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## **CUSTOMER LOYALTY PROGRAMS IN HOTELS -A TOOL FOR ATTRACTING REPEAT GUESTS**

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### **ABSTRACT**

*Today, in this era of competition, hotels are doing their best to attract customers, increase sales and thus ameliorate business. The ways and means are diverse, ranging from marketing tools like discounts and packages, rate differentiation, tapping the MICE segment for introducing innovative loyalty programs to bring back customers.*

*To make the most of the guests who have already stayed at the property earlier, hotels are introducing loyalty programme's to encourage them to repeat their bookings and make them their brand ambassadors. Loyalty programs make an increase in the number of footfalls over a period of time and also prevent customers from going to competitor hotels, thus increasing revenue.*

*There are several different types of loyalty programs run by hotels, some of which even combine with corporate social responsibility endeavors. Guests who are part of the loyalty programs of hotels get several advantages like upgrades or discounts, which make it worth their while. Hence, they prefer to repeat their bookings with a particular hotel. Guests know that if they return to hotels where they have stayed previously, they will have a comfortable stay as the hotel knows their requirements, as well as get other benefits like lesser rates or earn points that could be redeemed for meals or other things.*

*This is one of the ways in which hotels transcend beyond simply a business relationship with the guests, thus achieving guest satisfaction & delight.*

**Key words-** customers, discounts, loyalty, programs, repeat.

## **INTRODUCTION**

According to Godson (2009), strongest business relationships are ones which seek customer involvement apart from the commercial transactions. The relationship becomes thus more personal, like relationships between people. If an organization succeeds in cementing such a relationship with its customers, it will be in a very strong position.

Repeat business and return reservation is one of the easiest ways to increase revenue for a hotel, with lesser efforts than it would take to identify prospective customers and convert them into actual sales. Hoteliers are savvy enough to recognize this opportunity and make the most of it, by encouraging guests to come back to the hotel for their future stays. These programs help the hotel brand to find out how often a particular customer has used their services and how much do they spend.

Customer loyalty programs reward guests for staying at a particular hotel property by giving them concrete incentives to come back. This is a boon for guests who travel frequently. It is similar to the frequent-flier programs run by airlines, where a traveller earns a certain number of points for the number of air miles clocked by him or her. Later on, these can be redeemed for free tickets, discounts on the next travel, free upgrades to business class, or if the airline has a tie-up with a hotel chain, then free or discounted room nights.

So, the loyalty programs are beneficial to the hotels as well as the guests, and thus are a powerful tool to attract repeat guests.

### **Concept of Customer Loyalty Programs**

Laskarin(2013) analyzed that the hotel guests of today are more aware, better educated and more selective. They have higher expectations; the traditional concept of “value for money” has become “more value for less money”. Creating customer loyalty programs is a way of fulfilling the greater demands of the guests.

Roking (2005) opined that the use of loyalty programs as a powerful tool of relationship marketing is becoming popular to encourage customer loyalty. Farfan(2016) defines Customer Loyalty Program as a marketing tool used by all types of business to motivate repeat customers by offering some type of reward service. They are like giving recognition to the customers for their patronage, by offering rewards in return. Actually, it is like an inducement given to customers to encourage repeat bookings.

Hotels have customer loyalty programs for the following reasons-

1. For encouraging retention of guests by means of giving them prizes in the form of loyalty benefits.
2. For collecting personal information of guests, their likes & dislikes and further utilize this information for achieving guest satisfaction & delight.
3. For ensuring that the guests do not opt for other brand hotels.

### **Types of Loyalty programs**

Leff (2013) suggested that every hotel chain and its loyalty program are different from the other hotels; guests need to decide which ones are right for them. They must take into consideration the places where they travel, the hotels that they will be staying at, and then select the type of benefits that are most important to them.

There are basically two main categories of hotel customer loyalty programs-

## 1. Point-based loyalty programs

These are programs in which guests give their personal details to the hotels and get themselves enrolled in the loyalty programs. They stay in the hotels, spend money, and get points in proportion to their stay and the amount spent at the hotel. These points can be redeemed for free stays, discounts, upgrades, complimentary meals etc in the same hotel or across hotels belonging to the same group or brand.

Examples of Point-based hotel customer loyalty programs include Starwood Preferred Guest (SPG) of the Starwood group, Hyatt Gold Passport of the Hyatt group, Club ITC of the ITC group which is also linked with purchases made by the guests at Wills Lifestyle stores, Hilton Hhonor of the Hilton group, Taj Inner Circle of the Taj group

## 2. Recognition-based loyalty programs

In these programs, the main concept is that of tracking guest preferences during a particular stay and recording as well as communicating these preferences throughout the hotel brand properties for enhancing the guest's stay during further visits. The guests may sign-up for this program and are given membership numbers. The information about their personal preferences during the hotel stay may be requested from them by means of a form that they fill. At times, the hotel staff that comes in contact with them may be able to add to this list through actual observation. This helps hotels anticipate and provide for the guest's requirements during future visits.

Here, the experiences of the guests during their repeat stays are what entice them to come back again and again, thus build brand loyalty.

### **Hotel Loyalty Programs and Corporate Social Responsibility(CSR)**

A few hotels brands have started integrating corporate social responsibility endeavors with their customer loyalty programs. Martinez et al (2014) confirmed the role of CSR as a tool to generate functional and affective brand image and customer loyalty. They further observed that CSR efforts have further benefits since the perception of ethical and responsible behavior affects the functional and emotional dimension of brand image as well as brand loyalty.

An example is of the Starwood group of hotels that has its linen-reuse Make a Green Choice program, which is linked to their Starwood Preferred Guest loyalty program. In this program,

hotel guests who are Starwood Preferred Guest (SPG) Members earn 250 Star points for every day that the linen in their rooms is not changed during their stay. These points can be redeemed by them as discounts during their next stay at Starwood. This programme has encouraged many guests to be a part of it, as they feel they are doing their bit to help save water, and at the same time get personal benefits.

However, it must be said that in case a guest wants to avail of loyalty benefits, most hotels recommend that the guests make their bookings directly with the hotels, instead of through third party booking web-sites or travel agents and tour operators.

## **REVIEW OF LITERATURE**

The review of literature was done by accessing websites, journals, books and trade magazines.

Hewett et al (2002) reviewed that when buyers think that they have a good relationship with the seller, they are more likely to select that seller for future purchases.

Haley (2006) stated that the intention of customer loyalty programs is to direct customer loyalty and convince the guest to want to come and stay at the hotels belonging to that particular brand numerous times.

Godson (2009) said that the more loyal customers an organization can count amongst its market, the closer it comes to reaping the benefits of customer retention.

Hikkerova (2011) opined that increased competition has forced firms to constantly look for innovative ways to be more attractive, hence more competitive. Many firms have launched loyalty programs because the cost of keeping an existing customer is lower than the cost of acquiring new customers. These programs are marketing strategies that seek to reward and so encourage loyal behavior.

Johnson (2011) analyzed that it is important to have a base of loyal guests for every hotel. Creation & implementation of good loyalty programme's helps to turn guests into brand advocates. He further adds that hotels that show their dedication to social responsibility leave imprints on society, which encourages customer loyalty.

Makkar&Makkar (2012) reviewed that customer loyalty management is a continuous process, a program or a group of programs designed with the objective of keeping a customer satisfied so that he/she will provide more business. Thomas (2013) stated that satisfaction influences repurchase intentions and the likelihood of recommending the business to friends.

Watkins (2013) put forth that although hotel loyalty programs are complex and expensive to design and manage; these programs are of importance to hotel owners and companies.

Taylor and others (2014) opined that after carrying out research; empirical results suggest that investment in hotel loyalty programs has a positive impact on occupancy rates and profitability. In spite of a moderate overall effect, this outcome has several managerial implications for the hotel industry.

## **OBJECTIVES**

1. To assess whether customers actually participate in Customer loyalty programs of hotels.
2. To check whether the benefits of these loyalty programs influence the customers to come back and stay with the property or the chain.
3. To assess the benefits desired by guests who participate in the hotel loyalty programs.

## **HYPOTHESES**

There were 2 main hypotheses for carrying out this research-

H1-Most of guests participate in customer loyalty programs of hotels.

H2-Repeat bookings made by hotel guests are due to loyalty programs.

## **SCOPE OF STUDY**

This study was carried out by interviewing 61 guests who stay in hotels regularly. Only business travellers were not considered for this research; as they do not have to pay for their hotel stay if they are travelling for work. Companies have different criteria in mind when they select hotels for their employees to stay in, when they travel on company related work. These are mainly related to the proximity of the hotel from the Central Business District, transportation facility, connectivity and finally, the rate. Hence their motivation for choosing to go back and book with hotels where they have stayed previously has different motivation.

So, guests who travel for leisure were considered for this research and were interviewed.

## RESEARCH METHODOLOGY

Primary as well as secondary data was used for this research. Primary data was collected using a Questionnaire and Sampling technique to find out views of the Respondents-

Non-probability sampling technique was used to survey 61 free individual travellers across different age-groups, who travel for leisure. The secondary data for this research was obtained from trade magazines, journals, web-sites, dissertations and hotel literature.

## COLLECTION OF DATA

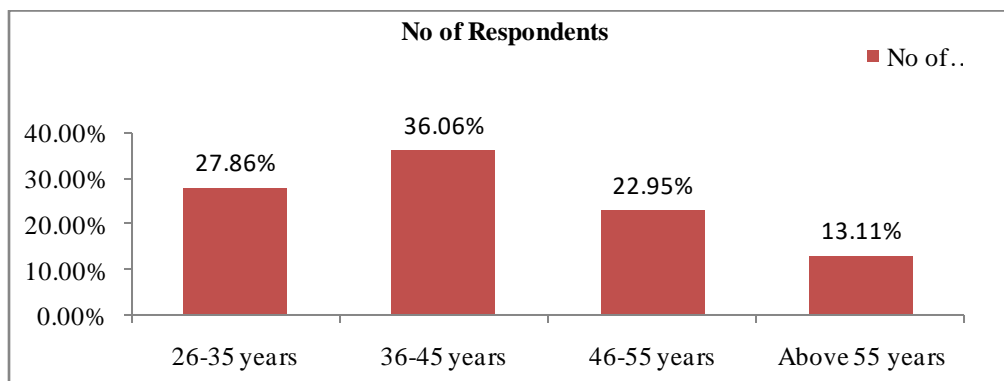
The data was collected by uploading the questionnaire on the website <http://docs.google.com> and mailing a link to the respondents, after an introductory call to seek their willingness to participate in this research.

## STATISTICAL PRESENTATION

The data generated from questionnaires was presented in the form of tables and charts as mentioned below-

**Chart No 1- Age group of respondents**

Age group	No of Respondents	Percentage
26-35 years	17	27.86%
36-45 years	22	36.06%
46-55 years	14	22.95%
Above 55 years	8	13.11%

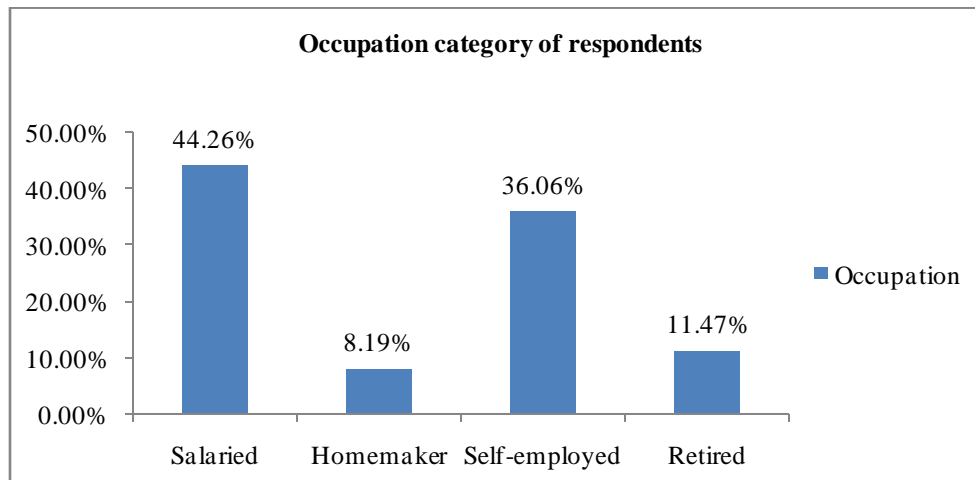


## Explanation

From the table above it can be seen that maximum respondents i.e. 36.06% are in the age-group of 36-45 years, followed by 27.86% in the age group of 26-35 years. 22.95% of the respondents are in the age group of 46-55 years, while the least number of respondents are from the age-group of above 55 years- 13.11%.

## Chart no 2- Occupation category of the respondents

Occupation	No of Respondents	Percentage
Salaried	27	44.26%
Homemaker	5	8.19%
Self-employed	22	36.06%
Retired	7	11.47%



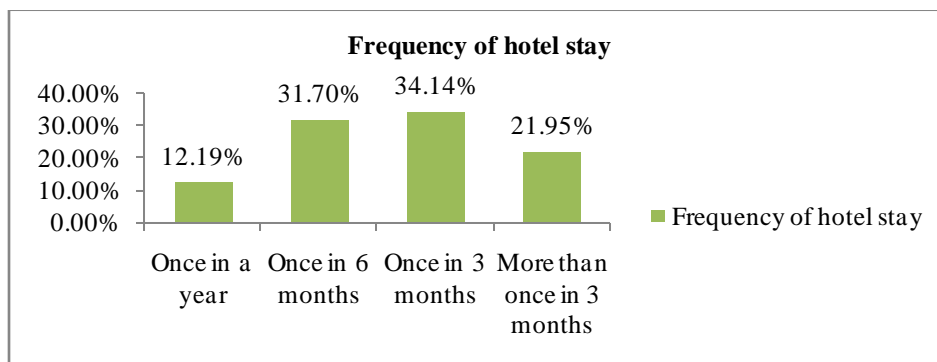
## Explanation

From the table above it can be seen that maximum respondents i.e. 44.26% are salaried individuals, followed by 36.06% self-employed. The least number of respondents are homemakers-8.19 % and retired- 11.47%.



### Chart No 3-Frequency of Hotel Stay

Frequency of Hotel Stay	No of Respondents	Percentage
Once a year	6	12.19%
Once in 6 months	19	31.70%
Once in 3 months	21	34.14%
More than once in 3 months	15	21.95%

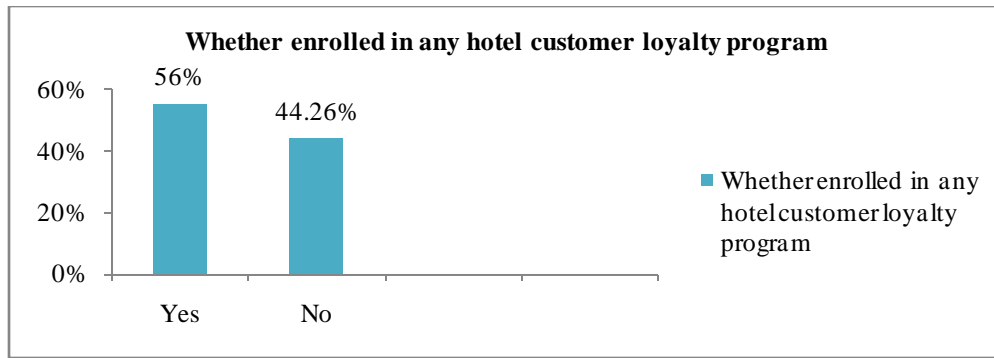


### Explanation

From the table above it can be seen that maximum respondents i.e. 34.14% stay in hotels once in 3 months. 31.70% of guests stay in hotels once in 6 months. 21.95% of the guests stay in hotels more frequently than once in 3 months. While 12.19% of respondents stay in hotels less frequently, i.e. once a year.

### Chart no 4- Enrolment in any customer loyalty program of a hotel brand

Enrolment in Hotel loyalty program	No of Respondents	Percentage
Yes	34	55.73%
No	27	44.26%

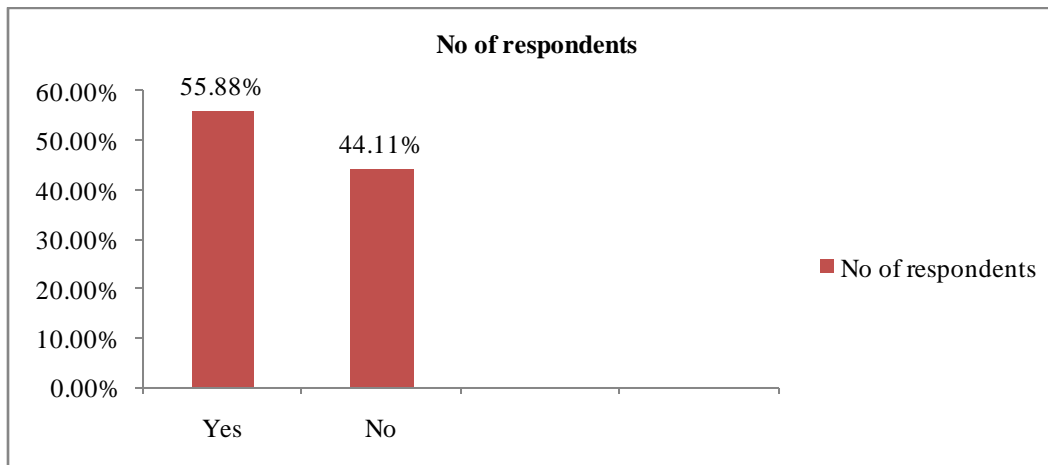


**Explanation**

From the table above it can be seen that more than half the respondents i.e. 55.73% have been enrolled in loyalty program of hotels at some point of time, while 44.26% of the respondents have not been enrolled.

**Chart no 5-Still active in the loyalty program**

Still active in the Hotel loyalty program	No of Respondents	Percentage
Yes	19	55.88%
No	15	44.11%

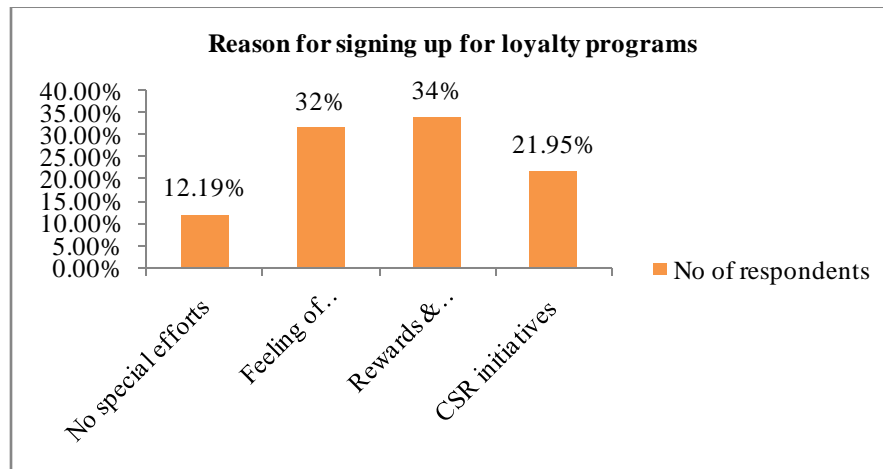


## Explanation

From the table above it is seen that more than half, i.e. 55.88% of the respondents who have participated in loyalty programs, are still active participants. 44.11% of the respondents say that they are no longer active in the program.

**Chart no 6- Reason for signing up for a loyalty program**

Reason	No of Respondents	Percentage
No special efforts needed for participation	6	12.19%
Feeling of exclusivity	19	31.70%
Rewards & discounts	21	34.14%
Connection with CSR initiatives	15	21.95%

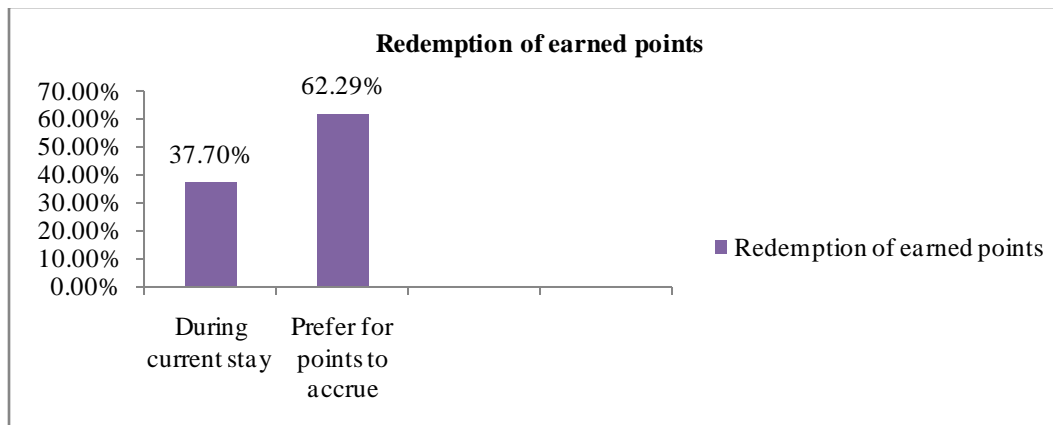


## Explanation

From the table above it can be seen that 34.14% of the respondents have signed up for loyalty programs for rewards & discounts, while 31.70% have signed up for feeling of exclusivity. 21.95% have enrolled for connection with CSR initiatives, while 12.19% have signed up as no special effort is needed.

**Chart No 7-When are you more likely to redeem your points earned during a loyalty program?**

<b>Redemption of points earned via loyalty program</b>	<b>No of Respondents</b>	<b>Percentage</b>
During the current stay if possible	23	37.70%
Prefer to wait for the points to accrue for substantial returns	38	62.29%

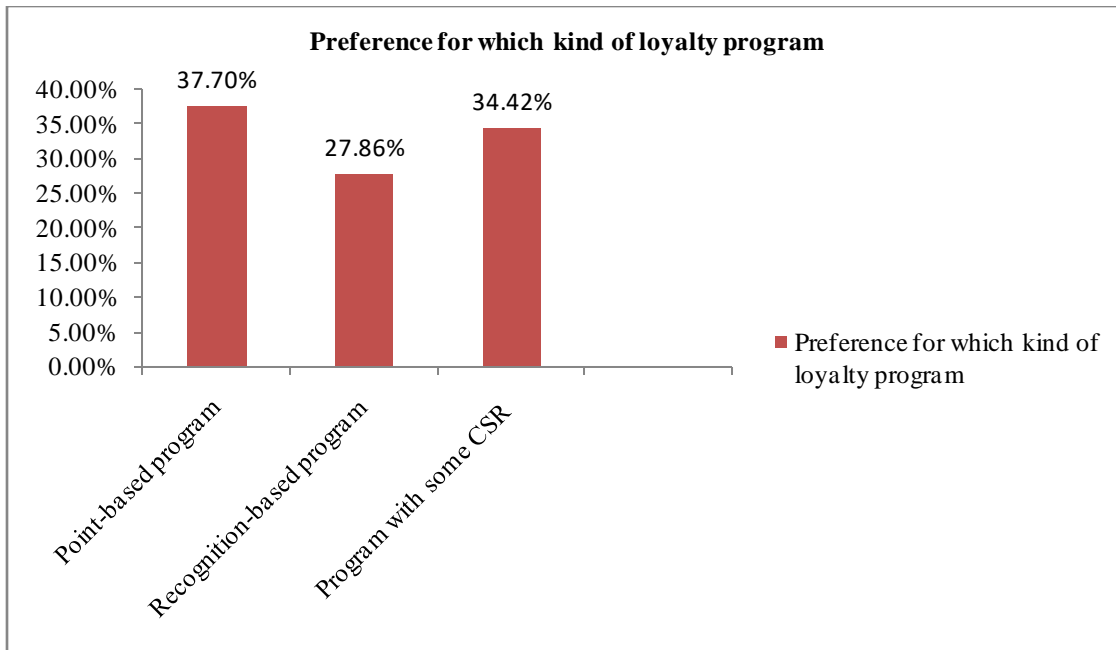


**Explanation**

From the table above it can be seen that majority of the respondents -62.29% prefer to wait for the points that they have earned through the hotel loyalty program to accrue and then redeem them for substantial returns. However, 37.70% prefer to redeem the points during the current stay.

**Chart no 8- As a repeat guest, which category of loyalty program would you give preference to-**

<b>Preference to which type of loyalty program</b>	<b>No of Respondents</b>	<b>Percentage</b>
Point-based program	23	37.70%
Recognition-based program	17	27.86%
Program with some kind of CSR	21	34.42%

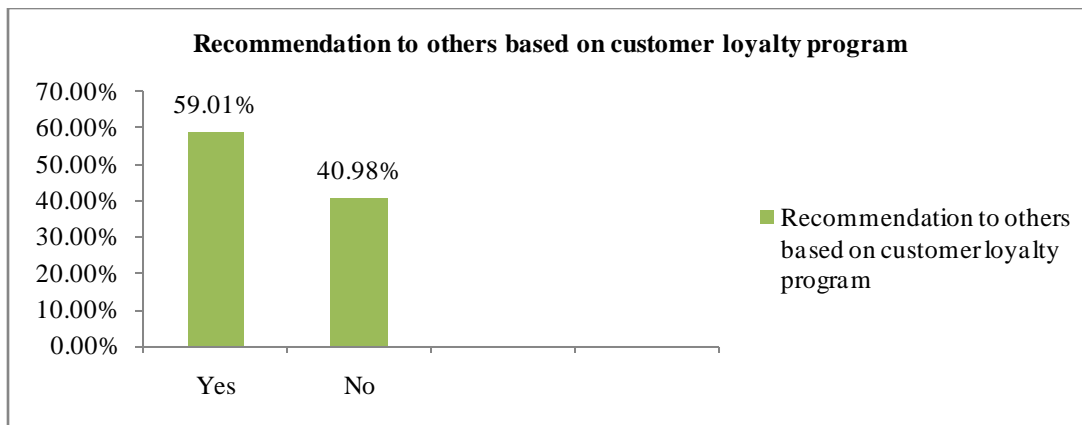


**Explanation**

From the table above it can be seen that 37.70% of the respondents prefer point-based loyalty programs, while 34.42% prefer programs with CSR initiatives. 27.86 % of the respondents showed their preference for a recognition-based program.

**Chart No 9- Would you recommend the hotel brand to others based on your participation and experience with its loyalty program**

Recommendation of hotel to others based on participation in its Loyalty program	No of Respondents	Percentage
Yes	36	59.01%
No	25	40.98%

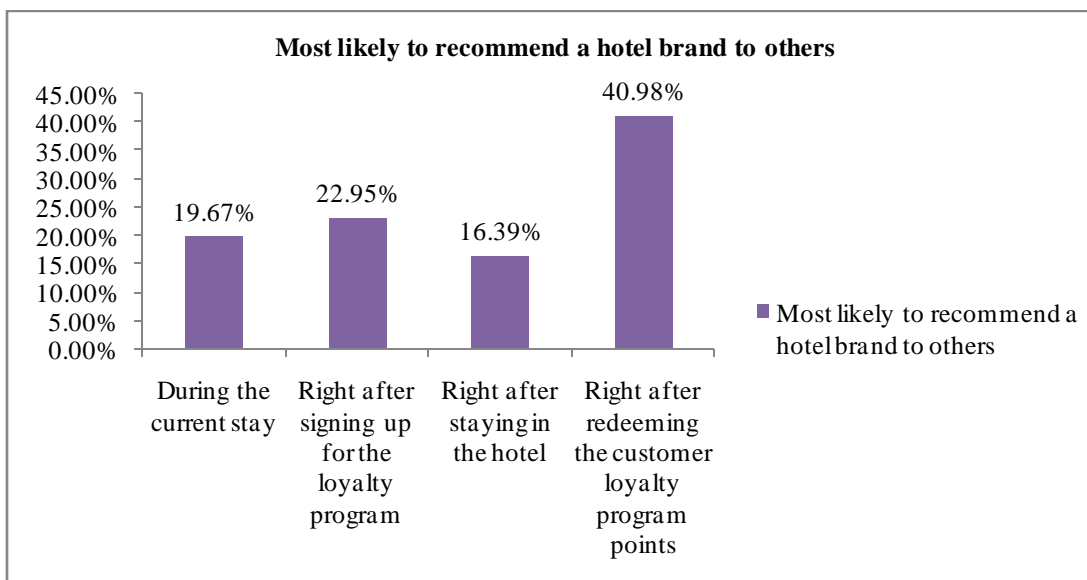


**Explanation**

From the above table it can be seen that more than half of the respondents -59.01% said that they would recommend a particular hotel brand to others, based on their experience with the customer loyalty program offered, while 40.98% said that they would not.

**Chart no 10- Most likely to recommend a specific brand to others**

Most likely to recommend a specific brand to others	No of Respondents	Percentage
During the current stay	12	19.67%
Right after signing up for the loyalty programme	14	22.95%
Right after staying in the hotel	25	16.39%
Right after redeeming the customer loyalty program points	10	40.98%

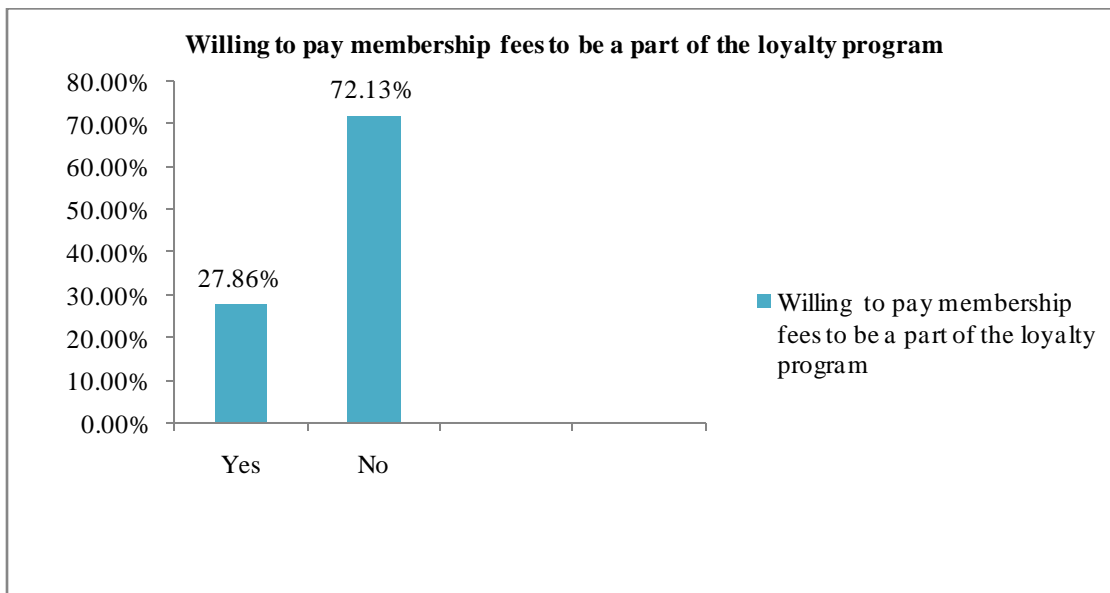


## Explanation

From the table above it can be seen that most of the respondents- 40.98% prefer to recommend a hotel brand to others after redeeming the customer loyalty program loyalty points. 22.95% respondents prefer to recommend the brand after signing up for the loyalty program. 19.67% of the respondents recommend the brand during the current stay, while 16.39% prefer to recommend it right after staying in the hotel.

## Chart No 11- Respondents willingness to pay a membership fee to continue to be a part of the customer loyalty program

Enrolment in Hotel loyalty program	No of Respondents	Percentage
Yes	17	27.86%
No	44	72.13%

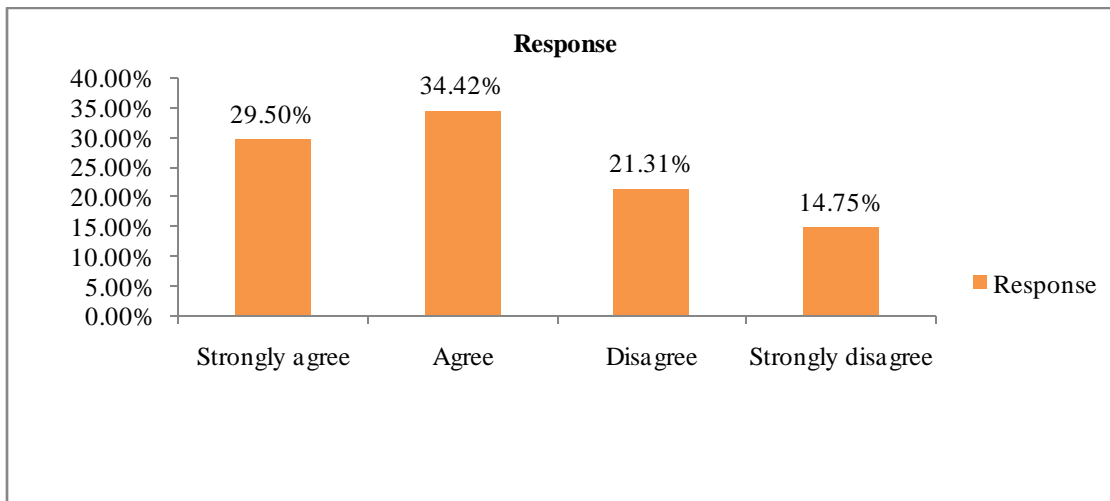


## Explanation

From the table above it can be seen that majority of the respondents i.e. 72.13% are not willing to pay membership fees to be a part of the loyalty programs, while 27.86% are willing to pay membership fees.

**Chart no 12-The main reason to come back to the hotel & repeat bookings is loyalty programs.**

<b>Response</b>	<b>No of Respondents</b>	<b>Percentage</b>
Strongly agree	18	29.50%
Agree	21	34.42%
Disagree	13	21.31%
Strongly disagree	9	14.75%



### **Explanation**

From the table above it can be seen that most of the respondents agree that the most common reason to come back to hotels and repeat bookings is because of loyalty programs- 34.42% agree while 29.50% strongly agree. 21.31% of the respondents disagree, while 14.75% of the respondents strongly disagree.

### **FINDINGS & ANALYSIS**

1. In this study it was found that more than half of the guests surveyed had participated in the loyalty program of some hotel brand at some point.



2. However, only about half of this number said that they were still active in the loyalty program, the others said that they were not continuing with the membership, or were not active.
3. Thus, H1 - Most of guests participate in customer loyalty programs of hotels can be accepted.
4. Guests participate or sign up for the hotel customer loyalty programs for not only discounts and rewards, but also because they feel a sense of pride to be a part of an exclusive group of customers.
5. Most guests prefer to wait for their loyalty program points to get collected into a substantial number, before redeeming them, as then they program linked to CSR initiatives, as they feel that they will get a better deal.
6. Guest preference for hotel loyalty programs was more for the point-based ones. Their next preference was for a loyalty program that was linked to some kind of CSR endeavor. Lesser guests seemed to prefer loyalty programs that were only recognition-based.
7. Majority of the guests said that they would recommend a particular hotel brand to the others based on their experience with its loyalty program.
8. Majority of the guests said that they would recommend a particular hotel brand to the others, right after redeeming the points in its loyalty program.
9. Majority of the guests were not willing to pay membership charges to continue to be a part of the hotel's loyalty program.
10. More than half the guests said that they would come back and repeat their bookings with a hotel brand based on the loyalty program.
11. Thus, H2-Repeat bookings made by hotel guests are due to loyalty programs, can be accepted.

## **RECOMMENDATION**

1. Irrespective of the type of loyalty program offered by hotels, both the hotels as well as the guests stand to benefit. So the hotels should try and involve a larger number of guests in their customer loyalty programs.

2. Though all customers should be entitled to be a part of the hotel's loyalty program, there is usually a level-wise approach which gives the maximum benefits to the guests who give the most business.
3. Although most guests said that they had signed up for the hotel loyalty program, currently about half of them were no longer active in it. Hotels should try and focus on getting these guests back into the system and encourage them to be a part of the program again. As, inactive memberships will not get them any profits, although they add to the number of enrolments.

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