

2024

TRAVEL & HOSPITALITY ISSUE 1

Guide to Next.



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2024

How Travel & Hospitality companies
can create the most impact in the
coming year—on their business
and their customers.

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Solving Customer Lifetime Value

IN 2024, SHOULD TRAVEL AND DINING BRANDS STILL CARE ABOUT LOYALTY?

Loyalty members tend to be anything but loyal. Research shows that loyalty members overall are only active in half of the loyalty programs they belong to, according to a 2023 Publicis Sapient survey. Almost half of millennials, specifically, have changed their airline loyalty in the past year, according to a 2023 OAG survey.

Will travelers and diners still care about loyalty programs in 2024, and more importantly, should brands?

In 2024 and beyond, travel and dining brands will transition from transaction-based loyalty programs to preference-driven customer relationships—i.e., emotional loyalty.

Travelers will still rack up points for flights and diners will still buy meals with promotions. But artificial intelligence will allow brands to increase loyalty and customer lifetime value (CLV) through more granular segmentation, personalization and emotional loyalty.



What is emotional loyalty?

Emotional loyalty is when customers identify with a brand, are brand ambassadors, and make habitual buying decisions that defy rational explanation—leading to not only the outcomes above, but also:

- Long-term brand equity
- Increase in word of mouth
- Resilience of the brand to changes in the market or adverse conditions

For example, Starbucks loyalty program members generated 57 percent of U.S. revenues in Q2 of 2023, and active loyalty membership rose 15 percent year over year, despite the coffeehouse chain diluting loyalty points value and higher than average nationwide inflation rates at that time. This shows that when loyalty members aren't driven by convenience and price alone, and instead make habitual buying decisions that might defy rational explanation, travel and dining brands will retain CLV through adverse conditions.

Emotional loyalty vs. behavioral loyalty

On the opposing end, **behavioral loyalty** is loyalty that's purely driven by repeated transactions, because of convenience incentives like discounts. Emotional loyalty leads to repeated transactions, but it's driven by emotion-oriented rewards, like belonging, connection and identity.

For example, loyalty to an airline that is driven purely by perks, discounts and points means that "loyal" customers will be less likely to stay loyal during changes in the market and in the long term, over their lifetime.

[More than 20 million U.S. travel loyalty members alone faced a status downgrade in 2023](#), due to COVID-related decreases in travel. In this situation, behavioral loyalty members that were attracted by the discounts and the convenience of their status were willing to switch to whichever airline provided the most convenient or discounted option.

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Most loyalty programs are still run like a monolithic program, where active members are bombarded with the same offers that don't necessarily align with their personal life and aren't able to dynamically change over time. Companies have been talking about this dynamic, predictive style of loyalty for many years, but very few are actually capitalizing on it at a time when we have more data capabilities than ever before.

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**PETE GROVES, SENIOR
MANAGING DIRECTOR
AT PUBLICIS SAPIENT**



How to measure emotional loyalty

Instead of customer behavior history, brands can measure emotional loyalty through these KPIs:

- customer retention
- loyalty program transaction amount
- positive reviews
- referrals
- increase in percentage of revenue from subscribed customers compared to overall revenue

Combined with these KPIs:

- increased social media engagement
- increased brand searches
- increased customer satisfaction

When the loyalty KPIs in the first list improve solely in response to financial incentives like discounts or promotions and don't drive brand affinity, this is purely behavioral loyalty, which won't drive long-term CLV.

Five ways to drive emotional loyalty in 2024

As travel and dining brands switch their focus from behavioral to emotional loyalty, they'll need to adopt a test-and-learn approach.

These are the top ways travel and dining brands can cultivate emotional loyalty and customer lifetime value in 2024:



Understanding the 'why' behind customer behavior

AI can surface insights on what customers like, what they're doing and what they want, and connect those insights together. But companies should be focusing on the 'why' behind this data—and that's where they can create a strategy to drive emotional loyalty.

For example, a QSR brand can surface a segment of millennial customers that order takeout delivery every Sunday—but this insight isn't helpful without contextual data and insight to understand that it's because of a TikTok trend, a new HBO show or because of bad weather. It's important to understand what is driving customer behavior, and what role your products play in their lives..





Today's loyalty programs have trained us to value the one-to-one relationship between the points I earn and the product that those points can buy. What if points from a single hospitality brand loyalty program could be used for restaurants, activities and spa services at or around the location of your holiday booking, giving access to a wide array of enriching experiences that guests couldn't regularly afford? This builds true emotional attachment to the brand.



**J F GROSSEN, GLOBAL
VICE PRESIDENT OF
CUSTOMER EXPERIENCE AT
PUBLICIS SAPIENT**



Use the 'network effect' with other products

Customers that are emotionally connected to one brand, like the Ritz Carlton, will most likely be great ambassadors and purchasers of products and services associated with that brand. For a hotel, this could be spa products, the associated golf equipment rentals or the tea that's served in the room.

To drive emotional loyalty through brand networks, companies can use first-party data to understand which brands customers are connected to within their ecosystem and try to bolster those connections or even find new ones.



Don't reinvent the wheel

Dynamic segmentation, and personalization, requires a modern technological backbone. As companies test-and-learn in 2024, it's time to leverage current product investments, not reinvent the wheel. It's more efficient to beta-test and create one new loyalty segment driven by AI sentiment analysis within customer service chats, rather than replace the entire customer engagement platform.

Brands should be thinking about how they can recombine their current tech puzzle pieces (and products) for efficient engineering to drive value for customers.



Experience the customer journey

See and feel your customer experience journey—not just to run your loyalty program successfully, but to understand which parts of the journey might seem like costs but are actually drivers of emotional loyalty and customer lifetime value.

For example, through taking a holistic approach to the customer and employee journey, a restaurant chain might find that one-on-one interaction between employees and customers is an added cost compared to automated POS kiosks, but that these interactions improve customer satisfaction, increase brand affinity and drive customer lifetime value.



Data-share across partnerships

Brands need more first- and third-party data to create more dynamic segmentation (and personalization) for retention and acquisition marketing. Often, the data that brands are collecting themselves, like purchase history, isn't effective for segmentation. Brands need to look to their networks to create cross-industry partnerships, securing contextual data that will round out customer profiles rather than buying massive data sets and seeking to find connections between the data retroactively.

Unfortunately, most brands still aren't eager to share bits and pieces of customer information. Travel and dining brands need to orchestrate 'micro-experiments' with customer data, experimenting and tying together new first- and third-party data sets to identify potential data-sharing partnerships, like the Delta and Starbucks points collaboration.

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Artificial intelligence in 2024 may expose cracks in institutional data, resources and privacy regulations. Brands should not expect hyper-accurate information just yet. It's about harnessing passionate minds to unfurl real value with the technology and data that your company does have, and figuring out what can benefit you.

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**J F GROSSEN, GLOBAL
VICE PRESIDENT OF
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2024 travel and dining emotional loyalty takeaways, by sector

With many nuances dependent on business type, Publicis Sapient experts have broken down the key priorities for emotional loyalty in each of the biggest travel and dining sectors, based on 2024 predictions within these industries:



AIRLINES AND AIRPORTS

- **Destination Asia:** The Asian Development Bank predicts that [tourism could accelerate to pre-COVID levels in 2024](#), as soon as Lunar New Year in February. Airlines and airports can reactivate dormant loyalty members looking to travel to and from the Asia region next year through AI-powered data analysis.



HOSPITALITY

- **Event-based travel:** From Taylor Swift concerts to Olympic games, fans of all kinds will be embarking on international trips for event-based vacations. Hotels can take advantage of fans' affinities through event-themed collaborations for seamless travel experiences.



RESTAURANTS AND DINING

- **Focus on employees:** As [half of U.S. borrowers resume monthly student loan payments of at least \\$200](#), young consumers will be tightening their purse strings and looking for part-time work. Invest in AI that promotes employee satisfaction, like customer service support tools, to drive employee and customer loyalty at the same time.

To design a new approach to emotional loyalty, driven by artificial intelligence, contact Publicis Sapient.



Hospitality Technology Trends

THE TOP 5 HOSPITALITY INDUSTRY TECHNOLOGY TRENDS IN 2024

In 2024, hotel chains will need to invest in new technology to reduce operating expenses and entice loyalty from travelers post-pandemic.

While many hospitality technology trends focus on the guest experience—from mobile room keys to micro-mobility transportation solutions—hotels often forget about the back end. From mobile tipping options to sustainable construction, back-end technological innovation will propel digital-first companies to the top.

Publicis Sapient hospitality experts break down the top five trends that will be shaping the industry a year from now, based on our market research and industry expertise:



Employee management ecosystems

As business travel slowly ticks up, hotel companies can no longer expect a steady stream of minimum-wage workers to uphold service standards. How can hotels get workers and keep them this year?

According to research from Joblist, [almost one-third of hospitality workers regret quitting during the great resignation](#), the highest rate across industries. Bold hotels that form alliances with airlines, airports, restaurants or even other hotel groups can create flexible platforms for employees to move from one location, and one brand, to another. These integrated ecosystems will improve employee retention, employee satisfaction and increase customer satisfaction at the same time.

For example, global hospitality companies can unify multiple employee software platforms across brands, allowing employees to easily transfer to different hotel locations or even different locations under different brand names. This would allow hotels

to catch up to the “future of work” flexibility that many hospitality workers are craving as they leave the industry.

To make this happen, hotel companies will need to direct much more of their focus to software and data. In order to develop a strategy around which brands to partner with and what the back-end platform should look like, companies need to understand what their employees want—whether it is more flexibility around hours, location or job function.

Agile ways of working, new tech capabilities and data processes will all be crucial in the development and continuous optimization of these employee ecosystems. Hotel companies that can successfully integrate internal worker management platforms into a one-stop ecosystem, and provide employees with an excellent experience, will benefit from employee loyalty.



ACCORDING TO RESEARCH FROM JOBLIST, ALMOST ONE-THIRD OF HOSPITALITY WORKERS REGRET QUITTING DURING THE GREAT RESIGNATION



Mobile worker tipping

At the same time, hospitality workers can take better ownership over the guest experience through cloud-based tipping, referral and review programs. In order to compete for employees with restaurants and other customer service industries and provide a more personalized, human guest experience, hotels need to incentivize better service and make tipping easier.

Today's hospitality tipping process is ripe for disruption. Guests are eager to build relationships with hotel employees, especially [as extended stays become more popular](#), according to research from Lodging Econometrics.

Yet there are often no options to tip the majority of hotel workers outside of cash. While some hotels created mobile tipping options for housekeepers,

mobile tipping for front-of-house staff has yet to be implemented, despite the fact that front-of-house staff often have the most interaction with customers.

By 2024, hotel companies will need to upgrade their mobile guest technology, giving guests the option to tip or leave reviews for employees conveniently and in the moment.

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Hotels are realizing that their traditional core revenue streams are not enough.

They're looking to create new revenue streams and defend against competition from online travel industries. Hotels know they need to set loftier goals and innovate. This can't be done without of course the technology, but also the right partnerships.”

**NICK SHAY, TRAVEL AND
HOSPITALITY INDUSTRY
LEAD AT PUBLICIS SAPIENT**



Back-to-the-basics customer service

From hotel chatbots to iPhone-controlled lighting, more and more of the hotel experience is being digitized—but that doesn't mean it should become less human. As new luxury hotel developments accelerate in the Middle East and [international inbound travel continues to increase in the region](#), domestic and international tourists will expect a delicate balance of advanced technology and a personalized human touch.

What does this mean?

Hotels need to go back to the basics when it comes to customer service, looking at the [guest experience journey](#) holistically.

For example, mobile hotel room service can allow guests to track their order time, see photos of the food and put in orders automatically to the kitchen on the back-end. But if mobile room service doesn't allow for menu modifications, this digital-first approach is no longer customer-centric.

Hotel companies will also need to modernize their tech stacks—from contactless check-in to cloud infrastructure—to continue offering digital-first, customer-centric experiences.



Sustainable hotel construction

To meet ambitious 2050 net-zero emissions targets set by regulators in the E.U., U.S., and Canada, hotel companies will need to address sustainability in 2024, starting with new construction, using IoT technology.

Embodied carbon in the construction and renovation of buildings is a significant contributor to global emissions, with hotel construction accounting for another [2 percent of](#)

[global carbon emissions](#), bringing the total footprint of the hospitality industry to 3 percent, according to the EHL Business School in the Hotel Yearbook 2023.

For example, constructing hotels made of timber, reused materials, or even opting for major renovations over new builds can heavily decrease GHG emissions. At the same time, avoiding deforestation and disruption to natural wildlife and ecosystems through [regenerative tourism](#) goes a long way.

In 2024, hotel companies, especially in the luxury sector, will need clear greenhouse gas (GHG) emissions reductions strategies in place for new construction, as financial valuation and consumer sentiment are increasingly linked to sustainability practices. By implementing IoT technology, hotels can work back from current measurements to determine how to approach new hotel builds, how to approach modifying current hotel practices, and how to market these new strategies to consumers.

Sustainability in construction will require a [highly automated tech solution](#) for transparency in deriving measures, monitoring progress and sharing data.



End-to-end connected guest data

As event-based travel heats up with concerts like Taylor Swift's global tour or athletic games like the 2024 Olympics hosted in France, hotels need to centralize guest booking data and integrate artificial intelligence (AI) to personalize booking experiences for music and sports fans.

According to forecasting from CoStar Group, [hotel occupancy rates in the U.S.](#) and [overall travel demand in Europe](#) will increase marginally in 2024, as business and leisure travel rates steadily climb toward pre-pandemic levels, albeit more slowly than previously predicted.

Utilizing occupancy data requires front-end and back-end software transformation. For example, geolocation technology tracking guest arrival could allow hotels to control traffic flow at the front desk, decreasing wait times and creating a more personalized check-in experience.

In 2024, hotels that offer connected guest experiences will need to focus on convenience, affordability and sustainability. Centralized data capabilities and AI will create even more opportunities for personalized customer service.

Looking ahead to 2024

Hotel companies must manage new challenges in areas such as sustainable construction, employee retention and ecosystems, connected guest experiences, and a return to traditional, humanized customer service.

At the end of the day, the hotel industry is a human industry, and a digital approach to the guest experience still must put the focus on the humans: customers and employees.

Keeping up with the speed of the industry and the challenges posed by new entrants will require hotels to move forward with bold bets, strategic alliances and innovative new solutions at every turn.



Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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