

LUXURY HOTELS: LOYALTY

The Full Report is Available to Gartner Clients Only.

Key Findings

- Although 75% of loyalty programs studied offered free-night-stay rewards, only 35% offered other experience rewards.
- Only 31% of Index brands with loyalty programs feature them in persistent navigation on their brand site.
- GDPR decreased luxury hotel brands' distribution lists, but dedicated loyalty email domains had double the average read rate of nonloyalty brand email domains.

What Brands Should Be Thinking About

- **Play to Your Strengths:** Single-brand loyalty programs should stay away from emulating the complex tiering systems and stand-alone social media accounts of multibrand programs.
- **Front and Center:** Brands should give loyalty programs priority placement on brand sites.
- **Crystal Clear:** Invest in clear privacy policy language and site features that help guests understand confusing legal jargon and feel secure about sharing their data.

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Gartner L2 research is based on data-driven analysis. Our findings, rankings and recommendations are objective, unbiased and independent of membership.

Loyalty Landscape: Mergers and Shake-ups

As digital disruption continues to diminish hotel brand equity, brands are doubling down on loyalty programs. The hotel world saw major shifts in 2018 as large, multibrand loyalty programs completed migrations of their acquired assets: Marriott Rewards absorbed Starwood Preferred Guest & Ritz-Carlton Rewards;¹ Le Club AccorHotels absorbed the FRHI brand programs;² and IHG Rewards Club absorbed Kimpton's Karma Rewards.³

Independent luxury hotel brands are also stepping up their loyalty game: Mandarin Oriental Hotel Group launched its Fans of M.O. recognition program,⁴ and Leading Hotels of the World is launching a points-based loyalty program.⁵ Small Luxury Hotels of the World announced a partnership with World of Hyatt,⁶ showcasing an alliance model for independent hotels. Even digital disruptor Airbnb is launching its Superguest loyalty program.⁷ Loews Hotels is discontinuing its YouFirst loyalty program, highlighting the challenges facing independent loyalty programs.⁸

This report benchmarks Index brand loyalty programs and how they are promoted digitally. But as brands learn more about their loyal guests, data privacy concerns arise. Gartner L2 evaluates how brands have been impacted by, and are adapting to, new privacy regulations.

1. "Marriott, Ritz-Carlton, and Starwood Officially Combine Loyalty Programs," Condé Nast Traveler.
2. "AccorHotels Finally Combines Fairmont, Raffles, and Swissôtel Loyalty Programs With Its Own," Skift.
3. "IHG and Kimpton Rewards Programs Set to Merge," USA Today.
4. "Mandarin Oriental Creates New Fans of MO Loyalty Program," Forbes.
5. "The Leaders Club Renovation," The Leading Hotels of the World.
6. "Hyatt's New Alliance Hints at the Future of Hotel Loyalty Programs," Skift.
7. "Airbnb Is Adding a Loyalty Program to Reward You for Booking," Travel & Leisure.
8. "Hotel Loyalty Program Calls It Quits," View From the Wing.

Luxury Hotels: Current State of Index Brand Loyalty Programs

September 2018

Growth	Partnership	New	Dead

Source: Gartner L2 Insight Report: Luxury Hotels: Loyalty, September 2018.

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Executive Summary

Luxury Hotels 2018 Resources

Once replete with independent brands, the luxury hotel sector has consolidated drastically over the past two years. Since 2016, both AccorHotels and Marriott International have doubled their brand portfolio via acquisitions, leaving few competitors outside of legacy giants Hyatt Hotels Corp. and Hilton Worldwide. Analysts have interpreted these acquisitions as calculated efforts to increase stake in the luxury market and appeal to younger consumers.⁹

Accor and Marriott had social communities nearly twice as large as their primary acquisitions Fairmont and Starwood, and their brands sites generated four times as much traffic.¹⁰ For this reason, these acquisitions represent something more than a younger, richer audience. As young, digitally forward brands, Fairmont and Starwood benefit from agile technology and advanced infrastructure that their acquirers do not have. Like most contemporary mergers and acquisitions, these purchases appear to have been a tech play—not an attempt to shore up brand equity.

Billion-dollar purchases are not the only path to success. Rather than focus on building a sprawling portfolio, Four Season has opted to double down on pure branding efforts. In 2017, the hotelier grew its social communities by 45%, updated its consumer-facing app 37 times since its development in 2015, and invested in emerging technologies like WeChat concierge and Instagram stories. These strategies, and others being developed in the Index, are not scalable for the 30 plus brands Marriott manages, so more nimble brands may rise to the top.

9. [“AccorHotels to raise luxury profile with \\$2.9 billion acquisition”](#), Reuters.
10. L2 analysis of SimilarWeb data.

Key Questions

1. How do luxury hotel brands compete with versus co-opt OTAs and Google Hotel Finder?
2. What innovative tactics are luxury hotel brands deploying on their websites to enhance direct booking and limit bounce rates?
3. Which luxury hotel brands are successfully utilizing social media to promote brand awareness and drive up site traffic?

Other Recommended Reading:

Reports:

[Gartner L2 Digital IQ Index: Luxury Hotels US 2017.](#)

[Gartner L2 Insight Report, “Luxury Hotels US: Google Hotel Finder vs. OTAs,” January 2018.](#)

[Gartner L2 Insight Report, “Luxury Hotels US: Social Media,” June 2018.](#)

From Our Site:

[\[VIDEO\] Luxury Hotels US 2017](#)

[\[BLOG\] Amazon’s Alexa Moves Into Hotels](#)

[\[BLOG\] Hotels Deal With Influx of Influencers](#)

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