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The Offline Sales Lift in the Online Purchase Journey

The Value of Offline Sales Channels in an OTA world



Abstract

In today's digital age of online marketing by OTAs, it is just as essential to engage customers with a personalized aspect of offline sales and marketing. Especially as today's empowered customers rule in a world that has already crossed the threshold from a seller's to a buyer's market.

They share personal experiences on social platforms. They hold the aces to instantly influence fellow travelers' buying decisions. One key differentiator that can trump the challenges of this tough market is superior customer buying experience. A differentiated purchase journey with personalized offline sales support can effectively supplement and increase online efforts.

How can OTAs leverage and integrate the offline channel to individualize the traveler's buying experience? How can both benefit by this effort? In this paper we unfold the possibilities of how OTAs can engage with consumers to sell in a multi-channel manner.

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Shifting Sands in the Online-Offline Balance

The exponential growth of mobile usage has made a significant impact in the fragmented and complex travel distribution environment of airlines, hotels, car rentals and cruises. Over the last decade, there has been a significant shift of attention to the digital realm of online travel

purchase. Online Travel Agencies (OTAs) have commoditized the industry, leveraging price as a primary differentiator to dictate costs and volumes.

Clearly, travel has moved from a seller's to a buyer's market and the end consumer has emerged a clear winner. Increasing Internet and social media penetration have empowered customers to share experiences and crowd-influence

buying decisions. Competing in an online market clearly requires a different set of value differentiators.

And so we go back to a basic and immutable marketing truth - when prices and products are similar between competitors, customer experience becomes the strongest brand differentiator that promotes sales.

A sneak peek into what can be...

Lola is one example of what travel planning in the future may look like. The app, which is currently in limited-release, is intuitively easy-to-use, and supplements technological innovation and data with responsive customer service.

To begin, you simply send a text about what kind of trip you're planning. It can be vague or specific, because it's just a conversation starter. On the other end is a travel consultant, equipped with experience, data and your stated preferences to help plan your trip.

Virtuoso works with nearly 12,000 travel advisors in about 400 agencies around the world, who specialize in 'helping to create travel itineraries you can't find online or plan yourself' — language aimed directly at the DIY booking sites that have become so popular in the last decade.

A strong overlap between the online-offline spaces could well be the key to outperformance in an increasingly crowded marketplace. This paper explores the purchase behavior of the digital consumer, its impact on the travel business and the need for an offline connect in the purchase process. It also aims to answer a few pressing questions that confront the OTAs today.

- Why do consumers require a human touch (offline channel)? When do they best come into play? What are their advantages?

- How can OTAs capture such consumers? What benefits can they gain in doing so?

increase by 50 percent between 2014 and 2019¹.

The Dynamic Kaleidoscope of Customer Journey

A decade back, e-commerce disrupted travel business models with its advantages of increased customer reach independent of geography, diversity of options, cost effectiveness and customer convenience. Consumers today still acknowledge these advantages and online travel sales is estimated to

An additional paradigm shift was introduced with the growing social media user base, increasing use of smartphones and an intense need to connect. The consumer journey thus changed from a linear path to a cycle (Figure 1), where each consumer's experience feeds into another's decision process.

A survey conducted by Deloitte² with British Travel Awards in 2015 revealed 72 percent holidaymakers carry out research online before booking their holiday while 59 percent leverage the Internet to

Figure 1 - The Customer Journey Cycle



compare prices. Smartphones are also set to impact consumer behavior with 52 percent³ of travelers in 2016 estimated to book travel through a mobile. This underscores the expectation of today's hyper-connected travel consumer to receive engaging customer service and experience at every touch point of their travel.

Amidst the fast-paced disruptive changes, the need to understand and address the consumer buying behavior has remained critically important. An interesting

convergence of facts and trends today point to an important need for integrating the offline personalized touch with the independent online freedom.

On the one hand, consumers look for the best experience that also assures them the best value. On the other hand, suppliers, challenged by skyrocketing OTA distribution costs and eroding margins, are getting smarter about providing extra value through direct channels. This clearly points to a viable potential for businesses to

incorporate customer buying experience through an offline channel by capturing behavioral aspects of the customer.

This potential gets stronger with Q1 2016 study of leisure travelers by Fuel⁴. Close to 31 percent of consumers, it showed, still book by telephone – they reach for the phone after active online research and trip planning activity. A 2015 TripAdvisor study⁵ revealed that about 15-20 percent of travelers (in different segments) used offline channels for booking their accommodation (Figure 2).

Figure 2 – Channel Breakup of Booking Accommodation

Channels Used to Book Accommodations According to Digital Travel Researchers Worldwide, by Generation. Oct 2015 % of respondents in each group

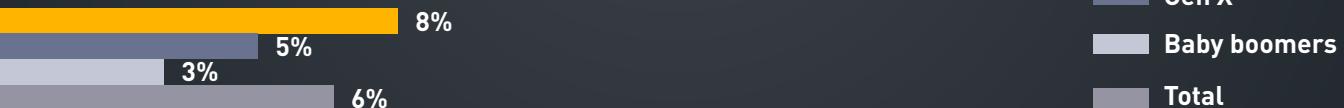
Online



Offline



Mobile app



Note: millennials ages, 18-34; Gen X ages 35-64; baby boomers ages 65+; who researched travel plans digitally in the past year source: TripAdvisor, "TripBarometer Travel Trends 2016" conducted by Ipsos, Dec 14, 2015



Certainly, these numbers and customer segments pose an opportunity for additional revenues for OTAs and, conversely, a threat in the form of potential revenue and market share loss.

The Offline Sales Channel for OTAs – More than Mere Backup

Offline Sales Channels need not be mere 'failure demand' backup means for OTAs to manage customers who are unable to make an online purchase (due to technical issues with the website, lack of computer savviness or paucity of time). To the contrary, there are far more compelling reasons why offline sales channels cannot be ignored.

Geographical factors

Geography explains why technology adaptation and reach differ across the globe. Currently North America, Western Europe and Asia Pacific lead the online B2C

e-commerce space. Yet, a few billion individuals cannot get online via the mobile network due to poor or insufficient mobile network coverage.

Cultural factors

The cultural landscape of the target market plays a significant role in choosing the right channel strategy. The Asian market to a large extent, and the Chinese in particular, prefer to book trips in groups – the personal offline touch is widely used in this region.

Zuji, Hotels.com Asia Pacific, Asia Rooms, Asia Travel, Make my Trip and a host of OTAs operate a combination of offline channels - 24/7 contact centers, offline sales call numbers and live chat functions – even as they upgrade their technology. Offline channels can also tap the customer segment that lacks awareness of the Internet and its content and services, or is disinclined to use online channels.

Demographic factors

Deloitte research⁶ shows that holidaymakers aged 65+ are the least likely to be motivated by price or use comparison websites (this, in spite of a 2015 Pew research⁷ that shows 58 percent of them access the internet). They go by past experience and a business's reputation. Travel products targeting the over-65s are thus better positioned to minimize the threat of commoditization.

Those who live in households earning more than \$75,000 are more likely to be internet users than those living in households earning less than \$30,000. 'Americans' Internet Access:2000-2015'

Income and education also play significant roles in internet usage, as shown by the same 2015 Pew report.

Distrust in OTAs

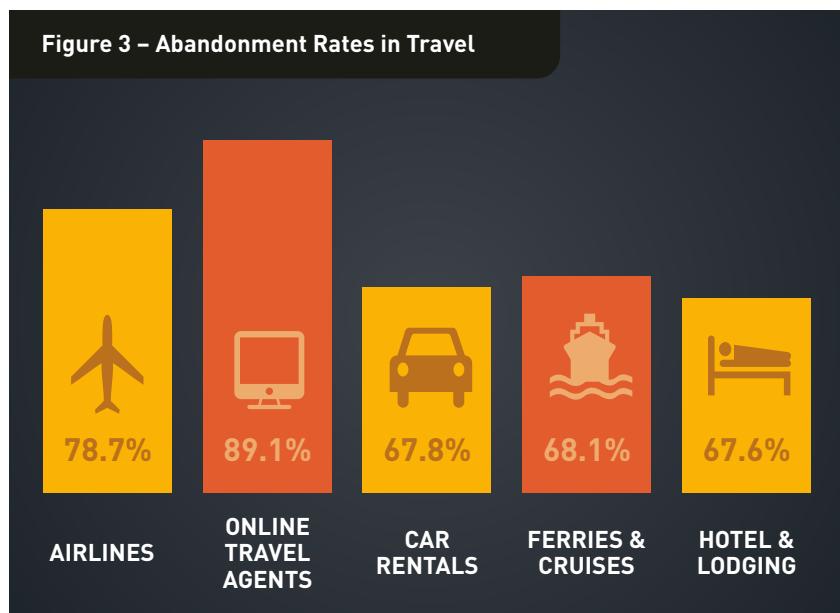
The Q1 2016 study of leisure travelers by Fuel⁸ revealed that distrust of OTAs had increased 50 percent with regard to hotel accommodation. Lack of trust in online payment systems also limits the use of e-commerce.

Shopping cart abandonment

The travel industry as a whole suffers from 81 percent⁹ abandoned cart rates (compared to just 68 percent across other online retail). OTAs see the worst abandoned cart rates at 89 percent, followed by the airlines industry at 79 percent (Figure 3).

This high abandonment rate may be attributed to the complexity of

Figure 3 – Abandonment Rates in Travel



travel products compared to other retail products (see Figure 4). It is indicative of the fact that consumers

need a helping hand to progress further through the purchasing process –just the opportunity for an offline channel connect.

Figure 4 – Why Travel Buyers Abandon Shopping Carts



Shopping cart abandoners leave behind plenty of valuable and actionable data - flight dates, seat preferences and past browsing history. This can be used to carefully retarget customers through various channels, especially offline ones, to convert them into paying and returning customers. Interactive live chat, automated abandonment e-mails or call-to-action can help quickly convert such carts.

Only 8 percent of shoppers will return to make a purchase if you do nothing, but e-commerce marketers see about 18 percent recoveries with re-marketing e-mails

<http://catchi.digital/articles/strategy-processes/use-remarketing-emails-recover-revenue-abandoned-shopping-carts/>

Even the Odds with the Right Offline Channel

Taking action improves the odds, and using the right offline channels does it even better. Developing relationships and delivering the right customer experience are at the core of this effort and hence this requires considerable thought and intelligence.

The good old phone is alive and kicking

Phone support is not old-fashioned - most customers still expect it. Phone support still account for 68 percent¹⁰ of all support interactions and play a key role in the completion of a purchase. Many customers prefer the speed and convenience of being able to pick up the phone and get answers right away. Interestingly, calls are most important to mobile searchers who research or are ready to buy.

Add-on features such as 'click-to-call' can further supplement this channel. A smart, crisp and highly consultative approach over the phone can enable OTAs identify and fulfill unstated needs of customers beyond the standard 'query-fix solution' (Figure 5). It also opens upsell and cross-sell possibilities with a seamless information flow between online search and offline telephone support.

Figure 5 – The Telephone as an Offline Channel Support

The Role of Click-to-Call in business success with statistics from Google / Ipsos Study

there were **3000** respondents who made purchases from **7** verticals in the past **6** months

With Click-to-Call



39% felt 'Disappointment' in the brand
47% felt 'Frustrated & Annoyed'

Without Click-to-Call

Why a Phone Call?

59% Want a in Start Response

57% Want to Speak with a Deal person

54% Need more Detailed Information

What are Customers trying to achieve?

The main goals for every phone call to a business are:



52%

Scheduling an appointment



47%

Checking availability / inventory



43%

Inquiring about pricing

Click-to-Call = More Phone Calls = Success



1. Cross & Up Selling Opportunities
2. Improved Customer Perception
3. Instant Assistance



4. Human Interaction
5. More Detailed Information
6. Address Customer Needs



Livening up customer engagement with live chat

For the travel consumer who prefers the web browser to their telephone, live chat offers an equally speedy alternative. 44 percent of online consumers say that having questions answered through live chat while in the middle of an online purchase is one of the most important features a site can offer¹¹. A quick, competent and responsive live chat feature that efficiently resolves customer queries and issues will minimize Website bounces and ensure that shopping carts make it through check out. Live chat also reduces overall contact center costs by lowering average interaction costs while increasing efficiency.

E-mail rules when it comes to customer conversions

When it comes to abandoned carts, e-mail re-marketing engagement

is a very effective way to increase chances of customer sale.

Research shows that 87 percent of consumers who abandon their carts are willing to return to their booking (43 percent within a week and 33 percent on the same day)¹². E-mail conversion rate stands at around 23 percent for OTAs - a potential revenue of USD 15.45 per e-mail sent¹³.

Text messaging - connecting with young travelers

Nearly half of U.S. travelers used text messaging in 2015, with millennials in the age group 18-34, driving the use of mobile messaging¹⁴. Though not a well tested channel today, mobile messaging holds the promise for OTAs to improve customer engagement and drive higher purchase rates by offering on-demand travel support.

Brick and mortar stores - still a good bet

A face-to-face meeting with a travel specialist in a brick and mortar store can lead to 83 percent closure rate, whereas using just voice or e-mail drops the closure rate down to about 40 percent¹⁵.

Departure Lounge in Austin Texas has gone back to old model of brick and mortar store and has travel experts who leverage connections to find deals and create the perfect trip by making customers feel special. This has helped Departure Lounge build a personal rapport with the customer.



Beyond the Algorithm to a Human Touch

Certainly, offline sales channel can do a lot more than act as a 'necessary overflow', especially for small and mid OTAs.

28 percent of millennials said they had consulted a traditional travel agent in the last 12 months — higher than any other age segment — and 30 percent said they plan to do so in the next two years.

'Portrait of American Travelers Survey' by MMGY Global, a travel marketing firm

June 2016

The 15-20 percent of travelers who look for an offline connect form a

sizeable customer segment whose impact cannot be ignored. These are the travelers who want more curated results, plus the best deals and packages. They are the discerning segments that are prepared to give up a bit of control in a digital do-it-yourself universe that is set to dominate the travel market.

It however requires an intelligent integration of the offline channel in a digital consumer's journey. It is a new paradigm that acknowledges the truth that relying solely on technology to plan a journey misses out on a fair chunk of the overall customer experience. Such a multi-channel customer strategy will provide customers with individualized options to communicate with the brand and a seamless buying experience regardless of the channel they opt for at different points in their purchase roadmap.

The value of the offline service channel (which we may look at as a powerful hidden channel), lies in its potential source of revenue. The many platforms of customer service offer exciting opportunities in this regard. As a customer touch point, the service channel can elevate itself to an active relationship management and business expansion medium.

It calls for a change of perspective though. It involves looking at these channels beyond merely providing issue resolution through superior customer service. They need to be seen as avenues of enhancing customer stickiness in driving the organization's revenue goals. Such a co-linear approach helps determine the parameters affecting revenues and provide scalable solutions to help OTAs balance their sales portfolio better. Such a 'sales through service' model for additional revenue

generation also opens possibilities of leveraging existing partnerships or even creating newer ones.

Offline contact channels can thus be powerful forces of influence, even if the consumer makes the final purchase online. Through cross-sell, upsell and collection of data on consumers, they can be considered profit centers of sales – rather than a cost center of service.

The convergence of service and sales can reposition offline contact touchpoints as final points of transaction. This requires partnering with the right expert – a partner with proven and long standing experience in the industry, who understands the multi-channel customer service environment and who has the ability to map customer profiles

and behavior through embedded analytics. For the OTA, it is still a single customer view – an ability to collect data about customers, to track their communications and purchase behaviour across channels, and glean insights through smart analytics.

All the right reasons for investing in offline channels

Virgin Holidays has embedded 29 offline concept touchpoints across the UK. They target consumers who have already completed most of their holiday research, but want a final face-to-face conversation with an expert before making a booking.

Virgin Holidays' initiative is reportedly performing well. Their Belfast offline outlet, one of the first to open, is reported to have achieved a 176 percent above target performance

Travel Weekly, August 2014

Thomas Cook's DreamCapture bridges the physical and online retail. The first offline consultation is followed by an e-mail link to a wish list (created by the agent), where information, images and links, based on their discussion, is shared. Consumers consider options and then book through their channel of choice. The offline agent earns commission irrespective of the channel the consumer uses to book. The initiative was introduced in the summer of 2013 and rolled out across the company's entire UK retail network by the end of December 2013.

'From Retail To Etail Dreamcatcher', Thomas Cook, October 2013

<http://www.thomascook.com/press-centre/from-retail-to-etail-dreamcatcher/>

¹<http://www.emarketer.com/Article/Worldwide-Digital-Travel-Sales-Will-Total-More-than-533-Billion-2015/1013392>

²<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-travel-consumer-2015.pdf>

³<http://www.emarketer.com/Article/Online-Still-Primary-Channel-Used-Book-Travel-Accommodations/1013404>

⁴"2016 Leisure Travel Trends" - www.fueltravel.com

⁵<http://www.emarketer.com/Article/Online-Still-Primary-Channel-Used-Book-Travel-Accommodations/1013404>

⁶<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-travel-consumer-2015.pdf>

⁷"Americans' Internet Access:2000-2015" - <http://www.pewinternet.org/2015/06/26/americans-internet-access-2000-2015/>

⁸"2016 Leisure Travel Trends" - www.fueltravel.com

⁹<https://econsultancy.com/blog/65964-why-do-people-abandon-online-travel-bookings/>

¹⁰<http://pages.newvoicemedia.com/rs/newvoicemedia/images/cch-nvm-report-what-contact-centres-are-doing-right-now-072014.pdf>

¹¹http://www.roosit.nl/files/en/documents/Forrester_making_praoactive_chat_work.pdf

¹²<http://www.salecycle.com/the-reasons-for-booking-abandonment/>

¹³<https://skift.com/2014/03/18/online-booking-abandonment-is-huge-in-travel-as-consumers-comparison-shop/>

¹⁴"The Rise of Mobile Messaging and its Impact on Travel Planning" - <http://www.webintravel.com/24376-2/>

¹⁵<http://fortune.com/2016/07/27/travel-agents/>



About WNS

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