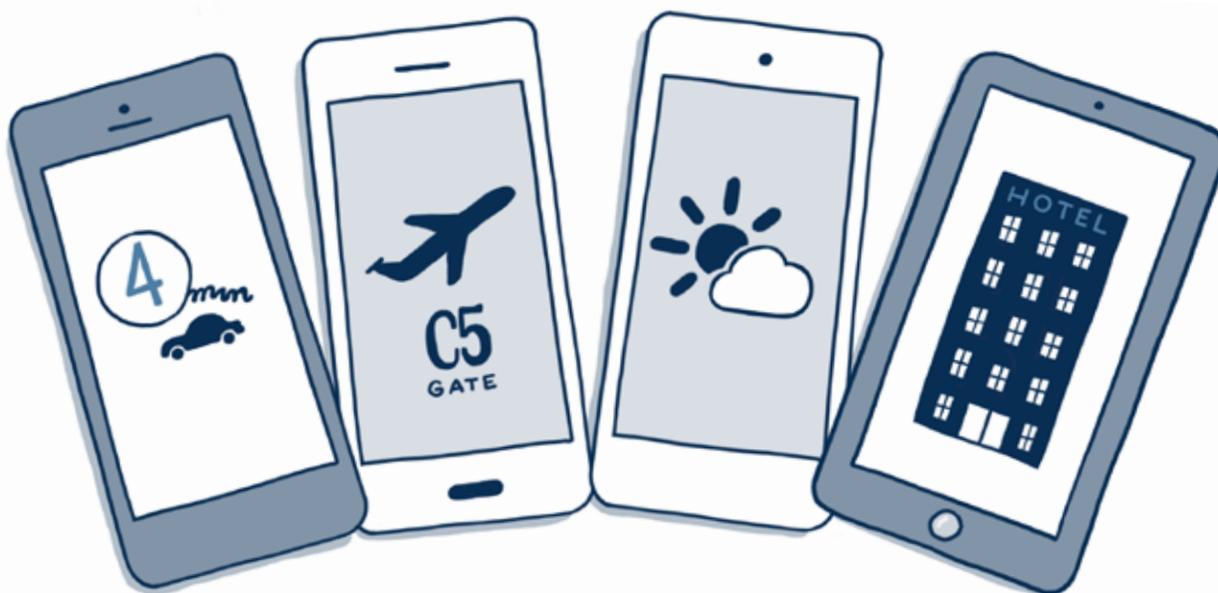




BUILDING LOYALTY AT
HOTELS THROUGH DIGITAL
CUSTOMER EXPERIENCE

MCD

MAGNANI CARUSO DUTTON



IT'S A BRAND NEW STAY

It's amazing how, in a few short years, smartphones have changed the way businesses interact with us— bringing us better service and more convenience in our everyday lives.

At MCD, we're interested in companies with significant opportunities to better leverage digital (especially mobile devices) to increase customer satisfaction. In this report, we focused on one such industry: hotels.

TRAVELING WITH A MOBILE DEVICE

Today's travelers are increasingly accustomed to using their smartphones to make their travel experiences better. A typical traveler may order a cab from an app, scan his or her boarding pass on a smartphone at the airport, forgo the counter and head straight to their pre-booked rental car, and then receive alerts to any itinerary changes. It's simple. It saves time. It works.

By the time guests arrive at a hotel, they expect this standard to continue. But, many of these guests are disappointed when the hotel's digital experience doesn't measure up. In fact, we found that travelers rate the hotel industry below several other major industries (including banking, retail, airlines and restaurants) when it comes to leveraging smartphone capabilities to enhance their experiences.

So, what's to be done?

CHECK-IN TIME

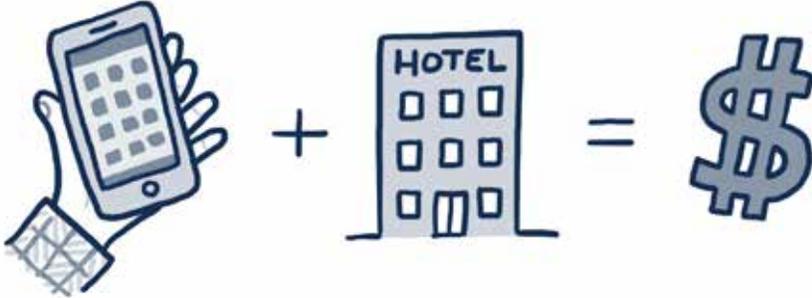
In order to discover new opportunities to improve the current digital customer experience at hotels, we did what we always do: asked the customers.

We surveyed 1,000 travelers across the U.S. in order to learn:

- 1 How travelers' needs differ when traveling for business, for leisure, or with family.
- 2 What types of digital experiences would be most useful to each of these segments.
- 3 How much these digital experiences really matter. Would an investment in digital customer experience actually bolster sales for hotels?

We found that not only is there deep interest in improved digital experiences at hotels, but also that great digital experiences may actually foster loyalty.

That's great news! But before we dive in, let's learn more about travelers.



MEET TODAY'S TRAVELERS

To better understand what digital experiences are likely to resonate most with travelers, we broke our population into three segments:



FAMILY TRAVELERS

Family travelers are often managing chaos. In fact, 92% of those surveyed identified with the statement “I enjoy taking my family on vacations even though it can be hectic.” Most of the family travelers we surveyed travel with kids ages 13 and under, two or more times per year.



LEISURE TRAVELERS

Leisure travelers fly solo, in couples, or with a group in order to “Get away from the daily grind” (84%). The leisure travelers we surveyed do this quite frequently— half of our respondents travel and stay in hotels three or more times a year.



BUSINESS TRAVELERS

Business travelers in our study most tend to agree with the statement “I take a lot of business trips— hotels are my second home.” In fact, the majority we surveyed have traveled for business, including hotel stay, within the last 60 days.

LOYALTY AND TRAVELERS

We also looked closely at the interests of travelers across segments with the highest tendency to be loyal to a hotel brand. These guests present especially powerful opportunities for hotels, so we wanted to make sure to find out what resonates with them (*see “loyal travelers” further defined in Appendix for more*).

ROOM FOR SERVICE

SO, WHAT DO GUESTS
WANT IN DIGITAL
EXPERIENCES AT HOTELS?



finding 1

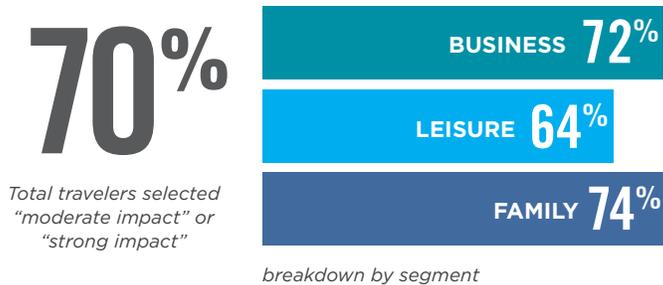
QUALITY IS KING

For 70% of travelers, a hotel's website and app impact their decision to book a stay. Travelers often feel that a hotel's digital offerings reflect what the experience will be like at the hotel itself.



THE IMPACT OF A QUALITY WEBSITE AND APP

Q: Overall, how much of an impact does the quality of a hotel's website, app or other digital tools have on your decision to stay?



Family travelers in particular indicate that digital tools affect their hotel choice. One such traveler said ***"If they take the time to have a great website, it tells me they will take the time to make sure I have a great travel experience."***

PEOPLE WHO CARE ABOUT CUSTOMER SERVICE CARE ABOUT DIGITAL

The travelers who selected that a hotel's website or app has a strong impact on their decision to book are twice as likely to consider service/customer experience as their top priority when choosing a hotel. For them, these things go hand in hand.

TIME FOR AN UPGRADE

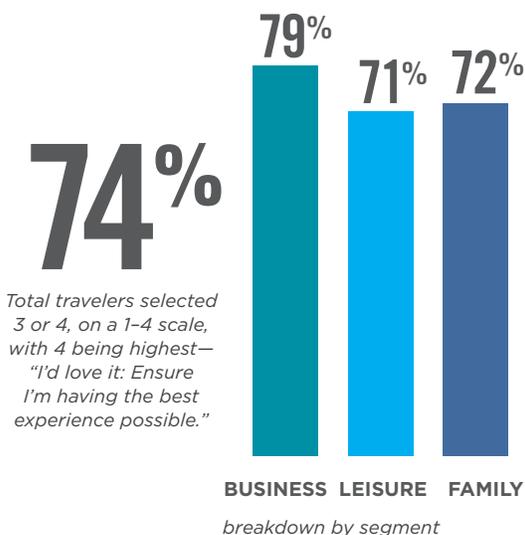
74% of travelers reported interest in substantial proactive involvement from hotels during their stay, in order to make their visits better.

Travelers are quite interested in hotels making use of personal information. For example, knowing a traveler's dietary preference based on a previous stay, a hotel may automatically deliver a gluten free menu to his or her phone. Consumers are willing to relinquish a bit of privacy in exchange for a more streamlined experience.



INTEREST IN DIGITAL INVOLVEMENT

Q: How open are you to a hotel proactively enhancing your stay?



This concept **resonated highest with business travelers**, who consistently seek efficiencies in their stays. However, this proactive approach isn't quite as important for:

- Leisure travelers, who may be looking to “disconnect” more than other segments.
- Family travelers, who may be less concerned with proactive enhancement than having the tools to manage trips themselves.

LOYAL TRAVELERS WANT PROACTIVITY

Proactivity resonated strongly with loyal travelers (see Appendix) across segments, with 79% selecting 3 or 4 (compared to 74% total across all respondents).

A HOME AWAY FROM HOME

80% of all travelers consider it important that they are able to set and share their preferences, such as bed type, pillow type, newspaper delivery, dietary needs and billing preferences, in order to have hotels personalize their stay accordingly.

Preference-setting belongs on digital platforms, ensuring that travelers can set/update easily from anywhere at any time and save for future reference.



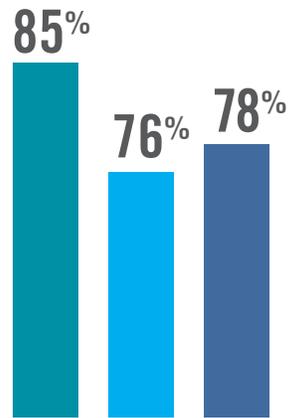
THE IMPORTANCE OF PERSONAL PREFERENCES

Q: When traveling, how important is it to you that your hotel allows you to set personal preferences?

80%

Total travelers selected "somewhat important" or "very important"

All traveler segments showed rising interest in setting preferences compared to hotels proactively doing it for them. Business travelers continued to show the strongest interest.



BUSINESS LEISURE FAMILY

breakdown by segment

LOYAL TRAVELERS ESPECIALLY WANT PERSONAL SETTINGS

This concept resonates strongly with loyal travelers (see appendix) across segments, with 87% selecting somewhat or very important (compared to 80% total across all respondents).

WHAT TRAVELERS WANT

Q: How likely would you be to use your smartphone in the following ways?

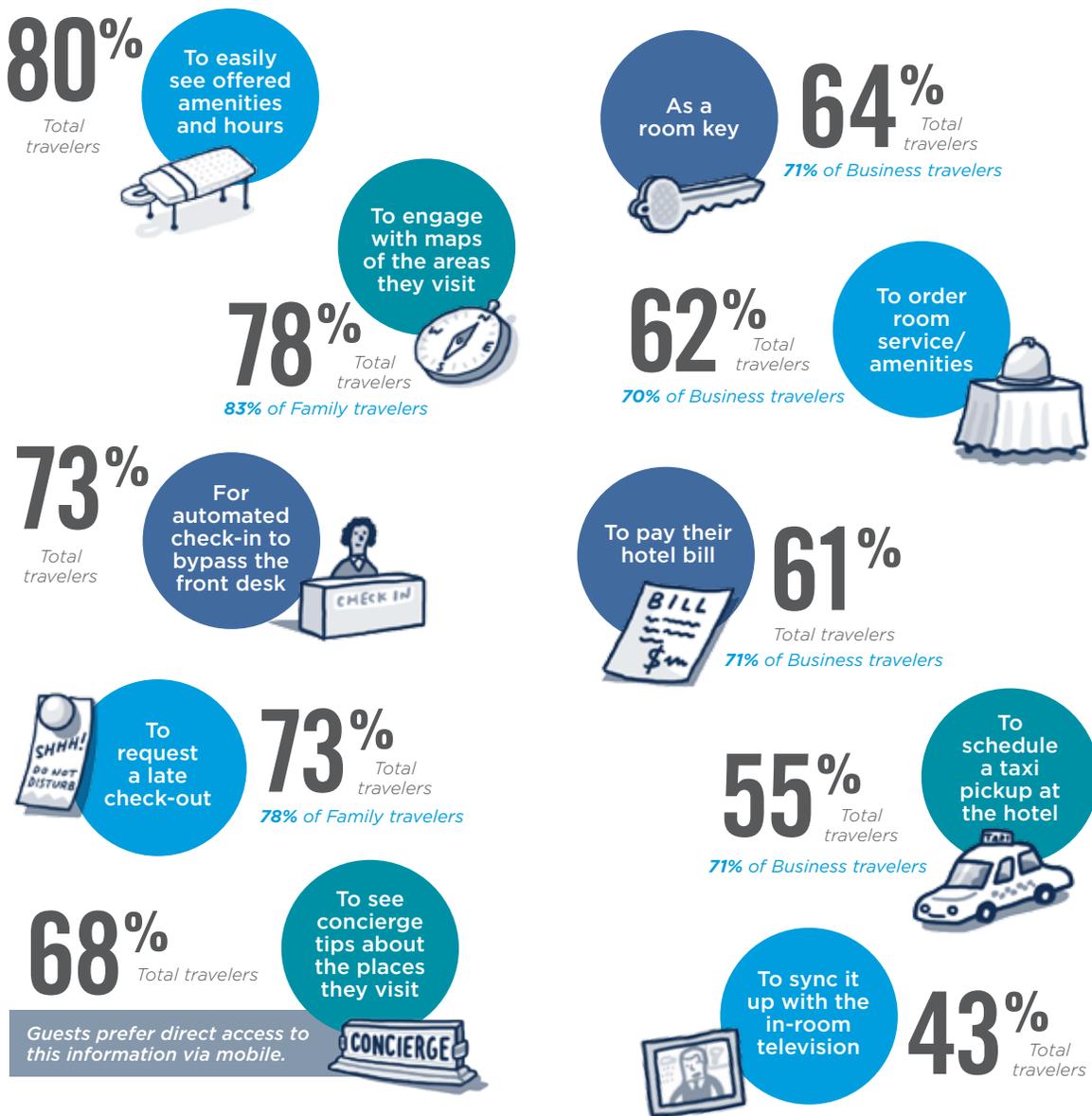
Numbers below indicate percentage of travelers who said they were somewhat or very likely to use each feature.

HIGHEST INTEREST

Travelers (especially families) want tools and information to know what's available nearby and to help them make plans.

LESS INTEREST

Features that feel overly transactional are of less interest to leisure and family travelers. That said, business travelers still showed high interest in these offerings.



WORK SMARTER, NOT HARDER

THE PAYOFF OF PLEASING THE BUSINESS TRAVELER

When business travelers find something that works, they tend to stick with it. Specifically, business travelers tend to frequent the same hotel brands more than leisure or family travelers. When asked, “How frequently do you tend to stay at the following hotels?” (which included a list of 30 major U.S. hotel brands), business travelers made 1,768 selections of “often” or “always.” This figure was significantly lower for family travelers (780 selections) and leisure travelers (571 selections).

Additionally, when selecting a hotel, business travelers rank past positive experience higher than participation in their preferred rewards program. In other words, repeat business is earned through great experiences— even more so than rewards points.

What’s more, compared to the other segments, business travelers tend to put less priority on price, again making them more likely to select a hotel based on other experience-centric factors. This can make them more likely to order add-ons during their stay such as WiFi and room service.

We see a very compelling opportunity with this traveler type: give them the digital experiences they want and keep these loyal, frequent and valuable travelers as your own.

Repeat business
is earned
through great
experiences.



RISE AND SHINE

SOON ENOUGH, THE DIGITAL OFFERINGS DISCUSSED IN THIS REPORT WILL BECOME PAR FOR THE COURSE FOR ALL HOTELS

The relationship between travelers and their smartphones presents powerful opportunities for hotel companies to further engage guests and cultivate their own relationships with them, though needs vary by traveler segment.

FAMILY TRAVELERS

For these team captains, a hotel that **helps them to efficiently manage and coordinate their trip would likely be relevant and hugely appreciated.**

LEISURE TRAVELERS

Though disconnecting is a priority for leisure travelers, we also found that most seek out new experiences. Hotels can **engage these travelers with digital tools that help facilitate their discovery of new things and places.**

BUSINESS TRAVELERS

We found that **these road warriors appreciate a seamless and efficient stay** that allows them to be comfortable and save time— so they can get the job done.

Hotels looking to stand out to today's travelers would be wise to take notice and offer their guests these digital experiences now. This is especially true for both loyal travelers and business travelers, who we know can be quite loyal once they are impressed.

Offering guests some convenience, personalized attention and enjoyment via **digital customer experiences can mean all the difference in seeing returns—** both in the form of loyal guests and digital investment.



ABOUT US

Magnani Caruso Dutton (MCD) is a digital customer experience agency that helps some of the world's most recognizable brands make profitable and more meaningful connections with their customers.

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APPENDIX

1. Methodology: Digging into the needs and preferences of connected hotel guests

In conducting the research shared in this report, our intent was to gain a deeper understanding of the needs and expectations of today's connected travelers within three segments— Business travelers, Leisure travelers and Family travelers— and what types of digital offerings from hotel companies are (and would be) most compelling to them. To focus our inquiries, we looked most intently at interest in offerings on the device always on their person: their smartphone.

In order to gain an initial understanding of mindsets and needs, we conducted two focus groups at our Insights Lab in New York, each consisting of a cross-section of demographics and our traveler segments. Our discussion topics included: the influencing factors and decision-making process in selecting a hotel, traveler experiences during hotel stays and desired digital tools to make their experiences better.

Next, based on learnings from these focus group sessions, we partnered with Vision Critical to design and deploy a survey aimed at further uncovering the mindsets, needs and interests of today's travelers, with an eye on variation across traveler segments.

Survey details:

Who: 1,000 respondents, evenly segmented as Business travelers, Leisure travelers and Family travelers. Traveler type was assigned based on travel behaviors and patterns, and travel was defined as including a hotel stay. Respondents were 18 years or older, owned a smartphone, and were diversified in age, gender, household income and level of education.

Where and When: Respondents were limited to U.S. residents. Research was conducted online from 10/28/2013 through 11/05/2013.

What: Our questions covered mindset identification statements, priorities when selecting a hotel, preference setting, receptivity to proactive involvement from hotels, hotel communications, interest in specific mobile capabilities during a stay, the impact of a hotel's digital experiences, specific hotel ratings and beyond.

2. A deeper look at our traveler segments' travel behaviors

Business Travelers - The Road Warriors

62% of Business travelers in our survey travel for business three or more times a year. Business travelers also tend to have traveled more recently than leisure or Family travelers, with 93% indicating they have traveled within the past six months and 63% within the past one to two months.

Unsurprisingly, close to half of Business travelers strongly identify with the statement, "hotels are my second home."

Leisure Travelers - The Relaxed Explorers

Leisure travelers tend to have traveled a bit less recently than Business travelers, with 79% of those surveyed traveling within the past six months and 42% within the past one to two months. And as noted, this group travels less frequently than Business travelers but more often than Family travelers.

A big majority (84%) of Leisure travelers strongly agree with the statement, “My ultimate goal on a vacation is relaxation and tranquility— getting away from the daily grind.” And yet, 75% of Leisure travelers also strongly agree with the statement, “I like to travel for adventure and excitement. For me, it’s all about new places and new experiences.”

Family Travelers - The Team Captains

Almost identical to Leisure travelers, 80% of Family travelers have traveled within the past six months. And as mentioned, this segment travels the least frequently. We define family travel as traveling with children ages 17 and younger. But 82% of those surveyed in the segment travel with kids 13 and under.

The statement that Family travelers most identify with is: “I enjoy taking my family on vacations even though it can be hectic” with 92% strongly agreeing. On a related note, 85% of Family travelers strongly agree with the statement, “I usually take the lead on organizing vacation events and activities for my kids.”

3. How we define “loyal travelers” across segments

We looked at the overlap across segments of:

- People who said the quality of a hotel’s digital tools has a moderate or strong impact on their decision to stay
- and
- People who prioritize past positive experience as a top three influencing factor when selecting a hotel

This population totals 293 travelers across segments— travelers who care about digital and may have a tendency towards loyalty.

And indeed these travelers show existing patterns of loyalty. When asked, “How frequently do you tend to stay at the following hotels?” these individuals made, on average, four mentions per person of “often” or “always”— second only to Business travelers who, on average, made five mentions per person of “often” or “always.”

