

The way to success for your hotel? Own the relationship with your client

 By [Guy Stehlik](#)

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Throughout my career and particularly through the legendary Arthur Gillis of Protea Hotels, I learned the concept of the "Lifetime Value of Returning Guests". The concept is certainly not rocket science nor is it a unique concept. The financial premise here is that by increasing your customer retention rate by just 5%, your hotel's profitability can skyrocket. That's according to a recent release by the Harvard Business Review. That prospect packs a punch for hotels who have seen their income decimated over the past two years due to the Covid pandemic.



Source: Supplied

The most straightforward way for hotels to increase their guest retention rate is by developing a worthwhile loyalty programme that rewards returning guests. Unfortunately, however, the mistake many hotels and hotel groups make is to outsource their participation in loyalty programmes to third-party providers. By doing this, they become part of another organisation's loyalty programme and essentially grow someone else's business

At Bon Hotels, for example, we often see that hotel owners are tempted to cut corners when it comes to loyalty. They want to cut the cost of a sales team, franchise agreement or hotel group association by outsourcing their business to online travel agents (OTAs). They rely on platforms like Booking.com to fill up their hotel. At first glance, this may seem like a valuable strategy, but in both the long and short-term, it can have a devastating effect on the profitability and sustainability of the business.

Owning your client

By teaming up with an OTA, you'll quickly find yourself in a pricing race to the bottom if you're not very, very careful. If a competitor hotel sets up shop next to your hotel, you'll swiftly be forgotten as you haven't developed a relationship with your clientele. One of the biggest benefits of owning the relationship with your client is that you won't have to compete on price alone.

As marketing students, one of the first fundamentals you learn in Marketing 101 is that 'You Must Own the Client'. Not an intermediary, not an agency and not a broker. You!

By outsourcing to a third party like Booking.com, eBucks, or other reward programmes, you are literally abdicating any relationship with your clients and as a result cannibalising your own business. And you'll develop a relationship with your clientele based on price instead of on loyalty. Loyalty comes down to one thing at Bon Hotels: developing a direct relationship with the client.

Loyalty programmes with appealing membership pricing, perks and benefits are instrumental in increasing direct business, lowering OTA dependency and increasing customer retention rates.

If we look at 2019 – the last 'normal' year in the tourism industry – data analytics firm Kalibri Labs reports that **loyalty programmes helped major hotel chains**:

- Increase repeat business – nearly 60% of room night at major hotel chains were booked by loyal members;
- Significantly decrease OTA exposure; and
- Increase direct bookings.

In the next few years, we can expect some important changes in loyalty. According to the 2022 American Hotel and Lodging Association State of the Industry report, the most effective loyalty programmes will also offer more personalised rewards that meet the needs of occasional business and leisure travellers. As such, Bon Hotels has opted to create an easily accessible, no-fuss hospitality rewards programme, Bonami, with immediate benefits and discounts for guests.

For now, at our hotels in Africa, our Bonami loyalty programme continues to be most successful with business travellers who are keen to save up loyalty points when they're travelling for business to then use those points when they travel with their families. They also enjoy the value of the food and beverage discounts they receive at these hotels.

As the pandemic has substantially reduced business travel and replaced in-person meetings with virtual gatherings, hotels need to work hard to cultivate the relationships with business travellers. Loyalty-reward programmes can be a valuable tool in maintaining or rebuilding these relationships.

With demand snapping back for both leisure and business travel, loyalty programme members are leading the way. We expect that loyalty will continue to evolve in the months and years to come, but one thing to remember is that you need to own the relationship with your customer in order to develop a 'guest for life'.

ABOUT GUY STEHLIK

Guy Stehlik is the CEO and founder of BON Hotels and Director of BON Hotels International West Africa. Having vast experience in all aspects of Hotel Management as well as having owned his own hotels, Guy created BON Hotels as an "owner-staff-community-guest" centric company to herald in and define an exciting new era in hotel management.

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