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Personalization At Scale: Travel and Hospitality Industry Spotlight

Travel And Hospitality Results From The September 2022
Thought Leadership Paper, “Personalization At Scale: Bring Forth
The Customer And Business Benefits Of Experience Excellence”

Executive Summary

Personalization can help travel and hospitality (T&H) companies rise up from recent turbulence with renewed strength and competitive differentiation. An emerging group of Experience Leaders lead the way with “personalization at scale,” a strategy to consistently deliver value to customers and benefits to the business by leveraging data to create connected, contextually relevant experiences for every customer across all interactions and channels.

In June 2022, Adobe commissioned Forrester Consulting to evaluate personalization at scale and identify the practices of Experience Leaders. Forrester conducted an online survey with 237 global T&H decision-makers responsible for personalization programs at their companies supplemented with three interviews with decision-makers meeting the same profile. Insights were also informed by online surveys with recent T&H customers (481 consumers and 251 business customers).



Key Findings

The time is right for new customer personalization practices. Following a period of restrictions and distance, personalization initiatives offer T&H companies an avenue through which to reestablish their connection to their customers, drive loyalty, and revitalize their businesses. This may explain why 76% of T&H decision-makers consider their personalization program to be business critical.¹

Customers want T&H companies to delight them before and after purchase. Relative to the cross-industry average, T&H companies are less likely to fully personalize experiences along their customers' journeys. Customers are taking notice: Less than 40% give T&H companies high marks on personalization.

Applying the best practices Experience Leaders have honed can help. Experience Leaders have a recipe for success that drives results. T&H companies have a good foundation for following suit. There is an opportunity for T&H brands to benefit from a stronger technology foundation with automation capabilities that support robust data insights, scalable content, and real-time omnichannel journey orchestration.



Personalization Can Bolster An Ailing T&H Industry

The pandemic has been difficult but also transformational for T&H companies. They've had to issue refunds, reduce capacity, cut staff, and provide extra safety assurances.² After a long period of restrictions, T&H companies are doing their best to meet an uptick in built-up travel demand. This is a great time to earn customers' loyalty, and a bad time to lose it. It's also a chance to practice "reverse" loyalty — loyalty to customers. A solid personalization strategy makes this win-win possible:

- Fifty-seven percent of B2C and 75% of B2B customers say that a personalized experience would make them "Much more likely" or "Significantly more likely" to remain loyal.
- In turn, 62% of T&H decision-makers who are personalizing experiences for customers say their efforts have led to customer experience (CX) improvements that exceeded expectations. As Forrester's CX Index shows, even small CX gains can have a big effect on revenue.³

As airline, hotel, and other travel-related companies work to optimize their personalization programs, they must consider that:

- **Recent experiences have underwhelmed many customers.** While more than 70% of customers want to be delighted by the experiences companies provide, just 25% of B2C and 36% of B2B customers say that the recent T&H experiences have met that standard. These results align with Forrester's own research. CX has declined the most relative to 2020 levels for airline and hotel companies.⁴ To do better, companies must deliver seamless, relevant experiences from end to end, including the personalization T&H customers value most: personalized support, promotions,



"[Our personalization program] changed how we're going about our day to day. It's not 'some people' get personalization. No, it's every time."

Director, T&H industry

and recommendations. Personalization should also strive to save passengers and guests time (something 80% of B2C and 84% of B2B customers value.)

- **Companies hurt their long-term business health when they put short-term revenue gains before customers.** Customers' expectations are rising, especially for digital experiences, but Forrester has found that CX declines are also likely due to a waning customer focus.⁵ CX improvements are the top personalization driver for the average company, but it ranks as the fifth for T&H companies that put revenue gains first. In an industry that one interviewee described as “a sea of sameness,” brands that prioritize delivering contextually relevant experiences have the opportunity to garner additional market share as consumers shift to better experiences.

Personalization At Scale Maturity Exists On A Spectrum

While many T&H companies are personalizing experiences to some degree, only a small minority are practicing personalization at scale. The study revealed three kinds of companies with respect to their abilities for this strategy: Experience Leaders, Evolving Intermediates, and Rising Laggards. T&H companies are allocated in these groups in similar proportions to the average, though they're slightly less likely to be Experience Leaders (12% versus 16% among the cross-industry average) (see Figure 1). Experience Leaders more frequently deliver personalized experiences across the customer journey, and their efforts are rewarded: Four in five outperform on customer metrics including CX, lifetime value, and acquisition.

In contrast, the personalization T&H companies offer along the customer journey lags the average company for all phases, but especially in the later phases where customers more often expect it, including:

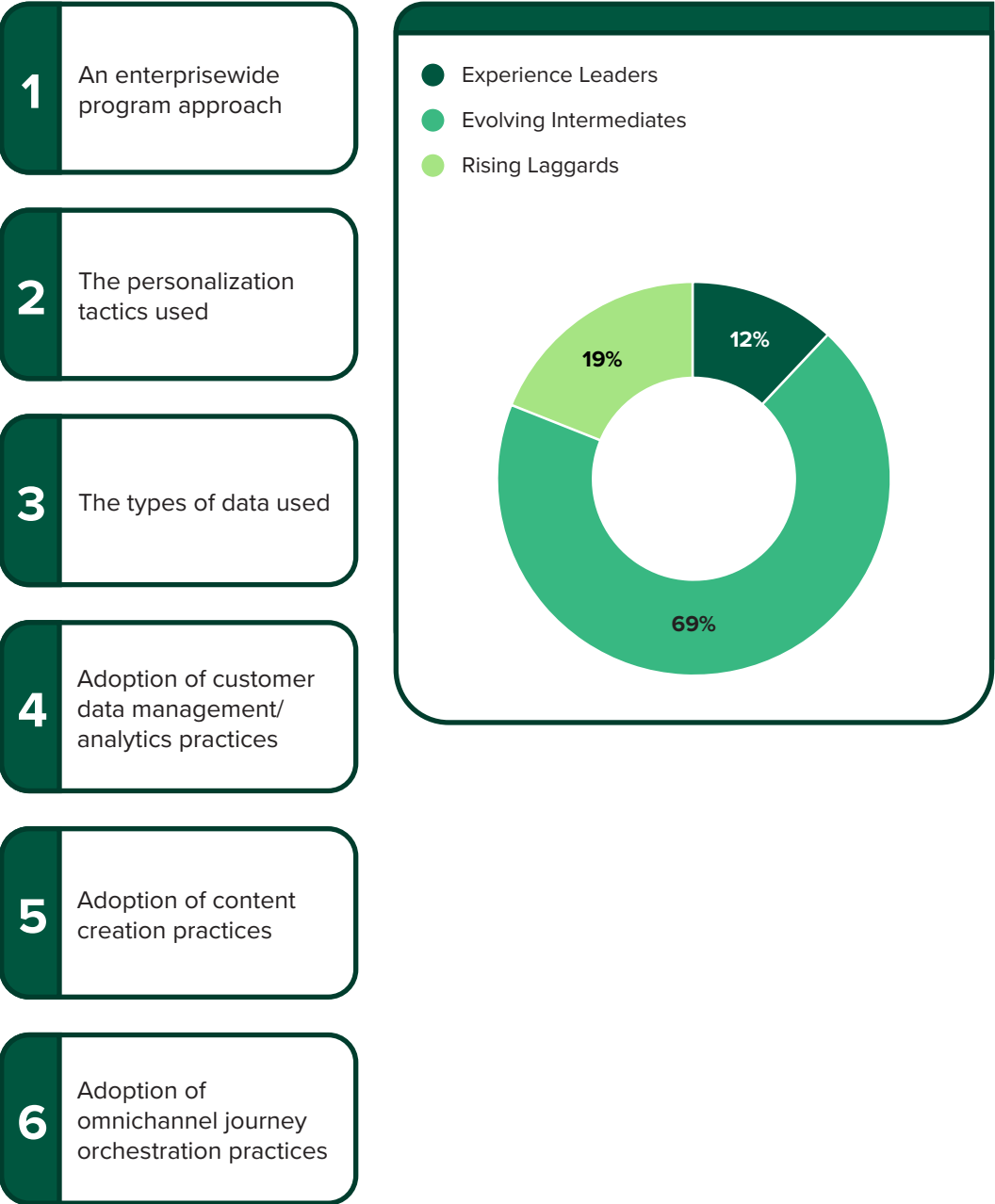
- **Buying** (33% fully personalize vs. 42% for the average).
- **Using** (32% vs. 40%).
- **Getting help with the product or service** (32% vs. 39%).

Companies shouldn't overlook these areas. As one interviewee put it: "We know there's going to be a problem: delays, canceled flights, pilot shortage, staffing. Personalization has to come from the service." For the business traveler, poor late-stage processes can put a drag on an otherwise good travel experience. As one decision-maker explained, "You can book your trip, conduct your business, come back safely and without COVID, and have all that go well, and then go back to a mound of receipts that you have to reconcile."

Figure 1

Personalization At Scale Maturity For T&H Companies

Respondents were divided into three groups based on their current abilities along six personalization dimensions:



Base: 237 global travel and hospitality decision-makers responsible for personalization programs/initiatives
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, June 2022

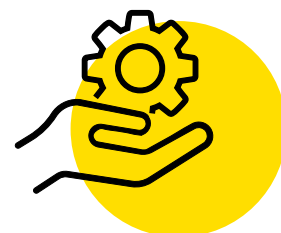
Best Practices Are Within T&H Companies' Reach

To be an Experience Leader, companies must: 1) demonstrate competence along data, content creation, and omnichannel journey orchestration practices and 2) coordinate commitment across the enterprise. On the surface, T&H decision-makers are less likely to believe their organizations need improvement in these categories.⁶ But a deeper dive reveals that their companies lag in several areas, including those that set Experience Leaders apart.

DATA CAPABILITIES

Experience Leaders create a reliable data foundation that all teams can use. As data deprecation takes root, zero- and first-party data sets are vital building blocks. T&H companies outpace the average (46% vs. 38%) in using zero-party data (i.e., data customers openly share like the amenities they prefer), but they lag on first-party data (i.e., data owned by the company). Only about 30% use any type frequently. While these data sets are useful to build, Experience Leaders prioritize data quality over quantity. As one decision-maker suggested, market dynamics have changed meaningfully, making some prior data sets less reliable.

With respect to squeezing value out of the data they do have, T&H companies are mostly on par with the average company with a few notable exceptions (see Figure 2). For example, while they can stand to improve, T&H companies are average at aggregating data into a single customer profile. On the other hand, they trail others in using advanced data practices that differentiate Experience Leaders and are critical to delivering one-on-one personalization safely. Just 35% frequently use predictive models to create customer segments (by comparison, 45% frequently create them manually) and 35% frequently categorize/label data to manage privacy.



“We’ve noticed a shift in the path to purchase. Buyers’ tendencies have changed. We’re trying [to build] some large sample sets post-COVID-19 before we try to build a persona off a very small sample.”

VP, T&H industry

Figure 2

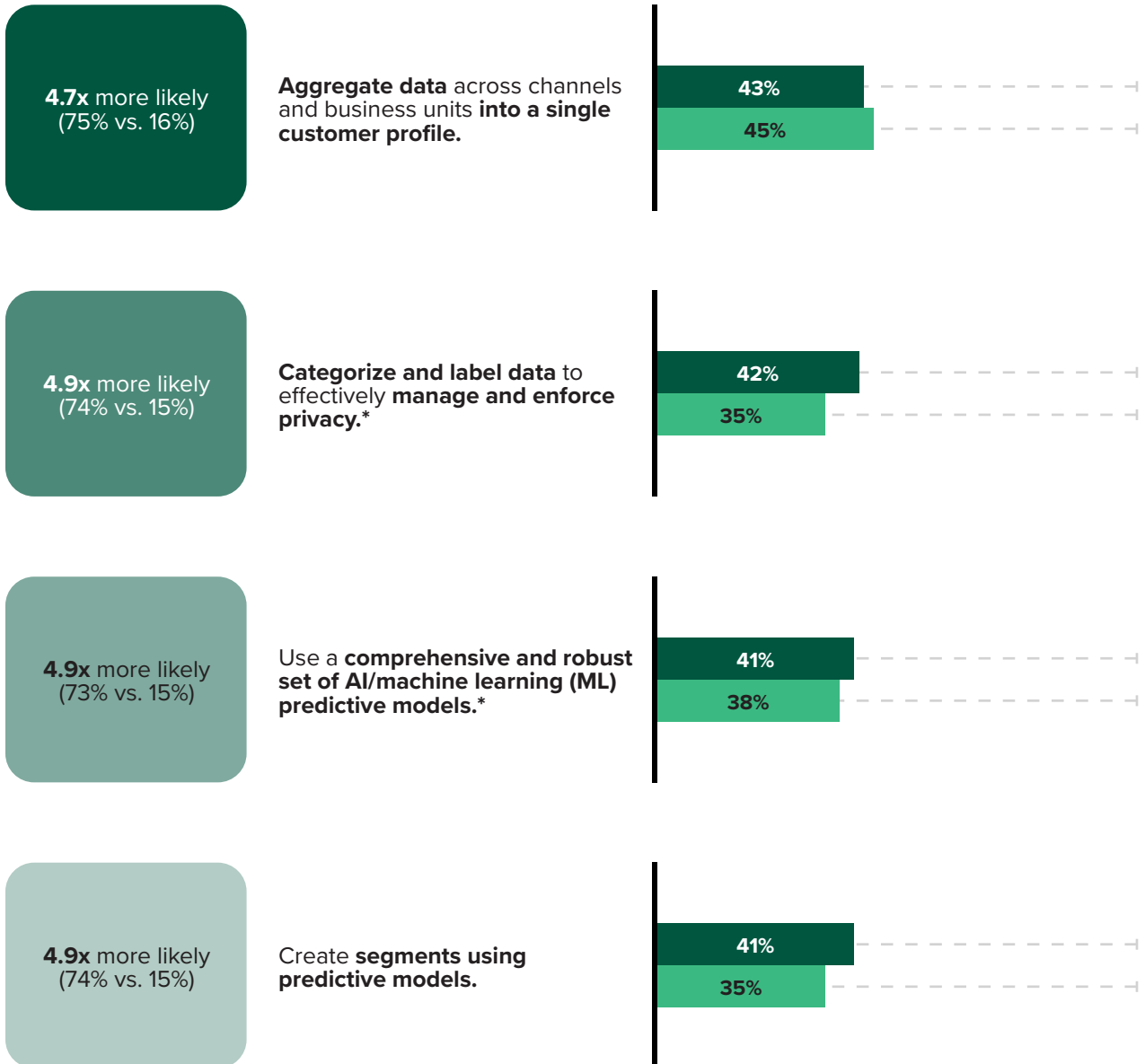
DATA CAPABILITIES

More than 65% of Experience Leaders apply these practices frequently, making them more likely than Rising Laggards to:**

How The Average T&H Company Measures Up

(Showing “We do this frequently”)

● Cross-industry average ● T&H average



*Denotes advanced practices

**Base: Variable; global decision-makers responsible for personalization programs/initiatives

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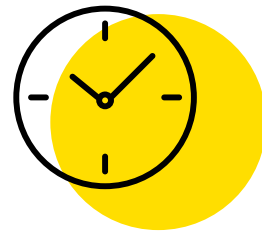
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, June 2022

CONTENT CAPABILITIES

Even if the route and price are the same, an airline will market that trip differently to different traveler types. Personalization at scale aims to do this not only for customer segments, but for the individual.

Experience Leaders assemble and present personalized content on the fly. To do so, they rely on best practices like building a common repository of content that's easily searchable and can be stitched together quickly with the help of automation aided by AI-powered insights (see Figure 3). To deliver the contextually relevant experiences that Experience Leaders do, T&H companies need to strengthen several content areas. While they're average when it comes to the intelligent assembly of modular content (44% frequently practice this), they lag in tagging content with relevant metadata, which is a must for surfacing the most relevant content quickly. They also lag in practices aimed at centralizing content assets, tools, and process workstreams.

“Content is not easily digestible for most travelers. While content is out there, it's more so knowing how to get the right content, at the right time, and in a digestible manner.”



VP, T&H industry

Figure 3

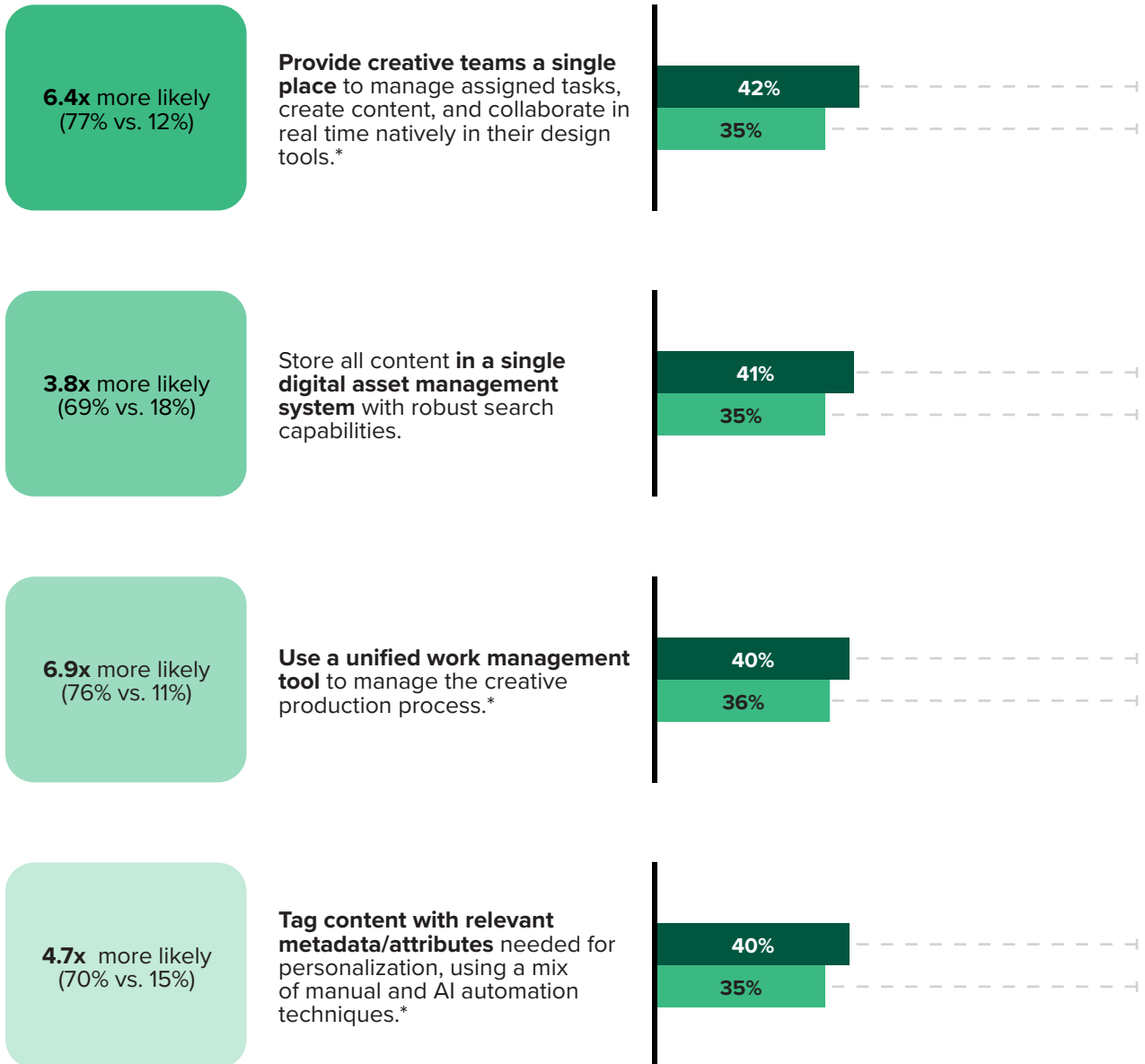
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OMNICHANNEL JOURNEY ORCHESTRATION CAPABILITIES

Experience Leaders more often provide experiences at the right time and place along a customer's entire journey. To make this possible, they've honed their ability to use a single orchestration tool to connect experiences across multiple channels; a decisioning engine to prioritize messages and timing; and real-time contextual signals to deliver a relevant experience when the customer needs it most through active listening.

T&H companies are better in some of the areas Experience Leaders practice than others. For example, T&H companies are a notch above average at nurturing customers through planned journeys with automated multitouch campaigns (50% do this frequently vs 43% of other company types) (see Figure 4). And, while less than half frequently leverage a decision engine or personalize experiences based on customers' real-time behavior, T&H companies are aligned with the average company today. To catch up to other organizations, however, they need to focus on personalizing digital and physical experiences in a more connected way. For example, some hotels send customers a welcome text message after check-in, and then send follow-up messages to ask questions about their experiences or any needs that may arise (e.g., needing more towels).

Figure 4

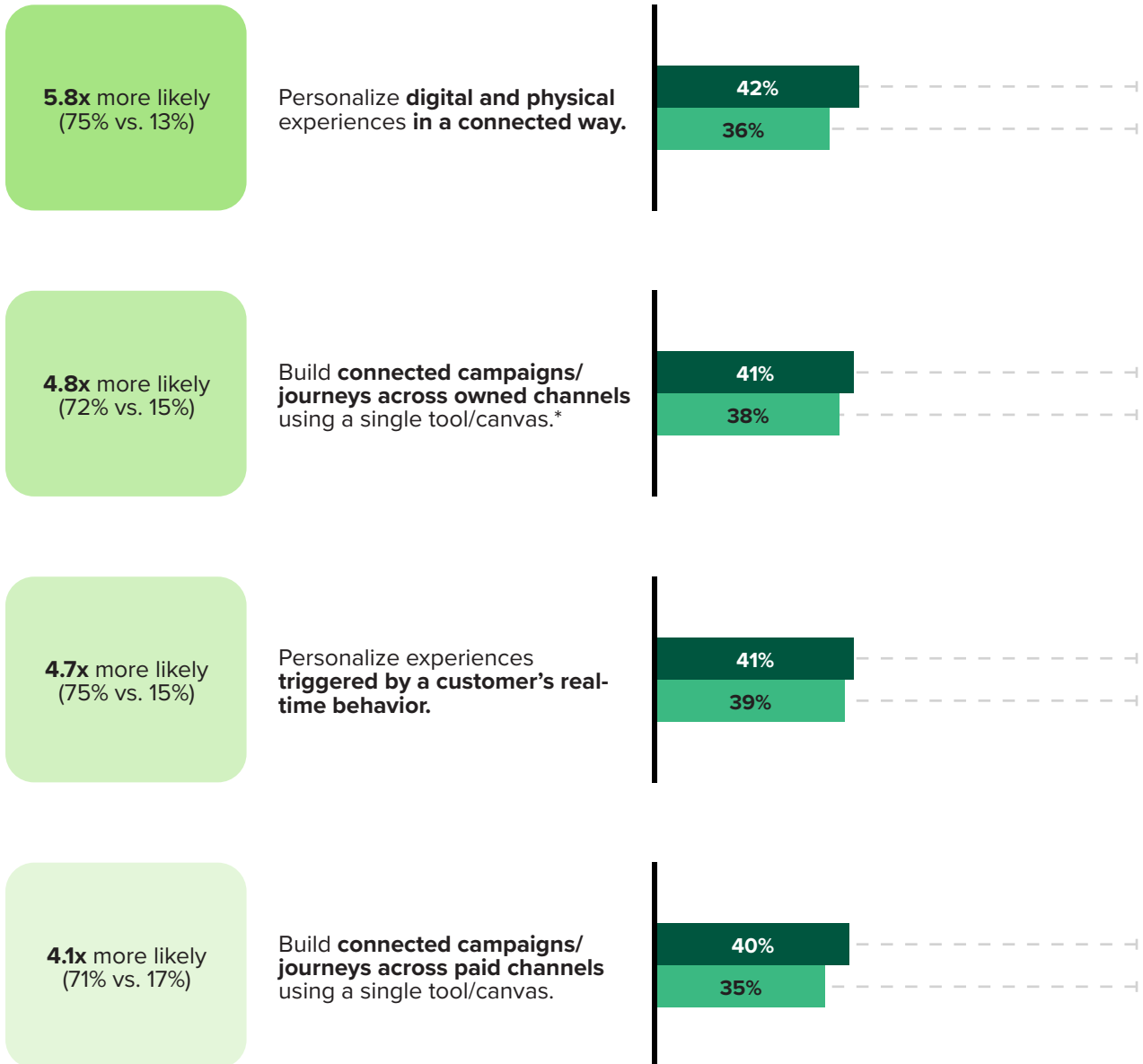
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OPERATING MODEL CAPABILITIES

Experience Leaders adopt a cross-disciplinary operating model that coordinates the contributions of all teams and is supported by senior executives.

While slightly behind the average, most T&H organizations with a personalization program have a personalization center of excellence (PCoE) that's responsible for defining strategy and prioritizing use cases. Also, the board or C-level executives (88%) sponsor most of their programs. While all this is encouraging, T&H companies are less likely to include key roles in shaping their programs. In particular, they're below average at dedicating colleagues from strategy, digital operations, data, CX, and design to their personalization efforts. Greater collaboration with these and other teams are required for T&H companies to fulfill the promise of personalization at scale.

“By having senior leadership heavily involved in our program, the importance of it disseminates downstream to all.”



VP, T&H industry

Key Recommendations

T&H companies on the path to finding success with personalization at scale must view the initiative as an ongoing journey. Whether you are building capabilities in data, content, and journey orchestration or in establishing and expanding a personalization center of excellence, you can apply the lessons here to your own company and situation today and into the future.

Forrester's in-depth surveys and interviews of T&H decision-makers, as well as surveys of B2C and B2B customers, about personalization lead to these recommendations:

Tie your data strategy directly into your personalization strategy.

T&H companies cannot properly serve channel-agnostic and digitally savvy consumers across the entire customer lifecycle when data remains untethered to a single customer profile. In fact, success with personalization is linked to the company's maturity in data mastery. Therefore, companies must reassign standalone efforts to a holistic personalization at scale initiative. Having leadership sponsor the personalization program elevates the prioritization of data aggregation, and can be characterized as removing the handcuffs that restrict the personalization team's efforts to achieve positive business outcomes.

Fix the broken components of content management to satisfy customer demand for relevance over time.

Saving time is a top expectation of consumers in the T&H industry. To meet or even exceed this expectation, T&H companies must hone their ability to deliver the right content, to the right customer, at the right time. While consumers may spend an hour or two shopping in retail, relevant interactions with T&H companies can extend to days and even weeks. As such, the ability to maintain transparency and offer value using content consistently and continuously is a must for those wishing to move from Rising Laggard to Experience Leader in personalization at scale.

Personalize the service person experience to delight customers during in-person interactions.

Unlike many other industries, T&H customer journeys frequently involve an interaction with a company associate (e.g., an airline ticket agent, flight attendant, hotel reception associate, hotel concierge). And because the customer is often a known individual, surfacing guidance directly to associates during specific customer interactions facilitates a better, more personal in-person experience. These capabilities are at optimal levels when digital tools enable real-time, dynamic interactions that address the nuances of the conversation and tailor the experience for the associate, and by extension, the customer.

Appendix A: Methodology

In this study, Forrester conducted custom research with two audiences to evaluate customers' expectations for relevant, personalized experiences, and organizations' ongoing ability to deliver them at scale.

The first audience was of senior T&H enterprise decision-makers responsible for personalization programs and/or initiatives at their organizations. Online survey respondents included 237 global T&H decision-makers. The survey was supplemented with three qualitative interviews with decision-makers meeting the same profile. Questions provided to the study participants asked about the personalization use cases their organizations are trying to pursue, the challenges they've faced along the way, and the capabilities that have been most impactful at helping them reach their personalization goals.

The second audience was comprised of two customer types: B2C consumers and B2B business customers. The B2C survey included 481 consumers who have recently engaged online with a T&H company. The B2B survey included 251 professionals who are authorized to make purchases from T&H companies and who have recently engaged with those companies online. Both B2C and B2B surveys asked customers to rate the level of personalization they expect at different phases of their journey, the types of personalization they find most valuable, and the impact of a personalized experience on their behavior, including their likelihood to buy from, engage with, or recommend a company. Survey and interview participants were offered a small incentive as a thank-you for time spent on the study. The survey fielding and interview execution began in May 2022 and was completed in June 2022.

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by Adobe titled, "Personalization At Scale: Bring Forth The Customer And Business Benefits Of Experience Excellence."

Project Team:

Sophia Christakis,
Market Impact Consultant

Contributing Research:

Forrester's Digital Business
research group

Appendix B: Endnotes

¹ On a 10-point scale in which 10 represents “Critical for business success” and 1 represents “Not at all important,” 76% of T&H decision makers selected 8, 9, or 10.

² Source: “COVID-19 Has Grounded Airlines And Hit Their Pockets, But They Can Soar Again If They Learn The Right Lessons,” Forrester Research, Inc., March 26, 2020.

³ For example, 1-point CX Index score improvement is worth \$224 million in annual incremental revenue for an airline and \$374 million for an upscale hotel company; Source: “How Customer Experience Drives Business Growth, 2022,” Forrester Research, Inc., June 6, 2022.

⁴ Source: “Widespread Drops In US CX Quality Point To Major Failures In Brands’ Customer Focus,” Forrester Research, Inc., June 6, 2022.

⁵ Source: Ibid.

⁶ Percent of T&H decision-makers indicating their companies have a “Large need” or “Significant need” for improvement relative to cross-industry average: content capabilities (56% vs. 63% for the average), operating model capabilities (57% vs. 63%), journey orchestration capabilities (56% vs. 62%), and data capabilities (53% vs. 60%).

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