

Survival of the Fittest:

THE LIVING BUSINESS IN TRAVEL

Eighty-seven percent of travel C-Suite leaders believe that business reinvention is required to succeed, reveals a new Accenture global survey of travel executives.

Considering that the travel industry has been in the crosshairs of disruption for years, this is not unexpected. What is extraordinary, however, is that only 63 percent of C-Suite direct reports agree with their bosses in believing that past approaches are irrelevant today.¹

This disconnect between leadership and management is a wake-up call for both groups. The industry is not what it was even two years ago. Travel companies are no longer simply in the business of selling seats and rooms. They sell experiences to demanding travelers who want their adventures in real time. That's travel when, where and how people want it—connected, personal, delightful, even mind-blowing. Hyper-personalized customer experiences unique to each person.

Pivoting the business to be able to embrace this new reality is a major undertaking. Success will only happen if all executives embrace the imperative to not only do things differently, but to do different things. For the travel industry to apply new experiences, it must be able to change at the speed of changing customer demands, growing the core business while developing new business models and digitally enabled revenue streams. To be relevant to its customers, businesses need more than just the best technology, data, capabilities or skills, they need a new customer centric mindset that inspires profoundly different behaviors. We call this a living business. One that is structured to fuel the future of growth in travel.

ANTS MARCHING WOLVES CIRCLING

The World Travel & Tourism Council reports that travel and tourism are responsible for more than ten percent of the world's GDP and one in ten jobs.²

Even so, growth in the industry is elusive and becoming harder to achieve. Inherently vulnerable to market cycles, travel is now at the mercy of endless disruptive forces, from overcapacity and rising fuel prices to new customer demands and political and social unrest.

Competitive threats from both inside and outside the industry have never been more intense for travel incumbents. More than \$100 billion is migrating from established players to new entrants in aviation and travel and tourism in the next decade, according to the World Economic Forum.³ These competitors are the ants and wolves, two very different but equally menacing threats.



The ants are the mass of small, nimble players set on ruining traditional travel players' picnics. What they lack in size, they make up for in tenacity. Take low-cost carriers. Seabury Consulting, Now Part of Accenture has uncovered that while full service carrier growth in Available Seat Kilometers across regions between 2008-2017 was in the range of 2-13% CAGR, Low Cost Carriers grew during the same time period at a range of 12-22% CAGR.⁴ In hospitality, lifestyle retail ants like West Elm in home furnishings and Equinox in fitness are betting on their customer experience know-how to help them move into the market and compete outside of their core businesses.

The wolves are the usual suspects of digital disruption—powerhouses like Uber, Airbnb, Google and Amazon. Think of them as big wolves that are blowing down longstanding industry norms with category redefining business models, tireless innovation and groundbreaking customer experiences. Already, Google's travel business is twice the size of Expedia with an estimated valuation of \$100 billion.⁵ And with a business model that was nonexistent not so long ago, Airbnb has a \$31 billion valuation today.⁶

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FIGHT OR FLIGHT

This convergence of ants and wolves is creating a defining moment in travel. It is about fight or flight, sink or swim—live or die.

The travel C-Suite is under no illusion about what's at stake here. They are 13 percent more likely than their peers in other industries to view business reinvention as critical to success in today's market context. What's more, 78 percent (and 63 percent of non C-Suite travel executives) think they should be more proactive in disrupting their own industry.⁷

Self-disruption will require staying connected to customers across every phase of the travel journey and blurring traditional industry boundaries to be where customers are. It is about anticipating and curating real-time travel options that serve customers' wants and needs—even their whims. This is what Accor Hotels wants to do with its JO&JOE brand. Designed for both travelers and locals, this "open house" lodging concept offers specially designed shared spaces like collaborative kitchens and unique accommodations from modular sleeping areas to yurts.⁸

78%

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SENSE AND RESPOND

To deliver real-time travel, companies must become living businesses. This requires a digital, organizational and most importantly cultural evolution.

Instead of clinging to established ways of working, living businesses welcome change. They are built for change. Their unmistakable adaptive quality comes from two fundamental characteristics—hyper-relevance and vitality.

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HYPER-RELEVANCE

Hyper-relevance is rooted in relentless understanding of customers, which allows living businesses to deliver flexible, hyper-relevant, hyper-personalized services that change in real time around travelers' needs. Living businesses are hyper-relevant at both customer segment and individual guest levels. Hilton Worldwide is planning to expand its brand portfolio to increase its relevance among millennials. The company will launch an urban micro-brand emphasizing the local scene, great service and on-property connectivity. This "hostel on steroids" is a significant departure from past approaches.⁹

The formula for hyper-relevance rewrites the 4 Ps of marketing. Instead of price, product, promotion and place, living businesses focus on what matters more to customers today:



1. PURPOSE



2. PRESTIGE



3. PARTNERSHIP



4. PROTECTION

all of which are amplified by obsessive personalization.

Being hyper-relevant is difficult by nature, even with digital tools and rich analytics insight. And it is getting harder. Consider that 63 percent of the travel C-Suite and their direct reports say it is more difficult to gain customer loyalty now compared to three years ago.¹⁰

VITALITY

Vitality is the organizational ‘architecture’ that allows living businesses to break through ongoing shifts in customer expectations. Think of it as the engine behind hyper-relevance.

Accenture surveyed senior travel industry executives to understand how they are keeping pace in an era of unprecedented competition and embedding vitality into **five distinctive capabilities:**



SUSTAINING change by cultivating customer-first mindsets and cultures across the organization.



TARGETING the right balance between both core and disruptive growth initiatives.



CONNECTING to a broader set of ecosystem partners to move beyond industry boundaries.



DESIGNING products and services as hyper-relevant platforms for compelling, new experiences.



BUILDING AND ITERATING by prototyping and scaling new and innovative experiences.

The vitality scoring developed from the survey reveals that most travel companies have only a moderate level of vitality across these capabilities.¹¹ Many focus on designing, clearly recognizing the need to innovate, but struggle with building and iterating.

Vitality is nuanced across travel sectors. Hospitality performs best overall. However, while hospitality players believe that they understand their customers, they are challenged with rapid, agile design and scaling of experiences. Airlines also believe that they understand their customers, but find it difficult to optimize costs and be nimble in experience design. The inability to quickly move from idea to execution is critical to future growth. Eighty percent of the C-Suite (and 65 percent of their direct reports) agree that it is more important than ever to rapidly scale new initiatives to stay relevant.¹²

SURVEY FINDINGS

WE INTERVIEWED:

137 FROM **128** FROM ACROSS
Executives Travel Companies
THE WORLD

INCLUDING:

25 CEOs
8 Chief Strategy Officers
9 Chief Customer Officers
4 Chief Marketing Officers
3 Chief Sales Officers
88 Other Travel leaders

44 from airlines  **47** from hospitality  **38** from travel services 

WE FOUND:



Vitality is nuanced across travel sectors



The ability to quickly move from idea to execution is key to growth



The hospitality sector performs best overall

Hospitality players understand their customers but need to achieve rapid, agile design and scale experiences

Airlines understand their customers but struggle to optimize costs and be nimble in experience design

 **80%** of the C-Suite believe they must rapidly scale new initiatives to stay relevant

REDRAWING THE MAP

When companies realize hyper-relevance and vitality as living businesses, they can break the mold in travel. While the industry has work to do here as a whole, there are some stand outs across travel sectors.

Take **Carnival Corporation**. The company launched a new platform revolving around an innovative wearable called the Ocean Medallion, a digital experience portal called the Ocean Compass, and an Internet of Things network. The underlying technology platform, which includes streaming analytics, contextual awareness and machine learning, enables Carnival to provide guests with the best vacation experience possible by anticipating their preferences and needs. In another groundbreaking move, Carnival is launching OceanView, its own digital streaming channel, which includes original content.¹³

Marriott International is building on its heritage of innovation with a program to identify, refine, and ultimately, scale “the new” in hospitality. The Travel Experience Incubator brings together startups and hospitality leaders in a three-month program to co-create solutions that deliver the future in guest experiences. In addition to fostering innovation, Marriott is continuing its house-of-brands strategy—with brands from Ritz-Carlton to Moxy Hotels—to be hyper-relevant to many customer segments.¹⁴

In addition to investing in its own innovation hub within the company to cultivate start-ups, Germany’s **Lufthansa Group** is exploring the use of blockchain technology in aviation. The company will be a part of blockchain provider Winding Tree’s pre-sale of its cryptocurrency. Proceeds will fund a blockchain digital marketplace for the industry, which if it takes off, could completely transform how suppliers and buyers connect while reducing distribution costs.¹⁵

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COMING TO LIFE

To deliver breakthroughs like these, and sustain their impact, travel companies need business reinvention. This requires more than giving lip service to the importance of customer experiences.

Travel leaders will be those companies that deliver the real-time travel experiences that customers crave by investing in the organizational, technological and cultural enablers that actually make them happen. They will master the delicate balance of continually transforming and growing the core while scaling the new. The C-Suite recognizes the imperative to do this well to become living businesses. Now the first step in executing the vision is to create the sense of urgency for action among the management team.

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Methodology

The 2017 Accenture Travel Survey was conducted by Accenture Research among 137 senior travel executives from 120 travel companies across Australia, Canada, China, France, Germany, India, Italy, Spain, Switzerland, the United Kingdom and the United States with portfolios that include customer experience between August and September 2017.

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