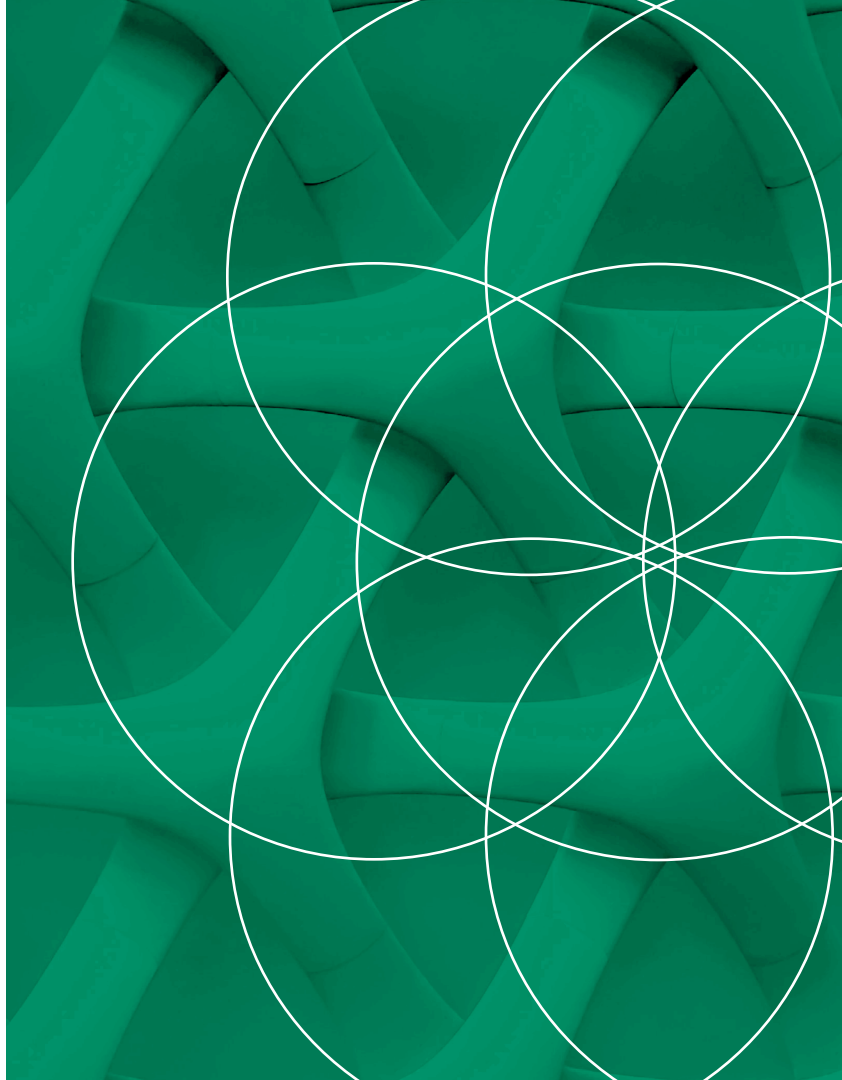


Going The Distance To Improve Customer Experience In The Travel Industry

Top Trends, Challenges, And Strategies For Travel Companies

Get started →



Overview

Many airlines and hotels have challenges and gaps in skills, technology, and analytic insights that reduce customer loyalty, slow revenue growth, and inhibit innovation.

Mastercard commissioned Forrester to explore evolving trends within the travel sector. In April 2024, Forrester surveyed 228 leaders at airlines and hotels in North America, Europe, LATAM, and APAC involved with setting and/or executing their company's customer marketing, engagement, loyalty, pricing, or experience strategy. The study found that airlines and hotels stand to benefit greatly from analytics solutions that help capture, analyze, and act on diverse datasets. These new analytics capabilities can be used to engineer highly personalized, connected, and anticipatory experiences, as well as unlock new revenue streams.

Key Findings



Changing customer preferences mean airlines and hotels must adapt their approach to personalization. Challenges with personalizing experiences have led to decreased loyalty (52%) and inability to scale (46%).



Airlines and hotels struggle with lack of skills and analytics. Only 36% have the data and technology to create effective digital interactions with customers.



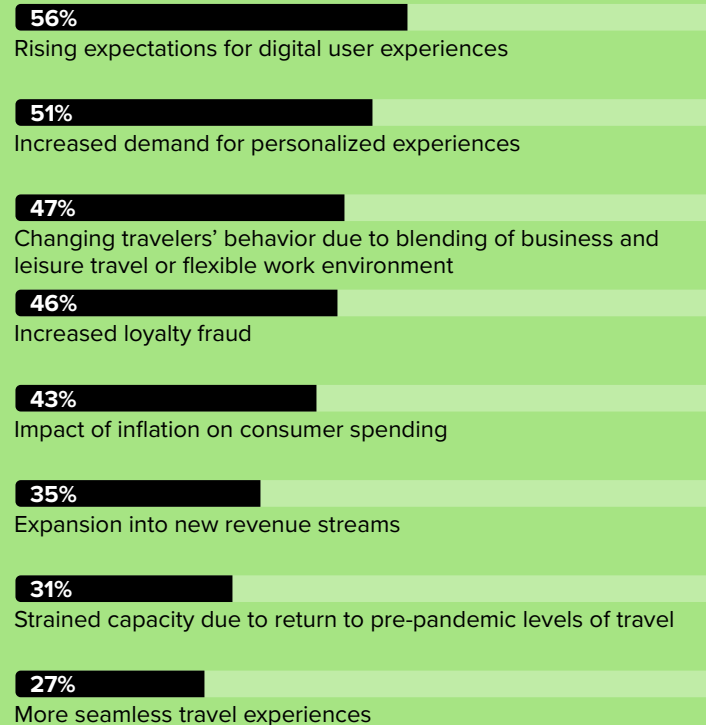
The right third-party provider can yield transformational benefits. Industry leaders expect the biggest benefits to come from new revenue streams (69%), personalization (66%), and customer acquisition efforts (66%).

Airlines And Hotels Strive To Meet Heightened Customer Expectations

For airline and hospitality executives responsible for customer marketing, engagement, loyalty, pricing, or experience strategy, the most relevant trends come down to a deeper understanding of customer needs, behaviors, and personalized interactions.

According to surveyed travel leaders, customer expectations for digital experiences have the greatest impact on strategic planning (56%). Additionally, roughly half indicate increasing traveler demand for tailored experiences and changing travel behaviors are factoring into 2024 strategies.

Top Industry Trends Impacting Strategic Planning



Base: 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy
Note: Respondents could select up to five responses; showing top eight responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, April 2024

Airlines And Hotels Are Struggling To Meet Their Most Important Priorities

Airline and hotel executives prioritize improving customer experiences (83%) and attracting new customers (82%) but find accomplishing these goals difficult (59% and 69%, respectively). The gap between goals and capabilities emphasizes the need to uplevel skills, data, and technology.

Similarly, roughly two-thirds of leaders at airlines and hotels indicate revenue management (67%) and identifying new revenue streams (63%) are important short-term goals. Yet most respondents at companies with these priorities report struggling to achieve them (59% and 67%, respectively).

Creative solutions to these challenges can unlock value. For example, an airline could use preflight polls to gather meal preferences from a customizable menu and leverage that intelligence to help optimize procurement, reduce food waste, increase in-flight food and beverage sales in economy class, and significantly boost customer satisfaction in all classes of service.

Importance Of Objectives Vs. Difficulty In Achieving Them



Base: 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy

*Base: Variable airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy who said an objective is "Important" or "Critical"

Note: Showing eight responses

Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, April 2024

Travel Organizations Must Deepen Their Understanding Of Customer Behavior

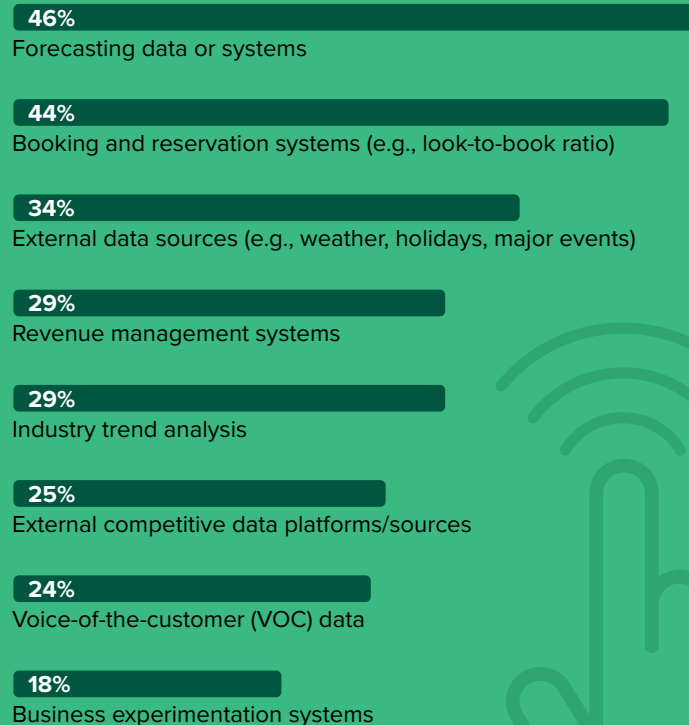
The methods most travel companies use to anticipate customer behavior and expectations focus on travel patterns, not customer preferences. While airlines and hotels use forecasting data and look-to-book ratios, few take critical voice-of-the-customer (VOC) data or insights from competitive sources into account.

Without VOC and competitive data, companies will struggle to fully understand customer needs and adapt to changing preferences.¹

With these critical insights, travel companies can design new offerings or enhance existing ones to better meet customer needs.

When introducing new offerings, testing their real-world impact is critical before investing in a full-scale rollout. But only 18% of travel leaders say their firm uses business experimentation systems — one of the most accurate methods of testing new ideas. This indicates an untapped opportunity to use analytics to manage costs while accelerating innovation.

Methods Used To Manage And Anticipate Customer Behavior And Expectations



Lack Of Internal Skills And Automation Undermine Personalization Efforts

Airlines and hotels are willing to invest in solutions to make digital interactions more personalized. But tech alone without human skill and expertise is not enough to make the most of these solutions — a resource nearly six out of 10 lack.

A total of 64% said their company lacks either the data (30%) and/or technology (43%) needed to personalize digital interactions, and many struggle from subpar integrations.² Efforts are further hampered by limited automation, preventing airlines and hotels from scaling personalized digital experiences.

For example, if a hotel has an app for guests to order room service but it doesn't allow them to customize or add personal requests, it could result in low satisfaction ratings and an increase in room service calls from guests.

A data and analytics platform with the proper technology that is easy to use could fill gaps and unlock new business opportunity in the short term.

Limitations Organizations Face With Their Current Approach To Personalizing Digital Interactions



We lack internal skills.



51%

We lack automation capabilities.



43%

We don't have the technology we need.



36%

Costs are too high.



30%

We don't have the data we need.

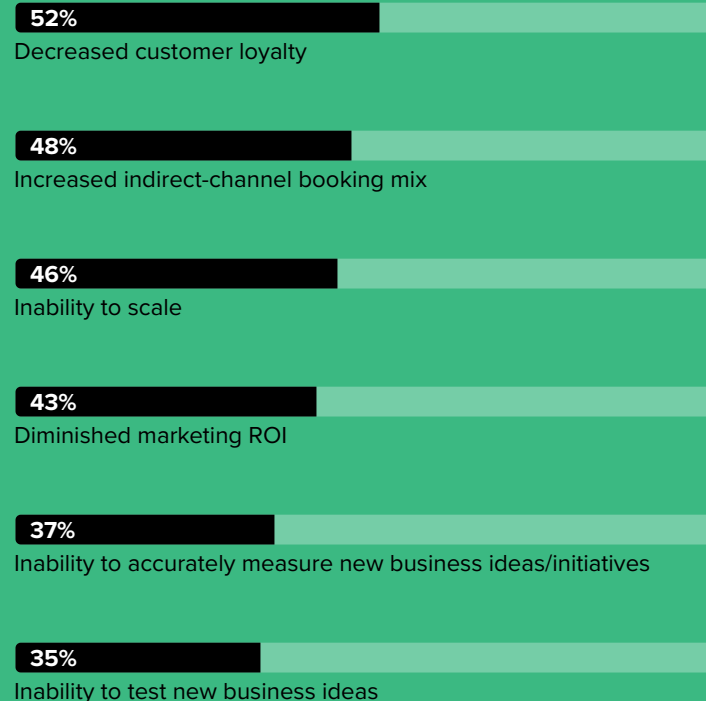
Difficulty Personalizing Digital Interactions Leads To Challenges With Customer Loyalty, Business Growth, And Innovation

Roughly three-quarters of respondents report that improving loyalty and retention is key this year. But limited skills, data, and technology mean most face decreased customer loyalty — a pattern more pronounced for airlines than hotels (62% vs. 43%, respectively). Other effects include higher indirect-channel booking mix, an inability to scale, and lower ROI.

Further, 37% report their company can't accurately measure or test new business ideas. This can strain resources and add costs if programs miss their intended impact when put in market.

Segmenting based on traveler data insights and current loyalty status and crafting campaigns that engage priority cohorts can improve loyalty. With a clear plan, travel companies can measure success with experimentation solutions and maximize ROI by tailoring and targeting programs.

Impact From Limitations To Current Personalization Approach



Base: 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, April 2024

Third-Party Solutions Can Fill Necessary Gaps In Analytics Capabilities

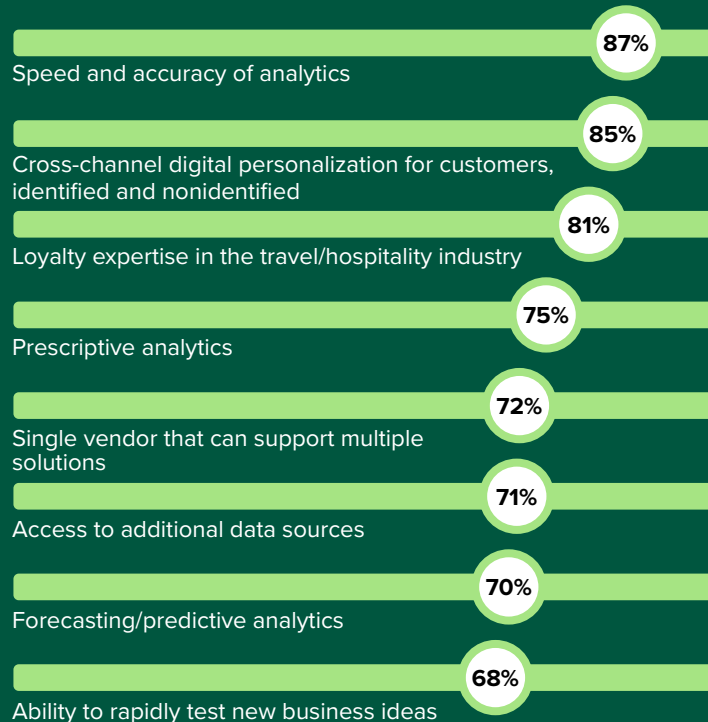
Airlines and hotels need partners with robust and accurate analytics to power cross-channel personalization and seamless experiences that drive customer loyalty. Additionally, 68% of respondents indicate the ability to rapidly test new business ideas is important or critical for their company.

Finding a provider that can meet multiple needs is ideal: 72% include the ability of a single provider to support multiple solutions among their top evaluation criteria.

For the 82% of travel leaders whose organization doesn't currently use business experimentation systems, forecasting/predictive analytics and the ability to rapidly test new business ideas represent particularly important opportunities to get ahead of their peers.

Third-Party Solutions Provider Evaluation Criteria

(Showing "Important" and "Critical")



Base: 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy
Note: Showing top eight responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, April 2024

The Right Solution Can Yield Transformational Benefits

Airlines and hotels are prioritizing the right things: acquiring new customers, creating positive experiences, and turning travelers into loyal advocates. These efforts all drive revenue, and key ingredients of success are personalization, analytics, and testing new ideas.

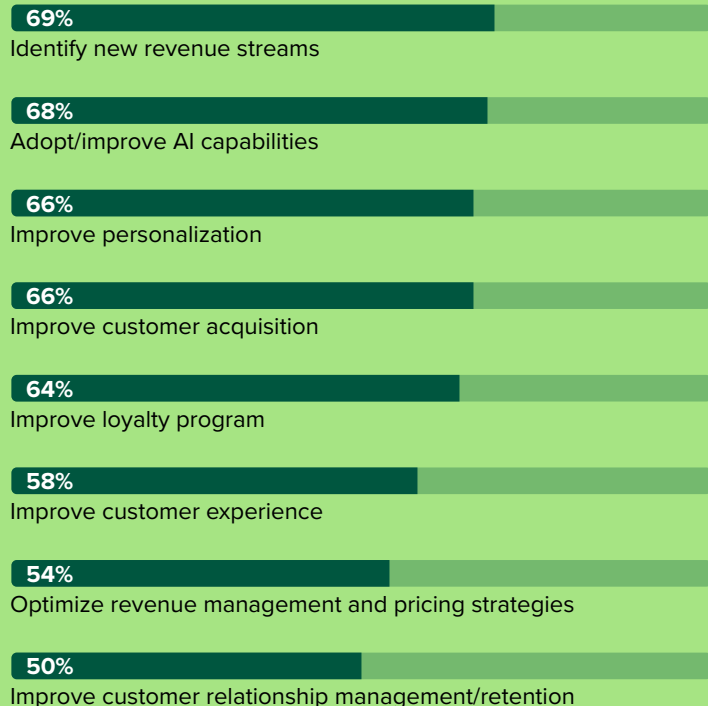
Tapping a partner with data expertise and flexible solutions can help travel companies overcome challenges and drive growth.

Travel leaders expect the biggest impact of investing in a third-party solution to be an improved ability to identify new revenue streams (69%), which in many cases are ancillary offerings. Some providers can connect travel companies with a network of partners that can help develop new amenities and ancillary offerings.

Other important benefits travel leaders expect include improved AI capabilities (68%), better personalization (66%), and optimized revenue management and pricing (54%).

Expected Improved Abilities From Partnering With A Third-Party Solutions Provider

(Showing “Large improvement” and “Transformational improvement”)



Base: 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization's customer marketing, engagement, loyalty, pricing, or experience strategy
Source: A commissioned study conducted by Forrester Consulting on behalf of Mastercard, April 2024

Regional Differences

Business priorities and innovation approaches for travel companies can vary significantly by region. This is due to different market conditions, consumer adoption dynamics, and competitive landscapes.

Key regional differences revealed in this study include the following:

- In **North America**, the most impactful industry trend is the increased demand for personalized experiences (63% vs. study average of 51%).
- Travel leaders in **North America** (78%) and **Asia Pacific** (76%) are more likely to view online travel agencies (OTAs) as a growing threat than their counterparts in **Latin America** (71%) or **Europe** (61%).
- More than half of **Latin American** travel executives (56%) report diminished marketing ROI due to limitations with personalizing digital interactions with consumers, compared with no more than two-fifths across other regions.
- Travel leaders in **Latin America** (51%) and **Asia Pacific** (53%) are more likely to report challenges offering bundled travel packages than those in **North America** (41%) or **Europe** (27%).
- Travel executives in **Europe** (75%) and **Latin America** (74%) are more likely to report that third-party solutions would help them improve at identifying new revenue streams compared to just two-thirds of their peers in **North America** or **Asia Pacific**.
- Leaders at travel companies in **Asia Pacific** are more likely to expect that partnering with a third-party solutions provider with capabilities to help analyze, anticipate, and manage customer expectations would improve customer relationship management and retention, with 60% anticipating this benefit vs. the study average of 47%.

Conclusion

Third-party solution providers can play a crucial role helping airlines and hotels address revenue management and customer experience challenges. This study found that:

- **Data insights are potent tools for customer engagement and revenue management.** The most effective third-party solutions diversify revenue and optimize prices by improving personalization and testing capabilities.
- **Meeting customer expectations is crucial.** Eight out of 10 respondents consider personalization to be critical — but 69% struggle to adapt to customer expectations.
- **Companies should use advanced methods to adapt.** Only 18% of respondents' companies use business experimentation systems, one of the most powerful tools available. This indicates a significant untapped opportunity for most travel companies that are looking to drive growth.

Project Team:

Lane Abernathy,
Market Impact Consultant

Contributing Research:

Forrester's [Consumer & Digital](#)
research group

Endnotes

¹ Source: [The Case For Closing The Customer Feedback Loop](#), Forrester Research, Inc., April 11, 2022.

² Showing percent responding, "We don't have the technology we need," or "We don't have the data we need."



Methodology

This Opportunity Snapshot was commissioned by Mastercard. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 228 airline and hotel leaders at organizations in North America, Europe, LATAM, and APAC involved with their organization’s customer marketing, engagement, loyalty, pricing, or experience strategy. The custom survey began and was completed in April 2024.

ABOUT FORRESTER CONSULTING

Forrester provides independent and objective [research-based consulting](#) to help leaders deliver key outcomes. Fueled by our [customer-obsessed research](#), Forrester’s seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit [forrester.com/consulting](#).

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. [E-59698]

Demographics

| REGION | |
|---------------|-----|
| APAC | 24% |
| Europe | 24% |
| Latin America | 23% |
| North America | 29% |

| ANNUAL REVENUE (USD) | |
|----------------------|-----|
| More than \$5B | 12% |
| \$1B to \$5B | 37% |
| \$750M to \$999M | 26% |
| \$500M to \$749M | 25% |

| TRAVEL CATEGORY | |
|-----------------|-----|
| Airlines | 50% |
| Hotels | 50% |

| TITLE | |
|----------------|-----|
| C-level | 14% |
| Vice president | 38% |
| Director | 48% |

Note: Percentages may not total 100 due to rounding.

FORRESTER®