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**POINTS VERSUS RECOGNITION**  
***The Future Of Hotel Loyalty Programs***

By John S. Fareed

I must be special. I receive invitations to exclusive events from Neiman Marcus' InCircle program; free drinks, popcorn and an occasional movie ticket from Regal Cinemas' Crown Club; free nights at Ritz-Carlton Hotels and Resorts from American Express; and free Business Elite airfare to Europe, the Caribbean, or anywhere else in the free world from Delta's SkyMiles program (after all, I am a Gold Medallion member).

Yes, I am addicted to the more than forty magnetic-striped pieces of plastic bulging out of my wallet, all designed to make me feel like a VIP. I am not alone either. Over fifty million people carry an American Airlines AAdvantage card, some twenty million carry a Marriott Rewards card, and more than fourteen million carry the American Express Card (whether Gold, Platinum or Black). Americans have become consumed with collecting points and prestige.

For hoteliers, these programs have created a more sophisticated "treat-me-better-than-your-other-guests" consumer who demands a broader range of personal services, higher price value, and wants hotel operators to exceed their expectations. Virtually every hotel company now has a frequent guest program that promises points, airline miles, upgrades, and more. But do the programs really work? Not as well as you might think.

The aim of these programs is to extend a customer's life with a company so that their lifetime profitability is increased. However, within the hospitality industry the concept of loyalty, or frequent guest programs, and their overall effectiveness has been greatly debated.

Many experts say that these programs are really 'buying' customers; they are not creating or keeping customers in the marketing sense of creating loyalty. Repeated research has shown that few travelers say that these programs influence their decisions. In fact, most frequent guest program members are unfaithful and will go where the grass looks greenest.

One reason for this may be that there is too much sameness within the various programs. Truth is, few hotel companies really get loyalty programs and end up typically treating everyone the same. We can't expect consumers to be loyal to us unless we are loyal to them. Research proves time and again that participants prefer a program that offers recognition, special services, and amenities over ones that offer airline miles or frequent guest points and more importantly, they want hoteliers to maintain guest records on their room preferences and other special requests.

This is a key issue that is being over looked by most hotel operators. According to a recent survey by Accenture, thirty nine percent of US business travelers said that their preferred hotel does not recognize them as frequent customers, and sixteen percent reported that their preferred hotel recognizes them but does not offer special services.

Simply put, treating all customers alike doesn't work anymore. Hoteliers must change their focus away from the traditional *frequent guest programs* and begin instead to develop *guest recognition programs* that recognize past guests, their preferred preferences, and reward them in a personal way for their continued patronage.

This means that it is time to break the golden rule and quit treating guests the way we would like to be treated, and start treating them the way *they* want to be treated. The only way to accomplish this task it to put systems in place that record individual preferences, and train service staff to deliver individualized services.

This is the basic premise of customer relationship management systems or CRM. It advocates one-to-one relationships and the ability of organizations to change their behavior based upon the customer's needs and wants. This is not necessarily an entirely new concept. It has been practiced manually by generations of hoteliers. What makes it more relevant today is that various types of technologies have enhanced the practice.

A well-implemented guest recognition or CRM system can have real benefits including the ability to better segment markets; improve guest inquiry response time; provide stronger, clearer, and more believable marketing messages; and most importantly, a better informed reservations and sales staff.

The greatest benefit however, is that it potentially gives hoteliers the ability to customize experiences that specifically reflect the personal interests of guests. Recognizing guests and responding to the stated preferences makes their stay more pleasurable and helps to ensure they remain loyal.

Some hoteliers are building unique rewards programs that differentiate both the brand and the consumer.

An example of this can be seen in Wyndam Hotels & Resort's ByRequest program. When a guest joins ByRequest, they complete a comprehensive profile including general contact information, credit card information, room preferences, newspaper preferences, express check-in/check-out preferences, airline frequent-flyer program, personal interests, and preferred complimentary wine, soft drinks, juice, and snack options. Each Wyndam hotel has a ByRequest manager whose only job is making sure that the program is managed properly, so that the promise of personalization is met for each ByRequest member visiting the hotel. By all accounts, the program has been a big success for Wyndam.

Kimpton Hotel Group is another company that has gone the personalization route in creating its recognition program. Kimpton's InTouch program is a life-style based program that guarantees that the hotel company will meet guest preferences and

involves offering guests promotions and gifts depending on their stated interests whether that be wine, fitness, food, or tickets to a game. The results: Over 100,000 new Kimpton InTouch members within the first six months of the program's launch.

Many hoteliers have figured out how to satisfy their customers, but few know how to earn genuine loyalty. This involves winning their hearts and minds by treating them differently with more personalized services and tailored rewards - not just more points and miles. This is the future of hotel loyalty programs.

However, no loyalty program in the world can overcome the greatest marketing truth. If the product or service experience does not meet the customer's needs, or the brand promise, no reward or recognition program ever invented will keep them coming back. True success will always be about excellence in product, operations and service.

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