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Thriving in the Digital Tourism Era: Strategies for Success

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Global tourism is an economic growth engine, creating 1 in 5 new jobs and accounting for about 10% of global GDP. Since 2000, leisure travel has outpaced GDP growth by 3%. For many governments, tourism has been viewed as the key to unlocking larger national strategies, ranging from economic diversification in the United Arab Emirates and Saudi Arabia to sustainability and conservation funding in Rwanda.

Digital tourism has historically been a fragmented space, driven by small players with a personal human touch. However, in recent years, the sector has undergone substantial disruption thanks to technology innovation, modern business models and changing labor markets. Tools like GenAI are driving a rush of experimentation. The rise of online travel agents (OTAs) and online marketplaces connecting tourism operators and visitors has disrupted traditional distribution channels and challenged larger incumbents. Moreover, coming out of the COVID-19 pandemic, the industry is also facing labor shortages, spurring technology adoption to automate and optimize human-led tasks.

Digital tourism products and services will continue to grow in the coming years as travelers and consumers become increasingly tech-savvy and their expectations evolve. We see a doubling of human- and machine-generated data every two years, with connected devices exceeding the global population by 3x, creating new opportunities for tourism players. But adjusting to such rapid changes will require a critical mindset shift from human-driven to technology-enabled services.

The tourism industry needs to digitize to keep up and fend off new entrants and disruptors. It will learn that building great digital products requires strategic focus, disciplined product roadmaps, and strong digital implementation capabilities. This paper examines each of these requirements in the context of travel apps, a key digital category for the tourism sector. Insights are based on in-depth BCG research into 20 best-in-class travel and tourism organizations in the Middle East region and beyond including Global OTA (online travel agents), prominent GCC and Asian NTO (National Tourist Organizations), as well as global leading asset operators such as airlines, hotels, and entertainment theme parks.

VALUE ADD OF TRAVEL APPS

Travel apps have many use cases which make them an excellent starting point for tourism providers looking to support their customers digitally. Such apps can enable customers to book transportation, accommodations, and itinerary before leaving home, as well as navigate, modify their plans, and immerse in at-destination experiences during their trip.

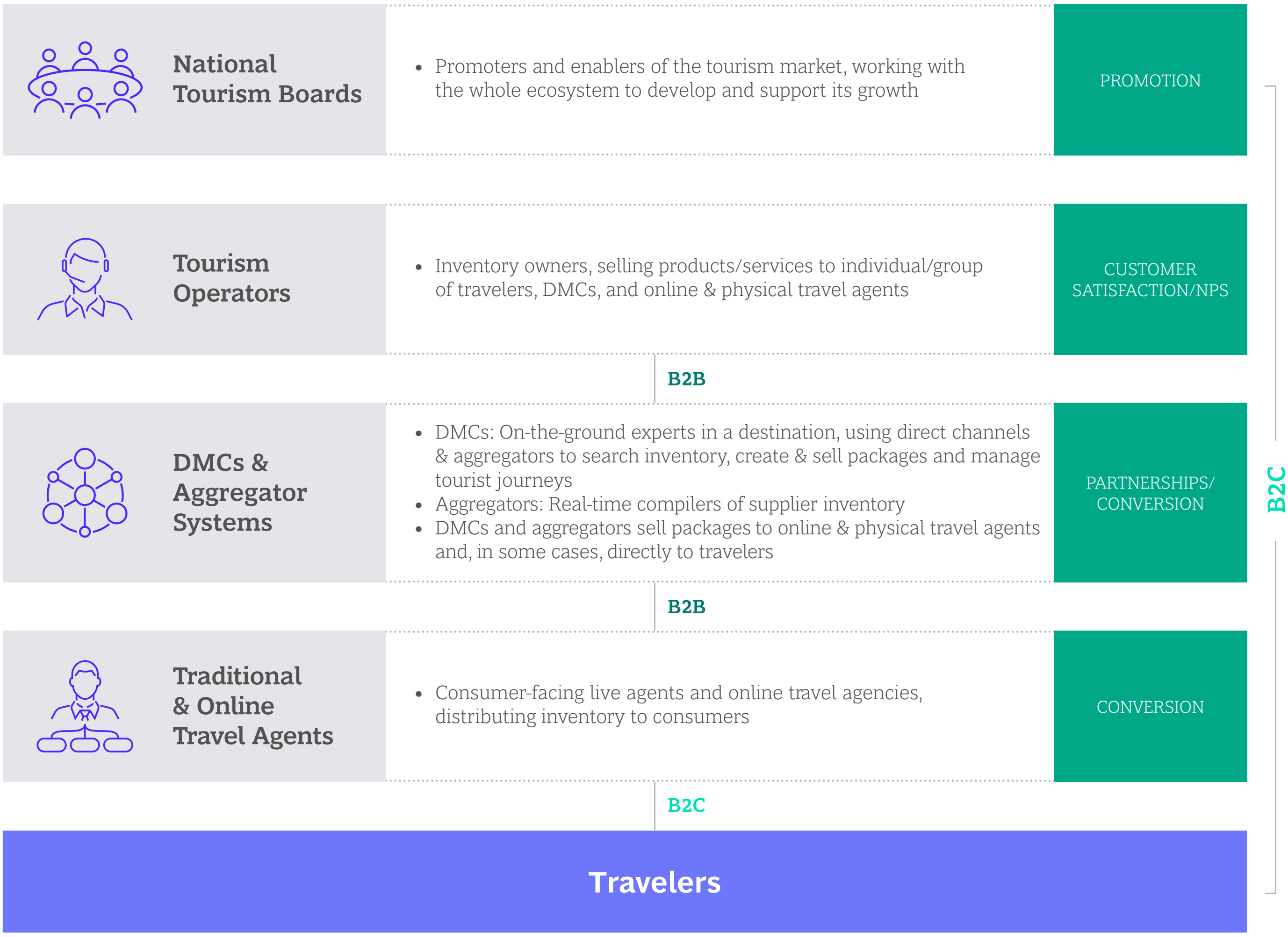
A travel app's accessibility, ease of use , and rich content make it a convenient travel tool compared to traditional websites. While a website can help promote destinations, inspire people to travel, and offer the same information and functionality as an app, its lack of portability creates friction for travelers. People generally prefer using travel apps over websites, especially in emerging markets. Recent research showed that 58% of travelers in Asia Pacific prefer to engage with travel brands through an app, with even higher responses (67%) in Thailand, India and Indonesia. Meanwhile in the rapidly growing Saudi Arabian travel and tourism market, 85% of total revenue is expected to be generated through online sales by 2027.

STRATEGIC FOCUS – TRAVEL APPS ARE NOT ALL THE SAME

As tourism players look to launch or refine their existing travel apps and digital touchpoints, they must answer a critical question: "what is the product's raison d'être?". This means first understanding what they wish to achieve with their digital touchpoints.

Digital product roles may vary substantially depending on the player's main objectives and position within the tourism landscape (Figure 1).

Figure 1: Overview of key players in the travel and tourism landscape and their primary objectives



National Tourism Boards: At the highest level, National Tourism Boards focus on promoting a country or a region and often play the role of an industry organizer and enabler. Typically, Tourism Boards run marketing campaigns, and support tourism operators at the destination by providing marketing, capacity and talent building, and incentives to grow the sector. As a result, best-in-class Tourism Boards leverage their travel apps and digital touchpoints to entice potential travelers, creating awareness and desire to visit the destination. From our benchmarking analyses, Tourism Boards' travel apps are highly focused on providing rich multi-media content appealing to a range of travelers.

Tourism operators: These at-destination travel providers offer a variety of services and products, from tours and attractions to hotels and transportation. They are the key drivers of local employment and are responsible for visitors' day-to-day travel experience. As a result, tourism operators' travel apps are more centered on features and functionalities that drive a seamless experience to enhance their customer satisfaction and net promoter scores. Such seamlessness is primarily derived from the tourism operators' asset-control advantage as they can integrate their physical assets with digital touchpoints. This allows for unique travel app features like digital ticketing, virtual queuing at popular tourist sites, and mobile keys for hotel rooms.

DMCs and aggregators: Destination Management Companies (DMCs) and aggregators negotiate bulk deals and packages with multiple operators and resell these packages through their distribution networks including traditional or online travel agents. The key to DMC and aggregators' success lies in the strength of their partnerships and ability to match traveler demand insights with tourism offerings at the destination. DMCs are often the stakeholders creating tour packages that travel agents sell. We see that travel apps from DMCs and aggregators focus primarily on the variety of offerings (allowing for comparison), bundle packages (offers), and application programming interface (API) integration to enable seamless B2B transactions.

Traditional and online travel agents (OTAs): Traditional travel agents and OTAs typically form the distribution network to travelers and consumers. They operate in source markets and have the best understanding of their local travelers' demands and expectations. The popularity and booking share of traditional and online travel agents have been steadily increasing globally from 36% to 43% between 2020 and 2022, as their travel apps become more sophisticated and better at leveraging human psychology to drive conversion (e.g., using scarcity tactics such as "book now, only two rooms left ", buy now pay later options, hold fare for 24hrs).

As the tourism ecosystem is comprised of various layers of stakeholders, their strategic focus and role within the sector vary greatly and as such their travel apps should as well. The first step to developing a strong travel app will be in large part driven by translating the tourism player's role and purpose into a value proposition aligned with its core goals.

Objective	KPIs	App features to support KPIs
Promotion	# impressions # engagements # clicks	• Continuous content published • Quality editorial-style content • Strong visual content including photos and videos • Up-to-date information
Seamless experience	Productive time Net promoter score Customer satisfaction score	• Mobile-enabled features (e.g., mobile check-in, mobile key, mobile ticket) • Virtual services (e.g., virtual queuing) • All-in-one place features (e.g., unified QR code ticketing)
Partnerships	# of partners Time to onboard a partner # API integrations	• Easy onboarding flow • Digital contract with e-signature • Open API integrations with strong knowledge base
Conversion	Average basket size # bookings # interest forms	• Integrated booking flow • Buy now pay later feature • Integrated payment solution (e.g., Apple Pay) • Timer on booking site • Limited number of inventory left tag

DISCIPLINED PRODUCT ROADMAP – OBJECTIVE ALIGNED PRODUCT DEVELOPMENT

Broadly, BCG's research identified five common categories of functionality in tourism apps:

1. **Promotion and awareness:** What inspires you? Includes digital touchpoints, value proposition, content range, and inventory categorization.
2. **Sales and payment:** What convinces you? Includes ability to book, sales packages, upsell / cross-sell offerings (partnerships), and payment flexibility.
3. **Seamless connection:** What connects you? Includes all-in-one ticketing, mobile keys, mobile check in, biometrics, integrations (e.g., Apple Pay), and low data/offline mode options.
4. **Customer support:** What supports you? Includes GenAI chat bots, trip planners, support touchpoints, language options, reviews, and advice.
5. **Personalized touch:** What brings you back? Includes loyalty programs, earn/burn strategies, VIC experiences, and personalization.

Strategic focus is at the core of any travel app, driving feature and functionality development. Best-in-class players do this by first translating the strategic focus into clear, tangible KPIs. These metrics in turn dictate product roadmap prioritization. For instance, OTAs' focus on conversion has driven disciplined feature and functionality development to increase the number of bookings or average basket size. For one of the largest OTAs, this means any design iteration that significantly increases conversion outweighs more aesthetic branding guidelines.

Filtering product features and functionality based on key metrics helps maintain the travel app's clear positioning and reinforces the value proposition to visitors and users (Figure 2). Applying a goal-oriented filtering process also reduces clutter and the adoption of common but non-essential features, a convergence which quickly devolves into generic travel apps.

Figure 2: A travel player's role and key metrics drives its travel app's features and functionality

	Online Travel Agents	Tourism Operators	Tourism Operators	DMC
Key metric	Conversion	Customer satisfaction	Awareness	Partnerships/ Conversion
Promotion & Awareness	• Large paid marketing • Standardized content format • Standardized filters	• Standardized content format • Standardized filters	• Editorial styled multi-media content • Unique filters /categorization	• Standardized content format • Unique filters/ categorization • Comparison feature
Sales & Payment	• Flexible payment terms (e.g., BNPL)	• Flexible payment terms (e.g., BNPL) • Increase basket size options (e.g., add-ons)	• Limited focus	• Traditional payment options • Package deals
Seamless Connection	• Transaction focused (e.g., ticketing wallet, payment integrations)	• CX connectiveness focused (e.g., mobile keys & check in, live traffic updates)	• Partner integrations (e.g., call centers, asset operator sites, navigation)	• All-in-one experience focused (e.g., bundled packages with transportation, guides etc.)
Customer Support	• Standardized support (e.g., FAQs, blogs and human-support as last resort)	• Extensive (e.g., digital room service request and human support readily available)	• Varied (e.g., direct link to police and ambulance, tourist hotline)	• Limited focus
Personalized Touch	• Loyalty (Repeat rewards e.g., 10th stay free)	• Airlines & hotels - loyalty program • Attractions (e.g., Theme Parks) – rewards	• Limited focus	• Group discounts

For greenfield and early-stage travel apps, starting with a set of core features in support of the strategic focus will be key to building a competitive advantage in a specific niche.

Once the core functionalities are in place, many product owners look to the next phase of development. While this can be a sound strategic move, it is important to remember that the core functionalities are not static. **Best-in-class players continue to refine and innovate around their core functionalities, removing further pain points and optimizing the user experience** (Figure 3).

Figure 3: Product development can focus on product feature expansion or enhancement

Product roadmap options for a typical operator

	PHASE 1	PHASE 2	PHASE 3
EXAMPLE 1 Expanding features **Example features:**	**Core at-destination features** Gamification - Ranking leaderboards and badges to captivate and please visitors. Live-tracking - Offering real-time updates and location details during ongoing situations, such as extensive queues.	**Adding core travel planning features** Itinerary planning - Select and customise your itinerary based on your personal preferences and profile. Group booking - Generating and booking itineraries for group setups easily, filling gaps where they appear on the visitors journey.	**Adding core group payment and bill sharing features** IOU management - Maintain a record of who owes whom within the group, making it easy to settle debts at the end of the trip. Split bills - Allow users to divide bills equally or based on individual consumption.
EXAMPLE 2 Iterating features **Example features:**	**Core at-destination features** AI resolution partner - AI chatbot to help the visitor with any issues that may occur. Guidance and itinerary - Guide visitors on what, when, where to do activities, tailored to their mood & situation.	**Improving at-destination features** Crowd management - Provide information about less crowded areas or optimal visiting times, enhancing the overall experience. Social interaction - Shareable itineraries for friends and families to join and sync together.	**Augmenting at-destination features with AR/VR** AR historical reconstructions - Display historical reconstructions of sites using AR, allowing tourists to see what landmarks looked like in their prime. Virtual guides - Tour guides that appear in AR, offering personalized tours and information.

IMPLEMENTATION CAPABILITIES – KEY ENABLERS OF SUCCESS

Developing a strong travel app requires strategic focus and careful planning, but also the right implementation capabilities. Leading players ensure that the product is supported strongly across functions. While finance, marketing, sales, and operations are also important, our research identified the following critical capabilities for launching and supporting new travel apps:

Integrated technology: Over-indexing on front-end product development is a common pitfall. A strong back-end is key to ensuring that the app goes beyond the digital touchpoints to also help the organization meet key business objectives. For example, top airlines empower their flight attendants with a portable CRM system that allows them to provide enhanced and personalized service onboard the aircraft for frequent flyers and VIPs.

Focus on UX design: We see that best-in-class players focus on the overall user experience and not just interface esthetics. While attractive design aligned with branding guidelines is important, features must work and be intuitive to use. Slow loading, difficult to identify buttons, hidden menus, and unclear Calls to Action detract from the travel app's usability. User-centricity is still the #1 principle for any app design.

Strong go-to-market strategy: Developing a functioning product is not enough to ensure its success – distribution and go-to-market strategy remain cornerstones of user adoption. We have seen too many well-designed products launched without sufficient planning for user acquisition, undermining impact and revenue potential.

Dynamic partnerships: Leading players are effective at building partnerships and integrating with the wider tourism ecosystem. This may include onboarding tourism operators into a virtual marketplace, integrating access to external distribution channels for greater reach, or striking synergistic collaborations across the sector to achieve business objectives. For example, leading National Tourism Boards are working directly with OTAs to build on each other's strengths and further their respective objectives of awareness and conversion. A National Tourism Board can provide the information and creative assets to the OTA which in turn promotes the destination. The better the assets, the easier it is for the OTA to promote the destination and ultimately drive more bookings and higher conversion.

Customer relevance: Be where the customers and users are, which may not be in existing self-owned digital touchpoints, but could include third-party channels. We have seen tourism players move into unconventional spaces like the metaverse or social media platforms with mini apps to engage with potential visitors where they already spend time. Some players have been effective at launching travel bots on popular social media platforms and channels to engage more easily with potential travelers.

Aligned team culture: Aligning culture and workflows to support strong product development through defined processes is a critical step in maintaining the integrity of the travel app. Building a team culture centered around a well-defined objective, openness to new ideas, and clear acceptance criteria for further feature development helps to focus the product development process.

Willingness to try: The best digital players are willing to try and fail. They have a low threshold for rapid prototyping, testing, and validation and work in an agile and iterative fashion. This allows them to quickly try out new features and build on the early winners. Continuous refinement allows them to build sticky and engaging features that support the organization's ultimate business objectives. For instance, one of the world's largest OTAs has adopted a strict testing culture - any new idea can easily be tested, and if it is successful, it will be adopted.

Travel apps will continue to play an increasingly more important role in the years to come. Investing in refining digital touchpoints and functionality will help tourism players throughout the ecosystem unlock untapped value and differentiate their offerings in a crowded space. However, **travel apps should be viewed as an enabler of strategic objectives and not a silver bullet for all success.** Grounding travel apps within the larger organizational context, a sharply defined strategic focus, disciplined product roadmap, and strong, targeted implementation capabilities will ensure the highest return on investment.

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