

HOTEL Yearbook 2014

FORESIGHT AND INNOVATION IN THE GLOBAL HOTEL INDUSTRY

SPECIAL
EDITION ON

TECHNOLOGY



Is the future of loyalty programs social?

by **Youri Sawerschel** 

When seeking to increase customer loyalty and share of wallet, hotel chains should seriously harness the power of social media to differentiate their loyalty programs, says Youri Sawerschel of Geneva-based consultancy bridge.over. How to do this? By turning them into social games.

What do hotels, dry cleaners, car washes and hairdressers have in common? They all offer a loyalty program to their customers. In the UK for example, 96% of the population is currently a member of a reward scheme, while each household in the US has signed up for an average of 14 loyalty programs. Surprisingly, the mechanism behind loyalty programs has not evolved significantly over the years: remain loyal to a brand in order to collect points that can be redeemed in exchange of benefits and loyalty status ladder ascension.

What has changed

The hot topic of the past five years, social media have become mainstream. Indeed, public interest has shifted from traditional social networking platforms to services using a social component as a differentiator such as Spotify (a music streaming service) or Pinterest (a photo sharing website).

In the meantime, the fast development of cloud-based IT solutions means that hotel brands are now more flexible when it comes to rolling out new functionalities or system upgrades. However, despite benefiting from reduced time-to-market, hotel companies have not yet added a social component to their loyalty programs. This might be explained by the fact that mastering IT is only one side of the coin; understanding what drives people's behavior is the other.

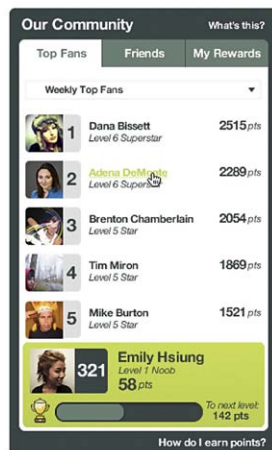
Harnessing the power of social circles

Loyalty tier levels enhance social status, but do not foster a

direct social connection and/or a competitive environment. To put this into context, occasional travellers might envy frequent flyers' perks, but they know that they do not belong to the same category of clients. In other words, you don't mind if a famous actor buys an expensive sports car, but you do envy your neighbor's new sedan. Following this logic, what if customers competed with their friends and direct social circle? Couldn't that impact their purchasing behavior? Would they be more engaged with a loyalty program?

Outside hospitality, several brands have successfully introduced this social component at the heart of their offering. For instance, Nike Fuel, an electronic bracelet worn on the wrist, allows its users to track their levels of physical activity and benchmark them against their friends.

Looking at the travel industry online, websites such as TripIt or Kayak offer solutions to track travel details and share them with friends and family. These websites, however, are marketed mainly as trip planning tools that aim at reducing administrative burden and not so much as collaborative games or platforms.



Could hotel loyalty programs one day look like the Badgeville Leader Board?

Sensing the potential of social mechanics, Badgeville, a technology company, combines psychology with sophisticated technology to drive user engagement and improve customer loyalty. Badgeville provides its corporate clients with SaaS-based technology for web and mobile sites to measure and influence user behavior using techniques including



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gamification and game mechanics, social mechanics, and reputation mechanics.

Leveraging PMS data

When looking at the amount of information held about customer behavior, the hospitality industry is blessed. Frequency of travel, average spending or destinations visited can all be obtained in the blink of an eye, thanks to property management systems.

Comparison must be at the core of everything in a social loyalty program. To launch a social loyalty scheme, a hotel company would essentially need to share its customer data to allow guests to compare themselves with one another. Having access to this data is one thing, but leveraging it to bring value to the customer is another matter. “The first step in empowering our travel customers to engage successfully is to present them with rich information pertinent to them,” explains Christopher Hartley, CEO of the Global Hotel Alliance, an independent hotel loyalty program. “By imparting the information we already have, customers can gain greater insights into their own travel profile, thereby better equipping them to share, explore and compare.”

Unlike regular loyalty programs where members only know how many points they have, a social loyalty program would display to its members how many points they have, compared to their social circle. Members could also take part in the program, allowing friends, family and co-workers to accumulate points together

Nike Fuel is a successful integration of game and social mechanisms.

More diverse tier levels

In addition to standard loyalty points (obtained upon room bookings), various guest statistics such as destinations visited, favorite hotel brands, or hotel types could be used to create alternative rankings. Imagine, for instance, a “Globetrotter Leader Board” that would rank the members who have travelled to the most countries, while a “Resort Junkie Leader Board” could list the resort aficionados, and a “Cosmopolitan Leader Board” would rank the members who mainly stay in global cities.

The possibilities to create new ranking categories are limitless. As a result, tier levels would become more diverse and meaningful and the status recognition could shift from tangible artefacts to virtual ones. Maybe in a few years, a “country expert status” or a “Road Warrior Award” might supplement late check-out and free Internet as evidences of higher status.

While several Online Travel Agencies (OTAs) are starting to launch loyalty programs with a social edge, no major hotel companies, consortia or independent loyalty programs have yet entered this white space. Taking into account that customers usually do not compete in multiple networks, a first mover would benefit from the serious barrier to entry, and potential undivided customer loyalty. The loyalty race is on.



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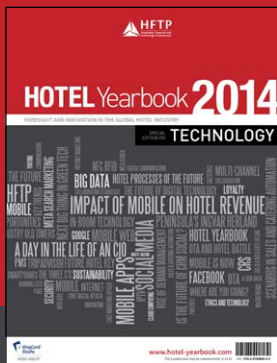
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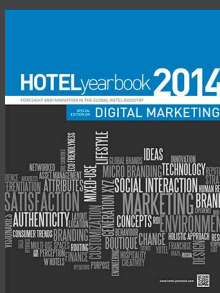
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