

2017 CarTrawler Hotel Reward Payback Survey

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Researched and written
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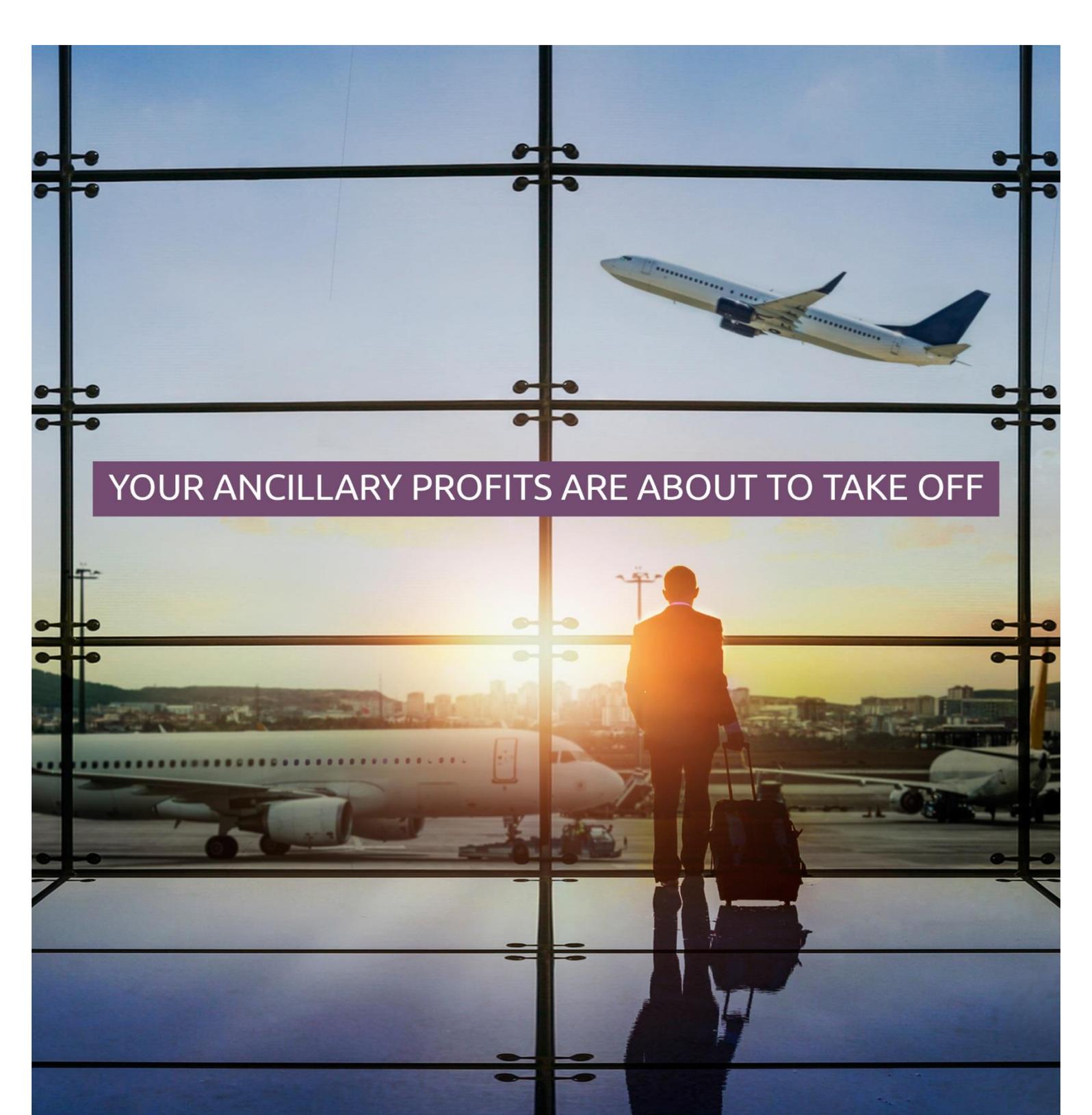
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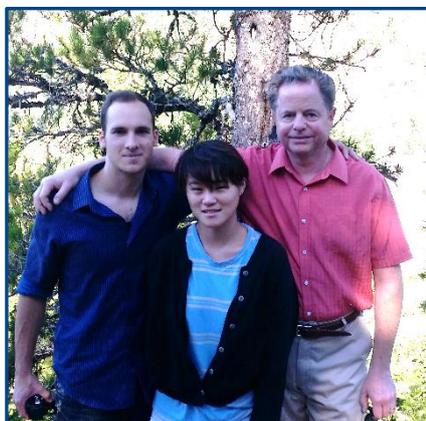
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About Jay Sorensen, Writer of the Report

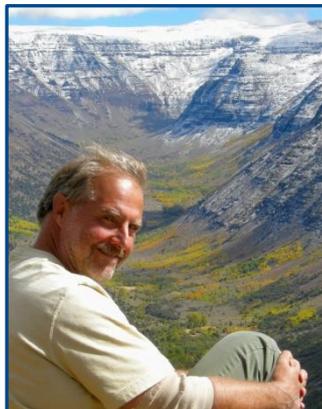
Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.



Jay, with son Aleksei and daughter Annika, in North Cascades National Park in

Mr. Sorensen is a veteran management professional with 30 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has enhanced the generation of airline revenue, started loyalty programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

About Eric Lucas, Editor of the Report



Eric Lucas is an international travel, culture and natural history writer and editor whose work appears in Michelin travel guides, *Alaska Airlines Magazine*, *Westways Magazine* and numerous other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books, including the 2017 *Michelin Alaska* guide. Eric has followed and written about the travel industry for more than 25 years. He lives on San Juan Island, Washington, where he grows organic garlic and heirloom corn; visit him online at TrailNot4Sissies.com.

Eric, at his favorite summer retreat, Steens Mountain,

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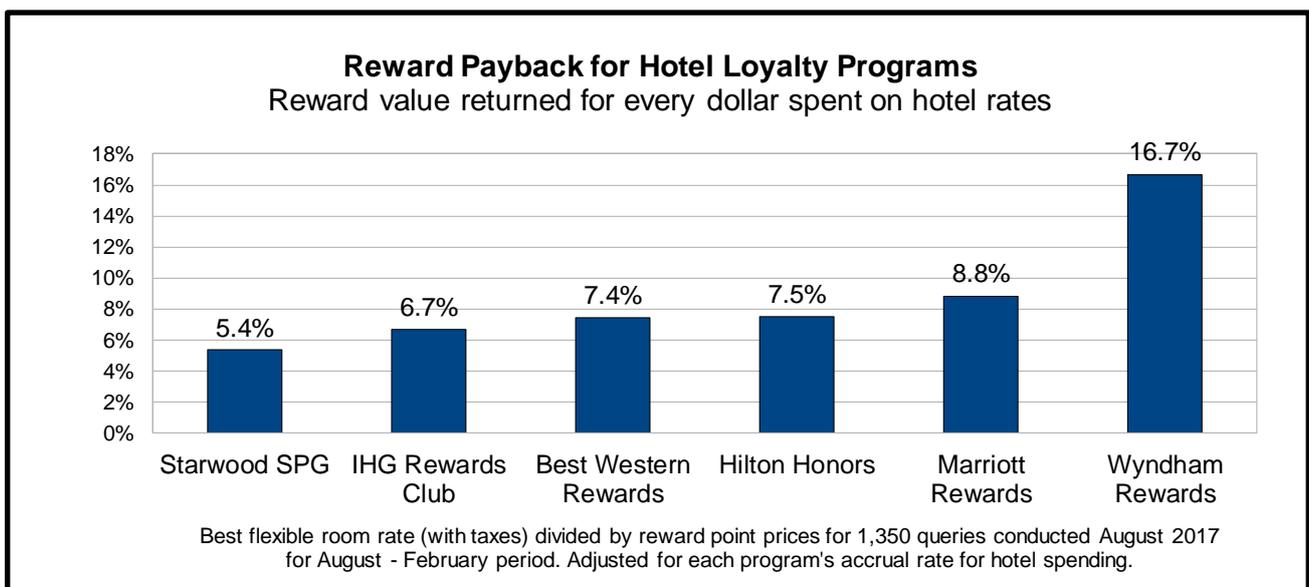
2017 CarTrawler Hotel Reward Payback Survey

Payback is the reward value returned for hotel expenditures

Wyndham Rewards returns an average of 16.7% from room night spending as reward stay value in the third annual **CarTrawler Hotel Reward Payback Survey**. That's 3+ points higher than the brand's 2016 result and a 211% higher return than the reward value provided by Starwood's SPG, which was ranked last among the six hotel loyalty programs at 5.4% for reward payback.

During August 2017, IdeaWorksCompany conducted 1,350 reward queries for key hotel brands in six global frequent guest programs: Best Western Rewards, Hilton Honors, IHG Rewards Club, Marriott Rewards, Starwood SPG, and Wyndham Rewards. For each query, the lowest reward price in points was recorded along with the corresponding room 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 8.8% rate for Marriott Rewards represents average reward value payback of \$8.80 for every \$100 spent on hotel room rates. By comparison, IdeaWorksCompany calculated reward payback for American, Delta, and United ranges from 3.9% to 5.8%.¹



¹ "Southwest is Tops in Annual Reward Rankings, But Survey Shows Fewer Reward Seats Worldwide" press release dated 17 May 2017 at IdeaWorksCompany.com.

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 value that can be purchased with a reward point*. However, points are naturally unequal in value because of differing rates of accrual. For example, the Hilton Honors usual accrual rate is 15 Honors Points per dollar spent at a hotel, while Starwood SPG provides 2 Starpoints per dollar spent at a hotel. Knowing the value of reward points is helpful for members who wish to assess the value of their account balances, or the value of a sign up bonus for a co-branded credit card offer. For example, an 80,000-point bonus for the IHG Rewards Club Select Credit Card represents reward value of \$560.

Simple Value of Reward Points by Hotel Loyalty Program					
Best flexible room rate (with taxes) divided by reward point prices					
Hilton Honors	IHG Rewards Club	Best Western Rewards	Marriott Rewards	Wyndham Rewards	Starwood SPG
\$0.005	\$0.007	\$0.007	\$0.009	\$0.012	\$0.023
<i>1,350 queries conducted August 2017 for August – February period Does not reflect accrual rates which vary by program.</i>					

However, raw point values don't allow consumers to compare hotel reward benefits across different loyalty programs — points are only as good as the room rewards they bring. So IdeaWorksCompany uses “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 225 queries per hotel loyalty program distributed among a chain's three leading brands. For Marriott Rewards, this comprised Courtyard, Fairfield Inn & Suites, and Marriott Hotels. Queries for each program were performed for the same 15 dates (ranging from August 2017 through February 2018) and a 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 Best Western for Best Western Rewards or Ramada for Wyndham Rewards.

Best Western Rewards replaced Choice Privileges for the 2017 survey. Choice limits reward bookings for its regular membership tier to a 30-day booking window for US and Canada locations. This restriction was reassessed for the 2017 survey and was deemed to prevent fair comparisons with the other programs. Best Western Rewards follows the tradition of most frequent guest programs by providing an approximate 12-month window of reward availability.

As with airline frequent flyer programs, the majority of 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 an array of bonus point possibilities. The value provided by reward nights is traditionally the most important attribute for many members; the results presented here don't attempt to assess all the benefits provided by hotel loyalty programs.

Reward payback extremes were found to range from 1.8% to 50.7%

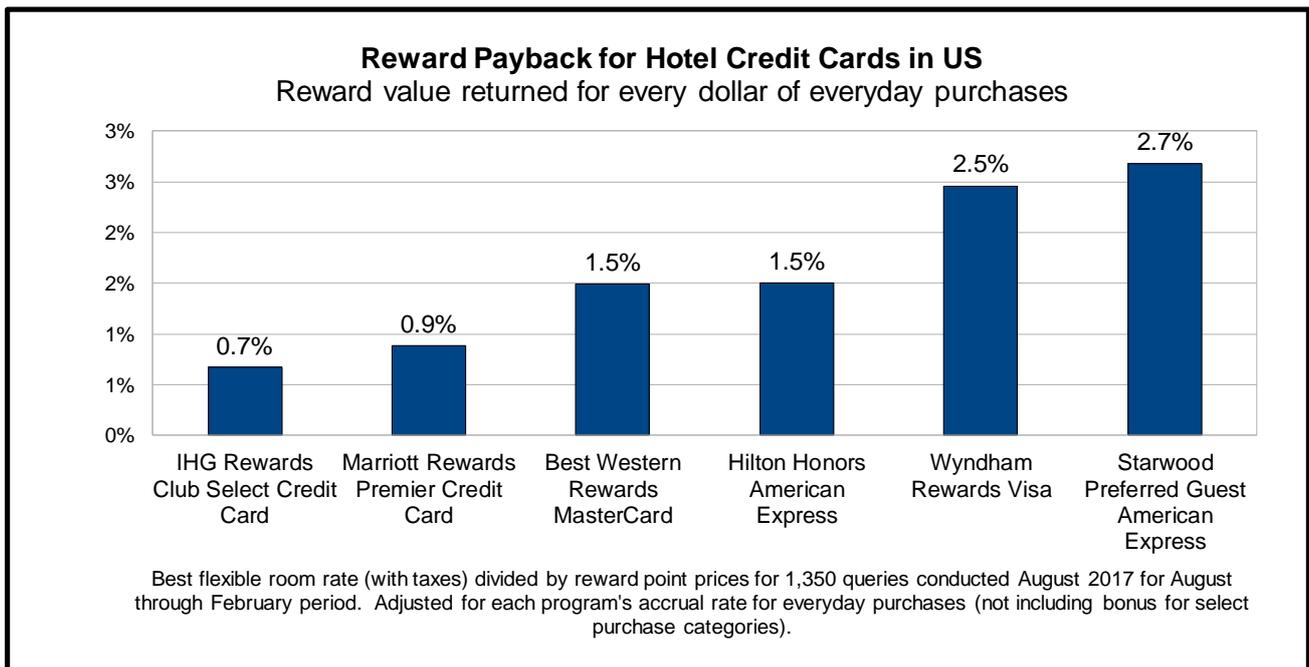
The best reward payback occurs when room rates are high and reward point levels are low. Of course, the opposite condition yields low reward payback. The 1,350 queries were ranked from low to high to determine extreme values among the cities, dates, and hotel properties queried. The reward payback statistics listed in the table below assume members limit their paid stays and reward redemptions to the same hotel.

The reward payback for the Wyndham New Yorker was a stunning 50.7% for a 14 October 2017 check-in. Booking a room on that date cost \$610 or an incredibly modest reward price of 15,000 points. That combination, and the Wyndham Rewards accrual rate of 10 points per dollar spent (in addition to ongoing bonus points) delivers a very generous reward payback. For travel to New York City, that property is generously rewarding with every query yielding a better than 25% 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
Best Western	21-Sep	Hospitality House – New York City	36,000	\$640	17.8%
Hilton Honors	4-Dec	Hampton Inn Manhattan/Times Square Central – New York City	70,000	\$514	11.0%
IHG Rewards Club	19-Feb	Holiday Inn Downtown Dubai	15,000	\$271	18.1%
Marriott Rewards	10-Aug	London Marriott Hotel Park Lane	45,000	\$725	16.1%
Starwood SPG	19-Aug	Beijing - Sheraton Langfang Chaobai River Hotel	2,000	\$109	10.9%
Wyndham Rewards	14-Oct	The New Yorker – New York City	15,000	\$610	50.7%
Lowest Reward Payback for each Hotel Loyalty Program					
Best Western	4-Dec	Best Western Premier – Illinois Beach Resort Zion Illinois	36,000	\$117	3.3%
Hilton Honors	10-Aug	DoubleTree Times Square - NYC	182,000	\$422	3.5%
IHG Rewards Club	19-Aug	Holiday Inn Bur Dubai Embassy District - UAE	20,000	\$51	2.5%
Marriott Rewards	4-Dec	Courtyard Chicago Downtown/River North	35,000	\$137	3.9%
Starwood SPG	15-Feb	Westin New York Grand Central	25,000	\$231	1.8%
Wyndham Rewards	10-Aug	Ramada Beijing North	15,000	\$90	6.7%
<i>Best flexible room rate (with taxes) divided by reward point prices for 1,350 queries conducted August 2017 for August through February period. Adjusted for each program's accrual rate for hotel spending.</i>					

Hotel reward credit cards provide a point boost

The same rewards payback methodology can be applied to the co-branded credit cards associated with each of the program. The results in the bar chart below are based upon the points accrued by everyday charge activity. More points are provided by cards for hotel spending, and select categories, such as airline tickets; these are not included in the credit card calculations. Some cards don't charge a fee, may waive the first-year fee, and offer different point bonuses for new cardholders. And while the lowest ranked IHG might seem a less than optimal choice, cardholders receive 10% back on all point redemptions and automatically qualify for Platinum elite status in the IHG Rewards Club.



Consumers should be careful when choosing a program

The results of the CarTrawler Hotel Reward Payback Survey are based upon the travel and purchase behaviors of everyday consumers. Road-weary travelers typically begin to experience enhanced benefits after 10 nights courtesy of elite status; which often provides bonus points for every stay. For example, IHG Rewards Club gives a 100% bonus to members of its top "Spire" tier. Longer stays are sometimes discounted by not requiring point redemption for the 5th night, which is a benefit available from Hilton Honors, Marriott Rewards and Starwood SPG. And while Wyndham and Wyndham Grand were found to offer exceptional reward payback, its global footprint is limited to 135 locations.

Reward payback represents just one method of comparing hotel loyalty programs. But for those consumers intent on maximizing the return on a dollar, euro, or peso spent on overnight accommodations, the results can be very dramatic. Very few everyday choices in life yield paybacks that can range from 2 to 51 percent.

Notes regarding reward query methodology

Booking queries for a party of two travelers (one night stay) were made at hotel loyalty program websites during August 2017. 15 specific dates were selected for queries for Mondays (5 dates), Thursdays (5 dates), and Saturdays (5 dates) from August 2017 through February 2018. 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, San Diego, and San Francisco. International destinations in the survey varied by brand and consisted of: Beijing, Dubai, London, Paris, and Sydney. The lowest point level and the associated refundable room rate were recorded for each query (these included rates which require program membership).

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 redeemed. 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 redemption. These queries were not included in the results. Rooms not available for reward redemption: Best Western Rewards (7.1% not available), Hilton Honors 0% (rewards always available), IHG Club Rewards (16% not available), Marriott Rewards (2.7% not available), Starwood SPG (rewards always available), and Wyndham Rewards (0.4% not available).

Note regarding US airline reward payback: Reward payback for premium cabin fares and elite-status members will be higher.

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Toni Freeberg, Director of Distribution & Ancillary Strategy, Alaska Airlines

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IdeaWorksCompany is a leading consulting resource for ancillary revenue and loyalty marketing. Our client list spans the globe – Europe, Middle East, Americas, South Pacific, and Asia – and every type of carrier.

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