AVASANT

2017 Travel Tech Trends

Insights to Surf a Changeable and Competitive Environment

Don't forget that:

The travel industry is increasingly fragmented, full of different players in a very competitive environment; this situation leads to massive restructuring at all levels, disruption of vertical value chains, and "friend-enemies" environments.

What About The Travel Industry?

The travel industry has the following characteristics:

- It is highly fragmented;

- It is a massive and transactional industry; therefore, operating capability is a key factor;

- It is a global industry with reduced average spread margins; therefore, scalability and volume are crucial;

- It does not have important entry barriers, and although it is a partially regulated industry, it could be disrupted;

- Technology is a key factor; it is the basis of the business, the core of it.

- Which will be the main challenges for 2017?
- Which will be the most important players' strategies?
- Which technologies will be more decisive, and be more likely to be financed?
- To which tendencies at Travel Tech should we pay more attention to?
- Which business models seem to have more probabilities of success?

What Does The "Connected Traveler" Want?

Nowadays, travelers have increasingly higher expectations about their travel experience, prioritizing comfort and accessibility. This includes:

- Instant information about current prices and availability;

- m-commerce;

- Users' opinions and ratings;

- Previous travel records and personal preferences;

- Real time notifications, easy check-ins;

- On line concierge service; and much more.

Mobile communication has drastically changed the scenario. Customers wish and hope to use their smartphones more and more, as a remote tool for managing their own lives; and clearly, travelling is a fundamental part of their lives.

Objectives

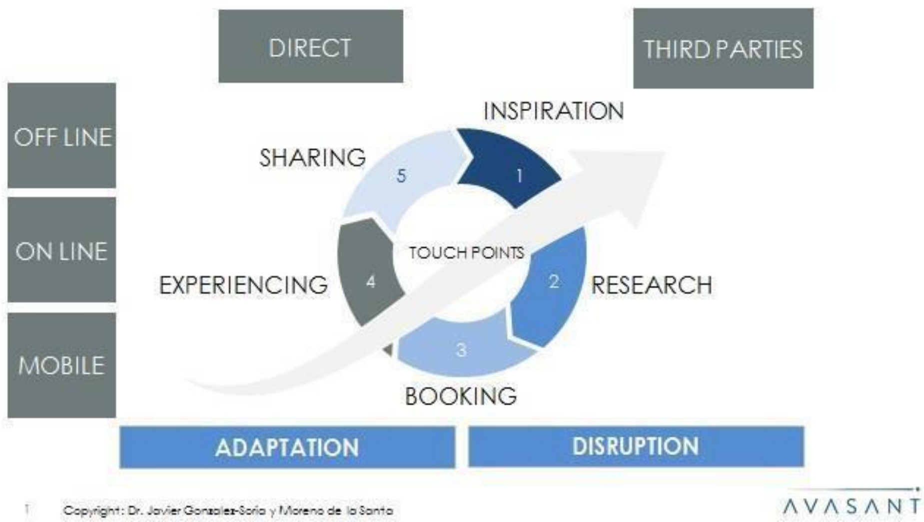
The aim of this paper is to provide answers to the aforementioned questions based on an open-dialogue approach, that is to say, a starting point for future reflections, and not just closed conclusions, keeping up the Avasant spirit. To do so, future and current problems, as well as ten insights, have been identified as such starting point.

Which Are The Main Opportunities In 2017 Travel Tech

Those who focus on solving one or many of the aforementioned topics will have more probabilities of success.

- Transformation to a mobile environment, a multidevice tendency, with mCommerce and mMarketing features.
- Smart use of Big Data for service customization.
- Technologies aiding the development of business models and products based on second generation sharing economies.
- Technologies that allow an adequate identification of customers and that prevent fraud. Possible relationship with fintech.
- Technologies that foster the use of eCommerce and mCommerce in in-destination services other than accommodation services (Tours, visits, show tickets, restaurants, and other activities).
- Technologies that allow for the integration into different on-line distribution models, directly or indirectly, at different levels of the value chain. Omnichannel approach.
- Technologies that reduce the cost of customer acquisition.
- eMarketing investment ROI management technologies with conversions and engagement metrics, as well as multiplatform integration.
- Technologies that solve problems about energy efficiency, waste management, logistics, and everything related to exponentially increasing current performance.
- Technologies that can provide scalable answers to Health and Medical Tourism.
- Technologies based on the Internet of Things that could be specifically applied to the Travel Industry (e.g. automatic destination intelligence).

Only by understanding the travel cycle and having an influence on its different touch points, it would be possible to build business models with sustainable success



	2017 Travel Tech Main Insights
1	Stop Navel-Gazing
2	Airbnb is Getting Ready to be a One-Stop Shop
3	The Travel Path is Broken… Or Not
4	For God's Sake, No More Startups Dedicated to the Inspiration Part of the Trip
5	The New Frontier, The Activities in Destination
6	When We Hear the Words A.I. We Really Need to Understand…
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10	Will the Airports Realize At Last That They Exist for Travelers?

1. Stop Navel-Gazing

Our competitive environment, innovations and tendencies are global. We have to get out of our comfort zone and explore what is going on in the rest of the world, as well as, try to understand potential new threats and opportunities, all of them defined by Technology. We have to accept that the Industry we knew 10 years ago is gone, and persisting in keeping the same information, communication and relationship channels, and denying change, will only lead us to certain agony.

2. Airbnb Is Getting Ready to be a One-Stop Shop

The latest well known secret that Airbnb was going to enter the in-destination activity sales market has been confirmed, and it comes together with the announcement that Airbnb is getting ready to sell flights, as well as, travel elements. In fact, Nihil Novum Sub Sole.

The aim of large travel companies, with a digital profile, is to become a unique solution for all travelers' needs, but so far, none of them have achieved it.

In fact, Airbnb has the size and the operating capability to succeed in places where others have failed before. Clearly, there is a lot of hype because:

a) In the Travel Industry, operation is what makes the difference. So far, Airbnb is a world-class company in syndicating hosts and distributing their products, physical products, to travelers with total fulfillment. However, Airbnb does not have a syndication structure enabling it to hire, keep and supervise intangible products, e.g. in-destination services. The company wants to delegate that responsibility to its hosts, which raises serious doubts about consistent scalability, and it also rules out all mainstream in-destination activities mostly required by travelers.

b) Regarding flight or car rental demands, at best, Airbnb can outline an ordinary value proposal, far from the large metasearch engines and OTAs standards.

c) Airbnb has a double commission model in its marketplace, since it charges both the host and the traveler. So far, this system has been accepted, but the increasing number of new competitors will exert progressive pressure on it, and as a result, the model will have to be modified to a single commission one, thus affecting financial margins.

d) Airbnb will have to focus on putting out fires affecting its core business. The first fire to put out will be regarding legislation, such as the current New York state legislation which bans short rentals, except in the case of single family dwelling. Remember that no matter what one wishes to be, one can't escape from its nature, and the nature of Airbnb growth is short term rentals, an alternative to hotel demand, so not having that option in some major cities in the world is a serious threat.

e) Competition against Airbnb is increasingly growing, both from regional copycats, such as Tujia, and large global players, such as Booking.com and Expedia. The latter is integrating Howeway to Expedia, which will provide millions of users with global access, in some cases, exclusively, to hundreds of thousands of properties supported by Expedia state-of-the-art operating and transactional capability.

f) If the new value proposal of Trips & Places gains weight, it will cause new legal problems to Airbnb with the different Governments, since providers, currently hosts, in many cases, will not comply with trade, civil and tax requirements urged by national legislation for rendering remunerated services; which also demands accountability of the intermediary platform that combines supply and demand.

3. The Travel Path is Broken…Or Not

For many years, the entrepreneurs of the moment, especially those with engineering studies, have repeated the same speech, stating as a dogma that the travel path is broken and inefficient since travelers visit tens of websites in an inspiration, search and booking process. And based on that premise, all of them propose solutions that lead to a one-stop shop, either in B 2C or in B2B. And all of them have failed. Therefore, it is clear that we should consider changing the paradigm and accept that it is not a technological problem what makes travelers visit tens of websites when organizing the trip, but instead, they see this "digital roaming" as part of the travel experience and fun.

The truth is that it has been 20 years since we started to live online travel –this year, it is the twentieth anniversary of the first website I created which had the possibility of selling online, at those times we knew we were connected to the internet thanks to the noise the modem made- and this implies that travelers –or many of them- are more advanced in this area and that the following premises have been included into the collective knowledge:

a) Each time there is an integration, the information is less deep and there is a risk of mistakes, especially in modifications. Therefore, each content addition layer, though it apparently improves comparability, implies a risk as to the loss of quality of information. Thus, metasearchers are located in the upper funnel and when travelers have the first options, they check them on the suppliers' websites and their reliable OTA's.

b) Direct booking with the big supplier is usually associated with advantages which are not produced in the sale through an intermediary. Therefore, it is convenient to book directly with the suppliers who are easy to access in the post-sales period.

c) Specialization in the tourist industry is an incontestable truth and every company is a specialist and is more appropriate for certain services and/or geographies. That's why, it is better to choose different specialists instead of a generalist.

4. For God´s Sake, No More Startups Dedicated to the Inspiration Part of the Trip

For many years, no event about innovation is held without the presence of a great number of startups whose aim is reinventing travelers' inspiration. None of them has achieved anything, which should be a warning for surfers. They seem to ignore that inspiration is closely connected with the search in Travel, in a nonlinear process with multiple devices, in a B2C environment in which acquisition costs are so high that only the biggest and most efficient ones can survive.

All in all, if in the trip we have the inspiration, search, booking, experience and experience-sharing stages, and multiple touch points in each of them, we should look for the best way to fit and run away from the terribly competitive B2C area.

5. The New Frontier, The Activities in Destination

This is a fascinating battle field, with experienced players like Viator or Getoyourguide, with new challengers like Zozi, and with 800-pound giants like Google with its "Trips" product; Booking.com with its project with guides and proposals in destination; or Airbnb with experiences provided by the hosts.   We should not forget traditional players like Hotelbeds or GTA, which want to change the concept of bed banks into activity banks. In my opinion, it's not vertical like "the winner takes it all", so we will likely see how the big players occupy their space in B2B, B2B2C and, to a lower extent, B2C, where I think the big OTAs will be the ones including these services through other players. The key will be the ability to operate in a marketplace where, on the supply side, the service suppliers are organized and have to guarantee availability and price online in real time, and on the other, the services reach the travelers in the right stage of their trip, which in many cases will be in destination, through their mobile devices. But as usual, the Devil pays attention to details, so only those who can ensure that the services they offer are consistent throughout time and are operated correctly will succeed.

6. When we hear the words A.I. We Really Need to Understand…

Artificial Intelligence is the buzzword in Travel most advanced environments. But the truth is that very few are actually working on A.I. The main ones are

Google, IBM with its Watson project and the developers that use it as a basis, and among tourist companies, Expedia. Most of the work is really being done is in the following four areas: Machine learning, Natural Language Processing, Voice recognition and Chatbot.

They are all interrelated and, in all of them, AI may play a key role, but it is not necessary to wait until it is developed to see the results. We must remember that in a traveler's experience, which is increasingly mobile, it is key to have an as-fluent-as-possible interrelation with them. And this is achieved by overcoming the limitations of the traditional screen and keyboard, replacing them by the ability to chat over an app, using regular language, in a relation where a big part of the travelers' information, their preferences and possible needs are inferred.

Thus, technologies which are applicable to any industry are being developed, focused on facilitating the learning of the systems through the analysis of data terabytes, on identifying natural language, on recognizing the voice, and on using instant messaging as the basis for automated communications.

Therefore, some players provide the basis technology, like Google, which may be customized and adapted by third parties for specific purposes; some players provide their platforms to make communication possible, like Facebook with Messenger and WhatsApp; and some startups are able to combine both and create value propositions which enable an automated chat between the traveler and the touristic service provider.

The main question is in which part of the funnel this automated though personalized communication should be offered. Some state that it should be offered in the upper funnel, in the inspiration or search stage. However, I believe this contradicts travelers' usual behavior and it doesn't provide them a true value. That means replacing a physical travel agent by a virtual one, forgetting that most of the travelers under 35 hardly know what a travel agent is. Where I clearly see how important and useful chatbots are is at the end of the tunnel, in the customer service stage. For example, in the case of a hotel, when the traveler is staying there and wants to interact with it; or in everything related to customer service before, during and after the trip, managing questions and incidences.

The chatbots that will succeed will be those integrated in mass instant messaging platforms, like Messenger, WhatsApp, WeChat or Snap; capable of recognizing the user's oral colloquial speech in multiple languages; that have access to the customers' data terabytes to learn the most usual cause/effect relations in their business; and that have the proper algorithms to generate a concrete action from the inputs they receive.

It is precisely in this last item where AI makes a difference, since by developing algorithms, trees of answers to different incidences can be created, but the great number of variables makes it impossible to create algorithms which give an answer to all the statistically relevant cases. However, the use of AI allows the system, based on some starting algorithms, to create new algorithms from some decision premises every time a new incidence is entered.

Before concluding the idea about AI, I must add that having huge volumes of data to process in order to train and teach the system is vital for the success of AI. Then, it is the OTAs with a big airline business those that will have an advantage, as that area is the one that moves the greatest number of transactions. Thus, Expedia has an advantage over Priceline, and OdigeO has it over the rest of EMEA competitors.

7.Phew, Direct Versus Indirect Channel, Again

The endless discussion not only remains, but also gets bigger, and is even stronger in the hotel sector, especially in the US, where the size and coverage of hotel chains allows them to be more independent from distributors than in the rest of the world. Marriot wants to move forward one more step in this bet for direct customers and, in addition to using the regular customer loyalty program, aimed only at frequent travelers, it has redesigned it so that its direct customers joining the program may have benefits, may have a "different experience", from their first stay. Therefore, Marriot's strategy is very clear: its direct customers will have an experience based on personalization, before, during and after their stay, which will be different and predictably better than that of the customer through an intermediary.

However, nothing is black or white, since we can see how other hotel chains move the opposite way and now make it possible to redeem their loyalty program points through big OTAs like Expedia, which have the technological capacity for that.

When it comes to airlines, there are no changes either, except if we consider as a change the fact that Lufthansa's strategy for removing intermediaries has been successful, though tarnished by the constant strikes held. Their decision to penalize bookings through GDS, at an aggregate level, has not implied a negative impact on sales, but instead, an increase in their margin.

But in fact, traditional tension between Airlines and distributors (OTAs, OTIs, TTAs, DMCs, etc.) remains, with the former wanting to control the product sold and its attributes –which should be more than the price- while the latter, equally under pressure by metasearchers, want to keep the comparison and the sales flow simple. And amid all this, it's IATA with its NDC, which is not positioned yet as a benchmark for direct connectivity. My forecast on this topic is also the same. In a friendenemies environment, where those who at the same time cooperate with each other and compete have to agree, they will have to constantly find bilateral solutions, in which, once again, the biggest and most powerful ones will get the best conditions.

It is unquestionable that the democratization of the trip from the access to the supply has led steadily to a concentration of the supply, i.e. to a quasi-oligopoly by the major tourist players.

8. The New Power is in the East

For long, big tourist players have been thought to be located only in the US and Europe. However, in the airline industry, such premise has not been true for years, with the incursion of the Gulf companies, which have not only taken a position in the business, but also developed a smart plan for strategic purchases in airlines that have traditionally competed, thus, modifying the balances of power and isolating Delta in its campaign against them.

And now the paradigm has also been broken in the hotel industry and the distribution sector. Too many still think that China or India are markets that Western companies have to turn to for opportunities, whereas reality is quite different. Big touristic Chinese and Indian companies -such as Make Mytrip- after conquering and consolidating their own markets with acquisitions and defeating their foreign competitors, which in many cases had to either leave the country or integrate a joint business, have embarked in markets beyond Asia. Thus, for instance, we see C- trip planning its strategy in the US and willing to enter Europe and Australia after their recent acquisition of Skyscanner. Or HNA controlling hotel groups like NH or Carlson. No wonder that in 2016 China will surpass the US in international M&A.

To conclude, it is absolutely essential that we understand a competitive scenario in which Chinese and Indian companies play an important role, and that we get used to the way of doing business they have and be able to interact with them and even anticipate that there will increasingly be more Western talent that will be attracted by those companies.

9. Reaching Travelers is Increasingly Difficult

What has been a trend for some years, is now even more consolidated and poses a scenario in which it is very complicated, no to say impossible, for new B2C projects to reach travelers in a profitable way. With the death of organic traffic coming from Google and the confirmation that on Facebook or Twitter only advertising models work, apart from engagement, tourist companies must move in a complex e-marketing ecosystem –the most difficult one in history-, and have to know how to manage RTB, content marketing, inbound marketing, retargeting, growth hacking and especially programmatic marketing (PB and PS), as a unifying platform for all the previous efforts. And the talent and technology to achieve this for the time being is only at the reach of a few, precisely, the major online players.

On the other hand, vertical Metasearchers have become an essential turnpike for acquiring the travelers traffic, which has caused its value to skyrocket and many of them to be acquired by big OTAs (Kayak by Priceline, Trivago by Expedia, Skyscanner by C- trip, Liligo by OdigeO).

This means that they are increasingly powerful and, together with Tripadvisor, Google Flight Search, Google Hotel Finder, Momondo, Rome2Rio, etc, they are one of the main sources of travelers acquisition, in which the volume is directly linked to the cost, and this benefits the big and already positioned players.

10. Will the Airports Realize At Last That They Exist for the Travelers?

Airports are still one of the most negative parts of the trip, as they stand out for generating anxiety and dissatisfaction in travelers. Therefore, they have a clear challenge related to their customer-oriented digital transformation in a competitive race among airports, which will be signaled by the following aspects:

a) Personalization of the travelers' experience in all their touch points at the airport, considering it end-to-end to minimize the points of friction.

b) More collaboration with airlines to optimize the check-in, boarding, luggage collection, etc.

c) Removal of the concept of travelers as a source of income during their stay at the airport, penalizing the fluency in their transit, which should be as short as possible.

d) Better balance between the security measures and the efficiency at managing passengers and luggage.

e) Integration with the transport ecosystem, which means solving the air connectivity, the land access and parking, the car rentals and related services; all of them, in a coordinated and simple way for travelers, removing anxiety in their decisions.

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About Avasant

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Avasant's engagement in the global market has inspired a strong commitment to community and purpose. Avasant Foundation supports technology and skill development programs to create employment opportunities for youth across Africa, Asia, the Caribbean and Latin America.

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