SÉBASTIEN BAZIN
Chairman & CEO, AccorHotels

Let me now go to our last speaker, who is Sébastien Bazin.

Sébastien BAZIN

Let me at least tell you what we are facing. I am the chairman and CEO of a big hotel company, and we have 240,000 employees in 95 countries. I want to give a resume and summarise the last 20 years, what has happened since 2000. Just bear with me. Regarding 1960-2000, all the hotel companies in the world, including Hilton, Hyatt, Marriott, Intercon and Accor were created in the 1960s. For 40 years in a row, we benefited from 90% of the profit pool and 10% went into the hands of traditional travel agents, of which we paid them a 10% commission. That lasted for 40 years and it was an easy game, with a growing industry which is the travel and tourism industry.

In 2000, what happened? You had the first digital mutation, which was the online travel agencies, like Booking or Expedia. They did not invent anything extraordinary and they just had new technology. They had a better machine and better equipment, which was far better than what existed with the traditional travel agent, and they made it global. We as hoteliers felt it would be wonderful because it would mean easier access for the guest.

Five years later, there was metasearch, with all those online platforms where you can compare pricing. You had Kayak, Trivago and TripAdvisor. There again we felt it was extraordinary for the guest, because they could make a better choice and an easier choice, and there again, we did not react as hotel companies. Then six years ago, there was the third mutation and the third revolution, which was of a different nature. The first two were based on technology. The last one is called the sharing economy, Airbnb, where differently from the first two revolutions, they decided to change the model, to invent a new sort of accommodation. You no longer go to a hotel, but you go to somebody's home. It works.

If you look at 2016, consider the same profit pool I talked to about, which was 90:10 between the hotelier and the travel agent. Today, it is 5% for the travel agent. I went down from 90% to 70%, and all those digital players today have 25% of the profit. No one can say it is unfair because we could have seen it coming and we did not react. I guarantee you that you can do the exact same mathematics in 10 years. You do not even have to wait 15 years. My share will go from 70% to 50%, undoubtedly, and no-one is going to stop it.

I have been saying, as chairman and CEO for the last three years, that no-one should say that it is a threat. It is much more of an opportunity than a threat as long as you decide to participate in it. It is as long as you decide not to be a spectator in your own environment, but to be an actor. You need to participate in this growing pie, going from 25% to 40% profit. Now this has another implication on social issues, which is what the topic is all about.

Regarding Booking.com or Expedia, my charge is not against either of the two, because we partner with them. However, if you pause a minute, Booking.com, which has only existed in the last 20 years, has a market gap today of roughly USD 80 billion. This is more than all the listed hotel companies together, and these were created 50 years ago.

However, there is something much more noticeable than the market gap, because the market gap is a reflection of your growth factor. All those big listed companies like Hilton, Marriott, Starwood, Intercon, AccorHotels, Hyatt, Choice
and Wyndham, probably have 2 million employees. They have less than 1%, at 20,000. I am a firm believer that all this new technology is extraordinary. All this new technology is enhancing quality of life. All this new technology is being sought after by the millennials because they want it and because they create it.

However, I am also convinced that you are going to have more job destruction over the next 3-4 years than job creation. You have a gap of time for people to adapt to this new evolution and hotel companies like ours have two things those new digital players do not like to have: we are capital intensive and we are labour intensive. All the companies you can think of which did not exist 25 years ago do not have capital intensity and they do not want to have labour intensity. This is because they do not want to depend on any legislation locally that they do not understand and they do not want to pay the price for it.

If you go one step further, it also has an impact on government officials, because they also have a lot of jobs like us, and technology could also replace the jobs they have in their own administration. They cannot adapt to it, the same as I cannot adapt to it quickly enough. If you want to simplify it for my big company, which I endorse, and I love doing what I am doing, you could group my 240,000 people into three brackets.

One third are extraordinary locomotives. They understand the new world, they understand the new technology, and they actually want to participate in it. They probably could be initiators in moving things around, and will probably be ahead of the game and will probably be actors in their own environment. I have another third of my company and they understand the new world, but they do not know how to participate. They need to be trained and they are asking to be trained. They are going to be great soldiers, but they will not be locomotives.

I have one-third who are blind and they do not want to see what is going on. They do not want to be trained and they are very happy with the process that they have been enjoying for the last 50 years. My role is to bring them to catch the train as I was speaking of locomotives, to provide instruments so that they can adapt. It is the same thing in all the big companies, public or private ones, in all the mature countries. They are facing the same three issues. As much as I am pushing for new technology, I am saying you have to adapt, which gets us to one conclusion.

This is the toughest part and has nothing to do with money and probably has nothing to do with age, but has to do with the model. What is it that differentiates the old economy from the new economy? I am purposely putting aside technology and it is one thing. All these new companies that got created were created on a blank sheet of paper by people who are less than 35 years old. They have legacy, no inertia, no processes, no history and no people.

In 100% of the old economy, we have hundreds of thousands of people. We have processes, we have inertia and we have history and culture. The impact of those differences is the following. The new companies have a horizontal organisation. They share ideas and they innovate together. They speak to each other. You do not keep a secret and you move. It is called agility. All the old, traditional companies have a vertical organisation, which is pyramidal and has a hierarchy. Managers that have access to strategic information tend to keep it secret for their only personal use, because it gives a status and a kind of power. If you do not change the old economy from vertical to horizontal, you will never be able to adapt to the new world.

**Masood AHMED**

Sébastien, that was certainly a sobering message.