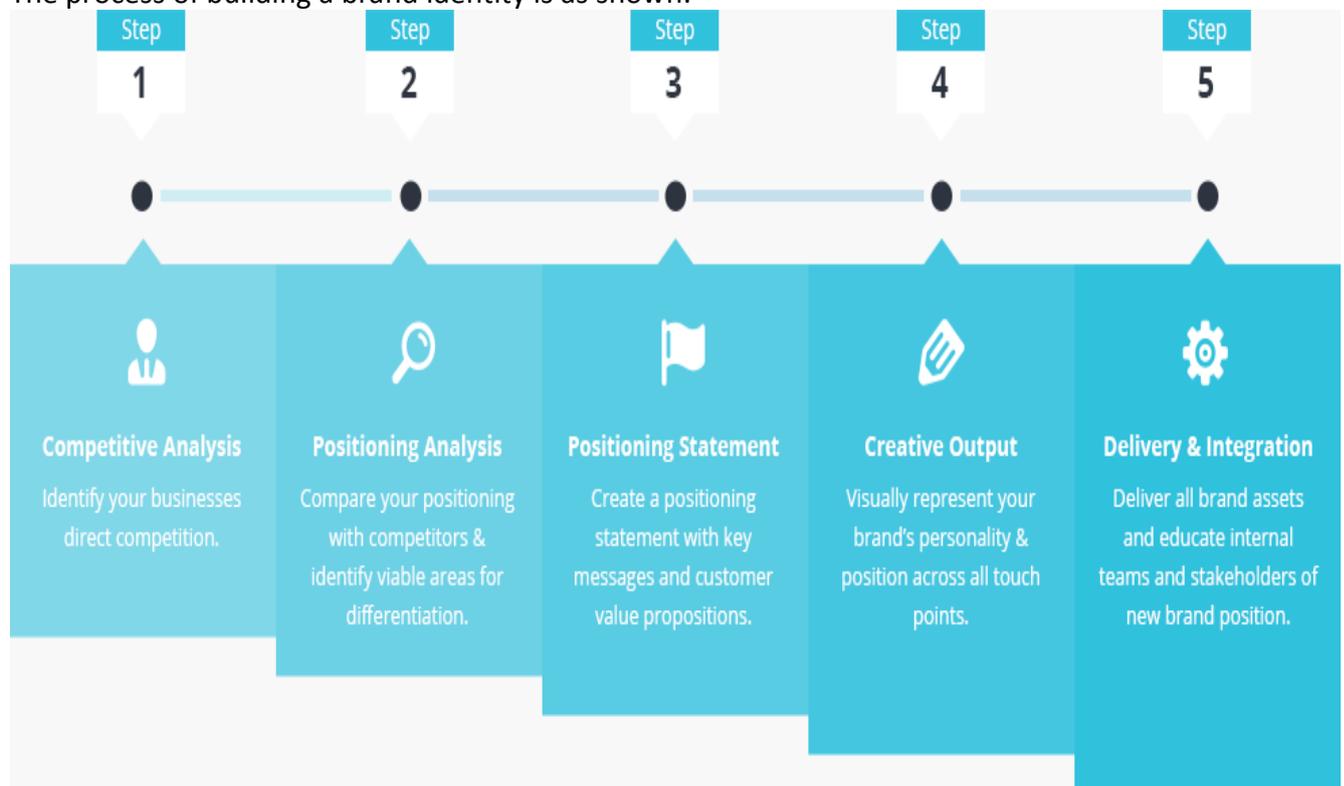


Brand Loyalty in General and for the hospitality industry- A Study of trends

A **brand** is a name, term, sign, symbol, or design that is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. But a brand is much more than this. Brand is an intangible element of business that can make a guest fall in love with it. Brand is an extremely expensive intangible asset that purely symbolic and emotional. This intangible preciousness makes branding an extremely complex beast to rear and control.

To successfully build a brand, the firm's perspective of the brand should be efficiently and exactly communicated to the end customers, to ensure that the firm's perspective of the brand is a close match to the customer's perspective of the brand.

The process of building a brand identity is as shown:

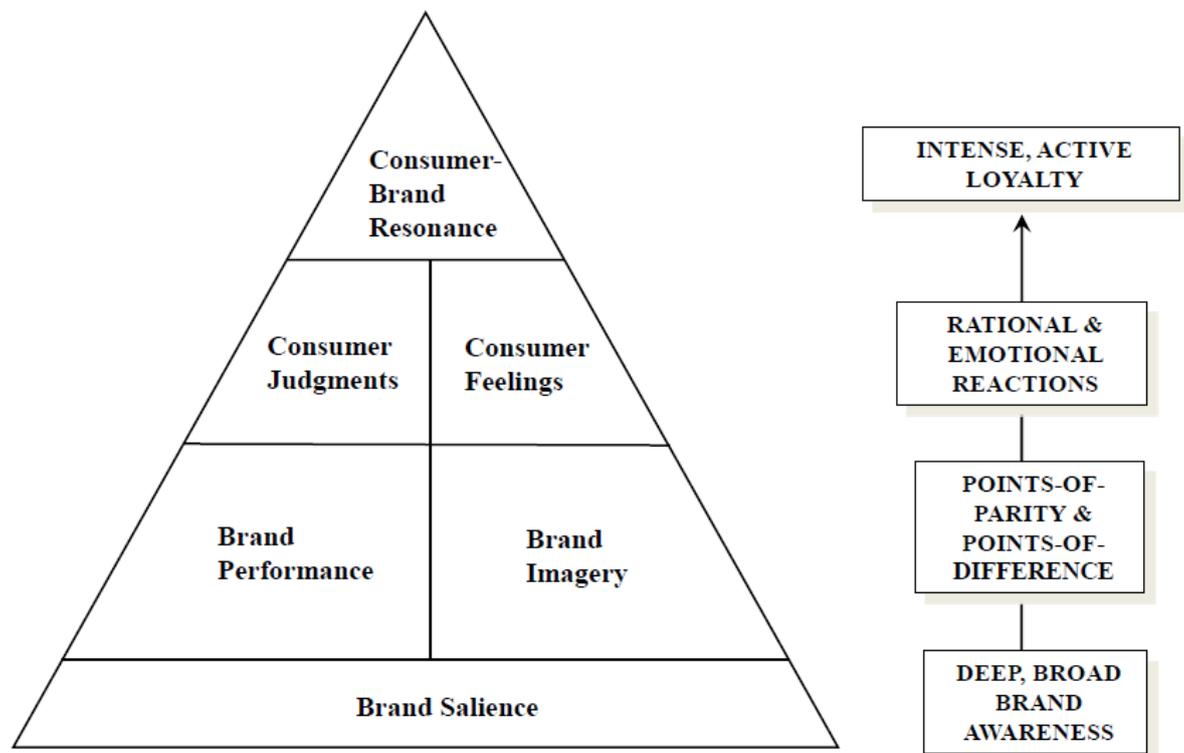


The entire effort invested into Branding yields Brand equity (Brand equity is defined in terms of marketing effects uniquely attributable to the brand and relates to the fact that different outcomes result in the marketing of a product or service because of its brand name, as compared to if the same product or service did not have that name)¹.

The benefits of Brand Equity are:

- Facilitates a more predictable income stream

- Increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing
- Brand equity is an asset that can be sold or leased.
- Good Brand Equity generates Brand Loyalty
- Building a strong brand involves a series of steps as part of a “branding ladder”.ⁱⁱ



The foundation of the brand ladder is created through the creation of deep and broad brand awareness- the ability for your product/company/project/any ‘brandable’ item to stand out and be identified.

Brand awareness consists of both brand recognition, which is the ability of consumers to confirm that they have previously been exposed to your brand, and brand recall, which reflects the ability of consumers to name your brand when given the product category, category need or some other some other similar cue.

Brand awareness should allow for:

- the ease of recognition and recall
- Strength and clarity of category membership
- Purchase and consumption consideration

Once brand awareness is established, the key focus is laid on the product quality and characteristics, durability and reliability, style, design and price.

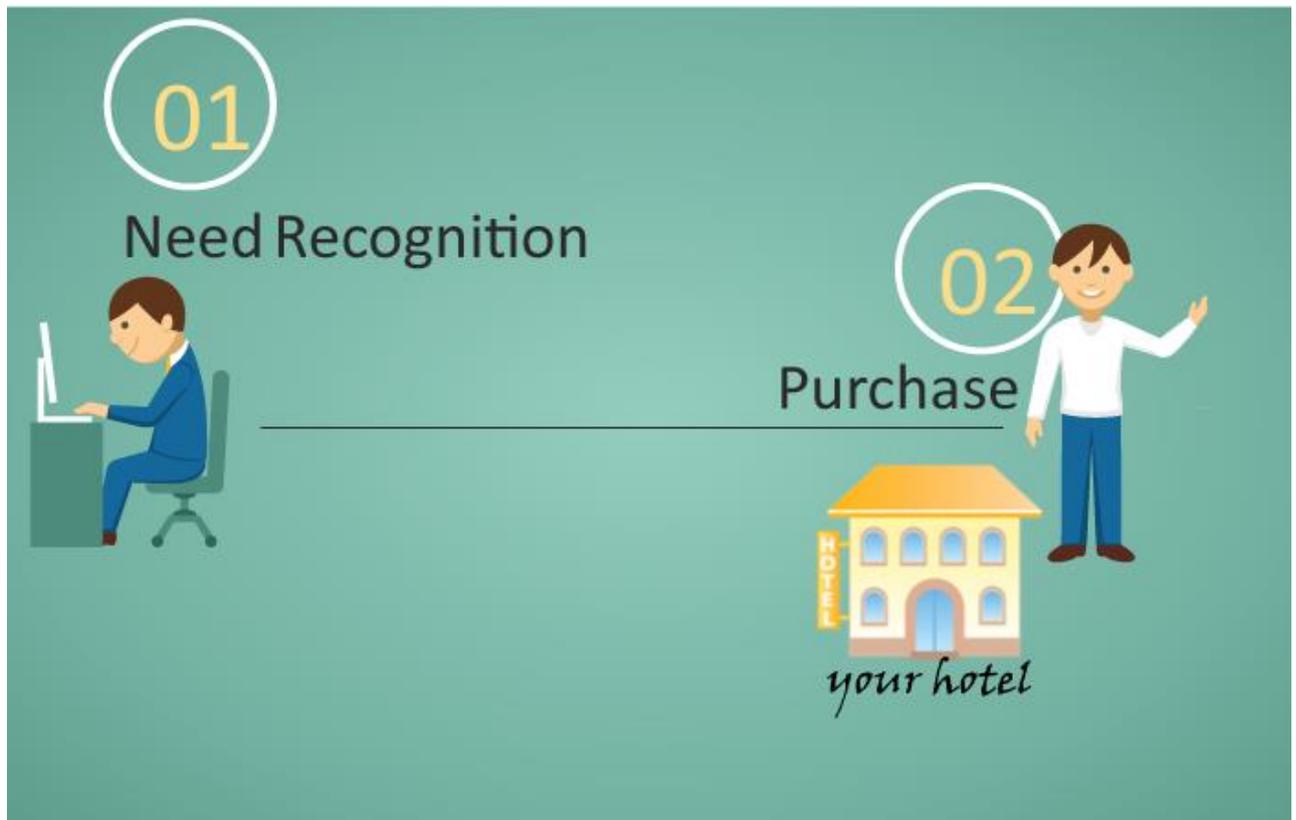
Beyond brand awareness and the core product characteristics, the emotional, rational and finally the irrational responses to the established brand, need to come together to create brand equity that can be used to increase brand loyalty.

The importance of Brand Loyalty for Hotels:

Once brand awareness is established, the endeavour to grapple of brand loyalty begins. Brand Loyalty is a commodity that all establishments should vie for because, it ensures that Guests blindly pick the brand that they are loyal to. This blind choice is because the constant evaluation of the risk of the 'right choice of hotel' is a cumbersome and worrying prospect for your customers. Once trust is established between the hotel and its guests, the consumer's decision making process shifts from:



To:



Every time your consumer takes this direct path to your hotel, you save on marketing and sales spend required to capture new customers and induce them to select you over competition. In an era where there are few differences between the offerings made by your competitor and you, brand differentiation is vital for regular travellers who do not invest/involve immensely into the resources spent for booking a hotel.ⁱⁱⁱ

In the highly competitive hotel industry, where products and services have reached “commodity” status^{iv}, hoteliers are required to find ways to set their products and services apart from others. This need has given rise to the use of branding strategies as a source of differentiation^{vi} and competitive advantage^{vii}, making branding one of the most dominant trends in the global hotel industry^{viii}.

Customer brand identification (CBI) can lead to a range of consumer outcomes, including brand loyalty.^{ix} To begin the brand association process, the hotel needs to start by controlling the first point of contact with its customers- the hotel’s online presence- its website. The hotel needs to start building a relationship with its guests, from the time they go online looking for a hotel to book. The longer the brand journey with the hotel, the longer lasting is the customer relationship with the hotel. Longer customer relationships help in etching the brand in a guest’s mind and help along the journey of building a relationship where the guests begin to identify themselves with the hotel’s brand.

Brand equity is becoming an increasingly important asset for economy hotels, and not just luxury hotels because brand loyalty is important for the following reasons:

1. Cost- It costs 5 times more get to new customers than it does to keep existing ones. The acquisition cost of attracting new customers greatly outnumbers the retention cost put into keeping your existing customers from leaving.
2. Turnover rate- According to the book 'Leading On The Edge Of Chaos', reducing the customer turnover by 5% leads to an increase of 25%-125% profit.
3. Revenue- 80% of revenue for most companies comes from 20% of their customers – the loyal customers. Remember, a large customer base will deem nothing if none of them are loyal customers because most of the revenue comes from avid brand users.
4. Likeability to sell- It is much harder to sell a new product to prospective customers than it is to sell to your existing consumer base. The probability of selling to a prospect is 5%-20%, whereas the probability for existing ones is 60%-70%.
5. Retention- 91% of unsatisfied customers who switch over to another service provider will never come back. It is imperative to keep existing customers because if they leave, a good majority will certainly never return^x

While customer relationship management (CRM) has been promoted in the hospitality literature as an interactive relationship between the customer and firm^{xi}, the hotel industry's operationalization of CRM practices seems to entail mainly loyalty programs that offer incentives, which are considered more transactional than relationship-based. These pricing incentives are arguably the lowest level of relationship marketing practices and are vulnerable to competitor promotions^{xii}. They do not fully deliver on the CRM proposition, and hotel firms should consider adopting a higher level of relationship marketing practices that foster social bonding, such as regular communications with customers and socially oriented programs^{xiii}.

The Six Laws of CUSTOMER EXPERIENCE

Just like the three laws that govern all of physics, there are a set of fundamental truths about how customer experience operates, called the Six Laws of Customer Experience. Anyone looking to improve customer experience must understand and comply with these underlying realities.



Law #1

Every Action Creates A Personal Reaction

- Experiences need to be designed for individuals.
- Customer segments must be prioritized.
- Customer feedback needs to be the key metric.
- Employees need to be empowered.

YOU NEED TO UNDERSTAND YOUR CUSTOMERS, PERSONALLY.

me

Law #2

People Are Instinctively Self-Centered



- You know more than your customers; deal with it.
- Don't sell things, help customers buy them.
- Don't let company organization drive experiences.

MAKE THE SHIFT FROM SELF-CENTEREDNESS TO CUSTOMER CENTEREDNESS.



Law #3

Customer Familiarity Breeds Alignment

- Don't wait for organizational alignment.
- Broadly share customer insight.
- Talk about customer needs, not personal preferences.

AN EXTERNAL FOCUS IS AN ANTIDOTE TO INTERNAL POLITICS.

Law #4

Unengaged Employees Don't Create Engaged Customers



- Don't under-spend on training.
- Make it easy to do the right thing.
- Don't let company organization drive experiences.
- Communicate, communicate, communicate.
- Find ways to celebrate.
- Measure employee engagement.

CUSTOMER EXPERIENCE DEPENDS ON EMPLOYEE EXPERIENCE.



Law #5

Employees Do What Is

Finally, even though it is hard to wade through all the research and information available on the topic of ways to achieve brand loyalty, there is no shirking of the fact that brand loyalty is an imperative for the hospitality industries- an imperative that is currently becoming increasingly insignificant under the domination and commoditization of hotels by Online travel agents.

ⁱ Kevin Lane Keller (2012). *Strategic Brand Management*. 4th ed. Essex: Pearson. 29

ⁱⁱ Kevin Lane Keller (2012). *Strategic Brand Management*. 4th ed. Essex: Pearson. 18

ⁱⁱⁱ Hanna Bornmark, Asa Goransson, Christina Svensson (2005). *A study to indicate the importance of brand awareness in brand choice*. Malmo: Kristianstad University. 20

^{iv} Mattila, A.S., 2006. How affective commitment boosts guest loyalty (and promotes frequent guest programs). *Cornell Hotel and Restaurant Administration Quarterly* 47, 174-181

^v Choi, T.Y., Chu, R., 2001. Determinants of hotel guests' satisfaction and repeat patronage in the Hong Kong hotel industry. *International Journal of Hospitality Management* 20, 277-297.

^{vi} Pappu, R., Quester, P.G., Cooksey, R.W., 2005. Consumer-based brand equity: improving the measurement - empirical evidence. *Journal of Brand and Product Management* 14, 143-154.

^{vii} Kim, C.K., Han, D., Park, S.B., 2001. The effect of brand personality and brand identification on brand loyalty: Applying the theory of social identification. *Japanese Psychological Research* 43, 195-206.

^{viii} Kayaman, R., Arasli, H., 2007. Customer based brand equity: evidence from the hotel industry. *Managing Service Quality* 17, 92-109.

^{ix} He, H., Li, Y., Harris, L., 2012. Social identity perspective on brand loyalty. *Journal of Business Research* 65, 648-657.

^x <http://www.second-to-none.com/>. (2012). *5 Staggering Statistics On Brand Loyalty*. Available: <http://www.second-to-none.com/5-staggering-statistics-on-brand-loyalty/>. Last accessed 19th Nov 2014

^{xi} Piccoli, G., O'Connor, P., Capaccioli, C., Alvarez, R., 2003. Customer relationship management—A driver for change in the structure of the US lodging industry. *Cornell Hotel and Restaurant Administration Quarterly* 44, 61-73

^{xii} Berry, L.L., 1995. Relationship marketing of services—growing interest, emerging perspectives. *Journal of the Academy of Marketing Science* 23, 236-245.

^{xiii} Rust, R.T., Zeithaml, V.A., Lemon, K.N., 2000. *Driving customer equity: How customer lifetime value is reshaping corporate strategy*. The Free Press, New York.