# IBM Travel Experience Index – Phase One: Hotels

*Listening to the voices of guests to improve digital, multi-channel and service touchpoints*

By Steve Peterson and Raimon Christiani

*Guest experience surveys are an important and familiar tool in the global hospitality industry, but they typically focus on the physical aspects of the travel experience by measuring factors like bed comfort, wifi charges and room amenities. The IBM Travel Experience Index is a first-of-a-kind study that puts a decidedly digital spin on the travel experience theme by scoring travelers' digital interactions with hotel brands, their service experiences with hotel employees and the hotels' capabilities across channels of communication. This study is based on the findings of travelers who stayed in hotels in Europe and the Americas, and evaluated each hotel using a multi-faceted, consistent and disciplined approach. This report summarizes phase one of the IBM Travel Experience Index and clearly defines the strengths, weaknesses and key differences between hotel brands in three segments. Some of our findings may surprise hospitality executives.*

*Individual hotel brand names are excluded from this report, but we will gladly share our insights about your particular company in a private briefing session. Additionally, as this is an ongoing study, we will continue expanding our hotel research and will publish additional findings annually. To request a private briefing for your hotel brand, email Shannon Adelman at* sladelma@us.ibm.com.

## Key findings

- 39 percent of hotels qualified as "innovators," compared to only 8 percent of airlines
- Service delivery scores were higher than digital interaction scores for 89 percent of hotels
- 25 percent of hotels earned mobile scores that were less than or equal to 40 on a 100 point scale

## Executive summary

Assuming the elements of a business that receive the most management attention are the areas that improve the most, the hospitality industry should be close to perfecting the physical aspects of hotel stays. There has been intense focus on all aspects of the hotel property itself, while marketing literature often features friendly employees, comfortable beds and fine dining. Yet drawing attention to the physical aspects does little to improve the intangibles, like digital experiences and personal service, which define so many guest experiences. This study explores and exposes the non-physical aspects of the travel experience, and by drawing attention to these travel intangibles it is our hope that we will help industry leaders improve them.

With a clear mission to catalog and compare the intangible factors of travel, we deployed travelers to evaluate hotels and airlines on well-defined, consistent assessment criteria. In this first phase of our study, IBM employees completed over 119 stays at 31 hotel brands between September 2015 and January 2016. Our team of "mystery travelers" did not inform staff that they were evaluating the hotels and airlines. Please see the methodology section for more detail.

As depicted in Figure 1, we evaluated performance in three categories: service delivery, digital interaction and multi-channel capability.

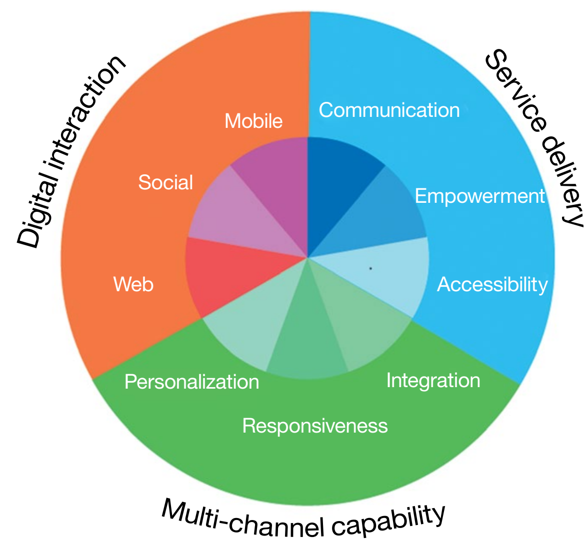


*Figure 1.* The categories and sub-categories used in the IBM Travel Experience Index assessment.

Our analysis of the data reveals three interesting realities about the intangible elements of hotel experiences. Perhaps most strikingly, we have found that the services delivered through person-to-person contact receive relatively high marks from customers. Most hotels, it seems, have plenty of well-trained, friendly and empowered staff on hand to support travelers. Unfortunately, travelers are less pleased by their digital experiences, which are delivered by way of hotel websites, mobile apps and a host of social channels. Additionally, we find that channels are not well coordinated, are less responsive than they could be and are not easily personalized to specific guest preferences. These findings underscore the potential for significant improvements in each category, so we offer hotel executives three recommendations to consider should they wish to initiate a travel experience improvement program.

## Performance improvement opportunities abound

For most businesses, and almost all consumers, the customer experience can be improved. Our data suggests that this is particularly true in the hotel business, whose guests detect significant performance gaps in the variables we evaluated for each hotel brand, and wide performance variability between hotel brands. Performance gaps between hotel brands and airlines are even wider and more variable, although hotel brands perform better than airlines on average.

### Travelers see vast differences between hotel brands

Comparing the digital and physical performance of the hotels in our sample reveals significant differences between them. To define the maturity progression for each hotel brand, we used three designations: "innovators" scored higher than 70 percent on the index, "fast followers" between 55 and 70 percent, and "laggards" below 55 percent. While the composite index scores of the best-performing hotels qualify them for the innovator designation, 61 percent fall into the fast follower designation. Interestingly, none of the hotels in our sample earned digital and physical scores that placed them in the laggard designation, as shown in Figure 2.

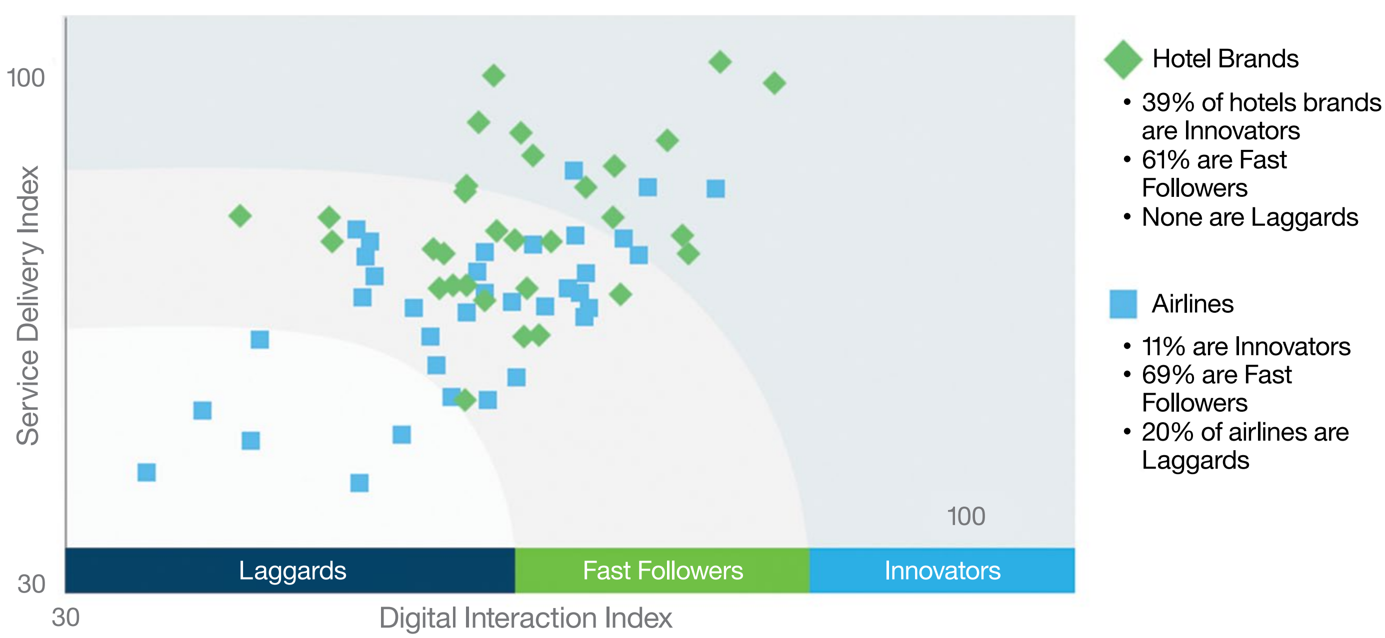


*Figure 2.* Travel providers are not doing well, and airlines underperform hotels.

## Most hotels are outperforming most airlines

The performance gaps between hotel brands appear more extreme when compared to airlines. Using the same criteria for evaluation, and in most cases using the same person to rate performance, hotel brands earned better marks than airlines in all three performance categories.

The digital interactions hotel brands have with travelers are, on average, more highly rated than the interactions these same travelers have with airlines. More specifically, hotels are often seen to have better websites, better mobile apps and better social interactions with customers. For the most part these differences are not extreme, with hotels achieving digital index scores of 60 compared to airline digital index scores of 56, as seen in Figure 3.

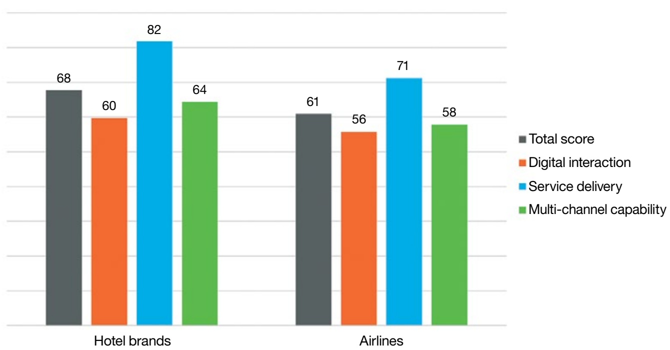


*Figure 3.* Hotels scored better than airlines across the board, especially on service delivery.

With the digital strength of leading online retailers like Amazon and the service delivery prowess of companies like Nordstrom, customers have come to expect exceptional, seamless experiences. Leading retailers are setting a high bar for hotels, because customer expectations are determined by leading companies, irrespective of industry boundaries. This should prompt hotel executives to carefully monitor and emulate the actions and improvements made by leading retailers across all channels.

## Service delivery is a strength that hotels can use to improve digital channels

Negative customer interactions with employees garner a lot of attention in the media, but our study finds that in most cases, employees are a source of strength for hotels, not weakness. In fact, hotel brands earned higher marks for service delivery than for digital interactions in all but a handful of cases. For this reason, hotel executives would do well to invest more time and resources into improving their digital channels. Hoteliers might consider asking employees what specific changes could be made to websites, mobile apps and social channels to bring their performance up to the standards of their person-to-person touchpoints.

### Employee-delivered service is a relative strength for most hotel brands

In our analysis we compared hotel brand scores by region, segment and performance category. Each way we looked at the data led to the conclusion that hotel brands are doing fairly well at service delivery. In fact, both our regional and segment analysis showed that hotels scored better in service delivery than in any other category.

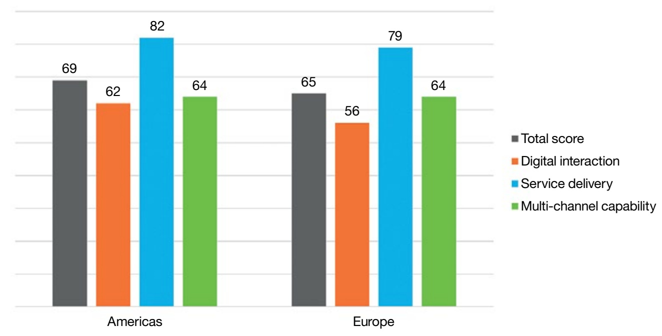


*Figure 4.* The variance in scores between regions was fairly consistent.

In the Americas and in Europe, service delivery was a high point for hotels on the IBM Travel Experience Index, as shown in Figure 4. In the Americas, for example, service delivery scores were 32 and 28 percent higher than the scores given for digital interaction and multi-channel capabilities. In Europe, the difference between service delivery and digital interaction was even more pronounced, with digital interaction scores that were 41 percent lower than service delivery. Multi-channel scores in Europe were 23 percent lower than service delivery scores, which is a smaller gap than in the Americas, but still significant.

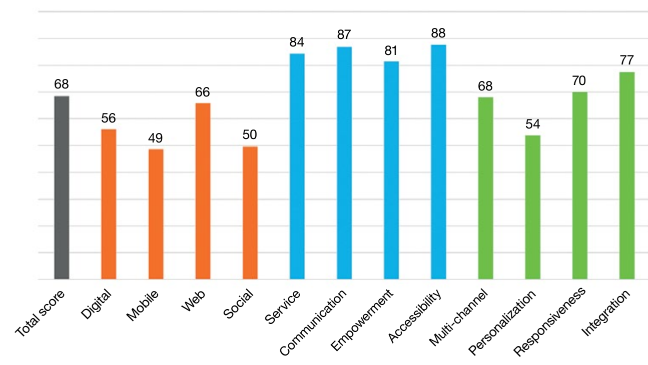


*Figure 5.* Luxury hotels are strong in service delivery, masking weaknesses elsewhere.

A similar trend is also notable among luxury hotel brands, whose strength in service delivery scores masks much lower scores in other areas, as shown in Figure 5. It is worth noting that scores for hotels in the luxury segment were higher than scores for all other segments in the service delivery category, but lower than all other segments in the digital interaction domain.

Conversely, upscale hotels achieve more balanced scores across all analysis categories. Where other hotel segments struggle with digital interactions, for example, upscale hotels are seen to excel. Upscale hotels are effectively tied with midscale hotels in the digital dimension with scores of 60 and 59 respectively, and are very closely aligned when it comes to service, as shown in Figure 6. Interestingly, luxury hotels earn higher scores in the multi-channel category than their upscale and midscale competitors, scoring 68 in this important category compared to 65 and 56, respectively.

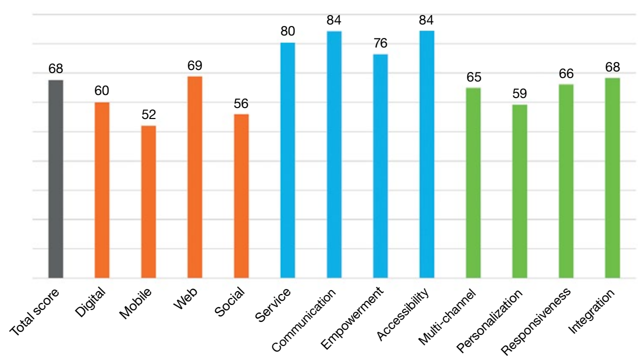


*Figure 6.* Upscale hotels achieved more balanced results across the three performance categories.

## Personalization is a weakness for most hotel brands

For at least a decade, personalization has been an important topic on the hospitality industry agenda. Unfortunately, our analysis shows that the efforts hotels have made to personalize the guest experience have been ineffective. In fact, personalization scores were among the lowest of any variable our study evaluated.

### Personalized insights are not applied consistently at any touchpoint

To personalize a guest's experience, a hotel brand needs to not only know what the guest prefers, but also be able to deliver that preference at the appropriate time and through the preferred channel. This may seem simple—and for the most frequent travelers it could occur with some regularity—but for most hotels and most guests it is almost impossible.

### Effective personalization requires coordination between digital and physical touchpoints

Digital touchpoints should be the easiest place to systematically gather customer preferences and apply them consistently during the next interaction. However, most hotel brands failed this important test. For example, travelers who entered a request for extra pillows or a high floor online were often unable to check those requests on the hotel's mobile app, were rarely prompted to re-enter or confirm that preference on subsequent stays, and too often did not even receive the special request they submitted.

## These findings should help hotel brands prioritize their improvement initiatives

The IBM Travel Experience Index findings contained in this report reveal some critical oversights and some glaring weaknesses that hotel executives will need to address if they wish to improve the guest experience. They will not only need to shore up weaknesses in specific channels, namely the websites and mobile apps for most hotel brands, but they also need to initiate a set of more strategic improvements designed to enable personalization across all travel touchpoints. The recommendations outlined below represent the beginning of a transformational journey that will put hotels on the right path to revolutionize the guest experience.

### Learn from competitors, airlines and leading retailers to deliver quality digital interactions

For most hotels, the bad news revealed in this report is that their digital interactions are lagging behind some other leading companies by a wide margin. The good news is that other companies, both inside and outside the travel industry, have developed robust solutions to the specific challenges that plague most hotels' digital interactions. By leveraging these existing solutions, hotels can resolve the evident deficiencies in their websites, mobile apps and social channels with relative simplicity. Given the strong key performance indicators across the hospitality industry today, hotel brands should be able to make these digital improvements a priority because they are key elements to raising travel experience scores.

### Engage travelers beyond basic transaction support to improve two-way communication

Too much of the travel experience is defined by transaction processing and support. Most interactions hotels have with guests involve travelers providing information about their preferences and circumstances so that hotel systems and employees can complete travel transactions, like booking and check-in. Not surprisingly, these routine interactions are not fulfilling for travelers. Hotels should emulate the touchpoints of companies that customers consider more engaging. Touchpoints that are compelling enough to attract travelers will also be more effective for harvesting extra insights about the patterns and preferences that make each traveler unique.

### Apply personalized insights to guest interactions to continually improve the travel experience

Well-managed and highly engaging interactions increase customer advocacy. By applying customer preferences and data from previous customer interactions, the hotel brand can personalize the services they deliver and the offers they provide. Getting this right at each interaction and for every customer, not just frequent travelers, is critical, and can be strengthened using cognitive analytics. Cognitive analytics help the hotel brand personalize subsequent offers and services according to the customer's preferences and context, using a system that learns, adapts and improves in real time. Hotels that fail to personalize effectively will continue to underperform on the travel experience, especially as their peers master and apply this core cognitive capability.

## Hotel brands should create a thoughtful strategy for improving performance

Hospitality executives who are convinced that it is important to better deliver digital, service and multi-channel capabilities should answer the following questions honestly:

- How does my hotel brand's IBM Travel Experience Index score compare to its regional peers?
- Is my hotel brand more competitive relative to its market segment on the employee-delivered service or the digital interaction aspects of travel?
- Do we compare favorably against leading airlines and, if not, what can we learn from them?
- Are we doing all we can to engage guests, or are most guest interactions handled as transactions?
- Do we have a strategic plan in place to capture and analyze data that will help us personalize future interactions with guests from all customer segments?

### Methodology: How we conducted our research

The data used to complete this analysis was collected using a "mystery shopper" approach whereby individual travelers completed a survey for each hotel brand with whom they completed a hotel stay. These travelers were IBM employees who evaluated each hotel brand using a multi-faceted, consistent and disciplined approach. During phase one of the study, conducted between September 2015 and January 2016, we collected data on all of the top 15 global hotel brands and over 85 percent of the top 20 global airlines by revenue. We evaluated 119 hotel stays and 210 airline flight segments, representing 31 hotel brands and 35 airlines. Subsequent segmentation was then performed by classifying each hotel brand into the industry-standard STR global chain scale segments of luxury, upscale and midscale.

## Authors

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## For more information

To request a private briefing for your hotel brand about the IBM Travel Experience Index, email Shannon Adelman at sladelma@us.ibm.com.

To learn more about IBM's work in hospitality, please contact your IBM representative or IBM Business Partner, or visit the following website: **ibm.com**/travel



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