

Are You Experienced?

How travel brands can successfully sell in-destination experiences online



Globick
Experiences gateway
by NTT DATA



1. Introduction

The traditionally fragmented and largely offline market for tours, attraction and activities (TAA) is evolving rapidly as travel brands seek to make it easier to create richer travel experiences that add value for the digital consumer and increase revenues for the brand.

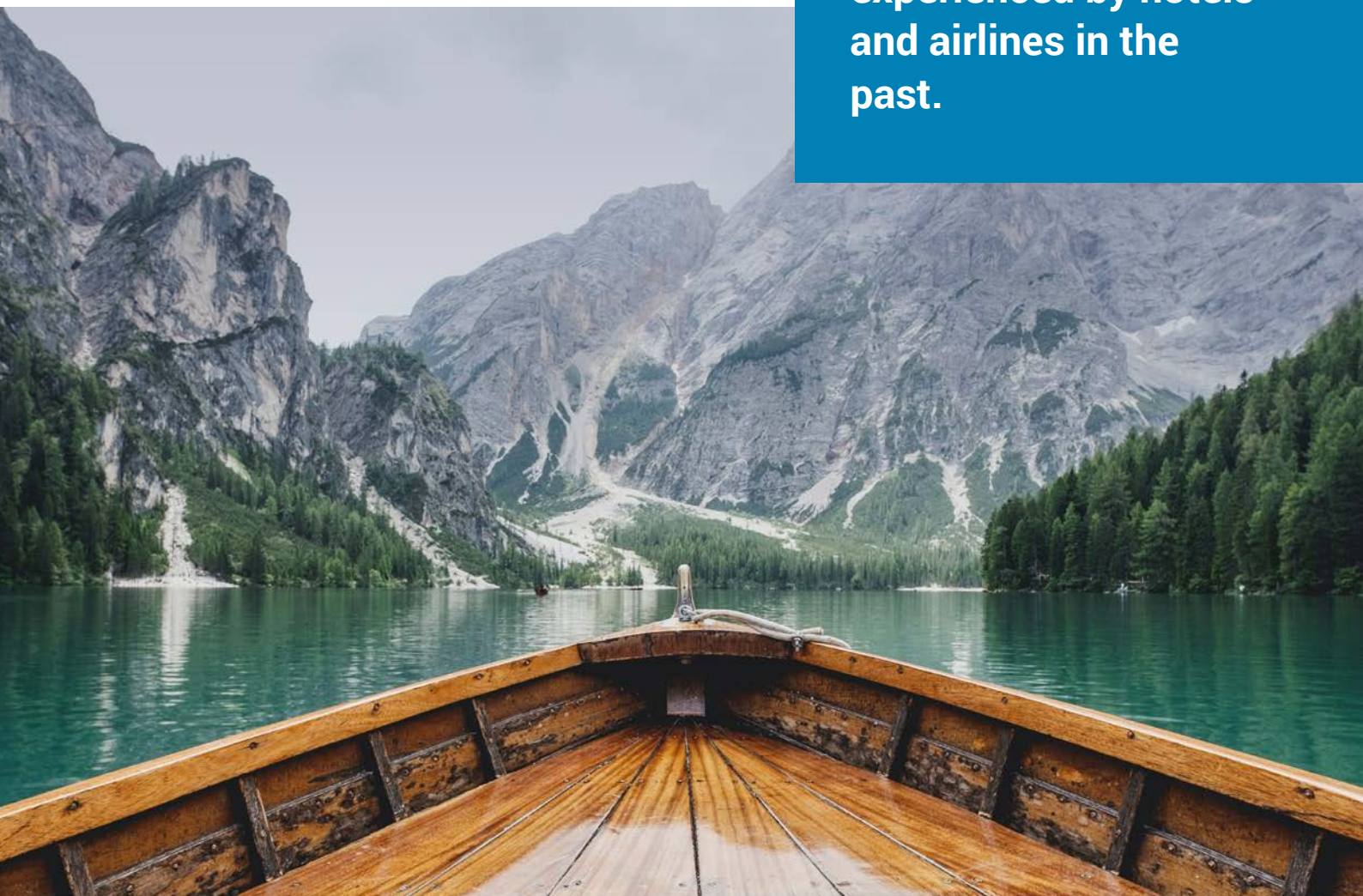
By leveraging high-speed connectivity and the APIs in the reservation technology software used by operators around the world, the TAA market is poised to undergo a digital revolution similar to that experienced by hotels and airlines in the past.

And as the experiences enjoyed at the destination will have the most influence on overall trip satisfaction, brands that can positively influence the in-destination experience will benefit from the halo effect. ⁽¹⁾

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As well as boosting revenues, selling TAA products gives travel brands multiple opportunities to engage with their customers before, during and after their main purchase of a flight or hotel. By strengthening engagement, brands can expand and extend their relationship and stay in touch with the customer throughout the trip.

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(1) The tendency for positive impressions of a brand or product in one area to positively influence opinion or feelings in other areas.



2. A Changing Travel Market

Recent years have seen significant shifts in consumer behavior when it comes to buying travel. The mobile phone has become for many consumers the primary and, in many cases, the only way of interacting with travel brands. In a world of seemingly endless travel choices, consumers increasingly look to brands they can trust.

They love to book ahead to secure the best travel deals and expect to be able to easily and rapidly book their entire travel needs, including in-destination products, online and in advance with instant confirmation and easy cancellation, if possible.

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Travel companies want to avoid the commoditization and intense competition that has traditionally characterized travel distribution by adopting strategies that enable them to present a differentiated value proposition to the consumers.

By making a trip memorable and enjoyable, companies can transform the customer experience from a simple transaction into a trust-based relationship, which will be rewarded with greater loyalty, increased basket size and customer lifetime value.

An excellent strategy to achieve these goals is to sell tours, activities and attractions that customers can enjoy at their destination and make them as easy to book online as flights, accommodation, or car hire.

The TAA sector has been slow to embrace online booking and traditionally has had a heavy dependence on walk-up traffic and offline channels. In 2019, half of consumers postponed making reservations for in-destination TAA products until within a day or two of their intended visit.

But consumer behavior has evolved rapidly due to fear of not being able to get tickets for popular attractions, particularly when capacity restrictions are in operation. In North America, 53% of attractions require advance online booking, while in Europe the figure is 47% and 31% in Asia, according to a survey by research firm Arival.

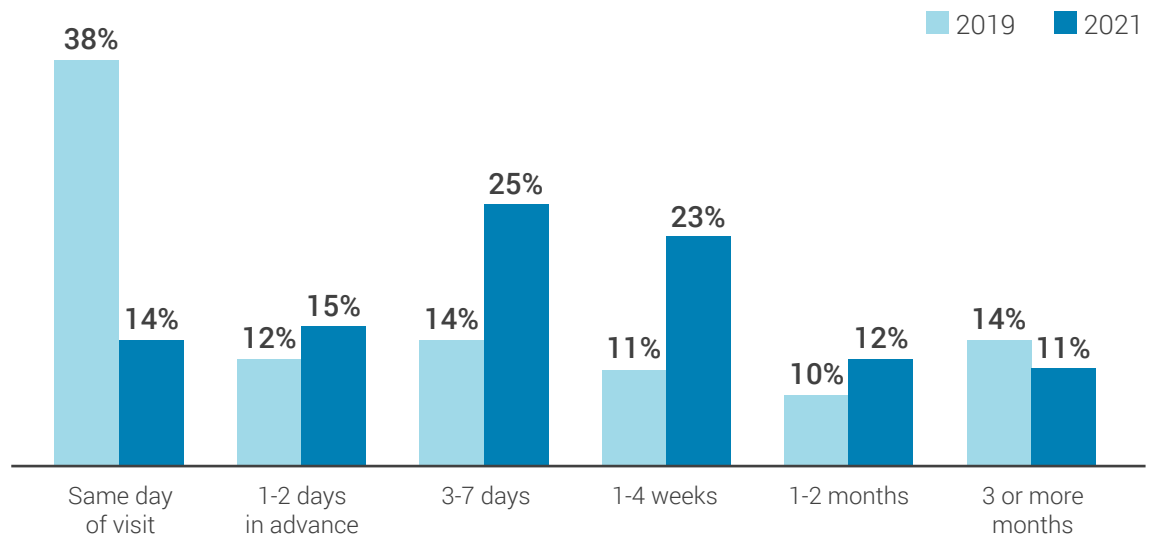
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As a consequence, the percentage of consumers that leave their purchase decision to the last minute has dropped dramatically, from 38% in 2019 to 14% in 2021 – see

Figure 1. Almost half, 46%, purchase tickets a week or more in advance, typically before they leave home.

When travelers purchase tickets (2021 vs. 2019)



The percentage of consumers that leave their purchase decision to the last minute has dropped dramatically, from 38% in 2019 to 14% in 2021.

Figure 1: 46% of consumers intend to book TAA tickets a week or more in advance (source: Arival).





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As a consequence of the trend to book in advance, the use of digital channels has increased substantially, with 47% booking tickets online using a computer or phone in 2021 compared to just 28% in 2019 - see Figure 2.

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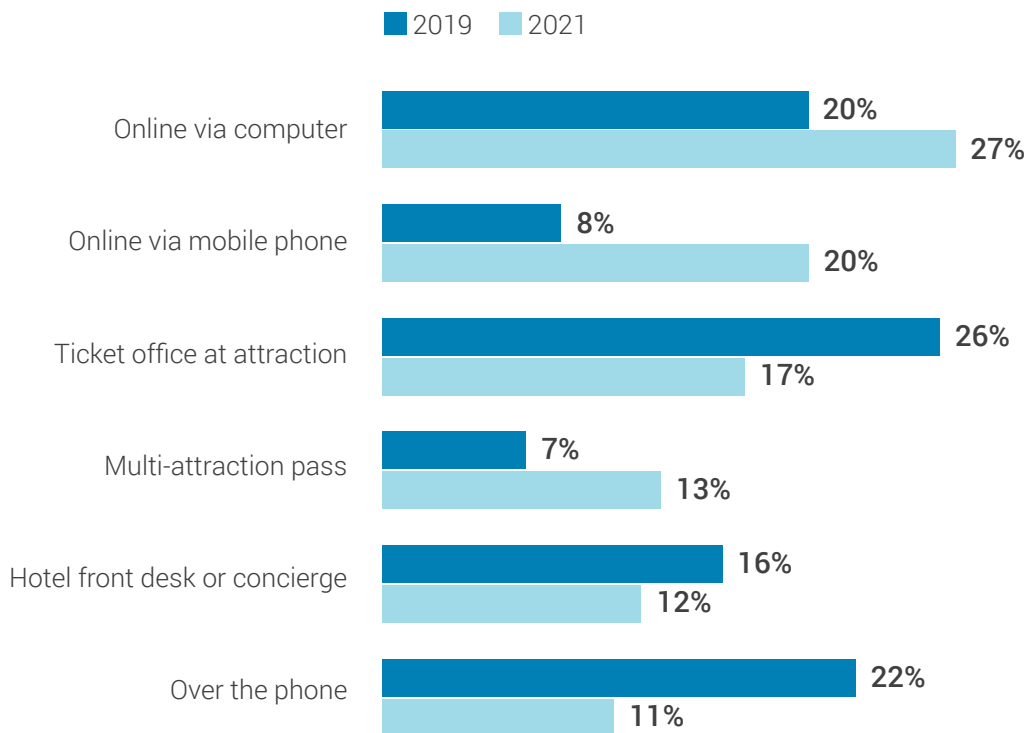


Figure 2: The use of digital channels to book TAA products has increased dramatically.

Travel companies that want to take advantage of these changes in consumer behavior need to make it easy to search, book and get real-time confirmation of in-destination products.

This saves customers time and eliminates the uncertainty and possible disappointment if they wait until they arrive at their destination to contract these services.

Therefore there is a golden opportunity for airlines, hospitality brands, OTAs and other travel companies to leverage their considerable experience in digital distribution to generate additional revenues by selling TAA products online.



3. Rapid Growth of Online Distribution

Online is poised to become the dominant way of selling TAA products and the channel that will drive growth in the future.

Online bookings by OTAs jumped 21% in 2019, compared to a 13% increase for bookings made direct, on TAA operators' websites. In contrast, tickets sold offline through third

parties or at the operator's ticket office grew just 5% and 4% respectively – see Figure 3.

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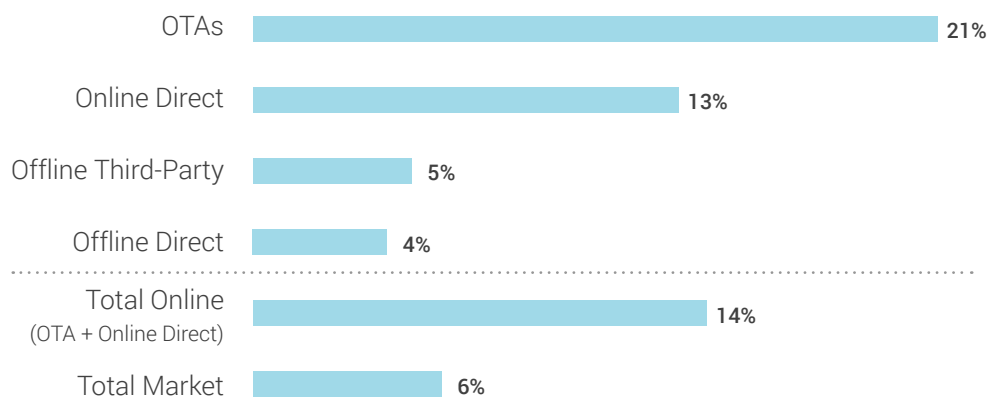


Figure 3: OTAs led the growth in TAA bookings in 2019 (source: Arival).

The TAA industry has been relatively slow to wake up to the benefits of selling online with just 18% of ticket sales made via websites in 2019 -see Figure 4.

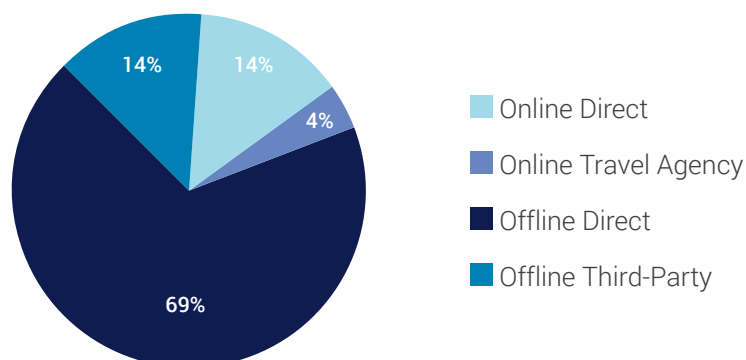


Figure 4: Online accounted for 18% of TAA bookings in 2019 (source: Arival).

The surprisingly low share taken by OTAs, just 4% in 2019, can be explained by the reluctance of TAA operators to see direct sales diverted to the indirect channel. They obviously prefer that customers book directly with them, either in person or on their website, so as to avoid paying distribution partners a commission.

Another explanation could be that OTAs have been relatively slow to wake up to the TAA opportunity and the lack of easy-to-use technical solutions for connecting operators has limited penetration of the indirect channel. Many operators are small family businesses with limited resources and technical skills.

Nevertheless, growth in the indirect channel is likely to accelerate as OTAs and other travel brands can offer much wider distribution for TAA products and are skilled in digital marketing – areas where the OTA operators struggle to compete.

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4. The Keys to Success

Travel companies that want to exploit the full potential of the TAA market face a series of challenges that they must address if they are to be successful selling in-destination tours, activities and attractions online.

Offer the Right Products

It is important for travel companies to have access to a well-balanced but not excessively large inventory of winner products in every category, including top attractions, outdoor tours and local hidden gems, and for all the important destinations they offer.

People have different needs and interests when they arrive at their destination. A retired couple are unlikely to be interested in the same attractions as a family with young children or students on a Spring Break vacation, even if they arrive on the same plane and are booked into the same hotel.

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Make it Easy to Use

Good travel websites make it easy for consumers to find the products they are looking for easily using filtering options, well-written content and categorization, and they ensure that the consumers understands exactly what is included in every product and what isn't.

Travel companies must ensure that any third-party TAA products they sell via their website are just as easy to research, understand and book, even if the content is provided by third parties. Ideally, the experience of booking a city tour or museum pass on an airline's website should be as effortless and seamless as booking the flight, hotel and car hire.

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Personalize the Experience

At tourist hot spots there may be hundreds of tours, attractions and activities on offer, with a wide disparity in prices, product types, add-ons and options.

Brands need to address this problem of the “paradox of choice” ⁽²⁾, which can lead to low conversion rates if the customer feels overwhelmed by the sheer number of buying choices. By limiting the options, you can reduce the anxiety produced by having too much choice.

Websites that offer TAA products should have multiple filtering options that help the consumer limit the available choices. More advanced personalization techniques that use sophisticated algorithms to make effective personalized recommendations can provide sizable benefits. They reduce search and

evaluation time, drive sales, and introduce new TAA products to consumers.

We all are familiar with Amazon’s “other clients also purchased” feature. These types of recommendation algorithms help consumers who are undecided make the right choice between different options based on past buying decisions of other customers.

These techniques can drive anywhere from a quarter to a third of the choices that consumers make, according to one academic study ⁽³⁾.

Personalized product recommendations vastly outperform generic ones. If a consumer clicks on just one of personalized recommendation, the conversion rate increases from 1% to 4%, according to research by Barillance, a vendor specialized in eCommerce personalization.

(2) Barry Schwartz. “Paradox of Choice: Why More is Less”2004

(3) “Recommended for You”: How Well Does Personalized Marketing Work?.” Knowledge@Wharton. The Wharton School, University of Pennsylvania, 04 December, 2015.

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Source Direct

One way to gain access to a ready-made inventory of TAA products is for a travel company to partner with a B2C aggregator or one of the B2B wholesalers that specialize in the TAA market. This approach has some advantages but it has its drawbacks as well, not least the lower commissions that can be expected compared with sourcing inventory directly from the operators.

The appearance of API Hubs and specialist connectivity solutions for TAA has brought the option for OTAs and other travel brands

to partner directly with the TAA operators, hence capturing better commissions than the ones obtained from aggregators or B2B wholesalers. By using these connectivity solutions, an OTA or travel company can tap directly into the inventory of multiple operators while avoiding the costs and headaches of doing a custom IT integration project for each one. The latter approach is unlikely to be justified financially given the relatively small commission that an individual TAA operator generates for the travel brand.

The solution has been specifically designed and built for scalability and speed, delivering value to clients as fast as possible.

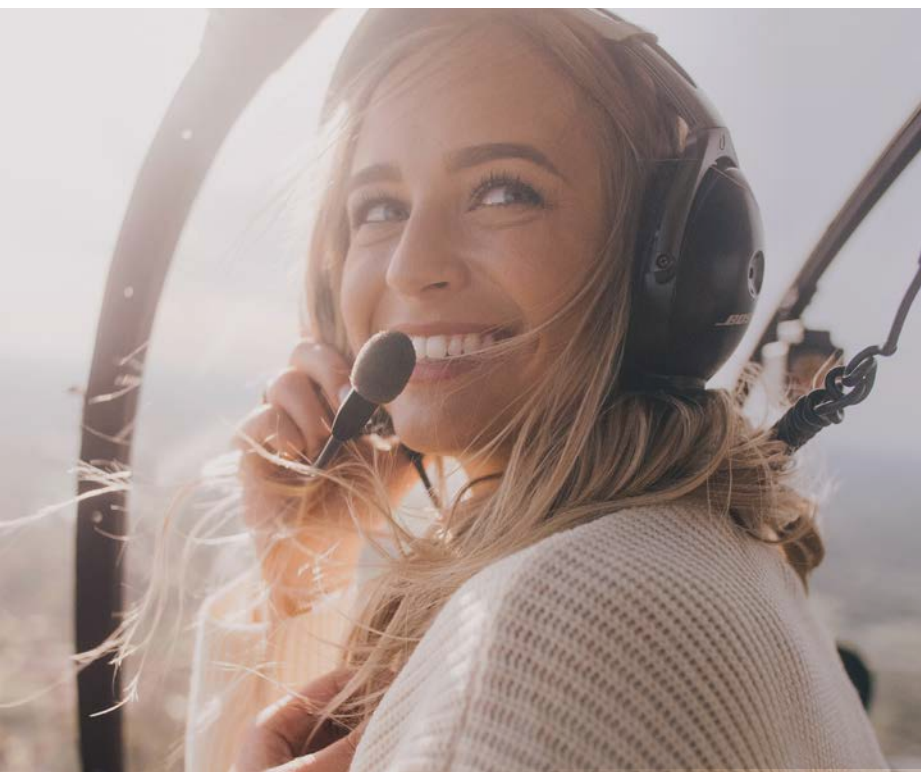
Make it On-Brand

Travel companies devote a lot of effort optimizing the user experience when a consumer comes to their website to book a travel product, be it a flight, a train journey or a hotel. UX experts exhaustively analyze purchase journeys and tweak designs to help customers complete the transaction or get the information they need more quickly and improve conversion rates.

Brands that want to successfully sell TAA products must ensure that the booking flow, the customer service and the whole approach to selling TAA products is on-brand, integrated and coherent.

This is one of the major drawbacks of using white-labeled aggregator sites to supply your TAA products. The travel company has little control over the “look and feel” and other aspects of the user experience, which can create confusion, frustration and reduced conversion rates.

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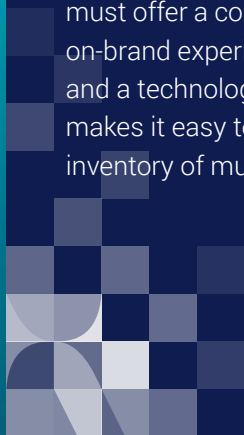


Conclusion

Selling TAA products gives travel brands multiple opportunities to engage with their customers before, during and after their main purchase of a flight or hotel, and so increase basket size and build brand loyalty.

The TAA sector has been slow to adopt digital distribution but uptake is accelerating rapidly. OTAs and other travel brands are best placed to capture this growth due to the wider distribution they can offer, ready-made access to large customer bases and their skills in digital marketing.

To successfully differentiate themselves in this market, OTAs must offer a coherent, integrated and on-brand experience to consumers and a technology platform that makes it easy to directly access the inventory of multiple TAA operators.





For More Information



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