

# Brand Loyalty Programs in the Hospitality and Tourism Industries: The Impact of Social Networking Sites

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## Abstract

This research paper is designed to investigate the impact of the current social networking sites on the brand loyalty programs being offered in Indian hospitality and tourism sector. Social networking sites are the latest types of medium that is providing the platform for the millions of its users to connect with each other and share the news and memories. Social networking sites are so much amazing set of platforms that it provides its user's the ability to use it for both leisure and business. This paper will look into the relation of brand loyalty programs and social networking platforms for greater good of tourism and hospitality industry. The idea of brand loyalty programs is that it wants to strike the balance between the two components of what the clients want and what these clients are being offered in return of their continued service's as rewards.

Design – The paper will look into four broad areas from the loyalty factor under discussion, namely: loyalty program, loyalty cards, guest data base and value for guest and for implications of social networking we will look into the positive and negative ways how this affect the marketing, this will be discussed under the consumer behavior, effectiveness in terms of time and cost, creating brand awareness and building the image of the company.

Approach and methodology – This paper provides the review of the research conducted in the field of hospitality and will create a novel insight into the concept of brand loyalty in relation with social

networking on hotels. The work undertaken in this approach will work as the contribution and facilitate the options in research in loyalty programs being used in hospitality and tourism sectors.

Research findings and originality – The loyalty programs base is usually considered to be as the level of satisfaction towards a hospitality facility offered but these are not the factors involved in this research and its findings. Research in this paper will focus on the use and relation of social networking sites blended to bring out the best for these loyalty programs and help hotels and other service sectors in India. The paper develops around the well acceptance of hypothesis: Properly designed and organized loyalty programs by hotel brands with sufficient backing of social networking sites will help create and improved approach towards clients, which will in turn bring out higher results in terms or profitability and increased guest satisfaction in the services rendered.

Keywords: hospitality industry, loyalty programs, social networking sites, service quality, guest satisfaction

## **Introduction**

Many hospitality firms are having difficulty increasing their market share because of rising international competition, slower growth rates, decreased population growth, and oversupplied and mature markets. Over the last two years, national hotel occupancy in the USA declined modestly, to 64.5 percent in 1997. A record 1,480 new hotels opened, and new records are expected to be set in the coming years (Ford, 1998, p. 59). As a result, an increasing number of hotel firms are pursuing fewer new customers. Under these circumstances, a large share of any firm's resources must be devoted to present customers. Firms may increase sales and their market shares by decreasing prices, expanding their distribution channels, launching promotional campaigns, and retaining their current customers (Cravens, 1994). However, customer loyalty would be a more profitable approach because as a mature industry, the hospitality business must pursue market-share gains, rather than market-growth gains (Jarvis and Mayo, 1986).

When customers are lost, new ones must be attracted. However, replacement comes at a high cost. Capturing new customers is expensive because of advertising, promotion and sales costs, and start-up operating expenses (Reichheld, 1996) in his book, *The Loyalty Effect*, argues that in businesses like auto and life insurance and credit card firms, attracting new customers often costs approximately five times what it costs to retain current customers. If companies knew how much it really costs to replace customers, they would make more investments to retain them. For example, credit card companies spend an average of \$51 to recruit a customer and set up the new account (Reichheld, 1996). It costs less to serve loyal customers because familiarity with the company's products and services makes customers less dependent on its employees for help and information. A satisfied and a loyal customer can contribute a great deal to the bottom line of any company. The purpose of the paper is to study the importance of

brand loyalty and to determine the factors that can contribute to brand loyalty of the hospitality brands. This paper then tries to provide the strategies for hospitality managers for improving brand loyal customers.

### **What is a brand and why is it important?**

A brand is the product or service of a particular supplier, which is differentiated by its name and presentation, such as Marriott or Hilton for a hotel company. Many hotel and restaurant chains seek to create and fulfill the expectations of specific groups of customers. They want to leave their mark on a given field (e.g. Ritz Carlton for an upscale hotel) and set their imprints on a product or service (e.g. Disney's creative theme park concept). Brands introduce stability into businesses, help guard against competitive imitation, and allow consumers to shop with confidence in an increasingly complex world (Aaker, 1991). Once customers have made a decision about a brand and its associations, they are often loyal to that brand, continue to buy it in the future, recommend it to friends, and choose the product over others, even those with better features or lower prices (Assael, 1991). Brands are natural barriers to new competitors because branding reduces consumer risks associated with the purchase of products or services. Thus, they support premium prices and sustain increasing revenue because of the consumer tendency towards long-term brand loyalty (Ehrenberg et al., 1990).

### **Brand loyalty:**

Brand loyalty has been described as a behavioral response and as a function of psychological processes (Jacoby and Kyner, 1973). That is, brand loyalty is a function of both behavior and attitudes. Repurchase is not sufficient evidence of brand loyalty the purchasing practice should be intentional. Brand loyalty includes some degree of commitment toward the quality of a brand that is a function of both positive attitudes and repetitive purchases. Generally, more than one brand is offered of the same product within a given product category, and a buyer has to choose one of these brands at the moment of purchase. Today, many products and services are sold as branded products and services; this shows the great confidence placed in the effectiveness of branding. In general, the brand chosen at many previous purchases has a high probability of being bought again on subsequent occasions (Reichheld, 1996). Holiday Inn was one of the first to introduce a branded service to the hotel business. By using the brand name to assure travelers of uniform service standards, experience, and consistency, Holiday Inn was able to capture a repeat customer base. To attract different market segments and respond to a variety of customer needs and budgets, Holiday Inn extended its product line from economy (Holiday Inn Express) to upscale (Crowne Plaza). This branding strategy helped Holiday Inn increase occupancy and revenue as some of the lodging segments have become saturated (Seacord, 1996).

**Factors contributing to brand loyalty:**

In order to increase the brand loyal customer base a hospitality firm should explore the factors that create brand loyalty. Then, tactics or strategies need to be developed and implemented by all levels and functions of the organization. For each customer, the reason for brand loyalty may be different. However, loyal customers generally show these common behaviors: making repeat purchases, trying other product lines of the company, showing resistance to the pull of the competition, giving referrals, providing publicity, and serving on advisory boards (Bowen and Shoemaker, 1998). The following paragraphs summarize the factors that create brand loyalty.

**Awareness:**

The first step toward loyalty begins with the customer's becoming aware of the product (Aaker, 1991). At the awareness stage, a potential customer knows that the brand exists, but the bond between a customer and the product is low. At this point, a brand-name may provide the awareness of the product because brand names offer value to the consumers by helping them interpret, process, store, and retrieve large quantities of information about products (Aaker, 1991). Awareness can be enhanced in a variety of ways such as advertising, direct mail, trade press, word-of-mouth communication, and promotion activities (Grover and Srinivasan, 1992). The more the customer is aware of the product, the greater the possibility that she/ he will purchase the product. Hospitality companies need to expose their products to more consumers to create and increase brand-loyal consumers who will buy their product wherever it is available. The more places the customer can buy the product, the more often that customer will become a new customer of the same product in another marketplace (Lewis et al., 1995, p. 655). Holi-day Inn benefits from being the number one chain in terms of size in the USA dominating 34 percent of the business-travel market (Aylsworth, 1996)

**Image:**

One of the first steps in maintaining customer brand loyalty is to build and sustain a positive brand image. A strong brand image is important to brand owners because the brand name distinguishes a product from the competitors' products. The image includes colors, symbols, words, and slogans that convey a clear, consistent message and not simply the name (Berry et al., 1988). The brand image plays an important role in product choice because consumers attempt to reinforce their self-image by buying products that are congruent with their self-image. For example, a consumer may drive an Alfa Romeo rather than a generic brand because the Alfa Romeo reflects the style and flair that the consumer sees in his or her personality. The consumer may perceive that one brand is more desirable than its competitor's solely because of the difference in image ( Schiffman and Kanuk, 1991).

## Perceived quality

A brand should represent a credible guarantee of quality to the consumers (Aaker, 1991). Once the consumers are persuaded that the brand offers what they expect, they stay with the brand. Brand names provide a symbolic meaning which assists the user in the recognition and decision-making process. A consumer will choose a familiar name because brand names carry higher perceived quality. Brands generally deliver the quality they promised. Customers feel comfortable with brand versus unbranded products. That is why brand-leading products consistently command a 10-to-15 per cent price premium over their competition (Elliott, 1996). Customers may also see this price difference as a quality indication.

## Innovation

Innovation allows the brand to remain up-to-date and demonstrates an unceasing attentiveness to the changes in customer taste. To keep pace with changes in the marketplace companies should meet and exceed customer needs and wants. Studies show that successful new brands are typically more distinctive, novel and superior in comparison to established brands ( Nowlis and Simonsen, 1996). When companies make innovations to their products they have to consider customers' perceptions and attitudes. Customers may not approve the new ideas or products. If new additions or products, are so different from the existing core product, consumers may not make the proper connection between the new product and the mature brand, and thus may not transfer the brand's positive attributes to the new product (Aaker and Keller, 1990).

## Satisfaction

The relationship between satisfaction and brand loyalty has been observed in several studies. Fornell (1992) examined 27 different businesses and found strong correlations between satisfaction and loyalty (e.g. 0.66 for television broadcasting). Fornell further found that loyal customers are not necessarily satisfied customers, but satisfied customers tend to be loyal customers. Highly satisfied customers are much more loyal than satisfied customers any drop in total satisfaction results in a major drop in loyalty (Jones, 1990). Xerox conducted a study for satisfaction using a five-point scale: 5 (highly satisfied) to 1 (highly dissatisfied).The relationship between the scores and actual loyalty differed greatly. Customers giving Xerox fives were six times more likely to repurchase Xerox equipment than those giving fours ( Reichheld, 1996).

## The meaning of social media:

Social media engenders a number of different terms, many of which are used interchangeably, leading authors to concur that the terminology continues to elude sure definition (Cox et al., 2009; Dippelreiter et al., 2008; Fotis, Rossides & Buhalis, 2010. Terms include *social media*, *user-generated content* (UGC),

consumer generated media (CGM), online social networks (OSN), social networking sites (SNS), Web 2.0 and Travel 2.0. O'Reilly (2005) is attributed with coining the term Web 2.0 (Xiang & Gretzel, 2010). Blackshaw, (2006) and more recently Kaplan and Haenlein (2010) have been influential in shaping the terms consumer generated media and social media. Yet, the definitions remain blurred and the technologies to be included under the umbrella of Web 2.0 are still debated (Dippelreiter et al., 2008). A more ideological concept of social media encompasses the idea of allowing many users internet access for sharing, collaborating, and updating web content. This ideology is rooted in community – users may engage, collaborate and share with others in real time (in the case of virtual and mobile technologies) without constraint of time or geography. O'Reilly (2005) references the internet as a conduit for participation, a consumer-driven medium with ubiquitous reach. The model is one whereby the collective power and collective intelligence drive business – as opposed to government, academia, or commercial enterprise. In other words, content becomes more visible and more powerful with volume.

The notion of “community” has generated a number of different terms including online community, virtual community, virtual worlds, virtual presence, virtual reality, and virtual worlds. Rheingold (1993) is attributed with coining the term virtual community, and formulating the context for social networking. Drawing from sociological and anthropological sources, Rheingold studied different aspects of community and its evolution into worldwide networks. He defines virtual communities as “social aggregations that emerge from the Net when enough people carry on those public discussions long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace” (Rheingold, 1993: X).

Social media generally refers to web applications that allow for the user to post and share content. Common social media applications include Facebook, Twitter, Flickr, and MySpace. Some authors have attempted to classify social media types. For example, Kaplan and Haenlein (2010) organize them into six types: blogs, social networking sites, virtual social worlds, collaborative projects, content communities, and virtual game worlds. Similarly, Fotis et al. (2010) organize social media into four domains: expressing, networking, sharing, and gaming.

User generated content (UGC) is the means by which people use social media; the way they share ideas and collaborate. Examples of the content include the actual photos, blogs, micro blogs and videos that users share publicly. Another term arising out of the literature is consumer generated media (CGM) defined by Blackshaw (2006: p. X) as “media impressions created by consumers, typically informed by relevant experience, and archived or shared online for easy access by other impressionable consumers.”

## Underlying theories and concepts

To address the elusiveness of social media terminology, a number of theories and concepts have been related to its understanding. Kaplan and Haenlein (2010) created a classification scheme based on the theories of media richness, social presence, and social processes (self-presentation, self-disclosure) – what they argue to be the foundation of social media.

The theory of social presence suggests that the higher the degree of social presence, the greater social influence communicators have on one another's behavior (Kaplan & Haenlein, 2010). Social presence, in the online environment, is gained by media richness. Media richness theory (Daft & Lengel, 1986) assumes that the goal of any communication is the “resolution of ambiguity and the reduction of uncertainty” (Kaplan & Haenlein, 2010: 61). Media differ in the degree of richness they possess, resulting in some media being more effective than others (Kaplan & Haenlein, 2010).

The theory of self-presentation and self-disclosure is also relevant here – virtual worlds allowing for high levels of social presence and self-presentation (for example, with an avatar one can present oneself physically in almost any way one wishes). In the context of a virtual world the user can mimic the face-to-face world, and beyond. In terms of self-presentation, in the real world one will try to reveal information which is consistent with the image one gives. In the virtual world the user can project a certain image by how they communicate, and, by whatever physical image they wish. How images in a virtual world influence propensity to travel is complex, and requires much further research to comprehend.

Social media is not just for social interaction, but most probably becoming the best form of promotional campaign for all the hospitality establishments wherein they can review all the comment and opinion that will help in improving their services to satisfy customers. One good thing that social media can provide is that customers no longer need to go at a certain place or destination before deciding whether to stay or not.

## Conclusion and recommendation:

WhatsApp, Twitter, YouTube, Blogs etc. social networking sites which are frequently used by the common people and hospitality industry. Social media applications served as a linkage to provide the information easily for the tourism organizations with a lower cost. The main problem encountered in using social media is that, customers' opinions, thoughts and expressions are not well presented which leads to bad impressions and sometimes unfair criticism. Action plan was proposed to address the problem encountered in using Social Media.

Social media application users can utilize filter information's against spammers to reduce unnecessary messages. The hospitality establishments must conduct meeting with their employees regarding rules and

regulations on the use social media and how it may affect the company's reputation in the future. The establishment should implement strict rules that will protect the company by keeping them informed and posted with all the guidelines using social media in regards with the company's privacy policy. Tourism industries may continuously use social media as their promotional tool but at the same time they should be ready for any problems that may arise. Future study may also be conducted using other variables to further confirm the result of this study.

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