

Marriott Rewards: Loyalty is Greater than Rewards



How Domino's Uses Digital to Take a Big Slice Out of the U.S. Pizza Industry, Engagement and Experience Expo 2015

BACKGROUND

Customer loyalty programs were a novelty in the late 1970s. American Airlines broke ground in loyalty marketing by introducing the Advantage Frequent Flyer program. Most loyalty programs have not changed very much since that time. Until a few years ago, loyalty programs remained the same for the most part, existing to increase share of wallet by enabling best customers to earn points and redeem for rewards. More recently, a few brands began to ride the wave of advancing technology and the advent of big data to identify and segment customers. Others have leveraged social media to award points for brand-related member actions, as well as enabling customers to order and engage with the brand on mobile devices. The awesome marketing opportunities and formidable challenges of leveraging these tools are staggering. Regardless of the size and reputation of their brand, marketers are continually looking for ways to differentiate the company by staying at the top of their game when it comes to customer loyalty.

Marriott jumped into customer loyalty with Marriott Rewards on May 6, 1977, as the world's first multi-brand frequent guest program shortly after American Airlines started their Frequent Flyer program. About five years ago, which was thirty plus years after the Marriott Rewards program started, Marriott was beginning to reconsider their approach to customer loyalty. The Marriott Rewards team was not complacent about the company's size and reputation even though their membership numbered in the tens of millions. They began to rethink some of the assumptions behind both the Marriott Rewards program and customer loyalty in general. The changes that have been completed or are still under development had their beginnings then.

"Customer experience" was an emerging marketing buzzword. Forward-thinking marketers and pundits began to advocate other means of creating customer loyalty besides accumulating points and redeeming merchandise. The Marriott Rewards team was establishing some principles and approaches that would frame the future of the program. Many of them have been implemented, and others are still under development.

Marriott jumped into customer loyalty with Marriott Rewards on May 6, 1977



The world's first multi-brand frequent guest program

BACKGROUND CONT.

Marriott Rewards continued to grow toward its current population of 60 million members. The recent acquisition of Starwood Hotels in September 2016 adds another 23 million from the Starwood Preferred Guest loyalty program. That made Marriott the largest hotel company in the world with a total of 5700 properties, 30 brands, and 1.1 million rooms. Marriott comprises other familiar brands such as Courtyard Marriott, Residence Inn, Spring Hill Suites, Fairfield Inn & Suites, and the Ritz-Carlton. Acquired brands from Starwood include Westin, Sheridan, and other high-end properties around the world.

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Despite the growth, volume, and reputation Marriott enjoyed until then, there were threatening clouds on the horizon. The marketing landscape demanded change. Changes to a large-scale program such as Marriott Rewards presented large-scale challenges.

CHALLENGES

Marriott realized that customer loyalty programs, including theirs, had become a commodity. On Marriott Rewards and other programs, members merely accumulated and redeemed. We understand anecdotally that the typical business traveler may belong to as many as 20-40 loyalty programs. They receive points for everything they purchase on their credit cards and checking accounts; they earn points for purchases at the grocery store, pharmacy, and restaurants. While utility companies do not offer points, customers even receive points for paying utility bills on their points-based credit card.

Marriott Rewards was 35 years old and had not changed significantly since its inception when Marriott began to reassess the program. They had developed a first class targeted email program and implemented various other improvements through the years, but the program still operated on the old mainframe hardware platform using COBOL software code - vintage 1970's. While Marriott's email program was second to none, it was not connected to Marriott Rewards data, thus continually missing out on further marketing opportunities with their best customers.

The Marriott Rewards team started to analyze the nature of customer behavior. They began to examine the behavior of their customers and how they engaged with the Marriott brands. It was a challenge to think along those lines when, at its foundation, Marriott's business is selling contracts to real estate developers with the promise that Marriott will host more guests than other hotels. Marketing and the Marriott Rewards team exists to support that commitment. Should their goals center on "beds and heads" or the customer? Was it about points, or superior customer experiences that were relevant and meaningful to the customer? Points, "beds and heads", and traditional loyalty marketing still framed the thinking of the hotel industry.

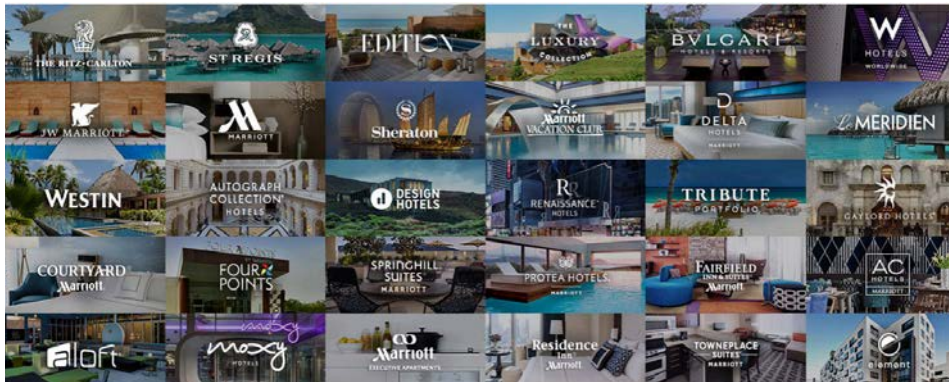


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CHALLENGES CONTINUED

Even before the Starwood acquisition, changes in the company and the hotel business enforced a continual state of transition for the team and promised to remain so, which slowed their progress toward customer centricity. Since Marriott became a majority owner of the Ritz-Carlton Hotels in the 90s, their respective rewards programs had remained separate. The added brand diversity through Starwood acquisition, in addition to the variety that already existed between the Marriott brands, increased the challenge of providing consistency across all brands and then eventually merging the three rewards into one program. That is not likely to happen until sometime in 2018.

Portfolio Marketing constituted another challenge.

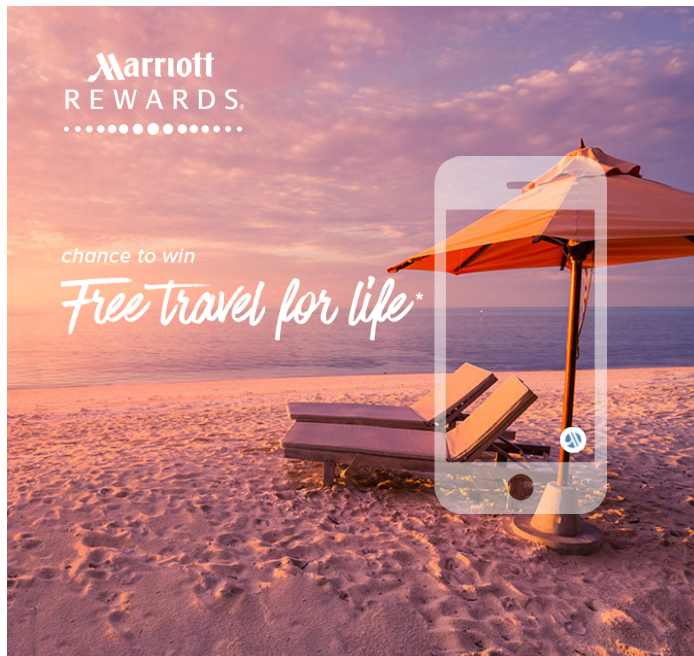


Marriott discovered that within the set of customers who knew all 19 Marriott brands, **only 20% of those customers were aware that they belonged to the Marriott family.** Moreover, Marriott needed to connect the wide variety of experiences they offered through these brands to customers' travel intentions.

OPPORTUNITIES

Marriott considered all the ways a customer engaged with their brand besides staying in a room: restaurants, golf courses, spas, meetings over coffee with associates, and more. They realized that loyalty does not always have to be about booking a room at night.

Marriott saw the opportunity in understanding why customers are traveling and their motivations. Knowing that would enable Marriott Rewards to reward them accordingly. Knowledge of whether a customer wanted to go to huts on stilts in the South Pacific for a dream vacation or stay at a hotel in Des Moines because it is closest to her daughter and grandchildren would determine the type of incentives that would create more loyalty.



Travel is one of the most engaging and emotionally satisfying topics, which is particularly evident on social media. Marriott's fortuitous position in the travel industry enables them to leverage social media in a powerful way. Leveraging social currency is a great way to promote share of mind.

Marriott's "ideal customer" typically stays about 100 nights a year. That leaves no share of wallet opportunity for the remaining 265 nights of the year. With only a few exceptions, these customers were just not going to spend more on a room. A single currency restricted how much a customer could engage and earn.

For that reason, Marriott shifted its customer loyalty program from pursuing "Share of Wallet" to "Share of Mind."

OBJECTIVES

Marriott established four pillars for framing their customer loyalty program:

Recognition

Customers want to be recognized. Recognition plays out through a two-way relationship, not just loyalty of the customer to the brand, but also the brand to the customer. A brand demonstrates this by reflecting everything that happens in the relationship, even in little ways. For example, displaying a moving progress bar to show current points, and using animations and fanfare wherever possible serve to reinforce the relationship with the member. Members can connect with Marriott on Facebook, Instagram, and Twitter. Aside from enjoying additional mindshare with members, Marriott tracks how members interact and share about Marriott, and award points to members for their social actions. It is the two-way relationship that demonstrates Marriott's loyalty to the customer.

Simplicity

Make it easy to understand and redeem. Some users prefer smaller, more frequent rewards, and want a simple process for redeeming them. The ability to engage with the program through a favorite social network makes it easy for members who spend much of their time there. Simplicity also meant relocating the link on the program website for redeeming merchandise from one of the back pages of the rewards site to the front page. Formerly, Marriott wanted to emphasize conventional awards over those that incurred liability.

Exploration

Enable members to understand how the customer loyalty program can fulfill some of their hopes, dreams, and desires, instead of merely prompting them about their next stay. The rewards website now displays more scenes, activities, and shopping at various destinations, as opposed to pictures of their hotels. Marriott knows pictures of the destination, rather than the hotel, is what stimulates the member emotionally and influences customer behavior.

Connection

The key to mindshare in Marriott's view is continually engaging the customer, not just when they are purchasing, but through every touchpoint of their customer experience, and by reflecting what the customer wants in life.

APPROACH AND SOLUTION

In support of the four pillars of customer loyalty, Marriott began to change the rules based on three takeaways from their early deliberations.

First, they determined that rewards are great, but loyalty is greater. Points are not the point; customers crave experiences. Customers engage with the Marriott brand for things other than a place to sleep, such as brunches, spa visits, and coffee for business meetings. Because Marriott provides many touch points beyond dollar transactions, they set out to capture customers' attention in entirely different and unexpected ways. Besides, Marriott like any other company, cannot give points for everything without losing control of their liability. The team knows they cannot tier customers solely by dollars, but also by the type of engagements. Rewards for the concert junkie through an event, or an exercise fanatic at a Spartan Race do not incur liability.

Second, customer loyalty is about R-E-S-P-E-C-T (although not exactly according to the lyrics of Aretha Franklin's famous song by that title). For example, younger members value their time, attention, and social media footprint, and expect to be rewarded accordingly for that. They are eager for rewards for things other than their purchases. Most brands do not realize this.

Third, loyalty never ends. It can be won 365 days a year by touching as many aspects of consumers' lives as possible. While brands must engage customers when they are thinking about a purchase, there are many ways to engage them when they are not. To achieve share of mind for the other 265 nights that the ideal customer is not going to book a reservation, Marriott needed to know more about that customer. The company set out to identify the near-retirement member who was saving point for a big dream vacation or the Millennial who prefer a quick turn on certain merchandise. The team understood that better personalization would result in deeper engagement throughout the year, resulting in emotional loyalty. Recognizing the three phases of the customer was key: when they are not thinking about travel, actively planning a trip, and while traveling. For example, does the customer like apples, apple pie, apple cider, or Irish cider? Travel can be personally fulfilling, whether for pleasure, business, or professional development. It is more than needing a room at night. The team discovered that customer mindshare is on where they want to go someday versus where they have been. That puts Marriott much closer to an emotional connection with the customer with pictures of destinations that appeal to that mindshare.

SOLUTION

Marriott set out to find ways to reward customers not only for money spent, but also for time spent and attention shared with others. Additionally, the brand has shifted toward personalized, genuine, relevant two-way relationships over simple transactional relationships. In this way, Marriott will deliver experiences that help members embellish their personal brands, which drives an emotional connection and greater affinity with Marriott brands.

Marriott used several techniques to gain mindshare:

- Points for reading Marriott emails.
 - Free music to Marriott Rewards members every Friday through a partnership with Universal Music.
 - Targeted emails to members based on location, where they stayed, the free music from Universal that they listened to on Friday nights, Marriott emails they have opened, social actions, and more. Emails render in real time, providing date-sensitive content. Opening an email on Tuesday displays an offer different from what they would receive on Friday, thus providing relevant content to different audience segments at the same time.
 - Offering a million points for anyone who helped to solve the disappearance of Dorothy's ruby slippers. Marriott's name showed up in thousands of messages across the social networks.
 - Setting up three social network monitoring centers to capture connected members' conversations about travel, not just Marriott.
 - Awarding access to events such as a South by Southwest festival, a concert at a Marriott property, or Spartan Races, all which appeal to specific segments of the membership.
 - Running contests for a picture taken from a Marriott hotel room window.
 - Sending Facebook messages to members about where their friends stayed and what they did in that city.
- Marriott selects experiences like these to cater to the "Next Gen Experience Seekers," as they call them.



SOLUTION CONTINUED

Next Gen Experience Seekers are usually millennial-aged members that are not normally motivated by dollar-based rewards. They appreciate features like fast Wi-Fi, digital checkouts, and mobile app check-ins. More important to them is their personal “brand.” The Next Gen Experience Seeker burnishes that brand with Marriott’s on Facebook and Twitter. They would not do so with an inferior hotel brand, but Marriott knows they nonetheless expect to be rewarded.

An entrepreneur arranged all his one-on-one meetings at a nearby Ritz-Carlton. Having coffee with his contacts at the Ritz-Carlton promoted his brand. After a year or two, this person had spent thousands of dollars on these meetings, but it was not for the points. People like this are not on the radar of the traditional customer loyalty programs. The hotel staff knows and recognizes him because of his repeated visits, but the loyalty program must as well.

Differentiating high point earners is critical. A recent MBA graduate just hired by a major consulting firm could be assigned to a Chicago client and stay for several months at a Residence Inn. On the other hand, a veteran business development executive who has stayed at Marriott properties for years has also amassed big points. Under a traditional customer loyalty program that recognizes customers solely at the economic tier level, the young MBA graduate would, unfortunately, enjoy complete parity with the seasoned executive. Marriott appreciates the business from the young consultant; however, the seasoned executive has been in the family longer and will enjoy unique experiences as a result.

Marriott also recognizes life changes. The program does not penalize the seasoned executive after she has a baby or gets a different job that diminishes her travel. Lifetime experience counts. Also, the single consultant soon marries, and now he has a four-person family. Long stays at the Residence Inn give way to stays at the Marriott hotels for business and Fairfield Inns on family vacations plus other business trips. The program needs to recognize these changes and adjust that member’s experience accordingly. All of these illustrations underscore the need to reward based on experiences and tier members based on their engagement, not just dollars.



CONCLUSION

Several years ago, Marriott understood the emerging technology and approaches for customer loyalty. They embraced the foundational principle that successful customer loyalty to a brand is an outcome of the brand's loyalty to its customers, especially by implementing non-transactional experiences that motivate them. Marriott leveraged the technology that has proven to be vital to customer loyalty success, most notably social media. Marriott insists that they have not "arrived"; they have not yet implemented all of their planned approaches and solutions.

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Work associated with the Starwood acquisition has caused some delay, as is the case for the eventual merging of the Marriott, Starwood, and Ritz-Carlton loyalty programs. Nonetheless, the changes they are making in Marriott Rewards demonstrate once again their diligence in maintaining a strong brand identity.

Marriott Rewards is enjoying returns through forward-thinking marketing, and the brand is again winning by not just getting to the top, but staying at the top of their industry.



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