

ARE LOYALTY PROGRAM MEMBERS MORE LOYAL THAN NONMEMBERS?

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Background and Objectives

Since the airline industry introduced the first loyalty program in the early 1980s (Lacey and Sneath, 2006), loyalty programs are common in many hospitality sectors including hotels, restaurants, casinos, and rental cars (Baloglu, 2002). As one of many relationship marketing tactics, loyalty programs aim to develop repeat purchases by rewarding customers with added benefits such as recognition, preferred treatment, access to special products and services, and incentives (Kivetz and Simonson, 2002; Sharp and Sharp, 1997). They also aim to foster customers' loyalty by building closer and longer-term relationships between the company and customers (Meyer-Waarden, 2008; Sharp and Sharp, 1997; Yi and Jeon, 2003). Meyer-Waarden (2008) suggests that loyalty program members and nonmembers have different purchasing behaviors. Loyalty program members identify more strongly with a company (Oliver, 1999). Furthermore, some research suggests that programs are designed to impact loyalty attitudes and behaviors (Kivetz, Urminsky, and Zheng, 2006; Lewis, 2004; Taylor and Neslin, 2005) empirical research has also shown weak or no significant impact of programs on attitudes or behaviors (Dowling and Uncles, 1997; Sharp and Sharp, 1997).

The aim of this study is to examine customer loyalty in the context of tourism and hospitality systems; particularly to empirically test whether loyalty program members are truly more loyal than nonmembers along customer satisfaction, delight, and loyalty.

Method

To study the role of loyalty program membership, tourism destinations or commercial hospitality businesses were considered. A popular resort in a Midwest destination was selected since they had a long standing loyalty membership program. This membership costs \$10 and is renewed annually (\$5 for renewal fee). A survey was conducted for nine weeks starting in July

2009 via a self-administered online survey (primary survey) using the web-based survey tool, *Qualtrics*, or a paper survey for those with only a mailing address. Subjects were all the guests during the nine weeks with an email address. A random sample was drawn for those subjects with only a mail address in their customer profile with the resort. One week after a stay at this resort, an email or letter by U.S. mail was sent based on the weekly guest records along with an incentive for their requested participation in the research study. One-thousand-six hundred-sixty surveys were completed for a 45% response rate (online survey: 1,573 surveys, 46% response rate; paper survey: 87 surveys, 35% response rate). Data were analyzed using SPSS 17.0 software for descriptive statistics and group mean differences; and structural equation modeling (SEM) was used to test the proposed model.

Results

This research describes hotel guests. A description of the respondents from the online and mail survey showed that the majority of the respondents were female (69%) and the average age was 48 years. Most respondents (82%) were European American/Middle Eastern/White. About 65% of respondents had an annual household income over \$50,000. The average number of people in a household was three and the majority of respondents (70%) resided in Michigan, followed by those living in Ohio (12%), Canada (6%), and other states.

Hotel guests were segmented into two groups using data in the original customer database: loyalty program members (n=815) and loyalty program nonmembers (n=789). Most of the characteristics of these two segments were similar except for employment status and the primary residence; specifically, nonmembers were more likely to be employed full-time and loyalty program members were more likely to be resident of Michigan. On key impact variables, loyalty program members held higher levels of customer satisfaction, and higher level of all four dimensions of loyalty (i.e., cognitive, affective, conative, and action). Two items or aspects of delight had higher levels for members in comparison to nonmembers.

The findings of the model estimation are presented first for members, then nonmembers. Members (in comparison to nonmembers) were found to have a stronger relationship between customer satisfaction and affective loyalty; and affective loyalty and conative loyalty. Nonmembers (in comparison to members) were found to have a strong relationship between customer delight and cognitive loyalty and affective loyalty.

Conclusions and Implications

This study contributes to the body of knowledge on the role of loyalty program membership on customer loyalty toward hotel brands and provides marketing suggestions for the broader tourism and hospitality industry. Future studies might replicate the scales developed in this research and collect additional data to test and further validate the model with different types of accommodations (e.g., business hotel, bed and breakfast) and service industries (e.g., restaurant, airline, cruise ship).

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