BCG

THE BOSTON CONSULTING GROUP

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DEMYSTIFYING THE INDIAN ONLINE TRAVELER

HOTELS: A FOUR BILLION DOLLAR OPPORTUNITY

JUNE 2017

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EXECUTIVE SUMMARY

The Indian travel market is projected to grow at 11-11.5% to $48 Bn by 2020. Driven by robust domestic demand, the hotels sector is projected to grow to $13 Bn by 2020 with budget and midscale hotels making up 52% of the market.

The size of the online hotel bookings industry in India is estimated to be $4 Bn by 2020. Globally, hotel bookings are going online, however India is still early on this adoption curve. The Indian consumer is rapidly going digital. Led by the prevalence of mobile internet, the country's internet user base is projected to expand from 332 Mn users in 2016 to over 650 Mn users in 2020. By 2020, nearly half of all Indian urban consumers will be digitally influenced, i.e. use internet in their purchase process irrespective of whether they actually buy or not.

Furthermore, the supplier ecosystem in online hotel bookings is undergoing a transformation with the emergence of NextGen travel service providers such as OTAs, budget hotels, alternate stays and mainstream hotel chains and the evolution of digital payments.

The Indian leisure traveler today has a long, complex hotel booking journey with low brand loyalty. Every consumer's journey, right from the dreaming and planning phases to booking and finally experiencing and sharing, is unique and comprises hundreds of micro-moments. Consumers book hotels first and transport later and move back and forth across multiple online channels with online travel aggregators, search engines and maps being the most visited touch points.

Consumers converge on specific brands later in the booking journey and advocacy plays a key role in engaging consumers and influencing bookings. While consumer journeys are multi-channel and multi-device, consumers prefer to use mobile devices during the planning phase of their journey and gravitate towards websites for making bookings.

Industry players will need to differentiate their product and service offerings from their competitors to attract, retain and convert consumers. We outline a four-point agenda:

- Leverage the digital medium across touch points and channels in the consumer's booking journey
- Offer end-to-end curated travel solutions tailored to the consumer
- Reimagine the role of advocacy to make it personalized and predictive
- Build technology-enabled personalization capabilities using behavioral analytics for individual consumers

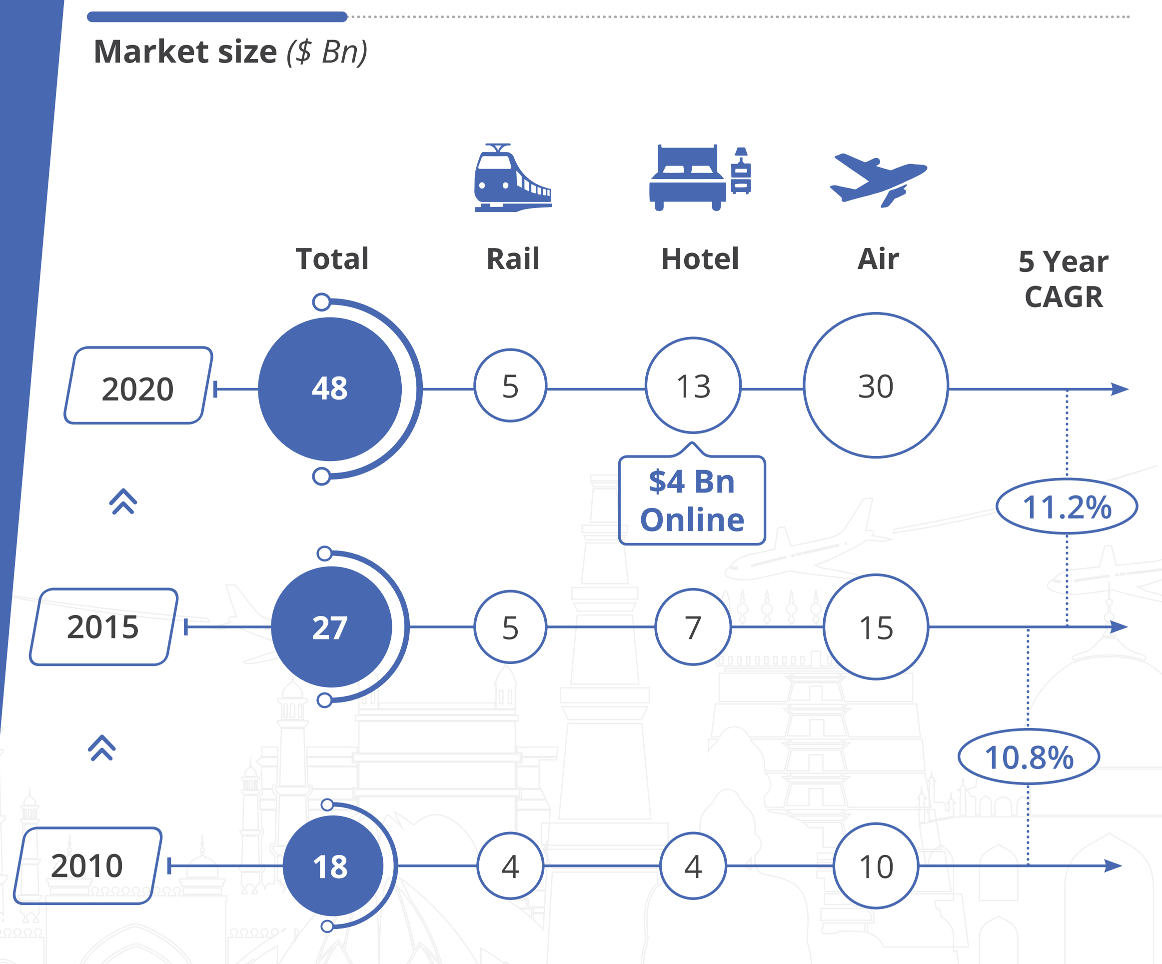
SIZING THE DEMAND 2020


BOOKING
Search hotels
Where would you like to go?
Location, region, district or hotel
Check-in
dd/mm/yyyy
Check-out
dd/mm/yyyy
Guests
1
Search

Indian travel market will grow to $48 Bn by 2020

Indian travel market is projected to grow at 11-11.5% to the tune of $48 Bn by 2020 with the biggest contributor, air travel expected to grow at 15% to $30 Bn. Hotels will grow at 13% to $13 Bn by 2020 while railways will remain largely stagnant at $5 Bn.

Domestic demand (business and leisure) and foreign demand will drive this acceleration in growth. The Government has also increased spending on tourism infrastructure and proposed 100% FDI in tourism.



Source: World Travel & Tourism Council "Travel & Tourism Economic Impact 2016, India"; PhoCusWright "India Online Travel Overview Ninth Edition", July 2016; BCG Analysis based on Project Experience and Research

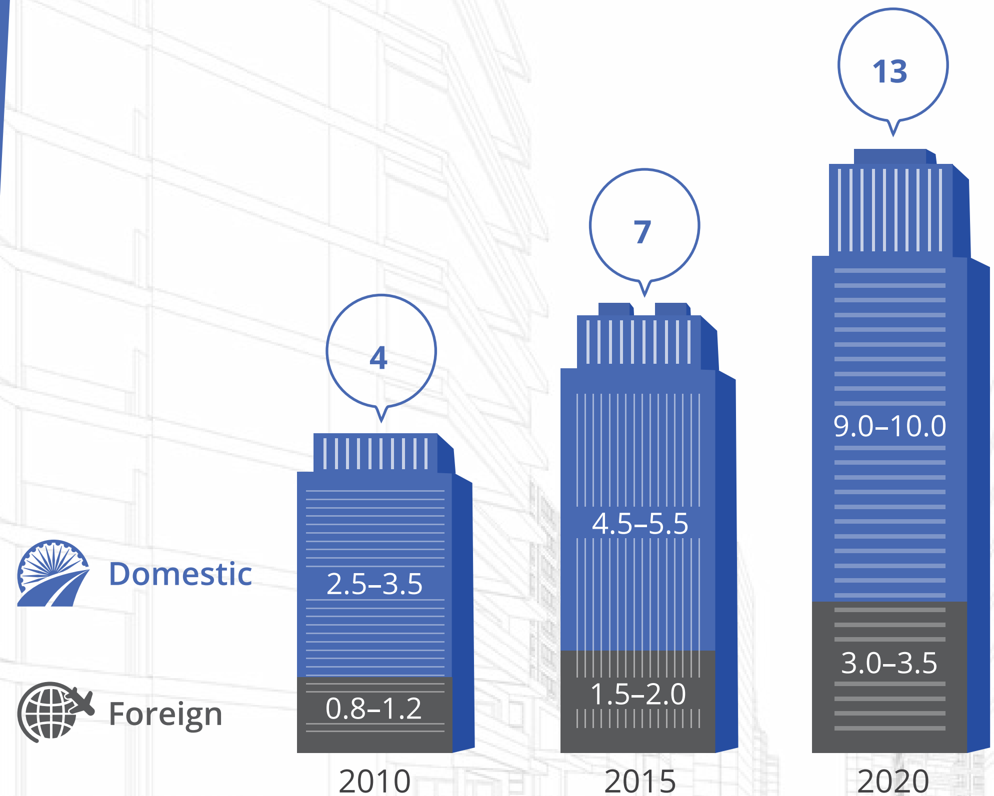
Hotels will grow to $13 Bn by 2020 fueled by domestic demand

Domestic leisure hotel spend is expected to increase as household incomes increase.

Rising income will result in a considerable drop of Struggler households from 32% in 2015 to 25% in 2020 as many of these households will have crawled out of this category by 2020 with a corresponding increase in Aspirers, Affluents and Elites. As consumers shift towards higher income segments, annual average leisure hotel spend per household is expected to increase by 7% to $18 by 2020, compared to $13 in 2015. Business spending on hotels will increase with economic growth and rise in working population.

The number of foreign tourists visiting India is expected to increase significantly over the next 5 years, at over 7% to reach 11.3 Mn by 2020. Relaxed policies on visa on arrival and increasing connectivity are factors that are expected to drive this increase in foreign tourist inflow. Hotel spend by foreign tourists is consequently expected to grow by 13% reaching $3.4 Bn.

Market size of hotel *($ Bn)*



Note: Income segments are based on the Household Income (HHI) per annum. Strugglers: < $2,000, Next Billion: $2,000 - $8,000, Aspirers: $8,000 - $16,000, Affluent: $16,000 - $32,000, Elite: >$32,000
Source: BCG CCI "The New Indian: The Many Facets of a Changing Consumer", March 2017; World Travel & Tourism Council "Travel & Tourism Economic Impact 2016, India"; Ministry of Tourism's India Tourism Statistics, 2015; Thomson Reuters Canadean "The Future of Hotels in India to 2020: Market Profile", March 2016; Euromonitor "Lodging in India", August 2016; BCG Analysis based on Project Experience and Research

Significant headroom for growth in branded hotel rooms

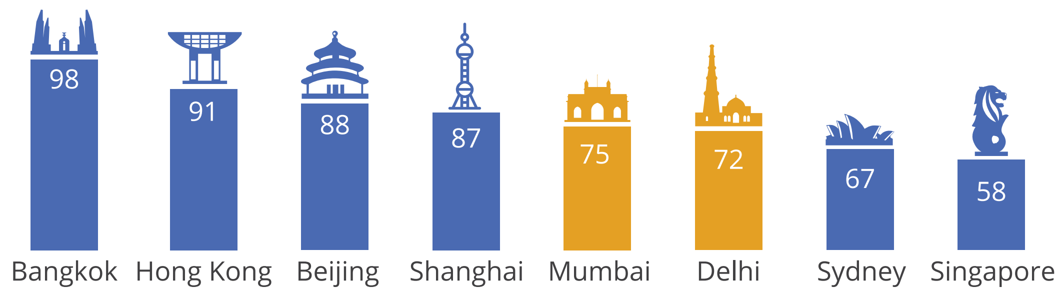
Indian cities have a low supply of hotel rooms compared to several other leading metros at just 72-75 rooms per city GDP compared to Bangkok's 98 and Hong Kong's 91.

Moreover, while occupancy rates are lower in India at 63% compared to China's 70% and USA's 66%, there is a wide variation due to seasonality in demand leading to 100% occupancy during peak seasons.

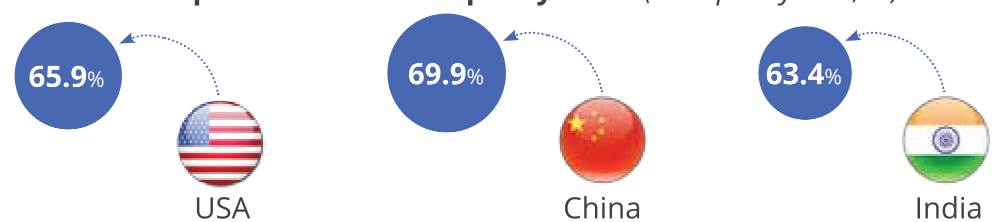
Funding inflow has increased in recent years in the Indian hospitality space with USD 563 Mn invested in hospitality startups in 2016 compared to just USD 330 Mn in the previous year. Over the last 5 years, >600 companies with a hospitality play were founded.

For hotel players, these trends indicate immense headroom for growth, especially in the branded segment.

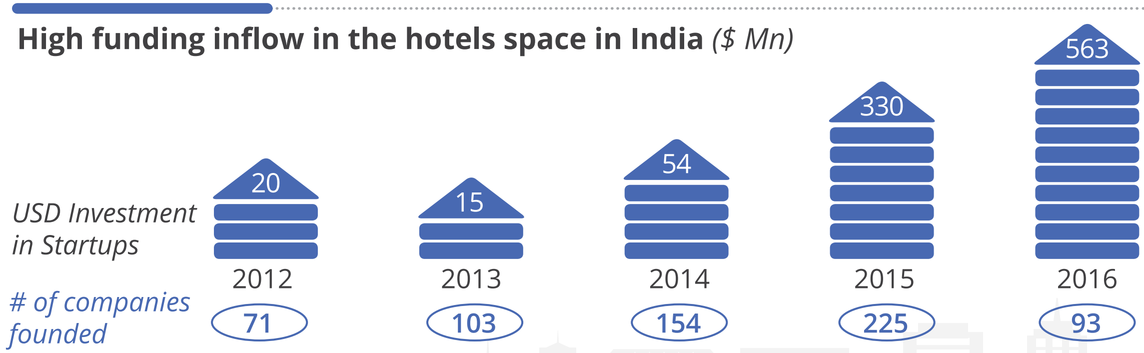
Potential for higher supply of branded hotel rooms in India
(# of branded hotel rooms / city GDP)



Headroom for improvement in occupancy rates *(Occupancy rate, %)*



High funding inflow in the hotels space in India *($ Mn)*



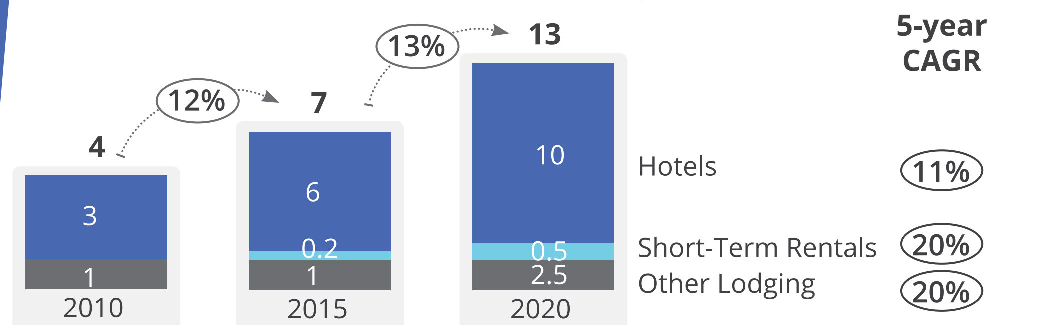
Source: HVS "Hotels in India - Trends & Opportunities", 2016; Tracxn start-up database 2012-2016; Mintel "Hotels in India", May 2016; World Bank GDP database, 2016; BCG Analysis based on Project Experience and Research.

Mid-scale and Budget hotels will continue to account for >50% of branded hotel rooms

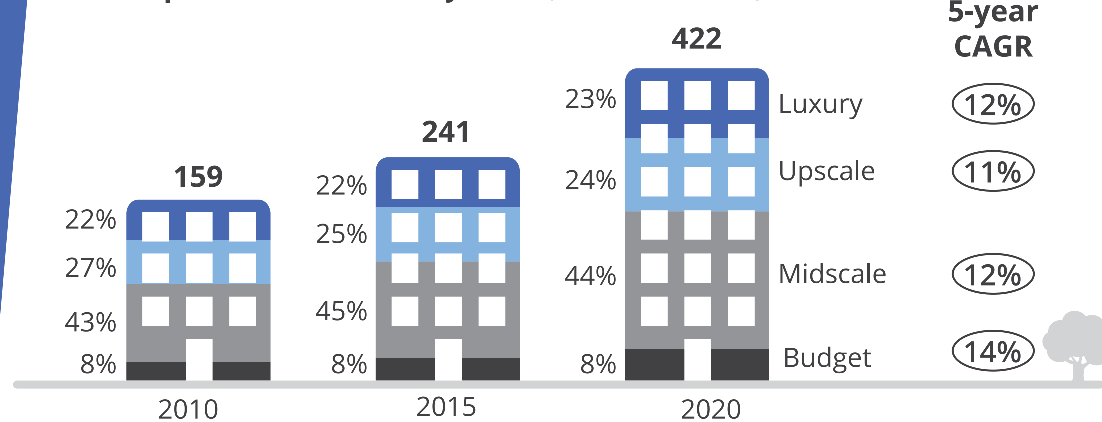
Indian hospitality space is expected to continue to accelerate from $7 Bn worth of gross bookings in 2015 to $13 Bn worth in 2020, $10 Bn of which constitutes of Hotel bookings and the remaining is constituted by bookings of Short term rentals and other lodgings. Alternate stays, including short term rentals and other lodging, while a small part of the market today, can become significant over the next few years to grow up to $3 Bn by 2020. Players in the space have the potential to innovate as travelers, both domestic and foreign, become more open to alternate stay options.

In 2020, Budget and Luxury hotels are expected to be areas of growth. Budget hotels, which make up 8% of the market, are expected to grow at 13.5% driven by the growth of the Aspirers segment on the demand side and the consolidation, standardization and branding of currently unbranded properties through aggregator-based startups on the supply side. Mid-scale hotels, or the two- and three-star properties will continue to maintain their dominance.

Size of Indian hotels market *(Gross bookings in $ Bn)*



Breakup of Indian hotels by class *(# rooms in '000)*

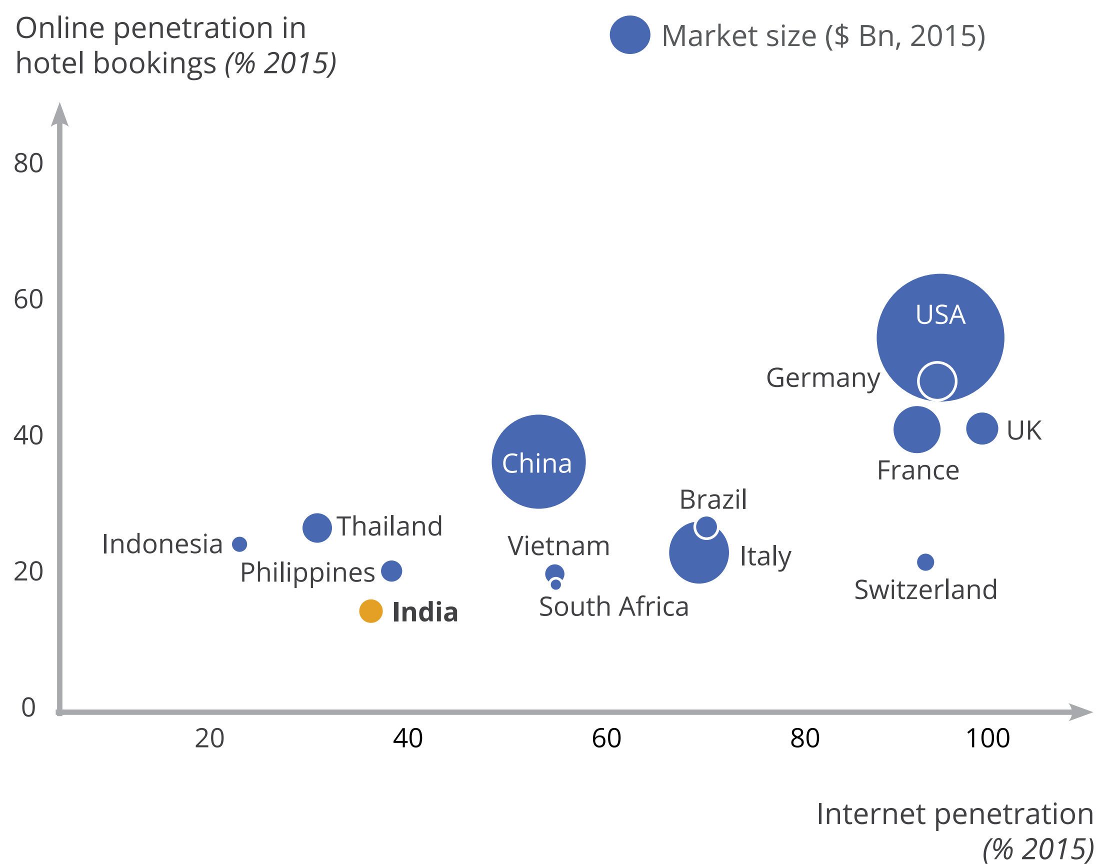


Note: Budget: 1-star or 2-star rated; Midscale: 3-star rated; Upscale: 4-star rated; Luxury: 5-star rated or higher; Other lodging includes alternate stays such as hostels, campstays, dharamshalas and paying guest accommodations. Short term rentals include stays in privately owned houses or individual homes rented to tourists.
Note: Income segments are based on the Household Income (HHI) per annum. Strugglers: < $2,000, Next Billion: $2,000 - $8,000, Aspirers: $8,000 - $16,000, Affluent: $16,000 - $32,000, Elite: >$32,000
Source: HVS "Hotels in India - Trends & Opportunities", 2016; Euromonitor "Lodging in India", August 2016; Press Search; Thomson Reuters Canadean "The Future of Hotels in India to 2020: Market Profile", March 2016; BCG Analysis based on Project Experience and Research.

India early on the digital adoption curve for hotel bookings

Globally, hotel bookings are being digitized, with online penetration greater than 45-50% in developed markets such as US, UK, Germany and France. China, which has leapfrogged the developed markets on many dimensions of digital, is pegged at 40% online penetration in hotel bookings. Other emerging economics, such as Indonesia, Thailand, Vietnam, Brazil and South Africa are at 20-30% online penetration in hotel bookings.

India is relatively early on the adoption curve with 17% of its hotel bookings made online today. As internet penetration in India increases, there will be immense potential for growth in this space.



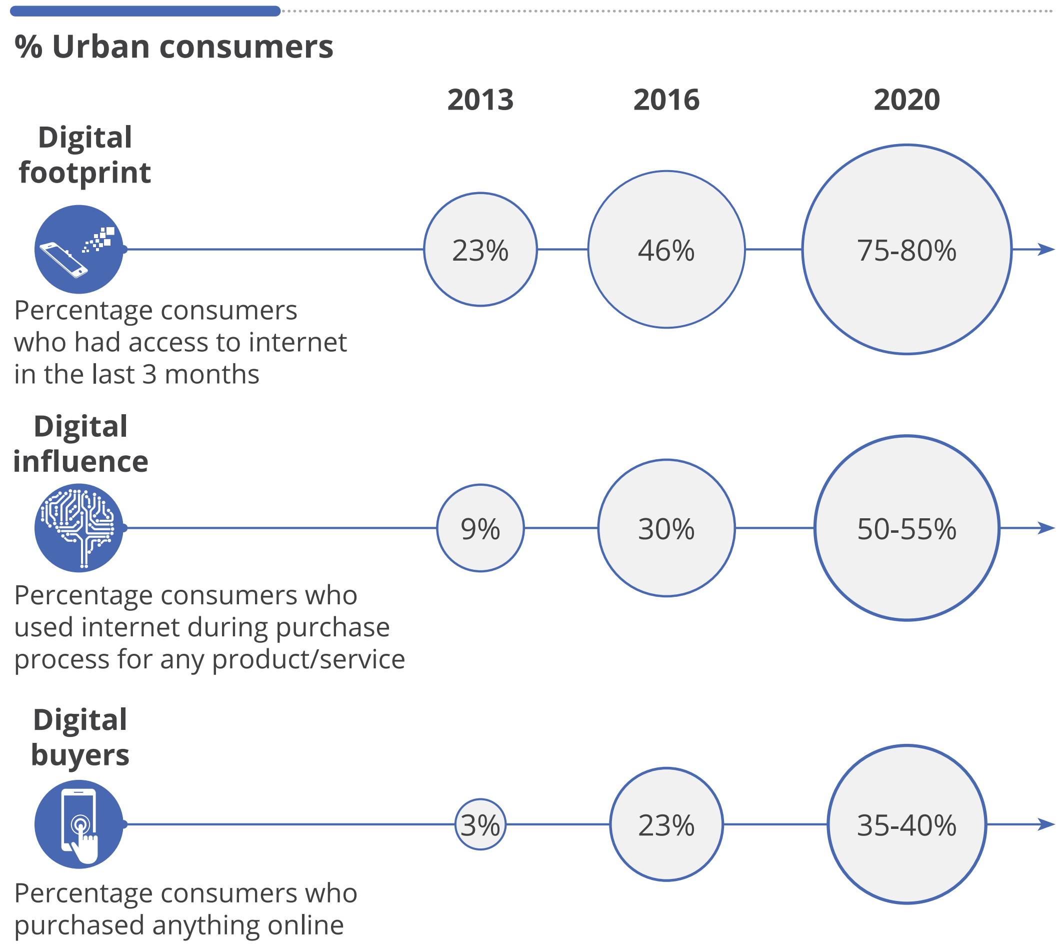
Source: International Telecommunication Union database for internet penetration, 2015; PhoCusWright "Online Travel Overview", July 2016; World Bank database, 2015; Eurostat Statistics database, 2015; BCG Analysis based on Project Experience and Research

Consumer will be progressively more digital

Digital footprint, a metric which quantifies Indian consumers with internet access, has more than doubled in the last 3 years. This trend is expected to continue, as is evident from the growing base of internet users projected to expand from 332 Mn users in 2016 to over 650 Mn users in 2020.

Digital influence refers to consumers who use the internet in their purchase process irrespective of whether they actually buy online or not. By 2020, nearly half of all urban Indian buyers will be digitally influenced, of which two-thirds will buy online.

Conversion from digital footprint to digital purchase will be pertinent to this growth, for which players looking to capture market share will need to cover all touchpoints of the consumers' purchase pathway across dreaming, planning, purchase, experiencing and sharing.



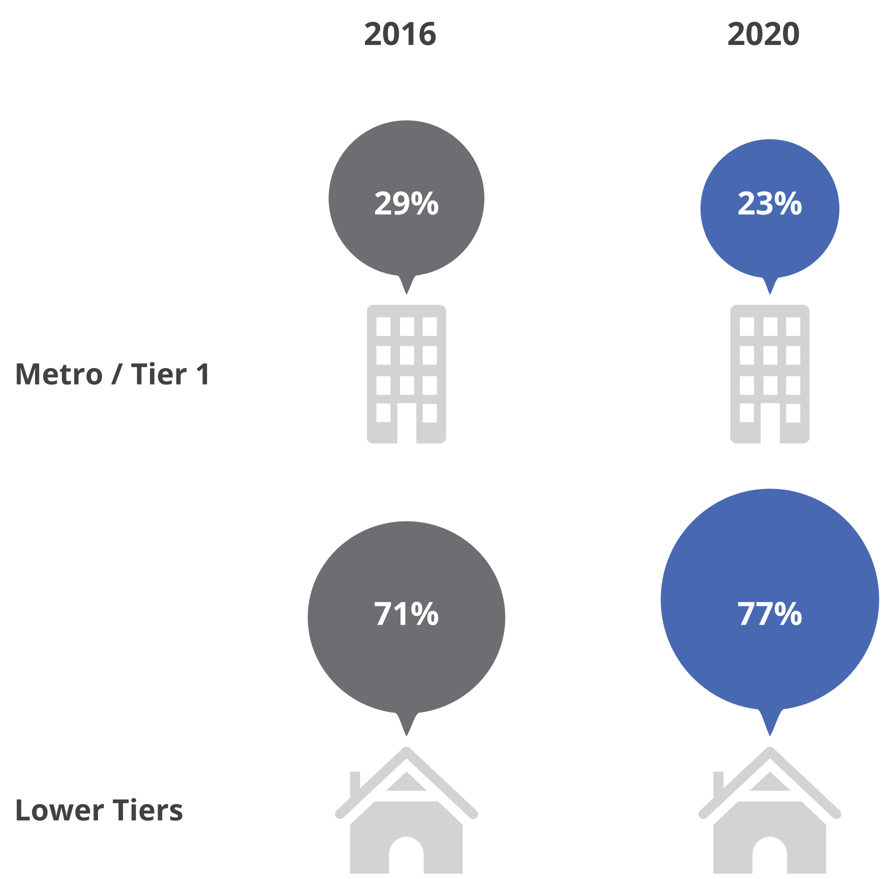
Source: International Telecommunication Union database for internet penetration and projections of internet users, 2011-16; BCG CCI digital influence study (N=18,000 every year between 2013-2016); BCG CCI Digital deep dive study (N=501); BCG CCI "The New Indian: The Many Facets of a Changing Consumer", March 2017; NASSCOM "The Future of Internet in India", August 2016; BCG Analysis based on Project Experience and Research

Digital's next wave will be driven by a different consumer

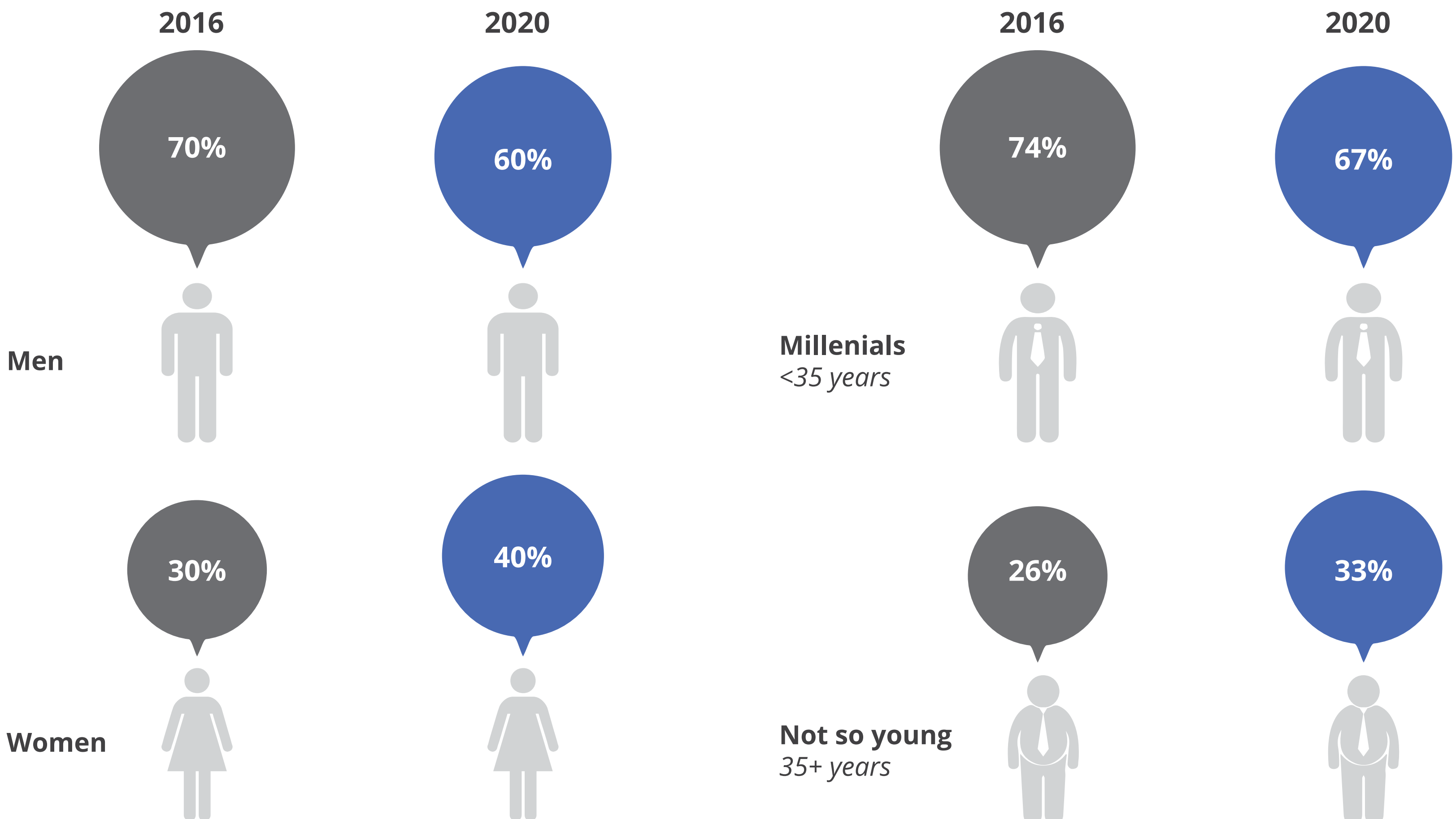
By 2020, the number of internet users will more than double. Conventional wisdom suggests that the internet user base has been dominated by the 3Ms (Metro, Male, Millenials). The profiles of internet users will undergo a fundamental shift in the future. A larger number of women and older cohorts will start accessing the internet. There will be 2.5X female internet users and 2.5X older internet users compared to today. The lower tier cities will increase their share as consumers mature and network infrastructure improves. Tier 2 / 3 / 4 cities will comprise almost 80% of the internet user base by 2020.

This shift in the profile of internet users will require players to redesign their offering on several dimensions such as language of content and communication, pricing and discounts, packages and experiences, to name a few.

% of Internet users



Note: Metro: Top 8 cities, population >4 Mn; Tier 1: Next 38 cities, population 1-4 Mn; Tier 2: Next 45 cities, population 0.5-1.0 Mn; Tier 3: Next ~450 cities, population 0.1-0.5 Mn
Source: BCG CCI Digital Influence study 2016 (N=18,000 every year between 2013-2016); BCG Analysis based on Project Experience and Research

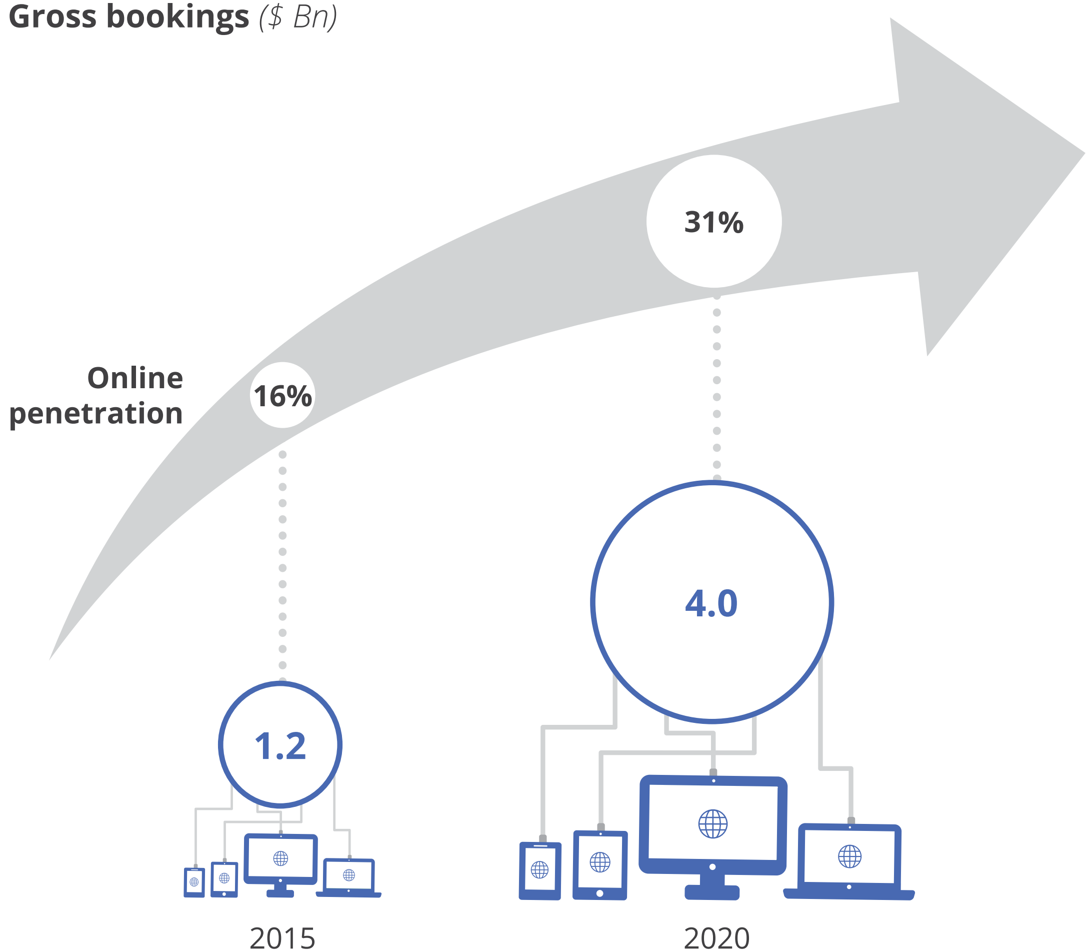

2016
2020
70%
60%
Men
30%
40%
Women
2016
2020
74%
67%
Millenials
<35 years
26%
33%
Not so young
35+ years

$4 Bn hotel bookings online by 2020

Online hospitality in India is expected to become a $4 Bn market by 2020, with Gross bookings expected to grow at 25%. Our estimates suggest that overall online transactions should increase at the historical rate in the coming years, but due to heavy discounting, rebates and lower online order values, the growth of gross bookings will not be as high.

Driving this growth is the increase in online penetration hotel bookings in the country which is projected to grow steadily from 16% in 2015 to 31% in 2020.

Gross bookings *($ Bn)*



Source: PhoCusWright "India Online Travel Overview Ninth Edition", July 2016; BCG Analysis based on Project Experience and Research; Thomson Reuters Canadean "The Future of Hotels in India to 2020: Market Profile", March 2016; BCG Analysis based on Project Experience and Research

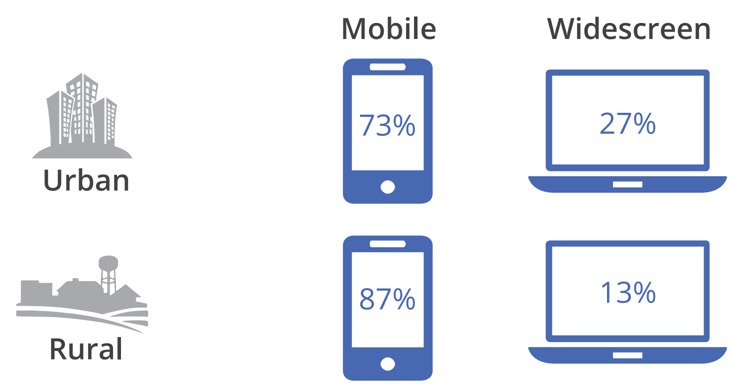
The device of choice is mobile

Mobile internet is the most prevalent mode for accessing the internet with 73% of urban users and 87% of rural users preferring to log on to the internet using their mobile devices.

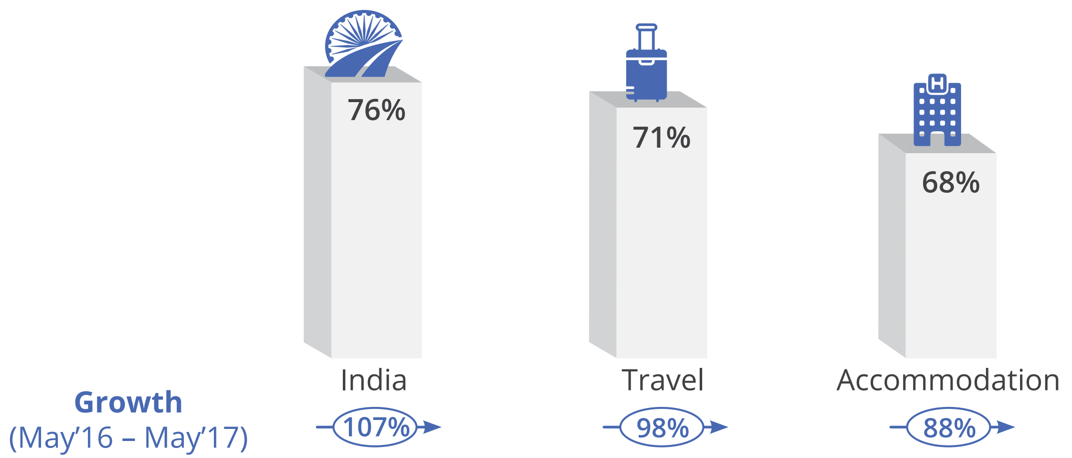
This is substantiated by a study of share of search queries on mobile, showed that 76% of queries on the internet came through mobile devices. 71% of Travel queries were mobile led whereas 68% of Accommodation related queries were mobile led during the same period.

It is, therefore, imperative for players to ensure mobile presence as a part of their digital offering.

Preferred device for Internet



Share of mobile in search queries *(May 2017)*



Source: BCG CCI digital influence study (N=18,000 every year between 2013-2016); BCG CCI Digital deep dive study (N=501); Google search query data, May 2017

DEMYSTIFYING THE LEISURE TRAVELER

Every consumer journey is unique and comprises micro-moments

Each consumer is unique in his booking journey. Each decides how much time he or she spends online, which touchpoints he or she visits and what he or she does while there. In the same journey, the consumer visits multiple touchpoints, one after the other.

Individual booking journeys comprise of hundreds of micro-moments, that is, when consumers turn to a device with intent to answer an immediate query, the outcome of which affects travel decision-making. There are four key micro-moments: "want to get away", "time to make a plan", "let's book it" and "can't wait to explore" which closely map to the stages of the booking journey – dreaming, planning, booking, experiencing and sharing.

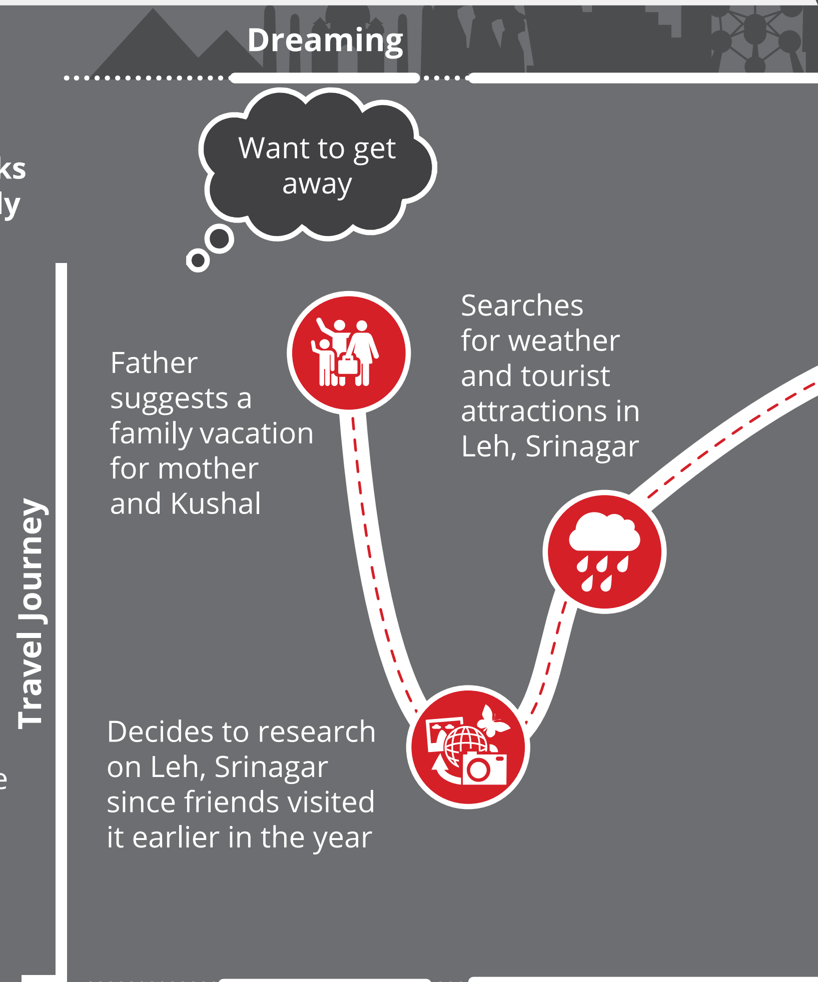
While it may be convenient for marketers to segment consumers into 4-5 broad profiles, the reality is that individual behavior patterns vary widely and cannot be easily grouped. Players need to invest in advanced analytics to understand individual consumers and develop propositions sharply personalized for them.

Millenial male seeks best deal for family vacation online

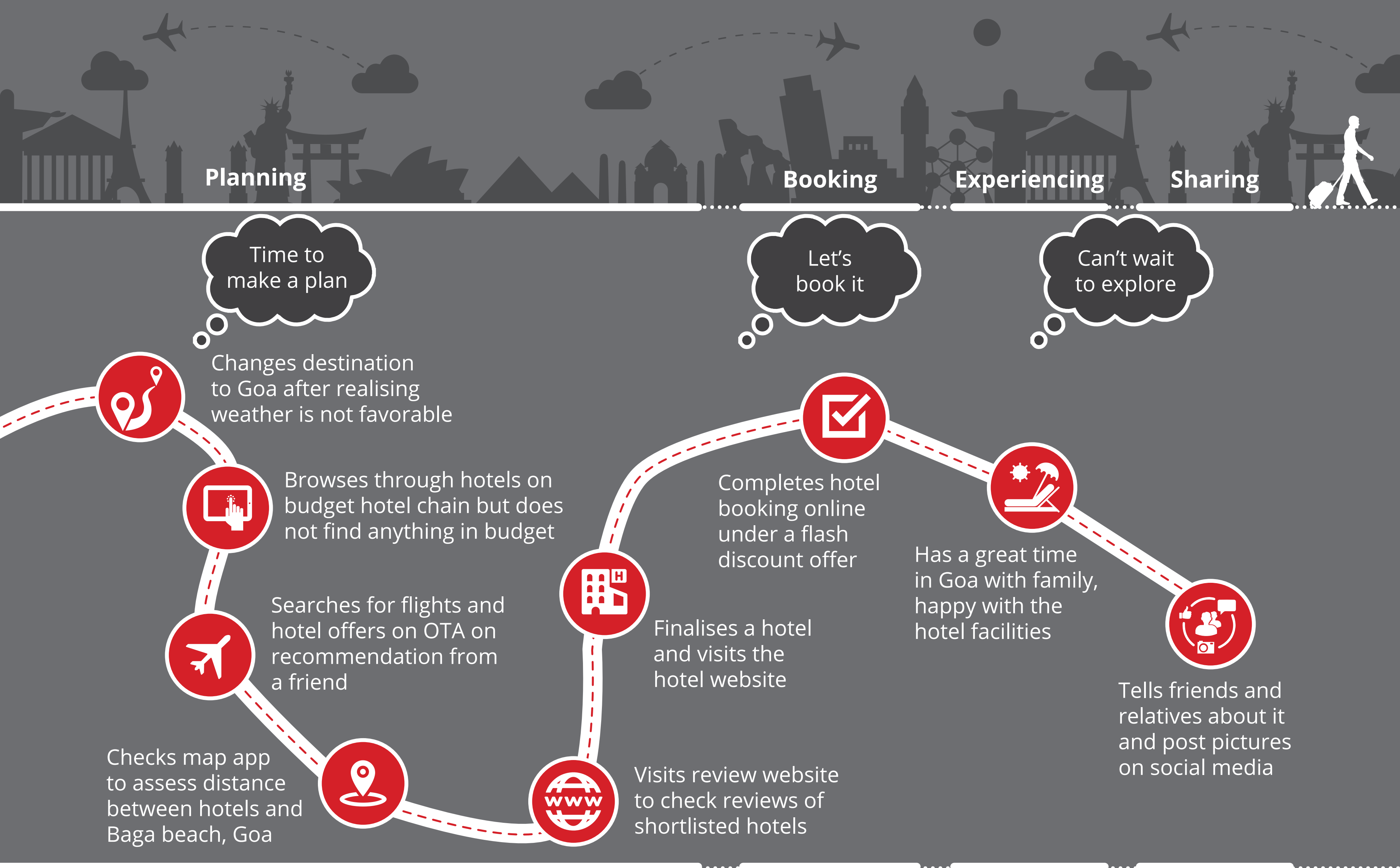
Kushal,
21 years, Delhi
Digital age: >4 years

Spends 3-4 hours online pe day on social networking, browsing, shopping etc

Journey length: **48 days**
Time spent: **150 minutes**



Note: The travel booking journey is illustrative for an individual consumer. It is not representative of all Indian consumers.
Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: n = 256 (Total)

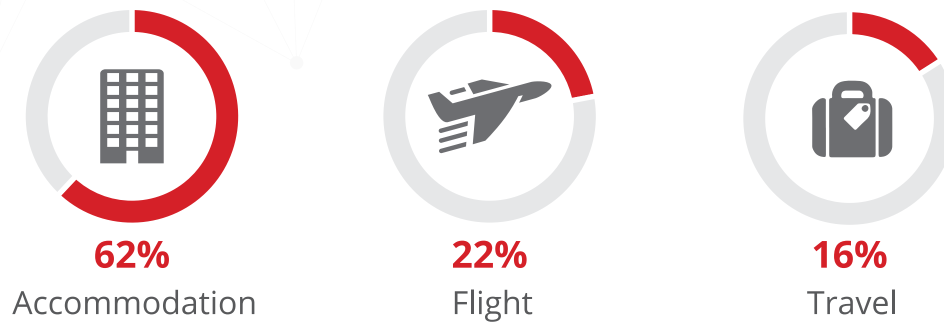

Planning
Booking
Experiencing
Sharing
Time to make a plan
Let's book it
Can't wait to explore
Changes destination to Goa after realising weather is not favorable
Browses through hotels on budget hotel chain but does not find anything in budget
Searches for flights and hotel offers on OTA on recommendation from a friend
Checks map app to assess distance between hotels and Baga beach, Goa
Visits review website to check reviews of shortlisted hotels
Finalises a hotel and visits the hotel website
Completes hotel booking online under a flash discount offer
Has a great time in Goa with family, happy with the hotel facilities
Tells friends and relatives about it and post pictures on social media

62% consumers book hotel first, transport later

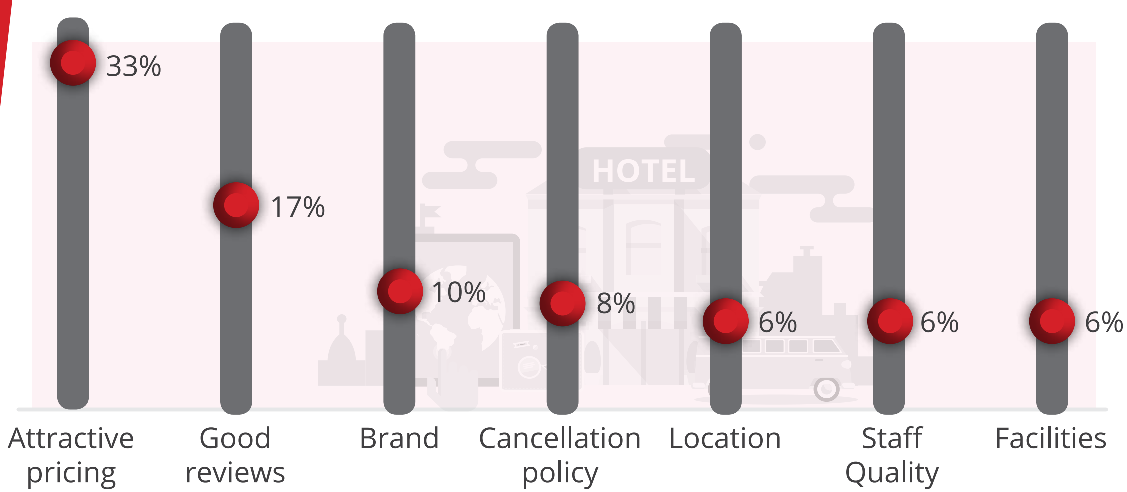
While conventional wisdom may suggest that consumers book flights to their destination before booking hotels, our research reveals the opposite. Amongst consumers who booked both hotels and transport, 62% booked accommodation first while only 22% booked flights first and 16% booked other modes of travel first.

Pricing continues to be a key driver of selection of hotels – 33% consumers choose their accommodation based on attractive pricing or deals and 17% based on good reviews.

% consumers who booked first



Criteria for choice of accommodation



Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: n = 52 (Bookers)
Question: What was the order of booking of your hotel, flights and other transport?
Question: Which of these factors was the most important for deciding which accommodation to choose?

Long, complex hotel booking journeys

For many Indian consumers, a vacation is an event planned in advance as opposed to being an impulsive purchase. Consumers typically spend 46 days on average planning their trip. They spend 49 minutes online on their travel research and visit as many as 17 touch points during their booking journey.

This open up the opportunity for players to engage with the consumers across all touchpoints of their booking journeys.

Purchase journey length

46

Days

Number of touchpoints

17

Visits

12

9 **49** 3

6

Minutes

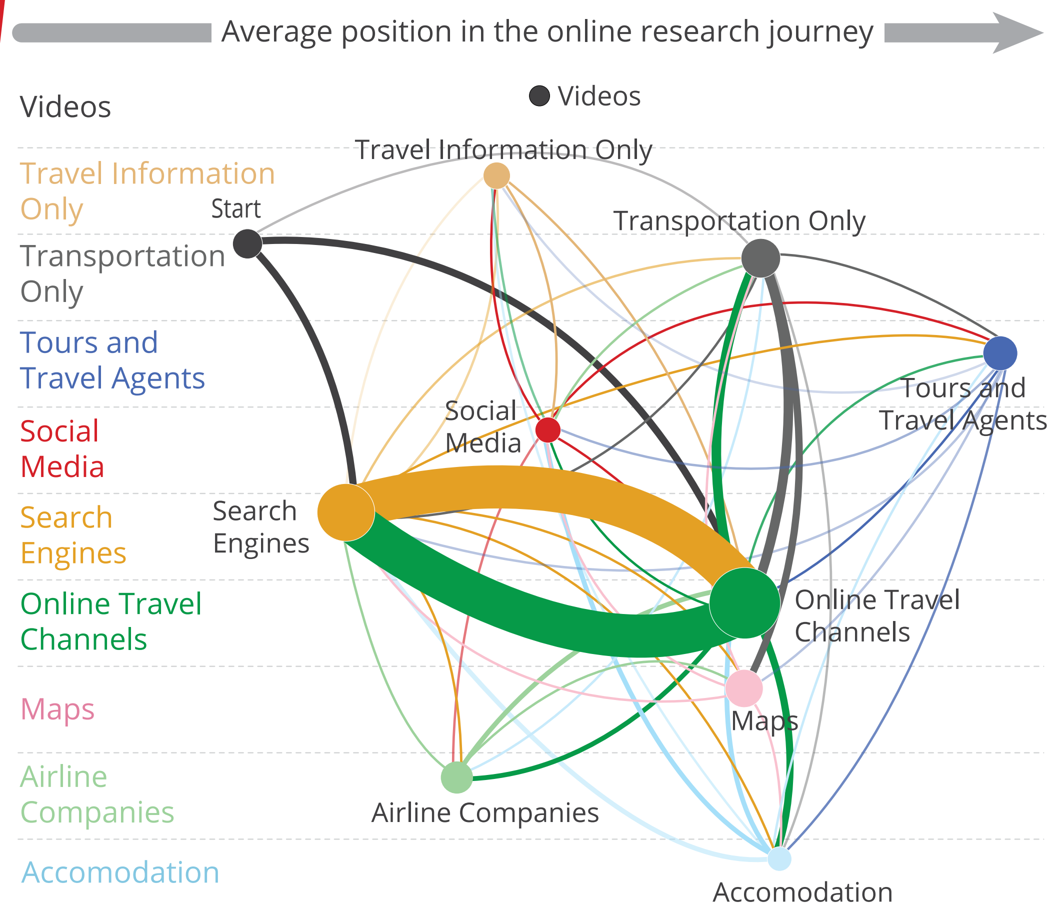
Time spent online on research

Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: Journey length n = 52 (Bookers); Touchpoints n = 256 (Total); Time spent n = 256 (Total)

Consumers go back and forth across multiple online channels

Fragmented supply in the online hospitality space means that consumers tend to move back and forth across multiple booking channels including search engine, transportation, airline/ railways, travel aggregators and maps during their booking journeys.

This behavior can be attributed to the lack of a comprehensive booking solution that can integrate hotels, transport and on-ground activities – a potential opportunity for players competing in this space.



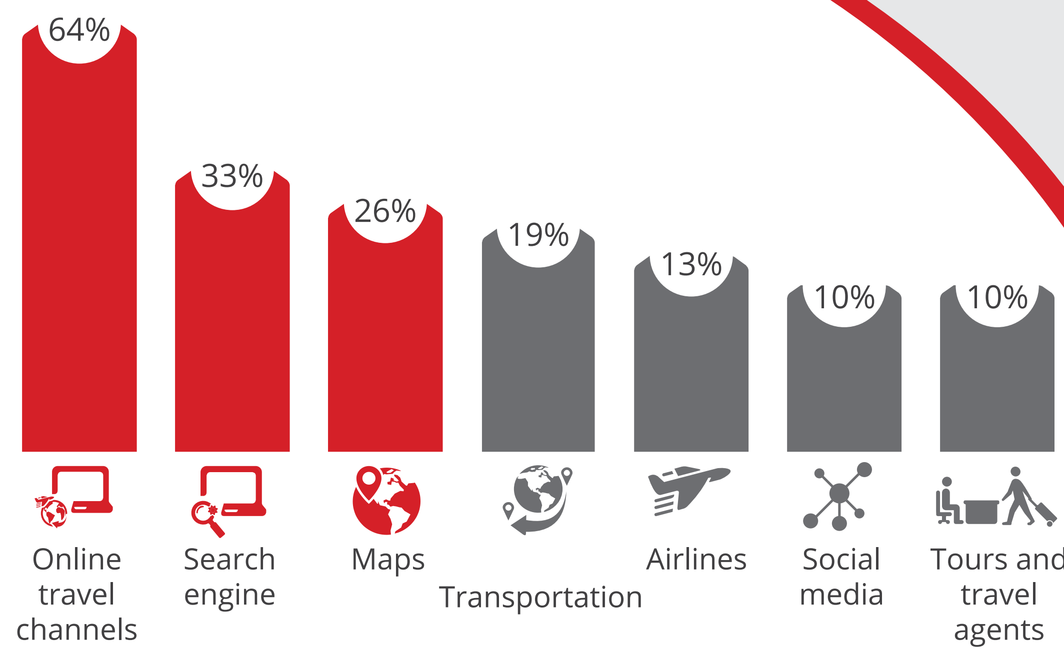
Note: The size of the node represents the absolute reach, or the number of users that visited the node. For reference, the size of the Search Engines node represents 85 users. Transitions are colored by source. Line-thickness is proportional to the volume of transitions made between two nodes.
Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: n = 124 (Panelists tracked)

Online travel aggregators, search engine and maps most visited

Consumers seek availability and connectivity, at the right price – as evidenced by the reach of online travel channels (64%) and search engines (33%). Maps (26%) help consumers determine the location of their hotel with respect to their on-trip activities, such as sightseeing, restaurants and other experiences. It, therefore, becomes important for players to ensure presence across these channels and integrate them within their offering to the extent possible.

While travelers do not visit social media actively in their travel context, its high overall reach makes it an important medium for players to influence the decision making process.

% reach in travel context



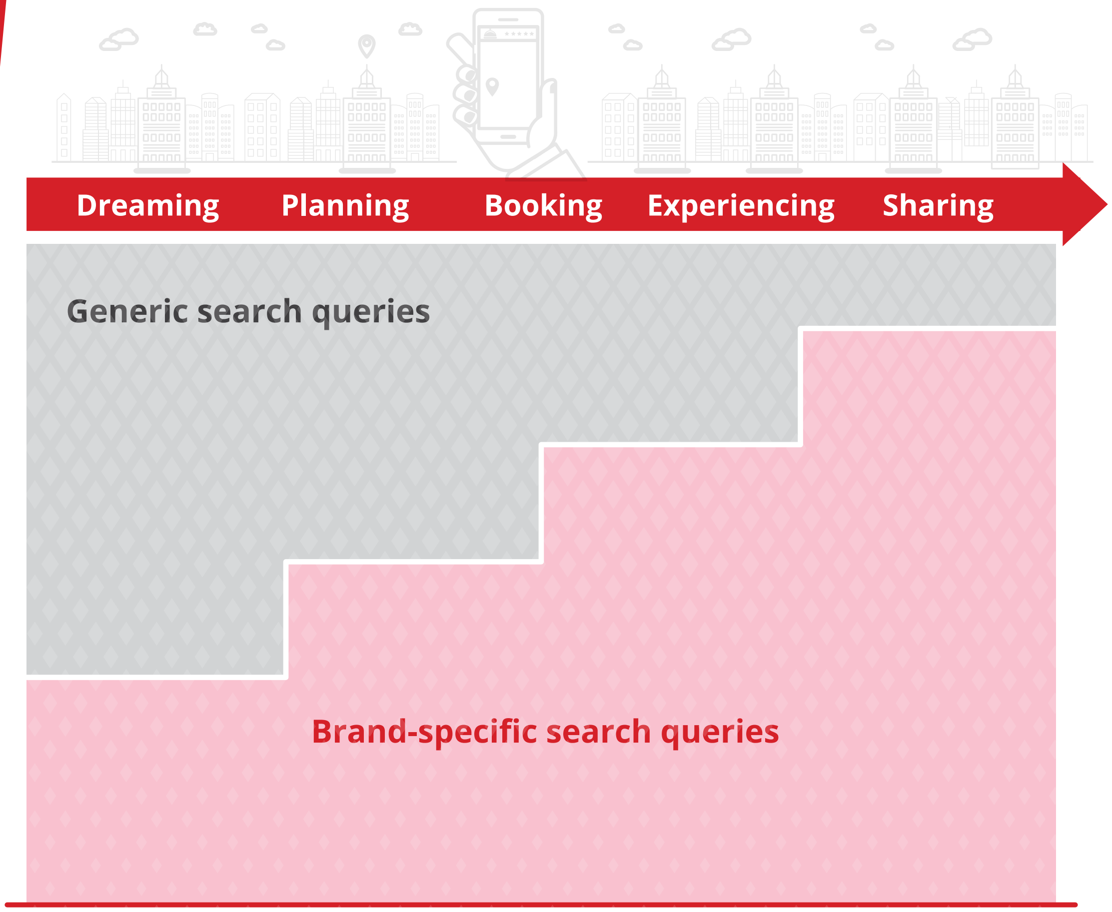
	Online travel channels	Search engine	Maps	Transportation	Airlines	Social media	Tours and travel agents
Overall reach	64%	92%	57%	19%	13%	86%	10%

Note: % reach refers to the number of users who visited the specific travel channel in the travel context
Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: n = 256 (Total)

Consumers not loyal; converge to specific brands later

Travel research typically begins with generic search online, for example, “hotels in XX destination”, “flight offers”, etc. Initially consumers are open to exploring a variety of hotel brands and booking channels, but tend to converge towards certain brands later in the booking journey.

At the beginning of the journey, 84% of the consumers are undecided about the travel agent or booking channel. Of these, 79% have something in mind, but are open to alternatives. Players can attract consumers during the early stages of booking and actively influence buyers from this point onwards.



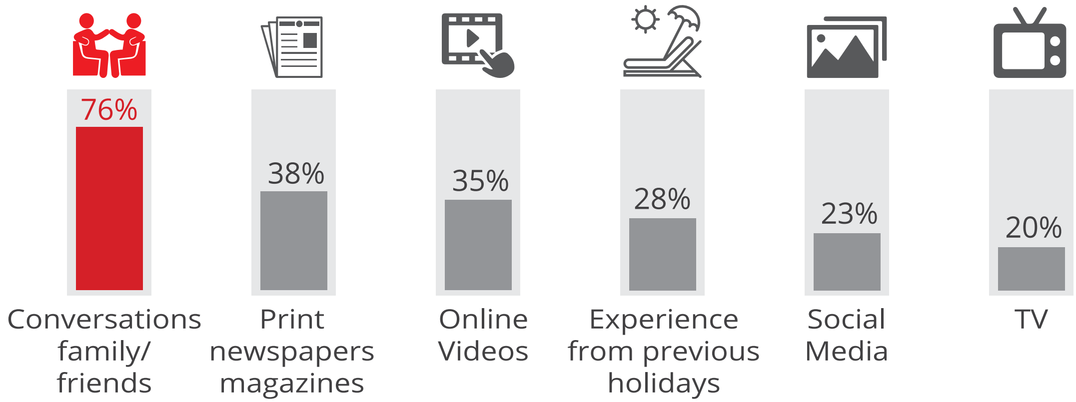
Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: For search queries, n = 52 (Bookers)
Sample: For brand decision, n = 256 (Total); Question: Have you already decided which travel agent/ website you will use to book your accommodation?

Advocacy plays an important role

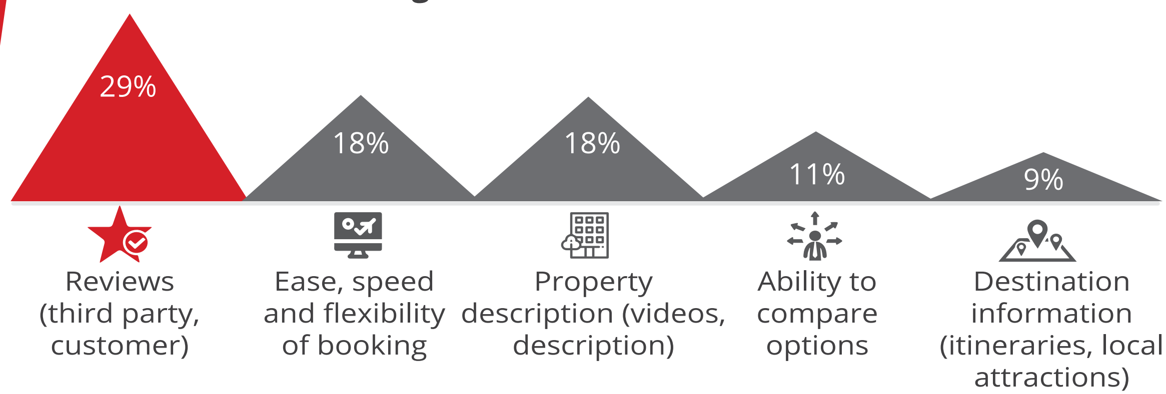
Advocacy plays a key role in the travel booking journey with 76% of consumers gaining inspiration to travel from family and friends. Reviews and ratings from other users is the single most important criteria to select a certain booking channel. 18% consumers also value ease, speed and flexibility of booking and a similar number select booking channels based on the property descriptions, especially video content.

By driving advocacy on digital media through reviews and ratings, brands can effectively influence user communities across channels.

Initial inspiration for vacation



Criteria to select booking channel



Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: Inspiration: n = 256 (Total); Booking criteria: n = 52 (Bookers)
Question: Which of the following made you initially start thinking about going on this domestic trip / holiday?
Question: Thinking about hotel accommodation bookings, which of the following factors would be the most likely to make you chose a particular service provider, and which would be least likely to make you choose?

Multi-channel, multi-device booking journeys

Consumers use a mix of online and offline sources of information during their booking journeys

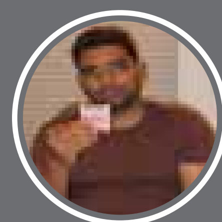
- Only 12% of the consumers prefer to use offline sources for research
- 57% of the consumers believe that online channels give them better deals while 41% find it more convenient for them to book online

While online, consumers seamlessly switch across all devices such as mobiles, PCs and laptops but prefer to engage with their phones as the primary device

- For research, 43% of the consumers prefer the apps on their smartphones, 31% prefer mobile websites and 14% prefer websites on their PCs
- For booking, consumers have a marginal preference for transacting on their PCs as 23% consumers prefer to book using websites on their PCs

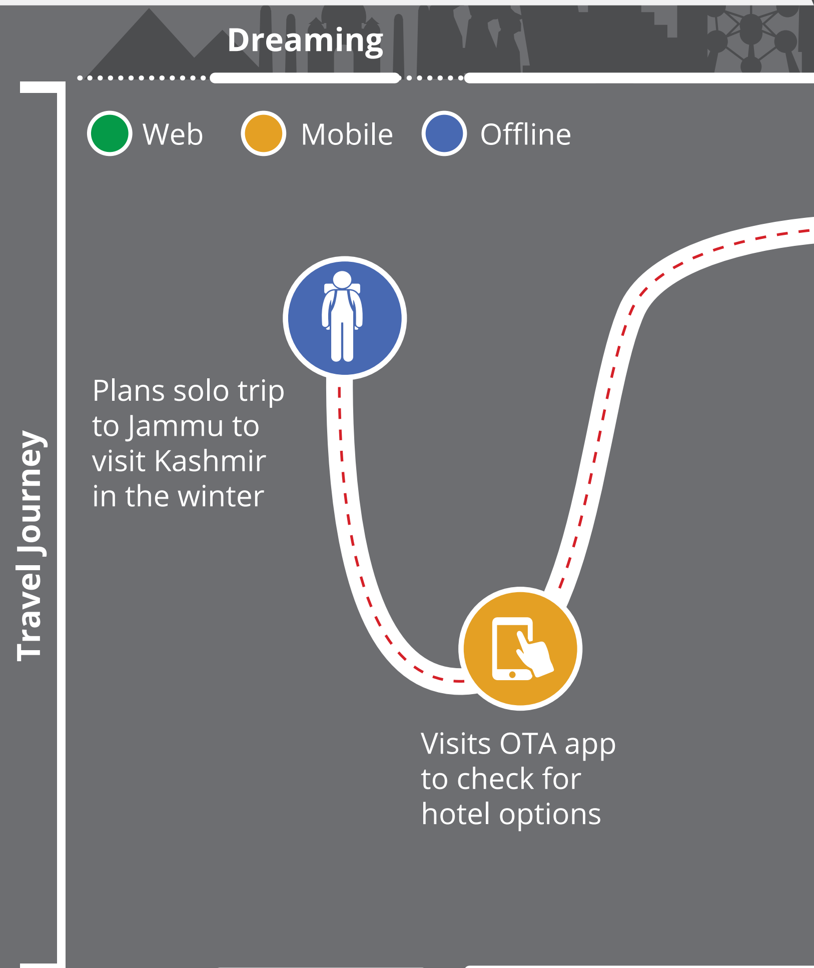
Planned solo trip

Urban male plans solo trip to Jammu

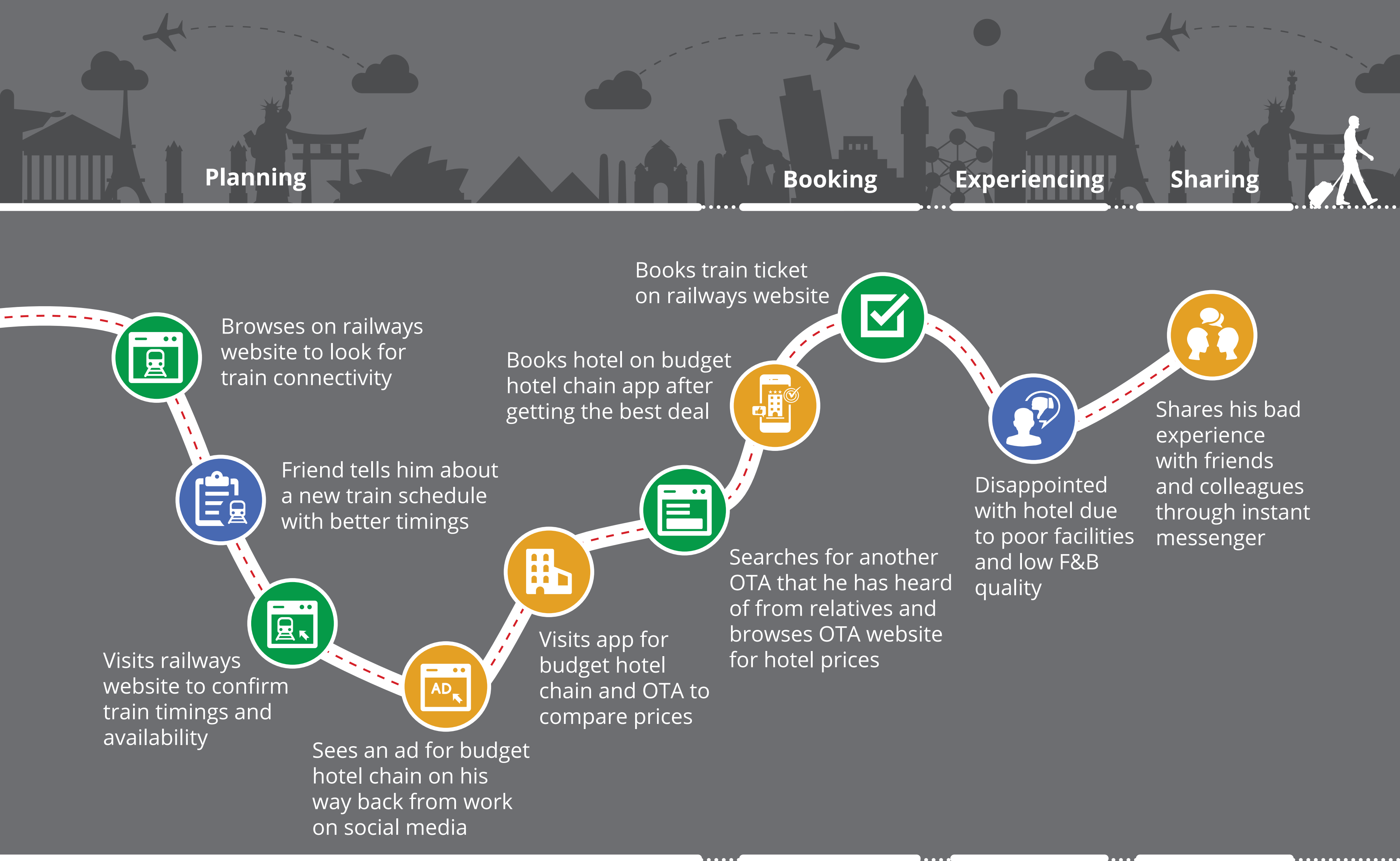


Sambhav,
32 years, Delhi
Digital age: >4 years

Journey length: **77 days**
Time spent: **200 minutes**



Note: The travel booking journey is illustrative for an individual consumer. It is not representative of all Indian consumers.
Source: Google-BCG deep dive study through GFK consumer research, Nov 2016 – Jan 2017
Sample: n = 256 (Total); Question: Which are the most useful sources/devices used for research?
Sample: n = 52 (Bookers); Question: What was the source of accommodation booking?
Sample: n = 256 (Total); Question: What were the main reasons for using certain apps rather than just their website?


Planning
Booking
Experiencing
Sharing
Browses on railways website to look for train connectivity
Friend tells him about a new train schedule with better timings
Visits railways website to confirm train timings and availability
Sees an ad for budget hotel chain on his way back from work on social media
Visits app for budget hotel chain and OTA to compare prices
Searches for another OTA that he has heard of from relatives and browses OTA website for hotel prices
Books hotel on budget hotel chain app after getting the best deal
Books train ticket on railways website
Disappointed with hotel due to poor facilities and low F&B quality
Shares his bad experience with friends and colleagues through instant messenger

IMPLICATIONS FOR BUSINESSES

Implications for businesses

Dreaming | **Planning** | **Booking**

Attract

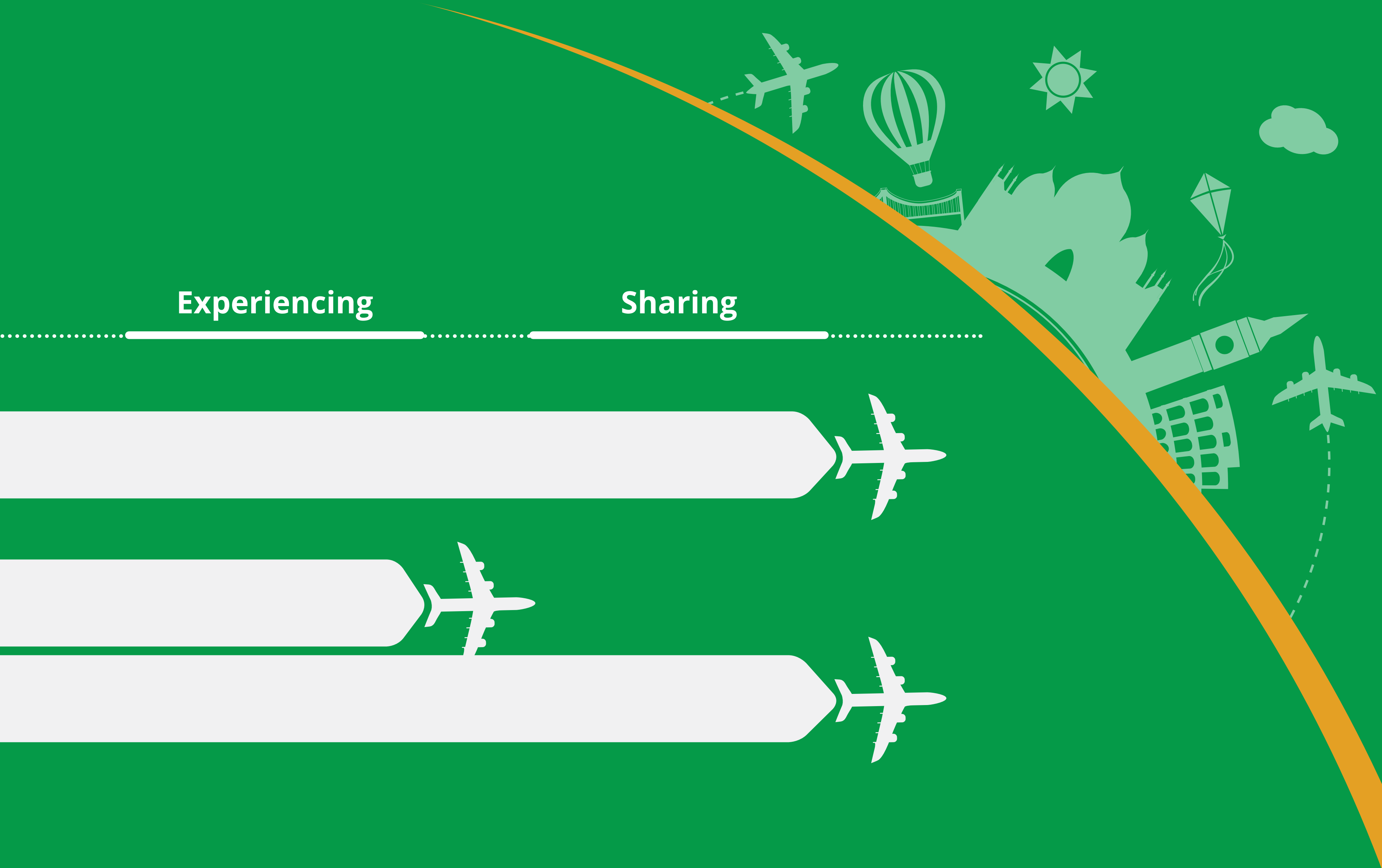
1. Leverage digital across touch points and channels in consumer journey

Convert

2. Offer an end-to-end curated travel solution to the consumer
3. Reimagine the role of advocacy

Retain

4. Build technology-enabled personalization capabilities


Experiencing
Sharing

Leverage digital across touchpoints in consumer journey

The role of digital in hotel bookings is significant, not just as a channel for purchase, but also as an influence in decision making. There exists significant potential for Indian players looking to differentiate their products by harnessing the digital medium and leveraging this channel to effectively connect with consumers.

Companies globally are using several tools such as tailor-made messages to consumers based on interests and demographics, use of search engine optimization to provide suggestions to consumers based on their search queries, a digital companion to aid decision-making of consumers, as well as online reviews and ratings.

Marriott Hotels, for example, has used its own in-house content creation studio to create Marriott Traveler, an online travel magazine to engage consumers early in their bookings journeys. Airbnb has developed destination guidebooks curated by local influencers focused on experiences such as restaurants, activities and the like.

Engage and inspire consumers	**Digital influencers and communities** Facilitate two-way communication around a cause close to consumers to deepen engagement
Make them aware	
Help them decide	**Curated content** Invest in strong content – in-house, user-generated, third party influencer driven – on curated vacations
Sell them the product	**Context-specific display ads** Display relevant ads based on site context
Reward their loyalty	
Drive advocacy	**Foster 'virality' through social media platforms** Encourage consumer reviews, closely manage social sentiment

Customer lifecycle analysis
Map events in customer's life to create purchase triggers

Targeted marketing
Tailor messages to consumers based on interests & demographics

Search engine optimization
Provide suggestions to consumers based on their search queries

Digital decision companion
Provide a companion to aid decision making of consumers based on their needs and preferences

Online reviews and ratings
Create a robust system for independent user-generated reviews and ratings

Conversational commerce
Integrate purchase into conversations; provide an assisted booking experience

Personalized offers
Upsell and cross-sell based on unique booking and browsing history of consumer

Exclusive benefits for target consumers
Offer exclusive products and services to loyal consumers & social influencers

Single digital touch-point for customer service
Develop a single touchpoint for customer service and complaint resolution

Offer an end-to-end curated travel solution to the consumer

As revealed in the booking journeys, consumers are flipping back and forth across multiple online channels leading to very complex pathways. Consumers seek information on availability and connectivity at the right prices, presently available across a fragmented supplier landscape.

Companies can offer an end-to-end solution by using proprietary algorithms that use predictive analytics to determine customer behavior and needs and curate itineraries including hotels, flights, on-ground transport, local tours, sightseeing, restaurants and offbeat activities. They can also offer assisted booking at competitive prices, dedicated travel curators who understand qualitative preferences of customers as well as virtual on-trip support.

A few startups in the West are focused on providing such a travel solution to the consumer, such as utrip.com, The Curated Travel and Pickyourtrail. Indian players can leverage some of these insights to offer a more comprehensive experience to the consumer.

Proprietary algorithm with predictive analytics

- Initial customer survey to understand purpose of travel, budget, types of activities
- Predictive analytics on customer data to furnish a curated itinerary

Full menu of options

- Wide set of offerings for customer in an integrated itinerary—hotels, flights, on-ground transport, local tours, sightseeing, restaurants, offbeat activities

Dedicated travel curator

- Each customer paired with travel curator
- Curator understands qualitative preferences of customer, gives tips and tricks for travel, e.g. what to pack

Assisted booking at competitive prices

- Comprehensive booking platform for all / some elements of itinerary at market competitive prices through partnerships with OTAs, airlines, hotels, etc.

Virtual on-trip support

- Continuous support over an instant messaging platform for any advice or troubleshooting during the journey

Reimagine the role of advocacy

Players can enhance consumer engagement and facilitate decision making by advocating choices and decisions during the booking journey. The most prevalent form of advocacy is the kind done by websites such as booking.com and tripadvisor.com that provide en-masse reviews and ratings sourced from all users of their platform.

Personalised advocacy is curated from customers' personal networks, for example, from your social media friends' list. Predictive advocacy is based on customer "lookalikes", for example, using "people like you" narratives and tries to imagine what consumer preferences might be.

PREDICTIVE

Curated / filtered based on customer “lookalikes”

For example, from “people like you” in demographics

PERSONALIZED

Curated from customer’s personal networks

For example, from your Social Media friend’s list

BASIC

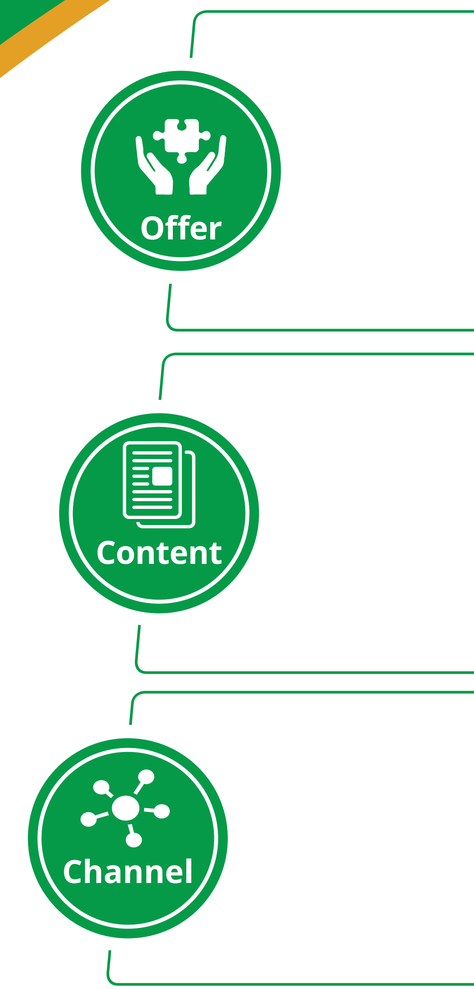
Mass sourced reviews and ratings

For example, from all users of platform

Build technology-enabled personalization capabilities

Using advanced analytics on the huge volume of readily available digital data it is now possible to deliver sophisticated levels of personalization to individual consumers.

Personalization can drive multiple value levers for companies. Some global players have made headway in this area. Expedia increases prices depending on location using contextual preferences, that is, if the consumer is already in a city looking for a hotel, prices are higher. The Ritz Carlton mobile app allows guests to request services and make orders, and recommends specific products. Disney recommends personalized resort packages based on strategic customer value and capacity situation to help drive operational efficiency.



Potential use cases

- Recommendation engine
- Targeted add-ons, e.g. bar with hotel
- Personalized offers
- Product or frequency based challenges

- Triggered engagement based on weather, location
- Contextual preferences, e.g. travel preferences
- Personalized, sharable content and rewards
- Group/ social activities, e.g. in same hotel

- Conversational commerce
- Location-aware

Value levers

Customer lifecycle

- *Customer acquisition*
- *Brand engagement*
- *Frequency*
- *Basket / cross-sell*
- *Product mix / upsell*
- *Pricing precision*
- *Churn prevention*
- *Re-activation / win-back*

Internal Efficiency

- *Marketing efficiency*
- *Operational efficiency*
- *Promotional efficiency*

FOR FURTHER READING

The Boston Consulting Group publishes other reports and articles on related topics that may be of interest to senior executives. Recent examples include:

The New Indian: The Many Facets of a Changing Consumer
A focus by The Boston Consulting Group, March 2017

Profiting from Personalization
An article by The Boston Consulting Group, May 2017

A Disconnect and a Divide in Digital-Marketing Talent
A focus by The Boston Consulting Group commissioned by Google, March 2017

The Rising Connected Consumer in Rural India
A focus by The Boston Consulting Group, August 2016

Travel Innovated: Who Will Own the Customer?
A focus by The Boston Consulting Group in association with BCG Digital Ventures and B Capital Group, January 2016

A Renaissance for Revenue Management in Travel and Tourism?
An article by The Boston Consulting Group, October 2015

The Changing Connected Consumer in India
An article by The Boston Consulting Group, April 2015

NOTE TO THE READER

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