

The background of the slide is a photograph of a busy train station platform. People are walking with luggage, and a train is visible on the tracks. The station has a large, arched glass and steel roof. A red diagonal stripe runs from the top left towards the bottom right, partially overlapping the text.

THE ROLE OF LOYALTY PROGRAMS IN THE NEW VALUE ECONOMY

LOYALTY TRENDS - THE TIPPING POINT SERIES

2024

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METHODOLOGY

This report is based on two online surveys, both conducted by iSeatz in August and September of 2023. The first survey polled 2,116 US consumers who belong to a loyalty program that incorporates travel-related rewards about their views on loyalty programs and their travel preferences. Results were weighted to accurately represent population demographics. The second survey asked 151 loyalty program managers across industries about challenges, goals, and expectations relating to their loyalty programs; the responses were not weighted.

ABOUT iSEATZ

iSeatz connects people to brands with personalized and diverse travel & lifestyle experiences. Backed by proven deliverability, reliable advanced analytics, and travel lifecycle expertise, iSeatz sets the bar for a superb journey from the very first search.

Our clients represent the best in travel, hospitality, and financial services, including American Express, IHG Hotels & Resorts, and Wyndham Hotels & Resorts.

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TRAVEL'S PLACE IN THE NEW VALUE ECONOMY OF 2024

The concepts of value and loyalty have always been linked, to some degree, in American consumers' minds. If consumers perceive that they are receiving value from a brand, they will likely continue patronizing it. That is, perhaps, the most straightforward definition of loyalty available.

But emerging from nearly two years of surging inflation rates, rising prices, and increased demand for all kinds of goods and services, it's hard to argue that there has been a time when those two ideas have been more closely linked.

Brands, including travel brands and financial services providers, have long understood this relationship and have built comprehensive loyalty and retention strategies around it. However, how effectively they have done so in the eyes of American consumers is up for debate.

Although there is tremendous interest in and demand for travel loyalty programs across North America, there is also plenty of room for improvement—and innovation potential.

While what consumers value most in loyalty programs is evolving along with global economic changes, the gap between what travelers want and what brands are investing in still stands.

In the second half of 2023, we surveyed 151 loyalty program managers and 2,116 U.S. consumers to identify key themes about loyalty program member needs and loyalty program manager priorities and challenges.

This was our second year fielding such a survey; while our 2022 data revealed several (and persistent) disconnects between brands and consumers, which created opportunities for loyalty programs to create more value for their members by meeting customer needs, the overarching finding in our latest survey reflects consumers' desire for value.

Driven by rising prices across every aspect of life, consumers increasingly look to their loyalty programs to save money and provide the value they can't get from other brands or programs. **Value, therefore, is a driving force for loyalty program member engagement.**

For brands, the key to unlocking that value—and ultimately driving revenue and increased engagement with the brand—is through their loyalty program experience. Brands can enhance that experience with sustainable travel options, more fintech and shopping tools that make travel more affordable, personalized interactions, convenient and full-service travel booking capabilities, and differentiated lifestyle rewards that complement travel or provide everyday savings.

This report draws on data from our 2023 survey and comparisons with 2022's findings to identify technological and strategic improvements that brands and their loyalty program providers can focus on to positively impact customer experience and engagement and, ultimately, loyalty program performance.

VALUE IS A DRIVING FORCE FOR LOYALTY PROGRAM MEMBER ENGAGEMENT

To achieve this, some results from 2022 have been restated to more accurately align with the composition of the 2023 respondent pool, which was made up entirely of US consumers with current memberships in a travel rewards program.

The resulting findings paint a clear picture of travel loyalty program dynamics at the beginning of 2024: consumers are putting a clear premium on value, and while brands are trying to pivot toward this demand, there remain some disconnects stemming in part from brands' evolving priorities. Ultimately, the path forward lies with the loyalty program experience itself, which can be augmented with the right loyalty platform that offers flexibility, configurability, and an extensive portfolio of complementary rewards.

THE RISING IMPORTANCE OF VALUE

Over the past year, value has become the most critical factor for consumers. Faced with consistent inflation and rising prices, consumers are increasingly turning to their loyalty programs to find a solution. But while saving money is a driving factor, it's not just about counting pennies. Value can seal the deal—and keep consumers shopping with the brand—and engaging with the brand's loyalty program.

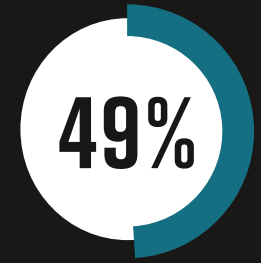
DEFINING VALUE THE SIMPLE WAY: SAVING MONEY

Almost half of consumers cited saving money on travel as what they value the most from their loyalty programs. The number is even higher than last year (49% compared to 43% in 2022). Moreover, saving money and getting more value would encourage consumers to spend more with their loyalty program and interact more frequently. **Sixty-five percent of consumers would engage more with their loyalty programs if offered better discounts.**

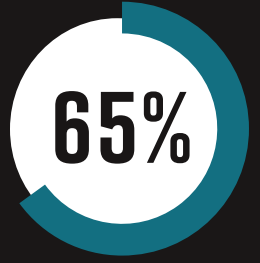
These findings indicate that “deals” and savings still dominate consumers’ thinking when considering how frequently to use their loyalty program, while value (as expressed through reward quality and the ability to use or earn points) drives their decision to spend more.

That said, **younger generations are willing to spend more on travel products or services to gain or maintain loyalty status or earn extra points or perks than older generations.** For example, 29% of Millennials would spend up to 5% more on travel to preserve their status or receive bonus benefits compared to just 8% of Silent Generation respondents and the 25% survey average. Similarly, 26% of Gen Zers would spend between 6% and 10% more, while only 15% of Boomers said the same.

This reflects not only the capacity to defer benefits that might be expected from younger buying cohorts, but also a longer-term perception of loyalty program value among Millennials and Gen Z members that hints at significant potential for increased lifetime value.



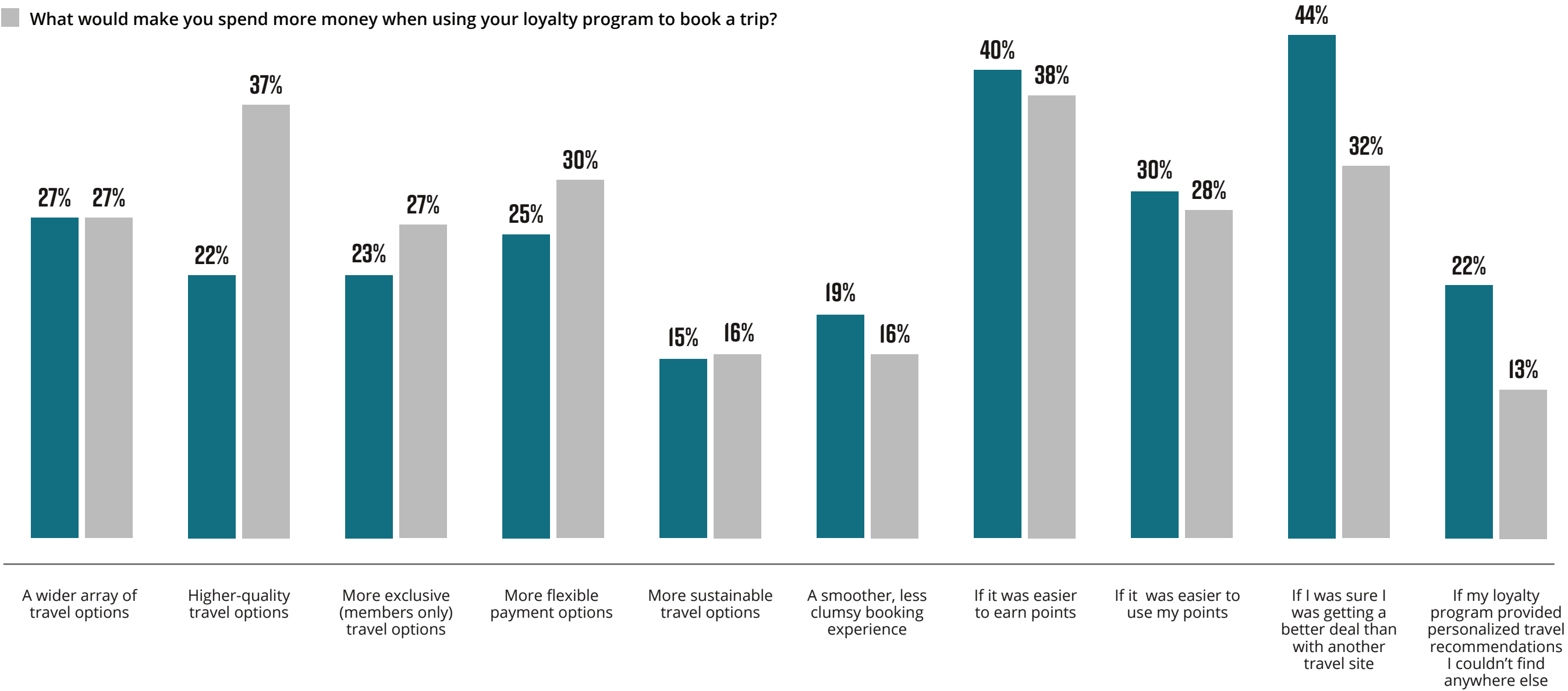
of consumers say saving money on travel is what they value most from their loyalty programs



of consumers would engage more with their loyalty programs if they were offered better discounts

WHAT WOULD MAKE YOU...

- What would make you use your loyalty program to book travel more frequently?
- What would make you spend more money when using your loyalty program to book a trip?



LOYALTY PROGRAMS NEED TO PROVIDE MORE VALUE - AND MAKE SURE THEIR MEMBERS KNOW ABOUT IT

Even if younger program members appreciate the lasting value of their loyalty relationships, **when it comes to travel booking, consumers, in the aggregate, tend to overlook their loyalty programs in favor of more traditional booking channels.** Most travelers book their flights or hotels directly on an airline's (30%) or hotel's (30%) website or through an OTA (30% for flights, 32% for hotels). Loyalty programs favored only about half as frequently.

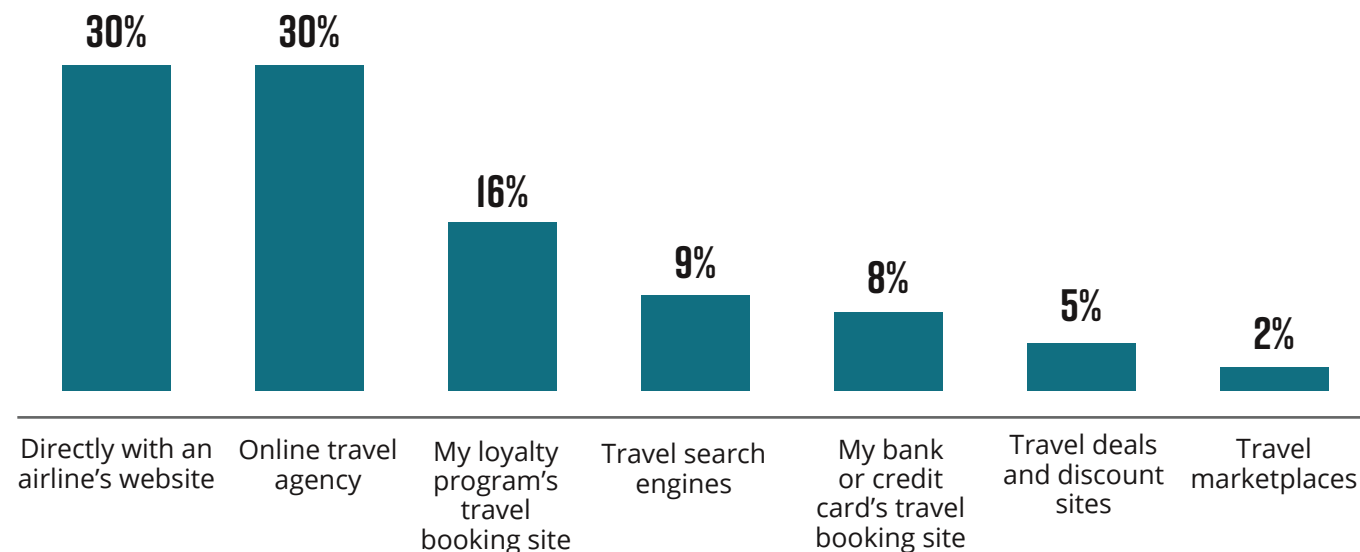
This might seem at odds with the emphasis travel loyalty program members place on the ability to save on travel, something 49% of respondents say they value most about their programs. The reasons they tend not to book through their programs still center on savings and value; travelers want a better deal, and loyalty programs aren't convincing them that they'll find it on their platforms.

TRAVELERS ARE NOT GETTING ENOUGH VALUE FOR THEIR MONEY—OR PERCEIVE THAT THEY WILL—THAN WITH THE ALTERNATIVES

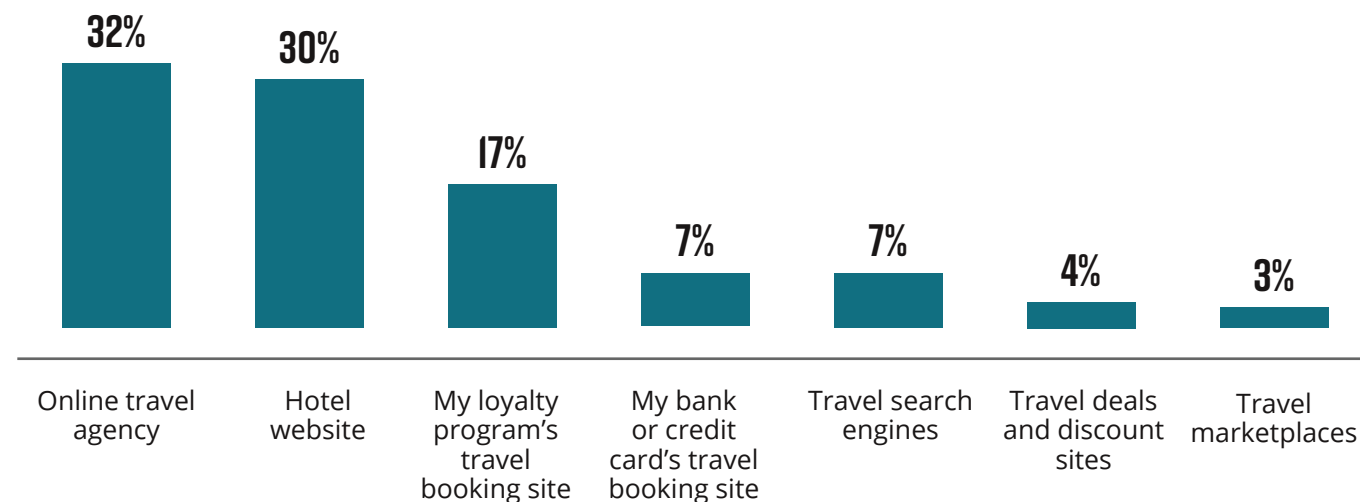
Of the 30% of respondents who typically book their flights through an OTA, 34% said they did so because they believed it offered them the best price or value, compared to only 18% of those who typically book through their loyalty programs.

Loyalty programs have an untapped opportunity to increase engagement with their members and customers by leaning into their value advantage and communicating it to members more effectively. **While consumers turn to their loyalty programs to save money, they would do so more frequently if the right offerings were available, accessible, and easily identified.**

WHAT DO YOU USE MOST TO BOOK YOUR FLIGHT TRAVEL PLANS?



WHAT DO YOU USE MOST TO BOOK HOTEL RESERVATIONS?



EVOLVING BRAND PRIORITIES

If consumers are overwhelmingly clear in their prioritization of extracting value from their loyalty program experiences, brands' goals for their loyalty programs are less unanimously defined. Moreover, their priorities have shifted somewhat since our 2022 survey; as brands have become more accountable for revenue in this economic climate, their loyalty programs' ability to contribute to topline spending has become more important.

Last year, brands placed membership participation and involvement at the top of their priority lists, with 59% saying they were focused on increasing membership and 59% reporting that their top goal was boosting engagement. **In 2023, their goals are more varied, but most are related to providing the customer experience that will drive retention and engagement.** The performance measurement criteria cited most in our survey focus on retention, revenue, and membership growth, all closely related to experience.

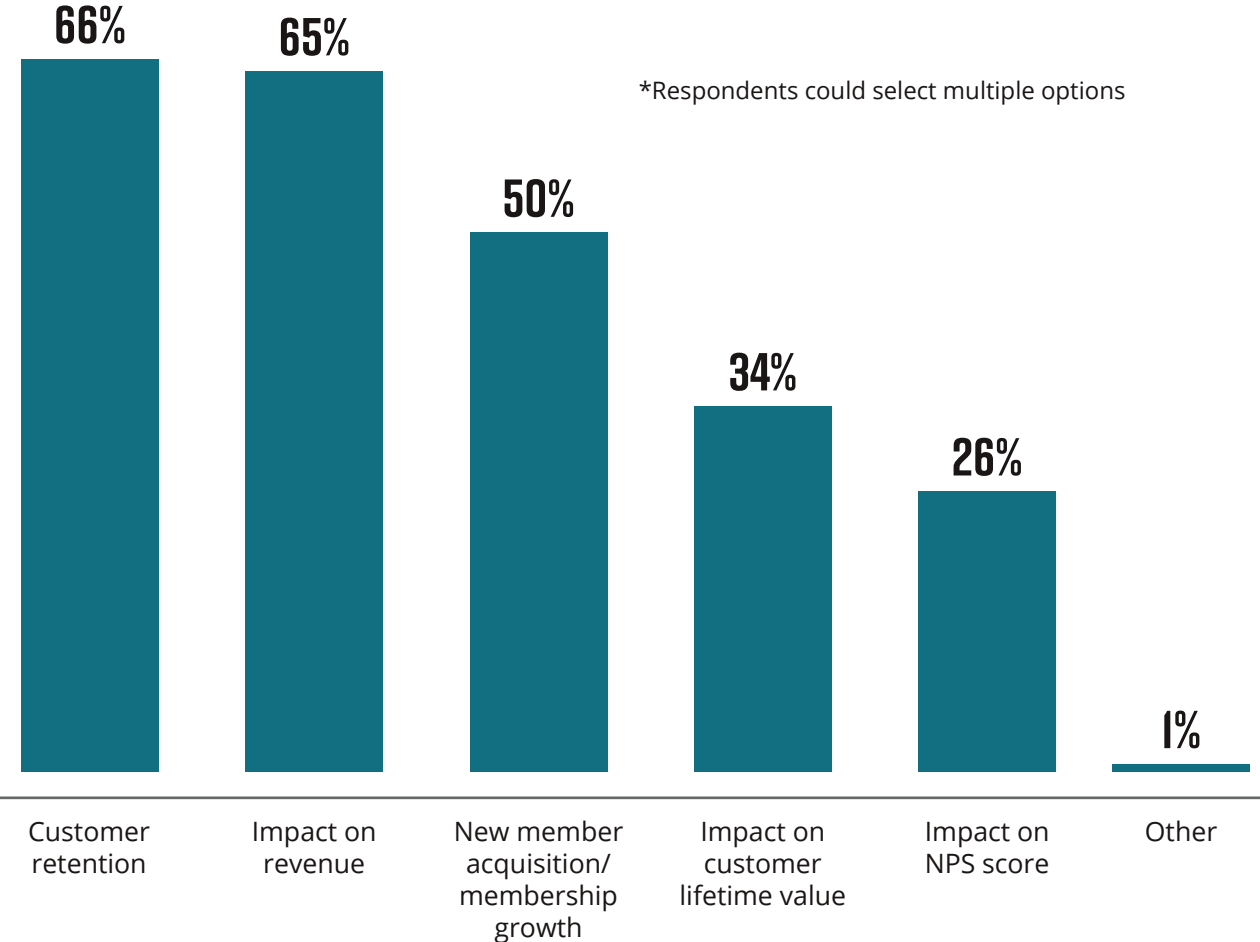
BRANDS PRIORITIZE CUSTOMER EXPERIENCE AS A WAY TO DRIVE MEMBERSHIP ENGAGEMENT

While the goals across the two years seem different, how brands evaluate their loyalty programs' effectiveness echoes last year's results, adding a stronger focus on revenue. Customer retention (66%) was the top measurement goal again this year, while 50% of companies selected membership growth as a KPI of their program's success. However, "impact on revenue," the second-most cited goal at 65%, reflects a stronger focus on delivering financial results.

With similar percentages of respondents measuring their loyalty programs' performance on customer retention and revenue impact, **brands must listen to their consumer base to create better member experiences and close the expectation gap, which will drive engagement and spending.** The good news is that brands have identified loyalty program engagement as a tool for creating value and a critical metric to help them achieve their loyalty program goals.

The good news is that brands have identified loyalty program engagement as a tool for creating value and a critical metric to help them achieve their loyalty program goals. According to our survey, almost half of all companies have prioritized engagement in their investment plans: 48% plan to invest more in engagement capabilities over the next 6-12 months.

HOW DO YOU MEASURE YOUR LOYALTY PROGRAM'S PERFORMANCE?



A NEW VIEW OF THE IDEAL CUSTOMER

Brands are refining their ideal target markets even as they prioritize engagement—or perhaps because of it. **Companies are identifying (and targeting) higher-value bookers, members, and purchasers, moving away from a one-size-fits-all approach.** This is having an impact on loyalty programs’ promotional strategies and inventory choices.

Last year, 44% of surveyed brands reported targeting the general population; in 2023, that number has dropped to only 23%. The percentage of brands targeting luxury audiences increased from 12% to 23%, bringing the total percentage of respondents targeting “luxury” and “high net worth” to 33%, about a third of all companies surveyed. The trend of companies shifting away from a “general public” strategy and realizing the opportunity and value of courting higher-value segments could suggest an increase in higher-priced inventory options. Loyalty program managers must recognize this trend as they forge partnerships with third-party suppliers, develop personalization strategies, and plan discount rewards and benefits. To do this, many brands will need expert help.

A GROWING AWARENESS OF THE NEED FOR LOYALTY EXPERTISE

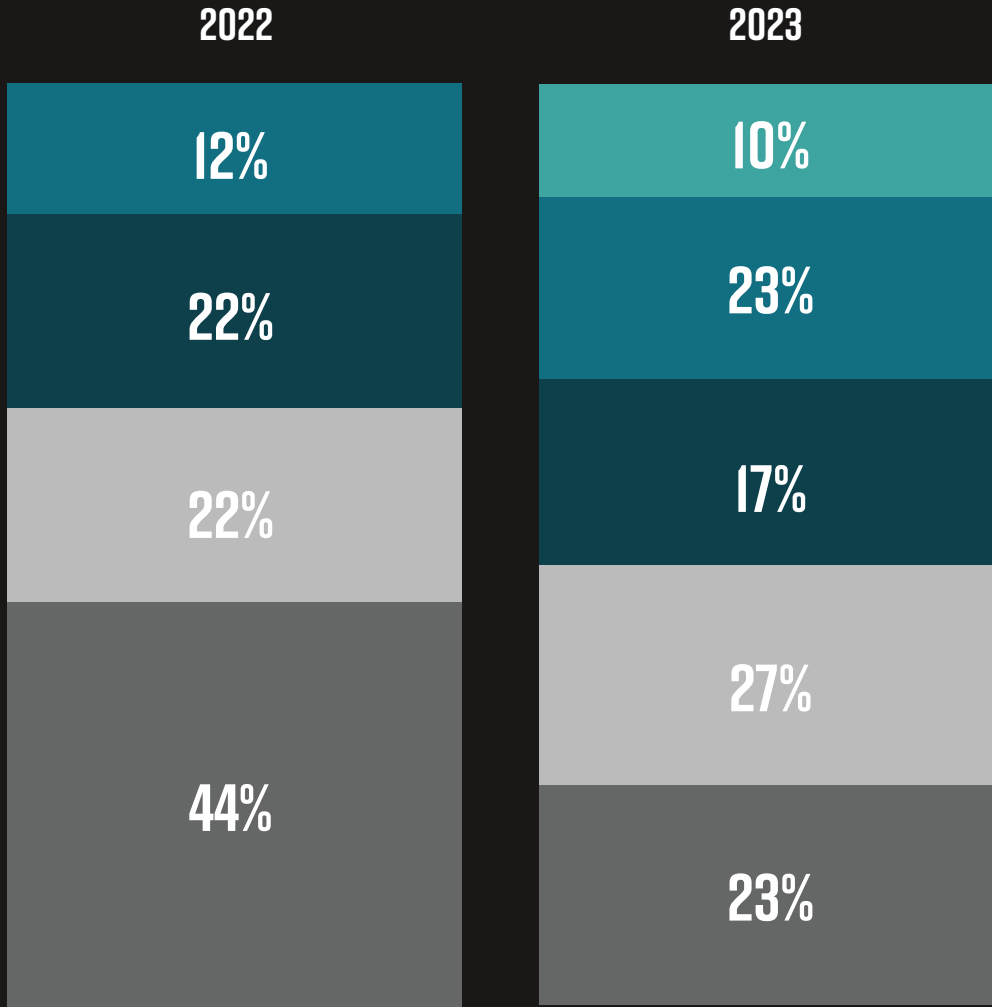
In 2023, we saw brands moving away from developing their own loyalty programs in-house—that number dropped from 67% in 2022 to 37% this year. Similarly, **the percentage of companies contracting with an external provider rose from 22% to 33%, indicating a greater recognition of the need for a good loyalty partner** that can help them maximize return on the program through better tech and an improved strategy.

The brands that sought assistance with developing their loyalty platform or strategy used different vendors, with travel technology solution providers (48%), loyalty platform solution providers (45%), and travel loyalty platform providers (36%) leading the way, suggesting that specific expertise in both travel and loyalty are paramount qualities for technology partners.

This is reflected in the features and capabilities that brands plan to invest in over the next 6-12 months, including engagement features (48%), AI and machine learning (36%), and earning and redemption capabilities (35%). Few brands have the in-house resources necessary to develop their own AI strategies, for example, while only experts in loyalty can deliver technology solutions to improve earning and redemption.

WHAT SEGMENT OF CONSUMERS IS YOUR LOYALTY PROGRAM PRIMARILY LOOKING TO ATTRACT/RETAIN?

- General public
- Gold level/luxury
- Mid-tier spenders
- Value-conscious
- High net worth individual



AN UPDATE ON MEMBER-BRAND DISCONNECTS

Leaning on a technology partner with travel and loyalty expertise could help brands address many of the challenges related to the persistent disconnects between what consumers expect and what brands deliver. Just as in 2022, there remain significant gaps, though in some cases, those gaps are narrowing.

MEMBERS' FIRST CHOICE WHEN BOOKING TRAVEL

This is a crucial metric for travel loyalty programs, as the decision to book on the program's platform impacts per-member spending, engagement, and retention. While consumer opinion holds steady from 2022 (51% of consumers say they go to their loyalty program for travel booking first), 76% of brands think they are their members' first choice for booking travel.

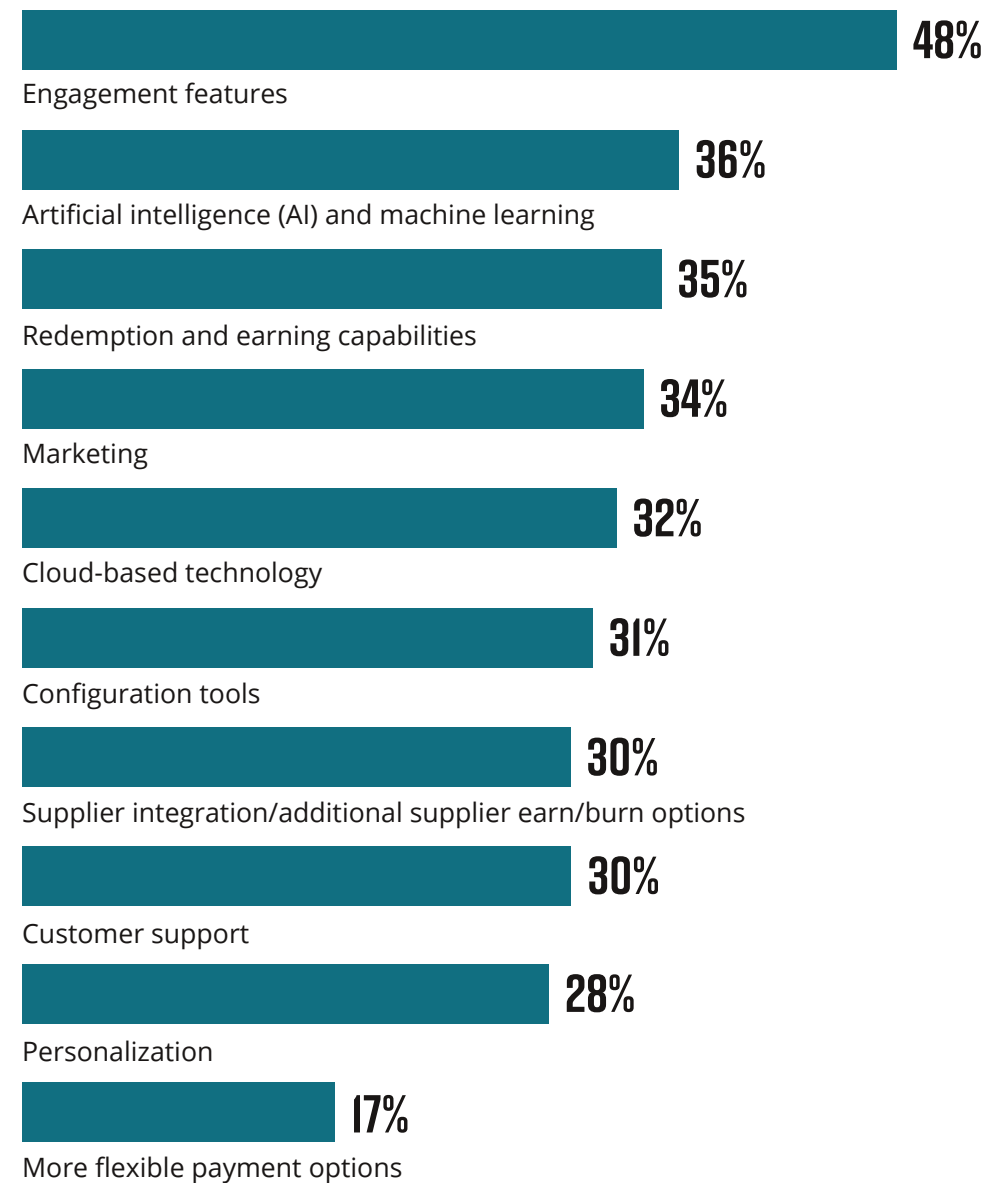
Unfortunately, this disconnect is growing. Even though the 51% figure is consistent year over year, the other survey responses are growing less favorable for loyalty programs. Comparatively, few consumers said they check their loyalty site after going somewhere else first (27%), and a worryingly significant percentage said they rarely use their loyalty program to book travel (13%).

USER EXPERIENCE IS STILL A DISCONNECT

Making a cause-and-effect assumption about a loyalty program being a consumer's first choice when booking travel and their overall experience with that program is impossible, but inferences can be drawn. Sixty-two percent of consumers cited user experience-related issues as the most frustrating part of booking travel through their loyalty program. While this is an improvement over 2022, 84% said this, there is still a massive disconnect because only 15% of brands see user experience as their biggest challenge.

Furthermore, only 25% of brands see outdated user experience as a critical travel-related challenge, and only 30% think that UX is an improvement that should be made on their platform. **Brands are on the pathway to bridging this gap but will need flexible, feature-rich loyalty technology platforms to get there.**

WHAT FEATURES/CAPABILITIES OF YOUR LOYALTY TECHNOLOGY PLATFORM DO YOU PLAN TO INVEST MORE IN OVER THE NEXT 6-12 MONTHS?



PROGRAMS ARE STILL NOT PROVIDING WHAT CONSUMERS VALUE MOST

Comparing responses to similar questions in last year's and this year's surveys also reveals a persistent perceived effectiveness gap when it comes to programs delivering what members value most.

LAST YEAR...

92% of providers said their loyalty program effectively meets their members' needs

52% of consumers believe their loyalty program delivers what they value most

THIS YEAR...

34% of consumers rated their programs a 5 or 6 (out of 10) for being effective at delivering what they value most

39% of consumers rated their programs a 7 or 8 (on a scale of 10) for being effective at delivering what they value most

▶ Accounting for the difference in question construction, that's an improvement, but loyalty providers still have a long way to go.

A NEW DISCONNECT: THE IMPORTANCE OF SAVING MONEY

In the current economic climate, it's perhaps unsurprising that a value-related disconnect would emerge. This disconnect is neatly encapsulated in two survey findings: **49% of consumers say saving money on travel is what they value most in their loyalty program. Yet only 14% of providers say their biggest challenge is providing rewards that customers find valuable.** As consumers prioritize value, this is the most critical disconnect for loyalty program providers to address.

MEMBER-BRAND DISCONNECTS IN 2024

LOYALTY PROVIDERS

76% believe they are their members' first choice when booking travel

15% of brands see user experience as their biggest challenge

14% of providers say their biggest challenge is providing rewards that customers find valuable

CONSUMERS

51% visit their loyalty program website first

62% of consumers cited user experience-related issues as the most frustrating part of booking travel within their loyalty program

49% of consumers say saving money on travel is what they value most in their loyalty program

HOW TO CREATE A BETTER LOYALTY EXPERIENCE THAT DRIVES MORE VALUE

The good news is that the data indicates that creating a richer, more customized loyalty experience that aligns with members' priorities is the key to unlocking value—and bridging many of the expectation gaps outlined above. According to our survey, **four key areas significantly impact the loyalty program experience: sustainability, lifestyle rewards, personalization, and fintech tools.**

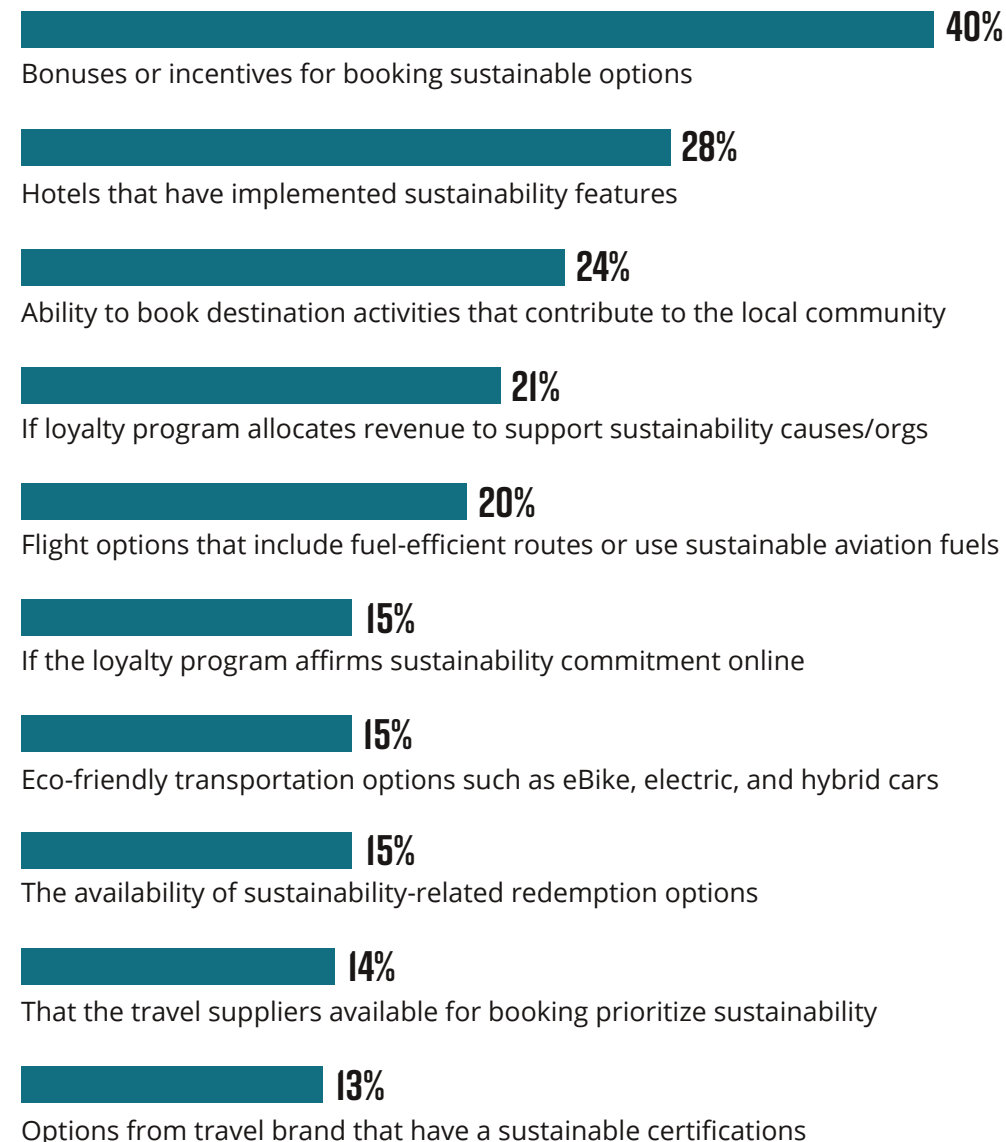
SUSTAINABILITY: ALIGNING THE BRAND WITH CUSTOMERS' VALUES

Brands are in sync with consumers on the importance of sustainability in the travel loyalty experience. Survey data shows that brands have increased their sustainability offerings, with 62% offering bonuses and incentives for booking sustainable options and 60% planning to invest more in sustainable redemption options—both significant increases over 2022. Consumers likewise favor sustainability, with 55% saying they would choose one loyalty program over another if it prioritized sustainability. More than half (53%) of consumers say that the importance of sustainability has increased significantly or somewhat over the past three years.

AS A RESULT, 60% OF BRANDS SAW REDUCED CHURN AND INCREASED RETENTION AFTER IMPLEMENTING SUSTAINABILITY INITIATIVES.

This shows that sustainability—which has long been considered a nice-to-have offering—has a real and measurable impact not only on the loyalty program experience from the member's perspective but also on loyalty program performance—considering how big a factor sustainability is for younger generations (65% of Millennials and 69% of Gen Zers said the importance of sustainability has increased “a lot” or “somewhat” in the last three years, compared to the 54% survey average), the ability to offer sustainable rewards is a vitally important capability for loyalty programs to invest in.

WHICH OF THE FOLLOWING SUSTAINABILITY FEATURES WOULD MAKE YOU MORE LIKELY TO BOOK OR MAKE A PURCHASE THROUGH YOUR LOYALTY PROGRAM?



LIFESTYLE REWARDS: STRENGTHEN THE CUSTOMER-BRAND RELATIONSHIP

Just as sustainable rewards demonstrate a brand's alignment with members' values, lifestyle rewards enable loyalty programs to deepen customer relationships in and out of the travel experience. This is why 75% of companies said lifestyle rewards represent 11%-30% of all redemptions.

Consumers prefer lifestyle rewards that enhance their travel experience, like dining, tours, and activities, though a wider variety of lifestyle rewards that can offer value at home are becoming available. According to our survey, loyalty programs provide a more robust mix of rewards related to eating in rather than dining out, like food delivery (52%) and grocery rewards (44%), perhaps reflecting economic conditions.

CONSUMERS PREFER LIFESTYLE REWARDS THAT ENHANCE THEIR TRAVEL EXPERIENCE

Looking to the future, **brands are listening to their consumers and investing in destination activities and other rewards that complement the travel experience.** A plurality of companies (36%) are planning to invest in tours and activities over the next 6-12 months (compared to 15% in 2022), and 30%

plan to invest in dining reward options, up from 18% in the prior year, as well as live events (22%, up from 14% in 2022).

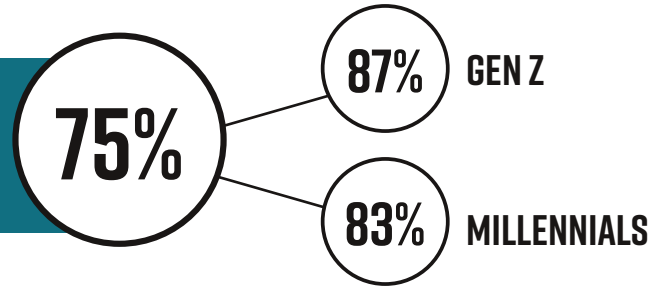
PERSONALIZATION: CREATING THE EXACT EXPERIENCE THE CUSTOMER WANTS

Consumers want personalized offers and believe they will benefit from them, with 75% of respondents (including 87% of Gen Z and 83% of Millennials) saying that receiving more personalized offers would help them save money. Exactly half—50%—of respondents feel that receiving personalized offers is extremely or very important, indicating that more widely integrated personalization can be a growth driver for loyalty programs.

WHICH LIFESTYLE REWARDS DO YOU PLAN ON INTRODUCING INTO YOUR REWARDS PORTFOLIO WITHIN THE NEXT 6-12 MONTHS?



75% of U.S. consumers think receiving more personalized offers will help them save money



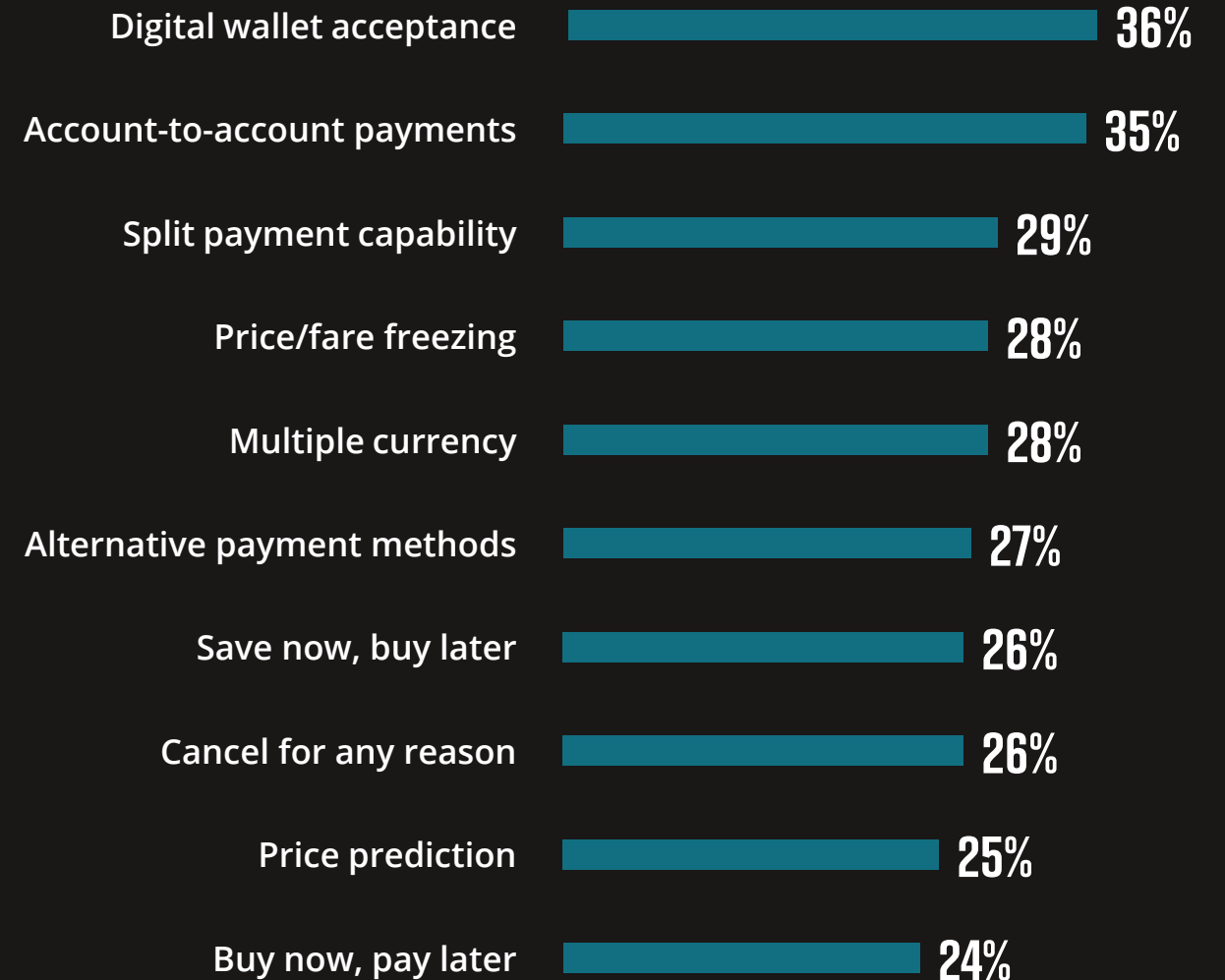
But brands need the technological capabilities to enable and improve personalization—in the booking path, retargeting, and post-booking marketing. By and large, brands still aren't offering dynamically personalized content within the booking experience or tailoring options presented to users based on historical booking/browsing behaviors or preferences. As 57% of consumers report planning travel between 2 and 6 months in advance, loyalty programs can boost revenue by leveraging the time between booking and travel dates to deliver personalized offers to their members.

FINTECH TOOLS AND PAYMENT OPTIONS: MAKING TRAVEL MORE ATTAINABLE

This is another area where brands and consumers are well-aligned. **Consistent with the new economic and inflation reality, most consumers favor fintech tools that make their trip more affordable or take the risk out of purchasing travel, and loyalty programs are delivering them.** Top fintech options identified by consumers include cancel for any reason (34%), price alerts (30%), price-drop guarantees (26%) and Buy Now, Pay Later (25%). Almost three-quarters (73%) of consumers say the availability of more fintech tools would increase the likelihood of booking travel with their loyalty program (up from 70% last year).

In response to these trends, brands are investing in many payment methods, such as digital wallet acceptance and account-to-account payments, as well as the popular fintech tools with consumers. For example, in 2022, 19% of companies planned to invest in price/fare freezing tools; in 2023, 28% of companies plan to invest.

WHAT TYPES OF FINTECH TOOLS WILL YOUR ORGANIZATION BE INVESTING IN WITHIN THE NEXT 6-12 MONTHS?



BUILDING LOYALTY IN A VALUE ECONOMY

The unique confluence of sustained travel demand, rising prices, and an increased emphasis on value among consumers means that travel loyalty programs have a tremendous opportunity as 2024 unfolds. Consumers have overwhelmingly indicated that saving money is their top priority, and loyalty programs are in the ideal position to deliver on this demand.

The fact that just over half of consumers make their loyalty programs their first choice when booking travel signals great potential for growth if brands can communicate their value proposition more effectively and create the positive, personalized loyalty experience members expect.

Brands are already adopting the strategies and investing in the technology they need to create better experiences and deliver more value. However, they still have a way to go before fully meeting members' expectations; they can close that gap by identifying and partnering with technology providers offering travel and loyalty expertise.

Most importantly, by investing in loyalty platforms that offer flexibility, configurability, personalization capabilities, and a wide variety of lifestyle rewards that complement the travel experience, brands can accelerate the maturity of their loyalty programs and better seize the opportunities arising from the value economy. Those that do will be setting themselves up for success not only in 2024, but also over the life of their customers' relationship with the brand.

TO LEARN HOW ISEATZ CAN HELP YOUR LOYALTY PROGRAM DELIVER MORE TO YOUR MEMBERS, [CONTACT US HERE.](#)



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