

Relevance Is The Key To Unlocking Sustainable Growth In Travel

How Ancillary Revenue Strategies That Prioritize Customer Value Lead To Long-Term, Profitable Growth

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Executive Summary

Travel companies rely on ancillary revenue to drive business growth, and leaders predict that ancillary sources will increase by more than one-third to 36% of total revenue over the next three years. However, travel leaders must understand that creating sustainable, profitable ancillary revenue strategies requires aligning revenue growth to customer experience (CX). Furthermore, providing customers with convenience and simplicity as they pursue their travel goals leads to its own economic benefits for organizations. Relevance is the key to unlocking ancillary revenue strategies that pursue revenue growth and customer obsession as two complementary, not competing, strategies.

In August 2024, Rokt commissioned Forrester Consulting to evaluate the state of ancillary revenue strategies among travel companies. Forrester conducted an online survey of 424 respondents at travel companies in North America and the UK to explore this topic. We found that organizations are best positioned to reap the rewards of best-in-class ancillary revenue strategies when they harness data and insights to deliver more relevant cross-sell and upsell offers and reduce friction at checkout.

Relevance is defined as an organization's ability to deliver tangible benefits to customers in the messaging, content, and imagery it presents.

Key Findings

Ancillary revenue offers a huge opportunity for travel firms. Travel leaders say more than 25% of total revenue comes from ancillary sources today; this share will grow greatly over the next three years. Ancillary revenue is also profitable, as it doesn't require great operational expense to achieve.

Travel companies must create highly relevant customer experiences to gain ongoing benefits. Indiscriminate cross-sell/upsell offers hurt customers' experiences and put bookings and relationships at risk. Relevance and value are key to balancing revenue and CX objectives and building viable long-term revenue and profit growth.

Low-relevance strategies result in customer and revenue problems.

Cross-sell and upsell offers that lack relevance degrade customer satisfaction, lead to missed chances to serve customers, and ultimately lead to lost revenue. But too few firms focus on improving booking flows, and few deliver offers after purchase confirmation, risking customer dissatisfaction and original purchase abandonment.

Most travel companies need partner support to drive growth, profitability, and relevance. Few respondents have the right tech, data, and partnership expertise to deliver highly relevant cross-sell/upsell offers. Respondents want tech providers that also offer strategic or managed services support to optimize their strategies. Partners with AI/ML expertise can help fast-track this improvement.

Relevance Is The Key To Sustainable, Profitable Growth

Travel leaders must find every opportunity to win, serve, and retain customers while capturing a higher share of each consumer's spend. At the same time, organizations that want to build *sustainable* growth strategies can't just rush headlong into upselling and cross-selling to customers as much as possible: Customers have too many options, their journeys are too nuanced, and their patience with digital experiences is too thin to expect success from outdated strategies built purely to extract value from buyers.¹

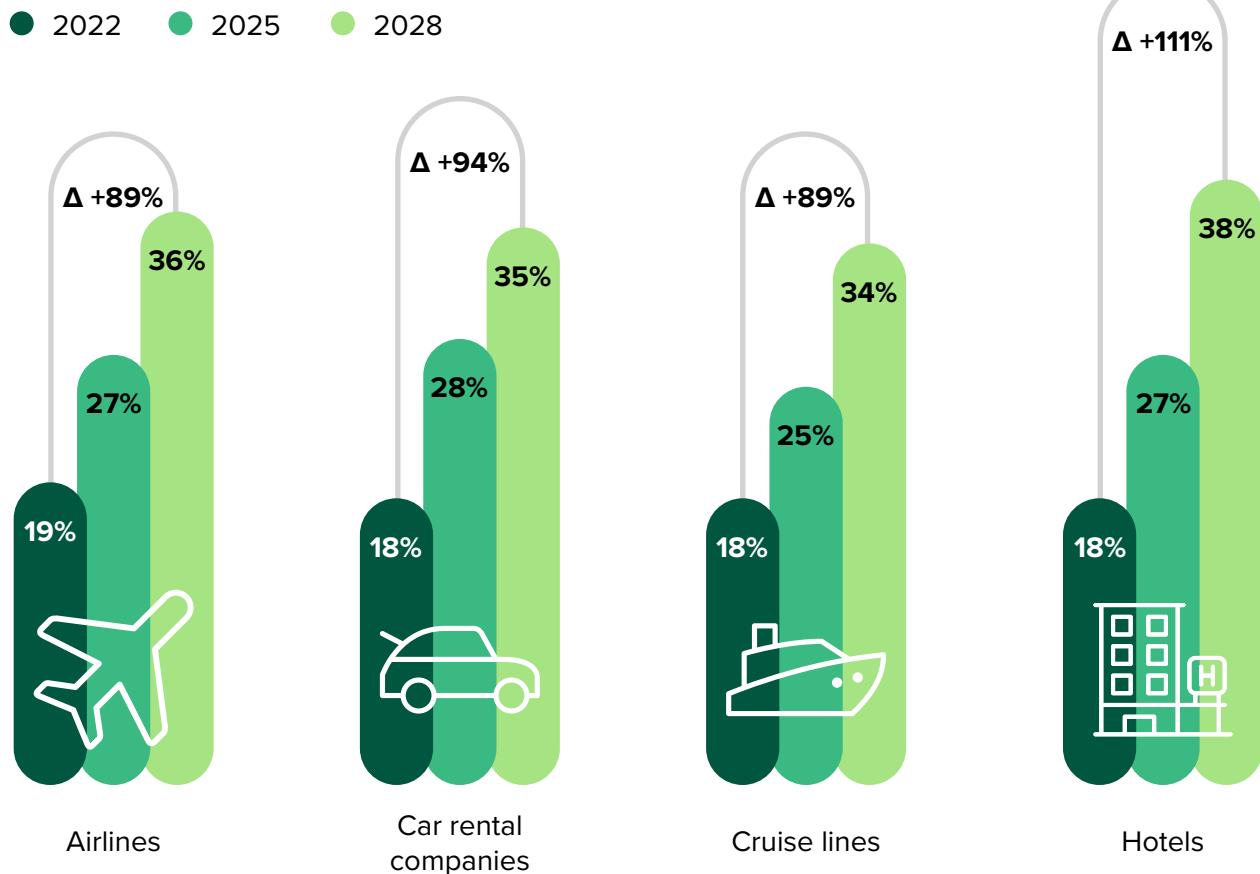
The leaders in our study understand these stakes. They observed that:

- **Ancillary revenue is a strategically important and growing opportunity.** According to all respondents, travel companies drove approximately 19% of their overall revenue from ancillary sources in 2022. This has risen to 27% today — an increase of 42%. Leaders expect it to keep growing and account for more than one-third of their company's overall returns by 2027 — a massive 89% boost from 2021. Among travel verticals, respondents representing hotels predict the largest gains across this time, with an increase of 111%; car rental respondents anticipate a 94% increase; and those at airlines and cruise companies expect an increase of 89% (see Figure 1). Ancillary revenue is often more profitable for companies because it allows them to generate additional income from customers without significantly increasing operational costs.

Winning ancillary revenue strategies must be based on creating and exchanging customer value, not just extracting it.

FIGURE 1

Ancillary Revenue Continues To Expand As A Portion Of Overall Revenue For Travel Companies



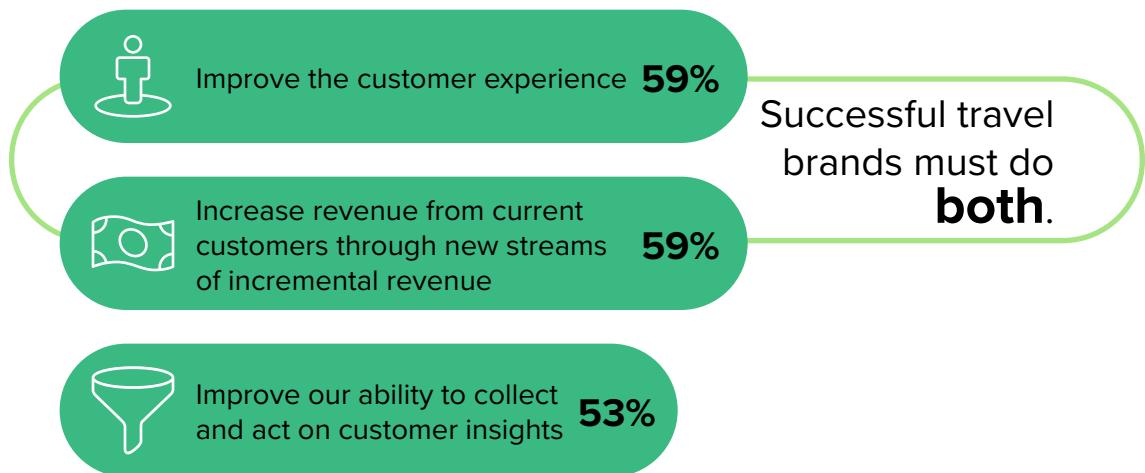
Base: 424 travel ancillary revenue decision-makers in North America and the UK

Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

- **They must temper growth with customer obsession to build long-term value.** Travel leaders are under pressure to deliver revenue to their organizations where they can find it, but realize these gains can't come at the expense of CX. When asked about their key goals for the year, 59% selected driving incremental revenue, and the same share chose improving CX — so this isn't an either/or proposition (see Figure 2). Additionally, 63% agreed that it's critical to balance maximizing ancillary revenue with keeping customers' needs firmly in mind; meeting those needs will drive further revenue gains.

FIGURE 2

“Which of the following are key goals for your organization over the next 12 months?”



Base: 424 travel ancillary revenue decision-makers in North America and the UK

Note: Multiple responses accepted

Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

RELEVANCE IS THE KEYSTONE OF A BALANCED ANCILLARY REVENUE STRATEGY

If travel organizations must blend the revenue opportunity with a focus on customer obsession to succeed, then relevance is the key to striking this balance. Organizations achieve relevance when they deliver tangible value to consumers via the messaging, content, and imagery they show them. Relevance is driven by a deep understanding of a customer's context, goals, and preferences that govern their decisions and buying behavior. It helps ensure that offers align to a customer's needs and interests and are delivered at the right point on their journey.

Sixty-five percent of respondents agreed that relevant cross-sell and upsell offers are crucial to their organization's success. The same percentage stated that customers are more likely to engage with offers that align with their needs. Since more than half of respondents' organizations present cross-sell/upsell offers at three or more stages of the buying journey, relevance can often make the difference between supporting customers' goals and inundating them with distracting, self-serving offers that negatively impact conversion and hurt relationships in the long term.

You can achieve relevance by delivering tangible value to your customers via the messaging, content, and imagery you show them.

Many Organizations Struggle To Create Hyper-Relevant Customer Experiences

It's encouraging that leaders recognize the significance of relevance in balancing revenue and CX opportunities. However, travel organizations (along with most other industries) struggle to harness an expanding mountain of customer data to create relevant, frictionless cross-sell/upsell experiences that blend into task-oriented buying journeys.²

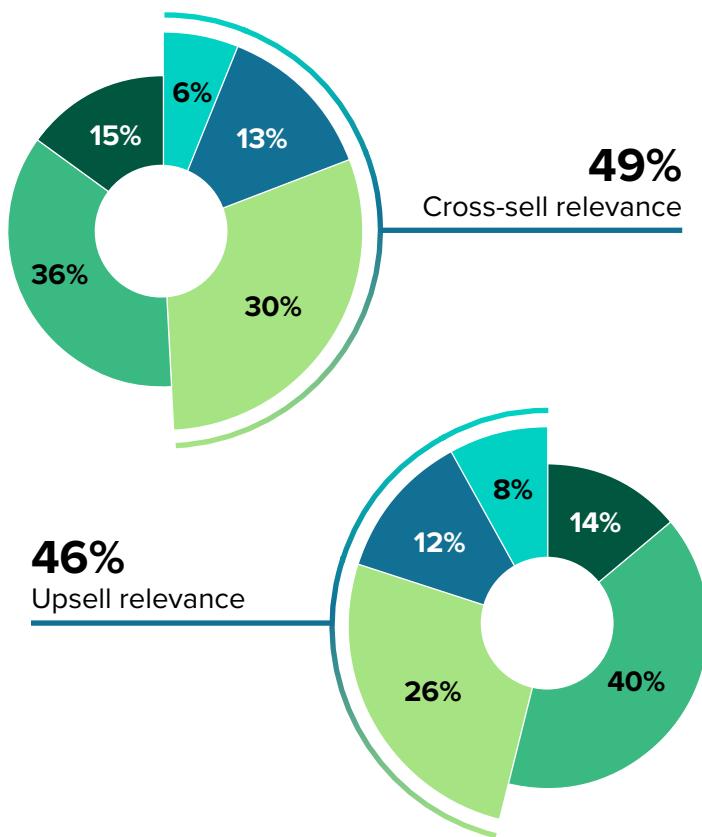
Leaders' most common struggles with presenting frictionless and relevant offers can be broken out into two main categories:

- **Uneven, inaccurate personalization.** Just 26% of travel leaders reported that their organization offers individualized, one-to-one personalization today. Forrester has previously found that many industries struggle to manage customer identity and data and then translate them into personalized, relevant experiences.³ Personalization is a key way for organizations to deliver relevant moments across the customer lifecycle, demonstrating they understand customers' needs and are responding to make it easier for them to achieve their goals.⁴
- **Problems leveraging insights to create relevant cross-sell and upsell experiences.** Nearly half of respondents also said they are improving, building, or just learning how to position relevant cross-sell/upsell offers to customers (see Figure 3). The problem is that less relevant offers deliver lower perceived value to customers — and value is the key driver of consumers' perception of their experiences. That's one of many reasons customer-obsessed firms experience the highest revenue growth, fastest profit growth, and best customer retention among their peers.⁵

FIGURE 3

“How effective is your organization at positioning relevant upsell/cross-sell offers to customers today?”

- **World-class:** We are currently better than our competitors at delivering highly relevant CX
- **Optimizing:** We are fine-tuning to maximize success
- **Improving:** We are evaluating the program and seeking ways to improve it
- **Building:** We are actively pursuing a program
- **Learning:** We are just starting



Base: 424 travel ancillary revenue decision-makers in North America and the UK
Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

LEADERS FACE MULTIPLE CHALLENGES IN GETTING THEIR ANCILLARY REVENUE STRATEGIES RIGHT

Organizations must contend with challenges on several fronts when operationalizing relevant ancillary revenue strategies. Every respondent in our study said their organization faced at least one challenge with their strategies, and the average respondent said they faced four. Leading challenges include:

- **Adopting technology that delivers relevance.** One-third of respondents said they struggle to adopt technology that can optimize or help them innovate their approach to ancillary revenue.
- **Overcoming creative challenges.** Thirty-three percent of respondents said they struggle to solve creative challenges, including hiring effective content creators and properly testing creative before it goes live. This

has obvious implications for the quality of the CX that organizations can deliver through offers. It also reflects a push in 2024 across industries to hire skills in creative capabilities and content production, placing these resources in demand.⁶

- **Finding high-quality partners to include in ancillary revenue programs.** Thirty-one percent of respondents said finding high-quality partners to work with is a challenge for their organization. It's important for travel organizations to position partner offers that enable customers to conveniently complete actions related to their travel objectives. But not many companies can claim to provide a comprehensive range of products and services that can fully meet all consumers' needs. At the same time, travel leaders generally lack the skills to select, monitor, and replace ecosystem partners, and many lack the time and resources to do so on their own.⁷ Partner networks enable firms to extend value across a range of partner organizations relevant to the customer.

UNRESOLVED CHALLENGES UNDERMINE KEY BUSINESS GOALS

Leaders face diverse and pervasive challenges in optimizing their ancillary revenue programs, and these challenges can hamper organizations' progress toward the key revenue and CX goals they've set. Every respondent said that their challenges would lead to at least one negative consequence for their organization; on average, they selected three.

Forty-two percent of respondents — the largest share — said that unresolved ancillary revenue challenges would lead to irrelevant offers that could damage CX and lower customer satisfaction, harming their customer relationships; 39% said they would miss opportunities to drive ancillary revenue; and 38% said they would be unable to help customers achieve their travel booking goals as easily as possible, as they would be unable to reduce friction in buyer journeys. These outcomes align directly to the key goals that travel leaders are working toward this year (see Figure 4).

While no implementation will ever be free of challenges, the benefits of ensuring your ancillary revenue strategy fosters and delivers customer value make it worth setting your sights on a balanced approach.

FIGURE 4

“What are the consequences of the challenges your organization faces with its ancillary revenue strategy?”



Base: 424 travel ancillary revenue decision-makers in North America and the UK

Note: Multiple responses accepted.

Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

Customer Insights And Value Should Power Ancillary Revenue Strategies

It can be tempting to think of optimizing ancillary revenue programs only in terms of the end results: more satisfied customers and greater ancillary revenue. While those are the outcomes of balanced strategies, it's important to note that they are often driven by less attention-grabbing improvements. Study respondents were in danger of overlooking these foundational capabilities. For example:

- **Just 24% said they're focusing on improving the booking flow in their customers' experience.** Failing to optimize the booking flow risks creating friction not just for those offers but for the original booking as well. Compounding this challenge, just 34% of respondents said they position offers after the purchase confirmation, which means they're more likely to generate friction during the high-risk, prepurchase stages of the buying journey.
- **Only 25% said they're developing or using AI capabilities that will help identify relevant offers.** AI and ML capabilities provide companies with the ability to identify the most relevant offers at scale and in real time across their customer profiles. Leaders recognize the potential here, too: 60% said that using AI capabilities would have a somewhat or significant positive revenue impact on their organization — yet many require significant support to implement effective programs.
- **Just 26% said they're planning to invest in better data management.** Data and customer insights are the fuel of relevance. Without a clear understanding of customers' context, needs, and expectations, organizations are stuck with scattershot approaches to providing relevant ancillary opportunities, greatly increasing the risk of making ineffective offers and damaging customer sentiment. It's critical to start with a foundation of data management: Customer data platforms help by efficiently managing a consolidated source of customer data to reduce

time, cost, and resource consumption and provide high-quality customer data that enhances targeting, personalization, and reach to improve marketing performance.⁸

Forrester advises leaders to create sustainable growth by remaining customer-led; their organizations will succeed by leveraging their understanding of customer needs to deliver (and therefore reap) genuine value.⁹ We define value here as both the way in which an offer meets a customer's needs and the manner in and time at which it is presented. Value to the customer involves delivering relevant offers and empowering them to pursue their goals more easily.

Respondents realize they still have an opportunity to improve not just their offers but also where and when they present them to customers. More than 60% told us that customers have a better experience when checkout flows are customized at a one-to-one level, and 63% believed that simplifying the booking flow for customers would have a somewhat or significant revenue impact for their company — making it that much more puzzling that more than 75% aren't planning to invest in this area this year.

That said, simplifying the booking flow doesn't simply mean removing things of value to the customer. It can be tempting to overcorrect when aiming for simplification, but you should focus on delivering the specific value your customer needs from you in the moment, based on your understanding of their context.

Too few travel organizations position offers in the low-risk, post-purchase stages of customers' buying journeys.

Balanced Ancillary Revenue Approaches Deliver Broad-Based Benefits

Earlier, we described how respondents see ancillary revenue and CX goals as equally important to their organization this year. This is wise, not just because organizations are unlikely to realize sustainable revenue growth without a commitment to CX but also because CX gains are net revenue positive. Forrester has been tracking the capabilities and outcomes of improved customer experiences for years. In the most recent study, Forrester found that a 1-point improvement in a firm's CX Index™ score translates to nearly \$216 million in annual incremental revenue for an airline — and between \$145 million and \$373 million for a hotel chain, depending on its market segmentation (see Figure 5).¹⁰

FIGURE 5

Revenue Impact Of A 1-Point Improvement In CX Index™ Score

	Annual incremental revenue per customer ¹	x	Average number of customers per company ²	=	Annual incremental revenue per company
 Auto manufacturers (mass market)	\$68.91	x	18 million	=	\$1.2 billion
 Retailers (general retail)	\$6.34	x	100 million	=	\$634 million
 Hotels (upscale)	\$8.47	x	44 million	=	\$373 million
 Auto/home insurers	\$20.30	x	18 million	=	\$365 million
 Airlines	\$5.40	x	40 million	=	\$216 million
 Hotels (midscale)	\$4.84	x	30 million	=	\$145 million
 Banks (multichannel)	\$7.65	x	15 million	=	\$115 million
 Banks (direct)	\$9.01	x	10 million	=	\$90 million
 Auto manufacturers (luxury)	\$128.50	x	350,000	=	\$45 million
 Credit card issuers	\$0.62	x	60 million	=	\$37 million

¹ The effect on revenue potential of increasing CX Index scores by 1 point from the average score of the largest brands in the industry. Curves for individual brands differ from that of their industry. For brands without a linear relationship between CX and revenue, the revenue effect of improving CX by 1 point will vary greatly depending on the CX Index score that serves as the starting point for this analysis.

² The number of customers represents that of a big player in the industry based on data from Forrester's Consumer Technographics® surveys, Forrester analysts, and publicly available industry sources.

Base: 96,134 US online consumers (18+) who interacted with a specific brand within the past 12 months

Source: Forrester's Customer Experience Benchmark Survey, US Consumers, 2023

The benefits of striking the right balance don't end with revenue, however. Study respondents who had invested in improving their ancillary revenue strategies told us their approach helped them identify and remove ineffective partners, boost their competitive position in a crowded market, and drive better customer satisfaction and CX, as well as boosting revenue performance (see Figure 6).

MOST TRAVEL ORGANIZATIONS WILL NEED TOOLS AND STRATEGIC SUPPORT TO OPTIMIZE RELEVANCE

Establishing the right technology, data, and partnerships to deliver the greatest relevance possible is no easy task. This is especially true given increasingly complicated and fragmented customer journeys, which require organizations to apply a deep understanding of customer needs and expectations to deliver the right offer in the right channel at the right moment. When it comes to executing ancillary revenue strategies, Forrester has found that very few organizations have the resources, executive buy-in, or internal IT talent even to develop a best-in-class partnership network.¹¹ This is a focus area for leaders as they work to optimize the relevance of their ancillary revenue strategies. Most will require third-party support to succeed — and given the multiple data, technology, and partnership aspects that need to align for success, that support often involves more than just additional tools.

When asked what capabilities would be most important in an e-commerce monetization partner, respondents were most likely to select the availability of strategic or managed services support. Next came the AI/ML capabilities that could help them deliver more relevant offers to customers, followed closely by technology providers with an effective network of relevant partners (see Figure 7).

FIGURE 6

“Which of the following benefits has your organization realized from its ancillary revenue strategy?”

61%



Better ability to identify and remove ineffective partnerships

57%



Better competitive advantage

57%



Better customer satisfaction/improved customer experience

56%



Increased revenue/better revenue performance

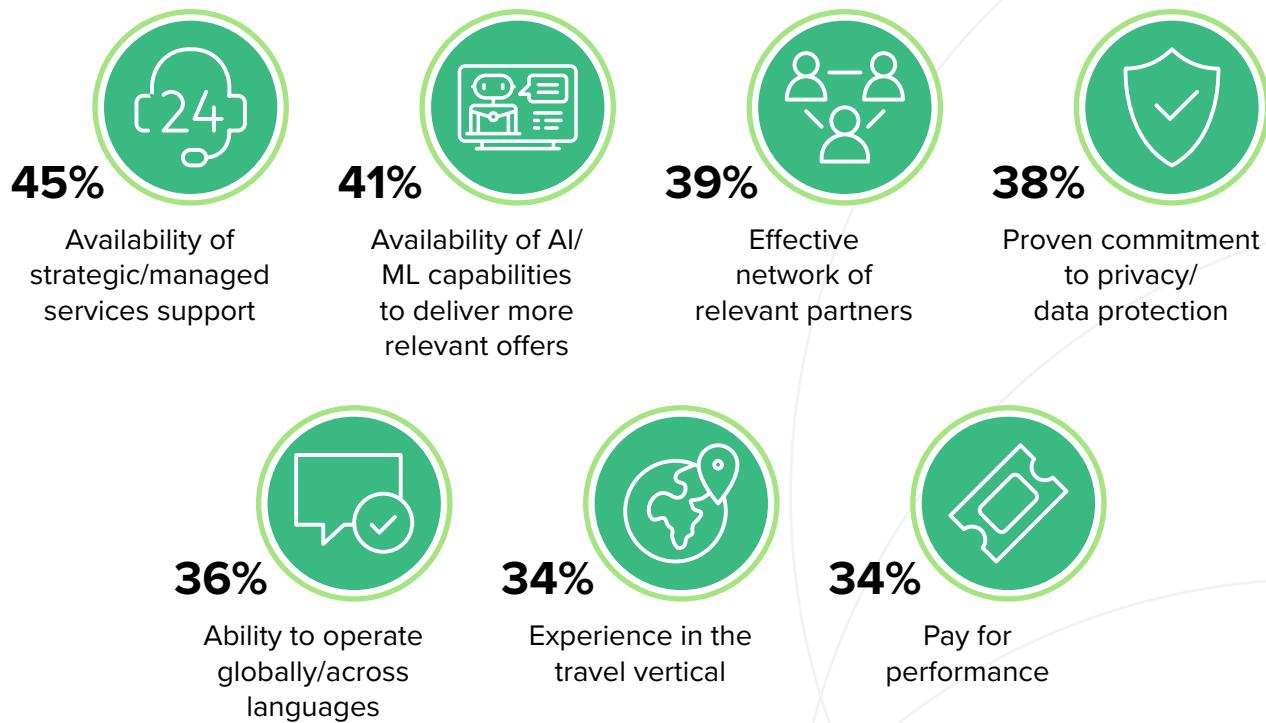
Base: 159 travel ancillary revenue decision-makers in North America and the UK who have invested in improving ancillary revenue strategies

Note: Multiple responses selected.

Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

FIGURE 7

“Which of the following capabilities are most important for an e-commerce monetization technology partner to have?”



Base: 424 travel ancillary revenue decision-makers in North America and the UK

Note: Multiple responses accepted

Source: Forrester's Q3 2024 Revenue Diversification Survey [E-61361]

Key Recommendations

Forrester's in-depth survey of travel leaders about their ancillary revenue strategies yielded several important recommendations.

Culture: Align ancillary revenue strategies to customer obsession. Ensuring that customer needs and value guide decision-making across the enterprise is core to all customer-centric business strategies, and ancillary revenue is no exception. You need to understand that customer centricity keeps long-term growth on track while supplying shorter-term growth opportunities. You must make sure that you put the customer first when deciding how to optimize your ancillary revenue strategies.

Strategy: Harness data to better understand customers' needs and respond accordingly. Relevance is a critical operational outcome of understanding customers better and prioritizing customer value in every interaction. Starting with a solid base of what your customers need, expect, and are trying to accomplish not only leads to more relevant (and effective) cross-sell/upsell offers but also delivers a better experience via offers that directly speak to your understanding of those needs and expectations as well as support customers' ability to achieve their travel goals.

Vendor support: Arrange support in delivering valuable, relevant cross-sell and upsell experiences. Organizations show a growing desire to tune their AI and ML capabilities to improve the relevance of cross-sell/upsell offers, but most will struggle to do this on their own. Effective ancillary strategies also require activating deep customer insights to ensure relevance, and most companies will need high-quality partner networks to offer up relevant and impactful offers to customers. Ensure you work with partners that help uncover insights into your customers' needs and expectations, improve your booking or checkout flows, and offer high-quality, proactive partnership management and other managed services to deliver the most relevant experiences for your customers. Evaluate your vendors across data/insights, tooling, partner management, and strategic support for the best results.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 424 travel decision-makers at organizations in North America and the UK to evaluate the state of their ancillary revenue strategies. Survey participants included decision-makers in revenue operations, product, customer/digital experience, marketing, and loyalty roles. Questions provided to the participants asked about the current state of, challenges with, and opportunities associated with ancillary revenue programs at their companies. Respondents were offered a small incentive as a thank-you for time spent on the survey. The study began in August 2024 and was completed in August 2024.

Appendix B: Demographics

COUNTRIES	
US	67%
UK	23%
Canada	9%

TRAVEL SUBVERTICAL	
Airline	56%
Hotel	17%
Cruise line	17%
Car rental	10%

COMPANY SIZE (EMPLOYEES)	
1,000 to 4,999	9%
5,000 to 9,999	30%
10,000 to 19,999	34%
20,000+	26%

DEPARTMENT	
Revenue operations	21%
Product	18%
CX/DX	17%
E-commerce	16%
Marketing	15%
Loyalty programs	14%

Note: Percentages may not total 100 due to rounding.

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

[Grow Faster With Outcome-Based Digital Experiences](#), Forrester Research, Inc., June 7, 2024

[The Intelligent Approach To Growth](#), Forrester Research, Inc., October 19, 2023

[How Customer Experience Drives Business Growth, 2023](#), Forrester Research, Inc., October 13, 2023

[Eight Actions To Grow Your Retail Media Network](#), Forrester Research, Inc., October 31, 2023

Appendix D: Endnotes

¹Source: [The Intelligent Approach To Growth](#), Forrester Research, Inc., October 19, 2023.

²Source: [Grow Faster With Outcome-Based Digital Experiences](#), Forrester Research, Inc., June 7, 2024.

³Source: [2024 B2C Marketing Challenges And Priorities](#), Forrester Research, Inc., May 31, 2024.

⁴Source: [A Strategy Guide To Consumer Personalization](#), Forrester Research, Inc., November 10, 2022.

⁵Source: [The State Of Customer Obsession, 2024](#), Forrester Research, Inc., May 6, 2024.

⁶Source: [2024 B2C Marketing Challenges And Priorities](#), Forrester Research, Inc., May 31, 2024.

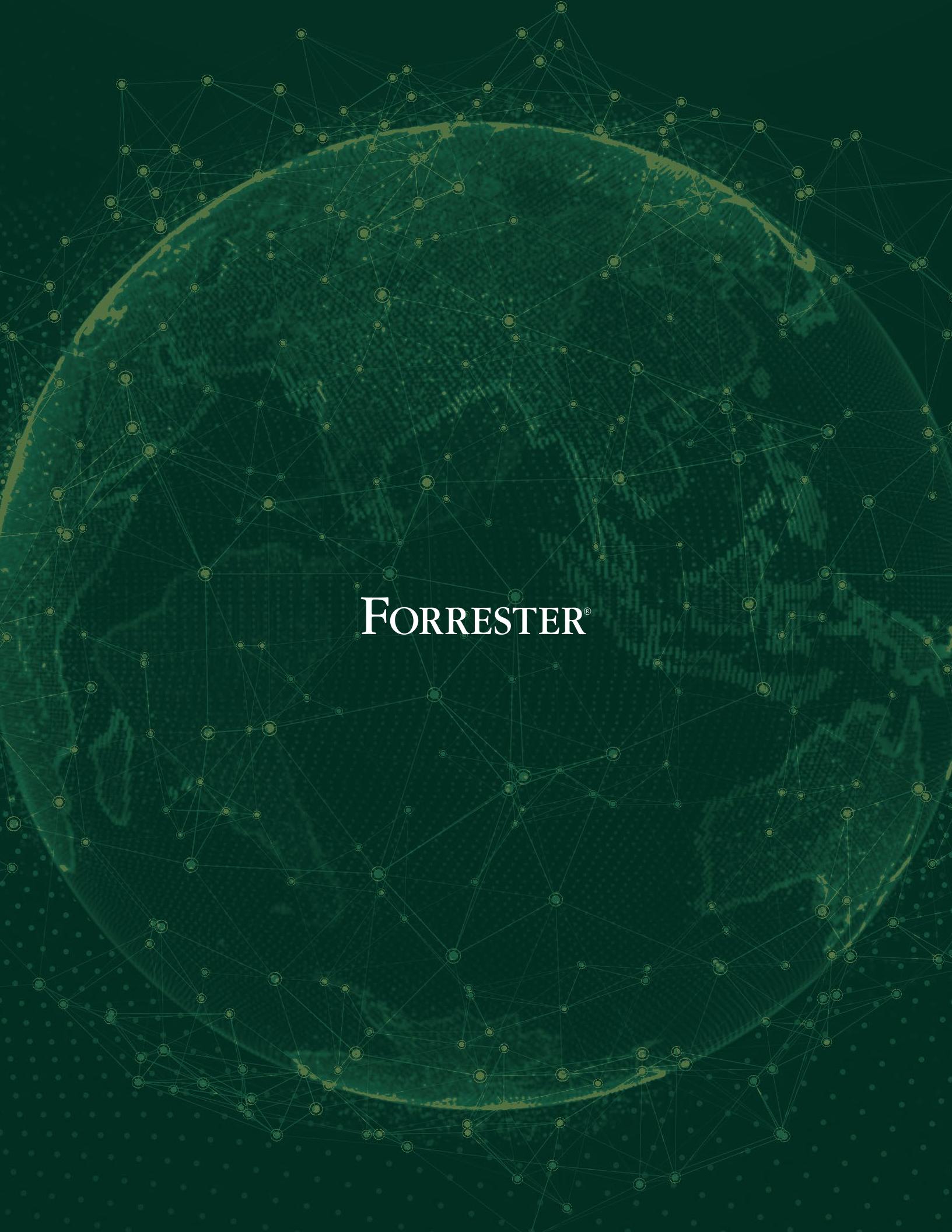
⁷Source: [Grow Faster With Outcome-Based Digital Experiences](#), Forrester Research, Inc., June 7, 2024.

⁸Source: [The Customer Data Platforms For B2C Landscape, Q1 2024](#), Forrester Research, Inc., January 24, 2024.

⁹Source: [The Intelligent Approach To Growth](#), Forrester Research, Inc., October 19, 2023.

¹⁰Source: [How Customer Experience Drives Business Growth, 2023](#), Forrester Research, Inc., October 13, 2023.

¹¹Source: [Eight Actions To Grow Your Retail Media Network](#), Forrester Research, Inc., October 31, 2023.



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