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# The Fast-Forward Tech Stack for 2024

The Hotel Yearbook Technology 2024

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# Subscription Model's Next Destination: The Hospitality Industry

Innovation

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### Synopsis

Amidst shifting consumer behaviors in the post-pandemic hotel industry, traditional loyalty programs have diminished appeal, leading businesses to explore alternative strategies such as subscription models. These models provide consistent revenue for hotels, offer luxury experiences to attract customers, and create a sense of exclusivity that enhances brand affinity. With a particular focus on the growing market of digital nomads, subscription models cater to the modern customer's need for convenience and flexibility. Businesses need to consider their target market and conduct a thorough cost-benefit analysis to implement a successful subscription model that boosts customer retention and brand loyalty.

While past summer seasons have proved to be integral in rebuilding the hotel industry following the pandemic, it's important to reflect on what lessons learned to evolve business strategies. From changes in booking preferences to updated cleaning standards, evolving market conditions are forcing hoteliers work harder than ever before for brand loyalty. That's why hospitality companies should adjust their tactics to cater to diverse travel options and distinctive experiences.

For example, many hotels are rethinking their loyalty programs. In the past, companies have relied on loyalty programs to secure customer retention. While this was a successful tactic before the pandemic, as customers reevaluate what they are looking for in travel, traditional loyalty programs have lost their appeal. There are fewer incentives for guests, like keyless entry and room upgrades, which leads them to look elsewhere for the best deals.

So, how can hospitality companies attract new customers this season? The answer lies in subscription models. While historically subscription models have been leveraged by retail companies, there are numerous benefits for the hospitality industry, like consistent and guaranteed revenue. And many global travel brands all have offerings of curated subscription model experiences with a focus on luxury and personalized experiences to attract customers.

Subscription models have the potential to provide perks for customers that go beyond the typical rewards program, providing customers with unique experiences and positive memories. With this model, customers feel like they are getting more out of their stay without overspending. Further, subscribers feel the exclusivity that the service offers, resulting in enhanced brand affinity.

Overall, the VIP feeling increases customer retention and keeps consumers coming back for more.

Here are a few things to keep in mind when implementing a subscription model in hospitality:

- **Identify the market:** The subscription market is growing, due largely to demographic preference and societal change, particularly with the rise of 'digital nomads' and the blurring of work and vacation. In fact, between 2019 and 2020, the United States saw a 96% increase in people describing themselves as digital nomads, meaning they hold traditional jobs without one primary home base. These digital nomads are combining work and play, taking advantage of their work trips and incorporating leisure into their itineraries. To appeal to these new vacationers, companies should consider subscription model packages that feature luxury vacation experiences and expand loyalty perks beyond free Wi-Fi to drink deals and private events.
- **Cater the business model to the modern customer:** Convenience and flexibility is essential with the modern customer, so it's key to identify areas where businesses can provide those experiences. In doing so, companies can build a base of subscribers that creates predictability and data to further improve customer experience. To further attract customers, companies can add different subscriptions tiers or levels with unique membership perks with the option to level up or down in tier as needed.
- **Consider cost-benefit analysis:** When discussing the idea of subscription models, a recurring challenge to be mindful of existing demand without offering travelers unnecessary or unusable perks and discounts. Executives should consider their strategy in full to ensure it is right for their business and customer base.

As we navigate the change in consumer behavior in the travel sector, companies that find subscription models that work for their business and their target market will be set up to succeed. Further, by providing exclusive and memorable stays at a low monthly cost, customers will know that they are getting the best experience possible - and companies will see brand loyalty soar.

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Robbie has over 15 years at EY providing a broad range of services focused on real estate, hospitality, travel and tourism consulting to a wide variety of clients. His work is focused on growth strategy and transactions for clients which range from real estate developers, institutional investors, tourism destinations, hotel management companies, cruise lines and theme park operators, among others.

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