

# A Proposal For The Management Of Hotel Services By Means Of The Use Of Multi-Sponsor Loyalty Program Information

Jose m. Ponzoa casado, Pedro Reinares lara

Universidad Complutense de Madrid, Universidad Rey Juan Carlos  
[jmponzoa@ccee.ucm.es](mailto:jmponzoa@ccee.ucm.es), [pedro.reinares@urjc.es](mailto:pedro.reinares@urjc.es)

## Abstract

Various different studies have discussed the potential of multi-sponsor loyalty programs as a catalyst for tourism service sales. This capability is derived from the proven fact that a correctly designed and managed loyalty program can embody, from a strategic point of view, a highly valuable sales support tool for the appropriate management of differences between customers in mass markets. Numerous sources recognize the contribution of these programs to information systems about customers, to following the transactions that they carry out with a specific company and to sales research in general applicable to the management of customer diversity.

This is due to their capacity for the collection and treatment of information being more effective than traditional research procedures. Using the information that such programs afford, it is viable to efficiently and effectively segment and therefore manage mass markets. Thus, with rewards being the most tangible component of the programs, they are a variable that differentiates between different social-demographic profiles and are therefore useful in identifying and categorizing the program users of greatest sales interest for the companies that participate in them.

In fact, the characteristics of the objective described in this study are derived from the penetration level of multi-sponsor programs within the population (millions of members in Spain), from the social-demographic profile of the members and the high number of program point redemptions for tourism services, and especially for hotel services. Indeed, 17 % of the rewards redeemed in the program, in which the empirical analysis takes place, are in hotels. With regard to the capabilities of such programs for providing an alternative sales channel for hotel services, as in previous works ( Ponzoa and Reinares, 2009 and 2010 ), this is not purely conjecture: of the total of cardholders who redeem rewards, nearly 40 % do so for tourism services, reaching almost 31% of all rewards redeemed. It is significant that 16.6 % of the members choose hotels as rewards, using 20.2 % of the points that the program generates for reward purposes.

Moreover, in order to upgrade their hotel category, there are many customers that make up the price difference by paying additional cash sums when carrying out their point redemptions. Thus, knowing the characteristics of redemptions based on tourism services, there are increasingly more programs that include them as a preferential choice or highlight them amongst all the rewards offered. Given that there necessarily has to exist a direct marketing

structure to support the program (customer database, means and methods of payment, reward delivery logistics, offer controls...) the same platform could also be used, without significant changes or investment, as a direct sales channel for hotel services straight to the consumer.

For this reason it is important for hotel service companies to know how to appropriately manage the potential of loyalty programs, as much for the high number of companies that offer this marketing tool (either directly or through a multi-sponsor format), as for the relative importance that hotels have within the range of rewards offered by programs to their members, and as a basic catalyst for the programs themselves. Thus, taking all of this into account, this study has, as its main objective, that of responding to the information needs derived from the management of hotel services within the confines of a loyalty program.

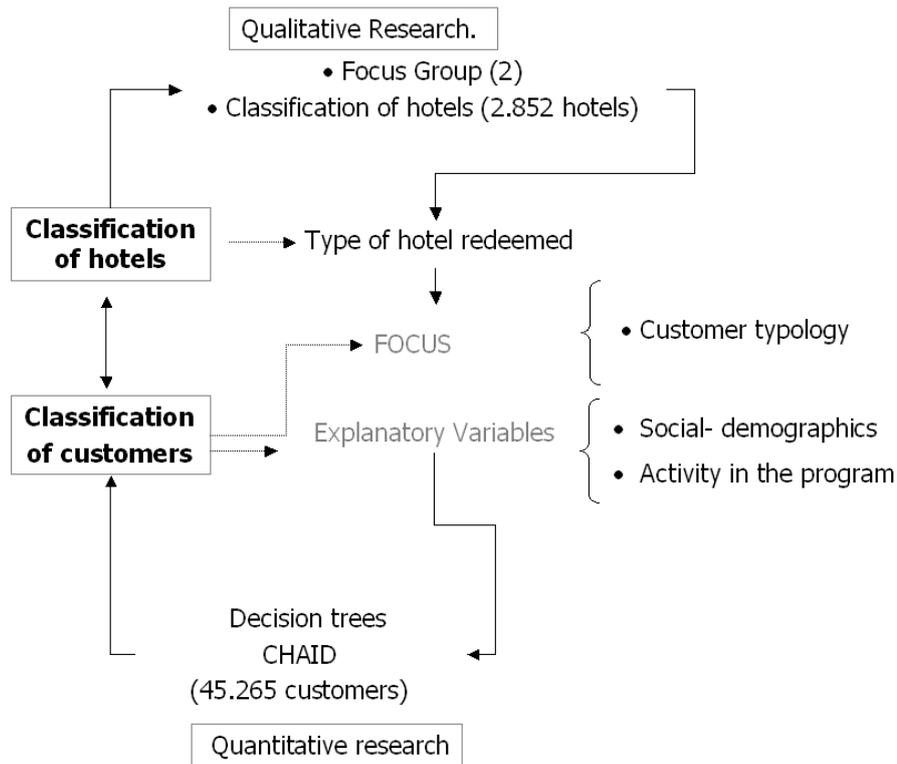
In order to achieve this, research, in a real-life environment, using resources that are usually hard to find in university research (thanks to the involvement of the management of the program used as a primary source, in the expectation of relevance for business practice), is used for the results of this study.

The large amount of information that a program, such as the one used empirically, supplies, does not only allow for the classification of cardholders on the basis of their behavior with respect to the level and rating of the hotels chosen as rewards; the analysis of such information also allows for an innovative classification of hotel services based on the behavioral and social-demographic variables included in the program. This proposed classification shows the imbalance between supply and demand for hotel services in the Spanish market.

The representativeness of the results is apparent since Spanish multi-sponsor programs have five million members and this research is based on data from one of the biggest multi-sponsor loyalty programs in Spain, in terms of participating companies and numbers of reward redemptions. The program has almost 100% national coverage, a fifteen year track record and nearly 1.5 million active users. The specific data used was taken over five years and took into account almost 100,000 redemptions. In the analysis, type of hotel, destination (national/international), price level, number of associated transactions and the social-demographic profile of the people who used/ enjoyed the hotel's services are contemplated. Also additional sales of hotel services related to point redemptions are similarly evaluated. With respect to the analysis techniques used and their appropriateness for the aims of the study, focus group sessions were carried out for the classification of hotels (positioning maps) and 2,852 establishments and 45,265 customers were also classified by means of decision trees. Figure 1 shows the research design where the process that permits the elaboration of a proposal for the classification of hotel services based on demand can be seen. It also summarizes the methodology for classifying customers by means of Chaid trees and the variables that intercede.

The study of program member profiles using this multi-variant technique (decision trees) has previously been satisfactorily used in studies such as those by Galguera and Mendez (2004), Galguera et al ,2007) or Ponzoa and Reinares (2009).

**FIGURE 1**  
**Research Design**



In spite of the complexity of the research it offers operational proposals for the management of hotel services within the framework of a loyalty program. In this way, the hotel industry has a tool to understand whether its services match with the needs of a large (and profitable) population profile such as loyalty program users.

The customer classifications used could also be used as a reference for hotel service companies in their decisions for finding alternative sales channels. Doubts in the decision-taking process could also be reduced if an analysis, based on the proposed model, were carried out on the customer database of a hotel service company interested in participating in such a program, with the aim of establishing correlations between actual and potential customers.

It is also noteworthy that the proposed customer segmentation could be used as much with existing program members, in order to stimulate their involvement in the program by more accurately adjusting the hotel service benefits offered to their needs, as with new members, with the aim of evaluating their tendencies (based on their behavioral and social-demographic characteristics) towards the redemption of tourism service rewards.

Finally, by matching different types of hotel service offers to specific segments of loyalty program users, the perceived value of the rewards would be increased, the program itself would be stimulated and the objective of this study would be fulfilled: namely that of demonstrating that loyalty programs are a new tool for selling tourism services, the profitability of which could be directly quantified by sales.

Key words:

Loyalty programs, Tourism marketing, Hospitality services, Decision trees.