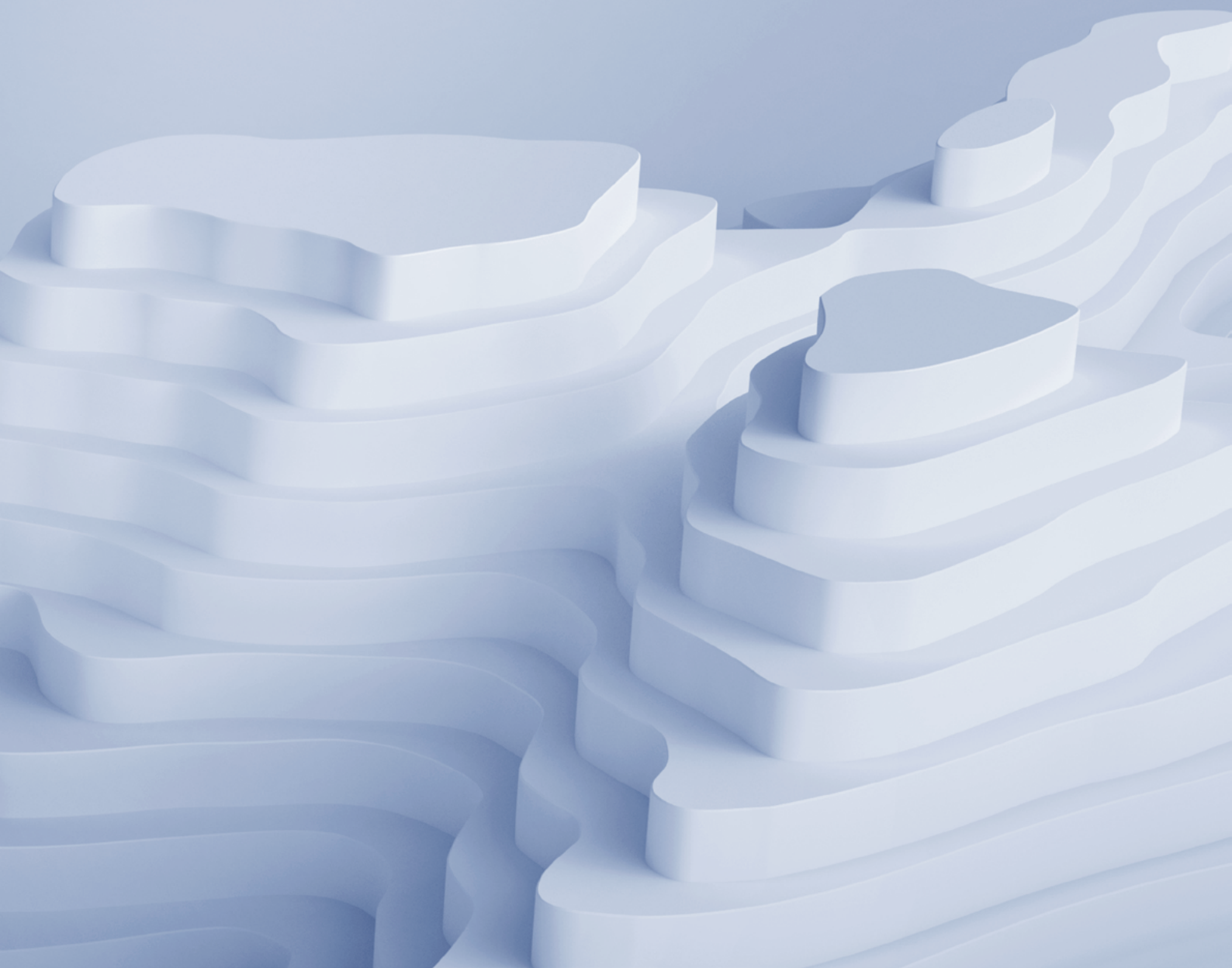# accenture

THE CLOUD IMPERATIVE FOR THE TRAVEL INDUSTRY

A platform for new growth

Digital capability has been at the helm of travel companies' ambitions over the last few years. Scaling exceptional travel experiences, creating efficiencies, making insights-informed decisions, and spooling capacity up and down at a moment's notice are just a few aspirations that digital has promised.

And while many have achieved pockets of digital innovation, most are hampered from reaching the full potential of efficiency, flexibility, and scale, due to the interwoven nature of their many monolithic systems and the cultural mindset that has developed alongside them. While this technology debt has been less than ideal, for a long while travel companies could manage under legacy on-premise technology, justifying cost, time, and security as inhibitors to the real change that investments in cloud can bring.

Although nearly 80% of today's enterprises across industries are already using cloud, before COVID-19, only around 20% of workloads globally ran in the cloud.[1]

That mindset, however, has now quickly become challenged with the onset of COVID-19. The industry entered uncharted territory overnight. Although cloud can help with imposed downsizing, greater business flexibility, and engineering the business to achieve lower costs, it can no longer be viewed merely as cost-effective infrastructure. Cloud is a platform for new growth that can help companies sell more and deliver improved and contactless services to customers.

Imagine the possibilities cloud can offer to pivot and grow in the face of extreme disruption:

• **A hotel reinvents its marketing and sales strategy based on tracking virus prevalence** in destinations and understanding consumer sentiment through real-time social media listening. Marketing and sales systems are quickly scaled up and down in respective markets based on the real-time insights.

• **A cruise line transforms its business from monolithic apps to nimble and modular services** that adapt to the dynamically changing needs and realities. Such systems are cloud-native, better aligned to the business, resulting in faster speed-to-market.

• **A travel company uses artificial intelligence and robotics to minimize manual intervention and enable contactless interactions** via a new digital relationship management platform and mobile application. This platform integrates with a vast variety of ecosystem partners required for the contactless journey.

• **An airline repurposes its analytics budget, capacity, and capability** from the passenger to the cargo side of the business, finding new revenue opportunities. It is possible with a variable IT infrastructure to deliver lower unit costs.

As more travel companies are discovering the benefits of cloud, they are starting to appreciate how adopting cloud-based technology and working principles can enrich their business. And because value realization depends on so much more than "just tech," the cloud and organizational transformation should start at the top as a key CEO priority.

A tumultuous year for travel

2020 has been the most tumultuous for the travel industry since the 2008-2012 financial crisis, and possibly ever. Global tourism – typically underpinned by sectors such as Aviation and Hospitality - has already lost over $320 billion in the past 5 months alone. A combination of global restrictions on movement and fear of personal safety led to severe disruption and precipitous drops in demand across the industry. Open borders have become sliding borders, losses keep piling up, and jobs have been lost. Unfortunately, much of the capital capacity is hard to permanently retire, leading to significant over capacity in all modes of travel. Many companies have taken the right steps of protecting their employees, reassuring their customers, and finding liquidity for the short term.

Even now, as travel companies look to the post-pandemic recovery, uncertainty still reigns. The economic impacts have fundamentally damaged the economy and travel will not return to pre-crisis levels until the economy recovers and a vaccine is readily available. Any return of demand is likely to be volatile, and no one knows how this will play out. Travel is particularly susceptible to the effects of lockdowns and social distancing.

The case for cloud now

Too many travel organizations still view cloud merely as cost-effective infrastructure rather than a platform for new growth. But this is a missed opportunity. Cloud has so much more to offer travel, and now is the time to pursue it with a smart strategy and clear conviction.

The cloud value proposition has never been stronger.
The travel industry will need to deliver rapid innovation to meet the demands of the post-COVID-19 world. Cloud also serves as a catalyst to complement the sustainability agenda. Cloud is immensely valuable—in fact, it's urgently non-negotiable—to enable many use cases that are key to this transformation.

Travel companies making bold moves in cloud will have the competitive advantage.
Without the cloud, travel companies will struggle to evolve travel experiences and operations to the extent that they need to in order to survive. This is the heart of the value case for cloud in travel. It's all about how the critical transformations that will enable the travel of tomorrow will happen.

"Comeback depends on how quickly contactless tech features roll out" - Hilton CEO[2]

Travel players that have invested in cloud are seeing tremendous value

Cruise giant innovates with contactless devices

Carnival Corporation designed the Ocean® guest experience platform to elevate and transform the cruise experience by scaling made-for-me experiences for thousands of passengers at a time. It all centers around the OceanMedallion™, which is a wearable device that holds each guest's unique digital identity and connects them to an ecosystem of services and experiences powered by the cloud-based platform. Instead of waiting in long lines to board, guests can now complete most pre-departure steps online, thus reducing wait times by 90%, from 10 minutes to 30 seconds.

Airline member network shares data to transform customer experience

Star Alliance launched a digital services platform to enhance digital and mobile services for travelers in its airline member network. The platform gathers data from individual member networks and third parties, making it available to all members. The member companies can use this data to build their own customer-facing applications to allow customers to use any member airline's website or mobile app. This allows travelers to check flight availability, book redemption seats online, and many more services across all 28 Star Alliance member airlines.

Taking advantage of the opportunity: The path forward

Travel companies face a difficult road ahead to recover from the prevailing challenges to their business economics and operations. They also share the pressing need to enable greater agility across their organizations and adapt to new ways of working.

To survive the challenging times ahead and thrive in the future, travel companies need to transform what they do, how they do it, and get there faster. Whether it is to rehost the Property Management Systems, develop a platform for new business models, or to upsell the ancillary services—each area needs to be considered in the context of an overall cloud strategy, with the whole picture of how they all can work together in clear view.

It is important to remember that the path here is more intricate than just investing in cloud and watching everything else fall into place. Travel companies must also make organizational, process and cultural changes. Maximizing the benefits of the cloud means tearing down entrenched silos—both within their own organizations and with an ecosystem of partners—and adopting more open, collaborative mindsets.
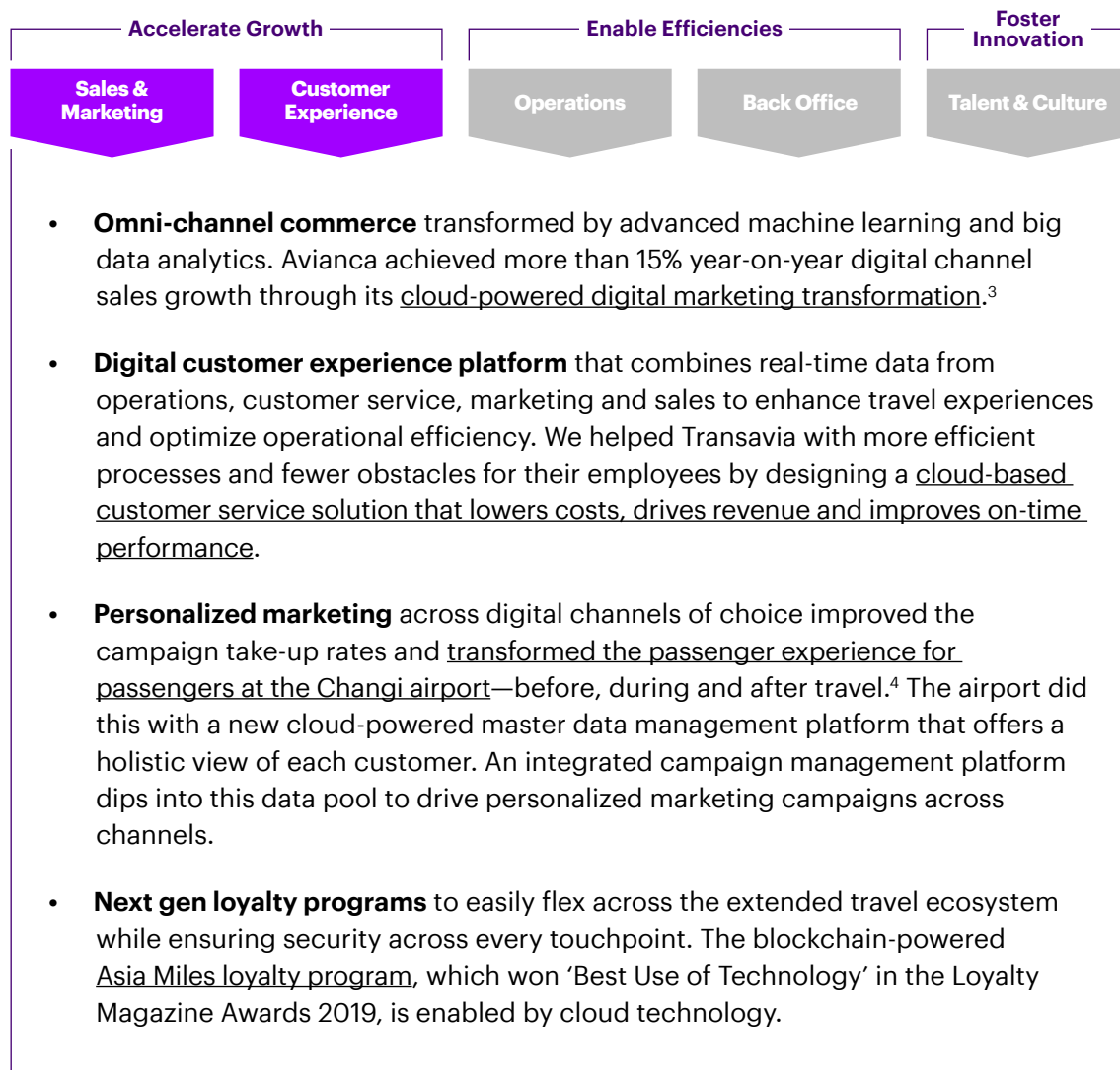
The path forward is to realize the possibilities for cross-functional collaboration with cloud and supporting technologies to enable and accelerate growth where possible, drive efficiencies across functions, and foster organizational innovation and transformation.
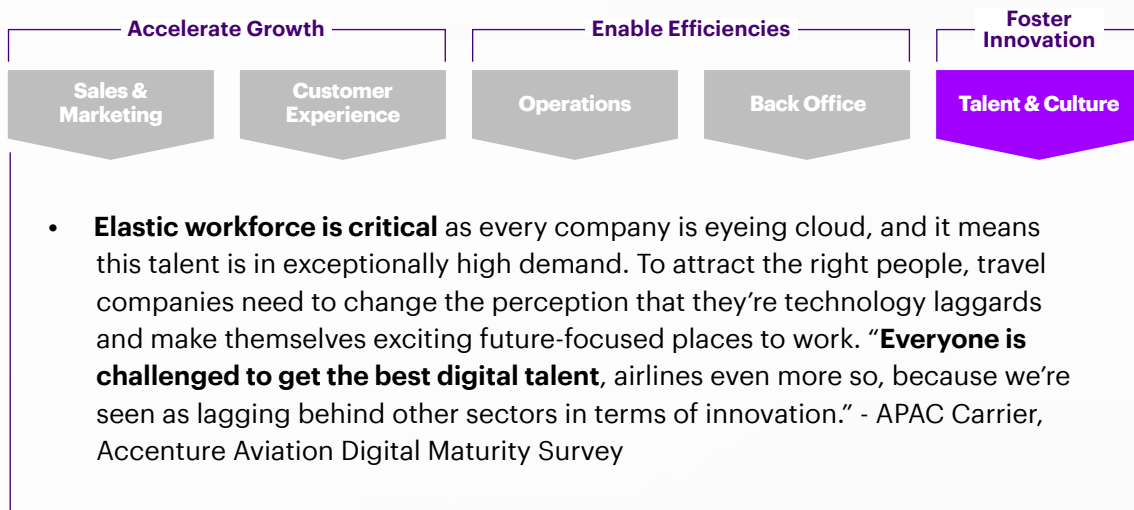
> Talent is a key part of the puzzle —and the solution. To maximize opportunities of cloud, new skills are needed, and an innovation-focused culture is essential.

New capabilites: Faster and at scale

In the face of the pandemic and its devastating impact on the travel industry, it has become clearer than ever that cloud is an essential enabler for the future of travel. It's the foundation on which travel companies will build new growth by providing a platform that leverages the invaluable data residing with the business functions and systems to enable innovations that transform the travel experience. It will also help drive new levels of efficiency and resilience. The fact is that cloud can support new capabilities across the whole value chain—faster and at scale.

Cloud is a powerful enabler: accelerating growth, enabling efficiencies and fostering innovation.

Accelerate Growth		Enable Efficiencies		Foster Innovation
Sales & Marketing	Customer Experience	Operations	Back Office	Talent & Culture

- **Omni-channel commerce** transformed by advanced machine learning and big data analytics. Avianca achieved more than 15% year-on-year digital channel sales growth through its <u>cloud-powered digital marketing transformation</u>.[3]

- **Digital customer experience platform** that combines real-time data from operations, customer service, marketing and sales to enhance travel experiences and optimize operational efficiency. We helped Transavia with more efficient processes and fewer obstacles for their employees by designing a <u>cloud-based customer service solution that lowers costs, drives revenue and improves on-time performance</u>.

- **Personalized marketing** across digital channels of choice improved the campaign take-up rates and <u>transformed the passenger experience for passengers at the Changi airport</u>—before, during and after travel.[4] The airport did this with a new cloud-powered master data management platform that offers a holistic view of each customer. An integrated campaign management platform dips into this data pool to drive personalized marketing campaigns across channels.

- **Next gen loyalty programs** to easily flex across the extended travel ecosystem while ensuring security across every touchpoint. The blockchain-powered <u>Asia Miles loyalty program</u>, which won 'Best Use of Technology' in the Loyalty Magazine Awards 2019, is enabled by cloud technology.

Accelerate Growth		Enable Efficiencies		Foster Innovation
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- **Elastic workforce is critical** as every company is eyeing cloud, and it means this talent is in exceptionally high demand. To attract the right people, travel companies need to change the perception that they're technology laggards and make themselves exciting future-focused places to work. "**Everyone is challenged to get the best digital talent**, airlines even more so, because we're seen as lagging behind other sectors in terms of innovation." - APAC Carrier, Accenture Aviation Digital Maturity Survey

Unlocking the value of cloud in travel

It's time for travel companies to see cloud for what it is—the passport to future value. To unlock that value, cloud services need to be applied across the value chain, from underlying infrastructure, to platform-supported operations, to new SaaS, cloud-native, and analytics-powered tools.

To do this, each business needs to understand, in granular detail, what its infrastructure, application and process landscape looks like now—and where the cloud can be used to optimize costs or support new services and ways of working.

We've developed an approach to help companies determine the direction that the cloud journey should take, moving the business from Migrate to Accelerate to Grow and Innovate.

Winning formula: Migrate. Accelerate. Grow and innovate with an industry cloud focus

Migrate

Establish Cloud foundation and migrate the application landscape to cloud.

Retire, Retain, Rehost or Replatform current applications

Cost and Resilience (10 ~ 30% savings)

Accelerate

Pivot to a data driven, platform based, cloud native architecture and agile operating models.

Replace, Refactor into modern cloud native systems

Modern IT (+ 10 ~ 20% and Agility)

Grow & Innovate

Take full advantage of cloud native services to create brand new revenue streams.

Reimagine your business

Reinvent (New Business Outcomes)

———— Migrate ————

Start the cloud journey by enabling **on-demand scalability, reducing technical debt, shoring up systems resilience, and optimizing IT run costs** by migrating applications and data to a cloud infrastructure. Think modernizing and optimizing the IT estate, identifying opportunities to Retire, Retain, Rehost or Replatform core legacy applications.

—— Optimize Accelerate ——

Platforms and software solutions on cloud **reduces IT "change" costs and improves agility, speed to market, and flexibility to new business demands**. Consider Refactoring legacy applications into modern cloud native architectures or Replacing with intelligent third-party SaaS solutions. Think seamless check in/out, enhanced ecommerce opportunities, and smarter automated disruption/ delay handling.

———— Grow & Innovate ————

Innovate new cloud enabled **customer experiences and brand differentiation for new revenue streams**. Start Reimagining the business for the future, using cloud native services to innovate at scale and bring new products, services and experiences to market faster. Think connected hotels, connected workers, transformed loyalty programs, touchless safety-first traveler experiences, a network of seamlessly connected ancillary services, and more.

Moving to Action

More travel companies are eager to mobilize and see the full benefit of cloud. However, many initiatives struggle to gain traction. It is clear that only strongly sponsored top-down initiatives created to help build a data-driven culture will achieve the full benefit cloud offers.

The journey will be unique for each travel player depending on their current technology landscape and maturity of cloud investments as well as overall enterprise architecture. The following guidelines can help tailor your roadmap:

Travel companies can begin and accelerate their cloud journey aligned to the key business priorities of cost takeout and recovery.

- **Compete for investment capital**

- **Move non-core applications and functions** to Software-as-a-Service (SaaS) on cloud.

- **Rehost high-volume, scalable functions** on Infrastructure-as-a-Service (IaaS).

- **Establish a modern cloud-based data infrastructure** to take advantage of data, AI and machine learning.

- **Leverage Platform-as-a-Service (PaaS) and innovations from cloud platform providers** to power advanced products and services for your travel business.

- **Use a digital decoupling approach to decompose other legacy technologies,** e.g., reducing mainframe data processing to reduce MIPS utilization.

- **Perform rapid migration**, guided by the value path that we can help define based on our travel industry experience.

A thorough analysis of value opportunities for the travel business helps complete the roadmap and prioritization. Early implementation of use cases that create significant workload consumption can assist in securing co-investment from cloud providers to help offset migration costs.

Cloud is travel's passport to tomorrow

Today's unprecedented and urgent environment is an inflection point for cloud adoption in travel. Cloud has proven its value many times over. And it's central to this industry's survival and future growth. There's no time for delay. Companies must use this crisis as a springboard to scale up cloud adoption, improve resilience and innovation capabilities, and create the seamless, contactless, and effortless experiences travelers demand.

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About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 506,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. **Visit us at www.accenture.com.**