

TOURISM AND HOSPITALITY INDUSTRY IN THE DIGITAL ERA: GENERAL OVERVIEW

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ABSTRACT

Tourism and hospitality industry plays an important role in the global economy, representing more than half of service exports in countries like Spain, South Africa or Mexico, and covering more than 3% of global GDP. Continuously adapting to the digital trends, tourism and hospitality organisations manage to create digital solutions to improve their sales, brand image and awareness. Starting from agregators with 12 million users per month and finishing with small business sites that use conversion rate optimisation to increase their performances, the entire online tourism market fights to stand out in an Internet era in which, at this moment, there is one website per every 3 Internet users worldwide.

KEYWORDS: *tourism, hospitality, digital.*

JEL CLASSIFICATION: *L83*

1. INTRODUCTION

Tourism sector has shown a high capacity of adapting to the requirements and modifications of international markets, actively contributing to the development of new jobs and being an important economic factor at global level.

Travel and tourism industry GDP represents more than 3% of global GDP, with a share of 2.4 trillion dollars in 2014 it was larger than the automotive manufacturing and chemical manufacturing sectors.

In countries like Spain, Malaysia, South Africa, Mexico, Turkey, Peru, Thailand and Jamaica, more than half of all service' exports are generated by Tourism and Hospitality Industry. (World Travel & Tourism Council, 2015)

The development of digital business provides managers the necessary tools that allow their organizations to expand into new markets, enhance stakeholders interaction and lower the costs.

E-tourism stimulates the global and local competitiveness of tourism and hospitality industry, E-business models are now critical for any major organization.

E-business requires a change from mass production to mass customization and from selling to relationship-building, developing a customer-centric management.

E-tourism represents the digitalization of all the processes in the tourism and hospitality industry that enable managers to maximize their organisations efficiency and effectiveness.

E-tourism includes all e-business functions: e-commerce, e-management, e-marketing, e-finance, e-accounting, e-HRM, e-procurement, e-strategy and e-planning.

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The entire value chain, all business processes and the strategic relationships of tourism organizations are continuously transformed by e-tourism.










Industry	GDP (\$US billions)	% of Global GDP
 Automotive Manufacturing	\$914	1.2%
 Chemicals Manufacturing	\$1,590	2.1%
 Travel & Tourism	\$2,365	3.1%
 Banking	\$2,436	3.2%
 Education	\$2,605	3.4%
 Agriculture	\$3,111	4.0%
 Mining	\$3,897	5.1%
 Retail (without wholesale)	\$4,261	5.5%
 Financial Services	\$4,796	6.2%
Total	\$77,085	100%

Figure 1. Global GDP by industry

Source: World Travel & Tourism Council, *Benchmarking Travel & Tourism. Global*, 2015

2. TOURISM AND HOSPITALITY WEBSITES AND SOCIAL ACCOUNTS

In the era of Internet and digitalization, tourists are at a click away from their preferred holiday. E-tourism has brought big old renowned tourism organizations on the same page with the new, small, local companies. Due to the ease of access, reduced costs, global spread opportunities and custom products and services, more and more travelers are looking for a personalized experience, distancing from the hotels and hostels and booking accommodations at locals.

Now there are more than 3 billion Internet users in the world, and approximately 1 billion websites. (www.internetlivestats.com, 2015) This means that with a great management and a well balanced budget, any tourism and hospitality organization can reach a very big number of consumers through digital devices.



Figure 2. Internet Statistics

Source: <http://www.internetlivestats.com>, retrieved August 08, 2015

Social media plays a great role in the online strategy of tourism and hospitality organizations. If a social account is properly managed, it can generate a return of investment that exceeds any other forms of marketing. An example of a well balanced and efficient tourism organization in social media are the accounts of The Metropolitan Museum of Art, New York, which gathers more than 2.3 million followers on Facebook and Twitter. With the cost of posting some relevant content and 2 free account, the art museum gets thousands of people directly responding to the messages they promote.

Through their posts they keep an open interaction with their followers, and get thousands of likes and shares (fig. 3), that translates into active communication, customer content share and awareness.



Figure 3. Facebook post of The Metropolitan Museum of Art, New York

Source: <https://www.facebook.com/metmuseum>, retrieved August 24, 2015

In terms of websites, one of the biggest player in the online market of tourism and hospitality industry is Tripadvisor.com, with more than 12 million viewers per month. (qantcast.com, 2015) As aggregators. websites like booking.com and skyscanner.com also generate a big number of interactions and online transactions.

The market is composed of all types of online platforms, from general, aggregator type websites to very niched ones, for specific targeted specialized small organization. There are even websites that promote free accommodation for the travelers. The widest hospitality network of this kind is www.couchsurfing.com, with more than 10 million registered members. (couchsurfing.com, 2015)

3. WEBSITE OPTIMIZATION CASE STUDIES IN TOURISM AND TRAVEL SECTOR

Online managers must effectively balance the paid and the organic strategies. While in terms of paid advertising, paid posts or affiliate marketing the things are well connected to the budget, the organic strategies are harder to plan and to predict. While the off-page management mainly focuses on Search Engine Optimization (SEO), on-page management focuses on Conversion Rate Optimization (CRO).

Based on second data analysis of conversion rate optimization in tourism and hospitality industry, we have selected 3 relevant case studies for website optimization of Kras.nl. All of the online researches presented were realized with online conversion optimization tools, and the statistical significance was calculated using the Z-test model. The minimum level for statistical significance was 95%.

Kras.nl is a large travel website based in Netherlands. Founded in 1922 by Hihan Kras, the organization is member of TUI Europe and TUI Netherland.

Simulating the paid/organic search results of the more popular Google engine, they decided to test the featured "most voted" trip versus the original organic results.

The test revealed that version B, with the featured popular trip lead to an 11% increase in terms of unique purchases. (whichtestwon.com, 2014)

The featured "top voted" destination was selected based on the site's users rating. The positive influence of this model of social validation is also confirmed by bigger websites like Tripadvisor.com.



Figure 4. Search results variations of A/B test on Kras.nl

Source: <https://whichtestwon.com/test/which-search-results-page-increased-sales-featured-trips-vs-organic-search-results/>

By analyzing the data, the same company noticed there was a drop off in the booking process. The shoppers left the purchase funnel right after seeing the detailed prices list.

Kras.nl displayed two versions of this list in order to optimize the conversion rate. Version A showed the item prices for each element of the packaged vacation while Version B showed the total cost and the word “included” for the sub-elements of the packages.

Version B (fig 5, right), that displayed “included” instead of the prices for every item, registered a 10.87% increase of the number of travel shoppers that completed the online booking process. (whichtestwon.com, 2014)

Persuasive messages and the way the information is presented can play a big role in influencing customer behavior. Other trust elements, like safety icons or familiar rating icons can also have a positive influence on user perception. (Popescu et. all, 2015)

Totale Reissom			Totale Reissom		
Hieronder ziet u het overzicht van de totale reissom inclusief alle door u geselecteerde extra's, eventuele verzekeringen en toeslagen.			Hieronder ziet u het overzicht van de totale reissom inclusief alle door u geselecteerde extra's, eventuele verzekeringen en toeslagen.		
Overzicht totaalprijs		totaal	Overzicht totaalprijs		totaal
2x Reissom à € 769,00		€ 1.538,00	2x Reissom à € 769,00	inbegrepen	€ 1.538,00
2x Basisreissom à € 730,00	€ 1.460,00		2x Basisreissom à € 730,00	inbegrepen	
2x Luchthavenbelasting en brandstofheffing à € 39,00	€ 78,00		2x Luchthavenbelasting en brandstofheffing à € 39,00		
1x Reserveringskosten à € 17,50		€ 17,50	1x Reserveringskosten à € 17,50		€ 17,50
Reisverzekering (bekijk specificatie)		€ 35,50	Reisverzekering (bekijk specificatie)		€ 35,50
Annuleringsverzekering (bekijk specificatie)		€ 105,07	Annuleringsverzekering (bekijk specificatie)		€ 105,07
Calamiteitenfonds		€ 2,50	Calamiteitenfonds		€ 2,50
Totaalprijs		€ 1.698,57	Totaalprijs		€ 1.698,57
Aanbetaling		€ 338,40	Aanbetaling		€ 338,40
Restant		€ 1.360,17	Restant		€ 1.360,17

Figure 5. Price itemization variations of A/B test on Kras.nl

Source: <https://whichtestwon.com/case-study/kras-price-itemization-test/>

When it comes to vacation packages dedicated pages there is always a need to keep in mind the design and the content presented, that must provide both a good usability and comprehensive information. In case of tourism and hospitality industry this usually includes prices, seasons, description, photos and feedback from other users. On Kras.nl, in order to optimize the product pages, they tested the Version A, focusing on price ranges and Version B that focused on the trip details and pictures.

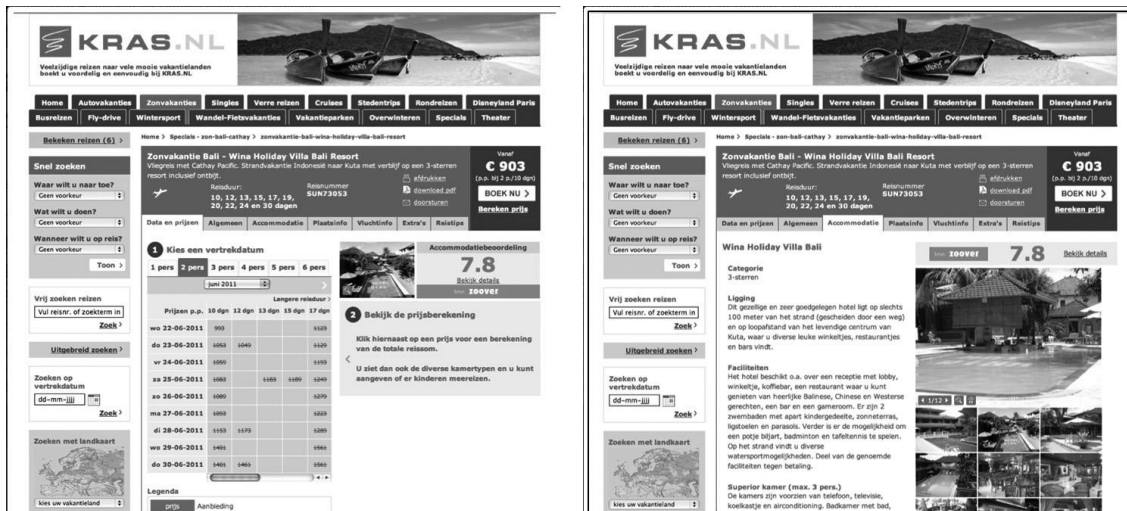


Figure 6. Landing page content variations of A/B test on Kras.nl

Source: <https://whichtestwon.com/test/which-type-of-default-content-increased-sales-%E2%80%93-pricing-information-vs-trip-overview/>

Version A has proved to be the better version, generating a 17.5% sale increase. (whichtestwon.com, 2014) The test revealed the fact that users preferred to have the pricing information above the fold, in visible sight without scrolling.

Regarding the managers strategy to increase income by optimizing every little aspect of the business, especially the segments that offer a great return on investment, it is important to keep in mind the fact that “mobility, location proximity and full accesability on any number of possible displays, makes content delivery a unique new opportunity as well as a unique new user experience.” (Manu, 2008)

4. CONCLUSIONS

In 2014 Travel and tourism industry GDP represented more than 3% of global GDP, and more than half of service exports in countries like Spain, Turkey, Peru, or Thailand.

The digitalization of tourism and hospitality industry leads to better performances in terms of efficiency and effectiveness

The ratio Internet users/live websites is almost 3:1, that means the competitiveness in the online market is extremely high. There is not enough anymore for an organization to be online, it must make itself visible and unique.

The Internet offers Tourism and Hospitality Industry an opportunity that can only be achieved online: the capacity to connect with more than 12 million travelers per month on only one platform. Judiciously managed, Social Media is a very good tool for awareness and interaction. Having a great return of investment rate, it can generate thousands of shares for a single post.

Regarding on-page website management, conversion rate optimization represents a good solution for increasing online sales. The general design and the content provided should always be tested for improvement in order to continuously adapt and optimize the website. In tourism and hospitality industry user generated social validation has a noticeable impact on consumer behavior.

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