

Featured Stories

Loyalty programs worth their weight in points, say franchise operators

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REPORT FROM THE U.S.—Doug Artusio is waiting for the mass exodus to begin.

Artusio, chairman and CEO of Dellisart Lodging Hospitality Management, which manages a half dozen InterContinental Hotels Group-branded properties comprising about 600 rooms, said it won't be long before disgruntled Hilton Worldwide customers begin looking around for new loyalty programs. Hilton recently devalued the points in its HHonors program by about 20 percent, effective 15 January.



"You really have to question the sensibility of such a move," he said. "Why would someone want to join a program that's not as rich when there are valuable alternatives? I think there will be a big benefit for IHG."

Hilton's devaluation has underscored just how important these programs are for hotel operators. HHonors has about 25 million members. While there are costs associated with the various programs, franchise operators say the customers the loyalty offers bring in are well worth the expense.

Big business

On an average night, the percentage of rooms filled by loyalty program members can range anywhere from 40 percent to 60 percent, franchise operators said. And these particular customers tend to spend a little more on the hotels at which they stay.

"They become very valuable guests to you and you treat them as well as you can," Artusio said.

Jay Fishman, president of Chicago-based Associated Hotels, which operates nine IHG properties, said the programs have an added importance considering the downturn in business travel.

"The loyalty program member has become more and more important," he said.

Lucky losers

IHG, which counts 47 million members in its Priority Club Rewards, has made a play for some of Hilton's loyalty program members through its Luckiest Loser offering. The program will dole out 400 million of its own points to loyalty program members who lost the most HHonors points.

Lara Latture, executive VP and principal of The Hotel Group, which has two dozen properties in its portfolio including 10 Hilton-branded hotels comprising between 2,300 and 2,500 rooms, said she does not believe a large number of Hilton customers will defect to IHG.

"It's a great program," she said of HHonors. "It has an incredible following. A lot of these guests are very brand loyal."

And to be fair, IHG has devalued its own points in the past, too.

Benefits versus costs

While the programs do get heads in beds, the programs do not come without their costs.

"It's very expensive," Fishman said. "We pay extra fees on that revenue."

That said, the hotels aren't necessarily giving away roomnights free. Depending on occupancy on a given night when a guest receives a free stay, the property is reimbursed by the company its full or partial average room rate for that night.

"Clearly, there are costs to putting on the programs; however, those costs are overshadowed by the value these guests bring to the table," Artusio said.



Lara Latture, The Hotel Group