CAN AI HELP OTAs EARN CUSTOMER LOYALTY?

Impressum

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Contents

Can AI Help OTAs Earn Customer Loyalty?

In this report, we'll explore how using advanced technology and artificial intelligence can help OTAs and Metasearch companies gain a competitive edge on bookings.

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Loyalty can be difficult to define, especially in the search landscape. For the purpose of this report, we'll define loyalty as "stickiness"; being the travel facilitator that travelers spring back to when completing their bookings time and again.

Travelers will visit many sites before deciding on their travel itinerary—and not just travel sites. They will explore lifestyle sites, read news and enjoy entertainment related to their destination, and shop for clothing and accessories in anticipation of their journey. The traces consumers leave behind when they engage in online activities can serve as indicators of their path along the travel planning journey from exploration to booking. Artificial Intelligence (AI) can examine these clues to find commonality among

certain types of activities and be a good predictor of when one traveler may respond to booking incentives based on the behaviors of similar consumers.

Tech-savvy customers are driven by different priorities than traditional travelers and knowing how to reach them at the right time—through the right platform–can make all of the difference.

Pauline Lemaire, Industry Director, Travel and Classified at Criteo explains how OTAs can leverage technology to understand changing needs and become fully customer-centric. This means placing customers at the center of your organization and only engaging with them on a personal level.

You can't paint effective personalization with a broad brush

"From a marketing perspective it's useful to place travelers into segments; whether it's families, couples, millennials, or people traveling for business. But it's also important to realize that people can fit into all of these segments and more, depending on the occasion and reason for travel," Lemaire says.

"If I travel with my husband or for business, for instance, I will expect more comfort, luxury and relaxation whereas if I travel with my children, I will want something family friendly and probably look at lower cost options. So, firstly, having a strategy that aims to understand customer travel needs across a wider range of occasions is becoming more important in order for OTAs to be hyper relevant in an increasingly competitive market.

"Secondly, in order to achieve such a strategy having access to data that helps to draft better profiles of users is crucial. For example, having the ability to deep dive into inter-related data such as website searches for swimwear or travel insurance, alongside data on hotel preferences based on personal criteria or a specific location search, all help to build a more in-depth profile of customers. Whether this is proprietary data, via an external technology partner, or a mix of both, information should be in real-time so that data is very accurate and fresh to enable OTAs to provide highly personalized customer offers. It's a strategy that depends less on brand loyalty, which is difficult for OTAs to achieve, and more on leveraging cutting-edge technology to understand user behavior."

Apps are the traveler's boomerang

We shouldn't paint technology preferences with a broad brush either. For example, Phocuswright data shows that the share of mobile travelers—those over 55 who will book on a mobile device—is increasing. While it's true that Millennials are most active on mobile (23%) the numbers show that the spread among mobile travelers across age groups is becoming fairly even. It is also fairly evenly distributed by gender. Though the likelihood of mobile bookings decreases somewhat as annual wages increase 51% of mobile travel shoppers earn between $50,000 and $124,000 a year. Additionally, 84% of mobile shoppers have at least some college or a higher degree.

The growing popularity of mobile devices across demographics makes having a "sticky" travel app even more important. The advantage is that when consumers search on the travel app they are less likely to be distracted by competing offers. Phocuswright research shows that travel intermediaries—including OTAs, metasearch and aggregators dominate the top 10 travel apps with a combined 60% share of downloads and 80% share of MAUs (monthly active users). They are inherently "sticky" portals to reach consumers. When app notifications are paired with and triggered by insights from the consumer's online activity they can serve as effective "boomerangs" bringing consumers back to book.

"The mobile app is possibly the number one priority for OTAs because it gives the ability to browse a broader range of products on the go and often in a more user-friendly way than the standard website. Based on our own work with clients, those that invest in marketing and promoting the app find that 60% of their bookings are subsequently made via mobile which further highlights its importance," Lemaire says. "It's this ability to browse anywhere at any time that makes it such an essential tool."

And the "boomerang" effect can continue (even at the destination), facilitating up-sells of related services like ground transport or events.

"The app's ability to enable engagement between OTA and customer even during a trip shouldn't be underestimated as a vehicle to promote vertical hospitality opportunities,"

It's a strategy that depends less on brand loyalty, which is difficult for OTAs to achieve, and more on leveraging cutting-edge technology to understand user behavior.

While it's important to offer a range of payment options to reduce friction, it's also key for OTAs to have the technological ability to link omnichannel payment options in order to keep customer offers personalized and the overall booking process seamless.

Lemaire says. "In terms of encouraging consumers to complete bookings, incentives such as no deposit or free cancellation can not only help to complete a booking, but also helps to gather data on user preferences. While there is a higher risk of cancellation, it does provide a hook to engage with the client more regularly, whereby further incentives such as limited-time promotions can be used to encourage and secure the booking at different points."

What are you up to? AI knows.

Putting offers before consumers when they are most inclined to accept no longer requires a crystal ball. Observation of consumer online behaviors and a greater understanding of what those behaviors indicate—in terms of shopping intent—can reveal opportunities in real-time.

"It's important for OTAs to understand when consumers are only browsing versus when they are ready to book, or they risk disengaging them completely. For example, people may start browsing for summer holidays in January, but may not be ready to book until later in the year. So OTAs, will want to identify when to re-engage with those users when there is the highest probability of a firm booking. Doing things at the right moment is key," Lemaire says.

"In terms of helping to attract new audiences, so called mirror technologies such as Artificial Intelligence (AI) are becoming more relevant in terms of applying a more effective marketing strategy. AI can help build a customer profile that can be used as a template for finding and engaging with potential new audiences. For example, by analyzing huge amounts of data on consumer behavior, AI can identify different customer types making it easier for OTAs to decide where to focus their direct and indirect marketing and advertising budget.

"AI can be used to not only understand individual customers better, but also look at travel patterns. For example, families with children will only travel during school holidays, and may book a certain number of months in advance to guarantee the best summer holiday deals. Then there are people who tend to take an annual winter sun break, or they go skiing every year. Using AI to analyse clear patterns gives OTAs the information to target those users at the right time, as well as in a more personalized way."

Simple isn't easy, but it is critical

Simplicity—defined as ease of use—is the ultimate 'stickiness' factor. Whether timely offers are pushed to consumers via the travel app or via email promotion is less important than ensuring that the offer is actionable, with as little friction as possible.

"Friction during the booking process can result in a disenchanted audience and lost business, so using technology to make the experience as seamless as possible is important," Lemaire says.

The growing popularity of mobile, however, is directly tied to its convenience. Phocuswright research shows that the top three reasons for mobile bookings are related to convenience—and the fourth is habit.

"Payment is one area of friction where preferences are often based on culture and location. For example, in Europe online payments are common, whereas in other markets the preference can be to make payment direct to the travel agency. In addition, some people prefer to browse the web, but then actually transact the booking either by phone or in person," Lemaire says. "While it's important to offer a range of payment options to reduce friction, it's also key for OTAs to have the technological ability to link omnichannel payment options in order to keep customer offers personalized and the overall booking process seamless."

These consumer behaviors and preferences reveal that a simplified booking flow can boost conversion on mobile. A combination of ease-of-use and timely offers targeted to mobile can keep consumers coming back.

43% of respondents said they preferred to book air and hotel on mobile because it was "more convenient"

33% said that "the travel app makes it easy to book"

30% found the travel app to be as easy as booking on a desktop or laptop

29% said that they do most things on their smartphone.

10 Number of sources Millennials and Gen Z use for trips, up from three in 2002. They rely on web resources, like social media and comparison sites, rather than recommendations or print media.

So it's important OTAs have the ability to tap into this trend for under tourism by giving users the ability to highly customize their travel experiences as well as encouraging them to share their experience via social media.

Better Insights Make For Better Partners And Better Travel

Using the insights gleaned from AI can also help OTAs, metasearch and aggregators forge better partnerships with travel inventory suppliers including hoteliers and hospitality verticals.

"This can be achieved by using travel pattern data to offer more sustainable travel options, such as directing consumers to promotional offers outside of popular seasons or locations. This not only help expand the OTA audience, but is also of benefit to hotels and restaurants that suffer from seasonal occupancy fluctuations," Lemaire says. "While it's a challenge, it's really about using technology to bring the right user to the site at the right time.

"It also means using more sophisticated technology, and using it to its full potential to deliver hyper-person-

alized offers," Lemaire adds. "This implies only engaging customers with hyper-relevant material leveraging vast amounts of data and personal preferences. It means not just targeting them with a random ad after they've visited a website, but targeting them in real-time, with an offer taking into account previous searches, personal preferences and a whole shopper profile."

"We know, for example, that mass tourism doesn't work anymore. Travelers, particularly millennials, don't want to go to the same place as everyone else; they want unique travel experiences. So it's important OTAs have the ability to tap into this trend for under tourism by giving users the ability to highly customize their travel experiences as well as encouraging them to share their experience via social media."

Being there is everything

Consumers are loyal to brands that offer them the right product, at the right price, at the right time, with the least hassle. By ensuring that they meet these needs in real-time, on traveler's preferred device, informed by context, OTAs and other travel intermediaries can keep consumers coming back; earning bookings time and again.

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