

Hotel client purchasing in 2014

Avendra	\$3,200,000,000
BuyEfficient	\$495,000,000
Benjamin West	\$376,000,000
The Parker Company	\$315,000,000

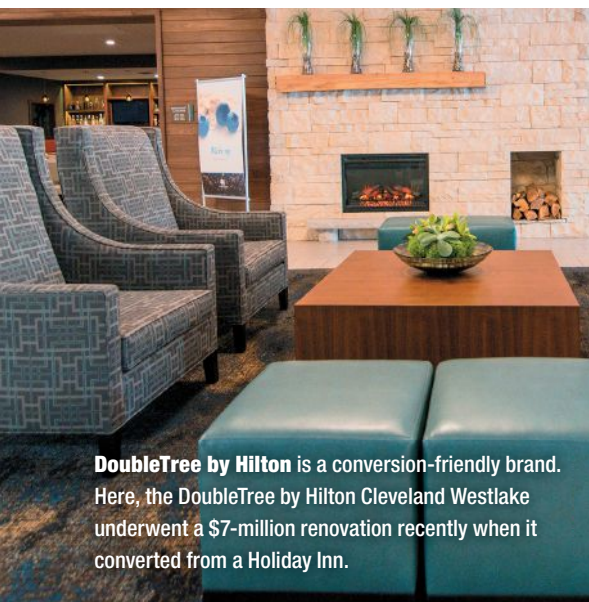
Source: Hotel Management Purchasing Survey

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FRANCHISING

## Sticker shock

Size of required and often deferred property improvement plans leads some owners to switch brands rather than pay big bucks



DoubleTree by Hilton is a conversion-friendly brand. Here, the DoubleTree by Hilton Cleveland Westlake underwent a \$7-million renovation recently when it converted from a Holiday Inn.

DOUBLE TREE BY HILTON

By Stacey Mieyal  
CONTRIBUTING EDITOR

NATIONAL REPORT – PIP is a four-letter word to some hotel owners.

However, as the industry comes out of the downturn, there is now a need to play catch-up with capital expenditures. As such, franchisors are becoming stricter about their product improvement plans and brand standards, particularly with an aging product.

A clampdown on brand standards is a cyclical topic in the hotel industry.

“PIPs have been a fact of life since there have been brands,” said Michael Getzey, COO of Marshall Hotels & Resorts, a management company with 44 hotels with 5,550 guestrooms in its portfolio. “They are starting to creep up in standards for brands, and various products are much more stringent than they were 10 to 15 years ago. They are more involved now.”

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## Recognition, as much as points, personifies loyalty programs



The Best Western Rewards MasterCard is a four-card series and offers a variety of benefits.

BEST WESTERN INTERNATIONAL

By David Eisen  
EDITOR-IN-CHIEF

NATIONAL REPORT – Not all hotel loyalty programs are equal, but all are engineered to trigger the same outcome: gain customer allegiance. Frequent guest programs are the threads that course through the breadth of a hotel company’s brands; so while Marriott International is 19 separate brands, Marriott Rewards acts as the binding agent.

Hotel loyalty programs continue to evolve and become even more robust and customer friendly. The reason is simple: unlike other commodities,

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## Vantage Hospitality's ROGER BLOSS

Lifelong hotelier channels his love for the industry into creating an award-winning company | See page 17

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Mobile devices increase employee efficiency and allow guests and hotels to interact in new ways.

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Grab-and-go food-and-beverage options expand from just breakfast to 24-hour-a-day offerings.

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# Loyalty programs

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such as mobile phones where switching costs can be high and laborious, travelers can pick up and drop hotel brands with no penalty. There is one caveat to that: When guests are invested in a hotel company and have built up a cache of points or recognition, it makes booking other hotel brands less enticing.

## DIFFERENCE MAKER

One of the issues with loyalty programs is the sheer number of them, all vying for new members, which, potentially, can be new revenue streams. “In the loyalty space, we are seeing members who are part of a ton of different loyalty programs. How do we differentiate?” asked Brigette Pence, director of relationship marketing at Red Lion Hotels Corporation, whose Hello Rewards program is more of a recognition-based program than a points one.

Red Lion moved to its platform in 2014 since, as Pence said, “points-based wasn’t resonating with guests.” Hello Rewards still has its freebie perks (rewards members get a free night after seven stays), but it’s on the recognition side that Red Lion is concentrating on. “It’s about recognizing the

guest, providing a personalized experience, surprising and delighting them and making them feel part of an exciting program from day one,” Pence said.

In order to measure the success of Hello Rewards, Red Lion uses myriad data points. Member acquisition and retention are both important indicators of whether the program is enticing new members to join, as well as “determine if our program is engaging members to stay active,” Pence said. Additionally, Red Lion monitors things like member roomnight contribution, member intrabrand utilization and member stay frequency.

Meanwhile, InterContinental Hotels Group found a new way to engage its members by allowing them to engage their own friends and family. Through IHG’s “Share Forever” campaign, a partnership with Coca-Cola that runs through Sept. 7, IHG Rewards Club members are able to earn points of their own, and share points with others. “It’s a way to talk differently to new people and understand customers who have long-term relationships with us,” said Lara Hernandez, IHG’s VP of distribution and commercial marketing, The Americas.

IHG’s recent 2015 Trends Report showed that consumers are looking for more than an effortless transaction with their chosen brands. They want a rewarding relationship built on trust and respond best to efforts focused on building real brand loyalty over a sustained period of time. “When we think about loyalty, it’s the collective strength across all our brands,” Hernandez said. “Each brand has a unique role and meets a consumer need. Rewards Club is the glue and engine behind it all.”

## MORE MONEY

Engaging loyalty program members, then, is top of mind for hotel companies, because they contribute the most to the bottom line. “Hotels view the loyalty program as their No. 1 marketing program to attract new customers, thank them for their business and to increase the likelihood they don’t defect to another brand,” said Glen MacDonell, managing director, loyalty & partnership marketing, for Best Western International. “Your most loyal customers, in our case our elite rewards members, contribute to a greater proportion of revenue to the bottom line, therefore, it’s critical to communicate with them regularly and recognize them for their loyalty.”

Wyndham Hotel Group performs research that backs up the notion that a strong loyalty program drives higher revenue. “We define loyalty as a guest that’s willing to travel farther and spend more to stay with us over a competitor,” said Noah Brodsky, SVP of worldwide loyalty and engagement at Wyndham Hotel Group. “From an owner’s perspective, not only is it one of the lowest cost channels in terms of customer acquisition, but our data show that, on average, members actually stay longer, more frequently and spend more than nonmembers. That’s a huge incentive for owners to be engaging with the program and enrolling new members.”

## TIERING

Loyalty programs have long been about a climb, or slog, upward to not only accrue more points, but to qualify for higher tiers.

Preferred Hotels & Resorts is in the process of tweaking its loyalty program, iPrefer, said CMO Casey Ueberroth. The official



WYNDHAM HOTEL GROUP

**The Wyndham Rewards Wyzard, played by actor Kristofer Hivju, helps underscores Wyndham Hotel Group’s new rewards tagline: “You’ve Earned This.”**

relaunch is expected in September.

As it stands now, iPrefer consists of three tiers: silver, gold and platinum. As of September, however, silver will be dropped and the lowest tier will be gold, a designation that anyone instantly receives upon enrolling in the iPrefer program. But gold still has heady benefits, including upgrades when available, complimentary Wi-Fi and in-room amenities. “We are also giving a minimum \$25 credit with every booking made on the website,” Ueberroth said. “It puts us at a place where we are paying out 6 to 8 percent on every booking, where other programs are paying out around 4.5 percent. We wanted it to be rich on instant benefits.”

Preferred is also adding a black tier at the high end, which is invite-only, and includes such things as a GM welcome and suite upgrades.

Similar to other programs, iPrefer, Ueberroth said, also has an ROI to owners: A high percentage of guests who book and stay at Preferred properties come via other Preferred hotels. “Seventy-seven percent of iPrefer guests checking into a Preferred hotel for the first time enrolled in iPrefer at another Preferred hotel,” Ueberroth said. “The majority is new acquisition from someone who may have stayed at another Preferred property.”

## THE FUTURE

Hotel companies are taking more cues from outside industries, such as retail, which Red Lion’s Pence calls an innovative space. “They took a step back and said points-based isn’t as valuable. How do we change customer behavior and experience in a way that drives loyalty to the brand?”

Preferred’s Ueberroth gives a nod to credit card companies, noting the job they do to foster loyalty. “Credit cards are the leader in terms of loyalty and forward motion,” he said, adding that American Express “does a great job with exclusivity, and making customers feel special.”

Marketing these loyalty programs has also never been more specialized and is trending now toward one-to-one marketing, whereby reaching members is performed in a bespoke, more tailored way. “It’s more personalized,” said IHG’s Hernandez, who also referred to what she called IHG’s “sophisticated internal digital marketing team,” which pushes out communications that are fresh and relevant by using big data.

Preferred Hotels & Resorts is using methods such as gamification to reach its iPrefer members. “We changed our email structure,” Ueberroth said, “by looking at user flow. We now lead you in a direction you tend to like—it’s very visual and gamified.”

Meanwhile, larger hotel organizations are able to reach their members—and potential members—via TV spots that explain their programs in a playful way. Wyndham recently relaunched Wyndham Rewards to make it simpler to use and understand.

To help launch the program, Wyndham debuted an integrated umbrella marketing campaign with TV spots starring Kristofer Hivju of “Game of Thrones” fame as the Wyndham Rewards Wyzard who magically appears to reward members during their travels, “bringing the simplicity and ease of the new program to life,” Brodsky said. **HM**

[deisen@questex.com](mailto:deisen@questex.com)

**iPrefer**  
The preferred hotel loyalty program

