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2009

UK TRAVEL SECTOR REPORT: THE IMPACT OF CUSTOMER EXPERIENCES IN A DOWN ECONOMY



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EXECUTIVE SUMMARY

If predictions are to be believed, the travel industry faces one of its steepest challenges yet as cash-strapped consumers reign in their spending. Travel industry experts believe that the pound's falling value will be a primary factor for a decline in bookings, suggesting that it's now 20 to 30 percent more expensive to go abroad than in 2008.

The Civil Aviation Authority¹ (CAA) report into passenger numbers at UK airports seems to support the prediction. It found that UK airports handled 1.9 % fewer passengers in 2008 compared with 2007, the first fall in annual passenger numbers since 1991. Traffic declined most in the final quarter of the year, with four million fewer passengers handled from October to December 2008 than the same period in 2007.

According to the CAA, the decline in passengers was to be expected in light of the worsening economic situation during 2008. It pointed to business failures, the fluctuating oil price and the economic downturn as having a marked effect on the numbers of trips being taken and believes that the decline could signal a fall in traffic in 2009 as well. Meanwhile, regulatory changes such as Open Skies mean that an already fiercely competitive market is now even tougher.

It's against this economic backdrop that RightNow Technologies commissioned Loudhouse Research to investigate what impact these conditions would have on the holiday bookings habits of the UK population.

In two primary areas, the survey's findings contradict the general 'gloom' consensus. It found that the weak pound had little effect on consumer's plans to take trips abroad. Few people, just 2%, had cancelled their 2009 holidays while, generally, people were not planning to reduce the length of their holiday nor reign in or closely monitor their spending while on holiday.

The survey also found that while some Britons are likely to decrease the number of holidays they take in 2009, the majority of people surveyed said they were likely to take the same number of holidays as in 2008. Some said that the number of trips taken may actually increase.

The survey also investigated the attitudes and behaviour of UK consumers when researching and booking travel products online. The survey identified a number of factors that impact the holiday makers' decision-making process including common barriers that prevent travel companies from turning 'lookers into bookers'. Two of the biggest areas of frustration are the lack of transparency about all travel related costs and the lack of specific information about destinations.

Finally, the survey also looked at how the travel industry can engender customer loyalty and what customers expect from a seamless customer experience. It found that delivering superb customer experiences is the fastest way to build loyalty and that this is more important to consumers than a company's reputation or 'best prices'. Good customer experiences also drive word-of-mouth recommendations—important when nearly three-quarters of the UK population rely on recommendations from friends and family when deciding with which company to book a holiday. There is much scope for improvement, however, as fewer than a third of consumers have a travel company to whom they remain consistently loyal.

¹ "CAA Airport Statistics Show First Fall in Passenger Numbers for 17 Years", CAA press release, 16 March, 2009. The CAA's reports into aviation trends can be viewed free of charge online at: <http://tinyurl.com/dme9y2>.

BOOKING TRENDS

Economic Influences on Holiday Bookings

At the end of 2008, respondents were asked about their 2009 holiday plans and the likely impact that the credit crunch would have on those plans. At that time, one in five Britons said they were likely to decrease the number of holidays abroad, 59% of people said they were likely to take the same number of holidays as in 2008. While 12% believed the number would actually increase.

The respondents were asked the same question again at the beginning of 2009. This time, the percentage who felt that they would increase the numbers of holidays booked jumped to 19%. There was a small percentage fluctuation across those taking the same amount of trips as the previous years—this fell to 55%, while the number of people decreasing their travel rose slightly to 21%. Good news, then, as it seems that the last thing the Great British public want to sacrifice is their recreational break-away.

Respondents were similarly bullish when asked whether the falling value of the pound would have an impact on their plans to take holidays abroad. Only 2% of people have cancelled their 2009 overseas holiday while 94% have no plans to curtail the length of their holiday. Neither does the weak pound seem to impact spending while on holiday with only 20% of respondents planning to reduce their spend.

Financial Concerns

While more than half of respondents believed that the number of holidays they would take in 2009 would remain the same as in 2008, one in five stated that they expected to decrease their trips.

Unsurprisingly, financial factors were the dominating reason for this decline. 48% were concerned about the price of the holiday itself, while the economic climate in general was an issue for many, with 15% of people being worried that the travel company they used would go out of business and leave them stranded overseas.

TYPES OF HOLIDAYS BOOKED IN 2008

Trip Preferences

- 71% of respondents had booked up to five holidays, with 4% saying they had arranged more than five trips

Short-Haul

- 42% booked package deal
- 35% designed their own trip from a number of suppliers

Long-Haul

- 20% chose packaged trips
- 18% selected bespoke getaways

UK

- 18% chose packaged trips
- 29% selected bespoke getaways

THE ROLE OF THE INTERNET

Web Trust

The web is becoming the de facto channel for holiday makers. When booking a holiday, 56% of people rely on internet travel sites while just under a third (31%) rely on high street travel agents. 68% of respondents use the internet to both research and book holidays, only 21% use it purely to research holidays.

The ability to easily search for destinations and find good deals (83%) and convenience (67%) are the top drivers in pulling people onto the web channel. Interestingly, 27% of respondents prefer booking online because it removes the need to deal directly with people. However, when it comes to high value or 'important' holidays, people are somewhat split about the role of the internet. 57% will book online regardless of price or importance, while 43% are more likely to want to speak to a person and not rely on the internet.

Web Distrust

The survey found that not everyone has fully embraced the internet for their holiday requirements. Some segments of the population remain cautious; 11% of those who haven't booked holidays online don't feel comfortable about giving credit or debit card details over the web and 10% feel the same way about providing personal details.

Beyond security-related concerns, there is also a degree of technology-related nervousness: 6% of people are concerned about something going wrong when booking online and a further 6% find that holiday/travel websites are complicated and don't provide adequate information.

Web Frustrations

The survey also investigated causes of internet booking failure and frustrations and what course of action was taken by consumers as a consequence. The most common issues among respondents were technology failure (26%), losing confidence (15%) and running out of time (15%).

Following a perceived booking failure, the survey found that people tend to reach for the phone (34%) or email the company (23%). However, the most common course of action was to go to a different holiday company's website, 47% of respondents took this course of action. From there, 82% said they then went on to successfully complete their booking—a stark message for companies tempted to cut corners rather than ensure their online offering is robust and functional with a clearly signposted customer journey.

Despite the popularity of the internet for arranging holidays, the survey identified a number of frustration black-spots that are likely to stop consumers from making a booking. The impact negative online experiences can have on booking volumes should not be underestimated. 23% of consumers have had a negative experience while trying to book a holiday online that has stopped them doing business with that company.

WEB DISTRUST IS NOT AGE DEPENDENT

- 20% of 35-44s are not comfortable providing credit/debit details via the web
- 14% of 55+ are not keen on providing personal details on the web
- Nervousness about something going wrong when booking on the web is highest among 25-35s
- 18-24s are most likely to find holiday/travel websites complicated and without enough information
- 29% selected bespoke getaways

BOOKING ONLINE – BLACK-SPOTS

- 53% lack of information about extra costs (such as taxes, surcharges)
- 47% lack of specific information about the holiday
- 45% unable to easily ask questions about the holiday
- 41% unable to put together the desired holiday package (hotel, flight, car hire)
- 31% difficulty in finding information about the company's cancellation policies
- 35% finding the holiday buying process too complicated
- 14% only being able to pay online rather than over the phone

Problem areas tend to be around the lack of information provided, either about the actual holiday or additional charges such as taxes and surcharges. It seems being transparent and open about destination information, charges and policies is one of the best approaches to making sites stickier. Further testament to the need for transparency can be found in the 18% of people who are likely to decrease their holidays this year because they are annoyed by low-cost airlines not being upfront about flight surcharges and baggage costs.

Web Opportunity

Furthermore, there is demand from consumers and an opportunity for travel companies, for dynamic packaging of holidays and easily bookable ancillary services. The survey found that in 2008 35% of short-haul holidays had been designed by the purchaser while the same can be said for 18% of long-haul purchases. Indeed, the survey found that the overriding trend when booking a break online is to do so using a number of companies—47% of holiday makers use the web in this way—far outstripping the high street travel agent (18%) or online using just one company (16%). Not being able to package a self-designed holiday is a turn-off for 41% of internet holiday-bookers. Clearly there's an advantage hot-spot here for companies adept at supporting ancillary sales and dynamic packaging.

If online frustrations aren't enough to drive customers to competing websites, then it certainly has them reaching for the phone or sending an email. Again, the main culprit for driving up call and email volumes into the contact centre is the lack of clarity around product information and pricing. By providing consumers with the right information at the right time, in the context of where they are on the website, and by implementing automated confirmation processes, travel companies can deflect unnecessary in-bound contacts.

LOYALTY FACTORS

Good Customer Experiences Drive Viral Marketing

Understanding and delivering what customers want from their online holiday research and booking experience has the power to secure repeat bookings from existing customers and attract new ones. When booking a holiday, people rely on a number of different sources in their decision-making process. Topping the list is reliance on recommendations from friends and family (69%) followed by internet travel sites (56%) and recommendations from a trusted, previously used travel company (51%).

The reciprocity of delivering good customer experiences is further illustrated by the 54% of respondents who have told friends and family about positive customer experiences when booking a holiday via the internet.

ANCILLARY BOOKING – HOT-SPOTS

- 50% Separate flights/travel
- 50% Holiday insurance
- 40% Separate accommodation
- 37% Car hire
- 29% Airport transfers
- 20% Excursions / activities
- 16% Currency

CONSUMERS CALL OR EMAIL BECAUSE OF:

- Unclear pricing or details about costs 51%
- Unclear descriptions about holidays, flights, etc. 50%
- Booking confirmation is required 34%
- Unclear information about what to expect once the booking's completed 29%
- Confirmation with a representative that the holiday is exactly what's wanted 22%
- Concern about giving credit/debit card details over the web 11%

Loyalty Drivers

While consumers are frustrated by informational shortfalls on travel websites, when it comes to reasons why they are loyal to a travel company, their focus is on customer experience. 65% of people cited previous/past good experiences as their main loyalty driver, making it the number one loyalty factor. In fact, the survey found 'good experiences' outweigh reputation (53%) and best prices (51%).

The survey's findings clearly indicate that good customer experiences impact word-of-mouth recommendations and the propensity to retain and acquire customers. However, it seems that there is much scope for improvement in fostering loyalty among consumers as only 30% of holidaymakers said they have a favourite company they regularly use to book holidays and/or ancillary items.

IMPROVING CUSTOMER EXPERIENCES

Converting 'lookers to bookers' still remains one of the biggest challenges for the travel industry so the survey sought to understand exactly what travel companies can do to ease the customer's online booking journey. Given their feedback about transparency and information, it's unsurprising that top of the customer's list is visibility about all travel-related costs. However, for a travel company tasked with improving its online customer experiences, the survey's findings provides a useful priority list of actionable project items that are likely to have an immediate effect on customer satisfaction.

Online chat, where a customer can chose to engage with a customer service agent, is being adopted by a growing number of companies to help convert sales. As a service and support channel, chat provides customers with an immediate response exactly at the time they need it most—in that sense it can help allay concerns about a destination or booking and expedite a sale. Almost two-thirds (60%) of the people surveyed said that they would find having access to a customer service agent useful when booking a holiday online. Chat isn't age-specific either; all age groups indicated a preference for web chat functionality.

The Customer Experience Opportunity

Even against a backdrop of economic uncertainty, Britons remain bullish about their future holiday plans. This is good news for the travel industry; the challenge travel brands face is in differentiating themselves to successfully gain the consumer's hard-earned pound. Astute businesses will understand that if they can offer a better customer experience than that provided by their nearest competitor, the more likely they are to enjoy brand trust with existing customers and word-of-mouth recommendations that attract new business. Indeed, all of the survey's evidence suggests that getting the customer experience right encourages holiday maker loyalty beyond anything else.

HOW TRAVEL COMPANIES CAN MAKE IT EASIER FOR CUSTOMERS TO BOOK ONLINE:

- 60% clarity about all travel-related costs (taxes, etc.)
- 44% supply more details and options about destinations/flight availability / car hire, etc.
- 43% make the booking processes clearer and easier
- 43% make it easier to search for information on the website
- 38% provide easier access to customer service agents in real time
- 32% make security policies more obvious

FACTORS ENCOURAGING LOYALTY TO TRAVEL COMPANIES

- 66% A good overall customer experience
- 62% Discounts or promotions for holidays/travel
- 43% The ability to book all the components of my holiday in one place
- 36% The ability to ask customer service agents questions in real time while online
- 34% Improved descriptions of destinations and holidays available
- 25% Personalised communications tailored to my specific holiday interests
- 19% A password protected area with offers based on my holiday preferences

ABOUT RIGHTNOW TECHNOLOGIES

RightNow (NASDAQ: RNOW) delivers the high-impact technology solutions and services organizations need to cost-efficiently deliver a consistently superior customer experience across their frontline service, sales, and marketing touchpoints. Approximately 1,900 corporations and government agencies worldwide depend on RightNow to achieve their strategic objectives and better meet the needs of those they serve. RightNow is headquartered in Bozeman, Montana. For more information, please visit www.rightnow.com.

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METHODOLOGY

1003 online interviews were conducted by independent research company Loudhouse (www.loudhouse.co.uk), during December 2008 and January 2009.

JUST A HANDFUL OF THE MANY TRAVEL COMPANIES THAT WORK WITH RIGHTNOW



“ There’s a cost saving associated with this [RightNow system]. We calculate that every ten items viewed during a RightNow customer service session saves BA a call. If we attach a value to that call we can estimate our return on investment. ”

—Technical Editor, British Airways.



“ RightNow provides the technology to assist us in making superb customer experience a reality. ”

—Sales and Customer Care Contact Support Manager, lastminute.com.



“ RightNow Technologies will support us in preserving our high level of customer commitment and help us to encourage our customers to move from ‘looking to booking, ”

—eCommerce Director, Thomas Cook.



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