Managing Tourism in a World of Global Online Platforms
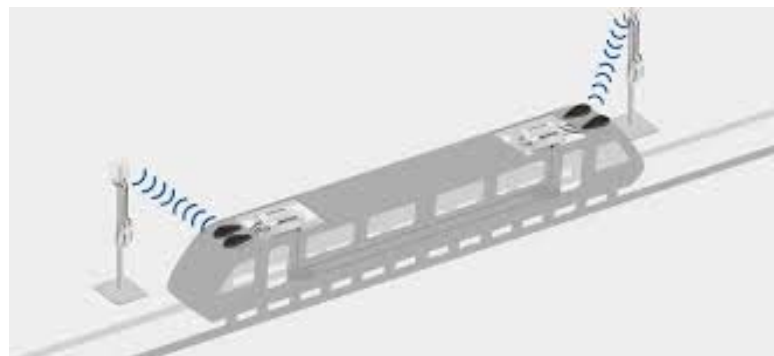
Prof. ROLAND SCHEGG

Monday, December 2, 2019
University of Alicante

Agenda

- **Digital Transformation**

- **Two Central Themes of Digital Transformation in Travel**

  - ➢ **Rise of Platform Economy**

- **Managing Digital Transformation in the Tourism Sector**

- **Implications/Conclusions**

4 Drivers for Digital Transformation

I) Connectivity as Internet is available everywhere

Laesser & Schegg (2017): Chancen und Herausforderungen der Digitalisierung

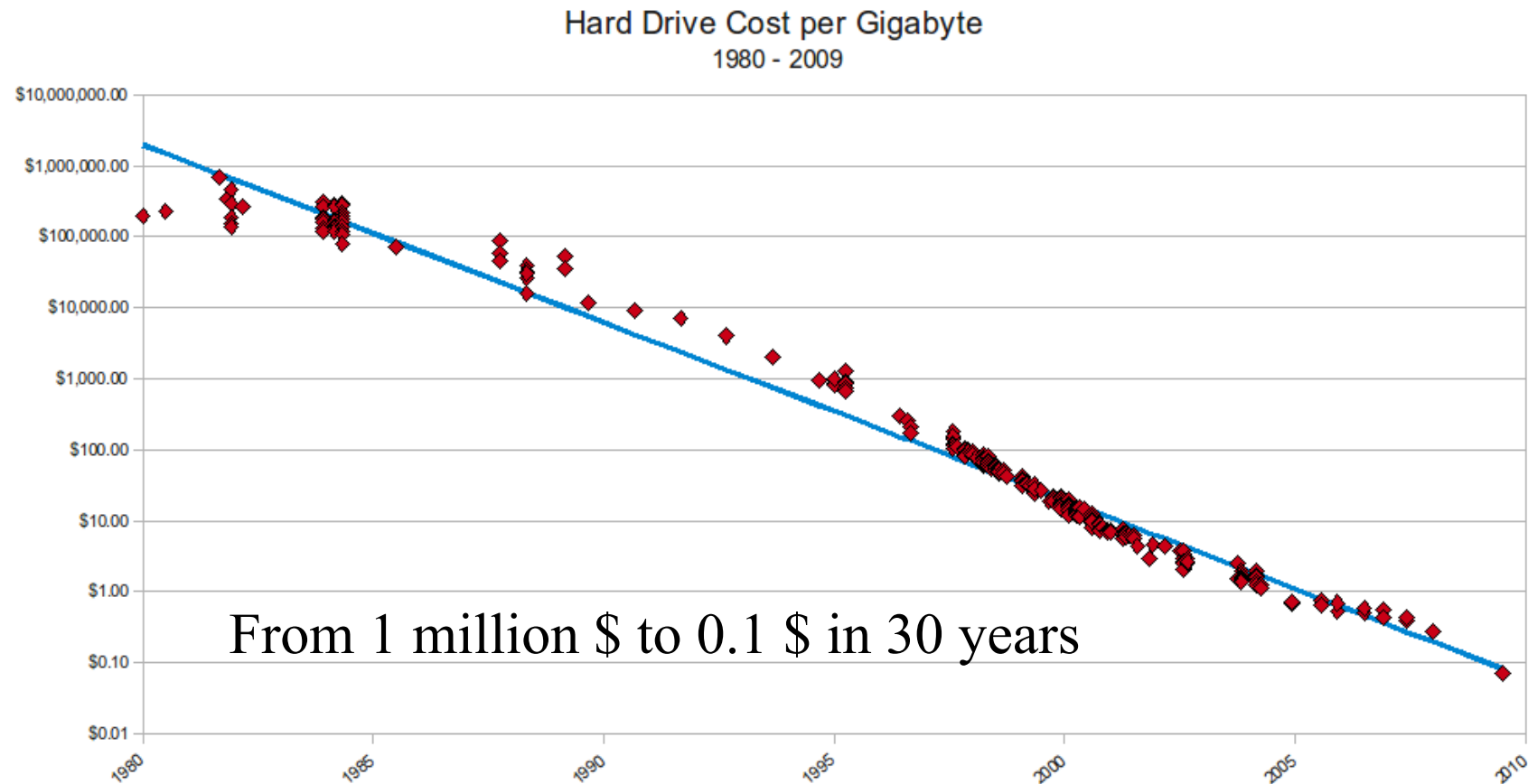# 4 Drivers for Digital Transformation

II) Miniaturisation and mobile applications -> connectivity of stationary and mobile

Internet of Things (IoT)
Smart City/Destination

Laesser & Schegg (2017): Chancen und Herausforderungen der Digitalisierung

4 Drivers for Digital Transformation

II) Massive **Price Reduction** of IT

Hard Drive Cost per Gigabyte
1980 - 2009
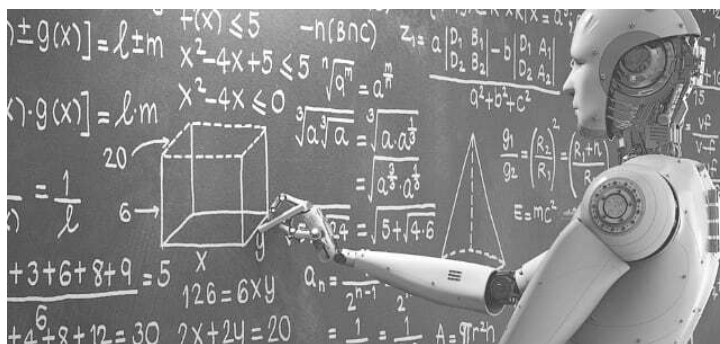
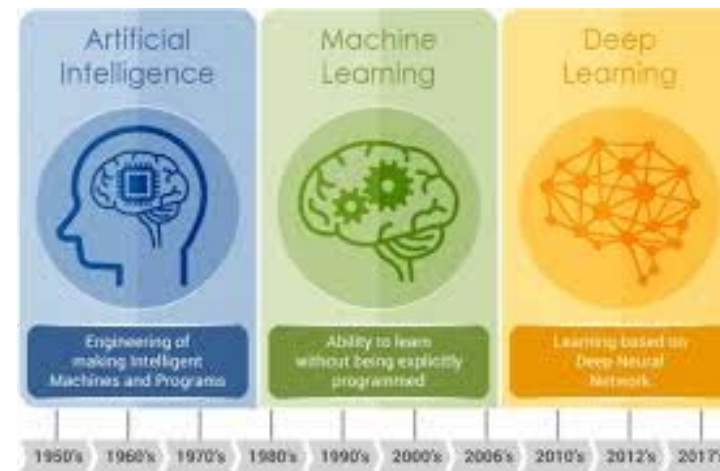From 1 million $ to 0.1 $ in 30 years

4 Drivers for Digital Transformation

IV) Massive **Increase of Performance** of IT devices and **Artificial Intelligence** (AI) and **Big Data**

Google Pixel Buds: Personal Translator in Real Time

BIG DATA

Laesser & Schegg (2017): Chancen und Herausforderungen der Digitalisierung

https://www.slideshare.net/duvalunionconsulting/the-impact-of-digital-on-business-people-and-society-70868568

4 Impacts of Digital Transformation on Tourism

- **Emancipation / empowerment of customer**

  ➢ Individual access to partial services, continuous availability of information and booking options on a global basis (anywhere, anyhow, anytime), power of eWoM (lost of control of enterprises on communication)
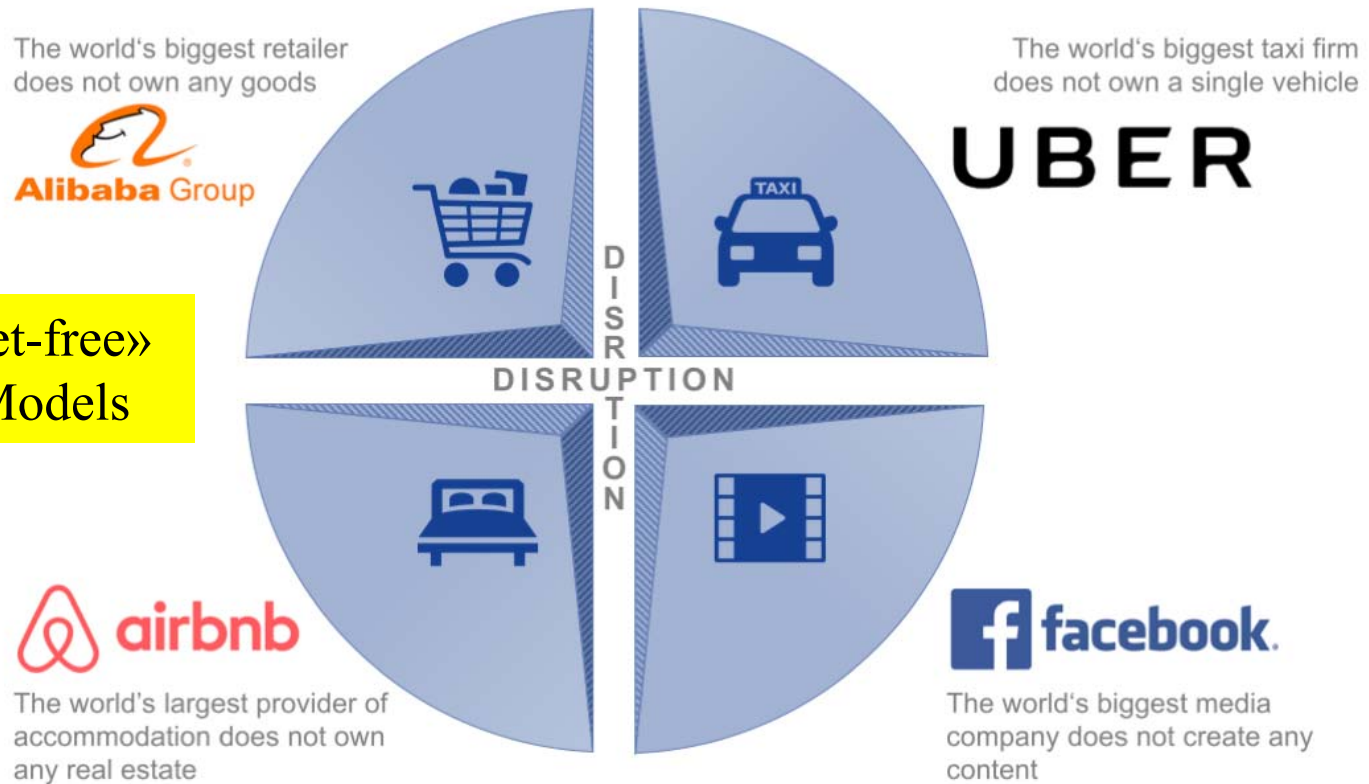

eWOM / buzz

Quelle: Laesser, Schegg, Fux, Liebrich, Stämfli, Bandi & Lehmann (2018). Digitalisierung im Schweizer Tourismus: Chancen, Herausforderungen, Implikationen

4 Impacts of Digital Transformation on Tourism

- **Change in production processes**

  ➢ Service 4.0 with IT-controlled processes, networked objects and objects (Internet of Things, Smart Destination), robotics/machines/automated processes to replace personal service interaction
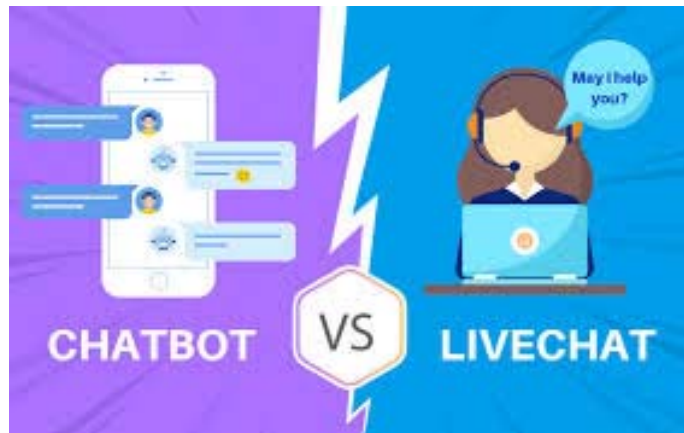
Institut für Tourismus

Quelle: Laesser, Schegg, Fux, Liebrich, Stämfli, Bandi & Lehmann (2018). Digitalisierung im Schweizer Tourismus: Chancen, Herausforderungen, Implikationen

4 Impacts of Digital Transformation on Tourism

- **Disruption as a characteristic of new value chains**
 - ➢ New processes, dilution of property & ownership (Airbnb, Uber)

(Disruptive) «Asset-free» Digital Business Models

The world's biggest retailer does not own any goods
Alibaba Group

The world's biggest taxi firm does not own a single vehicle
UBER

The world's largest provider of accommodation does not own any real estate
airbnb

The world's biggest media company does not create any content
**facebook.**

DISRUPTION

4 Impacts of Digital Transformation on Tourism

- **Breaking down the traditional value chains**

  ➢ Outsourcing of services (**platform economy**), peer-to-peer economy, marginal cost economy, "The Winner takes it all"
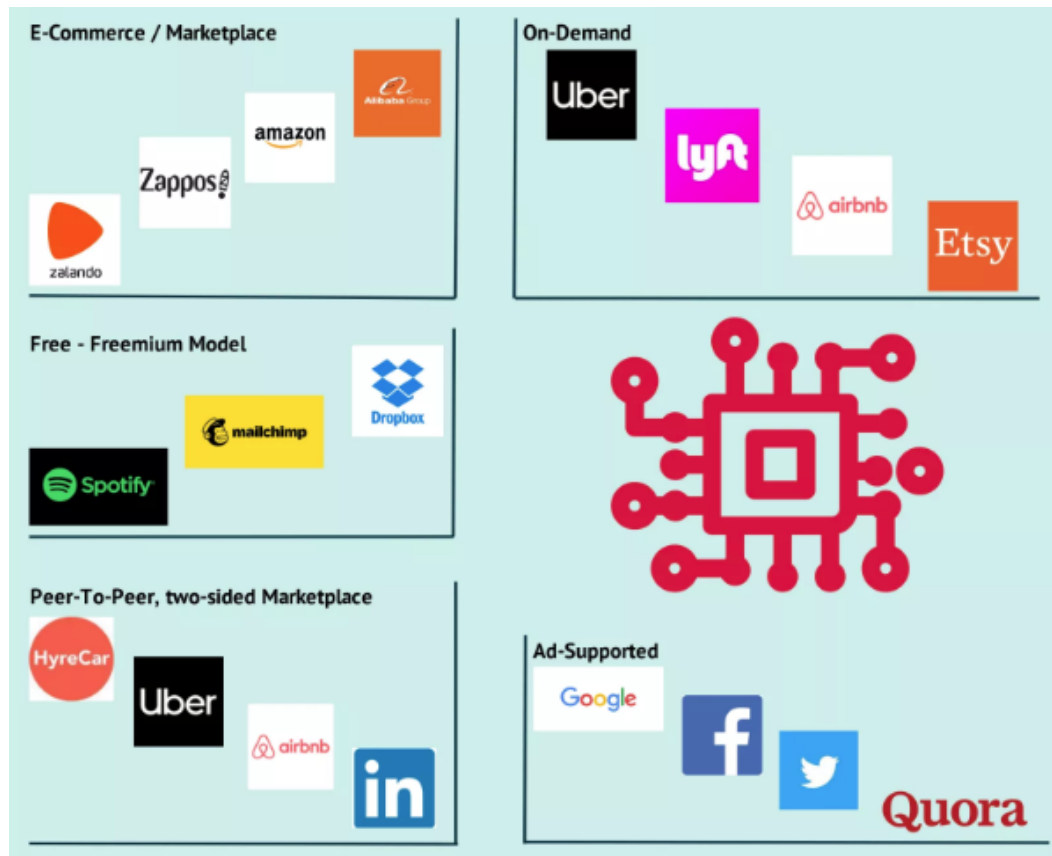
Exponential growth of technology – but organisations / people are failing to keep up with frantic pace of technological revolution

Management challenge
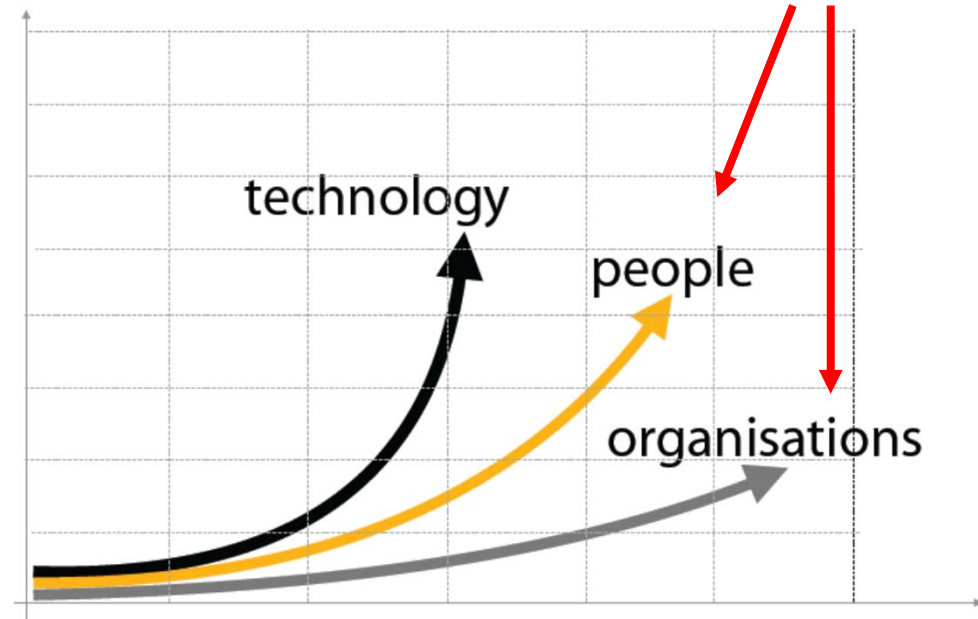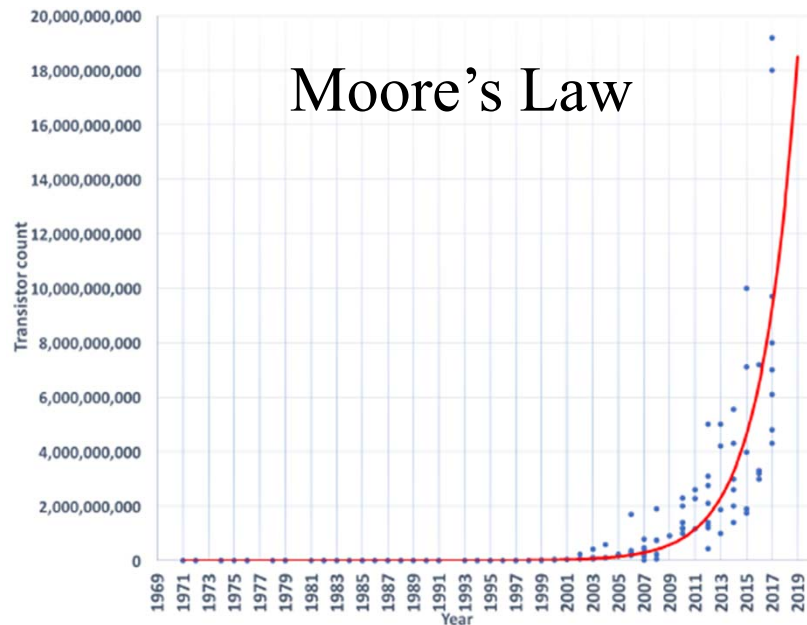
Moore's Law

Moore's Law is the observation made by Intel co-founder Gordon **Moore** that the **number of transistors on a chip doubles every year** while the **costs are halved**.

Fernando Polo: DIGITAL TRANSFORMATION (travel & hospitality industries)

Changing economy: The future of jobs in a digitalized economy

Satoshi Kambayashi

Source: The future of jobs: The onrushing wave | The Economist

New Technologies in Pipeline: Gartner's Hype Cycle 2018
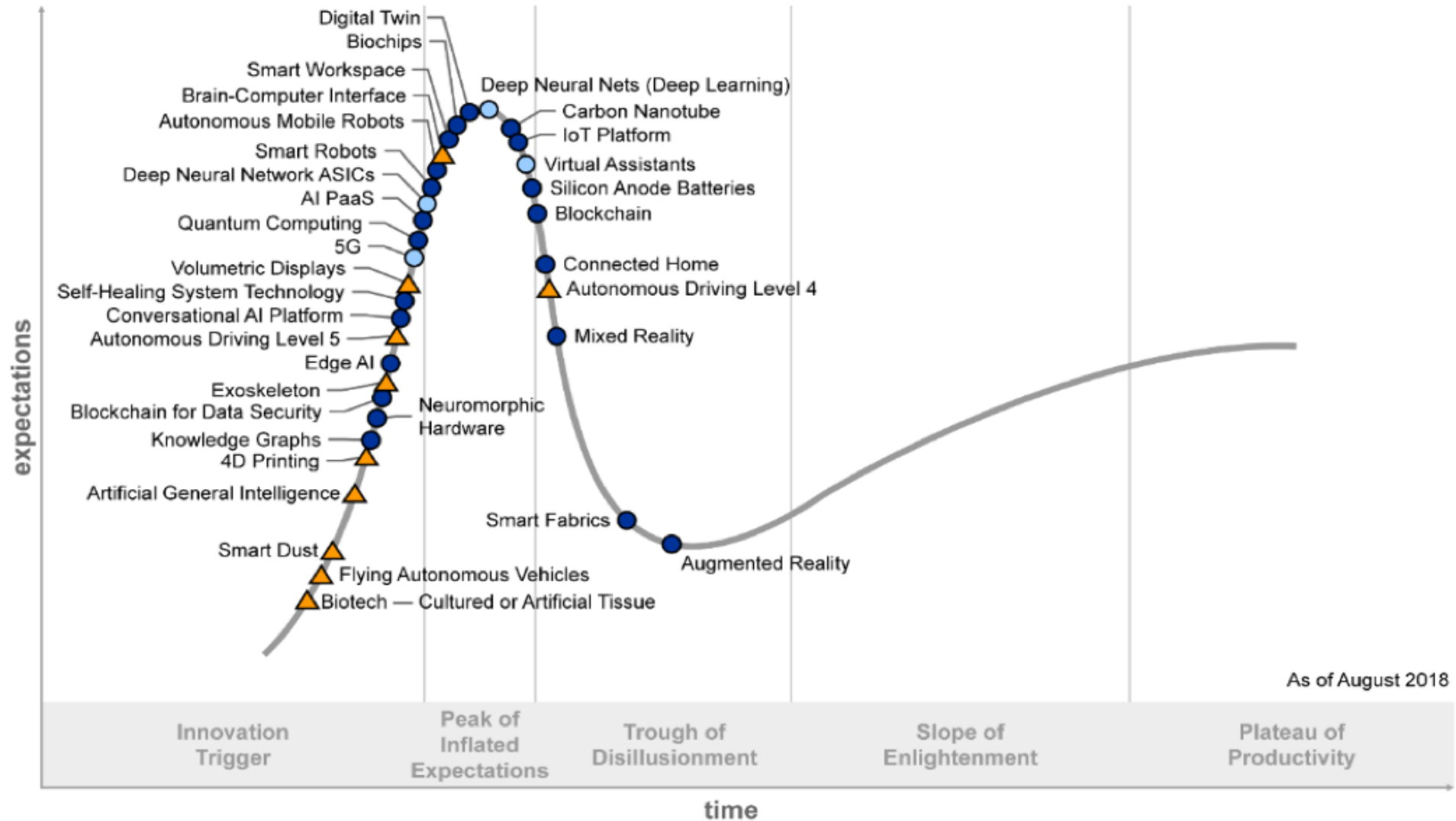
As of August 2018

© 2018 Gartner, Inc.

Agenda

- **Digital Transformation**

- **A Central Themes of Digital Transformation in Travel**

  - **Rise of Platform Economy**

- **Managing Digital Transformation in the Tourism Sector**

- **Implications/Conclusions**

Digital Platforms as Central Units of Digital Economy

Holger Schmidt of Technical University (TU) Darmstadt: "**Platforms are the central business model of the digital economy**. The companies put themselves successfully as **mediators** between providers and buyers and act as a **"matchmaker"** like a lubricant for the economy, thereby **expanding existing markets** or even **create entirely new markets"** (Google -> search, Airbnb).

- Global
- Vertical and horizontal value chain
- Dark sides:
    - Airbnb -> impact on housing market/gentrification
    - Uber: drivers contractors or employees -> GIG economy

https://www.xing.com/news/insiders/articles/digital-business-models-and-platform-economy-1015352

The imbalance of platform economy
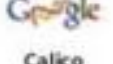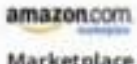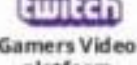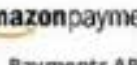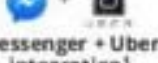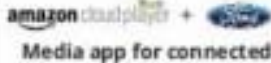
The 60 most valuable global platforms in billion USD on December 31, 2017
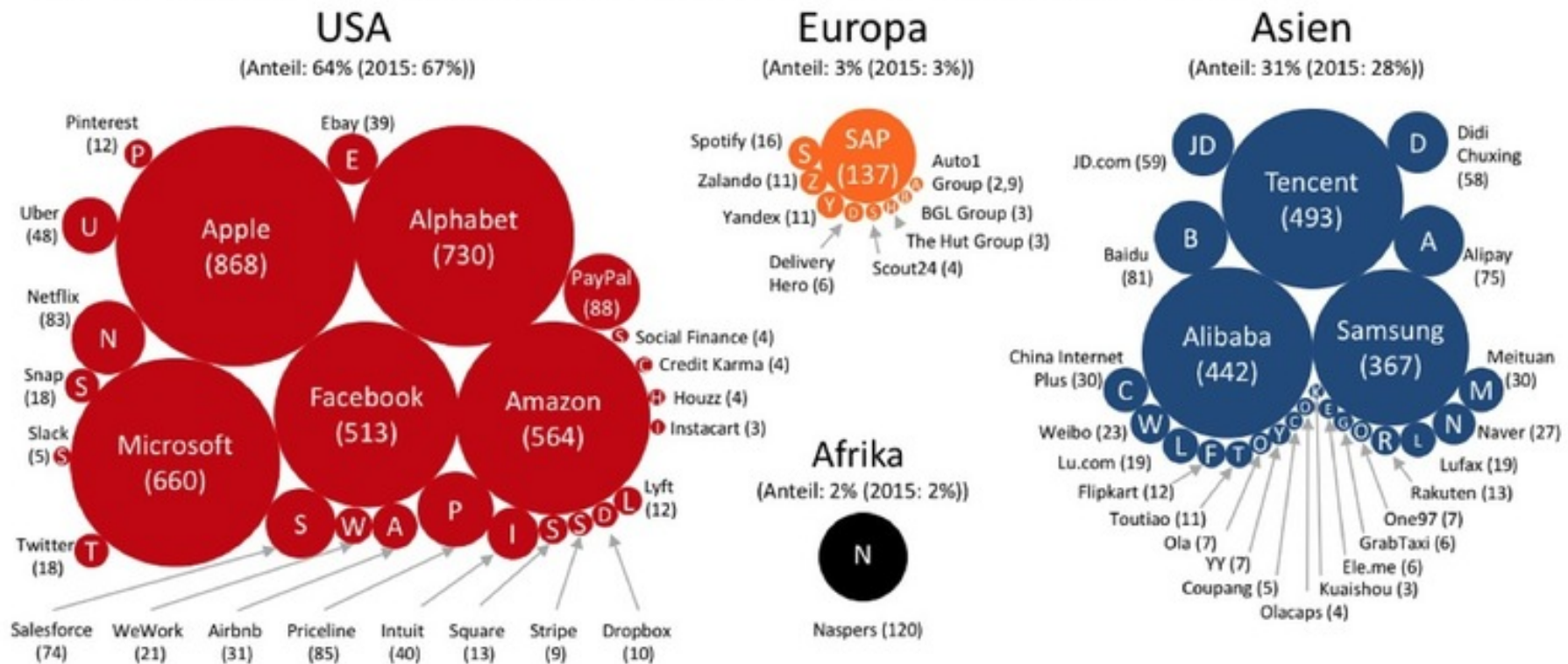
https://www.xing.com/news/insiders/articles/digital-business-models-and-platform-economy-1015352

How the GAFA take control in all sectors

	Google	Apple	Facebook	Amazon
Telecom & IT	Fiber	Apple Sim	WhatsApp	Cloud Drive
Health	Calico	HealthKit	Move	amazon.com Marketplace
Retail	Shopping express	iBeacon	Facebook "Buy" Button	Grocery Delivery
Energy & Utilities	nest Smart home	Solar Power	Internet.org project	Fulfillment by Amazon
Media & Entertainment	Play	iTunes Radio	Oculus	twitch Gamers Video platform
Financials	Wallet	Apple Pay	Friend-To-Friend Payment¹	amazon payments Payments API
Mobility, Travel & Leisure	Car	CarPlay	Messenger + Uber integration¹	Media app for connected cars

Digital Platforms as Disruptors in Travel

- Platforms, which take advantage of **global networks**, **oligopolize global sales**, particularly of **key small-scale tourism services**.
- Because of their **intrinsic market-making function**, they allow **new providers** (which often become smaller and smaller, such as private hosting providers) to **access the market at low transaction costs** and thus contribute fundamentally to the **emergence of a peer-to-peer (P2P) economy**, especially in tourism.

Strategic analysis: young, dynamic, global platform companies in travel

expedia group

Creation: 2001 (Microsoft)
Valuation : 20.3 Mia $

tripadvisor®

Creation : 2000
Valuation : 6.4 Mia $

BOOKING HOLDINGS

Creation : 1997 (booking 2000)
Valuation : 88.7 Mia $

HomeAway®

Creation : 2005
Valuation : 2.9 Mia $

4.11.2015: Expedia achète HomeAway pour 4 Mia $

UBER

Creation : 2009
Valuation: >60 Mia $

@

airbnb

Creation : 2008
Valuation: 31 Mia $

Comparison

HYATT®

Creation : 1957
Valuation : 7.15 Mia $
Revenue: 1.1 Mia $

Source: trefis.com / techcrunch.com / Reuters / Piper Jaffray & wikipedia.org

Timeline of major acquisitions and investments at Expedia and Booking Holdings

Timeline of Acquisitions and Investments >$100M

● Alternative Accommodations ○ Ground Transport ● Hotels and/or Airlines
○ Restaurants ● Tours & Activities
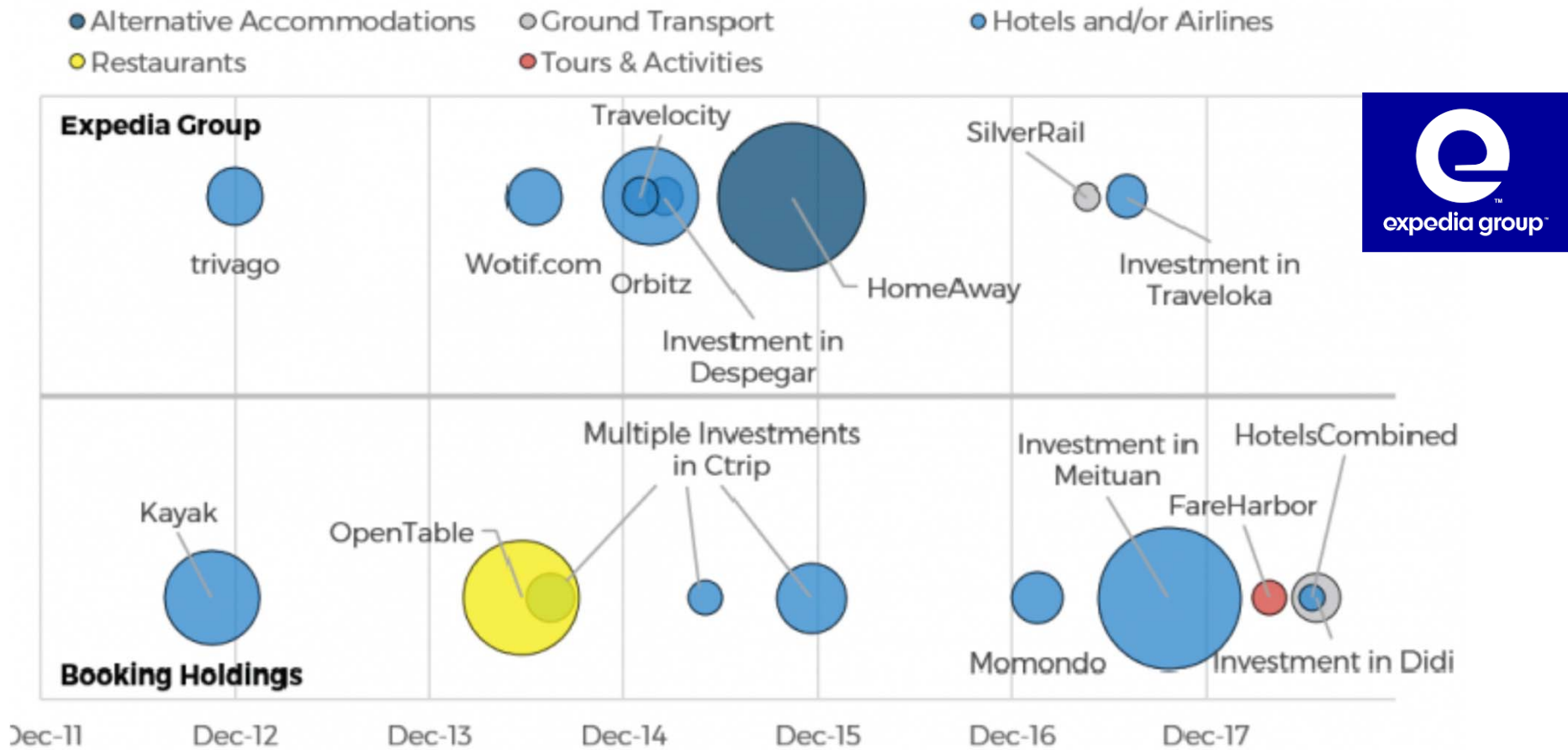
Strategic analysis: vertical integration with the aim of customer ownership

ROCKETMILES
(Loyalty Programm)

Travel inspiration

Every passion has a destination
Enter your interests to find the perfect place for you

Information search

KAYAK
(1.8 Mia $)

Post-travel

Booking.com

hotel ninjas
(cloud-PMS / CRM)

OpenTable

Travel (on site experience)

Booking

(2.6 Mia $)

BookingSuite
(Website / Revenue Mgt)

FAREHARBOR

Di Di
More than a journey

Booking.com Launches Flights Through Partnership Across Europe
Dennis Schaal, Skift - Oct 14, 2019 3:00 pm

22

DiDi – ride sharing / FareHarbor - Booking software and services for tours and activities

Strategic analysis: Vertical integration & customer ownership to create **frictionless connected trip**

Google as super OTA (one-stop-shop) and thread to other OTAs (I)
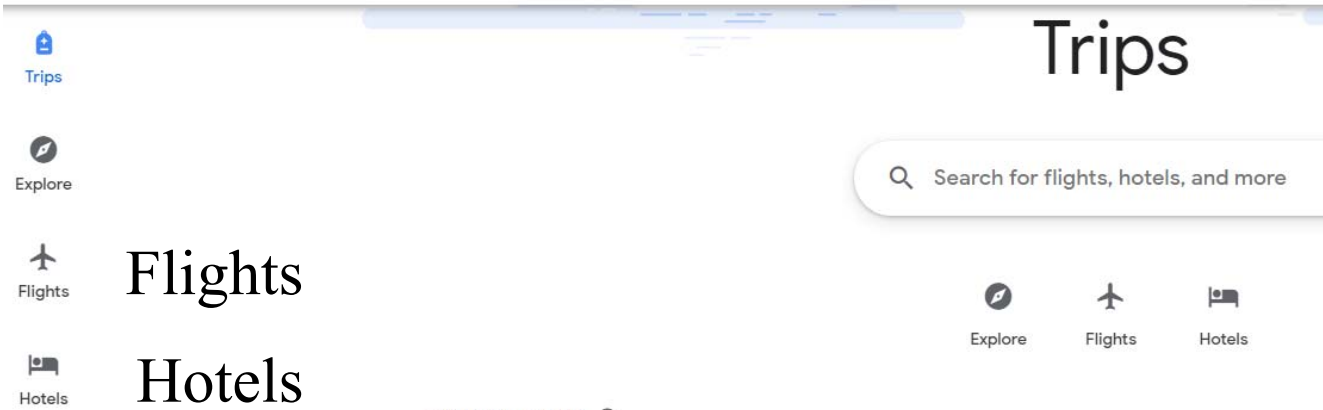
https://www.google.com/travel/
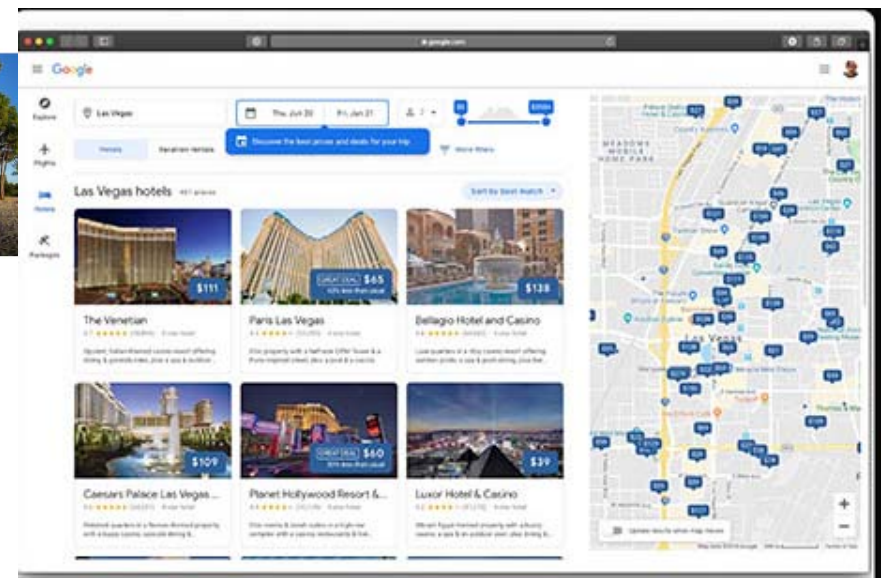
Google as super OTA and thread to other OTAs (II)

Google's Travel Gains Levy Pain at TripAdvisor and Expedia

https://skift.com/2019/11/07/googles-travel-gains-levy-pain-at-tripadvisor-and-expedia/

Consequence: digital ecosystem with global players more and more as gatekeepers in travel

Case study Switzerland: Distribution Trends in the Hotel Sector 2002-2017

Tourism partners (tour operators, wholesaler, DMO national-local, event & conference organizers, hotel chain, others)

Online booking intermediairies (OTA, GDS, social media)

Direct Bookings (hotel-guest)
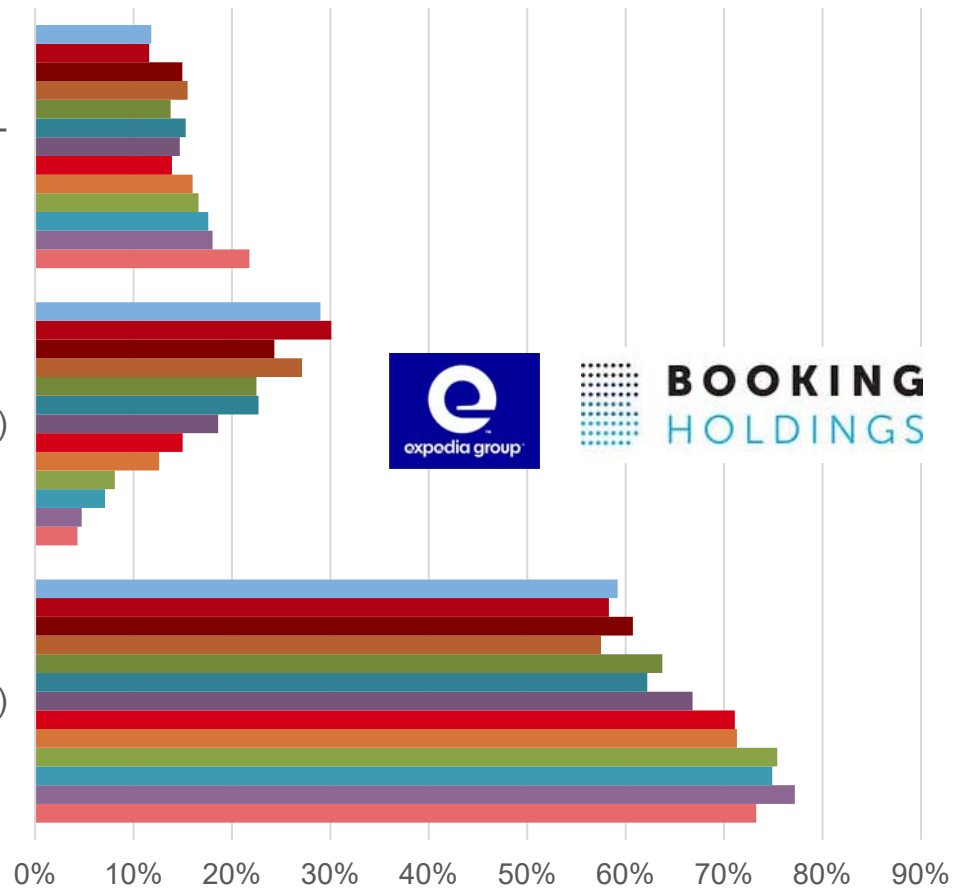
Legend:
- *2017 (n=252)
- *2016 (n=243)
- *2015 (n=226)
- 2014 (n=250)
- *2013 (n=279)
- 2012 (n=200)
- 2011 (n=196)
- 2010 (n=211)
- 2009 (n=198)
- 2008 (n=184)
- 2006 (n=100)
- 2005 (n=94)
- 2002 (n=202)

Source: Schegg 2018

Institut für Tourismus
Seite 27

Attention: Market shares in % of **bookings** for 2002-2012 & 2014 and in % of **overnights** in 2013 and 2015 !

New Entrants in Travel Distribution: Airbnb

3D Mapping of Airbnb bed supply (yellow/red) vs hotel bed supply (violet/blue) (January 2017)
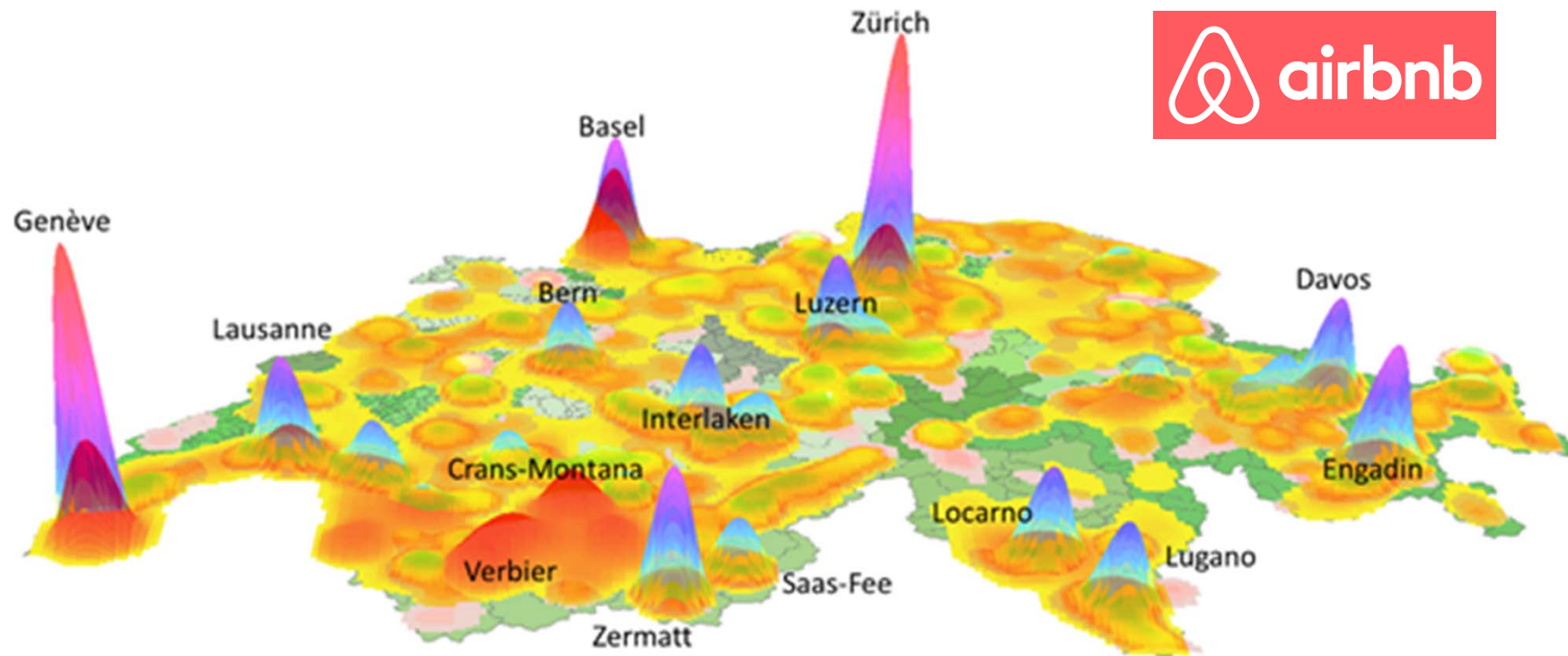
https://www.tourobs.ch/fr/articles-et-actualites/articles/id-4745-3d-mapping-of-the-airbnb-phenomenon-in-switzerland/

Agenda

- **Digital Transformation**

- **A Central Themes of Digital Transformation in Travel**

  ➢ **Platform Economy**

- **Managing Digital Transformation in the Tourism Sector**

- **Implications/Conclusions**

Managing Tourism in a World of OTAs, GAFAs and BATXs…

"If you cannot beat them join them"

- **Dominance of big players seems to be a fact (also through mergers and acquisitions)**
- **High pace of innovation favors big players**

The growing power of digital platforms is reshaping the travel ecosystem, making new business models viable and intensifying the battle for customer mindshare.

"

Do not reinvent the wheel. Partner with experts who have a competitive edge – a team effort across industry is necessary.

"
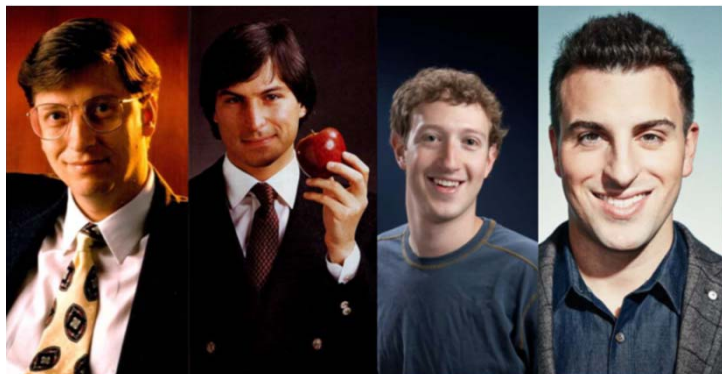
OTA: Online Travel Agency, GAFA: Google, Amazon, facebook, Apple, BAT: Baidu, Alibaba, Tencent (WeChat)

https://www.accenture.com/t20170116T084449__w__/us-en/_acnmedia/Accenture/Conversion-Assets/WEF/PDF/Accenture-DTI-Aviation-Travel-and-Tourism-Industry-White-Paper.pdf

Institut für Tourismus

Digital Transformation at the Heart of Competitiveness

Culture

A company's approach to digitally driven innovation, and how it empowers employees with digital technology.

Technology

A company's use and adoption of emerging technology.

Digital maturity model

Organization

How aligned a company is to support digital strategy, governance, and execution.

Insights

How well a company uses customer and business data to measure success and inform strategy.

Four Dimensions Determine (Digital) Maturity of Management

- Strategic Thinking
- Organisational Culture Shift
- Human Capital
- Creativity & Entrepreneurship

https://forrester.nitro-digital.com/pdf/Forrester-s%20Digital%20Maturity%20Model%204.0.pdf

Areas of Catalytic Importance for Boosting (Digital) Sustainability of Tourism SMEs

- Interconnectedness of actors
- Expert knowledge
- Assistance from key stakeholders
- Communication
- Participatory approach

Human factors, exchange and communication, collaboration seem crucial elements

-> **ICT can enhance and facilitate** these areas (open innovation approach, collaborative tools, ease of communication etc.)

Examples of how to manage digital transformation in a globalized (platform) economy

eFitness Zermatt: Supporting and educating stakeholders in a mountain resort

eFitness Zermatt (ritzy* and Zermatt Tourism)
http://ztnet.ch/e-fitness

1. Situation analysis (Gaps)

2. Independent and individual consulting

4. Implementing what has been learned and recognised

3. Strengthen digital Know-how

ICT as an enabler for a real digital «Sharing» Economy

Focus	Description	Value added
Shared Services	Offer **support services** that can be used **across organizations**. The services enable the **efficient use of available systems**.	Shared services to support the individual implementation pragmatically with specialists.
Shared Systems	Offer of **systems (software)** which are **used across organizations**.	Shared systems, because no differentiation can take place via systems and standardization helps to reduce costs.
Shared Data	Provides **data** that can be **used across destinations for systems and analyses**.	Shared data to open and link data silos to reduce data management efforts and improve information quality.

Zermatt: Digital Transformation with Bonfire Project

Destination Zermatt – Matterhorn founded Bonfire AG for efficient **implementation of the overarching destination digitalisation strategy**.

Zermatt Mountain Railways AG holds 50 percent of the shares, with the other 50 percent being held by Zermatt Tourism.

Institut für Tourismus
Seite 37

Zermatt: Digital Transformation with Bonfire Project

Together «best in class» disruptive

- **Strengthen brand Zermatt**

- **Improve added value for guests**

- **Increase efficiency**

- **Cost optimisation**

- **Increas occupancy rate**

- **Make guests happy**

E-Registration Form **Digital Guest Card**

CRM/ Customer Journey's

Market Place

Z-Terminal (Reseller-Kasse)

Einführung: ab Mitte August
Going Live: 1. November 2018

https://www.ztnet.ch/de/Aktuelles/Newsmeldungen/Newsmeldung?newsid=383

Shared Services @ Graubünden Ferien (CH) -> Regional Tourism Organisation offering Services for Stakeholders in Region

Shared Services.

Content	Marketing	Distribution

Kundengewinnung und Kundenbindung

Inhalt	**Vermarktung**	**Absatz**
• SEO • Bild, Video, Text • Eigene Website • Ext. Präsenzen (Reiseportale, Bewertungsplatt-formen, etc.) • Social Media	• SEA / GDN • Performance Marketing • Content Marketing • Social Advertising • Permission Marketing	• Datenqualität • Verfügbarkeiten • Stornobedingungen • Preisgestaltung und -steuerung • Vertriebsnetze • Direktbuchung • Zertifizierungen

Prozesse / Tools (Social Media HUB, CRM, ICT-Lösungen)

graubünden

Shared Systems @ Tourismus Services Ostschweiz AG (Switzerland)
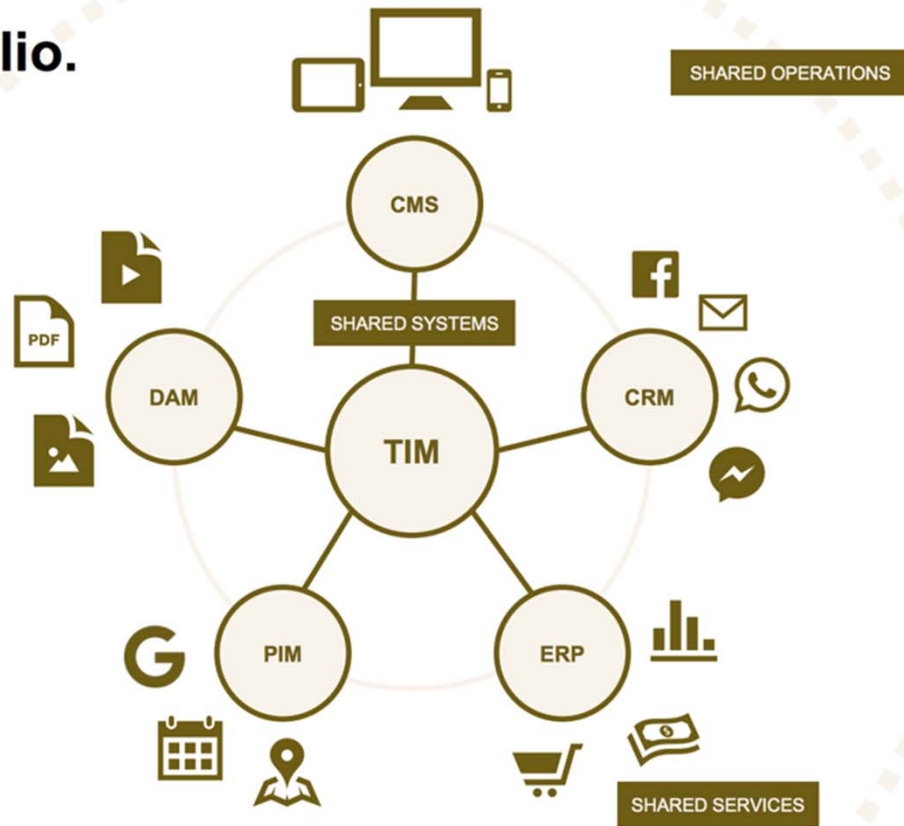
Shared Data @ Südtirol (Italy)
Open Data Hub

Open Data Hub

Südtirol - Alto Adige

Open Data Hub is your access point to South Tyrol's relevant data. You and your service providers can use Open Data Hub for all channels of digital communication. The data is updated on a regular basis and easily accessible.

https://opendatahub.bz.it/
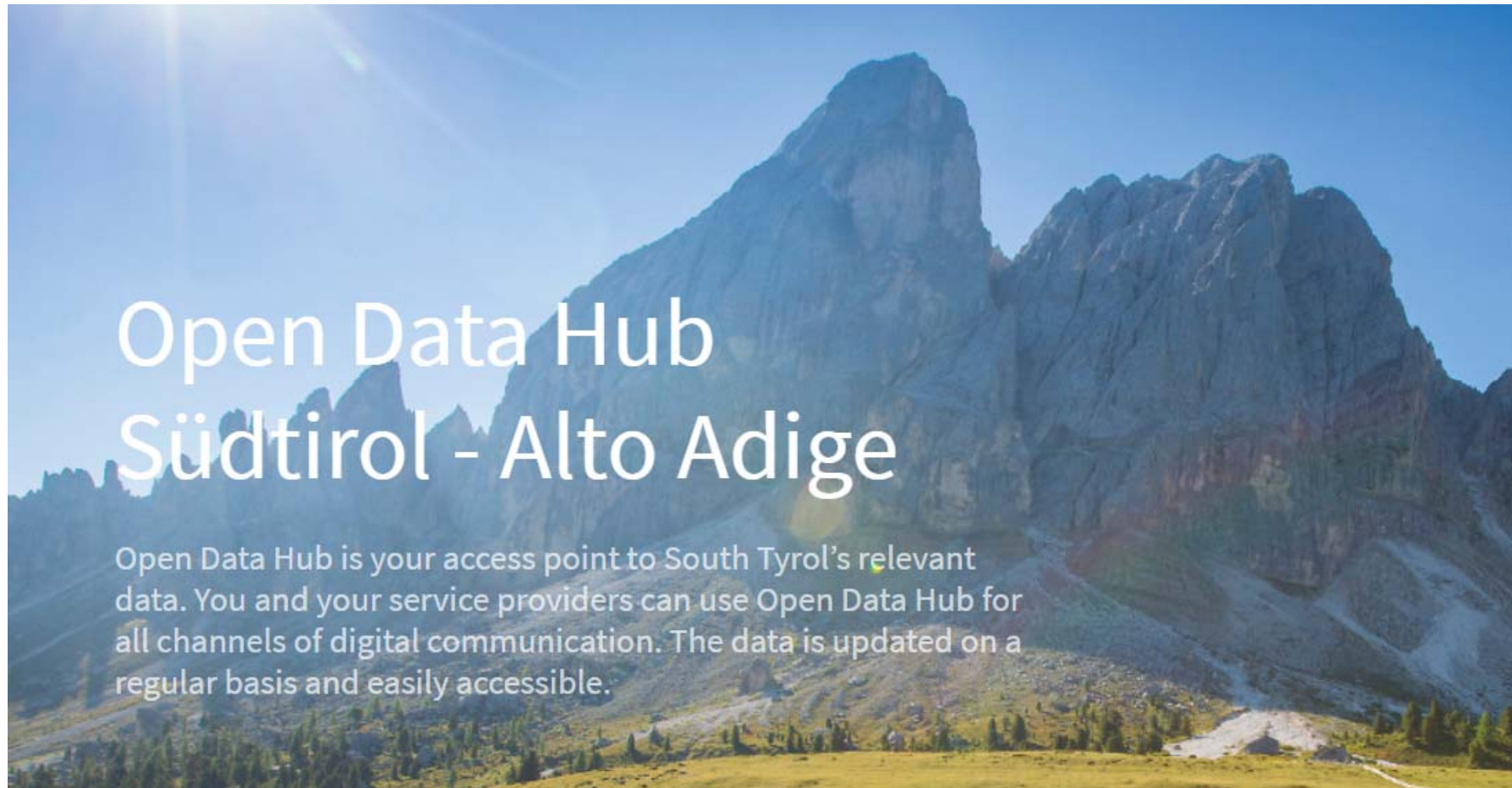
The brand and shared data (CRM) as a strategic development tool

Institut für Tourismus

http://www.innovation-touristique.com/content/val-thorens-%C2%ABsmart-data-de-l%E2%80%99or-blanc-aux-clients-en-or%E2%80%A6%C2%BB
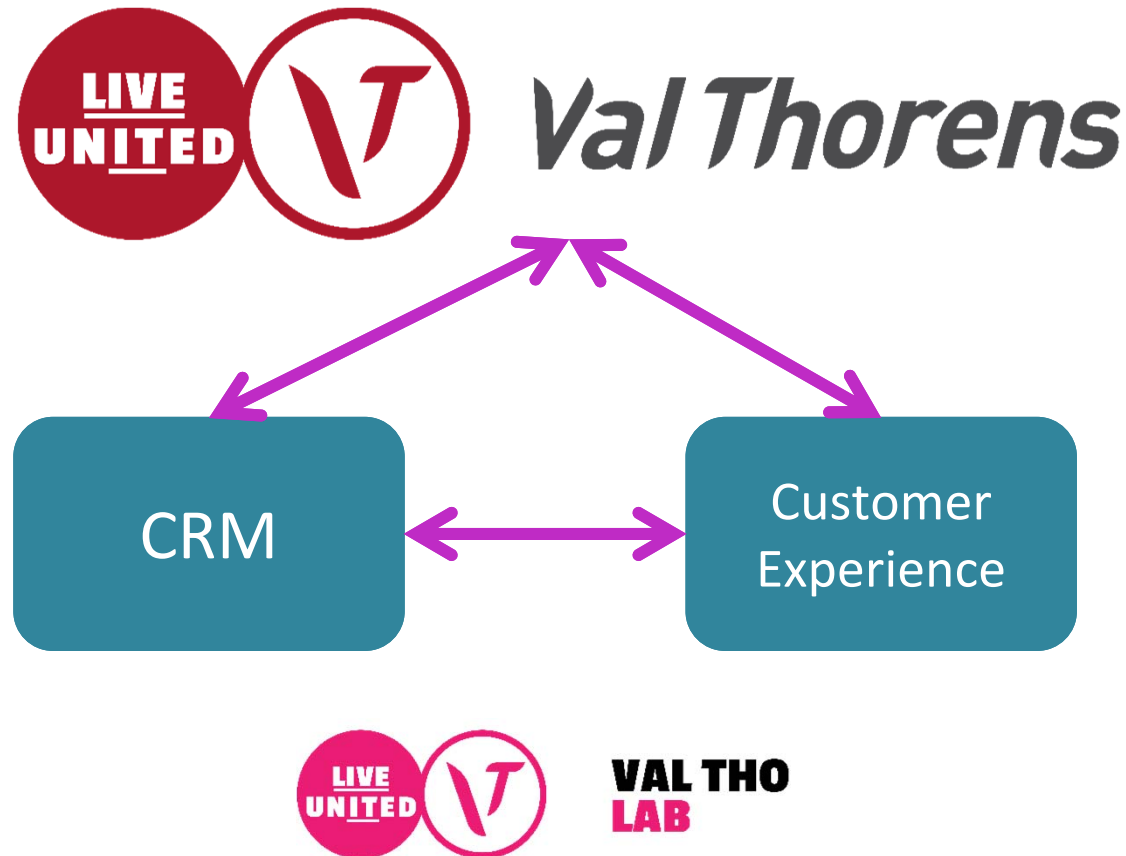
Shared data: Data mining on 300 guest attributes allows focused CRM approach with high ROI
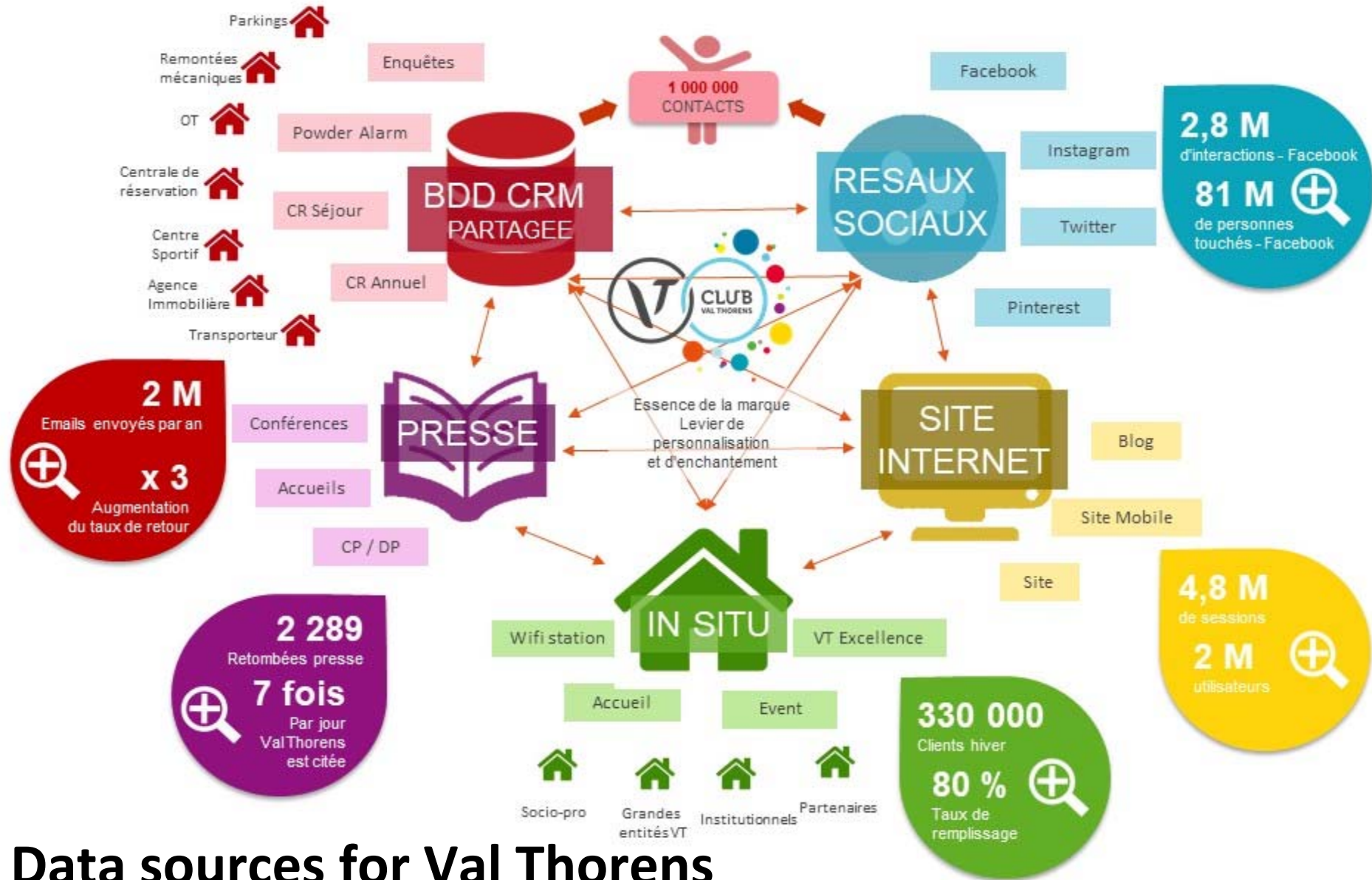
Data sources for Val Thorens

Agenda

- **Digital Transformation**

- **A Central Theme of Digital Transformation in Travel**

  ➢ **Platform Economy**

- **Managing Digital Transformation in the Tourism Sector**

- **Implications/Conclusions**

Do not (only) Focus on Technology

- **Digital transformation is not a question of technology**, but of what you can (still) do better with it.

- In the future, tourism managers **must seek to see the forest for the trees** -> not focus purely on technologies but on strategic use of digital

Quelle: Laesser, Schegg, Fux, Liebrich, Stämfli, Bandi & Lehmann (2018). Digitalisierung im Schweizer Tourismus: Chancen, Herausforderungen, Implikationen

Management in a world of OTAs: Strengthen skills and strategic thinking

➢ develop and exploit infrastructures, skills and abilities

➢ strengthen innovations in processes and business models

➢ Develop the ability to think in an even more coherent, customer-oriented way and to use the benefits of digitisation in this context.

Quelle: Laesser, Schegg, Fux, Liebrich, Stämfli, Bandi & Lehmann (2018). Digitalisierung im Schweizer Tourismus: Chancen, Herausforderungen, Implikationen

Conclusions

- Human and organizational factors
- Digital Mindset -> investment in skills
  - ✓ Agility and pace (trial and error)
- Cooperation and framework conditions
- Regional initiatives and public funding important
  - ✓ SMEs do not have Ra&D department -> need of PPP, role of universities!

Thank you!

Zermatt (Valais) @LeanderWenger

Contact

Prof. Roland Schegg

University of Applied Sciences of Western Switzerland Valais (HES-SO Valais)

School of Management

Institute of Tourism (ITO)

TechnoPôle 3

CH-3960 Sierre/Siders, Switzerland

Tel: +41 (0)27 606 90 83

Mail: roland.schegg@hevs.ch

Twitter: @RolandSchegg

LinkedIn: ch.linkedin.com/in/rolandschegg/

School/Institute: www.hevs.ch

eTourism news: www.etourism-monitor.ch

Tourism Observatory: www.tourobs.ch

Bachelor of Science HES-SO in Tourism in German, French and English

http://tourism.hevs.ch

EMBA en innovation touristique: www.innovation-touristique.com