

ACSI Travel Report 2016

April 26, 2016

Travelers More Satisfied with Airlines and Internet Travel Services; Hotels Have Room for Improvement

Airlines

Airlines have long been one of the lowest-scoring industries in the American Customer Satisfaction Index (ACSI), but the last four years have been among its best. Customer satisfaction with the airline industry is up 4.3% to 72, matching the industry's peak from 1994.

After years of high and mostly increasing oil prices, jet fuel costs have dropped and may remain lower for the foreseeable future. Aside from labor, fuel accounts for the largest operating expense for airlines, and lower oil prices have helped return the industry to profitability. Travelers appear to be benefiting as airlines attempt to improve the passenger experience. New planes, more amenities, improved terminals, and increased pay for employees all provide an incremental change for the better for passengers.

Likewise, airfares have come down due to lower fuel costs and passengers are getting better value for money. According to the Department of Transportation, inflation-adjusted fares are at their lowest level in five years.

Despite the fuel windfall and increasing demand, the extra fees that emerged during the lean years aren't going away. Checked baggage fees, extra legroom fees, and other optional upgrades will continue to keep passenger satisfaction low. Even the highest score ever for the airline industry isn't enough to move it out of the bottom quartile of the ACSI.

JetBlue Airways and Southwest Airlines occupy familiar territory at the top of the industry. Both score 80, as JetBlue slips 1% and Southwest gains 3%. JetBlue recently began to charge a baggage fee in its economy class. Southwest has its highest ACSI score since 2013, appearing to have overcome the operational bumps encountered in the first few years after the acquisition of AirTran.

Alaska Airlines gains 3% to 77 to take second place. Its pending merger with Virgin America will make the Seattle-based carrier the fifth largest airline in the country. While mergers usually spell trouble in the short term for airlines, Alaska's high ACSI score suggests it might defy the norm and successfully absorb Virgin's operations. On the other hand, merging two very different cultures and brands may prove to be a greater challenge than integrating operations.

Big hikes in customer satisfaction for American Airlines and United Airlines help push the industry average higher. American leaps 9% to match the average of 72. Remarkably, American seems to have avoided major snafus with integrating US Airways operations after their merger. For United, a 13% surge to 68 represents its largest year-over-year improvement. What else do these two legacy carriers have in common? Both recently reinstated free snacks in economy class, a move that may well have some positive effect. Delta Air Lines registers 71 for a third consecutive year.

ACSI: Airlines

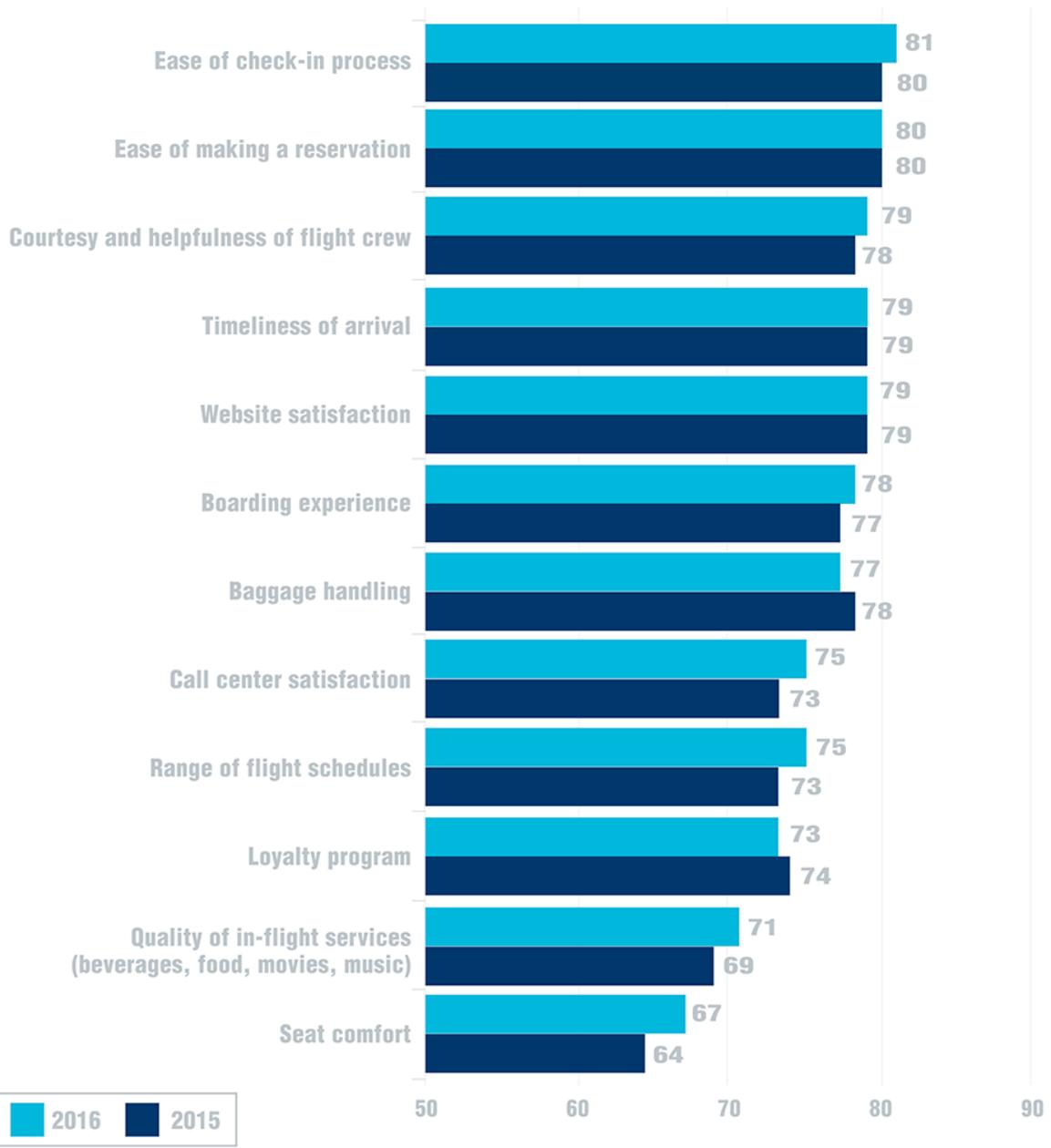
Company	2015	2016	% Change
Airlines	69	72	4.3%
JetBlue	81	80	-1%
Southwest	78	80	3%
Alaska	75	77	3%
All Others	73	74	1%
American	66	72	9%
Delta	71	71	0%
United	60	68	13%
Frontier	58	66	14%
Allegiant	65	65	0%
Spirit	54	62	15%

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Customers who use ultra-low-cost airlines are almost exclusively leisure travelers looking for a good deal rather than for perks. Accordingly, the bottom of the industry is comprised of budget-minded carriers, but the two lowest-scoring airlines from last year show the largest gains. Frontier Airlines jumps 14% to 66 and Spirit Airlines improves a whopping 15% to 62. When fares go down, passengers that seek low prices will be more satisfied as price is what drives their choice of carriers. Despite the progress, Spirit continues to have a shortage of satisfied passengers and remains among the lowest-scoring companies in the ACSI. Allegiant Air comes in at 65 for a second year in a row.

The industry's recent investments back into the flight experience appear to be taking hold. Passengers give higher marks for seat comfort this year (+5% to 67), although it continues to be the most troublesome aspect of the flight experience. Showing the most room for improvement, seat comfort has a large impact on customer satisfaction. Likewise, in-flight services—including beverages, food/snacks, and entertainment like movies or music—are one of the least pleasing aspects of flying. But as airlines return to free snacks and add options like expanded movie selection, seat-back video screens, and rentable tablets, passengers are taking notice (+3% to 71).

Airlines
Customer Experience Benchmarks
Year-Over-Year Industry Trends



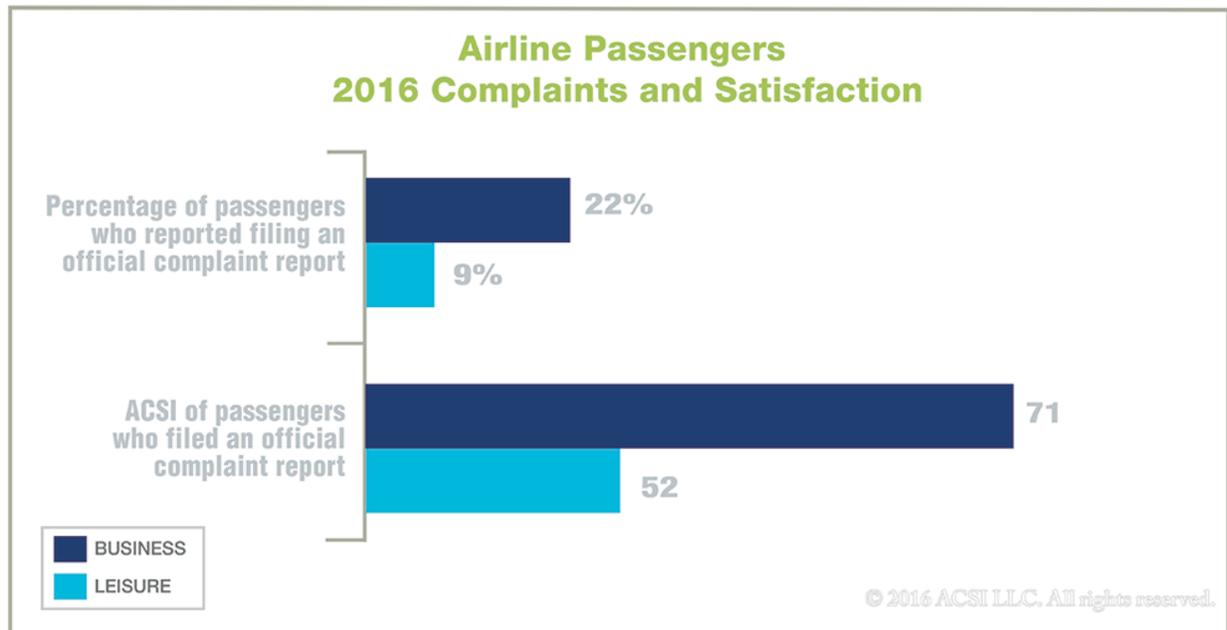
Airline loyalty programs slip to a benchmark of 73, as customers continue to find it difficult to redeem awards. Baggage handling (77) and boarding (78) get fair marks. Most other aspects of the flight experience are highly rated, including check-in process (81), reservations (80), and flight crew courtesy (79). The industry’s website satisfaction is stable and matches the overall customer satisfaction score for Internet travel websites (79).

For many airlines, business travelers make up the most frequent and reliable customer segment. Overall, business travelers (76) report much higher satisfaction than leisure travelers (72).

Leisure travelers are less likely to pay baggage fees than business travelers. Among the former, 38% report paying a baggage fee, while closer to half of business travelers paid bag fees. Typically, business travelers can expense these fees, which may explain why there is only a 2-point difference in satisfaction levels between those who checked versus those who didn't check bags for this segment. Among leisure travelers, however, satisfaction is 8 points lower for those who paid to check bags.

Did you pay fees to check luggage on your most recent flight?		PERCENTAGE	ACSI
BUSINESS	NO-did not check	54%	77
	YES-checked bag	46%	75
LEISURE	NO-did not check	62%	75
	YES-checked bag	38%	67

Even though they are more satisfied, business travelers are more than twice as likely to complain compared with leisure travelers (22% and 9%, respectively). On the other hand, business travelers are much more satisfied with complaint handling. The satisfaction level of leisure travelers who filed a complaint is extremely low at 52, whereas business travelers are more pleased (ACSI score of 71).



Hotels

Hotel guest satisfaction drops 1.3% to 74, caused by a decline in the group of smaller hotels (-4% to 72), which includes chains such as Red Roof Inn, Radisson, and various Disney hotels. Among the major hotel brands, ACSI results are mixed, but as expected, the top of the list is populated by upscale companies.

Hilton retains a hold on top after moving up 1% to 81. Marriott is steady at 80 and Hyatt falls 1% to 79. Starwood, which will merge with Marriott, climbs 3% to 78. Over time, Starwood's performance has been uneven, and the chain typically scores lower than its upscale peers. While the move could give the combined entity more leverage against competitors, the path to consolidating operations may not be smooth and ACSI data suggest that Starwood might pose a drag on Marriott's strong guest satisfaction.

InterContinental, which includes Holiday Inn, registers 76, identical to its previous score. Among midscale and economy hotels, Best Western is up 1% to 75, tied with La Quinta (-1%). Wyndham, which has hotels in many price categories, gains 3% to 70. G6 Hospitality, with its flagship Motel 6 brand, jumps 3% to 65, but remains the lowest-scoring chain by a fair margin.

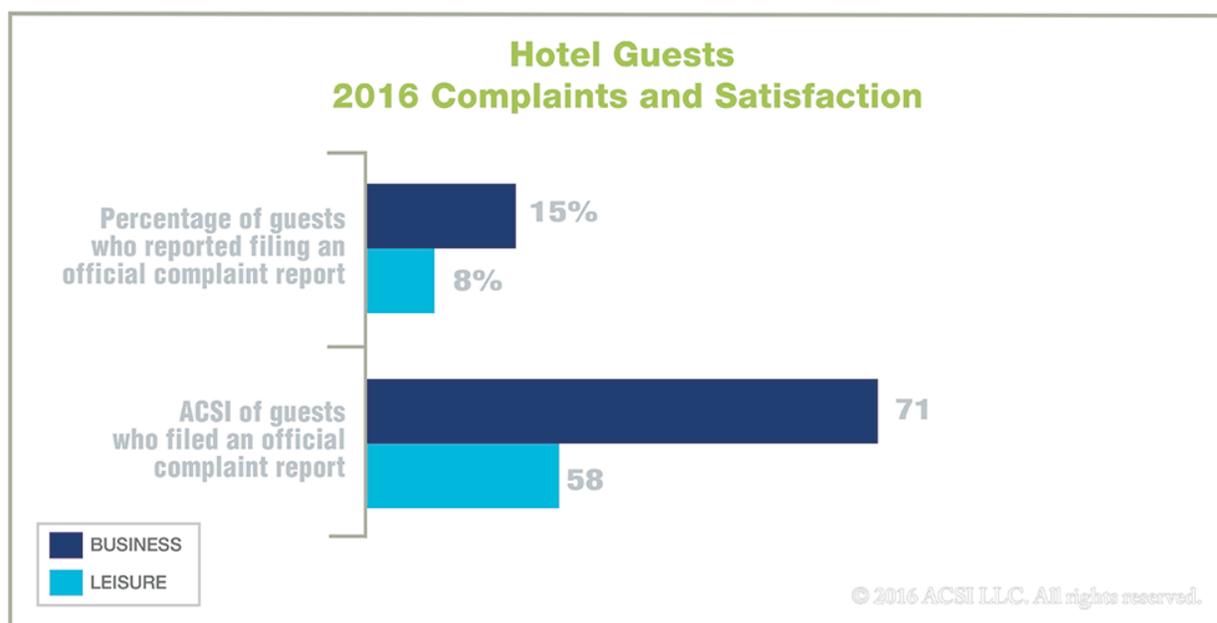
ACSI: Hotels

Company	2015	2016	% Change
Hotels	75	74	-1.3%
Hilton	80	81	1%
Marriott	80	80	0%
Hyatt	80	79	-1%
Starwood	76	78	3%
InterContinental	76	76	0%
Best Western	74	75	1%
La Quinta	76	75	-1%
Choice	73	74	1%
All Others	75	72	-4%
Wyndham	68	70	3%
G6 Hospitality (Motel 6)	63	65	3%

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Business travelers tend to be frequent and loyal customers who often use the same routes and stay in the same hotels. That is why hotels, just like airlines, try hard to please this critical

customer segment. Guest satisfaction is similar for both business and leisure travelers (76 and 75, respectively). As with airlines, business travelers complain at nearly twice the rate (15% versus 8% of leisure guests). Business guests who complain are reasonably satisfied with resolutions, showing an overall customer satisfaction level of 71. Leisure guests who complain, by contrast, are much less happy as reflected in the low ACSI score of 58.



The ACSI provides scores for 33 hotel brands. Twelve lodging brands score 80 or higher, which is the threshold for excellent customer satisfaction in the ACSI. Marriott's luxury brand JW Marriott tops the charts at 85, followed by Hilton's Embassy Suites Hotels (83), Hyatt Regency (82), and Fairfield Inn & Suites by Marriott (82).

For the hotel business, ACSI data indicate that guest satisfaction is related to price: upper upscale brands tend to dominate the top while economy brands populate the bottom. Among the low-scoring chains are Motel 6 (65), Econo Lodge (69), and midscale brand Quality (68)—all budget hotels. Wyndham has three brands in the bottom five—Super 8 (65), Ramada (67), and Days Inn (67)—all of which are midscale or economy chains.

By contrast, another midscale Wyndham property, Baymont Inn & Suites, is part of the industry's upper tier at 80. This matches the guest satisfaction level of two upper upscale brands: Marriott Hotels and Wyndham Hotels and Resorts. Like Baymont, two upper midscale brands—Fairfield Inns and Hampton by Hilton—are earning scores that match or exceed some of the more upscale properties.

ACSI: Hotel Brands

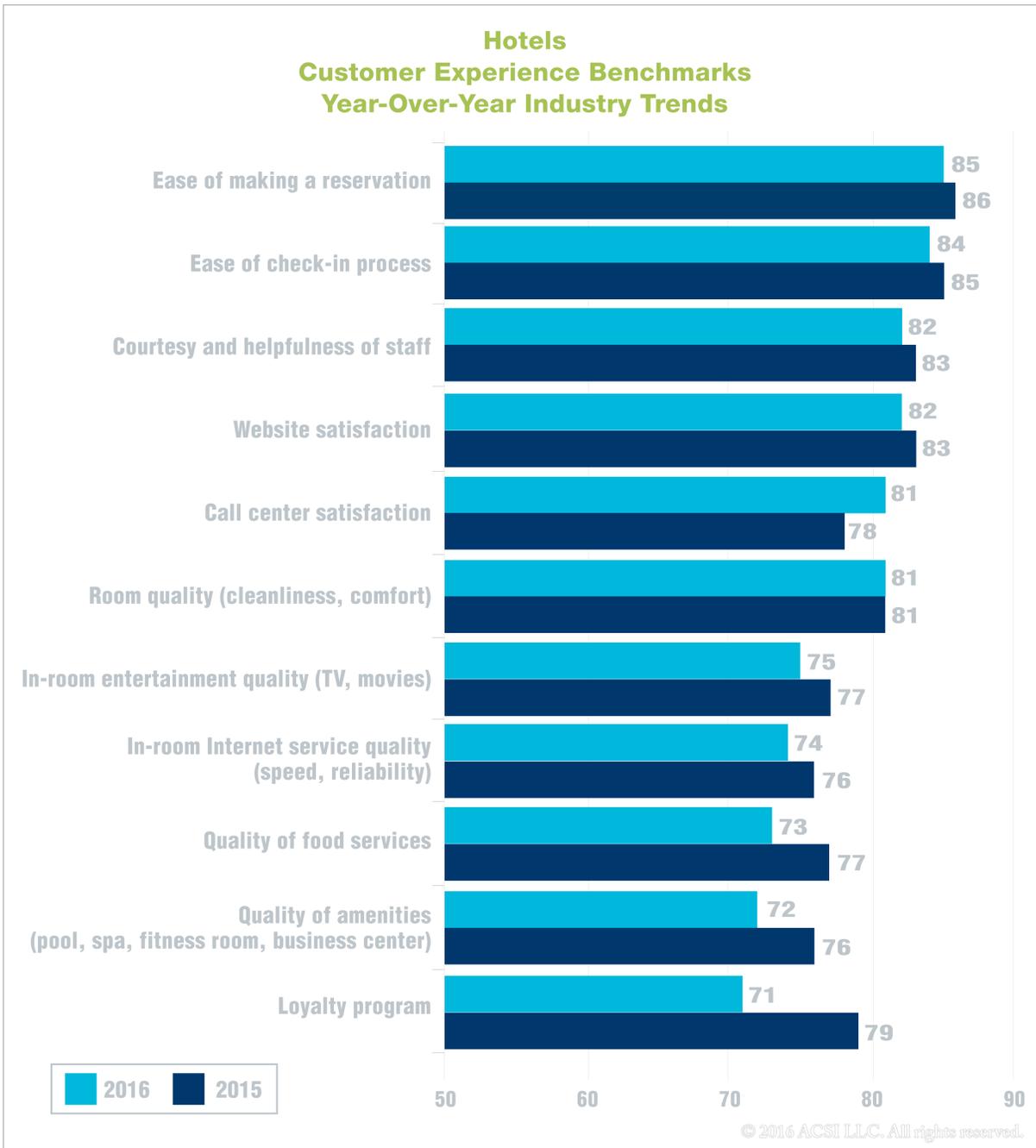
Brand	Type*	Parent	2016
JW Marriott	Luxury	Marriott	85
Embassy Suites Hotels	Upper Upscale	Hilton	83
Fairfield Inn & Suites by Marriott	Upper Midscale	Marriott	82
Hyatt Regency	Upper Upscale	Hyatt	82
Westin	Upper Upscale	Starwood	81
Grand Hyatt	Luxury	Hyatt	81
Hampton by Hilton	Upper Midscale	Hilton	81
Hilton Hotels & Resorts	Upper Upscale	Hilton	81
Residence Inn by Marriott	Upscale	Marriott	81
Marriott Hotels	Upper Upscale	Marriott	80
Baymont Inn & Suites	Midscale	Wyndham	80
Wyndham Hotels and Resorts	Upper Upscale	Wyndham	80
Hilton Garden Inn	Upscale	Hilton	79
Hyatt	Upper Upscale	Hyatt	79
Doubletree by Hilton	Upscale	Hilton	79
Courtyard by Marriott	Upscale	Marriott	78
Holiday Inn Express	Upper Midscale	InterContinental	78
Sheraton	Upper Upscale	Starwood	78
Hyatt Place	Upscale	Hyatt	78
Best Western Premier	Upscale	Best Western	77
Best Western Plus	Upper Midscale	Best Western	77
Comfort Inn, Comfort Suites	Upper Midscale	Choice	75
La Quinta Inns & Suites	Midscale	La Quinta	75
Holiday Inn Hotels & Resorts	Upper Midscale	InterContinental	75
AC Hotels	Upscale	Marriott	74
Best Western	Midscale	Best Western	74
Crowne Plaza Hotels & Resorts	Upscale	InterContinental	73
Econo Lodge	Economy	Choice	69
Quality	Midscale	Choice	68
Days Inn	Economy	Wyndham	67
Ramada	Midscale	Wyndham	67
Motel 6	Economy	G6 Hospitality	65
Super 8	Economy	Wyndham	65

*Lodging type assigned per industry standards.

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Travelers find that many aspects of the hotel experience have deteriorated over the past year.

Despite small downturns, guests remain highly satisfied with the ease and efficiency of making reservations (85) and checking into their chosen hotel (84). They also appreciate the courtesy and helpfulness of hotel staff (82) and the cleanliness and comfort of their rooms (81).



Hotel website satisfaction has improved to 82, outpacing both Internet travel services and airlines (79). Call center satisfaction also is strong (81) and better than that of airlines (75).

There are key areas, however, where hotels have ample room for improvement. Guests are much more dissatisfied with hotel loyalty programs as compared with a year ago. In 2015, hotel loyalty

programs were more highly regarded than those of airlines, but now hotels fall behind with a score of 71 (-10%).

Hotel guests also are less pleased this year with amenities such as pools, spas, fitness rooms, and/or business centers (down 5% to 72). Likewise, food service quality tumbles 5% to a low 73. In-room television and movie offerings are not keeping up, sliding to 75. Interestingly, this quality deterioration occurs while airlines are upping their in-flight services, although the score of 71 for airline food, beverages, and entertainment still lags hotel benchmarks.

Internet Travel Services

While there has been considerable consolidation among Internet travel websites, many still operate as separate brands. Customer satisfaction with Internet travel services is up 1.3% to 79, the highest score the industry has achieved in the ACSI. Priceline is the new champ for e-travel, surging 8% to 81 and outscoring even the group of smaller websites that are usually at the top. This “all others” group—including websites such as KAYAK.com, Hotels.com, and Booking.com—scores 79 after edging up 1%. The three other major travel websites are all part of the Expedia umbrella. Travelocity is best of the three after moving up 4% to 78, although the difference is slight. Expedia’s namesake brand holds steady at 77, tied with Orbitz (+3%).

ACSI: Internet Travel			
Company	2015	2016	% Change
Internet Travel	78	79	1.3%
Priceline	75	81	8%
All Others	78	79	1%
Travelocity (Expedia)	75	78	4%
Expedia	77	77	0%
Orbitz (Expedia)	75	77	3%

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The real competition for e-travel may well be the websites of hotels and airlines. Consumers like the convenience of one-stop shopping for their travel needs. Online booking sites allow users to search and sort across a range of hotel properties, airlines, and rental car companies. Although these websites bring customers to hotels and airlines, they also command a commission, reducing each customer’s revenue potential for hotels, airlines, and car rental companies.

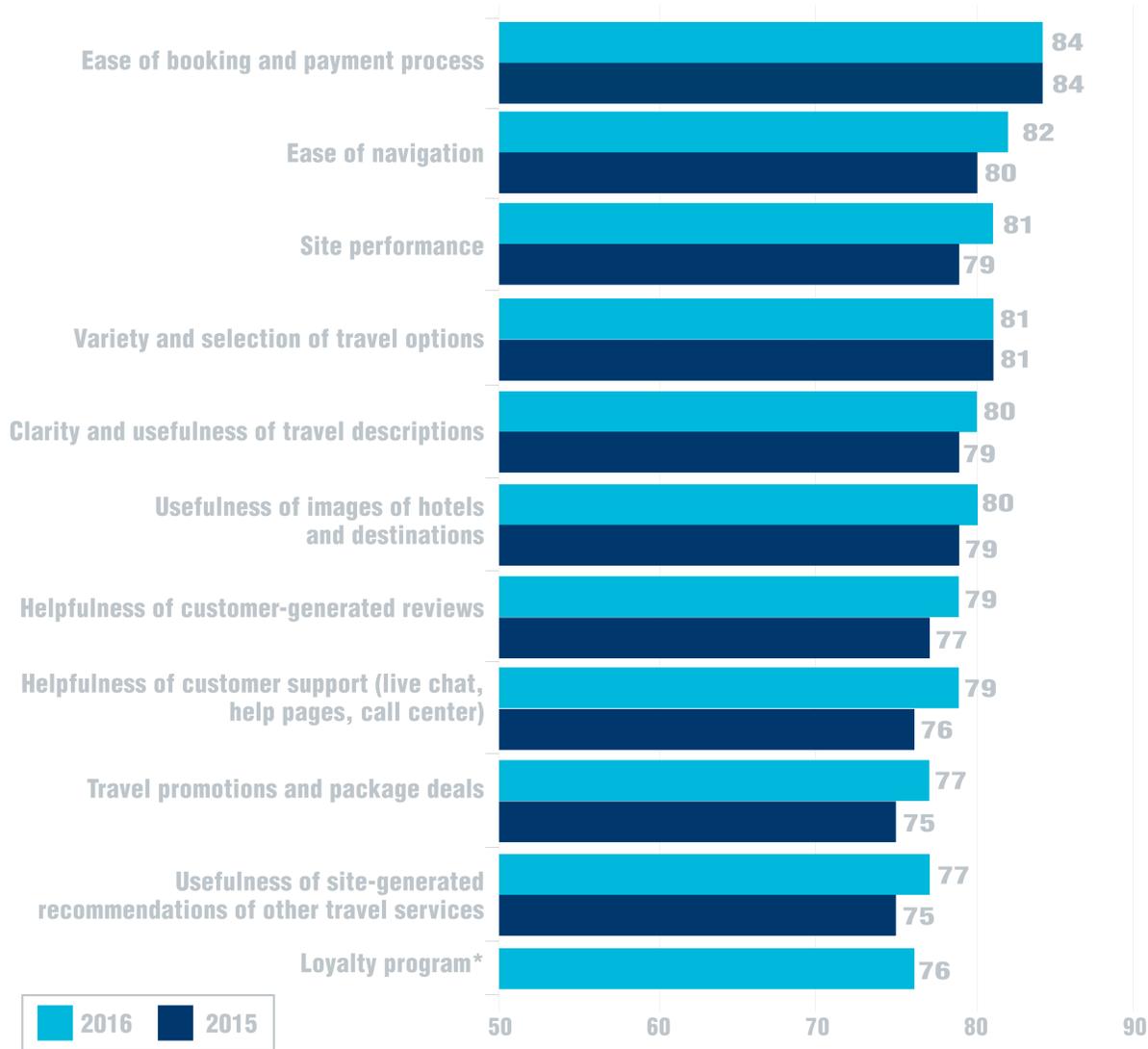
With that in mind, airlines and hotels are trying to maintain brand loyalty and encourage customers to book directly rather than through an online agency. Hotels, for example, might offer benefits such as room selection or early check-in. Another way to encourage loyalty is to provide a better online experience. In that respect, hotels seem to have gotten an edge, turning in

a website satisfaction score of 82. Airline websites are going head-to-head with Internet travel sites, matching the online industry's overall customer satisfaction level.



For the industry at large, the customer experience is getting better, just as overall satisfaction ticks upward for 2016. Consumers give the industry its top mark for ease of booking and payment (84), although hotels provide an even better reservation process (85). According to users, travel websites are easier to navigate (82) and overall site performance has improved over the past year (81).

**Internet Travel Services
Customer Experience Benchmarks
Year-Over-Year Industry Trends**



*Not measured in 2015

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The variety of travel options, descriptions, and images on websites are deemed excellent, and customer-generated reviews are becoming increasingly helpful. Customer support, an area that showed room for improvement last year, is making strides. Through live chat, help pages, or call centers, online agencies are doing a better job assisting customers (+4% to 79). Dealing with airline call centers continues to be frustrating (75), but hotels do quite well with handling customers on the phone (81).

Consumers looking for packages are more pleased with Internet travel offerings this year, as well as site-generated suggestions for additional services, although both show room for improvement

(77). Loyalty programs, new to this category, are the weakest area for online travel with a score of 76. Nevertheless, Internet travel loyalty programs sweep past those of airlines (73) or hotels (71), issuing a strong challenge at a time when airlines and hotels are looking to boost direct booking.

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About This Report

The *ACSI Travel Report 2016* on airlines, hotels, and Internet travel services is based on interviews with 6,913 customers, chosen at random and contacted via email between March 5 and March 31, 2016. For each industry, customers are asked to evaluate their recent experiences with the largest companies in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies.

The survey data are used as inputs to ACSI’s cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

Customer Satisfaction Benchmarks by Industry

