

J.D. POWER REPORT: HOSPITALITY SATISFACTION PLATEAUS DUE TO CHANGING CUSTOMER EXPERIENCE DEMANDS!

Surprise and delight, as a loyalty strategy, brings with it an inherent sense of diminishing returns. Presenting a loyal customer with surprise perks is a proven method of building consumer relationships, but what happens when brands go overboard and, suddenly, these surprise perks become little more than business as usual?

For years, hotels have tried differentiating themselves through offering loyalty program members added value through things like free Wi-Fi, an expanded checkout window, and small gifts upon checking in. As more chains have adopted this strategy, however, these perks have had an unintended effect: Guests are conditioned to expect these things, and no longer select chains based on this now-standard added value.

A [recent study out of J.D. Power](#) explores this exact theme, demonstrating a relative plateau in hotel satisfaction in recent years. As an example of the trend, satisfaction with cost and fees rose 25 points between 2014 and 2015, but only 1 point from 2015 to 2016.

“Customers have responded well to the enhanced offerings provided by some hotel brands to create value, but as those perks become standard, customers are quick to ask, ‘What have you done for me lately?’” said Rick Garlick, global travel and hospitality practice lead at J.D. Power. “When guests no longer see added value in the quality of amenities they receive, the only option to truly differentiate a brand is to develop a strong service culture that makes guests feel special and appreciated.”

This service culture, as is to be expected, is found largely in the luxury hotel segment. As a result, this market segment showed by far the largest increase in hospitality: A 12-point jump from last year’s report.

“In any industry, there becomes a minimum level of expectation that is established with customers,” said Brad Rukstales, President and CEO of loyalty solutions provider [Cogensia](#). “As more competitors become aware of this, there will be established commoditized levels of service. This is good for the consumer in that convenience and value among options will be acceptable and consistent. Anyone still paying \$25/day for Wi-Fi? Very few value propositions provide a permanent competitive advantage. Loyalty programs can be key. In hospitality, a loyalty program must have a sustainable and value-creating core proposition (points, or stay-related rewards). In addition, a tier structure with enhanced benefits provides a reason for consolidation of nights.”

In the era of customer experience behemoths like Apple and Amazon, brands across all verticals are feeling the pressure of living up to consumer expectations. The key to customer loyalty, however, may lie not in imitating these leaders, but rather in blazing a new trail according to a unique identity.

Like Cogensia, other loyalty providers are already thinking in terms of what’s next for the customer engagement space.

“This study and its premise is “dead on” in relation to what we do for our clients...it’s all about data, insights, relevance, strategy and results....which is exactly how we look at loyalty/rewards and how we improve program results,” said Tom Salutz, Managing Director of [DataCo Solutions](#).

[Loyalty360](#) CEO & CMO Mark Johnson also weighed in on the discussion, emphasizing the need for brands to keep their finger on the pulse of shifting customer expectations.

“We continue to hear from brands a great concern that they are being told that they need to offer the same experiences that others offer, yet at what point does ‘surprise and delight’ become ‘trinkets & trash’ due to a misunderstanding of customer expectations?” Johnson said. “The challenge in creating loyalty is to have an open dialogue with customers to create affinity and measurable results through surprise and delight.”