

# Loyalty currency promotions during COVID-19

How to increase ancillary revenue when travel demand is low



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# Introduction

We are experiencing an unprecedented global travel reduction with an uncertain recovery timeline. Businesses in the travel industry are walking the tightrope of when and how to communicate with their customers, while being mindful of the current moral and legal restrictions on those customers' mobility.

Over the last 20 years, Points has been driving revenue and increasing engagement for nearly 60 loyalty programs, and 1 billion loyalty program members. During this time, we've worked through and learned from a number of major disruptions to the industry, each devastating and humbling in its own way.

It's understandable in this current climate that many loyalty programs are hesitant to market to their members. While navigating loyalty marketing communications in a time of reduced travel is a challenge, it's one that can be mitigated with informed adjustments to marketing strategy, including messaging, targeting, and communications channels. In this paper, we'll share some of our cross-industry data to show that a significant segment of members have an appetite for buying points and miles right now. We'll illustrate how promotional activity can still be effective and appreciated. And, we'll outline the short- and long-term benefits to promoting the sale of points and miles to members who aren't travelling in the near future.

# Who is buying points and miles right now?

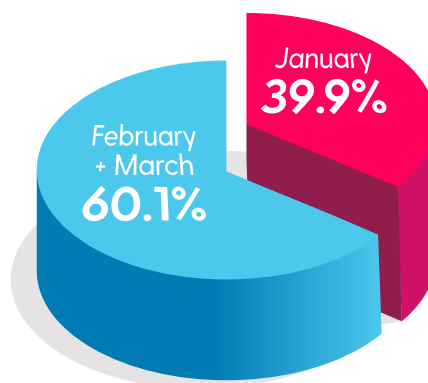
## Members still want to buy

Without upcoming travel plans, would someone buy airline miles or hotel points? Having adapted to multiple industry challenges alongside our airline and hotel partners over the years, Points has learned a lot about how customers will and won't engage during times when travel is greatly reduced. Although the COVID-19 outbreak has altered these circumstances more dramatically than ever before, even after restricting our analysis to a selection of travel partners, members still purchased an average of **more than 100 million points and miles per day** from February 1 to March 31, 2020.



### % of Q1 Points/Miles Sold:

- Before COVID-19 Impact
- After COVID-19 Impact



Q1 total points/miles transacted =

**7.7B**

A member's desire to buy ebbs and flows over the course of their time in a program. In times of low travel demand, it's especially important to know exactly who is buying. Our data indicates that although members of varying status levels and member profiles continue to transact, those who demonstrate behaviours associated with higher program engagement are transacting more than the average member.

So we know demand is still there, and understand that high-value program members are the primary purchasers. But how has the intent behind buying points/miles changed considering immediate travel is out of the question for the vast majority of these members?



# Types of buyers: needs-based vs. future-use



**Needs-based buyers** purchase points and miles for an immediate flight or hotel redemption. They purchase in small amounts: just enough to top up their balances so they can redeem for the particular reward they have in mind. It's simple enough to understand why this buying behavior is common during times of non-restricted travel, but we're also seeing that needs-based buying is continuing today in our vastly changed travel circumstances. For travellers suddenly forced to change their plans, [airline miles have helped them open up new, much-needed flight options when others aren't available](#).

On the other end of the spectrum, **future-use buyers**—often referred to as “super buyers” or “hoarders”—regularly purchase large quantities of points/miles with no immediate plans to redeem them. Future-use buyers are often bargain hunters who look to make their largest transactions during promotions. They're exceptionally savvy about how to get the most value from their loyalty currency, and often treat their loyalty balance as they would a bank account; they feel uneasy when it is low. If these members are presented with the opportunity to purchase points or miles at an attractive rate, they will eagerly jump at the chance to invest in their future travel.

# How should loyalty programs sell their currencies?

## Members still want to hear from loyalty programs

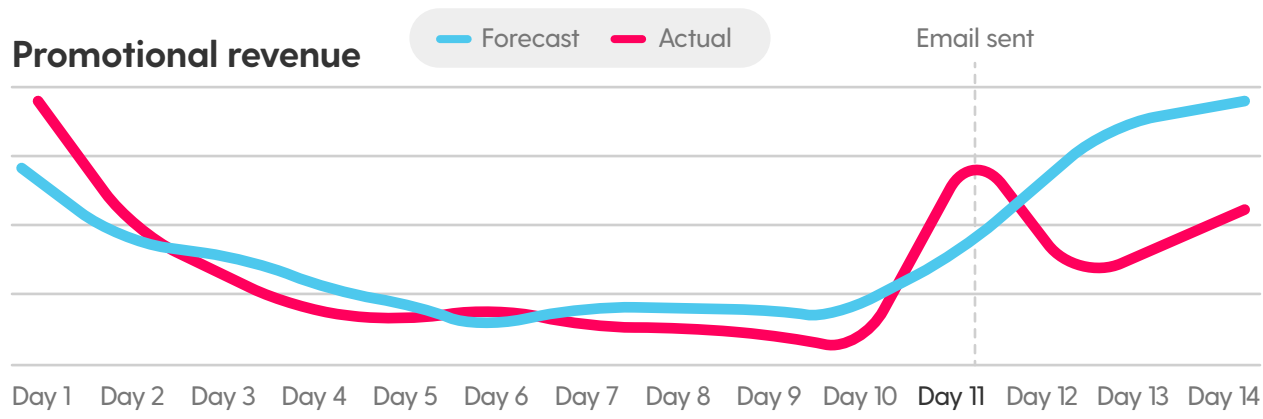
It's a general truth of marketing, but even more vital in times of crisis: never inundate members with irrelevant messages. Right now, the audience who will be receptive and appreciative of marketing messages is smaller than usual, but they are still there, and they are open to communication.

Points' data science team is focused on building models to identify that niche segment of a loyalty program's members who have an appetite to buy points or miles right now, and digging further to understand their motivations. Our analysis shows that smart, targeted promotional activity has been instrumental in engaging that valuable group of members who are still interested in building their loyalty currency balance with offers that are meaningful to them, regardless of current travel habits.

### The positive impact of communications

During a partner campaign in early spring 2020, we saw a spike in revenue on the day a promotional email was sent. This increase even exceeded our pre-COVID-19 forecast, despite the email being sent on a day of heavy travel ban announcements.

#### Promotional revenue



Though there's an understandable hesitancy to launch new features or even sell at all, promotions and promotional communication can carry on during times of reduced travel demand and continue to be successful. More than ever before, the key to both lies in personalization—having the right offer, in the right place, at the right time. Implementing personalization will have immediate returns for loyalty programs and set them up for future success in a marketing space that will be increasingly concentrated on data-led customization. As well, making adjustments to messaging and offer structure can place a loyalty program in a far better position than ceasing communications and promotions all together.



## Driving lift with promotions

Richer offers, calibrated using data and targeted to the most engaged and savvy members, can result in high-performing campaigns, even in the current environment. The graph below demonstrates that though the average size of a miles purchase during baseline periods has declined in February and March 2020, **the average transaction size during promotional periods has seen an increase of 30%.**

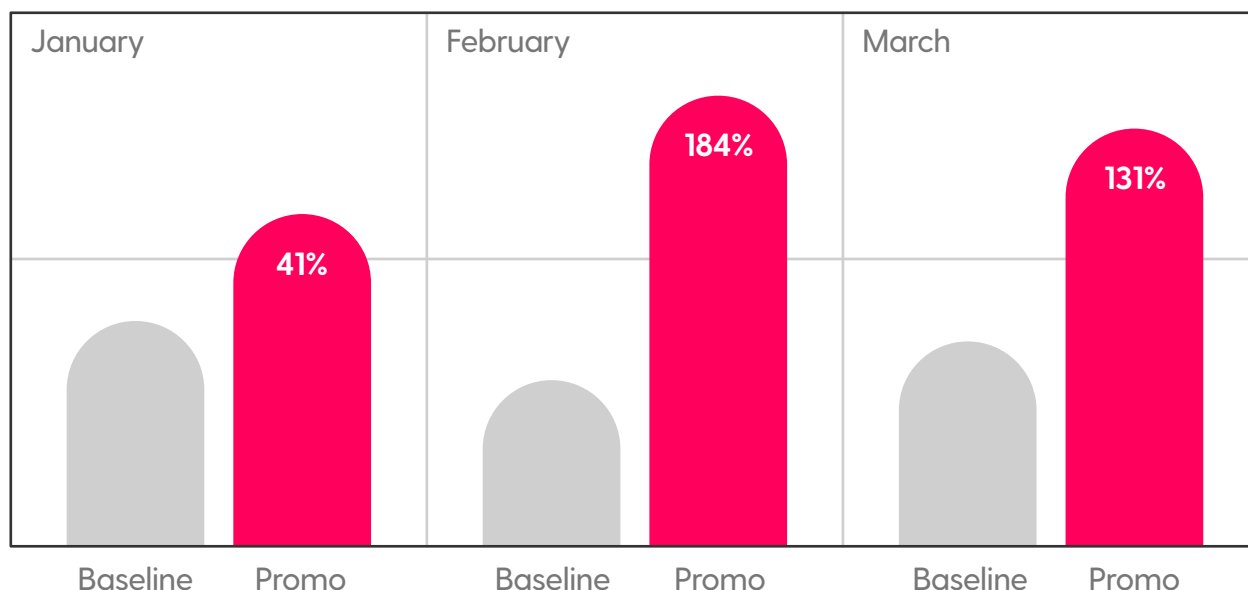
Increase in average transaction size during promotional periods

+30%

The majority of members who are buying loyalty currency right now are those who understand the value of the currency, rather than looking to purchase a specific amount to reach a set redemption goal. In other words: mileage-purchasing promotions are key to engaging astute, high-value loyalty program members.

### 2020 • ATS by Month

Baseline vs. Promo  
Partner Industry = Airline





## The right offer for the right buyer

Restructuring marketing offers doesn't have to be complicated and can yield immediate results. Strong offers are necessary: rich bonus or discount offers drive super buyers to transact now precisely because of the value they're getting. These perceptive customers know the value of a point/mile and will almost always respond to a great deal.

Because members are looking to build up their balances while they're not earning on flights and hotel stays, they are also looking for opportunities to buy more currency than usual. Increasing the limit on the number of points/miles they can buy in a calendar year is very effective in driving large miles purchases. Strong offers will entice those high-value super buyers and even convert some first-time purchasers.

## Communication channels

Members can be targeted using a range of media channels, including affiliate and display marketing, social media, and native advertising, thereby reducing reliance on email if necessary. In addition, some of the most valuable and high-visibility marketing placements are found on web and mobile properties. Points' data shows that **up to 26% of total promotional revenue** can come from smart web and mobile placements.

Marketing scope can be narrowed even further to focus on intent-based channels: those that are designed to reach members only when they've raised their virtual hand to indicate interest. Search-engine marketing, retargeted advertising, and affiliate partnerships are all channels where members may be seeking out a program's message. Each can be a highly effective way to reach those who are most likely to transact and adds a level of relevance and engagement that is critical in this period.





## A note on messaging

Right now, tone is everything. Ceasing all communications for fear of not having the right messaging, however, is not the solution. Instead, changing the positioning and tone of communications to reflect a different environment helps **to ensure offers** still resonate with members.



### Audit all automated communications

Take a look at triggered emails and other automated marketing communications to ensure tone-deaf copy isn't conflicting with other marketing messaging.



### Talk about future travel

Dreaming is still encouraged. Travel will eventually resume and when members have the need, their currency will be there.



### Get into gamification

We have seen success with mystery bonus and play-to-win concepts. These are not only enticing to members, but also a low-risk messaging opportunity.



### Focus on value

A rich offer will always drive engagement. Try out different bonus tiers or discount-bonus combinations.

# Promotions help now and later

## Immediate revenue, no upfront costs

While we can't know the full impact of consistent low travel demand on the industry, loyalty currency retailing is a helpful option for loyalty programs in uncertain times. Implementing currency retailing has no upfront cost—especially important in times of crisis, when resources are often allocated to solving the immediate problems ahead. Having a successfully implemented currency retailing strategy can be extremely beneficial, operating as a reliable, efficient machine generating revenue while running in the background of other operations.

## Creating long-term engagement

The revenue loyalty currency retailing generates is just the beginning. Buying points or miles is an action that is statistically proven to increase long-term member engagement and encourage future loyalty transactions. Points' data indicates members who buy points/miles show increased total transactions, increased points/miles earned, and increased points/miles redeemed within that program.

## The value of a points/miles buyer



## Looking beyond the metrics

Practically speaking, buying points or miles increases the likelihood that members will return to a brand when travel resumes because they have currency to utilize. But more and more, consumer insights demonstrate that brand loyalty is deeper than the numbers. We've seen many recent examples of flexibility and empathy towards members, like British Airways lowering status qualifications<sup>1</sup> and extending vouchers and Hilton Honors pausing points expiration.<sup>2</sup> Currency retailing in times of low travel is a form of reassurance: it shows members that a program will be there for them when they're ready. In uncertain times, being there for members is not a marketing tactic but simply the right thing to do.

Reference: [Link 1](#) [Link 2](#)





## Where do we go from here?

The COVID-19 crisis is re-shaping not only the travel industry but also our everyday lives. Adapting to and working with these changes rather than against them will be an integral part of overcoming challenges today and well into the future. We may not have complete and clear insight into how or when normalcy will resume, but know that loyalty currency retailing can evolve with it and with the help of thoughtful and data-backed modifications to targeting, promotions, and communications. Currency retailing simultaneously helps to ease loyalty programs through times of stress, and addresses a real consumer demand from some of their most loyal and engaged members.

## About Points

Points has more than 20 years of experience implementing no-cost loyalty currency retailing programs for airlines and hotels, as well as designing and executing marketing campaigns on behalf of nearly 60 programs worldwide. We are here to help navigate the challenges our partners are facing, now and in the future. Please get in touch by emailing

[partnerships@points.com](mailto:partnerships@points.com)

or visit

[points.com](https://points.com)

