

A WORLD OF CHOICE: DIGITAL AND THE TRAVEL SECTOR

Leadership implications of a changing landscape

*“Digital” has come a long way since its origins as 1s and 0s and has quickly evolved into a strategic priority for nearly every company. As organizations wrestle with the talent and leadership implications of digital, a major obstacle to making critical decisions is often a lack of agreement about what the term even means. **We classify digital as the broad range of technology-enabled advancements — including e-commerce, social media, big data and mobile computing — that are transforming how consumers live their lives and how consumer companies operate.** Digital enables growing price and performance transparency, simultaneously raising customer expectations and the stakes of a competitive landscape. As channels expand and new disruptors emerge, consumer companies will need to rethink their talent strategies in a digital world where desire for seamless, personalized experiences and rich, engaging content will only continue to grow. In this series of articles, we explore how digital is impacting the consumer industry today and how companies in the consumer products, restaurant, retail and travel sectors are evolving their leadership and organizational decisions in response.*

Travelers can almost instantly bridge the distance between two locations with the simple swipe of a touchscreen, one of many illustrations of how drastically digital has changed a sector that dealt primarily in printed tickets and phone reservations in the not-so-distant past. Today, customers demand seamless booking and travel experiences via the digital tools they use in their everyday lives. While hotels, airlines, cruise lines, car rental companies and other traditional travel businesses have been incorporating digital into their strategies, online travel agencies (OTAs) and other disruptors have opened up a host of new and often instant options for customers, creating an even more competitive landscape. Travel companies have a longer interaction time with customers than most other consumer sectors, providing the simultaneous opportunity and challenge of creating and reinforcing a differentiated, sustained customer experience. With an abundance of choice and ever-growing expectations for digital options, travel organizations must find leaders who know how to engage with customers and build long-term, personalized relationships with them through digital channels. As companies throughout the sector have built up their digital talent bench to fulfill priorities such as maximizing mobile, utilizing big data in ways that help create highly tailored customer experiences, and updating legacy systems, leaders have evolved how they think about their customers, talent and organizations.

Customers expect to be digitally “at home” with traveling

When hospitality is the true product, the ability to be an excellent host — characterized by the anticipation of a customer’s needs and creation of truly personalized experiences — is invaluable. Digital has created unprecedented transparency around quality and cost. Readily available online reviews from sites like Yelp and TripAdvisor (daodao.com in China) are major forces shaping the customer purchase decision. According to an independent study commissioned by TripAdvisor, 77 percent of travelers usually or always reference the site before choosing a hotel. An exceptionally strong brand experience is the one of the few incentives that can sway a customer who is presented with the choice of two comparable hotel rooms, with the only apparent difference being price.

“In the last several years, this shift to digital is not so much about marketing or pushing our message or offer out there, but really engaging and trying to build personal relationships,” said Phil McAveety, executive vice president and chief brand officer of Starwood Hotels & Resorts Worldwide. “A lot of that activity is centered around getting to know more about our guests, building databases and guest profiles, and figuring out how we organize that data and execute against it not just in terms of pushing out offers, but also saying what benefits we can deliver to guests before, during and after their stay.”

Companies across the travel spectrum, from 100-year-old hotel companies to recently launched OTAs, recognize that digital is first and foremost an enabler of relationships. At the same time, the advancements of digital are changing the nature of those relationships — online check-in, mobile boarding passes and keyless hotel rooms are boons for convenience and saved labor costs, but also remove the person-to-person interactions

that historically have been hallmarks of the sector. Travel companies must find ways to deliver those high-touch, brand-building interactions through digital.

With myriad options to connect and engage through digital, many senior leaders are exploring how to best communicate, leaning heavily on marketing and communications talent, and strong analytical teams.

To take advantage of the immense amounts of data involved in online travel, Chicago-headquartered Orbitz Worldwide has built out an advanced analytics organization staffed by statisticians and data scientists in technology hub Sunnyvale, California. CWT or Carlson Wagonlit Travel, a privately held, business travel management company, has hired additional data scientists to help sort through its mountains of data and deliver relevant predictive modeling to its travel manager clients, helping them determine how to convert that data into personalized, targeted offers and, ultimately, monetize the data. Travelport, a global travel commerce platform powering online and off-line travel agencies, operates sophisticated data analysis to facilitate even more tailored search and shopping experiences on its massive system, which handles up to 3 billion travel-related messages per day and last year transacted travel reservations worth more than \$100 billion for air tickets, hotel rooms, car hire and other travel products.

“Travelers today are younger and more technology savvy and want an Amazon-like experience when they book travel.”

– Doug Anderson, president and CEO of CWT

One important insight has been gleaned from the explosion of data: The profile of the travel customer is changing. Fifteen years ago, the luxury consumer was a middle-aged white male; today luxury consumers are younger, more diverse and, more often, women. The challenge for travel companies is to understand the preferences of this growing demographic and develop services that appeal to it, all while managing a diverse range of customers in the same location often via a single business model. A broad array of travel consumers — those seeking high-end experiences or budget-friendly options with either business or recreational itineraries — want instant, tailored experiences from their mobile devices, whether making reservations or checking loyalty points. “Travelers today are younger and more technology savvy and want an Amazon-like experience when they book travel,” said Doug Anderson, president and CEO of CWT.

“The most transformational technology shift we’re seeing today is the rise of mobile computing and we’ve been at the forefront of that,” said Barney Harford, CEO of Orbitz Worldwide. “Today more than 60 percent of Orbitz.com same-day hotel reservations are booked via smartphone or tablet, and same-day hotel reservations make up 20 percent of total reservations, a significant increase from a few years back when it was much harder for customers to make reservations while on the go.”

Beyond transaction ease, mobile allows travel companies to deliver added value during the overall customer experience by providing instant travel updates, such as flight status alerts before they become common knowledge, as well as targeted offers from theaters, restaurants and sports venues in a traveler’s destination. “I have my iPhone in my hand and I get an alert that says, ‘Your flight is canceled,’ before it shows up on the display and I can be rebooked before everyone else knows,” said Anderson. “The value is priceless. I’m trying to get home to go to my daughter’s school musical and everything has to be on time. That’s the kind of service travelers are looking for.”

Travelers today also expect constant connectivity — for example, wireless Internet access in rooms, throughout hotel properties, on cruise ships, in-flight — which has significant cost implications for travel companies, but is ultimately the price of doing business today. “Wi-Fi is a price-of-entry to do business,” said McAveety. “If electricity prices go up, you don’t restrict people’s use of heat and air conditioning in the room. If water prices go up, you don’t tell them they can only have a shower every other day, and you need to think about Wi-Fi access in the same way. You can’t tell people, ‘It’s busy right now, come back later.’”

Travelers today also expect constant connectivity — for example, wireless Internet access in rooms, throughout hotel properties, on cruise ships, in-flight — which has significant cost implications for travel companies, but is ultimately the price of doing business today.

Travel companies also have to be ready to meet evolving customer expectations as technology progresses. Yet, teams focused on responding to the myriad digital demands of today do not always have the time to investigate the possible advancements of tomorrow. The rapid level of advancement in digital has many travel companies wondering, as Anderson did, “Who is going to come up with something tomorrow that will threaten this?” Some travel companies have formed dedicated innovation groups to address this very question. The main role of CWT’s innovation organization is to listen to clients talk about what they want and then develop solutions, as well as monitor competitors and emerging technologies. The company brought on a new CIO and also created a new role at the executive team level into which the innovation group reports, all focused on “looking over the horizon” of digital possibilities.

Seeking relationship-builders, strategic minds and culture champions

In order to build stronger relationships with customers through digital, many travel companies have had to revisit the types of leadership skills their teams need, balancing numerous considerations from a growing emphasis on social media to the always-important cultural fit.

Fluency in social media

Social media has become the new word-of-mouth and an incredibly powerful tool for customer engagement and both brand- and community-building. As a result, marketing and communications executives who have a track record of developing successful strategies around messaging and brand positioning are in demand. “Given the way that people shop and consume travel these days, if you’re going to Chicago, for instance, and you like boutique hotels, you’re going to go online and search for ‘Chicago boutique hotels’ and see what comes up,” said Starwood’s McAveety. “The benefit and curse of all things digital is that once you search ‘Chicago boutique hotels,’ you’re going to get a lot of information. As a company, we needed some way of filtering all that information and the best filter of course, is the recommendation of a friend who has visited the city frequently. That’s an expert, personal endorsement, which meant that social media was an obvious way for us to go, and it has increased the role of marketing and public relations as we continue to expand our use of the channel.”

A two-way communications vehicle, social media is increasingly used by travel companies to not only push out a message, but also to engage in “real-time listening.” At Norwegian Cruise Line, social media has proven to be invaluable as a direct pulse-check on customer sentiment. Customers treat the channel as a travel diary, providing the company with first-person accounts that can be translated into action, from developing new products to making improvements.

Prolific communication through social media and other channels requires that leaders have a healthy amount of creativity — people who, 25 years ago, would have been in more traditionally creative fields, according to McAveety. The strong presence of creative talent is visible at Spanish airline Vueling, where one aircraft has been covered in thousands of Instagrams submitted by customers in a company-sponsored contest.

Business savvy

At the same time, evergreen skills such as business acumen remain in high demand today. “We really do need people who know how to write code and are living dawn until dusk in this mobile world and can bring new insight and the latest and greatest to the table,” said McAveety. “The challenge sometimes can be that if you surround yourself just with those people, they struggle to tie it back to the actual nuts and bolts of this business.” For example, leaders with a strategic mindset and risk assessment capabilities are vital for considering the pros and cons of partnerships with complementary organizations, such as restaurants or entertainment attractions, which could translate into the bundled offers pushed through apps or mobile devices. Successful, comprehensive digital efforts require that travel companies strike a balance in their talent mix of the creative, analytical and strategic.

Cultural fit

While digital demands specific skill-sets, intangibles such as cultural fit and passion for the work still rate high on travel companies’ list of must-have attributes. “We look to hire people who are passionate about the way technology can transform the world,” said Harford. “We’re selling travel, not dog food! Travel is fun, so it’s not that hard to get people revved up about it. Think about how we’re empowering consumers who just arrived in a destination and, rather than have to call or walk up to the front desk at a bunch of different hotels, are able to press a button on their smartphone and immediately be shown great deals on hotels all around them, complemented by photos and reviews so they know the type of experience they’re going to be getting, it’s a big difference.”

Digital is already embedded within the culture at some organizations, further shaping the types of leaders they seek. For companies such as Vueling, every leadership candidate must be a user of digital technologies, not just those seeking technology-heavy roles. “We are extremely social media aware, but it all starts at home so we all have to be users and adopters of these types of technologies,” said Alex Cruz, CEO of Vueling. “You’re never going to get a job with Vueling if you don’t have a LinkedIn profile. We need leaders to be in the same mindset that we are and not have any fear with respect to technology because otherwise they just will not fit in within the company.”

Weighing sector versus digital experience

In a digital world, there is often debate as to whether it is more beneficial for talent to have specialized domain or technology expertise. Norwegian Cruise Line CEO Kevin Sheehan does not come from the cruise business and neither does the company’s CMO, Maria Miller, who takes a flexible approach to filling roles on her team. “We want smart people and, depending on the position, we’re looking for people with certain talents,” she said. “It certainly doesn’t hurt to have cruise experience, but I can’t think of any position in marketing where cruise industry knowledge has been a requirement. We look for expertise in certain disciplines for some roles. For e-commerce, you may be looking for someone with deep knowledge about data and analytics, but also with a strong intellect who can not only read the reports, but interpret them and turn data into actionable information. Those abilities are much more critical than knowing the industry.”

Finding, attracting and retaining “rule-breakers”

The organization’s level of digital advancement is a good barometer for the type of digital talent needed. For example, companies whose big data efforts are more nascent stand to benefit from bringing in an expert — albeit at a premium — to establish and build that competency. However, if there is a moderate level of digital knowledge within the organization, high-potential internal candidates can help continue and advance existing efforts without the added challenge of competing with other firms for scarce digital experts.

“This is an interesting time,” noted Harford. “Do you hire the mobile guru who has built a hot app or can you take some of your best developers and give them opportunities to work and build their skill-set in the mobile space? The same question applies to data scientist roles — do you need a person with a track record or can you train up some of your strongest existing employees? People with deep domain expertise and a deep track record are very expensive and are in immense demand, but that’s probably what you need if your company is new to the domain; you want someone who can chart the right path. Over time though, you should look to develop your talent internally. It’s a huge motivator for your team members to be given opportunities to build skills in the hottest areas.” It’s this people-centric approach that has allowed Harford to build Orbitz Worldwide into a technology talent magnet, recognized recently by Glassdoor (an online career community with a database of 6 million company reviews, salary reports and other information) as one of the top 10 companies to work for in the United States on the basis of employee reviews, alongside Twitter, Facebook and Google.

Some organizations have had to reevaluate the types of talent they need as they more fully embrace digital. “We need a different breed of talent,” said Michel Taride, executive vice president and president of Hertz International. “We are looking for bright people who are technology savvy, but also have expertise in pricing.” The car rental company is also seeking marketing leaders with an orientation toward social media, customer relationship management (CRM) and big data, and recently recruited a board member from Facebook to further advance its digital agenda. The ability to anticipate customer preferences and trends will drive Hertz’s strategy and technology pursuits, according to Taride. Thus, the company will also need leaders across the board who can stay several steps ahead of the market and understand how to use the right digital technologies to address emerging trends.

“From a technology point of view, the No. 1 reason why we’re able to keep up is because we hire people who are obsessed with it and who are not afraid of technology, who try things continuously — people who burn computers because they’ve been doing things they’re not supposed to and it’s an attitude.”

– Alex Cruz, CEO of Vueling

Others are looking for rule-breakers and innovators: “From a technology point of view, the No. 1 reason why we’re able to keep up is because we hire people who are obsessed with it and who are not afraid of technology, who try things continuously — people who burn computers because they’ve been doing things they’re not supposed to and it’s an attitude,” said Alex Cruz, CEO of Vueling. “We want people who are watching YouTube videos of new technology providers in their spare time or calling vendors around the world and asking what the technology can or cannot do and how to get it done. They have no fear. They’re entrepreneurial, they’re open, they’re innovative and I like to think that everyone in my company is like that.” A case of Vueling’s organic innovation in action: An application currently used in the company’s aircrafts was first developed by a small group of pilots who recognized a need and experimented until they developed a solution.

Exploring every avenue of talent

In such a competitive market, travel companies need to consider various sources of talent. Travelport recruits digital talent from smaller, data-oriented organizations that have sprung up in recent years and taps into other geographic markets. “The U.S. has very talented people, but then you compete with Silicon Valley,” said Gordon Wilson, president and CEO of Travelport. “India has a good supply of talent because of local companies’ and universities’ emphasis on technology. We have also found talented people in Spain and have been better able to attract them because of the country’s economic situation.”

Hertz has turned to OTAs for talent who understands both how to market online and measure the results. Others are more industry-agnostic when it comes to filling digital roles. Vueling even tends to avoid bringing on leaders from fellow airlines because the culture divide would be too great and instead prefers candidates from startup environments. Additionally, although the digital talent pool tends to skew younger, companies should not overlook more seasoned executives as they bolster their digital efforts. “In many instances, you have a lot of people who are really engaged in digital and it’s not just the 25-year-olds,” said Miller.

Using top talent and culture to draw digital leaders

While the inherent glamour of travel has made it easier for companies in the sector to attract in-demand (and highly selective) technology talent, they are not immune to its overall chronic shortage. “It is an ongoing concern and challenge as to how we attract the limited talent pool and how we make people aware early enough in their careers that there’s actually significant opportunity within travel and tourism to use those kinds of skills,” said Wilson.

Companies whose roots are in technology, such as OTAs, have been successful in attracting and keeping digital talent, with a “talent begets talent” approach that replenishes the talent pool. “Once you have leaders in place who are focused and engaged, it’s much easier to hire incredibly smart people with immense potential and expose them to different parts of the business,” said Harford. “It’s a great growth opportunity for them and it makes the company an extremely attractive place to work.”

With digital talent having their pick of career opportunities, culture can be a major deciding factor for candidates. Taride has found that digital talent is attracted to Hertz’s willingness to change, evidenced by recent advancements that the nearly 100-year-old car rental company has made, including introducing its 24/7 in-care technology initiative, which allows customers to use their smartphones to make reservations at any time and unlock the vehicle of their choice.

With digital talent having their pick of career opportunities, culture can be a major deciding factor for candidates.

The office space itself can also send a message to talent about the company’s level of commitment to digital pursuits and the broader organizational culture. Talent has been drawn to Starwood’s physical work environment; the company moved the digital and design talent for one of its luxury brands from its more suburban headquarters to a new space in Manhattan, following on the success of attracting talent to its existing loft space in Tribeca. “A lot of what we’ve had to do is create an environment where that new generation of communications professionals feels like, ‘This is the environment I want to be in, I feel this is a digital, mobile-savvy company,’” said McAveety.

Evolving the culture

Travel companies with longer histories, such as Hertz and Starwood, can find themselves confronting outdated legacy systems as they try to deploy more modern, web-based systems globally. However, an engrained cultural mindset can be even more challenging to shift than outdated infrastructure.

“While it’s a tough job to build the infrastructure to maximize the data, the tougher job is actually changing the culture of the organization and the business because this is a very, very traditional business,” said McAveety. “For our operations leaders, our GMs, our executive teams, it’s more than a job — hospitality is a vocation. Some have said to me, ‘This is not for my guest’ in terms of digital, social and mobile. Others were more engaged, but still apprehensive, as one GM said, ‘Honestly, it frightens me. It makes me feel like I’ve lost touch with the world. I see what my kids are doing in this space and it leaves me cold.’” To help allay that fear, McAveety gave a presentation to colleagues conveying how the digital story could likely unfold in the near term for their business and how the same technologies they themselves rely on every day — tablets, mobile phones and Internet connections — are also part of their guests’ daily lives and cannot be considered as separate from their hotel experiences.

Cultural resistance also fades once leaders can see how digital enables their business on a global level, including streamlining collaboration across geographies and creating efficiencies in back-end operations. For example, while Hertz’s in-car technology creates a smoother experience for the customer, it also helps the company collect data on fuel usage and driving habits.

In addition, digital-focused functions must proactively communicate with and demonstrate a willingness to expose their inner workings to other groups within the organization in order to generate support for digital efforts — a practice that should go both ways. “If we open up our digital organization for review, everyone else should be prepared to shine a light in a digital context into their functions,” said McAveety.

Ultimately, senior leaders throughout the company must all demonstrate a commitment to digital, which includes a presence as a regular agenda item at the executive committee level. Digital cannot be maximized if it falls under the domain of one individual. “Technology is an enabler of the entire business,” said Gordon Wilson, president and CEO of Travelport. “I don’t subscribe to the view that you outsource the technology strategy to one individual. The senior management team has to know, understand and contribute to the technology strategy. I have a CIO and chief architect, and the chief architect’s role is to be the custodian of the technology structure and evangelize within the company about where we are and where we’re going. That role gets full air time on my executive committee and it’s not a once-in-a-blue-moon session, it’s every time we meet because it’s moving so fast.”

“Technology is an enabler of the entire business. I don’t subscribe to the view that you outsource the technology strategy to one individual. The senior management team has to know, understand and contribute to the technology strategy.”

– Gordon Wilson, president and CEO of Travelport

QUESTIONS FOR FURTHER THOUGHT

Leaders of travel companies must determine which digital specific pursuits enhance the customer experience and advance their strategies — and how they impact their talent needs and broader organization. Here are some questions travel company leaders can ask themselves as they continue their digital journeys:



What changes in profile, experience and/or attitude would we strive to make on our next key hire?



What has been our talent strategy to build digital expertise and is it working?



How is the purchase decision process changing as a result of digital, especially given the unprecedented access customers now have to pricing information, reviews and ratings?



How is our digital strategy enabling a seamless, enriching experience for our customers? What does a successful seamless customer experience look like?



What investments do we need to make to accommodate customers' increasingly digital lifestyles, such as Wi-Fi access, charging stations and data security?



How are we preparing from both a leadership and organizational perspective for emerging digital advancements, such as mobile payments and the Internet of Things (the ability of objects to communicate with each other for an enhanced user experience, e.g., using a smartphone to unlock a hotel room door and power on the coffeemaker)?



How do our goals for digital advancement align with our overall strategy?

Conclusion

Now is an exciting time for the travel sector and digital. Emerging technologies such as the Internet of Things stand to further revolutionize the customer travel experience and are not far-off possibilities, but imminent next steps. Companies in the sector must continuously evolve how they think about the talent they need to reach the next — and often quickly approaching — destination of the digital journey. Although technical skills will remain important, companies in the travel, hospitality and leisure spaces will go farther with leaders who possess a willingness to explore new digital possibilities.

About the Hospitality & Leisure Practice

Our global team of consultants specializes in hospitality and leisure and possesses a deep understanding of industry executives and their unique career interests and circumstances. We have unparalleled access to top talent through our relationships with hospitality and leisure firms around the world, with more than 400 senior executive and board director assignments over the past three years alone. Our consultants have the know-how to assess rapidly changing customer needs and locate visionary leaders with superior relationship skills, analytical sophistication, financial acumen and a best-in-class service orientation.

We have broad functional expertise across the following sectors:

- Amusement and Theme Parks
- Car Rental
- Cruise Lines
- Gaming
- Hotels and Resorts
- REITs and Real Estate Development
- Restaurants and Foodservice
- Ski Destinations and Resorts
- Tour Operators
- Travel Distribution
- Travel and Tourism
- Vacation and Fractional Ownership

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 55 offices in 30 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments. For more information on Spencer Stuart, please visit www.spencerstuart.com.

STAY CONNECTED TO SPENCER STUART

    @SpencerStuView

©2014 Spencer Stuart. All rights reserved. For information about copying, distributing and displaying this work, contact permissions@spencerstuart.com.

Amsterdam
Atlanta
Barcelona
Beijing
Bogota
Boston
Brussels
Budapest
Buenos Aires
Calgary
Chicago
Copenhagen
Dallas
Dubai
Frankfurt
Geneva
Hong Kong
Houston
Istanbul
Johannesburg
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Moscow
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
Sao Paulo
Seattle
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zurich