

All Consuming Behavior
by David Newkirk, Brad Corrodi,
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Catching Travelers on the Fly

Occasion-based segmentation online is the travel industry's ticket to success.

Dan Koepfel is the kind of person travel marketers love to hate. He knows precisely where to trawl on the Internet to extract the lowest possible fare to Denver or Cancún.

He'll push his online advantage so far, in fact, as to book a fare in pesos to save a few bucks on the exchange rate against the dollar.

A founder of the extreme-sports Web site Charged.com, Mr. Koepfel has developed online booking skills that admittedly are better than most. But savvy surfers like him are a harbinger of the future for travel suppliers across the world. He and his kin are "digital travelers," possibly the most powerful force in the broad travel market today.

In fact, digital travel is changing the shape of, and shifting the balance of power in, the travel marketplace so profoundly that travel marketers — from airlines to hotel chains, from catering companies to cruise lines — must dramatically rethink their strategies, especially regarding branding and information. The best tool, we believe, is a

form of usage-based segmentation we call occasionalization.

Travel established its position on the Web faster than any other industry. While the terrorist incidents in New York and Washington, D.C., have forever changed priorities for the travel industry, optimizing the search for customers will remain an important issue. Moreover, the use of occasionalization to improve customer retention can be applied well beyond the travel industry to virtually every consumer-based business.

Our proprietary analysis of Nielsen//NetRatings click-stream data from 2,489 users in 1,024 households shows that almost 50 percent of Internet users and 80 percent of households visit travel sites. The travel industry now accounts for nearly one-third of all online transactions, reaching \$1.6 billion in sales in July 2001 — a 54 percent increase over the previous year, according to research by Nielsen//NetRatings Inc. and Harris Interactive.

The Web's increasing popularity among travelers is a double-edged sword for travel marketers.

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Implicitly or explicitly, most booking sites focus the consumer's choice on price, undermining the suppliers' attempts to build brands and secure loyalty. Indeed, the Internet has the power to commoditize nearly everything, including the commoditizers themselves — Priceline, Travelocity, Expedia, Cheap Tickets, and the newest competitor in the online travel agency space, Orbitz.

At the same time, the Web presents an extraordinary opportunity to strengthen distribution, lower costs, expand reach, and improve targeting. In fact, the Internet may offer the only solution to travel companies caught in the commodity spiral. Conventional targeting schemes segment users by demographic or psychographic criteria and then try to reach them by using such inflexible instruments as media advertising and direct mail. They are less effective, we believe, than mechanisms that segment the audience by the online activity — or usage occasion — in which they are engaged at a particular time. (See “Seize the Occasion! The Seven-Segment System for Online Marketing,” by Horacio D. Rozanski, Gerry Bollman, and Martin Lipman, *s+b*, Third Quarter 2001.)

Knowing when users are most likely to respond to specific messages will better enable marketers to secure the interests, and ultimately the loyalty, of consumers.

The potential for usage occasion-based targeting in travel is particularly attractive. Our research indicates the existence of five distinct forms of behavior, detailed below, in which digital travelers engage. By recognizing the patterns and implications of each such usage occasion, travel marketers can more effectively reach, serve, and retain customers online — and gain an understanding of their customers that will aid their offline marketing efforts as well.

The Commoditization Trap

Our research on digital travel was conducted by the Digital Consumer Project, an alliance between Booz Allen Hamilton and Nielsen//NetRatings that tracks the online activities of 50,000 Internet users. A click-by-click record of their Web behavior shows which pages they visit, in which order, for how long, providing deep insight into consumers' online conduct. To understand digital travelers, we reviewed six months of usage, identifying and

classifying the travel sites they visited and analyzing their patterns of behavior.

Our investigation highlights the risk — and reality — of commoditization in the travel industry. Consider online travel agencies, for example: Forty percent of the digital travelers who visited Expedia also visited Travelocity, and vice versa. The price-based lack of loyalty was similarly apparent among customers at airline sites: Thirty percent of the people visiting American Airlines' and United Airlines' sites cross between the two, with 55 to 60 percent of their online prospects also visiting other major airlines' sites.

These travel sites play into the commoditization trap by focusing their offerings almost entirely on price and availability. They are designed largely to deliver a seat at a price consumers believe to be as good as (if not better than) one they could find anywhere else. None of the current travel portals or discount sites offer something so compelling or proprietary that the other sites couldn't match it. They're not prepared to answer the questions a digital traveler might ask beyond price: Which cruise, from which port, offers the best value in June or

The Internet offers the solution to travel companies caught in a commodity spiral.

July? How should an opera lover traveling to Salzburg plan side trips that match his interests in antiquarian books and locally brewed beers?

Once upon a time, travel marketers engaged in more dramatic forms of marketing. Consider the gorgeous British railway posters of the 1930s, which attempted to generate demand by illustrating the joys of bathing in Brighton. Or fast-forward another 30 years, to the airline advertising of the 1960s and '70s, with its images of seductive stewardesses and slogans like “Fly Me.” Whether focused on the destination or brand identity, the marketing highlighted aesthetics, customer engagement, and, most importantly, brand differentiation.

In recent years, travel marketers have moved away from such image-based advertising. In large part,

that's because today's travel market is much more complex, and its buyers vastly more sophisticated. The same traveler has many different needs, depending on the occasion. For a quick business trip or family visit, price and availability are key. For a weekend break, more choice is required, including such considerations as comfort of lodgings, access to rental cars, and local entertainment possibilities. For a major holiday, the search for vacation-related information actually becomes part of the experience, and anticipation a source of pleasure.

How can a single marketer appeal to an individual consumer across so many potential occasions?

The answer is to start with the understanding that marketing communication today is not a one-way street, but a dialogue. Interactive

technologies are allowing marketers to learn about a consumer's immediate needs and interests, and to match their products instantaneously and seamlessly to those needs and interests. In the process, marketers can learn how different people in different situations view their product, what other products they compare it to, and how these customers ultimately make buying decisions — information with equal relevance to both offline marketing and online marketing.

In the world of online travel, however, this dialogue is still at a rudimentary stage, limited largely to loyalty programs. What's more, the challenge suppliers face in becoming all things to the same person (and to do so profitably) is significant. An airline cannot provide the same experience to you when you are traveling coach with your family to Walt Disney World as it does when you are flying first class on business to Frankfurt.

But marketers can tailor their messages and services to meet a customer's needs in each distinct usage occasion, matching the value proposition to the digital traveler's momentary needs. Although not as powerful as, say, offering every consumer — from the lowest-paying to the highest-paying — an ocean-view room, occasionalization can give the savvy supplier an edge by enabling it to deliver to consumers the information and enticements they want, when they want them.

Occasionalization in Theory

Seventy-five percent of digital travelers are light users, visiting travel sites less than once per month. But there is a significant group of users who conduct more than 50 sessions in a six-month period, and these fre-

quent digital travelers are among the most attractive consumers on the Web. Seventy-five percent of users who spend an average of four hours per week in travel sessions have household incomes greater than \$50,000, and 48 percent hold a college or graduate degree. Online or offline, these are the travel marketer's ideal target — sophisticated buyers with plenty of disposable income.

What matters is how such a consumer uses the Internet in a given session.

Digital travelers' Internet travel sessions fall neatly into five distinct mission-based segments, which we call Quick Check, Travel Watch, Collecting Information, Stick to Suppliers, and DIY Travel. A deeper look within these segments reveals where users are going and what they are doing by occasion. Their behavior reflects varying objectives — checking on frequent-flyer miles or flight times; looking for special offers; searching for ideas; collecting information; booking an itinerary. Knowing these occasions — and their prevalence — can help travel marketers tailor messages, and even craft distinctive online interfaces, that more closely match a consumer's desires.

Quick Check occasions are short and direct, and constitute 25 percent of all travel segments. They last a couple of minutes and involve checking one or two pages on one to three sites, often at URLs not visited frequently. More Quick Check sessions are spent at discount agents than are any other session type, except Travel Watch. Think of someone checking the fare for a flight.

Travel Watch occasions constitute 13 percent of all travel segments. They are relatively short, although they're more than twice

the duration (five minutes) of a Quick Check. They also tend to involve one to three sites, but are generally visits to familiar addresses. Users look at 3.3 pages per site compared to 1.6 for Quick Check. Think of someone verifying an itinerary or the frequent-flyer miles he or she has accumulated.

Collecting Information occasions average about 17 minutes and constitute 27 percent of all travel segments. These sessions also involve one to three unfamiliar sites, but visits last an average of 11 pages per site. There's a heavy skew to full-service superstores (Travelocity or Expedia), travel portals (Yahoo Travel, AOL), and content sites (Fodor's, Lonely Planet), suggesting that these sessions are dominated by light users who are gathering information for a vacation. Imagine searching for a beach resort for your week off in February.

Stick to Suppliers occasions involve 2.4 highly familiar sites and constitute 15 percent of all travel segments. These sessions are notable for the number of pages viewed — 16, on average — on each site, during sessions that last about 27 minutes. On these occasions, digital travelers are likely to return to airline, hotel, or rental-car sites they've been to in the past to check for deals.

DIY Travel occasions are the longest sessions — 39 minutes — and involve 6.2 sites on average. Users have moderate familiarity with the sites they visit, suggesting that these are window-shopping excursions for comparing destinations, facilities, and prices. Reinforcing this characterization, travel portals are visited more frequently (17 percent) and discount agents less frequently (6 percent) during DIY Travel sessions than in any other.

Digital travelers during these occasions are the heaviest users of “other suppliers,” moving beyond airline booking to browse among destinations, hotels, restaurants, and events.

Occasionalization in Practice

By using occasionalization to segment consumers and target communication, ultimately building dynamic dialogue, a smart travel company can imbue its brand with the subtle distinctions that enable it to stand out from the price-and-availability lists returned by the commoditizers. Some possibilities:

- **Deliver ads targeted to usage.** Occasionalization enables you to get the right message across at the right time. A user who is on a Quick Check mission verifying the status of a flight she’s booked might be receptive to a relevant banner ad — say, for a valet parking service at the airport. She is not likely to explore a link for a vacation package to the Hyatt Regency Waikiki. But if that same user is comparing prices of vacation packages in a Collecting Information session, she may welcome a pop-up ad inviting her to a getaway weekend. And what better time than a DIY Travel occasion to display a skyscraper ad heavy with information about a time-sensitive promotional rate on a package deal?

- **Show a different face to individual users based on their occasion.** The digital traveler logging on to a Web site on a Friday evening is likely on a Collecting Information or DIY Travel mission. He has different goals in mind at 5

A.M. on Monday. A page that pops up with his itinerary and weather reports for his destinations that day will be far more relevant than the Asia-Pacific airfare sale he eagerly explored Friday evening. Some airlines are already tailoring their content by access device. United’s Proactive Paging service, for example, allows you not only to retrieve flight information but also to send an e-message to your limousine driver’s cell phone if your flight is delayed. Its EasyAccess service allows travelers to book flights on wireless personal digital assistants.

- **Collaborate with complementary suppliers to better serve a particular need.** Web sites now offer to book a hotel room or rental car with preferred partners after you’ve completed an airline reservation. But suppliers using occasionalization can take this a step further. For example, an airline attuned to your DIY Travel session search for tickets to the August 2004 Athens Olympics might close the deal by offering you a comarketed sports vacation package with Nike. If you book with that airline, you receive a “swoosh”-emblazoned hat, as well as access to the Nike block of tickets to the events of your choice.

- **Advertise when and where it makes a difference.** The Quick Check traveler knows the sites and will find them. DIYs and Travel Watchers are more open to influence and more valuable. Tracking them back to their source can open new pathways to new customers.

Finally, remember the potential

of online information to influence offline behavior. In July, digital travelers who shopped on the Web spent \$675 million in travel offline.

Key to the Future

Because travel planning over the Internet will continue to have mass distribution, it will continue to capture the fascination — as well as the time, attention, and dollars — of the travel industry and consumers of leisure travel. That popularity alone subjects travel marketers to a real and growing risk of commoditization in their industry.

There is also a more practical concern: Will the margins generated by Web-driven travel ever repay the \$8-billion-and-rising investment in these services? This will require much more than simply capturing the travel agent’s commission — now capped at \$10 per domestic flight. The key will be to create new value for digital travelers — influencing consumers’ choices, extending suppliers’ markets, and optimizing pricing.

If marketers learn to use occasionalization to identify customers and capture their loyalty, we believe that they’ll discover their best chance for creating distinctive, one-on-one branding that’s fully reconciled with mass positioning.

Identifying and embracing digital travelers will help the entire industry profit from its multi-billion-dollar investment, one carefully planned trip at a time. +

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