

Facebook and the future of travel

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The company's Lee McCabe explains how the travel-industry landscape is shifting—and why mobile apps are the way forward.

As Facebook's first-ever global head of travel and education strategy, Lee McCabe helps hotels, airlines, online travel agencies (OTAs), and other travel companies connect with the more than 1.5 billion people worldwide who use Facebook. McCabe, a former marketing leader at Expedia, recently spoke with McKinsey's Alex Dichter and Nathan Seitzman about the increasing importance of mobile, what makes a winning app, and how travel companies can organize themselves for digital success.

McKinsey: *When people think of Facebook, they don't immediately think of travel. What role do companies like Facebook play in the travel industry?*

Lee McCabe: Sites like Facebook are affecting consumer travel decisions at every stage because travel choices are heavily influenced by recommendations from other people. That's always been the case, but in the past, travel recommendations would have been passed along in person, at a family gathering, or when friends got together at a bar or restaurant, for example. Now it happens in real time and at scale on digital platforms, many of which are social in nature. And, of course, seeing your friends' vacation photos—that's definitely something that makes people start dreaming about travel.

Five years ago, most people used social-networking sites to share text. But more and more, people are using photos and videos to communicate and to share stories and recommendations, and that includes their experiences with travel. In five years, we'll see even more videos, and after that, we'll probably see more immersive content, like virtual and augmented reality. So the way people are communicating on these platforms is changing. But large, people-based platforms will continue to create a catalyst for travel.

These platforms are social in nature and can provide the kind of personalization and scale that marketers have wanted for a long time. And now that the world has shifted to mobile, the opportunities for personalized marketing through digital platforms will only increase.

Lee McCabe



Vital statistics

Born December 1974
in Stockton-on-Tees,
United Kingdom

Education

MA in visual arts
from Sheffield
Hallam University

MBA from Warwick
Business School

Career highlights

Facebook

(2012–present)
Global head of travel
and education strategy

Expedia

(2007–12)
Vice president, Partner
Services Group

Telstra

(2006–07)
General manager, sales
and marketing, planning,
and operations

McKinsey: *What does that kind of marketing look like for travel companies specifically?*

Lee McCabe: It means targeting the right people, at the right time, in the right place, on the right device, and with the level of personalization that people have come to expect from businesses. We've been talking about the approach of mobile for a long time. Well, now it's here—it's happened. In August 2015 one billion people logged onto Facebook in a single day, and about 84 percent of them were on mobile.

It's also important to understand that people are looking for more structured, more centralized ways to communicate with businesses, so travel companies have an opportunity to interact with their customers in a far more personal way. They can create deeper relationships and have real conversations. They can keep those conversations going. Interactions with customers don't have to be about ads anymore; it can be the ongoing dialogue that drives results.

Let's look at travel suppliers specifically. If I book an airline ticket or a hotel room, I'll probably get several text messages. I will also get a few emails. I might download the company's app, and I might interact with the website as well. I think right now there's a lot of friction in that communication, and not a lot of continuity. What people want is to have all the communication in one place. Travelers want to be able to respond to messages, look at special offers, or download their tickets in a central spot. When there's a single string for the conversation, there's no need to dig through a bunch of text messages or emails. Users just go to one place for the history of their full communication, and it's interactive. If people want to ask the airline or the OTA a question or talk to customer service, they just reply in that thread.

McKinsey: *What other trends are you seeing in mobile and in the industry more broadly? And what do those shifts mean for travel companies?*

Lee McCabe: People are now spending about 8 hours a day consuming some kind of media. Among adults in the United States, that number is even higher—they consume 12 hours a day of media, and nearly 25 percent of that time is spent on a mobile device. We're on our phones all the time—as we commute to and from work, as we're standing in line. And we're multiscreening: so, for instance, we're watching TV with our mobile devices in hand. In a way, mobile is actually giving people more time. You could say consumption is stacking, not shifting.

Most of the big shifts in the industry are a by-product of mobile. Take unbundling. If you look at US hotels, ancillary revenue has remained flat for the past seven years, and I think that's thanks to mobile. Here's why: telecommunications was for a long time a decent source of ancillary revenue. Well, nobody's using the hotel phone anymore; almost everyone has a smartphone. In-room entertainment was once a decent revenue stream, too. Not anymore. A lot of people are using mobile devices instead. People used to consider these types of amenities—free calls, access to movie channels—when booking a hotel. Now those services are offered by a third party on a mobile device. You can order takeout from a local restaurant instead of ordering room service or use your ClassPass to find a great gym a block away instead of relying on the two or three treadmills offered by the hotel. You can send your laundry and dry cleaning outside the hotel, too. So really, all the hotel is left with is Wi-Fi, a bed, and a bath. All I want is a great room in a great location. For everything else, I can still get four- or five-star service, but I get it by using apps on my smartphone.

Another thing that's changing because of mobile is measurement. Cookies worked back when everyone was on a desktop, but they definitely don't work now. In the United Kingdom, for instance, 60 percent of people use two or more devices a day, and more than 20 percent of people use three or more devices a day: it's impossible to use cookies to track people's usage across devices. Businesses have to be far more sophisticated with both their tracking and data analysis. For apps, attribution windows—the amount of time between the first click on a product and the purchase of it—have to be increased. If I download an OTA app today, I may not even open it for another six months. Attribution windows like that sound absolutely incredible to sophisticated marketers, who are probably used to working with something closer to a 24-hour window of attribution.

McKinsey: *What you're describing is disruption in the truest form. How can hotels start to use mobile as part of the solution to this disruption? And what does mobile success look like for hotels and other travel players?*

Lee McCabe: When you drill down on mobile usage, you see that most people are spending their time in apps—they're not using their phones to browse the web. In the United States, for example, 86 percent of time on mobile is spent in apps. Those same users access only about 27 of their apps each month, so at best only a very small number of them will be travel apps. Mobile users might have one metasearch engine, or an OTA, and maybe one app for a hotel or

an airline they're loyal to. If I were a travel company, I would be racing to develop the best app possible, and I'd be working with other companies that are doing well on mobile.

Of course, it's not easy to develop a great app and then to become—and remain—1 of the 27 apps people use regularly. I think in general hotels and airlines have to move faster, while this window of opportunity is open. The travel companies that are approaching this well are laser focused. They're trying to do one thing in their app and do it well.

McKinsey: *Is that what makes a good travel app?*

Lee McCabe: Yes. The marketing landscape is changing, but what people want stays the same. People want three things. First, they want connection with a company. Right now, mobile is absolutely the best way to make that happen. You can connect with somebody in a targeted way, more efficiently and more effectively than ever before. Second, people want context. Meaning, they want a personalized experience. And finally they want convenience, which might be the most important element. The dynamic of mobile is completely different from desktop. On mobile, people expect things to be easy. They expect to reach their objective with just a few clicks. I think app-based travel companies are already doing this well. There are apps that allow you to book a hotel with three or four clicks and a swipe. It's just easy.

The ultimate goal for travel companies that are now building their apps is to meet people's core needs. But it's not easy. It's best for companies to start by creating an app that can do one thing well. For hotels and airlines, that's probably booking. Having too many objectives for an app just increases the friction. And I think speed and convenience are most important to customers. Having those two things in place will likely increase the chances that the app will be retained.

McKinsey: *Does that mean the mobile investments some traditional travel suppliers are making—such as keyless room entry or the ability to track your bag on a mobile app—are not necessarily worthwhile?*

Lee McCabe: Time will tell. They're good ideas, but putting too much into one app doesn't work—it creates too much friction. Ease of access is important, and Facebook has learned from that. Facebook started off as a multipurpose website. But a few years ago, the company made a major pivot to mobile, and we later created a multipurpose app. It worked well, but we learned over time that people wanted to meet their objectives quickly. People wanted to use Messenger without clicking two or three times to get there. So we spun off Messenger and Groups as separate apps. So “do one thing and do it well” has been a big lesson for us, too.

McKinsey: *Are there other lessons Facebook learned along the way about mobile and apps—things that could help travel companies as they start their own digital journeys?*

Lee McCabe: There are two things to keep in mind. First, you need a test-and-learn mentality. A lot of OTAs have that already because they're digital natives. But most traditional travel companies like hotels and airlines don't, or at least not to the same extent. So a test-and-learn environment and culture is important, especially in this new mobile world. The second is the importance of data science. To build a great app, you need to put a lot of resources toward


measuring absolutely everything you can and then learning from it. Again, that's something that OTAs and digital natives have done from the beginning, but I don't think most traditional travel companies have caught up yet.

McKinsey: *Can you expand on that? More broadly, how should traditional players think about organizing for mobile success?*

Lee McCabe: Well, first I should say that I understand it's not easy. It won't happen overnight. For the first time, technological capability is actually exceeding organizational capability. Companies now have the technological capabilities required to take better advantage of big data, which really just means better targeting. But organizationally it's challenging because most traditional players are siloed. And then there's the issue of data science. If a big travel company—an airline or a cruise company or a hotel—doesn't have a really good data-science department, it's missing out.

If you look at a typical OTA, it has a pretty clean organizational structure. There's one department looking at supply data and one department looking at demand. These two departments work together very closely, and mobile is now the backdrop for everything they do. The groups talk to each other every day, and they are constantly looking to decrease friction. But in typical travel suppliers, there's far more ambiguity in the organizational structure. They often have multiple brands, and those brands are split into different regions, and those regions have different departments. Sometimes there are several people with the same title—head of commerce or head of mobile, for instance. It can become ambiguous and cumbersome. So a clean organizational structure is paramount. You need to be able to move fast and build things and move things around because the mobile environment itself is fast.

McKinsey: *Travel companies certainly have a lot of opportunity right now, and a lot of challenges, too. What is the most important piece of advice you would give a supplier or an OTA?*

Lee McCabe: Invest in mobile and in data science—otherwise, you're missing out. Organize to move fast; it's OK to experiment. Make sure your organization is on a continuous test-and-learn loop. Be clear about your objective—whether you're building an app or working on a marketing campaign, it's easy to get lost in ambiguity. And perhaps the most important thing—think about people first. Companies that can keep pace with consumer expectations will have a better chance of being successful. And bookings will follow. 

Alex Dichter is a director in McKinsey's London office, and **Nathan Seitzman** is a consultant in the Dallas office.