E-Loyalty in Travel and Tourism: Results from a representative survey in Germany, USA and UK

An explorative study for the World Tourism Forum Lucerne 2013

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Take-aways for the industry

- Before improving loyalty instruments, companies should make sure that determinants of e-loyalty such as a suitable layout of the booking process on the web or a good reputation are achieved. A company might win more loyal customers by providing a seamless service for the basic processes than with a standard loyalty programme.

- Many infrequent travellers do not like loyalty programmes. The inflation of expectations also affects loyalty programmes. If travel and tourism service providers want to keep track of infrequent travellers, they should think about how to add value to infrequent travellers.

- US Travellers perceive loyalty instruments to be considerably more important for choosing a website to book than travellers from Germany or the UK. Implementing US loyalty instruments does not necessarily need to be successful in Germany or the UK.

- Loyal online-customers are rare as by definition they prefer one brand to another. There are many bookers that can imagine booking again with the same website, however these might be habitual customers who do not particularly prefer one brand to another. Habitual bookers might be repeating bookers, who check other websites for offers before they rebook.

- Compared to other loyalty instruments, appealing communication via social media channels (e.g. Facebook) is considered to be the least important. However, a Facebook page is a multi-purpose channel.

- German travellers rather like recommendation by other travellers, while for US based travellers, the brand and the reputation of the company they book with is of high importance.

- About 16% of respondents neither rate loyalty instruments nor loyalty determinants as important and they are significantly less loyal than others.
Introduction and Motivation

Loyal customers are an important asset for companies. Reichheld and Scheffter (2000, p. 106) argue that “without the glue of loyalty, even the best-designed e-business model will collapse”. Competitor platforms are only a click away and it is not self-evident that customers are and will be loyal in the future. To predict the future is not simple, but the behaviour of young people might be an indicator. Patterson and Prasongsukarn (2001) found younger customers of medical, travel, and hairdressing services to be less loyal than older customers.

However, travel companies take measures to increase customer loyalty. Previous research conducted in the area of tourism shows that the quality of the service booked, the perceived value of the service and switching costs from one provider to another increase loyalty to a mobile service (Lee & Murphy 2008). Llach et al. (2012) found out that the efficiency of a website and its perceived value are important drivers for airline ticket booking processes.

E-loyalty instruments such as loyalty or reward schemes are a further measure to increase customer loyalty. In general, loyalty programmes can be defined as “structured marketing efforts which reward, and therefore encourage, loyal behaviour: behaviour which is, hopefully, of benefit to the firm” (Sharp & Sharp, 1997, p. 474). The basis for success of loyalty schemes are accepted and satisfying core services of the company (Tomczak, Reinecke & Dittrich, 2010).

Detailed research into the perceived usefulness of e-loyalty instruments and determinants of e-loyalty used by booking portals in the travel and tourism industry to increase customer loyalty does not exist. This study closes this research gap by answering the following questions:

1. What is the general loyalty behaviour in travel and tourism?
2. To what extent are online customers loyal?
3. What patterns of travellers that booked online are there in relation to loyalty instruments?
Research Design

Method

For this exploratory study, we used the IPSOS i:omnibus™ to conduct an online survey containing questions about e-loyalty.

In the first part of the online questionnaire, IPSOS surveyed a representative sample of 1000 respondents in the US, UK and Germany in January 2013 about their general loyalty behaviour. The second part of the questionnaire about online travel loyalty could only be answered by those respondents who had booked at least one online travel or tourism service during the last twelve months. This part of the survey was answered by 500 respondents in Germany, 490 in the UK and 450 in the US.

To identify different types of tourists related to their loyalty behaviour, a cluster analysis with the mean-component-method was conducted to derive a typology of different types with differing attitude towards loyalty instruments. The factor analysis, which was conducted in order to find the loyalty types, assigned the items regarding the website decision criteria to one of two factors. While factor one includes all aspects of service quality and determinants of loyalty, factor two consists of items regarding loyalty instruments. Based on this, the applied factor analysis leads to a typology of four clusters.
Main Findings

Socio-demographics of the research

In total 50% of the participants were women, the average age of the participants was 44, 41% of the respondents were married, more than 50% lived in a one or two person household and 50% lived in a household with children. Furthermore, most of the participants had middle or higher level of education and an upper middle or upper level of income. 60% of the participants were in work.

Travel and booking behaviour

Bahri-Ammari (2012) observed a weak, but significant relationship between loyalty and word of mouth. Talking to friends and relatives about the service provider or website used, as well as using the websites of service providers whose brands travellers are aware of, are habits that are relevant for about 50% of the respondents. Brand awareness is slightly more important for people from the USA than from the UK and Germany. Talking to friends and relatives however, is more important for German travellers than for people from the UK and the USA.

Looking for information about the trip on at least 5 websites is another relevant habit for more than 50% of the German travellers, but is slightly less relevant for UK and US travellers.

Loyalty programmes have four major aims (Tomczak, Reinecke & Dittrich, 2010, p. 390):
1. customer selection
2. improving the knowledge about customers through information procurement concerning customer characteristics and preferences
3. stimulating intensive and conversational communication and intensifying the inclusion of customers (interaction and integration)
4. improving the corporate image and increasing the members’ identification with the company and its range of products and services.

If customers do not like loyalty programmes, the aims listed above are hard to achieve as customers might quit programmes. According to Figure 1 only about one third of the respondents seemed to like the loyalty programmes offered by travel or accommodation service providers.

Loyal customers tend to stick to a certain service provider and are less likely to shop around for the best deals (Bowen & Chen, 2001). Gathering information for a trip on more than 5 different websites and comparing products and services from more than 3 websites are indicators that customers do consider switching from one provider or brand to another. In all three countries, 45% or more (in Germany more than 60%) customers consider three or more comparable services before booking.

Personal interaction between a customer and the employees of a service provider leads to higher emotional bonds (Kandampully, 1998). Also, travel service providers with contact persons to speak to during or before a trip is only relevant for about one third of the respondents.

While membership of an airline’s or hotel group’s customer programme is a relevant reason to book a flight or room with this airline/hotel group for about one third of US travellers, it is relevant only for around 15% of the respondents in Germany and UK.

<table>
<thead>
<tr>
<th></th>
<th>Median values in USD</th>
<th>Package / Cruise</th>
<th>Flights</th>
<th>Train Tickets</th>
<th>Accommodations</th>
<th>Other travel services</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>550.–</td>
<td>450.–</td>
<td>103.–</td>
<td>125.–</td>
<td>100.–</td>
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<tr>
<td>UK</td>
<td>1086.–</td>
<td>310.–</td>
<td>78.–</td>
<td>111.–</td>
<td>78.–</td>
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<tr>
<td>GER*</td>
<td>980.–</td>
<td>402.–</td>
<td>106.–</td>
<td>107.–</td>
<td>98.–</td>
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</tbody>
</table>

Table 1: Average amount spent for travel services

* Question was answered with amounts in the countries’ currencies; rates from 15. February 2013; 1 EUR = 1,35885 US Dollar / 1 GBP = 1,55135 US Dollar
Figure 1: Booking and travel behaviour

Question: Please indicate how applicable the following statements are to your travel habits.

Basis: German travellers N=1025, UK travellers N=1006, US travellers N=1000
Loyalty behaviour

Loyalty in tourism works different than in other industries: McKercher, Denizci-Guillet and Ng (2012, p. 708) summarize from previous research that a vast choice of very similar small service providers, infrequent bookings, high substitutability, as well as the wanderlust of tourists, mitigate loyalty in the field of tourism.

Oliver (2010, p. 433) distinguishes four sequential phases of customer loyalty, two of which have also been analysed in this study.

1. Cognitive loyalty (The consumer believes that one brand is preferable to others.)
   It is a prerequisite to the above definition that a brand is well known. For about two thirds of all respondents, a well-known brand is an important criterion when choosing a service provider or website for booking travel services and accommodations. Figure 2 shows that German travellers are keener on a well-known brand than travellers from UK or the USA.

2. Affective loyalty (The consumer develops a favourable attitude toward the brand based on usage satisfaction.)
   Only 13% of the travellers develop a favourable attitude towards the brand which we operationalised with the questions
   a.) whether they had already booked a travel service with the same provider before and
   b.) whether they did not compare at least three products from different providers when looking for another trip.

3. Conative loyalty (The consumer develops a behavioural intention to repurchase characterised by a deeper level of commitment; however, this does not mean that the intention is realised.)
   12% of the respondents are loyal on a conative basis which means that, in addition to the above criteria, they can imagine booking again with the same service provider in the future.

4. Action loyalty (The consumers convert their intention to action or to readiness to act by a desire to overcome any impediments.)
   Unfortunately, it is not possible to find out whether somebody shows action loyalty with a survey questionnaire.

Although it might seem that conative loyalty hardly exists, the vast majority of the respondents intend to book again with the same provider. Participants answered the question “Could you imagine booking this service with this provider again?” for a specified provider or intermediary. As Figure 3 shows, the share of participants who could imagine booking again with the same provider is between 85% and 98%. Interestingly, for all travel services, the German travellers show the highest share of participants who could not imagine booking again with the same provider. However, those shares are still rather small. The percentages for affective loyalty (Figure 2) shows a low mean because there is a difference between habitual customers who are used to booking with the same brand one or several times (Figure 3) and customers who are affectively loyal and therefore do not check three or more products/services from various websites or portals before they book.
Summarising the findings, there is a good share of intended repeaters but a low number of travellers who are conatively loyal according to the definition. Loyalty in the travel and tourism industry must be rethought. Further research could focus on whether tourists are loyal to several competing brands at the same time, meaning they book one brand or the other depending on other criteria in the sense of a horizontal loyalty (McKercher, Denizci-Guillet, Ng 2012). The next paragraph discusses the important criteria when conducting an online booking.

**Criteria to select a booking website**

In order to identify different types of loyalty behaviour of tourists, a cluster analysis with the mean-component-method was conducted.

To do this, we asked the respondents to assess 14 statements that may drive loyalty to book on a specific website that respondents had used during the last 12 months. All statements were derived from (e-)loyalty literature. The scale was 1 to 5 (where 1 means – not important at all and the value 5 means – very important). With a factor analysis, we found two different kinds of items: Determinants of e-loyalty (see also Figure 4) and loyalty instruments (see also Figure 5).

Based on these two factors the applied cluster analysis leads to four different types of loyalty behaviours:

In terms of the importance of loyalty determinants and loyalty instruments, the clusters differentiate themselves as described on the following page.
Table 2: Loyalty clusters

If the flags are clearly visible, it means that the share of respondents of these countries in the respective cluster is high compared to the other countries. The following description helps in understanding the clusters.

**Cluster 1 (24%, n = 347)**

shows above average values regarding the importance of e-loyalty determinants and above average values regarding the importance of loyalty instruments. Cluster 1 features an above average share of people (compared to at least one other country in the sample) who:
- talk to friends and relatives about which service provider/website they use for booking
- like loyalty programmes
- look for information on at least five websites
- compare at least three products/services from different service providers
- book with service providers who offer a contact person to speak with
- book travel services and accommodation with service providers whose brands they are aware of
- are frequent travellers (more than 5 online bookings in the last year)
- prefer booking with a well-known brand

**Cluster 2 (34%, n = 488)**

shows above average values regarding the importance of e-loyalty determinants and below average values regarding the importance of loyalty instruments. The cluster contains an above average share of people who:
- talk to friends and relatives about which service provider/website they use for booking
- do not like loyalty programmes
- look for information on at least five websites
- compare at least three products/services from different service providers
- are infrequent travellers (less 5 online bookings in the last year)

**Cluster 3 (16%, n = 230)**

shows below average values regarding the importance of e-loyalty determinants and below average values regarding the importance of loyalty instruments. Cluster 3 features an above average share of people who:
- are less likely to talk to friends and relatives about which service provider/website they use for booking
- do not like loyalty programmes
- do not compare at least three products/services from different service providers
- are aged 55-70
- are infrequent travellers (less 5 online bookings in the last year)
- are not loyal on an affective, conative or cognitive basis

**Cluster 4 (26%, n = 370)**

shows below average values regarding the importance of e-loyalty determinants and above average values regarding the importance of loyalty instruments. Cluster 4 contains an above average share of people who:
- book with service providers who offer a contact person to speak with
- like loyalty programmes
- are aged 25-34

There are no differences between the clusters in terms of income and education and only a small differentiation in terms of the kind of the website respondents booked with.
Determinants of e-loyalty

Previous literature sheds light on many determinants and loyalty instruments. However, there has never been a comparison of the importance of the determinants and loyalty instruments. The determinants influencing the decision for a specific service provider or website are listed according to the average importance of all respondents (statement rated either as important [4] or very important [5]).

Convenient itinerary and/or travel times is another determining factor for booking travel services. Previous literature does not directly link this factor to customer loyalty. However, the itinerary is a relevant potentially mitigating factor for loyalty to travel service providers. If customers do not find a suitable itinerary they will probably book with another provider. The study revealed that 75% of all respondents think that a convenient itinerary and/or convenient travel times is an important issue. Thus, it is the most important factor while choosing a service provider/website for a booking.

Figure 4 illustrates the importance of the different determinants of loyalty for the three countries. In Germany the respondents think that suitable travel times/itinerary (76%) is the most important criterion for choosing a website in order to make a booking. Their second most important factor is personal positive experiences with the provider (72%) followed by a clear website layout (70%). In the UK the website layout (77%) is most important, closely followed by the good reputation of the service provider (75%) and a convenient itinerary (74%). In the USA, a good reputation and a clear website layout have the highest significance (81% each) followed by low prices compared to the competition (78%).

Comparing loyalty determinants across countries shows that in general, respondents from the USA rate determinants of e-loyalty as more important than the travellers from the UK and Germany. In particular, the good reputation of the service provider and well-known brands are considerably more important for US travellers (81% and 71% respectively) than for travellers from Germany (67% and 53% respectively). There is one significant exception: Using a trustworthy service provider based on the experiences of another person (e.g. good reviews, recommendations) is most important in Germany followed by the UK and the USA.
<table>
<thead>
<tr>
<th>Importance</th>
<th>Theoretical background</th>
<th>Statement in the questionnaire and % of people that rate it with 4 and 5 on a scale of 1 to 5</th>
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<tbody>
<tr>
<td>1</td>
<td>An important determinant of e-loyalty is a simple and efficient to use website (Srinivasan et al., 2002 &amp; Llach et al., 2012) which enables easy booking processes.</td>
<td>“Website clearly laid out” 74% of all respondents</td>
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<tr>
<td>2</td>
<td>As people spend quite a considerable amount when booking, the good reputation of the company (Caruana &amp; Ewing, 2010) and a positive attitude towards the company (Herhausen &amp; Schoegel, 2012) is another important determinant as travellers do not want to lose money on booking.</td>
<td>“Good reputation of the service provider/ of the website” 74% of all respondents</td>
</tr>
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<td>3</td>
<td>Positive experiences with the service provider/website and customer satisfaction also determine the decision on a specific provider (Luarn &amp; Lin, 2003; Herhausen &amp; Schoegel, 2012).</td>
<td>“PERSONAL positive experience with the website/ the service provider” 73% of all respondents</td>
</tr>
<tr>
<td>4</td>
<td>Price of a service is a further important factor influencing customer decisions and loyalty development (Anuwichanont, 2011).</td>
<td>“Low prices compared to the competition” 72% of all respondents</td>
</tr>
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<td>5</td>
<td>Perceived trust and trustworthy information and the feeling that one can trust the online vendor (Cyr et al., 2007) is also a factor that influences loyalty.</td>
<td>“Trustworthy booking website (e.g. certified by TUV, BB, TRUSTe, SSL, VeriSign Trusted, etc.)” 64% of all respondents</td>
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<tr>
<td>6</td>
<td>Experiences or expertise of others regarding a specific product or service (Bansal &amp; Voyer, 2000) can influence other person’s decision for a specific provider.</td>
<td>“Trustworthy service provider based on the experiences of ANOTHER PERSON (e.g. good reviews, recommendations)” 62% of all respondents</td>
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<td>7</td>
<td>Brand awareness is a further antecedent of brand and/or provider loyalty (Pride &amp; Ferrell, 2012).</td>
<td>“Well-known brand” 62% of all respondents</td>
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</tbody>
</table>

Table 3: Importance of determinants for e-loyalty
Figure 4: Website / provider selection criteria (determinants of e-loyalty)
Question: How important were the following factors to you whilst you were making a booking?
Basis: German travellers N=503, UK travellers N=490, USA travellers N=451
Importance of e-loyalty instruments

Besides determinants, companies use loyalty instruments to increase loyalty. Table 4 explains the importance of instruments for e-loyalty. When selecting a website to book, e-loyalty instruments are in general considered as less important than e-loyalty determinants.

The results of this study show that e-loyalty instruments are not as important as other rather unspectacular instruments which are more strongly linked to the core service of the provider (compare “determinants of e-loyalty”). By far the most important instrument in all three countries is information from the service provider about offers/specials/deals. However, Figure 5 shows that in general, loyalty instruments are considerably more important for US travellers than for travellers in Germany and the UK. In particular, benefits offered by the loyalty programmes without surcharge, the possibility of upgrades and the use of the loyalty card to collect points or miles are of a substantially higher relevance for travellers from the USA than for German and UK travellers.

Astonishingly, social media is considered to be the least important criteria by respondents. Unlike other loyalty instruments, a presence on social media has various other purposes such as increasing the ranking in search engines, rapidly communicating to end-customers in crisis situations or extended customer service (Caliesch & Liebrich, 2012). Moreover, social media can be interpreted as a social media channel that also allows the delivery of deals or other loyalty instruments as well as engaging the customer through interaction.

<table>
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<th>Statement in the questionnaire and % of people that rate it with 4 and 5 on a scale of 1 to 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In order to extend the breadth and depth of the customers’ purchases over time, companies provide information and incentives (such as offers and deals) to customers (Srinivasan et al., 2002).</td>
<td>“Information from the service provider about offers/specials/deals (e.g. from a newsletter)” 52% of all respondents</td>
</tr>
<tr>
<td>2</td>
<td>Some loyalty cards also reward its members by free or sharply reduced added services (Zineldin, 2006).</td>
<td>“Benefits offered by the Loyalty card without surcharge (e.g. late check-out at hotels, priority lane/lounge for an airline, personal data stored for fast booking)” 34% of all respondents</td>
</tr>
<tr>
<td>3</td>
<td>A further common reward in travel and tourism is a possible upgrade with a certain number of points or bookings (Capizzi &amp; Ferguson, 2005).</td>
<td>“Possibility of upgrades with a certain number of bookings (e.g. business class flights for economy prices or larger rooms in hotels)” 34% of all respondents</td>
</tr>
<tr>
<td>4</td>
<td>Another measure is the opportunity to get coupons with a certain number of bookings or points which are redeemable with the next purchase (Capizzi &amp; Ferguson, 2005).</td>
<td>“Coupon for the next booking with the same service provider next time” 30% of all respondents</td>
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<td>5</td>
<td>In order to lock customers in and to build up loyalty, many companies use loyalty cards or programmes which include point collection (Sharp &amp; Sharp, 1997).</td>
<td>“Loyalty card used at at least one of the providers/websites to collect points/miles” 28% of all respondents</td>
</tr>
<tr>
<td>6</td>
<td>Virtual communities or social media which allow for information and opinion exchange as well as identification with the retailer (Srinivasan et al., 2002) are further measures taken by service providers in order to facilitate engagement and increase loyalty.</td>
<td>“Appealing communication via social media channels (e.g. Facebook page)” 21% of all respondents</td>
</tr>
</tbody>
</table>

Table 4: Importance of instruments for e-loyalty
Figure 5: Website/provider selection criteria (loyalty instruments)

Question: How important were the following factors to you whilst you were making a booking?

Basis: German travellers N=503, UK travellers N=490, USA travellers N=451

- Information from the service provider about offers/specials/deals
- Conveniences offered by the Loyalty card without surcharge
- Possibility of upgrades at a certain number of bookings
- Coupon for the next booking with the same service provider next time
- Loyalty card used at least one of the providers/websites to collect points/miles
- Appealing communication via social media channels

1 not important at all | 2 | 3 | 4 | 5 very important | I don't know/no answer
References


Executive Brief «E-Loyalty in Travel and Tourism: Results from a representative survey in Germany, USA and UK»
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