

ACSI Travel Report 2017

April 25, 2017

Low-Cost Carriers Top Airlines for Passenger Satisfaction as Price Drives Gains Across Industry

Airlines

Passenger satisfaction with airlines is up 4.2% to 75 on a scale of 0 to 100, but the category remains mired within the bottom one-third of industries tracked by the American Customer Satisfaction Index (ACSI). Nevertheless, there is a notable improvement this year in customer satisfaction for several airlines: American, Delta, United, JetBlue, Alaska, and Allegiant. In opposition, Frontier and Spirit have declined in ACSI compared with a year ago. The ACSI results are based on thousands of customer interviews conducted over a 12-month period ending in March 2017.

Much of the increase in passenger satisfaction appears to be driven by price. Some of the largest legacy airlines now compete better with the discount carriers. In addition, airlines have made strides to improve on-time arrivals and in-flight meals, plus lost baggage is down. Nevertheless, as long as competition is limited, chances are that passenger satisfaction will not continue to increase, but ticket prices may very well rise.

ACSI: Airlines

Company	2016	2017	% Change
Airlines	72	75	4.2%
JetBlue	80	82	2%
Southwest	80	80	0%
Alaska	77	78	1%
American	72	76	6%
Delta	71	76	7%
All Others	74	74	0%
Allegiant	65	71	9%
United	68	70	3%
Frontier	66	63	-5%
Spirit	62	61	-2%

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In contrast to many other industries, the financial return on customer satisfaction for airlines is not very high. The exceptions to this are airports that provide genuine competition among airlines or times when airlines give passengers spectacularly bad treatment in public. United's violent removal of a paying passenger, recently captured on social media, caused the company's

stock price to tumble. The United debacle is not reflected in ACSI's results as it occurred after the completion of data collection. It is unclear, however, how much this incident would have impacted passenger satisfaction as United already has the lowest ACSI score (70) among legacy air carriers.

Industrywide, the actual rate of bumped passengers is quite low, but compared with United and other legacy carriers, low-cost carriers JetBlue and Southwest have a better track record when it comes to compensating passengers on overbooked flights—either those who volunteer or those who are bumped. In 2016, JetBlue gains 2% to 82, which puts the airline firmly in the lead after sharing first place with Southwest a year ago. JetBlue's low-cost business model appeals to consumers, and cabin upgrades appear to be paying off. In second place, Southwest is unchanged at 80. Southwest continues to make its customers happy with policies such as not charging for flight changes and no hidden extra fees. Alaska Airlines, which is in the early stages of absorbing Virgin America, comes in at 78, up 1% from a year ago.

Significant gains for legacy carriers American and Delta help push the industry average higher in 2017. American is up 6% to an all-time high score of 76. Delta gains 7% to tie with American, reaching its highest ACSI level in over two decades. American has invested roughly \$20 billion in new aircraft over the past four years. During that time, its passenger satisfaction score has soared by 15%.

In April, Delta suffered setbacks due to a major storm system during busy spring break that caused about 4,000 cancellations, but this occurred well after the ACSI interviewing period ended. Earlier, however, the airline hit rough patches with computer system outages in January and the prior August. On the other hand, Delta shows efforts to pay heed to customers by adding back meals to its longer flights, with an initial rollout last fall. Looking ahead, the airline just announced a new, more generous policy to compensate volunteers on overbooked flights.

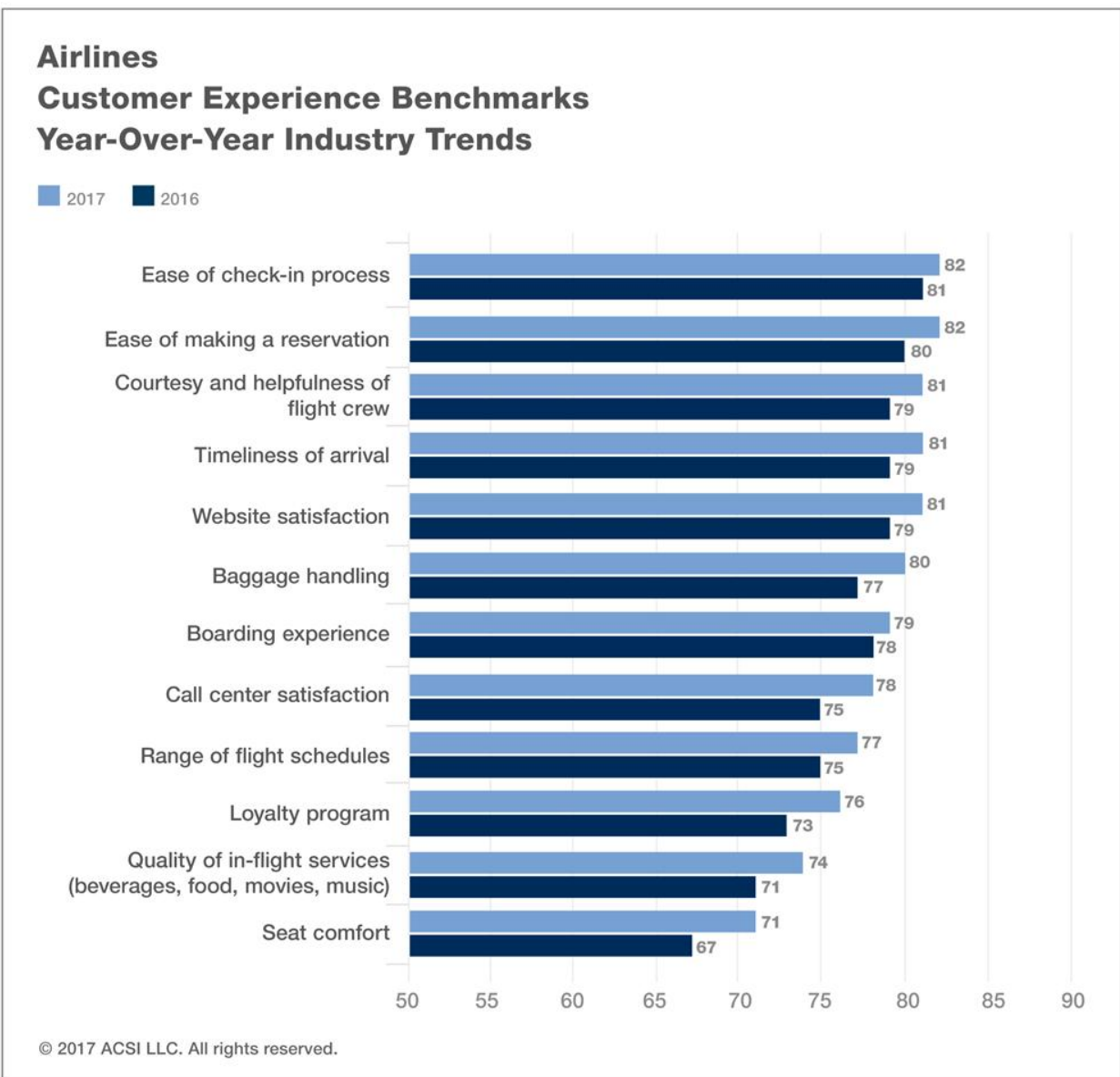
Delta and American both recently launched “basic economy” tickets, which place passengers in the main cabin at a lower cost, in exchange for less service. The initiative is an attempt to compete with low-cost airlines, but as competition among airlines appears to lessen, it is not clear that this will be a much-needed strategy aside from inflating regular economy prices across the industry.

Smaller airlines show little change in the aggregate; the combined score for “all other” airlines is stable at 74, just below the industry average. Allegiant is the most improved this year, leaping 9% to 71. Allegiant's revenue also climbed by 8% during the fourth quarter, and passenger traffic increased by 15%.

United is lowest-scoring legacy airline, despite edging up 3% to an ACSI score of 70. Frontier and Spirit, however, are the only carriers to deteriorate in passenger satisfaction. Frontier drops 5% to 63. Frontier experienced a social media uproar over poor handling of cancelled flights due to weather in Denver that hit during the busy holiday period. Another ultra-low-cost carrier, Spirit, continues to hold last place, dropping 2% to 61. Passengers apparently don't appreciate low ticket prices enough as a trade-off for low service quality—particularly as most airlines now also compete on price.

Even though air travel does not generate much passenger satisfaction compared to other consumption activities, every aspect of flying is better than it was a year ago. Website enhancements boost overall website satisfaction higher (+3% to 81) and increase the ease of booking tickets (+3% to 82). The check-in process also has gotten a bit better (82) as airlines have improved alerts and made it easier than ever before to check-in online and at airport kiosks.

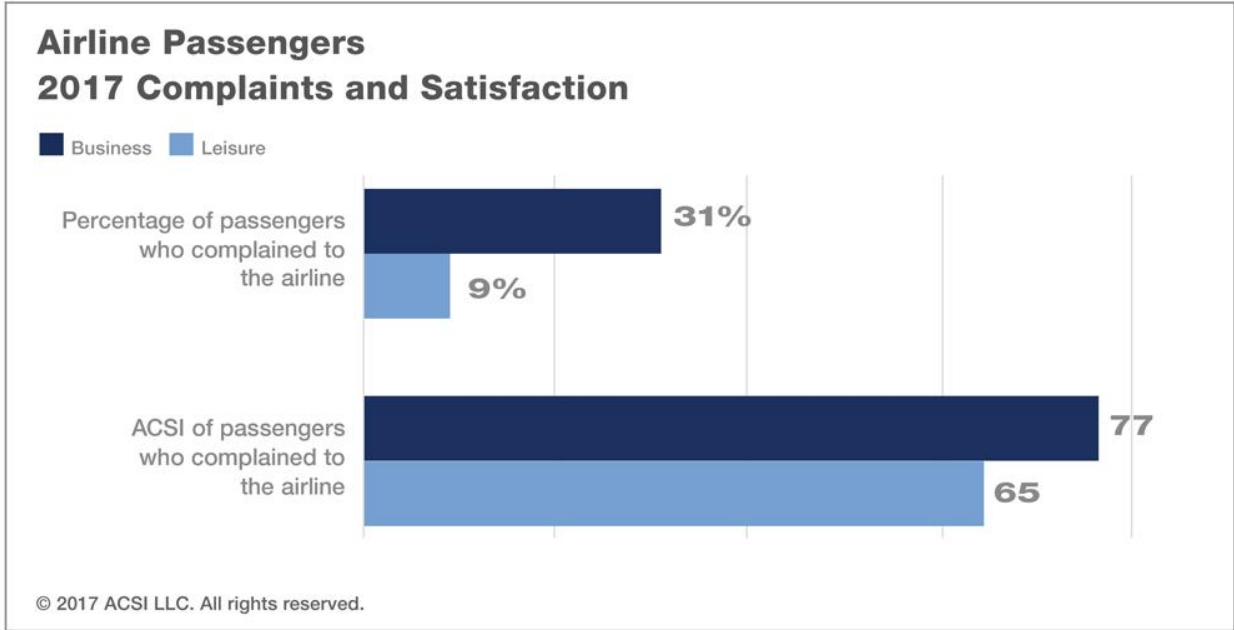
Passengers also report that airlines have become more punctual as timeliness of arrival receives an industry-wide benchmark of 81 (+3%). Baggage handling technology has advanced (+4% to 80), making luggage easier to track and far less likely to be lost. According to passengers, seat comfort is the worst aspect of air travel, although this too has improved significantly from a year ago (+6% to 71).



The percentage of passengers who reported paying fees in order to check bags increased this year, but passengers appear to have acclimated to these charges. In fact, business travelers who were charged to check luggage are some of the most highly satisfied passengers—probably because they aren't responsible for their own trip costs.

Did you pay fees to check luggage on your most recent flight?		PERCENTAGE	ACSI
BUSINESS	NO-did not pay fee	43%	76
	YES-paid fee	57%	80
LEISURE	NO-did not pay fee	61%	75
	YES-paid fee	39%	71

Nearly a third of business travelers say they have filed a complaint with an airline compared to only 9% of leisure passengers. Nevertheless, business travelers who complain are still far more satisfied than the average personal traveler with a complaint (77 vs. 65).



There is a real incentive for airlines to handle complaints well. Passengers who complain report much lower customer loyalty compared to the industry average; however, if complaints are handled perfectly, their loyalty improves tremendously.

Hotels

Guest satisfaction with hotels is up 2.7% to an ACSI score of 76, driven by a gain for the large group of smaller hotels and B&Bs. Are people as satisfied with hotels as they are with air travel? The reality is that consumers have higher expectations for hotels than airlines, and when hotels fail to deliver, guests can more easily take their business elsewhere. The hotel sector is highly fragmented, with the largest 50 hotel chains accounting for no more than 45% of market share. With the rise of online hospitality brokers like Airbnb, travelers have more choices than ever before, forcing hotel operators to compete on both price and customer service.

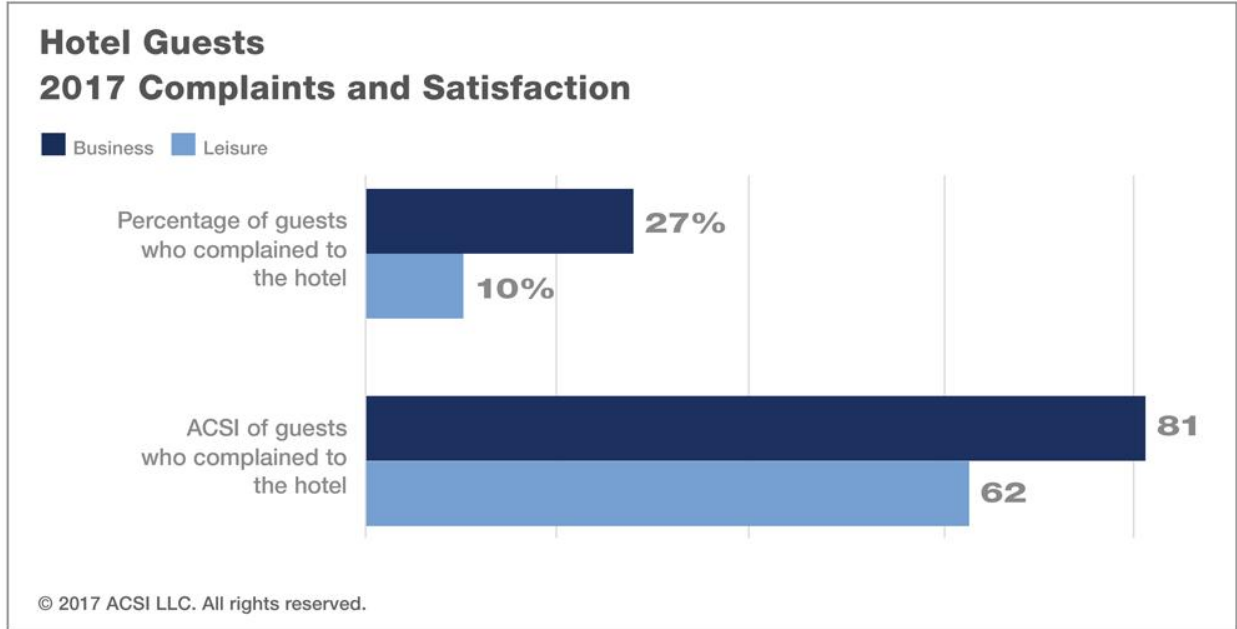
Hilton guests are the most satisfied with an ACSI score of 81, while Hyatt inches up 1% to tie Marriott for second place at 80. Marriott's Starwood brand is just a notch below with a 1% uptick to 79, and InterContinental returns to its all-time high after a 3% jump to 78.

ACSI: Hotels			
Company	2016	2017	% Change
Hotels	74	76	2.7%
Hilton	81	81	0%
Hyatt	79	80	1%
Marriott	80	80	0%
Starwood (Marriott)	78	79	1%
InterContinental	76	78	3%
Best Western	75	76	1%
La Quinta	75	75	0%
All Others	72	74	3%
Choice	74	74	0%
Wyndham	70	71	1%
G6 Hospitality (Motel 6)	65	65	0%

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Hotels catering to economy and midscale markets usually register at or below industry average in guest satisfaction. Accordingly, Best Western, La Quinta, and Choice are in the range of 76 to 74 in ACSI. The combined score of all other smaller hotels and B&Bs advances 3% to 74. Despite a 1% gain to 71, Wyndham lags nearly all major chains, but G6 Hospitality (Motel 6) places dead last, unchanged at 65.

Leisure travelers make up nearly 60% of total hotel room sales, but are far less likely to complain than business travelers. However, business travelers who complain are still considerably more satisfied (81) than self-paying guests (62). Clearly, hotels are very capable of handling complaints well for business guests, and applying these same standards to leisure guests would have a profoundly positive impact on guest satisfaction.



Hilton, Hyatt, and Marriott continue to be the top three hoteliers, with more luxury and upscale properties, better guest service, and higher-quality amenities. Among hotel brands, Marriott’s luxury resort offering, JW Marriott, tops the chart with an ACSI score of 85, while upscale Hilton Garden Inn and Hyatt Place share the next spot at 84. Part of the Marriott family, Starwood’s Aloft chain comes in at 83, alongside Hilton’s Embassy Suites Hotels.

Wyndham’s top brand, Wyndham Hotels and Resorts, ties with Hilton Hotels & Resorts at 81 and holds a slight edge over Best Western Premier (80) and three other chains (Hyatt Regency, Marriott Hotels, and Westin). Wyndham has the top-rated midscale property, Baymont Inn & Suites (76), and the best economy brand, Days Inn (67). On the other hand, the Wyndham family includes the lowest-ranked chain in the industry—Super 8 (63)—which places just below G6 Hospitality’s Motel 6 (64).

Guests prefer Holiday Inn Express (79) to other InterContinental brands, positioning it equal to Courtyard by Marriott, Fairfield Inn & Suites by Marriott, and Hampton by Hilton. Sheraton by Starwood (Marriott) is the lowest-scoring upper upscale hotel by far, graded on par with midscale Best Western and La Quinta Inns & Suites (all 75).

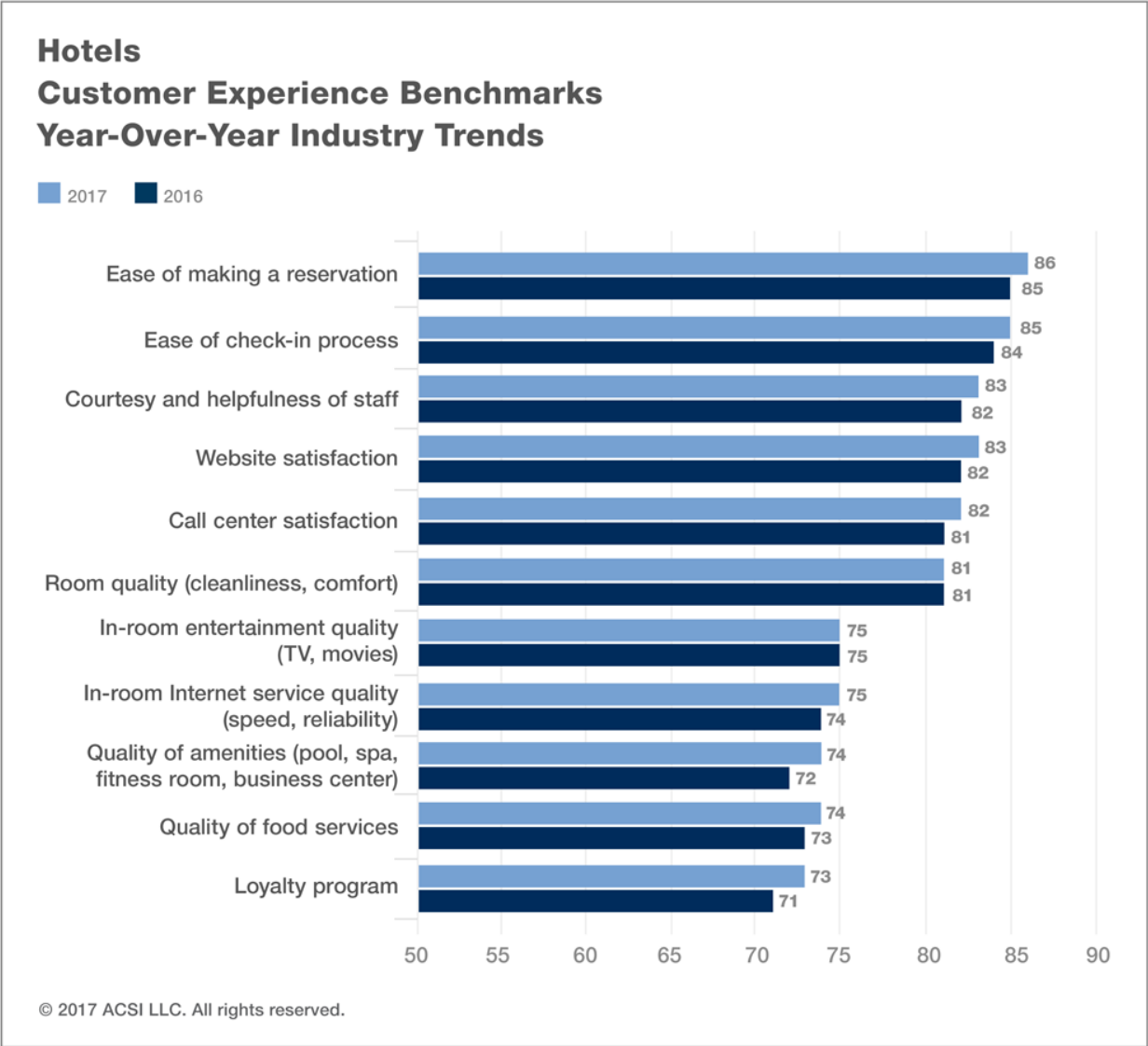
ACSI: Hotel Brands

Brand	Type*	Parent	2017
JW Marriott	Luxury	Marriott	85
Hilton Garden Inn	Upscale	Hilton	84
Hyatt Place	Upscale	Hyatt	84
Aloft	Upscale	Starwood (Marriott)	83
Embassy Suites Hotels	Upper Upscale	Hilton	83
AC Hotels	Upscale	Marriott	82
Hilton Hotels & Resorts	Upper Upscale	Hilton	81
Wyndham Hotels and Resorts	Upper Upscale	Wyndham	81
Best Western Premier	Upscale	Best Western	80
Hyatt Regency	Upper Upscale	Hyatt	80
Marriott Hotels	Upper Upscale	Marriott	80
Westin	Upper Upscale	Starwood (Marriott)	80
Courtyard by Marriott	Upscale	Marriott	79
Fairfield Inn & Suites by Marriott	Upper Midscale	Marriott	79
Hampton by Hilton	Upper Midscale	Hilton	79
Holiday Inn Express	Upper Midscale	InterContinental	79
Residence Inn by Marriott	Upscale	Marriott	78
Best Western Plus	Upper Midscale	Best Western	77
Crowne Plaza Hotels & Resorts	Upscale	InterContinental	77
Holiday Inn Hotels & Resorts	Upper Midscale	InterContinental	77
Comfort Inn, Comfort Suites	Upper Midscale	Choice	76
Doubletree by Hilton	Upscale	Hilton	76
Baymont Inn & Suites	Midscale	Wyndham	76
Best Western	Midscale	Best Western	75
La Quinta Inns & Suites	Midscale	La Quinta	75
Sheraton	Upper Upscale	Starwood (Marriott)	75
Quality	Midscale	Choice	70
Ramada	Midscale	Wyndham	68
Days Inn	Economy	Wyndham	67
Econo Lodge	Economy	Choice	66
Motel 6	Economy	G6 Hospitality	64
Super 8	Economy	Wyndham	63

*Lodging type assigned per industry standards.

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Overall, the industry has upgraded many aspects of the guest experience. Website improvements (83) have made it exceptionally easy to book rooms (86). Checking in is painless (85) and staff are more courteous and helpful (83). In fact, only room quality (81) and in-room entertainment (75) are unmoved from a year ago. Loyalty programs are the lowest-rated element per guests (73), although individual scores vary widely among companies—from 56 to 83.



Internet Travel Services

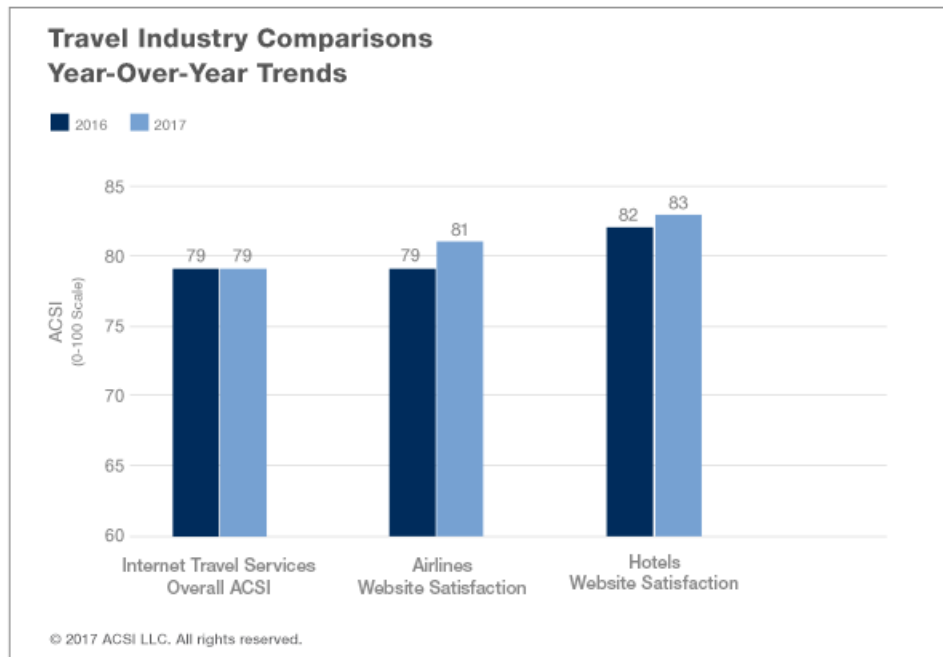
Customer satisfaction with travel websites for booking flights, hotels, and car rentals is unchanged at an ACSI score of 79. Despite being able to book entire trips through these websites, travelers still prefer reserving rooms directly with hotels (customer experience benchmark of 86).

Expedia jumps 4% to 80, matching the aggregate of smaller travel websites (+1%). Part of the Expedia family, Orbitz (+1%) and Travelocity (-1%) are somewhat lower at 78 and 77, respectively. Competitor Priceline also scores 77, but deteriorates 5% over the past year after leading the industry in 2016.

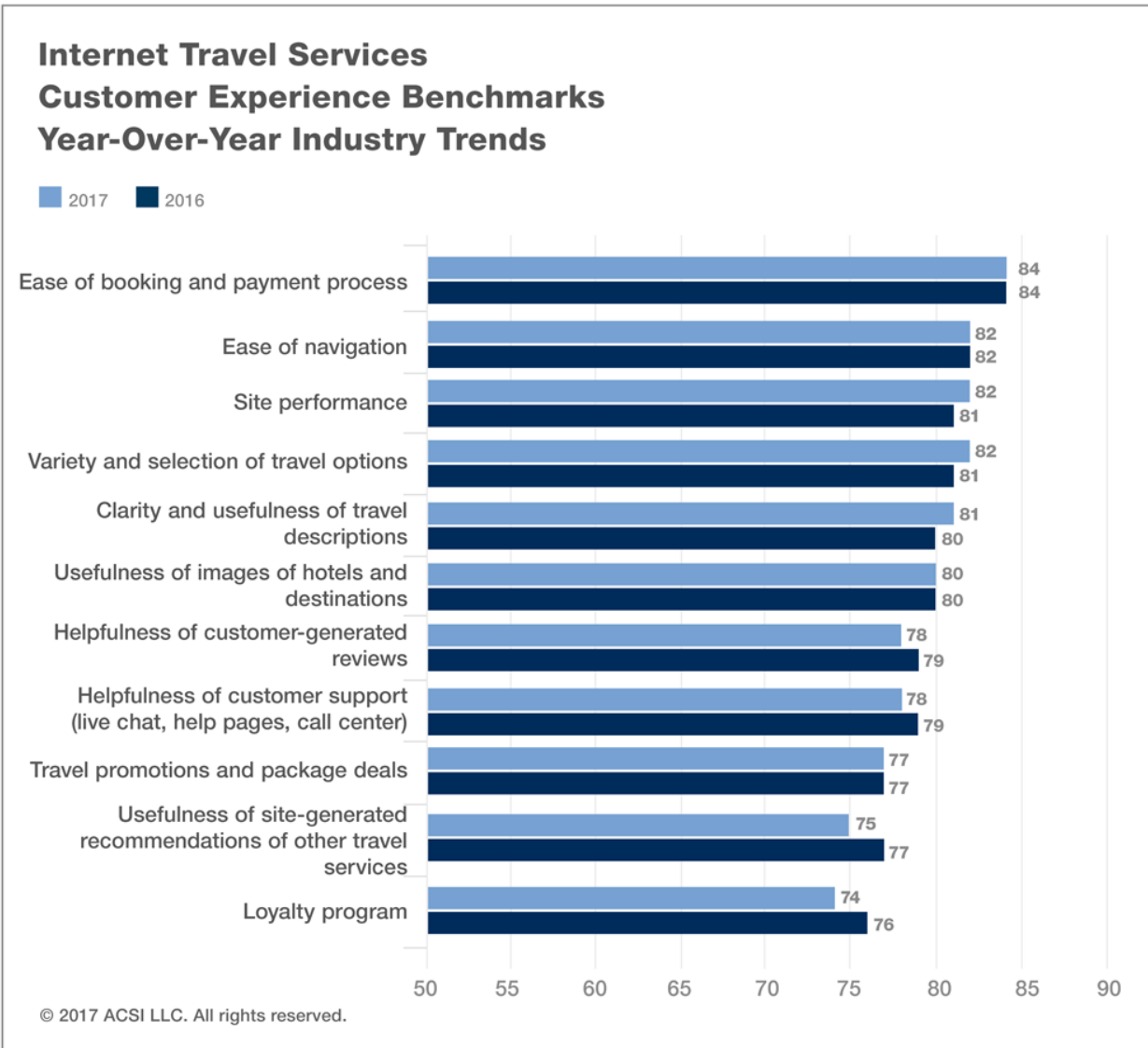
Company	2016	2017	% Change
Internet Travel Services	79	79	0.0%
All Others	79	80	1%
Expedia	77	80	4%
Orbitz (Expedia)	77	78	1%
Priceline	81	77	-5%
Travelocity (Expedia)	78	77	-1%

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With overall satisfaction stalled at 79 for internet travel services, users now give superior ratings to both airline (81) and hotel websites (83) in comparison.



The ease of the booking and payment process for online travel brokerage (84) has not improved, unlike either hotels or airlines. Site performance is up slightly (82) and there is a wider variety of travel options (82), as well as more useful descriptions on sites (81). The helpfulness of user-generated reviews and customer support have gone down (both -1% to 78), along with loyalty programs (-3% to 74).



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About This Report

The *ACSI Travel Report 2017* on airlines, hotels, and internet travel services is based on interviews with 8,660 customers, chosen at random and contacted via email between April 18, 2016, and March 19, 2017. Customers are asked to evaluate their recent experiences with the largest companies in these industries 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

