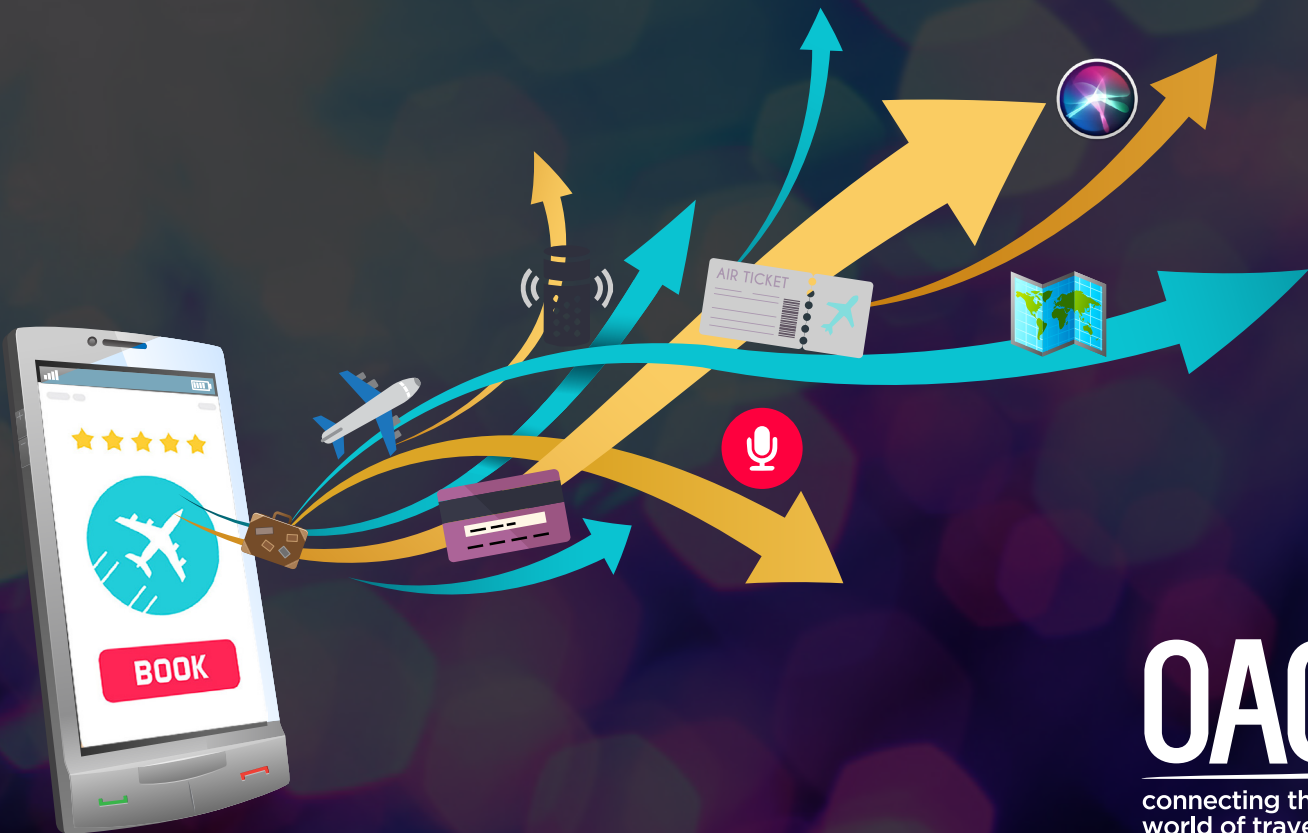


TRAVEL TECH INNOVATION: MARKET REPORT

THE FUTURE OF TRAVEL BOOKING AND PAYMENTS



EXECUTIVE SUMMARY

New technologies and innovations continue to disrupt the travel landscape.

While most of the industry buzz has focused on how airlines and travel providers are leveraging new technologies to revolutionize the travel experience, there's another variable at play: the potential entry of outside tech leaders into the market.

In our [last report](#) – the first in OAG's two-part series looking at the future of travel technology – OAG took a detailed look at the anticipated adoption of several disruptive technologies, including predictive analytics, artificial intelligence, blockchain, supersonic planes and autonomous vehicles.

This report continues the conversation by exploring the future of travel booking, modern payment methods and the growing role of social media and consumer platforms in the industry. The research is based on an OAG survey of more than 2,000 U.S. travelers and provides insight on:

- **The evolving methods and channels for travel booking**
- **The role of smart, connected devices**
- **The potential market entry of Amazon, Facebook and social brands**
- **The evolution of blind booking**
- **Modern payment methods**

If you missed the last report, Evaluating Travelers' Appetite for Tech Adoption, [get your copy here](#).

Survey Demographics

Total respondents: **2,164**

Leisure travelers: **67 percent**

Business travelers: **33 percent**

Timing: **December 2017 – January 2018**

THE FUTURE OF TRAVEL BOOKING

The digital travel market drives a significant portion of the industry's revenue. According to Statista, online travel sales are expected to top \$693 billion in 2018. While most purchases are made directly with hotels and airlines, or through online travel agents (OTAs), new options are beginning to come into play.

Given the market's size and rapid growth – Statista expects sales to reach \$817.5 billion by 2020 – new entrants are a formality. But who will emerge as the next key player – and how will they connect with consumers?

OAG asked 2,164 travelers to identify which platforms and methods they would be comfortable booking travel through. The results:

- Consumer platforms like Amazon, Facebook and Google (32 percent)
- Automated chat agents on websites (28 percent)
- Mobile assistants like Siri and Okay Google (25 percent)
- Text messages (20 percent)
- Voice automated systems like the Amazon Echo and Google Home (18 percent)
- Social media messaging apps, like Facebook Messenger and WhatsApp (9 percent)

As a group, business travelers were more inclined to use just about every non-traditional booking method listed above compared to the general population.

Research firm eMarketer estimates mobile messaging apps were used by 1.6 billion people in 2016 – with expectations that number will reach two billion this year. When combined with the popularity of social media, the opportunity to connect and book through non-traditional channels continues to grow. Many OTAs are already capitalizing – for example, travel providers like Expedia, Kayak, Skyscanner and others are allowing customers to book flights and hotels over Facebook Messenger.

Booking through messaging apps and social channels represents a natural evolution for the industry, as many travelers are already relying on social tools like Facebook and Twitter as a preferred customer service channel for interacting with airlines.

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SMART AND CONNECTED BOOKING

OAG found that a quarter of the population would be comfortable booking travel through mobile assistants like Siri or Okay Google.

Another 18 percent said they would be comfortable using voice automated systems like Amazon Echo or Google Home. Today, however, only two percent of travelers surveyed have actually booked through these devices. As for millennials, 18 percent indicated they would be willing to book through an Amazon Echo- or Google Home-like system in the future, in line with the general population.

OAG also asked travelers to look down the road – and if they'd be comfortable with a smart device leveraging artificial intelligence to learn their preferences and automatically create an itinerary and book a trip without their review. In other words: travelers could say – “Hey Alexa, book me a flight to San Francisco for next Monday morning” – and leave it at that.

The result: 13 percent of travelers said they would be very comfortable with this approach. Thirty-seven percent weren't sure, but they would be willing to try it, and 49 percent indicated they can't see themselves booking in this manner.



THE AMAZON EFFECT: IS TRAVEL THE NEXT TARGET?

Beyond how brands leverage third-party mobile apps and social media platforms to connect one-to-one with customers, there's also the potential for these platforms to enter the game more directly, either as a metasearch referral channel, or for direct bookings.

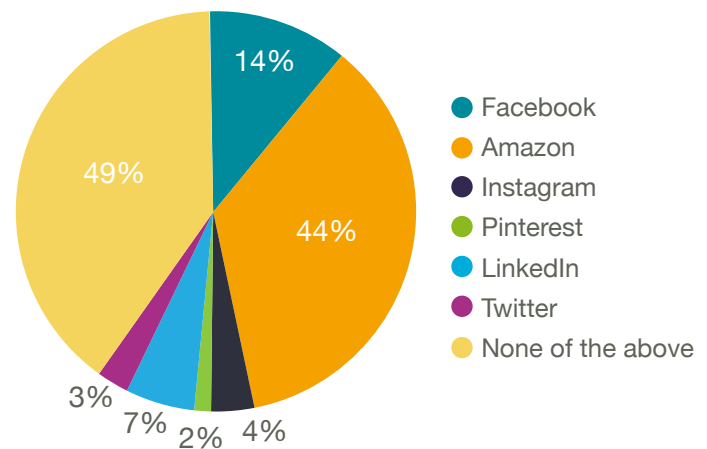
OAG asked travelers which social and consumer platforms they would consider booking with, if offered the option. Amazon was the big winner – with 44 percent of travelers saying they would consider booking travel with the e-commerce giant, if given the option. The consideration given to Amazon by travelers is markedly higher when compared to other platforms; the next most viable alternative, based on the travelers surveyed, was Facebook, where just 14 percent of the population said they would be willing to book – 30 percent less than Amazon.

Other social media platforms did not fare as well. Pinterest, Twitter and Instagram came in at four percent or under, while LinkedIn received consideration from just seven percent of those surveyed.

Google Flights represents another alternative, and potential competitor for future bookings. A [2017 survey](#) by OAG found that 10 percent of all travelers – and 21 percent of millennials – start their travel search with Google. Sixty-two percent of survey participants said they would be comfortable booking directly through Google Flights, if this was an option.

While OAG expects airlines, hotels and OTAs to continue to own most of the booking market for the foreseeable future, the sheer size of the market, and consumers' growing reliance on digital and mobile channels, opens the channel up for future disruption and competition, especially by players like Google and Amazon.

Which platforms would you consider booking travel on if offered?



BLIND BOOKING: HIGH POTENTIAL, LOW ADOPTION

Blind booking – where a traveler knows the date of their departure and price, but not the airline or flight time, or the city and accommodation type, but not the specific hotel, for instance – represents another evolving booking trend. Many providers have already entered the game, including Priceline, Cheap Caribbean, Hotwire and Lufthansa Surprise, which allow consumers to select a departure airport and themed destination, at a set price, without any other details.

The service was built as a win-win for all parties. Travelers save money by scoring highly-competitive deals and rates, while travel websites can sell excess inventory and target customers more directly by matching vacation and lodging options to specific consumer budgets.

However, today, only six percent of travelers surveyed by OAG said they were comfortable with blind booking. Thirty-four percent indicated they would consider using it under the right circumstances, while 60 percent were not comfortable with the concept at all. Diving deeper, which specific areas of the travel experience would consumers be most likely to consider blind booking?

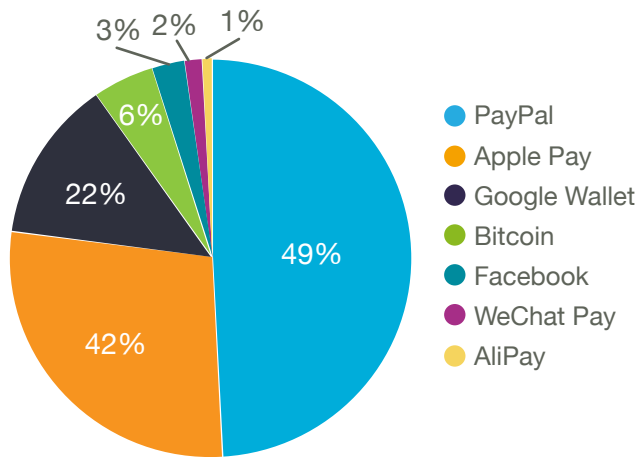
- Flights (66 percent)
- Hotels (54 percent)
- Destinations (25 percent)
- Experiences (23 percent)
- Vacation packages (22 percent)
- Rentals like Airbnb and HomeAway (21 percent)

While blind booking options have been around for several years, adoption still appears to be in the infancy stages. The application is definitely higher with hotels and OTAs – it will be interesting to see if more airlines explore the technique over the next few years, especially as a method for competing against the pricing of ultra-low-cost carriers, or to sell more vacation packages.

MODERN PAYMENT METHODS TAKE CENTER STAGE

Another variable influencing the future of travel booking: payment methods. OAG asked travelers which modern payment methods they would be willing to use to book and pay for travel and related services. Here are the results:

Which modern payment methods would you be willing to use to book and pay for travel and related services?



Despite the popularity of services like PayPal and Apple Pay, 29 percent of all surveyed travelers indicated they were not interested in using any of the payment methods listed above. Not surprisingly, millennials were more than twice as likely to use Bitcoin (14 percent vs. six percent) and substantially more inclined to use Apple Pay (56 percent vs. 42 percent) and Google Wallet (29 percent vs. 22 percent) than the general population.

airBaltic, Cheapair.com, Expedia (hotels only) and Surf Air are among the early adopters already accepting Bitcoin today. Not surprisingly, Apple Pay and Google Wallet already have strong levels of adoption in the market, with airlines like Delta, Emirates, JetBlue and United using Apple Pay and Alaska Airlines accepting Google Wallet.

Another potential channel in the future: biometrics. Airports and airlines continue to invest heavily to integrate biometrics into operations to expedite the travel experience – and according to the OAG survey, 57 percent of travelers would be willing to use their fingerprints or facial recognition to pay for goods and services.

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OAG'S TAKE

Convenience, speed and customer experience remain the three kings of the travel world. Whether it's an airline offering to book flights through a messaging app, the ease of booking through voice commands or wider acceptance of modern payment methods like Google Wallet, Apple Pay and Bitcoin, convenience rules.

If there's one threat to the leaders in the space – it's just that. Can new startups or major tech players like Amazon – who are known for making things as easy and simple as possible – provide a better, faster and more modern experience than legacy airlines and booking engines?

As with most markets, it's a valid question. The travel industry has invested significantly over the past two years to improve the travel experience – from personalizing the booking process to expediting security. While OAG doesn't expect a significant swing in market share around bookings anytime soon – airlines, hotels, online travel agents and the rest of the industry needs to continue to invest in the travel experience – both to fight off new entrants and win more in-market sales against competitors.

TAKE THE NEXT STEP

Let us advise you

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