CONVERSATIONAL AI

The Key to 4-Star Service, 5-Star Reviews &

BIGGER PROFITS
IN TRAVEL

^netomi

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Executive Summary

Consumers who are buying travel and interacting with travel and hospitality brands expect better customer service.

Modern consumers are less patient. They want personalized information at minimal personal cost. And brand loyalty is no longer as important as it once was. Customer service is now a primary driver of where people spend their money. It's how companies differentiate in an industry where airplane seats and hotel rooms are remarkably similar.

Conversational Artificial Intelligence systems create hybrid human and machine support systems that significantly improve customer service while also significantly improving the lives of agents and demonstrably improving both the top and bottom line for travel and hospitality companies. Companies that are late adopters risk alienating customers and their own employees, leaving new revenue streams on the table, and suffering reputational damage should their legacy support capabilities fail to keep up with modern expectations. If you are not currently leveraging AI to automatically resolve to customer service issues, a virtual customer service agent should be one of the primary strategic items that you address in the next 6-12 months.

In this eBook, we will explore Conversational AI for travel and hospitality brands and investigate the business case that makes an investment in and commitment to Conversational AI so critical at this juncture. We will cover some of the current use cases and then provide a glimpse into the future of Conversational AI for travel and hospitality based on our assessments of newer technologies and ongoing trends in the field. Travel and hospitality leaders who read this ebook should receive a solid foundation in what is Conversational AI, why it matters so much today and going forward, and a basic decision-making framework on which to build future explorations of Conversational AI and related automate intelligence technologies for their organizations.

Business leaders recognize

Customer Experience is the Key to Growth

Many people still consider AirBnB a successful 'startup'. The reality is, after only a decade, AirBnB is now a travel industry giant and an existential threat to many hotel brands.

In 2018, customers spent more money on AirBnB than they did on Hilton and its subsidiary brands combined, making the online giant second in customer revenues only to the behemoth Starwood. While the remainder of the industry is posting consumer spending growth in the single digits, AirBnB posted 30% revenue growth in 2018.

A key differentiator between AirBnB and all the existing storied hospitality brands is the upstarts remarkable online customer experience and the way this experience drives customer self-service. AirBnB requires no check-in desk and no concierge. There is no credit card required for incidentals and, in fact, finding the right room or place is actually something that people love to do. This is not an aberration. In the modern customer's mind, regardless of age-group, experience is critical - and it should be fast and seamless.

>80%

organizations that expect to compete mainly based on CX

Businesses leaders broadly recognize this. In a May 2018 Gartner Survey of marketing and customer experience (CX) leaders, almost half of all organizations said they can measure the financial benefits of CX projects and "… over 80% of organizations expect to compete mainly based on CX".[1] According to a 2017 study by the Temkin Group, a respected customer service and experience consultancy, people who rate their customer experience as "very good" are three times more likely to purchase again from that company.[2] Across the travel and hospitality sectors, customer experience is driving growth. According to PhocusWright[3], revenues for travel activities - experiences, in other words - will reach $183 billion in 2020, with activity revenue growth markedly outstripping the revenue growth of core travel components flights and hotels.

The core idea of renting a room online to stay in someone's home or apartment has been around for nearly two decades (see Craig's List, Couchsurfing and VRBO). AirBnB made the experience delightful. The company has expanded that expertise in experiences into business travel, where it is helping over 500,000 businesses manage their travel, according to Phocuswright.[4] AirBnB's biggest push, started in 2016, is selling additional "experiences" such as tours and classes, to travelers. The company is treading a path paved by the Online Travel Agencies, all of which have entered similar businesses and have used superior customer experience and enhanced access to information to drive exponential growth.

> "The sublime experience design of AirBnB has permanently raised the bar for customer experience"

That said, the sublime experience design of AirBnB has permanently raised the bar for customer experience. Many hospitality brands are rising to the challenge; its safe to say that the hospitality sector is doing a much better job with customer experience nearly across the board.

There are two lessons that are critical here. One lesson is that a multi-billion dollar company can be built solely on the basis of a better digital customer experience. The second lesson is that hospitality brands that do not use the best tools in the most effective way to improve and enhance customer experience are risking revenues, customer loyalty and their hard-fought brand reputations.

Conversational AI represents one of the best ways that hospitality and travel brands can up their customer experience game. It represents a tectonic shift in how customers interact with brands, providing massive opportunities for travel and hospitality to reestablish their customer experience leadership. According to a 2017 study by customer relationship management leader Salesforce, adding AI-powered customer relationship technology will add $1.1 trillion in revenues to the global economy by the end of 2021.[5] This transformation is already well underway in customer service units. According to Gartner, 25% of major companies will implement some form of virtual assistant - be it chatbot or full-fledged Conversational AI - by 2020.[6] Leading edge companies, as well, are already looking specifically to work virtual agent technology (to interact directly with customers or assist agents into their call centers). According to Forrester, 31% of global telecommunications technology decision makers significantly involved in large and medium sized contact centers say customer-facing virtual agents are a top priority,[7] and 30% say agent facing virtual agents are a top priority. Therefore, travel and hospitality companies that fail to embrace AI could lose out on significant growth opportunities as well as new ways to serve their customers faster and more efficiently.

1 Realizing the Benefits of Superior Customer Experience: A Gartner Trend Insight Report
2 CX ROI: Better Customer Experience = More Purchases
3 Travel Activities Market to Reach $183 Billion by 2020
4 What owning the end-to-end traveler experience means for Airbnb for Work
5 A Trillion-Dollar Boost: Salesforce Releases New Research on the Economic Impact of Artificial Intelligence on CRM
6 Gartner Says 25 Percent of Customer Service Operations Will Use Virtual Customer Assistants by 2020
7 Forrester Analytics Global Business Technographics® Networks And Telecommunications Survey, 2019
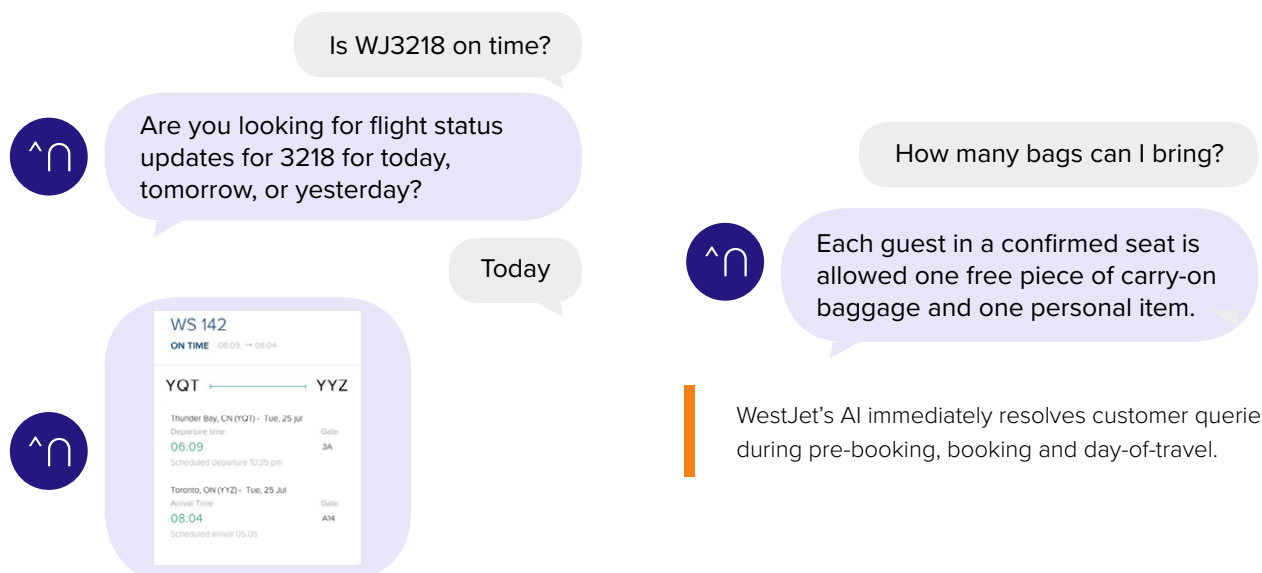
John, Juliet and Conversational AI

A business class customer named John is running late to the airport in Toronto. He's flying on WestJet. John is worried he'll miss his flight. John fumbles with his smartphone as he's running towards security. Rather than stop at one of the flight status monitors or waste time trying to Google flight status, he turns to Juliet.

Juliet is a Conversational AI platform that WestJet runs in the Facebook Messenger application to give customers super fast answers to questions like, "Is flight WJA 100 on time?". Juliet is even smart enough to know to ask the date and to tell John that he needs to hurry because the security lines are long.

If John actually had time and decided he wanted to upgrade his return leg to business class or to leave a day earlier, Juliet could guide him through the entire process quickly and conversationally. Should Juliet encounter an unexpected response from John, she would not only connect John to a live support agent but also make sure that the contents of the conversation and any other relevant information are automatically pulled up in the ticket the agents receives for John's case.

Introduced by WestJet in August 2018 as part of a push to provide more responsive, and higher quality customer service around the clock, Juliet is a cutting edge example of Conversational AI and part of a turnkey solution that allowed WestJet to set up a complete Conversational AI platform in less than a month.

Is WJ3218 on time?

Are you looking for flight status updates for 3218 for today, tomorrow, or yesterday?

Today

How many bags can I bring?

Each guest in a confirmed seat is allowed one free piece of carry-on baggage and one personal item.

WS 142
ON TIME 06:09 → 08:04

YQT ⟶ YYZ

Thunder Bay, CN (YQT) - Tue, 25 Jul
Departure time   Gate
06:09   3A
Scheduled departure 10:35 pm

Toronto, ON (YYZ) - Tue, 25 Jul
Arrival Time   Gate
08:04   A14
Scheduled arrival 05:05

WestJet's AI immediately resolves customer queries during pre-booking, booking and day-of-travel.

Today Conversational AI agents like Juliet are rapidly becoming table stakes for any travel and hospitality brand that hopes to keep up with customer expectations. A survey by SITA in September 2017[8] found that 68% of airlines planned to implement some version of AI as part of customer service interactions. The reasons for this trend are obvious.

68%
number of airlines that plan to implement AI as part of customer service

> Travel and hospitality brands can save billions of dollars in customer service costs by diverting easy to answer queries to AI systems

> These brands can also leverage AI as part of customer support process to actually boost revenues and drive profits

> T&H brands can reduce agent churn by reducing their workload and allowing agents to perform more fulfilling work that involves emotional connections and higher-order thinking and problem solving

> Customer service channels are now omni-channel and must operate 24/7, increasing the overall demand for customer service and mandating more scalable solutions

> A growing number of consumers are comfortable using conversational platforms for easy queries

> AI offers novel capabilities for personalization that customers increasingly view as valuable and desirable

> More than ever before, providing excellent customer service is crucial to protecting your brand in the travel and hospitality sector

> Retaining the most skilled and talented customer service representatives requires improvements in technology to make their jobs more interesting, less repetitive, and less stressful.

8 *Air Transport IT Trends Insights 2017*

What is **Conversational AI**

An Overview of Conversational AI

Conversational AI is a form of artificial intelligence that creates human-level communication with text-based messaging apps and speech-based assistants to create real-time, personalized customer experiences that feel like natural conversations. Conversational AI relies on several disciplines of AI including Natural Language Processing (NLP), sentiment analysis and contextual analysis. In travel and hospitality, Conversational AI systems train on a variety of data points including emails, chat interactions, audio recordings, and transcripts of live support calls. Like most forms of widely used AI today, Conversational AI relies on "machine learning". This is a process where software studies data, with or without human guidance, to identify patterns. A pattern in travel and hospitality, for example, would be the common themes and words found in requests for a seat or room upgrade, or checking on a flight's arrival time.

The best Conversational AI systems can be pointed at unstructured or semi-structured interaction records and extract from these interactions not only an understanding of the conversations but also a hierarchy of what types of customer problems can be effectively solved and how to automate those conversations. Going even further ahead, these advanced Conversational AI systems actually can add significant value to the customer experience by delivering immediate information and by allowing customers and agents to solve a wider and wider variety of challenges more quickly and more efficiently. The very best Conversational AI systems are predictive and proactive; they would not wait for a customer to call about a canceled flight and would reach out proactively with an offer to help them reschedule and a list of suitable connections to get them to their intended destination. Because Conversational AI is driven by software and generally does not consume considerable network bandwidth, it can scale nearly infinitely, with a very low cost per additional customer served.

Conversational AI versus Chatbots

A primitive form of Conversational AI is the chatbot. These first-generation Conversational AI systems are designed for very simple and limited question and answer trees but can only handle the most basic tasks. Consultancy Deloitte describes these tools as "scripted bots" and explains that a "Scripted bot is like a rule-based guided conversation and performs like a decision tree where each action by the user prompts the bot to take action or respond."[9]

They have local intelligence but are generally not connected to reinforcement learning systems that improve conversational skills automatically over time.
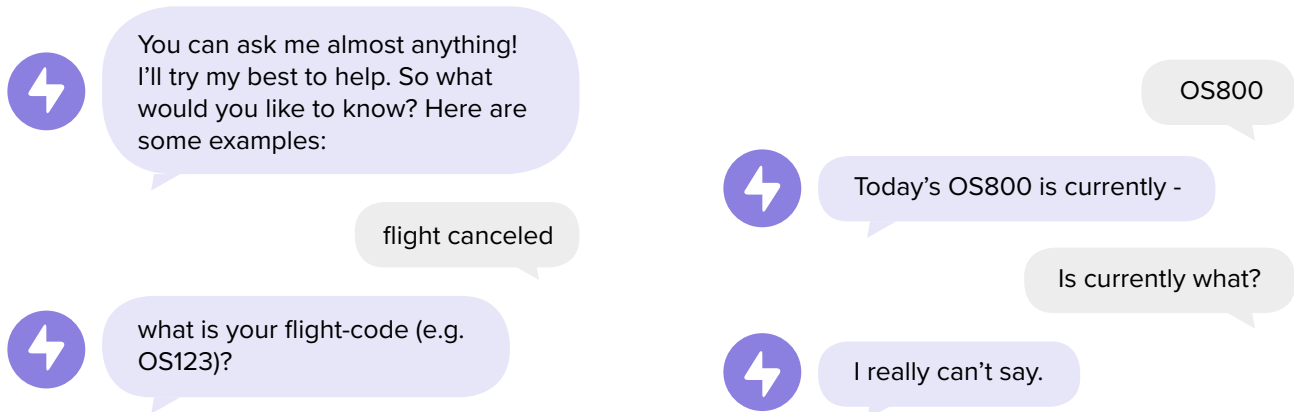
> Chatbots get confused easily if a person asks something it is not explicitly trained to handle, whereas AI enables users to engage in natural, free-form conversation.

Chabots can usually conduct one or two request interactions but stumble on anything beyond that. For example, a customer might ask, "When is the earliest I can get in my room?" and a primitive chatbot might not recognize this request because it's a slightly unusual way of asking about early check-ins. Chatbots, for the most part, struggle to recover when their human customers go outside of what the chatbot is programmed to respond to. This is a real problem because most humans prefer to interact with devices in natural language. According to data from Google Assistant, 70% of people ask their questions with natural language.[10]

In contrast, newer forms of Conversational AI can cover a much greater swathe of customer services and requests in travel, including handling complex workflows such as explaining to bride's how to travel with their wedding dress, or helping a traveler in a hotel to explore and book activities or meal reservations. Equally important, the best Conversational AI can navigate email conversations, something that legacy "dumb" chatbots are generally incapable of doing. The email environment is complex because of the volume of text and the wide variance of information presentation depending on device, email client, signature settings and other aspects.

> " *Quality in a service or product is not what you put into it. It is what the customer gets out of it.* "
>
> PETER DRUCKER

9 *Report: Conversational Chatbots - Let's Chat*
10 *The future of travel: New consumer behavior and the technology giving it flight*

Why Conversational AI Matters So Much for Hospitality Brands Right Now

We discussed in the previous chapter why customer experience is driving customer spending decisions and the best experiences are significantly more likely to capture growth. Branching off this insight, there are a combination of factors have elevated the importance of Conversational AI to travel and hospitality companies.

Text Is Now The Most Popular Communications Channel

Great customer experience must meet customers in the mediums where they are most comfortable. Text-based communications has exploded to dominate all communication. In 2010, data usage passed voice usage on cellular networks in the United States[11], showing clearly that consumers prefer data - and by extension, text - to voice communications. Since then, consumer acceptance and usage of text, in SMS of chat apps, over voice has only grown stronger.

According to messaging API company Twilio, 89% of consumers would like to be able to use messaging to communicate with brands and businesses.[12] So it's only logical that great customer experience would follow this trend towards text and messaging.

Immediate Responses, 24x7, Are Now Broadly Expected By Customers

90%
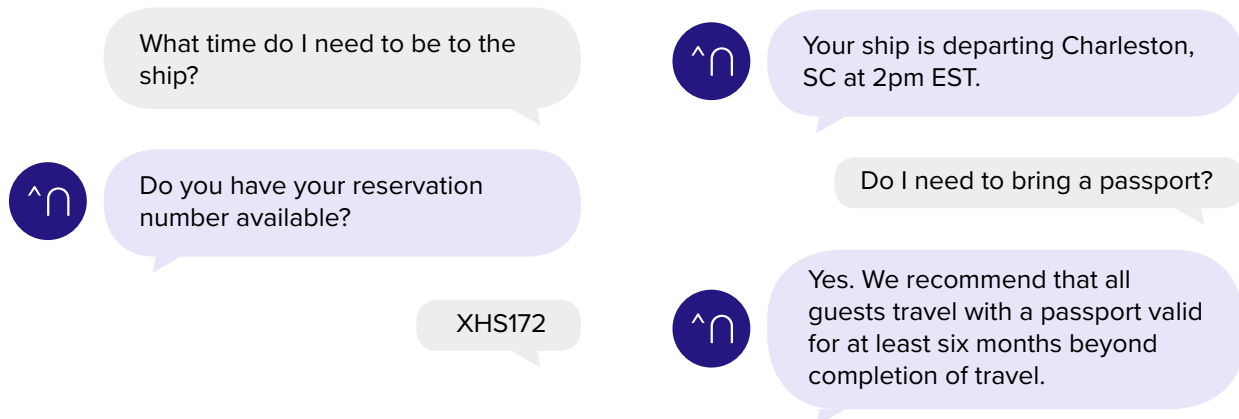customers that consider immediate response to be important

Customers won't wait, even 10 seconds, for a response. According to CRM software provider Hubspot, 90% of customers consider an immediate response to be important for customer service queries.[13] This finding is repeated across multiple surveys and industries. This is simply not possible with human agents and in an industry like travel and hospitality, where major service outages due to weather or other problems, are common. You can't instantly hire 50 new service agents in an hour to handle the crush of calls that comes when a winter storm cancels flights.

Customer service drives loyalty & earns more business

1%

21%

78%
Of customer's say:
Yes, loyalty is a must!

Customer service is now on par with price and product in determining where **people spend their money** and assign their loyalty.

- **Yes, it's fundamental** to earning my loyalty and business (78%)
- Companies should offer great service, but it's **not required** (21%)
- No, customer service **does not matter** (1%)

Conversational AI Is Directly Connected to The Internet and the World of Apps

Text-based communications is tightly integrated with the information fabric that surrounds us today. (This is extends to voice-enabled Conversational AI, which consists of voice recognition and text-to-speech). Conversational AI systems can pull in data from a variety of sources, empowering better personalization and localization. This, in turn, drives loyalty and revenue growth. The span of connections makes it possible for far richer interactions with customers and, by extension, to address more complex and multi-step customer journeys directly and in a shared fashion. This is a fundamental and massive advantage.

What time do I need to be to the ship?

^∩ Your ship is departing Charleston, SC at 2pm EST.

^∩ Do you have your reservation number available?

Do I need to bring a passport?

XHS172

^∩ Yes. We recommend that all guests travel with a passport valid for at least six months beyond completion of travel.

**11** *Cellphones Now Used More for Data Than for Calls*
12 *How Consumers Use Messaging Today*
13 *LiveChat Exposes A Fatal Flaw*
14 *CES 2019: Voice assistants speak to consumers*

The Perfect Medium for AI-Based Customer Experience Innovation

All types of AI can only function when data required to train the systems can be structured in a way that machines to read and understand. Text is the easiest form of unstructured conversational data to feed into AI systems. It is far "cleaner" data than voice data or vision data and far easier to convert into useful patterns and, further along, useful ways to solve customer questions and requests. It also easily translates into multiple form factors, including email, chat, SMS and voice. Increasingly, as well, customers are accustomed to voice interactions with non-human agents or devices, driven by the wild popularity of Amazon Alexa and Google Voice Assistant. According to a 2018 survey by consultancy Deloitte, over 50% of American adults use voice assistance either on their phone or through other devices every day.[14]
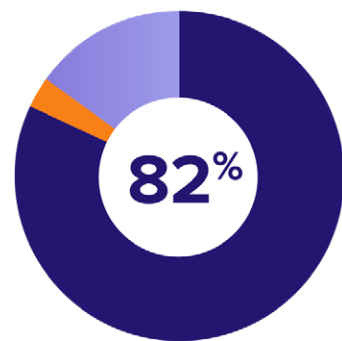
82% of people say good customer service is **extremely or very important**, only **3% say** its only somewhat or **not important**.

Everyone today says customer service is important

82% of people have **stopped doing business** with at least 1 company or scrapped a planned purchase based on poor customer service

… and 32% of customers **have done this multiple times**

Text-Based Conversational AI Is Necessary For Immediate Responses

Response time is right now the most important factor in creating an excellent customer experience. Human-powered customer service, even when delivered over text, is a finite resource and one that is hard to tune to match unpredictable demand for customer experience support (for example, during a storm or weather event). Further, overstaffing to ensure that an agent picks up a voice call within 15 seconds is prohibitively expensive. In contrast, Conversational AI delivered via a text channel, in native apps like Messenger or via email, is truly elastic and can scale up or down as needed with little marginal cost. This expectation of immediate responses is likely to grow even more pronounced as the general public grows more accustomed to faster interactions on their devices as 5G mobile data networks arrive and set new standards for throughput and speed.

Benefits of Implementing AI for Customer Service

The broad benefits of Conversational AI touch multiple aspects of how a business runs and how a customer interacts with a travel and hospitality brand.

Cost Savings of Conversational AI

Travel and hospitality brands can save billions of dollars in customer service costs by diverting easy to answer queries to AI systems. Savings will likely be realized not through termination of agents but rather through enhanced throughput and capacity. Based on Netomi's internal findings across hundreds of millions of customer cases, 50% of travel queries are easily handled by Conversational AI. (This finding is echoed by the findings of other companies in the travel space such as airline KLM). The simple math to calculate this cost savings is multiply your total number of calls or human-powered responses times your cost-per-call and divide that by two.

Reducing Customer Churn with Conversational AI

In Netomi's May 2019 State of Customer Service Survey, respondents noted that they had abandoned at least one brand in the past year due to a poor customer experience. In our research, we also found that the most critical component of high quality customer experience is rapid response. This finding is echoed in numerous other research surveys; for example, the well-known customer service consultancy The Northridge Group found in its 2017 State of Customer Service Survey that 81% of consumers reported they'd likely stop doing business with a company after a poor service experience.[15] The most important component of perceptions of poor customer service is response time. According to Forrester, 66% of US online adults said that valuing their time is the most important thing a company can do to provide them with good online customer experience.[16]

> *If you are not taking care of your customer, your competitor will.*
>
> BOB HOOEY

Driving Revenue Growth with Conversational AI

57%

percentage of U.S. travelers feel that brands should tailor their information based on personal preferences or past behaviors

A number of factors point to the huge potential of Conversational AI to drive revenue. According to Google, 57% of U.S. travelers feel that brands should tailor their information based on personal preferences or past behaviors. Furthermore, if a travel brand tailored its information and overall trip experience based on personal preferences or past behavior, 36% (over 1 in 3) would be likely to pay more for their services.[17] Explains Google VP of engineering for travel services Oliver Heckmann, "Not only is there a strong appetite for more customized, meaningful experiences, but there's a business case for travel companies to do more here."

In fact, a Conversational AI system that is personalized and localized is an ideal tool to tap into this spend. As part of design, Conversational AI systems can affordably localize, both in terms of providing locally relevant information and suggestions, and in providing multi-lingual support. For example, American Express Global Business Travel offers an AI service called TripRecommender that will read the flight plans of users, offer hotel booking alternatives and automatically tune its recommendations based on the users choices.[18] This type of arrangement can deliver incremental revenues for travel companies.

15 *State of Customer Experience 2017*
16 *2018 Customer Service Trends: How Operations Become Faster, Cheaper — And Yet, More Human*
17 *The future of travel: New consumer behavior and the technology giving it flight*
18 *How AI Is Improving the Business Travel Experience*
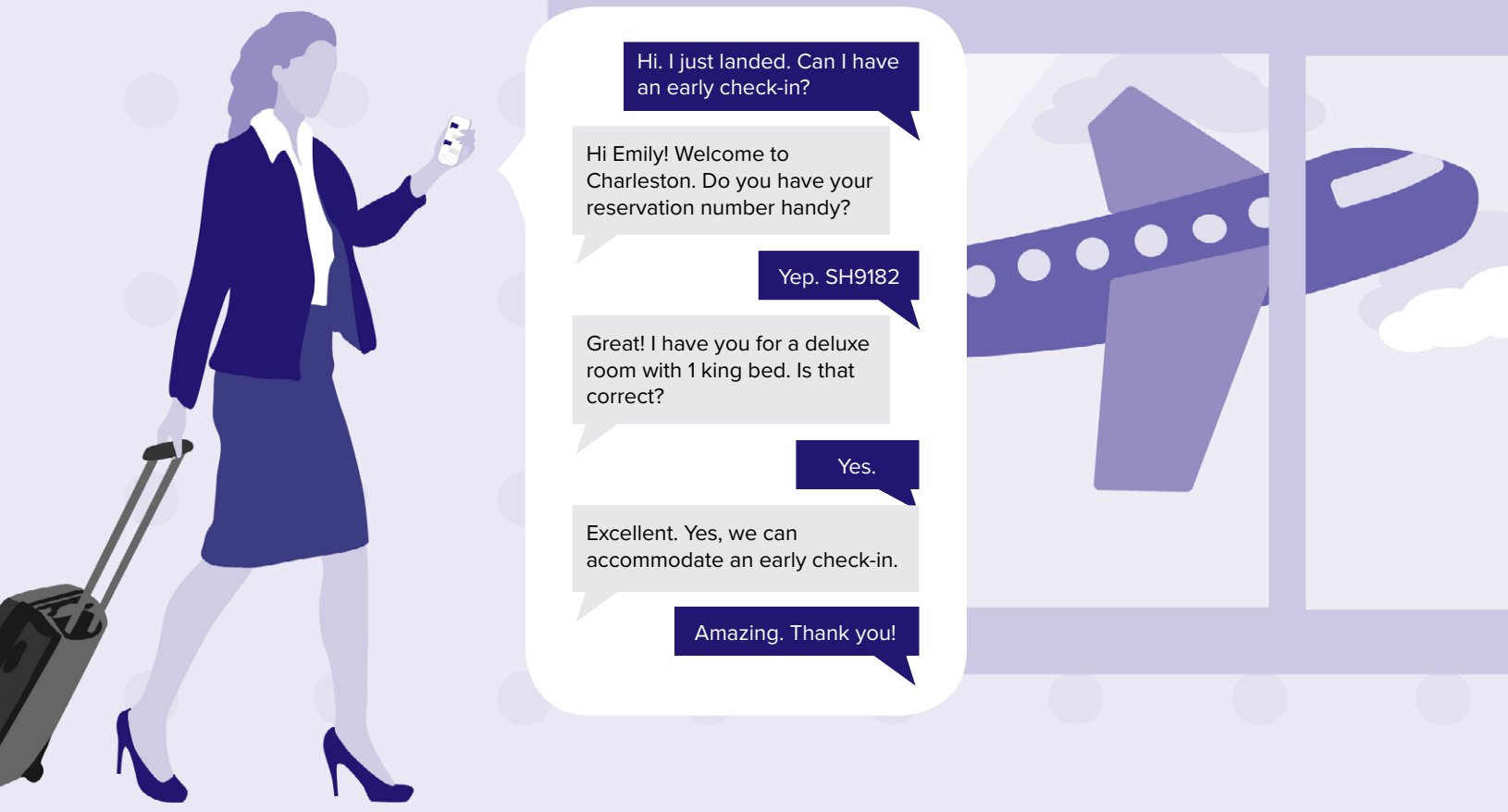
Use Cases for Conversational AI

Let AI conduct over 50% of basic service interactions

There are two key levels of use cases for Conversational AI. The first is taking over repetitive tasks that agents previously handled and which are poorly handled in a search or web interface. The second is more advanced capabilities that include orchestrating wider and more complex interactions and, in some cases, working with live agents in the background to augment their capabilities.

Taking over core repetitive tasks in travel

In travel and hospitality, there are actually a high volume and type of these sorts of interactions. Some of the more commonly cited ones include: checking on flight status and arrival, changing flights, upgrading seats on flights, learning about baggage rules, finding the boarding gate and terminal, checking on room status and upgrade, finding out check-in and check-out times, and making a purchase of a flight or hotel room.

> *"Conversational AI can effectively conduct and conclude over 50% of all basic service interactions."*

According to research by Netomi on its own systems covering hundreds of millions of interactions, Conversational AI can effectively conduct and conclude over 50% of all basic service interactions. This finding is echoed by others. For example, the Dutch airline KLM supports 50% of all customer interactions with Conversational AI[19]. This includes use cases like automating forms and other simple ways to accelerate customer interactions. All of these have sped up customer interactions by 50%, allowing the support team to spend time on more meaningful tasks.

These tasks are often chained together in various orders; this underscores the importance of the flexibility and modularity of the AI system, something that is generally lacking in legacy chatbots. When testing out Conversational AI systems, its critically important to push the edge of the envelope and find out where the capabilities of each system breaks down.

Conversational AI Performing More Complex Tasks

These are forward-leaning area for Conversational AI, but perhaps where this technology holds the most promise. As Conversational AI grows more knowledgeable about a wider variety of edge cases and is trained by a larger and larger body of live customer interactions and customer experience histories, it becomes better able to conduct more complex tasks. A repetitive and simple task is notifying a customer that their flight has been delayed. A next step above that is offering them to rebook if the delay is serious. Another step above that might be to warn them that they will likely miss a connecting flight and they should probably call the airline. Still another step might be to automatically notify everyone on the contact list for the customer about the flight delay and the rebookings.

Above this, Conversational AI agents will inject more human-like logic. If a customer is delayed and will not arrive until the following day and the customer is flying Business Class and is likely on a business trip, the Conversational AI may ask if they want to rebook the return leg to allow for more time at their destination, notify the hotel that the customer may stay an extra night, and offer to automatically book an Uber to the airport two hours before the flight. In this manner, customer experience becomes proactive and potentially revenue enhancing, either through upsales or through driving customer loyalty. As we saw from the survey results, time is what most travelers value the most and a very good Conversational AI is anticipatory and therefore saves them time.

> *Great customer service doesn't mean that the customer is always right, it means that the customer is always honored.*
>
> CHRIS LOCURTO

19 *KLM Handles 2x More Customer Requests with AI*

^netomi

CONCLUSION

The Future of Conversational AI in Travel and Hospitality

In the spring of 2019, AirBnB crossed over 6 million room listings around the globe. The startup had two years earlier surpassed the number of rooms listed by all five of the top hotel brands, a testament to the power of stellar customer experience in creating a durable and loved brand in a very short amount of time.

The good news for travel and hospitality operators is that Conversational AI offers them an opportunity to create an even better customer experience than the likes of AirBnB and other over-the-top players due the power of data. AirBnB and most of the large over-the-top players cannot provide the most critical customer support functions for significant portions of a traveler's journey because they are the third party. Similarly, the promise of Conversational AI is to provide anticipatory guidance that works best with primary access to customers.

Lastly, Conversational AI provides an economical mechanism to leapfrog even AirBnB in an interface that is unclaimed territory for most hospitality brands - all while providing real economic benefits to a travel or hospitality company. Fortunately, with improvements in AI and training capabilities, the best Conversational AI can be up and running in a matter of weeks and can be run by non-technical teams.

Conversational AI: Your Next Steps

This eBook provides a high-level overview of the imperative for adoption and deployment of Conversational AI in travel and hospitality. After reading this, you may want to take the following steps.

1. Research the topic more extensively to understand the landscape. Forrester, Gartner and other analyst groups all cover Conversational AI in their reports. These reports are a good starting point.

2. Assess your own customer support workflows and identify in what areas you wish to apply Conversational AI. For example, do you want to provide call center agents with internal virtual assistants or have an AI system that compose 90% of a support email before receiving final touches from a human agent? Or an AI system that can respond to first-level phone inquiries?

3. Identify which Conversational AI providers have solutions that match your initial requirements and are ready-made for travel and hospitality. Having domain expertise means a higher chance of implementation success and less training time for their AI system.

4. Schedule demos with the technology providers that are interesting to you. Make sure that the demos are, if at all possible, live products operating in real environments as opposed to sandbox products.

We will discuss implementation strategies, measuring ROI, email-based Conversational AI, and how to integrate Conversational AI with human workflows in subsequence eBooks and White Papers.

> " *The good news for travel and hospitality operators is that Conversational AI offers them an opportunity to create an even better customer experience* "
>
> N E T O M I

About Netomi

Netomi is the first AI platform for customer service that allows businesses to activate, manage, and train AI to automatically resolve tickets, enhance agent productivity and provide a world-class customer experience. It's a channel-agnostic platform that multiples a company's workforce by giving valuable time back to support agents, and delights their customers with faster resolutions. Backed by Index Ventures and Y Combinator, Netomi has offices in Silicon Valley, New York and India.

Let's talk about how AI can turn your customer service into a competitive edge.

Get in touch at
info@netomi.com

You're in good company...

WESTJET ☆   ◎ **TARGET**   **NESCAFÉ Dolce Gusto**   **Singtel**   **N NESPRESSO.**   **✕ GRUNDFOS**