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Behavioural economics and your travel programme

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Understanding behavioural economics can lead to travel programme policies which deliver a seamless booking and travel experience – while reducing traveller friction.

WHY DO PEOPLE MAKE THE DECISIONS THEY DO?

A hot topic for business in 2018, Behavioural Economics, is a relatively new field that combines insights from psychology, judgment, decision making and economics to generate a more accurate understanding of human behaviour (Harvard Business Review 2017).

Put simply, behavioural economics looks at how people make decisions about what they will buy and how much they will pay – and what factors drive these decisions. In a corporate travel programme scenario, the decisions your travellers are making daily can have a significant impact not only on your organisation's bottom line, but also on traveller wellbeing, productivity and morale.

The good news is that a well-planned travel programme with solid policies, compliance and strategies in place can positively influence travellers to make better choices about their trips – and increase the effectiveness of your travel programme.

By understanding behavioural economics, subtle changes to travel policies can be implemented to 'nudge' people to behave and choose in certain ways.

DECISIONS, DECISIONS


According to Richard Thaler, Professor of Economics and Behavioural Science at the University of Chicago, one of the ways we can nudge people to help make better decisions is just to make the good decision easier (ABC, 2015). Thaler argues that this can be achieved by using default settings which encourage people to make wiser choices. In the case of a travel programme, that might mean configuring a default setting that drives people to make the most cost-effective or time-effective choice, for example.

Giving a traveller more options might sound like a positive way to give them more control, however sometimes this can become a negative. In business, time is money and the more options a traveller has can lead to time-consuming indecision.

Behavioural economics helps us realise that the assumptions we make—when we design program9 1s do not match the way people actually make decisions.

— or decision paralysis. By designing booking tools to offer a limited number of options you can use behavioural economics to steer travellers towards your preferred choice.

One theory is that you can ‘nudge’ travellers by giving them a choice of three hotels, at three different price points, instead of two. This situation leads to the majority of people choosing the middle priced option, rather than the most expensive or the cheapest. This is called the decoy effect, when introducing a third decoy option can influence a person’s behaviour to choose the option you want.



“We are recognising that people are lazy and that they take the easy way. So we make the easy way better.”

Richard Thaler - Professor of Economics and Behavioural Science, University of Chicago

Designing a travel programme to reduce traveller friction

To change behaviours businesses need to first identify and understand the key problems or challenges travellers face. Then these insights into traveller friction can be used to tweak travel programmes to achieve better compliance and engagement – and to reduce the human cost of frequent travel.

Traveller friction can occur when business people are travelling too much or they are having poor travel experiences. The Procurement function plays a major role in reducing traveller friction through travel programme policies which help to avoid these 'pain points'.

As a result, travel managers have been placing greater importance on service levels and more-personalised experiences that keep travellers happier (and more productive) on the road and more engaged in their travel programmes.

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Main sources of traveller friction

- Unclear travel programme policies
- Travel policies that don't factor in the human cost of travel or prioritise financial savings over traveller wellbeing
- Poor approval processes
- Policies that are too company-centric and not traveller-centric
- Rigid and inflexible policies
- Manual finance processing
- Cumbersome or outdated booking processes

Warning signs of traveller friction

- Frequent non-compliant travel bookings
- Employee absence post-trip
- Jetlag impacting productivity post-trip
- Resistance or reluctance to travel
- Unproductive trips
- Poor employee retention amongst frequent travellers
- Impact on employee wellbeing and family life

Travellers are chasing simplicity

Also influencing behavioural economics is cultural behaviour. With complicated, demanding and time-poor lifestyles, simplicity is increasingly important for travellers. This is especially true of business travellers with hectic schedules who want to see travel streamlined. As reported in the Herald Sun (2017) airline passengers now want the ability to use facial or fingerprint technology, to ease the process from booking flights to passing border control.

A survey by the global airlines lobby found two-thirds of passengers wanted a single biometric identity token for all their travel transactions. The survey also found 82 per cent of travellers wanted to be able to use a digital passport on their smartphones for as many travel activities as possible. It revealed 72 per cent wanted to self-board aircraft and 68 per cent wanted to self-tag their bags, with electronic tags the preferred option.

The industry is listening, with the International Air Transport Association (IATA) having launched a project that is "rapidly moving travel towards a day when a face, iris or fingerprint will provide the key to a seamless travel experience".

Connected Consumers = Connected Travellers

It's clear that digital access has altered all aspects of our working and personal lives. From shopping, to social interaction, entertainment, banking and fitness, connectivity drives the way we act, choose and spend. A travel programme that embraces opportunities to simplify the travel process through the adoption of these new technologies can reduce the stress on travellers.

Consumers are already showing a strong dependency on voice-activated digital assistants for basic search and query response functionality, as well as for scheduling, to help manage their increasingly overloaded, connected daily lives (Euromonitor, 2017).

Research has also shown that Millennials and Generation X (aged 40-44) have a strong interest in AI (Artificial Intelligence), and are comfortable using digital assistants on a daily or at least weekly basis. (Euromonitor, 2017). Further evidence of this trend is the increasing popularity and reliance on digital assistants, such as Siri or Cortana on smartphones. When it comes to travel booking, Chatbots are fulfilling this need and speeding up processes.



Disruption is here to stay

Travel programmes need to evolve and embrace disruption to meet traveller expectations.

PERSONALISATION

- Choice, flexibility remain key for passengers
- Technology enhances personal control
- Increased automation of airport processes
- Real-time travel updates direct to personal devices
- More WiFi connectivity on international flights

HOTEL TECHNOLOGY

- Investment in 'smart' hotel rooms allowing guests to customise features to suit personal preferences
- Mobile, voice-activated technology to operate entertainment systems, control temperatures and lighting
- Expansion of robot delivery systems such as room service Keyless check-in and wireless charging

PAYMENT OPTIONS

- Cardless, mobile and online payment solutions are on the rise

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Artificial intelligence automates and enhances booking process

Tens of thousands of niche travel apps improve the experience

Big data analytics is enabling further customisation and personalisation

Biometrics and facial recognition technology is speeding up immigration and security processes

Blockchain database technology is set to revolutionise procurement



Predicting future behaviour

While different technologies and innovations will continue to come and go, businesses around the world will increasingly strive to understand and predict human behaviour through the insights provided by behaviour economics.

Already Governments, NGOs and businesses are routinely introducing policies that harness behavioural economics to drive change in areas including reducing carbon emissions, curbing obesity and building trust in vaccination programmes.

In short, behavioural economics can be a very useful tool to drive positive behavioural change in your travel programme. By achieving a frictionless booking and travelling experience, your business can reduce both the financial and human cost of your overall travel programme.



About FCM Travel Solutions

FCM is a single global brand providing a comprehensive range of corporate travel and expense management solutions. We have a presence in more than 95 countries and are regarded as one of the top five travel management companies in the world. FCM is responsible for the travel programmes of some of the world's most successful corporate brands. It has always been personalised service that sets FCM apart from the rest and we blend this with innovative technology and unrivalled access to content to drive the optimum performance of your travel programme.