



# All hands on deck

*New directions in shopping and booking for the cruise industry*

IBM Institute for Business Value

## Executive Report

Travel and transportation

### How IBM can help

To succeed in today's hyper-competitive world, travel and transportation companies need to solve increasingly complex problems and seize new and exciting opportunities faster than their competitors. They must continue to drive operational excellence and enable collaboration across enterprise functions and between members of emerging ecosystems. Above all, industry leaders must run the business well amidst constant change. The IBM Travel and Transportation practice understands these challenges and brings its extensive industry experience, business insight and technical prowess to bear on them. For more information, visit [ibm.com/industries/traveltransportation](https://ibm.com/industries/traveltransportation).

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## *Navigating transformations*

*Cruise lines have a difficult course to chart. Increasingly, potential guests would like to arrange their trips digitally, and yet travel agents continue to own a substantial share of cruise ship bookings. To connect with guests more efficiently and personally without undercutting travel agents, cruise lines need to evolve and optimize their distribution channels. This executive report considers the challenges and presents steps for navigating this transformation.*

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## **Executive summary**

The entire travel industry is at a distribution inflection point. Cruise companies in particular have an enormous opportunity to enhance their distribution channels by learning from airlines and hotels about balancing digital consumer requirements with travel agent relationships. While traveler shopping behaviors are changing and moving toward digital channels, agents continue to play an important role in the expanding cruise market, leaving cruise companies to balance competing demands.

Cruise companies should enhance digital distribution to meet travelers in their channel of choice by adding features such as virtual reality (VR) and enhancing content. Cruise lines can also satisfy travel agents by using their front-line knowledge to staff online chat channels. Cruise companies can further enhance the guest experience by partnering with agents to collect data about their guests' entire trip and create rich, dynamic profiles and experiences for guests. Beyond these guest-facing enhancements, cruise companies should look to streamline their distribution costs. This balanced approach will help them continue to grow at accelerated rates and set the tone for distribution across the travel landscape.



Travelers have **changing expectations** about **how they will plan for and purchase** their trips.



Increasingly, **travelers want to book cruises digitally**, but they are frustrated with the disjointed, impersonal experience.



**Cruise lines must personalize and enrich the experience** for guests while navigating a path that balances the needs of both travelers and travel agents.

## Evolving challenges

Cruise lines face challenges on several fronts. Travelers have changing expectations about how they will plan for and purchase their trips, and these expectations are sometimes at odds with those of travel agents. As a result, cruise companies must navigate a path that balances the needs of both of these important groups.

### The changing traveler

Today's travelers have changed the way they shop and think about travel. Thirty-four percent of Millennials say that apps are the most helpful tool when shopping for a travel service provider.<sup>1</sup> Fifty-one percent of travelers believe they can get the best deal on a cruise through the provider's website.<sup>2</sup> Mobile, digital-first shopping has become the norm, and travelers are even beginning to experiment with shopping via chat. However, when it comes to shopping for cruises, many travelers are encountering a poor digital experience and often have to go offline to receive support and book their voyage.

Travelers expect authenticity and personal connections from their travel providers. About 50 percent of travelers believe that the best experiences are those that are adapted to their preferences.<sup>3</sup> Travelers want a cognitive connection — a conversation that incorporates their specific context. Traveler history should be used to make every experience more personalized; travelers don't want the equivalent of a generic direct mailing. The contextual interaction travelers desire is becoming easier now that guest-management systems are beginning to collect and compile structured and unstructured data, and data analytics capabilities are becoming stronger.

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### **The cruise companies' balancing act**

Meanwhile, travel agents are looking to strengthen their relationships with cruise companies. Travel agents saw a decline in overall bookings with the rise of online travel agencies (OTAs), but due to the perceived complexity of booking a cruise, agents have been able to hold on to the majority of their share in this category. Today, travelers use agents to book 66 percent of cruise trips and 90 percent of luxury cruises.<sup>4</sup>

Cruise companies are constantly trying to balance and satisfy travelers and travel agents, but as travelers move toward self-service and digital research, their needs are becoming disparate from agents' wishes. While agents are often essential in filling ever-growing cruise ship capacity, their services have also grown increasingly costly for cruise companies. The balancing act is becoming more difficult for cruise lines for a few reasons.

First, travel agents are punishing cruise companies that overinvest in digital experiences. For example, when one cruise line moved toward more direct marketing and removed a reference to travel agents from its campaign, travel agents rebelled. Eventually, the cruise company had to reverse course, and it then launched a campaign to rekindle the relationship.

Second, existing distribution channels are often narrow and restrictive. When a guest books a cruise with an agent, that agent owns the booking and the experience, limiting the services that cruise companies can offer that guest. As a result, guests are often dissatisfied. Many feel as if they have spent thousands of dollars on a trip and yet can't talk directly with the cruise line. Both cruise companies and agents are missing out on the opportunity to increase spend with personalized marketing.

Finally, agents add duplicative distribution costs. When an agent contacts a call center to book, or when a cruiser books his or her next experience while on a ship, the travel agent often still gets a full commission. This means that cruise companies are funding their own support staff in addition to paying out agent commissions. Meanwhile, cruises are investing millions in agent tools so that agents can book digitally without relying on the cruise support staff.

Overall, cruise guests increasingly want to book digitally, but they are having a poor online experience. Guests are frustrated with the disjointed cross-channel experience that lacks a cognitive connection, and cruise companies face high distribution costs due to channel inefficiencies. Finally, agents must continue to demonstrate that they are more than just order-takers by emphasizing the value they add when they truly understand the guest's cruise preferences and travel objectives.

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## Cruising ahead

To combat these conflicts, cruise lines should evolve and optimize their distribution channels by enhancing digital distribution, building rich guest profiles and experiences, and streamlining offline costs.

### **Enhancing digital distribution**

Cruise companies should meet digital natives through their channels of choice, creating a more enriching experience.

Cruise lines can begin this initiative by offering chat support on their websites. These chats could be powered by bots or cruise companies' own staff members, but the companies could also showcase travel agent expertise by partnering with agents to staff chat channels.

A few different business models can help ensure that both cruise companies and agents would benefit from working together. These models would have cruise companies aligning with agents as partners, contractors or franchisees (see Figure 1).

Each of these models would require cruise companies to think about which metrics to track and how to compensate travel agents, but each would provide benefits to the traveler, agent and cruise company. The traveler would receive enhanced support, shorter wait times and a more satisfactory experience. The agent would increase awareness about his or her company, boost conversions and reduce agency downtime. The cruise company would satisfy agents and guests, cut call center costs and increase conversions.



**Figure 1**

*Collaborative models that would foster success for cruise lines and travel agents*



To further enhance the guest experience, cruise companies should begin to apply new digital features to their booking channels. VR has huge potential in the travel industry and, as Pokémon Go's meteoric rise demonstrated, people are ready to engage. Using this and other technologies, guests could tour the ship and preview their trip weeks or months before departure. Potential cruise guests could even shop through VR showrooms in malls, airports or other heavily trafficked locations.



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Natural language search is also slowly expanding within the travel space and is now integrated into websites such as Expedia, Travelocity, Orbitz and Wotif (see sidebar, "Improving searches with natural language"). Cruise companies can deploy natural language search to help express their value proposition and help guests find the right cruise for them. For example, cruisers could search for "cruise for family of six in February, somewhere warm..." and get a curated list of cruises that meets their needs. To power these searches, cruise companies need to invest in creating rich, dynamic content.

Adopting some if not all of these recommendations will help cruise companies influence and meet guest expectations, increase engagement and satisfaction, boost web traffic and awareness and enhance online search. Guests will then be able to understand the value of a cruise before and during booking.

Cruise companies can further improve digital checkout flows for guests by applying investments they have already made in travel agent tools. Investment in and enhancements to agent tools now enable agents to check out in five or fewer steps. When they understand the similarities and differences in guest and agent usage patterns, cruise lines can enhance guest checkout processes by adopting some agent flows to the guest experience without requiring too large of an investment.

Overall, cruise companies should continuously strive to enhance the online guest experience and look to make the most of their current investments. These efforts will help increase conversions, guest satisfaction and ROI. In addition, customer service costs will decline because the same cruise agents could help travel agents and guests troubleshoot issues during checkout.

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### **Improving searches with natural language**

Zumata has used digital tools to personalize hotel searches and reduce search times for corporate sites by 83 percent, down to 10 minutes. Using the enhanced search functions, visitors can now enter their search criteria using natural language. The system uses phrase searches to provide appropriate matches from an ever-expanding database of structured and unstructured data, including descriptions of 500,000 properties, hotel images, and social media reviews and ratings. The combination of rich internal and external content and enhanced search capabilities offer a seamless guest experience.

**Creating rich guest profiles and experiences**

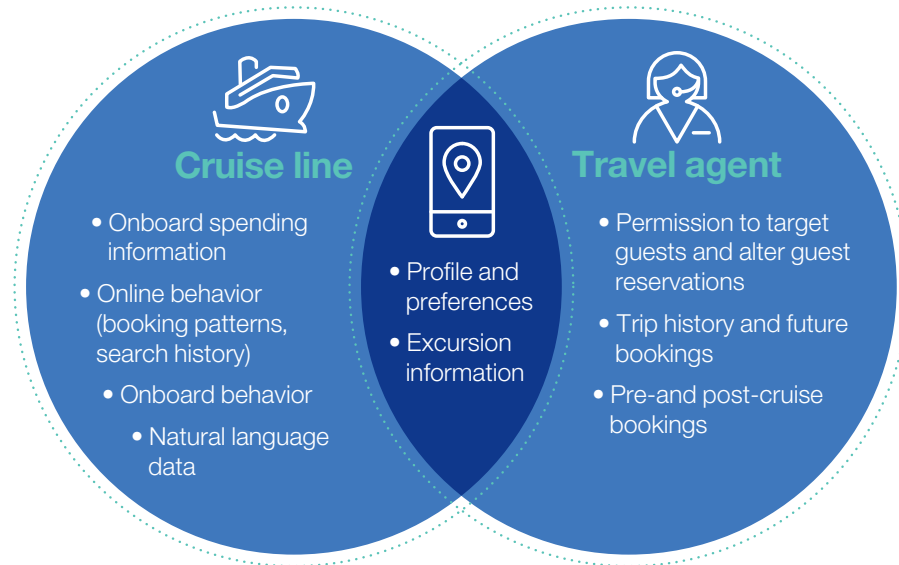
While enhancing the digital experience is critical, personalization is the true key to enhancing guest intimacy. To accomplish this, cruise providers must develop richer guest profiles and deliver more personal and differentiated experiences. Richer guest profiles will require providers to amass a detailed database with a wide variety of guest attributes. While cruise companies have data on guests' purchase histories and communication preferences, they should look to other data points, such as communication and service history, online browsing history and onboard location and activities, to enrich profiles.

To collect and store these attributes, cruise companies will likely need to update their front- and backend systems, including their guest-management systems, analytics systems, reservation systems and websites. Further, while implementing these digital enhancements, cruise companies should find ways to track how guests interact with the new features and functions. They can track where guests look in VR rooms and what questions they ask — and the type of language guests use to ask these questions — to build a richer view of each guest and customize future interactions to align with the guest's lexicon. These efforts will help cruise companies increase conversions and satisfaction while reducing checkout times and enhancing customer support.

Next, cruise lines will need to work with their top agency partners to fill in profile gaps. There is an enormous opportunity to collaborate to create a streamlined experience by combining the data around the traveler and their trips (see Figure 2). The success of this collaboration will depend on whether cruise companies and agents can relinquish the idea of owning the guest and instead consider co-collaborating to create an experience. Between travel agents and cruise companies, the entire spectrum of guest data exists; it is just waiting to be explored.

**Figure 2**

*Applying analytics to nurture cognitive, personalized connections*



To begin to foster this relationship, each party must first assess the value of its own data by asking questions such as:

- Can we integrate this data with other data?
- Can we share it?
- Will travelers benefit if we share this data?

### **Applying analytics to increase revenue**

A major European airline has been piloting the use of cognitive models to find the patterns or indicators of high conversion propensities among its site visitors. The analytics engine looks at both structured and unstructured data and relies on self-learning algorithms to identify patterns. These patterns are then applied to travelers based on their context, such as social media profiles and travel history. This airline can now engage guests in a two-way conversation across all touchpoints, resulting in a 4 percent increase in revenue.

Cruise companies and travel agents will then need to negotiate how to share data while addressing any legal and privacy concerns. Cruise companies will likely need to take the first step by indicating what data they have to share and asking what can be shared in return.

Others in the travel industry have had to navigate these waters before and have likely established best practices. For example, hotels and travel-management companies often share traveler data for corporate managed travel and have developed protocols that may be of use to cruise lines.

After agreeing to a secure sharing method, cruise companies and travel agents will need to create a dialogue and feedback loop to continually assess how the combined data is enhancing the guest experience. This communication will help cruise companies improve traveler interactions, reverse the outrage over current inefficiencies and personalize the entire experience, leading to increased conversions and satisfaction and reduced costs.

Once cruise companies have rich profiles fed by their own data and data from their agent partners, they can begin to generate the insights required to foster cognitive connections with their guests. Cognitive analytics will hasten the transition from anonymous transactions to personal relationships by enabling companies to understand and interpret data around their guests, generating invaluable insights (see sidebar, "Applying analytics to increase revenue").

Each touchpoint with the traveler must be contextualized and personalized. For example, if a potential guest has been browsing online for a family vacation, the cruise company can reach out to her via email and use the exact words the potential guest searched on to promote cruise options. If another traveler got part of the way through checkout and abandoned his cart, the cruise company can reach out and provide agent contact information to help him finalize the booking.

Feedback loops between the traveler and the company will help cruise companies learn from the data they can assemble today and more effectively experiment with personalization going forward. Applying analytics in these ways will help increase conversion, satisfaction and guest intimacy while improving marketing effectiveness and enhancing guest support (see Figure 3).

### Streamlining costs

To enhance their cost positions, cruise leaders should encourage agents to book via direct channels. By enhancing self-service tools and incentivizing agents' use of digital tools, cruise companies can begin to eliminate duplicative booking costs. These steps will demonstrate that cruise companies are continuing to invest in their partnership with travel agents, while also helping cruise lines reduce distribution costs and increase self-service.

Further, cruise lines should reevaluate commission structures. They can apply analytics to determine the value of each sale, and this will help them establish a benchmark for commission rates. Cruise companies will also need to devise new commission structures for agents as they take their partnership across new channels such as agent chat or VR showrooming. Enhancing commission structures in these ways will reduce distribution costs while increasing collaboration with agents.

**Figure 3**

*The potential benefits of more personalized connections for cruise guests*



## Bon voyage

Overall, cruise lines need to keep customer experience at the center of their investments. They should stop fearing self-service and view it as an opportunity to learn about their guests and provide more personalized service.

While other industries seem to have embraced digitalization at the expense of customer service, cruise companies are uniquely positioned to use their agent partnerships and loyal customer base to leapfrog other travel industries and provide the cognitive connections guests expect. By taking agents with them on their digital distribution transformation, cruise companies can help ensure that guests continue to get personalized assistance and that agents continue to enhance the shopping experience. While cruise lines cannot deploy all of these changes simultaneously, they should begin to evaluate which changes would have the largest impacts on their business.

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## Are you positioned to reinvent distribution in the cruise industry?

Executives who believe their companies can take up the mantle of cruise distribution leadership would do well to ask and answer the following probing questions:

- Is distribution working well at your company? If not, what changes in strategy are required?
- What is your company's channel strategy, and how will it improve the shopping and booking experience to lure cruise shoppers away from travel agents and other intermediaries?
- What investments in traveler profile management, advanced analytics and cognitive tools does your company have in place to bring about a transformation in travel personalization?
- In what ways are the leaders of your company willing to share data on customer patterns and preferences with partners, assuming sharing is approved by the customer and mutually beneficial to all partners?
- What behaviors is your company driving in the distribution ecosystem, and how might those behaviors need to change?



## About the authors

Elizabeth Hickey is a Senior Consultant in the Interactive Experience Group at IBM. She has served as a strategy consultant in the Distribution sector focusing on guest experience for three years. Elizabeth is based in Chicago and can be reached at [emhickey@us.ibm.com](mailto:emhickey@us.ibm.com).

Steve Peterson is the global Travel and Transportation lead for the IBM Institute for Business Value. Steve is the author of numerous industry studies, and has served as a strategy consultant to the industry since 1998. His work has been embraced by IBM clients around the globe and widely praised in the industry and popular press. Steve is based in Denver, and can be reached at [steve.peterson@us.ibm.com](mailto:steve.peterson@us.ibm.com).

Bruce Speechley is a global leader in the Travel and Transportation space at IBM Global Business Services. Bruce has been a trusted advisor to travel companies for over two decades and has extensive experience with cruise companies. Bruce is based in New York and can be reached at [bspeech@us.ibm.com](mailto:bspeech@us.ibm.com).

### **Contributors**

Aly Martinez-Aburto, Consultant, IBM, Business Analytics & Strategy; Leona Chao, Consultant, IBM, Business Analytics & Strategy; Sophie Hilliard-Arce, Consultant, IBM, Interactive Experience; Tess Glassman-Kauffman, Consultant, Business Analytics & Strategy.

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Somers, NY 10589

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