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OWNER EQUITY BY CHAD CRANDELL
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Owner perspective: Marriott's new loyalty program

(The views and opinions expressed in this blog are strictly those of the author.)

Marriott International announced this week long-awaited plans for how it will be formally combining all three of its running loyalty programs – Marriott Rewards, The Ritz-Carlton Rewards and Starwood Preferred Guest (SPG).

Marriott reiterated its intent to combine the three separate programs into a single loyalty platform – with a new name to be revealed at a later date – with a goal of optimizing value for its members, as well as for owners. Recently announced changes will go into effect in August 2018, keeping the three program names until with the consolidation is completed with full roll-out anticipated to occur in early 2019.

From an ownership standpoint, major gripes with all hotel brand loyalty programs (not just Marriott) in recent years have included issues such as:

- How reimbursement for loyalty stays are calculated (or not calculated) as a function of brand-determined occupancy thresholds, and often at a flat, reimbursable rate if very high occupancy levels are not met – a practice inconsistent with optimizing bottom-line profits;
- High costs associated with brand promises to support loyalty member perks, as well as program costs overall;
- Disproportionate redemptions and cost for resorts;
- Limited control of redemptions (no blackout dates);

- Whether "loyalty" programs even drive "loyalty"; and,
- ADR erosion associated with lower rates offered through "Book Direct" campaigns; among many other issues.

Needless to say, owner skepticism surrounding loyalty programs is real. However, Marriott recently shared details about some of the anticipated changes to its loyalty program that are increasingly focused on owner economics, expected to deliver significant annualized property cost savings. Some of the changes address traditional gripes, which is promising. Of particular note are changes to reimbursement policies, compensating more nights as a percentage of daily ADR. This is an area I have addressed in a previous blog, "Looking for redemption," drawing criticism around the method by which hotels were reimbursed for loyalty point redemption stays, so improvement in this area, as well as in others, should be well-received by the ownership community.

It has been reported that hotel owners should see costs associated with paying for point redemptions at their properties lowered by roughly 20%.

Highlights of member-facing benefits recently announced by Marriott, many resembling SPG program elements, include:

- Seamless access to redeem points across 6,500 participating hotels on one platform;
- New point structure allowing members to accumulate points faster and achieve elite status sooner (on average, members will earn approximately 20% more points for their spend);
- Elevated benefits, such as Breakfast for Platinum and Platinum Premier extended across 23 brands (Courtyard, Moxy, among others), and in certain instances, F&B credits;
- Peak- and off-peak redemption rates;
- Moments program will be expanded, adding more than 110,000 experiences;
- Lower point thresholds to obtain Elite status;
- No blackout dates or capacity controls;

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- One-time conversion of existing SPG Starpoints member balances at a rate of 3 points for every 1, as they roll into the new program; and,
- Other changes and benefits now outlined on the member section of the Marriott website.

While several of the above-mentioned member benefits signal potential cost implications for owners, such as breakfast, cost of perks associated with status, among others, Marriott has assured owners that these changes will not impact anticipated net annualized property cost savings related to the program.

As with all brand initiatives, we remain cautiously optimistic, and suggest owners collaborate with their property teams to anticipate and track the impact, while also encouraging them to identify top-line revenue opportunities that may be harnessed through this soon to be combined, massive program of 110 million members.

Peter Cole, managing director, business integration, at Marriott International addressed hotel asset managers at the recent Hospitality Asset Managers Association spring meeting, sharing that the overlap of members between the Marriott Rewards and SPG programs was only 11% (of 110 million members). This was both surprising and encouraging, suggesting an incremental base of business that has yet to be fully tapped on both the transient (leisure and corporate) and on the group side. Strategies for leveraging the rewards system is another key area in which owners should be focused with their property teams, as untapped potential is explored.

We trust the promise of Marriott to maintain the overall cost savings, while also recognizing that how the savings is divvied up across the portfolio could potentially vary. We look forward to additional details as the new program continues to unfold, while taking note of those costs or opportunities that may be relevant on a specific brand or market level, and the impact on owners and individual investments.

In the meantime, any guesses on the new name? I'm thinking MPG has a pretty nice ring to it.