amaDEUS

The Hotelier's
GUIDE
To Loyalty

TURNING YOUR GUESTS INTO LOYAL FANS

Customer loyalty pays — literally

It can cost businesses between **5 to 25** times more to acquire a new customer than retain a current one. Beyond looking solely at cost per customer acquisition, organizations should also consider the profitability of each customer over time, or customer lifetime value (CLV). And due to the Covid-19 crisis, guest acquisition and retention has become even more vital.

For hoteliers faced with a dizzying array of competition and consumer preferences, this means getting loyalty right is a requirement, not an option. Personalizing the guest journey and building lasting relationships through a loyalty program can not only drive incremental revenue from each guest but can spark an outgrowth of goodwill through word-of-mouth promotion. But in an age ripe with hospitality disruptors and a diverse range of lodging options, how can hoteliers achieve the holy grail of brand loyalty?

The Challenges with Loyalty

Every hotel brand struggles with loyalty for a number of reasons. Competition is wider and deeper than ever, from traditional big chains to boutique brands to bed-and-breakfasts to alternative accommodations. With a few strokes on the keyboard or swipes on a smartphone, customers can discover their next place to stay — and at a fantastic rate. What's more, some credit cards offer generic travel rewards redeemable with numerous airline and hotel brands, thus making it difficult to design the ideal loyalty program for each hotel.

> Exclusive discounts or collecting points for a free stay is a strong driver.

Then there's the dilemma of determining exactly what customers want in exchange for their loyalty. For some, exclusive discounts or collecting points for a free stay is a strong driver (just don't make the collection timeline too long, as more than a certain number of hotel stays to earn a free night might get lost on a traveler). For others, value-add rewards such as free meals or discounts on services such as spa treatments will drive guests to complete a booking without adversely impacting ADR. Finally, for smaller hotels with limited resources, capabilities and staff, the idea of loyalty is just one more thing to add to a task list that's plenty long already.

Given all this, how can hotels achieve loyalty?

Is it even possible?
Is it worth it?

> Value-add rewards offer a more enticing booking without lowering ADR.

Guest Recognition and loyalty programs can be part of the answer

Studies show that loyalty programs can certainly drive business. For example, according to Phocuswright's US Hotel Lodging Intermediaries Rise Again report, 43% of travelers enrolled in a hotel loyalty program book directly through the hotel's website. Additionally, a study completed by Cornell University Center for Hospitality Research revealed that members in a loyalty program returned to a hotel nearly 50% more often and increased their annual spend by a similar amount—an incremental annual per-guest revenue of $405 to $780.

But there's a catch: Everyone has a loyalty program and they just aren't that special anymore. The Colloquy Customer Loyalty Census identified a robust 3.8 billion (that's billion with a "b") individual loyalty memberships in the United States (1.1 billion of those in travel and hospitality alone), but more than half — about 54% — are inactive. Additionally, 28% of Americans leave a program without redeeming a single reward. That's a lot of work for companies with minimal return.

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"**Our take on loyalty:** Are customers loyal to your loyalty program because of what they can get (transactional) or are they loyal to your brand (emotional)? Loyalty programs are an extension of and tool for aiding in consumers' connection with your brand — one that is ultimately seared and sealed through thoughtful interactions that create stories worth telling and feelings worth coming back to. Careful planning and proper use of customer relationship management (CRM) tools can make your loyalty program a pivotal part of your overall customer engagement strategy."

Loyalty Program Types and Examples

What do loyalty programs look like and how do they work?

Following are tactics and examples from numerous industries. Each of these can serve a distinct function for your hotel, depending on your customers and the desired outcomes for each.

○ **Surprise and delight** tactics aim to nurture customer relations and decrease churn by providing unexpected rewards as a thank you for continued business. Most campaigns involve rewards, such as free gifts, product upgrades, or a coupon good for a meaningful discount. In today's social media environment, these "unplanned" surprises can also help foster brand awareness and reach viral status as customers share their delight far and wide.

The key with surprise and delight is to build a meaningful emotional connection between the consumer and the brand through the notion of "we care." You can enhance that emotional connection by injecting your guest's journey with data from their individual profile and provide them with the rewards that will matter most to them.

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Following are a couple strong examples:

chewy

Chewy.com, an online pet food and product retailer, mails handwritten holiday cards to customers, has been known to send flowers to owners whose pets have passed away, and ships special toys to pets whose shipments were late — even if it wasn't Chewy's fault. The result? The handwritten cards and notes are posted on owners' refrigerators and photos are shared on social media. Customers feel heard, cared for, and valued.

WESTJET

WestJet, a Canadian airline, used its "Christmas Miracle" campaign to surprise and delight their customers — and then shared on social media for maximum impact. Here's how it worked: Prior to boarding a WestJet flight, flyers were encouraged to scan their boarding passes and tell Santa Claus (clad in West Jet blue) their wishes. After the passengers boarded their flight, scores of WestJet shoppers rushed to stores to fulfill the requests, wrap them, and prepare for passengers' arrival. At the destination's baggage claim passengers saw not only their luggage on the conveyor belt, but personalized gifts — the exact wishes they had shared with Santa. Hardly a dry eye was in the house and WestJet nailed it for thoughtfulness. When shared on social media, the story — and WestJet's brand — went viral around the world.

For hotels, this requires looking in your customer database to see what would be of value to them. For example, offering a free 15-minute massage for customers who just arrived from overseas. Did they order blueberry muffins from room service on their last visit? Make sure two from a fresh batch are in their room upon arrival. The surprise and delight tactics need not be expensive, but meaningful.

What's the common thread between these tactics and any other successful surprise and delight campaign?

They are genuine acts from one human to another human — also of the utmost importance for high-touch industries such as hospitality.

Cash back & points speak to consumers who want freebies and cold, hard cash. A common example is with credit cards: a percentage of purchases charged to a credit card come back to the customer in the form of a check, gift cards, airline tickets, or even college savings programs. There's also an app for that (lots of apps) that allow you to go through their portal to find retailers that offer rewards or scan your receipt and get rewards for purchases made with their affiliates.

Rakuten

Rakuten, for example, offers up to 40% back for purchases at more than 2,500 stores and is up front about how it works, saying on the website,

"Stores pay Rakuten a commission for sending you their way, and Rakuten shares the commission with you as Cash Back."

For hotels, loyalty programs are point-based with a certain number of stays or hotel spend qualifying customers for partial or full redemption toward their final bill. They can also take the form of points toward a special customer experience, such as a free spa visit or room upgrade during their stay.

Industry-leading programs typically include three to six tiers of membership, each offering increased rewards with increased spend. For example, Marriot Bonvoy offers free Wi-Fi, exclusive member rates, and mobile check-in services for all tiers. Members in higher tiers can earn reservations guarantees, points bonuses, late checkout, dedicated reservations line, welcome gift, room upgrade, lounge access, guarantees room type, and more.

It's important to make any cash back or points offer clear and simple; for example,

"You get $XX back for every $XX you spend."

A standard reward recommendation is

3%-8%

of spend, depending on tier, but trial and error will help you determine the best ratio of reward vs. spend so you are maximizing the return on investment.

Booking.com

Independent hotels without the benefit of a big-name brand are benefitting from Booking.com's Genius Program, a type of points program with options to inject surprise and delight.

And loyalty solutions such as **Amadeus Guest Management Solutions (GMS)** allow hotels to pick the guest recognition program that is right for their business and also seamlessly integrates with TravelClick's Booking Engine for greater personalization and engagement during the booking process.

Value-add rewards deliver an experience with the brand that non-participants can't receive. For hotels, this means adding value to their experiences at your location with the simplicity and ease that guests are used to in their daily lives with Amazon Prime.

amazon*Prime*

Amazon Prime is a great example, offering free, fast shipping for eligible purchases; streaming of movies, TV shows, and music; exclusive shopping deals; unlimited reading on select titles; and don't forget that you can get most of this with a prompt to a voice assistance or a click of a button.

For example, offering a late checkout so guests can change out of their suit in their room, rather than a cramped, public bathroom stall. By partnering with local attractions, hotels can offer another type of value-add: bespoke experiences at their destinations, such as discounts on exclusive cooking classes or VIP tickets to local shows and festivals.

The key here is about making the travel and hotel stay experience as frictionless as possible.

In addition to being great for customers, value-add rewards can be great for your bottom line. You can offer tier-based rewards that inspire spend at property outlets — for example, two free drinks at the lobby bar or a discount to your restaurant. Guests may ultimately spend more than what was given to them for free.

Include a mix for the max

We have found that loyalty programs enjoying maximum success are those that incorporate a mix of all three types. While one program may be the focus, having tastes and highlights of others is the best offering a hotelier can design. For example, a pure points program with no "surprise and delight" moments lacks the human touch. As well, endless surprise and delight becomes repetitive and cliché with little long-term benefit.

Regardless of which loyalty program or mix you employ, success comes only by delivering what the customer wants in a meaningful way, and at the right time. But how? Use technology to perform at scale.

70%

of global travelers would like hotels to provide more advice and tips of unique things to do on trips.

One way to draw travelers to your hotel: Have them step out – and into – local experiences.

An emerging way that hotels can achieve differentiation in customer loyalty is showcasing what's outside of hotel rooms — unique, local experiences. And it's something that your customers want: **70%** of global travelers would like hotels to provide more advice and tips of unique things to do on trips, according to the Drivers of Change in Hospitality study, commissioned by Amadeus and IHG with Foresight Factory and Cornell University's Center of Hospitality Research. However, only **20%** of travelers say they get activity ideas from their hotel. Meanwhile, Epsilon's research indicates 80% of consumers are more likely to make a purchase when brands offer personalized experiences.

Driving this trend is one of travelers' main motivations to explore in the first place: sharing their vacation via social media and other digital channels. Give customers thoughtful experiences involving food and beverage, wellness, attractions, local culture, and more, and not only will they love you, but they will tell everyone they know. Bridging the Gap: Consumer & Marketing Perspectives on Content in the Digital Age reveals that when asked how likely they would be to post a photo or video on social media, **89%** of people said they would post about a positive travel experience. What's more, the same study reports that **86%** of people said they've become interested in a specific location after seeing user-generated content.

What or who in your community can attract visitors? Work with local attractions to create customized partnerships that generate memorable, and sharable experiences.

Choosing and Designing Your Loyalty Program

Before you choose and design a loyalty program, take a step back and answer these questions:

_ What do you want from a loyalty program and how does that mesh with your overall customer engagement strategy? What are your key performance indicators (KPIs)? As noted in the previous examples, different programs can achieve different goals for hotels. A case study from Cornell suggests a tiered approach for evaluating programs.

Evaluation Tier	Description and Activities
Tier 1 Consumer reaction to the program	Measure consumer's initial reaction to the loyalty or rewards program: _ Concept tests _ Initial sign-up rates _ MAXDIFF designs to assess changes to the program
Tier 2 Consumer attitude change	Measure changes in consumers' attitudes toward the program, parent brand, organization, and employees _ Customer experience surveys _ Program evaluation surveys
Tier 3 Consumer behavioral change	Measure changes in consumer behavior with the organization and within the program _ Program enrollment rates _ Program and redemption activity _ Revenue (Core and supplementary purchases)
Tier 4 Controlled incrementality assessment	Explicitly assess the incremental revenue and profitability attributed to loyalty program involvement
Tier 5 Return on investment	Measure the total value of the benefits and costs of the program, establish return, and compare to original standards
Tier 6 Optimization	Identify strategic opportunities or conditions under which program performance can be optimized

_ What is your hotel's Unique Selling Proposition (USP), the single most identifiable benefit you can deliver? Keep in mind that the USP will be different for each audience segment, as each has different priorities. Then articulate your brand promise statement, "[Hotel] is the brand that delivers [USP] for [segment] better than anyone else."

_ What do your target customers really want? To discover this, mine your own CRM and host a variety of guest surveys and focus groups.

> " [Hotel] is the brand that delivers [USP] for [segment] better than anyone else. "

Design Your Data Strategy

The original intent of modern-day loyalty programs was to gather and glean customer data. If this is also your program goal, be mindful of everything you can track, identify the attributes to track now and in the future, and be prepared to receive a server-full of it.

Answer these questions to help plan your data strategy:

_ How will you analyze the data?

_ What will you do with all that data?

_ What data security measures are in place? (See callout for more guidance.)

_ How will you train new staff to understand, manage, and use the data?

Ensure loyalty to data safety

Loyalty programs gather a treasure trove of actionable and valuable customer data. Keeping these assets safe and secure for the long run is of the utmost importance. Therefore, ensure that your tech provider is globally compliant with General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), and all other laws dealing with personal identifiable information (PII).

Lastly, a data set is of no use if it is disparate and must be manually aggregated and centralized, so choose a tech provider that can integrate all data in one place. Tools that integrate well with a CRM system include PMS (property management system), POS (point of sale) systems, food and beverage, reservations, and survey tools.

Define the Rewards

Armed with your desired goals and a data strategy, now is the time to define your program's rewards. While each situation is different, following are some best practices we've learned along the way.

- Rewards must be personalized and meaningful for each guest.
- Freebies rule (room stays, welcome drinks, upgrades).
- Experiences can drastically differentiate your program, so partner with local organizations that can offer unique ventures.
- Make rewards feel exclusive.
- Create goals for customers to reach, but don't make them too far out of reach.
- Offer different tiers with worthy rewards at each.
- Focus on long-term relationships, not short-term gain. Keep it simple.

Above all, ensure customers understand the program's benefits and what they need to do to achieve them.

"Rewards must be personalized and meaningful for each guest."

Outline Your Customer Engagement Approach

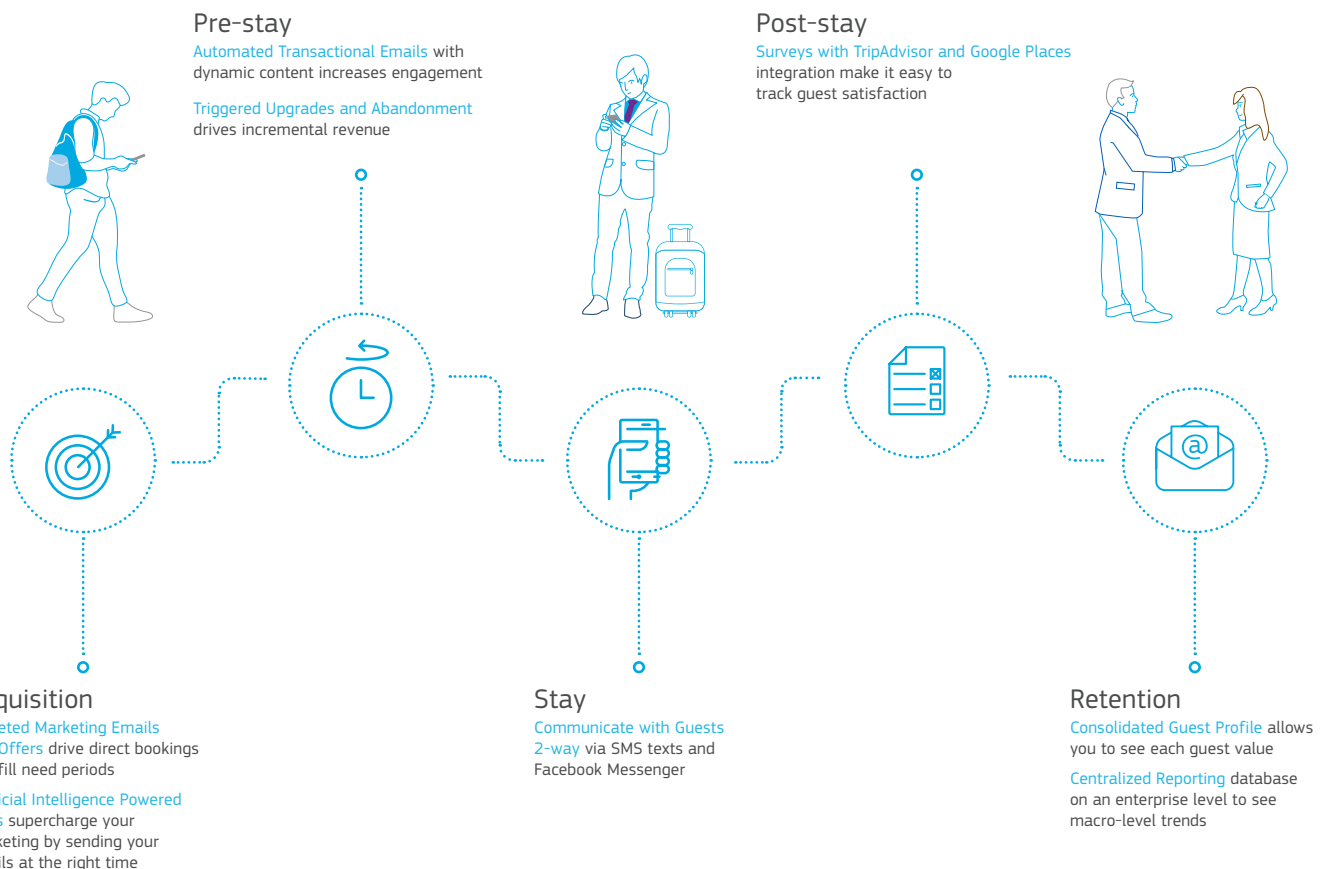Once you determine the right loyalty program and individual tactics, how will you inform the world?

Answering the questions below can help.

_ How will you weave your loyalty program into the customer journey? (See diagram below.)

_ What channel mix will best reach your loyal (or potentially loyal) guests?

_ How will you want them to engage with you?

_ How much emphasis will you place on social media?

_ Will you reward online reviews? How much focus will you give to promoting?

_ What KPIs will you use to measure success? (see callout)

Top 3 KPIs for Loyalty Programs

_ Average Daily Room rate (ADR) over time

_ Customer Lifetime Value (CLV)

_ Percentage growth of repeat business

Pre-stay

Automated Transactional Emails with dynamic content increases engagement

Triggered Upgrades and Abandonment drives incremental revenue

Post-stay

Surveys with TripAdvisor and Google Places integration make it easy to track guest satisfaction

Acquisition

Targeted Marketing Emails and Offers drive direct bookings and fill need periods

Artificial Intelligence Powered Tools supercharge your marketing by sending your emails at the right time

Stay

Communicate with Guests 2-way via SMS texts and Facebook Messenger

Retention

Consolidated Guest Profile allows you to see each guest value

Centralized Reporting database on an enterprise level to see macro-level trends

Choosing Technology for Loyalty Program Success

To achieve loyalty program success, it must be done at scale and that means leveraging technology.

When looking for the right CRM to support loyalty, hotels should avoid defaulting to generic CRMs that aren't built specifically to solve the challenging and evolving needs of hoteliers.

Find solutions that are tailored for the hospitality industry, specifically ones that include:

_ Interoperability with internet booking engines to allow guests to redeem earned points during the booking process and to personalize offers to specific guests using guest profile data.

_ Integrations with other technologies that can collect guest data like PMS, social media, and more.

_ Industry-specific tools like post-stay surveys, loyalty programs, and the right automated marketing tools deliver special offers just for loyalty guests to finish booking their reservation and to personalize offers to specific guests using guest profile data.

_ Data and application security treated as a differentiator - not just a cost of doing business. With GDPR, CCPA and regulations dealing with PII, technology must be both compliant with existing regulations and forward-thinking to seek innovative ways to keep data continuously safeguarded.

_ Partnership as a goal. Find a partner to help guide you through the right paths while also leveraging your existing technology in the best ways possible.

How do I leverage Technology to gain loyalty?
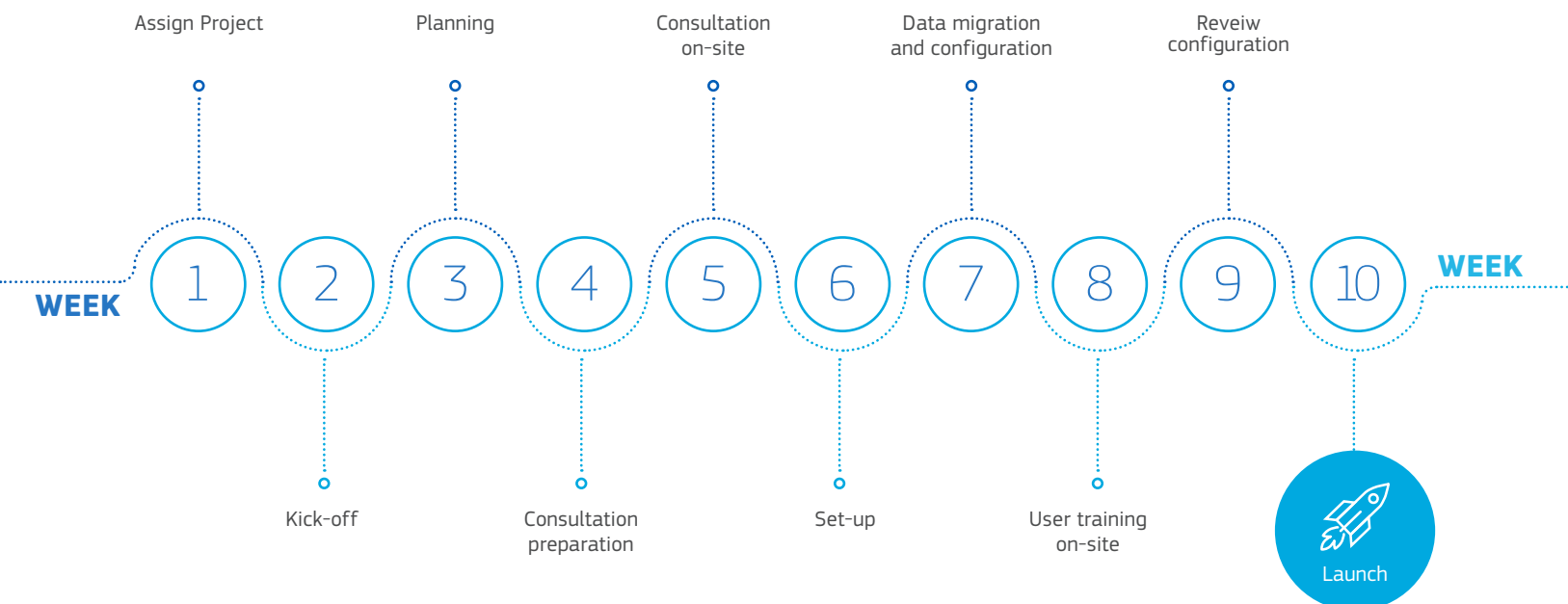
Is Integration the key?

Prepping for Change

Introducing a new loyalty program or changes to an existing one will require a strong, organization-wide change management strategy. Following are some guidelines to help.

Operationalize Your Strategy

_ Identify your repeat guests and reach out to them to find out what matters most. Allow them to share their insight and ideas to find out what will drive them to come back.

_ Identify the channels you are going to use to communicate with guests about their loyalty program. Will you only use email, what about texts or direct mail? Use what your loyal customers use most as a starting point.

_ Make an initial design of the loyalty program and test it out to ensure that the program addresses every need across the guest journey. Involve your best and brightest staff to find creative areas to add value.

_ Identify areas that create friction or force the guest do too much work to earn and redeem their rewards. Prioritize removing those friction points, and test again.

01
0110
0001

Leverage the data you have along with guest feedback to choose the right loyalty program.

_ Ensure there are members of your teams who are the clear owners of the loyalty program, its implementation, change management, and overall success.

_ Develop training guides for the program owners and any new hires to ensure its integrity remains stable and in working order.

Assign Project Planning Consultation on-site Data migration and configuration Reveiw configuration

WEEK 1 2 3 4 5 6 7 8 9 10 **WEEK**

Kick-off Consultation preparation Set-up User training on-site Launch

"Be willing to swap out rewards, redefine tiers, change timelines, and more for optimum ROI."

Refine for the Future

It's important to know that loyalty programs are a long-term journey, not a finite destination.

To that end:

- Design ways to keep loyalty sustained so anyone who signs up fully understands it (remember to keep it simple!) and remains engaged through meaningful communications. **For example,** solicit feedback through micro surveys or social media listening to give guests a say in how the program can be improved over time and then share how the feedback was implemented.

Create ongoing KPIs to gauge success and determine what needs to be maintained or modified. You could develop a KPI that reveals how well customers are engaging with your loyalty program. Another could evaluate the most and least used aspects of the program.

Know that you will be continuously refining your program to meet changing customer needs against your organization's goals. Be willing to swap out rewards, redefine tiers, change timelines, and more for optimum ROI.

Loyalty Beyond the Program

As mentioned before, it's important to note that loyalty is not just about programs and rewards — it's also a mindset of service that should be a part of your hotel's culture and personified at every turn by every employee. How can team members support an exceptional guest experience that builds loyalty? Believe it or not, it doesn't take much. For example, saying, "Good morning, ma'am," in the hallway or offering a small taste of an entrée as "compliments of the chef" while dining in a restaurant are memorable gestures that can contribute to customer loyalty.

Technology can help support this service mindset. With rich guest data in your CRM, employees can proactively deliver small gestures of thanks, simple delights, and other bespoke touches that make for an unforgettable stay. For example, use CRM tools to take notes on personal attributes like a child's nut allergy. At the next visit, staff will be alerted to take appropriate dietary precautions — and help create a loyal, lifelong customer. The key is to empower your staff with the right information to take the right steps at the right time.

Zappos empowers its staff to inject personal interactions that engender loyalty. Employees are allowed to send cards to customers for birthdays, Christmas, and more. Also, their call centers do not have a call time maximum: If a customer wants to talk, they talk, and sometimes the chats last quite a while without mentioning shoes at all. This kind of unique service mentality is why the retailer is so highly regarded — and in turn, highly rewarded with customer loyalty.
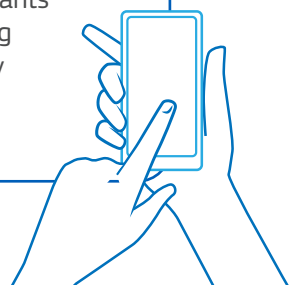
LOY ALTY

Loyalty and loyalty programs are great tools to bolster hotels' bottom lines. From surprise and delight to cash-back and points to value-add offerings or a mix of all types, these programs engender customer engagement and express true appreciation for customers' business. It's important to know that loyalty programs within a CRM strategy are not necessarily marketing tools, revenue management tools, or operations tools — but the intersection of all three. Loyalty is a continuous process, attitude, and philosophy that's part and parcel of your hotel's brand. To be executed at scale, technology must be part of the mix, but in a personalized way that expresses how much you know and personally value your customer.