The benefit of guest loyalty programmes

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The aim of this research is to find out what kind of guest loyalty programme Apollo Hotels and Resorts should implement for their individual leisure guests in order to gain more loyal leisure guests. In the literature review of this research, the following aspects are discussed: a loyalty programme and its use; the sort of loyalty programmes; the effects of a loyalty programme; and the wishes and needs of a leisure guest. Surveys were divided among 46 leisure guests of Apollo Hotels and Resorts in order to collect data on consumer demand for a guest loyalty programme. The data shows that it is highly recommended for Apollo Hotels and Resorts to implement a leisure guest loyalty programme based on tiers, with the possibility to redeem the saved credits for discounts at Apollo Hotels and Resorts. Furthermore, the data shows it is important that members of the guest loyalty programme receive special services not available to non-members.

Keywords: guest loyalty programme, leisure guests, loyalty programme based on tiers, discounts, personal service

Introduction

This paper examines the impact of loyalty programmes and investigates how the use of loyalty programmes can establish relationships with the consumer, which in turn converts the consumers into loyal customers (Butscher, 2002). Apollo Hotels and Resorts is a Dutch hotel chain which consists of 13 hotels at different locations throughout Holland. The hotel has leisure and corporate guests. The corporate guests already benefit from a guest loyalty programme where the corporate bookers are able to save credits and redeem the credits for gifts at the online gift shop of Apollo Hotels and Resorts. The corporate booker saves one credit per €100 spent on an online booking. The loyalty programme being examined is not yet available for the hotel and resort leisure guests. Hence this research aims to suggest benefits that the company guest loyalty card can offer and provide that will increase repeat business from leisure guests.

Loyalty programmes

Put simply a loyalty programme is a rewards programme that is offered by a company to its customers aimed at those who frequently make purchases. The definition of customer loyalty is: "how likely customers are to return and their willingness to perform partnershipping activities for the organization" (Kotler et al. 1999, p. 351; Acatrinei & Puiu, 2012; Magatef & Tomalieh, 2015). According to Lemon and Wangenheim (2009), customers who are members of a loyalty programme receive credits, or other sorts of convertible currency, in exchange for the purchases the customers have made at the organisation. The credits or convertible currency can be redeemed at the organisation for products, discounts or other services.

Magatef and Tomalieh (2015) suggest that loyalty programmes are structured and targeted marketing plans to reward customers, in order to stimulate the customer to become a loyal customer at the firm and increase customer retention. Furthermore, Magatef and Tomalieh (2015) argue that loyalty programmes are not only designed to increase the amount of returning customers, but to create an emotional connection between the customer and the brand.

Open and limited loyalty programmes

According to Butscher (2002), loyalty programmes can be divided into an open loyalty programme and a limited loyalty programme. A limited loyalty programme requires a certain procedure, terms, or even a membership fee to become a member. The opposite is an open loyalty programme, where everyone can become a member without any specific terms or procedures.

Furthermore, according to Shanshan, Wilco and Eric (2011), the frequent-guest programme, similar to that used by the airline industry as a loyalty programme, is the most commonly used form of loyalty programme within the hospitality industry. However, in contrast, Tanford (2013) states that the hospitality industry uses the reward and tier programme as a mechanism to increase customer loyalty within the industry.

Tanford (2013) supports this statement (see Table 1; Tanford, 2013). This shows the 13 well-known hotel brands who use a reward and tier loyalty programme.

Tanford (2013) agrees with Acatrinei and Puiu (2012) by saying that most of the loyalty programmes include a reward system on the basis of tiers. When the purchasing behaviour of a member increases, the member reaches a higher tier. Reaching a higher tier means that the privileges and benefits will become more valuable and attractive for the member, therefore the member will become motivated to increase the purchases. Acatrinei and Puiu (2012) suggests the reward

Table 1: Loyalty programme membership by brand and tier (examples)*

Loyalty programmes	Members	Tier level			
		1	2	3	4
Hilton H Honours	469	226	143	71	29
Marriott Rewards	427	229	129	47	22
Choice Privileges	290	225	47	13	5
Intercontinental Priority Club	136	79	33	24	n/a
Best Western Rewards	206	159	40	5	2
Wyndham Rewards	174	135	39	n/a	n/a
Starwood Preferred Guest	218	177	30	11	n/a
Carlson Gold Point Plus	82	56	20	4	2
Hyatt Gold Passport	146	124	18	4	n/a
Fairmount Presidents' Club	26	17	6	3	n/a
Omni Select	17	11	3	3	n/a
Accor Hotels A-Club	21	14	1	3	3
Loews You First	9	5	1	2	1

*Abridged table of examples from 13 hotel groups (Tanford, 2013)
Note: Participants could select multiple programmes.
n/a denotes tiers that do not exist for that programme.

system on the basis of tiers is the standard for a loyalty programme in the hospitality industry. This is further supported by Magatef and Tomalieh (2015), who suggest that because the tiers are well thought out, the customer builds a feeling of status, belonging and identity in every tier, which leads to a member that is committed to the company brand. This is further confirmed by Drèze and Nunes (2009), who explain that when a loyalty programme is rewarded on the basis of tiers, the programme members experience a sense of status when comparing themselves to the members of another tier level.

According to Ariffin and Maghzi (2012), leisure guests are consumers who stay in hotels and resorts for leisure purposes, usually having certain levels of expectation about the recreation, entertainment and relaxation available at the holiday accommodation. The price, comfort and cleanliness of a hotel room is a major concern for leisure guests (Knutson, 1988; Victorino et al., 2005; Singh & Khan, 2012). Moreover, according to Ananth et al. (1992), a familiar name and a good reputation of a hotel brand is of high importance in the consumer choice. However, Magatef and Tomalieh (2015) also state that the security and safety of a hotel is often the highest priority for the leisure guests when choosing a hotel. Clearly, loyalty programmes have value in the hospitality industry as a tool to reward consumers in order to stimulate the consumers to become loyal customers of the hotel brand (McCall & Voorhees, 2010; Magatef & Tomalieh, 2015).

Research approach

In order to investigate the value of a guest loyalty programme for Apollo Hotels and Resorts, quantitative research as well as qualitative data collection has been conducted. In research terms, this is often referred to as descriptive research. According to Saunders et al. (2009), descriptive research is most commonly used before or during explanatory or exploratory research to present an accurate outline and specific information about persons, events or situations. This is the approach this research took to explore demand for a loyalty programme for leisure guests.

The surveys where divided among leisure guests at Apollo Hotels and Resorts. The data from the surveys provided information about what kind of guest loyalty programme they would prefer when the loyalty programme was introduced. The sales managers of Apollo Hotels and Resorts were asked to fill out the surveys to capture their views on a suitable guest loyalty programme. The aim was to compare and contrast the views of guests and managers.

The sample for this research was made up of 46 leisure guests and two sales managers at these resorts. The leisure guests can be categorised through different sorts of travel groups. For example, the leisure guest could be travelling alone or together with family or a travel group. The length of stay could be for one night, one week, or two weeks. Both of the managers interviewed were sales managers with the company. The data collected from the surveys and interviews provided insight into the best type of loyalty reward system to be implemented.

Findings

The data shows what kind of guest loyalty programme the leisure guests preferred or expected. Furthermore, two leisure sales managers of Apollo Hotels and Resorts completed the survey as part of an interview. This allows for some comparative analysis between what managers expected consumers to want, and what the consumers actually said they desired from a loyalty card.

Booking patterns

Consumers where asked how many times they booked Apollo Hotels and Resorts in the last year. The data shows that those surveyed had stayed at the Hotel and Resort at least 1–3 times (see Figure 1).

The data shows that the majority of respondents, except for one, had stayed 1–3 times. This means that 45 of the survey respondents booked between one and three times at Apollo Hotels and Resorts. In effect, this suggests that this group of leisure guests are already fairly loyal guests with the company. Furthermore, one respondent had booked more than three times, i.e. staying between 4 and 6 times, again suggesting loyal repeat business for the company. However,
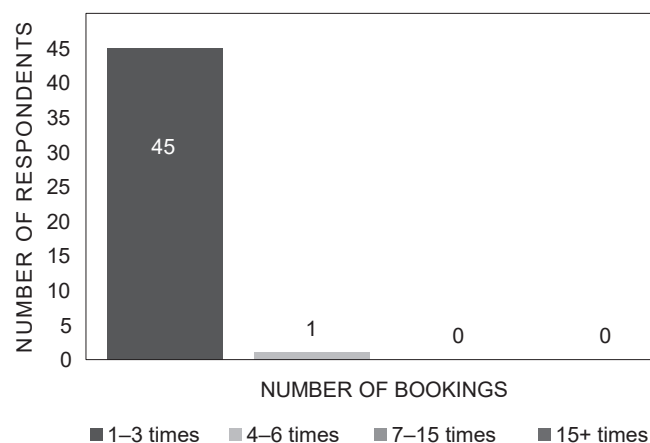

Figure 1: Bar chart of the hotel bookings

with hindsight, the researchers saw this question as a major limitation of the research, since it is not possible to see precisely how many bookings took place between one and three. Therefore although it appears that the guests with this booking profile look like loyal repeat business, there is a possibility that they all only booked once. Nevertheless regularity of booking was not the main focus of the research, the main point was what would leisure guests like to see included in a loyalty card scheme aimed at them.

How loyalty card system will work

Respondents were asked how they would like to save their loyalty points. Table 2 illustrates the responses.

Option 3, was the most selected saving option, where the credits must be saved automatically on a personal Apollo Hotels and Resorts account, 74% of the respondents selected saving option 3. Option 4, using an app, where the respondents are able to fill out the credits themselves, was the next highest option selected, with 30% of the respondents choosing this option.

One of Apollo's leisure sales managers also favoured option 3, saying that she "thinks that it is important that the saved credits are saved automatically on a personal Apollo Hotels and Resorts account". Furthermore, another of Apollo's leisure sales managers selected options 3 and 4. She added a comment:

> I should create some kind of loyalty programme based on KLM's frequent flyer programme, a "frequent sleeper programme". Furthermore, I should not use a card for saving the credits. Nobody wants to have extra cards, everyone's wallet is already stuffed with other cards.

Apollo's leisure sales managers are quite in line with the respondents' responses to this question. Clearly, this question shows that most of the respondents prefer that Apollo Hotels and Resorts take the credit saving as their responsibility, saved either automatically or with the use of a smartphone app.

We then asked respondents how they would like to redeem your loyalty card points. Table 3 shows the responses.

Table 2: Table of saving options (*N* = 46)

Saving options	Respondents who answered 'Yes' n (%)	Respondents who answered 'No' n (%)
1. Save credits on a credit card; you will need to show the front office your credit card in order to receive points after each stay	9 (20)	37 (80)
2. Maintain the points by yourself, by filling out the booking code after each visit in your online Apollo profile on the website of Apollo Hotels and Resorts	4 (9)	42 (91)
3. The saved credits must be saved automatically on a personal Apollo Hotels and Resorts account	34 (74)	12 (26)
4. Use an app (mobile application) to fill out the credits by yourself	14 (30)	32 (70)

Table 3: Table of how to redeem the saved credits (*N* = 46)

How to redeem the saved credits	Respondents who answered 'Yes' n (%)	Respondents who answered 'No' n (%)
1. For discounts on the hotel rooms at Apollo Hotels and Resorts	39 (85)	7 (15)
2. For discounts on the food and beverages at Apollo Hotels and Resorts	21 (46)	25 (54)
3. For special offers and packages	19 (41)	27 (59)
4. Choose a gift or gift card from the Apollo Hotels and Resorts web shop, including different kind of brands and shops	13 (28)	33 (72)
5. Donate my points to a charity via Apollo Hotels and Resorts	15 (33)	31 (67)

A significant majority of the respondents (85%) selected the first option to redeem the saved credits for discounts on the hotel rooms at Apollo Hotels and Resorts. Clearly, the responses show that most loyalty card holders would like to redeem their points on discounts at the hotel.

When respondents were asked what other benefits they would expect from a hotel loyalty card scheme, the responses were interesting in that 52% of those surveyed said that they would like to receive more service than non-members (see Table 4). This clearly reflects the feeling of belonging and of being more important than other guests. This feeling of belonging is an interesting phenomenon and this relates to exclusivity and *one-upmanship* in that it gives card members a feeling of power and exclusive service. Although beyond the remit of this research, it is an interesting area for future research in this area.

Moreover, following the same thinking, 50% of the respondents selected number 1, 'Personalised Service'. To some degree, this sits comfortably with "more service than non-members", the respondents' highest choice at 52%. Finally, supporting this idea of being more special if a loyalty card holder, 39% of the respondents selected option 4,

Table 4: Table of the expectations of a member (*N* = 46)

Expectations of a member	Respondents who answered 'Yes' n (%)	Respondents who answered 'No' n (%)
1. Personalised service (the front office will greet you by name and will know your preferences, such as your favourite drink, etc.)	23 (50)	23 (50)
2. Personalised amenities (shampoo, shower gel, etc.)	12 (26)	34 (74)
3. More service than non-members	24 (52)	22 (48)
4. Receive more rewards the more loyal the member gets	18 (39)	28 (61)

"receive more rewards the more loyal the member is". This reflects the literature and suggests that being a loyalty card holder is more than just about collecting points for discounts. The whole process seems to make loyalty card holders feel privileged and part of a special group. To further support this idea, the thinking is shared by one of the management respondents who said, "loyalty card holders should be recognised by the company, and given a more personalised service, to make them feel more special".

When asked about a tiered loyalty programme, 54% answered "yes" and 21 of the total (46%) answered "no". Both leisure sales managers answered "yes". One said, "the tier programme will stimulate people to choose Apollo Hotels and Resorts". The results of this survey question do not show an obvious yes, but it might result from the fact that the respondents are not yet familiar with the term "tier loyalty programme". The leisure sales managers also selected similar choices, which sat comfortably with the data for a tier loyalty programme divided into three types of members, with each tier having its own level of service and rewards. Every member starts as a Bronze member, then can become a Silver member, and eventually a Gold member, depending on the number of bookings a member makes. However, when asked about paying a contribution towards the loyalty card, the data shows that the respondents were clearly not willing to pay a contribution towards the loyalty card, with 96% of respondents saying "no" to this suggestion. Clearly there was no enthusiasm for making a small payment to become a loyalty card member.

Limitations of the research

In every research project it is necessary to draw the reader's attention to the limitations of the study. The main limitation of this research is that not all aspects of loyalty programmes could be addressed due to complexity and time limitations in writing this paper based upon a bachelor thesis during the student placement programme. Therefore, the data collected for this research focused on a proposed loyalty programme for the host company. This is applied research, and in no way does this research intend to be a generalisation for the hotel industry as a whole.

Interestingly, during the research project, indications of demand for a leisure guest loyalty programme identified the reflection of guests who supported the idea that loyalty card holders should be treated in some special way from other guests, hence suggesting an air of exclusivity for the loyalty card holder guests. This will be an interesting area to research in the future as some research suggests that those buying expensive hotel accommodation are often buying exclusivity rather than many tangible benefits. Although this was not the remit of this research, some evidence from the research suggests that there is possibly a demand for this kind of exclusivity and further research is need to identify this.

Conclusion

The data shows that the respondents (leisure guests) would like a loyalty card system aimed at the leisure guests. This suggests that Apollo Hotels and Resorts is missing a potential opportunity to increase sales and encourage the numbers of leisure guests to become repeat customers as the data suggests a loyalty card system would most likely produce more guest loyalty in the future. Furthermore, this research suggests that the loyalty card system for leisure guests should be based upon a tier system, rewarding guests at higher levels the more that they support the company as hotel guests. The data illustrates that members of the guest loyalty programme should have the possibility of saving credits on a digital platform and a personal Apollo account. The guest loyalty programme should offer a wide range of possibilities regarding redeeming the saved credits. For example, redeeming the saved credits for discounts on hotel rooms, discount on food and beverages or for gifts at an online gift shop. Furthermore, the data from this survey indicates that it is important to provide the members of the guest loyalty programme with extra, personal service from the moment the members check-in. This makes the members feel special and appreciated for their loyalty. Although this is a small piece of research conducted as a student undergraduate dissertation, it does raise many points (shown above) for the company to suggest that a guest loyalty programme would be beneficial for the company and increase sales and repeat business. This is turn should give a good return in cost of investment in a guest loyalty programme.

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