



April 22, 2014

ACSI Travel Report 2014

Industry Results for:

Airlines

Hotels

Internet Travel

American
Customer
Satisfaction
Index®

Passenger Satisfaction Falls to Unsustainable Level for United; Broad Decline for Hotels

Just when we thought it was a safe bet that the economy was improving and consumer demand getting stronger, customer satisfaction with the travel sector takes a hit. Not a single hotel chain improves in guest satisfaction and Best Western tumbles 6%. Among airlines, JetBlue, Southwest, and United fall, but Delta, American, and US Air improve. The Internet travel agency business is up a fraction and continues to get good ACSI scores, but travelers find booking flights and hotel rooms through airline and hotel websites preferable to booking via travel agent sites.

Airlines

Passenger satisfaction is unchanged this year at an ACSI score of 69. Even though air travel has improved some over the years, only subscription TV, Internet service and social media sites have lower levels of customer satisfaction in ACSI. Uncomfortable seating and poor in-flight service contribute most to the low scores.

The number of passengers who pay extra fees for checking bags continues to decline, from 35% a year ago to 31%. This is a result of passengers adapting to avoid checking luggage in addition to incentives from airlines that allow free checking of one bag. For those who are charged for luggage, however, the fees have a negative impact—these passengers are much less satisfied (ACSI score of 66) than those who don't pay fees (71).

Despite a 5% drop to an ACSI score of 79, JetBlue leads in passenger satisfaction for a third straight year. The discount carrier edges out Southwest, which has a similar ACSI decline. Southwest has bounced up and down in ACSI over

About ACSI

The American Customer Satisfaction Index (ACSI) is an independent national benchmark of customer satisfaction with the quality of products and services available to household consumers in the United States.

Each year, 70,000 customers are surveyed about the products and services they use the most. The data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 230 companies, 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

The ACSI's time-tested, scientific model provides key insights across the entire customer experience. ACSI results are strongly related to a number of essential indicators of micro and macroeconomic performance. At the micro level, companies with high levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.

the past three years as the integration of AirTran continues to move rather slowly. Higher fuel costs leading to higher fares have sapped a bit of the historically high levels of satisfaction with discount airlines. For example, Southwest’s average fare price has gone up by 25% over the past 6 years as wages and general inflation have not changed much. Still, both JetBlue and Southwest continue to have a sizeable lead over other airlines.

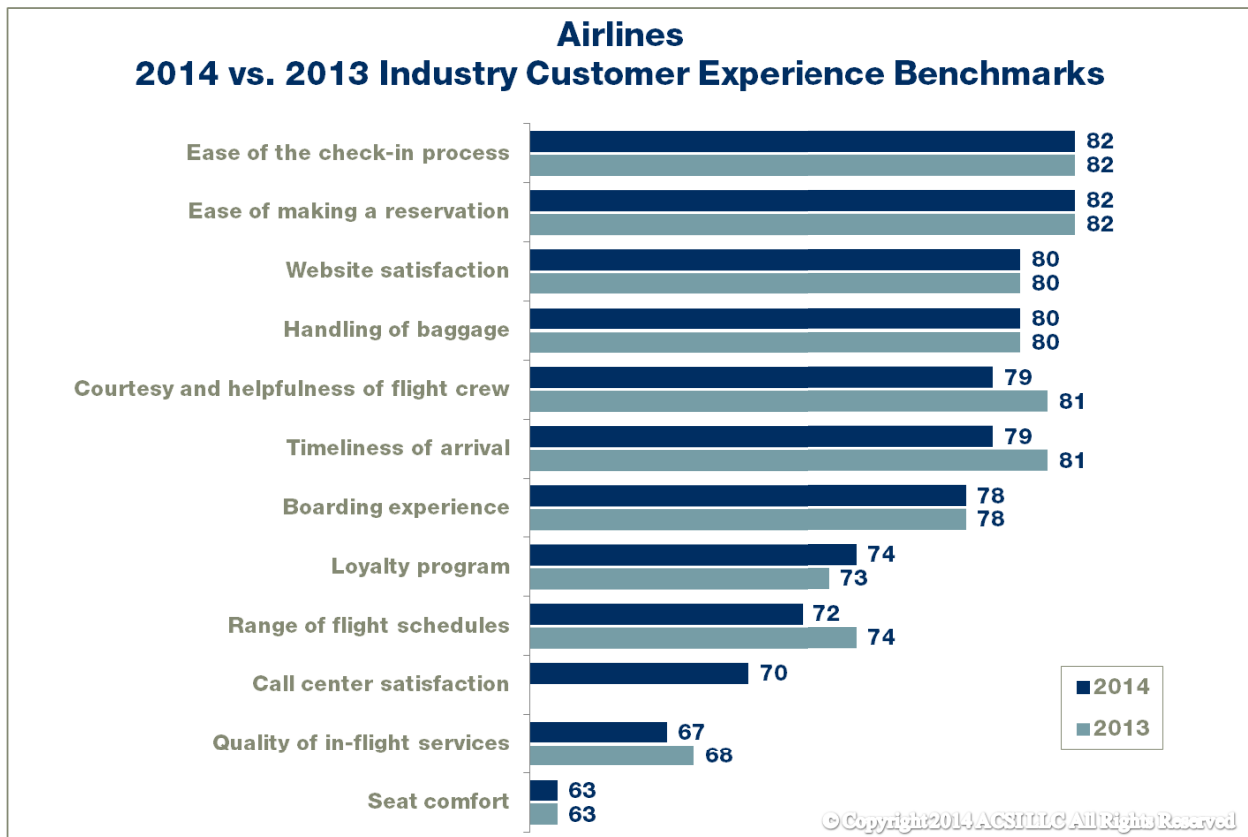
Airlines ACSI Scores			
Company	2013	2014	% Change
Airlines	69	69	0%
JetBlue	83	79	-5%
Southwest	81	78	-4%
Delta	68	71	4%
All Others	72	70	-3%
American	65	66	2%
US Airways	64	66	3%
United	62	60	-3%

Among the legacy airlines, Delta emerges as the best in the group, with a gain of 4% to an ACSI score of 71, inching ahead of the aggregate of smaller airlines (including Alaska Air, Frontier, and Spirit). This is a 27% improvement in customer satisfaction since 2011, when Delta plunged to an all-time low of 56 in the wake of its Northwest acquisition. Not coincidental perhaps, Delta’s stock price is up 250% over the same period.

Behind Delta there is a drop to the remaining legacy carriers, with American and US Airways tied at 66 following small gains, and United at the bottom at 60 with a 3% decline. Since United is so far behind other airlines in passenger satisfaction, it will not be easy to gain market share or to keep customers, especially when considering that 30% of their passengers have an ACSI score below 50. The acquisition of Continental appears to play a role here—frequent and continual problems with reservations and refunds three years after the merger are problematic. A long history of customer service problems and deteriorating passenger

satisfaction following airline mergers suggest that the recent combination of American and US Airways could result in a similar downturn for the next year or two.

Most elements of airline travel experience are statistically unchanged from a year ago. Airlines continue to do well with reservations and check-in (82) and web sites (80), but that’s not enough to make up for in-flight shortcomings.



Timeliness of arrival across the industry, as judged by passengers, dips to 79 but remains one of the higher scoring aspects. Travelers don’t find airline loyalty programs to be that valuable (74) and the range of available flights to desired destinations are also somewhat lacking (72).

While airlines do a good job with respect to pre-boarding (booking and check-in), the flight itself is a different matter. The quality of in-flight services is mediocre (67) and seat comfort is poor (63). Regrettably for both airlines and their passengers, the flight is not only the most protracted part of the airline product, it is also the most important in terms of customer satisfaction.

Hotels

After three years of record levels, guest satisfaction with hotels dips 2.6% to an ACSI score of 75. Both during and for a period subsequent to the 2008-2009 recession, hotel chains kept rates down while adding incentives and discounts. As the economy improved and the travel business rebounded, rates have gone up. To some extent, this is now reflected in lower ACSI scores.

Marriott again leads with an ACSI score of 81, followed by several hotels slightly above the industry average. Hilton, Hyatt and InterContinental tie at 78, with Starwood down 3% to 76. Marriott, Hilton and Hyatt benefit from more properties of the upscale and luxury variety, with better service quality and more amenities.

Hotels ACSI Scores			
Company	2013	2014	% Change
Hotels	77	75	-3%
Marriott	82	81	-1%
Hilton	80	78	-3%
Hyatt	79	78	-1%
InterContinental	78	78	0%
Starwood	78	76	-3%
Best Western	79	74	-6%
Choice	75	74	-1%
All Others	76	73	-4%
Wyndham	72	72	0%

Hotels catering to economy- and midscale markets are usually below industry average in guest satisfaction. Best Western, Choice (Econo Lodge, Comfort Inn, Quality Inn), and Wyndham (Ramada, Days Inn, Super 8) are in the range of 72 to 74 in ACSI. The aggregate of smaller chains, bed and breakfasts and casino hotels, ranks in the middle of the group at 73. Best

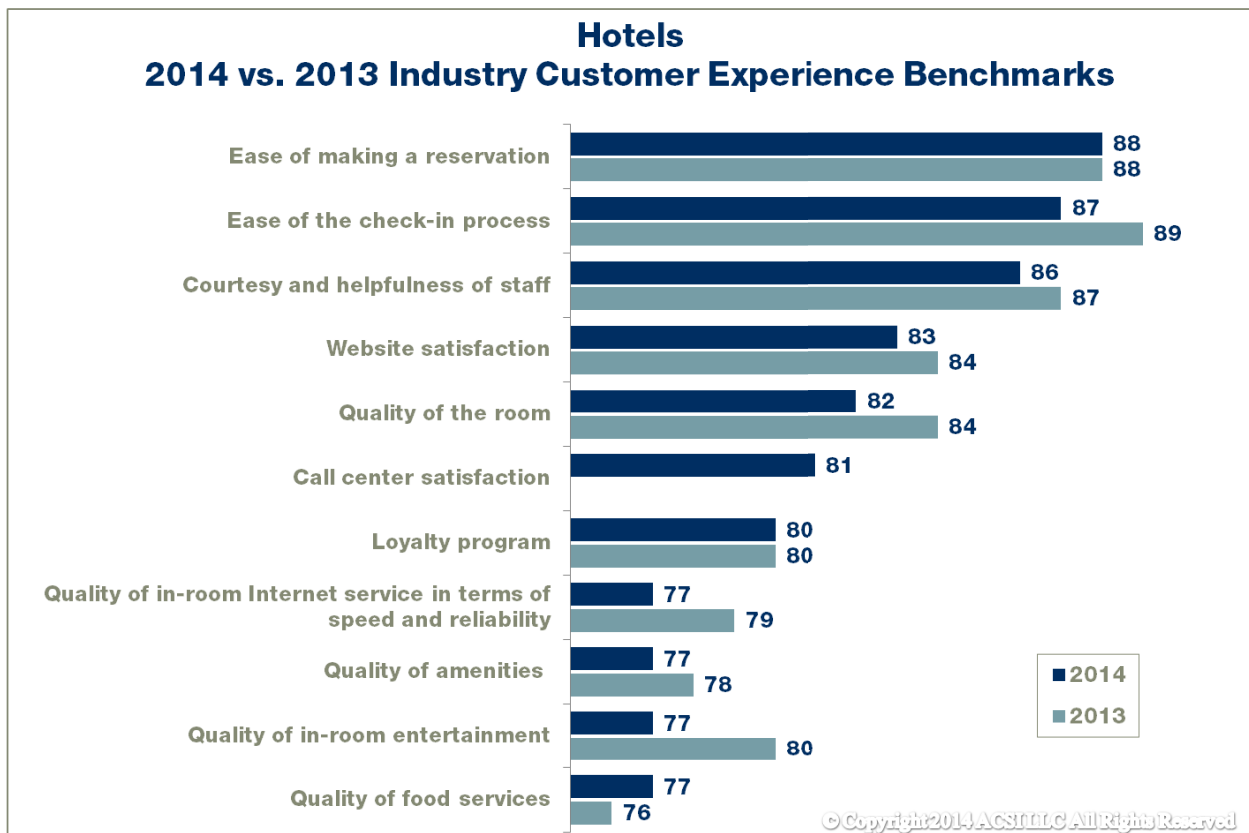
Western's 6% tumble to 74 represents a significant reversal from the past five years after a new customer care staff training program was implemented. Nevertheless, guest satisfaction remains higher than before the program was launched, but perhaps a new initiative may be needed to take Best Western to the next level.

Hotel Brand Customer Satisfaction 2014			
Brand	Type*	Parent	ACSI Score
Ritz-Carlton	Luxury	Marriott	86
JW Marriot	Luxury	Marriott	83
Hyatt	Upper Upscale	Hyatt	82
Hyatt Place	Upscale	Hyatt	82
Westin	Upper Upscale	Starwood	82
Fairfield Inn & Suites by Marriott	Upper Midscale	Marriott	82
Hampton Inn & Suites	Upper Midscale	Hilton	82
Marriott Hotels & Resorts	Upper Upscale	Marriott	81
Embassy Suites Hotels	Upper Upscale	Hilton	81
Hilton Garden Inn	Upscale	Hilton	81
Wyndham Hotels & Resorts	Upper Upscale	Wyndham	79
Residence Inn by Marriott	Upscale	Marriott	79
Courtyard by Marriott	Upscale	Marriott	79
Grand Hyatt	Luxury	Hyatt	78
Hyatt Regency	Upper Upscale	Hyatt	78
Holiday Inn	Upper Midscale	InterContinental	78
Hilton Hotels & Resorts	Upper Upscale	Hilton	77
DoubleTree by Hilton	Upscale	Hilton	77
Comfort Inn/Suites	Upper Midscale	Choice	77
SpringHill Suites by Marriott	Upscale	Marriott	77
Best Western Plus	Upper Midscale	Best Western	76
Crowne Plaza	Upscale	InterContinental	74
Days Inn/Suites	Economy	Wyndham	73
Sheraton	Upper Upscale	Starwood	72
Best Western	Midscale	Best Western	72
Quality Inn	Midscale	Choice	70
Ramada Inn	Midscale	Wyndham	70
Super 8	Economy	Wyndham	68
Econo Lodge	Economy	Choice	67

*Lodging type assigned per industry standards

Marriott luxury nameplates top the 2014 list—Ritz-Carlton leads with an ACSI score of 86, followed by JW Marriott at 83. Upscale Hyatt and Westin (Starwood) share the next spot at 82 with Marriott and Hilton’s upper midscale brands Fairfield Inn and Hampton Inn. While most luxury hotels have high ACSI scores, this is not the case for all —Hyatt’s Grand Hyatt is better than the industry average at 78, but below its closest competitors. Starwood’s upper upscale Sheraton nameplate ranks amid the economy and midscale hotels with a score of 72, while Hilton’s signature brand in the upper upscale category is no better than average at 77.

While Holiday Inn ranks behind Fairfield Inn and Hampton Inn, it is the highest scoring hotel (78) owned by InterContinental. More problematic for Intercontinental is that its Crowne Plaza ranks last among upscale brands and, at 74, below average for the industry as a whole. Comfort Inn, Choice’s upper midscale brand, performs similar to Holiday Inn at 77, but Choice is dragged down by midscale Quality Inn (70) and budget brand Econo Lodge, last among the individual chains at 67. Consistent with the pattern of upscale/luxury hotels surpassing economy/midscale hotels in guest satisfaction, the Wyndham family properties have just one of its brands, the upper upscale Wyndham Hotels & Resorts, in the top half while its other hotels are near the bottom, although economy brand Days Inn (73) does much better than Super 8 (68) and even edges out Sheraton.



According to guests, it is extraordinarily easy and straightforward to make reservations (88) and check into hotels (87). Similar to airlines, but less severe, once you're checked in, the different aspects of the stay vary in quality. Staff is courteous and helpful across the industry (86), and the rooms generally rate well in comfort and cleanliness (82), but quality of Internet service (77) and in-room entertainment (77) could be improved.

Scores for hotel food (77), including restaurants, room service and mini-bar items, and amenities (77), such as pools, spas, fitness rooms and business centers, are statistically the same as a year ago, but both food and amenities could stand improvement across the industry. The price of hotel food is a particular concern for many, not only re room service and mini-bar items but for hotel restaurants as well, with hotel food below (76) the full-service restaurant chain industry (ACSI score of 81).

Customers contacting hotels via phone or web are quite satisfied with the service they receive—websites rank somewhat above airline sites (83 compared to 80), and while call centers do not score as high - relative to airline call centers, they are far better (81 compared with 70). Travellers also consider hotel loyalty programs (80) as more valuable and easier to use than those of airlines (74).

Internet Travel Agencies

Customer satisfaction with travel websites for booking flights, hotels, and car rentals gains 1.3% to an ACSI score of 77. Even though travel sites market themselves as one-stop shopping spots for travel, customers prefer booking rooms directly with hotel websites (83)

Internet Travel ACSI Scores			
Company	2012	2014*	% Change
Internet Travel	76	77	1%
All Others	76	78	3%
Orbitz	76	77	1%
Expedia	76	76	0%
Priceline	74	75	1%
Travelocity	75	74	-1%

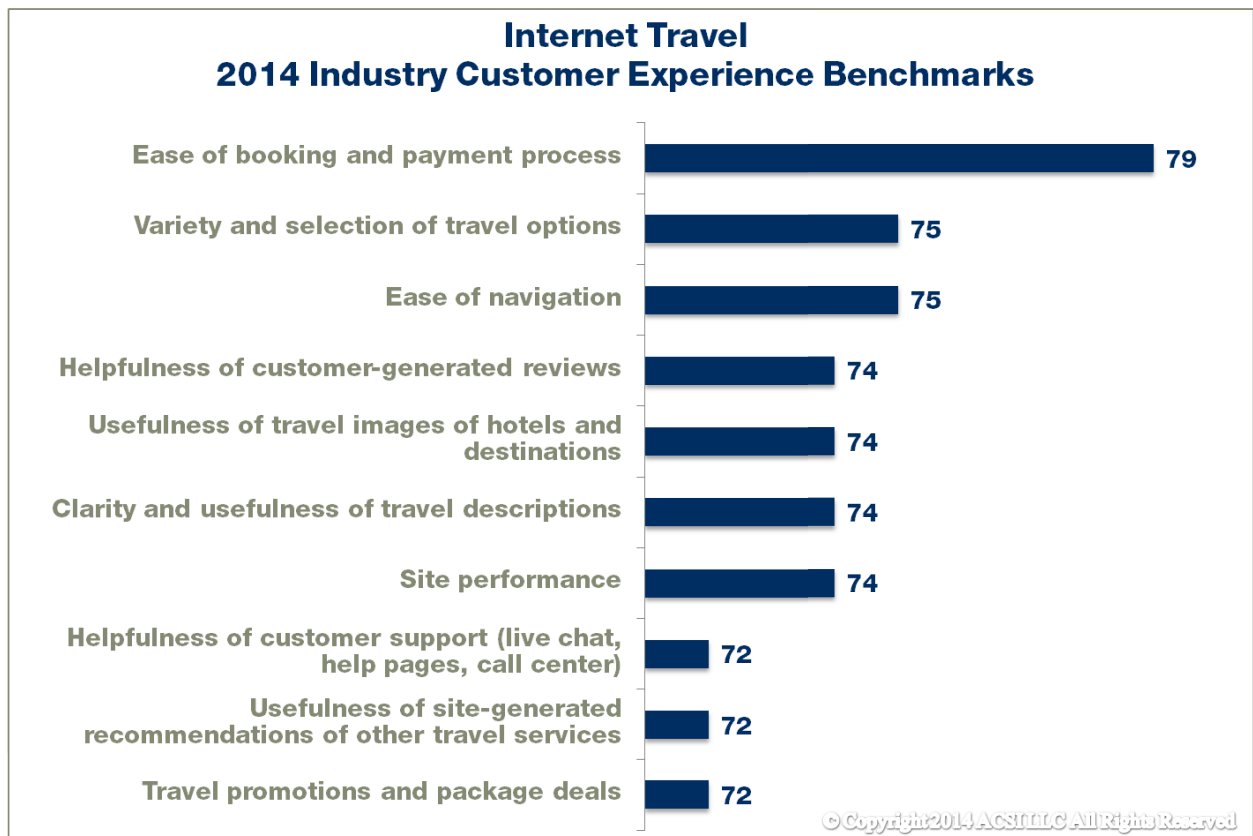
*Measurement changed from Q4 in 2012 to Q1 in 2014

and flights with airline (80) sites.

The aggregate of smaller travel websites leads at 78, with Orbitz trailing at 77, followed closely by Expedia. There is not much differentiation in this business, as evidenced by the fact that Priceline and Travelocity aren't far behind.

According to users, it is not quite as easy to make reservations on Internet travel websites (ACSI of 79) as it is on hotel (88) and airline (82) sites. The travel sites are not particularly easy to navigate (75), nor do customers consider the diversity and variety of travel options all that plentiful (75). Descriptions and images of destinations and hotel accommodations are less than first-rate (74). Neither guest reviews (74) nor site-generated recommendations of other travel services are seen as particularly helpful (72).

Customer support (via call centers, help pages or live chat on the website) does slightly better than the support provided by airlines (72 compared with 70), but not as well as that of hotels (81). Perhaps of greatest concern, travel promotions and vacation package deals, key elements of the business model for Internet travel sites, do not garner strong appeal among travelers (ACSI of 72).



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About this Report

The April 2014 ACSI Travel Index report on airlines, hotels, and Internet travel sites is based on interviews with 7,445 customers of these three industries, chosen at random and contacted via telephone and email between October 21, 2013 and March 11, 2014. Customers are asked to evaluate their recent purchase and consumption experiences with the products or services of 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 subscribers receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

Coming in May 2014

The ACSI will release its annual results for energy utilities, healthcare (hospitals and doctor/health care professionals offices), consumer shipping, and telecommunications, including subscription TV, Internet service, wireless service and cell phones. The ACSI will publish customer satisfaction benchmarks for the largest companies in these categories.



Appendix: ACSI Industry Scores

