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Hotel Rewards Programs: The Best and the Rest

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A new survey charts how generously Marriott, Hilton, InterContinental and Starwood reward customers in their loyalty programs.

Hotel chains aren't much better than airlines when it comes to rewarding loyal customers these days, according to a new study that offers the first ranking of hotel-reward value.

But Marriott is better than most, and other chains offer good deals if you know how to play the game. The study found 54% higher loyalty-program payback on average from a stay at a Marriott hotel than from a stay at a Starwood property such as Sheraton.

Sleeper Rewards

Payback in hotel loyalty programs can vary. Here's a comparison of value returned for dollars spent on hotel stays.

HOTEL PROGRAM	REWARD PAYBACK
Marriott Rewards	9.4%
Hilton HHonors	8.9%
IHG Rewards	8.6%
Starwood SPG	6.1%

Source: Switchfly Hotel Reward Payback Survey, conducted by IdeaWorks Co.

The many travelers who have never bothered to play in hotel loyalty programs should take note. Marriott Rewards returned an average 9.4% from every dollar spent on hotel rooms when redeemed for reward stays later, a hefty bonus for travelers. That meant if you spent \$100 at Marriott, on average you got back \$9.40 in free rooms, the study found.

Starwood's SPG, the loyalty program of Sheraton, Westin and other brands, paid back 6.1% on average. IHG Rewards, which includes InterContinental and Holiday Inn, and Hilton HHonors were close to Marriott's payout, at 8.6% and 8.9%, respectively. Starwood's program, however, surpassed its rivals in its payback for credit-card loyalty points.

"Hotels value their currency—points—in a certain way, and Marriott has chosen to value its currency higher than the competition," says Jay Sorensen, president of consulting firm IdeaWorks Co., which conducted the study.

Marriott says its rewards program has become more important as an enticement away from nontraditional lodging services like Airbnb. And younger travelers aren't interested in accumulating points over years—they want quick payback.

So the chain has been trying to enhance Marriott Rewards. Members can now share points with friends instead of the previous restriction on only spouses or domestic partners, or mix cash and points in awards. Marriott will also advance points to members who don't quite have enough yet to book awards.

Marriott studies its competitors' programs and tries to stay more generous without getting into price wars, says Thom Kozik, vice president of loyalty. About half of Marriott's guests on any night are Rewards members.

But rewards are starting to rapidly change. In the future, Marriott wants members to be able to use hotel points at neighborhood shops for everyday purchases, or maybe for date-night dinners at upscale local hotel restaurants.

"We have to find ways to give you payback very quickly," Mr. Kozik says.

IdeaWorks and sponsor Switchfly Inc., a technology company that provides systems for airline, hotels, banks and retailers, annually rank airline frequent-flier program award availability in a closely watched report that has pressured some airlines to make their loyalty programs more rewarding. This year IdeaWorks and Switchfly decided to study hotel loyalty programs as well.

Hotel programs have been particularly hard to compare because they pay out points differently. They also price hotels differently when you want to redeem.

Contrary to travel lore, hotel programs are only slightly more generous than airline frequent-flier programs. That may be a reflection of how hotels have devalued their programs over the past few years by raising the number of points required to redeem many free rooms.

Frequent travelers have complained hotel companies have been dialing back by moving properties to more expensive award categories or adding high-season surcharges.

Mr. Sorensen says airline programs range between 5.5% and 8.6% payback when you apply the same calculations as the hotel study. Using miles for business-class and first-class can yield even greater value.

Hotel loyalty programs have lower participation rates than airline programs, likely because it's hard to stay loyal to one hotel brand. Many travelers intent on earning and burning airline miles don't bother with hotel programs, experts say. Hotel choices are often based on location and price more than loyalty, and there are many independent hotels and smaller brands.

But the study results show that chasing hotel points can pay off nicely for consumers. Consider one night at the Hilton Beijing Chaoyang at a rate of \$479. That earns 7,185 Hilton HHonors points. The same night can be bought with 30,000 points. You'd only need to stay five nights there to earn a free stay.

Sometimes cheap weekend rates at high-end hotels work against consumers when hotels don't adjust the number of points required for a stay at the hotel. The study found a rate of just \$104 at the Hilton Chicago for a weekend date in February, for example. But using points to pay for the same room would cost 50,000 points. Reward payback on that hotel was just 3.1%.

"That's the flaw in this system—it is inflexible," Mr. Sorensen says. "We saw low weekend rates when the number of points required wasn't adjusted down."

Hilton says it sets redemption levels for hotels based on average prices, so some nights the reward price may be too high, some nights too low. "We try to deliver the most value to the customer, but the constraints get in the way sometimes," says Mark Weinstein, Hilton's head of customer engagement, loyalty and partnerships.

IHG says its program is constantly evolving and value can vary for members. In July, the company said it made changes to make it easier to qualify for elite levels and it launched a new top-level above platinum, called Spire, that pays 100% bonuses for qualifying stays.

Mr. Sorensen says the study showed credit-card rewards paid back 0.9% at Marriott and IHG, both of which have credit-card tie-ins that pay one point for every dollar spent on most purchases. Starwood's SPG program has credit-card tie-ins that also pay one point per dollar spent, but the payback amounted to 3.1% because SPG has lower point requirements for hotel rooms than its rivals, so each point buys more. Hilton's program was in the middle at 1.8% payback on credit-card spending.

The study didn't take into account bonus points or amenities offered to frequent travelers with elite status in programs. While free rooms are traditionally the most important benefit of hotel loyalty programs, members get many other perks. Top-tier members may be eligible for room upgrades or rooms on exclusive floors with free food and beverages in a lounge. Some programs offer free Wi-Fi as a loyalty-program benefit for some members.

For many hotel program members, amenities like free Wi-Fi or free breakfasts for elite-level members may be more significant drivers of loyalty than points, Hilton's Mr. Weinstein says. "It's not about value per point, but value for travelers. It's a bit more about the experience as well."

Booking queries were made in July for 18 different travel dates from July through February in eight cities: New York, Chicago, Los Angeles, San Francisco, Beijing, Dubai, London and Paris. The study looked for the least expensive room with flexible booking rules at the three largest brands at each hotel group.