



**Elevate Your
Ancillary Revenue
with These
5 Proven Strategies**

Plusgrade 

5 Cross-Industry Learnings to Drive Ancillary Revenue in 2024

With 40% of Americans saying they plan to travel even more in 2024¹, there is a massive opportunity for hotel owners and operators to drive even more revenue by leveraging ancillary offerings. Today's travelers are savvy experience-seekers who expect to be able to curate their journeys to suit their needs and preferences. By now, you're likely familiar with the concept of ancillary revenue in the hotel industry – it's not just about selling products. It's about maximizing every opportunity to enhance guest experiences and drive revenue. From room upgrades to late check-outs, early check-ins, stay extensions, and beyond, hotels have a wealth of strategies at their disposal. But let's take it a step further. In this whitepaper, we'll delve into how this approach allows hotels to cater to individual guest preferences and enhance their overall experience. While airlines have long capitalized on ancillaries (driving record revenue worldwide last year²), hotels have a unique opportunity to lean into this trend and tailor their offerings to meet the evolving needs of their guests.

Arguably, hotels can offer even more customization for guest experiences than airlines can.



The average flight is a few hours long³; the average hotel stay is 2 days⁴. As we witness a strong return to travel in 2024, it's crucial for hotel owners and operators to capitalize on travelers' desire for curated experiences and to ensure that their ancillary offerings resonate with guests.





1

Timing is Everything

Timing is crucial when it comes to offering upgrades and ancillary products to hotel guests. Many upgrade offers are traditionally sent a few days before a guest's arrival, leveraging the guest's anticipation for their upcoming trip. Research indicates that travelers typically begin planning their trips more than 2 months in advance⁵. Therefore, sending targeted offers through the appropriate channels at the opportune moment in addition to the days leading up to check-in can significantly boost conversion rates.



**Travelers
begin planning
2 months before
their trip**

To maximize conversion opportunities, hoteliers should engage guests at various stages of their travel planning journey. This includes reaching out shortly

after booking, as well as several weeks before their scheduled stay. Additionally, it's beneficial to follow up promptly with guests who express interest in upgrade options or other amenities but do not immediately convert.

In a test conducted with one of our loyalty hospitality partners, we optimized the timing of an abandoned cart email to align more closely with the moment a loyalty program member left the purchase page, sending the reminder to complete their transactions hours after they visited the storefront instead of waiting 24 hours or more. This adjustment resulted in a remarkable 142% increase in revenue per email sent⁶.

142%
**increase in revenue
when the abandoned
cart email is sent sooner**



2



Meet Guests Where They Are

Personalizing a guest's stay is key, but effectively capturing their attention is equally important. With the proliferation of touch points available to engage with guests, it's essential to meet them where they are. Whether it's through email, SMS, landing pages, WhatsApp, or social media channels, seizing opportunities to remind guests about the ability to customize their stays can make a significant impact.

For instance, in a recent collaboration with one of our hospitality upgrade partners, we discovered that sending a personalized SMS with an upgrade offer resulted in a **30% increase in revenue**⁷. Similarly, an airline partner saw a remarkable **2.5x surge in the number of upgrade offers** submitted by strategically moving the upgrade offer above the fold on a landing page⁸.

The key takeaway is to focus on capturing guests' attention across various platforms and channels, ensuring that the message resonates with them wherever they may be in their travel journey.

30%
**increase in
revenue
achieved
by sending
SMS upgrade
offers**



3

Personalize Your Guest Offers

The era of one-size-fits-all offers is long gone. With the abundance of data available, hotels now have the opportunity to tailor ancillary revenue offers to individual guests. This involves not only considering the types of offers that guests are likely to be interested in (such as a room upgrade versus a spa offer) but also customizing the richness of the offer to match the guest's preferences and purchasing behavior.

For instance, when targeting loyalty program members, we've discovered that members who are closer to redeeming an award are less likely to require significant discounts to complete a buy points/miles transaction⁹. This insight underscores the importance of personalizing offers based on each guest's unique needs, preferences, and situation.

Hotel loyalty program members who are close to a redemption require a lower discount to transact

In the hospitality industry, guest preferences vary widely. While one guest may be tempted to upgrade their room, another may prefer booking a special dinner or ordering balloons for an important occasion. By leveraging data, analytics and guest profiling, hotels can gain insights into individual preferences and create tailored offers that resonate with each guest. This personalized approach not only increases the likelihood of conversion, but also enhances guest satisfaction.



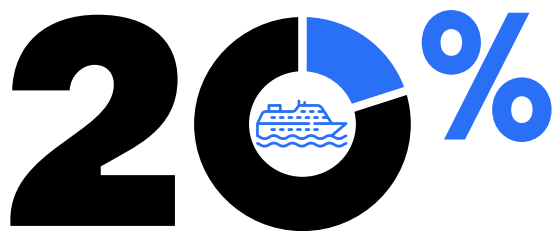


4

Ancillary Transactions Create Higher Value Customers

Have you ever experienced a travel upgrade, only to go back down to a different class on your next trip? It can be a disappointing experience. Our data shows that once travelers have enjoyed an upgraded experience, they are more inclined to seek out and book that upgraded experience for their future trips.

20%



**of cruise passengers
directly booked the cabin
they'd been upgraded to
on their next trip**

In our analysis of cruise passenger behavior following their initial upgrade, we found compelling results. After experiencing their first upgrade, **23% of cruise passengers bid on a higher cabin type than their initial bid, 4% directly booked a higher cabin than before, and nearly 20% booked the cabin to which they were previously upgraded at full fare¹⁰**. In other words, the initial taste of an upgrade often motivates guests to invest more in their travel experiences in the future.





5

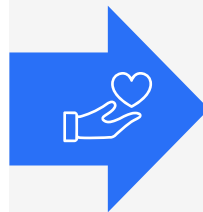


Focus on the Long Game

While we often associate ancillary revenue with immediate benefits for a business, our analysis reveals that ancillary offerings not only create higher value customers but also foster long-term brand loyalty. Through extensive data analysis across various industries, we've discovered that while ancillary revenues are substantial, the true impact lies in the increased lifetime value of customers that transact.

For instance, let's examine the behavior of hotel loyalty program members. By comparing members who have purchased hotel loyalty points with those who have not and tracking their behavior for 12 months post-initial transaction, we uncovered remarkable insights. Beyond the initial currency purchase, hotel point purchasers had an average of **46% more stays** compared to their non-purchasing counterparts. Additionally, they **earned more than**

twice as many points on these stays, and accumulated **over 5 times more total points through all program activities**¹¹.



Ancillary transactions drive long-term brand loyalty

It's evident that ancillary transactions contribute not only to immediate revenue but also to sustained engagement and value within the brand ecosystem. By focusing on cultivating these long-term relationships, businesses can maximize their impact and foster enduring brand loyalty.



Conclusion

In an era where savvy travelers increasingly seek to personalize their experiences, the hospitality industry has a significant opportunity to capitalize on ancillary revenue offerings. By leveraging data insights and cross-industry strategies, hotels can enhance guest satisfaction, drive higher conversion rates, and foster long-term brand loyalty, positioning themselves for success in 2024 and beyond.



[Contact us today](#) to learn more.

Sources

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It all adds up.

