

EVOLUTION, TRENDS AND OUTLOOK FOR GUEST LOYALTY

Since the 1980s, the nature of guest loyalty has seen a change that has significantly influenced the rapport between customers and brands. Initially, consumers adopted an “Observant” attitude, making decisions based on what organisations offered, by seeking the best competitive value in the market. In the 2000s, consumers were invited to be involved in deciding which products and services hotels would create, a trend that gave rise to a “Participatory” culture. Now we find ourselves in a “Convergence” age, which alters the relationship between genres, markets, audiences, sectors and technologies. Guests are dictating what their needs are and how they want them satisfied.

In such a convergent era, customer loyalty is more critical than ever, and hotels will need to create or reinvigorate the essence of loyalty that proves the value of a brand or ‘house of brands.’ By delivering exceptional customer experiences, hotels can cull through the noise to drive trust, engagement, confidence, and commitment.

The global hospitality sector has spent millions in designing complex, multi-tiered membership programmes to increase their share of guests’ spend and enhance the overall customer experience. Following the path of airlines such as American Airlines, hotels brands – specifically Holiday Inn and Marriott in 1983, began rewarding their most loyal guests with points that culminated in free stays or added extras. Today, travellers are less concerned with points and merely being a part of the Bronze, Silver, Gold or Platinum clan, driving a true change in consumer preferences.

While the pre-21st century consumer was looking for brand and status affiliation, global trends of differentiation have caused a move to a personalised touch when staying at a hotel, be it for business or leisure. The entire point of genuine hospitality, however, is intact and caters to creating loyalty through experience based on long-standing relationships.

Guests are also moving from a desire to join single brand driven specific programmes to becoming a “part of an established club,” hence demanding more

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personalised, individualistic offerings. This emergent demand is due to an infusion of liberalisation and multiple options such as independent hotel networks and Airbnb breaking into the top tier of competition. The advent of the millennials coupled with information symmetry as a result of accessible, real-time social media have restored parity to the adage, “the customer is king.” This mindset is increasingly relevant for the emerging world, and countries such as India are poster children of this potential disruption. Millennials are also more interested in unexpected, instant, and personally relevant rewards vis-à-vis points. According to a survey by Collinson Group, the global affluent middle class is now less likely to reiterate a purchase, advocate a brand to networks, or refrain from switching to a competitor as a result of loyalty programmes that are too generic. India bucks the global trend and is one of the most engaged countries when it comes to loyalty. In fact, 81% of Indian consumers state that strong programs would make them purchase more from a brand, and 82% would recommend a brand that offered a loyalty programme. These statistics suggest that India is relatively nascent and yet to be jaded by the frustration of generic programmes seen in mature markets. This is a reality that Indian hoteliers can learn from and prepare for.

Earlier, these were used as a tool to retain current customers from shifting their allegiances elsewhere. Now, they are also used to attract prospective guests with the lure of a committed relationship. Awareness about loyalty programmes is growing and many chains have unveiled discounts for members of their loyalty programmes, hoping these lower rates will en-



courage more direct bookings and build their membership enrollees.

The underlying force is a drive by hoteliers to grab more market share by getting customers to book directly via the hotel's website, call center or authorised agents. In India's relatively under penetrated hotel segment, only 25% bookings are done online while over 59% are still done through offline channels, according to a report by research agency Millward Brown, which also asserts that 18% of online hotel bookings are captured by OTAs while the remaining 7% is done through hotel brand websites.

According to statistics, loyalty members are three times more likely to book directly than non-members, implying that they're relatively cost-efficient in comparison with other channels. Competition from OTAs is burgeoning as they focus more on hotels vis-a-vis airlines. Although this is important, hotels aren't quick to discount OTA partnerships, in lieu of the reliance on the latter to get them in front of the most eyes as possible, rendering Morgan Stanley's coinage of this relationship as "frenemies," in a recent research report.

Independent hotel networks are well positioned to reap dividends from the tail winds caused by these trends. Guests increasingly want "more" in a non-traditionalist sense, by way of seeking out unique properties that embody the true essence and authentic culture of a destination. Hoteliers have seen a digression from traditional indicators of luxury like star ratings and toward the bespoke. Such brands allow members to get the best of both worlds - by tapping into the expertise and scaled support of a global brand (such as distribution, reservation management and inclusion in marketing campaigns) while still



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maintaining the autonomy that allures savvy travelers in the first place.

The common commodity approach of most OTAs fails to capture the essence of authenticity that is fundamental to an independent hotel. Independents and smaller hotels can take advantage of what the big brands are doing to encourage direct bookings; consumers who come to independent hotels inherently want a direct rapport with a brand they trust.

For instance, Preferred Hotel & Resorts' loyalty programme iPrefer is free to join and offers incentives that caters to the millennial mindset.

Simple innovations for easy redemption or conversion hold the key to unlocking the full potential in India, given that a recent IMRB Indian survey concluded that 50% of participants claim they never convert their points, and 72% of 'in a hurry' millennials believe that they should be able to earn rewards quickly. A report by Collinson Group shows 77% of Indian respondents asserting that they valued the flexibility to choose the rewards they are offered.

Given these trends, the sector can adapt to the loyalty dynamics to see a multiplier effect on their topline, in lieu of occupancy, ADR and RevPar. The tipping point that converts erratic guests into committed loyalists is the instance where a loyalty programme transforms from a cost centre to a revenue engine. Research on Indian hotels by Millward Brown has proposed walk-ins as the major avenue for Indian bookings, accounting for more than one out of four hotel bookings across India. In this light, guest profiling becomes key to facilitating guest loyalty and using that member's information regarding purchasing behaviours and travel affinities to improve future direct bookings. This intelligence can be leveraged to plan highly targeted and effective SEO to drive repetitive stays via the website, which is the least expensive and most direct channel. Front desk staff needs to be trained to collect key data from guests during check-in to grow the direct channel through loyalty.

It is wisely said that if people perceive shared values with a company, they will stay loyal to the brand at a fundamental level. In the age of social media, the recent dynamism we have seen in loyalty programmes is not slowing down anytime soon. 