FIVE HOTEL LOYALTY TRENDS FOR 2020

Presented by

Skift + **session m**
A Mastercard Company

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Skift is the largest industry intelligence platform providing media, insights, and marketing to key sectors of travel. Skift deciphers and defines trends for global CEOs and CMOs across the travel industry through a combination of news, research, conferences, and marketing services.

ABOUT SKIFTX

SkiftX is Skift's in-house content studio. SkiftX produced this report in partnership with SessionM, a Mastercard company.

MASTHEAD

EXECUTIVE SUMMARY

Today's hospitality industry has never faced a challenge like the 2020 Covid-19 outbreak. Many hotels are at low occupancy or vacant, significant numbers of industry employees are furloughed, and few experts can agree on when travelers will come back in significant numbers. But despite the hardships, now is not the moment for hotel executives, owners, and operators to retreat. Instead, the hotel brands that will ultimately survive and thrive in a post- Covid-19 world are already planning their recovery strategies and what hospitality will look like in the future.

It is amidst this unprecedented moment of change that more hotel executives are taking a fresh look at one of the most popular, but also misunderstood, aspects of the hospitality business: loyalty programs. On one hand, loyalty programs have never been more popular. Consider the results of a 2019 study conducted by YouGov, which found that 64 percent of consumers in the U.S. were already members of at least one loyalty program. On the other hand, travelers don't appear to be engaging with loyalty programs in ways that create meaningful long-term relationships with hotel brands. Consider the findings of another recent loyalty insights study, which reported in 2019 that of 14.8 million memberships, only 6.7 million were active.

What these findings suggest is that designing a loyalty program solely focused on collecting huge numbers of points is no longer enough. In order for loyalty to deliver results in today's rapidly changing hospitality sector, owners and operators need to reassess why they operate a loyalty program in the first place. That means moving away from short-term engagement tactics like sign-up bonuses that suddenly lack importance during a global crisis. In their place, loyalty programs must start the hard work to foster sustainable long-term relationships with travelers. It's only by shifting to this new mindset that hospitality businesses will truly begin to understand and respond to customers' needs at every step of their journey.

But how will hotels accomplish this shift? In this report, Skift and SessionM, a Mastercard company, investigate five trends that inform the future of hotel loyalty strategy and recovery efforts related to Covid-19. The trends, which explore the importance of themes including data insights, personalization, omnichannel access, experiences, and trust, are supported by interviews with hospitality industry executives, real-world case studies, and data drawn from recent studies of consumer loyalty trends.

EXECUTIVE LETTER

Technology has changed customer expectations. Brands need to know their customers, anticipate their needs and value them for their time and business. Many hotels struggle with this. With far more channels to service than ever before, brands are dealing with a complex environment with great potential for error. While technology is a great outlet for hotels to maneuver these busy engagement channels with their customers, it is important to not only use the right technology, but also do it efficiently and effectively to successfully deliver an experience to which customers are drawn.

Having a near real-time view enables you to react to a customer's behavior with relevant marketing campaigns

Scott Weller,
Co-Founder and CTO
SessionM, a Mastercard Company

that drive customers towards particular goals, or trigger campaigns based on specific behaviors and non-behaviors. For example: what should you do when a guest enters your hotel? How do you know the different ways that the person should be treated based on how the customer is valued to the business?

The first thing you need to do is align your organization around a digital transformation. A lot of hotel brands are not aligned around what it means to create that single view of the customer or why they should create it. Many brands have tried to solve their digital transformation by layering in technology across their organization. If this is you, take a step back and look at how technology may change the way you engage with customers and rethink how your organization and teams must be structured to respond. Oftentimes, the architecture for martech or for solutions within the context of organizations reflects the structure of that organization. As a result, the barriers that the company introduces are human barriers, not just technology barriers. Think about how your organization needs to align around the digital transformation versus aligning the digital transformation around your organization.

By creating the concept of a digital transformation within your organization and setting some goals related to that transformation—one of which is to achieve this single view of the customer for operations, for marketing, for sales enablement, etc.—you can better set yourself up for success when it comes to not only that particular initiative, but also all future initiatives related to how technology can transform your business.

Treat every guest like a VIP

Connect the customer journey to *ensure a seamless and personalized guest experience* from start to finish.

Learn more about SessionM, A Mastercard Company's Hotel Loyalty Solutions today!

INTRODUCTION: LOYALTY AND HOSPITALITY'S RECOVERY

The 2020 Covid-19 outbreak has created an unprecedented challenge across the travel industry. Many hotels are currently vacant or reeling from low occupancy, airlines are grounded, and most travelers are staying home for the time being. Other properties have been forced to close in response to local government orders. Employees have been furloughed or let go, and it remains unclear when hotels will be able to return to business as usual.

Let's face it: this is an extremely difficult moment for the hotel industry. But despite the hardships,

now is not the moment for the hospitality sector to retreat. Instead, the brands that will ultimately survive and thrive in a post- Covid-19 world are starting to plan for the future. That's why there's never been a better time for hotels to take a closer look at one of the most popular, but also misunderstood, aspects of the hospitality business: loyalty programs. Today, many hotel executives are waking up to an important realization: when designed correctly, loyalty can serve as a powerful asset to build meaningful long-term connections with customers, helping the industry navigate through the challenging recovery that lies ahead.

"Now, post Covid-19, loyalty programs are going to be even more important as the industry quickly tries to recover when the social distancing ends," said Dana Rosenberg, senior vice president of Cardholder Services, Data & Services for Mastercard. "Many hotels have already altered their loyalty programs' 2020 requirements, with some automatically carrying 2020 status over to 2021."

But in order for loyalty to deliver results in today's dramatically changed hospitality sector, owners and operators need to reassess why they operate a loyalty program in the first place. That means moving away from short-term engagement tactics like sign-up bonuses that suddenly lack importance during a global crisis. In their place, loyalty programs must focus on the hard work to foster sustainable long-term relationships with travelers. It's only by shifting to this new mindset that hospitality businesses will truly begin to understand and respond to customers' needs at every step of their journey.

"This moment in time is an amazing opportunity to engage customers around their dreams and hopes for the future," said Scott Weller, CTO & co-founder of SessionM, a Mastercard Company. "As we move towards a reality where people are contemplating more wide-scale travel, it's going to be important to use the loyalty program itself as a vehicle for gauging sensitivity around travel choices.

"A lot of brands will see their loyalty program as their golden asset when it comes to revenue recovery, through means of offers, and leveraging the stored value that they've accrued through miles and points. There's a lot of opportunity to engage that base through digital media in this moment, in fun, supportive ways."

This crisis reveals an imperative for hospitality brands to support customers over the long haul, through planned journeys and unexpected changes alike. Developing a new approach to loyalty will help equip business for the times ahead, as travel resumes its course around the world.

For hotel executives, this opportunity creates new questions about the future of their loyalty offerings. What kind of loyalty program features will they need to offer to thrive in 2020 and beyond? What are the strategies they should use to make sure that their programs evolve from today's points-focused platforms into evolved engagement and personalization engines, driving overall success?

In this report, Skift and SessionM, a Mastercard company, investigate five emerging strategies that hoteliers can use to reimagine loyalty in their businesses, helping to ensure that this priceless asset continues to engage and inspire guests now and in the future.

BACKGROUND: THE STATE OF HOTEL LOYALTY

The dramatic business changes wrought by Covid-19 offer a unique opportunity for hoteliers to reconsider what loyalty means to their customers and their business. But some skeptical hotel executives may still be wondering: why tamper with a system that, at face value, appears to be working so successfully?

After all, at the outset of 2020, the current hotel loyalty system boasted millions of travelers among its ranks. A 2019 study conducted by YouGov found that 64 percent of consumers in the U.S. were already members of at least one loyalty program. And even as long ago as 2017, when COLLOQUY completed their most recent report on loyalty programs, there were already more than 3.8 billion active loyalty memberships in the U.S. alone.

Further analysis from Skift Research reveals that hospitality is already a strong segment for loyalty membership. In its 2019 annual report, InterContinental Hotels Group (IHG) announced it had over 100 million members enrolled in its loyalty program, IHG Rewards Club. And the Marriott Bonvoy international travel program has grown to 125 million members since its February 2019 launch.

Overview of Hospitality Loyalty Programs
Total Number of Loyalty Members

The loyalty programs for the major brands are massive in size...

	125mn	100mn+	106mn	61mn	54mn	45mn	16mn
	Marriott	IHG	Hilton	Wyndham	Accor	Choice	Hyatt
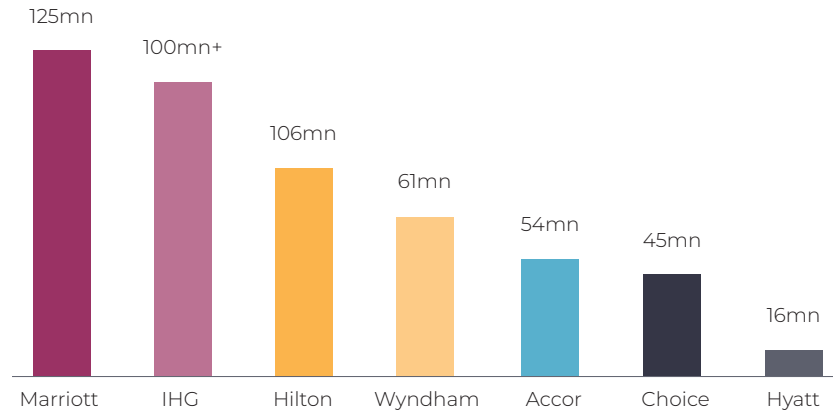
Source: Skift Research, Perspectives in Hospitality Loyalty Programs: A Challenging Road for Real Customer Loyalty

In recent years, this large and growing base of hotel loyalty customers has been boosted by a range of enticing program benefits. Loyalty credit cards like the Citi Premier® Mastercard World Elite, and Mastercard Barclays Black Card allow members to utilize their earned points and rewards with various hotel or airline programs based on their travel needs. Meanwhile, some loyalty programs like the Citi ThankYou® Program allow members even greater flexibility to use program points, redeeming their points as statement credits for recent purchases, through the Citi® pay with points program.

Meanwhile from the business perspective, hotel loyalty programs have become an increasingly valuable tool for owners and operators alike. From an engagement and customer acquisition perspective, loyalty helps boost interaction frequency with guests (even when they're not traveling) while also helping to lower distribution costs, minimize acquisition expenses, and improve customer retention rates. And at the property level, such programs help support hotel occupancy by encouraging guests to book rooms partially or wholly by redeeming points and rewards.

BACKGROUND: WHY LOYALTY MUST EVOLVE

Today's loyalty programs in their current form remain popular with consumers and hotel executives alike. But the sudden shift in travel demand due to Covid-19 exposes flaws in the current hotel loyalty strategy that threaten the programs' future success. One problem is the overcrowded nature of today's hotel loyalty environment; there are more companies providing loyalty offers and perks available than ever before, leading to disengaged consumers and difficulties for program creators hoping to stand out from competitors.

One strong sign of disengagement is the number of active loyalty memberships. Consider the findings of a major loyalty insights study, which reported in 2019 that of 14.8 million memberships, only 6.7 million were active. The insight is further supported by a 2019 Skift survey of business travelers (below right), which found that more than half of respondents had only actively used one or two of all their hotel loyalty program memberships in the past 12 months.

In addition, the growth rate of new loyalty memberships is slowing; 40 percent of men and 30 percent of women aged 18-24 have never subscribed to a loyalty program, according to research from YouGov. And of those who have never before joined a loyalty program, 70 percent say they are not likely to join one in the next 12 months.

The likely reason for the disengagement is that hotel loyalty programs aren't keeping up with the evolving desires of today's consumers, who are less motivated by rewards and increasingly interested in new program features like high-quality service, personalization, and convenience.

The insight is supported by findings in a Mastercard-sponsored 2019 study of business executives across all industries from Harvard Business Review Analytic Services (HBR-AS). In the study, executives reported that as of five years ago, "rewards values" were the top determinant of a loyalty strategy's success. However, as of 2019, only 42 percent of these same executives believed such rewards were a top driver of success, choosing features including exceptional customer service (51 percent), digital and omnichannel access (48 percent), and ease of use (45 percent) as more important factors.

This shift in loyalty priorities seems primed to persist in the coming decade: 53 percent of the same group of business executives said that five years from now, digital and omnichannel access will become the most important driver of success,
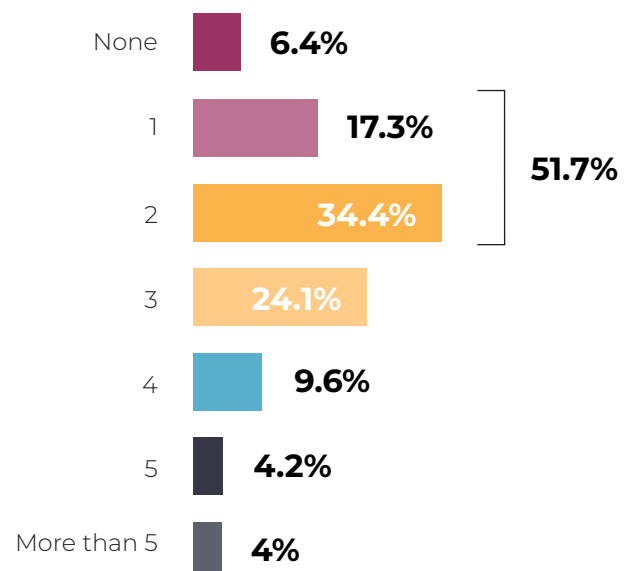
while economic rewards will drop to the eighth-most important factor.

Increasingly, other executives in the hotel sector believe that the current loyalty system is due for an overhaul. "Loyalty programs work, but they are a cheap form of loyalty," said Amar Lalvani, CEO, Standard International in a 2018 interview with Skift. "The loyalty that we want to generate is based on providing unique and addictive experiences... We earn loyalty by connecting with guests on a social and cultural level. Knowing not only who they are and what they like, but knowing who they want to be when they stay with us."

What strategies will hotel executives use to close the gap? Below, Skift and SessionM, a Mastercard company, offer five trends that will define the future of hotel loyalty in the new travel era of Covid-19, along with examples of travel brands putting these concepts into action.

How many hotel loyalty programs have you actively used (earned/redeemed points) in the past 12 months?

Business Travelers

Response	Percentage
None	6.4%
1	17.3%
2	34.4%
3	24.1%
4	9.6%
5	4.2%
More than 5	4%

(1 and 2 combined: 51.7%)

Source: Skift State of Business Travel 2019 Survey

TREND 1: FOLLOW THE LOYALTY DATA

Building a great loyalty program in 2020 depends on data insights. By developing a set of data insight best practices, hotels can more easily understand each traveler's unique needs, allowing them to further customize their interactions and suggest the right products, services, and messages.

"Data insights...enable hotel chains to drive value for every guest who stays at their hotel, whether that be offering particular rooms based on a guest's previous stay, showing certain offers on the mobile app, or providing special experiences on-property," said SessionM's Weller.

"Hotels must take a data-driven approach to loyalty — that includes using data insights to understand not only how guests interact with their loyalty points, but also learn what matters most to them," agreed Mastercard's Rosenberg.

In order to take advantage of the new data-driven view of loyalty, hotel leaders will need to develop more sophisticated systems to gather, manage, and act on those data insights. This involves three steps:

1.

Building a single view of customers: Collecting the right types of data insights to build a 360-degree view of hotel program members' preferences, past interactions, and purchase histories, among other factors.

2.

More robust membership segmentation: Developing capabilities to provide nuanced, real-time views of different segments of customers. In addition to traditional demographic segmentation, this also includes the capability to build profiles based on evolving hotel business scenarios, like occupancy rates.

3.

Measuring and monitoring: Building a system to measure and monitor performance, using a test and learn approach to optimize decision-making based on changing market conditions and customer needs.

The first data insight best practice is to build a single view of customers. To create this view, those in the hospitality sector are turning to partners like SessionM, a company that is helping hotels stitch together customer data insights from disparate hotel databases from mobile apps, email campaigns, social media accounts, central reservation systems, and point of sale terminals, among other locations. Once the data insights from these different channels and systems are cleansed and matched, a single customer view can be built, delivering hotel executives access to relevant real-time information to react to the constantly evolving priorities of travelers.

The second best practice involves creating more dynamic membership segmentations that can adapt to changing market conditions. In the past, hotels built loyalty segmentation efforts around overly broad customer groups like "business" or "leisure" travelers. But with the help of a 360-degree view, hotels can expand their segmentation in a seemingly infinite number of directions.

"With the right data insights and analytic tools, hotels can provide more relevant offers based on geolocation, guests' interests and previous purchasing behavior," said Mastercard's Rosenberg. "The best data insights and analytics allow hotels to speak to guests at the right time, with the right offer in the right channel."

This might include new segmentation opportunities based on the loyalty members' stage of their purchase journey (for example: while booking, on-property, post-stay), geographic location of potential customers, their current elite status, or the hotels' current occupancy levels.

But this type of dynamic segmentation is only possible when good data management practices are in place. "By investing in the right technology, hotel brands can expand from typical loyalty program structures to behavior-driven and experiential rewards," said SessionM's Weller. "You need to have great data hygiene and data management acumen to achieve things like superior customer service and chatbots engaging with customers. It occurs through data integration."

The third step in transforming how hotels use data insights in loyalty programs involves more regular measurement and monitoring to ensure new data-driven customization efforts are meeting hotel business objectives. "Hotels should use data to continually monitor and optimize their personalization initiatives with advanced analytics and campaign testing," said Rosenberg. In the context of loyalty, this would include capabilities to review metrics such as the recency, frequency and spend for each hotel customer, along with metrics like lifetime value.

TREND IN ACTION: MARRIOTT

In the travel industry, many brands are already taking this increasingly data-driven approach to loyalty to heart. One example is Marriott, which is working to synthesize the vast amount of data it gathers across its operations, and from partners, to drive smarter decisions about how to deliver more customized loyalty program offers to members.

According to a recent report, the hotel chain pulls in information gathered from a variety of data sets, including property-level weather reports and local event schedules, cross-referencing this information with customer habits to make customized, real-time decisions about the pricing for its loyalty program values. ◆

TREND 2: LOYALTY IS NOT ONE SIZE FITS ALL

In today's travel and hospitality industries, personalization is a critical feature of successful loyalty program. Forty-two percent of business executives believe that personalized offers have become one of the most important factors contributing to the success of loyalty programs, according to the HBR-AS study sponsored by Mastercard. The study also notes that within the next five years, 45 percent of executives plan to add personalized offers to their own programs. Consumers agree with this assessment: fifty-seven percent of travelers want brands to deliver tailored information and interactions based on past

behavior or personal preferences, according to a 2018 insight from Think with Google.

In the past, personalization-driven loyalty was informed by a narrow slice of guest data, such as the traveler's transaction history. An example of this phenomenon are the "elite" tiers long used by hospitality brands to deliver special perks for frequent guests. While such tiers allow hotel executives to deliver some surface-level personalization, they fall short of meeting the growing expectation from travelers for 1:1 customized loyalty offers.

Today, however, opportunities for hotels to personalize the guest's experience start long before they travel and last long after they return home. These opportunities take into account a more complete picture of the guest's evolving preferences and activity, providing a brand experience that's unique to their lives and personal travel needs.

"There's a rising focus on improving personalization efforts strategically and making them varied, value-driven scenarios — all that comes from data insights," said SessionM's Weller.

Weller also believes this improved version of hospitality personalization will enable hotels to engage a much wider variety of guests than just frequent travelers. "The future is now about: how do we create customer experiences around loyalty retention and engagement, not only for those who intend to sign up but others who are customers with a specific amount of frequency?" asked Weller. "How do we apply loyalty to 100 percent of the customer base who are the frequent buyers and the infrequent buyers?"

Consider some of the following examples of how a more personalized loyalty program could improve the guest experience:

◆ Understanding how guests' needs change at home compared to "on the road," or differ between their business and leisure stays

◆ Examining how guests' needs change pre-stay, during their stay, and post-stay

◆ Appreciating guest portfolios and demographics with more granular segmentation

◆ Matching what hotels know about their guests with external data about their needs, behavior, and spending habits; and

◆ Providing contextually relevant services, offers, real-world experiences, and rewards that adapt in real time to customer segments' broader preferences.

TREND IN ACTION: IHG AND MARRIOTT

There are a number of potential strategies hotels can use to create loyalty programs that speak to the specific wants and needs of every customer. But what does a contextually relevant, personalized loyalty strategy look like?

Predictive recommendations are one strategy hotels can use to further tailor loyalty programs to members. Through this approach, hotels analyze various guest segments' past habits at a macro level in order to suggest loyalty offers and products that are right for them at every stage of their stay.

IHG is one hospitality brand taking this strategy to heart by means of a number of loyalty initiatives, including efforts to align hotel add-on services like food delivery with loyalty earning opportunities. Consider the hotel group's recent partnership with Grubhub and OpenTable, allowing hungry hotel guests to easily order takeout food or make dinner reservations while simultaneously earning IHG Rewards Club points in the process. Members can also dine and earn even when they're not staying at an IHG hotel by connecting their credit or debit card to their IHG Rewards Club account and use their card at more than 10,000 restaurants across the US.

IHG Rewards Club also recognizes that guests want choice and flexibility. In 2020, IHG Rewards Club introduced variable Reward Night pricing where members can choose how and when they use their points for Rewards Nights in the way most meaningful to them at more than 5,900 properties around the world.

Gamification is yet another way to personalize engagement with loyalty members in a way that's not only more frequent, but also deeper and more meaningful to customers and companies alike.

For example, Marriott used the gamification concept to launch its "Unlock More" program at the end of 2019. For the last three months of the year, loyalty members who registered for the program were eligible to automatically earn 2,000 bonus points after booking and completing two stays at any participating Marriott Bonvoy property around the world. Members who unlocked the bonus points also received a follow-up offer incentivizing them with additional perks that were customized based on their past behavior.
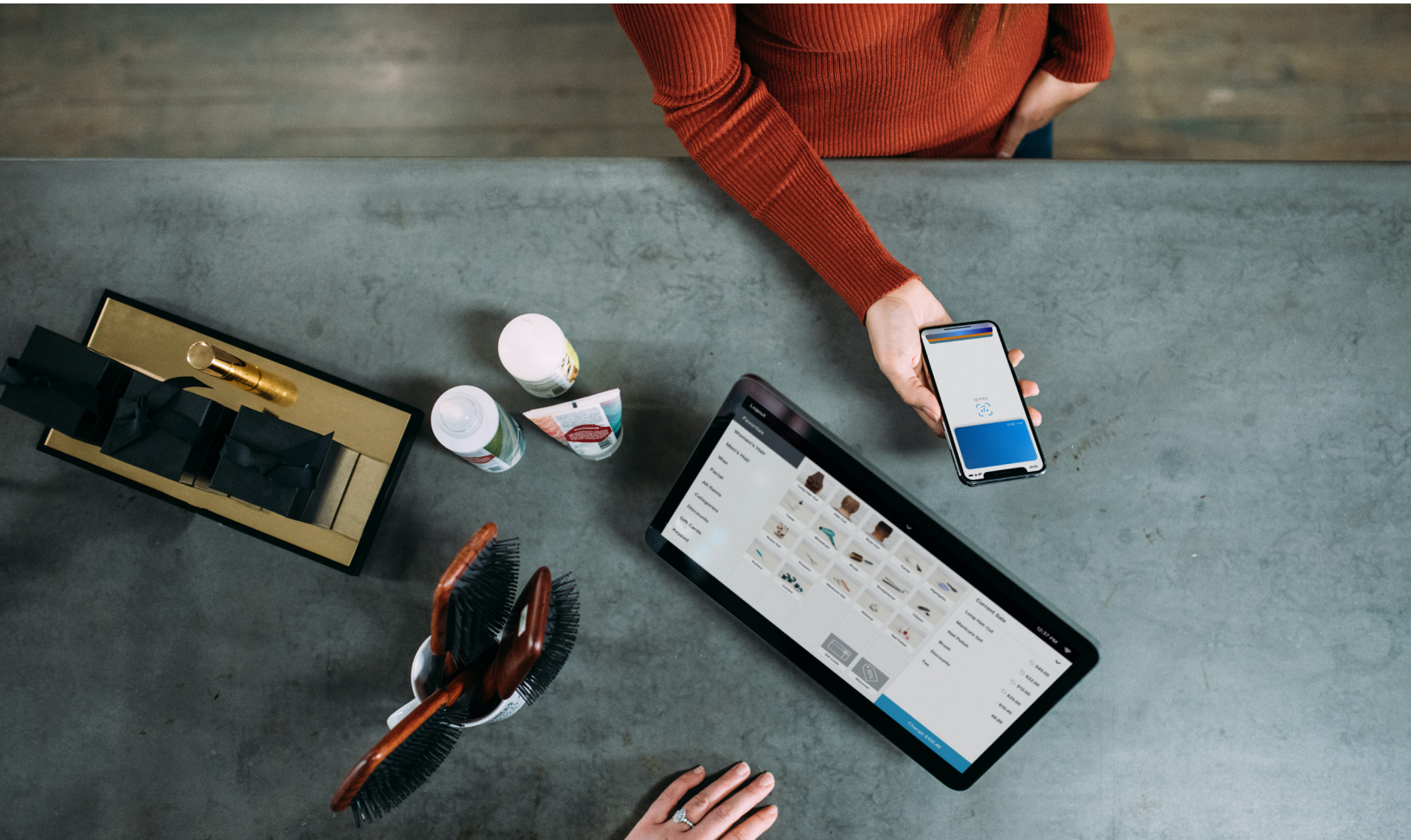
As noted in an analysis of the program by The Points Guy, Unlock More marks a notable shift in how hospitality brands are delivering loyalty incentives to guests. "Marriott clearly seems to be shifting away from one-size-fits-all deals to more variable and targeted offers," said writer Ethan Steinberg. "Even within the same promotion, some members are being incentivized to simply stay more with Marriott, while others are being rewarded specifically for weekend stays." ◆

Marriott Bonvoy's "Unlock More" Loyalty Promotion

MARRIOTT BONVOY™
UNLOCK MORE
GET BONUS POINTS 2,000 UNLOCK MORE
Stay twice. Get 2,000 bonus points. Then unlock an additional offer.

W Barcelona, Spain

TREND 3: THE FUTURE OF LOYALTY IS SEAMLESS

It's no longer the case that loyalty starts and ends with a membership card or customer login on a hotel website. Instead, today's best-in-class brands fit so seamlessly into travelers' lives that they can forget about the transaction and focus on their experience. Today's consumer has a hotel key, airline ticket, bank branch, retailer, and all their friends in their pocket. And that means hotel brands looking to win in loyalty in 2020 need to learn to meet travelers where they are, how and when they want.

"We have the opportunity to collect more insight about our members and their expectations from a relevant loyalty program," said Maud Bailly, chief digital officer for Accor Hotels, in a 2020 interview. "Globally they are looking for seamless digital interfaces, on the website as well as on the app."
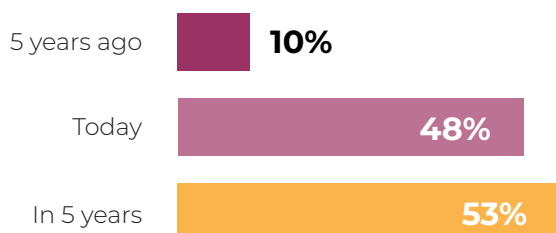
Focusing on a seamless, omnichannel approach helps hotel loyalty programs simplify guests' interactions across any device type or engagement channel, and throughout every stage of their hotel journey. This fluid ability to engage hotel customers wherever and whenever they desire is ultimately about delivering convenient, always-on, experiences.

Seamless access is a growing priority for business executives across all industries that oversee loyalty programs. Nearly half of executives (48 percent) believed that digital and omnichannel access are two of the most important features that will lead to loyalty program success in 2020, according to the sponsored study by HBR-AS. And more than half of business executives (53 percent) said that digital and omnichannel access will be the most important features of their programs in the next five years.

More importantly, seamless experience isn't just a nice to have feature. Today, it's a competitive requirement. Whether it's shopping on Amazon, using an Apple device, or requesting a car from Uber, each of these companies have raised the bar for customers' expectations of seamless experiences — with just one touch, the service (or product) is on its way, and the interaction is complete.

So how can hotel companies make their loyalty programs more seamless, intuitive, and easy to use in 2020? To start, hotels must build a consistent customer experience across all the channels guests use to interact with the brand. Creating this kind of consistency between online and offline interactions, and throughout a traveler's entire journey, is key to creating a seamless loyalty experience.

The Evolution of Seamless Hotel Loyalty Engagement

◆ **Mobile Apps:** Loyalty apps like Hilton's Connected Room suggest localized destination content, offer keyless room entry, enable tech controls for the in-room experience, and store hotel stay preferences like room type and requested amenities.

◆ **Voice Assistants:** Smart assistants like Amazon Alexa, Siri, and Google Home power full room integration. Customers with existing smart assistant accounts can access their profiles and preferences while traveling.

◆ **Chat Interfaces:** Text chat platforms make concierge services and guest experiences available and easily accessible 24/7.

◆ **Payments:** Guests can use loyalty points to pay for any hotel experiences, add-ons, or amenities, and are able to earn points across a wider variety of hotel interactions.

How important is/was digital and omnichannel access to the success of your organization's loyalty program?

5 years ago	**10%**
Today	**48%**
In 5 years	**53%**

Source: Harvard Business Review Analytic Services, sponsored by Mastercard

In addition to making brand interactions more seamless, giving equal attention to every channel where a brand operates also makes those engagements more helpful and reliable. For example, if a hotel responds to guest requests in real time on a phone call, why should it take several days to respond to a customer service inquiry that arrives in an email?

Of companies that recently changed loyalty strategies or plan to change it soon, the number one reason (44 percent) they made those decisions was to create a more digital experience, according to the Mastercard sponsored HBR-AS study.

"Hotels should invest in solutions that combine disparate data streams — including external data sets like spend insights — to get a full, 360-degree, real-time customer view," said Mastercard's Rosenberg. "That way, hotels can develop a truly tailored loyalty experience with automatic behavior trigger conditions for offers and communications based off traveler geolocation, history or recent redemption to drive dynamic engagement and build customer appreciation."

"You need to make sure the general manager understands that your users have and are using an app," said Rémy Merckx of Radisson Hotel Group. "The quality of that user experience is as important as having a good shower, a delicious breakfast, and a good bed to sleep in." And the extension of that experience doesn't stop at hotel loyalty apps; it needs to expand to every interaction customers have with your brand, from social media to newsletters and email exchanges.

TREND IN ACTION: CARNIVAL, DISNEY, AMERICAN AIRLINES, AND MASTERCARD

Today, numerous companies in the travel industry are pioneering new seamless programs that unify the real-world travel experiences with digital interactions. Two great examples of this phenomenon are Carnival Cruise Line's Ocean Medallion and Disney's Magic Band, which each provide a single touchpoint for travelers to manage their entire brand experience from check-in to retail ordering to payment.

Brand partnerships also contribute to more effective loyalty experiences, since they enable customers to seamlessly earn and use their points in more places and through more channels. And beyond simply creating new earn-and-burn channels, partnerships can improve loyalty members' experience through benefits like reciprocal status.

American Airlines' SimplyMiles™ program is a good example of how travel companies can make rewards more accessible through cross-industry partnerships. By linking a Mastercard to a SimplyMiles account, members can earn miles from the purchases they already make in their everyday spending beyond the travel category. Bringing it all full circle, members can then use those earned miles on travel with American Airlines, without limitations on their spending.

Offering a single point of contact is increasingly important as well, as channels proliferate and consumers' patience dwindles. We already know that customers have everything they need in their smart phones or wallets, but collecting a new individualized app or membership card for every single loyalty program they join isn't particularly realistic or helpful. Consumers want access to all their benefits in one place. That's why programs like Mastercard's Loyalty Connect allow customers to link their loyalty membership directly to their credit card or banking app, so they can earn points and connect with brands without having to give it a second thought. ◆

TREND 4: LOYALTY MOVES AWAY FROM POINTS TO ENGAGEMENT THROUGH EXPERIENCES

Today's travelers prioritize experiences over material possessions and because of this, today's successful hotel loyalty programs are those that go beyond the traditional limits of points or focusing only on the guest's stay.

This is backed up by data from the HBR-AS study sponsored by Mastercard, which found that 35 percent of business executives mentioned "experiences and emotional brand connections" as a feature important to the success of their loyalty program within the next five years. That's why hotel loyalty programs are increasingly focusing on finding new ways to help travelers and locals alike enjoy their ideal lifestyles, whether they're physically at the hotel property or not.

Way back in 1997, Mastercard's Priceless campaign helped kick off this trend by pioneering the idea that experiences could matter more to consumers than buying stuff. Today, the campaign has continued to evolve to satisfy consumers' changing lifestyles by offering upscale, exclusive experiences organized around five core passions: culinary, arts and culture, sports, entertainment and music, and travel and shopping. Members can tour a private art collection in Miami's Design District or dine at the chef's table at a famous Los Angeles restaurant.

Meanwhile Marriott Bonvoy, a merger of the Starwood Preferred Guest program and Marriott Rewards, led the movement in the travel and hospitality categories by tailoring its loyalty program to be experience driven. They offered VIP concert access, tickets to NBA games and the US Open, and midnight visits to the Great Pyramid of Giza, for example.

This shift signals the synthetization of hospitality and lifestyle brands, and demonstrates the powerful role hotels play in consumers' lives. As evidenced in Skift's 2019 Megatrend, Everything is Converging in Hospitality, hotels have become hubs for entertainment, coworking, socializing, dining, nightlife, retail, and cultural experiences. That means hotel properties are increasingly valuable for both day and night usage, and that common spaces and public venues play a growing role in a hotel's overall profitability and appeal. And loyalty programs must follow suit.

However, many hotel loyalty programs remain surprisingly rigid, creating policies primarily focused on program earning and redemption rewards based exclusively on overnight stays. A recent report by Gartner L2 research found that only 35 percent of luxury hotel loyalty programs offer experiences as options for hotel loyalty point redemption. By way of comparison, 75 percent of those programs offer more traditional rewards like free nights.

In order to best service changing consumer demands, hotel loyalty programs must be repositioned as experience platforms that facilitate members' ideal lifestyles, both at home and while traveling. Creating new ways for members to earn rewards from everyday spending (like on-site purchases, food and beverage, and regular credit card activity) and providing a wider range of redemption options (from special experiences to unique insider access) is one solution.

TREND IN ACTION: ACCOR AND MARRIOTT

Accor's redesigned ALL program is one great example of how hotels can use loyalty experiences to make the most of this evolving opportunity. The redesigned loyalty program emphasizes the brand's loyalty alignment with world-class entertainment options, including partnerships with entertainment company AEG for live entertainment, and with professional sports teams like the St. Germain football club in Paris. "The hotel industry needs to reinvent its digital and booking path to be more like Amazon — offering a basket of products for travelers to pick from, including activities, tours, dining experiences, and more," said Antoine DuBois, senior vice president of global strategy at Accor Hotels in a 2018 interview with Skift.

Acquisitions are another way that hotel loyalty programs can augment their offerings. Marriott Bonvoy has aggressively expanded its program to offer more opportunities for earning and redeeming points on tours and experiences by acquiring PlacePass, an events and tours booking platform that was later integrated into its broader Bonvoy loyalty program offering. This made it easier for travelers to access a wider variety of rewards and benefits beyond hotel stays, and enabled members to redeem their Bonvoy points for experiences at the destinations where they were traveling.

Hyatt is yet another hospitality brand pursuing new loyalty collaborations in the experience space, growing its connections with travel partners like American Airlines and tour operator Lindblad Expeditions. These partnerships allow Hyatt to offer more opportunities for members to both earn and redeem their loyalty points. "Our strategic alliances are a reflection of the dynamic lives they lead and our commitment to enhance how they live and travel," said Amy Weinberg, senior vice president for World of Hyatt. "We see tremendous value in being where our members already are and where they want to be, and are committed to designing experiences and benefits for them." ◆

TREND 5: BUILDING A MORE TRUSTFUL VISION FOR HOTEL LOYALTY
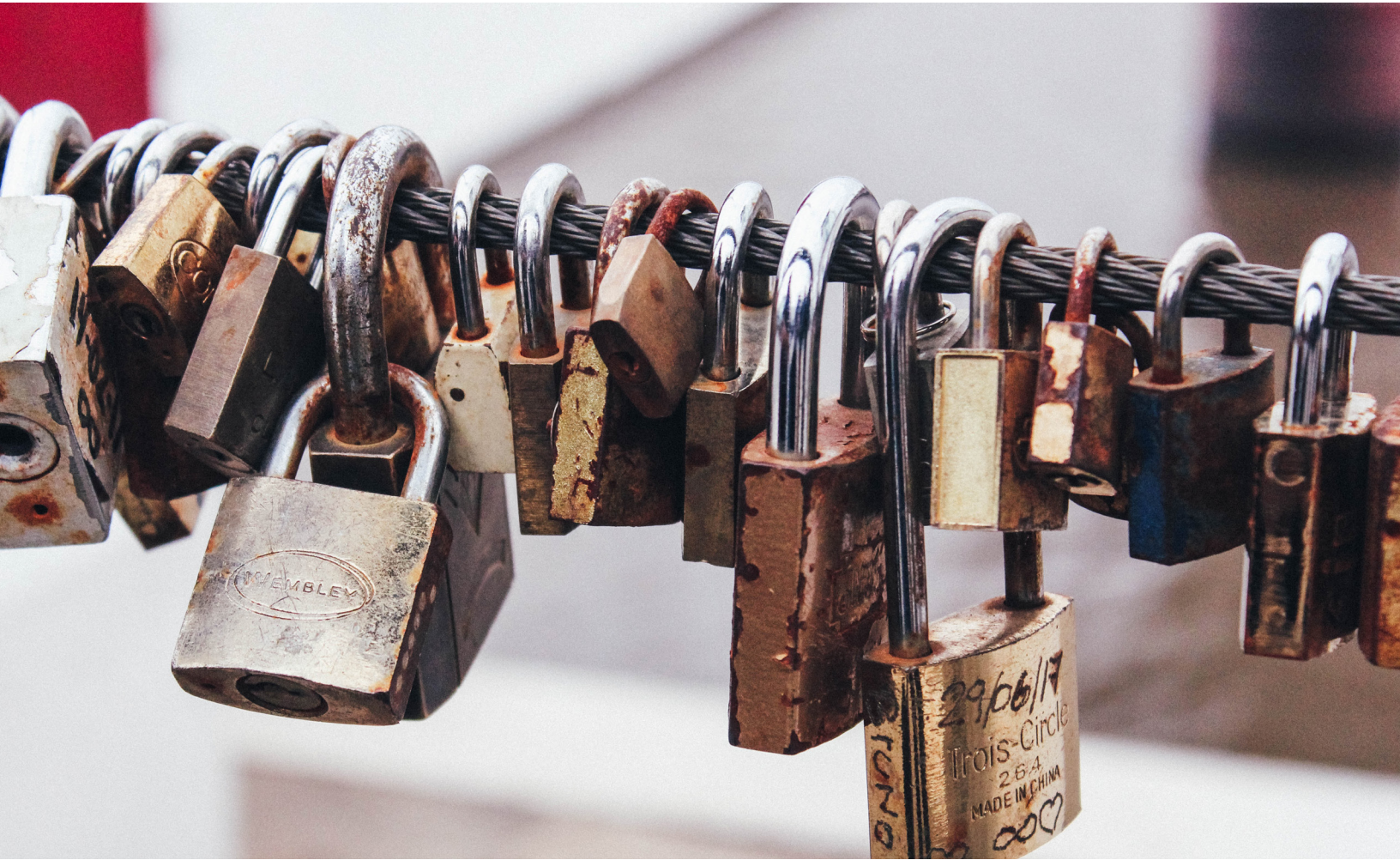
In an era of growing consumer privacy concerns, data-driven marketing, and high-profile database breaches, hotel loyalty must think about much more than just the numbers. In fact, in order to win at loyalty in 2020 and beyond, hotel executives will need to use loyalty to nurture a greater sense of trust between their brand and its members. This will require hotels to focus on building longer-lasting connections with customers and providing more human-powered hospitality.

Privacy concerns related to personal data are increasingly on the minds of today's hotel customer. Yet surveys suggest that many travel companies are not doing enough to instill trust in their data collection and safeguarding efforts. Only one out of four people felt that companies are doing a very good job handling individual customers' personal data, according to a recent survey commissioned by Mastercard.

Indeed, when it comes to consumer trust, the hospitality sector faces unique challenges that are inherent to the industry and that make it particularly vulnerable:

- Hotel franchising models mean that a larger number individual stakeholders have access to customer data

- High employee turnover rates introduce risk

- Several hotel loyalty databases have been subject to a series of high-profile hacks in recent years.

Perhaps due to the frequency of these kinds of newsworthy breaches in recent years, consumers are becoming increasingly aware of potential misuses of their personal information and are actively seeking out trustworthy organizations and brands. According to a 2019 study of brand trust by Edelman, 81 percent of consumers agreed with the statement that they "must be able to trust the brand to do what is right," noting that this obligation was a deciding factor in their brand buying decisions.

"With Covid-19, people are living more digitally than ever before and as a result are sharing more personal information online than ever before," said Mastercard's Rosenberg. "Hotels are dealing with unprecedented challenges that will likely affect their ability to prioritize cyber security, but our research shows that proactive investment in cyber security would be wise – the majority of consumers say they would stop shopping with a company if it suffered a significant data breach. No longer just the responsibility of digital teams, travel systems must be secure by design with vigilant cyber security measures in place."

Even without the added pressures of today's global crisis, the trend toward building a more trustful vision for hotel loyalty is particularly important in light of all the other trends this report has examined. It's crucial that hotels balance a growing emphasis on personalization, better-connected data systems,

seamless experiences, and expanded opportunities with privacy best practices. Nine out of ten people said that data privacy is important to them, according to a recent survey commissioned by Mastercard.

And beyond the importance of trustworthiness and ethical business practices, consumer privacy regulations signed into law of late — like the General Data Protection Regulation in Europe or the California Consumer Privacy Act, both designed to bolster privacy and protect consumers' personal information — require companies to scrutinize their data safeguards more closely.

"Loyalty becomes the most important mechanism to tie together disparate channels in the modern world because of many of the new laws related to advertising to consumers and tracking consumers," said SessionM's Weller. "We're moving towards a place where the loyalty account becomes your number one way to identify a consumer across these channels and to provide that seamless experience." As this shift ushers in the future of loyalty and technology, the importance of securely maintaining loyalty members' data will only increase.

As intimidating as security concerns can be, there are manageable and powerful solutions within reach for hotel companies and hospitality brands of all sizes. First and foremost, companies should focus on improving transparency and building best practices. Mastercard's recently released data privacy principles are a good example of how companies can nurture a sense of trust by allowing consumers to own, control, protect, and benefit from their own data.

Another aspect of trust relates to how hotels deploy technology in the context of their loyalty solutions. Technology is unquestionably a net positive for hotels looking to use loyalty programs more strategically to engage customers. But hotel executives would be wise to take a smarter, more sensitive approach to when tech solutions are truly necessary. Sometimes, it might be easier or more meaningful to employ a real-life human to deliver an incredible guest experience.

TREND IN ACTION:
THE CARLYLE HOTEL

The Carlyle Hotel in New York City strives to balance a tech-enabled loyalty program with a decidedly human experience by valuing human staff that have spent decades getting to know the hotel's guests and are able to intuit what they'll need and when. "Tech has simplified a lot of modern life, but much of our clientele don't like all the changes," said Hector Ruiz, hotel ambassador for The Carlyle.

Data, personalization, seamless interactions, and exciting experiences that bridge travelers' lives at home and on the road are all important for loyalty programs in 2020. But hotel executives shouldn't lose sight of the human element, and the power of a helpful and meaningful experience shared between real people. Sometimes, it's the human touch that does the trick. ◆

CONCLUSION

As the hospitality industry pushes into a new decade, loyalty program popularity appears to be at an all-time high. But with the looming economic damage caused by Covid-19 affecting the hospitality industry, loyalty's future success is far from assured. Instead, the strength of these programs, and their ability to make a difference to overall business strategies, will only be meaningful if hotels adapt to changing market conditions and consumer desires.

Long gone are the days of loyalty programs that lock their members into impossible reward tiers and unattainable free stays as the ultimate goal. In 2020, successful hotel loyalty programs focus first and foremost on building a long-term relationship with guests. They integrate multiple ways to earn points, both through brand-specific interactions and from regular, everyday spending. And they offer redemption opportunities beyond free nights, customizing add-on suggestions that are relevant to each guest's hospitality habits, and expanding to unique and exclusive experiences.

And while technological developments play an important role in realizing this personalized, highly individual future of loyalty, tech is not the only solution. Hotels that can understand and contextualize all the many types and sources of data they collect from guests will be equipped to make meaningful, emotional connections with their customers. This approach enables hotel executives to move away from a transactional mindset and focus instead on providing real life value to guests, helping them realize their ideal lifestyles in a big picture sense.

Through all these evolutions, hotel loyalty programs will need to focus on meeting guests where they are. The travelers of today and tomorrow demand omni-platform interactions, and expect that the quality of their experience will be consistent across any and every brand touchpoint. And while adding more modes of communication and purchasing opportunities to their loyalty programs, it's critical that hotels pay special attention to security. From data privacy to the human touch that lifts a hotel experience away from tech, the businesses that invest in becoming trustworthy in the eyes of their most loyal guests will be on their way to better and more impactful loyalty, this year and into the future. ◆

ABOUT SKIFT

Skift is the largest intelligence platform in travel, providing media, insights, marketing to key sectors of the industry. Through daily news, research, podcasts, and Skift Global Forum conferences, Skift deciphers and defines the trends that matter to the marketers, strategists, and technologists shaping the industry.

SkiftX is Skift's in-house content marketing studio, working collaboratively with partners like Adobe, Airbnb, Hyatt, Lyft, Mastercard, and many more on custom projects to engage the world's largest audience of travel influencers and decision makers.

Visit skiftx.com to learn more or email skiftx@skift.com.

ABOUT SESSIONM

SessionM is a customer engagement and loyalty platform empowering the world's most innovative brands to forge stronger, more loyal and more profitable consumer relationships. With powerful customer data management at the core, SessionM provides campaign management capabilities coupled with a flexible and comprehensive loyalty management solution to increase customer engagement and profitability through personalized interactions, delivered across all channels.