

**An analysis of the impact of the Priority Club Rewards programme on the
Crowne Plaza Auckland Hotel's revenue development performance**

RENATO HENEINE GUALBERTO

**A thesis submitted to
Auckland University of Technology
in partial fulfilment of the requirements for the degree of
Master of International Hospitality Management (MIHM)**

2007

School of Hospitality and Tourism

Primary Supervisor: Dr. Elizabeth Roberts

TABLE OF CONTENTS

1	THE PROBLEM.....	7
2	INTRODUCTION	11
3	REVIEW OF LITERATURE.....	15
3.1	HOTEL LOYALTY PROGRAMMES	15
3.1.1	<i>Lower marketing costs</i>	17
3.1.2	<i>Loyalty drives more demand</i>	18
3.1.3	<i>Better understanding about the market</i>	19
3.1.4	<i>Less resistance to price increases</i>	20
3.1.5	<i>Higher onsite expenditure</i>	21
3.1.6	<i>Business Travellers</i>	22
3.1.7	<i>Executive floors and lounge</i>	23
3.1.8	<i>Business Centres</i>	24
3.1.9	<i>Health and Fitness Centres</i>	24
3.1.10	<i>Technological amenities.....</i>	25
3.1.11	<i>Location and other decision-making factors.....</i>	25
3.1.12	<i>Women business traveller.....</i>	27
3.1.13	<i>The Leisure Traveller.....</i>	30
3.2	WHAT IS REVENUE MANAGEMENT?	32
3.2.1	<i>Seven core principles of Revenue Management</i>	35
3.2.2	<i>Effective steps for a successful Revenue Management strategy</i>	39
3.2.3	<i>The challenging role of a Revenue Manager</i>	42
4	RESEARCH METHODOLOGY	45
4.1	PRIORITY CLUB GUEST SURVEY	46
4.2	SPENDING PATTERN ANALYSIS.....	51
4.3	INTERNET ARTICLES AND OTHER WEB-BASED MEDIA RESOURCES	55
4.4	POSSIBLE LIMITATIONS.....	58
5	RESULTS ANALYSIS.....	60
5.1	THE PRIORITY CLUB GUEST SURVEY.....	60
5.1.1	<i>Market Share of Priority Club members</i>	61
5.1.2	<i>The power of the loyalty programme to attract business</i>	62
5.1.3	<i>The level of satisfaction from the Priority Club members.....</i>	67
5.2	THE SPENDING PATTERN ANALYSIS	74
5.2.1	<i>Comparing length of stay.....</i>	75
5.2.2	<i>Room revenue analysis.....</i>	76
5.2.3	<i>Analysing Food and Beverage expenditure.....</i>	78
5.2.4	<i>Analysing other revenue streams</i>	79
5.2.5	<i>Who spends the most per stay?</i>	81
5.2.6	<i>The Priority Club Revenue Contributor index</i>	81
5.2.7	<i>Summary of the results.....</i>	85
6	CONCLUSIONS.....	88
6.1	PRIORITY CLUB MEMBERS AND THE LOYALTY FACTOR.....	89
6.2	VALUE FOR MONEY RATED LOW BUT STILL KEEN TO COLLECT POINTS	93
6.3	THE NZD\$50.00 VOUCHER AND ITS REVENUE OPPORTUNITIES	94
6.4	PLATINUM MEMBERS AND THEIR REVENUE CONTRIBUTION	96
6.5	PRIORITY CLUB GOLD MEMBERS: THE HIGHEST YIELDING CUSTOMER GROUP	98
6.6	SUGGESTED FURTHER RESEARCH.....	99
6.7	FINAL CONSIDERATIONS	101
7	REFERENCES	102
8	APPENDICES.....	106

ATTESTATION OF AUTHORSHIP

“I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.”

ACKNOWLEDGMENTS

I would like to firstly thank my wife, Mariana, for her endless love, patience, and encouragement throughout this project.

I also would like to take this opportunity to acknowledge some key professionals within the hospitality industry who assisted me either through their support or took the time to discuss and share their opinions about the topics covered in this project. From the Crowne Plaza Auckland Hotel I would like to especially thank Michael Borostyan (General Manager), Nick Mannion (Front Office Manager) and Barry Davies (Revenue Manager) for providing me with insightful ideas and for allowing me to produce this study based on their hotel.

In addition, Colin McClean and Warren Goodsir have been valuable friends and industry colleagues who have always been open and keen to help. Kirsty Andresen, Robert Paterson, and Paul Archer have also contributed to the development of this research through generously dedicating their time to sharing ideas and by providing constructive thoughts.

A special thanks to Robert Steele from AUT University for his assistance and contribution towards the conclusion of this study.

Last but not least, to my family and friends back home who have shown unconditional support, encouragement, and respect for my decision to live, work, and study overseas for nearly four years.

This research was approved by AUTEK on 09th December 2005. The ethics application number is 05/222.

ABSTRACT

In 2004, 6% of the Crowne Plaza Auckland Hotel's guests were Priority Club members. Two years later, this number has more than doubled to 13%. Are the Priority Club guests contributing to leverage the hotel's profitability?

This research is aimed at answering the question if the continuous increase in the number of Priority Club guests staying at the Crowne Plaza Auckland Hotel is an opportunity for the property to effectively optimise its revenue generation performance. The study is essentially focused on assessing the ability of the loyalty programme to generate revenue to the hotel.

The Priority Club Rewards is a demand-based, revenue-orientated marketing strategy which is predominantly aimed at 1) promoting and attracting its 30 million members worldwide to stay at the company's extensive portfolio of hotels as well as 2) to entice the club members to spend money on the hotels' services and facilities. In return for their loyalty, these customers are entitled to receive benefits that correspond to their membership level.

From a revenue management perspective, the programme exists to strategically help hoteliers not only to achieve higher occupancy levels through repeat visits from the club members but to also leverage the hotel's revenue generating performance through encouraging its members to not only stay in suites and club rooms but also to use the property's services and facilities more regularly. In other words, the objective of the Priority Club Rewards is to help hoteliers attract customers to their properties and at the same time encourage them to spend money whilst onsite.

It was found that the Priority Club programme is fulfilling its first core objective, which is to bring more customers to the Crowne Plaza Auckland property. Hence, this research is predominantly focused on assessing the rewards programme's ability to also assist the Auckland hotel to increase profitability. The objective of this project is to analyse whether or not the increasing growth in the number of club members staying at the property can also be interpreted as a growth in the hotel's revenue generation performance.

Firstly, a thorough review of the literature was conducted in order to identify any previous academic work that specifically analysed the relationship between the areas of revenue management and loyalty marketing. However, no extensive previous research was found that effectively analysed how these two fields interact with each other, particularly in the hotel industry. Nevertheless, research from Internet articles and other web-based media resources was highly beneficial to the success of this research.

There were two data collection processes employed in this research: a Priority Club Survey identified the needs and preferences of the club members when staying at the Auckland hotel and, secondly, a Spending Pattern Analysis was conducted based on the hotel guests' account statements. The results from these two research methods were then carefully analysed and interpreted in order to achieve an accurate set of resourceful conclusions and recommendations.

1 THE PROBLEM

The Priority Club Rewards programme has been a critical marketing component to the Crowne Plaza Auckland Hotel in terms of attracting the high demand of guests that is needed to fill the hotel's 352 guest rooms every night. For instance, the Priority Club Rewards Programme generated 13% of the hotel's total number of guests last year, which was a dramatic 7% increase from two years ago.

However, are these club members in fact spending more money and hence generating more revenue to the company compared to the non-affiliated guests? Who are in fact the "big spenders"? Is the increase in the Priority Club's market share also contributing to leverage the hotel's bottom line? What services and products do they usually tend to buy? What are the underlying factors that affect their decision to choose the Crowne Plaza brand when coming to Auckland? Is it just to accumulate hotel points or is there something else behind it?

This research is aimed at evaluating the business value of the Priority Club Rewards component to the Crowne Plaza Auckland Hotel in terms of assessing the programme's ability to impact on the company's revenue generating performance.

The InterContinental Hotels Group's (IHG) rewards programme is the industry's largest loyalty scheme with more than 30 million members worldwide, of which 1.5 million of them are in the Asia Pacific region (Intercontinental Hotels, 2007). Hence, the Crowne Plaza Auckland is the primary hotel destination for a massive demand of club members who plan to visit Auckland either for business or leisure. As mentioned earlier, the number of club members staying at the hotel has more than doubled in the last two years, from 6% to 13% respectively.

So, it is reasonably elementary to understand why the world's leading hotel companies have traditionally employed a large focus on growing the number of "loyal" guests as a critical marketing strategy to succeed in a highly competitive industry. A loyalty programme predominantly enables the company to globally promote its brands and services directly,

and in a more cost-effective way, with their presumably “high-spending” loyal customers. At the same time, it provides the organisation with the ability to instantly access up-to-date client database and to regularly participate in seasonal promotions. The goal of a loyalty programme is to generate as much repeat business as possible in order to increase the company’s profitability and as a result keep the customer away from competitors.

The Priority Club programme is structured to reward those members who either have frequently stayed at IHG’s extensive portfolio of hotels worldwide or those who have spent a considerable amount of money on the properties’ services and facilities. In return for their loyalty, the company offers a wide range of benefits and exclusive promotions in order to pamper and keep their high-yielding, multiple-stay guests happy and loyal to the brand.

When analysing the programme’s concept from a revenue management perspective, it is the core purpose of IHG’s Priority Club Rewards to not only increase room occupancy levels through stimulating its members for repeat visits but to also yield the hotel’s bottom line by enticing them to pay higher room rates as well as to use the hotel’s products and services more regularly.

Therefore, when considering the significant growth in the number of club members staying at the Auckland property in recent years, it is evident to conclude that the rewards programme has been very successful in terms of attracting more and more club members to stay at the hotel. However, this increase in the programme’s market share also raised the question if these loyal members are in fact contributing to leverage the hotel’s revenue generating performance.

The problem identified was to thoroughly evaluate to what extent this increasingly large percentage of incremental demand of guests that the loyalty programme has produced to the Auckland property is in fact positively impacting on the hotel’s results. This question will be answered through comparing and analysing the spending patterns between the Priority Club guests and the non-affiliated guests in order to confidently conclude which customer group is in fact being more profitable to the hotel.

This question is particularly interesting in the case of the Priority Club Rewards programme, since the main idea behind the industry-leader loyalty scheme is to encourage its 30 million members to stay more often and to spend more money in the company's large number of hotels worldwide in order to get upgraded to elite status and consequently receive more benefits from the programme.

So in this scenario, it was initially presumed that Priority Club members should be spending more money on the Crowne Plaza Auckland Hotel's services and facilities when compared to non-affiliated guests due to his/her assumed inclination to take full advantage of the benefits offered by the rewards programme. This research clarifies this assumption and provides detailed information about the preferred services and products offered by the hotel that club members tend to use more regularly.

A number of direct and indirect benefits are expected to be achieved from this research. Firstly, the Crowne Plaza Auckland's management team will be able to make confident decisions about how to successfully approach and monitor the programme as an effective revenue generation strategy.

In addition, the New Zealand hotel industry will also benefit from this research by having the first in-depth case study ever done in the hospitality sector that combines the increasingly important field of revenue management and loyalty marketing. Considering the critical role that the service industry plays in our economy, it is envisaged that this research will help hoteliers to efficiently market their properties to the most profitable niches of customers in order to achieve the best results possible. This, in turn, will generate more income which will ultimately enable the hotel sector to fulfil its social and financial responsibilities.

Last, but not least, the study will provide useful information to future academics, lecturers, researchers, and students who are interested in the field of revenue management and loyalty marketing and would like to better understand how one can influence the other when marketing the hotel to the market. It is expected that this project will assist hoteliers to better understand the implications and requirements that need to be considered when

creating a loyalty programme scheme and how the field of revenue management can be effectively employed towards increasing a company's profitability.

2 INTRODUCTION

The Crowne Plaza Auckland Hotel is a major player in the city's hotel sector due to its ability to offer a great location, a good combination of high quality services and multiple facilities, as well as the opportunity of advertising the hotel and the City of Sails internationally through its parent company, the InterContinental Hotels Group.

The hotel's strategic location, which is right in the heart of Auckland's Central Business District, the busiest and most important financial precinct to the country's economy, provides the property with a strong competitive advantage in the upscale hotel market. The property is conveniently situated in an area with easy access to the main motorways that cross the North Island. It is also within just a short stroll to Auckland's major attractions: the Sky Tower and Casino, the SkyCity Convention Centre and the Aotea Convention Centre, the Civic Theatre, the Auckland Town Hall, and the city's vibrant Viaduct Harbour just to name a few. Therefore, this upscale hotel offers 352 guest rooms including a Club Lounge with 32 club rooms and suites, 10 meeting rooms with space and facilities to host all sorts of functions as well as an adjoined 730-space carpark.

In order to capture the high demand of guests that is needed for the hotel to stay competitive and be a market leader in its segment, the Crowne Plaza Auckland Hotel has developed a number of sales and marketing strategies aimed towards driving constant business to the hotel. However, there is one particular marketing tool which has increasingly helped the hotel to bring more customers to its property for the last couple of years: its affiliation to the world's largest hotel company, the InterContinental Hotels Group (IHG).

There are many advantages for being part of an extensive network of hotels. The opportunity to market the Auckland hotel globally through IHG's strong international brand recognition, its extensive portfolio of brands, and its powerful marketing campaigns has steadily contributed to the property's ability to gain market share and stay competitive in the marketplace. It is understood that IHG is today the world's largest and most global

hotel company with over 3,700 hotels worldwide, offering more than 550,000 guest rooms in nearly 100 countries (Intercontinental Hotels, 2007).

In this scenario, IHG's largest contribution to attract guests to the Crowne Plaza Auckland Hotel has been through its loyalty programme scheme, Priority Club Rewards. The company's rewards programme has been a critical marketing component for the Auckland property through advertising the hotel as a holiday destination to over 30 million Priority Club members worldwide. In fact, perhaps because 1.5 million of these members are Asia Pacific residents, there is little doubt as to why the Auckland hotel saw an increase from 6% in 2004 to 13% in 2006 in the number of Priority Club member bookings.

Recognised as the world's first and largest hotel loyalty programme (Intercontinental Hotels, 2007), the Priority Club Rewards is a demand-based, revenue-driven marketing strategy that is fundamentally based on two core business elements: 1) to stimulate demand through promoting IHG's brands around the globe and 2) to entice its members to spend money on their hotels in order to get upgraded to elite status. The higher the number of room nights or hotel points accumulated in a calendar year gives the cardholder more benefits. Some examples are free upgrades to club rooms, complimentary late check-out times, hotel stays, bonus points, vouchers, free amenities, and other promotions.

Furthermore, the programme offers three different membership levels to its members in order to identify and categorise the "big spenders" and there are marketing campaigns that are specifically tailored to address their unique needs. Hence, each of the membership levels is defined according to either the number of room nights or the amount of points which the member has accumulated in a calendar year. The three membership types in the Priority Club programme are: Priority Club Platinum member (the highest elite level), Priority Club Gold member (the intermediary level), and Priority Club member (the basic, entry level).

As such, each membership level offers exclusive advantages and rewards criteria to its members. Appendix A shows what sort of benefits each member receives from the programme anywhere in the world that they are, as well as specifically at the Crowne Plaza Auckland Hotel. It additionally describes what is necessary to be upgraded and/or maintain

the once achieved elite status in the programme. However, there are some conditions and limitations imposed by the hotel group in relation to specifying what charges and rates are eligible to earning points.

At the Crowne Plaza Auckland hotel, the Priority Club member will receive ten (10) points for each New Zealand Dollar paid when staying on a “qualifying” room rate. A qualifying room rate is also known as the best flexible rate or the price that is being publicly advertised in the company’s website. It can also include any non-discounted rates, any standard corporate contracted rate, a worldwide sales negotiated rate, or a national/regional/local government rate.

Additional to the qualifying room rate, the Crowne Plaza Auckland’s Priority Club member can also earn points for the following products and services: food and beverage expenses, telephone charges, laundry service, and in-room movies. Hotel charges such as “in-room high speed Internet access” and “carpark” are not eligible for points at the Auckland property as they are outsourced to external companies which, therefore, incur additional costs and commission rebates.

In summary, the Crowne Plaza Auckland Hotel has successfully been able to capture the increasingly high demand of Priority Club guests visiting the City of Sails. The hotel is well located in the heart of the CBD and offers a great combination of services and facilities to its guests which make the hotel a great choice. Notwithstanding, the property has also developed a number of exclusive benefits and exclusive offers targeted to the club members as a way to make them feel comfortable and acknowledged for their loyalty.

However, considering the strong growth in the Priority Club Rewards’ market share contribution to the Auckland property in recent years, it simultaneously becomes increasingly critical to assess the impact that it has on the hotel’s bottom line.

Hence, the objective of this research is to analyse from a revenue management perspective the value of the Priority Club programme for the Crowne Plaza Auckland Hotel as a yield-orientated strategy towards driving profitability to the property. The key research question

was “is IHG’s rewards programme also beneficial to the Auckland property in terms of leveraging its revenue generating performance?”

3 REVIEW OF LITERATURE

As this research is essentially focused on analysing the impact of the Priority Club Rewards programme on the Crowne Plaza Auckland's revenue development, the theoretical framework was based on two core business topics pertaining to the hotel industry: loyalty programme management and revenue management.

The purpose of this literature review is to enhance the student's knowledge about hotel loyalty programmes as well as revenue management in order to be able to produce a consistent and effective research analysis. Also, this review also identifies previous literature related to assessing the extent to which the relationship between a loyalty programme and revenue management can potentially impact on a hotel's performance.

3.1 Hotel Loyalty Programmes

According to Reich (1997), the goal of a loyalty programme is to meet the needs and desires of its affiliated members in a unique and memorable way towards creating brand preference and therefore generating repeat business. Thus, the core purpose of a guest loyalty programme is to encourage frequent customers to prioritise their hotel selection within the brands that are affiliated with the club (Shoemaker & Lewis, 1999). For instance, the literature suggests that loyal guests tend to be more resistant to get persuaded from the competition due to a higher degree of satisfaction and commitment that they have with a specific company or brand (Narayandas, 1998).

A recent article published in the *Travelinc* (Jalfon, 2007) suggests that hotel loyalty programmes need to continue to change and improve as customers' expectations rise and their accommodation needs constantly change. The authors also suggest that most relationships take years to develop but life-long hotel loyalty can occur overnight. For instance, a quote published on one of Accor Hotel's websites suggests that "it takes months, even years to find a customer... and only seconds to lose one" (<http://academieaccor-na.elementk.com>, 2007).

The literature states that until recent years for the majority of hospitality firms the goal of marketing was to create as many customers as possible, also known as conquest marketing (Shoemaker & Lewis, 1999). Much despite the overpopulated and highly competitive hotel sector since late 1990's, there has been a larger focus on not only acquiring new clients to the hotel but also, and perhaps more importantly, maintaining them happy and satisfied within the company (Shoemaker & Lewis, 1999).

During the course of these fifteen years or so, the hotel industry has identified many benefits that can be derived from the development of a guest loyalty programme and as a result these advantages have become an integral component in the overall marketing strategies for internationally branded hotels (Abbey, 2003). In addition, Shoemaker and Lewis (1999) argue that the introduction of guest loyalty programmes in the hotel sector has been an effective way for hoteliers to not only attract new customers to the company but also to retain them within the brand. Thus, guest loyalty programmes have been used as a key business strategy for hospitality organisations to shift the emphasis from customer acquisition to customer retention in order to maintain competitive in the marketplace (Bowen & Shoemaker, 1998). Hsu and Powers (2002) describe this marketing shift in the hotel industry: "Various estimates place the cost to attract new customers at five or more times the cost to retaining existing ones (cited in <http://academieaccor-na.elementk.com>).

According to US-based *Hotel and Motel Management*, loyalty programme members usually have considerably higher incomes, pay slightly more per room night, stay more nights per year in hotels, and are more tolerant of price increases compared with non-member hotel guests (www.hotelmotel.com, 2007).

Dube and Renaghan (1999) found that a guest's perspective on a hotel's functional area can potentially influence his/her degree of loyalty to that particular service provider. For instance, more than 85% of the guests who participated in their research said that the aspects of "overall quality standards", "guest-room design and amenities", and "personnel attitude" have the strongest effect on their level of loyalty to a particular hotel brand/property. Other highly rated factors that were identified by Dube and Renaghan

(1999) are: a strong brand name and positive reputation, and perceived value from the customer.

So, based on all these facts and trends that concern the hotel industry, major hospitality firms have extensively invested in the development of marketing strategies that will help them to not only increase market share over the competition but also to provide them with considerable cost reduction over their operations (Shoemaker & Lewis, 1999). Some of the most significant benefits that can be derived from developing a sound and efficient return guest rewards programme include lower marketing costs, loyalty drives more demand, the ability to protect market share from competitors, attract high-yielding customers to the company, retain a “core group” of loyal, good value customers, better understanding about the market, less resistance to price increases, and higher onsite expenditure.

3.1.1 Lower marketing costs

Bowen and Shoemaker (1998), suggest that loyal customers contribute to lower marketing costs because less marketing expenditure is required in order to persuade them to stay at the hotel or to entice them back. It was found in the literature that it is six times less expensive to create marketing strategies for retaining customers than it is to attract new customers (Leboeuf, 1987; cited in Hsu and Powers, 2002; Narayandas, 1998).

In addition, there is also the case that once loyal to a particular company, a customer creates a steady stream of revenue over time as s/he continues to buy products. Hence, it is not only the costs associated with publicity and marketing that decreases but also the costs of actually serving a customer who is familiar with the company and its procedures (<http://academieaccor-na.elementk.com>, 2007).

Therefore, one can conclude that loyal guests have had a good experience with the hotel in the past which gives them a certain level of assurance and confidence that they will be treated on the same satisfactorily level again. These guests have already experienced the hotel and its services and are quite happy to keep coming back because of their expectation of continuously receiving the same high level of service.

However, it is important to highlight the fact that customer loyalty and customer satisfaction are not one in the same. Bowen and Shoemaker (1998) argue that whilst customer satisfaction measures how well a customer's expectations are met by a given transaction, customer loyalty measures how likely a customer is to repurchase the same product from the same company over time. In other words, it is possible to have satisfaction without loyalty, but rarely will there be loyalty without satisfaction.

3.1.2 Loyalty drives more demand

Moreover, the literature suggests that due to the regularity of the loyal guest in consistently using the same service provider, there is also the recognition and acknowledgment factor which plays a major role when customers select a hotel (Reich, 1997). This means that in return for a guest's loyalty for continuously selecting a particular hotel brand, hospitality organisations have developed reward programmes in order to show their valued guests how much they appreciate their loyalty.

In addition, from a strategic management point of view, a loyalty programme can help hotels to attract new customers to become part of their exclusive rewards scheme (Khumar, Bohling, and Ladda, 2003). The purpose of the loyalty programme is to seduce the market into enjoying the benefits that are available only for club members. Hence, one of the objectives of a loyalty programme is to attract the highest number of affiliated customers possible in order to continuously generate demand for the company's portfolio of brands.

There is also the fact that satisfied, loyal customers spread positive word of mouth, thus, it further encourages others to use the same hotel brand (Narayandas, 1998; Kim and Cha, 2002). In this regard, new customers will be attracted to buy a product or use a service which will simultaneously help the company to reduce costs (Khumar et. al., 2003).

In their research about customer loyalty, Bowen and Shoemaker (1998) found that loyal customers told an average of five other people positive things about the hotel they were loyal to while dissatisfied customers are likely to tell eleven other people about a bad experience. When considering the strong influence that a good or bad recommendation can have on a customer's decision to buy a product or service, it is crucial to the success of a

rewards programme to achieve and maintain a high level of satisfaction from its members (Jalfon, 2007).

3.1.3 Better understanding about the market

Furthermore, loyalty programmes are also designed to assist a hotel company to effectively identify and monitor the behaviour and desires of its club members in order to pro-actively anticipate guests' needs and to ensure that the hotel is consistently delivering what customers want (Reich, 1997). Also, from a business perspective, loyalty programmes are an effective tool for gaining access to a large client database that will ultimately assist the company to frequently identify an increasing number of revenue opportunities that will contribute to leverage profitability.

In that respect Reich (1997) argues that a hotel company should continuously explore and understand the needs and expectations of its most important customers in order to deliver the services and products that best match what they seek. This means that hotels should be flexible and adapt to different market desires and requirements in order to achieve and consequently maintain a strong relationship with their loyal customers (Jalfon, 2007). For instance, a loyalty programme is an effective way for companies to keep track of the many preferences and hobbies of regular guests, such as wine, fruits, magazines, sports, anniversaries, favourite airline, allergies, newspaper, type of pillow, and so forth.

The literature further suggests that loyalty programmes impact on the overall marketing mix and allows the hotel company to relate to its most important customers in a much more personalised way. This, in turn, allows them to provide each guest with outstanding service (Jalfon, 2007). As a result, the company will be able to strengthen its relationship with key customers, thus generating more repeat visits.

Czerniawski (1999) suggests that understanding, developing, and evolving – even creating – customer needs should be at the core of every successful business venture. The author argues that keeping the organisation up-to-date with shifting and emerging needs of its customers is a key to success.

By doing so, the company is able to be competitively positioned in the marketplace through offering an appealing range of products and services that are linked to both physical (functional) and psychographic (emotional) needs (Czerniawski, 1999). But, more importantly, the company will be able to innovate, to offer something that is unique and extremely valuable to its customers, suggests Czerniawski (1999).

A recent roundtable hosted at Cornell University School of Hotel Administration concluded that innovation comes from what customers do not say, as customers tend to tell what hospitality organisations want to hear rather than saying what they really want to know (www.hotelschool.cornell.edu, 2007).

Uniqueness is a desirable attribute that hotel companies should constantly seek to incorporate into their respective loyalty programmes. By doing so, members will perceive a high value of being part of a particular rewards scheme, which will ultimately impact on the hotel's revenue performance.

3.1.4 Less resistance to price increases

The literature suggests that price increases have less effect on loyal customers than on non-loyal customers (Narayandas, 1998). This is based on the fact that loyal guests are more concerned about maintaining the relationship and receiving a high level of service and acknowledgment by the particular service provider (James and Petrick, 2004; <http://academieaccor-na.elementk.com>, 2007).

Khumar, Bohling, and Ladda (2003) found that loyal customers may be willing to pay a higher price premium in order to ensure the service received is able to satisfy their need. Hence, hotel companies should capitalise on the fact that loyal customers will usually concentrate more on the relationship rather than the price of the product or service. As such, hospitality organisations are in the position to create revenue opportunities that will increase their profitability.

3.1.5 Higher onsite expenditure

There are other additional financial benefits associated with the actual time loyal customers spend at a hotel property. For instance, loyal customers are more likely to use restaurants and other products and services compared to non-loyal guests (Bowen and Shoemaker, 1998). Therefore, it is argued that hotels enjoy greater spending by loyal customers than their non-loyal equivalents because they tend to visit restaurants more often and are more inclined to try different products and offerings because there is a greater level of trust and relationship with the service provider (Kim and Cha, 2002).

So the financial benefits that a hotel can produce from loyal customers are clear, with savings on marketing costs, increased occupancy through word of mouth, and less price sensitivity. Plus, loyal guests tend to spend more time onsite which, in turn, will usually result in them spending more money in the hotel.

While loyal guests provide great benefits to hotel companies, it is reasonably difficult to conquer their confidence. There are many business travellers who do not travel enough to form brand preferences, while other corporate guests have lodging decisions made by their corporate travel departments. Additionally, there are those travellers who are limited in their accommodation choices due to budget constraints (Abbey, 2003).

At a time when hotel chains have increasingly attempted to capture guests who travel extensively, have large accounts, and are not terribly price-sensitive into their loyalty programme schemes, there has also been extensive debates about how these costly initiatives are in fact building guest *recognition* programmes as opposed to create a guest *loyalty* marketing strategy (Abbey, 2003).

The literature suggests that frequent independent travellers have increasingly come to expect a kind of reward programme for their choice to travel and/or stay with that particular company. Peter Blyth, President of Radisson Development Worldwide, stated:

We are now in a situation where if you do not have a reward programme you are at risk. The question is how effective it is. All the major players believe that what they offer is unique, yet uniqueness must be perceived and admired by

the hotel guests. An objective must be to capture guests into collection programmes early in their travelling careers so that they are loath to abandon uncollected points by switching to another hotel group (cited in Abbey, 2003).

One can argue that a reward programme alone is no longer a point of differentiation for hotels. While reward programmes may generate some loyalty, research has shown that most business travellers have multiple frequent-guest memberships (Abbey, 2003). Therefore, many industry professionals question the long-term value of rewards programmes which were primarily designed to “buy” customer loyalty rather than earn it.

Loyalty, as defined by Abbey (2003), is only achieved once hotel guests feel they have been recognised as individuals as opposed to being offered a structured, emotionless, non-personal product or service (e.g. a drink voucher). It is a personal relationship, an emotional trigger that is developed through time.

In order to develop and sustain a successful rewards programme, hotels need to start listening carefully to their guests’ comments and feedback (Harrison and John, 2002). And in the case of those guests who hardly-ever express their views and ideas, hotels need to find a way to interact with them to create a long-term relationship.

Hotel guests have different needs, different expectations, different reasons for booking accommodation; however, regardless of the market segment the guest belongs to or how much s/he is paying for the room, their needs have to be thoroughly identified and analysed so that the hotel will be able to deliver exactly what they want. In this scenario, loyalty programmes can be a great tool for the hotel to get to know more about their most influential customer segments in order to adapt the hotel business accordingly.

3.1.6 Business Travellers

The business traveller market is considered to be a fruitful business segment for hospitality organisations because of their regular work-related trips per calendar year, as well as the high amount of disposable income that companies (i.e. especially multinational, large corporations) make available for business-related expenditures (Bowen and Shoemaker,

1998; Hsu and Powers, 2002; Abbey, 2003). Hence, the goal of a business-orientated hotel is to consistently meet the needs of their business guests in a unique and innovative way.

Moreover, there are a number of business strategies that hotels have found useful for attracting the big demand of corporate guests. Abbey (2003) identified the following seven common practices and attributes that hotels have employed in order to best match this market's needs.

3.1.7 Executive floors and lounge

Many hotel properties are finding that it is more cost-efficient to build “a hotel within a hotel” than build new properties in order to provide the executive services needed by their corporate travellers (Bowen and Shoemaker, 1998). In other words, facilities such as the Crowne Plaza Auckland's Club floors (i.e. top two stories in the hotel) and the Club lounge (i.e. 28th floor, top floor) are key attributes of the hotel in capturing this increasingly demanding market. The services are designed to provide a secure, comfortable environment in which corporate guests are able to meet their colleagues, conduct business, and relax after a long trip or a busy day at work.

At the Crowne Plaza Auckland Hotel, the Club floors and the lounge can only be accessed by guests who pay an upgrade fee to stay in one of the Club rooms (i.e. 27th and 28th floors). Included in this fee is a larger room with better work space plus unlimited access to the Club lounge. As such, Priority Club Platinum members get complimentary upgrade to a Club room upon arrival, subject to availability.

Moreover, these selected guests can have the option of eating breakfast either in the Club lounge (i.e. free of charge) or downstairs in the hotel's restaurant (i.e. at normal price). The Club lounge also features complimentary tea and coffee during the day and every evening there are free canapés and drinks. A flat screen, cable TV is available 24 hours a day as well as a public computer with broadband Internet access.

3.1.8 Business Centres

Having an on-site business centre is a competitive must. Although Abbey (2003) suggests that there has been an increasingly demand of business travellers who would prefer to work in their guestrooms, others would rather not work and relax in the same environment.

Additionally, outsourcing of the business centre function has become a very cost-effective option for hotels since staffing and equipping a business centre may not be as profitable as to hand it over to a specialised company that already has the knowledge, staff and equipment to do so (Abbey, 2003). These companies have the expertise and in-depth product knowledge of what works best for each type of hotel.

The business centre at the Crowne Plaza Auckland Hotel, for instance, is basically a work space located on the 13th floor of the hotel that has two computers connected to the Internet and a printer. The use of the computers is complimentary; however, there is a cost to log on to the Internet. If a guest requires secretarial services such as photocopies and send/receive faxes, s/he needs to contact the hotel's Reception for assistance.

3.1.9 Health and Fitness Centres

Previous research (Hsu and Powers, 2002; Abbey, 2003) suggests that there has been a rapidly increased awareness of work-related stress that has been leading many business travellers to pursue a healthier lifestyle. Particularly in the case of corporate travellers who travel extensively, this trend not only relates to dietary requirements and food habits but also in relation to a stronger commitment towards regular exercise in the middle of extended business trips.

Taking into account the long periods of time that business travellers spend away from home and from their regular dietary routine, hotels have attempted to offer a range of light food and drinks in their menus in order to attract the health-conscious traveller (Abbey, 2003). Most international hotels, such as the Crowne Plaza Hotel in Auckland, offer complimentary use of its fitness centre facilities to all guests.

3.1.10 Technological amenities

Hotel companies that essentially target the corporate market need to offer an attractive combination of products and services that will further help the business traveller to be more productive and efficient during his/her stay.

The most common features and amenities found in business hotels are: a dedicated desk for express check-in and check-out for high-valued customers, an oversized work desk in the room, ergonomic chairs, adequate lighting, flip-top access to high speed Internet and dataport connection, all within reach of an easy-to-use printer/fax/scanner machine, CD player and a large television screen (Hsu and Powers, 2002; Abbey, 2003).

Likewise, the provision of timely, professional and friendly technical assistance is an advantage. In this case, it is important to have front office staff who are knowledgeable about information technology and who can be promptly available to assist the guests, since most of the help-desk services are only available via the telephone.

3.1.11 Location and other decision-making factors

Business travellers are perhaps the most knowledgeable and sophisticated of all the different types of travellers, and they have definite preferences regarding the selection of a hotel (Hsu and Powers, 2002; Abbey, 2003). For instance, Abbey (2003) found that 78% of corporate travellers choose a hotel primarily based on convenient location. The Crowne Plaza Auckland Hotel is strategically located in the heart of Auckland's Central Business District and also within easy access to the motorway that leads to the airport, as well as to museums, theatres and other main attractions in the city.

In addition to location, Abbey (2003) found a number of other important factors that also influence a business traveller's decision when making a hotel booking. Executive travellers are constantly seeking to stay in hotels where they can find clean and comfortable rooms. For instance, 67% of women travellers rate cleanliness as a high aspect on their list of hotel selection (Abbey, 2003).

Additionally, room rates and amenities are also highly scrutinised by corporate travellers before they confirm a reservation. Abbey (2003) suggests that 55% of business travellers tend to shop around for the best deal possible.

The literature also suggests that as well as the room with a comfortable bed and a hot and well-pressured shower, business travellers frequently seek products and services that are included in the room rate. Some of the most sought after amenities are complimentary breakfast, in-room Internet connection, a shuttle to and from the airport, and local calls (Hsu and Powers, 2002).

Moreover, the vast majority of business travellers (87%) make their own travel decisions based on their knowledge about the product or service or from previous experience with the brand (Cahill, 1997; Abbey, 2003). Research also shows that listening to friends and colleagues normally influences only 35% of the corporate travellers, while 22% would follow the company's travel policy. Abbey (2003) found that consulting a travel agent is the least preferred option when booking accommodation (11%).

When considering the attractiveness of a hotel's facilities, 33% of the business travellers would give priority to hotels with meeting room facilities available onsite (Reich, 1997; Abbey, 2003) whereas 22% would prefer to stay in hotels that offer extensive food and beverage outlets and options.

Furthermore, businesswomen who travel frequently and, in most cases, solo, tend to prefer in-room dining as opposed to use the hotel's public restaurant due to security and privacy reasons (Abbey, 2003).

With regard to selecting a hotel that offers a frequent traveller programme, the literature suggests that the use of reward programmes which generate more than USD\$35 billion annually in revenue and are used by 16% to 18% of all business travellers, will maintain its sharp rise as the trend towards brand loyalty continues to grow (Hsu and Powers, 2002; Abbey, 2003).

Abbey (2003) argues that business travellers can be divided into two categories: frequent and occasional. Frequent business travellers are responsible for approximately 50% of all revenue generated by the corporate market segment and are more easily targeted. The occasional business traveller is typically the “salesperson” travelling on his own and on a limited budget.

Frequent business travellers tend to spend an average of 21 nights per year away from home on business, largely due to sales trips, and when travelling on business, 76% of the corporate travellers tend to book accommodation in either hotels or motels (Abbey, 2003).

While this group is largely male, an increasing number of business travellers are women (Bowen and Shoemaker, 1998; Reich, 1997; Newell, 2000; Abbey, 2003; Siguaw and Bojanic, 2004). In fact, the literature suggests that this trend is extremely positive to hotels based on the fact that women usually tend to spend more time onsite, use the hotel’s food and beverage outlets more regularly than men do and, as a result, spend more money in hotels.

3.1.12 Women business traveller

According to Abbey (2003), in 1970, only 1% of the business traveller segment was composed of women. Today, it is expected that they account for 45% and this number is increasing at a phenomenal rate (McCleary, Weaver, and Lan, 1994; Abbey, 2003; Siguaw and Bojanic, 2004).

The literature suggests that women already constitute 50% of business meeting delegates and they now correspond to nearly 51% of all meeting planners (Abbey, 2003). Although many of the businesswomen share similar preferences to their male colleagues when choosing a hotel to stay, such as location and price, on the other hand they also appreciate (and highly value) different factors when travelling from their male colleagues (www.usatoday.com, 2006).

For instance, Mommens (2005) suggests that to please this demanding clientele, whose requirements include higher levels of comfort, luxury, security, and tranquillity, hotels have

been forced to include in their amenities list items such as organic food, perfumed candles, pillow menus, women's magazines, women-only floors, and even the option of valet parking or door-to-car escort service.

In his research, Abbey (2003) found that the security and cleanliness are also highly ranked factors for approximately 86% of all women travellers. This means that businesswomen will be more inclined to stay in hotels that feature, for instance, an onsite restaurant or have the option to order in-room dining as well as in places where the reception desk and room corridors are spacious and well-lit in order to give them a sense of safety and surveillance (Sammons, Moreo, Benson, DeMicco, 1999).

In relation to the guest rooms, it is critical to offer an effective key locking system which not only works to open the room door but which is also used to enable the lift to access that particular floor. For instance, many hotels in South Florida have introduced women-only floors in order to keep up with the growth of women business travellers needing a secure and customised place to stay away from home (www.usatoday.com, 2006). In fact, there are already hotels in key European cities (London, Berlin, Zurich) which are women-only properties (Mommens, 2005).

The literature suggests that women business travellers are usually single, younger and more highly educated than their male counterparts, they like to feel at home in their hotel room, and they are generally members of a hotel rewards programme (Mommens, 2005; Muxlow, 2007). Moreover, a large percentage of female business travellers (75%) consider business travel as an important part of their job and their average annual income can range anywhere between \$25,000 and \$70,000 due to the steady increase in the number of women occupying management positions (Mommens, 2007).

Moreover, besides the universal preference for clean, attractive, well-lit rooms and friendly, courteous service, women business travellers are quite particular in terms of expecting that little extra amenity or service that is specially offered to their particular needs (Nobles & Thompson, 2001; www.usatoday.com, 2006). For example, the ability to order in-room dining 24 hours a day, the possibility of requesting express laundry and emergency

pressing, a 24-hour fitness centre with sauna, concierge floor, and women-exclusive floor are greatly valued features by women travellers (Brown, 1997; Muxlow, 2007).

With regard to the guest room, amenities like sewing kits, upgraded bathroom lighting, makeup mirrors, a hair dryer, an iron and ironing board, additional electrical outlet for grooming appliances, adequate closet space, closet bars hung high enough to accommodate formal gowns, skirt hangers, full-length mirrors, and sufficient towels and washcloths are considerably appreciated by women (Brown, 1997; Nobles & Thompson, 2001). In addition, a large bath area is ranked high for the majority of women business traveller (Muxlow, 2007).

Furthermore, suites have been increasingly booked by business women, fundamentally due to their convenience of a separate bedroom (relaxation) from work (Brown, 1997). Research also shows that most businesswomen prefer to have a space set aside in their guestrooms for work or meetings with a desk and good lighting (www.usatoday.com, 2006).

In addition, due to the fact that women tend to spend more time in the hotel than men, they tend to visit the property's facilities more often (Abbey, 2003). For instance, 60% of women consider a hotel swimming pool and fitness centre very attractive to them compared to only 34% of men. Abbey (2003) also highlights the fact that since more women business travellers bring their children with them to the hotel, they tend to give priority to properties that can provide activities for kids, such as TV channels, a kids' menu, and a discounted price in the hotel restaurant.

Finally, since women business travellers tend to take more "mini-vacations" during the year than businessmen, they typically spend 25% more in restaurants than male business travellers (Abbey, 2003; Mommens, 2005). Additionally, they often meet with work colleagues while at the property if they perceive a feeling of security, comfort and good service.

Based on the fact that women tend to be more loyal, repeat guests than men to the same property or brand (Abbey, 2003; Mommens, 2005), it is critically important that hotels

provide the most valued features rated by women travellers in order to be the preferred choice for this growing market.

3.1.13 The Leisure Traveller

The increase of businesswomen has also contributed to the growth in the leisure traveller market (Hsu and Powers, 2002). Family weekend trips are on the rise as a result of the increasing number of two-income families (Abbey, 2003). For instance, in 1985 only 49% of US households enjoyed two incomes compared to 75% in 2003 (Hsu and Powers, 2002).

Hence, one can conclude that this trend further helps to increase the amount of discretionary income of a working family which, in turn, creates a number of revenue opportunities for hotels towards maximising their profitability. For example, in the case of a corporate-oriented hotel like the Crowne Plaza Auckland where room occupancy levels decrease on the weekends, the property can potentially offer a value for money weekend package targeted to families that offers a combination of comfortable accommodation and access to the city's main attractions.

In order to make the most of these initiatives, it is equally important that hotels offer onsite services and facilities that complement these activities. For example, extended check-out time, on-demand pay-per-view movies, in-room amenities related to the purpose of the stay, availability of room service breakfast, the breakfast price included in room rate and special menu for kids are some of the most popular ways to tap this market (Hsu and Powers, 2002; Abbey 2003).

In fact, the provision of these additional in-house services and facilities help hotels to not only capture the preferred choice of the leisure travellers, but it also results in diversifying the range of revenue streams. Either by charging each service individually (e.g. movie pay-per-view, minibar items) or offering all-inclusive prices is an effective strategy to increase profitability (Abbey, 2003).

Weekend travellers also tend to spend more time searching and selecting the hotel/destination to visit than the other types of travellers (Yesawich, 2007). The rapidly

popularity of Internet has helped holiday-makers to easily research and compare not only prices but also the service quality of hotels around the world. These travellers are increasingly participating in forums and roundtables on the Internet. They also post their comments and reviews from their recent trips as to advise futures travellers about what was good (and what was not that pleasant) about their vacation (Hopkins, 2006). Popular websites, such as tripadvisor.com, have grown significantly in the past few years because of their frequent and unbiased content as well as the high percentage of active members that use the website (Hopkins, 2006).

In addition Abbey (2003) suggests that because leisure travellers are more price-sensitive than business travellers, they normally shop around more often and as result are more inclined to select the property that offers the best value for money. As a result, most of the large hotel companies have been heavily discounting their rates and advertising that they guarantee the best rate in the market in order to capture the increasing demand of leisure travellers. On the other hand, guests who purchase these offers are generally buying a prepaid, non-refundable product.

When using this price reduction strategy, even though the hotel may discounting \$10 or \$20 dollars from their publicly advertised rate, they generally still charge a higher rate for leisure travellers than the rate paid by most corporate guests. In addition, it helps the hotel to better forecast demand of guests based on the number of prepaid, confirmed bookings.

At the Crowne Plaza Auckland Hotel, for instance, there are two types of advance bookings. The fourteen-day advance booking provides up to 30% discount off from the best available room rate for those days being booked. As mentioned earlier, the condition for this product is that the arrival date has to be at least fourteen days ahead when the booking is made. These bookings are credit card payments for the entire stay (i.e. the credit card is charged at the time the booking is made for the total number of nights intended to stay) of which any changes and/or cancellations to the reservation are not permitted.

The second prepaid option is the five-day advance booking. This rate entitles the guest to up to 15% discount off the best available room rate for those days being booked. In this case, the date of reservation must be at least five days ahead of arrival. The guest's credit

card is charged at the time the booking is made; however, only for the first night. The other nights will be settled after the guest's stay. As with the fourteen-day advance booking, there can be no changes or cancellations to the booking.

This strategy has certainly been attracting a good number of leisure travellers, especially those who book online and who are constantly looking for last-minute deals available on the Internet. According to a Crowne Plaza revenue management review document, the number of prepaid bookings has become more popular in the New Zealand market and it is expected to continue its growth (Crowne Plaza Auckland Hotel, 2003).

In summary, loyalty programmes have become a critical marketing tool for hotels in order to monitor the constantly changing needs and desires of guests. It helps hospitality organisations to identify the very unique expectations and needs of each customer segment so that the property can accommodate them accordingly.

Therefore, once a rewards programme has provided the hotel with strategic information about the market, its characteristics, and its future trends, the focus is then shifted onto the company's ability to generate the highest revenue possible from these marketing opportunities.

In other words, for a hotel company to be successful, it not only needs to deliver the service that the guest needs or wants, it ultimately has to be able to constantly identify incremental revenue opportunities in order to increase profitability towards becoming a market leader.

3.2 What is Revenue Management?

Revenue management is an effective way to best match a hotel's product capabilities to the demands of the market. It is the application of disciplined tactics that predict consumer behaviour at the micro-market level in order to optimise product availability and price towards maximising revenue growth (Cross, 1997; Ingold, MacMahon-Beattie, and Yeoman, 2000; Blake and Buckhiester, 2005; Rohfs and Kimes, 2005). The premise

behind revenue management theories and practices is to ensure that companies consistently sell the right product to the right customer at the right time for the right price (Cross, 1997).

In this respect, Kimes and Chase (1998) define revenue management based on the five C's of perishable service: calendar (how far in advance reservations are made), clock (the time of day the booking is received), capacity (the hotel's inventory of rooms), cost (the room rate), and customer demand (to what market segment).

According to Salerno (2006), the airlines were the first, in travel, to realise that the principle of "supply and demand" could be used to maximise revenue. It was first recognised in the late 1970s, due to the deregulation by the American government on the prices and routes operated by the airlines. As a result, large airline companies realised that selling all of their seats at the same price was nearly impossible. They needed to find a way to fill enough seats to cover expenses yet have the ability to raise prices after that base was obtained.

This principle works for hotels as well. When demand (guests) increases and supply (room availability) decreases, lower rates are closed to sale and only higher rates are made available. Due to the fact that hotels need a base of business in order to cover their operational expenses, selling all rooms at the same rate rarely produces a good occupancy or a good average rate (Salerno, 2006). In other words, revenue management can be applied to practically any business as long as it has a fixed capacity and a perishable product or service. Smith (1999) suggests that the key to make it work efficiently is to be able to determine customers' elasticity of demand – how badly they need a product or service and how much they are willing to pay to get it.

A more sophisticated way of describing the concept of revenue management is suggested by Kimes (1989): "Revenue Management is all about allocating efficiency towards maximizing economic wealth through dynamically forecasting the self-seeking activities of each individual consumer" (pg. 15). In order to achieve that, companies are required to segment their customers into the narrowest possible categories so they then will be able to understand their markets' characteristics and needs to better allocate their resources such as

purchasing patterns, consumer behaviour, perception of the product, and willingness to pay (Cross, 1997).

The art and science of revenue management enables companies to turn mountains of disparate marketing data into tactical intelligence by allowing them to take advantage of the fleeting opportunities of the marketplace (Kimes, 1989; Ingold et. al., 2000). Therefore, it is an integrated set of business processes that brings together people and systems with the goals of understanding the market towards anticipating customer behaviour and responding quickly to exploit opportunities that present themselves.

Moreover, some industry professionals argue that revenue management often contradicts the traditional “first come, first serve” business dilemma, as it focuses on turning away willing customers in favour of saving your products for others who will be willing to pay more at a later time (Siguaw and Bojanic, 2004). As a result, one can conclude that revenue management places a strong emphasis on the timing element of the business.

For example, Cross (1997) states that revenue management is a “dynamic, demand-based pricing strategy that recognises the importance of the value cycle of a perishable product or service” (pg 88). Hence, its main objective is to chart customer behaviour at the margin to determine the most revenue that can be obtained from that micro-market at a moment in time. In other words, the first step towards creating a dynamic-price environment is to identify and study who your (most important) customers are and what sort of product/service they are seeking at that specific moment in time.

Thus, once a loyalty programme has collected the necessary information about each of the hotel’s market segments, a hotel needs to develop a revenue management strategy that fully incorporates these market needs and trends so that the property is able to maximise every potential revenue opportunity.

The literature (Cross, 1997; Rohlfs and Kimes, 2005) suggests that most companies are more focused on managing costs rather than exploiting revenue opportunities. It is argued that revenue management is a business and economic science that has changed the way

people view their businesses and manage the core issues of product, supply, demand, and pricing.

3.2.1 Seven core principles of Revenue Management

Cross (1997) is considered one of the first academics to thoroughly analyse and further clarify the advantages of employing the principles of revenue management within the hotel industry. In his work, Cross (1997) developed seven core revenue management strategies that a hospitality organisation should implement in order to really maximise revenue and optimise market opportunities.

The first principle concerns focusing on price rather than costs when balancing supply and demand. Cross (1997) suggests that when hotel companies concentrate on price rather than cost as the lever to balance supply and demand, they become more exposed to the market opportunities for incremental revenue which, in turn, drives higher profit margins. It is, therefore, essential that hotel professionals have a market-centric focus in order to develop strong personal observation skills towards identifying and further exploiting these new revenue streams.

Secondly, Cross (1997) emphasises the need to replace cost-based pricing for market-based pricing, based on the fact that cost-based pricing is fundamentally designed to set prices that cover costs and provide an acceptable profit margin, thus not allowing the hotel to be flexible with its rates when in times of variable demand levels. This happens because the price structure is usually defined by the company and not the consumer.

Market-based pricing suggests that the consumer is the key component when defining prices in a price-flexible environment. S/he will decide on the price and the conditions that s/he will be willing to pay for a certain product or service.

However, it is important to note that customers place different values on products and services based on a number of factors, such as their own unique needs and desires, previous-related experiences, availability of alternatives from competitors, amount of disposable income, and the urgency or need for the product (Kimes, 1989; Cross, 1997).

Hence, customer behaviour becomes a crucial aspect to be analysed since buying decisions and the price a customer is willing to pay are not always linked to demographic and psychographic elements. In short, Cross (1997) suggests reducing costs to meet margin requirements as opposed to using them to set prices.

Moreover, the third core revenue management principle offered by Cross (1997) is to sell to segmented micro-markets as opposed to mass markets. Segmentation is often defined in terms of demographics (e.g. age, sex, income, education, occupation) and psychographics (e.g. attitudes, lifestyle, personality, behaviour) factors. However, a customer's decision-making process is largely dictated by the individual's current circumstances, needs, and desires for wanting the product or service.

For instance, a businessman who frequently uses a hotel during the week for business purposes might be willing to book at the same property on a weekend to celebrate his anniversary. In this situation, the same person is after the same product (i.e. accommodation), but in different moments in time and for different purposes of use. In other words, his need to book accommodation is different than if he was travelling on business. This can affect the customer's willingness to pay a higher rate (e.g. book a better room) in order to meet the need to satisfy the special occasion.

Therefore, market segmentation is considered a key component of market-based pricing and revenue maximisation as it provides a means to identify the different reasons why customers need a specific product/service at that specific moment in time. Additionally, when a company segments its markets to the narrowest categories possible, it becomes more capable of analysing the different intentions people have to use that product. As a result, the hospitality firm is able to better understand the many different perceptions of value that each and every customer has of that particular product (Kimes 1989; Cross, 1997). Thus, given that different market segments have their own particular price thresholds, hotel rates must vary accordingly in order to meet the price sensitivity of each market segment.

The fourth core principle suggested by Cross (1997) relates to the need for hospitality organisations to save their room inventory for their most valuable customers. Although

each hotel company has different perceptions of “valuable customers”, in general and for the purpose of this study, these customers are the ones who are prepared to spend the highest amount of money for a hotel room.

Cross (1997) argues that in many industries, especially in those where consumers are spending discretionary income, those people who are least likely to pay the highest price are those who will purchase it first. Hence, hotel companies must be able to identify who these customers are and structure their pricing structure in a flexible manner in order to maximise market opportunities in different moments in time. Ultimately, hotels need to be knowledgeable to the degree in which they are able to match their most valuable products with their most valuable customers to achieve optimum revenue.

Hence, hospitality organisations should work towards identifying and segmenting the high-yielding (and low-yielding) guests in order to increase their revenue per available room (RevPAR) and stay competitive in the market. Therefore, it is important that the hotel first understands demand at the micro-market level as accurately as possible in order to group its customer segments according to a list of preferential clients that produce the highest revenue streams (Cross, 1997).

The fifth revenue management principle suggested by Cross (1997) is about making decisions based on knowledge, not supposition. For instance, Cross (1997) suggests that the first step towards implementing a price-flexible system is to gather as much data as possible about consumer behaviour with regard to the target market. These data must be collected, interpreted, used to predict future consumer demand, and frequently reviewed to ensure the best possible decisions. Once again, this is one of the core purposes for developing a guest loyalty programme.

At present, many hotel companies are using sophisticated information management techniques to interpret customer transaction data for decision-making purposes. The goal of this revenue management tool is to create an effective forecasting system purely based on knowledge, not suppositions (Cross, 1997).

Considering the fact that good forecasting systems and skills reduce the uncertainty about the future and very good forecasts convert this uncertainty into probability, the objective of forecasting is to use both human intuition and analytical tools (e.g. a combination of art and science) to achieve the best possible forecasts towards achieving the best possible decisions (Kimes, 1989; Cross 1997, Ingold et. al., 2000; Talluri and Van Ryzin, 2004).

Forecasting demand at the micro-market level enables the company to gain knowledge of subtle changes in consumer behaviour patterns (Cross, 1997). Hence, it creates a system that is capable of responding promptly and accordingly to the new needs of the market, which results in a strong competitive advantage. Moreover, the next principle relates to the hotel's ability of exploiting each product's value cycle to the best way possible in order to grow revenue (Cross, 1997).

Previous research (Kimes, 1989; Cross, 1997; Rohlf's and Kimes, 2005) suggests that, due to the fact that a large number of people leave it to the last minute to book a hotel room, the service provider needs to be aware of the factor "time of booking versus need for accommodation versus availability of the inventory" and save a percentage of its inventory for those high-yielding, late-bookers who undoubtedly will need accommodation.

The literature indicates that the perishable nature of the hotel industry imposes the need for hospitality organisations to sell every single hotel room on every single night for the best rate possible and the most popular performance indicator to represent how successful a hotel is performing is the RevPAR - Revenue Per Available Room (Kimes, 1989).

This means that revenue lost from a room which was unoccupied the night before cannot be recovered the next day. Hence, one can conclude that selling a hotel room is a count down process where the company must have its room rates accurately and constantly monitored according to the demands and needs of the market in order to achieve maximum profitability (Kimes, 1989).

Eventually, a hotel room will not be booked unless the last-minute customer walks into to the front desk asking for accommodation. And in order to generate the maximum revenue

possible, it is crucial to understand the value cycle and optimally timing the availability of the products to each micro-market segment (Cross, 1997).

The seventh and last revenue management principle suggested by Cross (1997) is to continually evaluate the market's revenue opportunities. Kimes (1989) found that many market promotions and advertising are sudden and unexpected, which makes it hard to monitor and predict the next move a competitor hotel will make to attract customers. Indeed, in some cases, it can be too late for a company to start to react.

Therefore, it is important to constantly analyse the micro-markets in order to not only be prepared for any sudden activity from the competition but also, and perhaps more importantly, to take full advantage of any potential opportunity that can arise from the market. Success or failure will depend on a company's ability to understand the market and respond instantly and effectively.

Cross (1997) found that hospitality organisations that keep the front-liners (e.g. front office and reservations staff) updated with relevant and timely information enable them to constantly re-evaluate the state of the market in order to make the right decisions. In addition, computer systems now play a crucial role in the hotel industry through storing data and producing reports that will further assist hoteliers to make the right decisions (Rohlf's and Kimes, 2005).

In the end, it is the skills and knowledge of hospitality staff that will make a difference when it comes to innovation and being creative towards responding to market opportunities. Hotel companies need to provide these workers with tools and systems that will give them the information that is needed to make the best decision to generate revenue.

3.2.2 Effective steps for a successful Revenue Management strategy

In addition to the seven core principles suggested by Cross (1997) to raise room profitability, Blake and Buckhiester (2005) made a significant contribution to our better understanding about the concept of revenue management. Using a very similar approach as Cross (1997), Blake and Buckhiester (2005) suggested a number of key actions that hotels

should implement on their day-to-day operations in order to optimise revenue maximisation.

To a large extent, the steps suggested by Blake and Buckhiester (2005) can be considered as an updated version of Cross' approach to revenue management. In their work, Blake and Buckhiester (2005) provide a less specific approach to revenue management which can potentially lead to a better understanding and a more user-friendly application of the field of dynamic pricing. Nevertheless, the authors equally stress the importance of a hotel to effectively forecast demand and efficiently manage room rates and inventory in order to fully understand the market and its trends.

The first step suggested by Blake and Buckhiester (2005) to develop a revenue maximisation culture in a hotel is to create a revenue management team that is capable of and responsible for goal setting, decision-making, and pricing management. This team should be composed of people who directly interact with the market, the hotel guests and the distribution channels where the hotel is being promoted due to the need to know the latest information about the competition, as well as the expectations and trends of each market segment.

According to Abbey (2003), these teams normally consist of executives from reservations, sales, front office, and may also include marketing personnel which are aimed at forecasting demand and establishing systems and strategies for dealing with future market opportunities and threats. Ideally, this revenue team needs to create a system that is aimed at lifting rate optimisation through a checklist of best practices that result in increased revenue (Blake and Buckhiester, 2005).

The second "must-do" principle suggested by Blake and Buckhiester is to clearly identify what the hotel's main features are and how they are ranked compared to the property's competitive set (2005). It is crucial to the success of any revenue management strategy to fully understand how customers perceive the hotel's quality of services and to assess to what degree the hotel is able to meet these customers' expectations and needs. The objective of this practice is to allow the hotel to differentiate its services against the competition in order to constantly create opportunities for higher rates.

In addition, a hotel should be regularly comparing its performance indicators (e.g. average room rate, occupancy levels, and RevPAR) with the competitive set in order to measure its revenue strategy's success and action accordingly. This analysis will further help the company to better forecast demand and supply which, in turn, will help to determine how effectively the hotel is able to take full advantage of the seasonal fluctuations in demand.

The third revenue approach suggested by Blake and Buckhiester (2005) is to set prices in a strategic manner so as to achieve rate parity across all booking channels. The authors argue that once the hotel company has clearly understood what their strengths are and in what direction the market is heading, rates can be dynamically structured in order to allow the property to gain the confidence of the market when booking accommodation in any available point of sale.

Due to the fact that there are many different ways a person can book a hotel room (e.g. call centres, in-house reservations department and third-party Internet websites), the property can intelligently tailor and promote its services according to preferences and needs of each of these market segments in order to maximise rate generation (Blake and Buckhiester, 2005). Therefore, in order to gain market share and increase profitability, hotels need to efficiently advertise their services in as many distribution channels as possible and, as such, rate parity is paramount to gain the confidence and favouritism from the customer.

The decision-making process to determine which group of guests is most valuable to the hotel is the next consideration proposed by Blake and Buckhiester (2005). From a revenue management perspective, a company's most valuable customers are those who pay higher rates. To identify and thoroughly study who these people are, what their expectations and needs are at a particular moment in time, and which channels they are using to book a hotel room, must be all considered and carefully analysed in order to correctly forecast demand and take action accordingly.

Additionally, this analysis can be used towards allocating the appropriate sales resources on the right channels that will potentially drive the most lucrative business mix possible. To

accurately designate room availability and price across each sales channel is a key to success.

Finally, Blake and Buckhiester (2005) suggest the need to forecast demand but not just by following the traditional approach of predicting occupancy levels based on seasonality. It is fundamental to the success of a revenue management strategy to forecast demand on each sub-market as this technique allows the company to accurately identify any potential source of incremental business that is available in the marketplace. Hence, this revenue management practice enables the hotel company to be better prepared to accurately predict what the demand is going to be for a particular season of the year (e.g. Easter) and respond accordingly in order to get the highest possible room rate.

3.2.3 The challenging role of a Revenue Manager

Revenue management has gradually shaped the hotel industry by demonstrating the importance of accurately forecasting demand in order to set the right price for the right product, at the right moment in time, and through the right distribution channel.

The literature suggests that many hospitality firms, particularly global companies, have placed a strong emphasis on the overall bottom line performance as opposed to solely concentrating on room revenue (Kimes, 1989; Cross, 1997; Abbey, 2003; Blake & Buckhiester, 2005). As a result, one can argue that this change has created the need to assign a dedicated staff member (e.g. revenue manager or a director of revenue management) to forecast demand and supply and research the potential profitability of the different market segments for the hotel (Emeksiz, Gursoy, & Icoz, 2005; Salermo, 2006).

The role of a revenue manager has become increasingly important in hotels due to the need to identify and evaluate guest spending patterns and the potential for revenue before the booking process occurs. Having said that, this professional is responsible for deciding price structure based on the date, season of the year, day of the week, market competition analysis, how many bookings or group bookings have already been secured (e.g. allotments), and the potential business that can be generated by each customer segment (Kimes, 1989; Abbey, 2003, Salermo, 2006).

It is understood that each hotel company has its own business practice and procedures to evaluate the market and its opportunities in order to create the most appropriate revenue management strategy for each particular time of the year. At the Crowne Plaza Auckland Hotel, for instance, these yielding strategies are basically decided based on: 1) the actual bookings and group blocks that are already being held at the property, 2) external market opportunities such as special events that can potentially attract a higher-than-usual demand to the area where the hotel is located, 3) the season of the year (summer is considered the high season for Auckland hotels), and 4) a competitor analysis as to compare and assess the hotel's performance against its competitive set.

In addition, the Crowne Plaza Auckland Hotel management team has assigned a yield team that is responsible for meeting up on a regular basis in order to discuss market opportunities as to align the hotel's yielding strategies based on the various fluctuations of demand. In these meetings, the Revenue Manager chairs the meeting and is the primary responsible for ensuring that all strategies discussed and agreed are put into practice and followed up accordingly.

So, one can argue that yield management is a business technique that is used to compare a hospitality firm's ability to generate revenue versus the revenue that has in fact been realised (Kimes, 1989; Abbey, 2003). This is achieved through the compilation and analysis of both historical and current information about the marketplace which includes demand as well as supply trends.

$$\frac{\text{Revenue Realised}}{\text{Revenue Potential}} = \text{Yield}$$

The literature suggests that revenue management takes the principle of yield management a step further, as it not only assesses a market segment's potential for revenue but it also looks at the overall projected impact on the hotel's bottom line (Cross, 1997; Blake & Buckhiester, 2005). It does so by analysing specific revenue-related information about a particular market segment in a specific moment in time. For instance, in the case of an international group of tourists coming to visit Auckland, Abbey (2003) suggests revenue

management will enable the property to price its services based on factors such as the size of the group (e.g. number of room nights), room type booked (e.g. standard, superior, suites), its spending history (e.g. accommodation only or room and meals), the season of the year they will be staying at the hotel (e.g. high, shoulder, or low), and the prospect of using a sister hotel throughout their journey in New Zealand.

In summary, one can conclude that revenue management is a relatively complex business tool that needs to be appropriately and carefully developed in order to achieve the highest results possible. It ultimately helps hoteliers to “shape” their business towards a more profitable company.

To be successful and consistently raise profitability, the art and knowledge of accurately forecasting demand at the micro-market level is without a doubt the key factor in any revenue management environment.

4 RESEARCH METHODOLOGY

Given the purpose of this research, to analyse the effectiveness of the Priority Club Rewards programme's impact on the Crowne Plaza Auckland Hotel's bottom line, cross-tabulation research methodology was chosen for this project. The researcher was able to gain access to extensive information about how the Priority Club membership programme works, which ultimately helped to identify and analyse the views and impressions from club members in terms of assessing the programme's functionality.

Who is the group of customers that generates the highest revenue to the Crowne Plaza hotel? Is it the guests who are affiliated to the company's Priority Club Rewards programme or are they the normal hotel guests? The purpose of this study is to be able to confidently answer these questions through investigating and analysing the needs, preferences, and the spending pattern of the club members when staying at the Auckland hotel.

Bearing in mind that the initial assumption that essentially generated this project was that Priority Club guests should have a greater impact on the hotel's total revenue capacity due to its members natural inclination to receive more benefits from the programme, the research needed to provide a comparison between the average spending pattern of a normal hotel guest and one from a guest who is affiliated to the loyalty programme. From this analysis, it would be possible to calculate the Priority Club Revenue Contributor (PCRC) component to the hotel's overall results, which clearly shows how the loyalty programme is in fact a valuable marketing resource to the Auckland property towards growing profitability.

Multiple sources of data from the Priority Club guests were collected in order to accurately identify who they are, what services and facilities they value/enjoy the most when staying at the Crowne Plaza Auckland Hotel, how much they normally pay for a room, and on what other services and products they usually purchase, what services or products offered at the hotel they feel more inclined to spend money on and, in particular, the question of why they selected the Crowne Plaza hotel to stay in Auckland.

Hence, there were two key research methods that were employed to effectively produce this project: 1) a Priority Club Survey conducted with the Priority Club members, and 2) an analysis on the spending pattern between Priority Club members and guests who are not affiliated to the programme.

The purpose of the Priority Club Survey was fundamentally to collect important information regarding the club members in relation to their needs and preferences when staying at the Crowne Plaza Hotel. Once this information from the club guests had been gathered, tabulated, and analysed, the next step was to conduct a spending pattern analysis in order to evaluate how much impact each of these groups of customers is contributing to the hotel's overall revenue generation performance.

Therefore, it was based on the results from these two analyses that the researcher was able to conclude which customer segment is the most profitable to the hotel. In addition, these two research methods were crucially important in terms of providing resourceful information that was used to underpin the recommendations and suggestions to the property as to grow profitability.

4.1 Priority Club Guest Survey

The primary objective of the Priority Club Survey was to identify and understand the club member's profile. The questions were strategically designed to assess the extent in which the rewards programme impacts on the member's decision to choose to stay at the Crowne Plaza Auckland Hotel, as well as to identify the products and services offered by the hotel on which the club members usually spend money.

The survey was designed to focus on investigating the needs, preferences and expectations of the Priority Club guests in relation to the programme's ability to meet their travel requirements when staying at the Auckland property, either for business or for a holiday trip (please see Appendix B for a copy of the questionnaire).

A total of 300 Priority Club guests were randomly selected to participate in this research between the period of December 2005 and January 2006. Within those two months, every day the hotel's Front Office Supervisor that was scheduled to work on the evening shift (e.g. between 3pm and 11pm) had to print at the beginning of his/her shift a guests arrival report containing detailed information about guests who were booked in for that night and then highlight the ones that were Priority Club members.

This staff member then had to attach one of the envelopes that contained the survey onto the guest's registration card so that the club guest would receive his/her copy of the questionnaire upon arrival at the hotel. In the same envelope, there was also a copy of the participant information sheet in order to explain the objective of this study and to ensure the club member that all information provided by them would be treated with the utmost confidentiality and professionalism. In this letter, the club guests were also made aware of the fact that they had been chosen purely because they are members of the rewards programme and that their contribution to this study was completely voluntary.

Hence, this research had no intention to select particular guests who, for instance, traditionally spend more money on the hotel or those who are visiting the hotel for the first time. Starting from 1st December 2005, the first 300 Priority Club guests who stayed at the Crowne Plaza Auckland Hotel were given an envelope containing the survey. By the end of January 2006, all 300 surveys had been distributed and 84 were satisfactorily completed and returned.

When a Priority Club guest had arrived at the hotel and approached the front desk to check-in, s/he was given a copy of the survey along with his/her respective registration card. At that time, the staff member who was checking the guest into the hotel would give a brief explanation about the research and that the envelope contained a copy of the Priority Club survey as well as the participant information sheet.

During the check-in process club guests were kindly asked to either leave the completed survey in their rooms for collection by housekeeping staff or return it to the Front Desk before leaving the hotel. Once the survey had been returned by the guest to the hotel staff, the researcher provided the Reception staff with an empty box so they could place all of the

returned questionnaires in the same place for collection. By doing this, the procedure eliminated any possibility of having a survey misplaced. It also ensured that the researcher received the returned questionnaires on time. The researcher was frequently in touch with the hotel's front office team to ensure there were no issues or concerns being raised by either the club members or the hotel. Additionally, the researcher constantly checked for any recently returned questionnaires and collected them whenever they had been returned.

As far as the survey's structure is concerned, the first section was composed of closed, multiple choice questions which were designed to collect important information about the member and to identify what his/her travel habits and requirements are. For instance, the member had to tick the box which best corresponded to the main reason for staying at the Crowne Plaza Auckland Hotel (e.g. business, leisure, conference, other), why s/he chose to stay at the Crowne Plaza brand in Auckland, an approximate number of visits s/he makes to Auckland in a calendar year, how likely s/he is to book a room at the Crowne Plaza Auckland Hotel in the future, the member's membership level in the Priority Club programme, and if the hotel's team made the guest feel welcome and acknowledged as a club member.

Therefore, the first part of the survey instrument was fundamentally designed with the aim of exploring the extent to which the loyalty factor from the club member towards the Priority Club Rewards programme in fact influenced his/her decision to stay at the Crowne Plaza Auckland Hotel.

Do club members choose to stay at the Crowne Plaza Auckland Hotel simply because they want to collect points? Or is it due to the property's convenient location in the heart of the CBD? What makes them to come back and continuously stay at the Crowne Plaza hotel? Do they tend to book a room at the hotel every time they travel to Auckland or do they normally stay elsewhere because of price? How often do they travel to Auckland per calendar year? In this context, the Priority Club survey allowed the researcher to analyse the data collected in two crucially important yet distinctive ways: a) the guest's membership level in the programme, and b) the member's purpose of stay.

Firstly, it was possible to study the different travel habits of a Platinum member compared to a Gold or Club member. For example, which of them travels more regularly to Auckland on leisure rather than on business? Are the decision-making factors for a Platinum member similar to a Club guest? How likely is the Gold member to stay again at the Crowne Plaza Auckland Hotel in the future? Do they value the same attributes about the Auckland hotel?

In addition, by analysing the data according to the guest's membership level, the researcher was able to identify which type of Priority Club member is the dominant market segment for the hotel. In other words, does the hotel attract more Club members or Platinum members? What is the revenue contribution percentage for each club membership level?

Secondly, the data collected from the survey was also structured based on the reason for the guest's stay at the Auckland property. The idea here was to individually analyse and to further compare the travel habits of a business traveller and a leisure traveller. This allowed the researcher to identify, for instance, if the business traveller is more inclined to stay at the Crowne Plaza Hotel essentially to collect points compared to the leisure guest. Which of the two travels more regularly to Auckland on a yearly basis and how often each of them tends to book a room at the hotel? How many of the business travellers are Priority Club Platinum cardholders compared to those travelling for leisure?

However, due to the fact that this study is essentially focused on assessing the behaviour and preferences of the club members when staying at the Auckland hotel, the main emphasis of this project was to analyse the data collected from the survey through a guest's "membership level" perspective as opposed to the purpose of their stay. Nevertheless, the information that resulted from analysing the data through "a guest's purpose of stay" point of view certainly helped the researcher to better understand who the club members are. Traditionally, a person who is travelling on leisure has different needs, budget, preferences, desires and requirements compared to a guest who is travelling on business. As a result, the information elicited from this analysis was valuable when studying the findings from the spending pattern analysis.

Furthermore, once the loyalty aspect from the Club guests had been thoroughly analysed, the second and final part of the Priority Club Survey was primarily focused on evaluating

the member's satisfaction in relation to the hotel's services and facilities. So the questions in this section were designed to collect the views and opinions of the Club members in relation to the hotel's ability to provide a comfortable and enjoyable stay.

The second section was structured to identify the customers' perceptions about the quality of the services and products offered by the Auckland hotel which either satisfied them or should have been reviewed in order to better meet their needs. All six questions in this section were open-ended which allowed each Club member to freely tell and explain in his/her own words why they enjoyed staying at the hotel and also list the factors that would make them come back.

Priority Club guests were also asked to list the products and/or services which they believed were resourceful to them to ensure their needs were timely and efficiently met. In addition, Club members were also requested to make comments and suggestions about the services and/or facilities which they thought should be reviewed so that the hotel would be able to provide them with a better experience.

However, there is one particular question in this second section of the survey which deserves special consideration. Priority Club guests were given a list of products and services that are currently offered by the hotel, which they were asked to rank from 1 to 10 (i.e. 1 being the most preferred option) in what services and/or facilities they would spend a NZD\$50 (fifty dollar) voucher on. In total, there were 14 items in this list and they were "room rate", "high-speed Internet access", "breakfast in the restaurant", "in-room breakfast", "dinner in the restaurant", "in-room dinner", "minibar", "drinks at the bar", "fax/photocopies", "phone calls", "laundry", "carpark", "room upgrade", and "other".

The purpose of this question was not only to identify what service and/or product the club member felt tempted to spend money on, but also to enable the researcher to categorise these items according to the guests' preference for redemption and then be able to compare the most desired services and products for each of the three different club levels. For instance, is "breakfast in the restaurant" the most preferred option for a Club members or a Gold member? What is the service/product that a Platinum member is less likely to buy? Do the Gold members tend to have "dinner in the restaurant" or would they prefer to order

“in-room dining”? Which guest category is the most price-sensitive in relation to the “room rate”? What is the preferred service for a Gold member? Did anyone select the “phone calls” option to use the discount voucher?

In summary, the data elicited from the Priority Club Survey was extremely useful towards providing important information and thorough understanding about who the Priority Club members are, and also to identify and study their preferences, needs and habits when staying at the Crowne Plaza Auckland Hotel.

Once this first part of the data collection process had been satisfactorily conducted, the second key research methodology employed in this study was an analysis of the spending pattern between Priority Club members and Crowne Plaza Auckland guests not affiliated to the programme. Through using these two research methods, the researcher achieved a clear and complete understanding not only about who the Priority Club member is and what their needs and preferences are when staying at the Auckland property but he was also able to analyse and confidently conclude “why”, “how”, “and to what extent” each customer group contributes more to the hotel’s revenue.

4.2 Spending Pattern Analysis

This research was made possible due to a number of confidential documents and statistical material provided by the Crowne Plaza Auckland Hotel. Most importantly, through historical data and confidential documents, the researcher was able to calculate, compare and analyse the spending patterns between Priority Club guests and normal, non-affiliated Crowne Plaza guests in order to successfully evaluate if the loyalty programme is impacting on the hotel’s financial results. Thus, it was necessary to first identify the average spending pattern for a Priority Club guest and compare that amount against the average spending pattern found for a non-member guest.

Considering the fact that the Priority Club Rewards is basically comprised of three different membership levels (e.g. Platinum, Gold and Club), it was equally fundamental for this project to be successful to calculate the average spending pattern for each of these

individual categories in order to identify the group of customers who contribute the most to the hotel's bottom line. Additionally, after combining Platinum, Gold and Club figures altogether, it was made possible to achieve the average dollar amount for the hotel's Priority Club guest, here called Average Priority Club member (APC).

There were a total of five different categories of guests analysed in this project: 1) the Priority Club Platinum member (i.e. the highest membership level in the hotel's rewards programme), 2) the Priority Club Gold member (i.e. the intermediary level), 3) the Priority Club member (i.e. the entry level), 4) the Average Priority Club member (i.e. the average figure when combining the three membership levels), and 5) the Crowne Plaza Auckland guest (i.e. the normal, non-affiliated hotel guest).

In order to thoroughly compare and further analyse the spending patterns between the five different groups, the researcher cross-tabulated the data collected from each customer group into a Microsoft Excel spreadsheet. The researcher designed a matrix which would group the data entered according to the relevant category of hotel guests. As the data collected were being loaded onto the spreadsheet, it had been formulated to automatically group that information according to the respective class of guest in which s/he belonged.

This spreadsheet not only enabled the researcher to ascertain the highest yielding group of customers for the Crowne Plaza Auckland Hotel; it also provided useful information that helped the researcher to identify the products and services which guests spent more (and less) money on. This information was fundamental towards developing the conclusion / recommendation section of this research. For instance, which group of customers paid the highest room rate? How many room nights per visit does a Platinum member usually spend at the hotel? How much revenue from "telephone charges" is being produced by the normal Crowne Plaza Auckland guest? Is it higher or lower than the Average Priority Club guest? How much is a Gold member spending on the hotel's Food and Beverage outlets? And, of particular interest, the question of which customer group is more profitable to the hotel and why?

Considering the main purpose for conducting the spending pattern analysis was to clearly assess the value of the Priority Club business component to the Crowne Plaza Auckland

property, through accessing guest invoices, Priority Club productivity reports, and other confidential documents the researcher was able to successfully identify exactly how much revenue the loyalty programme does in fact contribute to the hotel’s revenue development.

Once the Priority Club Revenue Contributor Index (PCRC) had been calculated, it was possible to conclude if the Crowne Plaza Hotel would be more profitable with or without the influence of the loyalty programme. In other words, if the hotel did not participate in the Priority Club Rewards, would it be achieving better or worse results?

In order to compile the PCRC Index, it was first necessary to calculate the total combined revenue produced by the Crowne Plaza Auckland guests plus the Average Priority Club member. Thus figure “A” gave the total revenue generated for all guests during a certain period of time.

$$\text{Equation A} = \frac{\text{Total Revenue generated from normal Crowne Plaza guests}}{\text{Total Revenue generated from Average Priority Club guests}} +$$

Using a different equation, the researcher then took the total revenue generated by the Average Priority Club member alone, and subtracted this figure by the percentage of club members who said in the Priority Club survey that they “chose to stay at the Crowne Plaza Auckland Hotel in order to collect points” (equation B). In doing this, the researcher was able to remove the participation in the total figures from those guests who said they had selected the Crowne Plaza brand just because they wanted to earn points. This procedure enabled the researcher to quantify the extent to which the loyalty programme precisely impacts on the member’s decision to stay at the Auckland property.

$$\text{Equation B} = \frac{\text{Total Revenue generated from Average Priority Club guests}}{\text{Percentage (\%) of club members who chose the hotel due to “collect points”}} -$$

Bearing in mind that, in the survey, Priority Club guests had the option to select “collect points”, “location”, “company contract”, “value for money”, and “regular guest” as their main reason for choosing to stay at the Crowne Plaza Auckland Hotel. The answer that best represented the influence of the loyalty programme on the guest’s decision to book accommodation at the Auckland property was “to collect points”. After calculating the

total revenue produced by Priority Club members, but not including the percentage of “point-seekers” on this equation, it would have to add to the equation the total revenue produced by normal Crowne Plaza guests (equation C).

$$\text{Equation C} = B + \text{Total Revenue generated from normal Crowne Plaza guests}$$

Then, after comparing the revenue results between equation “A” and equation “C”, it was possible to identify what the PCRC index is for the Auckland hotel and also to ascertain how much revenue the loyalty programme exactly contributed to the hotel’s bottom line. It was initially thought that to achieve the Priority Club Revenue Contributor index, it would be possible to simply compare “A” and “C” (as shown in the model below) and the difference between these two figures would then result in identifying how much revenue the loyalty programme is bringing to the hotel.

$$\text{Priority Club Revenue Contributor (PCPR)} = A - C$$

However, this procedure would be rather simplistic if it merely subtracted the percentage of “point-seekers” from the total revenue generated by the club members. Indeed, after receiving some constructive feedback and recommendations from industry professionals, the hotel’s management team as well as the researcher’s supervisors, it was decided to complement this equation by adding half of the number of “point-fanatics” that had been previously removed in equation “B” by multiplying that figure by the average total spend by a normal Crowne Plaza guest as opposed to using the figure from the Average Priority Club member (equation D). By doing so, the result to be achieved would then reflect the total revenue generated by the normal Crowne Plaza guest plus 50% of the number of club guests who said they selected the Crowne Plaza brand based on the ability to earn points.

$$\text{Equation D} = \left(\begin{array}{l} 50\% \text{ of club members who} \\ \text{chose the hotel to “collect} \\ \text{points”} \end{array} \right) \times \left(\begin{array}{l} \text{Average Revenue generated per} \\ \text{stay from a normal Crowne Plaza} \\ \text{guest} \end{array} \right)$$

The reason for doing this was because it was suggested by hospitality experts that it is fairly likely that other decision-making factors, such as location, company contract, quality of services, meeting facilities, return guest, would take the place of the option “to collect points” as their main reason for choosing the Crowne Plaza Hotel. Because this 50% of

club guests would then be part of the “non-affiliated Crowne Plaza guest” customer segment group, their contribution should be calculated based on the normal hotel guest’s figures rather than using the average Priority Club member results that had been previously calculated.

After this figure was calculated, equation E would show how much revenue the hotel would achieve if half of the “point-fanatics” Priority Club members had primarily chosen the hotel for any other reason but “to collect points”, plus the total revenue produced by Priority Club members, less the already calculated percentage of “point-seekers”, plus the total revenue initially produced by the normal Crowne Plaza guest.

$$\text{Equation E} = D + \frac{\text{Total Revenue generated from Priority Club guests less percentage of “point-seekers”}}{\text{Total Revenue generated from normal Crowne Plaza guests}}$$

Therefore, through the comparison of the figures achieved from equation A versus equation E that the researcher was able to identify the most appropriate figure that clearly represents how much revenue the rewards programme contributes to the hotel’s revenue generation performance (PCRC). Consequently, this model also enabled the researcher to analyse and conclude which strategy works best to create more revenue for the hotel. Be or not to be part of the Priority Club programme? Is it really driving the Crowne Plaza’s profitability?

$$\text{Priority Club Revenue Contributor (PCPR)} = A - E$$

4.3 Internet articles and other web-based media resources

The Internet was the most resourceful source of information for this project, particularly on the areas of revenue management and loyalty programmes.

Articles from influential hospitality-based websites such as “Ehotelier.com” and “Hotelresource.com” as well as case studies published by Cornell Hotel and Restaurant Administration Quarterly related to the topics of yield management and loyalty marketing were highly valuable resources in order to produce this research.

The Internet provided a wealth of up-to-date information about innovative strategies in the sector, trends in the industry in relation to the topic and also what strategies have worked (and what have not) in the key markets around the globe in terms of advancing the concept of dynamic price.

The literature suggests that the principle of revenue management started when, in the late 1970's, the airline industry realised that it could maximise revenue from the "supply versus demand" business dilemma (Kimes, 1989; Cross, 1997; Salermo, 2006). This means that once these companies would have filled enough seats to cover their expenses, they were able to raise the ticket price in order to optimise product availability and profitability. In other words, instead of selling all seats for the same static price, once the minimum number of seats had been sold towards meeting the company's break-even point, the ticket price would become dynamically flexible in order to be aligned with the fluctuating demand of passengers for that particular flight (Cross, 1997).

Thus, once hotels realised the great revenue development that the airlines were achieving, the major hospitality organisations also started to employ the concept of dynamic price into their own operations (Kimes, 1989; Cross, 1997). In short, that means that a hotel could sell the same room type for the same night but at different rates depending on factors such as who the customer is (e.g. business or leisure), how far in advance s/he is booking the room (e.g. same day booking), how many rooms are still available (e.g. the less number of rooms available is likely to impact on the hotel charging a higher rate), if there is any special event in the city/region that can potentially and dramatically attract more tourists than usual (Kimes, 1989; Cross, 1997).

This research was greatly benefited from several Internet articles and case studies related to the areas of yield management and loyalty marketing that were consulted with the aim to achieve the highest level of accuracy and reliability possible (Orkin, 1988; Kimes, 1989; Kimes & Chase, 1998; Canina, Enz, & Lomanno, 2004; Blake & Buckhiester, 2005; Rohfls & Kimes, 2005; www.hvsinternational.com, 2005; Canina & Enz, 2005; www.chr.cornell.edu, 2006; Salermo, 2006). The vast majority of these authors are US based and have a large experience in the hotel sector, either as academics or industry professionals.

Additionally, but not at the same pace of development and specialisation as the Internet is going through at the moment, there were some valuable books and journals found in the literature which have helped to develop this project. However, the biggest difficulty encountered was that this literature limits itself to discussing the basic principles of yield management into the hotel industry, how it was developed by the airlines nearly thirty years ago, and how it has progressively been developed onto other sectors of the service industry (e.g. car rental, cruise ships, hotels). This is far from reaching the level of expertise and sophistication that Internet articles and case studies are currently providing.

Perhaps a possible explanation as to why the literature is slowly advancing into the area of dynamic pricing can relate to the fact that because the concept is still relatively new to the hotel industry, it definitely takes time, persistency, courage, and determination from hotel organisations to proactively incorporate the principles of revenue management on to their daily operations and start educating the market that this new and fruitful system can produce benefits to all parties involved (Abbey, 2003). For instance, hotel guests are likely to find higher rates closer to the date of arrival that they are planning to book accommodation for, basically because, traditionally speaking, hotels tend to reach their full capacity only within the last few days or weeks (Kimes, 1989). On the other hand, one could conclude that booking a room far in advance can result in a cheaper, more attractive price.

Hotels need to initially adopt a “soft” revenue management strategy that will progressively be accepted by the market in order to avoid a major refusal from customers, especially in the case of those who are most price-sensitive (e.g. leisure guests). By the time the market is more familiar with the way that dynamic pricing works, hotels should then adopt a more aggressive pricing structure so as to really increase their profitability. However, as mentioned above, it is predominantly based on the customer’s perception of value for money that will allow hotels to shift from “soft” to “hard” mode on their revenue management strategies.

There is a possibility that the reason for the literature not being able to keep up with the development of Internet articles and other industry-related studies, is because the academics

are awaiting for the hotel industry to show more consistent results which will confirm that the concept of revenue management really works and can be incorporated in different hotels, in different markets. Hence, due to the nature of this project being rather focused and considerably specialised, the researcher believes that this study will highly contribute to the advancement of the topic of revenue management and loyalty marketing in the hospitality sector, particularly as it was carried out in the real world, using practical data from a highly respected and well established hotel group.

4.4 Possible Limitations

Although this research was carefully designed and conducted to ensure all possible limitations and constraints were avoided, there is a caveat with regard to the data collection process for the spending pattern analysis which deserves to be appropriately explained.

Firstly, due to confidentiality reasons, the Crowne Plaza Auckland management team was unable to provide guest account details from Priority Club members as well as Crowne Plaza Auckland guests who have stayed in the property exactly on the same nights. Hence, the data collected were from different nights.

When considering the nature of revenue management which is strongly underpinned by the concept of selling the right room for the right price at the right time for the right customer, there could be a slight margin of error in the figures presented in this project due to the fact that the hotel could have been selling their rooms for different rates on different dates. Even so, the researcher believes this project is estimated to be between 90 to 95% accurate in the information and analysis presented, as well as in the conclusions and recommendations it has further achieved. This is particularly supported by the fact that there is no discount with regard to the room rates offered to Priority Club members which means that regardless whether the guest is affiliated to the loyalty programme or not, the price for the room would have been advertised as the same rate for that specific night.

This limitation addresses the issue that Priority Club members might have had a different revenue indicator to the Crowne Plaza Auckland guest simply because the data that were

received from the hotel referred to different dates and periods of stay. For instance, a Priority Club guest could have paid a higher room rate on a Wednesday night just because the hotel's revenue manager had forecasted a high demand of guests on that particular night and decided to leverage the room price. So even though the Priority Club guest could have stayed in exactly the same room that a Crowne Plaza Auckland guest but instead this later guest stayed on a Saturday night when the hotel was running on 60% occupancy, it is likely that the price s/he paid for the room was lower than the one the Priority Club member paid during the week.

However, to a certain extent there were a number of guest's invoices collected which overlapped the same dates among the different categories of guests. Having said that, and considering the high degree of confidentiality and the professionalism and brand image of the Crowne Plaza, the researcher is satisfied with the outcome achieved from this project because the criteria used to conclude which customer group contributed more to the hotel's revenue is based on the guests overall spending patterns and not simply an analysis of which customer group paid the highest room rate.

In other words, the conclusion of who is the largest revenue generator for the Crowne Plaza Auckland Hotel is not solely based on the average daily rate (ADR). Rather it is the combined revenue generated from accommodation, food and beverage outlets, telephone, pay-per-view movies, and laundry services during the guest's entire stay at the hotel. This procedure was found to be the most accurate way to truly reflect the total contribution that each type of customer impacts on the hotel's profitability.

5 RESULTS ANALYSIS

Is the Priority Club Rewards programme raising the profitability of the Crowne Plaza Auckland Hotel? If so, how much revenue are the loyalty programme guests contributing to the hotel's results? Are there any particular services and/or facilities that the club members use more regularly than the normal Crowne Plaza guests? Are the Priority Club members satisfied with the service they receive at the hotel?

Ultimately, the main research question for this project is: who is the highest yielding group of customers for the hotel? Is it the Priority Club members or non-member hotel guests? It is the objective of this study to satisfactorily answer these questions by presenting an analysis about the club members that explains "why", "how" and "to what extent" they actually impact on the hotel's ability to generate revenue.

This results analysis presents a thorough analysis of the revenue contribution component of the Priority Club programme as an effective yielding tool towards leveraging the hotel's revenue performance. As such, this chapter presents an analysis of the findings originated from the Priority Club Survey as well as from the spending pattern data collected that will be used to underpin the conclusion whether the Crowne Plaza Auckland Hotel would achieve better revenue development through the influence of the rewards programme.

5.1 The Priority Club Guest Survey

The Priority Club Survey was a critical element of this research. It was used to clearly identify the needs, expectations and desires of the Priority Club members in relation to the services and products offered at the Crowne Plaza Auckland Hotel. Its main purpose was to investigate why the club members choose to stay at the hotel; whether it is because of the hotel's key attributes such as location and quality of services, or is it essentially to collect club points?

Out of the 300 surveys handed out to every Priority Club guest upon arrival at the hotel between the period of December 2005 and January 2006, 84 questionnaires were satisfactorily completed and returned. According to the researcher's supervisors, a very good response rate of 28% is understood to be highly beneficial to the overall accuracy and credibility of this research.

5.1.1 Market Share of Priority Club members

Figure 1 below shows the breakdown of each Priority Club category that participated in this study. As expected, the largest proportion of participants in the survey was Club members (53.57%) possibly because this category is free to join and it is considered the entry-level to the programme.

Figure 1. Participation of each Priority Club membership level in this research

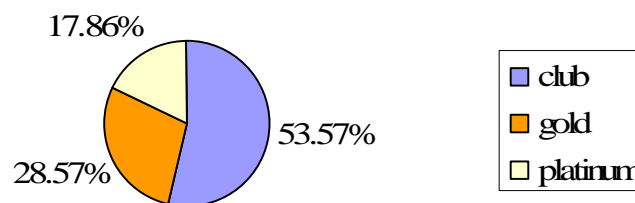


Figure 1 also indicates that as the membership levels get more selective and sophisticated so does the proportion of club members in each category decreases. For example, Club members correspond to the vast majority of the total number of club guests (53.57%), followed by Gold members (28.57%), and Platinum members (17.86%).

It was quite interesting to notice the relatively high percentage of Platinum members that stay at the Crowne Plaza Auckland Hotel, particularly when considering what is suggested by the literature in terms of the participation of top tier customers in a hotel's market mix. Abbey (2003) indicates that usually hotels are able to attract only 5% or less of those members who are categorised as elite members.

A possible reason as to why and how the Crowne Plaza Hotel is successfully being able to attract these high proportion of Gold and Platinum members can first be related to the fact that the Auckland property is an upscale, business-oriented hotel and that its convenient

location in the heart of the city's CBD helps attract the corporate market that travels extensively throughout the year. Secondly, it needs to be considered that the point of this particular property, the only hotel in Auckland that is affiliated to the Priority Club Rewards programme, certainly contributes to concentrate the demand of Priority Club members using the Crowne Plaza's facilities and services. These unique features about the Crowne Plaza Auckland Hotel definitely help the property towards maximising demand of club members which, in turn, reflects on the hotel's ability to generate additional revenue.

Considering the fact that in order to maintain their elite levels, Gold and Platinum members have to either spend a significant amount of dollars or produce a considerable number of room nights per calendar year in the programme's affiliated hotels. As a result, based on the high percentage of the Gold and Platinum members that use the Crowne Plaza property, one can conclude that these high profile guests are opting to maintain/upgrade their membership status in the rewards programme predominately related to the number of room nights they spend in IHG's properties worldwide.

The Priority Club Survey was comprised of both open and closed questions which were targeted to achieve two main goals: 1) to evaluate the extent to which the loyalty programme influences the decision-making process of the club member when booking accommodation in Auckland, and 2) to be able to assess the level of satisfaction of the club guests from the services received at the hotel. Indeed, the final question of the survey was aimed at identifying the preferred services and facilities which the club member would be more inclined to spend money on so as to identify where the hotel should be focusing more their revenue generation strategies in order to grow profitability. This analysis will be further explained in more detail in this chapter.

5.1.2 The power of the loyalty programme to attract business

Why do Priority Club members choose to stay at the Crowne Plaza Hotel? The first part of the survey was aimed at identifying the level of loyalty by the respondents in terms of preferring to stay at the Crowne Plaza Auckland as opposed to one of its competitors. The objective of this section was to be able to identify the reasons why the Priority Club

members prefer to book accommodation at this particular hotel and what factors make them come back.

Starting from the first question in the survey, Priority Club members were asked to select the main reason for their trip to Auckland. As represented in the figure 2 below, the majority of the participants said they were travelling on leisure (59.30%) where 39.53% said they came to Auckland to do business. One possible explanation as to why there were more leisure than business travellers staying at the hotel is due to the season of the year that this survey was carried out (December and January). This particular time of the year is traditionally characterised by the long school holidays in Auckland which had an impact on a considerable decrease in the demand from the corporate market.

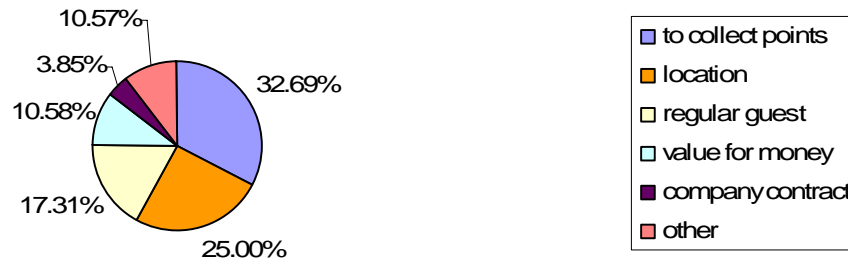
Figure 2. The main purpose of trip



It is also important to notice the fact that, according to the literature, it is suggested that leisure travellers usually tend to be more budget-conscious than corporate travellers and that they normally spend more time searching and comparing prices from different hotels in order to purchase the best available cost-effective package (Abbey, 2003). This higher percentage of leisure travellers can potentially impact on lower yielding opportunities to the Crowne Plaza Hotel especially considering the fact that this upscale property was essentially designed to be a corporate hotel.

Moving to the next question in the survey, Priority Club members were asked about the reason why they chose to stay at the Crowne Plaza Auckland Hotel. This was the most important question in the research, as it measures the extent to which the rewards programme is able to attract demand to the hotel. The result was a significant 32.69% of the total participants saying that they selected the hotel for the intention to “collect Priority Club points” (figure 3).

Figure 3. Why did you select this hotel?



The ability to earn points towards the rewards programme was the top reason for selecting the Crowne Plaza brand. This result undoubtedly shows a clear and strong indication on the key role that the loyalty programme plays for stimulating customers to book a room at the Auckland property.

The 10.57% that corresponds to the “other” factor represents the aspects that impact the least in the club member’s decision to stay at the Crowne Plaza hotel. They are: 4.81% were using their “reward night voucher”, 1.92% were able “to collect airline miles”, 1.92% were “recommended by a friend”, 0.96% were travelling as “part of a tour group” or “booked through a travel agent”, and 0.96% were redeeming their “gift vouchers given by a friend”.

Regardless of Priority Club membership levels (Platinum, Gold, and Club), the ability to earn points when staying at the Crowne Plaza hotel was equally considered as the top factor for choosing to book accommodation at the Auckland property across all the three categories (table 1). Once again, this result shows the large degree that the rewards programme influences the club members to use the affiliated hotel when coming to Auckland.

It is also interesting to notice the big gap between the scores “collect points” and “location” for both the Platinum and Gold members. Although the location factor is a key attribute for the Auckland hotel, almost twice the number of guests value the ability “to collect points” at the Crowne Plaza Auckland Hotel as their main reason for staying at the property.

These results concerning the top two membership levels can be related to the fact that since they have already achieved elite status in the programme and are enjoying the exclusive benefits of being part of a selective group of customers, they may potentially be more eager than the entry-level Club members to collect points. Otherwise, if they fail to accumulate the minimum required number of points (or stays) per calendar year that corresponds to their respective membership category they will be downgraded to the next lower level.

On the other hand, perhaps because Club members have not yet had the opportunity to experience the benefits for being on an elite level, the location factor consequently plays a higher influence when choosing a hotel to stay compared to Gold and Platinum members.

Table 1. Reasons for choosing Crowne Plaza according to the guest’s membership level

Why did you select this hotel?						
Main reason for choosing this hotel	Platinum member		Gold member		Club member	
	Rank	%	Rank	%	Rank	%
To collect points	1	45.45%	1	48.62%	1	36.54%
Location	2	27.27%	3	23.81%	2	30.77%
Regular guest	4	9.09%	2	28.57%	3	17.31%
Company contract	3	18.18%	-	-	5	5.77%
Value for money	-	-	-	-	4	9.62%

The second and third most significant aspects as to why Priority Club members chose to stay at the Crowne Plaza property was due to the hotel’s convenient “location” and the guest’s “regularity with the hotel”, respectively.

As mentioned earlier in this study, the hotel’s convenient location right in the heart of the “City of Sails”, the most important financial district in the country and near the city’s major attractions does make a difference for 25% of the Priority Club members when they book accommodation in Auckland (figure 3). In addition, especially in the case of the business traveller who usually has a tight schedule of meetings and flights, a hotel’s location that is simultaneously close to where s/he will be attending meetings, as well as being within easy access to the airport, must be one of the key attributes for selecting a hotel (Abbey, 2003). This finding shows that the Crowne Plaza Auckland is able to meet the customer’s need to be in a good, central location.

When analysing the last two aspects that impact on the club member's decision to stay at the hotel, it was interesting to note that "company contract" does not have much influence much on the guest's decision to book accommodation. This suggests that either the company does not have a contracted rate with the Crowne Plaza hotel or the guest is the one who ultimately makes the decision as to where s/he would rather be staying. Additionally, since the highest percentage of Priority Club members surveyed were leisure travellers, the decision to choose a place to stay is fundamentally made by the customer and not the company. Perhaps if the majority of club members had been travelling on business instead of leisure, then the proportion of those selecting the Crowne Plaza hotel based on company contract may have been higher.

Additionally, due to the fact that Priority Club members ranked "value for money" as the least important factor when booking the Crowne Plaza hotel in Auckland, it suggests that the hotel is potentially overpricing their rooms. It further suggests that the club members do not perceive the hotel to be a good value for money as to spend "x" amount of money for a night's accommodation. Nevertheless, they still choose to stay at the hotel based on the ability to earn club points. As a result, this is an indication that the hotel can employ a more aggressive pricing structure for the club members, particularly Gold and Platinum members, based on the fact that the benefits that they perceive from the loyalty programme outweigh the price paid for the room.

Another question in the survey asked Priority Club members to identify how likely they are to stay at the Crowne Plaza property when travelling to Auckland. Out of the total responses, 43.90% said that it was their "first time at the hotel", followed by 37.80% who said "whenever possible", 13.41% who selected "every time", and just 4.88% who said only "sometimes". These results show a strong indication that the hotel is successfully able to deliver the services and facilities that meet the needs and desires of the club guests based on the high proportion of Priority Club members (51.21%) who said that they "most likely" will stay at the hotel again. In fact, there has been no-one who indicated that they will not come back or would rarely stay at the hotel in the future.

In summary, the findings from the first section of the Priority Club survey showed a strong indication that the loyalty programme is indeed able to attract a large number of guests to the Crowne Plaza Hotel (32.69% of the total number of club guests). Other relevant findings from the “loyalty analysis” section were: Club members account for 53.57% of the total number of club guests that stay at the hotel, 59.30% of the guests surveyed were travelling on leisure, the ability to collect points when staying at the Crowne Plaza hotel was the top reason across all membership levels, and 51.21% of all guests said they are very likely to book the hotel again in the future.

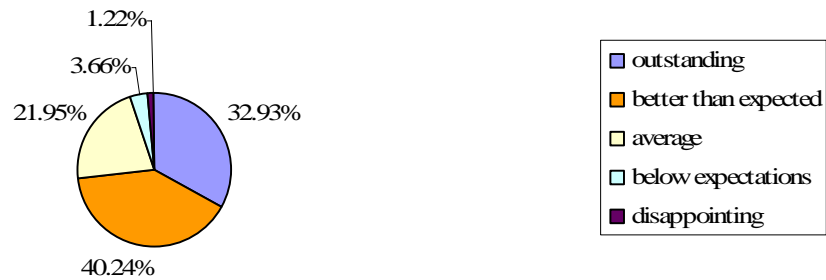
5.1.3 The level of satisfaction from the Priority Club members

Once this first part of the Priority Club Survey results analysis had been concluded, the second and final section of the questionnaire was aimed at identifying and investigating the features and attributes about the Crowne Plaza Hotel that club members enjoy the most (and the least). As opposed to the structure of the questions used in the first section, the questions in the second part of the survey were open-ended in order to give the participant the opportunity to express in his/her own words how satisfied they were with the service received at the hotel.

The second section was designed to identify and analyse the factors that make the Priority Club members feel welcomed as a valued customer of the Auckland hotel. What are the services and facilities of the hotel that respondents value the most? Are they satisfied with the quality of the services offered? On what particular product or service are they more inclined to spend money? Do they require a specific service or product that the hotel does not offer?

According to the survey respondents, 73.17% of the Priority Club members indicated that they were impressed and satisfied with the level of service they received from the hotel staff. In fact, only 4.88% of the club members said that the quality of the service provided was either “below expectations” or “disappointing”. The remainder, 21.95%, evaluated the hotel’s services as “just average” (figure 4).

Figure 4. Did you feel welcomed and valued as a Priority Club member?



These findings are certainly beneficial to the property not only in terms of making the Priority Club members happy but also because these satisfied customers will ultimately talk about their positive experience in the hotel with their friends, relatives and acquaintances. The literature suggests that a satisfied customer usually tells an average of six people about their good experience whereas dissatisfied customers tend to tell to an average of 17 people about the bad service received (Bowen and Shoemaker, 1998). Happy, loyal customers are also generally more inclined to pay a higher price premium in order to maintain the good relationship with the service provider (Khumar, Bohling, and Ladda, 2003).

When analysing each Priority Club individual score (table 2), this survey shows that all three guest membership categories rated the satisfaction option very similarly.

Table 2. Guest satisfaction according to the guest's membership level

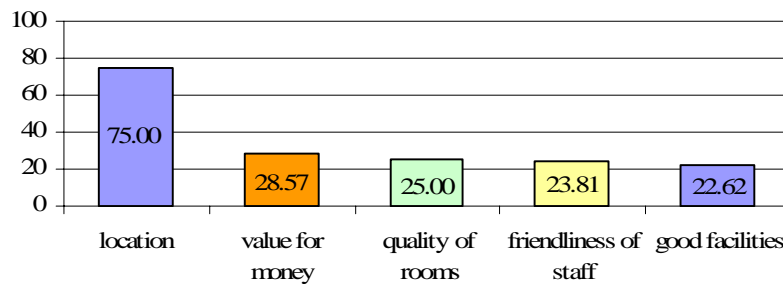
Do the staff members make you feel welcomed and valued as a Priority Club member?						
Satisfaction level	Platinum member		Gold member		Club member	
	Rank	%	Rank	%	Rank	%
Outstanding	2	36.36%	2	23.81%	2	32.69%
Better than expected	1	54.55%	1	52.38%	1	36.54%
Average	3	9.09%	3	19.05%	3	25.00%
Below expectation	-	-	4	4.76%	4	3.85%
Disappointing	-	-	-	-	5	1.92%

For example, “better than expected” was ranked number one as the top satisfaction level across all club members. This score was followed closely by the “outstanding” satisfaction option which suggests that the hotel is successfully offering the services and facilities that each and every type of club member values most.

It was interesting to realise that not only for the Club members but also, and perhaps more importantly, for Gold and Platinum members, the hotel’s services were rated “outstanding” as the second highest band score. Once again, this is a very good result and a clear indication that the benefits which the hotel is offering to the Priority Club members are highly appreciated. Particularly considering the case of the Gold and Platinum members who have presumably travelled extensively and stayed in several IHG hotels around the world in order to be in the membership level that they are at, and if they are saying that the hotel’s services really exceeded their expectations, they certainly mean it.

When Priority Club members were asked what services and facilities they enjoyed the most about the Crowne Plaza Hotel and what would make them come back, the “location” aspect once again proved to be a valuable attribute of the property with 75% of the respondents citing the hotel’s convenient location as a key feature (figure 5). The property’s central and convenient location, in the heart of the Central Business District, nearby many shops and cultural activities, parks and museums, and within easy access to the motorway that links to the city’s International Airport is the most valued attribute rated by the club guests.

Figure 5. Top five attributes of the Crowne Plaza hotel according to club members



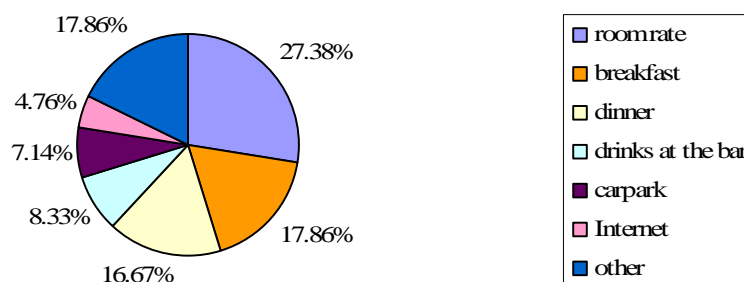
Interestingly, even though the option “value for money” was not very popular with club members when they were asked to point out the factors that impact the most on their decision to book accommodation, this time when they were asked to rank the top five attributes of the Crowne Plaza Hotel the room rate element was highly ranked by 28.57% of the total participants. One can argue that although the rates are not able to attract a large demand of club members to stay at the property, after they have arrived in the hotel and have had the opportunity to experience the quality of services and facilities that the hotel offers, the club members then perceive that the hotel does offer a good value for money.

Moreover, the hotel’s “quality of rooms” aspect was ranked third and “friendliness of staff” in fourth, with 25% and 23.81% respectively. The interesting point here to highlight is the relatively low score that club members rated the quality of customer service provided by the hotel staff, particularly when considering the key role that customer interaction plays in the hotel industry. Although this research found that Priority Club guests are highly satisfied with the service provided by the hotel, they did not rank this specific attribute as highly as before when asked to identify their top five attributes and features about the hotel that they enjoy the most. Nevertheless, some of the qualitative data provided by the club members in relation to this question were: “Great service, that’s why I keep coming back” and “Staff go out of their way to help”. Therefore, one can conclude that the high level of customer satisfaction is potentially based on other features and products that the hotel offers, such as location, value for money, and the quality of the rooms.

The last question on the Priority Club Survey was designed to identify the most preferred services and facilities provided by the Crowne Plaza Hotel on which the club members would be more inclined to spend money on. Hence, due to the main objective of this research which is to assess the impact of the rewards programme on the hotel’s revenue, this question was critical to the overall success of this research.

Priority Club guests were given a list of products and services offered by the hotel and were asked to rank them from 1 to 10 (1 being the most preferred option) about what services and/or facilities they would spend a NZD\$50 dollar voucher on. The intention of this question was to thoroughly investigate the underlying needs and desires of the club members when staying at the Auckland property (figure 6).

Figure 6. Priority Club members’ preference for redemption of NZD\$50 dollar voucher



Top ranked by the club members as their favourite option for redeeming a NZD\$50 dollar voucher is to discount the room rate (27.38%), followed by “breakfast in the restaurant” (17.86%) as their second preferred option and then thirdly “dinner at the restaurant” (16.67%). Interestingly, these figures coincidentally follow the traditional order as to why hotels exist. They are to primarily offer a comfortable bed, a freshly cooked breakfast the next morning and, whenever possible, a decent dinner before going to bed. The “other” services included in-room dining, phone calls, business centre charges, guest laundry and dry-cleaning, and minibar.

Even though the hotel industry has rapidly evolved in recent years in order to keep up with the many different needs and expectations of customers, hotels essentially are to provide a comfortable and clean room for someone needing to have a good night’s sleep. Thus, in the selection of “discount in room rate” for 27.38% of the survey respondents as the top voucher redemption preference is not to be considered entirely unexpected.

In addition, this finding also suggests that Priority Club guests are reasonably price-sensitive in respect to the room rate charged, so the hotel should expect them to regularly seek out for the best deal around, a special package or a seasonal promotion. For example, club members can use the Internet (e.g. the hotel’s website, third party booking engines) and other distribution channels (e.g. travel agencies, central reservations office) in order to check availability and prices against each point of sale as well as between the hotel and its competitors.

Furthermore, after spending the night at the hotel, this person would traditionally have breakfast the next morning. The findings show that 17.86% of the Priority Club members would like to enjoy a freshly cooked breakfast at the restaurant with their NZD\$50 voucher. This low figure of people willing to have breakfast in the hotel’s restaurant potentially suggests that the property is failing to capture more than a quarter of the number of club members staying in-house. Some of the possible reasons for keeping the patrons away from their morning coffee could be due to the breakfast price being somewhat higher than what the club member is in fact prepared to pay or even perhaps, that due to an early business schedule, the club member did not have time for breakfast in the morning. However, considering that only 39.53% of the club members who participated in this

survey were business travellers, it is more likely that it is the breakfast prices that are keeping guests away.

When analysing the dinner option, which was ranked third (16.67%), there are a number of possible explanations to sustain why it has been poorly rated by the club members. Firstly, one could suggest that the guest perceives the price in the menu is slightly more than what s/he perceives what is fair to pay, hence not that many club guests feel attracted to dine onsite. It additionally implies that if the variety of food served in restaurant menu was a bit more tempting, s/he would be more inclined to stay onsite and enjoy a relaxing night. On the other hand, the same 16.67% of club members presumably do not want the hassle of having to find a (good) restaurant nearby, book a table, organise transport to and from the hotel, plus the unavailability to charge the dinner bill back to the company as if s/he had dined in the hotel.

However, when analysing the breakdown of answers from each Priority Club membership level, even though they have coincidentally ranked the same top three services to redeem the NZD\$50 dollar voucher for (e.g. room rate, breakfast and dinner), on the other hand they have rated them differently in terms of which of the three is to be the top favourite item to be discounted for (table 3).

Table 3. Preference for redemption according to the Priority Club membership level

If you had a NZD\$50 credit voucher, which service/facility would you use it for?						
Top services for redemption	Platinum member		Gold member		Club member	
	Rank	%	Rank	%	Rank	%
Room rate	2	29%	3	21%	1	38%
Breakfast	2	29%	1	50%	2	31%
Dinner	1	42%	2	29%	2	31%

In the case of the Platinum members, the findings show that these guests are not as price sensitive as the other Priority Club members with regard to the rate charged for the room. The figures above suggest that this elite class of guests would rather enjoy the restaurant's menu and perhaps try going more sophisticated than usual when ordering their meals by having a NZD\$50 dollar discount in the bill. Hence, one can conclude that this type of guest would be more tolerant in relation to the hotel charging more aggressive room rates

based on fact that Platinum members are not overly concerned on the price paid for the accommodation but instead s/he would rather have a great experience at the hotel's food and beverage outlets, particularly when dining in the evening.

When analysing the preference for redemption selected by Gold members, they similarly are less sensitive about the price charged for accommodation. The results shown in Table 2 (page 63) indicate that discounting the room rate would not be their first priority for using the NZD\$50 dollar voucher. Instead, they would rather enjoy a full-buffet breakfast in the restaurant as their first choice. On the other hand, only 21% of the Gold members identified that they would like to get a discount on their accommodation price. A possible explanation as to why the room rate was not top ranked for both the Gold and the Platinum members could be due to their companies paying the accommodation charges and the guests being responsible for paying the incidental charges. In addition, it could have also been the case where they have prepaid for the room charges through one of the hotel's special rates for advance bookings which then leave the extra charges available for redemption.

In the case of the Club members, the results from the survey indicate that this type of Priority Club member is the most price sensitive of them all when it comes to the room rate. 38.46% of the Club members selected a reduction of the room rate as their first preference for using the bonus voucher. One possible cause of them being more budget conscious than the elite members is because the majority of the Club members surveyed were leisure guests (59.62%) and also because only 6% of the Club members chose to stay at the Crowne Plaza Hotel because of company contract. One could suggest that only this 6% of Club members had their accommodation charges taken care of by their respective companies which as a result make them more price sensitive in relation to the room rate than the Gold and Platinum members.

In summary, the Priority Club Survey was extremely beneficial to the development of this project, fundamentally because it provided valuable information about who the Priority Club members are and also to better understand their needs and preferences when staying at the Crowne Plaza Auckland Hotel. Therefore, the next step is to conclude whether or not the rewards programme is effectively generating more revenue for the hotel. The next

section of this chapter analyses and compares the spending patterns of a Priority Club member and a normal Crowne Plaza guest. This analysis is aimed to clearly measure how much impact the Priority Club Rewards programme is contributing to the hotel's overall revenue performance.

5.2 The Spending Pattern Analysis

The second and final element of this results analysis chapter essentially focuses on the analysis of the spending patterns of Priority Club members and normal Crowne Plaza guests. Indeed it is through this analysis that the researcher is able to identify and investigate which is the highest yielding group of customers to the hotel and to find out what services and facilities they tend to spend more money on. The main objective of this section is to successfully conclude whether or not a Priority Club member is more profitable to the hotel than a normal hotel guest.

Table 4 below provides a clear comparison of the spending patterns between the three different types of Priority Club members, the Average Priority Club member, and the Average Crowne Plaza hotel guest.

Table 4. Spending pattern analysis by customer groups

	Platinum member	Gold member	Club member	Average Priority Club member *	Average Crowne Plaza guest
Room Nights / Stay	4.00	2.20	1.83	1.98	2.20
Room Rate **	\$165.00	\$212.42	\$176.16	\$180.41	\$195.81
Room Revenue	\$825.00	\$438.09	\$323.85	\$350.66	\$417.87
Food and Beverage	\$62.24	\$90.76	\$48.89	\$55.27	\$84.15
Telephone	\$29.47	\$26.98	\$28.14	\$26.64	\$9.88
Laundry	\$36.00	\$0.00	\$0.00	\$36.00	\$39.95
In-room movies	\$19.90	\$19.90	\$19.90	\$19.90	\$31.82
Total Revenue	\$532.16	\$543.59	\$370.88	\$399.29	\$458.02
Responses	7	10	33	50	50
% of responses	14%	20%	66%	100%	100%
Room Nights	28	22	60	99	110
TOTAL	\$14,900.48	\$11,958.98	\$22,397.44	\$39,529.71	\$50,382.20

* The figures shown above have been calculated based on the reports provided by the hotel. Please note that the Average Priority Club Member column has been calculated according to the number of responses received on each Priority Club membership category.

** The Room Rate figures also include complimentary stays, upgrade fees, and promotional offers.

In order to produce this analysis the Crowne Plaza hotel provided the researcher with 50 randomly selected Priority Club guest's account statements and 50 invoices from Crowne Plaza Auckland guests who are not affiliated with the rewards programme (e.g. number of responses on Table 4). Out of these 50 club members investigated, seven were Platinum members (14%), ten were Gold members (20%), and thirty-three were Club members (66%).

5.2.1 Comparing length of stay

In relation to the length of stay, Platinum members tend to stay longer than any other type of customer (e.g. four nights per stay average). A similarity was found between Gold members and Crowne Plaza guests in terms of the number of nights spent per stay at the hotel (e.g. just above two nights average). Club members were identified as the customer group that tends to spend the least number of nights at the hotel (e.g. nearly two nights per visit).

When comparing the average length of stay per visit between an Average Priority Club member and a Crowne Plaza guest, it was found that it is in fact the normal hotel guests who stay longer than the club members (2.20 nights versus 1.98 per stay respectively). This figure will invariably impact on the total revenue produced by each of these customer groups, due to the fact that in order to calculate the total number of room nights produced by each group of customers, the researcher multiplied their respective average length of stay by the market mix percentage of that particular type of guest. For example, looking at the case of Platinum members, they had an average length of stay of four room nights which when multiplied by 7 (i.e. number of responses collected), resulted in a total of 28 room nights generated by Platinum members. After multiplying this 28 room nights by the average total revenue generated by a Platinum member (NZD\$532.16), the total revenue contribution of all Platinum members achieved NZD\$14,900.48.

Therefore, it can be concluded that it is not only based on the average room rate paid or a guest's total hotel bill that will determine whether the hotel is being successful in terms of growing its revenue. It is equally fundamental that hotel should be planning and closely

monitoring a guest's length of stay in order to develop the desired revenue growth. Taking the example above regarding the Platinum member, if the average number of nights was found to be three and not four, then the total revenue produced by this type of guest would have been NZD\$11,175.36. This means that a decrease of one room night in the average length of stay would have accounted for NZD\$3,725.12 less in revenue (NZD\$14,900.48). In addition, it also suggests that Platinum members yield less to the hotel compared to the Gold member's total revenue contribution (NZD\$11,958.98). Hence, one can already anticipate that working towards increasing the length of stay for the Average Priority Club member, particularly in the case of the Club member, is to be considered a high priority in this study.

5.2.2 Room revenue analysis

The room rate paid by these customers was the next item analysed. Quite surprisingly, it was not the Platinum members who paid the highest room rates as expected. It was assumed so due to the top elite level that they are at which requires them to spend a substantial amount of money and/or room nights per calendar year in order to maintain the top membership level they have achieved. This finding suggests that these members are working out their way to maintain their Platinum status based on the room nights per calendar year component as opposed to the dollar amount aspect.

Another explanation about why Platinum members do not spend significantly more in relation to the room rate relates to the fact that the Crowne Plaza Auckland Hotel currently offers complimentary upgrade to a Club Floor suite for Platinum members only subject to availability. Platinum members who are regular guests to the property may possibly book a standard room and upon arrival at the hotel they request to be upgraded to a suite room.

So, it is the Gold member who is paying the highest room rate between the five guest categories (average NZD\$212.42 per night). Perhaps this is because s/he is aware of the benefits that s/he can receive when the next level up is achieved so then the Gold member is striving to get to the top through the quickest method possible. This upgrade can happen either based on the number of room nights or the revenue spent per calendar year at IHG's extensive network of hotels.

The group with second highest room rate (average NZD\$195.81) was the normal Crowne Plaza guest. With the exception of the Platinum member that only pays an average of NZD\$165.00 per night at the hotel, it was identified that it is once again the Club member who spends the least amount of dollars when booking accommodation at the Auckland hotel (average NZD\$176.16). Therefore, fundamentally because 66% of the Average Priority Club guest figure is made up by the Club member, the room rate figure produced by a Priority Club member is merely NZD\$180.71 per night which again is a lower figure compared to a Crowne Plaza guest.

Some possible explanations as to why the rate for a Priority Club member is lower than a normal hotel guest could be that they are corporate travellers and presumably their companies have contracted, discounted rates with the hotel which usually are lower than the price that the hotel applies to the public (i.e. normal Crowne Plaza guests pay the public leisure rates which are normally priced higher than the corporate, negotiated rates).

A second possible reason for Priority Club members paying lower rates than the average hotel guests can be related to the advance purchase packages that the Crowne Plaza offers to their guests. These special rates are available not only to Priority Club guests but to the public in general when, if the guest pays for the booking within a number of days from arrival, s/he is entitled to receive a certain discount for an advanced booking. Hence, a possible explanation could be the awareness and previous knowledge on the part of Priority Club guests about this discounted option that could lead to a lower room rate than the one paid by a normal hotel guest.

The Priority Club Rewards programme is a points-based programme which works by giving rewards to its members for their loyalty. The programme does not necessarily offer any kind of discount or preferential rate for its members, unless the participating hotel is individually taking the initiative to do so. The Crowne Plaza Auckland Hotel does not offer any kind of special rate or condition to the Priority Club members that is different to the public.

After analysing and comparing the number of nights per stay and the room rate per night paid by each group of customers, it was found that it is the Platinum member who yields the highest room revenue for the property per stay (average NZD\$825.00). However, because there was not an extensive number of Platinum members' invoices taking part on this analysis (i.e. only seven guest invoices were provided by the hotel), it is difficult to conclude that the top membership tier continuously generates the largest room revenue per stay.

For the purpose of determining which membership level yields more room revenue to the Crowne Plaza hotel, the same number of guest invoices across all three club levels and also for the normal Crowne Plaza guest would need to be analysed. This procedure would provide a more accurate and reliable way of clearly identifying the real contribution of each group of customer towards the property's room revenue development.

This suggestion can open opportunities for other academics who are particularly interested in analysing the development of room revenue growth in the Auckland hotel market or perhaps specifically looking at the Crowne Plaza Hotel alone and as such s/he would need to conduct a thorough examination on each market segment that affects the room rate component.

Furthermore, the Gold member was identified as being the second largest room revenue contributor to the hotel (average NZD\$438.09), followed by the Crowne Plaza guest (average NZD\$417.87), and then lastly the Club member (average NZD\$323.85). So with the Priority Club member averaging total room revenue of NZD\$350.66 per stay, it is actually less than what the Crowne Plaza guest contributes. Therefore, from a room rate perspective, the hotel's normal guests are outperforming the initially presumed "loyal and therefore high-yielding" Priority Club members by an average of NZD\$67.21 per guest.

5.2.3 Analysing Food and Beverage expenditure

The next set of data to be analysed were the revenue generated from the hotel's food and beverage outlets. This figure represents a combination of all restaurant, bar and in-room dining services such as breakfast, snacks, dinner, and drinks. However, it does not include

any in-room minibar expenditure because this service/amenity is not included in the Priority Club Rewards programme terms and conditions for points eligibility.

With regard to the food and beverage expenditure, the Gold member was the top performer against the other groups of customers as Gold members tended to spend on average NZD\$90.76 per stay. Not too far behind, this research found that Crowne Plaza guests also frequented the food and beverage outlets available at the hotel and would normally pay NZD\$84.15 for meals and drinks during their hotel stay. Platinum members either find the prices too high, the food options not very attractive, or already have a dinner appointment offsite which makes them spend an average food and beverage bill of NZD\$62.24.

Once again, it was the entry-level Club member who pulled the average food and beverage expenditure down for the combined Priority Club group. They have only averaged NZD\$48.89 on meal costs which does not even cover the price of two cooked breakfasts in the restaurant. It is essentially because of this poor contribution that the average figure for the Priority Club member on food and beverage expenditure was a merely NZD\$55.27 per guest. The result is a NZD\$28.88 difference in food and beverage revenue between a hotel guest and a club member.

5.2.4 Analysing other revenue streams

Moving to the next item to be analysed, telephone charges are the only revenue that all Priority Club members are offsetting the regular Crowne Plaza guest. The results of the telephone revenue analysis are: Platinum members (NZD\$29.47) were once again the biggest spenders compared to the other customer groups followed by the Club member (NZD\$28.14), then the Gold member in third (NZD\$26.98) Last, the normal Crowne Plaza guest poorly averaged NZD\$9.88 in phone bill charges per stay.

As mentioned above, this research shows that telephone charges are the only particular service on which the average Priority Club member spends more money than the normal hotel guest. Even though the difference between the two customers is merely NZD\$16.76, it is the only expenditure on which Club members are not ranked last on this analysis. It is also interesting to highlight the fact that although Crowne Plaza guests tend to stay at the

hotel for longer periods than club members do, they still use the hotel's phone services in fewer occasions than Club guests do. A possible explanation for this finding could be the increasing popularity of mobile phones not only to the public (e.g. leisure guests) but also for large companies (e.g. corporate traveller) as corporations tend to contract a worldwide cellular telephone supplier that can offer a more cost-effective option rather than paying exorbitant telephone prices charged by different hotels.

In relation to the laundry revenue, based on the data collected for this analysis, there was only one Priority Club member (i.e. a Platinum member) who used the hotel's dry-cleaning service. The cost was NZD\$36.00. On the other hand, four Crowne Plaza guests used the hotel's dry-cleaning services and their average totalled NZD\$39.95. Hence, the first step to be concluded in this analysis is that due to the little revenue generated by laundry services the hotel needs to immediately review this feature in order to make it generate more revenue. A potential reason for this low laundry service turnaround could either be related to the case of the prices being too high or the service hours not being suitable for the guests. Alternatively the guest's length of stay does not warrant use of this particular service.

Another possible reason as to why club members are not being attracted to spend money on the hotel's laundry facilities is because this particular charge is not eligible for earning points towards their membership. It is believed that, to a certain extent, this clause in the rewards programme could be affecting the members' inclination to use the hotel's dry-cleaning services more often. However, having said that, this finding needs to be further analysed as to clearly identify the reason for guests not using the hotel's laundry services that often.

When analysing the guests' in-room movies revenue contributor it was found that there was a consistent spending pattern across all three Priority Club levels. Platinum, Gold, and Club members have all coincidentally averaged NZD\$19.90 per guest per stay at the hotel on movie charges. On the other side, the average Crowne Plaza guests were more inclined to spend more time relaxing and resting in their rooms watching some of the hotel's selection of movies on demand (average NZD\$35.80 per guest per stay).

One potential reason for average hotel guests to outperform the Average Priority Club member by NZD\$15.90 could be related to the fact that they tend to travel with their family and children and as such this could cause a higher demand to purchase in-room amenities and entertainment. In addition, normal hotel guests, according to this research, tend to stay longer at the hotel compared to the club member upon which could potentially affect their need for more relaxation and entertainment options.

5.2.5 Who spends the most per stay?

So, after calculating all of the different sources of revenue in this chapter, it was realised that, based on the average spend per stay, it was the Priority Club Gold member who was the highest yielding guest for the Crowne Plaza Auckland Hotel (NZD\$543.59). They were closely followed by Platinum members who averaged a revenue contribution of NZD\$532.16 and then, thirdly, the normal Crowne Plaza guest who had an average hotel bill of NZD\$458.02 per visit. Lastly, the group who made the least revenue contribution to the hotel's performance was the entry-level Priority Club member who had an average expenditure of NZD\$370.88 per stay.

When calculating the combined expenditure for the three membership levels of the Priority Club, and considering the fact that 66% of the number of club members that stay at the hotel belong to the entry-level Club status, the total revenue spend per Priority Club member dramatically decreases to an average of NZD\$399.29.

Therefore, answering the research question mentioned earlier in this chapter, there was a difference of NZD\$58.73 per guest per stay between the average Crowne Plaza Auckland guest (NZD\$458.02) and the average, initially assumed "high-yielding", "loyal" guest, the Average Priority Club member (NZD\$399.29).

5.2.6 The Priority Club Revenue Contributor index

However, despite the fact that the analysis above is based on the average dollar spent per guest per stay basis, it would not be accurate to conclude that the average Crowne Plaza

guest customer segment yields more to the hotel because this conclusion does not take into consideration the volume of guests that the Priority Club Rewards programme brings to the property. Hence, there was a need to also add into this analysis the number of guests that both the hotel and the rewards programme attracted to the property in order to accurately measure the revenue contribution from each group of customer. In other words, it was necessary to calculate the Priority Club Revenue Contributor index as the key indicator towards concluding whether or not the loyalty programme is successfully generating revenue for the hotel.

According to the data collected and analysed in this project, 50 Priority Club guests spent an average of NZD\$399.29 per stay which then produced a total revenue of NZD\$39,529.71 for the hotel. On the other hand, the same number of non-affiliated Crowne Plaza guests that spent NZD\$458.02 per visit totalled contributed to the hotel with NZD\$50,382.20 in revenue. The combined revenue generated by these two groups of customers totalled NZD\$89,911.91 (table 5).

Table 5. Total revenue produced by Priority Club guests and Crowne Plaza guests

	Priority Club Guest	Crowne Plaza Guest
Number of Nights per Guest, per Stay	1.98	2.20
Number of Responses	50	50
Total Number of Room Nights	99	110
Total Revenue per Guest, per Stay	\$399.29	\$458.02
Total Revenue per Segment	\$39,529.71	\$50,382.20
Total Combined Revenue	\$89,911.91	

To successfully achieve the objective of this study, this analysis must consider the impact that the rewards programme factor has on the cardholder’s decision when selecting a hotel in Auckland. Based on the Priority Club Survey data resulted from this research, when Club members were asked the question as to “why did you select this hotel?” an extremely significant 33% of the respondents said that they chose to book a room at the Crowne Plaza Auckland Hotel based on their intention to collect Priority Club Points.

When taking into consideration the key role that the rewards programme has on a member’s decision to book accommodation when travelling to Auckland, table 6 gives an illustration of how the hotel would perform if the property was not affiliated to the loyalty programme.

In other words, if the 33% of the club members who said in the Priority Club survey that they had selected the Crowne Plaza brand due to the ability to collect points, table 6 shows the degree in which this percentage of guests would impact on the hotel’s revenue development.

Table 6. The value of 33% more Priority Club guests

	Total Priority Club Guest	Less 33% of Priority Club Guest room nights
Total Number of Room Nights	99	66
Total Revenue per Guest	\$399.29	\$399.29
Total Revenue per Segment	\$39,529.71	\$26,353.14
Total Crowne Plaza Guest Revenue	\$50,382.20	\$50,382.20
Total Combined Revenue	\$89,911.91	\$76,735.34
Priority Club Contribution (\$)	\$13,176.57	
Priority Club Contribution (%)	14.65%	

Therefore, because of the Crowne Plaza’s affiliation to the Priority Club Rewards programme the hotel realised an increment of 33 more room nights during the course of this research. This additional business came from cardholders who chose to stay at the property essentially due to their desire to collect points towards their memberships. This means that if the hotel was not part of IHG’s loyalty card programme, the property would have most likely only recorded 66 room nights. As a result, it would have missed the opportunity to gain NZD\$13,176.57 in extra revenue which corresponds to nearly 15% in turnover. This finding is extremely important to the success of the Crowne Plaza revenue generation development as it clearly shows the significant importance of the rewards programme in attracting demand to the hotel.

As mentioned earlier in the research methodology chapter, in order to accurately calculate the Priority Club Revenue Contributor index (PCPR) this research also considered the possibility of whether these 33 “point-seekers” club members would still book accommodation at the hotel due to “other factors” and reasons that generally influence the so-called “normal” Crowne Plaza guest. For instance, through a travel agent the customer could have purchased a travel package that includes a stay at the hotel or perhaps this person found the hotel’s room rate and its convenient location quite appealing and decided to book there. It could also have been due to a recommendation by a friend or because the

guest had stayed there in the past. In other words, the reason for choosing the hotel could have been due to any other alternative offered in the survey rather “to collect club points”.

Assuming that half of the 33 room nights generated by the Priority Club programme could have been generated for the hotel by other marketing appeals rather than the rewards programme itself (e.g. 16 room nights), it was necessary to calculate what would be the impact on the hotel’s revenue generation performance considering 33 room nights less in the Priority Club total revenue and, at the same time, 16 room nights more towards the Crowne Plaza guest’s total revenue. The question to be answered was: is the hotel better off if it could attract another 16 room nights on its own and not rely on the influence of the loyalty programme to generate any demand?

Table 7. Crowne Plaza Guest with 16 additional room nights

	Less 33% of Priority Club Guest room nights	Crowne Plaza Guest plus 16 room nights from Priority Club members
Total Number of Room Nights	66	126
Total Revenue per Guest	\$399.29	\$458.02
Total Revenue per Segment	\$26,353.14	\$57,710.52
Total Combined Revenue	\$76,735.34	\$84,063.66
Total Combined Revenue (table 5)	\$89,911.91	\$89,911.91
Priority Club Revenue Contribution (PCPR in \$)	\$13,176.57	\$5,848.25
Priority Club Revenue Contribution (PCPR in %)	14.65%	6.50%

As shown in Table 7, even though Crowne Plaza guests gained an extra 16 room nights on the top of their already existing 110 room nights and, most importantly, considering the fact that these guests have higher total revenue spend per guest than the Priority Club members do (NZD\$458.02 versus NZD\$399.29), the normal Crowne Plaza guests’ productivity was nevertheless not able to compensate the revenue lost if the loyalty programme was not able to generate an impressive 33 additional room nights to the hotel.

As a result, there was a shortfall of NZD\$5,848.25 for the hotel to reach its total revenue potential. The total combined revenue of NZD\$84,063.66 corresponds to only 93.50% of what the Crowne Plaza hotel was found to be generating (NZD\$89,911.91).

So the question is: if the loyalty programme is unable to attract any guest to stay at the Auckland hotel, how much extra business does the Crowne Plaza Auckland need to attract in order to fully replace the decrease in the total revenue produced? How many additional room nights would be necessary to compensate the loss of 33 room nights that the loyalty programme currently generates?

Table 8 indicates that the hotel would have to capture at least 93% (i.e. an additional 29 room nights) from the 33% of Priority Club members who stay at the hotel due to the ability to collect points. These guests would also need to spend a minimum of NZD\$458.02 during their stay at the property (table 8) in order to surpass the NZD\$89,911.91 figure.

Table 8. Crowne Plaza Guest with 29 additional room nights

	Less 33% of Priority Club Guest room nights	Crowne Plaza Guest plus 29 room nights from Priority Club members
Total Number of Room Nights	66	139
Total Revenue per Guest	\$399.29	\$458.02
Total Revenue per Segment	\$26,353.14	\$63,664.78
Total Combined Revenue	\$76,735.34	\$90,017.92
Total Combined Revenue (table 4)	\$89,911.91	\$89,911.91
Contribution (\$)	\$13,176.57	-\$106.01
Contribution (%)	14.65%	-0.12%

Hence, the hotel would have to work harder towards capturing an incremental number of guests who would produce a minimum of 139 room nights at an average total spend of NZD\$458.02 per stay in order to compensate the demand of guests that the Priority Club programme is currently producing.

5.2.7 Summary of the results

In summary, there were two main goals to be achieved by the end of this chapter. The first objective was to thoroughly analyse and identify who the Priority Club members are, why they choose to stay at the Crowne Plaza Hotel, and what their needs and preferences are when staying at the Auckland property. The findings in this section show the significant

role that the Priority Club programme plays on the members' decision to stay at the Auckland hotel.

This research shows that it is due to the Crowne Plaza Auckland Hotel's affiliation to the rewards programme that 32.69% of all club members choose to stay at this particular property. Location (25%) and the guest's regularity with the brand (17.31%) were the other two most popular factors as to why club members select the Crowne Plaza Auckland Hotel.

In addition, nearly one out of three club members (32.93%) rated the hotel's customer service as outstanding, followed by 40.24% of guests who said the quality of the services were better than expected.

Once this first section of the study had been thoroughly analysed, the second and final part of this chapter was ultimately aimed at identifying the contribution that the loyalty programme impacts on the hotel's ability to generate revenue. In other words, to identify the Priority Club Revenue Contributor index (PCRC).

Although the Average Priority Club member does not yield to the property as much as the non-affiliated Crowne Plaza guests do (NZD\$39,529.71 and NZD\$50,382.20 respectively), it is because of the volume of club members who choose to stay at the hotel (i.e. to collect points) that makes the rewards programme such an effective revenue management tool.

This finding shows that when removing the percentage of club members that chose to stay at the hotel due to the ability to collect points (33 room nights) and adding half of this demand of customers onto the normal Crowne Plaza Hotel guest figures (16 room nights), the hotel would be generating more revenue by having a high number of club members and spending a lesser amount of money in the hotel rather than losing 32.69% of its demand of club members and further attracting half of these travellers.

The Priority Club Revenue Contributor index for the Crowne Plaza Auckland Hotel found in this research was NZD\$5,848.25 or 6.5% (table 7). This means that the rewards programme is able to generate nearly NZD\$6,000 extra revenue for the hotel, essentially due to the volume of club members that select the hotel in order to collect points.

The analysis in this chapter enabled the researcher to identify some key aspects and tendencies about the three different Priority Club membership levels these will be discussed in the following and final chapter of this research.

6 CONCLUSIONS

Are the Priority Club members yielding more to the Crowne Plaza Auckland property compared to the average, non-affiliated hotel guests? What services and facilities are the club members more tempted to spend money on? Do Platinum members and Club members have the same spending pattern when staying at the Auckland hotel? Who has the highest food and beverage bill? Are the loyal guests satisfied with the service received at the hotel?

This study was predominantly aimed at investigating whether or not the Priority Club members who stay at the Auckland hotel impact more on the hotel's ability to generate revenue compared to the average hotel guest. It was particularly focused on analysing and comparing the spending pattern within the three different membership levels in the programme and also between the average Priority Club member versus the average hotel guest in order to clearly identify which customer group is more profitable to the hotel (and who is not).

The interest in studying the impact of the loyalty programme on the hotel's revenue performance was ignited when the property realised a dramatic increase from 6% to 13% in between 2004 and 2006 in the number of club members booking a room.

Due to the potential to advertise and promote the Auckland hotel to a massive 30 million Priority Club members worldwide, of which 1.5 million are Asia Pacific residents, and also considering the programme's demand-based, revenue-oriented strategy towards enticing its members to spend money on IHG's 3,700 participating hotels, the need to assess the extent to which these "loyal" members can affect the Crowne Plaza Hotel's ability to increase profitability (www.ichgroup.com, 2007) became clear.

It was initially assumed that Priority Club members would have a higher hotel bill compared to the non-affiliated guests, fundamentally because of the member's willingness to get upgraded in the programme and receive more benefits from it. The objective of this

study was to examine this assumption through evaluating the extent to which these club members are in fact contributing to the property's overall revenue generation performance.

It is expected that this study will primarily provide implications to the Crowne Plaza Auckland Hotel in relation to the way that it perceives the value of the club members and their contribution to the property's bottom line. The hotel will be able to better understand not only the preferences and needs but also the spending pattern of each of the three classes of club members (e.g. Platinum, Gold, Club) which will ultimately assist them to maximise their revenue.

6.1 Priority Club members and the Loyalty Factor

When comparing the results from this research with what the literature suggests with regard to the behaviour of loyal customers towards the service provider, there are two key aspects that deserve further examination.

First, in relation to the price sensitivity of loyal guests, the literature gives an indication that when compared to non-loyal customers, these guests are more inclined to pay a higher price premium just to keep the relationship going (Khumar et. al., 2003). It has also been suggested that customers normally give more importance to the relationship than the price of the product or service (Khumar et. al., 2003).

This research found that this is only true in respect to the two elite levels of the Priority Club programme (e.g. Platinum and Gold) whose members did spend more money in the hotel compared to the average Crowne Plaza guest. However, the same situation does not apply in the case of the entry-level Club members who in fact are the vast majority of the "loyal" customers that stay at the hotel (i.e. 53.57% of the total respondents in the guest survey and 66% of the guest invoices analysed in the spending pattern study were Club members).

Based on the findings from this study, the Club members have the lowest room revenue contribution, spend the lowest amount of dollars in the hotel's food and beverage outlets, and, most importantly, check out from the hotel having spent NZD\$87.14 less than the

average hotel guest. Priority Club members have an average spend per stay of NZD\$370.88 compared to NZD\$458.02 for an average Crowne Plaza guest.

It is because of the low-yielding figure from the Club members that the average Priority Club member total bill at the Auckland hotel is lower (NZD\$399.29) than what an average hotel guest generates (NZD\$458.02) by a difference of NZD\$58.73 per guest per stay.

Why have a loyalty programme? It means losing revenue! Absolutely not! As Bowen and Shoemaker (1998) point out, loyal customers tend to spend more money in the hotel that they feel attached to, they tend to spread positive word-of-mouth to an average of 12 people, they are less sensitive to price increase, and they are a valuable source of information to the hotel about the market and its trends.

The main question that the hotel needs to closely monitor is relation to the market mix of club members that stay at the property because, as it was found in this research, depending on the membership level that is being analysed, the spending patterns of Platinum and Gold members, for instance, is extremely beneficial towards growing the hotel's revenue. The problem is monitoring the Club members because, even though they do generate a significant demand of guests to the Crowne Plaza hotel, they are the lowest yielding group of customers to the hotel and to some extent this is negatively affecting the hotel's revenue development performance.

Secondly, and similar to the price sensitiveness approach, the literature concerning loyal customers suggests that because they tend to spend more time within the hotel property they are more likely to use onsite restaurants and other hotel products and services (James and Petrick, 2004). As a logical result, the loyalty members would spend considerably more than non-affiliated members.

However, once again, the findings from this research conflict with what the literature indicates. It was found that Club members have the lowest restaurant bill, use the hotel's telephone system less often, and hardly ever watch a movie on-demand in their rooms. In contrast, Platinum and Gold members are two high-yielding segment groups to the Crowe Plaza Hotel, and also they significantly contribute to lift the hotel's profits.

To conclude, one possible reason why Club members do not yield as much as members from the other two membership levels could simply be because of their entry-level status and their low degree of loyalty in relation to the programme and the Auckland hotel.

This argument can be supported by the fact that anyone, at any time, can join the Priority Club Rewards programme and start collecting points straight away. There is no joining fee and the application process is quick and hassle-free.

On the other side, when guests reach either Gold or Platinum membership levels they are truly taking full benefits of the programme and will perceive a higher value for being a member. They will feel more inclined to spend more time (and money) onsite, pay higher room rates and be less price sensitive about the hotel's products and services. In return for their loyalty, Gold and Platinum members enjoy complimentary room upgrade, bonus points, room amenities, and much more.

However, these findings show that the hotel should attempt to leverage the revenue from the Club members as this is potentially the biggest revenue opportunity identified in order to grow the loyal guests' contribution to the property, particularly due to the large demand of Club members that the Crowne Plaza Hotel currently attracts.

A valuable recommendation to the property is to focus on the needs and preferences of this group of customers in order to leverage their revenue development. This research found that whilst Platinum and Gold members are yielding higher than the normal hotel guest, the emphasis must be placed on the Club members in order to allow the property to really drive their profitability.

For starters the hotel needs to entice Club members to spend more money in relation to the room rate. For instance, in order to meet the same total revenue contribution amount that normal hotel guests are generating (NZD\$50,382.20), the property needs to identify and attract a number of Club members that will produce the same 60 room nights on a similar profile to the ones who were investigated in this research. However these additional guests

will either have to spend NZD\$503.56 in room revenue per stay or will check out from the hotel paying a total bill of NZD\$550.59.

As a result it would be necessary to jump NZD\$179.71 from the original NZD\$323.85 that the average spend of Club members was found to be spending at the hotel per stay. Metaphorically these figures suggest how hard it would be for the hotel to use only one strategy to leverage profitability from the Club members. The most suitable practice is to work towards identifying several other alternatives to identify as many ways as possible to entice Club members to spend more time and money in the hotel.

For instance, the Club members' length of stay was found to be the shortest amongst all other customer groups (1.83 nights per stay). A suggestion to the hotel would be to create a package that would entice Club members to stay a minimum of two consecutive nights in order to earn additional Priority Club bonus points accumulated during that particular stay. Alternatively, due to the fact that the Crowne Plaza Hotel is a corporate hotel and, as such, is traditionally quiet on the weekends, the property could offer a weekend family promotion that includes complimentary carpark and breakfast for a higher than normal price when the Club member books two rooms for the same nights.

An analysis of the data collected from the Priority Club Guest Survey shows 40.24% of the Club participants said that they were impressed with the service received in the hotel, and 32.93% other respondents said that the quality of service at the Crowne Plaza hotel is outstanding. These results suggest that more than 70% of the total Club members surveyed were very satisfied with the hotel's service standards and this can potentially encourage repeat guests. As a result of repeat visits to the Crowne Plaza Auckland Hotel these guests will invariably achieve Gold and Platinum status which can potentially impact on decreasing their level of price sensitivity. 43.90% of the Club members in the survey said that this was their first stay at the hotel which is another indication that they have not developed yet a high level of loyalty to the brand.

When analysing the answers from Club members in relation to their preference for redeeming a NZD\$50.00 voucher during their hotel stay, 28.85% of the respondents would apply it to the price paid for the room. Once again, this finding suggests that Club

members are very sensitive to the room rate paid and are likely to shop around in order to bargain for the best available price in the market.

This situation could be explained by the fact that the majority of the guests were travelling for leisure and, according to the literature, they are more price-sensitive than business travellers.

A recommendation to the Auckland property in this case would be to create an offer that includes in the room rate other services and products which are attractive and, at the same time, affordable to them. For example, it is typically effective in the hotel industry, particularly in corporate-oriented markets such as Auckland, to offer a room and breakfast package during the weekend in order to stimulate leisure guests to stay in low demand periods. Car parking was an item suggested by a large number of Club guests that the hotel should be offering complimentary to them.

Perhaps this package could be making a special offer that is available only on the weekends of which includes accommodation, breakfast for two, and free carpark for a price that will be slightly less than what it would normally cost a guest if s/he was to pay separately. The objective of this offer is to provide a stronger perceived value to the customer especially if it could be advertised as “this offer is exclusively available to Priority Club members”. In this case, guests could book accommodation through the Priority Club website and also present their membership cards upon arrival in order to confirm their eligibility.

6.2 Value for Money rated low but still keen to collect points

In the Priority Club Survey, guests were asked why they chose to stay at the Crowne Plaza brand when travelling to Auckland. The most voted reason was the ability to collect club points (32.69%) whereas the option “value for money” ranked in fourth place (10.58%) just ahead of “company contract”.

A key point found in this research is the astonishing decision-making influence that the rewards programme impacts on the member’s choice for accommodation in Auckland. But

perhaps more importantly than that is the fact that even though Club members suggest that the room rate alone is not able to attract them to book a room at the Crowne Plaza Hotel, they are still using the brand, basically for the sake of collecting their Club points.

One can conclude, therefore, that the willingness of the Club guest to collect points is significantly high and strong enough to the extent in which s/he is prepared to pay a little more than expected for a room at the hotel. As a result, the hotel can apply more aggressive revenue management strategies and price its room rates slightly higher than usual based on the fact that the value perceived from the loyalty programme and its benefits offsets the high price paid for the room.

This is valuable information that will give flexibility and elasticity to the hotel with regard to the room rates charged, particularly in high-demand periods when the hotel tends to apply premium prices.

6.3 The NZD\$50.00 voucher and its revenue opportunities

When Priority Club members were asked in the Priority Club Survey about which services and products they would like to redeem a NZD\$50.00 voucher, breakfast at the restaurant scored the second highest number of votes (17.86%) just after the option to discount the room rate (27.38%). This result most likely suggests that club members are keen to enjoy a freshly cooked breakfast but there is a barrier, a decision-making factor that is keeping the guest away from the restaurant. Some potential reasons for turning restaurant patrons away are an overpriced menu, tight schedule (e.g. early-bird flights, meetings), menu options, restaurant attractiveness, quality of the food, and quality of service (Yeoman and McMahon-Beattie, 2004).

A possible suggestion could be the case of offering different breakfast options, with less variety of food, in order to be able to attract more club guests to the restaurant. For example, create an “on the run” menu that includes the option of a morning coffee (e.g. latte, flat white, cappuccino), toast, yoghurt and a selection of fresh fruit for a discounted price.

Another alternative would be a seasonal promotion that offers Priority Club members the opportunity to double their club points for every dollar they spend in the hotel's food and beverage outlets or perhaps when they book on a non-refundable, prepaid bed and breakfast package. This would be a cost-effective strategy that would not impact on the cost of food and beverage items nor would it dilute the price structure of the room. It is ultimately easy to monitor the progress of the package in terms of public acceptance and the revenue generated from it.

In addition, amongst the three membership levels, 50% of the Gold members said that their first option for redemption of the NZD\$50.00 voucher would be for the cost of breakfast in the restaurant. Based on this top preference, there is an opportunity for the Crowne Plaza Hotel to specifically advertise special breakfast promotions, new menus, and bonus points to be particularly targeted to the Gold members.

The third most popular choice to redeem the voucher was to discount the price paid for dinner (16.67%). This finding suggests that club members are willing to dine onsite and the hotel should be focusing more on advertising its food and beverage outlets towards in-house guests.

At this particular occasion it was the Platinum members who were the largest group of customers which voted to discount the price for dinner as their top preference when using their NZD\$50.00 voucher (42.86%). Additionally due to the fact that Platinum members are the highest elite status in the Priority Club Rewards programme, either because they extensively stay at IHG portfolio of hotels or because they are big-spenders in the properties they stay at, the dinner service needs to be carefully analysed in order to make the most revenue possible from it.

A suggestion to entice the Platinum members to dine in the restaurant could be to offer a complimentary glass of wine or a local beer when booking a table at the restaurant upon check-in. Alternatively, when the reservations department receives a booking for the Platinum member, a seasonal welcome letter is printed, attached to the guest's registration card and then given out to the guest on arrival.

In this letter, either the hotel's Front Office Manager or Guest Relations Manager could warmly welcome the Platinum guest and offer him or her to enjoy a complimentary drink at the bar when booking a table for dinner upon arrival. Attached to this letter could be a copy of the latest dinner menu of which the guest can order his or her meal and drinks at the time the dinner reservation is made. This will also help the restaurant and kitchen staff to better forecast the number of guests who are potentially coming for dinner and then plan their operations accordingly. As a result the hotel will be in the position to optimise its customers' dining experience through providing efficient and pleasant service.

The practice of offering double points or bonus points when using the hotel's restaurant and bar facilities is believed to be a simple and effective way to stimulate guests to dine onsite.

The hotel could also promote their restaurant more extensively to the local clientele. The property is very well located, has an extensive number of carpark spaces and its four-star brand standards can highly influence Aucklanders to try their world class menu. The hotel could start advertising first to Priority Club members who are local residents and monitor their response.

6.4 Platinum members and their revenue contribution

The findings from this research found that Platinum members stay longer in the hotel than any other customer group (average of 4 nights per stay) however, their room rate contribution is the lowest across all guest segments (average of NZD\$165.00). This finding suggests that Platinum guests are working to maintain their Platinum status based on the room nights per calendar year component as opposed to the dollar spend factor.

One of the benefits that these elite level guests have at the Auckland property is a complimentary upgrade to a suite room upon arrival. As a result, for those Platinum members who stay at the Crowne Plaza Hotel regularly and know about this service offered to them, it is obvious to conclude that these guests will constantly book standard rooms but then will end up staying in a suite or a club floor room.

Although there is little to do with regard to maximising room revenue, the focus is directed on the other services and products that the hotel offers to their customers. Hence one can suggest that a large proportion of the focus on improving profitability is towards the hotel's food and beverage outlets.

This research found that Priority Club Platinum members contribute the most revenue from food and beverage sales. Even though there is little to do in respect to the room revenue, the hotel needs to constantly entice these customers to frequently use the property's services and outlets in order to keep them yielding.

A suggestion for stimulating the Platinum members to increase their room revenue spend at the hotel is through encouraging them to either stay longer in the hotel or to stay on the weekend when the hotel is traditionally operating in low-demand. Alternatively, following from the room upgrade benefit offered to Platinum members, even though they have been offered a room in the hotel's executive floor, the hotel can and should promote the Platinum member to pay a minimum upgrade fee and stay in a more luxurious room for a very attractive price. For example, an accommodation package that is only targeted to Platinum members and valid only in the weekends, when they pay an extra NZD\$50.00 dollars to be upgraded to a suite room in the Club floor, the Platinum guest receives a 10% discount voucher when dining in the hotel's restaurant during that particular stay only.

The important issue about Platinum members is for the hotel to realise the value that they represent to the company, not only from a revenue generation point of view but also the high level of loyalty that they have with the entire hotel chain. Given their loyalty to the brand, the more satisfied and loyal these high-end customers are to the brand, they become even more inclined to praise the hotel and to spread positive word-of-mouth to their colleagues, relatives and business associates. The literature suggests that positive referrals are one of the most effective kind of marketing tolls not only because they are "free" but also for the related sales that help the company to gain market share and increase profits (Bowen and Shoemaker, 1998).

In this respect, the Crowne Plaza Auckland Hotel needs to make sure that these high profile members are constantly well looked after and recognised as valuable guests. Their personal preferences and needs must be continuously monitored and updated by the Front Office Manager or Guest Relations Manager. A suggestion to the hotel as a way to keep pampering the Platinum members with distinction is to offer a complimentary shuttle to and from the airport. There were a number of Platinum members who participated in the Priority Club Survey who mentioned this service and how important it is for them when they travel to Auckland. This strategy would also work towards enticing Gold and Club members to spend money in the hotel in order to receive the privileges that are only available once you reach the top tier in the rewards programme.

6.5 Priority Club Gold members: the highest yielding customer group

One of the most important findings from this research was to identify the Gold members as the highest yielding group of customers for the Crowne Plaza Auckland (NZD\$543.59 per person per stay).

However, although this figure is extremely positive to the hotel's financial performance, only a small percentage of the total number of Priority Club members staying at the property are in fact Gold members (28.57%). Therefore, it is crucial to the success of the hotel's revenue development to find ways that can potentially entice these big-spenders to stay more regularly at the Crowne Plaza brand.

Even though 61.90% of the Gold members surveyed said that they travel to Auckland up to five times per calendar year, the largest proportion of these guests (38.10%) said that they stay at the Crowne Plaza Hotel whenever possible. This is an indication that the property should focus more on promoting and advertising its services and facilities more regularly, particularly in the cities and countries that these guests are coming from.

The findings from this research suggest that the Crowne Plaza Hotel is successfully being able to make Gold members happy and satisfied with the quality of services received. 76.19% of these members rated the property's services either "better than expected" or

“outstanding”. This high score will certainly help the hotel to not only secure high-yielding Gold members within the brand but also to progressively increase their room rates with less resistance from loyal, satisfied customers.

An interesting point to highlight about Gold members relates to their spending pattern for redeeming the NZD\$50.00 voucher. Even though Gold members pay the highest room rate when staying at the Crowne Plaza Auckland (average NZD\$212.42), when asked about ranking their preferences for the discounting voucher, room cost was ranked as the least preferred option for redemption. Breakfast in the restaurant was ranked first (50%), then dinner (28.57%) and thirdly room rate (21.43%).

One can argue that this finding shows the high level of loyalty that Gold members have in relation to the Crowne Plaza brand and the rewards programme as they are less sensitive to the price paid for the room. In addition, it could also be the case that they perceive a great value of being part of the Priority Club programme and therefore want to achieve the Platinum status in order to take full benefit of it. Or alternatively it could be the case that their companies are paying for accommodation charges which means they realistically do not really mind how much the room cost is.

To conclude, this finding shows that the hotel is in a good position to price the rooms more aggressively, since this type of guest will be more focused on the cost of food and beverage items rather than the room rate itself.

6.6 Suggested further research

One limitation of this study was the limited data related to the sample that was used to conduct the spending pattern analysis of the Priority Club members versus the average hotel guests. The researcher believes that a higher number of Platinum and Gold member guest invoices is required in order to accurately measure the impact of each membership level on the hotel’s revenue performance.

Due to confidentiality and privacy issues the researcher was unable to gain access to a larger number of guest account statements in order to produce a more accurate and comprehensive study. However, the fifty Priority Club guest invoices and the other fifty non-affiliated hotel guests account statements were crucially important to generate a 90-95% accurate analysis. This limitation in accessing the data about the spending patterns of hotel guests can potentially lead to further research.

In addition to the limitations related to the spending pattern analysis, not all 100 guest statements provided to the researcher corresponded to exactly the same nights. Although these account statements were from hotel guests who stayed at the hotel around the same period, but in different nights of the month, due to the nature of revenue management which is to price a hotel room based on demand, there could be the case that some guests paid different room rates in different days. As a result this limitation can potentially affect the accuracy this project. However, as mentioned earlier, based on the fact that both Priority Club members and non-affiliated hotel guests stayed on multiple nights, the researcher is confident that the results presented in this project are 90-95% accurate.

Another opportunity for further research is related to the time of year that the Priority Club Survey was conducted (e.g. December 2005 through to January 2006). Because this period is predominantly characterised by the school holidays in New Zealand and as such this season certainly impacts on a considerable decrease in demand of business travellers coming to Auckland, it may be relevant to conduct a survey when the corporate market is at its peak in order to get the greatest number of responses possible from this market segment.

This is particularly interesting based on the fact that the Crowne Plaza brand is essentially designed to meet the needs of the business traveller through offering a wide range of business services, the club lounge for meetings and gatherings, meeting rooms and many other services.

6.7 Final considerations

This research undoubtedly contributed to grow our knowledge and critical understanding of the impact of a guest loyalty programme on the revenue management strategies of an upscale, branded hotel in a major tourist destination. It is the first research in the New Zealand tourism sector to thoroughly analyse the extent to which a loyalty programme can affect a hotel's revenue development performance.

With the assistance of the Crowne Plaza Auckland Hotel, the research supervisors, and other industry colleagues, this research was made achievable and the results have been better than expected.

To conclude this study, although this project was a small step towards understanding the extent to which the Priority Club programme can contribute to the Crowne Plaza Hotel's ability to generate revenue, there must be consistency in terms of regularly evaluating changes in the behaviour and preferences of the club members with regard to the services and products offered at the hotel. As a result, the hotel will be able to constantly address the most appropriate strategies towards maximising its revenue development.

7 References

- Abbey, J. R. (2003). *Hospitality sales and marketing* (4th ed.). Lansing, MI: Educational Institute of the American Hotel & Lodging Association
- Focusing on your customer: The economic facts about customers and loyalty*. Retrieved 23rd August, 2007, from <http://academieaccor-na.elementk.com>
- Blake, K., & Buckhiester, B. (2005). *Top five must-dos to raise room profitability*. Retrieved 20 May, 2006
- Bowen, J. T., & Shoemaker, S. (1998). Loyalty: a strategic commitment. *Cornell Hotel and Restaurant Administration Quarterly*, 39 (1), 12
- Brown, A. (1997). *Take it light: female friendly stays: hotels are rolling out the red carpet for women on business*. Retrieved 19 August, 2007, from www.findarticles.com
- Cahill, D. J. (1997). *Strategic segmentation and target marketing: How to pick a hotel*. Bringhamton, NY: The Haworth Press
- Canina, L., Enz, C., & Lomanno, M. (2004). Why discounting doesn't work: The dynamics of rising occupancy and falling revenue among competitors. *The Center of Hospitality Research*, 4(7)
- Canina, L., & Enz, C. (2005). An examination of revenue management in relation to hotels' pricing strategies. *The Center of Hospitality Research*, 5(6)
- Cornell roundtable suggests that innovation comes from what customers don't say*. Retrieved on June 15, 2007, from www.hotelschool.cornell.edu
- Cross, R. G. (1997). *Revenue management: Hard-core tactics for market domination*. New York: Broadway Books
- Crowne Plaza Auckland Hotel. (2003). *Revenue management review*. Auckland
- Czerniawski, R. D., & Maloney, M. W. (1999). *Creating brand loyalty: The management of power positioning and really great advertising*. New York: Amacom
- Dube, L., & Renaghan, L. M. (1999). Building customer loyalty: Guests' perspectives on the lodging industry's functional best practices. *Cornell Hotel and Restaurant Administration Quarterly*, 40(4), 14-27
- Emeksiz, M., Gursoy, D., & Icoz, O. (2005). A yield management model for five-star hotels: Computerized and non-computerized implementation. *International Journal of Hospitality Management*, 10(03), 1-16

- Harrison, J. S., & John, C. H. S. (2002). *Foundations in strategic management* (2nd ed.). Cincinnati: South Western
- Hopkins, H. (2006). *Trip advisor enjoys viral growth with active travelers*. Retrieved 28th August, 2007, from www.hitwise.com
- Profile of loyalty*. (2007). Retrieved 16th July, 2007, from www.hotelmotel.com
- Hsu, C. H. C., & Powers, T. (2002). *Marketing hospitality* (3 ed.). New York: John Wiley and Sons
- Hughes, A. M. (2003). *The customer loyalty solution: What works (and what doesn't) in customer loyalty programs*. New York: McGraw-Hill
- Ingold, A., McMahon-Beattie, U., & Yeoman, I. (Eds.). (2000). *Yield management strategies for the service industries* (Second ed.). London: Continuum
- InterContinental Hotels Group Asia Pacific. (2002). *The revenue room guidelines manual for hotels*
- InterContinental Hotels Group. Retrieved on March 20, 2007, from <http://www.ichotelsgroup.com>
- InterContinental Hotels Group. Retrieved on June 27, 2006, from <http://www.priorityclub.com>
- Jalfon, J. (2007, 30th September). The perks of staying loyal. *Travelinc*, 17-20
- James, J. F. (2004). Are loyal visitors desired visitors? *Tourism Management*, 25(4), 463-470
- Khumar, V., Bohling, T., & Ladda, R. (2003). Antecedents and consequences of relationship intention: Implications for transaction and relationship marketing. *Industrial Marketing Management*, 32(8), 667-676
- Kim, W. G., & Cha, Y. (2002). Antecedents and consequences of relationship quality in hotel industry. *International Journal of Hospitality Management*, 21(4), 321-338
- Kimes, S. E. (1989). The basics of yield management. *Cornell Hotel and Restaurant Administration Quarterly*, 30(3), 14-19
- Kyriakidis, A., & Rach, L. (2006). *Hospitality 2010: Four 'mega-trends' to shape future financial success*. Retrieved 20 June, 2006
- Lovelock, C., & Wright, L. (2001). *Principles of service marketing and management* (Second ed.). Upper Saddle River, NJ: Prentice Hall

- McCleary, K. W., Weaver, P. A., & Lan, L. (1994). Gender-based differences in business travellers' lodging preferences. *Cornell Hotel and Restaurant Administration Quarterly*, 35(51), 51-58
- Mommens, F. (2005). *Hotels: The feminine factor*. Retrieved 27th August, 2007, from www.breakingtravelnews.com
- Muxlow, S. (2007). *The competition to cater for women business travellers*. Retrieved 25th June, 2007, from www.4hoteliers.com
- Narayandas, D. (1998). Measuring and managing the benefits of customer retention. *Journal of Service Research*, 1(2), 108-128
- Newell, F. (2000). *Loyalty.com: Customer relationship management in the new era of internet marketing*. New York: McGraw-Hill
- Nobles, H., & Thompson, C. (2001). *Female business travelers' expectations*. Retrieved 16 August, 2007, from www.hotel-online.com
- Reich, A. Z. (1997). *Marketing management for the hospitality industry: A strategic approach*. New York: John Wiley & Sons
- Rohlf, K. V., & Kimes, S. E. (2005). *Best-available-rate pricing at hotels: A study of customer perceptions and reactions*. Retrieved 01 June, 2006
- Salerno, N. (2006). *Revenue management for dummies... (like me) - Smaller hotels should reap the benefits too*. Retrieved 25 June, 2006
- Sammons, G., Moreo, P., Benson, L. F., & DeMicco, F. (1999). Analysis of female business travelers' selection of lodging accommodations. *Journal of Travel & Tourism Marketing*, 8(1), 65-83
- Shoemaker, S., & Lewis, R. C. (1999). Customer loyalty: the future of hospitality marketing. *International Journal of Hospitality Management*, 18, 345-370
- Siguaw, J. A., & Bojanic, D. C. (2004). *Hospitality sales: Selling smarter*. Clifton Park, NY: Thomson Delmar Learning
- SkyCity Entertainment Group. (2005). *Keys to service: A chance to shine*. Auckland
- Smith, R. (1999). *Revenue management: hotels, airlines, opera houses hope this tool will help them maximize sales and profits*. Retrieved 5th June, 2007, from www.sfgate.com
- Talluri, K. T., & Van Ryzin, G. J. (2004). *The theory and practice of revenue management*. Norwell, MA: Kluwer Academic Publishers
- Hotels cater to female business traveler*. (2006). Retrieved 20 February, 2007, from www.usatoday.com

Yeoman, I., & McMahon-Beattie, U. (2004). *Revenue management and pricing: Case studies and applications*. London: Thomson Learning

Yesawich, P. (2007). *Ten travel trends to watch in 2007*. Retrieved 29th August, 2007, from www.hospitalitynet.org

8 Appendices

Appendix A - The Priority Club Rewards Programme

Priority Club Rewards Programme			
Level	Benefits across all brands	Benefits at the Crowne Plaza Auckland Hotel	How to become one?
Platinum	<ul style="list-style-type: none"> all benefits from Club level, plus 50% point bonus on base points priority check-in complimentary room upgrades at check-in guaranteed room availability (72 hours in advance) exclusive Platinum Elite help desk 	<ul style="list-style-type: none"> all benefits from Club level, plus free upgrade to Club Floor room upon availability complimentary access to the Club Lounge 	<ul style="list-style-type: none"> stay 50 qualifying nights in a calendar year, or earn 60,000 points in a calendar year in order to maintain Platinum level, one must stay more than 50 qualified nights per year, or earn a minimum of 60,000 points per calendar year.
Gold	<ul style="list-style-type: none"> all benefits from Club level, plus 10% point bonus on base points priority check-in exclusive Gold Elite help desk 	<ul style="list-style-type: none"> all benefits from Club level, plus free upgrade to King Deluxe room upon availability 	<ul style="list-style-type: none"> stay 15 qualifying nights in a calendar year, or earn 20,000 points in a calendar year available for USD\$50 dollars per calendar year in order to maintain Gold level, one must stay between 15 and 49 qualified nights per year, or earn between 20,000 and 59,990 points per calendar year.
Club	<ul style="list-style-type: none"> redeem points instantly for hotel stays no blackout dates purchase points or transfer them between accounts points never expire all IHG hotel brands and properties worldwide fastest way to Elite status collect hotel points or airline miles online personal account access exclusive offers sent by email complimentary newspaper extended check-out time 10 Priority Club points for every NZD\$1.00 spent on eligible charges 	<ul style="list-style-type: none"> extended check-out time up to 4pm on availability Buy One Get One free drink voucher 	<ul style="list-style-type: none"> free of charge

Crowne Plaza Auckland Priority Club Guest Survey



A. For each of the questions in section A, please check the response that you consider is the most appropriate answer to the question. Please check ONE answer only.

A.1) What is the main purpose of your stay?

business leisure meeting/conference other: _____

A.2) Why did you select this hotel?

to collect Priority Club points to collect Airline miles good location
 company contract value for money recommendation
 travel agent / tour package regular guest other: _____

A.3) How frequently do you travel to Auckland per year?

up to 5 visits between 6 and 10 between 11 and 20
 between 21 and 30 over 31 visits

A.4) How likely are you to stay at this hotel when coming to Auckland?

this is my first stay here rarely sometimes
 whenever possible every time

A.5) What is your Priority Club Rewards (PCR) membership level?

Club Gold Platinum unsure

A.6) Have you received the PCR benefits corresponding to your level?

yes no

A.7) If you answered **no** to the above question, were you informed of what your benefits are?

yes no

A.8) Do staff members from this hotel make you feel welcomed and valued as a PCR member?

outstanding		average		disappointing
<input type="checkbox"/> 5	<input type="checkbox"/> 4	<input type="checkbox"/> 3	<input type="checkbox"/> 2	<input type="checkbox"/> 1

B. Please answer each of the questions in section B in your own words and as accurately as you are able.

B.1) Please indicate up to five reasons *why* you enjoy staying at this hotel and what are some of the factors that would make you come back?

B.2) If you were to add or change any facility and/or service in this hotel, what would that be?

B.3) Please indicate *how* this hotel has ensured that you have had a successful and pleasant stay related to the purpose of your trip (please state the purpose of your trip e.g. business, holiday)?

B.4) Are there any facilities and/or services that in your opinion are needed to be put in place or fixed in order to make your stay even more successful?

B.5) If you had a NZ\$50 (fifty dollars) credit voucher during your stay at this hotel, please rank the below as many options as you want according to your preference for redemption (1 being the most preferred option):

- Breakfast in the Restaurant Room Service Breakfast Minibar
- Dining at the Restaurant Room Service Dining Room rate
- Drinks at the bar Local calls Laundry
- In-room high speed Internet Fax / Photocopying Car parking
- other: _____

B.6) Please use this section to add any further comments, suggestions, and/or complaints:

Thank you for your time. Please return your survey to the Front Desk using the envelope enclosed.