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TRAVELERS VS. TECH

FOSTERING A TRAVELER- CENTRIC APPROACH TO INNOVATION

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Allianz  Partners

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About this report

Travelers vs. Tech: Fostering a traveler-centric approach to innovation

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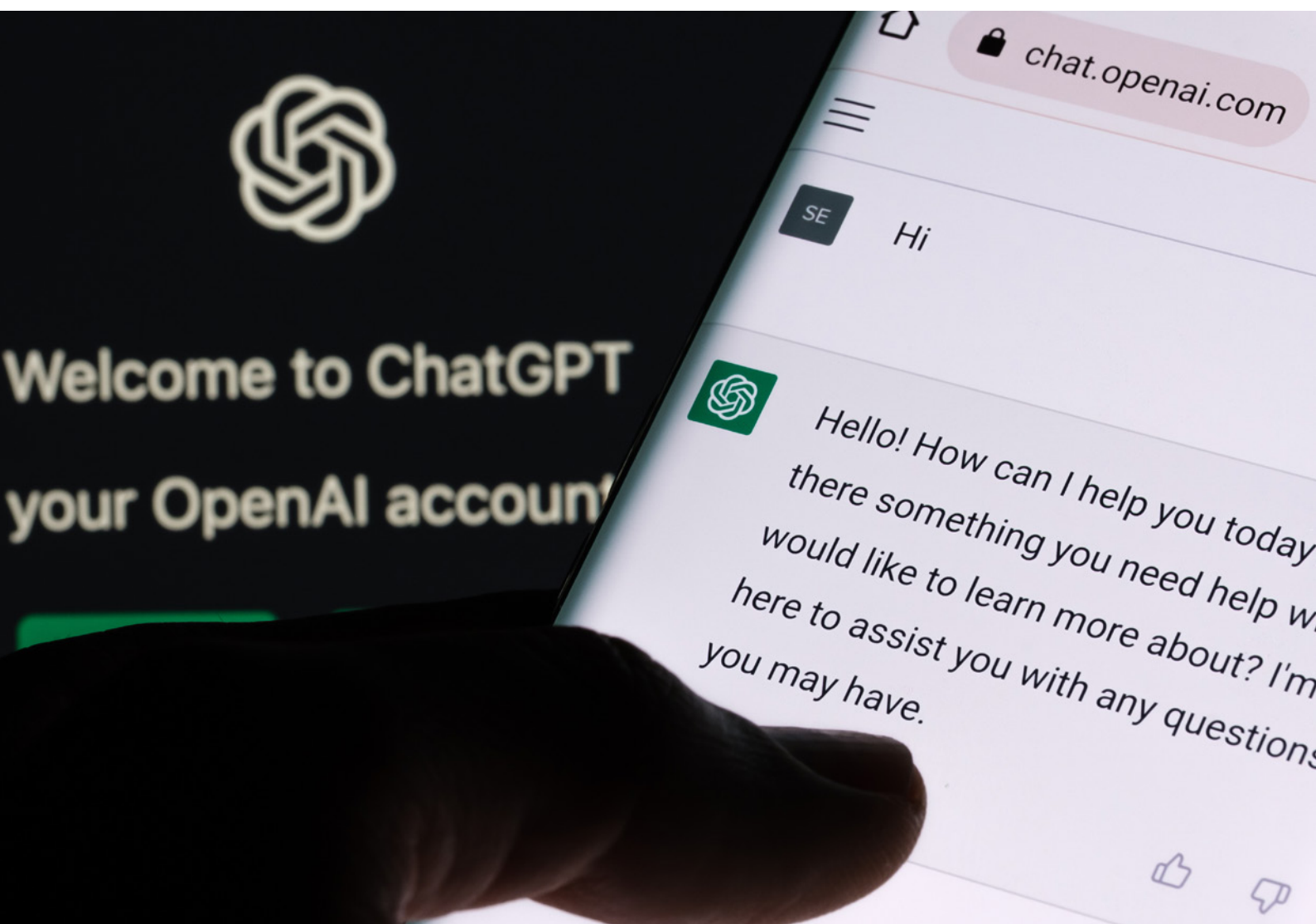
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Introduction

Emerging technology trends generate major buzz in the travel industry. From fintech hype to AI excitement following the launch of ChatGPT, the latest technology captures the imagination – and inspires scores of products and partnerships. But in the frenzy to innovate, it can be easy for travel companies to lose track of what matters most: the traveler. Technology has the potential to revolutionize the way people plan, book and experience travel, provided industry stakeholders base their strategies on improving the traveler experience. Travel is at its core a service industry – and innovation should be deployed in service to travelers.

This white paper provides a traveler-centric review of three key trends impacting travel: ChatGPT/AI travel assistants, fintech and the future of travel loyalty. Each of these is touted for its potential to improve the traveler experience – but some applications risk alienating travelers instead. The discussion below offers best practices for leveraging technology while keeping the human element at the forefront of innovation.



ChatGPT and AI-powered travel assistants

Since the advent of online travel, travelers have been compelled to format travel queries to meet the needs of computers. But artificial intelligence (AI) is now powering conversational interfaces that make it possible for travelers to instead use natural language when planning trips online. After years of speculation about the potential of AI, the launch of ChatGPT in November finally made its power tangible, dazzling consumers and pundits alike. It took ChatGPT, the chatbot from OpenAI, just two months to reach 100 million active users – making it the [fastest-growing consumer application](#) in history. While AI for years has been used to power personalization, navigation, search and advertising, to name a few, ChatGPT and other large language models are enabling a world of new possibilities.

ChatGPT and other generative AI models have many possible uses within and outside of the travel sphere. These tools excel at understanding and generating natural language, rapidly summarizing information and providing a response personalized to the user. They can

ChatGPT and other AI-powered chatbots are forms of generative AI, a set of algorithms capable of generating novel content based on patterns identified in the data a given model is trained on. ChatGPT is a chatbot built on top of OpenAI's Generative Pre-Trained Transformer (GPT) series of multimodal large language models. But while ChatGPT has stolen many of the headlines, it's not the only game in town. Microsoft (an OpenAI partner and investor) in February released an AI-powered version of its Bing search engine powered by ChatGPT technology; Google in March launched chatbot Bard, built on Google's large language model LaMDA (Language Model for

also generate and interpret computer code, sounds, visual media and more. The list of potential applications is hefty. Generative AI can be applied to content creation, marketing and ad campaigns, coding applications and business analysis, all of which could help to streamline operations and reduce costs.

For traveler-facing applications, generative AI could further increase personalization, power conversational approaches to itinerary planning and booking, provide immediate assistance to travelers around the clock, and enable translation and accessibility tools. But while this technology could impact every stage of the travel value chain, the central question is not whether AI can replace human interaction but whether it should, particularly in areas where empathy, understanding and critical thinking are required.

Current limitations of tools like ChatGPT include producing factually incorrect responses with the same confidence as correct ones and prejudice due to bias inherent

Dialogue Applications); and [numerous competitors](#) are vying for a piece of the generative AI pie.

Beyond natural language, generative AI models are emerging that are capable of various types of input and output (e.g., text, images, audio, video). For example, OpenAI's DALL-E and DALL-E 2 create images from text descriptions, and Google's Imagen produces images and video. Multimodal generative AI models combining multiple media types are on the horizon. These models could produce and respond to a range of rich media content.



in training data. Because these models are predictive and do not truly understand the concepts being discussed, they are unable to reason or empathize with travelers. As a result, there are many scenarios that could arise during the travel process where AI will likely fall short. The examples below illustrate some of the potential pitfalls.

Personalization: Generative AI is being touted as a game changer for personalization because it can create content tailored for an individual traveler in seconds. This content can be personalized based on the traveler's interests, preferences, travel history, trip context and real-time data. The potential applications are wide-reaching, including custom recommendations, guides, marketing and more. Beyond the dreaming and planning phase, personalized guidance and recommendations could be offered throughout the travel process.

But personalization shouldn't only be about mining traveler data to serve up and sell the right premium or ancillary offer. Some travelers, in some situations, will find value in a timely, well-targeted suggestion, but not all travelers will want to share their data or receive offers from AI. Personalization needs to begin with understanding the traveler and the trip context – and caring about the traveler's needs. Instead of focusing only on selling products, travel companies need to think in terms of the traveler experience – how can a travel brand relieve some of the stress of the travel process and instead offer ease and enjoyment? Without that empathy for the traveler, personalization is unlikely to hit the mark.

Travel insurance provider Allianz Partners understands how much traveler needs can vary from one customer to the next and even from one trip to the next. While data can flag a leisure trip versus a business trip, and AI can target the booking flow accordingly, these technical capabilities can only take personalization so far. "There is an innately human element needed for personalization – empathy and the ability to tell a relatable, easy-to-understand story that shows value to a consumer," says Tom Trotta, vice president, sales and partnerships for Allianz Partners USA.

Beyond the booking, human-centric personalization becomes even more critical. Products and services not only need to be targeted correctly – they need to actually deliver what travelers need when they need it most. "The importance of a personal touch can become most apparent with a product like travel insurance, when travelers in life-altering moments need help most and need answers fast," Trotta says.

Itinerary planning/booking: AI travel assistants can enable travelers to plan their trip using natural language, making it easier to convey specific needs and desires. Unlike the legacy shopping interface, an AI-based interface is designed around the traveler's communication preferences, rather than forcing the traveler to simplify their request to suit the search engine. As a result, itinerary suggestions can become much more detailed, potentially pulling in a range of travel products and



Enhanced customer support: AI chatbots can enhance customer support by providing immediate assistance to travelers around the clock. This application could help to reduce costs and provide faster service for travelers whose questions can be addressed by AI. Optimistically, an AI travel assistant could serve as a helpful companion during travel, assisting travelers as they navigate their journey and explore the destination.

Generative AI can help to power rich, on-demand service – but not every traveler will welcome AI interactions. When a traveler is tired of making decisions or doesn't feel confident in making the best decision, they should have the option to let AI take over. But no one should find themselves stuck talking to an AI bot when human assistance, empathy and situational awareness are what they need.

Imagine a traveler on his honeymoon whose passport and wallet have just been stolen. The traveler would likely be stressed and not appreciate having to spend time interacting with an AI travel assistant. If a traveler sustains an injury while hiking in the mountains, should they be stuck relying on the advice of AI? Without human oversight, the AI might instruct the traveler to climb down, for example, even if it isn't safe to do so. In addition to potentially offering bad advice, AI is unable to understand or empathize with the hiker's pain and sense of panic in the way a human helper would.

"Potentially flawed AI-driven results can't compare to what real people with real empathy working on active solutions can guarantee in situations like those," concludes Allianz's Trotta. Artificial intelligence simply can't be relied on for customer service in many of the real-life situations that can arise during travel. Despite the potential of AI, travel companies must not neglect those scenarios where human interaction remains essential. In a world where a growing number of services can be automated, travel loyalty may come down not to personalization – but providing personal service when travelers need it most.

As travel brands test the waters with ChatGPT-powered features, many travelers are already wary. According to a [recent survey](#), more than half of travelers (51%) worry their personal data won't be protected when using AI-powered travel tools and more than 8 in 10 (81%) would double-check any information provided before making decisions. The bottom line for any generative-AI travel initiatives: Proceed with caution.

powering end-to-end travel planning. Instead of scrolling through search results, responses are more tailored, potentially helping to drive conversion and reduce the look-to-book ratio. Expedia and Kayak were the first travel companies to create plugins with ChatGPT, and Expedia subsequently added ChatGPT to its own mobile app. [Other travel companies](#) have followed suit, with many more likely to come.

These early adopters, however, have been wise to test the waters before deeply integrating an AI-powered chatbot into the shopping interface. Travelers are likely to have privacy concerns, and while some will embrace AI, many – older travelers in particular – will not want to learn a new method of shopping for travel. Travelers are accustomed to having all the options at their fingertips and may not welcome having those options limited. In an effort to better target results, travel companies risk frustrating travelers if the choices returned aren't a good match. Travelers should always have the option to shop using their preferred method.

Fintech and the future of payments in travel

The pandemic era has made travelers more aware than ever of the potential for unexpected circumstances to impact their travel plans. From lockdowns and testing requirements to worker shortages and canceled flights, the past few years have been a turbulent time to be a traveler. As a result, travelers increasingly are looking to travel brands for updates and reassurance, and more travelers are seeking insurance and flexibility when planning travel. Some travel providers have looked to the world of fintech to address traveler challenges and generate ancillary revenue.

Fintech by any other name

Fintech has been one of the hottest buzzwords in travel in recent years, with travel companies labeling a growing range of products with the term. Simply, travel fintech is the application of financial technology to the travel industry and can refer to various financial solutions and digital tools applied to travel planning, booking and management. The term fintech has been applied to everything from travel flexibility/disruption products to mobile wallets, expense automation and blockchain. While some fintech products are truly innovative, others may take advantage of the trend to offer trendy versions of existing services.

Traveler protection

Global inflation and recent travel disruptions have increased travelers' desire for reassurance. When booking travel, travelers want to be assured that their investment is protected from unexpected changes, from price fluctuations to altered plans and cancellations. These needs have brought trip protection to the fore, and some travel companies are opting for the convenience of fintech products. Some of these products use predictive algorithms to anticipate price fluctuations and allow customers

to freeze prices for a set amount of time. Others allow travelers to cancel or modify their trips or promise to compensate travelers for supplier delays or cancellations.

When evaluating fintech partners, it is crucial for travel sellers to read the fine print and keep tabs on the traveler experience to ensure that partners and products are delivering the promised benefits. While travel insurance is highly regulated and offers a range of customer protections, newer fintech products have not received the same scrutiny from regulators. Because these tools can be integrated into the supplier website, travelers' experience with the products reflects directly on the supplier brand – not the fintech provider. It is crucial to keep tabs on the traveler experience to ensure that partners and products are delivering the promised benefits.

Payments

Travel fintech solutions focused on payments aim to streamline the payment process for travelers and may offer convenience, enhanced security and cost savings. When implementing them, however, travel companies should carefully weigh the pros and cons and understand how they may impact individual travelers.

Buy now, pay later (BNPL): Travel expenses are relatively high compared to other common purchases, with individual trips often costing hundreds or thousands of dollars. As a result, numerous travel companies have partnered with BNPL providers to offer travelers payment flexibility. These offers allow travelers to break up the cost of travel products and pay over time. This option can help to make travel accessible to a broader range of would-be explorers – but it also comes with potential risks.

While travel sellers receive an upfront payment from the BNPL provider, the arrangement can complicate matters

when a refund is needed. In some cases, travelers have been frustrated when the travel supplier directed them to the BNPL provider for a refund, rather than handling the matter themselves. This type of experience could reflect poorly on the travel brand. Additionally, while BNPL could make travelers more willing to purchase more expensive or ancillary products, a subset of customers who struggle with using credit responsibly could find themselves in financial trouble. Travelers may associate negative views of BNPL in general with the travel brand itself. Travel companies should keep track of regulatory changes related to BNPL and carefully vet potential BNPL partners.

Mobile wallets: Mobile wallets store a credit card, debit card or other payment details on a mobile device. These wallets also have the potential to store digital identity. This technology can be paired with contactless payments to eliminate the need to pull out a physical card and to streamline payments during travel. Because travelers may have a range of preferred mobile wallets (e.g., Apple Pay, Google Pay, PayPal, Venmo) travel companies have expanded payment options. For travelers, being able to use their preferred wallet can make trip planning and traveling more convenient, and potentially provide an easy way to pay when traveling internationally. For travelers who rely heavily on their mobile devices to pay when traveling, however, a lost phone could also mean a lost wallet, making it important for backup payment methods to be available.

While many mobile wallets are simply linked to the user's debit or credit card, some companies are experimenting with stored value and using closed-loop wallets in mobile apps. These practices are more common in Asia, where super apps (e.g., WeChat, Alipay) have gained traction, particularly in areas where many users do not use a traditional bank. AirAsia, for example, via its fintech unit, in 2022 added a wallet to its super app that allows users to reload and pay for products and services on the app while earning rewards. There is less incentive to use these types of payments in the West, but with western companies inside and outside of travel vying for super apps status – and consumers seeking alternatives to traditional banks – travel companies will need to follow mobile wallet trends closely. If more travel brands add closed loop mobile wallets for general payments or stored loyalty value, this trend could either help to strengthen traveler loyalty – or frustrate multi-brand travelers juggling multiple mobile wallets.

Reduced fees

Innovative fintech solutions, such as payment initiation service providers and blockchain-based decentralized finance (DeFi) systems, can help travelers avoid or reduce traditional banking fees, such as currency conversion and international transaction fees. These types of innovations are still emerging, but they have the potential to reduce the banking fees that have long challenged the travel sector. As with other fintech products, travel companies should follow regulatory changes and carefully evaluate potential partners with the traveler experience in mind.



The future of travel loyalty

Technologies like generative AI and fintech may power innovation, but decisions about which partnerships to form and which products and services to launch ultimately come down to loyalty. The end goal should be to create great travel experiences that cement the traveler relationship and build brand loyalty.

Travel companies have long sought ways to increase traveler loyalty, with suppliers and intermediaries all battling to keep their most valuable customers coming back for more. But travelers are notoriously fickle. Many participate in multiple loyalty programs in a single segment and price is paramount for many when making travel bookings. As customer expectations change, travel players are leveraging emerging technologies to design more personalized, engaging and rewarding loyalty programs that appeal to modern travelers. Below are some of the key trends shaping the travel loyalty programs of the future:

Cross-brand loyalty programs: Travel companies are partnering with complementary brands to forge a more flexible loyalty experience. Members can earn and redeem points across multiple brands, increasing the usefulness of rewards. This approach provides ways for travelers to earn points on purchases other than travel, which may happen only a few times per year. For example, [Marriott has partnered with Uber](#) so that Marriott Bonvoy members can earn points when riding with Uber or purchasing food via Uber Eats. Marriott also allows members to spend points on experiences like concerts or sporting events via its Marriott Bonvoy Moments program.

Many supplier loyalty programs are also using ancillary products to bring convenience and confidence to their most loyal members. For example, while airlines like Delta Air Lines have long offered travel protection, new types of products focused on inconveniences and loyalty points





purchases, as well as multi-trip options, are becoming more popular. But airlines aren't alone, other travel suppliers like Marriott are realizing the potential of these products to help drive loyalty and customer value too – giving guests additional flexibility beyond just the hotel stay.

Allianz Partners believes longstanding partnerships are a key to innovation. The company, which works with many leading travel brands, emphasizes the importance of working with trusted partners to foster a customer-centric approach. According to Trotta, “These partnerships allow us to push each other to develop the next ‘first to’ innovation and answer the important questions: How do we make it easier to use and solve more problems for travelers?”

Partnerships and credit cards: Travel companies are partnering with financial institutions to offer multiple types of travel credit cards, such as Expedia Group's recent partnership with Mastercard that enables cardholders to redeem credit card loyalty points for travel bookings made through Expedia. Supplier-branded cards are linked to loyalty programs and allow users to earn miles or points in the supplier's loyalty program. Travel redemption cards are more flexible and are particularly popular among younger travelers. These cards are not tied to a single travel brand but still reward travel purchases and offer

cross-brand travel redemption options as well as perks like lounge access.

Self-sovereign identity (SSI): SSI aims to provide a decentralized model for digital identity, enabling individuals – rather than a hodgepodge of third parties – to own and control their digital identity. While this technology is still emerging, it will enable travelers to control which information to share with individual vendors. SSI can create new opportunities for travel planning and loyalty as information, with the travelers' permission, can be shared seamlessly across travel providers. For travel brands, the technology will create new opportunities for cross-brand loyalty models. Those new models, however, could create customer service complications. If a traveler has a question or problem with a specific product, it may be difficult for them to know who to contact for help. Travel brands should consider how cross-brand partnerships could impact their relationship with the traveler and find ways to ensure travelers are protected throughout their journey.

End-to-end travel services: Ancillary services have been key to unlocking new revenue streams for travel suppliers, and a push to provide end-to-end travel services is a natural extension of that. While cross-brand loyalty programs are already underway, loyalty programs have the potential to further expand these partnerships to connect the dots throughout the travel experience, potentially including

various types of transportation, accommodation, tours and activities, dining, entertainment, insurance and more. Integrated into a super app, cross-brand loyalty programs could be an even more impactful way of providing travelers with a connected travel experience.

Blockchain-based tokens: Pushing the concept of loyalty points into the future, blockchain technology is providing a new way for travel brands to reward travelers. While blockchain-based loyalty programs are in their infancy, the approach provides loyalty rewards in the form of tokens recorded on the blockchain. The tokens can typically be used across participating loyalty programs and may be transferred to or traded with others.

Personalization: A range of technologies, from Big Data to AI, will enable more and better personalization. Travel loyalty programs will leverage these technologies to offer more personalized rewards and experiences that are tailored to travelers' individual preferences.

The evolution of travel loyalty programs to reduce pain points and give travelers more of what they want will benefit travelers and travel companies alike. But to implement the right technology tools and forge the most beneficial partnerships, travel brands must keep their customers front-of-mind.

Travel players should seek a better understanding of the traveler's experience and design loyalty programs to find ways to improve that experience throughout the planning and travel process. Because travelers have a broad range of preferences when it comes to their loyalty programs, a one-size-fits-all approach is unlikely to satisfy: Flexibility and personalization will be key to delivering those delightful travel moments that are suited to each customer. It is tempting to reduce travel loyalty to a simple transaction of points and miles, but loyalty programs are really about value and brand trust. Superior service and a memorable travel experience are what really keep travelers coming back for more.



Conclusion

These emerging technologies will power a broad range of innovations in travel and tourism, pushing our industry into the future. As we navigate the latest trends, it is crucial to assess how potential applications and partnerships will impact travelers. Generative AI, fintech and other technologies that impact travel loyalty may streamline operations or reduce costs in the short term, but if travel companies implement new products or services that ultimately disappoint or frustrate travelers, those short-term gains will not be worth the loss of trust.

None of these technologies is strictly good or bad for travel. What matters is how and when each technology is implemented, which partners travel brands trust to serve their customers and how these choices affect the traveler journey.

Travel companies that are guided by empathy for travelers and the travel experience will be better able to strike the right balance between technology and the human touch. Putting travelers at the center of innovation will ensure that new products and services surprise and delight travelers, rather than alienate them. By supporting and valuing travelers in every stage of travel, travel stakeholders can leverage technology and innovation to deliver superior service and an unforgettable travel experience.





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