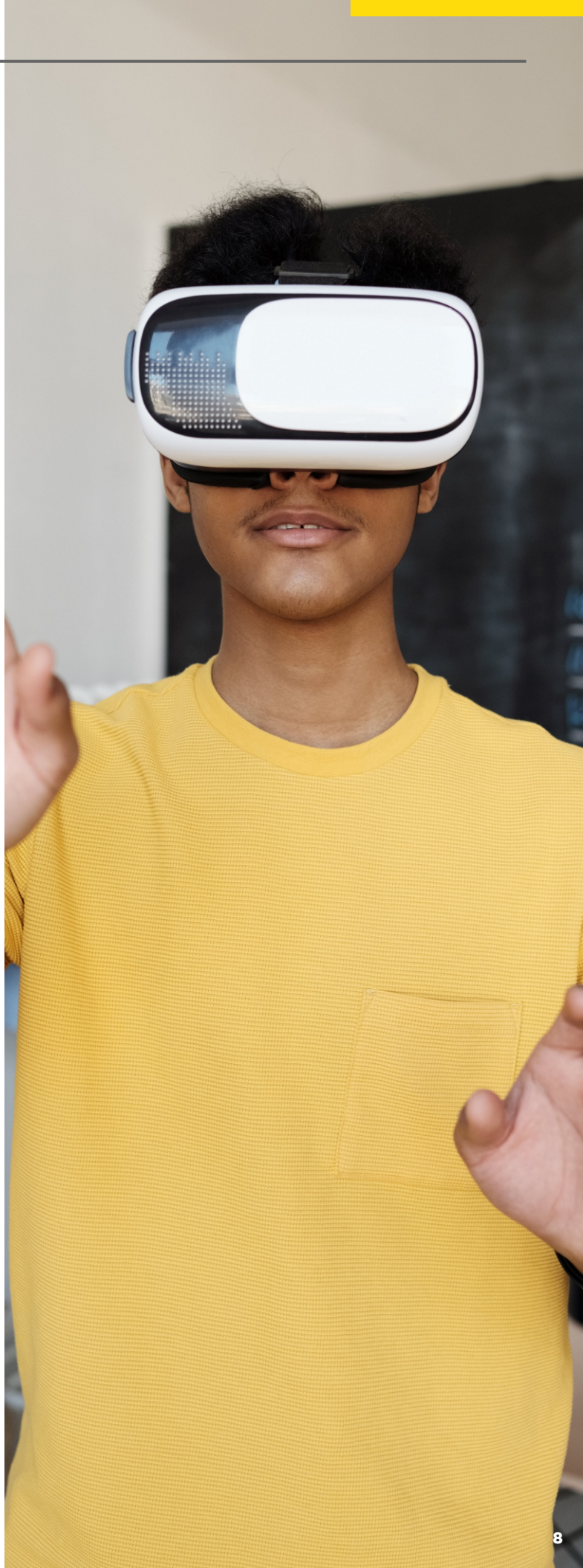
Importance placed on sustainable travel and the change of approach oriented to environmental and social good.

Augmented experience and models involving VR and AR

New immersive technologies make it possible to improve travelers' experience, generating fewer touchpoints and eliminating unnecessary interactions through "try before you buy."

An example of this is the application by hotels and travel agencies for users to visualize in advance the virtues and benefits of the facilities and services offered so that they can make a more informed decision tailored to their needs, avoiding discomfort at the time of arrival at the destination.

Additionally, airlines are beginning to explore VR as part of their in-flight entertainment offerings, providing more interactive and immersive experiences. The benefit is not only for customers; the technology can also be used for staff and crew training.

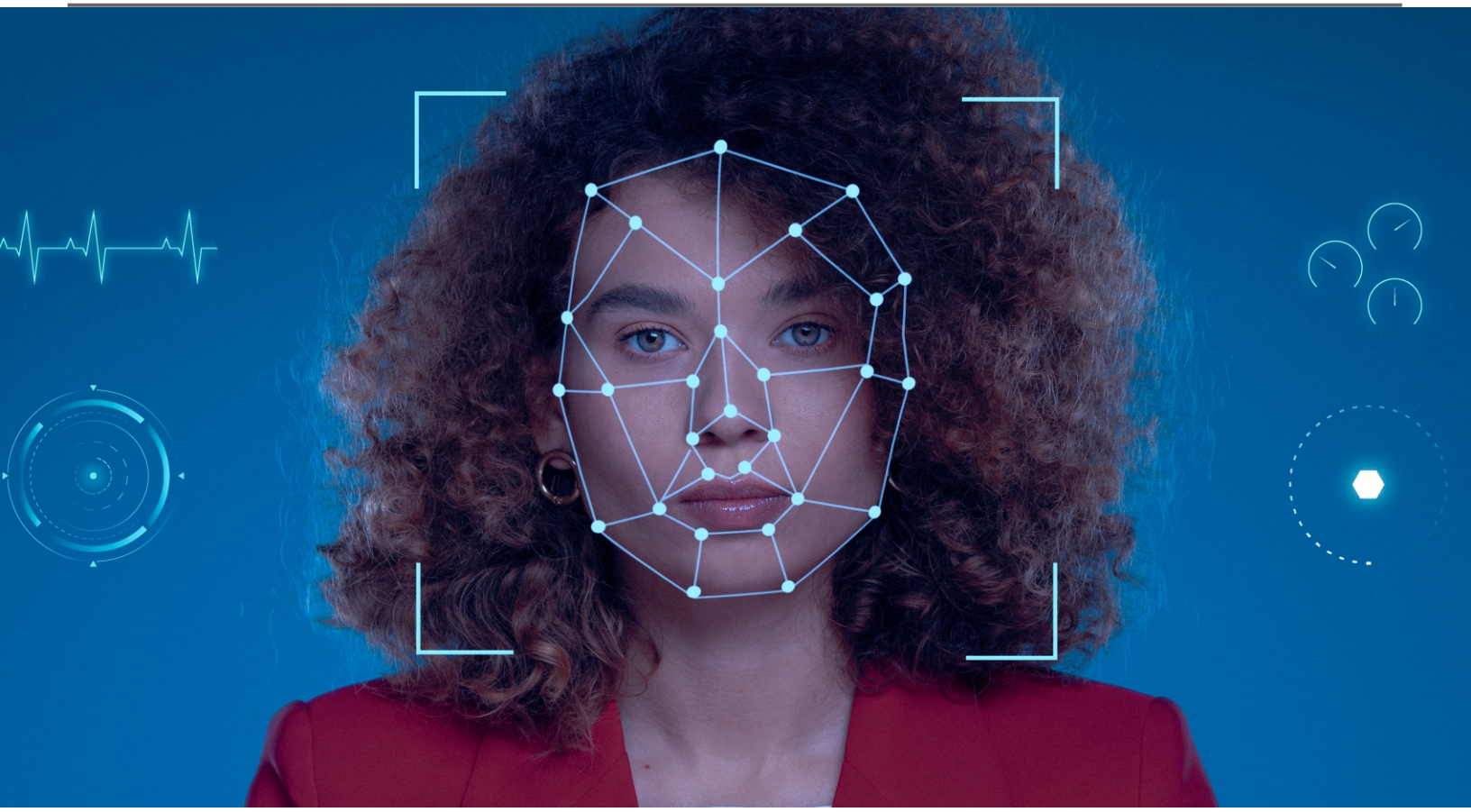


Meanwhile, Augmented Reality (AR) has been used to minimize customer friction, performing tasks that delay operations. For example, it allows them to validate if their hand luggage has the necessary characteristics from the comfort of their home and before boarding the plane so that customers know the need to check the luggage.

Once a traveler has arrived at their destination, AR integrated with innovative apps, cameras, videos, and interactive maps make the travel experience infinitely more engaging and valuable, bringing additional insights and virtual elements to everyday activities.

In conclusion, both Augmented Reality (AR) and Virtual Reality (VR) have the potential to profoundly transform the tourist experience, minimizing friction points and enriching travelers' interaction with their environment.

However, we should bear in mind that, despite their promising advances, these technologies are still at an early stage of maturity in the tourism industry, especially in LAC. Its large-scale adoption and full integration into tourism operations is contingent on overcoming technical, financial, and training challenges, as well as the willingness of industry players to experiment with these new approaches.



Recognition technologies and security systems

We are facing the emergence of a range of biometric authentication technologies used by the tourism and travel industry to improve travelers' experiences significantly.

While existing retinal scanning and iris recognition are more common, fingerprint, facial, and behavior recognition (gait, voice, and accent recognition) are expected to be adopted by the industry over the next decade, giving personalization new meaning.

This technology can be used for security purposes not only in airports but also in hotels, allowing guests to access hotel areas solely by sensor identification without the need to use a card, bracelet, or any additional device, allowing the check-out to be carried out automatically or else paying for food and drinks under a Grab & Go scheme.

Additionally, AI helps improve security and reduce waiting times, mainly at airports. For example, there are AI systems that can spot suspicious objects in footwear, saving passengers time and effort to remove their shoes at the security checkpoint. Also, using this technology, it is possible to detect the natural radiation of passengers, convert the data into images, and spot if they have potentially dangerous devices.

It is crucial to remember that implementing these technologies does not have to mean employment loss in the industry. Instead, it opens up the opportunity to redefine and enrich existing roles, allowing employees to focus on providing more customized, higher-value customer service. Instead of replacing human interaction, these technologies can free workers from routine, repetitive tasks, allowing them to focus on managing unforgettable customer experiences.

Hyper-personalization of travel

After the crisis that struck the industry with the COVID-19 pandemic, there was a change of mindset in travelers looking to acquire unique experiences with a lower sensitivity to price, thus prioritizing personalized and tailor-made services.

To offer these products, companies in the industry must adopt different tools and technologies that allow them to comply with the market's new reality. Below are some of the main alternatives:

- **IoT as an enabler of a distinct experience:** The Internet of Things (IoT) allows travelers to have greater control over the services they receive, updates, and improvements in the accuracy of flight/reservation status, as well as the ability to keep track of their luggage and continuously monitor their health status.

  Hotels are taking advantage of IoT-enabled sensors to adjust heating, lighting, and air conditioning, or to raise and lower blinds to customers' tastes.

Besides, at some airports, bags are tagged with sensors so that passengers can be alerted when their luggage is placed on the conveyor belt or allowed to track it via mobile apps.

Another interesting future use case is placing sensors in aircraft seats to measure passengers' heart rate and body temperature so that the cabin crew can help passengers with a need. Furthermore, wearable devices could send reminders for passengers to make bodily movements, mainly on long-duration flights.

- **Automation of actions through voice and robotics:** Voice technology, robotics, and machine learning (ML) are increasingly used in the industry. Travelers increasingly use voice search for various services, including finding places to visit, booking tickets, hotel rooms, and leisure services.

  An example is voice-activated devices in hotel rooms that allow guests to access local information such as traffic in the area, weather conditions, or even personalized recommendations for restaurants or entertainment activities.

Some hotels are also starting to enable robots to help guests check in without needing to interact with a person, assigning rooms, validating inventories, and storing all available information to provide a more customized experience.

In turn, airports have also begun experimenting with different types of robots, from autonomous luggage trolleys and cleaning robots to robots designed to answer passenger queries about flight times and gate locations.

- **Customer Insights through the Use of Big Data:** Advances in data capture and collection, almost in real-time, have opened up a world of possibilities for companies in the tourism industry.

  This avalanche of information, known as Big Data, allows companies to identify customers clearly and understand their behaviors, preferences and needs profoundly and thoroughly. With this in mind, they can generate highly personalized goods and services tailored to each customer's expectations.

  We are facing a real revolution: the ability to personalize the tourist experience based on real-time data can completely transform the relationship between customers and tourist service providers.

  Companies that know how to seize the potential of Big Data to personalize their services will be in a privileged position to win and maintain the loyalty of their customers.

By 2025, personalized services are expected to be the main edge for future brands. In a sector as competitive and diverse as tourism, the ability to offer a unique experience perfectly adapted to the needs and preferences of each traveler will be the key to success and long-term survival.

Evolution of OTAs & Tour Operators

OTAs and Tour Operators, which revolutionized the model of traditional travel agencies, play a very relevant role in generating trust in users and are fundamental in connecting the different players in the industry with millions of potential travelers. However, a new challenge emerges on the horizon: the entry of non-traditional players into the tourism market.

Technology companies such as Amazon and Google, with their massive user base and advanced data collection and analysis capabilities, represent a potential disruption for the industry. Companies that have the best ability to serve customers' needs based on knowledge of their wants and preferences will have a significant competitive edge. By way of illustration, in the same way that, today, Amazon can send users a reminder through its Alexa application such as "based on your past purchases, it may be appropriate for you to order shampoo again," the company could also "remember" the user that "it´s been four months since your last vacation, and since we know you like the sun and beach, there are attractive travel options for next weekend in Cancun or Punta Cana."

These technology companies rely on a wide range of services and products that can be easily integrated to offer a complete tourist experience. This can threaten traditional OTAs and tour operators, which should adapt to maintain relevance and competitiveness.

In addition, travelers who use OTAs to book trips spend up to 50% more than those who book them directly, which furthers industry growth and demands participation to attain visibility.

These institutions have also started using new digital tools to adapt to the current scenario and build trust, transforming their staff into intelligent and personal assistants.

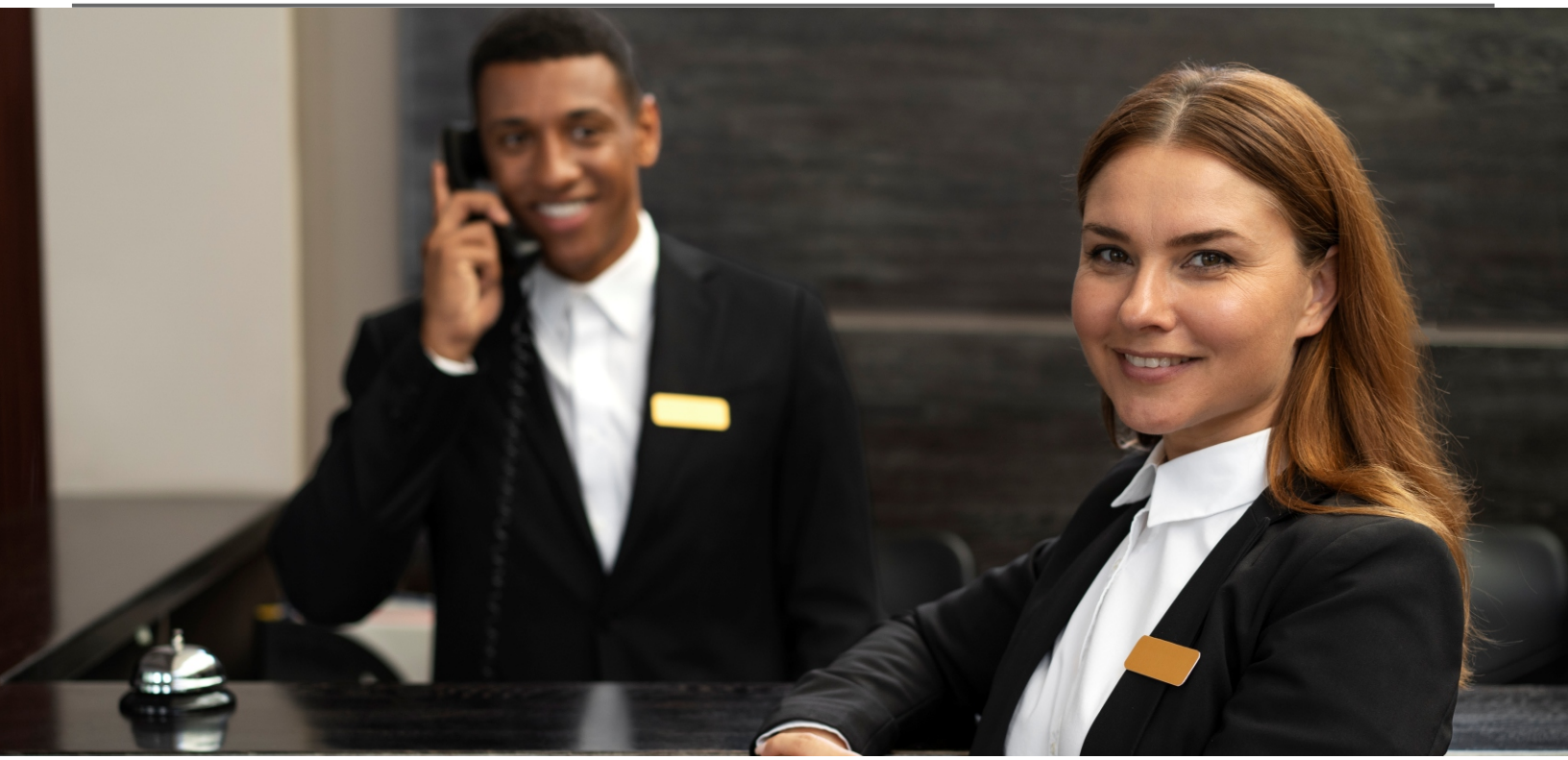
These types of organizations are also betting on the merger and consolidation of new business groups, called super operators, with excellent purchasing power, leaving aside the smaller players, which allows them to access a more significant market share, capitalizing on economies of scale and offering end users more cost-effective and efficient services.

However, this phenomenon can be tricky for the rest of the players in the industry, insomuch as, with fewer options in the market, super operators achieve greater bargaining power that can negatively impact various players.

Sustainability and Climate Change

Sustainable trips have become more relevant than ever as consumers increasingly value that their tourist services meet sustainable criteria.

Nonetheless, while sustainable travel is vital to the industry's future, more options are needed. Hence, it is essential to differentiate between leisure and business trips, with their respective possibilities regarding sustainability. Although its interest is significant, only some are willing to pay more. Today, we see that the corporate business segment, partially owing to the pressure they receive from different stakeholders, is at the forefront regarding awareness while making more sustainable tourism choices for their employees.



It is not unusual for a company considering choosing a hotel for its employees or planning a corporate event to have a comprehensive checklist of sustainability requirements (e.g., environmental certifications, minority and women's hiring, etc.) as a hotel selection criterion.

The task of the tourism industry lies in balancing sustainable options with affordable costs and fostering awareness of the benefits of sustainability.

Therefore, the players in the tourism sector should work together so that, in the coming years, the perception changes, and they can offer greater transparency in this regard. An example is the new applications that allow travelers to understand the carbon footprint derived from their trips (flights, trains, accommodation, etc.) and offset their impact through conservation projects.

Agencies and OTAs also have the opportunity to incorporate similar functionalities into their services and platforms, incorporating sustainability-related filters that help users make better decisions and fostering options that help raise customer awareness to boost the rate of travel of this type.

BUSINESS MODELS

The tourism sector is undergoing significant changes, influenced by new market demands and emerging technologies. These elements are drivers for the sector to evolve and adjust to the current scenario while gradually recovering from the impact of the pandemic.

Marketplace Integration

Through the use of APIs and new technologies, companies in the travel industry are turning into global travel platforms with new business models. This new trend has facilitated industry-wide innovation and the development of technology startups that develop microservices and APIs to deliver exclusive goods and services to travel platforms.

Initially, travel companies operated in a single vertical, offering a reduced product portfolio and targeting a specific segment. However, they have begun transitioning to multiple industry verticals to provide a wide variety of services and products throughout the traveler's lifecycle.

A clear example of this change is low-cost airlines that are starting to transform into OTAs or travel technology companies to meet any needs of current travelers. These actors have integrated multiple travel goods and services into their business models through partnerships and APIs.

Even companies such as American Express Global Business Travel have innovated in the industry by rolling out new products based on partnerships and the acquisition of new technology companies that allow them to enhance their value proposition in such a way that they better meet the needs of their current customers while quickly accessing a new market.

Moreover, due to the elimination of the industry´s entry barriers, institutions that do not participate in it have begun to market tourism services. For example, Rappi incorporated the Rappi Travel section into its super-app, which operates as a travel agency, providing flights, hotels, and packages.

Generally speaking, industry participants are building new markets to get the most out of the customer's ownership: airlines, railways, airports, hotel companies, sports and entertainment activities, theme parks, etc.

EXAMPLE: TRAVEL PLATFORMS

Viva

"Point-to-point rates and efficient product offer"

Viva Aerobus is an airline that operates under a low-cost scheme, simplicity, and focus on profitability and that has incorporated into its product offer a wide array of services from the tourism ecosystem such as hotels, cars, buses, experiences and hotel-airport transfers and vice versa.

OTHER PLAYERS

pickyourtrail

GLOBAL BUSINESS TRAVEL

pilot

VALUE PROPOSITION

Its purpose is to provide different travel experiences to the population through a portfolio of disaggregated services that allow providing the lowest rates on the market.

Moreover, it has an ultra-low-cost model that allows generating distinctive operator user-friendliness, leveraged by an efficient airport infrastructure.

TECHNOLOGY

Big Data: Storing and using traveler data.

AI: Prediction based on the airline's own demand to set optimal prices and reach maximum seat density.

Biometrics: The airline is close to launching easy recognition to improve the experience.

Cloud Solutions.

ALLIANCES

Agreements with transport groups: partnership with Grupo IAMSA that provides access to the bus market and allows the expansion of range of products.

IMPACT

It boosts access to travel and leisure industry services while encouraging use of local experiences with a focus on sustainability.

CUSTOMER SEGMENTS

Customers in the travel and leisure industry who are more price-conscious than leaning towards comfort and high-quality services, as well as travelers visiting friends and relatives (VFRs) and employees of small and medium-sized enterprises (SMEs)

RESULTS

23% growth in passengers (105-2022)

+5.8 M passengers in Q422

445 M USD revenue in Q422

KEY CAPABILITIES AND RESOURCES

- Expansion of auxiliary sources of income
- Network of suppliers and partners that allows maintaining low operating costs (ultra-low-cost model)
- Fleet acquisition and optimal use
- Continuous route assessment to optimize profitability

MAIN REVENUE STREAMS

Sale of services of the tourism industry and commissions for services purchased through outsourcing:

- Transport: flights and buses
- Accommodation and car rental
- Experiences

These companies seek to obtain the most significant possible value from the customers they acquire, offering more products in a perfect combination that fits the needs and preferences of the market.

Travel as a Service (TaaS)

The tourism industry has many software platforms, mainly booking websites that integrate different products from various suppliers – from flights to car rentals and experiences. In order to develop these sites, hundreds of integrations with suppliers were necessary to automate processes and find the best experience for travelers. However, this model type implies a vast fragmentation that can be expensive for companies and their customers.

For new players joining the ecosystem, it can be costly to integrate with systems that have been used for decades and that inherit several inefficiencies that impose significant challenges.

At the same time, for customers, it can represent interoperability problems with late cancellations of reservations due to poor inventory management or the receipt of a service that does not meet the required characteristics.

Thanks to new technologies, the industry has evolved, and new business models such as TaaS have been generated that enable efficient, scalable solutions with a lower cost so that actors can access the different services of the ecosystem by subscription, obtaining profitable growth and guaranteeing the quality of the customer experience.

One of the main opportunities for the industry today is based on the need for more precise information about the rates of different ecosystem suppliers. However, models such as TaaS allow a direct connection between customers and suppliers, enabling them to offer much more personalized trips only with the services they require, with transparent and competitive prices, various payment options, and a reduction in cancellation risks to which travelers are commonly exposed.

In addition, these new models have significantly improved customer experience through quality standardization concerning the most relegated actors or those with less power and resources. For example, a Colombian distribution platform has managed to integrate various hotels in Colombia, Peru, and Mexico under a familiar brand to ensure that the service the institutions provide meets the quality standard demanded by the market. This is achieved through the implementation of a CRM, personalized follow-up by company personnel, and a remote support team, among others.

The following are some of the benefits that this model provides to both companies and travelers:

- Self-management of each owner's different types of inventory channels, allowing them to have complete control and define commission levels.
- Microservice architecture that offers APIs within a specific travel context, for example, room reservations.
- A wide variety of services that support travelers and providers, communicating status changes and data effectively and responsively, with the ability to scale services effortlessly. The software architecture should leverage event sourcing and emphasize optimized data transmission protocols.
- Flow of data from all microservice applications to analytics and business intelligence tools.

Nature-based Travel

Greater awareness of everyday activities' environmental and social impact has also prompted a reframing of how tourism is carried out. Hence, sustainable tourism is created, proposing a more friendly solution both with the environment and local culture, managing to preserve and better respect the tourist places and their communities.

EXAMPLE: TRAVEL AS A SERVICE (TAAS)

WINK

"A travel platform for everyone"

Wink completely removes the barriers that lead to fragmentation in the tourism industry, consolidating information in a single platform enabling different ways to market tailor-made trips.

OTHER PLAYERS

ayenda HOTELES · Globick · THE HOTELS NETWORK

VALUE PROPOSITION

Its purpose is to facilitate the marketing of all types of travel inventories through a single platform that strengthens a highly fragmented industry and that enables a direct connection between an infinity of sellers and service providers to drive the generation of better products and more efficient sales models through a wide array of channels.

TECHNOLOGY

APIs: Allows connecting any application with industry data

Big Data: Interpretation of data from both the platform and the active sellers of the different channels

Ciberseguridad: Constant monitoring and data security policies

ALLIANCES

It contains a community in which hotels, vendors, influencers, etc. are incorporated, generating an ecosystem around the tourism industry.

IMPACT

It seeks to wipe out the fragmentation existing in the industry through the direct connection of suppliers, vendors, and customers to generate greater competition.

CUSTOMER SEGMENTS

It focuses on hotels, mainly smaller, which intend to market their inventory through the platform and connect with various sellers through multiple channels in exchange for a commission percentage.

RESULTS

791 cities with inventory

+89 countries served

4 solution modules in the tourism ecosystem

KEY CAPABILITIES AND RESOURCES

- Information about the different providers to supply services at an optimal price
- TripPay payment solution that is marketed as an additional service and allows easier management of hotels
- Ability to connect customers and suppliers

MAIN REVENUE STREAMS

Charging a processing fee for access to tools and services, for connecting hotels to thousands of native sales channels, for selling products on the platform, and for the TripPay service.

The key to this business model is that the exploitation of resources is below their renewal limit and follows three key factors to be carried out:

- **Optimization of environmental resources:** The conservation of natural resources and biological biodiversity is a core point for tourism. Hence, the care of the ecosystem and the natural environment becomes an indispensable requirement for the industry. Sustainable tourism should serve as a tool to further the replenishment of natural resources, as well as the protection and conservation of biodiversity.
- **Authenticity of local culture:** The understanding of a place would not be possible without considering the different factors that compose it, such as its people, culture, architecture, values, and traditions, so preserving its authenticity is essential. Sustainable tourism is based on respect for local communities and encourages tourism to develop around what characterizes each society.
- **Boosting wealth and the economy:** Guaranteeing economic activities that last over time and that have a balance in the distribution of socioeconomic benefits is also capital for sustainable tourism since one of its objectives is to generate new opportunities for stable employment, boost income and social services, and reduce poverty in local communities.

Moreover, the tools allow constant monitoring and even provide recommendations to facilitate greater energy efficiency that helps meet sustainable tourism goals.

Given the importance of the tourism industry at a global level, the furtherance of sustainable tourism will play a very relevant role in the fulfillment of the 17 Sustainable Development Goals (SDGs) set by the Governments in the 2030 Agenda, mainly those about responsible production and consumption, climate action, aquatic life, sustainable cities and communities, as well as affordable and non-polluting power, since it is estimated that the number of travelers will reach 1.8 billion for the first time and that energy demand and water extractions will grow by 50% and 40% respectively for that year.

However, although nature-based travel is a growing business model, its importance is relative to the size of the regional industry. The main challenge for this model in LAC is scale since, despite advances and examples of companies committed to sustainability, the impact of these practices still needs to be improved compared to the total tourism industry. Adopting sustainable practices on a broader scale is critical to achieving meaningful and lasting change in the region's environmental and social impact of tourism.

EXAMPLE: ECO-TOURISM (SUSTAINABLE TOURISM)

EXPLORA

"Exploring remote territories as a journey to conservation"

EXPLORA tours the most remote corners of America, being an active agent in the protection of the environment, the fight against climate change, and care for the communities of the territories they visit.

OTHER PLAYERS

Rutopia · GreenCircle EXPERIENCE

VALUE PROPOSITION

Its aim is to organize exploration routes in the most remote and astounding places on the continent, providing all the services: accommodation, transport, food, and beverages. Moreover, it operates under a model that prioritizes 2 cornerstones: sustainable operation and the conservation of territories. This along with the aim of monitoring their environmental footprint and being carbon neutral.

TECHNOLOGY

Through tools that use data analysis, they calculate their carbon footprint to support reductions and carbon bonus projects that offset their emissions to reach net zero.

ALLIANCES

It generates partnerships with local communities and organizations in their destinations to co-create and develop innovative projects. In addition, it partners with environmental organizations.

IMPACT

It seeks to provide unforgettable experiences to its customers while promoting environmental care, social development, and the economic boost of communities.

CUSTOMER SEGMENTS

It focuses on travelers who are looking for personalized experiences with unusual destinations, but who prioritize sustainability, environmental care, and boosting local usage.

RESULTS

4 countries included in their destinations

2 conservation reserves

+4 awards & recognitions

KEY CAPABILITIES AND RESOURCES

- Network of isolated and difficult-to-access destinations with distinctive experiences
- Broad ecosystems with local communities and organizations
- Local explorers with mastery over the region who enrich the guest experience

MAIN REVENUE STREAMS

Charging fees for travel packages that include accommodations, transport, food, beverages, and experiences in the various destinations where it operates.

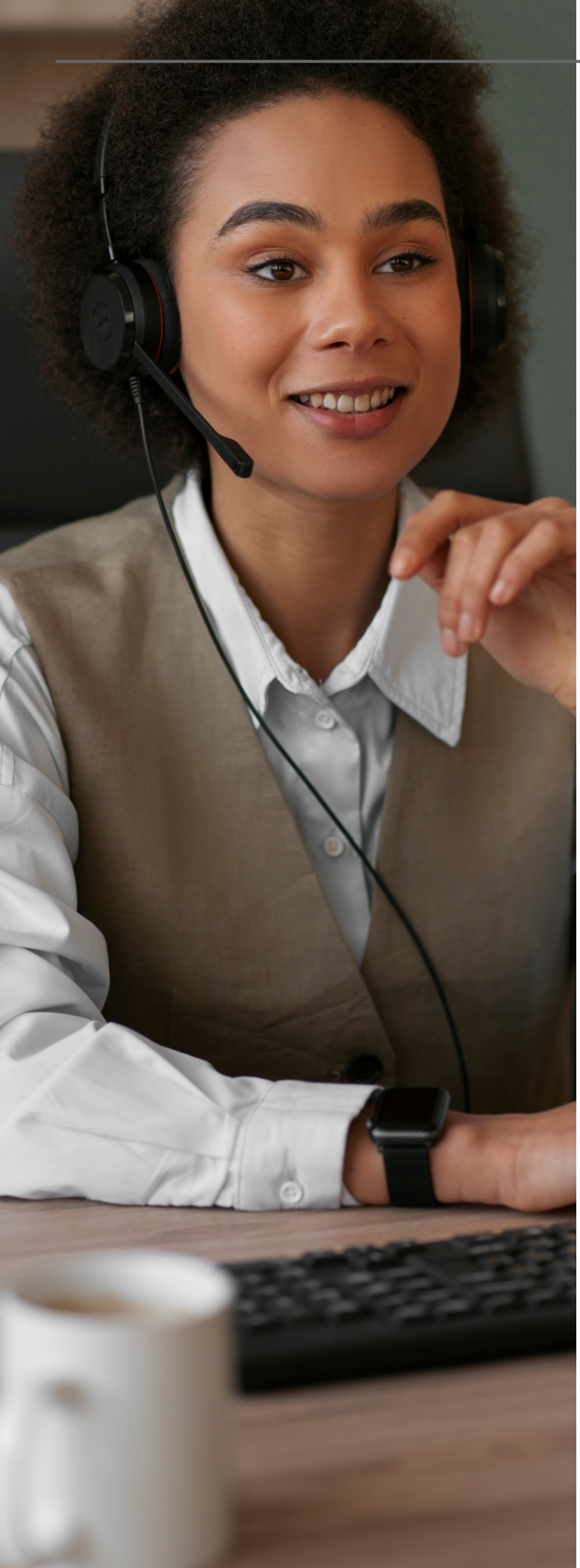
Furthermore, the sustainable tourism model can impact the entire travel experience, from mobility to accommodation and activities.

A clear example of mobility is the availability of electric cars for tourist transport. AVIS recently added a fleet of Tesla-branded cars to its leased vehicles, offering to boost awareness in caring for the environment. It became the first leader in Latin America to have electric vehicles in its prime category.

As for accommodations, prominent chains have certifications for their positive impact, such as Sandos, which has implemented resource management and consumption policies in several locations, as well as a wide range of ecologically sustainable activities for customers.

To ascertain the impact of sustainable tourism and turn it into something tangible that allows industry players to build their strategies positively, different indicators such as electricity consumption for each square meter served, fresh water consumption per guest, or waste production can be measured.

The main difference between conventional and sustainable accommodation is the implementation of measurements and efforts to reduce the carbon footprint (direct and indirect emissions), electricity, and water consumption, as well as the conservation of the ecosystem and its natural resources. Technology plays a fundamental role in carrying out these measurements, as it is through tools that use data analytics that figures about the general consumption of accommodations can be identified and processed to transform them into tons of CO_2 and, in this way, estimate the carbon footprint.



PLAYERS MAP

As LAC moves towards recovery and readjustment of the tourism industry after the pandemic, it becomes clear that emerging trends should be capitalized upon and current challenges addressed to ensure sustainable and meaningful growth. The region's tourism industry must adapt to changes and face challenges such as fragmentation, resistance to the adoption of technologies, and the need for more qualified personnel, transforming them into opportunities for innovation and continuous improvement.

Meanwhile, developing more efficient business models and adopting new technologies and trends, such as Artificial Intelligence and the hyper-personalization of trips, allow a dynamic evolution and competitiveness within the sector.

In addition, it is essential to highlight the relevance that sustainability and tourism of authentic and meaningful experiences are acquiring in the current scenario. These elements respond to changing consumer preferences and spur a more conscious and responsible approach to tourism, positively impacting the local culture and economy.

Ultimately, it is essential to clarify that when discussing the forthcoming tourism industry players in LAC, we are considering a mix of innovative startups and already consolidated companies. These entities stand out for their advanced use of technologies or for proposing new business models. They represent many possibilities and solutions that can significantly contribute to growth and innovation in the region's tourism field.

Mondee is a travel company that builds on the progess in digital transformation, artificial intelligence, autobots, data science, and machine learning to deliver unique and personalized travel experiences *

Posadas is a hotel operator in Mexico with more than 180 hotels in Mexico and the Caribbean. Currently, it is developing an AI Digital Concierge project to allow its guests to communicate with the hotel 24 hours a day before, during, and after their stay

My Humble House is a hotel management company that provides business support in consulting, asset management, and business model franchising to sustainable hotels, residences, and glamping

Selina is a hotel chain that combines accommodation with coworking spaces, wellness programs, and cultural and social activities

Dotz, a Brazilian company that offers benefits for every purchase made, has teamed up with Hotelbeds (a bed bank) to offer a new business model that includes loyalty and point reward programs for tourism companies

TravelX allows airlines to improve the experience on their direct channels and gain robust digital capabilities through simple integration, giving customers greater flexibility to change the owner of tickets issued

Awake Travel is an ecotourism marketplace that connects travelers with local hosts in nature destinations while contributing to ecosystem conservation

TOTVS, a leading Brazilian software and services firm, has teamed up with UpStay, a specialist in technology solutions for the hotel industry, to launch an integration suite. This alliance seeks to provide LAC with hotels with the latest innovations in complementary sales

Turismo Lab is an online school for tourism industry professionals in LAC that connects tourism teachers and professionals seeking to train in the sector to enhance tourism development in the region.

LATAM Airlines, the largest airline in Latin America, is committed to emerging technologies such as the implementation of the use of drones in the inspection of its aircraft in order to increase its productivity, reinvent processes, and improve the experience of its customers

Despegar is a leading OTA in LAC that has revolutionized the tourism industry with its advanced technology. The platform allows users to book flights, transport, activities, and more, all in one place

*Note: Although Mondee is based in the US, at least 25% of its revenue comes from LAC. In addition, out of the remaining 75%, which comes from the US and Canada, a considerable proportion of these travelers go from these countries to LAC.

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