

**THE NEW ZEALAND HOTEL INDUSTRY: THE ROLE OF
IMAGE AS A MEDIUM INFLUENCING COMPANY'S
COMPETITIVENESS AND CUSTOMER LOYALTY
TOWARDS BRAND**

by

Barbara Binkowska

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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 nor material which to a substantial extent has been accepted for the award of any other degree or diploma of a university or other institution of higher learning, except where due acknowledgement is made in the acknowledgements”.

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ABSTRACT

The New Zealand hotel industry: the role of image as a medium influencing company's competitiveness and customer loyalty towards brand.

This thesis evolves around image and its significance while developing customers' loyalty and increasing company's competitiveness in a highly competitive market. The topic is studied in-depth from the organisational perspective and delves into the differing motivations of hotel operators towards shaping favourable image as well as examining how the hotel's image affects customer loyalty and helps the company to increase its competitiveness. Finally, it analyses and compares which public relations tools are the most effective in the process of image creation and developing customer loyalty. From this perspective image becomes a central issue impacting company's future growth, performance and finally success.

The research was conducted on the Auckland international hotel chains. Auckland hosts numerous conferences and events that drives demand for accommodation and in a way, creates a conducive environment to hotel operators for future expansion. Thus, hotels compete strongly with one another constantly looking for a competitive advantage by growing their customer base. My thesis outlines the hotels' management efforts and analyses their strategies in the context of changing customers' demands and market trends.

With respect to methodological issues, my thesis is based on a qualitative approach and follows an interpretivist paradigm. The research background has been delineated as have been my respondents' profile to provide additional information about the organisation they represent. The research findings described at the end of this thesis document how important image is for a modern hotel and what initiatives should be followed to ensure success.

Image and loyalty are closely interrelated as positive image affects customers' loyalty. In order to achieve a balance between sustaining a competitive

advantage and increasing loyal customer base a number of managerial implications have been discovered. Detailed analysis of these findings may help the companies to establish a more favourable position in the global market and create mutually beneficial relationships which further help the organisation to grow.

Having aimed at exploring the importance of image as a medium that affects company's competitiveness and customers' loyalty towards brand, this study has provided some useful indications for hotel companies as to what should be undertaken to gain loyal customers and improve company's performance on the market.

Keywords: image, loyalty, brand, Auckland hotels, competitiveness.

CHAPTER ONE: INTRODUCTION

1 INTRODUCTION

The term image can be interpreted differently, depending on the perspective a person takes. No matter what the perspective is, the significance of image cannot be underestimated. Image is a potent tool and has the ability to influence customer perception on goods and services offered and thus, have an impact on customers buying behaviour (Zeithal and Bitner 1996 in Kandampully and Suhartanto, 2000: 348). Furthermore, research has shown (Heung, 1996, Kandampully and Suhartanto, 2000) that image is a crucial factor and maintains a relatively high rating among loyal customers as well as influences customer enthusiasm and satisfaction.

A critical issue for the continued success of a firm is to retain its current customers and make them loyal to its brands (Dekimpe in Aydin and Özer, 2005: 910), and the hospitality industry is no exception to this rule. In an era of increasing sophistication of customers' demands when hotel facilities, such as room, restaurant, bar, nightclub or health club are no longer considered a luxury, hospitality providers go to great lengths to provide unique benefits to customers and turn to different strategies, amongst which the creation of brand and favourable image become one of the most important reasons for developing customer loyalty. In this context, there have been very few studies on image as a factor that determines customer loyalty; hence this thesis will fill the gap in the existing literature by identifying factors that are positively related to customer loyalty.

The purpose of this chapter is to outline the global and national trends which have formed a background for the hotel industry as a whole, and New Zealand in particular. An analysis traces the international hotel chains' performance during the last couple of years, together with current trends and issues the industry is facing today.

In the first part, the current situation of the hotel industry in the light of the global trends is discussed, namely, the globalisation of the industry, the socio-cultural trends as well as marketing and lifestyle trends.

The next section shows how global trends are reflected on the national scale in New Zealand. The impact tourism exerts on the hotel industry is described, and the current industry's situation is characterised. The nationwide trends are reviewed next, and they constitute the major part of this section. Finally, the last section explains how these trends affect Auckland in general, and the international hotel chains based there, in particular.

2 GLOBAL AND NATIONAL TRENDS IN HOSPITALITY INDUSTRY

2.1 GLOBAL TRENDS

The hotel industry is involved with providing overnight accommodation, food and beverage, various recreational and business facilities for travellers. According to the World Travel Tourism Council (WTTC) the hotel industry employs approximately 260 million people with a turnover \$4 trillion annually (Harrison, 2003).

“Over the past few years the hotel industry has witnessed a phenomenal growth in the number of bed and breakfast, lodge and cottage-style accommodation sites operating” (Ombler, 1997: 6). However, in the aftermath of the events of September 11, 2001, the situation has changed dramatically affecting the industry to a greater or lesser extent. “Flight schedules were cut back, travel decreased dramatically, and hotel business volume fell sharply” (O’Neill and Lloyd-Jones, 2002: 53). Global synchronized recession, war, SARS, terrorist threats, airline upheavals, volatile currency and energy markets have all impacted the industry performance (Starwood Hotels & Resorts, Annual Report, 2003).

This is reflected in global trends that exert crucial influence and the hotel industry is no exception to the rule. The global trends affecting the hotel industry have been divided into several groups and include: socio-cultural trends (aging

of baby-boomers, growing number of female travellers), lifestyle trends (increased pleasure travel) and marketing trends (growing popularity of frequent-guest and loyalty programs, increasing brand extension and segmentation).

2.1.1 Socio-cultural trends

This group includes the following trends:

- societal trends, such as the aging of the baby-boom generation, which creates an opportunity for hotel companies to get involved in managing residential villages for retirees-usually in conjunction with support services (eg. ranging from recreation to food service to nursing care). For example, “Marriott well aware of this trend has made considerable investments in housing for individuals who believe that they may want to use some form of assisted living as they age” (Harrison, 2003: 142).
- growing number of female travellers who constitute a separate market segment. The majority of them come from Japan, Australia, New Zealand, China, Hong Kong and Singapore. For example,

“according to the Hong Kong Tourist Association, the number of women travellers in the territory increased from 2.1 million to 4.7 million between 1987-1996. Similarly, the Tokyo Office of the Pacific Asia Travel Association reports that, in the past ten years, the number of outbound Japanese business women increased by 380%, compared to 300 % for all outbound Japanese travellers. Meeting the needs of female travellers requires particular attention to hotel safety and security features, comfort, opportunities for social interaction, value for money and no surprises” (Hing et al., 1998: 269).

2.1.2 Lifestyle trends

The following trends belong here:

- trend towards shorter staying in a hotel in case of business travellers, which means that “companies might send executives away on the morning of a meeting to cut down on the need for an extra night in a hotel. At the same time, executives are more likely to return home the night after the meeting,

rather than staying overnight” (Smith, 1988: 19). This is in line with Borge Ellgaard’s (vice-president of hotel relations, Europe) view that significant number of business travellers who formerly used de-luxe hotels are now downgrading to first class or simply reducing the number of overnights and the number of employees travelling (cited in Scheherazade, 1999: 02). More importantly, the outbreak of SARS and the thread of terrorist attacks together with new substitutes, such as tele- and video-conferencing replaced some business travel and removed the requirement for hotel accommodation.

- trend towards increased pleasure travel – “as the number of affluent, two-income families has increased and transportation has become quicker, easier, and less expensive, the travel industry has seen an increase in pleasure travel. This trend is likely to continue, and resort areas will benefit from it most” (Rushmore and Baum, 2002: 161).

2.1.3 Marketing trends

Marketing trends are best characterised by:

- increasing brand extension and segmentation

“Hotel businesses are diversifying into several styles of accommodation. Caravan parks and backpacker hostels are joining together to form overall brands and identities” (Pearce et al, 1998: 294). Brand extension, in turn, allows firm to penetrate a variety of market segments with differentiated products that carry a single, well-established brand name. Hotel firms see several advantages to brand extensions, including quicker acceptance of new products by consumers, economies of scale in marketing-support expenditures (Arnold, in Weizhong, 2002: 6), lower risk associated with introduction of new products, and retention of guests (Kapferer in Weizhong, 2002: 6).

“Brand extension is the practice of introducing a new brand (differentiated by market segment) using a well-established brand name as leverage. One of the earliest examples of brand extension in the hospitality industry occurred in 1981, when Quality Hotels (now Choice Hotels) diversified its line into product tiers, including Comfort Inns and Quality Royale (now Clarion).

The subsequent burst of brand extensions included Holiday Inn Express and Holiday Inn SunSpree Resorts in 1991, the upscale Holiday Inn Crowne Plaza in 1983, followed by Holiday Inn Select in 1994, and Staybridge Suites by Holiday Inn in 1998. Marriott introduced its successful Courtyard by Marriott brand extension in 1983, while Hilton added its name to the Homewood Suites line after Hilton's acquisition of Promus in 2000" (Bly, Hart, Coopers & Lybrand in Weizhong et al, 2002: 6).

The above examples are just some of the many hotel companies that have tried to capitalise on their brands' goodwill through brand extension (Rushmore and Baum, 2002).

- growing emphasis on frequent-guest programs and loyalty programs

"Frequent users of accommodation and restaurant services now benefit from integrated frequent-flyer programs which benefit high-use travellers" (Pearce et al, 1998: 294). However, hotels focus on loyalty programs in the first place, since they allow building an emotional attachment to the brand, and thus possess and retain loyal customers. Customers are offered emotional "trophy" rewards, customised recognition and tailored offers, while frequency programs lure customer on the possibility of accumulating miles, points, or other discounts (Shoemaker and Lewis, 1999). The trend is towards simplifying the schemes to make them appealing. "Some groups use a single scheme for all their hotel tiers and brands. A business traveller staying at Radisson, for example, can use the same scheme at Carlson's other hotel brands – Regent International, the five-star group and Country Inns & Suites, the limited service chain" (Scheherazade, 1999: 02).

2.1.4 Trends referring to the nature of ownership

Those trends can be summarised as follow:

- changing nature of hotel ownership, mainly in the form of strategic acquisitions and mergers

Since the mid-to late 1990s strategic acquisitions and mergers have become increasingly popular. They provide hotel companies and chains with the possibility to consolidate their resources and enable them to strengthen their

position in the market. For instance, “many hotel and restaurant companies enter foreign markets through joint ventures because by themselves they have neither resources in nor, sufficient knowledge of the host country” (Harrison, 2003: 145). Another example is Starwood who acquired the assets of hotel companies such as Sheraton, Westin and HEI Hotels, while Patriot American benefited from accruing the assets of the Wyndham Hotel Corporation, Carnival Hotels & Resorts, Interstate Hotels, and Grand Heritage Hotels, among others. At the decade’s end, the Promus Hotel Corporation, which controlled The Hampton Inn, Doubletree, Homewood Suites, Embassy Suites, and Red Lion brands merged with Hilton Hotel Corporation. Several major multi-brand hotel companies which marketed cooperatively for greater efficiency and economies of scale now manage the most of the industry’s most recognised brands in similar groups (Rushmore and Baum, 2002).

“The outcome of this shift in the nature of hotel ownership is difficult to discern at this stage, however, hotel companies are now scrutinised and evaluated based on their ability to increase shareholder value, a shift away from the traditional primacy placed on day-to-day operations and basic property level performance. Through future years, the most successful companies will likely maintain a property level perspective and prioritise on-site management while still increasing their earnings through brand leverage, greater economies of scale, and an increasingly global perspective” (Rushmore and Baum, 2002: 160).

- growing popularity of hotel chains and franchising - taking the size and nature of today’s developments into consideration, it becomes clear that future developments, except for small or specialised hotels, will be beyond the resources of single owners. Also, “the lead times for profitability and the specialised marketing or the comprehensive marketing arrangements required now dictate that, to a large extent, chain or affiliated operations are a fundamental requirement in putting a successful hotel development package together” (Young, 1988: 13). Economic data confirm this view. The top 25 hotel chains now control 50% of the worldwide rooms supply (Fea, 1998). For example, Smith (1988: 4) states that hotels with international chains affiliations outperformed the national chains and independent hotels considerably, achieving 68% occupancy compared to 59% and 60% respectively. With regard to the macro-organisation of the future hotel industry, “international hotel companies will continue to dominate the market,

but small independent hotels will continue to exist and flourish” (Holjevac, 2003: 133).

As far as franchising is concerned, according to McGuffie (1996) it has become the dominant route to growth and one which has gained wide acceptance from the major institutional investors (particularly in the USA). In Europe, which is characterised by predominance of independent, family-run hotels, franchising is less widespread and does not yet have US-style recognition on the part of the financial community. Despite this fact, the major hotel chains in Europe have been very active in franchise development for some time and are targeting further franchise growth as a primary strategy of extending their presence in Europe’s important hotel locations. The author claims that franchising has advantages and disadvantages, but it is not clear as yet whether franchising will secure such a big share of the hotel market as it has happened in the USA. “On the other hand, the potential exists for a massive expansion in the numbers of franchised hotels in Europe, but it is less clear at what rate they will be able to expand” (Costa, 1997: 288) Hing (in Costa, 1997) in turn, presents a slightly different perspective on franchising within the hospitality industry. In her opinion, franchising is becoming increasingly prevalent in many Western economies, particularly in the food service and lodging sectors of the hospitality industry.

2.1.5 Globalisation of the industry¹

2.1.6 Trends pertaining to new products and ideas

Considering the future of the hotel industry (and tourist industry, too) there will be two opposing trends: “cheap hotels outside the cities and luxury hotels in resort areas where guests will be waited on hand and foot” (Holjevac, 2003: 133). Those trends can be characterised by the emergence of new products, such as boutique hotels, all-suite properties, extended- stay hotel, hard budget hotel and backpacker hostels. All above mentioned products have been described below.

¹ This section is described in detail in chapter 2 § 3

- ***All-suite hotel***

The all-suite hotel has been well received by individual commercial travellers and by some leisure travellers (Rushmore and Baum, 2002). “It has emerged from being an occasional part of the accommodation scene to a dominant style in many urban and leisure locations” (Pearce et al, 1998: 294). All-suites are getting more and more popular and its expansion has its roots in demographic changes, especially in the business sector. However, “while the early all-suites properties were primarily in the up-scale category, the new markets have meant changes in demand, with the current pattern of growth focusing on the extended stay and mid-market properties” (Costa, 1997: 288).

- ***Boutique hotel***

Also growing in popularity are boutique hotels. While these are usually independently-owned properties of fewer than 100 rooms, some are purpose built and operated by chains (Pearce in Hing et.al., 1998: 268). For example, Singapore based Banyan Tree Hotels has built the 86 villa Banyan Tree Phuket in Thailand and plans to build another nine similar developments within Asia in the next five years (Scoviak-Lerner in Hing et al, 1998: 268).

- ***Extended-stay hotel***

The extended-stay hotel is another accommodation form characterised by the high occupancy levels which significantly speeded up its development at the early stages. As a result of it, the number of extended-stay hotel products continues to grow, with a new sub-categories (ranging from economy to first-class) appearing on the market. “The true depth of the extended-stay demand segment remains difficult to gauge, although managers of the lower-rated extended-stay products often find themselves competing with operators of conventional limited-service hotels, while higher-rated extended-stay products often compete as first-class, all-suite hotels” (Rushmore and Baum, 2002: 159).

- **Backpacker hostels**

As far as backpacker hostels and hard budget hotels are concerned, the former have proliferated in New Zealand and Australia and, to a lesser extent, in some other Asia-Pacific countries. As demand for that type of accommodation is growing, it is usually small scale, private enterprises that cater for backpackers' needs by providing them with new places to stay. Typical hostels provide accommodation for 15 to 40 people. "Places where these new forms of traveller accommodation have developed recently include, in New Zealand: Auckland, Nelson and Christchurch and in Australia: Cairns, Byron Bay, Sydney and Melbourne" (Hing et al, 1998: 268).

2.2 NATIONAL TRENDS

2.2.1 Tourism's impact on New Zealand hotel industry

"Tourism, including its infrastructure and related supply-side industries such as aviation and hotels, has become one of the world's largest single industries, as well as the most international. It is a generator of employment and an earner of foreign currency in both the developed and developing countries of the world"(Knowles, 1999: 317). The importance of the tourism industry in each of the major regions of the world is shown in the table 1, together with prediction of industry's growth rate between 1998-2010 (Chon and Sparrowe, 2000).

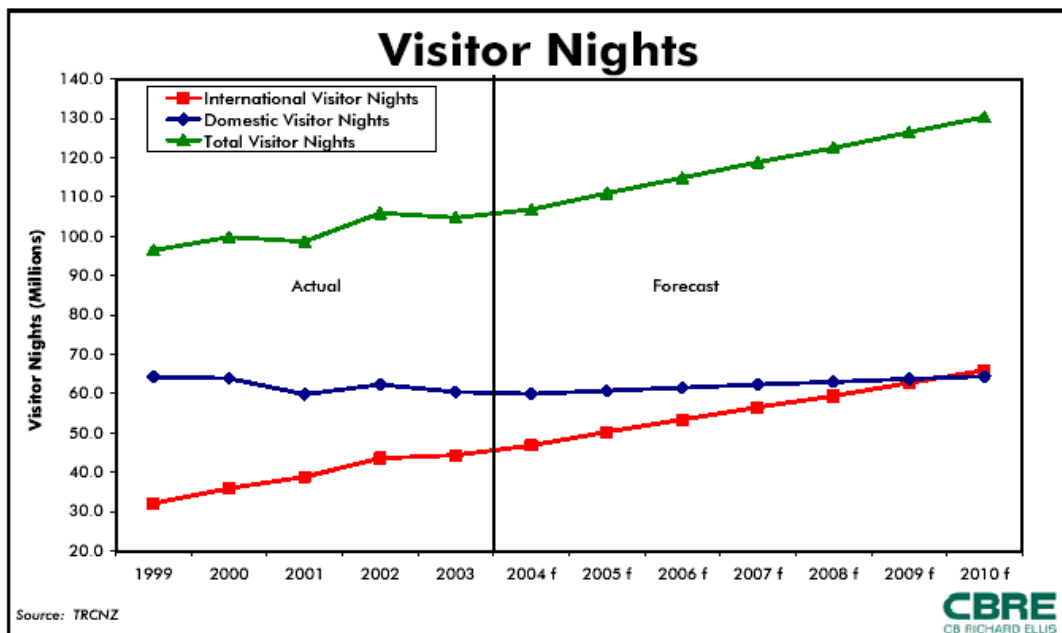
Table 1 Projected growth of the tourism industry for the period 1998-2010

REGION	ECONOMY			EMPLOYMENT		
	US \$ Billions	% of total	Growth rate	Jobs Millions	% of total	Growth rate
World	3564,3	11.6	4.0	230.8	9.4	3.0
Africa	48.0	10.3	5.7	16.3	10.2	3.0
Americas	1.236.5	10.9	3.2	33.7	9.8	2.5
Asia/Pacific	797.7	10.7	5.4	136.2	8.7	3.3
Europe	1.439.3	13.2	3.7	41.6	11.5	2.4
Middle East	42.7	8.9	5.5	3.1	9.7	3.3

Source: author's compilation based on Chon and Sparrowe, 2000

Since 1950 there has been a tremendous growth in international tourism. According to the estimates by WTO (www.wto.org) based on monthly data or preliminary full-year results available in January 2005, international tourist arrivals reached an all-time record of 760 million, corresponding to an increase by 10%. The last time a comparable percentage has been recorded was 20 years ago in 1984, when international tourism recovered from the persistently weak economy of the early 1980s due to the second oil crisis. After three years of stagnant growth, international tourism experienced a spectacular rebound in 2004 with the great majority of destinations responding with positive results and many breaking records (www.wto.org). In addition, The Tourism Research Council of New Zealand (“TRCNZ”) has just released its 2004 to 2010 tourism forecasts. In summary between 2004 and 2010 TRCNZ forecast that the international visitor nights will increase by 5.8% pa, with domestic visitor nights to increase by 0.9% pa, and total visitor nights to increase by 3.2% a year. (www.cbre.co.nz). The recent visitor night trends and TRCNZ forecast international and domestic visitor nights are portrayed in the following figure.

Figure 1 Visitor Nights.

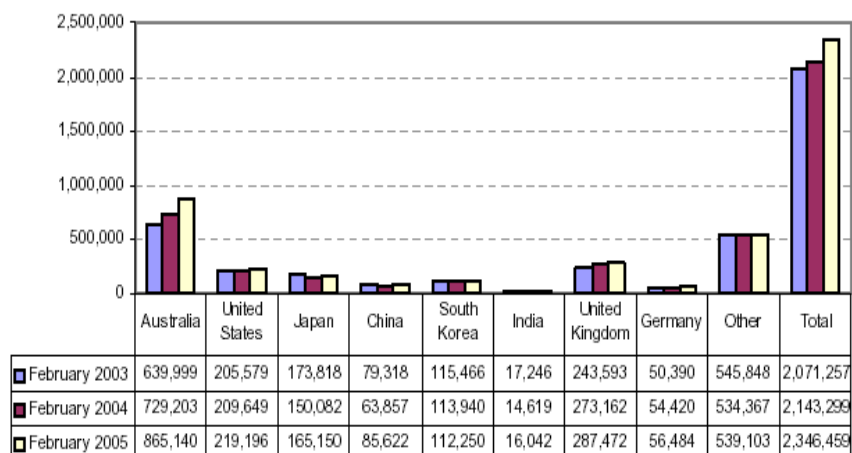


Source: Client Brief, September 2004, CB Richard Ellis (under permission)

This is in line with WTO's Tourism 2020 Vision forecasts, which states that international arrivals are expected to reach over 1.56 billion by the year 2020. Of these worldwide arrivals in 2020, 1.2 billion will be intraregional and 0.4 billion will be long-haul travellers. Long-haul travel worldwide will grow faster, at 5,4% per year over the period 1995-2020, than intraregional travel, at 3,8%. Consequently the ratio between intraregional and long-haul travel will shift from around 82:18 in 1995 to close to 76:24 in 2020 (www.wto.org). In the short run, international visitor arrivals are according to the Tourism Research Council New Zealand (TRCNZ), forecast to increase to a total of 2.4 million in the year ending December 2005, up 8.4% or 144,000 visitors. Similarly over the same period international visitor expenditure is forecast to increase by \$1.3 billion to a record total of \$7.5 billion which will see the tourism industry remain the biggest foreign exchange earner in New Zealand (www.research.bayleys.co.nz).

Over the past few years New Zealand with its snow-capped mountains, fjords and white-water streams became one of the most fashionable tourist destinations. A total of 2.35m international visitors entered New Zealand in the year ending February 2005, up from 2.14m in the previous 12 month period. Australia accounted for over one third (865,140) of these arrivals, with the United Kingdom (287,472), the United States (219,196), Japan (165,150) and South Korea (112,250) also making significant contributions (www.aucklandnz.com). The figure below illustrates it.

Figure 2 Visitors arrivals through all ports (year ending).

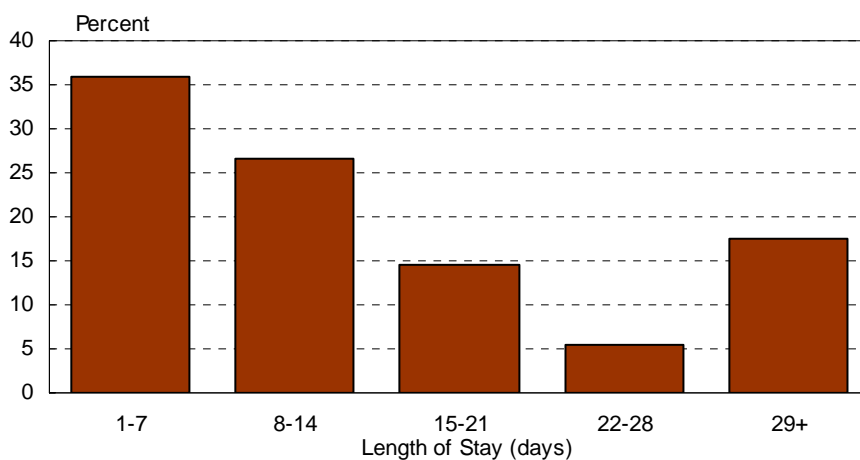


Source: www.aucklandnz.com, retrieved on June, 2005.

It is estimated that in 2003 2.106.229 (compared to 2.044.962 in 2002) guests arrived to New Zealand, with the majority from Australia (702.162), UK (264.819) and USA (211.629). This indicates a 33.3% increase of Australians compared to 1998, while the number of British and Americans rose by 12.6% and 10% respectively, compared to 1998 (www.statistics.govt.nz). However, there was a 18.8% drop in the number of Asian tourists in March and April 2003 compared to the same period in 2002. This was offset by a rise in visitors from other places – which make up larger market shares - of 5.9%, equating to total decline for the period compared to 2002 of 0,6% (Hutching, 2003).

The average length of stay in November 2004 (see figure 3) was 20 days, compared with 22 days in November 2003. In October 2004, the average length of stay was 19 days, compared with 22 days in October 2003 (www. statistics.govt.nz).

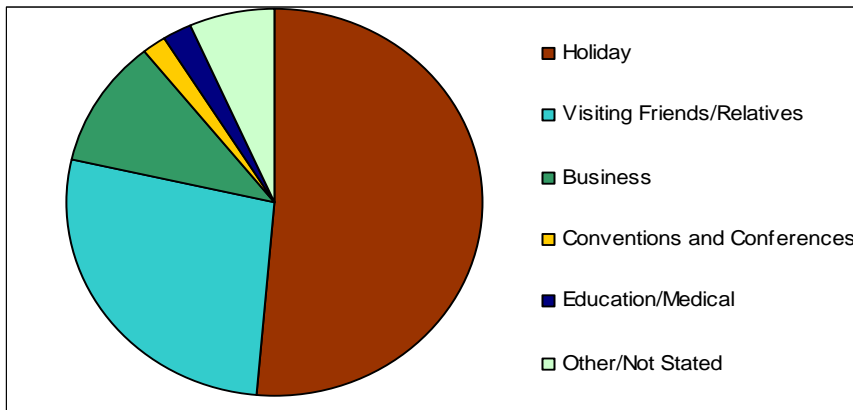
Figure 3 Stay of visitors from.



Source: www.statistics.govt.nz, retrieved on February 2005

The majority of guests arrived to New Zealand to spend holidays there, or to visit friends and do business. Figure 4 illustrates this trend.

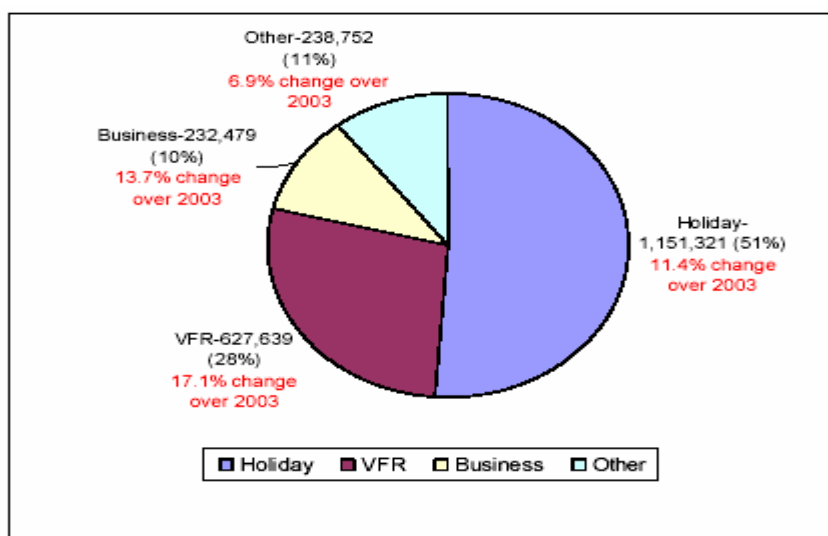
Figure 4 Purpose of travel form.



Source: www.statistics.govt.nz, retrieved on February 2005

This is confirmed by the analysis of overseas market segments, according to which the highest growth in the international market segment for 2004 was the VFR segment which grew 17.1% as compared to the holiday and business market segments which grew by 11.4% and 13.7% respectively. According to TRCNZ's forecast to 2010, the holiday, VFR and business market segments will grow 6.1%, 5.8% and 5.2% per annum respectively (Hotel, Tourism & Leisure Outlook, www.horwath.co.nz/hap).

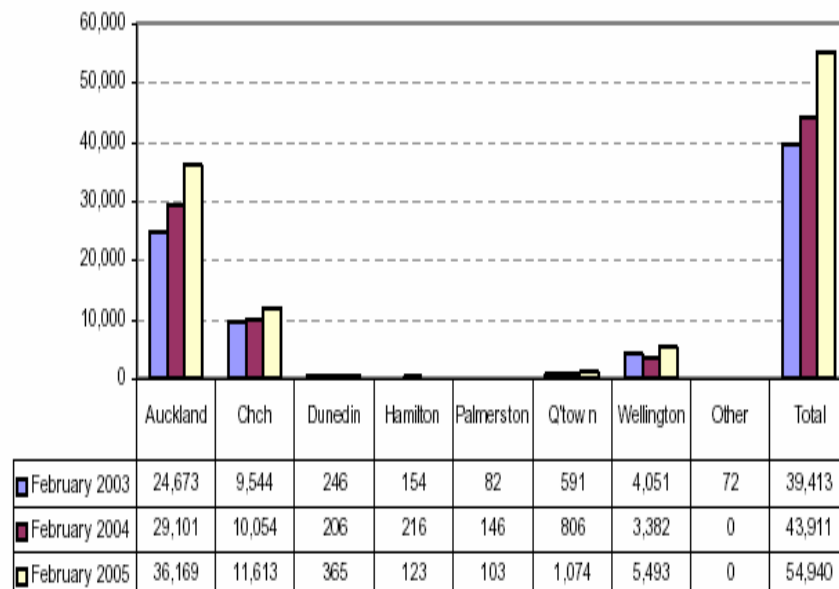
Figure 5 Overseas market segments for the year ended October 2004



Source: www.horwath.co.nz/hap, retrieved on June 2005

Whilst international visitor numbers have grown strongly further analysis reveals that the majority of the growth has come from the “visit friends/relative” (“VFR”) category of visitor, which are less inclined to utilise commercial accommodation. This is reflected in the Commercial Accommodation numbers released by Statistics NZ, which shows that total accommodation as measured by ‘guest nights’ increased by a more modest 5.1% in the year ended November 2004 (Client Brief, February 2005, received with permission of CB Richard Ellis). Some 54,940 visitor arrivals to New Zealand came for the purpose of attending a conference or convention in the year ending February 2005 (www.aucklandnz.com).

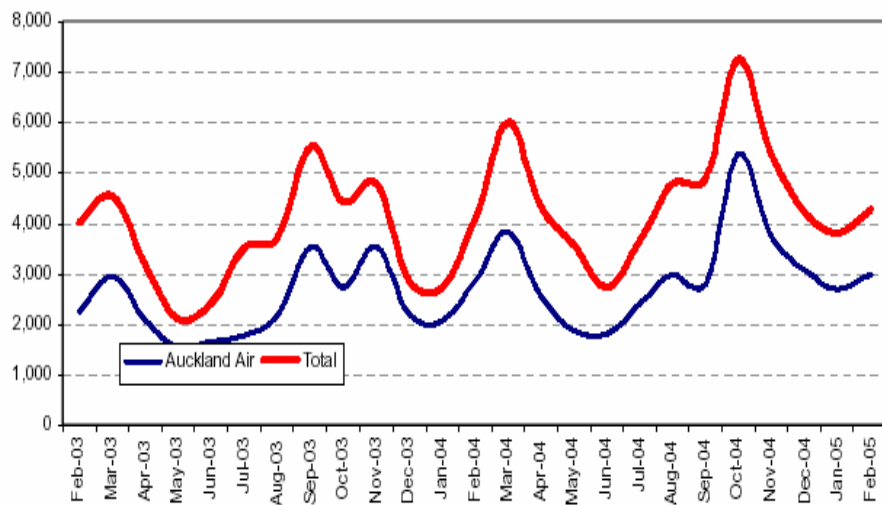
Figure 6 Conferences and conventions arrivals by port (year ending).



Source: www.aucklandnz.com, retrieved on June, 2005

The conferences and conventions market is very volatile, and quite small when expressed as a share of total visitor arrivals to New Zealand. On average around two thirds of conferences and conventions arrivals enter New Zealand through Auckland International Airport (AIA) (www.aucklandnz.com).

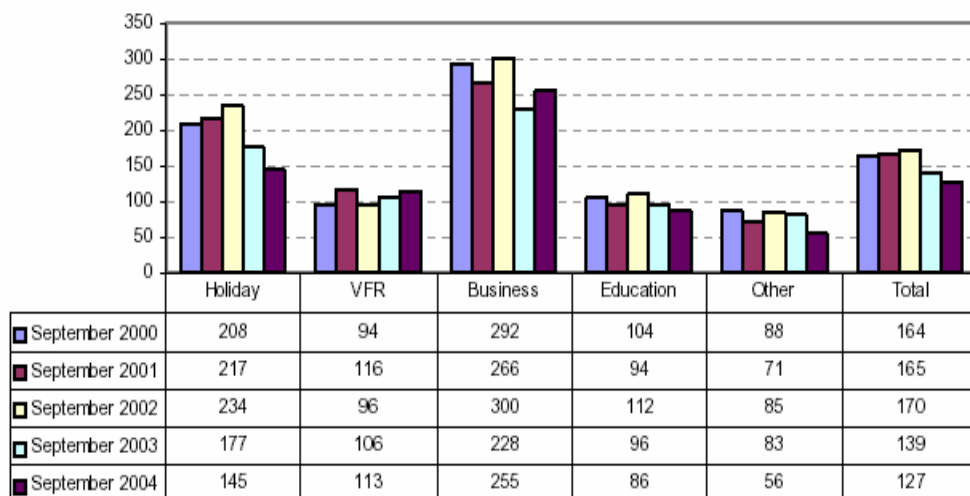
Figure 7 International visitor arrivals for conferences and conventions.



Source: www.aucklandnz.com, retrieved on June, 2005

The upswing of the world economy had a particularly positive impact on business tourism, which is nevertheless still recovering slower than leisure travel, but performing better than in the three previous years (www.wto.org). Business visitors spent the highest average amount per night in the year ending September 2004 at \$255, followed by holiday visitors (\$145). The average spend overall was \$127 per visitor night. These figures are not directly comparable to pre-2004 figures due to methodology changes (www.aucklandnz.com).

Figure 8 Average expenditure per night by purpose of visit (year ending).



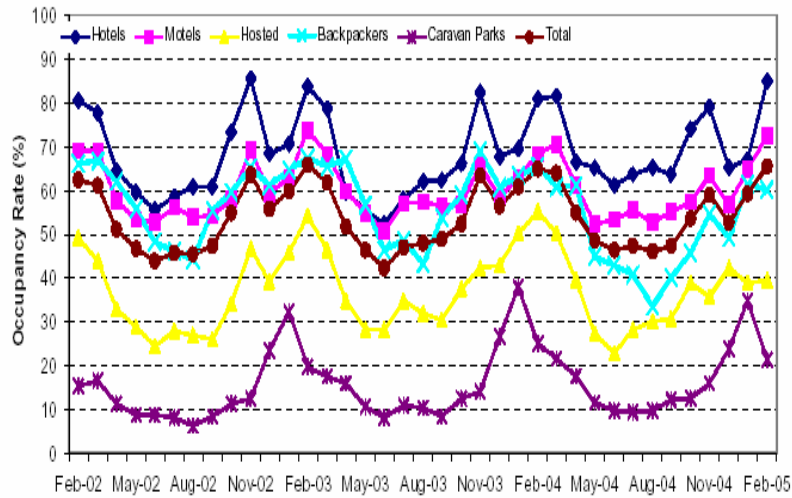
Source: www.aucklandnz.com, retrieved on June, 2005.

Total guest nights in short-term commercial accommodation were 2.7 million in November 2004, a 5% increase compared with November 2003 and a 6% increase compared to November 2002. The trend in total guest nights has been increasing since June 1998. In November 2004, the trend level in total guest nights was 5% higher than in November 2003 and 8% higher than in November 2002. Guest nights in the North Island were 1.5 million in November 2004, a 3% increase compared with November 2003. The trend in North Island guest nights has been increasing since September 1998. In November 2004, the trend level in North Island guest nights was 4% higher than in November 2003 and 6% higher than in November 2002 (www.statistics.govt.nz).

Eleven of the 12 regions recorded more guest nights in November 2004 than in November 2003. Canterbury (up to 47,000 or 11%) recorded the largest absolute increase in guest nights, comparing the two November months, followed by Taranaki/Manawatu-Wanganui (up to 20,000 or 17%) and Otago (up 17,000 or 5%). The Auckland region (down 8,000 or 2%) was the only region to record fewer guest nights in November 2004 than in November 2003. All five accommodation types (i.e. hotels/resorts, motels/motorinns, apartments, hosted accommodation, backpackers/hostels and caravan parks/camping grounds) recorded increases in guest nights in November 2004 compared with November 2003. Caravan parks/camping grounds (up to 52,000 or 14%) recorded the largest absolute increase, followed by motels (up to 41,000 or 5%). Hotels and motels had the largest shares of total guest nights in November 2004, with 34% each, followed by caravan parks/camping grounds with 16% (www.statistics.govt.nz).

Occupancy rates are highly seasonal, with regular spikes during the peak summer months of December, January and February offset by periods of low/medium occupancy during off-peak months. All accommodation types follow the same broad pattern of occupancy (www.aucklandnz.com). The following figure shows it.

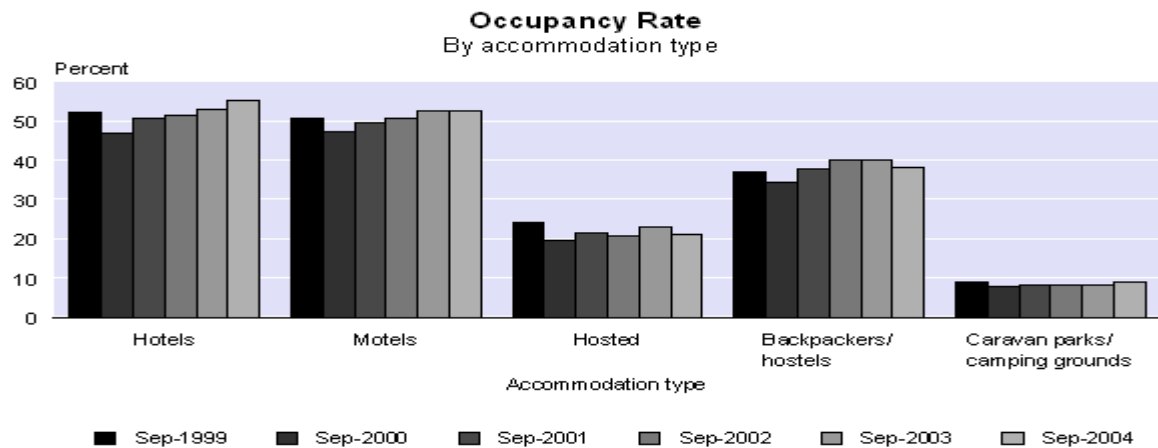
Figure 9 Commercial accommodation by the type.



Source: www.aucklandnz.com, retrieved on June 2005

The November 2004 occupancy rate (see figure 10), excluding caravan parks/camping grounds, was 59.3% compared with 60.2% in November 2003. Hotels (68%) had the highest occupancy rate of all the accommodation types in November 2004, followed by motels (61%) and backpackers/hostels (49%). In November 2004, the Auckland region (69%) recorded the highest occupancy rate, excluding caravan parks/camping grounds, followed by Wellington (67%), Canterbury (64%), Bay of Plenty (62%) and Otago (61%). No other region was above 60% ([www. statistics.govt.nz](http://www.statistics.govt.nz)).

Figure 10 Occupancy rate by accommodation type



Source: [www. statistics.govt.nz](http://www.statistics.govt.nz), retrieved on February 2005

This trend was reflected in the performance of the New Zealand hotel industry with a number of trends dominating the sector. However, before characterising these trends, a few words about current situation in national hotel industry are needed.

2.2.2 The industry's current situation

First of all, there are different types of accommodation nationwide; however the industry is increasingly dominated by hotel chains which have targeted region because of its great growth potential. "The top five chains in the world are Hospitality Franchise Systems (HFS), Holiday Inn Worldwide, Best Western International, Accor and Choice Hotels International. Some of these world leaders, including HFS, Choice and Holiday Inn, operate primarily through franchisees" (Pearce et al, 1998: 297). The largest hotel groups/chains in the world by number of rooms are presented in table 2

Table 2 The ten leading international hotel chains.

GROUP	ROOMS^a	HOTELS	COUNTRIES
Hospitality Franchise Systems	354 997	3413 ^b	7 ^c
Holiday Inn Worldwide	328 679	1692 ^b	55 ^c
Accor	238 990	2098	66
Choice Hotels International	230 430	2502 ^b	27
Marriott	166 919	750	20
ITT Sheraton	132 361	426 ^b	61
Hilton Hotels Corporation	94 653	242 ^b	5 ^c
Forte	79 309	871	33
Hyatt Hotels/Hyatt Intl	77 579	164	37 ^c
Carlson/Radisson/Colony	76 069	336 ^b	30

Source: Medlik, 1998, appendix C Notes:

^a rankings based on hotel rooms opened as at 23.12.1992

^b all or most hotels franchised

^c most hotels located in country or head office

The international hotel chains are dominated by the USA, while in Europe France and Britain are the main leaders. Table 3 and 4 illustrate this.

Table 3 Chains ranked by headquarter countries.

COMPANY HEADQUARTERS	NUMBER OF CHAINS	NUMBER OF ROOMS WORLDWIDE	NUMBER OF HOTELS WORLDWIDE
USA	65	2,649,500	20,715
France	9	387,989	3,621
UK	15	237,310	1,267
Japan	13	149,109	613
Spain	11	135,462	805
Germany	11	80,151	660
Hong Kong	7	42,671	99
Canada	6	40,354	144
Sweden	4	26,485	150
India	4	21,196	2107

Source: Chon and Sparrowe, 2000

Table 4 Top ten hotel groups in the EU by number of rooms.

COMPANY	COUNTRY OF OWNERSHIP	SIZE
Accor	France	112.810
Forte	UK	36.750
Louvre	France	25.576
Queens Moat Houses	UK	21.123
Ladbroke (Hilton)	UK	15.164
BIL Mount Charlotte	New Zealand	14.170
Bass (Holiday Inn)	UK	11.944
Saison (Inter-Continental)	Japan	9.530
ITT (Sheraton)	USA	8.038
Rank	UK	6.939

Source: Knowles, 1999

According to Warren Tocker, senior consultant with Arthur Young, there are at least 35 major hotels with more than 3400 rooms now on the market (Fea, 1998). Hotel demand is seasonal with the busiest period, February, followed by November, while June is the lowest period before the start of the ski season (Hutching, 2003).

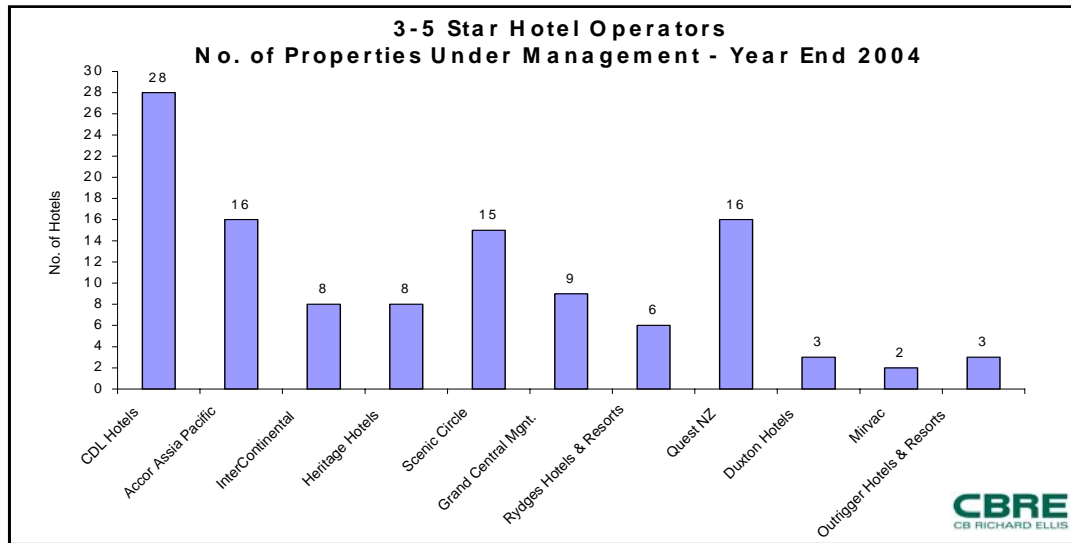
2.3 NEW ZEALAND TRENDS

The research has taken place in New Zealand where new forms of accommodation are becoming increasingly popular. These include luxury hotels, boutique hotels and resorts, as well as backpacker and budget hotels. According to specialists in accommodation investments consulting, more Australian and international hotel operators would move into New Zealand (Hutching, 2003).

With the international hotel chains dominating the hotel industry, there is currently very strong international interest by the major worldwide operators to expand their outlets in New Zealand. For example, Accor, Heritage, Quest and Scenic Circle have all recently added properties to their New Zealand portfolios, whilst Outrigger Hotels & Resorts has quickly established itself in New Zealand with 3 properties in Christchurch, Queenstown and Taupo (www.cbre.co.nz). The following figure shows it.

Figure 11 3-5 star hotel operators

Number of Properties Under Management – Year End 2004

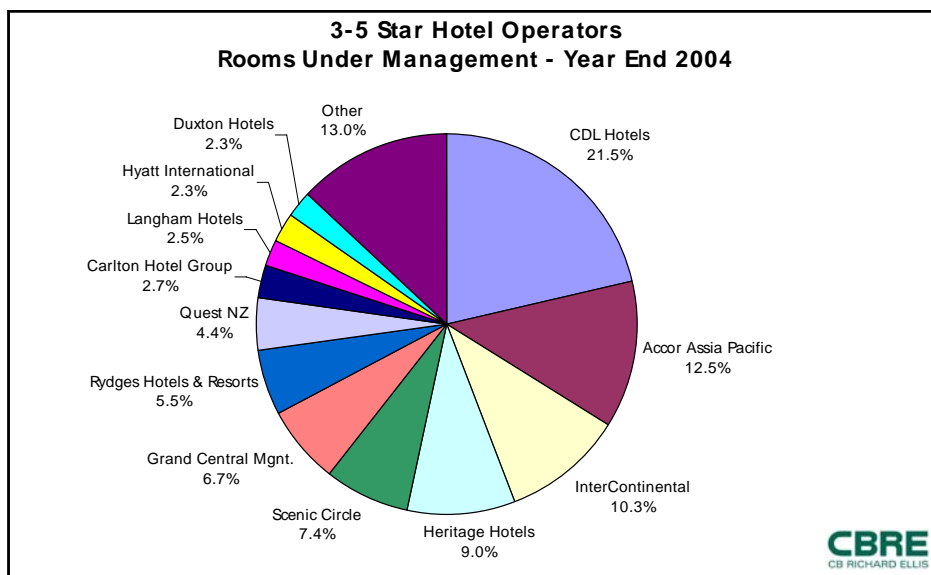


Source: CB Richard Ellis, Client Brief, February 2005

Competition amongst hotel operators has been strong in recent years as they wanted to secure strategic positions and extend their network and brand presence. Figure 12 illustrates that trend.

Figure 12 3-5 star hotel operators

Rooms Under management – Year End 2004



Source: CB Richard Ellis, Client Brief, February 2005

Another, growing trend is towards increasing the numbers of all-suite hotels. For example, up to 50% of all hotels under construction in the United States are of this type, partly because of tax climate, but also because that is where the market demand is currently heading (Fea, 1998).

The rise in the number of visitors translates into growing number of accommodation establishments in New Zealand, with backpacker hostels becoming more and more popular. Figures from New Zealand Statistics latest accommodation survey show that the accommodation sector has continued to grow with the number of establishments increasing by 6% or 210 establishments over the past 12 months. Backpacker/hostels and hostel accommodation saw the biggest growth in numbers up 19% and 15% respectively. Backpacker accommodation has grown increasingly popular as both a cost effective form of accommodation and a medium for tourists to meet people. The quality of backpacker establishments has also improved, providing modern facilities and services to visitors ([www. bayleys.co.nz](http://www.bayleys.co.nz)).

Another, relatively new forms of accommodation are strata-title apartment-type hotels. Although its growth has slowed in Auckland over the past couple of years, there has been a significant increase in potential new supply in strata-titled hotels in Wellington and Queenstown, with guaranteed returns up to five years being offered to investors on several developments. "Planned property developments suggest that New Zealand is also in for a period of increase in new hotel rooms but the industry is more positive than across the Tasman, possibly because of a more diverse tourist base" (Hutching, 2003:12). Summarized below are major hotel developments and recent hotel openings.

Table 5 Major hotel developments and recent openings.

DEVELOPMENT	LOCATION	TIMING	STATUS	GRADE	TYPE	ROOMS	OPERATOR
Sky City Grand Hotel	Auckland	May-05	Open	5.0	Hotel	316	SkyCity
Portland Tower	Auckland	Dec-05	U/C	3.5	Service d Apt	65	Quest
Ibis Rotorua	Rotorua	Dec-04	Open	3.0	Hotel	145	Accor
Bolton Apartments	Wellington	Jan-05	Open	4.0	Service d Apt	144	Independent
Museum Apartments	Wellington	Mar-05	U/C*	4.0	Service d Apt	89	Independent
Holiday Inn	Wellington	Jun-06	U/C	3.5	Strata Hotel	238	InterContinental
Just Hotel	Wellington	Nov-04	Open	3.0	Hotel	60	Independent
Quest Christchurch	Christchurch	Jan-04	Open	3.5	Service d Apt	77	Quest
Heritage Apt Units-Stage 2	Queenstown	Oct-04	Open	4.0	Service d Apt	16	Heritage
Outrigger Queens town-Stage 2	Queenstown	Mar-04	U/C*	5.0	Service d Apt	62	Outrigger
Sofitel Queenstown	Queenstown	Jan-05	Open	5.0	Strata Hotel	82	Accor
Trinity Wharf Hotel	Tauranga	Nov-05	U/C	4.0	Hotel	120	N/a
Portside Hotel	Gisborne	Dec-04	Open	3.5	Service d Apt	64	Independent
Oceans Tutukaka	Tutukaka	Dec-05	Open	3.5	Service d Apt	40	Independent
Scenic Circle Dunedin City Hotel	Dunedin	Aug-04	Open	3.5	Hotel	110	Scenic Circle

Source: CB Richard Ellis, Client Brief, February 2005

The next table shows hotel supply status.

Table 6 Hotel Supply Status by Main RTO (Rooms).

	Auckland	Rotorua	Wellington	Christ church	Queens town	Taupo	Dunedin
Existing Supply at 1 January 2005	7,577	1,718	2,423	3,993	2,865	442	816
Opened in 2005	316	-----	144	-----	-----	-----	-----
Total Current Supply	7,893	1,718	2,567	3,993	2,865	442	816
Potential new Supply	243	20	287	85	400	-----	-----
Total Supply	8,136	1,738	2,854	4,078	3,265	442	816
% Change on 1 January 2005	7,4%	1,2%	17,8%	2,1%	14,0%	0,0%	0,0%

Source: Horwath's newsletter, May 2005

Hotels/ Serviced Apartments Under Construction include the Museum Apartments (87 apartments) and Holiday Inn (200 rooms) in Wellington, the Sofitel (82 rooms), the Shore (120 rooms) and Alpine Village apartments (30 apartments) in Queenstown, the Quest on Queen (35 apartments) in Auckland, the Trinity Wharf (129 rooms) in Tauranga and Edgewater Palms Apartments (36 apartments) in Paihia. New supply has included the Bolton (144 rooms) in Wellington which opened in February 2005, Sky City Grand hotel in Auckland (316 rooms) which opened in April 2005, Tutukaka Oceans Resort, Oakridge

Resort in Wanaka, Hotel Off the Square in Christchurch (joined the Accor network), and Portside apartments in Gisborne which opened in December 2004. Announced New Properties includes the Grand Mercure in Christchurch and a boutique hotel in Auckland's Lighter Quay. A number of other new hotel and serviced apartment developments are being proposed but are as yet unannounced (Hotel E-Newsletter, May 2005, available at www.horwath.co.nz/hap).

A diversity of strong international hotel brands is beneficial for the New Zealand hotel industry, as are the international hotel management systems, and operating process and service delivery standards they bring. The challenge for internationally branded hotels is to ensure that the room rates achieved are commensurate with the standards of product and service delivered to the customer, and that management standards also match international benchmarks (Tourism, Hotel & Leisure Outlook, May 2005, available at: www.horwath.co.nz/hap on June 2005). However, the New Zealand hotel sector is changing and new brands are being establishing here, while the others disappear from the market. Recent changes, such as rebranding of Sheraton Auckland Hotel and Towers with Langham brand as well as Jones Lang LaSalle Hotels' plans to buy the companies that own and operate the three Duxton Hotels in New Zealand (www.globalhotelnetwork.com) and possible sale of Auckland Hyatt hotel confirm that. On the positive side, Hilton have announced expansion plans in New Zealand, and Outrigger Hotels and Resorts has established three properties in New Zealand and is also understood to be pursuing other opportunities (Tourism, Hotel & Leisure Outlook, May 2005, available at: www.horwath.co.nz/hap on June 2005).

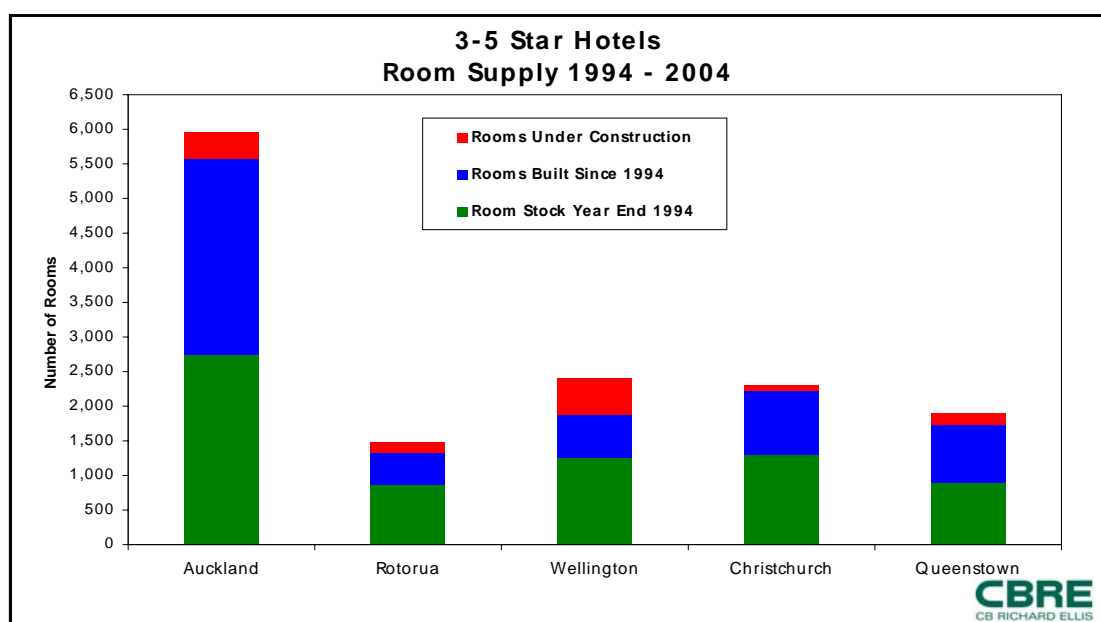
Hotels are also tending to become more clearly differentiated in the market's eyes. This means that a business traveller visiting Christchurch will find it easier to select a hotel that satisfies his particular needs, not only as to location and standard of service, but also the price (Fea, 1998).

2.4 TRENDS WITHIN THE AUCKLAND HOTEL INDUSTRY

The case study of my thesis is limited to Auckland as one of the cities with the highest concentration of hotels and accommodation facilities. The important point here is the fact that Auckland is one of the most frequently visited places, both for the international tourists, and for the conference attendants. Therefore, the hospitality's performance and hotels in particular plays a significant role in the Auckland economy, generating 3% (including bars and restaurants) of the total GDP over December 2003 (www. statistics.govt.nz). In this respect trends affecting the Auckland hotel industry cannot be overlooked and have been described below setting the research context.

In Auckland there are approximately 25 hotels, with 10 belonging to the international hotel chains. Auckland accounts for almost 40% of all available hotel rooms in New Zealand with some hotels enjoying increased occupancy averaging 72% (up to 9%), with a daily rate averaging \$134 (down \$3 on 2002 due to effects of SARS), and lifting income per room about 7% (Hutching, 2003). In terms of hotel supply, the number of 3-5 star hotel rooms has doubled in Auckland over the past 10 years, and increased approximately 92% in Queenstown, 70% in Christchurch, 55% in Rotorua and 50% in Wellington (www.cbre.co.nz). The following figure illustrates it.

Figure 13 3-5 Star Hotels Room Supply 1994-2004.



Source: CB Richard Ellis, Client Brief, February 2005

In Auckland the new supply of hotel rooms due to open in late 2004 or 2005 – as announced by operators – includes approximately 900 rooms, equating to approximately 18% of the existing major accommodation supply. Approximately 140 new hotel rooms are under construction, including the President Plaza and Quest Parnell., and the five-star 320 room new hotel on top of Sky City’s new conference centre which has just been opened (Hutching, 2003).

In terms of room yields, Auckland hotels continued to improve over the past year (2002), particularly in the four months leading up to the America’s Cup in February 2003 (Hutching, 2003). It’s worth mentioning here, that despite losing the Cup in 2003, Auckland’s hotel occupancy levels have rebound to the same as last year mainly because of lower trans-tasman airfares and New Zealand's high profile thanks to the Lord of the Rings and Whale Rider among others, which contributed to maintaining the occupancy rates (Chapple, 2004). Visitors to Auckland spent a total of 5.33m nights in commercial accommodation in the year ending February 2005. Some 2.92m of these nights were spent in hotels, a further 1.34m in motels (www.aucklandnz.com). Table below illustrates that.

Table 7 Commercial accommodation nights by RTO and accommodation type (year ending).

	Auckland	Northland	Rotorua	Wellington	Canterbury	Queenstown	New Zealand
<i>YE February 2005</i>							
Hotels	2,915,733	266,795	781,272	922,664	1,621,652	1,190,276	9,808,523
Motels	1,339,553	645,507	612,321	683,053	1,204,733	660,821	10,591,423
Hosted	75,148	37,305	28,139	28,438	114,151	52,694	557,487
Backpackers	577,341	231,731	204,252	380,236	608,342	506,802	3,999,099
Camping	424,817	515,300	301,859	179,429	718,613	571,349	6,222,978
TOTAL	5,332,592	1,696,638	1,927,844	2,193,819	4,267,491	2,981,942	31,179,510
<i>YE February 2004</i>							
Hotels	2,753,016	246,099	758,301	904,880	1,470,973	1,153,924	9,307,508
Motels	1,345,361	635,894	601,173	666,350	1,132,187	649,081	10,293,182
Hosted	89,385	34,116	25,346	28,412	107,402	53,332	538,351
Backpackers	563,687	231,987	n/a	341,853	573,684	422,058	3,668,522
Camping	429,577	511,392	305,479	183,034	604,155	559,468	6,076,871
TOTAL	5,181,026	1,659,488	1,886,781	2,124,529	3,888,401	2,837,862	29,884,434

Source: www.aucklandnz.com, retrieved on June 2005

Hotels in Auckland were 84.9% occupied in February 2005, motels 72.5%, hosted accommodation 39.5%, backpackers 60.3% and camping 21.4%. The

overall occupancy rate of 65.5% in Auckland was significantly higher than the national average of 49.6% ([www. aucklandnz.com](http://www.aucklandnz.com)). The following table shows that.

Table 8 Commercial accommodation occupancy by RTO and accommodation type.

	Auckland	Northland	Rotorua	Wellington	Canterbury	Queenstown	New Zealand
<i>February 2005</i>							
Hotels	84.9	62.8	80.4	78.1	82.6	79.0	74.0
Motels	72.5	74.7	71.6	78.5	78.8	85.6	73.5
Hosted	39.5	50.6	47.2	33.8	59.5	59.1	47.3
Backpackers	60.3	48.0	69.0	69.8	63.8	65.6	61.2
Camping	21.4	11.9	29.5	16.6	24.1	21.5	20.4
TOTAL	65.5	32.4	61.4	61.7	57.9	53.4	49.6
<i>February 2004</i>							
Hotels	80.8	55.9	80.6	71.5	80.1	77.7	71.7
Motels	68.3	71.3	67.8	76.1	79.9	82.3	71.7
Hosted	55.3	50.3	51.8	36.8	63.7	50.2	50.9
Backpackers	65.5	50.7	n/a	72.6	65.2	60.2	63.5
Camping	25.0	13.9	28.1	17.1	22.3	20.8	20.6
TOTAL	64.9	32.8	60.5	59.2	56.8	49.7	48.8

Source: www.aucklandnz.com, retrieved on June 2005

Auckland hotel profitability (before management fees and fixed costs) increased from 34.6% of total revenue to 36.6%, driven by improvements in departmental trading profits and well controlled overhead expense (Hotel, Tourism & Leisure Outlook, available at [www. horwath.co.nz/hap](http://www.horwath.co.nz/hap) on June 2005). The overall occupancy rate for the Auckland area was 62.3% in March 2005, compared to the national rate of 46.2%. Auckland city had the highest overall occupancy rate in the area with 72.6%, followed by Manukau City, Papakura and Franklin with 56.1% ([www. aucklandnz.com](http://www.aucklandnz.com)). As far as hotels occupancy is concerned, Auckland recorded the highest occupancy rate of the accommodation types in the Auckland area, with 77.5%, while motels have been ranked second with the occupancy rate of 70.5%. In terms of profit, a report from hotel consultancy Horwath Asia Pacific said New Zealand’s hotel profitability was expected to improve over the year. Contributing factors to profit upswing included that no new hotels were opening, reduced domestic air fares, Tourism New Zealand’s “100 per cent Pure” campaign and expected economic growth of 2.9%. “These factors suggest the potential for a relatively strong uplift in hotel room demand

being achieved during a period of relatively static supply: the report said, which should, in turn, allow increases in room rates” (www.nzherald.co.nz).

3 THESIS OBJECTIVES

The objective of this thesis is to provide a better insight into hotel image and the underlying factors. The emphasis is on initiatives undertaken by hotel operators aimed at enhancing the company’s image, and by doing so, attracting new customers and retaining loyal ones. The thesis is set in New Zealand in the context of an empirical case study of several Auckland hotels belonging to different international hotel chains. Thus, the focus is on the organisation’s perspective and enables the researcher to delve into loyalty and image issues as well as to recognise strategies which will ensure that the hotel will receive loyalty from both existing and prospective customers. The objectives are threefold:

The first aim is to identify how the hotel’s image is managed to improve customer loyalty and help the company increase its competitiveness.

The second aim is to find out how the differing motivation of hotel operators towards shaping favourable image impacts development of customer loyalty.

The third aim is to analyse and compare which public relation tools are the most effective in terms of building favourable image and developing customer loyalty.

My intention is to confirm that image is positively related to customer loyalty and affects it. The argument I make is that image is critical to a modern organisation that wants to operate in a highly competitive market. Thus the endeavours the companies make towards building and sustaining favourable image can determine the company’s future, position and reputation worldwide.

4 STRUCTURE OF THE THESIS

This thesis consists of six chapters, four theoretical and two empirical. The first chapter identifies the research problem and theoretical foundation of the thesis. The hotel industry is characterised against the backdrop of both, global and national trends, together with tourism impact and new forms of accommodation. This forms the research context for my thesis, and shows the current situation in the Auckland hotel industry.

The second chapter pertains to literature review and focuses on issues, such as hospitality, image, loyalty and brand. The importance of image and loyalty are studied in-depth, as are the changing characteristics of the modern consumer and their impact on the industry. The emphasis is given to growing significance of loyalty and its antecedents as well as examination of brand image and its strategies.

The third chapter concentrates on public relations tools used by hotel operators in the process of image enhancement and describes them briefly. The next chapter, chapter four, is dedicated to methodological issues and justifies the research methods used in my research as well as presenting how the research was carried out.

Chapter five discusses the research process and analyses data gained during fieldwork - separately for every case. It analyses the differing motivation of hotel operators towards developing customer loyalty, and how favourable image translates into improved performance and competitive advantage. Finally, the sixth and the last chapter, ties all the elements and data together, sets the research findings into the hospitality context, and states how the hotel owners and operators can strengthen the company's performance.

CHAPTER TWO: LITERATURE REVIEW

1. HOSPITALITY AND ITS DEFINITION

Higher tertiary education providers and industrial organisations in English speaking countries have used “hospitality” to describe a cluster of service sector activities associated with the provision of food, drink and accommodation (Lashley and Morrison, 2002: 2). The origin of the word “hotel” dates back to the 18th century when an establishment called “hôtel garni in which apartments were let by the day, week or month, came into use. “Its appearance signified a departure from the customary method of accommodating guests in inns and similar hostelries, into something more luxurious and even ostentatious. Hotels with managers, receptionists and uniformed staff arrived generally only at the beginning of the nineteenth century and until the middle of that century their development was relatively slow” (Medlik, 1998: 7).

There have been numerous attempts to define hospitality in the past, when different authors explored various disciplines that to a greater or lesser degree pertain and contribute to hospitality; however none of them combines all the aspects into one concept. For example The Webster Dictionary (1970) identifies hospitality as “the act or practice of being hospitable; the reception and entertainment of guests, visitors or strangers, with liberality and goodwill”.

The Joint Hospitality Congress, defines hospitality as: “the provision of food and/or accommodation away from home”, while the Nottingham group² stated that: “Hospitality is a contemporaneous exchange designed to enhance mutuality (well being) for the parties involved through the provision of food and/or drink, and/or accommodation” (Lashley and Morrison, 2002: 3).

A thorough definition of hospitality states that:

“The outer primary interacting element is that of the social relationship fostered by the warm, friendly, welcoming, courteous, open, generous behaviour of the host creating the hospitable social environment. This supports and promotes the positive feeling of security and comfort created by physical structure, design, decor and location of facility. Finally, the provision of accommodation facilities to sleep, eat relax and wash, together with the supply of beverage, service and entertainment” (Burgess, 1982: 50)

² Nottingham Group was a group of people, mainly leading researchers and writers in hospitality subjects in the UK, who met in Nottingham on April 1997 to discuss and define hospitality as a academic subject.

The notion of security is stressed by Tefler (1996) who states that traditionally the guest's safety was the most important responsibility of a host who has undertaken an obligation to protect him as long as the guest stayed in his house. This conceptualization is useful in that it highlights the fact that the hospitality experience is essentially interactive. This characteristic has several implications including that

- a) "The consumer's impression of the provider is built-up partly from some social relationship/interaction,
- b) All the representatives of the hospitality industry who are to come into contact with the consumers will, to some extent, be seen as ambassadors of the establishment, which must influence staff recruitment, selection, training, assessment, etc., and finally,
- c) The hospitality experience occurs at a specific time with the attendant problems of perishability" (Hepple et al., 1990: 306).

However, a distinction should be drawn between commercial and private domain of hospitality. Hospitality in private or social domain is seen as provision of food, accommodation and drink based on more altruistic motives (like e.g. providing safe environment for the guest, developing social relationships or meeting social needs) while commercial hospitality is "concerned with exploitation of society (guests) for an economic surplus, with guests volunteering into the exchange process as a medium through which to express individual socio-economic needs, aspirations and desires" (Gillespie and Morrison, 2001: 185).

Clearly, hospitality has evolved during centuries, but its basic idea still remains the same. However, new amenities and inventions, together with technological changes as well as more demanding and unpredictable customers made a considerable impact on the industry's development. The hospitality's origin is outlined below, and sets the context of my thesis and is positioned in its commercial domain.

2 HOSPITALITY AND ITS ORIGIN

Travellers have sought rest and refreshment at public houses and hostels throughout history. At the height of the Roman Empire, inns flourished along major highways and other shelters were maintained along major highways, primarily for government officials and persons of importance (Gee, 1999). "In this period, taverns and inns were prevalent throughout Greece, Italy, Egypt, and Asia. These establishments provided travellers with food, drink, and sometimes a bed. The Olympic Games, which began in Greece in 776 B.C., involved travel for both spectators and players, creating a demand for accommodations" (Rushmore and Baum, 2002: 148-149). Food service also can be traced back in history, perhaps as far back as 4000 B.C. when establishments began selling food and wine. They continued and flourished during the Greek, Roman, and Byzantine periods (Gee, 1999).

"With the fall of the Roman Empire, travel declined and inns became almost nonexistent. From the fourth through the eleventh centuries, the Roman Catholic Church kept the hospitality industry alive by encouraging religious pilgrimages between monasteries and cathedrals throughout Europe. Roads were built and maintained by clergy from the local monasteries. Hostels built on church grounds offered places to eat and sleep. Churches did not charge for these accommodations, although travellers were expected to make a contribution to the Church. While travel and trade gradually increased in Europe, the monasteries remained a major hospitality provider – for both the business and recreational traveller" (Chon and Sparrowe, 2000: 5).

Pilgrims looked to religious houses to give sanctuary, rest, and refreshment along the way (Gee, 1999). The proliferation of inns and hotels is, therefore, linked with developments in travelling and journeys (Ingram, 1999). In the 13th century the innkeepers of Florence, set up the first hotel guild. "Guild members interviewed visitors at the city gate, assigning foreigners to certain lodging facilities and local visitors to others. Most guild members did not own their hostelrys; they rented them under three-year leases from the city" (Rushmore and Baum, 2002: 149). It was not until the 15th century that commercial hospitality ventures made their appearance in Europe, and whose advent was linked with emergence of strong cities and nation states. At the same time, freestanding inns appeared, often being named after affluent landowners on whose land holdings they were established (Gee, 1994)

However, tourism spurred hospitality growth from the 16th century onwards, due to “the golden age of travel”, “whose heyday occurred in the second half of the 18th century, prior to the French Revolution and the advent of the railways” (Lattin, 1995: 42). A grand tour of the European continent was considered to be a ‘*pièce de résistance*’ in the education of the young heirs of Britain’s most powerful and wealthy families. The young people were sent to Europe to explore and learn for a number of years. “In response to this fast developing demand, inhabitants of the tour destinations in France, Italy, Austria Switzerland and Germany began establishing lodging and tourist services” (Lattin, 1995: 42). This form of travel was at its height during the latter part of the 18th century, and is seen as providing an impetus for the growth of hospitality throughout Europe (Borchgrevink, 1999).

Moreover, during the 18th century, as the colonies grew from scattered settlements to towns and cities, more and more travellers appeared, along with more accommodations to serve them. “In New York and New England, these accommodations were usually called *taverns*. In Pennsylvania, they were called *inns* and, in the South, *ordinaries*” (Walker, 1996: 10-11).

“The development of a railroad network – first in England, then in other nations – had a greater effect on the hospitality industry than had any other single development since the fall of the Roman Empire. Passenger traffic on the railroads led to the establishment of railroad stations, which became obvious locations for new hospitality businesses in England and in other nations that developed rail networks. Inns, taverns, restaurants, and later, hotels opened in or near railroad stations” (Dittmer and Griffin, 2000: 51). By the end of the 17th and the dawn of 18th centuries the first lodging facilities appeared. In 1774 the first hotel was opened in London; while 1794 marked the opening of the City Hotel in New York City. “In the late 19th century, the term “restaurant” was first used in Paris referring to a dining room, and in the United States, Delmonico’s opened in 1834 offering meals in the English fashion of fine dining (Gee, 1999).

In the United States, the first hotel equipped with modern amenities resembling today’s facilities is believed to be the Tremont House which was built in 1892 in Boston, Massachusetts. This started a trend toward luxury accommodations by offering unheard-of services and amenities, such as private guestrooms, doors

with locks, a washbowl with a water pitcher and free soap, bellboys, French cuisine, and an annunciator system that allowed the front desk to contact guests in their rooms (Gee, 1999, Rushmore, 2002). With its many innovations, the Tremont set the standard for America's grand hotels and inspired a luxury revolution in Europe. "It is generally acknowledged that the opening of the Tremont House established America's supremacy in the science of hotel management" (Lattin, 1995: 45).

In America, the age of grand hotels had begun – among them the Astor House, New York (1836); the original Parker House, Boston (1856); the Palace Hotel, San Francisco (1875); the Ponce de Leon Hotel, St. Augustine (1888); and, of course, the two Waldorf-Astorias, New York (183, 1931) (Chon and Sparrowe, 2000). "In North America early accommodation for travellers followed a similar pattern as in England, for example, with most inns originating in converted houses, but by the turn of the eighteenth century several cities on the eastern seaboard had purpose-built hotels and in the first half of the nineteenth century hotel building spread across America to the Pacific Coast" (Medlik, 1998: 7). It was also when a great personalities and hospitality pioneers, such as Cesar Ritz, E.M. Statler (father of the modern-day hotel chain in America), Fred Harvey (father of chain restaurants) or Conrad Hilton appeared on the worldwide scene. The innovations and improvements they brought in the hospitality sector contributed greatly to the industry's development and speeded up its growth.

In addition to luxurious city hotels, "resort hotels were introduced as new rail lines enabled affluent Americans to travel on vacation. Spas, which were considered the first American resorts, were opened in Saratoga Springs, New York (Grand Union Hotel), and White Sulphur Springs, West Virginia" (the Greenbrier) (Rushmore and Baum, 2002: 150). Soon, other types of accommodation, such as commercial hotel and national hotel chains appeared. The opening of the Buffalo Statler on January 18, 1908, marked a new age in the American hotel industry; this was the birth of the modern commercial hotel (Lattin, 1995). Lodging chains, in turn, were established in the late 1950s and early 1960s, with the Marriott Corporation as the leading largest hotel operator in the USA. This was followed by the opening of the motor lodge, and the

purchase of the Hyatt House at the Los Angeles International Airport, which put foundations for the convention hotel (Rushmore and Baum, 2002).

As the society became more mobile, and new financing arrangements, such as partnerships, leasing, syndicates and management contracts appeared in the hospitality domain, the demand for convenient accommodations for automobile travellers led, inevitably, to the development of the motel. At the same time, due to “improved prosperity, tourists started flocking to beaches, hot springs, mountainsides and other special locations. The net result of this expanded economy and desire to travel within the states was the rapid development of vacation homes and condominiums in popular tourist destinations” (Brymer, 2004: 20). However, as the motel evolved into the motor hotel, it began to lose one of its primary competitive advantages-- its low price. This created a void at the low end of the room-rate scale and precipitated the birth of the budget motel (Rushmore and Baum, 2002).

Since the end of the 1970s until the 1990s the hospitality industry experienced several booms and downturns, which led to significant changes. The industry “began to focus on the global hotel market after foreign investors acquired several American hotel chains and individual properties, and the use of the hotel management contract became the main means of operation for most publicly traded hotel companies” (Rushmore and Baum, 2002:156). Another major change in America was the 1978 airline deregulation act, which would allow airlines to service any city in the United States (Brymer, 2004). “The speed and nature of travel changed once again with the introduction of commercial jets in 1958. Centre city hotels declined as the airport became the new drawing card for hotel, motel, and restaurant development” (Chon and Sparrowe, 2000:109). This coupled with market segmentation, worldwide web, new products and concepts (such as, all-suite- or boutique hotel) strategic acquisitions and mergers changed the face of the industry and ushered in an era of globalisation.

3 GLOBALISATION OF THE INDUSTRY

The existence of a global economy indicates that society has entered an era of constant changes, unforeseen developments in the global political environment,

extraordinary shifts in consumer tastes, growing presence of transnational companies as well as the gradual elimination of trade barriers. The globalisation of the industry has implications for both hotel companies and individual hoteliers.

The internationalisation of business ownership and management in industry has had a major impact on the travel, tourism, and hospitality industry (Gee, 1994). Accordingly:

“Globalisation has raised competitive pressures by bringing more entrants in the market and as a result enterprises have to compete within a much more complex environment. Emerging technologies enabled greater homogenous control and operational systems as well as coordination with head office despite geographical location and distance. Changes in the political and legal environment introduced greater freedom of trade and more specifically in travel deregulation of transportation and more flexible and adaptive international investment and development systems. A wide range of forms and arrangements is followed, from direct ownership, partnerships with local operators and/or governments to franchising and marketing consortia” (Wahab and Cooper, 2001: 69).

This coupled with changes in communication technologies and transportation, growing environmental awareness, establishment of a common currency among European Union members resulted in increased facilitation of demand and competition for airline seats and hotel accommodation around the world. “Sophisticated marketing and reservation technologies have put large international travel- service-related companies such as hotels in the best position to profit from global market access. Unquestionably, globalisation has contributed to the rise of hotel mega-chains which possess not only transferable management and marketing expertise, but also the financial backing for geographical expansion” (Gee, 1994: 4). This was followed by the expansion of transnational hotel companies whose emergence has helped contribute to more effective hotel operations, more efficient utilisation of resources, and the growing globalisation of the economy. The same applies to strategic alliances, joint ventures, acquisitions and franchising, which soon appeared on a market arena. “Starting with the takeover of Inter-Continental by Grand Metropolitan in 1981 (subsequently sold to the Japanese company Siebu Saison), and Hilton International by Ladbroke plc in 1987, mergers have increased in frequency and magnitude. The international hotel industry, as far as chains and brands are concerned, has typically been dominated by the USA” (Knowles, 1999, 93-94). The same author claims that in recent years European, and especially British

and French hotel interests have been playing more and more important part, (and now control some of the best-known chains and brands in the world), and the emergent economic power of the Asia Pacific region has considerable bearing on the international hotel scene. All of them are getting more and more popular as a medium of strengthening company's position and diversifying globally. This activity can be seen in horizontal and diagonal integration which allows many organisations, including hotel chains to develop a range of products in related sectors.

Alongside globalisation also came technological advances. The internet, global distribution systems and electronic reservations changed the way consumers purchase goods and services. "Thus a customer in one country can reserve more or less the same room in any other country free of charge from the hotel in which he or she is lodged at the time the booking is made. Alternatively the travel agent who arranges a client's itinerary can select, through a CRS, a standard product to meet the client's known preferences regardless of which region or country the client is going to" (Knowles, 1999: 326). On the other hand, it enabled organisations to present their offer globally and identify customers' needs. The key benefit is that it allows hotel companies to focus on marketing activities, such as 'one-to-one marketing' or customer relationship management (CRM) and thus helps to recognise important aspects of customer service. "What each of these approaches is highlighting is how to reach customers, preferably directly; how to talk to them in their own language; how to cater for their specific needs; and how to satisfy them in every possible way (Knowles et al, 2004: 27). Technology in the hotel sector contributes to improving the quality of services and increasing the efficiency of the operation. "Hotels rooms are being equipped with computerised equipment familiar to customers and increasingly expected by them. Back office equipment allows managers to obtain speedy, accurate and comprehensive billing information; to provide detailed guest profiles to help improve service; to facilitate the analysis and control procedures; and to assist in the elaboration and monitoring of forecasts and budgets" (Knowles et al, 2004: 220).

Due to globalisation and technological advances the structure of consumption and consumer needs have changed. As most industrialised countries are undergoing significant demographic changes, such as the aging of their

populations, a growth in two-income households, later marriages, the emergence of the non-traditional family, and a general tendency towards healthier lifestyle, it brings significant implications for the hospitality industry (Gee, 1994). With more and more senior citizens who have disposable income and are willing to travel, the industry will benefit from this trend. According to Lockwood and Medlik (2001), the industry will flourish by catering to the senior citizens' needs and providing them with special facilities and services. In their opinion resorts that combine extra comforts, together with special attractions (such as adventure-vacation theme) will become increasingly popular among mature travellers.

Some businesses, such as Choice Hotels, have already set up programs to target this expanding market (Chon and Sparrowe, 2000). According to numerous authors (cited in Pizam and Mansfeld, 2000: 414) the senior market of persons aged fifty-five and older possesses a relatively large share of all discretionary dollars because this market segment traditionally has fewer major bills – investments in home and family have been made and their children no longer depend entirely upon them. Shoemaker (in Pizam and Mansfeld, 2000: 414) also states that that people over the age of fifty-five account for some 80% of all vacation dollars spent in the United States; they travel more often and usually have more free time than any other group, which enables them to stay away longer as well as go for a longer holidays. "With both time and income available, senior citizens are more inclined to travel than ever before and, although they will patronise hotels in all categories from budget to luxury, they have a tendency toward using better-class accommodations" (Gee, 1994: 13).

On the other end of the continuum there is a changing modern family with women assuming different roles, and as a result of this, a growing number of female travellers who constitute an emerging travel segment. People are marrying later and having fewer children. "Also, the number of working women has increased greatly. For example, in the United States, 58% of all women aged 16 or older are working or looking for a job. It is expected that 65% of women will be in the labour force by 2005" (Kotler and Armstrong, 1999: 72). This also means that the number of travelling women is constantly increasing. As a rapidly growing segment of the business (and not only) travel market, the woman business traveller is gaining more attention from marketers. "Today

more than one-third of all business travellers are women. This growth is a direct reflection of the changing role of women in today's economy. And an influx of business women means more women business travellers" (Chon and Sparrowe, 2000: 54). Hotels all over the world are becoming more sensitive in catering to women's needs by offering them different facilities, such as day-care/learning centre facilities, alternative menus with lighter meals, fitness centres, security-designed facilities, and improved lighting in bathrooms (Gee, 1994).

However, modern consumers are looking for something more than catering for their basic needs. They appreciate nature, individuality, culture, and they "prefer to live their holidays rather than to spend them" (Wahab and Cooper, 2001: 71). As a result, the traditional consumer has become more demanding and unpredictable. The following section describes contemporary consumer and his needs as well as the impact it brings on the hospitality industry.

4 CHANGING CONTEMPORARY CONSUMER

Krippendorf (in Wahab and Cooper, 2001: 130) argues that society has moved through three phases between the industrial era and the present. In the industrial era, tourists were drawn from a population that "lived to work". Previously people "work to live". In particular, it is now suggested that contemporary Western capitalism no longer "needs" entrepreneurs with a strong "Protestant ethic" (for whom time is money, who believe that work is a religiously inspired duty and who save and invest for the future). Instead people become "hedonists", who consume now rather than save for the future, who enjoy their leisure rather than their work, and for whom identity is derived from consumption rather than from work (Keat et al. in Urry, 1997: 212).

Urry (1997) claims that in recent years visual consumption has become exceptionally more widespread and pervasive, although it seems that the "new middle classes" lead the way in developing such roles of consumption. "There is an implosion via the pervasive effects of the media and the aestheticisation of everyday life. Cultural spheres are much less auratic. There is a shift from contemplation of consumption or from high culture to the high street" (Urry, 1997: 148-149). "The implication is that we are moving towards a society without fixed status groups in which the adoption of styles of life (manifest in

choice of clothes, leisure activities, consumer goods, bodily dispositions) which are fixed to specific groups have been surpassed” (Fearstone, 1987: 55).

According to Baudrillard (in Featherstone, 1987: 58), consumer culture is effectively a post modern culture, a depthless culture in which all values have become transvalued. More importantly, mundane and everyday consumer goods become associated with luxury, exotica, beauty and romance with their original or functional use increasingly difficult to decipher. “The modern individual within consumer culture is made conscious that he speaks not only with his clothes, but with his home, furnishings, decoration, car and other activities which are to be read and interpreted by others. In other words, people seek, express, confirm, and ascertain a sense of being through what they have” (Belk, 1988). Against this backdrop consumption has become the most visible sign, and is often noticeable in hospitality and tourism sector, and is inevitably associated with the issue of status and identity.

Although status and consumption remain vital for many people, being and identity are also important and they are often interrelated. The main idea here is that by observing what individuals have being and identity help them to discover who they are and thus enlarge their sense of self. This is further explained by Csikszentmihalyi who states that:

“the objects we possess and consume are... wanted because... they tell us things about ourselves that we need to hear in order to keep our selves from falling apart. This information includes the social recognition that follows upon the display of status symbols, but it includes also the much more private feedback provided by special household objects that objectify a person’s past, present, and future, as well as his or her relationships” (Csikszentmihalyi in Belk 1987:148)

Therefore, it follows that the purchase, display, and use of goods communicates symbolic meaning to the individual and to others (Sirgy, 1982). What is worth emphasising here is the fact that the purchase and consumption of goods can be self-enhancing in two ways. “First, the self-concept of an individual will be sustained and buoyed if he believes the good he has purchased is recognised publicly and classified in a manner that supports and matches his self-concept. Because of their recognised meaning, public symbols elicit a reaction from the individual that supports his original self-feelings. Secondly, goods as symbols serve the individual, becoming means to cause desired reactions from other

individuals” (Grubb et al, 1967: 25). This affects one’s identity which according to Tomlison (1991: 13) is “created out of elements created by others and marketed aggressively and seductively”. However, identity is also expressed by consumption and usage of signs that are associated with the consumption of different goods, such as touristic products.

In this context travelling and leisure lifestyle become one of the determinants of one’s identity. “Being able to go on holiday, to be obviously not at work, to “escape from the dull, daily routine; escape from the familiar, the commonplace, the ordinary” (Dann, 1977: 184) is presumed to be a characteristic of modern citizenship (Urry, 1997). Douglas maintains that there is an element of fashion or trendsetting in consumer behaviour which ties together issues of choice, identity, status and culture (Douglas et al, 2001). And as Simmond claims fashion is, perhaps unexpectedly, “the most powerful of these devices, as it permeates every aspect of daily life via advertising and the media. Is it Martinique or the Seychelles this year?” (Simmond, 1991:136). Modern tourist wants “to recover, to rest, to have no problems, to experience something different, to have fun, to have a change, to be active” (Wahab and Cooper, 2001: 130).

More people are looking for a greater variety of activities and unique holiday experiences, responding to a sense that holidays are no longer merely about relaxation but also about recharging and discovery (Morgan and Pritchard, 2000). This is the world of men and women who quest for the new and the latest relationships and experiences, who have a sense of adventure and take risks to explore life’s options to the full, who are conscious they have only one life to live and must work hard to enjoy, experience and express it (Winship, Featherstone and Hepworth in Featherstone, 1987: 59).

Analogous to the desire for a bodily tune-up is the need to have one’s ego enhanced or boosted from time to time (Dann, 1977).” It is in the sphere of consumption – conspicuous leisure on the basis of adequate income – that many will seek to express their sense of freedom, their personal power, their status aspirations” (Tomlison, 1991: 6). One such possibility is that of travel. In Dann’s view (1977) travelling provides a perfect opportunity for boosting one’s ego, particularly when it comes to recounting of holiday’s experiences. For

example, if a tourist visits a prestige resort, then he gains a greater status by paying a great deal or by mixing with an exclusive set. If he goes to a remote and poorer country than his own he may get satisfaction from his need in patronising it over the host community. Only travel provides such an opportunity for self recognition (Lundberg in Dann, 1977: 186).

Identity is biographical, but it is also social. Kerman and Domzal (2001) clarify that I am what my characteristics imply, but only to the degree the other people are willing to confirm them. Thus, self-identity is very much a matter of consensus.

“In a world where no-one particularly cares about your religion, your ethnicity, your occupation, your address, or your politics, how do you form an identity? What are you if none of the foregoing things? In a world where ascribed identities have become passé, people are turning to acquired ones. No single acquired “thing” determines one’s identity, only the constellation of them” (Kerman and Domzal, 2001: 97).

As people are free to choose their styles of consumption it not only determines their self-identity but also the way they are perceived by others, i.e. the satisfaction people derive from it depends upon the consumption of others. To support this view, Urry (1997) gives examples of jewellery, a residence in a particular area, designer clothes or pictures by “old masters” and the “natural landscape” where increased consumption by one leads directly to reduced consumption by another. Hirsch (in Urry, 1997: 135) also considers the cases where there is “direct social scarcity”, which are luxury or snob goods enjoyed because they are rare or expensive and possession of them indicates social status or taste. Thus, product use becomes a symbol of consumer’s interaction with significant others. For example, the “user of one brand identifies himself with a generalised user of the same brand, and by consuming this brand the consumer expresses to others that he wishes to associate himself with the type of people he perceives as consuming this brand” (Grubb and Stern, 1971: 382). For instance, in the hospitality industry, customers may choose to stay at the five-star hotel, such as Hilton or Sheraton over budget or mid-scale, knowing that a visit in this particular hotel will not only enhance their identity but also boost their image in the eyes of others. In this context, hospitality and travel signify one’s social class, success or interests.

Travel and tourism change the life of the modern consumer. This has been evident in many spheres of life, most noticeably in the nature of consumption, and changing lifestyles. With much greater choice in the range of holidays, with accommodation individually tailored to customer, with blurred identities, devaluation of distinctions and hierarchies the contemporary consumer becomes representative of post-modern era and exerts a great impact on the way consumer needs are delivered and catered for.

5 LOYALTY: WHY IT MATTERS?

In the era of technological advances and growing environmental awareness, the modern consumer becomes more and more demanding. Not only is (s)he more interested in being rather than having, but also (s)he wants to appreciate beauty, collect things, improve himself/herself, express his/her personality and receive approval from others (Douglas et al, 2001). As Poon (in Douglas et al., 2001: 11) confirms, the new consumer is well-educated, better informed, more independent, flexible, spontaneous and unpredictable. This also affects business environments that operate in more and more saturated markets and face strong competition, and which are urgently seeking for new ways of gaining knowledge about customers and their needs. Therefore, “companies have to learn continuously about their customers' ever-changing needs and expectations, and be able to enhance their relationships through offering increased value derived from their learning (Morris et al, 1999: 659-661). This poses a challenge for today's hotel companies who go to great lengths to gain and retain their customers. In order to possess and retain them, hotel organisations have utilised different strategies, amongst which the creation of brand and strong identity become one of the most important factors of developing customer loyalty.

Customer loyalty is particularly important to the hotel industry, because most hotel-industry segments are mature and competition is strong. What is particularly important here is the fact that hotel products that belong to the same segment do not differ significantly and thus have little potential of standing out. “The difficulty faced by hotel brands of differentiating themselves on physical attributes is one of the factors that drew the industry's attention in the 1990s to

different marketing tools, such as relationship marketing or frequency and loyalty programmes” (Bowen and Shoemaker, 1998: 13-14).

Loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers (Reichheld and Sasser, in Bowen and Chen, 2001: 213). Loyal customers are also a good source of promoting a hotel. They will provide strong word-of-mouth, recommend the hotel to others and provide valuable comments as to what areas of hotel’s operation could be improved in the future. Raman (in Bowen and Chen, 2001: 213) states that loyal customers serve as a "fantastic marketing force by providing recommendations and spreading positive word-of-mouth; those partnerships-- like activities are the best available advertising a company can get”. Loyal customers also buy the hotel’s products more often and are familiar with them which mean that they do not need so much information as those who have never stayed in a given hotel and are more expensive to serve. Moreover, several studies have found that it costs about five times as much in time, money and resource to attract a new customer as it does to retain an existing customer (Pizam and Ellis, 1999).

Research conducted by Reichheld and Sasser (1990) on credit card companies shows that a 5% improvement in defection rates increases its average customer value by more than 125% and the average life span of a customer relationship doubles with profits reaching up to 75%. They argued that the profitability of an individual customer grows permanently with the duration of their business-relationship. They also found that up to 60% of increased sales to new customers could be attributed to customer recommendations-an indicator of customer loyalty. Further, a study by Heskett et al. as well as Gronroos (in Kandampully and Suhartanto, 2003: 4-5) showed that, in some companies, loyal customers not only provide the profits but also cover the losses incurred in dealing with less loyal customers. Moreover, they are willing to pay a premium price and make cost savings by using the service of a service provider they know well.

Kelly and Davis (in Bowen and Shoemaker, 1998: 20) stated that a customer's commitment to the organization results not only in repeat purchases but also a greater willingness to become an advocate for the organization. Hence, a dedicated focus on customer loyalty turns out to be a necessary requirement for

the future survival of hotel organisations. However, it's essential at this point to distinguish between customer satisfaction and loyalty, although "to satisfy the customer is the mission and purpose of every business" (Drucker, 1973: 79), it does not necessarily mean that the satisfaction alone is sufficient tool to improve company's profits and obtain loyal customers.

5.1 Loyalty vs. satisfaction

"A customer who receives what she or he expected in a hotel stay is most likely to be satisfied. If the guest's expectations were exceeded, she or he may be extremely satisfied. Customer satisfaction of this kind is a requisite for loyalty, but satisfied customers may not become loyal customers"(Bowen and Shoemaker, 1998: 15).

For example, some luxury-hotel guests look for a great diversity of products and decide to visit a different property each time they return to an area. They may be satisfied with a hotel, but their desire for something new, something extraordinary reduces their loyalty to a given hotel. For some guests although very well-off price remains an important factor (even at the luxury level), and they shop for the best deal. Even though they were satisfied with a particular hotel, they will be looking for another, more attractive offer. As a result, customers at this level simply expect to be satisfied with their purchase and that the hotel will perform as advertised. If there were any likelihood of failure, the guest would not have made the purchase in the first place. As a consequence, hotels generally receive high satisfaction ratings, but not necessarily loyal customers (Bowen and Shoemaker, 1998).

Although satisfying customers is essential for any organisation, studies show that satisfying customers alone is not enough, since there is no guarantee that satisfied customers will return to purchase (Dube in Kandampully and Suhartanto, 2003: 5). "A satisfied customer to a luxury hotel who does not return and spreads no positive word of mouth has no net present value to the company. On the other hand, a loyal customer who both returns and spreads positive word of mouth, has according to Kotler et al. (2003: 391) a net present value of more than \$ 100.000". Customer loyalty also considers the likelihood of a customer returning to a hotel and to performing "partner-like" activities for the

hotel, such as giving favourable referrals about the hotel to their friends and/or business partners. Thus, it becomes evident that it is not customer satisfaction, but customer loyalty, that constitutes the dominant factor in the success of a business organisation (Kandampully and Suhartanto, 2003).

Rob Smith (in Shoemaker and Lewis, 1999: 349), president of the loyalty marketing firm “Focal Point Marketing”, claims that loyalty occurs when “the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you- referring to you as their restaurant or their hotel”

However, customer loyalty is not synonymous with customer satisfaction. “Customer satisfaction measures how well a customer's expectations are met by a given transaction, while customer loyalty measures how likely a customer is to repurchase and engage in partnership activities. Satisfaction is a necessary but not a sufficient condition for loyalty. In other words, we can have satisfaction without loyalty, but it is hard to have loyalty without satisfaction” (Shoemaker and Lewis, 1999: 352-353).

Customer satisfaction can also be defined as satisfaction based on an outcome or a process. Vavra's (in Pizam and Ellis, 1999: 328) outcome definition of customer satisfaction characterizes satisfaction as the end-state resulting from the experience of consumption. This end state may be a cognitive state of reward, an emotional response to an experience or a comparison of rewards and costs to the anticipated consequences. He also presents the definition of customer satisfaction that accentuates different psychological and evaluative processes that impacts customer satisfaction. In other words, service delivery is a crucial point because it's when customer makes his/her judgment about consumption experience. To sum up, it can be said that an individual's satisfaction with outcomes received from a hospitality experience is derived from a comparison of these outcomes with expectations. “Expectations can be described as a mutable internal standard which is based on a multitude of factors including needs, objectives, past personal or vicarious experiences with the same establishment restaurant, with similar establishments, and the availability of alternatives” (Pizam and Ellis, 1999: 329).

As far as loyalty is concerned, it's worth pointing out that loyalty to the same service company or same product/service has its roots in a confirmation which in turn, is based on satisfaction of previous purchases and a general attitude toward the company (Andreassen and Lindestad, 1998). Griffin (in Shoemaker and Lewis, 1999: 349) argues that two factors are critical for loyalty to flourish. The first is an emotional attachment to the product or service that is high compared with that to potential alternatives. The second factor is repeat purchase.

5.2 Loyalty antecedents

The marketing literature to date has not clearly identified a theoretical framework – particularly in terms of those factors leading to the development of customer loyalty (Kandampully and Suhartanto, 2003). A limited number of attempts have been made to conceptualise service loyalty and to investigate its antecedents. However, despite these attempts and despite its perceived importance in marketing theory and practice, customer loyalty still "presents an enigma to researchers" (Oliver, in Ruyter et al, 1999: 436). However, a number of factors have been identified as antecedents of customer loyalty.

Indeed, most researchers agree that customer satisfaction and service quality are antecedents of loyalty. In addition, switching barriers related to technical, economical and psychological factors are also considered antecedents of loyalty. These barriers influence customer loyalty by making it difficult or expensive for customers to find other suppliers. Moreover, recent studies indicate image to be another determinant of loyalty (Kandampully and Suhartanto, 2003).

5.2.1 Image

According to Fredericks and Salter (1995) company image also can be important element in the value equation. In their view (Fredericks and Salter, 1995: 30) "company or brand image can support or undermine the value that customers feel they are getting, and therefore, image can affect loyalty". Heung et al (1996) in their study on hotel brand loyalty in free independent traveller's market stated that hotel image is a significant factor which was ranked relatively high among loyal customers, while Mazanec (1995) in his positioning analysis

of luxury hotels in Vienna discovered a positive correlation between image and customer satisfaction and customer preference (a dimension of customer loyalty). In addition, Bhote (in Kandampully and Suhartanto, 2003: 9), contended that image is an attitude that leads to customer enthusiasm: value, delight, and loyalty.

“Corporate image plays the dominant role when explaining future loyalty. The effects from corporate image are by far higher than those from overall satisfaction”(Zins, 2001: 279). More importantly, “when services are difficult to evaluate, corporate image is believed to be an important factor influencing the perception of quality, customers’ evaluation of satisfaction with the service and customer loyalty” (Andreassen and Lindestad, 1998: 8). For example, research conducted by Zins (2001) in the commercial airline industry shows that satisfaction alone, is not the major factor that influences loyalty. The results show that the lower impact of overall satisfaction suggests that corporate image as a credence quality drives future loyalty behaviour. The importance of image as a loyalty antecedent has been confirmed by Fishbein and Ajzen (in Aydin and Özer, 2005: 913) who argue that corporate image affects behavioural intentions such as customer loyalty. Nguyen and Leblanc as well as Kristensen and Juhl (in Aydin and Özer, 2005: 913) demonstrate that corporate image relates positively with customer loyalty in telecommunication, postal services, retailing and education sectors.

5.2.2 Satisfaction

In times of severe competition and rising customer expectations, firms are highly interested in keeping existing customers. As virtually all companies depend on repeat business, a strong interest in the antecedents of customer loyalty has evolved (Homburg and Giering, 2001: 43). One of them is satisfaction, and there is a common assumption in the literature that satisfaction is likely to increase loyalty (Bennett and Rundle-Thiele, 2004). The relationship between satisfaction and loyalty has been observed in several studies. For example, Fornell (in Selnes, 1993: 22) examined 27 different businesses and found strong correlations between satisfaction and loyalty. Similarly, different authors (cited in Kandampully and Suhartanto, 2003: 9) analysed four businesses and also discovered strong correlations between satisfaction and

loyalty. They explored the conceptualisation and measurement of service quality and the relationships among service quality, customer satisfaction, and purchase intentions. Kandampully and Suhartanto (2003) mention Cronin and Taylor who showed that customer satisfaction has a significant effect on purchase intentions in banking, pest control, dry-cleaning and fast food industries. These findings were supported by similar study in a health-care setting by McAlexander, Kaldenberg and Koenig (in Kandampully and Suhartanto, 2003: 9) who found out that patient satisfaction and service quality have significant effects on purchase intentions.

Another example which shows clear links among customer satisfaction, service quality and behavioural intention is study conducted by Woodside et al (1989) in hospitals. The results proved that “overall customer satisfaction with hospital stays is associated positively with behavioural intentions to return to the same hospital if hospital care is needed in the future” (Woodside et al., 1989: 8). Moreover, the association between satisfaction and post-purchase has been established both, in the literature and in research studies. The research done by File et al. (1994) confirms that satisfaction with the professional service has the strongest association with positive verbal recommendation.

Overall satisfaction with experience does lead to customer loyalty. Bearden and Teel (in Caruana, 2002: 815) argue that customer satisfaction is important because “it is generally assumed to be a significant determinant of repeat sales, positive word of mouth and consumer loyalty”. Similarly, Bloemer and Poiesz (in Caruana, 2002: 815) have also argued that “satisfaction can be thought of as an important determinant of brand loyalty.” Another research, conducted by Bitner (in Homburg and Giering, 2001: 46) shows that satisfaction has an indirect effect on loyalty mediated by perceived quality. Furthermore, her results (obtained in a services context) reveal that loyalty is also influenced directly by satisfaction. Similarly, Rust and Zahorik and Rust, Zahorik, and Keiningham (in Kandampully and Suhartanto, 2003) find a link between customer satisfaction and loyalty using data from the retail bank market and from a national hotel chain. Within a marketing channels context, Homburg and Giering (2001: 47) quote numerous examples of research that supports the existence of a positive satisfaction–loyalty link.

5.2.3 Switching costs

Another important loyalty antecedent is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Selnes in Beerli et al, 2004: 256). The domain of switching costs comprises both “monetary expenses and non monetary costs (e.g., time spent and psychological effort) as well as the loss of loyalty benefits that follows termination of the current relationship” (Lam et al., 2004: 295). In addition to “objectively measurable monetary costs, switching costs may also pertain to time and psychological effort involved in facing the uncertainty of dealing with a new service provider (e.g. learning the lay-out of a new office” (Dick and Basu, Guiltinan, in Ruyter et al, 1998: 438).

According to Alet I Vilagines (in Beerli et al, 2004: 256), the switching costs can be broken down as follows:

- The customer’s personal costs, referring to tradition and the client’s habits, to effort in terms of the time and commitment needed to evaluate new alternatives, to the economic advantages associated with loyalty, to the social and psychological risks stemming from making a wrong choice, and to the established contracts with the supplier company; and
- Costs associated with the product, such as the costs of redesigning the process of production or consumption, investment in related equipment, and contractual costs.

Aside from improving customer satisfaction, increasing switching costs is a common strategy advocated to increase customer loyalty as the costs of switching to alternative suppliers can deter customers from using these suppliers (Gronhaug and Gilly, Heide and Weiss in Lam, 2004: 294). The same author also affirms that customers may remain loyal to a company if they feel that they are getting better value than they would from the competitors.

Dwyer et al. and Heide and Weiss (in Lam et al, 2004: 297) claim that a customer will be motivated to stay in existing relationships to economize on switching costs, such as the transaction-specific investments that he or she has

made on the relationships. The establishment of a new relationship represents some sort of investment of effort, time, and money, which constitutes a significant barrier to moving to other service providers when the customer is dissatisfied with the services of a provider. "When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behaviour, because of the risk expense involved in switching and because of accompanying decrease in the appeal of other alternatives" (Beerli et al., 2004: 256).

5.2.4 Service quality

Service quality is another antecedent which plays an essential role, particularly in the hospitality industry. "The hospitality industry recognises that superior quality of service is one of the crucial factors within its control that can add value to its product and, subsequently, lead to customer loyalty. Enhancing the quality of service at all levels of service delivery has therefore become mandatory for organisational survival, irrespective of the changes that might occur inside or outside the firm" (Shan-Chun et al., 2003: 424). What's more, delivering superior quality of service has been recognized as the most effective means of ensuring that a company's offerings stand out from a crowd of look-alike competitive offerings (Parasuraman et al in Kandampully, 1998: 434). According to Berry *et al.* (in Wong and Sohal, 2003: 495) service quality has become a significant differentiator and the most powerful competitive weapon which many leading service organisations possess. Dick and Basu (in Bloemer et al., 1999: 1084) in turn, claim that perceived service quality is often viewed as a key antecedent of loyalty. Leading service organisations strive to maintain a superior quality of service in an effort to gain customer loyalty, therefore, a service organisation's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base (Wong and Sohal, 2003: 495-496).

One area that has remained relatively underdeveloped, however, is the relationship between perceived service quality and customer loyalty. Although there is no established theoretical framework covering all aspects of customer loyalty, there is a consensus among practitioners and academics that customer satisfaction and service quality are prerequisites of loyalty (Gremler and Brown

in Shan-Chun et al, 2003: 424). For example, based on several studies, “it is hypothesized that service quality will exert a direct positive influence on perceived value, on overall satisfaction and will have an indirect as well as direct influence on future loyalty” (Zins, 2001: 273). It means that the dominating perspective within service quality research posits a positive correlation between service quality and satisfaction, which in turn will lead to increased purchase loyalty. This view is supported by a study conducted by Gotlieb, Grewal and Brown (in Wong et al, 1999: 82), who found that perceived service quality affects satisfaction, and customer loyalty is affected by satisfaction. The relationship between service quality and customer loyalty was further supported in a study conducted by Zeithaml, Berry and Parasuraman (in Wong et al, 1999: 83) and appears to be robust. The link between overall service quality and individual service loyalty has also been examined empirically by Boulding et al and Cronin and Taylor (in Bloemer et al, 1999: 1085-1086), who focused solely on repurchase intentions, whereas Boulding et al. focused on both repurchase intentions and willingness to recommend. Their research findings show that positive relationships exist between service quality and repurchase intentions and willingness to recommend.

Furthermore, in a study conducted in five different service industries, a positive relationship was found between perceived service quality and service loyalty (de Ruyter *et al.* in Wong and Sohal, 2003: 498). This view is further exemplified by a study which found that favourable perceptions of service quality increased the likelihood of customers engaging in behaviours beneficial to the strategic health of the firm (Boulding et al in Wong and Sohal, 2003: 498). Finally, service quality is seen not only as a critical factor for profitability but also as a means to enhance customers' inclination to buy again, to buy more, to buy other services, to become less-price sensitive and to tell others about their favourable experiences. As mentioned above, there is a positive relationship between service quality and repurchase intention, recommendation and resistance to better alternatives. “All these – repurchase intention, recommendation and resistance to better alternatives - are *behavioural intentions* and constitute customer loyalty. Therefore, it is proposed that service quality has a positive effect on customer loyalty” (Aydin and Özer, 2005: 912).

To recapitulate, service quality is viewed as a necessary requirement in today's competitive environment if an organisation is to maintain market leadership. "It is through service loyalty that an organisation achieves customer delight and customers' honest participation (customer voice) in the relationship – this is, indeed, the key to continuous improvement and sustained superiority" (Kandampully, 1998: 443).

5.3 Loyalty dimensions

"Some studies have demonstrated that customer loyalty is a multidimensional concept involving both behavioural elements (repeat purchases) and attitudinal elements (commitment)" (Baloglu, 2002: 49). The behavioural dimension of loyalty refers to those aspects of consumer behaviour (for example, repeat purchase) directed towards a particular brand or service over time (Bowen and Shoemaker in Kandampully and Suhartanto, 2003: 7). The typical behavioural outcome of loyalty includes spreading a positive word-of-mouth, cooperation (defined as working together to achieve mutual goals and customer willingness to help the company) as well as a limited interest in looking for other products or services (Baloglu, 2002).

Although "repeat purchase is an important issue for most marketers, an interpretation of loyalty based on purchase behaviour alone is not sufficient, since repurchase behaviour does not necessarily indicate a customer's motivation for purchase. A customer might repurchase from similar providers for reasons other than his or her positive personal feeling towards a firm" (Kandampully and Suhartanto, 2003: 7). One problem with the behavioural approach is that repeat purchases are not always the result of a psychological commitment toward the brand. For example, "a traveller may stay at a hotel because it is the most convenient location. When a new hotel opens across the street, they switch because the new hotel offers better value. Thus, a repeat purchase does not always mean commitment" (Bowen and Chen, 2001: 214).

According to Pritchard et al. (1992) the majority of early loyalty studies were operationalised behaviourally as a form of repeat purchasing of a particular product or service over time. However, by the late 1960s, researchers started to question the reliability of behaviour as the sole indicator of loyalty. Day (in

Pritchard et al., 1992: 156-157) criticised past behavioural conceptualisations because they could not distinguish between true or intentionally loyal and spuriously loyal buyers who were “deal oriented” in their repurchasing and lacked any attachment to brand attributes. Dick and Basu (in Back and Parks, 2003: 420) argued that this behaviour approach neglects the importance of the customer’s decision-making process, which does not differentiate brand loyalty from simple repeat purchasing behaviour. Jacoby and Chestnut (in Oliver, 1999: 4) have explored the psychological meaning of loyalty in an effort to distinguish it from behavioural (i.e., repeat purchase) definitions. Their analysis concludes that consistent purchasing as an indicator of loyalty could be invalid because of happenstance buying or a preference for convenience and that inconsistent purchasing could mask loyalty if consumers were multibrand loyal. Because of these possibilities, the authors conclude that it would be unwise to infer loyalty or disloyalty solely from repetitive purchase patterns without further analysis. “Therefore, Dick and Basu supplemented the behavioural approach with the concept of relative attitude which reflects the degree to which the consumer's evaluation of one service dominates that of another. Hence, customer loyalty is approached as an attitudinal construct” (Ruyter et al, 1998: 437).

Attitudinal dimension of loyalty focuses not only on transactional strategies, such as frequent-user programs and gifts for repeat customers but also on attitudinal variables, such as commitment and trust. The attitudinal dimensions are concerned with the sense of loyalty, engagement, and allegiance. There are instances when a customer holds a favourable attitude toward a hotel, but he/she does not stay at the hotel (Toh in Bowen and Chen, 2001: 214). “For example, a guest could hold a hotel in high regard, recommend the hotel to others, but feel the hotel was too expensive for him/her to use it on a regular basis” (Bowen and Chen, 2001). Attitudinal studies have described brand loyalty not only as the outcome of repeat purchase behaviour but also the consequence of multidimensional attitudes toward a specific brand (Back and Parks, 2003). According to Gremler and Brown (in Kandampully and Suhartanto, 2003: 8). the attitudinal dimension of loyalty included a customer’s intentions and preferences. Some researchers measure loyalty according to the customer’s intention to recommend or to repurchase, whereas others measure loyalty in terms of customer preference. “The attitudinal dimension, such as the

intention to repurchase and intention to recommend, is deemed a good indicator of customer loyalty and is therefore very important for future business activities” (Kandampully and Suhartanto, 2003: 8). Day (in Pritchard et al, 1992: 158) argued that in order to be truly loyal, the consumer must hold a favourable attitude toward the brand *in addition* to purchasing it repeatedly. He also found that the predictive power of a model using attitude and behaviour was almost twice as good as a model using behaviour alone.

6 CORPORATE IMAGE VS. BRAND IMAGE

With regard to corporate image, one may need, first of all, to clarify the term image, which appears to be short of consistency in definition among corporate communication scholars and practitioners. It is difficult to give a precise definition here, especially considering the fact that it has been used in the past to mean so many things by so many different authors, but one could reasonably assume that it has something to do with “presentation”, with public perceptions or impressions produced as a result of such presentation (Selame and Selame in Wei, 2002: 270). According to Davies et al (in Wei, 2002: 269) “image is taken to mean the view of the company held by external stakeholders especially that held by customers.” Image has been defined by Kotler (2003: 566) as the “set of beliefs, ideas, and impressions a person holds regarding an object”. Similarly, Lawson and Baud-Bovy (in Le Blanc and Nguhen, 1996: 33) describe image as the objective knowledge and emotional thoughts an individual has of an object or place. Le Blanc and Nguhen (1996) also maintain that image is both dynamic and complex, and that a company may possess various images that differ according to specific groups, and each of them represents different types of experience and contact with the organisation.

With regard to a hotel, its image is defined as the way in which the hotel portrays itself to people and the way in which it is perceived as portraying itself by them. “It is a by-product of its location, facilities and service, but it is enhanced by such factors as its name, appearance, atmosphere; its associations – by who stays there and eats there; by what it says about itself and what other people say about it” (Medlik, 1998: 15). However, while compared with the definition of corporate image used by Covino and Jolliffe (in Wei, 2002: 272) one can notice that a corporate image is all about the “appeal

of corporations to their own credibility and character. Gronroos (1988) in turn, claims that corporate image is a filter which influences customers' perceptions about a company and is of utmost importance to most services. In other words, by corporate image "one means simply the mental pictures that people have in their heads about companies and corporations. These mental pictures may come from direct or indirect experience. They may be rational or irrational, depending on evidence or hearsay, appear in an infinite number of patterns" (Marston, 1979: 129).

According to Andreassen and Lindestad (1998) corporate image can be used as a certain information cue for both existing and potential customers and may or may not influence customer loyalty (e.g. willingness to provide positive word-of-mouth). Corporate image is believed to influence customers' choice of company when service attributes are difficult to evaluate.

"It is established and developed in the consumers' mind through communication and experience. Corporate image is believed to create a halo effect on customers' satisfaction judgment. When customers are satisfied with the services rendered, their attitude toward the company is improved" (Andreassen and Lindestad, 1998: 10).

This is particularly important for hospitality companies who become more market-oriented and customer- focused, and if they concentrate on creating and maintaining a favourable image, they are likely to reap other benefits including improved brand awareness, customer satisfaction and loyalty (Gray et al., 2000). Thus, a thorough understanding of brand and image creation processes becomes useful and helps organisation (and brand) thrive (McEnally and de Chernatony, 1999: 4). What is also important here is the fact that brands, particularly corporate ones "reflect the organisation's subcultures, intricate in that they are both multidimensional and multidisciplinary and tangible, as they encompass elements such as business scope and architecture" (Knox and Bickerton, 2003: 999).

It is essential here to draw attention to the fact that the corporate image as such, is not the only factor that underpins company's success. Many organisations try to establish favourable brands as "building and successfully managing strong brands is considered to be one of the key drivers of success in the hotel industry" (Weizhong et al, 2002: 5). The literature review shows that brand and

its positive image are essential when it comes to improving company's performance and increasing customer loyalty. It is suggested that both customer satisfaction and brand reputation (which inevitably contributes to favourable image) are important antecedents of intended loyalty (Selnes, 1993). More importantly, favourably perceived brand signifies certain advantages mentioned by Keller (1993), who asserts that:

“high levels of brand awareness and a positive brand image should increase the profitability of brand choice, as well as produce greater consumer loyalty and decrease vulnerability to competitive marketing actions. Thus, the view of brand loyalty adopted here is that it occurs when favourable beliefs and attitudes for the brand are manifested in repeated buying behaviour. High levels of brand awareness and positive image also have specific implications for pricing, distribution, and promotion activities related to the brand. Moreover, a familiar brand with a positive brand image can also yield licensing opportunities (i.e. the brand name is used by another firm on one of its products) and support brand extensions (i.e. a firm uses an existing brand name to introduce a new product or service), two important growth strategies for firms in recent years” (Keller, 1993: 8).

Consumers often base their hotel-stay decisions on their perception of a specific hotel's brand name (Weizhong et al, 2002). They develop brand images, or a set of beliefs, about where each brand stands on different product attributes. One of the trends in the hospitality industry is to use brands that have a positive image brand, rather than a company's own products which may have little brand image. For example, many hotels and catering companies in the USA use kiosks to sell Starbucks Coffee, because of its strong brand image (Bowen, 1997). However, one might ask at this point what differentiates company image from brand image, and how it translates into better performance and increased loyalty.

Though brand image has long been recognised as an important concept in marketing, there is less agreement on its appropriate definition. “Consistent with definitions by Herzog and Newman (in Keller, 1993: 3, see the table below), among others, and an associative network memory model of brand knowledge, brand image is defined as perceptions about a brand as reflected by the brand associations held in consumer memory”.

A survey of the literature reveals that considerable variation exists among authors on five separate, but related, aspects of brand image. These include:

1. "The names which have been ascribed to this phenomenon,
2. The formal definitions that have been offered,
3. The components of brand image,
4. The instruments that have been used to measure it, and
5. Perspectives on the origin, creation, formulation and manipulability of brand image" (Zinkhan, 1990: 110).

Although the term "brand image" has become well established, there are a lot of definitions which are so broad that due to the size of this thesis it is not easy to present all of them here. However, some of them are contained in table 9. They have been juxtaposed into broad categories on the ground of their principal emphasis, and have been placed in chronological order within each group. This allows the major conceptual developments and variations to be more easily defined, illustrated and traced. "The five assigned aspects include blanket definitions, and those which emphasize symbolism, meanings or messages, personification, and cognitive or psychological dimension" (Zinkhan, 1990: 111).

Table 9 Chosen definitions of brand image

GROUP 1A		BLANKET DEFINITIONS	
1. Newman (1957)	2. Herzog (1963)	A brand can be viewed as a composite image of everything people associate with it. These impressions determine how a prospective buyer feels about it and influence his selection. Brand images may have several dimensions: functional, economical, social, psychological... The limits are set by the brand image built through styling and advertisements as well as other product attributes.	Brand image is the sum of total impressions the consumer receives from many sources. All these impressions amount to a sort of brand personality which is similar for the consuming public at large, although different consumer groups may have different attitudes toward it.
3. Dichter (1985)		(a) The concept of image can be applied to a product... It describes not individual traits or qualities, but the total impression an entity makes on the minds of others.	
		(b) An image is not anchored in just objective data and details. It is the configuration of the whole field of the object, the advertising, and more important, the customer's disposition and the attitudinal screen through which he observes.	

GROUP 1B EMPHASIS ON SYMBOLISM	
Pohlman And Mudd (1973)	
The purchased item is conceptualized as having two kinds of value for the owner, one for its concrete functional utility and the other for its utility as a prestige symbol.functional value is that which is conventionally meant by utility as a good, while symbolic value (i.e. image) is the extent to which a purchase enhances the worth of the person in his own eyes (self esteem) and in the eyes of others (status).	
GROUP 1C EMPHASIS ON MEANINGS OR MESSAGES	
Levy and Glick (1973)	Reynolds and Gutman (1984)
The concept of brand image aptly sums up the idea that consumers buy brands not only for their physical attributes and functions, but also because of the meanings connected with the brands.	The real key to understanding image lies in understanding linkages or connections between the levels that define the perceptual lens through which the consumer views the world and subsequently develops preferences for products.
Durgee and Stuart (1987)	
What the brand connotes or means symbolically in the eyes of consumers.	
GROUP 1D EMPHASIS ON PERSONIFICATION	
Hendon and Williams (1985)	
Also known as “brand personality” or “brand character”, it involves nothing more than describing a product as if it were a human being. This is an effective way of generating interest because people favour products that match their own self interest.	
GROUP 1E EMPHASIS ON COGNITIVE OR PSYCHOLOGICAL ELEMENTS	
Gardner and Levy (1955)	Reynolds, W.H (1965)
The sets of ideas, feelings and attitudes that consumers have about brands. ... A character or personality that may be more important for the overall status (and sales) of the brand than many technical facts about the product.	An image is the mental construct developed by the consumer on the basis of a few selected impressions among the flood of total impressions; it comes into being through a creative process in which these selected impressions are elaborated, embellished and ordered.
Levy (1978)	Park, Jaworski and MacInnis (1986)
A brand image is a constellation of pictures and ideas in people’s minds that sum up their knowledge of the brand and their main attitudes towards it.	A brand image is not simply a perceptual phenomenon affected by the firm’s communication activities alone. It is the understanding consumers derive from the total set of brand related activities engaged in by the firm.

Source: author’s compilation based on Zinkhan, M.G (1990), pp. 112-114.

To summarize, brand image could be described as the “management of both the manufacturing and marketing process chains to ensure that the customer perception of a company’s product (actual brand image) is identical to the brand image which the company has chosen to portray, and that both are identical to the specifications originally set by the customer. In essence, the company establishes an image for its product which is as close as possible to what the customer sees and hears about it from the messages as well in what he/she actually experiences with the product” (Haynes et al., 1999: 291). Given this, as well as the previously noted considerations about corporate image and brand, it becomes clear that positive image and successful brand are essential for company’s continued long-term success. This poses a question about organisations’ strategies towards creating and maintaining a favourable image as well as flourishing brands.

7 BRAND STRATEGIES

The business world today is characterised by great changes, such as mergers, acquisitions, niche marketing and growing popularity of brands. “The world of the twenty first century is dominated by brands; yet, while branding is not a new phenomenon, it seems that the inevitable trend toward globalisation is forcing companies to modify their branding strategies and alter their brands to become more “modernised” and universal – examples include the Four Seasons Group and the Accor Group” (Knowles et al, 2004: 101).

The branding of hotels to identify particular hotel properties with specific market segments is not a new concept, but has become increasingly popular (Gee, 1994). “Prompted by growing market sophistication and intensive competition between various chains and their better understanding of what the public wants, the hotel industry has followed these leading companies and has committed itself to supplying an ever widening spectrum of varied new product lines. Today all the major companies boast at least two, and the majority three, hotel brands, typically in the luxury, mid-market and budget sectors” (Knowles, 1999: 325-326). For example, Holiday Inn was one of the first to introduce a branded service to the hotel business.

“By using the brand name to assure travellers of uniform service standards, experience, and consistency, Holiday Inn was able to capture a repeat customer base. To attract different market segments and respond to a variety of customer needs and budgets, Holiday Inn extended its product line from economy (Holiday Inn Express) to upscale (Crowne Plaza). This branding strategy helped Holiday Inn increase occupancy and revenue as some of the lodging segments have become saturated” (Seacord in Tepeci, 1999: 224).

A good illustration of brand strategies in the hotel industry are the Accor Group, who embarked on a multibrand strategy, while the Four Seasons Group embraced a brand leveraging strategy and has broadcasted its corporate image effectively to the Internet (Knowles et al, 2004).

“A brand strategy can be thought of the translation of the business strategy for the marketplace. It defines the manner in which the offering will present itself to the marketplace, which will, in turn, influence the way in which targeted customers think of the offering – creating the brand’s image” (Osler, 2003: 437). The author (2003) also maintains that a brand strategy determines the way a company will portray its offer, while a brand is the outcome of company’s successful strategy defined by the marketplace. In other words, an organisation can control the strategy, but is unable to monitor it wholly. Once the brand is launched into the market, it is the customers’ role to find out what the brand truly stands for, if it is appealing to them, or it is worth buying and remaining loyal to it. Globally recognized branded hotels provide high-profile and literal examples of global brands. According to some observers (Frabotta in Yakhlef, 2004: 239) branded hotels have slowly outperformed unbranded, independent properties in the United States during the past 20 years, witnessing consumers’ preference for branded spaces. In addition, global brands enable corporations to expand the range of their services, increasing their efficiency by mounting a wide advertising campaigns around a single strategy for a single market (Yakhlef, 2004).

But those are not the only advantages that global brands carry. Connell (1992: 26-27) lists other benefits of branding, such as:

1. Branding may help to reinforce salient hotel attributes based on core or augmented aspects,

2. May also reduce consumer risks associated with the purchase of intangible hotel services,
3. Branding may help hotels to achieve higher levels of repeat business especially for the regular user segments,
4. More generally, branding can facilitate differentiation and positioning in a competitive marketplace.

However, global brands do not represent only advantages. In Connell's (1992: 26-27) opinion, one problem of hotel branding "lies in being able to offer a customer an experience which can be recognized time and time again across a number of hotels. This assumes that the hotel chain has identified a hotel experience which meets with the needs of target market segments. Without the latter there is little reason for customers to return and to become loyal to the brand". That's why hotels use different brand strategies to possess and retain its customers.

There are numerous brand strategies, among which brand expansion, brand leveraging, multibrands and co-branding are the most popular. "Although other trends in branding exist, these represent the most enduring and popular in today's market"(Rooney, 1995: 52).

First and the most popular, as well as most frequently used strategy is the brand expansion (or brand extension). "A brand extension strategy aims at introducing a new brand or service utilising the established image of a core brand to gain acceptance for the new product or service in the marketplace" (Kim and Lavack, in Knowles, 2004: 95). Tauber (1988) points out that extension strategy benefits from the company's most valuable assets – its brand names. This enables the company to strengthen its position and results in improved consumer awareness as well as increased sales for the parent brand.

Four brand extension options can be identified:

1. If the brands appeal to the same target segment and have the same differential advantage, then they can safely share the same company name or range,
2. If the differential advantage is the same but the target market differs, then the company name can be extended because the benefit is similar,

3. If a company has different differential advantages, then it should use separate brand names. It can find some synergy if the brands are appealing to the same target market, by using the same company name with separate brand names,
4. But if both the target customers and the differential advantages are different then using unique brand names is logically the most appropriate strategy (Doyle, 1989: 93-94).

Tepeci (1999) affirms that the reason for the product extensions in the hospitality industry (e.g. Courtyard by Marriott) is to better meet various consumer tastes. From a marketing perspective, this is a good strategy of conveying a message to diverse market segments. "When a company uses a brand name that has already been established, some risk associated with new products may be eliminated. For brand names with high customer value, such as Holiday Inn, Ramada, and Marriott in the hospitality industry, brand extension has been a good tool for marketing and growth potential" (Tepeci, 1999: 226). For example, Marriott increased its occupancy rates by 15 percent by adding its name to Fairfield Inn (Farquhar, 1990).

"Brand leverage (or umbrella marketing) in turn, refers to the unique and/or superior attributes that consumers believe the brand extension brings to the new product category. For these attributes to be useful as brand leverage points they must favourably influence consumers' brand extension attitudes and/or purchase behaviour" (Bristol, 2002; 198). It is essential to state here that brand leveraging is in reality a form of brand extension, but it has been allocated the status of a separate strategy by certain marketers (Kim and Lavack in Knowles, 2004: 95). This strategy comprises two methods, which are corporate umbrella branding and family umbrella branding. "The former refers to the decision to match the name of the products/services with the name of the organisation. The later method allows an organisation to create several named product/service groups under a common name"(Knowles, 2004: 95).

Multibrands is the third type of brand strategy, which aims at promoting different features that will appeal to various buying motives (Kotler and Armstrong, 1999). Multibrands are formed when organisations launch several products/services in the same category but with different names and images. A multibrand strategy

is adopted by organisations that aim to reach various market segments, with various values and lifestyles, with their products/services (Kotler and Meenaghan in Knowles, 2004: 96). The strategy also enables a company to protect its major brand by setting up *flanker* or *fighter brands*. “For example, Seiko uses different brand names for its higher-priced watches (Seiko Lasalle) and lower-priced watches (Pulsar) to protect the flanks of its mainstream Seiko brand. Finally, companies may develop separate brand names for different regions or countries, perhaps to suit different cultures or languages” (Kotler and Armstrong, 1999: 252).

The hotel industry can provide a good illustration of the use of multibrand strategy. Onkvisit and Shaw (1989) give the example of Hyatt who more recently has been very successful in cultivating its quality image, initially for the upper class and more recently for the upper-middle class. To benefit from its upscale image, Hyatt has extended its brand by adding small European-style hotels under the Park Hyatt name to offer more services at higher rates.

Another strategy is co-branding. “Co-branding –also called – brand bundling or brand alliances – occurs when two or more existing brands are combined into a joint product or are marketed together in some fashion” (Keller, 2003: 360). It can also be used when the promotion of two or more brands is consolidated in order to strengthen the preference for the individual brands (Knowles, 2004: 96). According to Muller (2005: 93) there are clear advantages of co-branding such as:

1. Borrowing expertise from sibling brands,
2. Leveraging combined brand equity,
3. Reducing production costs,
4. Reducing marketing costs,
5. Expanding brand meaning,
6. Increasing consumer access points, and of most importance,
7. Increasing unit revenues – all of which are compelling.

It may also be valuable means to learn about consumers and how other companies approach them”. In poorly differentiated categories especially, co-

branding may be an important means of creating a distinctive product” (Keller, 2003: 360).

A special case of this strategy is ingredient branding. ”Ingredient branding is a brand that exists in its own right and becomes a name-brand ingredient of another brand in another category, adding value to the host brand” (Berry, 1993: 22).“The goal is to build awareness and preference among consumers for that supplier’s brand of ingredient or component” (Norris, 1992: 20).

Ingredient brands can have a positive impact on a host brand. In terms of ingredient branding’s advantages, they are greater than its shortcomings, and manufacturers of the branded ingredient have also been enthusiastic about the additional exposure their brand may receive (Rooney, 1995). Keller (2003: 367) states that ingredient branding has become more prevalent as mature brands seek cost-effective means to differentiate themselves on the one hand and potential ingredient products seek means to expand their sales opportunities on the other hand. From a consumer behaviour perspective, the presence of the preferred ingredient is one way to communicate the quality of the final product. “This strategy has been referred as a means of “signalling” to the consumer that the product is superior to the competitors’ brands in the product class. With the increasing clutter of advertising and consumers’ shopping time growing shorter, a positioning strategy based on the quality of a well-established ingredient sends an immediate signal to the time-poor or otherwise confused shopper” (Norris, 1992: 23).

8 BRAND LOYALTY

“In saturated and highly competitive industries such as hospitality, the key to increasing and preserving market share is not just winning customers but keeping them. Brand loyalty is crucial in the hospitality industry because repeat business constitutes a large percentage of room and food sales” (Tepeci, 1999: 227).

Brand loyalty is the attachment that a consumer has to a brand. A customer loyal to a brand is less likely to switch to another brand, especially when that brand makes a change or is weakened by the competitive actions of other brands (Backhaus and Tikoo, 2004: 506). At the heart of brand loyalty is the

positive exchange relationship that results from the establishment of trust between the product and the consumer (Morgan and Hunt in Backhaus and Tikoo, 2004: 506). "Brand loyalty provides predictability and security of demand for the firm and creates barriers of entry that make it difficult for other firms to enter the market. Although manufacturing processes and product designs may be easily duplicated, lasting impressions in the minds of individuals and organisations from years of marketing activity and product experience may not be so easily reproduced" (Keller, 2003: 11). In this sense, branding can be utilised as a measure of gaining competitive advantage. The brand loyal consumer does not attempt any kind of attribute evaluation but simply chooses the familiar brand on the basis of some overall positive feeling towards it. This overall positive evaluation typically seems to stem from past experience with the particular brand under consideration (Louden in Craig-Lees, 1998: 570). However, talking about loyalty and brand loyalty in particular, one needs to distinguish between two types of brand loyalty: true brand loyalty and spurious brand loyalty.

Bloemer and Kasper (1995: 312) define true brand loyalty as "the biased (i.e. non-random), behavioural response (i.e. purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, which is a function of psychological (decision making, evaluative) processes resulting in **brand** commitment". The same authors delineate spurious brand loyalty as "the biased (i.e. non-random), behavioural response (i.e. purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, which is a function of inertia". However, some companies are not just looking for repeat purchasing at this level. "They are looking for a positive emotional tie to the brand or company itself; loyalty which will prevent customers from switching the moment they get a better offer. This is the most secure form of loyalty" (Wilmott and Cornish, 2003: 32).

What differentiates true brand loyalty from spurious brand loyalty is the notion that true brand loyalty has its roots in brand commitment, while the spurious brand loyalty is based on inertia. It means that the true brand loyal customer is dedicated to a particular brand and due to his/her commitment he/she keeps

buying the same brand on a regular basis. Conversely, the spurious brand loyal customers are not committed to a certain brand; in fact, they can be easily influenced by a more attractive promotion or better offer. Bloemer and Kasper (1995: 312) maintain that for this consumer the “reason for buying the same brand again might be the comfort of not being forced to make a new choice, the time saved when buying the same brand again, the feeling of indifference with the choice, the familiarity with the brand, or the reduction of perceived risk”.

The concept of brand loyalty could be further explained by behavioural and psychological processes. Some theorists (in Craig-Lees, 1998: 570) suggest that brand loyalty is correlated with the consumer’s degree of involvement. They suggest that high involvement leads to extensive information search and ultimately to brand loyalty; whereas low involvement leads to exposure and brand awareness and then possibly to brand habits. Behavioural data alone which might suggest that both types of consumer are loyal because a string of purchases indicates a high frequency may be misleading. In fact, “the low-involvement consumer may be making a routine purchase not a loyal purchase. New information or a break in the routine may result in the purchase of a different brand” (Schiffman et al, 2001: 203). In other words, brand loyalty is a complex phenomenon and describes the complexity from behavioural or attitudinal dimension (Craig-Lees, 1998). Following this line of thinking, the “defining element of the behavioural approach is that a consumer’s degree of brand loyalty is inferred from his or her observed purchase behaviour, while the attitudinal approach to brand loyalty focuses on the underlying evaluative and cognitive processes when interpreting a given purchasing decision as evidence of brand loyalty” (Dekimpe et al, 1997: 406).

Yim and Kannan (1999: 78) propose two different types of loyalty based on consumers’ brand switching behaviour. “The first is hard-core loyalty, which is defined as the proportion of a product’s purchases accounted for by its hard-core customers or customers who almost exclusively repeat purchase the product alternative, while the second is reinforcing loyalty, which is the proportion of the product’s purchases accounted for by consumers who may switch among product alternatives, but predominantly repeat purchase this product alternative to a significant extent”. Another concept of brand loyalty is

discussed by Loudon et al (in Craig-Lees, 1998: 570), who describe brand loyalty as one of two possible patterns: repeat purchases and impulse purchases. They discuss the decline of brand loyalty and clarify the patterns of repeat purchase: loyalty to no loyalty, thus incorporating brand switching, and the notion of multiple loyalties (Craig-Lees, 1998: 570).

It's clear that organisations can benefit from customers who remain loyal towards brand and resist competitors' price cuts and help hospitality firms maintain high occupancy rates (Tepeci, 1999). According to Reichheld (1996: 43-49) the advantages of brand loyalty are plentiful and could be summarised as follows:

1. Continues profit. The longer a business keeps a customer, the longer it will earn profit,
2. Reduces marketing and acquisition cost. Businesses have to invest money (for example in advertising, consulting, opening a new store) to bring new customers through the door. For loyal customers, these costs are much lower or minimized,
3. Increases per-customer revenue growth. Customer spending tends to accelerate over time. It means that customers become more familiar with the company's range of products and they may be likely to sample other, more expensive products in the future and thus generate more profits,
4. Decreases operating cost. Loyal customers are more familiar with the company's offer and less dependent on its employees for information and service, thus decreasing servicing cost,
5. Increases referrals. Satisfied customers spread positive word of mouth and recommend the business to others. Are regarded to be of higher quality, i.e., to be more profitable and stay with the company longer – compared to those who respond to price promotions or other short-term incentives,
6. Increases price premiums. Brand loyal customers pay higher prices and are less price sensitive than new ones,
7. Provides competitive advantage. As consumers become loyal to a brand, they purchase company's products/services more often and the company can maintain a price differentiation over the competition because of the product's ability to satisfy their needs.

What is also important here, is the fact that over half of consumers stick to their regular brands, and nearly half of them like to 'know what they're getting' by buying well-known names. Brands have traditionally made it easier for consumers to choose between products, and the research confirms this; for a quarter of the population, well-known brands simply 'save time searching' (Catlin, 2004: 42). Thus, it becomes clear that brand loyalty is one of the most important company's assets and the source of competitive advantage.

CHAPTER THREE: METHODOLOGY

1 INTRODUCTION

The topic of this thesis is hotels' image and the theory discussed here is supported by Auckland hotel case study. For the purpose of my research I conducted in-depth interviews with hotel managers and some of the company's employees of three different hotels belonging to different international hotel chains. Thus, every group of managers representing given hotel I conducted interviews with represents a separate case study. Having justified the research approach, it is now time to outline the types of research techniques and strategies that I used in my project.

1.1 Theoretical background

When starting any research project, it is important to define the problem (Decrop, 2000). Research methodology refers to the procedural framework within which the research is conducted. It describes approach to a problem that can be put into practice in a research programme or process, which Leedy (in Remenyi et al, 1998: 28) formally defines as an operational framework within which the facts are placed so that their meaning may be seen more clearly. The choice is usually twofold: a researcher can either select qualitative or quantitative methods, depending on the nature of the project and a phenomenon under investigation.

“Quantitative methodologies seek, as their *modus operandi* to describe the general characteristics of a population, and to ignore the details of each particular element studied. A quantitative approach to research might draw a large and representative sample from the population of interest, measure the behaviour and characteristics of that sample, and attempt to construct generalisations regarding the population as a whole. Yet the role of quantitative research is to describe the general and to ignore the particular” (Hyde, 2000: 84)

Qualitative methodologies, however, seek to explain the particular. Rather than seeking to reach a general profile regarding the study population, the qualitative study must provide conclusions which account for the particulars of every case. Qualitative methods allow the researcher to study issues in depth; data

collection is not limited to predetermined categories. Qualitative methods produce a wealth of detailed data on a small number of individuals (Patton in Hyde, 2000: 84). Gummesson (2005: 311) states that qualitative methodology is “primarily directed to understanding the complex and the elusive in a systemic perspective more than to establish unambiguous cause and effect relationships between single variables.”

Discussing the hospitality industry, for example, Lewis, Chambers and Chacko (in Walle, 1995: 525) observe the purpose of qualitative research is usually to provide information for developing further quantitative research. Hence, “qualitative research provides an in-depth insight; it is flexible, small-scale and exploratory and the results obtained are concrete, real-life like and full of ideas. Qualitative research has not only proven to be useful for market research purposes in practice, it is also widely used by management consultants and public policy makers” (Ruyter and Scholl, 1998: 8). Another argument for qualitative research is that over the years, interpretive inquiry has “steadily affirmed its relevance to management and organization studies by addressing questions that cannot adequately be answered by traditional experimental or survey methodologies and by enhancing our understanding of, among other things, the symbolic dimensions of organizational life. Different genres of interpretive research have also demonstrated (even to their critics) that they are as rigorous as positivist science even though their rigor necessarily needs to be judged by criteria that are markedly different from those used in conventional empirical research” (Prasad and Prasad, 2002: 4). More importantly, researchers (see Riley and Love, 2000: 166) have more recently questioned quantitative research because it cannot fully address questions of understanding and meaning and they have begun to explore paradigms beyond positivism. This paradigm shift has resulted in a recognition and incorporation of a variety of qualitative methods in selected research efforts but literature review would suggest that quantification is still prevalent.

My research follows this line of reasoning and is based on qualitative methods. This approach is in line with Stake’s (in Hyde, 1994: 84) view that qualitative research is based on a detailed knowledge of the particular, and its nuances in each context. Even a single case, if studied in sufficient depth and with

sufficient insight, may provide the basis for a theoretical explanation of a general phenomenon. This approach allowed me to study the issues of loyalty, image and its significance in-depth and gave me an insight which might not have been possible in case of quantitative methods where usually the research findings are narrowed to general conclusions and do not delve into personal feelings or motives.

However, at this stage it needs to be emphasised that my research was conducted from an organisational and not a customer point of view. Examining customers perceptions on strategies taken by hotel companies to attract and retain them would certainly provide an alternative understanding of links as to what degree the image of a hotel affects customer loyalty and what the customers value the most. This together with the hotel operators' views and initiatives undertaken by them would have made a valuable contribution about the nature of those interdependencies, however, due to commercially sensitive information, none of the hotels participating in the research agreed to do so. Because the customers' base is one of the most important and most protected company's assets, therefore the lack of consent to reveal customers' names and conduct research with them comes as no surprise. This also excluded a possibility of using quantitative methods (like, for example conducting survey with customers) or a triangulation of methods. In light of the above, I decided to base my research on interviews conducted with the hotel managers and some of the company's employees. Taking into consideration the research scope and the number of disciplines it covers, this approach proved to be sufficient, and provided me ample evidence for my project. On the other hand, the choice of qualitative methods made an impact on the research paradigm; hence for the purpose of my research I adopted an interpretive paradigm.

Each paradigm takes a different stance on topics, such as axiology, epistemology, ontology and methodology (Denzin and Lincoln, 2003). However, Walle (1997: 525) states that techniques "which bear the imprints of logical positivism, statistical investigation, and the scientific method continue to dominate".

“Within the social sciences there has been a long-standing debate about the most appropriate philosophical position from which research methods should be derived. The two main contenders were positivism and interpretivism. Within positivism the key idea is that the social world exists through objective methods, rather than being inferred subjectively through sensation, reflection or intuition” (Milliken, 2001: 74).

According to Ozanne and Hudson (in Szmigin and Foxall, 1980: 190) the nature of reality for positivists is that a single unchanging reality exists, which is divisible and fragmentable. In other words, positivism takes a reductionist approach to exploring the relationships among the variables being studied. “This reductionist approach by its very nature leads to simplifications of the real world environment in which the variables naturally or usually exist. This simplification means that in the results of positivist research some of the complicating factors, and possibly most interesting factors, have been stripped out” (Remenyi et al, 1998: 35-36). In contrast, the interpretivists deny that one real world exists, that is, reality is socially constructed where people actively create and interact to shape their environment, and all human knowledge is developed, transmitted, and maintained in social situations. Thus, multiple realities exist and the fundamental tenet of interpretivism is that no amount of inquiry will converge on one single reality (Hudson and Ozanne, 1988). Table 10 below summarizes the basic differences between interpretivism and positivism.

Table 10 A comparison of positivism and interpretivism.

PURPOSE	
POSITIVISM	INTERPRETIVISM
Prediction and description of consumer actions	Understanding consumer practices
ASSUMPTIONS	
Rationality: consumers make decisions after weighing alternatives	There is no single objective truth
The causes and effects of behaviour can be identified and isolated	Cause and effect may be difficult or impossible to isolate (or, for some researchers, may be meaningless concepts)
Purchasers are problem solvers who process information to make decisions	Each consumption experience is unique
A single reality exists	Researcher/respondent interactions affect researcher findings
Events can be objectively measured	Findings are often not generalised to larger populations
Causes of behaviour can be identified	
By manipulating causes (i.e. marketing inputs) the marketer can influence consumer behaviour	
Findings can be generalised to the population	

Source: Schiffman et al, 2001: 26

Nevertheless, it should be kept in mind that the choice of a research method is not a question of paradigms but rather a function of the research problem. After

having determined “What do I want to investigate?” the researcher must choose the appropriate method (Decrop, 2000). Bearing this in mind as well as the significance of the context within which social action or behaviour occurs I decided to apply qualitative methods, and for research’s purpose used the techniques described below.

2 RESEARCH TECHNIQUES

2.1 Case-study

Case studies are frequently used in business and management studies as an evidence-collection approach due to several reasons. The main reason is that the depth of enquiry possible through the case study method is far greater than the other research methods such as surveys, focus groups or in-depth interviews. “For example, although attempts are sometimes made to ascertain attitudes by means of questionnaires, the results are often unsatisfactory as one cannot do justice to the complexity of an attitude by ticking Yes or No or rating 1 to 5. Such methods of evidence collection that reduce responses to a scale of binary choices lose much of the richness of the circumstances or context being studied” (Remenyi et al, 1998: 167).

“By doing case studies and applying various data generating techniques - all the way from reading texts to in-depth interviews, ethnographic observation and action research - complex and ambiguous issues can be penetrated. The rigour may not be as obvious as with quantitative methods but it can still be substantial” (Gummesson, 2005: 314). As a research endeavour, the case study contributes uniquely to our knowledge of individual, organizational, social, and political phenomena; the distinctive need for case studies arises out of the desire to understand complex social phenomena; in brief, the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events. The case study’s unique strength is its ability to deal with a full variety of evidence - documents, artefacts, interviews and observations (Yin in Patton and Appelbaum, 2003: 63).

However, despite the fact that a case study inquiry is a valuable research strategy, some prejudices exist against its use, namely that it provides a limited basis for the traditional scientific generalisation. Notwithstanding, like all experimental observations, case study results can be generalised to theoretical propositions (analytical generalisation) but not to populations or universes (statistical generalisation). Thus, the aim of case studies cannot be to infer global findings from a sample to a population, but rather to understand and articulate patterns and linkages of theoretical importance (Amaratunga and Baldry, 1999: 100). Santos (in Amaratunga and Baldry, 1999: 100) has stated that it is important to emphasise that case studies deal with unique situations and, because of that, it is not possible to elaborate detailed and direct comparisons of data. Another accusation is that a single case study has been viewed as a less desirable form of empirical research methodology than surveys or experiments. Accusations include bias, lack of rigour and a tendency to use incomplete evidence. But such views ignore the fact that bias can creep into any other research tactic, including experiments and surveys (Remenyi et al, 1998: 168). Finally, case studies take too much time, are too long and result in massive, unreadable documents (Yin, 1994: 10). Some researchers may pose different arguments against case study; yet, its advantages are far greater than the counterarguments presented above. For example, Yin (1994) claims that case studies are the preferred strategy when the investigator has little or no control over set of events within its real life context. According to him, case study inquiry is useful, because it copes with the technically distinctive situation in which there will be many more variables of interest than data points. Furthermore, case study “relies on multiple sources of evidence, and benefits from the prior development of theoretical propositions to guide data collection and analysis” (Yin, 1994: 13). This is further supported by Meredith (in Voss et al, 2002: 196) who cites three outstanding strengths of case research:

- (1) The phenomenon can be studied in its natural setting and meaningful, relevant theory generated from the understanding gained through observing actual practice.
- (2) The case method allows the questions of why, what and how, to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon.

(3) The case method lends itself to early, exploratory investigations where the variables are still unknown and the phenomenon not at all understood.

Finally, case studies can be used to accomplish various aims: “to provide description, test theory, or generate theory” (Eisenhardt, 1989: 535). Comparison of cases can lead to the formulation of a theoretical conjecture, or in some circumstances the confirmation of hypotheses or empirical generalisations. “Case studies provide real-time information that can be as up to date as the researcher requires, making this approach ideal for contemporary issues and especially relevant in the fast-changing world of business and management studies” (Remenyi et al., 1998: 167).

Given all case studies' advantages, it's appropriate to identify the essential number of cases to be investigated. To begin with, it should be pointed out that there are no precise guides to the number of cases to be included - "the literature recommending the use of case studies rarely specifies how many cases should be developed. This decision is left to the researcher. In a similar vein, Eisenhardt (in Perry, 1989: 790) recommends that cases should be added until theoretical saturation is reached while Lincoln and Guba (in Perry, 1989: 790) recommend sampling selection to the point of redundancy. Gummesson (2005: 317) holds the same view and claims that a “general rule for the number of cases needed to draw conclusions cannot be set up. The sample is theoretical and purposeful, looking for cases that give maximum information, and preferably be guided by saturation, the point where no or little new information is added”. However, Voss et al (2002) maintain that the fewer the case studies, the greater the opportunity for depth of observation. A similar view is shared by Aburatani (1990) who says that since the strength of comprehensive understanding lies in its quality, it is not essential to have a large number of respondents. The author gives example of quantitative research whose idea is to obtain simple objectivity and where the number of respondents has to be at a certain level, and the samples have to be chosen at random. However, situation looks different with qualitative research where random sampling may not be necessary or recommended. “Part of the reason for concentrating on small samples is a practical one, to do with the much greater expense per respondent of qualitative techniques, but it is also true that

generalising from sample findings to the whole population is much less important in qualitative than quantitative research. Instead, the focus is typically on the depth of understanding achieved within the confines of the sample” (Christy and Wood, 1999: 190).

Perry (1998) claims that a researcher can also use one case study only; but it is recommended to use several case studies in postgraduate research as they create an opportunity for applying cross-case analysis which may result with richer theory building. Yet, whatever the number of cases, the underlying principle is that the number of cases should be chosen on the grounds of the abundance of information. A researcher can use either one or multiple case studies. For my study, I decided to select three case studies due to the limits to the generalisability of the conclusions, models or theory developed from one case study. According to Leonard-Barton (in Voss et al, 1990: 198) when only one case is used, there may also be other potential problems such as the risks of misjudging of a single event, and of exaggerating easily available data. Another reason for using multiple cases is the fact that the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust (Herriott and Firestone in Yin, 1994: 45). More importantly, however, the use of multiple cases in this thesis puts emphasis on the crux of the topic being studied and provides evidence to support my hypothesis.

2.2 In-depth interview

Many hospitality-management questions, such as for example, pricing experiments or tracking guest satisfaction via comment cards are appropriately addressed with quantitative research methods. However,

“quantitative analysis provides limited information for strategic decision making regarding many other hospitality-management issues. For instance, even the popular guest-satisfaction instrument can offer dubious managerial value. Moreover, other research questions are simply not well suited to quantitative analysis for a variety of reasons, including the extraordinary or novel nature of the problem, the psychological sensitivity of the research participants to the topic, or the fuzziness of the question under investigation. In situations of this kind, qualitative-research techniques such as in-depth interviews and interpretive analysis can offer a means for discovery and enriched understanding (Kwortnik, 2003: 128).

I decided to use in-depth interviews not only because of the phenomenon under investigation but because they are also widely used in qualitative research “when the interaction of a group is not desirable, when the goal of the research effort is to understand a process or an event in which each individual must talk at length about how he or she went about doing something” (Ritchie and Goeldner, 1994: 489). Another reason why I decided to use in-depth interviews in my research was the fact that they provide researcher with spoken argumentation which reflects the respondents’ own views on the issue, and may be highly beneficial for analysing data and generating a deeper insight into the phenomenon under investigation.

Individual in-depth interviews have also been found to generate more and higher quality ideas on a per respondent basis than other research techniques. Tull and Hawkins (1990: 393) quote several reasons why in-depth interviews are particularly useful. They are the most appropriate when:

1. Detailed probing of an individual’s behaviour, attitudes, or needs is required,
2. The subject matter under discussion is likely to be of a highly confidential nature,
3. The subject matter is of an emotionally charged or embarrassing nature,
4. Certain strong, socially acceptable norms exist and the need to conform in a group discussion may influence responses,
5. Where highly detailed understanding of complicated behaviour or decision-making patterns are required, or
6. The interviews are with professional people or with people on the subject of their jobs.

Besides, the interview is one of the most important sources of case study information (Juholin, 2004). Interviews constitute an “effective means of collecting large amounts of evidence in one or across several research sites” (Remenyi et al, 1998: 111). Yin (1994) argues that interviews are an essential source of case study evidence because most case studies are about human affairs. These affairs should be described and analysed by specific interviewees,

since well-informed respondents can provide valuable insights into a phenomenon under investigation. They can also provide additional information which will help a researcher to discover other sources of data. This is confirmed by Silverman (1997: 114) who states that “treating interviewing as a social encounter in which knowledge is constructed suggests the possibility that the interview is not merely a neutral conduit or source of distortion, but is instead a site of, and occasion for, producing reportable knowledge itself”. Finally, depth-interviews are purposeful in the sense that they are framed by some overarching research question or concern, even if the interview itself is unstructured and appears at least to the informant to lack direction. Numerous authors (see Kwortnik, 2003: 119) maintain that the interview is characterised by the use of “general, descriptive questions that facilitate the dialogue, but which let the informant direct and provide the content of the interview. For example, a researcher might be interested in finding out what elements of a luxury-hotel stay are most important to status-conscious guests”.

This form of interview was used in my research, in view of understanding the efforts undertaken by hotel operators to enhance the hotel image and also to attract new loyal customers and retain the existing ones. The interviews were conducted during June-July period and comprised three international hotels chains. Those hotels are based in Auckland and each of them belongs to different chain. My respondents represented top and middle management of the company, and were willing to contribute to my research. I started in a general way, first by breaking the ice and establishing a good rapport with them, then briefly explained my topic and purpose of my research as well as confidentiality ethics. The interviews lasted for approximately an hour and were conducted in the situ. Majority of my respondents talked widely and provide me with prolific examples of the initiatives their companies undertake to enhance the hotel's image and retain loyal customers. However, some of them were not as talkative as the others, but I was able to overcome this problem by using probing techniques. Probing is a strategy that explores a particular topic in-depth, which may not be discussed otherwise.

I found this technique helpful as it made my respondents talk freely on specific issues and give examples which could illustrate their point. Generally, I felt that

interviews generated a lot of information since my respondents not only elaborated on particular topics but also mentioned their personal experiences and the underlying motives behind them. Also, a possibility of sharing their experiences with me made them feel good as individuals who contributed to my research. I also found this form of interview very useful as the participants felt relaxed and eager to express their views. This, together with additional data (eg. company's brochures, newsletters, etc.) gave me ample evidence to look into and develop a deeper insight about the hotel sector and its performance.

3 Analysis

In qualitative research, "data collection, analysis, and interpretation are deeply interwoven. The advantage of this type of data is that they fit more closely to informants' thoughts or behaviour" (Decrop, 2000: 353). On the other hand, they may pose an obstacle or disadvantage in comparison with quantitative data, as words or pictures used in qualitative research can have more than one meaning and it is absolutely necessary to identify them in their full context. The notion of context is vital in qualitative research and is explained by Clarkson (in Remenyi et al., 1989: 97) who maintains that people cannot be understood outside of the context of their ongoing relationships with other people or separate from their interconnectedness with the world. Thus, the context within social action or behaviour occurs is of the utmost importance in understanding actions or behaviours. This view is shared by Wax (in Hudson and Ozanne, 1988: 510) who views the context as, grasping the shared meanings within a culture of language, contexts, roles, rituals, gestures, arts and so on. The goal of qualitative analysis is "to move from summarising the data to identifying related themes and patterns, to discovering relationships among the themes and patterns, and to developing explanations for these relationships" (Walsh, 2003: 72).

As far as analysis' methods are concerned, there are numerous approaches to qualitative analysis. Strauss and Corbin (1998) quote three alternatives, depending on the amount of interpretation that needs to be analysed. The analysis begins with straight description, which involves the pure statement of the phenomenon under study, and the goal is to give a faithful account of

informants' view of reality without any analysis and interpretation by researcher (Decrop, 2000). The next step, analytic description includes reducing and arranging previously accumulated data to shed the light on the problem and the phenomenon under investigation. This results in "thick descriptions", which are the effects of researcher's explanation of what is being studied. The illustrative material plays an important role to describe what the observed world looks like and how the researcher's data illustrate a more detached conceptualisation of a particular reality. Finally, building a local theory forms the last step in data analysis, and is regarded to be more inferential alternative, where interpretation is not restricted to descriptions and conceptualisations, but also embraces other purposes, such as connecting ideas in order to create a theoretical rendition of reality.

The case study approach to qualitative analysis constitutes a specific way of collecting, organizing, and analysing data; in that sense it represents an analysis process. The purpose is to gather comprehensive, systematic, and in-depth information about each case of interest (Patton, 2002: 447). Several approaches to case study analysis have been offered. One of them is within case analysis which typically involves detailed case study writes-up for each site. These writes-up are often simply pure descriptions, but they are according to Eisenhardt (1989) instrumental to the generation of insight because they help researchers to cope with the vast amount of data in the early stages of the analysis. The idea is to become familiar with each case as a separate entity. This process enables a researcher to discover the unique patterns of each case to emerge before investigators start to make generalisations about patterns across cases.

Another method of analysis is searching for cross-case patterns, which includes picking a group or category and searching within for group similarities or differences. A similar approach is to "select pairs of cases and to look for similarities and differences, including subtle one's" (Voss et al, 2002: 206). What counts here is the fact that a qualitative study that systematically compares similarities and differences in patterns of interactions, the resulting meanings of key variables, and their influences on various organisational outcomes might reveal important setting factors and dynamics (Bartunek and Seo in Walsh,

2003: 73-74) and lead to more sophisticated understanding. Finally, the researcher “develops naturalistic generalisations from analysing the data, generalisations that people can learn from the case either for themselves or for applying it to a population of cases” (Cresswell, 1998: 154).

Another approach is proposed by Huberman and Miles (in Denzin and Lincoln, 1994: 436) who present three strategies to cross-case analysis, namely, case-oriented strategies, variable-oriented strategies and cross-site analysis. In case-oriented strategy, they recommend a replication strategy whose conceptual framework oversees the first case study followed by the examination of consecutive cases to see whether the new pattern matches the one found earlier. The second strategy the authors offer is variable-oriented strategy, whose purpose is to find themes that cut across cases. Variable-oriented analysis is good for finding probabilistic relationships among variables in a large population, but has difficulties with casual complexities, or dealing with sub-samples. However, case-oriented analysis is good at finding specific, concrete and historically grounded patterns common to small sets of cases. The last option is cross-site analysis, which could be also called pattern clarification. Lastly, other approaches to facilitate within cases and cross- case analysis exist, but given the limited size of this thesis, the theoretical background has been restricted to the above mentioned methods.

The qualitative analysis was done in the following way. First of all, I recorded my interviews and transcribed them widely after completing each session. The next step was coding of the data, an analytic process described by Strauss and Corbin (1998) through which data are fractured, conceptualised and integrated to form theory. This was carried out in accordance with Decrop's (2000: 358) recommendation by writing in the left margin of the transcripts, placing slashes between text chunks, or underlining quotes with different colours. Based on all information I gathered about each case (interview, company material, newspaper clippings plus my own observations and remarks), I analysed every case separately, writing down some comments and my personal reflections. These write-ups enabled me to become familiar with every case and helped to gain some clarity and identify each of them as a specific manifestation of the topic under study. Then, through the process of inductive analysis, I looked for

some common patterns, themes and categories. This helped to find the most important points for every case and see the whole phenomenon from a wider perspective. The next stage involved comparing and contrasting cases against one another, which allowed me to gain a better understanding of the topic and formulate conclusions. Finally, at the last, confirmatory stage of my analysis, I was ready to make some conclusions and theoretical propositions which are outlined in chapter four that refers to my research findings.

CHAPTER FOUR: RESEARCH FINDINGS

1 INTRODUCTION

This chapter outlines the research findings with respect to issues of loyalty: how it affects hotel's performance and translates into image enhancement as well as how favourably perceived brand can attract new customers and build loyalty among them. The research reported here was conducted in Auckland during the period June-July 2005 and comprised three hotels belonging to different international hotel chains.

Auckland, also known internationally as the "City of Sails" is the biggest New Zealand city with population of 401,500 within the city boundary and 1.25 million in the greater Auckland area. According to tourist promotional literature, Auckland, situated on the North Island between the Pacific Ocean and the Tasman Sea and surrounded by extinct volcanoes, picturesque islands, spacious and clean beaches is regarded as the 'gateway' to New Zealand and attracts many over 2 million tourists a year (www.aucklandnz.com)³. The city of Auckland is the retail and commercial centre of New Zealand, with a number of head offices and businesses servicing commerce, manufacturing and tourism. It has three universities and two technical institutes, together with a range of private and state secondary schools. There are a large number of utility services and facilities, and hotel and motel accommodation ranges from top class to budget (www.aucklandcity.govt.nz). Service industries are well developed and in terms of GDP recorded an increase of 1.3% in the December 2004 quarter, following a 0.9% increase in the previous quarter. With regards to retail, accommodation and restaurants⁴, those services rose 0.7% with accommodation, restaurants and bars activity (up to 3%) the main contributor. Due to the lift of 3.2% in the September 2004 quarter, the retail activity was up 7.4% for the December 2004 year and reflected high household spending and an increase in-bound tourism ([www. statistics.govt.nz](http://www.statistics.govt.nz)).

³ Data for December 2004.

⁴ The amount of GDP created by the hotel sector alone is not specified by Statistics New Zealand separately, but given in conjunction with restaurants and bars; hence it's difficult to quote a precise amount of GDP generated by hotels alone.

Auckland is one of the major destinations for international visitors to New Zealand and it also hosts a large number of conferences each year. There are 25 hotels in Auckland with approximately 10 hotels belonging to international hotel chains. The hotels that participated in my research are of the international chain hotels. However, it should be noted here that due to the strong competition in the hotel sector none of the hotels wanted to be identified by its name, hence names such as hotel X, Y or Z appear in this thesis instead of using the company's original name. Because those hotels belong to big international hotel chains, it means that they have many hotels situated in different cities and countries which use either the same or a slightly different name than the company's headquarters. If the hotel company has hotels which are situated in various cities and use the same name, they will be identified in my thesis as X1, Y1, Z1 while the names X2, Y2, Z2 mean that these hotels are located in different cities and also use different names but belong to the same chain.

Having set the scene for my research, I'm going to describe the participating hotel companies one by one, paying special attention to loyalty and public relation tools they use in the process of image creation and developing and increasing loyal customers' base.

2 PARTICIPATING HOTELS AND RESEARCH FINDINGS

2.1 Hotel X

The first hotel, hotel X is situated in Auckland and places itself in the mid-scale hotel operation of the market and has 352 rooms, restaurant, bar, hotel club with business centre, sauna, gymnasium and conference facilities. This is one of the larger hotels in Auckland and has an average occupancy rate of 82%. Currently, the customer profile of the hotel is 30% business travellers and 20% leisure market, and the average room stay is 1.7 room nights. According to the hotel's estimates, about 70-80% of current business comes from repeat customers, but no particular information was given about it.

The hotels' efforts to improve its performance are twofold. First of all, hotel X's management engages itself in building up the number of loyal customers and employing a number of public relation initiatives. The hotel acknowledges the

importance of loyal customers as “it’s far cheaper to keep loyal customers than to go out and source new customers” (respondent 1) and “they [loyal customers] basically generate solid base for the company” (respondent 2). Due to these reasons the hotel operates a number of initiatives to keep the existing customers “happy”. The key initiatives are loyalty programmes which aim at attracting new customers as well as keeping the existing ones. Hotel X has three loyalty programs, one (Loyalty Program 1) which is complimentary and is the biggest hotel loyalty program in the world with 25 million members worldwide. The second one, Loyalty Program 2 is a local program addressed to the local market and aims at generating interbound accommodation rooms. Both programmes give customers a number of advantages, however, the Loyalty Program 2 is more extensive giving its members a far greater privileges, such as up to 50% discounts in all the hotel restaurants, two for one vouchers for accommodation, discounted room rates and the possibility of earning points towards free nights or air points.

Loyalty Program 1 offers points which can be redeemed for hotel stays, airline miles, retail certificates or in-hotel rewards. Customers are offered single rates for double occupancy and a vast number of partnering companies also give some discounts for using its services. Hotel X also runs a third loyalty program designed especially for people who make the bookings with the hotel and refer customers to this particular hotel. They are offered rewards for doing so, and by running this program the company tries to secure a regular flow of customers as a way of increasing the customers base. Hotel X also offers various incentives to “make and keep customers happy” (respondent 2) as well as recognise repeat customers. Guests (especially regular and corporate ones) are met on arrival and greeted by the product or general manager; they are invited for dinner or afternoon tea, the hotel offers them sailing on the harbour or takes them to the Super Twelve Rugby (local sport competition) as well. What distinguishes those programs from their competitors in the hotel’s management opinion, is the “sheer size of the program” (respondent 1) and the company’s scope who have hotels in 100 countries. It is a beneficial situation for customers who can save up points and use it for accommodation while on holidays as well as redeem them for a huge range of retail, not necessarily for hotel products.

Another advantage is that the points never expire so customers can collect them without being urged to use them by a certain time.

The customers are treated respectfully because the hotel's management holds the view that a "happy guest is hopefully a return guest"(respondent 2) and that's why they go to great lengths to get the basics right and train its staff properly so when a customer enters the hotel, he/she can get the right attitude from the staff. The company does not have Customer Relationship Management (CRM) but have several feedback mechanisms to look into customers' views about the hotel, its strengths and weaknesses. In order to do that, hotel X runs a guest service tracking system, which in fact is an extensive in-house guest survey and "measures everything from the comfort of the pillows, through the room lighting, the speed of checking, the room maintenance", etc. (respondent 2) and is given to hotel guests each month. Next the feedback is collated to a 20 page report and the hotel is benchmarked against other X1hotels in the region. "Every problem, no matter how minor does get recorded" (respondent 2) and is analysed by the relevant personnel. Complaints are crucial for the hotel because they indicate the areas that need improvement. More importantly, by overcoming these difficulties, the hotel's management tries to enhance its image as the company who fixes the problems quickly and reacts to customers' feedback and complaints accordingly.

The second area which plays vital role for the company in increasing its competitiveness and performance is the company's image. Image is very important for the company because "with image comes a certain expectancy level. It's really important and could be compared to cars: if you buy BMW you expect to have a good car, so if it doesn't do that you're very unhappy, so they [manufacturer] make sure that it's a good car so you should be all the time very happy. With hotels [it] is the same thing: you get a certain level of service, your guest would expect it and you build image over time. Company image is very important as a certain image builds up expectations with the customers. If you are able to meet those expectations or even better, exceed them, you will have pleased and happy customers who are likely to become return customers: these are the most important customers you can have" (respondent 2). Image does not only mean visual identity but also means friendly service and adhering to

brand standards. Hotel X is extremely focused on brand tiers and brand presentation. The company has very strict guidelines of what the brand standards are and is regularly audited to make sure that they present the right product to the market. The company knows how important the image is for the customers and with regard to it they do everything to keep it consistent. Knowing that the company has loyal customers who utilise particular brands, they concentrate on making sure that there is consistency across the brand, which means that if a customer goes to hotel X in Auckland and then he/she goes to another hotel X in Melbourne, they expect the similar level of service and product standard. The company caters for different market segments providing suitable incentives for them, such as spa treatment and child-friendly restaurants for the leisure market and a very fast check-in and conference facilities for the business segment. Customers like speed, efficiency, fast check-in and most of all, top delivery, and the hotel's strategy to fulfil these expectations turns out to be profitable as a lot of people who are first stayers make bookings with the hotel because they have confidence in the company and the brand standard.

As far as public relation tools are concerned, the company engages itself in a lot of charity work. Both, the hotel's management and staff do half a day's work for charities, buy equipment, like bicycles for the orphanage or raise money for a particular purpose. The most explicit example of this kind was the 2004 tsunami appeal when the hotel management was given one day to raise funds and as a result of this they (plus other hotel X in the region) raised well over a million dollars which went to charities, with most of it to Indonesia. The company does not sponsor any charities with direct funds, but offers accommodation to charities, and in general the company gives away about 75-100 room nights over the year. The hotel's management holds a favourable attitude towards corporate philanthropy as they realised that "philanthropy should be an integral part of well-managed company rather than an ad hoc activity reacting to passing fads" (Mescon and Tilson, 1987: 50).

The literature confirms this view by quoting numerous examples of organisational philanthropy in the past (such as help with funding local schools, libraries and other services) that directly benefited company's workers and indirectly aided the firm (Sharfman, 1994: 245). Moreover, corporate

involvement in social well-being which began as voluntary responses to social issues and problems is now evolving into a phase in which social responsibility is viewed as an investment by corporations (Stroup and Neubert in Varadarajan and Menon, 1988: 58). According to Porter and Kramer (in Kotler and Lee, 2005: 147-150) the benefits of philanthropic activities go beyond generating goodwill. The examples of it include activities that enhance a company's productivity (e.g. Exxon Mobil making substantial donations to improve roads in developing countries where it operates), expand markets (e.g. Apple Computer donating computers to schools, increasing the usage and appeal of their systems), and ensure a strong future workforce (e.g. American Express supporting training for students pursuing careers in travel agencies). In the light of above, corporate philanthropy can be seen as profitable strategy of not only building stronger relations with the local community but also creating a positive image in the long run.

Another public relations tool the hotel uses are open door's days for the new staff (certain days of a year when prospective employees can visit the hotel and talk to departments' heads about their career and employment opportunities there), specials through the travel industry, newsletters with special offers and loyalty programs on top of this. In terms of public relation tools, the most effective are loyalty programmes (and the loyalty program 1 in particular) and charities. Except for the above mentioned hotel X also makes use of printed and radio advertising, but these measures belong to a different discipline and will not be discussed here.

2.2 Hotel Y

The second company that took part in my research is the world's largest hotel and tourism group with more than 3,500 hotels and resorts in 90 countries. In Australia and New Zealand, there are over 100 hotels and resorts covering all prime business and holiday destinations (retrieved from company's website, on June 2005). The hotel brands include luxury, resort and business class hotels as well as economy and budget. The hotels I conducted my research with, belong to the middle and upper end of the market. Both have all the necessary amenities, such as restaurant, business centre, gymnasium and are conveniently located. Currently, the customer profile of the hotel is 40%

business travellers and 60% leisure market, and the average room stay is 1.5 room nights. According to the hotel's estimates, about 60% of current business customers come from repeat customers and the same amount of repeat customers applies to the leisure market too. Business incorporates individual corporate guests, conference groups and event clients, while leisure includes large group travel as well as FITs (free independent travellers) and weekend leisure business.

In terms of developing loyalty with existing customers as well as possessing new ones, hotel Y organises a number of things. The company recognises the significance of loyal customers as "it is very important to have loyal customers, because it's much harder to get new ones" (respondent 3). In order to maintain loyalty and develop good relationships with customers hotel Y has two loyalty programs, however they operate only one of them as the second one is addressed mainly to the luxury brand which is currently not present in New Zealand although it is going to be introduced soon. One can assume, however, that as soon as the hotel opens, the new loyalty program will be launched immediately. For this reason only the first loyalty programme will be discussed in my thesis. The loyalty programme is designed to reward for loyalty by saying to customers: "if you join our program, you have preferential rates all about hotels and we give you discounts off the normal full-published rate" (respondent 4). The customers who join the hotel program receive a complimentary gift certificate every year to be used in any of the Y hotels and is subject to availability. It's primarily a dining privilege card, which offers discounts with dining. Members of the program get up to 50% discount off the published rate of accommodation, have access to exclusive holiday packages and also enjoy a 30% discount with Blue Line Cruises and complimentary breakfast while staying at certain hotels. When asked what makes the program different from their competitors, the hotel's management pointed out the fact that the loyalty program enables customers to use these discounts across all their brands. Because of the company's global range it is a big point of difference. In the hotel's management view there are a lot more properties that can enjoy discounts in rather one particular chain than across all the brands. In light of above, it becomes clearly an advantage for customers since no matter where they go, they can use it.

The customers are vital for the hotel and in order to build up mutually beneficial relationships hotel Y runs CRM which is considered to be extremely important for them. The hotel staff listen carefully to what customers are saying, recognise their wants and needs, records that information and tracks it accurately. The idea behind it is that if the company wants to provide a high standard of service in New Zealand, they first need to know what their customers want. It also helps to develop and follow an enhancement strategy so the hotel can serve its customers better. Feedback and complaints are other areas of recognising customers' needs and the hotel's management does its best to track all the information and improve its service. Feedback is important for the company because it indicates what needs fixing and helps the hotel's management to put things into perspective. The company has some achievements in this field as the number of satisfied customers is increasing. In the hotel's management opinion the key to success is "how you handle and manage the complaint process" (respondent 4) and the hotel spends a lot of time on communication with customers. Communication includes all forms: written, verbal, personal, etc. and except for its fundamental role, through attentive listening it also allows the hotel to act in an advisory role, which embraces staying in touch with customers, helping them track their trends and travelling patterns and assist with doing more business with them. It also includes informing customers about current specials and promotions as well as managing the entire process of customers' accounts – from negotiating rates through implementing agreements which means looking after the guests and liaising with them. The hotel staff is dedicated to customers and that dedication in one of my respondent's view, "has a professional edge and thus creates a point of difference over the company's competitors".

Image is equally important for the company as loyalty issues. My respondents emphasised its role saying that image is extremely important for them and it comes down to a couple of things. First and foremost comes consistency which means keeping the same brand standards across all the properties. Hotel Y has very strict brand standards but according to my respondents' views, it is confidence with consistency that attracts customers to the hotel. But consistency does not only mean maintaining strict brand standards, it also

means getting the right attitude from the staff to assure customers that they can trust the company as a professional and innovative organisation.

Yet, image also carries certain values behind it. Those values are: responsibility, transparency, honesty, passion and trust, and every staff member is taught them during the induction so the image is imbued with those values and portrayed as such to the general public. Image is very important for the company as it “is portrayed through every staff member all the way through; [it] doesn’t matter if you’re a general manager or one of our housekeepers, everyone has those values, and they live and breath them, and that translates to the guests, so the guests’ experiences are enhanced, so the image is very important” (respondent 4).

Honesty is one of the key values for the hotel’s management, and signifies being honest with delivering value for money. If hotel Y promises something, it delivers it so the customer knows perfectly what they can expect and that they will get it. In other words, the company is honest with value for money and the customers trust it. In fact, people come from overseas, stay with the hotel, because they recognise the brand from Europe. Hotel staff knows that customers have certain expectations so they do everything to satisfy their guests and guarantee top delivery.

Image is important as a medium of communication with the public and the company pays attention to its presentation, however, it all comes down to emotional relations with the wider community. Not only do they present a consistent image but also show the values which the hotel believes in 100%. The company cooperates closely with the business community, mainly through sponsorship and charities which constitute the most frequently used public relation tools.

In terms of sponsorship, the company is an official hotel partner of the Australian Olympic Committee and Australian Olympic Team and provides accommodation for the country’s athletes. Hotel Y has a long-term involvement in developing sport in Australia, especially through its hotel Y2 hotels, which are recognised as the “Home of Sport” (retrieved from company’s website on June

2005). In addition, the company through its hotel Y2 hotels supports a range of golfing events in Australia and New Zealand as well as sponsoring individual players. A long association with the Rugby Union is also worth mentioning and the company is the official hotel for rugby teams and associations. In the company's opinion this involvement is very effective as getting involved in sports the hotel is clearly visible and gets great exposure across a huge cross-section of people.

The company puts a lot of effort and energy into charity which represents another public relation medium used by the hotel in strengthening loyalty and shaping favourable image. The most noticeable is a charitable organisation⁵ that funds medical researchers who are continually looking for and finding answers to diseases that have cut short or compromised the lives of children in New Zealand and all over the world (retrieved from company's website). Each year the partnership grows as hotel Y continue to work towards fully integrating the charity into all areas of their business. Every Y hotel in New Zealand is involved. "Every individual staff member whether it'd be general manager or somebody in reception quarter, they all have ideas that can put forward to the head of the department or their team and say: what about if we do this, and they can go and do it" (respondent 4). The most unusual example is hotel Y cycling tour to help the charity, a cycle event from Wellington to Auckland which was inspired by a similar event run by the company in Australia last year in recognition of hotel's Y five star hotel brand. Hotel's Y New Zealand Regional General Manager took part in the Australian event, and was determined to run the cycle ride in New Zealand and raise money for the charity. The event was a huge success and there was significant New Zealand media coverage of the event across all mediums, including print, radio and television. A website about the charity was specifically built for the event and enabled the hotel to post daily updates of the riders' progress, people to send messages of support and make donations (based on data received from the company). To make the event more attractive, the 2004 Olympic gold medallists Hamish Carter (triathlon) and Sarah Ulmer (cycling) and silver medallists Bevan Docherty (triathlon) and Ben Fouhy

⁵ At the request of the hotel management the charity is not identified here due to close association with the hotel. More detailed information about charity would result in identifying hotel easily; that's why terms like 'the charity' or 'charitable organisation' are used.

(rowing) accompanied the cyclists for part of the last leg boosting the profile of the event even higher.

The company also organises different fund raising activities, such as charity auctions, mufti days (non uniform days), sausage sizzles, garage sales, and fund raising activities around the world famous New Zealand hermit sheep 'Shrek' and the hotel Y New Zealand. As well as supporting charities, hotel Y also sponsors the 50K of Coronet Peak, an international endurance Ski Race held annually in Queenstown. The gruelling endurance race features world class, international team skiing non-stop for approximately 16 hours – the goal is to clock up 50,000 vertical metres of skiing (www.50kofcoronetpeak.com). The 50K of Coronet Peak is the largest skiing event staged in New Zealand and the profits go to "the charity as the most significant charitable activity the company provides for.

To sum up the company's activity in this field, it can be said that the hotel undertakes those initiatives because in the hotel's management opinion those are things the company is really passionate about and this attitude determines success.

Both charities and sponsorship are, in the company's view, the most effective public relation tools and the hotel is going to keep using them on a regular basis. Overall hotel's Y efforts aimed at building up loyalty and enhancing the company's image could be described at best by the means of the following quotation:

" People are passionate about rugby, people are passionate about golf, people are passionate about saving children's lives, and I think that passion, when you are linking that passion you have yourself, it makes it successful" (respondent 4).

2.3 Hotel Z

The last company which participated in my research is hotel Z. Hotel Z has 410 rooms, bars, restaurant, winery as well as jacuzzi bath, health club and conference and banquet services. Currently, the customer profile of the hotel is

35.6% business travellers and 64.4% leisure market, with the average room stay of 2.45 room nights for business segment and 1.85 room nights for leisure. According to the hotel's estimates, about 32.1% of current business customers come from repeat customers while 6.8% of current leisure segment comes from repeat customers.

The hotel caters for their customers as they are really important to them. The company does different things to attract customers, mainly loyalty programs which offer a number of benefits and are designed to make the guests' stays more enjoyable. However, the loyalty programs differ from the others with regard to the fact that it is the hotel's management (and not the customer) who invites guests to join the program which signifies the idea of exclusivity. The company offers loyalty program that is divided into two levels, depending how frequently the customers stay with the hotel. The benefits include late check-out, complimentary upgrade to next room category and access to health club as well as discounts on restaurants and bars and enhanced amenities (such as a bottle of wine or fruit upon arrival). Contrary to the other hotels, hotel Z does not offer certificates that can be used in retail, nor does it run two different loyalty programs addressed to business and leisure markets separately. In terms of difference between hotel's Z and their competitors' loyalty programs, the hotel's management states that its program is probably a lot simpler than the competitors' but its point of difference lies in delivery. In the hotel's management view it means that a lot of programs offer customers a lot but do not keep their promise, while hotel Z has its upper hand on delivering on the promise. The company's stance on keeping loyal customers is to simply believe that whatever is promised must be delivered with top notch service. Another difference is that customers need to purchase a card to obtain a level of discount in case of different programs, whereas hotel Z invites them to join and by doing so allows them to avoid paying for the card. As far as loyalty programs are concerned, the company offers airline promotional frequent flyer program, and is just about to launch a program called "the Legend Club" which rewards brokers for making reservations or catering functions with the hotel that is based on points system that they can redeem for stays in any properties worldwide.

As customers mean a lot for the company, they operate CRM system and within it the hotel initialises programs to “reward people that are, have been the company’s customers and are doomed to be the hotel’s customers in the future” (respondent 6). Hotel Z manages relationships with customers under CRM system and goes out to various market segments with tailored products that suits customers’ needs. By “going out” to different market segments, the company means preparing different packages and offers for various market segments. For example, hotel X has special weekend packages for the leisure market while the corporate market is being looked after by the business development manager who knows customers well enough to develop and tailor the offer that suits them at best. The hotel communicates with customers using email campaigns, and is just about to launch a new initiative, on-line questionnaire. The questionnaire is fairly comprehensive and is designed at providing the company with in-depth details about customers needs and wants, such as what were the guests happy about, what’s the likelihood of them returning, how they book, and so on, so the hotel can get to know their customers better. However, the company does not only concentrate on on-line questionnaire as a medium of identifying and meeting the guests’ needs, but also uses the customers’ feedback as a way of improving its performance. The hotel receives feedback from the customers, namely in the form of guest-survey and if there is a problem a guest is experiencing they do their best to make sure that it does not happen again and that service is more tailored to their needs.

Service is the company’s strong point and the hotel focuses on service delivery. Hotel Z management discovered that a lot of companies focus on promising a lot of enhancement and do not keep their promises while hotel Z does exactly the opposite: they focus on service. Bearing in mind that the lack of good experience from a guest while staying at the hotel means that s(he) is less likely to return, hotel Z is “prepared to go to and make each individual customer have a very memorable and favourable experience” (respondent 6). According to the hotel management’s view, it all comes down to an excellent service and it is difficult to meet anybody who does not value good service. As my respondent said: “you can have all the marbles and crystals and chandeliers and you can have shocking service and it means nothing. And you can stay in the most basic

hotel and have a fantastic service, and the hotel is wonderful. So it is all about service” (respondent 5).

Knowing that satisfied customers could be the best company’s ambassadors hotel Z undertakes a number of initiatives to enhance their image. First of all, they try to preserve brand consistency particularly with a new luxury brand (refers to the recent rebranding) which is a part of the “Leading Hotels of the World”. The company has very strict brand standards and is audited annually. Being a part of the “Leading Hotels of the World” requires the company to achieve certain levels of service standard to keep their image and reputation high as well as protect the brand. Those standards also apply to visual identity, to any photographs the company produces, any advertisements, any brochures that the company publishes to ensure that any aspect of the company’s presentation is consistent with brand standards and the company’s philosophy. The hotel’s management assumption is that “every contact that guest has with the hotel Z property - from the service to the tangible brochure is all in the same elegance whether it is editor brochure or the level of service you receive” (respondent 6). The company bases its point of difference on moving from what is the average brand standard to the very best in each of the company’s locations. Generally, hotel Z differentiates itself by offering luxury and the best service one can ever experience.

Image is particularly important for the company and the image they try to portrait its “gracious elegance, which is something that most hotel companies have forgotten to do” (respondent 5). Gracious elegance signifies personal experience, personalised service and most of all, top-notch delivery. The company claims that the image reflects the standard of service, hence a guest’s experience reflects that standard, because the “image you are portraying publicly should be a mirror of the experience” (respondent 5). Customers appreciate it knowing that the hotel offers something extraordinary, something that cannot be easily found in other hotels. It is also the company’s ongoing commitment to customers and the level of service as well as letting the customers know what the “leading Hotels of the World” badge equals with. The company’s image is also essential for customers, since if the hotel has a poor image or poor reputation a guest would not want to stay there, that’s why the

hotel's image is so important for them. In the hotel's opinion "our image is everything"; it's [image] with cars, it's with watches, it's with hotels, image is all" (respondent 5).

Hotel Z is interested in shaping favourable image and in order to do it uses several public relation tools, with charities and media relations being the leading ones. The company has affiliation with charity, is affiliated with partners and helps with the costs of different functions that take place at the hotel. The company also does good deeds by donating furniture for the children's hospital and keeps good relations with the media. Hotel Z hosts media lunches, afternoon teas and keep the journalists up to date with the most recent products and what's happening at the hotel. This is beneficial for the company given the recent rebranding as it enables people to understand what and who is associated with the hotel as well as helps perception of the brand of who the hotel is and what the brand stands for.

With regard to sponsorship, the company has not sponsored any particular event this year, and they prefer to have a joint partnership that works than to sponsor a given activity. However, the situation with charity looks different as the company has an ongoing relationship with one chosen charity that has been going for about 3-4 years. The hotel also organises open door's days for people who might be interested in coming and pursuing the career there so they can have an opportunity to talk to different department heads and learn about different roles the company has on offer. A PR department does not exist in the hotel but the company has a communication consultant who works very closely with the hotel, and overall the hotel does quite well although it is difficult to define what public relation tools are the most effective as the majority of the company's initiatives are quite new due to the recent rebranding.

3 REFLECTIONS

With regards to identifying how the hotel's image affects customer loyalty and helps the company to increase its competitiveness a number of thoughts come to mind. To begin with, image affects loyalty but the degree of its influence depends on several factors which will be outlined below. First of all, it is vitally

important for the hotel management to know what aspects of image the guests deem to be essential when deciding which hotel to choose or when evaluating the hotel experience. For example, in some cases hotels' management assumes in advance that image as a whole or a brand (without specifying which aspects play important role for the customers) is the major factor that influences customer loyalty. While this is to a large extent true, my research shows that it may not always be the case. Based on the information provided by the hotels, it turns out that for the majority of customers it's more tangible aspects, such as price and location that matter and image comes after, not before them. If the price is reasonable and a hotel is conveniently located, it influences customer's choice of a hotel and affects the hotel's image as an institution that takes customer's interests to heart.

Speaking of tangible aspects research conducted by Kandampully and Suhartanto (2000, 2003) on the hotel chains proved that the various aspects of a hotel's operation are not of equal importance in the judgement of hotel guests. Their research findings show that hotel image and customer satisfaction with reception, housekeeping, food and beverage, and price are important factors in determining customer loyalty. Previous studies show that image is a mixture of tangible and intangible characteristics and that the "image of the location, employee attitude, facilities, and services of a hotel constitute important factors in determining customer loyalty" (Ostrowsky et al. in Kandampully and Suhartanto, 2000: 350-351). However, a study on customer loyalty carried out by Wong and Sohal (2003) suggests that the tangibles dimension is the most significant predictor of customer loyalty at a company level, while empathy is the most important predictor of customer loyalty at an interpersonal level. Another study by Wong et al. (1999) confirms a high correlation between tangible aspects of image and customer loyalty. This implies that hotel managers should concentrate their efforts firstly on tangible aspects and secondly, on employees, in order to achieve customer retention. Therefore, managers should spend their money on extension of facilities or product innovation, as long as the requirements of handling guests' complaints or ensuring that the service delivered is performed right the first time are met. While tangible aspects are important, one should bear in mind that they may not always indicate that a hotel performs well and that visual attributes could be

misleading. It means that a hotel can have an excellent image in terms of visual identification but a poor service which will sooner or later result in diminishing numbers of customers. Thus, tangible aspects should not be the only determinant of hotel's image as a "poor service level cannot be masked by a brilliant corporate image in the long run" (Zins, 2001: 279).

As far as intangible aspects of image are concerned, they play an essential role in enhancing company's image and increasing loyal customers' base. One of them is service quality and more specifically the organisation's behaviour in its dealings with customers. Research on factors influencing loyalty conducted by Divett et al. (2003) indicates that there are two elements of primary importance: approachability (defined as the availability and perceived attitude of the business' employees) and responsiveness (defined as the attitude and approach of the individual employee when approached with the question). It's an important aspect as it sometimes happens that customer arrives at the hotel, has a problem and wants to have it fixed as soon as possible. If they can address the issue quickly and if a guest is satisfied with the way a complaint or question is handled, they are more likely to talk about it and more likely to give a good impression of the business – compared to those who did not complain about the service. This means that proper complaints' handling is essential and hotels should create a positive climate for customers to receive a regular feedback from them.

Many hotels run satisfaction surveys as a way of obtaining customer's opinion about the hotel and suggestions how the hotel service could be improved. That's not a bad idea, however, the response rate is only about 2% (data based on my research findings) which is not enough to provide a valuable insight into hotel's performance or further enhancements in general. However, the hotel is just about to launch on-line survey which is fairly simple and aims at providing the company with better and more regular feedback from the customers. Given the internet popularity, speed and anonymity it should increase the company's chances on being repeatedly informed as to what customers like/dislike, what are their preferences and what areas of the hotel's operation could be improved. Those ideas could be used for mutual benefit in the future as the current response rate the hotel receives from their customers do not constitute

sufficient grounds to make an explicit judgement about hotel's performance and its perception in customers' eyes. Furthermore, people do not like filling different papers as it takes time and more importantly, even if they provide some comments (including criticism or reservations) the companies hardly ever reply to it, not to mention saying thank you for offering some useful indications as to what aspects of hotel's operation could be improved in the future. Having experienced the lack of communication from the hotels myself while providing them with some feedback, I can posit that this kind of behaviour can put the customer off and send a contradictory message to a general public. That's why a quick response is so important.

Responsiveness is the second element of company's success while shaping favourable image, as well as increasing the hotel's competitiveness and the number of loyal customers. In this case, responsiveness comes down not only to service quality but most of all to personal qualities of hotel staff while responding to customer's queries or complaints. This is where certain features, like empathy, attentiveness, honesty and being composed impact the customer's perception of a hotel and its image. Referring to empathy, it is an important factor in establishing customer's links with the hotel. This is fundamental at an interpersonal level, as employees play a major role in shaping the service experience and enhancing company's image. Moreover, the literature review demonstrates that understanding a customer specific needs and having the customer's best interest at heart sends a powerful signal to customers as to the quality and performance of the service delivered to customers. Because of the characteristics of service, all interactions between the service provider and the customer present an opportunity to portray the firm in a positive – or negative – light, and this inevitably impact on customer loyalty to the employees as well as to the companies they represent (Wong and Sohal, 2003).

Some of the hotels that participated in my research adopted this strategy and make their best to create a memorable experience for every customer so that it will be extended and thus, affect customer's loyalty. They try to create atmosphere of mutual trust and understanding and encourage customers to ask questions and talk to them, so the hotel can benefit from communication with

customers. If one takes into consideration a simple fact that everybody likes to be appreciated, thus the hotel's efforts to listen to what their customers say and react to it accordingly should result in increased competitiveness, growing customers base and image enhancement as well. Although the service quality per se gives no guarantee of success, one can assume that a well-organised customer service can help overcome the customer's disloyal tendencies by providing them with a great experience. In other words, if the hotel gets the basics right, the staff is approachable and responsive, then "you are half way towards keeping your loyal customers" (Divett et.al, 2003: 119). The above considerations shed some light for hotel managers as what to accomplish to develop customers' positive feelings towards the company's front-line employees and the company itself.

However, what should be noted here is the difficulty with getting a true customer's opinion due to cultural differences. For example, non-western people may not express their genuine opinion for fear of hurting someone's feelings. It's their culture that dictates them to be polite even if they are dissatisfied with the company's products or level of service (Liu and McClure, 2001). Thus, it is not easy to identify customers' views and if the hotel wants to maintain a two-way communication with their customers, it needs to encourage customers to speak freely, create a friendly environment and most of all, respond quickly to customers' response. It's known that a disappointed customer is probably not a return customer and that by becoming less approachable and not acting responsively will result in losing a customer and decline in loyalty levels. Hence, hotels' management should consider future investments in staff training as well as developing or improving their necessary skills.

These conclusions as well as past research conducted by Wong and Sohal (2003) also pose an important implication for the hotel managers showing that service quality is multidimensional and not all aspects contribute equally to customer loyalty behaviours. This means that the company should concentrate on the more important dimensions, seeking a clear leadership on that dimension instead of trying to improve marginally in several areas at once.

In the light of above, customer relationship management (CRM) becomes one of the important tools that may contribute to building favourable relations with hotel guests and thus, improving service quality. As literature demonstrates, customer relationship management is concerned with consumer loyalty and suggests that retaining customers over their life compared with a transactional policy of marketing will contribute to enhanced profitability. Enhancing relationships with customers means treating them fairly, enhancing core service by adding extra value and, perhaps more important, providing a highly customised service for each individual” (McIlroy and Barnett, 2000: 347). More importantly, however, CRM according to Varadarajan and Menon (in Cornwell and Maignan, 1998: 5) can achieve two aims: improve corporate performance and help worthy causes-by linking fund-raising for the benefit of a cause to the purchase of the firm's products/services. Evans and Lasking (1994: 440) have more recently delineated it as a process in which “a firm builds long-term alliances with both prospective and current customers so that both seller and buyer work towards a common set of specified goals”. Accordingly, in order to achieve these goals it is necessary for a company to understand customer needs, treat them as partners and ensure that employees satisfy customers' needs and provide them with the best possible quality, relative to individual needs.

However, CRM is not the same as traditional marketing. Numerous authors, (cited in Day et al., 1998: 829) levelled the following criticisms against traditional marketing:

1. The inability to discriminate and differentiate between appropriate service levels and customers:
2. A focus that is synonymous with the expensive process of customer acquisition;
3. The use of incentives and/or promotions that do not differentiate between loyal and/or profitable customers and casual transactions;
4. Incentives and/or promotions which do not always reach the most valuable customers, and finally, displaying limited respect for internal marketing.

In other words, CRM differs from traditional marketing initiatives (see table ...) in that, while the latter take predominately a short-term, transaction approach, CRM focuses on maximizing revenue from each customer over the lifetime of the relationship by getting to know each one intimately (Hall in Piccoli et al., 2003: 62).

Table 11 Traditional marketing vs. CRM approach.

Traditional Marketing		Customer Relationship Management
Transaction Focus	↔	Customer Focus
Short Term Focus	↔	Lifetime Focus
One Transaction	↔	Multiple Transactions
Broadcast Approach	↔	Sniper Approach
One way, one time communications	↔	Two way, continuous dialogue
Segment of Many	↔	Segment of One

Source: Piccoli et al. 2003: 62

Considering the above mentioned implications, it turns out that CRM is useful for hotel companies particularly in times of increasingly strong competition when literally every hotel offers loyalty programs, packages or any other incentives to attract and retain customers. Price and location, no matter how attractive, are no longer the main stimuli for hospitality business. Today companies need something more, something that helps them to differentiate themselves from their competitors. With customers displaying less and less brand loyalty (Piccoli et al., 2003) CRM is an attractive tool due to the number of benefits identified above. Day et al. (1998) quote several advantages among which close relationship with customers, improvements in customer satisfaction, financial benefits and more profitable loyal customers are the most important. Moreover, CRM provides hotel companies with abundance of information about customers, their needs and preferences, and enables them to improve on quality of service, tailor customers' experience and gauge value of every single customer. Not

only is CRM a potent tool of competitive advantage, but it also allows the corporation to better target its key customers, develop long-lasting relationships with clients and, more importantly, to market their offers accordingly.

In terms of defining the hotels' management motivation towards shaping favourable image and its impact on the development of customer loyalty, many answers can be given as every management has different motivation in this respect. No matter how different their motivation is, the primary reason is to survive in a highly competitive market. Hotels' management realises that loyal customers are a crucial factor for the organisation to survive and prosper, that's why they try to portray a favourable image in order to lure customers into visiting a hotel and becoming a regular guest. However, this is not the only stimulus that makes hotel managers put some efforts into keeping a high organisational profile and thus increasing loyalty levels. If one takes a look at the difference between the management's espoused and implied aims (for example, the difference between building lasting relationships with customers and rewarding them in comparison with price promotion where everyone who notices it receives a reward regardless of how much they spend), one may discover that the motives for shaping favourable image are mixed.

As Uncles (1994) maintains, in some cases there may well be a genuine desire to enter into relationship with customers and offer extra services and privileges that will be welcomed by customers (with sustained repeat buying and customer retention as the benefit). However, it becomes clear that many initiatives towards building a positive image are tactical attempts to defend the company's position in a highly competitive market. In order to succeed, a company must answer two questions: 'to what extent our efforts towards shaping favourable image result in developing customer loyalty?' and 'to what extent is it possible to achieve a high loyalty level?' first and after a careful analysis decide which image and loyalty building activities should be given top priority and modify their offer accordingly. In this aspect, they come up with different ideas aimed at portraying a positive image, among which the loyalty programs are the most popular options.

At this point, however, one might argue if this is sufficient way of increasing loyalty towards brand as literature and research show that loyalty programs are often misunderstood and misapplied. Despite their popularity, there is a considerable amount of controversy surrounding the value of hotels' frequent guest programs (and loyalty programs too) as a means of increasing customer loyalty, and therefore, profits for hotel chains (McCleary and Weaver, 1991: 39). Dowling and Uncles (in Lovelock and Wright, 1999: 130) claim that these programs have proved surprisingly ineffective for many firms. They suggest that in order to succeed in competitive markets, loyalty programs must enhance the overall value of the product or service and motivate loyal buyers to make their next purchase. In some instances, as with the airlines, the benefits are popular with customers, and virtually all players in the industry have felt obliged to offer a loyalty program, if only for defensive reasons. In other cases, the benefits are not perceived as particularly valuable and certainly insufficient to justify a higher price than competitors.

The dominant motif of running this type of programmes lie in fear of losing a customer if the company does not offer loyalty programs to attract customers to the hotel. Thus, it becomes apparent that the "decision to launch a programme is often motivated as much by fears of competitive parity as anything else, which companies rarely state publicly."(Dowling and Uncles, 1997:74). Another reason of running these programs is to prevent new entrants and/or brands from entering the market as well as pre-empting a competitor from launching a more attractive loyalty scheme. The hotels' management hopes that by running those programs and delivering a good service they will be able to keep existing customers and attract new ones. Managers also hope to "gain higher profits through extended product usage and cross selling, to retain and grow high value customers, and to defend their market position in the face of a competitor loyalty scheme" (McIlroy and Barnett, 2000: 349). For the hotels' management loyalty programs are essential because customers often expect a hotel to offer a loyalty programme, and besides, customers "are motivated to participate in such schemes because, fundamentally, most people like to get something for nothing (Uncles in O'Malley, 1998: 52). For instance, a survey conducted by the Hilton Hotels indicated that 19% of the members of Hilton's HHonours would not have stayed at Hilton if it had not been for their frequent-guest program

(Carmen in McCleary and Weaver, 1991: 40). Furthermore, loyalty programs offer various incentives aimed at developing and strengthening customers' loyalty, and the hotels' management hope that such programs will "encourage guests to patronise their hotels to earn points for room accommodation, in-house purchases, and other services" (Toh et al., 1991: 47). For example, "Holiday Inn's Europe-bound travellers are lured to more experiential awards, such as attending a cooking school in Paris, or to food-and-beverage freebies. Twice yearly, Holiday Inn also hosts a Priority Club member conference where the company's best customers are invited by redeeming points to a property to rub elbows with celebrities, play golf and participate in focus groups in a trip subsidised by the company" (Bond, 1995: 24).

Although loyalty programs encounter a lot of criticism, they also have some advantages. For example, they provide the company with information. "By keeping track of an individual's stay and usage patterns through information technology the hotelier gains information such as frequency of stay, room rates charged, additional services purchased and preferred method of payment" (Palmer et al, 2000: 55). Moreover, they may be effective with respect to a number of repeat-purchase loyalty measures (while market share and overall sales remain relatively stable or even perhaps decline), which may enable a company to build stronger relationships with customers, allowing the firm to become more familiar with its customers' needs and wants and thus able to provide better service at a lower cost (Sharp and Sharp, 1997). As Sharp and Sharp (1997: 475) maintain, such "behavioural change may be of great benefit to the firm in spite of not bringing about increases in revenue. It may also:

1. reduce marketing costs, in that the firm need spend less on convincing customers to return,
2. raise barriers to entry to the market, lessening the chance of future competitive threats; for example, it is more difficult to enter the airline industry today because of the additional requirement of having a frequent flyer program."

However, no matter what the reasons for running loyalty programs are, image (as my research shows) is not the main argument, and none of my respondents

has mentioned it as an underlying cause of running loyalty programs. In general, it seems that the majority of hotels embark on loyalty programs without having thought through the links between the incentives delivered to their clients and the value generated for the company. Although image is important for hotels' managers, I have an impression that they pay more attention to a high quality service and brand standards hoping that an excellent service will affect hotel's image and make customer come back to the hotel in the future.

The idea behind it is good, though it may put the success of those programs at risk. First of all, if the company wants to succeed, the management needs to realise that not all customers are equal. It means that if the hotel wants to take the full advantage of loyalty and profitability it must give its best value to its best customers. That is, customers who generate outstanding profits for the company should enjoy all the benefits of that value creation, and as a result they will become more loyal and profitable. "Unfortunately, most companies inadvertently treat all customers as equal, providing them with products of equivalent value regardless of how much they spend or how long they have been customers. A company that offers average-value products and services to everyone wastes resources in oversatisfying less profitable customers while undersatisfying the more valuable loyal customers" (O'Brien and Jones, 1995: 76). The result is predictable: frequent buyers will defect and less profitable customers stay around, diluting the company's profits. Hence the company should identify first who their most profitable customers are and offer them additional benefits. Consequently, the hotels' management should not expect a loyalty programme to have a clear long-term impact on behaviour, unless it also gives complementary advantages for the most important and desirable customers. Therefore, following O'Brien and Jones' (1995: 78) reasoning the right question is not: 'what do the company's customers need?', but 'which of the company customers' needs can the hotel profitably and differently meet?'

Hotels' managers know how important the image is, but they also know how difficult it is to manage. On the other hand, a favourable image is synonymous for a hotel organisation with having satisfied customers who spread a positive word of mouth and contribute to the organisation's success. Due to this reason, the hotels' managers are sensitive to image manipulation as an easy way of

presenting the organisation in positive light and affecting customers' perceptions about the hotel and its brand. This is something subtle, something that not everybody notices at first but something that influences customers' imagination and their impressions about the company. A short visit to a hotel confirms this view. For example, what is the proportion of European vs. non-European employees, how many men and women work there? Are they given equal job opportunities? What's their age? And what about the ratio between young and mature women, which ones are given priority as front-line employees? What colours the hotel use, do they relate to a company's logo?

The strategy behind it is to create a positive first impression. This is in line with the so-called 'halo effect' which says that people have a natural tendency to ascribe good qualities to those who look good, even if they do not know anything about them. In fact, those people might not be bright or good at what they do, but because they look attractive, the others are willing to give them credits even if they make a mistake (Aronson et al., 2002). In other words, people base their judgment about the others on external clues and that perception affects the opinion they make about them (although it might not be right). This is further supported by Grönroos (2001) who quotes the example of a customer visiting a good restaurant. If the meal is not perfect or the waiter's behaviour is annoying, he may still find the perceived service acceptable. The favourable image he holds about the restaurant makes him find excuses for his unsatisfactory experience. Thus, the halo effect has a considerable bearing on people's perception and their impressions about others and the services they provide.

Examples like the above say a lot about the hotel although it is something that does not automatically come to mind while discussing management's motivation towards shaping favourable image. Hotels use all means that appeal to customers' senses allowing them to build favourable associations about the hotel. One of the hotels that participated in my research is a good example of that. For instance, what strikes a customer when s(he) enters the hotel is opulent décor (more sophisticated than in the other hotels), a good mixture of colours (i.e. a harmoniously selected colours that evoke atmosphere of well-

being and luxury), brisk smells and a sea of flowers displayed in such a way that they catch a customer's eye from the very beginning.

Furthermore, the hotel uses a luxury strategy as a point of differentiation and by applying exclusive symbols exerts influence on customers' perceptions about the hotel. It means that this type of hotel (five-star hotel) sells status rather than a mere lodging, however they have to identify the status' meaning if they want to be perceived as one of the most prestigious hotel chains. This corresponds with the hotel's aspirations to provide excellent quality service which constitutes one of the necessary elements in the social desirability of a product or service. If one follows Veblen's theory which maintains that expensive things are effective status symbols and a high price can actually increase demand for some goods, as well as people who are willing to pay a premium price for a status-worthy product or service are rewarded with preferential treatment by social contacts, then it becomes clear that the Veblen effect extends to hotels (O'Cass and Frost, 2002, Gillespie and Morrison, 2001). A good example of this strategy are Four Seasons or Ritz-Carlton hotels which even during the recession of the early 1990s refused to lower their prices and in fact, kept their price integrity which helped them to elevated their brands into a distinctive product class among status-seekers (Cattrett and Lynn, 1999). What is equally important here is the notion of exclusivity, and my research (in case of this particular hotel) confirms it as the company differentiates itself by offering its customers something exceptional that cannot be easily found in other hotels. By portraying the luxury and exclusivity strategy the hotel relies on the idea that some products and services are promoted only to a narrow segment of society and the product must be well enough known to make a statement to associates, but not so well known that throngs congregate to purchase it (Cattrett and Lynn, 1999).

One may say at this point that it is a slightly different perspective and applies more to a psychological or economic dimension rather than image' creation, but it's exactly how the hotel operates and influences customers' perceptions. Not many people are aware of that type of manipulation and many of them believe that the image portrayed outside is congruent with the hotel's strategy. "It is the intangibles of products and services, and their association with style that

enables a guest to act their desired socio-cultural role. This entails the valuing of symbol over substance, with media constituting and perpetuating illusions of hyper-reality interlinking reality and simulation, which routinely manipulates customer desires, wants and needs” (Williams in Gillespie and Morrison, 2001: 184). This is clearly visible within commercial hospitality that exploits luxury symbols and sophisticated facilities displayed in such a way that they create the atmosphere of comfort, lavishness and relief making a customer believe that this the world where he/she belongs. In other words, by creating unrealistic images the hotels’ management lures customers into visiting a hotel and by displaying a cosmetic version of reality makes them eager to come back. “It is the sign image of reality that is being promoted rather than the hotel product itself and its essence lies in the social symbolism it carries” (Gillespie and Morrison, 2001: 186). In the light of above, it is becomes clear that the image’ manipulation is one way of evoking positive associations and often serves as a ‘shortcut’ of implementing a company’s strategy.

Answering the question which public relation tools are the most effective in terms of building favourable image and developing customer loyalty is relatively complex as some public relations tools are more effective than the others and become the managers’ favourite medium of creating a positive image. My research findings show that charity and sponsorship are perceived to be the most successful and most frequently chosen measures of the execution of hotel’s strategy. Sponsorship as a clearly visible medium that affects customers’ perceptions becomes a way of promoting company’s goodwill and by spreading a positive word of mouth tries to strengthen customers’ opinions about the hotel as a place worth staying.

They also know that if they want to retain customers the hotel’s management has to offer something more than mere incentives to draw guests’ attention to the company. By participating in different charities and sponsoring various endeavours the company obtains additional advantages (such as shaping favourable image, spreading positive word of mouth or promoting the brand) and increases its chances of gaining a competitive advantage. For example, Smith (in Mullen, 1997: 44-45) maintains that strategic charitable giving can increase name recognition among consumers, increase employee productivity

and allegiance, reduce research and development costs, lessen government regulatory obstacles, and create overall increased public awareness of the business. This view is further supported by Bennett (1998: 460) who quotes numerous benefits of corporate philanthropy, such as that corporate philanthropy might:

1. facilitate relations with government and other key audiences;
2. enhance a firm's corporate image; attract extensive media coverage;
3. alter public attitudes; and generally support promotional campaigns.

In his opinion (Bennett, 1998: 460), corporate philanthropy offers many profits but the most important is the fact that "association with a good cause can endow the donor's overall corporate communications (including marketing communications) with qualities that are difficult to acquire through conventional commercial sponsorship: moral credibility, transference of benevolent images, customer bonding and retention, and (importantly) more committed staff (the knowledge that a firm is engaging in philanthropic activity could improve workers' morale and the overall culture of the enterprise)." Research also confirms that the advantages companies obtain from philanthropic activity are substantial. For example, one study confirmed the benefits corporations receive from charitable giving. Good corporate citizenship was number one, followed by ability to enhance image, increased media coverage, and finally increased sales (Shaw and Post in Mullen, 1997: 48). Fombrun and Shanley (in Bennett, 1998: 460) similarly concluded that well-publicised philanthropic donations can greatly enhance a firm's corporate reputation, hence possibly enabling it to charge premium prices, attract investors and high-calibre employees, and gain a competitive edge.

Furthermore, corporate philanthropy has been identified by many authors (see Brønn and Vrioni, 2001) as an activity which can have a significant impact on the communities in which the company operates. The firm donates funds to a worthy cause because it wishes to be a good corporate citizen without seeking to generate or exploit any association with the cause (Shaw and Post in Polonsky and Speed, 2001: 1363). Compared to other types of business-non-profit relationships, corporate philanthropy requires the least commitment in terms of business resources and managerial involvement (Wymer and Samu,

2003). The key features of corporate philanthropy and charitable activities are described in table 12.

Table 12 Key features of alternative funding mechanisms.

ACTIVITY	CORPORATE PHILANTHROPY	SPONSORSHIP	CRM PROGRAM
Funding	fixed	fixed	variable possible capped
Resources	none	association	association
Use of resources	no commercial use made of association	association is used in attempt to change customer attitudes, behavioural intentions and behaviours	association is used to create a customer offer, linked to a specific contribution to the cause
Key market outcomes	none	attitudes (positioning), behavioural intentions (loyalty and preference) and behaviours (sales)	behaviours (sales), behavioural intentions (loyalty and preference) and attitudes (positioning)
Sales impact	none	indirect sales impact	direct sales impact (continued)

Source: Polonsky and Speed, 2001: 1374

However, it should be noted here that corporate philanthropy which has its roots in the “societal marketing concept” (Collins, 1993: 46), is now seen as a “component of long-term competitiveness, rather than a short-term awareness builder and sales generator” (Simon, 1995: 20), and is often compared to other forms of charitable activities, perceived as a more valuable medium of gaining public recognition and shaping favourable image. For example, if one compares corporate philanthropy to sponsorship, it becomes clear that some differences exist between them. For instance, there is an obvious promotional motive

involved with regular sponsorship deals - an "affinity-of purpose"(Schmertz in Collins,1993:54).Collins (1993:54) also states that "firms will often achieve high profile publicity, extensive media coverage and people will identify events in association with a certain company". In his view, there is usually a logical link between the sport/art/activity sponsored by the firm and its target audience. On the other hand, it does not indicate that various acts of philanthropy are not addressed to the target audiences of the company's products, but the link is often" less obvious, certainly in many cases quite tenuous, and in most cases of a much less high profile nature, in terms of the activity chosen, than the more common sponsorship deals."

Thus, "corporate philanthropy differs from commercial sponsorship in that it (supposedly) involves donations made without any expectation of direct commercial reward" (Bennett, 1998: 459). More importantly, in truly altruistic giving, the firm makes no use of this resource and therefore the generation of this resource is not important in the firm's decision making (i.e. to give or not). "Strategic giving on the other hand is not truly altruistic, as the firm uses the firm-recipient association as a mechanism to achieve promotional ends" (Polonsky and Speed, 2001: 1362). Finally, the payback for the firm is not so readily apparent. Philanthropic acts involve little of this type of reinforcement coverage and support, and thus it is less obvious how the firm benefits from its actions (Collins, 1993).

Given all above considerations, gaining a good publicity is vitally important for the company, as are good relationships with media, which create a beneficial opportunity for reinforcing the company's image. However, not many companies make use of this medium and generally they rely on charitable actions rather than holding regular briefings with the media.

As far as charity is concerned, the majority of hotels opt for this option as a measure of a great persuasive power. As a rule, hotels' management chooses a particular charity to enter a partnership with and supports it on a regular basis. This is a win-win situation as the charity receives a regular assistance which enables it to achieve its aims, promote its profile and activities as well as gain public support and funds. The greater exposure the charity gets, the better it

becomes for the hotel since it is often associated with good deeds and thus presents the company in a good light to the wider audience.

Although the literature on charity outlines the traditional concept of corporate philanthropy as founded on altruism that involves the firm making contribution of "...cash or kind – without an expectation of a tied benefits" (Collins in Polonsky and Speed, 2001: 1363), the true reason for the hotels' managers to participate in charitable actions may lie in a perfect opportunity to gain publicity and make people familiar with the hotel brand. When asked openly about the motives that lie behind supporting charitable actions, hotels' managers seldom admit that what they are truly interested in is extensive media coverage and public's associations with the company that supports popular events. Instead, hotel managers declare that their main intention is to help the others and build mutually beneficial relationships with the local community. Such an attitude confirms that the managers recognise the magnitude of image, but on the other hand, they turn to image manipulation in order to portray the organisation in a favourable light.

The choice of a charity is also important as it makes a tremendous impact on people. For example, one of the hotels supports sick children, and its charitable actions usually receive a large acceptance from the general public. What the hotel does has an influence upon the others as one can seldom find a person who does not profess to concern about children. Furthermore, if a child is young and sick then it has a potential for arousing sympathy and motivation to help. The same applies to women suffering from breast cancer or disaster's victims. Because we live and operate in a wider community therefore people (or organisation's leaders) should not remain unresponsive to other human's suffering, otherwise one might not be able to find common ground with the society where he/she lives. And if one does not consider the community's interests and well-being it is doubtful whether he/she will be able to hold a position of trust. This is perhaps, the most common reason when making a decision to support a charity although psychology has a significant impact on the management's choice when it comes to selecting a particular charity.

What is also important here is the fact that the hotel organisations except for helping children generally support sport and related activities. This takes a special meaning in New Zealand where people appreciate sports and healthy lifestyle. No wonder that every organisation that supports golf, rugby or sailing has a chance of gaining a generous acceptance from the public. In this context, efforts of some of the hotels that sponsor those disciplines take a new dimension and show that the organisation's decision to promote those sports is market driven and that the hotels' management is in tune with the community where it operates. This only confirms that the idea of entering a specific partnership was well-chosen and thought over thoroughly.

Moreover, another reason for sponsoring a particular activity lies in the fact that sponsorship is particularly useful in attaining brand awareness and brand image objectives. Roy and Cornwell (2003: 378) state that "linking brand with an event via sponsorship enables firms to gain consumers' attention and interest by associating with events that are important to them". Furthermore, sponsorship "has a role to play in gaining entry to overseas markets. It can be a powerful means of enabling an organization to raise the profile across frontiers both of the brand and of the corporate brand" (Dolphin, 2003: 175). Grimes and Meenaghan (1998: 52) suggest that sponsorship is a "versatile method of communication that can be used to achieve a variety of objectives such as nurturing trade and business relationships and achieving awareness and image benefits on behalf of brands". It is also capable of imbuing the corporate brand with positive corporate values in the eyes of political and media influencers and more importantly, with the key corporate resource – the company's own staff. Thus, sponsorship can achieve different aims, such as media objectives (such as cost effectiveness, reaching target markets); corporate objectives (mostly image related); and marketing objectives (for example, brand promotion, sales increase). According to Pope (1998: 124) the first of these categories, media objectives is now largely discounted by both theoreticians and practitioners alike, while the latter two indicate that consumer awareness of sponsorship activities will bring some advantages to sponsoring organisations as far as customer attitudes to the organisation and purchase of the company's brands are concerned.

In general, one can name two primary reasons why companies undertake sponsorship. These are, according to Tripodi (2001), to promote communication objectives of brand awareness and corporate/brand image. Numerous studies by different authors (see Tripodi, 2001: 99) have confirmed that the objectives of creating brand awareness and enhancing brand image are two of the most important reasons why companies participate in sponsorships. This is further supported by the survey conducted on 19 New Zealand companies by Hoek, Gendall and West (see Cornwell and Maignan, 1998: 6) whose results revealed that the most important sponsorship objectives, from most to least important are: improving goodwill, enhancing image, increasing awareness, improving profitability, management interest, and staff recruitment. Although importance ratings varied by type of sponsorship (sports, cultural, and community), clearly image and goodwill dominated in all categories. Therefore, it is evident that sponsorship plays a crucial role in boosting company's image and delivering brand messages to a vast number of people worldwide.

In terms of sponsoring sport as a profitable activity, Belich (2001) validates the importance of sport, and rugby in particular while analysing its popularity in New Zealand. If one traces rugby history in New Zealand then it becomes clear that this sport gained such an enormous popularity as rugby's international success came as early as in the 1880s and helped it to become the "national game" (Belich, 2001: 386). Thus, the choice of sponsoring rugby comes as no surprise when exploring the hotels' management motives as to which charity to sponsor. Once again, it proves that a well- thought decision can have a significant impact on the company's development and translate into considerable benefits with establishment of a favourable image in the long run.

4 CONCLUSIONS AND RECOMMENDATIONS

The overall picture of the industry looks good: the number of tourists visiting Auckland each year is growing, numerous conferences take place here which further boost the demand for accommodation, and finally Tourism New Zealand "100 per cent Pure" campaign together with the success of the "Lord of the Rings" or "Whale Rider" make Auckland one of the most fashionable tourist destination and thus contribute to industry's development.

However, in order to improve hotels' management should take few considerations into account. First and foremost, the hotel managers have to identify what aspects of image are important for the customers and adjust their offer accordingly. This requires talking and listening to the customers and encouraging them to provide regular feedback. It also involves creating a friendly and hospitable (as the name suggests) environment where the customer knows that he/she can express his/her opinion freely and by doing so, contribute to the hotel's performance and his/her own benefit. Knowing what customers really want, and not assuming what is (or may be) right for them in advance, can make a huge difference in differentiating the hotel from its competitors. More importantly it can strengthen the company's image as an institution that really cares about their customers and finally result in gaining a competitive advantage. This is a different approach and I would suggest that none of the hotels looks into customers' perspective on image. Yet, a simple survey on image alone should be sufficient to obtain customers views as to what aspects of image play a crucial role for them. This should also lay the foundations for the future analysis of customers' needs and important features of the hotel's operation.

Secondly, hotel management needs to recognise its most profitable customers and offer them additional (yet different) benefits. The idea of distinguishing the most important customers poses a challenge and is definitely worth examining. If one refers to Pareto's rule (Dowling and Uncles, 1997: 74) which says that "about 80% of revenue typically comes from only 20% of customers", then it becomes clear that 'the game is definitely worth the candle'. The only difficulty is how to recognise the most profitable customers. On the other hand, using databases or CRM (Customer Relationship Management) systems might be helpful in tracking the frequency of customers' visits as well as their spending patterns and thus, trying to assess which customers constitute the most influential and desirable group of the hotel's guests. It could be also beneficial for the hotel managers to identify if any subsegments exist under each customer category (for example, supporters of a rugby team which could be positioned under the leisure segment or 'other' category) and try to define their profile, preferences and the reasons for visiting a hotel. This may result in

discovering a new customer's category the hotel's management has been unaware of.

Thirdly, the hotel management needs to realise that loyalty programs, despite being a potent tool in the quest for attracting customers to the hotel, do not guarantee success and especially a chance of gaining a competitive advantage. Contrary to popular expectations, loyalty programs do not contribute to improved loyalty levels, but instead of luring customers to the hotel, they may tie them into the program and not to the brand. This results in customers visiting a hotel because of rewards and benefits they can get and not because of the brand's image or its qualities. To summarise, one can say that "there is no single type of loyalty programme that is suitable for all hotels. Different categories of hotels require different approaches to the development of their programs dependent on their business environment' (Palmer et al, 2000: 58). But carefully crafted and diligently executed, a loyalty strategy can create a reluctance to defect on the part of customers (Duffy, 1998: 438).

Another equally important dilemma for hotel managers is the ability to grasp the differences between attitudinal and behavioural loyalty. If they can identify those who are really loyal to the brand from those who are loyal only to the frequency program or those who seem loyal only due to their convenience or because they lack an alternative (Baloglu, 2002), then it should result in better customers' recognition and enhanced identification of their needs. By doing so, the company can cater for its customers better and as a result, they will be easier to serve. In return, the hotel can increase its loyal customer base and gain an upper hand over the competition.

Finally, the investments in staff training and development seem to be essential. As the literature review and research shows it's the adequately trained staff that can contribute greatly to improved performance level and attract new clients to the hotel. Hence, improving personal skills is a necessary measure. However, the quality of customers' contacts with the hotel's employees (and vice versa) is often affected by the level of service they provide. What is worth emphasising here is the fact that service quality is positively correlated with customer loyalty and that the relationship between them is stronger at company than at

interpersonal level. The reason for that has its roots in the fact that customers identify the hotel's employees as part of the company and "positive feelings towards the employee with whom the customer is dealing often carry over into feelings towards the firm" (Wong and Sohal, 2003: 503). If this is the case, then future investments into personnel's development are essential. This should give the hotel managers some indication which areas of hotel's operation should be given top priority. It should also be beneficial for the hotel staff who, after completing additional training or developing new skills would be able to understand customers' needs and serve them better.

Regarding service quality, it should be pointed out that it (service quality) has a deeper meaning. As research demonstrates, service quality is multidimensional and if the company wants to embark on clear leadership in this field, then it should concentrate on the core factors. Research conducted by Gundersen et al (1996) proves that only by focusing on key factors (which would be different for different hotels) the company can achieve high levels of satisfaction among its customers. Following this line of thought, it may be considered that it is not likely that efforts to improve other aspects of hotel's operation will make a great impact on customers' satisfaction and loyalty levels. "Thus, efforts to ensure maximum quality in all parts of the delivery process without paying specific attention to the key factors may be a costly approach to quality management" (Gundersen et al, 1996: 79). What the authors recommend is to aim at accomplishing the 'good-enough' quality level in minor areas of the operation as well as focusing attention and resources to those aspects that are of utmost importance for achieving overall quality, satisfaction and loyalty levels.

To recapitulate, it can be said that the hotels are in general doing well although their management needs to realise that they cannot exist without loyal and satisfied customers who constitute the company's solid base. My research findings confirm how important the loyal customers are and what can be undertaken to build stronger relations with them as well as improve company image and performance. In this light, several recommendations have been delineated which should give the hotel managers a better insight into future development with a clear indication as to which areas of hotel's operation are worth making some efforts and investments in. If the managers take the above

considerations seriously, then the hotel's performance should improve considerably. By implementing each step at a time, they can outpace their competitors and contribute to the organisation future growth. Thus, the research fills the gap by providing hotel managers with some useful solutions as to what could be done to manage image better and achieve higher levels of company's competitiveness and customers' loyalty towards brand.

CHAPTER FIVE: DISCUSSION AND CONCLUSIONS

1 RESEARCH'S BACKGROUND

From the researcher's point of view, the current findings on the role of image in the international hotel chains have provided another example confirming the significance of image as a medium of strengthening company's competitiveness and performance in the global market. The focus of my thesis has been evolved around image as a mechanism which influences company's competitiveness and customer loyalty towards brand.

The research objectives outlined in the first chapter, were namely to identify how the hotel's image affects customer loyalty and helps the company to increase its competitiveness; to find out how the differing motivation of hotel operators towards shaping favourable image impacts development of customer loyalty; to analyse and compare which public relation tools are the most effective in terms of building favourable image and developing customer loyalty.

The above set objectives were met by establishing appropriate theoretical constructs in the literature review and applying them within this thesis in an interpretivist approach. Qualitative methods were used in the course of research and provided me with plethora of information about image and customer loyalty towards brand. Taking into consideration a broad scope of the topic I address here, a triangulation of methods naturally comes to mind as a better option which enables gathering more data and exploring the topic from the wider perspective. However, having encountered serious objections from the hotels as not to disclose their customers' database, I limited my research to studying the issue from the one, i.e. organisational perspective. On the other hand, the topic poses a real challenge as to find out more information from the customer perspective and compare the data with the current findings. This should result with an abundance of data which may provide a valuable insight into the topic under investigation, namely for hotel organisations how to manage loyalty and what the customers value most.

1.1 Conclusions

The respondents' profile has been identified as being a well-educated industry professional with a considerable experience in the field. The hotels they represent are well-known hotels belonging to international hotel chains. As my respondents were interested in the research topic and were willing to help me, a number of conclusions emerged from my research. They are presented as follows:

1. Every hotel is different and each of them embarks on a different strategy depending on the market segment it pays its attention to. Thus, one can find hotel companies that decided to follow the strategy that concentrates only on a one particular segment (eg. luxury end of the market) and adjusts its offer to their customer requirements. On the other hand, it does not mean that the other segments have been neglected. These are looked after by appropriate personnel, however, the main initiatives are addressed to the chosen market segment as a top priority. Incentives are offered to all segments and are tailored appropriately to their needs. No one is better than the other and every customer is treated well. As every hotel is different and has different priorities and values, thus no one is able to predict or define which strategy is the best to strengthen company's competitiveness and increase customer loyalty towards brand. However, a detailed observation together with extensive research supported by a comprehensive theoretical foundation should result with better insight into the problem and should be able to form certain hypothesis as to which strategy is the most beneficial both, for customers, and the hotels.
2. Every hotel's management is fully aware of image's role, and know loyalty is equally important factor while shaping favourable image. The hotels' management knows perfectly that loyal customers are the key to success or the necessary requirement of survival in a highly competitive market. That's why they go to great lengths and come up with different initiatives to improve the company's competitiveness and strengthen customers' loyalty towards brand. They know that competition is strong and it is difficult to create something original, something new as every innovation is easily imitated and

what originally becomes an advantage is lost for the competitor's benefit. For that reason the hotels' management pays attention to image because they know how important it is. The hotels' management knows that image affects customer loyalty and when it comes for customer to decide which hotel to choose, they will refer to image if they do not know anything about the hotel. In other words, loyalty comes after image which influences customer's perception about the hotel.

3. In terms of image as a medium which affects customers' loyalty and boosts company's competitiveness, image is important as good image translates into satisfied and loyal customers. Authors to confirm this include Andreassen and Lindestad (1998) as well as Kandampully and Suhartanto (2003) who maintain that "when services are difficult to evaluate, corporate image is believed to be an important factor influencing the perception of quality, customers' evaluation of satisfaction with the service, and customer loyalty". But image also means certain expectancy and service standard. In order to maintain a favourable image or even better to enhance it, the hotel operators must listen to customers' voice. At this point communication with customers as well as complaints and customers' feedback play essential role. It is for the hotel to listen carefully to what is important for the customer as it indicates areas that could be improved or better still, enhanced. If those opinions are taken into consideration and implemented later on, the hotel organisations have a chance to make progress and gain an upper hand over the competitors. Staff attitude is also vital because the company's employees are its best ambassadors and it depends on them (to a certain degree) how well a guest would feel and how their first impression regarding the hotel will be. Even small gestures matter here. As my research shows, customers like to be recognised as a person, not just a number, and it is especially important for regular guests whom the staff refers by name on their return, and it makes customers to feel valued. As one can make a first impression only once, it's important to teach the staff the hotel values, what the hotel mission is and what the hotel brand stands for. A good example of such an attitude is hotel Y where the staff is taught those values, "they live and breathe them, and that translates to the guests, so the guests' experiences are enhanced" (respondent 4). If "the image is portrayed

through every staff member all the way through” (respondent 3) and a customer feels that atmosphere from the very beginning, the hotel increases its chances greatly to gain another satisfied and loyal customer. Another example is hotel Z which focuses on service and the fact that service impacts image. Although the hotel’s strategy may sound very simplistic at first, at the end it pays off as customers may perceive the hotel’s current image as far better than it was in the past.

4. In terms of the hotel operators’ motivation towards shaping favourable image that impacts development of customer loyalty, similar motives as described above come to mind when it’s time to generate ideas aimed at increasing loyalty. Once again, different values come into play and depending on the hotel’s mission; they perform a crucial role in what the company does. For example, all my respondents believe that the image should be consistent. Consistency does not only mean the same brand standards but also the same level of service across all the hotel’s properties. Every hotel has very strict brand standards and is audited regularly. A customer who enters the hotel should know that s(he) can trust the company and that the brand carries certain promise behind it. Interestingly, my respondents do not know one another and yet, they say in unison that certain values matter when developing customer loyalty and improving company’s performance. Those values from the most important are: honesty/transparency, consistency, brand standards, confidence/trust, dedication/passion, responsibility, innovation, emotions. Honesty is particularly important for all my respondents. Honesty is not only about visual identity, but most of all it’s mainly about being honest with customers and the value for money, keeping your promises and delivering the highest quality service. As one of my respondents pointed out: “you can have all the marbles and crystals and chandeliers and you can have shocking service and it means nothing”. Equally interesting is the fact that the above mentioned values came up as categories while I was coding my interviews, which confirms how important they are for the hotels and their operation.
5. Public relations are important although it is difficult to define which PR tools are the most effective. In terms of effectiveness, it also depends on how the

hotel determines it. Is being effective synonymous with increasing the hotel's market share by for example, 5% or does it mean increasing a loyal customers' base by the same amount of guests each month? Here again, the answer is difficult to obtain as every hotel has different objectives (and some of them can be difficult to measure) and sometimes does not want to reveal this type of information.

6. However, based on the research findings it can be said that in terms of PR effectiveness, charity and sponsorship are good measures of success. In the case of sponsorship the understanding is clear as it (sponsorship) usually guarantees the company high exposure and increases the possibility of becoming familiar with the brand for a vast number of people. The situation is slightly different with charity, because the main motif here is to help others and not necessarily use it as a public relation opportunity in the first place. Spreading a positive word of mouth as a result of certain charity actions is more important as people should not be obliged to make favourable comments about the company just because it participates in a certain event. The genuine interest to help the others is something that counts and the more frequently the hotel supports its community, the better opinion it gets in the eyes of society. A company should bear in mind that image and reputation are something elusive, something that takes years to build but it is easy to ruin if something goes wrong. For this reason alone it should be the dominant stimulus for the company to behave ethically and does not count for easily gained profit or publicity. For in the end, it is not about discounts or other tangible incentives but it all comes down to image as a mirror of what the company is and what its brand stands for. That's why image is so important and as such should never be undermined.

2. DISCUSSION

2.1 Managerial implications

Loyalty and its management is the key dilemma for modern hotel organisations. Losing customers is synonymous with drop in sales/services and indicates that more effort, time and resources have to be spent on attracting new customers.

It is widely known that it's far cheaper to keep loyal customers than to gain new ones. Savings coming from enlarging a hotel's share of loyal customers by delivering top quality service can be spend on further developments to provide new advantages for a hotel guest and differentiate the hotel from its competitors. It can be argued if different incentives are always indispensable while developing customer's loyalty as it is more intangible aspects of service which may influence customer's choice of a hotel. Customers' satisfaction, the quality of service, hotel's image and values can play a significant role in the explanation of future loyalty. However, to confirm this view a further research is needed. One can also question the validity of loyalty programs which may pose a danger of having customers attracted to the program than to the company's brand. Another risk lies in the similarity of those programs which leaves hardly any space for gaining or sustaining competitive advantage. On the other hand, it does not mean that loyalty programs should be abolished because for some companies they may be cost-effective approach to marketing.

On the basis of the above discussion a number of points come to mind. First, it may be difficult to achieve a true loyalty, and the reasons for them are measurement problems as well as paying too much attention on loyalty programs as a way of corporate armoury. The second reason has its roots in past research which suggests that a 100% loyalty is difficult if not impossible to achieve, and that polygamous loyalty is more common. If polygamous loyalty is all that an organisation can hope for, then striving for 100% repeat purchase is idealistic and expensive aim (O'Malley, 1998).

Dick and Basu (in Aydin and Özer, 2005: 918) conceptualize customer loyalty as the strength of the relationship between customers' relative attitude towards an entity (brand, firm, store, etc.) and repeat patronage (behaviour). "According to this approach, customers are divided into four segments using two levels of behavioural loyalty and two levels of attitude toward the brand. These groups are true loyal (high behavioural loyalty and high relative attitude), hidden loyal (low behavioural loyalty and high relative attitude), spurious loyal (high behavioural loyalty and low relative attitude) and no loyal (low behavioural loyalty and low relative attitude)" (Aydin and Özer, 2005: 918). With regard to this typology, even if customers may tend to be attitude loyal they may not

behave loyally, or although they have low relative attitude loyalty they may behave loyally. Therefore, companies should define which category of loyalty they want to achieve and tailor their offer accordingly. Consequently, the effect of corporate image as well as other factors (such as more appealing competitor's offer, price, high switching costs, quality of service) poses another area for future research.

Communication with hotel guests and Customer Relationship Management (CRM) also has considerable bearing on company's image and loyalty's growth. Friendly and helpful staff, quick recovery process and listening to customers' needs and wants may result in an increased number of regular customers who spread a positive word of mouth about hotel and thus, attract more visitors to the hotel. In the light of above, investments in hotel personnel and their development seem to be good measures of increasing customer loyalty.

2.2 Limitations and future research

Corporate image is an essential instrument to customer loyalty for most of the hotel organisations, either in retaining or attracting customers. In a highly competitive market, hotels' management need to realise the importance of image both, in possessing loyal customers, and strengthening competitive advantage. Research pertaining to the image significance in attracting customers to the company and increasing its competitiveness is urgently needed as relatively little studies on this subject have been done so far.

In this project, I discussed the importance of image and its impact on customer loyalty and company's performance. However, this study has some limitations. Firstly, the inability to examine customers' perceptions about the hotels' image and its importance in developing loyalty results with less detailed information about factors which directly or indirectly affect customers' loyalty. The general conclusions outlined in this section are based on the information received from companies participating in my research and as such represent only one end of the continuum. Therefore customers' perceptions about image should be considered and the direct and indirect effect of these perceptions on customer loyalty and its antecedents should be studied. It is also worth pointing out here

that the interviews and their subsequent analysis were done only by one researcher (i.e. the author of this thesis) which may result in a potential bias as the interviews' key themes were interpreted by one person.

Secondly, the competition in the hotel market is strong and it is inevitable that the opposition undertakes certain steps to attract customers to their hotel. Thus, it would be beneficial to examine the customers' views on these attempts, and study them in-depth later on. This should give an additional insight to define how important the tangible/intangible factors are for the customers and how the hotel can benefit from these data.

Another area worth investigation is image effect, particularly for those guests who are just about to choose a hotel. What motivation stand behind their choice? Is it tangible or intangible aspects of service or a positive word of mouth they heard from their family and friends? And to what degree does differentiation of the company and high quality standards affect customer's choice and does it translate into a positive image formation in the customer's mind? If such is the case, then by implementing certain steps a company should not only build up on its trust but also to create a favourable perception and positive image in the customers' minds.

Another difficulty may arise when examining customers' perceptions and experiences with the hotel as to what kind of measures should be used to assess how loyal/disloyal they are and to what degree a favourable image is an indication of developing loyalty. Thirdly, the idea of public relations' effectiveness and its tools may pose a problem as it is difficult to measure the direct results of public relation activities as they may be a mixture of different factors.

3 SUMMARY

Overall, hotels do well in managing customers' loyalty and shaping favourable image. All of them select different strategies with loyalty programs and high quality (and consistency) brand standards as core approaches of improving company's competitiveness and image perception in customers' minds. Loyal

customers are vital to the organisation's success and if a hotel wants to prosper, the relationship between a hotel and its customers should be long-term and ongoing with additional values included into customers' schemes as to meet their requirements and establish a point of difference. Such an attitude should also help the other companies to choose the hotel as their preferred supplier. This situation might be beneficial for the hotel's management as it can broaden its scope and gain new customers. In order to achieve this, the hotel's management needs to recognise what values are particularly important for existing and prospective customers and customise their offer accordingly. If the hotel wants to maintain this relationship, the company's management must guarantee that every customer is treated well, that the guests' expectations are met and that additional aspects of service have been added to core services so every customer receives a truly memorable experience. Special attention should also be given to the company's most profitable customers. The main research findings show that hotels strategies are meticulously designed and serve them well, although the hotel organisations must remain abreast with the current trends and changes if they want to pursue a competitive advantage.

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