

Self-service future or fad?

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About the Author

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He writes for The Times newspaper and has a monthly business travel column in Director, the magazine of the Institute of Directors. These days, he also writes regularly for most of the leading business travel publications, including Business Travel World and Business Traveller. He was named best writer on technology in the inaugural Carlson Wagonlit Business Travel Journalism Awards in 2004.

About this paper

This paper is the result of extensive research carried out between June and October 2005. Over this period, the author conducted in-depth interviews with members of senior management from Amadeus, the Association of Corporate Travel Executives (ACTE), bmi, BTI, Delta Airlines, the International Air Transport Association (IATA), ICLP Loyalty, Nordea, SAP, TQ3 and Amadeus.

Foreword

Travel has the potential to become one of the biggest, if not the biggest, self-service market in the world. The World Travel and Tourism Council estimates that the sector will generate US\$6.3 trillion of economic activity worldwide every year. Although this figure is dwarfed by the global retail sector, the benefits of implementing self-service in travel are potentially much greater.

While the purchase of a CD or book involves a small number of simple interactions between the retailer and customer, potentially as few as one, the booking of a holiday or business trip can involve a huge number of points of contact, from checking schedules and booking, to checking-in and making an expense claim. All these points of contact have the potential to be handled in a self-service environment.

Yet for travel to achieve its full potential, firms in the sector are going to need to learn lessons from those companies that have already implemented self-service with great success, such as online book and music retailers; banks and the select few in the travel industry that excel at empowering users.

The trend for doing it yourself is on the verge of moving from something that a small but significant proportion of travellers do, to something that the vast majority will do. In the next few years, self-service technology promises advances that will bring it to the centre stage of the travel experience.

Self-service technology will give travellers a richer shopping experience and guide them to make more informed choices, allowing them to choose the elements of a holiday or business trip that they really want. They will be able to select online those additional items, such as lounge access, upgrades to premium class and preferred seating that will tailor their travel experience to their particular preferences.

They will also be able to look and book from an increasingly broad range of technologies, giving them unprecedented access to their travel plans – at any time of the day or night and wherever they are in the world.

For implementers such as airlines, hoteliers and travel agencies, self-service technology can certainly help in reducing costs. It has been seen that business and leisure customers who interact regularly on websites, increase their usage, transact more over time, leading to greater loyalty and higher revenues.

It will also allow them an unequalled insight into the shopping habits of their customers. Although existing relationships can say a lot about customers, self-service technology has the ability to track them tirelessly and tweak the interaction subtly and virtually instantaneously provides the sort of one-to-one marketing that companies have dreamed of for years.

With such a finely tuned experience for every customer, the artificial barriers that separate business travellers from leisure travellers will tumble down.

With all the data and technology on offer, there is an opportunity to allow us unlimited choice in assembling our travel packages. However, good retailing is about guiding customers to the most relevant subset of choices to meet their needs. Successful self-service will do this and create a win-win situation for travel suppliers and their customers. We should not be afraid to embrace it.

Ian Wheeler, Vice President, Marketing, Amadeus

Executive Summary

Self-service technology is one of the biggest agents of change ever to have influenced the travel industry. It has changed how existing companies in the sector do business and has enabled the creation of new types of business, such as no-frills airlines and internet travel management companies. People now do not think twice about booking air tickets and hotel rooms online and are beginning to want to do even more themselves, such as express a preference for seating, to indicate membership of loyalty programmes and make changes to existing bookings. This study reveals that many suppliers in the travel industry are already planning such advanced functionality and have even more exciting plans for what will be possible in the future.

It intends to show how self-service technology has developed in recent years in both travel and other sectors and looks at the challenges that companies wanting to implement the technology are now facing. Its key findings are that:

» **Self-service is big but we are only at the beginning of an adoption curve.**

Self-service is on the brink of moving from one of many channels for transacting business to becoming the principal one.

» **Self-service is not only about saving money.**

Although cost saving has been a driver towards the implementation of self-service, travel firms are discovering that they can also increase their revenues. It also gives end-users significantly more control and choice.

» **Self-service is increasing loyalty not destroying it.**

The internet has led to increasing price transparency, threatening customer loyalty as they flit from site to site in search of the cheapest price. Yet by better understanding their customers, good websites can actually retain them more easily.

» **Self-service is international and inter-generational.**

Borders and demographics mean little in the new world of self-service. Around the world, people of all ages are warming to the idea of self-service although their reasons for doing so are diverse and that the speed of adoption is affected by many cultural and technical influences.

» **Self-service is blurring the borders between business and leisure.**

In the early days of self-service technology, there were two camps: business to business and business to consumer. These days, that distinction is becoming blurred.

» **Self-service is about simplicity.**

This study finds that although users of self-service technology want it to be easy to use, they want to be able to carry out more than just simple transactions.

» **Self-service is about giving everyone what they want.**

It is becoming increasingly obvious that a one-size-fits-all policy does not work in the self-service environment. In fact, self-service technology is starting to allow marketing on an almost one-to-one basis.

The report looks at how pricing has incentivised users to choose online channels over offline channels, often leading to a dramatic shift in the distribution mix. It also examines concerns over whether pricing will remain favourable to users once online is the principal channel of use.

While self-service technology undoubtedly brings cost savings, the report looks also at how effective it is in converting browsers into buyers and lookers into bookers.

At present, even the best online channels have difficulty getting sales conversion rates above 10 to 15 per cent, while telephone call centres with highly targeted sales messages can achieve a much higher level of conversions.

Encouragingly for implementers of self-service, there are signs that by implementing sophisticated customer relationship management and loyalty techniques, their success will rise significantly.

The rise of comparison shopping websites and their distorting effect on the market is also examined in the report. While they have become increasingly popular among users looking for the very lowest price, questions remain about how neutral their results are.

The report examines the particular challenges facing the travel sector, such as the perceived complexity of travel products compared to commodities like DVDs and ink cartridges that people now routinely buy over the internet.

The importance of the user in the adoption of self-service technology is also considered. Creating a self-service environment where the user feels at ease is vital. The report investigates how culture impacts on the adoption of self-service technology, from geographical differences in adoption to the effect of corporate culture on users of corporate self-booking tools.

The report then goes on to look at the future of self-service technology in travel. The publication of the paper comes at a time when self-service is at a crossroads. Self-service technology has been well established but the next stage of adoption is going to require more than simple transactions. Now, implementers of self-service technology are realising that the factors that make relationships with customers successful in the person-assisted environment can be extended online with great success. It is possible that the self-service environment could prove more successful than its assisted counterpart, as has been the experience of Amazon in the retail book market.

The report finishes by presenting the seven myths of self-service. These challenge the existing understanding on where self-service is now and where it is going in the future.



How self-service is working in travel

Travel is now huge online and that's official. Research from market analysts PhoCusWright¹ valued the online leisure and unmanaged business travel market in Europe at €28.6 billion in 2005 - they predict this will grow to €41.6 billion by the end of 2006. In the US, the online channel has become even more significant. The firm says that around a quarter of leisure and unmanaged business travel bookings are now carried out online, representing a market of US\$209.3 billion (€173.807 billion). It predicts that 38 per cent of bookings will be online by 2007.

Self-service has come a long way since travel firms really discovered the concept with the arrival of the World Wide Web.

Initially websites were often just seen as marketing tools, inviting potential customers to ring a call centre or to raise the profile of a brand. For some travel firms, the next move was to include a callback button, where users could enter their telephone number and ask for a customer service agent to call them back.

The next step was to offer the option of booking by e-mail. Although this removed the conversation between the purchaser and the agent, it did have limitations in that it was best suited to very simple transactions where there was a low chance of mistakes occurring. Complex bookings that generate several phone calls to sort out made any potential cost savings disappear.

How airlines have embraced self-service

The terrorist attacks 9/11 was a powerful catalyst for change in the airline industry and forced many to reassess how they did business as passenger numbers plummeted. They have started to recover but the world's airlines still lost US\$4.8 billion (€3.99 billion) collectively in 2004. IATA was predicting a return to profitability in 2005 but the spiralling price of oil has dashed this forecast.

The implementation of self-service technology has been the bedrock of the dramatic transformation that many airlines have had to undergo, thanks to its ability to reduce operating costs. The move to self-service has also been hastened by the success of no-frills airlines that have adopted the technology as the core of their business models.

The airline that started off the no-frills revolution was America's Southwest Airlines, which launched in Texas in 1971. The technology revolution for the airline came in 1995 when it launched ticketless travel from four of the cities on its route network. This proved so successful that ticketless travel was extended to the airline's entire network the following year. Southwest.com launched in 1996 and was one of the first sites offering ticketless travel online. The airline now carries some 70 million passengers each year. Surprisingly, only 59 per cent of its customers book online.

¹ European Online Travel Marketplace Update 2002-2006: Focus on Germany, PhoCusWright

A recent Southwest innovation was the launch of DING! This tool works in the background on a customer's computer and notifies them by playing a "ding" sound when special offer fares become available. The offer is then accessed by clicking an icon on the user's desktop. The airline says more than US\$10 million worth of travel has been booked through DING! since its launch in February 2005.

Europe's Ryanair and easyJet have taken the self-service concept to even greater heights than their American counterparts.

Stelios Haji-laoannou launched no-frills airline easyJet in March 1995. It is now hard to remember that the airline initially had no website and took all its bookings through a telephone reservation centre. It was April 1998 before it sold its first seat online but now more than 24 million passengers fly with the airline each year - 95.7 per cent of bookings are now made online².

easyJet's passengers have quickly embraced the self-service model for changing bookings too. In July 2003, the airline became one of the first to allow its passengers to make changes to their bookings online for a fee of £10 (€14.56), as opposed to £15 (€21.85) for changes made through the call centre. Last year, three quarters of all changes were made online.

As a result of all this, easyJet now dubs itself the "web's favourite airline" in a swipe at British Airways' famous slogan, "the world's favourite airline".

Ryanair would probably challenge that definition but it was slower to move online than its orange rival - it introduced its Skylights online booking system in January 2000. Today's Ryanair is a far cry from the early days of the airline in mid-1980s when it concentrated on Irish domestic routes and even had business class and a frequent flyer programme. In the 2004/05 financial year, the airline carried 27.6 million people and the airline says that more than 96 per cent of daily bookings are taken online³.

That Ryanair and easyJet have such high adoption of the online channel is down to a number of techniques to ensure that customers remain online.

One is to use marketing to promote the website exclusively or at least in preference to a call centre number. Newspaper and billboard adverts for Ryanair and easyJet, for example, only include the website address and not the call centre number.

Once on the website, visitors are then discouraged from finding telephone contact details. The link to the "Contact us" section is usually demoted to the bottom of a site, is written in small writing and often leads to a page of frequently asked questions to try to discourage customers from calling.

² 2004 annual report and accounts, easyJet

³ Annual report 2005, Ryanair

Airline plans for self-service

At an airline forum in May 2005, carriers were asked what self-service features they planned to implement in the future. Perhaps surprisingly, the ability to select in-flight meals is planned by 81 per cent of those airlines surveyed.

Online seat selection is another popular planned feature, with 72.7 per cent of carriers looking to implement it.

Carriers were also asked when they believed the online channel would start to outsell more traditional means. 82 per cent of airlines felt that this would happen within the next four years.

Traditional airlines

Even more traditional airlines are embracing the self-service culture.

British Airways first introduced e-ticketing on the Gatwick-Aberdeen route in August 1996, which also saw the airline implement its first self-service machines in airports. E-tickets became available on British Airways flights two years later after the successful trial.

Last year, the airline added the ability to check-in online and also change bookings online. 40,000 passengers each month now print their own boarding passes before getting to the airport.

Cost savings are certainly there to be made. Last year British Airways reviewed its call centre operations because of declining call volumes as more and more passengers chose self-service options. At the time, it said calls had fallen from 13 million to 8.5 million per year and had cut the number of call centre staff it employed by 40 per cent in just three years.

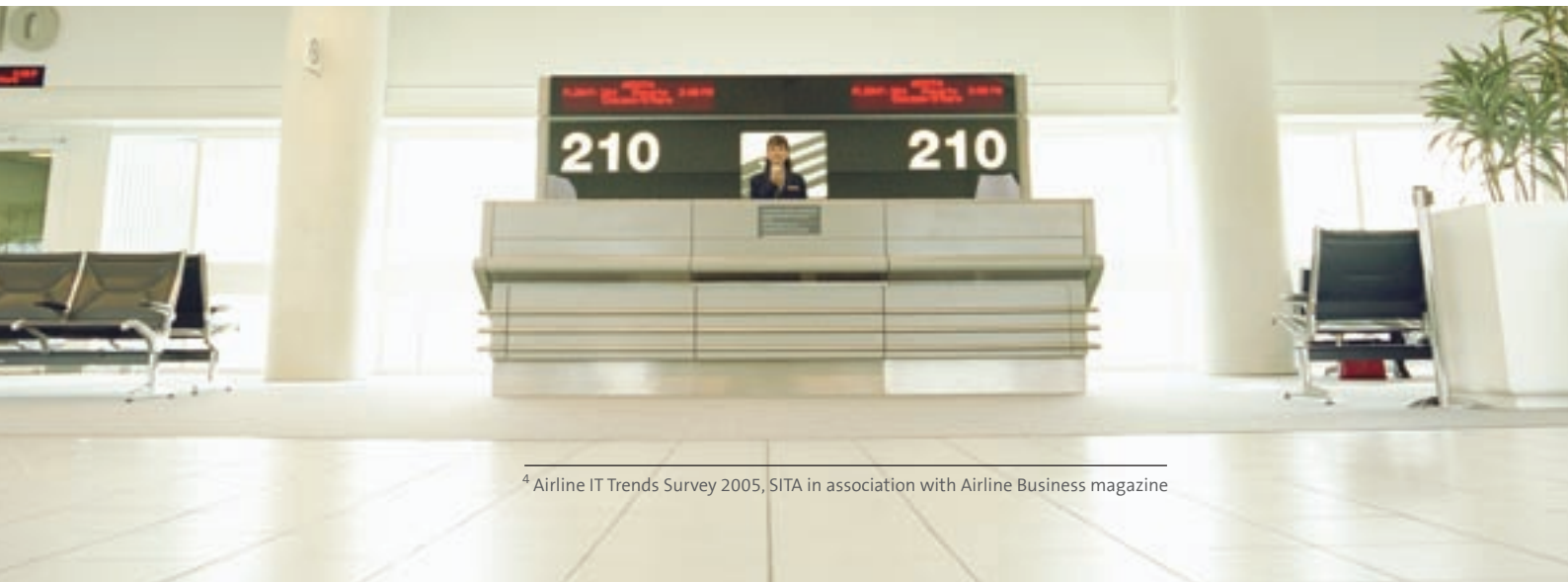
This reduction in staff led to two out of five UK call centres closing, which the airline estimated would save it more than £10 million (€14.57) during the next five years. Dutch airline KLM is one airline committed to the self-service principle. It is currently installing 16 new self-service kiosks and 14 baggage drop-off points.

By the end of the year, 75 per cent of its check-in capacity will be “self-service” according to the airline. The airline introduced online check-in last year.

Uptake of the self-service options is currently around 50 per cent. The airline expects this to rise to 65 per cent by March 2006.

Online booking is certainly big. A survey⁴ published by technology firm SITA, shows just how far online booking has come. 86 per cent of the airlines in the survey said they sold at least some of their tickets online.

Overall, 9.7 per cent of all tickets issued worldwide are now sold online, with around 70 per cent sold through airlines’ own websites. European airlines have embraced self-service even more. Here, 24 per cent of all ticket sales are online and 85 per cent of these are through the airline website.



⁴ Airline IT Trends Survey 2005, SITA in association with Airline Business magazine

The emergence of e-ticketing has been a defining moment in the growth of self-service in the airline sector, because it has enabled airlines to make booking touchless. Utah-based airline Morris Air, started by David Neeleman who later went on to found JetBlue, was the first to handle a passenger reservation without paper in 1994. The first true e-ticket was issued by United Airlines in the same year. To show how far things have come, IATA says that 19 per cent of tickets processed by IATA members were e-tickets. It predicts this figure will rise to 40 per cent by the end of 2005 and hopes for all tickets to be e-tickets by the end of 2007.

CASE STUDY: bmi

bmi, Britain's second largest full service airline, operates almost 1,700 flights per week over a network of 36 airports in the UK, Europe, India and transatlantic to the USA and Caribbean.

The airline, which began life around 70 years ago as a Royal Air Force training school, was one of the pioneers of airline self-service technology.

"We were the first airline in the world that had a booking and payment system on the internet," says bmi's Paul Burroughs, who is in charge of direct sales and distribution at the airline. "Because we were smaller than many of our rivals we needed to be different. One way we did that was to be more innovative. That was in 1995 - other airlines had booking facilities but customers had to phone to make a payment."

Burroughs admits that in the early days this self-service capability only generated a handful of bookings and that the web was mainly used for marketing the airline. But the online sales channel gradually became more important and in 2001, the airline set up a dedicated e-commerce department.

These days, online sales are hugely important for bmi. Around 35 per cent of the airline's 6 million annual bookings are now made online, 10 per cent go through call centres, ticket desks and other direct channels while 5 to 7 per cent go through an online intermediary. Despite the growth of self-service, travel agencies - either corporate or High Street - remain the most significant booking channel for the airline.

However, Burroughs believes that the online channel will continue to grow, particularly as the airline's network is essentially point-to-point.

For the airline, the key to boosting the number of passengers booking online has been selecting the right technology.

bmi was one of the lead customers – along with Qantas, Iberia and Finnair - for Amadeus Flex Pricer, which launched in 2003. The technology has enabled bmi to increase its online conversion rates – ie turning lookers into bookers – and has also helped the airline cut costs. Burroughs says a direct online booking is more than 50 per cent cheaper to administer for the airline than a travel agency booking.

This substantial differential can also be increased by other means, for example by charging for using a credit card, which a travel agency might absorb.

Self-booking is not the only area in which the airline has adopted self-service technology. The airline introduced self-service kiosks 18 months ago and plans to implement online check-in by January 2006. "We expect about two thirds of our passengers by the end of 2006 to be using some kind of self-service check-in, either using a kiosk or online," says Burroughs.

Checking in will only be one of several self-service options at the airport. "We get a number of people who go to the airport and want to change their booking," says Burroughs. "The idea next year is to have a web kiosk rather than a self-service check-in machine. This will allow people to do these other activities and pay a fee if that is appropriate. We are going to start selling lounge access, for example."

The airline has to carefully match the fare paid with the level of service offered. It has recently overhauled its fares into a three-tier structure: premium, standard and tiny. Premium fares give the maximum flexibility and benefits such as lounge access and priority check-in, standard fares offer some flexibility and service while tiny are typically low-cost fares with low-cost terms and conditions.

"Passengers who pay the lowest fares will be designated seats automatically, but by paying a small fee will also be able to choose their preferred seat. This will be incorporated into the website and is further testament to bmi's strategy, firmly founded on the principles of self-service. If they are paying a premium fare, the customer has the choice to use the self-service technology or a manned check-in desk and have the additional flexibility to choose their seat".

Burroughs is convinced of the value of self-service. "The benefit of having self-service on the website is that you have a virtuous circle where people use the website to research and book. If they then come back to the website to check-in and it's all a good process, they will be even more inclined to go online."

Self-service in the hotel industry

The hotel industry has had less success than the airlines industry in moving to an online self-service environment, although there have been some key initiatives such as direct booking links between hotel groups and their corporate clients. There have also been several joint initiatives, such as the Honest-Broker scheme endorsed by Marriott, Starwood, Pegasus and Andbook - used by Accor, Forte and Hilton.

One of the problems for the hotel industry is that there is no player that can cover all the accommodation needs of a multinational corporation from geographical and pricing standpoints. There are no “standardised rules” on pricing or on product features, so a human travel consultant is often required.

Hotel chains also do not own a large number of their chain properties but use management and franchise agreements. This increases the competitive landscape among the chains themselves, and therefore hotels are unlikely to join forces to offer self-service tools.

Despite this, some chains have bucked the trend and achieved considerable success in moving customers online. October 2004 marked a milestone for Hilton Hotels Corporation, the first month that self-service bookings on its own websites exceeded bookings made through the company’s call centres – some 972,000 room nights online compared with 863,000 offline.

The corporate world

The corporate travel market has been one of the biggest converts to the idea of self-service. The economic downturn at the beginning of the millennium meant that companies were forced to examine costs more than ever before.

The ending of airline commissions has also had a dramatic effect. For most of the early history of business travel, corporations employed travel agencies who earned their living from various commissions paid by airlines and other travel suppliers.

When large corporations started to realise their buying power, they started to insist that business travel agencies hand back these commissions. Agencies then moved to a system where they handed everything back but charged their corporate clients management fees.

Some corporations disliked the lack of transparency that management fees offered and started a move towards fees based on individual transactions so that the price charged for each service offered by the travel agency was very clear.

The abolition of commission and the rise of airline net fares (i.e. with the commission deducted in advance) has seen business travel move from a profit centre to a cost centre.

Previously, a corporate travel manager could point to commissions “earned” and use them to justify the department’s existence. Now that commission has all but disappeared in the corporate environment, coupled with transaction fees, the true cost of business travel management has been revealed. And with the cost of each transaction under greater scrutiny than ever, corporations have realised the value of moving the transaction online.

The means to do this - the corporate self-booking tools (SBT) - first started to appear in the mid-1990s. The first SBTs were relatively basic, allowing flights that were present in the global distribution systems to be booked. There was little flexibility in these early tools but they have developed significantly and can now handle complex travel management features. These include automatic travel compliance and management information reporting, as well as permitting complex itineraries to be built and traveller profiles to be stored and manipulated.

Self-booking tools in practice

For best practice corporations, the cost savings of implementing an SBT can be significant. One global software company has achieved an adoption rate of 70 per cent and transaction fees have tumbled as a result. Even with this high level of adoption the firm believes that more is possible. By increasing adoption to 85 per cent, it believes that it will save an additional 15 to 20 per cent in transaction fees.

It is not only from promoting adoption that corporations reap rewards. This same firm feels that transaction fees can be reduced a further 25 per cent by moving high and medium touch transactions to low or no touch transactions.

As well as transaction fees, self-service technology has been shown to impact directly on the price paid for business travel.

After implementing a self-booking tool, technology firm Ericsson had reduced the average ticket price it was paying by 20 per cent. The company has now achieved an adoption rate of 50 per cent and this is still climbing.

Another corporation – a US-based oil and gas firm - also found that ticket prices fell when travellers moved online. The corporation's agency charged US\$50 (€41.5) for bookings made through the call centre compared to nothing on bookings made through the self-booking tool. As a result, the corporation managed to achieve an adoption rate of 85 per cent by the second quarter of 2004. Average ticket prices for bookings made through the self-booking tool have fallen by US\$99 (€82) compared with reservations made through a call centre. The company made incremental savings of US\$500,000 (€415,045), in part through a 65 per cent reduction in agency staff headcount, in 2004 alone.

At the heart of translating these figures into cost savings for corporations, is ensuring that the transactions remain touchless.

In the corporate arena, business travel bookings made through a self-booking tool are increasingly having less and less interaction with a travel agent. SBT providers are now reporting levels of touchless transactions in excess of 80 per cent.

It is interesting to consider the interest in self-booking tools compared to their uptake.

The Association of Corporate Travel Executives (ACTE) says that around 60 per cent of companies whose travel or procurement managers are members of the organisation are already using a self-booking tool. Around 83 per cent had considered using one. However, the figure is skewed because 67 per cent of the survey respondents spent more than US\$5 million (€4.1 million) on air spend per year. It is the high spending companies that are most likely to implement self-booking tools.

Adoption of self-booking tools

Adoption of self-booking tools has been strongest in markets where there is a high percentage of point-to-point travel, such as the United States. Some analysts have suggested that this will mean adoption will never achieve the same levels in Europe and Asia Pacific. Yet there are good examples where companies have done well. Software firm Oracle for example has driven adoption up to 80 per cent for all trips booked in the UK. Elsewhere in Europe, the company has achieved adoption of 50 per cent on average.

The power of mandating the use of the SBT in achieving adoption also has to be recognised.

One major insurance company which implemented an SBT without mandating its use achieved just 16 per cent adoption initially. When a soft mandate was introduced, this rapidly increased to 65 per cent. When a strictly enforced mandate was introduced, adoption rose to 86 per cent.

For those companies outside the US who have not achieved high adoption levels, one has to ask why?

Limiting the amount of travel has long been seen as the easiest method of cutting costs. Certainly in the years since 2001, business travel had dropped back as senior management has placed restrictions on the amount of time that employees could spend away on business. However, the level of business travel has now recovered to the levels seen before 9/11.

Employees within corporations can often be reluctant to start using a self-booking tool. Part of this is an unwillingness to accept responsibility for making their own booking but also because it is perceived that using a self-service tool limits their options. In some cases they may be right, since self-booking tools that have built-in corporate travel policy compliance make it much harder for a traveller to book outside that policy.

Employees in some companies have also been known to bend the rules to suit their own personal preferences, either by organising meetings at times which means they have to fly on a particular airline that they favour, perhaps because they can collect frequent flyer points on that airline.

The choice of self-booking tool also makes a difference in levels of adoption.

Some SBTs are very basic while others are highly customisable and allow users to make more complex bookings, such as multi-sector flights and journeys where the outward and return legs are in different classes. If the corporate has chosen the wrong SBT for its travel patterns, adoption will suffer.

The crux is that if travellers are not convinced it will provide them with benefits, they will not use it. For a costly implementation of a self-booking tool, communication is therefore key. Many companies choose to hold roadshows, inviting groups of key personnel to be trained in using the new self-booking tool.

This can be backed up with incentive programmes, perhaps by rewarding regular users with prizes or vouchers, if use of the tool is not mandatory.

Adoption is unlikely ever to reach 100 per cent. If you are a business traveller wanting to make or change a booking at 5.30pm for a departure the next morning at 10am, the stressful nature of the situation is likely to drive you into the arms of a friendly, and human, travel agent rather than a nice-looking but silent self-service interface.

How self-service is cutting costs

One of the clearest barometers of how companies are reducing costs by implementing self-service technology is in the fees they are charged by TMCs for using online versus offline channels.

In the corporate travel sector, the shift to online booking has been happening quickly as companies have taken advantage of two-tier pricing for online and offline bookings. In Switzerland, for example, one travel management company charges CHF75 (€48) for booking a European airline ticket by phone, mail or fax and CHF25 (€16) for booking the same ticket online. The differential between online and offline is even greater for long-haul flights: CHF98 (€65) compared to CHF25 (€16) online.

Online travel agencies have also been keen to promote these cost savings. One agency claims that companies benefit from transaction savings of 40 to 70 per cent for bookings made online over those made offline.

However, it is worth noting that some of these differences in pricing are the result of market forces rather than the true difference in cost between the online and offline channels. In the short term, companies may wish to drive their customers online in order to save in the cost of processing the transaction. In the long-term, as more customers start to rely on the online channel to do business, these fees may start to rise as companies look at improving their bottom line.

There is also the competition element. Some companies are attempting to buy market share by offering very low service fees for the online environment which are unsustainable in the long term.

Self-service adoption is not for everyone, everywhere

Geographical considerations play a significant role in the adoption of self-service technology.

Take the United States, for example, where adoption of corporate (SBTs) has been massively boosted by the implementation of Sarbanes-Oxley legislation introduced after the Enron and Worldcom scandals.

In Asia Pacific, there are differing countries which have varied experiences. Adoption has been driven in Singapore by reporting and governance requirements but it is in its infancy or stalled even in countries like Malaysia and Hong Kong.

In Latin America, low labour costs have meant that there is little direct economic incentive to switch to SBTs.

Companies here that do switch to SBTs are doing so to promote transparency and devise a travel policy. Adoption is often very high since they mandate their use to employees.

Looking at self-service in general, other countries have had mixed experiences. India has a huge number of people using the internet – more than 25 million, according to India's Internet and Online Association (IOAI).

The reason that e-commerce has not taken off as well as say in the UK, which has a broadly similar figure for the number of internet users, is credit card usage. While most British online shoppers have access to a credit card, Indian shoppers do not. As online payment systems that enable users to use cash rather than credit, such as PayPal and hyperWallet, become more widespread, this is likely to change.

Access to high-speed internet can also affect adoption. Self-service interfaces that are heavy with graphics require greater bandwidth than simple interfaces. If a website takes too long to load over a slow internet connection, users will turn back to using the phone or making the transaction in person.

Age and experience also play a role in adoption. Firms which work in the technology sector have been quick to implement corporate self-booking tools and have experienced some of the highest levels of adoption thanks to the high level of technical knowledge of their employees. There are also generational factors. Young people who have grown up surrounded by technology are comfortable with using it. You only have to look at how prevalent mobile phone text messaging has become among the younger generation and how comparatively rare it is among older people. The same is true of the adoption of self-service technology.

Interestingly, there is also a tier of so-called "silver surfers", retired people who have time on their hands to teach themselves about new technology and who have become adept at using self-service.

In between these two extremes is a lost generation of middle-aged people who are taking longer to come around to the self-service concept.



CASE STUDY: Nordea

Pernille Hilker says there are three vital factors for corporations thinking about implementing self-booking tools. She believes you need to bring people on-board and take personal control of the process of educating users about the tool.

But above all, the self-booking tool needs to be simple to use. “If it’s not simple, people won’t use it,” says Hilker.

Hilker is travel manager for the leading Nordic financial services company Nordea..

The group has 40 per cent market share in Finland, 25 per cent in Denmark, 20 per cent in Sweden and 15 per cent in Norway. That adds up to 9.6 million personal customers, 930,000 corporate customers and 1,000 large corporate customers. The group has its roots in the merger of Merita Bank, Nordbanken, Unidanmark and Christiania Bank og Kreditkasse in the last decade.

The company is a leader in internet banking and e-commerce and nearly half of its customers use these services but it has a significant bricks and mortar presence through its 1,100-strong branch network.

The group has around 12,000 regular travellers making some 66,000 business trips each year. The vast majority – 85 per cent – of these trips are within the Nordic region and nearly 90 per cent of air tickets are electronic.

Hilker was formerly travel manager for Denmark alone, which was ahead of the rest of the other countries in terms of implementing a self-booking tool. She had first started looking at such tools five or six years ago.

In 2002, Nordea decided to see if it could consolidate across the region and brought in consultants McKinsey to lead the project group.

The project group considered five self-booking tools during the tender and they eventually chose to use the existing Danish solution – Amadeus e-Travel Management (Aergo) – across Denmark, Sweden, Norway and Finland because it was very cost-effective.

At the same time, Hilker was given the role of managing all business travel, meetings and conferences across all four countries.

Hilker says this presented quite a challenge. “Everyone thinks the Nordic countries are the same, but they all have different cultures,” she says.

This consolidation meant merging four distinct travel policies into one. Hilker says the policy is strict to the point that only negotiated airline fares are shown when using the tool. “If, for example, they try to book Copenhagen to Helsinki with SAS, they can’t because we have a deal with Finnair and that is the only option presented.” The broad thrust of the company-wide policy is that travellers must take the lowest logical fare and this may mean a ticket from a no-frills airline. However, policy is not so strict that employees aren’t reimbursed if they make out-of-policy bookings.

Amadeus e-Travel Management is at the core of Nordea’s Travelling Guidelines intranet. This intranet also includes information on how to obtain a corporate card and how to change a personal profile; there is a preferred hotel directory, a list of common airfares and information on how to conduct a teleconference.

The introduction of the new tool, along with new airline deals and a new structure for the travel management function meant that educating employees was high priority.

“We had to start everything from scratch,” says Hilker. Rather than have Amadeus or our travel management company training employees, Hilker felt it was vital to have someone from Nordea communicating the need for the tool and its benefits. “I took people from the all parts of the company to Tromsø to teach them how to use it.”

As part of the education process, employees were shown how the tool could save the company money. “We showed them the transaction fees – one level for booking through the tool and another significantly higher level for booking by telephone,” says Hilker. Since transaction fees are charged through to individual cost centres, Hilker believes this has helped drive adoption of the tool.

Use of the Amadeus tool is mandatory for simple trips and has back-up from our travel management company. “When someone rings our travel management company up for the second or third time to make a simple booking, they ask them to go online instead,” says Hilker.

As a result, the adoption rates for Amadeus e-Travel Management are high. “Adoption is 55 to 60 per cent on average,” says Hilker. “The highest adoption is in Finland where we have 72 per cent while in Denmark it’s 60 per cent.”

Hilker expresses some surprise that adoption is high across all four countries. “Even though it was a success in Denmark, that didn’t necessarily mean it would work in other countries so I’m very happy.”

In fact the implementation has been so popular that the company’s travellers now want to be able to do more online. “In the beginning, travellers were a bit scared,” says Hilker. “Now, they have embraced it and people are asking for more things to be available through the system. They like the fact that they can now book 24 hours a day.”

Despite the successes, Hilker is already thinking about next year when the self-booking tool contract comes up for tender again. She says she will be looking closely at pricing.

“One of the challenges for self-booking tool providers is that the fees do not rise now that we have achieved high online adoption rates.”

Kiosks in travel



According to SITA's 7th annual Airline IT Trends survey, self-service kiosks are big at business airports - 36 per cent of the airlines responding to the survey have already deployed them.

Airlines have warmed to the devices, which allow them to reduce counter staff and speed passengers' journeys through the airport. America's Delta Airlines, for example, reckons that 28 million of its passengers are now checking in using a kiosk.

In Europe, there is a long way to go to reach these heady heights, but the kiosk is rapidly becoming a familiar part of airport furniture. The take-up of kiosk check-in can only increase, particularly with the roll-out of the common use self-service (CUSS) kiosks, that can be used by a number of different airlines. At dedicated terminals like terminal four at Heathrow for British Airways or the American Airlines terminal at JFK, there is no incentive to install CUSS but as part of a large network that airlines can see the benefits. A big network carrier might have to maintain 500 kiosks worldwide but if it can share some of those in locations where it has a smaller presence, so much the better for the airline. This will mean however that some of the time-saving services that carriers use to distinguish themselves will become available to all carriers, including the smallest carriers.

While airlines have already embraced the kiosk culture, hotel firms are now following in their footsteps. The ability to use express check-out, through an interactive television in the guest room, has been around for a number of years but this is now being extended to standalone kiosks in the lobby.

Hilton was one of the first companies to go down the self-service kiosk route. It began trials of IBM self-service kiosks in 2004. Hotel guests arriving at Honolulu International Airport could use kiosks to check in to the Hilton Hawaiian Village Beach Resort & Spa even before claiming their baggage and leaving the airport.

In March, the Holiday Inn Gwinnett Center in Duluth, Georgia – often used by the company as a test bed for new innovations – installed a self-service check-in kiosk for its guests who can check in and out of their rooms, change hotel reservations and also print airline boarding passes on the spot.

Canada's Fairmont Hotels is also using kiosks but in a different way. In 2002, it installed an airline CUSS (common use self-service) kiosk in the lobby of the Fairmont Vancouver Airport that allows guests to check in on flights offered by Air Canada and its partners.

CASE STUDY: Delta

Self-service check-in has proven to be an unqualified success at Delta. Three years ago 400,000 of the airline's passengers checked in using a kiosk. Last year, 28 million did using 900 kiosks dotted around the airline's domestic network.

With 110 million passengers to handle at more than 220 destinations worldwide in 2004, the airline has more incentive than many carriers to make self-service work well.

According to the airline's senior vice president for airport customer service, Richard Cordell, getting customer acceptance of the kiosks came as a result of not just focusing on technology but also on people.

"We created a new role for our employees out in the lobby helping people check in, introducing them to the technology and speeding the whole process," says Cordell.

Yet the airline isn't doing away with other forms of check-in and passengers can now do so online at delta.com for domestic flights leaving within 24 hours, at the curbside, through the Delta Direct phone service or using a traditional check-in desk.

At some airports, the percentage of passengers using self-service is more than 80 per cent.

"Passengers are quickly adapting to self-service technology," says Cordell. "What is surprising is that some of our highest adoption is at stations which are very leisure-oriented in their travel patterns, even though you would have imagined that their customers perhaps would not be as accepting of the technology as business travellers."

The airline is also introducing self-service kiosks in the departure gate area to handle the most frequently requested transactions at that point, such as a request to move to a different seat or to ask for an upgrade.

"These kiosks will allow customers to make those transactions themselves. Our gate staff will be able to concentrate on on-time departure and allow the customer to take more control of their travel experience."

Delta is also issuing staff with handheld devices with attached printers so they can issue new itinerary documents and new boarding passes from anywhere in the airport. They will be able to help with group check in, delayed check in and check in of planes with heavy passenger load

Yet extending self-service functionality has its problems too. "One of the first things you have to do is get an idea of what the services you should offer are. It's a balancing act between extending functions that customers ask for and driving transaction times up and generating queues."

As the number of passengers using self-service has increased, passenger expectations have increased too.

"Self service is becoming more of a commodity," says Cordell. "Customers are expecting self-service at a wider range of airports and in order to do that successfully we are an active participant in common use self-service."

The world of travel agencies

Travel agencies have typically been classified in one of two ways.

Leisure travel agencies have typically opened branches on the High Street and have attracted customers with fast access to the lowest prices, expert knowledge on holiday destinations and handsomely packaged products marketed through glossy brochures.

Business travel agencies, for their part, have offered a different service and tend to be away from the High Street in office buildings, either in their own offices or in corners of the companies they work for. The service has traditionally been telephone-based, taking calls from travellers and their assistants and making bookings for flights, hotels and car hire on their behalf. Additionally, they have played a significant role in collating consolidated management information and policing corporate travel policy.

Some travel agencies have tried to target both the leisure and business markets at the same time, with differing degrees of success.

The advent of the World Wide Web has seen the emergence of a third way – the internet travel agency – with no branches but aiming to provide all the services that their bricks and mortar counterparts have done in the past but at a lower cost.

How self-service is changing travel distribution

The business model which has enabled travel agencies to operate for the past fifty years is looking increasingly difficult to sustain.

Airlines, which have traditionally relied on travel agents to sell their tickets, have now realised that they can use the internet to sell them to passengers directly.

The growing popularity of buying tickets online has meant that the commissions airlines traditionally paid to travel agencies are starting to be examined by airlines. For example, Air France-KLM moved to zero commission in the Netherlands on 1 January and in France on 1 April 2005.

This has had a significant impact on the airlines' balance sheet, with distribution costs plummeting by 71 million euro to 315 million euro, a drop of 18.4 per cent.

In the United States, most major airlines no longer pay commission. Typically it is smaller carriers, or those who are trying to win market share in overseas markets where they do not have much representation, which have retained commissions, although even these are starting to fall.

The abolition of airline commission, with the prospect that commissions in other travel sectors will eventually disappear too, has left travel agencies, particularly business travel agencies, with a new challenge, as they can no longer rely solely on their traditional revenue streams.

The agencies that will survive will be those that can offer more than a simple ticketing service. It comes as no surprise that many business travel agencies have restyled themselves as travel management companies, offering services in travel management, such as consultancy and benchmarking which they can then legitimately charge for. Leisure travel agencies are also now regularly charging service fees.

A 2004 survey⁵ carried out by PricewaterhouseCoopers and the Association of British Travel Agents found only one travel agency that was not already charging service fees for some elements of their work.

The survey found that the most common type of service fees were on no-frills airlines, scheduled airlines and the use of credit cards, with the average fee ranging between £5 (€7.3) and £20 (€29).

⁵ Travel Agents Benchmarking Survey 2004, Association of British Travel Agents/PricewaterhouseCoopers

The internet travel agency challenge

Travel agencies also face a challenge from internet travel agencies which started off in the mid 1990s in the US but have been expanding internationally in recent years.

Although these online travel agencies were initially focused on the leisure traveller, they have since started targeting the corporate travel market with the launch of dedicated business travel booking tools. However, they have quickly realised that there is more to business travel management than simple transactions and ticket fulfilment and have had to look at offering features such as 24-hour manned call centres which are common in traditional travel management companies.

So what does the future hold for traditional travel agents? There are doomsayers who predict that self-service technology in travel will ultimately eradicate the human intermediary in the travel process but other industries do not bear this out.

The near universality of ATMs has led to a reduction in the number of bank branches and a reduction in counter staff but branches and counter staff still exist. They tend to be used for more complex interactions that ATMs cannot handle.

Likewise, the self-service restaurant has not seen an end to full-service restaurants. In fact, if anything the choice has become wider.

The same will turn out to be true in the travel industry too. Self-service does not need to signal the end of the travel agent although it will mean that travel agents are challenged to find new and innovative ways to move up the value chain. This could be achieved by offering a tailor-made portfolio of travel solutions and consultancy, complementing and enhancing other self-service travel bookings that the traveller will carry out.

Access to price and information

Apart from the booking process, agents also face a challenge from the internet in the provision of travel information. Travel agents, particularly High Street ones, have long been in the business of advising customers of suitable destinations and places to stay. The vast amount of information available on the internet is making that less of a reason to visit a high street travel agent.

Sites such as TripAdvisor and IgoUgo are becoming regular bookmarks for many travellers. These host databases of reviews submitted by members of the public and the appeal is that the reviews are independent.

Increasingly, these sites are the starting point for many people planning a trip and this has been recognised by the companies behind the sites, who have made links to other sites where the mentioned destinations can be booked online.

Even access to the best fares is no longer a unique selling proposition for travel agencies. Comparison shopping websites have made travel pricing much more transparent in the leisure sector. Even in the corporate sector, companies are moving away from fixed, negotiated fares with airlines towards finding the best price on the day.

The evolving role for travel agents in a self-service world

Ultimately, successful travel agencies will be those which can adapt. Some agencies have put themselves on a firmer footing by merging with or acquiring rivals. Others have focused on niche areas, such as VIP and tailor-made travel, which are always likely to need a high level of human interaction, and specialist areas such as marine travel.

In the corporate travel sector, agencies have transformed themselves into travel management companies. On the one hand they have wholeheartedly embraced self-service in order to drive down the costs of handling high-volume, simple transactions. On the other, they have started to focus more on providing added-value services.

This might include consultancy for corporates on choosing and implementing a self-booking tool. Travel management company BTI, for example, has established a six-step roadmap to guide corporates through the whole process. The steps are:

» **Why self-service?**

» **Client suitability**

» **Which self-booking tool?**

» **How bookings are fulfilled and supported**

» **Implementation**

» **Achieving adoption**

Such a handholding approach is a far cry from the ticketing focus of the past.

Other consultancy services include benchmarking a company's travel programme against companies in the same industry sector or with similar travel patterns.

A number of travel management companies are also taking a role in negotiating with suppliers, effectively becoming outsourced corporate travel departments in the process. There will also be a trend to diversify into related areas, much as American Express has done with its corporate card and financial services businesses that sit in its portfolio alongside corporate travel.

The challenges in travel



Despite the big advances made in introducing self-service to travel, there are still challenges faced by companies in the sector.

The big challenge is that many elements of a trip are not commodities like a CD, book or half a dozen eggs. The possibilities for a trip are virtually endless if you look at different fare categories, the departure airports, airlines and hotels. Even things that seem straightforward on the surface such as a hotel room, have a giddy array of variety from the size of your bed, whether it looks out at an air conditioning unit, the city or the ocean.

Travel is seen as complex. Research by Jupiter⁶ shows that 36 per cent of online purchasers feel that airline tickets were complex compared to just 33 per cent who felt the same about mortgages and loans. That is quite some barrier to overcome.

Some travel products are certainly complex. Take package holidays, for example, which have been slow to come to the web. Point-to-point flights are relatively easy compared to a package comprising of several travel elements, such as a flight, hotel, car rental or transfer and perhaps extras.

While this is a challenge for sellers of complex travel products, there is also a much greater opportunity for suppliers to make cost savings.

Customers generally make a far higher number of enquiries before making a purchase of a complex product and by moving this online, there is the opportunity to make significant cost savings. Some companies have chosen to make some parts of the process self-service, such as furnishing large amounts of product information online, while still not having full e-commerce capability.

Another challenge faced by travel firms trying to sell and transact business online is the question of responsibility. Many people, both members of the public and employees within companies booking a business trip, often feel nervous about making a booking. A travel agent – be they leisure or business – is something of a comfort to travellers because if a mistake is made during the booking, there is someone to blame. As soon as you are doing it yourself, the responsibility falls solely on you.

Self-service has traditionally been considered in terms of bookings but is increasingly being considered in terms of individual transactions. Every time a traveller makes a journey they interact with an airline, hotel, car rental or travel agency many times. Take airline passengers, for example. They look at flight schedules, make a booking, reschedule the flight, reserve a seat on the new flight, check-in, check their frequent flyer miles and claim expenses for the trip on the return. All these interactions can be moved into a self-service environment.

For travel companies, the metric for a successful e-commerce environment will become the revenue they generate per transaction, which will create a greater focus on yield and cross-selling.

⁶ The State of Customer Service 2003, Consumer Survey Report, Jupiterresearch

Coping with change



Unlike many consumer products, there are also significant after-sales challenges. The Airline Tariff Publishing Company (ATPCO) reckons that almost one in ten air tickets are reissued at least once before travel on the ticket is completed.

For a ticket sold online, this has meant that the customer has had to revert to a human agent to make changes until relatively recently.

British Airways, for example, says 2.5 million changes are made after flights are ticketed each year but it now allows passengers to make changes online through its Manage My Booking feature. The airline says it expects that ba.com will be able to handle three-quarters of all these change requests, allowing its call centre staff to focus on other, preferably revenue-generating, activities.

However, some airlines are realising that self-service changes are a potential new stream of revenue. ATPCO claims that each change to a ticket can generate an additional 160 US dollars in revenue, when higher fares and cancellation penalties are taken into account.

Air France is the latest airline to allow passengers to make changes online. The airline says two million tickets a year are changed after being issued and the new system will enable it to generate several million euros of additional revenue.

As well as voluntary changes, involuntary changes to travel arrangements can also strain the self-service proposition. Take the case of a flight cancellation or reschedule, where passengers have to be notified of new flight times.

This is where alerting technology can prove useful. This means people who have bought airline tickets, for example, will automatically be alerted in the event of a cancellation or delay, rather than having to phone each passenger in person. Systems such as those provided by PAR3 and Appriss, allow pre-recorded voice messages to be played to passengers, cutting down on the cost.

Alaska Airlines, for example, has implemented a solution from PAR3 to notify passengers in the event of flight changes. The system now allows the airline to make 20,000 calls simultaneously as opposed to 500 calls per hour with human agents. Agent calls are estimated to cost the airline US\$1.60 (€1.34) as opposed to US\$0.54 (€0.45) for automated calls.

This highlights the point that travel firms need to do a lot to ensure that customers who do use the self-service channel continue to do so and do not resort to call centres when things go wrong.

Mobile technologies

It is perhaps surprising that the mobile phone has not been more involved in the self-service revolution in travel. Penetration of mobile phones in the UK and other leading industrial nations is now almost universal but the small screen size and non-standard devices means that self-service applications have been slower to take off.

However, some mobile phone travel services have been set up.

Airport operator BAA, for example, offers a live-flight information service via SMS for passengers travelling through Heathrow and Gatwick called Flying Messenger.

You text the airport and flight number to a dedicated number and are texted back the latest information at a cost of 30p (€0.43 cents) plus VAT. An enhanced service sends regular SMS messages over the 12 hours prior to an arrival or departure. In the US, travel information firm OAG operates a free service with similar functionality.

Spanish commuters in Madrid using the municipal transport company's bus network are no longer left waiting anxiously with no clue when the next bus will arrive, thanks to a new SMS service. By texting the bus stop and bus line number to the company, the commuter gets an SMS message with information on how far the next bus is away from any particular bus stop and what the estimated time of arrival is.

So where do travel companies go now with self-service?

Extending self-service beyond the booking itself may prove to be the next step for many.

Research from Forrester⁷ shows that by far the most common request to travel customer service centres was to express travel preference, such as room type for a hotel and seat assignment for an airline. More than 30 per cent of the travellers they looked at asked for these. The second most common request was to change or cancel a reservation. These two areas are evidently key points for travel companies looking to take self-service beyond a simple booking.

Good examples of this include checkmytrip.com and BA's Manage My Booking feature. Checkmytrip allows travellers and agencies online access to the full details of itineraries booked.

The power of this is that passengers can check their itineraries without having to phone the travel agent – by entering the code of their reservation, travellers can view itineraries booked online, from home, the office or while they are on the road.

British Airways' Manage My Booking feature lets passengers view their itinerary but also to make seat and meal requests and provide Advance Passenger Information required for trips to the US, Canada and China.

This last element will probably prove to be a huge time-saver now that the provision of this information is compulsory for US-bound travellers.

Self-service outside travel

Although the travel sector has started to adopt the self-service concept, many of the successes in using the technology have come from outside the travel industry. Amazon is probably the best example of this. The company was founded by financial analyst Jeff Bezos in 1994 and opened its online book store in July 1995. In the last financial quarter, the retailer had net sales of almost US\$2 billion and now sells everything from books and CDs to children's toys and bird tables.

It is now the world's biggest bookseller. This was underlined with the launch of the latest Harry Potter book, when Amazon received more than 1.5 million advance orders for the title.

The company is skilled at marketing to its customers and it is this that has led to much of its success. They apply customer segmentation very deeply and use a range of different techniques to guide your purchase.

Despite having a vast number of products on sale, much like a travel firm, you are heavily guided in your choice. There are recommendations based on your previous purchases and on what other people have bought as well as top ten lists from other customers.

⁷ Online Travel Service Breeds Loyalty, Technographics Report, June 2001, Forrester Research

The firm has realised that although customers always claim they want more choice, they really want to be told what to choose as long as there is a sound reason for that choice. The online retailer Play.com uses similar marketing techniques to broaden customers' choices. If they buy a CD, they suggest a DVD, a book and a gadget that you might like too.

Self-service in the financial service sector

Financial services are another success story. It is now nearly 40 years since the first automated teller machine (ATM), or hole-in-the-wall, appeared, installed by Barclays Bank in the UK. Back then, customers used tokens to withdraw fixed amounts of cash. Now there are more than 1.4 million ATMs installed around the world, including nearly 400,000 in the US alone.

The 1990s also saw the appearance of computer banking services. Dutch bank ING has shown that the technology can be used across borders and it has enjoyed huge success with its online bank ING Direct. The bank has attracted more than 12 million customers and now operates in eight countries - Australia, Canada, France, Germany, Italy, Spain, the UK and the USA. The online arm has been a significant contributor to the overall profits of the bank. In the first quarter of 2005, pretax profit at ING Direct was up by 63 per cent on the previous year, thanks to strong growth in Germany and the US.

In business banking, banks levy hugely different fees for withdrawing cash from an ATM and for withdrawing from a bank counter. With an HSBC business account, for example, customers pay 25p (€0.36) per ATM withdrawal plus 40p (€0.58) per £100 (€146) while those who withdraw over the counter pay 60p (€0.87) per withdrawal plus 65p (€0.94) per £100 (€146). For a £2,000 (€2,914) withdrawal this makes an online withdrawal £8.25 (€12) compare to an offline withdrawal of £13.60 (€19.8) a difference of 65 per cent.

The travel industry has a lot to learn from the banking sector. The most advanced banks issue statements online, allow standing orders and direct debits to be set up electronically and allow customers to order a wide range of products.

Other areas of the financial services sector are also embracing self-service, since the non-tangible nature of financial products makes them much easier to handle in the online environment.

Insurance companies are increasingly taking advantage of self-service through online quote engines. This has initially focused on very commoditised products such as travel insurance but is increasingly being used for more complicated products such as health and house insurance, which may require considerable input from the customer on pre-existing medical conditions and the state of health in the case of health insurance and the construction and state of your property in the case of house insurance.

Self-service brings healthy returns

Self-service kiosks are also proving popular in the healthcare sector.

At the Newark Beth Israel Medical Center in New Jersey, US they have installed MediKiosks to speed up the registration process by identifying patients during the check-in process, gathering any necessary forms and signatures and collecting payments.

As well as financial benefits, the hospital has noted reduced waiting times, a key benefit to ensure uptake of the self-service technology.

Check-in time has been reduced by 25 per cent for first-time patients, and by 75 per cent for subsequent visits.

The kiosk technology is backed up with a database containing demographic, history and insurance information for any future appointments, eliminating the need to complete paperwork at every visit.

The hospital reckons it has reduced the amount of time its staff members spend managing paper forms by 50 per cent.

Supermarket experience

Supermarkets have also started to embrace self-service, both in terms of in-store kiosks at which customers can scan the items in their own shopping basket and true online services, where customers can order goods online and have them delivered to their homes.

Tesco, Britain's biggest supermarket, was one of the earliest companies to go down the self-service route.

In early 1999, it launched a fledgling online shopping system that involved the use of specially adapted personal digital assistants with built-in bar code readers.

Shoppers would scan in the bar code of things in their cupboard or in the shop and an order would be submitted over the net when the device was connected to a PC. This has now been superseded by a full online shop.

In its most recent financial results, the supermarket said that it had rolled out self-service kiosks to 130 of its UK stores and 850,000 customers were using them each week.

Tesco.com, the company's website, generated £401 (€587) million of sales in the last six months, up 31 per cent on the previous year, with around 170,000 orders each week.

Even though we are still in the early days of self-service in this sector, things are constantly changing. Customers who tried those early online shopping services and were disappointed now need to return.

Initially, customers found sites that were difficult to navigate and the service poor in some cases – with missing products and very little done to keep a customer loyal. Fast forward to now and there are significant improvements, in part due to competition and also because of increased customer demands.

Comparison shopping and auctions



Self-service technology has proven spectacularly successful in the ability of consumers to compare prices quickly across a wide range of different suppliers.

One of the leading European comparison sites is Kelkoo, which was launched in November 1999 and is now one of Europe's leading e-commerce sites. It operates in 10 European countries and receives over 8.5 million unique users monthly, of which more than three million are in the UK. Its importance was underlined when it was acquired by Yahoo! in April 2004.

Advertisers are charged when visitors click through to their sites and the rate depends on how prominently the product or service is displayed. The company has been profitable since 2002.

Rival Pricerunner was launched in mid-1999 by Kristofer Arwin, Martin Alexanderson and Magnus Wiberg with the first site, a Swedish one, appearing in December of that year. ValueClick bought the company in August 2004 and a US site was launched in April 2005. Advertisers can appear on the site by paying for an enhanced listing which includes graphic logos, direct links and retailer messages. Additionally, some other retailers are listed free of charge. These are companies which, in the view of Pricerunner, are credible and offer a wide range of products, dependable delivery services, return policies and customer support.

In travel, SideStep was one of the innovators. It was founded in 1999 and it launched its dynamic search technology in 2000. SideStep works by pulling together price information from a variety of sources, such as airline and hotel websites, consolidators and online travel agencies, and displaying them side by side.

When a visitor sees something they like, they click on a link which takes them through to the booking page on the supplier's website. The company now says it gets 4.7 million visitors every month.

One of Europe's leading comparison sites is Skyscanner, which allows visitors to its site to compare no-frills airline fares and traditional airfares on a single screen.

It is interesting because it also allows comparisons to be made in ways that traditional travel agency sites do not. For example, it can rapidly produce a chart of the three lowest fares on a particular route each day for a whole month or it can bring up a list of the cheapest air fares for a particular set of dates, regardless of route. This is useful if you are someone who wants to get away on holiday somewhere but don't mind where.

Comparison sites typically use spider or "bot", short for robot, technology. This involved visiting a website and finding a relevant piece of information such as an air fare or CD price and returning it to the comparison site.

There are various flavours of these technologies. Some are unbiased and work in real-time to search a range of different supplier sites. Others are real-time but include merchants who have paid to be included in the listings. Some others do not work in real-time but poll sites infrequently and store the information in a database.

Some of these sites offer alert services, in which potential customers are emailed when the price for a required product or service falls below a user preset threshold.

Getting from browsing to buying

An airline looking at trying to move its customers online needs to think of not only the headline costs. It also needs to consider things such as conversion rates.

If an airline has both a call centre and a website selling tickets and a call centre booking costs twice as much as an online one, then it seems that moving online brings it an instant benefit but the question is what percentage of potential customers are converted into actual customers.

Research carried out by Nielsen/Net Ratings⁸ earlier this year showed that airline websites were typically getting conversion rates of between 9 and 14 per cent while online travel agencies were getting conversions of between 3 and 5 per cent.

In other sectors, conversion rates are not much better. According to Nielsen/Net Ratings, the online shop of television channel QVC has the best conversion rate, with 16.3 per cent of browsers going on to buy something. Amazon comes in at number six, converting 12.8 per cent of lookers. EBay manages 12.3 per cent.

These may seem impressive but call centres can achieve better. The development of advanced customer relationship management (CRM) technology, which can predict the behaviour of potential customers, has led to increasing conversion rates.

For our imaginary retailer with both a call centre and an e-commerce website, if it can generate more than twice the number of sales through its call centre than through its website, then cost reduction alone is not enough.

But CRM is happening online too and is helping companies selling online to increase their conversion rates while keeping transaction costs low.

Next time you visit Amazon's home page, take a look at the product recommendations it lists. The company compiles these based on items you have previously purchased, made comments on or put on your wish list.

Similarly, the online supermarket Ocado allows you to use previous orders as a template for future orders. If you forget to include something that you regularly order, it reminds you before you reach the checkout and it also makes recommendations based on the type of goods you order.

What these e-commerce companies are doing is just an extension of the McDonalds "supersize me" concept - using advanced technology to both up-sell and cross-sell. The same is also starting to happen in travel.

British Airways has added a shopping basket feature which allows visitors to buy more than just flights – they can now book hotel rooms and car rental at the same time. British Airways isn't doing this out of kindness – it is a commercial decision based on earning incremental revenues from those extra products.

Airlines are also starting to sell lounge access as an add-on or the ability to upgrade into a premium cabin for just a few euros more.

⁸ Megaview Online Retailers, Nielsen/NetRatings, April 2005

Airline booking engines are also allowing airlines to up-sell. Air Canada is using a global faring technology that offers passengers multiple fares across different fare classes, times and dates on a single screen. Interestingly, the technology does not automatically mean that the customer goes for the cheapest fare. Certainly, some customers will seek out the lowest fare but they did so in the past anyway.

Products such as these allow airlines to show that by paying a little extra, customers can book flights at more convenient times of the day and those which offer greater flexibility in their booking conditions. Amadeus found that carriers who had implemented its faring technology had increased yield by 9.2 per cent and a 32 per cent increase in revenue.

Ultimately, companies are not just using self-service technology to save themselves money. The smartest companies are implementing the technology and using it as a base on which to build closer and better relationships with their customers – always the mark of a good business.

But no matter how well an e-commerce site is designed, it will always be easy for potential customers to swap sites. Research has shown that most travellers booking online will search multiple sites before making a choice just because it's so easy to do so. The online experience has to be very good to keep you on the site and move from browsing to buying.

The user experience

The user experience can mean the difference between a successful and a failed implementation of self-service technology.

Anyone who has ever used the internet to buy something has a horror story of an online booking process freezing part way through or of ordered goods or services not meeting their expectations.

The benefits of a good user interface are many: a professional look can attract new users, customers can complete their booking in fewer steps and a short time and reduce drop-out rates during the transaction process.

Crucially, a good user interface can also increase the loyalty of customers. This is important because customer loyalty has been dented by the introduction of self-service. Consider comparison shopping tools, for example, which have increased pricing transparency in many sectors. Although this had led some suppliers to go down the lowest-price route, other companies with a longer-term view are realising that brand, customer relationships, quality of product and placement are important as we look to the future.

Getting self-service right is also about providing good quality information. The information sections of websites, in particular the frequently asked questions (FAQ), are particularly powerful in helping customers serve themselves. Companies that combine FAQs with advanced search technology in databases searchable using questions submitted in natural language have helped self-service thrive.

Shaping the user experience

Key to increasing the adoption of self-service tools is ensuring that they are usable.

Best practice companies subject their self-service environments to rigorous usability testing before a new service is released.

Typically, this takes the form of a combination of formative and summative tests. Formative tests are carried out early in development of a tool and are used to shape the ultimate design. Summative testing usually happens in a live environment after the tool has been developed and is used to gauge whether usability requirements are met and also to refine the design.

Given that a tool will have a wide-ranging set of users, it is important to ensure that testers represent a broad range of experience.

For example, Amadeus subjects its new solutions to three rounds of usability testing in each of three different global locations.

For each test, a balance of experienced and novice users and regular and infrequent travellers are recruited. Efforts are also made to ensure that there is a range of ages.

Participants were then asked to perform various tasks using the solution without receiving training and when they fail to select the correct option, they collect information on why they had not proceeded as anticipated.

In the corporate environment, there is a much better opportunity to educate users than in a home environment.

Most corporations who choose to implement self-booking tools embark on communication programmes to explain how the system works.

But online FAQs are not a panacea. Many companies find that a good proportion of visitors to their FAQ sections do not find what they are looking for and end up calling or emailing a question anyway.

For people who are happy using self-service, it can be incredibly frustrating if they then have to pick up the phone to carry out one part of the whole process.

Companies that have embraced self-service will need to employ very good call centre staff as a result. If one person in a call centre of 20 is not good at delivering customer service then the likelihood is that most customers who call will be served well. A company transacting a lot of business online, they may have just two people in their call centre. If one of them is bad, there is a very good chance customers will be served badly.

In the corporate environment, getting the user interface right is also paramount. For example, SAP says that when it is implementing its Travel Management booking tool as part of a wider mySAP enterprise resource planning system, almost every customer asks for modifications. Some are as simple as adding the corporate logo but others want to customise layouts and the entire way in which processes are handled.

As a result, the firm has established usability labs that hone the user interface based on extensive research among customers. One thing it has found again and again is that the interface needs to be simple. Too much information on one screen puts people off using it.

Getting the user experience right is also categorising the user in the first place. In corporate self-booking tools, a business traveller might want to use the system to book a trip but their line manager will want something different. A line manager wants to see how his company is doing and he wants to see budgets. Although the information being accessed is the same, it is presented differently to the employee and to the manager.

Trust is also playing a larger role in the self-service environment because the technology makes it much easier to obtain personal data such as name, address, telephone number, e-mail address, transactional information and preferences.

Users know this information is being collected and will expect something in return. One of the most valuable assets is time and if this information is used to make the use of their time more productive then it will be a win-win situation.

When a user feels comfortable with the online environment, one of the key points that comes back again and again is that users love self-service because it gives them control.

“We are looking more and more at people productivity, looking at how end-users make use of front-ends. We have huge usability labs which look at how customers are using the system and see how they can change the interface so that the service is provided in the background. After all, the end-user doesn't care where the information comes from as long as they get it.”

Hendrik Vordenbäumen,
Director Solution Management - mySAP ERP

The future for self-service

Self-service in travel has come a long way in a relatively short time, driven in part by competitive necessity and in part by a dramatically changing economic environment. Companies in the sector are having to look at self-service technology whether they want to or not, just to keep up with their rivals. Those rivals are enjoying the cost benefits of doing so but also reaping the rewards of better customer loyalty, increased revenues and happier customers because of the increased control it gives them over their travel planning.

There have been some impressive conversions to self-service, take a look at the 90 plus per cent online booking rates enjoyed by the likes of Ryanair and easyJet and the high adoption rates for self-booking tools at companies such as Oracle. At the moment, there are a handful of companies who can boast such high adoption figures for self-service technology. But in the not too distant future, it will be the companies who have not adopted self-service technology that will be in the minority.

So what can we expect from self-service technology as we gaze into our crystal balls?

» **A greater range of services available through the self-service environment.**

The integration of frequent flyer systems, which have traditionally been separate from airline reservation systems, is also likely to be the next step considered by many full service airlines.

» **Cross-selling will become commonplace.**

Many predict that dynamic travel packaging is going to be the next big thing and this takes the self-service concept one stage further. Rather than buying a package holiday from a tour operator, why not put together a package yourself? As a result, travel companies will start to cross-sell a wider range of services, airlines will sell hotel rooms, car rental firms will offer foreign exchange services and hotel chains will package up travel insurance.

» **More powerful tools to help customers choose what they want.**

The next generation of self-service technology tools will guide customers in choosing between a dizzying array of travel options. Booking engines that show customers a targeted selection of air fares or even whole dynamic packages put together on the fly will become de rigueur for airlines and other travel firms.

» **Greater levels of adoption in the corporate environment.**

In the corporate travel sector, there is no reason why companies will not continue to book an increasing amount of their business travel online because they enjoy the control it gives them over their travel programmes.

» **Continuing thrust to drive customers online.**

Lower service fees for bookings made online will continue to push customers towards the online channel. This will not be the only motivator.

» **Even wider integration.**

There will be greater integration between self-service tools and supplier websites. As airlines and hotels add features to their own sites, such as the ability to reserve a particular seat or request a meal, this will also be available in the self-service environment.

» **Greater choice of access point.**

Self-service in travel will become even more integrated with normal working life. SAP, for example, suggests that travel bookings will be made from systems such as Microsoft Outlook or Lotus Notes within the next two years.

» **Closer links between suppliers and their customers.**

Travel bookers, such as secretaries and personal assistants, who use self-booking tools today will no longer need to, as business travellers take responsibility for their own bookings as they become easier to access and use.

Self-service is now moving into the mainstream in travel and successful implementers will be those who create value and give their customers control. As more companies in the travel sector adopt the technology, holidaymakers and business travellers will come to accept it and embrace it in the same way that banking customers now routinely use ATMs without thinking about it.

“One year ago, we introduced a new front-end and it will continue to be enhanced further and new technologies will be introduced. In one or two years’ time, it will be a no-brainer to use Microsoft Outlook or Lotus Notes to make a booking.”

He also believes that the chain between supplier and end-user will become shorter. “Many companies still have assistants doing self-service transactions,” says Vordenbäumen. “I may be the person who needs to do the transaction but I ask someone to do it for me. This will change over the medium term and I won’t do that any more – I will do it myself.”

Hendrik Vordenbäumen,
Director Solution Management - mySAP ERP



De-constructing the seven myths of self-service

Self-service technology has proved to be one of the enduring successes of the past few decades. It has already made significant in-roads into everyday life but the future promises much, much more. Self-service can be well defined by seven myths that surround its use.

Myth 1: Self-service is big

Self-service has made huge strides in travel. In the space of ten years, the number of airline tickets booked online has gone from zero to one in ten of all tickets. But we are at the beginning of an even more rapid period of change – the majority of airlines believe that the online channel will start to outsell traditional channels within four years.

The same pattern will be mirrored in the corporate world. Corporate self-booking tools have been around for a decade and adoption levels, while high in certain geographical areas such as North America and with particular patterns of travel, have remained relatively low. Yet, we are about to enter an era in which SBTs will become the booking channel of choice. Within five years, we can expect 80 per cent of business travel to be booked using self-service technology, regardless of geographical location or size of company.

Myth 2: Self-service is only about cost-saving

Detractors of the self-service concept say it is only being introduced to save costs. Certainly, airlines have reduced the cost of sale for their tickets by moving towards self-service and you only have to look at the different service fees charged for tickets bought online and offline to realise this.

Corporations implementing self-booking tools have also reaped cost benefits, not only in terms of transaction costs but also in the average price paid for flights and hotels.

For airlines, self-service technology offers the opportunity to increase yield and revenue as well as reducing costs.

There are already signs of this from the self-service technology that exists today. In the future, as self-service technology becomes even more sophisticated, it will become not only a means of cost reduction but also a significant revenue generator.

Meanwhile, corporations are finding that although self-booking tools have enabled them to cut the costs of business travel transactions, it is also enabling the cost of the travel itself to be reduced.

But SBTs are beginning to provide business travellers with an unprecedented amount of control over their business trips. In the next wave of technology, where SBTs are integrated more fully with expense management automation systems and SBTs become more readily accessible over other devices such as mobile phones and personal digital assistants, this control will become even greater.

Self-service technologies also allow providers to build on the perceived value travellers place on being true owners of their travel arrangements, although this can be hard to quantify.

Myth 3: Self-service has destroyed the concept of loyalty

Where the Internet has triumphed in many sectors is in the introduction of a greater price transparency for products and services. The downside for some companies implementing self-service technology, such as airlines, is that this has led to customers increasingly chasing the best deal. Loyalty, it seems, only lasts as long as the prices are the lowest available.

In fact, although there are customers who are drawn to the lowest price, loyalty is not dead.

Companies that can create a pleasant user experience will reinforce the strength of their brands. Building on customer relationships through the clever use of self-service technology, which companies outside the travel sector such as Amazon and Ocado already do, will also engender loyalty among customers.

The key for a supplier in generating loyalty in the self-service environment is the amount of data they can collect on a customer. It is easy to track where they come from, their precise progress through the site, how long they spend on each page and what customers looked at and didn't buy as well as what they did. Retail shops would kill for this information. The response can be immediate too. While a bricks and mortar shop might need to wait for a builder to come and knock down a wall between two departments, in the self-service environment, a website can be changed virtually overnight.

Myth 4: Self-service is relevant only to a handful of international markets

Although markets such as the US, UK, Germany and France have enjoyed considerable success in implementing self-service in travel, fledgling markets such as China and Brazil have experienced rapid adoption too. Countries like these have realised the benefits of self-service technology and have missed out some of the steps that more developed countries have had to pass through to reach where they are today. What this means is that companies that will succeed in self-service technology will be those that can provide international solutions, covering different languages, currencies and tax regimes.

Myth 5: Self-service is either B2B or B2C, not both

The online players who have been successful until this point have typically concentrated on either the business or consumer market, not both. The reality is that in travel the boundary between leisure and business is becoming increasingly blurred.

In one example of this, corporations are facing a tough time ensuring that their travellers do not book using no-frills airline websites. The ability to include no-frills airlines within the framework of a self-booking tool (SBT) is becoming a key differentiator. Ultimately, it will be SBTs which can give access to the widest range of content – taken from both GDS and non-GDS sources – via a single screen which will succeed.

Myth 6: Self-service is about simple transactions

The early implementations of self-service technology were all about enabling transactions but we have entered a new phase where every aspect of the relationship between customer and supplier are moving online.

As self-service tools have developed, customers have been able to carry out increasingly complicated transactions.

For example, corporations can now book multi-sector trips with different classes book on outward and return legs using their self-booking tools.

We are already making the first faltering steps in the next level of self-service, where all elements of the customer-supplier relationship are handled by the technology, such as making changes to bookings and expressing preferences for seats and meals. The ultimate goal will be to make the customer feel happier using self-service technology than they do with calling a human agent, the reverse of today's situation.

Myth 7: One size fits all

With the significant investment required for implementing self-service technology, early adopters have tended to follow a “one-size-fits-all philosophy”, introducing a single tool that will be used by everyone.

However, leading companies in the sector are realising that while a blanket approach has been successful until now, to move more customers online will require a different strategy. Customer relationship management can now be used to selectively adjust the self-service experience for specific users.

In the corporate travel sector, this will mean off-the-shelf booking tools for companies who do not require the ability to customise and highly customisable tools for those corporations who want to be able to manage their travel programme in the smallest detail while having a dedicated interface that reflects their own identity.

As a result, companies will focus increasingly on the user interface of self-service technology. While the content remains the same, an increasingly varied array of tools will be employed to access it in a user-friendly way that increases trust, loyalty and adoption.

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