

The Hotel Yearbook 2023
The Uncertainty New Normal



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It is time to rethink loyalty in travel and hospitality

Liselotte de Maar

North America Market Lead for Accenture's Travel Practice

Synopsis

Hospitality loyalty programs are still a key tool for customer retention and incentivization but with the recent shift in customer mix and changes in business travel due to the pandemic, hospitality loyalty programs need to evolve to remain relevant to current customer needs. Several hospitality companies have already taken steps to revamp their loyalty programs to better meet the needs of travelers. Companies should focus on three areas: "the power of now," which is about creating a real-time program, "flexibility, my way," which involves expanding the program's reach and increasing flexibility, and "tried and true experiences," which emphasizes delivering memorable experiences that reinforce the quality of the guest experience.

Loyalty programs have been one of hospitality's great historical success stories – that goes without saying. Along with their peers in aviation, hotels were some of the earliest and most enthusiastic adopters of accumulative points-based programs that gave customers powerful incentives to remain loyal to a brand.

Such programs remain core to the industry to this day. They're still one of the most powerful customer retention and incentivization tools any hospitality business has to offer, with guest promotions and messaging not only driving repeat business, but also providing an invaluable source of data on customer preferences and behaviors.

KEEPING LOYALTY RELEVANT IN A CHANGING WORLD

But for how much longer? No loyalty program, however historically successful, can be set in stone forever. Especially given the disruptive forces that are now transforming just about every aspect of the hospitality industry.

Consider, for instance, how much the customer mix has changed recently. With business travel – once the absolute bedrock of hospitality revenues – taking longer to recover from its pandemic disruption, hotels are adapting to a mix of customers with a much greater proportion of leisure travelers than they've historically been used to.

Of course, this may only be a temporary shift. But it still represents a challenge for hospitality programs because leisure travelers have different desires and behaviors. They don't travel as often to reach high loyalty status and don't usually earn enough points to redeem 'big ticket' experiences.

Not only that, but as business travel returns, we're seeing that it doesn't look the same as it did pre-pandemic. A series of technological and cultural trends are driving more and more corporate travelers to become digital nomads, combine business with leisure ("bleisure") or simply do business digitally. So focusing loyalty around the traditional business "road warrior" is increasingly anachronistic in any case.

TAKING LOYALTY TO NEW PLACES

It's clear, then, that hospitality loyalty needs to change. But how? The core objective is to ensure that programs remain relevant to the needs and behaviors of the current hospitality customer base, while also maximizing the value returned to the business.

In 2022, [IHG Hotels & Resorts](#) revamped its [loyalty program](#), IHG One Rewards, with faster earn, richer benefits and more choice, alongside a refreshed mobile app designed for current and future members to get the most out of staying at any of IHG's 18 brands and more than 6,000 hotels. The new IHG One Rewards mobile app is a sleek and seamless personalized experience for everything from ultra-fast booking, sorting results easily to find the best rates and information, enjoying exclusive loyalty member benefits, and managing stays all in one place.

The impact? Compared with pre-pandemic metrics, IHG Hotels & Resorts has seen revenue, usage and downloads from the app all also grow by more than [20 percent](#).

There are several examples of hospitality rewards programs being rethought for this new era. [Meliá Rewards](#), [Radisson Rewards](#), and [Hilton Honors](#) have all been redesigned with greater flexibility and reoriented around today's member needs.

Further, earning loyalty points inside and outside the travel ecosystem is familiar to travelers, thanks to co-branded credit cards and coalitions. These aggregators capture loyalty mindshare by eliminating boundaries, making "earn anywhere, redeem anywhere" a reality. This option of everyday earn and burn is very appealing to people. Such partnerships are common, but even seasoned members aren't always aware of the available opportunities—such as Delta's partnership with Instacart that allows members to earn points from grocery purchases.

THREE WAYS TO WINNING LOYALTY EXPERIENCES

Examples like these offer a useful lodestar for the rest of the hospitality industry. In planning their own transformations, companies should consider focusing on three areas in particular.

The first, we call "the power of now". This is about developing a real-time loyalty program that lets travelers see – and spend – their rewards as soon as they're earned.

In this way, rewards become more transactional, more immediately available, easier to spend on smaller items, and more closely aligned to the day-to-day needs of travel today. Guests can spend points on something as simple as a drink at the bar, for example, rather than hoarding them to earn a free stay at some distant point in the future.

The second priority should be “flexibility, my way”. On the one hand, this is about expanding a program’s relevance by letting travelers earn and redeem points in a wider set of contexts and partners – including those outside the hotel stay or travel experience itself.

On the other hand, it’s about extending flexibility to the way customers achieve loyalty status. That might include, for example, letting guests qualify for the upper echelons of the program via their overall spend rather than more traditional metrics like stays per year.

The third priority is about delivering “tried and true experiences,” recognizing that price is only one driver of long-term loyalty. A loyalty program can be used to reinforce the overall consistency and quality of the guest experience. An example might be providing added benefits that make members feel special and valued, such as luxury experiences or excursions.

RECAPTURING THAT PIONEER SPIRIT

As the hospitality industry continues to recover and adapt to a new era, there’s a key opportunity to reset traditional loyalty programs. With flexibility and innovation, hotels can align their programs more closely with the needs of today’s travelers, and make rewards truly rewarding – for everyone.



Liselotte de Maar — North America Market Lead for Accenture's Travel Practice

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