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# Value and the future of travel loyalty

Uncovering the power of advanced loyalty platforms  
and real-world use cases for multiple program  
propositions in aviation and hospitality





# Designing engaging loyalty programs for modern travelers

The aviation market is evolving rapidly. Demand for business flights has fallen by almost [a third in the last four years](#). Leisure travel, the market for which is increasing by [23% a year](#), is now driving growth. The hospitality sector is similarly experiencing shifts in guest expectations, with leisure travelers seeking more personalized and value-driven experiences.

But even here, the situation is complex. The market for leisure travel is diverse. You cannot successfully engage with older, high-net-worth travelers like you do a budget-conscious family, an eco-conscious Gen-Z traveler, or other distinctive segments.

This affects the entire travel ecosystem and how you operate your loyalty programs. A conventional loyalty program addresses all members in an undifferentiated manner, uses airline seats or hotel room upgrades as its main reward, and targets only the top 20% of customers.

This is no longer efficient. It fails to address many customer segments in a way that speaks to their unique needs or primary motivations. In doing so, it neither incentivizes loyalty nor delivers maximum customer lifetime value (CLV).

In this e-book, we explore how airlines, hotels, and travel brands can rapidly realize value by creating diversified, personalized, and highly effective loyalty programs targeted to different customer segments—right down to the segment of one.





## Why now is the time to modernize your loyalty program

While airlines return to single-digit profitability, costs are also rising rapidly. As a result, returns on capital will be lower than the [cost of that capital](#).

Alongside structural challenges, the industry also faces increasingly complex customer relationships. Passenger satisfaction across the three most common customer pain points is [deteriorating over time](#).

Passengers are also increasingly demanding a personalized travel experience. [In a recent survey](#), two-thirds of global passengers wanted airlines to customize and personalize their offers to customer needs and preferences.

As if this weren't challenging enough, [Statista](#) found that most Gen Z were ready to switch airlines if the incentive — whether push or pull — was great enough.



*The message is crystal clear. The traditional methods used for building travel loyalty over the past 40 years won't cut it when it comes to appealing to Gen-Z.*

*Binay R Warriar, Vice President, Global Loyalty Practice – IBS Software*



## The diversification of customer-brand engagement

Another direct impact on the effectiveness of airline and hotel loyalty programs is how customers engage with the brand.

Traditional loyalty programs categorize customers by their spend and how frequently they travel. But this fails to capture important nuances in modern customer behavior.

For instance, this approach does not address:

- The difference between recurring customers, who travel often but spend little each time, and premium customers, who travel less often but spend heavily using co-branded credit cards.
- The intent behind each trip. A customer traveling for business one week but for leisure the next, will respond to very different incentives depending on context.
- The need to treat corporate decision-makers as high-value customers who influence their company's travel policy, even when traveling for leisure.

Loyalty programs that only reward customers based on room nights or flying frequency fail to address nuances in guest preferences, such as their interest in local experiences or premium services. Modern loyalty programs must go beyond the seats and rooms to tap into the full spectrum of customer interactions.

To address these and other unique segments, airlines and hotels need platforms capable of running multiple intelligent, data-driven loyalty programs simultaneously.





## Doing loyalty differently

In this increasingly complex and competitive environment, conventional travel loyalty campaigns are no longer fit for purpose.

Acquiring new customers can cost up to [seven times more](#) than retaining existing ones. And satisfied, returning customers spend almost [70% more](#) than newly acquired customers.

A conventional, broad-based loyalty program, run on the 80-20 principle that incentivizes frequent travelers to collect points to redeem seats or free nights, will not maximize retention nor spend for all customer segments in an evolving and fragmented market.

To address this challenge, travel loyalty programs can:

- Use data and technology to segment and address customers more efficiently according to their preferences, behaviors, and priorities.
- Create targeted loyalty incentives and scientifically crafted rewards to maximize retention, spend, and other performance metrics for each segment.
- Embed subscription programs and exclusive benefits in the loyalty reward portfolio, including retail partner and travel-adjacent content.

With advanced, data-driven, targeted, and even individually personalized loyalty programs, airlines and hotels can evolve and optimize their retention and revenue strategies to stay ahead of the market.

*“Acquiring new customers can cost up to 7x more than retaining existing ones. And satisfied, returning customers spend almost 70% more than newly acquired customers.”*






# Personalization and the segment of one

Using data-driven personalization, airlines have increased revenue per passenger by [as much as 50%](#) compared to the previous baseline.

To realize this value, loyalty programs must be able to segment their customers accurately. And that means being able to collect, analyze, and effectively act upon first-party data. Today, this is limited by a range of factors:

- Many traveler interactions with the brand occur through third parties (travel agents, GDSs, etc.) with whom the loyalty program cannot share data.
- The technology platforms or systems that underpin loyalty programs are outdated and cannot collect, store, and make available the necessary customer data.
- The loyalty platform simply isn't flexible or intelligent enough to enable comprehensive segmentation or the creation of timely campaigns and offers.



*"Personalization helps airlines to increase revenue per passenger by as much as 50%, compared to the previous baseline."*



## Realizing the 'segment of one'

This is possible. With the right loyalty platform, airlines, hotels, and travel brands can:

- Rapidly achieve data-driven segmentation. They can quickly build an accurate and detailed picture of customer behavior, preferences, spending profiles, and more across their own and partner platforms.
- Segment even new customers interacting with you for the first time accurately enough to increase conversion rates and spend. And the more you interact with that customer through a wide partner network, the more accurate and detailed your segmentation can become.
- Arrive at the 'segment of one'. The airline or hotel will know each customer well enough to understand their preferences at every touchpoint, their lifetime value to the brand – in both a personal and business capacity, their priorities every time they interact with a brand touchpoint, and how to turn this knowledge into value.

[According to McKinsey](#), this hyper-segmented and personalized approach to customer engagement and loyalty can increase revenue by up to 40%.

## Loyalty, segmentation, and personalization in hospitality

Segmented and data-driven loyalty programs are as valuable to hospitality as they are to aviation.

Using data-driven segmentation and personalization, hotel loyalty programs can:

- Share data and track customer behavior and preferences across locations and brands within the chain.
- Offer personalized promotions and experiences tailored to guest's needs on each trip and at the specific location.
- Partner with third parties that your guests value to offer tailored, trip-specific rewards and incentives.
- Link loyalty data to marketing and on-site technology systems, allowing you to provide in-stay promotions based on a broad range of real-time cues.





# Building a modern loyalty program

Data unification is critical to running a successful, segmented loyalty program. You need a complete 360-degree data set to obtain a full picture of customer behavior across brands, geographies, partner networks, and different facets of the customer's life.

This requires having a single-source loyalty platform that spans the entire range of interactions airlines and hotels engage in with that customer. However, this does not necessarily mean the customer will see a single loyalty program.

From their perspective, the customer may interact with:

- A B2C loyalty program that tailors rewards, promotions, and incentives when the platform detects that they are traveling for leisure.
- A B2B loyalty program that manages, incentivizes, and rewards customers who travel for business or manage company bookings for their business.
- A subscription program that leverages loyalty data to incentivize retention, gather data, and shape offers to avoid cannibalization.
- The partner, with loyalty points accumulated and rewards distributed through third-party affiliates to promote loyalty and gather data on less frequent travelers.

However, different programs share data in the background, enabling airlines and hotels to incentivize maximum loyalty across the customer's entire range of engagement and lifecycle.

## Personalization and loyalty in the hotel sector

One [recent study](#) found that more than 60% of hotel guests will spend more with a hotel chain that offers them personalized experiences throughout their stay. And [according to Deloitte](#), brands that excel at offering personalized experiences increase loyalty by as much as 71%.





# Loyalty and real-time data

Almost 60% of companies that use data and analytics to improve the customer experience report a significant improvement in customer loyalty and retention.

No loyalty program is perfect at launch. The faster you can optimize, the faster you can maximize performance against your KPIs. And the best way to do this is with real-time data.

Optimization for loyalty based on real-time data involves:

## Using split-testing

Segmentation allows you to test and iterate quickly, based on feedback and real market data, for continuous improvement.

## Maintaining peak performance

In a rapidly changing market, loyalty cannot be taken for granted. If you don't keep up with customer preferences, you'll lose it.

## Accelerating product development

Use the loyalty program to test new products, services, and concepts and get the final versions to market faster.

Using real-time data capture and analytics and the ability to customize how you engage with the customer—in one program or across all loyalty programs—enables airlines and hotels to test new products and rapidly customize them for each market segment.

Key to these benefits is whole-system agility. It's not enough for the modules that directly interface with customers to be agile.

The backbone of the entire loyalty platform—common to all segmented loyalty programs—must be able to assimilate data from the widest range of sources, analyze it, and then enable the right responses across all relevant customer loyalty programs.



## What to look for in a modern loyalty platform

To enable you to meet your goals for customer retention, revenue and passenger or guest experience, a modern loyalty platform should:

- Be able to run multiple loyalty programs, each for its own clearly defined customer segment, and to spin up new programs without prohibitive overheads.
- Collect, centralize and make available customer data from all loyalty programs, through a single interface, so the loyalty team has a 360-degree view of every customer.
- Include a partner-integration hub to simplify and accelerate the integration with the systems of third-party loyalty-program partners.
- Provide a unified, easy-to-use suite of customer-engagement tools the loyalty team can use to maximize the efficiency of their efforts.
- The ability to make decisions and act on both real-time and historical data, for maximum flexibility and responsiveness.
- Modern, AI-driven tracking and reporting that empowers airlines and hospitality chains to continually optimize for the best outcomes.

With a modern, segmented, personalized loyalty program, companies can increase revenue across the customer's lifetime by as [much as 40%](#).







## Data-driven fraud prevention

Loyalty program fraud comes in many forms. It can be as simple as a user trying to sell points, oversharing posts on social media or creating fake accounts. Conversely, some schemes may be more complex, for instance account takeovers or even cybersecurity breaches with the goal of stealing points for an account.

The latest loyalty platforms have AI built in. Using historical data, the system establishes a detailed baseline for normal account activity, often down to an individual user level. By comparing real-time activity against this baseline, the platform can spot loyalty fraud faster and with greater accuracy than legacy systems can.

## Practical use cases a modern loyalty management platform enables

### Multiple programs targeting different customer segments

Designed to cater to different customer segments, behaviors, or geographies for a comprehensive loyalty ecosystem, these can include B2C, B2B, VIP-only, sustainability-focused, and other niche programs.

#### Key benefits of multi-initiative loyalty programs include:

- **Targeted engagement:**  
Different programs allow for precise targeting of various customer segments, increasing the relevance and appeal of loyalty propositions.
- **Diversified revenue streams:**  
Offering multiple programs can create new revenue opportunities and reduce dependence on a single source of loyalty income.
- **Enhanced customer insights:**  
Running various programs generates rich data on customer preferences and behaviors that can feed into future strategies and initiatives.

#### Challenges airlines and hospitality brands must overcome include:

- **Program management:**  
This requires robust management structures, clear differentiation, and a 360-degree view to avoid customer confusion and overlap.
- **Resource usage:**  
Maintaining high-quality experiences across numerous programs demands significant resources and investment.



#### The role of technology

A unified loyalty platform delivers all programs in one system, with a single view of the customer. This streamlines operations, enabling consistent branding and efficient resource allocation.

#### *An example of a multi-initiative loyalty program*

An airline or hotel runs over seven sub-programs on top of its primary loyalty program. It uses a single, intelligent platform to tailor sub-programs like:

- An invite-only VIP program
- A partner spenders program
- A food and wine program
- A health and wellness program
- A sustainability-promoters program
- A corporate program
- A lounge access program



## Subscription programs

These programs allow members to pay for access to exclusive benefits. They are designed to create a high-value segment of customers willing to invest in premium perks.

### Key benefits of subscription programs include:

- Ability to generate significant amounts of extra revenue. It does this by providing a new income stream beyond the main loyalty program.
- Predictable revenue streams insulate the airline against market fluctuations and lock in loyalty.
- Deeper relationships between the subscriber and the provider allow loyalty teams to collect more data for greater customer insights.

### Challenges airlines and hospitality brands must overcome include:

- Avoiding cannibalization: Operators must ensure the subscription model complements rather than undermines the main program.
- Achieving an economically viable balance of subscribers: A robust understanding of subscribers who will use their maximum entitlement vs those who will redeem fewer rewards ensures profitability.
- Pricing: Depending on the subscription pricing model, the provider may be under greater pressure to sell ancillary services to maximize customer revenue.

### The role of technology

AI-driven customer segmentation tailors subscription offerings to complement the main loyalty program. This ensures targeted, non-overlapping benefits for different customer segments.

### *An example of a subscription program*

A provider offers a paid subscription loyalty program that lets subscribers access a range of incentives. This 'benefits booster' gives paid subscribers extra privileges and bonus miles or points. Not only does this improve their experiences, but it also enables them to redeem their rewards faster.



## High-spender programs

High-spender loyalty programs are specifically designed for customers who spend heavily on co-branded credit cards, even if they are not frequent fliers or high-cadence recurring guests.

### Key benefits of high-spender programs include:

- New income streams through the acquisition of high-value customers attracted by targeted benefits equivalent to those offered to elite fliers or guests.
- Access to the card issuer's broader network of partners and customers helps the airline or hotel expand its own and third-party ancillary offerings.
- Working with the card issuer's loyalty program and data teams helps deepen insights into these high-net-worth travelers.

### Challenges airlines and hospitality brands must overcome include:

- **Balancing perceptions:** operators must maintain the perceived value of exclusive offers while ensuring the program remains appealing to a broader customer base.
- **Long-term value of the program:** building a relationship with its participants, not simply with the card issuer.
- **Exclusivity:** for high-net-worth consumers, the experience of using the program and interacting with the provider must feel premium at every touchpoint.

## The role of technology

Implementing a flexible rewards platform with dynamic management of an exclusive benefits program, ensuring high-value perks for VIPs while offering attractive rewards for general members.

### *An example of a high-spender loyalty program*

The airline or hotel gamifies co-brand spend in the form of a club to offer members privileges such as access to premium airport lounges regardless of flight frequency, premium suites, tailored partner benefits, or exclusive events access, for example. This enhances the experience both during and beyond travel.





## Geographically tailored loyalty programs and multi-brand propositions

This type of loyalty program is designed to cater to customers' unique preferences and behaviors in different regions and brand segments.

### Key benefits of geographically tailored and multi-brand loyalty programs include:

- **Operational efficiency:** Maintaining distinctive brands and consolidating them under one overarching loyalty framework streamlines operations and reduces complexity.
- **Customer satisfaction:** Offering localized benefits and rewards increases customer satisfaction and loyalty, as customers feel more understood and valued.
- **Brand-specific customization:** Operators with multiple brands can tailor loyalty propositions to align with each brand's unique identity and target audience.

### Challenges airlines and hospitality brands must overcome include:

- **Integration complexity:** Merging different programs into a single framework while retaining each program's identity requires careful planning and execution.
- **Complex business rules:** Managing different loyalty schemes and business rules for various brands, regions, and rewards complicates program administration.
- **Customization by brand:** Airlines or hotel chains with several brands must offer tailored loyalty schemes under the same overarching program.

### The role of technology

A centralized loyalty platform with robust APIs and configurable business-rule engines ensures seamless integration with your loyalty ecosystem for consistent operations across all channels.

### *An example of a geographically tailored loyalty program*

The loyalty program operator runs a localized "earn and burn" program. This offers local-market as well as regional partner offers and culturally relevant rewards, enhancing customer engagement in each market.





## Future-ready loyalty

Worldwide, the top ten airline loyalty programs are valued at nearly US\$121 billion, representing **close to 50%** of these airlines' market value. With numbers this large, it's easy to assume that airlines have loyalty figured out and customers locked in. However, complacency is not an option, given the increasing willingness of younger travelers to switch brands and the ever-evolving complexities of the aviation industry.

The hospitality sector faces similar challenges. As consumer expectations for personalized, seamless experiences continue to rise, hotels must also evolve their loyalty strategies to stay competitive. Guests today are no longer simply looking for rewards; they seek tailored, memorable experiences that go beyond points.

A modern loyalty platform can help airlines and hotels deliver dynamic, innovative, real-time experiences that foster deeper connections, driving stronger loyalty and increased revenue. Adopting a flexible, scalable, next-generation loyalty platform is essential for meeting evolving traveler expectations, enhancing customer retention, increasing spend, and improving satisfaction. Advanced capabilities like intelligent segmentation and real-time optimization offer the opportunity to create personalized, dynamic experiences that strengthen loyalty across the travel industry.



# iLoyal by IBS Software

IBS Software provides mission-critical SaaS solutions to the global travel and logistics industries.

iLoyal empowers leading travel brands to elevate member engagement and drive success across multiple B2C and B2B loyalty programs simultaneously. With precise segmentation and tailored rewards, brands can deliver meaningful, value-driven experiences to diverse audiences.

Built on a highly configurable SaaS platform, iLoyal enables rapid, flexible deployment of new products and services, bringing innovation to life. Its cloud-native design streamlines partner integrations, expanding and accelerating value delivery to enhance loyalty program experiences.

Harness the power of advanced data and analytics to create a 360-degree customer view, delivering personalized offers that maximize lifetime value. From seamless real-time transactions to robust fraud prevention, iLoyal powers program growth through secure and rich member interactions—all within one platform.

Find out more at <http://www.ibsplc.com/iloyal>







Redefining the Future of Travel through Technology Innovation

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