



## Destination Next for Travel and Hospitality



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### **Abstract**

Although the travel and hospitality industry has been an early adopter of technological innovations, the changing business environment and customer preferences are giving rise to challenges that call for a new strategy – one that not only leverages emerging technologies but also simultaneously renews existing systems and processes. In this paper, we discuss the ‘renew-new’ opportunities that travel and hospitality companies must leverage to thrive in today’s dynamic marketplace.

## Renew and New: Destination next for travel and hospitality



The travel industry has always been and continues to be an early adopter of the latest innovations in equipment, infrastructure, and processes. Even before the Internet, major airlines were already networked to communicate globally through their reservations systems and were the first to use IBM mainframes. This early and timely adoption of technology has fueled rapid growth since the first airlines were founded in the 1920s, and has led to old-fashioned inns giving way to luxury resorts, booking systems evolving from traditional travel agents issuing handwritten ticket vouchers to online self-booking portals with electronic confirmations.

The regular disruptions in pricing by low-cost airlines, increased competition for market share, and tremendous growth in tickets / travel booking portals and websites are transforming the industry with an e-commerce-driven sales model. This model

is furiously inching towards sidestepping and eliminating middlemen and processes between the customer and her travel needs. Broadly, the industry encompasses airlines, hotels, resorts, spas, cruise-lines, tour operators, car rental companies, and restaurants. Today, people making travel plans have an unprecedented access to compare and select the best offers from a range of travel service providers online. This democratization of travel with availability of self-service, e-commerce sites has brought in price valuation. Customer feedback and their unbiased views posted on the Internet are often uncontrollable. One positive or negative review can enhance or malign a brand's image today. Customer satisfaction and delight, and quality service delivery has increasingly become absolute.

The industry is trying to survive in a world of disaggregation where 70 percent of the population is looking at online shopping or e-commerce sites. People plan

vacations well in advance; they choose the best prices for hotels and travel. As technology has enhanced efficiency and innovation in the travel and hospitality sector, it has also created conditions for new challenges – tall expectations from a new generation of customers, loss of control over brand communication and reputation, the elimination of intermediaries, and a competitive environment characterized by a pressure on prices and the disruption by new-age, lightweight business models. Industry suppliers are constantly searching for operational improvement avenues along with opportunities for innovation that can generate sustainable revenue in the long run. We believe the industry can achieve this dual objective with a dual strategy of 'Renew-New' – renew existing systems, processes, and operations to optimize efficiency and performance, and invest in new technologies and practices to exploit emerging opportunities.

## Two key 'renew' opportunity areas

Real-time data from multiple sources improves demand-forecasting, guest-profiling, and resource-planning. Structured and unstructured data from the front desk, contact center, social media, and other guest service channels provide rich customer insights.



## Distribution channels

There are several optimization opportunities for suppliers and direct sellers of the distribution channel, the actual suppliers of travel and leisure inventory, and intermediaries such as travel agencies, which sell and distribute travel services. Suppliers such as hotels and airlines who want to mitigate distribution costs can do so by negotiating lower commissions with middlemen and agencies, and reducing their dependency on them to a certain extent by incentivizing customers through gamification techniques to engage them directly over mobile, web, and social networks. On the other hand, travel agents, including web and mobile portals, can mitigate their loss when suppliers go direct by augmenting basic services such as T&H listings and reservations with value-added services. One example of the latter is helping prospective customers wade through the information overload by using big data analytics to recommend a bundled package of services from different suppliers, customized to an individual's preferences and requirements.

## Information assets

While travel and hospitality companies own a wealth of data from customer interactions, the data often does not deliver any business value to these firms. The useful information is usually straddled across reservation and loyalty system data. In addition to such legacy system issues, T&H firms also face problems of incomplete or inaccurate data. For example, in the case of customers outside their loyalty programs, the data garnered would be insufficient. T&H companies are addressing this challenge by creating 'anonymous' profiles that identify these customers. They use this data to provide personalized services to everyone. As far as the data lying within different systems is concerned, travel companies can extract value from it by combining it with external information. For instance, by combining this data with customer trends and preferences sourced from social networks and travel websites, and using advanced analytics to process it into insights, the resultant information can be used to improve, personalize, and target their offerings better. A case in

point is JetBlue Airways which leverages available user data while the user is browsing. Through this, the company provides 'in-path' customized offers before the transaction is even complete. This is accomplished by a digital technology called 'Retargeting'. Most e-commerce travel websites such as AirAsia, Flipkart, Amazon, and Snapdeal utilize this technology for promoting customized offers, products, and services to their consumers.

Besides these, travel and leisure companies can also leverage data to make better operational decisions. They can analyze historical data of past activities of their customers and adapt their offerings to changing cost structures, manage operations, identify investment destinations, and so on, to control current and future decisions on property investment, feasible sectors to fly, and business segments to enter, among others.

### Three key 'new' opportunity areas

Millennial travel is shaped by personalized service and e-commerce. The service provided by front desk and guest relations teams, the level of interaction across digital and social channels, and the convenience of online transactions, determine the travel experience. The enterprise needs to enhance the quality of service at every touchpoint. Here are a few opportunities that lie ahead:



## Customer experience management

With millennials constituting the fastest growing customer segment in the travel industry, the focus has definitively shifted to delivering memorable, personalized experiences. This shift calls for providing the technological means – apps, online portals, social pages, etc. – to enable this self-serving generation discover, research, transact, and comment. Failure to do so is likely to result in swift, viral reprisal over Trip Advisor, Expedia, Yelp, Facebook, Twitter, and other social websites. Millennials rely heavily on peer reviews to make travel decisions. Today, online reviews can pretty much make or mar a brand's reputation and revenue earnings. This is a matter of grave concern to the industry, and is further intensifying the focus on providing a great travel experience. Hotels are investing in understanding their customers better with the goal of personalizing their services to individual needs. They are also redesigning their physical spaces, making them more open and versatile to suit both business and leisure travelers of the millennial generation. Besides investing in advanced analytics and mobility solutions to improve customer understanding and experience, T&H companies should invest in specialized tools to manage their company and brand reputation.

## Short-range communications links

Businesses such as hotels and airlines are moving from a high-touch model to one that is right-touch, leveraging new technology to eliminate human interactions that add little value. This is becoming possible with the evolution of short-range technologies such as radio-frequency-identification (RFID), near field communications (NFC), and the low-powered, low-cost transmitter iBeacon. These technologies are finding application in contactless check-in counters at hotels, in customers' smartphones and wearable devices. For example, a hotel can now text a link to incoming guests that can lead them directly to their rooms with an encrypted 'key'. The guests can go straight up and tap their way in. Contactless technology can also be deployed to dispense information on local services such as tourist attractions, restaurants, city transport, maps, and weather forecasts, and to track customer movement with a view to improve security and experience. Some airports such as the one in Las Vegas are also insisting that airlines use RFID tags to monitor bags in real-time to minimize handling problems and the risk of losing them.

While the adoption of short-range communication technologies in travel and hospitality is still sporadic, with NFC penetration expected to cross 60 percent of all mobile shipments by 2018, this trend will certainly gather momentum.

## The move to mobile

Mobility has pervaded every aspect of operations and engagement in travel which is also among the early adopters of this technology. Airline and hotel customers have been booking flights and rooms through mobile for a while now. Today, travelers are relying on apps to do almost everything – providing concierge services, locating commonly used services, finding the best deals, and more. Take Apple's Passbook app, for instance. Hotel guests can use this app to manage their information, including confirmed reservations which automatically pop-up when required to expedite check-in. Mobile travel services will continue to be a hot platform along with social media, digital innovation, and analytics tools in a persistent bid to engage customers and build loyalty.

Respecting their customers' need for convenience and speed, many companies are offering expedited check-in and other benefits. The Hyatt Regency Chicago, for example, allows check-in on a special iPad, and other facilities such as room selection and upgrade on a self-service kiosk. Radisson believes in providing a true omni-channel experience by enabling guests to connect with their hotels at several touchpoints. Several airlines collect traveler information required for security clearance on a mobile device while the traveler is waiting in queue to check-in, thereby speeding up the process.

As mobile devices turn smaller and smarter, morphing into hybrid phablets and wearable devices, travel companies must choose the most suitable interfaces to ensure they deliver the best and most seamless experience to their customers.

## Conclusion

Even for an industry that has always been quick to adapt to new trends and technologies, the current pace of change in the travel and hospitality business is proving to be quite a challenge. Travel companies must move fast to be able to address changing customer expectations, cost pressures, and disruptive forces at play. While there has been substantial progress in mobility and social media across the industry, there is room for adopting new technologies such as automation, artificial intelligence, big data, and analytics, to deliver a distinctive, personalized customer experience to the millennial generation.

Another key priority is efficiency and travel companies have quite effectively reduced distribution costs by eliminating middlemen such as travel agents, especially in the delivery of commoditized services which are now sold directly to customers online. They can further renew cost and process efficiency efforts by minimizing middle processes such as ticketing and voucher generation by generating a confirmation number. This however requires a large, supporting, revenue-accounting infrastructure. For example, low-cost carriers such as Ryanair have effectively eliminated tickets, and the costs associated with managing them. Similarly, savings opportunities are emerging in the form of low-cost, direct distribution models such as the one pioneered by Southwest Airlines which is now preferred to the legacy Global Distribution Systems (GDS).

As the travel and hospitality industry looks towards the future, embarking on a 'Renew-New' strategy will be instrumental in realizing the comparatively steep goals of this early adopter.



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