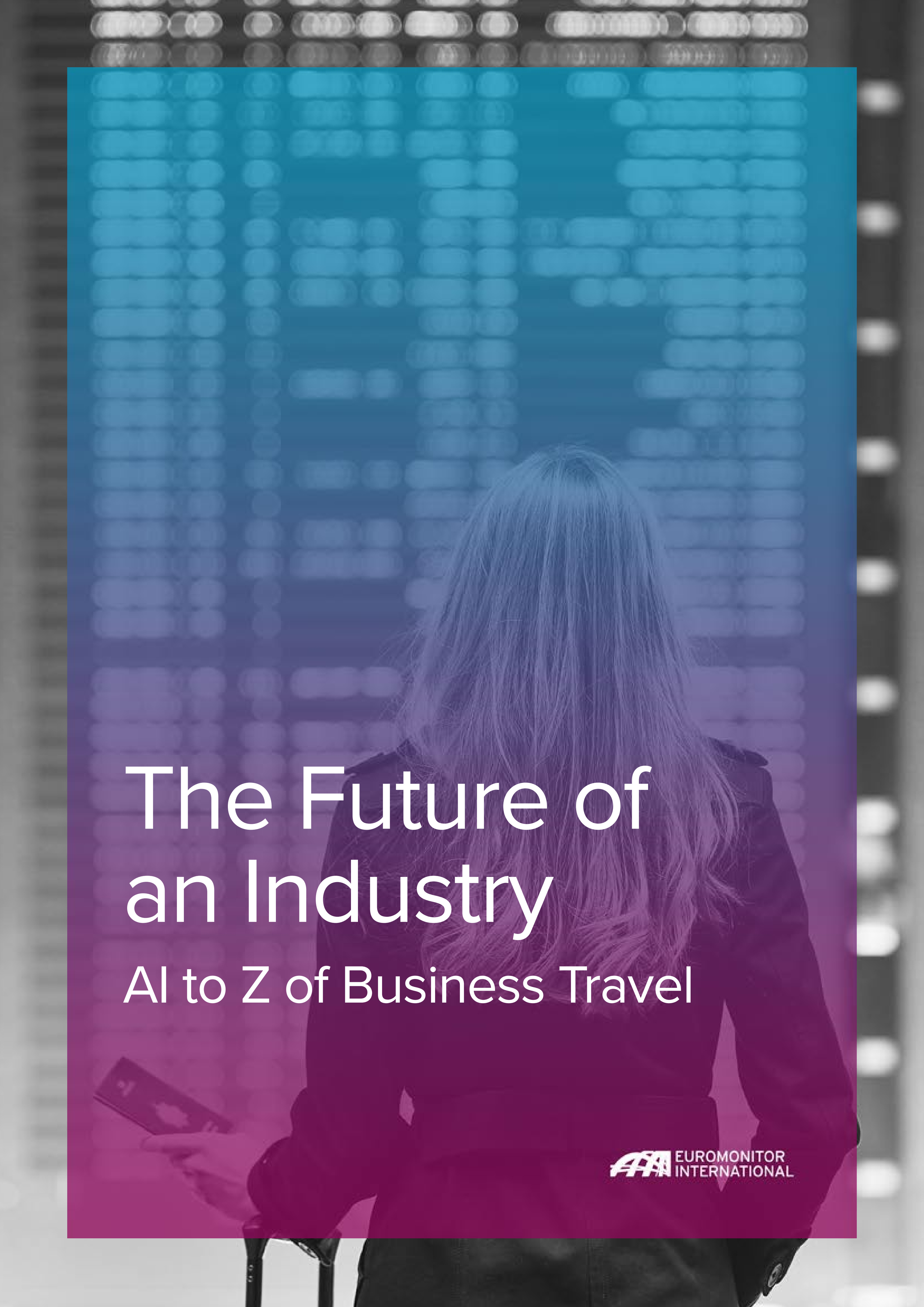

The Future of an Industry

AI to Z of Business Travel

EUROMONITOR INTERNATIONAL

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AN EXTRACT FROM THE REPORT

AI to Z of Business Travel

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Business travel is ripe for a shake-up, with low-cost carriers and short-term rentals already muscling in. Business travel has the potential to become highly automated because it is a more frequent activity, whereby brands can deliver and improve on the product and service thanks to big data and AI. This report extract looks at how all travel brands need to consider business travel through a digital, consumer-centric lens to avoid losing out to disruptive forces.

INTRODUCTION

Business travel, like many other markets, is ripe for disruption. We are already seeing signs of change with the sharing economy, and budget brands such as low-cost airlines and budget hotels muscling in. Stephen Kaufer, CEO of TripAdvisor, pointed to a future where business travel could become highly automated, more so than leisure travel, because it tends to be a more frequent activity. This will allow for brands to collect additional data on preferences through big data and applying algorithms.

The travel industry is wondering what exactly will change and what will remain the same when looking at the high value spending business traveler; are they so different from leisure travellers in this new world? In this report extract, we will dig further into the AI to Z of business travel, looking at the business model and opportunities for innovation in automation.

Key Findings

Workplace in flux	How to play in a connected world
Changing face of business travellers	Don't believe the hype
Is business travel broken?	The future is what you make it

Source: Euromonitor International

Workplace in flux

The global workplace is experiencing the so-called Fourth Industrial Revolution, with many jobs susceptible to automation. This trend is disrupting the travel industry, in turn disturbing the workplace and, by extension, changing the needs of business travellers.

Changing face of business travellers

Business travellers will be more diversified in terms of nationality, age and gender, and—combined with the greater flexibility of the gig economy—many norms will fall by the wayside. Generation Y will pave the way for ubiquitous digital connectivity.

Is business travel broken?

Corporate business travel has been slower to modernise, held back by legacy issues over compliance. Yet threats are multiplying as leisure brands offering "for business" solutions muscle-in.

How to play in a connected world

The future fight for business travel will take place at the intersection of search, booking, real-time services plus payments and loyalty, moving towards singular integration, as exemplified by trip planning apps from SaaS and GDS players.

Don't believe the hype

There is a myriad of new technologies, such as voice-enabled AI, emotion recognition software and biometrics that brands can leverage. The danger is not to lose sight of providing a seamless, enhanced user experience at each touchpoint.

The future is what you make it

Business travel will be increasingly automated, but conversely the service will become personalised—tailored offerings based on stored preferences and even DNA profiling, with custom website browsing, unique pricing and payments.

WORK DISRUPTED

The workplace has always been a tough environment and it is set to become even more competitive. The need to drive down costs and increase efficiencies will redefine the nature of jobs and the workplace, which will all impact how travel brands target and engage with business travellers.

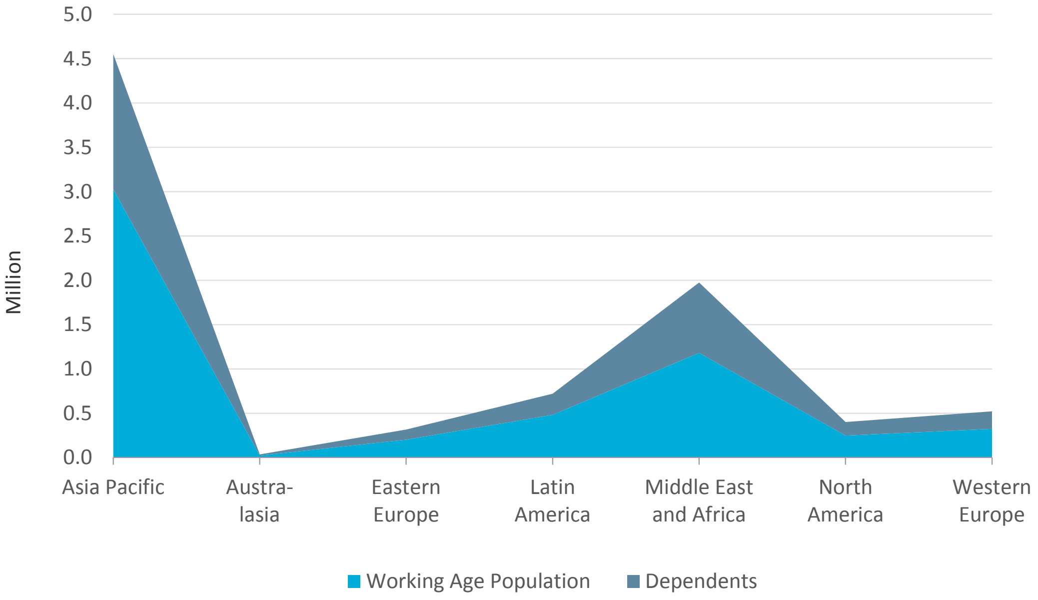
There are currently 15 trillion dollars of current activities that could be automated.

By 2030, 64% of the population will fall within the working age bracket of 15–64 years. Europe is will feel the impact of an ageing population, and will see a decrease in the number of those available to work, whereas all other regions will see an increase in actual terms. The latest forecasts point to a slowdown in the global economy in terms of GDP with the global unemployment rate expected to rise to 5.9%.

However, demographic shifts will help diversify the workforce. By 2030 there will be almost 1 billion people aged over 65, and 2 billion under 14, compared with 5.5 billion working age people. The dependency ratio worldwide will increase to 55% in 2030, up from 53% in 2016, meaning the working population will have more non-working people to support, whether young or old.

The biggest stresses will take place in North America and Eastern Europe; however, no region will be immune, with Asia Pacific set to see a strong increase in the older age bracket. The Middle East and Africa will see the sharpest increase in the number of women of working age by 2030, indicating that there is great potential within the female business demographic. On the other hand, Western and Eastern Europe will see declines in their female working age population. With the population across the globe ageing, it will be important to see work as age-agnostic. More people are now expected to work past the official retirement age and embark on second careers.

Working Population vs. Dependents, 2030

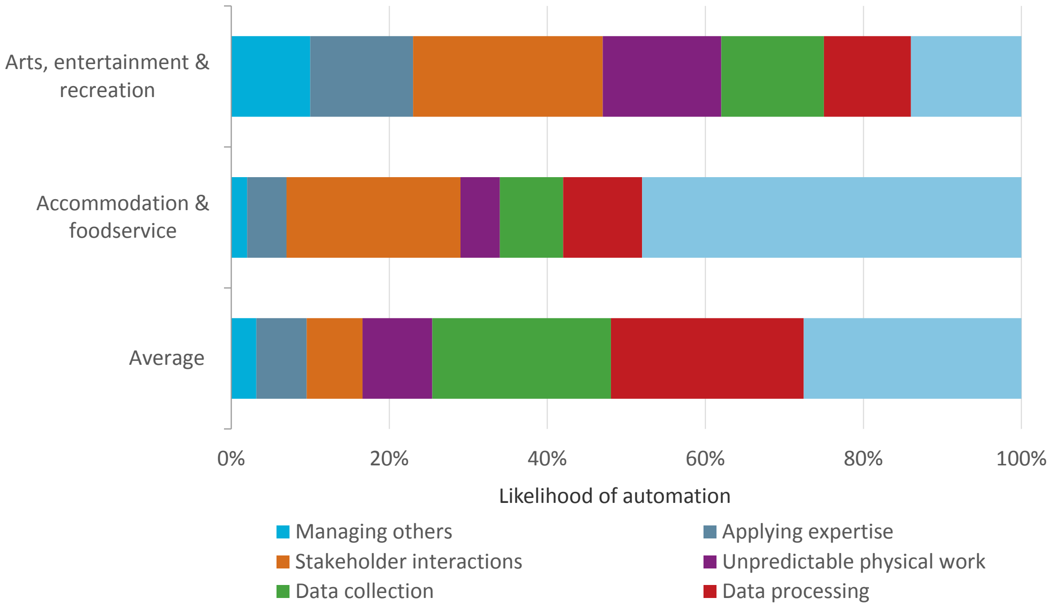


Source: Euromonitor International

However, with more people unshackling from long-term, fixed work to juggle multiple income streams, the degree of job insecurity is set to rise. This will reduce the ability of consumers to plan / save for the future, as well as develop a financial safety net, which is likely to lengthen the duration of how long people will work. With AI and automation disrupting the labour market, the gig economy offers individuals a way to focus on skills that are not easily replicated, such as empathy, critical thinking and creativity.

Due to automation, office jobs, along with manufacturing, will see their shares eroded, and the skill sets that we take for granted today will no longer be as prevalent. But jobs driven by business services, including IT and analytics will thrive. AI and automation will initially be best-suited for simple, repetitive tasks, leaving more complex multitasking to humans.

Potential for Automation in the US



Source: McKinsey Global Institute, 2017

Case study: The gig economy

> The travel industry already plays gig master to short-term rental hosts such as Airbnb, the drivers active in the ride / car-sharing world of Uber and Lyft and eating and touring with locals, offering a variety of individual and colourful experiences.

Travel prides itself on its job creation capabilities but automation raises serious questions about how high- and low-level routine jobs will be negatively impacted. Front-of-house operations, such as check-in and concierge, have already transitioned towards self-service, especially in the budget segment for hotels and airlines.

For budget brands, automation is a necessity to drive efficiencies, and can potentially lead to a race to the bottom. Taken to the extreme, this leads to a fully-automated travel brand that operates without any human intervention. At the same time, luxury brands need to balance the demands of their high-paying guests who are wired up with the latest gadgets to provide a high-touch, high-tech service that flows seamlessly to provide a personalised service that merits the price tag.

Overall, the loss of hospitality jobs is likely to be slow and long drawn out. The US Bureau of Labor Statistics estimates that over 2014–2024, there will be continued growth in the number of salaried jobs in leisure and hospitality, which accounts for 10% of the US workforce, but the rate of growth will be 2.5 times less than in the previous decade. Marriott alone employs over 200,000 associates worldwide, and the challenge will be maintaining a sustainable approach to job creation versus automation to strike the right balance.

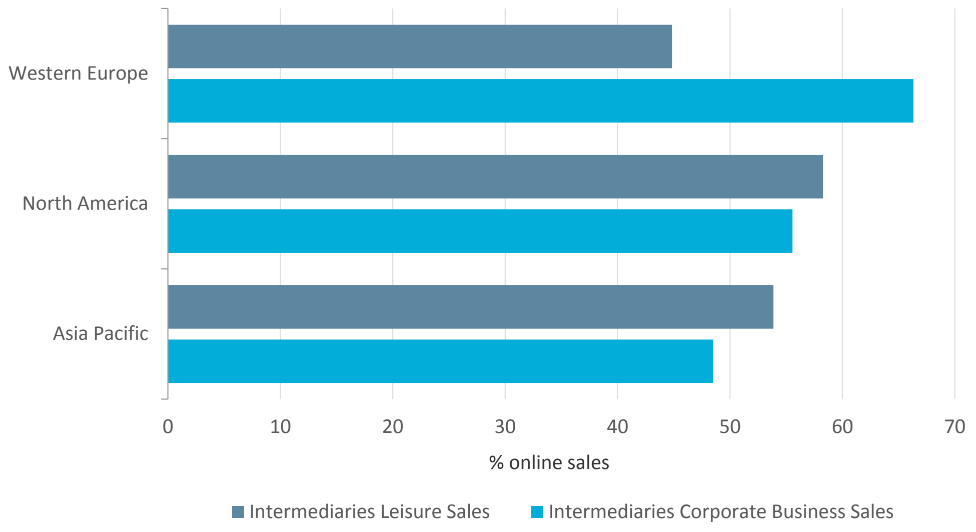
BREAKING DOWN BUSINESS TRAVEL IN 2017

Is the business travel model broken?

The whole travel industry continues to undergo digital transformation but the corporate business travel market has been slower than leisure travel to move online. The traditional view is that employers that working with a corporate travel agent helps to reduce costs, drives efficiencies and ensures that travel policies are complied with. In key regions such as North America and Asia, percentage online penetration for business travel trails leisure. However, Western Europe has moved online for corporate business travel more so than leisure, which struggles with fragmentation in key markets such as Italy and France.

However, online adoption has been expedited thanks to the smartphone, which is a game-changer for business travel. Connected business travellers now have access to real-time information and assistance on-the-go. In addition, SaaS (Software as a Service) companies such as Concur and other travel booking and expense start-ups are threatening to drive another nail in the coffin of the traditional corporate travel agent-client relationship.

% Online Penetration for Business vs. Leisure Intermediaries



Source: Euromonitor International

Business travellers' habits reflect broader trends

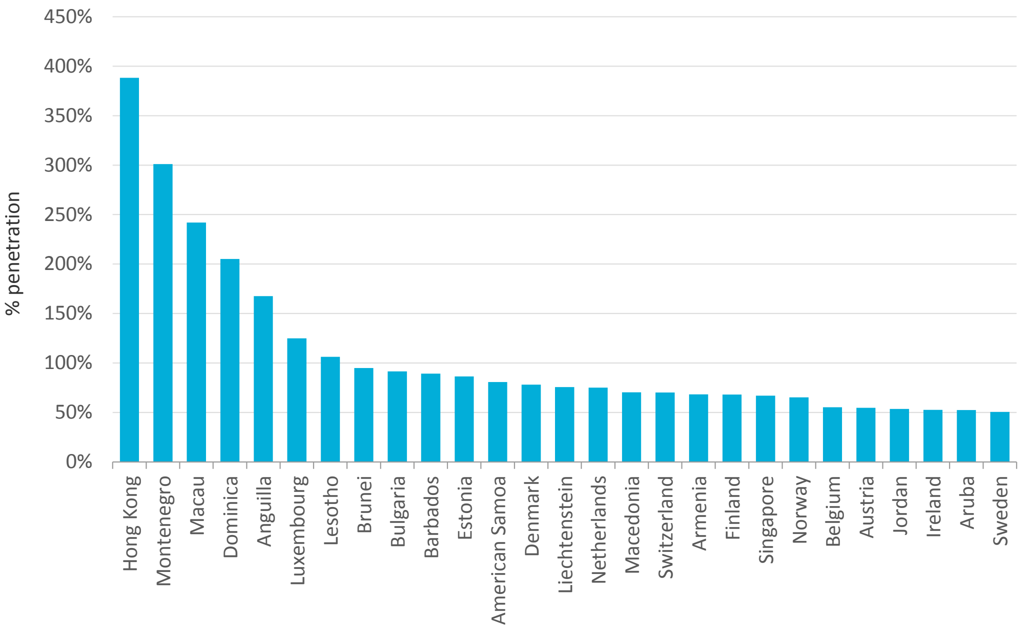
Considering that there are already more smartphone devices than the population worldwide, it is not surprising to see that business travellers are highly dependent on their mobile phones. The GBTA reported in its annual survey that 64% of global business travellers check their travel itinerary details via their devices whilst on the road, and it was even higher for millennials, at 77%. Not having access to Wi-Fi while on a business trip was listed as the most frustrating thing by respondents, and it is surprising in this day and age that hotels have not yet fully offered free Wi-Fi to loyalty members or guests.

The integration of the sharing economy is evident through the high levels of ride-sharing services such as Uber and Lyft offered to employees, and the increasing number of house shares / short-term rentals from companies like Airbnb. Millennials have embraced these options more than other age groups. Considering they are the largest working cohort, sharing economy brands will continue to make much deeper inroads.

Greatest participation in business travel

Looking at outbound business trips, Hong Kong and Macau have some of the highest rates of outbound business travel participation, due to integration with the Chinese economy which is the second largest in the world. There are also a high number of island states, such as the Caribbean, and countries from economic zones such as the European Union appearing high in the rankings. This could be due to strong trading links between countries.

Ratio of Outbound Business Trips to Economically Active Workforce, 2016



Source: Euromonitor International

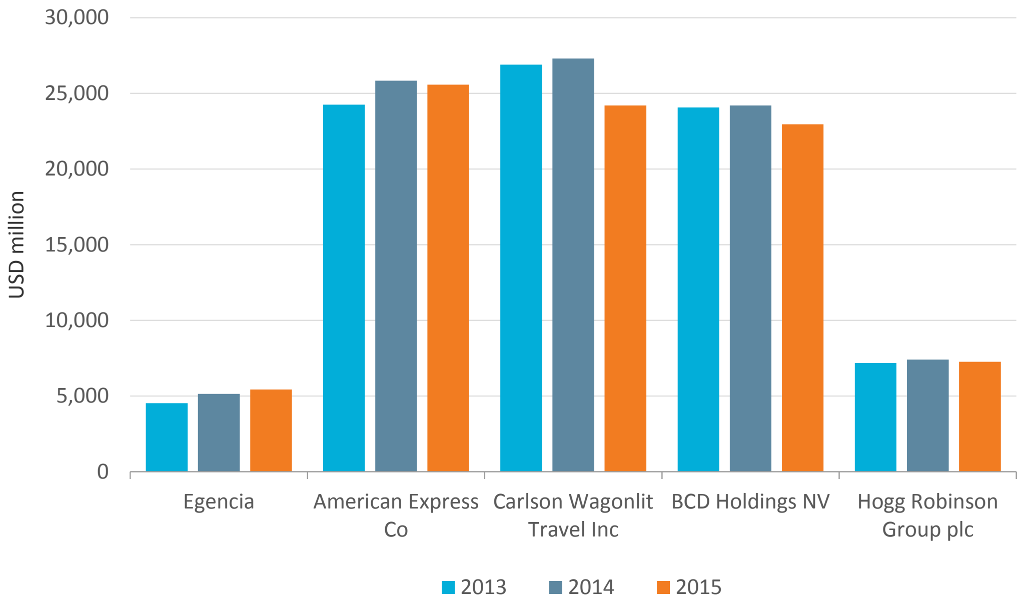
Self-employment drives value for money products

In most regions, the self-employed still tend to be dwarfed by the number of employees who are contracted, with a ratio of 10:1 globally. Latin America has a comparatively high number of self-employed to employed persons. However, this could be due to the lower labour participation in Latin America, at 66%, compared with other regions, such as North America and Europe, at over 70%. The more workers migrate to the on-demand gig economy, the more consumers will want to find the best value for travel products and services. However, in the UK, the merging of business and leisure is not yet possible; for example, HM Revenues & Customs only views business expenses, and leisure cannot be included. This approach appears to be an anachronistic view, given new work practices and changes in how business people travel.

The "brand for business" strategy is the first step forward

The traditional TMCS (corporate travel management companies) are finding it difficult to remain ahead of the competition. They are witnessing incursions from a variety of different angles, whether through OTAS, low-cost carriers and meta-search or sharing economy brands such as Airbnb, with few experiencing strong sales growth, with the exception of Egencia, benefiting from its online platform. Expedia has pivoted its huge inventory, built originally for the leisure market, and created its Egencia corporate travel management brand. Essentially, Egencia is leveraging the same itinerary but tailored to the corporate market. Many leisure brands have emulated this, taking their leisure inventory and developing a "for business" approach. For example, Airbnb, Uber, LCCS such as Ryanair and EasyJet have built a core business around automating the expense management process and integrating it with travel management, using cloud technology for big and small businesses to capture bookings made outside of the travel management system.

Traditional Corporate Business Sales by Leading Company, 2013–2015



Source: Euromonitor International

So where do all these changes in travel behaviour, travel distribution and technology leave the GDS (global distribution systems) that power travel agents, and in particular TMCS, especially as disintermediation continues apace? The global players have truly embraced "innovate or die" as their response, with Sabre, Amadeus and Travelport reshaping themselves into agile travel tech providers. The search for constant reinvention from GDS to e-commerce to IT solution providers is paying off, with recent Q4 2016 and full year 2016 results positive for the big three.

IT innovation and acquisition are critical for the GDS to reinforce their continued relevance in travel distribution. Diversifying the product offer has also been key, going beyond traditional chained hotels and scheduled airlines to offer low-cost, independent hotels, trains, cruises, short-term rentals, etc.

INNOVATION IN AUTOMATION

The hotel room of the future

Hotels have moved to semi-automate the check-in process, particularly at the budget end, with self-serve options. With the emergence of the smart home and changing consumers' expectations, hotels are beginning to explore new ways to improve the user experience. IHG is working with design consultancy Mobiquity, using the Internet of Things, voice-enabled software and artificial intelligence. InterContinental, IHG's luxury brand has enrolled the help of a Futurologist, Faith Popcorn, to develop the hotel room of the future using virtual reality. Areas of focus include: sharing experiences remotely, customised wardrobes with a 3D printer and "fantasy escapes", providing a gaming environment for unique, personalised and immersive experiences.

Innovation in the user experience with "living hotels"

Hotels tend to be where a multitude of consumer trends converge and where ideas can be tested out to adapt to changing consumer behaviour. Marriott's Renaissance Mid Town New York is pioneering the "living hotel" concept, the evolutionary stage in the lifestyle concept. The premise lies in a "living building" that provides a multi-sensory digital experience, for example through art and local information that changes in real-time. The digital corridors and virtual concierge were designed by Realisations Inc, using motion detectors and 3D cameras, as well as other technological tricks, in addition to the standard lifestyle service offer.

Other innovations in the pipeline include:

- Biometric check-in
- Room entry using fingerprint or retina scans
- An app that will generate a room key on a smartphone (Hotels.com)
- Customised holographic art (IHG)
- Smart mirrors, where lights can be adjusted, which are also connected for access to the internet
- Consumer genomics and DNA profiling to provide the ultimate personalised experience for health and wellness, food and drinks, dating and tracing ancestry

Chatbots high IQ but low EQ

Euromonitor International's Global Trends Report on technology focused on the rise of chatbots, which use AI that simulates language to converse with humans, to help with customer service. Travel brands such as Booking.com, Kayak and Expedia have already developed chatbots to provide basic assistance and information to customers during the booking process, as have tourism boards such as VisitOrlando.

Lola is a new travel start-up, launched in July 2016, which uses a combination of AI and human researchers to provide an on-demand travel service. The app was created by the co-founder of Kayak, Paul English, and it has secured funding of USD34 million. Users can book hotels, flights and car rental via the app, which uses AI, supported by a network of travel agents 24 / 7, with the customer's preferences stored so the service is personalised. With millions of young and old engaging with AI for companionship, as well as business travellers on the road, the need to accommodate "guest + AI" will be a challenge for travel brands.

Ever-increasing integration across platforms and devices

Travel brands such as Expedia, Skyscanner and Priceline—which were mere start-ups at the turn of the last century—built their business on APIs, algorithms, machine learning and big data, so they are well positioned to continue to advance with the latest round of digital disruption. Expedia's corporate travel management arm, Egencia has launched its mobile assistant platform TripNavigator, where booking information, local information and transport options are accessible to help consumers reach their destination. In the same vein as TripAdvisor, Skyscanner is moving into direct bookings by offering Scoot tickets directly through its site, as the meta-search model morphs into a transactional booking model. As brands move up and down the booking funnel, every brand will want to have a direct connection with the consumer. It is a very busy space that will ultimately be dominated by the likes of Google, Apple, Amazon, WeChat and Facebook, or various tie-ups among these companies.

The sharing disruptors usher in transformation

Uber offers its API to both big and small businesses through its ride management platform and covers 400 cities in 70 countries. It has provided 2 billion rides to date. Employers have a duty to care for their employees, so safety is a major concern; Uber promises to fulfil five safety standards. Working with employers, compliance with accounting practices and company policies is a must. The GBTA reports that over 50% of employers already offer employees ride-sharing as part of their policies. Other ride-sharing brands include Lyft and Google's Waze.

Since 2014, Airbnb has actively targeted the business travel market. Concur's TripLink, which allows travellers to book directly with Airbnb was an important step in its integration. Now after booking, it is automatically added to their expense reports. Further integration took place in 2016, with Airbnb integrating with American Express, Carlson Wagonlit and BCD Travel. Loyalty is a key component of business travel, and Airbnb is adding new partners. Delta and Qantas frequent flyers can redeem points through Airbnb. To date, the company has signed up over 1,000 companies to its corporate booking system, with sales to business travellers increasing threefold between July 2015 and July 2016.

New era of natural search and ever more personalised experience

Travel brands will also be able to partner with the likes of IBM Watson—cognitive technology that thinks like a human. The technology works with unstructured data to analyse and interpret it, to then provide personalised recommendations by understanding the consumer's character, behaviour and feelings. Wayblazer is the first to offer Watson to power its personalised search and customised merchandising, using natural language search (NLS), which is currently still in beta. Wayblazer's initial applications are for hotels and destinations, offering a destination travel graph to match individual consumers with destinations, based on their search terms and mapping to destination data. To monetise search and drive conversion, Wayblazer applies AI technology to enhance the results of standard web practices such as image and search results. It also pushes context-specific information and personalises every thumbnail to every user.

CONCLUSION

Disruption is the future of the travel industry. The sharing economy and budget brands, such as low-cost airlines and hotels, are changing travel across the supply chain and at every stage of the booking journey. Automation, AI and innovative technology also offer new opportunities to personalise and optimise travel. In addition, IT innovation and acquisition are critical for the GDS to reinforce their continued relevance in travel distribution.

Compared with other industries, the travel industry is well-placed to benefit from the new wave of automation, considering that service requires a high level of management, expertise and stakeholder interaction. Automation will take place from back-end operations to the front-end user experience. The tasks most at risk from rising automation include food preparation, cooking and service, with accommodation and foodservice at risk due to the high level of physical work.

HOW CAN EUROMONITOR INTERNATIONAL HELP?

Euromonitor International is the world leader in strategic research for economic and consumer markets. Comprehensive international coverage and leading edge innovation make our products an essential resource for companies locally and worldwide.

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