



Media: Loyalty Management

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BRANDCAP

THE IMPORTANT ROLE OF BRAND IN LOYALTY MANAGEMENT - A MARRIOTT STARWOOD CASE IN POINT

When it comes to loyalty nothing speaks louder than Tesco Clubcard; the doyenne of the points based scheme. Whilst Tesco might wear the crown, the grocery sector in general has always been the one to watch in terms of innovation and engagement. But eyes are currently drifting away from the supermarket loyalty wars and focusing instead on the hotel industry. Specifically they are zeroing in on the \$12.2 billion acquisition of Starwood by



Marriott and what this means for two of the largest loyalty schemes in this space. There has been much scrutiny in the press documenting concern from members of each scheme. This is unsurprising considering Marriott Rewards members hold an average of £376 worth of points and Starwood Preferred Guests (SPG) members have accrued an average of £258 – figures not to be sniffed at.

In November Arne Sorenson, President and CEO of Marriott wrote to members of the Marriott scheme announcing his intention to not only create the world's largest lodging company as a result of the merger, but also the strongest hotel loyalty scheme in existence.

He said "After we become one company, we expect to run parallel loyalty programs while we engage in the complicated work of integration... We don't anticipate launching a newly combined program until 2018... We intend to draw upon the very best of both Marriott Rewards and Starwood Preferred Guest to provide even more value to our members."

SPG members were not so lucky or informed. But in February during an interview with CNBC Sorenson said: "We've heard from SPG members loud and clear when they say 'Tell me I'll be OK,'" "You'll be OK. I want to make sure we continue to earn that loyalty."



Already, in this merger we are seeing inequality between the two brands, albeit in this example simply a disparity with regards to customer communication. Yet, however seemingly innocuous the dissonance, it can be indicative of an inability to align two companies. This can very quickly become the rot that eventually turns gangrenous and ultimately becomes terminal. For instance, a small scrap of material clearly indicated the mismatch between AOL and Time Warner from the get go. The tie versus no-tie dress code of each organisation was a display of the discrepancy that would define the merger and in a small way contribute to its failure.

For Marriott and Starwood brand decisions will be crucial when it comes to unpicking and rebuilding the loyalty programme set to represent the newly merged organisation. It is a gross misconception to believe that brand is just about logos and snappy names. Brand is a powerful tool that is proven to increase shareholder value, provide employees with a framework for success and customers with an identity that they can empathise and engage with. Consequently, the brand choices that Marriott and Starwood make about their loyalty scheme are crucial for the long-term ability to achieve the strategic objectives of the largest hotel company in the world.

The key will be in preserving the perceived value of each reward scheme and brand whilst ensuring that they appear greater than the sum of their parts. The team responsible for this integration must have forensic knowledge of the brand equity that makes up Marriott Rewards and SPG. The common denominator for successful reward programmes like My Starbucks, MyWaitrose or Pret a Manger's free coffee initiative, are that they put the brand right at the heart of the programme. Those that fail don't. Instead they mistakenly centre on the rewards themselves, not the emotion behind them. Likeability and trust are proven to be the main drivers of long-term loyalty. Not coincidentally these two emotions are functions of brand and consequently failing to make reward scheme decisions without applying a brand lens can very easily lead the team down the wrong route.

The value exchange comes into play, particularly in the hotel sector where internet-based, apartment-sharing models such as Airbnb and online travel agents like [booking.com](https://www.booking.com) and www.trivago.com, have had a marked impact on the traditional model. Guests want experiential travel something that will look cool on social media, a phenomenon coined 'Instagram-chic'. The new look reward scheme must cater for this consumer desire and for the corporate market. Both sets of customers want a long-term relationship with the hotel company they have come to trust and genuinely like. It's up to Marriott and Starwood management to deliver against this or risk losing a large proportion of their customers to boutique offerings like Mr and Mrs Smith or stable behemoths like Intercontinental.

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