The Question!

How is the *Digital Revolution* Shifting Information and Power towards the customer in tourism?

Part of the EU Funded Caribbean Regional Sustainable Tourism Development Programme for Cariforum countries

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Managed by CTO.
Digital Revolution

What is a Digital Revolution?

- Term describing the effects of the rapid drop in cost and rapid expansion of power of digital devices such as computers and telecommunications.
- It includes changes in technology and society, and is often specifically used to refer to the controversies that occur as these technologies are widely adopted.
- We usually refer to these technologies as ICT’s (Information and Communications Technologies)
- Includes technologies such as desktop and laptop computers, telecoms, software, peripherals and connections to the Internet that are intended to fulfil information processing and communications functions.
What Digital Revolution(s) are we talking about?

- There have been a number of digital revolutions in our lifetime.
- Perhaps the most important as far as this topic and tourism is concerned is the commercial use of the internet ~ starting in the mid 1990’s ~ plus the growth in new mobile phone technologies.
- We need to ask ourselves what has happened with these 2 technologies of late that has changed so many relationships and information sharing in the tourism industry.
What do we mean by “Power” with reference to our industry

- The power of decision making relevant to what we buy and how we spend our money
- Removing ourselves from reliance on the power of the traditional travel intermediaries for advice and purchase.

Maybe this is a “consumer” revolution!
“Today the Consumer Rules” – Do they?

We Know

Technology is enabling the consumer to take the power of information gathering, evaluation and decision making from the established intermediaries ~ the travel trade!

so

- Armed with the Internet the customer has finally got on top
“The Empowered Customer is King” – are they?

Research shows:

- Window shopping takes place “on line”
- Consumers via technology can compare suppliers, products, prices, service and quality
- Newsgroups and websites constantly review products, services and prices
- Some products allow “packaging and customisation” on-line – Travel, Clothes etc.
- The more expensive the goods the more research is undertaken.
So “How” did this apparent change come about? - Factors for Change

*The Shift* - What are the recent “Digital” factors that best illustrate the *shift of power* from traditional travel intermediaries to consumers in tourism.

*Three* Factors have had more influence than most:

1. The advances in Cellphone technology and the “Wireless” Revolution
2. Web 2.0.
3. Recent Internet User Explosion
Who is Influencing Who!

- Maybe the question should be “is the digital revolution moving power from the supplier to the customer”
  
  or

- is the supplier using technology to let the customer think they have the power
“A World of Connections” ~ Convergence of cellphones and computers is here!

A few facts:

- 2.8 billion phones in use – 1.6 million added daily
- Wireless communications are becoming part of everyday life
- The explosion of the “microprocessors” means that communications networks will within 3 years need to cater for a trillion connections
- Chip technology has improved and made cellphones smaller, more powerful in terms of functions, and less costly – they do much more for much less
- 5 years ago a modest phone cost $250 – now the same phone with much more functions costs $25
- By 2011 - 4 billion people will be carrying cell phones.
Communications Revolution

A few more facts!

- **Trends** ~ devices now communicate with other devices without our intervention.
- **Rich Media** ~ Cellphones support digital music playing, FM stereo radio, camera, colour display and internet connectivity.
- **Communications** - Self contained services have become capable of communicating with each other ~ Apple’s IPOD can communicate with Nike running shoes so that the IPOD can select music to match the joggers pace.
- **Convergence** - Cellphone manufacturers are now choosing technologies that are supported by the computer industry and use internet protocols to ensure smooth online access.
What does this power shift mean?

= “Empowering the Tourist”

A few “quotes” from the industry

- **Hospitality Industry** - According to hotel operators, cell phones put the pinch on hotel profits - a pocket-sized vermin called the wireless phone is eating a hole in profits of the hotels, customers are taking a bite from one of their most lucrative income streams,

- With the advent of wireless technology, portable devices are now being used to access the Internet for information, including travel information. Whether using a computer, cell phone, or PDA, **4 in 10** business travellers say they have gone online while away from home. **1 in 5** pleasure travellers also claim to have accessed the Internet while on a pleasure trip.
Improving ICT’s for “Tourists”

A few more quotes from the industry

- Over the next 12 to 18 months the growth of next generation wireless networks, combined with the broader acceptance of smartphones, will enable customers a new level of interaction between the traveller, supplier, intermediary at home and overseas.

- Digital certificates for frequent travellers soon? to achieve “the highest level of identity verification for frequent travellers and contribute towards improving the security of the global air transport system technology helping customers move more freely through airports.
“Restructuring” the Tourist Industry in favour of “the Customer”

- Mobile Adventures Ltd. provides interpretive audio solutions for museums, art institutions, local city administrations and other attractions allowing customers to use their cellphones as mobile “tourist guides”

- In Copenhagen, the Golden Days Festival has created *in the footsteps of Hand Christian Anderson*, a walking tour with 62 stops where visitors can use their cell phones to get a spoken descriptions of the location. A great way of wireless content delivery since the application of geo-targeted content delivery is still in its infancy.

- GPS and Google maps - the power is shifting. The authority figure is no longer the travel agent or even the media. It’s the customer. Customers are empowered with technology and they are using it to catalogue every place on earth using video, photos and text. Customers are telling it like it is and sharing it globally.
Cellphone makers see navigation as one of the next major value-adding offerings and even at this very early stage, analysts say the annual market for phone navigation is worth hundreds of millions of dollars.

Cellphone collect Podcasts, RSS and Email blasts from tourism travel sites without our intervention.

The new cellphone multi connectivity technology is vastly improving and broadening the information collection processing and communications functions of the consumer, and is shifting the power of choice, decision and empowerment to the consumer.

Sustainable Tourism – placing microchips in wildlife, plants, beaches, attractions, heritage sites etc to conserve, monitor use and misuse.
So is “New” Cellphone Technology shifting information and power to the Customer?

Yes - cellphone providers are aiding the shift of information provision and power of decision to customers but at a price?
Web 2.0 – the next “internet” revolution ~ its happening Now!

What is Web 2.0

It is a catchphrase used to describe a way of using the Web - what that way entails is debated, but generally its “social networking”.

It is not:

- a way of designing web content.
- a new technology.
- a new visual design.

So maybe in many way its not much different from Web 1.0.
Web 1.0 was about connecting computers and making technology more efficient for computers.

Web 2.0 is:

- Is definitely about people.
- Its applications that are harnessing the power of collective intelligence of users.
- It’s about connecting people, and making technology more efficient for people.
- It uses social networking, Podcasts, wikis, blogging etc to disseminate information.
- It generates huge interest online and must be taken seriously when we are designing our web strategy.

So it appears to be a collection of methodologies that focus on shifting power to the user – or does it?
Web 2.0 & Tourism?

How do these web 2.0 Methodologies relate to the travel and tourism industry - is Web 2.0 providing consumers with tools to Find, Research, Customise and Buy travel and tourism products more effectively and cheaper than through the industry and shift the power of influence and decision from the intermediary to themselves.

Lets look at these web 2.0 “methodologies” in relationship to Tourism and Consumers.
Web 2.0 Methodologies ~ Social Networking

Now Web sites are becoming a place where relationships are formed and opinions exchanged by consumers.

- Examples in tourism are IgoUgo, My Space, You Tube, Trip Advisor, Yahoo Trip Planner – these web sites are about creating consumer generated content not just publishing sterile brochure content

- Social networks allow consumers to “congregate” around subjects and to operate outside the established contact points so that they can exchange unfiltered views and experiences good and bad.

- Organisations can themselves create their own social networking space on their website or work with established players like My Space, You Tube
Web 2.0 Methodologies ~ Blogs (weblog)

Weblogs provide dialogue on varied subjects.

- Blogs can combine text images, links etc.
- Blogs can be used by companies to solicit feedback and experiences and also be used for tracking consumer opinions, and can be formal or informal.
- Are seen by consumers as a personal communication channel and as an impartial and informal way of getting factual, unbiased and accurate information.
- Companies need a “Blog Strategy” ~ options are to control, respond or remain silent.

Many public and private sector tourism sites today have blogs - usually editorial controlled by the site operator - supplier.
Web 2.0 Methodologies ~ Podcasting

Is an audio file that can be downloaded from a web site onto an IPOD/MP3 player and of course a “mobile phone”.

- Used to deliver sound experiences of travel destinations and guidebooks, music, cultural experiences etc and talks and speeches by well know personalities
- Used by operators like Lonely Planet and other travel guides, Virgin, Online Booking engines (Orbitz, Expedia ) and National and local Newspapers
Web 2.0 Methodologies ~ RSS (Really Simple Syndication)

Is a file format that is used to subscribe to content on a regular basis – news, latest offers, promotions etc

- This allows the consumer to keep track of news, blogs, events and “deals” without having to remember to check each site manually
- Many airlines, agents, hotels and operators offer this facility mainly focussed on deals, specials and promotions
- RSS does not compete with email, spam etc, works well with search engine positioning (inbound links from other web sites)’ can syndicate and pass on content to other consumers
- Expedia, Travelocity, Sheraton etc are good examples of RSS.
Wiki is a type of web site that allows consumers to add, remove and edit the web site content themselves online.

- Wikis have little editorial control so the value of the comments made are questionable.
- A good general example is Wikipedia, a popular education/reference web site.
- An example is Trip Advisor Wiki that allows visitors to edit travel guides.
Web 2.0 Methodologies ~ Online Video

Requires Broadband Connection.

- Video clips can be professionally produced or consumer - amateur generated.
- Rich media to provide the ability to engage the consumer with factual video of destinations, accommodation, virtual tours etc.
- Can be image and sound thus providing a “real life experience”
- YouTube and Travelistic facilitates consumer and professional tourism video clips
Tagging is a new way of indexing information on web sites. Information can have multiple tags and is very common in user generated content (particularly blogging).

- Consumer sorts and finds information of interest on a site it is tagged it for future use and more content added to the tag. Other travellers can also access others tags on certain sites.
- Allows a consumer to find and tag relevant information clips and tag each and then later view collective information on a particular destination or hotel of everyone who has been before.
- Used for saving and sorting consumers own content and browsing other consumers content.
- Another form of tagging is “geotagging” this allows an individual to add longitude and latitude to content and this allows content to be shown on a map.
- This is a new technology and allows computers and some newer mobile phones to geotag a picture and then upload to a site.

This is really a consumer-focussed tool. Example sites are Flickr.com and Travelbuddy.com.
Mash-ups is combining two different sources of information to create a new “experience”. Open-API is the technology that is used to form the Mash-up.

Good examples of mash-ups is combining Google Maps with images, sounds, videos etc. i.e. Trip Advisor combines hotel rates on Google Maps and combining Google Maps with other information i.e. tourist hiking trails, dive sites etc.
Web 2.0 Methodologies ~ AJAX  
(Asynchronous Java Script and XML)

AJAX is a developing technique to make web pages more responsive to users by exchanging small amounts of data with the server so that the whole page does not need to be reloaded.

- Can make web sites more responsive and provide information without having to refresh the browser each time.
- Fare Aggregators (Kayak, Sidestep, Farecast) use AJAX to create a fast user experience when sorting through large numbers of flight options.
- Google maps uses AJAX to allow users to scroll, pan and zoom without reloading the map.
Web 2.0 is shifting power from the traditional tourism supplier / intermediary to the customer?

- Web 2.0 then is a multitude of different ways that companies can engage with customers to build loyalties, CRM and disseminate information.

- These technologies put much more power in the hand of the consumer than Web 1.0 and

- Increasingly move the power of decision from the supplier to the consumer.

Yes! - but maybe the “power” in tourism has moved from the traditional industry (Agents, operators etc) to the “new information facilitators” - web site owners (some of whom are on-line operators and agents) who can manipulate consumers via the clever use and understanding of Web 2.0 technologies
Internet User Explosion

Is this growth the Chicken or the Egg? – What came first - is the Digital Revolution creating the user growth and shift of power towards the customer in tourism or the other way around.

Let's look at where and how the growth has occurred!
China and Asia now account for 344m users that’s more than USA and the EU countries.
Chinese is now the 2nd Internet Language & importantly Spanish and Japanese are 3 and 4
The growth of Internet Domain Hosts has now reached ~450m - major growth period post 200/3
Major growth in users since 2002/3

Internet Usage Growth
1995 - 2006

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Internet Penetration as a % of population – is greatest in USA, Australia/Oceania and EU

Internet Penetration by World Region

- North America: 69%
- Australia/Oceania: 54%
- Europe: 39%
- Latin America: 18%
- Asia: 11%
- Middle East: 10%
- Africa: 4%
- World Avg.: 17%

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Internet Growth in Europe ~ Travel Market – major since 2003/4

European Online Travel Market

- 2008: 55 Billion Euro
- 2006: 45 Billion Euro
- 2004: 30 Billion Euro
- 2002: 15 Billion Euro
- 2000: 5 Billion Euro
- 1998: 1 Billion Euro
The higher the household income, the higher the likelihood of using the internet as the primary source of research for travel.

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Will use Internet as the primary resource for travel</th>
<th>Will use Internet but not as the primary resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$35,000</td>
<td>41.9%</td>
<td>58.1%</td>
</tr>
<tr>
<td>$35,000-$49,999</td>
<td>38.7%</td>
<td>61.3%</td>
</tr>
<tr>
<td>$50,000-$74,999</td>
<td>42.6%</td>
<td>57.4%</td>
</tr>
<tr>
<td>$75,000-$99,999</td>
<td>51.8%</td>
<td>48.2%</td>
</tr>
<tr>
<td>$100,000+</td>
<td>63.1%</td>
<td>36.9%</td>
</tr>
</tbody>
</table>

*Note: ages 18+; *in the next three months.
Source: Burst Media, February 2007
The higher the income the higher the chance of using the internet to purchase travel.
There is a relentless move toward broadband connections

| Broadband vs. Dial-Up Internet Households and Penetration in the US, 2005-2011 (millions and % of total households) |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                 | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
| Dial-up         | 28.2  | 19.9  | 13.6  | 8.8   | 6.7   | 6.1   | 5.6   |
| Broadband       | 43.9  | 54.6  | 65.0  | 74.1  | 81.1  | 86.2  | 89.9  |
| Online households | 72.1  | 74.5  | 78.6  | 82.9  | 87.8  | 92.3  | 95.5  |
| Total households | 116.8 | 119.0 | 121.2 | 123.3 | 125.5 | 127.6 | 129.7 |
| Online households % of total households | 61.7% | 62.6% | 64.9% | 67.2% | 70.0% | 72.3% | 73.6% |
| Broadband households % of online households | 60.9% | 73.3% | 82.7% | 89.4% | 92.4% | 93.4% | 94.1% |

Note: eMarketer defines "broadband" as an Internet connection of 200 kbps in at least one direction; broadband includes ADSL, cable, satellite, fixed wireless, fiber, powerline, WiMAX and emerging broadband technologies accessed at home.

Source: eMarketer, March 2007
So what are the implications of these stats?

It appears from these stats that:

- The strongest growth period for internet use shown is post 2003/4 – Tim O’reilly first “coined” the term Web 2.0 in 2004.
- As wealth increases so does the use of the internet - growth shown in the fast emerging markets of China and SE Asia again post 2003/4.
- The higher the income the higher the chance of using the internet to research and purchase travel.

The huge growth in users is demanding more information, and more information = more power to make decisions – it is an ever increasing cycle – the more you get the more you want!
The post 2003/4 digital revolution’s and wealth growth certainly appears to have shifted Information and Power towards the customer in tourism?

The major “agents” for this change since 2003/4 are:

- New cellphone “wireless” technologies
- Web 2.0 illustrates the power of Word of Mouth Marketing (WOMM) ~viral marketing ~ using the internet to grow a customer base.
- Convergence of cellphone and internet technologies and embracing internet connections and communications
- Emerging economies – China and India = huge growth in users
Who are the winners and losers?

- The winners are the consumers – probably!
- The losers are the travel trade dinosaurs who did not change and take advantage of the new opportunities.
- The winners are the technologists and new “Intermediaries” – the shift is not only information & power to the consumer but also a shift of revenue from the established travel trade to the technologists and new “Intermediaries”.
- Perhaps the clever marketers – who may be fooling the consumer into letting them think that they have the power, but in fact are still subject to “manipulation” by the clever marketers using internet technology and web 2.0.
Who is Influencing Who!

Maybe the question should be “is the digital revolution moving power from the supplier to the customer”

or

is the new suppliers using technology to let the customer think that they have the power.
So what is CTO’s Response to these changes?

- A new joint CTO/CHA “people focussed” Internet Strategy and a complete redesign of the web sites
  - Consumer Sites (8 language / market sites)
  - Corporate Site
  - Social Networking Site
Development
Due 2008
“research shows that 90% of travelers will be online by 2010... we’re in an era when travelers have almost unlimited information. “There is only one steering wheel and the driver, the customer, is not letting go.”
One Last Thought – Web 3.0 is coming !!!!

Web 3.0 is referred to as the semantic web. The semantic web is where machines read web pages as humans do today.

A web where search engines and software agents peruse “the Net” and find us what we’re looking for. **The consumer becomes more integral with the web.**

The effect that Web 3.0 will have on our industry is ...................????????

We can talk about that next time !!!!