



OWNER EQUITY BY [CHAD CRANDELL](#)
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Looking for redemption

[ri-demp-shuh n]

- an act of redeeming or atoning for a fault or mistake, or the state of being redeemed.
- the action of regaining or gaining possession of something in exchange for payment, or clearing a debt.

Since my prayers regarding cancellation fees were answered by the brand gods in my [previous blog](#), I thought I'd push for another miracle: redemption, from redemption policies. Specifically, I'm looking for brands to refer to definition number 1 (to fix), regarding definition number 2 (a detrimental practice).

As most hotel owners are aware, a signature benefit of a brand is the loyal following of guests (the merits of which I debate in yet [another blog](#), but just go with me on this one for now) who seek hotels within a particular brand family in exchange for *POINTS*. These points are earned with every guest stay and later can be REDEEMED for free nights at hotels.

From an owner's standpoint, the accrual process is fairly straightforward, with loyalty guests earning points for paid stays and hotel owners paying a percentage of guest folios to the brand loyalty kitty, which funds "the program" (and is never audited or disclosed to owners, but I digress).



What I'd like to raise here is the REDEMPTION process, by which guests cash in points to stay at a given hotel. There are many factors that determine how many points are required for a stay, but where I am seeking REDEMPTION is in the process by which hotels (owners) are reimbursed for these stays.

Although there are some subtle differences among programs, in general, when a guest redeems points for a stay, the rate by which hotels are redeemed is only a fraction of the nightly ADR, which in many cases is calculated as a percentage or a fixed, pre-determined rate. However, if the hotel meets or exceeds the brand-determined occupancy threshold, typically from 90% to 96%, the hotel will be reimbursed at, or at least closer to, the nightly ADR.

Given the opportunity cost of not hitting the threshold on a night when a hotel is accommodating a sizable pool of reward guests, operators have gotten very creative in terms of generating incremental room nights on a short-term basis. Generally, this brand-imposed threshold can result in revenue management strategy decisions that are not in line with profitability goals, nor do they take into account best practices for operation... who in their right mind would look to operate a hotel at 95% occupancy??!!! (think cost and wear and tear).

Many factors have made this issue even more pressing for owners over the past 12 to 18 months. For one, massive brand consolidation and bonus point programs have increased redemption activity. Additionally, most brands now are accepting payment that includes a mix of dollars and points, which has muddied the water even more in terms of strategy and value for operators and owners alike.

I don't know what the answer is, but as brands look to overhaul their loyalty programs to appeal better to guests, I believe focusing on creating more value for, and alignment with, ownership groups should be high on the list as well.

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