

2014 GLOBAL TRAVELER STUDY

BENCHMARKING CONSUMER PREFERENCES
FOR MOBILE DEVICES, SOCIAL MEDIA AND LOYALTY



HOSPITALITY TECHNOLOGY

HT[®]



Cognizant

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Consumers Ready to Engage with Restaurants via Mobile & Social Campaigns

Restaurants have a unique opportunity to leverage mobile devices and social media to engage with consumers, particularly via location-aware marketing. However, current mobile offerings lack the functionality they need to influence purchase behavior and restaurants have yet to decode consumer loyalty. There's good news: consumers will embrace mobile interactions, and even restaurant loyalty programs, provided offers are timely, personalized and deliver high value.

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Hotels Have Edge in Online Engagement, but Shifts in Loyalty are Coming

The way that travelers research and book hotels is evolving away from desktops and direct channels. Mobile devices, social media and third-party sites are becoming increasingly important to consumers' purchase decisions. Consumer research shows that hotels still have an edge against indirect channels, but to maintain that lead they must build out mobile, social and loyalty campaigns that cater to changing traveler sensibilities, particularly for Millennials. Loyalty is evolving from points to personalization, and for hotels, direct bookings and the revenue they drive are at stake.

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A summary of key findings and information about the survey sample.



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Association of Business Media Companies

BENCHMARKING CONSUMER PREFERENCES FOR MOBILE DEVICES, SOCIAL MEDIA AND LOYALTY

The good news: hospitality hasn't fallen behind. Amidst frantic changes in the ways that consumers research hotel stays and choose where to dine, hotels still have the edge over indirect channels in how consumers make room reservations, and restaurants have largely embraced social media and mobile devices as engagement platforms.

What would naturally follow would be the "bad news," but instead we see an opportunity. Consumer engagement and purchasing patterns are shifting as mobile devices, social media, and loyalty programs become increasingly intertwined. Armed with mobile access to an exceptional amount of travel-related information, consumers have come to prioritize "personalization" as a key influencer in their purchasing decisions. Consumers value relationships with companies that are able to provide the offers they want, at the moment they want them, via the communication platform they prefer. Consumers — particularly Millennials — value the ability to earn and redeem loyalty rewards on their own terms. Building loyalty will require an even greater focus on personalization without compromising monetary value.

The opportunity: mobile devices and social platforms empower the consumer, but they also empower businesses, perhaps none so much as hospitality where the real-time social experience is fundamental to the transaction. Hotels and restaurants are working furiously to keep pace, but there's significantly more work to be done.

This *2014 Global Traveler Study* represents a global survey of travelers across a wide range of demographics. The study is a collaborative effort between Cognizant Business Consulting and *Hospitality Technology* magazine. Through broad consumer surveys and exhaustive analysis, Cognizant has uncovered valuable information about consumer preferences for the use of mobile devices, social media, and loyalty programs as a part of their hotel and restaurant engagement, in all phases of the guest lifecycle. To provide further context, the analysis compares some of the findings from this consumer study to results from *Hospitality Technology's 2014 Customer Engagement Technology Study* (published in August 2014), which surveyed hotel and restaurant executives about their companies' current and planned use of mobile, social, location-based and loyalty solutions.

Collectively, the analysis provides guidance to hotels and restaurants as they create and modify their digital technology strategies. With the right mix of mobile functionality, location-aware messaging, social media engagement, and personalized loyalty campaigns, there's significant potential to capture share-of-wallet. Bear in mind, however, identifying the "right" mix of mobile, social and loyalty campaigns will be an ongoing effort. Digital engagement is an opportunity of context, on a continuum that is driven by the consumer. ●

Highlights from the 2014 Global Traveler Study

Social media may soon be used to generate sales.

Globally, nearly all consumers (88%) actively use social media. One in four think it's important that their favorite casual dining restaurant use social media to provide a better experience, and 30% anticipate that they'll use social media even more for shopping in the next two to three years.

The number of mobile hotel reservations quadrupled in the past 12 months. In 2013, a smartphone / tablet was used for 4% of hotel reservations and this year it's 16%. Among 18- to 35-year-olds, it hit 20% and in China it hit 29%.

Consumer loyalty is a critical and evolving relationship for hospitality. Nearly two-thirds of consumers (64%) agree that it's highly beneficial to participate in a loyalty program; however, their value system is evolving to seek more personalized offers, particularly for earning rewards and redemption.

Location-aware services represent a key opportunity for restaurants. More than one third of consumers (38%) would welcome promotions sent via text or mobile ad to their device, and nearly as many (31%) actually prefer mobile coupons over paper coupons.

China represents a critical market for active mobile engagement. On average, Chinese consumers use mobile devices and social media more readily when engaging with hospitality companies. Mobile coupons are preferred by 59% of Chinese consumers (31% global average), and 79% say it's important for casual restaurants to use social media (25% global average).

HOW HOTEL AND RESTAURANT OPERATORS CAN MANAGE THE CHALLENGES OF THE FUTURE

As the second half of 2014 unfolds, travel and hospitality leaders are working to finalize their various 2015 initiatives. Questions are being asked in meeting rooms everywhere. Are mobile applications generating the expected results? Do we have a handle on social media? What should our loyalty programs accomplish next year? ... to list a few.

To answer these questions, hotel and restaurant operators must take a quick glance at the past.

MOBILE: Ten years ago, no one envisioned hundreds of millions of smartphones running iOS and Android, enabling revenue-generating capabilities.

SOCIAL: The closest we came to sharing ideas, thoughts, or brand imagery in an instant was through traditional advertising and communication — nothing like today's social media-driven world.

LOYALTY: Travel and hospitality loyalty programs began as a means to recognize frequency of use of products and services, and they often created a huge accounting liability for goods and services to be distributed back to customers over time. Today's programs track the value of services purchased, while analyzing, reporting and predicting the value of customers; loyalty is as much about the dialog between vendor and customer as it is the freebies given away.

How can your organization take advantage of these developments to create a better future? It's simple: consider your customers, guests, and diners as the center of all decision-making.

In many markets around the world, every guest and diner holds a smartphone, tablet, or phablet. So it only makes sense that your organization's interactions with consumers must be as rich and robust through mobile channels as they are through online channels and even call centers.

A **multi-channel digital strategy** puts customers first, and it helps ensure your organization's mobile channels integrate with its overall strategy. A multi-channel strategy supports your brand through every interaction and recognizes consumers regardless of time and place. If your organization has already implemented a multi-channel strategy, revisit it regularly to keep pace with both your customers' digital demands and the evolving needs of your business. A digital strategy is not a "one and done" activity.

A **well-structured, scenario-based planning exercise** highlights early-warning indicators of potential change ahead for your customer

base. Will Facebook overcome Google as the primary funnel for generating direct web traffic? Will Pinterest or Instagram become the dominant venue for viewing travel-related digital content? Scenario-based planning helps guide your organization to anticipate and act on changing trends — and benefit from them.

While social networks connect people around the world, they have not yet proven effective for creating real revenue for the hospitality and dining industries. Expect that reality to change as **social media evolves dramatically** over the next five years, with billions of connections occurring — and opportunities to promote brands increasing accordingly. Customers have made social media an integral part of their lives; your organization must do the same and not miss the game-changing shift in customer interaction.

And, without a doubt, **loyalty programs** will morph into even more new forms by 2020. To effectively manage your program's evolution, you'll need a foundation of people, process, technology and infrastructure that is prepared for change. Building an architecture and infrastructure that is both flexible and scalable will ensure your organization avoids investments in non-reusable technology. Remember, loyalty is a word that will be redefined in the coming years. To succeed, your organization will need to evolve its loyalty program as customer needs, wants and preferences inexorably shift.

The *2014 Global Traveler Study* is a comprehensive data set that spans multiple geographies, industries and consumer demographics. The key findings presented in this report focus on global trends. Contact Cognizant at travelhospitality@cognizant.com for the full presentation, additional information on unique markets, or for help leveraging this research to build or enhance your organization's customer-centric mobile, social and loyalty initiatives.



JAY S. REIN,
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COGNIZANT BUSINESS CONSULTING



Cognizant



CONSUMERS READY TO ENGAGE WITH RESTAURANTS VIA MOBILE & SOCIAL CAMPAIGNS

Mealtime is an inherently social activity, which leaves the restaurant industry deeply embedded in the latest manifestation of what it means to share. Social media, with its full complement of consumer reviews, check-ins, likes, and photographs, is influencing where consumers choose to eat and how they share their opinions of restaurants. Candid photos in particular proved worthy of a thousand words and \$1B billion when Facebook purchased Instagram in April 2012, just 18 months after the photo-sharing app's launch. By January 2013 the practice of sharing photos of food on social networks — dubbed “foodstagramming” — was already being banned by top chefs in New York City over concerns that incessant flash photography would disrupt fellow diners or, debatably worse, show their restaurant's dish in a bad light.

Despite controversy, foodstagramming continues and some restaurants even embrace it as word-of-mouth (or share-of-screen) marketing. Regardless of pro or con stance, foodstagramming's existence reinforces that dining out is a target for consumers' social and mobile attention. They can search for dining destinations, read reviews, view photos, scan menus and discuss their meal using their mobile device. This confluence of mobile access, social content and even loyalty creates an invaluable dialogue between restaurants and consumers. Restaurants have an unprecedented opportunity to capitalize on social media and mobile devices as a means to attract guests, improve service and build loyalty. Developing a digital strategy that supports these platforms, however, is a moving target that requires constant assessment.

This 2014 *Global Traveler Study* seeks to uncover how consumers use social and mobile platforms as a part of their dining out experiences across both quick-service and casual dining; and it further measures consumer preferences for loyalty programs. In so doing, this study aims to provide guidance to restaurants as they create or modify their technology strategies across these digital platforms.



THE ROLE OF MOBILE DEVICES: LOCATION MATTERS

One of the biggest challenges in developing a digital strategy is balancing investment opportunities. There are many scenarios and solutions to consider and, given the speed at which social and mobile engagement is evolving, not enough clarity around which initiatives will yield ROI. Mobile app vs. website, location-based marketing, on-line ordering, integrated social loyalty, the in-store digital experience; these and other projects are competing for budget allocation and staff resources.

Getting it right is important. Results from this 2014 *Global Traveler Study* confirm that companies must heed consumers' com-

CONSUMERS' TAKE ON MOBILE MARKETING



are “not at all bothered by the idea of mobile ads or promotional text messages” sent to their mobile device



would consider purchasing products/services that are advertised on their smartphone/tablet



value mobile coupons over paper coupons

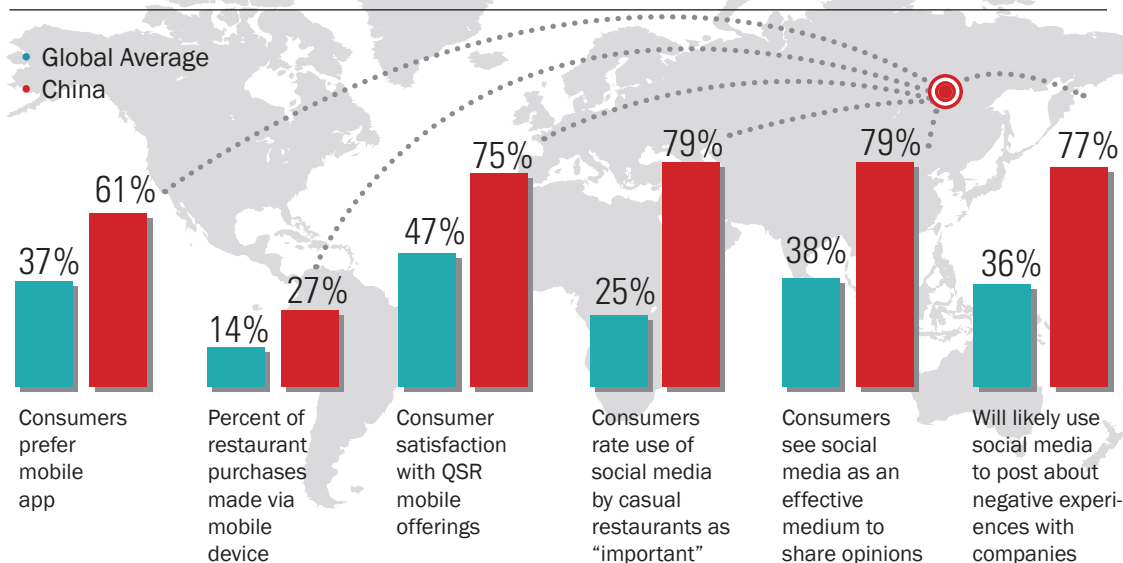


munication preferences. In fact, 61% of consumers in this study rated communication channel as “very important” to their level of engagement. For two-thirds of consumers, the preferred method is still email (67%). However, there's further evidence that, when delivered with value, consumers would be willing to engage with mobile-specific messaging. For example, 38% of global consumers said they “are not at all bothered by the idea of mobile ads or promotional text messages” (an additional 28% were neutral to the idea, and 34% would be opposed) and 29% said they would consider purchasing products/services that were advertised on their mobile device (34%

Tip: Take Advantage of Local Search Marketing

- Create local profiles in directories and search engines (i.e. Google+, Bing, MerchantCircle, TripAdvisor, etc.).
- Increase the visibility of positive consumer reviews and feedback.
- Add video and photo elements to online local profiles to help them stand out among choices.

CHINA STANDS OUT IN MOBILE & SOCIAL PREFERENCES



were neutral and 37% would be opposed).

These figures reveal that there's opportunity to engage with consumers via opt-in mobile dialogue. Location-aware services such as mobile couponing are valued by consumers. Half of respondents said they'd appreciate a location-based mobile alert that pinged them to use an existing coupon (for example an offer stored in a digital wallet or loyalty account). Mobile coupons are valued for their convenience and are favored over paper coupons by 31% of consumers in this study. In China, mobile coupons are preferred by 59% of consumers, and in the U.S. 44% of females aged 18-35 prefer mobile coupons. Nearly two-thirds (62%) say they would be interested in receiving mobile alerts that would notify them of the progress of a transaction, such as a food order that is ready to be picked up. A quarter of consumers say their mobile device is their go-to method for researching restaurants, casual dining in particular (and 18% do so for QSRs).

In the debate between mobile app versus website, current roll-out rates show that restaurants have made greater headway with mobile websites. According to *Hospitality Technology's 2014 Customer Engagement Technology Study* (which surveys North American restaurant and hotel operators on their use of digital technologies), 71% of U.S. restaurants have a mobile website. About half as many (35%) have a mobile app. When consumers in this 2014 *Global Traveler Study* were asked if they prefer using a mobile app versus a mobile website, results returned an even split (37% for each). Restaurants must be prepared to engage consumers via both platforms. Again, China stands out compared to global trends, with

61% preferring a mobile app.

What neither platform does successfully, however, is create monetization with a pathway to purchase. According to the *HT* study, just 8% of mobile apps in North America can take a reservation, 43% allow for food and/or beverage ordering, and 43% offer coupons. Put plainly, less than half of restaurant apps in the marketplace empower transactions. It follows, then, that presently a small percentage of consumers' restaurant purchases or reservations were made

LESS THAN HALF OF RESTAURANT MOBILE APPS HAVE TRANSACTIONAL CAPABILITIES



8%

of North American restaurant mobile apps can take reservations



43%

allow for food and/or beverage ordering



43%

offer coupons

Source: *Hospitality Technology's 2014 Customer Engagement Technology Study*



30%

**of consumers
anticipate that they'll
use social media for
shopping even more over
the next two to three years.**

through a mobile platform (14% globally; 27% in China). Functionality is slightly better for things like location-based search (57%) and menu access (59%), but overall the results from the *HT* study show that there's work to be done in providing consumers with a mobile offering that delivers value.

Overall, the shortcomings in functionality aren't lost on consumers. When asked to rate their level of satisfaction with the restaurant industry's current mobile offerings, consumers are split. On a global scale, about half of consumers are satisfied with restaurants' mobile offerings (47% satisfaction rating for quick service and 49% for casual dining). The other half is either neutral or has expressed dissatisfaction (for the latter, 15% dissatisfaction with quick service and 11% with casual dining). Both the U.S. and U.K. fell within a few percentage points of these global averages. China stood out for its high satisfaction ratings, with 75% and 74% for quick service and casual dining, respectively. This reinforces that China is a critical market for active mobile engagement.



SOCIAL MEDIA MATTERS

The results of this 2014 *Global Traveler Study* confirm that the importance of social media as a platform for building customer engagement is accelerating. Globally, nearly all respondents consider themselves active users of social media (88%). More than a third openly admit to using social media as a medium to share their opinion about products or services (38%), and about the same amount will turn to Facebook, Twitter, and other sites to report on negative experiences with companies/brands to their followers/friends (36%). Another 30% will "check-in" to let their friends know they're at a particular location. Looking ahead, 30% of consumers anticipate that they'll use social media for shopping/transactions even more over the next two to three years.

These high use rates don't come as a surprise; however this study does indicate that a restaurant's social media participation can

sway a customer's engagement with that brand. One in four consumers globally think it's important that their favorite casual dining brand use social media as a means to provide better experiences and promotional offers. For QSRs, consumers are slightly less inclined to see the value of social media use, with 20% considering this important.

The U.S. closely aligns with global averages, even among younger diners. China, again, stands out compared to overall averages. There, an overwhelming 79% of restaurant goers consider it important that casual dining establishments use social media, and 72% say this is important for QSRs. Indeed, in China the importance of social media cannot be overstated, with 70% of respondents likely to "check-in" to a location via social media and 79% agreeing that social media is an effective tool for sharing their opinion about products or services with others. American females aged 18-25 stand out as well, with 47% willing to share opinions about products/services via their social networks.

Facebook is the clear winner in terms of current global use rates (76%), followed by LinkedIn (42%), Trip Advisor (38%), Twitter (35%), Google+ (26%), and Instagram (21%). However, Instagram's buy-out story reminds us that the influencers can change quickly, and even vary by market and demographic. In China, for example, young adults aged 18-35 use Twitter (80%), Poynt (70%) and Hipmunk (66%).

These consumer behaviors have led to nearly ubiquitous participation in social media by restaurants. According to *HT's 2014 Customer Engagement Technology Study*, 96% of restaurants participate in social media. Despite these high use rates and obvious consumer engagement, there's an overall lack of clarity around how to measure and manage social media. Just over a third (35%) turn to an outsourced firm to manage their social media, but by-in-large it's a homegrown effort that leverages internal staffers that have other responsibilities outside of social media (44%). About a third of restaurants admit to having no methods in place to measure ROI, according to *HT's* study.



ONE IN FOUR consumers think it's important that their favorite casual dining brand uses social media as a means to provide better experiences and promotional offers.

LOYALTY PROGRAM PARTICIPATION



27%

of consumers participate in at least one QSR loyalty program



40%

participate in casual dining loyalty programs



80%

participate in hotel loyalty programs



94%

participate in airline loyalty programs



LOYALTY: THE NEXT ENGAGEMENT PLATFORM

Where restaurants have jumped into participation in social media and are exploring mobile engagement options, they lag behind in traditional loyalty programs. According to *HT's 2014 Customer Engagement Technology Study*, less than half of restaurants surveyed (47%) currently offer a loyalty program, compared to their nearly ubiquitous participation in social media (96%) and high levels of mobile website deployment (71%). It stands to reason that consumer participation in restaurant loyalty programs is substantially lower than other industries. This is a loss to restaurants: 64% of consumers agree that it's highly beneficial to participate in a loyalty program.

Actual loyalty participation rates in the restaurant industry are as follows: 27% of consumers belong to at least one QSR loyalty program and 40% participate in casual dining loyalty programs. By comparison, 80% of consumers participate in a hotel loyalty program and 94% participate in airline loyalty programs. These figures reinforce that consumers see higher value in airline and hotel loyalty than in restaurant loyalty. While it's possible to argue that higher price points for those industries would lead to greater incentive for reward, it's also arguable that the restaurant industry has less sophistication comparatively in how their programs are conceived and how members are rewarded, and therefore are less compelling to consumers.

To find out what consumers do value, the research presented a list of loyalty program attributes and asked for importance ratings. Consumers ranked the following six loyalty attributes as most important (followed by the percentage of consumers that identified each as "important"): points that receive high redemption value (92%); ease of redeeming points (92%); longer length of time before points expire (91%); receiving a high number of points per dollar spent (89%); having more options for accruing points (81%); and having more options for redeeming points (78%). As to the last, consumers' opinions around "options" for both accruing and redeeming points

expose the value of personalization in a loyalty campaign, for example the ability to accrue via co-branded cards or to redeem not only for products, but for upgraded levels of access or service (for example special wine dinners, preferred seating, etc.). Interestingly, consumers said that a compelling initial offer (such as bonus rewards for signing up) was less important, comparatively.

64%



OF CONSUMERS AGREE THAT IT'S HIGHLY BENEFICIAL TO PARTICIPATE IN A LOYALTY PROGRAM.

Looking to the hotel and airline industries for further guidance, loyalty programs are shifting to include personalization in both how points can be earned and how they can be redeemed. Airlines are further modifying their programs to focus on the value of the transaction, not just frequency. In restaurants, the next horizon for loyalty will likely be to examine the potential benefits of integrating consumers' social media activity with loyalty. In *HT's Customer Engagement Technology Study*, just 28% of restaurants reward consumers' social activity in some capacity, but there's significant interest in this area for the year ahead.

Perhaps, given the restaurant industry's natural exposure to dialogue on social networks, the overlap with loyalty will spur the industry to explore loyalty programs in greater numbers. As with all digital campaigns, success will require collaboration across marketing and technology teams with constant evaluation. •



HOTELS HAVE EDGE IN ONLINE ENGAGEMENT, BUT SHIFTS IN LOYALTY ARE COMING

Consumer loyalty isn't a new concept. American Airlines introduced the travel industry's first frequent flyer program in 1981 and in the decades since, nearly every airline, hotel brand, and car rental company followed suit.

Conventional wisdom tells us that identifying and rewarding loyal hotel customers in an effort to earn repeat business is an important revenue strategy. Here's the catch: loyalty is changing, particularly among Millennial travelers. Advances in mobile technology and social media have created unprecedented consumer empowerment. From mobile comparison shopping to last-minute reservations, consumer behaviors and the rewards they value have changed. Loyalty is evolving from points to personalization, from commodities to relationships. For the lodging industry, direct booking channels and the revenue they drive are vulnerable, and consumer loyalty is at stake. A traveler can research and book a room from a third-party site using their mobile device, and then tell their friends about their stay on Facebook. If a hotel isn't careful, it'll barely know who the guest was or what they said.

This merging of loyalty, mobility and social media is altering the way

that hotels must interact with consumers. Findings from this 2014 *Global Traveler Study* show that hotels still have a leading edge in how consumers find and make reservations, but the gap is closing. Mobile devices and social engagement will continue to play a key role in building relationships. It's a moving target that requires ongoing diligence.

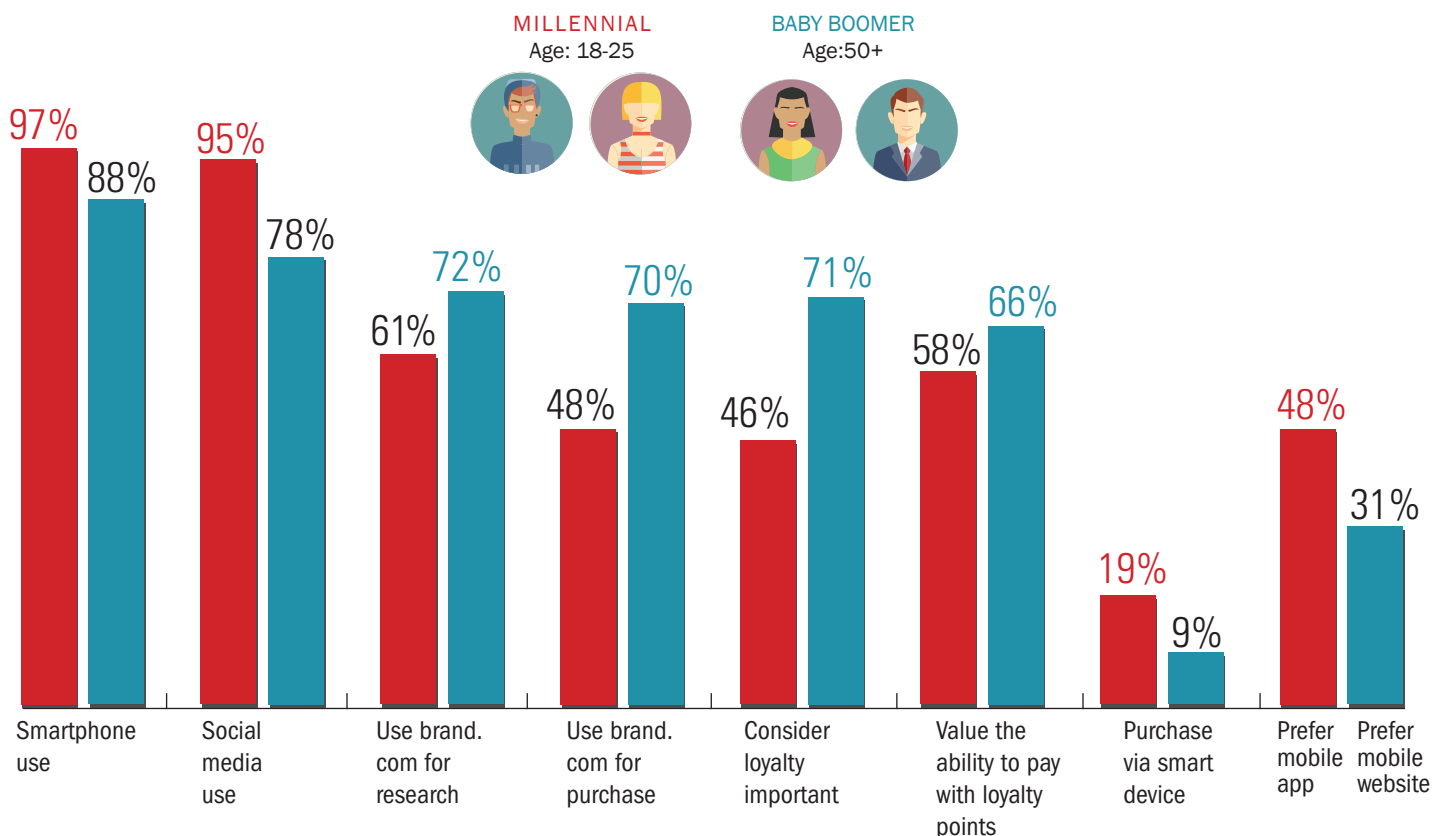


WHERE THEY BOOK:

DIRECT CHANNELS VS. INDIRECT CHANNELS

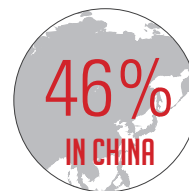
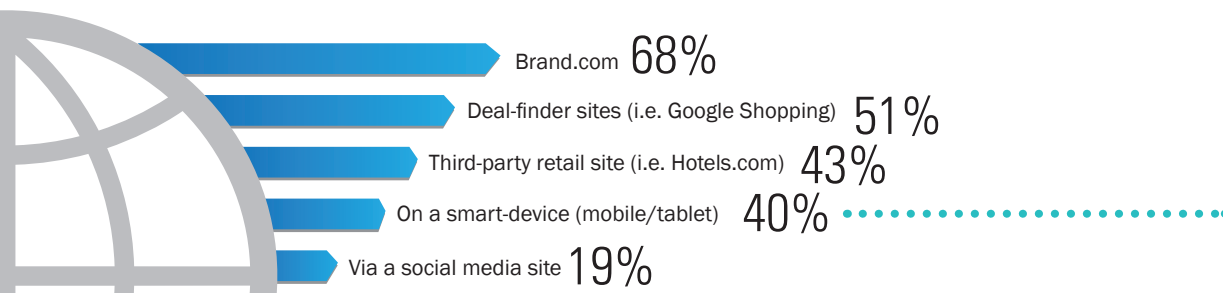
Despite the complex relationship that exists between hotels and online travel agencies (OTAs), this 2014 *Global Traveler Study* shows that, overall, consumers still use a brand's website as their primary resource for both researching and booking a hotel reservation. Globally the majority of travelers (68%) use brand.com sites for their hotel research efforts, compared to 51% that will use a deal-finder site like Google Shopping, and 43% that will use a third-party retail site such as hotels.com. When it comes time to make a purchase, the gap gets even wider: 59% of consumers prefer to buy directly from a

TRAVEL PREFERENCES PROFILE: MILLENNIAL VS. BOOMER

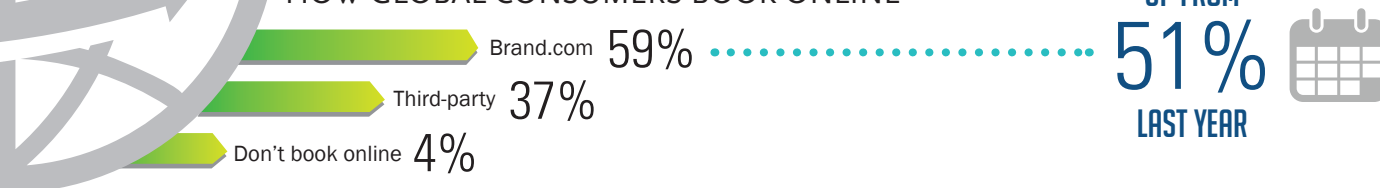




HOW GLOBAL CONSUMERS RESEARCH A HOTEL STAY



HOW GLOBAL CONSUMERS BOOK ONLINE



UP FROM
51%
LAST YEAR

brand, compared to the 37% that will purchase via a third-party site. (The remaining 4% have no preference.) In the U.S., the inclination toward direct is even more pronounced with seven out of 10 consumers choosing a brand.com website as their preferred method for both research and purchase.

Despite consumer preference for direct channels, the hotel industry must bear in mind that participation with indirect channels is critical. With 40% to 50% of consumers using some form of indirect channel for their research efforts — likely to price shop across different brands — hoteliers must reach all of these distribution channels to ensure that their properties get exposure during the research phase.

Furthermore, one important subset is remarkably different than the overall average. Younger travelers are far less inclined to research and book via direct channels compared to older travelers. In the 18-25 age group, brand.com websites have only a 3% margin over retail sites like hotels.com during the purchase phase (48% compared to 45%).

IN THE 18-25 AGE GROUP, BRAND.COM WEBSITES HAVE ONLY A 3% MARGIN OVER RETAIL SITES LIKE HOTELS.COM DURING THE PURCHASE PHASE.

Conversely, in the 50+ age group, brand websites are the preferred method for booking for 70% of respondents, compared to 26% for third-party retailer sites.

**WHY THEY BOOK: SHIFTING LOYALTY FROM COMMODITY TO RELATIONSHIP**

In the hotel industry, loyalty rewards are leveraged as a means to encourage direct bookings, and with good reason. Direct bookings are more profitable than third-party. What's more, loyal customers benefit the bottom line. While exact metrics are difficult to quantify, conventional wisdom suggests it can cost anywhere from four to 10 times as much to acquire a new customer compared to retaining an existing one.

What follows, then, is a critical message for this industry: findings from the 2014 *Global Traveler Study* suggest that consumer loyalty is changing. Consumers still favor programs that provide monetary value, but they're also seeking personalization — in both earning and redemption — as a part of that value. At the same time, younger travelers don't see the same inherent value in loyalty that their parents did; Millennials prioritize the ability to view customer reviews when shopping online (64%) over the ability to pay using loyalty points (58%).

To maintain relevance, loyalty programs must expand beyond dollars spent, to recognize and reward the nuances of an individual traveler. The next generation of loyalty should seek to address, "who are you, why are you traveling, and what are your favorite things to do?" The

GLOBAL CONSUMER'S TAKE ON LOYALTY



80% 66% 15% 64% 63%

participate in a **hotel loyalty program**

belong to between **1 and 4 programs**

belong to **5 or more loyalty programs**

say **loyalty benefits are highly beneficial**

say compelling **loyalty programs are important** to their purchase choice



LODGING REPORT

LOYALTY: WHAT GLOBAL CONSUMERS VALUE

Points with high redemption value
92%

Easy redemption with few restrictions
92%

Points that retain their value for a long time
91%

Points with high earning ratio
89%



55%
OF CONSUMERS
SAY SPECIAL TREATMENT
BASED ON LOYALTY
INFLUENCES THEIR PURCHASE.

Diverse options for accruing points
81%

Members have ability to achieve “status” benefits
77%

Diverse options for redeeming points
76%

former treats loyalty as a commodity, the latter as a relationship. And the stakes are high: globally, 80% of travelers participate in hotel loyalty programs; 64% said that belonging to a loyalty program for product/service benefits is “highly beneficial”; and 63% said that a compelling loyalty program is important in their decision to engage with a specific brand.

WHAT GLOBAL CONSUMERS WILL SHARE FOR SPECIAL TREATMENT



44% their loyalty number



34% personal preferences such as favorite locations or food



29% birthdays and anniversaries



28% name, address and email



23% are willing to enable location-based communication on their mobile phone

The airlines — which enjoy the travel industry’s highest levels of loyalty program participation at 94% of consumers — are already beginning to change the methods they use to calculate and reward loyalty, and these changes should serve as an example to hotels and restaurants. Airline loyalty programs are evolving to recognize not simply the most active customers, but the most profitable; for example the traveler that flies just once or twice a year but pays a full-fare, first-class ticket. This is replacing the transactional focus that recognizes only the number of flights an individual traveler takes in a year, because transactions don’t necessarily equate to earnings.

To offer guidance on forming and reforming hotel loyalty programs, this research sought to answer two key questions: what attributes are important to consumers in choosing to enroll in a loyalty program; and what types of personalization do consumers value?

The findings reveal that the top four most important aspects of a loyalty program are value-driven: 1) loyalty points must have a high redemption value (identified as “important” by 92% of consumers); 2) points must be easily redeemed with few restrictions (92% importance rating); 3) points should retain their value for a long time (91% importance rating); and 4) consumers want to receive the highest points per dollar spent (i.e., spend a dollar, earn a point; with an 89% importance rating). These characteristics reinforce that consumers still prioritize value.

The second tier of important characteristics is where personalization emerges, and all rank high in terms of importance. Consumers overwhelmingly agree that loyalty programs should: have diverse options for accruing points (81%); offer members the ability to achieve “status” benefits (77%); and offer diverse options for redeeming points (76%). For example, consider a program that lets loyalty mem-

bers choose between earning points towards a possible future stay, or forgoing the points to activate a modest discount today.

Consumers were further asked to evaluate the personalization options that could influence where they choose to shop or buy. The largest portion of consumers (55%) said that special treatment based on loyalty would be influential. This included things like special access to events or venues, or token gifts. Bespoke experiences will stand out. A BMW-branded hat left for a guest that drives that car would be perceived as a more personal gift than the standard fruit plate. The second most-popular option was shorter wait times at check-in (54%), and the third most important was personal offers based on a consumer's wants/needs (39%).

The research suggests that, to truly differentiate, loyalty programs must provide high value, coupled with personalization. Hotels should look to shift away from predictable experiences that are simply frequency-based, towards programs that can take into account consumer preferences.

MOBILE DOMINANCE: BOOKING, INTERACTING & BEYOND

The mobile device has irrevocably changed how consumers interact with businesses. Smartphones first began to permeate society just seven years ago, and in the last 12 months alone their use as a purchasing tool has quadrupled. In 2013, participants in this research used a smartphone or tablet for 4% of all reservations. In 2014, that number jumped to 16%. Among 18-35 year olds, mobile transactions hit 20%, and in China it hit 29%. While desktop/laptop technology is still dominant in transacting purchases, its global use dropped from 95% in 2013, to 71% in 2014.

The impact of mobile on hotel transactions cannot be overstated, particularly as third-party sites continue to invest in mobile platforms to entice consumers. About half of consumers in this study (51%) said

they've used their smartphone/tablet to make a hotel reservation, and 46% have used a mobile device to manage a loyalty program. This research also shows that consumers use their mobile devices for a wide range of travel-related activities, such as to take photos, use GPS mapping, access social media, check in for a flight, book an airline reservation, and make restaurant reservations.

Smart mobile devices have quickly become consumers' personal travel aids, and may soon become the de-facto standard for making online purchases. The 3.5-inch platform is a battleground, and hotels' mobile apps and websites must be competitive to third-party sites. Research from *Hospitality Technology's 2014 Customer Engagement Technology Study* exposes that at least a quarter of U.S. hotels aren't positioned to win on mobile platforms.

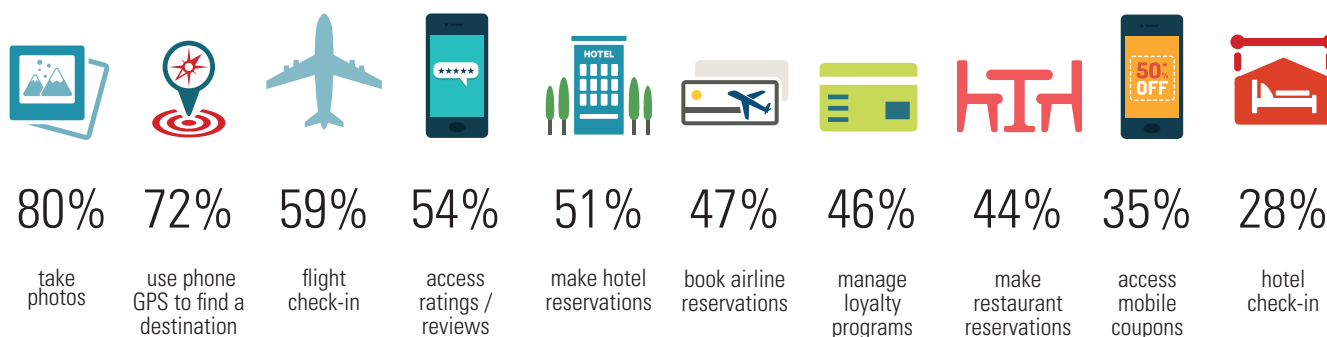
According to the HT study, 79% of hotels offer a mobile website and 44% offer a mobile app. However, the study also reveals that more than half of those mobile websites (54%) and a quarter of hotel-brand apps (24%) do not offer guests an ability to make a room reservation. These hotel brands may well have succumbed to the "me-too" rush, pushing too quickly to get their mobile app or website to market, or underestimating the pace of adoption for mobile transactions. As a result, these mobile apps have, in a short period of time, lost their utility to the consumer.

In the battle between app versus website, there's no clear overall winner. Global averages for purchasing preference across the two platforms are nearly even: 39% of consumers prefer to purchase via a mobile app, and 37% prefer a mobile website. The one excep-

Tip: Smart mobile devices are becoming a traveler's personal concierge. Look for ways to engage consumers on mobile throughout the entire travel life cycle.

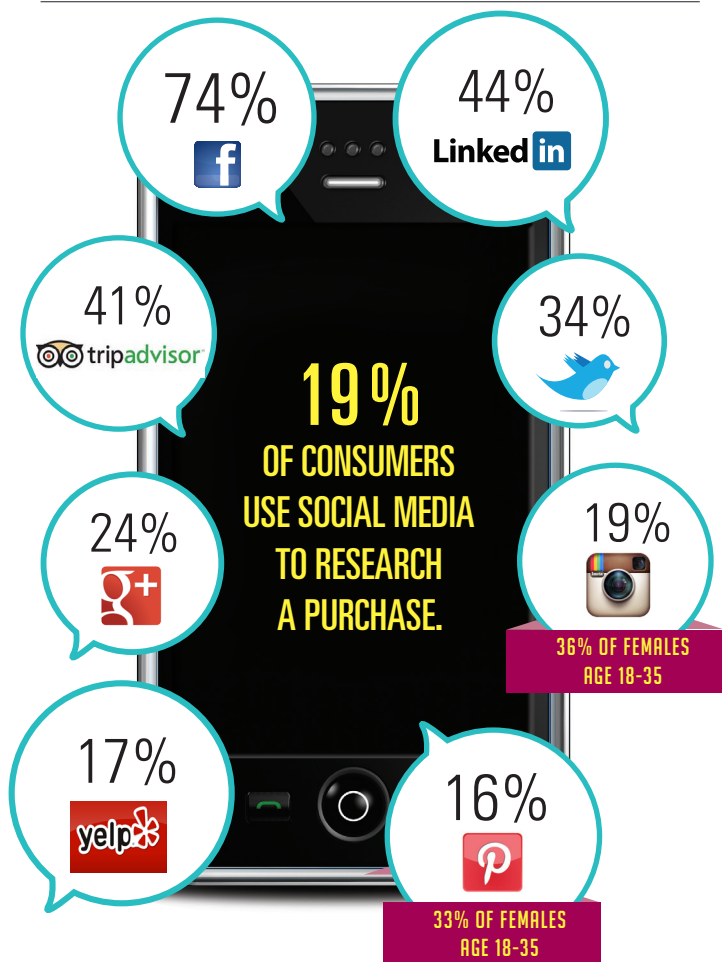


HOW CONSUMERS USE MOBILE DEVICES IN TRAVEL





WHAT SOCIAL MEDIA SITES DO GLOBAL CONSUMERS USE REGULARLY?



tion is China, where the preference for mobile apps is clear at 63%, compared to 29% for mobile websites. Further nuances do emerge within specific demographics. When traveling for business, for example, those in the 26-35 age group prefer a mobile app, while the 50+ demographic prefers a mobile website. These findings suggest that hotels should continue to invest in both platforms, and should ensure that their mobile apps offer the type of functionality that younger travelers enjoy, such as photo sharing.

Beyond researching and booking, smart phones are also proving their utility as a self-service platform for hotel guests. Travelers in this study showed interest in location- and time-based services when delivered to their mobile device. Corporate travelers in particular represent a key demographic for mobile self-service: 62% said they'd be interested in mobile alerts to notify them that their room is ready for check-in, and

49% said they'd be interested in getting a mobile alert that reminds them to redeem an offer based on their current location (such as an offer that's already stored in their digital wallet or loyalty account).

62% OF BUSINESS TRAVELERS WOULD SAY YES TO A "CHECK-IN/ROOM READY" ALERT SENT TO THEIR MOBILE DEVICE.

Poorly conceived initial roll-outs coupled with expanding opportunities to engage guests on mobile devices reinforce that a digital strategy is not a one-and-done exercise. Mobile technology has evolved at a rapid pace and its impact continues to unfold. A company's digital strategy must be a living document that can evolve, and relatively quickly, as technologies, platforms, and consumer trends change.



THE SOCIAL CONUNDRUM

Like mobile technology, social media has solidified its roll in the travel experience. It's a platform where consumers share photos, search for recommendations, and engage with businesses. Results from this study indicate that nearly all Millennials participate in social media (95%), and to a large extent, the 50+ age group does as well (78%). Despite its clear role in two-way dialogue, it remains to be seen how well businesses can translate this platform for "telling" into "selling."

One third of consumers (33%) in this study said it's important that their favorite companies participate in social media to provide them with better experiences, products, and promotions. An additional 19% were neutral on the topic, and 47% said this wasn't important to them. That said, more than one third of consumers (35%) willingly admit to using social media to share their opinions on a product or service, and 34% admit that they'll use it to broadcast the details of a negative experience with a company to their friends or followers.

Anecdotal horror stories recount the embarrassment for companies that failed to reply to a customer's complaint on social media. We know participation is necessary, and the findings from this study are a reminder of a brand's exposure on these platforms. However, like mobile technology, its utility is still being shaped by technology. Social loyalty will likely be a key factor as businesses do more to integrate consumers' social activity into their formal points-earning programs. Despite the murky circumstances and unclear timing, we've learned from mobility that change can happen rapidly, and engagement is a necessity. ●



CONCLUSION & METHODOLOGY

This 2014 *Global Traveler Study* is based on a global survey of travelers to uncover consumer preferences for the use of mobile, social and loyalty programs as a part of their hotel and restaurant engagement, in all phases of the guest lifecycle. Cognizant Business Consulting developed and fielded a comprehensive survey across a broad range of consumer demographics; conducted an exhaustive analysis of the results; and collaborated with *Hospitality Technology* to produce this study.

The findings can be used by hotel and restaurant executives to guide their digital engagement strategies. Overall results expose several key trends: mobile devices are an invaluable platform for winning business, but current mobile offerings don't do enough to provide transactional opportunities to consumers; hotels must focus on improving their mobile offerings to maintain the lead they enjoy in direct bookings over indirect bookings; location-based mobile messaging represents a key growth area for restaurants; social media is an effective platform for interacting with consumers and may become a viable purchase channel; and consumer loyalty is shifting to prioritize personalization in addition to value. Millennials in particular represent a high-risk group for engendering loyalty — it's critical that programs evolve to better suit their personalization preferences. Comparative to global trends, China represents a core market for mobile device engagement.

The respondent pool for the 2014 *Global Traveler Study* includes hotel consumers (4,618 participants), quick-service restaurant consumers (4,371) and casual-dining restaurant consumers (4,669) across four demographics: United States, United Kingdom, Germany and China. Respondents span a diverse set of age, income and education demographics, with a 50-50 male/female split. To provide further context, the analysis compares key findings from this consumer study to results from *Hospitality Technology's 2014 Customer Engagement Technology Study* (published in August 2014), which surveyed hotel and restaurant executives about their companies' current and planned use of mobile, social, location-based and loyalty solutions.

For more information about this study, including access to the complete presentation or for guidance in leveraging this research to enhance or build your company's digital strategy, contact Cognizant Business Consulting at travelhospitality@cognizant.com. For access to *Hospitality Technology* magazine's complete body of research, visit www.htmagazine.com.

HOSPITALITY TECHNOLOGY



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