Designing Digitalised Loyalty Programs to Encourage a Sustainable Behaviour of Tourists in Alpine Destinations

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Abstract

Customer loyalty programmes are considered a common marketing tool in tourism. It is argued that loyalty programmes increase the revenue, others doubt the effectiveness. Since tourism is one of the fastest growing industries in the world and therefore, has a huge impact on people, economy and environment, the aim was to identify how sustainability in a hotel and its periphery might be a helpful strategy to induce loyalty – which also would increase the tourism's sustainability itself. A theoretical approach was used. Based on a thorough literature review in order to determine the state of the art of research related to customer loyalty programmes and sustainability, a priori hypotheses was generated. Resulting from this, a model was created that shows how sustainability in a hotel and its periphery might be a helpful strategy to induce loyalty – which also would increase the tourism's sustainability itself. It is limited by the assumption that the introduced sustainability is having a positive effect on the customers' loyal behaviour. Further research might be necessary in order to put the theory to test and find out how much positive impact sustainable hotels really have.

Keywords: Customer loyalty programme, loyalty, sustainability, case study.

1. Introduction

Nowadays, customer loyalty programmes are everywhere and it has come to the point where customers almost expect businesses to offer such a programme. However, if the programme is not working as well as it should, it might be a financial burden on the business. Generally, it is believed that customer loyalty programmes are building loyalty, which consequently helps to increase revenue due to influencing the customers' behaviour. This could then affect their attitude and behaviour towards a business. However, some people doubt the effectiveness of loyalty programmes for its possibly high costs, polygamous loyalty behaviour and imitators. Nevertheless, tourism is one of the fastest growing industries in the world but it causes issues such as pollution, depletion of natural resources and physically

impact the environment. Even though tourism creates a lot of job opportunities it also might only have short-term improvements or even be negative for the local community. Knowing that loyalty is hard to achieve nowadays, the question arises how sustainability in a hotel and its periphery might be a helpful strategy to induce loyalty – which also would increase the tourism's sustainability itself.

2. Literature review

Nowadays, customer loyalty programmes – also called frequency programmes – are very common in the service sector and indeed, almost every hotel has one. In various studies from Buhalis, Law and Hansen, it is said that in marketing – hence in tourism as well — loyalty programmes are broadly accepted and considered to be an important part of customer relationship management, since it is thought as one of the best ways to improve and strengthen the relationship with the customers. (in Pimpão, Correia, Duque, & Carlos Zorrinho, 2014, p. 377) Customer relationship management (CRM) is a strategy to generate exceptional value for the company as well as the customer by gaining, retaining and affiliating with these customers (Bill Xu & Chan, 2010). In his studies, Liu defined a customer loyalty programme as one of many measures in order to promote a certain product and gain customer loyalty, for example, by using a point system in order to accumulate enough points to receive free rewards (in Xiong, King, & Hu, 2014, p. 575). Another benefit should be to develop a long-term relationship with the customer that is beneficial for both sides involved – hence inducing loyalty. (Pan, Sheng, & Xie, 2012, p. 156). Loyalty or being loyal is the virtue of feeling well-disposed towards something or someone ('loyalty', 2018). In literature, the importance of customer loyalty for companies has been emphasized and examined in many studies (Xiong et al., 2014, p. 574). Ramirez and Goldsmith (2009, p. 209) argued that loyal customers were less price sensitive but also might be recurring customers, which means more frequent revenue. However, loyalty needs to be managed well if profitability is to be achieved. Otherwise the profitable customers end up subsidising for less profitable customers. Using different tier-levels might be the answer to that, which then allows customers to be treated differently according to their loyalty-level. (Zeithaml, Rust, & Lemon, 2001, p. 121) Interestingly enough, guests who are generating high revenue are not necessarily in possession of an elite status when it comes to tier-levels. Instead, their travel behaviour is rather intermittent than regular. Moreover, so-called "Middlers" – people who are in the middle of all tier-levels – spend more money during a stay than "Elitists", whose frequency is higher. (Voorhees, McCall, & Calantone, 2011, p. 11). According to Aksoy's study, globalisation and highly increased competition have made it more important than ever to achieve exactly this long-term loyalty of the existing customer (in Kandampully, Zhang, & Bilgihan, 2015, p. 381). Further, Hu, King & Xiong, argued that loyalty programme strategies were more refined than ever (2014, p. 573). Buhalis and Law remarked that internet marketing in particular had been influencing the competition enormously in tourism and its

products and had been transforming tourist's behaviour (in Pimpão et al., 2014, p. 375). However, it was also the very reason why loyalty programmes were developed in the first place. Sharp & Sharp argued that even though loyalty programmes had existed before the first and best-known programme, which was widely recognized as such, was introduced in the 1980s by American Airlines: the frequent flyer programme. It was quickly adapted to other sectors like cruise lines, rental car companies, hotels, resorts and spas (K. L. Xie & Chen, 2013). Today, loyalty programmes may play an important role in the communication between hotels and guests, considering the transmitted data through the internet has highly increased in the last few years (Pimpão et al., 2014, p. 375). Also, there is the trend of no fees when registering for a new programme, which has been leading to the phenomenon that people join multiple programmes (Xie & Chen, 2013, p. 467). Garcia's online article (2016), mentioned Dubai and Norway, where blockchains are being used to offer a more secure and personalised loyalty programme with the aim of encouraging tourists to visit locally cultural and historic attractions. A blockchain is a new technology which is a digitally shared database with a continuously updated transaction-list. It is supposed to minimise – or even prevent – tampering in financial transactions. (Morrison & Sinha, 2016). Sashi remarked that today, customer relationship was closely connected with social media, which shifted the power away from companies to customers. Customers can exchange and share information as well as review the hotels (in Kandampully, Zhang, & Bilgihan, 2015, p. 398). So, if customers write only negative reports about the hotel and its loyalty programme, it could also have an impact on the success of a loyalty programme for people who might look for information about it before subscribing. So, in order to achieve the best results for the loyalty programme, it is essential to understand the guests, their experience and satisfaction — inter alia by using social media.

3. Sustainability in tourism

Tourism is one of the fastest growing industries in the world and its impacts are immense and complex. (Hammond, 2013) In the last decades, it increased from 25 million tourist arrivals in 1950 up to 278 million in 1980. In 1995, there were already 527 million tourist arrivals recorded and grew up to 1.18 billion arrivals in 2016. By 2030, arrivals might reach the 1.8 billion mark. ('sustaining tourism', 2014) On one hand, it can create jobs and help protecting natural resources by making local residents aware of the value of the local asset and induce the wish to protect it. On the other hand, the asset might be exposed to a huge pressure caused by unsustainable tourism and e.g. reduce biodiversity of a particular area. (Candrea & Ispas, 2009, p. 131) Sustainable tourism is based on the acknowledgment of tourism's impact on economy, environment and society both in the presence and future (UNEP, 2005, p. 11-12). But "sustainability" proved to be a tricky term that is often misunderstood and overused. A helpful alternative might be the term "responsible tourism". (Hammond, 2013) According to the World Tourism Organisation "sustainable" – or "responsible tourism" – should guarantee

and optimise the balanced use of the environment and the maintenance of the natural heritage and ecological processes. In addition, it should respect the host communities and their socio-cultural authenticity by conserving their cultural heritage (living and built) as well as their values. Higher tolerance and inter-cultural understanding between hosts and visitors are other important contributions of sustainable tourism. Lastly, socio-economic benefits and long-term economic operations should be brought about. (in Candrea & Ispas, 2009, p. 132)

3.1. Negative impacts of tourism

Although it could be said that tourism is a great opportunity for creating jobs, there are a lot of negative impacts. (Hammond, 2013) When considering that in 2016 the global travel and tourism industry made up 11% of the world's direct and indirect employment, it is no surprise that more and more countries and regions are developing their tourism. However, so called leakage – percent of earned money that leaves the country – can be as high as 80% (the Caribbean), which is not helping a country or area to sustainably develop tourism. Also, many jobs are created, they are often seasonal and poorly paid. Sometimes, the local community cannot – or barely – benefit from tourism activities in the area – e.g. when huge all-inclusive hotels are built and tourist almost never leave the complex. In addition to these economic impacts, negative social impacts such as crowding and congestion in an area can cause further issues and lower the quality of life for the host community drastically. Further, values and cultures might struggle to continue to exist. (Simm, n.d.) A prominent example of such negative social impacts is Venice, where, as a result, its population dropped to just under 55,000 (October 2016). In comparison, in 1951, almost 175,000 lived in Venice. ('The current state of tourism is hurting Venice', 2016)

Apart from economic and social impacts, there is also the environmental aspect to be considered. ('sustaining tourism', 2014) Tourism can put a lot of pressure on the environment:

• Pollution: Back in 2013, tourism was accounted for about 5% of the global Carbon emissions – 4% caused by transportation, 1% by accommodations. (Hammond, 2013) By travelling, using tourism facilities and consuming meat, tourists are emitting a huge amount of air emission – so called greenhouse gases – such as CO_2, CH_4 and NO_2 ('Overview of Greenhouse Gases', 2017). These are linked with global warming or acid rain. Other issues are littering and sewage pollution that have degrading impacts on the appearance of the environment and is the cause for death of (marine) animals. But pollution can have an aesthetic aspect as well e.g. when tourism facilities fail to fit into the landscape or local architecture.

• Depletion of natural resources: this is particularly a problem when natural resources are already scarce e.g. water resources. The high amount of water used in hotels or for golf

courses might cause water scarcity. Moreover, other resources like food or electricity are being used extensively by tourists, which might also end up in a shortage of supply.

• Physical impacts: where there are tourism, facilities and infrastructures are built. This can lead to loss of wild habitat or intensified use of land. Both might permanently destroy an ecosystem or landscape which again could have negative impact on tourism itself. Moreover, tourist activities for example hiking can lead to trampled areas and eventually to loss of biodiversity. Coral reefs are damaged by anchoring ships and yachts and the presence of tourists itself can stress animals, which might end up in them changing their natural behaviour. ('Tourism's three main impact areas', n.d.)

4. Methodology

How can sustainability help induce loyalty to a hotel and its perphery? According to Wacker (1998, pp. 371 - 373), theory building is grounded on the four following components: a) definitions of terms and variables; b) a domain (i.e. the exact setting in which the theory can be applied); c) a set of relationships; and d) specific predictions. This outline is employed to build new theory. The research process followed different steps (the process was not linear but rather iterative): a thorough literature review in order to determine the state of the art of research related to customer loyalty programmes and sustainability, was conducted. Based on this literature review, a priori hypotheses is generated. A new theoretical framework was then developed by confirming or refuting the priori hypotheses and by suggesting new variables to be integrated.

5. Case study

The model is based on sustainability and describes its use as a salient attribute in a hotel or other companies as well as the connection between sustainability and customer loyalty. The model starts with sustainability as a basis (used as a salient attribute) which influences the organisation within a hotel. But why is sustainability defining the organisation within the hotel? In order to be sustainable, a business needs to make adjustments and create new rules that allow the hotel to avoid the above mentioned negative impacts. Based on the model's setup, sustainability serves as a salient attribute and influences the loyalty programme due to its influence on the hotel's organisation. When e.g. hotel has a high level of computerisation it will affect the whole process of a loyalty programme. Depending on this level of computerisation, there might be an App or just a card, a customer account where people can check their accumulated points or just a little stamp on a paper card. Therefore, sustainability might eventually affect the loyalty programme's set up because the latter is defined by the organisation of the hotel. Depending on how satisfying the hotel experience is, the customers might want to join the loyalty programme. Reducing the use of water might actually have a positive effect on the customers' conscience and increase their satisfaction. Satisfied guests might join a customer loyalty programme (if they have not already joined) that could help

gain the customers' loyalty in the end. As mentioned in the literature review, loyal customers are believed to spend more money as well as costing less than acquiring new guests. Thus, satisfaction also influences the loyalty card revenue. A loyalty programme's budget is important when considering the type of loyalty programme since customer loyalty programmes can be quite expensive for a business. Therefore, the budget is an important aspect to consider and accordingly, the organisation might verify from loyalty programme to loyalty programme. So, for instance, sustainability could be introduced in a hotel in a little Swiss village, which faces issues such as low bed occupancy rates, destruction of nature or a lack of customers. These issues could be an indicator that the tourism in the village is not sustainable. If the owner now decides to create a sustainable hotel, it could have a positive effect on his own business but also on other businesses. One way to increase sustainability could be to offer sustainable loyalty rewards, such as local products, discounts, in order to promote local businesses, or even some education about the efforts of the local businesses to be sustainable. This could increase the overall sustainability in the village as well as educating tourists. In addition, the owner might make a plan to reduce the use of water and food waste in his hotel. So, the hotel owner's changes in his loyalty programme could have a positive effect on the local economy and businesses. Of course, all these changes might not be the answer to issues such as climate change but might raise awareness for local and global problems. In case of the little Swiss village, a foreign family could decide to book the now sustainable hotel and join the sustainable loyalty programme. After having earned a few loyalty-points, the guests might only enjoy a glass of local wine or food. But if they turn into recurring and loyal tourists, they might be able to encash the points into something more valuable e.g. a guided hike through a nature sanctuary. Both increases not only the authenticity of the location and the guest's experience but also promotes local businesses, their products and the guarantee that tourism flows are restricted to a defined area. Moreover, this is a chance to educate tourists and tell them something about the local region, culture and nature. As a result, local businesses are enabled to make a living, long transport paths can be avoided, less greenhouse gases are emitted, and nature is protected. So therefore, if the loyalty programme offers local produces or services as rewards, a loyalty programme might not only boost the hotel's or company's sustainability but also the economy of its environment, which again is one of the three columns of sustainability (economic, social and environmental). This sustainability could be a major selling point to tourists and maybe lead to some sort of loyalty – brand loyalty or programme loyalty. No matter what it is, everything can help the hotel and periphery to become sustainable.
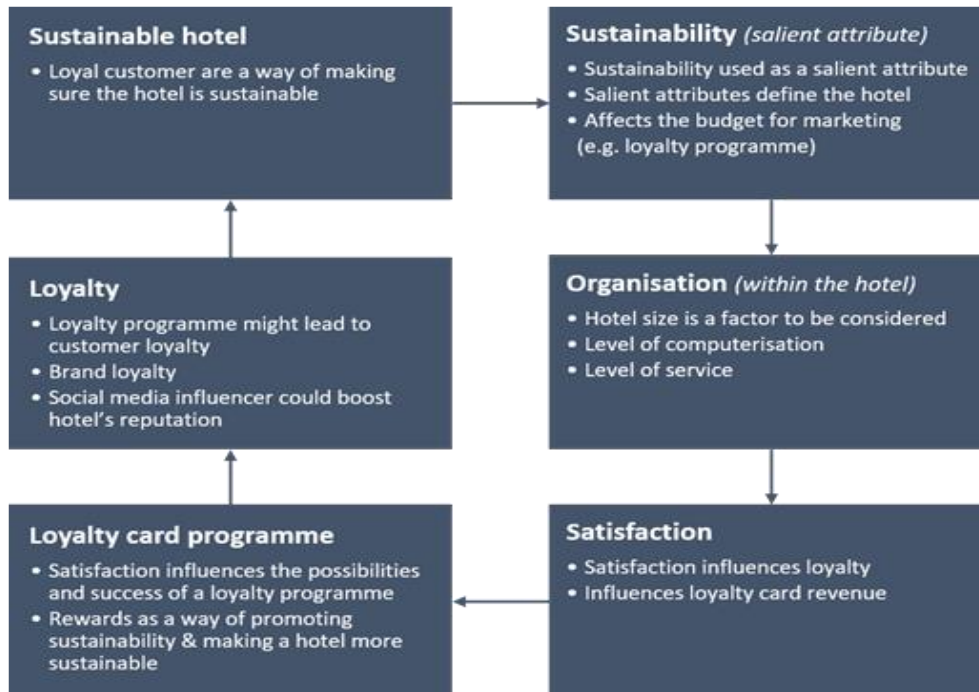
Sustainable hotel
- Loyal customer are a way of making sure the hotel is sustainable

Sustainability *(salient attribute)*
- Sustainability used as a salient attribute
- Salient attributes define the hotel
- Affects the budget for marketing (e.g. loyalty programme)

Loyalty
- Loyalty programme might lead to customer loyalty
- Brand loyalty
- Social media influencer could boost hotel's reputation

Organisation *(within the hotel)*
- Hotel size is a factor to be considered
- Level of computerisation
- Level of service

Loyalty card programme
- Satisfaction influences the possibilities and success of a loyalty programme
- Rewards as a way of promoting sustainability & making a hotel more sustainable

Satisfaction
- Satisfaction influences loyalty
- Influences loyalty card revenue

Fig. 1 Sustainability-loyalty flow model

Going back to the hotel in the Swiss Alps, the village can offer a breath-taking view, lovely hiking trails, fantastic restaurants and bars as well as welcoming inhabitants. However, if resources are not managed well or the experience not authentic and special enough, tourism might not be sustainable which can lead to issues mentioned earlier in this article. Nature might be destroyed by the reckless tourists and as a result, everybody could be struggling to make a living, since tourism very often is based on natural resources. By using sustainability as a unique selling point, the rewards are turned into a way to promote the location's tourist activities and products from local farmers and businesses.

6. Conclusion

Customer loyalty programmes have become incredibly important and are a "must-have" in the tourism industry. Customers' willingness to pay is believed to be higher and so is the decisiveness when debating whether to book a room or not. On the other hand, such a programme is very costly and needs to be maintained. Also, gaining the tourists' loyalty is rather challenging. Nevertheless, loyalty could be an option when it comes to sustainable tourism, since short-term thinking is not only economically dangerous but also socially and economically.

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