



TREND REPORT:

DIGITAL TRANSFORMATION IN THE TRAVEL INDUSTRY



selligent

A new world of travel

Digital transformation has not exactly been a holiday in the sun for many industries. Publishing, music, banking, and retail have all been redefined and changed forever by digital technologies.

So it's surprising that a time-honored business such as the travel industry has not only been surviving, but thriving amidst the ongoing push into the digital domain. According to the World Travel & Tourism Council (WTTTC), the travel industry contributed **\$7.5 trillion** in GDP and **277 million** jobs to the global economy in 2014. The sector is expected to keep growing at an annual **3.8%** over the next ten years to **\$11.4 trillion**. And that's good news, because the travel industry remains the biggest business in the world, accounting for **9%** of the global GDP according to Forbes. It's also the largest job market, responsible for 1 in 11 jobs today with **75 million** more jobs to be added over the coming years; many of them associated with digital technologies.

Why exactly has this \$7.5 trillion behemoth weathered the changing digital tide so well?

Perhaps because the travel business received its taste of digital transformation early on, during the dotcom revolution's first wave, when online booking sites took travel agencies out of the equation.

IN THE MID-1990S THE U.S. WAS STILL HOME TO **34,000** TRAVEL RETAIL LOCATIONS, NOW THE NUMBER IS **13,000** ACCORDING TO CNN. TODAY, **60%** OF LEISURE AND **41%** OF BUSINESS TRAVELLERS ARE TAKING MATTERS INTO THEIR OWN HANDS BY MAKING TRAVEL ARRANGEMENTS VIA THE INTERNET (Amadeus).

This landmark shift also turned major segments of the travel industry – from airlines to hotels all the way to travel-specific media – into early adopters of digital technologies, mainly because they had no other choice. But in the process, travel vendors have already staked out their digital real estate, networked their owned properties across online channels and partner sites, and built a loyal customer base. Which leaves them perfectly positioned for the next wave of changes – mostly driven by the power of Big Data combined with intelligent analytics – highlighted in this **Selligent Trend Report**.



Rise of the experience economy

At a time when consumer spending habits continue to change at a rapid clip, travel remains a constant priority. In a current study by travel advice website Tripadvisor, **32%** of respondents indicated plans to spend more on travels in 2015 than the year before. Meanwhile, the number of global tourist arrivals – an indicator of how many people take vacations – is currently peaking at **1,087 million** per year (Statista), and growing. While consumers are reducing their spending in other areas, including books and audio content, travel continues to experience a boom propelled larger trends. The largest of those trends is the rise of what experts call the “experience economy.” In 2015,

consumers are increasingly willing to spend money on experiences rather than material possessions. This trend is particularly strong among the Millennial Generation of people between the ages of 18 and 34: According to MMGY Global, 6 out of 10 millennials would rather spend money on experiences than material goods. And it’s not just millennials: In a survey by The Futures Company for American Express, **82%** respondents across all age groups said they were “more interested in making memories than making money,” while some **85%** agreed with the statement that “spending money on travel is an investment worth making.”



Big data: Up and away

But there is a flipside: While customers are more willing to invest in travel, they also demand more than ever from their vacation. The race for providing memorable customer journeys sees companies in the travel industry ramping up digital infrastructures to leverage customer data into actionable intelligence. Travel portal Expedia, active in 70 countries around the world with 50 million visitors per month, is currently not only investing **\$3 billion** in digital marketing efforts, but also **\$760 million** on research aimed at making the most out of customer data collected across its websites and mobile apps.

Expedia is not the only travel company banking on data: In a current Amadeus survey, **43%** of travel companies named “targeting and personalisation” as the top priorities in their digital strategy. Second in line, **25%** of companies are focused on mobile optimization of their online properties. A smart move, since online travel bookings via mobile devices have increased by over 50% over the past years, and will account for **30%** of online travel bookings by 2017 (Euromonitor). Online travel booking is a booming market, up **75%** over the past 5 years (Statistic Brain), and even native Web companies are looking to take a bite out of the revenues: Amazon and eBay are selling hotel rooms, Alibaba launched AliTrip in Asia, and as the market soars up and away, PayPal founder Elon Musk’s Space X even wants to launch tourists into space.

Hyper-connected travelers' needs on vacation:

The new cadre of hyper-connected travelers is snapping, sharing, researching and reviewing on the fly – leaving a data footprint with significant potential for marketers who leverage it to match brand experiences to customer needs. Here is our list of what today's vacationers want.



NOT WITHOUT MY PHONE!

Who needs a toothbrush – mobile phones are the Nr.1 item today's travelers have to bring on vacation (ETB News). And since cellular roaming costs often prove prohibitive abroad, legitimate Wi-Fi capabilities at the hotel or Airbnb are a must – not a plus.



WHERE'S MY DREAM VACATION?

Travelers want to be addressed on their preferences and likes, and are willing to fork over some data in return. According to the American Express survey, 83% of millennials would allow travel companies to track their habits and behavior to unlock better, more individualized experiences.



WHO'S GOT THE BEST DEAL?

Today's digital natives drive a tough bargain and conduct an average of 5.1 research sessions and visit 3.3 websites before booking on mobile devices (Mobile Path to Purchase). Hottest trend: Aggregator websites for travel products such as KAYAK, Skyscanner and Hipmunk are used by 49% of mobile customers.



CAN I BRING MY FRIENDS?

Young travelers like to share the joy – online and offline. According to HVS, 58% of millennials prefer to take trips in the company of their friends – that's 20% more than older generations.



YOU'VE GOT TO SEE THIS!

Joined at the thumb with their smartphones, 76% of social media users ping their friends network with status updates and vacation photos. The impact puts quaint holiday postcards to shame: According to the same study, 52% of Facebook users have made travel plans based on friends' photos.



BEST VACATION EVER!

With a willingness to spend more money, travelers are looking to check dream travel destinations off their bucket lists. In the Tripadvisor study, 42% named the reason for booking a specific location in 2015: "It's somewhere I've always wanted to go."



WHERE'S THE FREE STUFF?!

Everybody likes free perks – and 77% of today's travelers even base their booking decisions on free amenities (Tripadvisor). Topping the "want" list, 74% want free in-room Wi-Fi; 60% want free breakfast; and 58% free shuttle service.

The five digital trends disrupting travel

When it comes to choosing digital marketing channels, the travel industry is going for the “all inclusive” package: eMarketer estimates digital ad spending in the industry to reach \$4.85 billion in 2015, with projected 10% annual growth leading to \$7.27 billion by 2019. Direct response is a main focus, as is programmatic advertising, which currently accounts for 68% of advertising spending (eMarketer). Big Data – blended with analytics – is the next frontier, and the Amadeus study “Big Data in the Travel Industry” lists examples such as travel provider Sojern, currently building a database containing 100 million travel customer profiles. These are only the first steps, as the ongoing journey into the digital realm will yield miles upon miles of customer data. The future will belong to those players using data-based intelligence to offer better experiences, encourage longer and more frequent stays, and build long-term loyalty. Here are 5 major digital trends currently on the horizon:

I

SMARTPHONES AND WEARABLES: UNLOCKING LOCATION-SPECIFIC INFO IN REAL-TIME

Today’s always-online travelers already rely on their phones to research local information on trips, including **94%** of TripAdvisor customers. In the future, users will be able to skip the search window – as travel updates based on their profiles and whereabouts arrive automatically. Airports in San Francisco and Amsterdam already guide travelers towards their check-in gate or nearest currency exchange via bluetooth beacons. In the future, sponsored push notifications could predict needs and desires, such as: “Welcome to Los Angeles, would you like an Uber to your hotel?” As the journey continues, real-time updates help navigate traffic in strange cities and find a table at overbooked restaurants, while augmented maps and geo-specific tourist guides enhance the natural environment with background information. Combined with wearables such as Apple Watch or Google Glass, these data streams become seamless travel companions.

II

USER REVIEWS: RECOMMENDATIONS ARE THE NEW GOLD STANDARD

With all the time spent with online travel reviews, does anyone read magazines anymore? Over **95%** of leisure travelers in a Thooz study read about 7 reviews before booking, spending an average of 30 minutes. A recent TripAdvisor survey revealed **92%** of UK travellers saying “reviews are essential when booking a holiday.” Speaking of TripAdvisor, the site now counts 260 million unique monthly visitors and 125 million travel reviews, with 80 new ones uploaded every minute. Online travel booking sites, including Selligent customers MMV, Bookit, and Neckermann encourage customer reviews, which have surpassed magazines as the golden standard in decision making. As top influencers, a Tourism Research Australia study listed travel review websites (**69%**), online travel agencies (**57%**), and tour operator sites (**56%**). It’s a reviewers’ world, travel companies just live in it.



III

HOTELS AND LODGING: COME AS YOU ARE

Thanks to digital disrupters such as rental services Airbnb, BeMate, and One Fine Stay, private houses are feeling more like fancy hotels – and vice versa. The resulting ambiance – laid back, comfortable, personal – is in high demand, fuelling the rise of Airbnb from 10 million guest stays in 2014 to 20 million in mid-2015. With over 800,000 listings worldwide, Airbnb has single-handedly emerged as the biggest threat to the hotel industry, which is firing back by taking a slice out of the disrupter’s playbook: Leading hotel chains are offering casual, private-themed rooms and suites packed with amenities while keeping customers coming back with loyalty programs and customized perks. Almost half (**47%**) of U.S. leisure hotel guests are already signed up to digital rewards programs. Members-only hotel clubs like the hipster-endorsed SOHO House are actively pursuing the coveted under 27 year-old demographic by offering membership at half the rate, \$1000 annually, for a “home away from home” experience.

IV

SOCIAL MEDIA: UNLOCKING A WORLD OF PERKS WITH FACEBOOK

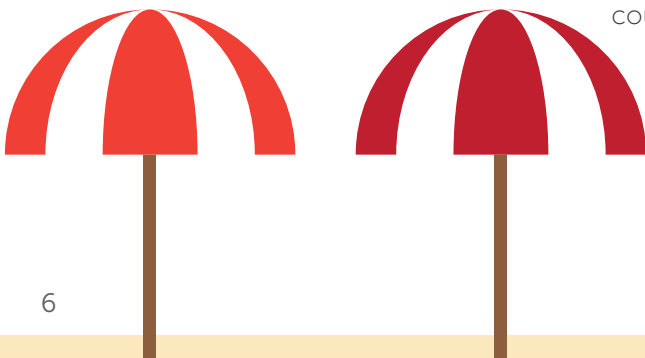
It might be too early for travelers to leave their passports at home, but social media profiles increasingly serve as a connection to airlines and hotel operators – and as gateways to a whole wide world of exclusive perks and benefits. As **52%** of tourists use social media to plan their trip (Eye for Travel), companies are making sure to connect with customers on Facebook as payoffs are too high to ignore: According to Sprout Social, **52%** of travellers said that social media influenced a change in their travel plans (also see 2. Recommendations), while **80%** are more likely to book a trip from a company “liked” by a friend than a conventional Facebook ad (Eye for Travel). On the backend, travel companies need the data capabilities to identify visitors across different channels and devices, and drive personalized marketing and customer journeys accordingly. Next up: Unlocking your hotel room with your Facebook account – what’s not to “like”?

V

POWERED BY DATA: PERSONALIZED DREAM VACATIONS

Personalized travel experiences – there’s that buzzword again – used to be the domain of jet set travelers with personal assistants and deep pockets. Now that data-rich customer profiles are becoming the norm, travelers not only welcome customized offerings, they budget their loyalty accordingly. In the American Express study, **83%** of millennials allow travel brands to track their habits in exchange for a better, more individual experience. Meanwhile, **85%** of respondents across all age groups said that customized itineraries are far more appealing than one-size-fits all solutions. As analytics become more sophisticated, travel companies are targeting different customer demographics personally in email and social media messages. In the next step, real-time location-based triggers (See 1.) will send automated updates and offers based on profile information, including: “Your Facebook friend just checked in across the street,” “Missed your flight? Here’s a coupon for a free coffee,” or “New to the neighborhood?

Here’s the freshest vegetarian restaurant in the area. Need a ride?” And as these virtual travel assistants collect more digital breadcrumbs from travelers, they become better at offering the kinds of personalized dream vacations customers have always wanted.



Mega Trend: Virtual reality

The travel industry's upcoming Mega Trend sees people going places without even leaving their homes: Virtual Reality (VR) technology is poised to go mainstream in Q1 2016 with the arrival of consumer headset, the Oculus Rift, closely followed by Sony's Morpheus, Samsung's Gear VR, and HTC's Vive. The technological capacity to "teleport" people to distant destinations is the next game changer in travel, something Facebook underlined through its recent purchase of VR headset pioneers Oculus VR for \$2.4 billion. Next to headsets and VR hardware allowing users to "plug into" virtual journeys, travel-specific content will be the major factor in separating the real from the fake. Stakes are high: tech consulting firm Digi-Capital expects the VR and augmented reality markets to reach \$150 billion by 2020. For travel, VR will prove the next "killer app" on two levels:

TRY BEFORE YOU BUY: TEST-DRIVING YOUR VACATION

The option of taking a life-like sneak peak of what awaits at a travel destination is a natural fit for the industry. In 2015, **62%** of travelers demanded to see online videos of their tours, sightseeing, and lodging, and **45%** booked instantly after watching a travel activity video (Google). Virtual Reality tours as an option to pre-flight vacation packages are the logical evolution – and already available at 10 Thomas Cook stores in the U.K., Germany, and Belgium. After strapping on a Samsung Gear VR headset, customers have a chance to try their desired activities – including a helicopter ride above Manhattan skyscrapers – before booking. VR-promoted New York trip revenues are already up **190%** – proof that VR unlocks real payoffs. The Marriott Hotels Group is using Oculus Rift headsets to give honeymooners a taste of their romantic London and Hawaii getaways. With high chances of becoming the biggest technological love story of the decade, the only downside of VR remains: Will too many virtual tests spoil the actual experience, like watching too many trailers before seeing a movie?

VIRTUAL VACATION: HOLIDAY BLISS WITHOUT LEAVING THE COUCH

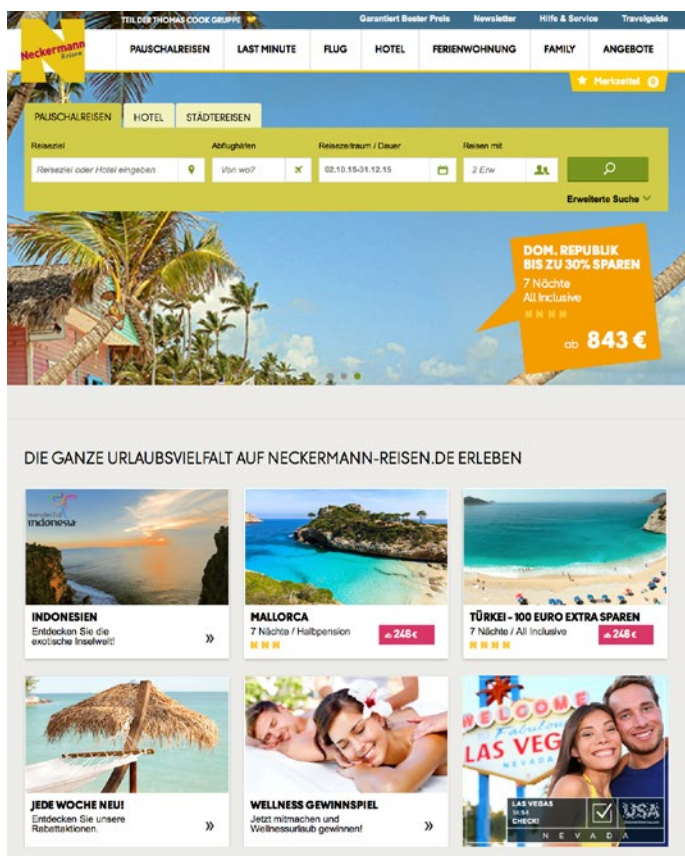
In the second trending scenario, Virtual Reality becomes the actual vacation. The idea of virtual travelers kicking back on their couch with a pair of VR goggles and a umbrella-adorned cocktail may take a while to catch on, but experts say that's where the ball is rolling. Because in virtual reality, experiences like racing down a roaring river in a kayak or tightrope walking across the Grand Canyon may still be thrilling, but not potentially lethal. Another emerging niche is "telepresence," meaning virtual visits to real-time live events such as lectures or music festivals, potentially powered by streaming startups Meerkat and Periscope. Despite the high costs involved of filming and producing VR content, travel media powerhouses could be emerging as favorites to lead the charge: Discovery Communications has developed Discovery VR, a virtual reality platform that will feature quality content such as virtual surfing lessons, How to Survive in the Wild, and virtual Shark Week. The best news is: Employers may even pay for virtual getaways, as a University of Melbourne study found that 40-second-long "microbreaks" immersed in VR nature simulations increased workers' focus.



Showcase: These travel companies create memorable experiences

The next wave of digital transformation in the travel business will also open new horizons for data-driven marketing. As vacationers rack up virtual and actual travel miles, they also leave behind a trail of digital bread crumbs. Even better, their digital profiles log cold and hard data on travel preferences for personalized targeting: A customer likes mountain exploration in Tibet? Let's send over the new outdoor clothing catalogue, and a **30%** rebate on a new yoga mat, while we're at it. Based on "super profiles" on omnichannel audience engagement platforms like Selligent, here's how innovative travel companies are already driving major CRM wins with vacation-related data.

1. NECKERMANN: SUMMER VACATIONS CUSTOMERS ARE BOUND TO "LIKE"



Neckermann is the largest Belgian tour operator, offering a wide range of travel products and services at attractive price points. In order to increase sales in Fall and Winter, when most customers book their summer vacations, Neckermann wanted to serve customers personalized offers based on their purchase histories and preferences.

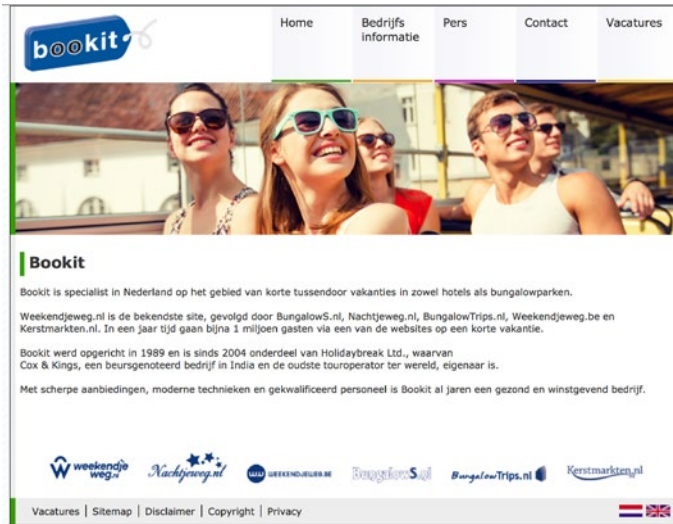
As a tour operator with a wide number of physical stores and websites, Neckermann is competing with low cost online-only providers, which have made the market for tour operators has become even more competitive. To stay relevant, Neckermann had to present travelers with highly personalized offers while also showcasing its extensive product portfolio highlighting the benefits of booking through an omni-channel company like itself. So the tour operator launched a Fall campaign with an offline brochure and online messaging to increase brand awareness and customer engagement, supported by data-driven marketing tools. With the help of Selligent, Neckermann was able to drive people from the shops (offline) to their website (online) – a move that also increased the amount of data available for capture. In the next step, Neckermann created a holistic and complete view of their customers by merging all behavioral, web and email data in their CRM system. Selligent's 360° customer view enabled Neckermann to target each traveler at the right time with the right message, which led to an increase in summer vacation sales and a positive brand image.

KEY RESULTS

- Reached **4 million people**
- Summer brochures distribution increased by **146%**
- **20%** brochures delivered to new prospects
- **25%** by non-active customers
- **+15,000** unique Neckermann newsletter subscribers

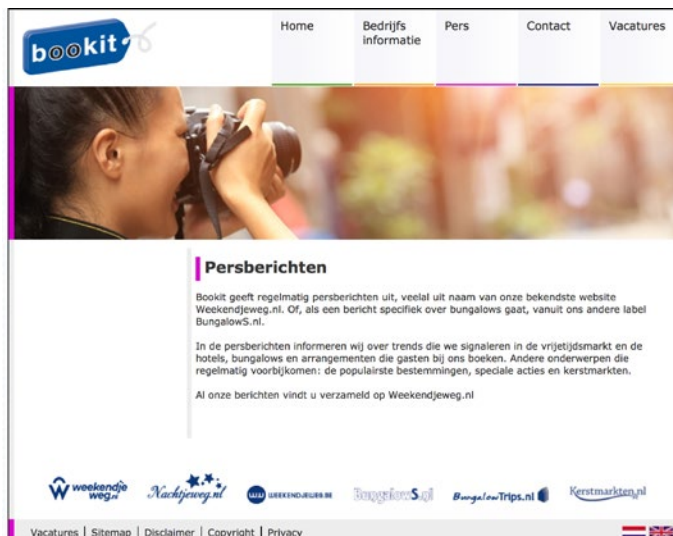
2. BOOKIT: PERSONAL COMMUNICATIONS IN REAL-TIME

Bookit.nl is the leading Dutch provider of short vacations and weekend getaways with nearly a dozen sites each with a specific niche travel focus. Before working with Selligent, the Bookit.nl staff manually communicated with customers via email confirming trips and providing information with a very personal hands-on approach. Selligent helped transform this experience into a automated real-time journey offering travelers immediate responses, relevant content, and useful reviews – while still delivering an impression of the personal touch Bookit is known for.



WE CONSIDER OURSELVES TO BE A SERVICE ORGANIZATION. BEHIND ALL THE WEBSITES IS A DEDICATED TEAM CONSISTING OF SEVERAL PEOPLE THAT ASSIST OUR CUSTOMERS WITH TRAVEL ARRANGEMENTS, POSSIBLE PROBLEMS AND HAVING AN EXCELLENT BREAK.

Joop De Vries, Manager Bookit



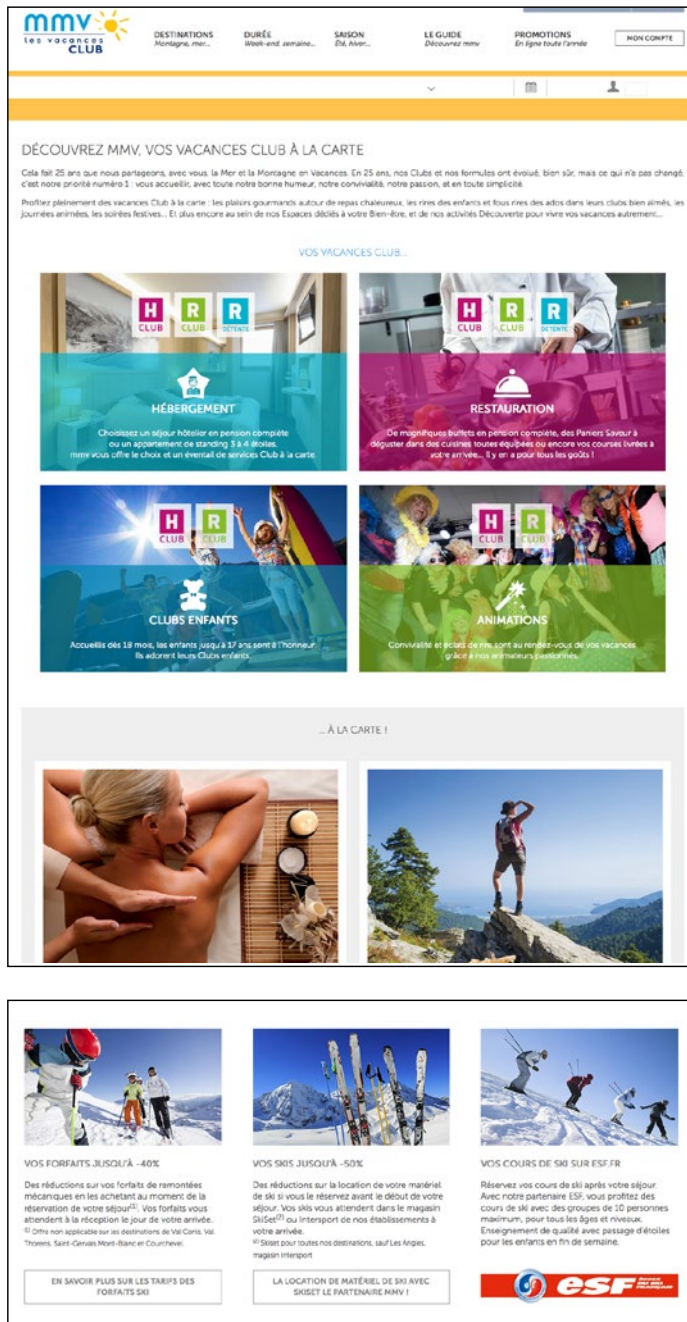
With the help of Selligent, Bookit combined data streams from Bookit's multiple websites – as diverse as business travelers through vacation seekers – into 360° customer profiles as the basis of customized initiatives. On the back end, it proved a large undertaking to manage timing and content across all site properties for all communications including newsletters, customer loyalty programs, surveys, and customer reviews. Now, when a customer books a trip, all captured data is sent to Selligent and a real-time message is triggered to wish them a nice stay and offer travel tips for their destination. Bookit also encourages user-generated content such as reviews, and Selligent's survey system automatically triggers follow-up survey invitations to ask travelers to share their experiences and score all places they spent time. On the back-end, Bookit can monitor geographical breakdown of all customers by loyalty value, travel history, comments and loyalty point scores.

KEY RESULTS

- Switch from manual process to automated solution,
- Real-time, personalized messages in Welcome Stream,
- Selligent survey system encourages user-generated content,
- Customer rewards points program aggregated in Selligent,
- Custom reporting dashboards according to Bookit's requirements

3. MMV HÔTELS & RÉSIDENCES

Mer Montagne Vacances (MMV) is one of the leading hotel operators in the French Alps. Every year, over 130,000 customers put their trust in MMV for their winter sports or summer vacations, choosing from the company's 17 top rated club hotels and 14 vacation villages. Before working with Selligent, MMV collected a number of data points, but while all these sources could be leveraged individually, there was no central repository. Some of the tools had also grown to be outdated, and required time-intensive manual intervention by MMV staff.



With the help of Selligent, the travel provider was able to consolidate all data from multiple touchpoints into one central repository – and drive personalized engagement. At the same time, making the switch to the Selligent platform also boosted MMV's customer service capabilities by integrating up-to-date customer data into support agent's data streams. Throughout the customer life cycle, Selligent's 360° customer profiles capture all data assets, the vacations they browse online, the destinations they book, and all of their response history and captured data in one place. This serves as the basis for automated but personalized customer surveys, newsletters, and offers through Selligent's Customer Care portal, allowing the company to provide the same level of quality across all channels.



OUR BUSINESS IS SEASONAL AND SELLIGENT'S SOLUTIONS HAVE POSITIONED US TO PULL OUT ALL THE STOPS TO LEVERAGE THE FULL POWER OF OUR NEW MARKETING TOOLS TO SERVE OUR MARKETING OBJECTIVES. THIS HAS BEEN A FASCINATING PROJECT FOR WHICH THE PERFORMANCE ANALYSIS TOOLS INTEGRAL TO SELLIGENT INTERACTIVE MARKETING WILL BE PARTICULARLY HELPFUL.

Yves Coussement, IT Manager and CRM Project Manager

KEY RESULTS

- Data integration from multiple touch points into Selligent,
- 360° view of all customer data, captured and updated in real-time,
- Automation of formerly manual processes, but with high degree of personalization,
- Internal rollout across MMV staff, trained in Selligent Customer Care portal

Outlook: The travel industry is going places

We live in great times for travelers to broaden their horizons and for innovative travel providers to blow minds with unique experiences. While digital disruption has crushed other industries, it's putting wings on the travel business. Powered by customer data, vendors like Neckermann, Bookit, and MMV are creating the kind of individual vacation experiences that customers could only dream about 30 years ago, 20 years ago – even 10 years ago. Innovative, future-minded travel companies are making long-term

investments into their digital infrastructure – including omnichannel audience engagement platforms like Selligent – in order to offer personalized experiences to a growing number of travelers. In the long run, these companies are well-equipped to keep up with – and even determine – the digital trends in their industry. Because one thing about digital transformation is for certain: it's no short weekend getaway, but a long, continuous journey that will require adaptation over the next few years, probably decades.



About Selligent

Selligent is a global marketing automation provider that powers audience engagement programs for more than 450 leading brands in retail, financial services, automotive, publishing and travel. Our solution empowers brands to create meaningful omnichannel communications across email, site optimization, social, mobile and customer care at a competitive price point that makes Selligent the best value in the market. The platform uses rich data analytics to provide 360-degree audience insights and offers customer journey mapping capabilities to deliver optimal audience engagement to customers and prospects alike. Serving brands in 19 countries across both Europe and the Americas, Selligent works with companies ranging from the mid-market to large enterprise, often partnering with its extensive network of agencies and MSPs.

This report is part of a trend report series examining the effects and opportunities arising from digital transformation. If you would like to find out more, head on over to the resources section on the Selligent website, where further reports on additional industries are available to download. www.selligent.com/resources



