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The IdeaWorks Report on Reward Partnerships for the Top 15 U.S. Frequent Guest Programs

By Jay Sorensen, President, The IdeaWorks Company

Frequent guest programs have typically lived in the shadows of their “big brother” frequent flier programs. Many of the major hotel chains have a somewhat co-dependent relationship with the major airlines . . . which alternates from a strong reliance on the power of airline miles to an independent spirit reflected by improving the allure of their frequent guest programs.

This report describes activities for the top 15 frequent guest programs (as measured by total U.S. hotel rooms (1)) for the following reward categories: air travel, car rental, other travel, retail, and entertainment.

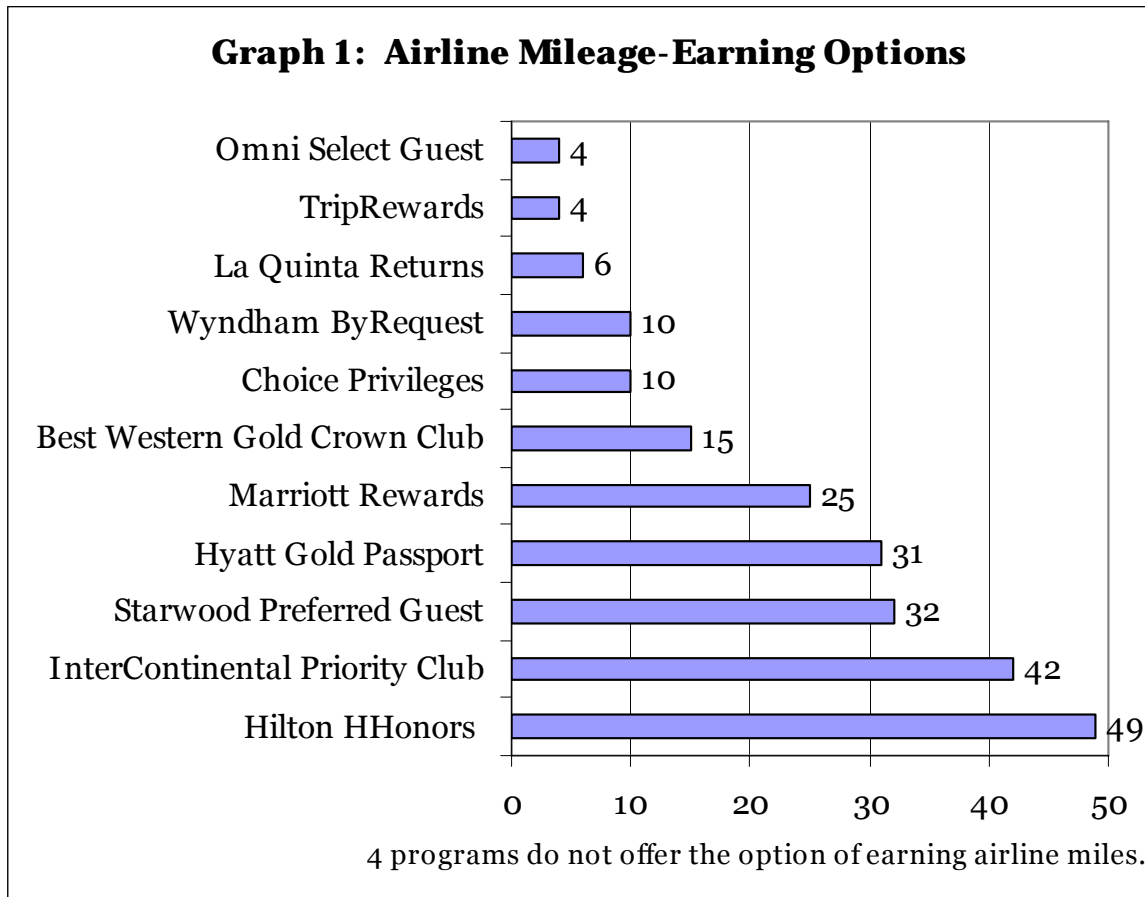
**Table 1: Top 15 Frequent Guest Programs
(based upon total U.S. hotel rooms - largest appearing first)**

TripRewards • Marriott Rewards • Hilton HHonors Worldwide
InterContinental Hotels Priority Club Rewards • Choice Privileges
Best Western Gold Crown Club • Starwood Preferred Guest • Hyatt Gold Passport
Radisson/Carlson goldpoints plus • La Quinta Returns • Red Roof RediCard
Wyndham ByRequestⁱ • Microtel MircoPass • Omni Select Guest • Drury Gold Key Club

Partnering with the Airlines

Hotel chains have traditionally relied upon the airline industry to provide reward benefits for their guests. Larger frequent guest programs typically allow new members to select airline miles “or” hotel points upon enrollment. Hilton HHonors is unique in the industry for its popular “double dipping” benefit, which allows members to earn 1) airline miles, or 2) hotel points, or 3) a mix of miles and points.

Under the mileage-earning scenario, the frequent guest programs merely provide a conduit for members to receive airline miles from their favorite airline. Graph 1 lists the number of airlines (3) featured by the eleven programs providing mileage-earning options:

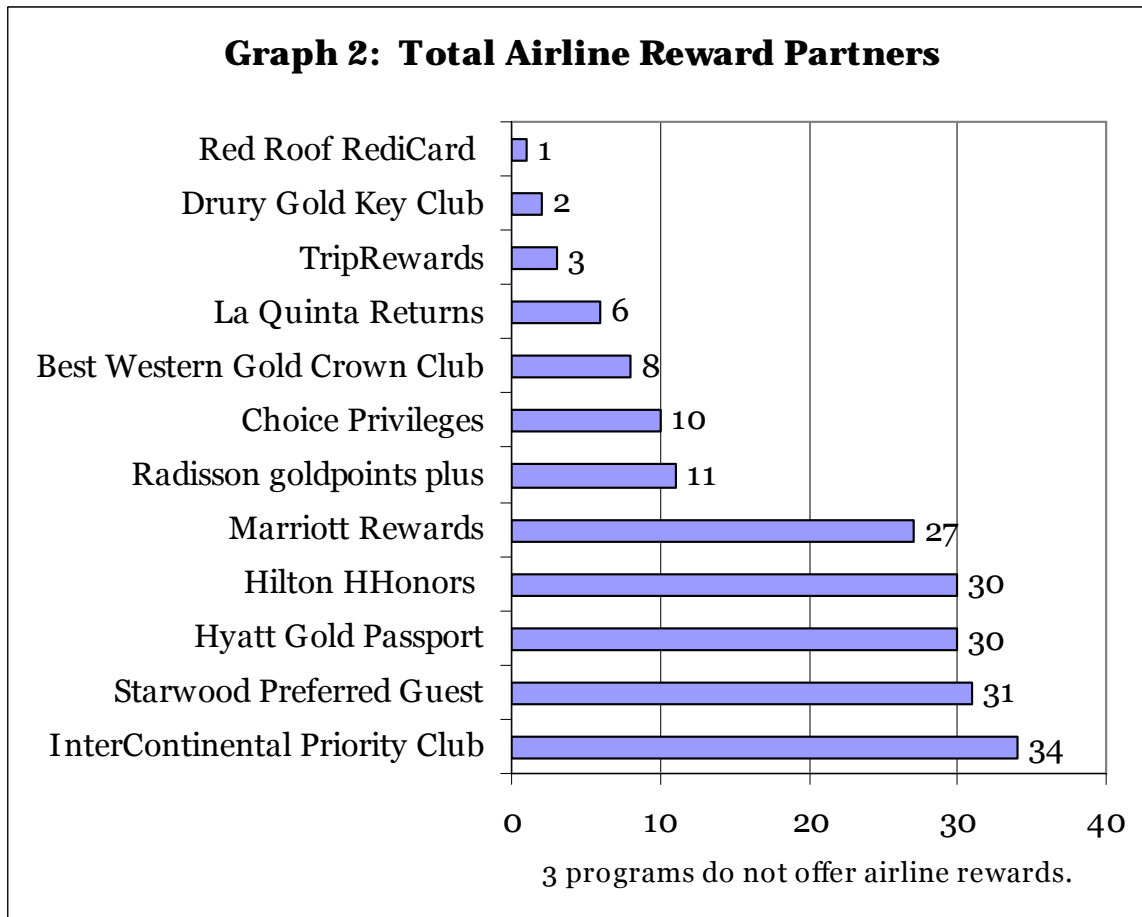


Some hotel chains have chosen to make the quantity of available airline options a significant distinction in their advertising. For example, InterContinental Priority Club and Hilton HHonors each offer more than 40 airlines.

Major airlines are well represented in the list of mileage-earning participants. They are attractive to the hotel chains because they have extensive databases that reach millions of travel-oriented consumers. Airlines also participate as traditional reward partners; accumulated frequent guest points may be redeemed for airline tickets or miles. Graph 2 lists the 12 frequent guest programs providing airline rewards and the total number of partners in each program.

Members of the 12 programs may simply exchange hotel points for airline miles. Some of the programs expand the offering by including airline tickets as actual rewards. Hilton HHonors offers its members many alternatives in the airline category. Its “Reward Exchange” allows a member to exchange points for airline miles with 28 frequent flier programs

Graph 2: Total Airline Reward Partners



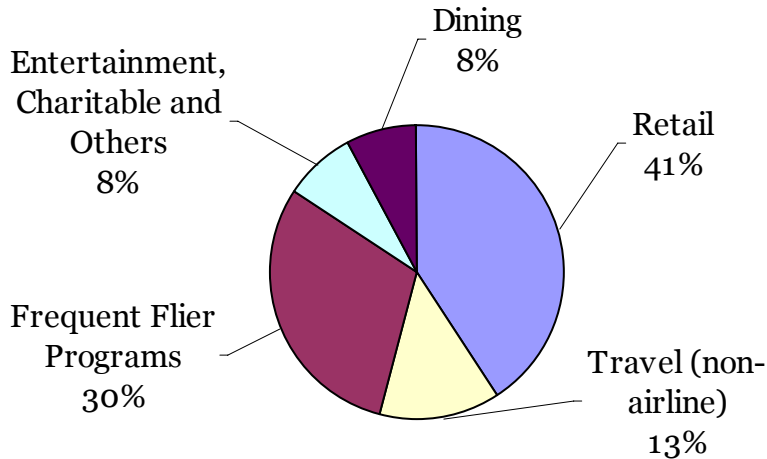
TripRewards (which includes the Ramada Worldwide chain of hotels) provides air travel rewards that are not linked to any particular airline. Members may redeem points for reward travel within defined zones and must meet certain conditions such as 21-day advance purchase and a Saturday night stay.

Reward Partnerships

Frequent guest programs have long excelled in delivering rewards beyond the core benefit of free room nights. Unlike their airline industry counterparts, hotel chains routinely spend cash to purchase rewards for their members. The points-earning opportunities offered by the top 15 frequent guest programs are summarized by the categories shown in Graph 3.

Reward opportunities include the airline category described earlier in this report. But that is where any comparison to the reward benefits provided by frequent flier programs end. Frequent guest programs offer reward opportunities that greatly exceed the primary benefit of tickets provided by the airline programs.

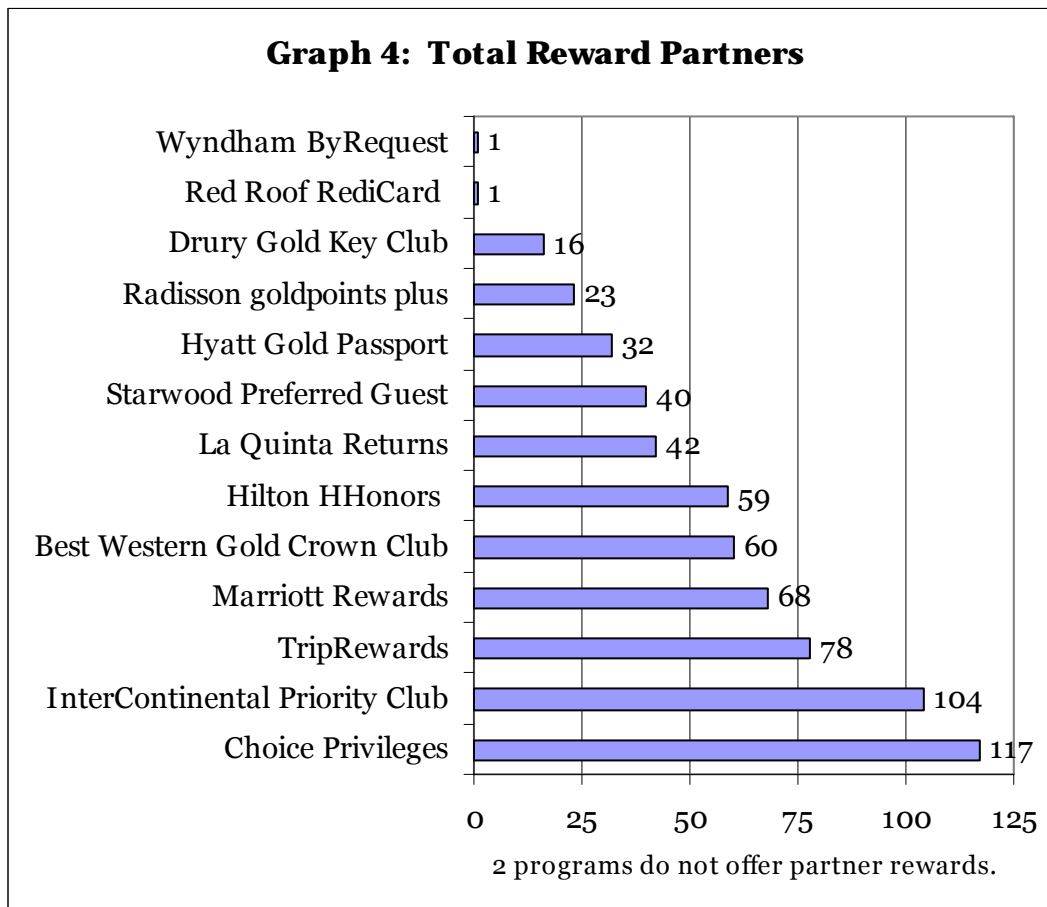
Graph 3: Partner Reward Opportunities by Category



The larger frequent guest programs now offer an ever-increasing array of reward opportunities in a growing number of categories. Marriott Rewards is perhaps representative of the many travel-oriented choices made available by the larger programs. Among its more adventuresome choices, Marriott Rewards offers accommodations in Ireland at the centuries old Ashford and Dromoland Castles, travel on five cruise lines, admission to Disneyland Paris and Walt Disney World, and excursions on the famed Venice Simplon-Orient Express train.

Graph 4 displays the total partner count (including airlines) for the 13 frequent guest programs using partnerships to deliver reward benefits.

Retail is a major reward category with hundreds of choices offered by many of the programs analyzed. Members may choose from a dazzling array of top retail stores. Choice Privileges (associated with the worldwide Comfort, Clarion and Quality brands) clearly leads all frequent guest programs with an amazing 87 participants in its National Merchant Partner List. Gift certificates represent a category that rivals the airline category in terms of the prevalence of partner choices in frequent guest programs.



Conclusions

Frequent guest programs have been steadily building their partner portfolios to make their programs more attractive to consumers and to broaden the reach of their brands. To their credit, the largest frequent guest programs now have partner networks that rival and surpass the total partner count of their airline-industry peers.

Most frequent flier programs are guilty of limiting reward selections to free tickets. Airlines should consider opening their wallets to spend cash on new alternative reward choices that go beyond air travel. Providing new rewards such as gift certificates, hotel accommodations, and in-flight duty free merchandise would relieve some of the negative perceptions currently associated with reward ticket availability.

Good reward value should be offered to encourage airline loyalty and to maintain vibrant member participation - - especially for airlines that enjoy the substantial revenue contribution provided by co-branded credit cards and other partner activities. The most nimble and creative airlines will embrace the opportunity to enhance their programs and maintain a competitive edge.

ⁱ Cendant announced the completion of its acquisition of the Wyndham hotel chain on October 12, 2005. This report treats Wyndham ByRequest as a brand separate from Cendant's TripRewards program.