

# CONNECTING FOR GROWTH IN TRAVEL

How intelligent functions  
help unlock value.



# TRAVELERS TODAY ARE MORE CONNECTED THAN EVER, BUT MANY OF THE TRAVEL COMPANIES THAT SERVE THEM ARE NOT.

Digital customers want authentic, personalized and “frictionless” experiences throughout their travel journeys. A recent Accenture survey indicates 76 percent of the travel C-Suite believes “customer expectations are increasingly shaped by the most relevant, real-time and dynamic experiences.”<sup>1</sup> But silos that exist across functions get in the way of meeting customer needs.

Business functions have to become dynamic, collaborative and powered by digital to dissolve the barriers. By harvesting the power of digital, travel companies can develop intelligent functions that allow them to connect with customers, improve the bottom line and seize new growth opportunities.

The pressure to digitalize is rising as disruptors continue to enter the industry with new value propositions and business models. Of the \$305 billion opportunity for value in travel, \$100 billion is expected to migrate from traditional players to new competitors. According to a recent Accenture survey, 78 percent of travel C-Suite executives believe that disruption is required to survive and “we need to be more proactive at disrupting our industry.”<sup>2</sup>

**There is clearly no better time to make the connection to growth.**

From today through to 2025, digitalization in aviation, travel and tourism is predicted to create up to

**US\$305 BILLION**

of value for the industry through increased profitability.<sup>3</sup>

# WHAT ARE INTELLIGENT FUNCTIONS?

These functions leverage digital to change the way the company operates and drive increased productivity, flexibility, responsiveness and speed. Applying connected platforms, new technology and advanced analytics, they are insight-led, dynamic and more collaborative inside the company and as part of its broader ecosystem to multiply value. They use modular processes and smart automation, blend humans with new technology and put customer outcomes at the center of everything the company does.



# CONNECTED OPERATING MODEL

Travel organizations must be digital and data-driven to deliver engaging experiences.

The engaged traveler can help increase direct sales by over

**40%**

and increase revenue per customer by up to

**15%**<sup>4</sup>

Digital leaders in travel can realize additional EBIT of up to

**~1.0 B\$ ANNUALLY**

by 2020<sup>5\*</sup>

## Integrating enterprise components

By connecting the front, mid and back office processes and functions that affect the customer experience, travel businesses can remove friction and eliminate unwanted interactions. They also gain a holistic view of the customer, which is the key to personalization and capturing value by selling ancillary services, room upgrades or customized deals, such as cruise packages.

Travel organizations with connected operations are better equipped to move from transactional loyalty to loyalty made by moments. For instance, rather than using a points system to offer customers a free upgrade when they reach a points goal (which holds a liability on the balance sheet), they can reward loyalty with tailored experiences that leave a lasting impression. Such offers can be automatically pushed to a customer's mobile phone—whether it's free coffee at their favorite chain or tickets to the US Open.

## Untethered by digital

Historically, a set of assets confined the systems and capabilities of a travel company. But consider the complexity that creates for a traveler. Instead, the technology underpinning of a travel enterprise can be connected by a platform that houses data from inside and outside of the organization. Data allows travel companies to create personalized and frictionless experiences. For instance, a hotel can embed assets with automation, connectivity and intelligence and use data to adjust the traveler's environment—modifying everything from room temperature to lighting.

\*When simulating for an airline with \$10B revenue in 2015

### **It's all about the data**

Internal and external third party data are key to understanding customer behaviors, intent and preferences. Right now, data is not structured. It is difficult to share and synthesize. For instance, a cruise line that wants to appeal to a new guest cannot deliver a differentiated experience when they do not have access to data about the traveler's last 10 cruises. Operating as autonomous brands hinders the ability to improve experiences across brands. And while 90 percent of travel brands have technology in place to deliver a personalized content experience, only 50 percent are using that data to tailor content on their home pages based on search interests and purchase history.<sup>6</sup>

Transitioning to intelligent functions allows the company to use advanced analytics to look at customer relationships—past, present and future. Travel companies can capture value throughout the customer travel journey by offering appropriate personalized services and special offers, such as drink packages or custom toiletries in the room. Accenture research has shown that 75 percent of consumers are more likely to buy from companies if they are recognized, remembered and receive relevant recommendations based on their purchase history.<sup>7</sup>

Sharing data across the travel ecosystem multiplies the ability to wow the customer.

## **DIFFERENTIATION IN DIRECT CHANNELS**

Melia Hotels International, S.A. implemented a full range of digital customer capabilities. In just one year, use of direct sales channels—like Meliá.com and the Meliá app, increased 27 percent. Use of dynamic landing pages that adapt to individual visitors, along with an optimized experience, has

increased online conversions by 30 percent. Furthermore, Meliá Hotels has increased advertising return on investment (ROI) by approximately 25 percent from personalized programmatic marketing that impacts high-value prospects at the right time with the most relevant content.<sup>8</sup>

### **A secure journey**

Data is the fuel for personalized experiences and seamless travel, but customers must trust a travel business enough to share their data and believe it is secure and protected. Airlines have developed unique data, privacy and security capabilities to garner trust. Leaders are using emerging technology, such as blockchain, to provide a secure and tamper-proof register of identities. Airline executives say that blockchain and smart contracts will be critical to their organization over the next three years (over 30 percent).<sup>9</sup>

## **CONNECTED WORKFORCE**

**New technology helps travel industry employees take hospitality to new heights.**

### **High-tech, high-touch**

Technology has powered the travel experience for years. Customers book rooms, check flight status, order upgrades and choose amenities from their own devices. But if most customer transactions are with technology, the remaining human-to-human interactions must be outstanding.

Technology helps make interactions richer by analyzing data about travelers so that workers can act on those insights to deliver personalized, meaningful experiences—from assigning a preferred seat on a plane, to placing preferred high-end toiletries in a hotel room.

## **A SEA CHANGE IN PERSONALIZATION**

Carnival Cruises™ uses a machine learning and Internet of Things network “Ocean Compass” to gather data about guests and use this intelligence to elevate service and personalization. For example, the company will learn that a passenger likes to have the same pre-dinner cocktail in one of the

ship’s bars at a certain time each evening. With that intelligence, the company makes sure the cocktail’s being mixed the minute the guest walks in. And with seamless payment taking place in the background, passengers are likely to spend more.<sup>10</sup>

## Digitally capable workforce

Artificial intelligence, robotics and other new technologies are dramatically changing workforce roles. The traditional workforce will become more fluid so that companies can assemble (or disassemble) teams of talent to get the right people at the right time. Travel businesses can also use online labor platforms to hire top-notch talent as needed, without having to make a full-time commitment.

Machine learning allows travel companies to react faster. For instance, being promptly notified of a pending storm that is creating airport delays, a concert that is creating traffic jams or a terror alert that is hindering people's travel plans. They can use the data to make dynamic price adjustments on the fly to increase bookings or avoid underselling value.

## Culturally enabled

Change must happen for travel companies that have been operating the same way for decades. Airline, cruise line and hotel leaders should shape a culture that encourages employees to have meaningful and "real" interactions with customers. Companies must also help employees to embrace the digital technologies that make this enhanced interaction possible.

Employees should be inspired to innovate, test and learn. Hilton created an incubator inside a hotel near Washington, D.C. It's "a safe space for unfettered imaginations and inventions," where the company will experiment with products and services.<sup>11</sup>

This new culture will only stick when travel employees know the "why" and the "how" of change. They need to access new tools and training that enable them to make individual contributions to the guest experience. To facilitate change, leaders must get the word out and make employees feel part of the transformation.

**“The biggest challenge to implementing digital technology? Number one: culture. Number two: culture. And number three: culture.”<sup>12</sup>**

– Executive of  
European  
Premium Carrier

## IMPARTING THE TOOLS

Industry disruptor Airbnb® created an internal "Data University" that enables employees to become more data literate. Online training classes cover topics including data-informed decision making, machine learning and data visualization.<sup>13</sup>

# ECOSYSTEM OPPORTUNITIES

**Travel ecosystems connect various partners that collectively deliver value.**

## THINKING BIGGER

China's HNA Group Co., Ltd is investing in a broad portfolio of travel-related businesses across airlines, hospitality and travel services such as currency exchange. With a target to become one of the 50 largest companies in the world by 2030, HNA is creating a platform of global operations that spans the spectrum of aviation, travel and tourism.<sup>15</sup>

### Exchanging value

To survive in the new, travel companies must think hard about how they can add value to the ecosystem. Gone are the days when customers evaluated a brand's product or service. Now, customers assess the end-to-end travel experience—even the aspects beyond a business's direct control. For instance, a negative experience at the security gate may affect a person's overall perception of the flight, regardless of what the airline has done to go above and beyond.

Accenture research indicates that almost 40 percent of airline executives view platform-based models and ecosystem engagement as "critical" to the success of their business.<sup>14</sup>

## COLLABORATING FOR VALUE

Transavia Airlines C.V. launched the Transavia Interaction Platform, which connects customers, partners and employees in a single platform to offer best-in-class proactive and personal digital services to customers, while enabling employees and partners to work collaboratively.<sup>16</sup>

### Enhance experiences

With the help of ecosystem partners, travel industry companies can offer a broader array of services and capabilities. Customers can choose what works best for them—from mode of transportation to toiletries to value-added services such as personal butlers or gourmet meal preparation.

Travel businesses also can team up when it comes to capabilities that are not their strength. For instance, working with experts in security (a service that is not a differentiator for travel businesses).

# DEVELOPING INTELLIGENT FUNCTIONS IN TRAVEL

Intelligent functions are necessary to making the connection to growth. These three steps can guide travel company leaders on the journey to creating intelligent functions that power a connected, digital business:

## **1** BECOME A DATA-DRIVEN ORGANIZATION

Data is everywhere in the travel industry, but it must be connected to be useful.

**Establish a platform** that links internal and external sources of data about customers, and enables efficient and effective sharing of this data both inside the organization and with ecosystem partners.

**Create standards** around data privacy, sharing and governance. Obtain permissions for use of customer data, and agree on how to share data with other ecosystem partners. Establish a formal system of data governance for these multiple connection points.

**Strategically use data**, both to inform decisions and also to create new products, services and targeted offers based on that data.

## **2** FIGHT FRICTION

Customer experiences need to be seamless, and the processes that support those experiences should be flexible and connected.

**Look at the customer journey** and specific experiences from the customer's perspective; identify and remove any friction points.

**Improve organizational processes** by determining which do not contribute to digital operations. Cut those that don't support the digital agenda.

**For the processes that stay, make them more dynamic.** Use design thinking to try, fail fast, learn and try again.



## TRANSFORM THE CULTURE

Manage the digital operations transformation before it becomes unmanageable.

**Start at the top.** Get the full commitment and alignment of the entire leadership team—including the next generation of leaders. Identify specific behaviors and assign clear accountability for implementation. Executives need to consistently model the desired behaviors. Use advanced analytics to understand what’s really driving change.<sup>17</sup>

**Frequently communicate the bigger picture** to workers to give them the “north star” and to address the emotional part of the transformation. Help staff to understand their role and the value they offer by putting the customer at the center. Give them the tools, train them, and allow them the time and freedom to learn.

**Leaders must foster an atmosphere that is safe and open** to new ideas that can “fail fast.” The business may need change agents who can amplify the message and help the organization to evolve. Identify specific “micro-actions” for employees to practice new behaviors and ways of working.

## THE NEW IS NOW

Change is unfolding faster than ever in travel. So how can travel companies keep pace and become nimble, real-time organizations that delight customers every time?

**Intelligent functions are the inside track to help unlock value and enable growth.**

## FOR MORE INFORMATION



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