

Customer Engagement: The Key to Long-term Loyalty and Impact

*by Christopher Anderson
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In today's physically separated world of hospitality, engagement and interaction between hoteliers and guests are taking new forms but are still as critical as ever. In a series of studies using data from a well-known hotel chain and a customer feedback software company, we illustrate the long-term impacts of guest engagement. The results of these studies are the first to measure the impact of guest/hotel engagement upon guest satisfaction, loyalty and booking channel selection.

Through these three studies, we illustrate the compelling argument for hotels to facilitate review collection through some form of guest satisfaction survey (GSS) either through a reputation management company or simply those available for free. Facilitating review collection, especially from consumers new to providing reviews, ensures a more representative set of reviews and avoids non-response bias resulting from novice reviewers being disproportionately negative in their reviews. In addition to facilitating reviews, GSS platforms often allow for private post-stay communication/review responses between hotel management and consumers. Our analysis indicates that personalized apologies to dissatisfied customers leads to increased satisfaction in future stays and that a simple automated thank-you, executed quickly (following feedback), results in increased likelihood that this (satisfied) guest will share their satisfaction with others by posting an online review after their next stay.

Lastly, we further estimate the impact of customer engagement through GSSs upon latent customer loyalty and customers' eventual choice in booking channel (direct versus OTA). We illustrate dramatically different direct versus intermediated booking tendencies for consumers who are active members of the brands reward program, but we also show that OTA commission savings from direct bookers are further increased by approximately 5% through engagement with consumers via email responses initiated through a GSS.

Using a sample of online reviews from just under 2,000 hotels in four U.S. states (New York, California, Nevada, and Florida), we are able to differentiate reviews posted by consumers on their own (so called self-motivated), versus those posted through a GSS. The GSS allows hotels to encourage post-stay review sharing through post-stay emails, which solicit guest feedback and then directly share customer opinions online. Separating reviews – those whose collection is simplified by a GSS versus those posted in an unsolicited manner – allows us to control for reviewer characteristics. We find that while expert or experienced online reviewers tend to share reviews independent of their satisfaction level, novice or those inexperienced with the platform tend to be more likely to post reviews if they are dissatisfied. The key takeaway here is that hotels need to make opinion sharing and review posting as easy as possible for consumers if they hope to get a representative view of satisfaction – if they leave review collection to the platform or rely on customers themselves to be self-motivated to post reviews, they may end with a biased view of satisfaction that tends to be less positive.

In the second part of the study we use a longitudinal, three-year sample, comprised of customer satisfaction surveys from 515 randomly-selected hotels within a robust portfolio of hotels. Our data contains customer level hotel visit information and satisfaction ratings submitted by the customer regarding their recent stay. Immediately following check out, the hotel chain's GSS provider automatically emails a survey request to all customers who chose to provide their contact information. Our data comprise over 500,000 unique customers and 300,000 survey responses.

We focus on four critical elements, specifically how does a customer's willingness to share feedback via the GSS and any resulting responses provided by the hotel to this feedback impact:

1. Future guest satisfaction,
2. The propensity to share reviews online,
3. Loyalty, and
4. Booking channel choice.

We find that a quick and automated thank-you by the hotel increases the likelihood that the guest will share a review online after their next stay, whereas an overly detailed thank-you may deter future sharing of opinions by the guest. Our results also indicate that acknowledgement of service failures with personalized and detailed apologies helps improve guest satisfaction of future stays.

Feedback, either positive or negative, by guests signals a willingness to engage with the brand and increases the probability of them becoming loyal by almost 50%.

In addition to measuring satisfaction and the propensity to share reviews, we also measure the impact of guest feedback, whether that feedback was positive or negative, and managerial responses to that feedback upon loyalty and booking channel (direct versus OTA) selection. We find that the provision of feedback, either positive or negative, by guests signals a willingness to engage with the brand and increases the probability of them becoming loyal by almost 50%, and if this feedback is accompanied by a managerial response, there is a further increase in the probability of becoming loyal.

The positive effects upon loyalty and satisfaction of hotel engagement can also be translated into financial impacts as we longitudinally capture how customers transact with the brand – with a focus of differentiating direct bookings with those made at OTAs. We find that expected reductions in OTA commissions of more than 5% (as measured by increased probability to book direct multiplied by OTA commission) result as customers engage with the brand through provision of feedback, and that these savings are further increased when this feedback is accompanied by managerial responses.

These studies indicate, perhaps more so in today's environment, that guest engagement is a critical element of the hotel stay. Hotels need to let consumers know that they want their opinions (i.e. solicit feedback and encourage sharing online) and they are listening (i.e. respond to consumer feedback). This engagement not only leads to improved satisfaction through customers sharing their satisfaction with others (by posting reviews) but also financial gains through changes in booking channel choices as customers become more loyal and book direct.

PUBLICATION INFORMATION

“The Effect of Customer-Manager Social Engagement upon Online Booking Behavior” was published in *Cornell Hospitality Quarterly*, in November 2020.

“Customer Motivation and Response Bias in Online Reviews” was published in *Cornell Hospitality Quarterly*, Volume 61, Issue 2, in May 2020.

The third study is forthcoming.

ABOUT THE AUTHORS



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