

The Impact of Loyalty Programs on Customers' Decision to Choose a Luxury Hotel

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Abstract: At the highest level of the hospitality industry, the clientele of luxury hotels is different from that of other hotels, and these customers have higher expectations for the services provided by the hotels. In order to retain these customers, many hotels use and continuously improve the loyalty program to help maintain their customer relationships. Through qualitative analysis, this paper will examine the impact of the loyalty program on consumer behavior at luxury hotels through qualitative analysis.

Keywords: loyalty program, hospitality industry, luxury hotel, customer behavior

1. Introduction

The hotel industry is indispensable in our daily life, our life is closely related to the hotel. The world's earliest INN was born in the 17th century in Europe. After a series of developments until the 19th century, hotels began to rapidly spread in Europe. Until the end of the 19th century, luxury hotels began to appear.

With the progress of modern society, the hotel was not only a place to provide accommodation, but also an entertainment center combining dining and shopping. It was precisely because of the combination of various entertainment items and high-quality services that Luxury Hotel has become the first option for the increasing number of customers. Research reflected that in 2020, the luxury hotel industry size was sitting at \$197680 million globally. This may seem like an incredibly large number, but it's nowhere near the projected growth over the next couple of years. By 2027, the industry is predicted to be worth a whopping \$259510 million. This means that the industry is expecting a compound annual growth rate of 4.0% between the years 2020 and 2027 [1].

As the top class in the hotel industry, Luxury Hotel faces different customer groups compared with other classes of hotels. Those customers have a higher expectation of the services provided by hotels. At the same time, they will bring higher economic benefits for the hotel. To keep the customers, the Loyalty program was designed.

The first hotel loyalty program appeared in February 1983, Holiday Inn launched the first-ever hotel loyalty program. Later, in November 1983, Marriott rolled out its own program. Initially, the loyalty scheme was in association with airlines. The reward cash earned could be used to book free or discounted partner flights.”

In the current hotel industry, IHG, Marriott, Hilton, and Starwood Hotels & Resorts Worldwide all have their own loyalty programs. Marriott International, as a leading hotel group in the hotel industry, was also one of the earliest enterprises to launch a loyalty program and had a relatively

complete set of loyalty programs. JW Marriott, as the representative Luxury hotel of that group, enjoyed a high reputation worldwide and has been opened in most of the major cities around the world. More and more hotels use loyalty programs to maintain customer relationships, so this article will use qualitative analysis, including six stages of the consumer purchase process and five dimensions of service quality, to analyze the impact of loyalty programs on consumer behavior in luxury hotels influences.

2. Methods

This article mainly uses interviews and questionnaires to conduct research on customer loyalty.

2.1. Interview

This article selects the employees of JW Marriott Hotel Hangzhou as the interview objects. They need to meet the requirements of working in the hotel for more than five years, and the job position should be at the manager level or above. The questions were mainly about perceptions and suggestions for hotel loyalty programs.

2.2. Questionnaire

2.2.1. Questionnaire design

At the same time, 200 JW Marriott loyalty customers were randomly selected to conduct a loyalty questionnaire survey. The loyalty levels of customers are divided into Silver card, Gold card, Platinum card, Titanium elite card and Platinum ambassador.

The division marked by the W Marriott loyalty program is that the Silver card needs to meet the requirements of 10 nights per year, and the Gold card users need to have a 25-night stay per year. Platinum card is 50 nights per year. Titanium gold card needs to be occupied for 75 nights per year. Finally, the Ambassador Platinum card needs to meet the 100-night stay per year, and at the same time, the consumption in the hotel needs to reach 20,000 US dollars per year.

The questionnaire contains three questions:

Did you know Marriott Bonvey?

What is the level of your Marriott Bonvey (Sliver, Gold, Platinum, Titanium)?

What is the most useful benefit you receive from loyalty program (multiple choice: preferential price, better service, members points redeemable gifts)?

2.2.2. Questionnaire result

The sample size of the questionnaire is 200, mainly from customers who stayed at JW Marriott Hotel (Hangzhou) from September 5th to September 11th, 2022. 200 customers were confirmed as questionnaire samples through random selection and the questionnaires were distributed. Among the samples who participated in the questionnaire, there are 116 members of the Silver card, 51 members of the Gold card, 16 members of the Platinum card, 3 members of the titanium Gold card, 1 member of the Ambassador Platinum card, and 13 members of the non-member level. According to the results of the questionnaire, 193 people know about Marriott Bonvey, and only 3.5% (7 people) do not know about the program. Additionally, 103 people thought that the most useful benefit of the loyalty program was discounted rooms, 82 people thought that they could enjoy better service, and 15 people valued the gifts redeemed through member points.

3. Connection of Loyalty Program and Six Stages of the Consumer Buying Process

From the perspective of consumer, the research points out five Stages of the consumer buying process, including problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase evaluation. Each of the different stages affects a consumer's purchasing decision [2].

3.1. Consumer Need Recognition

In the process, the loyalty program prioritizes members' needs by offering a variety of high-quality rooms at lower prices to attract members' needs. Even if the member does not currently need to book a hotel to spend the night, the initiative will offer better rates and services to encourage the member to spend. It also participates in special events at relatively low prices, such as recharge events where customers get \$1,000 free when they recharge \$10,000 during the event. The buying process begins when people realize that their needs are not being met, and the unsatisfied needs actually arise when there is a difference between the consumer's satisfaction and the satisfaction gained from the current product. Thus, by creating a demand difference, the consumer's chances of purchase can be increased. Although some members have no current demand, they are potential customers for the hotel as members of the loyalty program. And creating demand for members, or creating future demand, is the capability of a complete loyalty program [3].

3.2. Information Search

The model assumes that information from the firm first influences the consumer's inclination towards the product or service. Based on the information provided to the consumer by the firm, the consumer will have a certain attitude towards the product. This may lead the consumer to further search for more information about the product or to further evaluation of the product attributes. If the results of the new search and evaluation satisfy the consumer, it may lead to a positive reaction. The consumer will make a purchase decision and take action to buy the product. If the search and evaluation results do not satisfy the consumer, the opposite occurs [4]. When consumers choose a hotel, they first consider the brand of the hotel, followed by the interior amenities and the location of the hotel. This information is relatively easy to obtain, and consumers can access it easily and quickly through the Internet. And when a consumer is a member of a hotel group's loyalty program, information about the hotel will be pushed to them via email, SMS, phone, and other forms. Consumers will receive more favorable information about the hotel before searching for information on their own and will have the opportunity to receive member discounts on room rates. This increases the probability that the customer will choose the hotel. A great loyalty program can easily capture the attention of customers and introduce products that match their interests.

3.3. Evaluation of Alternatives

After the information search, customers organize and evaluate the information obtained, which helps to determine the subsequent shopping behavior. After checking the environmental facilities of some hotels, consumers compare different hotels and choose among hotels of the same level by setting different comparison items. In order to stand out in the evaluation process of alternatives, hotels with loyalty programs can prepare appropriate incentives for their members. For example, members can extend the check-out time after their stay to give a better customer experience. They can also use a points system to give customers better incentives, such as double points and the ability to redeem more useful rewards.

3.4. Purchase Decision

At the point of purchase decision, in order to provide customers with quicker and clearer access to the benefits of their reservation, the hotel will list all discounts and offers on the checkout or browsing screen, which can increase the retention or incentive offer. When the customer is ready to pay, all the benefits they will enjoy will also be listed. If a customer leaves for a special reason and does not check out, the hotel will also remind the customer via email or other means. Due to the exponential growth of pricing strategies as a brand communication tool, consumers are continually bombarded with advertising clutter "online". Marketers attempting to gain exposure, attention, and awareness for their products and brands through pricing strategy sites face a major challenge [5]. Furthermore, on pricing strategy, people are often drawn to advertising promotions of their favorite or well-known products and brands, as well as those recommended by peers.

3.5. Post-Purchase Behavior

Members of the loyalty program will receive order information from the hotel, making it easy for customers to reconfirm what they have spent and the discounts and services they have enjoyed. At the same time, members will be informed of information around the hotel, such as restaurants, shopping centers, tourist attractions, and other useful information, and will even provide you with discounted transportation. This information can help consumers learn more quickly about the advantages of the hotel's location or services, and gain new knowledge and understanding of the hotel in a short period of time. At the same time, the points will be added to the consumer's loyalty program account after the order is confirmed by the designated hotel, and the updated information on the account will be called to the customer for confirmation at the same time. The accumulated points can be redeemed for various goods or used as a hotel room charge, which in turn helps the consumer to continue to choose the hotel in the future.

4. Connection of Loyalty Program and Five Dimensions of Service Quality

4.1. Tangibility

Program members can be included in service of hardware upgrade, free high-speed internet, room upgrade, and upgrade to Suite. According to the hotel staff, more than 90% of the members encounter room upgrade when there are sufficient rooms on the check-in day. Members level above Gold have free lounge access and complimentary breakfast during living. The consistency of results across multiple methods of data analysis confirms the fact that tangibility is an evident factor influencing customer satisfaction. While other factors may lead to a lack of customer loyalty and dissatisfaction, tangibility plays a key role in customer decision-making [6].

4.2. Reliability

When members propose some additional services, priority will be given. Take JW Marriott (Hangzhou) as an example, the hotel allowed to help customers receive and deliver express delivery, provided shuttle service, and helped to book restaurants. Consumers need trust that is reflected through integrity, benevolence and competence from sellers before they make a purchase decision, and consumer trust can also be improved through antecedents variables. A seller that is able to increase consumer trust through trust antecedents (brand image, security and perceived risk), will subsequently have an impact on increasing consumer purchase decision.

4.3. Responsiveness

Every luxury hotel benefit by establishing internal SLAs for things like returning phone calls, emails and responding on-site. Whether it's 30 minutes, 4 hours, or 24 hours, it's important for customers to feel providers are responsive to their requests. Not just emergencies, but everyday responses too.

4.4. Assurance

Most of the staff of Luxury Hotel are graduates of hotel management majors. Compared with the staff of ordinary hotels, they have more professional knowledge and are often able to handle the problems of guests with ease. Service providers are expected to be the experts of the service they're delivering. It's a given. SERVQUAL research showed it's important to communicate that expertise to customers. If a service provider is highly skilled, but customers don't see that, their confidence in that provider will be lower. And their assessment of that provider's service quality will be lower.

4.5. Empathy

Empathy strengthens the ability to competently interact with others and to display behaviors appropriate for a given situation or person [7]. By fostering a more complete and accurate understanding of the interaction partner, empathy elevates the ability to predict or anticipate the actions or reactions of others [8]. In addition, adapting behaviors to the other's thoughts and feelings and acting for the benefit of the other facilitates reciprocal actions. Empathy therefore enhances social interactions by eliciting and fortifying mutually supportive attitudes and behaviors. Hotel will provide services according to customer's needs. Services can be performed completely to specifications. Yet customers may not feel provider employees care about them during delivery. And this hurts customers' assessments of providers' service quality. Therefore, in order to show the sincerity of hotel to customers. In some special holiday, hotel will give members blessing and reward. they also offer certain discounts and small gifts to customers on their birthdays.

5. Conclusion

Through the analysis of this paper, the certification loyalty program is a successful business strategy for luxury hotels. Loyalty programs require hotels to increase their sensitivity to customer needs and at the same time improve service professionalism in order to provide customers with high-quality services. Due to the particularity of the hotel industry, it needs to be in an active position in the publicity to customers to influence customers' purchase choices, and the loyalty program can help companies maintain a good relationship with customers before.

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