The more customer data companies can aggregate the more likely they can fashion the right dream vacation.

HAPPY CUSTOMER, HEALTHY COMPANY

How to make the (gold) rush to personalize travel experiences profitable for travel companies

Scot Hornick • Jessica Stansbury • Jatin Goradia • Alex Hill

TRAVEL COMPANIES WANT to provide a personalized experience for customers, but they're coming up short. The problem is not a lack of data: They're collecting plenty through apps, websites, loyalty programs, and more. Every time families or businesspeople travel, they leave a digital trail about what they look for in a hotel, airline, rental car agency, cruise ship, or rail provider. Do they prefer a high floor or a room with a view? Do they like aisle or window seats, or early morning or early evening departures and arrivals? Do they go for an SUV or the intermediate sedan? Over the past five years, travel providers have been accumulating petabytes of data on their most loyal customers.

Despite this treasure trove, many companies still use just the contact information to send offers they're eager to sell rather than what the customer wants. If a traveler heads to the Chicago Jazz Festival at the end of each summer or skis in Aspen every winter, that potential customer should receive hospitality offers months earlier that make those bookings easier, less expensive, or more enjoyable. Instead, these travelers may get pitches about overpriced flights to Europe in the summer or to the Caribbean in the winter. Even if travel providers get a customer's first name right or offer packages that match a family's usual selections, they may miss the target on deals that interest their shoppers at that moment.

Why does that happen? Because customers are still hearing about the products that one or two departments at a travel company want to sell most. Rarely do members of digital, customer relationship management, loyalty programs, distribution channels, and revenue management operations sit down together to define the metrics and rules to best match commercial priorities to customer needs and preferences.

This is further exacerbated by inefficient processes that limit quick turnaround of omnichannel-targeted campaigns driven by dynamic commercial conditions. In the end, the efforts toward personalization are leaving both sides unfulfilled—customers aren't being offered what they want, and travel providers fear they're leaving money on the table.

Breaking down silos

Part of the problem stems from the walls that separate various departments at travel companies. There's just not enough data-sharing and cross-pollination among the commercial functions to anticipate customer needs and optimize commercial decisions. And given the advances in technology today, there are fewer excuses for why that persists.

For instance, advances in big data and artificial intelligence are making it possible for travel companies to do a much better job of generating and sending personalized offers that are both relevant to each customer and profitable for the provider. This may

mean targeting a micro-segment of potential customers rather than, say, all loyalty program members or all people who traveled within the last month.

To create the right target groups and deals, travel companies must leverage the various pieces of customer and non-customer data from their loyalty programs, transaction and search histories, revenue management, and websites—all of which are often stored in different places to support different functions. This is true even for efforts only aimed at a small group of customers.

Once data is shared across silos, multidisciplinary teams should analyze the information with the common goal of creating a better customer experience while maximizing profit. Then those teams must determine which customizations best fit that goal as well as how and to which customers the offers should be made. With this kind of collaboration, it becomes easier to determine how to use loyalty bonuses or promotions to steer customers toward preferred channels or optimize the price spread between different hotel rooms or airfares.

Picking the right channel

One example: Customers who book through direct channels might earn loyalty bonus points, but has the loyalty program considered the actual distribution channel costs in optimizing these offers? Often not, because the channel cost data are generated by another department. This can lead to bonuses that are too large to be profitable or too small to be effective.

DATA THAT CAN HELP TRAVEL COMPANIES PAINT A PICTURE OF CUSTOMERS

Types of data collected

PERSONAL PROFILE
Name, title, gender, date of birth, contact details, passport information and other forms of identification, payment details

WEBSITE AND MOBILE APPS
Details on how the customer uses the site or app, frequency of use, time of use, customer's geo-locations, use of price-comparison engine, searches, queries made, third-party sites accessed from website or app, engagement and sentiment on social media

INCIDENTS
Details of any incidents involving the customer or that the customer witnesses

TRAVEL DETAILS AND PREFERENCES
Travel itineraries, checked baggage, seat preferences, meal requests, dietary requirements, requests for special assistance, use of inflight entertainment systems, purchases made during flight, travel destinations, inflight shopping

WIRELESS USAGE
Information collected about customer, customer's devices, and usage based on accessing Wi-Fi in airport lounges and onboard the aircraft

CUSTOMER INTERACTIONS
Feedback, complaints, compliments, market survey responses, claims made for such things as lost luggage, correspondence, interactions in person, by phone, through the website or on social media, penalties paid or accommodations provided in connection with cancellations or delays

Source: Oliver Wyman analysis

On the other hand, the realities of revenue management sometimes suggest that scarce inventories of highly sought-after products, such as preferred seats on a flight or hotel rooms with specific attributes, should be offered only through the most cost-effective distribution channels—typically direct channels. Yet too often, channel management functions at travel companies don't receive revenue management's inputs soon enough—or ever—so they can curtail the offer of prized bookings through third parties.

What this suggests is a reorganization around not only the customer experience, but also around the expertise each department brings in establishing offers that are a win-win for customer and company. For that reason, we recommend creating cross-company multidisciplinary teams that include loyalty, customer relations management, revenue management, distribution, and digital for each transaction touchpoint with the customer.

Designing offers that fit customers extends beyond arriving at the right price. Travelers want the power to customize their journeys—pick their own seats, know exactly which room they're getting and the amenities that come with it, or reserve a specific model of car with a sunroof or of a certain color. And, for the first time, updates to core technology systems, such as reservations and digital platforms, are making it possible for travel companies to deliver on a more customized experience.

Next, better analytics

For this to be successful, travel companies must put a priority on building a database that consolidates information from websites, platforms, mobile apps, sales forces, on-the-ground operations, revenue management functions, and customer relationship management and reservation systems. This is a must-have—and one in which most large travel providers have invested over the past few years. This common fact-based foundation enables collaboration that will better meet customer needs at the optimal price point.

Big data and artificial intelligence are generating personalized offers that are relevant and profitable

On top of that, companies must develop or acquire advanced analytics capabilities that fully exploit these vast data resources to create personalized, relevant deals for customers, while also coordinating these capabilities with their revenue management decisions and marketing efforts. This will require an elevation of the workforce to include data engineering and artificial intelligence personnel, especially those with machine learning expertise.

Finally, management needs to reflect a world that is much less static. Where once deep expertise and specialization were the chief requirements, travel executives today must be agile, collaborative, and able to understand and work across multiple commercial disciplines. Recognized leaders in this area are already reaping the benefits by significantly increasing revenue and ancillary sales.

More than ever, travel companies have the tools for success. But it will require dropping vestiges of past organizational structures and mindsets to realize their full potential.

Scot Hornick

is a Dallas-based partner in Oliver Wyman's transportation and services practice and the pricing, sales, and marketing practice.

Jessica Stansbury

is a Washington, DC-based partner in Oliver Wyman's pricing, sales, and marketing practice and the transportation and services practice.

Jatin Goradia

is a New York-based partner in the digital practice and the transportation and services practice at Oliver Wyman.

Alex Hill

is a Chicago-based principal in Oliver Wyman's transportation and services practice and pricing, sales, and marketing practice.

This article first appeared in Forbes on September 27, 2019.