

Boston Hospitality Review

www.bu.edu/bhr

Published by the Boston University School of Hospitality Administration

Sustainable Loyalty Reward Management Through Loyalty Reward Donation

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Consumer Behavior - October 2021

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Loyalty reward programs are common in the hospitality and tourism industry. Given the staggered tourism growth under the Covid-19 pandemic, hospitality companies' sustainable and socially responsible strategies are considered a key competitive advantage to win customers. Philanthropic initiatives, or programs such as matching donations of time or money, are widely used. For example, through the "Giving Money" program, Choice Hotels International matches 100 hours of voluntary service with a \$500 donation to the nonprofit organization for which the employee volunteers. However, charitable donations decline over time. 60% to 70% of loyalty rewards are unredeemed and can become a significant liability for a company (Dorotic et al., 2012). Thus, companies should encourage consumers' sustainable behaviors to maximize their social responsibility initiatives and business benefits.

This article incorporates the key concepts of loyalty reward programs, sustainable marketing, and consumer behavior into the hospitality management context. Building on customer relationship marketing and sustainable marketing theories, this article addresses key factors that can guide hospitality companies to increase consumer loyalty, contribute to a company's profitability, and benefit charitable organizations. This

study offers important implications to marketing and consumer researchers, business communities, and public policy makers.

Sustainability of Marketing and Consumer Behavior

Most companies integrate social values into their business practices. Integrating CSR (corporate social responsibility) issues into a company's marketing strategy is not new. Sustainable marketing is a strategy that aims to satisfy the goal of "consumption of goods and services that meet basic needs and quality of life without jeopardizing the needs of future generations" (OECD, 2002), which can be achieved by green marketing, social marketing, and critical marketing (Gordon et al., 2011). In particular, both green marketing and social marketing encourage sustainable behaviors by including concerns for the environment, society, and public good in the marketing process (Gao et al., 2020; Gordon et al., 2011). Sustainable marketing can benefit companies, consumers, and other stakeholders such as public policy makers and non-profit organizations in various ways.

Companies engaging in CSR practices garner positive consumer perceptions and higher profitability levels due to the benevolent halo effect of CSR (Chernev & Blair, 2015; Gao & Mattila, 2014). Kotler (2011) finds that consumer pressure is the major reason why companies change marketing practices. Such demands from consumers result in companies' CSR missions.

Loyalty Reward Programs

Loyalty reward programs are designed to maintain and enhance customer relationships (Dorotic et al., 2014; Kopalle et al. 2012). Loyal members can earn rewards (e.g., mileage, points, discounts, or free gifts) by patronizing the company, and subsequently redeem or donate their rewards (Gao & Mattila, 2019). Loyalty reward redemption contributes to consumer gratification, satisfaction, revisit and re-purchase behaviors, price premium, and share of wallet (Smith & Sparks, 2009). Loyalty reward programs can be used as a differentiator, value generator, and relationship facilitator (Nunes & Drèze, 2006). Hence, consumers can receive social and special-treatment benefits as well as value perception from a loyalty reward program (Dorotic et al., 2012; Henderson et al., 2011).

However, the effect of loyalty reward programs shows mixed results. On the one hand, loyalty reward programs are understood as a competitive strategy to soften price competition and lower costs by building a customer base. On the other hand, loyalty reward programs are believed to be costly to manage and inefficient in generating

loyalty (Kopalle et al. 2012; Uncles et al., 2003). Thus, a loyalty reward program manager may consider: How to achieve the long-term goals of a loyalty reward program? How to maintain the sustainability of the program? How to strategically develop a loyalty reward program as a firm's competitive advantage? The current research investigates the mechanisms of sustainability and relationship marketing to develop a sustainable loyalty reward program that can benefit the firm as well as the customers in the long term.

Loyalty Reward Donation (LRD)

Corporations consider consumers not just purchasers, but also concerned citizens. For instance, the Hilton HHonors Giving Back program donates US \$25 to the charity of loyal members' choice per every 10,000 points that the member donates. Best Western Rewards members can donate rewards points to 10 different charities that support education, medical services, and natural disaster relief. Large US airline companies, such as Delta Air Lines (Skywish program), American Airlines (Kids in Need program), United Airlines (MileagePlus Charity Miles program), and Alaska Airlines (Charity Miles) partner with charities and allow their customers to donate miles to help people in need. Charities can benefit from donations from a company or the company's customers. Companies that make charitable donations can possibly benefit from positive reputations.

In addition, helping others leads to various kinds of benefits. Donors receive charitable credits that signal benevolence and generosity. Besides economic benefits (e.g., tax breaks) and social benefits (e.g., social signaling of wealth and status), consumers receive emotional benefits, such as feelings of love from donations (Barasch et al., 2014; Wu et al., 2017). From the impure altruism perspective, people help others to make themselves feel better or to build a positive self-image in front of others (Andreoni, 1990; Barasch et al., 2014). Consumers may gain prestige, respect, friendship or a warm glow from prosocial behaviors (Andreoni, 1990).

Conclusion

Although loyalty reward programs are effective tools for enhancing customer equity and brand equity, evidence shows that only a few consumers are 100% loyal. One possible reason is that traditional loyalty programs only consider individual consumers' circumstances (e.g., budget), characteristics (e.g., habits), and purchase situation (e.g., product availability), thus resulting in passive rather than loyal commitment. Therefore, a sustainable and long-term view in loyalty program design is critical.

This article presents a holistic view of the loyalty reward donation (LRD) programs that can enable more effective decision-making among researchers and managers. It helps companies increase their customer loyalty and benefit charities. Companies can motivate their customers to participate in the LRD program by highlighting the benefits of giving. At the same time, policymakers can encourage companies' LRD programs by offering incentives such as tax breaks. This research offers new directions for theory development in future empirical research in CSR, sustainable marketing, and LRD programs.

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