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Exploring the Relationship Between Revenue Management and Hotel Loyalty Programs

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EXPLORING THE RELATIONSHIP BETWEEN REVENUE MANAGEMENT AND HOTEL LOYALTY PROGRAMS

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ABSTRACT

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Loyalty programs are a staple of the hospitality industry. As time progressed, there has been a shift among the structure of loyalty programs to not only reward the large spend of casino players, but also to compensate other frequent travelers of the hotel. As hotels continue to offer increasing benefits and compensation while reevaluating the tier structure of loyalty programs, research was necessary to discover if these loyalty programs are extracting the maximum revenue per guest and creating overall revenue for the hotel.

The purpose of the study was to uncover the relationship between revenue management and hotel loyalty programs. While some research has been conducted on the relationship between customer relationship management and revenue management (Shoemaker & Lewis, 1999; Wang, 2011), further research was necessary to bridge the gap between hotel loyalty programs and revenue management (Wilco, Shanshan & Eric, 2011). Little evidence existed on whether revenue management and hotel loyalty programs work cohesively, or even if they should.

A pilot study of a focus group was conducted to assess the general relationship between revenue management and hotel loyalty programs, followed by thirteen in-depth interviews. After the interviews were transcribed, content analysis was performed, followed by the use of Atlas.ti to further analyze the data. Participants' were asked questions regarding the interaction of revenue management and hotel loyalty programs. Overall, the goal was to understand consumer behavior to drive repeat business; if a hotel can generate repeat business, then an emotional connection may develop between the hotel/brand and the guest. Revenue management used a loyalty program as a tool to track and gather data on the customer.

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CHAPTER 1

INTRODUCTION

There is never a shortage of options for visitors of Las Vegas, Nevada in regards to dining, entertainment, nightlife, and lodging. There are about 150,000 hotel/motel rooms in the city of Las Vegas (Las Vegas Convention and Visitors Authority [LVCVA], 2013); the four-mile stretch of real estate that constitutes the Las Vegas Strip consists of over 30 large hotels. With the number of hotels that exist on Las Vegas Blvd, the competition between them is substantial. Each hotel continuously strives to implement new amenities and features to attract more guests.

One main, yet costly, strategy is property renovations. MGM Resorts has invested over $300 million dollars into renovating the MGM Grand and The Bellagio, while Caesar's Palace spent three years and almost one billion dollars renovations Bally's Resort and Casino, as well as creating the NOBU Tower at Caesar's Palace ("Competitiveness increases in," 2013). Another prominent strategy used in the hotel industry is the development, promotion and successful execution of loyalty programs among hotels. Traditionally, loyalty programs offer exclusive benefits and compensation to the elite players and "big spenders" (Barsky & Nash, 2006). As time progresses, there has been a shift among the structure of loyalty programs to not only reward the large spend of casino players, but also to compensate other frequent travelers of the hotel.

MGM recently developed a social media connection for their loyalty program, MLife. It allows members to earn tier credits for simply participating in social media in regards to MGM properties, i.e., checking in on Facebook at the MGM Grand. MLife will then send out exclusive offers to complement current activities. An MLife member can earn discounts and other rewards and not spend any money in the casino at all. A reporter for a travel and tourism company, Nick Vivion, poses an interesting dilemma in regards to this development.

> "What does it mean for the true big spenders that often account for a significant portion of travel revenues if anyone can become a high-flying VIP by earning points for actions beyond a straightforward purchase? Only time will tell, but it's definitely something brands should consider as they craft their loyalty programs to appeal to a wider swath of customers" (Vivion, 2012, para. 17).

The aforementioned quote causes some questions regarding loyalty programs, their structure and profitability to arise. The common assumption in hospitality is that the consumers who spend larger amount receive more of the benefits. Hotels should be providing more incentives for guests to advance in tiers, so that they can accrue the benefits associated with that tier (Tanford, 2013).

Casino marketing departments consider these players and the tier structure based on spend in the casino and at the hotel; this can often lead to guests being over compensated depending on the situation (length of stay, comps given, play type, play length, etc…). The comps are used as an incentive to bring the guest back to spend more in the future. An obvious, however highly unutilized way, to assess these players is from a revenue management perspective, or how to maximize revenue per person. While some studies exist on the bridge between customer relationship management and revenue management, few to no studies can be found on how to relate hotel loyalty programs and revenue management. As hotels continue to offer increasing benefits and compensation while reevaluating the tier structure of loyalty programs, research is necessary to discover if these loyalty programs are extracting the maximum revenue per guest and creating overall revenue for the hotel.

Purpose of the Study

The purpose of the study is to uncover the relationship between revenue management and hotel loyalty programs and assess the managerial implications of that relationship. While some research has been conducted on the relationship between customer relationship management and revenue management (Wang, 2011), further research is necessary to bridge the gap between hotel loyalty programs and revenue management (Shanshan, Wilco, & Eric, 2011). Little evidence exists on whether revenue management and hotel loyalty programs work cohesively, or even if they should.
This study's objectives are: (1) uncover the existing relationship between revenue management and hotel loyalty programs, (2) assess whether that relationship is beneficial to operations in hospitality, and (3) discuss implications of the relationship.

Justifications

Competition among hotels in Las Vegas has been on the rise for quite some time, with new advances in social media being at the forefront. In order for hotels to remain competitive, they must evaluate their loyal guests in regards to their spend, compensation, and other stay characteristics. These hotels can use revenue management principles to evaluate their consumers and loyalty programs to turn frequent guest who stay for the benefits into guest that return because they are loyal to the brand.

Transactional loyalty occurs when the guest frequents a particular brand for the benefits that can be accrued by spending money, while attitudinal loyalty occurs when a guest exhibits a genuine affinity for the property, regardless of benefits earned while spending. Hotels can benefit from transactional loyalty, yet they mostly benefit from attitudinal loyalty, which produces true profitability by loyal guests recommending the property to others and engaging in partnership activities while continuing to return to that property (Baloglu, 2002; Matilla, 2006). This study will aid in uncovering the relationship between loyalty programs and revenue management so that hotels can bridge this gap in their operations.

Loyalty programs have yet to be assessed from a revenue management perspective. The value perception of loyalty programs (Hu, Huang, & Chen, 2010; Yi & Jeon, 2003), as well as the cost of switching brands (Han, Kim, & Hyun, 2011a; Matilla, 2006) have been examined, yet this is strictly from a loyalty or marketing perspective. Shanshan et al. (2011) begins the path by examining benefits and costs of loyalty programs, while Marfels (2010) concludes that casinos are offering over 30% of their gaming revenues as benefits. Previous research has been conducted on how hotel revenue management may change in the future (Ivanov & Zhechev, 2012; Kimes, 2011), yet never in regards to loyalty programs. Customer relationship management (Shoemaker, 1997) is a close bridge between revenue management and hotel loyalty programs that exists, calling for an immediate exploration of this area.

Limitations

The limitations of this study are: sampling technique, researcher presence, and the methodology chosen. The sampling technique utilized in the study may be open to bias, due to the participants being selected personally by the researcher. The methodologies in the study are somewhat costly and time-consuming. The researcher is present during the collection of data, which therefore may result in researcher bias during the interviews or focus group.

Definition of Terms

Revenue management – Essential instrument for matching supply and demand by dividing customers based on purchase intentions and assigning those segments in a way that will maximize the firm's revenue (Ivanov & Zhechev, 2012). Often referred to as yield management.

Prospect theory – Consumers will assess purchasing decisions based upon changes in their state of well being (Tversky & Kahneman, 1979).

Loyalty program – A program that is introduced to build consumer loyalty by an arranged reward system based on consumer spending history (Yi & Jeon, 2003).

Loyal customer – frequent, repeat customers who feel a belonging to a particular organization, who have some reluctance to switch brands (McKercher, Denizci-Guillet, & Ng, 2012).

Tier Credit – Earned through gaming and non-gaming spend (Lucas & Kilby, 2008).

Tier structure – A structure that bases loyalty programs by level of commitment, or spending, that creates well-defined classes to aid patrons in understanding what benefits they are able to acquire (Dreze & Nunes, 2009).

Transactional loyalty – Frequent interactions between the consumer and a brand due to the availability, convenience, and utility of a product or service.

Attitudinal loyalty – A true affinity expressed for a particular brand due to an emotional connection formed over time.

Gaming spend – Money that is spent in the casino on table games, slot machines or any bets placed on sporting events

Non-gaming spend – Money spent on lodging, dining, nightlife, entertainment, day spa, or any retail items

Comp (Compensation) – Complimentary items (rooms) and services (food and beverage) that are given to members in order to encourage increased spending.

Express Comp – Compensation that is available directly to the guest. Can be used at any time and does not involve the casino during the redemption process.

CHAPTER 2

LITERATURE REVIEW

Introduction

Chapter two examines relevant literature and additional resources regarding hotel loyalty programs and revenue management. The first section begins by introducing loyalty programs in the hospitality industry to more accurately understand the definition and intentions of the program. The second section discusses building loyalty and the specific dimensions of loyalty. The third section describes the costs of loyalty programs and integrates a revenue management perspective. Lastly, the fourth section concludes the literature review and portrays how this study will fill certain gaps in the literature.

Loyalty Programs in the Hospitality Industry

A loyalty program is a platform that is introduced to build consumer loyalty by an arranged reward system based on consumers' spending history (Yi & Jeon, 2003). It appears as though every firm in the hospitality industry has developed some type of loyalty program for their guests. There are over 2 billion loyalty program memberships in the United States according to the Colloquy Loyalty Census in 2012 (Barry, 2013). Hotels account for 223 million of those memberships alone, and have grown in the past few years as the economy continues to recover, according to the 2013 Colloquy Census.

The steady growth of loyalty programs in recent years indicates that more companies are seeing advantages to having these programs. The intent of a loyalty program is to drive customer loyalty and make the guest want to stay at the same hotel time and time again (Haley, 2006). Most programs will offer some type of incentives to their customers in order to increase the likelihood that they will return. Loyalty programs may also include tiered levels, or a tiered structure (Tanford, 2013). A tier structure entails centering loyalty programs by level of commitment, or spending, that creates well-defined classes to aid patrons in understanding what benefits they are able to acquire (Dreze & Nunes, 2009).

The most notable case of the loyalty program begins with American Airlines around 1980 when they introduced their AAdvantage program (Gilbert, 1996). Hotels initially partnered with airlines' frequent flier programs, yet shortly after realized the benefits and developed loyalty programs of their own. Marriott's loyalty program, Marriott Rewards, introduced a new feature of offering complimentary breakfast for its Gold and Platinum members (Marin, 2013). Members are rewarded for repeat behaviors, allowing them to earn greater rewards (Lewis, 2004; Rowley, 2004).

It is the aspiration of companies that their loyalty program will increase the use of their product/service (O'Brien & Jones, 1995 cited in Bolton, Kannan, & Bramlett, 2000). Bolton, Kannan, and Bramlett (2000) continue by highlighting the importance of developing measurements for loyalty, and identifying the lack of research regarding financial outcomes of loyalty programs. A study by Reichheld and Sasser in 1990 (cited in Kandampully & Suhartanto, 2003) indicates that a firm with a 5% increase in loyalty could produce profit increases of 25-85%. An increase of that magnitude would make companies who do not participate in loyalty programs seem foolish. On the other hand, with the aforementioned notion of a lack of research on the financials of loyalty, a solid basis for profit growth from loyalty has not yet been established in the industry. Dowling (2002) states that loyalty programs are neither cost effective nor foster true loyalty.

Members of loyalty programs are rewarded for repeated behaviors, or most commonly, repeating their patronage to that brand. If a customer flies Southwest frequently, they can earn Rapid Rewards Points and could redeem those for a free flight. Hotel guests who stay frequently may earn points towards a free night, or advance tiers in the program to qualify for a VIP check-in. It has been noted that loyal guests are less price sensitive, and also spend more than non-loyal guests (Shoemaker & Bowen, 2003). This indicates the importance of loyalty programs, and hospitality firms should be proactive about monitoring and marketing their own loyalty programs. Barsky and Nash (2002) indicate that two in five customers of major hotel brands highly consider the attractiveness of a loyalty program as a major factor in where they stay.

Shanshan, Wilco, and Eric (2011) recognize that customer loyalty is vital for success in the business world today. The article continues by describing a customer loyalty program as an important marketing tactic. Omar, Wel, Musa and Nazri (2010) acknowledge that loyalty programs are an important component of customer relationship management. A link has also been established between loyalty programs and share of wallet (Wirtz, Mattila, Lwin, 2007). The study by Wirtz et al. (2007) addresses behavioral and attitudinal aspects of loyalty, switching costs, and the effects on share of wallet.

Researchers have categorized loyalty into two components: attitudinal loyalty and behavioral (transactional) loyalty (Back & Parks, 2003; Prentice, 2013). Hawkins and Vel (2013) describe attitudinal loyalty as a deep desire to maintain a relationship with a product, supplier or brand. The authors further elaborate on this definition by stating that attitudinal loyalty includes elements of a psychological process (Hawkins & Vel, 2013).

Conversely, transactional loyalty, or often referred to as behavioral loyalty (Osman, Hemminton, & Bowie, 2009), relies on repeat patronage as an indicator or customer loyalty (Han & Woods, 2014; Hawkins & Vel, 2013). Despite the contrast made between attitudinal and behavioral loyalty, Griffin (cited in Shoemaker & Lewis, 1999) contends that loyalty must contain both a deep commitment to a brand (attitudinal) as well as repeat patronage (behavioral) in order to flourish.

Han, Kim, and Kim (2011b) recognize the necessity to understand the conceptual formation process of customer loyalty. The authors emphasize that loyalty is split into attitudinal and behavioral loyalty, however the previous behavior-based studies were not sufficient enough (Dick & Basu, 1994 cited in Han et al., 2011b). It is paramount that true loyalty is differentiated from repeat purchasing (Han et al., 2011b; Han & Hyun, 2012). Behavioral loyalty focuses on repeat purchases, and not the psychological decision process that is behind them. Han and Hyun (2012) also discuss the elevated number of individuals with multiple memberships to customer frequency programs. Despite the increased membership, repeat purchases are not enough to ensure a customer's positive attitude toward a product/service (Bowen & Chen, 2001; Han & Hyun, 2012).

Shoemaker and Lewis (1999) expand on the differences between frequency programs and loyalty programs. The authors explain that the primary focus for frequency programs is to build repeat business, while the focus of loyalty programs is to build an attachment to the brand (Shoemaker & Lewis, 1999). Frequency programs give the customer a price incentive, therefore shifting the focus to the rewards, not the brand (Long, McMellon, Clark, & Schiffman 2006; Shoemaker & Lewis, 1999). Loyalty programs aim to build emotional attachments to certain brands, while frequency programs aim to increase the likelihood of repeat purchases among customers (Kim, Cho, & Han, 2014). Long, Clark, Schiffman, and McMellon (2003) recognize that frequency programs are a widely used method of relationship marketing, and these programs provide monetary rewards and incentives to increase short-term profitability with the intent of trying to attain these customers long term.

Measuring Customer Loyalty

A loyal customer is a frequent, repeat consumer who feels a belonging to a particular organization, who also has some reluctance to switch brands (McKercher, Denizci-Guillet, & Ng, 2012). A consumer can show loyalty to a particular service, such as a hotel, or a product, possible Starbucks or a particular brand of coffee. Loyalty programs can be considered value sharing instruments (Yi & Jeon, 2003), which lead to an increase in value perception, overall improving customer retention (Woodruff, 1997). Hotels have several revenue centers, such as rooms, food and beverage, casino, spa, entertainment, nightlife, and golf if applicable (Ivanov & Zhechev, 2012). Is it possible that a hotel loyalty program can be considered a revenue center for the hotel?

Prior research has not fully explored the methods for measuring consumer loyalty or loyalty program success (Aksoy, 2013). Historically, managers have used several different measures in order to track consumer loyalty, such measures being customer satisfaction (Kandampully & Suhartanto, 2003) or customer retention (Shoemaker & Bowen, 2003). Over time, one single method or measure has not emerged as an industry standard for tracking or measuring consumer loyalty. This poses interesting questions regarding the actual measurements of loyalty programs.

A method introduced in the 1980's by Raju is a multiple question version of a Likert scale to attempt to measure the degree to which people exhibited loyalty (Raju, 1980). Further, Lichtenstein, Netemeyer, and Burton (1990) modified the scale to have fewer questions and incorporate the behavioral aspect of consumer loyalty. These scales are measuring the likelihood that the consumer would stay with their current product over purchasing a new one (Raju, 1980), however as explained in Shoemaker and Lewis (1999), purchase behavior alone is not sufficient to measure loyalty. As indicated by Oliver (1999), loyalty is a behavioral construct consisting of various cognitive and attitudinal factors. The level of difficulty in developing a method to measure loyalty may be a possible reason as to why no standard method exists.

Kandampully and Suhartanto (2003) explain that there is no standard definition for loyalty and explore the idea of "service loyalty" further. The study continues by describing a loyal consumer of the service industry is one who repeats business at a firm, and also recommends the firm to others. A loyal consumer's willingness to recommend the brand/service to others is a crucial aspect of loyalty for businesses (Shoemaker & Bowen, 2003). This solidifies the importance of developing a definition for loyalty and a metric with which to measure it.

Bolton, Kannan, and Bramlett (2000) suggest that evidence must be gathered to quantify a program's effect on a customer's repurchase intentions. A loyal guest will frequent a brand over a period of time, so the metric must be able to quantify the actions over that period. In another article, Bolton et al. (2000) warns that repurchase intentions must be analyzed carefully due to the relationship between a customer's prior attitude and repurchase intention. This notion possible suggests that a customer may or may not decide to patronize a brand due to their prior negative attitude at that moment. Further, some research has indicated that repurchasing is not a measurement of loyalty because the act of repurchasing should be intentional (Tepeci, 1999).

Matilla (2001,2004) uses a few different scales in order to measure consumer loyalty in regards to service failures. The author adapts a version of the Loyalty Scale, developed by Zeithaml, Berry, and Parasuraman (1996, cited in Matilla, 2001), which helped identify behavioral intentions of the participants. The results of the study indicate that loyal consumers might have more realistic or rational expectations in relation to service failures (Matilla, 2001). Further, in another article, Matilla utilizes the affective commitment scale, which examines emotional attachment to the brand, as well as the loyalty scale that explained word-of-mouth behavior and repurchase intention (Matilla, 2004). The study indicates that those with stronger emotional attachments were less likely to be deterred from repurchasing by a service failure.

In an article by Baloglu (2002), the author utilizes a Likert type scale to measure behavioral and attitudinal characteristics of loyalty in a questionnaire. The author uses this loyalty scale to show the different levels of loyalty among consumers, from a low to very strong commitment (Baloglu, 2002). Sui and Baloglu (2003) continues to examine the role of an emotional attachment as it related to loyalty in casinos. The authors implement the 7 point Likert scale to understand the role of trust and switching costs, and what effect those antecedents had on emotional attachment. The use of the Likert scale in the study aids the author in adding to the previous research; the article concluded that casinos should be focusing on increasing trust in loyal consumers, as well as making switching costs higher, to deter their loyal guests from leaving that casino (Sui &

Baloglu, 2003).

Research Question

1. How can the financial impact of loyalty programs be determined if the current scales solely measure the type of loyalty?

Building Consumer Loyalty

Consumer loyalty is comprised of various dimensions, and cannot be characterized in one variable as indicated by prior research (Julander et al., 1997 cited in Kandampully & Suhartanto, 2003). The reasoning behind a customer's loyalty varies with each person and service. Research (Taylor, Hunter, & Longfellow, 2006) has accepted Oliver's (Oliver, 1999 p.34) definition of a customer loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future". He also indicates that loyalty can occur at multiple levels, such as cognitive and behavioral.

Articles addressing cognitive and behavioral dimensions of loyalty (Baloglu, 2002; Mattila, 2006; Shoemaker & Lewis, 1999; Tanford, 2013) continue to increase in recent years. Shoemaker and Lewis (1999) produced an article that was the first to recognize a demand to research attitudinal aspects of loyalty. Attitudinal and behavioral components of loyalty should both be studied; however there seems to be an emphasis on the attitudinal component of trust and commitment (Matilla, 2006; Morgan & Hunt, 1994 cited in Tanford, 2013) in regards to loyalty research (Tanford, 2013). Behavioral loyalty involves the purchasing behavior of a product or service over a period of time (Bowen & Shoemaker, 2003). It is quite important because it involves the literal act of purchasing the service, which is what is crucial in hospitality.

Although it seems obvious, consumers make several transactions in a day; they will choose specific places to make those transactions as well. An aspect of behavioral loyalty incudes this decision to choose one brand over another (Baloglu, 2002; Matilla, 2006) when making purchases. Tanford (2013) indicates that in researching behavioral loyalty, the actual behavior cannot always be observed; researchers can also use behavior intention. However, Shoemaker and Lewis (1999) argue that purchase behavior is not sufficient as an indicator for loyalty because it does not discuss motivation for the purchase. Hotels will experience increased business if more guests stay and make purchases at their hotel, however some indicate (Matilla, 2006; Shoemaker & Bowen, 2003; Tanford, 2013) that it is more important to have a connection to the brand or hotel.

An increased number of transactions at a hotel may indicate that more guests are staying at that hotel and making purchases. Vence (2002) proposed transactional marketing is described as the “go-to” method for marketing in hospitality. The author continues further and states that although relationship marketing is on the rise, firms will still revert back to traditional transactional marketing. Transactional marketing’s purpose is to drive sales in the short-term (Osman et al., 2009). Firms will still benefit from transactional marketing and behavioral loyalty due to the increased number of purchases, however as indicated by Osman et al. (2009), it is meant in the short-term.

The shift from the classic approach to marketing to the customer-focused approach has brought about a newfound importance of loyalty in hospitality firms (Crie, 2003). Hospitality firms now have to consider all aspects of the customer and not just facets of the purchase. Some studies use frequency of visits (Baloglu, 2002; Crie, 2003; Tanford, 2013) as a basis for analyzing behavioral loyalty. Baloglu (2002) examined the proportion of visits to a particular casino as a measure of loyalty, and Tanford (2013) concluded that percentage of visits, not only frequency, should be included in the analysis of behavioral loyalty.

Attitudinal loyalty includes a customer's intentions and preferences (Gremler & Brown, 1997 cited in Kandampully & Suhartanto, 2003). This aspect of loyalty is considered very important because a consumer is more than a transaction or purchase. A consumer with attitudinal loyalty may also have higher behavior intentions (Mattila, 2006), making them somewhat likely to repurchase from that brand. Bowen & Shoemaker (2003) stress the importance of an emotional connection in consumer loyalty. The article also emphasizes that loyalty is more than customer satisfaction. Kandampully and Suhartanto (2003) examine the existing relationship between satisfaction and loyalty, yet acknowledge that they are not the same. Satisfaction is considered pleasurable fulfillment (Oliver, 1999), and occurs as a customer consumes an item or service, which can lead to pleasure/displeasure.

Research Question

2. Do loyalty programs address an emotional connection to the brand (attitudinal), or repeat visits/purchases (transactional loyalty)?

Antecedents of Loyalty

Beyond the notion of satisfaction, some dominant antecedents of loyalty are trust and commitment (Shoemaker & Bowen, 2003). In his novel, Ariely (2008) describes trust "...like money, is a crucial lubricant for the economy. When people trust other people, a merchant, or a company, they are more likely to buy, lend and extend credit" (p. 255). Trust is crucial to a relationship between two people, yet in this case, those people are customers and hotels. It is a mutual agreement that each party will fulfill their promise to the other. Vence (2002) argues that relationship marketing cannot exist without transactional marketing at its base. The transaction occurs first, and upon that, the trust is built for repeat transactions. Meanwhile, in the article by Geddie, DeFranco, & Geddie (2005), it argues that the foundation of trust must be laid first before the transaction can occur. This article relates the Chinese concept of guanxi (trust, bond) to relationship marketing, stating that the trust must occur prior to the transaction.

Oliver (1999) describes the four phases of loyalty as: cognitive, affective, conative, and action. The cognitive phase is the information phase, where the customer indicates a preference of one brand to another. Following the cognitive phase, the affective phase acknowledges that the consumer has developed an affinity for a particular brand. The conative stage of loyalty consists of the consumer engaging in repeated positive episode with that brand (behavioral intention). Lastly, the action phase is where those intentions are placed into action. Even in this article, it appears that the sense of trust and a bond between is essential for repeated behaviors.

Company image is also been emphasized as an antecedent of loyalty (Bhote, 1996; Fredericks & Salter, 1995 cited in Kandampully & Suhartanto, 2003). Company image may positively or negatively affect the customer's perception of value they are receiving from the company. The Cosmopolitan in Las Vegas was the center of attention regarding culinary unions in 2013. The Cosmopolitan and the Culinary Union Local 226 were in heated debates over union contracts (Komenda, 2013), causing strikes and protests from workers. These strikes and allegations of stalling on labor contracts may affect the image of the company, and overall affect the value of the company in the eyes of their customers.

Customers always have the option to either purchase from a brand or not to purchase from the brand; a notion first introduced by Albert Hirschman (1970) in his book *Exit, Voice and Loyalty*. As he describes, the exit option involves inflicting revenue losses on a company, and is inherently powerful. A second option, voice, is detailed as "any attempt at all to change, rather than to escape from, an objectionable set of affairs…" (Hirschman, 1970, pp. 30). Loyal members of an organization feel that their opinions will have more merit or impact than non-loyal members. Hirschman (1970) goes on to describe the battle between exit and voice:

> "Loyalty is a key concept in the battle between exit and voice not only because, as a result of it, members may be locked into their organizations a little longer and this use the voice option with greater determination and resourcefulness than would otherwise be the case. It is helpful because it implies the possibility of disloyalty, that is, exit" (pp.82).

This quote describes the constant process in the mind of the consumer. If there are unfavorable conditions, the consumer can choose to leave or possibly attempt to change or remedy the situation. This particular notion about loyalty reinforces the impact that a trusting relationship would have on the possibility of consumer exit.

A commonly researched antecedent of loyalty is customer satisfaction (Wilkins, Merrilees, & Herington, 2010). Wilkins et al. (2010) also noted that the linkage between customer satisfaction and loyalty is relatively weak. Bowen and Chen (2001) stated that satisfaction only generates advances in loyalty when satisfaction exceeds a particular level. Satisfaction is a necessary component of loyalty, but is not a sufficient condition for loyalty; one can have satisfaction without loyalty, yet it is difficult to have loyalty without satisfaction (Shoemaker & Lewis, 1999).

Service quality has also been researched as an antecedent of customer loyalty (Wilkins et al., 2010). In the study by Wilkins et al. (2010), service quality is seen as an antecedent to customer satisfaction, where service quality was comprised of specific service dimensions. Parasuraman, Zeithaml, and Berry (1988) developed the primary measurement method for service quality, consisting of five dimensions: tangibles, responsiveness, assurance, empathy and responsiveness. The SERVQUAL scale is widely noted among researchers in several fields (Lai et al., 2007; Wilkins et al., 2010).

Value is considered another important antecedent of loyalty (Berezan, Raab, Tanford & Kim, 2013). Zeithaml (1988, cited in Lai et al., 2007) indicated that perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. However, Wilkins et al. (2010) stated that value did not significantly influence loyalty.

A Cost Perspective of Loyalty Programs

Some previous research discusses the cost of loyalty programs (Berman, 2006; Xie & Chen, 2013), revealing a major weakness within loyalty programs. It is much more expensive to acquire a new customer than to retain an existing one. Although, there are some circumstances in which loyal customers may expect certain rewards, and may have to be additionally compensated when those rewards are not delivered. Further, there is also the cost of developing, maintaining and improving the loyalty program. Research indicates that consumers are drawn to those loyalty programs that differentiate themselves from others (Chen & Hitt, 2006; McCall & Voorhees, 2010). This requires constant attention and development in order to remain attractive to a diverse customer base.

Hanson, Mattila, and O'Neill (2008) describe how loyalty program expenses are a subset of sales and marketing expenses. Sales and marketing expenses are the second largest expenses for a hotel on average, with loyalty programs positioned in a category considered *marketing other*. These hotels are paying for the free benefits provided to their customers to encourage repeat patronage. Yet, the finances spent on these benefits are in the millions (McCleary & Weaver, 1991; Shanshan et al., 2011). A lack of research exists at the property level as to the costs of loyalty programs and the benefits they provide.

The aim for loyalty programs and for loyal consumers is to keep marketing costs low; loyal consumers are less price-sensitive over time and therefore will cost less to retain as non-loyal consumers (Shoemaker & Bowen, 2003). Companies, as indicated by Shoemaker and Bowen (2003), will then see a reduction in marketing and advertising expenses. Few research articles (cited in Tepeci, 1999) indicate monetary costs of loyalty programs; hotel companies may spend about $35 million to $50 million per year for loyalty programs but only earn 60 million to $80 million in revenue.

An interesting aspect of cost and loyalty programs is brought to light in an article written by Tanford, Raab, and Kim (2011). This article details a cost of loyalty programs to the customer: switching costs. Switching costs are costs associated when changing from one brand to another (Shoemaker & Bowen, 2003). Switching costs may involve monetary (Han, Kim, & Hyun, 2011) costs, such as loss of funds or points redemption, or non-monetary switching costs, such as loss of relationship (Tanford et al., 2011). Switching costs are important deterrents of exit among members in higher tiers

(Shoemaker & Lewis, 1999). Loyalty program that can keep their switching costs high will have less trouble retaining their members. It is an interesting aspect of loyalty programs to see the ideas of costs to consumers aside from making purchases.

Research indicates a gap between hotel loyalty programs and profitability (Shanshan et al., 2011). Loyal members are rewarded for their continued patronage, however this comes at a cost to the hotel. Higher tiered loyalty members receive expensive benefits at higher costs to the hotel (Tanford, 2013). These expensive benefits may include: food and beverage, spa, transportation, entertainment, etc.… Marketing and advertising expenses may be reduced based on price sensitivity (Shoemaker & Bowen, 2003), however the hotel will still incur larger expenses due to their higher tiered members receiving expensive benefits (Tanford, 2013).

Research Questions

3. How does charging various customers different prices for the same room at the same hotel impact consumer loyalty?

4. Is the revenue management department concerned with the financial expense of loyalty programs in any sense?

Loyalty from the Revenue Management Perspective

Loyalty is considered from sales and marketing perspectives (Tepeci, 1999; Hanson et al., 2008; Vence, 2002), financial perspectives (McCleary & Weaver, 1991; Shanshan et al., 2011), as well as an internal perspective of structure (Tanford, 2013; Tanford et al., 2011; Dreze & Nunes, 2009). As previously stated, loyalty programs seem to account for a large expense and a smaller than expected revenue for the hotel (cited in Tepeci, 1995). Loyalty from a revenue management perspective (Shoemaker, 2003) seems to be a relationship that has not been fully explored, but could possibly shed light on the connection between hotel loyalty programs and revenue management practices.

Revenue management is an essential instrument for matching supply and demand by dividing customers based on purchase intentions and assigning those segments in a way that will maximize the firm's revenue (Ivanov & Zhechev, 2012). It is also referred to as yield management. Revenue management is a topic of interest in the world of academia for many years (Tse & Poon, 2012), with topics such as pricing (Shoemaker 2003, 2005), price fairness (Kimes & Rohlfs, 2007; Kimes & Taylor, 2010; Kimes & Wirtz, 2007), decision framing (Tversky & Kahneman, 1981), as well as its impact on consumers (Choi & Mattila, 2004; Heo & Lee, 2010). Yield management has profound effects on capacity-constrained industries by aiding them in their forecasting and anticipating supply and demand (Heo & Lee, 2010). Airlines have a limited number of seats to sell just as hotels have a limited number of rooms to sell, and in these cases, once those seats or rooms go unsold for one night/flight, they are lost forever, and the sale cannot be retrieved (Parasuraman et al., 1988).

An article by Shoemaker (2005) details the practices of revenue management and its effects on consumer loyalty. Shoemaker examines pricing in hotels, past and present, in order to better understand how revenue management affects loyalty. Hotels historically have offered the same price to everyone, yet in the 1980's began using techniques to forecast demand to proactively price services to maximize revenue (Shoemaker, 2005). Lastly, using revenue management and customer relationship management together (Noone et al., 2003), pricing will consider the lifetime value of the customer and not simply demand.

Mathies and Gudergan (2007) recognize the need to integrate revenue management and customer centric marketing. Shoemaker and Bowen (2003) suggest that revenue management techniques can decrease trust and loyalty. Kimes (1989) contended that pricing strategies used in revenue management could alienate a portion of the customer base. Hotels have much to consider when using revenue management pricing strategies in regards to their loyal customers.

Perceived Fairness

Although revenue management has become an essential tool; some managers are convinced that consumers perceive revenue management practices as unfair (Choi & Mattila, 2006; Kimes & Taylor, 2010). In the hospitality industry, it is now acceptable for consumers to be charged different prices for the same room at the same hotel, based upon time of booking, length of booking, and other factors (Choi & Mattila, 2005). In the same article, Choi and Matilla (2005) explained that consumers are now aware of these practices, while the conclusion of the article displayed that giving guests information about revenue management will make them happier.

Perceived fairness is important to explore because it has been directly related to customer intentions to repurchase (Bolton et al, 2003; Kimes & Wirtz, 2002,2003). Further, as emphasized in an article by Mayser and Wangenheim (2012), when a company's offerings are intangible, and therefore difficult to evaluate, fairness perceptions become crucial. Fairness is defined as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just (Bolton et al, 2003). Price fairness is a consumer's assessment and related emotions whether the difference between a seller's price and the price of another selling party is reasonable

(Lee, Illia, & Lawson-Body, 2011).

In order to further understand the subject of fairness and perceptions of fairness, researchers discuss influences of price fairness, such as procedural and distributive fairness (Herrmann, Xia, Monroe, & Huber, 2007; Kukar-Kinney, Xia, & Munroe, 2007; Lee et al., 2011; Xia, Kukar-Kinney, & Munroe, 2010). The principle of dual entitlement also plays an important role in discussing fairness, as pointed out by Kahneman (1986, cited in Chung & Petrick, 2013) in their article detailed fairness and its constraint on profit seeking.

Distributive fairness is concerned with allocations of rewards and the fairness of the outcome, while procedural fairness is concerned with whether the procedure was based on leading norms and behaviors (Hermann et al, 2007). Some research indicates that perception of price fairness is based on both procedural and distributive fairness (Hermann et al, 2010; Kukar-Kinney et al, 2007). A consumer will use information regarding the procedure in order to judge the degree of fairness in terms of the outcome, also referred to as heuristic theory (Van den Bos, Vermunt, & Wilke, 1997, cited in Xia et al, 2010). For example, a consumer may evaluate a seller's price increase as to whether it was fair in regards to price-setting practices and norms, or if the outcome was a good deal (Ferguson, Ellen, & Bearden, 2013).

The conceptual frameworks laid out for price fairness are equity theory and dual entitlement theory (Boyd & Bhat, 1998). Equity theory suggests that consumers' perceptions of price fairness comprises of a comparison between the cost and benefits of the product. Under dual entitlement theory, consumers evaluate perceptions of price fairness based on the fairness of the process in which a company sets the price. Boyd and

Bhat (1998) state that equity theory is more concerned with distributive fairness, while dual entitlement theory is more concerned with procedural fairness.

Previous research on dual entitlement theory credits Kahneman, Knetsch, and Thaler for their contribution to the literature (Boyd & Bhat, 1998; Ferguson & Ellen, 2013; Ferguson, Ellen, & Bearden, 2013; Xia et al, 2010). Their article details how dual entitlement theory focused on how sellers' set prices; consumer perceptions of price fairness are based on the degree to which the price charged accurately represents the cost of producing that product/service (Boyd & Bhat, 1998). For example, if the price of a product is raised for no apparent reason, and the production cost remains constant, consumers will perceive this as unfair.

Additionally, customers consider the reference price, or how much they feel that the product/service should cost, when evaluating price fairness (Kimes & Wirtz, 2003). The study also indicates that consumers perceive some prices as unfair when they are not justified, for example, a hotel charging more for a room during non-peak periods in demand; in their view, it violates the principle of dual entitlement (Kimes & Wirtz, 2003). Consumers will be more likely to accept prices if the price is consistent with previous prices (Chung & Petrick 2012).

Another factor that may have some influence on price fairness is transparency. When a consumer cannot see reason for a price increase or change, they may perceive the price as unfair (Hermann et al, 2007). If a seller can make the reason/s for the price increase clear to the consumer, they are less likely to have unfavorable perceptions of price fairness (Ferguson & Ellen, 2013). Ferguson and Ellen (2013) completed a study using mock news articles announcing a price increase at a coffee shop; the first article hiding the reason for the increase, and the second disclosing the reason for the increase. The results of the study indicate that transparency does have an effect on perceptions of price fairness, showing an increase in fairness perceptions when there is a simple, yet relatable explanation (Ferguson & Ellen, 2013).

Kimes and Wirtz (2007) conducted a study that examined perceptions of fairness in revenue management practices. Revenue management pricing strategies may be perceived as unfair, which can lead to negative consumer responses, as well as affect profits for the hotel (Kimes & Wirtz, 2007). The study concludes that consumers perceive pricing strategies as more fair when framed as gains or losses, and consumers who were familiar with the practice were not significantly influenced by a condition.

Kahneman and Tversky (1979) introduce a theory to be a critical aspect of revenue management in 1979: prospect theory. Prospect theory (Kahneman and Tversky, 1979) states that when people make decisions, they do so based upon a change in their well being (Shoemaker, 2003). As Oliver (1999) define satisfaction as the recognition of consumption as fulfilling needs that can lead to pleasure/displeasure, prospect theory relates buying decisions to a change in one's well being. Decision framing is a way that firms can take advantage of prospect theory (Shoemaker, 2005). Hotels may not be able to dramatically change prices on unsold rooms, however they can attempt to highlight the room and its amenities in favor of the hotel. Shoemaker (2003, 2005) concludes that as loyalty becomes more of a strategic objective for firms, they would have to consider the impacts of pricing strategies and revenue management on their loyal guests.

Research Question

5. What is the overall interaction between revenue management and hotel loyalty programs?

Summary

The hospitality industry is overwhelmed with loyalty programs in recent years, with overall memberships on the rise. Loyalty is a multidimensional concept that requires careful examination and anticipation of customer needs. Loyal guests are, in general, less price-sensitive over time than non-loyal guests. How does this impact revenue management when that department sets prices and strategic objectives? As seen in articles by Shoemaker (2003, 2005) and Kimes (1989), hotels have a responsibility to envision how pricing strategies may affect their loyal guests. The rapid growth of revenue management and hotel loyalty program calls for more research to be conducted on the interaction and relationship between revenue management and hotel loyalty programs. The next chapter will consist of the methods used in order to determine that relationship.

Research Questions:

1. How can the financial impact of loyalty programs be determined if the current scales solely measure the type of loyalty?
2. Do loyalty programs address an emotional connection to the brand (attitudinal), or repeat visits/purchases (transactional loyalty)?
3. How does charging various customers different prices for the same room at the same hotel impact consumer loyalty?
4. Is the revenue management department concerned with the financial expense of loyalty programs in any sense?

5. What is the overall interaction between revenue management and hotel loyalty programs?

CHAPTER 3

METHODOLOGY

Introduction

This chapter begins with a discussion of the methodologies used and the advantages/disadvantages of those particular methods. The chapter continues with a discussion of sample size and selection. Further, this section will discuss the reasons for the particular sampling method. Finally, the chapter will conclude with a discussion of content analysis and how it is used to analyze the data.

Focus Group

A focus group was performed by initiating a planned discussion with a small group of people and led by a moderator (O'Neill, 2012). In this form of qualitative research, the participants of the focus group interacted with one another. According to O'Neill (2012), focus groups are a useful tool because they add a social context to the research. The moderator began with prompts for the group, and the desired result is for all the participants to interact and debate the topic presented.

As mentioned above in O'Neill (2012), focus groups added a social element the research that may be left out by a survey, for example. Focus groups are useful in obtaining information that would not be readily availably or divulged in a survey or over the phone ("Making best of", 1995). The participants gave certain facial expressions or body language, or even continue discussing a thought from another participant. Focus groups have become increasingly popular in research due to the cost effectiveness and the ability to obtain richer data from the results (Greenbaum, 1995). Garee and Schori (1997) explained that the main reason for conducting focus groups is to gain insight into the subject matter, as well as the population whose opinions are being sampled. As Morgan (1997) explained focus groups can often serve as the primary means of collecting qualitative data (as cited in Morgan, 1988, p. 3).

The moderator for the focus group was responsible for introducing the subject matter to the participants, and without leading the group towards one opinion, guide them through topics related to the subject matter. Cowley (1999) examined focus group moderators and the specific qualities needed or not needed to moderate a focus group. The author continued by stating that focus group moderators are not only running the focus group, they are conducting research on the subject matter. It was beneficial to the results if these moderators possessed certain analytical skills (Cowley, 1999).

A focus group was conducted as a pilot study on this topic. The group consisted of approximately six to eight participants, and will last for one hour. A list of five to seven questions was created for the focus group, with each question having key words or additional talking points listed for the moderator. The purpose was to begin with the first question to open the discussion, and succeed in asking all the questions to the participants. The answers from the participants were recorded and transcribed once the focus group was completed. From this transcript, some conclusions were drawn from the responses and the relationships identified by the researcher.

In-Depth Interview

In an article by Marshall, Cardon, Poddar, and Fontenot (2013), the qualitative research method of interviewing was discussed at length. The author describes how interview were another increasingly popular form of qualitative research. The article concluded by saying that interviews are an excellent way to obtain data, as well as emphasized the need to justify the specific size of the sample for interviews. According to Webb (1995), depth interviews are personal encounters that entail consistent probing of the participant to speak freely and express beliefs or opinions on a certain topic. This had a similar advantage to the focus group in that it adds the social element to the research, which may elicit additional information not available without the researcher present and interacting with the participant.

Qualitative research allowed the researcher to understand behaviors being studied, as well as explore experiences relevant to the subject matter (Hanson & Grimmer, 2007). The authors continued to elaborate on qualitative research, stating that depth interviews are an important and proficient tool in this category of research. Further, qualitative research was important because it focuses on natural and "real-life" situations and occurrences (Amaratunga, Baldry, Sarshar, & Newton, 2002). The authors continued by explaining that the most frequently used method in qualitative research is the depth interview.

Stokes and Bergin (2006) described the depth interview in detail, discussing advantages and disadvantages, as well as how it compares to the focus group. The author stated that a disadvantage of depth interviews is that they are somewhat time consuming, and they also lack the heightened social environment of the focus groups. Despite these disadvantages, interviews allowed researchers to question and follow up with answers, instead of having to accept one answer checked off on a survey.

Folkestad (2008) examined the use and analysis of in depth interviews as a qualitative research tool. The author emphasized the use of interviews as a research tool, however it became somewhat difficult in the analysis portion because there was no set “guideline” to follow. The author noted that analysis of interviews is a continuous process due to the fact that the researcher is constantly interacting between the participants and the research tools (Folkestad, 2008).

Interviews have been used in several studies in various fields (Johnson et al., 2007), such as international business (Singovics, Penz, & Ghauri, 2008), marketing (Greenbaum, 1995; Stokes & Bergin, 2006), and hospitality (Arendt, Roberts, Strohbehn, Ellis, Paez, & Meyer, 2012; Kwortnik, 2003). Kwortnik (2003) detailed the structure and process of interviews, explaining that they can feature open or closed ended questions, with a specific, overarching subject or research question in mind.

The interview consisted of 7 questions that were based upon the results and conclusions drawn from the focus group. Approximately 13 interviews were conducted, and lasted from 45 to 60 minutes per interview. The goal was to ask the participant each of the questions and record their responses. Interviews allowed respondents to react and respond to queries in much different ways than to a survey or poll (Folkestad, 2008).

Sampling Technique

The sampling technique used for both the focus group and the in-depth interviews was purposive, or judgment sampling. The sample was chosen with a specific purpose in mind. In this study, these participants had to have been employed in the hospitality industry and knowledgeable regarding revenue management and hotel loyalty programs. The focus group consisted of 8 participants, all involved with revenue management. The in-depth interviews had a sample of 13 participants; again these participants possessed the title of revenue manager or above.

The sample chosen for the in-depth interviews did not consist of the same participants as the sample chosen for the focus group. The primary purpose for choosing these participants was to ensure that the data is accurate and the results will be relevant to the hospitality industry. The purpose of the study was to explore the relationship between revenue management and hotel loyalty programs. These participants must have possessed knowledge of both aspects of the study in order for the results to be valid and reliable. These participants were industry professionals who can add great insight into the topic.

The participants in the interview were all professionals, both men and women, currently employed in the hospitality industry. The sample participants had an average of 4 years working in the hospitality industry. The sample participants were hand selected by the researcher for their knowledge of the industry and current trends, as well as their experience with and interest in the topic of revenue management and hotel loyalty programs. The participants' job titles varied in the sample; two were vice president of pricing and optimization, nine were revenue managers, and two were assistant directors of revenue management.

In the beginning of the interview, the researcher began by thanking each participant for his or her time and input to the study. The participants were informed about the study, why it was being conducted, and the overall research goals. The researcher ensured that the participant was comfortable with being recorded (audio), clarified any concerns, and then began with the first question on the interview guide. A general interview guide approach (Turner, 2010) was used for all interviews; eight concrete questions were determined from the focus group data, and the researcher also engaged in conversation with the participants to allow for thicker description.

Content Analysis

Content analysis was a useful technique to researchers who are attempting to identify patterns, frequencies or potential categories within another subject (Carlson, 2008). The use of ATLASti5 allowed for the interviews to be dissected using content analysis. Content analysis was a useful tool for examining trends and patterns within documents (Stemler, 2001). The transcripts from the interviews were processed using ATLASti5, allowing them to be coded, analyzed, and searched for potential categories.

In his book regarding content analysis, Krippendorff (1980) described the history of content analysis as well as an introduction to its methodology. The author stated that content analysis is exploratory in process and predictive/inferential by intent. The use of content analysis dates back to before the 1930's, and has since been used in various fields, such as psychology, sociology and journalism (Krippendorff, 1980). He also defined content analysis as " … a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use" (Krippendorff, 1980, p. 24).

The content analysis included three phases: 1) identifying codes within categories, 2) relating codes to one another to identify emergent themes; and 3) constructing a theoretical model detailing perspectives of strategic relationships with hotel revenue managers and identifying new patterns and categories associated with those relationships.

The researcher read and understood all the transcripts before beginning coding the data, immersing him or her in the data (Hsieh & Shannon, 2005). In this particular study, codes were not predetermined for the categories, therefore *a priori* coding was not utilized. The primary purpose of the coding phase was to identify specific categories within the data that occur frequently and are of deeper interest. In this phase, the researcher examined the interview transcripts and looked for key phrases and themes that applied to the research questions and placed them into categories.

Data analysis for this study consisted of an integrated approach to coding, using inductive and deductive coding strategies (Bradley, Curry, & Devers, 2007). Themes were identified by repetitions throughout the field notes and codes, as well as identifying similarities and differences through constant comparison (Ryan & Bernard 2003). In preparation, methods, presentation and analysis, the researcher attempted to illustrate thick description, give context to the reader, as well as show a clear pathway from the methods to results in order to increase trustworthiness (Tierney & Clemens, 2011).

During the second phase, various themes surfaced within the categories. The purpose of the second phase was to discover causal patterns in the data through examining consequences, interactions and processes of the categories and subcategories. These categories and subcategories were related, and possibly placed into categories of their own (Elo & Kyngas, 2007). The author continued by describing how data "belongs to" a particular category, and categorization was not solely for the purpose of bringing together similar observations. In the final stage, the core categories and central subcategories were used to construct a model, which displayed the relationships among the categories.

The researcher personally conducted each interview with the participants. Each of the interviews was confidential; any mention of names, hotel brands, loyalty programs were removed and given fictitious names or entered in brackets. Seven of the 13 participants consented to having the interview recorded (audio), while the remaining six did not; the researcher was allowed to take notes during the interviews. The researcher transcribed the recorded interviews verbatim. The first participant completed six out of the eight questions; the interview was cut short due to the participant having to handle a work related issue. The rest of the interviews were completed in their entirety.

In order to increase trustworthiness, the interview transcripts were coded individually first, and then coded again as a whole. According to an article by Tierney and Clemens (2011), trustworthiness depends on four factors: credibility, transferability, dependability, and conformability. The researcher attempted to exemplify the methods and research design clearly, as well as present the results in a way that illustrated credibility and conformability.

Conclusion

This chapter discussed the methodology and sampling strategy that was used to complete the study. Focus groups and in-depth interviews were defined and examined to illustrate the process that was used to execute the study. The sampling technique and reasons for the technique were also assessed in this section. In the next section, the results from the in-depth interviews will be presented.

CHAPTER 4

DATA ANALYSIS AND RESULTS

Introduction

This chapter will present the findings from the data gathered by the researcher. This introduction will consist of the layout for the chapter, as well as short paragraph on the participants' demographics. The first section will discuss the research questions and the results that emerged from the data. Secondly, this chapter will discuss themes and subthemes that materialized from the data. Further, a content model (see Appendix C) will show relationships between different facets of revenue management and hotel loyalty programs; analysis will explain the connections between those assets. The last section will conclude the chapter by summarizing the main findings of this study and answering the research questions.

There were thirteen interview participants in total: seven were female and six were male. The interview participants possessed an average work experience in the hospitality industry, specifically in revenue management in some respect, of 5.53 years. These demographics were summarized in Table 1.

Table 1

Interview Participant Demographics

Male	Female	Average Work Experience
6	7	5.53

Research Questions

The purpose of this study was to explore the relationship between revenue management and hotel loyalty programs. During the course of the literature review, five research questions were developed that may help uncover the interaction between these two disciplines. The research questions were:

1. How can the financial impact of loyalty programs be determined if the current scales solely measure the type of loyalty?
2. Do loyalty programs address an emotional connection to the brand (attitudinal), or repeat visits/purchases (transactional loyalty)?
3. How does charging various customers different prices for the same room at the same hotel impact consumer loyalty?
4. Is the revenue management department concerned with the financial expense of loyalty programs in any sense?
5. What is the overall interaction between revenue management and hotel loyalty programs?

Each of the research questions was addressed and the responses that emerged from the interviews.

The first question that was asked in the interview concerned the financial aspect of loyalty programs. All thirteen of the respondents stated that they do consider the financial impact of loyalty programs. Nine out of the thirteen respondents indicated that tracking guest behavior is the primary method for understanding the financial impact of the loyalty program; tracking guest behavior allowed them to incentivize the guest to return, maximizing revenue. Two of the respondents indicated that the financial impact of loyalty program was measured through a loyal member's gaming revenue/contribution, which factored into reinvestment level in the guest. Lastly, the remaining two participants stated that the profitability (or loss) on promotions sent to loyalty program members indicated the financial impact of loyalty programs.

The second research question concerned whether loyalty programs addressed an emotional connection to the brand (attitudinal) or repeat visits/purchases (transactional). Five of the participants identified that a loyalty program is primarily concerned with transactional loyalty, or getting guests to return to the property. They also indicated that the primary concern is acquiring data on the guest, and that an emotional connection to the brand comes from the guest's efforts, not the hotels. Seven of thirteen participants explained the necessity of an emotional connection and that hotels should strive for making that emotional connection with their loyal guests. However, these participants explained that their methods for loyalty were purely transactional, and were to get the guest to return to the property. One of the participants stated that they work closely with their customer relationship management team, and encourage their staff to make connections with the guest and get them to form a connection with their property.

The third research question posed the question of how charging customers different prices for the same room at the same hotel impacts consumer loyalty. Two participants contended that price sensitive guests are not looking for loyalty, and therefore it has little effect. Three of the thirteen participants stated that dynamic pricing can increase loyalty because guests are given the chance to receive exclusive offers and discounts not normally available to a non-member of the loyalty program. Two of the participants explicitly stated that it should have little to no impact if there is rate parity and consistency among channels. The remaining participants indicated that due to accessibility and availability of information, guests were very aware of supply/demand and how that affects prices on rooms in Las Vegas, and therefore had a minimal effect on loyalty.

The fourth research question dealt with whether or not the revenue management department was concerned with the financial expense of loyalty programs. Four of the thirteen participants explained that they were concerned with the reinvestment level in a guest, or how much it would cost to get that guest to return compared to how much that guest spent. Two of the participants mentioned how they were concerned with the number of redemption reservations in house at one time, which in turn affected their reimbursement rates from their corporate offices. Four participants stated that there were specific positions created to handle the loyalty program, and those positions were more concerned with the finances, while revenue management was concerned with the data. Two participants responded that revenue management was strictly concerned with revenue, while the last participant stated that it depended on the size of the company; a larger company would have more departments to deal with the cost, while with a smaller company, revenue management may see more of that cost information.

The fifth research question dealt with the overall interaction between revenue management and hotel loyalty programs. Two of the thirteen participants stated that revenue management's involvement in the loyalty program is sufficient the way it is; revenue management works a little with marketing to yield rates to loyal member segments. Three of the participants indicated that an intermediary between revenue management and hotel loyalty programs way the best way to operate (positions such as loyalty or brand marketing). Lastly, eight of thirteen participants explained that revenue management's involvement is limited, however should be directly involved with the loyalty programs in order to be successful, and should strive for total hotel revenue management.

Themes

After coding the interview data, thematic analysis was performed to dig further into the data. There were several themes that emerged from the data during analysis. Those themes were: *goal is to understand the consumer*; *strategy is at the core of revenue management*; *the smart consumer*, and *striving for emotional connection through transactional loyalty*.

Goal is to Understand the Consumer

The overall goal of understanding the consumer and his/her behavior was mentioned several times by the participants. The codes related to this theme were also mentioned often: trackability (18); tracking behavior (14); data (14); target marketing (7), and knowledge of consumer behavior (6). The topic of the consumer/consumer behavior was mentioned in all of the interviews. The major codes and characteristics that appeared in the study are summarized in Table 2 (see Appendix D).

> "…to understand exactly who you are as a consumer, what drives you, and what I can do to keep you loyal to my company."
>
> "We can get a little bit of a sense as to who our customer is, and then two, what their willingness to spend is as well…because with revenue management, what we have to understand is 'how sensitive…or how price sensitive is our customer?'"
>
> "It's just understanding the customer and understanding what it is that they want, to try and sort of tailor the rewards."

Using the word count function, it was evident that there was heavy emphasis on the words related to understanding the consumer as well: data (33); consumer (22);

consumers (10); customer (54); customers (46); guest (61), and guests (65). All of the participants mentioned tracking the guest or tracking in some form during the interviews.

> "…a loyalty program is just a fancy word of being able to track people."
>
> "…heavily track our [loyalty] members, because that's how we get our [loyalty] scores."
>
> "…we're able to do this is we track our customer spend…in…like in Las Vegas, we track how often they're gambling, how much, and if they are staying in the hotel with us, we track their folio spend…"

Strategy is at the Core of Revenue Management

The concept of a core strategy was mentioned frequently amongst the participants, with the word strategy in some form being mentioned 32 times. Among the ideas shared in common, several strategies, such as forecasting, target marketing, and converting guests to book directly were mentioned often.

> "…great stats to know, especially with our hotels and the complimentary breakfast. If we can strategize that over certain dates, we're gonna have more gold and platinum members in house, it just makes us… better at our job…we're better able to forecast the hotel, and kind of set the expectations out there of how know those dates are going to perform".
>
> "So, what you don't wanna do is sell too many rooms in advance to the lower, lowest end folks, and then not have rooms available for…you know, your higher valued casino customers".
>
> "Therefore, they…the guest might say, 'Oh, yeah I know that that room is selling for $50 less, but in the long run, I know that I'm going to see the benefit of being

a loyal customer to [hotel] booking through [loyalty] site, and getting certain discounts along the way'".

A few of the participants also mentioned strategy and how it related to obtaining and maintaining the ideal mix of customers in the hotel.

"…very focused on the mix of business that's in the hotel. There's times where you can maximize every room coming in at retail and super high rates, and there's times where there are need dates and you need rewards reservations and you need some of the lower priced reservations in the hotel".

"You know, if you're at a hotel where…you know, on any given night where we're running 70% or 80% of the hotel being a gold or platinum member, that can be very, very costly to the hotel if every one of those rewards members chooses to eat breakfast. So, 80 breakfast times $20 is $1,600; if you're having that taken out a few times during the week and you're not bringing in as much as you're dishing out, umm…it can be very costly, and it's something you have to monitor very closely".

The strategies that were mentioned by the participants were fairly common to revenue management practices. Two participants mentioned a forecasting strategy that none of the other participants did: suspending benefits for loyalty program members.

"So although you're a loyal guest, we can shut off certain times when we really want to maximize revenue from a different market segment, or we wanna minimize it to comp only. So, basically, if you're a [loyalty] guest, if you can't get a comp, you can't stay here, or you can stay here, you just don't get a discount at this date, you have to pay the full prevailing rate".

> "…although we love our loyalty members and we want them to be able to book with us, like our platinum members get, umm, guaranteed room access if they let us know within 24 hours, so basically even if we're sold out they get it, right? And that's a great program to be a part of because it really makes them feel like they're valued, however blackout dates are so important for revenue managers to put into place because if I'm selling a group contract, I need to also be committed to that contract as well".

The participants indicated that the loyalty program was open to anyone and everyone; it simply required the guest to sign up for the program.. Several participants indicated the idea of exclusivity in the loyalty program as a strategy for obtaining new members.

> "…you're gonna give it to them for $200, now they're seeing that there's value in the proposition that you're giving them…that for being a member you're gonna get a cheap discount. And therefore you're being rewarded for that loyalty".
>
> "So if you're booking [OTA], you won't get credits on that".
>
> "…consumer loyalty as far as they're concerned should really be held with us because they're getting these additional certificates that they can only redeem through our reservations".

The Smart Consumer

The conception of revenue management and dynamic pricing was mentioned by a few participants, specifically the case of American Airlines. There were several related codes cited frequently as well: guest awareness (7); information (3); knowledge (2), and dynamic pricing (4). Many of the participants stated that consumers have information and awareness to different pricing practices in the hospitality industry.

"…because dynamic pricing has been around for sufficiently long time now, and of course all this came into focus with the airlines, right?"

"I think in this era of communication and information, you can Google everything…especially in Las Vegas. They have done so many specials about how you can get the best deals in Las Vegas. I think people are more aware of this now than they have ever been that, you know…when they're in the hotel, there's a variety of price points that are out there".

"I think that consumers are savvy enough at this point to understand that price is a function of supply and demand, right?"

"…guests almost know that there are different price premiums for a different room asset".

Further, there were references to dynamic pricing and a motive to create a sense of integrity in pricing. The consumer had knowledge and means to seek out information on pricing practices, according to the data. There were several mentions of dynamic pricing creating loyalty in consumers as well.

"I would definitely say that it has somewhat of an impact, however we work incredibly hard to keep all of our rates in parity. So, even when you're looking at our [OTA's] are the four main ones that we participate with, umm….we try to keep everything in parity".

"…ultimate goal is to create a sense of integrity, I guess, in booking directly with the company…"

"So, you kind of have to be consistent in a sense that the rates are gonna go higher, rather than lower. And then, when a guest sees that the rate is $500, and you're gonna give it to them for $200, now they're seeing that there's value in the proposition that you're giving them…that for being a member you're gonna get a cheap discount. And therefore you're being rewarded for that loyalty".

"I think that their minds know that. Do they always like it? No. But if they're loyal customers, it doesn't matter because they're going back… they're coming here to experience all the…things you really can't put a price tag on; the service, the experience they have at certain restaurant, or a specific restaurant, or a feature of the room, or the spa…those are things people are willing to pay for…because in a way they've taken ownership of it. They have a personal investment in that experience, so they'll pay more for that ultimately in the long run".

Striving for Emotional Connections Through Transactional Loyalty

Many of the participants did mention an emotional connection to a hotel or brand in some capacity. In doing so, they related the emotion back to "brand loyalty" or "brand recognition".

"I mean you capture a lot of business being with such a great brand, because the brand recognition brings guests in too".

"Like here in Vegas, yeah I absolutely want you to be loyal to [hotel brand]".

"We also… I mean you capture a lot of business being with such a great brand, because the brand recognition brings guests in too".

The sole mention of "emotions" or "feelings" was by the researcher in conversation with a participant. One of the participants stated, "No" as their answer, and the researcher had to probe further for an explanation.

"…emotional connection part, no, but the repeat visits or the purchases are not looked at across the portfolio instead of with one individual property".

The participants shared an emphasis on repeat guests and enticing the guest to return to the property. The related codes were mentioned often as well: repeat visit (9); transactional loyalty (7); loyalty is repeat business (4); incentive to return (5), and frequency (9). The responses shared a common view of, "striving for an emotional connection", or, "the goal is to have an emotional connection", and the methods were mainly, "repeat visits", "offering discounts", or, "motivating by points".

"It addresses the, umm, transactional because it really is based on visits, stays, nights, etc.… you get more, you stay more".

"…how often they visit".

"We do speak a lot to the repeat guests…"

"How we draw people into the program is the discounts…"

"…gaming company, we are definitely looking at, umm…repeat business, and that's how we track loyalty".

"On the major side of loyalty which is the [brand] rewards program, that is almost entirely driven by…by your gaming contribution. So it has very little to do…the short answer is that it's…it's the revenue you contribute from the gaming side".

Two participants emphasized the idea of "quantity" as a motivator for acquiring members into their loyalty program and increasing repeat visits.

"They're just trying to get sheer numbers. I think that's more so the goal. They think if we get a lot of numbers, then the repeat business will eventually… we'll see the benefit of the repeat business".

"…quantity, quantity, quantity, pushing that…"

All of the participants mentioned the importance of "offers" and "tailoring" offers to meet consumer needs. Most of the participants cited "target marketing" in two ways: targeting exact consumers who they want to return, and acquiring guests into their loyalty program.

"and you let us track what it is that you're doing and what it is that you want, so…that way we can give you more of what you're wanting".

"They do take a look at your spend, and what you utilize your spend on, and then they send you offers based upon that".

"And one of our major marketing strategies was to, umm…get [hotel] corporate involved in finding out what [hotel] club members in their database have booked, umm…premium suites within [state] region, and sending them a marketing piece on our new bungalow. So that's kind of like targeting exactly the consumer that we're looking for…"

"And at some point, that's not the customer that we choose to market too".

Content Model and Analysis

The themes discussed above are only a piece of the puzzle in the analysis of the data in this study. The themes above, on top of the codes from the data, were integrated into a content model, which can be found in Appendix C (see Figure 1, Appendix C). The central categories in the model were revenue management, loyalty programs, strategy, data, tracking behavior, and goal of understanding the consumer. Arrows between categories, as well as the direction of the arrows, on the content model indicated some connection or relationship, with certain words describing that relationship. The words "is part of" indicated that one category is a part of that category, while the words "is associated with" meant that two categories are related to one another. The word "affects" meant that one category influences the other category; the phrase "is cause of" indicated that one category is the potential source of another category. Lastly, the words "is a" were utilized to link a specific category to a more general category; the phrase "is property of" specified that one category is a component of the related category.

The model was interpreted from the top down. It originated with the connection between revenue management and hotel loyalty programs: the goal is to understand the consumer. Revenue management sought to understand the consumer in order to maximize revenue per customer, while loyalty programs aided in the tracking of spend and behavior in the consumer, gathering massive amounts of data to aid in development of promotions and offers. Revenue management used data from the loyalty program to work with the marketing department, in order to create offers and promotions that will drive business.

The first main facet of revenue management and hotel loyalty programs was strategy. Strategy was absolutely vital in revenue management; in order to forecast and maximize revenue, there must be a strategy in place for that specific month or quarter. For example, one main strategy mentioned was converting guests from booking with online travel agencies, to booking directly with the hotel. Guests, even though they booked with an online travel agency, would have the chance to experience the service, which will help convince them to book directly with the hotel. This led to increased revenues for the hotel as well as a possibility of increased loyalty with that brand.

Target marketing was also another key strategy for revenue managers and their property. In order to maximize revenue, they needed to attract guests and ensure their return to the hotel. Strategy relied heavily on data in order to be successful. Data was a defining characteristic of the relationship between revenue management and hotel loyalty programs. Data consisted of spending habits, place of spend, preferences, stay patterns, booking windows, etc.… Members of the loyalty programs used their rewards card, earning points and credits for their purchases. On the hotel side, however, the use of the rewards card provided an essential method of tracking behavior in their consumers; tracking behavior was another central function of loyalty programs used by revenue management.

The intent of a loyalty program was to drive loyalty and increase repeat business (Haley, 2006). The aforementioned strategy of target marketing was a successful way in order to increase repeat business in a hotel. Members of the loyalty program were sent offers that are tailored to them, specifically based on their spending habits. Guests had certain expectations of a hotel, which affected their visit, either positively or negatively. Expectations, therefore, had an affect on the guest's experience at the hotel, and in turn affected the chances for repeat visits. Expectations were also associated with a guest's emotional connection to the brand; if a guest's expectations were not met or exceeded, it may weaken their emotional attachment to the brand, leading them to stay elsewhere.

A topic of debate was whether loyalty programs drive emotional connections with their brand, or just repeat visits or purchases. A common theme amongst the participants was striving for the emotional connection by focusing on repeat visits; if a hotel can increase the frequency of visits, then the emotional connection will happen more on the guests' side. The emotional connection to the brand was associated with brand loyalty, in that if a guest forms a connection, they are more likely to become brand loyal. An emotional connection to the brand was contradictory to the idea transactional loyalty, or focusing on the repeat visits. Revenue managers were mainly concerned with maximizing revenue, as indicated by all the participants. Therefore, revenue managers were more focused on repeat visits to the property with carefully designed offers, incentives and promotions.

Overall, the relationship between revenue management and hotel loyalty programs can be described in a single word: data. The data from the loyalty program was crucial to revenue management's goal of maximizing revenue. The current focus of revenue management, in regards to the loyalty program, was on repeat visits, and utilizing that data to incentivize guests to return. Revenue management was not directly involved with the loyalty program, yet as the interview data portrayed, there should be more involvement in the future.

Conclusion

This chapter presented the results from the in-depth interviews. The research questions were answered as well to further the understanding of the relationship between revenue management and hotel loyalty programs. Revenue management was not overly concerned with the financial expense of loyalty programs; they were more concerned with tracking a guest's behavior. Revenue managers felt that transactional loyalty was the primary concern, and their involvement with the loyalty program was currently limited; revenue management needed to be more directly involved to be successful. Dynamic pricing did not have a large affect on loyalty, as it added an element of exclusivity with members-only offers. In summation, revenue management used the data provided by the loyalty program to aid in maximizing revenue, yet what does this mean for the future of revenue management?

CHAPTER 5

DISCUSSION AND IMPLICATIONS

Introduction

This chapter, first, will summarize and interpret the findings of the study while relating them back to relevant literature. Second, the implications for the findings will be discussed. Further, the chapter will continue with limitations of the study, and finally concluding with suggestions for future research.

Summary of Findings

Using a content analysis of in-depth interviews, this study provides understanding on the relationship between revenue management and hotel loyalty programs. The results of this study indicate that revenue management and hotel loyalty programs, while separate disciplines, rely on a main factor in order to be successful: understanding the consumer. Revenue management utilizes the data collected and tracked by the loyalty programs in order to be more effective at designing promotions and offers, in line with their strategy to maximize revenue.

Each of the research questions gives insight into the relationship between revenue management and hotel loyalty programs. Revenue management is not concerned with the financial expense of loyalty programs, however the data that can be tracked i.e. spending habits, place of spend, hotel preferences, gaming data, is of the utmost importance to revenue managers. From a revenue management perspective, loyalty programs encourage repeat visits, and in turn, guests may or may not form an emotional connection. Further, dynamic pricing, a core principle of revenue management, could potentially increase loyalty in hotel guests by offering exclusivity to loyal members and those who book directly. Overall, revenue management's involvement with the loyalty program is limited; it uses the loyalty program as a tool for tracking data on the consumer in order to maximize revenue.

Theoretical Implications

This study seeks to provide insight on the relationship between revenue management and hotel loyalty programs through themes that rise from the interview data. The main themes emerging from the data are: goal of understanding the consumer, strategy is at the core of revenue management, the "smart" consumer, and striving for emotional connections through transactional loyalty. The common goal of understanding the consumer brings revenue management and hotel loyalty programs closer together. Findings in the literature also indicate that data on the consumer is paramount. Aksoy (2013) emphasizes that, concerning loyalty programs, information gathering is a necessary first step, after which the data is transformed into interpretable information that can be used to make decisions. Bolton, Kannan, and Bramlett (2000) imply that data must be gathered to calculate a program's effect on a customer's repurchase intentions. Data is a necessary component of revenue management when making decisions regarding consumers, and the loyalty program is the source of that much-needed data.

Strategy is another core element that emerges from the interview data. Revenue management has a variety of functions, such as yielding, pricing and managing other distribution channels. An overarching strategy is essential to revenue management; this also holds true when it concerns the loyalty programs. According to the literature, implementing a revenue management strategy has become increasingly complex (Beck, Knutson, Cha & Kim, 2011). Revenue management cannot only manage the day-to-day yielding; they must implement the strategies through daily activities. For example, if there is a month where a hotel has a large group coming in, revenue management knows they can only take so many redemption reservations, so forecasting and strategizing are necessary for success.

Consumers are becoming increasingly aware of price differences in hospitality. Dynamic pricing is a core yielding strategy in revenue management, and has been for some time. In the article by Choi and Matilla (2005b), it details that consumers are now aware of these practices and giving guests more information about pricing practices will make them happier. In this age of technology, customers are becoming their own travel agents, and handling their own bookings. With the information at their fingertips, they see the advantages of booking directly with the hotel, or as a part of the loyalty program. There is an element of exclusivity in the loyalty program, of which consumers have full knowledge. In turn, dynamic pricing practices actually indicates that loyalty should be held more so with the hotel. If a seller can make the reason/s for the price increase clear to the consumer, they are less likely to have unfavorable perceptions of price fairness (Ferguson & Ellen, 2013).

Lastly, the motivations and intentions of a hotel loyalty program have been of some debate in the literature. The results of this study infer that, from a revenue management perspective, loyalty programs are more concerned with the transactional loyalty, and the emotional connection will hopefully develop after the guest frequents the property. These results are contradictory to those found in the article by Shoemaker and Bowen (2003); the article accentuates the significance of an emotional connection in consumer loyalty. Further, it has been noted that true loyalty is distinguished from repeat purchases (Han & Hyun, 2012; Han, Kim, & Kim, 2011b), also conflicting with the results. The results are, in a way, related to the distinction of loyalty programs and frequency programs (Shoemaker & Lewis, 1999). The article contends that frequency programs encourage repeat business, while loyalty programs seek to build an attachment to the brand; frequency programs shift the focus to the rewards, and not the brand or its affiliates (Shoemaker & Lewis, 1999).

Practical Implications

The purpose of this study is to provide more understanding on the relationship between revenue management and hotel loyalty programs. Evaluating hotel loyalty programs from a revenue management perspective is a connection that has not yet been fully explored (Shoemaker, 2003). The results of this study provide a more thorough understanding of how revenue management interacts with the hotel loyalty program. Revenue management uses the loyalty program for the data collected in order to make more informed decisions on offers and promotions.

The results of this study suggest that revenue managers are mainly concerned more with repeat visits to the hotel, promoting transactional loyalty. In addition, the study reveals that revenue managers had very limited involvement with loyalty programs, indicating they possess very little understanding of the complete loyalty concept. Revenue managers appear to lack the comprehension of the emotional component (attitudinal loyalty) of customer loyalty. For example, in order to have a successful loyalty program, hotels must capitalize on the antecedents of loyalty such as satisfaction, trust and service quality, which have direct links to emotional commitment of the guest. In turn, guests that possess true loyalty are generally less price sensitive, therefore dynamic pricing will generally not have negative effects. A key finding of the study is that hotels with sophisticated loyalty programs should implement cross-training programs between revenue management and loyalty programs. A more direct connection between revenue management and hotel loyalty programs should be established in order to increase hotel revenues, as well as decrease promotional allowances. Tanford (2013) indicates that loyalty members who have achieved a higher tier receive expensive benefits, such as rooms or food and beverage, increasing costs for the hotel. These expenses are shown as marketing/advertising expenses, or promotional allowances. A summary of the costs of promotional expenses of some hotel brands in Las Vegas is shown in Table 3. Decreased price sensitivity in loyal guests may aid in the reduction of these promotional allowances (Shoemaker & Bowen, 2003).

Table 3

Cost for Promotional Allowances for Major Hospitality Companies (in thousands)

Year	Sands Corporation	MGM Resorts	Caesar's Corporation	Wynn Resorts
2011	$233,876	$408,449	$716,100	$173,449
2012	$275,710	$443,467	$713,100	$178,891
2013	$343,816	$446,003	$685,300	$180,141

In conclusion, revenue management is a key department in a hotel; it matches supply and demand by separating consumers by purchase intentions and assigning those segments to maximize revenue (Ivanov & Zhechev, 2012). This study reveals that the loyalty program is an essential tool for revenue managers, providing vital data in order to yield rates, send offers, and develop promotions. Finally, the study may suggest that revenue management's current business model of maximizing revenues may need to shift towards the notion of maximizing profits by realizing the profitability potential of true loyal guests.

Limitations

One main limitation is these results are not generalizable to a larger population. Qualitative research seeks to provide a deeper understanding on a topic or phenomenon; future researchers could use data from this study to aid in other studies, increasing transferability. A qualitative research design is utilized in this study due to the lack of quantitative data available. This study cannot be replicated; it is based on interviews and answers/opinions of various participants. That alone would indicate that, if replicated, the results could be different. However, if the same framework is applied, another researcher should be able to extract similar results (Tierney & Clemens, 2011).

Another limitation is the presence of the researcher during data collection. The fact that the researcher is present in the respondent's environment may have lead the participants to possibly alter their answers in some way (Miyazaki & Taylor, 2008). Further, one researcher conducts and transcribes the interviews, codes the data and interprets the findings of the study. Another researcher reviews the interview questions, however the overall presence of one researcher could increase subjectivity. The interview questions are designed in order to be open ended and neutral, and not lead the participants in one direction.

Participants may have been influenced or felt pressure to modify their answers due to some of the nature of the study. The interview questions are not property or person specific, however the researcher engages in conversation with the participants to allow for richer data. In the beginning of the study, the participants are ensured confidentiality throughout the study. All participants' names, as well as any property or loyalty program mentioned, are removed from the study.

Recommendations for Future Research

The results of the study indicate that revenue managers are not very concerned with the financial expenses of a loyalty program; revenue management and finance are separate. Herein lies a prospect for future research. There has been a gap identified in the literature between hotel loyalty programs and profitability (Shanshan et al., 2011). These findings can serve as a basis for the future study, however, perhaps interviewing financial executives rather than revenue managers may give more insight as to the exact expense and profit of loyalty programs. Members of other departments may have useful input as well, such as casino or marketing executives.

As seen from the results of this study, revenue managers are most concerned with repeat visits, or transactional loyalty. However, this contradicts some of the literature that states that attitudinal, or emotional, loyalty is more important and can be more profitable. Is transactional loyalty enough to force a consumer to make the emotional connection on his or her own? This study utilizes revenue managers in Las Vegas, a city of extreme supply and demand. Perhaps taking this study to a different area, with more non-gaming hotels, could provide more insight to the topic of transactional loyalty vs. attitudinal loyalty and profitability.

Conclusion

This study examines the relationship between revenue management and hotel loyalty programs by analyzing thirteen in-depth interviews; these participants hold the title of Revenue Manager or higher. The researcher transcribes the interviews, and utilizes Atlas.ti in order to code, inductively and deductively, as well as extract themes from the data. The findings of this study indicate that revenue management is not, but should be, more involved with hotel loyalty programs. The primary concern of revenue managers, in regards to the loyalty programs, is data. Themes suggest that strategy and tracking behavior are significant to revenue managers, and the overall goal between RM and loyalty programs is to understand the consumer. In order to maximize revenue, revenue management must understand the target consumer. Using the findings of this study, revenue managers may gain more understanding of why they should be involved with the loyalty programs, which could increase revenue. Further, hotels could decrease their promotional allowances by realizing their loyal guest are less price sensitive; in some cases, revenue managers could yield higher rates to their loyal members. Lastly, this study adds considerable results to the limited literature base on revenue management and hotel loyalty programs by evaluating loyalty programs from an RM perspective.

APPENDIX A

Focus Group on Revenue Management

1. I'd like you all to start by discussing the relationship between customer relationship management and revenue management.
2. Think about a situation in which a highly profitable client was dissatisfied with your business. This may cause a loss in revenue as well as the loss of the client.
3. How do revenue managers view loyal consumers?
4. Discuss your overall opinions of loyalty programs in the hospitality industry.
5. Explain some ways that loyalty programs effect revenue management.
6. Discuss whether loyal consumers should <u>always</u> receive a discount compared to unknown customers.
7. What is the future direction of revenue management concerning loyalty programs?

APPENDIX B

Interview Questions

1. The current scales of measurement for loyalty programs measure the type of loyalty. How could the financial impact of loyalty programs be determined?

2. Do loyalty programs address an emotional connection to the brand (attitudinal), or repeat visits/purchases (transactional loyalty)?

3. How does charging various customers different prices for the same room at the same hotel impact consumer loyalty?

4. Is the revenue management department concerned with the financial expense of loyalty programs in any sense?

5. What is your overall understanding of the interaction between revenue management and hotel loyalty programs?

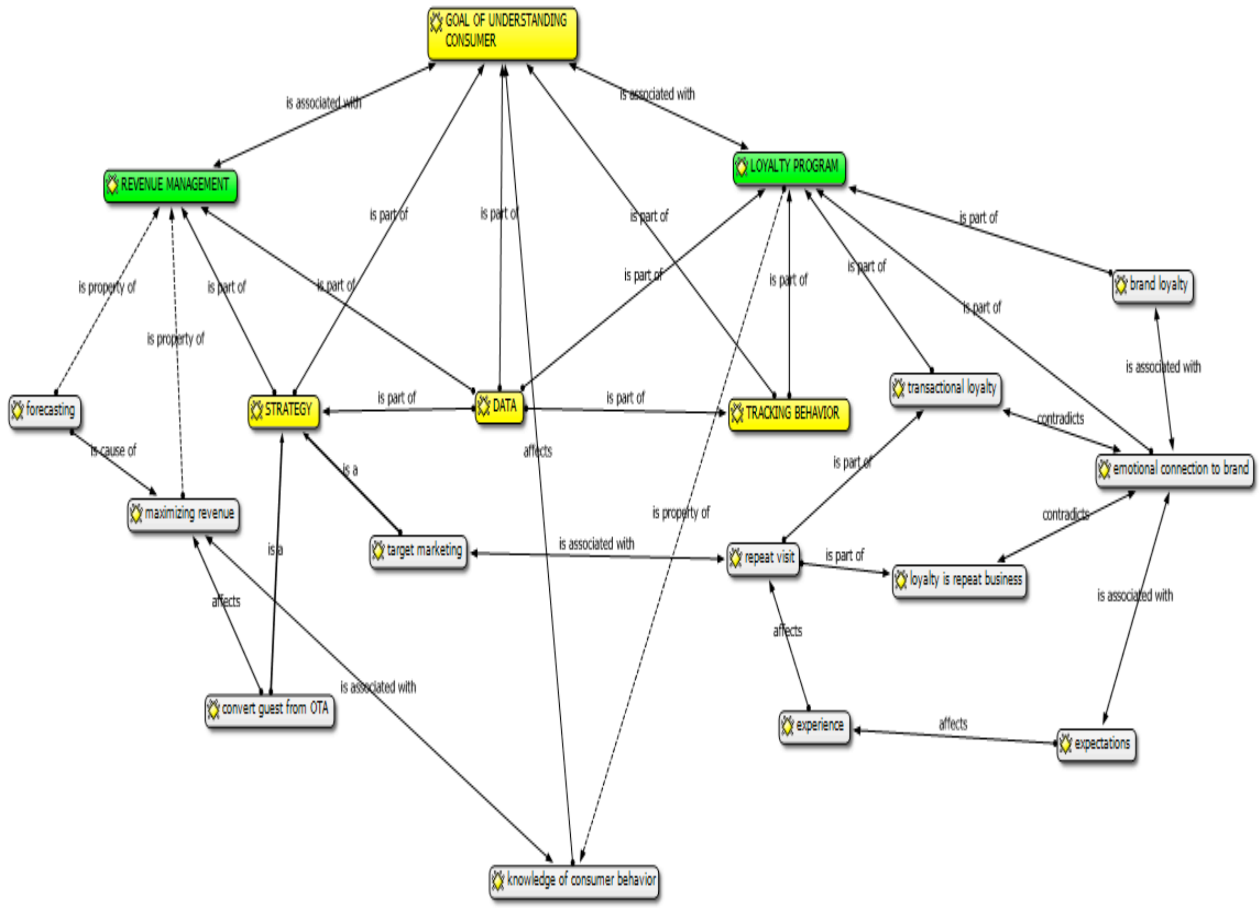
6. Some guests may frequent a hotel due to the level of service they receive; others may return to a brand to acquire points to achieve a certain level in the loyalty program. How could a hotel track these specific behaviors in their loyal members?

7. Is it more important to focus on revenue management at a day-to-day level or at an overall strategic level when it involves hotel loyalty programs?

8. There are many elements that revenue managers must account for when discussing strategy. Would members of the loyalty program be considered one of those important elements?

APPENDIX C

Content Model



Content Map Legend:

Solid line: strong link relation
Dotted line: weak link relation
Is associated with: two categories are related
Is part of: one category is a part of another
Is property of: one category is a component of related category
Affects: one category influences another category
Contradicts: one category opposes the related category
Is cause of: one category is potential source of another category
Is a: linking one specific category to a more general category

APPENDIX D

Codes, Related Codes, and Characteristics

Table 2

Codes, Related Codes and Characteristics

Code	Related Codes	Characteristics
Trackability (18)	Tracking behavior (14)	Tracking consumer behavior as related to their loyalty card
	Tracking spend (20)	Tracking place of spend, amount of spend
	Knowledge of consumer behavior (6)	Tracking restaurants, outlets, entertainment
	Frequency (9)	How often a guest visits a property, spends money gaming, visits restaurants
	Redemption (6)	The number of stays that a guest uses points or a redemption certificate from the loyalty program
	Stay Patterns (3)	Looking at the overall pattern of when a guest comes to the hotel (once every few months, every month for a week)
Strategy (13)	Maximizing revenue (8)	Having the best customer mix possible, dynamic pricing, managing inventory
	Target marketing (7)	Tailoring specific offers to guests based on their behavior
	Convert guest from OTA (6)	Encouraging guests to book directly with the hotel through service and outlets during their stay
	Forecasting (6)	Using information to maximize revenue, ensure availability for group contracts, managing availability directly and through online travel agents

Code	Related Codes	Characteristics
Data (10)	Survey (10)	Collecting information through post-stay surveys sent to guest via email or done in person
	Consumer feedback (4)	Information directly from guest, either from online travel resource, comment card, survey
	Customer information (3)	Information about the customer, name, address, phone number, email, preferences
Transactional Loyalty (7)	Repeat visit (9)	A guest visiting a hotel often for reasons of price, convenience, or an offer
	Incentive to return (5)	An offer extended to a loyal guest in order to entice them to return to the hotel
	Motivated by points (3)	Guest returns to a property or outlet due to points received regarding loyalty program
	Discount as motivator (2)	Guest is motivated by the percentage or amount of their loyalty discount regarding repeat visits to the property

APPENDIX E

IRB Approval

UNLV
UNIVERSITY OF NEVADA LAS VEGAS

INFORMED CONSENT

Department of Hotel Administration

TITLE OF STUDY: Exploring the Relationship Between Revenue Management and Hotel Loyalty Program Practices

INVESTIGATOR(S): Dr. Carola Raab, Melissa Buckley

CONTACT PHONE NUMBER: 702-895-5406; 805-796-7402

Purpose of the Study
You are invited to participate in a research study. The purpose of this study is to explore the relationship between revenue management and hotel loyalty program practices.

Participants
You are being asked to participate in the study because you are an adult at least 18 years old and a hotel revenue manager.

Procedures
If you volunteer to participate in this study, you will be asked to participate in a 30-minute interview. If you agree to participate, the researcher will ask you eight questions about revenue management and hotel loyalty program practices.

Benefits of Participation
There is no direct benefit to you as a participant in this study.

Risks of Participation
There are risks involved in all research studies. This study may include only minimal risks. You may feel uncomfortable answering some of the questions. If you do not wish to answer any question, you are free to go on to the next question without answering it. You may also discontinue participation at any time and not complete the rest of the interview.

Cost /Compensation
There *will not* be a financial cost to you to participate in this study. The study will take about 30 minutes of your time. You *will not* be compensated for your time.

Deemed exempt by the ORI-HS and/or the UNLV IRB. Protocol 1409-4936M
Exempt Date: 10-23-14

Page **1** of **2**

Contact Information
If you have any questions or concerns about the study, you may contact Dr. Carola Raab (carola.raab@unlv.edu/702-895-5406) or Melissa Buckley (buckley3@unlv.nevada.edu/805-796-7402). For questions regarding the rights of research subjects, any complaints or comments regarding the manner in which the study is being conducted, contact **the UNLV Office of Research Integrity – Human Subjects at 702-895-2794, toll free at 877-895-2794 or via email at IRB@unlv.edu.**

Confidentiality
All information gathered in this study will be kept as confidential as possible. No reference will be made in written or oral materials that could link you to this study. All records will be stored in a locked facility at UNLV for one year after completion of the study. After the storage time the information gathered will be completely discarded.

Voluntary Participation
Your participation in this study is voluntary. You may refuse to participate in this study or in any part of this study. You may withdraw at any time without prejudice to your relations with UNLV. You are encouraged to ask questions about this study at the beginning or any time during the research study.

Participant Consent:
I have read the above information and agree to participate in this study. I have been able to ask questions about the research study. I am at least 18 years of age.

☐I have read this informed consent and I AGREE to participate.
☐I have read this informed consent and I do NOT AGREE to participate.

Deemed exempt by the ORI-HS and/or the UNLV IRB. Protocol 1409-4936M
Exempt Date: 10-23-14

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