



WILLOWTREE | 2022 OUTLOOK

Four Trends You Can't Ignore in Travel & Hospitality



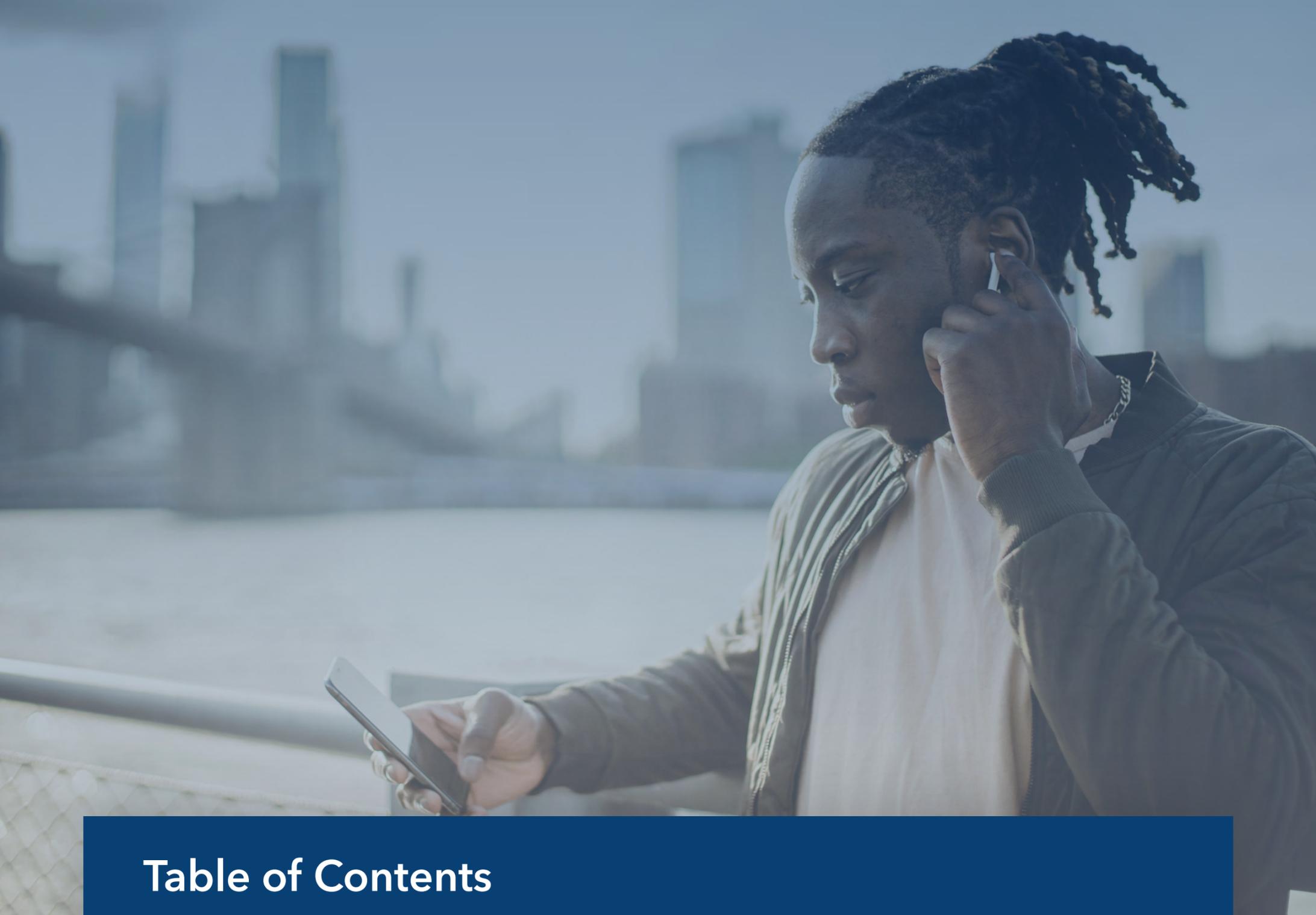


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The Rise of the Connected Traveler

The pandemic has had a huge impact on the way that we all experience the world, from lockdowns and social distancing to working remotely, streaming content from every corner of the internet, and handling supply chain disruptions. In many ways, life will never be the same. It's this context that sets the stage for the rise of the Connected Traveler - a traveler whose preferences and expectations when it comes to digital are influenced by their broader context and consumer experiences. At a high level, these consumers are:

Digitally engaged: 95% of travelers visit digital travel tools between booking and traveling.¹

Hungry for travel: Searches for hotels hit a 5 year high in the summer of 2021.²

Focused on leisure: Leisure travel had been projected to end last year 17% above 2019 levels.³

Willing to spend: Global international spending on travel is set to rise by 93.8% in 2022.⁴

What does that mean for travel brands' digital product strategy? At WillowTree, we're tracking four major trends that are accelerating as a result of the rise in the Connected Traveler:

Planning & Inspiration: Consumers are increasingly looking to digital content for inspiration and guidance when planning travel.

Eliminating Friction: Consumer expectations around performance and polish have risen greatly over the course of the COVID-19 pandemic.

Enhanced Loyalty: Consumers want uniqueness when it comes to loyalty programs - static earn-and-burn mechanics just don't get the job done anymore.

As we enter 2022, the travel and hospitality industry is at an inflection point. Not only did the COVID-19 pandemic dramatically change the way that many people think about and experience travel, it also greatly accelerated a variety of consumer trends around digital. The result has been a rapid rise of the **Connected Traveler**.

These travelers have fundamentally different expectations when it comes to travel and what they expect from travel brands - a development that has far-reaching implications for organizations as they look to navigate this new reality. In the following pages, we'll explore what exactly has changed to give rise to this new breed of travel consumer and highlight four key trends that travel and hospitality companies should consider when planning for 2022 and beyond.

Multi-Modal: Consumers are coming to define digital as more than just a static screen and expect brands to offer comprehensive digital experiences

Let's dive into each of these to explore in a bit more detail.

Planning & Inspiration

Going Beyond Transactional Workflows

In a post-COVID world, purely transactional digital workflows are table stakes for travel and hospitality brands. People want digital travel tools that are actually useful - and no, straightforward booking workflows and the ability to check status don't cut it anymore. Today's travelers are using digital tools earlier and more often than ever before - 65% of Millennial and Gen-Z travelers rely on some form of digital content for travel inspiration⁵ and a whopping 95% of customers (across all age cohorts) are now visiting digital travel tools in the window between booking and traveling.⁶



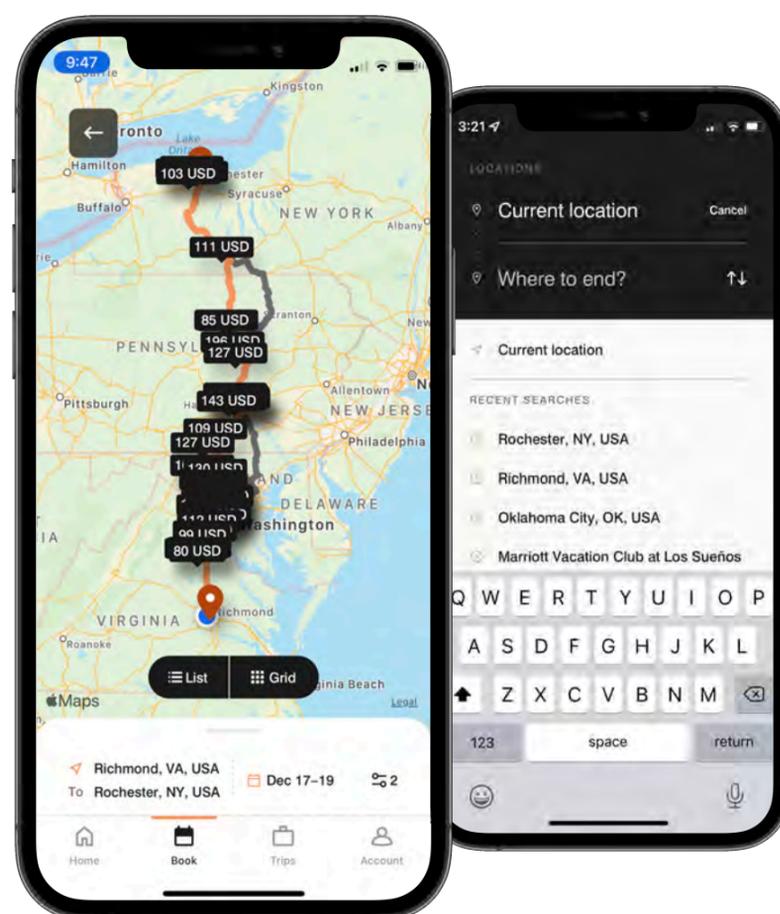
"I'm going to do the research on my own, but if you can save me some work that's always a delightful surprise."

- Julia, User Research Participant

What this tells us is that there's real demand on the part of users for digital travel tools that are useful in the inspiration (pre-booking) and planning (post-booking) phases of the customer journey. There's a huge opportunity for travel brands to serve this unmet demand and build digital tools that help travelers at these traditionally underserved points in the customer journey - things like curated itineraries, aspirational user-generated content, and trip planning functionality. Brands that look at this as an opportunity to deliver real value will be able to build trust and lower the cost of new customer acquisition by organically getting in front of their target audience.

In order to see the effect of this approach in action, look no further than Penn National's acquisition of a large stake in the media company Barstool Sports. Penn viewed Barstool as a strategic investment in content (like the award-winning "Pardon My Take" podcast) that allows them to build an organic audience and punch above their weight - taking on traditional gaming powerhouses like MGM and Caesars in the emerging U.S. online sports betting market. By building trust and an authentic audience, they have drastically reduced new user acquisition costs for their online sports betting business and built a significant early market share in this emerging industry.⁷

We've also seen companies across the space lean into the idea of providing helpful tools for trip planning directly within their flagship applications. Take Marriott, for example: they are supplementing the booking engine within their app with new features such as a road trip planner that conveniently highlights hotel properties along a given driving route. Given the number of road trips that Americans are taking nowadays (75% have taken more than four road trips in the past year⁸) and the uptick in spontaneity caused by pent-up demand for travel (Hotels.com has seen a 10% surge in same-day bookings vs. 2019⁹), this type of tool is likely to deliver tremendous value to on-the-go travelers and families, and is a strong reason to return to the Marriott app over the course of a long trip.



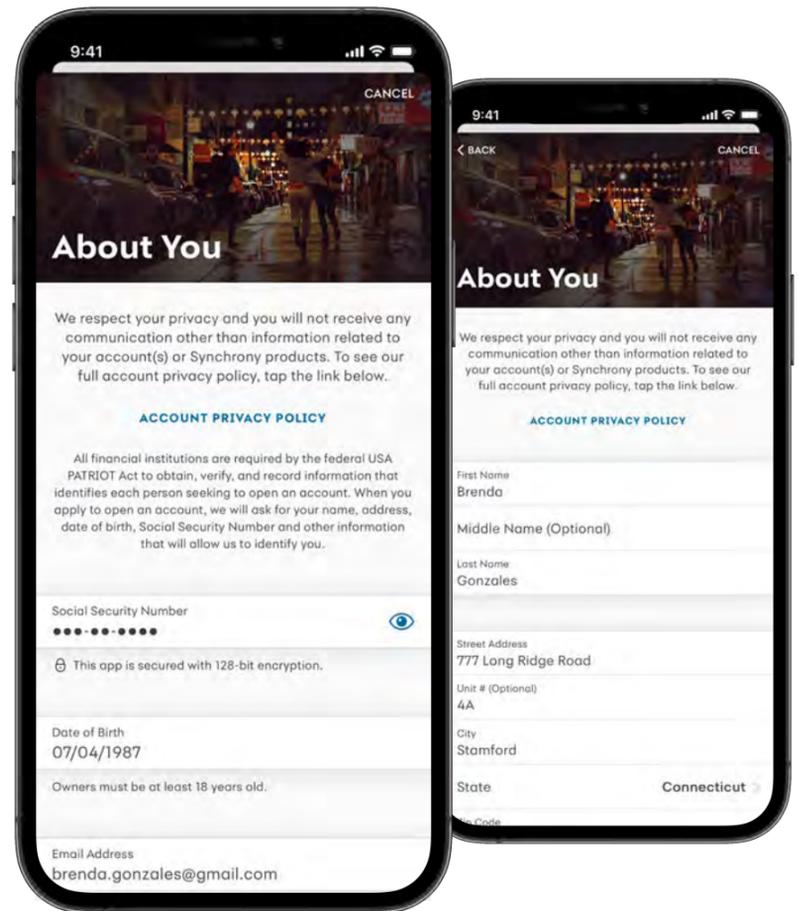
Eliminating Friction

Focusing on the User's Golden Path

There's no easier way to short-circuit a digital experience than by introducing friction along the golden path. In a world where consumer expectations regarding digital have evolved rapidly due to the realities of COVID-19, companies that fail to optimize their digital experiences for performance and ease of use are likely to fall behind. In fact, 86% of mobile users have reported deleting an app due to poor performance and mobile web users are 5x more likely to abandon a task if a site isn't optimized for mobile.¹⁰

The pandemic has greatly accelerated digital investments across a wide variety of industries - and the travel and hospitality space is no exception. In particular, we've seen the large-scale rollout of digital keys and touchless check-in by many of the major hotel brands over the past year. While these innovations are a big step forward for the industry, it's important to remember that consumer expectations are not defined in an industry-specific vacuum, but rather by the full set of experiences and brand interactions that they see in their daily lives.

essential process and streamlining onboarding for new customers; the result of which is a 90% reduction in the time it takes to create a new account.



"There's a lot more [content] than I need (in the booking flow), but not necessarily what I'm looking for."
- Sarah, User Research Participant

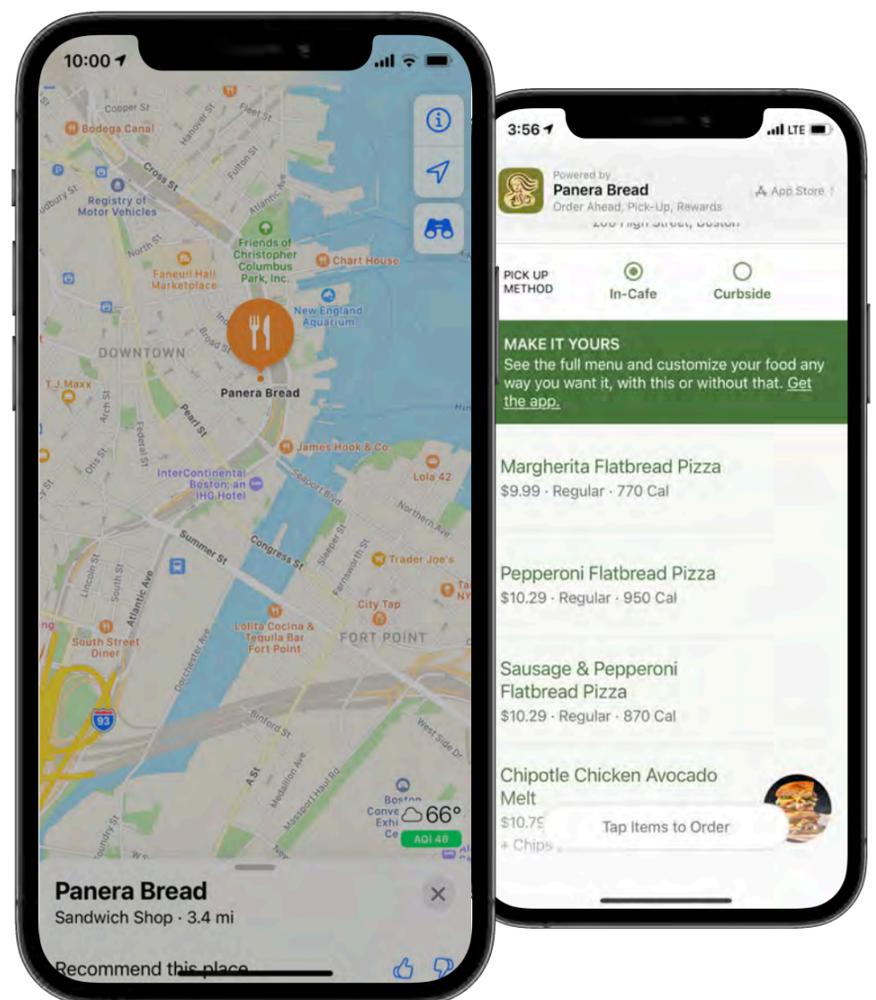
When you look outside the immediate travel space at other major consumer facing industries like banking and quick service restaurants (QSRs), you often see a laser focus on reducing friction during the onboarding and ordering process that far outstrips what's traditionally seen in the travel space. In the commercial banking sector, WillowTree clients like Synchrony Financial have applied a critical lens to high-value digital workflows like account creation - making every effort to drive friction out of this





Other companies are using technology like App Clips (new, native functionality on iOS) as a quick and seamless way to draw new users in. App Clips make apps easier to discover and reduce the friction to download through bypassing the App Store altogether. App Clips can be accessed in a variety of ways like scanning a QR code, or being placed on a location's info tab directly in Apple Maps. When an App Clip is opened, it provides a streamlined and lightweight "app-like" experience without requiring a full app download.

The frictionless experience users get from App Clips can lead to an increase in first-time customers, new digital account creations, new app downloads, and higher user satisfaction scores. QSRs like Panera Bread are using App Clips integrated with Apple Maps to streamline their ordering process and deliver a seamless experience to new users without requiring them to download the full Panera app.





despite their importance - many major travel loyalty programs have innovated very little over the past decade. There are exceptions to be sure - in the past year we've seen Wyndham partner with Bakkt to bring Bitcoin rewards to their members¹², Lufthansa test a luxury D2C store for spending loyalty points¹³, and Marriott relaunch their Bonvoy Moments offering where members can redeem points for unique experience packages.¹⁴

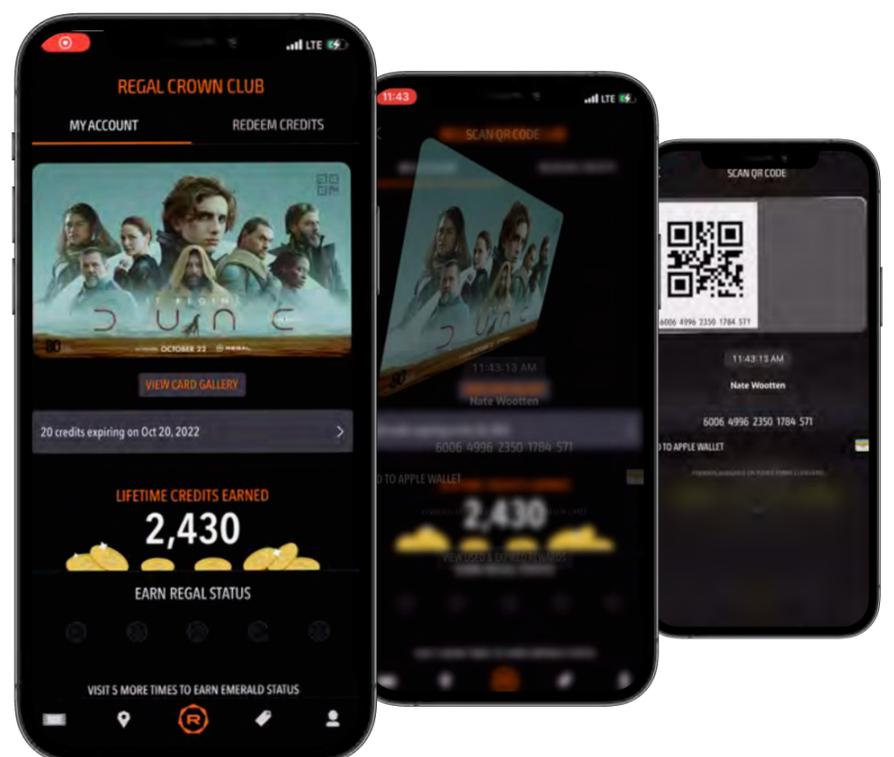
The reality is, in a world where 61% of loyalty members want "special offers not available to other customers", the traditional earn-and-burn mechanics aren't going to be able to continue to entice consumers and drive lasting loyalty.¹⁵ This problem is exacerbated by the changing profile of loyalty customers resulting from the significant drawdown in business travel - which many, including Accor's CEO, believe could result in the long-term shrinkage of the sector by 20-25%.¹⁶

WillowTree has helped partners such as Regal Cinemas re-envision their customer loyalty program - designing a loyalty experience that allows movie-goers to customize their digital loyalty card to reflect their most recent ticket purchase and letting customers collect badges based on movies they have seen. By personalizing and gamifying the loyalty experience for guests, Regal has seen increased in-app ticket sales, higher engagement, and a 20.8% jump in YOY loyalty spend.

Enhanced Loyalty Providing Value Beyond Point Accruals

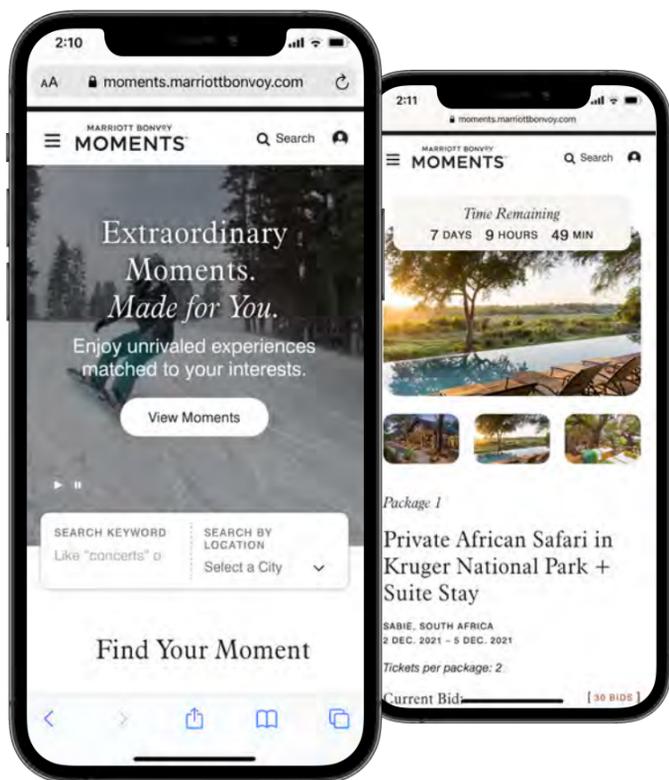
Today's consumers are more empowered than ever before - they have access to more information, more opinions, and more options for how they spend their money. When it comes to building lasting loyalty, the traditional incentives of earn-and-burn loyalty programs just don't cut it. In order to drive behavioral loyalty moving forward, brands need to proactively engage with consumers and provide incentives that more closely align with their social, emotional, and psychological needs - including a keen desire for novel, experiential travel.

The pandemic showed just how valuable a good loyalty program can be in the travel and hospitality space - with major airlines collateralizing their loyalty programs to raise billions of dollars to fund continuing operations in the midst of the downturn.¹¹ However -



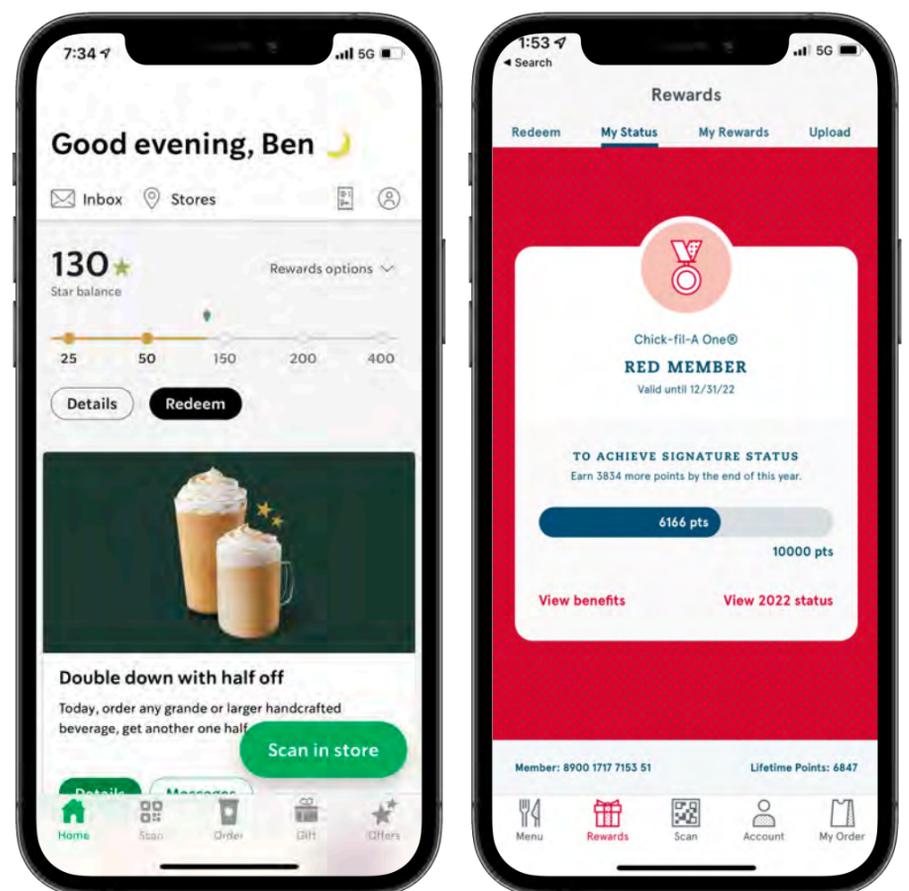
We've also seen leaders across industries embrace a more tailored, individualized approach to customer loyalty. This includes the roll out of Marriott's Bonvoy Moments platform that caters to experientially minded travelers and the continued refinement of best-in-class consumer loyalty programs like Starbucks and Chick-fil-A that are placing a greater emphasis on rewarding users more often and more surgically in order to incentivize specific behavior.

Marriott is looking to use its Bonvoy Moments platform to enhance their loyalty program and tap into a passion for experiential travel among Gen-Zers and Millennials (According to GetYourGuide, 38% of Gen-Zers and 43% of Millennials cited unique experiences as having the greatest impact on their favorite vacations).¹⁷ The newly revamped Bonvoy Moments platform allows members to turn loyalty points into one of a kind experiences - allowing members of the program to bid on packages as varied as box seats at Madison Square Garden, reservations at a Michelin star restaurant, or even a private African Safari, and catering to experientially minded travelers who seek out novel experiences through travel.



When it comes to loyalty programs, there's a lot that can still be learned from best-in-class programs in other industries. Longtime leaders like Starbucks and Chick-fil-A continue to innovate; placing an emphasis on personalization and location-awareness to stand out from the pack. For instance, Chick-fil-A sends messages to inactive members on behalf of local store managers; letting them know they'll "personally" give them a free

sandwich if they come in that week. These localization and personalization efforts aren't just designed to boost vanity metrics either; they can have a real impact on your bottom line. Companies that invest in location-based technology drive 1.4x higher revenue and 2.0x higher customer loyalty than those who don't¹⁸, and since personalizing their rewards program, Starbucks has seen a 3x lift in revenue per order for loyalty members.¹⁹



Multi-Modal Emerging Tech is Redefining the Boundaries of Digital

As consumers spend more and more of their time online (the global consumption of online content more than doubled in 2020), brands need to think critically about what exactly "digital" means in the minds of their customers.²⁰ Based on what we're seeing in the market (and, frankly, in our daily lives) digital will come to mean far more than just a static screen.

Emerging technologies like voice, augmented reality (AR), in-car experiences, and new use cases for geolocation services are defining the next generation



of digital customer experiences (take voice for example, in the next five years, 40% of Gen-Z expects to access the Internet by using their voice alone).²¹ To prepare for the next decade, brands need to think expansively. Next-generation user experiences will not be limited to a single screen or device, but rather will provide customers with an immersive brand experience that spans multiple devices and contexts - and yes, that probably does include the metaverse...which, despite still being poorly defined, already has a few non-META unicorns (with protocols like Decentraland (MANA), Axie Infinity (AXS), and The Sandbox (SAND), clocking in at market caps of \$6B, \$4.9B, and \$4.7B respectively).²²

As digital innovation specialists, we've helped partners develop concepts that leverage emerging technology to create delightful digital experiences. This includes everything from voice-powered mobile ordering, to AR-based resort exploration, and in-car experiences that take advantage of the unique opportunities presented by the Apple CarPlay and Android Auto ecosystem.

Electrify America's in-car experience is a great example of a brand pushing the boundaries of what defines a digital experience using Apple CarPlay and Android Auto.

By extending the app's functionality to an integrated in-car experience (taking advantage of dashboard screens that became prevalent in many post-2016 car models), Electrify America is able to provide a seamless user experience for electric vehicle drivers. The app integrates with in-car systems to proactively alert drivers when they need a charge, allows them to select and get directions to a nearby charging station, and even make a payment without leaving their vehicle.



Conclusions

Looking to the Decade Ahead

Looking ahead to 2022 and the rest of the decade, we see the trends outlined above further accelerating. The Connected Traveler is not going away - nor are many of the new realities that face us in a post-COVID world. Travelers will come to expect more and more from a travel brand's digital experience - and it won't be enough to treat your product roadmap as a box checking exercise aimed at keeping up with the competition.

The good news is that there is still plenty of demand for travel and real-world experiences in an increasingly digital world - but it's our belief that the lion's share of that demand will go to the brands who take digital seriously as a source of true competitive differentiation.

These are the brands that view their digital roadmap not as something to be dealt with or triaged, but rather as an opportunity to build products that delight customers, enhance the physical experience of travel, and deliver meaningful value above and beyond transactional table stakes.

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Resources

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*Application screenshots that appear in this document have been taken from the following iOS apps and digital experiences: Marriott Bonvoy, Synchrony Bank, Panera Bread, Regal, Starbucks, Chick-fil-A, and Electrify America.

