



The Loyalty Divide

Operator and Consumer Perspectives

Hotels 2018

A woman with dark hair, wearing a white button-down shirt, is smiling while talking on a black mobile phone. She is standing in a modern office environment with a dark wood frame around the wall. In the background, there is a vase with yellow flowers and a white vase with a single yellow calla lily. The ceiling has recessed lighting.

Methodology

The research cited in this paper was conducted in February 2018 with over 13,000 consumers globally and 500 businesses across retail, hotels and restaurants in 9 countries across North America, Europe, Latin America and Asia-Pacific: Australia, Brazil, China, France, Germany, India, Mexico, UK and USA.

Independent research and creative consultancy, Morar HPI, conducted the survey which explores consumer and business attitudes towards loyalty and advocacy today and in the future. This report is based on the findings from the study.

Introduction

As more people continue to travel all over the world for business and pleasure, so the battle for hotel guests has become more and more intense, and unsurprisingly hotels are deploying a full range of loyalty programs and incentives to try and hook in guests, build up brand loyalty and reap the rewards of return business. Points programs, privileges such as free access to spas or executive lounges and exclusive offers are popular rewards. But are guests engaged? Given the choice to revoke their personal information from hotel brands, more than 80% of respondents said they would. Yet loyalty programs are at the heart of hoteliers' commercial strategy. So what is going on?

We've uncovered a surprising divide in perception between how businesses view loyalty programs and what guests really think.



We've uncovered a surprising divide in perception between how businesses view loyalty programs and what guests really think. But all is not lost. As increasingly sophisticated algorithms enable businesses to target and personalize their offers, the opportunity to engage guests more effectively has increased. And with the role of social media, in particular influencers, growing in importance, there's a rich new vein to mine when it comes to winning loyalty. In this complex world of infinite choice, we have identified four behavioral types –

The Broadcaster, The Enthusiast, The Lazy Loyal and The Seeker – typologies that most people shift between depending on whether they're travelling for business or pleasure, booking the annual family vacation or jetting off for a once-in-a-lifetime treat. There's greater complexity for hoteliers hoping to win the types over, but if they can tap into these behavior patterns and create more tailored loyalty programs, then the opportunity for gaining new and, more importantly, loyal guests is huge.

The Great Divide

When it comes to loyalty, our data reveals a significant split in the perception of hoteliers and their guests.

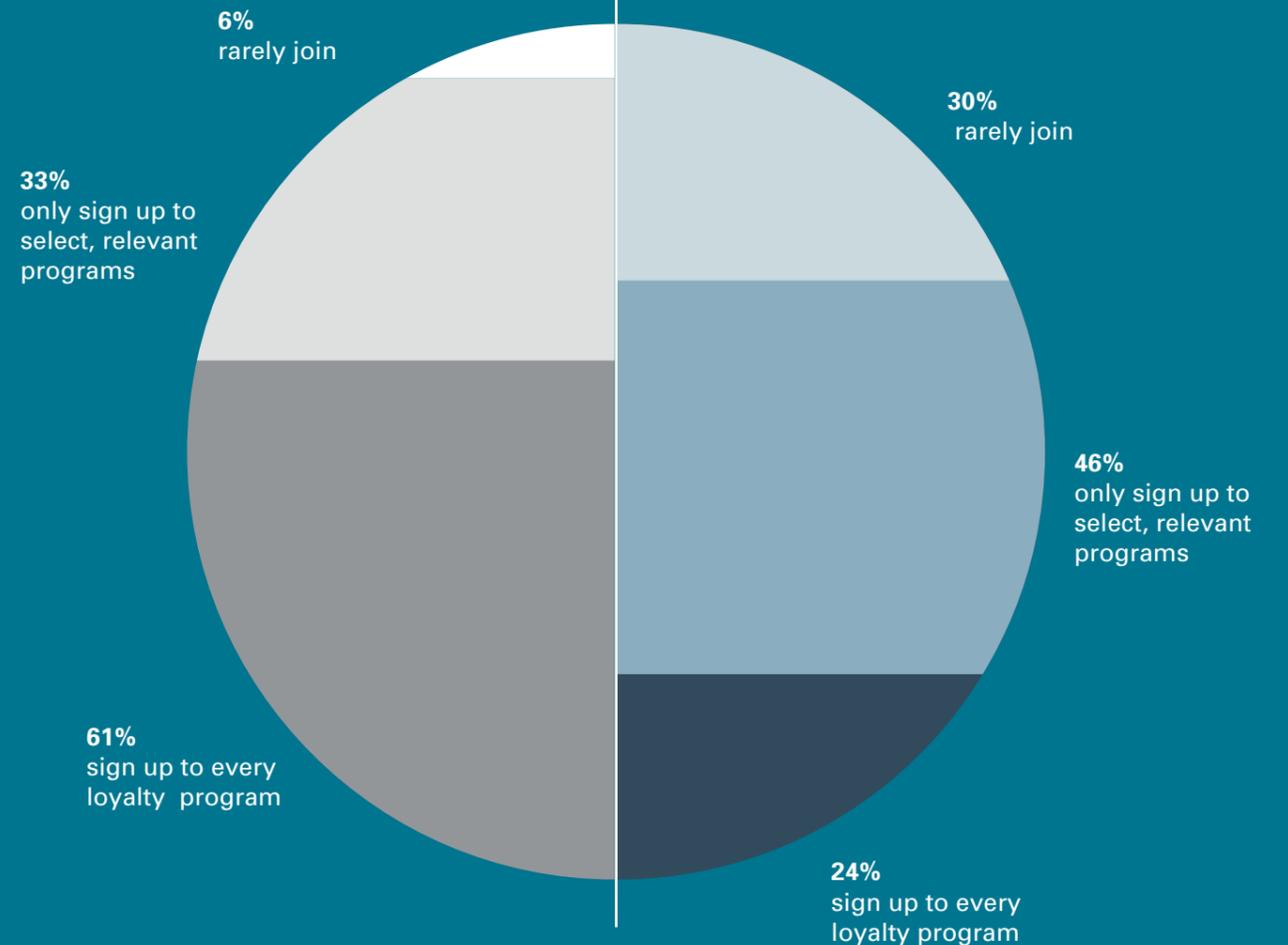
Hoteliers are heavily invested in loyalty programs and in a drive to grow customer bases, and then retain those guests, offer what they think are relevant and incentivizing programs which usually include benefits such as free room upgrades, free access to facilities such as spas and executive lounges, and rolling, 24-hour check-in. Guests, however, are far less engaged in the programs than hoteliers realize. Rather than having an open attitude to the programs, the consumer research bears out a far more selective approach. Some 61% of business respondents believe guests will sign up to every loyalty program on offer, where in reality only 24% of guests do, with a third rarely signing

up to any loyalty program at all, a figure hotels guessed to be just 6%. Relevancy of offers and rewards is another area that throws up a large discrepancy: 54% of hoteliers thought guest offers are mostly relevant, while only 22% of guests think they are. Conversely only 6% of hoteliers thought guest offers are rarely relevant whereas 39% of guests think offers are not relevant. Furthermore, 62% of hoteliers currently do not engage influencers and 71% do not have brand ambassadors, yet 43% of guests are influenced by YouTubers. It's clear that if hotels want loyalty programs to be successful, a rethink in strategy is required.

Misconception 1 - guests are very engaged in loyalty programs

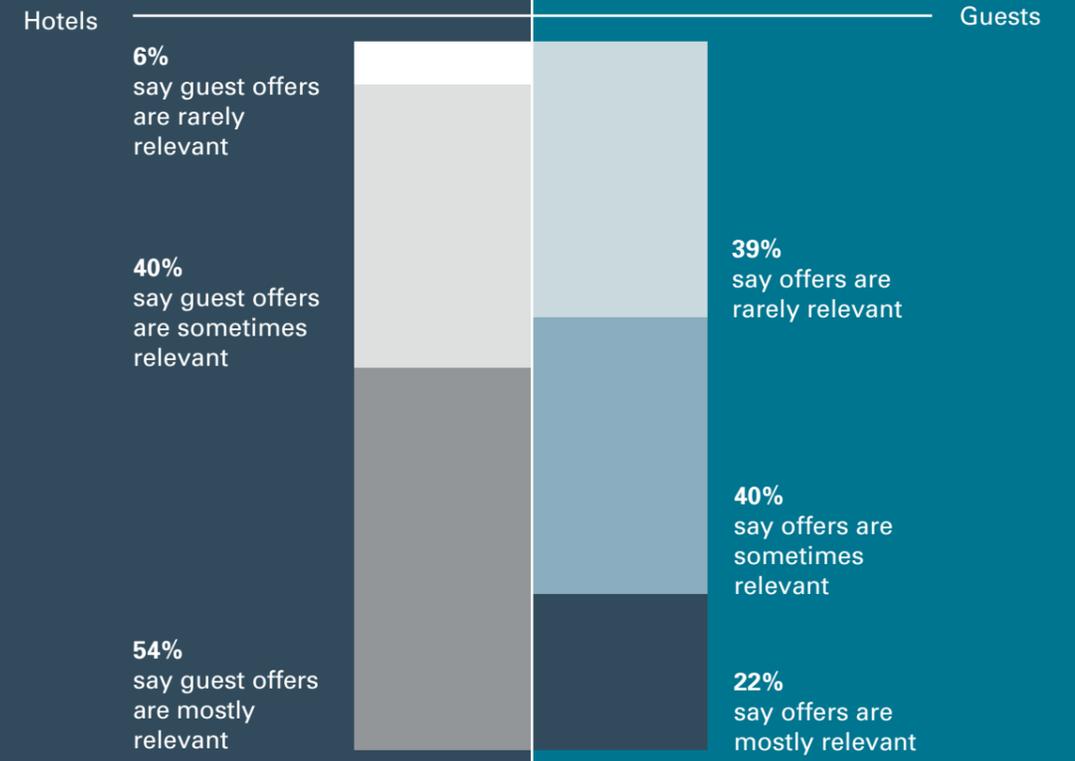
Hotels think that guests would openly sign up to every loyalty program...

...guests are much more selective, only signing up to programs with real relevance

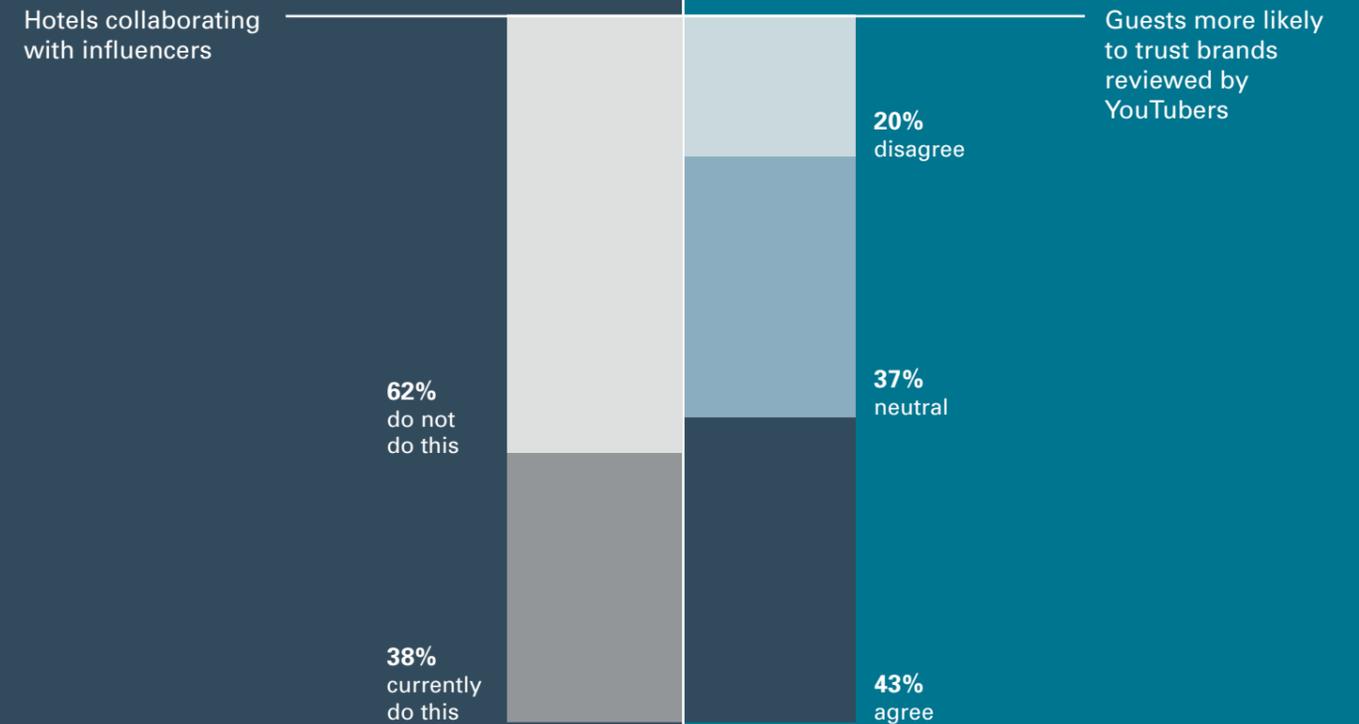




Misconception 2 - offers are relevant



Misconception 3 - loyalty is a guest / hotel only relationship



The Future of Loyalty

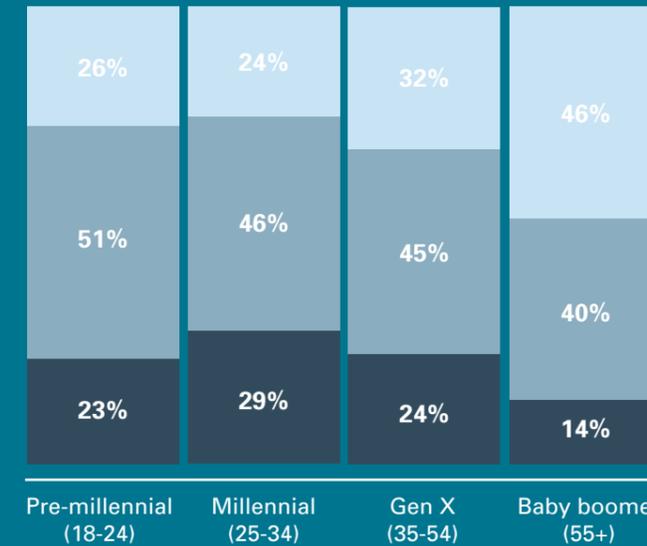
Despite the great divide, the future of loyalty is looking good and there are no signs that it is going to die out any time soon. Younger age groups in particular have a propensity to join loyalty programs and say their loyalty is growing, while a very small percentage of respondents across all age groups aged 18 to 55+ say they are less loyal to brands than they were five years ago. Which is good news for businesses as they are heavily invested in the programs. A massive 75% measure their loyalty reward programs in the context of commercial objectives - and for 60% the programs are seen as a commercial imperative. However, over half of hoteliers are only recognizing loyalty by measuring data from guest surveys and loyalty card data, with a quarter also measuring transaction data and mobile apps. These activity measures, while obviously important, don't take into account the impact of word-of-mouth marketing and the growing role of social advocacy, which can be seen as behaviors.

These two sides to brand loyalty are gradually coming into balance in terms of their importance, with consumers increasingly recommending hotels to friends, following a hotel's online activity and posting reviews online. However few hotels are even measuring these behavioral benefits, with only a third monitoring online reviews and social media posts. Hoteliers also have the challenge of catering for both business and leisure travelers, who can be very different. Our data shows that guests booking leisure stays are much less likely to care about earning or redeeming points (30% say this doesn't influence their hotel choice) compared with business travelers, where 82% are likely to book a hotel where they can earn points. However, it's clear overall that the desire for earning loyalty points is in decline in favor of more immediate rewards and experiences. 61% of guests think a loyalty program based on experiences rather than points-based rewards would be appealing.

Younger age groups in particular have a propensity to join loyalty programs and say their loyalty is growing.

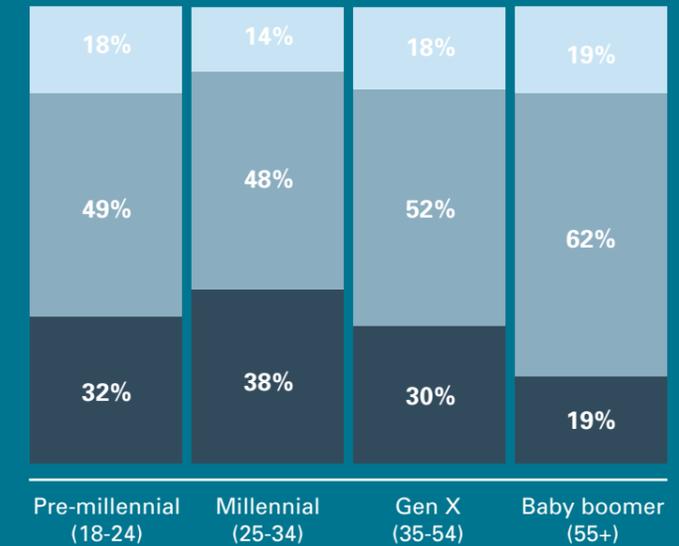
Propensity to use loyalty programs

- Rarely join loyalty programs
- Only sign up to select, relevant programs
- Sign up to every loyalty program



More loyal or less loyal

- Less loyal than before
- As loyal as before
- More loyal than before



Guests demonstrate their loyalty to hotels in terms of both activity and behavior

Activity

33%

visit these brands more frequently than others

20%

become loyalty card members

20%

spend more with these brands than others

Behavior

33%

recommend these brands to friends

19%

follow brand activity online

17%

post reviews about the brand online



However, almost half of hotels will only take into account activity measures of loyalty

Question: Thinking about the hotel chains you are most loyal to, why would you say you are loyal to them?

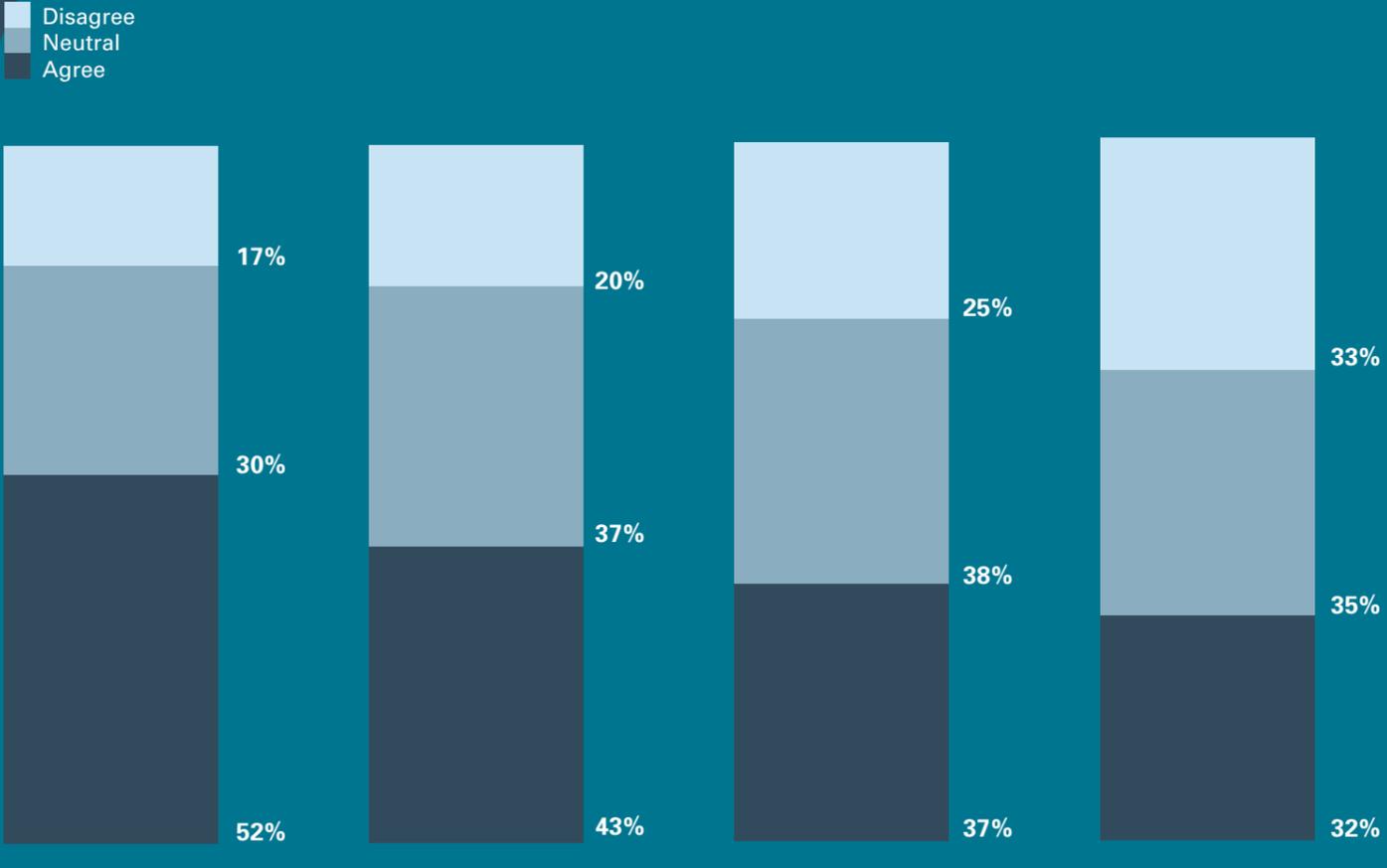
The Rise of Social Advocacy

There is no doubt that social media has become a massive player in building brand awareness as well as brand loyalty. As guests increasingly interact through social media channels and look to social media influencers for unbiased opinions, so the impact of these channels on their choices grows, with an ever-growing number of guests across all age groups increasingly willing to share brand-related content through their own social media. Guests think it's essential for hotels to have a presence on social media and will trust social media influencers over and above traditional advertising. More than half of all respondents said they are likely to research brands on social media before buying and share photos of hotels that stand out on their social channels. And just under a half are likely to feature a hotel on social media in exchange for a reward or offer, with 46% saying they would link social media activity to a rewards program with automatic rewards for posts.



Guests think social media influencers are more trustworthy than traditional advertising or celebrity endorsements.

- 57% are likely to research brands on social media before buying
- 56% are likely to share photos of the hotel that stand out on social media
- 48% are likely to feature the hotel on social media in exchange for a reward/offer
- 46% are likely to link social media activity to a rewards program with automatic rewards for posts



It is essential that hotel brands today have an active presence on social media

YouTube reviews are more trustworthy than branded advertising or communications

Hoteliers used and recommended by social media influencers are more trustworthy than those recommended by celebrities

Social media influencers are more trustworthy than generic customer reviews

Personalization: Connected and Immediate



For loyalty programs to remain relevant, hoteliers need to aim for a level of personalization that feels niche, not mass.

When it comes to hotel experiences, for guests personalization is about being recognized as an individual, with a level of service that goes beyond a traditional brand experience – and it very much centers around two core ideas: connection and immediacy. The former is perceived by consumers to be a service that is valuable or relevant to them personally – they do not want to receive generic, cookie-cutter offerings; they want their uniqueness to be recognized. Immediacy is pretty much what it says on the tin – how can a service make everything about the guest’s whole experience smooth and easy.

For loyalty programs to remain relevant, hoteliers need to aim for a level of personalization that feels niche, not mass. As new legislations come to pass, such as General Data Protection Regulation, and guests’ concerns around privacy grow, traditional approaches to segmentation and offer targeting will become obsolete. Understanding guest behavior and the role of influencers in predicting a guest’s next action will be essential to landing offers that consumers want to receive - and in turn - act on which will ultimately drive increased loyalty expressed both in terms of activity and behavior.

Connected is being recognized as an individual. Immediate is about making hotel experiences effortless.



Connected

69%

think personalized offers based on their stated preferences are appealing

65%

think a more personal service from staff is appealing

65%

think personalized offers based on purchase history are appealing

Immediate

78%

think Immediate benefits are more appealing than accumulating points

75%

think a loyalty program that can be used at a range of brands is appealing

73%

think frequent rewards / offers which are not dependent on earning / redeeming points are appealing

Loyalty programs that are truly personalized are very engaging for guests.

Personalized service from hotel staff that understand my preferences and show me relevant excursions, recommendations and offers

90%
find appealing

A mobile app that provides relevant and personalized information about the hotel (e.g. navigating the hotel, booking a table at the restaurant, booking activities or experiences)

87%
find appealing

Completing a questionnaire about personal preferences as part of a new loyalty program membership so that offers can be tailored

86%
find appealing

Personalized offers based on purchase history

65%
find appealing

The Role of Technology

For hoteliers, technology plays a key role in driving connection and convenience. With technological advances being made at a dizzying pace, there is enormous scope for fine-tuning and tailoring loyalty schemes to individuals. And the majority of guests are very open to advanced technologies that support brand experiences without being invasive.



The majority (90%) love the idea of being able to accept or reject offers so that hotel loyalty programs can learn what products and offers are of most interest.

They also think the idea of being able to receive personalized service from hotel staff who understand their preferences and show them relevant excursions, recommendations and offers is extremely appealing and 86% would be willing to complete questionnaires about their preferences as part of a new loyalty program membership so that offers can be tailored to them. When it comes to convenience, more than 85% of guests love the idea of mobile apps for check-ins and check-outs, using virtual reality to explore hotel rooms and then having the option of specifying a particular room when booking, and staff having access to a mobile or tablet so they can offer guests services from anywhere, not just the front desk. However, for some guests, especially older demographics, things such as room service robots can be a step too far, crossing the line where personalization becomes invasiveness.

Guests are open to the idea of new and advanced technologies that enhance the hotel experience.

A mobile app that supports check-in, checkout and provides relevant and personalized information about the hotel (e.g. navigating the hotel, booking a table at the restaurant, booking activities or experiences)



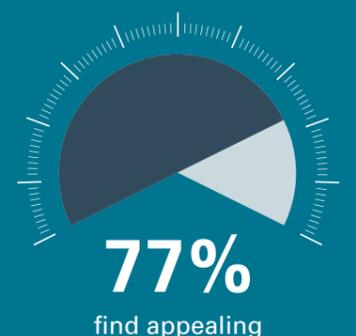
The ability to explore hotel rooms through Virtual Reality before deciding which hotel to stay in or which room to choose as part of the booking process



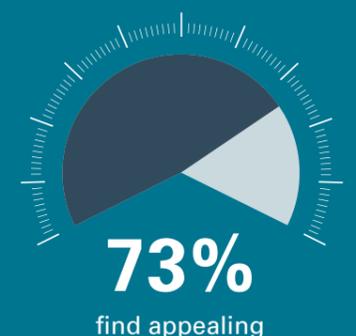
Redeem loyalty points or rewards for new experiences (never tried before) based on social media profile and preferences



Wearable technology that can be used to interact with the hotel experience from room access to personalized experiences for the whole stay



Voice-activated technology such as Alexa, Google Home, and Siri to control room lights, ambience, and place room service orders



The Four Loyalty Typologies

The research uncovered four main types of guests: The Broadcaster, The Enthusiast, The Lazy Loyal and The Seeker, which people will flip between depending on what type of travel they're engaged in, so the same person might be a Broadcaster when they go on honeymoon to the Maldives, an Enthusiast when booking their annual ski

excursion, a Lazy Loyal when it comes to the family summer vacation and a Seeker when planning a long-haul adventure. In today's global world where vacations are often regarded as necessities not luxuries, depending on where and why we're going and with whom, when it comes to behavior we're all shape shifters.



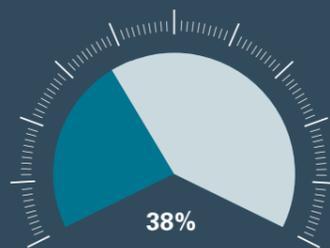
This guest can be your greatest advocator – or your biggest detractor. With social media channels as her loudspeaker, she is brand neutral but an avid sharer of the hotel experiences that spark her passion, good or bad. So, while the airport hotel she checked into to catch an early morning flight won't find its way onto her Instagram feed, the tented eco-lodge in Sri Lanka with its cocoons and private plunge pools that elephants drink from certainly will. The photos will be out of this world and the praise effusive as she aligns herself with the brand's niche kudos and ethical position. For, as well as being driven by a desire to tell the world about a great find, The Broadcaster wants to set out her own stall. Intrepid traveller, check; knows how to find something off the beaten track, check; is interested in not leaving a footprint, check. And while she's aligning herself in a positive way to a brand, well, that brand is having fairy dust sprinkled all over it. Add in a loyalty reward incentive and you have a golden goose as she shares even more photos on social media and raves about the hotel online. In today's world, keep The Broadcaster happy and her evangelizing will work harder for you than any ad campaign Madison Avenue could ever dream up. But, be warned, to keep her loyal you need to keep her interested because if you don't you'll lose her to the next best thing, which she's always on the lookout for.

1.The Broadcaster

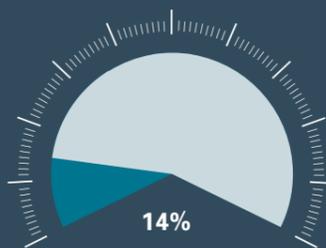
The Broadcaster may flit between hotels but shouts about their experiences, good or bad.



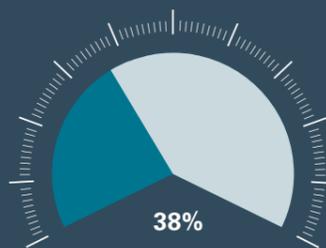
of guests will recommend to others the hotels they are most loyal to



will rave about a great hotel experience online



are driven to build a high status on social media and review sites



would submit a product review through YouTube in exchange for an offer / reward

2.The Enthusiast

The Enthusiast is an engaged hotel brand 'follower' who is loyal but not loud.

This traveler is loyalty personified. He won't shout about it on social media, but once you've gained his trust, he will stick with you faithfully. So while he may not post about the great 20% discount his go-to boutique London hotel is offering or the competition his favorite ski resort in Colorado is running, he'll retweet the tweets, like and share the Facebook and Instagram posts, comment on them and enthusiastically tell his friends about the offer and competition. He's an engaged customer, genuinely interested in the hotels

he's come to know and trust, and willing them to carry on doing what they're doing so well. He's not looking to be let down and it would take something big to lose his custom. So how to gain his loyalty in the first place? What The Enthusiast is looking for is excellent facilities and exceptional service. For him, a favorite hotel is like a friend – he'll follow all their social channels, stay loyal even in the face of new competition, and if you can pique his interest with new and exciting products he'll be with you for life.

65%

say excellent facilities and 51% exceptional service are most important to them

41%

say it's important that they can engage with new and exciting features in hotels they are loyal to

38%

of guests are most loyal to brands that they have a high opinion of

19%

will follow their favorite brands on social media



3. The Lazy Loyal

The Lazy Loyal is typically unengaged but tends to be loyal to hotels because it's easy to be.

Once this guest finds the right fit for her, she just wants to forget about the hunt and sit back and relax in the knowledge that her choice of the annual summer vacation hotel on Mykonos and exotic winter bolthole in The Caribbean is perfect. She doesn't want to shop around and often her choices are made around convenience. The first time the family stayed at the hotel on Mykonos they had a wonderful time, and repeat visits have been equally enjoyable. Why would she go looking for something new when what she's got is ticking all the boxes? When she gets an email from her favorite winter retreat in St Barts saying does she want to book again this year, she can have the same room, she's over the moon. Everything is made easy for her

and her vacation is booked without her having to lift a finger. Even better if when she gets there staff have a mobile or tablet so she can get everything she needs from anywhere in the hotel, not just the front desk. It takes a lot to budge The Lazy Loyal from her preferred hotels; she may not be actively engaged with them, but they're part of the furniture and The Lazy Loyal doesn't want to change the furniture. For this traveler, when it comes to loyalty programs, the easier the better, so schemes where points are automatically redeemed are a winner. The key driver for The Lazy Loyal is convenience so keep making things easy or make them even easier for her and she'll stick with you.

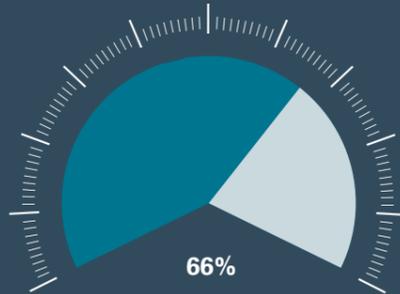


4. The Seeker

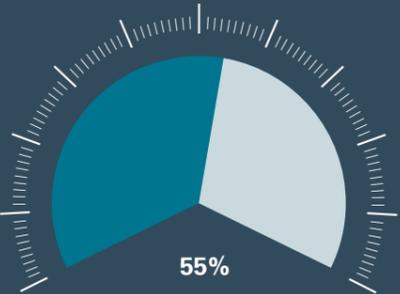
The Seeker likes to shop around for the best value offers and holds little affinity to brands.



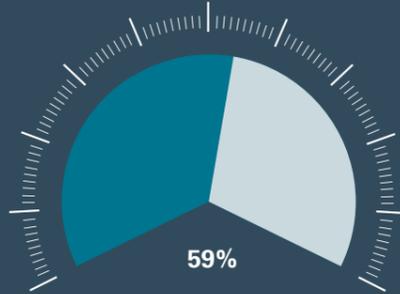
For The Seeker, the meat in the sandwich is always the deal never the brand. This is someone who holds little or no affinity for hotel brands – he isn't moved by aspirational marketing, brand loyalty, social alignment or distracting ad campaigns. This a traveler who is driven by the best value offers, the most competitive prices and compelling promotions. He's not just on the hunt for the cheapest deal, he wants the best deal. So if he's planning a long-haul adventure, while one hotel might be more expensive than a competitor's, if it comes with great value add-ons (airport transfers, inclusive excursions, a free spa treatment), then he'll opt for that. And he will do his research, shopping around for as long as it takes him to find the best deal he can get on that hotel in Cape Town. He's an inveterate deal seeker and rarely signs up to retailer loyalty programs – why would he when he might find a better deal with a competitor? But he would be willing to divulge his personal details in exchange for a personalized offer or promotion. Just don't expect him to come back to you next time – unless, that is, your deal trumps everyone else's.



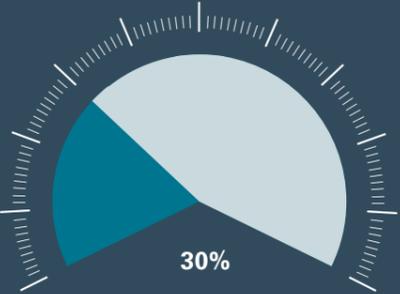
choose a hotel because of competitive prices / promotions



would exchange personal details in exchange for a personalized offer or promotion



of guests would always 'shop around' for different hotels to stay at



would rarely sign up to hotel loyalty programs



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