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Tourism & Transport Forum

Tourism & Transport Forum
SINCE 1989

ARE YOU BEING SERVED?

SERVICE STANDARDS IN AUSTRALIAN TOURISM

In partnership with

AMERICAN EXPRESS

TOURISM & TRANSPORT FORUM

Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

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Service a key factor in travellers' choices

Australian tourism businesses need a renewed focus on service standards to remain competitive, with four out of five Australian travellers saying that customer service is very important when choosing between companies.

Underscoring its importance to the tourism industry, almost half of all travellers placed a higher importance on customer service for travel-related purchases than for purchases in general.

Are You Being Served? is a survey conducted by the Tourism & Transport Forum (TTF) and American Express aimed at finding out Australian travellers' attitudes and opinions on service standards in Australian tourism:

- Whether they meet travellers' expectations;
- What factors influence purchase decisions and future consumer behaviour;
- How different industry sectors stack up; and
- Which factors detract from overall satisfaction levels.

The survey revealed that customer service ranked third overall among factors which influence the choice of travel or hospitality companies, behind value for money and product/service availability.

However, luxury travellers ranked customer service first, providing evidence for the need and potential benefits of differentiated service offerings for those companies which target travellers across the budget, mid-range and luxury segments.

Three quarters of Australian travellers also revealed they were willing to pay more to help ensure a better customer service experience. While the luxury segment was the most willing to pay more for good service, the fact that almost 70 per cent of budget travellers would also pay more should be further incentive for additional investment in service quality.

Almost half of all travellers placed a higher importance on customer service for travel-related purchases.

Australian tourism businesses must focus on improving customer service standards to offer a better value proposition to visitors to help the country build a more profitable and sustainable tourism industry.

The vast majority of travellers are having their expectations met by Australian tourism businesses (85 per cent), but just 8 per cent reported that businesses were exceeding their expectations.

The customer experience also has a big influence on future consumer behaviour, with four in five travellers highly likely to give repeat business after a good experience and three in four highly likely never to do business with a company again after a bad experience. Unfortunately, many businesses are unlikely to ever hear from dissatisfied customers, with fewer than half willing to provide this feedback directly to companies.

As far as negative factors are concerned, Australian travellers expressed a dislike of excess charges, with credit card processing fees their number one issue. 54 per cent of respondents said such imposts had a significantly negative impact, although it was more of an issue for budget travellers than for luxury travellers. Other negative factors include Sunday or holiday surcharging and excessive paperwork.

Overall, Australian travellers spent an average of 16 nights travelling domestically over the last year, with half also having been overseas. The buoyant economy and strong dollar will see that trend continue, highlighting the competitive environment in which Australian tourism businesses are operating.

Unable to compete aggressively on price with many other international destinations, this survey indicates that Australian tourism businesses must focus on improving customer service standards to offer a better value proposition to visitors to help the country build a more profitable and sustainable tourism industry.

Introduction

Service quality and satisfaction in the Australian tourism and hospitality industries

The Tourism & Transport Forum (TTF) has partnered with American Express to conduct a survey exploring various aspects of service quality and to examine the satisfaction of Australian travellers with the service quality received from Australian travel and hospitality businesses.

The survey was conducted through an online panel, conducted between 22-26 February 2011. There were 1,018 respondents aged 18 years or older.

Respondents were selected to ensure the sample was representative of the Australian population according to three dimensions: gender, age groups and state of residence.

With the primary aim of the survey to look at Australians' perception of service quality and satisfaction with Australian tourism and hospitality businesses, respondents were first screened to identify whether they had at least one night away from home travelling in Australia, whether for business or leisure, in the previous 12 months. Non-travellers were not surveyed.

Respondents then self-determined their travel segment as budget, mid-range or luxury, based on their travel within the last year. Quotas were set to ensure a sufficient proportion of the sampled population in each of the three travel segments. The final sample was 30 per cent in each of the budget and luxury segments, and 40 per cent in the mid-range segment.

The segmentation of respondents across travel segments aims to provide insight into the differences in the influence of various factors for travellers on differing budgets or whether the influence of those factors is universal.

In an increasingly competitive international travel market, the results of the survey provide critical information on the factors that influence the decision making of Australian travellers, the importance of service quality in the decision making process and the satisfaction of Australian travellers with the offering of Australian tourism providers.

Travel within Australia & overseas

Travel in Australia

Australian travellers spent an average of 16[1] nights away from home for business or leisure in Australia in 2010[2]. One in five spent five nights or fewer travelling in Australia, while more than a third (35%) were away for 16 or more nights.

Travel outside Australia

Half of all Australian travellers had also been overseas during 2010. Travellers in the luxury segment (see Figure 2) were much more likely (69%) to have travelled overseas than the mid-range segment (47%) or the budget segment (35%).

Travellers who went overseas, spent an average of 25 nights outside Australia in 2010, with luxury travellers overrepresented in every length of stay category.

FIGURE 1

How many nights have you spent travelling in Australia in the previous 12 months?

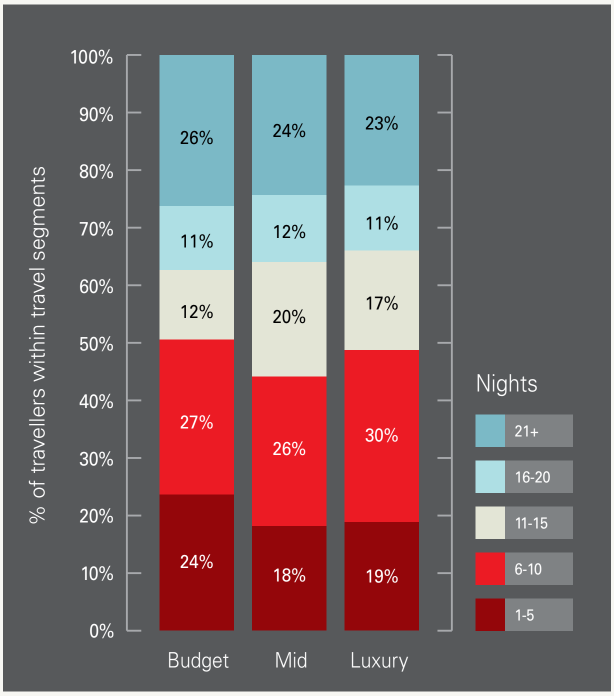
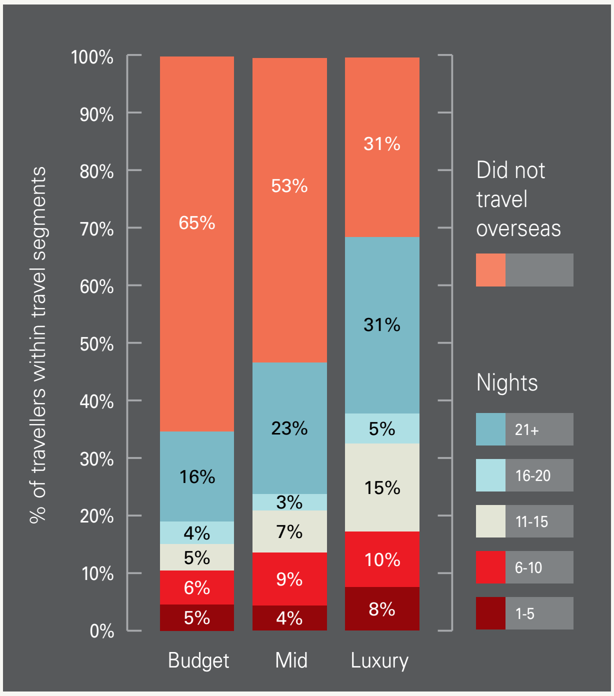


FIGURE 2

How many nights have you spent travelling outside Australia in the previous 12 months?



1 The average length of stay reported excludes travellers away from home travelling in Australia in excess of 180 days as this minority of travellers skewed the results substantially.
2 The survey was conducted on 22-26 February 2011, referring to travel in the previous twelve months. For simplicity, the travel period will be described as 2010.

Importance of customer service in purchase decisions

Overall importance of customer service

Almost four out of five Australian travellers (79%) indicated that customer service was *very important* when choosing companies with which to do business. The other 20 per cent said it was *somewhat important*.

Among luxury travellers, 90 per cent said customer service was *very important* while this dropped to 70 per cent among budget travellers as other factors became more prominent.

Importance of customer service in travel purchases

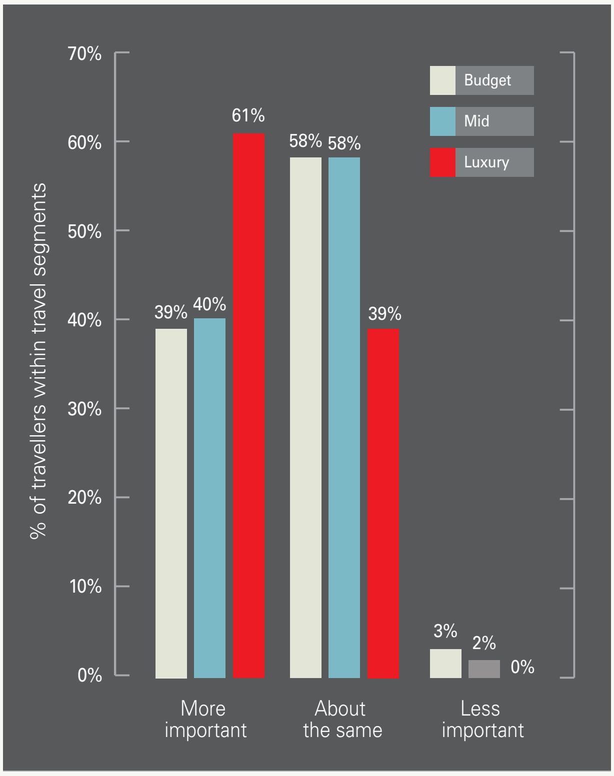
Almost half of all Australian travellers (46%) reported that customer service was more important for travel-related purchases than for other purchase decisions.

Luxury travellers (see Figure 3) were more likely to report that customer service was *more important* when it came to travel purchases (61%) than travellers in the budget and mid-range segments (39% and 40%, respectively).

These results point to the need for Australian tourism businesses to focus on improving service standards. As Australian tourism businesses are unable, in many cases, to compete aggressively on price with international destinations, providing excellent customer service is critical to the customer's perceived value of their Australian tourism experience.

FIGURE 3

Is customer service more or less important when deciding between companies when it comes to travel purchases?



Where does customer service rank among other factors influencing choice of travel and hospitality companies?

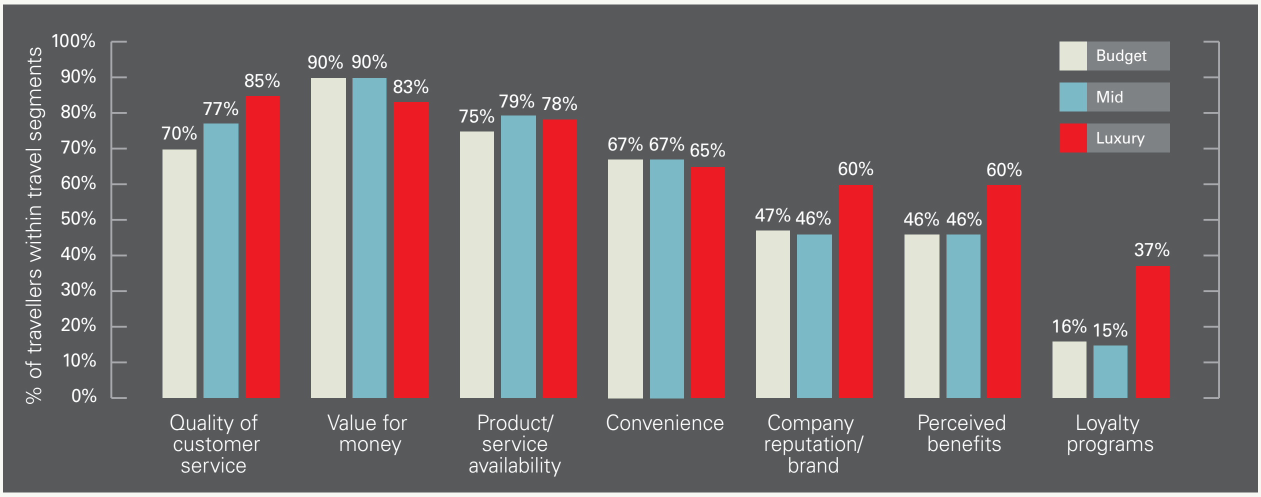
Among Australian travellers in general, the key factor when choosing travel and hospitality companies is value for money (88%). The second factor most frequently rated as *very important* was product or service availability (78%), followed by customer service (77%).

However, quality of customer service was the factor rated most frequently as *very important* by the luxury travel segment (85%, see Figure 4), although these travellers were also more likely to rate a company's brand, perceived benefits and the availability of loyalty programs as *very important* than other travel segments. In fact, loyalty programs were *very important* to more than a third of the luxury travel segment (37%), while only 15-16 per cent of other travellers reported this.

That such a high proportion of luxury travellers rated quality of customer service as *very important* is another indication of the standards this segment expects. These results suggest that while high-end travellers are prepared to pay more, not only do they have high expectations of the experience, but many of them also expect to be rewarded for their custom with ancillary benefits from the transaction (such as loyalty program points).

FIGURE 4

Which of the following factors are **very important** when choosing a travel & hospitality company?



Elements of customer service

When asked about the importance of various elements of service quality that contribute to their experience with Australian travel and hospitality businesses, the responses of Australian travellers were quite consistent across the three segments, with the overall ranking being:

- Product quality– 82 per cent of Australian travellers rated it as *very important*;
- Friendliness – 78 per cent;
- Availability of product or service on the date required – 76 per cent;
- Knowledge – 75 per cent; and
- Speed of service/staff availability – 72 per cent.

Willingness to spend more for excellent customer service

Almost three quarters (74%) of Australian travellers indicated that they were willing to pay more to deal with travel and hospitality companies which they believed would provide excellent customer service. Among Australian travellers:

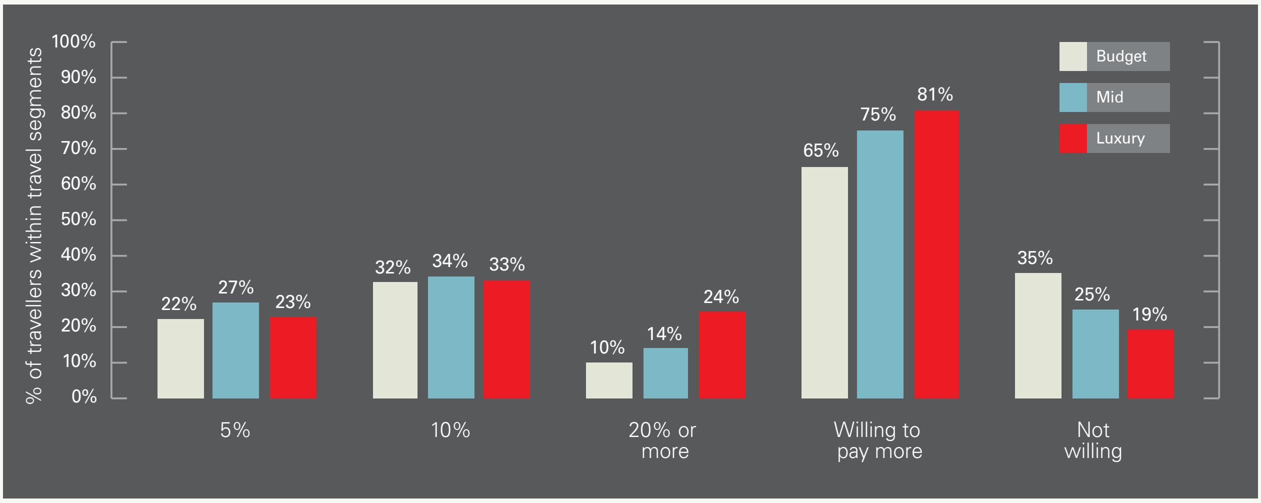
- One quarter (24%) said they were willing to pay an extra 5 per cent;
- One third (33%) said they were willing to pay an extra 10 per cent; and
- One sixth (16%) said they were willing to pay an extra 20 per cent or more.

More than half of travellers in the luxury segment (57%) were willing to pay at least 10 per cent more to deal with travel and hospitality companies they believed would provide excellent customer service with a quarter (24%) willing to pay 20 per cent or more to help ensure a better customer service experience (see Figure 5). This should provide considerable incentive to companies targeting the upmarket travel segment.

Again, the results indicate that travellers in the luxury segment are willing to spend more to receive better service and that travel and hospitality operators at this end of the market must provide excellent customer service to be competitive.

FIGURE 5

Are you willing to spend more to deal with travel & hospitality companies that provide excellent customer service?



Factors that influence travel & hospitality decision making

The vast majority of Australian travellers report that their personal experience with a travel or hospitality company was very influential in their decision making for future purchases (87%).

This result emphasises the need for companies to provide quality customer experience throughout the transactional process, as future purchase decisions will be heavily influenced by previous interactions.

Recommendations from friends and family are the second most influential factor (55%), followed by company reputation (45%). These factors, however, are significantly less influential than personal experience.

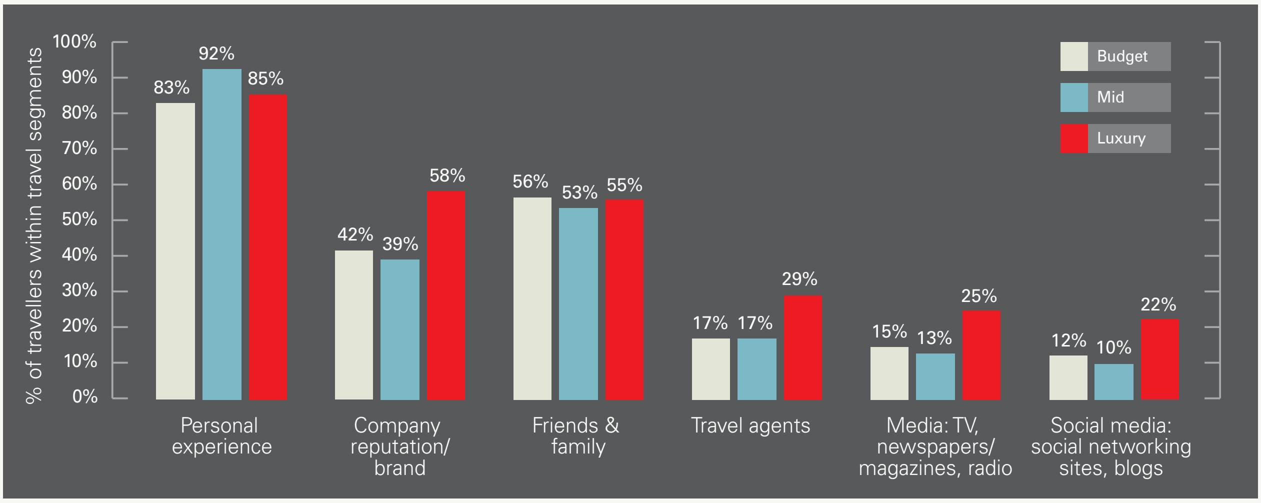
Travellers in the luxury segment (see Figure 6), while still highly influenced by past experiences, were the most likely segment to be highly influenced by a company's reputation or brand (58% vs 45% among all travellers).

Recommendations from friends and family rounded out their top three most influential factors, but this segment was more likely to report travel agents, traditional and social media as being highly influential than other travellers.

> Future purchase decisions will be heavily influenced by previous interactions.

FIGURE 6

Which of the following have been **very influential** in your decision making when it comes to travel & hospitality related purchases?



Satisfaction with performance across sectors in the Australian tourism industry

Are Australian tourism businesses meeting your expectations?

Among travel and hospitality related purchases in Australia, 85 per cent of travellers across the segments reported that businesses were generally meeting their expectations, while 8 per cent reported that in general their expectations were exceeded.

Interestingly, while 8 per cent of budget travellers say their expectations of travel and hospitality related purchases in Australia are generally exceeded, only 5 per cent of those in the mid-range travel segment reported having their expectations exceeded but 12 per cent of those in the luxury segment did. Are those businesses which target the luxury travel segment more successful in delivering excellent customer service?

Given the influence of personal experience in purchase decisions, these results raise the question as to whether simply meeting expectations is enough to encourage repeat business. Also, considering travellers' willingness to pay more for excellent customer service, these results would also seem to indicate that additional investment in customer service would not go unrewarded, increasing the likelihood of repeat business in the future.

Question… whether simply meeting expectations is enough to encourage repeat business.

Image Courtesy of Qantas

Tourism Australia Copyright

Performance of individual sectors within the tourism industry

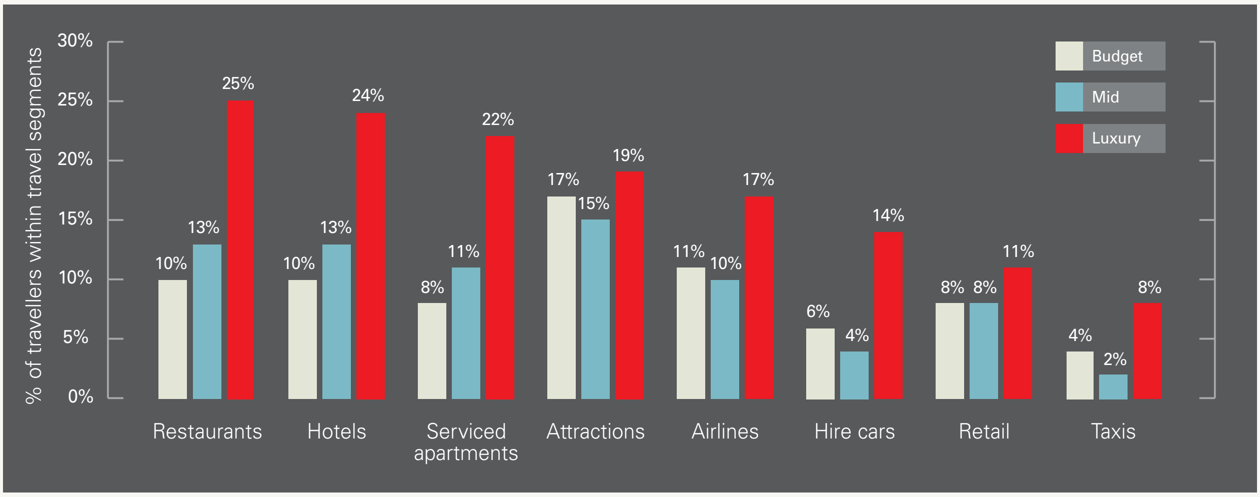
Among the individual sectors of the Australian tourism industry, the attractions sector was most frequently reported as exceeding travellers' expectations (17%), with the hotel and restaurant sectors (each at 16%) rounding out the top three performing sectors according to Australian travellers. Serviced apartments and airlines occupied the middle ground in terms of exceeding traveller expectations (14% and 12%, respectively), while the retail sector, hire cars and taxis were at the bottom of the list.

Travellers in the luxury segment were more likely than other travellers to report that businesses in each of the industry sectors had exceeded expectations (see Figure 7). The top performing sectors according to this group were restaurants, with one quarter of luxury segment travellers indicating restaurants were generally exceeding their expectations, followed by hotels (24%) and serviced apartments (22%).

The attractions sector was the most frequently reported as exceeding expectations by travellers in the budget and mid-range segments (17% and 15%, respectively).

FIGURE 7

Among segments of the Australian tourism industry, do you think that businesses in the last year have **exceeded your expectations**?



Factors which impact on satisfaction

Impediments to satisfaction among the travel segment

Of the factors which negatively impact Australian travellers' satisfaction with a tourism or hospitality experience, processing fees for credit cards was the most frequently mentioned as having a *significantly negative impact* (54%), followed by Sunday or holiday surcharging (50%), excessive paperwork (47%) and queuing (45%).

Processing fees on credit cards was the factor most frequently rated as having a *significantly negative impact* across all three travel segments, ranging from 57 per cent for the budget traveller segment to 49 per cent for the luxury traveller segment (see Figure 8).

For many consumers, credit cards would be the primary method of payment for large travel-related transactions, as many travellers may not have access to cash reserves to cover these purchases.

Sunday or holiday surcharging is also having a significantly negative impact on satisfaction across traveller segments. It is the second ranked negative factor among travellers in the budget and mid-range segments (50% and 55% respectively), but drops to fifth rank among luxury travellers for whom the surcharge likely represents a proportionally smaller impost.

Congested tourist sites rank in the top three negative factors for travellers in both the luxury segment (44%) and the budget segment (48%).

Most Australian travellers, however, seem to have resigned themselves to the customs, immigration and quarantine processing time, as this factor was least frequently mentioned as having a negative impact on satisfaction. This may reflect a general acceptance that this process is necessary and has security benefits for Australia.

FIGURE 8

Would the following have a **significantly negative impact** on your level of satisfaction with the service quality of a tourism or hospitality experience?

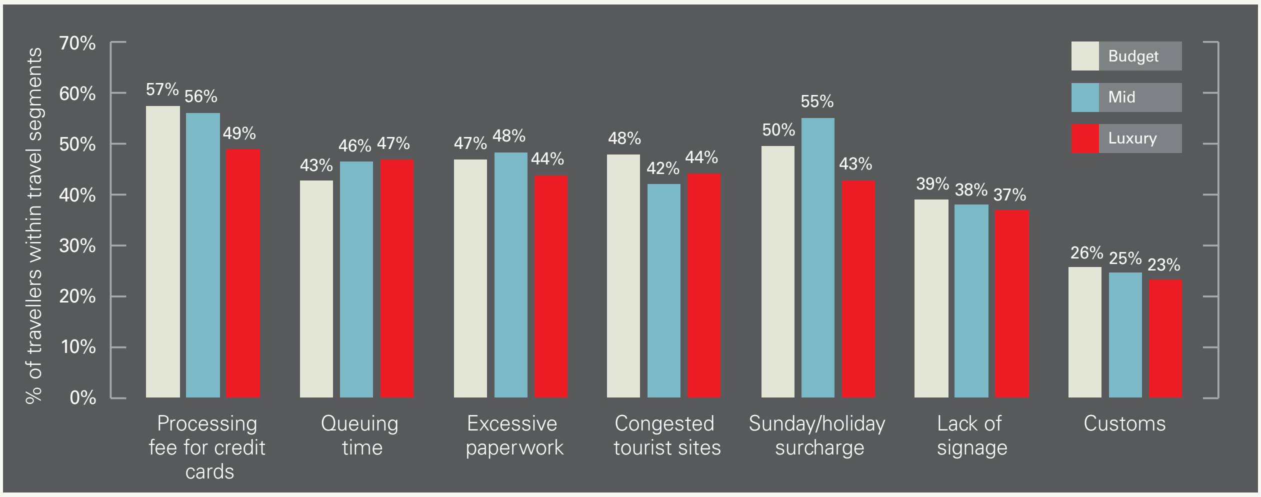
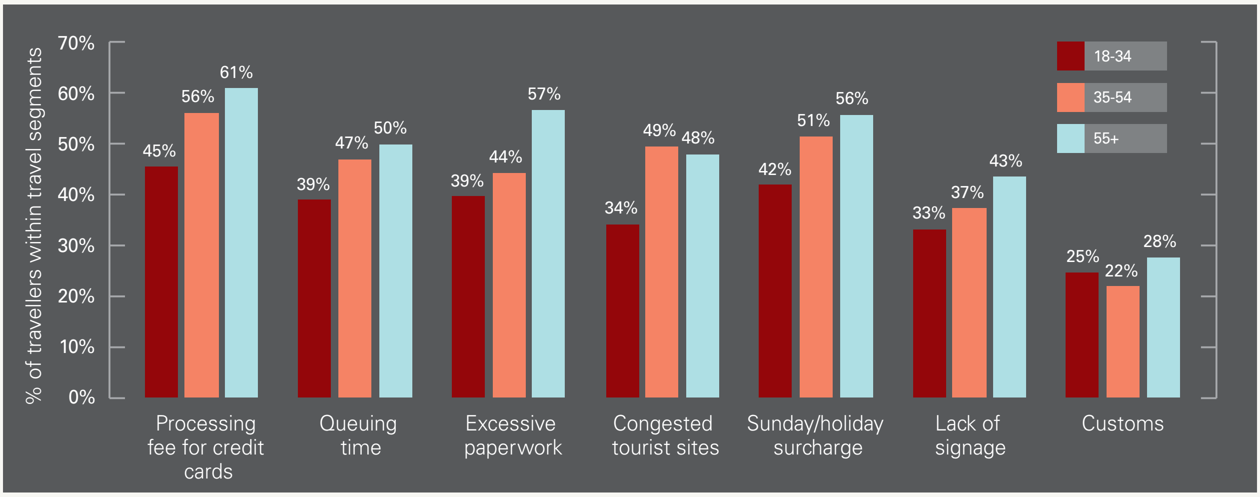


FIGURE 9

Would the following have a **significant negative impact** on your level of satisfaction with the service quality of a tourism or hospitality experience?



Impediments to satisfaction among men and women

The list of factors which negatively impacts on satisfaction was remarkably consistent for men and women. Men were slightly more likely to report that their satisfaction with a travel or hospitality company was *significantly negatively impacted* by credit card processing fees and by congested tourist sites, while women were more likely to be frustrated by a lack of signage.

Impediments to satisfaction among different age groups

A clear pattern could be seen among the different age groups of Australian travellers with the younger cohorts less likely to report being *significantly negatively impacted* than their older counterparts (see Figure 9). The only exceptions to the pattern appear for congested tourist sites, which are less of an irritant for the older cohort, and customs, immigration and quarantine, which seem to be less of an issue for the 35-54 year cohort.

Preferences for travel packages

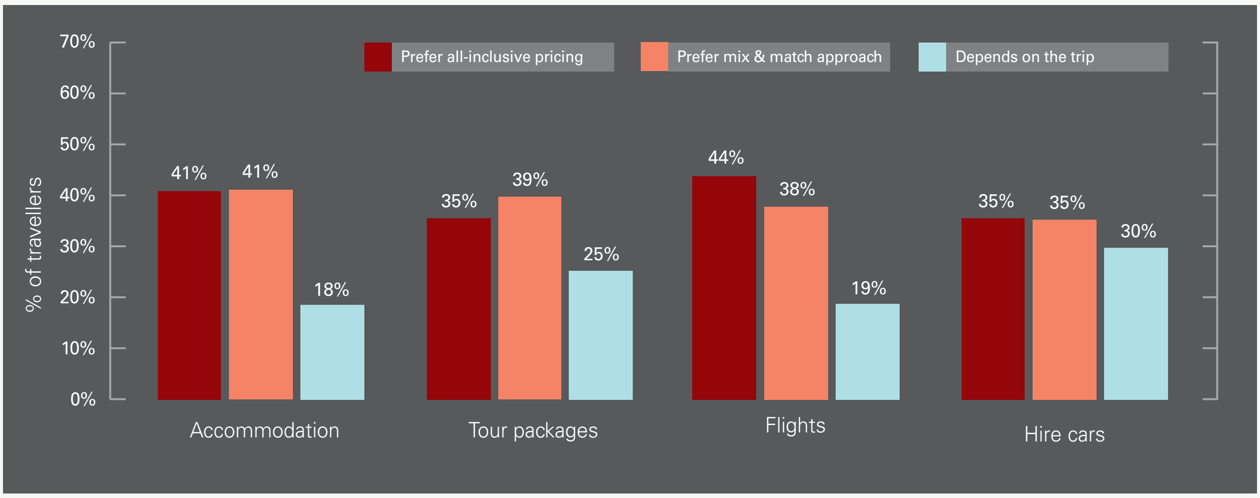
Australian travellers were asked about their preferred pricing and packaging approach across a number of different travel categories.

Preference for all-inclusive pricing

Among Australian travellers, the preference for all-inclusive pricing varies from a high of 44 per cent for flights to a low of 35 per cent for tour packages and hire cars (see Figure 10). Those with a stated preference for being able to mix and match elements when making travel-related purchases account for the greatest share of travellers in the accommodation and tour package categories.

FIGURE 10

Would you prefer to pay an all-inclusive price or be able to mix & match the elements you would like included when it comes to the following travel-related purchases?



Flight extras

Among Australian travellers who indicated a preference for being able to mix and match elements[3] when it comes to booking flights (see Figure 11), those items that they are *very likely* to pay for are travel insurance (34%), extra baggage, food and drinks and a confirmed seat (each 21%). They were most unlikely to pay for in-flight entertainment (53%), a credit card payment fee or for extra leg room (both 49%).

Tour package extras

Among Australian travellers who indicated a preference for being able to mix and match elements within a tour package (see Figure 12), those items they are *very likely* to pay for are having breakfast included (43%), having all meals included (25%) and upgraded accommodation (23%). A majority of Australian travellers were somewhat likely to pay for additional excursions or activities (61%).

FIGURE 11

Assuming you purchased a discount airline ticket, how likely would you be to pay for the following items?

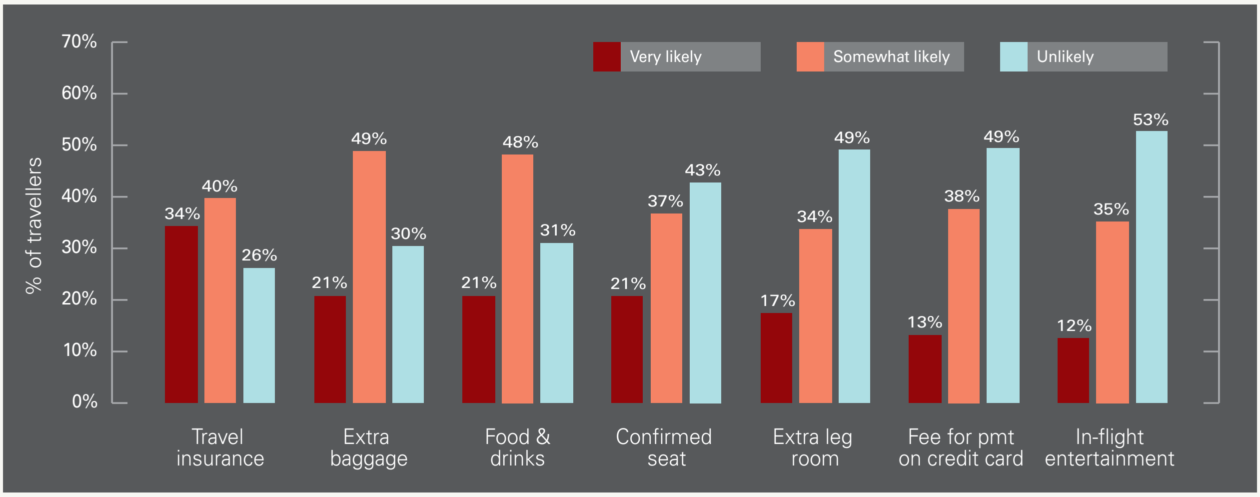
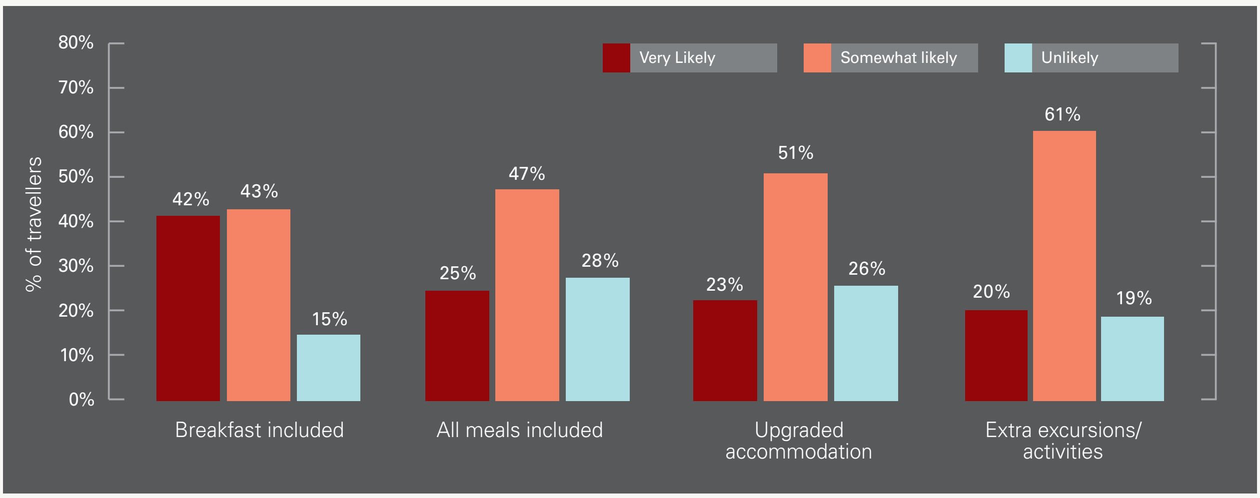


FIGURE 12

Assuming you purchased a tour package, how likely would you be to pay for the following additional items?



3 Respondents include those who have indicated they prefer a mix and match approach when booking flights or those who indicated that their preference depends on the trip. Respondents who indicated they prefer all-inclusive pricing are excluded.

Post purchase behaviour

Australian travellers were asked their responses to both good and poor customer service experiences with travel and hospitality companies.

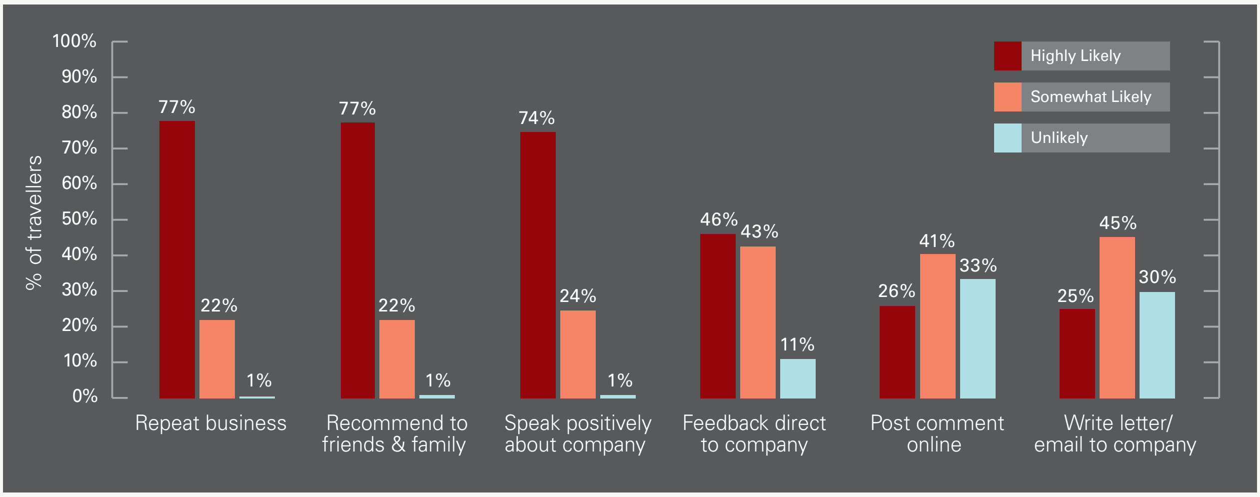
Responses to positive customer service experiences

Among Australian travellers (see Figure 13), the most likely response to a good customer service experience with a travel or hospitality company is to give the company repeat business (77%), recommend the company to friends and family (77%) and speak positively about the company (74%). Given the additional expense involved in sourcing first-time customers and the value of personal endorsements to family and friends, the potential rewards to businesses which provide good customer service are clear.

The potential rewards to businesses which provide good customer service are clear.

FIGURE 13

After a good customer service experience with a travel & hospitality company, how likely are you to:

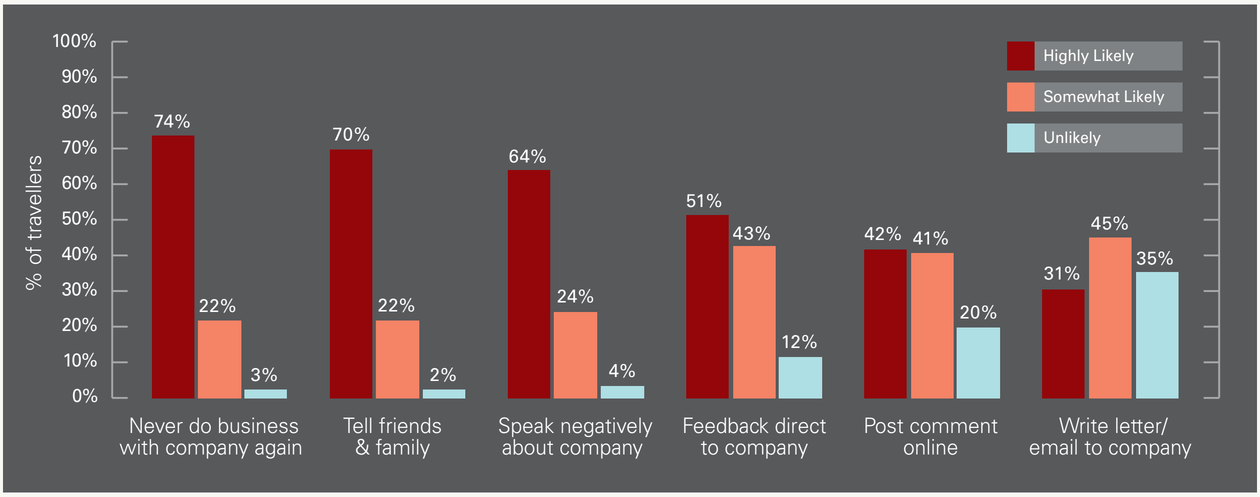


Responses to negative customer service experiences

After a poor customer service experience with a travel or hospitality company, Australian travellers (see Figure 14) are highly likely to elect to never do business with the company again (74%), tell friends and family (70%) and speak negatively about the company (64%). The challenge for travel and hospitality companies is that only about half of dissatisfied customers will actually provide feedback directly (51%).

FIGURE 14

After a bad customer service experience with a travel & hospitality company, how likely are you to:



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