



## Airlines & Hospitality:

# The values of loyalty in a crisis

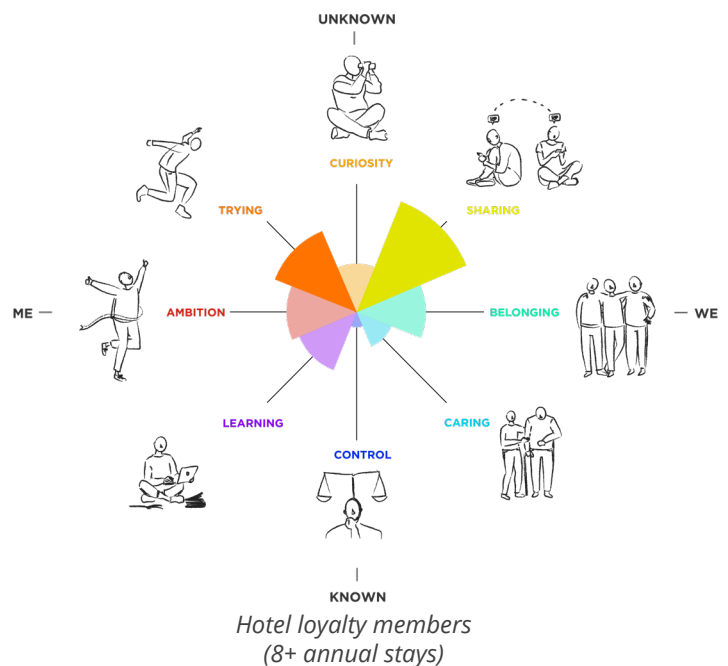
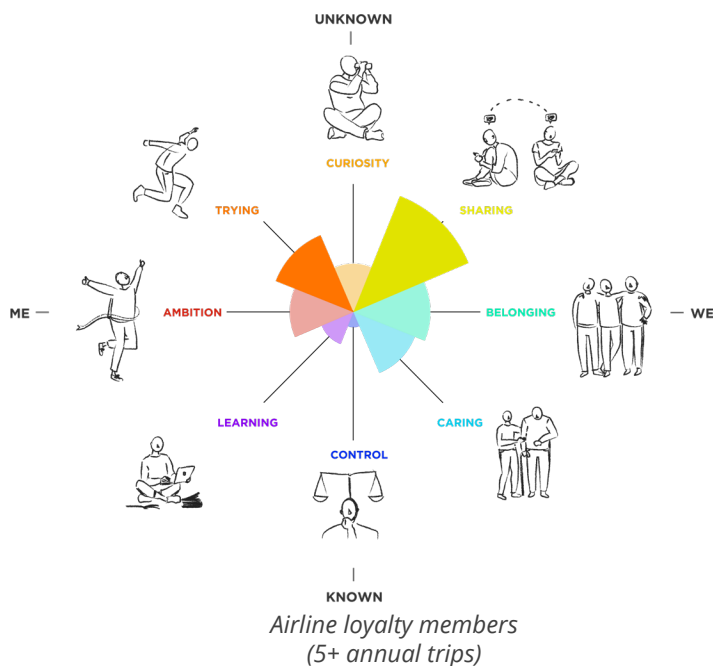
Typically delighted by a complimentary beverage in the lobby during check-in, hotel guests of the future might be even more excited to be treated to unlimited hand sanitizer. Let's face it, the COVID-19 pandemic has heavily impacted the travel and hospitality sectors. Hotel occupancy is down 42% year-over-year (YoY)<sup>1</sup> with roughly 80% of hotel rooms empty<sup>2</sup>. Air travel demand is forecasted to fall 48% for 2020, with a projected loss of \$300 billion<sup>3</sup>.

With our present reality looking grim, brands are shifting focus to their action plans coming out of the pandemic. While nobody knows exactly what these new realities will look like, businesses will actively work towards stabilization and recovery, which in travel and hospitality means ensuring that a brand's most valuable customers return as quickly as possible. It's too early to base long-term recommendations on current transactional trends and customer actions, so instead we're monitoring the underlying motivators of human behaviors, actions, and beliefs—their values.

Our proprietary **Values Compass** is built on an algorithm that uses targeted questions to map humans against eight cardinal values: ambition, trying new things, curiosity, belonging, caring for others, control, and learning new things<sup>4</sup>.

Our **recent analysis** explored how values have shifted during the COVID-19 pandemic and found that values are the aggregate of our experiences, are slow to shift, and are therefore a good way to predict people's long-term behavior<sup>5</sup>. Organizations that can identify, communicate, and act upon a brand purpose that overlaps with the values of their customers will be better positioned to thrive as we enter a new normal.

And why does this matter? Because companies who deliver on human values **Elevate the Human Experience** (EHX™), and EHX™ leaders are twice as likely to outperform their peers in revenue growth over a three-year period<sup>6</sup>. **In hospitality**, EHX leaders across price tiers captured more than 30 percent higher revenue per average room as compared to low HX performers within their category<sup>7</sup>.



*Because these 2 groups are essentially comprised of the same people, they have similar values: their top 2 values are sharing and trying new things.*

With that in mind, we looked at the values of airline and hotel customers from a snapshot taken June 02, 2019 one year ago—a time that provides an accurate read on baseline core values for customers traveling before this pandemic. Brands can start thinking about how to recapture customers by understanding and appealing to their deeply rooted values. Since these are the travelers that will likely be returning, we set out to learn what they care most about. We specifically looked at frequent travelers who belong to loyalty programs. This group was categorized as those that took 5+ air trips and had 8+ hotel stays, respectively, in the last 12 months rolling back from June 02, 2019.

## So, what did we find?

Airline and hotel loyal frequent travelers, who often travel for business, are largely the same group of people and as such have values that mirror each other. Unsurprisingly, we found that both groups of loyal customers have nearly identical values, and in particular aligned with the same top 2 values: sharing with others and trying new things. This group values sharing their experiences and thoughts digitally with others and are also motivated by trying new technology and experiences.

Aligning to values will be a critical ingredient for success as airlines & hotel brands focus on re-engaging their loyal frequent travelers. We believe that an efficient way to do this is through rewards and loyalty programs. As an early response to quell anxiety and maintain loyalty, most brands chose to extend the expiration date on program status, quickly becoming the ubiquitous answer to initial COVID concerns. With the fear of losing status waning, rewards programs and messaging can be re-aligned to what customers truly care about—implementing innovative features that deliver new types of incentives that

appeal to their values and reward these customers for their loyalty. Modifications to rewards programs also often require lower investment into organizations' existing infrastructures, as opposed to complete overhauls reserved for long-term strategic shifts.

Although we believe that core values will hold in the long-term, there is an additional element that cannot be overlooked in helping with the return of these avid travelers as we enter a new normal—the feeling of safety.

In a recent survey, 78% and 87% of frequent hotel and airline travelers, respectively, said that an advance email outlining new cleaning practices would be very or somewhat important in making them feel more comfortable resuming travel and other activities<sup>8</sup>.

Rewards programs have the potential to play a significant role in recovering loyalists. They appeal to travelers' desire to feel valued and can help brands build trust by enhancing the communication and actions necessary to put customer well-being and safety first. Embracing these tenets, hotels and airlines can take a two-pronged approach—adding loyalty and safety features designed to recapture this loyal customer base during the post-COVID-19 travel ramp-up period, and adding features designed to keep these customers happy once travel settles in to a new normal.

The value of 'sharing with others' makes loyal travelers want to share experiences and connect with the people who aren't with them.

In a post-COVID-19 environment, hotels and airlines will be expected to be more digitally enabled than ever, but can still surprise and delight their travelers by using this digital transformation to offer frequent loyal travelers connection points to their friends and family back home. As travel habits return, this can be a very human point of differentiation—helping organizations foster strong relationships with guests and increase positive interactions with their brand.

Additionally, the value of ‘trying new things’ creates an opportunity for hotels to continue doing what boutiques have done well in the past—offer unique experiences that are tied to the local culture.

Well-educated concierge and desk staff should be ready to help returning guests experience all the location has to offer. This has a compound opportunity to reinvigorate local economies and small businesses in the area and ensure your guests are treated to new experiences they are unlikely to find elsewhere.

Airlines may consider adopting a digitally focused, community-building mindset and structuring reward program applications to be less focused on individual customers. Building on the value of sharing their digital experiences, loyalists are likely to want to share rewards and would potentially be interested in working toward team- or family-based goals and benefits. This approach not only applies to the rebound period, but also the long-term.

But what about frequent travelers who do not yet belong to rewards programs? To further understand broader groups of travelers, we looked at ‘non-loyal’ frequent travelers and found

that they too value sharing with others and trying new things. Similar to the loyalists above, this group expects a certain level of safety when returning to travel. When organizations develop strategies around their loyalty members, building features around sharing, trying new things, and improving safety standards and messaging, they will also be appealing to this crucial group of ‘non reward member’ frequent travelers.

Focused reward feature design can play triple duty—bringing loyal customers back quickly, enticing frequent travelers to enroll in rewards programs, and building consistent loyalty by rewarding these customers with perks that meet their values.

## So Now What?

If there is one thing that’s certain in this uncertain time, it’s that the human experience will likely position organizations to better meet needs and ultimately stand apart from the competition. While it remains to be seen just how long it will take for business to feel ‘usual’ again, when organizations develop strategies to re-engage their most loyal customers they should make an effort to deeply understand their values. Customers will expect to be taken care of and feel safe in the new normal and companies who best deliver on this expectation will be positioned to capture share as travel returns. Organizations who align their rewards programs with customer values and consistently deliver feelings of security can incite continued loyalty and capture frequent travelers into the reward program and overall brand fold. We believe this values-based approach can help travel and hospitality brands respond, recover, and ultimately thrive in the face of our new realities.



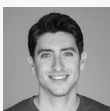
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## End notes

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- <https://www.ahla.com/covid-19s-impact-hotel-industry>
- <https://www.forbes.com/sites/marisagarciac/2020/04/14/iata-revises-revenue-loss-estimate-to-314b-in-2020/#6f91a74c7bb3>
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- <https://www.deloittedigital.com/us/en/blog-list/2019/elevating-the-human-experience-in-hospitality.html>
- Deloitte Safety & Cleanliness Survey, 5,000 respondents, May 2020

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