

# Argyle Conversations

by ARGYLE EXECUTIVE FORUM<sup>SM</sup>

*featuring*

**Greg Brown**

VP, Loyalty, Promotion &  
Relationship Marketing  
Choice Hotels  
International Corporation

&

**Jeff Hassemer**

Vice President of Product Strategy  
Experian Marketing Services

*On February 10, 2012, Greg Brown, vice president of loyalty, promotion, and relationship marketing, Choice Hotels International Corporation, spoke with Jeff Hassemer, Vice President of Product Strategy, Experian Marketing Services, about the importance of loyalty programs in growing the business, the challenges of developing targeted programs in the hotel space, and the role digital media marketing plays in attracting hotel customers.*

## Greg Brown

Greg Brown oversees the further growth of the Choice Privileges rewards program at Choice Hotels International Corporation, with primary focus on increasing customer loyalty and member engagement. This comprehensive, award-winning program has grown to more than 14 million members worldwide. Greg also oversees the promotional marketing initiatives group, as well as the relationship marketing organization, which annually generate significant incremental revenue for franchisees of Choice Hotels. A frequent speaker, Greg is also on the board of the Association of Travel Marketing Executives.

Greg has held a variety of marketing and finance leadership roles during his 25-year career, 17 of which were with American Airlines. He began his career with Andersen Consulting (now Accenture). Greg then joined American's finance department in the late '80s, and subsequently led organizations in financial analysis, airport resource planning, revenue management, and sales. He was recruited to Choice Hotels initially as vice president of Choice Privileges, and has been with Choice for five years.

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## Jeff Hassemer

Jeff Hassemer is an industry veteran with over 15 years of experience in bringing brands and customers closer together through data driven marketing. As a practitioner of cross channel marketing, Jeff has helped brand savvy clients bring more cohesion and strategy to their customer communication efforts through ground breaking data solutions . In his role as Vice President of Product Strategy at Experian Marketing Services, Jeff has been instrumental in building a product roadmap that aligns to the future state of marketing and presents clients with a more progressive and holistic approach to cross channel linkage and relationship marketing.

Prior to Experian, Jeff has held several senior level positions in Product Management with leading organizations, including Entiera, Responsys, Abacus, DoubleClick, Match Logic and Customer Insight Company.

**JEFF HASSEMER: Greg, please tell us about your role at Choice Hotels and how you engender loyalty with the Choice Privileges program.**

GREG BROWN: I am the vice president of loyalty, promotions, and relationship marketing for Choice Hotels International. Choice is a leader in the franchise hotel business with more than 6,000 hotels worldwide. We have 11 brands spanning a wide spectrum of service categories. In the lower to upper mid-scale, we have two brands, the Ascend Collection and Cambria Suites. In the mid-scale, which is where most of our properties are positioned, we have several brands, including Comfort Inn, Comfort Suites, Sleep Inn, Clarion, and Quality. Clarion can also be a full-service brand, particularly internationally. We also have Extended Stay and Economy brands. We differentiate the brands through creative messaging, service, and differences in the loyalty program, Choice Privileges. We have positioned our loyalty program a bit differently from most of our competitors. Because our hotels have a greater percentage of business coming from leisure travelers, we rely on national promotions that are easy for the less frequent traveler to understand, such as our 'stay twice and get a free night' promotion. This is not to say we ignore the frequent traveler, particularly the frequent business traveler. Our Elite levels are relatively easy to obtain and we constantly have individualized, behavior-changing promotions with significant bonus points available.

**Do you bring a disciplined approach to measurement in your role at Choice?**

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I've been in the travel industry for more than 20 years in a variety of marketing and finance roles. Marketing and finance are good backgrounds for loyalty because the discipline requires a combination of both skills. I think it's fair to say that when I first arrived at Choice, there were a lot of good executers but not a lot of time devoted

to thinking about analysis and modeling. I tried to institute that over time and we've gotten better at it as a company. We were also fairly simplistic in terms of targeting and personalization. Now, we are much better at focusing on how to speak to customers in the loyalty program in a relevant, meaningful, and personalized way. We've subsequently expanded this personalization strategy to past guests who are not in the loyalty program.

**There seems to be a pretty big leap between the Cambria Suites and Ascend Collection brands and the Quality Inn or Comfort Inn brands. Is there a big difference in your customer set between those two types of brands?**

The biggest difference is that more service begets a higher daily rate, so Cambria and Ascend rooms are going to be well above \$100 a night, although even that's not quite as expensive as some other upscale hotels. For the mid-scale, it's going to be closer to about \$85 or \$90 a night, and as you go down to economy, the rate is even lower. So price is a big difference, as well as service. Our

higher-end hotels are designed to cater to business travelers, but we still get a fair amount of leisure customers. While most of our hotels can hold small meetings, these two brands also cater to larger meetings.

But at the end of the day, we offer a good value across all our brands, so there's not a 180-degree difference between who stays at a Comfort Inn and who stays at a Cambria Suites. But we're all about value and that means we're in the market for anybody who's looking for a hotel from age 18 to 100.

**What key metrics do you shoot for in your loyalty program and your relationship marketing program?**

We look at a host of different metrics; obviously, it's important for us to grow the program because our loyalty program is a key selling point to potential franchisees. If they're going to make a big investment in a hotel, they want to know how well we're going to help put people in that hotel and a loyalty program is a critical contributor. How many people are joining, how many are activating, and what percent of the hotel visits are we bringing to them through loyalty as well as other booking channels, such as our call center or website—those are the kinds of macro numbers that we monitor frequently. Internally, there's a host of metrics we use to judge how well the program and our relationship marketing efforts are driving revenue to our hotels.

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**Can you describe your targeted and personalized marketing program?**

When I got here five years ago, we didn't do much targeting. We had just created an Elite program that was pretty much in its infancy. We focused a lot in those first few years about being more targeted and personalized in how we communicated with our members and what content we provided to them. In the past couple of years, we've focused more on targeting and personalizing our interactions with guests who have stayed with us but who have not chosen to join our loyalty program. As you get into the relationship marketing space, where you don't necessarily have points as part of the equation, we play with rates a little more to persuade consumers to come back to us for their next stay. It's harder to persuade them to stay with us because they don't stay as frequently, but there's a lot of opportunity there.

**Have you seen an increase in performance since your targeting has gotten more relevant?**

Yes, we're seeing some good success outside the loyalty program as well as inside it. In fact, we're investing in infrastructures to be even more dynamic and more personalized and targeted because our capabilities right now are somewhat behind the times.

**What kind for investments are you making? Is it toward a customer relationship management (CRM) system? Or is it toward getting more information to the front desk?**

We are making an enormous financial commitment to become a leader in customer message customization. I would say more of the effort is on the CRM side. We're a step behind where we would like to be so it's really more related to infrastructure. We have maxed out our current system's e-mail delivery capabilities. It's proprietary, and we're in the midst of upgrading it. We're also relatively simplistic in how complex and dynamic we can be in our messaging design and in our tailoring, so we're investing to make that more sophisticated.

**Have you started to link together website visitors with your loyalty program? Are you doing any kind of cross-channel linkage?**

"We are working to leverage their behavioral activity along with the transactional information that we collect to drive more relevant content to a guest"

Not surprisingly, a significant portion of people who book on our website are in the loyalty program. We are working to leverage their behavioral activity along with the transactional information that we collect to drive more relevant content to a guest. As a franchise hotel company, we can't do some of the things that other retailers might be able to do. For example, we can't necessarily cross-sell as much as typical retailers

because if you're an owner of a Sleep Inn and I take your guests and push them into a Comfort Suites, you're not going to be too happy about that. We're not like Target or Wal-Mart with thousands of skews; we basically are selling just a handful of different types of hotel products. So up-selling and cross-selling isn't a big part of what we're doing.

**Do you recognize visitors when they come back though the website but haven't registered on it at all? Do you conduct any personalization there?**

We do not use cookies to recognize visitors, but that's something that we're exploring. Most of our guests who are members will log into the website because it's easier for them—they don't have to re-enter all their information to make a reservation. Plus, they can see all of their reward program information and status online.

**How many channels do you use to contact your customers? Do you use direct mail? E-mail? Mobile devices?**

We've tried direct mail in the past, but it's really hard to generate a decent return on direct mail in the hotel business. We use e-mail because, particularly in the travel industry, it's extremely effective with loyalty program members. They want to see their point balance and how close they are to the next reward. We recently relaunched a mobile version of our website and we were the first hotel to have an app on the iPhone.

**Are you deploying any social media?**

We have had both covert and overt tactics in that market. We launched a series of Facebook pages earlier this year just to dip our toe into that water and see what kind of traction we might be able to gain with it. Within the loyalty program, we've had a covert strategy since around 2008 with what we call our Elite member panel. It wasn't open to the general public, rather it was by invitation only and we had 5,000 Elite members who signed up to participate in short, game-like surveys. It was really more of an engagement play, which is why we did it as opposed to having a research goal. Our Elite members are obviously very valuable and any way you can engage them is beneficial. We would get back to the panelists and tell them what we were going to do about what they told us. We've done other things like TopGuest, which is an overlay for all of the geo-location products like Facebook and foursquare, where you can check in and tell your network that you're at one of our hotels. We're assessing now if it was worth the cost.

**Do you participate in discount sites?**

We distribute our hotels across a variety of sites but mostly those that are cost effective and not dilutionary. Many of the sites that are springing up now are not beneficial for our owners or travelers. They tend not to qualify for hotel rewards program points.

**We're seeing a lot of customers that have this desire to match the people that they're interacting with on social media back to their customer profile information. Have you done any of that?**

We got into Facebook very recently, so we really haven't devoted a lot of energy to try to do that. Our customer base is a little older than average and, as a result, they aren't as invested in social media activities. That's not so say that those types of activities are not important, and they'll probably become increasingly important over time, but there's not enough there for us yet to really be investing heavily on any type of analytics.

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**When you talk about all these disparate channels that you're working within, what kind of data integration techniques do you deploy? Do you have a vendor that does that for you? Is it an internal function? Are you even trying to get a single view of the customer there?**

Most of our analytics are around the loyalty program. We do a lot of data work to identify the non-loyalty program guests and I believe we have good customer profiles on them, but if someone has a common name and is a one-time stayer and gives their work address when they make a reservation but then gives their home address and uses a different credit card the next time, we're likely not going to connect that stay to the same person. If most of the interaction with our customers is through

e-mail, we know where they stayed and what they've done, which gives us enough information to be pretty relevant.

At the end of the day, we're selling hotel rooms for the value segment. We are not an upscale jewelry chain. Our primary means of going to market is not going to be in direct mail. Almost anybody can stay at a hotel, so we don't have to be as clever about segmentation and targeting to make sure that we've eliminated unlikely candidates. We're not a niche product; we're a general population product.

**What trends are occurring in your industry that you're getting ready to react to from a customer service loyalty standpoint?**

“Almost anybody can stay at a hotel, so we don't have to be as clever about segmentation and targeting to make sure that we've eliminated unlikely candidates. We're not a niche product; we're a general population product”

Transparency of quality of service is going to continue to grow in the hotel industry, whether because of social media or Trip Advisor or even due to the fact that some upscale hotels are allowing their members to post reviews. That's something that we're wrestling with. We've tested a number of things. Being very transparent about the quality of your product is a good strategy when you have the highest

quality product and, therefore, you're able to generate a premium price. For example, the Mercedes Benz of the world are going to talk about safety and quality and how people think of their cars, whereas car companies at the other end aren't necessarily going to be as open and transparent about that. In the hotel world, the Ritz Carlton's are going to crow widely about how wonderful their consumers think their rooms are, which cost \$250 and up a night. We're under \$100, and you're getting a great product. It's a tremendous value when you consider clean, nice hotels, free breakfast, free high-speed Internet.

**You have a rating system with your hotels. If you have hotel operators that are consistently rated more poorly than your great operators, is that an incentive for them to improve or is a poor rating detrimental to the overall brand?**

On our website, we call out our best hotels based on a range of performance measurements. At the top, a hotel is either platinum or gold, so we're identifying who's really good. We're not necessarily saying who's not so good because there are plenty of fantastic hotels that aren't platinum or gold award winners. But if you get into an environment where you're calling out the bad ones, then it gets dicey. Our focus is on trying to help the hotels that need help improving their performance, not necessarily flogging them publicly. It's in all of our collective best interest to help those that need help and get them to do better. And if ultimately they can't, then we've got to consider other options. ■