

# Loyalty Programs: An Evolution, Revolution or “Me-volution”?

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## EXECUTIVE SUMMARY

It's not uncommon today to read about how airlines and hotels are pulling back on their loyalty programs. This paper explores what may be going on behind the scenes with your favorite airlines and hotels and what may be their thinking in evolving their loyalty programs from those where everyone is treated equally to the programs where some people are treated more equally than others.

Those of us who were in the travel business in the late 1980s will recall when Pan Am was in the beginnings of their final financial tailspin and realized that they had to post their outstanding mileage awards on their ledger as debt. Accordingly, they advised their customers that all mileage awards in excess of twelve months aged would need to be redeemed by a certain date. While this made for a good accounting practice, it effectively pushed a sixty day period where basically most everyone flew for free and accelerated the airlines demise. Around the same time, Braniff Airlines decided to just row their boat ashore and close their doors with no notice, leaving a wake of millions of unclaimed miles and many unhappy loyalists. Clearly, loyalty program points are not like a fine wine that improves with age. But they do make for fine whining when customer expectations fall short.

Clearly, loyalty program management has become much more sophisticated since the Pan Am and Braniff days and it is my belief that loyalty programs are not going away at all. In fact, the benefits and rewards for programs as we know them today are actually improving for true loyalists while fading away for those who believe they can be rewarded for simply showing up. Travel industry suppliers now garner a rich understanding of traveler behavior and have their systems honed to richly reward those who “show the love” versus those looking to be rewarded for simply showing up. What's the point of handing out rewards to people who don't try hard and just show up?

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## INTRODUCTION AND PROBLEM STATEMENT

Welcome to my second paper of 2017. For those of you familiar with my writing style this paper should be a page turner that you can relate to that will hopefully exceed your expectations. Lots of facts. No shortage of opinions. New and disruptive ideas. All the usual jazz that you have come to expect from a white paper written by yours truly.

Here's the **problem** we need to solve:

We live in a travel industry where travelers feel a profound sense of entitlement while industry providers are looking to provide services in exact accordance with what travelers are paying for and hoping to up-sell incremental levels of ancillary services. In reality, however, this is where the unbalanced equation begins. Travelers actually believe that they are already paying for a higher level of service than is actually the reality. And where there are expectation gaps, they are looking for their loyalty programs to provide the bridge.

Here are some factors that need to be considered in finding solutions to the loyalty program conundrum:

- When procurement professionals were ushered into the corporate travel industry in the mid-1990s, they were quick to realize that they were paying for a slate of services some of which they didn't need (blankets and pillows on aircraft were the first to be pointed out). They led process mapping across all aspects of the business trip and over time they worked to unbundle supplier service offerings in an effort to identify services that they wanted and to reduce costs by eliminating others. The end result was an unbundling of services for travelers which brought about the marginalization of revenues and diminished earnings for suppliers.
- On the service side, as a result of the unbundling of services, travelers began seeing things that were important to them going

away. Today you often hear travelers often say they feel “nicked and dimed” for everything. They ask what exactly are they paying for when they buy an airline ticket. They look at their hotel check out receipt that often include resort fees for mid-level hotels in remote cities where no resorts are in sight and city imposed taxes. When they rent a car, they find that the fees associated with renting are almost the same as the rental rate itself. Savvy travelers were quick to figure out that by planning carefully they could use their loyalty program benefits to offset the excess costs associated with the perks they find important rather than paying for them. Those benefits don’t eliminate the fees but they do allow for a re-bundling of services and, for them, accommodation value.

- As the benefits associated with loyalty programs expanded, suppliers found that the cost of providing those benefits was growing disproportionately which means the loyalty formula needed some tweaking. Simply reducing the benefits across the board certainly wasn’t going to work and would lose them customers so they began looking into the next level of detail around what actually stimulates loyalty among their customer base. In dealing directly with travelers, suppliers have gained a tremendous amount of behavioral information. This allows them to anticipate needs, understand when travelers choose one supplier over another and for what reason. This knowledge is all in the interest of customer service but the level of detail available enables suppliers to differentiate true loyalists from passive supporters who simply travel a great deal. With that knowledge, the holy grail lies in optimizing the balance between behavior and loyalty services rendered.

So here we are at yet another crossroads of change in the travel industry. Many suppliers hold the view that loyalty programs are more than simply being a solution to resolving service issues related to unbundling. They see loyalty programs as a means to adding incremental business by using “big data” to help in managing human behavior. To that end, loyalty programs are evolving to a place where all people can be treated equally but allowing for some being treated more equally than others. There will be winners and losers in this exchange but everyone has a path to the winning side. For suppliers that path entails service delivery. For travelers the path beguiled by matching eggs with their potential baskets is charted by how many of each can be effectively managed in order to gain the benefits they cherish.

## Research and Background

The In the Black Group surveyed 500 people identified from the subscriber data base of Survey Monkey and received 165 responses (33%). The targeted demographic sought for respondents included the following credentials:

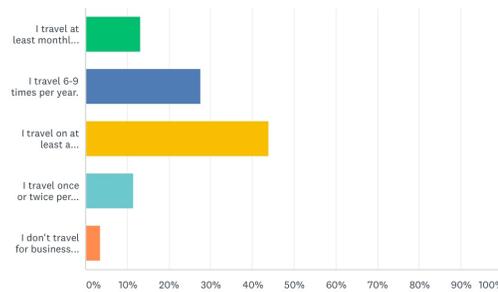
- United States based travelers working in the industries known for frequent travel (Survey Monkey Categories)
  - Advertising and Marketing
  - Entertainment and Leisure
  - Business Support and Logistics
  - Food and Beverages
  - Health Care and Pharmaceuticals
  - Insurance
  - Retail and Consumer Durables
  - Telecommunications, Technology, Internet and Electronics
  - Utilities, Energy and Extraction
- Travelers with job functions typically requiring travel (Survey Monkey Categories)
  - Advertising/Marketing
  - Business Development
  - Consulting
  - Customer Service
  - General Business
  - Human Resources
  - Information Technology
  - Legal
  - Management (Director Level and Above)
  - Product Management
  - Project Management
  - Purchasing/Procurement
  - Sales
  - Training
- Travelers with lifestyles that typically involve travel (Survey Monkey Categories)
  - Travel for both business and pleasure
  - Travel on specific airlines, hotels and car rental companies

The focus of the questions were around perspectives on airline and hotel loyalty programs. The first chart illustrates the frequency of travel among respondents with 70% traveling at least four times yearly including more than 25% that travel at least six times per year, many of which travel on a monthly basis.

We also asked about the nature of the respondents travel which is captured in the second chart. There is a good mix of both business and leisure travel among respondents. The bulk of respondents travel most frequently for business but maintain a healthy balance between both business and personal travel. There were also a significant number of travelers who primarily travel for meetings and conventions. This demographic is largely driven by conditions where choices are made that are often out of the control of individual traveler choice. It's

How often do you typically travel for business or pleasure during any given year using airlines and hotels?

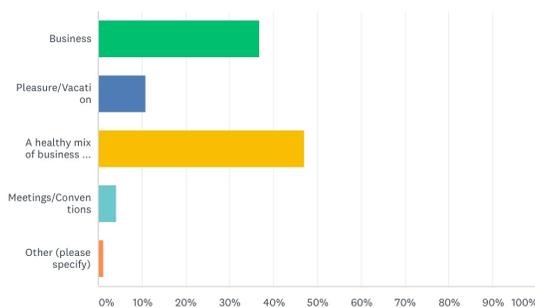
Answered: 166 Skipped: 0



ANSWER CHOICES	RESPONSES	Count
I travel at least monthly and often more.	13.25%	22
I travel 6-9 times per year.	27.71%	46
I travel on at least a quarterly basis.	43.98%	73
I travel once or twice per year.	11.45%	19
I don't travel for business or pleasure except in my car.	3.61%	6
<b>TOTAL</b>		<b>166</b>

What is the general nature or purpose of your travel?

Answered: 166 Skipped: 0



ANSWER CHOICES	RESPONSES	Count
Business	36.75%	61
Pleasure/Vacation	10.84%	18
A healthy mix of business and pleasure	46.99%	78
Meetings/Conventions	4.22%	7
Other (please specify)	1.20%	2
<b>TOTAL</b>		<b>166</b>

important to note, however, that the significance of choices made by meeting planners may also be affected by loyalty program bias in degrees of separation that are more complex than individual loyalty programs. These complexities deal with the overall corporate terms established

between any given airline or hotel on and a company, from both a corporate transient and meetings/group perspective. These activities do not affect the personal loyalty programs of any given traveler but are influential nonetheless at the corporate level.

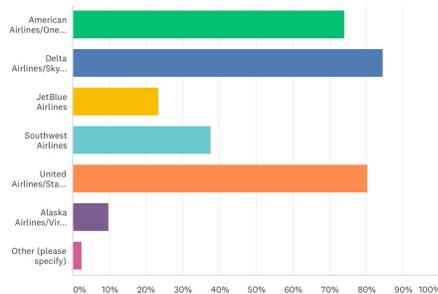
Drilling down to specific airline loyalty programs, the largest population of respondents were self professed Delta's SkyMile loyalists followed closely by advocates of the United Airlines MileagePlus and American Airlines AAdvantage programs.

These loyalty programs are global in nature and also include their alliance partners: Delta/SkyTeam, United/Star Alliance and American/OneWorld.

Super regional players Southwest and JetBlue led the next tier of loyalty programs, neither of which participate in airline alliance programs. Both airlines score high with their loyalty patrons so their ranking is likely due to the geographic reach of their route structures.

I am a member of the following airline loyalty programs: (check all that apply)

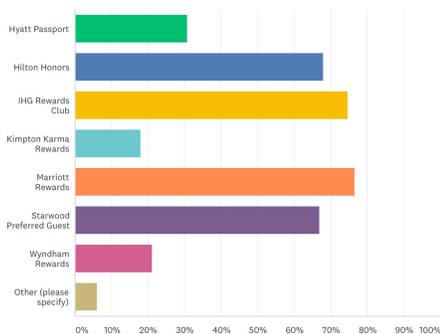
Answered: 162 Skipped: 4



ANSWER CHOICES	RESPONSES
▼ American Airlines/OneWorld Alliance	74.07% 120
▼ Delta Airlines/Sky Team Alliance	84.57% 137
▼ JetBlue Airlines	23.46% 38
▼ Southwest Airlines	37.65% 61
▼ United Airlines/Star Alliance	80.25% 130
▼ Alaska Airlines/Virgin America	9.88% 16
▼ Other (please specify)	Responses 2.47% 4
<b>Total Respondents: 162</b>	

I am a member of the following hotel loyalty programs: (check all that apply)

Answered: 166 Skipped: 0



ANSWER CHOICES	RESPONSES
▼ Hyatt Passport	30.72% 51
▼ Hilton Honors	68.07% 113
▼ IHG Rewards Club	74.70% 124
▼ Kimpton Karma Rewards	18.07% 30
▼ Marriott Rewards	76.51% 127
▼ Starwood Preferred Guest	66.87% 111
▼ Wyndham Rewards	21.08% 35
▼ Other (please specify)	Responses 6.02% 10
<b>Total Respondents: 166</b>	

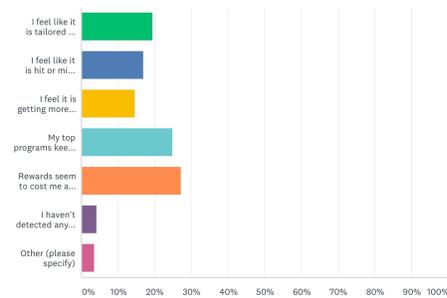
On the hotel side, Marriott and Starwood advocates dominate our respondent base followed by the Intercontinental Hotel Group (IHG) and Hilton on the global scale. Hyatt, highly concentrated in the United States, led the respondent base among the multinational players followed by Wyndham and Kimpton (now part of IHG)

hotels. As consolidation continues to take place in the hotel industry, it will be interesting to watch how affected loyalty programs evolve.

When asked how respondents generally view the benefits they glean from their loyalty programs, the concept of creating a world of winners and losers begins to take shape. The largest group believe their benefits seem more difficult to earn or are more costly. However, just behind this group is a set of respondents that see the benefits of some of their programs improving while they see other program benefits seem to be “withering away”. The third set of respondents say they see nothing but upside, almost to the point that they feel their benefits programs are being tailored to their traveling habits (they are!). From there respondents feel capitalizing on their loyalty programs are “hit or miss” (they aren’t!).

Which of the below describes how you feel about the loyalty program where you have achieved your highest status?

Answered: 165 Skipped: 1

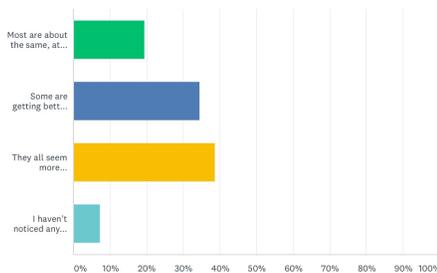


ANSWER CHOICES	RESPONSES
I feel like it is tailored to my personal tastes and it keeps getting better. I'm very pleased.	19.39% 32
I feel like it is hit or miss but generally I'm pleased.	16.97% 28
I feel it is getting more difficult to get my perks and they more expensive. I'm not feeling as important as I used to be.	14.55% 24
My top programs keep getting better with more unsolicited benefits. Other programs seem to be withering away.	24.85% 41
Rewards seem to cost me a lot more than in previous years and upgrades never seem to be available.	27.27% 45
I haven't detected any real appreciable change.	4.24% 7
Other (please specify)	Responses 3.64% 6
<b>Total Respondents: 165</b>	

Respondents not detecting any appreciable change either aren't traveling enough to matter or are simply not paying attention.

How do you feel about the perks and rewards from your airline and hotel loyalty programs?

Answered: 165 Skipped: 1



ANSWER CHOICES	RESPONSES
Most are about the same, at least for now, but some seem to be getting richer in benefits.	19.39% 32
Some are getting better but others have become so restrictive I no longer pay attention to them.	34.55% 57
They all seem more restrictive and more expensive when I try cashing in rewards.	38.79% 64
I haven't noticed any appreciable change.	7.27% 12
<b>TOTAL</b>	<b>165</b>

When respondents were asked how they feel about the accessibility of benefits from their loyalty programs the story continues to unfold. Nearly half feel as though their benefits are improving while the others are feeling a loss in their perceived entitlements.

When asked about how respondents feel about the actual benefits that are available to them, another level of detail begins to

take shape. We asked respondents to drill down specifically into the features and benefits they see in their airline and hotel programs.

On the airline side, not surprisingly, upgrades, free tickets and special check-in lines topped the list of what is provided to them today. Free bags and baggage treatments most likely scored lower in importance largely because business travelers seldom check bags unless they have to.

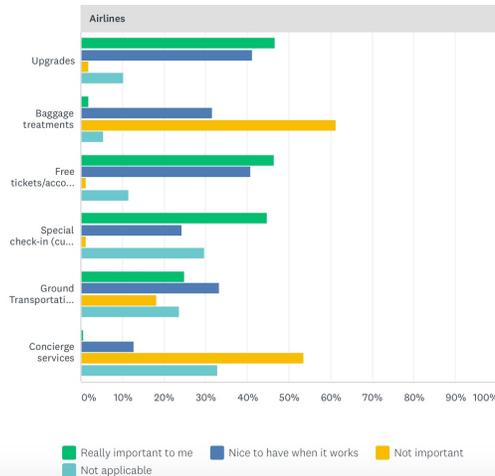
In the comments section of the survey a number of respondents questioned the notion of “concierge services”. For travelers who are amongst the top tier of their loyalty programs they will recognize this service as being offered things like special seating at the theatre or for concerts or for culinary trips with celebrity chefs.

These benefits aren’t made available for every loyalist but for the top tier it gives suppliers private time with people who are generally decision makers at corporations influential with airlines and hotels (some executives that are also more equal than others).

For hotels the results among our respondents reflect similar views in terms of free rooms and upgrades. Ground transportation scored much higher with this group which speaks to the ability of a hotel to dispatch some form of transportation to the airport to bring them to the hotel and back. Ground transportation generally means dispatching a van but for more premium hotels it could also mean sending a a black-car service which is often a “surprise and delight” feature for travelers particularly if they are not expecting the service. Providing ground transportation is often viewed by travel managers as

How do you feel about the following loyalty program features?

Answered: 165 Skipped: 1

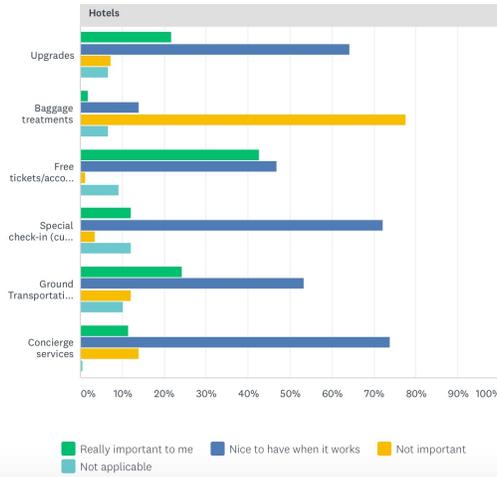


Airlines	REALLY IMPORTANT TO ME	NICE TO HAVE WHEN IT WORKS	NOT IMPORTANT	NOT APPLICABLE	TOTAL
Upgrades	46.67% 77	41.21% 68	1.82% 3	10.30% 17	165
Baggage treatments	1.82% 3	31.52% 52	61.21% 101	5.45% 9	165
Free tickets/accommodations	46.34% 76	40.85% 67	1.22% 2	11.59% 19	164
Special check-in (curb to gate/curb to room)	44.85% 74	24.24% 40	1.21% 2	29.70% 49	165
Ground Transportation Services (limos, vans, car rental, etc.)	24.85% 41	33.33% 55	18.18% 30	23.64% 39	165
Concierge services	0.61% 1	12.80% 21	53.66% 88	32.93% 54	164

a real money-saver since there is no taxi, limo or car rental costs. As long as hotels provide this service efficiently and without a great deal of waiting time, this is an easy benefit for travelers to enjoy while saving money.

How do you feel about the following loyalty program features?

Answered: 165 Skipped: 1



Hotels	REALLY IMPORTANT TO ME	NICE TO HAVE WHEN IT WORKS	NOT IMPORTANT	NOT APPLICABLE	TOTAL
Upgrades	21.82% 36	64.24% 106	7.27% 12	6.67% 11	165
Baggage treatments	1.82% 3	13.94% 23	77.58% 128	6.67% 11	165
Free tickets/accommodations	42.68% 70	46.95% 77	1.22% 2	9.15% 15	164
Special check-in (curb to gate/curb to room)	12.12% 20	72.12% 119	3.64% 6	12.12% 20	165
Ground Transportation Services (limos, vans, car rental, etc.)	24.24% 40	53.33% 88	12.12% 20	10.30% 17	165
Concierge services	11.59% 19	73.78% 121	14.02% 23	0.61% 1	164

As long as hotels provide this service efficiently and without a great deal of waiting time, this is an easy benefit for travelers to enjoy while saving money.

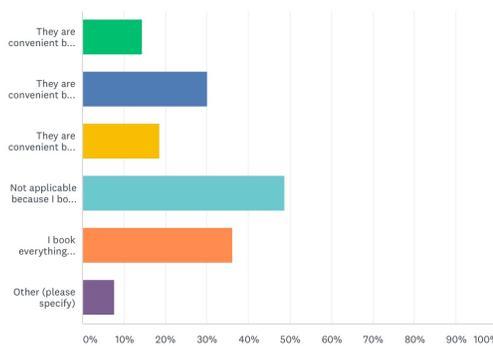
When respondents were asked how they felt about the cross-over benefits between airline and hotel programs, the reviews were mixed. Most found little to no cross-over benefits from bundled loyalty programs. This could be largely related to the corporate travel market where

negotiated rates typically beat consumer driven bundled rates. There's also the issue of status which doesn't come through with bookings coming from alternative sites. These are easy fixes from a technology perspective but are understandably low on the priority list in terms of program development.

Lastly, but far from least, we asked respondents to identify what they

How important are bundled loyalty partner programs? (i.e. options for car rental/limo, destination services, restaurant reservations, etc.)

Answered: 166 Skipped: 0

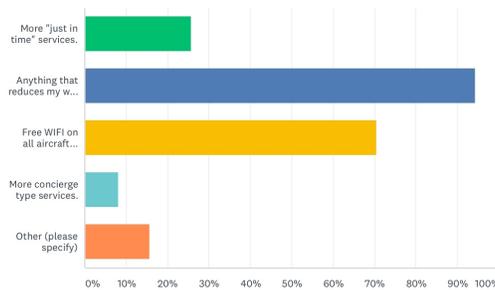


ANSWER CHOICES	RESPONSES
They are convenient but my status doesn't carry through the hand-off.	14.46% 24
They are convenient but I generally find better rates.	30.12% 50
They are convenient but I can't book my corporate rates.	18.67% 31
Not applicable because I book through my company on-line system.	48.80% 81
I book everything direct.	36.14% 60
Other (please specify)	Responses 7.83% 13
Total Respondents: 166	

would like to see more of from their loyalty programs. Not surprisingly, the top category on the wish list across the board had to do with anything that saves time and waiting. Right behind that is what has become everyone's God-given right which is to have access to free wifi. Preferences fall off from there except for what are referred to as

What features would you most like to see added to loyalty programs?

Answered: 159 Skipped: 7



ANSWER CHOICES	RESPONSES	
More "just in time" services.	25.79%	41
Anything that reduces my wait times.	94.34%	150
Free WIFI on all aircraft and in all hotel rooms.	70.44%	112
More concierge type services.	8.18%	13
Other (please specify)	15.72%	25
Total Respondents: 159		

"just in time" services. These are what I previously referred to as "surprise and delight" services which are generally reserved for elite travelers with the highest tier of loyalty status. These are travelers that wait in no Group boarding lines and are sometimes met on the concourse jetway and ushered in luxury vehicles

across the tarmac from one flight to the connecting flight of their destination. Very special treatment for those that not only travel frequently but also are laser focused on supporting their favorite suppliers.

## SOLUTIONS

You may be familiar with the virtues of managing control through spheres of influence as preached in the book, *The 7 Habits of Highly Effective People* written by Stephen Covey:

*"Instead of reacting to or worrying about conditions over which they have little or no control, proactive people focus their time and energy on things they can control. The problems, challenges, and opportunities we face fall into two areas--Circle of Concern and Circle of Influence."*

source: *The 7 Habits of Highly Effective People*, by Steven R. Covey

This is the guiding principle behind the shaping of the evolving, or what I've begun referring to as "me-volving", loyalty programs.

As a traveler, if you have the travel volume wherewith and the willingness to steer your travel plans to your number one airline and number one hotel you too can reap the benefits of the "me-volving"

world of loyalty programs. As a supplier, keep on keeping on but lets think about the “Circle of Concern” that Dr. Covey points out:

- **Communication** - The number one component that makes or breaks even the best of plans has to do with communication. And it’s not just saying the right words to the right people. Timing is crucial. Once a theory is put into practice and proven, it’s time to communicate to the masses.
- **Marketing with Big Data** - Taking time to communicate what’s going on with any given program is key but spreading the gospel is marketing. All I read in the media is how loyalty programs are shrinking for the common traveler and the best channel for marketing is the media. Here’s a piece I just scraped from Skift, an emerging travel industry publication that are establishing their own voice:

**Average Reward Prices for Programs Using Revenue-Based Accrual\***

<b>Airline</b>	<b>Basic Accrual per Dollar Spent**</b>	<b>Avg. Reward Price per R/T 2017</b>	<b>Avg. Reward Price per R/T 2013</b>	<b>2017 Compared to 2013</b>
Southwest Rapid Rewards	6 points	9,300	9,353	0.6% lower
JetBlue TrueBlue	6 points at JetBlue.com	15,849	15,774	0.5% higher
Delta SkyMiles	5 miles	23,443	28,964	19.1% lower
American AAdvantage	5 miles	30,357	31,071	2.3% lower
United MileagePlus	5 miles	33,929	26,357	28.7% higher

\* Top 251 – 2,500-mile reward markets

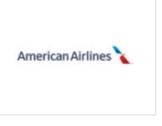
\*\* Accrual based upon lowest economy fare level for non-elite members; airlines offer higher accrual for elite members

**Skift: September 6, 2017**

The headline of this piece was about how JetBlue and Southwest Airlines are offering the most generous airline rewards programs in the United States and how Delta is working to make their loyalty

program more affordable while United has been making harder for members to earn additional flights based on loyalty points (direct quote from Skift article). In isolation I'm sure these points appear to be true but this chart absolutely fails to tell the big story in the overall scheme of things. Effective marketing campaigns tell the story they want people to hear and are often supported by data that very few people actually understand. When I saw this piece it conjured the old adage about how liars figure and figures lie. To be fair, I am sure that this reporter has drawn his or her own conclusions and I'm sure they intend no malice toward United, Delta and American. But, in my opinion, the real story is that there are adjustments being made to the loyalty program algorithms in the interest of the me-volution and it's time to broach the subject and tell travelers know what they need to do.

The 2017-2018 loyalty program rankings recently published by U.S. News and World Report reflect a more qualitative analysis of the Pros and Cons on the programs being reviewed in this paper:

<p><b>Delta SkyMiles</b> #2 in Best Airline Rewards Programs</p> <p>The Delta SkyMiles program is convenient for frequent flyers based in United States cities like Atlanta, Detroit, Los <a href="#">... more</a></p> <p>4.19/5 Overall Score   More than 2,000 No. of Daily Flights</p> 		<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ Miles can be earned and used with more than 20 participating airlines</li> <li>✓ Miles do not expire</li> <li>✓ Can earn miles on hotel and Airbnb stays</li> <li>✗ Limited seating available for award travel</li> <li>✗ You must fly and spend a lot to reach elite status</li> </ul>
<p><b>JetBlue TrueBlue</b> #3 in Best Airline Rewards Programs</p> <p>The JetBlue TrueBlue program best serves travelers based in East Coast cities (like Boston, New York City and Fort Lauderdale and Orlando, Florida) <a href="#">... more</a></p> <p>4.12/5 Overall Score   500 - 1,000 No. of Daily Flights</p> 		<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ No blackout dates</li> <li>✓ Rapid Rewards Points can be earned on flights and hotels</li> <li>✓ Miles can be used for any available seat on any Southwest flight</li> <li>✗ Southwest's only flights outside the U.S. are to Mexico and the Caribbean</li> <li>✗ The number of points needed to redeem a free flight varies widely</li> <li>✗ Points and cash cannot be combined to cover flight costs</li> </ul>
<p><b>Southwest Rapid Rewards</b> #4 in Best Airline Rewards Programs</p> <p>The Southwest Rapid Rewards program is most beneficial for budget-minded travelers based in the United States who frequently fly to major cities <a href="#">... more</a></p> <p>3.96/5 Overall Score   More than 2,000 No. of Daily Flights</p> 		<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ Points can be earned on multiple airlines</li> <li>✓ No blackout dates on JetBlue flights</li> <li>✓ Earn rewards through social media participation</li> <li>✗ Blackout dates may apply on partner airlines</li> <li>✗ Fewer destinations than larger airlines</li> <li>✗ Program only offers one elite membership tier</li> </ul>
<p><b>United MileagePlus</b> #5 in Best Airline Rewards Programs</p> <p>The United MileagePlus program is best for travelers based in major American cities and those who travel to destinations in Europe, Latin America and <a href="#">... more</a></p> <p>3.87/5 Overall Score   More than 2,000 No. of Daily Flights</p> 		<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ United and its partner airlines fly to more than 1,100 destinations worldwide</li> <li>✓ You can earn and redeem miles on more than 35 participating airlines</li> <li>✓ Rewards can be used for flights, hotels, train fares and more</li> <li>✗ The program rules are complex</li> <li>✗ The number of seats available for award travel is limited</li> <li>✗ Miles expire after 18 months of account inactivity</li> </ul>
<p><b>American Airlines AAdvantage</b> #6 in Best Airline Rewards Programs</p> <p>The American Airlines AAdvantage program benefits travelers based in cities throughout the United States, such as New York City, Los Angeles, Miami <a href="#">... more</a></p> <p>3.84/5 Overall Score   More than 2,000 No. of Daily Flights</p> 		<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ Can earn miles with more than 1,000 partner companies</li> <li>✓ Miles can be redeemed for air travel, hotel stays, car rentals, vacations and retail gift cards</li> <li>✓ Miles can be collected and redeemed on all AAdvantage-affiliated oneworld carriers</li> <li>✗ Program is now revenue-based, meaning miles are awarded based on dollars spent rather than number of miles flown</li> <li>✗ Mileage credit for American and AAdvantage-affiliated partners will be forfeited if your account is inactive for 18 months</li> <li>✗ Can only earn miles for one seat per flight</li> </ul>

## The hotel side of U.S. News and World Report reflected similar customer interests in terms of the pros and cons of each program:

<p><b>Marriott Rewards</b>  <b>#1 in Best Hotel Rewards Programs</b></p> <p>The Marriott Rewards program accommodates both business and leisure travelers who visit major cities in the United States, Canada, Asia and Europe... <a href="#">more</a></p> <p>4.92/5 Overall Score   More than 4,000 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ No blackout dates when redeeming free nights on standard rooms</li> <li>✓ More than 4,000 participating hotels in more than 70 countries</li> <li>✓ Rewards can be used on hotel stays, flights, rental cars, cruises and vacation packages</li> </ul> <ul style="list-style-type: none"> <li>✗ Points expire after two years of inactivity</li> <li>✗ Rooms at high category hotels cost a large number of points</li> <li>✗ Marriott's top-tier membership level is harder to reach than the highest levels within the Hilton Honors and World of Hyatt programs</li> </ul>
<p><b>Wyndham Rewards</b>  <b>#2 in Best Hotel Rewards Programs</b></p> <p>The Wyndham Rewards program caters to leisure and business travelers who visit popular destinations in the United States, Europe, the Caribbean and... <a href="#">more</a></p> <p>4.74/5 Overall Score   More than 4,000 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ More than 8,000 participating properties worldwide</li> <li>✓ Qualifying nights can roll over into the following year, making higher status easier to obtain</li> <li>✓ Free stays at all-inclusive properties cover meals, drinks and amenities</li> </ul> <ul style="list-style-type: none"> <li>✗ Can take six to eight weeks for partner rewards to be processed</li> <li>✗ Brand has limited number of high-end properties</li> <li>✗ Once processed, rewards cannot be converted for other purposes</li> </ul>
<p><b>World of Hyatt</b>  <b>#4 in Best Hotel Rewards Programs</b></p> <p>The World of Hyatt program is geared toward business and leisure travelers who visit major cities within the United States, Europe, Mexico and Asia... <a href="#">more</a></p> <p>4.43/5 Overall Score   500 - 999 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ Complimentary stays in standard rooms start at 5,000 points per night</li> <li>✓ Can earn and use points at hotels across a variety of price points and styles</li> <li>✓ Points can be converted to airline miles</li> </ul> <ul style="list-style-type: none"> <li>✗ Some elite membership benefits are not available at select hotels</li> <li>✗ Free night awards are only available for standard rooms when hotels have availability at the standard rate</li> <li>✗ Rooms at high-end category properties cost a large number of points</li> </ul>
<p><b>IHG Rewards Club</b>  <b>#6 in Best Hotel Rewards Programs</b></p> <p>The InterContinental Hotels Group's Rewards Club contains more than 5,200 properties throughout nearly 100 countries and has numerous hotels in ... <a href="#">more</a></p> <p>4.24/5 Overall Score   More than 4,000 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ More than 5,200 participating hotels worldwide</li> <li>✓ No blackout dates for reward nights</li> <li>✓ You can use points for free nights at hotels outside the IHG network and free flights with more than 400 airlines</li> </ul> <ul style="list-style-type: none"> <li>✗ Points are not awarded for discounted rooms</li> <li>✗ Rewards options vary by location</li> <li>✗ Extra points are required to redeem reward nights at all-inclusive resorts</li> </ul>
<p><b>Starwood Preferred Guest</b>  <b>#9 in Best Hotel Rewards Programs</b></p> <p>The Starwood Preferred Guest (or SPG) program caters primarily to businesspeople who often travel to major cities in the United States, Asia and ... <a href="#">more</a></p> <p>3.55/5 Overall Score   1,000 - 3,999 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ More than 1,300 participating hotels</li> <li>✓ Points can be used for hotel stays and flights</li> <li>✓ Points can be traded in for room upgrades and event tickets</li> </ul> <ul style="list-style-type: none"> <li>✗ Program may change with Marriott Rewards merger (predicted to happen in 2018)</li> <li>✗ A free night at a luxury hotel requires a large number of Starpoints in most cities</li> <li>✗ Fewer budget-friendly options in the Starwood portfolio than Hilton or Wyndham</li> </ul>
<p><b>Hilton Honors</b>  <b>#11 in Best Hotel Rewards Programs</b></p> <p>The Hilton Honors program is most advantageous for business and luxury travelers who frequently fly to and stay in major cities in the United States... <a href="#">more</a></p> <p>3.05/5 Overall Score   More than 4,000 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ No blackout dates when using points to book a room</li> <li>✓ More than 4,900 participating hotels and resorts worldwide</li> <li>✓ Members can earn hotel points and airline miles for the same stay</li> </ul> <ul style="list-style-type: none"> <li>✗ Points can expire if your account remains inactive for more than 12 months</li> <li>✗ Bonus points do not count toward your member status</li> <li>✗ Free nights at higher-end hotels require a large number of points</li> </ul>
<p><b>Kimpton Karma Rewards</b>  <b>#15 in Best Hotel Rewards Programs</b></p> <p>The Kimpton Karma Rewards program benefits leisure travelers and businesspeople looking for boutique accommodations in major urban U.S. destinations... <a href="#">more</a></p> <p>2.54/5 Overall Score   Fewer than 100 No. of Hotels in Network</p>	<p><b>Pros &amp; Cons</b></p> <ul style="list-style-type: none"> <li>✓ Blackout dates are rare</li> <li>✓ Rewards are transferable</li> <li>✓ InterContinental Hotels Group merger will not immediately impact Kimpton Karma Rewards program</li> </ul> <ul style="list-style-type: none"> <li>✗ Cannot receive rewards for rooms booked with third-party websites or at a discounted rate</li> <li>✗ Complimentary, one-time room upgrades are valid for 12 months from issuance date</li> </ul>

source: U.S. News and World Report, August 9, 2017

These qualitative analyses are good public points of reference and list general reasons at a very high level as to what people like or complain about and why. But they fail to recognize the behavioral drivers in this me-volving world.

To that end, you have no doubt read about the concept of Big Data. Big data is the term often spoken about as a phenomenon but is also largely misunderstood. Big data is the composite of personal information that suppliers are deriving based on their customers' spending habits and patterns. This information is what enables suppliers to create programs tailored to their best customers. Those who are true loyalists may share the same qualitative views in terms of the pros and cons of each program but how their benefits are actually managed within each program would likely reset the order in accordance with how they are actually being treated. And it is highly likely that there would only be a list of only the top two or three because even the most frequent traveled loyalist would find it difficult to be a true loyalist to more than two or three suppliers in each category.

- **Differentiating the Losers from the Players** - As was stated previously, through Big Data, suppliers now have an amazing level of detail about their loyalists' behavior. They know exactly who is going out of their way to support them as opposed to those that are simply showing up. Pretending that everyone gets treated equally achieves nothing and the shift in benefits are indicators of the undertow. No one wants to chase business away but in reality, those that are just showing up are probably going to show up anyway. So tailoring a program with skinny benefits doesn't really make a difference except it still costs suppliers to capture and report activity. Watch for suppliers to soon introduce a minimum points requirement in order to be a "player" in the game. The minimums can be earned or purchased but there needs to be minimums in order for tracking to even begin. It's the cost to play and if the cost of entry is reasonable, players will play and the losers will likely show up anyway.
- **Taking Care of the Winners** - Suppliers generally do a great job of taking care of their most prized loyalists but in some cases may find themselves over-extended in the execution. There's no real solution to inventory related issues except for adding more inventory which is often not an option given the basic laws of physics associated with capacity management. This is where the "surprise and delight" concept mentioned previously in this paper comes into play. Things like simple "meet and greets" at the airport

or an unexpected limo arrangement texted to the traveler when they land that spares them a taxi queue or Uber wait...these things are powerful reminders of what being a true loyalist really means.

- Picking the Right Loyalty Program Partners** - No supplier can manage every service aspect beyond their core business and the me-volution will lead to new categories of loyalty programs and linkages to partner suppliers that fulfill customer expectations throughout the travel process. In the end, airlines will need to stick to their airline business, hotels will need to stick to the hotel business, and ground transportation companies will need to stick to the ground transportation business. The overlap of these businesses, however, is where loyalty partner experience can either create effective synergies or sub-optimize component pieces. These providers, and most importantly the people providing the actual service, are representing the airline or hotel brand sponsoring them and should be vetted accordingly. I honestly believe that no one gets up in the morning determined to do a bad job but not everyone recognizes what goes into a job well done. It's worth the time it takes to meet the people who you expect will take care of your best customers.

## CONCLUSIONS

So, in the end, we find ourselves with the age old question of how to gather new loyalists, garner their favor and keep them for life. The earliest loyalty program on record, S&H Green Stamps, was established in the United States during the late 1800s. According to Wikipedia, S&H peaked in the 1960s but went out of business in the 1970s. Their demise had everything to do with the reduced benefits and cost of maintaining the program.



Newspaper ad for the program, 1910. Shows the stamps and gives a description of the programs and offers.

Today's loyalty programs



are designed around the same principles. Spend, gather your credits, and cash in for some free prize. But today suppliers have the invaluable resource of information gathering. Information that not only tracks behavior but also predicts and directs it. Such is the power of Big Data in reshaping the me-volving world of loyalty programs.

The key to the me-volution transition, in this writer's opinion, will be in the identification and execution of benefits that surprise and delight while being predictable yet not invasive. And, much like a relay race, the hand-offs between partners throughout the course of any journey will make the difference for their customers.

## About SIXT and the In the Black Group

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