

Shifting Loyalties: Where Has All the Love Gone?

A Quantitative View of Changing Consumer Behavior

by Carolyn Corda

It's no secret that the consumers' connection to their preferred brand has frayed during the pandemic-driven downturn in travel. PwC conducted a survey in 2020 which found that 41% of consumers are likely to switch hotels, while some 40% are undecided, leaving a small minority locked into a preferred brand (Glick and Baker 2020). A 2021 survey from Accenture reported that 45% of consumers are considering shifting some or all of their spending away from current travel providers (Curtis, Quiring, Theofilou, and Bjornsjo 2021). This research and similar studies have focused on travelers overall, most of whom have significantly curtailed their traveling since March 2020. But what about those that have continued to travel at the same relative rate? Have they, too, lost that loving feeling?

KEY FINDINGS

To get a clearer understanding of shifting traveler loyalties we analyzed actual consumer behavior (not their sentiment), focusing on people whose travel patterns had remained relatively consistent. Here are our summary findings:

1. For the most frequent traveler segment (top 5%), the loss of brand engagement between 2019 and 2021 is moderate at 15%.
2. It's rare for travelers to significantly downgrade their engagement abruptly; when consumers are shifting levels, it's a gradual process.
3. Falling engagement levels correspond to a combination of higher leisure travel and a preference for midscale/economy hotels.
4. There's a surprising sub-segment of infrequent travelers that have increased their brand engagement over the past two years.
5. An early warning and response system can help prevent loss of brand engagement.

APPROACH

Our analysis of brand affinity examined both search and booking behavior over the past three years. We tapped into Adara's unique data asset which aggregates data contributed by more than 300 consumer brands comprising over 30 data elements on 1+ billion profiles. Our analysis had four steps:

1. Categorize travelers by Traveler Value.
2. Further sub-segment Traveler Value populations by Brand Engagement Level.
3. Determine Brand Engagement shifts between 2019 and 2021.
4. Profile the trip characteristics of those that upshifted, maintained and downshifted their Brand Engagement Level.

The process and definitions are detailed further below.

1) Traveler Value Score Segments





During the pandemic many travelers took significantly fewer trips, making it challenging to tease out changes in brand affinity from a decrease in travel opportunity. To identify travelers whose relative travel behavior has remained constant we used Adara's proprietary Traveler Value Score (TVS). This score is a composite metric that assesses a customer's potential value as a traveler based upon past travel bookings, and measures for travel frequency, total travel spend, loyalty status and other booking behaviors seen across the Adara data consortium. Travelers are assigned a score that ranges from 100 to 800.

We sorted travelers into three segments using the TVS ranges. As descriptors we've outlined some of the typical pre-pandemic behavior for each of these three groups.

EXHIBIT 1

Traveler Value Score Segments

*Based on Pre-Pandemic Norms

	Novice Travelers (Lower 80%)	Frequent Travelers (Upper 15%)	Top-Tier Travelers (Top 5%)
TVS Score Range	100-550	551-700	701-800
 Avg. trips/year*	4	18	36+
 Avg. annual spend*	\$7.5k	\$20k	\$60k+
 Loyalty	None or basic	Elite	Multiple top tier
 Booking channels	Mostly OTA	OTA & direct	Mostly direct

To calibrate these traveler segments to 2021, we used their position relative to the overall market:

- Top Tier Travelers (top 5% of US travelers)
- Frequent Travelers (upper 15% of US travelers)
- Novice Travelers (lower 80% of US travelers)

To be included in our analysis a traveler had to be in the same tier in both 2019 and 2021. There were over 500,000 profiles that met that criterion.



2) Brand Engagement Level

For each of these three traveler segments we evaluated the level of brand engagement as demonstrated in both search and booking behavior using Adara’s Hotel Brand Affinity Score (HBAS). This score indicates a traveler’s willingness and opportunity to change what hotel brand they book for a trip. Consumers in the marketplace have a preference for a brand, and an openness to using brand 1 versus brand 2. The HBAS captures consumers’ openness to substitute one brand for another. The HBAS is calculated as the Gini Impurity Score of a traveler’s past hotel booking shares. Gini is a measure of impurity, or how homogenized the groupings are in a set.

Travelers were categorized into one of three engagement levels: Low (Fickle), Medium (Mixed) or High (Devoted). The characteristics of the three levels are below. Note that the proportion of bookings with a preferred brand (e.g., Hilton, Marriott, Choice, etc.) starts at 99% concentration for High Engage, drops to 90% for Medium Engage and falls to a range of 33-50% for the Low Engage.

EXHIBIT 2

Characteristics of Brand Engagement Levels

	Low Engage (Fickle)	Medium Engage (Mixed)	High Engage (Devoted)
Search 	Wide search for all options based on criteria other than brand	Brand may be one criteria for search, but not an important one	Preferred brand is almost always first point of search
Booking 	Few repeat bookings on any particular brand 33-50% w/single brand	Some level of concentration on a small number of brands 90% w/preferred brand	Virtually all bookings with one preferred brand 99+% w/preferred brand

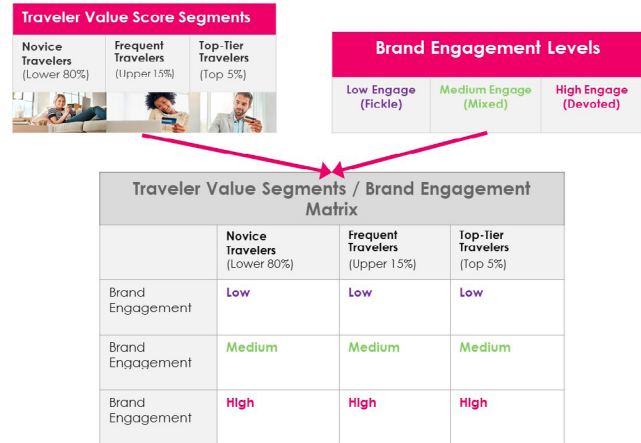
The Traveler Value/Brand Engagement Matrix

For each Traveler Value Segment there are three potential Engagement Levels yielding a 3 X 3 matrix;

each Traveler Value Segment includes travelers with Low, Medium and High Brand Engagement.

EXHIBIT 3

Brand Engagement by Travel Value Segment Matrix












3) Determine Brand Engagement Shifts

In comparing 2019 to 2021 Brand Engagement Levels we tracked the upward, flat and downward shifts for each Traveler Value Score Segment. While there are nine directions of movement for each TVS Segment, we highlight the two or three for each segment that are most meaningful.

EXHIBIT 4

Nine Potential Outcomes of the Three TVS Segments

		Brand Engagement in 2021		
		Low	Medium	High
Brand Engagement in 2019	Low	Maintain Low 	Upshift to Medium 	Double Upshift to High 
	Medium	Downshift to Low 	Maintain Medium 	Upshift to High 
	High	Double Downshift to Low 	Downshift to Medium 	Maintain High 

4) Profile Trip Characteristics of “Shifters”

We tested dozens of demographic and trip variables to differentiate segments that upshifted, downshifted and maintained. The test characteristics included age, party

size and trip distance. The variables that ultimately showed meaningful differentiation were:

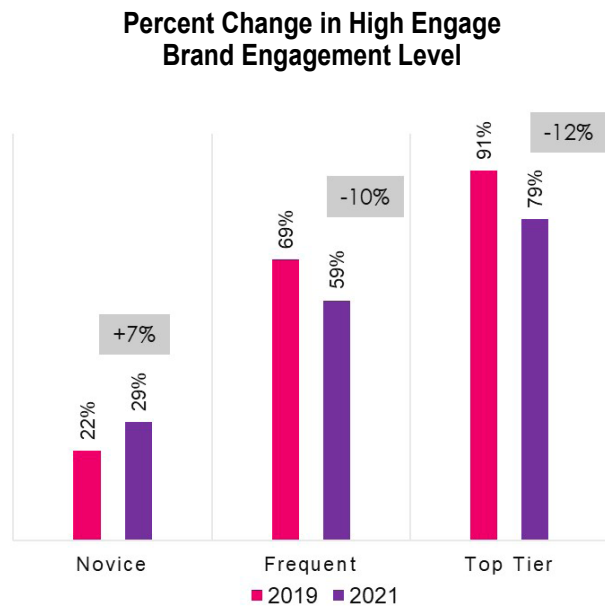
- Trip Purpose (Business vs. Leisure)
- Hotel Category (Luxury, Upscale, Midscale, Economy)
- Party size (Solos/Couples vs. Families)

These three trip characteristics help us gain an understanding of the factors driving the upshifts and downshifts in brand engagement.

RESULTS

We compared the change in the highest brand affinity level between 2019 and 2021 for each of the Traveler Value segments. In the chart below Top Tier travelers had both the highest percentage of devoted travelers in 2019 (91%) and also had the highest percentage attrition (-12%). The Frequent Travelers started with 69% and lost 10% while the Novice Travelers increased their proportion of High Engage by 7% to 29%.

EXHIBIT 5



It's expected that higher levels of brand engagement would correspond to higher levels of brand affinity; that Top Tier travelers would start out with higher affinity than Frequent or Novice travelers. The shift of Novice Travelers toward High Engage was more surprising.

In aggregate, billions of dollars in hotel spend are at stake from the downgrade and upgrade of brand affinity.

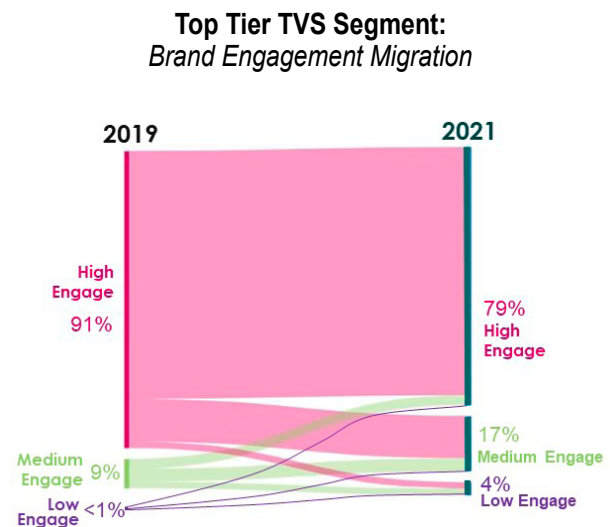
Note that these travelers have relatively few trips (two or three a year); if all of their trips were with a preferred hotel chain, then they were classified as High Engage.

In terms of potential financial impact to the brand, the downshift from High Engage can be measured as wallet share loss ranging from three to six stays per person for the Top Tier and Frequent travelers and one or two stays per person for the Novice Travelers. In aggregate, billions of dollars in hotel spend are at stake from the downgrade and upgrade of brand affinity.

Segment Specifics

Top Tier travelers started out 2019 with a high degree of brand affinity; 91% of that group was highly engaged based on their search behavior and they almost always booked their preferred hotel brand. Tracking changes to brand affinity over the last three years reveals a net loss of 12% among those with the highest brand affinity (the Devoted). Consider that the shift from High to Medium Engage represents a 10% decrease in wallet share; if this trend continues it could have a catastrophic impact on revenue.

EXHIBIT 6



Both those that maintained their brand affinity and those that downgraded had roughly the same volume of travel, placing them in the top 5% of travelers in 2019 and 2021. There are measurable differences between the travel behavior of those Top Tier travelers that maintained their high engagement compared to those that downshifted to the medium level of engagement. Those that maintained their high level of engagement had **8% less** leisure travel, tended to choose **higher category hotels**, and had **less family travel** compared to those that downshifted their engagement to Medium.

EXHIBIT 7

Top Tier TVS Segment: Trip Behavior Profiles of Brand Engagement Shifters

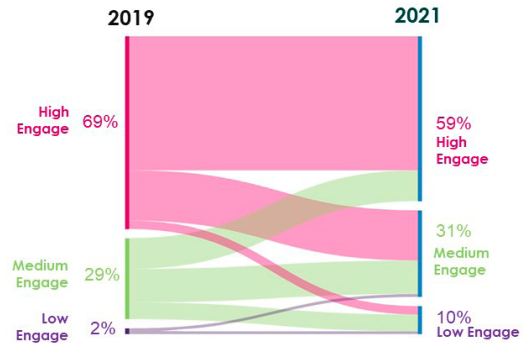
Engagement Level Shift / Trip Behavior	76%: Maintained High Engage	13%: Downshifted to Medium Engage
% Leisure Trips	43%	51%
% of Leisure trips in Upscale+ Hotels	81%	70%
% Family travel	12%	15%

Traditionally, the loyalty promise is that if you stick with a hotel brand for your business travel (often paid by your company), you will earn points and be eligible for perks when you travel for leisure. These include upgraded rooms, free breakfasts and check-in/check-out flexibility that are particularly valuable for leisure travel. The pattern we uncovered is that sophisticated travelers that are traveling more for leisure are less brand loyal. This suggests that there are cracks emerging in the fundamental bargain brands strike with consumers.

Frequent travelers lost 18% of their High Engage travelers to Medium Engage and 3% downshifted two levels to Low Engage. The net change was 10% due to the 11% of travelers who upshifted from Medium to High.

EXHIBIT 8

Frequent Travelers TVS Segment: Brand Engagement Migration



Consistent with the Top Tier travelers, those Frequent travelers that upshifted from Medium to High Engage had **6% fewer leisure trips** and **15% more stays in upscale and luxury hotels** compared to those that maintained their Medium Engage level.

EXHIBIT 9

Frequent Travelers TVS Segment: Trip Behavior Profiles of Brand Engagement Shifters

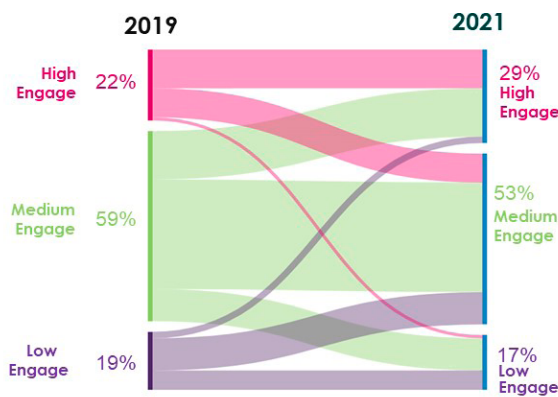
Engagement Level Shift / Trip Behavior	11%: Upshifted from Med to High	12%: Maintained Medium
% Leisure Trips	44%	50%
% of Leisure trips in Upscale+ Hotels	66%	51%

Again, the analysis suggests less brand stickiness when a traveler's overall travel mix is tilted toward more leisure and more stays in midscale and economy categories. This suggests an opportunity to bolster brand affinity with perks and offers that appeal to Frequent travelers that are more cost-conscious or are traveling to locations that lack resorts and more deluxe properties. The value of upgrades and free breakfasts may not be sufficiently compelling for these travelers when staying at midscale properties.

Novice travelers represent the only segment that posted a net gain in High Engage with a **7% increase** from 2019 to 2021. The downshift of 9% of travelers to Medium Engage and 1% to Low Engage was offset by the migration of **15% to High** from Medium Engage along with 2% from Low. Overall, Novice travelers exhibit the greatest mobility in moving from one Engage level to another. While this is certainly a function of fewer trips making it easier to demonstrate fidelity to a preferred brand, there are opportunities in hidden subsegments of this group to capture the highly valuable (in aggregate) second and third stays.

EXHIBIT 10

**Novice Travelers TVS Segment:
Brand Engagement Migration**



There are strong differences between those that maintained their level of engagement, who demonstrate a bias toward business travel and higher end hotels, compared to those that downshifted to Low Engage. The decreasing prevalence of upscale and luxury hotels is particularly apparent in those that downshifted from Medium to Low Engage; those that downshifted had a 29% gap relative to the High Engage and a 22% gap compared to those that maintained Medium Engage. The underlying pattern is that **lower Engage** levels correspond to a higher proportion of stays at **lower category hotels**.

EXHIBIT 11

**Novice Travelers TVS Segment:
Trip Behavior Profiles of
Brand Engagement Shifters**

Engagement Level Shift / Trip Behavior	12%: Maintained High Engage	34%: Maintained Medium	10%: Downshifted from Med to Low
% Leisure Trips	48%	46%	52%
% of Leisure trips in Upscale+ Hotels	53%	46%	24%

Novice travelers who travel infrequently make up the vast majority of travelers. They are generally presumed to be cost conscious and brand agnostic. Our analysis shows that there is more potential for fostering brand affinity than expected. A new approach to loyalty benefits that reflects more modest travel budgets along with a more targeted approach to enrolling these travelers into a loyalty program is required.

THE FUTURE OF LOYALTY

The pandemic has vigorously shaken the hotel industry snowglobe and the new contours of consumer behavior are just beginning to take shape. Traditional loyalty programs are built on frequency and spend — factors that align closely with business travel. With business travel down and not expected to recover to 2019 levels anytime soon, hotel executives are focused on new approaches.

At the recent Americas Lodging Investment Summit (ALIS) Stephanie Linnartz, president of Marriott International, highlighted the importance of leisure travel and characterized Marriott’s recent expansion into yachts and villas as a means of building brand stickiness. She said, “As leisure becomes a bigger part of the customer equation, we’ve wanted to offer these Bonvoy members more things” (Lapan 2022).

Many hotel brands including IHG and MGM are relaunching their loyalty programs to provide greater flexibility. At the same ALIS conference, Elie Maalouf, CEO of IHG Hotels and Resorts’ Americas division announced, “This year, we are relaunching our IHG

rewards plan with new benefits, new ways to earn and burn” (Lapan 2022).

Creating more attractive redemption options at a variety of point levels will certainly be beneficial to these programs. Just as important is building the capability to detect brand shifts and take action. We outline a three-prong strategy along with the questions hotel marketers should be asking to monitor and respond to current consumer behavior.

Three-prong Strategy for Monitoring and Responding to Current Consumer Behavior

1) Prevent

The relatively gradual process of disengaging gives a brand time to intervene if they can detect the shift.

Do you have an early warning system to detect falling engagement?

What programs are triggered to bolster engagement?

What tracking exists to gauge success and to fine-tune?

2) Expand

Higher leisure travel and lower hotel categories correspond to brand engagement downshifts.

How does this dynamic play out for your brand?

What approaches could strengthen affinity at midscale/economy hotels?

3) Focus

Despite low trip frequency, there’s a segment of Novice travelers that are primed to become devoted to your brand.

What data do you have to determine which sub-segment to target?

What onboarding offers are most effective in attracting these travelers?

How do you measure success?

WHAT NEXT?

Building and protecting brand affinity requires better processes for collecting and integrating first-party data, and enhancing that data with ethically-sourced intelligence for a 360-degree view of travel behavior. That rich data set must then be unleashed through sophisticated decisioning and disciplined execution. The winners in the race to create a bond of genuine loyalty with consumers will be those that invest in early detection systems, innovative approaches to loyalty perks and effective targeting. These brands can sleep easy dreaming of their guests singing “You’re still the one.”

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Carolyn Corda MPS '89 is an industry leader in customer data and intelligence with a track record of success in unlocking the growth potential in data-focused companies serving travel and consumer brands. She's built successful businesses by applying advanced analytics to large sets of consumer intent and transaction data, the resulting insight powers customer engagement for marketing, loyalty and experience design and delivery.

Carolyn has recently stepped into a Senior Adviser role at Adara after having served as the Chief Marketing Officer and Chief Commercial Officer for over three years. She was responsible for Adara's positioning as the leading data provider of consumer intelligence and for expanding Adara's data consortium through new partnerships. Prior to Adara she was a Managing Director at Accenture where she led the Applied Intelligence practice for the travel sector. Before that role, Carolyn was a senior executive at Epsilon with responsibility for developing and launching

new data solutions.

She has been recognized for her thought leadership and has spoken about customer insight and big data at industry conferences—including Skift and Phocuswright. Carolyn earned a Bachelor's degree from Yale University, an MBA from UCLA and a Master's from Cornell's Nolan School of Hotel Administration.

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