Phocuswright White Paper

Identifying Early Adopters for Emerging Digital Travel Services

Cognizant

Written and Researched by
Julien Beresford and Norm Rose

Phocuswright

Phocuswright thanks ***Cognizant*** for
Identifying Early Adopters for Emerging Digital Travel Services.
Without their active support, this research would not have been possible.

About Cognizant Travel & Hospitality

A leader in travel and hospitality consulting, Cognizant has developed the Cognizant Travel Ribbon® as a tool to assist airlines and other industry players in broadening their thinking about when and how to engage with customers. Cognizant defines the Travel Ribbon by eight essential stages of the overall travel experience, including: 1) Inspiration, 2) Planning, 3) Booking, 4) Purchase, 5) Pre-trip, 6) Departure, 7) In-flight and 8) Post-trip. Learn more at: http://www.cognizant.com/travel-hospitality and http://www.cognizant.com/InsightsWhitepapers/own-the-travel-ribbon-for-ultimate-customer-engagement.pdf.

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An Introduction from Cognizant

Cognizant

Three Ways to Get Closer to Your Customers

By Micah Friedman, Cognizant Technology Solutions

Early adopters are key to the travel industry for one important reason: They like to connect. That is, early adopters are always looking for new ways to engage with their favorite brands.

For travel industry companies, the challenge is to create more enduring connections with these technology-obsessed customers -- or risk greater disintermediation and disruption.

How can travel providers get closer to their fastest moving customers? Cognizant identifies three key opportunities among the results of the Cognizant Travel Survey:

1. **Create stronger, more vibrant connections between virtual and real experiences.** Customers are already satisfied with their booking, research and destination experiences. Our survey findings reveal travel providers can bring that same level of satisfaction to the hotel or transportation experience by capitalizing on consumer reliance on mobile apps and devices. Travel intermediaries have been disruptive in this regard, but providers have the end-to-end control to add a more vibrant texture to the virtual experience.
2. **Target early adopters with engagement strategies that focus on new technologies.** Digital natives are leading indicators for travel consumers, and they're attracted to every new technology they can get their hands on, from smartphones to wearables. They want a frictionless customer experience that captures convenience and simplicity. The message for travel providers? Prioritize engagement strategies that go beyond new apps or technology initiatives and instead focus on keeping customers' attention and consistently engaging them.
3. **Better understand and serve the crossover traveler.** However your organization refers to crossovers – and they go by many names, including frequent business traveler and managed traveler – the key takeaway about them is their willingness to embrace digital technology. Yet their early-adopter status also presents a risk for travel providers because it invites digital disruption. Figuring out the crossover traveler is imperative to staving off disintermediation. Cognizant can help you understand your customers' journeys, engage them more vibrantly, and create the easy planning and booking experience they increasingly demand.

We hope your review of the Cognizant Travel Survey findings helps your organization sharpen its industry point of view and develop a customer-engagement strategy that simultaneously differentiates and generates ever-increasing business value.

Micah Friedman

Micah Friedman is Senior Director and Consulting Leader, Travel and Hospitality Practice, Cognizant. He leads transformations and creates strategies for global hospitality companies. His areas of expertise include hospitality/enterprise architecture, customer experiences, and process optimization.

About Phocuswright

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States and Europe, and partners with conferences in China and Singapore. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

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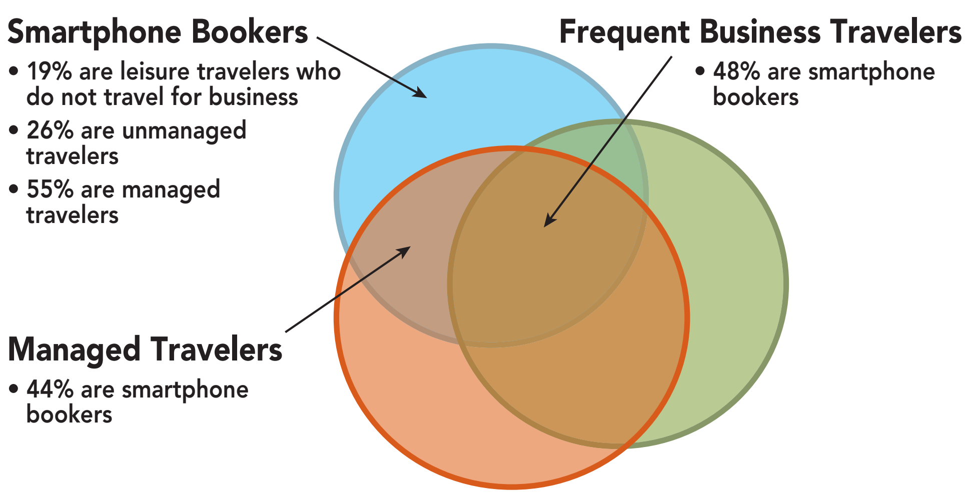
Written and Researched by Julien Beresford and Norm Rose

Introduction

Who is the early adopter and what are their expectations?

Whether you are a travel supplier or intermediary, understanding early technology adopters is essential for developing a comprehensive marketing strategy. Early adopters often represent a travel company's best customers and exhibit early behavior which, in time, will likely become mainstream. Phocuswright recently completed a study aimed at understanding the latest trends in U.S. consumer leisure booking behavior and experiences. The findings revealed that early adopters embrace emerging technology and services across the entire travel life cycle – from travel discovery to shopping, booking and throughout the actual travel experience. Our research identified three interrelated early adopter segments in respect to their leisure travel behavior: (1) Frequent Business Travelers, (2) Managed Business Travelers, and (3) Smartphone Bookers. These are not standalone segments, as members of each may also be part of the other segments. Figure 1 describes these three early adopter segments, illustrating their overlap.

FIGURE 1: ***Early Adopters***



Question: How would describe your company's travel program? Select the choice that best applies.
Base: 1,017
Source: *Cognizant Traveler Survey*

Frequent Business Travelers

Often, travel companies place segments such as frequent business travelers in a silo as part of a separate business travel strategy. But segregating your business and leisure travelers may be the wrong approach. This study reveals that frequent business traveler behavior spills over to leisure travel practices. This is true both for travelers who work for companies with defined travel policies (e.g., corporate travelers), as well as unmanaged business travelers.

Managed Business Travelers

Common wisdom may have you believe that travelers who must adhere to policies when traveling on business may be slower to adopt new technology and services due to the restrictions imposed by corporate travel policy. Our research uncovered just the opposite, illustrating that managed business travelers are early adopters of new technology and services.

Smartphone Bookers

An important discovery from our research is the identification of an additional early adopter segment that we are labeling "Smartphone Bookers." There is significant overlap between Smartphone Bookers, Frequent Business Travelers and Managed Business Travelers. The Smartphone Booker segment consists of managed travelers (55%), unmanaged travelers (26%) and leisure-only travelers (19%). These Smartphone Bookers clearly demonstrate overall early adopter characteristics, including the purchase of wearables, the willingness to embrace new digital services and experiences using alternative shared-service options for ground transportation and lodging. The research suggests a shift in thinking for the travel marketer. Rather than simply measuring smartphone bookings as a growing new channel, travel companies should target this segment as true early adopters, offering them new services and products across the travel journey.

Learning from the Early Adopters

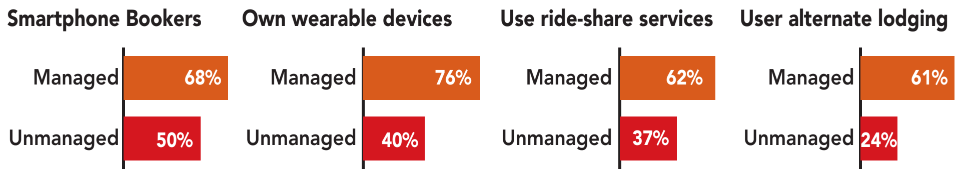
This section takes a closer look at the types of travelers who make up the early adopters.

The Business Traveler

All stakeholders in the travel value chain understand how important frequent business travelers are to their company's bottom line. The ways in which their business travel behavior is carried over to the leisure travel segment, however, is often overlooked. This may sound overly simplistic, but the fact remains that airlines, hoteliers, car rental companies – as well as travel intermediaries – often treat frequent business travelers just like any other leisure customer, rather than recognizing their early adopter behavior.

Interestingly, managed business travelers have an even higher incidence of early adopter behavior compared to unmanaged business travelers. For example, managed travelers are more likely to book on mobile, own wearable devices and use alternative transportation and lodging.

FIGURE 2: ***Frequent Business Travelers***

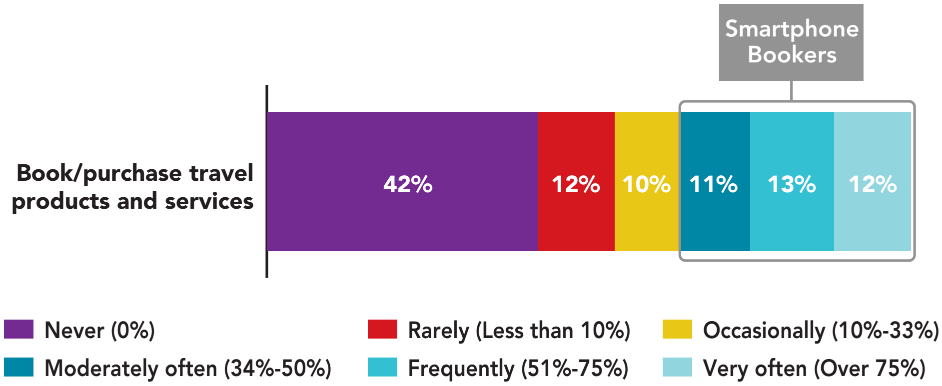


Question: How would describe your company's travel program? Select the choice that best applies.
Base: 1,017
Source: *Cognizant Traveler Survey*

The Smartphone Booker

Smartphone Bookers are those who book/purchase travel products on their smartphones either moderately, frequently or very often. Smartphone Bookers represented 36% of the sample (518 out of the 1,440 respondents who answered this question).

FIGURE 3: ***Smartphone Bookers***



Question: When you engage in these travel activities, how often do you use your smartphone?
Base: Range from 618 to 1,440
Source: *Cognizant Traveler Survey*

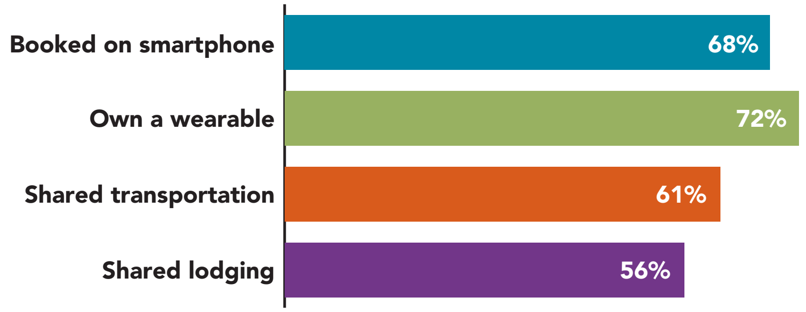
Travelers who have booked travel on smartphones are early adopters for emerging tech (e.g., wearables) and sharing economy alternatives. This finding is significant, as most travel companies view smartphone bookers as simply an emerging revenue channel. By treating Smartphone Bookers as a separate segment, travel suppliers and intermediaries can experiment with offering new services to this segment before releasing them to the mainstream market.

Generational shifts

It was not surprising that our research also reinforced previous research findings (e.g., *Phocuswright's U.S. Consumer Travel Report Seventh Edition*) that younger segments demonstrate different travel behavior. Millennials (18-34) are more likely to embrace new technology. The following compares the sample of millennials versus the other age groups. Millennials:

- Had a higher incidence of booking travel on their smartphone (68% vs. 26%).
- Nearly three quarters own wearable devices (72% vs. 25%).
- A majority used a ride-share service (61% vs. 21%).
- A bit over half of millennials used alternative lodging (56% vs. 17%).

FIGURE 4: ***Millennials***



Question: When you engage in these travel activities, how often do you use your smartphone? (Base: 1,440)
Question: Do you own any wearable devices (e.g., smart watch, fitness tracker, smart glasses)? (Base: 2,001)
Question: Have you ever used a ride-sharing service such as Uber or Lyft? (Base: 2,001)
Question: Have you used Airbnb/HomeAway/FlipKey or a similar channel for your lodging in the last 12 month? (Base: 2,001)
Source: *Cognizant Traveler Survey*

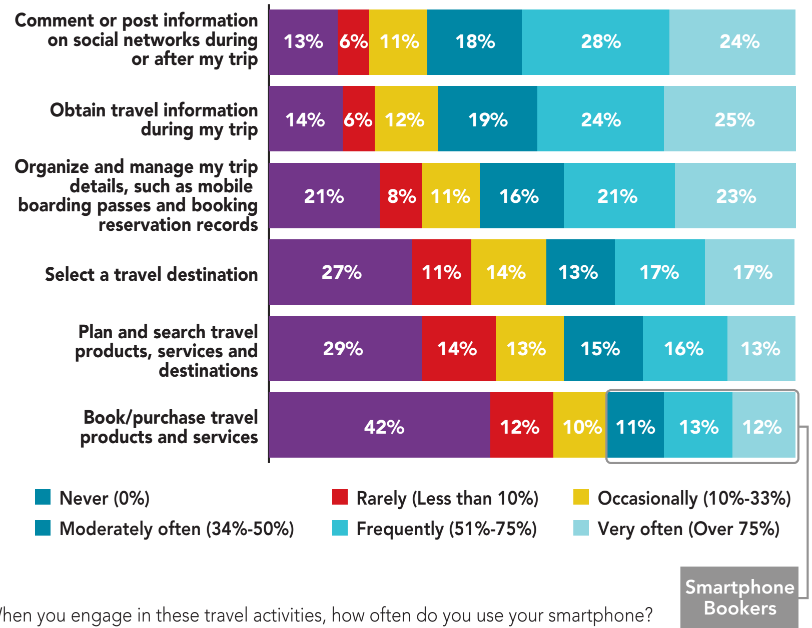
Leisure traveler smartphone behavior

Smartphone behavior is impacting every stage of the travel process. A majority of leisure travelers use their smartphones at least occasionally to:

- Book/purchase travel products and services (46%).
- Organize and manage their trip details, such as mobile boarding passes and booking reservation records (71%).
- Plan and search travel products, services and destinations (56%).
- Booking is on the rise, as 36% of leisure travelers have moderately, frequently or very often booked/purchased travel products on their smartphones. This represents an early adopter segment to target for new services.

Again, we found that Frequent Business Travelers are significantly more likely to do all of these activities on their smartphones.

FIGURE 5: ***Smartphone Behavior***



Question: When you engage in these travel activities, how often do you use your smartphone?
Base: Range from 618 to 1,440
Source: *Cognizant Traveler Survey*

Reducing Travel Friction

Technology can play an important role in reducing friction throughout the entire travel process. So what needs to change before mainstream users take on the behavior of the early adopters? What are the areas of most friction and how can technology help improve the travel process? Our research looked at the entire travel journey including: inspiration; planning; booking and purchasing; pre-trip; embarking; and post-trip. Cognizant calls this cycle the Travel Ribbon.

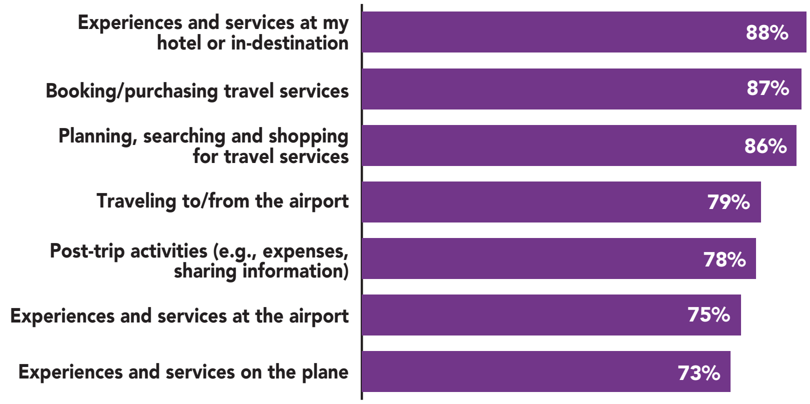
In general, there is a high level of satisfaction throughout the journey process, with the following exceptions:

- Satisfaction drops at the airport and on the plane.
- Services at the hotel or in the destination, as well as post-trip activities, are areas that could be improved.
- Travelers with managed travel programs and Frequent Business Travelers are significantly less likely to be "somewhat"/"very" satisfied. As these two groups represent early adopters, travel companies need to identify areas of friction that cause dissatisfaction, and use mobile technology to help communicate and enhance the experience.

FIGURE 6: ***The Cognizant Travel Ribbon®***

Source: Cognizant
Note: Cognizant has developed the Cognizant Travel Ribbon® as a tool to assist airlines and other industry players in broadening their thinking about when and how to engage with customers. Cognizant defines the Travel Ribbon by eight essential stages of the overall travel experience. Learn more here.

FIGURE 7: ***Traveler Satisfaction***



Question: Please indicate your level of satisfaction for each stage of the travel process. (Top 2 box scores)
Base: Range of 1,778 to 1,906
Source: *Cognizant Traveler Survey*

Researching Leisure Travel

Online travel agencies are most likely to be used when researching leisure travel (41%), while brand websites are also used frequently, but at a lower rate (27%).

FIGURE 8: *Researching*

Question: When researching leisure travel, which of the following types of websites or mobile apps do you prefer most? Select one.
Base: 2,001
Source: *Cognizant Traveler Survey*

The Internet has revolutionized travel research, shopping and booking. As a result, leisure travelers are generally satisfied with this part of the travel process. More attention needs to be given to the ability to seamlessly shop across multiple platforms, as more than half of the respondents reported problems with cross-device travel planning. The emergence of smartphones is creating a new opportunity to improve the remaining part of the travel experience, as these powerful portable computers have become essential travel companions. The opportunity is clear: Smartphones provide the connectivity to the traveler during the actual trip, and thus are essential tools for improving communication and enhancing the travel experience.

Leisure travelers want a more personalized experience that better fits their preferences. As overall e- and m-commerce embrace personalization, travel companies will be expected to understand their customers' needs and provide content that better matches those needs.

FIGURE 9: ***Planning and Searching***

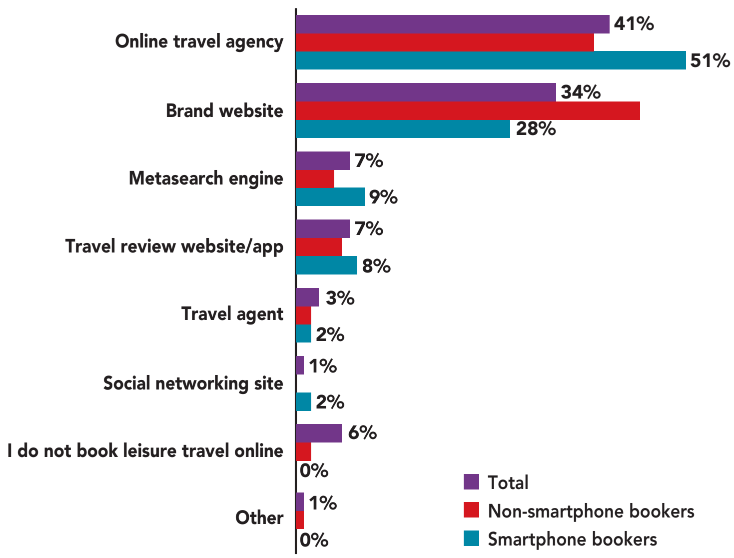
Question: For the selection you made in the previous question, please indicate how much you agree or disagree with the following statements concerning your experience planning and searching for travel services online or on your mobile device. (Top 2 box scores)
Base: 1,884
Source: *Cognizant Traveler Survey*

Booking Leisure Travel

We asked the leisure traveler which websites or mobile apps they prefer when booking travel. The results showed that 41% preferred booking travel with online travel agencies (OTAs) while 34% preferred branded websites. For Smartphone Bookers, a clear preference for OTAs was evident, with 51% preferring OTAs. Non-smartphone bookers showed a higher booking tendency for branded sites (45%), which should raise some concerns for the suppliers. As more bookings move to mobile, OTAs' share of bookings is set to increase, as the OTAs are winning the battle for the early adopters.

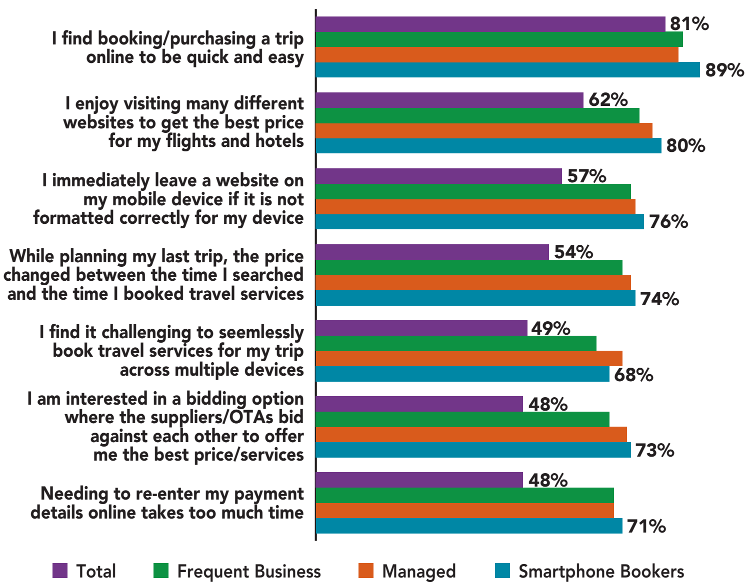
Despite advancements in mobile interfaces, improvement is still needed. When asked about friction in the booking process, about a third of the respondents were not satisfied with having to re-enter payment details, highlighting the need to simplify the payment process, especially as the market moves to mobile devices. The survey also uncovered continued traveler frustration with rapid price fluctuations, as a majority of respondents stated that the price changed between searching and booking. This sentiment was high-

FIGURE 10: ***Booking***



Question: When booking leisure travel, which of the following types of websites or mobile apps do you prefer most? Select one.
Base: 2,001
Source: *Cognizant Traveler Survey*

FIGURE 11: ***Online Booking***



Question: Please indicate how much you agree or disagree with the following statements concerning your experience booking/purchasing travel services online or on your mobile device. (Top 2 box scores)
Base: 1,886
Source: *Cognizant Traveler Survey*

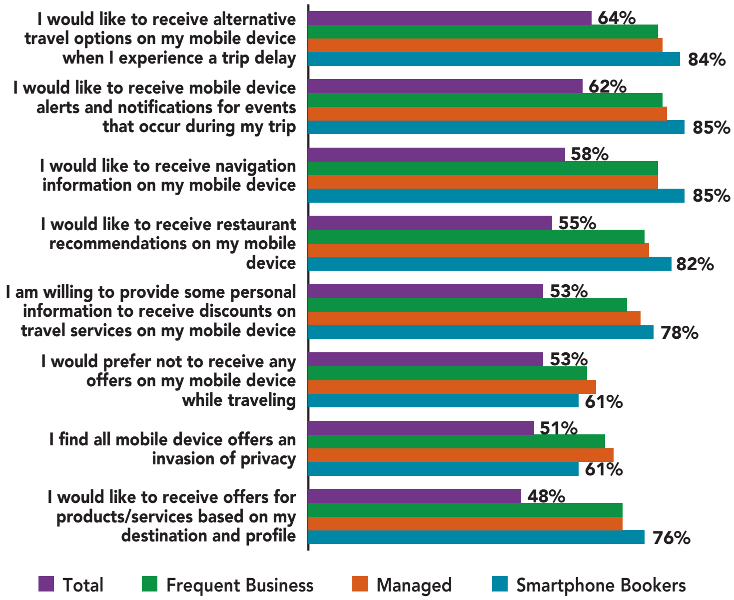
er among early adopters, who likely do even more shopping on their mobile devices and are thus more prone to experience prices changing between shopping and booking.

At Airport and In-Flight

The survey showed a drop in satisfaction once the trip begins and the traveler arrives at the airport. This represents a major opportunity for the travel industry to improve the actual travel experience.

The key is to use mobile technology to improve the communication with customers. Two thirds of travelers would like to receive alternative travel options when they experience a trip delay (64%), and alerts and notifications for events that occur during their trip (62%), via their mobile devices. Whether it is to deal with travel disruptions or simply provide guidance or navigation, travelers are very open to receiving relevant messages on their smartphones if it helps them during the journey.

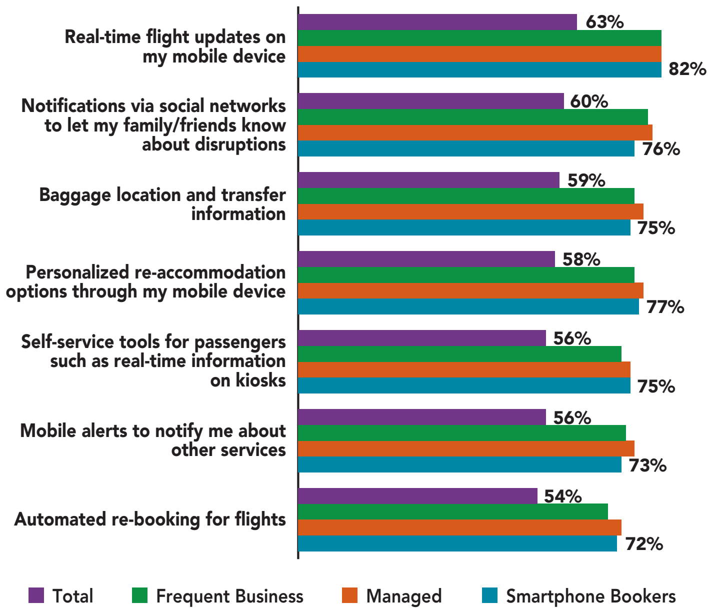
FIGURE 12: ***Airport Services***



Question: Please indicate how much you agree or disagree with the following statements about services at the airport and at the destination delivered on your mobile device. (Top 2 box scores)
Base: 1,886
Source: *Cognizant Traveler Survey*

When viewed from an early adopter perspective, communications at the airport – especially during times of disruption – are crucial touchpoints for travelers. Travelers generally want real-time flight updates. In fact, three fifths of travelers report being "very" or "extremely" satisfied being provided real-time flight updates on mobile devices (63%), notifications via social networks about disruptions (60%), and baggage location/transfer information (59%). Again, these percentages were significantly higher for Frequent and Managed Business Travelers, and Smartphone Bookers.

FIGURE 13: ***Airline Services***



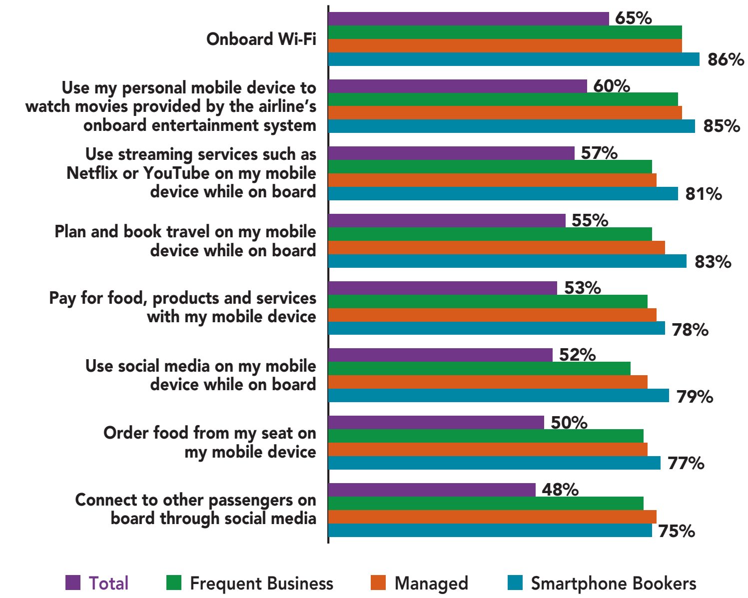
Question: How satisfied are you with the following services offered by your airline during disruptions (delays, cancellations caused by mechanical problems, crew issues or unavoidable weather such as extreme rain, snow, etc.)? Please use a scale from 1 to 5, where "1" is "Not at all Satisfied" and "5" is "Extremely Satisfied." (Top 2 box scores)
Base: 2,001
Source: *Cognizant Traveler Survey*

Early adopters (Frequent and Managed Business Travelers, Smartphone Bookers) expressed a much higher level value for connectivity and entertainment options delivered on board the aircraft. In every category of emerging wireless service, the early adopter valued these services 20-25% higher than the overall response. This was particular true of Smartphone Bookers, who had the highest scores in each service category.

Ground Transportation

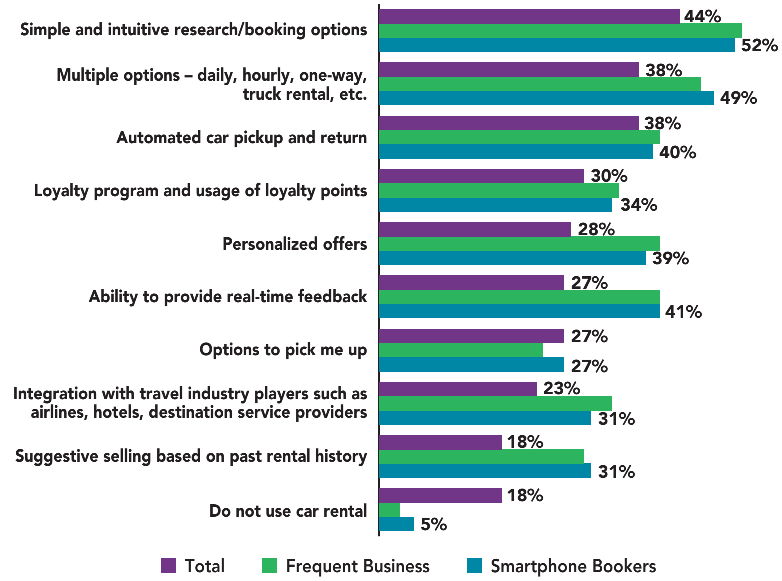
Leisure travelers want a simple, intuitive booking process for car rentals. About a third (38%) want multiple rental options and automated pick-up and return of the vehicle. As with the other categories, the percentages were significantly higher for Frequent Business Travelers and Smartphone Bookers. Interestingly, Managed Travelers rated a bit higher for "suggestive selling" and personalized offers, indicating that this group is influenced by personalization techniques even though they normally travel under specific company guidelines.

FIGURE 14: *In-Flight Services*



Question: Please rate how valuable you find the following services while on an airplane. (Top 2 box scores)
Base: 2,001
Source: *Cognizant Traveler Survey*

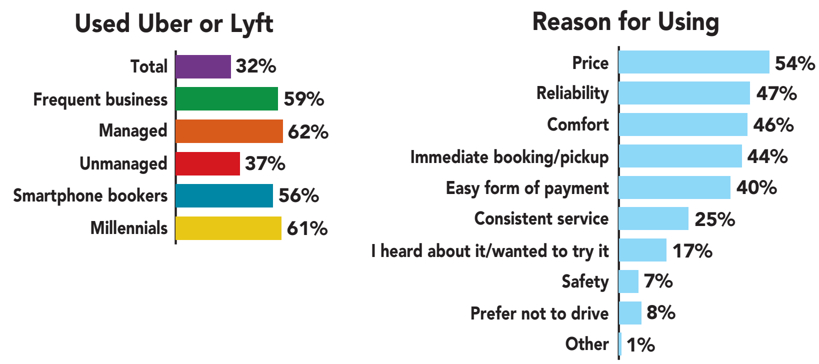
FIGURE 15: *Car Rental Services*



Question: Which services from a car rental company (e.g., Hertz, Budget, Avis, etc.) do you find of value? Please select all that apply.
Base: 2,001
Source: *Cognizant Traveler Survey*

A significant percentage of respondents (32%) have used ride-sharing services such as Uber or Lyft. Frequent Business Travelers (59%), Managed Travelers (62%) and Smartphone Bookers (56%) cited a higher level of usage of ride-sharing services.

FIGURE 16: ***Ride-Sharing Services***

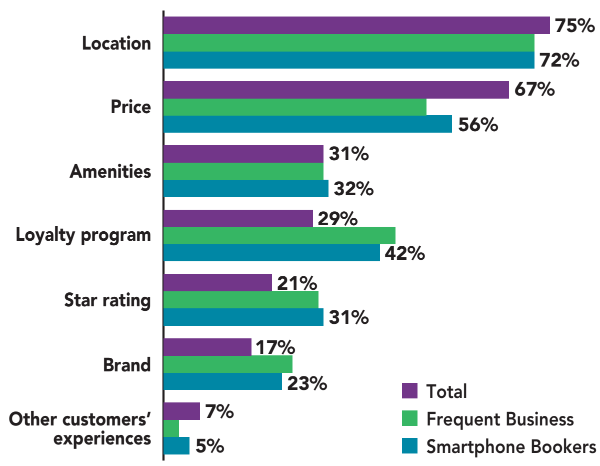


Questions: Have you ever used a ride-sharing service such as Uber or Lyft? Which of the following best describes why you use a service such as Uber or Lyft? Please select all that apply.
Base: 2,001 (all); 641 (ride-share service users)
Source: *Cognizant Traveler Survey*

For those that have used these services, price (54%) is the driving factor. The survey also found that younger travelers, millennials between 18-34 years old are significantly more likely (61%) to have used a ride-sharing service.

Lodging

FIGURE 17: ***Lodging Selection***



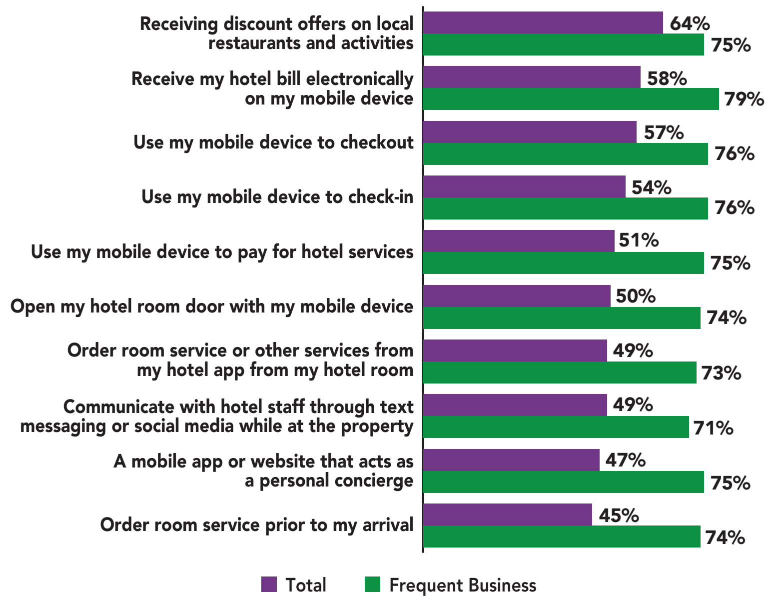
Question: When choosing lodging, what is your primary reason for selecting a property? Select up to three.
Base: 2,001
Source: *Cognizant Traveler Survey*

It was not surprising to find that location and price are the primary reasons for selecting a lodging property. Also not surprising is the fact that Frequent Business Travelers and Smartphone Bookers cited loyalty, star rating and brand significantly more often.

There is a strong interest among travelers in receiving discounts on local services. Three fifths of travelers would like to receive discount offers on local restaurants or activities (64%). The majority of travelers would also like to see greater automation of hotel services. At least half want to use their mobile device to receive bills (58%), check-in (54%), checkout (57%), pay for hotel services (51%), and open their hotel room door (50%). Again, these percentages are significantly higher for Frequent and Managed Business Travelers, and Smartphone Bookers.

Though less than a third of travelers have used Airbnb, HomeAway, FlipKey or a similar channel for lodging, there was a clear difference with younger travelers and Frequent Business Travelers. Younger travelers (those under 45) are significantly more likely to have used Airbnb/ HomeAway/FlipKey. Frequent Business Travelers are twice as likely to have tried alternative lodging (55%), and Managed Business Travelers are even more likely to have done so (61%).

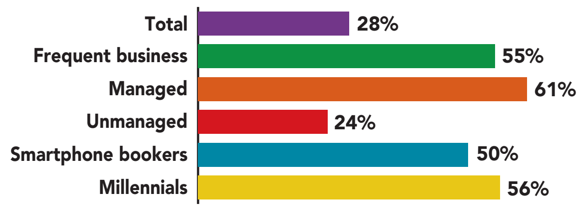
FIGURE 18: ***Lodging Services***



Question: Please rate how valuable, if at all, you find the following services at your place of lodging: (Top 2 box score, excluding "n/a")
Base: 2,001
Source: *Cognizant Traveler Survey*

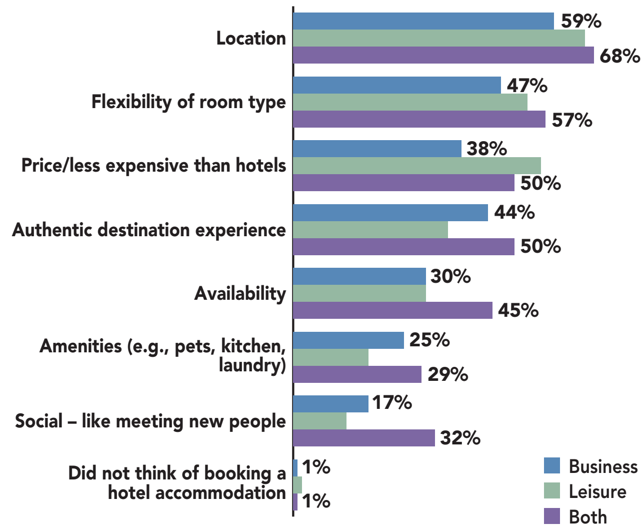
Location and flexibility of room type are the main reasons for selecting alternative lodging across trip types, when alternative lodging was used. Price is significantly less a factor for business trips (38%) compared to leisure or combination trips.

FIGURE 19: ***Alternative Lodging***



Question: Have you used Airbnb/HomeAway/FlipKey or a similar channel for your lodging in the last 12 months?
Base: 2,001
Source: *Cognizant Traveler Survey*

FIGURE 20: ***Reasons for Selecting Alternative Lodging***

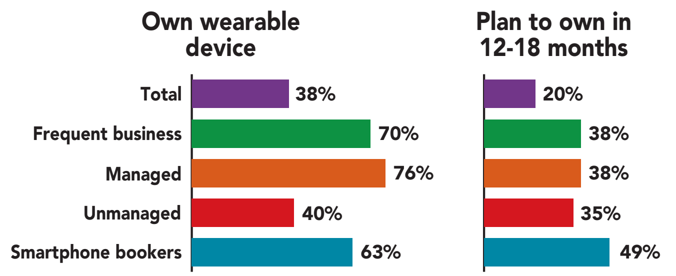


Questions: Was your trip using Airbnb/HomeAway/FlipKey or a similar channel for business, leisure or both? Which of the following best describes why you selected Airbnb/HomeAway/FlipKey or a similar channel as opposed to a traditional hotel accommodation? Select all that apply.
Base: 641
Source: *Cognizant Traveler Survey*

Emerging Technology

Two fifths of travelers (38%) currently own a wearable devices; of those who don't, only a fifth (20%) plan to buy one in the next 12-18 months. It is important to note that 70% of frequent business travelers own a wearable device. Smartphone Bookers showed the highest intent (49%) to purchase a wearable over the next 12-18 months.

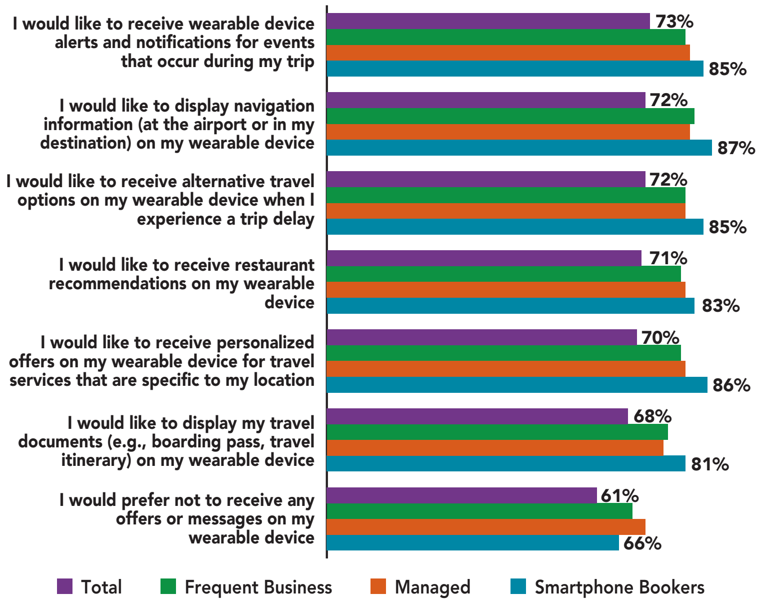
FIGURE 21: ***Wearable Devices***



Questions: Do you own any wearable devices (e.g., smart watch, fitness tracker, smart glasses)? Do you plan on buying a wearable device within the next 12-18 months?
Base: 2,001 (all); 1,246 (non-owners)
Source: *Cognizant Traveler Survey*

Travelers with wearable devices agree (slightly or strongly) that they would like to receive a variety of offerings delivered to their device, with alerts and notifications for events occurring during their trip being the most preferred types of messages. All the percentages were significantly higher for Frequent and Managed Business Travelers, and Smartphone Bookers.

FIGURE 22: ***Services on Wearable Devices***



Question: Please indicate how much you agree or disagree with the following statements about services at the airport and in your destination delivered on your wearable device. (Top 2 box scores)
Base: 999
Source: *Cognizant Traveler Survey*

Summary

With the rapid pace of technological change, it seems nearly impossible to predict the future. There is a core group of early adopters in the travel industry who are embracing new technology, demanding digital services and embracing alternative ground transportation and lodging. These early adopters represent some of the best customers in the industry, as many are frequent business travelers. Sharing economy transportation and lodging alternatives are having a big impact on both frequent unmanaged and managed business travelers, and are influencing these groups when they book leisure travel.

By viewing those travelers who are currently booking travel on their smartphone as an early adopter group, travel companies have a great opportunity to explore new communication and service options to fine-tune these services before they become mainstream. The greatest opportunity to reduce friction in the travel process begins at the airport, and continues through the hotel and in-destination experiences.

Appendix

Methodology and Survey Sample

Methodology

Online survey of 2,000 U.S. travelers, including:

- Air travelers (at least 1,000, of whom 484 are frequent air business travelers)
- Hotel travelers (at least 1,000, of whom 496 are frequent hotel business travelers)
- Respondents were sourced through Global Market Insite (Bellevue, WA), and the survey was fielded over two weeks (October 15-28, 2015)

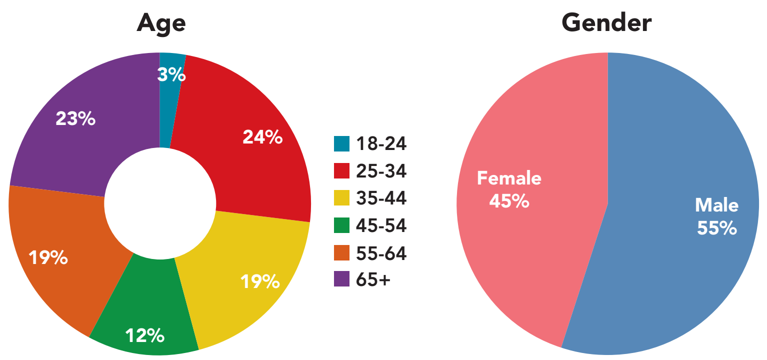
Survey Sample

- Two thirds of travelers have taken 1-3 leisure trips in the last 12 months
- Half of travelers are categorized as "leisure-only," and a third are "Frequent Business Travelers" (with 4+ overnight trips)
- Of those traveling for business, two thirds say their company has travel policies and preferred suppliers (e.g., "Managed Travelers")

Demographics

Respondents were evenly split across most age groups with the exception of a lower representation of 18-24-year-olds. The sample was fairly evenly split on gender.

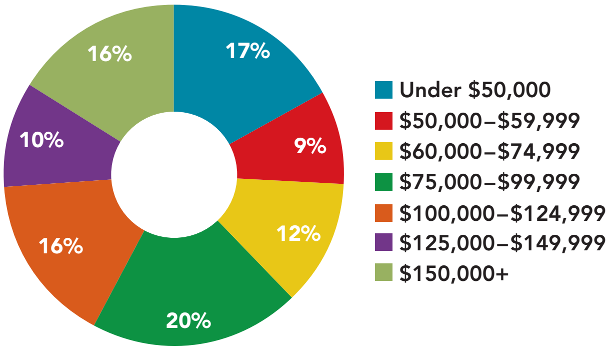
APPENDIX 1: ***Age & Gender***



Questions: How old are you? What is your gender?
Base: 2,001
Source: *Cognizant Traveler Survey*

Traveler incomes are well-distributed across income breaks:

APPENDIX 2: ***Annual Household Income***



Question: Please indicate your annual household income.
Base: 2,001
Source: *Cognizant Traveler Survey*

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