

IBM Institute for Business Value

# The digital reinvention of travel

*Following travelers into a radically different tomorrow*



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## Overview

The Internet transformed commercial transactions between travel companies and their customers in the late 1990s. Today, social media, mobile devices, analytics and cloud are ushering yet another new era of change into the travel industry. Collectively, these digital developments are transforming how travelers interact with the companies that serve them. Travelers are more connected and empowered, increasingly seeking digital engagement with greater transparency. What's more, many travel companies face competition from different areas. This requires new types of collaboration, which is helping to create new industry winners and losers. Perhaps most importantly, travel operations and business models are transforming: redefining traveler value, eroding barriers between physical and digital mediums, and raising concerns about risk, security, compliance and privacy.

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Digital technologies will ultimately drive drastic changes in the economy: value chains will fragment, industries will converge and new ecosystems will emerge. As a result, the mechanics of value creation and value allocation will also change. Looking five years out, 58 percent of surveyed executives expect new technologies to reduce barriers to entry and 69 percent expect more cross-industry competition. Interestingly, only 41 percent of travel executives expect technology to reduce barriers to entry, but 78 percent expect more cross-industry competition during that time.

So, what will this future of continual digital reinvention entail? How will new convergent technologies impact organizations and industries? What can travel companies start doing today to begin preparing for a vastly different business environment? In particular, which investments, priorities and actions can set the stage for success during turbulent and ongoing change?

The 2013 IBM Digital Reinvention Study considers the answers to such questions. To better understand the deepening impact of digital technologies on today's organizations, the IBM Institute for Business Value surveyed approximately 1,100 business and government executives, 48 of whom have roots in the travel industry. We also surveyed 5,000 consumers and conducted in-depth interviews with 30 leading futurists in more than 10 countries.



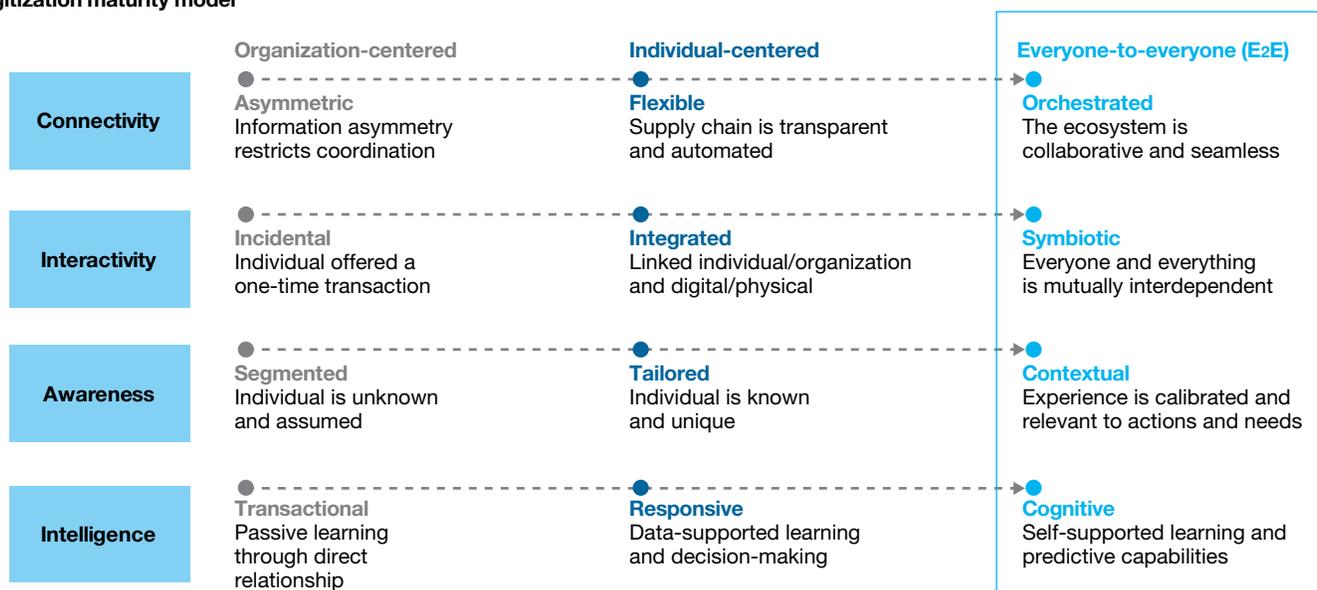
Our analysis of study findings shows that as technology changes persist, the interactions between organizations and individuals also keep changing—and this change is rampant. In fact, the global economy was characterized as highly organization-centered for most of the 20th century. Its current state—individual-centricity—emerged around 1990, but that will soon evolve toward an everyone-to-everyone (E2E) model of engagement.

To prepare for the challenges and opportunities of an E2E model, successful firms will need to think disruptively, challenge established norms and blur organizational boundaries. Travel companies will soon be forced to confront the reality of an everyone-to-everyone (E2E) economy, in which travelers become not just consumers of travel services, but also providers of the assets and information needed to make travel possible. Competing successfully in this new economy will require travel executives to start thinking disruptively, welcoming external influences and making targeted digital investments.

### A view of the vastly different future

E2E is characterized by hyper-connectedness and collaboration of consumers and organizations across the gamut of value chain activities: co-design, co-creation, co-production, co-marketing, co-distribution and co-funding. In this integrated system, consumers and organizations work together to create value, with transparency driving trust and effectiveness. The differences among the three types of economic models can be illustrated by considering four key dimensions: connectivity, interactivity, awareness and intelligence (see Figure 1).

#### Digitization maturity model



Source: IBM Institute for Business Value analysis.

Figure 1: A comparison of “digitization maturity” for three economic models: organization-centered, individual-centered and E2E.

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## Becoming orchestrated, symbiotic, contextual and cognitive

Successful travel companies will be open to the challenges ahead and rethink all aspects of their business. Above all, they must decide where to focus. The future will be very different from the present. Important first steps include:

- Step one: Open up to external influences
- Step two: Connect to new ecosystems and partners
- Step three: Invest in digital mobilization across the organization.

Until the turn of the century, the most powerful impacts of new technologies have taken years to emerge. Today, we’re experiencing the transformative impacts of social media, mobile, analytics, cloud and other technologies at a highly-accelerated pace. Digital disruption has begun: it marks the start of a new technological and economic paradigm requiring the re-imagination of markets, strategy—and value itself.

Organizations must start reinventing themselves from the ground up to remain competitive. On one hand, rapid digitization is creating new value and new opportunities for organizations to gain influence and innovate. On the other, established norms are in peril due to the blurring of traditional industry definitions and formation of new ecosystems. To prepare for a radically different tomorrow, those who seek to prosper under digital disruption should constantly redefine strategy in terms of how best to open up to external influences, connect to new ecosystems and partners, and how they can drive digital mobilization across their organizations.

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## How can IBM help?

Travel customers expect more comprehensive travel support throughout the travel life cycle than ever before. Meanwhile, travel and transportation companies feel strong competitive pressure to deliver more service for a lower cost. These challenges seem to pull travel companies in divergent directions. Companies can thrive and grow in new ways by embracing the individual-centered economy and adopting a more cooperative position in the travel ecosystem. The IBM Global Travel and Transportation practice stands ready to assist travel companies in this difficult but important transition by providing services to clients in search of new ways to derive market insights, productively engage with partners and satisfy customer expectations.

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