

# Hilton honors worldwide: loyalty wars

[Experience](#), [Human Nature](#)



Hilton HHonors Worldwide: Loyalty Wars 1. Why do you think the modern form of FMPs is more sustainable than the earlier forms like trading stamps and coupons? Trading stamps and coupons were required to give in to newer forms of loyalty programs because:

- oCompetitive pressure has made it necessary for corporates to innovate
- oTrades and coupons are not differentiating factors because they can be easily emulated by competitors

•Modern FMPs are more sustainable because they can withstand emulation due to the following reasons:

- oFMPs can provide individual customised experiences for each consumer
- oData ware housing capabilities of computers has made information required for such customization easily available
- oFMPs can benefit alliances through mutually beneficial loyalty programs
- oFMPs also help in segmenting customers and formulate customized services to each segment

2. What are the benefits of HHonors Program to Hilton? Hilton would benefit from the HHonors Program through the following methods;

- oEfficient estimation of “ Walking Cost”: The program would provide historical information about the customers and thus aid Hilton to gauge the customers’ characteristics which in turn would lead to better revenue and yield management
- oBenefits from Double Dipping: The program allowed transfer of benefits within Hilton and its partners which allowed both sides to earn currencies through joint customers.
- oBetter scope of gaining franchises/management contracts: The program’s ability to drive business made it more lucrative for the smaller hotels to strike deal with Hilton
- oEnhanced customer relationship: The program enabled Hilton to provide customised hotel experiences for each of its guests which would in turn help Hilton and its collaborators become the customer’s favourite
- oHelp gain

corporate contracts: Hilton's major business came through corporate clients and this program would aid the corporate travel managers ensure compliance to their overall travel policy 3.

What is the decision problem of Jeff Diskin? What alternatives are left with him for HHonors program with announcement of competitive rewards program by Starwood? •Context: Starwood, one of the major competitors of Hilton, has announced the launch of “ Starwood Preferred Guest Program” which is anticipated to be a bigger loyalty program than Hilton's HHW which would be aided by a huge investment in advertising •Dilemma: Jeff Diskin, as the head of Hilton HHonors, has to take a call on Hilton's reaction to the announcement and its future course of action. •Alternatives: Jeff Diskin currently has the following options to decide from; oCompete point to point with Starwood Position HHonors differently from Starwoods and hold on to loyal members oCut down on its costs and deliver the same business to gain better margins 4. What should he do? Why? The various alternatives can be evaluated as mentioned in the table given below; •All the four major hotel chains will soon start competing on frequent-stay programs thus leading to price wars which may result in serious damage to the industry. •Overtly generous loyalty programs have various risks which include the following: oCustomers tend to be variety-seeking and use loyalty programs to make profits oThus even the repeating customers might go to other hotel chains oThe more the rewards, the greater the expectation customers will have.

Thus the rewards will tend to be ever-higher oLoyalty programs generally function as discount programs. Thus by offering greater incentives, Hilton will implicitly train the customers to expect lower prices which will lead to

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reduced margins and thus lower revenues • Cost cutting measures are likely to be limited in such service industries. Thus, Jeff Diskin should avoid loyalty wars and maintain current rewards levels. Further, he should explore differentiating Hilton's brand through sustainable brand loyalty. One possible measure could be to reposition the brand as a unique experience and create brand loyalty and brand passion as competitive advantages.