

## Opinions

# Loyalty is more than just numbers

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While most brands tout the size of their loyalty programs, size alone shouldn't be a measure of success. Creating "true" loyalty is more about customer engagement and building an emotional connection with your customers.



By Flo Lugli

Listen to the earnings call for any major hotel company over the past 12 to 18 months and you'll hear similar stats about their loyalty programs—25% to 30% member growth year over year; 1 million new members per month; loyalty contribution up—driven by instant sign-ups to obtain the "book direct" discounts.

While the brands themselves reap real benefits by the growth in membership—for example an additional 5% loyalty fee on each stay, and additional co-brand credit card prospects—the dilutive impact of these discounts to hotel owners is still debated. If 60% to 70% of your direct bookings are already being driven by loyalty members, how much more business must be shifted from higher cost channels to offset these discounts?

This column isn't a debate about the value of direct bookings, but rather addresses loyalty membership versus customer engagement and how one doesn't necessarily drive the other. If a customer is just there for a discount, true engagement is unlikely to occur. Data from Phocuswright<sup>1</sup> shows nearly two in three hotel loyalty members belong to more than one program, and 35% belong to three or more programs, which indicates simply driving numbers doesn't guarantee success.

According to the [Colloquy 2017 Loyalty Census](#), there are 1.1 billion travel and hospitality loyalty members in the U.S. But even as loyalty programs grow, customer engagement remains stagnant, with 54% of program memberships inactive (and 28% leaving a program without ever redeeming an award). Other research shows similar trends.

Today's consumer is more demanding than ever, with high expectations around relevancy, recognition and personalization. Consumers have little tolerance for companies that don't remember them and their preferences. Being able to recognize customers and serve them relevant information is an expectation that, unfortunately, few travel industry companies are able to deliver on.



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In fact, the Colloquy Census found that more than half of those surveyed said they usually ignore an irrelevant piece of communication from a loyalty program. I've lost track of the number of emails that I receive from travel industry brands that are immediately deleted—I know they are not going to be interesting and, by the way, many are the same offer again and again.

Customer experience is the sum of all interactions, whether that occurs in the digital world or the physical world. Customer experience has to transcend marketing and operations, and it's impossible to deliver on customer experience without understanding expectations or measuring satisfaction. According to Phocuswright,<sup>2</sup> only three in 10 hotel guests feel that hotels offer excellent customer service, and even fewer (25%) feel hotels understand them as a customer. For airlines, there's an even greater disconnect with customers as only 15% of fliers rate airlines as excellent in either category.

Most consumers initially join a loyalty program as a way to save money (thus the huge increases in membership by the hotel brands), but they also want something extra.

According to Forrester,<sup>3</sup> 59% of U.S. adults who are online and belong to a customer loyalty program say that getting special offers or treatment that isn't available to other customers is important to them. For highly active members, that number rises to 69%. Consumers want more out of their loyalty programs, with 56% of U.S. adults who are online seeking enhanced customer services such as member-only events or services—an increase of 7 percentage points over the last 3 years, clearly demonstrating the growing importance of experiential travel rewards.

This is especially true for millennials, for whom the ability to capture “in-the-moment” cachet experiences and share them with their social network is extremely important.

It's not surprising, then, that many of the bigger brands have recently added experiential components to their loyalty programs. But having these elements is only the beginning, as consumers evolve to expect “customized” offers and experiences, based upon their actions, behaviors and activities that go beyond a booking or stay. One of the biggest motivators of true loyalty is the emotional connection a consumer has with a brand, and yet most rewards are based on transactions.

Today, a company can access customer data from an array of sources, both within and outside of the actual transaction. Whereas in the past the loyalty program was the CRM platform (and in many companies, the only source of data), today it needs to be considered as only one part of an overall customer engagement and relationship management strategy.

Customer profiles must be enriched with relevant data on customer interactions across offline and online touchpoints. Only by marrying transaction data with other data such as social, behavioral and activity-related (for example, photos clicked on, emails responded to, web searches) can companies provide highly personalized and contextually relevant experiences and drive customer engagement and, thus, true loyalty.

<sup>1</sup> U.S. Consumer Travel Report Ninth Edition.

<sup>2</sup> Expectation Gap White Paper, July 2017

<sup>3</sup> How Consumers Really Feel About Loyalty Programs May 2017

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