The role of loyalty programs in boosting hotel guest loyalty: Impact of switching barriers

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ABSTRACT

This study examines the relationships among the perceived value of a loyalty program, customer satisfaction with a loyalty program, affective commitment, switching barriers, and customer brand loyalty in the hotel context. An online survey method with a quantitative approach was used. Our results from a structural equation model revealed that the perceived value of a loyalty program is essential in the formation of customer brand loyalty. Lastly, findings from an indirect analysis showed that affective commitment and switching barriers mediated the relationship between the perceived value of a loyalty program and customer brand loyalty. Overall, our research will help researchers and practitioners demonstrate to the industry that the loyalty program is a crucial strategy for customer loyalty and helps develop competitive loyalty programs for success.

1. Introduction

Today, hotel customers no longer want to experience only genuine services from providers; they want more. Customers seek better deals, demand amenities, write reviews, and share what they got from hotels. The loyalty program, often called a rewards program or frequent-guest program, is the core of this phenomenon (Raab et al., 2016; Xie et al., 2015). Customers have fought to receive exclusive benefits by joining loyalty programs and developing their tiers to elite levels. When accomplishing elite levels, customers can not only receive noteworthy benefits such as late check out, free Wi-Fi, discounts for rooms and restaurants, free access to the executive floor lounge, a free room upgrade, but also utilize the accumulated points for an upcoming stay, transferring points to preferred mileages, or buying gifts (Hewitt, 2017).

As hotel firms have difficulties in providing differentiated services and increasing switching costs to customers (Reinartz & Kumar, 2000), most of the hotels make the best use of loyalty programs to attract such customers (Berezan et al., 2017; Melnyk and Bijmolt, 2015; Tanford, Raab, & Kim, 2011). In return, hotel firms can expect increased customer satisfaction and loyalty through the loyalty program, which positively impact long-term financial performance and the relationship between customers and brands (Anderson et al., 1994; Berezan et al., 2017; Bolton et al., 2000; Hutchinson et al., 2015; Reichheld and Sasser, 1990). According to the J.D. Power 2017 Hotel Loyalty Program

Satisfaction Study, Marriott International's loyalty program, Marriott Rewards, ranked highest in overall customer satisfaction with a loyalty program, and Marriott international achieved a total of 22.89 billion USD in revenue in 2017, which is the highest revenue among major hotel groups (U.S. Securities and Exchange Commission, 2018). These examples explain that hotels can be led to success in their business by attracting customers and increasing revenues through the loyalty program (Effler, 2017).

Meanwhile, the growth of third-party booking websites, which is often called online travel agents (OTAs), such as Expedia and Booking.com, brought conflicts with the hotel industry since the high level of commissions paying to OTAs has reached as high as 30% of the room rates (Myung et al., 2009). In addition, the emergence of the home share platform, such as Airbnb, creates new competitions with traditional hotels. The effect of Airbnb on the hotel industry is intricate since customers compare the price and value offered by both Airbnb and hotels (Blal et al., 2018). For these reasons, hotels highly encourage customers to make a direct booking from their official channel (Feinstein, 2018). Especially, hotels try to provide the loyalty program members with exclusive perquisites such as the lowest rate, the choice earning airline miles or their rewards points, complimentary Wi-Fi, or full advantage of their mobile application when booking direct (Forman, 2016). However, both OTAs and Airbnb also have their loyalty programs, and they have made a great deal of stride in recent years, which is becoming more user-friendly and rewarding. Although most

hotel loyalty programs do not offer points or benefits to their members when they book through OTAs or Airbnb, those third-party providers can be a good option for those who don't travel frequently or patronize a variety of brands since they have a broader selection in every destination (Mackenzie, 2019). Thus, it is imperative for hotel firms to differentiate them from OTAs or Airbnb by possessing distinctive loyalty programs for their success (Hoffman and Lowitt, 2008).

Numerous academic researchers insisted that the loyalty program can create a high level of customer retention by offering enhanced satisfaction and value to loyalty program members (Bolton et al., 2000; Lewis, 2004; Tanford et al., 2011; Xie and Chen, 2014). Lewis (2004) asserted that the loyalty program is a useful tool to augment customer repurchase intentions. Therefore, the loyalty program has a significant role in creating customer loyalty by increasing switching costs (Yi and Jeon, 2003). Some researchers, nevertheless, have questioned the effectiveness of the loyalty program and argued that the application of the program is not enough to achieve a high level of customer loyalty (e.g., Berman, 2006; Dowling and Uncles, 1997; Kim et al., 2009; Mattila, 2006; Sharp and Sharp, 1997; Skogland & Siguaw, 2004; Xie et al., 2015). Mattila (2006) argued that accumulating points failed to predict customer loyalty since most loyalty programs look alike, and therefore, emotional bonding is the way to strengthen customer loyalty.

In response to such different research sides, this study examined the role of the perceived value of a loyalty program to address these gaps in the literature and emphasize on how a well-organized loyalty program can generate customer loyalty by inducing switching barriers. Concretely, we attempted to (1) explore the role of the perceived value of a loyalty program, satisfaction with a loyalty program, and customer brand loyalty; (2) identify indirect effect of affective commitment and switching barriers (lack of the attractiveness of alternatives and switching costs related to a loyalty program) on customer loyalty for the brand. The study's findings will help researchers and practitioners to understand that the loyalty program is a critical success factor for customer loyalty, and how hotels develop/maintain competitive loyalty programs for success.

2. Background of research

2.1. Loyalty program in the chain hotels

The loyalty program is an essential tool for chain hotels to foster customer loyalty by providing a combination of hard benefits generating an elimination of direct financial costs (e.g., complimentary stay) and soft benefits reflecting customers' sense of special status (e.g., late check-out) to customers who frequently make purchases (Yi and Jeon, 2003). The loyalty program enables hotels to retain a number of customers who possess a high level of repeat-purchase loyalty (e.g., decreased switching intention to non-program brands, increased purchase frequency) (Sharp and Sharp, 1997). Sharp and Sharp (1997,p. 473) defined a loyalty program as a "supplier's structural effort that provides customers with loyalty incentives such as points redeemable for prizes or discounts to increase customers' attitudinal and behavioral commitment to the supplier's market offering." Over the past three decades, the loyalty program in hospitality industries has proliferated since Marriott launched its loyalty program, Marriott rewards in 1983, which was a copycat of airline's frequent flyer programs. Since then, loyalty programs have become imperative for chain hotels to have competitive and distinctive loyalty programs to survive in this age of unlimited competition (Raab et al., 2016; Zahay et al., 2012).

2.2. Perceived value of a loyalty program and its impact

Perceived value can be referred to as a "customer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given." (Zeithaml, 1988, p 14). Perceived value has been measured primarily in multiple item scales with intrinsic and extrinsic value (Babin et al., 1994; Novak et al., 2003), hedonic and utilitarian value (Hirschman and Holbrook, 1982; Ryu et al., 2010). Especially, Xie and Chen (2014) explained the perceived value of a loyalty program with functional value, psychological value, and external value. Functional value can be defined as "the value derived from accomplishing some pre-determined instrumental purpose" (Dholakia et al., 2004, p. 24). Conventionally, the functional value is regarded as the critical factor of consumer decision (Sheth et al., 1991), which contains the convenient use of a loyalty program, and flexibility of terms and conditions (Dowling and Uncles, 1997). Psychological value, on the other hand, involves intangible benefits, such as an emotionally attached recognition to members (Harris, 2000). Xie and Chen (2014) strongly claimed that psychological value is essential for hotels to increase the number of purchases from customers, and henceforth, increase the overall perception of values that do business with the hotels. External value includes the benefits delivered through external parties in the partnership and point pooling that enables members to transfer points to mileages (Kim et al., 2003). Clearly, functional, psychological, and external values are prerequisites to explain how the perceived loyalty program values impact on loyalty (Xie and Chen, 2014). Customers generally want to aggregate points or mileage to consolidate them or to redeem with the same program (Kim et al., 2003); thus, understanding how customers perceive the value of each loyalty program is imperative to creating a successful loyalty program (Xie et al., 2015).

Many empirical studies have identified the vial role of the perceived value of a loyalty program in building customer loyalty (Hu et al., 2010; Kim, 2018; Xie and Chen, 2014). Hu et al. (2010) examined the effectiveness of a loyalty program in the lodging industry. Their empirical study has shown that the competent/valuable loyalty programs are a crucial aspect of inducing customer loyalty. Xie and Chen (2014) also verified the relationship between the perceived value of a loyalty program and customer loyalty in the hotel context. Their findings showed that the positively perceived loyalty programs may affect customer loyalty. Concretely, the psychological value, which explains the extent of emotional attachment to the program validated the substantial impact on loyalty. In addition, Kim (2018) identified the critical role of a hotel loyalty program by adopting the four-stage model of loyalty. The results showed that the hotel loyalty program has a positive influence on the formation of loyalty.

Nonetheless, as aforementioned, some empirical studies have indicated that the loyalty program failed to explain the strong relationship between the loyalty program and customer loyalty (Sharp and Sharp, 1997; Berman, 2006; Mattila, 2006; Xie et al., 2015). Sharp and Sharp (1997) studied the role of the loyalty program of Fly Buys, which is Australia's most significant loyalty program to repeat-purchase patterns and results showed that there were no significant differences between members and non-members of the loyalty program. Berman (2006) mentioned that a loyalty program would fail because of critical pitfalls, including low levels of commitment, focusing solely on monetary rewards, or privacy issues. Mattila (2006) surveyed typical travelers in Florida to identify the role of loyalty programs. The result showed that hospitality companies should focus on affective commitment to procure high levels of customer loyalty, rather than attempting to foster customer loyalty by providing the loyalty program. This is because the loyalty program is not an effective way to foster customer loyalty due to the parallelism of most chain hotels' loyalty programs; thus, affective commitment is the keyword to enhance repeat patronage and referrals. In addition, Xie et al. (2015) studied the active loyalty behavior in hotel rewards program and mentioned that some previous researches overrated the efficiency of the loyalty program, which failed to explain the relationship between improvement in program value and customer retention; thus, hoteliers should focus on customers' potential positive/negative emotions to increase their switching costs.

2.3. Satisfaction with a loyalty program

Customer satisfaction can be referred to as a customer's general assessment of the performance of the service offered to date (Johnson and Fornell, 1991). In general, explanations of customer satisfaction focus on customers' overall evaluation towards service product, characteristics, and other situational variables (Back and Parks, 2003) and is considered one of the most important results of all marketing activities (Kandampully and Suhartanto, 2000). Customer satisfaction is a traditional research construct because it maximizes the effect of customers' future behaviors, such as repurchase and delivers a positive WOM to potential customers for particular products or services (Jani and Han, 2014). Numerous recent studies have identified the critical linkages between customer satisfaction and various variables in the hospitality industry, such as service quality (Rao and Sahu, 2013), image (Jani and Han, 2014), purchase intention (Ali, 2016), loyalty (Liat et al., 2014).

Customer satisfaction has been considered to be a core determinant for creating loyalty (Hu et al., 2010) and has been regarded as a critical antecedent of customer loyalty for many years (Kim et al., 2015). With the main focus on research regarding customer satisfaction, many researchers have proven a significant relationship between satisfaction and loyalty (Bowen and Chen, 2001; Han and Ryu, 2009; Hu et al., 2010; Lee et al., 2017). In the hospitality context, Bowen and Chen (2001) examined the relationship between customer satisfaction and loyalty. The results explicitly pointed out that making highly satisfied customers is the most powerful marketing resource for hotels and can economize their marketing expenses through their loyal guests. Hu et al. (2010) investigated the relationship between customer satisfaction and customer loyalty, re-confirming the central belief that satisfaction with hotels positively affects customer loyalty. Han and Ryu (2009) found statistical importance, which explains the direct effect of customer satisfaction on customer loyalty. To be concrete, when customers are satisfied with their services or products, they are likely to remain as loyal guests who are willing to offer positive word-of-mouth, purchase more, and pay a higher price. In addition, a recent study by Lee et al. (2017) delved into the measurement of loyalty generated by cruise passenger. Their results showed that there is an intricate connection between passengers' overall satisfaction and their loyalty; therefore, the managers on a cruise line should duly recognize and monitor passengers' satisfaction level to fulfill customer loyalty. Thus, hotels must provide a satisfactory service to its customers to be successful in the business and therefore to win over the competition (Choi and Chu, 2001). This led to the following hypotheses:

H1. Perceived value of a loyalty program is positively related to satisfaction with a loyalty program.

H2. Perceived value of a loyalty program is positively related to customer brand loyalty.

2.4. Affective commitment and customer brand loyalty

Commitment can be defined as "an enduring desire to maintain a valued relationship" (Moorman et al., 1992, p. 316). Much of the extant research regarding commitment has dealt with a multi-dimensional construct, which includes affective commitment, calculative commitment, and normative commitment (Allen and Meyer, 1990; Meyer et al., 2002; Parsa and Cobanoglu, 2011). Among them, affective commitment has been recognized as one of the most significant mediating roles in assessing customer loyalty (Dean, 2007; Gustafsson et al., 2005; Tanford et al., 2011). Affective commitment can be created to the person who emotionally attached to the specific brand, which generates personal belongings and identifiable information with a product or service (Allen and Meyer, 1990; Matilla, 2006; Tanford et al., 2011). According to Tanford et al. (2011), affective commitment contains an emotional reaction that would be generous to changes in price;

therefore, the company should induce such emotional bonds with their customers. In addition, Fullerton (2005) asserted that affective commitment is an utmost important variable in supporting the development of relationships since it was found to be closely related to switching intentions to other service providers.

Loyalty can be defined as "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1997, p. 392). Loyalty is a critical success factor in marketing, since maintaining customers is less expensive than creating new customers (Kim et al., 2015; Reichheld and Sasser, 1990). This is because customers who are satisfied with the products/services are less likely to be sensitive about product price, more likely to offer positive word-of-mouth about a company to others and increase a possibility of revisit/repurchase (Anderson et al., 1994; Back and Parks, 2003). Kandampully and Suhartanto (2000) suggested that customer loyalty includes both behavioral and attitudinal dimensions, which can be explained that the behavioral dimension considers consistent repeat business frequency, and the attitudinal dimension considers psychological commitment/interest in the brand. However, according to Dick and Basu (1994), the behavioral loyalty dimension has disadvantages in assessing customer loyalty. This is because the behavioral dimension failed to differentiate brand loyalty from repeat purchase behavior (Han and Ryu, 2009). Notably, the attitudinal loyalty dimension should be more focused on the hospitality industry to adequately indicate customer loyalty since the hospitality industry includes an emotional attachment to the provider as well (Han and Ryu, 2009). Therefore, this study utilized an attitudinal loyalty dimension to identify the role of customer brand loyalty by measuring a specific range of behavior generated by overall experiences with loyalty programs in the hotel industry.

Dean (2007) sought to find the potential benefits of loyal customers in service firms. The findings indicated that there is a significant indirect effect between customer feedback and customer loyalty by affective commitment, which explained how strong customer loyalty could be built when service providers make every effort to create emotional bonding with customers. Iglesias et al. (2011) delved into the critical role of brand experience, and affective commitment in determining brand loyalty and their empirical evidence showed that brand loyalty indeed perceived by customers when affective commitment between the brand and its customers developed. Gustafsson et al. (2005) demonstrated that affective/calculative commitment has a significant mediating role in a relationship between customer satisfaction and customer retention in the telecommunication services context. Tanford et al. (2011) evaluated the critical role of loyalty program membership and members' commitment to brand loyalty in the hotel context. Their results showed that the loyalty program members who have a high tier are more likely to affectively committed, which means emotional bonding strengthens the hotel brand. However, the associations between customer satisfaction and affective commitment have somewhat been less attended in the hospitality context. Therefore, identifying various factors that affect customer satisfaction can help a business design and deliver appropriate proposals to meet market demands (Wu and Liang, 2009). Based on the theoretical framework explained above, the following hypotheses are proposed:

H3. Satisfaction with a loyalty program is positively related to affective commitment.

H4. Affective commitment is positively related to customer brand loyalty.

H5. Affective commitment has a mediating effect on the relationship between perceived value of a loyalty program and customer brand loyalty.
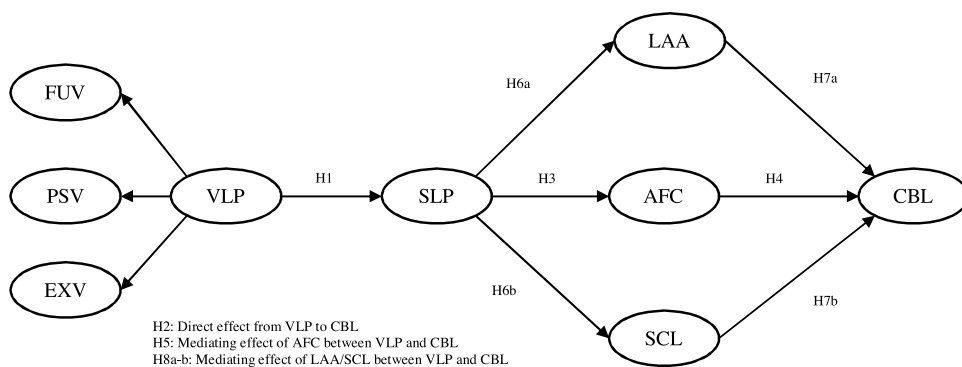
Fig. 1. Proposed conceptual model.
Note. VLP = Perceived value of a loyalty program; FUV = Functional value; PSV = Psychological value; EXV = External value; SLP = Satisfaction with a loyalty program; AFC = Affective commitment; LAA = Lack of the attractiveness of alternatives; SCL = Switching cost related to a loyalty program; CBL = Customer brand loyalty.

H2: Direct effect from VLP to CBL
H5: Mediating effect of AFC between VLP and CBL
H8a-b: Mediating effect of LAA/SCL between VLP and CBL

2.5. Impact of switching barriers

Researchers have claimed that loyalty programs can create customer loyalty for the hotel brand by increasing customer's perception of switching difficulties (Bendapudi & Berry 1997; Caminal & Matutes, 1990; Tanford et al., 2013; Xie et al., 2015). Switching barriers can be defined as "the consumer's assessment of the resources and opportunities needed to perform the switching act, or alternatively, the constraints that prevent the switching act" (Ranaweera and Prabhu, 2003, p. 379). In recent years, many researchers have identified that switching barriers is a crucial concept in consumer switching and success of firms (Baloglu et al., 2017; Chang and Chen, 2007; Han et al., 2011a,b; Qiu et al., 2015; Wirtz et al., 2007) and have broaden switching barriers as multi-dimensional, which include switching costs, relational investment, and alternative attractiveness (Chang and Chen, 2007; Han et al., 2011a,b; Kim et al., 2014; Jones et al., 2000) since they all act as barriers for customers to switch from one provider to another (Kim et al., 2014). In particular, many researchers have demonstrated that two facets of switching barriers, which include switching costs and alternative attractiveness are the core factors comprising switching barriers in extant literature (Kim et al., 2018; Lu et al., 2011; Patterson & Smith, 2003; Picón et al., 2014).

Switching costs arise when customers perceive psychological or financial burden related to leaving the current service provider (Kim et al., 2018). According to Kim et al. (1997), creating switching costs can increase operational profits by securing loyal guests through the loyalty program. Namely, if the consumer thinks a specific loyalty program is more attractive than other programs, it seems undeniable to admit that he or she is more likely to maintain that program, even if that customer is a member of several loyalty programs (Wirtz et al., 2007). Ranaweera and Prabhu (2003) suggested that switching costs could be useful in pursuing higher levels of customer satisfaction if the time and effort required for switching were perceived as necessary; therefore, the firms should focus on service features that increase switching costs without creating a sheer barrier for switching. Wirtz et al. (2007) explored the role of perceived switching costs between loyalty programs, set in a credit card context. Their results indicated that switching costs related to the loyalty program have a positive impact on loyalty.

Customers are likely to change their service provider when they feel attracted to the alternatives (Kim et al., 2018). In other words, customers stay in current service provider if they perceive the lack of the attractiveness of alternatives (Han et al., 2011a,b). Picón et al. (2014) argued that alternative attractiveness has been identified in research as an essential component on customers' switching behavior. Lu et al. (2011) investigated the role of switching barriers within an integrated model of behavioral intentions. Switching barriers in their study composed of switching costs and alternative attractiveness and its effect on behavioral intention were generally supported in explaining the relationship among variables. The authors stated that customers are more likely to stay with current service providers when switching costs

increases, and attractiveness of alternatives decreases.

Furthermore, to the best our knowledge, many researchers mainly focused on the direct and moderating effect of switching barriers and little studies has identified the mediating effect of switching barriers in explaining customers' behavioral intention. Kim et al. (2014) incorporated switching barriers into the framework of loyalty intention formation as a mediating role in the hospitality context. Their results showed that switching barriers have an indirect effect on the loyalty program member's loyalty intentions. Based on the literature mentioned above, the following hypotheses are tested:

H6a-b. Satisfaction with a loyalty program is positively related to switching barriers (lack of the attractiveness of alternatives and switching cost related to a loyalty program).

H7a-b. Switching barriers are positively related to customer brand loyalty.

H8a-b. Switching barriers have a mediating effect on the relationship between perceived value of a loyalty program and customer brand loyalty (Fig.1).

3. Methods

3.1. Measures of constructs

Our data set depicts South Koreans' loyalty formation for the hotel brand in which the hotel industry has rapidly grown up in the past few years. The questionnaire of each item was employed based on the studies previously used. 22 items were used to measure perceived value of a loyalty program (Xie and Chen, 2014); 4 items were adopted from Hennig -Thurau (2004) to measure satisfaction with a loyalty program; 3 items were employed from Fullerton (2005) to measure affective commitment; 7 items from Han et al., 2011a,b to measure switching barriers; 3 items from Han and Ryu (2009) were used to measure customer brand loyalty and slightly modified the items to adequately fit in the hotel context (see Table 1). Before conducting the final survey, a pre-test was carried out by carefully selected 20 experts, consisted of both professors in hospitality and tourism management department and professionals in the hotel industry to check the contents' validity. After that, all questionnaire items were translated into Korean by a professional translator since the respondents were composed of South Koreans. Respondents were asked to respond to all items measured with a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree), except for their demographic information.

3.2. Data collection and sample characteristics

An online survey method was conducted in this study. An online survey company randomly sent an invitation email to 500 general hotel customers in South Korea in May 2018. South Korea was chosen since the hotel industry is rapidly developing over the past few years and

Table 1

Properties of measurement items.

Construct name and items
Perceived value of a loyalty program (Xie & Chen, 2014)
- Functional value
FUV1: X loyalty program is easy to achieve rewards redemption.
FUV2: X loyalty program has reasonable rewards for what I spend.
FUV3: The points I have accumulated never expire.
FUV4: There are no blackout dates to redeem free nights.
-Psychological value
PSV1: I am proud of being a member of X loyalty program.
PSV2: Special promotions are available only to members.
PSV3: There is better recognition of members than non-members.
PSV4: There are privileges offered at an elite level.
-External value
EXV1: There are partnerships with my airline frequent flyer programs.
EXV2: X loyalty program has the ability to transfer points to someone I know.
EXV3: X loyalty program has the ability to combine hotel points and airline miles.
Satisfaction with a loyalty program (Hennig-Thurau, 2004)
SLP1: I am fully satisfied with X loyalty program.
SLP2: X loyalty program always fulfills my expectation.
SLP3: My experiences with X loyalty program are excellent.
SLP4: X loyalty program has never disappointed me so far.
Affective commitment (Fullerton, 2005)
AFC1: I feel emotionally attached to X hotel brand.
AFC2: X hotel brand has a great deal of personal meaning for me.
AFC3: I feel a strong sense of identification with X hotel brand.
Lack of the attractiveness of alternatives (Han et al., 2011a,b)
LAA1: Compared to X loyalty program, there are not many other loyalty programs that satisfy me.
LAA2: If I need to switch, there are not many attractive loyalty programs to choose from.
LAA3: There are no other similar types of loyalty program in the hotel industry.
Switching cost related to a loyalty program (Han et al., 2011a,b)
SCL1: If I switch to another loyalty program, I could not use the services and benefits of X loyalty program, such as a complimentary room upgrade, free access to the club lounge and a redemption stay.
SCL2: Switching to another loyalty program will increase monetary costs, such as paying a higher price for room and food.
SCL3: For me, the costs in time and effort to switch to another loyalty program are high.
SCL4: In general, it would be inconvenient and a hassle to switch to another loyalty program.
Customer brand loyalty (Han & Ryu, 2009)
CBL1: I would like to come back to X hotel brand in the future.
CBL2: I would recommend X hotel brand to my friends and others.
CBL3: I am willing to spend more than I planned at X hotel brand.

Table 2

Characteristics of respondents (n = 333).

Variables	Frequency	Percentage (%)
Gender		
Male	151	45.3
Female	182	54.7
Age		
21 years old – 30 years old	100	30.0
31 years old – 40 years old	148	44.4
41 years old – 50 years old	72	21.6
51 years old and above	13	3.9
Income		
$24,999 and below	24	7.2
$25,000 – $39,999	86	25.8
$40,000 – $54,999	67	20.1
$55,000 – $69,999	57	17.1
$70,000 – $84,999	40	12.0
$85,000 – $99,999	29	8.7
$100,000 and above	30	9.0
Education level		
High School diploma	11	3.3
Associate's degree	25	7.5
Bachelor's degree	235	70.6
Graduate degree	62	18.6
Preferred loyalty program		
Marriott/Ritz-Carlton Rewards	85	25.5
SPG	46	13.8
Hilton Honors	116	34.8
World of Hyatt	32	9.6
IHG Club	18	5.4
Le Club Accor	28	8.4
Other	8	2.4
Frequency of stay (within the last 12 months)		
1 time – 2 times	85	25.5
3 times – 5 times	163	48.9
6 times – 9 times	50	15.0
10 times – 15 times	21	6.3
16 times and more	14	4.2
Purpose of travel		
Business	65	19.5
Leisure	268	80.5

there has been a recent boom in staying at chain hotels from domestic travelers for their not only business purpose but also pleasure time (Kang, 2019). The survey company provided a small amount of incentive to the participants who completed the survey successfully. The invitation email included the following screening questions:

- Are you a member of any hotel loyalty programs?
- Have you stayed in any chain hotel brands within the last 12 months?

Additionally, the qualified participants were informed of the definition of the hotel loyalty program and were given examples. The questionnaires were only distributed to potential participants who met the screening questions and then the participants were asked to carefully finish the questionnaires. Five days were needed to complete the survey. A total of 340 questionnaires were returned back (response rate = 68.0%) and 333 cases were used after eliminating extreme outliers or incomplete set of forms. Table 2 indicates the details of the respondent's characteristics.

4. Results

4.1. Reliability and construct validity testing

In this study, SPSS and AMOS 24 was used to analyze the collected data. Table 2 summarized the measurement model results and correlations. Before conducting a confirmatory factor analysis (CFA), the data screening was performed to check whether there were any violations of the assumptions. First, the common method bias (CMB) was checked by Harman's single-factor and common latent factor approaches. All measurement items are loaded into one common factor and the total variance for a single factor was less than 50% (47.67%). there were no significant differences between CFA with and without common latent factor when comparing standardized regression weight. Therefore, CMB may not be caused in our study (Podsakoff et al., 2003). Next, non-response bias was checked and results indicated that substantial difference between early responses and late responses ($p < .05$) among study constructs was not found; thus, this study didn't gauge non-response bias (Armstrong and Overton, 1977). Last, we investigated the multivariate normality by checking Mahalanobis distance (MD). The results showed that the probability of MD from all the responses were less than 0.001; thus, this study was not violated by the multivariate normality.

We found that three sub-constructs (i.e., functional value, psychological value, external value) under the perceived value of a loyalty program had high correlations, so we treated the construct as the

Table 3
The results of measurement model (n = 333).

Variable	Mean	SD	Skewness	Kurtosis	SRW	Cronbach's alpha	CR	AVE
VLP						.898	.927	.541
FUV1	4.88	1.134	−.148	−.381	.675			
FUV2	4.74	1.195	−.130	−.333	.727			
FUV3	4.05	1.421	−.131	−.128	.619			
FUV4	4.22	1.359	−.019	−.245	.731			
PSV1	4.49	1.314	−.197	.075	.860			
PSV2	4.89	1.153	−.309	.286	.769			
PSV3	4.89	1.168	−.364	−.037	.759			
PSV4	5.10	1.272	−.517	.037	.524			
EXV1	4.56	1.306	−.389	.409	.832			
EXV2	4.41	1.334	−.295	.215	.893			
EXV3	3.90	1.487	.016	−.431	.616			
SLP						.921	.916	.731
SLP1	4.64	1.206	−.312	.318	.817			
SLP2	4.62	1.260	−.300	.030	.869			
SLP3	4.64	1.247	−.441	.129	.870			
SLP4	4.44	1.301	−.044	−.355	.863			
AFC						.898	.903	.756
AFC1	4.53	1.260	−.544	.622	.859			
AFC2	4.39	1.353	−.331	.014	.913			
AFC3	4.08	1.482	−.163	−.194	.835			
LAA						.839	.840	.636
LAA1	4.22	1.288	−.009	−.112	.815			
LAA2	4.32	1.234	−.039	−.015	.773			
LAA3	4.02	1.322	−.159	−.069	.803			
SCL						.844	.841	.573
SCL1	4.41	1.240	−159	−.069	.844			
SCL2	4.51	1.279	−.117	−.114	.860			
SCL3	4.35	1.328	−.154	.064	.664			
SCL4	4.42	1.374	−.208	−.195	.633			
CBL						.798	.857	.668
CBL1	4.92	1.099	−.097	−.017	.763			
CBL2	4.92	1.110	−.050	.160	.850			
CBL3	4.33	1.445	−.249	−.307	.834			

Note 1. Goodness-of-fit statistics: χ^2 (320) = 920.770, $p < 0.001$, χ^2/df = 2.877, RMSEA = .075, CFI = .912, IFI = 0.913, TLI = .896.
Note 2. VLP = Perceived value of a loyalty program; FUV = Functional value; PSV = Psychological value; EXV = External value; SLP = Satisfaction with a loyalty program; AFC = Affective commitment; LAA = lack of the attractiveness of alternatives; SCL = Switching cost related to a loyalty program; CBL = Customer brand loyalty; SD = Standard deviation; SRW = Standardized regression weights; CR = Composite reliability; AVE = Average variance extracted.

Table 4
.The results of correlation matrix.

Variable	VLP	SLP	AFC	LAA	SCL	CBL
VLP	**.736**					
SLP	.660	**.855**				
AFC	.664	.692	**.869**			
LAA	.717	.551	.588	**.797**		
SCL	.591	.475	.434	.604	**.757**	
CBL	.643	.798	.641	.575	.474	**.817**
Mean	4.56	4.68	4.33	4.19	4.42	4.73
SD	.91	1.01	1.25	1.11	1.08	1.04

Note 1. Squared root of AVE on the diagonal; Correlations below the diagonal.

higher-order (second order) construct to estimate the effect of the main construct on its sub-constructs and to explicitly represent the related constructs. The CFA with a maximum likelihood estimation (MLE) was conducted to estimate the measurement model composing all measurement items. The goodness-of-fit statistics showed that the measurement model contained a satisfactory level of fit to the data (χ^2 (320) = 920.770, p < .001, χ^2/df = 2.877, RMSEA = .075, CFI = 912, IFI = 0.913, TLI = .896). the Cronbach's alpha values for study constructs were all above the suggested threshold of 0.70,

indicating internal consistency of the measurement items for each construct (Hair et al., 1998). The composite reliability (CR) values, which explains the reliability of the multi-item scales used in this study, ranged between 0.798 and 0.921. These values exceeded Bagozzi and Yi's (1988) recommended threshold of 0.600. Lastly, the results discriminant validity test showed that average variance extracted (AVE) values exceeded the minimum value of 0.50 and the AVE were greater than the squared correlations between any pair constructs, which is satisfied with Fornell and Larcker's (1981) recommendation. (see Table 3 and Table 4). Overall, the result of measurement models and correlations strongly identified the reliability and construct validity.

4.2. Research hypotheses testing

A structural equation modeling was used to investigate the relationship among perceived value of a loyalty program, satisfaction with a loyalty program, affective commitment, switching barriers, and customer brand loyalty. Table 5 shows that the model was adequately fit the data (Goodness-of-fit statistics: χ^2 (329) = 1017.869, $p < 0.001$, χ^2/df = 3.094, RMSEA = .079, CFI = .899, IFI = .900, TLI = .884). Overall, the model composed of four antecedents acceptably explained the total variance in customer brand loyalty (R^2 = .509). Hypothesis 1 indicated that perceived value of a loyalty program was significantly associated with satisfaction with a loyalty program (β = .989, $p < 0.01$). The results for hypothesis 1 clearly explained that the perceived value of a loyalty program strongly affects satisfaction with a loyalty program in the hotel industry. Hypotheses 2 and 3 were tested. Apparently, satisfaction with a loyalty program exerted a significant impact on affective commitment (β = .752, $p < .01$) and affective commitment has a positive impact on customer brand loyalty (β = .382, $p < .01$), supporting hypotheses 2 and 3. The proposed relationship between satisfaction with a loyalty program and switching barriers was tested. The results indicated that satisfaction of a loyalty program had a positive impact on both lack of attractiveness of alternatives (β = 0.859, p < .01) and switching cost related to a loyalty program (β = .693, $p < 0.01$). These findings supported H4 and H5. Plus, lack of attractiveness of alternatives had a positive impact on customer brand loyalty (β = .307, $p < 0.01$) and switching cost related to a loyalty program were significantly associated with customer brand loyalty (β = .132, $p > .05$). Thus, H6 and H7 were supported.

Next, the indirect impact of research variables within the proposed model was evaluated. As reported in Table 5 and Fig. 2, the results of SEM indicated that satisfaction with a loyalty program and affective commitment was found to have a significant indirect impact between perceived value of a loyalty program and customer brand loyalty (β VLP → SLP → AFC → CLB = 0.478, $p < .05$). In addition, satisfaction with loyalty program and switching barriers (lack of attractiveness of alternatives, switching cost related to a loyalty program) have a significant indirect effect between perceived value of a loyalty program and customer brand loyalty (β VLP → SLP → LAA → CLB = .572, $p < .01$; β VLP → SLP → SCL → CLB = 0.405, $p < 0.01$). These results imply that customer brand loyalty generated when customer perceived switching barriers. Last, the results of total variance explained showed that the proposed model accounted for 97.8%, 56.6%, 73.8%, 48.1%, and 50.9% of total variance in satisfaction with a loyalty program, affective commitment, lack of attractiveness of alternatives, switching cost related to a loyalty program, and customer brand loyalty, respectively.

5. Discussion and implications

5.1. Synopsis of the research

The loyalty program is an essential tool for hotel firms to achieve success in business over the competition. The present research has attempted to extend the current research on the relationship between perceived value and customer loyalty into the context of the loyalty

Table 5
The results of structural model (n = 333).

Hypotheses			Coefficient	SE	t-value
VLP	→	SLP	.989	.080	14.161**
SLP	→	AFC	.752	.063	13.376**
AFC	→	CBL	.382	.056	5.225**
SLP	→	LAA	.859	.057	14.235**
SLP	→	SCL	.693	.057	9.733**
LAA	→	CBL	.307	.073	3.850**
SCL	→	CBL	.132	.072	1.991*

	Relationship								Bootstrapping		95% CI		p-value (2-tailed)
									Estimate	SE	Lower	Upper	
Direct effect	VLP	→	CBL						.402	.160	.080	.719	.015
Indirect effect	VLP	→	SLP	→	AFC	→	CBL		.478	.062	.372	.615	.001
	VLP	→	SLP	→	LAA	→	CBL		.572	.061	.451	.690	.000
	VLP	→	SLP	→	SCL	→	CBL		.405	.076	.270	.571	.000

Note 1. $^*p < .05.$ $^{**}p < .01.$
Note 2. Goodness-of-fit statistics: $\chi^2 (329) = 1017.869$, $p < 0.001$, $\chi^2/df = 3.094$, RMSEA = .079, CFI = .899, IFI = .900, TLI = .884.
Note 3. Values are standardized effects; Bootstrap sample size = 5000.
Note 4. Total variance explained (R^2).
  R^2 for SLP = .978.
  R^2 for AFC = .566.
  R^2 for LAA = .738.
  R^2 for SCL = .481.
  R^2 for CBL = .509.

programs operated by hotel firms and to explicate the importance of the loyalty program that positively accelerates customer brand loyalty. There are apparent echoes for a better understanding of them by studying the critical role of the perceived value of a loyalty program, satisfaction with a loyalty program, affective commitment, and customer brand loyalty. The structural model test revealed that the relationship among research variables was satisfactorily supported. Findings showed that the perceived value of a loyalty program, namely functional value, psychological value, and external value, was a powerful predictor of customer satisfaction towards a loyalty program, and loyalty for the hotel brand. Affective commitment was also proven to be a significant predictor of customer brand loyalty. Moreover, satisfaction with a loyalty program, affective commitment, and switching barriers were found to be a mediating role between the perceived value of a loyalty program and customer brand loyalty. In general, our results presented a comprehensive understanding of why the loyalty program is essential in the hotel industry and demonstrated the customer brand loyalty formation created by the loyalty program.

5.2. Theoretical implications

Our research provided empirical results for the development of customer brand loyalty through loyalty programs including customer satisfaction, affective commitment, and switching barriers. The findings from this study regarding the effectiveness of the loyalty program provide theoretical implications as follows. First, despite the massive antecedents, which proved the positive results when utilizing the loyalty program, there were still conflicting views of its usefulness. Our empirical study indicated that second-order factor derived from perceived value of a loyalty program clearly explained an overall evaluation of brand loyalty formation by hotel customers. Our study has broaden the recent research flow regarding loyalty programs by extending the value perception of the loyalty program and the customer brand loyalty concrete, and the findings were in line with the previous studies that stressed the vital role of loyalty programs (Bolton et al., 2000; Kim et al., 2014; Xie and Chen, 2014). As they confirmed, the loyalty program was viewed to possess crucial roles in promoting
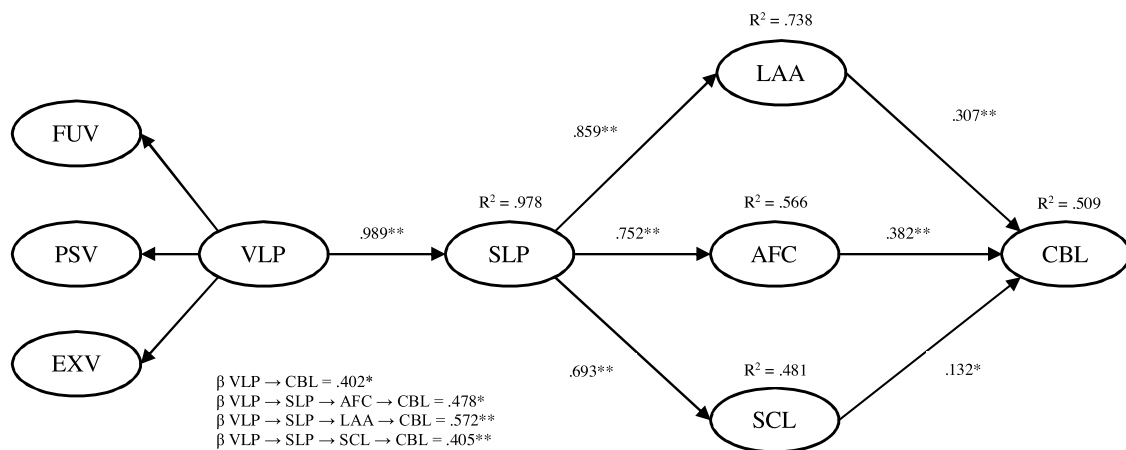

Fig. 2. Structural model estimation.
Note 1. $^*p < .05$, $^{**}p < .01$.
Note 2. Goodness-of-fit statistics: $\chi^2 (329) = 1017.869$, $p < 0.001$, $\chi^2/df = 3.094$, RMSEA = .079, CFI = .899, IFI = .900, TLI = .884.

customer brand loyalty. Our results filled the gap between two different views in the academic field and assured that a well-made loyalty program evidently generates strong customer brand loyalty. For researchers, as the results of the proposed model revealed, the loyalty program should be recognized as key constructs to develop customers' perception of brand loyalty. This theoretical framework in the hotel context can be a competitive tool for understanding hotel customers' brand loyalty formation.

Second, the findings revealed that affective commitment is an essential determinant of brand loyalty (Barsky and Nash, 2002; Kim et al., 2014; Mattila, 2006; Tanford, 2016; Xie et al., 2015). As our results showed, the relationship between customer satisfaction with the loyalty program and customer brand loyalty is influenced by affective commitment. Our results were coherent with the previous study by Tanford (2016) who investigated the direct loyalty antecedents through the meta-analysis. The study explained that affective commitment, also known as emotional commitment, has a robust relationship with customer loyalty. Therefore, hotels can achieve a higher market share and profitability by steadily developing certain emotions created from guest experiences. Besides, the results are consistent with the previous study that affective commitment plays a critical mediating role in the service relationships (Fullerton, 2005). However, little empirical study has focused on the associations between customer satisfaction and affective commitment in the hospitality context. Our results provided crucial information that identifying various factors that affect customer satisfaction can help a business design and deliver appropriate proposals to meet market demands (Wu and Liang, 2009). Thus, our results confirmed that customer brand loyalty could be strengthened by fulfilling affective commitment with the customers who are satisfied with their loyalty program.

Third, our study showed theoretically important result that the relationship between perceived value of a loyalty program and customer brand loyalty is highly dependent on customers' perceived level of switching barriers, such as lack of attractiveness of alternatives and switching cost related to a loyalty program. Switching barriers were found to has a significant mediating role in forming hotel loyalty program member's loyalty intention by employing a multi-dimensional approach. Specifically, the results identified that the indirect paths were significant with the theoretical framework, suggesting a mediating effect of switching barriers. Thus, the components of switching barriers mediated the critical associations between the perceived value of a loyalty program and customer brand loyalty. The results were in line with previous studies that identified the critical mediating role of switching barriers in determining customer loyalty (Augusto de Matos et al., 2009; Gómez and Maícas, 2011).

5.3. Managerial implications

The question pertaining to "whether the loyalty program is sufficient to create customer loyalty or not" is a long-standing debate in the hospitality industry. In our study, the loyalty program in the hotel industry is obviously reinforcing customer brand loyalty. The hotel industry faces a massive amount of expenses to operate its properties due to many reasons (e.g., high fixed costs, payroll, and commissions), while there are few ways to maximize revenue. Hence, minimizing expenses and maximizing profits are a long-term task and one effective way is therefore to boost the number of repeat guests. As we conventionally say, providing guests with the best service by making emotional bonding experiences and realizing hotel brand's service values are a vital strategy to create loyal customers, but the hotel industry also needs to be prepared for the rewards aspects.

The results of this study suggested that adequately designed loyalty programs are imperative to induce such outcomes. For example, business travelers are more likely to accumulate their points through accommodation. This is because they frequently travel away from home and their room rate is typically paid by their employer or clients, which means they are insensitive to the room rate up to their budgets, and they want to make a direct booking to the hotel to receive eligible points. Whereas, leisure travelers are more likely to acquire the benefits by joining the co-branded credit card or transfer their accrued points to preferred airline miles. The reason is that it is hard for leisure travelers to meet the requirements in traditional ways. All existing loyalty programs need at least 10 eligible nights to receive a complimentary stay, or 50 eligible nights to reach a higher tier, such as gold and platinum. Instead, they pay more attention to co-branded credit cards which offer ready-to-use benefits if they only meet minimum spending required by the credit card company.

Therefore, hotel firms should understand what characteristics of the loyalty program are appropriate to each customer and create customer loyalty towards their brands. In other words, practitioners should be familiarized with not only the knowledge of products/services they provide but also the benefits of the loyalty program to make new/repeat customers fully satisfied with the loyalty program. In the long run, customers will generate repeat business when they perceive all values of the loyalty program, recognize the attractiveness of their loyalty program, and finally realize the cost would be high if he/she moves to another loyalty program.

Hotel firms also benefit from the loyalty program by reducing marketing expenses. It seemingly needs a large budget to run, but there are hidden advantages, which include much fewer expenses compared to commissions paid to online OTAs. Most of all, since the introduction of OTAs in the mid-'90 s, they have increasingly gained market shares. As hotel firms rely heavily on OTAs for their booking, the commission paid to OTAs are getting progressively high (Feinstein, 2018). In addition, hotel companies encounter strong competition with not only lodging operators who provide similar products and services but also online-based sharing service companies, such as Airbnb, who allow travelers to book private homes or apartments as an alternative to hotel rooms, and they hamper the hotel companies by forcing them to increase their room rates or occupancy (Marriott International, 2017). Thus, hotel firms should build a powerful and distinctive loyalty program so that they can avoid the competition with them and entice customers into direct hotel bookings by offering special discounts or benefits to loyalty members.

5.4. Limitations and suggestions for future research

Despite the theoretical and managerial implications of the current research, few limitations need to be outlined for future research. First, the sample of survey respondents only consisted of hotel customers in South Korea. Therefore, the generalizability of the results could be insufficient. Future study is suggested to conduct cross-validation studies by utilizing different samples of survey respondents. Second, while the study focused on the effects of the perceived value of a loyalty program on satisfaction with a loyalty program and customer brand loyalty, it is likely that other variables, such as demographic factors (e.g., personality characteristics, hotel brand experience) could substantially affect the relationships between study variables. Thus, future study is recommended to conduct the invariance test with such factors.

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