Loyalty Programs – Analysing Luxury Hotels in Vienna

Bachelor Thesis for Obtaining the Degree

Bachelor of Business Administration in

Tourism and Hospitality Management

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Affidavit

I hereby affirm that this Bachelor's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

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Abstract

This thesis examines loyalty programs in general as well as in connection with the luxury hotel industry. Today’s competitive environment forces many companies to set themselves apart from competition. Thus, customer loyalty is getting increasingly important as to attract and maintain loyal customers. Therefore, it is crucial to know about the process of developing a loyalty program and about the various advantages and disadvantages which may result.

To support the previous literature on this topic, research among luxury hotels in Vienna has been conducted. The research aims to gain a deeper insight into the luxury hotel segment in Vienna, focusing on the relevance of loyalty programs in the customer relationship management process. Hence, interviews among 5 carefully selected luxury hotels were conducted and interpreted accordingly.

Among the sample a dominance of loyalty programs in the luxury hotel segment is illustrated. However, there were no great differences in the design of the various loyalty programs identified. The examined hotels emphasise on providing benefits to their guests in exchange for retrieving personal data in order to tailor services specifically to the needs of the customers. Interestingly, no specific loyalty actions were indicated to service this specific target group of luxury hotel guests. Thus, this study states that the proper development and implementation of loyalty programs is crucial in today’s competitive environment. The emphasis should be on the creation of memorable experiences as customers may value these more due to their uniqueness. Future research is needed to explore the design of specific loyalty programs to serve the luxury hotel segment.
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List of Abbreviations

CRM  Customer Relationship Management
F & B  Food and Beverage
GHA  Global Hotel Alliance
SPG  Starwood Preferred Guest
1 Introduction

1.1 Background Information

Nowadays there is a large market of hotels and hotel chains and in particular luxury hotels started to emerge. Furthermore, hotels increasingly implement various types of loyalty programs offered to their guests.

The increasing competition in the market has led to a wider choice for the customer, to greater value for money and to personalised services resulting from the receipt of information through loyalty programs. The challenge hotels face these days is to differentiate themselves from competition. According to Kandampully and Suhartanto (2000), there are two options hotels can decide on when facing rising competition: first, they can implement price-discounting and second, they can develop loyalty programs by offering unique benefits to their customers. However, Kandampully and Suhartanto (2000) mention that price discounting has a negative impact on a hotel in the long-run on a daily basis. Hence, hotels should aim to set themselves apart from competition through the development and implementation of loyalty programs. The research of Reichheld and Sasser (1990) reveals that a 5% increase in customer loyalty can augment profits by 25% to 85%.

As stated by Dowling and Uncles (1997), the purpose of integrating loyalty programs is to establish a win-win situation for the hotel and for the customers. Furthermore, loyalty programs enable hotel management to gather a lot of personal data in exchange for offering the customers various benefits as being part of this program (Berman, 2006). For instance, customers receive specialised e-mails, promotions and unique offers that reflect their needs and past purchase behaviour. Additionally, hotel management can gather information related to trends of consumer’s purchases, repurchases, the time between the purchases, the usage of channels and so on (Kandampully & Suhartanto, 2000). As a result, the data obtained allows the company to build a database with valuable knowledge about the customers. As per Shoemaker and Lewis (1999), the development of a customer database enables companies to divide their customers into groups, analyse the ones which seem to be the most profitable and design marketing strategies specifically to each customer segment.
Therefore, managers have to understand the advantages and disadvantages of loyalty programs as a way to maintain a stable position within the hospitality industry. Furthermore, hotel management should carefully design and choose the specific loyalty program that fits best. According to Berman (2006), numerous situational variables exist which suggest a particular type of loyalty program. Some of those variables are: the size of the company, the resource levels and the type of customers that will be attracted, along with many others.

Moreover, loyalty programs can be used to personalise the services and hereby enhance customer satisfaction. As Kandampully and Suhartanto (2000) state, high levels of services are expected due to the sophistication of customer’s demand. Especially in the luxury hotel industry personalisation of services plays a significant role. Despite previous research on this topic, there are still some gaps involving the choice of the appropriate loyalty program, particularly in luxury hotels. Thus, it becomes an interesting research area and framework for a thesis. This study will focus on the luxury hotel segment and the usage of loyalty programs in the tourism- and hospitality industry. In particular, emphasis will be put on the city of Vienna.

Since a few years the four and five star hotel segment has been increasing and slowly starting to dominate the Viennese market. For instance, the Palais Hansen Kempinski (March 2013), the Meliá Hotel Vienna (February 2014) and the Park Hyatt Vienna (June 2014) have opened their doors in the last few years. In August 2014, Horwath HTL, which is a specialist consulting network, published a report including the latest trends of Austria’s hotel sector. For five star hotels in Vienna a total growth rate of 12.3% in beds can be observed from 2010 until 2013. Likewise, the four star hotels show an increase in beds of 18.8% for the same period of time (Horwath Hotel Tourism Leisure, 2014). Thus, also in Vienna the luxury hotel market is growing and the need for understanding the role of loyalty programs is getting more and more important. Hence, the interviews concerning loyalty programs are conducted among various luxury hotels in Vienna, preferably located in the first district and with a responsible person from the sales & marketing or the guest services department.
1.2 Aims of the Bachelor’s Thesis

This thesis aims to answer the following research question: *How are luxury hotels in Vienna designing and maintaining their loyalty programs and what are the reasons behind the specific design of their loyalty programs?*

Additionally, the following sub research questions are stated:

1. What are loyalty programs and how are they characterised?

2. What is customer satisfaction and what is loyalty? What does loyalty mean in the context of the luxury hotel segment?

3. What are the trends concerning the tourism- and hospitality industry related to loyalty programs in particular in the luxury hotel segment?

These questions will be answered by conducting in-depth interviews with the responsible managers of various luxury hotels in Vienna as well as by analysing literature on the topic of loyalty programs.
2 Literature Review

2.1 Loyalty Programs

2.1.1 Loyalty ≠ Satisfaction

The concept of loyalty has been broadly discussed but one universally accepted definition is missing. However, Uncles, Dowling, and Hammond (2003) suggest that there are three established conceptualisations, which are summarised in table 1.

The first model describes loyalty primarily as an attitude that may lead to a relationship with the brand. Hence, strong attitudinal commitment to a brand is seen as a prerequisite for the development of true loyalty, as described in table 1. Loyalty can be measured by inquiring customers about how much they like the brand, whether they feel committed to it, whether they would recommend it to others or not and whether they have positive beliefs or feelings about the brand (Uncles, Dowling, and Hammond, 2003). The answers can form the key predictors of a brand’s purchase and repeat purchase. Model 3 is mainly perceived as a single-brand loyalty, implying monogamous behaviour.

Second, model 2 of table 1 states that loyalty is mainly expressed in terms of revealed behaviour (Uncles, Dowling, and Hammond, 2003). This approach is the most controversial but the best supported by data. The criticisms concern the fact that mainly the purchase history is considered but neither the motivation nor the commitment of the customer. Research on purchase patterns revealed that most customers are “polygamous”, meaning that they are loyal to a portfolio of brands as the loyalty is divided into a few brands (Uncles, Dowling, and Hammond, 2003; Uncles & Dowling, 1997).
The third possible definition classifies loyalty as a buying moderated by the characteristics, circumstances or purchase situation of individuals (Uncles, Dowling, and Hammond, 2003). Examples for individual circumstances are budget effects as well as time pressure. The desire for variety, habits and the tolerance for risks are included in the individual characteristics. Additionally, the purchase situation describes product availability, promotion and the specific use occasion (Uncles, Dowling, and Hammond, 2003). Thus, model 3 is seen as weak or no loyalty since various co-determinants of buying a brand are existing.

Rob Smith (1998) states that loyalty is when “the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customers buy almost exclusively from you – referring to you as ‘their restaurant’ or ‘their hotel’” (Smith, 1998 cited from Shoemaker & Lewis, 1999, p.349). This is a really important aspect since customers should identify themselves with the company. Hence, emotional commitment can be seen as an inevitable component for customer loyalty (Shoemaker & Lewis, 1999, p.349).
Furthermore, Griffin (1995) claims that two factors are necessary for loyalty to develop. The first one is an emotional attachment to the product or service which is large compared with that of the competition. Second, repeat purchase needs to be taken into consideration (Shoemaker & Lewis, 1999).

For the purpose of this thesis, it is stated that a loyal customer is a customer who repurchases from the same service provider when having the possibility and who continuously recommends or maintains a positive attitude towards the service provider (Kandampully & Suhartanto, 2000). Additionally, a strong emotional attachment to the product or service must exist (Shoemaker & Lewis, 1999).

Loyalty cannot occur without customer satisfaction, hence a definition of customer satisfaction will be provided (Shoemaker & Lewis, 1999). Customer satisfaction is typically defined as “the feeling a person experiences when an offering meets his or her expectations” (Tanner & Raymond, 2010, p.472). Thus, when an offer meets the expectations of the customers, the customers are satisfied. It is crucial to measure customer satisfaction as it is a metric that a company can use in order to manage and improve the business. Customer satisfaction is an indicator of customer repurchase intentions and loyalty (Tanner & Raymond, 2010). Hence, satisfied customers are more likely to be loyal to a company. However, customer satisfaction does not necessarily equal customer loyalty.

In order to cover the aspect of loyalty appropriately, a clear distinction between loyalty and satisfaction needs to be drawn. According to Shoemaker and Lewis (1999) “Customer loyalty is not the same as customer satisfaction. Customer satisfaction measures how well a customer’s expectations are met by a given transaction, while customer loyalty measures how likely a customer is to repurchase and engage in partnership activities. Satisfaction is a necessary but not a sufficient condition for loyalty” (Shoemaker & Lewis, 1999, pp.349-350). Summing up, satisfaction may exist without loyalty, but it is hard to have loyalty without satisfaction. Thus, customer satisfaction is often seen as the starting point for the development of customer loyalty (Dominici & Guzzo, 2010). However, it has to be kept in mind that it can never be guaranteed that a satisfied customer will return to purchase and become a loyal customer (Kandampully & Suhartanto, 2000). Moreover, customer satisfaction and service quality are said to be prerequisites for
loyalty (Gremler & Brown, 1997). Customer satisfaction can lead to an expansion of business, to an increase in market shares as well as to a rise in repeat business which, altogether, results in higher profitability (Kandampully & Suhartanto, 2000). Additionally, it has to be mentioned that customer satisfaction is the desired outcome of any marketing activity (Kandampully & Suhartanto, 2000).

A study was conducted by Kandampully and Suhartanto (2000) in order to test various hypothesis concerning loyalty, satisfaction and image. Consequently, Kandampully and Suhartanto (2000) demonstrate the positive relationship between hotel image and customer loyalty. Furthermore, the study identified customer satisfaction with housekeeping as a significant factor that determines customer loyalty. This may be due to the fact that many customers perceive housekeeping as a core benefit of a hotel (Kandampully & Suhartanto, 2000).

Additionally, Bowen and Chen (2001) investigated how specific attributes of the hotel experience increase customer loyalty. The results of the survey revealed that customer loyalty does not equal customer satisfaction as companies should aim to have extremely satisfied customers who, in return, can become loyal customers. According to Oliva et al. (1992), a minor change in satisfaction can lead to a substantial change in customer loyalty. This implies that managers need to understand the process of customer satisfaction and of transforming satisfied customers into loyal customers (Bowen & Chen, 2001). However, primarily the various types of loyal customers need to be placed into various categories as to create 100% loyal customers.

2.1.2 Categorisation of Loyal Customers

In order to manage customers efficiently, they need to be segmented into various groups. This enhances the facilitation of targeting the specific needs and wants of each customer segment. There are five types of customers, according to an article published by the Management Study Guide online (“managementstudyguide.com”, n.d.). Ranking them from the highest to the lowest degree of loyalty there is the loyal customer, the discount customer, the impulsive customer, the need based customer and finally, the wandering customer. All of the five types of customers will be explained in more detail in the following paragraph.
The first category consists of loyal customers. They create more sales and profits compared to other customers since they are really bound to the brand. They repurchase the services or goods and the company should communicate with them on a regular basis. Moreover, individual attention should be paid to loyal customers since they can make positive recommendations about the brand and are less likely to be attracted by the offer of competitors. The discount customers also purchase products or services frequently. However, they only buy discounts or products at low cost. This customer type is highly relevant for small industries but they are equally important since they provide a large part of the profits. Additionally, the impulsive customers exist who are challenging to deal with since they buy products or services out of their mood and current situation. When treating impulsive customers accordingly, this can lead to a high percentage of selling. The need based customers are the ones who purchase specific products only when there is a need for them or out of habit. The company should show them ways and reasons to switch to other similar products or services in order to increase their range of products or services. Finally, the wandering customers are seen as the least profitable customers since they are new in the industry and only confirm their needs on products, but rarely buy them. In order to attract this customer type, concrete information should be provided to them about the positive features of a product or service.

The focus should be placed on loyal customers since they are the most profitable ones for the company. Furthermore, other types of customer strategies should be enhanced in order to turn them into loyal customers.

When talking about loyal customers, it is necessary to mention the various characteristics a typical loyal customer usually fulfills.

First, loyal customers are perceived to be less price sensitive and hence, less vulnerable to offers from competitors. As customers are loyal to the brand, they are less likely to switch to another brand because of price (Bowen & Chen, 2001). Additionally, loyal customers will help promoting the hotel or company they feel loyal to (Bowen & Chen, 2001). They will not only provide favourable word-of-mouth but also create business referrals, provide references and serve on advisory boards. Moreover, loyal customers spend a significantly higher amount with the company as normal customers do. The Pareto Principle or the 80/20 rule was originally named
after the Italian economist Vilfredo Pareto who noticed that 20% of the population in Italy owned 80% of the property (Rouse, 2013). His theory was advanced during the 1940’s by the management thinker Dr. Joseph Juran. Thus, the Pareto Principle suggests that a small amount of customers from a company often accounts for a large fraction of the company’s sales and profits (Drèze & Nunes, 2009). To be more precise, Steinhoff and Palmatier (2014) imply that 80% of sales from a company are produced by only 20% of the customers, whereas 80% of the customers produce 20% of sales. Additionally, a study conducted by Reichheld and Sasser (1990) discovered that an increase of 5% in customer retention leads to an increase of 25% to 125% in profits in nine service industry groups. This can be traced back to lower transaction costs, lower sales and marketing expenses, price premiums, referrals and revenue growth (Reichheld & Sasser, 1990).

Applying this idea to the luxury hotel industry, a study of American Express platinum card members who stayed at least 6 overnights during one year in a luxury hotel was conducted (Bowen & Shoemaker, 1998). The analysed set of luxury hotels included, for instance, the Four Seasons and The Ritz-Carlton. The results revealed that loyal customers do not tend to ask about the price when making a reservation. Furthermore, loyal customers also state that they purchase other services of the hotel, such as going to the restaurant, using the laundry services, etc., more frequently when they feel loyal to the company. Additionally, they spread positive word-of-mouth recommendations. According to Bowen and Shoemaker (1998), loyal customers tell a median of 12 people about a hotel they feel loyal to. Likewise, loyal customers tend to inform the management team of the company about a potential problem (Bowen & Shoemaker, 1998).

In order to do so, namely turning satisfied customers into loyal customers, it is crucial to have a deeper understanding of various aspects (Lotich, 2013).

First, the company has to know what the customers think by continuously collecting customer feedback. As various customer segments have different needs and values, it is crucial to perform surveys or customer focus groups (Lotich, 2013). Moreover, feedback can be obtained through the acquisition of data on customer satisfaction. Second, the obtained feedback from the customers can be used to develop the strategy accordingly. This strategy should form the basis of the company’s goals,
which are, as a result, customer centered. Third, a customer service system is essential to instantly manage customer complaints and feedback (Lotich, 2013). Fourth, a structured quality management program can support the company by developing solutions and improvements for various customer complaints. Fifth, the employees of the companies need to be trained appropriately in order to meet the service standards. As Lotich (2013) suggests, employee satisfaction also has a significant, indirect influence on customer satisfaction. Sixth, to underline the importance of the customer experience, it is proposed that customer satisfaction data should be included into the executive compensation package. Hence, the customer satisfaction goals are tied to the performance pay (Lotich, 2013). Seventh, the company is obliged to share its goals internally and externally. Thus, employees as well as the external environment must be informed about what the company wants to accomplish (Lotich, 2013).

Hence, in order to create loyal customers, the focus should be really put on creating a great customer experience. Loyalty programs can support the process of turning regular customers into loyal customers and the following section will explain this in more detail.

2.1.3 Definition and Types of Loyalty Programs

Loyalty programs exist since already in the 1980’s airlines started to introduce frequent flyer programs to their customers (Berman, 2006; Laškarin, 2013). Due to the Airline Deregulation Act of 1978, numerous airlines had difficulties in obtaining a competitive advantage. This has led to the introduction of frequent flyer programs. The first frequent flyer program has been launched in 1981 by American Airlines and was called AAdvantage. The aim was to reward loyal customers on the basis of using the airline’s excess capacity (Berman, 2006).

As frequency programs grew more complex, loyalty programs started to emerge. The focus of frequency programs is to create repeat business whereas loyalty programs go beyond that and aim to build an emotional attachment to the brand (Shoemaker & Lewis, 1999). Hence, loyalty programs have become really popular, especially among hotels, airlines, car rental companies, credit card providers, supermarkets, et cetera. Analysing the loyalty program usage in the United States, a
A study discovered that 90% of the population actively participates in some kind of loyalty program. Additionally, the study suggests that most Americans are enrolled in multiple loyalty programs (Berman, 2006). Moreover, it is estimated that 92% of consumers from the United Kingdom participate in loyalty programs as well as 95% of the Canadians.

There are many definitions of loyalty programs but we will focus on one possible definition. During the following sections the definition will be outlined and the emphasis will be put on the various characteristics loyalty programs should fulfil and the reasons a company has to implement such a program.

A feasible definition states that “loyalty programs attempt to change the customer’s choice process from operating in a spot market to operating in a multi-period contractual (relationship) market” (Hanover Research, 2011, p.9). Thus, loyalty programs aim to provide a delayed reward that includes some other indirect type of reward or a delayed reward that directly supports the product’s value proposition (Hanover Research, 2011).

In order to fully cover this topic, the characteristics of loyalty programs will be outlined.

According to a short video from Peppers (2009), there are five loyalty best practices. The company should always look for additional customer insight and for gathering more information about the customer’s needs and preferences. In addition, a “plug-and-play” system should be created which easily enables the company to add or subtract partners, vendors or other relationships. The customer rewards should not necessarily be tied to the company itself but should also be redeemable at other companies. The company should avoid setting too many limitations, such as for instance black-out dates in the hospitality industry. Thus, customers should be ensured to be able to actually redeem the rewards at any point in time which is convenient for them. Lastly, the focus of the program should be placed on the individual customer. However, customers can be segmented in order to gain knowledge about the specific needs, wants and desires of each segment.
Hence, effective loyalty programs should not abandon service, meaning that companies should provide personalised services to their customers (Hanover Research, 2011). Customers should be engaged in order to share their experience with the program, the brand, et cetera. Moreover, losing loyal customers should be avoided by undertaking frequent and appropriate communication with them. As previously mentioned, it has to be kept in mind that customers should be treated as individuals. This can be implemented by analysing the preferences of the customers as well as by creating rewards that they highly value.

Overall, the aim of loyalty programs is to implement a one-to-one relationship between the company and the customer (Hanover Research, 2011; Laškarin, 2013). Successfully implemented loyalty programs should be very flexible as to adapt to the various needs among the different customer segments (Hanover Research, 2011).

Reasons for developing a loyalty program concern the aspect of gaining and maintaining customers (Shoemaker & Lewis, 1999). In general, a company implementing a loyalty program aims to protect market share from competitors as well as to attract high value customers from competitors (Shoemaker & Lewis, 1999). Moreover, the company intends to turn their customer base into high value customers which should, ideally, form the core group of customers. Furthermore, the creation of opportunity costs for using products or services from a competitor plays a significant role (Shoemaker & Lewis, 1999).

According to Uncles, Dowling, and Hammond (2003), loyalty programs have two main aims. First, loyalty programs should increase the amount of purchase or the range of products bought. This, in return, leads to higher sales revenues. Moreover, the current customer base should be maintained through building closer relationships between the customer and the company. The outstanding argument is that the fulfilment of those aims can lead to a highly significant increase in profits (Uncles, Dowling, and Hammond, 2003).

The Leaky Bucket Theory implies that companies, who expect their customers to be loyal, design the marketing strategies accordingly to replace the disloyal customers with new ones. This will lead to a stable level of sales (Dowling & Uncles, 1997). To address this theory in more detail, Andrew Ehrenberg performed a study among
various markets in Britain, Continental Europe, Japan and the USA over more than 20 years. One of the main findings was that only about 10% of buyers for frequently purchased products are 100% loyal to a specific brand over the time period of one year (Dowling & Uncles, 1997). Moreover, Andrew Ehrenberg indicated the existence of polygamous loyalty, where customers are loyal to a portfolio of brands (Dowling & Uncles, 1997).

With regard to the classification of loyalty programs many diverse views exist nowadays. The following section will indicate the four most important forms.

According to Berman (2006), loyalty programs can be classified into four broad categories. Table 2 summarises the most important characteristics of the four program types and gives concrete examples.

In the first category, type 1, customers receive a discount in exchange of representing their loyalty card at a point-of-sale terminal. The characteristics of type 1 are an open membership and the fact that every member obtains the same discount, with no referral to their purchase history (Berman, 2006). The advantage of type 1 is the ease of registration. However, it is stated that it does not necessarily reward loyal behaviour as neither repeat purchasing nor the development of a customer database is supported (Berman, 2006). In general, type 1 is applied by small companies that have a lack of resources to perform the other types of loyalty programs. Referring to table 2, the first program type is usually applied by supermarket chains.

Type 2 programs are usually self-managed by the consumers (Berman, 2006). Hereby, the consumers keep track of their purchases, for instance on a membership card. Having attained a certain quantity of purchases, consumers typically receive a free good or service (Berman, 2006). Concrete examples for this, as mentioned in table 2, are a free haircut at SuperCuts or a free sub sandwich at Jersey Mike’s Subs. The ease of administration can have, as per Berman (2006), many negative consequences for the company. First, it is easy for competitors to copy the loyalty program and even enhance various aspects of it. Second, the opportunity of collecting data of customers is missed which can be a valuable resource for a
company. Third, there is a lack of communication between the company and the customers (Berman, 2006).

The third type of loyalty program, type 3, rewards customers on the basis of their past purchases. In contrast to type 1 and type 2, this program type requires the development and maintenance of a complex customer database (Berman, 2006). Hence, this database enables the company to track the purchases and membership points. The aims of type 3 are to increase the quantity of purchase as well as to reward heavy purchasers. Berman (2006) gives the example of the Hilton HHonors program which offers the possibility of redeeming points for free hotel rooms and so on. In general, table 2 indicates that the third type of loyalty program is mainly used by hotels, airlines, credit card companies and office supply firms (Berman, 2006).

Concerning the fourth type Berman (2006) declares that loyalty programs play a major part in the company’s marketing strategy. Companies implementing type 4 must develop and maintain a comprehensive database. Additionally, the companies have to undertake data mining in order to administer the communication and rewards program. Thus, members will receive tailored offers and mailings (Berman, 2006). Examples for type 4 are, according to table 2, Tesco, Harrah’s and Dorothy Lane Markets as they put special emphasis on their loyalty programs.
Many of the other suggestions about the various types of loyalty programs are not as detailed as the one proposed by Berman (2006). Thus, for instance, Kandampully and Sihartanto (2000) imply that there are two dimensions of loyalty. The behavioural dimension describes the behaviour of customers on repeat purchase, suggesting a preference for a brand over a period of time. On the other hand, the attitudinal dimension refers to the intention of customers to perform repurchase activities and to recommend the brand (Kandampully & Sihartanto, 2000). Those two aspects are seen as good indicators for customer loyalty since customers recommending a brand are likely to remain with the company.

However, another article describes similar measurements of loyalty (Bowen & Chen, 2001). The behavioural and attitudinal measurements remain the same but in addition, a composite measurement is included. The third approach combines the first two dimensions. Hence, loyalty is measured by customer’s product preferences, tendency to switch the brand, frequency of purchase, recency of purchase as well as the total amount of purchase (Bowen & Chen, 2001). The composite measurement is

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Characteristics of Program</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1: Members receive additional discount at register</td>
<td>• Membership open to all customers&lt;br&gt;• Clerk will swipe discount card if member forgets or does not have card&lt;br&gt;• Each member receives the same discount regardless of purchase history&lt;br&gt;• Firm has no information base on customer name, demographics, or purchase history&lt;br&gt;• There is no targeted communications directed at members</td>
<td>Supermarket programs</td>
</tr>
<tr>
<td>Type 2: Members receive 1 free when they purchase n units</td>
<td>• Membership open to all customers&lt;br&gt;• Firm does not maintain a customer database linking purchases to specific customers</td>
<td>Local car wash, nail salon, SuperC, AE, Airport, FairPark, PETCO</td>
</tr>
<tr>
<td>Type 3: Members receive rewards or points based on cumulative purchases</td>
<td>• Seeks to get members to spend enough to receive qualifying discount</td>
<td>Airlines, hotels, credit card programs, Staples, Office Depot</td>
</tr>
<tr>
<td>Type 4: Members receive targeted offers and mailings</td>
<td>• Members are divided into segments based on their purchase history&lt;br&gt;• Requires a comprehensive customer database of customer demographics and purchase history</td>
<td>Tesco, Dorothy Lane Markets, Walgreen’s, ShopRite, Giant Eagle, Supermarkets, Hanco’s, Teeter, Winn-Dixie, Harris’ Halmark</td>
</tr>
</tbody>
</table>

Table 2: A Typology of Loyalty Program Types (Berman, 2006, p.125)
a two-dimensional approach, in contrast to the behavioural and attitudinal measurements proposed by Kandampully and Sihartanto (2000).

Griffin (1995) even argues that there are four types of loyalty. This concept is based on the degree of attachment and the degree of repurchase. Premium loyalty is characterised by a high level of attachment and many repeat visits. Companies should aim to achieve this level of loyalty since those customers are the most resistant to offers from competition. Inertia loyalty is when there is high repeat purchase, but customers have no emotional commitment to the brand. Frequency programs are an example for inertia loyalty. The third type, latent loyalty, occurs when customers feel an emotional attachment to the brand but purchase the service or product less frequently. Hence, situational factors determine the repeat purchase. The last category is no loyalty. In general, loyalty programs do not include this dimension (Shoemaker & Lewis, 1999).

2.1.4 Process of Developing a Loyalty Program

According to Berman (2006), the process of developing a loyalty program consists of ten steps which are summarised in figure 1.

First, the loyalty program objectives need to be outlined. They can be based on profits, revenue, customer loyalty and gathering data on customers. Hence, the most common objectives of loyalty programs are to increase the amount of members, their quantity and frequency of purchase, to reduce the loss of members, to create satisfactory return on loyalty program investment and to gather valuable market research data (Berman, 2006).

Second, as per figure 1, the next step is to develop a budget. The budget for a loyalty program includes the following expenses: initial promotional expenses, ongoing promotional expenses, IT hardware and the associated service costs, database creation and maintenance expenses, editorial and production costs for loyalty magazines, direct costs of loyalty rewards and fulfilment function expenses (Berman, 2006). The start-up costs as well as the annual costs of maintaining a loyalty program can be substantial. In the supermarket industry maintenance costs vary from 1% to 1.5% of sales. In other industries they can lie between 2% and 5% of sales (Beal,
Some companies aim to reduce costs by introducing initial membership fees (Berman, 2006).

Third, the process of developing a loyalty program includes determining loyalty program eligibility. Here the focus is put on the question whether the loyalty program should be open to all members or only to a selected segment of customers. Customer profitability should form the basis for program eligibility (Berman, 2006). Thus, members with the lowest profitability can be excluded from the membership. Additionally, a minimum purchase requirement or a fee can be implemented in order to discourage low potential customers (Berman, 2006).

Fourth, figure 1 indicates that loyalty rewards need to be selected. The choice of rewards is more sophisticated and involves the decision on the tier structure, currency, redemption options and ease of use (Berman, 2006). The tier structure at Hilton HHonors, for instance, is divided into four levels: Blue, Silver VIP, Gold VIP and Diamond VIP, based on the number of stays per 12-month period (Berman, 2006). The currency choice concerns the number of points customers can earn with each dollar purchased. Moreover, redemption options involve the question whether rewards can be redeemed at various companies or for various purposes. The ease of use of a loyalty program refers to the period of time that a typical customer needs for accumulating the necessary points (Berman, 2006).

Fifth, as figure 1 shows, a partnership with other companies should be considered. A partnership can lead to a reduction in expenses and enables a complementation of each organisation’s strengths and weaknesses. Additionally, the companies can access each other’s databases to identify cross-selling opportunities (Berman, 2006). Popular combinations include, amongst others, travel, credit card firms, shopping and transportation.

Sixth, the development of an appropriate organisation is the basis for a loyalty program in order to implement, plan and fine-tune the program. Those activities may require a huge capacity as, for instance, 500 employees manage the hotline, call center and the clubcard’s magazine of Tesco’s clubcard (Berman, 2006). The development and maintenance of the database and the member web site and data mining can also be outsourced.
Seventh, the development and maintenance of the loyalty program database needs to be undertaken. The loyalty program database should dispose of information on purchase patterns of the customers as well as on members’ demographics, credit card history and the various channels used. Hence, this allows companies to create specialised marketing activities based on the preferences of each member (Berman, 2006).

Eight, a focus should be put on the management of the data warehouse and the data mining capability. This information, in return, enables the companies to implement marketing and promotional research and to segment the customers. For airlines and hotels it is easier to capture the amount of customers since they need to identify themselves at the time of purchase (Berman, 2006).

Ninth, figure 1 illustrates that it is crucial to evaluate the success or failure of the loyalty program (Berman, 2006). This can be done by determining the cost effectiveness in an appropriate time horizon and by comparing the performance to a control group. Furthermore, the return on investment should be compared to alternatives of the traditional loyalty program design and incentives (Berman, 2006). Additionally, the results of the program need to be communicated throughout the whole organisation in order to emphasise the significance of the loyalty program.

Tenth, corrective actions have to be taken when the performance of the loyalty program does not meet the identified objectives (Berman, 2006). The potential pitfalls of loyalty programs and corrective actions will be discussed in more detail in the course of this thesis.

To sum up, the process of developing an effective loyalty program is very complex and needs to be undertaken with care. Attention should also be paid to the last phases when evaluating and enhancing the effectiveness of loyalty programs (Berman, 2006).
Potential Benefits

Given their increasing popularity, loyalty programs offer a vast variety of expected benefits. The most important benefits for a company implementing a loyalty program will be outlined in the following paragraphs.

First, the data gathered through loyalty programs enables companies to access important information about their customers and the trends they are undergoing (Berman, 2006; Dowling & Uncles, 1997). In general, the purchases of the customers are recorded onto the company’s database. This, in return, can lead to targeting specific customer segments with uniquely designed offers. Moreover, this data can support the company during the process of inventory management, pricing and promotional planning (Berman, 2006). The combination of demographic information and data about customer’s purchasing habits can result in effective data mining.

Figure 1: Steps in Developing, Implementing, and Controlling an Effective Loyalty Program (Berman, 2006, p.133)
Second, higher average sales are a possible outcome of the implementation of loyalty programs. This can be achieved through the development of cross-selling and up-selling opportunities (Berman, 2006; Laškarin, 2013). To be more precise, the company can suggest accessories, provide discounts on related purchases, foster the sale of multi-packs to frequent buyers and encourage single-usage channel consumers to include additional channels into their portfolio (Berman, 2006). Airlines, for instance, can use the offers of loyalty programs for increasing demand in low seasons through various promotions on specific flights.

Third, the existence of loyalty programs allows companies to target specific customer segments accordingly (Berman, 2006; Shoemaker & Lewis, 1999). Thus, the focus can be put on the customers who are the most profitable to the company (Berman, 2006). Specific targeting can include actions such as specialised e-mails, promotions and newsletters. For instance, a supermarket in Ohio which is called Dorothy Lane Market sends out adjusted newsletters to the 14.000 members of their loyalty program. The coupons those newsletters contain vary based on the different customer target groups (Berman, 2006).

Fourth, loyal customers tend to promote the company they have a strong commitment to. They will not only spread positive word-of-mouth but also create business referrals, serve on advisory boards and provide references (Bowen & Chen, 2001; Laškarin, 2013). Customers who feel emotionally attached to the brand or company will be a “fantastic marketing force” by providing reliable recommendations (Raman, 1999 cited from Bowen & Chen, 2001, p.213).

Fifth, it is said that loyal customers are characterised through lower price sensitivity as they are less likely to switch because of the price (Bowen & Chen, 2001; Dowling & Uncles, 1997).

Sixth, the data obtained through loyalty programs can be used to facilitate product recalls (Berman, 2006). Analysing the purchase data and the bar code of the recalled items, specialised e-mails can be sent as a recall notice.

As mentioned above, the usage of a loyalty program may offer a vast variety of benefits. However, attention should be paid to evaluating the success or failure of
such a loyalty program in order to see whether it attains the desired outcome or not. Thus, the following chapter will propose different measures of evaluating the effectiveness of a loyalty program.

2.1.6 Effectiveness of Loyalty Programs

In order to complete all the phases of the development of a loyalty program, emphasis should be put on the evaluation of the success or failure of a loyalty program. Many marketing leaders aim to underline that “just because you have a loyalty program doesn't mean it is working” (Shaukat & Auerbach, 2011, p.1). Hence, attention should be paid to the measurement of the effectiveness of such a program. To quantify the value of customer loyalty, most research refers to it as lifetime value (Shoemaker & Lewis, 1999). Lifetime value is defined as “a projection of the customer’s expenditures over their life of purchases with a company minus the cost of producing the product and serving and supporting each customer” (Gordon, 1998 cited from Shoemaker & Lewis, 1999, p.347). The basis for calculating the lifetime value for a customer forms the estimate of the retention rate, spending rate, costs as well as the discount rate.

However, the effectiveness of a loyalty program should not uniquely be measured in monetary terms. Hence, the measurement of the success or failure of a loyalty program should reflect multiple activities and go beyond increased sales (Berman, 2006). American Express, for instance, analyses data on customer retention, purchase and acquisition costs for new members. Moreover, the InterContinental Hotels Group also implements various measures to assess the success of their loyalty program (Berman, 2006). Members of the InterContinental Hotels Group loyalty program tend to pay a 7% to 10% higher rate and to book on the company’s website, which is the lowest cost channel of the company (Berman, 2006).

Additionally, a study of Chi and Gursoy (2009) revealed a clear support for their first hypothesis, namely that there is a positive relationship between customer satisfaction and financial performance. Hence, measuring customer satisfaction can lead to significant insight into the financial success of a company (Chi & Gursoy, 2009). Looking at the financial measures, conclusions may then be drawn on the effectiveness of a loyalty program.
Thus, combining the measurement of financial values with customer values may lead to a thorough understanding of the effectiveness of a loyalty program (Berman, 2006).

Moreover, various data should be compared to either selected control groups or to alternatives to a loyalty program (Berman, 2006). Hence, differences in sales, loyalty and profitability behaviour can be contrasted between members and non-members in order to see if the loyalty program has the anticipated impact on the customers (Berman, 2006). In addition, return on investment should be analysed as it is an important figure concerning the company’s financial data. Thus, managers need to be aware of the fact that program registration statistics uniquely reflect the membership of loyalty programs. Therefore, it does not give any information about an increase in sales, loyalty or profitability and neither about the program use (Berman, 2006).

As having mentioned the various methods of measuring the effectiveness of a loyalty program, companies also need to be aware of the potential pitfalls of a loyalty program. They will be explained in more detail in the following chapter.

2.1.7 Potential Pitfalls of Loyalty Programs

When developing and implementing a loyalty program, the company needs to consider the potential pitfalls which may occur.

They include, for instance, market saturation which can be found in many mature markets such as the hospitality industry, the airline industry, et cetera (Berman, 2006). It occurs when competing companies offer loyalty programs with similar rewards and schemes. Hence, if a company introduces a loyalty program, it is usually quickly and easily copied by competition and sometimes even enhanced. For instance, United Airlines established a loyalty program only a few weeks after the launch of the American Airlines’ AAdvantage program (Berman, 2006).

Another important aspect to consider is the fact that it is hard to interpret the information about the sales effects of loyalty programs in order to measure their profitability (Dowling & Hammond, 2003). Additionally, the danger of collecting too much data or information exists. Moreover, not necessarily complete data about the
customers is collected and sometimes there is a difficulty of obtaining the appropriate kind of data (Dowling & Hammond, 2003).

In addition, a huge responsibility arises from loyalty programs concerning the control of the distribution of sensitive data (Berman, 2006). This data includes, for instance, social security numbers as well as income and purchase history of the customers. Thus, it is crucial to protect the privacy of customers in order to avoid cases of identity theft (Berman, 2006).

Furthermore, low levels of customer commitment by consumers to loyalty programs may exist (Berman, 2006). As usually the competitors in the market offer almost the same type of loyalty program, many customers are seen to be multi-brand loyal and thus, only demonstrate little or no commitment to a specific program (Berman, 2006; Dowling & Uncles, 1997).

It can also be the case that the wrong type of loyalty program has been chosen at the beginning of the process (Berman, 2006). The usage of a specific loyalty program type depends on many variables, such as the size of the company, the resource levels, the type of customers, the type of products or services being sold and various other factors (Berman, 2006).

Additionally, selecting the right type of rewards is crucial for a company when disposing a loyalty program. The focus should not necessarily be on monetary or gift rewards but more on unique alternatives or experiences (Berman, 2006). For instance, additional benefits such as special parties, free alterations, early boarding privileges on airplanes, personal shoppers and a unique customer support phone number should be implemented. The customer might value these benefits more than gifts or discounts (Berman, 2006). Hence, the company needs to find the appropriate rewards for their different customer segments.

Overall, Berman (2006) states that companies need to be careful since loyalty programs should not be used as a kind of cover-up effect for ineffective marketing activities. As the previous discussion emphasises, the loyalty program should reward the customer’s loyalty but not represent the main reason for purchasing this specific product or service (Berman, 2006).
Applying the theoretical knowledge about loyalty programs to the tourism- and hospitality industry may provide a significant competitive advantage for hotels. Thus, in the following chapter a short insight will be given into the various loyalty programs existing nowadays. Additionally, the hotels leading the ranking of effective implementation of loyalty programs will be outlined in order to get a better estimate of numbers when it comes to loyalty programs in the tourism- and hospitality industry.

2.2 Loyalty Programs in the Tourism- and Hospitality Industry

Loyalty programs are omnipresent nowadays and especially in the hospitality industry almost every hotel disposes of a loyalty program (Johnson, n.d.). The first one in the hospitality industry to introduce a loyalty program was the Holiday Inn, followed by the Honoured Guest Program of the Marriott International (Laškarin, 2013).

An article about the top 5 hotel loyalty programs published by Ashley Tate (2014) mentioned Hilton HHonors on the top of the list, followed by Hyatt Gold Passport. Subsequently, Starwood Preferred Guest Program was included which has a big advantage as the points will never expire. On the 4th rank, one can find Marriott Rewards Program where points can be redeemed at any of Marriott’s affiliate brands (Tate, 2014).

Another article written by Jonathan Barsky (2011) supports this list of loyalty programs. Looking at the loyalty program effectiveness between 2009 and 2011, Hilton HHonors, Starwood Preferred Guest and Marriott Rewards were found to be heading the ranking. The biggest improvement has been undertaken by the Starwood Preferred Guest Program with an increase of 5.9% in efficiency within three years (Barsky, 2011). The concrete numbers for the previously mentioned programs are demonstrated in table 3 below.
### Loyalty Program Effectiveness*: 2009–2011

<table>
<thead>
<tr>
<th>Company</th>
<th>2009</th>
<th>2010</th>
<th>2011**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilton</td>
<td>34.6%</td>
<td>35.8%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Starwood</td>
<td>31.8%</td>
<td>35.4%</td>
<td>37.7%</td>
</tr>
<tr>
<td>Marriott</td>
<td>35.0%</td>
<td>36.2%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Choice</td>
<td>26.8%</td>
<td>24.8%</td>
<td>26.0%</td>
</tr>
<tr>
<td>InterContinental</td>
<td>25.8%</td>
<td>25.6%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Hyatt</td>
<td>17.0%</td>
<td>21.3%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Wyndham</td>
<td>16.5%</td>
<td>14.9%</td>
<td>13.5%</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>32.7%</td>
<td>34.5%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>

**How important was this loyalty program in your decision to stay at [HOTEL BRAND]?”
Score = Percent of guests who responded "Very Important". Results based on average performance of all brands within each company.

**Q1 and Q2 2011

Table 3: Hotel Loyalty Programs Offered by Chains and Independents are Growing in Popularity (Barsky, 2011)
3 Case Study Vienna

The following chapter will give the reader a general overview of the hospitality industry in Vienna as well as provide information about the various trends the industry is undergoing. Additionally, the possible future will be outlined by mentioning hotel openings and projects that are currently planned in Vienna. This chapter will support the fact that the interviews are held in Vienna as the following paragraphs underline the relevance of the luxury hotel segment in Vienna.

3.1 Market Vienna

During the past years, the four and five star hotel segments in Vienna have increased in popularity. Currently, these two hotel segments are starting to dominate the hospitality market (Horwath Hotel Tourism Leisure, 2014). For instance, the four star segment disposes of 15,424 rooms, which represents half of the total room supply in the Viennese market (Horwath Hotel Tourism Leisure, 2014). Table 4 below highlights this predominance of luxury hotels in Vienna as it can be seen that 168 of a total of 428 hotels in Vienna consist of the four star segment. In addition, 19 hotels are five star hotels. Despite the relatively small number of five star hotels, this segment recorded an average annual growth rate of 3,9% in beds between 2010 and 2013. Furthermore, the four star hotel segment shows an increase of 18,8% in the development of beds during the same period of time (Horwath Hotel Tourism Leisure, 2014). Several hotel projects for Vienna are planned during the next years, also leading to an increase in luxury hotels in the market. The future trends will be discussed in more detail in the following paragraphs.
In addition to the dominance of the four and five star segments in the hotel supply in Vienna (2013), these segments also have significant influence on the number of overnights. Concrete, the four star hotels dispose of the largest majority of overnights, precisely 51.2% (Horwath Hotel Tourism Leisure, 2014). Research undertaken by the Horwath Hotel Tourism Leisure (2014) revealed that in the four star hotel sector supply grew simultaneously with demand and hence, a balance exists. However, concerning the five star hotels, it was forecasted that from 2009 onwards the demand will outperform the existing number of beds. This may already have been resolved through the recent openings of luxury hotels in Vienna.

Generally speaking, referring to the hospitality industry in Vienna, the demand has exceeded supply during the past years (Horwath Hotel Tourism Leisure, 2014). Horwath Hotel Tourism Leisure (2014) proposed in their report that this imbalance between demand and supply may be compensated by the scheduled hotel projects as well as by the investment in real estate.

The hotel market shows a development during the next years. As already mentioned, several hotel projects are planned. This is crucial for the luxury segment in order to close the mentioned gap which is existing between demand and supply. Table 5 shows the various hotel projects which are scheduled to be realised after the year 2014. As one can see, especially in the luxury hotel segment as well as in the low budget segment many new projects are foreseen (Horwath Hotel Tourism Leisure, 2014). Since the report is from the year 2014, some of these projects are

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Hotels</th>
<th>Number of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-star</td>
<td>19</td>
<td>3,846</td>
</tr>
<tr>
<td>4-star</td>
<td>168</td>
<td>15,424</td>
</tr>
<tr>
<td>3-star</td>
<td>160</td>
<td>8,073</td>
</tr>
<tr>
<td>2-/1-star</td>
<td>81</td>
<td>3,727</td>
</tr>
<tr>
<td>Total</td>
<td>428</td>
<td>31,070</td>
</tr>
</tbody>
</table>

Table 4: Hotel-and Tourism Market Report, Austria & Salzburg & Vienna, H1 2014 (Horwath HTL, 2014, p.29)
already carried out and some of them are adjourned indefinitely. Referring again to the luxury hotels, the Meliá Hotel Vienna opened in February 2014 and the Hotel Park Hyatt Vienna in June 2014. However, the Hotel im Palais Schwarzenberg is currently still under discussion as well as the Four Seasons Hotel. As per the Vienna Tourist Board (2015), both hotels may be opened during the years 2016 and 2017. The Hotel Grand Ferdinand, which is categorised as a five star hotel, recently opened in October 2015 at the Ring in Vienna (Vienna Tourist Board, 2015). Additionally, a few more luxury hotels are expected to be opened in Vienna during the next couple of years. The five star category, for instance, will be extended through the Hotel im Palais Schwarzenberg (2016), the Palais Hotel (2016/2017), the Four Seasons (2017) and the Parkhotel Belvedere (2018). Furthermore, the Novotel (2017) and the Casino Zögernitz – Boutiquehotel (2017) will lead to a further expansion of the four star hotel segment (Vienna Tourist Board, 2015). Moreover, some openings happened already a few years ago but do also contribute to the increasing luxury hotel market in Vienna. These are the Palais Hansen Kempinski (March 2013) and The Ritz-Carlton, Vienna (August 2012).

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Category</th>
<th>Rooms</th>
<th>Opening</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meliá Vienna</td>
<td>5</td>
<td>253 rooms</td>
<td>Opened in February 2014</td>
<td>22th district</td>
</tr>
<tr>
<td>Hotel Park Hyatt</td>
<td>5</td>
<td>143 rooms</td>
<td>Opened in June 2014</td>
<td>Old Town</td>
</tr>
<tr>
<td>Hotel One Wien Hauptbahnhof</td>
<td>2</td>
<td>330 rooms</td>
<td>End of 2014</td>
<td>Vienna main station</td>
</tr>
<tr>
<td>Hotel One Wien Staatsoper</td>
<td>2</td>
<td>400 rooms</td>
<td>2014</td>
<td>Vienna Opera</td>
</tr>
<tr>
<td>Zukunftshotel Schani</td>
<td>n.a.</td>
<td>135 rooms</td>
<td>2015</td>
<td>Vienna main station</td>
</tr>
<tr>
<td>Hotel Im Palais Schwarzenberg</td>
<td>5</td>
<td>64 rooms</td>
<td>2014</td>
<td>3rd district</td>
</tr>
<tr>
<td>Hotel Four Seasons</td>
<td>5</td>
<td>163 rooms</td>
<td>2015 (?)</td>
<td>1st district</td>
</tr>
<tr>
<td>Budget-Designhotel Cocoon Nomad</td>
<td>n.a.</td>
<td>186 rooms</td>
<td>Summer 2015</td>
<td>Mariahilfer Straße</td>
</tr>
<tr>
<td>Hotel Palais Wien</td>
<td>4</td>
<td>120 rooms</td>
<td>2016</td>
<td>City park</td>
</tr>
<tr>
<td>Tulip Inn</td>
<td>3</td>
<td>120 rooms</td>
<td>January 2014</td>
<td>10th district</td>
</tr>
<tr>
<td>Wien Oberlaa</td>
<td>4</td>
<td>140 rooms</td>
<td>2015</td>
<td>10th district</td>
</tr>
<tr>
<td>Star Inn Hotel Wien Main Station</td>
<td>3</td>
<td>300</td>
<td>September 2014</td>
<td>10th district</td>
</tr>
</tbody>
</table>

Table 5: Hotel-and Tourism Market Report, Austria & Salzburg & Vienna, H1 2014 (Horwath HTL, 2014, p.29)
The figures mentioned above support the fact that the luxury hotel market in Vienna is growing. Hence, as the number of hotels in the corresponding segment increases, hotels face rising competition. In order to differentiate themselves from competitors, hotels have to find innovative ways of doing so, such as the implementation of unique programs, namely loyalty programs. In order to investigate this in more detail, interviews were conducted among various luxury hotels in Vienna. The following chapter will give more concrete information on the design and the content of the interviews as well as the sample size.
4 Methods of Analysis

The following chapter will explain to the reader the chosen method and go into detail regarding the structure, design, questions and sample size. Moreover, the completed interviews are included in Appendix 1 to provide all relevant information.

4.1 Interviews Conducted among Luxury Hotels in Vienna

In order to reveal information about the loyalty programs the hotels are implementing, a qualitative approach was applied. Qualitative research disposes of an open and flexible design (Corbin & Strauss, 2015). Hence, people are not limited in their answers and the structure allows them to give wide and detailed responses. Thus, qualitative research enables the interviewer to gain precious insights into people’s behaviour, motivations, attitudes or values. Moreover, qualitative research is used to describe variations and individual experiences as well as to explain relationships (Mack et al., 2005). Some methods of qualitative research include participant observation, focus groups and in-depth interviews (Mack et al., 2005). In this thesis, structured interviews with open-ended questions will be applied. The advantages of structured interviews are that the questions are prepared in advance and the interviews are additionally conducted easily (McLeod, 2014). Structured interviews can be performed in many ways, for instance over the phone, face-to-face or over the internet.

The interviews were conducted with the responsible person of each hotel in order to obtain the relevant information. A questionnaire was created in a word-document which enables respondents to easily enter their answers and apply changes. The interview itself is divided into five subtopics as to differentiate between the main theme blocks. In addition, specific questions were identified and each theme block consists of one to five sub questions. Questions start off by being more generic, such as: What kind of CRM activities do you have within your hotel? Since when do you have a loyalty program as a part of your CRM activities? What were the reasons to implement the loyalty program?. Moreover, the questions become more specific and include the following: How did you design your loyalty program? How many consumers approximately participate in the loyalty program? How do you integrate
customer data obtained from the loyalty program into your CRM activities?. All of these interviews were sent to the respondents via e-mail, including an explanation of the context and an attachment with the interview. Hence, the interviews were not conducted in person as it was perceived being more efficient when contacting the hotels via e-mail in order to collect as many responses as possible.

The completed interviews can be found in Appendix 1.

### 4.2 Sample Size

In order to select the appropriate target audience for the interviews, research was undertaken about the luxury hotel segment in Vienna which was presented to the reader in the previous chapter, referring to the hotel market in Vienna.

Next, the appropriate hotels were carefully chosen. Table 6 includes a rating of hotels in Vienna from the year 2013. The information obtained to rate the hotels was retrieved from three popular online platforms such as booking.com, tripadvisor and trivago. In general, hotel ratings from online platforms are perceived as being reliable and trustworthy. Moreover, online platforms are increasing in popularity which can be supported by the fact that an average traveller goes through approximately 22 websites or comments before booking the stay (Horwath Hotel Tourism Leisure, 2014).

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Hotel Rating Vienna City 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hotel Sacher Wien</td>
</tr>
<tr>
<td>2</td>
<td>Das Tyrol</td>
</tr>
<tr>
<td>3</td>
<td>Hotel Sans Souci Wien</td>
</tr>
<tr>
<td>4</td>
<td>Palais Hansen Kempinski Vienna</td>
</tr>
<tr>
<td>5</td>
<td>Urbanauts</td>
</tr>
<tr>
<td></td>
<td>Booking.com</td>
</tr>
<tr>
<td></td>
<td>Tripadvisor</td>
</tr>
<tr>
<td></td>
<td>trivago</td>
</tr>
</tbody>
</table>

Table 6: Hotel-and Tourism Market Report, Austria & Salzburg & Vienna, H1 2014 (Horwath HTL, 2014, p.37)
Hence, based on the hotel rating in table 6, the aim was to receive complete interviews from five luxury hotels in Vienna, preferably from the following ones: Hotel Imperial, Hotel Sacher, Park Hyatt Vienna, Palais Hansen Kempinski and The Ritz-Carlton, Vienna. The size of the sample was defined by 5 hotels.

However, the decision was made to undertake a more wide spread search of potential hotels since, for instance, the Park Hyatt declined immediately completing the questionnaire due to company policy restrictions. Thus, also boutique hotels such as the Hotel Sans Souci and the Sofitel Vienna were included in the sample size. In fact, the first round of e-mails was sent to the anticipated luxury hotels, namely the Hotel Imperial, the Hotel Sacher, the Park Hyatt Vienna, the Palais Hansen Kempinski and The Ritz-Carlton, Vienna. A deadline of approximately two weeks was given to them and additionally, reminders were sent out. As not many responses were recorded, in addition, the following hotels were contacted: Grand Hotel Wien, Sofitel Vienna, Palais Coburg, Meliá Hotel, Sans Souci, Hilton Hotels, NH Hotels, Falkensteiner Hotels and Steigenberger Hotel. The next section will explain the results in more detail.
5 Results

The following chapter aims to provide background information about the hotels which were used as a sample and hence, summarises the main findings of the online research. Moreover, results of the interviews will be analysed and compared between the various hotels.

5.1 Descriptive

The final sample for the interviews consists of the following hotels: The Ritz-Carlton, Vienna, the Palais Hansen Kempinski, the Grand Hotel Wien, the Hotel Imperial and the NH Danube City. Desk research was conducted online as to gain satisfactory background information about the hotels, such as the opening dates and the hotel categories. As some hotels could not provide sufficient information on their loyalty program, data concerning this aspect was retrieved online in order to being able to compare the hotels in the following section.

The Ritz-Carlton, Vienna

The hotel only recently opened in the year 2012 and is categorised as a luxury brand of the Marriott Hotel Group. The capacity of the hotel includes 202 rooms and suites and it is located in the first district in Vienna, precisely on the “Ringstraße”. As per table 10, The Ritz-Carlton, Vienna is integrated in the Ritz-Carlton Rewards Program. As a member of the program you can accumulate points or airline miles which can be redeemed at any property or which can be exchanged for unique opportunities and offers. Precisely, the points can be converted into travel packages, which include airline miles and Ritz-Carlton hotel stays, seasonal awards, room upgrades and hotel stays. Moreover, currently new benefits are being offered by the Ritz-Carlton Rewards Program. These include the following: points advance, points sharing, redeem for status and cash + points. Points advance allows the customer to reserve redemption stays at the Ritz-Carlton properties without having earned the required points yet, the points solely need to be collected at least 14 days prior to arrival at the property. The option of point sharing enables the customer to share up to 50,000 points per year with any rewards member. Furthermore, elite night credit can be received when redeeming points for a stay, which is the new benefit redeem
for status. In addition, the function cash + points will be available early 2016. It states that customers can combine cash and points for their stays, starting with a minimum of 15,000 points per night. Figure 2 provides a comprehensive overview of the various benefits members can gain. In addition to the numerous benefits of the Ritz-Carlton Rewards Program, a partnership with Marriott Rewards exists and hence, the advantages of the Marriott program can also be applied while being member of the Ritz-Carlton Rewards Program.

Figure 2: The Ritz-Carlton Rewards (ritzcarlton.com)
Palais Hansen Kempinski

Moreover, as one can conclude from table 10, the Palais Hansen Kempinski is also a brand new hotel in Vienna having opened its doors in the year 2013, only 3 years ago. The hotel disposes of 98 rooms and 54 suites which sums up to a total capacity of 152. The Palais Hansen Kempinski is classified as a five star hotel and offers a loyalty program to their guests as being part of the Global Hotel Alliance (GHA). The Global Hotel Alliance is the world’s largest alliance of independent hotel brands as it comprises 32 brands. The GHA includes more than 500 hotels across the world and hence, provides a wide range of choices to the customers. Furthermore, guests can convert the accumulated points into various benefits, ranging from a complementary bottle of water to local experiences. Table 7 gives a detailed description of the various advantages which can be chosen from when obtaining the gold, platinum or black status. As one can see, the basic benefits comprise of a complimentary bottle of water, complimentary internet access, a choice of newspaper as well as exclusive member-only offers. More advanced benefits which are available to black card holders include, for instance, one local experience, guaranteed room availability, room upgrades and privileges when checking-in or checking-out. To give the reader an idea of what local experiences at GHA stand for, research on the Palais Hansen Kempinski was undertaken and an overview is provided in figure 3. Thus, 9 local experiences were found for the corresponding property which can vary for platinum and black card members. Amongst others, the customer can participate in a wine tasting with the sommelier of the hotel or consume a four-course menu at the Michelin-starred restaurant Edvard.
<table>
<thead>
<tr>
<th>Membership Level</th>
<th>Gold</th>
<th>Platinum</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complimentary bottle of water</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>Complimentary internet access</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>Choice of newspaper</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>Exclusive member-only offers</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>Local amenity upon check-in</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>One Local Experience</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>One Local Experience when staying at a new DISCOVERY brand for the first time</td>
<td>☮</td>
<td>☮</td>
<td>☮</td>
</tr>
<tr>
<td>Guaranteed room availability at least 48 hours prior to arrival***</td>
<td>☮</td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Guaranteed room availability at least 24 hours prior to arrival**</td>
<td></td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Upgrade to the next room category at check-in***</td>
<td>☮</td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Double room upgrade at check-in***</td>
<td>☮</td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Late check-out privileges until 3pm***</td>
<td>☮</td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Late check-out privileges until 6pm***</td>
<td></td>
<td>☮</td>
<td></td>
</tr>
<tr>
<td>Early check-in privileges starting at 9am***</td>
<td></td>
<td>☮</td>
<td></td>
</tr>
</tbody>
</table>

Table 7: Member Benefits (gha.com)
Furthermore, the Grand Hotel Wien already exists since the year 1870 and offers its guests a capacity of 205 rooms and suits. It is also categorised as a five star hotel. Unfortunately, the Grand Hotel Wien does not implement an own loyalty program but nevertheless, the hotel forms partnership with various other companies. Partners include for instance the Leading Honours Club, American Express and Miles & More.

Figure 3: 9 Local Experiences found for the Palais Hansen Kempinski (gha.com)
The Hotel Imperial

Additionally, the Hotel Imperial was analysed which is a very traditional Viennese hotel as it opened its doors almost 143 years ago, in 1873. The hotel is also categorised in the five star hotel segment and disposes of 76 rooms and 62 suites. The Hotel Imperial is part of the Starwood Preferred Guest Loyalty Program (SPG) which allows customers to redeem and collect starpoints at any of the participating partners. The amount of starpoints which can be collected during the stay or meeting vary between the different statuses of membership. Preferred guest members earn two starpoints per eligible U.S. dollar spent whereas platinum members can collect three to four starpoints, depending on the number of nights they spent. Table 8 summarises the main aspects which are applicable for the various memberships of the SPG Program. Then, starpoints can be redeemed for four basic categories which are the following: rooms, travel, SPG moments and more options. The option called SPG moments is again divided into subcategories which are named music, sports and culture. Thus, for instance, access to member-only performances, VIP tournaments or backstage tours is being offered to their members. Donating starpoints to selected charity members, redeeming starpoints for gift cards, passing on starpoints to other members as well as pairing the SPG membership with Audience Rewards are all categories included in the function more options. Furthermore, it has to be mentioned that SPG offers the opportunity of gaining lifetime status. This can be achieved through spending 250 nights and 5 years elite (Lifetime Gold) or through spending 500 nights and 10 years platinum (Lifetime Platinum) at SPG. The Starwood Preferred Guest Program is very popular as it is present in 100 countries and disposes of more than 1.200 hotels with 11 different brands, such as the W Hotels, Sheraton, Westin, St. Regis and Le Meridien. Moreover, taking a closer look at the loyalty program effectiveness between 2009 and 2011, Starwood is ranked on the 2nd place and records the most significant improvement with an increase of 5.9% in efficiency (Barsky, 2011).
Furthermore, the NH Hotels were investigated in more detail in order to obtain more in-depth information about their property which participated in this interview, the NH Danube City. Research online did not reveal the expected information and thus, the hotel was contacted by phone. The hotel disposes of 250 rooms, is categorised as a four star hotel and opened in the year 2006. The NH Danube City belongs to the NH Hotel Group Rewards Program which is implemented in almost 400 hotels and present in 27 countries. The program allows customers to earn points during their stay and exchange them for various benefits such as free nights, discounts et cetera. The number of points customers can collect is calculated by a given percentage of the total amount spent during the stay. The benefits blue card holders can choose from are, amongst others, a welcome gift, express check-in, free

Table 8: Starwood Preferred Guest Overview – SPG Benefits (starwoodhotels.com)

NH Danube City

Furthermore, the NH Hotels were investigated in more detail in order to obtain more in-depth information about their property which participated in this interview, the NH Danube City. Research online did not reveal the expected information and thus, the hotel was contacted by phone. The hotel disposes of 250 rooms, is categorised as a four star hotel and opened in the year 2006. The NH Danube City belongs to the NH Hotel Group Rewards Program which is implemented in almost 400 hotels and present in 27 countries. The program allows customers to earn points during their stay and exchange them for various benefits such as free nights, discounts et cetera. The number of points customers can collect is calculated by a given percentage of the total amount spent during the stay. The benefits blue card holders can choose from are, amongst others, a welcome gift, express check-in, free
Wi-Fi, exclusive rates and earning points. Additionally, platinum card members are, for instance, provided with a complimentary room upgrade, guaranteed booking and flexibility in reservations. Table 9 gives a detailed insight into all the benefits which are applicable for each membership status.

<table>
<thead>
<tr>
<th>BENEFITS PER CATEGORY</th>
<th>Up to 4 stays or 10 nights</th>
<th>From 5 – 10 stays or from 11 – 20 nights</th>
<th>11 – 19 stays or from 21 – 40 nights</th>
<th>More than 20 stays or 40 nights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome gift</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Earning points</td>
<td>+ 3%</td>
<td>Basic points +20%</td>
<td>Basic points +30%</td>
<td>Basic points +40%</td>
</tr>
<tr>
<td>Mixed payment points + money</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Exclusive customer care service for Members</td>
<td>✔</td>
<td>✔</td>
<td>PLATINUM EXCLUSIVE CENTRE</td>
<td></td>
</tr>
<tr>
<td>Express check-in</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Exclusive promotions</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Wi-Fi*</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>HIGH SPEED**</td>
</tr>
<tr>
<td>Exclusive rates for members</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Early Check-in from 10:00*</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late Check-out until 16:00*</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrade to a superior room*</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room guaranteed (min. 72 hrs) Except during special city events</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexibility in reservations (changes and cancellations)</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Subject to availability (Late Check Out subject to availability from Monday – Saturday)

Table 9: NH Hotel Group Rewards – Benefits per Category (nh-hotels.com)
All of the information given in detail above is summarised in the following table 10.

<table>
<thead>
<tr>
<th></th>
<th>Ritz-Carlton, Vienna</th>
<th>Palais Hansen Kempinski</th>
<th>Grand Hotel Wien</th>
<th>Hotel Imperial</th>
<th>NH Danube City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td>2012</td>
<td>2013</td>
<td>1870</td>
<td>1873</td>
<td>2006</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>202</td>
<td>152</td>
<td>205</td>
<td>138</td>
<td>250</td>
</tr>
<tr>
<td><strong>Hotel Category</strong></td>
<td>5 star</td>
<td>5 star</td>
<td>5 star</td>
<td>5 star</td>
<td>4 star</td>
</tr>
<tr>
<td><strong>Loyalty Program</strong></td>
<td>Ritz-Carlton Rewards</td>
<td>Global Hotel Alliance</td>
<td>Only Partnerships</td>
<td>Starwood Preferred Guest</td>
<td>NH Hotel Group Rewards</td>
</tr>
<tr>
<td><strong>Characteristics of the Loyalty Program</strong></td>
<td>Levels: Silver, Gold &amp; Platinum; Advantages: exclusive benefits &amp; experiences</td>
<td>Levels: Gold, Platinum, Black &amp; Red; Advantages: exclusive benefits &amp; local experiences</td>
<td>Not applicable</td>
<td>Levels: Preferred Guest, Gold, Platinum &amp; SPG Pro; Advantages: rooms, travel &amp; SPG moments</td>
<td>Levels: Blue, Silver, Gold &amp; Platinum; Advantages: exclusive benefits</td>
</tr>
</tbody>
</table>

Table 10: Background Information about the Sample Size (author’s own)
The next section will provide an in-depth insight into the interviews which were filled out by the previously described luxury hotels in Vienna.

5.2 Interviews

The completed interviews from the 5 luxury hotels in Vienna were collected and analysed precisely. Table 11 provides a summary of the responses, filtered according to the various theme blocks and the main findings.

Unfortunately, most of the hotels could not provide any information on the aspect of how data obtained through loyalty programs may be used for sales & marketing activities and how the future plans for their loyalty program may look like. The corresponding hotels stated that company policies restrict them in revealing confidential information to external environment. Thus, often data about the number of participants of the loyalty program could not be recorded either. Nevertheless, the limitations will be further elaborated in Chapter 7.

The Palais Hansen Kempinski as well as the Hotel Imperial responded to every single question of the interview but sometimes a link was inserted in order to give more detailed information which may be retrieved online. The Ritz-Carlton, Vienna and the NH Danube City did not respond to the theme block 4 and 5 and additionally, The Ritz-Carlton, Vienna did not answer every question of theme block 3. Moreover, the Grand Hotel Wien completed the interview, but did not respond to every question as some were not applicable due to the fact that the Grand Hotel Wien does not dispose of an own loyalty program.

However, the responses which were given were examined precisely and are displayed below for each category.

General

The Ritz-Carlton, Vienna mentioned that they have a loyalty program since the year 2010. Moreover, the Ritz-Carlton Rewards Program was implemented in order to further the guest experience as it is a truly distinctive luxury guest loyalty program which allows access to the extraordinary.
The Palais Hansen Kempinski stated that their loyalty program is called Global Hotel Alliance (GHA) which is an alliance of 32 hotel brands. Furthermore, they form partnerships with various airlines, such as Aeroflot, Lufthansa and Singapore Airlines. The Palais Hansen Kempinski is a member of the GHA since the year 2004. The reasons to implement GHA are declared to be the following: benefits for the guests as well as for the hotel. Customers may be provided with a consistent hotel level, new hotel choices, personal recognition and shared preferences. Moreover, the advantages for the hotel are global market reach, incremental revenue, cost savings, strategic partnership and brand recognition.

The Grand Hotel Wien does not have an own loyalty program but works with the Leading Honors Club, Miles & More and many other partners. According to the hotel, they have been partners of the international loyalty program for many years which offers them the possibility of reaching potential international clients.

The Hotel Imperial is operated by Starwood Hotels & Resorts and hence, offers the Starwood Preferred Guest Loyalty Program (SPG). The program was introduced at this property in 1999 in order to reward and recognise frequent travellers.

The NH Danube City offers the NH Hotel Group Reward Program which was implemented approximately in the year 1990. The reasons for this so were the following: increase customer loyalty, increase brand awareness and benefits for the customers.

**Design**

The Ritz-Carlton, Vienna offers the members of their loyalty program access to truly unique and memorable experiences. Moreover, a variety of exclusive benefits and special events are available to the members. Examples include complimentary internet access, exclusive offers, priority late check-out and earning points on each stay. The various levels of membership range from silver, requiring 10 nights spent, to platinum, where 75 nights are required. The loyalty program is promoted through employees, advertising and brochures.

The corporate office of GHA designs the loyalty program for the Palais Hansen Kempinski. The hotel declares that the main difference to other loyalty programs is
its transparency as not points but nights are collected. Thus, the customer always knows the exact amount of nights which can be redeemed. Furthermore, guests receive local experiences which are exclusive opportunities to discover the local region and culture. Local experience rewards are unique to GHA Discovery and form the key element of their loyalty program. The different levels of membership are gold, platinum, black and red. Additionally, the various benefits which can be obtained were elaborated. The channels of promoting the loyalty program were revealed to be the following: online (GHA or Kempinski), email advertisements, brochures at the reception desk, word of mouth and IPads in the rooms as well as in the public areas.

The Grand Hotel Wien could not give any detailed information as the decision about the design was made by their international partners. However, it was suggested that loyalty card holders are mainly business travellers as they may require business class rooms, business lounges and other privileges. The benefits were estimated to consist of free nights, upgrades, dinners, complimentary breakfast, discounts on F & B and VIP treatments. Moreover, the hotel promotes the loyalty programs of their partners, especially of the Leading Hotels of the World, through providing information material at the reception and in the rooms.

Starwood Preferred Guest Program was primarily designed to be available without blackout dates and capacity controls. The following customer groups exist: Preferred Guest, Gold, Platinum and SPG Pro. For a comprehensive overview of the specific benefits and requirements of achieving a category, a link to their website was provided. Additionally, customers can redeem points in one of the following categories: rooms, travel or SPG moments. Other options include charity, gift cards and giving starpoints to someone else in the program. The loyalty program is promoted at the key communication points of the hotel as well as through online and offline marketing channels.

The loyalty program of the NH Hotels has been changed only last year and was renamed from NH World to NH Hotel Group Rewards. This has been done in accordance with a 5 year plan of NH. The principle idea behind the loyalty program was claimed to be offering to the customer more benefits when staying with NH more frequently. For information about the various categories and benefits, a link to
their website was included. Emphasis is currently placed on the promotion of the loyalty program and hence, it was said to be mentioned everywhere: flyers in the hotel, on the website of NH or other websites, focus on check-in and check-out and contacting customer per e-mail.

Customers

The Ritz-Carlton, Vienna could not provide any information on this topic, except of having the feeling that their loyalty program is an effective CRM activity.

The Palais Hansen Kempinski discloses that the GHA has around 4 million members. Moreover, the response of the customers is seen to be mainly positive as benefits are received during each stay.

The Grand Hotel Wien did not respond to the questions in detail as they are not applicable to them.

The Hotel Imperial states that SPG has over 21 million members worldwide and has been voted Loyalty Program of the Year for six consecutive years at the Annual Freddie Awards. In addition, the hotel has the impression that the loyalty program is effective, also concerning travel industry professionals who book Starwood Hotels.

The NH Danube City mentions that their entire regular customers dispose of a membership card and it is estimated that the number of participants lies between 30 and 40 percent of their customers. Moreover, it is suggested that business travellers tend to be more responsive to their loyalty program than leisure guests. However, the hotel states that their loyalty program is effective but that they do think the customers mainly choose NH Hotels because of the quality and service offered.

Sales & Marketing

The Ritz-Carlton, Vienna could not provide any information on this topic.

The Palais Hansen Kempinski indicates that all the data about the customers can be downloaded through the Property Management System and additionally, guests can enter preferences themselves. The Kempinski DNA values are the following: entrepreneurial performance, passion for European luxury, straightforward, people

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oriented and creating traditions. By managing and storing information about the customers the hotel can tailor the services to the needs of their guests, increase revenues in other departments through cross-selling, prove standing for five star luxury and offer the same quality for each stay. All these activities cover the Kempinski DNA values.

The Grand Hotel Wien did not respond to the questions in detail as they are not applicable to them.

The Hotel Imperial claims that SPG helps in identifying guest preferences, anticipating needs and delivering their best service. The vision and mission is strengthened through the connection of SPG with all Starwood Hotels and travellers worldwide.

The NH Danube City could not provide any information on this topic.

**Future**

The Ritz-Carlton, Vienna could not provide any information on this topic.

The Palais Hansen Kempinski states that the hotel itself is limited in possibilities for development as the biggest part of the loyalty program is managed by the corporate office of GHA. However, the hotel tries to adjust and change local amenities as well as experiences. Moreover, the hotel constantly attempts to combine special offers with the partners of GHA in order to increase possibilities for up- and cross-selling.

The Grand Hotel Wien did not respond to the questions in detail as they are not applicable to them.

The Hotel Imperial reveals that the Starwood Preferred Guest Program is continuously developed and managed by the global headquarter. The aim is to expand the benefits for members through innovations and global incentives, such as partnerships with Uber or Emirates Airlines.

The NH Danube City could not provide any information on this topic.
As one can see in table 11, the dates since when the luxury hotels have implemented loyalty programs vary significantly. The Hotel Imperial as well as the NH Danube City dispose of a loyalty program since the 1990’s whereas The Ritz-Carlton, Vienna and the Palais Hansen Kempinski only since the year 2010 (The Ritz-Carlton, Vienna) and 2004 (Palais Hansen Kempinski). The Grand Hotel Wien did not mention any precise date in their interview, but stated that they do have a loyalty program for many years.

Moreover, concerning the various levels of memberships, generally there are 3 to 4 different levels as summarised in table 11. The Palais Hansen Kempinski, the Hotel Imperial as well as the NH Danube City have 4 levels in contrast to The Ritz-Carlton, Vienna which disposes of 3 levels of membership status. However, it has to be mentioned that, for instance, the fourth status from the Palais Hansen Kempinski can only be obtained through personal invitation. Additionally, the SPG Pro, which is the last status from the Hotel Imperial, is only applicable for travel industry professionals.

Furthermore, what customers may gain from being a member of a loyalty program does not differ notably as generally either benefits such as complementary room upgrades or late check-out as well as unique experiences are being offered to them. In order to distinguish themselves from competition, the various loyalty programs name those experiences differently as, for instance, the Hotel Imperial calls it “SPG moments”.

In addition, information about the customers could not be provided by many hotels but the Hotel Imperial stated that the SPG Program has over 21 million members and the Palais Hansen Kempinski mentioned that the GHA has around 4 million members.

Moreover, data concerning the sales & marketing activities was solely received by the Hotel Imperial as well as the Palais Hansen Kempinski. The Starwood Preferred Guest Program implemented by the Hotel Imperial aims to identify guest preferences, anticipate their needs and deliver the best service possible. The difference of being part of the GHA is, according to the Palais Hansen Kempinski, that it is very transparent as members do not collect points but nights and hence,
they immediately know the number of nights which they can still redeem. Moreover, the GHA intends to tailor services to guests’ needs, increase revenue in the F & B department as cross-selling opportunities emerge and offer the same quality for each stay.

Concerning the future plans for their loyalty program, information was again uniquely retrieved from the Hotel Imperial and the Palais Hansen Kempinski. The Hotel Imperial mentioned planning further partnerships with, for instance, Uber or Emirates Airlines. The Palais Hansen Kempinski acknowledged only having limited possibilities as the GHA is managed by their corporate office. Nevertheless, the Palais Hansen Kempinski attempts to change local amenities as well as experiences and to develop up- and cross-selling opportunities.

All the completed interviews are available for further information in Appendix 1.
<table>
<thead>
<tr>
<th></th>
<th>Ritz-Carlton, Vienna</th>
<th>Palais Hansen Kempinski</th>
<th>Grand Hotel Wien</th>
<th>Hotel Imperial</th>
<th>NH Danube City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td>Ritz-Carlton Rewards since 2010</td>
<td>GHA since 2004</td>
<td>Partnerships for many years</td>
<td>SPG since 1999</td>
<td>NH Group Rewards since 1990</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>Silver, Gold &amp; Platinum; exclusive benefits &amp; experiences</td>
<td>Gold, Platinum, Black, Red; benefits &amp; local experiences</td>
<td>Not applicable</td>
<td>Preferred Guest, Gold, Platinum, SPG Pro; rooms, travel &amp; SPG moments</td>
<td>Blue, Silver, Gold &amp; Platinum; exclusive benefits</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Not provided</td>
<td>Around 4 million members</td>
<td>Not applicable</td>
<td>Over 21 million members</td>
<td>Regular &amp; business travellers</td>
</tr>
<tr>
<td><strong>Sales &amp; Marketing</strong></td>
<td>Not provided</td>
<td>Tailor services, revenues in F&amp;B increase, offer same quality for each stay</td>
<td>Not applicable</td>
<td>Identify guest preferences, anticipate needs &amp; deliver best service</td>
<td>Not provided</td>
</tr>
<tr>
<td><strong>Future</strong></td>
<td>Not provided</td>
<td>Local amenities, up- and cross-selling</td>
<td>Not applicable</td>
<td>Expansion (partnerships: Uber, Emirates)</td>
<td>Not provided</td>
</tr>
</tbody>
</table>

Table 11: Summary of responses from the Interviews (author’s own)
5.3 Discussion

Linking the two previous sections, two major conclusions can be drawn.

First, it can be concluded that the levels members can attain do not vary significantly. However, the criteria for obtaining a certain status do differ notably. Generally speaking, the requirements which need to be fulfilled in order to receive a higher status are indicated in a specified amount of nights or stays. Additionally, the Ritz-Carlton Rewards Program includes a certain number of meetings which can be used to obtain either the Silver, Gold or Platinum status. An overview of the concrete numbers can be found in Table 12.

<table>
<thead>
<tr>
<th>Ritz-Carlton, Vienna</th>
<th>Palais Hansen Kempinski</th>
<th>Grand Hotel Wien</th>
<th>Hotel Imperial</th>
<th>NH Danube City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Silver:</strong> 10 nights or 1 meeting</td>
<td>Gold: 0-9 nights</td>
<td>Not applicable</td>
<td>Preferred: no criteria</td>
<td>Blue: up to 4 stays or 10 nights</td>
</tr>
<tr>
<td><strong>Gold:</strong> 50 nights or 5 meetings</td>
<td>Platinum: 10-29 nights</td>
<td>Not applicable</td>
<td>Gold: 10 stays or 25 nights</td>
<td>Silver: 5-10 stays or 11-20 nights</td>
</tr>
<tr>
<td><strong>Platinum:</strong> 75 nights or 8 meetings</td>
<td>Black: 30 + nights</td>
<td>Not applicable</td>
<td>Platinum: 25 stays or 50 nights</td>
<td>Gold: 11-19 stays or 21-40 nights</td>
</tr>
<tr>
<td></td>
<td>Red: on invitation only</td>
<td>Not applicable</td>
<td>SPG Pro: for travel industry professionals</td>
<td>Platinum: more than 20 stays or 40 nights</td>
</tr>
</tbody>
</table>

Table 12: Summary of membership requirements (author’s own)
Second, the benefits which hotels may hope to gain from implementing loyalty programs seem to be applicable to both hotels, the Hotel Imperial as well as the Palais Hansen Kempinski. However, the Palais Hansen Kempinski precisely stated that loyal customer do also spend more in other facilities of the hotel. This fact is supported by previous literature on this topic as Bowen and Shoemaker (1998) reveal the fact that cross-selling opportunities may emerge. Their study discovered that loyal guests claim to purchase other hotel services more frequently when they are loyal to the hotel.

After having analysed the interviews, the following section will focus on answering the research questions, giving recommendations as well as on elaborating the limitations and possibilities for future research.
6 Conclusion

The following chapter aims to give satisfactory answers to the research questions by referring to existing literature and to the interviews which have been conducted among luxury hotels in Vienna. Additionally, recommendations will be formulated as to efficiently take advantage of loyalty programs. Moreover, an in-depth analysis of the limitations will be provided as well as the opportunity for future research.

6.1 Answers to the Research Questions

As already mentioned in the introduction, this thesis aims to answer the following research question: How are luxury hotels in Vienna designing and maintaining their loyalty programs and what are the reasons behind the specific design of their loyalty programs?

In order to do so, a closer look will first be taken at the sub research questions which have been agreed upon at the beginning of this thesis.

The first question focuses on loyalty programs and the various characteristics that a loyalty program usually fulfils. This can be answered by referring to existing literature on this topic. The definition which was applied in the course of this thesis is the following: “loyalty programs attempt to change the customer’s choice process from operating in a spot market to operating in a multi-period contractual (relationship) market” (Hannover Research, 2011, p.9). Additionally, the major characteristics of loyalty programs are to focus primarily on the individual customer by segmenting them into various groups and by analysing the needs and preferences of these customer groups accordingly (Peppers, 2009). Moreover, various partnerships should be formed in order to allow the customers greater flexibility in redeeming their rewards. Summing up, a loyalty program aims to implement a one-to-one relationship between the customers and the company (Hannover Research, 2011).

Second, a clear line between customer satisfaction and loyalty has to be drawn. For being able to do this, the definition of loyalty and the definition of customer satisfaction were provided. It can be said that loyalty may not exist without satisfaction, but that satisfaction must not necessarily lead to loyalty (Shoemaker &
Loyalty programs are omnipresent in the tourism- and hospitality industry and as research among luxury hotels in Vienna revealed, hotels often dispose of very sophisticated loyalty programs. Thus, it can be concluded that loyalty plays a major role in the luxury hotel segment.

The last sub research question concerns the aspect of the trends in the tourism–and hospitality industry related to loyalty programs, more precisely in the luxury hotel segment. In order to respond to this question, 5 interviews among luxury hotels in Vienna were conducted. The hotels disclosed information about their current loyalty program, more precisely about the design of it, the customers, the sales & marketing activities as well as the future plans. 4 out of the 5 examined hotels dispose of a loyalty program which is often very complex and sophisticated. The Grand Hotel Wien, which does not offer a loyalty program to their guests, forms partnerships with various companies such as Miles & More and the Leading Honours Club. Hence, some kind of customer recognition program is available in each of the 5 analysed luxury hotels in Vienna.

Referring back to the main research question, similarities in the design of the loyalty programs among luxury hotels in Vienna have been detected. First, the analysed luxury hotels offer a similar amount of membership statuses which can be achieved by accumulating a certain amount of either nights or stays or meetings. Generally, loyalty programs offer 3 to 4 different levels of membership customers can reach after having joined the program. Additionally, the benefits do not differ significantly among the hotels as often complementary room upgrades, free Wi-Fi-access as well as specialised check-in procedures are being provided. Moreover, unique experiences are offered to their customers as, for instance, to experience the local surroundings. Hotels generally seem to implement loyalty programs in order to tie the customer closer to the company by precisely examining their preferences and needs. Furthermore, loyal customers can provide positive word-of-mouth and cross-selling opportunities as they can use other facilities at the hotel as well, such as the restaurant or the spa (Bowen & Shoemaker, 1998). Thus, this study confirms previous research, stating that loyalty programs are designed to reward loyal behaviour and to form closer relationships with the customers (Uncles, Dowling, and Hammond, 2003; Shoemaker & Lewis, 1999).
6.2 Limitations and Recommendations for Future Research

Finally, a few limitations need to be taken into account. The first limitation arises due to the limited sample size of 5 hotels. As the aim was to have 5 hotels to complete the interview, it is important to mention that a small number of hotels cannot represent the whole market of luxury hotels in Vienna. Thus, generalisations have to be made with care and cannot ensure 100% accuracy. Furthermore, the analysis of the interviews conducted is based on the interpretation of the researcher. Thus, findings may also be interpreted differently and alternative conclusions may be drawn.

Moreover, the major limitation in this case occurred due to the fact that many of the hotels which have been contacted refused to fill out the interview. The reasons for refusal were usually a conflict with company policies as they feared a misuse of information by their competitors. Additionally, a lack of time and employees were mentioned as causes for not being able to respond to the interviews accordingly. After having contacted the hotels first via e-mail, a follow-up was made two weeks later on the due date of the completed interviews. As so far only one positive response had been recorded, hotels were called and asked again to support the research of this thesis. Consequently, one more interview was collected and other hotels ensured handing it in on time. However, this did not happen and hotels were contacted again via e-mail and phone in order to complete the fixed sample size. Finally, three more interviews were received by specially referring to either the Modul Career Office or to external private contact persons of the researcher. Thus, the final sample size of 5 hotels has been attained and the interviews were analysed accordingly.

With regards to the managerial implications, this study shows that loyalty programs are omnipresent in today’s tourism- and hospitality industry, especially in the luxury hotel segment. Interestingly, 1 out of the 5 interviewed luxury hotels did not dispose of a loyalty program, nevertheless activities for recognising and rewarding loyal customers were implemented. Thus, as the industry is growing and new competitors are emerging, it is crucial to have some kind of customer recognition program. As illustrated by this study, the other hotels accurately responded to this evolving need. Therefore, in case of the development of a loyalty program, attention should be paid
to the design as statuses of memberships may vary as well as the type of benefits customers can receive. In this research, the benefit of providing experiences to the customers was offered by The Ritz-Carlton, Vienna, the Palais Hansen Kempinski and the Hotel Imperial but not by the NH Danube City. This may be due to the fact that the NH Danube City is the only four star hotel which has been included in this research. Thus, as hotels grow more luxurious and costly, it is even more important to provide unique and memorable opportunities to the customers, precisely going the extra mile.

Previous literature was satisfactory on the aspects of loyalty programs in general, describing the design, structure, benefits and potential pitfalls. However, future research could emphasise on the aspects of loyalty programs in the tourism- and hospitality industry, especially focusing on certain segments, such as in this case the luxury hotel segment. A possible approach could be to analyse the demand side more closely. For instance, interviews with guests can be undertaken. Furthermore, it can be of interest to analyse the responses of the guests to loyalty programs by examining amongst others usage patterns as well as satisfaction levels. At last, this research can be extended by a larger sample size. Given that the interviews were limited in scope it is recommended to collect more data in order to provide a more comprehensive solution for the initial research problem. Research needs to develop more accurate theories when relating loyalty programs to the luxury hotel segment.
7 Bibliography


Appendices

Appendix 1 – Summary of the Questionnaires

- The Ritz-Carlton, Vienna

1. General

- What kind of CRM activities do you have within your hotel? Do you also have a loyalty program as a part of your CRM activities? If not, what are the reasons that you do not have a loyalty program?

  Yes, a loyalty program.

- Since when do you have a loyalty program as a part of your CRM activities?

  2010.

- What were the reasons to implement the loyalty program?

  The Ritz-Carlton Rewards has been created to further the guest experience and is a truly distinctive luxury guest loyalty program that gives guests access to the extraordinary.

2. Design

- How did you design your loyalty program?

  As a member of The Ritz-Carlton Rewards, you will have access to truly unique, memorable, and personal experiences that have been carefully designed to bring together some of the most exclusive names in luxury travel and retail. By joining, you will enjoy a variety of exclusive member benefits and access to special events. Members will be issued membership cards, receive member communications exclusively from The Ritz-Carlton Rewards, and receive personalized recognition during your stays at The Ritz-Carlton hotels.
Do you have different customer groups within your loyalty program (example: Gold, Silver, Platinum)?

Yes, Silver, Gold and Platinum.

Can you quickly characterise the various customer groups (example: requirements for achieving a certain level, privileges)?

- Silver: 10 nights
- Gold: 50 nights
- Platinum: 75 nights

What benefits can customers gain from being part of the loyalty program?

- Earn points with every stay and redeem them for another stay
- Complimentary Internet Access
- Exclusive Offers
- Priority late check out
- 10% on Gift Shop Savings

How is the loyalty program promoted among your customers?

- Employees
- Advertising
- Brochures

3. Customers

How many consumers approximately participate in the loyalty program?

We cannot provide information on this topic as it is confidential information.

How are consumers responding to your loyalty program?

We cannot provide information on this topic as it is confidential information.
• Do you have the feeling that the loyalty program in its current state is an effective CRM activity?

Yes.

4. Sales & Marketing

• How do you integrate customer data obtained from the loyalty program into your CRM activities?

We cannot provide information on this topic as it is confidential information.

• How would you like to strengthen the vision and mission of your company by using the loyalty program?

We cannot provide information on this topic as it is confidential information.

5. Future

• What are the activities related to the development and/or adjustment of your loyalty program?

We cannot provide information on this topic as it is confidential information.

- *Palais Hansen Kempinski*

1. General

• What kind of CRM activities do you have within your hotel? Do you also have a loyalty program as a part of your CRM activities? If not, what are the reasons that you do not have a loyalty program?

We do have a loyalty programme in place, called the Global Hotel Alliance (GHA). GHA is an alliance of 32 hotel brands, spanning the globe. Further we do allow several airline mileage memberships (Aeroflot: Aeroflot Bonus; Lufthansa: Miles and More; Singapore Airlines: KrisFlyer; Turkish Airlines: Miles and Smiles).
• Since when do you have a loyalty program as a part of your CRM activities?

We have been a member of GHA since the beginning in 2004.

• What were the reasons to implement the loyalty program?

We have decided to implement the Discovery Programme as it has many benefits for our guests (consistent hotel level, easy booking tool, new hotel choices, personal recognition and shared preferences) but further of course for us as hotel brand (global market reach, incremental revenue, cost savings, strategic partnerships and brand recognition).

2. Design

• How did you design your loyalty program?

The programme was designed by the Global Hotel Alliance in Geneva. The main difference to other loyalty programmes is that it is very transparent. You, as a member, do not collect points but nights, meaning that you always know the exact amount of nights spent in hotels within the GHA portfolio. Further our loyal guests are rewarded with stay benefits according to their membership level. Further the guests receive Local Experiences, accordingly to their membership status, which are unique and exciting opportunities to discover the local region and culture; enable our members to participate in local activities not usually accessible to them. Local Experiences awards are unique to DISCOVERY and are at the heart of the programme. The should be a fun, unique and memorable way to get the most out of travelling and might also be “money can’t buy” experiences with special treatment or access.

• Do you have different customer groups within your loyalty program (example: Gold, Silver, Platinum)?

Gold, Platinum, Black and Red (invitation by CEO only).
Can you quickly characterise the various customer groups (example: requirements for achieving a certain level, privileges)?

- Gold: no qualifying criteria, the gold membership is issued from 0 to 9 nights per year
  Privileges: Complimentary daily newspaper
     Complimentary internet access
     Complimentary bottled water at turn down service
     Membership preference profile

- Platinum: the platinum membership is issued from 10 to 29 nights per year. The membership is valid for 1 year
  Privileges: all gold benefits
     Late check out until 3PM
     Guaranteed room availability 48 hours prior to arrival
     Upgrade to next room category at time of check in
     Local amenity

- Black: the black membership is for people who stay more than 30 nights per year. The membership is valid for 1 year
  Privileges: all gold & platinum benefits
     Early check in 9AM
     Late Check out 6PM
     Choice of amenity
     Guaranteed room availability 24 hours prior to arrival
     Double room upgrade
     Local brand benefit (15% allowance on food and beverages in all restaurants owned or managed by Kempinski; 20% allowance on laundry and dry cleaning)

- Red: by invitation only
  Privileges: Gold, Platinum and Black benefits
     Butler Service (where available)
50% on best available rate and Upgrade to Suite  
Personalized Chef Service, Comp. Breakfast Buffet  
Complimentary Pressing, 25% on food and beverages,  
Comp. Minibar  
Guaranteed room availability until 4PM on day of arrival

- What benefits can customers gain from being part of the loyalty program?

Please see answers above.

- How is the loyalty program promoted among your customers?

Channels: Online on gha.com and kempinski.com  
Email Advertisement  
Brochure at the reception desk  
Word of mouth  
On our iPads in the rooms and in the public area

3. Customers

- How many consumers approximately participate in the loyalty program?

  Around 4 million.

- How are consumers responding to your loyalty program?

  The response is mainly positive, as the members receive their benefits with each stay.

- Do you have the feeling that the loyalty program in its current state is an effective CRM activity?

  Yes.
4. Sales & Marketing

- How do you integrate customer data obtained from the loyalty program into your CRM activities?

All data which is entered in the guests profile either via another GHA brand or Kempinski hotel can be downloaded via our Property Management System (PMS). Further the member also has the possibility of adding preferences for himself on gha.com. This information can then be looked up via the Hotel Control Panel. All gathered information is then summed up in the members’ profile.

- How would you like to strengthen the vision and mission of your company by using the loyalty program?

The Kempinski DNA Values: Entrepreneurial Performance, Passion for European Luxury, Straightforward, People Oriented and Creating Traditions.

By having our members’ preferences stored we can i) & ii) tailor our service to their needs and therefore prove that we know what they really need without having them to ask for it every time (People Oriented and Straightforward). iii) By giving them their GHA benefits we can clearly see that our revenues in the food and beverage departments increase (Entrepreneurial Performance). iv) & v) By setting up their room at arrival and during their stay up to their expectations, by knowing all their habits and preferences and by almost reading their mind when it comes to our members’ wishes we can prove that we stand in for five star luxury (Passion for European Luxury) and further offer them the same quality for each stay (Creating Traditions).

5. Future

- What are the activities related to the development and / or adjustment of your loyalty program?

As the biggest part of our loyalty programme is defined by the corporate office of GHA, we, as property, are a little limited to the possibilities we have. By
changing our local amenities as well as the Local Experiences on a seasonal basis, we try to keep them interesting for your guests, especially for our regular ones. Further we constantly try to combine special offers with our GHA member benefits in order to increase the possibilities of up,- and cross selling in several departments.

- Grand Hotel Wien

1. General

- What kind of CRM activities do you have within your hotel? Do you also have a loyalty program as a part of your CRM activities? If not, what are the reasons that you do not have a loyalty program?

We do work with the Leading Honors Club, Miles & More and many other partners. But we do not offer an own loyalty program. We don’t offer an own loyalty program due to the fact that we are a “stand alone” hotel. As hotel it makes no sense to create a loyalty program because you don’t have a lot of guest who might come 5 times per year to Vienna.

- Since when do you have a loyalty program as a part of your CRM activities?

We are partners of the international loyalty programs since many years. Or partners organize the CRM activities and we can join them.

- What were the reasons to implement the loyalty program?

As mentioned we are only a part of different international partner programs. The reason to join these programs is, that we can reach international potential clients.
2. Design

- How did you design your loyalty program?

We don’t offer a own program, we do get the designs from the international partners and their programs.

- Do you have different customer groups within your loyalty program (example: Gold, Silver, Platinum)?

Our partners offer this kind of service, but we cannot influence the customer status.

- Can you quickly characterise the various customer groups (example: requirements for achieving a certain level, privileges)?

Loyalty Card holders are mainly business travellers or persons which travel quiet often. They are looking for business class rooms, business Lounges or other privileges like quick check in, check out.

- What benefits can customers gain from being part of the loyalty program?

Usually the get points per stay and after an certain level they can use their points for free nights, upgrades, Dinners. They also get up to their level complimentary breakfast, discount on F&B services, VIP Treatments or complimentary late check outs or check in.

- How is the loyalty program promoted among your customers?

Due to the fact that we don’t have a own loyalty program we only promote the cards of our partners, especially from the LHW. You find the information in the rooms, get the info during the check in, at the reception.

3. Customers

- How many consumers approximately participate in the loyalty program?

N.A. – because we don’t have an own program.
• How are consumers responding to your loyalty program?

Everybody use the different programs to get an benefit, but in the hotel business is it only useful if you a worldwide, global hotel chain.

• Do you have the feeling that the loyalty program in its current state is an effective CRM activity?

No, because you have too many of them, you should use more the new social medias to create an emotional connection to your customers.

4. Sales & Marketing

• How do you integrate customer data obtained from the loyalty program into your CRM activities?

N.A. – because we don’t have an own program.

• How would you like to strengthen the vision and mission of your company by using the loyalty program?

For our hotel is it fine to use the different programs like AMEX, LHW, Miles&More and many more. With this system we have a much higher global representation, as we would create a own one. But you have to create an emotional connection to the people. Focus should be on all the different social medias in the different countries send the emotions around the world and to create a future guest of our hotel.

5. Future

• What are the activities related to the development and / or adjustment of your loyalty program?

N.A. – because we don’t have an own program.
- Hotel Imperial

1. General

• What kind of CRM activities do you have within your hotel? Do you also have a loyalty program as a part of your CRM activities? If not, what are the reasons that you do not have a loyalty program?

Hotel Imperial Vienna, a Luxury Collection Hotel is operated by Starwood Hotels & Resorts Worldwide, Inc., the most global high-end hotel company in the world with 1,200+ hotels within eleven distinct lifestyle brands and the award-winning loyalty program Starwood Preferred Guest (SPG).

• Since when do you have a loyalty program as a part of your CRM activities?

Starwood Preferred Guest was introduced in 1999.

• What were the reasons to implement the loyalty program?

SPG was launched to reward and recognize frequent travellers.

2. Design

• How did you design your loyalty program?

The free loyalty program was designed to be used without blackout dates and capacity controls – both industry firsts.

• Do you have different customer groups within your loyalty program (example: Gold, Silver, Platinum)?

Yes, the program has the following statuses:

- Preferred Guest
- Gold (10 stays / 25 nights annually)
- Platinum (25 stays / 50 nights annually)
- SPG Pro (for travel industry professionals)
• Can you quickly characterise the various customer groups (example: requirements for achieving a certain level, privileges)?

For a comprehensive overview, please follow this link:

http://www.starwoodhotels.com/preferredguest/about/index.html?categoryId=brand.benefits.overview

• What benefits can customers gain from being part of the loyalty program?

SPG Members collect Starpoints with every USD spent at Starwood Hotels worldwide. SPG Members enjoy preferred benefits at Starwood Hotels worldwide, for a comprehensive overview, please follow this link:

http://www.starwoodhotels.com/preferredguest/about/index.html?categoryId=brand.benefits.overview

SPG Members collect Starpoints which can be redeemed for:

- ROOMS - free nights, upgrades, discounts at Starwood Hotels – no blackout dates
- TRAVEL – free flights, air miles and more
- SPG MOMENTS – VIP access to exclusive music, sports, culinary and culture events
- Other redeem options are Charity, Gift Cards and Giving Starpoints.

• How is the loyalty program promoted among your customers?

At key communication points in hotels – front desks, food & beverage outlets, in-room collateral

All online and offline marketing channels, such as www.spg.com

3. Customers

• How many consumers approximately participate in the loyalty program?

SPG has over 21 million members worldwide.
• How are consumers responding to your loyalty program?

SPG is one of the most popular Loyalty Programs worldwide, it was voted Loyalty Program of the Year for six consecutive years at the Annual Freddie Awards.

• Do you have the feeling that the loyalty program in its current state is an effective CRM activity?

Very much so. Not only with guests but also with travel industry professionals booking Starwood hotels for their company’s or clients’ individual or group stays, meetings and events.

4. Sales & Marketing

• How do you integrate customer data obtained from the loyalty program into your CRM activities?

SPG helps us to identify guest preferences, anticipate their needs and deliver our best service.

• How would you like to strengthen the vision and mission of your company by using the loyalty program?

SPG connects all Starwood Hotels worldwide and all Starwood travellers worldwide.

5. Future

• What are the activities related to the development and / or adjustment of your loyalty program?

SPG was created and is being continuously developed and managed at our Global Headquarters. The SPG team continuously tries to expand the benefits for SPG members through innovations and global initiatives such as marketing partnerships with Uber or Emirates Airlines.
- NH Danube City

1. General

- What kind of CRM activities do you have within your hotel? Do you also have a loyalty program as a part of your CRM activities? If not, what are the reasons that you do not have a loyalty program?

http://www.nh-hotels.de/nhrewards/kategorie

- Since when do you have a loyalty program as a part of your CRM activities?

Almost since the beginning or the foundation of NH Hotels, around 1990, NH Hotels was founded in 1988.

- What were the reasons to implement the loyalty program?

  - Increase customer loyalty
  - Increase brand awareness
  - Benefits for customers

2. Design

- How did you design your loyalty program?

The loyalty program of NH has been changed just last year, used to be NH World and since last year it has been renamed to NH Hotels Group Rewards in the course of the the NH’s 5 year plan.

Design has been used or is used by many other hotel chains as well, just small amendments (like benefits or different types of status).

Basic concept is: The more often a customer stays with NH, the more benefits he receives.

- Do you have different customer groups within your loyalty program (example: Gold, Silver, Platinum)?

http://www.nh-hotels.de/nhrewards/kategorie
• Can you quickly characterise the various customer groups (example: requirements for achieving a certain level, privileges)?

http://www.nh-hotels.de/nhrewards/kategorie

• What benefits can customers gain from being part of the loyalty program?

http://www.nh-hotels.de/nhrewards/kategorie

• How is the loyalty program promoted among your customers?

  - There is currently a really high focus on gaining more customers to our loyalty programm. So it is promoted everywhere:
  - Flyers in the hotel, online on our and other websites (linked to our website),
  - Focus on Check In and Check Out at the Front Desk (goals are being set everywhere)
  - Contacting customers by Email

3. Customers

• How many consumers approximately participate in the loyalty program?

  All of our regular guests do have a membership card or are registered in our programm

  Customers who stay for the first time or who are not frequent travellers, I would say 30-40%, but that’s only based on our hotel statistic

• How are consumers responding to your loyalty program?

  Depends, frequent travellers often take it and register, but leisure guests for example are not interested in taking part, because there is no use for them, plus they do not want to get all the Emails with promotions etc.
• Do you have the feeling that the loyalty program in its current state is an effective CRM activity?

Yes, I still think it is an effective tool, but sometimes not necessary, because many business people and guests are choosing e.g. our hotel because they have to stay here (according to company), so they are not coming back entirely because of the benefits they can earn.

For most guests it’s nice to have and to receive all the benefits, but they choose NH Hotel more because of our quality and services we offer.

4. Sales & Marketing

• How do you integrate customer data obtained from the loyalty program into your CRM activities?

No information, sorry.

• How would you like to strengthen the vision and mission of your company by using the loyalty program?

Not enough information, sorry.

5. Future

• What are the activities related to the development and / or adjustment of your loyalty program?

Not enough information, sorry.