

University of South Australia

The Impact of Frequency Programs on  
Customer Loyalty: A preliminary study  
of hotel diner loyalty in Thailand

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**PORTFOLIO/DISSERTATION SUBMISSION  
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Dear Sir

To the best of my knowledge, the portfolio contains all of the candidate's own work completed under my supervision, and is worthy of examination.

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## Executive Summary

Many companies involved in the service industry such as airlines and hotels place a significant amount of importance on building customer loyalty (Noordhoff *et al.*, 2004). The widespread use of customer loyalty and frequency programs by all manner of companies would suggest that they are proven effective tools (Duffy, 1998; Noordhoff *et al.*, 2004). However, this is not a convincing point to foster a belief in the efficacy of frequency programs on customer loyalty. There are deeper issues raised by managers about the cost benefit of frequency programs.

Past research has also questioned if the cost of these programs exceeds their effectiveness as a loyalty building tool. Uncles *et al.* (2003) for example, asks whether they do promote loyalty or are simply a promotional device, an issue identified by Evans (1999), McIlroy and Barnett (2000). Duffy (1998), Gwinner *et al.* (1998) and Javalgi and Moberg (1997) also question the relative effect of financial and non-financial aspects of a program. The financial aspects are often overemphasized and used as the only key measurement of success in building customer loyalty while the non-financial aspects are understated.

Most customer loyalty programs available across the service industry have largely focused on building repeat patronage. There is now a combined approach through a theoretical framework of customer loyalty, that uses both repeat patronage and relative attitude constructs in measuring loyalty (Dick and Basu, 1994). Paying greater attention to attitude could help improve the



cost effectiveness of the programs because the incentives used to enhance the attitudinal loyalty are often in the form of non-financial benefits.

Duffy (1998) found that frequency programs that included what he called Social Influences (non financial benefits) provide some special value for customers, thus making the frequency program a successful and effective customer loyalty building tool.

The results of empirical research into the effectiveness of loyalty programs are, however, inconclusive or contradictory. This may be in large part due to the methods used to evaluate them and whether or not non-financial factors were included or whether only repeat patronage was used as an indicator. Hence there is a need for more focused research to better ascertain what works, why it works and how industry context and service type, influence the design of an effective loyalty program.

The study set out here is one attempt to fill this need. There are three key propositions of this study. They are, understanding the differences in individuals by membership length, by behavioral and attitudinal loyalty and finally the effect of Social Influences (non-financial benefits) on loyalty continuance.

This study adopts Dick and Basu's (1994) customer loyalty conceptual model as a research framework. Dick and Basu's (1994) model is a comprehensive model of customer loyalty that presents a relationship of two constructs, repeat patronage and relative attitude, to resolve some of the uncertainty currently existing in the literature.

The frequency program examined in this study is a structured fee-based frequency program. Loyalty conditions of members with different lengths of

membership are measured using a combined approach, focusing particularly on motives of repeat patronage and level of relative attitude. In addition, the impact of Social Influences on loyalty development is also tested.

A questionnaire survey was completed by a total of 145 members of a hotel frequent diner program in Bangkok, Thailand.

The study found that economic benefits are a primary bond and a key driver in motivating members to join the program and to make a repeat purchase. The satisfaction towards this tangible benefit is of importance. This is because this satisfaction is then expressed in the form of attitudinal loyalty through a communication-based dimension such as generating positive word of mouth. If the assessment of perceived economic value in exchange for the membership fee is not seen as financially worthwhile; switching to another competitive program or membership discontinuance is likely to occur. The loyalty or relationship that has previously been established can possibly be diminished.

Furthermore, the study found that a frequency program with competitive economic offerings, including an Implicit Concern function (such as knowing and greeting individual members into the hotel restaurant) can help to diminish churn among members. There is now evidence suggesting that non-financial benefits (the fulfillment of Implicit Concern) are somewhat important in loyalty development among frequency program members. The result is consistent with Dick and Basu's (1994) customer loyalty conceptual framework. They suggested that members of the frequency program express spurious loyalty as their high repeat patronage is motivated by incentives and they have little perceived differentiation from competing programs.

This work resolves some of the uncertainty currently existing within the literature with respect to the relative effect of financial and non-financial benefits of a frequency program. The results reaffirm that Social Influences have a positive association with loyalty maintenance among members.

Two key functions derived from an analysis of Social Influences variables are explained as Implicit and Explicit Concerns. Implicit Concerns, such as knowing and greeting individual members, shows greater strength in terms of loyalty development. The result contributes to the existing theory that Social Influences in the form of Implicit Concern are of higher importance than Explicit Concern. There is also no significant difference in the perceived importance toward Social Influences benefits among the new and renewed members. There would be no greater impact in giving more value to long-standing members over newer members. But there would be greater impact when giving more attractive hard benefits to the new members or to the existing members in the renewal stage.

This study finds that none of the new or the renewed members are considered a unique group. This suggests that member segmentation process is unnecessary for this type of frequency program. Therefore, a different benefits package for each member of different length of membership is seen as unnecessary in this context – except for the discount giving dimension, which is perceived to be of significantly higher importance among new members. Apart from that, both groups expressed identical behavior on most dimensions of behavioral loyalty and on all dimensions of attitudinal loyalty.

A frequency program using a card based on discounts only, will not achieve true loyalty. There needs to be Implicit Concerns and Explicit Concerns, i.e. non-financial aspects of the program. This offers a new concept and at the same time a challenge for marketers to create a frequency program that

operates closer to a relationship marketing program – a real loyalty program – not just a promotion program.

However, this study is limited to the hotel food and beverage service industry in Bangkok Thailand, with the majority of the respondents being Thai who are located in Bangkok. The low response rate from new members must also be recognized as a limiting factor.

This study contributes to an understanding of the relative effectiveness of a fee based loyalty program and identifies the factors required for a successful program within the hotel industry.

Even though the study derives specific and unique findings, it is notable that in many areas the results of research match those conducted elsewhere in different industries and cultural contexts. Another limitation is that this study reveals the loyalty condition and the factors that influence loyalty development from the perspective of existing members only.

Further research could be geared towards the issue of member valuation, finding out the optimal value of financial benefits given in exchange for a certain membership fee. Future research could also examine the strengths and weaknesses of a fee based frequency program. It is suggested that action research could be used among the members with Implicit Concern, or even those with no Implicit Concern, to help gain higher validity.

## **Declaration**

I declare that this dissertation does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge it does not contain any materials previously published or written by another person except where due reference is made in the text.

A handwritten signature in black ink, appearing to read 'AG', with a long horizontal flourish extending to the right.

**Anchalee Gibbins**

February 22, 2007

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# **Chapter 1**

## **INTRODUCTION**

### **1.1 Background**

Leading hotels in Thailand, for example, the Marriott, Sheraton, Westin, Shangri-la and Hyatt, have implemented frequency programs to stimulate repeat business and maintain loyalty among their selective customers. Two different kinds of frequency programs are employed by hotels: Frequent stay and frequent diner. A frequent stay program requires no membership fee, while a frequent diner program charges an annual membership fee for privileged services and benefits.

Analysis of customer benefit documents of current frequent diner programs in most five stars hotel in Thailand (See appendix 1) identified a number of frequency programs on offer. This suggests an assumption by hotel management that frequency programs are an effective means for dealing with the high level of competition for customer loyalty within this segment of the hotel food and beverages industry. Despite this widespread use, however, the effectiveness of frequency programs as practiced in the service industry is still in question (see for example Uncles et al., 2003).

### **1.2 Statement of the problem**

Assessing how frequency programs can build customer loyalty for the firm requires an understanding of each individual customer and the level of loyalty they can be identified with during their membership period. Knowing the conditions under which a customer will offer loyalty not only allows hotels to

develop appropriate marketing programs to protect their business, but also allows managers to fine-tune and formulate more effective and competitive frequency programs (Duffy, 1998; Uncles *et al.*, 2003). Despite this, few research studies are conducted, in Thailand or worldwide, into the effectiveness of alternative hotel frequent diner programs.

For frequency programs with membership fee, arise several questions which the existing research has not fully answered i.e., in particular, do the members put some form of investment (membership fee) into the program because they have a higher “perceived differentiation” for the program than for other available programs, or are the members motivated to join because of the program’s benefit itself? These questions have never been answered, although in the past research, the membership program was asserted as a tool that forces some level of loyalty (Javalgi and Moberg, 1998).

### **1.3 The research aims**

This study investigated practices that are employed in the hotel industry to maintain customer loyalty, focusing in particular on the use of frequency programs. Frequency programs were chosen as the focus as they appear to be the dominant means used by hotels to encourage repeat patronage.

The specific aims of this study are, therefore, to identify a classificatory scheme of loyalty conditions and investigate how a frequency program can shift the attitudinal dimension of members in order to improve loyalty and to gain a deeper understanding of:

- the effectiveness of frequency programs used in the hotel industry in Thailand to find out in particular whether and how they can bring about commitment and loyalty of their members; and



- the variables that influence such effectiveness.

To achieve the stated research aims, a multi-scale items of loyalty measurement from member's perspective was used in accordance with the two dimensional loyalty model developed by Dick and Basu (1994).

This study adopts Dick and Basu's (1994) customer loyalty conceptual model as a research framework. It is a comprehensive model of customer loyalty that presents a relationship of two constructs: repeat patronage and relative attitude.

The repeat patronage construct focuses on customer behavior. Its inclusion provides a basis for measuring and evaluating what customers **do**. The relative attitude construct focuses on how customers **evaluate** services they use, and provides a basis for understanding the reasons behind the behavior.

The inclusion of both constructs considerably strengthens the framework since research has shown that attitude is not necessarily a reliable indicator of behavior, while behavior alone fails to reveal the reasons behind customer's choices (Javalgi and Moberg, 1997).

The inclusion of both these dimensions of loyalty is particularly important to service industries, including the hotel industry. This is because customers often compare services offered by alternative suppliers and their evaluations are usually based on somewhat subjective criteria which can vary significantly between individuals (Lovelock *et al.*, 2002).

These two constructs also map well onto the two focal points of this research. What customers do is the basis for evaluating the effectiveness of a loyalty program – it provides evidence of whether it works and to what extent. The

attitudinal construct provides evidence of the factors that influence their behavior and thus provides a basis for assessing the design factors which influence relative effectiveness.

#### **1.4 Scope of the study**

There are two broad classes of frequency programs used in the hotel industry: frequent stay and frequent diner. The advantages, disadvantages and criteria for success of each are considered in the relevant literature. The empirical component of this research, however, focuses on frequent diner programs.

The focus on frequent diner programs was chosen because hotel restaurant services involve particularly high contact between service employees and customers. Customers of this type of service often involve both constructs, repeat patronage and relative attitude, in their service evaluation to decide whether they will continue to participate in the programs. It is assumed that service quality contributes to customer satisfaction, which then leads to customer loyalty and hence competitive advantage.

The customers' direct experience in the quality of restaurant services should prove particularly influential on their attitudes toward the services and thus more revealing of factors influencing attitudinal loyalty, in particular the Social Influences. Social Influences have been identified by (Gwinner *et al.*, 1998) as a competitive advantage that offers a differentiation strategy for the service providers.

Based on the results of preliminary analysis of program benefits (see Appendix 1), it was found that most programs were offering very competitive and similar financial benefits. Therefore Social Influences were added in this

study to test the significance of its core advantage as claimed in the past research.

In addition, it was found through the literature review that there is less existing research on the frequent diner programs, especially those that require an annual membership fee. This focus thus adds to the potential contribution of this study.

### **1.5 Importance of the study**

The widespread use of frequency programs suggests that they are commonly seen by managers to be an effective tool for achieving customer loyalty. This research is therefore important because it contributes to an appreciation of the relative effectiveness and identification of the factors that determine the effectiveness of fee based loyalty programs in the hotel industry, particularly in Thailand. This will be of direct benefit to managers within this sector. It is also expected that some of these findings may have wider applicability, in particular to other countries with a similar culture, for example, Singapore, Hong Kong and other key cities in Mainland China such as Shanghai and Beijing; and/or to other industries with similar characteristics.

In addition, the findings will help resolve some of the uncertainty currently existing within the literature, in particular with respect to the relative effect of financial and non-financial benefits of a frequency program. From past research, the following questions remain unanswered:

- their cost effectiveness (Uncles *et al.*, 2003);
- whether they do promote loyalty (McIlroy and Barnett, 2000) or are simply a promotional device (Evans, 1999); and

- the relative effect of financial and non-financial aspects of a program (Butcher *et al.*, 2002; Gremler and Brown, 1999; Gwinner *et al.*, 1998 and Javalgi and Moberg, 1997).

Furthermore, the results of past empirical research are inconclusive or contradictory. For example, McIlroy and Barnett (2000) have argued that frequency programs can not build customer loyalty, while Noordhoff *et al.*'s (2004) findings on their retail frequency program indicated that frequency program can influence on both behavioral and attitudinal loyalty.

The results should reveal greater insights into the usefulness of the framework used as the basis for the study to understand customer loyalty and what managers can do to influence it.

The importance of the proposed conceptual framework of this study may be of primary concern for enhancing customer loyalty conditions. As the framework suggests, the importance of increased relative attitude among members can improve attitudinal loyalty that leads to sustainable loyalty (Dick and Basu, 1994). Paying greater attention to attitude could help improve the cost effectiveness of the programs because the incentives used to enhance the attitudinal loyalty are often in the form of non-financial benefits.

Therefore, there is a need for more focused research to better ascertain what works, why it works and how industry context and service type influence the design of effective loyalty programs.

This study begins with a review of the literature in the field of customer loyalty. The aim of this review is to establish the principles of effective frequency programs as well as the assumed association between customer loyalty and the frequency programs in the hotel business. The related context

such as the influence of service employee and the service profit chain that are linked to customer loyalty are also reviewed and discussed. This analysis is followed with the introduction of a customer loyalty framework that identifies and tests a number of propositions linking repeat patronage, relative attitude and Social Influences to customer loyalty. The findings of a mail survey conducted among members of hotel frequent diner programs are then discussed. The dissertation concludes with a discussion of the implications for both theory and managerial practice.

## **1.6 Definition of terms**

This section is to provide the better clarification for each term repeatedly used in this study. Researches have offered different definitions to these terms. However the definitions provided below are linked to the central theme and conceptual framework of the study. More importantly they are related to the context of this study especially customer loyalty in a service industry context.

### **Customer Loyalty**

Customer loyalty is defined as a relationship between customer's repeat patronage behavior of a preferred product/service consistently in the future and customer's attitude that leads to a good relationship with services, products (Dick and Basu, 1994; Uncles et al., 2003).

### **Loyalty Program**

One of marketing tools that drives customer loyalty. Loyalty programs are created with an aim to increase a single brand loyalty, to create exit barriers and to increase the amount of product and service purchased (Uncles et al., 2003).

### **Frequency Program**

Frequency program is seen as an interchangeable term for loyalty program. The reason it is termed as frequency program may be because businesses using the program naturally aim to have customers who most frequently purchase their products or frequently use their services. Frequency programs encourage members to increase frequency of repeat purchase of product or service by offering them rewards/incentives. Frequency programs are dominant activities in customer loyalty building (Duffy, 1998; Noordhoff *et al.*, 2004).

### **Repeat Patronage**

Repeat patronage is defined as a behavior that customers exhibit toward products/services by repeat purchasing of a preferred product/service consistently in the future (Uncles *et al.*, 2003).

### **Relative Attitude**

Relative Attitude is defined as a customer's attitude that leads to a relationship with certain products and services (Uncles *et al.*, 2003). In a service industry context, relative attitude is determined by the customers' strong preference or attitude toward the service provider (Dick and Basu, 1994).

### **Social Influences**

Social Influences, in customer loyalty studies, especially in the service industry context, is defined as non- financial incentives or social benefits (Gwinner *et al.*, 1998). Social Influences are reflected through non-financial benefits such as customer recognition, social support and the interpersonal relationship between customers as well as between customers and employees of the service provider (Berry and Parasuraman, 1991; Butcher *et al.*, 2002; Gwinner *et al.*, 1998; Patterson and Smith, 2001).

## **Chapter 2**

### **A REVIEW OF LITERATURE**

#### **2.1 Introduction**

Customer loyalty building is regarded as an important activity by several businesses such as airline, hotel, chain restaurant, car rental, entertainment and retail businesses (Noordhoff *et al.*, 2004). This is because businesses naturally aim to have customers who most frequently purchase their products or frequently use their services.

Studies show that frequency programs are dominant activities in customer loyalty building (Duffy, 1998; Noordhoff *et al.*, 2004). Today, many frequency programs are currently in operation and new ones are being introduced, despite their still questionable effectiveness (Uncles *et al.*, 2003) and the substantial investment incurred for their implementation.

Cost benefit assessment of the frequency programs is a concern of managers who are confronted with many crucial issues - for instance, how businesses should utilize frequency program - *i.e.* with fees charged or free of charge; whether the frequency programs that offer high financial value to their members are successful ones; whether frequency programs really build customer loyalty; and how loyal the program members are (Noordhoff *et al.*, 2004). It is evident from these concerns that cost benefit assessment of a frequency program requires customer loyalty assessment.

Measuring the loyalty of customers in the frequency program merely from a repeat patronage dimension is, however, no longer sufficient to understand customer loyalty in the hospitality industry. Many studies, examined so far by

this literature review, found that the measurement of customer loyalty is associated with customer satisfaction, quality of service, and the attributes of the service operation that lead to customer loyalty (De Ruyter and Bloemer, 1999; De Ruyter *et al.*, 1998; Caruana, 2002). The effect of word of mouth on customer loyalty and repeat purchase intention behavior, especially in the service business context, have also drawn much attention from researchers (Gremler and Brown, 1999; De Ruyter and Bloemer, 1999).

This literature review examines the principles of customer loyalty and effective frequency programs as well as the claimed association between customer loyalty and frequency programs. The review then searches for new and salient relationships between the different types of business environments and the different types of frequency programs most favorable for such environments. It is hoped that the findings will contribute to strategic thinking in customer loyalty building through frequency programs and take it to the next level.

## **2.2 The concept of customer loyalty**

Research on customer loyalty in the hospitality industry has received much attention from customer loyalty researchers, for example:

- the investigation of service quality and the prediction of purchase intention (Alexandris *et al.*, 2002);
- a hotel guest focused model and the improved service quality (Chacko, 1998); and
- customer complaint behavior towards hotel restaurants service (Heung and Lam, 2003).



Moreover, many of the studies mentioned above focus on:

- the relationship of customer satisfaction and customer loyalty (Andreassen and Lindstad, 1998; Bowen and Chen, 2001; Jeffrey and Barden, 2001; Juwaheer and Ross, 2003; Kandampully and Suhartanto, 2000; Woo and Fock, 2004);
- the effect of service quality towards repeat purchase intention (Alexandris *et al.*, 2002; Bejou and Palmer, 1998; Berry and Parasuraman, 1991; Heskett, 2002; Liden and Skalen, 2003; Loosekoot *et al.*, 2001; Min *et al.*, 2002; Pritchard and Howard, 1997; Tsang and Qu, 2000);
- the investigation of the effect of word of mouth on customer loyalty (Gremler and Brown, 1999);
- the impact of switching cost on customer retention and customer loyalty (Dick, 1995; Evans, 1999); and
- the examination of whether value for money leads to customer loyalty (Evans, 1999).

Most of the researches focus on general customers – non-members of a frequency program - for example, the research on customer loyalty in the restaurant industry by Auty (1992), Clark and Wood (1999), and Sorinao (2002). These studies attempted to understand general customer behavior and factors that lead them to become loyal customers by considering variables, for example the quality of service, the type of food, and the variety of the menu.

The development of customer loyalty research in the restaurant context appears to focus much attention to the factors that influence repeat purchase intention. Only recently have the frequency programs been used as a customer loyalty building tool in the restaurant context, and so there is still insufficient evidence to confirm the impact of the frequent diner programs on customer

loyalty. The attitude and behavior of both the members and non-members of frequency diner programs have shown mixed results *i.e.* showing differences and no differences (Williams, 1999). So, this issue is still left unanswered.

Repeat patronage intention seemed to be a widely used construct in measuring customer loyalty (Evans, 1999; Hellier *et al.*, 2003). This suggests that the degree of loyalty tends to be measured more by the customers' repeat patronage level - or behavioral level – than by the customer's attitudinal level. However, attitudinal or emotional attachments have increasingly gained attention as important factors leading to customer loyalty (Butcher *et al.*, 2001).

Butcher *et al.* (2002) found that, in the high contact service industries, customers' relative attitude is a significant factor that positively leads to customer loyalty. The non-financial benefits that firms provide to the customers are proven to contribute to developing attitudinal loyalty (Butcher *et al.*, 2001; Gremler and Brown, 1999). Therefore, customer loyalty studies are not limited to only the relationship between financial benefits and the development of customer loyalty.

In their study on customer loyalty in hairdressers, cafés and healthcare, Butcher *et al.* (2002) noticed that relational benefits had a direct influence on the development of customer loyalty, for example, the friendship (relational benefits) between the customers and the particular service employees. Value for money was not a major factor in building customer loyalty in the high contact services, especially when compared with behavioral and attitudinal dimensions.

Measuring and recognizing members' attitudinal loyalty condition consequently allows managers to optimize the effect of non-financial benefits

and to capitalize on them as a competitive advantage to the firm. For this reason, there is a clear tendency within the literature to adopt a combined approach in studying frequency programs.

The combined approach helps to define both the impact of the frequency programs that are not limited to the repeat patronage dimension and the impact of the attitudinal loyalty dimension on the program. The approach facilitates not only the design of a financial benefit based programs, but also the design of effective frequency programs. If the service providers can identify the levels of customers' attitude, they will be more aware of their customers' inclination to switch or become less loyal. They can then design programs that accommodate the attitude of their customers so as to retain them (Blattberg *et al.*, 2001).

In the service businesses with high contact environment between customers and service employees for example, the fine dining restaurant business environment, the interpersonal bond between customers and service employees was found to be one of the factors that influence loyalty continuance (Butcher *et al.*, 2001). Therefore, when measuring customer loyalty in this particular service business, it is necessary to combine the customers' attitude measurement with their behavior measurement. This is in contrast to the retail businesses environment which usually offers price-incentive to motivate repeat visits or to increase behavioral loyalty.

Customer loyalty research that used a combined approach in measuring the level of customer loyalty was found to build on Dick and Basu's (1994) work. Dick and Basu (1994) proposed four types of customer loyalty, namely: no loyalty, latent loyalty, spurious loyalty and sustainable loyalty or true loyalty.

No loyalty, as explained by its name, means that customers have low relative attitude and low repeat patronage toward products or services. Latent loyalty is when customers express high relative attitude toward products or services but have low repeat patronage. Spurious loyalty occurs when customers have high repeat patronage but low relative attitude or low perceived differentiation among other competitive products or services. They keep repeating their patronage because of attractive offerings. Sustainable loyalty or true loyalty can be found when customers express high relative attitude and high repeat patronage toward products and services.

This approach, which considers the interrelationship between repeat patronage and relative attitude, was cited in some customer loyalty research literature, namely: Colgate and Norris (2001), De Ruyter and Bloemer (1999), Evans (1999), Grossman (1998), Javalgi and Moberg (1997), Noordhoff *et al.* (2004) and Rowley and Dawes (2000).

### **2.3 The impacts of frequency programs**

Begun in 1981 with airline businesses, frequency programs have been used as a powerful approach in building customer loyalty (Duffy, 1998). Some researches tend to devise frequency program strategies (for example, Duffy, 1998; Shoemaker and Lewis, 1999; Divett *et al.*, 2003; Uncles *et al.*, 2003) or investigate the impacts of frequency programs on customer loyalty in a specific industry through case studies (for example, Dick, 1995; McIlroy and Barnett, 2000; Noordhoff *et al.*, 2004; O'Mally, 1998; Palmer *et al.*, 2000; Toh *et al.*, 1991; William, 1995; Woolf, 2002; Zhang, 2004).

Airlines and the retail business sectors appear to gain much attention among frequency program researchers. Most of the programs in these businesses do not require membership fees. This is because of the high customer bargaining

power in term of Porter's five forces and the low intrinsic switching cost for the customer. In loyalty programs, a switching cost is added essentially to address the structural issue (Duffy, 1998).

Frequency programs in the airline business, namely American Airlines, were so successful that it prompted a variety of industries to start developing the frequency program (Duffy, 1998). This resulted in all major airlines implementing frequent flyer programs. All schemes of these frequent flyer programs tended to be replicated, with members earning reward points or miles when flying with the airline, based on the number of accumulated miles.

Through their study conducted among frequent flyer program members, Curasi and Kenedy (2002) found that loyal customers of airlines' frequency programs are considered "Purchased loyalists". Members require reward programs as a primary bond to maintain their relationship with the service provider. This outcome is in line with Dick and Basu's (1994) customer loyalty conceptual model in which members of frequency program express spurious loyalty and are motivated by incentives given to them.

However, Duffy (1998) revealed in his study on customer loyalty strategies that one frequency program – the Delta Sky Privileges Plus - had differentiated itself by basing its program on the dollar value that the members spent on the airline, regardless of the number of miles they have accumulated. This approach allows the airline to attract those business travelers who are not concerned about the discount fares. The outcome of this program created a win-win situation for both airline and members.

The impact of the frequency program on single-brand loyalty building as posited in Divett *et al.* (2003) and in Uncles *et al.*'s (2003) studies was found to be contradictory.

Divett *et al.* (2003) posited that frequency programs of only certain businesses could increase single-brand loyalty and repeat business among their members - such as the frequency programs of financial service companies, of certain brands of products, or of some services that the customers had to buy because there were no alternatives. The frequency programs in this context, usually introduced when a new player or competitor enters the market, are used as an exit barrier in a self-defensive manner.

In short, according to Divett *et al.* (2003), the impact of the frequency programs on customer loyalty is limited to only certain businesses and the programs can foster spurious and behavioral single-brand loyalty. Members remain loyal because of the lack of alternatives on competitive products/services.

Contrary to Divett *et al.*'s (2003) conclusion, Uncles *et al.* (2003) argued that the manager who tries to use the frequency program as a tool to increase single-brand loyalty could fail to achieve this objective.

According to Uncles *et al.* (2003), the impact of a frequency program on customer loyalty depends on its appeal and the acceptance level of the brand among the customers. They discovered that most customers appear to be multi-brand loyal customers. The emergence of the frequent flyer program operated by alliance airlines is a clear evidence of this.

Therefore, in the context of multiple-brand loyalty, when customers belong to more than one frequency program in the same category, frequency programs can play a significant role and be used in retaining both behavioral loyalty and attitudinal loyalty, creating exit barriers as well as increasing switching cost. The impact of the frequency program in this context depends on how well a business has conducted the competitive analysis and discovered the

opportunity gap so as to formulate or design programs that have stronger impacts in building relationship with its customers.

When customers express multiple brand loyalty, it indicates that customers have no difference in perception towards each brand, especially in terms of the financial benefits that customers gain from each brand. Financial benefit is the key primary bond for members to maintain relationship with the service provider (Curasi and Kennedy, 2002). However this financial benefit can be replicated easily by competitors (Duffy, 1998). Hence when implementing frequency programs, business has to consider offering both financial and non financial benefits through the program to stay competitive and differentiating (Javalgi and Moberg, 1997)

Service value, social influences, service personalization become the key competitive advantage that attracts the member of the program and it takes time for competitors to replicate this benefits (Gwinner et al., 1998) This supports the notion found by Rosenbaum et al (2005) that frequency programs that promote social interaction between members and service providers can enhance customer loyalty.

Apart from the empirical study of the frequency programs in the airline business, there were also some researches on programs in the retail business (Bellizzi and Bristol, 2004; Noordhoff *et al.*, 2004). One particular study deserved special attention - the TescoLotus club card scheme. This successful program of the TescoLotus revealed that it had a close link with high-profile advertising, product range extension as well as strategic development in the firm management (Uncles *et al.*, 2003). Its success was measured on repeat purchase intention and purchase amount. In the competitive retail business which focuses on repeat purchase, hard benefits (financial benefits) of the

frequency program are still strong, motivating and convincing members to make repeat purchase.

Nevertheless, there was also evidence that non-financial benefits led to a cost effective and successful frequency program. A case study by Duffy (1998) of a retailer's frequent buyer program found that a frequent buyer program of Belk Selects department store made the most of their soft benefits (non-financial benefits) programs which offered special value to good customers. It is more cost effective than offering a promotional currency program (discounts) and it builds more customers' relationships. This investigation indicated that members of Belk Selects program buy more and remain customers longer regardless of the discounts given. This is again a far different formula than the TescoLotus frequent buyer program.

Belk Selects did not advertise their frequent buyer program to acquire members instead they selected members themselves, based on the customers' purchase history in the company's current standard credit card member database. The key factor here is how to identify and recruit members into the program.

However, Noordhoff *et al.* (2004, pp. 362) discovered that "the efficacy of store loyalty-card programs appears to diminish with an increasing number of alternative card programs in the market, as well as with the habituation of customers with these cards." Furthermore, they also found that the Asian economic crisis that had occurred during late 1990s led Asian customers to become more price-conscious and sensitive to price reductions. This resulted in Asian customers tending to show both behavioral and attitudinal loyalty to stores that helped them save money.



Based on the perspective of the recent finding by Noordhoff *et al.* (2004), the economic context seems to become one of the key factors that may shape the way managers should design the frequency program to foster true loyalty from the customers. However, their findings were still limited within the retail industry.

#### **2.4 Impact of membership fee on customer loyalty**

Charging a membership fee for the frequency program appears to offer immediate attitudinal benefits to the firm. This finding was revealed in Dick's (1995) study among members of three types of video rental companies. Dick (1995) noted that membership fee not only built an immediate attitude to business but was also an exit barrier.

Gremler and Brown (1999), in their study on loyal customers in the banking and dental service contexts, offered an illuminating conclusion. They found that the loyal customers with longer length of membership, higher amount of money invested in the service and higher number of service usages have positive associations in generating to others favorable word of mouth about the services.

Woolf (2002) explained the impact of the membership fee in such a way that it helps firms ensure repeat purchases from their fee-paying members. Members are likely to return to the businesses and to spend till they gain back from the firms the benefits that reach the breakeven point of the amount paid for their entrance fees.

In addition to ensuring repeat purchases, the entrance fee can also serve as the best tool for customer entrance filter. Because firms can design different levels of entrance fees to segment their customers, based on the level that the

customers themselves chose to enter. For example, Sofitel hotels offer two frequency programs with two different levels of membership fee. The hotel then can identify the members' value and qualification based on the entrance level the members chose (Woolf, 2002 p.142). In the recent research done by Rosenbaum *et al.*, (2005) they found that the loyalty programs that require membership fee create a strong sense of belonging and loyalty to the program's organization. This is because the program makes the participants of the program feel they are more exclusive than those free membership programs.

The above studies provide a foundation of the frequency program with a membership fee and its impact on customer loyalty. But it is still limited to the retail context. In a different business context such as the frequent diner programs of five-star hotels, the impact may be drawn differently. This is because the frequent diner programs of five-star hotels require considerably higher amounts of membership fees upfront - before the members can receive their privileges from the programs.

The hotel frequent diner program membership fee is refunded in the form of sets of complimentary vouchers. Members need to make a number of repeat visits to use the vouchers before the breakeven point is reached. Viewed in this way, it is more like a pre-paid program. The high membership fees for five-star hotel frequent diner programs then become an exit barrier and a tool to stimulate repeat patronage. Hence, the switching cost seems higher than the frequency programs in the retail context.

This study is aimed at finding whether hotel frequency programs with membership fees can truly bring about the commitment and loyalty of their members if the programs disregard the attitudinal dimension. If these programs, when compared with those that capitalize on the attitudinal

dimension, can elicit a lower level of commitment and loyalty from their members, the significant impact of the attitudinal dimension on the commitment and loyalty of frequency program fee-paying members will then be more evident. It would also support the notion that the success of these frequency programs should not be measured solely by the number of repeat visits (behavioral loyalty), which could obviously be explained simply as the members' attempts to regain their financial investment.

## **2.5 Customer loyalty is not necessarily a monetary exchange**

Liljander and Roos (2002) posited that financial bond offered through the frequency program is the weakest form of true loyalty building. They also proposed that the level of customer loyalty could possibly be increased by encouraging direct communication between members and the service provider.

Liljander and Roos (2002) used a qualitative approach in their study of customer loyalty by conducting a telephone interview with a loyalty card member of a car service company. The findings suggested that the customer of this car service loyalty card expressed spurious loyalty. This resulted from a lack of individual attention from the service provider - *i.e.* the mechanic who repaired the customer's car. Another weak spot is that this program captured only the data on car repairs and maintenance, but did not collect or store any other types of data on their members. Nevertheless, the spurious customers in their study still remained loyal with the service for a number of years, merely because no alternative competitors could be found in a convenient location.

A cross-sectional study by Patterson and Smith (2001) revealed a practical benefit to the frequency programs in high contact services which include hairdressers, healthcare, travel agents, auto mechanics and financial service.

Their work is built on the Social Influences' concept developed by Gwinner *et al.* (1998). This notion has been widely accepted among researchers in customer loyalty (Butcher *et al.*, 2001; Divett *et al.*, 2003; Evans, 1999; Liljander and Roos, 2002). This was also found in the study of frequency programs in the entertainment category, called the frequent theater goer program by Divett *et al.* (2003).

## **2.6 Social Influences drive attitudinal loyalty**

Social Influences or social benefits involve developing personal relationship with customers. Butcher *et al.* (2002) found that they can be used as a competitive advantage in the service industry. Gwinner *et al.* (1998, p.111) explained that they offer a differentiation strategy for the service providers because it is difficult for a competitor to replicate in the short run.

Social Influences are reflected through non-financial benefits such as customer recognition, social support, the interpersonal relationship between customers as well as between customers and employees of the service provider (Berry and Parasuraman, 1991; Butcher *et al.*, 2002; Gwinner *et al.*, 1998; Patterson and Smith, 2001).

Many frequency programs tend to give price incentives. By using a financial bond to encourage repeat patronage, these programs lie on level 1 strategy in enhancing the customer's special treatment perception, as suggested by Berry and Parasuraman (1991) with regard to the level of relationship marketing strategy.

According to Javalgi and Moberg (1997), although the economic benefits motivate repeat patronage, they lead only to behavioral loyalty, not sustained loyalty. This implies that customers who have no emotional or attitudinal

loyalty with products or service providers only return for repurchasing when discounts are available. They are more likely to switch once the competitors offer similar benefits.

Gwinner *et al.* (1998) and Javalgi and Moberg (1997) stated that if businesses gained only high behavioral loyalty (repurchase) from their customers, but low attitudinal loyalty (no strong perceived differentiation or preference towards product or service), they would more likely encounter switching behavior to competitors. Because the low attitudinal loyalty represents the weak level of desire or commitment to the product or service, once the competitor offers lower prices they are more likely to switch.

Frequency programs with mere economic benefits or rewards can be replicated easily and rapidly (Palmer *et al.*, 2000). This disadvantage becomes more serious when new competitors with similar programs crop up. The customers' switching behavior might occur as soon as they have reached beyond the breakeven point of their initial investment in entrance membership fee.

Relative attitude is determined by the customers' strong preference or attitude toward the service provider (Dick and Basu, 1994). In the high contact service industry, customer relative attitude leads positively to customer loyalty (Butcher *et al.*, 2002).

Reinforcing the relative attitude involves two factors *i.e.* regular communications with customers (Guenzi and Pelloni, 2004) and Social Influences through personal interaction between the customer and the service provider (Berry and Parasuraman, 1991; Butcher *et al.*, 2001; Butcher *et al.*, 2002; Dick and Basu, 1994; Gwinner *et al.*, 1998; Javalgi and Moberg, 1997; Guenzi and Pelloni, 2004).

Of these two factors mentioned above, Social Influences appear to be the key one that creates impact and becomes a ladder for sustainable loyalty. In service businesses that offer a membership program, the program should be positioned as an exclusive club and offer members superior tailored treatment.

This is because members perceive themselves as bonded customers after they signed up with the program (Long and Schiffman, 2000).

The discussion about relationship building through relational benefits in the service industry by Gwinner *et al.* (1998) suggested a set of key variables in developing attitudinal loyalty for the customers in service industries. The relational benefits items developed in their study can also be classified into two broad benefits *i.e.* the financial benefit, which involves economic benefits in terms of discounts and special deals; and the non-financial benefit, which can be found in social benefits and confidence benefit items.

Patterson and Smith (2001) extended the work of Gwinner *et al.* (1998) by conducting a replication study in an Asian context. They found that relational benefits exist in service industries in the context of Thailand. Social Influences were found to be one of the motivating forces among Thai consumers to maintain their relationship with service providers (Patterson and Smith, 2001).

Recently, Guenzi and Pelloni (2004) revealed that the personal relationships between the service providers and the customers had positive association with loyalty continuance. This evidence provided further support particularly in the service context. In the fitness center, for example, the findings indicated that loyalty intention of the program members is positively associated with Social Influences or member-employee closeness. Nevertheless, Long and Schiffman (2000) argued that members in different segments have different

preferences in their consumption value. To build a relationship between members and service employees, Long and Schiffman (2000) therefore recommended the frequency programs that involve specific communication appeals for each member segment.

In the service industry in particular, measuring customer loyalty from behavioral loyalty alone has become less acceptable. This is because it is presenting only what customers “DO” through behavioral loyalty not how customers “EVALUATE” services they use. Attitudinal loyalty provides a basis for understanding the reasons behind the behavior. The reason why loyalty continuance exists even if competitors lower prices, or why they have willingness to recommend to friends and intention to continue to patronize (Ball et al., 2006). The inclusion of both behavioral loyalty and attitudinal loyalty considerably strengthens the framework since research has shown that attitude is not necessarily a reliable indicator of behavior, while behavior alone fails to reveal the reasons behind customer’s choices (Javalgi and Moberg, 1997).

More importantly the measure of customer loyalty using combined approach helps improve the cost effectiveness of the programs because the incentives used to enhance the attitudinal loyalty are often in the form of non-financial benefits and affects the overall profitability of the firm.

## **2.7 The influence of service employees on customer loyalty program**

The findings in this review section are in line with the above section on Social Influences. However, it focuses on the effect of service employees and employee behavior in driving enhanced attitudinal loyalty among loyalty program members.

In their study, Smith *et al.* (2004) suggested how to deliver customer loyalty program successfully by considering service employees involvement as one of key component of loyalty program for service firms. They pointed out that service employees – the front line workers who have high direct contact with customers – should be seen as an essential part of service/loyalty program process delivery.

It also appears that firms may need to look into developing employee loyalty strategy concurrently with their planning to implement a customer loyalty program, especially in the service industry (Lovelock *et al.*, 2002; Castro *et al.*, 2004).

As found in previous studies, employee behavior is a key part of the loyalty chain. Good employees who provide constantly excellent service practices play a significant part in bringing in loyal customers (Lovelock *et al.*, 2002; Schlesinger and Heskett, 1991). This is because excellent service practices most likely contribute to customer satisfaction and customer satisfaction leads to customer loyalty (Castro *et al.*, 2004; Lovelock *et al.*, 2002; Schlesinger and Heskett, 1991).

Lovelock *et al.* (2002) supported that customers would fail to develop any loyalty to service companies when there is a lack of continuity relationship with service employees. This notion indicates and supports that employee retention has a strong correlation with customer retention. Service companies tend to have low customer turnover rate if they manage to maintain employee satisfaction, enhance their staff's positive service attitude, and keep very much lower staff turnover. Regular customers tend to appreciate the continuity in service relationships that result from lower service employee turnover (Schlesinger and Heskett, 1991).



This argument is in line with the effectiveness of programs as well as the reactions and the commitment of service employees being believed to contribute to a high level of service value given to customers. Delivering an effective customer loyalty program requires loyal service employees as a program's enhancer (Smith *et al.*, 2004).

## **2.8 Service Profit Chain: A linkage to customer loyalty concept**

The above section is also in line with the study undertaken by Heskett *et al.* (1994) regarding the Service Profit Chain. Heskett *et al.* (1994) illustrate the causal links in the Service Profit Chain between customer loyalty and service employee loyalty. Service employees are part of the effective functioning of a service business. They are involved directly as a service process delivery. Heskett *et al.* (1994) indicate that one of the key factors that create impact on customer loyalty comes from the loyalty of service employees. This is because loyal employees tend to deliver good quality and productivity in their work that serves the company's customers. Once the customers receive good service, they feel satisfied with the service. Customer satisfaction is widely known to have a direct link with customer loyalty. Customers are then willing to maintain their loyalty with the firm.

## **2.9 Business strategy linked with customer loyalty program**

It seems that individual service contacts can determine success or failure of the service provided to customers. Several success factors have identified that service level provided by employees to customers drive profitability in the service industry (Jerome and Kleiner, 1995). Therefore, frontline workers and customers need to be the centre of management concern especially where service is important.

Ball et al., (2006) recently found that the service that fits customers' specific needs helps increase customer's trust and emotional/attitudinal loyalty to service provider. Therefore firms with an ability to provide other positive services to their members beyond the members' expectations can gain a competitive advantage.

The competitive advantage not only depends on the financial benefits that the firm offers to its customer, but also depends on the service quality and the customer relationship management (Javalgi and Moberg, 1997).

Customer contact strategy and relationship marketing plan therefore should be considered as an integral part of loyalty program implementation for high direct staff contact environment especially in the context of service industry. Competitors cannot replicate this type of benefit in the short run (Gwinner et al., 1998). Offering discounts alone can easily be replicated (Duffy, 1998).

#### **2.10 The inconsistent outcome of frequent diner programs**

An empirical study in the frequent diner program of a big chain restaurant in the United States of America indicated that fast-food restaurant chains used to implement their frequency program through punch cards (Williams, 1999). This practice was abandoned later on as it was found that the frequency program could not help attract new customers. This is because frequency programs are tools meant to retain current users rather than to attract new customers (Williams, 1999).

Successful frequent diner programs are those whose managers utilize the information captured through member cards, *e.g.* customer preferences and tastes. Business establishments can use their customer database to tailor their

offerings to specifically match the preferences of each targeted customer, such as when they send direct mails to customers. A study by Palmer et al. (2000) confirmed that this personalized service fosters relationship and loyalty in the long run. Offering a unique service to members can impact on developing attitudinal loyalty dimension (Butcher *et al.*, 2002).

In the context of the hotel industry, frequency programs are used to foster customer loyalty or to encourage them to make return visits. At the same time, the programs provide the opportunity to collect customers' information regarding purchasing pattern and customer preferences (Palmer *et al.*, 2000).

Specialist firms, which develop frequent diner programs and incentive programs for many large restaurant chains commented that frequent diner programs had been found to be good investments mostly by those restaurants that had used customer information wisely (Williams, 1999).

In theory, loyal customers of frequency programs tend to be in the category of spurious loyalty *i.e.* they express a high level of repeat patronage, motivated by strong incentives, but low level of relative attitude (Dick and Basu, 1994; Javalgi and Moberg, 1997; O'Mally, 1998; Uncles *et al.*, 2003). This finding is in the same direction as the study by McIlroy and Barnett' s (2000) which concluded that the hotel frequent diner program could not build customer loyalty and members would leave the program after their membership expired.

McIlroy and Barnett' s (2000) conclusion was derived from conducting a New Zealand Hotel case study that operates a frequent diner program to build customer loyalty. The hotel used a mail survey among members of the hotel frequent diner program. The results showed that financial benefits (value for money) of the program played a significant role in convincing members to get into the program and motivated them to pay repeat visits to the hotel

restaurants. Among the range of program benefits, only restaurant-related benefits gained popularity among members, while accommodation benefits were unsurprisingly less appealing to local members. The study did not measure the level of relative attitude. It merely focused on measuring the level of repeat purchase intention. No interrelationships of repeat patronage and relative attitude variables were tested in the study.

The key factors that influence repeat patronage among members include the availability of deals, special discounts, convenience or influence of other people. Javalgi and Moberg (1997) have posited the notion that incentive and rewards of the frequency program lead to repeat patronage. This implies that members will likely switch to other competitive offers once the incentive or rewards are taken away or become less attractive and when there is no differentiation from competitors.

In the context that businesses implement frequency program, Smith *et al.* (2004) recommended that making employees understand the concept of customer loyalty as well as the basis of a loyalty program would possibly help in making the loyalty program successful. They found that, once the service employees understand more about the program value, they were willing to spend more time engaging and building a good relationship with loyalty program members than with non-loyalty program members.

This service function performed by loyal service employees help to enhance the feeling of preferential treatment for members (Smith *et al.*, 2004). The function contributes to attitudinal loyalty building, in addition to the repeat patronage, which loyalty programs assumed to be their primary objective (Gwinner *et al.*, 1998; Heskett *et al.*, 1994; Schlesinger *et al.*, 1991). The establishment of the relationship between service loyalty and customers creates the perceived differentiation among members and it is believed that it

would contribute to prevent members from switching (Gwinner *et al.*, 1998; Jerome and Kleiner, 1995).

The significant and common arguments in the literature reviewed so far can be summed up as follow: most frequency program members appear to express spurious loyalty; the financial benefits are key motivations for repeat purchase; and membership fees promote immediate attitudinal loyalty. Nevertheless, these points could prove to be right or wrong in different business situations.

## **2.11 Summary findings**

According to the literature, an increase in customer loyalty from both behavioral and attitudinal dimensions is the anticipated outcome among hotel managers, and the importance of customer loyalty is recognized as a key to profitability in service business (Andreassen and Lindstad, 1998; Bowen and Chen, 2001; Dick and Basu, 1994; Gwinner *et al.*, 1998; Javalgi and Moberg, 1997; Pritchard and Howard, 1997; Uncle *et al.*, 2003).

At the current stage of customer loyalty knowledge, the conceptual framework of customer loyalty by Dick and Basu (1994) has been widely accepted among customer loyalty researchers. It provides a multi-dimensional approach covering both repeat patronage and relative attitude measurement.

Dick and Basu (1994) developed a comprehensive customer loyalty conceptual model, which then became a springboard for researchers to investigate the level of customer loyalty in various businesses. The model describes four different types of customer loyalty conditions through the relationship matrix of repeat patronage dimension and relative attitude dimension. It offers a wider view in understanding customer loyalty. The

model suggests that in order to increase the degree of customer loyalty from spurious loyalty to true loyalty, relative attitude dimension needs to be reinforced while maintaining motives that drive repeat patronage (Dick and Basu, 1994). This consensus was referred similarly in many relevant studies, namely Berry and Parasuraman (1991), Gwinner *et al.* (1998), Javalgi and Moberg (1997), Patterson and Smith (2001).

It is therefore crucial to measure customer loyalty in both the repeat patronage dimension and the relative attitudinal dimension in order to define the level of member loyalty. The result from the combined approach of Dick and Basu (1994) offers a more in-depth view of customer loyalty in addition to the assessment of Social Influences variables and loyalty development among frequency program members.

In the literature reviewed so far, the impact of the frequency programs on customer loyalty in the area of service businesses remains to be discovered, particularly those programs with annual membership fee. Moreover, among the structured membership programs, there is a profound lack of understanding about the level of customer loyalty from both the repeat patronage and the relative attitude.

Although it was revealed that Social Influences could contribute in developing attitudinal loyalty, the tests covered the broad group of customers in service industries. At the current stage of knowledge, the study of customer loyalty specifically in relation to hotel restaurant frequency programs is still limited as shown in Table 2.1. There is no evidence about the impact of Social Influences on developing attitudinal loyalty in the specific context of the hotel restaurant frequency program.

It is hoped that the outcome of this study would contribute not only to the design of effective frequency programs but also to the assessment of whether the Social Influences employed in a hotel restaurant frequency program can create the same positive impact as documented in the broad context study.

**Table 2.1: An overview of research works in the related field of frequency programs and customer loyalty**

Sources/References	Sample Selection	Methodology	Findings
Curasi, C.F. and Kennedy, K.N. (2002), "From Prisoners to Apostles: A Typology of Repeat Buyers and Loyal Customers in Service Businesses", <i>Journal of Services Marketing</i> , Vol. 16, No.4, pp.322-341.	28 informants who identified themselves as "loyal" and exhibited specific characteristics	A qualitative research, in- depth analysis of data collecting via semi-structure interviews.	This study found that loyal customers of frequency programs are considered "Purchased loyalists". They require reward programs as a primary bond to maintain their relationship with service provider.
Kandampully, J. and Suhartanto, D. (2000), "Customer Loyalty in the Hotel Industry: The Role of Customer Satisfaction and Image", <i>International Journal of Contemporary Hospitality Management</i> , Vol. 12, No. 6, pp. 346 – 351.	273 guests of five different chain hotels in Christchurch, New Zealand.	Questionnaires were delivered through reception desk to those guests checking in during the three weeks' data collection period. Customer loyalty, customer satisfaction and hotel image were measured using Likert scales of 1 to 5.	The findings indicated that hotel image and customer satisfaction with the performance of housekeeping, reception, food and beverage and price are positively correlated to customer loyalty.

<p>Long, M.M. and Schiffman, L.G. (2000), "Consumption Values and Relationships: Segmenting the Market for Frequency Programs", <i>Journal of Consumer Marketing</i>, Vol.17, No.3, pp.214 – 232.</p>	<p>2,969 subscribers of InsideFlyer. These people are also members of airlines frequent flyer programs or hotel frequent traveler programs</p>	<p>A self – administered questionnaire utilizing consumption value scales to examine consumers' relationship with service providers who offer frequency program.</p>	<p>The findings of this study indicated that consumers who are in different segments have different preference in their consumption values. It also suggested that the membership's communication appeals need to be specific for each consumer segment</p>
<p>McIlroy, A. and Barnett, S. (2000), "Building Customer Relationships: Do Discount Cards Work?", <i>Managing Service Quality</i>, Vol.10, No.6, pp.347 – 355.</p>	<p>700 Hotel Gold Card members (Frequent Diner Program Members)</p>	<p>A case study with questionnaires survey of customers (all customers) who were the hotel's Gold Card members at the time of the study was conducted.</p>	<p>The main finding from this study was that a discount card does not appear to increase customer loyalty. They purchased the card as they perceived it to be good value for money. Only few of respondents of this study stated that they will remain customers.</p>
<p>Palmer, A. et al. (2000), " A Structural Analysis of Hotel Sector Loyalty Programmes", <i>International Journal of Contemporary Hospitality Management</i>, Vol. 12, No. 1. pp. 54 – 60.</p>	<p>12 hotels in UK, which were individual brands and had some attempt to develop customer loyalty through customer loyalty programs.</p>	<p>A quantitative research – A survey using a combination of postal questionnaire, telephone interview and " mystery shopper" observation.</p>	<p>This study indicated that there is no single type of loyalty program that is suitable for all hotels. There is a link between collection of customer information and customization of service. The stronger the relationship is, the greater the ability of the hotel to customize their loyalty programs.</p>



<p>Patterson, P.G. and Smith, T. (2001), "Relationship Benefits in Service Industries: A Replication in a Southeast Asian Context", <i>Journal of Services Marketing</i>, Vol. 15, No. 6, pp.425 – 443.</p>	<p>A total of 180 Thai consumers locating in Bangkok, Thailand were given the questionnaire. 155 of respondents completed all questionnaires.</p>	<p>A cross-sectional survey using a set of 5 self – administered questionnaires of 4 service industries.</p>	<p>This study found that Thai consumers of services place a high value on relational benefits. The provision of these benefits can serve as powerful motifs to make them remain loyal to the service.</p>
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## **Chapter 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

According to the literature, an increase in customer loyalty from both behavioral and attitudinal dimensions is a desired outcome among hotel managers because the importance of customer loyalty is recognized as the key to profitability in the service business (Andreassen and Lindestad, 1998; Dick and Basu, 1994; Gwinner *et al.*, 1998; Javalgi and Moberg, 1997; Uncle *et al.*, 2003).

This study emphasized Dick and Basu's (1994) conceptual framework of customer loyalty because Dick and Basu's (1994) work is in line with a multidimensional customer loyalty approach, behavioral loyalty and attitudinal loyalty. Using this framework, this study can extend the work previously done in frequency program studies by not being limited to behavioral loyalty alone.

Dick and Basu (1994) in their conceptualization of the customer loyalty model, proposed four types of customer loyalty, namely: no loyalty, latent loyalty, spurious loyalty and sustainable loyalty or true loyalty.

No loyalty can be explained by its name that customers have low relative attitude and low repeat patronage toward products or services. Latent loyalty is when customers expressed high relative attitude toward products or services but have low repeat patronage. Spurious loyalty occurs when customers have high repeat patronage but low relative attitude or low perceived differentiation

among other competitive products or services. They keep repeating their patronage because of the attractive offerings. Members of frequency programs are found to be in the spurious loyalty segmentation as rewards or program benefits are key drivers to repeat patronage (Dick and Basu, 1994). Sustainable loyalty or true loyalty can be found when customers express high relative attitude and high repeat patronage toward products and services. This group of customers is the ultimate goal of most firms. Dick and Basu (1994) suggested that in order to increase the degree of customer loyalty from spurious loyalty to true loyalty, the relative attitude dimension needs to be reinforced while maintaining motives that drive repeat patronage. The customers' relative attitude needs to be enhanced.

An example of high relative attitude is that customers should be willing to recommend or pass along positive word-of-mouth communications about the service to others, they should be less motivated to search for alternatives and they should be more resistant to switch to competitive offerings (Javalgi and Moberg, 1997). Dick and Basu (1994) argued that the individual perception of difference from other competitors is crucial. High relative attitude is determined by the existence of the perceived differentiation or individual commitment dimension.

The model of customer loyalty developed by Dick and Basu (1994) has been used to explain customer loyalty conditions. It is a comprehensive model of customer loyalty that presents a relationship of customer loyalty constructs including repeat patronage and relative attitude. These two constructs, as conceptualized in the model, are most appropriate for the research questions in this study.

The area of this study is in the high contact service, where the interpersonal bond between the customer and the service employee is seen as influencing

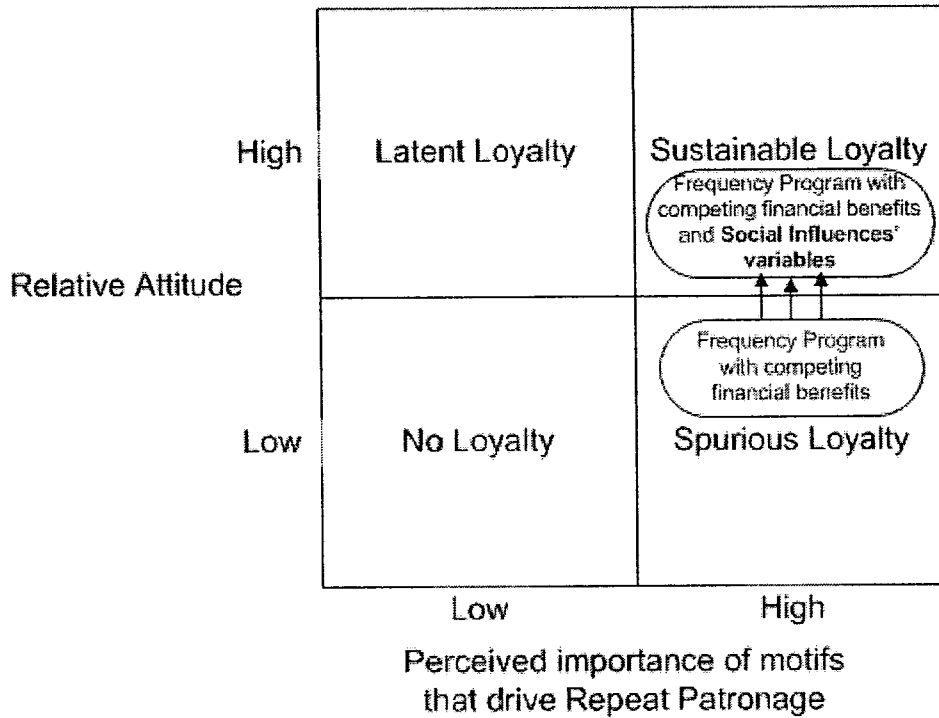
loyalty continuance (see example Butcher *et al.*, 2001). The interpersonal bond or friendliness of the service employee is recognized as one of the key factors contributing to the attitudinal loyalty dimension. It is unable to ascertain the level of customer loyalty in this particular context only from the repeat patronage dimension, excluding relative attitude dimension.

This study was conducted by using a questionnaire survey method. Self-administrated questionnaires were used as research instruments. The reason for this method is that the participating hotel has a well-developed member database from which members can be selected. Data is compiled together with the length of membership as well as the mailing address of members. This ensures a sufficient component of both new and renewed respondents is obtained.

The present study focuses on members of the hotel frequent diner program in Thailand to discover the impact of the frequency program on customer loyalty, using Dick and Basu's (1994) customer loyalty conceptual model as shown in Figure 3.1. The study further investigates factors that increase the level of customer loyalty, particularly how Social Influences (non-financial benefits) could influence the development of customer loyalty.

The theoretical framework (see Figure 3.1) is developed further from Dick and Basu's (1994) customer loyalty conceptual model by emphasizing the importance of the Social Influences construct in the sustainable loyalty quadrant. It is used as a central theme of this study.

Figure 3.1 Theoretical framework adapted from Dick and Basu (1994) pp.101



### 3.2 Conceptual framework

#### Key construct: Independent variables

##### Social Influences

Social Influences are reflected through non- financial benefits such as the personal relationships between the service providers and the customers (Berry and Parasuraman, 1991; Butcher et al., 2002; Gwinner et al., 1998; Patterson and Smith, 2001). Social Influences are a set of key variables in developing attitudinal loyalty for the customer in the service industries (Gwinner et al., 1998). Moreover Social Influences appears to be the key factor that creates impact on loyalty development and becomes a ladder for sustainable loyalty (Guenzi and Pelloni, 2004).

### **Relative Attitude**

In the high contact service industries, customer's relative attitude is a significant factor that leads to customer loyalty. The non-financial benefits that service providers provide to the customers are proven to contribute to developing attitudinal loyalty (Butcher et al., 2001)

### **Repeat Patronage**

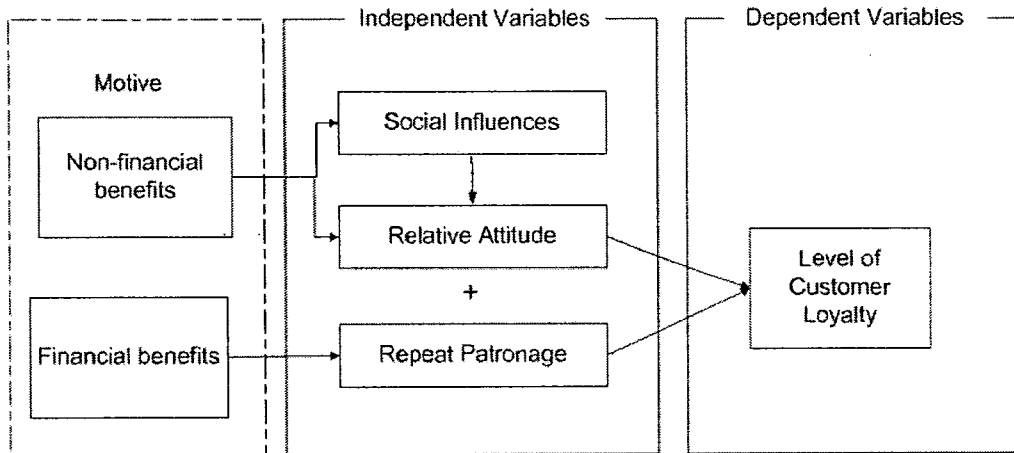
Repeat Patronage is a widely used construct in measuring customer loyalty. The degree of loyalty tends to be measured more by the customer's repeat purchase (Evan, 1999; Hellier et al., 2003) It is a revealed behavior that customers exhibit to products/services by repeat purchasing of a preferred product/service consistently in the future (Uncle et al., 2003).

### **Key construct: Dependent variables**

#### **Customer Loyalty**

The framework indicates the measurement of customer loyalty using a combined approach. This measurement approach considers the relationship between repeat patronage and relative attitude. The framework was developed based on the notion of Dick and Basu's (1994) theoretical framework. The combined approach helps to define the level of customer loyalty from both repeat patronage (repeat purchase behavior) and customer's relative attitude.

**Figure 3.2 Conceptual framework**



### **3.3 Research questions and the proposition development**

Based on the theoretical framework as well as the conceptual framework of this study shown in Figure 3.1 and Figure 3.2 respectively, the research questions are formed below.

Question 1: To what extent can frequent diner programs build customer loyalty?

Question 2: What is the difference in the level of loyalty between renewed and new members of the hotel frequent diner program?

Question 3: How do Social Influences impact on the development of customer loyalty among members?

In answering these questions through an empirical test, this study offers in-depth understanding about the impact of the frequency program on customer

loyalty. It also further explains how to design an effective frequency program. Evidently, measuring the impact of the frequency program on customer loyalty was limited to a one dimension approach – repeat patronage - as found in the review of McIlroy and Barnett (2000) which tends to concentrate on the frequency of purchase, the amount purchased, and the intention to purchase, but it does not pay much attention to the attitude dimension. This study therefore includes measuring the relative attitudinal dimension in addition to the repeat patronage dimension in order to reveal the attitudinal loyalty level resulting from a frequency program.

The most frequently used measure found in customer loyalty studies, namely; Athanassopoulos (2001); Delgado-Ballester and Munuera-Aleman (2001); Min *et al.* (2002); White and Yanamandram (2004); Woo and Fock (2004), has been a multi-item type scale approach. According to the literature, it is an appropriate type for measuring the dimensions of the concept in terms of specific behaviors and attributes.

Athanassopoulos (2001) examined customer satisfaction dimensions and the behavioral responses dimensions using five-point scales measurement. Delgado-Ballester and Munuera-Aleman (2001) used the measurement scale consisting of a five-point Likert scale as well as the items that represents the links between customer commitment and brand trust. White and Yananmandram (2004) focus on the reasons for consumers' dissatisfaction and complaining behavior in financial services by asking respondents to rate the importance of ten possible reasons. The five-point scale is used as the rating scale ranging from “no importance” to “extreme importance”. Woo and Fock (2004) developed a scale to measure the dimension between attributes that affect customers' decision to switch and customers' satisfaction dimensions using a multi-scale approach. The link between service quality and service loyalty was also found by using a multi-item scale approach.



Bloemer *et al.*, (1999) adapted Zeithaml *et al.*'s (1996) behavioral intentions items in their study by using a nine-point scale to evaluate the relationship between a multi-dimensional construct. The context of this study was similar to that of the present study's.

This study includes measuring the relative attitudinal dimension in addition to the repeat patronage dimension in order to reveal the attitudinal loyalty level resulting from frequency programs. Each dimension has several different attributes underlying the outcome of measurement. This explains why the multi-item measurement scale consists of a five-point Likert scale and why the present study develops and uses the various items representing each loyalty dimension.

An assessment of Social Influences in specific context then contributes to discovering which factor of the Social Influences available in service industries has the most powerful impact on the hotel frequent diner program context. From the argument in the literature review, frequency program is seen as a discount program that has less concern in developing attitudinal loyalty among its members. Indeed, the current state of knowledge on frequency programs remains incomplete, and the effectiveness of the frequency program is doubtful. This generates the following research propositions.

P1. Members of hotel frequent diner programs expressed a high level of perceived importance of motives that drive repeat patronage but a low level of relative attitude.

P2. New members and renewed members of hotel frequent diner programs differ in their perceived importance of motives that drive repeat patronage.

P3. New members and renewed members of hotel frequent diner programs differ in their level of relative attitude.

P4. Social Influences are positively related to the decision to renew membership or to maintain loyalty with the program.

P5. New members and renewed members of hotel frequent diner programs differ in their preference of Social Influences.

The first proposition above is devised under the establishment of research question 1: To what extent can frequent diner programs build customer loyalty?

Propositions 2 and 3 above are set to serve the research question 2: What is the difference in level of loyalty between renewed and new members of the hotel frequent diner program?

Lastly, propositions 4 and 5 are developed to serve the onset of the research question 3: How do Social Influences impact on the development of customer loyalty among members?

### **3.4 Research methodology**

This study utilized a self-administered questionnaire to measure the degree of customer loyalty. It was designed to examine the level of relative attitude and the level of perceived importance of motives that drive repeat patronage. Furthermore, it also measures the level of perceived importance of Social Influences variables among members with different lengths of membership.

### **Sample selection**

Respondents were selected from a database of new and renewed members of the participating hotel. The researcher gained permission to access the member list of one hotel that is currently implementing a frequent diner program. The hotel selected is one of the top five star hotels located in the central district of Bangkok, Thailand. The hotel targets executive-level business travelers as well as local residents with high social and economic status. Selecting one hotel avoids list duplication because members may belong to more than one hotel frequent diner program.

The total number of new and renewed members recruited, was intended to provide a representative proportion of the total number of the population during the data collection phase of this project. Respondents were recruited through a mail survey. A stratified random sampling technique based on length of membership was utilized prior to mailing out. The member database was separated by length of membership before random selection. New members are those who are the first time members of any frequent diner program or have been members for less than 12 months. Renewed members are those who have been members of any frequent diner program for more than 12 months. Stratifying customers on the basis of length of membership helps to answer the specific research questions about the degree of customer loyalty between new members and renewed members.

However, there is no accurate number of the total members' population of each hotel since the number of incoming new members and terminated members can happen at any time. Memberships are valid for one year and at each time of renewal, the program allows members to extend for another 12 - month period.

In response to the research questions of this study, the sample in total, comprising both new and renewed members, were selected. Names were selected from the total member list of 2,000. Among the total number, there were 1,500 renewed members and 500 were new members. Five hundred questionnaires were sent to the entire population of new members. Three hundred questionnaires were sent to renewed members using a systematic sampling design. Every 5<sup>th</sup> renewed member was chosen from the entire population of renewed members. This is to ensure that the whole range of membership was covered.

The unequal numbers of questionnaires were distributed to “new” versus “renewed members” because the new member group tends to give low response towards mail survey or direct mailer from hotel (information gained from the hotel, based on its past experience of using this database in their marketing campaign). This may be due to the low level of their engagement with the program. Some members may not have any experience with the program yet. To reduce the possibility of getting no response at all from new members, the researcher decided to distribute the questionnaires to the entire population of new members. The total population of new members at the time of this study was very small, therefore, the researcher decided to distribute the questionnaires to the entire population. As for the “renewed members,” the researcher decided on sending 300 questionnaires to ensure that the whole range of membership length was covered. The number of 300 results from the selection method used that ensured all ranges of different lengths of membership had a chance of being chosen. It is important that the sample is representative of the population from which it is drawn (Hussey and Hussey, 1997). Even though the low response occurred, the response of the study corresponded closely with the proportion of population composition as shown in Table 3.1.

**Table 3.1: Representativeness of sample**

<b>Control Characteristic</b>	<b>Population Composition (%)</b>	<b>Sample Composition (%)</b>	<b>Number</b>
<b>Sex</b>			
Male	60	57	83
Female	40	43	62
	100	100	145
<b>Occupation</b>			
Executive/managerial	50	43	62
Business owner	40	37	54
Professional & others	10	20	29
	100	100	145
<b>Length of Membership</b>			
New member	25	19	28
Renewed member	75	81	117
	100	100	145

### **Data collection**

The data was collected by a questionnaire survey distributed to members of hotel frequent diner program by post. The participating hotel is one of the top five star hotels located in the central business district of Bangkok, Thailand. The hotel targets executive-level business travelers, as well as local residents with high social and economic status. Therefore, the participants were predominantly executives, managers and business owners.

At the beginning of the questionnaire, a cover letter informed the participants of the purpose and the importance of this research study, explained what they were required to do, and reassured that their responses would be kept confidential by the researcher. A pre-paid reply envelope was included in each survey instrument. Participants were asked to reply by either of the two options – by the enclosed pre-paid reply envelope or by fax. No incentives were given to the respondents.

Other data collection methods such as telephone survey, face to face survey, were not used because of the limitation set by the organization that provided access to the database. The organization that owns the participants' database only allows the survey to be conducted on the anonymous basis.

The issue of anonymity and confidentiality hence led to the choice of mail survey. Mail survey can ensure the participants that no sensitive information about them is disclosed. Their responses can be sent back with no specific details unlike telephone survey and face to face survey. The interviewer knows who is giving which answer and participants cannot be ensured about the confidentiality and anonymity. Moreover, as mentioned earlier, the participants from the database were predominantly executives, managers and business owners. Malhotra et al. (2006) suggest that mail survey is good for conducting surveys with senior business executives.

#### **Mail survey – Anonymous questionnaire**

The study chose mail survey as the method of collecting data. The reasons for choosing a mail survey method, using a self – administered questionnaire was that the respondents can be pre-selected according to the control characteristic required in this study, especially length of membership (new member group and renewed member group). This is to serve the main purpose of the study. As suggested by Malhotra *et al* (2006), mail survey is suitable for conducting survey with senior business executives. The sample group was predominantly executives, managers and business owners. The existing mailing list at the sponsor hotel was also current and valid. This condition made the mail survey possible and more suitable than other available methods. According to Malhotra et al (2006) and Sekaran (2000), the advantages of a survey method are as follows:

- Ability to pre-select potential respondents;
- It is simple to administer and can be administered electronically
- The anonymity is high and;
- The fixed-response questions reduce the variability in the results that may be caused by differences in interviewing.

However, there are also disadvantages in this survey method. The disadvantages of mail survey mentioned by Maholtra et al (2006); Sekaran (2000) are as follows:

- Response rate is almost always low
- Inability to clarify questions and;
- Respondents may be unable or unwilling to provide the desired information.

This study was conducted using the anonymous questionnaire. To ensure the anonymity of the respondents, their name and surname were not asked in the questionnaire. The 800 questionnaires were mailed out in 2 batches to avoid mail loss in one batch. It also allowed the researcher to track number of respondents across all different length of membership to ensure that the ratio of returned usable questionnaires, which is consistent with the total population of new and renewed members (25:75).

The low response rate was tackled by the sponsor hotel which did the follow up phone calls to the sample group to remind them to complete and return the questionnaire to the researcher. However, the follow up exercise did not help improve the response rate. The final result of the response remained low. In spite of this, the representation of sample closely reflects the population proportion (see Table 3.1).

## **Questionnaire instrument**

This survey was conducted in Thailand and the respondents of the survey comprise both English-speaking foreigners and Thais, therefore the questionnaire was designed in bi-lingual format – Thai and English languages.

The questionnaire was comprised of four sections in order to cover the measurement of customer loyalty constructs in this study and to search for the answers to the research questions (*See full questionnaire in Appendix 2*). Section One concerns membership data - entering, engaging and leaving the program. Section Two covers the perceived importance toward motives that drive repeat patronage. Section Three deals with the relative attitude, and Section Four the assessment of Social Influences variables and their impact on maintaining loyalty. At the end, participants were asked to provide their demographic data.

The questionnaire contains a considerable number of questions, therefore, it was expected that their organization into sections would facilitate the response. Responses were then grouped by categories to expedite the analytical processes. The questions represent a logical sequencing of ideas starting with basic membership data, asking about the reasons for joining the program and then about the length of their membership. The latter section then enquires further about the program members' behavioral and attitudinal loyalty level towards the program by using a five-point scale item.

The five-point scale item has been most frequently used in the area of customer loyalty study (Delgado-Ballester and Munuera-Aleman, 2001). A multi-item type scale is used to describe the dimension of specific behavior and assess attitude of customers toward services. A recent research regarding multiple item scale for measuring customer loyalty development (McMullan,



2005), supported that using multi-item scales provide advantages, which include the meaningful comparison of results from a specific group of respondents, the ability to measure compilation items concerning the complexity of concepts (McMullan, 2005). This is because the result from a single item observation may be misleading (McMullan, 2005). Furthermore it is more convenient for respondents to rate their degree of agreement towards different items (Malhotra *et al.*, 2006).

A multi-item scale approach enables the study to derive a summary evaluation of the compilation of items appropriate to measure under each construct. It is a standard research method in identifying customers' behavior and attitude as found in many customer loyalty research and from the related fields, for example, Athhanassopoulos *et al.* (1999); Heung and Lam (2003); Min *et al.* (2002); Mittal and Lasser (1998); White and Yanamandram (2004).

Before ending the section on demographic data, an assessment of the perceived importance toward Social Influences was also listed on a five-point scale item.

### **Section One: About membership data – entering, engaging and leaving the program**

Based on the literature, the questions posed in Section One were devised using behavioral variables to understand member behavior regarding entering and leaving the frequent diner program. The results were then used to segment the respondents into new and renewed members. This study modified the attributes used by Long and Schiffman (2000) in their frequent flyer program member study, which assigned six behavioral attributes to member behavior. Of the six behavioral attributes, the two most relevant attributes were adopted in this study as follows: the length of time that the respondents had been a member of the program and the number of programs to which respondents

belonged. However, items used to measure the reasons for joining the program and the occasions on which the membership card were used, were based on the work by McIlroy and Barnett (2000).

### **Section Two: Perceived importance toward motives of repeat patronage**

Items used for measuring in Section Two were derived from the study developed by McIlroy and Barnett (2000) and modified to suit the Likert scale. These items added relevance to the specific context of this research.

The attributes in this section were developed to test the customer loyalty model as proposed in Dick and Basu (1994). The model described 4 different types of customer loyalty conditions through the relationship matrix of repeat patronage dimension and relative attitude dimension.

To test the model in a specific industry, the Hotel Food and Beverage business, both repeat patronage (behavioral loyalty) and relative attitude (attitudinal loyalty) dimensions described in the model are identified within a context of a hotel dining situation and used as items in the questionnaire.

Apart from developing items based on Dick and Basu's (1994) loyalty model, Section Two also applies the items from a study of customer loyalty programs developed by McIlroy and Barnett (2000), and these items were also modified in this study to suit the Likert scale. It is suggested that the five point Likert scale has a higher predictive validity when measuring customer attitude or satisfaction (Danaher and Haddrell, 1996).

The five-point rating scale question facilitates both basic and advanced statistic testing, using descriptive statistic, compare means, Chi-square test as well as factor analysis. This form of analysis serves the purpose of this study in seeking for the association between constructs as well as in conducting

statistical significant tests between the responses from the two groups of the sample – the new and the renewed members.

Using the Likert scale is expected to present greater depth of information, enabling key variables to be tested in this study. Previous customer loyalty researches were conducted using mean score analysis, namely Caruana (2002), Kivela *et al.* (1999), Divett *et al.* (2003), Kandampully and Suhartanto (2000), Palmer *et al.* (2000), and Tepaci (1999).

The answers to the questions in Section Two using a Likert scale are expected to reveal the level of perceived importance of hard benefits that drive repeat patronage.

### **Section Three: Relative attitude**

Items in Section Three are based on the notion proposed by Dick and Basu (1994) and Gwinner *et al.* (1998) regarding relative attitude measure. The attributes include variables that represent the search for alternatives, the resistance to competitive offering, as well as the engaging in word of mouth generation.

To test the model in the specific industry of the Hotel Food and Beverage business, both repeat patronage (behavioral loyalty) and relative attitude (attitudinal loyalty) dimensions described in the model are identified within a context of a hotel dining situation and used as items in the questionnaire. The key purposes for using the chosen scale for measurement in this section are the same as those explained in the previous section.

The answers to the questions in Section Three, also using a Likert scale, can provide the level of relative attitude. Hence, when the outcomes from the two constructs (from Section Two and Section Three) are combined into one, the

combined outcome of these two constructs can then be used to test Dick and Basu's (1994) customer loyalty model described in the literature review.

#### **Section Four: Perceived importance of Social Influences on loyalty development**

Items in Section Four were based on the works developed by Butcher *et al.* (2002), Gremler and Brown (1999) and Gwinner *et al.* (1998). The devised items were based on the following aspects: interpersonal friendliness between the customer and the service employee *i.e.* the customer-employee personal bond. Items were modified to accommodate the specific context of this research.

Section Four also tests how Social Influences can improve the level of relative attitudinal loyalty among hotel frequent diner program members. Questions were developed to test the effect of Social Influences' variables. The Social Influences construct developed for the study were derived from the analysis of study by Dick and Basu (1994), Butcher *et al.* (2002) and Gwinner *et al.* (1998). These studies argued that Social Influences are of key importance in leveraging the degree of customer loyalty in attitudinal dimension, especially in the service industry.

The variables used in this section were identified in the previous customer loyalty research and from the literature, namely Berry and Parasuraman (1991), Butcher *et al.* (2002), Dick and Basu (1994), Gwinner *et al.* (1998), Javalgi and Moberg (1997) and Kandampully and Suhartanto (2000).

Though the findings from literature reviewed were used as a basis for questionnaire development, they were further devised specifically in relation to the context of hotel dining and hotel frequent diner program to serve the purpose of this study.

### **Content validity and reliability**

For content validity, the Director of Hotel Food and Beverage was consulted for his advices as a content expert during the questionnaire development. The questionnaire was designed to be a simple set of questions, which were easy for participants to complete. It was tested among the 25 frequent diner program members of both Thai people and the native speakers of English with the same profile (members from the same participant hotel's frequent diner program) as the intended sample group in this study. The purpose was to test the clarity of wording used in the questionnaire, the logical flow of the question, and the scaling technique. The content and wording were then revised according to the outcomes from this test. The revised questionnaires were then distributed to the selected sample from the participating hotel's database.

Upon receiving the returned questionnaires, only data from the completed questionnaires was then coded, processed and analyzed by the SPSS program using descriptive statistics. To measure the reliability of each multi-scale item, Cronbach Alpha test of reliability was run in each of the key scale items (see Table 3.2).

In Table 3.2, the result of reliability analysis of all variables had value greater than the standard value of 0.60. Reliabilities less than 0.60 are considered to be poor and unsatisfactory (Malhotra et al., 2006; Sekaran, 2000 p. 312). Hence it can be concluded that this questionnaire has overall satisfactory internal reliability value.

**Table 3.2: Reliability Analysis**

<b>Reliability Analysis - Scale (Alpha)</b>			
<b>Construct</b>	<b>No.of Items</b>	<b>Alpha</b>	<b>Standardized Item Alpha</b>
Repeat Patronage	6	0.7321	0.7391
Relative Attitude	6	0.642	0.6464
Social Influences	9	0.8662	0.8655

A statistical significant test using Chi-square statistics was also conducted on the data. After that, factor analysis was run on all variables of the three constructs as follows 1) behavioral loyalty construct 2) attitudinal loyalty construct and 3) Social Influences variables that the loyalty development is based on. The factor analysis was run on each construct to discover whether there is the identifiable factor underlying each construct.

## **Chapter 4**

### **DATA ANALYSIS AND FINDINGS**

#### **4.1 Introduction**

The frequency program in this study is one that requires an annual membership fee. Outbound telesales agents or outbound call center, together with on-site methods (such as staff inviting customers to sign up with a program while they are at the outlet), are used to recruit new members. The telemarketing team acquired the majority of new members. The program charges an annual membership fee of THB 6,500 (USD\$ 162.50) whereas the average annual membership fees of other five star international hotels are approximately THB 6,000 (USD\$ 150). Members are given a membership card along with a set of complimentary vouchers upon signing up. They can use the voucher themselves or transfer the voucher to others to enjoy the benefits at the hotel during their membership period. Members are asked to present their card every time they use the service at a hotel restaurant outlet to receive discounts exclusive to members.

Renewed members dominate the member profile of the hotel frequent diner program. The majority of members are executive and managerial groups as well as business owner groups. Seventy-five percent of the total database comprises renewed members or those who have joined the frequent diner program for more than 12 consecutive months. Twenty-five percent of the total database comprises new members or those having joined the program for less than 12 consecutive months. The frequent diner program is valid for 12 months upon confirmation of membership. To maintain their membership status, members are required to renew during the last month of their current membership period after which their membership will be extended for another

12 months. If they delay their renewal, they will be transferred to the new member database instead of renewal database.

The research aims to investigate to what extent the hotel frequent diner program could build customer loyalty, to examine the level of loyalty between new members and renewed members, as well as to discover which Social Influences variables could possibly be employed in frequent diner programs to enhance customer loyalty.

#### **4.2 Statistical treatment of data**

Only data from the completed questionnaires was coded, processed and analyzed by the SPSS program using descriptive statistics. To measure the reliability of each multi-scale item, Cronbach Alpha test of reliability was run in each of the key scale items. A statistical significant test using Chi-square statistics was also conducted on the data.

##### **The use of Chi-square test**

Malhotra et al. (2006) mentioned that Chi-square is used to test the statistical significance of the observed association in a cross tabulation. Furthermore with the supporting notion by Downing and Clark (1997), they mention that the Chi-square test is used to test whether there is any significant difference between several groups or whether the observed differences could have happened by chance. This suggested Chi-square is an appropriate analysis tool for this study to discover the results of the set propositions. It is in line with one of the key research questions of the study aimed to test the statistical significance among the new member group and renewed members group towards the observed variables.



## **The use of factor analysis**

Factor analysis was run on all variables of the three constructs as follows 1) behavioral loyalty construct 2) attitudinal loyalty construct and 3) Social Influences variables that the loyalty development is based on. The rationale of using Factor analysis is to summarize the data. This is because the three constructs in this study dealt with a set of variables. Malhotra et al (2006) suggested that most of variables in one construct may be correlated and which must be reduced to a manageable level.

Malhotra et al (2006) pointed out that factor analysis is used in the following circumstances:

- To identify a new smaller set of uncorrelated variables to replace the original set of correlated variables in subsequent multivariate analysis (i.e. regression analysis)
- To identify underlying factors that explain the correlations among a set of variables
- To determine the attributes that influence customer attitude and behavior

In this study, factor analysis was run on each construct to discover whether there is the identifiable factor underlying each construct after a matrix was constructed on the data to examine the correlation between variables using Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Initial Eigenvalues were then used to determine number of factors.

## **The use of regression analysis**

A regression model analysis included two factor derived from factor loadings of the Social Influences construct, as this construct is one of the key research questions of this study. The aim is to find out the impact of Social Influences variables on loyalty development and what the design factor that most effectively influences the loyalty development among members of frequent diner program.

Social Influences is an important construct in this study as it aims to determine which of the key factors under non-financial benefits has impact on customer loyalty continuance in service industry. According to Malhotra *et al* (2006), regression analysis is used to determine the strength of association between dependent variables, thereby revealing the strength of the factors in the model.

### **4.3 The results**

This study was conducted during May 2004 using a self-administered questionnaire survey. Completed questionnaires returned by 15 July 2004 were used in this study. A total of 164 questionnaires were returned, 145 questionnaires of which were usable for subsequent analysis. The invalid questionnaires were mostly caused by questions left unanswered by respondents. These questionnaires were removed and not analyzed. The actual response rate was 18% of total reach or 7% of the total population.

The number of respondents in this study was close to the number of respondents of the relevant customer loyalty study conducted in Thailand by Patterson and Smith (2001). Patterson and Smith (2001) also used a self-administered questionnaire as a research tool. Their analysis was based on a

total of 155 respondents. The number of respondents was slightly higher as they asked graduate students to pass the questionnaire to their family and friends. However, because the sample selection criterion in their study was wider than this study, the response rate tended to be high with no specific criterion, as required in the present study.

#### **4.4 Data analysis and discussion**

##### **An overview of respondents profile**

Of the respondents, 87 percent were over 30 years old, 57 percent were male and 43 percent were female. Among them, 78 percent were married. 43 percent were executive and managerial level and 37 percent were business owners (see appendix 3 Demographic profile of respondents).

The number of respondents covered the member group with different length of membership. The result therefore allows the study to address the research propositions that aim to identify the difference in loyalty levels; the attitude, the perceptions and behavior between new and renewed member groups. The proportion of respondents of both new members and renewed members (Table 4.1) was approximately 20:80, which corresponds closely with the proportion in the population. From a total number of respondents, 28 of them are new members (28:500) while 117 are renewed members (117:300).

**Table 4.1 Respondents' profile by length of membership**

	Frequency	Percent	Percent of Population
Valid <1 year	28	19.3	25.0
1-3 years	46	31.7	75.0*
>3 - 5 years	33	22.8	
>5 years	38	26.2	
Total	145	100.0	100.0

\*75% of population represents members whose length of membership is 1 or more years

**The reasons why customers join a hotel's frequent diner program**

Table 4.2 summarizes customers' reasons for joining a hotel frequent diner program. It shows that "Value for money," "Satisfaction with the quality of food" and "Satisfaction with the variety of menu" are key incentives to join. The result indicates that most members have experienced and have had a certain degree of satisfaction with the hotel food and beverage outlets prior to signing up with the program because these three variables require previous direct experience with the hotel service. In other words, some of members are existing hotel customers prior to joining the program. The result agrees with the conclusion from the previous research by Williams (1999) who found that frequent diner program is a tool to retain current customers rather than to attract new ones. Frequency programs tend to appeal more to the existing customers than to the new customers.

**Table 4. 2: Reasons for joining a hotel's frequent diner program**

	n	Sum	Mean	Std. Deviation
Value for money	145	113	.78	.416
Satisfaction with the quality of food	145	76	.52	.501
Satisfaction with the variety of menu	145	71	.49	.502
Convenient location	145	63	.43	.497
Satisfaction with the quality of service	145	58	.40	.492
Satisfaction with the restaurant ambiance	145	49	.34	.475
Hotel's reputation and image	145	48	.33	.472
Convenient parking	145	46	.32	.467
For business use	145	44	.30	.461
Having relatively high frequency of dining out	145	38	.26	.441
Hotel sales' persuasion	145	33	.23	.421
Recommend by friend who has been a member	145	11	.08	.266
The popularity of restaurants	145	9	.06	.242
Membership fee waived	145	7	.05	.215
The program represents a symbol of high social status	145	4	.03	.164

Previous research suggests that word of mouth communications are often very influential in customers' purchase decision (Gremler and Brown, 1999). They suggested "particular services such as financial planners, insurance agencies including fine dining restaurants, rely heavily on the word of mouth effect in gaining new customers" (Gremler and Brown, 1999 p. 287). However the findings from this study show the low level of importance of a recommendation by a friend who has been a member. This suggests that, by themselves, word of mouth communications in the service context of five star hotel restaurants, are not strong in influencing new members' decision to join the frequency program, although they might have initially prompted people to sample the hotel service.

The findings therefore contradict with the outcome of the research on word of mouth conducted by Gremler and Brown (1999). The contradiction may be due to the difference in industry context and also to the fact that this program

requires an upfront financial commitment. This may be seen as a contributing factor for new members to consider further prior to making a decision, in contrast to simply being another ordinary customer of the hotel restaurant.

Upon joining the program, 75 percent of respondents paid their own annual membership fee, 21 percent of them had their membership paid by their company, while others obtained their membership as a gift.

### **The reasons why members leave a hotel's frequent diner program**

On the basis of the results in this study, a frequency program with value-for-money benefits seems to be useful in acquiring new members to the program. When considering reasons for leaving the program, the "annual membership fee is too expensive as compared with other frequent diner program" appears to be the most important factor, second to "hardly use the card and felt it is not worth renewing it".

Findings from the literature review, regarding frequency programs with paid membership fee, show that the membership fee helps to establish a certain level of loyalty to the program and creates an exit barrier, which locks members into the program as they have already put an initial investment into the program (Dick, 1995).

However, in this study, the membership fee is identified as an important contributor to members deciding to leave the program in the event that competitors can offer a more competitive membership fee with attractive benefits, as shown in Table 4.3. The membership fee structure seems to be important in maintaining customer loyalty. The one-off membership fee could

set up a switching cost beyond a year while an annual fee loses effect as the year end approaches. However, it depends on the amount of the one -off fee.

**Table 4.3: Reasons for leaving a hotel's frequent diner program**

	n	Sum	Mean	Std. Deviation
Hardly use the card and felt not worth to renewing it	145	72	.50	.502
Annual membership fee is too expensive compared to other frequent diner program	145	27	.19	.391
Found and applied for another better frequent diner program	145	26	.18	.385
Encounter a bad experience about product and/or service of this hotel	145	26	.18	.385
Move office or residence and the hotel location becomes inconvenient	145	8	.06	.229
No one contacts me regarding renewing my membership	145	6	.04	.200
Attain free membership for the first year only	145	3	.02	.143
Do not want to spend my own money on membership fee	145	1	.01	.083

Even though the profile of members is predominantly executives and business owners, the occasions on which they use the card are primarily for family celebrations (44%) followed by business purposes (30%) and with social/friends (24%). Only 1% indicated that they use this card for dining alone.

#### **Level of loyalty condition between new and renewed members**

Among the respondents, 68 percent of them indicated that at some stage they had previously left a hotel frequent diner program. The top three reasons to leave are: first “hardly use the card and felt it is not worth renewing it; second, “annual membership fee is too expensive compared to other frequent diner program” and third “found and applied for another better frequent diner program”, which was tied with “encounter a bad experience about product and/or service of this hotel”.

Furthermore, it reaffirms that the frequency program could fail if it is used with an aim to increase single-brand loyalty. This is because members of frequency program appear to be multi-brand loyalty (Uncles *et al.*, 2003).

Customers who express multi-brand loyalty are those belonging to more than one loyalty program or having repeat patronage to competitive/alternative brands.

This survey reveals that 61 percent of respondents are members with multi-program loyalty as they indicate that they currently belong to more than one hotel frequent diner program.

Table 4.4 shows that incentives are the key motivating factor to drive repeat patronage for new members. Further to that, it indicates that 64 percent of new members would not pay frequent visits if the incentives were taken away or reduced. While 51% of the renewed member group indicate that they would still pay frequent visits even if the incentives were to be taken away.

**Table 4.4: Membership status and willingness to repeat patronage**

			Would you pay frequent visit if the incentives were taken away or less attractive		
			Yes	No	Total
Length of membership	New member	Count	10	18	28
		% within Length of membership	36%	64%	100%
	Renewed member	Count	60	57	117
		% within Length of membership	51%	49%	100%
Total	Count		70	75	145
	% within Length of membership		48%	52%	100%

The driving force of incentives are directly involved in repeat purchase behavior. This is because members can pay for the meal at a cost, which is less than the visible price (price charged to non-members) while still receiving the same value (Ng *et al.*, 1999).



There is almost a 50/50 split in the new members' group between those who pay more visits to hotel outlets before becoming a member and those who do not (see Table 4.5); while 72% of renewed members indicate that they make more return visits than before they have become members. The disparity between both groups shows different percentages of frequency of repeat visits after becoming members.

It is noticeable that the renewed members present a higher number of return visits than before they became members. This suggests that repeat customers are likely to be found among renewed members. This is because renewed members tend to have more experience with service offerings as compared with the new members who have only been in the program for less than a year. Renewed members have already evaluated the incentives given to them over the previous year of their membership.

Hence among the renewed members, those who indicated increased visits since they have become members could possibly be those who found that the program benefits fit their requirements. Whereas other renewed members who indicate that they do not make more visits could find that the incentives or program design does not fit their requirements.

**Table 4.5: Frequency of repeat patronage**

			Visit the hotel's restaurants more often than before being a member		
			Yes	No	Total
Length of membership	New member	Count	14	14	28
		% within Length of membership	50%	50%	100%
	Renewed member	Count	84	33	117
		% within Length of membership	72%	28%	100%
Total	Count		98	47	145
	% within Length of membership		68%	32%	100%

The important finding in this section, by looking at the total percentage of members, is that some people (32% of respondents or 47 out of 145 total respondents in this study) who initially were attracted to join the program are unlikely to stay and do not change their behavior. This may be due to the incentives not working for them. Hence if the hotel manages to keep their longer serving members satisfied by regularly monitoring the members' experiences, they are more likely to be loyal and may continue to give repeat patronage to the hotel.

In other words, there is the possibility for a more refined design of the program, and/or the need to target the program more sharply to lessen the churn rate. This is because the incentives are evidently a motivating force in loyalty continuance of both member groups (as per the findings in Table 4.4).

#### **The drive of repeat patronage**

To determine the underlying motives that lead members to show behavioral loyalty, (repeat patronage) the respondents were asked to indicate their degree of perceived importance with the following statements using a five - point scale (1 = not important at all, 2 = not important, 3 = somewhat important, 4 = important, 5 = very important).

V<sub>1</sub>: Do not want to waste the membership fee without enjoying any benefits

V<sub>2</sub>: I can use complimentary rewards, free voucher (excluding discounts) given by this frequent diner program

V<sub>3</sub>: I can use the vouchers that require a certain amount of spending prior to receiving a discount

V<sub>4</sub>: This program provides me more value for money than other frequent diner programs

V<sub>5</sub>: Special deal/discount given by the frequent diner program

V<sub>6</sub>: The more I dine, the more points I can earn through this frequent diner program

First, Cronbach's alpha was computed for each scale to test the reliability coefficients of these 6 items. The results of the reliability analysis of Repeat Patronage construct, which included 6 items, shows the Cronbach's alpha of .7321 (standardized item alpha of .7391), indicating reliability. This is according to Sekaran (2000), "the closer Cronbach's alpha is to 1, the higher the internal consistency reliability".

All member groups, both new and renewed, attribute somewhat greater importance to hard benefit items with an average mean score >3 except V<sub>6</sub> (the more I dine the more points I can earn). However the overall average score of motives that drive repeat patronage, calculated by combining all total scores and dividing by the number of items, remain high at 3.62. This indicates that members of frequent diner programs give some importance to the motives of repeat patronage. This is in accordance with the notion stated by Dick and Basu (1994) that incentives are seen as a motivating force in repeat patronage.

Table 4.6 summarizes the information about the score of perceived importance that each group gives to hard benefits that influence them to repeat patronage. The table presents the mean score from a five-point scale measurement. It is noticeable that V<sub>6</sub> (the more I dine, the more points I can earn) receives relatively lower mean score as compared with other variables.

The majority of respondents belong to a frequent diner program that did not offer this type of benefit (See appendix 1: An analysis of frequent diner program benefits).

Chi-square test indicates that only the perceived importance level of the motive labeled: "I can use the discount voucher" is significantly differentiated among new and renewed members (Asymp. Sig. = .016). New members indicate relatively higher scores than renewed members. This suggests that the 'discount voucher' has proved to be a strong incentive and appeals mostly to new members.

**Table 4.6: Mean score of the perceived importance of motives that drive repeat patronage and Chi-square test**

		Length of membership		
		New member (n=28)	Renewed member (n=117)	Total
Do not want to waste the membership fee without enjoying any benefits	Mean	3.86	3.90	3.89
	Std. Deviation	1.208	1.309	1.286
I can use complimentary rewards, free voucher	Mean	4.21	3.90	3.96
	Std. Deviation	.957	1.170	1.136
I can use the discount vouchers	Mean	4.07	3.51	3.62
	Std. Deviation	1.086	1.201	1.196
This program provides me more value for money than other frequent diner program	Mean	3.43	3.79	3.72
	Std. Deviation	1.103	1.141	1.139
Special deal / discount given by this frequent diner program	Mean	4.04	3.95	3.97
	Std. Deviation	.793	1.057	1.010
The more I dine the more points I can earn through this program	Mean	2.54	2.55	2.54
	Std. Deviation	1.232	1.256	1.247

Note: 1= Not important at all; 5 = very important

**Test Statistics <sup>a,b</sup>**

	Chi-Square	df	Asymp. Sig.
Do not want to waste the membership fee without enjoying any benefits	.182	1	.669
I can use complimentary rewards, free voucher	1.627	1	.202
I can use the discount vouchers	5.751	1	.016
This program provides me more value for money than other frequent diner program	2.849	1	.091
Special deal / discount given by this frequent diner program	.001	1	.981
The more I dine the more points I can earn through this program	.003	1	.957

a. Kruskal Wallis Test

b. Grouping Variable: Length of membership

A correlation matrix was also constructed to examine the correlation between variables of this construct. Based on the data, the value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (.733) is large (>.05). This indicates that all variables are closely related. The value from the Component

Matrix (factor loadings) indicates that the factor and the variables are closely related. Initial Eigenvalues were used to determine the number of factors.

The factors with Eigenvalue greater than 1.0 are retained. With this approach, the result is that all variables are associated in one model. Thus it is found that motives that drive members to make repeat patronage are dependent on all variables. The factor score is used to determine the importance level of each variable. Therefore, the top three variables are V<sub>5</sub> (special deal /discount given by this frequent diner program), V<sub>3</sub> (I can use the discount vouchers) and V<sub>2</sub> (I can use complimentary rewards, free voucher) respectively, as shown in Table 4.7.

**Table 4.7: Factor loading of motives that drive repeat patronage**

Component Matrix <sup>a</sup>	
	Component
	1
Special deal / discount given by this frequent diner program	.779
I can use the discount vouchers	.746
I can use complimentary rewards, free voucher	.741
Do not want to waste the membership fee without enjoying any benefits	.660
This program provides me more value for money than other frequent diner program	.543
The more I dine the more points I can earn through this program	.466

Extraction Method: Principal Component Analysis.

<sup>a</sup>. 1 components extracted.

### **Level of relative attitudinal loyalty**

To determine the level of relative attitude among new members and renewed members, the respondents were asked to indicate their likelihood to engage in the following variables using a five-point scale measurement (1 = totally unlikely, 2 = unlikely, 3 = somewhat likely, 4 = likely, 5 = totally likely).

V<sub>1</sub>: I recommend others to apply for membership

V<sub>2</sub>: I tell others about the good benefits

V<sub>3</sub>: I have no intention to switch to another better program

V<sub>4</sub>: I never search for better programs

V<sub>5</sub>: I gave or I will give any comments/recommendations to hotel staff

V<sub>6</sub>: I would remain a customer of this hotel even if there would be no frequent diner program offering

First, Cronbach's alpha was computed for each scale to test the reliability coefficients of these 6 items. The results of the reliability analysis of Relative Attitudinal Loyalty construct, which included 6 items shows the Cronbach's alpha of .6420 (standardized item alpha of .6464), indicating reliability. This is according to Sekaran (2000), "the closer Cronbach's alpha is to 1, the higher the internal consistency reliability".

Based on the average mean score shown in Table 4.8, both new and renewed members are somewhat likely to engage in the two activities, namely "I gave or I will give any comments or recommendations directly to the hotel"

(average mean score =3.28) and “I tell others about the good benefits.” (average mean score = 3.25). Both new and renewed members place a somewhat likely value ( $\geq 3$ ) on these two variables which involve generating positive word of mouth and giving comments and recommendations to the service provider. However, they are unlikely to commit their individual intention to be true loyal to the program. This can be seen by the lower likelihood value ( $<3$ ) placed on the variables involved in individual commitment to the program.

Nevertheless, the overall average mean score of all variables remains low at 2.97, which indicates a negative value toward relative attitude. In determining the level of relative attitude, Dick and Basu (1994) suggested that individual commitment and perceived differentiation are important. If customers have little perceived differentiation from competitors and no resistance to competitive offerings, this should be translated into a low relative attitude.

Using Chi-square analysis, it was found that the level of relative attitudinal loyalty of new and renewed members across all variables did not show any significant difference. A correlation matrix was also constructed based on this data to examine the correlation between variables. The value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (.580) is large ( $>.05$ ). This indicates that all variables are closely related. Initial Eigenvalues were then used to determine number of factors.

The factors with Eigenvalue that is greater than 1.0 are retained. With this approach, the outcome from the Component Matrix (factor loadings) indicates that there are two key factors that members expressed through attitudinal loyalty (see Table 4.9). Factor 1 has high coefficients for variables V<sub>2</sub> (I tell my colleagues, friends, and relatives about the good benefits of this frequent diner program), V<sub>1</sub> (I recommend my colleagues, friends or relatives to apply



for membership of this frequent diner program), and V<sub>5</sub> (I gave or I will give any comments and /or recommendations about service, food and anything related to the hotel, whose frequent diner program I belong to), respectively. The first factor is expressed in the form of communication between members and other customers as well as between members and hotel staff. Therefore this factor is labeled a **communication function**.

**Table 4.8: Mean score of relative attitude and Chi-square test**

		Length of membership		
		New member (n=28)	Renewed member (n=117)	Total
I recommend others to apply for membership	Mean	2.96	2.98	2.98
	Std. Deviation	1.071	1.122	1.108
I tell others about the good benefits	Mean	3.36	3.22	3.25
	Std. Deviation	.951	1.060	1.038
I have no intention to switch to other better program	Mean	2.36	2.75	2.68
	Std. Deviation	1.283	1.033	1.092
I never search for better programs	Mean	2.64	2.94	2.88
	Std. Deviation	1.311	1.234	1.250
I gave or I will give any comments/ recommendations	Mean	3.00	3.34	3.28
	Std. Deviation	1.305	1.138	1.175
I would remain a customer of this hotel even if there would be no Frequent Diner Program offering	Mean	2.61	2.79	2.76
	Std. Deviation	1.397	1.200	1.238

Note: 1= Totally unlikely; 5 = Totally likely

**Test Statistics<sup>a,b</sup>**

	Chi-Square	df	Asymp. Sig.
I recommend others to apply for membership	.007	1	.934
I tell others about the good benefits	.532	1	.466
I have no intention to switch to other better program	3.786	1	.052
I never search for better programs	1.601	1	.206
I gave or I will give any comments/ recommendations	1.579	1	.209
I would remain a customer of this hotel even if there would be no Frequent Diner Program offering	.578	1	.447

<sup>a</sup> Kruskal Wallis Test

<sup>b</sup> Grouping Variable: Length of membership

**Table 4.9: Factor loading of relative attitude variables**

	Rotated Component Matrix	
	Component	
	1	2
I tell others about the good benefits	.912	.036
I recommend others to apply for membership	.898	-.037
I gave or I will give any comments/ recommendations	.560	.177
I never search for better programs	-.011	.853
I have no intention to switch to other better program	.066	.812
I would remain a customer of this hotel even if there would be no Frequent Diner Program offerin	.137	.692

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Factor 2 has high coefficients for variables  $V_4$  (I never search for alternative frequent diner programs, that can offer me better treatment),  $V_3$  (I have no intention to switch to other frequent diner programs, even though they are offering a better deal), and  $V_6$  (I would remain a customer of this hotel even if there would be no frequent diner program offering). This factor is labeled **an individual commitment function** to the hotel frequent diner program.

Two factors derived in this section suggest sub-dimensions of attitudinal loyalty. It pointed out that attitudinal loyalty is expressed in two dimensions: communication related and the individual commitment related dimensions.

It has long been claimed that loyal customers are those likely to generate positive word of mouth and make a complaint or suggestion to the service provider. Gremler and Brown (1999) argued that loyal customers with longer length of membership, higher amount of money invested in the service as well as a higher number of service usages, tend to have positive associations in generating good word of mouth about the service. But the outcome from this study only partially supports this claim.

On a basis of the result, it shows that both new and renewed members are somewhat likely to generate positive word of mouth. Length of membership has no significant differentiation toward generating word of mouth. All member groups of the frequency program are unlikely to express their individual commitment but somewhat likely to express their attitudinal loyalty in the form of generating positive word of mouth as well as giving comments and recommendations to the service provider regardless of their being new or renewed members.

This is also supported by the study of Kivela *et al.* (1999). They found that the individual commitment only occurs when customers have satisfaction with their experience. The satisfaction then leads to maintaining their loyalty with the service providers. Nevertheless this result points out that the frequency program can promote goodwill by encouraging current members to refer new members to the program. However, this needs to occur in the situation where those new prospects have already been satisfied with the quality of food and the variety of menu of the hotel. This is one of the key reasons for new prospects to join the program as revealed in the earlier part of this study.

### **The effect of Social Influences**

To investigate the effect of Social Influences on loyalty development and to examine how the variables could possibly be employed in the frequent diner program to enhance customer loyalty, the respondents were asked to indicate their perceived importance toward each of following statements using a five-point scale (1= not important at all, 2= not important, 3= somewhat important, 4= important, 5 = very important).

V<sub>1</sub>: Hotel that recognizes me and greets me personally every time I pay a visit

V<sub>2</sub>: Hotel that remembers my seating preference when I make a reservation

V<sub>3</sub>: Hotel that sends me relevant communications regularly

V<sub>4</sub>: Hotel that offers me a customized service i.e. serves me an off menu dish which I prefer

V<sub>5</sub>: Hotel where the F&B outlet manager or hotel senior staff is friendly to me and has personable communication

V<sub>6</sub>: Hotel that offers a dedicated hotline service exclusively for members of the frequent diner program

V<sub>7</sub>: Hotel that provides me with a personal customer relationship officer to assist me to arrange my reservation and other relevant hotel services

V<sub>8</sub>: Hotel that offers exclusive community activities for members i.e. culinary program, concert, etc.

V<sub>9</sub>: Hotel that provides superior treatment to members of frequent diner program apart from giving discount benefits - guarantee seats, private dining room, member dining section.

First, Cronbach's alpha was computed for each scale to test the reliability coefficients of these 9 items. The results of the reliability analysis of Social Influences construct, which included 9 items shows the Cronbach's alpha of .8662 (standardized item alpha of .8655), indicating reliability. This is

according to Sekaran (2000), “the closer Cronbach’s alpha is to 1, the higher the internal consistency reliability”.

According to the literature, members of a frequency program would stay loyal and can be retained if Social Influences are given (Dick and Basu, 1994; Gwinner *et al.*, 1998). From a broad perspective, this consensus is valid. The outcome derived from this study further explains that some variables of Social Influences are positively related to loyalty development among members of frequent diner program.

Based on the overall mean score of all respondents, it indicates that most variables, except two variables, labeled V<sub>7</sub> (Hotel that provides me with a personal customer relationship officer to assist me to arrange my reservation and other relevant hotel service) and V<sub>8</sub> (Hotel that offers exclusive community activities for members i.e. culinary program, concert, etc.) are seen as somewhat important for them to stay loyal to the program. The average mean score is >3.

However, the average mean score of all variables, calculated by combining all total scores and dividing by the number of items, remains above 3 (3.25). This reflects that members give some importance toward Social Influences for them to stay loyal to the program (See Table 4.10).

Furthermore, the result from the Chi-square test indicates that the perceived importance toward Social Influences benefits of new and renewed members is not significantly different with Asymp. Sig. Value across all variables is large (>0.05). Thus it indicates that there is no significant difference in perceived importance toward Social Influences variables among new and renewed members.

A correlation matrix was also constructed to examine the correlation between variables tested in this construct. The value of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (.851) is large. This indicates that all variables are closely related. Initial Eigenvalues were then used to determine the number of factors.

The factors with Eigenvalue that is greater than 1.0 are retained. With this approach, the outcome from the factor loadings shown in Table 4.11 indicates that members seek two major factors of Social Influences benefits that encourage them to stay loyal to the frequent diner program.

The first factor can be described as **an Implicit Concern**. This is because the variables in this factor are related to understanding the individuality of each member. It comprises of V<sub>1</sub> (Hotel that recognizes and greets me personally every time I pay a visit), V<sub>2</sub> (Hotel that remembers my seating preference when I make a reservation), V<sub>5</sub> (Hotel where the F& B outlet manager or hotel senior staff is friendly to me and has personable communication), V<sub>4</sub> (Hotel that offers me a customized service i.e. serves me an off menu dish which I prefer) and V<sub>3</sub> (Hotel that sends me relevant communication regularly).

Hence, the more a hotel can show an in-depth understanding of its individual members, the more the hotel can gain attitudinal loyalty from them. This is in line with the notion of Gwinner *et al.* (1998) and Butcher *et al.* (2002).

The latter factor can be explained as **an Explicit Concern**. This is due to each variable being geared towards providing member services without the service provider needing to know the exact details and status of their members. An Explicit Concern factor includes V<sub>7</sub> (Hotel that provides me with a personal customer relationship officer to assist me to arrange my reservation and other relevant hotel services), V<sub>8</sub> (Hotel that offers exclusive community activities

for members *i.e.* culinary program, concert etc.), as well as V<sub>9</sub> (Hotel that provides superior treatment to members of frequent diner program apart from giving discount benefits – guarantee seats, private dining room, member dining section).

This indicates that members are not only seeking for certain privileges given when they dine at the hotel outlets but they also expect the privilege to be available anytime throughout their membership period. This derives a crucial concern for hotel to realize that members require social privilege at all times not just when they come and contribute their patronage. Hence “Out of sight is not out of mind” is becoming one of the key factors in motivating member loyalty.

**Table 4.10: Mean score of perceived importance toward Social Influences and Chi-square test**

		Length of membership		
		New member (n=28)	Renewed member (n=117)	Total
Recognizing me and greet me personally	Mean	2.93	3.44	3.34
	Std. Deviation	1.464	1.309	1.350
Remembering my seating preference	Mean	2.64	3.18	3.08
	Std. Deviation	1.446	1.400	1.420
Sending me relevant communication regularly	Mean	3.64	3.68	3.67
	Std. Deviation	1.420	1.097	1.161
Offering me a customised service	Mean	3.14	3.50	3.43
	Std. Deviation	1.433	1.317	1.343
F&B outlet manager or senior staff is friendly	Mean	3.18	3.39	3.35
	Std. Deviation	1.335	1.358	1.352
Offering a dedicated hotline service exclusively for members	Mean	3.04	3.09	3.08
	Std. Deviation	1.319	1.336	1.329
Providing me a personal customer relationship officer	Mean	2.57	2.83	2.78
	Std. Deviation	1.200	1.288	1.272
Offering exclusive community activities	Mean	2.89	2.97	2.96
	Std. Deviation	1.343	1.323	1.322
Providing superior treatment apart from giving discount benefits	Mean	3.39	3.61	3.57
	Std. Deviation	1.397	1.319	1.332

Note: 1 = Not important at all; 5 =Very important

**Test Statistics <sup>a,b</sup>**

	Chi-Square	df	Asymp. Sig.
Recognizing me and greet me personally	2.930	1	.087
Remembering my seating preference	3.194	1	.074
Sending me relevant communication regularly	.200	1	.655
Offering me a customised service	1.491	1	.222
F&B outlet manager or senior staff is friendly	.719	1	.396
Offering a dedicated hotline service exclusively for members	.058	1	.809
Providing me a personal customer relationship officer	.911	1	.340
Offering exclusive community activities	.098	1	.754
Providing superior treatment apart from giving discount benefits	.652	1	.419

a. Kruskal Wallis Test

b. Grouping Variable: Length of membership



In Table 4.11, the outcome from Component Score Coefficient shows the top three Implicit Concern Factors: 1.) Recognizing and greeting personally every time they pay a visit, 2.) Remembering their seating preference when making a reservation, and 3.) Friendliness of F&B outlet manager or hotel senior staff. Hence it can be concluded that the moment of truth that members would experience at the outlet is considered as the key factor of Social Influences for member loyalty development.

**Table 4.11: Factor loading of Social Influences variables**

**Rotated Component Matrix <sup>a</sup>**

	Component	
	1	2
Recognizing me and greet me personally	.879	4.701E-02
Remembering my seating preference	.837	.241
F&B outlet manager or senior staff is friendly	.732	.252
Offering me a customised service	.644	.432
Sending me relevant communication regularly	.511	.324
Providing me a personal customer relationship officer	.274	.779
Offering exclusive community activities	.115	.776
Providing superior treatment apart from giving discount benefits	.310	.740
Offering a dedicated hotline service exclusively for members	.199	.738

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

<sup>a</sup>. Rotation converged in 3 iterations.

Furthermore, a regression model is used with an aim to find out the impact of the Social Influences variables on loyalty development and what the design

factor that more effectively influences the loyalty continuance among members of frequency program.

Regression analysis is used to determine the strength of association between dependent variables, thereby revealing the strength of the two factors derived from factor loadings. The purpose is to find out what the key factor of non-financial benefits (Social Influences) is for frequent diner program to create greater impact on loyalty development. Table 4.12 shows the result of regression analysis. A regression model includes two factors derived from factor loadings. The independent variable is the mean score of Social Influences measurement, the dependent variable is the loyalty continuance ( $y$ ) and the equation is:

$$\hat{y} = b_0 + b_1 + b_2.$$

Where:  $b_0$  is a constant;  $b_1$  is Factor 1-an Implicit Concern; and  $b_2$  is Factor 2 - an Explicit Concern. The estimated model is:  $\hat{y} = 3.25 + 0.918(\text{Fac1}_1) + 0.00365(\text{Fac2}_1)$ . Both factors were significant at  $p < 0.05$ . The result indicates that Implicit Concern ( $b_1 = .918$ ) has a higher influence than Explicit Concern ( $b_2 = .00365$ ) in encouraging members to stay loyal and maintain their membership with the program.

R square is 1 as the regression is run using the measurement of mean score of Social Influences (constant) which is the key construct that predicts the probability of customer loyalty continuance. (Mean score of Social Influences is 3.25 which equal to the probability of loyalty continuance among member of frequency program).

**Table 4.12: Results of Regression Analysis**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 <sup>a</sup>	1.000	1.000	.01763

a. Predictors: (Constant), REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121.450	2	60.725	195417.368	.000 <sup>a</sup>
	Residual	.044	142	.000		
	Total	121.495	144			

a. Predictors: (Constant), REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

b. Dependent Variable: Mean of SI

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		
		B	t	Sig.
1	(Constant)	3.250	2219.927	.000
	REGR factor score 1 for analysis 1	.918	625.163	.000
	REGR factor score 2 for analysis 1	3.653E-03	2.486	.014

a. Dependent Variable: Mean of SI

Loyalty Continuance  $\hat{y} = 3.25 + 0.918(\text{Fac1}_1) \text{ Implicit Concern} + 0.00365(\text{Fac2}_1) \text{ Explicit Concern}$

#### 4.5 Summary

The overall impact of hotel frequent diner programs is relatively positive in building customer loyalty - especially for behavioral loyalty and attitudinal loyalty, and particularly in the communication-related dimension. Members are somewhat likely to generate positive word of mouth by telling others about the benefits of the program and giving comments to hotel employees. But they are unlikely to express individual commitment and they intend to search for alternatives. They have less perceived differentiation from competitive programs.

It was found that members of the frequency program examined in this study have high repeat patronage. However, they are of a multi-program loyalty type and so, despite their positive attitude, they have no individual commitment. This leads into low relative attitude. When the two loyalty dimensions - *i.e.* the repeat patronage and the relative attitude - are combined, the loyalty condition of members in this study is consequently described as "Spurious Loyalty". This finding supports, and is consistent with, the explanation on customer loyalty framework by Dick and Basu (1994).

"Value for money" and "Satisfaction with the quality of food" are most important among members. This outcome therefore suggests that the hotel frequent diner program is more likely to gain additional members among current customers if competitive offerings are maintained.

Hence, the loyalty condition of the frequent diner program members in this study can be described as "Spurious Loyalty" condition. According to a theoretical framework of customer loyalty developed by Dick and Basu (1994), members of frequency programs tend to be in the area of "Spurious Loyalty" when they are motivated by benefits of the program. Rewards and

benefits from the frequency program have been claimed as a primary bond to maintain a relationship with the service provider (Curasi and Kenedy, 2002).

Members tend to stay loyal with the service provider who helps them save more money (Patterson and Smith, 2001). The data shows that they have expressed a positive attitude through the likelihood of generating positive word of mouth and giving suggestion or any comments to the hotel. This attitudinal loyalty dimension is explained as a communication-related dimension.

On the other hand, these program members cannot be defined as having “Sustainable or True Loyalty”, because of the unlikelihood to express individual commitment, as shown through another sub-dimension of attitudinal loyalty. Such predisposition indicates that the program members are likely to search for alternative programs and likely to switch to programs that offer better economic benefits. This tendency leads the program members into low relative attitude.

Hellier *et al.* (2003) argued that loyal customers are not necessarily committed future customers because that decision depends on the customer’s perception toward value, and it is a decision which incorporates financial return. Some members may choose to continue with the program because they prefer “Familiarity” and are still satisfied with the economic benefits offered by the program; while other members may choose not to because they prefer “New and Extra” and are less resistant to competitive offerings. The loyalty would then be suspended and would not be sustainable if they had found other competitive programs that offer higher value for money.

The findings revealed that loyalty continuance for each year is more likely to depend upon the economic benefits given at the renewal stage, upon the

knowledge of what the competitors are offering through their programs, and upon the monitoring of the frequency of the members' return visits. This implication further supports the suggestion by Guenzi and Pellono (2004) that actively monitoring and managing customer satisfaction should be a priority for service managers. These two activities could result in diminishing churns (Pizam and Ellis, 1999).

Dick (1995) states that the length of membership and the membership fee create immediate positive relative attitude towards the service business. However, the findings from this study suggest there is no significant difference between the length of membership and the level of relative attitude.

The outcome from this study is consistent with the notion that membership fee leads to a positive attitude. The communication-related dimension is found to produce a positive result as part of the relative attitudinal loyalty. Hence, the membership fee could lead to this dimension as members can instantly discover the tangible benefits of the program. Members can compare the value of given hard benefits with the cost of membership fee they pay for the program. The individual commitment-related dimension depends on the satisfaction level through the overall dining experiences throughout their membership period as suggested by Kivela *et al.* (1999). The individual commitment can only be explicitly expressed at the end of membership status in the form of a renewal decision.

It was shown in the findings that Social Influences, provided by fulfilling the Implicit Concern function, could become a competitive advantage and a powerful tool for loyalty development among frequency program members. This outcome is consistent with the findings from Butcher *et al.*'s (2002) study.

However, the fulfillment of Implicit Concern function requires an investment in setting up a sophisticated member database system. It may also involve training those hotel employees who come into contact with members to be proactive during the members' return visits. The return on investment may not be worthwhile if the profit generated from the program cannot meet the optimal point.

Furthermore, offering Social Influences or non-financial benefits should not be limited to the display of appreciation toward long-term members exclusively, but should also apply equally to members in all categories.

This study finds that none of the new or the renewed members are considered a unique group. This suggests that member segmentation process is unnecessary for this type of frequency program. Therefore, a different benefits package for each category of membership is seen as unnecessary in this context – except for only discount giving dimension, which is perceived to be of significantly higher importance among new members. Apart from that, both groups expressed identical behavior in most dimensions of behavioral loyalty and in all dimensions of attitudinal loyalty.

There is also no significant difference in the perceived importance toward Social Influences benefits among the new and the renewed members. There would be no greater impact by giving more value to long-standing members over newer members. But there would be a greater impact in giving more attractive hard benefits to the new members or to the existing members at the renewal stage.

In conclusion, this initial analysis shows:

**Proposition 1 (P1)** – that members of hotel frequent diner programs express a high level of perceived importance of the motives that drive repeat patronage but a low level of relative attitude – is verified by the test results.

The collected data reveals that members of the hotel frequent diner program express a high degree of perceived importance towards the hard benefits that drive repeat patronage, but express low relative attitude. Members are somewhat likely to express their attitudinal loyalty through the communication-related dimension, but unlikely to express their attitudinal loyalty through the individual commitment-dimension.

**Proposition 2 (P2)** – that the new members and renewed members of hotel frequent diner programs differ in their perceived importance of motives that drive repeat patronage – received rather weak support from the test.

The analysis shows partial support that the new and the renewed members of the hotel frequent diner program differ in their perceived importance of the motives that drive repeat patronage. Only one out of six variables tested in the repeat patronage construct supports this proposition.

**Proposition 3 (P3)** – that the new members and renewed members of hotel frequent diner programs differ in their level of relative attitude – is rejected as false.

The analysis shows, on the contrary, that the new and the renewed members of the hotel frequent diner program have no significant difference in their level of relative attitude.



**Proposition 4 (P4)** – that Social Influences are positively related to the decision to renew membership or to maintain loyalty with the program – was analyzed and found positive by the test result.

Benefit of the Social Influences is positively related to the decision to renew membership or maintain loyalty with the program. This is supported by an average mean value derived from both member groups which show the mean score >3.

**Proposition 5 (P5)** – that the new members and renewed members of hotel frequent diner programs differ in their preference of Social Influences – is tested and rejected as false.

An analysis found that there is no significant difference in preference of Social Influences between the new and the renewed members.

## **Chapter 5**

### **THE MANAGERIAL IMPLICATIONS**

#### **5.1 Major findings**

Three research questions were stated at the beginning of Chapter Three. These questions were examined in light of the result of this study.

*1. To what extent can the frequent diner program build customer loyalty?*

Based on the results in this study, it can be concluded that the frequent diner program has an impact on member loyalty. Members of the frequency program examined in this study showed a spurious loyalty condition. This is consistent with the customer loyalty theoretical framework developed by Dick and Basu (1994). Incentives can stimulate high repeat patronage while the frequency program can only impact sub-attitudinal loyalty in the communication related dimension. It does not, however, impact the individual commitment dimension. This creates a spurious loyalty condition. Relationship and loyalty continuance among members is expressed based on the influence of both hard benefits and Social Influences.

Since the business focused on in this study is a well-known international five-star hotel, members tend to have an initial positive perception. The opportunity to enjoy exclusive service at a lesser price from a preferred hotel leads customers to join the program. The positively perceived image and quality of the hotel service can establish a certain level of loyalty, helping to reduce the marketing effort required to attract members to the program. Attracting members to this type of frequency program (a program which charges a membership fee) is a never-ending process, especially in highly

competitive markets, where there are plenty of similar programs available. The loyalty of members can possibly end at the expiry date on every card. This is consistent with the spurious loyalty condition described by Dick and Basu (1994).

*2. What is the difference in level of loyalty between renewed and new members of the hotel frequent diner program?*

A comparison of the mean scores - derived from the new members' group and the renewed members' group in perceived importance of motives that drive repeat patronage and the level of relative attitude - shows no significant difference between these two groups of members. This could be due to the nature of this frequency program, which is based on a 12-month term. It seems that no matter how long they have been members, the customers' feeling towards the service provider is always restarted at the beginning of the renewal period. Although they have expressed a high level of behavioral loyalty, that does not guarantee their long-term, loyal membership.

This implies that spurious loyalty is a condition that can occur when the loyalty program has an expiry date, requires a membership fee and emphasizes hard benefits as the drive towards repeat patronage.

The expiry date is a deadline that reminds members that they will not be given any privileges after a certain date unless they continue to pay a membership fee. Members can end their relationship by simply not paying the next year's membership fee at any time after the expiration date.

Some hotels that show appreciation to their existing members by giving more or different benefits for the renewal year could succeed in convincing them to continue membership. For example, some hotels offer a flexible period for those members who are reluctant to continue because these members feel that

they often travel overseas and have less chance to dine at the hotel. This is supported by the findings of this study that members leave the program because they “hardly use the card and felt it is not worth renewing it”.

An offer of an additional 2 months membership free of charge upon renewing the next year’s membership is also seen as an effective way to reduce member churn rate. Hotels need to know and identify barriers that may stop each member from renewing with the program.

### *3. How do Social Influences affect the development of customer loyalty of hotel frequent diner program members?*

Though Social Influences are seen as somewhat important for both new members and renewed members to maintain loyalty, they cannot guarantee that customers will definitely continue their membership with the hotel. If the incentives in terms of hard benefits are reduced or become less attractive, members, especially new members, may switch or choose to end the relationship. Loyalty development is also dependent on how many programs the members currently belong to. The more programs they belong to, the more they pay, possibly leading to churning. The programs that members use most often are the ones that give more value for money. Therefore, their loyalty will more likely come to an end for the program that is hardly used.

However, the findings from this study suggest members seek two key factors of the Social Influences’ construct that can encourage loyalty. Social Influences are more likely to encourage loyalty particularly for the frequency program with competitive offerings. The result is based on the members’ perspective. They are described as Implicit Concern and Explicit Concern. The Implicit Concern factor has higher impact on loyalty continuance. But it requires in depth knowledge of individual members. Hotel managers may

have to invest in developing their member database system to be able to fulfill the task.

## **5.2 Theoretical implications**

Dick and Basu's (2004) customer loyalty framework posited that frequency programs tend to generate spurious loyalty among its members. This is because members are motivated by incentives. They continue membership because of incentives, but they express low relative attitudinal loyalty. Members perceive little differentiation among competitive programs. This leads them to being unlikely to express their individual commitment to the program. The findings of this study are consistent with the theory stated above.

Charging a membership fee did not help improve all dimensions of attitudinal loyalty but it enhanced repeat patronage. Members tend to stay with the program until they feel it has been worthwhile in terms of the amount invested through the membership fee. This supports Woolf's (2002) notion of the effect of members' initial financial investment and the return visits.

However, a program that provides benefits exceeding the investment value can develop a certain level of satisfaction and lead to a positive attitude. A positive attitude is reflected through generating positive word of mouth. As found in this study, members indicate the likelihood of telling others about the good benefits of the program. Customers with a longer length of membership and a higher number of service usages have positive associations with reactions through attitudinal loyalty, especially the communication related dimension (Gremler and Brown, 1999; Palmer *et al.*, 2000).

In addition, in accordance with the theory posited by Dick and Basu (1994), Butcher *et al.* (2002), Gwinner *et al.* (1998), Social Influences can contribute as the main driver of long-term loyalty. The findings confirm that Social Influences are somewhat important for encouraging frequency program members to maintain their loyalty. In particular, Social Influences factors can help overcome other factors that may obstruct loyalty continuance, such as more attractive benefits offered by a competitor (Noordhoff *et al.*, 2004).

Members in the Asian market context, especially in Thailand, are more likely to remain loyal to a service that helps them save money (Patterson and Smith, 2001). According to that theory, hard benefits rival soft benefits in competitive markets. Frequency programs, hence, emphasize giving a set of hard benefits in exchange for a membership fee to stay competitive. The implementation of the frequency program tends to be in line with Level 1 strategy using incentive bonds as suggested by Berry and Parasuraman (1991).

Value for money remains a strong and primary bond that encourages loyalty continuance. This implies that financial benefits can have an immediate effect on loyalty continuance as opposed to Social Influences benefits. It requires time and effort to build attitude loyalty and to see this loyalty come to fruition. However, if the hotel pursues higher level of loyalty (from spurious loyalty to sustainable loyalty) by making an impact with Social Influences benefits to its members while maintaining a financial bond, the hotel can anticipate the increased perceived differentiation from its members. This would lead to a gain in strong attitude loyalty and result in individual commitment to the program (Berry and Parasuraman, 1991; Dick and Basu, 1994).

The impact of Social Influences revealed in this study suggests that the Implicit Concern factor is crucial. It involves building social benefits for members and understanding the individuality of members (Ravald and

Gronroos, 1996). The fulfillment of this Implicit Concern is anticipated in loyalty continuance since it can contribute to developing the level of relative attitude. This is consistent with Dick and Basu's (1994) suggestion of maintaining customer loyalty (shifting from spurious loyalty to sustainable loyalty). This is also in line with Level 2 strategy (using social ties with pricing incentives) suggested by Berry and Parasuraman (1991). Butcher *et al.* (2002) further support that Social Influences benefits can become a competitive advantage, especially in the competitive market where pricing incentives are no longer differentiated. Social Influences benefits are difficult to replicate in the short run (Gwinner *et al.*, 1998).

There is now data from this study, which reaffirms the positive relationship between Social Influences and loyalty continuance. In addition, the data now suggests that the frequency program can operate beyond a discount or sales promotion program. With the positive outcome of the perceived importance of Social Influences on loyalty continuance, frequency programs can move to operate as a relationship program, deepening relationships with members through the offer of Social Influences benefits, in addition to using financial incentives as a primary bond.

### **5.3 Managerial implications**

The outcomes of the present study suggest the following guidelines for implementing effective frequency programs:

#### *I. Member recruitment approach*

Based on the outcome of the present study, members of this type of frequency program place a high level of perceived importance on motives that drive repeat patronage. The positive attitude of loyalty is expressed through the

communication related dimension that is found among members. Indirectly, the recruitment process could contribute to this result. The hotel frequent diner program in this study does not advertise the program to acquire members, but instead uses direct approaches through one on one marketing communication. There are three acquisition approaches used in the hotel frequent diner program. The first approach is to use a name list of executive and managerial groups that are located nearby the hotel or who have convenient access to the hotel. The second approach is to directly invite guests who are current customers of the hotel and may make repeat visits at food and beverage outlets. The third approach is to implement a referral program through existing members.

On a basis of the results from this study, the last two approaches can be maintained and are more likely to achieve a successful acquisition rate. This is because members tend to join the program for reasons that tie in with their satisfaction from previous experiences with the hotel restaurant's outlets. Furthermore, the third approach is seen as a facilitator in the acquisition process. Members are likely to tell others about the good benefits of the program.

With these approaches, members feel honored to be a part of a more exclusive group. These approaches would work particularly well with businesses that have already gained high brand image and awareness, especially in the luxury product and service categories that focus on specific niche targets.

This implies that implementing hotel frequent diner programs in Thailand would be well suited as a retention tool rather than as a way of attracting new customers and generating traffic. This could be the point that makes the outcome of this study different from the research conducted in New Zealand by McIlroy and Barnett (2000). They concluded that the hotel frequent diner



program in their study could not build customer loyalty. That program acquired their members by using card sellers to sell the memberships door to door. Persuasive sales techniques played a significant role in acquiring members. In the program used in the present study, however, the majority of members are current customers of the hotel. They previously have had positive experiences with the hotel food and beverages outlets prior to joining the program. Therefore the way members came into the program can affect the way their loyalty develops.

## *II. Membership fee*

Frequency programs offered to members without charging a membership fee help those businesses that aim at mass recruitment. This can be found mostly in the retail business sector and operates more as a sales promotion approach rather than a customer relationship or loyalty building strategy, thus having a limited effect on sustaining customer loyalty in a cost effective way (Evans, 1999). Evidently, the membership fee can create an immediate relative attitude among members. It helps establish a certain level of loyalty to the program as members have already put an initial investment into it (Dick, 1995).

Another form of membership fee can come in the form of minimum purchasing or investing requirement in product and service. This creates an exclusive sense of belonging to a club or membership program. The findings from literature review supports that the loyalty program that operates in this way makes membership status become more valuable and creates a strong sense of belonging and loyalty (Rosenbaum *et al.*, 2005).

According to the results of this study, all respondents that are members of the frequency program with a paid membership fee indicate a positive relative attitude only in the communication related dimension, not the individual

commitment dimension. The membership fee of the frequency program is likely to result in repeat patronage as members are likely to make return visits to gain financial benefits until they have recouped the cost of the membership fee. A membership fee does not, therefore, contribute to the development of attitudinal loyalty. However, charging a membership fee allows businesses to pre-qualify members who can afford the membership and have strong potential to become loyal members of the program (Woolf, 2002). It also creates an exit barrier at least until their membership expires.

### *III. Staying competitive and differentiating*

Even though incentives play a major role in motivating member loyalty, they do not seem to create a strong competitive advantage. Offering discounts alone can easily be replicated (Duffy, 1998). Some evidence has shown that discounts do not create true loyalty (Javalgi and Moberg, 1997; McIlroy and Barnett, 2000). Staying competitive and differentiating requires offering both hard benefits and soft benefits (Javalgi and Moberg, 1997). Therefore, employing Social Influences that fulfill members' Implicit Concern could reasonably be an advantage. Competitors cannot replicate this type of benefit in the short run (Gwinner *et al.*, 1998).

Firms with an ability to provide other positive services to their members beyond the members' expectations could gain a competitive advantage. The competitive advantage not only depends on the financial benefits that firm offers to its customer, but also depends on the service quality and the customer relationship management. Customer contact strategy/ relationship marketing plan therefore should be considered as an integral part of frequency program implementation for a high direct staff contact environment especially in the context of service industry. Members are not only seeking hard benefits gained by being members of the frequency program. They are also seeking two major kinds of Social Influences benefits, namely, Implicit Concern and

Explicit Concern as explained earlier. If members only receive a discount, it could turn the program into a sales promotion program. Recognizing members every time they patronize a food and beverage outlet enhances their feelings of privilege and status. They feel like more than just a discount cardholder. It seems, based on observation, that most hotels simply sell the membership as a discount card and tend to ignore the importance of giving Social Influences benefits to members. There is now data suggesting that Social Influences benefits can positively contribute towards loyalty development.

#### *IV. Member acquisition and retention approach*

The present study has led to an understanding that the implementation of a frequency program involves the two key tasks of member acquisition and member retention. Once the hotel succeeds in maintaining competitive offerings, member acquisition will more likely be effectively taken care of. Member retention may rely on how much the hotel recognizes the value and reaction of each member group during the membership period.

Based on the result of this study, new members (those who have just or about to become members) are more motivated by hard benefit offerings. After becoming members, they also expect to receive privileges or soft benefits, in addition to the financial benefits. Well-aware of this fact, a selection of benefits based on the individual member's preferences, which have been learned through purchase history as well as the fulfillment of that member's Implicit Concerns, can be offered. This may include greeting them every time they patronize the outlet, remembering their seating preference, or offering customized services. These fulfillment tasks require service employees with interpersonal skills, a member handling process that enables interpersonal action and member database management.

#### *V. On-site privileges are on demand*

Regarding the association of Social Influences with attitudinal loyalty development, the strategy of one to one member contact seems to be crucial for implementing a frequency program. In practical terms, the fulfillment of the Implicit Concern factor found in this study can only be feasible in the event that the hotel designs a process to handle member reservations and provide on-site member service. The appropriate process enables a smooth interpersonal operation. For example, a hotel should know when and which outlet the member will visit before the member arrives. Then a hotel staff member should be assigned as a member manager or a personal relationship manager should be present at the outlet at that time and show his/her recognition and appreciation to the member, thereby shifting the business relationship to a higher level.

Making members feel different or feel more special than other guests could enhance loyalty. This notion is supported by the outcome of the present study. This may be because the "Gain Face" tradition remains strong in the Asian context (Patterson and Smith, 2001). This one to one communication service can make a greater impact on renewed members. Therefore, a hotel may start to implement this exercise with selective longer serving members so that the hotel can ensure its quality. Then the hotel can evaluate the outcome after building these relationships. This exercise involves using customer patronage history data to enable a good customer interaction and build a strong bond with a customer on a one to one basis.

The findings show that there is no real difference between new and renewed members. They have identical behavioral and attitudinal loyalty. Both groups are distinct from non-members and they should be treated as such when among non-members during their membership period. This is because they have already made an initial investment to purchase privilege.

## *VI. Moving program away from exclusive discount program but towards a communal loyalty program*

In response to the outcome of the study that “Implicit Concern” factor is one key influencing factors in loyalty continuance among current members, once a firm decides to implement the loyalty program, the focus on the loyalty program, customers become a priority. This involves special service treatment, more advantages to be given to members over non-member customers. Hence, prior to implementing the loyalty program, it is important to brief the front line service team thoroughly on the concept of loyalty program. This task should be one of program key components to achieve the set goal of the program.

New training courses for front line service staff needs to be in place, for example, making them aware of how to identify at a glance whether a customer is a loyalty program membership. After successfully identifying the customers, service employees then provide a special treatment or spend more time or attention to those who are members to create an exclusive sense of belonging to the program.

## *VII. Lifetime membership scheme*

Limitation of the membership term should be eliminated, especially in a highly competitive market context. A lifetime membership scheme could be another strategic approach for the hotel frequent diner program to consider when alternative programs seem to offer a similar package. This may help to create an exit barrier among the best member group. This was seen in the recent frequency program established by American Airlines at the end of 2004, which offers a lifetime program for frequent first class flyers. Members are required to pay USD\$ 3 million per person for unlimited flights to unlimited destinations in first class throughout their lifetime (Johnston, 2004). This is considered another twist in the development of frequency programs.

However, if hotels were to adopt this new scheme, they would need to carefully calculate the profit and loss potential to ensure the scheme offers reciprocal optimum benefits. It is necessary to use a member lifetime value calculation as a guide to setting a lifetime membership fee to ensure the attractiveness of the program. More importantly, developing a benefit scheme on a customized basis could also encourage loyalty development. An example might be to offer a cheaper fee for a limited number of incentives given. Woolf (2002) suggests doing this, helps to filter the best customers. The identification of members' different levels of loyalty becomes easier based on the type of membership program for which they apply.

#### **5.4 Limitations of the study**

The findings of the study offer limited generalization. This is because this study is limited to a single hotel's loyalty program in a special hotel food and beverage segment of the service industry in Bangkok, Thailand.

The majority of respondents are Thai who are residing in Bangkok. Hence, the outcome is limited to the Thai context, in the capital of Thailand. The low response rate from the new member group must be recognized as a limiting factor.

Another limitation is that the loyalty condition revealed in this study and the factors that influence loyalty development are from the perspective of existing members only.

## 5.5 Contributions and future research suggestions

This study reveals a new dimension in discovering the level of loyalty conditions among members of frequency programs charging a membership fee. Charging a membership fee does not contribute to a high relative attitude. This is because the fee invested in the program was traded for a bundle of discount vouchers and other financial incentives. Hence, the membership fee contributes directly to the motivation of repeat patronage, but not high relative attitude.

Members of the frequency program expressed spurious loyalty even though they do express a positive level of relative attitude, especially in the communication related dimensions (i.e., generating word of mouth).

The outcome further suggests that Social Influences in the form of Implicit Concern are of higher importance than Explicit Concern. This result contributes to the managerial implication that a frequency program with competitive economic offerings, including an Implicit Concern function, can diminish churn among members. This offers a new concept in making a frequency program operate close to a relationship marketing program – a real loyalty program – not a promotion program. This is consistent with level 2 strategies suggested by Berry and Parasuraman (1991).

As proposed in the research framework, a frequency program cannot involve designing a package based solely on financial benefits. The benefits given need to go beyond the printed vouchers especially in a highly competitive context and market, where there are plenty of alternative frequency programs for members to choose from. The fulfillment of Implicit Concern by staff, who give individual recognition at points of service, is also essential. This is

an important factor in making members stay loyal, in addition to giving attractive pricing incentives.

Even though the study derives specific and unique findings, it is notable that in many areas the results of research conducted elsewhere in different industries and cultural contexts have been confirmed. It seems that hotel diners in Thailand are not much different from hotel diners elsewhere, or users of a wide range of other services. This study reveals the loyalty condition, the factors that influence loyalty development from the perspective of existing members only.

In terms of future research, the results suggest the need to examine the impact of the frequency program through the comparative degree of loyalty between members and non-members of the hotel frequent diner program. Furthermore, extending the work by using the factors underlying repeat patronage among non-members as compared with members could possibly help to discover what may diminish churn.

As this study has confirmed, monetary benefits are inevitable factors in attracting new members. A further research topic could also be geared towards the issue of member valuation, finding out the optimal amount for the value of financial benefits given in exchange for the membership fee. Future research could also involve the examination of the weaknesses and strengths of charging a membership fee for the frequency program.

The results of this study point to the need to examine the impact of charging a membership fee, as it seems to be a key factor for members in joining and leaving the program. Furthermore, research into the type of membership fee charged to help the program gain an advantage would be useful. It would also be useful in future research to investigate the impact of a one time fee or an



annual fee or whether more members could be drawn by offering different program fees for members to choose.

This study concludes by suggesting the development of a discount card based on the frequency program into the real loyalty program. It is found that non-financial benefits (Implicit Concern) are somewhat important in loyalty development among frequency program members. It would be of great benefit if future research could extend the work to reveal the impact of Implicit Concern in the frequency program in international markets. It is suggested that action research could be used among the members with Implicit Concern, or even those with no Implicit Concern, to help gain higher validity. For example giving Implicit Concern benefits to a sample of new members to see if their levels of loyalty increase. Unfortunately, this kind of research would be time-consuming, primarily because knowing whether members would actually renew their membership or not, would not be truly known until the end of the membership term (at least 12 months).

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## **Appendix 1**

*An Analysis of Frequent Diner Programs' Benefits*

*Annual Membership Fee / Dining Benefits*

*Room Benefits / Hotel Facilities Benefits*

*Additional Dining Benefits (Coupon/Voucher)*

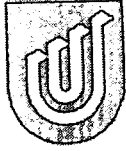
*Other Benefits (Coupon/Voucher) / Additional Card Benefits*

Benefit Features	Grand Hyatt Erawan Bangkok	Sheraton Grande Sukhumvit Bangkok	J W Marriott Hotel Bangkok	
	Club at the HYATT	Sheraton Grande Club	Marriott Gold	
Annual Membership Fee	THB 6,500	THB 6,000	THB 6,300	THB 5,300
<b>Dining Benefits</b>				
Discount (food only) when dine alone	10%	50%	35%	35%
Discount (food only) for two diners	50%	50%	50%	50%
Discount (food only) for three diners	33%	33%	33%	33%
Discount (food only) for four diners	25%	25%	25%	25%
Discount (food only) for five diners	25%	20%	20%	20%
Discount (food only) for six diners	25%	20%	20%	20%
Discount (food only) for more than 6 diners	15%	20%	20%	20%
Discount (food only) for more than 11 diners	15%	20%	20%	20%
Discount (food only) for more than 15 diners	15%	20%	15%	15%
Discount on beverages	10%	20%	15%	15%
Can be used when staying at the chained hotel nationwide	Yes	Yes	Yes	Yes
Can be used when staying at the chained hotel overseas	Yes	Yes	Yes	Yes
<b>Additional Dining Benefits (coupon/voucher)</b>				
Complimentary lunch for 2 persons	2	N/A	N/A	N/A
Complimentary dinner buffet for 2 persons	N/A	1	1	1
THB 500 discount for food and beverages	N/A	N/A	1	1
Free flow or soft drink during meal coupon when 4 persons dine	2	N/A	N/A	N/A
Complimentary birthday cake or a bottle of house wine	Yes	Cake only	N/A	N/A
One bottle of house spirit or house wine free	when spend THB 15,000	N/A	N/A	N/A
Free flow of draft beer	when spend THB 1,500	Upto 6 persons	N/A	N/A
50% off lunch/dinner buffet (food only) and 20% off house wine	2	N/A	N/A	N/A
50% off lunch/dinner (food only) and 20% off house wine	2 (max. 4 persons)	1 (7-9 persons only)	1 (8-10 persons only)	1 (8-10 persons only)
50% off a la carte lunch/dinner (food only) and 20% off house wine	2	N/A	N/A	N/A
Free Peking Duck when having a la carte lunch/dinner	1	N/A	N/A	N/A
Free Suckling Pig when having a la carte lunch/dinner	1	N/A	N/A	N/A
30% off dinner (food only) and 20% off house wine	2	N/A	N/A	N/A
Hotel Bakery	50%	N/A	20% (on card)	20% (on card)
<b>Room Benefits (coupon/voucher)</b>				
Complimentary accommodation for one night	N/A	1	1	N/A
50% off room rates	N/A	5	5	5
Upgrade certificates	N/A	N/A	2	2
Stay two night and the second night free nationwide	2	N/A	N/A	N/A
THB 2,900 per night at selected chained hotels	N/A	2	3	3
<b>Hotel Facilities Benefits</b>				
Laundry and dry cleaning	30% (coupon)	N/A	20%	20%
Discount for Banquet	N/A	N/A	10%	10%
Discount on Weddings	N/A	N/A	10%	10%
Discount at Business Center Services	N/A	N/A	20%	20%
Discount for Spa treatment	N/A	50%	50%	50%
Discount for annual fitness club membership	N/A	20%	10%	10%
Discount for day use fitness	N/A	N/A	20%	20%
Complimentary day use at fitness	2 Coupons	1 for 2 persons	1 for 2 persons	1 for 2 persons
<b>Other Benefits (coupon/voucher)</b>				
10% discount at Asia Books	2	N/A	N/A	N/A
20% off selected fashion brand at an upscale department store	2	N/A	N/A	N/A
Special price for Lasik eye surgery	2	N/A	N/A	N/A
<b>Additional Card Benefits</b>				
Special tee-off rates at selected golf course	Yes	N/A	N/A	N/A
THB 2,500 per night at selected chained hotel	Yes	N/A	N/A	N/A
Special accommodation rates nationwide	Yes	50%	50%	50%
Special accommodation rates for Asia Pacific	Yes	35%	50%	50%
Special accommodation rates worldwide	Yes	35%	N/A	N/A
Provide another privilege card for dining / accommodation benefits	N/A	Yes	N/A	N/A
Reward points for every spending	N/A	Yes	N/A	N/A

Source: Frequent Diner Programs' Membership Guidebooks of Specified Hotels offering during 2003 – 2004.

## **Appendix 2**

Recruitment material and Research tool



## University of South Australia

Doctor of Business Administration Program  
Intake BK7  
International Graduate School of Management  
University of South Australia, Adelaide,  
AUSTRALIA

Dear Frequent Diner Program's member,

My name is Anchalee Gibbins, a doctorate student of the University of South Australia. As a requirement of my degree, I am conducting research entitled "Impact of Frequency Program on Customer Loyalty: A Preliminary Study of Hotel Diner Loyalty in Thailand".

This study will focus solely on Hotel Frequent Diner Program, as it is currently a powerful marketing tool for hotels in Thailand, however there has been very little research conducted in this particular area. It is an academic research project conducted by a Doctoral student of the International Graduate School of Management, University of South Australia, Adelaide, Australia as a requirement of the doctoral degree.

To fulfill the purpose of this study, it is required to interview members of a Frequent Diner Program of any hotel in Thailand through an anonymous questionnaire.

As you are the one who can give an accurate view of your direct experience as a member of a Hotel Frequent Diner Program in Thailand, your input will be part of the contribution to the new knowledge of Frequency Marketing in Hotel Business Study. I would like to invite you to participate in this doctoral research study.

All you need to do is to please take a few minutes to fill out the survey enclosed hereby and kindly fax your reply to 02 661 7946 or insert your complete questionnaire in the enclosed postage-paid reply envelope and send it via post.

Please rest assured your response will be held in the strictest confidence. Your name and your personal information will not be identified in any part of the report and no information, which could lead to identification of any individual, will be released. All information collected as part of the study will



be retained for seven years and kept in a secured environment by researcher and International Graduate School of Management, University of South Australia.

The information you provide will help to gain a better understanding about the impact of Hotel Frequent Diner Program on Customer Loyalty. The outcome of this study is expected to be useful to contribute to the practical and academic knowledge in the area of Hotel Frequent Diner Program in Thailand in particular.

A summary of key findings of this research will be available three months after the completion of the research phase. If you wish to receive a summary of key findings of this research, please contact me directly via email at [anchalee.gibbins@postgrads.unisa.edu.au](mailto:anchalee.gibbins@postgrads.unisa.edu.au).

Thank you very much for your time and cooperation. I greatly appreciate your help in furthering this research endeavor.

I would highly appreciate if you could be able to send your reply at soonest.

Best regards,  
Anchalee Gibbins  
Doctoral Degree Candidate  
International Graduate School of Management  
University of South Australia, Adelaide, Australia  
Email: [anchalee.gibbins@postgrads.unisa.edu.au](mailto:anchalee.gibbins@postgrads.unisa.edu.au)  
Phone: 01 822 1530 Fax: 02 661 7946

**P/S: Should you have any ethical concerns about the project, please feel free to contact:**

**Becci Love**  
Program Administrator: Doctoral  
International Graduate School of Management  
Division of Business and Enterprise  
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Phone: + 61 8 8302 0475 Fax: + 61 8 8302 0709



The questionnaire survey consists of four sections.

### Section 1: About Your Membership

---

- 1.1 When you first joined a Hotel Frequent Diner Program, what were your initial reasons to join this kind of program? (You can select more than 1 reason.)
- Value for money (i.e. discount, great offers and other benefits of the program)
  - Satisfaction with the quality of service
  - Satisfaction with the restaurant ambiance
  - Satisfaction with the variety of menu
  - Satisfaction with the quality of food
  - Having relatively high frequency of dining out
  - The popularity of the restaurants
  - Hotel's reputation and image
  - Convenient location
  - Convenient parking
  - Recommend by friend who has already been a member
  - Hotel sales' persuasion
  - The program represents a symbol of high social status
  - Membership fee waived
  - For business use
  - Other (please specify) \_\_\_\_\_

- 1.2 Number of Frequent Diner Programs membership that you currently belong to \_\_\_\_\_
- 1.3 Please select the Frequent Diner Program that is most used (select one only)
- \_\_\_ Club at the Hyatt
  - \_\_\_ Sheraton Grand Club
  - \_\_\_ Marriott Gold Thailand
  - \_\_\_ Pinnacle Club
  - \_\_\_ Other (please specify) \_\_\_\_\_
- 1.4 On which of these occasions do you most use the above Frequent Diner Program card? (Select one only)
- \_\_\_ Business
  - \_\_\_ Family celebration
  - \_\_\_ Social/Friend
  - \_\_\_ By yourself
- 1.5 How did you attain membership of the most used program?
- \_\_\_ Company paid
  - \_\_\_ Self-Funded
  - \_\_\_ As a gift
  - \_\_\_ Other (please specify) \_\_\_\_\_
- 1.6 How long have you been a member of the most frequently used program?
- \_\_\_ Less than 1 year
  - \_\_\_ 1 – 3 years
  - \_\_\_ More than 3 years but less than 5 years
  - \_\_\_ More than 5 years
- 1.7 Have you left any Frequent Diner Program before?
- Yes (please continue to the next question)
  - No (please go to Question 2.1)

1.8 If YES, What were your reasons to leave/not renew the Frequent Diner Program? (You can select more than one reason)

- Annual membership fee is too expensive compared to other Frequent Diner Program
- Found and applied for membership of another Frequent Diner Program that offers better deals
- Attain free membership for the first year only
- Do not want to spend my own money on membership fee
- No one contacts me regarding renewing my membership
- Hardly use the card and felt not worth to renewing it
- Move office or residence and the hotel location becomes inconvenient
- Encounter a bad experience about product and/or service of this hotel
- Other (please specify) \_\_\_\_\_

## Section 2: About Your Repeat Patronage

For each one of these statements how important to you when you decided to make repeat patronage or most frequent visits (Please tick ✓ your response using the scale indicated below)

2.1 Do not want to waste the annual membership fee without enjoying any benefits.

Very important                                            Not important at all  
5            4            3            2            1

- 2.2 I can use complimentary rewards, free voucher (excluding discounts) given by this Frequent Diner Program.  
 Very important  $\frac{\quad}{5}$   $\frac{\quad}{4}$   $\frac{\quad}{3}$   $\frac{\quad}{2}$   $\frac{\quad}{1}$  Not important at all
- 2.3 I can use the vouchers that require certain amount of spending prior to receiving a discount.  
 Very important  $\frac{\quad}{5}$   $\frac{\quad}{4}$   $\frac{\quad}{3}$   $\frac{\quad}{2}$   $\frac{\quad}{1}$  Not important at all
- 2.4 This program provides me more value for money than other Frequent Diner Programs.  
 Very important  $\frac{\quad}{5}$   $\frac{\quad}{4}$   $\frac{\quad}{3}$   $\frac{\quad}{2}$   $\frac{\quad}{1}$  Not important at all
- 2.5 Special deal/discount given by the Frequent Diner Program.  
 Very important  $\frac{\quad}{5}$   $\frac{\quad}{4}$   $\frac{\quad}{3}$   $\frac{\quad}{2}$   $\frac{\quad}{1}$  Not important at all
- 2.6 The more I dine the more points I can earn through this Frequent Diner Program.  
 Very important  $\frac{\quad}{5}$   $\frac{\quad}{4}$   $\frac{\quad}{3}$   $\frac{\quad}{2}$   $\frac{\quad}{1}$  Not important at all
- 2.7 How frequently do you dine at the hotel's restaurant whose the Frequent Diner Program you belong to (for the most used program only)?  
 Once a day  
 More than once a day  
 Once a week  
 More than once a week  
 Once a month  
 More than once a month  
 Less than once a month

2.8 Have you visited the hotel's restaurants in which you are a member of Frequent Diner Program more often than before becoming a member?

YES

NO

2.9 Would you pay frequent visits if the incentive were taken away or less attractive than other competitors?

YES

NO

### Section 3: About Your Relative Attitude

---

Please indicate your response to what extent you are likely to engage with each one of these activities during your membership with the most used Frequent Diner Program?  
(Please tick ✓ your response using the scale indicated below)

3.1 I recommend my colleagues, friends or relatives to apply for membership of this Frequent Diner Program.

Totally Likely                          Totally unlikely  
5 4 3 2 1

3.2 I tell my colleagues, friends, and relatives about the good benefits of this Frequent Diner Program.

Totally Likely                          Totally unlikely  
5 4 3 2 1

3.3 I have no intention to switch to other Frequent Diner Programs, even though they are offering a better deal.

Totally Likely                          Totally unlikely  
5 4 3 2 1

3.4 I never search for alternative Frequent Diner Programs that can offer me better treatment.

Totally Likely                          Totally unlikely  
5 4 3 2 1

3.5 I gave or I will give any comments and/or recommendations about service, food and anything related to the hotel, whose Frequent Diner Program I belong to.

Totally Likely                          Totally unlikely  
 5 4 3 2 1

3.6 I would remain a customer of this hotel even if there would be no Frequent Diner Program offering.

Totally Likely                          Totally unlikely  
 5 4 3 2 1

**Section 4: About Your Preference on Social Influence**

---

For each statement please indicate their relative importance for you to maintain your loyalty and continue to renew your membership with the Frequent Diner Program. (Please tick ✓ your response using the scale indicated below)

4.1 Hotel that recognizes me and greets me personally every time I pay a visit

Very important                          Not important at all  
 5 4 3 2 1

4.2 Hotel that remembers my seating preference when I make a reservation

Very important                          Not important at all  
 5 4 3 2 1

4.3 Hotel that sends me relevant communications regularly

Very important                          Not important at all  
 5 4 3 2 1

4.4 Hotel that offers me a customized service i.e. serves me an off menu dish which I prefer

Very important                          Not important at all  
 5 4 3 2 1

- 4.5 Hotel where the F&B outlet manager or hotel senior staff is friendly to me and has personable communication  
 Very important  5  4  3  2  1 Not important at all
- 4.6 Hotel that offers a dedicated hotline service exclusively for members of the Frequent Diner Program  
 Very important  5  4  3  2  1 Not important at all
- 4.7 Hotel that provides me a personal customer relationship officer to assist me to arrange my reservation and other relevant hotel services  
 Very important  5  4  3  2  1 Not important at all
- 4.8 Hotel that offers exclusive community activities for members i.e. culinary program, concerts etc.  
 Very important  5  4  3  2  1 Not important at all
- 4.9 Hotel that provides superior treatment to members of Frequent Diner Program apart from giving discount benefits. (Guarantee seats, private dining room, member dining section)  
 Very important  5  4  3  2  1 Not important at all

### About Yourself

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#### Your gender

Male

Female

#### Your marital status

Never married

Married /De facto

Widowed, Divorced, Separated

#### Your age

Under 21

21 – 30

31 – 40

41 – 50

51 – 60

Over 60



**Your occupation**

- Executive/managerial       Government Officer  
 Business owner  
 Professional (doctor, lawyer, artist, actor, singer, etc.)  
 Other (please specify) \_\_\_\_\_

**Your ethnicity**

- Thai       Not Thai but Asian  
 Caucasian       Other (Please specify) \_\_\_\_\_

Thank you for your time and cooperation. Should you have any enquiry regarding this questionnaire please feel free to contact me directly at Telephone number 01 822 1530 or email address [anchalee.gibbins@postgrads.unisa.edu.au](mailto:anchalee.gibbins@postgrads.unisa.edu.au)

After making sure that you have not skipped any questions,  
**please kindly return the complete questionnaire at soonest via fax**  
**Fax to Anchalee Gibbins, Fax Number 02 661 7946**  
Or insert in the enclosed postage-paid reply envelope and send via post

## Appendix 3

### Demographic profile of respondents

#### Respondents' genders

		Frequency	Percent	Percent Population
Valid	Male	83	57.2	60.0
	Female	62	42.8	40.0
	Total	145	100.0	100.0

#### Respondents' ages

		Frequency	Percent
Valid	21-30	6	4.1
	31-40	26	17.9
	41-50	53	36.6
	51-60	47	32.4
	over 60	13	9.0
	Total	145	100.0

#### Respondents' occupations

		Frequency	Percent	Percent Population
Valid	Executive / managerial	62	42.8	50.0
	Business owner	54	37.2	40.0
	Professional	11	7.6	10.0
	Government officer	7	4.8	n/a
	Office worker	5	3.4	n/a
	Housewife	4	2.8	n/a
	Consultant	1	.7	n/a
	State run enterprise	1	.7	n/a
	Total	145	100.0	100.0

## Appendix 4

Reliability Analysis - Scale (Alpha)			
Construct	No.of Items	Alpha	Standardized Item Alpha
Repeat Patronage	6	0.7321	0.7391
Relative Attitude	6	0.642	0.6464
Social Influences	9	0.8662	0.8655