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Marketing Study of Customer Loyalty in Georgia and Its Impact on Hospitality Business: Case of Imereti Region

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Abstract

Businesses, including the hospitality sector discovered the importance of customer maintenance as a key success factor. This study aims to investigate the impact of customer satisfaction, experience, and loyalty in Georgia, particularity in Imereti Region. Results indicate that a significant relationship exist between service quality attributes and customer satisfaction. Results conjointly revealed that service quality results in satisfying customers and customers' satisfaction results in customer loyalty. Hotel managers should offer better services to their customers for gaining competitive advantage, and it will facilitate them to guide the market with efficiency. Market orientation produces a positive effect on customer loyalty, which in turn has a positive effect on business performance, showing that market orientation has a significant and positive indirect effect on business performance.

Keywords: Costumer loyalty, management, marketing, performance, service

Introduction

The notion of "loyalty" has established itself in Georgian scientific literature only recently, though it has firmly attracted the attention of marketers, managers and company leaders. Abroad, the customer loyalty issue has been studied much earlier by foreign researchers such as (Aaker D. 1991) (Leisse J. 1992). (Schlueter S. 1988) Ken Blanchard, Jim Billard, Fred Finch, R.Oliver, (Vilton P. 1988) etc. The word itself

has migrated from the English language into Georgian without major changes and carries primarily the same meaning.. Foreign authors mainly focus on the emotional and rational components of the product, which represent a complex phenomenon of consumer behavior and at the same time determine the customer's relationship with a particular type of organization and the products and services it offers.

Brand loyalty can provide essential benefits for both consumers and companies. For consumers, a brand toward which they feel loyal, can act as a signal of achieved expectation. Because of familiar and favorable signal that a brand sends consumers buy the brand with more comfort believing that the brand will meet their expectations.

Today, in the wake of the problems caused by the COVID-19 pandemic, large hotel complexes and small family hotels are busy looking for "their" clients and once they are found, retaining their favorable attitude. However, it should be noted that the practice of creating loyalty programs is rather small in Georgia (Tateishvili A; Gugushvili N. 2014).. Hotels that are aware of the need for such programs usually establish regulations based on foreign experience, creating their own standards and loyalty programs. A customer loyalty program is not just a calling card with a hotel logo, but also a combination of marketing activities (offering additional goods and services) to promote repeat purchases. (Tsotskolauri F. 2019) Consumers will decide, based on their brand knowledge, where they think the brand should go and grant permission (or not) to any marketing action or program (Keller, K. L. 2008) Unlike retail, where consumers can make multiple and frequent purchases, loyalty programs for hotels have their own specifics, since hotels must be satisfied with far rarer visits that are related to the consumption lifecycle, so blind copying of someone else's loyalty program is pointless (Katsitadze N. 2018)

The hotel loyalty program should be deeply integrated into the service model and combine various types of encouragement, including immaterial incentivization aimed at stimulating positive emotions. The understanding of these experience dimensions can be helpful to managers in crafting and executing strategies that have the most positive effect on consumers' behavior. Consequently, this will allow organizations to manage customer experience properly that ultimately results into customer satisfaction, loyalty and positive word-of-mouth. (Khan, I., Garg, R. J., & Rahman, Z. 2015). Customer satisfaction is the use of the product, its appearance and quality of services. Product application and its appearance directly effects on product satisfaction and dissatisfaction. (Souri, F. 2017).

Methodology

Scholarly marketing journals were reviewed from a marketing doctorate-/non-doctorate-granting institution criteria. To test the proposed model empirically, personal surveys of hotel customers were conducted in Georgia using a structured questionnaire. A structural equations model was developed to test the research

hypothesis. By synthesizing extant customer loyalty literature, this article seeks further understanding of loyalty and offers priorities for ongoing loyalty components.

Discussion and analysis

The success of hotel activities is primarily determined by an indicator such as the hotel load ratio, which by 2017, among Georgian hotels, amounted to 62% (+9% increase compared to the previous year). According to statistics, 177 new hotels were opened in Georgia in 2017, which increased the overall area of hotels in the country by 26%. Currently, hotels in Georgia occupy about 1 317 000 sq/m, with 619 000 sq/m of that number being rooms. As for brand hotels, 12 operate in Tbilisi with a total of 3,414 beds, 8 in Batumi with 2,142 beds, the other 6 hotels provide a total of 1,228 beds - three in Bakuriani, one in Stepantsminda, one in Kutaisi and one in Borjomi (dt.sangu.ge). 99.7% of operating hotels are privately owned, with 9.8% of owners being foreign citizens, while the state owns 0.8%.

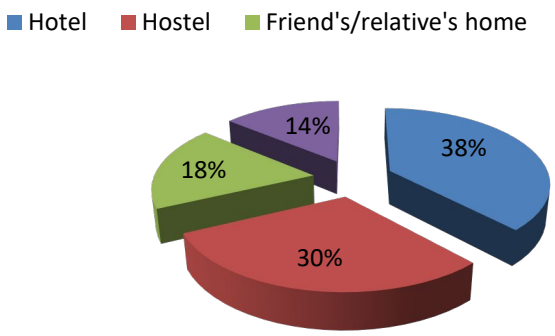
Hotels in Georgia are mainly visited by foreigners for rest and recreation (67.1%), for professional and business purposes (25%), for medical reasons (1.7%) and for other purposes (9.5%). In 2018, tourists were served by 1051 facilities with a total of 34 752 beds. Almost all small hotels monitor the interest of customers in specific services and immediately try to include them into their list (sauna, pool, bowling, gym, spa services, etc.). The high level of competition in the hotel business generates the demand for companies to fight for customer loyalty, as this will only help them develop and out-compete others.

The essence of all loyalty programs in the hotel business is roughly the same. Every time the client chooses the same hotel for his stay, he collects points, which can later be redeemed for a free stay, comping of certain services, a better room, etc. In case of more frequent use of network services, the status of the participant increases, which means that the range of rewards available to him expands. In order to study client loyalty of hotels in the Imereti region, we conducted a marketing survey via a questionnaire. 295 respondents were interviewed. Respondents were selected based on statistical methods, both on the principles of deliberate and random selection. The survey was limited to the Imereti region.

Responses to the question "What information sources do you base your choice of accommodation on in Georgia in general and in Imereti in particular?" were distributed as follows: 14% relied on personal experience, 18% on advertising, 22% on friends' recommendations, 38% on online resources (see figure 3).

Responses to the question "Which means of accommodation do you prefer?" were distributed as follows: 26% preferred hotels, 20% hostels, 8% stayed with friends/relatives, 22% - in sanatoriums.

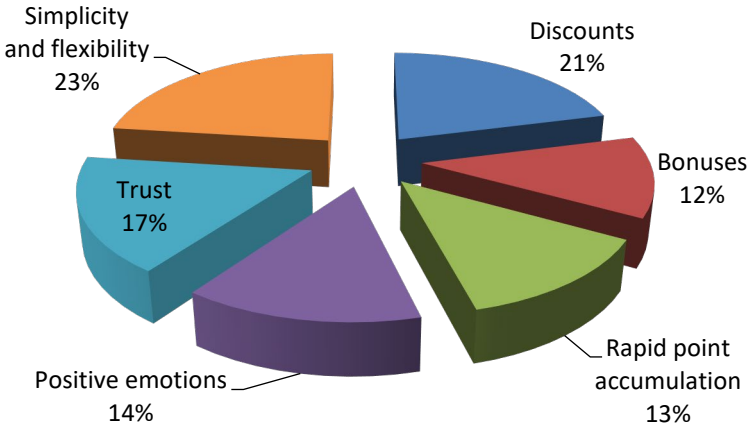
Figure 1: "Which means of accommodation do you prefer? "



Source: Own compilation

Responses to the question "Do you make use of loyalty programs offered by hotels in the Imereti region?" were distributed as follows: 52% use loyalty programs, 32% are unable to give a definitive answer, 6% do not want to be involved in loyalty programs.

Figure 2: ,,What is the most important aspect of a loyalty program?“



Source: Own compilation

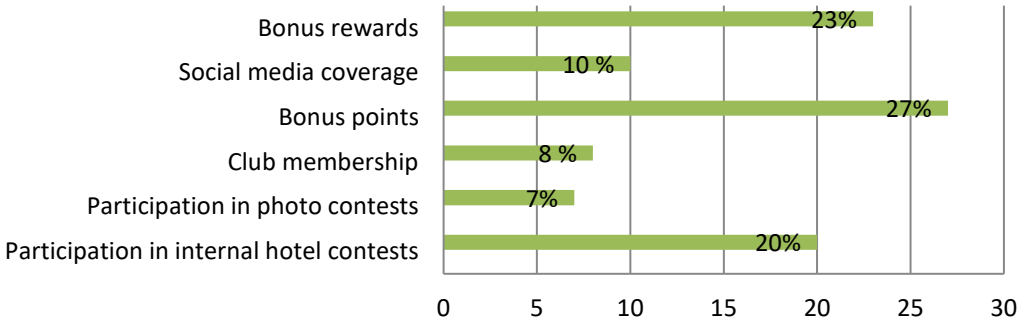
Responses to the question "What is the most important aspect of a loyalty program?" are distributed as follows: simplicity and flexibility (23%), discounts (21%), trust (17%), bonuses (12%), positive emotions (14 %), and rapid accumulation of points (13%) (see figure. 2)

As the research shows, "simplicity and flexibility" are more important than the possibility of getting a discount. At the same time, 7% of buyers refuse to participate in loyalty programs if they take a long time to generate points. In order to prevent the

program from turning into a headache for guests, one should not overdo it with complicated reward systems and differentiation between loyalty levels.

Responses to the question "Which component of hotel loyalty programs do you prefer?" were distributed as follows: bonus points (27%) bonus rewards (23%), participation in internal hotel contests (20%), social media coverage and activity (10%), club membership (8%), participation in photo contests (7%), and other activities.

Figure 3: "Which component of hotel loyalty programs do you prefer?"



Source: Own compilation

It is worth considering which additional services make a hotel more attractive: most respondents think that if there is a restaurant, bar or nightclub in the hotel, they will definitely make use of them, as hotels often only offer guests breakfast. Guests then have to have their dinner and supper elsewhere – something many of them find uncomfortable. Also, a large percentage – 23% - of hotels offer dry cleaning/laundry services, which are appreciated by guests. Most other hotels outsource this service, while guests prefer to receive it locally, without their items leaving the hotel. 23% of the visitors also mentioned that if a hotel offers its own tours of the surrounding areas, they save time by not having to look up guided tours online. We believe that loyalty programs give hotels a lot of benefits, including, but not limited to:

- Detailed information on the guest and his family, which can be used to increase their satisfaction;
- Encouragement of guests to make direct bookings through the hotel's website or sales department, and not through booking websites that take a commission for their services;
- Increased sales of additional services;
- Increased average number of bookings;
- Increased share of regular customers;
- Growth in profits.

At the first glance, it may seem easy to develop a loyalty program. This assumption is far from the truth, however. Beyond the obvious simplicity, there are mechanisms that require a very careful approach. A well-designed program is comprised of a mathematical model, customer psychology and trade marketing – all intertwined. Distribution of bonuses does not automatically increase economic indicators. Each new level of loyalty program should bring more benefits to the guest, a higher status, and more affordable services. Active participation in such a program can be compared to a computer game where the player's goal is to achieve a new, more difficult level. The program should be able to provide new services and privileges for different levels at different times. A well-designed loyalty program serves to increase the overall number of regular guests and the hotel's profits.

Conclusion

This study has identified a new and unexpected perspective on the relational marketing debate. Although the study originally sought to explore the relational approach to customer loyalty, it was surprising to find that it actually identified an alternative approach to customer loyalty through transactional marketing. The study found that relational approaches to marketing can promote customer loyalty in hotels, through a sense of transparency and consistency in their dealings with customers. The chain of conversion of a guest to a loyal customer may be as follows: first of all, thanks to marketing, a potential guest becomes an actual guest. Then a repeat visitor, a regular client and finally a loyal client. The task of marketing is to move the guest along this chain. Loyalty allows to retain a client for a long time. In this case, the loyalty program can be defined as a set of marketing activities for the development of repeat sales to existing customers, for selling additional goods and services, promoting corporate ideas and values, etc. A well-designed loyalty program allows for the growth of financial indicators. In markets where relational approaches characterized by loyalty schemes dominate, the transactional approach seems to provide an opportunity for a differentiated market position.

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