

## Opinions

# Hotel subscriptions: The wave of the future?

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As the subscription economy booms, there's an opportunity for hotels to become part of the trend, but the industry is slow to sign up.



By Rick Garlick

Subscription services seem to be popping up every day. Uber, for example, was recently in the news with a new subscription service that allows riders to avoid surge pricing and guarantee set pricing for a monthly fee of \$14.99.

Zuora, which tracks the Subscription Economy Index, asserts that [subscription-based companies grow revenue nine times faster than that of the S&P 500](#). Forbes recently reported that the [subscription e-commerce market has grown by more than 100% a year over the past five years](#).

One of the most effective things about the subscription model is that, while it offers an incentive to subscribers, it also puts up an effective barrier to switching. Magid recently conducted a study of 3,000 individuals who reported having at least one subscription across a diverse number of categories. One of the more prevailing attitudes among subscribers is that they feel guilty when they don't use the subscriptions for which they've paid. Subscribers also report a strong feeling of loyalty to the brands to which they subscribe. There is probably some degree of cognitive dissonance taking place where people favorably adjust their attitudes toward the brands to which they've already committed themselves financially.

Subscriptions would seem to be a natural fit for a hospitality brand that is constantly seeking to make their loyalty programs more appealing. Most recognize that travelers are members of multiple loyalty programs and will often share their loyalty across different brands. There is no real skin in the game as existing hotel programs generally cost nothing to join. An effective subscription offering has the capability to effectively tie travelers to a specific brand. Yet despite the potential for a subscription model in the hotel industry, none currently exist within any of the major hotel chains. While many hotel executives claim to be thinking about it or discussing it, no one has launched a viable subscription product within the marketplace.

There are several reasons that come to mind for this reluctance. First, with so much invested into current loyalty programs, any subscription model would need to add value beyond what is currently offered by the existing loyalty model. Second, with so many hotel companies no longer owning nor managing their own assets, there would have to be quite a bit of coordination between brand management and individual properties to make a subscription model work for both. Third, while subscription offerings are growing exponentially, there is still the challenge of developing a subscription offering that appeals to consumers while finding an appropriate price point that would bring a profitable return. MoviePass is an example of a subscription model that has been really challenged to find this balance.

The Magid study reveals the potential of the subscription model to the hotel industry. The study was targeted toward those who had at least one subscription across a broad range of verticals. However, hotel loyalty program membership was not considered to be a subscription, per se. Despite not targeting hotel loyalty program members, nearly half (49%) of the subscribers in the study were members of at least one hotel loyalty program. These individuals showed greater engagement in their subscriptions, held a greater number of average subscriptions, and indicated a stronger likelihood to renew their subscriptions compared to the average subscriber in the study.

Another important finding in the study was that subscribers feel guilt when they don't use the subscriptions for which they've paid. Unlike "free" loyalty programs, in which the traveler has made no significant investment, the financial commitment required of subscriptions drives the subscriber to want to get as much value as possible out of their subscription. In this regard, subscribers are truly loyal to the products to which they subscribe.

The subscription model seems to be here to stay. Today's consumer seems to prefer an ongoing relationship with a product or brand as opposed to singular transactions. This is really the Holy Grail desired by any hotelier when it constructs its loyalty program. Subscriptions also make great gifts to others, which is another way to expand a brand's footprint. The greatest challenge for hotel brands is to figure out the right subscription offering at the right price point to

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maximize appeal. Suffice it to say, whoever figures it out first will be remembered as the trendsetter after whom everyone else will follow. As such, the innovator who is first to market will be the one who reaps the greatest reward.

Dr. Rick Garlick is Vice President, Strategy Consultant for Magid Associates. He has a diverse research and consulting background that includes extensive experience with customer experience management, employee engagement measurement and training; talent selection; brand research; customer loyalty programs; image and awareness studies; and national opinion polling.

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