



# Customer Segmentation TravelTide

Rewards Program

# Executive Summary

- ❑ Five perks to elevate customer retention & value
- ❑ 5,998 customers from Jan-Jul 2023 get a perk each
- ❑ Custom behavioral metrics crafted to score, rank and match user preferences
- ❑ 'Exquisite' perks like free hotel meal & free hotel night<sup>1</sup> signify status. VIPs prioritized based on loyalty<sup>2</sup>, spend ratios, unit prices paid and transaction size. They get an average 23-pt boost. 20% of customers (1.2k) are VIPs; 80% of them receive exquisite perks
- ❑ VIPs spend over twice as non-VIPs, driven by volume, higher prices (and less discounting)
- ❑ K-Means analysis: high cancellation rates overlap with discounting, thus free to cancel<sup>3</sup> & special travel offer<sup>4</sup> may not be distinct perks, behaviorally speaking

(1) 1 night free hotel with flight; (2) Days since sign up; (3) Previously 'no cancellation fees'; (4) Previously 'exclusive discounts'



## Exquisite perks

Free hotel meal	VIP	566 (9.4%)	\$3.1M (\$5.5K/user)	61 (+23)
	Non-VIP	383 (6.4%)	\$1.1M (\$2.9K/user)	36 (-)
Free hotel night	VIP	398 (6.6%)	\$1.7M (\$4.4K/user)	65 (+24)
	Non-VIP	478 (8.0%)	\$0.7M (\$1.5K/user)	35 (-)
		Users (% of total users)	Cumulative spend \$	Allocated perk score



## Standard perks

Free checked bag	VIP	94 (1.6%)	\$0.5M (\$5.8K/user)	57 (-)
	Non-VIP	1,238 (20.6%)	\$2.5M (\$2.0K/user)	35 (-)
Free to cancel	VIP	119 (2.0%)	\$0.6M (\$5.1K/user)	61 (-)
	Non-VIP	1,061 (17.7%)	\$2.4M (\$2.2K/user)	57 (-)
Special offer travel	VIP	23 (0.4%)	\$0.1M (\$2.8K/user)	68 (-)
	Non-VIP	1,638 (27.3%)	\$1.7M (\$1.0K/user)	51 (-)
		Users (% of total users)	Cumulative spend \$	Allocated perk score





# Objective

## Rewards program

4-free's + 1-special perks that personalize to customer behavior\*



Free  
hotel meal



Free  
hotel night



Free  
checked bag



Free  
to cancel



Special offer  
travel

**that deliver outcomes**  
that improve customer retention and value

\* Free hotel meal (FHM) + Free hotel night (FHN) are 'exquisite' perks, rest are 'standard'



# Balance

## Exquisiteness

high status and allure of Free hotel meal + Free hotel night more in sync with those who travel + spend more

## Customer happiness

personalize to customer preference with perk-related behavioral metric

## Middle way

Meet the VIP metric\*. Boost top 20% scorers for their FHM + FHN

\* Favor seasoned customers who monetize and spend more at higher prices. Other customers still eligible for FHM + FHN with their un-boosted scores



# VIP

## Aim

Measure and boost customers who contribute most intensely to volumes and revenue\*

## Results

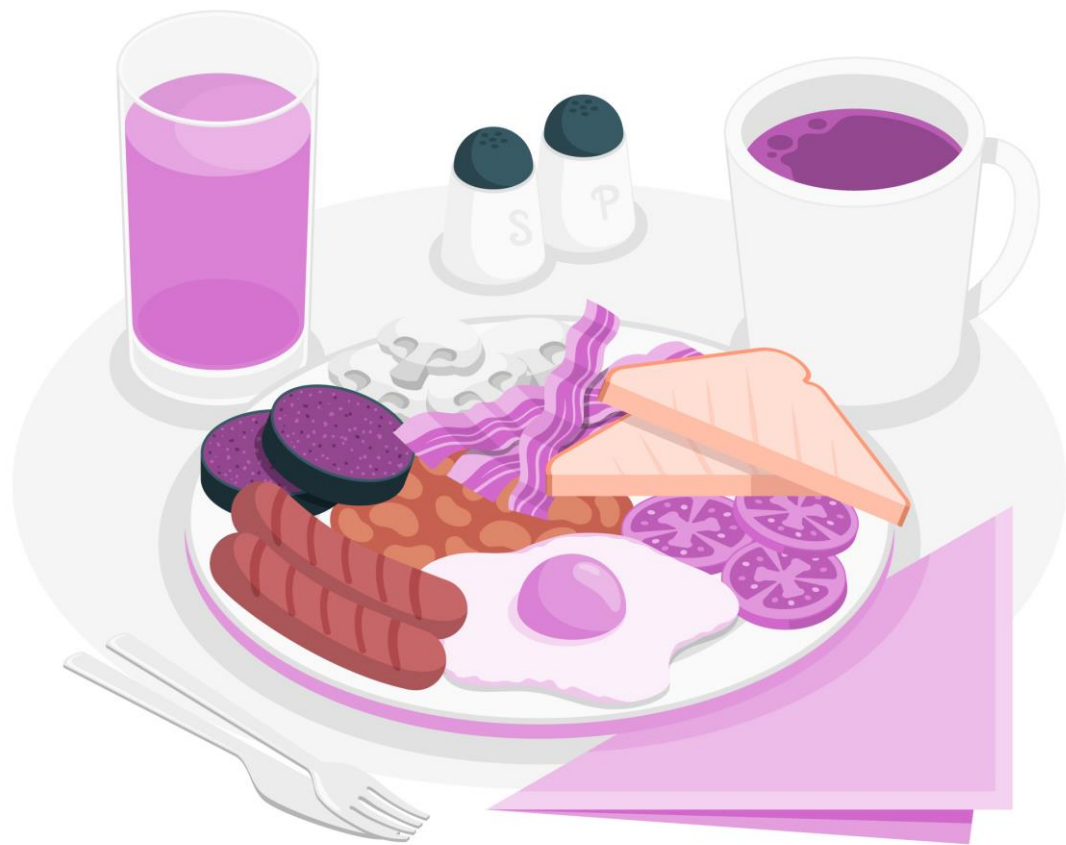
VIP bloc (top 20% scorers i.e. 1,200 customers) score above average in every sub-metric, and worth >2X+ non-VIPs

## Boost

Avg. +23-pt boost to top scorers for FHM + FHN

\* Sub-metrics (user level): search monetization, days since sign up, trips, travelers per trip, net price \$ sold per room per night sold; net price \$ sold per flight seat per km flown





## 🏆 Free hotel meal

### Aim

Get even more bookings, focusing on luxury hotels and extended overseas trips

### Rationale

Delicious meal in a lavish, unique environment elevates the whole experience

### Results

556 VIPs outperform all in every aspect\*; double overseas travel and 40% larger trip size. Of 383 non-VIPs with this perk, they surpass VIPs in staycations and extended stays ratio

\* Sub-metrics (user level): hotel guests per trip, % of trips on luxury hotel & premium airline (quality travel) as well as % of trips are staycations, long stays (> 7 days), and overseas on a long haul flight



# 🏆 Free hotel night

## Aim

Motivate flight-only patrons to add hotel bookings, especially on extended overseas premium flights

## Rationale

Free hotel stays for jetlag recovery can spur combined hotel and flight bookings

## Results

398 VIPs surpass average metrics\*; 17% of their trips are > 7days (vs avg 10%); 3x likely to travel abroad. For this perk, 478 non-VIPs; score lower vs VIPs

\* Sub-metrics (user level): seats booked per flight and % of trips that are flight only, and on a premium airline for a round-trip long haul overseas flight



# Free checked bag

## Aim

Shift budget travelers to premium; encourage longer overseas trips

## Rationale

Reducing baggage concerns can motivate transition to premium airlines

## Results

1,332 primarily non-VIPs choose budget airlines 50% of the time (vs avg 27%). 20% of their trips > 7 days (vs avg 10%). Excluding 94 VIPs, few travel overseas

\* Sub-metrics (user level): seats booked per flight, peak baggage booked per seat, % use of budget airline for long round-trip (long haul) overseas flight





# Free to cancel

## Aim

Increase revenue from late, regular bookers with above-average cancellations

## Rationale

Offering flexibility captures hesitant bookers, salvaging potential losses from expiring units

## Results

1,180 mostly non-VIPs; over 60% of their trips paid  $\leq 7$  days before travel (vs avg 47%); 15% of bookings dropped (vs avg 4%) ; over 41% of sessions get booked (vs avg 31%)

\* Sub-metrics (user level): session-to-booking conversion, cancellations and % of trips that are booked late



# Special offer travel

## Aim

Boost revenue from budget-conscious and late bookers

## Rationale

Offer exclusive discounts to capture bookings that might be lost to hesitation or competitors

## Results

1,661 customers, nearly all non-VIPs; 50% of their trips are discounted (vs avg 27%); discount at 37% (vs avg 11%)

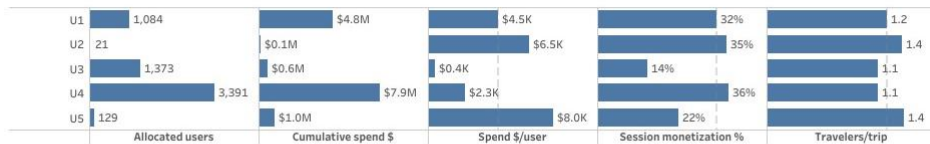
\* Sub-metrics (user level): clicks/browsing times, days before travel, % of sessions failing to book, % of trips that are discounted or late booking and % of relative discount on trips (vs average comparable trips)

## Appendix: Results of K-Means

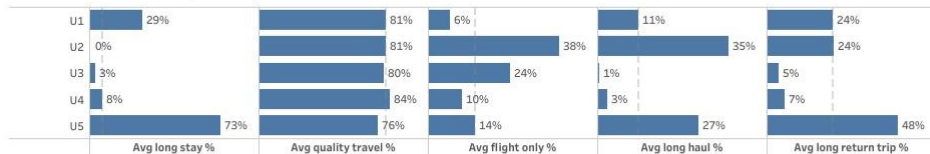
Allocated perk vs Kmeans cluster - user data

	Free hotel meal	Free hotel night	Free checked bag	Free to cancel	Special offer travel	Grand Total
U5	78	12	14	14	11	129
U2	4	12	5			21
U3	32	110	292	224	715	1,373
U4	424	595	760	770	842	3,391
U1	411	147	261	172	93	1,084
Grand ..	949	876	1,332	1,180	1,661	5,998

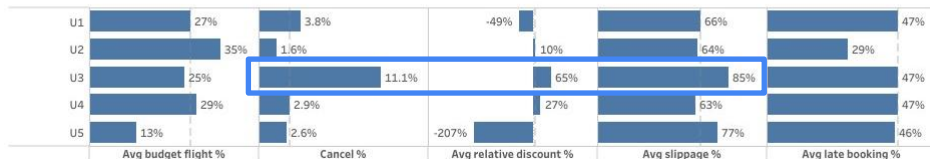
General metrics and sub-metrics for VIP



Sub-metrics for exquisite perk metrics



Sub-metrics for standard perk metrics



# K-Means

## Approach and findings

- K-Means algo run with user behavioral sub-metrics
- Weak if any overlap of K-Means clusters U1-U5 with allocated perks
- U1/U4 users seem average on most themes. U1 above average for long stay. U4 sub-average for spend \$/user
- U2 captures few users, thus insignificant
- U3 is high in cancel rate, relative discount and % of sessions failing to book (slippage)
- U5 outperforms strongly for extended round-trips and long hotel stays (7+ days), good for free hotel meal

## Perks validated by K-Means? Unclear

- U3 exhibits mixed features for free to cancel and special offer travel, may mean those two should not be distinct perks behaviorally
- Difficult to pin-point where U1/U2/U4 should land