

Customer Experience  
Excellence Centre



## 2016 Travel and Transport Sector Briefing

# The Travel Experience: Getting to the future first

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# Customer experience is the new operational excellence

*The good news:* demand is up. More customer journeys than ever, and economic fundamentals that suggest this will continue.

*The bad news:* despite billions of public and private investment in transport assets, getting from A to B on public transport often continues to be difficult, stressful and wearisome. Although many brands aspire to the glamorous heyday of travel, the reality is often different; driven by fragmentation, lack of a coherent vision, and the challenges posed by increasingly busy skies, roads, and railways.

However, some organisations are emerging from the congestion, delivering outstanding customer experiences – despite the structural and cultural issues imposed on (and sometimes by) the travel industry.

Across the board, 89% of CEOs interviewed by analysts Gartner believe that it will be customer experience, rather than product and price, that will fuel the new competitive battlefield between now and the end of the decade<sup>1</sup>. We are beginning to see indications of how this will play out in the travel and transport sector.

What is already clear is that to compete effectively requires a new mindset, a new way of seeing the world. It requires executives and company leaders to abandon the old paradigm: that a good transport company is simply about engineering, cost-control, and safety. Seen through the eyes of the traveller, these are the minimum baseline, the must-haves that are the company's licence to operate (quite often literally). But when it comes to choice, the soft product and the experience are as important, if not more so, than the hard product.

Some high flying transport companies have managed to deliver superior customer experiences linked to improved commercial returns, and in doing so have set new standards for the travel and transport industry. They are, however, few in number, and (unlike sectors such as financial and retail) are ahead of the curve compared to their peers.

In this paper, we look first at the six factors that separate the winners from the also-rans, and then at how to implement these in a resource limited environment (measuring the return on investment of customer experience).

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**89% of CEOs believe customer experience rather than product and price will fuel the new competitive battlefield<sup>1</sup>.**

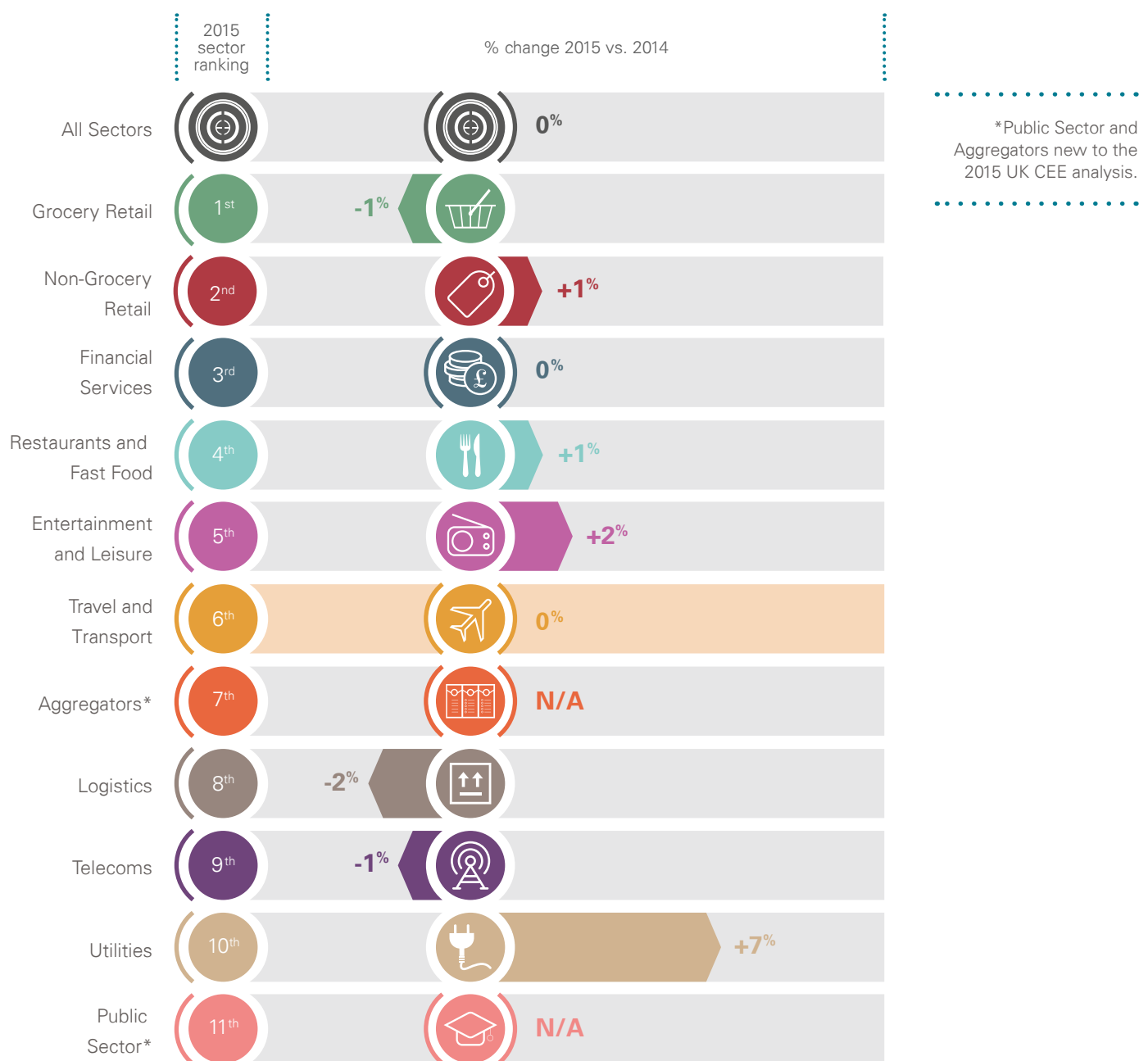
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1. “Gartner Survey Finds Importance of Customer Experience on the Rise — Marketing Is on the Hook,” Gartner, September 29, 2014.  
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The chart below shows that transport ranks 6<sup>th</sup> out of the 11 sectors we researched. Not the worst performing, but a long way from the best. There is clearly a considerable opportunity for organisations who are forward thinking and focused on the customer to make a real difference, but the questions are: how, and why should we do this? We think the answer is simple - a happy customer drives shareholder value.

## UK Customer Experience Excellence sector performance



# Towards a new way of thinking

“

**The future is all  
around us – it  
just isn't evenly  
distributed yet.**

William Gibson

”

to Millennials, proactively managing switching behaviour by predictive analytics, driving ancillary revenues, and, ultimately, driving shareholder (or stakeholder) returns.

For those that lead this revolution, it has required a new mental model of how we view the traveller. As a member of a crowd to be effectively managed through a series of process stages or as an individual with fears, concerns and unique needs, the leaders are increasingly drawing on the hospitality model. Seeing the traveller metaphorically as a “guest”, not a passenger. Treating the guest with all of the respect and deference they might expect from a top class hotel or high-end retail store. Drawing their inspiration from Ritz Carlton and Four Seasons rather than the “take it or leave it” mass transit approach of yesteryear.

Every CEO worries about the impact of disruptive industries. From black cabs to Uber; Kodak to Instagram; Blockbusters to Netflix, these are the rapid transformations that should cause worry lines at every board table. But transport is generally immune, right?

Wrong.

Firms in the travel industry face a stark choice, get to the future first or get left behind in an outdated view of serving the customer.

Early signs are indeed all around us, from next generation airports which are destinations in their own right, to the advanced personalisation and customer engagement in industries as diverse as public transport and airlines. Customer loyalty isn't just a retention tool. Marketing isn't just driving demand. It's about recognising choice; rewarding loyalty in the very different ways valued by Generation-X

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”



# Responding to the age of the customer

So how should the travel industry respond to the seismic shifts being dictated by the “age of the customer”?

At the outset, it requires recognition that the key to the change lies in the rapidly escalating expectations set by experiences elsewhere. We now expect every digital interaction to be like Amazon, every human interaction to be like John Lewis and every phone call to be like First Direct. And when the experience falls short, then – because we live in the “switching economy” – the customer is potentially lost forever.

Our research indicates six factors that will ultimately separate the winners from the also-rans:

## Recognising and reacting to the limitations of the current model by changing the competitive boundaries



Changing the rules of the game involves rethinking how customer needs can be met. American Airlines, for example, linked up with Uber to provide an end-to-end experience for their customers, even though this is outside of their direct involvement with the part of the journey they physically “own” (the bit at 30,000 ft).

Organisations are redrawing the competitive boundaries in a way that reflects the customer’s ultimate mission, not just the part they deliver.

## What we stand for



Through our Customer Experience Excellence research, we have observed an increasing desire amongst consumers for authenticity. For some, that is congruence between word and deed, for others, it is businesses that stand for something more than making profit for shareholders.

This requires more than just a set of CSR initiatives. This is wiring a sense of moral purpose through the organisation. Air New Zealand have done this well with their “Essential Kiwiness”, ensuring that every

experience reflects the pride in being a New Zealander, every interaction with a customer is in line with Kiwi values.

First Great Western are seeking to evoke the sense of adventure that the Great Western Railway created in previous times. For Singapore Airlines, it is the values of Eastern service and hospitality. Each of these companies stand for something elemental that connects emotionally with their customers.



## Responding to the needs of the digital passenger



Significant portions of the customer journey are being automated, mainly for cost saving purposes. Booking a ticket, checking-in, dropping bags, checking travel status, and many other aspects of the “journey” that once involved a touch-point between employee and customer, are now automated or involve significantly less human-human interaction.

This means that the opportunities to empathise and build personal rapport on a human level are reduced. At the same time, the key points where customers want interaction (usually when either bored or stressed), are the same times when staff are busy engaged in their “core” work activity. A cabin crew attendant had little time to interact during preparation for take-off, and a revenue protection officer

needs to check the tickets before the train reaches the next station rather than welcome you on board.

Many companies are looking at ways of facilitating better and more personal interactions during key times (something as simple as being greeted on boarding an aircraft). The more advanced airlines have begun to use tablet computers as a mechanism to study the passenger list, identify frequent travellers and greet them personally by name. Others are looking at how to provide better recovery from service disruption, by using prioritisation and triage methods often developed in completely different fields (for example, police response tactics during major incidents).

## Disruption management



However, the question remains about what can you do about what you can't control? The weather remains obstinately resistant to influence, and industrial action in the supply chain can cause havoc. But provision of timely and relevant information is something a company can do. And if that information is gratefully received through a channel that can also lead to revenue upside, then this looks like a fruitful area to explore further.

The passenger is often better equipped with knowledge than those that have the task of managing disruption: flight radar 24 will tell them where the incoming aircraft is, a quick google search will tell them when an airport is closed and when it might reopen. Twitter provides a constant update from a passenger perspective as those affected pool their knowledge.

And yet, if the passengers can do this, why can't the airport or the customer service teams?



## Empathy is a key need of the digital generation as automation amplifies the importance of employee-customer engagement



KPMG asked a sample of its (younger) employees what they looked for most in a travel provider other than price. The top answer was empathy. This result is backed up time and again by the work we do with clients. Thinking like the customer helps to serve them better.

The proliferation of social media can also provide real-time signals as to how a customer is feeling, but this is much more than, for example, the direct feedback to a bus operator about their delayed bus. It's in their broadcast dialogue with their friends, colleagues, and followers. The availability of (near) real-time sentiment analysis tools enables the temperature to be taken on a regular basis. Advanced

companies have a multi-layer strategy to deal with how people are feeling: from use as a tool to track the success of a new security screening layout, to proactive monitoring of (and intervention towards) those people who can quickly cause brand damage due to their number of followers on platforms like Twitter.

What is clear is that the ability to respond well to a bad situation (such as a delay) can have the impact of improving satisfaction to above the levels seen if no delay had occurred. This is the reward for recognising that a customer's time is valuable, and that you understand how the delay impacts the customer.

## Seeing the whole journey end-to-end and putting the traveller in control



Transport companies are increasingly aware that the customer journey is much longer than the part they control or feel "responsible" for. An airline passenger sees the airport as only one stage in the journey from home to hotel, and a railway passenger is unlikely to be placated by the quality of on-board catering if the connecting bus was too late arriving at the station to catch the train in the first place.

The focus of a traditional transport company has, historically, been operational and engineering excellence.

For a rail operator, the customer journey tended to end when the passenger exited the train and stood on the platform. Airlines had a slightly wider outlook; recognising that the absence of a bag on a baggage carousel had major influence on their passenger, regardless of on-time arrival and good film choices in the in-flight entertainment. But increasingly, all are recognising that wider factors are at play: a traffic jam on the motorway can upset an airline passenger's journey much more than the cleanliness of a lounge, for example.





# Where to start: Challenging the value equation

This all sounds great, but it sounds expensive. So where should you start? We think that there are two key challenges that need to be posed within travel and transport organisations:

## Question 1: The aims and costs of customer experience (aka the future of loyalty)

How many loyalty cards do you have in your wallet? Of those, which of the associated brands do you feel truly loyal to? Points and miles have traditionally been used to generate loyalty, but arguably this is loyalty of the “you’ve made it hard for me to switch” variety, rather than a “passion” for the brand.

Loyalty in a transport context is actually a complex multi-variable problem. Setting aside price (for now), what factors influence choice of travel provider? Safety, frequency, and reliability are clearly key. Knowing you’ll be looked after when things go wrong is also important. If all of the things that are most important are in place, then the “loyalty” of the customer, as measured in the hard financial context of price-elasticity, should be measurable, and evidence shows that it is.

Once you understand the elasticity of a specific segment, it allows clear financial decisions to be made. However, as the battle for the customer intensifies, the attributes that were once differentiators themselves become basic hygiene factors: part of the basic licence to operate. And while points, miles, and loyalty cards will still have a place, the battle for the customer will evolve much more towards understanding the variables that drive switching behaviour and more revenue.

Put simply, customers want more from their suppliers in return for repeat business, and, as we discussed earlier, empathy, knowing how I feel and reacting to it, as well as a feeling that a company values your time, are key to the more elusive “passionate” flavour of loyalty.

## Question 2: Prioritisation and ranking of customer experience initiatives

Very few transport companies have the financial or human resources to be best-in-class at everything. Management are faced with a continuous balancing act between investment priorities: new station facilities or better passenger information boards? Refurbish the lounges or invest in IFE? More staff training or better Wi-Fi?

Whereas it is relatively easy to make decisions where spending directly impacts on revenue uplifts or cost savings (because traditional financial measures of payback, IRR, and ROI are well understood), the impact of softer metrics is hard to measure.

Increasingly, the use of advanced analytics techniques to tease out what impact measures have had on customer satisfaction are allowing the “satisfaction” side of the equation to be better modelled. The next step is to convert that into a predictor of switching behaviour. Historically, this has been difficult because it is hard to determine whether - when customers stop spending with you - it’s because they are spending with your competitors, or that they’ve just stopped travelling. But increasingly, the availability of location based social media and mobile device location data means that a highly educated guess is possible. Companies are therefore able to cut back on the number of simultaneous customer-facing initiatives, because the impact on the customer is shown to be immaterial to the bottom line.



# Thinking in the future, acting in the present

January is named after the Roman God Janus who is depicted as having two faces, giving him the ability to look into the past and the future at the same. Symbolically, January is looking backwards into the old year and forwards into the new year.

In some ways, the senior executives of the travel industry need to be able to adopt this Janus mind-set. They need to continue focusing on resolving the problems of the past, whilst simultaneously learning from the future and be able to capitalise on emerging trends.

This begs the question as to whether the organisation has the inherent capability of being able to operate in two timeframes. Does the business focus on measuring history or making the future? Is it structured and organised in a way that will create the platform for future success or perpetuate the practices of the past?

An increasingly used technique to assess the organisation's state of readiness to operate in this digitally enabled world is the maturity audit.

Travel firms are using this methodology to help them prioritise, roadmap and timeline the internal capabilities they need to develop to be successful in this new world.

Working with KPMG, rail companies and airlines have discovered how insightful and energising such an approach can be. It helps organisations understand where they are in terms of their customer experience capabilities and identify where the critical strategic gaps are.

## Customer Experience Maturity Modelling



Benchmarking against others in the KPMG database enables a view as to where you are versus industry leaders and the sector as a whole. It provides an early warning as to whether others are more likely to get to the future first and sets an agenda for advancement.

If you are interested in a maturity model study and a customer experience capability health assessment then please contact:

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## Further resources



### Customer Experience Excellence Centre



The Excellence Centre is dedicated to rapidly improving customer experiences, by defining what 'best-in-class' looks like for customers around the world.



#### Access the Excellence Centre online

Learn from the international best practices of innovative and fast-moving brands.



#### Apply for membership

A community for customer experience professionals, providing access to best practice tools alongside a platform to connect and influence.



#### Access customer experience best practice resources

Download previous CEEC reports, watch best practice sector webinars and download CX white papers.




#### Learn more about The Six Pillars

A universal set of qualities within every customer relationship. The Six Pillars have proven to deliver enhanced commercial outcomes and deliver greater shareholder value.

[www.nunwood.com](http://www.nunwood.com)



A large, stylized image of a tree branch, possibly a willow, extending diagonally across the frame. The branch is dark brown and has a thick, textured bark. It is set against a background of a bright, orange-yellow sky with soft, wispy clouds. The branch is supported by a large, dark, circular object, possibly a wheel or a large pot, which is also visible in the lower part of the frame.

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