

Travel Loyalty Outlook 2024

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Travel loyalty programs are prioritizing consumer value and business profitability for sustained success in the year ahead

Q1 2024



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Travel's Recent Evolution

The world of travel looks vastly different today than in 2021 during the pandemic when the entire global industry grappled with how to engage and retain customers who were grounded for all intents and purposes.

Although the beginning of 2022 began to see the re-emergence of travel demand, providers were undoubtedly in recovery mode. Yet a lot can change in 12 months, and by the end of 2022 and into 2023, consumer demand for travel was insatiable. While the desire for travel is still present, high inflation and the even higher cost of travel products have consumers on the hunt for deals that can help them save.

Where are consumers turning to find these savings? Travel loyalty rewards and programs are the logical answer. But what kind of earn-and-burn opportunities do today's consumers expect from their loyalty providers? And are both parties aligned?

In late 2021, we sought to answer these questions with our first Travel Loyalty Outlook Report, which polled consumers and loyalty professionals across North America in two concurrent surveys about their needs and challenges. The survey findings allowed us to propose approaches that could help them attract, retain, and engage members more effectively. At the end of 2023, we conducted similar surveys, asking over 2,200 consumers and over 100 loyalty providers whose programs offer travel rewards how their views have shifted over the last two years.

In the following pages, we reveal and explore these changes, specifically around travel rewards, through six main themes:

- 1 The evolving goalposts of loyalty programs
- 2 The state of the union in loyalty technology
- 3 The 2024 traveler perspective
- 4 Driving engagement and customer lifetime value
- 5 The unexplored frontier of cruise travel loyalty
- 6 Embarking on the Path to Program Profits



Our topline conclusions are that travel remains a vital part of a brand’s loyalty offering — and providers seem to be stepping up. A larger proportion of our 2023 respondents offer travel rewards (95% vs. 65%), and programs with travel booking capabilities have significantly increased, soaring from 61% to 84%.

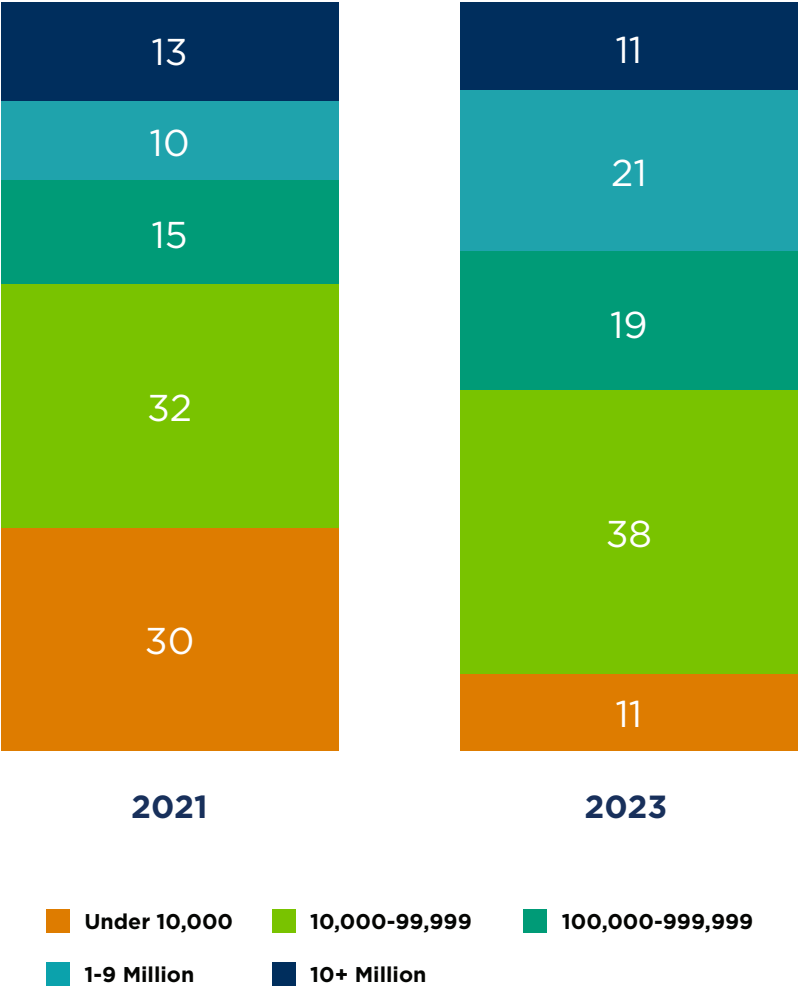
Companies are also planning to offer new travel rewards or benefits soon (up from 63% to 84%). These increases confirm the uptick in travel interest post-pandemic, as do our findings among the consumers we surveyed. Of those polled, 80% planned to travel within a year, while four-fifths of that group identified leisure as the purpose of their trip.

The Growing Popularity of Travel	2021	2023
Brands offering travel rewards within their programs	65%	95%
Programs providing travel booking capabilities	61%	84%
Companies planning to introduce new travel awards or benefits	63%	84%

Here are some critical demographic insights that can provide more precise context for the latest survey results. Relative to 2021, the number of respondents from the finance sector has almost doubled. The age profile of loyalty company employees has trended younger, with most born between 2000 and 2015, indicating a more innovative outlook and willingness to experiment with new ideas.

The size of program membership has also increased since 2021, particularly in the one to nine million range, from 10% of companies polled to 21%. Consequently, rewards programs with fewer than 10,000 members have sharply declined, dropping from 30% to 11% in the past two years. **This confirms that attracting new members has been a focal point for loyalty programs** during this period. However, as we enter 2024, does this trend still hold?

How many members does your loyalty program have?



The Evolving Goalposts of Loyalty Programs

Both surveys we conducted during the pandemic years showed that travel loyalty providers' primary objective was attracting new members. Given the immediate uncertainty surrounding travel-related business, brands focused on expanding and preserving their customer base to remain viable. That focus seems to have waned recently, with interest shifting towards regaining profitability by increasing the lifetime value of customers (rising from 16% to 29%) and boosting their overall program spend (from 9% to 11%).

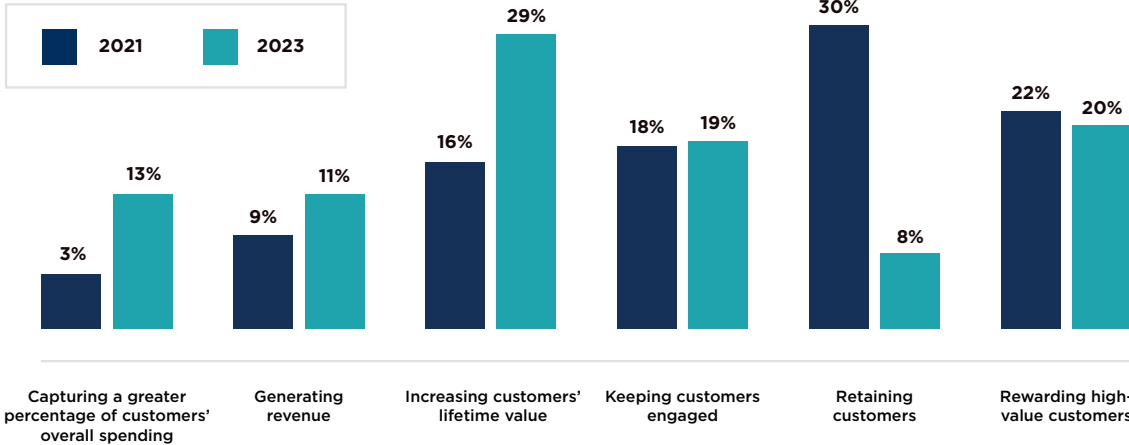
Brands' primary loyalty program goals are:

- Encouraging existing members to move up a tier.
- Increasing total spending through the loyalty program.
- Introducing new rewards or earning redemption options.

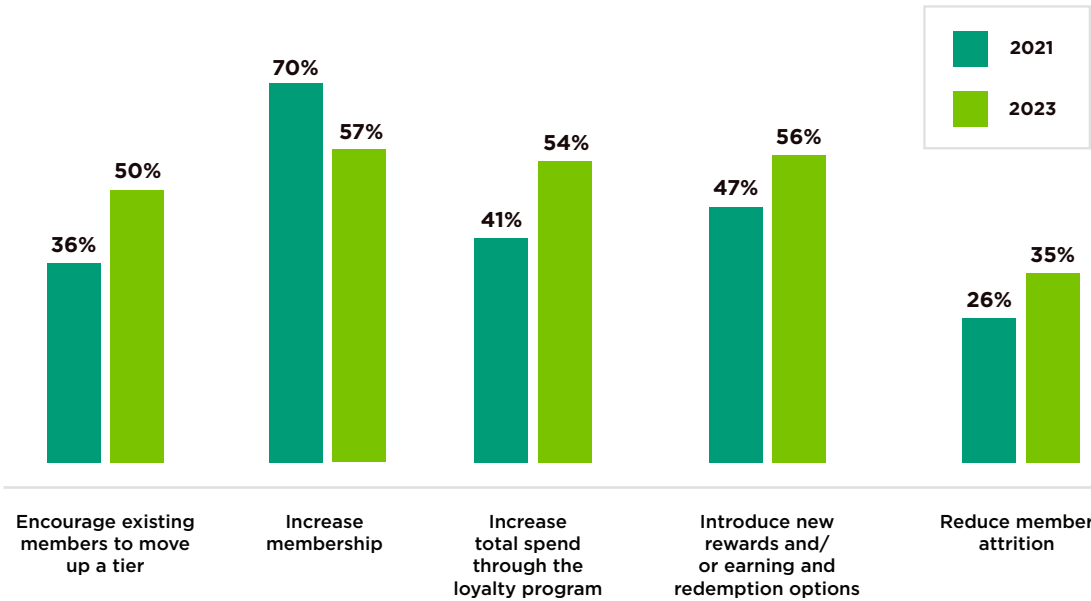
These goals, which have gained importance for brands in the past year compared to our previous survey, align with the aim of driving customer lifetime value through increased engagement.

All these goals are intrinsically linked. By moving up in status, members gain access to a wider range of valuable benefits and increase their opportunities to interact with and spend within the program. But to be successful, loyalty providers must rigorously evaluate their value proposition. Are they providing members with the value they are looking for, and if not, how can they improve their offerings?

What's the most important goal of your loyalty strategy?



What are your goals for your loyalty program in 2024?



Brand Challenges Are Closely Intertwined with Goals

One in five loyalty program providers report that demonstrating the value of rewards is a major challenge — a figure that has remained unchanged since 2021, indicating brands’ ongoing difficulty in communicating value to members.

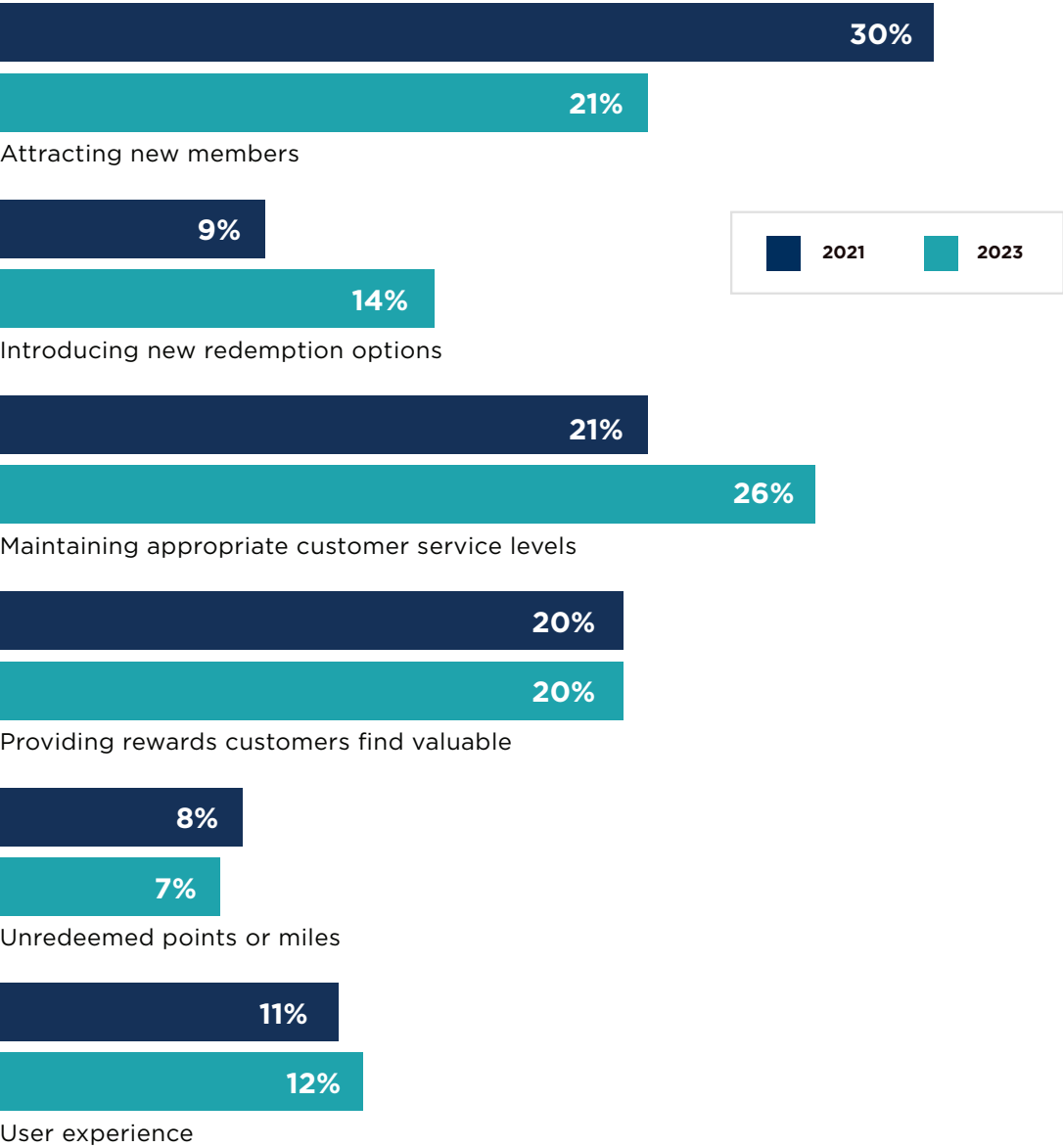
The challenges in introducing new redemption options have also grown (from 9% to 14%), as have maintaining appropriate customer service levels (21% to 26%). Both issues reinforce companies’ focus on increasing customer lifetime value in 2024.

Without consistently offering new opportunities to redeem loyalty currencies and rewards, coupled with inadequate customer service and a perceived lack of value, members are unlikely to redeem loyalty currencies and rewards, remain engaged and continue spending within their program.

Loyalty program providers say the top three biggest challenges when offering travel rewards to their customers or loyalty members are:



What’s your biggest challenge relating to your loyalty program?



State of the Union in Loyalty Technology

As mentioned earlier, a significant development in the travel rewards sector is the increase in programs now offering direct booking capabilities through their platforms, **rising from 61% in 2021 to 84% in 2023**. This suggests that many loyalty providers used the pandemic years to invest in their technology, indicating a relative maturation of loyalty platforms. They’re also improving how they integrate options from across the travel ecosystem.

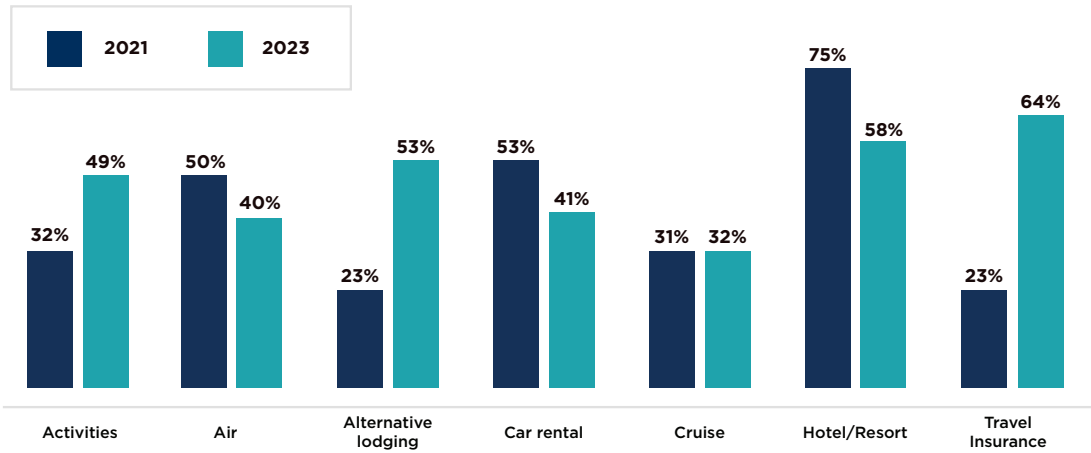
While car rental and air have always been mainstays of travel loyalty programs, products like travel insurance, hotels, alternative lodgings, and activities have usurped these more classic redemption options. Are options like air and car rental less popular than before?

It’s probable that securing these options at rates that members find appealing and valuable is more challenging for providers outside of those two industries. Following the post-Covid travel surge, airlines have **tightened rules** around earning and status, while car rental agencies have **faced fleet shortages**, leading to increased costs.

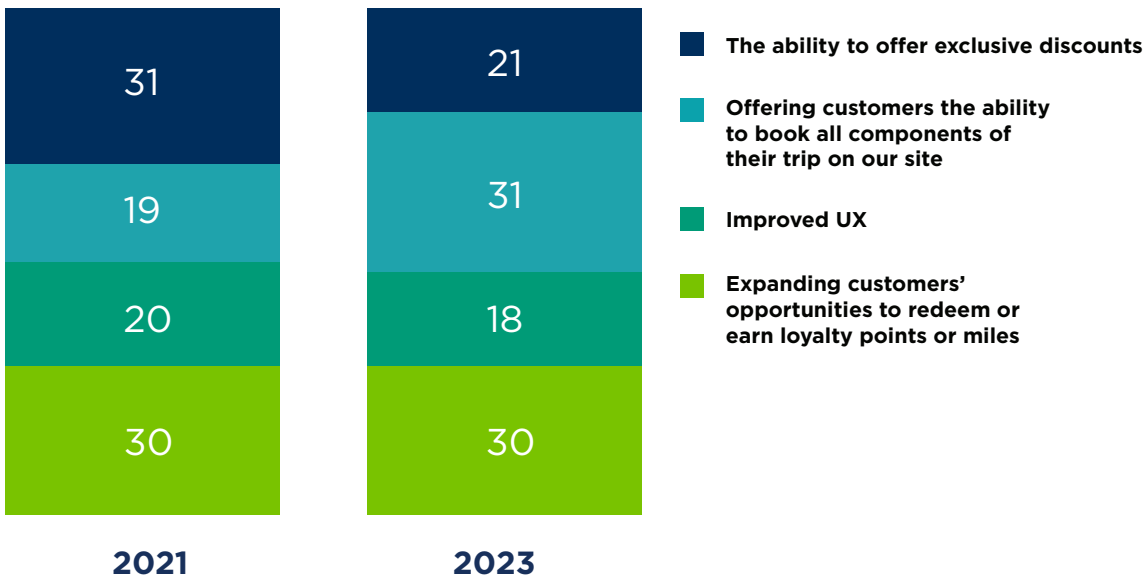
Expanding more diverse redemption options seems closely linked to the increased integration of third-party travel products and services into loyalty platforms’ direct channels, **rising from 47% in 2021 to 84% in 2023**.

This trend also correlates to a shift in the industry away from proprietary loyalty platforms, decreasing from 36% to 11%, towards hybrid (57%) and white-label (28%) solutions. This move capitalizes on the expertise of outside experts and specialists to create the caliber of booking experiences travelers have been conditioned to expect. It also speaks to what loyalty providers perceive as a key factor in improving conversion rates on their direct channels — namely, the ability for members to book all components of their trip on a single site, which rose in prominence from **19% to 31% between 2021 and 2023**.

Which travel options are available through your platform?



Which of the following would best improve your conversion rate on bookings through your direct channel?



Travel Insurance Takes Off

The increase in travel insurance is particularly poignant and speaks to the continued uncertainty around the travel journey, both because of the pandemic (and the possibility you might have to cancel your trip because you've fallen ill) and a general sense that travel has become less reliable. That perception is not unfounded: 2022 was a record year for air travel delays, cancellations, and luggage mishandling. According to [some sources](#), these disturbances could continue for the next decade amidst airline worker shortages.

Adding travel insurance to their rewards portfolios is an intelligent move for loyalty programs, as it provides additional value without requiring members to spend extra out-of-pocket.

Want a program with options? See what your bank has to offer.

Financial services companies have the largest penetration of diverse travel options in their loyalty programs compared to hospitality/lodging and travel/tourism brands. This makes sense because their identity is not directly tied to any travel product; therefore, they have more freedom to integrate third-party offerings from various providers.

	Finance	Hospitality/ Lodging	Travel & Tourism	Other
Activities	63%	43%	47%	20%
Air	59%	19%	38%	40%
Alternative Lodging	67%	57%	41%	40%
Car rental	63%	19%	38%	40%
Cruise	41%	19%	34%	20%
Hotel/Resort	63%	71%	44%	60%
Travel Insurance	89%	48%	59%	20%

The 2024 Traveler Perspective: Are Brands and Consumers in Sync?

However brands percieve their redemption offerings, consumers have the final say in determining whether these options genuinely meet their needs and preferences.

American consumers remain eager to travel even amid rising costs. Unsurprisingly, for 37% of consumers in our survey, price/value for money is the top consideration in trip planning. And it's become increasingly important to 42% of consumers in the 12 months leading up to the survey.

The Value Factor

- 37% of consumers say price/value for money is the top consideration when planning a trip
- 42% say this has become increasingly important over the last year

Additionally, 44% believe that prices on their loyalty platforms are too high overall, and 23% are frustrated because they are unsure if they are getting the best value possible when booking. Yet only 20% of businesses think demonstrating the value of their travel rewards is their biggest challenge.

That partly explains why travel rewards programs are so far down on the list when it comes time for consumers to book their trip: only 7% turn to their travel loyalty programs, and only 8% consider the ability to earn or redeem points in the trip planning process. And though 72% of consumers say the rising cost of travel is impacting their future travel plans, only 23% view using their loyalty points as a potential solution.

These disappointing figures imply a lack of perceived value on the consumer front and suggest that loyalty programs must be more explicit about communicating what value they deliver.

How do you intend to manage the rising cost of travel?



Travel less frequently



Compare prices and options across travel booking platforms



Seek out budget options



Travel fewer days



Use miles/loyalty points to defray the cost of a trip



Use a credit card or buy now, pay later program

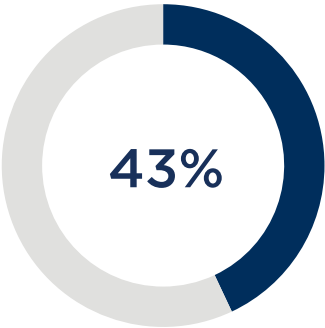


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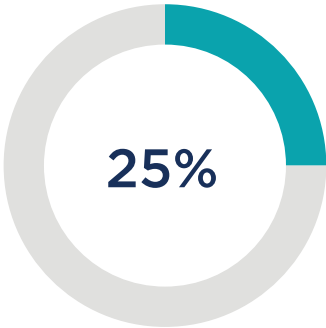
Businesses vs. Consumers: Dissecting the Divide

Ultimately, brands aiming to increase engagement and profitability must focus on value.

That means improving the variety of travel rewards available through their programs, making it easier for members to redeem them and highlighting their discounted rates.

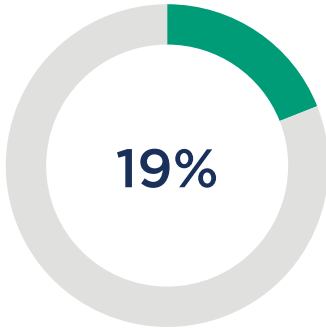


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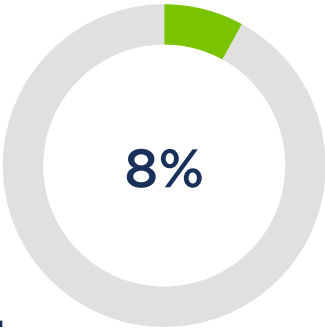


of consumers want discounts on everyday purchases

of businesses who think that's what their members value most

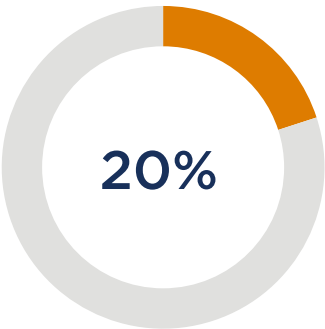


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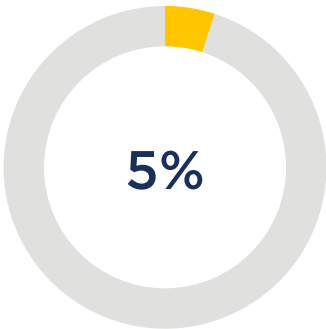


19% of providers think consumers value status perks

that number is less than half on the consumer side

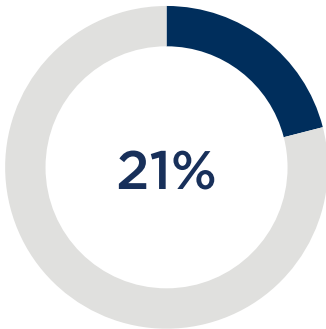


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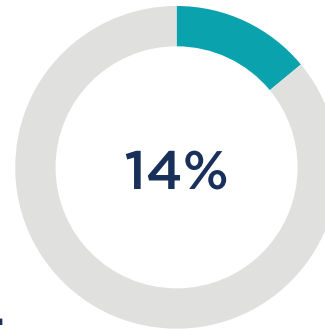


of brands say poor website user experience is what they think members find most frustrating about loyalty

of consumers who cite poor website user experience as their main frustration



VS.



of travel reward members are frustrated by difficult or complex processes to earn/redeem miles

of businesses think this is what consumers find most frustrating

Driving Engagement and Customer Lifetime Value

Through Intelligent Loyalty Strategy, a Flexible Loyalty Currency, Effective Marketing and Superior Customer Service

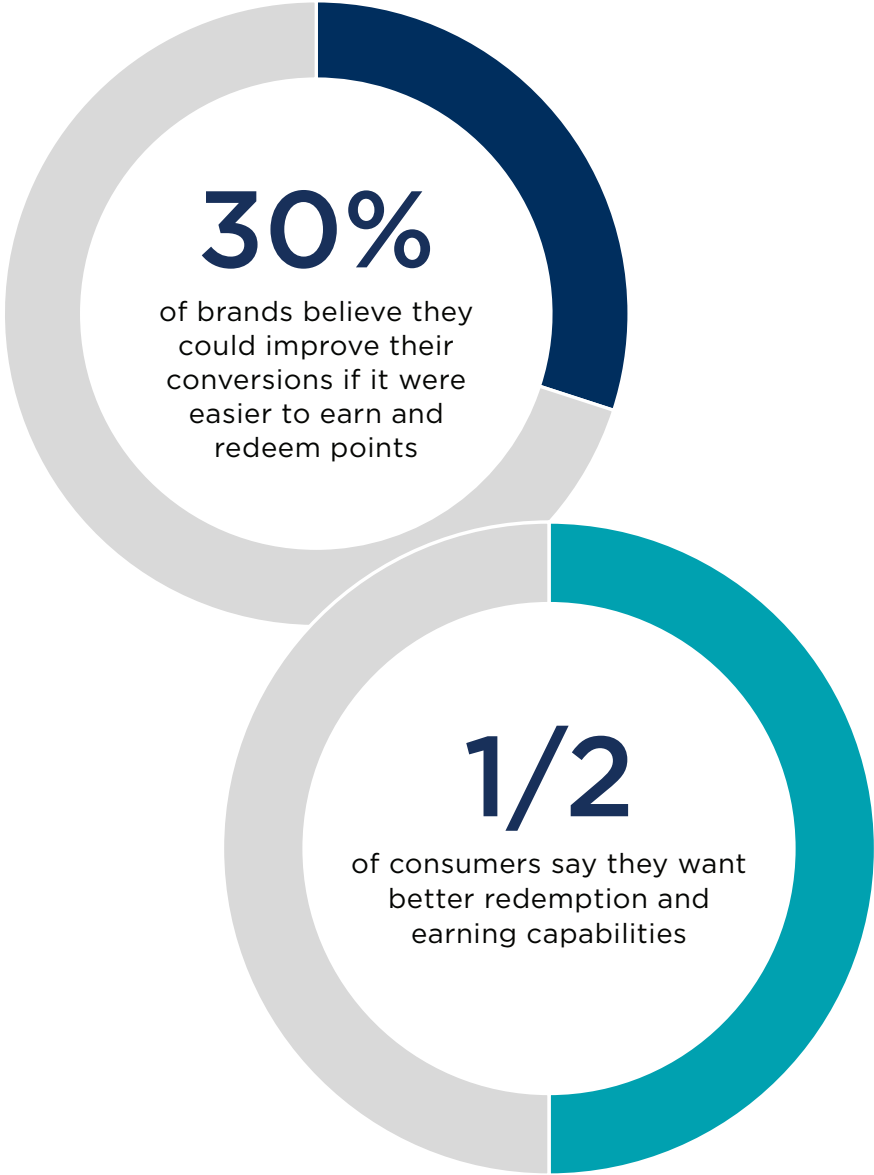
Today’s consumer is looking for a variety of ways to reduce travel costs, including redeeming points to lower the overall expense of their trip (46%), booking discounted travel through their program’s booking portal (31%), and using their membership to secure discounts with travel providers (29%). Offering a flexible loyalty currency is one of the best ways for loyalty providers to meet this demand.

When members can earn and burn rewards across various brands within a single program, they are more likely to spend within that program due to the enhanced value boost they are getting. Loyalty programs with flexible currencies are better able to incentivize and influence this desired behavior.

A flexible loyalty currency allows programs to modify points’ value, integrate new savings with existing currencies, and fund bonus points or miles through the margin earned on other travel products. It also allows loyalty programs to reward members for different actions or activities and create valuable incentives for key membership thresholds, like joining or reaching a new status tier. **Compared to static points or miles, a flexible currency unlocks significant value for both loyalty members and programs.**

While introducing a flexible currency might be difficult for brands to execute on their own, a third-party loyalty partner with this technological capability and established relationships with a variety of travel suppliers can seamlessly help integrate this feature into an existing rewards scheme.

Providers also need to focus on reducing travel costs on their platforms. Our survey found that one in five loyalty programs acknowledge that negotiating with suppliers for inventory and discounts is their biggest challenge and limits their ability to offer more value to members. In this context, using a third-party loyalty partner can be extremely valuable.



They can tap into their extensive network to introduce supplier-funded discounts strategically tailored to the program's member base — offering deals that aren't available through traditional online travel agencies.

While only 12% of respondents in our consumer survey said they booked an exclusive travel product or service through their loyalty program, this low number could also reflect inadequate supply or inadequate marketing of this supply. For brands that can harness the power of exclusive discounts to drive value, there's a clear untapped segment in the market ripe for expansion.

The Opportunity Cost of the Awareness Gap

Throughout this report, we've mentioned that loyalty programs must provide their members with value. But members will continue to book their travel elsewhere unless providers can effectively highlight their advantages. More than a third of brands surveyed cite effectively marketing their loyalty programs as their biggest challenge.

Take the financial services industry, for instance. According to our business survey, 95% of companies in this sector offer travel rewards, but only 49% of consumers claim that their bank, credit union or credit card program offers travel benefits. That's a vast divide.

So why are these companies struggling to promote the travel aspects of their rewards programs? Reliance on internal marketing departments is likely the main culprit, as these resources already have their core business product to promote. They shouldn't be required to dilute their focus by creating marketing campaigns and mechanisms to feed the travel rewards program.

A good travel loyalty partner should provide clients with comprehensive and effective marketing capabilities and tools. These should leverage member preferences at different interaction points to develop automated marketing strategies that convey value.

The Customer Service Imperative

Earlier, we noted that from 2021 to 2023, there was a 5% increase in businesses reporting challenges in maintaining appropriate customer service levels. However, our consumer findings reveal that only 7% of respondents consider customer service issues their biggest frustration when booking a trip. This disconnect raises the question: how significant is customer service in the overall picture?

We found that when it comes to trip inspiration...

53% of consumers rely on friends and colleagues **51%** use reviews and recommendations

Companies that provide subpar customer service and show concern for the customer only until they press 'book' are unlikely to come highly recommended. When a customer encounters an issue or has a question, having confidence in the program's outstanding customer service can be the key to keeping that member engaged for years to come.

Similar to marketing, it can be inefficient for companies to depend solely on their internal customer service teams to manage the customer service aspects of their loyalty business. Outsourcing or supplementing with external resources might be necessary to effectively handle the specialized needs and demands of loyalty program members and have access to experts who understand the intricacies of point redemption and the entire travel booking ecosystem.

Because of this, a loyalty technology partner that offers either supplemental or end-to-end customer service integrated into the loyalty platform can provide added value while ensuring a quality service level commensurate with the brand.

The Unexplored Frontier of Cruise Travel Loyalty

When analyzing consumer travel preferences in our consumer survey, the cruise segment emerged as one area that loyalty programs may want to focus on more closely. There is substantial interest in what is wrongly considered a “niche” travel activity: almost 40% of our respondents have taken a cruise in the past, and 25% plan to do so in 2024. Of that 25%, close to half would pack their bags immediately if they came across a great last-minute deal on a cruise and overall, nearly one-third of all respondents would do the same. In comparison, 48% would potentially consider it, indicating a sizeable, untapped market ripe for conversion — for the right value.

Unfortunately, our data indicates that many loyalty programs just aren’t incorporating this high-potential option into their rewards frameworks. Though 37% do offer cruise as a benefit (mirroring consumer interest), more than half of people who chose not to book their cruise through their loyalty programs said it either wasn’t possible or that it wasn’t enough of a compelling value based on their options, signaling a failure on the part of loyalty programs to adequately communicate their value proposition in this category. Only 12% of those who intend to cruise in 2024 plan to book through their loyalty program.

If you came across a great deal on a last-minute cruise, how likely would you be to book it?

	Have cruised before	Have never cruised
My bags are already packed	29%	32%
I’d have to think about it	48%	48%
I don’t have that kind of flexibility	23%	20%

Where cruisers want to save:

While the general consumer is looking for overall savings on travel from their loyalty programs, cruisers are a bit of a different breed. Almost 50% say they specifically seek savings on cruise bundles, including shore excursions and other destination-based options, before booking, versus 29% after immediate savings. This indicates that cruisers are highly interested in the extras of a cruise trip but might not be as willing to pay a high cost to enjoy anything “off boat.” Converting that interest into action by being a loyalty provider who can give them the cruise of their dreams with the off-boat experiences at a deal is the sweet spot to capturing this market.

When saving on cruise travel, what do you look for before booking?



Cruise bundles that include shore excursions and other destination-based options



Immediate savings



Onboard credits



Accrue loyalty points or rewards to redeem for future travel



Other

Embarking on the Path to Program Profits

The sustained level of travel demand, even in the face of higher prices and other headwinds, signals a great opportunity for loyalty programs. By incorporating travel rewards and booking capabilities and creating an excellent member experience, loyalty programs can capitalize on consumers' eagerness to travel.

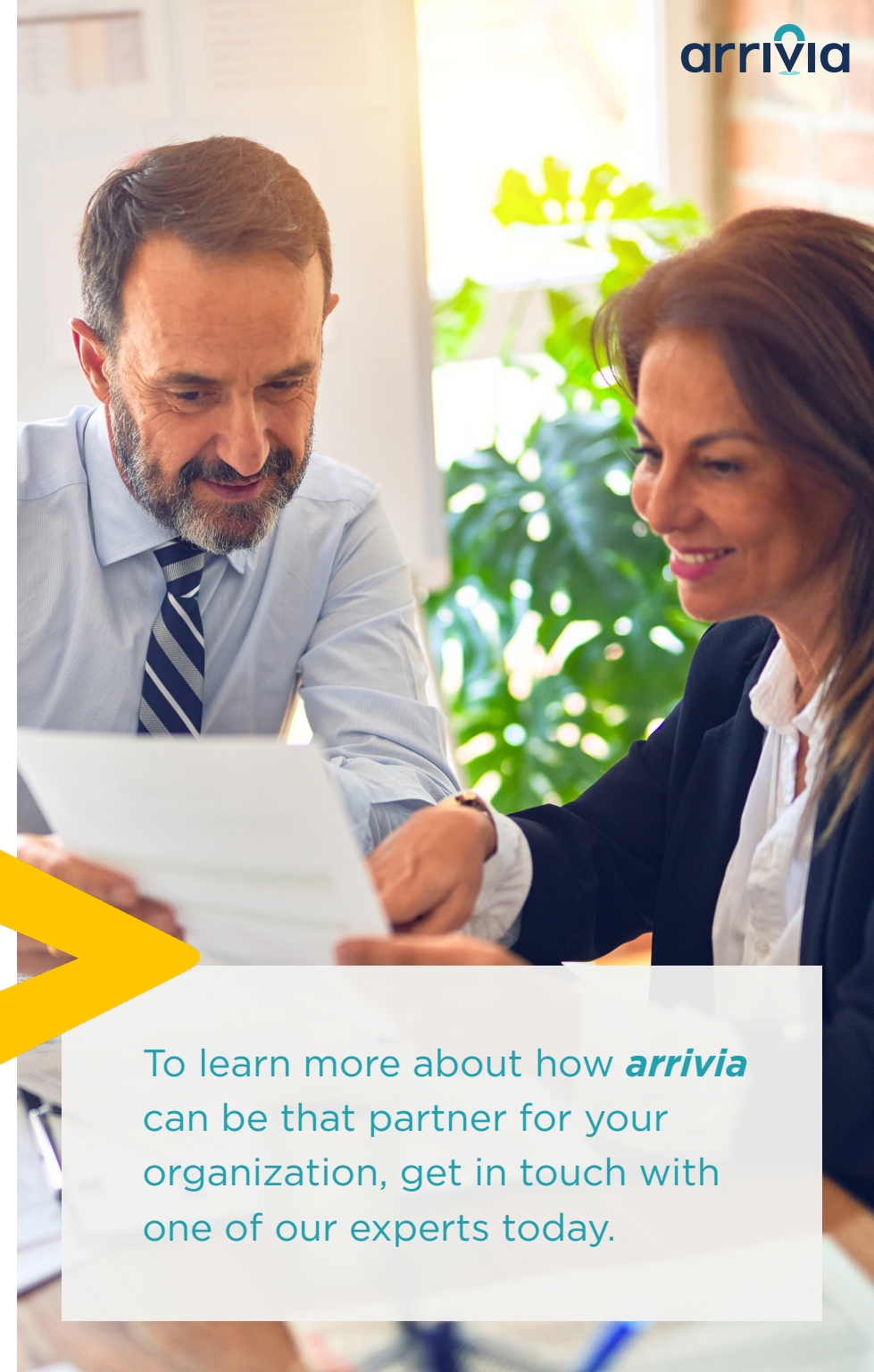
To do so, **loyalty providers need a robust platform that can provide members with multi-faceted value and exclusive topline discounts on an expansive inventory portfolio that engages and interests the different market segments within their member base.** Programs must also communicate their value proposition more effectively while leveraging a flexible loyalty currency that facilitates earning and redemption, introduce cruise options to activate a valuable niche market, and ensure that customer service levels remain consistent and high.

Finding a loyalty partner that can supply these capabilities can be the difference between converting a casual browser or unengaged member into one who finds exceptional value in their loyalty program, stays true to the brand, and makes that program their first choice in travel planning and spending.

Arrivia is just such a partner. With a travel rewards platform offering a wide variety of redemption options and deep, supplier-funded discounts on travel products and services, **arrivia** delivers the value consumers want. The **arrivia** platform is also unmatched in terms of cruise inventory, allowing brands to more effectively tap into the widespread interest in cruising and penetrate that valuable niche market.

For financial services brands specifically, **arrivia**'s solutions can have a huge impact on closing the awareness gap reflected by the biggest divide captured by our survey: the fact that 95% of financial services companies offer travel rewards, but only 49% of consumers report that their bank, credit union or credit card offers travel benefits. With **arrivia**'s agency-level marketing capabilities, including a dedicated marketing division that provides creative services, partner marketing, segmentation and targeting, SEO/SEM, and a full marketing tech stack, financial services brands can go a long way toward closing the awareness gap, and in the process boost member enrollment and engagement.

Regardless of industry, the right travel rewards partner can help companies address their loyalty-related challenges, attract new members, and better retain existing ones.



To learn more about how **arrivia** can be that partner for your organization, get in touch with one of our experts today.



Arrivia is a travel technology company that provides travel loyalty, booking and marketing solutions to consumer-facing companies that want to deliver exceptional value to their customers, uncover new revenue streams and drive growth through exciting travel rewards and member benefits. The company's **Travel Privileges program** opens up the world of travel for companies like **American Express, USAA and Marriott Vacation Club** by offering their customers more value through exclusive pricing and encouraging discovery with relevant and personalized options that inspire travel and consumer loyalty.

To learn more about how **arrivia** helps companies drive growth, incentivize sales, boost affinity and reward high-value customers, visit www.arrivia.com or contact us businessinquiries@arrivia.com.

Methodology

The results in this report are from an online survey conducted by **arrivia** and the research firm, Researchscape, of 101 loyalty program administrators and loyalty professionals in the U.S. and 2,216 U.S. consumers that belong to one or more travel loyalty programs. The survey was fielded in September 2023.