

## HOTELS

# Hoteliers adjust loyalty programs to attract and engage leisure travelers

By Tovin Lapan ✉ | Jan 31, 2022



BHN Group president Jeff Higley (left) and Elie Maalouf, CEO of IHG Hotels and Resorts' Americas division, at the Americas Lodging and Investment Summit. Photo Credit: ALIS

LOS ANGELES -- Judging from discussions at the Americas Lodging and Investment Summit, 2022 will be a year of widespread changes to hotel loyalty programs, and there will be fierce competition to enlist new members.

In session after session, loyalty programs were raised as an area ripe for an evolution, as they have become more important to hotel business models and serve to capture new customers during a period of shifting traveler tastes and demands.

Hotel brands grew their loyalty programs during the pandemic, and many of them are investing heavily in keeping momentum going.

Loyalty programs help drive direct bookings as customers first accrue and then spend their points, but they also give a hotelier a direct line of communication with guests and incentivize the use of hotel restaurants, bars and spas, boosting ancillary revenue. Hotel companies are making more development decisions with loyalty members in mind.

As Covid-19 stirred up the guest mix, loyalty programs were due for a revamp, according to the 2022 American Hotel and Lodging Association State of the Industry report, which was published during the conference.

"With high-volume business travel down, traditional loyalty programs no longer make sense," the report stated. "The most effective loyalty programs will offer more personalized rewards that meet the needs of occasional business travelers and leisure travelers, as well."

Some of those changes might be the ability to use points at spas, or an exclusive mixology class or culinary event. An MGM Rewards revamp, for example, enables nongaming guests to earn credits that can be redeemed for food and beverage, entertainment and travel.

Cindy Estis Green, CEO of Kalibri Labs, said that loyalty programs "have a dramatic effect on retaining customers, because a lot of the convenience is built within the apps -- mobile check-in, keyless entry -- those kinds of things are driven by being a member of the loyalty program."

### **Making programs 'stickier'**

Marriott International has focused during the pandemic on growing its Bonvoy program, rising from 70 million combined members at the time of the merger with Starwood to 160 million members today, and its recent introduction of products outside of hotels, such as the Ritz-Carlton Yacht Collection and Homes and Villas by Marriott, is directly tied to bolstering Bonvoy.

"Some of the other businesses we launched over the last couple of years are meant to be complementary to our core business because they make Marriott Bonvoy stickier," said Stephanie Linnartz, president of Marriott International. "As leisure becomes a bigger part of the customer equation, we've wanted to offer these Bonvoy members more things."

Wyndham Hotels and Resorts has taken a similar approach to improving the "stickiness" of its loyalty program, CEO Geoff Ballotti said, with an eye on adding brands and products that round out the portfolio. That was a key reason Wyndham launched the Registry Collection luxury brand and the midscale, all-inclusive brand Alltra in 2021.

"What makes loyalty programs sticky is having aspirational places to stay," Ballotti said. "So, why not have a luxury, and why not have an all-inclusive, given the distribution power of our loyalty program?"

Other hospitality brands, including Omni Hotels and Resorts, MGM and IHG Hotels and Resorts, have announced 2022 remakes of their loyalty programs, in many cases offering more ways to earn points and a greater variety of perks and incentives.

"This year, we are relaunching our IHG rewards plan with new benefits, new ways to earn and burn," said Elie Maalouf, CEO of IHG Hotels and Resorts' Americas division. "We know millions of business travelers are coming back, and it's a great way to welcome them."

## **Building direct connections**

Loyalty programs boost direct bookings and revenue, but they also provide a valuable source of information as hotels attempt to craft more targeted offerings for guests.

While new laws regulating the use of Internet cookies are making it more difficult to track the online behavior of customers, loyalty programs offer a way to fill in that gap by directly collecting guest emails, social media accounts and other preferences.

"A lot of it is being driven by privacy rules, because cookies will disappear in two years," said Dorothy Dowling, chief marketing officer at Best Western Hotels. "So that's why most hotel brands are investing in customer data platforms, so they can have their loyalty underneath and they have those direct relationships and understand how they work across media channels."

During the pandemic, Marriott partnered with Uber Eats and local restaurants to drive registrations for Bonvoy.

But getting people to sign up isn't useful if they don't end up staying in Marriott hotels, Linnartz said. "We're very focused on signing up members and tracking their activation and doing targeted, personalized marketing to get them in the hotels," she said.

There's another reason for hotel companies to boost loyalty sign-ups: perceived competition from the OTAs. Expedia Group has announced that it would launch a loyalty program across its brands this spring, and Booking Holdings already has a program.

"That is going to change the dynamics. This is going to be the year that loyalty becomes the war platform that we're all focused on," Dowling said.

She added: "I know what we try to do, and every other brand does. If someone comes in through an OTA, we immediately try to conquest them into our loyalty program and immediately reach out to them after they leave the hotel to try and bring them back."

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