



Article Title

The Influence of Reward Program Membership and Commitment on Hotel Loyalty [Summary]

Citation

Tanford, S., Raab, C., & Kim, Y.-S. (2011). The Influence of Reward Program Membership and Commitment on Hotel Loyalty. *Journal of Hospitality & Tourism Research*, 35(3), 279–307. <https://doi.org/10.1177/1096348010382236>

Abstract

This research evaluated the role of reward membership and commitment on switching costs, defined as the price at which consumers would switch to a nonpreferred hotel brand. Online survey respondents were classified by reward tier and two types of commitment: value (reward program benefits) and affective (emotional attachment to brand). The results showed that all reward program members exhibit value commitment but upper tier members are more likely to develop an emotional bond. Participants rated likelihood to switch in response to 20 pricing scenarios that varied base price for the preferred brand and discount for a nonpreferred brand. Value commitment was associated with greater price sensitivity, whereas affective commitment produced less differentiation between prices and discounts. Findings indicate that value commitment and lower tier membership are associated with a utilitarian perspective, whereas high-tier members or those with high affective commitment value intangible benefits and are less susceptible to discounting by competitors.

KEYWORDS: loyalty reward programs; pricing; commitment; switching costs; brand equity

Summary:

The study reveals several implications for hotel decision makers. First, the results suggest that it is easier to attract lower tier reward members and to create high value commitment through discounts and reward program points. Also, reward members

at both tier levels show much higher value commitment than nonmembers, which suggests that managers need to pursue reward membership more aggressively for all customers in order to achieve at least value commitment. To generate affective commitment, the firm must be able to create emotional bonds with their customers. Emotional attachments may be firmly established with higher tier level members by offering extraordinary rewards (such as tickets to the Academy Awards, etc.)

Although high-tier members should be appealed to on an emotional level, low-tier reward members and consumers high in value commitment show in this study that they are highly responsive to value-added benefits such as discounts, and so on. Moving low-tier members to a higher tier level or offering introductory “high-tier level” benefits to nonmembers could establish the foundation for emotional bonds for these customer categories. Alternatively, understanding customers’ motivations and appealing to those factors that are most important to them may be an effective way to establish commitment. The research showed that tier level alone did not produce commitment in all upper tier members, whereas some lower tier and nonmembers were nonetheless emotionally committed to their preferred brand. By finding out what rewards (both tangible and intangible) customers value, hoteliers may be able to provide incentives that are cost-effective yet meaningful at each level of reward membership.

On the other hand, luxury hotels can charge a premium and retain their loyal (higher tier) customers as long as they remain emotionally attached, which should be monitored on an ongoing basis by management. Furthermore, marketing research needs be conducted to inquire about maximum price levels above which this market segment will defect to the competition. Nevertheless, upscale hotels do have the opportunity to use price to attract low-tier members from competitors, whereas economy brands have less of a chance to do so in competitive markets

Conclusion

The research found that commitment is not simply a function of tier level and that different factors are important to different guests. Future research examining demographic and psychographic characteristics of hotel guests could provide further insight into determinants of loyalty and willingness to switch. The current research asked respondents to assume they were on a leisure trip, and the results could be different for business travelers, many of whom travel frequently and are likely to belong to multiple reward programs. The research used major hotel chains

and could be extended to other business segments such as boutique hotels, cruise lines, and restaurants. It would also be of interest to determine if similar relationships between commitment and loyalty exist in non-U.S. cultures and markets. In today's competitive hospitality market, it is more important than ever to understand and build customer loyalty, making this a fruitful area for future research.