

SOARING INTO THE NEW WORLD

A balance of human and digital interventions will help put the travel and hospitality sector back on course.

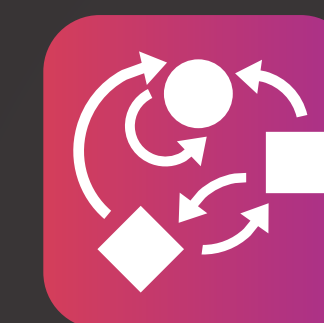
Travel, Transportation & Hospitality



PURPOSE-DRIVEN



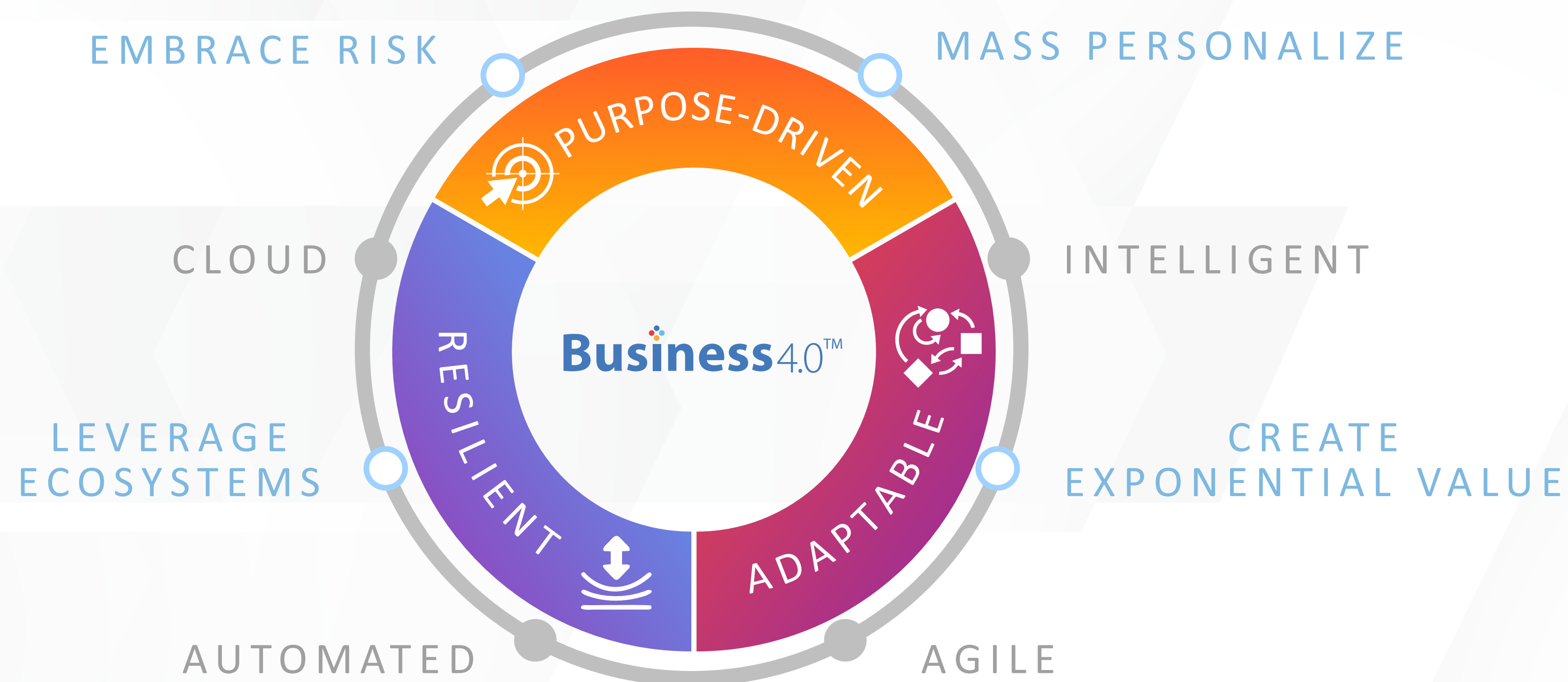
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Executive Summary

Travel and Hospitality (T&H) companies are in the midst of a historic upheaval. Not merely because of the demand drying up or the rising tide of financial woes due to the pandemic. It is the process of treading an uncharted, unique recovery path while the magnitude of impact to the business environment remains unclear that is at the epicenter of the crisis. To build sustainable operations and emerge stronger in the post-COVID-19 world it will be essential for businesses to play a larger role and go beyond the normal to lead with purpose-centricity. It requires building resilient and adaptable ecosystems that enable interoperability, and stand for a larger purpose-- trust, safety and wellbeing of customers, employees and the community at large.



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The Impact

T&H is one of the world's largest economic sectors, supporting one in 10 jobs (330 million) worldwide, and generating over 10% of global GDP, according to The World Travel & Tourism Council (WTTC).¹ Hence the impact of any large-scale crisis like this is not only economic but also social.

In an industry centered around human-centric services, the pandemic has spelt a near global shutdown. While other sectors may recover on the back of greater digitalization, the approach here would have to be a balance of human touch and technology.

Travel and hospitality firms typically tend to be capital-intensive and have large amount of infrastructure and fixed costs. It is also a very fragmented industry, with a long tail of small businesses. These small players are an essential part of the value chain, with more than half of them generating an annual turnover of less than \$250,000.² This points to survival issues and likely consolidation (mergers, acquisitions, and divestitures) as large players face pressure to develop lean and nimble business models.

Given the unique nature of this industry, we recommend these short, medium, and long-term strategies along five dimensions that firms will need to put in place.

¹The World Travel & Tourism Council (WTTC); Travel & Tourism sector report; accessed on May 15, 2020
[https://wttc.org/en-gb/Research/Economic Impact/Benchmarking/Benchmarking_Trends_Report_2019.pdf](https://wttc.org/en-gb/Research/Economic%20Impact/Benchmarking/Benchmarking_Trends_Report_2019.pdf)

²Phocuswright research, Global Travel Activities Marketplace 2014-2020 (July 2017); accessed on May 15, 2020
<https://www.phocuswright.com/Travel-Research/Destination-Activities-Marketing/Tours-amp-Activities-Come-of-Age-Global-Travel-Activities-Marketplace-2014-2020>



1 | Building Financial Resilience for Sustainable Operations

The travel and hospitality industry of today is a result of evolution over time as influenced by changing consumer demands, supply chain transformation, and corporatization/privatization. The COVID-19 crisis has brought the financial sustainability risks of the industry to the forefront. The industry needs to restructure cost centers and review partnerships and consumer privileges based on its renewed purpose and calibrated strengths for immediate survival and long-term sustainability.



Simplified and speedy settlement processes improve cash flows

With an anticipated protracted return of travel demand there is a compelling need to improve collections in the T&H industry. Traditionally, settlement processes take months due to the prevailing legacy process leading to inefficiencies. Collaborative ecosystems that connect consumers, service providers and financial institutions can accelerate and simplify settlement solutions to improve cash flows.



Unbundle cost structure and differentiate on strengths

Commoditization and outsourcing of non-differentiating functions are opportunities for reducing fixed cost overheads thereby improve scalability of cost structure. Location based consolidation of such commoditized services e.g. turnaround management, dispatch services, property operations are opportunities for businesses that have a strong presence in the respective region. Überized allocation of movable assets to fulfill operational tasks will foster optimized demand-driven provisioning and reduces redundancy within the ecosystem to further reduce cost overheads.

Over the years, public infrastructure businesses such as airports and train stations have been transforming into corporatized entities subjected to competition, operational efficiency targets for driving greater shareholder value. The current crisis exposed the risk these enterprises face as they are dependent on travel demand and hence inherit all the vulnerabilities of a travel provider. Building on its strength as infrastructure providers, airports and train stations should now look to transform into multi-faceted experience arenas while providing efficient travel services. An example of this opportunity is 'smart airport city' that integrates diverse capabilities such as retail marketplace, special economic zones, multi-modal transportation, experience arenas and drives exponential value from infrastructure investments.

2 | Going Digital in a Human-Centric Business

Increased adoption of pervasive computing technologies by consumers provides for an effective medium to transform touchpoints to offer contextual interactions. With integration of artificial intelligence capabilities, digital interfaces have evolved to provide human-like empathetic and intelligent interactions. The current situation provides a canvas to imagine how digital capabilities can ably supplement human endeavors. These can be applied to customer touchpoints to improve safety and at a significantly low cost, or develop right digital tools for empowering employees to excel in their work.



Balanced mix of human vs machine interplay for outstanding guest experience

Travel and hospitality is inherently a guest experience-centered industry; hence human-touch is an important element. All the same, machine augmentation and connected devices also present opportunities thru precision, hygienic and transparent operations. This balance between human-touch and machine augmentation should be based on the purpose, targeted customer segments and on evolving behavioral trends that are calibrated continuously. For instance, adoption of robots for heavy duty operations, autonomous vehicles for controlled field operations can ably supplement human endeavors in the current and emerging business environment.

Another example is the replacement of common-use solutions such as check-in desks, information kiosks, boarding gate readers with full support to own-device use. It is time to envision smart devices and emerging technologies such as 5G transforming customer experience.





Breaking silos with information ecosystems

There is an emergent imperative for improved information sharing for travel compliance, and coordinated service delivery that includes traveler identification, order information, and entitlements. A shared trusted digital journey token approach can overcome the existing information silos. Further, a consent-based approach will transfer the control back to the customer for sharing their information based on the value they get besides facilitating interactive operational planning.

Transparency and accredited assurances are an imperative in customer engagement. The industry has always had rigorous standards for cleaning and safety, but now enterprises need to go beyond and develop standard ratings for 'Travel Safe' or 'Stay Safe' and publish them for customers. Stringent audit systems and certified housekeeping will help build trust and confidence. Customers would expect, evaluate, and base their choices on these standards.



3 | Building Adaptable Business and Operating Models

The global pandemic presents an opportunity to reimagine businesses-- assets, capabilities and partnerships to drive value. Enterprises will have to look at strategic investments in advanced technologies like cloud, artificial intelligence and omnipresent connectivity while also ensuring unique human interactions to accomplish seamless consumer experience and delivering a cost-value proposition.



Demand-driven nimble business models

New products, services and operating models will evolve in two major ways-- repurposing the current organic offerings to suit the new purpose and/or segments and co-creating new value.

Minimalistic operations' models based on nimble principles will evolve. Every player in the value chain should become resilient through dynamic operating models, real time operations planning, more frequent feedback loops between operations and planning portfolios, and enhanced collaboration with partners and adjacencies.

Examples of collaborative ecosystems include airlines and airports. We will see newer ways of partnerships with current and evolving transport providers such as hyper loop, air taxis, electric aircrafts operators.

Airlines are likely to strike a balance between hub-and-spoke and point-to-point models. They will explore collaborating or a joint approach towards balancing the flights handled and operational overheads.





Location independent service delivery

Most of the major airports already face capacity constraints to cope with travel demands. With COVID-19, they will be further stretched to provide social (medical) considerations. The pandemic will see the industry transform as it leverages digital technologies for offsite processing through distributed infrastructure. Examples include enhanced traveler comfort with facilities such as remote bag drop or collection at city-ports.

Emerging immersive user experience technologies such as virtual reality, augmented reality, tele-presence will further accelerate remote working as an effective medium for a wide range of guest management as well as for field services. While back-office functions were already remotely managed, the crisis will lead to many of the corporate functions also effectively embracing a remote-working paradigm.



4 | Purpose-Centric Ecosystems to Drive Sustainable Growth



As the dust settles, businesses for the very first time may find themselves faced with expectations for providing personal health and well-being as the top priority for customers as well as their workforce. Remaining true to this ask requires industry players to build products and services that look beyond traditional boundaries and offer holistic solutions.

Leveraging their pivotal role in the value chain, large industry players will be required to implement purpose-driven strategies towards the fulfillment of the holistic health and wellbeing needs. This includes enhanced offerings focusing on doorstep-to-doorstep services with fulfillment and safe travel guarantees; establishing a customer-centric safety bubble with active monitoring and support; putting in place active tracking and containment capabilities to mitigate any eventuality. These are important avenues to bring back and retain customer confidence.

Delivering to such expectations requires a robust, ecosystem approach. It entails the need for deep and lasting collaboration, not only among the large players, but within the entire value chain. After all, the smaller players – such as a gourmet restaurant or a ski operator – are an integral part of the industry.

Such ecosystems must go beyond short-term, narrow, operational exchanges to be more commercially symbiotic and mutually enriching partnerships. They must ensure sustainability of the entire value chain over the long term and create exponential value to shareholders and their communities.

The industry and its players have always been at the heart of economic activity and community development. A resilient T&H industry is necessary for broader community renaissance and accelerated economic recovery. This resilience

will emerge from a more focused and disciplined approach towards financial wellbeing, operational responsiveness achieved through new business models and advanced technologies.

Purpose:

- Holistic health and wellbeing to be at the center of realignment of strategy, products, services and operating procedures
- Sustainable ecosystems to drive newer business models and enhance stakeholder value

5 | Harnessing Customer Loyalty to Rekindle Demand

The T&H industry has been a long-term proponent and beneficiary of customer loyalty. It is clear that customer loyalty will be at the center of the industry's recovery and long-term survival. Cultivating customer loyalty has therefore assumed much more strategic significance and will direct most interventions for instilling trust and brand building.

Improved collaboration between ecosystem players will provide a global view of customer lifetime value and give the customer enhanced loyalty privileges. A unified loyalty approach provides wider opportunities for the guest while promoting use of shared capital investments such as lounges, concierge services as well as reduces the liabilities in individual balance sheets. Organizations will have to leverage a loyalty partner ecosystem that extends beyond their regular products and services. Loyalty programs should be managed more as a 'Loyalty Marketplace' for provisioning offerings to customers and create lasting and profitable relationships.



Coming Ashore with Business 4.0™

The T&H industry is highly fragmented and diverse, making it ideal for transformation. The Novel Coronavirus has accelerated the need for the industry to reimagine its value proposition to the customer and employees. This new purpose-driven approach will be centered around a spectrum of experiences delivered through a variety of players. This requires building adaptable and resilient ecosystems that are loosely coupled, mutually beneficial and also provide low entry-barrier to the long tail of niche small players. In other words, the pandemic is a loud, clear clarion call for convergence of players into an ecosystem that is centered around the purpose of delivering holistic value to the customer.





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Shankar Narayanan is the President and Global Head of Retail, CPG, Travel and Hospitality at TCS. Prior to this role, Shankar led TCS in the UK and Ireland geographies and was responsible for driving business strategy, sales, and operations as well as nurturing executive relationships with customers, communities, and governments in the region.

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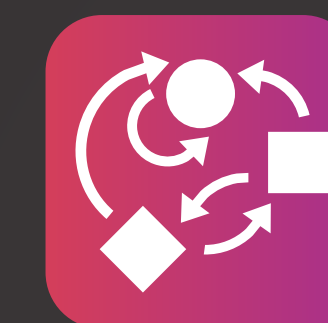
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