

# A Study on the Perception of Loyalty Membership Programme from the View Point of Hoteliers and Customers (A Study on the Four and Five Star Hotels in Pune)

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## Abstract

The hotels offer their customers Loyalty Membership Programme with a combination of various facilities and services. The hotels all over the world are trying to undo each other in an effort to give exclusive customer services and that is the key strategy today. The hotels need to retain customers to run the business. Loyalty programmes can be seen in every consumer-related industry, like restaurants, credit card companies, and retail industry. The customer gains points and use it for free hotel nights. The study tries to understand the perception of hoteliers and customers related to such Frequent Guest Programme. As perceived by the hoteliers the unique selling point of Loyalty Program Membership was the complimentary benefits offered by the hotel, whereas air points are perceived by the customers as most attractive. The disadvantages as perceived by the hoteliers are that the customers misuse the benefits offered to them by such programme, customers have high expectations and they expect the policies to be modulated as per their convenience. Through the study it was concluded that the advantages outweigh the disadvantages of offering a Loyalty Membership Programme and hence the hotels are in favour of having them and are constantly upgrading their programmes to get repeat customer.

**Keywords:** Loyalty Programme, Customer Loyalty,

undo each other in an effort to give exclusive customer services and that is the key strategy today. The hotels need to retain customers to run the business. Customers may not be loyal to one brand and would like to try different brands. Same brand for the life time concept does not exist with today's customer as they have a wide choice of hotels to choose from. The sway today is more towards the experience side than just having a good room and a comfortable bed. The world's largest hotel chains like Marriott, Starwood, Hyatt, Hilton, and others have Guest Loyalty Programme, however some luxury brands prefer building loyalty through personalized services. Loyalty programmes can be seen in every consumer-related industry, like restaurants, credit card companies, and retail industry. The customer can earn credit card points and use it for free hotel nights. Some credit cards also offer an automatic upgrade to a higher level of the hotel reward scheme. The hotels and airlines have been more successful in attracting the mass with their loyalty programs compared to the other industries.

Each loyalty programme has different facilities to offer to the customer. The customer takes up a programme which suit his travel style and offer the benefits most valuable to him. The hotels provide various facilities like flexible check-in, check-out timings, free nights, special member privileges like free Wi-Fi access, minibar credits, invitations to various events and concerts, gift certificates and most importantly the air points. A 'mattress run' is a stay in a hotel by the customer to achieve hotel loyalty program status. A mattress run is a concept similar to a mileage run for an airline loyalty scheme. The mileage run requires the customer to actually fly to the destination, a

## INTRODUCTION

Most hoteliers create a Loyalty Programme or Frequent Guest Programme with multiple facilities to satisfy their customers. The hotels all over the world are trying to

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mattress run only requires the guest to check-in physically, after which the guest may not stay in the hotel.

Various privileges are offered by the hotel to its customers under the loyalty membership programme, for example The Hyatt Gold Passport program upgrades the customer to Platinum status after just five eligible stays or 15 eligible nights in a calendar year. Starwood Preferred Guest (SPG) has similar benefits like 4 p.m. checkout; upgrades; bonus points for people who achieve the Gold tier, which requires 10 eligible stays or 25 eligible nights a year. Hilton offers Hilton Honors Programme which gives its customers frequent flier miles with as many as 40 different airlines. They have a tie up with major credit card companies and are allowed to cash in those points too. It allows its guests to earn points for the hotel stay and airline travel in the same stay.

## OBJECTIVES

1. To evaluate the advantages and disadvantages of the loyalty membership programme for the hotel brands.
2. To study and compare the perception of hoteliers and customers towards the loyalty membership programme in hotels.

## LITERATURE REVIEW

A research recognizes that most hotels compete through excellent service quality, leading to the higher customer satisfaction and customer loyalty, which consequently increases the profits of the hotel.

The concept of loyalty started with airlines first and offered the customers reward points which encouraged them to revisit the hotel. The hotel tracks the details of the customer like the preferred payment method, frequency of stay, room rates charged likes and dislikes and customized services through Property Management System. The study suggests that in large and medium hotels customization and information intensiveness was seen to be closely correlated with each other. The closer the correlation the greater the ability of the hotel to customize their loyalty programme. It was concluded that the loyalty programme may not help budget hotel as not much customization is done, but will help large, luxury hotels. The needs of different market segments

demand different level of customization. The collection of information will not help, unless it is acted upon to deliver customized services and develop such culture among the employees, Adrian Palmer, (2000).

Customer Loyalty is the intention to buy the product again based on the evaluation of their past experiences and understanding their future expectations.

Retention is defined as the customers' liking, identification, commitment, trust, willingness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioural intention, Stauss et al. (2001). As per another study the loyalty programmes are costly but lack of it is even more expensive. Good programmes retain the customer along with increase in the level of purchases eventually. A good programme will benefit the customer and offer rewards that support the brand.

The expected outcome is that if customers are satisfied with the perceived performance of goods and services, they are likely to become loyal and will repurchase the same set of goods and services for their future consumption behaviour. The guests who are satisfied by the service compared to the available alternatives are supposed to show greater loyalty towards the hotel than the dissatisfied guests. Maintaining customer loyalty requires that the guest's positive experiences outweigh any negative experiences. Orientation to customer retention, continual customer contact, and high commitment to meeting customer expectations are the new strategic rules of relationship marketing. Although keeping guests satisfied is important, loyal customers bring more value than satisfied customers. They generally show lower price sensitivity over time, tend to resist changing service providers, identify themselves with the brand, and maintain a strong preference for the services purchased against competitors.

The study states that hotels need to quantify the value of relationships with the customer before investing in loyalty programme. The revenue management strategies are related to the customer relationship management strategies. The hotels need to carry out the customer segmentation and forecasting for revenue management. The important things to be considered for implementation of customer relationship management programme are proper information technology structure, personnel to

manage, top management commitment. The long term benefits of the programme should be quantified, Noone, B. M., Kimes. (2003).

Tideswell and Fredline (2004) reported that guests who fit into the extremely loyalty cluster have high attitudinal attachment to the hotel, so that many are prepared to change the timing of their visit to ensure they are able to stay at their preferred property. They are also not as sensitive on pricing issues and are willing to pay more to stay in their favourite property rather than go elsewhere in favour of cheaper room rate. It has been found that brand loyalty customers also reduced marketing costs associated with attracting new customers. A lot of study has been carried out on the loyalty factor towards the hotel and the role of gender related to it. It was found that men had higher loyalty, and they were more interested than women in reducing risk by purchasing a known hotel, Skogland and Siguaw, (2004).

There are three indicators of customer loyalty, first is customer retention, second is likeliness to return, and third is likeliness of a customer referral. It was found that the hotel room as well as the ability and willingness of the Rooms Division Staff to offer superior service were the most important factors determining guest loyalty. A research done with the help of photo-elicitation suggested that efforts towards quality improvement in a hotel should focus primarily on ensuring guest satisfaction with the guestroom, Danijel Carev, (2008).

Brand loyalty provides upgrades in the guestrooms and extra facilities and amenities, along with reduced stress and ensures that the customer can focus on the job, both before the trip and after arrival Wouter Geerts, (2014).

## RESEARCH METHODOLOGY

**Collection of Data:** The primary data required for the study was collected by visiting 5 Star & 4 Star Business Hotels in Pune through a questionnaire format. The researcher collected the data from the Managerial and Supervisory levels in the hotels. The data was also collected from the customers to understand their perception regarding Loyalty Programme. The customer selection was done through random sampling. The answers to questionnaires were obtained through goggle forms. The relevant secondary data was collected by referring to internet, books, journals and other relevant print material.

## RESULTS AND DISCUSSION

The primary data collected through the questionnaire was analyzed as per the responses obtained from the respondents and interpreted to draw the conclusions. Likert's scale was used to analyze responses on a 5 point basis. Analysis was done on the data provided by the Hoteliers and the Customers.

The following can be concluded after data analysis-

1. As perceived by the hoteliers, the number of members enrolling for the Loyalty Program every year is increasing and hence the hoteliers must pay more attention towards providing better facilities to attract more customers.
2. The Hoteliers consider it necessary to upgrade the Loyalty Program scheme to gain competitive advantage.
3. The conversion rate of new customers to loyalty program members by the hotels on an average was found to be high. Repeat Customer concept helps in developing a strong guest relationship bond and making the customers act as promoters of the hotel.
4. As perceived by the hoteliers, the complimentary benefits offered by Loyalty program is the unique selling point. These benefits include discounts on stay, food & beverage, airline tickets, socialising opportunities, easy check in & check out and many other facilities.
5. The study says that the average marketing budget spent on Loyalty Membership programs is 35% of the total marketing budget. The analysis here concludes that the cost required for gaining repeat customers annually is much low.
6. In the analysis of factors used to rate Loyalty Programme, the various factors considered were Frequency of Stay, Total Bill Generated per visit, Guest Referral, Restaurant Visit Frequency & Room Category. Stay Frequency factor was rated highest, followed by total bill generated per visit and then the other factors were rated same.
7. The various departments of the hotel like Reservation, Reception, Point of sale and Sales department were rated for the sale of Loyalty Membership Programme. The reception was rated as highest by the hoteliers. This indicates use of in-

ternal marketing to gain repeat customers as well as the role of Front Office personnel as salesman.

8. During the study it was confirmed that to avail the facilities of Loyalty Card of hotels the physical presence of card is not required although the physical presence of card holder is absolutely essential. Loyalty program benefits cannot be availed in the absence of card holder.
9. The drawbacks or disadvantages as perceived by the hoteliers related to the Loyalty Programmes are that the customers misuse the benefits offered to them by the hotel, customers have high expectations and they expect the policies to be modulated as per their convenience.
10. In the Customer Survey, 67% of the sample surveyed hold membership in the category of 1 to 4 years while 33 % of the sample surveyed hold membership in the category 5 to 11 years. This concludes that customers today prefer Loyalty Programs and are ready to invest in it with a hope of receiving consistent, trustworthy service every time.
11. The most attractive factor about Loyalty Program Membership for the customers is air points received. The hoteliers and the customers defer on this point. The hoteliers perceived complimentary benefits to be most attractive for the customers.
12. All of the customers surveyed had more than 1 Loyalty Program Membership. Thus it can be concluded that the customers are willing to take up membership programme.
13. When the Customers asked about their Loyalty Programme Experience in the hotels responded positively about it.
14. All the customers surveyed were positive about referring Loyalty Program to others. Customer referral is considered a landmark of guest satisfaction.
15. As perceived by the Hoteliers the unique selling point of Loyalty Program Membership was the complimentary benefits offered by the hotel, whereas air points are perceived by the customers as most attractive. The hotels should continue offering complimentary benefits but also pay special attention towards the air points system to attract customers.

## SUGGESTIONS AND RECOMMENDATIONS

Regular feedbacks related to facilities and services offered in Loyalty Membership Programme offered to the guest should be taken by the management to understand the effectiveness of the services.

1. The Management should keep an update of the upcoming trends in the hospitality sector related to frequent guest stay programmes and update accordingly.

## CONCLUSION

The research highlights the advantages and disadvantages of the Loyalty Program for the hoteliers. Still the advantages outweigh the disadvantages of offering a Loyalty membership programme and hence the hotels are constantly upgrading their programmes. The hotels get continuous business through repeat customer which helps them to survive in the global competition. Thus the hotels in Pune should continue offering Loyalty Membership Programme to its customers

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