AN ANALYSIS OF HOTEL LOYALTY PROGRAMS:
A CASE STUDY ON THE HILTON HHONORS LOYALTY PROGRAM

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PROJECT: AN ANALYSIS OF HOTEL LOYALTY PROGRAMS: A CASE STUDY ON THE HILTON HHONORS LOYALTY PROGRAM

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ABSTRACT

A guest loyalty program is an important tool for hotels to reach and connect with guests, gain strong guest loyalty, and encourage repeat patronage. Present literature indicates that loyalty programs have a positive impact on a hotel’s profitability, consumers’ positive word of mouth, and guest engagement. The majority of hotel loyalty programs tends to encourage consumers’ commitments through rewards, which consequently leads to long-term benefits for both hotels and guests. However, the overabundance of loyalty programs in the hotel industry makes it difficult for hotel operators to gain exclusive loyalty from their guests. By examining the fundamental values that make up a successful guest loyalty program, including psychological, functional, externality and financial values, the Hilton HHonors attributes will be assessed in accordance to the four perceived value framework. This study evaluates the specific values that exist within the Hilton HHonors loyalty program, analyzes its strengths and weaknesses, and proposes improvement strategies for the program in order to increase active guest loyalty and gain a stronger competitive advantage in the hotel industry.
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CHAPTER 1: Introduction

Loyalty programs were established with reference to the Pareto principle, one of the most powerful management tools established by economist Vilfredo Parteo, which states that the top 20% of customers generate 80% of total revenue (Charania, 2011). This is one of the reasons that companies are placing a growing importance on enhancing their relationships with the most frequent and valued guests. One of the best-known applications of loyalty programs began in the 1980s when American Airlines introduced its frequent flyer programs (O’Malley, 1998). In an effort to increase profit and gain positive recognition, American Airlines created their program in order to gain a larger share of loyal customers who chose to fly with their airline rather than their competitors. Since then, the hotel industry has adopted the concept into their own businesses. Hotel loyalty programs, therefore, began as a strategy to build engagement with the most valued guests while simultaneously gaining a larger share of a member’s business (Watkins, 2013). Today, hotels use loyalty programs to build a strong brand image by offering guests incentives for repeat business, such as complimentary upgrades to suites, free breakfast, bonus points on every stay, access to the executive lounge for elite members, etc.

A good hotel loyalty program has the opportunity to change a business into a “home away from home.” Guest loyalty programs are the bridge between the guest and the hotel; they are the platform for communication, personal connections, and long-term relationships between members and the brand. Attaining loyal customers cannot simply occur by satisfying them, but by also going the extra mile and delighting them (Laškarin, 2013). Hotel staff should make an effort to awe and delight their guests because this
approach will have a big affect on customer return, positive word of mouth, and overall hotel market growth and expansion. By identifying the most essential needs, habits, and desires of their guests, hotel owners offer guests a more personable visit, thus distinguishing their brand from others while simultaneously increasing their market shares. Loyalty programs add a personal touch by keeping track of members’ requests and preferences on a database called Customer Relationship Management. For example, when a guest signs up for a loyalty program, their preferences of “High-floor” or “Low-floor”, their choice of “King” or “Queen” room type, and details about how many times they have stayed within the brand are all recorded in member profiles. Any additional detailed specifications can also be recorded by employees and recorded in member profiles to add a personal touch.

Loyalty programs are designed to appeal to guests on functional, psychological, externality, financial levels through ease of use, emotional connectivity, partnerships with other companies, and easy point accumulation and redemption to increase repeat patronage (Xie, 2014). Loyalty programs save members money through accumulated points, earning certain privileges that the average non-member would not have access to, and making them feel more valued while benefiting the hotel’s overall success. Loyalty programs are also designed and rated differently depending on the evaluation of the program. For example, Xie et al. (2015) identified five elements that determine a program’s value from a guest’s perspective including: cash value (value of the rewards), choice of redemption options, relevance (likelihood to achieve rewards), psychological benefits, and convenience. Recognizing what values encourage guests to join a loyalty program is important to the initial invitation of enrolling a guest as a member to a hotel
brand. More importantly, a company needs to have a program structured in a way that retains its current guests while encouraging them to continue returning to the hotel brand. By studying the value dimensions that exist within loyalty programs and identifying the strengths and weaknesses, hoteliers can craft a more valuable loyalty program structure that increases appeal and reduces the likelihood of guests switching to other loyalty programs (Liu & Yang 2009).

**Problem Statement and Research Question:**

Loyalty programs exist everywhere: local coffee shops, gas stations, retail stores, major hotels, and global airlines. The overabundance of reward programs in the hotel market however, makes it difficult for managers to create and foster active loyalty. Active loyalty to a brand exists when a guest is committed to staying with a certain brand and will spend most of his or her time and money there. Clients who are actively loyal are, as Xie (2014) states, “likely to recommend hotel rewards to others, willing to pay more to stay in a reward programs hotel even when other hotels charge less, and frequently using reward programs to make reservations, accumulate points, and redeem rewards” (p. 115). A main concern regarding the multitude of loyalty programs is that it creates a large number of inactive members. One of the major problems hotels find within their loyalty programs are the low levels of active member engagement (Ferguson and Hlavinka, 2007) and non-active memberships (“zombie” memberships). In fact, the 2011 COLLOQUY report states that although the number of loyalty memberships in the U.S. exceeded 2 billion, in that year alone with more than 18 memberships per household, only less than half of the loyalty program memberships were active (Hlavinka and Sullivan, 2011). That is, “more than half of all
loyalty memberships have not demonstrated any activity in a 12-month period” (Clark, 2013, p. 573). Inactive memberships are a crucial issue that affects the return rate and active loyalty of guests within hotel loyalty programs. When customers become indifferent to various hotel reward programs and as companies begin to buy customer loyalty by offering more perks, loyalty programs have the potential to turn into a dispensable and ineffective burden on the industry. Take for instance the process of membership enrollment; since most hotels do not charge for enrollment, guests tend to sign up for multiple loyalty programs. As a result, it is possible that customers will be mute-brand loyal for a wide range of services and products, because of the plethora of reward programs that guests join (Dowling and Uncles, 1997). This makes it more critical for companies to offer strategically valuable reward programs to their members.

This study focuses on the Hilton’s HHonors loyalty program and analyzes the program’s attributes according to an established four-value framework. By conducting a thorough literature review, this research study first outlines the functional, psychological, externality, and financial, value factors that guests consider when choosing to commit to a hotel loyalty program. Then, the different components of Hilton’s loyalty program are directly matched onto the identified factors within the four-value framework. What are the most significant values and components that members seek in loyalty programs? 2) Based on the identified value framework, what are the strength and weakness of the HHonors program? 3) How can those weaknesses be improved to offer a more valuable program to loyalty members? This study aims to address these questions and provide suggestions in order to help improve the HHonors loyalty program.
CHAPTER 2: Literature Review

Oliver (1999) defines loyalty as “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future” (p. 34). For a guest to be able to become and remain loyal, he or she must believe that a firm’s product continues to offer the greatest choice alternative (Oliver, 1999). Tanford et al. (2011) build on Oliver’s (1999) definition of loyalty by extending that commitment is “characterized in a variety of ways including emotional, continuance or obligation, and value-driven benefits” (p. 280). This concept of commitment echoes Xie (2014)’s loyalty program framework. Xie (2014) identifies core values crucial to the building of a successful loyalty program and categorizes them into a four value framework which includes functional value, psychological value, externality value, and financial value. These values established by Xie (2015) evaluate loyalty programs from the perspective of the customer, predicting not only their needs but also possible incentives gifted through the rewards program. Other researchers that have identified significant factors in hotel loyalty programs that relate with Xie’s values are Babin & Burns, 1998; O’Brien & Jones, 1991; Dowling & Uncles, 1997). For example, in an issue published on Harvard Business Review about what kind of rewards are effective in loyalty programs, O’Brien and Jones, (1995) found that customers prefer rewards programs with cash value, relevance, choice, aspirational value, and convenience.

Well-established guest loyalty programs benefit not only the guests but also the hotel. From a psychological standpoint, guests are encouraged to join hotel brands that reward them for their continued hotel stays. The consequential benefits they experience
act as a form of positive reinforcement and conditions their sense of loyalty to the brand. In return, the hotel increases patronage and overall profitability, resulting in overall customer and business satisfaction. Active loyalty is vital to a company because “customers may hold multiple hotel loyalty programs” (Clark 2014, p. 585). In order to attract business and increase the number of returning guests and active loyalty, it is important to analyze what customers value in loyalty programs and have a well-designed effective program that caters to those needs. Companies must find ways to share value with customers in proportion to the value the customers’ loyalty creates for the company (O’Brien and Jones, 1995). Xie (2014) developed the four values and concluded that program offerings should include both tangibles and intangibles. Xie (2014) identified functional, psychological, externality, and financial values as the 4-value framework to assess loyalty programs through research found by Kim. et al (2003) which found that: “enrollment bonus, cash value of the reward points, point expiration policy, ability to pool miles and points, range of reward choices, points for purchase, reward transfer ability, and an affinity with other credit cards” are all important elements in loyalty programs (Kim et al., 2013; Xie, 2014, p. 110).

In this section of the paper, Xie’s four identified values that impact guest loyalty will be discussed.

**Functional Value:**

According to Xie (2014), functional value is defined by eight different attributes:

1. “Easy to achieve reward redemption,
2. Reasonable rewards for what I spend
3. Easy to understand the reward program,
4. No processing fee for reward transfer,
5. Points I have accumulated never expire
6. Many reward redemption possibilities,
7. No blackout dates to redeem nights, and
8. Many reward options” (p. 115).

All of the factors that Xie (2015) identified as important attributes that guests consider when evaluating a loyalty program’s value, functionality, and benefits.

The literature also reveals that most guests look for loyalty programs that are convenient, easy to use, and have flexible terms and conditions (Xie et al., 2015; Dowling and Uncles, 1997). Xie (2014) explicitly states that “the value of loyalty programs is delivered through a number of vehicles, including convenience of use” (p. 110).

Functionality and convenience, therefore, are key characteristics when building loyalty programs. Jang and Mattila, (2015) state that “although savings is the most sought-after benefit, intangible benefits such as quality and convenience also receive high ratings” (p. 402). Guests seek convenience when they travel and prefer to use programs that are easy to understand (Xie, 2105, p. 115). Essentially, unclear points structures and other complications may lead guests to switch to a different loyalty program, which would be detrimental for the hotels and their profits (Wirtz et al., 2007).

Further research discoveries by Charania (2011) find that the higher the level of flexibility incorporated in hotel loyalty programs, the more value consumers will derive from the program. Flexibility relates to most of Xie’s (2015) factors and includes the option of having several reward redemption possibilities. Flexibility with accessing rewards in a simple and easy way is a very favorable component that members seek in
reward programs. Guests also value and appreciate the ability to purchase points in loyalty programs, and may switch brands or join other reward programs if the loyalty program does not offer that option to members (Clark, 2014). Most guests want the option of purchasing points because they may not have enough points accumulated in their profile to use for a free night or other reward option, and that limits their redemption possibilities. The more opportunities to redeem points, the more valuable the program is for members.

The point accumulation system also factors into how programs are valued through the eyes of the customers. When a guest earns points for staying at a certain brand hotel, one of their incentives to return to the hotel is to accumulate enough points with the same brand and eventually earn a free night stay. When guests invest enough of their time and money into staying at a certain hotel, they are encouraged to return to the same brand because of the redemption opportunities gained through point accumulation. The system itself secures customers even despite the fact that the customers may not be truly loyal. This concept is referred to as “the sunk-cost fallacy,” which happens when customers continue returning to a business because they focus on the amount of points they have already accumulated. Hence, “they become locked into the program and continued interaction regardless whether or not they may not feel truly (attitudinally) loyal” (Keiningham et al., 2005, p.119). A reasonably valuable point system therefore allows members to earn bonus points and redeem their points in various ways.

**Psychological Value:**

Psychological value entails six different factors including:
1. “Proud of being a member,
2. Availability of special rewards,
3. Easy to upgrade to higher elite level,
4. Privileges offered at an elite level,
5. Special promotions available only to members, and

According to Johnson (2011) behavioral psychologists found that over 70% of consumer loyalty and spending decisions are based on emotional factors and only 30% of human decisions and behaviors are actually driven by rational considerations. This explains why customers embrace loyalty programs that reward them in non-traditional, experiential ways. Psychological values in hotel guest loyalty programs that make members feel connected to the brand are important variables to the satisfaction and maintenance of loyal members. For examples, in harmony with Xie’s factor of “availability of special rewards” available to members, Johnson (2011) also discusses that “not only do experiences appeal to customers on an emotional level, but attaining something (a reward) that they would not otherwise get without the assistance of your brand helps forge a stronger, more emotional connection to the brand, and this emotional connection is the pinnacle of customer loyalty” (Johnson, 2011, p. 1).

As discussed by Hughes (1998), price alone does not build a connection with the hotel; rather, it is the sum of important elements which include recognition, service, information, helpfulness, friendly employees, and brand identity. By providing optimal service, showing helpfulness, and increasing recognition to hotel guests, the hotel can build a better connection between them and their clients. Additional examples of strong
psychological benefits that Xie et al. (2015) discuss include soft rewards, such as special treatment, recognition, appreciation, a sense of belonging, preferential access to special parties, and special customer-support phone numbers. Perceived as more valuable and effective, these benefits enrich psychological value and prevent guests from switching from the existing hotel loyalty program to an alternative reward program.

Psychological value also includes soft benefits, or intangible, and emotional and recognition aspects (Harris, 2000). Given the multiple options of loyalty programs and brands, Xie & Chen (2014) also note that “program differentiation is essential to the structuring of a loyalty program unique to its specific brand” (p.120). At the core of loyalty programs, it is important to recognize that a guest’s growing psychological response to the hotel brand builds the loyalty that companies require to remain competitive and thrive in business. Xie and Chen (2013) claim that psychological values such as higher membership status, higher recognition than nonmembers, and easy upgrades drive active guest loyalty. All of these factors exist within most hotels; however, marketers and managers do not always have the best methods of implementing these practices into their loyalty program.

Hotels are focusing more on providing recognition, distinct experiences, and great service to frequent guests rather than on strictly offering free room night rewards (Watkins 2013). Good service and diverse experiences are especially important to loyalty members, and reward programs offer ways for hotels to enhance guest engagement and active loyal behavior. A big portion of psychological value in guest loyalty programs exists by storing pertinent customer information in a systematic database called Customer Relationship Management (CRM). CRM is a comprehensive strategy which involves the
process of acquiring, retaining, and partnering with selective customers to create superior value for both the customer and the company (Xie and Chen, 2013). Hotels use CRM reports on a daily basis to track membership behavior and closely service valued guests. As discussed by Watkins (2013), the evolution of loyalty will move towards recognition, asking and answering the following questions: who is the guest, what do they like, and what are their preferences? CRM helps hotel staff keep records of the number of guest stays at properties, individual preferences, and favorite items in a profile for all hotel properties within the same brand to refer to every time a loyalty member returns back to the property. Additionally, Fournier and Alvarez (2011) provide ample evidence that supports the importance of understanding the consumer's personality, motives, and intentions in order to effectively understand their interactions and encourage loyalty to a brand (Baumgartner, 2002; Swaminathan et al., 2009). Understanding a guests’ personalities and preferences in order to look for ways to delight them further is very important because it forms an emotional connection and builds commitment between the guest to the hotel.

Typically, guests are concerned with their place within a loyalty program and how their membership level compares to other members within the program The tier structure and number of tiers is an important factor within loyalty programs that affects guest perception. In a study conducted on the most effective loyalty program structures, Duffy (1998) found that “three tiers are preferred to two, one and four tiers” (p. 8). Hotel loyalty programs are increasingly separating their guests based on their levels of commitment and spending by creating well defined classes or tiers that help members identify what benefits—both tangible and intangible—they are entitled to. A member’s level of status,
whether it is Blue, Silver, Gold, or Diamond, depends on his or her purchase behavior; the more the customers buy, the higher they climb (Drèze and Nunes, 2009). This means that more the guest spends at a hotel brand, the higher in status he or she is, and the more personal the service is from hotel staff members. Because higher status elite members have a longer history with the hotel, they experience more personalized interactions with the hotel and hotel staff. Their status directly reflects a strong and consistent purchasing behavior; the more commitment they have, the better the privileges they receive. “Once guests qualify for a certain tier, they are notified and treated according to their tier status” (Kopalle et al., 2011, p. 4). After members have stayed a required number of nights or have accumulated enough points, they move up through the tier ladder, receive email updates, and even new membership cards in the mail with the new status label which comes with added privileges at properties. Tanford et al. (2011) also reveal that higher-tier reward members report more affective commitment and emotional attachment to the brand than lower-tier members or nonmembers. For this reason, many high-status members prefer to stay at a recognized hotel brands because of their emotional connection with the hotel.

Externality Value:

Externality value involves:

1. “Partnerships with my airline frequent flier programs

2. Ability to combine hotel points and airline miles,

3. Ability to transfer points to someone I know” (Xie, 2014, p 115).

Externality is also defined as “the benefit transmitted through external parties in a
fashion of partnership or point pooling” (Xie, 2014, p. 112; Kim et al. 2003). Externality includes the concept and practice of cross-branding recognition. This concept means that a company can benefit from the brand recognition of other well-recognized companies through affiliation with a common loyalty program. For example, if a customer sees the American Airlines, DirecTV, or Enterprise program logos in an advertisement of a loyalty program, there is an automatic brand recognition of the program; this brand recognition increases the appeal and likelihood of a customer to join a hotel’s loyalty program due to the trust and positive association that members associate with the co-branded companies. Cross-branding benefits both companies and helps bring business to the hotel due to the fact that the guests have more ways to redeem points.

Partnerships with other businesses and organizations can increase point collection opportunities for customers and improve their loyalty to the program (Hanover, 2011). When guests are in loyalty programs that are partnered with other companies, it allows them to earn benefits that would be economically out of reach within the context of a single-vendor program (Cigliano et al., 2000; Uncles, 1994). This means that guests are given the opportunity to earn points and discounts for both the hotel and the associated company that would not have occurred otherwise in another hotel setting which is not partnered with other companies. Next, the final value in Xie’s four value framework will be discussed.

Financial Value:

Financial value is defined by:

1. “Partnerships with credit cards which give me more opportunities to earn points,
2. Affiliated with my credit cards” (Xie, 2014, p. 115).

The partnerships that credit cards have with the hotel makes the program more valuable for members because they have opportunities to earn points on their credit cards on everyday purchases, which helps members redeem rewards quicker. Guests also perceive loyalty programs as valuable for other various reasons. One important reason is the financial value that a program adds to a guest in terms of saving money and getting more out of hotel stays through points, rewards, pricing, and gift incentives. Tangible gifts add financial value to loyalty programs and motivate guests to stay with the brand. Guests prefer to redeem their points more frequently because they want to see that their stays with a certain brand hotel and the points that they accumulate are paying off financially (Gillies et al. 2010). In a study conducted by O’Brien & Jones (1995) on what types of rewards create loyalty, rewards linked to a charge card or credit card were found to have a clear financial and convenience advantage because neither the customer nor the company needs to apply any additional effort. “Another advantage is that customers can accumulate rewards in a single program based on all their card spending” (O’Brien & Jones, 1995). These findings are parallel with financial benefits that Xie (2015) identified.

All of the values in Xie’s framework are significant components of perceived value in loyalty programs. The values include a comprehensive set of factors that involve convenience, flexible terms and conditions, privileges offered for members and higher guest engagement, point pooling abilities with hotel and airlines, and economic benefits associated with external credit cards. These values work together to provide a more appealing program to members.
Although some people may think that financial value holds the most importance and incentive for guests to be active members in a loyalty program, research suggests that guests are more appreciative of a combination of factors including convenience, enhanced recognition, emotional attachment, added opportunities to earn rewards for both hotel and airlines, and are affiliated with major credit cards that allow members to earn points on everyday purchases. Please see Figure 1 below. In the next section, Hilton’s company and membership benefits will be introduced and explained.

**Figure 1- Xie (2014)’s Four Value Framework (p. 115):**

<table>
<thead>
<tr>
<th>Functional value:</th>
<th>Psychological value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>FV1. Easy to achieve reward redemption</td>
<td>PV1. Proud of being a member</td>
</tr>
<tr>
<td>FV2. Reasonable rewards for what I spend</td>
<td>PV2. Availability of special rewards (e.g. a luxury spa treatment, a cruise trip, etc.)</td>
</tr>
<tr>
<td>FV3. Easy to understand the reward program</td>
<td>PV3. Easy to upgrade to a higher elite level</td>
</tr>
<tr>
<td>FV4. No processing fee for reward transfer</td>
<td>PV4. Privileges offered at an elite level</td>
</tr>
<tr>
<td>FV5. Points I have accumulated never expire</td>
<td>PV5. Special promotions available only to members</td>
</tr>
<tr>
<td>FV7. No blackout dates to redeem free nights</td>
<td></td>
</tr>
<tr>
<td>FV8. Many reward options</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Externality value:</th>
<th>Financial value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EV1. Partnerships with my airline frequent flier programs</td>
<td>FV1. Partnerships with credit cards which give me opportunities to earn points</td>
</tr>
<tr>
<td>EV2. Ability to combine hotel points and airline miles</td>
<td>FV2. Affiliated with my credit cards.</td>
</tr>
<tr>
<td>EV3. Ability to transfer points to someone I know</td>
<td></td>
</tr>
</tbody>
</table>
Background of Hilton Worldwide and the HHonors Loyalty Program:

Mr. Conrad Hilton, entrepreneur and founder of Hilton hotels in 1919 (Hilton Worldwide, 2016), is one of the leading figures who changed the hospitality industry with one vision: “To fill the earth with the light and warmth of hospitality” (Hilton Worldwide, 2016). Hilton Worldwide is a global hospitality company that inspires people to “Travel with Purpose” (Hilton Worldwide, 2016) and stands with the values and belief that “we can use our passion for hospitality to make a lasting, positive difference in people’s lives and the wider world” (Hilton Worldwide, 2016). With the creation of the HHonors loyalty program, it makes it possible to track and share guest profiles, recovery information, and unique preferences across the entire portfolio (Hilton Worldwide, 2016), while simultaneously making it possible for guests to travel globally and become recognized for all of their business. Created in 1987, HHonors began as an "Instant Win" scratch-off promotion tied to the United States Olympic Team sponsorship honoring Olympians past and present. HHonors was also the award-winning guest-loyalty program for Hilton Worldwide's 13 distinct hotel brands and now offers over 52 million members more ways to earn and redeem points (Hilton Worldwide, 2016). In 1995, American Express and Hilton HHonors announced the Hilton Family's first hotel program co-brand credit card, allowing card members to earn HHonors bonus points for their everyday spending (Hilton Worldwide, 2016). Hilton provides authentic and contemporary experiences for their guests worldwide and volunteers in global community projects to improve the lives of young people at over 1,500 communities as part of their Global Month of Service every year. Hilton HHonors allows members to transform accumulated points into memories and unforgettable experiences (Hilton Worldwide, 2016).
Within the Hilton company, there are 13 world-class brands with 4,660 hotels in 102 countries including: Waldorf Astoria, Conrad Hotels & Resorts, Canopy by Hilton, Curio, Doubletree, Embassy Suites, Hilton Garden Inn, Hampton, Tru, Homewood Suites, Home2 Suites, and Hilton Grand Vacations. Each brand has a different focus and all the hotels range from the peak of luxury to comfortable extended-stay suites and affordable focused-service hotels (Hilton Worldwide, 2016).

The Hilton HHonors loyalty program has over 52 million members worldwide and is free to join. Members all come with certain privileges that nonmembers are not able to enjoy move through a tier ladder of status, and it takes a certain number of stays or points to move up to each level:

- **Blue**: Free to enroll

- **Silver**: Must have 4 stays or 10 nights in a calendar year to reach Silver status

- **Gold**: Must have 20 stays or 40 nights in a calendar year, or earn 75,000 HHonors Base Points to reach Gold status

- **Diamond**: Must have 30 stays or 60 nights in a calendar year, or earn 120,000 HHonors Base points to reach Diamond status

Member privileges include:

- Guaranteed Discounts and Promotions available exclusively to members,

- Accumulating points for every stay,

- Earning a percent base and bonus points for all tier status members, which increases as a member moves up in the tier ladder,

- Speedy check-in option with Digital check-in on the HHonors mobile application

- Complimentary late check-outs,
- Complimentary water starting at Silver status,
- Complimentary upgrades to suites based upon availability,
- Several HHonors credit card partners,
- Point pooling and double dipping for airlines and hotel points, and
- The option of exchanging HHonors points for miles and converting miles into HHonors points with the brand's Miles for Points partners (Hilton Worldwide, 2016).

The benefits that guests have as members of the HHonors loyalty program make them feel as if they are part of an elite and exclusive club complete with more personalized services that yield memorable visits. For every tier within the HHonors loyalty program, members receive certain privileges, and the higher a member is within the tier ladder, the better the more benefits and recognition they receive. For example, with the Silver elite status, guests automatically receive a 15% bonus on all the HHonors base points they earn. After 20 stays or 40 room nights, members move up to gold status. When a member is at the Gold tier, the bonus points they earn on the base rate jumps to 25% with their elite status (Hilton, 2016). At the most elite level, Diamond, which is achieved after 30 stays of 60 nights, members automatically earn 50% bonus on all base points earned. Consequently, higher memberships come with the privilege of earning more points at a quicker pace so that they get rewarded more immediately for their continued commitment to the brand.

To keep their loyalty program appealing and to remain competitive in the industry, the HHonors loyalty program makes frequent changes and additions to their program to further incentivize active loyalty across all of their 13 distinct brands brands across the world.
CHAPTER 3: Methodology

This research study takes a qualitative approach and employs an intrinsic case study design method. An intrinsic case study is used for this professional paper because the focus of this study is to examine particular attributes of a hospitality company in a specific framework (Grandy, 2016). The four identified values that are determined to be significant to guests within loyalty programs will be used to evaluate the Hilton’s loyalty program. All the terms, conditions, and benefits within the HHonors program such as complimentary breakfast for elite members, points expiration policy, and all the HHonors attributes are retrieved from the official Hilton website on http://hhonors3.hilton.com/en/explore/benefits/index.html. The four major identified values along with the additional research on hotel loyalty programs were retrieved from academic research journals such as the International Journal of Contemporary Hospitality Management and International Journal of Research in Marketing.

The four identified values within the benefits framework created by Xie (2015): functional, psychological externality, and financial values (p. 115) will be used as a rubric to evaluate the strengths and weaknesses within the HHonors programs. All the attributes within the HHonors loyalty program will be closely compared and checked off of each of Xie’s factors within the four values. The presence or absence of the factors under each of the four value benefits will provide insight to help determine if that specific value is a strength or a weakness. Then, based on the results of if Hilton’s attributes were available to meet the defined factors of the four value framework, the suggestions for an improvement for HHonors loyalty program are ased according to which value factors are lacking in the program. If all the factors in the HHonors program exist within one of the
four values, that would mean that it is a strength in the program. Factors within each of the four values will be evaluated within the HHonors loyalty program, and once the strengths are determined, there will be no need to make further changes or suggest improvements within that value. For example, factors including whether the HHonors program has the “Points never expire” feature within functional value, whether there are “Special privileges offered at an elite level” within psychological value, if there is an “Ability to combine hotel points and airlines” within externality value, and if HHonors offers “Affiliated with my credit cards” will each be checked to see if it is offered to members in the program. By using Xie’s values as a rubric to evaluate the HHonors program and determining the strengths and weaknesses based on whether HHonors’ terms and benefits meet the factors, it is easier to identify which areas in the program should be given more attention and improved. If the factors within Xie’s values exist in the HHonors loyalty program, there will be no need to pay extra attention or make changes to that area in the program.

Hilton is chosen for this case study is because it is one of the largest and fastest growing worldwide hotel brands in hospitality industry, and although the HHonors loyalty program has many added benefits for its members, there are yet some weaknesses that could use improvement. By analyzing all the attributes of Hilton’s loyalty program and matching them onto Xie’s factors within the four value framework, strategies for improvement can be more strategically suggested. This study’s objective is to determine what the most valuable aspects are in loyalty programs, then to use those values as a guide and tool to assess the HHonors’ loyalty program.
CHAPTER 4: Results

Functional Value:

Loyalty members can earn two types of points through Hilton HHonors: base points and bonus points. Typically, a member earns 10 base points per dollar spent at a Hilton brand hotel with any HHonors status (Tsosie 2015). Additionally, a guest can earn bonus points spent on groceries, gas stations, and other everyday purchases which can be accumulated through an associated HHonors credit card.

A typical standard room night can require around 30,000 points for a free night. Loyalty members can use both bonus and base points to redeem free stays, which makes it easier to earn a large amount of points since members can accumulate points on everyday purchases with partnered credit cards. The number of bonus points a guest earns is determined by how much money he or she spends on room nights at Hilton properties as well as any bonus points earned with all co-branded credit card (Tsosie, 2015). For every one dollar spent anywhere on a HHonors credit card, a guest earns 3 bonus points (Hilton, 2016).

More than just redeeming points through a free night’s stay at a Hilton property, HHonors also gives members the privilege and option of redeeming points through several different attractive events and activities such as concerts and baseball games. This offers loyalty members rewarding experience for their commitment and business to the brand and shows them the value of celebrating good times. The wide variety of reward redemption builds on a loyalty members’ perception and culture of the brand. Not only do these activities ensure that the guests have a great and memorable time, but it also allows for members’ cultural and musical growth, showing guests’ that the hotel also
values and rewards the celebration of new experiences.

Hilton’s HHonors program’s point system is complex as the point accumulation and redemption varies depending on the different hotels and their categorical placement. The HHonors point redemption process can be considered complicated because there is not a set number of points that is required to redeem a free night’s stay; rather, it is dependent on the property’s “Hotel category” within 10 categories for all of the thirteen brands. The higher the hotel’s ranking and the more it has to offer (in terms of select-service or full-service hotels), the higher its classification and the more points are required to stay at that property. Seasonal pricing and location also raises the number of points required, thus complicating the concept of the rewards system for guests and almost requiring that they must do close research in order to reap free hotel nights. Hotel category one would include select-service properties within Hilton’s brand such as the Hampton Inn, and hotel 10 category being a highly luxurious hotel such as the Canopy or Conrad.

HHonors provides the option of transferring points to other members, which is a big convenience and added benefit. However, there is a $25 fee for every 10,000 points with a maximum of 200,000 points per year (Hilton, 2016). The processing fee makes it less appealing for members to use because of the cost that comes along with it that creates a monetary loss for customers.

The HHonors reward program also gives their members several different options to redeem their accumulated points. Hilton’s “My Way” option of redeemable points gives guests many options of redeeming points rather than merely spending their rewards on a free night’s stay. Loyalty members have the option of redeeming and converting
points to airline miles, planning vacations, attending concerts, and using their points to attend concerts with Live Nation. Different reward redemption options increases flexibility and the opportunity to create special experiences for members and their loved ones.

Within the functional values that the HHonors program includes, the “Giving Back” program is another way that loyalty members can redeem their points by donate points as money to charity companies at pointworthy.com. Members can use their points to donate as money to charity organizations such as American Red Cross with as little as 4,000 Points (Hilton 2016). This program is a great ethical strategy that Hilton uses to give back to communities and offers their guests the option of being more involved in helping companies support underprivileged groups. This option of donating points to charity organizations is a functional value because it gives members additional ways to redeem their points; however, it is also a psychological value because it makes members believe that they are contributing to the world, making them feel good about spending their money at Hilton brand hotels and feel proud of being a member.

Due to our technologically advancing world, the digital check-in feature is becoming an essential part of loyalty programs in contemporary society. Although digital check-in is not directly labeled in one of the factors within Xie’s list of functional value, this feature creates convenience and is added in the evaluation of the Hilton HHonors loyalty program. The reason why digital check-ins are convenient is because they allow loyalty members to select a specific room on the HHonors application, pre-check in, and conveniently pick up room keys at the desk without having to show an ID or credit card.
This is a necessary factor that creates convenience for guests because it speeds up the check-in process and reduces wait time.

**Table 1- HHonors Attributes and Benefits Categorized in Xie’s Functional Value Factors:**

<table>
<thead>
<tr>
<th>Functional Value Factors:</th>
<th>HHonors Attributes and Benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>FV. 1. Easy to achieve reward redemption</td>
<td>10 different hotel categories with different points required per hotel brand, determined by seasonal pricing and location</td>
</tr>
<tr>
<td>FV2. Reasonable rewards for what I spend</td>
<td>10 points for every $1 spent</td>
</tr>
<tr>
<td>FV3. Easy to understand the reward program</td>
<td>Difficult to determine; subjective per member</td>
</tr>
<tr>
<td>FV4. No processing fee for reward transfer</td>
<td>$12.50 per 5,000 Hilton points or $25 fee for every 10,000 reward transfer</td>
</tr>
<tr>
<td>FV5. Points I have accumulated never expire</td>
<td>Points expire after 12 months of nonuse</td>
</tr>
<tr>
<td>FV6. Many reward redemption possibilities</td>
<td>Redeem rewards with free nights, donating points to charitable partners, frequent flier miles, etc.</td>
</tr>
<tr>
<td>FV7. No blackout dates to redeem free nights</td>
<td>No blackout dates to redeem free nights</td>
</tr>
<tr>
<td>FV8. Many reward options</td>
<td>“My Way” redeemable points through hotel nights, airline miles, vacations, sports games, concerts with events such as Live Nation, etc. (Hilton Worldwide, 2016).</td>
</tr>
</tbody>
</table>

**Psychological Value:**

In the Hilton HHonors tier status ladder, there are a certain amount of stays and points required for a member to move forward from Blue to Silver level, and then from there to Gold and finally to most elite status, Diamond. With each tier status, loyalty members receive added benefits and privileges that non-members do not have access to.
To become a Blue member in the HHonors loyalty program, a guest can simply sign up for free online or ask a team member to create a profile for them and begin earning points instantly at any Hilton hotel. To achieve or retain HHonors Silver status, a guest must stay between four stays or ten nights within a calendar year. Additionally, silver members gain an additional 15% bonus points on their stays. To achieve Gold status, in which the most important benefits begin, guests must either stay 20 times or 40 nights within a calendar year or have 75,000 HHonors Base points. Gold members also get 25% bonus on all the base points earned. Finally, to reach Diamond status, a member must have 30 stays, 60 nights, or have 120,000 base points (Hilton 2016).

The tier status within the HHonors loyalty program enhances a guests’ status, playing to the psychological aspect of building a strong and successful loyalty program. By recognizing a guest as more than just a customer and highlighting their status, this in itself is a cultivating experience because it equates a guest with value. Within one of the most well-known motivational theories, Maslow’s Theory of Hierarchy of Needs pyramid lists status and esteem as the fourth human need, and implementing status into a loyalty program is a very strategic and successful way to help build guest loyalty. It not only makes them feel proud of being a member and provides them with several added benefits, but also conditions them to continue their patronage to the brand because of the positive rewards system. Using someone’s name is “the greatest connection to their own identity and individuality” (Russell, 2014). A simple but personalized greeting such as, “Welcome Back, Mr. or Ms. Smith, and thank you for being a (Status) member with us,” has a strong psychological effect. By being greeted by name upon check-in at every Hilton property, members feel more important than the average guest. In doing so, the
entire concept plays into what behavior psychologists call “positive reinforcement,” a concept first experimented with by B.F. Skinner (Liu, 2007). When loyalty members’ check-in at the front desk, they are greeted with more attention because of their status. It not only offers clients a sense of inclusion but also rewards their repeated business with a sign of appreciation. Again, this simple greeting acts as a positive reinforcement that conditions clients to feel like staying at the Hilton is their “home away from home.”

The higher the guest’s status is within the loyalty program, the more benefits he or she receives. As HHonors members, all tier levels have the option of complimentary late-checkouts—this means that they can stay an extra hour or two to enjoy their visit and prepare for departure without feeling rushed. This is a big advantage for members as many guests prefer to check-out later because of later flights or meetings. “The more frequently you stay at hotels within the Hilton Worldwide portfolio, the more generous your HHonors benefits become” (Hilton Worldwide, 2016).

As Gold and Diamond status members, guests also have the privilege of accessing the “executive lounge,” which offers complimentary breakfast, evening happy hour, unlimited access to water, coffee, beverages, and snacks. The word “executive” plays into behavioral psychology, leading members to believe that they are a part of an exclusive club that is only available to elite members. That element of exclusivity and inclusiveness makes members feel special and more valued than the average non-member.

Additionally, the program provides additional psychological value with other “privileges offered at elite levels” (Xie 2015, p. 115) including access to the executive lounge at select Hilton hotels, complimentary breakfast for Gold and Diamond members,
and additional bonus points for every stay. The executive lounge offers an evening happy hour and managers’ reception with complimentary ordure’s and discounted alcohol. It is exclusive to only Gold and Diamond members. On average, a Hilton breakfast would cost a guest about $20 per person for breakfast, so if a Gold or Diamond member stays at the Hilton and has access to the executive lounge, which comes with complimentary breakfast, they are easily saving more than $50 just on free food. All in all, the recognition and privileges HHonors members receive as elite members make them feel exclusive and collectively build psychological value for guests.

**Table 2- HHonors Attributes and Benefits Categorized in Xie’s Psychological Value Factors:**

<table>
<thead>
<tr>
<th>Psychological Value Factors</th>
<th>HHonors Attributes and Benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV1. Proud of being a member</td>
<td>Difficult to determine; subjective</td>
</tr>
<tr>
<td>PV2. Availability of special rewards (e.g. luxury spa treatment, a cruise ship, etc.)</td>
<td>Not available in the program offerings</td>
</tr>
<tr>
<td>PV3. Easy to upgrade to a higher elite level</td>
<td>Complimentary upgrades based upon availability</td>
</tr>
<tr>
<td>PV4. Privileges offered at an elite level</td>
<td>Access to the Executive Lounge for Gold and Diamond members at select properties, Complimentary breakfast, Complimentary High-speed internet access</td>
</tr>
<tr>
<td>PV5. Special promotions available only to members</td>
<td>Member only deals and promotions available (Ex. Extra % earned on bonus points at random times)</td>
</tr>
</tbody>
</table>
Externality Value

The Hilton has several different alliances and collaborates with over 60 airline companies, rental car companies, and railroads. The partnerships with airline frequent flier programs gives members the opportunity to earn double points for both airlines and hotel nights and redeem points for flights. This is a great advantage for frequent travelers because it allows them to earn double the points for both flying and lodging and makes their travels feel rewarded. In addition, within one of Xie’s factors (2015) listed for externality value, “ability to transfer points to others” is one of the three requirements that meets the values listed. HHonors does allow members the option of transferring points to others. This is a large advantage for members who would like to transfer points to family and friends who may just be few hundred HHonors Points short of great vacation.

Table 3- HHonors Attributes and Benefits Categorized in Xie’s Externality Value Factors:

<table>
<thead>
<tr>
<th>Externality Value Factors:</th>
<th>HHonors Attributes and Benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EV1. Partnerships with my airline frequent flier programs</td>
<td>Partnered with over 60 airline and rail partners which provide the opportunity to earn frequent flier miles with hotel stays.</td>
</tr>
<tr>
<td>EV2. Ability to combine hotel points and airline miles</td>
<td>Double dipping option to earn points for both the hotel and participating airlines</td>
</tr>
<tr>
<td>EV3. Ability to transfer points to someone I know (Xie, 2015, p. 115)</td>
<td>Yes, up to $200,000 per year Hilton Worldwide, 2016).</td>
</tr>
</tbody>
</table>
Financial Value

Financial values within the HHonors program includes the numerous partnerships that the Hilton has with credit cards that provide their members with several opportunities to earn points. In Xie’s (2015) terms, the benefit of multiple credit card affiliations acts as a financial asset to the program because it encourages members to use their Hilton credit card on everyday purchases to gain more points and consequentially, more benefits. Members who have a Hilton HHonors credit card with companies such as American Express or Visa can earn bonus points at gas stations, drugstores, and grocery shops, which allows loyalty members to make Hilton a part of their financial life. Hilton therefore becomes more than just a hotel, but a lifestyle brand that brings added benefits to their consumers’ lives. The co-branded credit cards give members the privilege of getting more value from their daily purchases and helping them move quicker to higher statuses within the HHonors program.

Table 4- HHonors Attributes and Benefits Categorized in Xie’s Financial Value Factors:

<table>
<thead>
<tr>
<th>Financial Value Factors:</th>
<th>HHonors Attributes and Benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>FV1. Partnerships with credit cards which give me opportunities to earn points</td>
<td>Affiliated credit cards give members a chance to earn bonus points on everyday purchases</td>
</tr>
<tr>
<td>FV2. Affiliated with my credit cards</td>
<td>Partnerships with major credit card brands including American Express, Visa, Citi Bank, etc. (Hilton Worldwide, 2016).</td>
</tr>
</tbody>
</table>
CHAPTER 5: Discussion and Suggestions for Improvement

After assessing each attribute within the HHonors loyalty program alongside Xie’s four identified values, the findings reveal that the major strengths within the HHonors loyalty program are the externality and financial value. The major weaknesses in the program appear to be functional and psychological values.

**Strengths**

**Externality Value:**

In terms of externality, the Hilton partners with over 60 airlines and rail companies that allows members to combine hotel points with their flier miles. This is a big advantage for loyalty members because they can earn double points for both the hotel and their frequent flier program, which improves their overall travel experience. Loyalty members also have the ability to transfer points to friends and family. For example, many guests have their airline miles saved on their HHonors profile which allows members’ to simultaneously earn airline and hotel points for all of their stays. The externality value is also strength because of that option to transfer points between friends and family. In addition, guests can buy and receive points that enhance a member’s options and allows them and their loved ones to progress to higher tiers.

**Financial Value:**

Financial value is also considered a strength since the Hilton Hhonors program is partnered and affiliated with different credit cards that provide members with many opportunities to earn points. Within HHonors, guests can open credit cards with the major credit card companies including Visa, Citi Card, American Express, and MasterCard that allows members to earn 3 points for every dollar spent on everyday purchases at gas stations.
stations, grocery stores, and pharmacies. Guests can also earn 2 points for every dollar spent on all other everyday purchases. For example, if a guest purchased a $200 Hilton stay and has automatic Silver status with the Citi® Hilton Hhonors TM Visa Signature® Card, they would earn 2,000 base points plus 1,500 HHonors bonus points (15% bonus on the base points earned from the Silver status and 6 points per dollar spent on Hilton on the credit card). Guests also have the option of joining credit cards such as American Express which grant them a complimentary automatic Gold status with just an annual fee of $75. These options increase financial benefits for members because they can accumulate HHonors points everyday on outside purchases which benefits and rewards them in the long-term.

**Weaknesses**

**Functional Value:**

Based on the factors that Xie (2015) provides within functional value, the “Easy to understand reward program” factor within Hilton Hhonors program is a weakness because of its complex point system and the room night redemption terms and conditions. For example, depending on the Hilton brand that a guest stays at, the number of points that he or she can redeem for a free night varies, and this inconsistency creates confusion for guests. This is inconvenient for guests because it makes it a longer process to look up the required number of points to redeem a free night stay at different hotels. Another weakness that falls within the functional value in the HHonors program is that loyalty members must re-qualify for elite status each calendar year and their points expire after 12 months of non-activity.

For the ability to transfer points to others, this option is available for members.
However, there is a $25 processing fee for every 10,000 transferred points, which is a big disadvantage for the program members. In addition, points accumulated do expire for members after one year of non-activity, which is a big disappointment for members.

**Psychological Value:**

Psychological value within the HHonors loyalty program is also a weakness that can be improved for various reasons. First, under one of the factors listed in Xie’s framework, members do not receive any “special rewards or promotions as elite members” in the program such as “luxury spa treatments” or “cruise ships.” This is already a sign that psychological value is not at its most optimal level within the HHonors program.

The tier system within the HHonors reward program is a weakness because there is a drastic difference in benefits from Blue to Diamond tier loyalty members. Blue members can sign up for free online, and have the advantage of digital check-in and earning points for every stay which does increase convenience, however this may not be enough incentive for members to come back enough as ten times or four stays to then reach Silver. Recently added in the HHonors loyalty program is the automatic Silver status that Hilton team members (employees) can receive if they sign up for the program under the new promotion of “Go Hilton.” Members also get the privilege of accelerating to Gold status more quickly. The fact that employees can jump past Blue status and start at Silver status demonstrates the fact that Blue members do not receive many perks from the memberships other than accumulating points for their stay and late check-outs upon availability. This leaves Blue members feeling unimportant, devalued and affects overall satisfaction and return rate.
Hilton is making substantial changes and additions to their program to get people to join their program and increase profits and that stand above other hotel brands in the market; however, adding benefits is not the only way to make effective changes that will go beyond attracting new members but also promote active loyalty for current members. Hilton should revise and elevate their program’s structure, point system, and benefits in order to remain successful and increase value and become a more favorable loyalty program to their most profitable customers. Despite these weaknesses, the HHonors loyalty program could strengthen these defaults through the following suggestions in Figure 2 below.

**Figure 2-Suggestions to Improve the Hilton HHonors Loyalty Program:**

**Strategies to Improve Functional Value**
- Adjusting the reward redemption point system within the 10 hotel categories to provide a more fixed structure of redeeming hotel stays rewards
- Points never expire

**Strategies to Improve Psychological Value**
- Eliminating the Blue membership tier within the HHonors program and starting the membership at Silver status
- “Mobile Messaging Request” feature to provide a more direct platform for communication, quicker service, and higher guest engagement
Functional Value:

To increase functional value in the HHonors program, the point system organization can be modified to be easier for members to understand. For example, the fact that the reward points redemption system is relative to the property and “hotel category” means that members have to put more effort into researching what those distinctions are and how to earn accordingly. There are nine hotel categories and, depending on the location and the brand of the hotel within the Hilton portfolio, the hotel is rated in a different hotel category, with the nine being the most elite and upscale category that requires the most points for redemption and category one being the least expensive within the brand portfolio. This makes sense since prices to stay at different brands within the Hilton portfolio range depending on the level of service. However, the point system can be adjusted to be simpler and easier for members to redeem their rewards. Although the thirteen brands within the Hilton portfolio all have different statuses and monetary values, it is rather confusing that the number of points required to redeem a free night ranges depending on the property location and month or “peak season.” The fact that some hotels within a category may have “seasonal reward pricing throughout the year, where the number of points needed to redeem for standard room rewards may vary depending on location of the hotel and if the reward stay is during a peak or off-peak period” (Hilton 2016), makes it more difficult and inconvenient for guests to redeem their points.

As an improvement, the Hilton can change their hotel reward redemption system by making each hotel within the brand portfolio worth the same number of points for a free night stay, regardless of location or seasonal pricing. Each brand within the Hilton
would also remain in the same category regardless of where the hotel is. This would result in a more streamlined layout for loyalty members to understand and redeem their points—there would, for example, be a fixed 20,000 points required to stay at a Hampton Inn and Suites, 30,000 points to stay at a Doubletree by Hilton, 50,000 at an Embassy Suites by Hilton, and so forth. This would remove the inconsistency of required points amongst all different brands within Hilton portfolio and create a more simplistic system of points redemption for loyalty members to remember. As reported in a loyalty program analysis by Ollila (2013), “it would be time for hotels and airlines to have a look at their programs and simplify them. They are complicated to the point that quite a few potential members just even want to deal with them and consider them waste of time.” After all, a reward is a reward and the convenience of redeeming a free night would increase value to guests and make it more likely for them to return to the brand. There is the question of how this change would affect the company operationally and a lack of cost-benefit analysis, however this suggestion is in line with the concept of increasing convenience and making reward redemption an easier process.

Another way to improve functional value in the HHonors loyalty program would be the removal of the policy that states that points expire in a person’s membership after one year of non-activity. This strategy would eliminate any disappointment that guests may experience and the unfair aspect of not being able to use earned points after a certain time span. For example, if a guest was an HHonors member for seven years but experienced some financial trouble and could not travel as often, they would still lose all the collected points and all those years of accumulated status and points would go to waste. Taking away the policy of point expiration would show guests that they are valued
Hilton members for life. The point expiration policy demeans members and their value and makes it less likely for them to come back or re-join the program. This loyalty program expiration policy should be eliminated because it is more of a negative reinforcement, which would also lead to less profitable results for the hotel.

Psychological Value:

To improve psychological value and the “proud of being a member” factor within Xie’s value factors, the HHonors program should remove the Blue tier status and start members at Silver status. The only benefits in the Blue tier include: being recognized as being part of the loyalty program, digital check-in option, and earning points for every stay. The only difference between the Blue and Silver status is that Silver members are offered complimentary water upon check-in, complimentary health club access (which already exists at most properties), and a percent bonus on their base points; regardless, both Blue and Silver members earn points throughout their stay. Elimination of the Blue status would reduce the small gap between Blue and Silver members. It would also minimize the drastic difference between the little benefits that Blue and Silver members receive versus the benefits granted to Gold and Diamond. Starting members at Silver status would still allow guests to join the loyalty program free of charge, would not require any number of stays to join the program, and would make guests feel more welcome and recognized for their loyalty earlier in the program. By removing the Blue tier status from the program and allowing guests to begin as members of the Silver tier, the HHonors program would make it easier and quicker for members to move up to the Gold and Diamond tier, inadvertently letting the members feel prouder of their status and achievements made within the loyalty club. According to Hanover (2011), “the optimal
program structure should have three tiers (top elite, bottom elite, and no status) with a controlled proportion of consumer population in high tier. This structure is said to maximize feelings of superiority among all consumers while also providing another level toward which lower-tier consumers can strive” (Hanover, 2011, p. 3). The fact that Blue members do not experience much of a privilege than the non-member does, may have a negative effect on a guest’s incentive to remain in the program and return to the hotel. Thus, having three tiers within a program structure makes it quicker for members to experience privileges and feel a sense of exclusivity in the loyalty program. Starting members at Silver status will make the loyalty program appear valuable at the start of the program and therefore incentivize members to return and become active members in the program. This personalizes all members to the brand and offers inclusivity to all tiers in the program (while still maintaining the most benefits to elite Gold and Diamond members), and establishes Hilton as a more generous brand. This strategy stems from the idea of adding psychological value for members in hopes to increase the likelihood of guests retuning to the brand rather than switch to another hotel with a more valuable tier system.

Guests’ interactions with staff and interpersonal relationships are critical in the establishment of loyalty that result in stronger, longer lasting relationships between the guest and hotel (Morais et al., 2004). Successful companies connect with and establish relationships between members through loyalty programs at three levels. The first is an introduction: the customer receives a premier. At the second level, the hotel contacts the customer directly, often via e-mail, to offer a reward more tailored to the customer’s wants and needs. Most importantly, two-way communication occurs at the third level
with customer feedback platforms (Hanover, 2011). The hotel can then analyze the reviews and put into practice suggestions in order to better their future service. Therefore, it is critical for loyalty program marketers to realize that having a two-way communication and more direct platform for guests to communicate to the hotel as it also adds psychological value. Adding the mobile messaging feature for HHonors members is the way this can be put into practice to enhance communication between the hotel and loyalty members.

A great tool that could serve as this technological platform to improve customer relationships is the feature of “Mobile Messaging Request.” Through this feature, the hotel can connect with its guests more directly and vice versa. It also serves as an opportunity to strengthen relationship management, ensure quicker service, increase loyalty, and create competitive differentiation. Loyalty members often have their phone numbers on file; hotel staff members can therefore message them upon arrival or set up automatic welcome messages and give members an opportunity to request anything additional before check-in. This practice can personalize a member’s relationship with a hotel even further than the average guest, making the experience more intimate and easier to diffuse any occurring issues that a guest experiences during their stay.

Once again, technology and social media can serve as the most convenient and quickest way for hotels to engage with their guests. Welcoming text messages and personalized messages from the hotel staff show approachability and commitment to the guests. By adding the “Mobile Messaging Request” feature in the HHonors application, both functional and psychological value would increase. Especially important for younger tech-savvy generations, this form of communication is preferable for many
guests. Employees are already familiarized with the messaging platform due to their daily communication activities so is less training involved in order to operate this tool. It is inexpensive, does not involve any extra labor costs, and limits operator phone call requests, which benefits the hotel in return.

All in all, the elimination of Blue tier and will help the HHonors program make a stronger impact on guests, as beginning them at Silver can have members experience privileges and start receiving tangible and favorable privileges much quicker than having to stay four times or 10 nights within the brand hotels. In addition, the direct mobile messaging technology platform will provide members with an easy, quick, and simple way to place special requests and express complaints. These strategies for improvement will also help Hilton have a stronger relationship with their members with a more direct feedback line to address any issues and create an overall more fulfilling experience for guests.

Enrollment Process of the HHonors Loyalty Program:

Although the program’s benefits and features in the loyalty program are important for members’ value perception of the HHonors reward program, the invitation and enrollment process to current and prospective loyalty members is also imperative. With all the great benefits that members receive, it is essential for employees to share this information effectively so that guests gain a better understanding and find more appeal in staying with a certain hotel brand. One of the important aspects of maintaining and expanding a successful loyalty program is the way in which front desk agents inform guests and present the benefits of the membership. The presented benefits and system of loyalty programs are a big selling feature that may have the guest consider staying with
their current loyalty program or join another hotel’s reward program. Successful loyalty programs should be well-known to the employees that work at the hotel because they play a vital role in communicating benefits to guests, and knowing details about the program including related news is an important part of keeping a loyalty program appealing to current and prospective loyalty members.

To ensure effective execution of enrolling guests to the HHonors program, employee training methods and customer service can also benefit from some changes. Making the invitation of the HHonors membership to prospective guests and explaining all privileges to members should be made a necessary part of check-in process for employees. Therefore, it is important for employees to be properly and effectively trained with welcoming members to join the loyalty program and knowing how to present all the benefits, how many points make up a free nights stay, and what benefits guests can receive as members of the HHonors loyalty program. In that regard, employees should attend mandatory weekly meetings in order to improve Hilton brand knowledge, ensuring that all front office staff have the right tools to improve the process of inviting new loyalty members and retaining current members in the program. If managers make an effort to foster a motivated spirit and provide incentives to inviting members to the loyalty program, it encourages employee excitement in efforts to draw guests into their loyalty program (Laskarin, 2013, p. 121). Rewarding employees who have recruited the largest number of members with bonuses and attractive rewards can build a motivated, knowledgeable, and successful team, and simultaneously benefit and increase the number of HHonors members.
A hotel’s success and guests’ satisfaction are measured in several different aspects and requires all departments to collaborate together to provide extraordinary experiences for their members. Not only is it important for front desk agents and managers to know and recognize guests as HHonors members, but also for all staff members to thoroughly understand the HHonors loyalty program so that members feel more honored and valued for their commitment to the brand. One negative experience can affect a guests’ overall satisfaction, however if the full hotel team works together to create enjoyable experiences for members, it is easier to recover from a bad experience. Expanding the acknowledgement of loyalty members to other departments rather than simply the front desk is a great way for hotels to better connect with their most valued and loyal guests. If, for instance, housekeeping prints out CRM reports, (Customer Relationship Management) which includes a list of all the incoming and in-house guests who are HHonors members, they can use that information to become better acquainted with guest names and personalize every stay and interaction with frequent guests and loyalty members. This change would enhance the overall service that members experience and also improve SALT (Satisfaction and Loyalty Tracker) survey responses which affect a hotel’s service scores.
CHAPTER 6: Conclusion

Hotels choose to implement loyalty programs because they view them as a win-win situation for both guests and hotels. Loyalty programs are a source of sustainable competitive advantage which provide added benefits for both guests and hotel operators; however, the overabundance of reward programs makes it harder for hotels gain exclusive loyalty from reward members. A well-designed rewards program that focuses on creating long-term value can target and entice valuable customer segments and build loyalty for the company. The key to successful and effective loyalty programs is to take a more competitive approach and think more practically about ways to secure in many profitable customer relationships (Xie et al., 2015). The suggestions offered in this research study are less costly than spending money on marketing to new guests, as they seek to make things more convenient, rewarding, and easy for current members and simultaneously make it appealing for prospective members. Evaluating the terms and benefits of the hotel with the intent to enhance the program from functional, psychological, externality, and financial levels helps create more value for members and simultaneously becomes more profitable for the hotel.

Understanding how customers value a program’s attributes is crucial to establishing an effective loyalty program that can promote customers’ active loyalty and commitment to the brand (Xie & Chen, 2013; Xie et al., 2015). This study of hotel loyalty program and the major contributors within the four value framework that provide added benefits to a successful loyalty program, reveals the existing strengths and, most importantly, weaknesses that can still be identified within the HHonors loyalty program. All four of Xie’s values have been analyzed—functional, psychological, external, and
financial (Xie, 2014). In doing so, the categorizing and mapping of each attribute within the HHonors loyalty program not only identifies which values could use improvement but opens a discussion regarding suggestions for these improvements.

As stated in previous sections, guests are showing signs of loyalty program saturation along with weak levels of engagement in the programs they do belong to. This makes it increasingly difficult for firms to meet the customer retention and brand goals they have set for their programs. Customers are naturally value-driven, and their perceived value is directly related to their purchase selections within hotels (Xie et al., 2015; Sweeney & Soutar, 2001), which is the biggest reason why this research study is so valuable to the hotel industry. To counteract this response, the strategies for improvement presented for the program should result in a more appealing and comprehensive layout for current members and prospective guests to enjoy.

Recognizing the factors that guests consider within loyalty programs, makes it easier for marketers and hoteliers to enhance and establish more appealing features in the program.

Having satisfied customers is no longer enough for hotels. The fact that there are so many hotels that meet the basic expectations that guests have for hotels makes it more difficult for hoteliers to attract loyal guests. In order to maintain repeated and actively loyal business, a loyalty program should not only fulfill a member’s basic needs but exceed expectation. A well-structured and effective loyalty program therefore should include various features and benefits in the program, blending together all four of Xie’s established values and guidelines. The Hilton brand itself is already implementing changes to their program in order to keep up with current trends—the company recently
announced that their guests will be able to use their smartphones as room key in most hotel rooms by 2016 (Hilton, 2014). Along with the changes that the company has already planned for their guests, the suggested improvements in this study aims to improve upon the functional and psychological features already established within the program to add more value for guests. By continuing to build on the already-strong foundation Hilton has established in the structuring of their loyalty program, HHonors members will continue to contribute to the company as both active loyal members and advocates of the brand, ensuring in the continued pride, profit, and success which make Hilton one of the most iconic brands throughout the hospitality industry.

Limitations:

There are a few limitations in this study that should be considered. The case study approach conducted on a single hotel provided a deep analysis of the HHonors loyalty program yet this can not be generalizable to the other hotels and their reward programs.

The feasibility of this study is conducted from concepts and formulated values derived from academic journals and the specific functional, psychological, externality, and financial value framework that guided the evaluation of the program. The author’s interpretation from the lens of four value framework of how the HHonors program could improve their rewards program limits the objectiveness of the study. The fact that this study does not capture the direct feedback from loyalty members and prospective members from an interview or questionnaire standpoint limits the direct representation of what guests truly value and desire in hotel loyalty programs.

Next, this study did not capture operator or managers’ perspective and did not generate a revenue and cost-effective analysis that could demonstrate the actual
application of the suggested improvements. This case study design of this study did not compare the HHonors loyalty program with other hotel loyalty programs in the industry.

For future studies in the topic of hotel loyalty programs, it is recommended that researchers conduct focus groups of a sample of Hilton HHonors members as part of their research study. Having direct feedback from the most valuable and devoted guests and recording their opinions about the program is an opportunity for the brand to better itself daily and motivate self-growth. Talking to Gold and Diamond members who have traveled so often and moved up in the tier ladder within the Hilton brand, for example, can give great insight about the loyalty program and could provide rich information about what could improve the program. All guests, members and nonmembers alike, hold valuable opinions, but it is important to stress how elite and frequent HHonors members are especially great assets in establishing the most desired services that frequent travels look for.
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