



Hotel and Airline Industry Analysis - Press Release

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Hotel Loyalty Programs Deliver Awards With Fewer Strings Attached

July 29, 2004, Shorewood, WI.--Programs offered by the 15 largest U.S.-based hotel chains compare quite favorably to the frequent flyer programs of major U.S. airlines. In fact, they are overall easier to use than airline reward programs.

The IdeaWorks Company analyzed the leading hotel chains on the basis of fees and reservation policies associated with hotel award stays.

Fifteen frequent guest programs offered by the largest U.S. chains were included in the survey: Baymont Guest Ovations, Best Western Gold Crown Club, Choice Privileges, Hilton HHonors Worldwide, Hyatt Gold Passport, InterContinental Hotels Priority Club Rewards, LaQuinta Returns, Marriott Rewards, Microtel MicroPass, Prime Hotel Rewards, Radisson Gold Rewards, Red Lion/WestCoast Guest Rewards, Red Roof RediCard, Starwood Preferred Guest and TripRewards.

The 15 frequent guest programs were compared on the basis of two policies associated with standard hotel awards (as well as airline frequent flyer awards): 1) the inclusion of local hotel taxes and resort fees in hotel awards and, 2) the application of blackout dates and availability restrictions on award reservations.

Similar policies for frequent flyer programs have been the subject of much criticism in the travel industry press. All frequent flyer programs offered by major U.S. airlines now collect security fees and international taxes from members for award travel. These charges represent an additional \$5 to \$10 in the cost of "free" domestic award tickets and perhaps an additional \$100 to \$125 to the cost of "free" international award travel. Airlines have also been criticized for the lack of availability of standard award seats; consumers complain about the inability to reserve award travel for popular vacation destinations or during peak travel periods. This analysis is intended to determine if similar issues exist with frequent guest programs.

Inclusion of Local Taxes and Resort Fees in Hotel Awards

None of the fifteen frequent guest programs in the survey routinely charge members for local taxes associated with standard hotel awards. Some of the programs make a distinction for special circumstances in which individual hotel locations are required to assess a tax charged by local governments; and at some resorts, local management assesses a nominal resort fee.

Even with these exceptions, additional fees are extremely rare. Most representatives were surprised by the question and responded in a manner such as, "These are free awards, we would never charge a fee for staying at one of our hotels."

Eleven of the 15 frequent guest programs in the survey indicated taxes are never charged for hotel awards:

Table 1	Taxes are never charged for award nights	Taxes or fees rarely charged by some locations
Program Name		
Baymont Guest Ovations	X	
Best Western Gold Crown Club	X	
Choice Privileges	X	
Hilton HHonors Worldwide		X
Hyatt Gold Passport		X
InterContinental Hotels Priority Club Rewards	X	
LaQuinta Returns	X	
Marriott Rewards		X
Microtel MicroPass	X	
Prime Hotel Rewards	X	
Radisson Gold Rewards	X	
Red Lion/WestCoast Guest Rewards	X	
Red Roof RediCard	X	
Starwood Preferred Guest		X
TripRewards	X	

Blackout Dates and Availability Restrictions on Hotel Award Reservations

“Inventory control” refers to the revenue management practice that limits the number of rooms available for a particular promotion when rooms remain available for sale at higher prices. Frequent guest programs that don't use special inventory controls allow their members to book the last room available "in the house" for award stays.

Blackout dates remove specific dates from standard award night availability. Most hotel chains seem to highly restrict the ability of hotel managers to assign blackout dates. For example, a specific hotel location may decline standard award night redemptions during a major city-wide convention but are usually prevented from restricting an entire peak season.

Eleven of the fifteen frequent guest programs in the survey (columns 1-3) require fewer strings by limiting the application of blackout dates or inventory controls (or both) for standard hotel award reservations:

Table 2 Program Name	No special inventory control		Uses special inventory control	
	No blackout dates	With blackout dates	No blackout dates	With blackout dates
Baymont Guest Ovations	X			
Best Western Gold Crown Club			X	
Choice Privileges	X			
Hilton HHonors Worldwide				X
Hyatt Gold Passport			X	
InterContinental Hotels Priority Club Rewards			X	
LaQuinta Returns				X
Marriott Rewards				X
Microtel MicroPass				X
Prime Hotel Rewards		X		
Radisson Gold Rewards			X	
Red Lion/WestCoast Guest Rewards	X			
Red Roof RediCard		X		
Starwood Preferred Guest	X			
TripRewards	X			

Frequent guest program members are best served by hotel chains that don't use special inventory controls. This is virtually unheard of policy in the airline industry. TripRewards, Choice Privileges, Starwood Preferred Guest, Baymont Guest Ovations and Red Lion/WestCoast GuestAwards are unique in this regard because they don't place any availability or blackout restrictions on standard hotel awards. It should be noted, four of these programs (the exception being Starwood Preferred Guest) never charge members for taxes or fees associated with hotel award stays.

Among the programs in this survey, TripRewards is first in chain size with over 478,000 rooms nationwide under these hotel brands: Amerihost Inn, Days Inn, Howard Johnson, Knights Inn, Ramada, Super 8 Motel, Travelodge, Villager and Wingate Inn. Choice Privileges is 4th in size with over 295,000 rooms under the following hotel brands: Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion and Mainstay Suites. Starwood is 7th in size with over 131,000 rooms under the following hotel brands: Westin, Sheraton, Four Points by Sheraton, St. Regis, The Luxury Collection and W Hotels. Baymont Guest Ovations serves Baymont Inns & Suites and Woodfield Suites and is 14th in size in the survey with over 18,000 rooms nationwide. GuestAwards serves Red Lion and WestCoast Hotels and is 15th in size with approximately 12,500 rooms. As a group, these five programs represent over 40% of the U.S. hotel rooms included in the analysis.

Four of the 15 frequent guest programs use a combination of blackout dates and capacity controls, a method similar to the policies used by major airlines for booking award seats. Some of the programs, such as Marriott Rewards, offer anytime awards that waive blackout dates and special inventory controls for award bookings in exchange for redeeming more points. Programs may also waive restrictions for elite tier members. Hilton HHonors exempts its Diamond VIP members from blackout date limitations and Hyatt Gold Passport offers an anytime award option for its Platinum and Diamond tier members.

"The results of this analysis suggests frequent guest members might consider keeping their points with hotel chains rather than converting points to airline miles," said IdeaWorks president Jay Sorensen. "Consumers might want to avoid the frustration of searching for airline award ticket availability and simply buy discounted tickets online. Then use their reward points to save money on the cost of hotel accommodations which appear easier to obtain."

Special recognition is due the Red Roof RediCard and Prime Rewards programs that use blackout dates but do not use special inventory controls. Red Roof Inns offers over 37,000 rooms nationwide. Prime Rewards serves Amerisuites, Wellesley Inns & Suites and Prime Hotels & Resorts, with over 31,000 rooms nationwide.

Sources for the Program Comparisons: Information and policies were obtained from the websites associated with frequent guest programs and through telephone conversations with customer service agents and company management during July 2004. Hotel data on number of rooms was gathered from the website of the American Hotel and Lodging Association at www.ahla.com or directly from the hotel company.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization 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, customer service improvement, customer research, 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, learning from the wisdom of the client organization and applying innovative ideas to create solutions for clients and consumers. Visit the website at www.IdeaWorksCompany.com.

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