



Travel rewards that are truly rewarding

Loyalty programs that reward travelers—and travel companies

Travel companies give hundreds of millions of dollars back to travelers in loyalty rewards and dividends every year—the highest loyalty dividend of all consumer industries. But are travel players getting the maximum return on their investment? Could they be spending less on new loyalty programs that travelers value more?

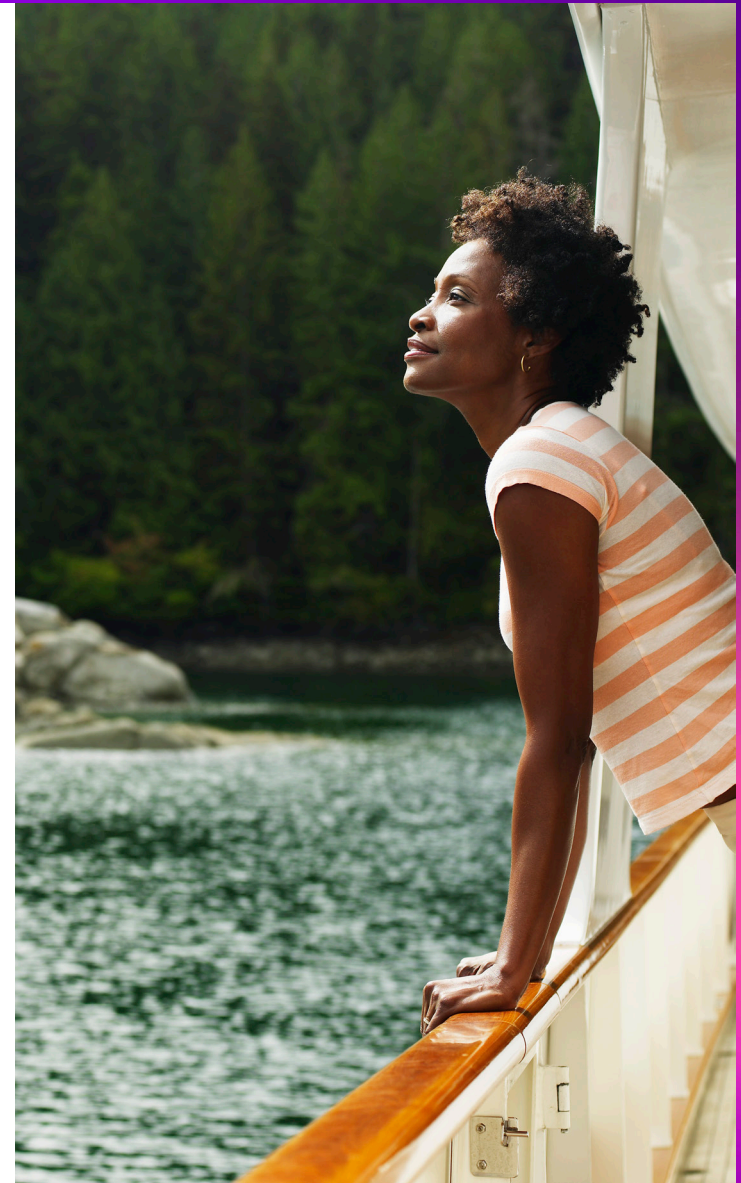


Old pioneers, new patterns

The travel industry has long been the gold standard in loyalty. Travel companies have some of the oldest and largest loyalty programs, and other industries have emulated their approaches. These strategies have primarily been designed around high-volume customers. In the case of travel, it's business travelers who travel often enough to reach the high thresholds needed to qualify for status. This model worked successfully for years.

The pandemic changed everything. The travel and tourism market lost nearly \$4.5 trillion, driven in part by a 61% drop in business travel spending in 2020.¹ Business and leisure travel segments are recovering slowly. Global leisure travel spending outpaced business spending in 2021 with 80% of total spend.² While some forecasts project a return to 2019 levels by 2024,³ projections vary as to the makeup of business versus leisure travel in years to come.

Leisure travelers have different desires and behaviors. They don't travel as often to reach high loyalty status and don't earn enough points to redeem for large experiences. And no matter when it returns, business travel won't look the same. Many road warriors—once the perfect target for travel loyalty programs—aren't road warriors anymore. Some who still travel do so only occasionally. Others have become digital nomads or bleisure travelers. Racking up points for perks simply isn't as achievable.



Breaking the mold, building new value

With the dynamics of the travel industry so complex, no one can be fully certain of the future. What is certain is that the stagnant loyalty program paradigms that served the industry for years aren't as relevant now. At the same time, new entrants are innovating loyalty, offering travelers different options and influencing their expectations for loyalty offerings.

It's time to break the mold on loyalty programs designed for yesterday's travelers and design for the new. "New" travelers will be different from who was traveling two years ago. Flexibility is an imperative because traveler makeup inevitably evolves. **Transforming loyalty programs should focus on ensuring that loyalty investments translate into value for travelers—and the business.**

Who travelers are, how they travel—and what they want from travel companies—has changed dramatically. And it's likely to change more over time.



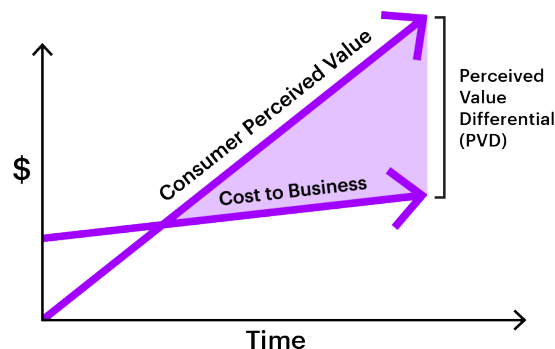
Where profitable loyalty begins

Building perceived value for travelers is critical to creating profitable loyalty programs for travel companies. The more travel companies can widen the gap between consumer perceived value and cost to the business, the better they can monetize loyalty programs. We call this gap the perceived value differential (Figure 1). The bigger it is, the more of a win-win the loyalty program is for travelers and travel companies.

But how can travel companies assess the perceived value of their loyalty programs to travelers? One way is to measure the loyalty dividend, an objective, quantitative indicator of how travelers perceive rewards value. The calculation is straightforward. By dividing the retail value of the reward by the amount that travelers spend to achieve it, travel companies can pinpoint the loyalty dividend (Figure 2).

From a program structure perspective, redemption value and earn qualification drive the loyalty dividend. Tiered programs have a base loyalty dividend range and reflect rewards achieved at the lowest and highest tiers.

Figure 1: Profitable loyalty programs balance perceived value to the traveler and cost to the business



Source: Accenture analysis

Figure 2: The loyalty dividend measures how travelers perceive the value of a loyalty program

$$\text{Loyalty Dividend} = \frac{\text{Retail Value Reward (Consumer Perceived Value Indicator)}}{\text{Member Spend to Achieve Reward}}$$

Source: Accenture analysis

The new reality Tightening the purse strings, but still traveling

High inflation rates and geopolitical conflicts have contributed to a drop in consumer confidence since the start of 2022. Although consumers are rethinking saving and spending, many would sacrifice spend on goods to travel, according to Accenture research.⁴

- **2 in 3** consumers are likely to get back to pre-pandemic travel levels regardless of whether they are feeling budgetary pressures.⁵
- **66%** of consumers without squeezed budgets and 59% with budget limitations have booked a trip for the next year.⁶
- **55%** of consumers say they would reduce purchases of luxury items or postpone purchases of non-essential household goods and electronics to travel for leisure.⁷

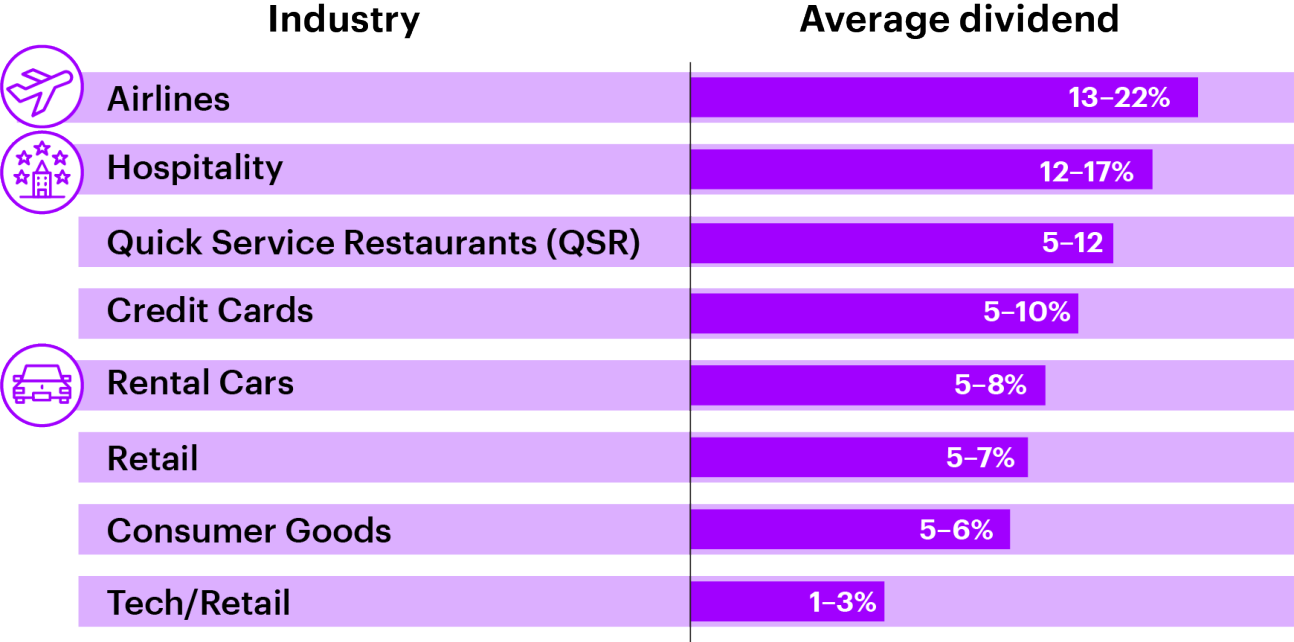
To put it into perspective, let's imagine that Priya is booking flights and comparing options. Prices are the same for two flights, so she looks a little deeper. Airline A offers members 10,000 miles for every flight booked. This costs Priya approximately \$500. If she chooses this flight, she can redeem 50,000 miles for any flight in the continental United States—which has a potential retail value of \$500. In this case, Priya would need to fly five times to achieve that free flight reward making the loyalty dividend 20%. Whereas Airline B offers members 12,500 miles for every flight booked. This costs Priya \$500, and the same 50,000 miles can be redeemed for a free flight worth \$500. This makes the loyalty dividend 25%. It's rarely this simple to calculate loyalty dividends, and they vary depending on how consumers choose to redeem and how loyalty programs are designed to be used.

Given the significant investment that travel brands return in loyalty rewards, it's prudent to reflect on how—and to which travelers—companies provide those rewards.



The loyalty dividend is very important for travel companies to get right—and tout. Travel has historically had a higher loyalty dividend than other consumer industries (Figure 3). However, travel companies rarely communicate it to customers. This is a missed opportunity. Leaning into the high dividend is one way to push back against disruptors like travel aggregators. Also, this dividend is key for continually tracking the consumer and competitive value of loyalty programs, especially during transformation.

Figure 3: Travel companies have a high loyalty dividend compared to other consumer industries



Source: Accenture analysis of industry loyalty dividend benchmarks. (Note that a select number of companies were aggregated and averaged to calculate the benchmark in a given industry.)



Turning expectations into excellence

The loyalty dividend is an objective measure of perceived value, which is incredibly insightful to C-suite decision makers. In addition to this, travel companies should have a qualitative view of traveler perspectives. These insights help pinpoint specific ways that travel companies can widen the gap between traveler perceived value and cost to the business. Coincidentally and luckily, what travelers perceive as valuable in loyalty isn't always the most costly to the business.

In this spirit, we conducted qualitative traveler research to help travel companies rethink loyalty programs for the new traveler. Three expectations emerged that indicate what travelers want from travel loyalty programs.

Expectation 1

The power of now

Don't make me wait for the rewards I want

Expectation 2

Flexibility my way

Show that you know me, but give me choices

Expectation 3

Tried and true experiences

Prove to me that I can always rely on you

Expectation 1

The power of now

Don't make me wait for the rewards I want.



Leisure travelers, in particular, have heightened expectations for immediate satisfaction, from instantly reaching status and using awards without delay to viewing progress in real time. Given the high volume of loyalty programs outside travel that emerged from increased mobile ordering during the pandemic, these expectations are no surprise. Programs from quick service restaurants, for example, offer immediate rewards and high dividends.

Thanks to this growing preference for right-now rewards and the fact that people are taking fewer trips, travelers are generally less interested in hoarding points. There's a growing attraction for quicker redemptions, with points resembling the transactional ease of cash.

Travelers tell us they're also interested in immediate cashback options—even when redeeming rewards now means missing out on “more valuable” points later. Aggregators like Dosh, Hotels.com and Booking.com, have entered the loyalty game with immediate cashback offers. These programs are already diluting the appeal of traditional points-earning schemes.

“It’s a game. Yeah, absolutely it’s a game of what’s most relevant and usable now. A hundred percent.”

Oliver, Traveler



Travel loyalty programs can win with real-time capabilities and quicker-to-achieve offerings.

Here's how:

- **Real-time earn and redeem.** It is important to enable real-time ways to redeem points like currency. Members want a real-time view of their earn progress—seeing how many points they have and how points earned to date have impacted their status. Beyond customers, this also holds true for expectations on the part of potential loyalty brand partners (i.e., we're seeing companies request real-time exchange capabilities as a prerequisite for partnership).
- **Microburn moments.** Travel companies should allow travelers to use points on smaller items in a more transactional redemption model. This way, programs can bring value for less-frequent travelers. This could include options such as using points at a hotel to purchase a drink at the bar or using points on a plane to get a seat with more legroom.
- **Accelerated status.** Make it easier for travelers to get into the lower tier(s) so they can begin reaping benefits earlier. This is especially relevant as travel behaviors shift to a higher volume of less-frequent business and more leisure travelers. As part of the revamp of its loyalty program, IHG Hotels and Resorts is offering more tiers and a new rewards earning structure.⁸
- **Offers and gamification.** Travelers who want immediacy are likely to respond well to limited-time offers and gamification. Get people engaged with the brand during and between trips with a chance to get points and status in a fun and immediate way. This has long been a trend in the travel industry and beyond with varied spend-driven and experience-driven methods. One example is Hyatt's limited-time promotion where travelers who stay at five brands earn a free night.⁹



Expectation 2

Flexibility my way

Show that you know me,
but give me choices.



Travelers want choice and flexibility. They want loyalty programs to suit their needs across situations. This means earning and redeeming across the travel journey—and in their everyday lives.

Earning loyalty points inside and outside the travel ecosystem is familiar to travelers, thanks to co-branded credit cards and coalitions. These aggregators capture loyalty mindshare by eliminating boundaries, making “earn anywhere, redeem anywhere” a reality. This option of everyday earn and burn is very appealing to people. Such partnerships are common, but even seasoned members aren’t always aware of the available opportunities—such as Delta’s partnership with Instacart that allows members to earn points from grocery purchases.

Travelers want loyalty programs that fit the unique needs of each trip with the ease of flexible autonomy. They are well-aware that travel companies have amassed enough personal data to personalize loyalty program flexibility in such specific ways. What’s more, they are also aware that their data is not being used to its full potential to offer rewards or services that make their lives easier.

“I would like to be able to have more options to use my points, not just exclusively for one hotel—different activities, restaurants. I want to do excursions when I go to places for tours and stuff. I think they should be more flexible as far as how I can use points.”

Camille, Traveler



Travel loyalty brands can win by extending options to include benefits selection, broader redemption and status qualification, and using data to inspire trips.

Here's how:

- **Broadened and broadcasted partnerships.** While loyalty programs with co-branded cards promote the ability to “earn anywhere,” redemption options are often narrow. To win against brand-agnostic aggregators, loyalty brands should strengthen and advertise redemption partnerships at corporate and local levels. What’s key for travel players is to explore loyalty touchpoints and partners that will move the loyalty focus from the journey to daily life.
- **Choice benefits.** The travelers we interviewed are universally excited about the option to choose benefits per trip. The ability to select rewards prior to traveling represents the ultimate flexibility because it positions a loyalty program to support each trip differently. Travel companies are already starting to incorporate choice into their programs (e.g., American Airlines, IHG Hotels & Resorts, Hilton)¹⁰. The key is to balance the blessing of choice with the burden of option overload, part of which can be mitigated by proper UX design.
- **Flexible status achievement.** Travelers may never meet their individual travel volumes as they did in the past. Enable new, flexible qualification criteria to give the new traveler a chance at status—such as achieving status via points instead of just nights or miles. This complements the everyday earn and redeem consideration because it empowers overall spend (not just trip behaviors) as a mechanism to earn status. We’re seeing this in the travel industry already—for example, in changes to American Airlines’ status qualification criteria¹¹ and Meliá Hotels International’s program that allows travelers to reach status via nights, stays or points.¹²
- **Data-driven inspiration.** As travel companies know, loyalty member data—behavioral, attitudinal, demographic—is a key to drive informed, strategic decisions. Data insights are a critical prerequisite for personalization, hyper-relevant content and offers, and innovation of products, services and experiences. In addition to delivering financial benefits, data drives experiential benefits. For travelers, the value of data is evident, when a brand shifts from just informing to inspiring, removing any “work” or anxiety related to the experience.



Expectation 3

Tried and true experiences

Prove to me that I can always rely on you.



All other things aside, travelers are loyal because of reliable and consistent experiences from companies they believe appreciate them. Price and transactional value often take a back seat to the reassurance that expectations will be met, if not exceeded. After all, when travelers' expectations are met, they can relax and enjoy the rest of the experience.

The events of the last two years have made these considerations even more important. After so much disruption and uncertainty—and months when they couldn't travel—travelers don't want to worry. They want first contact resolution with capable agents who empathize with them and are empowered to act in travelers' interest. When booking with aggregators, travelers tend to seek out the brand directly for resolution. When customers grow to love a brand, they begin to bypass aggregators altogether. Rather than being the second stop on a travel planning journey, a love for a brand can drive members directly to their site to book a trip.

Unsurprisingly, travelers are often willing to pay a premium to avoid stress—such as booking direct flights or paying for lounge access. In fact, in all the interviews we conducted with travelers, not one person tied loyalty to price. What travelers did say was that they want to be recognized for their “work.” This recognition comes down to shifting from just transactional value to experiential feelings of appreciation.

“Loyalty comes from having a great product to start with. I want to feel like my needs are being met and that a company understands my preferences. I also don't want to jump through hoops when it comes to customer service.”

Jonathan, Traveler



Travel loyalty programs can win by being the hero—appreciating members and providing travelers consistent service they can rely on.

Here's how:

- **Uplifted customer service.** Although not always directly tied to loyalty operations, travel companies must prioritize customer service as it has an undeniable impact on customer loyalty. Brands should make it a priority to assist travelers rapidly and effectively—and with humanity—especially when challenges arise. This applies to call-center support as well as to in-person associates. Helping is good; saving the day is great.
- **Best-in-class in-person experience.** The Expedia, Dosh or Google Maps “brand experience” never extends to an actual journey. Travelers don’t interact with them beyond the tap of a button; there are no travel memories tied to the interactions. Like the dynamics around customer service, there is a connection between the in-person customer experience and brand loyalty. Traditional travel players should prioritize investment in this in-person experience, as their disruptive competitors can’t.
- **Pay to play.** With travelers willing to pay a premium for better or guaranteed experiences, consider offering options to pay for loyalty status (such as with a one-time fee or through a subscription model) or options to pay for specific benefits (such as lounge access or early boarding privileges).
- **Experiential benefits.** Travel companies should prioritize benefits that make members feel special and valued, specifically those that enhance the travel experience. This includes meaningful benefits like upgrades, lounge access or discounts on excursions, rather than “stuff” like luggage tags.



Once a pioneer, always a pioneer

Over the last several years, travel companies have had to get very good at flexibility. As we look at the state of loyalty programs in this industry today and in the future, more flexibility is in order.

Travel companies should prepare for travelers' needs, desires and behaviors to shift and evolve. That's why it's critical not just to assess how to make loyalty programs more rewarding today, it's key to constantly reassess their value to customers—and to the business.

From there, travel companies can reclaim their role as loyalty pioneers, transforming the value proposition, innovating supporting program structures and enabling experiences at scale. And put a passion for their customers at the center of it all. That's how to make travel rewards truly rewarding.



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About the research

In our effort to understand how travel loyalty programs need to evolve to meet new traveler expectations, we assessed secondary research to identify hypotheses for testing. This secondary research included trend analysis through Fjord Trends, industry commentary from public and private sources, and industry and loyalty expertise from Accenture leaders across the world. This research drove the qualitative research.

We conducted primary qualitative research to identify specific patterns of travelers' emotionally driven needs, values and attitudes. We pursued three modalities. We started with a consumer survey of 50 US customers. Next, we leveraged video responses, asking 50 participants their views on travel loyalty programs. Finally, we selected eight participants from the prior two modalities for 90-minute, one-on-one, in-depth interviews. We conducted these interviews to gain a deeper understanding of people's sentiments, changing behaviors and expectations of travel loyalty experiences. Although these insights emerged from a US-centric primary research modality, they were vetted and analyzed by our global loyalty specialists and confirmed as consistent themes across regions.

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