

The future of travel

Travel represents over €7 trillion (\$8 trillion) total contribution to the global economy, and this is increasing. 2018 statistics show us that Generation X spends up to €4,842 (\$5,434) on travel and millennials are growing their spend to €6,061 (\$6,802) per year.

However, despite travel expenditures growing substantially, 25% of travelers in the UK alone went uninsured in 2017, up from 22% in 2016. Travel as a business sector is an area ripe for new entrepreneurial thinking and customer-focused innovation. As tourism, booking agencies and the needs of the traveler are all significantly evolving; there is an opportunity to move from narrowly developed products to providing value-added services peppered with new experiences and targeted engagements that fulfill genuinely unique customer needs.

From the moment a travel experience is booked, and the holiday-maker departs, it requires Insurers to re-think and explore the question of “which parts of this overall traveler ecosystem do we want to play within?”

To complicate matters even further, the variety of needs coming from distinct customer segments

add more complexity to the definition of market requirements. It is now fundamental to view the customer as a series of micro-segments with different specifications, each of which can swiftly impact the design of future product and service propositions.

It is essential to understand that five generations of consumers, who continuously enjoy a variety of travel arrangements, are today exhibiting different wants, aspirations, and expectations across many life stages and critical life events.

To simplify the process of innovation exploration into manageable areas, we've segmented the end-to-end travel process into three essential steps within the customer travel journey.

Each of these stages represents an area where the experience links directly to specific insurance services that can be adapted and refined.

1. Inspiration and booking

The age of the high street travel agent is long gone, but this thrilling and evolving space, driven by a mobile-first and connected customer, is providing unparalleled areas for engagement. Today in the UK alone, according to the Awin 2017/2018 report, 64% of summer holidays booked in August 2018 were arranged on the Internet. Of those who booked online, 49% made these bookings on their mobile phones. These changes are global, according to Travel Daily Media. Skyscanner saw a global spike of up to 3.5% in mobile use last year, with most of the Asian countries now booking and paying on mobile devices.

The Trekk2018 Tourism Survey shows that it's not just how we book travel that is changing. Different habits are changing too, such as the increase in last-minute bookings for activities and holiday extras. Travelers are also visiting new and exotic destinations demanding more adventures and unconventional experiences. CLIA, TAXIDIO, WATG and Brand USA all expect 2019 to be the year we see an increase in the number of solo and female travelers, both groups impacting travel diversity and the expectation from travel exposure.

According to Booking.com:

“Travelers increasingly seek new and authentic experiences, and they also want to ensure that they can travel in safety, regardless of their gender, ethnicity or sexual orientation. Platforms such as Destination Pride are harnessing the power of multiple data sources to provide travelers with a ranking of how LGBT+ friendly their chosen travel destination is, while destinations and organizations will increasingly step up their support for women traveling alone.”

Unsurprisingly aggregators are garnering much of the online and mobile traffic. A **finding** by EConsultancy has shown that aggregator sites are outspending and outperforming brands in search results.



Short-tail keywords within the “Flights” category dictate the faith of the search results within this sub-vertical. For instance, the phrase “cheap flights” and “flights” dominate 93.78% of all search impressions.

This insight provides the first opportunity for insurers and banks to innovate in different ways. For example, insurers could consider striking-up partnerships to promote suitable value-added services and products through the sites. What is important to remember is the need to offer distinctive experiences. No longer is insurance a must for many young travelers. Statistics show that **over 40% of 18-24-year-olds did not buy travel insurance** primarily because they felt that they didn’t need to “waste money” on it and going on holiday without investing in travel insurance was a risk they were willing to take. These millennials will be the future of your businesses; learning to engage with their continuously evolving perceptions of the world that surrounds them, is critical. Besides, understanding why messaging platforms, text, videos and photos are such important value-adds to traditional propositions, or how best to repackage and unbundle product and service offerings to satisfy the most complex requirement, is also a proper acknowledgement and acceptance of the change required to attract this segment.

An interesting case study:

WeChat is one of the primary sources of travel information for Chinese travelers. It has over 900 million monthly active users. A startup company called **WeGogo** assists business in getting set up on WeChat by providing them with microsites to engage customers directly. As a simple first step, insurers could leverage the Facebook Messenger platform (as one example) and other tools such as **ManyChat** to create their bots to firstly educate and then advertise to their potential customers regarding insurance.

Key Takeaways

- Insurers should consider as part of their distribution strategy partnering with online flight search aggregators to acquire more customers upfront.
- Insurers should also focus on educating emerging customer segments on the importance of travel insurance and the potential implications of unexpected costs incurred if not considered.
- Insurers can concentrate on leveraging highly targeted chat platforms to increase customer engagement, as is the case in the Chinese market.

2. The journey

As a traveler plans for a trip, there are so many “what ifs” to consider. “What if I get caught in an accident on the road? What if my flight gets delayed? What if I lose my luggage? What if I get lost?” Insurers and banks have an opportunity to focus their effort on creating more compelling products, services, and solutions to address those challenges. However, where to start? Consider gaining a better understanding of a series of the underlying data sources to discover the real opportunities. For example, based on findings from **FlightStats**, it was established that on average 18.35% of flights experience a delay at the departure time.

An interesting case study:

Etherisc is a cutting edge blockchain company that focuses on creating a platform that allows users to collectively build bespoke insurance products, the first of which was a flight delay app that can provide a payout when a flight is delayed by more than 45 minutes. During a short and targeted three-month long pilot, they saw a net profit of €1,070 (\$1,200) when issuing some 100 policies, which paid out six times. A small return but excellent proof point.

Against this statistic, one of the opportunities lies for instance in providing bespoke flight delay insurance pricing. Such pricing is done by intelligently leveraging real-time data by possibly partnering with smaller ventures able to provide APIs and bespoke services with real-time pricing options as well as recommendations. Some examples have already emerged in the US, France, and Asia. Tracking historical delays for a specific airline route is possible. In this regard, customers receive good coverage while the insurer also benefits from a net premium gain. Connecting with the airline systems through APIs enables several InsurTechs to create AI-based solutions that can predict which flights are likely to be delayed – even several days ahead of time.

The collaboration between **PolicyPal and Ergo** in Singapore is a prime example of how young and mature market players can participate in the travel innovation opportunity. PolicyPal, insurance broker and alum from our Singapore acceleration work, leverages parametric thinking and blockchain technology to trigger automatically claims payouts for flight delays. Ergo has incorporated this service into its portfolio of innovation assets to accelerate deployment, negating the need to self-recreate, where the internal capabilities used to deliver such a proposition could have been scarce.

Key Takeaways

- Insurers can intelligently leverage ranges of external data sources such as **FlightStats** to provide more competitive and dynamic insurance pricing for specific routes.
- Insurers can collaborate with smaller companies that can help shape unique and frictionless engagements while utilizing emerging technology able to improve the transparency and seamlessness of interactions.



3. The final destination

Finding unique ways of supporting your clients once they've arrived at their destination aligns with the need to provide a multitude of interconnected and personalized value-added services rather than just a timely product offer. As we travel internationally and book more holidays, we demand more choice and access to different types of experiences.

With regards to holidays, according to TripAdvisor:

- Snorkeling activities have gone up by 64% since last year
- Sailing trips have gone up by 55% within the previous year
- Since 2017, catamaran cruises have gone up by 51%
- Kayaking and canoeing experiences have gone up by 49% since last year

Booking.com has noticed that we are getting even more adventurous, reserving accommodation under the sea as well as in space, certainly for pleasure, but also to showcase and share on our social media channels.

Due to the growth of the mobile-first era, we are also now booking our travel activities and excursions differently. According to Google Data, 2017 travel-related searches for 'tonight' and 'today' have grown over 150% on mobile devices. Also, according to PhocusWire 2018, Google's data shows that 36% of consumers are willing to pay more for personalized experiences.

It is interesting to note that often such experiences are not combined with the insurance offers that are congruent with the real underlying customer need. It is also necessary to note that those organizations that can adapt and align their services to such vital moments will benefit from creative opportunities, connecting the experience expected by each traveler with the most appropriate tech, while establishing a stronger and more relevant brand identity and brand value. A great example includes, for instance, **WaverlyLabs** that developed an in-ear language translation tool to assist those in need when booking travel, or for the unfortunate moment when things go wrong. Another compelling startup example within this space includes **Gotenna**, which allows users to call and text even in locations without call services.

This type of approach can be especially helpful for the insurance resistant millennial, both as an opportunity to educate them on the benefit of protection guiding them on their way to their destination while continuously building a relationship with them as they arrive. This approach should consider helpful recommendations and alerts to keep them safe, immediately post-booking. Such customer-first options ensure a positive brand association. Hence, insurers can cover their customers from unforeseen circumstances beyond the regular and traditional scope of coverage.

A fascinating case study:

PassportCard is an innovative startup that provides real-time travel and medical insurance via a prepaid card. The card allows the user to receive a payout instantly. PassportCard declares to settle claims within minutes without any paperwork or hassle. Such deployment may be challenging to implement on a case by case basis, but when leveraging API providers such as **Human API**, it may be possible to deploy a range of real-time data services to make snap decisions on policies and pricing based on health conditions collected by sensors and wearables.

Another case study is the collaboration between **Fizzy and AXA** that provides a 100% automated, 100% secure platform for parametric insurance against delayed flights. This model is similar to the one highlighted above and delivered by PolicyPal and Ergo.

Key Takeaways

- Insurers can look to partner with startups that cater to assisting consumers in cases of emergency to shape unique brand identity, boost brand image and create engagement.
- Insurers can look to use external APIs to develop systems that provide bespoke and real-time insurance services based on the health parameters gathered by wearables.
- Insurers can also partner with innovative brokers and third-party partners to help distribute their products more effectively.

In conclusion

We understand that there are many travel futures we could consider. However, by taking a customer lens to the problem, we can see the emergence of a thrilling set of engagement areas to design relevant and impressive products and services that customers yearn to use. Specific groups of customers, such as the millennials, the higher risk taker Gen Zs and time-poor high net-worth individuals are ripe to accept such innovative ideas.

The flip side of this has shown that some of these groupings are also less likely to understand the importance of having insurance. Ultimately, it means that the growth of the travel market will come from those less willing to pay for insurance today. Further, to stay relevant insurers must provide more than basic insurance coverage. They need to educate the less informed groups of market participants on the real risks underlying travel activities.

Insurers will have to redefine their role, position, and service portfolio across the travel value chain by providing innovative products and services that can adapt to less tangible wants and more demanding needs. Insurers must rethink their collaboration ecosystem beyond traditional insurance boundaries. They must appreciate that capturing the customer attention during critical instances within the travel journey will be an absolute must to the design and redefinition of the future of travel, while over-laying country nuances to attract the most stubborn of candidates.

Born from the passion of a group of like-minded entrepreneurs, [Rainmaking](#) was created to take advantage of the space where corporations and start-ups converge, where the possibilities of innovation are limitless. Illuminating probabilities and creating opportunities through commercial impact, Rainmaking InsurTech solves big real-world problems with tangible solutions. Focused on delivering results, they uniquely combine the agility and inventiveness of start-ups with the structure and resources of the multi-nationals to create competitive advantage. Leveraging the Rainmaking innovation building toolset both internally and externally, Insurance organisations can make significant step-changes in extending their competitive edge.

To find out more, please contact us at insurtech@rainmaking.io

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