



The Travel Industry's Journey to Customer Satisfaction

One API at a Time



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Competition is always a good thing. Always. The more providers there are and the more options they bring to market, the more choices customers have and the happier they are. Happiness, of course, leads to more business, which leads to more revenue—it's the perfect circle. This is why the constant flow of Internet-enabled tools and capabilities, from independent sites and mobile apps to innovative APIs, has revolutionized nearly every industry. Again, it's always a good thing ... except when it isn't.

Consider the travel industry. There is a huge range of choices now available at every stage of the process, from last-minute online bookings to smartphone apps that cater to unique needs. The reservations systems for airlines, hotels, and other service providers are integrated in a myriad of ways, and aggregators such as online travel agencies (OTAs) offer impartial options to every traveler. These ingredients are exactly what make for a cocktail of customer satisfaction and vendor profit.

So why isn't this happening in the travel industry?

Research shows that despite all of the options available, the entire process, from scheduling to booking and beyond, makes for a frustrating customer experience. For their part, providers are even unhappier—prices are slashed on a routine basis, profits are down, and brand loyalty is obsolete. No one seems to have a playbook for working with the OTAs. Every constituency is seeing fragmentation and commoditization without convenience or profit. It's a worst-of-all-worlds scenario.

So what's the answer here? Ultimately, like all business fundamentals, it comes down to enhancing the customer experience. Uniting services from different providers only works when it leads to a seamless experience for the end user. This requires optimal data flow among providers, aggregators, and consumers—and that's where APIs come in.

Good API management isn't just another technology solution. It's about enabling and managing access to data so that every constituency—or each link in the chain—is stronger as a result. However, companies are often reluctant to share internal information, even if it helps their business, because they're afraid of losing control. A solid API strategy strikes a unique balance between offering convenience and retaining control.

The Technology Factor

The relatively short history of information technology is like an ongoing dash to the future: From PCs and the Internet to mobile capabilities and networked functionality, advances are constant and rapid—most people like that. With the travel industry, however, it's different. Despite many experiments and implementations, customers—the beneficiaries of all those price cuts and access tools—are more frustrated than ever.

It's not as if there isn't any progress. Just look at the exhibitors each year at the PhoCusWright Travel Innovation Summit. Relatively new players like Olset, Routehappy, and CheckMate, among others, deserve praise for their interesting approaches.

However, travel is a tough market. OTAs like Expedia and Travelocity have commoditized flight and hotel bookings while eating into margins with their fees. Despite generous expenditures on brand marketing, it's still a struggle for many in the industry to overcome price competition. Meanwhile, some established brands in the airline and hotel sectors continue to struggle with the central issue of how much information to share for aggregation, and how much to save for internal use only.

To be sure, the suppliers are fighting back with aggressive efforts to win direct business. This is a relatively new phenomenon: In 2000, booking directly on an airline website constituted only 5 percent of all U.S. airline revenue, and the number reached 30 percent in 2008 (“The Role & Value of the Global Distribution Systems in Travel Distribution,” PhoCusWright, Nov. 2009).

This struggle also represents more fragmentation. The booking process, once dominated by traditional travel agencies, now includes OTAs, suppliers, meta-searches, and niche booking engines. It means that finding the best deal is a nightmare: A 2013 Expedia Media Solutions study found that consumers made 38 visits to travel sites before booking a single trip.

More options? Sure. Happier consumers? Not even close.

The biggest problem here is that all the pieces of data needed to create the optimal customer experience are still hard to come by. The OTAs get their rates and availability information either through direct deals with suppliers, or through GDSs (Global Distribution Systems) and other intermediary services (such as DerbySoft). They've built proprietary booking engines that work directly with suppliers' backend systems to make reservations for their customers. The smaller players, meanwhile, don't have the resources to build similar systems.

To create a better customer experience, all players need to allow access to their data and services. This way, innovators can create the best offerings while suppliers focus on their core business of getting travelers where they need to go, ensuring a great hotel stay, etc.

This is why good API management is mission-critical. When suppliers implement the right APIs, they grant access to data and services without relinquishing control. The suppliers decide who has access to their data and what they can do with it, while also driving bookings through an API-powered affiliate network. In addition, suppliers can enable strategic partners to help drive ancillary sales (such as seat upgrades) and allow for a more efficient and scalable development process with in-house or vendor teams across all mobile platforms and devices.

In sum, APIs and API management don't represent a single technology. They have the ability to transform the way business is done in every part of travel.

These innovations play out differently in varying sectors of the industry. Each surely has its unique needs and pressure points, yet the fundamental issue—participating in the information flow while retaining some measure of exclusivity and control—is remarkably similar.

Flying High: Airlines Lift Profits and Satisfaction with Mobile and APIs

First, consider airlines. When asked why they choose one airline over another, travelers always cite customer service and satisfaction. Behind the scenes, however, there is a price war among airlines via their own sites, OTAs, and meta-searches.

One secret here is the mobile app, which can enhance customer satisfaction while boosting revenue. For example, a 2013 ForSee survey found that “customers using mobile apps are more satisfied with their mobile travel.” Offerings from Southwest, American Airlines, and Delta have propelled these airlines to the top of customer satisfaction surveys. At a recent Mega Event conference, executives from the Expedia Affiliate Network and United Airlines demonstrated how ease of use, convenience, and flexibility drive conversion and repeat bookings.

Of course, all mobile apps start with the availability of data from the airline's backend system to its internal (and often external) mobile development teams.

There are many best practices here, but it all starts with providing access to data for development, and that comes back to API management tools. Essential functionality includes managing access by developer/application keys to tracking data usage and growth through reporting.

Moving forward, with data flowing in a secure and scalable way through APIs, airlines can deploy new features and drive ancillary revenue. A steady flow of good apps with good features from solid APIs is the best way for airlines to fly high.

Destination API: The Ultimate Check-In

Hotels come at this problem from a different angle. Most people still travel the way they always have—planes haven't yet been replaced by Star Trek-inspired teleportation beams— but the methods by which consumers book transport and accommodations have been transformed radically. However, that progress has brought with it fresh headaches for the hotel industry: More price commoditization, less brand loyalty, and lower customer satisfaction.

It shouldn't be like this. The emergence of OTAs like Expedia and Orbitz provide opportunities for hotels to compete for more business across the board, just as they give travelers more choices. But in a sector that has remained largely stagnant, the commoditization is proving a real challenge.

New technologies can certainly change things. A 2013 report found that guests who thoroughly researched hotel and location information before arrival reported an 11.4 percent increased satisfaction level over the industry average (J.D. Power and Associates, 2013). That's a huge competitive advantage by any measure.

Of course, making all that information available and linked to other travel data means sharing it with not only consumers but also intermediaries like OTAs, last-minute booking resources like Hotel Tonight, meta-searches like KAYAK, social couponers like LivingSocial and Escapes, internal teams, and development partners. In the age of Big Data, this is a huge hurdle, and the only way to scale it is with solid API management.

APIs ensure that these parties have the most current information around issues like property location, room availability, and rates. Of course, they also enable direct booking through the hotel's system. Still, just handing over relevant data isn't enough, especially when seeking to boost brand loyalty and customer satisfaction.

Here's the key: To be truly competitive, the quality of the brand-specific booking engine must be as good as, if not better than, the options found through intermediaries. The hotel should also give the user some incentive to book through its custom web interface or app. This could, for example, mean a richer interactive experience with enhanced access to images of the hotel and its surroundings, integrated customer reviews, and expanded capabilities to book using rewards points—advantages an OTA can't provide.

This is where a well-managed API plays the critical role. Just like intermediaries, development partners need access to the hotel's data, but to build richer experiences, they need more tools. Features such as expanded permission levels and provision-specific packages allow hoteliers to give high-level partners exactly what they need without clutter or compromised security.

And there's more: Beyond their own datasets, an API program that easily enables partnering and mash-ups helps make prospective customers more knowledgeable about their destination. For example, hotel chains can partner with independent review providers such as TripAdvisor to prominently feature reviews. This in turn drives new business.

APIs and the requisite management layer don't just boost the bottom line. They help provide a better customer experience—and for the road-weary traveler, that's the ultimate competitive advantage.

Sum Total: The Aggregators' Advantage

Finally, while airlines and hotels think OTAs are their main problem, this sector faces challenges of its own.

Consider from where the data powering the booking experience comes. Most of us probably assume that flight information, room availability, price, etc. all comes directly from the suppliers. Actually, it often doesn't. If all the data came from airlines or hotels directly, then every OTA would have the same price for the same room or the same flight, and consumers would only need to visit one site to book a trip. But, as discussed earlier, consumers literally visit dozens of sites to find the best deal, and get aggravated in the process.

The reality is that data management and data sharing is a very convoluted process. Most flight information, and a good portion of hotel information, passes through GDSs, which aggregate and standardize data from across the industry to provide a unified feed. Moreover, when they first emerged, they were the sole source of flight information. But as the world moved online, suppliers saw themselves as data providers too, which is why they now account for more than 30 percent of all flight sales. In this mix, suppliers often save the best rates for themselves.

Now consider the related data needed to enhance the process and close the deal—location information, reviews, etc., all coming from other sources. It's why some entrants like GetGoing and Mygola exist primarily to simplify the planning and purchasing process.

Moving forward, we're going to see more competition. Yet true integration and aggregation won't come without companies sharing information on their own terms—and that in turn will only come through an optimal API program.

Conclusion: The Road To A Better Consumer Experience

It may seem odd that in the Information Age, we're even talking about problems like this. It's similarly strange that while devoting so much time to considering the role played by aggregators, the biggest problem seems to be that the information isn't aggregated and disseminated very well. In fact, it's so fractured that consumers must make multiple visits to multiple sites to find a good deal.

Let's be honest: Providing the right data to the right user at the right time is still a huge challenge. Then, with all that data, creating the right user experience that adheres to the brand is even more of a challenge. But the solution does exist.

Sure, data is vital in most industries and to most companies, but for players in the travel space it's the key to improving the consumer experience—the ultimate goal. This is why APIs, as a common and established way to share and manage that data, should be at the core of data management with every travel services provider.

Companies can't refuse to share information, just as they can't relinquish control of it. A well-developed and executed API strategy, one that enables both customization and control, is the best (and often only) way to boost brand loyalty, attract new business, enhance customer satisfaction, and grow the bottom line.



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