



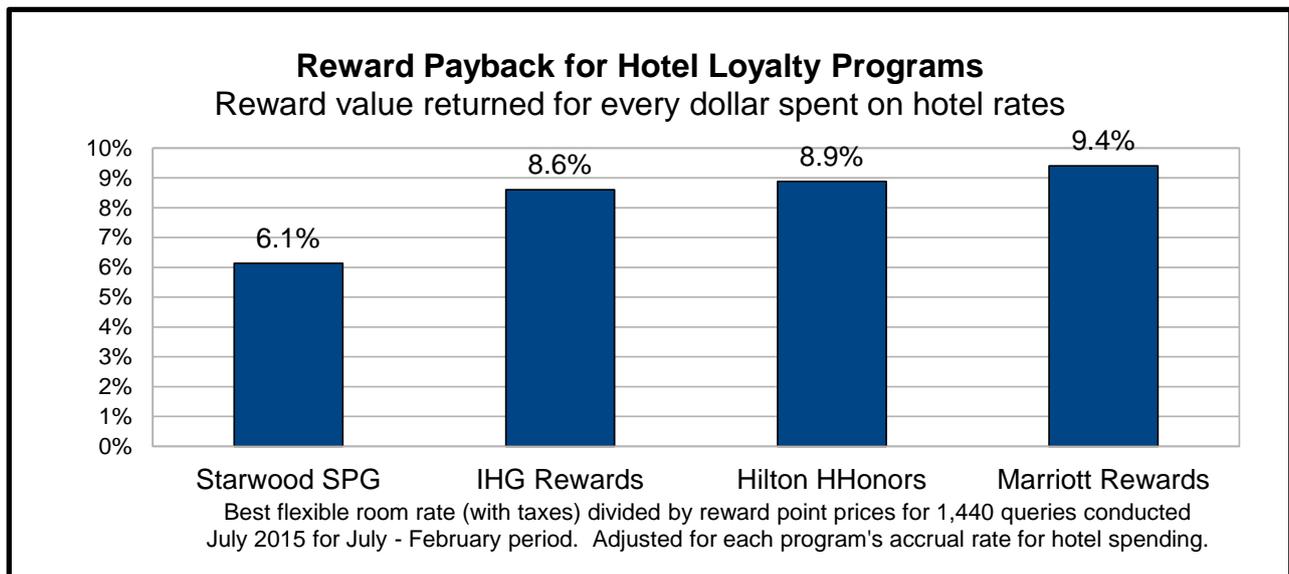
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Marriott Rewards Found to Offer Best Reward Payback Among Leading Global Hotel Loyalty Programs

IdeaWorksCompany releases results from the first Switchfly Hotel Reward Payback Survey.

October 21, 2015, Shorewood, Wisconsin - - Marriott Rewards returns an average of 9.4% from room night spending as reward stay value in the first **Switchfly Hotel Reward Payback Survey**. That's a 54% higher return than the reward value provided by Starwood SPG, which was ranked last among the four hotel loyalty programs at 6.1% for reward payback. This document provides results from the survey.

During July 2015, IdeaWorksCompany conducted 1,440 reward queries for key hotel brands in four global frequent guest programs: Hilton HHonors, IHG Rewards, Marriott Rewards, and Starwood SPG. For each query, the lowest reward price in points was recorded along with the corresponding price in US dollars. The value provided by points was adjusted to consider the different rates of point accrual for the programs. The result provides an average "reward payback" for each program as shown in the graph below. For example, the 8.9% rate for Hilton HHonors represents average reward value payback of \$8.90 for every \$100 spent on hotel room rates. By comparison, IdeaWorksCompany calculated reward payback for major US airlines ranges from 5.5% to 8.6% (see page 4).



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“Consumers want ‘apples-to-apples’ measurements from their loyalty programs to know who is being truly generous with their rewards,” said Switchfly CEO Daniel Farrar. “That’s why we launched the Switchfly Hotel Reward Payback Survey: to determine the average reward payback for each program and see how they compare against each other. Determining the average reward payback for each loyalty program will become increasingly important as more hotel chains allow customers to pay with points.

“There are several ways in which hotel loyalty programs can meet and surpass consumer expectations: frequent promotions with concierge-quality services available to lower-tier members, automated check-ins without staff interaction; Wifi (which is no longer an amenity, but a requirement). It’s a brave new world for hotels,” said Farrar.

All points are not created equal

Dividing the room price (including local taxes) by the number of points per query provides a simple valuation of the point currency used by individual programs (see below table). Think of it as *the room night value that can be purchased with a reward point*. However, points are naturally unequal in value because of differing rates of accrual. For example, Hilton HHonors usual accrual rate is 15 HHonors Points per dollar spent at a hotel, while Sheraton SPG provides 2 Starpoints per dollar spent a hotel. Knowing the value of reward points is helpful for members who wish to assess the value of their account balances.

| Simple Value of Reward Points by Hotel Loyalty Program | | | |
|---|-------------|------------------|--------------|
| Best flexible room rate (with taxes) divided by reward point prices | | | |
| Hilton HHonors | IHG Rewards | Marriott Rewards | Starwood SPG |
| \$0.006 | \$0.009 | \$0.009 | \$0.029 |
| 1,440 queries conducted July 2015 for July – February period; does not reflect accrual rates which vary by program. | | | |

However, point values don’t allow consumers to compare hotel reward benefits across different loyalty programs. For this purpose, IdeaWorksCompany offers “reward payback” as a simple benchmark to measure how these programs deliver their primary benefit to everyday travelers. Think of this as *the reward value returned for hotel expenditures*.

The survey used 360 queries per hotel loyalty program distributed among a chain’s three leading brands. For Marriott Rewards, this comprised Marriott Hotels, Courtyard, and Fairfield Inn & Suites. Queries for each program were performed for the same 18 dates (ranging from July 2015 through February 2016) and an identical list of US and global destinations. This included New York City, San Francisco, London, and Beijing. Queries outside the US relied on a chain’s signature brand, such as Holiday Inn for IHG Rewards or Hilton Hotels and Resorts for Hilton HHonors.

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Most hotel loyalty members do not hold the program's co-branded credit card and don't have elite status. For these members, the reward payback method provides a good measure of reward value. Members that have elite status and use a program's co-branded credit card to pay room charges benefit from a dizzying array of bonus point possibilities. These members might consider doing their own calculations based upon the simple value of reward points presented in the table above. The value provided by reward nights is traditionally the most important attribute for many members; the results presented in the survey don't attempt to assess all the benefits provided by hotel loyalty programs.

Reward payback extremes were found to range from 2.5% to 24%

The best reward payback occurs when room rates are high and reward point levels are low. Of course, the opposite condition yields low reward payback. The 1,440 queries were ranked from low to high to determine extreme values among the cities, dates, and hotel properties queried. The reward payback statistics listed in the table below assume members limit their paid stays and reward redemptions to the same hotel.

Imagine a hotel that provides a 24% reward payback on paid stays. That's the reward payback associated with a February 2016 stay at the Hilton Beijing Chaoyang. Booking a room for 18 February 2016 can cost \$479 or a very modest reward night price of 30,000 points. That combination, and the Hilton HHonors base accrual rate of 15 points per dollar spent, delivers an unbelievably generous reward payback. The following are some examples from the highest and lowest reward payback rates found in the survey:

| Best Reward Payback for each Hotel Loyalty Program | | | | | |
|---|------------|--|---------------|-----------|----------------|
| Program | Room Night | Hotel Property | Reward Points | Room Rate | Reward Payback |
| Hilton HHonors | 18-Feb-16 | Beijing - Hilton Beijing Chaoyang | 30,000 | \$479 | 24.0% |
| IHG Rewards | 17-Sep-15 | London - Holiday Inn London Mayfair | 35,000 | \$561 | 16.0% |
| Marriott Rewards | 22-Feb-16 | NYC - Fairfield Inn & Suites, Times Square | 40,000 | \$806 | 20.2% |
| Starwood SPG | 22-Feb-16 | San Francisco - Westin St. Francis | 12,000 | \$926 | 15.4% |
| Lowest Reward Payback for each Hotel Loyalty Program | | | | | |
| Hilton HHonors | 6-Feb-16 | Chicago - Hilton Chicago | 50,000 | \$104 | 3.1% |
| IHG Rewards | 16-Jul-15 | Dubai - Holiday Inn Embassy District | 20,000 | \$79 | 3.9% |
| Marriott Rewards | 6-Feb-16 | Chicago - Courtyard Chicago River North | 35,000 | \$120 | 3.4% |
| Starwood SPG | 6-Feb-16 | Chicago - Sheraton Hotel & Towers | 12,000 | \$150 | 2.5% |
| <i>Best flexible room rate (with taxes) divided by reward point prices for 1,440 queries conducted July 2015 for July through February period. Adjusted for each program's accrual rate for hotel spending.</i> | | | | | |

Low reward payback can be associated with hotel properties which are typically high-priced in terms of reward point prices and room rates. When these locations deeply discount their cash room rate – and don't reduce the reward point level – the result is an unusually low reward payback. That's what happened when the Chicago Hilton dropped its weekend room rate to \$104 while maintaining its 50,000 reward night point price.

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Pay with points will eventually replace fixed reward levels

IdeaWorksCompany anticipates hotel chains will eventually implement the pay-with-points methods already used by Air New Zealand Airpoints, Southwest Rapid Rewards, and anticipated for Delta SkyMiles in 2016. Pricing reward nights using the inflexible metric of fixed-point levels generates the wildly varying results listed in the table above. Linking room night prices to prevailing room rates unites the economics of a hotel to the business of operating a loyalty program. As stated so eloquently by Southwest Airlines, “when fares go on sale, so do the points needed for redeeming a reward flight.” That’s a strategy that can benefit program members, hotel owners, and investors.

Key findings are summarized in an infographic available at the press release section of the IdeaWorksCompany.com website.

Notes regarding reward query methodology: *Booking queries for a party of two travelers (one night stay) were made at hotel loyalty program websites during July 2015. 18 specific dates were selected for queries for Mondays (6 dates), Thursdays (6 dates), and Saturdays (6 dates) from July 2015 through February 2016. Hotel properties from three major brands (based upon global room count) for each hotel loyalty program were selected for the survey. US destinations in the survey: Chicago, Los Angeles, New York City, and San Francisco. International destinations in the survey: Beijing, Dubai, London, and Paris. The lowest point level and the associated cash room rate were recorded for each query.*

The survey is based upon non-elite members accruing and redeeming points. Bonus points related to elite status and co-branded credit card use were not included in the calculations. In addition, some programs provide a free 5th night when 4 reward nights are booked. All of these would increase reward payback for a hotel guest program above the levels listed in the survey. Sometimes hotels were completely sold out, or rooms were not available for reward night stays. These queries were not included in the results. No reward night incidence (over and above completely sold out dates) was noted for each hotel loyalty program: Hilton HHonors 0% (rewards always available), IHG Rewards (8.6% not available), Marriott Rewards (3.3% not available), and Starwood (1.9% not available).

Note regarding US airline reward payback: Calculations are based upon accrual methods used by American, Delta, Southwest, and United. Assumptions include \$390 roundtrip fare (\$274 for Southwest), 1,100 mile average flight length, and non-elite accrual level (Delta and United), and Wanna Get Away fares for Southwest. Reward payback for premium class fares and elite-status members will be higher.

About Switchfly: Switchfly, Inc. is a global technology company that powers travel commerce and loyalty program engagement for some of the world’s most recognizable brands. Leading airlines, hotels, financial service providers and even retailers depend on Switchfly to power their omnichannel travel and loyalty experiences because it uniquely combines a highly scalable and secure SaaS architecture with deep product and content inventory. Powerful analytics and real-time decision engines allow them to foster contextually-rich customer engagement, even as they benefit from Switchfly’s continuously evolving SaaS platform. Headquartered in San Francisco, Switchfly generates more than \$1.25 billion USD in revenue for its clients annually and facilitates the redemption of more than 35 billion reward points and miles each year. The company’s global client roster includes American Airlines, Emirates, JetBlue and LAN Airlines; IAG Avios, Lufthansa Miles & More and United MileagePlus; InterContinental Hotels Group and Starwood Hotels; Expedia, Priceline and Groupon. For more information, visit <http://www.switchfly.com>. Hotel Rewards Payback

About IdeaWorksCompany.com: IdeaWorksCompany was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs, and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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