

MIT SMR CONNECTIONS

EXECUTIVE CONVERSATION



Reinventing Loyalty:

The hospitality industry is transforming rewards programs and creating more flexible, personalized experiences for guests.

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Over the last decade, online shopping has raised the bar for customer experience. It has empowered people by providing easy access to new products, services, and trends. Customers are demanding consistency in experiences across the board, and the need to stay relevant has pushed companies to better understand consumers, anticipate their needs, and offer highly personalized selections of goods and services.

Hotel guests now expect the same level of personalized service from the hospitality industry. However, they sometimes still arrive wondering whether their rooms will overlook the ocean or the parking lot, or hoping that their beds have feather-free, down-alternative bedding. Also, while they accumulate loyalty points with each stay, finding value in those points is more challenging for some guests than others.

The hotel industry knows it needs to catch up, and major changes in services and technology are underway. In this Executive Conversation, **Varsha Makharia**, domain head of the Travel, Transportation, and Hospitality-Americas Business Unit for Tata Consultancy Services (TCS), joins colleague **Vivekanand Ramgopal (Vivek)**, global head of Banking, Financial Services, and Insurance (BFSI) Products and Platforms at TCS, to discuss the creative strategies hotels are using to grow customer loyalty and earn additional revenue, including a new approach to partnerships. **Scott Strickland**, executive vice president and CIO of Wyndham Hotels & Resorts, details how hotels are using technology to solve today's most pressing challenges.

Creating a New Partner Ecosystem

By Varsha Makharia and Vivekanand Ramgopal, TCS

Despite ongoing concerns about COVID-19 variants, leisure travel has rebounded with a vengeance in many parts of the world, while business travel is experiencing a slow but steady revival. On this long road to recovery, customer behavior has irrevocably changed; as just one example, some travelers still prefer destinations they can reach by driving in their own cars rather than flying on crowded airplanes.

But the biggest shift involves evolving customer expectations. In just a few years, consumers have become accustomed to seamlessly connected applications and personalized attention for many of their purchases. In contrast, the process of booking a hotel room hasn't changed significantly in more than two decades. To survive in a fiercely competitive market, hotels need to reimagine both how they provide service and how they can use loyalty programs to drive greater engagement.

However, that's easier said than done. Updating those services requires making corresponding changes in revenue-management and other back-end systems, meaning that today's hotels are grappling with technical challenges as well as business demands.

Internal and External Ecosystems

Many hotels use data analytics to create customer segmentation, which provides a good starting point for offering more personalized services. For instance, research indicates that baby boomers often prefer a preplanned itinerary, while millennials like to blend business with leisure and are keen to explore nearby attractions. Hotels can offer guests appropriate package deals based on such demographics.

They can also draw on their internal ecosystems by collaborating with sister brands to provide additional services. Some examples: A guest at a hotel that doesn't offer in-house food service could order

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a meal from an affiliated hotel that does. A guest at a hotel without a spa could book an appointment at another location. Or a business traveler arriving late at night might find a boxed dinner from a partner organization waiting in the room. Such services provide convenience for guests while keeping revenue within the hotel chain.

In addition, hotels can tap external ecosystems to provide guests with highly customized destination-vacation experiences.

Let's say a traveler to Italy wants to learn to make authentic Sicilian pizza using fresh, local ingredients. Traditionally, finding the perfect option would require a time-consuming online search of service providers, followed by booking the course, determining its distance from the hotel, and figuring out how to get there and back.

But what if the hotel could bundle everything so that the traveler doesn't have to deal with any of those details? Many hotels can already book such end-to-end experiences for guests — and having triggered those transactions, they typically earn commissions from local providers.

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Revamping Loyalty Programs

Tiered programs, such as those with silver, gold, and platinum levels, typically allow guests to earn free or discounted bookings, often at higher-grade hotels, along with benefits such as spa visits or drinks at the bar, or even small amounts of cash back. Despite these offerings, in most programs, fewer than 50% of loyalty members are active users. Those who do participate tend to be business travelers whose accommodations are paid for by their companies, meaning they can't redeem points for personal vacations.

Today, many programs are adding other options, such as gift cards, merchandise, and experiences — and not just for redemption, but for earning points as well. Working with a wider variety of partners on such offers will breathe new life into loyalty programs. In addition, creating such ecosystem-driven loyalty programs will help enable engagement with guests even when they're not traveling or staying at hotel properties.

By building a broad ecosystem of participating partners, hotels can transform loyalty programs from liabilities to assets, both for themselves and for their guests. Imagine allowing guests to redeem points to take a cruise, explore a hobby they've always wanted to learn, or even help cover their health insurance premiums.

The hospitality industry could take a cue from certain retailers who have thrown open the loyalty gates to give customers more freedom. Patrons of The North Face, the outdoor clothing company, can use loyalty points to go on mountain-climbing trips in Alaska or Nepal. Amazon gift-card holders can get discounts from restaurants, drug stores, utilities, and ride-hailing services. In the U.K., Nectar card holders can earn points from more than 300 participating businesses, including grocery stores, gas stations, hotels, and online shopping sites.

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Subscription services offer yet another possibility, especially for the current generation of brand-savvy travelers that seems to value access over ownership. Hotels can use such services to provide guests with everything from designer garment and accessory rentals to favorite brands of toiletries.

Providing flexibility is the key to making loyalty programs more successful. Giving guests more reasons to engage and redeem points in ways that are meaningful to their daily lives will help generate genuine loyalty.

The Role of Blockchain

At TCS, we believe blockchain technology offers the best and most efficient way to build an expanded hotel partnership ecosystem. Using blockchain, you can create secure, transparent, and unalterable “smart” contracts among partners anywhere in the world without relying on intermediaries. Account balances are available instantly, providing a friction-free process with smoother, faster, and cheaper transactions. The technology allows hotels to confi-

dently and securely engage in deals even with brand-new partners, because blockchain contracts are tamper-proof.

Guests can also use blockchain to redeem their points, seamlessly moving from one partner to another to review their options and make choices — without speaking to service representatives or paying transaction fees.

This is a business solution for hotels, but the concept resonates strongly with individuals as well. When we demonstrated our blockchain solution for reward points at the World Economic Forum in Davos, Switzerland, in January 2019, it instantly struck a chord. Several senior executives approached us to describe their own problems with unused points, particularly in terms of being unable to redeem them when they wanted to.

Giving guests freedom of choice supplies the missing link in today's rewards programs: a meaningful, emotional engagement between the traveler and the brand — which, after all, is the real definition of loyalty.

Digital Privacy

Blockchain technology offers guests another benefit that has become increasingly important in the digital age: the ability to control the data that companies collect about them.

When the internet was created, no one envisioned personal information being used in the ways it is today. With blockchain technology, individuals can create a granular permissions ledger. Companies can then run AI and machine learning analytics on select data based on those choices, offering people the tailored experiences they seek while avoiding those they probably don't want. For example, a company won't recommend a visit to Cancun just because you once happened to check the results of the Mexican Grand Prix.

The good news? This technology is right around the corner. Depending on government regulations, it's only four or five years away. By becoming early adopters, hotels can gain serious advantage over their competitors.

These are just a few ways hotels can holistically improve guest experiences, earn loyalty, and boost the bottom line. Creating a partner ecosystem that keeps guests at the center can open the door to even more avenues for success in the years to come.

Varsha Makharia is the domain head for the Travel, Transportation and Hospitality-Americas Business Unit at TCS. She has more than 21 years of IT-services industry experience, including 18 with TCS. She has held multiple positions across the car rental, hospitality, and logistics domains, serving as an account manager and consultant as well as in pre-sales and sales roles. Her ability to connect with people has helped TCS expand its hospitality footprint and engage with marquee logos. She regularly presents in TCS webinars and at other events and frequently leads TCS teams in industry-led hackathons and innovation summits. She received a bachelor's degree in mathematics and statistics and an MBA in marketing from the University of Mumbai.

Vivekanand Ramgopal (Vivek) is the global head of Banking, Financial Services, and Insurance (BFSI) Products and Platforms at TCS. He holds additional responsibility for Quartz, a TCS-incubated startup leveraging decentralized smart ledgers and blockchain technology.

In his 28 years with TCS, he has held multiple roles that helped shape TCS's BFSI products business under the TCS BaNCS brand, and has steered mission-critical implementations in more than 30 countries. His efforts have helped establish TCS as a global leader in the capital markets space, specifically in marketing infrastructure, trading technology, and asset servicing. He represents TCS as an executive board member for the International Securities Services Association and is a senior member of the IEEE. He frequently speaks at major industry and technology forums and regularly participates in podcasts. He received a master's degree in electrical engineering and information systems from Clemson University.

Using Technology to Respond to Guest Needs

By Scott Strickland, Wyndham Hotels & Resorts

The No. 1 problem facing the hospitality industry today is the labor shortage. Organizations of all sizes need staffers for jobs ranging from front desk managers, night auditors, and concierges to housekeepers and maintenance staffers.

The industry is grappling with this issue at a time of dramatically heightened guest expectations. At home, people are accustomed to speaking to Amazon's Alexa app for their media requests. When guests check into a hotel room in Des Moines or Denver, they don't want to watch the local news; they want to watch their Netflix shows or stream their podcasts onto our TV screens, and they want to do so seamlessly.

Business travelers want to be productive as quickly as possible. They're thinking: "The last time I was here, I used this laptop and this iPhone to log in, so don't make me reenter my credentials. Also, let me auto-authenticate and not have to accept all your terms and conditions again. You should already know me!"

Guests also want contactless payments because that's what they use at the grocery store. If they want more towels delivered to their room, they don't want to call; they want to text someone with that request.

To accommodate them, we must invest in technology and training. For example, when a guest texts the front desk, the request needs to be routed to a housekeeper, who's using a mobile phone and may be employed by a third party. How do we set that up? If guests expect to tip without using cash, how do we ensure that the money is disbursed to the housekeeper who cleaned their rooms or the valet who parked their cars?

There's a whole ecosystem of process changes involved. It's complicated, and as an industry, we're behind. But we're starting to catch up. There are many ways we can use technology to give guests a more personalized experience in every phase of their interaction with us before, during, and after their stay.

Using AI to Personalize Service

Prior to booking, if people are not loyalty program members, we use anonymized third-party data and AI to learn about their shop-

ping behavior and make predictions. For example, if people have visited our website several times within a certain period, it means they're very interested and just need a nudge to transition to booking. This isn't an assumption; it's something that has been proven by AI. We can also see whether they've visited competitors' sites. Based on this data, we may offer an immediate promotion.

AI also shows us where and when people search for a hotel room. Do they go to our site first, or do they go to Tripadvisor or Expedia? Having this information helps us understand where we should be targeting our ad spend.

Almost 50% of our guests are loyalty program members. Once they fill out their online profiles, we can automatically accommodate their preferences, such as providing king-size beds or offering spa appointments.

And that's just the beginning. We're at a critical point for AI. Hotels have spent a lot of time gathering and structuring data about guests and their shopping behaviors. At Wyndham, we have more than 92 million members in our loyalty program. We have 600,000 people staying in our hotels every day. You can imagine all the data associated with that. AI is very good at going through that data and finding correlations and patterns we haven't seen. We don't know what it's going to find, but we do know it will be able to tell us things we don't know about our guests and our business.

AI can also help with the labor shortage. We are piloting virtual agents — that is, chatbots that allow people to make or cancel a reservation without speaking to a representative. Of course, if someone requests a representative, we'll connect them; we're in the hospitality business, after all. But natural language processing is strong enough that you can successfully substitute online dialog for simple requests. It saves time for everyone.

Upgrading Digital Assets

We can also save time and improve personalization by providing more online information and pictures. Refreshing our digital assets is a big initiative for us in 2022.

During the pandemic, our voice agents spent 30% more time answering guest questions than they did before, and those percent-

ages haven't gone down. Earlier, people asked about cleaning and whether restaurants were open. Now they want to know about amenities. For instance, the hotel website says we serve breakfast, but can they make their own waffles?

People also want to know about room attributes: how close a room is to the elevator or stairs, whether it has a view, whether it has a desk. Desks have become important in "bleisure" travel, where people blend a work trip and a vacation. They also want internet service capable of supporting Zoom calls and moveable lamps to light their faces.

We're rolling out a "choose your room" feature where guests can see a room's location on a hotel map and view photos and information about its interior. Otherwise, they'll call the hotel. Sometimes someone has to physically walk around the property to answer a question. It's up to the franchisees to add this website information, but we're encouraging them to do so and helping to subsidize it.

If everyone connects on the blockchain, it's simpler. We don't have to write and manage interfaces with each partner. The blockchain sits in the middle and manages the arbitrage while market conditions determine partner conversion rates.

In our hotel lobbies, we are experimenting with digital signage, which is really a fancy term for big TVs. People can touch and swipe them to learn about local weather, attractions, events, and restaurants without having to ask at the front desk. If a bus with a soccer team has just pulled in, staff may not have time for a discussion, and some travelers prefer to find information quickly, without assistance.

We've learned that when people get to their rooms, one of the first things they do, often even before they unpack, is log onto our Wi-Fi. So we have a web page that highlights local tours and attractions, offering discount coupons for some of the companies we partner with.

Building New Partnerships, Connecting With Blockchain

Hotels need to make decisions about which companies to partner with and how to do it. If our guests are using Uber and Lyft, Grubhub and DoorDash, which ones do we work with? Or do we let guests choose and ensure that our processes support that?

For loyalty programs, we need to keep expanding our experiential offerings and partner with as many companies as possible. Travelers have different needs, and we should let them redeem points however they want to, whether it's for a hotel stay, a Disney visit, Starbucks coffee, or gas for their cars.

Building interfaces with multiple partners is complex, and blockchain technology has the potential to save time and money. What's more, if everyone connects on the blockchain, it's simpler. We don't have to write and manage interfaces with each partner. The blockchain sits in the middle and manages the arbitrage while market conditions determine partner conversion rates.

We think blockchain is the next great frontier. If the pandemic hadn't happened, I believe blockchain would already be standard in the industry. Right now, we're all standing at the edge of the pool, looking in, and somebody needs to jump.

In many ways, the hospitality industry today is at a crossroads. The consumerization of IT has raised guest expectations to new heights, and we are trying to raise our game to meet and exceed them. We have a long way to go, but it's an exciting time, and technology is continually creating new possibilities.

Scott Strickland serves as executive vice president and CIO for Wyndham Hotels & Resorts. Prior to the company's spin-off in 2018, he served as CIO for Wyndham Hotel Group, responsible for enhancing and implementing its technology strategy, building the strength of its IT organization, and leading day-to-day execution by ensuring alignment with strategic business direction. Before joining Wyndham, Scott was CIO at Denon Marantz Electronics and executive director of information technology at Nissan North America. Earlier in his career, he was CIO and vice president of information services with Stanley Black & Decker.

ABOUT TCS

Tata Consultancy Services is an IT services, consulting, and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for more than 50 years. TCS offers a consulting-led, cognitive-powered, integrated portfolio of business, technology, and engineering services and solutions. This is provided through its unique Location Independent Agile delivery model, recognized as a benchmark of excellence in software development. A part of the Tata group, India's largest multinational business organization, TCS has more than 592,000 of the world's best-trained consultants in 46 countries. To learn more, visit www.tcs.com.

ABOUT WYNDHAM HOTELS & RESORTS

Wyndham Hotels & Resorts (NYSE: WH) is the world's largest hotel franchising company by the number of properties, with about 9,000 hotels across nearly 95 countries on six continents. Through its network of approximately 810,000 rooms appealing to the everyday traveler, Wyndham commands a leading presence in the economy and midscale segments of the lodging industry. The company operates a portfolio of 22 hotel brands, including Super 8, Days Inn, Ramada, Microtel, La Quinta, Baymont, Wingate, AmericInn, Hawthorn Suites, Trademark Collection, and Wyndham. Wyndham Hotels & Resorts is also a leading provider of hotel management services. The company's award-winning Wyndham Rewards loyalty program offers more than 92 million enrolled members the opportunity to redeem points at thousands of hotels, vacation club resorts, and vacation rentals globally. For more information, visit www.wyndhamhotels.com.

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