The 2019 Guide to Building Guest Loyalty With or Without a Loyalty Program
What does loyalty mean today? Many times, hotels offer travelers instant discounts and benefits for joining their loyalty program—even before the traveler has stayed with the hotel or brand. Is this loyalty, or is it simply a bribe?

There’s a lot of talk in the travel industry these days that travelers aren’t loyal to hotel brands anymore; it’s all about price and perks. But is this really true? Can hotels earn loyalty from guests without paying for it—and if so, how?

In this guide we explore the loyalty debate from several angles. We’ll look at the latest research and trends, examine how some of the most popular brands in the world today earn customer loyalty, and show you ways to earn guest loyalty with or without a loyalty program. Last, we’ll discuss how hotels can analyze guest feedback to understand what it takes to earn loyalty.

Whether you’re considering launching a loyalty program, revamping an existing program, or looking for ways to build loyalty without a formal program, this guide will help you set your priorities, develop a strategy and optimize results.
HOW DO YOUR COMPANY’S LOYALTY EFFORTS COMPARE?

During our recent webinar, 12 Ways to Build Guest Loyalty, we asked attendees about their company’s loyalty initiatives. Here are the results:

- 54% We have a loyalty program
- 27% We don’t have a loyalty program but we recognize frequent guests
- 15% We participate in a third-party loyalty network
- 4% We do not recognize guest loyalty on a consistent basis

FREE WEBINAR

12 Ways to Build Guest Loyalty
We also asked attendees how they feel about their company’s guest loyalty efforts:

- 51% We’re doing well but still have room to improve
- 41% Needs a lot of work
- 5% Thrilled. We’re seeing incredible results
- 4% Mortified
What Is Brand Loyalty?

When we think of loyalty, we generally think of faithfulness to someone or something. “Loyalty connotes sentiment and the feeling of devotion that one holds for one’s country, creed, family, friends, etc.,” according to Dictionary.com.

Brand loyalty is faithfulness to one brand over others. It involves both purchase behavior and emotion. Loyal customers choose to purchase one brand over others because they feel passionate about the products and services or simply appreciate them. One of the true tests of loyalty is whether the consumer is willing to pay more for one brand than for comparable brands.
HOTEL LOYALTY

When it comes to hotels, travelers are considered loyal when they choose to stay at one hotel over other hotels—or with a certain hotel brand over other brands.

Not all loyal guests are of equal value, however. A guest who stays frequently but doesn’t spend a lot may be less valuable than a guest who stays infrequently but spends a lot—and vice versa. And a frequent guest who books directly is typically more valuable than a frequent guest who books through an OTA. Part of determining how far to go to earn guest loyalty involves calculating their lifetime value to the hotel or brand.

Generally speaking, frequent guests are valuable to hotels and brands because they generate room demand, helping hotels to increase occupancy, rates and RevPAR. Hotels know frequent guests better than one-timers and can cater to their needs and preferences, which strengthens relationships over time. Furthermore, some loyal guests are brand advocates who provide valuable feedback, write positive reviews and refer other travelers.
A loyalty program is a membership program or club offered by a company to encourage and recognize repeated purchases. In the travel industry, loyalty programs can be traced to 1981, when American Airlines launched the AAdvantage frequent flyer program. Soon after, other airlines and hotel companies followed suit, with Holiday Inn and Marriott both launching loyalty programs in 1983.

Today, many hotel companies offer some type of guest loyalty or recognition program to recognize frequent guests and big spenders with rewards, benefits and preferential treatment and to encourage them to keep coming back.

In addition to offering special perks, many loyalty programs allow members to accumulate points or credits based on the number of stays or room nights or the amount spent during their stay. Points can be redeemed for free stays, products and services at member properties or with program partners.
Most loyalty programs are tiered; the more points members earn, the higher the tier they qualify for, with each tier offering added perks and privileges. The basic premise is, “The more money you spend with us, the more we will recognize and reward you.”

For some brands, another key benefit of a loyalty program is data collection. In return for perks and benefits, travelers share data related to purchase behavior and preferences. In turn, brands use the data to better understand and service their customers, to market to them, and to find more customers like them.
HOW DO TRAVELERS FEEL ABOUT LOYALTY PROGRAMS?

A 2018 report from Oracle, The Loyalty Divide: Operator and Consumer Perspectives, reveals valuable insights into travelers’ attitudes and behavior toward hotel loyalty. The research was conducted with over 13,000 consumers and 500 retail businesses, hotels and restaurants in Australia, Brazil, China, France, Germany, India, Mexico, the UK and the US.

Some of the findings include:

- 30 percent of respondents said they rarely join loyalty programs, whereas 46 percent sign up only to select, relevant programs and 24 percent sign up to every program.

- 86 percent would be willing to complete questionnaires about their preferences as part of a new program membership so that offers can be tailored to them.

- Younger age groups in particular have a propensity to join loyalty programs, and they say that their loyalty is growing—countering the commonly held belief that millennials aren’t loyal to brands.
IS LOYALTY A MISNOMER?

In the past, hotel loyalty programs were more exclusive than they are today. Travelers were invited to join only after having stayed a certain number of times. Today, many hotel companies invite travelers to enrol on the spot, often even before they have committed to making a booking.

The company’s objective is to create a long-term relationship with the traveler, incite them to make a booking, and build their loyalty over time—all the while collecting valuable data. But this doesn’t always happen.

Many hotel companies also offer instant benefits for joining such as discounted rates, free Wi-Fi and instant discounts.

A major motivation behind such offers is to compel travelers to book directly rather than through an online travel agency, saving on commissions. Many hotels also offer disincentives to booking through OTAs by withholding loyalty points and benefits.

In a sign that these tactics are working, Hilton reported an increase of 11 million in Hilton Honors new memberships in 2017, bringing the total membership to 71 million. Close to 95 percent of members book direct, according to Hilton. (Skift, 2018.)

And yet by removing the barriers to entry, hotels have changed the meaning of “loyalty” and “frequency”. Many travelers sign up for multiple programs and have little or no loyalty to individual brands. Only frequent guests can be considered truly loyal, and added benefits are extended to elite tier members.
“Let’s be honest: hotel loyalty program members have become anything but ‘loyal.’ Hotel brands are effectively paying travelers to join, and commoditizing the concept of loyalty in the process. True brand loyalty – the emotional connection between customer and company that directly drives repeat business, even at premium price points – remains elusive and incredibly difficult, for all travel brands.”

Many hotel companies struggle with whether or not to introduce a loyalty program. To help decide, ask the following questions:

1. **IS YOUR HOTEL INDEPENDENT OR PART OF A GROUP?**
   Generally speaking, most large hotel groups operate some type of loyalty program, whereas many independent hotels and small groups do not because they lack the volume of frequent guests and the resources required. For mid sized hotel groups, it’s a matter of balancing the pros and the cons (keep reading).

2. **ARE YOUR GUESTS PRIMARILY LEISURE OR BUSINESS TRAVELERS?**
   Loyalty programs tend to be more popular with business travelers than leisure travelers, who travel less frequently and find it harder to accumulate points. In the Oracle survey, 30 percent of leisure travelers said that earning or redeeming points does not influence their hotel choice, whereas 82 percent of business travelers said that they are likely to book a hotel where they can earn points.

3. **HOW FREQUENTLY DO TRAVELERS RETURN TO YOUR DESTINATION?**
   City hotels typically receive more repeat guests and business travelers than resort properties, although there are exceptions. Look at your destination as a whole. Even if your property doesn’t receive a lot of repeat guests, your competitors might.
4. **DO YOUR COMPETITORS HAVE A LOYALTY PROGRAM?**
   When all else is equal, many travelers will choose a hotel that offers loyalty points over one that does not. It’s important to know what your competitors are offering.

5. **DO YOU HAVE THE RESOURCES?**
   A loyalty program can be time-consuming and costly. Do you have sufficient staffing and resources to manage the program over the long term?

6. **HOW EFFECTIVELY COULD YOU BUILD LOYALTY WITHOUT A FORMAL PROGRAM?**
   Finally, would the resources required to operate a loyalty program be better spent in another way? There are lots of ways to earn, recognize and reward guest loyalty without a formal membership program. We’ll explore the options later in this guide.
ADVANTAGES OF A LOYALTY PROGRAM

The next step in determining whether or not to launch a loyalty program—or to revamp an existing program—is to weigh the pros and cons. Some of the key advantages can be summarized as follows:

• **GUEST RECOGNITION.** With a loyalty program, you will have systems and procedures in place for recognizing frequent guests and ensuring that none are overlooked both within your hotel and at participating properties.

• **MORE BOOKINGS.** The lure of instant perks can be a powerful way to convert travel shoppers into bookers. Moreover, when travelers are familiar with a brand, they are more likely to return. Research from Kalibri Labs found out that 40 to 60 percent of hotel room bookings came from loyalty members (with the exception of economy brands, for which loyalty bookings were 13 to 15 percent). (Kalibri Labs, 2016.)

• **LOWER COSTS.** It’s far less costly to attract repeat guests than to convince travelers to book for the first time. Furthermore, loyalty members are more likely to book directly than through an OTA, especially when offered an incentive. The Kalibri Labs study found that direct bookers were on average 9 percent more profitable than OTA bookers. Even when hotels offered discounts for booking directly, net average rates were higher than OTA rates.
• **INCREMENTAL REVENUE.** Frequent guests are more likely to spend money on additional services too. In a survey from Triptease, 40 percent of hoteliers said that regular direct bookers are their biggest spenders. (Triptease, 2018.)

• **RICH DATA.** With a loyalty program, hotels can build rich profiles of guests and track their preferences, interests and spending behavior. When travelers join a program, they are asked for consent to receive communications and promotional offers. This helps ensure compliance with privacy regulations like Europe’s GDPR.

• **PERSONALIZATION AND RELEVANCY.** The more data hotels collect on guests, the more they can tailor the guest experience, communications and special offers to meet individual needs and interests. Loyalty members can be segmented by lifetime spend, and big spenders can be flagged for VIP treatment.

• **INCENTIVIZED BEHAVIOR.** Hotels can use loyalty points to encourage and incentivize guest behavior such as using the spa, bar or restaurant, completing a guest survey, declining housekeeping services, using the hotel’s mobile app, and checking in and out online.

• **COMMUNITY.** Hotels can create an elite database of top loyalty members and invite them to participate in focus groups, ask them for detailed feedback and suggestions about services and amenities, and engage them on social media and on property.

• **GROUP AND CORPORATE BUSINESS.** Travel managers and event planners are often more inclined to choose a hotel that offers participants loyalty rewards, helping to generate group, corporate and events business.
DISADVANTAGES OF A LOYALTY PROGRAM

The disadvantages of hotel loyalty program may include:

• **ADMINISTRATION COSTS.** As mentioned, a loyalty program can be time-consuming and resource-intensive, requiring investments in technology, training and labour to track points and redemptions, answer inquiries and engage members.

• **MARKETING AND OPERATIONAL COSTS.** Loyalty discounts and incentives can increase marketing and distribution costs. Extending perks such as upgrades, amenities, Wi-Fi, food and beverage credits and early check-in/late check-out can burden operations, displace revenue and increase expenditures. Hotels may extend discounts and incentives for bookings that would have been made anyway.

And in extreme cases the costs of attracting direct bookings may exceed the costs of OTA commissions.

• **COSTS OF REDEMPTION.** Points accumulated over time represent a liability on the hotel’s balance sheet. The costs of redeeming rewards can be significant, displacing revenue on rooms that would otherwise be occupied by paying guests. Further, some members may accumulate points at less desirable properties and redeem rewards at more desirable properties, creating an imbalance.
"... Loyalty programs have turned into an ‘arms race’ with ever-increasing benefits to loyal customers—and ever-increasing cost to owners. The cost-per-member stay for the major brands is roundly between 4 and 5 percent of total member spend. Now add the cost of concierge floors, club lounges, free food and beverage, free bottled water, free newspaper, free internet, free welcome gift, free bonus points, etc. ... Clearly, there is a high cost to this purchased loyalty for owners.”
Can hotels buy guest loyalty? The short answer: not really. While hotels can use discounts and incentives to entice travelers to make a booking for the first time, if the stay isn’t pleasant, no amount of benefits is likely to bring them back.

Earning loyalty takes time. Hotels must deliver on brand promises and exceed guest expectations consistently, on every stay. Only then can they truly focus on strengthening loyalty using a combination of incentives, recognition and rewards.

INCENTIVES VS. REWARDS

An incentive is a reward or benefit offered in advance. It is intended to encourage certain behavior. For example: “Stay with us ten nights this year and receive one complimentary night.”

Rewards, on the other hand, are bonuses to recognize behavior after it has occurred. For example: “As a thank-you for staying with us 10 times this year, we’re giving you a free night.”

While both rewards and incentives may be appreciated by guests, rewards compensate behavior that would have occurred anyway, whereas incentives influence behavior. For incentives to work, customers must know the objectives they need to reach, the timeline and the payoff. An example is airline frequent flyers who take flights at the end of the year—sometimes without even leaving the plane—in order to qualify for elite status.
12 WAYS TO BUILD GUEST LOYALTY

Whether or not your hotel or brand offers a loyalty program, you can implement systems and procedures to recognize frequent guests and encourage their loyalty.

Here are 12 ways to build guest loyalty.

1. **INVOLVE STAFF.** Travelers may love your hotel’s design, amenities or location, but it’s the employees that keep them coming back. Ensure that staff members understand the value of guest loyalty and are trained and empowered to recognize frequent guests, thank them for their loyalty and extend preferential treatment.

2. **TRACK BEHAVIOR.** Use the PMS, CRM or loyalty software to keep track of guest room nights, stays and total spend. Identify your most valuable guests and flag them for special treatment.

3. **OFFER SPECIAL PERKS.** Acknowledge frequent guests with benefits such as:
   - Points that can be redeemed for free stays, products and services
   - Preferred rates
   - Preferred rooms/upgrades
   - Priority check-in
   - Early check-in/late check-out
   - Free Wi-Fi
   - Free breakfast or cocktail
   - Welcome back note and amenity
   - Access to the executive lounge
   - Other benefits relevant to your hotel or brand
4. **OFFER OPTIONS.** Some guests may be motivated by free stays, others by breakfast or drinks, and others by special treatment from staff. Ask about preferences, observe behavior, and record details in the guest profile.

5. **OFFER A BEST-RATE GUARANTEE.** Ensure that loyal guests receive the best-available rates. If they're willing to pay more, offer incentives to upgrade to a higher category of room.

6. **BE CONSISTENT.** Travelers are loyal to brands because they like consistency and familiarity. Ensure that all staff at participating hotels comply with loyalty policies and procedures, recognize frequent guests and deliver a consistent experience.

7. **RECOGNIZE MILESTONE STAYS.** Acknowledge milestone stays such as every fifth stay with an upgrade, amenity or personal note from the general manager. When possible, surprise and delight frequent guests with a thoughtful gift or service.
8. **CUSTOMIZE COMMUNICATIONS.** Use data from guest profiles to create a list of your most frequent guests and send them exclusive offers to return.

9. **RESPECT PRIVACY.** Travelers may love your brand, but that doesn’t mean they want to hear from it all the time. Ensure that communications are meaningful, relevant and personalized. Always comply with privacy regulations.

10. **SOLICIT FEEDBACK.** No one knows your hotel better than your frequent guests. Ask for their input and advice when planning new services, amenities and policies.

11. **JOIN A LOYALTY NETWORK.** If your hotel or group is too small to operate a loyalty program, consider joining a network like Voilà, Stash, Discovery, Wanup or The Guestbook, affiliating with a soft brand such as Leading Hotels of the World or Preferred Hotels & Resorts, or joining an airline frequent flyer program.

12. **LEVERAGE TECHNOLOGY.** The PMS can be limited in its ability to create rich guest profiles and track guest activity, feedback and communications across properties within a portfolio. Take advantage of enhanced features offered by CRM systems, guest messaging software and guest feedback management tools.
How can hoteliers use ReviewPro to build and analyze guest loyalty? Here Neil James, ReviewPro’s VP of Global Customer Success, shares his tips and insights.

**LEARN ABOUT LOYALTY BY ANALYZING GUEST DATA**

Guest feedback tells you what keeps guests coming back ... and why they don’t return. Using the ReviewPro dashboard, hotels can identify key performance indicators related to guest satisfaction and how these metrics change over time.

Clients that combine ReviewPro’s Guest Satisfaction Survey tool with Online Reputation Management can view online review data and survey results on the same dashboard, providing a 360-degree view of guest satisfaction.

With ReviewPro’s semantic analysis tool, hotels can drill down in key areas of satisfaction and dissatisfaction and identify how each area impacts overall satisfaction.
USE POST-STAY SURVEYS TO BOOST LOYALTY

More hotels are using ReviewPro’s post-survey tool to boost loyalty program signups and track how well member properties deliver on loyalty benefits. For example, surveys from Radisson Hotel Group include a question for non-loyalty-club members asking if a staff member invited the guest to join the program. This is a good way to track how well participating hotels are promoting the program.

Further, Radisson Rewards members are asked if they received member benefits while on property. Again, this is a great way to identify how well hotels are following through with loyalty program commitments.

MONITORING GUEST SATISFACTION FOR CORPORATE CLIENTS

For many hotels, a critical source of business is local, national and global negotiated contracts, which provide guaranteed room nights throughout the year. It’s extremely valuable for these hotels to be able to measure the satisfaction levels of guests from these companies.

ReviewPro users can create dashboards to monitor key corporate accounts, send customized surveys to corporate guests, filter survey results by corporate guests, and identify the improvements required to ensure that these guests are happy.
FOLLOW UP WITH AUTO CASE MANAGEMENT

Another helpful loyalty tool is ReviewPro’s Auto Case Management, which enables hoteliers to generate cases for teams of staff to carry out tasks based on guest feedback. For example, a case can be created to alert staff whenever a survey response is submitted by an elite loyalty member. This helps ensure that these VIP guests receive acknowledgement of feedback and quick follow-up on issues.

GO THE EXTRA MILE WITH GUEST MESSAGING

With ReviewPro’s Guest Messaging Hub, hotels can communicate directly with guests on popular messaging channels like SMS, web chat and Facebook Messenger, all from one central hub. Queries can be easily routed to the necessary staff member or department, ensuring that guests have a simple, fast way to receive assistance. Further, hotels can set up a special messaging channel for loyalty guests to ensure they receive priority service. With the Quick Answers feature, hotels can build a database of responses to common questions such as loyalty program tiers, benefits and reward levels to ensure that inquiries receive quick, thorough and accurate responses.

To find out more about how ReviewPro can help your hotel build guest loyalty visit www.reviewpro.com.
ReviewPro is the world leader of Guest Intelligence solutions, with more than 43,000 hotels in 150 countries. Globally renowned brands like Radisson Hotel Group, Kempinski Hotels, Red Lion Hotels, and Mèlia Hotels International, rely on ReviewPro to consolidate all guest intelligence into one powerful platform.

The company’s cloud-based Guest Experience Improvement Suite includes Online Reputation Management, Guest Satisfaction Surveys, Auto Case Management, and an innovative Guest Messaging Hub. The tools and processes that ReviewPro provides enable hoteliers to proactively turn guest insight into action to prioritize operational and service improvements, deliver better guest experiences and increase guest satisfaction, online rankings, and revenue.

ReviewPro’s Global Review Index™ (GRI), the industry-standard online reputation score, is based on review data collected from 175 OTAs and review sites in over 45 languages. The GRI™ is used to manage online reputation by benchmarking an individual hotel or group of hotels, comparing results between properties or against competitors, and tracking the evolution of a hotel’s performance over time.

Click here to check out our messaging video.
WHAT WE DO

Data Insights Operational & Service Priorities Action Results

Guest Intelligence Improvement Suite™

› Online Reputation Management  › Guest Satisfaction Surveys*
› Guest Messaging Hub  › Case Management

*In-stay and post-stay surveys