

DEVELOPMENT OF LOYALTY PROGRAMMES IN THE HOTEL INDUSTRY

Review

Marina Laškarin

Received 26 June 2012

Revised 29 July 2012

10 November 2012

25 May 2013

Abstract

Purpose – In the very beginning when loyalty programmes were being developed, hoteliers were mostly involved as partners of airline companies. However, once they realized the obvious numerous advantages that airlines were gaining, hoteliers began to design their own loyalty programmes. The idea of a loyalty programme is to strike a balance between what guests want and what is offered to them as a reward, and to find other programme partners whose services guests will also use. This paper will look at the basic tenets of loyalty programmes in the hotel industry, the methods of keeping records about guests, and the necessity of creating, structuring and managing guest databases.

Design – Four main areas are discussed, namely: loyalty programme, loyalty cards, guest database, and value for guest. The structure of the paper follows this classification.

Approach and methodology – The paper is theoretical; it provides review of previous research and gives novel insights into hotel loyalty programme. Various kinds of loyalty programmes are analysed with emphasis placed on loyalty programmes that have emerged based on the differentiation of guests with regard to price policies. This approach is regarded as a considerable contribution to further research into loyalty programmes in the hotel industry.

Research findings and originality – While being a major precondition to guest loyalty towards a hospitality facility, guest satisfaction is not the only factor involved. Varying degrees of satisfaction and differing reactions to a specific service create discrepancies between less or more loyal guests regarding the same service or product. Research in this paper focuses on guest loyalty in the hotel industry, that is, on a long-term relationship based on loyalty and trust between a hotel and its guests. The paper's basic hypothesis is accepted: Well-organized hotel loyalty programmes can help to create an improved approach to guests, from which will result a higher level of satisfaction with services rendered.

Keywords hotel industry, service quality, loyalty programme, guest satisfaction

INTRODUCTION

The increasingly fierce competition among hoteliers has imposed the need for devising strategic preconditions for handling data concerning the consumers of hotel services. Moreover, recent advances in information technology have provided tools for marketing managers to create a new generation of CRM (*Customer Relationship Management*) tactics. One such tactic, which the guest is the focus of attention, is the loyalty programme.

When applied in mass consumer markets, loyalty programmes are often perceived as being part of a marketer's repertoire of promotional tools, fostering repeat purchase rather than attitudinal commitment, indicative of a short rather than long-term relationship orientation (Bridson, Evans and Hickman 2008, 364).

Rayer (1996, 8) defined a customer loyalty programme as a "...mechanism for identifying and rewarding loyal customers", usually by rewarding points according to the amount spent.

Sharp and Sharp (1997, 474) define loyalty programmes as a structured marketing effort which rewards, and therefore encourages, loyal behaviour, behaviour which is, hopefully, of benefit to the firm.

Developed hotel corporations, leaders in their branch, have long since designed guest loyalty programmes. The primary aim of these programmes is to collect and record various data about hotel guests. When all data in the information system have been adequately processed, they become a competitive advantage in designing various types of programmes that focus on present and future guests.

This variety of loyalty programmes requires taking a new approach to marketing philosophy called "one-to-one marketing". The modern application of information and communication technologies ensures that a great amount of data concerning a multitude of guests will be updated on a daily basis and used to raise the level of quality of all basic and supplementary services.

According to Nemeč-Rudež (2010, 101), loyalty programmes are a "step beyond frequency programmes, and they help to develop advocates of a company in the marketplace".

Today's hotel guests are more informed, better educated and more discerning. Their expectations are ever greater, turning the traditional syntagma "*value for money*" into "*more value for less money*". A method that may help in satisfying the ever greater demands of guests involves creating loyalty programmes.

For hoteliers, designing, implementing and monitoring such loyalty programmes implies changes in organizational structure and also in organizational culture. Namely, those hoteliers who have begun developing and implementing loyalty programmes have seen an increase in their organizational values. The organizational climate has also improved thanks to the growth of the competitive spirit among service providers, as well as among collectors of various data concerning guests.

A market-oriented organizational culture helps to create the preconditions by which the use of loyalty programmes will enable hoteliers to focus more heavily on tourism demand, in particular on studying the basic characteristics and specifics of tourism demand.

1. BASIC CHARACTERISTICS OF A LOYALTY PROGRAMME

A hotel product is, in essence, a service as experienced by a guest (Nagadevara 2008, 487). Expectations formed on the basis of market information, as well as on one's own previous experiences and the experiences of others, represent a standard against which guests evaluate services. Satisfaction can be defined as a positive experience, reached by comparing the expected with the perceived, keeping in mind that various levels of satisfaction exist.

The guest may be dissatisfied, satisfied or delighted (Table 1). These attitudes were defined as being all the intentions and predispositions created from previous purchases which create loyal behaviour (Hikkerova 2011, 153). Efforts should focus on delighting guests, because this ensures a greater probability of positive word-of-mouth and hotel loyalty.

Table 1: Relationship between service quality and guest expectations

SERVICE<EXPECTATION	GUEST DISSATISFACTION	There is no likelihood that guest will be loyal.
SERVICE=EXPECTATION	GUEST SATISFACTION	There is a likelihood that the guest will become loyal.
SERVICE>EXPECTATION	GUEST DELIGHT	The likelihood of a delighted guest becoming loyal is greater than the likelihood of a satisfied guest becoming loyal.

Source: Author

The increasing sophistication of guest demands coupled with increasing market competition has posed a new challenge to hotel managers for seeking ways to understand the most influential factors in guest satisfaction and loyalty (Kandampully 2000, 346).

A research, conducted by Cherubinini (1997), shows that only 4% of unsatisfied guest complains to the business explaining the reason of their dissatisfaction, and each guest who doesn't officially complain generates a negative WOM which can involve also 1000 people. Hence, both exploring the importance for guest of single attributes in hotel selection and to systematically survey their level of satisfaction are indispensable (Dominici 2010, 5). The main purpose of guest satisfaction and guest loyalty measurement is to provide information and to enable communication with guest (Marković, Raspor, Šegarić 2010, 129). Hoteliers usually measure satisfaction using questionnaires in context of service quality measurement. However, questionnaires should represent only additional way to determine potential deviations from knowledge which hotel already poses in their databases. If loyalty programme is accepted as early warning system coordinated with data bases and emotional integrated interface for tracking on-line opinions, solving guest problems may be achieved at real time (while guest is still in hotel). Therefore, conditions for guest delight and retention are higher.

Assuming that repeat visits and positive word-of-mouth are considered the main indicators of loyalty, it is necessary to create loyalty programmes (fidelity, dedication and loyalty programmes) that can be defined as a system of marketing moves, whose aim it is to attract potential guests and make repeat guests even more loyal.

The first programme for awarding loyalty was launched in 1981 when American Airlines initiated the Frequent Flyer Programme "AAdvantage". When implemented, the programme was intended to establish groups of loyal customers, who would prove to be more loyal than non-members (Gjivoje 2008, 1).

The Holiday Inn was the first to initiate such a programme in the hotel industry, followed in 1983 by the Marriott hotel corporation with its Honoured Guest Programme. It was the first programme that not only awarded points for overnight stays in the hotel, but also awarded its guests for spending by giving points for each dollar spent on any service inside the corporation.

To this day, the reward system has remained unchanged. What has moved on, however, is the way guests perceive value and the time needed for its evaluation. Omnipresent modern ICT, fierce competition among hotels, and guest-acquisition orientation have made guests more susceptible to prices and less loyal.

The era of one-sided media advertising is over. The value of information is determined by the general opinion of the public, and the possibility of attracting guests with lower prices and lower value is no longer sustainable in the long term. Assuming that good-quality primary services already exist, greater long-term effects can be generated only by providing to guests supplementary value, which is also exceptionally important in building loyalty.

Once a hotel loyalty programme has been designed, it must be introduced to hotel guests. The way in which the programme is presented to guests must adhere to the four main attributes of any promotional or advertisement message. Known under the acronym AIDA (**A**ttention, **I**nterest, **D**esire, **A**ction), this system emphasizes the psychological rules that should be kept in mind when making an advertisement or promotional message (Galičić and Ivanović 2008, 15).

The need of attracting potential guests is just as important as the need of keeping and increasing the number of repeat guests through the loyalty programme. While stores, gasoline stations, telecommunication companies and banks intensively use various means for attracting potential clients to their loyalty programmes by way of advertisements and newspaper articles, hoteliers have fallen behind in this respect. In this matter, they are more focused on reactive measures (identifying the problem and finding ways to correct it), than on proactive measures. Such an outlook can cause a number of adverse effects, such as market loss due to lagging behind in terms of time, slow adjustment to emerging situations in the marketplace, etc.

Almost every industry has developed card issuance systems that offer card members various types of deals, discounts and incentives. These cards represent only one way of attracting the consumer's attention. Point-based hotel programmes also issue loyalty cards, which are considered the main means of attracting members and which aim to tie guests more closely to a hotel or hotel company.

Issuing loyalty cards in the hotel industry has the following objectives:

- to acquire new guests
- to increase the guest-retention rate
- to gather guest data
- to increase turnover in all parts of the hotel
- to improve the hotel's image and publicity
- to rise above competitors.

Most loyalty cards in the hotel industry today are products of large hotel corporations that boast developed programmes and systems for attracting members:

- Accor – Favourite Guest Card
- Hilton – HHonours
- Hyatt - Hyatt Gold Passport
- Starwood – Starwood Preferred Guests.

In contrast to the independent hotels, this approach represents good examples of various corporate programmes with other countries in which a hotel group is located. Generally speaking, the larger the area of accruing and redeeming points within and without a hotel group, the more successful the loyalty programme. For example, a guest who has accrued points in hotel X of group Y can redeem his/her points in hotel Q of group Y, and vice versa. Unfortunately, most hotels in Croatia are independent, and control organizational culture is a common practice (cost-orientation; managerial focus on what is happening inside the hotel; centralized planning, organization and control functions, etc.). If a loyalty programme lacks the ambition to open up and connect with a destination, it cannot provide loyalty. Moreover, to gain a guest's loyalty, a loyalty programme should not be the only thing a hotel has to offer its guests. The aim of the programme is not only to attract a large number of members, but to gain guest loyalty, which is based exclusively on guest satisfaction.

2. DEFINING AND USING GUEST DATABASES

For a hotel to provide quality service, it is necessary for all its parts to be linked together by a well-designed, integrated information system that would enable a hotel to collect and use all relevant information concerning guests and hotel operations. By building such a database, a hotel will be able to rapidly search for data about the individual needs, wants and habits of guests segmented according to a variety of criteria (Table 2).

Table 2: Example of keeping guest data by Point of Sale (POS)

Data classification criterion	
1.	Guest category by pricing policy (individual, group, allotment or congress guest)
2.	Amount spent
3.	Individual preferences by type of service
4.	Demographic characteristics
5.	Frequency of stay
6.	Consumer habits
7.	Complaints, comments and grievances
8.	Commendations and suggestions

Source: Author

At the same time, a database is a tool that helps a hotel to make preparations prior to a guest's arrival, monitor the guest during his/her stay and maintain good post-stay relations with the guest. Through the application of the methodology defined for collecting, processing and using data, such information provides greater assurance that a service was, or will be, rendered properly in accordance with the individual preferences of each guest.

To carry out such activities, a hotel's management must be well organized, and motivated staff is needed who will update the database in a regular and timely manner.

A well-designed guest database that takes into account various guest profiles makes it possible to get the information needed from one spot. The research of Bowen and Shoemaker has led them to conclude that a good database can help to increase loyalty. Their conclusion is based on the following (Shoemaker and Lewis 1999, 363):

- 57.7% of their sample reported they would be loyal to a hotel that used prior information to personalize services (only 24.3% reported that hotels in which they stayed had provided such services).
- 44.7% reported they would be loyal to a hotel that could make the check-in process more rapid.
- 33.7% said they would be loyal to a hotel whose staff called to ask whether they would be interested in booking a room because almost all hotel rooms have been sold in the period when the guest usually stays at the hotel.
- 38.3% said they would like to be recognized when they arrive at a hotel.

There are not many industries that have such a high level of interdependence as the travel industry and hospitality (Kotler, Bowen and Makens 2010, 12). There are different types of loyalty cards which can be used to accrue points through a variety of cooperation programmes in diverse places and with partners who are not in competition. Bringing together complementary partners in a loyalty programme can be lucrative not only for a hotel, but also for the destination and for the partners involved. Partners may vary. For example, they can be restaurants, museums, zoos, travel agencies, carriers, taxi companies, etc. This diversity of partners calls for price harmonization, joint promotion and joint distribution of the loyalty programme. For

example, points accrued in hotel X can be redeemed for services in restaurant Y, and vice versa.

Added value for guests through loyalty cards is created through three functions. These are (Haley 2009, 3):

1. the credit function and the payment function
2. discounts and bonus programmes
3. gifts and surprises.

Non-cash payments with low interest rates and by instalments are also possible with loyalty cards. An example of such a pay-back programme is a card that can be used multiple times within the framework of one of the programmes provided. The primary function of the programme includes discounts and bonus programmes (for example, one point for every dollar spent), gifts and surprises (fidelity gifts, welcome gifts, birthday gifts, etc.). It should be noted, however, that the most important element in providing added value is a well-developed database that enables rewards to be handed out promptly, reliably and effectively.

Card issuance without an efficient monitoring system in place does not provide a solid platform for loyalty card management. Objectives should focus on issuing a unique loyalty card that will make the guest's stay at a hotel as simple as possible, while enabling hoteliers to keep a simple and quick record of services consumed. Such a card should incorporate the following functions:

1. payments
2. point accrual
3. point redemption
4. recognition through a guest history card.

Long used as a method of gathering data concerning existing guests (who have stayed at a hotel more than once), today the guest history card still has a wide application in combination with new, improved information systems. Past research concerning future preferences indicates that future hotel guests will want all functions for creating added value to be united, but what they primarily expect is simplicity, multi-functionality and effectiveness.

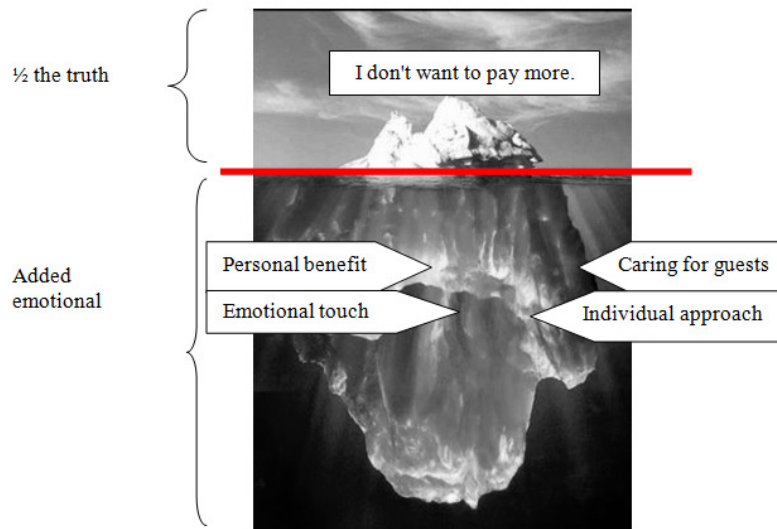
3. ADDITIONAL CONVENIENCES AND VALUE FOR GUESTS

A loyal hotel guest is a guest who consistently selects one specific hotel from a range of other hotels to choose from. To make their guests loyal, a hotel foremost needs to focus its marketing efforts on its existing guests. Retaining guests is one of the key elements in achieving guest loyalty. Retaining repeat guests has a two-fold advantage, from the perspective of both:

1. marketing costs, and
2. pricing policies.

Guests who are loyal rank value first and price, second. Recent studies have shown satisfied guests as being less price-sensitive and willing to pay a higher price for benefits they are sure to receive. Assuming a hotel has succeeded in matching the expectations of loyal guests, these guests will not be as sensitive to prices as potential guests would be. This is evident in the so-called tip-of-the-iceberg phenomenon, illustrated in Figure 1.

Figure 1: **Tip-of-the-iceberg phenomenon**



In other words, when more attention is dedicated to guests, they will be willing to pay more for quality products which they know they can trust (Glivoje 2008, 13).

Figure 2 demonstrates the possible relationship between a hotel and its guest, assuming the guest is already aware of the hotel's loyalty programme. The grid provides an overview of the various types of programme members. Targeted marketing efforts (in compliance with individual needs) should be made to steer programme members towards a higher level of loyalty, depending on their characteristics. Hence, the aim is to turn bargain hunters into frequent guests, frequent guests into potentially loyal guests, and potentially loyal guests into loyal ones.

Figure 2: Degrees of guest loyalty, by level of profitability and frequency of stay

Level of profitability	Frequency of stay	
	LOW	HIGH
HIGH	<p>POTENTIALLY LOYAL GUESTS</p> <ul style="list-style-type: none"> Members of a number of loyalty programmes Need to be encouraged through relationship marketing. 	<p>LOYAL GUESTS</p> <ul style="list-style-type: none"> Members of one loyalty programme. CRM plays a vital role (maintaining relations with key clients).
LOW	<p>BARGAIN HUNTERS</p> <ul style="list-style-type: none"> Price sensitive. Are on the lookout for bargain (group discounts). Very small chance they could become loyal guests. 	<p>FREQUENT GUESTS</p> <ul style="list-style-type: none"> Price sensitive. Might be motivated if the advantages they could gain by becoming members of a loyalty programme were pointed out to them.

Source: Author

By improving their reward schemes and introducing guest-friendly rules, hotel loyalty programmes have become one of the major reasons why guests select a specific hotel. The four main reasons for choosing a hotel are:

1. location
2. price
3. past experience
4. loyalty programme.

Such a conclusion was reached by the experts of Market Metrix¹, who have also developed a programme called “Loyalty Programme Effectiveness” to evaluate the success of a loyalty programme. This measure determines the percentage of guests whose main reason for choosing a hotel was their membership in the hotel’s loyalty programme.

Table 3 presents the percentage of loyalty programme members who responded with “Very important” to the question: How important was this loyalty programme in your decision to choose the XY hotel brand?

¹ Market Metrix is a leading firm for feedback solutions for the hotel industry, and it encompasses more than 100 hotel enterprises in 70 countries.

Table 3: Overview of guests/members of loyalty programmes of hotel companies

	Hotel company	2009	2010	2011
		in %		
1.	Hilton	34.6	35.8	39,2
2.	Starwood	31.8	35.4	37,7
3.	Marriott	35.0	36.2	35,2
4.	Choice	26.8	24.8	26,0
5.	Intercontinental	25.8	23.6	25,4
6.	Hyatt	17.0	21.3	21,0
7.	Wyndham	16.5	14.9	13,5
Total hotel industry		32.7	34.5	34.5

Source: www.market.metrix.com (27.02.2012)

The data in Table 3 show that the Hilton hotel chain has the most effective loyalty programme considering that in 2011 no less than 39.2% of Hilton HHonours programme members reported this programme as being very important in their decision to choose the Hilton hotel chain.

The Starwood Preferred Guest programme has seen the greatest increase relative to the year 2009 (+5.9%). The entire hotel industry has also recorded a slight growth relative to 2009. Such a trend indicates that loyalty programmes have managed to stay popular despite having kept the same principle of accruing points over the past 30 years. Indeed, the role of loyalty programmes is becoming increasingly important, and loyalty programmes are listed among the four primary reasons for choosing a hotel brand.

Most hotel corporations find that the return on assets invested in getting existing guests to rebuy is greater than that of assets spent on acquiring new guests. So, the result of a 5% increase will be a 25% to 45% increase in profits (Kotler, Bowen and Makens 2010, 21).

According to research conducted by Paul Brown at McKinsey & Company, the repeat-guest segment generates revenue amounting to 40 - 50 billion dollars (Kotler, Bowen and Makens 2010, 21). These guests spend only a part of their money in the hotels they prefer. This is the result of the growing number of loyalty programmes per individual guest.

Persuading guests to become members of one or two of these programmes can contribute towards a significant increase in revenue. To achieve this, efforts should focus more heavily on repeat guests and on making hotel loyalty programmes even more appealing to such guests. The ability of a hotel to retain guests depends upon the consistency with which it can deliver quality, for example, by rewarding longstanding members with even better conveniences and additional services. This entails categorizing guests into segments and understanding guest behaviour in each segment. Differences should be viewed based on individual persons, as well as on demand, considering that the structural analysis of demand heterogeneity is based on individual opinions, wishes, habits and financial means (Galičić and Laškarin 2011, 42).

A hotel product is a complex product, and it is a function of all tangible and intangible services. The way in which guests perceive the quality of such services will depend upon each individual segment relative to the price of services.

In other words, to a greater or lesser extent (depending on how satisfied they are) guests will always compare a perceived service with its price. A variety of different hotel services can help to attract guests. What must be kept in mind is the quality of each individual item that could contribute to enhancing the quality of all services, taking into consideration their prices. Price is a crucial segment, and in most cases it takes on the role of a set of scales, making it all the more important to strike a balance between diverse services, the quality demanded and prices. A proportional increase in the number of supplementary services will proportionally increase the risk of not providing quality services that match guest expectations.

The below equation demonstrates how quality can be determined for each individual guest. It can be used to calculate the average rating of rendered and perceived services (Abbott and Lewry 1999, 78):

$$Q = \frac{\sum (Lo + Ame + Co + Amb + Ss + Ts + Ho)}{P}$$

In which:

Q = Quality

Lo = Location (sea, city, mountain...)

Ame = Amenities (bathroom, TV, swimming pool)

Co = Comfort (warmth, tranquillity, cleanliness, comfortable bed...)

Amb = Ambiance (furnishing, equipment, music)

Ss = Supplementary services (parking, concierge, room service...)

Ts = Timely service

Ho = Hospitality

P = Price

Such an equation makes it possible to set apart the elements of a hotel product relative to the element Price. Each element of the hotel product can be allocated points for:

a) individual elements of quality:

3 = quality greater than expected

2 = quality expected

1 = quality less than expected

b) prices:

3 = I paid more for less value.

2 = I received value for money

1 = I paid less for more value.

For example, if a guest staying at hotel X gave the following ratings:

$$Lo = 2, Ame = 2, Co = 2, Amb = 3, Ss = 3, Ts = 2, Ho = 3,$$

it would follow that:

$$Q = \frac{17/7}{P} = 2.4$$

Guests expect the perceived value of a service to exceed the perceived price, or at least to be equal to it. The lower the price (numerator), the higher the average of perceived value, and vice versa. In other words, the ratio of price and perceived value is inversely proportional.

It is important to point up, when needs and expectations become *the standard* against which organization measures its efforts, guests will find their expectations constantly exceeded. And they'll respond in wonderful way-with loyalty (Whiteley 1993, 59).

4. TYPES OF LOYALTY PROGRAMMES

Loyalty programmes can be classified in a variety of ways:

1. by the frequency of stays
2. by the number of points accrued,
3. by how the programme is used (for example, awarding bronze, silver or gold cards with regard to the frequency of stays and the number of points accrued), etc.

The upside of point-based loyalty programmes can be seen in the following:²

1. They are voluntary (Guests are free to choose whether they want to become a member and share their personal data).
2. They are easy to understand (Having accrued a specific number of points based on overnights or spending, guests can redeem their points for a variety of tangible and intangible rewards).
3. They are simple (Assuming the existence of a well-designed information system, point-based loyalty programmes are directly linked to a database).
4. They are effective.

On the other hand, there is also a downside to loyalty programmes:

1. The structure of a loyalty programme can easily be copied.
2. It is not possible to effectively measure one's own results.
3. It is not possible to distinguish loyal guests from so-called programme bargain hunters.

In addition to positive and negatives aspects, loyalty programmes also provide advantages (Table 4) which can be realized through the adequate involvement of managers and production/service staff as a whole.

² According to Market Metric, 34% of hotel guests reported that a hotel's loyalty programme was the main reason for their decision to stay in that hotel.

Table 4: Advantages of loyalty programmes

Feature	Description
INDIVIDUALITY	Each guest needs to see him/herself in the loyalty programme.
COMPETITIVENESS	It must provide an answer to the question: <i>Why should a guest want to join a loyalty programme?</i> The benefits of a loyalty programme need to be easy to explain, simple and easy to remember.
INTERESTING	A hotel has only a few seconds at its disposal in which to make an impression on a guest.
EFFECTIVENESS	A loyalty programme should provide true value to guests.
FLEXIBILITY	Points can be redeemed in a wide variety of ways (for example, points can be exchanged to pay for services, or there is a possibility of exchanging points with the longest possible redemption period).
PROMOTABILITY	The programme needs a resounding name and motto (taking into account the AIDA principle). Employees also play a vital role in providing information to guests, and they need to know everything about the programme and related news. Fostering a competitive spirit helps to generate employee satisfaction and excitement in efforts to attract guests (for example, rewarding employees who have recruited the largest number of members).

Source: Author

Loyalty programmes based on guest types relative to pricing policies (the price achieved) can rarely be found in the hotel industry. Hence, the classification in Table 5 of loyalty programmes – from a perspective that has been poorly researched – is considered as being the scientific contribution of this paper.

Table 5: Loyalty programmes by types of guests

Guest type relative to the price policy	Characteristics
INDIVIDUAL GUEST	The term <i>individuality</i> is associated with the individual needs, wants and habits of guests. Knowing the individual preferences of guests is vital in one-to-one marketing (attracting individual guests based on knowledge of their specific needs). Without a well-kept database, most guests seem nondescript and homogeneous.
ALLOTMENT GUEST	Guests staying at hotels through travel agencies and signed allotment contracts pay the lowest prices relative to group and individual guests. Allotment guests are often underestimated and are considered as being the most disloyal type of guests. In other words, their loyalty is doubtful because they have gone through a travel agency, and it can be assumed that they will be more loyal to the agency than to the hotel. Thus defined, the problem points to the need of designing special programmes that will help generate a “wow” effect, while taking into consideration that lower prices are a strong motivation for allotment guests. There is also the assumption that such guests would be interested in joining a hotel’s loyalty programme (providing they are told about the programme and their preferences are taken into account).

Guest type relative to the price policy	Characteristics
GROUP GUEST	Groups that are organized by travel agencies or other travel intermediaries may pay for services using group vouchers or in some other manner. The price for group guests is agreed upon in advance, and is lower than the price for individual guests but higher than that for allotment guests. The similarity between group guests and allotment guests is evident in their low level of loyalty to a hotel. Such a situation implicates the need to identify the reasons behind low loyalty and find ways of attracting such guests. One of the drawbacks of most hotel loyalty programmes is that they neglect these types of guests.
BUSINESS GUEST	In designing loyalty programmes for this type of guest, survey results should be taken into consideration that show that business guests who accrue points within a hotel group tend to ask for a hotel, within the group, in which they have already stayed for leisure purposes, and vice versa.

Source: Author

There is no doubt that the importance of interrelations in the hotel will continue to grow in the future. The relationship between hoteliers and other actors in a destination should be built on mutual trust within a proactive environment, in which it is the guest who can get it all: information, service and additional satisfaction within the overall destination.

The absence of bureaucratic, linguistic and price-based barriers can help to make every guest feel more comfortable, thus enhancing guest satisfaction. Regarding quality, the aim of producers of material goods is to achieve Zero Defect production (Crosby 1996, 58). Being a web of diverse events, the hotel industry cannot aspire to such a goal. Instead, its goal is Zero Guest Lost.

CONCLUSION

All actors on the tourism market have needs, wants and requirements and, accordingly, individual expectations. It is up to the providers of the hospitality and tourism offerings to learn what those expectations are and how to match them, while in the long run maintaining quality and retaining the consumers of their services.

Once a hotel has met a guest's primary needs, it must focus on the guest's need to be dazzled and delighted, because this is the need that has the greatest effect on market growth and development. By identifying and satisfying the most important needs, habits and wishes of their guests, hoteliers can exert a significant influence on the decision of guests to buy a service, as well as on increasing overall sales results and augmenting markets shares.

Every day guests are swamped with a multitude of promises, making them sceptical about the interests of a hotel in meeting their needs. This is the reason why they expect a high level of quality from the services promised, together with a trusting relationship during and after their stay in the hotel.

What sets successful hotel chains apart from mediocre ones is the constant effort they make to raise the quality of guest relations by providing personalized services, delivering added value and maintaining post-stay contacts with guests. This is also the only way a guest-driven hotel can survive.

REFERENCES

- Abbott, P., Lewry, S. (1999), *Front Office, procedures, social skills, yield and management*, second edition, Linacre House, Jordan Hill, Oxford.
- Bridson, K., Evans, J. and Hickman, M. (2008.), "Assessing the relationship between loyalty program attributes, store satisfaction and store loyalty", *Journal of Retailing and Consumer Services*, No. 15, pp. 364-374.
- Crosby, B.P. (1996), "Kvaliteta je besplatna: umijeće osiguravanja kvalitete", *Privredni vjesnik*, Binoza Press, Zagreb.
- Dominicini, G. (2010), "Customer satisfaction in the Hotel Industry: A Case Study from Sicily", *International Journal of Marketing Studies*, Vol. 2, No. 2, pp. 3-12.
- Galičić, V., Ivanović, S. (2008), *Menadžment zadovoljstva gosta*, Fakultet za menadžment u turizmu i ugostiteljstvu, Opatija.
- Galičić, V., Laškarin, M. (2011), *Putevi do zadovoljnoga gosta*, Fakultet za menadžment u turizmu i ugostiteljstvu, Opatija.
- Gjivoje, D. (2008), "Kamo vode današnje strategije programa vjernosti na turističkom tržištu", *Acta Turistica Nova*, Vol. 2, No. 1, pp. 25-49.
- Haley, M.G. (2009), "The Prism Partnership", *Hospitality Upgrade LLC*, Boston.
- Hikkerova, L. (2011), "The Effectiveness of Loyal Programs: An Application in the Hospitality Industry", *International Journal of Business*, Vol. 16, No. 2, pp. 150-164.
- Kandampully, J., Suhartanto, D. (2000), Customer loyalty in the hotel industry: the role of customer satisfaction and image, *International Journal of Contemporary Hospitality Management*, Vol. 12, No. 6, pp. 346-351.
- Kotler, P., Bowen, J.T. and Makens, J.C. (2010), *Marketing u ugostiteljstvu, hotelijerstvu i turizmu*, Mate, Zagreb.
- Marković, S., Raspor, S., Šegarić, K. (2010), "Customer satisfaction and customer loyalty measurement in hotel setting: an empirical analysis", *Tourism & Hospitality Management, Conference Proceedings*, pp. 125-137.
- Nagadevara, V. (2008), "Improving the Effectiveness of Hotel Loyalty Programs through data mining", *The Haworth Press*, Vol. 16, No. 2, pp. 81-99.
- Nemec-Rudež, H. (2010.), "Integration of corporate social responsibility into loyalty programs in the tourism industry", *Tourism and Hospitality Management*, Vol. 16, No. 1, pp. 101-108.
- Sharp, B., Sharp, A. (1997), "Loyalty programs and their impact on repeat-purchase loyalty patterns", *International Journal of Research in Marketing*, No. 14, pp. 473-486.
- Shoemaker S., Lewis R.C. (1999), "Customer loyalty: The future of hospitality marketing", *International Journal of Hospitality Management*, Hospitality Management, No. 18, pp. 345-370.
- Whiteley, R.C. (1993), *The customer driven company; Moving from Talk to Action*, Addison-Wesley Company, New York.

Marina Laškarin, MSc, Assistant

University of Rijeka

Faculty of Tourism and Hospitality Management, Opatija

Primorska 42, P.O.Box 97, 51410 Opatija, Croatia

Phone: ++385 (0)51 294 707

Fax: ++385 (0)51 292 945

E-mail: marinal@fthm.hr