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Do members want the bells and whistles? Understanding the effect of direct and partner benefits in hotel loyalty programs

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ABSTRACT

As a way of increasing the perceived value of hotel loyalty programs, hoteliers are partnering with non-hotel brands to differentiate and drive member engagement. We examine the effect of such strategic alliances on the loyalty to a member program and further test a structural equation model with $n = 469$ active loyalty members. Our model investigates whether tier status and satisfaction function as mediators of the effects of a strategic alliance on brand loyalty. Our findings indicate that the benefits that loyalty programs and partnerships with non-hotel brands offer can positively influence brand loyalty when the member's tier status and satisfaction mediates.

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Hedonic value; loyalty program; partnerships; strategic alliances; symbolic value; utilitarian value

Introduction

The adoption and usage of loyalty programs has exploded over the past several years, and marketers continue to make substantial investments in them. In 2015, the major hotel chains had a combined loyalty program membership of 344 million, which represented a 13.1% increase over 2014 (Peltier, 2016). However, mere membership does not necessarily equate to loyalty. Active participation in these programs continues to decline with more than 58% of loyalty members stagnating (Berry, 2015). Either new programs attract members but fail to retain them, or both new and existing programs have not been successful in delivering relevant value to their members (Autry, 2017; Berry, 2015).

According to Deloitte, the hotel industry's approach to building loyalty is incomplete. Their results are based on a study of 4000 participants (Weissenberg, Katz, & Narula, 2013). They show that only 25% of travelers spend more than 75% of their budgets on their "preferred" brand and that 65% say they stayed with two or more brands in the past six months despite the focus on loyalty programs. No longer considered a differentiating force, the loyalty programs of major hotels typically offer many of the same standard membership benefits as their competition. Hotel brands are

struggling to differentiate their loyalty programs by improving their value propositions and providing benefits that their members consider important. Despite this, loyalty programs have become an expected part of the brand experience and marketers pour millions of dollars into these programs annually. From priority reservation lines to room upgrades and the ability to earn and redeem points, management often considers these costly programs a necessary evil (Terblanche, 2015). Without continually differentiating based on the customer's evolving wants and needs, a program simply cannot gain or maintain a competitive advantage (Tanford, Shoemaker, & Dinca, 2016).

The development of program partnerships is a step that many brands take to further differentiate or to at least keep up with the competition. Loyalty programs form alliances with many seemingly non-related brands to reach far beyond the core offerings of their product in a competitive attempt to create more value for the customer, thereby having a positive effect on loyalty. For example, the loyalty programs for Intercontinental Hotels Group (IHG, 2017) and Starwood Hotels (Starwood Preferred Guest [SPG], 2017) have credit card partnerships with Chase Bank that provide tangible benefits such as elite status to cardholders who stay at their properties. Cardholders can collect points solely through spending on the affiliated credit card and

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ultimately redeem the points by transferring them to a partner airline's loyalty program (Yan & Cui, 2016) without ever actually staying at one of the brand's hotels. Hotel loyalty programs have alliances with organizations ranging from credit card and mortgage companies to online shopping portals, car rental companies, and hotels. In fact, Starwood Preferred Guest (SPG) formed such a relationship with Delta Airlines' SkyMiles program that offers crossover elite benefits (SPG, 2017). This partnership enables each program to extend upgrades and other benefits to their partner's members depending on the tier level of the member. The combination of benefits from multiple programs from a variety of industries results in greater differentiation, and ultimately members receive more value from all of the partners involved. By creating added value, programs hope to positively influence satisfaction and thereby loyalty to both the program and the hotel brand. However, programs still need to better understand which benefits are important to their members in terms of adding value to their individual program experience. Perhaps more importantly, this need has resulted in a further challenge where program members are now often able to enjoy the benefits without the need to ever interact directly with the brand that the program represents. Thus, engaged members of loyalty programs are not necessarily loyal customers of the affiliated brand, even if they obtain value from their program experience (Xie, Xiong, Chen, & Hu, 2015).

Indeed, a driving factor in loyalty to brands appears to be the provision of such co-branded loyalty programs. As such, 39% of United States (US) customers are more loyal to brands that allow them to connect with other loyalty partners (Autry, 2017). However, there is a limited number of empirical studies that investigate the influence of partnerships on loyalty programs. Further, the findings that exist are often ambiguous and indicate that partnerships provide minimal value to the members of loyalty programs (Yoo & Bai, 2007).

In this research, we examine the effectiveness of strategic alliances on brand loyalty in the hotel industry. Further, we propose and test a research model that investigates whether status and satisfaction function as mediators of the effects of a strategic alliance on brand loyalty. We present a quantitative survey-based study of 469 active loyalty program members gathered from an online research panel. We contribute academic value by providing a conceptual framework for the effective management of loyalty programs and provide applicable insights to hotel marketers for the improvement of current loyalty programs. Additionally, we assist in the development of more strategic and successful marketing tactics to proactively maintain the

most loyal customers and encourage growth in active member participation.

Literature review

Loyalty program value creation

Loyalty programs are one of the most prominent tools for increasing engagement through the differentiated creation and delivery of value for a product or service (Yi & Jeon, 2003). However, to be successful, members must perceive programs as valuable, and management must understand what customers consider to be important in terms of their program experience. Customers are more likely to become loyal when they receive some type of value from loyalty programs (Hu, Huang, & Chen, 2010; Tanford, 2013; Yoo & Bai, 2007). Ideally, the preference for a target brand should increase while the sensitivity toward competing brands should decrease. Loyalty programs pursue value-added, interactive, and long-term relationships by identifying, maintaining, and increasing the purchasing behavior of their best customers (Meyer-Waarden, 2008). Almost every type of business offers some type of loyalty program, and the ubiquitous nature of this practice presents a challenge to firms (Xie & Chen, 2014; Yan & Cui, 2016). Loyalty programs need to focus on differentiating their value proposition from that of the competition in addition to increasing program value for members (McCall & Voorhees, 2010; Ni, Chan, & Shum, 2011).

The literature discusses an array of attributes as being important to members' value perceptions of a loyalty program: cash value, redemption choice, aspirational value, relevance, convenience, psychological benefits, redemption behavior, and aspects of fairness (Bowman & Narayandas, 2001). While offerings vary considerably across industries, a loyalty program's value is largely based on the array of economic and social benefits that it offers (Meyer-Waarden, 2008; Mimouni-Chaabane & Volle, 2010). Overall, members experience a combination of value-added benefits from loyalty programs that generally attempt to satisfy utilitarian (functional and financial), hedonic, and symbolic needs (Stathopoulou & Balabanis, 2016; Terblanche, 2015). Utilitarian benefits are those that add monetary or time-saving value, such as providing discounts or convenience. Being economic by design, utilitarian ones are perhaps the most tangible benefits and therefore both easier for members to evaluate and for competitors to copy. Hedonic benefits are those that provide a sense of entertainment or joy, such as the enjoyment that can be experienced when collecting or using points or attending a special event. Symbolic

benefits provide members with a sense of special status or of becoming part of a social group. Examples of symbolic benefits include special very-important-person (VIP) treatment such as an elite check-in area (Mimouni-Chaabane & Volle, 2010). Based on this literature we propose the following hypotheses (Hs):

H1a–c: The direct (utilitarian, hedonic, and symbolic) benefits of a hotel loyalty program will positively influence brand loyalty.

Value creation through partnerships

Many programs have initiated strategic partnerships with other brands that bring fresh elements to their programs (Tanford, 2013; Yan & Cui, 2016). Partnership agreements have been a value-creating strategy in many industries for decades. Such relationships can benefit both the firms and their customers through their loyalty programs. When loyalty programs partner, it can create added product value as well as access to new markets. Through partnerships, efficiencies in growing their loyalty bank accounts (“points” or “miles”), gaining elite-level program status (Tanford, 2013), and enjoying more loyalty benefits from the network of partners that they can access (McCall & Voorhees, 2010) can positively influence the value experienced by program members. Alliances allow airlines to sell seats under their brand for flights that their competitors in the alliance offer. Alternatively, a member of one airline program can receive reciprocal benefits when flying a competing airline in the alliance. With the need to constantly differentiate or to just stay in the game, more and more loyalty programs have begun offering crossover benefits with industry alliance partners. Such benefits are presented to consumers as decision-making attributes and are expected by members, rather than the differentiating factors that loyalty programs strive to provide. In order to further differentiate themselves and increase program value, loyalty programs have recently become more creative and partnered with members of other industries. Yan and Cui (2016) explore how the number of partners and number of redemption options influence a loyalty program’s popularity. Their study focuses on a popular frequent traveler award (The Freddie).

We extend this literature by evaluating specific types of benefits (utilitarian, hedonic, and symbolic) that are provided directly by the program and indirectly via partnerships that could enhance loyalty. Voorhees, White, McCall, and Randhawa (2015) call for future research to investigate whether hotel programs would

become more competitive by aligning with airline loyalty programs. We attempt to answer this call by examining how hotel loyalty programs are using partner benefits to increase a program’s value and to provide a differentiated offering. Therefore, we propose the following hypotheses:

H2a–c: A hotel loyalty program’s *partner* (utilitarian, hedonic, and symbolic) benefits will positively influence brand loyalty.

Member tier status and loyalty

We also examine the potential differences between the tier status of program members in terms of satisfaction and loyalty that is based on value-added benefits provided both directly by the loyalty program as well as through program partners. According to the research, not all members respond to loyalty programs in the same way because their benefits and incentives vary across their usage levels, also known as tier status. Psychologically, members feel personally recognized and important by receiving value-added benefits. Therefore, members desire to reach the next tier to deepen their relationship with the firm (Kivetz & Simonson, 2003; Liu, 2007). Ivanic (2015) argues that when consumers engage in status-reinforcing behaviors by using their rewards, privileges, or benefits they experience an increase in their sense of prestige. Overall, the literature shows that when benefits are provided to consumers, they will incur positive tier status effects. Thus, we propose the following hypotheses:

H3a–c: The *direct* (utilitarian, hedonic, and symbolic) benefits of a hotel loyalty program will positively influence members’ tier status.

H3d–f): The *partner* (utilitarian, hedonic, and symbolic) benefits of a hotel loyalty program will positively influence members’ tier status.

Moreover, recent studies show that tier levels in loyalty programs act as a stimulus for members’ behavior (Tanford, 2013; Yoo & Singh, 2016). In essence, members with only base-level status typically receive little value in terms of benefits and have little invested in the loyalty game, which makes them more likely to defect. We evaluate whether members’ tier status influences brand loyalty, where members constantly aspire to reach the next level and thereby receive greater value from their membership. Thus, the current study extends the findings on tier status as a moderating variable and proposes that without status beyond the entry level, loyalty will

not exist because there is no aspiration to drive it. In effect, tier status is also a mediating variable. When consumers aspire to increase their status through a loyalty program, they respond positively to loyalty programs when brand messages focus on program benefits (Palmeira, Pontes, Thomas, & Krishnan, 2016). Thus, we propose the following hypotheses:

H4: Members' tier status will positively influence brand loyalty.

H5: Members' tier status mediates the effects of the loyalty program's (direct or partner) benefits on brand loyalty.

Satisfaction and loyalty

Satisfaction refers to the positive cognitive–affective state derived from a favorable experience (Lai, 2015; Oliver, 1981). The expectancy disconfirmation theory defines satisfaction as a customer's post-evaluation of a product or experience compared with their pre-consumption expectation (Oliver, 1977). Customers are more likely to feel satisfied when their experiences exceed their expectations (Mattila & O'Neill, 2003; Skogland & Siguaw, 2004). Achieving satisfaction is crucial for businesses in the service industry because satisfied customers are more likely to feel emotionally attached to the brand, revisit the service provider, and recommend the brand to others (Lai, 2015; Tanford, 2016). The stimulus–organism–response loyalty framework proposed by Huang, Fang, Fang, and Huang (2015) shows that benefits influence the quality of the relationship, which in turn influences loyalty; satisfaction is included in their model as part of relationship quality. Thus, we propose the following hypotheses:

H6a–c: The *direct* (utilitarian, hedonic, and symbolic) benefits of a hotel loyalty program will positively influence satisfaction.

H6d–f: The *partner* (utilitarian, hedonic, and symbolic) benefits of a hotel loyalty program will positively influence satisfaction.

While there are many factors that influence loyalty, the empirical research extensively supports the positive effect of satisfaction on loyalty. Although satisfied customers are not necessarily loyal (Skogland & Siguaw, 2004), satisfaction is indeed one of the most decisive antecedents in establishing long-term relationships and encouraging repeat visits (Lee, Back, & Kim, 2009;

Stathopoulou & Balabanis, 2016; Tanford, 2016). Although the satisfaction and loyalty relationship is well-established in both the literature and practice, continuous evaluation of this relationship remains vital to the success of industry players due to the constantly changing environment (Tanford, 2016). In the service context, satisfied customers show higher loyalty in terms of both the willingness to re-patronize and the likelihood of recommending a firm (Lam, Shankar, Erramilli, & Murthy, 2004). Recent research indicates that customer satisfaction serves as a mediator between service quality perceptions (measured in terms of several dimensions including functional and enjoyment) and loyalty (Iqbal, Hassan, & Habibah, 2018). In this study we examine whether satisfaction enhances brand loyalty as a mediator. Thus, we propose the following study hypotheses:

H7: Satisfaction will positively influence brand loyalty.

H8: Satisfaction mediates the effects of the loyalty program's (direct or partner) benefits on brand loyalty.

Overall, we suggest the study model as shown in Figure 1.

Methodology

Data collection and study sample

We developed a self-administered questionnaire to test the study hypotheses and used an online research panel to collect data. We identified participants who had more than two years of active membership with a hotel loyalty program and who used the program's partner benefits. We included the following list of existing hotel loyalty programs to ensure that study participants clearly understood the study context: IHG Rewards Club, Hilton Honors, Marriott Rewards, Ritz Carlton Rewards, Wyndham Rewards, Choice Privileges, Le Club Accor hotels, SPG, Best Western Rewards, Hyatt Gold Passport, Club Carlson, La Quinta Returns, Omni Select Guest, Kimpton Karma Rewards, Fairmont President's Club, and Loews You First.

After removing outliers, the sample garnered a total of 469 valid responses.

Instrument and data measurement

The self-administered questionnaire has five sections. The first section starts by asking participants which program they have been active in for more than two years, and to choose one specific program they prefer. This section also

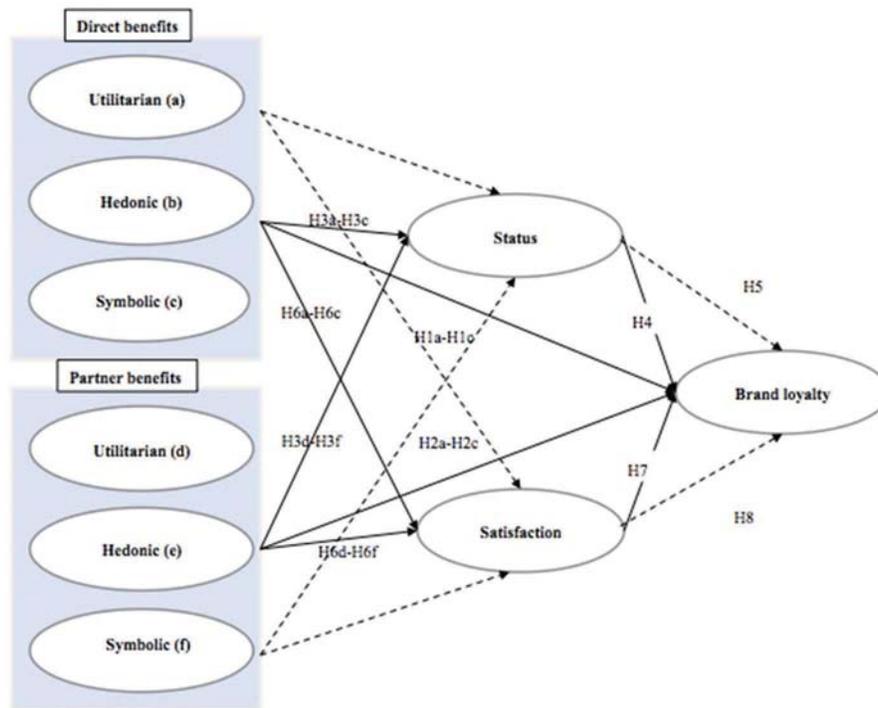


Figure 1. Study model.

asks general questions about loyalty program behavior such as: have they used the program's partner benefits; their program status level; amount of time they have been with the loyalty program, and so on. The second section asks questions about the benefits of the hotel loyalty program and its partners. The third section asks about members' satisfaction, and the fourth section asks questions about members' loyalty behavior. The last section has questions on the participants' demographic information.

We adapt the measurement items from the literature and the websites of hotel loyalty programs. Satisfaction is measured with the following three items: (1) overall evaluation of the program is good; (2) benefits I receive meet my expectations; and (3) overall I am satisfied with the loyalty program (Lai, 2015; Stathopoulou & Balabanis, 2016). Loyalty is measured with the following six items with both attitudinal and behavioral measures: (1) highly committed to my relationship with the program; (2) feel emotionally attached; (3) trust the management; (4) first choice; (5) continue to stay with the hotel brand; and (6) spread positive word-of-mouth (Raab, Berezan, Krishen, & Tanford, 2016; Stathopoulou & Balabanis, 2016; Tanford, 2016; Xie & Chen, 2014). We consolidate the benefits listed on each website. Some examples are: access to executive lounge, airline free baggage, bonus free nights, complimentary elite membership, complimentary Wi-Fi, elite status points, exclusive concierge service, exclusive reservation line, exclusive luggage tags, guaranteed room

availability, hotel discount rates, hotel rewards stay with no blackout dates, newsletters, partner offers and discounts, partner upgrades, transfer points, VIP check-in, VIP treatment, and welcome gifts. All three dimensions (benefits, satisfaction, and loyalty) are assessed with a 7-point Likert scale where 1 is "strongly disagree" or "extremely unimportant" and 7 is "strongly agree" or "extremely important."

Data analysis method

In this study, we use the SPSS 24 and AMOS statistical programs to analyze the data. The study instrument has limited prior validity, thus we conduct an exploratory factor analysis (EFA) by using a principal component analysis with a varimax rotation procedure to reduce the large set of benefits into a few underlying constructs (25 items of hotel loyalty program, 13 items of partner program, three items of satisfaction, and six items of loyalty). Further, we check the level of internal consistency in each construct with Cronbach's alpha to test reliability and conduct a confirmatory factor analysis (CFA) to test the measurement model. Next, we perform a structural equation modeling (SEM) analysis to examine the relationship between the loyalty program's benefits and brand loyalty, and the mediating effects.

Results

Study sample

Approximately 51% of the respondents were female. The average age of the respondents was 42 years old with a median annual income level of US\$ 100,000 to US\$ 125,000. Roughly 43% of the respondents held a bachelor's degree, more than 70% were married, and the majority (79%) were Caucasian. In terms of their travel behavior, 51% traveled primarily for business. For their loyalty membership, 47% had a mid-tier status (21% had an entry level status, 32% had a top-tier status), while the average time as an active member of the program was 6–8 years.

Reliability and validity measurements

The EFA identifies those factors with eigenvalues greater than 1: three for direct benefits, three for partner benefits, one for satisfaction, and one for brand loyalty. Based on the literature, the factors for both program and partner benefits are utilitarian, hedonic, and symbolic (Table 1). The results from Bartlett's test of sphericity are all significant and indicate that the data are sufficiently correlated to conduct a factor analysis. The Kaiser–Meyer–Olkin (KMO) measures the range between 0.77 and 0.93, which is greater than the threshold score of 0.7 and shows sampling adequacy. We use a cut-off value of 0.45 for factor loadings to increase the convergent validity, and eliminate four items due to their low factor loadings. The variance in each measure ranges between 61% and 90%. The internal consistency within each factor is acceptable, and the measurements are reliable as Cronbach's alpha values range from 0.92 to 0.93 (Hair, Black, Babin, Anderson, & Tatham, 2009).

The CFA results indicate an acceptable fit to the data; the ratio of the chi-square to the degrees of freedom ($\chi^2/df = 2.25$) is lower than three. The goodness-of-fit index (GFI = 0.90), comparative fit index (CFI = 0.97), and normed fit index (NFI = 0.94) are equal to or higher than the recommended value of 0.9; and the root-mean-square-error of approximation (RMSEA = 0.05) is lower than the recommended threshold of 0.08. Additionally, the average variance extracted (AVE) for all constructs is greater than the minimum criterion of 0.5, and the squared correlation coefficients for the corresponding inter-constructs are less than the AVEs, which means convergent validity and discriminant validity are present (Hair et al., 2009; Hu & Bentler, 1999).

For the direct benefits, the factor *direct utilitarian benefits* comprises: hotel discount rates, guaranteed

room availability, quick reservations and check-ins, hotel reward stays with no blackout dates, bonus free night when redeeming points, express checkout, complimentary Wi-Fi, eCheck-in, my preferences remembered, and a free breakfast. On the other hand, the factor *partner utilitarian benefits* comprises: airline free baggage, partner upgrades, VIP check-in, and partner offers, and discounts.

The resulting factor *direct hedonic benefits* holds: program newsletter, points transfer for hotel loyalty program, and welcome drink at hotel. A newsletter can be considered hedonic as it can provide entertainment and enjoyment through a sense of exploration and learning. Partner hedonic benefits from our study comprise: VIP treatment, my preferences remembered, exclusive reservation line, exclusive concierge service, complimentary elite membership, and transfer of partner points.

The resulting factor *direct symbolic benefits* comprises: exclusive luggage tags, access to executive/concierge lounge, room upgrade, elite status bonus points, exclusive concierge service, welcome gifts, exclusive reservation line, and complimentary bottled water. The resulting factor *partner symbolic benefits* holds: exclusive luggage tags, newsletter, and welcome gift. Table 1 summarizes the EFA and CFA results.

SEM and hypotheses testing

The chi-square statistic is significant ($\chi^2 = 700.82$, $p < 0.001$) as it is usually sensitive to the sample's size and the number of indicators. Thus, the alternative goodness-of-fit statistics support the overall evaluation of the structural model ($\chi^2/df = 2.46$, GFI = 0.90, Adjusted Goodness of Fit (AGFI) = 0.85, CFI = 0.96, NFI = 0.94, RMSEA = 0.06). Given the satisfactory fit of the final model, we estimate the structural coefficients. Overall, the direct effects of status and satisfaction and the indirect effects of the benefits explain more than half of the variance (Squared Multiple Correlations (SMC) = 0.58) in brand loyalty. For status, the direct effects of benefits explain approximately 43% (SMC = 0.43). For satisfaction, the direct effects of benefits explain approximately 38% (SMC = 0.38). The overall results of the structural model are summarized in Table 2 and Figure 2.

The model indicates that only the utilitarian value has a positive influence on brand loyalty ($\beta = 0.12$, t -value = 2.98, $p < 0.01$) among the three direct benefits. Thus, this finding supports H1a but rejects H1b and H1c. Additionally, only symbolic values ($\beta = 0.12$, t -value = 2.31, $p < 0.05$) have a positive influence on brand loyalty among the three partner benefits. Thus, this result supports H2c but rejects H2a and H2b.

Table 1. Exploratory factor analysis and confirmatory factor analysis.

Factors and items	Factor loading	Cronbach's alpha	AVE (Average Variance Extracted)	CR (Composite Reliability)
Direct benefits		0.92	0.52	0.81
1. Utilitarian				
Hotel discount rates	0.75			
Guaranteed room availability	0.74			
Quick reservations and check-ins	0.70			
Hotel reward stays with no blackout dates	0.67			
Bonus free night when redeeming points	0.63			
Express checkout	0.62			
Complimentary Wi-Fi	0.50			
eCheck-in (digital check-in)	0.49			
My preferences remembered	0.53			
Free breakfast	0.52			
2. Hedonic				
Newsletter	0.79			
Hotel loyalty program points transfer	0.75			
Welcome drink	0.50			
3. Symbolic				
Exclusive luggage tags	0.83			
Access to executive/concierge lounge	0.75			
Best available rooms/room upgrade	0.76			
Elite status bonus points	0.67			
Exclusive concierge service	0.57			
Welcome gifts	0.51			
Exclusive reservation line	0.50			
Complimentary bottled water	0.48			
Partner benefits		0.93	0.52	0.84
1. Utilitarian				
Airline free baggage	0.86			
Partner upgrades	0.83			
VIP check-in	0.81			
Partner offers and discounts	0.55			
2. Hedonic				
VIP treatment	0.80			
My preferences remembered	0.80			
Exclusive reservation line	0.71			
Exclusive concierge service	0.68			
Complimentary elite membership	0.50			
Transfer partner points	0.48			
3. Symbolic				
Exclusive luggage tags	0.86			
Newsletter	0.85			
Welcome gift	0.56			
Satisfaction		0.93	0.66	0.92
My overall evaluation of this program is good.				
The benefits I receive meet my expectations.				
Overall, I am satisfied with the program.				
Brand loyalty		0.92	0.69	0.93
I am highly committed to my relationship with the hotel brands.	0.89			
I trust the management of the hotel brands.	0.82			
I feel emotionally attached to the hotel brands.	0.81			
I will continue to stay with the hotel brands.	0.89			
I spread positive word-of-mouth about these hotel brands.	0.86			
I consider these hotel brands as my first choice.	0.82			

$\chi^2 = 633.278$ (df = 281, $p = 0.000$) $\chi^2/df = 2.254$, GFI = 0.901, AGFI = 0.867, NFI = 0.941, CFI = 0.966, RMSEA = 0.054.
 VIP: very important person.

For status, the model indicates that only the direct symbolic value has a positive influence ($\beta = 0.38$, t -value = 8.34, $p < 0.000$) among all of the direct and partner benefits. Thus, this finding supports H3c. For satisfaction, the model shows that utilitarian ($\beta = 0.27$, t -value = 5.20, $p < 0.000$) and symbolic ($\beta = 0.20$, t -value = 3.42, $p < 0.01$) values have a positive influence on satisfaction among the three direct benefits. Thus, these values support H6a and H6c. Among the three

partner benefits, all three are significant (partner utilitarian benefits: $\beta = 0.13$, t -value = 2.48, $p < 0.05$, partner hedonic benefits: $\beta = 0.32$, t -value = 4.76, $p < 0.000$, partner symbolic benefits: $\beta = 0.23$, t -value = 3.43, $p < 0.01$). Thus, these benefits support H6d, H6e, and H6f. Finally, the model indicates that both status ($\beta = 0.17$, t -value = 3.55, $p < 0.000$) and satisfaction ($\beta = 0.57$, t -value = 15.77, $p < 0.000$) have a positive influence on brand loyalty, which supports H4 and H7.

Table 2. Structural model relations.

Path	Path coefficients (β)	S.E.	t	p
Direct effects				
Direct utilitarian \rightarrow Brand loyalty	0.12	0.04	2.98**	0.00
Direct hedonic \rightarrow Brand loyalty	-0.03	0.06	-0.60	0.55
Direct symbolic \rightarrow Brand loyalty	0.04	0.05	0.79	0.43
Partner utilitarian \rightarrow Brand loyalty	0.01	0.04	0.32	0.75
Partner hedonic \rightarrow Brand loyalty	0.09	0.05	1.80	0.07
Partner symbolic \rightarrow Brand loyalty	0.12	0.05	2.31*	0.02
Direct utilitarian \rightarrow Status	0.02	0.04	0.55	0.58
Direct hedonic \rightarrow Status	-0.12	0.06	-2.11	0.04
Direct symbolic \rightarrow Status	0.38	0.05	8.34***	0.00
Partner utilitarian \rightarrow Status	-0.01	0.04	-0.20	0.84
Partner hedonic \rightarrow Status	0.01	0.05	0.21	0.84
Partner symbolic \rightarrow Status	0.08	0.05	1.60	0.11
Direct utilitarian \rightarrow Satisfaction	0.27	0.05	5.20***	0.00
Direct hedonic \rightarrow Satisfaction	-0.01	0.07	-0.16	0.87
Direct symbolic \rightarrow Satisfaction	0.20	0.06	3.42**	0.00
Partner utilitarian \rightarrow Satisfaction	0.13	0.05	2.48*	0.01
Partner hedonic \rightarrow Satisfaction	0.32	0.07	4.76***	0.00
Partner symbolic \rightarrow Satisfaction	0.23	0.07	3.43**	0.00
Indirect effects				
Direct utilitarian \rightarrow Brand loyalty	0.16	0.03	4.95***	0.00
Direct hedonic \rightarrow Brand loyalty	-0.03	0.04	-0.62	0.54
Direct symbolic \rightarrow Brand loyalty	0.18	0.04	4.58***	0.00
Partner utilitarian \rightarrow Brand loyalty	0.08	0.03	2.35*	0.02
Partner hedonic \rightarrow Brand loyalty	0.18	0.04	4.50***	0.00
Partner symbolic \rightarrow Brand loyalty	0.14	0.04	3.61***	0.00
Total effects				
Status \rightarrow Brand loyalty	0.17	0.05	3.55***	0.00
Satisfaction \rightarrow Brand loyalty	0.57	0.04	15.77***	0.00
Direct utilitarian \rightarrow Brand loyalty	0.28	0.05	5.58***	0.00
Direct hedonic \rightarrow Brand loyalty	-0.06	0.07	-0.85	0.39
Direct symbolic \rightarrow Brand loyalty	0.22	0.06	3.80***	0.00
Partner utilitarian \rightarrow Brand loyalty	0.09	0.05	1.69	0.09
Partner hedonic \rightarrow Brand loyalty	0.28	0.06	4.30***	0.00
Partner symbolic \rightarrow Brand loyalty	0.26	0.06	4.10***	0.00

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Mediation effects

We measure the indirect effects to examine whether direct and partner benefits of a loyalty program affect brand loyalty through the mediating roles of status and satisfaction. As shown in Table 2, utilitarian value ($\beta = 0.16$, t -value = 4.95, $p < 0.000$) and symbolic value ($\beta = 0.18$, t -value = 4.58, $p < 0.000$) have an indirect, positive effect on brand loyalty among the three direct benefits. Thus, this effect partially supports H5, and therefore status is a significant mediator for brand loyalty. On the other hand, all of the three partner benefits (partner utilitarian benefits: $\beta = 0.08$, t -value = 2.35, $p < 0.05$, partner hedonic benefits: $\beta = 0.18$, t -value = 4.50, $p < 0.000$, partner symbolic benefits: $\beta = 0.14$, t -value = 3.61, $p < 0.000$) have an indirect, positive effect on brand loyalty. Thus, these benefits support H6, and therefore satisfaction is a significant mediator for brand loyalty.

Discussion

Conclusion

The research shows that loyalty programs are one of the best strategies to build and encourage customer loyalty.

But once the program is in place, keeping customers motivated and engaged is yet another challenge. Customers still have a hunger for loyalty programs as evidenced by a rapid explosion in the number of programs (Autry, 2017). Further, the COLLOQUY Loyalty Census predicts even further growth in future years (Berry, 2015). However, reliance on the predominant approach of rewarding repeat purchases and offering point-based discounts will no longer allow loyalty programs to be successful (Weissenberg et al., 2013). Members have been looking elsewhere because loyalty programs do not provide tangible, reachable relevance (Ni et al., 2011). Therefore, despite increases in the membership of hotel loyalty programs, keeping members active and engaged remains key. Additionally, because of intense competition and the fact that most loyalty programs focus on tangible (and therefore imitable) benefits, the competition now offers nearly identical attributes, and the need to offer a unique member experience is paramount (Capizzi & Ferguson, 2005).

Our study examines the benefits of strategic alliances between hotel loyalty programs and other brands on member loyalty. We also evaluate whether status and satisfaction function as mediators of the effects of strategic

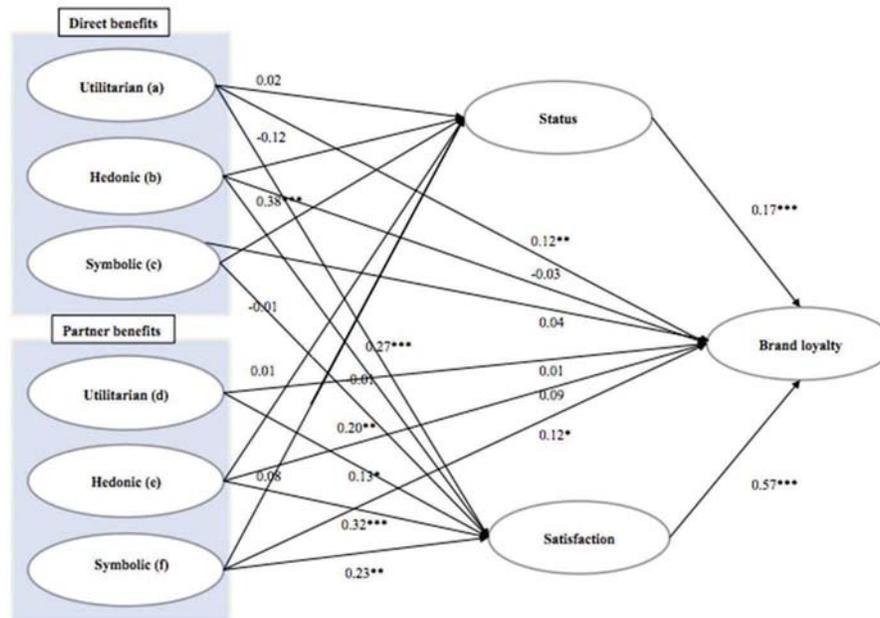


Figure 2. Structural model.

alliances on brand loyalty. To assess the effect of strategic alliances on brand loyalty, we first examine the different types of benefits offered by the hotel loyalty programs directly and the benefits offered by their partners. The EFA results of our study augment the literature (Stathopoulou & Balabanis, 2016; Terblanche, 2015) that categorizes hotel benefits into utilitarian, hedonic, and symbolic values that are provided either directly by the loyalty program or through the program's partners.

According to the literature, utilitarian benefits are economic and add either financial or temporal value; such benefits include discounts as well as features that bring convenience to the member's experience. Due to their tangible nature, utilitarian benefits are important in that members can easily evaluate their perceived value to the program. However, tangibility also results in imitation and thus these benefits do little to differentiate one program from another. In the long run, once one program invests resources to offer new utilitarian benefits, competitive programs will most likely follow with similar offerings in short order. Both types of utilitarian benefits (direct and partner) reflect this pattern.

The literature presents hedonic benefits as those that provide value through experiential situations and enjoyment (Furinto, Pawitra, & Balqiah, 2009). However, the direct hedonic benefits considered most valuable to members are mainly enjoyment-related, whereas the partner's hedonic benefits that members value the most are mainly experiential such as VIP treatment. In this study, we consider special treatment as experiential and therefore hedonic.

Symbolic benefits essentially add value by recognizing members as VIPs in some way by making them feel special compared to other customers or members. This is particularly relevant when considering the multiple status tiers in most loyalty programs. Members strive to reach a higher level of status to be part of what they perceive to be a better group that offers more overall value than their current level. Symbolic benefits should therefore be the focus of marketers when designing value-adding propositions for their loyalty programs. All of the symbolic benefits in our study provide members with a sense of being special as these benefits are only offered to guests with an elite status in most programs.

However, some benefits might cross over into other categories by offering more than one type of value per benefit. For example, the literature also considers that VIP treatment provides symbolic value (Mimouni-Chaabane & Volle, 2010). For example, being recognized with special status might at the same time provide a sense of enjoyment (hedonic) and monetary (utilitarian) value such as complimentary access to a VIP lounge with special luxury treatment. Thus, some benefit items naturally cross over in the EFA results.

The study's results show that only the direct utilitarian benefits and the partner's symbolic benefits directly affect brand loyalty. Thus, these results only support H1a and H2c. Also, only the direct symbolic benefits positively affect the members' tier status, which supports H3c. For satisfaction, all of the direct benefits and partner benefits show a positive effect, except for direct

hedonic benefits, which also partially supports H6. More than 60% of our sample comprises members with basic-tier status or mid-tier status, thus there is a possibility that not all of them had the chance to experience all of the different type of benefits that were included in our survey. However, these findings support the results on the effects of the direct program benefits (utilitarian and symbolic) and partner benefits (hedonic and symbolic) on brand loyalty through the mediating role played by status and satisfaction, which supports H5 and H8. Finally, the results show that both status and satisfaction positively affect brand loyalty, which supports H4 and H7.

Overall, the results indicate that the benefits from strategic alliances have a positive impact on brand loyalty. While both direct and partner benefits show significant effects, the results indicate that brand loyalty is influenced mostly by direct utilitarian benefits followed by hedonic and symbolic values from partner benefits, and finally from symbolic value from direct program benefits. Furthermore, while the hedonic value from partner benefits shows the highest positive effect, the hedonic value from direct program benefits is insignificant. Also, while the utilitarian value shows the highest positive effect among the direct program benefits, the utilitarian value from partner benefits is not significant.

Implications

Our study provides both theoretical contributions and practical implications. There is scant research in the hospitality context that distinguishes between benefit types in loyalty programs. Thus, this study contributes to a growing body of literature on customer loyalty. In particular, we demonstrate how the benefits of loyalty programs from differentiating between partner and direct benefits adds value by confirming the previously established relationship of satisfaction as a mediator for loyalty. Moreover, the results indicate that the tier level can also act as a mediator for loyalty where the previous literature identifies it as a loyalty moderator. In essence, our results show that without a status beyond the entry level there is little relationship between benefits and loyalty.

This study also extends the literature on hospitality loyalty programs by differentiating between partner and direct benefits and evaluating new variables not previously tested. Our use of an EFA on both types of benefits has not been considered in the previous research. Thus, we increase the validity on the three types of value (utilitarian, hedonic, and symbolic) and the study instrument.

This study also offers practical implications for loyalty program managers regarding the effectiveness of their offerings. The results show that programs without tiered status levels should focus their resources on providing more utilitarian benefits directly from the program and more symbolic partner benefits, because these are the only ones that directly affect brand loyalty. This is somewhat concerning since utilitarian benefits, such as discount rates and express checkout among other easily imitable features, are mainly considered standard among hotel loyalty programs and thus expected by members. However, this situation can actually provide opportunities for programs to differentiate and improve their benefit offerings as compared to those offered by competing programs. Currently, hotel loyalty programs offer more direct benefits than partner benefits. Therefore, while programs can still offer more utilitarian benefits directly, they should consider offering less direct program benefits that provide hedonic and symbolic value. Instead, programs should consider investing more resources in developing benefits with partner programs that provide symbolic value as a means of differentiating their offerings and increasing loyalty.

In reality, the majority of loyalty programs do indeed offer aspirational status levels, and they must consider this offering when evaluating the impact of benefits on loyalty. As our results show, multiple status levels are vital to driving loyalty behavior and thus loyalty program managers must carefully craft their benefit package with this in mind. Without perceived differences between tiers there is little motivation to aspire to a higher status level through increased loyalty behavior. As such, loyalty program managers should incentivize their basic-tier and mid-tier level customers to climb higher by carefully considering differences in the benefits they offer per tier both in terms of how they provide offerings and the manner in which they communicate them to each status level. Thus, the loyalty partners should offer more unique benefits between each status level and frame the marketing communication at each status level in a way that more clearly delineates value perceptions and motivates tier aspirations. Additionally, this shows that a sense of loyalty needs to be imprinted on new members as soon as they join so that they immediately experience value. Since they have little invested in terms of their behavior, entry level programs should implement a sense of loss to avoid defection from the program at any level. Perhaps this means providing new members with temporary elite status for a set period that can only be extended by meeting a threshold of spending, stays, or other behaviors indicative of loyalty. This way new

members get a taste of what they can experience as an upper tier member, and ideally increase their loyalty behavior. A potential negative side effect is that members who truly earned their status may begin to feel under-valued by the program and this may potentially negatively impact their loyalty.

Another important result of the present study is that it provides marketers with tangible ideas to consider when designing benefit offerings for a loyalty program. In order to more effectively impact loyalty through benefits, we argue that loyalty program managers should design their offerings with a focus on direct utilitarian and symbolic benefits and the partner's hedonic and symbolic benefits. The main issue with these benefits is that once they have been acquired there is typically nothing more to entice members to further their loyalty and aspire to a yet higher level through their spending. In many cases they end up splitting their loyalty with a competing program to receive benefits not offered in their current program. As an attempt to further differentiate status tiers to make the aspirational ladder even longer, many programs have devalued the benefits offered at each tier. Benefits that were previously provided at certain tiers have been taken away and were instead provided at newly created higher tiers meant to provide an additional aspirational level. This practice essentially causes members to work even harder to receive the same benefits that they previously enjoyed, and it has negatively affected members' perceptions of such programs.

Beyond the traditional and often stale benefits offered by many programs and tested in our study, loyalty programs need to constantly consider new and innovative offerings beyond the expected ones. In this way they can differentiate their program and attract new members while keeping current ones engaged enough to continually aspire to the next level of loyalty. For example, instead of traditional luggage tags, upper-tier members could be gifted luggage tags with a global positioning system (GPS) tracking ability as a symbolic direct or partner benefit, or have both the program and the partner brands represented on the item for cost-saving purposes. For upper-tier members, the hotel program could partner with airlines and coordinate luggage delivery and check-in for flights. By co-branding certain benefits, the program and partner benefit from cost savings and not doubling up on similar benefits, and the member stays engaged by receiving benefits of better value. Co-branding could be considered as having direct utilitarian and symbolic values as well as the partner's hedonic and symbolic values that depend on the logistics and promotion surrounding such a benefit. In the end, however, most benefits are tangible and easily copied by a competing program.

Additionally, those at the highest tiers are often bored with the official benefits as they have become mere expectations often dramatically losing their perceived value the longer a member is with a program. To avoid possible defection and increase loyal behavior, programs should create more direct (utilitarian and symbolic) and partner benefits (hedonic and symbolic) that surprise and delight members each time (utilitarian and symbolic) that could truly differentiate them from the competition. These benefits may or may not be published as official benefits yet still become known and highly desired among the most valuable customers. In fact, such unwritten benefits for the most loyal customers can reduce the need to create higher official tiers as is typically done to further delineate membership. In effect, a program can create "secret societies" for their most valuable members and instill a sense of pride that would potentially result in positive word-of-mouth and further instill loyalty among them. This way lower- and mid-tier members who have been loyal in order to reach the next level of benefits will not feel frustration or insult by being pushed back a level due to another level being introduced above them. This practice would keep the higher levels still within reach perceptually for those at lower- and mid-tier levels, yet continuously provide aspirational benefits for those already at the highest tier. To maximize the results from offering such non-verbal benefits, programs should focus on their social media strategy. By both creating and nurturing online brand communities and actively participating in customer-to-customer (C2C) online forums, program managers can create electronic word-of-mouth that promotes such unofficial intangible benefits, ultimately bringing them to an aspirational level for members. This way the benefits can continually evolve to surpass members' expectations and provide moments of delight, with the most valuable members continuing their loyalty and wanting more.

Limitations and recommendations for future research

Our study has limitations. Our findings cannot be generalized as our sample is US-based. Cross-cultural studies could provide additional insights regarding cultural and ethnic differences in benefit offerings. In addition to the geographic limitations in the sample, the current study has a limited scope in terms of lifestyle segments and how they might affect the perceived benefits of a loyalty program. For example, recent research shows that gay guests are a potentially important and often overlooked segment in the tourism industry (Berezan, Raab, Krishen, & Love, 2015). Another potential venue for research would be the influence of reward proximity (or goal-

gradient behavior) overlaid on the partner versus the findings on direct benefits in the present study (Song, Kim, & Ko, 2017). Future research could include word-of-mouth and other consequences of loyalty along with the detailed direct and partner benefits to further understand how loyal consumers can become brand advocates. As social media continue to be a prominent form of customer-generated communication, future studies could investigate the outcomes of loyalty through various types of word-of-mouth channels (Raab et al., 2016). Finally, because our research differentiated the types of benefits provided to customers in terms of utilitarian, hedonic, and symbolic values, future research could augment our findings by providing various types of message framing based on the benefit types (Krishen, Agarwal, Kachroo, & Raschke, 2016). The research shows that utilitarian products are normally evaluated through cognitive cues whereas hedonic ones are evaluated more holistically and generate affective reactions (Klein & Melnyk, 2016). Therefore, such research could provide cognitive versus affective persuasion cues for each benefit type to determine if framing the benefits can enhance their perceived added value.

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