

Deloitte.



Human experience:

At the heart of learning, living,
connecting, and business loyalty

The Transportation, Hospitality & Services Perspective

Contents

- 3 Introduction
- 4 Changing consumer
- 6 The HX ecosystem
- 8 Experience is the battleground for differentiation
- 13 The payoff: Companies who mindfully execute HX will experience outsized gains
- 14 Next steps



Introduction

EXPERIENCE MATTERS. IT HAS ALWAYS MATTERED. It matters most for travel and hospitality companies because experiences are core to their business—what they deliver is immersive, and it shapes how their customers view the world.

We believe that experience is not just a seamless check-in, a warm welcome gift, or actively responding to customer feedback. Rather, it's the sum of the moments that matter—the interactions between a customer and an organization that shape the way each one feels about the other. Human experience (HX) is the integration and delivery of customer experience, workforce experience, and partnership experience.

Experience and emotion are the currency of human connections. In a market that continues to spend more on experiences, the winners are, and will continue to be, separated from the losers by a sharp focus on this broader human experience. We surveyed 5,898 people in August 2019 across the hotel, airline, dining, rideshare, and rental car industries for our 2019 Travel, Hospitality and Services study. Results showed that experience factors are 2.4 times more important than price across the travel industry as a whole. Moreover, companies that focus on the human experience are two times as likely to outperform their peers in revenue growth over a three-year period.

Travel companies continue to consider their experience needs in silos—on their hotel properties or airplanes and in their restaurants; however, differentiation in an experience-driven economy isn't about each piece of a consumer's journey on its own. It's about sharing value and driving differentiation across the full ecosystem and elevating a traveler's experience from the moment they begin thinking about traveling.

2.4x

Experience factors are **2.4 times** more important than price across the travel industry as a whole.



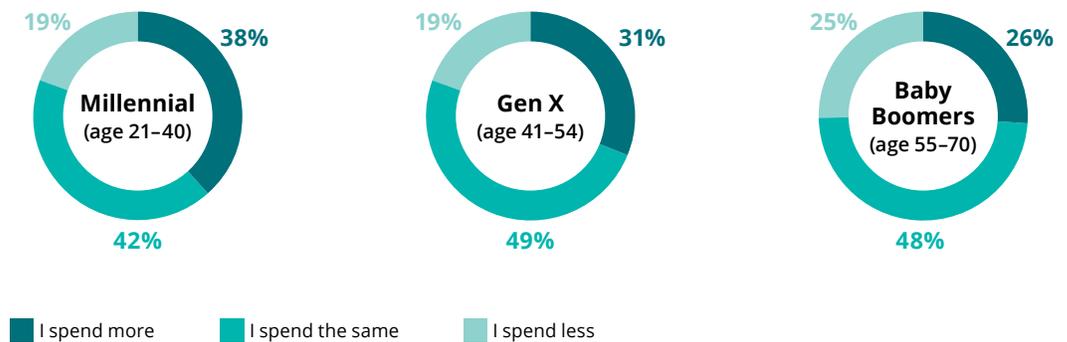
Changing consumer

79%

say they are spending more or the same on things like dining out, leisure travel, entertainment, and health and wellness activities.

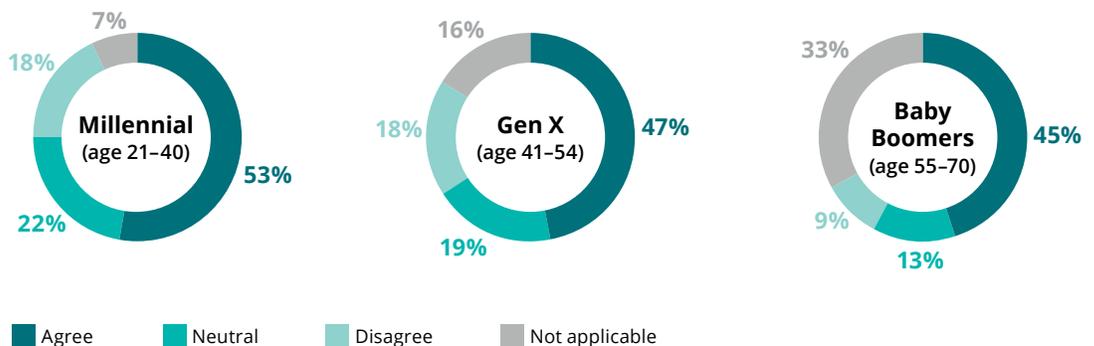
Evolving consumer spending patterns underscore how important experience is today. Consumers have less disposable income today than they did a year ago, but they are spending more on discretionary and experiential purchases. Almost two-thirds (63 percent) of survey respondents reported having the same or less disposable income compared to a year ago. Yet, spending on discretionary activities is up: 79 percent say they are spending more or the same on things like dining out, leisure travel, entertainment, and health and wellness activities. This trend is concentrated in younger consumers, particularly the Millennial cohort, one-third of whom (38 percent) say their discretionary spending is up.

Discretionary spending on activities has increased across age groups, predominately in younger consumers



Part of this trend could be attributed to an increase in free time. Across all survey respondents, 80 percent said they had either the same amount of free time or more compared to last year. Of those respondents who said they had more free time, the primary drivers are work-related—spending less time at work and less time commuting (54 percent and 49 percent respectively). Again, this trend is particularly pronounced in younger generations: 53 percent of Millennial respondents indicated that they have more free time due to spending less time at work and commuting.

Across all age groups, consumers agree they have more free time due to flexible working arrangements



Another potential contributor? Delaying life events. In a single generation, the median age of a first marriage has risen from 26 to 28.5 years old.¹ The effect of this delay ripples through the various milestones, such as a rise to 26 years old in 2016 in the average age of women having their first children—up from 21 in 1972.² Median age of first-time homebuyers increased from 31 to 32 between 2007 and 2017.³

Combined, these findings let us conclude that younger travelers have less disposable income, but more time and fewer traditional financial burdens—financial responsibilities related to children, spouses, or houses—to manage. Also, “younger” is lasting longer and longer as new generations delay the life events that hamstringing their freedom to travel. And travel and hospitality brands have noticed. They are evolving to meet the needs of the young, budget-conscious consumer through an experience-centric approach.

CASE STUDY:

PLACES TO DO, NOT JUST TO STAY

Marriott International is serving next-generation travelers in Europe with Moxy Hotels, a brand built to be playful, experiential—and budget-conscious. Marriott representatives say the brand **“aims to surprise”** travelers with an experience that gives them “only what they want and nothing that they don’t.” What they want includes “vibrant lobby spaces built around an amped-up bar experience” and opportunities to work, play, and connect.⁴ The hotel provides many experiences guest enjoy in hostels, but with improved private sleeping and bathroom accommodations. Moxy is expected to more than double in size, with 44 locations and more than 96 properties in the pipeline as of Q1 2019.⁵



The HX ecosystem

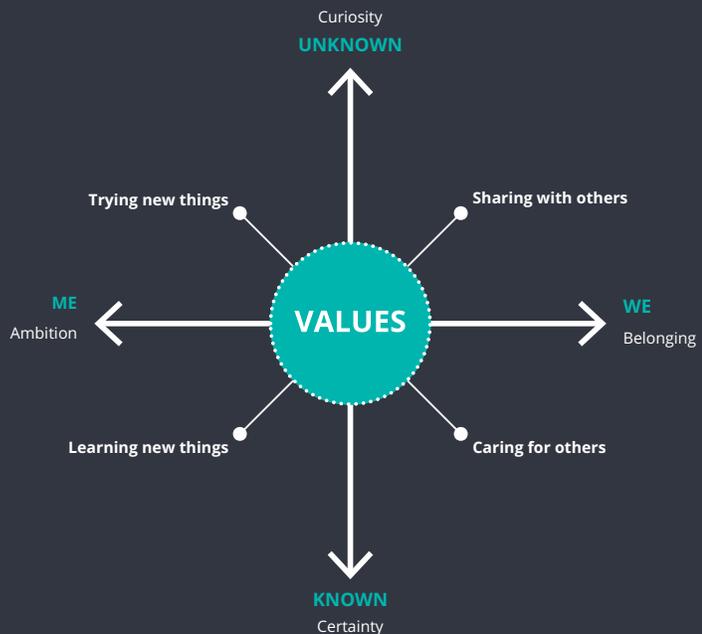
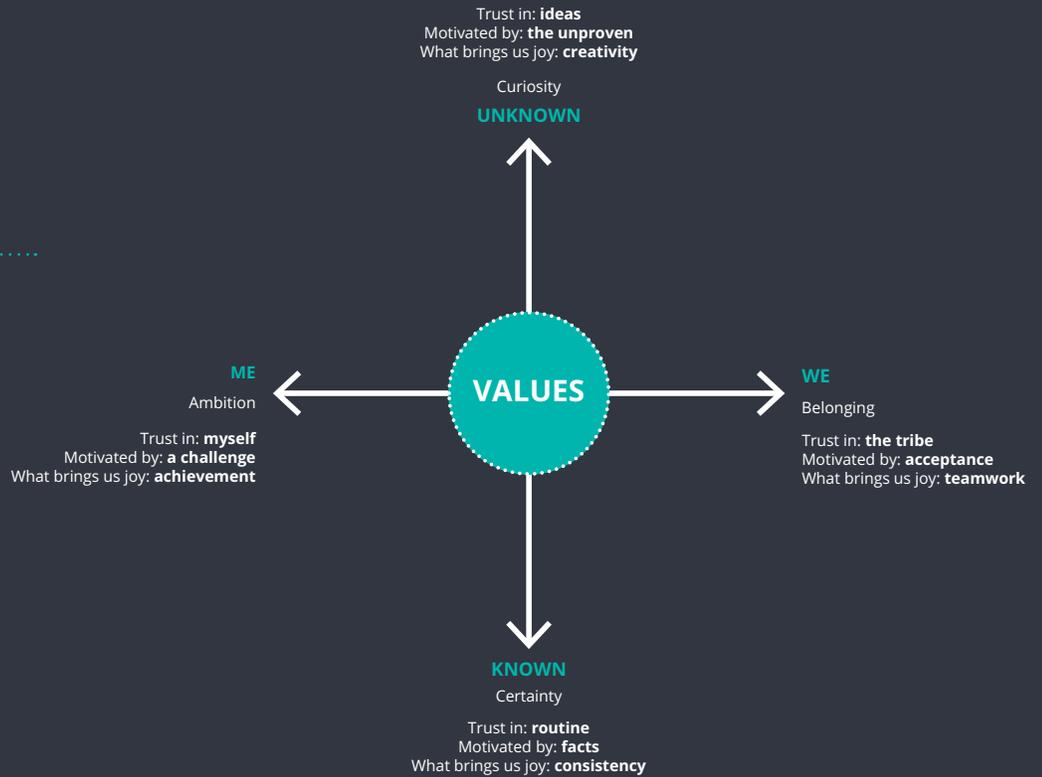
REFRESH ON DELOITTE'S HUMAN VALUE COMPASS

Deloitte's Human Values Compass is a visual reflection of a group's values in aggregate. We started by defining four cardinal human values, rooted in a sense of personal achievement (**me**), belonging (**we**), curiosity (**unknown**), and control (**known**). Each offers a unique lens for what humans trust, are motivated by, and enjoy.

While these values are not opposites, they are inherently at odds. It is not impossible to find someone who is both curiosity- and control-driven, but it's rare.

Next, we identified intermediate points on the Values Compass, which offer manifestations of what happens when the cardinal human values interact, those being **trying new things vs. learning new things** and **sharing with others vs. caring for others**. For example, when a person has equal parts ambition and curiosity, that most manifests as "Trying new things." Similarly, when a person has equal parts ambition and certainty, that manifests as "Learning new things."

It's worth noting that there is no "right" Values Compass; every Values Compass reveals the core values of a group of humans. The inclusion of these humans in a company ecosystem is the outcome of a company's historical emphasis on aspects of its business which attracted them and can also offer direction on where an organization can shift focus in order to align the customer experience (CX), workforce experience (WX), and partnership experience (PX) to their values.



“People will forget what you said,
people will forget what you did,
but people will never forget how
you made them feel.”

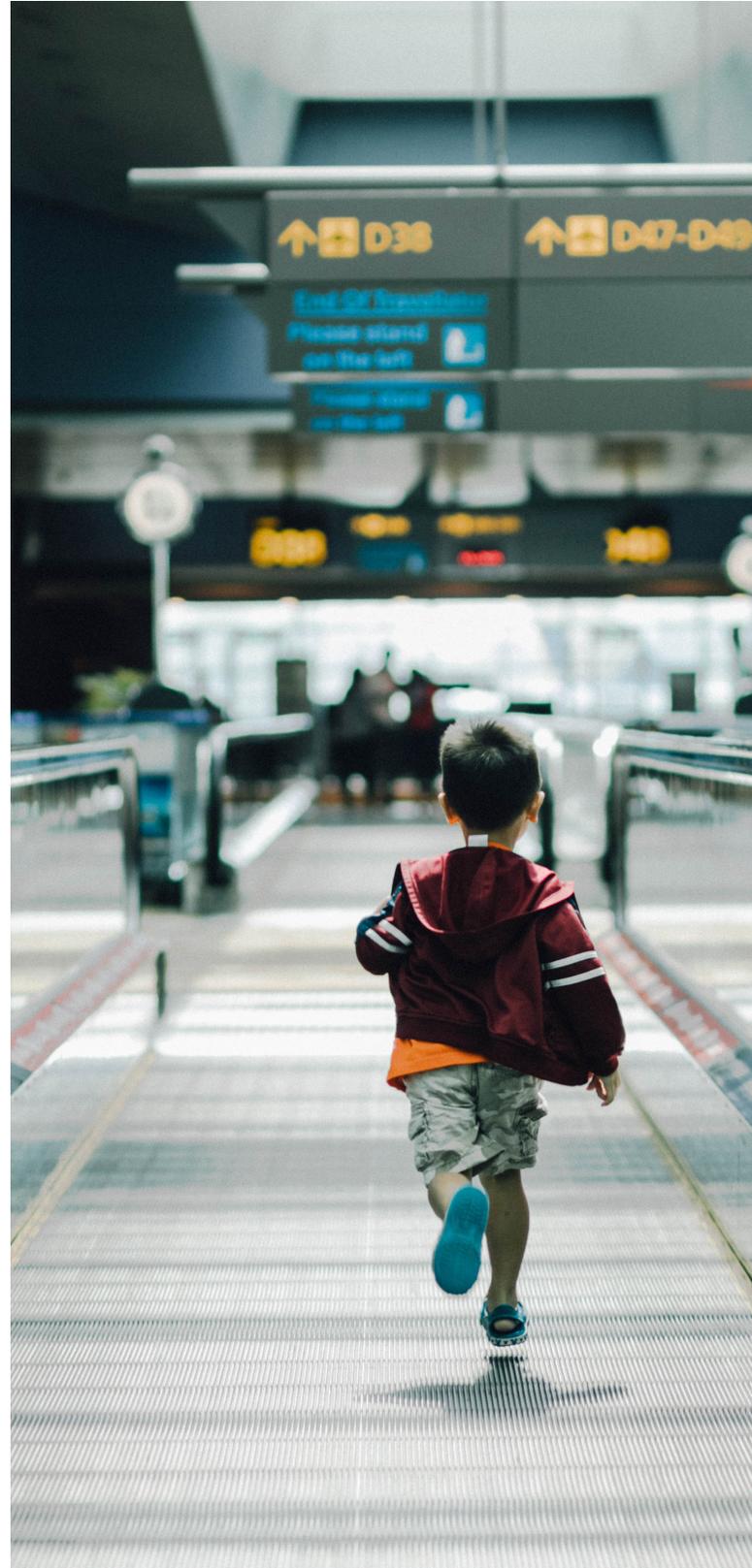
—Maya Angelou

According to data from Deloitte Digital’s [“Exploring the Value of Emotion-Driven Engagement”](#) research study, 62 percent of customers feel they have a relationship with a brand and 58 percent of customers say a brand is their favorite for emotional reasons.

To build a meaningful connection with experience-centric consumers, organizations must think differently about experience. And as we redefined, experience is the sum of the moments that matter—all the interactions between a customer and an organization that shape the way each one feels about the other. Human experience, in our view, is the integration and delivery of customer experience, workforce experience, and partnership experience. We see evidence of this broadening perspective from some of the most prominent business leaders in the United States.

The Business Roundtable, a lobbying group comprising 200+ of the most prominent US CEOs, issued a statement in August 2019 revising “the purpose of a corporation” to go beyond just shareholders and encompass investment in other stakeholders, such as customers, employees, suppliers, and communities.⁶

These leaders are, in many ways, reshaping the world around us as they begin putting HX at the forefront of company focus.



Experience is the battleground for differentiation



When it comes to making a travel or hospitality purchasing decision, **experience** allows companies to differentiate themselves and earn customer loyalty.

The past decade has been a battleground for digital innovation. Companies were competing over ease of access for consumers and a differentiated user experience. However, digital innovation is no longer a distinguishing factor, and companies must find new ways to win, and keep, customers. Sixty-six percent of customers expect brands to use feedback to provide new products to lean into customer wants and needs.⁷

When it comes to making a travel or hospitality purchasing decision, experience allows companies to differentiate themselves and earn customer loyalty. Overall experience factors, such as valuing feedback, being recognized and personally addressed, and aligning to brand values, among others, are 2.4 times more important than price across travel and hospitality overall. This finding jumps to 2.8 times more important for hotel guests. The importance of experience is also more pronounced in younger generations. Experience factors are 2.6 times more important than price for Millennials across travel and hospitality overall and 3.2 times for hotels. While price is the second most important factor for travel and hospitality customers on average, 84 percent of what is important to customers are nonprice factors.

When asked to allocate 100 points relative to importance, consumers allocated more points to experience factors than price across all travel and hospitality sectors

	 PRICE	 EXPERIENCE FACTORS	 SCORE MULTIPLE
 HOTEL	13.9	39.1	2.8
 AIRLINE	23.0	42.5	1.8
 RENTAL CAR	16.0	36.7	2.3
 RESTAURANT	15.3	34.9	2.3
 RIDESHARE	13.9	39.8	2.9
<i>Average</i>	16.4	38.6	2.4

But the human experience involves more than just customers. Organizational and brand core values are components of the broader experience consideration set. Increasingly, people are evaluating the company's social responsibility and purpose, and these values are becoming critical drivers of customer experience. Our analysis revealed a strong correlation between awareness of a company's delivery on HX core components and overall loyalty (and likelihood to promote a brand). For airlines, a company's adherence to their purpose led to approximately a twofold increase in loyalty. What does adherence to purpose *actually* mean? Put most simply, it's the old, familiar adage to *say what you mean and mean what you say*. Companies who adhere to their purposes both clearly articulate their corporate values and strive to consistently live out those values, even when it is challenging. It is simple in theory, but a bit more difficult to successfully execute. When considering their most recent stay, 69 percent of hotel customers reported being *aware* of a company's commitment to social responsibility, but only 46 percent of those consumers were *very satisfied* with that commitment.



of hotel customers reported being *aware* of a company's commitment to social responsibility, but only 46 percent of those consumers were *very satisfied* with that commitment.

SIGNIFICANT VARIABLES IN LOYALTY

The following variables (based on consumers' satisfaction with them, the importance score consumers attributed to them, and consumers' awareness of a company's focus on them) were the most likely experience factors and company values to result in higher **consumer loyalty** in each subsector.

	 HOTELS	 AIRLINES	 RESTAURANTS	 CAR RENTAL/RIDESHARE
In our survey, we identified key factors that increase the likelihood a customer is loyal to a brand . We've highlighted a few of our most interesting findings.	A consumer is... 1.20x more likely to be loyal to a brand if they are satisfied that a hotel staff interacted with them personally	A consumer is... 2.03x more likely to be loyal to a brand if they are aware of the company's consistent adherence to their purpose	A consumer is... 1.27x more likely to be loyal to a restaurant if they are satisfied that the staff interacted with them personally	A consumer is... 1.34x more likely to be loyal to a company if they are satisfied that the rideshare driver interacted with them personally
	and 1.29x more likely to be loyal to a hotel if they are aware of the company's commitment to social responsibility	and 1.36x more likely to be loyal to an airline if they are aware of the company's commitment to social responsibility	and 1.35x more likely to be loyal to a restaurant if they are aware of a restaurant's focus on treating their employees with empathy	and 1.55x more likely to be loyal to a company if they are aware of a company's focus on anticipating their needs and incorporating feedback to improve experience

SIGNIFICANT VARIABLES IN PROMOTION

The following variables (based on consumers' satisfaction with them, the importance score consumers attributed to them, and consumers' awareness of a company's focus on them) were the most likely experience factors and company values to result in consumers **promoting a brand to a friend**.

	 HOTELS	 AIRLINES	 RESTAURANTS	 CAR RENTAL/RIDESHARE
<p>In our survey, we identified key factors that increase the likelihood that a consumer will promote a brand to a friend. We've highlighted a few of our most interesting findings.</p>	<p>A consumer is...</p> <p>1.26x</p> <p>more likely to promote a brand if they are satisfied that a hotel staff interacted with them personally</p>	<p>A consumer is...</p> <p>1.33x</p> <p>more likely to promote an airline if they are satisfied that the company addressed feedback in a timely manner</p>	<p>A consumer is...</p> <p>1.43x</p> <p>more likely to promote a restaurant if they are satisfied with the quality of service delivered by restaurant staff</p>	<p>A consumer is...</p> <p>1.33x</p> <p>more likely to promote a brand if they are satisfied with the quality of service delivered by rideshare driver or rental car staff</p>
	<p>and</p> <p>1.33x</p> <p>more likely to promote a brand if they are aware of the hotel's focus on consistent delivery of polite and relevant customer services</p>	<p>and</p> <p>1.47x</p> <p>more likely to promote a brand if they are aware of a company's focus on consistent adherence to their purpose</p>	<p>and</p> <p>1.55x</p> <p>more likely to promote a brand if they are aware of a company's focus on delivering polite and relevant customer service</p>	<p>and</p> <p>1.51x</p> <p>more likely to promote a rideshare or car rental company if they are aware of the company's focus on delivering of polite and relevant customer services</p>



39 percent of Millennials report using social media as a research tool when planning travel, and **76 percent** of Millennials report referencing influencer content (such as social media pages or blogs) to inform travel purchasing decisions.

Consumers are increasingly "tuning in" to high-velocity, social sharing platforms to learn about company values and make informed purchasing decisions. For example, 39 percent of Millennials report using social media as a research tool when planning travel, and 76 percent of Millennials report referencing influencer content (such as social media pages or blogs) to inform travel purchasing decisions. Travel and hospitality brands have more touchpoints with consumers than ever before, and many of these touchpoints are beyond a brand's direct control. **This insight is compounded by the fact that the touchpoints a brand doesn't control are even more important to consumers, because travelers trust their "friends" more than they trust purchased messaging.** Eighty-one percent of consumers rely on personal recommendations to research and plan travel experiences. In hotels and airlines, more than 75 percent of consumers agree that hearing something negative about a company's commitment to social responsibility and adherence to purpose influences their perceptions and behavior. This influence results in pressure to deliver a human experience to all humans, all the time.

Beyond merely avoiding negative experiences, there is an opportunity to differentiate through delivering positive experiences across all dimensions of the human experience. Executing with humanity—treating a customer as a person—yields big results. Seventy-eight percent of Millennial respondents say they are likely to choose a hotel again if their feedback was heard and addressed by customer service after a negative experience on property. Fifty-two percent of respondents said they are highly likely to choose an airline again when they waive an unexpected fee.

Yet, it's not just how you treat your customer. It's how you authentically behave as a company in the broader ecosystem. A one-star improvement in a company's rating on Glassdoor, a site where employees can rate their employers anonymously, translates to a 1.3 percent increase in that company's customer satisfaction score. The observed effect is more than twice as large (3.2 percent) in settings, such as travel, in which employees and customers interact closely and frequently.⁸



**Executing with humanity—
treating a customer as a
person—yields big results.**

CASE STUDY:

DELTA: KEEP CLIMBING

Delta strives to create a culture where diversity and inclusion are core tenets and employees feel like valued team members participating in the success of the organization. Delta's profit-sharing payout to 80,000 employees amounted to \$1.3B in 2019.¹⁰ That openness and accessibility, coupled with competitive compensation and a commitment to customers to deliver on the "Delta Difference," leads to strong employee satisfaction, driving observable customer satisfaction. This satisfaction is evidenced by Delta being named to *Fortune's* "Best Companies to Work For" list for a third straight year in 2019.¹¹ Delta also scored 3 percent (+25 points) above the airline segment average on customer satisfaction as rated by J.D. Power, trailing only Alaska Airlines for all North American airlines.¹²



The payoff: Companies who mindfully execute HX will experience outsized gains

5.1
years

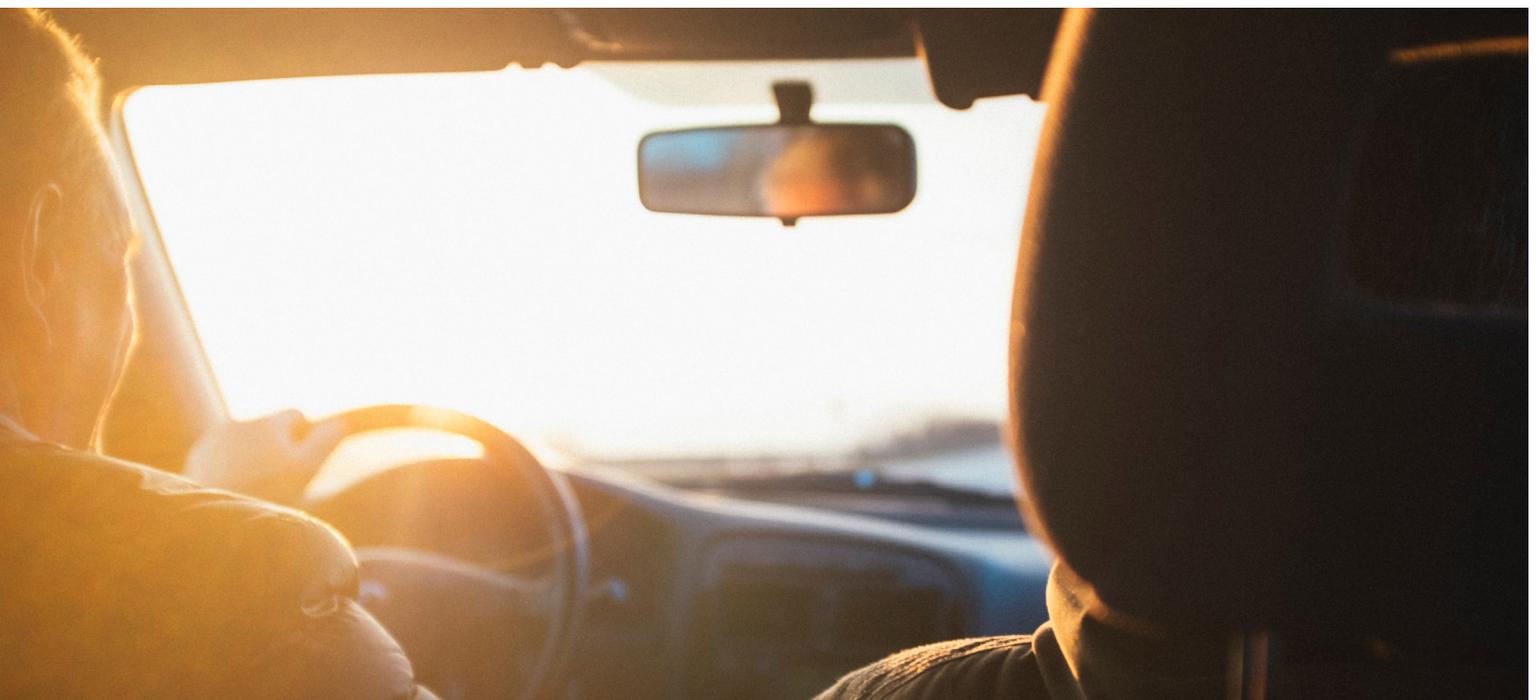
Emotionally connected customers are loyal customers, “staying with” a brand for 5.1 years versus the 3.4 years of non-emotionally connected customers.

What is the value of elevating the human experience? [Recent Deloitte research](#) assessed (1) the correlation between the experiences, as well as (2) the correlation between a composite experience score and financial performance. In applying this methodology to the hospitality, rental car, and rideshare industries, we found a strong positive correlation in all cases.¹³ It is clear that companies who align and elevate the experiences of all of the humans in their ecosystem outperform their competitors. For example, our research shows that when quick-service restaurants make emotional connections with their customers, they are 2x as likely to outperform their peers in revenue growth over a three-year period. Similarly, on average, rental cars that outperform peers in HX realize 3x outsized revenue growth. By taking a deliberate approach to create experiences for their customers, employees, and partners, organizations elevate and mature their human experience.

A recent study of more than 100,000 consumers doing business with more than 100 retailers across a recent two-year period found that the lifetime value of an emotionally connected customer was more than three times higher than for a nonconnected one. Likewise, emotionally connected customers are loyal customers, “staying with” a brand for 5.1 years versus the 3.4 years of non-emotionally connected customers.

Motista also found that emotional connections between consumers and brands aren’t just an indicator of doing business a certain way—they can be a predictive metric. One of the industries in that study was hotels, and the firm found that the difference between a typical highly satisfied customer and an emotionally connected customer was a whole extra room night per average stay—3.5 versus 2.5—and a spending multiplier of 1.4 times. Similarly, emotionally connected customers at quick-serve restaurants spend an average of \$201 per year with a particular brand, while highly satisfied customers without the emotional connection spend on average only \$134.¹⁴

The opportunity is clear; however, achieving the desired results requires experimentation and fine-tuning. **Connecting with the customer can strengthen and deepen your brand’s relationship with the customer, leading to real, measurable bottom-line performance improvements.**



Next steps

So then, how might a brand begin to reimagine their approach to crafting elevated, differentiated experiences, and in turn driving business results? Imagine an environment in which customers have their core values satisfied at every touchpoint, workers feel equipped to do their jobs, and key partners work in collaboration to improve the experience of all involved. This nirvana is an optimized human experience ecosystem, and it's possible for brands to achieve it.

To rethink human experience in a comprehensive way, organizations may begin by gaining a deeper understanding of the values espoused by all of the humans in their ecosystem—their customers, their workforce, and their partners. By identifying shared values across the ecosystem, brands may better understand and craft experiences that most appeal to those values. For example, we conducted a values analysis of nearly 50 hotel brands and found that consumers overwhelmingly value shared experiences—ranking as the No. 1 or No. 2 value for 83 percent of brands across all categories.¹⁵ We dug deeper and found that customers expressed a desire to be social with others, to share opinions, and to be heard. This finding suggests that the comment card is not dead (just a bit unimagined)—guests reward brands that find new and creative ways to have a conversation about their stay.

After imagining these new, aligned experiences, organizations can focus on delivering in alignment with five fundamental principles:



Be obsessed with all things human



Proactively identify and understand human needs before they are expressed



Execute with humanity



Be authentic



Change the world



Consumers overwhelmingly value shared experiences—ranking as the No. 1 or No. 2 value for 83 percent of brands across all categories.

Organizations that create connection by crafting meaningful, differentiated human experiences will be better positioned to foster loyalty and drive growth.

Authors

Ashley Reichheld, principal, Deloitte Digital, areichheld@deloitte.com

Mark Allen, principal, Deloitte Consulting LLP, marallen@deloitte.com

Emily Ballbach, manager, Deloitte Consulting LLP, eballbach@deloitte.com

Morgan Seyle, senior consultant, Deloitte Consulting LLP, mseyle@deloitte.com

The authors wish to thank **Mike Caragher, Jordan Augustin, Christina Wangen, and Maggie Fletcher** for their contributions.

Endnotes

1. US Census Bureau, 2017 Report.
2. Quoctrung Bui and Claire Cain Miller, "The Age That Women Have Babies: How a Gap Divides America," *New York Times*, August 4, 2018, <https://www.nytimes.com/interactive/2018/08/04/upshot/up-birth-age-gap.html>.
3. Michael Kolomatsky, "Who's Buying a First Home?" *New York Times*, April 21, 2017, <https://www.nytimes.com/2017/04/21/realestate/first-time-home-buyers-statistics.html>.
4. Hospitality & Catering News, "Moxy Hotels brand growth—to more than 40 new cities by the end of 2020," March 7, 2018, <https://www.hospitalityandcateringnews.com/2018/03/moxy-hotels-brand-growth-40-new-cities-end-2020>.
5. Marriott International, "Moxy Hotels," <https://news.marriott.com/brands/moxy-hotels>.
6. Business Roundtable, "Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans,'" August 19, 2019, <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>.
7. Data from Deloitte Digital's *Exploring the Value of Emotion-Driven Engagement* research study, May 22, 2019.
8. Harvard Business Review, "The Key to Happy Customers—Happy Employees."
9. Brian Kruse, "Employee describes Delta's culture of inclusion," Delta Air Lines, <https://news.delta.com/employee-describes-deltas-culture-inclusion>.
10. Emma Kate Protis, "Following \$1.3 billion profit sharing payout, Delta employees will be paid for up to 640,000+ volunteer hours," Delta Air Lines, <https://news.delta.com/following-13-billion-profit-sharing-payout-delta-employees-will-be-paid-640000-volunteer-hours>.
11. Reid Davis, "Delta named to Fortune's 'Best Companies to Work For' list for third straight year," Delta Air Lines, <https://news.delta.com/delta-named-fortune-s-best-companies-work-list-third-straight-year>.
12. J. D. Power, "As Airline Satisfaction Climbs to Record Highs, Line Blurs Between Low-Cost and Traditional Carriers, J.D. Power Finds," May 29, 2019, <https://www.jdpower.com/business/press-releases/2019-north-america-airline-satisfaction-study>.
13. Primary Deloitte research applied to the hospitality, rental car, and rideshare industries found a strong positive correlation between CX and WX, suggesting that satisfied customers and workforce are interrelated. Furthermore, we found a strong positive correlation between the composite CX+WX score and financial performance, substantiating that this alignment drives business results.
14. Motista, "Emotional Connection: A Predictive Metric For CSO."
15. Deloitte primary research analysis for *The human experience: Quantifying the value of human values in the hospitality industry*, November 2019.



Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

Copyright © 2020 Deloitte Development LLC. All rights reserved.