

# How stimulating loyalty currency demand will aid post-pandemic recovery

An essential strategy for retention and engagement through 2021 and beyond



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# A challenging landscape

For the travel industry, 2020 was a year like no other. Consumer confidence and comfort in travel remains low, as do bookings and occupancy. With limited opportunities for their members to travel, airline and hotel loyalty programs have limited means of driving member engagement and moving members through the earn-and-burn lifecycle, making member retention a growing challenge.

Despite these limitations, loyalty programs have to prevent members from becoming disengaged and looking to switch brands before travel demand returns.

In this paper, we'll show how stimulating demand for loyalty currency now can aid recovery by keeping your base engaged and increasing member value. We'll also outline how to design and structure loyalty promotions that alleviate your current concerns and will drive desirable outcomes in 2021.

# Why is loyalty currency such a powerful tool for recovery?

In the past, hotels and airlines have employed deep discounting and price wars to stimulate demand after a recession. Some experts predict we will see some of the lowest prices in history following COVID-19.<sup>1</sup> During the recovery period, disengaged members who have become 'free agents' will likely be persuaded to switch programs with competitive offers and sign-up bonuses.

But if airlines and hotels have a base of engaged members with healthy loyalty program balances when travel bounces back, they have a far more effective lever than price alone to keep their customers. Loyalty-focused benefits (for example, a deal on an upgrade redemption or triple bonus points instead of a discount on a cash price) cost less to promote than price discounts on core travel services, and also have a high perceived value among members, making it a very effective engagement tool.

Even better: while they can't travel right now, planning for and dreaming about future travel remains foremost in many peoples' minds, making loyalty currency purchases just as relevant and appealing as before.

From May to October of 2020, we ran a post-purchase survey to find out members' plans for the points/miles they bought. We found that purchasing loyalty currency is a clear sign that a member intends to travel: 80% intended to use the points/miles they bought for a flight or hotel stay. They're also intending to do so in the near future, with 39% planning to travel within 6 months of their purchase and 10% as soon as travel advisories have been lifted.<sup>2</sup>

## When do points/miles buyers intend to travel?

Nearly half of points/miles buyers intend to travel in the near future.



<sup>1</sup><https://www.travelpulse.com/news/airlines/cheap-airfare-pricing-could-make-a-major-comeback-after-covid-19.html>

<sup>2</sup>Combined results from Points' airline/hotel post-purchase survey, May-Oct 2020

# Promotions attract and create high-value members

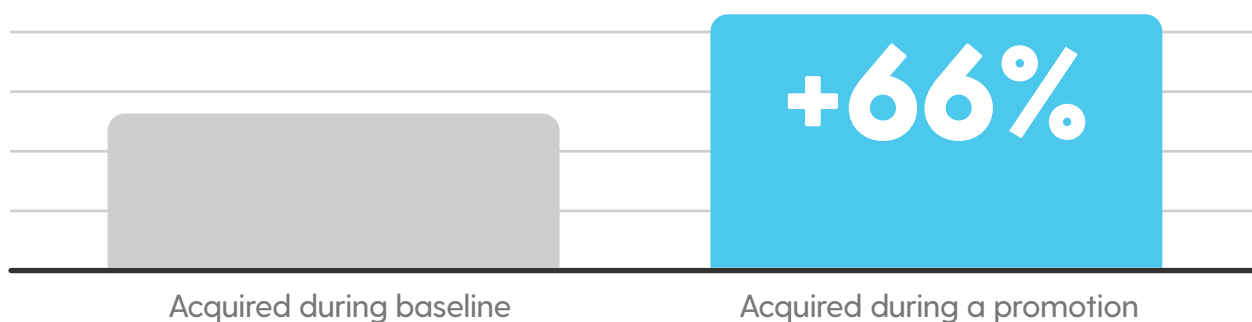
While emerging from the pandemic with an engaged base of loyalty program members is the goal, the opportunity to generate loyalty activity in the current environment is limited. Loyalty currency promotions provide a unique opportunity to drive interest and stimulate demand for the currency during periods of reduced travel.

Years of loyalty program data across categories and regions has proven that members who buy currency become some of a program's most engaged members, staying active an average of five years longer than non-purchasers, and redeeming 6-10 more times. Promotions allow you to reach member segments who didn't even know they could buy points/miles, or may not have seriously considered it without an incentive.

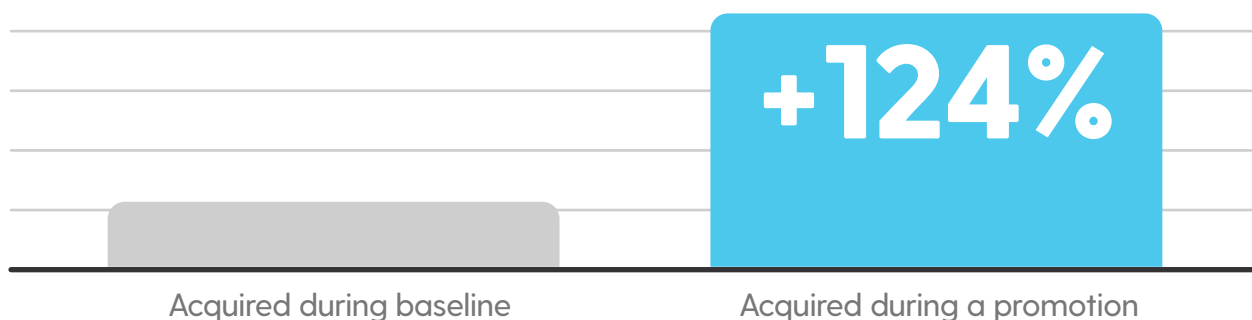
And while it may seem counterintuitive, we consistently see that members who make their first currency purchase during a promotion have a significantly higher lifetime value than those acquired on baseline, driven by their increased likelihood to repeat after their initial transaction.

Across all our partners, **members who made their first points/miles purchase during a promotion have a 124% higher lifetime value** than those who did during a baseline period, and a **66% higher repeat purchase rate** in the six months following their first transaction.<sup>3</sup>

## Buyers who transact again within 6 months



## Lifetime value per member



<sup>3</sup>Average of all Points' partners, Jan-Nov 2020

# Effective promotions for the current climate

Throughout the pandemic, member demand for points/miles has remained strong. And during this time, Points has been designing and executing promotions for our partners that continue to drive desirable outcomes. Here are a few ways that promotions have been effective for our partners in 2020, and will remain relevant into 2021.

## 1. Protecting yield with smart offer design

Getting creative with the timing and quantity of bonuses and discounts helps protect yield. Promotional constructs that offer a richer bonus or discount for a limited time or for a limited amount of points/miles stimulate demand while controlling the amount of bonus points/miles issued.

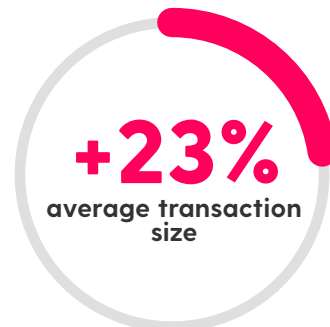
“Limit the time or quantity of your richest bonus or discount to protect yield

One of our airline partners ran an offer with a very rich bonus on the first 10 million miles sold, a less-rich bonus on the next 100 million, and a moderate bonus on all miles sold thereafter. By staggering the bonus amounts, the partner was able to **generate revenue quickly while managing yield**, and maintain demand and engagement for the duration of the promotion.

## 2. Personalizing offers for high-value member segments

Every member is not created equal, and the offers we serve them shouldn't be either. **Identifying high value (and high potential value) member segments and serving them tailored offers** is key to increasing their engagement and maximizing the benefit of your promotional activity. For one of our airline partners, we leveraged data and insights to find and target a unique member segment with an exclusive purchase offer. This targeting approach set a partner record, with the smaller audience generating **more revenue than any other promotion** the partner had ever run, as well as over-performing across other metrics.<sup>4</sup>

The positive effects  
of targeting high  
value member segments  
with custom offers



<sup>4</sup>Data from airline partner promotion, May 2020

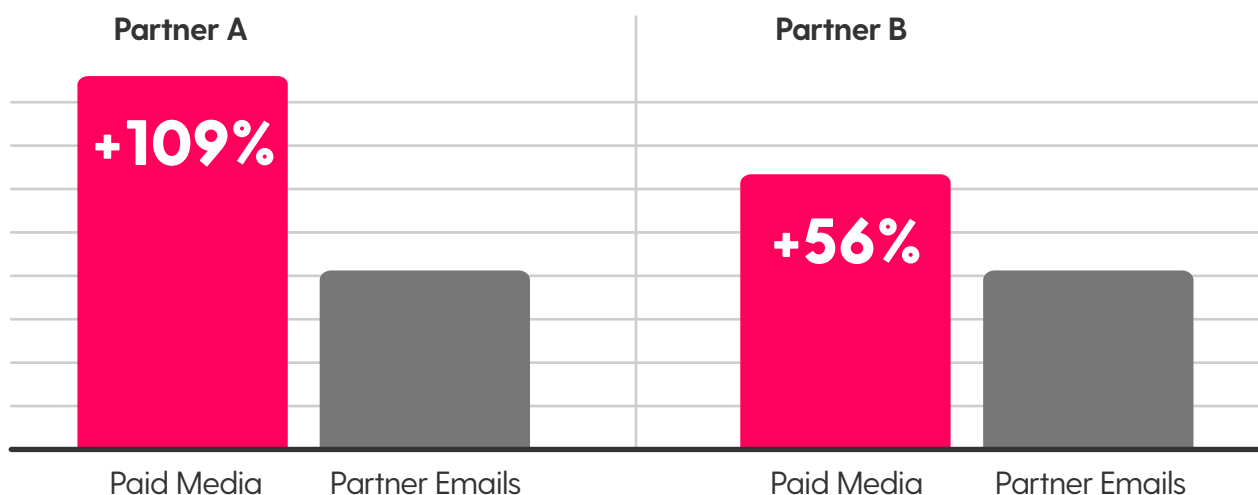


### 3. Relieving stress on your email channels

There are many ways to communicate offers outside of the inbox. Our Media and Demand Generation team has proven that broadening your channel mix gets incredible results. For one partner, paid media recently accounted for **23% of total promotional revenue**, outperforming traditional solo emails by 109%.<sup>5</sup> For another partner, paid media drove 25% of total promotional revenue, **outperforming email by 56%.**<sup>6</sup>





#### Promotional revenue by channel



<sup>5</sup>Data from hotel partner promotion, Sep-Oct 2020

<sup>6</sup>Data from airline partner promotion, Jul-Aug 2020



# Keep your members loyal in 2021 and beyond

By necessity, promotional offers will be the foundation of successful loyalty currency marketing in 2021—and luckily, there are many ways to mitigate their risks and encourage their success. In a recent survey we conducted of nearly 10,000 members who bought points or miles in 2020, **81% of respondents said they would consider purchasing again within the next three months.**<sup>7</sup>

Meeting members at their next time of purchase with a smart, creative promotion is a win for both parties: members who maintain a healthy balance through this time of low demand will be the ones who remain loyal to your brand when they begin to travel again. Loyalty programs who stimulate currency demand now will strengthen and expand their base of loyal members, and accelerate the pace of their recovery when travel returns.

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## About Points

Points builds, powers, and grows new ways for members of the world's leading loyalty programs to get and use their favorite loyalty currency. For more than 20 years, we've been implementing no-cost loyalty currency retailing programs for airlines and hotels, and running data-driven, targeted marketing campaigns on behalf of nearly 60 programs worldwide.

Get in touch:

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or visit

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<sup>7</sup>Combined results from Points' airline/hotel post-purchase survey, May-Oct 2020