

An overhead view of a person with dark hair tied back, wearing a light blue long-sleeved shirt and dark pants, sitting on a yellow modular sofa. They are leaning forward, using a black laptop that is placed on a large, round, yellow ottoman. The ottoman has a small wooden knob in the center. The sofa has a blue and white patterned pillow. The background is a dark brown floor with a pattern of small, light-colored squares and plus signs.

ADVITO

The Travel Manager's Guide to Merchandising

Applying Behavioral Economics
to Influence Decisions

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Introduction

We are excited to share with you another innovative program that pushes the boundaries of managed travel in a digital economy.

We believe an understanding of behavioral economics is critical for travel buyers and the corporate travel industry. Why? Because the success of every travel program hinges on the ability to manage travelers. And behavioral economics examines the psychology behind consumer buying decisions.

In *Predictably Irrational*, Duke University Professor and behavioral economist Dan Ariely explains how consumers sometimes fail to act as expected - or even in rational ways. People often use subconscious shortcuts that can lead to unwanted buying decisions. So the more you understand about how your travelers think and make decisions, the better you can guide decisions to support the goals of your travel program and company. In this increasingly distracting digital world, you have only seconds to get your travelers' attention. If you lose them with an ineffective message, you lose their trust and interest in your program.

When applied to merchandising and marketing strategies, the principles of behavioral economics can help travel managers guide travelers through the booking experience, influencing their purchasing behavior at the point of sale. Whether it is through a strategically crafted banner ad or the way that content is sorted in the online booking tool (OBT), these changes will have an effect on how travelers make their booking decisions.

Like any concept, behavioral economics is thought-provoking, but it can also be a bit daunting. This guide helps you navigate key behavioral economics concepts and links them to the challenges you wrestle with every day. It identifies the hidden forces that shape traveler decisions and provides specific examples you can implement to address, or even eliminate them.



A decorative graphic on the left side of the slide, featuring a dark blue background with a network of white lines. Scattered across this background are numerous white squares and plus signs of varying sizes, some appearing as if they are floating or connected by the network lines.

02

Leveraging Spend Data

In today's digital world, the wealth of data that exists in every travel program is mind-boggling. However, it must be leveraged in the right way to gain valuable insights that can be turned into strategies for driving program adoption and savings. Using spend data to create custom messaging and optimize content in the OBT can guide travelers to make decisions that will support overall program goals.



Anchoring

Theory

The first piece of information we are presented with, even if we only subconsciously become aware of it, becomes our benchmark—or anchor—for subsequent comparisons and decisions.

Practice

First impressions are the most important. Even though we think we equally evaluate options, in reality we rely too heavily on the first price we see, and it influences our judgement of how acceptable (or unacceptable) everything else is afterward. If a person sees a flash sale advertisement for a low-cost carrier on their daily commute, when it comes time to book their travel they'll be to see national carriers charging much more for the same route. Yet, you can shift an anchor by providing a price reference point for your travelers. By setting anchors as program-specific rate targets from your own spend data, you can guide travelers to purchase options within policy and eliminate comparison shopping on the Internet.

What You Can Do

- + Before shopping results appear on screen, present an airfare or hotel **rate target** your travelers need to beat. This gives them a goal, helps manage their expectations and influences the amount they will consider reasonable to pay.
- + Take anchoring even further by giving travelers an idea of what a fair price is for transportation to/from the airport and hotel.

Message at shopping



Anchor Price
\$180

Hotel Results



"No way,
too expensive"

Status Quo Bias

Theory

We have a tendency to just do what we've always done. People generally prefer to maintain an established behavior or choose an option that requires no action.

Practice


People resist change. There was a medical study that showed when heart doctors told seriously at-risk heart patients they will literally die if they do not make changes to their personal lives – diet, exercise, smoking – still only one in seven was actually able to make the changes. The problem lies with not being able to do the change required – regardless of how much we want to make it happen. Closing this gap between want and ability with guidance and learning provides a new skill set which is essential to driving change. It is important to remember that in travel, default options are important, but restricting content can impact the traveler's confidence that you have the inventory they need at the best prices.

Default Options


<

>


✕



Hotel Y



Rental Car Z



Airline X

Book this option?

Yes

Yes

Yes

Select different option?

No

No

No

See more

What You Can Do

- + Give travelers access to their own data and let them create or pre-select their own personalized defaults for air, hotels and more. Keep options **within company policy**, to those most often used by frequent travelers and based on traveler preferences.
- + Rather than requiring supervisor approval for out-of-policy purchases, present **on-screen nudges**. Let the traveler know which options will introduce added rules and approvals. You can build in slower processing, color codes or flashing icons.
- + Automatically sign up frequent flyers to receive **travel alerts** in **real time**, such as flight information, delays and gate changes.

6

03

Improving Program Compliance

There are several behavioral economic principles that travel managers can use to drive program compliance. The way that content is presented in an online booking tool (OBT) has a significant impact on how travelers make decisions. Understanding the best way to present options to your travelers - either through content display optimization or messaging within the tool - can influence travelers to make the decisions that will have a positive impact at the point of sale.



Loss Aversion

Theory

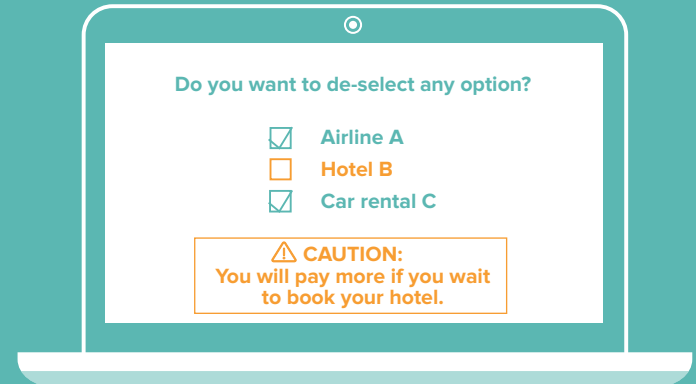
We consider it more important to avoid losses than realize gains.

Practice

While the attraction to added-value is strong, our aversion to loss is even stronger. Travelers are much more motivated when they might avoid something undesirable, like a delay, added expense or inconvenience. This bias affects choices of routes, modes of transportation, brands and more. If you only frame their choices in terms of added savings or amenities, it won't motivate them as much as if you frame them in terms of losses. Focus on savings lost, extra expenses, time wasted and the amenities they stand to lose if they don't choose the in-policy options.

What You Can Do

- ✦ Present air, car and hotel in a **bundle** with total savings listed. Ask travelers to remove the items they don't want and reduce savings each time they de-select. This could help improve attachment rates, and lessen procrastination in decision-making.
- ✦ Highlight wasted time spent driving or checking out rental cars that could be spent productively—or enjoyably. This encourages travelers to consider less costly, public transportation.
- ✦ Dangle the **perks, rewards and status travelers will lose** by not using preferred suppliers.
- ✦ Remind travelers of what they **stand to lose** if they don't reserve all their trip components far enough in advance. They might not get their first choice of room, bed, flight or seat if they don't book well in advance.



Framing

Theory

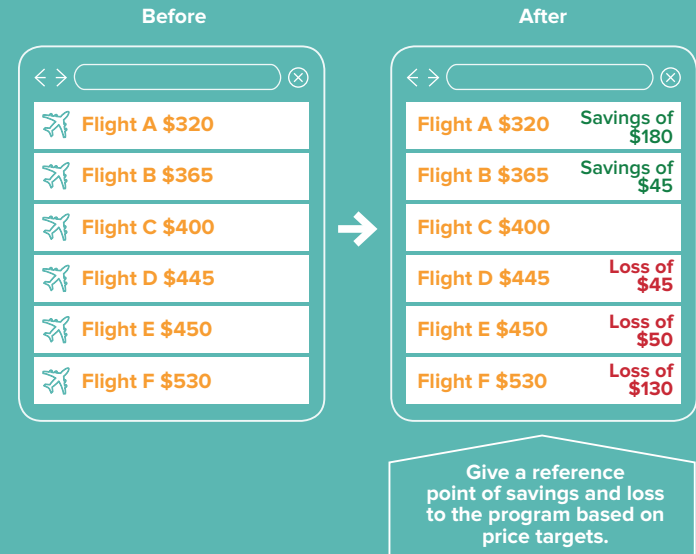
The way that you present information- such as highlighting its positive or negative aspects- can influence how it is perceived and affect the decisions that people make.

Practice

Consumers in general want help in making decisions. The greater the array of choices, the more confused we become. We need help understanding the effect of choosing different options in terms of risk, reward, losses and gains. It gives us context and leads us to the right decision. When communicating to travelers, make sure you give the right spin to the options you present, both positive and negative, so they have a frame of reference that steers them to the right choice.

What You Can Do

- ✦ Frame your preferred program options in a positive light by showing high satisfaction ratings by other travelers.
- ✦ Highlight the benefits they receive from your program that improve their experience instead of just talking about restrictions.
- ✦ Paint the **big picture** for your employees by calculating the true cost to the company of a single traveler's non-compliance. Appeal to universal standards deploring waste. Frame the impact of poor decisions as a loss of resources for the company and the employee's cost center.



The Power of Free

Theory

“Free” causes an emotional reaction in people because of the resulting benefit they get with little to no risk involved.

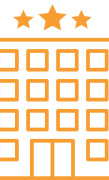
Practice

People prefer something that’s “free” to something that is steeply discounted - even when they would normally prefer the discounted item and its value is higher than the free item. This bias can work in your favor when it comes to boosting program adoption and compliance. Pull out and highlight all the **free** amenities that you’ve negotiated with suppliers instead of just showing the amenities included in the rates. It gives them confidence in your program and increases the perceived value of your preferred rates.

What You Can Do

- ✦ Enhance the **perceived value** of your preferred suppliers by positioning the hotel amenities as free. Even when the preferred rate is \$20 more per night, showing free high-speed Internet access, free extended check-in/check-out times, and free breakfast will guide travelers to make the right choice at the lowest overall cost.
- ✦ **The power of free** doesn’t only work for your travelers. It also works on other people in your company. Let leadership know why you’re promoting a hotel that’s \$20 more per night in terms of all of the free extras you have negotiated. They’ll immediately get on board.

Free



\$90



\$80

Decoy Pricing

Theory

When evaluating two choices, people are likely to change their preference when a third option is added that is similar but less attractive (the decoy).

Practice

It is hard to compare two options that appear very different. This is why we're often drawn to the more expensive option in travel when we have a choice of two. We believe we get what we pay for. However, bring in a third option and consumers have another data point for reference and select accordingly. The expensive option will often be ruled out against the two lower priced options. When you then show that one of those similarly priced options (your preferred airline or hotel) has obvious superiority, they will make a quick, sensible decision.

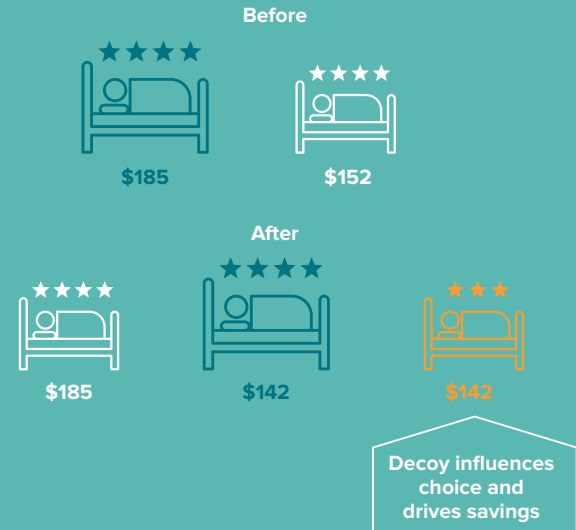
What You Can Do

- ✦ When presenting hotel options, provide travelers with three choices in the same city, with one being similar but clearly inferior:

- (1) A high-priced 4-star hotel
- (2) A mid-priced 4-star hotel
- (3) A mid-priced, 3-star hotel (the decoy)

The majority of travelers will select option 2

- ✦ When driving one-stop flight options to meet preferred supplier targets, also show a two-stop flight that's even cheaper. You can make the deal even sweeter if you can throw in free lounge access (whether they have time to make use of it or not, see Power of Free).



Hot States

Theory

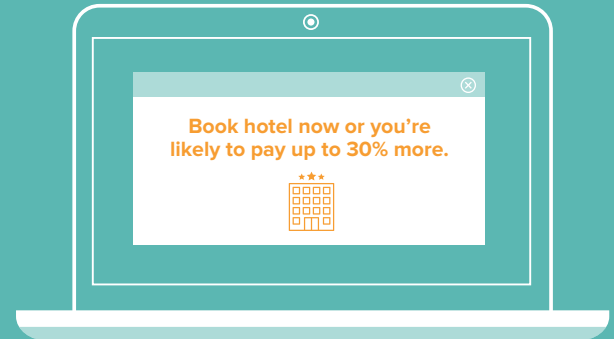
Emotions affect our decision making. Decisions made under stress or in “hot” states are more irrational and very different than those made in advance or in “cold” states.

Practice

We grossly underestimate how we will react in stressful, urgent or time-sensitive situations. This explains the higher level of spending associated with last-minute arrangements vs. those planned in advance. We’re feeling the heat when something unexpected and unfavorable happens to us, whether that’s during a trip or at home. This is fear-based behavior that’s in our DNA – and the way we often combat the adrenaline rush of ‘flight mode’ is to purchase something we feel will calm us down and help us through the situation.

What You Can Do

- ✦ **Automatically present** hotel options during trip planning and require that hotel reservation be made immediately after air travel is purchased (for multi-day travel only).
- ✦ Present only **in-policy options** to those traveling within 24-48 hours of making their reservations.
- ✦ Create messaging in the OBT encouraging travelers to book their flight and hotel **at the same time** to avoid the traveler overpaying if they book last minute in a “hot state.”



04

Boosting Productivity

Booking travel can be cumbersome and time-consuming if the OBT is not set up for success. Using behavioral economics to help travelers book efficiently and effectively will drive productivity and boost traveler satisfaction with the program.



Information Overload

Theory

People have difficulty making decisions when presented with too much information. It wastes our time to deliberate over many different options and often we end up procrastinating as a result.

Practice

Giving travelers choices can be empowering. However, providing too many options can lead to feelings of helpless and incompetence— especially for complex purchases like travel. Overwhelmed, travelers will opt to do nothing or revert to the same choices (or mistakes) of the past. By limiting the initial choices to fewer, more distinct options, travelers can quickly assess which choice is best. Remember to give the traveler an option to see all content available to drive trust in the program.

What You Can Do

- + **By default**, display a few hotel options that are all in-policy, appealing, and most likely to be chosen. The short list ranks the best options based on past purchases, traveler preferences and top ratings (or comments) by fellow road warriors.
- + This same shortcut can be used to **quickly compare** multi-modal travel, rental car options, restaurants, etc.

\$240	\$340	\$250
\$260	\$220	\$300

\$240	\$250	\$300
See more		

Simplified options for
quick, easy decisions

Fear of Commitment

Theory

We tend to avoid committing to a decision because we think something better might come along later.

Practice

We can sometimes get stuck in a state of decision paralysis. Because this procrastination is counter-productive we need reminders that keep us on track. Travel programs already impose consequences for out-of-policy purchases and processes but do little to offer tools and reminders that help travelers remember to do the right thing at the right time (like booking the hotel when the flight is booked). These reminders can help ease the traveler's fear of commitment by giving them confidence that they are getting the best rates possible by booking in-policy.

What You Can Do

- + Once air travel is booked, use text messages to notify travelers of **booking deadlines** for hotel, rental car, and parking. Provide a link for easy access to complete the booking.
- + Use hotel and air price assurance tools that can automatically rebook flights and hotel for a traveler if a better price comes along. You'll assure travelers they won't miss out on great deals and your program will save a lot of money.

The image shows a digital calendar interface. At the top right is a close button (X). Below it is a warning alert box with a triangle icon and the text: "ALERT: Book hotel by Jan 11 to avoid manager approval". The calendar grid shows days from Sunday to Saturday. The dates 1 through 31 are displayed. The date 9 is highlighted in a dark red box, and a yellow arrow points to it from a label "Trip to Lima" located below the calendar. The date 30 is also highlighted in a dark red box.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 Jan	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Trip to Lima



05

Improving Traveler Experience

Business travelers are no different than other consumers when it comes to the shopping experience. If they think shopping and booking through the OBT doesn't measure up they will go outside of the program, which affects your ability to capture spend and is a safety risk. Make the digital experience positive, from booking to post-trip, and their loyalty to the program will grow.

Experience Endpoints

Theory

The way we remember an experience isn't usually complete. We tend to judge an experience based on its highest (or lowest) point and its end point.

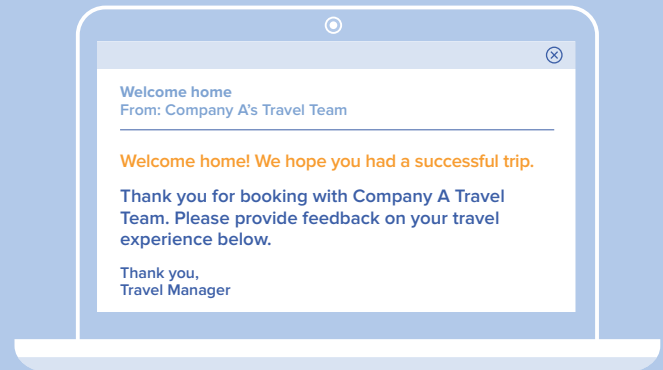
Practice

A trip could have a long uncomfortable flight and a really basic hotel, but an amazing dinner event and a seat upgrade on the way home and it can still be perceived as a good trip. On the flip side: Even a comfortable first-class flight home could have a bad meal and end with your luggage falling on your head as you open the bin, making the whole experience seem negative.

While you can't be responsible for what's happening en-route, checking in with travelers goes a long way to frame the trip as a positive experience. The more positive experiences a traveler has the more trust you build for the travel program – and that creates loyalty.

What You Can Do

- + Send a **welcome home message** thanking your traveler for booking in advance and in policy. Give an option to leave feedback on their experience and get in touch with any concerns they might have.
- + Create a positive experience for your travelers by sending out timely messages to ensure that things go smoothly. This can include everything from reminding them when it's time to check-in for a flight via a mobile push notification, to emailing them a city guide with things to do and see tailored for their destination.



Priming

Theory

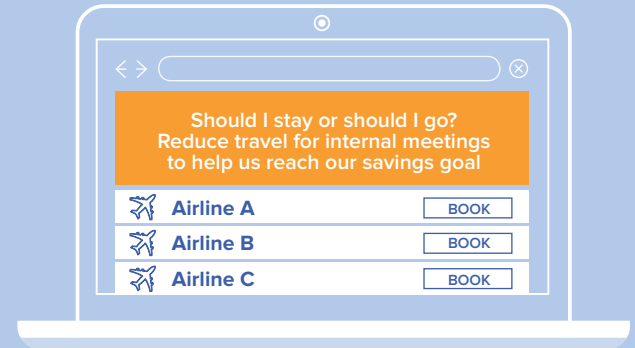
Intervening or interrupting the decision process at critical moments, even with seemingly irrelevant information, can steer our purchase decisions.

Practice

Our decisions and actions are affected by what's on our mind when we make those decisions. For example, sometimes grocery stores will play Italian music to subconsciously drive you to purchase Italian wines, or use fans to spread the smell of fresh bread throughout the store to drive bread sales. Exposing your travelers to ideas about company goals in your communications helps drive their behavior when it's time to book. The more exposed employees are to your communications, the more conscientious they are when they make decisions.

What You Can Do

- + Communicate a corporate travel goal - like reducing travel for internal meetings by 30% - **often and across as many channels as possible** to prime travelers to make the right decision in the online booking tool. Send out emails with infographics explaining the goal, create video content to play on the monitor in the lobby or break room, and create messaging inside the OBT to influence their behavior to support your travel program initiative.
- + You can also leverage **seemingly irrelevant** information to steer behavior. For example, if you want to reduce travel for internal meetings, create messaging around adopting environmentally conscious behavior and how air travel has a significant carbon footprint. While you're not talking about your goal outright, **priming travelers** with this type of information could make them think twice about booking air travel unless absolutely necessary.





06

Socializing the Travel Program

Social proof is a key component of behavioral economics. Business travelers are more likely to trust their fellow travelers, and are also more likely to participate in the program if they feel they're personally contributing to its success. Armed with this knowledge, Travel Managers can create the right messages to drive trust in the program and create a sense of community among their travelers.

Skin in the Game

Theory

If you help build something, you think about it more, appreciate it more, and are invested in its success.

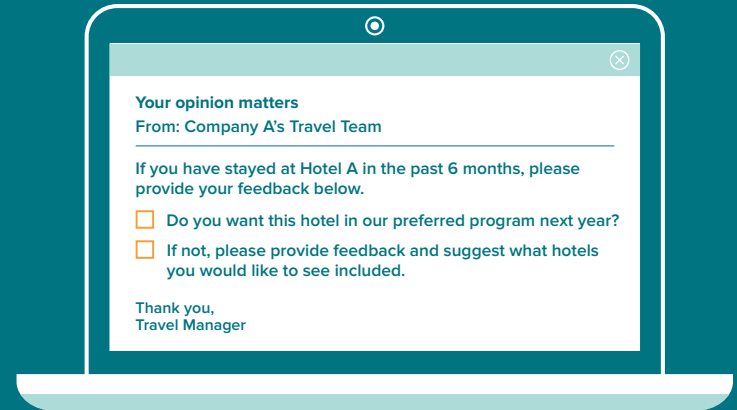
Practice

People who invest significant time and/or effort in something tend to value it more and find deeper enjoyment in it. This applies to things like cooking and baking, planting a garden, or designing a new prototype at work.

To make travelers feel a sense of responsibility in the success of your program you need to give them ownership of their own itineraries and communicate the important role they play in making the program work.

What You Can Do

- + Include messaging in your online booking tool to tell travelers how they are contributing to the program's goals and success by booking in-policy. They will feel good about their contributions and be less likely to comparison shop and book elsewhere.
- + Poll your travelers on their experience with preferred suppliers. Do they like the hotels or airlines that you've included? If not, why? **Including the travelers** in decisions about who is included in your program will make them more invested in its success.



FOMO (Fear of Missing Out)

Theory

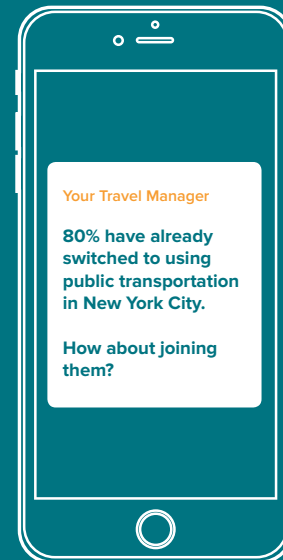
When everyone else is doing something, it becomes more intriguing to us. If we don't do it too, then we worry that we might be missing out on something great.

Practice

Social influence is powerful because we ultimately seek the acceptance of others and want to be connected to a community. With the growth of social media, the “fear of missing out” has become ubiquitous and the term is now often used in popular culture. For travelers, FOMO can be particularly real when an important personal date coincides with an important company meeting. But it also presents unique opportunities, especially when your company offers incentive programs. You can also take cues from influencer marketing initiatives among consumer brands that have been extremely successful.

What You Can Do

- + Communicate to your travelers that 80% have already switched to using public transportation in New York City to encourage the remaining 20% to switch as well.
- + Create a **community of influencers** among your business travelers. Others will want to be a part of this “in” crowd, and will want to emulate them when it comes to staying in-policy and booking with preferred suppliers.





07

Ensuring Traveler Safety

Traveler safety and security are paramount in corporate travel. When travelers book outside of the program it affects your duty of care. If there is an emergency and you don't know where your travelers are, you won't be able to help them. It is essential to leverage every tactic you can to keep travelers safe, and behavioral economics can offer help.



Optimism Bias

Theory

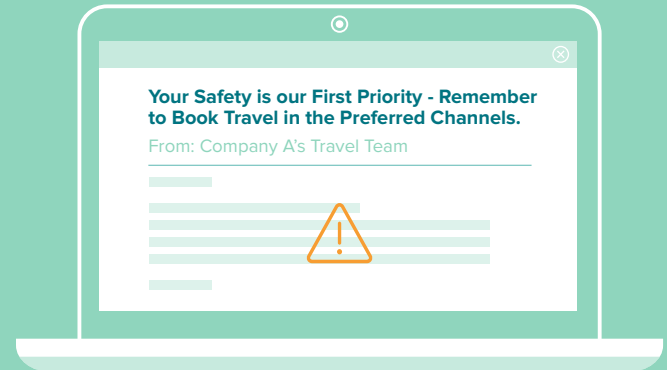
We often underestimate the probability that something bad will happen and just assume we'll be okay.

Practice

We tend to believe that really bad things only happen to other people and that we will avoid or overcome obstacles no matter what. While a positive outlook is healthy, the downside of always believing that we will succeed is that we are more likely to engage in risky behavior. The reason for it is that excessive optimism changes our objectivity. Travelers think that rules don't pertain to them or that it is important for the "other guy" to follow. This distortion of reality can hurt your travel program and compromise the safety and security of your travelers.

What You Can Do

- ✦ Reinforce the **massive safety risk** associated with purchasing in non-preferred channels when itinerary information is not available to your company or TMC.
- ✦ Help travelers take **preventive measures** for safe travel.
- ✦ Show travelers **real case studies** of emergency situations that were safely resolved because a traveler booked in-policy.



Recognition Bias

Theory

If we're unsure what decision is best, we tend to go for the choice that's the most familiar to us.

Practice

We rely on the brands, channels and products we're the most familiar with because we think they are a safer choice. This simplifies and speeds up our decision-making process. If you're not giving guidance about suppliers in your program, you're missing out as travelers will use the websites and tools that earn the greatest travel rewards. This means your travelers aren't booking in your program and you're not going to be able to provide duty of care.

What You Can Do

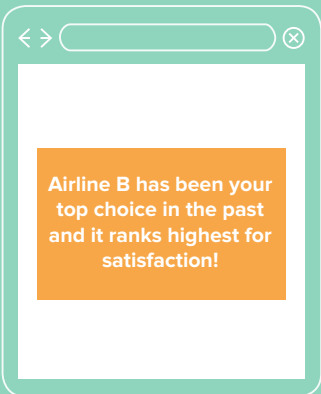
- ✦ Remind infrequent travelers which brands they **previously chose**. Let them know which ones earned above average satisfaction scores. If you don't have past travel data, let travelers know which brands and suppliers your frequent travelers prefer.
- ✦ Give your OBT a recognizable brand on its own. That makes it easy for travelers to refer to it and talk about it with others. It also reinforces brand recognition in your communications and serves as a reminder of preferred booking channels and suppliers.

Before



	Trip 1	Airline A
	Trip 2	Airline B
	Trip 3	Airline B
	Trip 4	Airline B
	Trip 5	Airline B
	Trip 6	Airline E

After





Conclusion

Travel Managers that have a deeper understanding of behavioral economics and merchandising strategy will be able to drive traveler behavior in a way that increases policy compliance, program performance, savings, and traveler satisfaction.

Today's business travelers are some of the world's most digitally-savvy consumers. They expect a personalized experience, similar to what they'd find on leading consumer websites. It is no longer enough to just provide a portal for business travelers to book online. They are looking for an interactive store, with data-driven messaging and personal touches unique to their traveler profile. Programs that fall short will lose travelers to other websites.

Travel Managers can use the same techniques that some of the world's leading retailers use to guide shoppers through the buying experience. The way that products are organized on the shelves, the messages on promotional banners, and even the placement of impulse items near the checkout aisles is not accidental. They are examples of merchandising tactics driven by behavioral economics. Online retailers also apply these tactics in their digital stores to influence purchasing decisions and drive trust and brand loyalty.

In the same way that today's online retailers use data to create the best possible shopping experience for consumers, corporate travel programs must leverage their own data to create a similar experience for travelers in the OBT. Data can reveal the story of a travel program – from how travelers are booking to which suppliers are under or over-performing on their contracts. Using data, along with the behavioral economics and merchandising principles in this guide, will help you optimize your content display to drive significant results for your program.

Are you ready to build your store?

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The Netherlands

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29th Floor, Island Place Tower
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