The Business Impact Of Investing In Experience

A Spotlight On Travel And Hospitality

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Introduction

In the hands of empowered customers, disruptive technologies have revolutionized the travel experience from end to end. Take mobile for example: Even though mobile shopping has plateaued in other industries, hotel reservations and airline ticket purchases on mobile are on the rise — estimated to top $60 billion in 2018.[1] After purchase, mobile can enhance in-journey experiences with apps (owned or third-party) that consolidate itineraries, provide customer service, or even unlock hotel room doors.[2] Attitudes toward what's an acceptable travel experience have changed as well: The growing sharing economy has increased already fierce competition, while review sites and social media give customers the power to catapult their worst customer experiences into viral headlines. Now that rising customer expectations are driving demand, firms are working to increase loyalty by delivering continuous value across online and in-person channels. Through effective, easy, and emotionally-rich customer journeys, leading firms are notable for their ability to innovate products and services ahead of peers and to grow their business.[3]

In February 2018, Adobe commissioned Forrester Consulting to evaluate the business impact of investing in customer experience across the customer life cycle. Forrester conducted an online survey with 1,269 marketing, advertising, CX, digital, and analytics business leaders at global enterprises to explore this topic. This spotlight focuses on the results of the 153 respondents we surveyed from the travel and hospitality industry. We found that firms that invest in experience transformation across people, process, and technology disciplines demonstrate superior performance. These firms — that we have defined as experience-driven businesses (EDBs) — improve products, foster loyalty, and acquire customers at higher rates than less mature firms.

Experience-driven travel and hospitality firms report robust, double-digit revenue growth that outpaces other companies by a factor of 2x.

KEY FINDINGS

› **To thrive in a changing landscape, travel and hospitality firms focus on delivering rich, contextual customer journeys.** Customers increasingly plan, book, and experience travel using digital tools on several platforms. To keep up, global travel and hospitality firms are investing in better experiences across the entire customer journey from acquisition to loyalty. They are also investing in improving content marketing capabilities to fill that journey with relevant and engaging subject matter to pull customers in.

› **Experience-driven travel and hospitality firms stand out due to investments in data analytics and employee training.** Investment in customer and journey analytics tools is a hallmark of experience-driven firms — as is strategic hiring and continuous training of staff to support strong experience delivery. In fact, 100% of travel and hospitality EDBs say the staff supporting their experience functions are best in class.

› **Experience-driven travel and hospitality firms outperform on top business priorities.** EDBs lead the industry in the metrics that matter: They are 1.7x more likely to have leading product reviews and ratings, 1.7x more likely to lead in customer loyalty metrics, and 2x more likely to see an increase in customer advocacy compared to less mature firms.
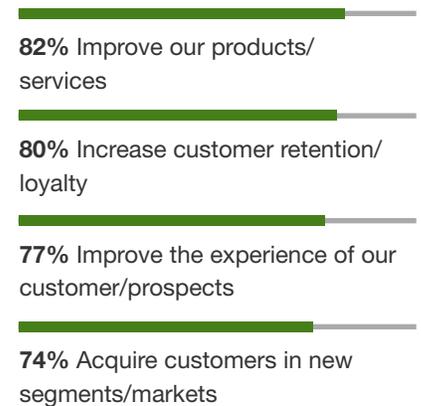
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Experience-Driven Travel Firms Invest In CX To Drive Loyalty

Travel companies are rethinking how they build loyalty. Digitally savvy leisure travelers are more than twice as likely than the average traveler to reference multiple sources of information beyond a brand's website to research travel.[4] Building loyalty with customers who harness multiple cross-channel resources to plan travel hinges on satisfaction with brand experiences — all the hard work of acquisition only pays off if the customer receives, and remembers, the brand as intended. Therefore, it's unsurprising that travel and hospitality companies are investing in improving products, services, and experiences to drive customer acquisition and loyalty (see Figure 1). Driving superior experiences requires: 1) a company culture of customer obsession; 2) processes that drive continuous improvement through customer feedback; and 3) technology that enables differentiated brand experiences. We found that:

› **Travel and hospitality firms work to serve customers on their preferred platforms with content that suits their journeys.** The top ranked CX improvement initiative for travel firms is better managing the entire customer journey from acquisition to loyalty (48%), followed closely by improving content marketing capabilities (45%). Since customers prefer to choose how, when, and where they make travel decisions, firms are working to meet customers where they are to serve them relevant content. For example, 68% of business travelers who visit social media do so at least daily — so one global hotel chain uses two separate accounts on the same platform: one that suggests destinations, leveraging compelling local perspectives; and one that handles customer service inquiries.[5]

› **Experience-driven travel and hospitality firms lead the industry.** Our survey asked respondents to rate their organizations' effectiveness along people, processes, and technology pillars for building superior customer and prospect experiences. We used a scoring framework to identify companies in our survey that excel in employing best practices in these areas: Only 25% of travel and hospitality firms can claim that they are experience-driven businesses (see Figure 2).[6]

Figure 1

Top business priorities over the next 12 months (rated critical or high priority)

82% Improve our products/ services

80% Increase customer retention/ loyalty

77% Improve the experience of our customer/prospects

74% Acquire customers in new segments/markets

Base: 153 CX technology and metrics decision makers at global travel and hospitality companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Figure 2

We Used A Three-Pillar Scoring Framework To Define Experience-Driven Businesses.
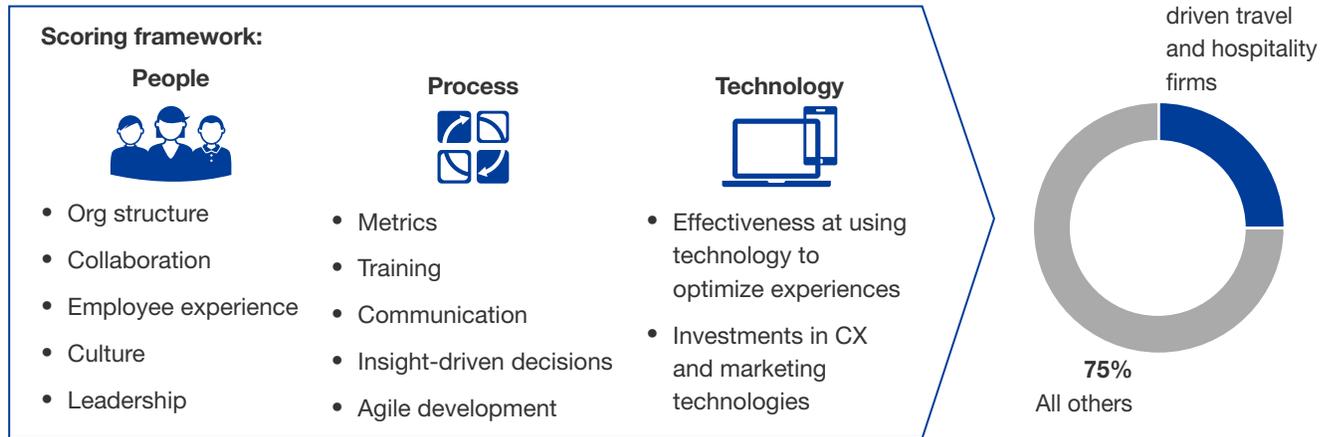
Scoring framework:

People

- Org structure
- Collaboration
- Employee experience
- Culture
- Leadership

Process

- Metrics
- Training
- Communication
- Insight-driven decisions
- Agile development

Technology

- Effectiveness at using technology to optimize experiences
- Investments in CX and marketing technologies

25%
Experience-driven travel and hospitality firms

75%
All others

Base: 153 CX technology and metrics decision makers at global travel and hospitality companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Travel And Hospitality EDBs Put Data And Customer-Centric Skills To Work

Travel and hospitality companies are tasked with gaining the loyalty of customers in a price-competitive market across disparate channels comprised of owned sites, aggregators, search engines, review sites, social media, and others. In order to differentiate and keep customers coming back, experience-driven travel firms design, execute, and optimize stellar experiences from acquisition onward. In further investigating what types of customer-focused behaviors define travel and hospitality EDBs, we found:

› **Experience-driven travel and hospitality firms invest in tools for understanding customers and their journeys.** EDBs differ from their less mature peers in that they budget for technologies that analyze customer behavior and motivation across touchpoints. Customer analytics are a top priority to which nearly three-quarters of EDBs (74%) dedicate specific budget, versus just 53% of other firms. EDBs also use journey analytics to differentiate — they are more than 2x as likely than other firms to have specific budget for this category (63% vs. 30%). This is increasingly important as the physical and digital worlds begin to merge. Trends in branded wearables and mobile apps will leave behind troves of customer data to mine. Analytics will allow savvy firms to move from offering personalized experiences to individualized experiences.[7]

› **Travel and hospitality EDBs hire the right people and help them continuously improve their skills.** One-hundred percent of travel and hospitality EDBs say the staff supporting their experience functions are best in class — compared to just 51% of less mature firms. They are also 1.6x more likely to say they strategically invest in training and technology to support better experiences. Customer-centric cultures like these make EDBs resilient; these companies tend to deliver great CX by default and better resist forces that degrade experiences because every staff member feels accountable.[8]

"[As a result of our investments], customers have a better view of their travel history, and based upon their history, we are able to provide more discounts."

*Marketing vice president, Australia travel and hospitality firm*

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> **As the value of customer data mounts, EDBs fear security and privacy concerns.** The emphasis that EDBs have placed on customer data and journey analytics has led to concerns around security and privacy (53%). Concerns may arise from: 1) personalization that goes too far, creating "creepy" experiences that turn customers off; 2) the risk of lost customer trust should a malicious attacker gain access to sensitive data; or 3) the regulation that accompanies sharing customer data with partners in the travel ecosystem — an increasingly critical part of assisting customers across touchpoints.[9]

EDBS' EXPERIENCE INVESTMENTS YIELD SUPERIOR PRODUCTS THAT DRIVE CUSTOMER ACQUISITION AND LOYALTY

Experience-driven firms hire customer-obsessed employees and implement powerful analytics tools that turn disparate customer data into unique insight. In turn, EDBs use their insight to optimize experiences and make lasting impressions on the lives of their customers. These investments pay off where it matters most: business growth. Travel and hospitality EDBs reported year-over-year revenue growth rates 2x higher than those of other companies (16% vs. 8%). We also found that EDBs achieve success in the areas aligned with their biggest business priorities, specifically (see Figure 3):

> **Better products — period.** EDBs see excellent results when it comes to their top priority to improve products and services. They are 1.7x more likely to have leading product reviews and ratings. Furthermore, those products raise their customer experience profile in the industry overall: EDBs are 1.9x more likely to lead in rankings for customer experience.

> **Higher customer loyalty driven by customer satisfaction.** Travel and hospitality EDBs create loyal customers with easy-to-use and effective experiences. They see the results in critical business metrics: EDBs are 1.2x more likely than other firms to see improvements in customer satisfaction metrics and 1.7x more likely to command industry leadership in customer loyalty metrics.

> **Stronger brands that spark consumer demand in new markets and segments.** EDBs have built a loyal — and vocal — customer base. Their ability to orchestrate superior experiences makes them 2x more likely than other firms to benefit from an increase in customer advocacy. Their brand equity, measured in awareness and consideration, is strong as well: They are 1.8x more likely than other firms to command a leading position in brand equity metrics. These advantages work together to strengthen the company's reputation when entering new markets, decreasing barriers to entry and opening the doors to greater acquisition and growth.

Average revenue growth rate for 2017 (or the next closest fiscal year):
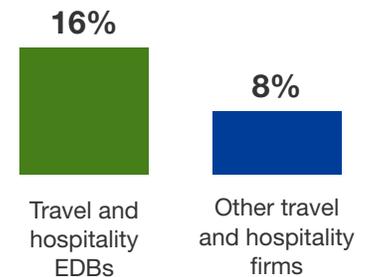
16%

8%

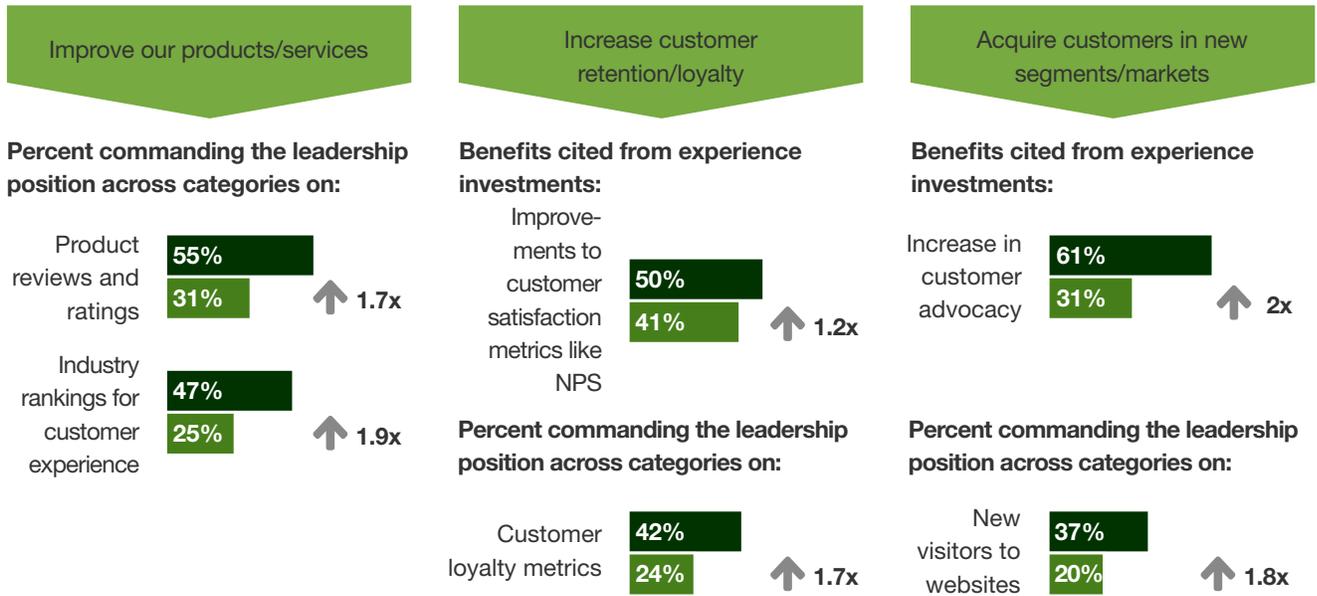Travel and hospitality EDBs

Other travel and hospitality firms

Base: 153 CX technology and metrics decision makers at global travel and hospitality companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Figure 3

Travel And Hospitality EDBs Expand Into New Markets By Fostering Strong Customer Loyalty With Improved Products

TOP CRITICAL PRIORITIES FOR TRAVEL AND HOSPITALITY FIRMS

■ Experience-driven travel and hospitality firms　　■ All other travel and hospitality firms

| Improve our products/services | Increase customer retention/loyalty | Acquire customers in new segments/markets |

Percent commanding the leadership position across categories on:

Product reviews and ratings
55%
31%
↑ 1.7x

Industry rankings for customer experience
47%
25%
↑ 1.9x

Benefits cited from experience investments:

Improvements to customer satisfaction metrics like NPS
50%
41%
↑ 1.2x

Percent commanding the leadership position across categories on:

Customer loyalty metrics
42%
24%
↑ 1.7x

Benefits cited from experience investments:

Increase in customer advocacy
61%
31%
↑ 2x

Percent commanding the leadership position across categories on:

New visitors to websites
37%
20%
↑ 1.8x

Base: variable CX technology and metrics decision makers at global travel and hospitality companies (n=38 for EDBs, n=115 for All Others)
Note: Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Key Recommendations

While being an experience-driven business is a proven strategy for driving long-term business success, it's difficult work to become one. Insights from this study, coupled with Forrester's existing research into CX transformation, yielded several important recommendations:

Reveal the customer experience across silos with journey analytics. To understand the quality of the experience, travel and hospitality firms must combine qualitative and quantitative data to analyze customer behaviors and motivations across touchpoints and over time. This will also allow companies to test journey hypotheses, orchestrate tasks among stakeholders and with customers, and design future-state journeys. Start by working on a simple use case, like decreasing the number of steps in one key journey, to build a success story that proves the value of journey analytics. Then scale up to more advanced use cases, like creating next-best-action models and analyzing how parallel journeys influence each other. Ultimately, companies that use journey analytics enterprisewide will be able to track how CX changes in one part of a journey affect KPIs in far-flung parts of the customer life cycle and even model how proposed changes might further affect CX.[10]

Hire for mindset over skill set. Leading travel and hospitality brands know that teaching staff new skills is easier than changing their attitudes. That's why leading firms recruit candidates whose mindsets embody customer-obsessed values. To succeed: 1) evaluate job applicants' customer focus first, even for technical jobs, and give only customer-centric candidates the chance to show off their role-specific skills; 2) outrace competitors for customer-centric applicants by skipping the time-consuming process of asking for more candidate information and instead using new hiring tech to provide relevant insights quickly; 3) overcome hiring silos by asking all stakeholders to agree on the type of person whom they want to hire and evaluate each applicant; and 4) learn from hiring managers who have the most customer-focused teams by studying what these managers do differently during the hiring process.

Enable employees with the right resources. Even the most customer-obsessed employees will fail to provide great experiences if they don't have the tools, training, and information they need to execute on their part of the CX. To start, assess how employees currently work and what bloated processes, outdated systems, and/or organizational silos get in their way. Second, define CX responsibilities among departments and create processes that enable them to share their customer understanding and expertise. Third, empower frontline managers — who are close enough to the action to know how work gets done — to remove roadblocks to providing good CX. Finally, develop a technology road map that supports better experiences, especially in moments of truth with customers.
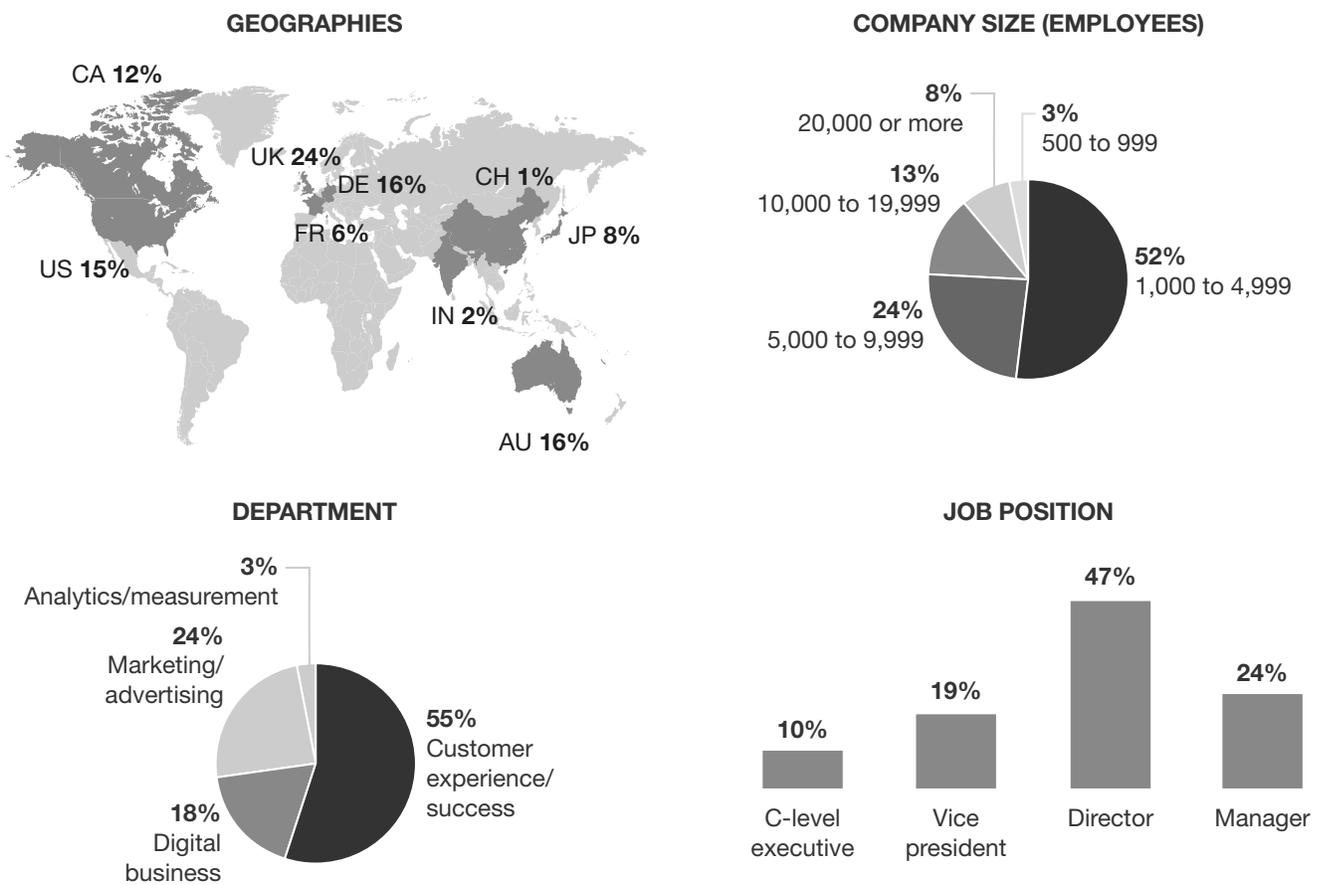
Make security a CX enabler. Leading brands understand that security is a driver of CX quality; digital interactions that are secure and appear secure to the customer will engender trust — so long as that security doesn't ruin usability. That's why these firms integrate both security and the perception of security into their customer-centric design processes. Doing so creates experiences that build better relationships with customers rather than ruining CX with overly cumbersome processes or the appearance of shoddy security practices.

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Appendix A: Methodology

In this study, Forrester conducted an online survey of 1,269 organizations in North America, Europe, and Asia Pacific to evaluate their approaches to engaging customers and prospects across the customer life cycle and the investments they have made in these areas. Survey participants included decision makers in customer experience/success, marketing, digital business, and analytics roles. While the overall study included firms in eight industries (retail, financial services and insurance, government, healthcare, media and entertainment, manufacturing, B2B technology, and travel and hospitality), this report's analysis is limited to 153 respondents in the travel and hospitality industry. Questions provided to the participants asked about business priorities and challenges, current approaches to supporting CX across the customer life cycle, and business metrics resulting from marketing and CX efforts. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in January 2018 and was completed in February 2018.

Appendix B: Demographics/Data

GEOGRAPHIES

CA **12%**
UK **24%**
DE **16%**
CH **1%**
FR **6%**
JP **8%**
US **15%**
IN **2%**
AU **16%**

COMPANY SIZE (EMPLOYEES)

8% 20,000 or more
3% 500 to 999
13% 10,000 to 19,999
52% 1,000 to 4,999
24% 5,000 to 9,999

DEPARTMENT

3% Analytics/measurement
24% Marketing/advertising
55% Customer experience/success
18% Digital business

JOB POSITION

C-level executive	Vice president	Director	Manager
10%	19%	47%	24%

Base: 153 CX technology and metrics decision makers at global travel and hospitality companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

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Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

"Drive Business Growth With Great Customer Experience, 2017," Forrester Research, Inc., October 12, 2017.

"How To Design And Build A Great Consumer Data Privacy Organization," Forrester Research, Inc., March 8, 2018.

Appendix D: Endnotes

[1] Source: "Mobile Shopping Is Stalling, But Don't Panic," Forrester Research, Inc., May 3, 2018.

[2] Source: "Brief: Hotels Differentiate With Mobile Moments," Forrester Research, Inc, October 12, 2016.

[3] Forrester's CX Index score measures how successfully a company delivers customer experiences that create and sustain loyalty. Source: "Answers To Common Questions About Forrester's Customer Experience Index," Forrester Research, Inc., April 19, 2018.

[4] Based on 2015 US consumer data. Source: "Brief: Forrester's Empowered Customer Segmentation Applies Across Industries," Forrester Research, Inc., September 21, 2016.

[5] Source: "Q&A: Four Best Practices For Social Marketing Success," Forrester Research, September 5, 2017.

[6] The maturity assessment to identify experience-driven businesses was based on responses to a series of questions about the respondent's organization, processes, and effectiveness in using technology. Each question contained a series of statements reflecting best practices along these pillars of CX. Respondents rated their organization on a five-point scale, where a score of 5 reflected the strongest adoption of each best practice. The sum of the ratings reflected the respondent's score for each pillar. For the technology pillar, respondents received an extra point for each technology their organization has adopted. The distribution of scores was divided into thirds to assess an individual respondent's maturity level as high, medium, or low compared to the rest of the sample. This distribution analysis was done at the regional level to minimize any cultural bias in the ratings; for this exercise only, Australia was included as part of the European distribution. Experience-driven businesses were defined as those whose scores landed in the top third (high maturity) of at least two pillars, with no less than a medium level of maturity on the third pillar. Additionally, experience-driven businesses needed to demonstrate consistent commitment across pillars, with no rating less than 3 for any question/statement.

[7] Source: "MSC Cruises Seeks To Transform The Guest Experience With Emerging Tech," Forrester Research, Inc., September 29, 2017.

[8] Source: "Five Key Steps For Making Your Culture More Customer-Centric," Forrester Research, Inc., June 19, 2017.

[9] Source: "How To Design And Build A Great Consumer Data Privacy Organization," Forrester Research, Inc., March 8, 2018.

[10] Sources: "The Seven Top Questions About Journey Analytics," Forrester Research, September 14, 2017; "The Customer-Journey-Centric Firm," Forrester Research, November 13, 2017.

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