

Welcome to the Touch-Free Hotel

Contactless technology is transforming hospitality in China and beyond. Research by Dr Fei Hao and Professor Kaye Chon of the SHTM shows that travellers have varying levels of readiness for contactless hotels. Hospitality firms are advised to be mindful of this variation when designing strategies to boost customer equity. For guests who are still sceptical about contactless technology, services that evoke delight may be the best way to retain their custom. Those with concerns around COVID-19 may be particularly reassured by positive experiences in a contactless hotel.

Boosting Customer Equity?

The pandemic has spurred a contactless trend that was already underway, with services like smartphone payment and Hong Kong's Octopus travel card firmly established. The hotel sector is introducing a suite of high-tech contactless systems to protect guests and workers against infection. As the researchers note, "hospitality firms around the world have widely adopted voice control (e.g., smart speaker TVs), motion sensing (e.g., touchless elevators), and mobile control (e.g., mobile check-in and check-out)." In mainland China, many hotels offer technologies once considered futuristic, such as robotic room services and facial recognition at check-in.

Although they are still far from universal, these features add to the hotel experience in several ways. Touch-free systems not only provided peace of mind during the pandemic but also improve the convenience and perhaps even sensory experience of a stay.

Guests who feel safer and more comfortable feel more satisfied and are more likely to share their positive experiences via word-of-mouth. For hotels, these benefits directly increase "customer equity", which the researchers define as "the sum of the discounted stream of cash flows generated from a company's pool of customers."

However, from a business view, going contactless is not without risks. A hotel is a place that guests call home for days or even weeks. Are such visitors happy with a new mode of customer service that minimises touch? "Traditionally," say the researchers, "the hospitality industry is based on the warmth of 'human contact', and misgivings have thus been raised about the efficacy of contactless service". Customer equity may thus be damaged rather than increased by the contactless transformation, as guests who miss the traditional, tactile, personalised ways of hotel service may be on balance less satisfied with their stay, even if they appreciate the efforts to fight infection.

An Uncertain Investment

Contactless technology is expensive, especially when implemented at every step of a guest's stay. A pandemic is no time for hotels to take reckless risks; the decision to make such a costly investment can only be justified if it gives a healthy return. However, the return on investment (ROI) of contactless hospitality has been neglected in the tourism marketing literature. Also understudied is the relationship between contactless service and customer experience, which has a major influence on the key metric of customer equity.

To fill these gaps, the researchers decided to "explore the ROI of contactless hospitality from the perspective of customer equity" – that is, to pay attention to the factors promoting and threatening customer equity in contactless hotels.

Hotel guests are a diverse slice of humanity; they cannot all be expected to all react in the same way to the contactless trend. The researchers identified technology readiness as a key personal characteristic that influences consumer experience of contactless service. A person's technology readiness is a persistent psychological disposition to feel a particular emotion – such as excitement, curiosity or unease – when interacting with new technology. Given its importance, the authors note that "the hospitality industry should integrate customers' technology readiness into service design and marketing programs".

In 2000, the Technology Readiness Index (TRI) was developed to gauge people's optimism, innovativeness, discomfort and insecurity around new technology and thus measure their willingness to embrace technological change. The authors remind us that contactless technology "requires customers to engage more with the technology-based service ecosystem". As people with higher technology readiness should be more comfortable in such an ecosystem, the researchers looked at whether TRI scores affected the relationship between customer experience and equity in contactless hotels.

Customer Survey on Contactless Systems

Customer equity has three key components: “value”, “brand” and “relationship”. The researchers surveyed around 1,500 mainland Chinese residents who had stayed in contactless hotels to test how their personal characteristics and experiences influenced their customer equity. Innovatively, the researchers singled out customer delight – a guest’s unexpectedly high levels of joy and excitement – as an emotional reaction that may be just as decisive as a satisfaction rating when it comes to securing customer equity.

In addition to the survey on their contactless hotel experience, the participants took the TRI test to find out their level of technology readiness. Dividing the respondents into high and low TRI groups, the researchers hypothesised that technology readiness influences the relationship between customer experience, delight and equity. They also tested whether customer equity determined another crucial marketing outcome – brand trust. Did higher-equity customers place more trust in hotel brands, and was this affected by their level of concern around health issues in the pandemic?

What Matters to Guests in the Contactless Age

The survey results showed that, as predicted, both customer experience and customer delight were strongly associated with customer equity. This serves as a reminder for hotel managers in the pandemic era not to forget the basics – satisfying and pleasing guests – when installing contactless systems to protect customers and staff. Indeed, the researchers recommend that “managers should form an organizational culture that engenders customer equity

by creating a more satisfactory and delightful experience”. The findings confirmed the importance of customer equity not just for the financial bottom line but also for lasting customer relationships, as it was shown to greatly influence brand trust.

With particular relevance in the emerging post-pandemic era, the results also confirmed the role of health concerns. The trust-building effect of customer equity was strongest for contactless hotel guests who paid the most attention to COVID-19 issues. The hospitality and tourism industry face an uncertain future, and this finding underscores the need for hotels to ensure the happiness and safety of guests with health concerns as we adjust to the “new normal”. As the researcher points out, “the current situation in China may present a future scenario for many parts of the world in the coming years”.

What about guests’ readiness for contactless systems? It turned out that delightful experiences had a particularly great positive effect on equity for the low TRI group – the very guests who were most sceptical about new technology. This suggests that it is crucial to offer surprise treats to those who might be wary of even staying in a contactless hotel. With today’s technology, a whole menu of joyful surprises can be imagined. The researchers suggest a few themselves: “the moment customers enter their room, the smart room could have already set their favorite temperature, lighting, and even music”.

Adjusting to a New Era

Hotels have responded to the threat posed by the COVID-19 pandemic by implementing contactless technology wherever possible. This has increased safety, but potentially at the cost of warmth in customer service. To retain guests, hotel managers need to think creatively

about how to optimise their experience in a contactless era. Guests with the lowest technology readiness actually respond best to the unexpected delights that a contactless hotel can offer. Touch-free services are also a promising way to reassure those with strong concerns around infection.

POINTS TO NOTE

- Hotels are going contactless in numerous ways to protect against pandemics, marking a break from traditional customer service.
- Customer experience is still crucial for customer equity in the contactless era.
- Guests who are wary of new technology respond particularly well to delightful experiences.
- Contactless services can reassure and satisfy hotel guests with pandemic-related fears.

Hao, Fei and Chon, Kaye (2021). Are You Ready for a Contactless Future? A Multi-group Analysis of Experience, Delight, Customer Equity, and Trust Based on the Technology Readiness Index 2.0. *Journal of Travel & Tourism Marketing*, Vol. 38, Issue 9, pp. 900-916.