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The Montage Beverly Hills in California (above) and the Capitol Hill Tokyu (right) in Tokyo, are among the some 650 members of Preferred Hotel Group.

Preferred Hotel Group revamps iPrefer to include points program

By Danielle Dattolo

CHICAGO—Since John and Gail Ueberroth purchased Preferred Hotel Group 10 years ago, one question has been asked ever since: How about a points program? On Aug. 15, Preferred Hotel Group—which provides sales, marketing and technology solutions for its more than 650 member hotels—will realize this goal with the newly revamped iPrefer, the first currency-based points program for a global collection of indpendent properties.

"For several years, our iPrefer program has been a soft benefits program," said President Lindsey Ueberroth, with amenities including "complimentary Internet, upgrades based on availability, early check-in and late check-out—and it ranges from property to property. The way the program is changing now is the Internet; early check-in and late check-out will remain for all levels—but we're adding a points system."

Now, the new program is ready to launch. "We spent the last two or three years analyzing the best programs out there," Ueberroth said, "and we finally came up with what we thought would be the best currency-based program for a global independent hotel company." Points are accrued and redeemed for hard currency certificates. When a guest earns 2,500 points, that guest then receives a $50 certificate, allowing for a faster redemption process. These certificates are available in denominations of $50, $100, $250 and $500.

The idea of a loyalty program piqued the interest of the hotel group, but one piece of the equation didn't quite fit with bringing the rest of the program puzzle to life: accruing points in exchange for a free night. Ueberroth said that Preferred Hotel Group sought to avoid this, and "that's how we came up with this currency-based program," she said. "You earn points and then redeem them for hard currency. It has a lot more flexibility than points just for a room night. It benefits the consumer and the hotel because it allows the consumers to redeem faster, with the flexibility to use their points regardless of whether they're spending the night." For example, a guest who lives locally can cash in the certificate at the hotel's restaurant.

Guests played a large part in the development of iPrefer's latest evolution. "When we looked across the board at what people were looking for, we saw that they wanted points, status and VIP perks," Ueberroth remarked. "So when we were shaping this, we said, 'We can create points. Let's create the tiered status level that gives them recognition for the more loyal they are to us.'" Guests can be rewarded with three different membership levels: Silver, for those who accrue up to 4,999 points; Gold, which features a point range from 5,000 to 14,999 points; and Platinum, which is for those whose points amount to 15,000 or more. "If they hit platinum level, they're going to get real VIP perks," she noted.

Attracting travelers

Preferred Hotel Group, which includes several sub brands led by Preferred Hotels & Resorts, kept all types of travelers in mind when developing the program. While Ueberroth believes it will definitely attract leisure travelers, "the reality is that if you look at who is acquiring points, it does tend to be more of a corporate traveler," she said. "The leisure guest is probably more inclined to care about status levels than points. If you're a road warrior, you can probably redeem, but if you're somebody who's not traveling 100 nights a year, it can be frustrating to wait that long to redeem." With the hard currency program, that guest can use the reward certificate for other outlets or toward his room rate. And reward certificates never expire. While points are unusable after a two-year period of inactivity, once converted into hard currency, the reward certificates have a unique code that never expires.

Hotel demand and competition also factored greatly into fueling the creation of a points-based system. "Every major chain has a points-based program, and that's one of their biggest selling points," Ueberroth pointed out. "On top of it, if you look at Starwood and Marriott, they've both gotten into the independent sector with the Luxury Collection and Autograph Collection. They've been starting to evolve into this independent world and they had points-based programs. Now, we are competing with chains, as well."

But, with iPrefer, "a key point is we think that this now is a key differentiator and makes us a major alternative to hotels to come and work with us instead of a chain or becoming part of a chain," she said. "We have great confidence that this is going to be a very successful program that is going to help independent hotels increase revenue and talk to a new client base that may not have been interested."

She continued, "Hotels like it because it creates a new reason for them to talk to existing and new guests." In fact, hotels have been the ones seeking the program out. "They've been asking for it, saying, 'How can we evolve this program to compete better?' It's a great way for hotels to acquire new clients at a much lower price line than paying through OTAs. And then it rewards their most loyal customers," she said.

Preferred Hotel Group, with 651 properties in its portfolio, will see the participation of 500 hotels around the world when the new program launches.

Still, Ueberroth conceded, "It's taken us a long time to get to this point, to have every hotel understand how this program is going to work." But the program can be challenging, especially when Preferred doesn't own or manage any of the properties. "It's like having 651 children who all have different tastes and requirements," she said. "A one-size-fits-all approach wouldn't work for a global group of independent hotels."

She maintained that this point of contention wasn't necessarily a problem as much as it was an inspiration. In the end, it comes down to: "It's more about timing than whether or not we'll get the other hotels to participate," she said. Ueberroth noted that, within 12 months, she expects all 651 properties will be on board. "My goal is 100% participation," she said. She cites its success at launch as a strong indicator for what will spur the remaining hotels' involvement.

In addition to an expected increase in revenue, member hotels should see additional benefits. "Hotels pay a much lower commission for guests that are coming through the iPrefer channels than if they were working through an OTA," she explained, adding, "We're trying to get more direct business."

While Preferred Hotel Group has "spent about one million to launch the program this year and our plan is to spend that, if not more, on an annual basis," according to Ueberroth, she believes the costs will pay off—enough to meet the "very conservative, realistic goal" of a 10% increase in revenue.

"Before, loyalty programs were really big drivers for hotels owners and management groups; they knew the power of loyalty programs. Now, this gives us a new edge against the chains," Ueberroth concluded. HB