



Phocuswright White Paper

How Mobile Messaging is Redefining the Customer Experience for Travel and Hospitality Companies

Sponsored by



Written and researched
by Douglas Quinby

Phocuswright

This Phocuswright White Paper is made possible by **OpenMarket**.



Boost the Guest Experience with Mobile Engagement

OpenMarket's mobile engagement solutions transform the way travel and hospitality organizations use the mobile channel to engage with their customers. By using SMS and MMS, you can provide personal concierge services that engage guests throughout their travel experience – from planning to booking, to on-property and rewarding. You can immediately connect with guests through reservation confirmations, dining offers and event reminders. Built to take advantage of OpenMarket's industry-leading mobile communications network, our mobile engagement solutions can help your organization enhance brand awareness, cross-sell unused inventory, and boost customer loyalty – all while improving your bottom line.

Promotion

- Deliver time-sensitive information on travel deals or late-breaking fares, price discounts or hotel and parking coupons
- Offer travelers promotion codes to receive a free upgrade or on-property specials such as dining discounts
- Special bundle vacation packages and upsell unused inventory

Customer Experience

- Keep guests informed of new properties, destinations and amenities
- Send weather alerts and directions prior to arrival
- Engage travelers with room readiness updates and local event reminders

Loyalty and Rewards

- Reward travelers with loyalty points and coupons with personalized information such as their mileage balances, reservation numbers or confirmation codes
- Send discount codes for next-visit promotions and solicit post-travel feedback
- Ask for social recommendations

About OpenMarket

OpenMarket, a division of Amdocs, helps enterprises use mobile to transform their business. OpenMarket provides mobile engagement solutions for organizations to optimize their operations and enhance relationships with their customers and employees. Major enterprises choose OpenMarket for our domain expertise, service flexibility, demonstrated performance and reliability, global scale, and corporate maturity. We provide smart, interactive connectivity to more than 200 countries, enabling businesses to engage with nearly every mobile user around the world. Our clients trust us to power their mobile business. For more information, visit www.openmarket.com.

OpenMarket Americas

sales-us@openmarket.com
+1.877.277.2801

OpenMarket EMEA

sales-uk@openmarket.com
+44 20 8987 8855

OpenMarket Asia-Pacific

sales-australia@openmarket.com
+61 (0) 2 9332 2141

OpenMarket India

sales-india@openmarket.com
+91 20 40157069

About Phocuswright Inc.

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and India, and partners with conferences in China and Singapore. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of Northstar Travel Media, LLC.

www.phocuswright.com

How Mobile Messaging is Redefining the Customer Experience for Travel and Hospitality Companies

Written and researched by Douglas Quinby

The Rise of Messaging

The growth of mobile has been both remarkable and transformative for the travel industry. Eighty percent of U.S. travelers own a smartphone,¹ and the vast majority of those use them throughout their entire travel experience, from planning and booking to managing the details of their trips and redeeming loyalty rewards. Linked directly to the rise in mobile phones has been the widespread use of traditional SMS (or text messaging), as well as Internet-based mobile chat apps. For literally billions of mobile users around the world, texting or chat has become the default means of communication. According to [Internet Trends 2015](#), from Mary Meeker of Kleiner Perkins Caufield Byers, six of the 10 most used mobile apps worldwide are messaging apps.

This paper focuses on the rise of mobile messaging, and the opportunity for travel and hospitality companies to leverage this increasingly important communication channel to improve their customer experience and engagement with travelers.

Key Terms: Texting, Messaging & Chat

There are a variety of terms that are widely used to define messaging and messaging services and some of the technologies that are powering them. The paper covers conventional text messaging (also known as SMS) as well as Internet-based instant messaging services for mobile devices. “**Text messaging**” refers to text messages sent over mobile phone networks and “**chat**” refers to mobile apps for instant messaging done over the Internet. This paper does not address all forms of messaging on mobile devices, such as push notifications (typically from an app installed on the device), email and other asynchronous communication services.

Methodology

This paper, commissioned by OpenMarket, includes consumer research of 1,904 U.S. travelers on their use of messaging, based on Phocuswright’s [U.S. Traveler Technology Survey Sixth Edition](#). Phocuswright also conducted interviews across a range of startups that offer messaging services within travel, as well as established travel companies that are introducing chat-based services.

1) Phocuswright’s [U.S. Traveler Technology Survey Sixth Edition](#), March 2016

Messaging in Travel Today

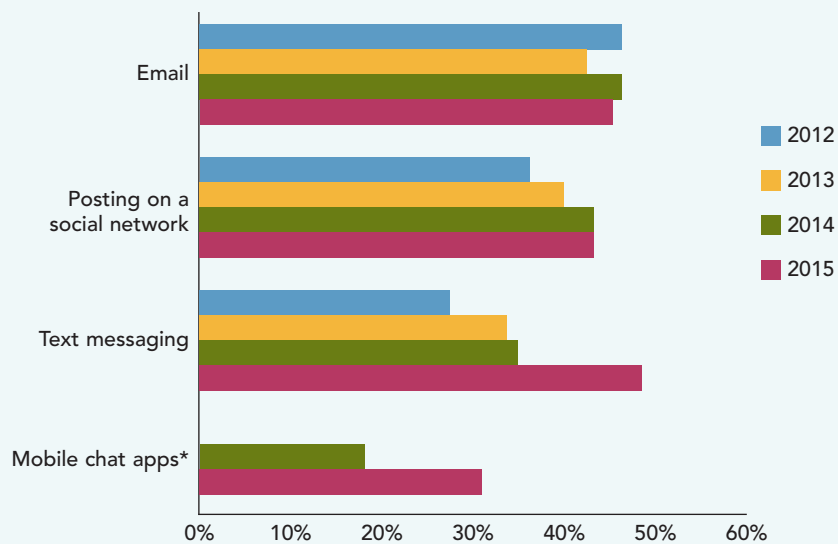
With the extraordinary growth of mobile phones and especially smartphones over the past decade, texting and messaging have become a commonplace and near universal form of communication. Some 97% of American adults who own smartphones use text messaging at least once a day, according to Pew Internet Research, with more than six billion messages sent daily in the U.S. alone.

Not surprisingly, travelers’ use of messaging and mobile chat has risen dramatically. And the impact across all aspects of the travel experience – from trip planning to the experience on the trip itself – will only grow. Text messaging is the most common means of messaging today among U.S. travelers. It is already embedded on everyone’s phone, as opposed to mobile chat apps which must be downloaded. Nearly everyone is a familiar and trained user. Almost half of U.S. travelers used text messaging and more than three in 10 used chat apps to share their travel experiences in 2015 (see Figure 1), up significantly from previous years.

Messaging and Millennials

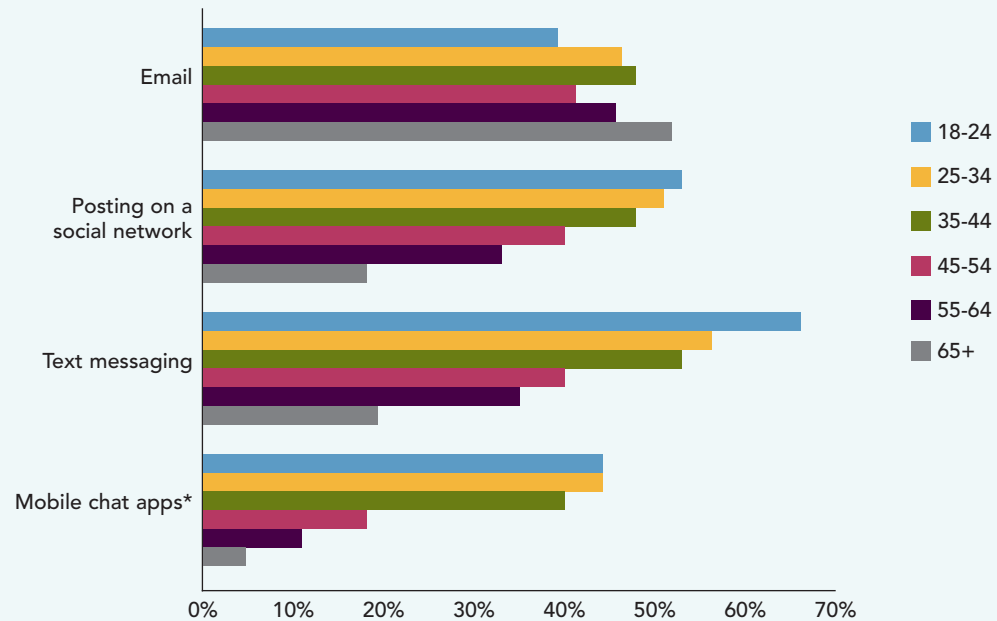
As widely used as messaging has become among travelers, it will only continue to grow. It is predominantly younger adults – aged 18-44 – who are driving the use of messaging among travelers, especially the youngest segment aged 18-24 (see Figure 2). Approximately two thirds of 18-24 year-olds and more than half of 25-44 year-olds used text messaging to share trip-related experiences, and more than two in five used mobile

Figure 1: Traveler Use of Media for Sharing Trip Experiences



Base: U.S. online travelers (N=1,904)
 Note: *Mobile chat apps not asked in 2012 and 2013.
 Source: Phocuswright’s U.S. Traveler Technology Survey Sixth Edition
 ©2016 Phocuswright Inc. All Rights Reserved.

Figure 2: Traveler Use of Media for Sharing Trip Experiences by Age, 2015



Base: U.S. online travelers (N=1,904)
 Source: Phocuswright's U.S. Traveler Technology Survey Sixth Edition

chat apps. These younger traveler segments will drive increased adoption of messaging across all age groups as they get older. Texting is more widely used by U.S. millennial travelers than email, social media or mobile chat.

From Sharing to Servicing

The most common use of travel-related messaging today is centered on sharing trip experiences, whether it is to connect with fellow travelers or communicate with friends and family back home. But the use of messaging for travel does not end there. Travel brands

have already begun to leverage messaging as a means to engage with travelers, and some of the biggest opportunities are related to the on-property, in-destination and post-trip experiences.

Mobile messaging represents an obvious opportunity for travel brands to offer on-demand traveler support. Today it is widespread among travel brands to use open social platforms such as Twitter and

Facebook to communicate with travelers and provide a certain level of customer support. But now the industry is shifting its focus to the rising medium of messaging. This offers more in the way of privacy, personalization and – over the long term – functional capabilities to integrate conversations into customer management systems and introduce commerce – the ability of customers to make service requests and purchases.

Some of the biggest opportunities are related to the on-property, in-destination and post-trip experiences.

Messaging & Hospitality

The travel segment that has seen the most uptake so far has been hospitality. Numerous hotel brands – from major chains such as Hilton and Marriott to smaller, independent properties – have begun implementing mobile messaging, mostly through either their own branded apps or text messaging for guest relations.

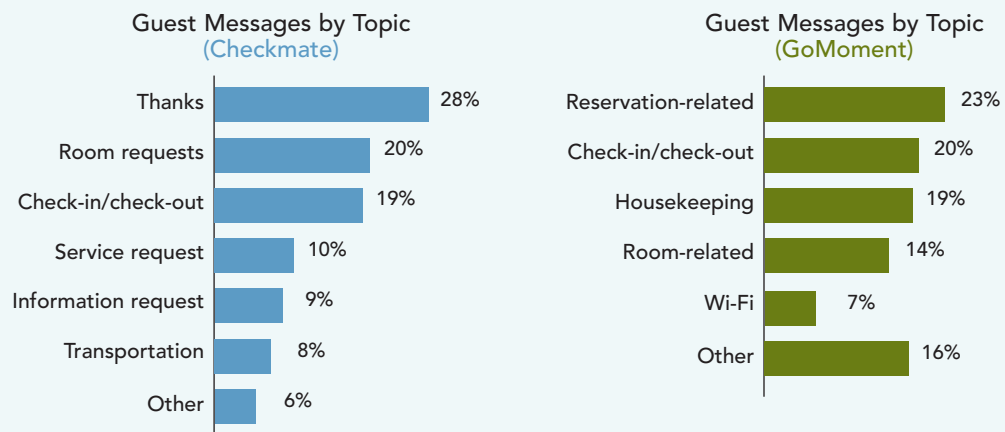
Travelers appear to be using chat for a range of requests. Figure 3 presents an analysis of how hotel guests are using messaging based on data from two startups (Checkmate and Go Moment) that offer mobile messaging platforms for hotels. Each company offers distinct services, and parses and categorizes its messaging differently. But both charts show guests making a range of requests: service and room-related reservation requests, as well as informational queries.

Not Just Another Number

Using text messaging-based guest communication services may seem like an obvious way to foster better customer engagement, but it is not simply a matter of setting up a dedicated SMS number or an account on a popular mobile chat app. Unless the service is integrated into a hotel’s existing operational processes and technology systems, it could simply add to – and potentially disrupt – staff workflows, with negative impact on the guest experience. One approach could be to text-enable the hotel’s 1-800 number, which would allow guests to text the property directly for routine requests, instead of calling the front desk or concierge and waiting on hold.

Customer messaging must be connected to existing systems to link communications with specific rooms and guests. This will ensure that hotels can track each customer interaction and determine whether each request was serviced, and if it was serviced in a timely

Figure 3: How Hotel Guests Using Messaging



Data from Checkmate, based on a sample of 10,000 guest messages with hotels.

Data from GoMoment, based on a sample of messages from 5,000 guests with hotels.

Source: Phocuswright’s *Chat, Shop, Buy: Messaging as the New Traveler Medium*

manner. A messaging platform must also support workflow processes to ensure the various requests are routed efficiently to the right department, just as a phone operator or front desk staff would do with a phone call.

Companies can now use mobile-device enabled technology to capture more data on every guest request and hotel response.

The tight integration of messaging with hotel workflow systems presents a significant opportunity for hotels. Companies can now use mobile-device enabled technology to capture more data on every guest request and hotel response. More data creates new opportunities for analysis, process improvement and automated tracking of requests. All of this can improve staff responses and create new data and insights on hotel service-level performance.

Hotels are just now exploring the use of messaging at their properties, but indications from messaging startups and hospitality professionals suggest a positive response from travelers. Hotels that have effectively integrated mobile-based requests into their workflows – whether through chat-based or structured services – have reported improvements in guest satisfaction scores.

Humans, Bots and the Rise of A.I.

One key concern for any company considering mobile messaging as a means of customer engagement is how to scale. Just about everyone uses messaging, and messaging imparts a personal and fast – if not instant – response. What if customer uptake is too positive? How well-prepared are hotels to handle an onslaught of new text messages every time a guest has a problem with Wi-Fi or wants to check the pool hours?

One approach to scalable messaging is simply not to involve humans at all, but to make it seem like travelers are interacting with a human. This scenario is where A.I., or artificial intelligence comes in. There are a number of startups in travel as well as other domains leveraging A.I. to automate routine as well as increasingly more complex tasks. For example, [X.ai](#) is a calendar scheduling assistant, while [GoButler](#) is an A.I.-powered flight-booking app. [Go Moment's Ivy](#) leverages the IBM Watson cognitive computing platform to simulate interaction with hotel staff to support guest requests and solicit feedback.

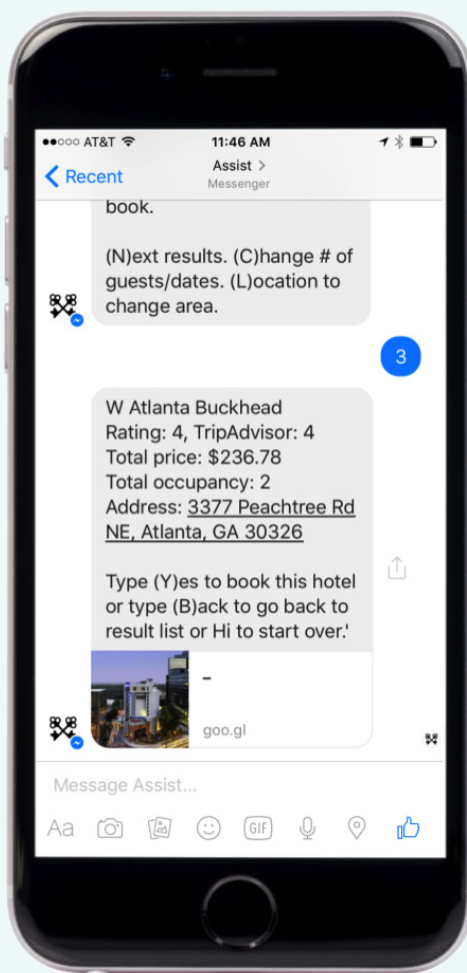
Another approach is to use chat bots, or simpler software that responds programmatically to select requests. Microsoft has recently introduced a [hotel booking bot on Skype](#), while travel metasearch site Kayak has launched a [search bot for Slack](#), the popular workplace communications platform. [Assist](#) is a commerce bot that is available across multiple platforms, including Facebook Messenger, Telegram, Kik, Slack and SMS. It offers local shopping, restaurant reservations and hotel bookings.

Designed to automate simple functions, bots may indeed offer more efficient scaling, but they only work well when the response options are constrained. They can be effective at generating routine messages and responses to standard request types such as “What is the Wi-Fi password?” or “I need some more towels.” But they are not designed to

handle every variety and complexity of possible human requests and responses. More sophisticated bots give specific directions to users on how to respond to each query. See the example of Assist hotel booking in Figure 4.

But today's bots do not fully simulate live interaction with human beings, and even startups leveraging more sophisticated A.I. acknowledge that computer errors in interpreting natural language and responding can make for an especially negative user experience. A critical part of the intelligence many startups are building is self-awareness: The system must know when to escalate a message to a live human. An April 2016 [Bloomberg article](#) revealed the extent to which many chat bot and A.I. startups still rely heavily on humans to check and edit messages before they get pushed out to users.

Figure 4: The Bots Are Coming



The Assist Chatbot on Facebook Messenger

The Future of Messaging

Today, text messaging is most widely used by travelers and is naturally the first messaging channel that hotels are pursuing to engage with travelers. It is available on every phone, and virtually everyone uses it. The barriers to use are very low.

From Text to Rich Media

But there are also clear limits. Text messaging cannot provide structured data integration with hotel systems or any functionality for the end user (such as images, menus, etc.). The ideal medium for hotels, of course, would be in-app messaging. This would link the messaging thread to a customer profile and give the hotel complete control over the user experience. But travelers have to download the app first, and they also have to use it. Amid increasingly crowded app ecosystems and growing app fatigue, that step is becoming only more difficult and expensive for app developers.

Third-party messaging apps such as Facebook Messenger have begun to introduce more functionality via their APIs to enable external developers to offer more rich capabilities. This includes pushing forms, graphics and interactive buttons for commerce as well as user authentication to link users to a customer account. This could become a compelling middle ground to help travel brands message with the hundreds of millions of users of third-party chat apps.

From Text to Talk

Smartphone users have become aware of semi-intelligent assistants such as Siri or Google Now, meaning that voice commands and natural language processing is on the rise. Customer service via text or chat, while still relatively new, points to a future in which user interfaces and customer interaction with software systems are much more natural. Siri, Microsoft's Cortana and Amazon Echo all herald a future of less typing and more talking. Natural language processing is already widely used by several travel firms for everything from travel planning to translation services among the chat-based travel planners.

Amazon already allows some ordering of services through Echo, including ride-hailing service Uber. Travel sites like Kayak and Skyscanner offer travel search via Alexa on Echo. Hotels are looking at in-room technology through which guests could change the room temperature, lighting or close the window blinds, all through voice activation.

Key Considerations & Opportunities for Hospitality

Messaging offers a new and potentially powerful opportunity for personalized on-demand service. Mobile messaging has become increasingly popular among travelers, especially with the rising segment of younger adults. Giving customers the option of messaging for a request, rather than picking up a phone and waiting on hold, presents a clear and obvious opportunity for better customer engagement and overall experience.

However, mobile messaging also creates greater expectations. Instant messaging is, well, instant. And travelers will expect that the service will be personalized and available

on-demand. With these expectations also comes a heightened risk of disappointment. Hospitality companies must plan for the full impact of integrating mobile messaging into their guest services program.

Here are some considerations and opportunities for hotels:

1. **Process integration is critical:** Offering guest services through messaging requires much more than just setting up a dedicated texting number. Hotels must consider how the service will feed efficiently into their guest service processes and workflow systems, or if changes must be made to those processes.
2. **Do not just jump on the chat bot bandwagon.** Bots and intelligent computing systems offer great promise to quickly handle routine requests, but there is also the risk of a guest message gone awry. Any messaging automation must also know when it's necessary to bring humans into the process.
3. **Better data tracking on guest service requests:** Smart integration of messaging that feeds into a guest engagement platform can provide rich new data on hotel operations. This enables hotels to analyze their guest service performance, deploy their staff more efficiently and improve customer satisfaction scores.
4. **The Next Push: Leveraging messaging for push marketing.** An obvious extension for messaging services would be to add proactive messages. But travel companies must tread with care. Chat can be incredibly effective because it is so personal. Companies that abuse that intimacy could quickly alienate customers. Most hotel messaging services send an initial text welcoming the guest to the hotel and informing them about the option to message the hotel if they need anything. Chat-based travel planners could message their customers during their trip just to check in, or if they need a restaurant suggestion. These types of "soft sells" could foster traveler comfort and engagement with a new service. Overt marketing pushes, especially those out of context of the existing conversations between a traveler and a brand, could imperil customer trust.

Mobile messaging as a customer communication channel is still relatively new. But its rapid ascent as a default means of communication – especially among millennial travelers – suggests that it will soon become a preferred means of commercial communication as well. But while messaging may be instant, easy implementation and customer success are not. Each travel company must understand its customer engagement objectives as well as its service processes and systems, and consider how messaging can best serve both the customer and the brand. As messaging's rapid rise continues, travelers will come to expect it, and hotels and hospitality companies that do not support customer service through it will fall behind.



Phocuswright[®]