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Customer Acquisition and Retention in an Imperfect World

Travel & Hospitality

Acquisition in Crisis:
Why Loyalty-Led Transformation Is Now a Growth Imperative

Between 2020 and 2025, travel and dining brands faced a structural shift. Rising costs, service disruptions, and changing consumer expectations triggered a quiet loyalty reshuffle—led by digital first innovators who redefined service and personalization. Their early investments in customer journey optimization and AI-driven recovery are now translating into material gains in loyalty share.

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The trend is no longer subtle. Consumers are defecting after just **2.4 negative experiences**, and brands failing to meet heightened expectations are losing ground. Meanwhile, those with embedded service intelligence are realizing up to **63% higher retention**—gains that are compounding.

This dynamic is reshaping acquisition economics. From 2022 to 2025, acquisition costs rose **35%**, while customer lifetime value grew just **4.5%**. Brands are overspending to attract customers unlikely to stay—driven by poor personalization, fragmented data, and outdated targeting strategies. Alarmingly, **77%** continue to target existing loyalty members via paid media, eroding ROI.

With macroeconomic pressure mounting, cost discipline and agility are paramount. Leaders are responding with targeted investments in cloud platforms, predictive analytics, generative AI, and content supply chains.

In this environment, loyalty, service, and identity strategy are no longer optional—they are foundational to profitable growth.

> " Travel and dining brands are maturing when it comes to prioritizing the customer experience.
>
> There are still many opportunities to uplevel strategies combined with data and media management practices to better serve customers, improving acquisition and lifetime value.

Julie Hoffmann

Who should read?

Our research with travel industry professionals reveals a stark reality: traditional customer strategies are reaching their breaking point. As acquisition costs soar while customer value growth stagnates, travel brands urgently need to reimagine their approaches in a time of increased macro uncertainty. The industry suffers from disconnected marketing channels, missed opportunities with younger travelers, and ineffective personalization.

Meanwhile, service disruptions that could build loyalty often damage it instead. This research provides a perspective on how brands can strengthen customer relationships in today's complex marketplace.

The report is structured into **three standalone sections**, allowing you to dive into any section independently.

269

Executive respondents

28%
🏨 Hotel

26%
✈ Airline

23%
🍴 Dining

19%
📅 OTA

4%
🚢 Cruise

91%

of respondents represented firms **$1 billion** or more

87%

of respondents were **Director level** or higher

Travel brands need unified customer identification strategies to reduce acquisition costs, enhance personalization, and transform service disruptions into loyalty opportunities.

Siloed Strategies hamper execution & inflate costs

Disconnected marketing approaches across channels not only fragment customer experiences but dramatically inflate customer acquisition costs.

9%
of firms have fully integrated their paid and owned media strategies

+35%
reported change in Customer Acquisition Cost (CAC) from 2022-2025

Accurate Identity Resolution can drive significant ROI

Firms waste acquisition budgets repeatedly targeting customers they already have, while missing opportunities to deliver personalized experiences that build loyalty.

77%
of firms unknowingly targeted their own loyalty program members through paid media

-23%
expected cost reduction in CAC with perfect identity resolution

Generation Blindness threatens growth

Travel brands are failing to connect meaningfully with Gen Z travelers, risking long-term market share as this digital-native generation becomes the core customer base over the next decade.

82%
of firms have no or an ad hoc generational strategy

14%
of members in loyalty programs are Gen Z

Service Failures are an opportunity with AI

When handled effectively, service disruptions become powerful moments to build deeper customer connections through personalized, empathetic responses that drive long-term value.

6%
of firms use AI for service recovery

+63%
uplift in customers where the service recovery was effective

Acquisition in Crisis: The Hidden Costs of Identity Blindness

Channel	Spend	Revenue	
Facebook	$3.4M	$5.9M	
Instagram	$3.4M	$4.0M	1
Google	$3.1M	$10.3M	2
Amazon	$2.8M	$8.4M	2
Other	$1.8M	$2.6M	
TikTok	$1.0M		

Contribution by date and base media

● Base ● Non spend ● Spend
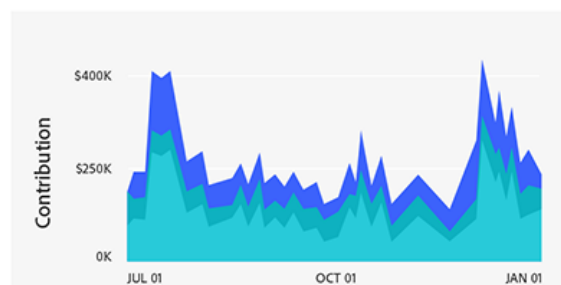
Acquisition Economics Under Pressure: The Growing Imbalance Between CAC and Value.

Travel and hospitality firms face a dramatic economic imbalance that threatens industry profitability. Customer acquisition costs (CAC) have surged across all sectors while lifetime value growth remains minimal. This growing disparity between rising investments and stagnant returns creates an unsustainable business model that demands urgent attention.

Unsustainable Economics

The numbers tell a troubling story: acquisition costs have skyrocketed while customer value barely increases. Conversion rates remain persistently low, and most first-time customers never return for a second purchase.

Hotel and airline sectors face particularly severe challenges with high-consideration purchases requiring substantial acquisition investments that increasingly outpace customer returns. This fundamental imbalance undermines profitability across the entire industry.
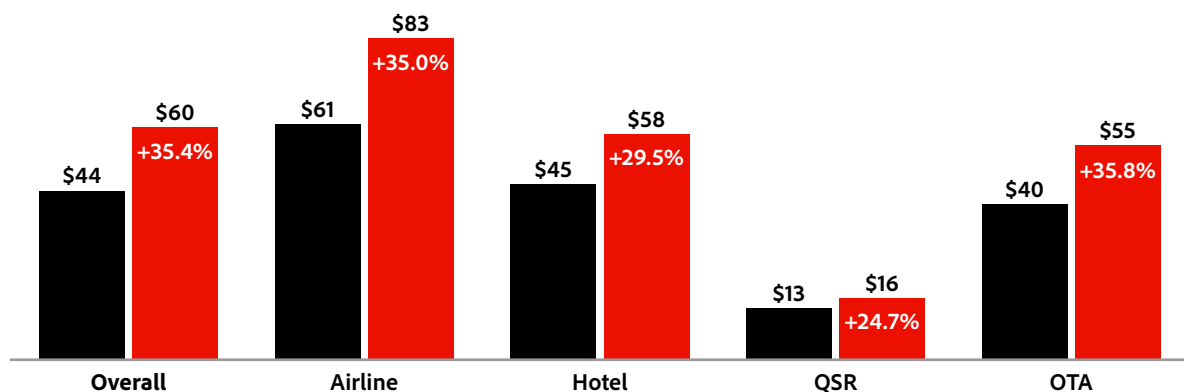
Underlying Forces

Multiple factors drive this crisis. Digital advertising platforms command ever-higher prices while marketing channels fragment, making cohesive customer journeys increasingly difficult to deliver. Simultaneously, price-sensitive travelers compare options across multiple channels, commoditizing travel products and services.

Without addressing these root causes, the gap between acquisition costs and customer value will continue widening, requiring firms to fundamentally reimagine their approaches to customer relationships – emphasizing efficiency, precision, and compelling experiences that drive meaningful loyalty.

Change in Cost of Customer Acquisition (2022 - 2025)

■ 2022 ■ 2025

Sector	2022	2025	Change
Overall	$44	$60	+35.4%
Airline	$61	$83	+35.0%
Hotel	$45	$58	+29.5%
QSR	$13	$16	+24.7%
OTA	$40	$55	+35.8%

Change in Customer Lifetime Value (2022 - 2024)

Overall	Airline	Hotel	QSR	OTA
+4.5%	+1.5%	+5.5%	+10.2%	+7.1%

Siloed Media Strategies Are Failing Travel Brands.

Firms recognize the importance of seamless omnichannel customer experiences, yet continue to operate with fragmented media strategies that undermine efficiency. There is a significant integration gap, with only **9%** of firms having fully integrated their paid and owned media approaches with shared KPIs. The majority (**46%**) maintain partial integration, while **45%** have either limited or no integration between these critical channels.

This disconnect prevents consistent messaging across touchpoints, limits customer recognition across channels, and hinders the application of insights from owned channels to improve paid media targeting.
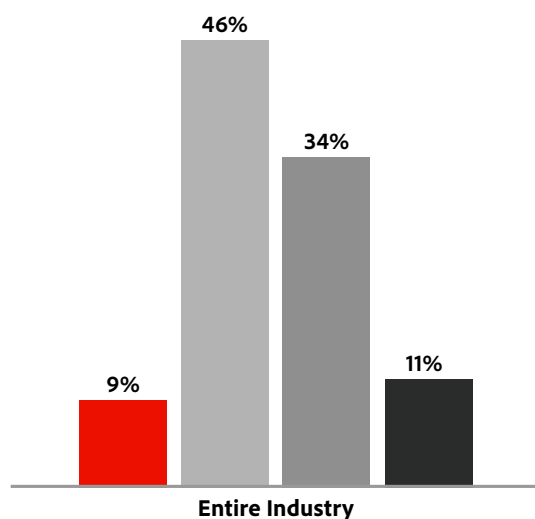
The Segmentation Gap

The segmentation sophistication gap compounds these integration challenges. Only **15%** of firms employ sophisticated segmentation techniques between paid and owned channels, meaning most miss crucial opportunities to tailor their approach based on customer relationship status. Without advanced segmentation, firms struggle to differentiate messaging between prospects and existing customers, leading to inefficient spending and missed engagement opportunities.

The Evolving Digital Landscape

As the digital funnel evolves, cohesive cross-channel strategies become even more critical. Firms that successfully integrate paid and owned media strategies, implementing sophisticated segmentation and consistent messaging across touchpoints, will be better positioned to guide customers through increasingly complex and non-linear purchase journeys.

Integration Between Paid and Owned Media Strategies
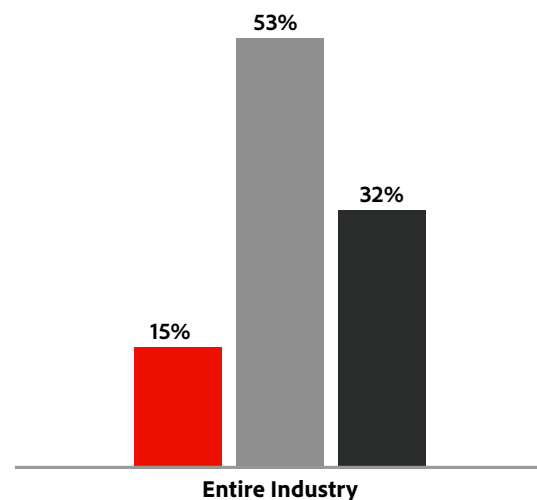
- 🟥 Fully
- ⬜ Partially
- ⬜ Limited
- ⬛ No Integration

46%
34%
9%
11%

Entire Industry

Sementation Maturity in Using Media

- 🟥 Sophisticated
- ⬜ Basic
- ⬛ No Formal Segmentation

53%
32%
15%

Entire Industry

The Hidden Cost of Travel Marketing: Targeting Your Existing Customers.

A startling inefficiency plagues travel marketing efforts: firms are unknowingly spending significant portions of their acquisition budgets targeting customers they already have. This widespread problem not only wastes valuable marketing resources but also represents a missed opportunity to focus on truly new customer acquisition.
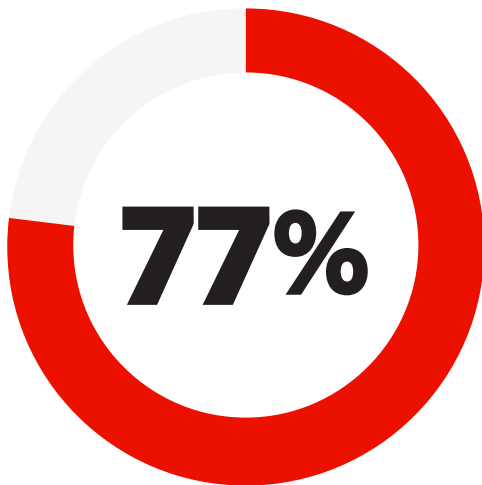
The Identity Resolution Problem

Research reveals that 77% of firms unknowingly targeted their own loyalty program members through paid media in 2024, essentially paying to acquire existing customers. This inefficiency stems from inadequate identity resolution capabilities that prevent brands from recognizing existing customers across channels and devices.

Financial Impact and Strategic Opportunity

The financial impact is substantial, with an estimated 27% of digital customer acquisition budgets wasted on targeting existing customers. This translates to millions in ineffective spending that could be directed toward new customer segments or enhancing experiences for existing ones.

The root causes include fragmented data systems, siloed organizational structures, and the decline of third-party cookies. Despite the clear economic imperative, only 36% of firms have identity resolution capabilities in place. Firms that successfully address this challenge can not only reduce wasted spending but also deliver more personalized experiences that drive conversion and loyalty.

77%

of travel firms unknowingly targeted members of their loyalty program through paid media in 2024

27%
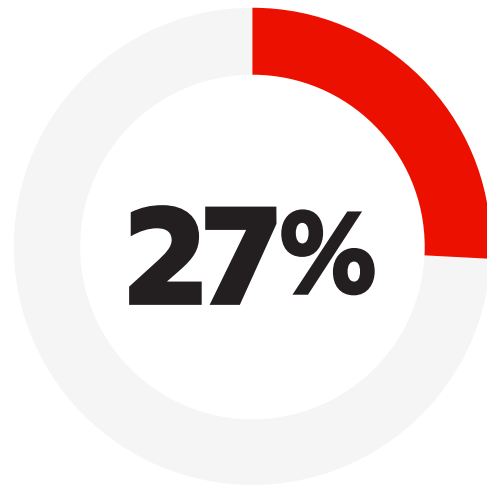
of the digital customer acquisition budget was spent targeting existing customers due to identity resolution challenges

Unlocking Customer Value Through Better Identity Resolution.

Effective identity resolution presents a dual opportunity to cut costs and enhance customer experiences. Personalized offers delivered the highest ROI as a retention tactic for **75%** of firms, highlighting the vital importance of tailored customer engagement.

However, the capability to implement sophisticated personalization remains limited across the industry, creating a significant gap between acknowledged importance and practical implementation.
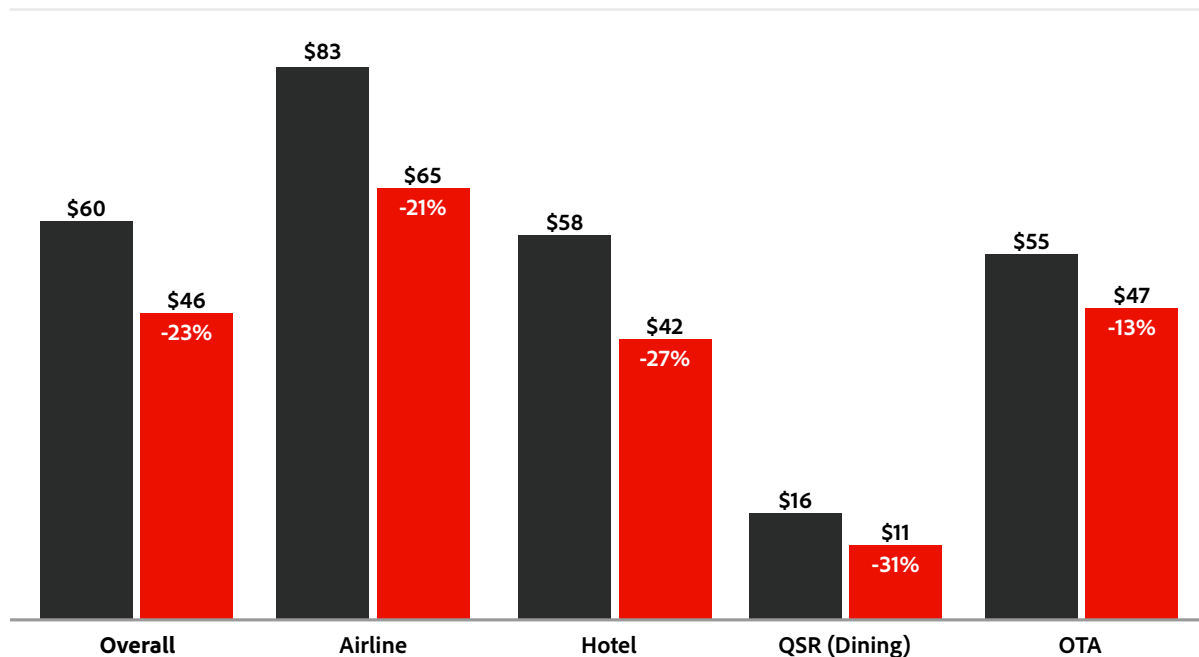
Segmentation Sophistication Gap

Only **15%** of firms can conduct sophisticated customer segmentation between paid and owned media channels, hindering their ability to deliver truly personalized experiences across touchpoints. This segmentation capability varies significantly by sector, with OTAs (**33%**) demonstrating greater capabilities than airlines (**17%**), hotels (**9%**), and dining establishments (**4%**). This disparity reflects different levels of digital maturity and data infrastructure across industry segments.

Economic Impact and Strategic Opportunity

The economic impact of improved identity resolution is substantial. With perfect identity resolution, firms could reduce customer acquisition costs by an estimated **23%** industry-wide, representing potential savings of **$14** per customer on average. These savings would be most significant for hotels (**27%** reduction) and dining establishments (**31%** reduction). While **72%** of firms are collecting more first-party data, implementation of advanced strategies varies widely. This creates an opportunity for forward-thinking travel brands to gain competitive advantage through more sophisticated data infrastructure.

CAC Reduction Due to Identity Resolution

■ Current CAC　　■ CAC with Identity Resolution

Category	Current CAC	CAC with Identity Resolution	Reduction
Overall	$60	$46	-23%
Airline	$83	$65	-21%
Hotel	$58	$42	-27%
QSR (Dining)	$16	$11	-31%
OTA	$55	$47	-13%

With Enhanced Identity Resolution, Brands Can Begin to Modernize Customer Acquisition Measurement.

Travel & Hospitality leaders are pressured to maximize marketing effectiveness and precisely demonstrate the value of each investment in a changing omnichannel landscape. Modern measurement means breaking down silos—using unified guest data, journey analytics, and advanced attribution—for a full-funnel, outcome-oriented analysis.

53%

of marketers at $1B+ companies say revitalizing customer acquisition efforts is a top priority to drive growth

Anna Hewit
Email: ahewit@outmail.com Preffered Channel: Email
Segment: First-time Visitors Loyalty Tier: Wilderness Seeker

WK Your Adventure starts here
To: Anna

Anna, your Adventure starts here
Join WKND now and get 15% off your first trip.
Claim offer

Model assessment
Actual Predicted

Contribution by channel

662M
Total contribution

Channel
Base
Shopping Google
Connected TV
Email
Others

AI recommendation: ROI oppertunity is connected TV

In the age of AI brands can now measure campaign efficacy, deliver business signals for optimization, define audience targets collaboratively with partners and publishers, and plan media investments for incremental gains. This allows marketing organizations to prove the value of their acquisition strategies, and set up a modern measurement foundation to better understand the impact upper funnel tactics are having on driving customers through other stages of the lifecycle.

A key indicator of a poor customer acquisition model is a disconnect between predicted and actual business results. If your model predicts certain outcomes that aren't materializing, it's a sign that it needs refinement. Regular communication between marketing and data teams is essential to ensure alignment and accuracy.

Regular reevaluation of the customer acquisition model is essential. As customer behavior and market conditions change, your model should adapt accordingly. Additionally, keeping an eye on CAC and ensuring your data management systems are robust will help maintain the effectiveness of your acquisition efforts.

Plan 1 - Lean into social

53% Forecasted ROI

Channel
- Social - 60%
- Search - 19.4%
- Display - 17.5%
- Other - 11.3%

1. Make it sustainable

Customer acquisition should be approached as a long-term investment, favoring proven and enduring tactics over chasing fleeting trends. Ensuring consistent effort requires both adequate budgeting from leadership and a careful allocation of resources to prevent initiatives from losing steam and effectiveness.

2. Make it flexible

Continuously analyze performance data and refine your acquisition strategies to stay ahead in a changing market, ensuring campaigns can pivot quickly in response to new trends or shifts in customer behavior. Diversify across channels and regularly update your KPIs to reflect evolving goals, motivating your team while maximizing reach.
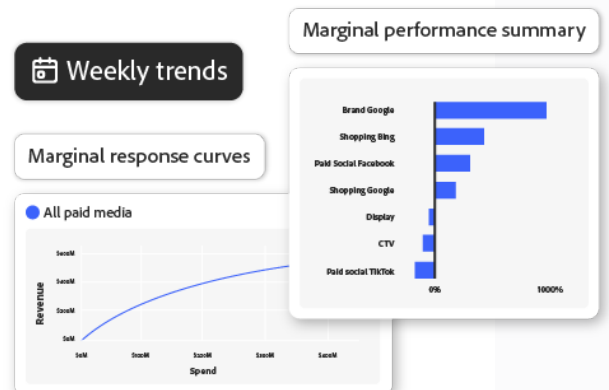
3. Put the customer first

Effective acquisition begins with understanding and addressing customers' needs and expectations, adapting strategies based on feedback to deliver meaningful brand experiences. Focusing on customer satisfaction not only drives initial conversions but nurtures loyalty and higher customer lifetime value over time.

Meeting New Expectations: Bridging Generational and Digital Divides

James Oxbridge

Email
joxbridge@outmail.com

Location
Yosemite National Park

Interests
Rock Climbing, Bouldering

📱 Notification

WK | **WKND** | 12:15 PM
Hi James, ready for your next challenge?

Yosemite's Iconic Climbing Routes.

Ready to concquer El Captain's iconic walls, James?

Discover now

Missing the Mark with Gen Z:
The Generational Strategy Gap in Travel & Hospitality.

Brands are struggling to connect meaningfully with Gen Z, the next generation of travelers who represent both an immediate opportunity and long-term necessity for industry growth. Currently, Gen Z represents just **14%** of loyalty program members across the industry—a significant underrepresentation that signals engagement challenges.

This generational gap is particularly pronounced in hotels and airlines, where Gen Z comprises only **9%** and **11%** of loyalty program members respectively, compared to **28%** in dining establishments.

Strategic Preparedness Gap

82% of firms have either no generational strategy or only ad hoc efforts. Only **37%** of firms believe they meet the digital expectations of Gen Z customers, with dining establishments **(54%)** and OTAs **(51%)** reporting greater confidence compared to hotels **(23%)** and airlines **(31%)**. This disconnect is especially apparent in key engagement areas where firms recognize importance but lack execution effectiveness-while **95%** acknowledge mobile—first experiences as vital, only **55%** consider themselves effective.

Long-Term Implications

The consequences of failing to engage Gen Z effectively extend beyond immediate revenue implications. As this digital-native generation gains purchasing power and becomes the core customer base over the next decade, firms that cannot meet their expectations risk long-term market share erosion. Addressing this generational gap requires fundamentally rethinking digital experiences, communication approaches, and value propositions to align with Gen Z preferences for authenticity, social engagement, and frictionless experiences.

82%
Have no or an ad hoc generational strategy

14%
Of loyalty program members are Gen Z
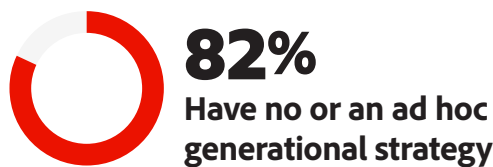
% of firms that rated this Gen Z engagement area as a focus vs % of firms that said they were effective in this area.

■ % Focus   ■ % Effective
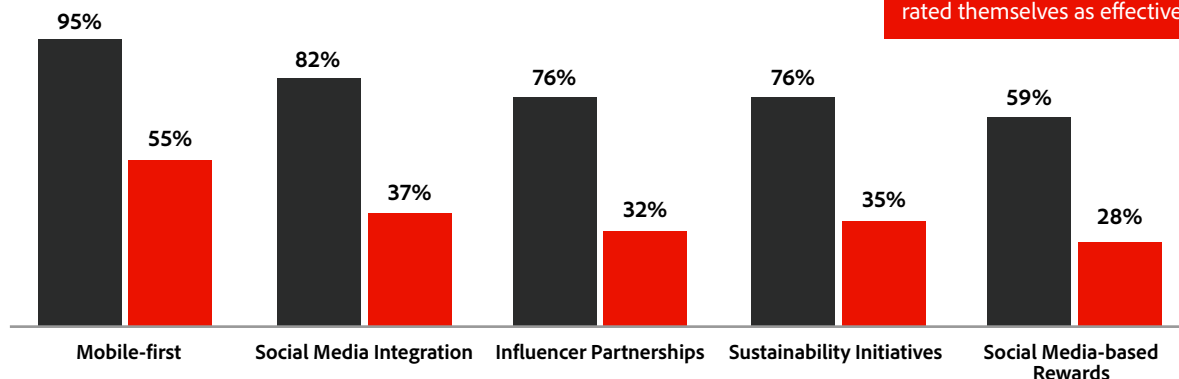
95% of travel firms said mobile-first was a focus (important) but only **55%** rated themselves as effective

Engagement Area	% Focus	% Effective
Mobile-first	95%	55%
Social Media Integration	82%	37%
Influencer Partnerships	76%	32%
Sustainability Initiatives	76%	35%
Social Media-based Rewards	59%	28%

The Evolving Digital Funnel and Importance of First-Party Data.

The traditional digital funnel is undergoing a transformation driven by emerging technologies and changing consumer behaviors. Most notably, LLM-based search is expected to grow dramatically from just **1%** of traffic in 2024 to **7%** by 2026, while traditional search channels (both organic and paid) are projected to decline from a combined **36%** to **28%** of traffic. This shift will require travel brands to completely rethink their discovery strategies as AI increasingly mediates the customer journey.

From Keywords to Conversations

The rise of LLM-based search represents a paradigm shift from keyword-focused discovery to conversational, intent-driven interactions. Travel firms must adapt by developing content that addresses complex travel questions and scenarios rather than simply targeting search terms. This transformation demands new approaches to content creation, with greater emphasis on comprehensive, authoritative information that can serve as the basis for AI-generated responses. Firms that fail to optimize for this new search paradigm risk becoming increasingly invisible in the evolving digital landscape.

First-Party Data Becomes Critical

As third-party cookies continue to decline, the importance of first-party data strategies accelerates dramatically. Firms that effectively collect, unify, and activate their own customer data will gain significant advantages in targeting efficiency and personalization capabilities. This trend is driving increased investment in customer data platforms (currently implemented by **39%** of firms), authentication strategies (**25%**), and data clean rooms (**16%**) as travel and dining brands seek to maintain personalization capabilities in a more privacy-centric digital environment.

Biggest Winners (Highest Increase in Traffic)

■ 2024   ■ 2026

	LLM Search	Direct	Video Ads	Influencers
2024	1%	21%	5%	4%
2026	7%	23%	7%	6%
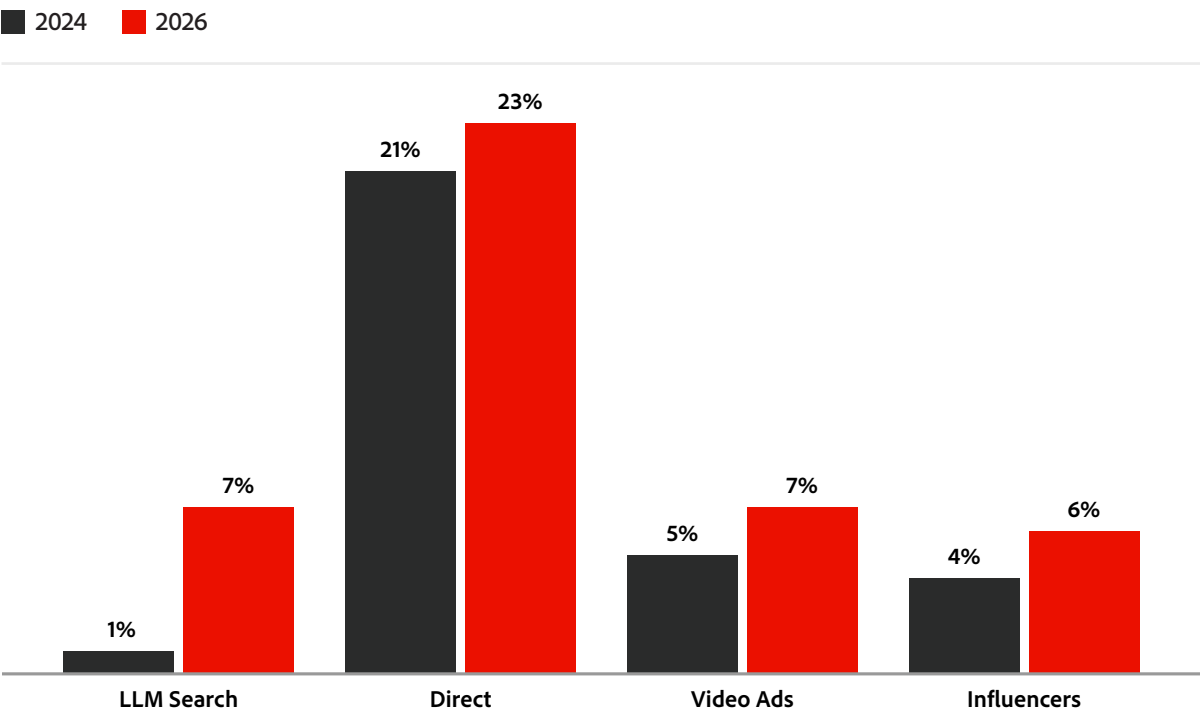
Turning Service Failures into Loyalty Opportunities.

Service disruptions represent unavoidable challenges in the travel and hospitality industry, but they also create unique opportunities to build stronger customer relationships when handled effectively. **34%** of customers experienced a service disruption in 2024, with significant variation across sectors – from **42.6%** for airlines to **14.8%** for dining establishments.

These moments of service failure become critical touchpoints that can either damage customer relationships or, with the right recovery approach, strengthen loyalty beyond pre-disruption levels.
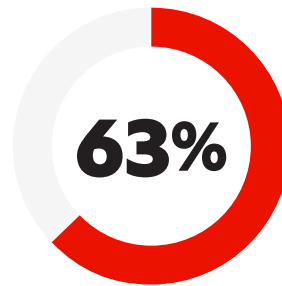
The Service Recovery Paradox

Firms that execute effective service recovery strategies (incorporating timely response, right resolution, and empathy) see an average **63%** uplift in customer retention compared to those with ineffective recovery. This "service recovery paradox" demonstrates that well-handled service failures can actually create stronger emotional connections than uninterrupted experiences. However, many firms fail to capitalize on this opportunity.

Untapped Potential in Recovery Approaches

While **52%** of firms differentiate their service recovery based on customer segments, **86%** are focused primarily on loyalty tier status rather than more nuanced factors like customer personas or specific disruption contexts. This one-dimensional approach limits effectiveness and misses opportunities for more personalized resolution. Furthermore, only **6%** are leveraging AI to personalize service recovery – representing a significant untapped opportunity to enhance recovery effectiveness through more tailored responses.
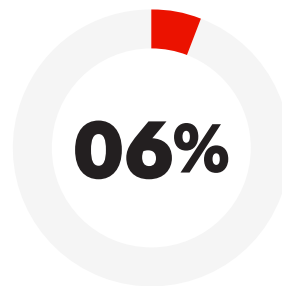
34%

of customers experienced a service disruption in 2024

63%
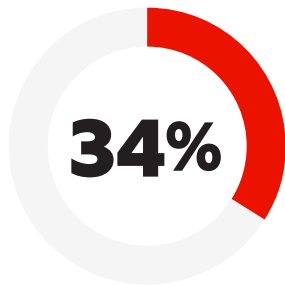
uplift was noted with customers where the service recovery was effective

46%
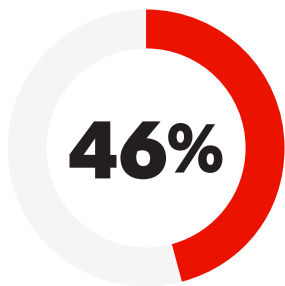
of customers that experienced a service disruption remained loyal after 12 months

06%

of travel and dining brands personalize services recovery using AI

From Basic to Behavioral:
How AI Can Revolutionize Travel Personalization.

Artificial intelligence presents transformative opportunities to enhance personalization across the customer journey, yet adoption remains in its early stages across the industry. Research reveals that while some firms have begun implementing AI in customer-facing channels like chatbots (**14%**) and mobile apps (**11%**), more sophisticated applications that could drive significant business impact remain largely unexplored. Only **8%** have implemented AI for offers and promotions, **7%** for loyalty programs, and a mere **5%** for CRM – all areas where AI-driven personalization could substantially improve business outcomes.
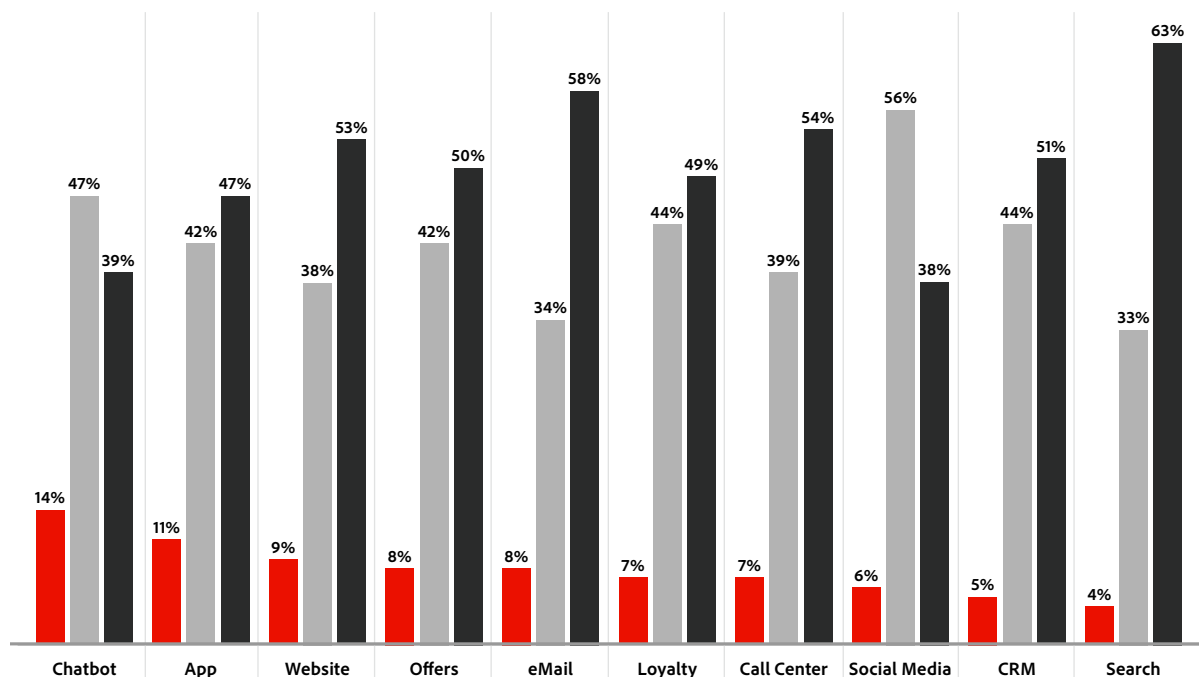
Adoption Disparities Across Sectors

Implementation rates vary meaningfully across industry sectors, reflecting different levels of digital maturity and strategic prioritization. OTAs generally lead in AI adoption, with higher implementation rates across most application areas, likely due to their digital-native business models and more advanced data capabilities. Conversely, dining establishments show the lowest adoption rates, with significant opportunities to leverage AI for personalization as they digitize more of their customer interactions.
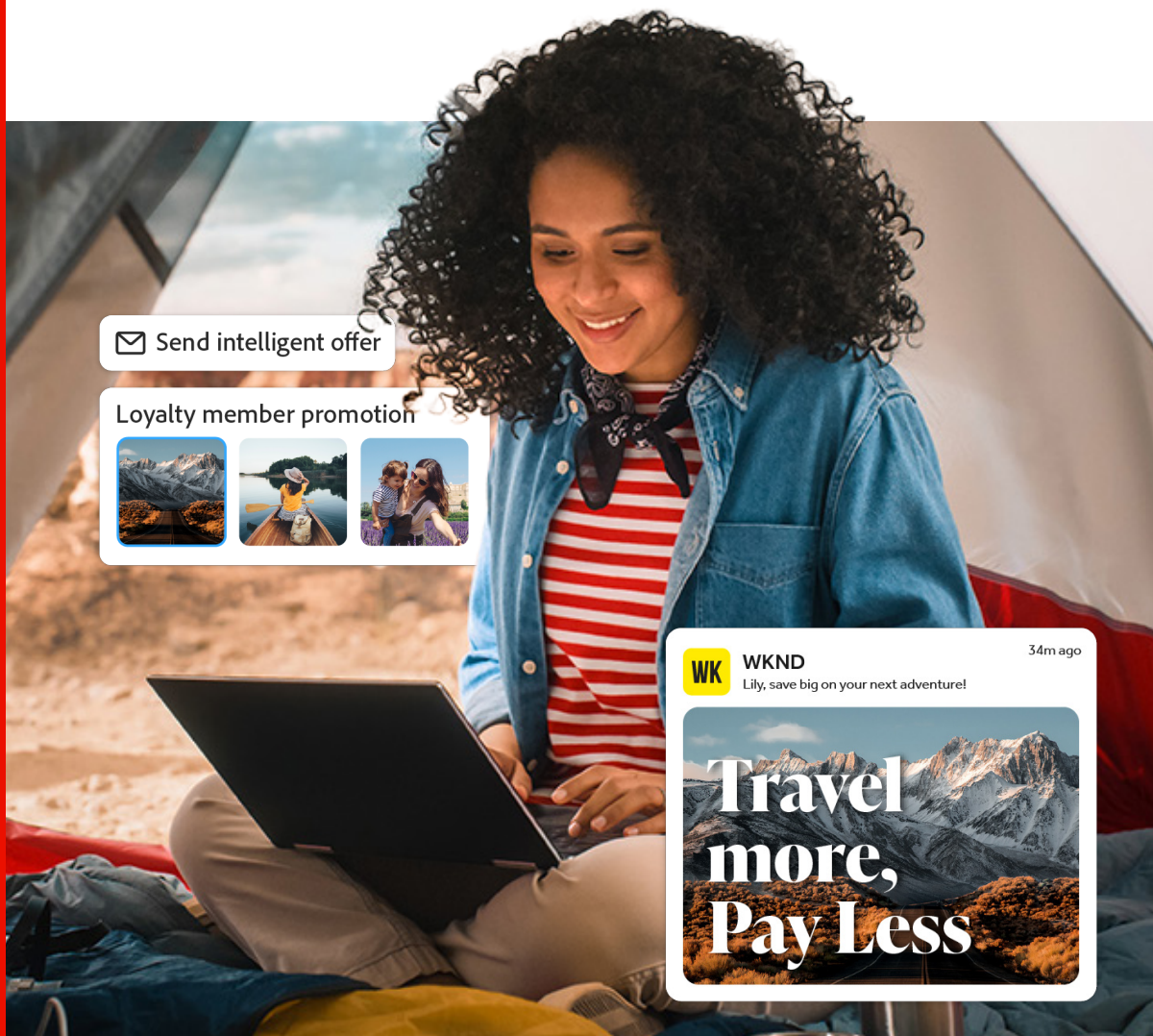
Bridging the Implementation Gap

The gap between current implementation and potential impact is particularly notable given that **75%** of firms report personalized offers as delivering the highest ROI among retention tactics. This disconnect suggests that many travel brands recognize the value of personalization but have yet to leverage AI as a critical enabler. Beyond obvious applications like chatbots, significant opportunities exist for dynamic pricing, personalized recommendations, predictive service recovery, and real-time experience personalization.

■ Implemented   ■ Implementing or Pilot   ■ No Efforts

Category	Implemented	Implementing or Pilot	No Efforts
Chatbot	14%	47%	39%
App	11%	42%	47%
Website	9%	38%	53%
Offers	8%	42%	50%
eMail	8%	34%	58%
Loyalty	7%	44%	49%
Call Center	7%	39%	54%
Social Media	6%	56%	38%
CRM	5%	44%	51%
Search	4%	33%	63%

Building Tomorrow's Travel Brand: From Disruption to Opportunity

Finding the right prospects, and understanding if they add value, requires new and improved ways of working

✏️ Plan

61%

of marketers believe embracing better/faster marketing mix modelling can unlock future growth potential, and that MMM is needed to power long-term, flexible scenario planning.

🗇 Reach

80%

of brands plan to shift budgets to fresh platforms and channels, like CTV and retail media networks.

📊 Measure

#1

priority for C-suite leaders in 2024 is to improve customer-focused digital experiences and investing in data and analytics, because they believe it's directly related to business growth and customer retention.

Recommendations
2025 Customer Acquisition

Generate Predictive Outcomes for
Audience and Budget Scenarios

- Use media management tools to answer the question: "**What is the incremental value of this campaign?**" and demonstrate marketing effectiveness to CFOs.

- **Develop data-driven media plans** that align audience strategy and channel spend with predicted outcomes and growth targets.

Maximize Efficient Reach with
Strategic Partnerships

- Invest in digital tools that help you **build brand and publisher partnerships without relying on third-party cookies.**

- **Enable secure data collaboration** to deliver personalized customer experiences in a centralized, privacy-safe environment.

- Leverage audience insights to guide campaign planning, reach high-value segments, and **demonstrate marketing impact through outcome-based metrics**.

Modernize the
Measurement Framework

- **Utilize AI** to transform your ability to understand and measure media performance.

- **Track growth metrics across channels using incremental ROI and direct attribution** to evaluate the success of paid media campaigns on engagement, retention and loyalty objectives.

- Over time, use these insights to **reduce customer acquisition costs**.

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Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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