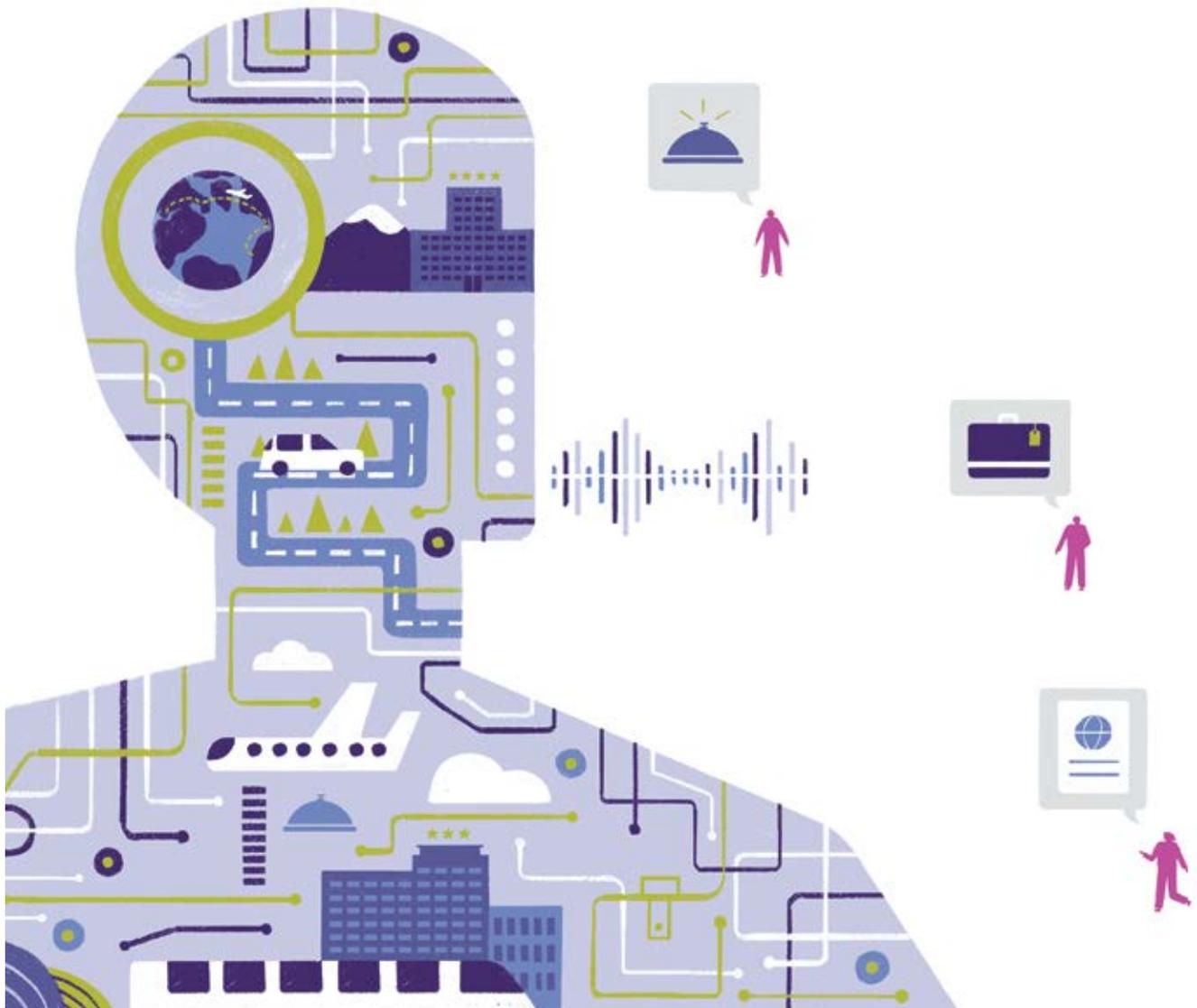


HOW SMART SPEAKERS WILL REINVENT TRAVEL

The winners will be those who recognize early the technology's power and consumer appeal

Scot Hornick • Shri Santhanam • Scott Boland-Krouse • Alex Hill



MARRIOTT RECENTLY TEAMED UP with Amazon to offer a hospitality version of the e-commerce giant's Echo devices in select hotel rooms. Now, when guests want to order room service or housekeeping, they can simply ask Alexa, the voice of their disembodied personal concierge. Travelers with an Alexa device at home can book a car rental or hotel through Expedia and Kayak. Similarly, Google Assistant, which can be used via Google Home devices, smartphones, or smartwatches, can track flight prices and status, suggest nearby restaurants, convert currency, give directions, and provide same-day updates on traffic to airports. People can even book flights through voice-enabled Google Search.

On many fronts, artificial intelligence-powered smart speakers and apps seem poised to become the world's virtual travel agents. Virtual personal assistants like Alexa are moving rapidly from nifty gadgets for techies to household appliances and mobile devices ingrained in everyday life. The adoption of smart speakers is even outpacing that of smartphones a decade ago: An NPR-Edison Research study found that 18 percent of adults in the United States, or 43 million people, now own a smart speaker. Worldwide, ownership exceeds 100 million units and is projected to reach 225 million by 2020.

If consumers start turning regularly to smart speakers for their travel needs, they could end up interacting less and less with traditional airline, hotel, and even online travel agency brands. Or, if travel companies are paying attention, such voice-enabled devices could provide brands with a new front door to the customer. As happened with the rise of the internet and mobile apps, winners and losers in the age of conversational AI will be determined by whether companies recognize its potential early and act on it.

Most vulnerable

Possibly most at risk in the travel community are some of the most digitally savvy players in the space – online travel agencies like Expedia and Booking.com. Several have already established partnerships with Amazon, and they all have relationships with Google through search. Their first move will be along the lines of what they did when mobile emerged as a powerful channel – they created apps and acted quickly to make sure consumers followed them onto the new device. Yet, more so than traditional travel providers, these companies face possible disintermediation by smart speakers, which will be capable of aggregating potential travel options on command. Virtual personal assistants may be able to do this even better than online agencies, given the amount of personal data about customers that the big tech companies will have at their disposal.

For airlines, hotels, rental car agencies, and the like, the challenge should not prove as disruptive, unless we foresee the rise of Google airlines or Amazon hotels – prospects that, while possible, are unlikely to generate the returns on capital that the tech giants are used to. The hurdle for traditional providers will be defending their margins, brand,

and relationships with customers – challenges they already have had to battle at the hands of online travel agencies. Below, we examine three strategies that should not only keep traditional travel companies connected with customers, but which also may lead to a healthier industry and a better travel experience overall – partnering with Amazon and Google, leveraging loyalty programs, and adapting content while protecting branded search.

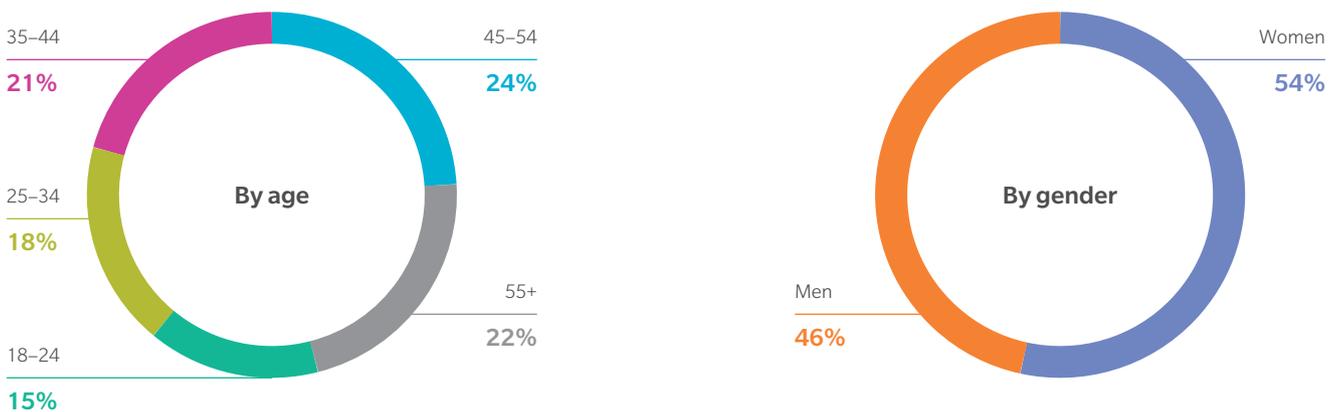
Strategic partnerships

Considering the speed of smart-speaker adoption, travel providers have a relatively small window in which they still have the leverage to negotiate common ground with the likes of Google and Amazon. Participating in the earliest wave of partnerships should be an advantage, as provider clout will be strongest before a substantial portion of consumers start using Alexa and Google Assistant to plan and book their trips. While tech giants already have some travel-related data from searches and purchase history, the more they can add to their databases over time through travel queries and transactions, the harder it becomes for travel providers to extract favorable terms.

Amazon and Google each offer different advantages as partners. Amazon, for instance, is the undisputed leader in sales of personal assistants, with a 72 percent share of the market, according to a March Voicebot Smart Speaker Consumer Adoption Report. Google has its extensive search capability and a desire to catch up with Amazon. Both would like to supplant the online travel agencies as the go-to intermediary for travel.

Travel companies would like to increase brand awareness and reduce their exposure to escalating online agency commissions on bookings. Today, those commissions can range as high as 30 percent for smaller providers and others with less bargaining power to rates in the low teens for large brand-name hotel chains.

43 MILLION ADULTS IN THE UNITED STATES OWN SMART SPEAKERS



Source: NPR and Edison Research

While travel companies could play one tech giant against the other to get the best deal possible, more likely they will conclude that working with both makes the most sense. In either case, travel providers need to keep two goals in mind: retain and enhance access to the customer and maintain control of the customer's data. For instance, even when using Alexa or Google Assistant to execute a booking, hotels and airlines should negotiate agreements that, for a referral fee, let them complete transactions through their in-house channels. While Google and Amazon may not embrace this enthusiastically in the case of smaller brands, the extra fee should allow larger brands to continue to directly serve customers.

Make loyalty count

Loyalty programs represent a treasure trove of data – one that travel companies are only beginning to exploit effectively to get closer to their customers. They also may provide airlines, hotel chains, and rental car companies more clout when setting up smart-speaker partnerships.

By offering special rewards and discounts to loyalty program customers through smart-speaker channels, travel brands could accelerate adoption of voice-enabled systems, making their partnerships valuable to Amazon and Google. The stronger the loyalty program – and the more trust customers have in the brand – the more leverage they gain with their members and in negotiations to maintain control over customer data and access.

As connoisseurs of data, Google and Amazon will recognize that loyalty programs produce substantially more detailed portraits of member preferences and behaviors than they can get from their miscellaneous purchases and searches. Still, travel companies should be cautious and carefully weigh the benefits of sharing data. It will be a delicate balancing act: While the inclination will be for travel companies to circle the wagons around their data, the more information they provide smart-speaker algorithms, the better they can fulfill a customer's query and the more satisfaction customers will derive from the new channel. Smart-speaker companies may also create their own loyalty programs, à la Amazon Prime, in an effort to collect more travel-specific data on their own.

Adapt to verbal search

Over time, smart speakers will be less about the device and more about the technology that allows consumers to talk to any device. Travel providers, like most consumer-facing companies, need to start thinking about crafting content that reflects that reality. For instance, travel companies should consider making their current Apple and Android apps voice-enabled or adding branded "skills" that can be loaded onto Alexa.

Presumably, this means partnering with a provider of that technology – and the best choice may be the one that is the most mobile. Indeed, Apple already offers a Siri software development kit to allow app developers to tie into its smart assistant technology.

In the age of Alexa and Google Assistant, branded search terms could also become even more important than they are now. How many times does the waiter at your favorite restaurant get to the end of the specials, and you no longer remember the first one? Listening to a voice search can pose a similar challenge when you're asking about hotel or flight choices. Google has found that online searches with branded keywords have a conversion rate – turning a search into a transaction – over two times higher than searches without them. So, encouraging branded voice search should become a priority. One can imagine hotel chains or airlines providing discounts or loyalty-point bonuses to customers who use a brand in a conversational AI query, such as “book me a flight on Southwest to Dallas Tuesday night.” Providing added inducements to use voice channels and branded search should reinforce loyalty programs and the brand's identity.

Smart speakers, still in the toddler stage as far as the development of the technology, mark the beginning of a new voice-enabled era of travel. Although travel providers have not led the pack on customer technology interfaces thus far, they now have another opportunity, with a particularly consumer-friendly technology, to change their image. They should seize it.

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