

THAT MAKES CENTS



Season 3 Episode 4

A look into consumer loyalty with Marriott

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Bobby: Hi everybody. I'm Bobby Stephens and welcome or welcome back to That Makes Cents. This is the podcast where we break down consumer industry trends and explore their impact on businesses and all of us as consumers. Today's episode will mark the first part of a series all about the world of loyalty. Yes, all the perks and benefits you get as a member of your favorite loyalty or rewards program, but also all of the complex strategy, operations, and technology required to build and run the most loved programs. So we're kicking things off today with a look at the travel and hospitality industry. We're really lucky to have someone joining us who helps lead Marriott Bonvoy, one of the largest and well-known programs around, Nikhil Takalkar. He currently

heads up Marriott's loyalty operations and customer experience strategy. And we have my colleague and friend, Ramya Murali, a principal here at Deloitte who co-leads our loyalty offering. Nikhil, Ramya, thank you so much for being here today.

Nikhil: Well, thank you, Bobby, for having us.

Bobby: You got it.

Ramya: I'm really excited to be here with Nikhil. And you, Bobby.

Bobby: Well, let's dive right in. So I do want to dive in and really learn about what it's like to work in this dynamic space. We don't always get a chance to do that. So, Nikhil,

let's start there. Can you tell us a bit about where you started and how you found your place in loyalty and a little bit maybe about your current work, day to day, what are you responsible for over there at Marriott?

Nikhil: Great. Thank you, Bobby. So it's been an interesting 14-year journey for me with Marriott. I started off similar to you guys. I was a consultant before, I won't name the consulting firm, but I did join an internal consulting group within Marriott. It was sort of a seal team six for our chief commercial officer. The team was responsible for M&A activity, strategic initiatives, reorganization efforts. Most of these that are company customer-facing, very visible initiatives. One of the initiatives was around integration of

loyalty programs across SPG and Marriott. So when we decided to acquire SPG, I led the actual integration of the two programs. So as part of that process, a natural opportunity came along where they were looking for someone to lead the combined program, not just the program operations, but the strategy and the future customer experience.

And so the rest, as they say, is history. Today, what I'm responsible for is not only leading the overall program, which includes managing and executing the benefits, but also thinking about program economics. So how do you think about redemption pricing? How do you think about benefits that get delivered on property? And then new product, new product development, owner engagement, and things like that. Most importantly, I'm also Ramya's ambassador go-to person. So when Ramya doesn't get her benefits, she'll always come and call me and say, "Hey, I didn't get my benefits delivered." So I'm that person who makes sure that the benefits get delivered consistently across 8,000-plus hotels in our portfolio.

Ramya: I will just build on the last part that Nikhil hasn't mentioned is Marriott's in a point of great transition and continuing to think about how they evolve the experience that they deliver to travelers and guests around the world and thinking about how Bonvoy continues to evolve and transform in that context is a big part of how Nikhil spends his day and how I get the pleasure of spending time with him.

Bobby: Ramya, you bring up a good point that I want to touch on a little bit. Nikhil, you've been at Marriott for over a decade. Ramya, you've been working with clients in this space for about the same amount of time, including quite a long time with Nikhil at Marriott. You've really watched and participated in loyalty. The programs, all they encompass really developed and changed rapidly over that decade. So for both of you, what are some of the biggest

shifts that you've observed that you think are interesting to talk through?

Ramya: Well, so I think that one of the things that we've observed in the market over the last 20 years is we are overrun with loyalty programs. And I'm not saying that in a bad way, I'm just saying that for the average consumer, any category that they interact with, whether it's grocery or gas or restaurants or travel, offers a loyalty program. And I think that becomes increasingly complicated for consumers to navigate. And it becomes really difficult for companies to ensure that their brand remains sticky and differentiated in what is a very crowded landscape.

We ran some loyalty studies last year, and I think one of the things that may surprise most of the listeners is the thing that consumers look for first and foremost is not the sizzliest benefits, it's not access to partnerships; those are all important. The thing that a consumer wants the most is ease and simplicity of understanding the program. I think with so many programs in the marketplace today, it can become really difficult to understand why you're in a program and what you get out of it. And making sure that a brand is doing that is really key to making sure that any consumer can stick around. And I think again, the pandemic totally proved that was critical to a program success.

Nikhil: I'll build on that, and I'll echo what Ramya highlighted. Delivering on program promise consistently is just table stakes. It's a given. Today it's all about making sure we deliver that promise in a seamless and frictionless way. Consumers want to make sure that it's easy to make a booking, change their reservation, have easy access to all their stay-based preferences just at their fingertips. And companies like Amazon have made it so easy. I think some of the airlines have also made a huge difference in this space. This is one of the reasons why, for example, 95% of our app users are our loyalty members. And so, they want

that simplicity. They want that ease of use. The one additional thing I'll also mention, loyalty programs are no longer about earning and redeeming, but it's also about how well you know me as a consumer, i.e., personalization. For example, consumer travel depends or varies based on whether it's for business or pleasure or even pleasure, as they call it these days.

And based on preferences, I expect different things from a hotel or an airline. I think our hotels have to deliver on those expectations consistently based on the travel tribes or trip tribes. Just as an example, we turn the ability for our top-tier members, our ambassador members, to update their preferences and tell us what do they want when they stay with us on certain trip types. And you won't believe it, just the day we launched that, almost about 10% of that member base quickly jumped on and shared with us what they would like to see in the hotel during certain trip types, which is kind of an indication how consumers want you to know exactly who they are and what they expect.

Ramya: What's cool is when you actually get to see that as a consumer in real life. Couple weeks ago, I checked into a hotel in New York City, a Marriott Hotel that I've stayed in a few times, and the front desk associate went so far as to say, "This is the same room on a different floor that you stayed in last time. You sounded like you liked that view and you didn't think the noise was too loud." And it's just a really good reminder that the brand is paying attention to me and thinking about whether I had a good experience last time and making sure that they can do that again. And those are the little things that I think really do help a brand stick out in a consumer's mind.

Bobby: You guys are talking a lot about the specifics of a hotel, whether it's this guest experience or having your stay-based needs at your fingertips on the app when you're on property. And something that consumers may not actually think about

is how differently you have to approach a loyalty program, depending on the business you're in. Hotel programs are different from a convenient store, an airline program is different from a restaurant, and the list goes on. And we'll cover some of those in future episodes. But for today, maybe, Ramya, you can talk about some of the major considerations, the top two or three that are unique to the travel and hospitality industry, including hotels.

Ramya: Yeah, absolutely. I know that we've been talking a lot about the high frequency members, as Nikhil pointed out, but I think one of the biggest considerations for travel and hospitality brands is the frequency with which consumers engage with those brands is so different than how they engage with a gas brand or a grocery brand or even apparel. All of us are high-volume travelers, but the vast majority of consumers are not. The vast majority of consumers may go on a handful of business trips in a year or a handful of vacations. How do you stay connected to those consumers in between those stays, in between those flights? How do you make your brand relevant? How do you make it so that there are additional reasons to log in to your app or whatever it might be?

And I just think that's a different complexity that travel and hospitality brands have. It's in contrast, if you think about gas and grocery and some of those functional brands that you engage with every week in your life, you see that a lot of those brands end up looking like real-time rewards. Ways that you are directly being encouraged and incented to engage with one brand at that point of sale. And they know it's because they're going to see you again in five days. And so I do think that frequency question is one. We talk to brands about a lot and make sure that they're designing programs with consumer use and engagement in mind.

Bobby: That's really good. That frequency question. Nikhil, one other thing that maybe is complex in the hotel space, at least for Marriott, is international, right? That adds a

whole bunch of additional considerations in the mix when you're operating in dozens or hundreds of countries worldwide. So can you take us back a few years, to the makings of what is now known as Marriott Bonvoy, which is that single loyalty program that goes across all of Marriott's assets, across I think it's 129 countries and territories? That's a massive change. So can you tell us about the key priorities that guided the creation of this single program?

Nikhil: That's a great question, Bobby, and I think I'll just hit on something Ramya shared earlier. How do you make big feel small? I think that's the question always posed to a lot of the loyalty programs across various companies. Marriott Bonvoy now is not just the largest program in the industry, but number one ranked loyalty program in the industry. The vision for this program, actually the combined program, was driven by our late CEO Arne Sorenson. He wanted to evolve Marriott Bonvoy's role from just a point space loyalty program to a more travel program with loyalty at its core, relationships at its core.

So Marriott Bonvoy basically defines a new spirit of travel. We believe that travel is transformative. It enriches travelers with a deeper connection to the world, and this led us to our brand positioning. And so Marriott Bonvoy enriches members through the power of good travel. It's kind of guided across three pillars or three key principles. First, I think, Bobby, you hit on it. We have an unparalleled portfolio of brands across 134 countries with about 8,000 hotels. So you have a hotel for every segment of the consumer. By the way, that portfolio is growing every day, we open a new hotel almost every 14 hours. So think about that. Second, we have more inspiring experiences for our members to discover both not only at our hotels and restaurants and spa, but even through our moments program. So be it a formula one experience, be it a game at the NFL, or something else outside globally. Last but not the least, and I think Ramya touched on this as well, we kind of have the richest benefits, including unmatched

recognition, faster path to elite status. And of course, our industry-leading Marriott Bonvoy app.

To top all that, we have a suite of co-brand card products that amplify earning, even when you're not staying with us. So think about earning and redeeming points when you are not even staying with us so that we can stay top of mind for you as a company.

Bobby: Sounds like it's something to be proud of. I can tell you're proud of it and, not to pile on, Nikhil, but I do have a follow-up for you. Other than opening a new hotel every 14 hours, which is crazy, what are some of the challenges you've had to overcome to roll out this new program? I imagine there were a couple of learnings along the way.

Nikhil: Yeah, Ramya and I both have scars from that journey.

Ramya: We do.

Nikhil: But this could be a great business case study for a business school. But if you think about loyalty programs, we have three key stakeholders. Of course, first is our members. And the second is owners. And third is Marriott International, which is also important. But in all of these three stakeholder groups, the biggest constraint for us was time. And we had an audacious goal of integrating these three programs into one in less than two years, and that was quite challenging. We had to do that without alienating either of the member base and making sure that our owners stuck along the journey. Because at the end of the day, this was all about value for them, not just savings, but top-line value. And then of course, technology, as you know, in the hospitality industry is not the most cutting-edge.

And so trying to migrate a billion customer records with important information and accounts, points balance, and status was extremely testing. So again, to say the least, we had a lot of these challenges and bumps

along the way, but at the end of the day, what we found post-integration is we not only drove higher share of wallet from our combined member base, we generated savings for a lot of our owners and drove top line, of course. And last but not the least, we actually integrated these programs in two years.

Ramya: What I was going to add is just there were two other components that I thought made the integration complicated. One was—and this is true for many loyalty programs—the frontline employees, associates in Marriott's context, are the brand ambassadors of the loyalty program, as much as they are brand ambassadors for the company itself. And so in this process of evolving from Marriott rewards and Ritz Carlton rewards and SPG to Marriott Bonvoy, the change management, the helping the associates really embrace the new go-forward brand, have them feel comfortable talking about it with a guest when they arrive at the hotel or call a contact center, I think it can be very easy to just experience the interaction that you have and not internalize how hard it is behind the scenes to help empower all of those frontline associates with the information and the tips and tricks to really help bring out the best of the program. So I think that was one thing.

And then the second, and this is obvious to many of us, there were a lot of people who really bled passionately about the SPG brand. And for many reasons, it had a cult-like following. And there are many, many people who felt very strongly about the Marriott rewards brand as well. And so managing the expectations of the consumer base from a communication, from an expectation management standpoint, we spent so much time talking about that. And a lot of that came out in how the program rolled out.

Nikhil: One of the things I'll say is, think about the change we did across, not just the way we defined our elite years, the way we kind of rationalize benefits, they look

different, and we have about 800,000-plus associates across 8,000 hotels. And at the end of the day, loyalty truly happens when that guest walks through that hotel door. And when that front desk associate recognizes you, delivers on your benefits, and makes sure that your stay is elevated, that's what matters. And to Ramya's point, making sure those associates do that consistently on day one of the combined program, that was a massive change effort.

Bobby: So we've heard a lot, a ton of good information about the program, about what it's like to operate in a global manner. Some of the complexities of combining multiple well-known programs together into one, and just the unique nature of running a program focused on hospitality and hotels in general.

So what I want to do is ask sort of a final forward-looking question before our required and always fun question at the end. To both of you, how do you see loyalty and loyalty programs evolving in the next seven to ten years? I'm really wondering about big picture changes, organizational shifts, how you guys will harness and monetize data, maybe in new ways. How technology and digital will change things, both for the business and the guests. Talk to me about the big changes you see coming.

Nikhil: So I'll go and, Ramya, you can pile on. I know we talked a little bit about personalization earlier on, but I think consumers will continue to gravitate with brands that can build relationships with them. And I think this could not only be elevating their experiences, but offering services and goods that drive share of wallet.

The second thing I think is we see this often, even in our daily lives, right, customers are looking for a more frequent interaction with the brand. So back in the day, it used to be enough to just occasionally interact with the guests. This too is a thing of the past. Today guests are looking for much more frequent interaction with the brands that they engage with. Recent studies show that daily and

weekly interactions are most effective when it comes to loyalty. So brands will have to put much more effort in creating engagement and content, using data and personalization with their consumers, even when they're not staying in our hotels, for example, when it comes to hotel hospitality.

And the last thing I'll say is one thing that has come up, both for loyalty programs and just companies in general, is just a rising interest in so-called responsible travel. So a lot of customers sitting at home for quite some time, they've had time to think about purpose behind travel. So they've had time to think about, am I booking sustainable travel, the importance of inclusion and diversity in how I make my travel choices. So they are looking to companies that make those kind of choices.

Ramya: Nikhil and I are tracking at the exact same dimension. So I'm going to take a couple of the things that he brought up and just riff on them in a slightly different way. So what's the biggest thing impeding most loyalty programs' ability to deliver personalization today? It is the access to quality data. It is the ability to do things with it. It is ensuring that your consumers feel comfortable with the data that you have, the protocols you put in place to manage it, and that you're keeping it secure. And one of the things that I think is interesting, Nikhil, is, what we don't know is how is consumer sentiment about this going to change? Are we going to find that consumers are willing to give more of their data away because they know that it does the thing that you just said where it's a super-personalized, tailored experience? Or are they going to start to feel more reserved and discriminating in what brands they truly choose to share their data and that open level of access. And I think this is going to be a thing that loyalty programs continue to grapple with over the next five to ten years.

The second, and this is a build off of the last part that Nikhil mentioned. There are so many top-of-mind social topics in the domain today, whether it's climate change,

whether it's sustainability, whether it's social justice and reform. And I think it has been interesting to see increasingly consumers care about the mission and values and position that a brand, and by proxy a program, take on some of those topics. Is it watching retailers who are highly promoting Black and Latinx designers and small businesses? Is it the way that companies are promoting their sustainability and responsible travel practices? My hypothesis is that this is going to continue to be something maybe not all consumers, but a growing vocal portion of the consumer population will care about.

Bobby: I love it. So great. Let's end this with a fun, hopefully not controversial question, little sticky. That's okay. So besides Bonvoy, what's your favorite loyalty program and why? If you can't answer that, you can tell me what's the best perk you've been able to redeem. If you want to answer both of those really quickly, go for it. Ramya, you're up first.

Ramya: So the program that really stands out to me that I'm very loyal to is Sephora for a few reasons. I think similar to the conversation we were having earlier, Sephora's user experience between the store and the app is awesome. It feels like one highly integrated experience. They know a ton about me and what I buy, and I buy

a lot, admittedly. And so as a result, they give me new suggestions, new ideas, new things that they want me to try out. And they're constantly offering the dimension of surprise and delight where I get a birthday benefit, I get a new sample, and that happens both when I go into the store and when I'm online. The other thing that is wonderful about the program is they do a really great job of creating communities of people with similar demographic profiles and in their specific beauty areas so that people can learn from each other and learn what works and what doesn't work. So I think it just creates a really warm, inviting, inclusive, very valuable program that keeps me coming back.

Nikhil: Awesome. I'll say this is a tough one for me, but just as a loyalty geek and just someone who also values every point earned, I also am a huge coffee drinker. So I think Starbucks in my humble opinion has probably by far the most amazing loyalty program. They make it very easy for me to not just earn those stars, but also redeem them. And the app is so personalized that they know exactly what I ordered. They know exactly what I like and I just love the way they use that data of my buying behavior to personalize goods and services that they offer. So that's one.

Bobby: Okay. Not that you asked, but since I can't choose Bonvoy or my clients, I'll just go with a broad category. Probably airline programs in general. I love to travel, especially when it's not for work. So it's really a special thing when you get to go someplace on a holiday for points and not have to come out of pocket for it as a reward for all the business travel over the years.

So, all right. That does it. We have reached the end of our stay here on the loyalty topic for travel and hospitality. Thank you very much, both of you, for joining me today and sharing your amazing experiences and thoughts on this topic. I think we've all learned a ton about the unique challenges that exist with a global hospitality business and trying to have a compelling loyalty program across all of those different locations for every single guest. For our listeners who'd like to learn even more than we learned here, visit deloitte.com to find our recent publication about consumer loyalty and about the Return to Business Travel survey. Also, you can find Nikhil, Ramya, or myself on LinkedIn, reach out. Thanks for tuning in and catch you on the next episode of That Makes Cents.

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