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Contact: Jay Sorensen, 414-961-1939
IdeaWorksCompany.com

Choice Privileges Visa Card from Choice Hotels Offers the Largest Payback Among Leading Budget Hotel Companies

TripRewards MasterCard offers a good alternative with more hotel locations and no advance reservation restriction for hotel reward nights.

Frequent flier program members have learned co-branded credit cards offer a reliable path to faster mileage accumulation. The big three airlines all offer substantial mileage bonuses and first year fee waivers for their co-branded credit cards. For many consumers, these cards generate more frequent flier miles than the actual purchase of airline tickets. This credit card mania has now invaded the lodging sector and its frequent guest programs.

This report reviews the co-branded credit cards associated with the three largest budget chains as listed in a ranking of top hotel companies.¹ The analysis emphasizes the reward payback provided by charge activity and does not evaluate the benefits provided by each program for hotel point accrual. The following tables list the budget brands, frequent guest program, and co-branded credit card associated with the three largest budget hotel companies:

| Best Western International | |
|-----------------------------------|---------------------------------------|
| Budget Brands | Best Western and Best Western Premier |
| Loyalty Program | Gold Crown Club International |
| Co-Branded Card | Best Western MasterCard |

| Choice Hotels International | |
|------------------------------------|--|
| Budget Brands | Cambria Suites, Clarion, Comfort Inn, Comfort Suites, MainStay Suites, Quality Inn, Sleep Inn, and Suburban Extended Stay Hotel. |
| Loyalty Program | Choice Privileges |
| Co-Branded Card | Choice Privileges Visa |

Best Budget Hotel Credit Cards

Page 2

| Wyndham Worldwide (formerly Cendant Hotel Group) | |
|--|--|
| Budget Brands | AmeriHost Inn, Baymont Inn & Suites, Days Inn, Howard Johnson, Knights Inn, Ramada Worldwide, Super 8 Motel, Travelodge, and Wingate Inn by Wyndham. |
| Loyalty Program | TripRewards |
| Co-Branded Card | TripRewards MasterCard |

These companies are leaders in the budget accommodation category which is defined by this report to include midscale and economy brands. Best Western International claims it is the “World’s largest hotel chain with 4,200 independently owned and operated hotels.” Wyndham Worldwide says its TripRewards loyalty program is the largest in the world because it serves over 6,000 hotel locations. The Choice Privileges frequent guest program from Choice Hotels International was recently named “Best Award for a Hotel Program” by the annual Freddie Awards, an honor that was bestowed to Priority Club Rewards (InterContinental Hotels Group) and Starwood Preferred Guest during prior years.

Value-oriented consumers may find these cards an attractive alternative to airline frequent flier programs. Hotel programs don’t share the negative reputation earned by their airline cousins for being stingy with reward availability. Consumers can generally find a hotel with reward availability, while finding reward seats for a family of four during the summer is a far more daunting task.

In search of a common point of reward comparison

It’s easy to compare airline programs because the most popular reward is a coach ticket for travel within the United States. With few exceptions, most airlines require 25,000 frequent flier miles for this reward. Hotel programs can be difficult to compare because the number of points required for a free room night varies by location, quality level of the hotel, and travel season. IdeaWorks sought to create a common point of comparison by identifying which reward levels offer “**good quality lodging and a reasonable quantity of participating hotel locations.**”

TripRewards offers a simple reward system by assigning hotels to one of four tiers ranging from 6,000 points for a night at a Tier 1 hotel, to 16,000 points for a top end Tier 4 hotel. Gold Crown Club International has the greatest complexity with a range of 8 reward levels from 8,000 to 36,000 points. Reward levels for individual properties don’t vary by the season with TripRewards. Seasonality can influence reward levels for hotels in the Choice Privileges and Gold Crown Club International programs.

Best Budget Hotel Credit Cards

Page 3

The distinct range of reward levels offered by each program prevents a direct comparison of a single reward level such as 10,000 points. This report relies upon a method in which hotels were compared on a “best available” room rate range of \$65 to \$80. The target price range represents a midrange between the average rate of \$54 for economy hotels and \$82 for midscale hotels in the United States.² Rate comparisons were made in the key markets of Chicago, Phoenix and Orlando, during peak and off-peak seasons, to determine which hotel locations offered rates in the target price range.

The reward levels associated with these hotels were analyzed to identify reward pricing trends for each program. In addition, the overall number of participating hotels at each reward level was noted in the markets analyzed. This admittedly challenging method of comparison did reveal trends for each program. The following lists the reward levels chosen as a **common point of comparison** for each of the frequent guest programs:

- **Choice Privileges: 10,000 Point Reward Level**
- **TripRewards: 10,000 Points (Tier 2 Hotels)**
- **Gold Crown International: 16,000 Point Reward Level**

Each program offers reward levels that are lower than those listed above. For example, Gold Crown International starts its reward choices at 8,000 points. However, among the 38 Best Western hotels included in the key market analysis, the 8,000-point level was offered once, with two more hotels offered at the higher 12,000-point level. The range of hotel locations jumped to 16 (out of 38) at the 16,000-point level. This subjective attribute, and the availability of rates that generally fell in the target range, were the factors that determined the comparable reward level chosen for each program.

Measuring the reward payback of each credit card

Co-branded credit cards generate frequent guest points for purchases made by the cardholder. These cards offer points for everyday purchases, and bonus points for charges associated with hotel stays at the sponsoring brand. Each co-branded credit card in this report offers a fixed ratio of 2 points per dollar charged. The cards do vary on other features such as the points offered for sign up and the bonus points accrued for hotel charge activity. The frequent guest programs also vary on a wide range of factors such as partner choices and restrictions associated with reward night stays.

Best Budget Hotel Credit Cards

Page 4

The common point of comparison described earlier in this report allows the cards to be compared on the basis of reward payback. The following table illustrates **how much must be charged to enjoy night of comparable lodging.**

| Comparing Reward Payback | | | |
|--|-----------------------------------|-----------------------------------|------------------------------------|
| | Choice Privileges Visa | TripRewards MasterCard | Best Western MasterCard |
| Points per dollar charged | 2 | 2 | 2 |
| Comparable reward night level | 10,000 points | 10,000 points | 16,000 points |
| Charge volume required for a comparable free room night | \$5,000 | \$5,000 | \$8,000 |
| Lowest room night level in program | 6,000 points | 6,000 points | 8,000 points |
| Charge volume required for lowest reward level | \$3,000 | \$3,000 | \$4,000 |

The above results indicate the Choice Privileges Visa and TripRewards MasterCard offer the best reward payback; each \$5,000 of regular charge activity will generate a free comparable room night; or \$3,000 of regular charge activity for the lowest reward level offered.

The co-branded credit cards can be compared on the basis of other measures. For example, each card offers bonus points to new cardholders. Choice Privileges Visa is the most generous based upon a July 2007 review of the offers posted at hotel web sites. Consumers who apply for the Choice Privileges MasterCard by August 16, 2007, and make purchases totaling \$150 within 75 days of the account open date, will receive 16,000 points. That's enough points for two free hotel nights at the program's 8,000 point reward level.

Marketers are notorious for offering different sign-up bonuses to specific audiences. Email offers, publications, and even applications at hotel desks may describe sign-up offers that differ from those described in this report.

Best Budget Hotel Credit Cards

Page 5

The following table compares the sign-up offers available at hotel web sites. The table includes an analysis of the quantity of points earned after a new cardholder has charged their first \$12,000, along with the equivalent number of reward nights that would result from this activity.

| Comparing Reward Payback for New Cardholders | | | |
|---|---|---|------------------------------------|
| | Choice Privileges Visa | TripRewards MasterCard | Best Western MasterCard |
| Sign-up bonus | 16,000 points | 6,000 points | 10,000 points |
| Offer requirements | Apply by Aug. 16, 2007 and charge \$150 within 75 days. | Points given after first use (through Dec. 31, 2007). | Points given after first use. |
| First year points earned after sign up bonus and \$1,000 of charges each month. | 40,000 points | 30,000 points | 34,000 points |
| Equivalent number of reward nights. | 4 | 3 | 2.1 |

Adding the sign-up bonus to the comparison reveals the Choice Privileges Visa as having the largest payback. Applying for this card and charging \$1,000 per month for a one year period will generate an attractive reward of four room nights at Choice Hotels worldwide. Assuming an average nightly rate of \$75, the Choice Privileges Visa card provides a healthy return of \$300 in reward value.

Program members may also redeem points for other rewards. The loyalty programs analyzed offer an array of non-hotel rewards such as airline miles, restaurant dining, retail gift cards, and charitable donations. Loyalty programs usually encourage members to redeem points at hotel locations. This keeps the revenue generated from reward activity within the hotel company and saves the expense of buying rewards from other sources.

The table on the following page demonstrates how the three programs differ on the payback provided by a retail gift card reward. All three programs offer a \$100 Target Gift Card. However, the programs differ on the quantity of points required for the reward. Under this scenario, the TripRewards MasterCard offers the best payback; it requires the least amount, \$10,250 of charge activity, for the \$100 Target Gift Card.

Best Budget Hotel Credit Cards
Page 6

| Comparing Reward Payback for a Retail Gift Card | | | |
|--|-----------------------------------|-----------------------------------|------------------------------------|
| | Choice Privileges Visa | TripRewards MasterCard | Best Western MasterCard |
| Points required for a \$100 Target Gift Card | 32,000 points | 20,500 points | 26,000 points |
| Charge volume required for \$100 Target Gift Card | \$16,000 | \$10,250 | \$13,000 |
| Prorated hotel reward value (at \$75 per night) provided by the same quantity of points: | \$240 | \$154 | \$122 |

Redeeming points for non-hotel rewards such as airline miles, restaurant dining, and retail gift cards does incur a payback penalty. The above table also lists the approximate payback value provided by the redemption of the same quantity of points for a reward night. For example, the 20,500 TripRewards points required for the \$100 Target Gift Card would be more than sufficient for two free reward nights at the 10,000 point level (more precisely, 20,500 divided by 10,000 would equate 2.05 reward nights).

Assuming an average room rate of \$75 generates a total prorated reward value of \$154 (multiplying 2.05 by \$75) for TripRewards. In essence, the 20,500 points could be redeemed for a \$100 gift certificate or hotel stays having a value of \$154.

Observations and Conclusions

While this report focuses on the payback provided by budget hotel cards, consumers have other factors to consider when choosing the best co-branded credit card for their needs. The loyalty programs associated with each card vary in more ways than are described in this report. Each program is distinctive in terms of program policies, partner reward choices, elite member recognition, and the number of points accrued for hotel stays.

For example, TripRewards offers more than 75 non-hotel reward partners such as Hard Rock Cafe, Best Buy, Starbucks, Delta Air Lines, and the American Red Cross. Choice Privileges offers a generous 15 points per dollar spent at participating hotel brands. Gold Crown International allows room night redemptions at Best Westerns throughout North, Central & South America, Europe, Asia, Australia, New Zealand and South Africa.

Best Budget Hotel Credit Cards

Page 7

The programs also differ on the policies associated with reward night stays. This factor is key for consumers choosing a credit card and frequent guest program. All of the programs have no blackout dates for their hotel rewards. But care must be taken when considering reward availability.

TripRewards and Gold Crown Club International reward reservations are subject to availability; individual locations may restrict reward stays during periods of higher demand. Choice Privileges does not restrict reward night availability, and the last room in the house is available to reward travelers. However, they do have a 30-day advance booking window. Reward reservations may not be made more than 30 days before check-in for hotels in the United States and Canada (the window is extended to 60 days for all other regions).

The analysis indicates the Choice Privileges Visa card provides the biggest reward payback for new cardholders. This advantage does disappear over time after the member has spent the higher sign-up bonus. Over the longer term, the Choice Privileges Visa and TripRewards MasterCard offer comparable rates of reward payback. Consumers should consider other factors, such as the differing policies regarding advance booking and capacity controls.

Perhaps most important of all, is the affinity a consumer may have for a particular brand. Each hotel brand included under the frequent guest program umbrella has its own attributes such as areas of geographic strength and distinctive product features. Consumers should choose a co-branded card based upon the entire package of benefits represented by the hotel brand, its frequent guest program, and co-branded credit card.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting firm building brands through innovation in product, partnership, and marketing, and building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in brand development, profit improvement, competitive analysis, creating partner-marketing strategies, cost reduction programs and business restructuring. IdeaWorks brings value as a consultant by researching the expectations of the customer, and applying innovative ideas to create solutions for clients and consumers. Learn more by visiting: IdeaWorksCompany.com.

Sources used in this Industry Analysis: Unless otherwise noted, frequent guest program and co-branded credit card information presented in this report is based upon an online review conducted during July 2007 of web sites and communication with hotel representatives.

Best Budget Hotel Credit Cards

Page 8

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Endnotes:

- 1: Hotels Magazine, Hotels Corporate 300 Ranking, July 2006 Special Report, HotelsMag.com
- 2: 2007 U.S. Lodging Report, Ernst & Young, /www.hotelnewsresource.com