DIGITAL CONTENT MATTERS

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The travel value chain has finally begun to understand the opportunity to generate incremental revenue from indestination tours, activities and dining, and the competition to provide these services has never been more intense. The global tours and activities market will reach US$183 billion by 2020. The competitive landscape is broad and fierce, ranging from traditional and online travel agents, to hoteliers, tours and activity aggregators, and the online powerhouse, Google. Given the fragmentation and competition in the in-destination activity space, who will ultimately be the victor.

Abstract

It has almost become a cliché — the destination experience is why we travel. Multiple parts of the travel value chain understand the opportunity to generate incremental revenue from indestination tours, activities and dining, as the competition to provide these services has never been more intense. Phocuswright estimates that the global tours and activities market will reach US$183 billion by 2020. The competitive landscape is broad and fierce, ranging from traditional and online travel agents, to hoteliers, tours and activity aggregators, and the online powerhouse, Google. Given the fragmentation and competition in the indestination activity space, who will ultimately be the victor?

Introduction

Both traditional and emerging sectors are vying to become the dominant source for destination activities and services. Airbnb alone is investing $5 million behind the company's Experiences platform growing its tours and attractions business in the U.S. and globally. In late 2017, Berlinbased GetYourGuide secured one of the largest investments in the tours and activities segment in $75 million in Series D funding, and Hong Kongbased tour and activity provider Klook raised $60 million in October 2017. Progressive traditional travel agents use tools such as the AXUS Travel App, Umapped and Travefy to provide full tours, activity and restaurant recommendations and reservations prior to the trip and indestination via the messaging capabilities in the apps.

When the traveler arrives at their destination, options continue, with many hoteliers offering tours and activity options on their homepage or through a mobile virtual concierge. Of course, the traditional human hotel concierge continues to play a role recommending tours and activities as well as restaurants. Many travelers will turn to familiar local discovery apps such as TripAdvisor or Google Reviews for restaurants and "things to do" recommendations. The traveler may opt to simply use Google Places to explore the sites in their destination. This is augmented by mobile OS mapping apps that provide turnbyturn directions.

The Battle for Content

Achieving critical mass in the current $150 billion tours and activities market is no easy task. Currently, 60% of bookings remain offline, while online distributors only account for 4% of total sales. Given the fragmentation in content, no single provider can ensure 100% coverage in multiple destinations. For example, the aggregation platform Bokun covers most, if not all, of the tours and activity content in Iceland, but as they have expanded to other destinations, growing the platform has been slowed due to the highly fragmented market. Bokun has entered into strategic partnerships with Finnair and Fáilte to facilitate tours and activity aggregation and distribution in Finland and Ireland.

Today's tours and activities market represents a "land grab." Given that 80% of the content is not yet digitized, large tour and activity aggregators are trying to dominate specific types of activities or targeting geographies with the hope to be the dominant provider in a specific category or location. We've seen the beginnings of a consolidation of these large aggregators, and more acquisitions and rollups are likely to occur, creating a few megatour and activity aggregators similar to the way OTAs have consolidated. For this to be effective, massive manpower needs to hit the streets to ensure that a specific destination is covered. This is not dissimilar to the effort by Booking.com in aggregating independent hotels or Open Table automating and aggregating restaurant content. The Open Table analogy may be most relevant, as automating small tour and activity operators by supplying them core technology to run their business will be necessary to digitize the content.

Apart from the content, execution of the tour or activity purchase can be problematic, as many B2C sites and services still issue vouchers that then in turn have to be redeemed for actual tickets at an attraction.

Emerging technology may play a role in organizing content through the development of knowledge graphs. This AI technology brings meaning to destination content enabling greater personalization by collecting, structuring and semantically enriching user information.

Meanwhile, over the last few years, a whole new type of content has emerged that extends the sharing economy to tours and activities. With the Airbnb investment, or through a startup such as Withlocals or Localeur, tours and activities are provided by local residents. Airbnb's investment in this sector clearly illustrates an expanding role of the "parttime" tour guide, though as is the case with home sharing, local tour guides may run into challenges based on local laws and restrictions.

The Battle for the Customer

The battle for the customer is directly tied to the battle for content. Whichever platform(s) the consumer decides to use, if a specific tour, activity or restaurant is missing, trust in that platform is shaken. Given the vast amount of inventory not available online, missing content may be a real challenge for consumer acceptance.

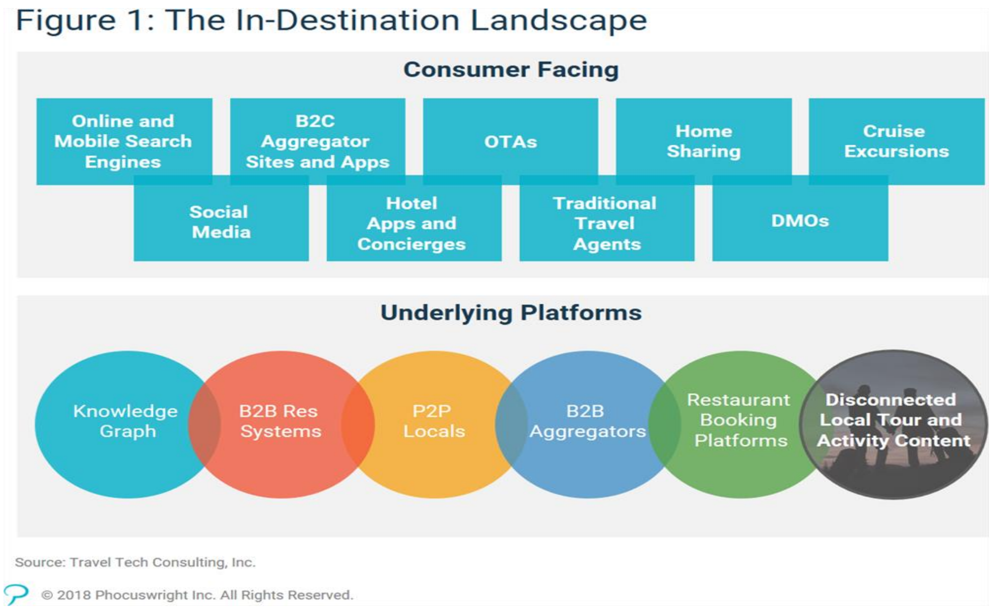

Figure 1

Consumerfacing platforms that provide destination content represent traditional sources, generic internet/mobile tools and emerging aggregators.

Online and Mobile Search Engines Travelers will naturally use online and especially mobile search to find indestination services. With the launch of Google Trips, the tech giant has provided a way to organize trip data without the need for a connection. Google also offers integrated travel guides as part of their native search results.

Social Media The emergence of So Lo Mo (i.e. social, local, mobile) has increased the value of

social media apps such as Instagram and Snapchat for in-destination discovery. Facebook, the dominant social media site, also can be a source of recommendations for indestination services.

B2C Aggregator Sites and Apps The large and emerging B2C Aggregators are clearly an active funding target for the investment community and thus will consolidate and grow. Achieving brand recognition will be expensive and any lack of content could cause negative brand association.

Hotel Apps and Concierges Hotels, and by extension hotel apps, have always been a source for indestination services. Despite the advent of technology, the human expertise and touch continues with traditional concierge services. Larger hotels and chains also include local activities and events on their homepage and mobile apps.

OTAs Over the last year, large OTAs such as Expedia have put forth a new effort to sell tours and activities as part of the experience. TripAdvisor already is well positioned to recommend things to do, and, of course, with its 2014 acquisition of Viator gained a leg up on providing global tour and activity content and booking services. Priceline's acquisition of OpenTable, also in 2014, has enabled the large OTA to incorporate restaurant bookings into their online and mobile suite of services.

Traditional Travel Agents With over half of reservations globally still controlled by traditional travel agents, digital technology has extended their role to include pretrip and indestination service recommendations supported by itinerary aggregation tools such as AXUS Travel App, Umapped and Travefy. These tools digitize the trip elements and provide messaging capabilities, turning traditional travel agents into indestination concierges.

Home Sharing Sites The Airbnb Experiences service just turned 1 year old and is booking tens of thousands of travelers every month. This was facilitated by the acquisition of Trip4real in 2016. Airbnb expects the service to be profitable by late 2019.

Destination Marketing Organizations By definition, these for-profit or notforprofit organizations promote local business including listing tours, activities and festivals at their destinations.

Summary

Given the many options and money invested in this segment, who will ultimately be the victor? As is the case with all things, that will depend on who gets the recommendations right. This is not an easy task. Despite the focus on personalization, properly customizing an destination experience is difficult. A restaurant may be highly rated on multiple mobile apps, but the menu choices may not meet an individual's dietary restrictions and tastes. The same holds true for tours and activities whose rating may not reflect the amount of risk or structure desired by the individual traveler or group of travelers. The bottom line is that as with all the choices in the travel process, the degree indestination options meet the needs of the individual depends on the knowledge of the traveler and the persona they reflect during the particular stage of the trip. Technology can play a role in collecting and analyzing preferences, but true satisfaction is driven by an interactive exchange between technology, which may be augmented by human support, to determine if a given set of in-destination services meets the traveler's preferences.