THE 2018 DIGITAL TRANSFORMATION REPORT

EXECUTIVE LETTER

We're entering into the Experience Era: An era where life is transformed not only by well loved brands, but new and emerging brands willing and able to re-envision the journey. With enhanced capabilities, navigational support and a new focus on customer experience,... the globe has shrunk. Travel is now accessible and inspired by one of the savviest demographics – Generation Z. Each day the table stakes for brands to compete is growing as this emerging demographic shapes expectations for everyone now and for decades to come.

Travel brands have been enabling customer control throughout history. Travel in the mid 1970s was a black box. Consumers were reliant on travel agents or heading to an airport terminal to book a flight. Over time, online booking and other capabilities began to place control back with the consumer. Fast forward to 2018 and the power has completely shifted to the consumer. Not only do customers dictate standards through brand loyalty, they set the bar for other brands to follow.

In this evolution, brands have grown and modified their organizations to support change while navigating a moving landscape. A handful of these areas have required significant calibration to maintain success. Traditional media, for reaching and acquiring customers, has disintegrated in performance. This has brought in new technology such as Programmatic to improve management, media waste, and targeted reach. Blanketed low cost strategies are no longer sustainable for brands to grow margins. Insead, targeted offers that vary based on customer loyalty and behavior have become the new norm to support existing and ancillary revenue streams. Travel brands have also begun to re-envision their business, partnerships, and ecosystem to compete with emerging incumbents that have discovered and met unfulfilled consumer needs. And the largest pivot is the new data driven organization: data is front and center to deliver on real-time engagement in the Experience Era.

How will travel brands continue to position themselves for success? What does that journey look like? How are other brands' marketing and technology considerations changing over time?

Adobe partnered with Skift to provide critical insights to travel brands worldwide. This research is release 1 of a three part series covering Digital Transformation, Mobile and Personalization. Each focus area is being developed to help brands on a path to success. We believe the travel community is stronger together. Please join us as we uncover the transformational aspects of travel that are shaping tomorrow's Experience Era.

Julie Hoffmann,
Head of industry strategy & marketing, travel at Adobe

EXECUTIVE SUMMARY

Digital transformation is an essential strategy for any company operating in today's travel industry. With worldwide digital travel sales set to reach to more than $600 billion, and with mobile purchases expected to soon make up close to half of all transactions in some markets, consumer habits are forcing a rapid rise in expectations for digital-focused commerce. Meanwhile, behind the scenes, most travel businesses are moving rapidly to adapt, integrate, or evolve digital systems that control nearly every aspect of their business operations, from marketing to customer service to distribution.

In this increasingly digital-focused environment, what steps should today's travel organizations be taking to transform their business? And how far along are they in process of integrating innumerable available digital tools into their strategy? In response to these questions and the ever-evolving digital landscape, Skift and Adobe are releasing the 2018 Digital Transformation Report. This annual research initiative, based on the results of an industry-wide survey polling nearly 200 executives from across the travel industry, attempts to understand how today's travel marketers are evolving their digital infrastructure, both for customers and internal operations. It also assesses the key challenges facing today's travel industry as organizations seek to adapt for today's digital-focused customers, environment and business processes.

To better understand the key digital challenges facing today's travel executives, we first examine the habits of today's digitally-empowered traveler, using data from Skift's 2018 Experiential Traveler Trends Report for context. The report then reviews the research results of the 2018 Digital Transformation survey, using the four key themes of customer experience, personalization, automation and organizational readiness as key organizing principles. Finally, the report finishes by taking a look ahead at new technologies like blockchain, artificial intelligence, chatbots and augmented reality, assessing the anticipated timeframe during which these new tools will see implementation by today's travel businesses.

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ABOUT SKIFT

Skift is the largest industry intelligence platform in travel, providing Media, Insights & Marketing to key sectors of the industry. SkiftX is Skift's in-house content marketing studio, working collaboratively with partners on integrated projects including webinars, video, research, and live events.

To learn more, email skiftx@skift.com.

MASTHEAD

INTRODUCTION: ADAPTING TO CHANGE

The imperative for digital transformation in the travel industry has never been greater. Everywhere you look, travel industry consumers and companies are embracing digital tools, habits, software, and processes. The biggest factor in this move to digital is consumer behavior, which is shifting toward digital habits like never before. eMarketer forecasts that by 2021, digital travel sales in the US will reach more than $219 billion, with nearly half of these transactions occurring on mobile devices. Research suggests worldwide digital sales will reach $612 billion in 2017. Digital is even transforming how travel consumers interact with travel businesses. Today's traveler can unlock their hotel room or book a tour in Tokyo with the touch of a smartphone, while airlines offer passengers 24-7 access to customer service using messaging apps.

It's not just travel consumers that are feeling the effects of digital. Travel companies are too. According to a 2017 report by the World Economic Forum, the digital transformation of travel industry businesses is expected to generate more than $300 billion in increased profitability. More importantly, this digital transformation also threatens to precipitate a reorganization of the travel industry's entire competitive landscape, with the World Economic Forum predicting that digital transformation will cause an economic shift of more than $100 billion in value away from traditional category players to new upstarts.

In fact, some of today's most formidable travel industry players, from Priceline to Expedia, Airbnb to Uber, Google Facebook, make up a virtual "who's who" of organizations built to generate value using digital-first operations, products, and business models. "People like Airbnb and Booking.com have huge teams constantly tinkering with their algorithms," said Richard Bridger, chief marketing officer for the UK-based accommodations sharing firm Under the Doormat. "Those are the cutting edge companies." The agility that these companies derive from digital is helping to raise the bar for all travel businesses, forcing them to develop the technical know-how to keep up with rising consumer expectations.
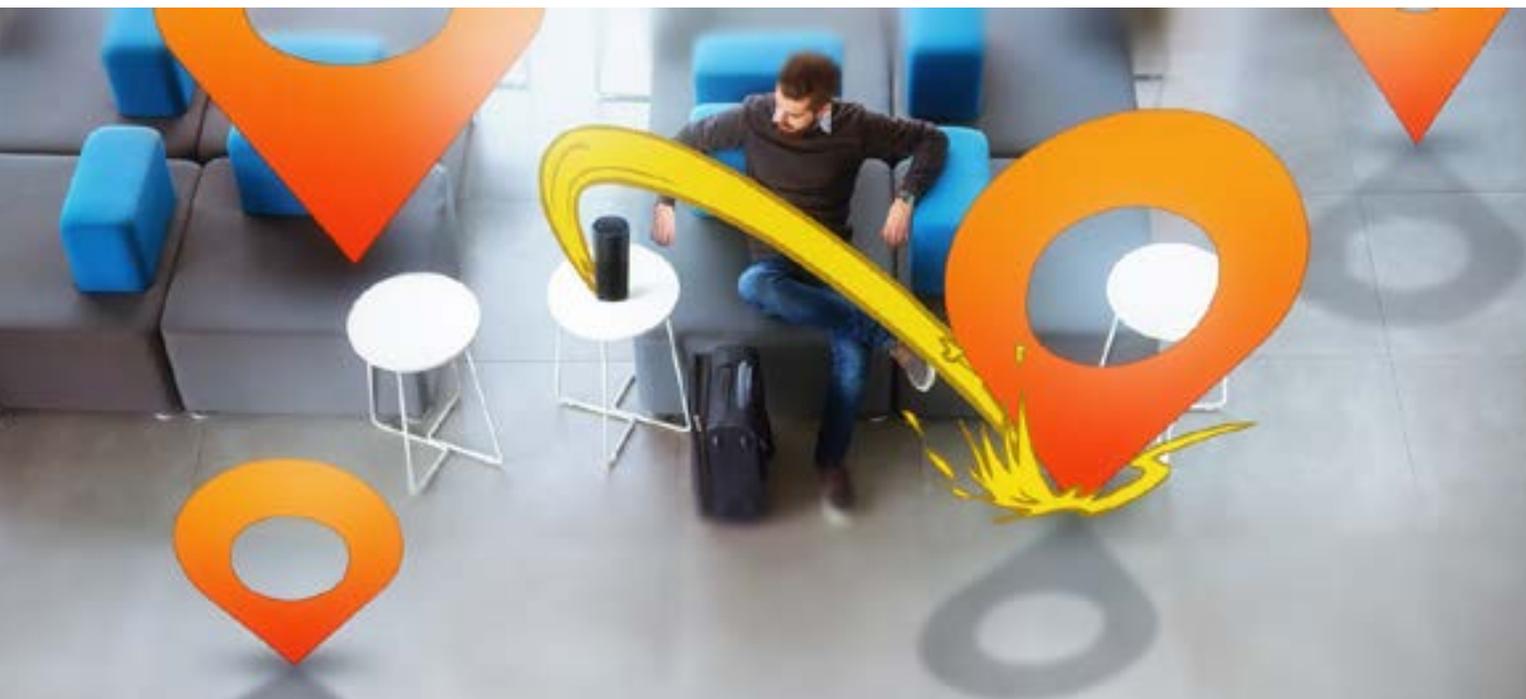
In addition, digital transformation is impacting the behind-the-scenes operations of nearly every organization in the travel industry. Whether we're discussing digital distribution, marketing, customer service, or beyond, today's digital tools and strategies are creating both opportunities and challenges for travel businesses as they position themselves for future growth and success. "As a marketing person, I want to figure out how I leverage [the digital ecosystem] to drive innovation," said Lilian Tomovich, chief experience officer and cheif marketing officer of MGM Resorts, during a talk at the 2017 Skift Global Forum. "How do we use digital to deliver a better guest experience, a more engaged customer and hopefully, drive greater differentiation and more profitability for our business?"
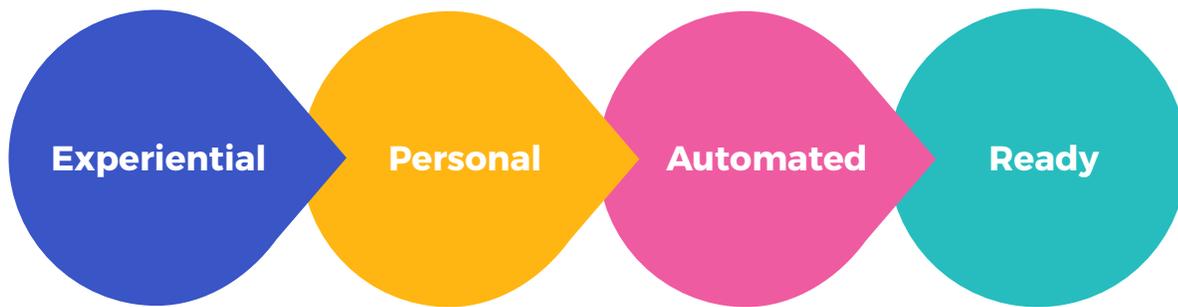
THE 2018 DIGITAL TRANSFORMATION REPORT

It's clear that a growing number of businesses in the travel sector now recognize the impact of digital transformation on their organizations. But what steps are they taking to transform their businesses in the face of this now-ubiquitous, rapidly evolving digital environment? And how far along are they in process of integrating myriad digital tools into their strategy?

In response to these questions and the ever-evolving digital landscape, Skift and Adobe are releasing the 2018 Digital Transformation Report. This annual research initiative, started with our 2017 Digital Transformation Report, attempts to understand how today's travel marketers are evolving their digital infrastructure, for customer-facing interactions as well as behind the scenes. Skift Research launched a new industry-wide survey this past November, using the same research framework developed for the 2017 report. The survey polled nearly 200 executives from across the travel industry for their thoughts about digital transformation in 2018 and beyond.

Many of the same questions from last year's survey were repeated to this year's respondents, helping to establish a benchmark for understanding the changing perceptions of digital transformation in the travel industry. Last year's questions were also supplemented with new survey topics to help further contextualize recent digital transformation developments like chatbots, artificial intelligence, and the blockchain. Our analysis below highlights key data points from this year's survey, along with comparisons between this year's results against those collected last year.

Much like our last report, we structured nearly all of this year's survey questions around four key themes of digital transformation. These topics help to define some the most important opportunities shaping today's digital travel environment. Respondents were asked if they considered their businesses to be:

Experiential? Do they offer truly unique, seamless, and cross-channel digital experiences that leave lasting impressions on my customers?

Personal? Does their business tailor digital experience and marketing messages to each customer?

Automated? Do they have the integrated front and back-end systems that will lead to return-on-investment from technology spending?

Ready? Do they have the time, money and talent to deliver on digital objectives?

**Experiential**　　**Personal**　　**Automated**　　**Ready**

Just how confident are today's travel organizations about their ability to deliver on these themes? On one hand, there is good reason to be optimistic. In last year's Digital Transformation Report, Skift asked respondents if believed they had the necessary talent and/or budget to deliver on their planned digital objectives. Many were worried they did not, with 40 percent or more indicating they were "concerned" they didn't have enough talent or budget. These resource constraints threatened to become an ongoing obstacle holding back many travel industry organizations' path to digital success.

Yet the worries about lack of budget and talent last year appear to be diminishing among those who responded in this year's iteration of our survey. Looking ahead to 2018, there's been a notable decline in the number of respondents who are concerned with the same issues. Just 33 percent said they were concerned about the ability to find digitally-fluent talent in 2018, while just 34 percent said they were concerned about the budgets they had allocated for digital transformation projects. That's a good indicator that more travel organizations believe they are better prepared to deal with digital transformation in 2018 than they were in the past.

However, in another sense, the competitive and structural pressures of today's digital travel industry continue to increase, adding new complications to travel organizations' digital transformation efforts. Compared to last year, a growing portion of travel executives told us that they felt a rising sense of urgency related to their digital transformation process. 35 percent of respondents in this year's survey said they believed their organization was "behind" when it came to their digital transformation strategy. This was in contrast to the 2017 report, when only 32 percent offered a similar response. Meanwhile the percentage who believed their organization was "ahead of the curve" dropped from 24 percent last year, to 21 percent this year.

Overall, how do you feel about your organization's ability to compete in a digital world?

We keep pace with
the competition — **43%**

We are behind in our digital
transformation strategy — **35%**

We are ahead of
the curve — **21%**
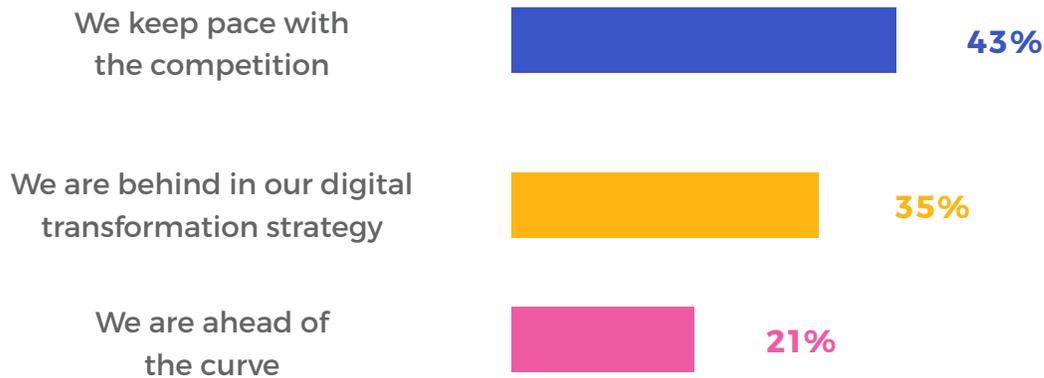
Source: Skift's 2018 Digital Transformation Survey

This slight decline in optimism is likely related to the proliferating range of digital pressures looming over the business decision-making of many organizations. While there's no single challenge on its own that is too difficult to solve, the responses suggest the reality of today's competing digital priorities.

Whether it's a need to better understand and adapt to travelers' constantly-evolving digital habits, provide more seamless marketing experiences to customers across a proliferating range of channels, collect the right data to personalize messaging and products, or build an organization that's ready to face digital challenges, those in the industry face a tricky balancing act.

But no matter the challenge, today's digital transformation strategies are ultimately being shaped by the habits of today's increasingly digital-savvy consumers. What exactly are those behaviors? And how are they are influencing today's digital business strategies? For further analysis, let's continue by examining the latest habits of today's digitally-empowered traveler, using these insights to structure our review of this year's survey results.
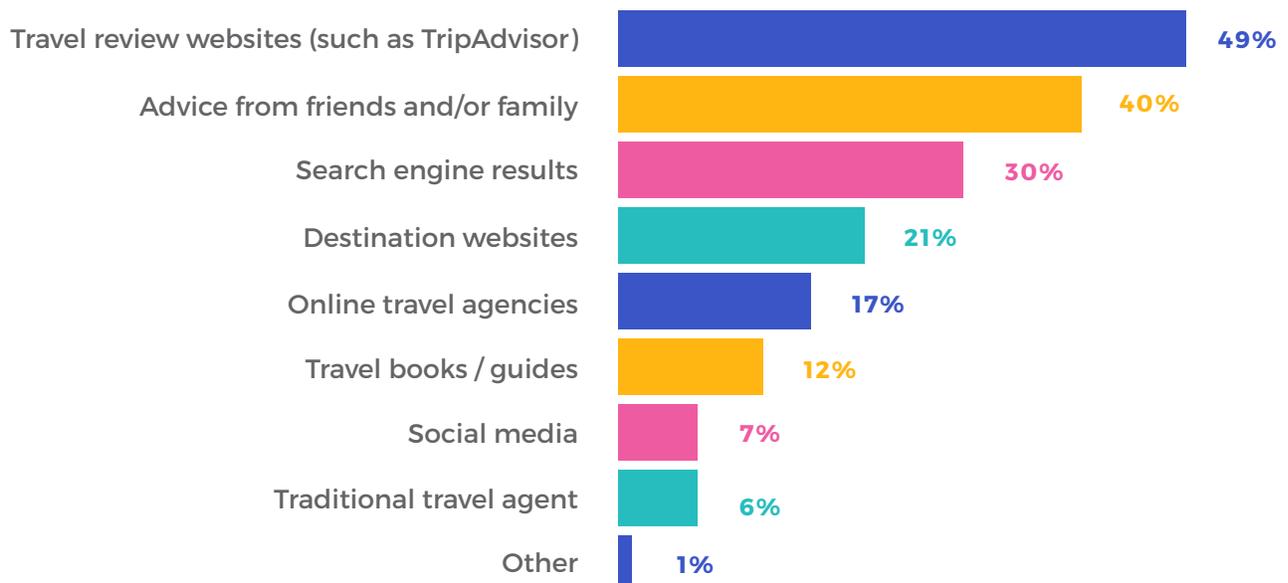
THE DIGITALLY-EMPOWERED TRAVELER

Many of the factors behind today's digitally-empowered traveler are widely understood at this point, but they're worth re-examining, as they continue to impact the digital transformation strategies employed by travel decision-makers. In order to understand where travel organizations should focus their budget and energy when it comes to digital, here are some of consumers' most important digital habits and behaviors.

The first consumer insight to consider is the idea that brands are no longer the only voice in the digital conversation. Whereas communication used to be "one way," with marketers sharing their carefully-crafted message with consumers, in today's digital landscape travel companies must adapt their messaging and communication for two-way reciprocity. Nowhere is this fact more obvious than when it comes to how travelers make purchase decisions and conduct travel planning.

Consider the following results from another piece of Skift research, the 2018 Experiential Traveler Trends Report, which found that peer-driven research sources including travel review sites like TripAdvisor and advice from friends and family were the two most important sources of information for trip planning. These two sources significantly outperformed traditional company-produced information like destination websites. The shift reiterates the important role of digital strategies like personalization as travel organizations develop their products and marketing strategies to connect with consumers.

Which do you consider the most important source of information during travel planning? Please select UP TO TWO answers.

Source	Percentage
Travel review websites (such as TripAdvisor)	49%
Advice from friends and/or family	40%
Search engine results	30%
Destination websites	21%
Online travel agencies	17%
Travel books / guides	12%
Social media	7%
Traditional travel agent	6%
Other	1%

Source: Skift's 2018 Experiential Traveler Survey

The second consumer habit to keep in mind is that today's online purchase journey is rarely a "straight line." Most digital-savvy travelers don't plan, search, and purchase trips at the same time. Instead, the various stages of the customers travel purchase funnel proceed in fits and starts, skipping and jumping between different websites, devices, and purchase sessions.

Consider the example of smartphones, which were once regarded by many travel executives primarily as a consumer research tool. Today these increasingly sophisticated devices are being integrated in nearly every stage of the digital travel value chain, helping to boost loyalty, provide customer service via a chatbot, or even encourage the purchase of a last-minute deal via a mobile app. The cross-device, multi-session, nature of today's digital travel consumer was re-confirmed in Skift's Experiential Traveler Trends research, which found that more than 65% of travelers use either two or three websites to book their vacations.

How many websites do you typically use to book all the parts of your vacation? Consider booking flights, accommodations, and activities.

1	**9%**
2	**35%**
3	**33%**
4	**12%**
5	**2%**
I do not use the internet	**3%**
More than 5	**6%**

Source: Skift's 2018 Experiential Traveler Survey
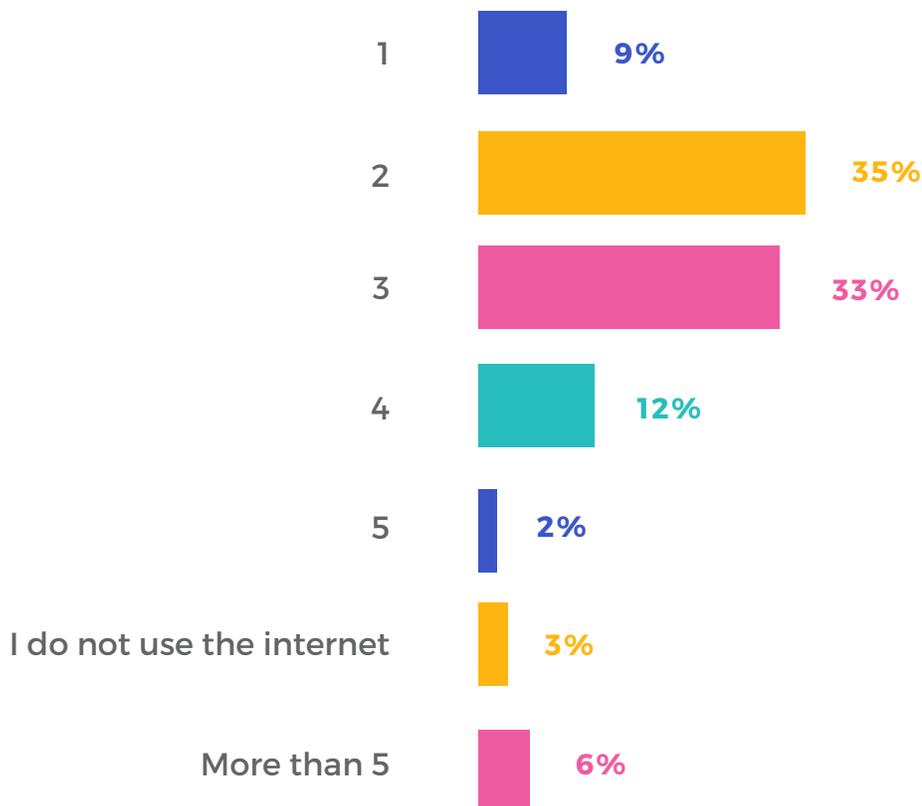
This too, has important implications for how travel marketers design their digital customer experiences. Organizations not only need to offer their products using digital channels, they need to ensure that the experience of researching and purchasing products is fluid as buyers move across a range of different interaction points. It also indicates the importance of gathering unified analytics on customer interactions across different digital systems, making it easier for buyers to get customized information based on their needs, and easily pick up where they left off without needing to start from scratch.

The third well-known consumer shift is the continued popularity of social media platforms as a critical source for news, entertainment, information sharing and travel advice. Among the respondents to Skift's 2018 Experiential Traveler Trends Report, more than 40 percent said they either slightly or strongly agree with the statement "it is important for me to share photos of my travels on social media."

It is important for me to share photos of my travels on social media.

Strongly agree	16%
Slightly agree	26%
Neither agree nor disagree	21%
Slightly disagree	13%
Strongly disagree	23%

Source: Skift's 2018 Experiential Traveler Survey
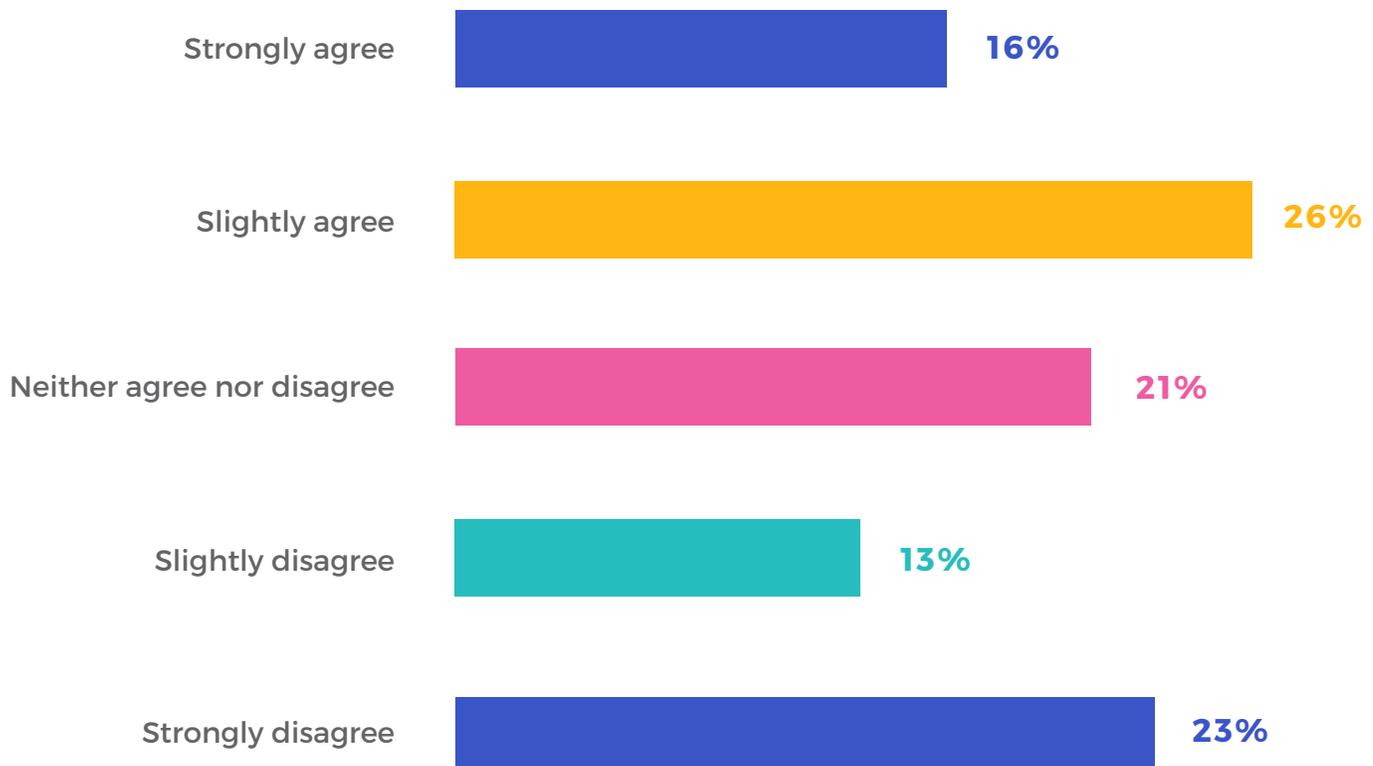
For travel marketers, the shift toward social media has had important implications for their analytics, digital marketing, and customer service competencies. The growth of social has also played a role in the increasing adoption of content marketing, which has inspired more travel organizations to re-think how, where, and why they communicate with consumers. One need only examine the growth of influencer campaigns on Instagram, or rapid-response airline customer service teams on social chat platforms like Facebook Messenger as two outgrowths of this trend. The embrace of social also offers further opportunities to utilize customer social data, which can provide an important source of customer insight to help inform efforts related to customer experience and personalization.

Last but not least, it's worth acknowledging the impact of younger consumer generations, including Millennials and Generation Z, on today's digital consumer travel behaviors. These two groups grew up in a world where mobile apps, always-on connectivity, and on-demand delivery of products and services are the norm – raising the bar for how all companies provide digital products and services to their customers.

Consider a few of their most important digital habits. Close to half of millennials already say they've booked travel through a smartphone or tablet, but 86% also say they are disappointed by bad mobile experiences. Millennials are also much more likely than older generations to book last minute, install a travel app on their phone, or use a digital service like automated hotel check-in. Meanwhile, 90 percent of generation Z travelers said their travel purchase decisions were driven by social media, highlighting how important it is for brands to engage in authentic ways using content and online conversations. Each of these expectations is having a profound impact the digital services and experiences that travel brands must provide to satisfy today's customer.

THE FOUR PILLARS OF DIGITAL TRANSFORMATION

At the start of the report, Skift and Adobe outlined four key themes, including customer experience, personalization, automation and organizational readiness, that would help contextualize the progress travel industry organizations are making in their journey toward digital transformation. Just how well do this year's survey respondents think they're performing on these four metrics? We asked them to rank their organizations' digital transformation in these areas on a scale of one to five stars.

How would you rate your organization on these four pillars of digital transformation?

5 STARS = EXCELLENT   1 STAR = VERY POOR

2017

Customer Experience: 17%, 34%, 31%, 13%, 5%
Personalization: 12%, 20%, 32%, 28%, 7%
Automation: 4%, 23%, 37%, 26%, 11%
Readiness: 8%, 23%, 33%, 25%, 11%

Legend: 5 STARS, 4 STARS, 3 STARS, 2 STARS, 1 STAR

2018

Customer Experience: 16%, 35%, 35%, 9%, 4%
Personalization: 15%, 21%, 34%, 22%, 9%
Automation: 9%, 19%, 36%, 22%, 14%
Readiness: 8%, 22%, 36%, 23%, 11%

Legend: 5 STARS, 4 STARS, 3 STARS, 2 STARS, 1 STAR
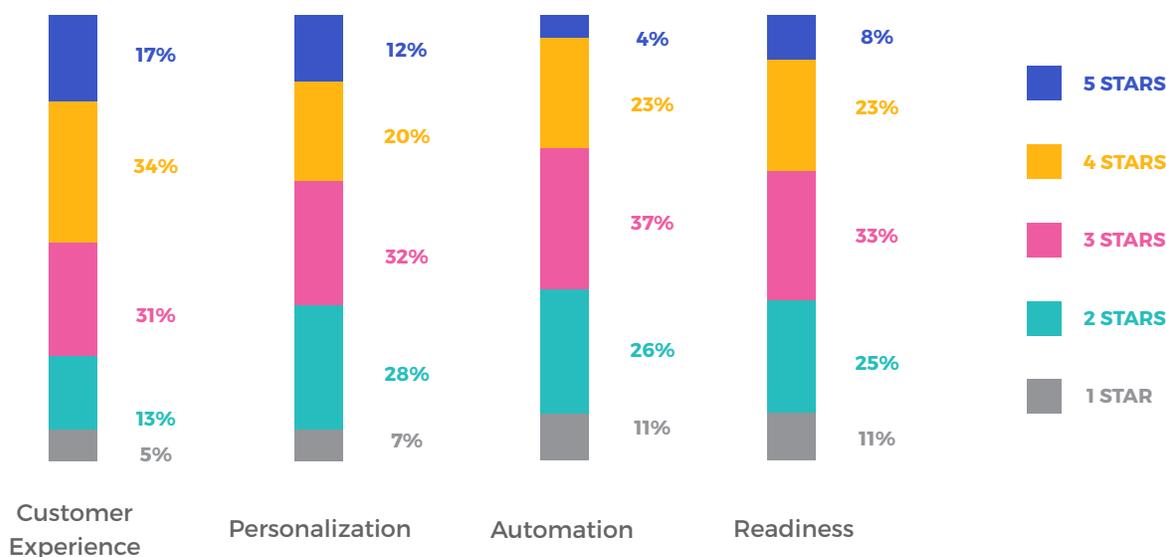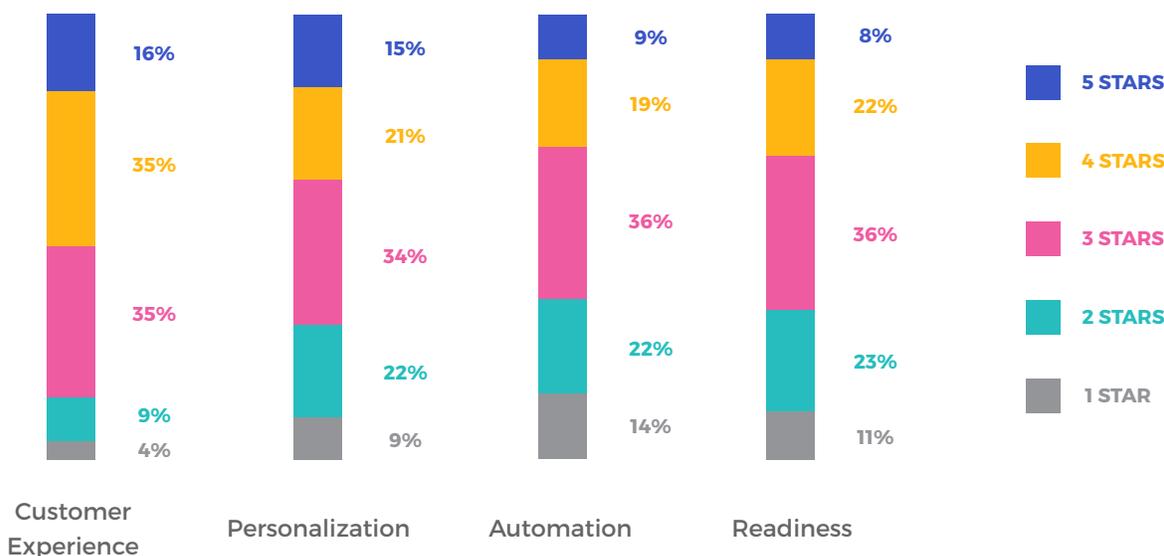
Source: Skift's 2017 and 2018 Digital Transformation Surveys

Overall, there was not much movement in our survey respondents' ratings of their organizations' digital transformation efforts versus last year. The one notable shift was in the realm of automation, where 9 percent of our 2018 survey respondents rated themselves five out of five stars, a five percentage point increase from last year, when only four percent of respondents gave themselves the same grade. But other than this shift, most travel executives illustrated a fairly stable perception of their digital transformation process this year in comparison to the year before.

But even if digital transformation efforts appear stable at a macro level, there's plenty of activity happening related to specific digital disciplines. Let's take a closer look at some of the digital challenges and opportunities facing travel brands in the areas of customer experience and mobile, personalization, automation and organizational readiness.

CUSTOMER EXPERIENCE

As explained in our analysis of today's digitally-empowered traveler, the current consumer travel journey is increasingly complex. Whether we're looking at the physical customer touch points like airport kiosks or hotel front desks, or online activity from metasearch websites and mobile apps, digital now impacts nearly every aspect of the travel customer interaction process. Just consider the chart below, which details a few of the many digitally-connected touch points where today's traveler interacts with a travel brand.

Search
Digital Billboard
Landing Page
Viral Email
Blog
Online Ads
OTA

Check-in Counter
Newsletter
Keyless Room Entry
Mobile Boarding Pass
Email
Blog

| Awareness | Consideration | Purchase | Service | Loyalty |

PR
Website
Twitter
Loyalty Program
Promotional Mail
IM / Chat
Call Center / VR
Radio TV Print Outdoor
Word of Mouth
Call Center

The growing complexity of travel companies' numerous touchpoints with consumers is encouraging many executives to consider how they can simplify and streamline their systems to create more seamless customer experiences.

Even customer touch points that were once considered analog such as call centers, hotel room keys or airline check-in counters are now often integrated with back-end digital systems and marketing strategies, requiring a growing need for organization-wide synchronization. The complexity of this cross-channel environment places growing stress on travel businesses hoping to design a streamlined customer experience.

Given these challenges, just how much priority are today's travel executives placing on the creation of seamless customer experiences? And how are travel brands building their digital systems to address the growing popularity of channels like mobile, or the rise of "cross-device" digital behaviors?

Customer experience is indeed a top priority for those travel brands that responded to this year's survey, with the strategy ranking at the top of many travel organizations' business priorities for the next 12 months. More than 50 percent of travel executives from this year's survey listed "providing consistent high-quality customer experiences" as the most popular response.

What are your organization's top business priorities for the next 12 months?

Provide consistent high-quality customer experiences — **53%**

Grow our customer base — **50%**

Increase profit margin per traveler/guest — **26%**

Deepen existing customer relationships — **22%**

Increase customer retention — **17%**

Reduce operational costs to service travelers/guests — **10%**

Other — **7%**
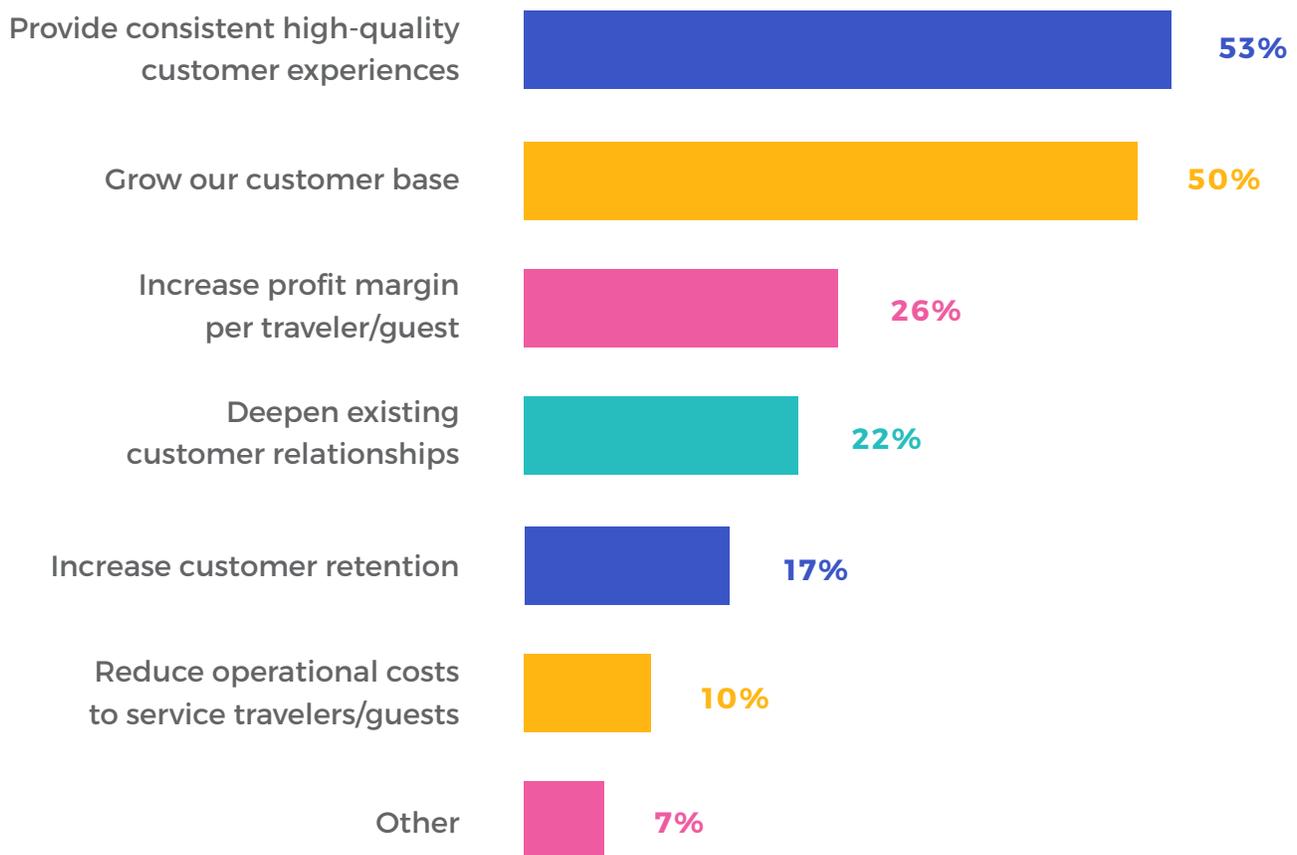
Source: Skift's 2018 Digital Transformation Survey

Among the wide variety of channels available to today's digitally-savvy travel brands, mobile is becoming one of the most important for today's digital user environment, including for pre-trip research and purchase, in-destination engagement, and post-trip interaction. As revealed in the results from this year's survey, mobile makes up a growing share of consumers' digital interactions with travel brands. More respondents (22 percent) said mobile now accounts for between 41 and 60 percent of their visitor traffic. This is an increase from last year's study, when just 13 percent said mobile made up a similar portion of their customer visits.

Approximately what share of your visitor traffic comes from mobile platforms including smartphones and tablets?

10% or less	**16%**
11% – 20%	**18%**
21% – 40%	**35%**
41% – 60%	**22%**
Over 60%	**9%**
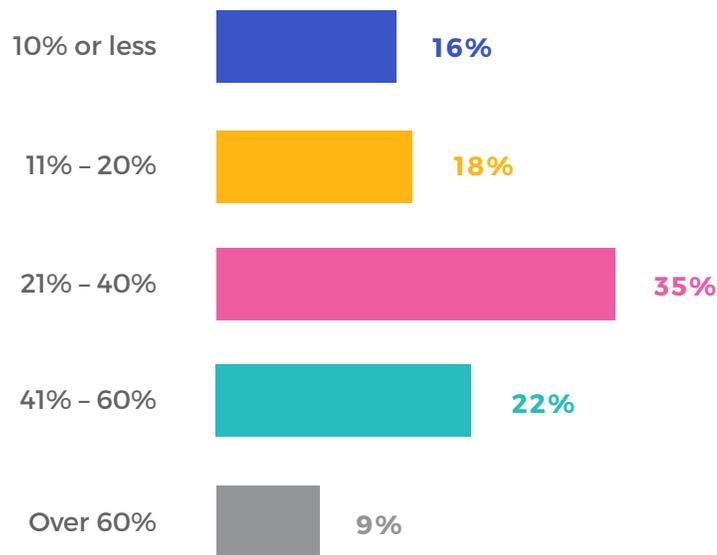
Source: Skift's 2018 Digital Transformation Survey

Yet despite the growing importance of mobile to today's digital user experience, a significant number of travel organizations say they still struggle to adapt to this mobile reality. Not all organizations are behind when it comes to mobile: many are getting quite sophisticated when it comes to building "mobile-first" or "mobile-only" customer experiences. However, there are still lingering challenges for many companies when asked about their mobile preparedness. When rating themselves on a scale of one to five for their preparation in a mobile world, 40 percent of respondents ranked their organization at just three out of five.

On a scale of 1 to 5, how prepared is your organization for a mobile world?
(1 = not at all prepared, 5 = very well prepared)

1	**7%**
2	**9%**
3	**40%**
4	**31%**
5	**13%**
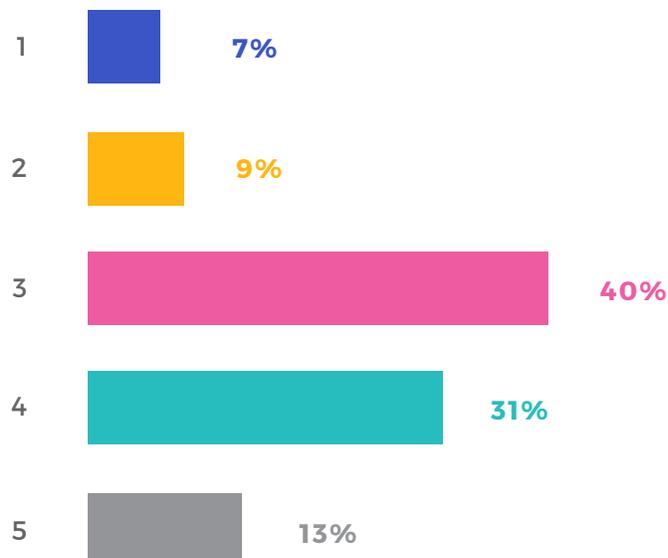
Source: Skift's 2018 Digital Transformation Survey

A related phenomenon associated with mobile is the consumer shift toward "cross-device" behavior. Now that a growing number of consumers own multiple digital devices, including laptops, tablets, and smartphones, they don't always use the same device to search for or buy their travel purchase, creating a new layer of complexity for travel brands hoping to target and capture a growing share of digital sales.

Increasingly, many travel executives have noted this cross-device shift in their own businesses, encouraging them to take a more multi-faceted approach to how they target and track consumers across different devices and channels. "What we often see is people want to toggle devices – so while they're at home they may be more inclined to use a tablet or a laptop to research, but when they get on the road they also want to be able to pick up where they were and complete the purchase in a very similar experience on mobile," said Josh Lesnick, chief marketing officer of Wyndham Hotels, in a 2016 interview with CMO.com.

There are numerous approaches to address this cross-device behavior, ranging from simpler tactics like building a responsive site, to more sophisticated strategies like creating user profiles and logins that allow companies to personalize and adapt the customer experience based on use case and device. "To respond to that, we've made a big investment in completing our digital transformation and having a responsive site so we can carry that experience from one type of device to the next," said Lesnick.

Increasingly, mobile data points like a consumer's location also play an important role in designing best-in-class customer experiences. Now that every smartphone has GPS and bluetooth built in, it's making it easier for travel organizations to understand a user's specific context and better personalize content and get clues about their intent. All of this information, when used strategically, will ultimately lead to better, more user-friendly interactions.

PERSONALIZATION

There's no question that personalization technology is transforming how today's travel businesses interact with customers. Thanks to a growing embrace of customer relationship management (CRM) and data management platforms, along with an increasing wealth of data shared and gathered from travelers during their numerous digital interactions, travel brands have an opportunity to create more genuine connections with their customers. The wealth of data is also allowing more brands to design more customized marketing messaging and tailored travel products while doing so at scale.

"The kind of human connection that drives lasting value is exactly what technology is ideally suited to deliver and is ultimately destined to do," said John Marshall, chief strategy and innovation officer at Lippincott, a New York-based creative consultancy, in an analysis published by Adobe Digital Insights. "Listening more, remembering better, knowing more deeply. Long-term, tech's promise isn't efficiency—it's actually intimacy. Once that is achieved, today's functional advantage will be accompanied and eclipsed by tomorrow's lasting emotional bonds."

How are today's travel companies striking the right balance between personalization technology and the human touch? We asked this year's survey respondents for their thoughts.

As respondents to our 2018 survey noted, many have made progress in the realm of personalization. When asked to rate their ability to deliver "highly-personalized digital experiences" to customers, 67 percent of respondents to the Skift and Adobe survey rated their efforts at either three, four, or five stars (out of five), suggesting that there is a considerable degree of confidence with personalization strategies.

Respondents also offered an optimistic assessment of their personalization abilities. More than 70 percent of respondents in this year's survey suggested that they were either "quite confident" or "somewhat confident" about their personalization efforts.

We deliver highly personalized digital experiences to our customers.

1	9%
2	22%
3	34%
4	21%
5	15%
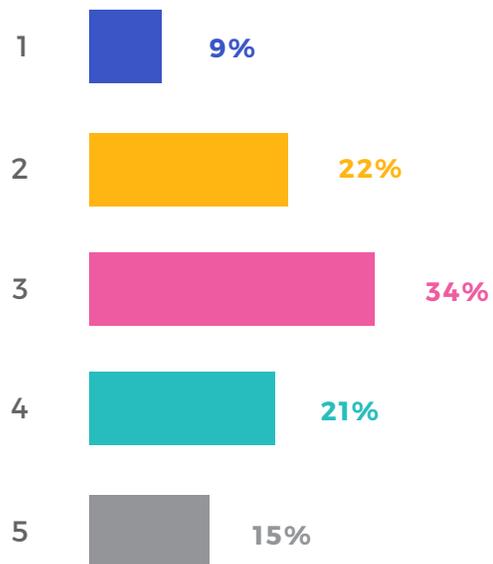
How confident do you feel about the following statement: My organization can effectively deliver personalized experiences and messaging for our customers.

Somewhat confident	43%
Quite confident	28%
Somewhat concerned	20%
Quite concerned	9%
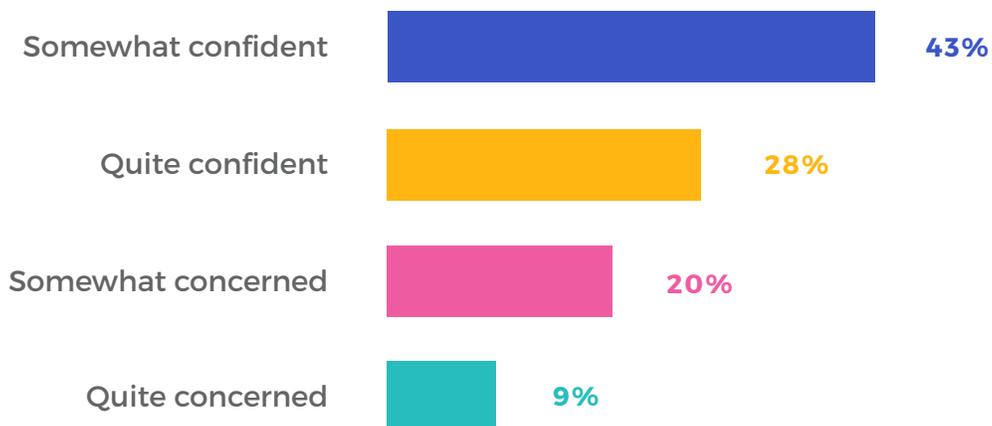
Source: Skift's 2018 Digital Transformation Survey

Another key question when it comes to personalization is figuring out and prioritizing the sources of customer data that are most useful to understand consumer behavior. With so many data sources now available to travel marketers, it can often be difficult to know what to prioritize. This came up in Skift and Adobe's survey responses. Data sources including social media, email and digital analytics were the most popular information sources used to build a more holistic view of their customer. All three were mentioned by more than half of all survey participants.

Which of the following sources of data is your organization using to help build a 360-degree view of the customer? (Select all that apply)

Source	Percentage
Social media	60%
Email	58%
Digital analytics	52%
Transactional data	47%
Consumer survey	44%
User reviews (UGC)	43%
Customer preference data	41%
Loyalty program data	35%
Call center / front desk data	33%
Customer search intent	31%
Mobile app	30%
Chatbot data	10%
Other	1%

Source: Skift's 2018 Digital Transformation Survey
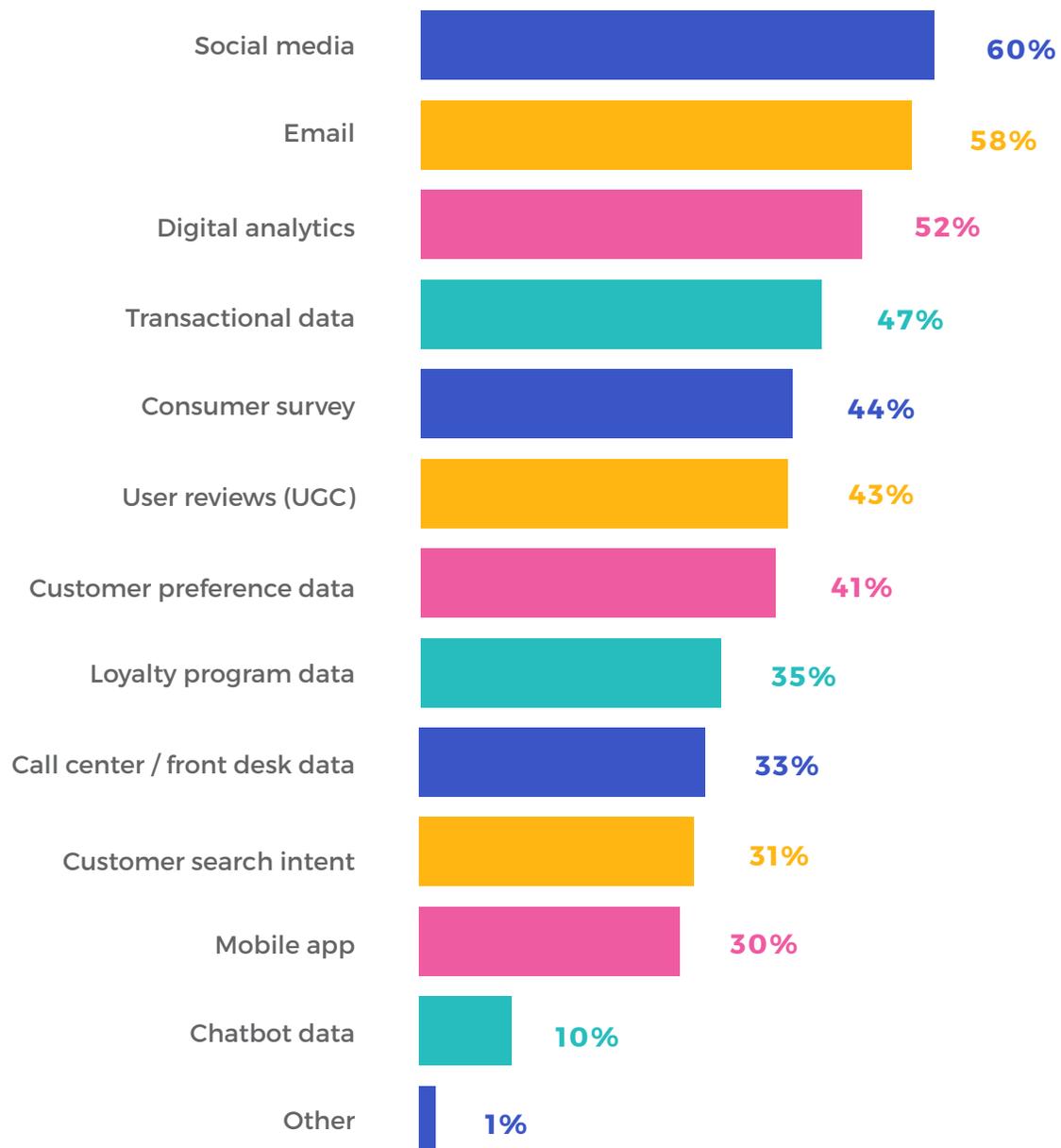
One example of travel brands trying to use customer data to deliver more personalized offers is European low-cost airline Ryanair, which in recent years has hired hundreds of IT and data analytics specialists to better parse its vast wealth of traveler data. The aim is ultimately to offer a personalization service similar to what's already happening in industries like retail e-commerce, a sector where Amazon dominates. "This has transformed retail and it's going to transform airlines," said Kenny Jacobs, a former Tesco executive spearheading Ryanair's digital efforts, in a previous Skift interview.

Ryanair's focus on hiring more digital talent seems like a smart move. In fact, insufficient talent is a key problem for many travel companies hoping to offer more personalized messaging and offers. When asked about the barriers preventing them from delivering more personalized digital customer experiences in this year's survey, respondents noted that "lack of skilled digital marketers/analysts" was either a "pressing" or "routine" challenge. This was mentioned by a combined 72 percent of respondents. Meanwhile, "inadequate digital marketing tools" was the second most "pressing" or "routine" challenge for 71 percent of respondents.

How big of a challenge do the following barriers pose in your ability to deliver personalized digital customer experiences?

PRESSING CHALLENGE   **NOT A SIGNIFICANT CHALLENGE**

ROUTINE CHALLENGE   **NOT SURE / NOT APPLICABLE**

	Inadequate funding / budget	IT infrastructure challenges	Lack of skilled digital marketers / analysts	Data too fragmented	Inadequate digital marketing tools
Not sure / not applicable	6%	6%	4%	11%	7%
Not a significant challenge	23%	23%	22%	20%	22%
Routine challenge	41%	42%	48%	43%	50%
Pressing challenge	29%	29%	26%	25%	21%
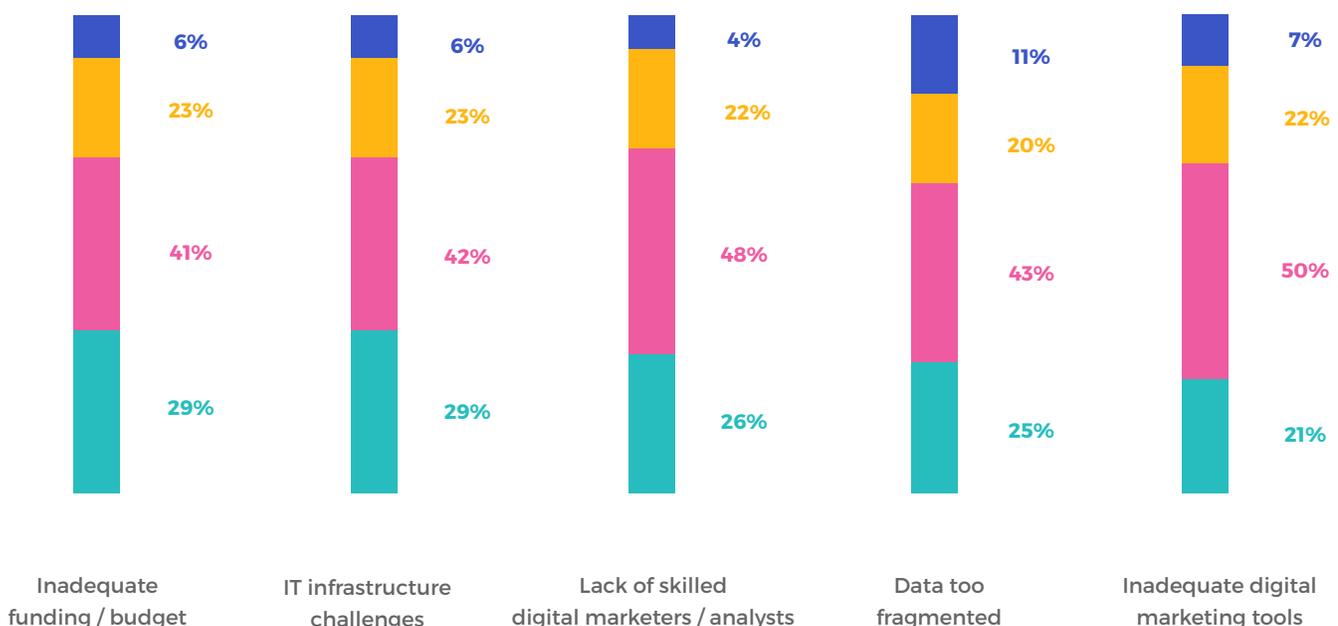
How big of a challenge do the following barriers pose in your ability to deliver personalized digital customer experiences? (Continued)

- **PRESSING CHALLENGE**
- **ROUTINE CHALLENGE**
- **NOT A SIGNIFICANT CHALLENGE**
- **NOT SURE / NOT APPLICABLE**

	Organizational structure	Lack of staff	Data security and privacy issues	Organizational goals are not aligned with team / channel goals	None of the above
NOT SURE / NOT APPLICABLE	5%	5%	7%	9%	74%
NOT A SIGNIFICANT CHALLENGE	34%	28%	37%	42%	13%
ROUTINE CHALLENGE	40%	48%	36%	34%	8%
PRESSING CHALLENGE	21%	20%	20%	15%	6%

Source: Skift's 2018 Digital Transformation Survey

Aside from some of the logistical and technical challenges of building a great personalization system, and identifying the right data to personalize customer experiences, travel executives note that the discipline requires a savvy ability to blend digital and human personalization into a single experience. However, some worry that travel companies may be using digital personalization as a substitute for human interaction with customers. "The question becomes, 'have we gone too far?,'" said MGM Resorts' Lilian Tomovich speaking at the 2017 Skift Global Forum." Have we allowed digital technologies to become the be-all and the end-all for the guest experience? And should we rebalance that with more human connection?"

Increasingly those travel companies that embrace digital personalization know that it must be paired with thoughtful human interaction to truly be effective, particularly in sectors like hospitality where great service is part of the experience. "It is still vital for us to engage with our guests face to face, gather information and receive feedback. We listen." said Marcel Thoma, general manager for The Upper House Hong Kong in a 2017 interview with Skift. "The close communication and data behind the scenes is just as important as the way it is utilized by employees on the frontline day to day. It's about offering the highest level of personalization and having that human connection."

For Julie Hoffmann, head of industry strategy for travel and hospitality at Adobe, travel companies have to strike the right balance to strike between high touch and low touch. "The act of having self-service capabilities can be considered high touch in that some demographics prefer intuitive but 'hands off' engagement," noted Hoffmann. "If you eliminate effort and anticipate needs, many travelers will be pleased by this engagement. In those instances, these same travelers want to know that if something goes wrong, they can quickly have their problems resolved. This is where loyalty is built in a low-touch evolving world."
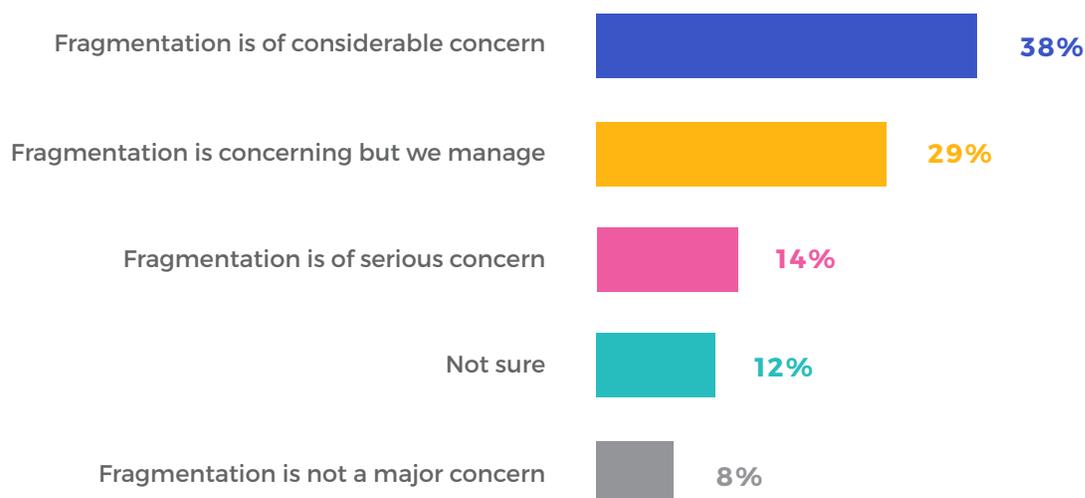
AUTOMATION

Automation offers big benefits for one of today's biggest digital challenges. Simply put, today's travel marketers are drowning in data. A growing range of information produced by a proliferating range of channels, devices, website analytics, audience segmentation methods and attribution models threatens to overwhelm travel executives' decision-making capabilities. What's more, the problem seems to be getting worse, not better: Adobe research found that 54 percent of travel brands in 2017 said they planned to increase spend on data and data-related services. To make matters even more dire, information often exists in silos across the organization, complicating efforts to use it effectively.

"One of the biggest challenges we have is trying to make sure we have a cohesive view of the customer as we collect data through various systems," said David Coons, vice president of global product at Expedia. "Bringing all of it together is a continuous battle." That's why one 2018's biggest digital challenges for travel organizations will be figuring out how to extract the most meaningful data and take action on it.

As many respondents to Skift's 2018 Digital Transformation survey noted, fragmentation of customer data and analytics is an area of "considerable concern," with more than 38 percent of survey participants mentioning it was an issue. This insight is not that surprising given that most travel brands are dealing with a heavy load of "legacy" software systems. Many of these databases are unable to communicate or sync with other systems, and also lack the robust ability to provide the real-time access needed for today's "on the go" mobile and cross-device travel customers.

To what degree is fragmentation in customer data and the analytics platforms that you use a concern to your organization?

Fragmentation is of considerable concern	**38%**
Fragmentation is concerning but we manage	**29%**
Fragmentation is of serious concern	**14%**
Not sure	**12%**
Fragmentation is not a major concern	**8%**

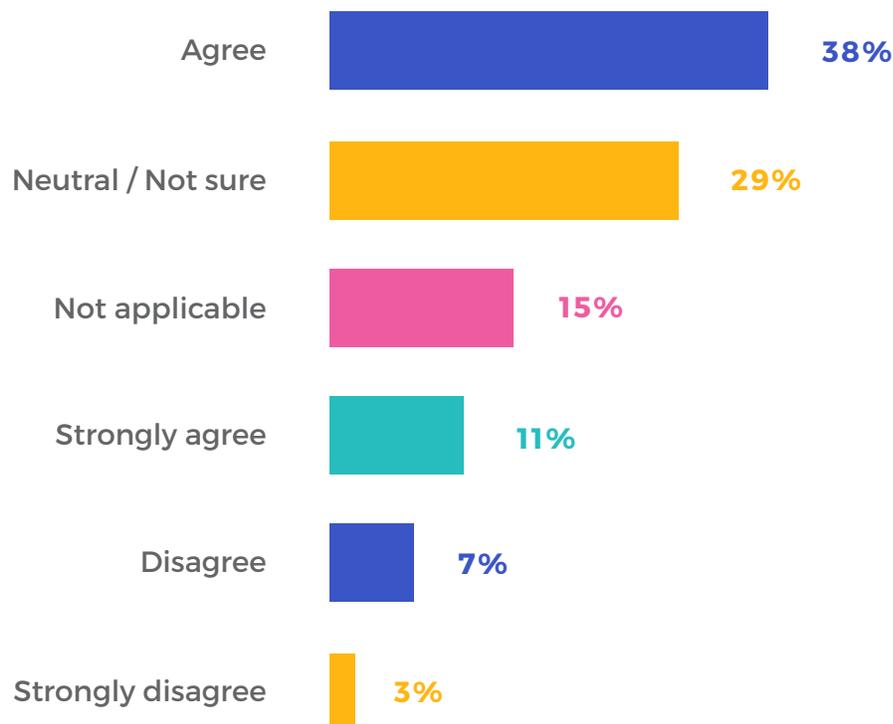Source: Skift's 2018 Digital Transformation Survey

In fact, a growing number of travel marketers recognize the need to better coordinate their customer engagement and data-gathering activity between channels, devices, and environments with minimal friction. It's leading more travel brands to embrace "customer experience" tools, which allow them to more easily automate and orchestrate different aspects of their brand experience, data gathering, and customer interactions.

These systems provide travel marketers with a more holistic view of the marketing purchase funnel, combining once-distinct marketing disciplines such as digital advertising, email campaigns, digital screen campaigns, conversational commerce, analytics and customer service functions into a single unified dashboard. While these customer experience platforms have existed for some time, the more recent trend has been toward "cloud-based" platforms that make it easier for marketers to process a huge range of customer and marketing data, at scale, across their organization.

Those who have made the leap to utilize a customer experience platform have found it has significant benefits, the most important being increased ROI. According to Skift and Adobe research, more than one third of respondents said their customer experience platform has boosted their return on investment, suggesting potential benefits of such systems.

Our customer experience platform has led to a return on investment for our organization.

Agree	38%
Neutral / Not sure	29%
Not applicable	15%
Strongly agree	11%
Disagree	7%
Strongly disagree	3%

Source: Skift's 2018 Digital Transformation Survey

The potential uses for these platforms varies depending each travel organization's specific business objectives and data inputs. That said, travel executives do have a few common tactics they use to optimize and measure their marketing efforts. Where will travel marketers invest more time in 2018 when it comes to their use of customer experience platforms? This year's research suggests that many plan to use such systems to build better customer segmentation profiles, optimize email campaigns or measure mobile and website analytics.

"Customer profile targeting," a tactic that refers to building more accurate segments of customers based on geography or original traffic source, was the customer experience tactic where respondents expected to invest the most time in 2018, mentioned by more than 53 percent of respondents. Other tactics like email optimization, website analytics and mobile analytics were essentially tied for the second-most popular response. Each of these tactics was mentioned by 48 percent of respondents.

In 2018, how will you prioritize the following customer experience measurement and optimization tactics?

INVEST MORE TIME　　**INVEST LESS TIME**　　**NOT SURE**

ABOUT THE SAME AS LAST YEAR　　**NO PLANS TO USE**

	Profile targeting (e.g. geography, traffic source)	Email optimization	Website analytics	Mobile analytics	Customer reviews
NOT SURE	8%	9%	6%	12%	7%
NO PLANS TO USE	6%	3%	2%	7%	6%
INVEST LESS TIME	1%	11%	3%	3%	4%
ABOUT THE SAME AS LAST YEAR	32%	29%	39%	29%	38%
INVEST MORE TIME	53%	49%	49%	49%	46%
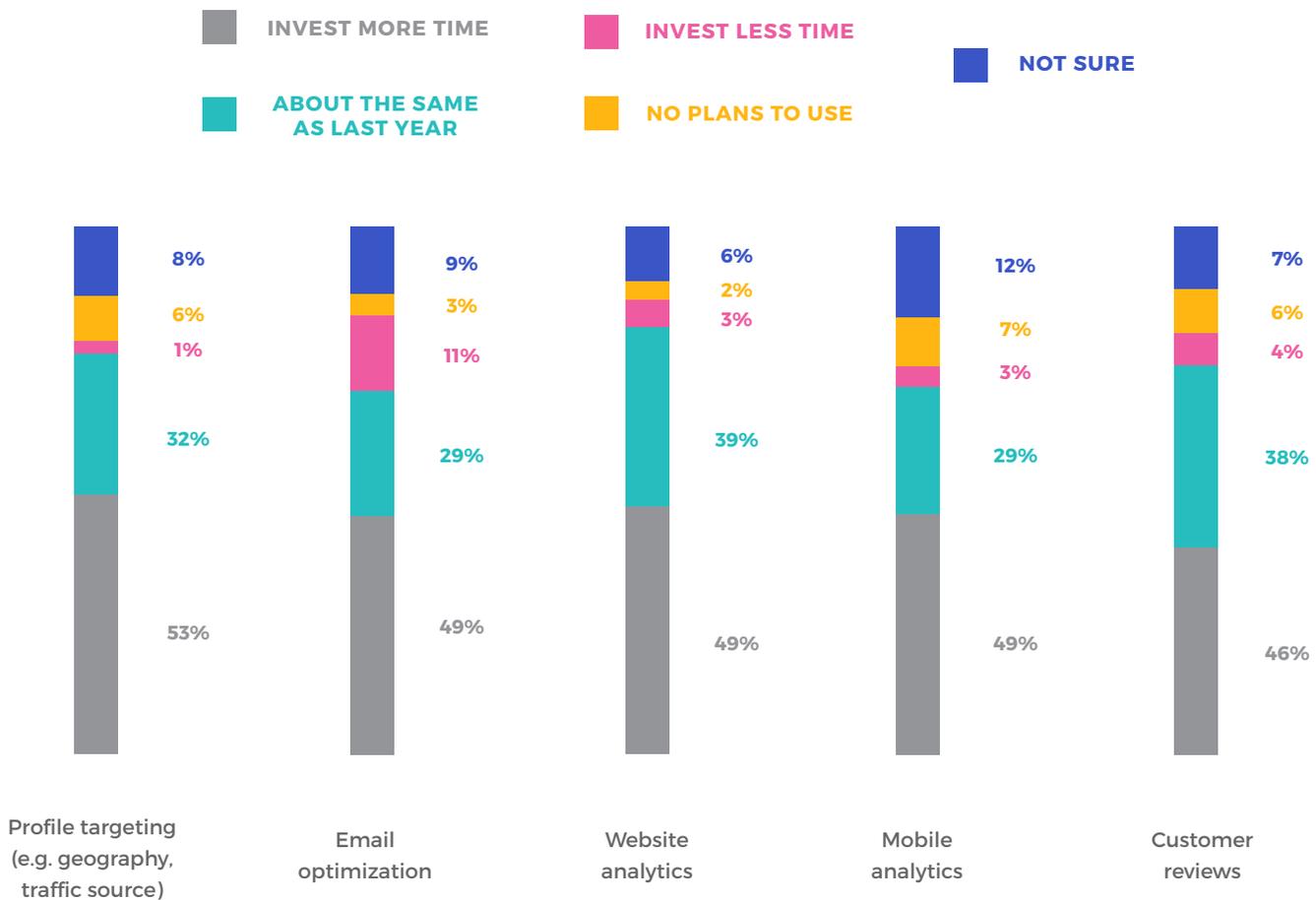
Source: Skift's 2018 Digital Transformation Survey

In 2018, how will you prioritize the following customer experience measurement and optimization tactics? (continued)

INVEST MORE TIME

INVEST LESS TIME

NOT SURE

ABOUT THE SAME AS LAST YEAR

NO PLANS TO USE
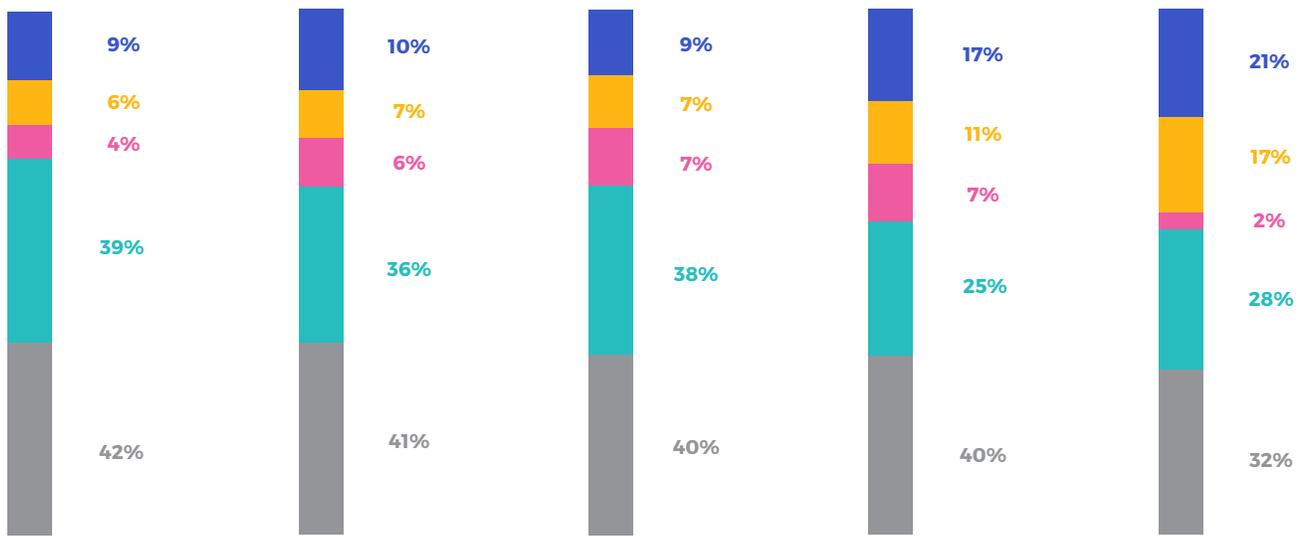
Social media analytics
- 9%
- 6%
- 4%
- 39%
- 42%

Audience segmentation
- 10%
- 7%
- 6%
- 36%
- 41%

Retargeting or remarketing
- 9%
- 7%
- 7%
- 38%
- 40%

Automation recommendations
- 17%
- 11%
- 7%
- 25%
- 40%

Automated behavioral targeting
- 21%
- 17%
- 2%
- 28%
- 32%

AI / Machine learning
- 22%
- 29%
- 5%
- 14%
- 30%
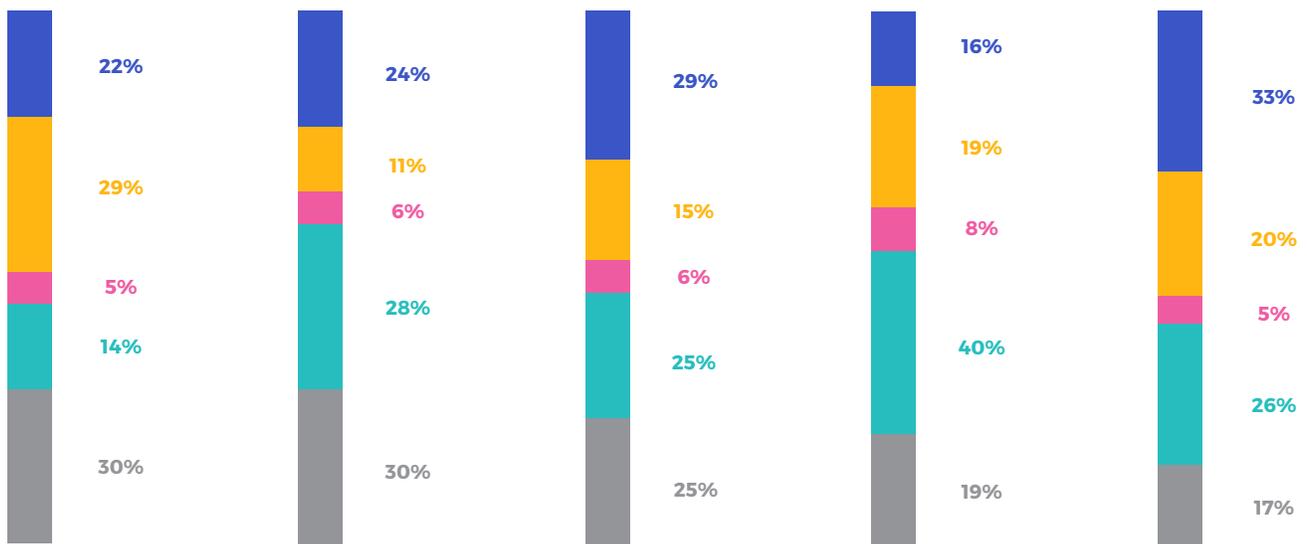
A/B testing
- 24%
- 11%
- 6%
- 28%
- 30%

Attribution modeling
- 29%
- 15%
- 6%
- 25%
- 25%

On-premise surveys
- 16%
- 19%
- 8%
- 40%
- 19%

Multivariate testing
- 33%
- 20%
- 5%
- 26%
- 17%

Source: Skift's 2018 Digital Transformation Survey

ORGANIZATIONAL READINESS

As we've explained above, travel companies rely on a wide variety of tools and strategies to continue on their journey toward digital transformation. But digital transformation isn't just about technology. In fact, any successful digital transformation effort also depends on the ability of organizations to develop new ways of working. Do today's travel organizations have the right teams and structure in place to make good on their digital goals? Is there enough budget to sustain the organization's priorities? Most importantly, do travel executives have the right digital-savvy talent to turn their goals into reality?

When it comes to talent, most of the respondents to this year's digital transformation survey believe they have sufficient talent in-house to achieve their goals. At the same time, many admit that trying to hire outside talent with the right skills remains challenging. As noted in the introduction to our report, more than 65 percent of executives said they were "somewhat confident" or "quite confident" that they had the the necessary talent to deliver on their 2018 digital objectives.

We have the necessary TALENT to deliver on our 2018 digital objectives.

Somewhat confident	**45%**
Somewhat concerned	**28%**
Quite confident	**21%**
Quite concerned	**7%**
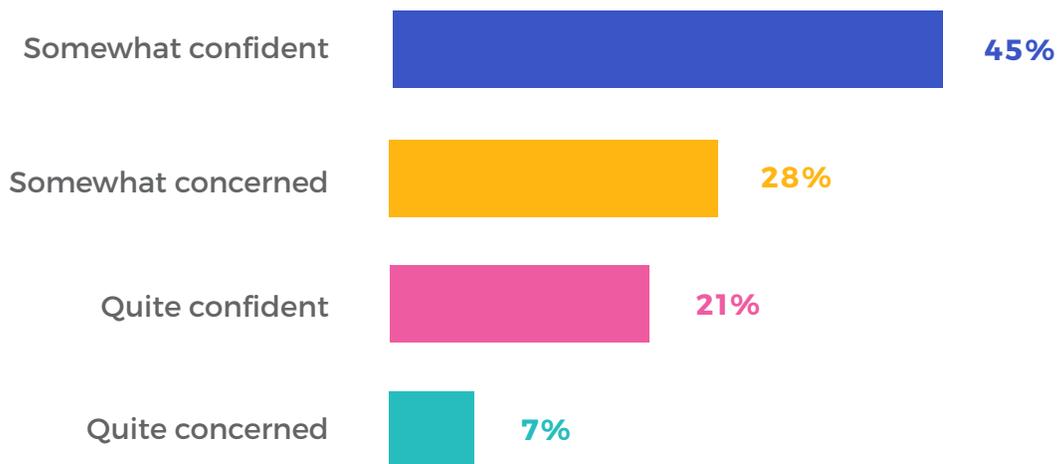
Source: Skift's 2018 Digital Transformation Survey

But even though their near-term digital talent needs appear to be set, not nearly as many travel respondents were confident about their ability to identify technical talent to achieve their longer-term objectives. Half of all respondents in this year's survey said they either "agree" or "strongly agree" that to they "struggle to find the technical talent" to meet their goals.

How strongly do you agree with this statement:
We struggle to find the technical talent
we need to meet our digital objectives.

Agree	**39%**
Neutral / Not sure	**30%**
Disagree	**18%**
Strongly agree	**12%**
Strongly disagree	**1%**
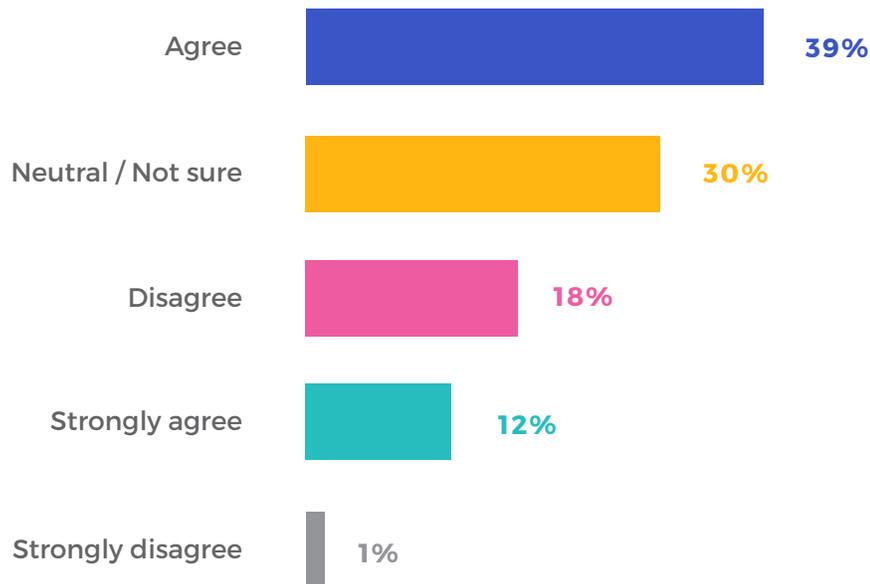
Source: Skift's 2018 Digital Transformation Survey

The challenge of finding qualified technical talent is not limited to the travel industry. Many industry verticals struggle to attract and retain qualified employees who are fluent in 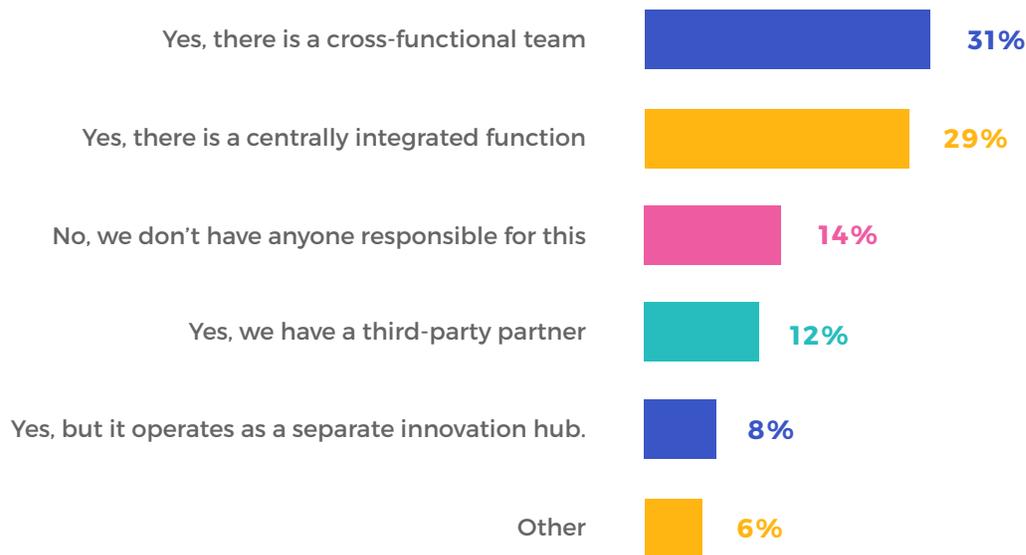the language of today's digital business culture. This is to say nothing of the enticing opportunities offered by tech industry giants like Google, Apple, Facebook, Amazon and the like, many of whom are willing to offer qualified candidates huge salaries and stock incentives well beyond the means of most travel organizations. "Probably the biggest challenge for us as a travel technology company is finding technology talent," said Expedia's Coons. "In a city like Seattle with Amazon, Microsoft, Facebook, and Google, we're all competing for the same college grads and young folks."

It's not just attracting and retaining great digital talent that can be challenging for travel companies. Many organizations also wrestle with the question of how to structure their digital-focused teams to optimize business success and performance. Should digital workers be combined together into cross-functional teams, sometimes known as "centers of excellence," to help boost company-wide digital success? Or is it better to distribute digital talent across different company business units?

The biggest takeaway is that today's travel teams are better organized, holistically speaking, than they were in the past. In fact, the process many organizations are now using to work together to deliver great customer experiences is increasingly taking center stage in all decisions related to digital-focused team design.
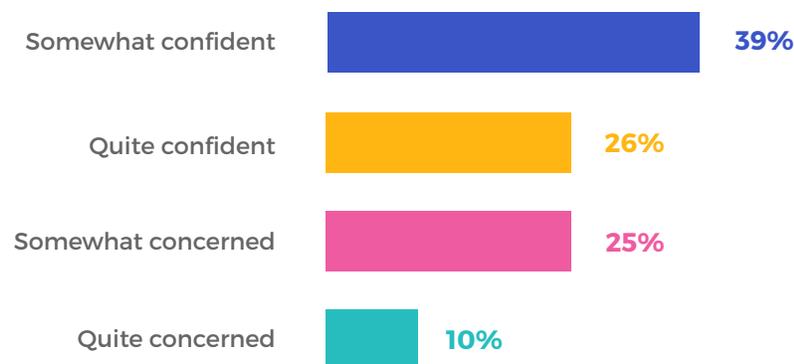
The respondents to our 2018 survey overwhelmingly said that they had organized their digital transformation plans around a cross-functional team or a centrally-integrated digital role in the company. More than 30 percent said they had a cross-functional team working on digital problems, while another 28 percent said they created a centrally-integrated function to handle their digital transformation efforts, the two most popular answers.

Does your organization have an individual or team directly responsible for digital transformation?

Yes, there is a cross-functional team	31%
Yes, there is a centrally integrated function	29%
No, we don't have anyone responsible for this	14%
Yes, we have a third-party partner	12%
Yes, but it operates as a separate innovation hub.	8%
Other	6%

Last but not least, there's the organizational challenge created by having the right budget to fund digital transformation initiatives. This year's survey found that a growing number of travel organizations realize the importance of allocating enough monetary resources for digital, with 64 percent of respondents noting that they were either somewhat or quite confident that they have the necessary budget to deliver on their 2018 objectives.

We have the necessary BUDGET to deliver on our 2018 digital objectives.

Somewhat confident	39%
Quite confident	26%
Somewhat concerned	25%
Quite concerned	10%

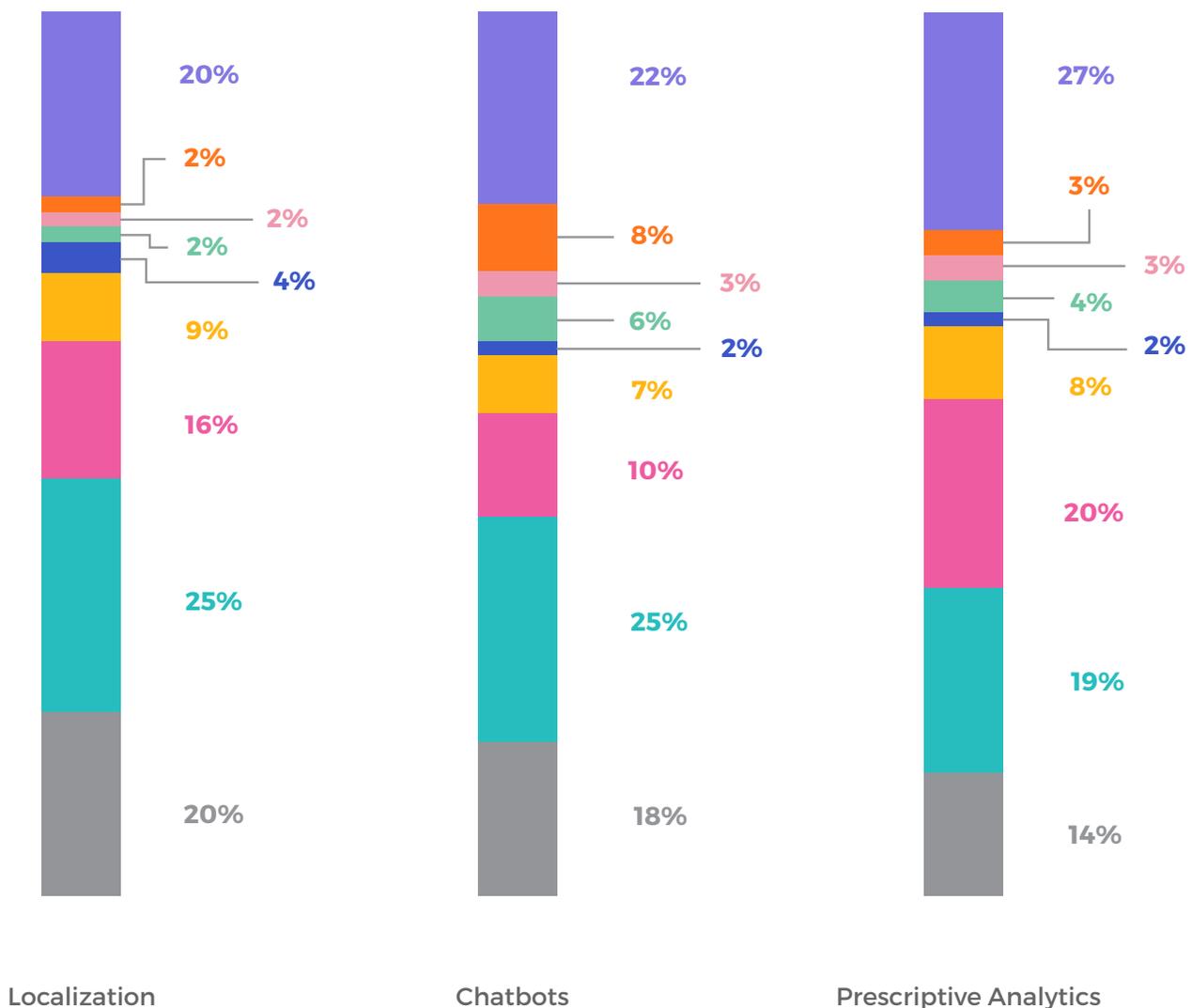Source: Skift's 2018 Digital Transformation Survey

EVALUATING NEW TECHNOLOGY

It can be hard to predict the future. Even the best-laid plans for digital transformation may sometimes need to be revised in the face of changing information and an evolving business environment. But even if it's not possible to predict what tomorrow may bring, most travel marketers are interested in predicting what kinds of digital technologies they will need to use in the years ahead. That's why we were curious to learn what travel marketers thought about the potential impact of digital technologies like artificial intelligence, predictive analytics, blockchain, augmented reality and chatbots on their business, both now and in the future.

Do travel marketers believe these digital innovations will have an immediate impact on their business? It depends. Some technologies like augmented reality (AR) have loads of immediate potential, especially now that AR capabilities are built into Apple's iOS 11 operating system for mobile devices. Meanwhile some of today's most talked-about digital innovations like blockchain are not as likely to see rapid implementation. Even if blockchain has significant long-term potential, less than 20% of survey respondents predicted that they would incorporate blockchain into their business in the next year.

Other tools like localization have more immediate potential, with 45 percent of respondents suggesting the technology was likely to be incorporated into their business within the next year. In fact, localization is moving front and center in 2018 as more brands invest time and effort to create more relevant experiences, regardless of location or culture. Chatbots were another technology with immediate potential, mentioned by 41 percent of respondents as likely to have an impact either now or in the next year.

Legend:
- NOW
- WITHIN 1 YEAR
- WITHIN 2 YEARS
- WITHIN 3 YEARS
- WITHIN 4 YEARS
- WITHIN 5 YEARS
- GREATER THAN 5 YEARS
- NEVER
- NOT SURE

Localization
- NOT SURE: 20%
- NEVER: 2%
- GREATER THAN 5 YEARS: 2%
- WITHIN 5 YEARS: 2%
- WITHIN 4 YEARS: 4%
- WITHIN 3 YEARS: 9%
- WITHIN 2 YEARS: 16%
- WITHIN 1 YEAR: 25%
- NOW: 20%

Chatbots
- NOT SURE: 22%
- NEVER: 8%
- GREATER THAN 5 YEARS: 3%
- WITHIN 5 YEARS: 6%
- WITHIN 4 YEARS: 2%
- WITHIN 3 YEARS: 7%
- WITHIN 2 YEARS: 10%
- WITHIN 1 YEAR: 25%
- NOW: 18%

Prescriptive Analytics
- NOT SURE: 27%
- NEVER: 3%
- GREATER THAN 5 YEARS: 3%
- WITHIN 5 YEARS: 4%
- WITHIN 4 YEARS: 2%
- WITHIN 3 YEARS: 8%
- WITHIN 2 YEARS: 20%
- WITHIN 1 YEAR: 19%
- NOW: 14%

Source: Skift's 2018 Digital Transformation Survey

Legend:
- NOW (gray)
- WITHIN 1 YEAR (teal)
- WITHIN 2 YEARS (pink)
- WITHIN 3 YEARS (yellow)
- WITHIN 4 YEARS (blue)
- WITHIN 5 YEARS (green)
- GREATER THAN 5 YEARS (light pink)
- NEVER (orange)
- NOT SURE (purple)

Artificial Intelligence
- 28% (Not Sure)
- 4% (Never)
- 7% (Greater than 5 years)
- 4% (Within 5 years)
- 7% (Within 4 years)
- 14% (Within 3 years)
- 14% (Within 2 years)
- 16% (Within 1 year)
- 7% (Now)

Virtual Reality
- 28% (Not Sure)
- 8% (Never)
- 6% (Greater than 5 years)
- 6% (Within 5 years)
- 4% (Within 4 years)
- 11% (Within 3 years)
- 15% (Within 2 years)
- 12% (Within 1 year)
- 9% (Now)

Augmented Reality
- 33% (Not Sure)
- 7% (Never)
- 7% (Greater than 5 years)
- 4% (Within 5 years)
- 4% (Within 4 years)
- 10% (Within 3 years)
- 18% (Within 2 years)
- 14% (Within 1 year)
- 4% (Now)

Blockchain
- 46% (Not Sure)
- 7% (Never)
- 7% (Greater than 5 years)
- 5% (Within 5 years)
- 3% (Within 4 years)
- 7% (Within 3 years)
- 12% (Within 2 years)
- 11% (Within 1 year)
- 2% (Now)

Source: Skift's 2018 Digital Transformation Survey

Many travel executives echoed a focus on chatbots as a big opportunity in recent comments, noting that they were already deploying or at least experimenting with the technology. A number of travel organizations, including Marriott Rewards and Kayak, have already been experimenting with chatbots for content distribution, customer service and responses to more general inquiries.

Like any digital tool still in the early stages of deployment, the key is balancing the desire for innovation with the need to serve larger business goals and customer desires. "We want to make sure that if we use a chatbot for booking rooms or shows, that it's a fantastic experience," said MGM Resorts' Lilian Tomovich. "I've tried many [of them] and they're not so great…but what we're piloting this fall is a program combining chatbot AI with live agents, and it will be seamless to our guests."

KEY DIGITAL TRANSFORMATION TAKEAWAYS FOR 2018

Today's customer experience is omnichannel — Today's travel brands must cope with a proliferating range of customer interaction touch points, both offline and online, nearly all of which are linked back to digital systems. This is creating a greater need for an "omnichannel" approach to customer experience that considers how digital impacts everything from ecommerce to check-in kiosks to chatbots and beyond.

Rising customer expectations shape digital priorities — The world-class customer experiences offered by digital leaders like Amazon, Google and Airbnb are setting a high bar for customer expectations. All companies, including those in the travel industry, are now subject to these expectations when designing and deploying digital experiences.

Mobile is no longer a trend: it's a requirement — Two-thirds of respondents said mobile devices now make up 20% or more of their website traffic, which has significant implications on digital decisions related to everything from user experience to personalization and data analytics.

Travel organizations are drowning in data — Digital tools and processes have been a huge positive for travel companies, allowing them to track, measure, and analyze nearly every aspect of their success. But rather than empowering many organizations, this seeming avalanche of information can often lead to decision paralysis, making it overly complicated for executives to identify the signal amidst the noise.

Personalization must balance the digital and human touch — Digital personalization offers powerful opportunities for travel companies to use data to better customize their messaging, products and services for customers. But it needs to be balanced by a decidedly human touch — otherwise it may fall flat.

Separating emerging trends from immediate opportunities — Tech tools like blockchain get plenty of industry attention and will soon have significant potential. But, it's opportunities like localization, chatbots and prescriptive analytics that have the most immediate potential impact. Other developments like artificial intelligence and augmented reality sit somewhere in the middle, offering good opportunities for experimentation in the year ahead.

FURTHER READING

1. "Mobile Drives Growth of Online Travel Bookings," eMarketer, June 2017.

2. "Digital Transformation Initiative: Aviation, Travel and Tourism Industry," World Eco-
    nomic Forum and Accenture, January 2017.

3. "Video: Adobe and MGM Resorts On The Future of Personalization and Digital Transfor-
    mation," Skift, October 2017.

4. "U.S. Experiential Traveler Trends 2018: Annual Survey on Traveler Behavior, Motivations
    & Preferences," Skift, October 2017.

5. "The Millennial – Travel Trends of the Largest Generation," Travel Professional News, July
    2017.

6. "Get Ready for the Upswing," B2B Stories, March 2010,

7. "U.S. Millennials Travel the Most but Gen Z Is on the Rise," Skift, October 2017.

8. "Digital Transformation Brief: Wyndham CMO Convinced Mobile And Personalization
    Will Help Fill Beds," Skift, September 2016.

9. "Low-Cost Airlines Make Big Bets on Data and Personalization," Skift, August 2016,

10. "Upper House Luxury Hotel Experience Aims for Custom Approach to Tech and Per-
    sonalization," Skift, July 2017,

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