

A NEW COMMUNICATION APPROACH FOR THE HOTEL INDUSTRY

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Abstract: Lifecycle concept is well known from performance in kind, but is also crucial for services and service marketing. The focus of this concept is the assumption, that every performance has a limited lifetime and the selling of this performance underlies a cyclic development over time (Wiesner and Sponholz, 2007, p. 27). The purpose of this paper is to gain insights about the changes in needs and expectations in terms of communication of hotel customers during relationship lifetime and the impact on communication and hence, also retention strategies. With the help of a questionnaire, hotel customers in different customer lifecycle phases are asked for their needs and interests concerning marketing communication. With these insights, the creation of a new dynamic communication approach for the hotel industry is possible.

Keywords: Hotel marketing, customer lifetime, dynamic communication approach.

1 Introduction

The purpose of this paper is to introduce a new model for marketing communications in the hospitality industry through a more efficient and effective marketing communication strategy, which takes the dynamics of the customer relationship lifecycle into consideration. For this reason, the customer communication lifecycle is introduced, to offer a more integrated and appropriate model for marketing communication in the hotel industry. The invention of this lifecycle takes the dynamics in communications in consideration, which are otherwise ignored by usual communication methods.

2 Theoretical Framework

The main goal of using the customer relationship lifecycle model for customer retention is the efficient realization of customer retention in different phases of the relationship of the customer with the firm. The phase of the relationship determines the measures, which should be used for successful retention. The rationale is that based on the phase of relationship, the most appropriate way for customer retention can be derived (Georgi, 2005, p. 237). Within the lifetime of the customer relationship, characteristic phases can be identified, which represent different states of the relationship from a customer's perspective. Due to the different phases, management tasks for customer retention differ (Stauss, 2011, p. 320). Furthermore, the aim is present customers certain buying opportunities not only in a way that satisfies their needs. Also to present and communicate purchase possibilities in an enjoyable way is a main task (Tsai, 2005). The lifecycle idea should be integrated in the strategic planning and implementation process of Integrated Marketing Communications (IMC). Especially in a competitive environment it is crucial that companies involve detailed information about their customers. Furthermore, modern integrated marketing requires the integration of customers needs, motivations, attitudes and actions. Additionally, the main purpose of modern marketing is not to persuade people, but to satisfy the customer, which is the essence of customer orientation (Mihart, 2012). Also due to the changed natures of marketing communications in the Internet era, new strategic and tactical perspectives are required (Ivanov, 2012). One main aspect of the analysis of communication characteristics is the special phase of the customer lifecycle in which a relationship is. The customer lifecycle shows the different stages of a customer relationship. To identify the stages, the development of the strength of relationship can be used, operationalized for instance by the customer turnover as well as the duration of relationship (Georgi, 2005, p. 231 f.). Thus, customer lifecycle of relationship can be regarded as an analogy to the product lifecycle model in terms of the customer-provider relationship. The customer lifecycle model was developed correspondently and was developed to show the ideal-typical temporal process of a customer relationship (Stauss 2000, p. 15, Stauss, 2011, p. 322, Bruhn, 2009, p. 59 ff.).

3 Research question, model description and hypotheses

The goal is to examine how the relationship lifecycle can be used to create a corresponding cycle for marketing communication purposes and how this customer communication lifecycle is able to make customer retention in the hospitality industry more successful and more efficient. The marketing communication sent out by the provider and received by the customer is able to fulfil different aims. In service marketing, three main aspects can be communicated with the help of marketing campaigns: Emotions, offers and information. First of all, communication has an informative character and is able to close information gaps. This may be the case for instance in terms of new offers or detailed information about facilities. Information is able to reduce uncertainty at the beginning of the customer provider relationship. Furthermore, information is not only necessary to reduce risks before the stay, but is as well important after the purchase decision to inform customer about hotel services in particular, sport facilities, restaurants and all other facts that increase the pleasure of the hotel stay. Furthermore, communication is able to transfer emotions, which are especially important, if the customer provider relationship is at the peak of the lifecycle curve. Hence, communication in this area seems to be less interesting. Emotion transfer should help to create and support loyalty and customer retention. Only if communication meets customer expectations, it will be able to push further purchase decisions. Offers include all special prices, packages or last minute deals for instance that are communicated to customers. Since the intensity of the relationship changes over time, also the need for these three different aspects is supposed to change. Hence, marketing should adapt communication based on the different needs in the different phases of the customer-service provider relationship. It is postulated that customers have a certain need for information to reduce perceived risks before their first stay. After their first stay, if they know the hotel experience for instance briefly but not in detail, a further need for information may arise. After many repeat stays, the need for further information is assumed to decrease, because no more risks are perceived and the product is well known. Concerning emotions, they are important to build up and to strengthen loyalty, so it is assumed that the need for emotions increases over time. When it comes to offers, it is likely that customized offers are required in every phase of the customer lifecycle, but the need will decrease if customers know the product very well and know special rates etc. very well. Furthermore, loyal guests are less press sensitive (Reichheld, 2001) and are less interested in lower rates than new guests.

Thus, the following main hypotheses can be postulated:

H1: Within customer lifecycle of a hotel guest, the interest and need for communication from the hotel changes.

Based on the customer lifecycle phase, the need for communication in terms of information (a), offers (b) or emotional content (c) is assumed to change accordingly. Thus, the following sub-hypotheses can be formulated, based on the operationalized indicators:

H2a: The longer the customer relationship, the lower is the need for information of customers about the service.

H2b: The longer the customer relationship, the lower is the need for cheap offers in communication.

H2c: The longer the customer relationship, the higher is the need for emotional content in communication.

3.1 Goal of the communication model

Based on the theoretical considerations, a new communication model is invented. The following assumptions regarding the new model are empirically examined in the next step. The relationship lifecycle model shows that relationships are dynamic and hence, also marketing measures must be dynamic to be efficient and successful. To achieve this, a dynamic model

for marketing communication is required. The goal is the creation of a more efficient model for marketing communication at the example of the hotel industry. Efficiency refers to an improvement in customer retention, which leads to increased customer turnovers and profits. The new model should offer a substitute or at least a supplement to usual segmentation methods, which are used to implement a more customized marketing communication strategy. Customers are segmented with the goal of offering a more individual and appropriate marketing communication strategy. The problem of classical segmentation methods is that they are often only past oriented or one-dimensional. Since the focus of nowadays marketing lies on the relationship between the customer and the provider, this relationship should also be the base for a new communication approach. Since this relationship is rather dynamic, the new communication model should take the same dynamics into consideration. The ideas, considerations and rationales of the customer relationship lifecycle model are used to create a corresponding model for communication: A customer communication lifecycle. From a customer's perspective, the communication offered should meet his expectations in a higher extent than before.

3.2 Model indicators

The relationship lifecycle model consists of various characteristics, which must be adapted to the requirements of the communication lifecycle model. The relationship lifecycle model is usually illustrated in a coordinate system to show the intensity of the relationship over the course of time. Regarding the customer communication lifecycle model, first of all, the indicator for the duration of the relationship must be adapted. This aspect is illustrated usually as length of relationship by the abscissa. Second, an indicator concerning the ordinate, called relationship intensity in the relationship lifecycle models, must be chosen. Within this new communication model, this indicator represents customers' intensity of expectations and interest for marketing communication during the relationship over the course of time. Third, an appropriate phase separation, based on the indicator, which determines customers' marketing communication expectations, must be accomplished. Then, based on the definition of the phases, the characteristics of each phase must be analysed. The following table shows a comparison between the usual indicators for the relationship lifecycle and the corresponding indicators of the new customer communication lifecycle.

Table 1: Comparison of indicators relationship lifecycle and customer communication lifecycle, Source: Own illustration

Characteristics	Relationship lifecycle	Customer communication lifecycle
Indicator for the abscissa	Duration of the relationship	Customer lifetime, measured in days from the first purchase until the last purchase, which occurred so far, to measure the length of the active customer-provider relationship
Indicator for the ordinate	Intensity of the relationship	C.A.L.I. the communicational adhesion lifetime index, which illustrates the changes in customers' expectations towards marketing communication and the changes in intensity within these expectations

Source: Own illustration

Based on the customer relationship lifecycle, the phases for the communication lifecycle are defined correspondingly. Based on the chosen indicators, the phase borders are modified due to the requirements of the communication lifecycle. The table below shows the four phases, phase names, indicator for phase separation, starting point for each phase and end of all phases.

Table 2: Customer communication lifecycle phase characteristics, Source: Own illustration

Phase	Phase name	Separation indicator	Starting point	End of the phase
1	Socialization phase	Only one purchase so far	First purchase	First repeat purchase
2	Growth phase	Active repeat customer	Second purchase within one year	Time frame between the first and last (until now) purchase less than one year
3	Maturity phase	Active, stable repeat customer	Repeat purchases within one and two years	Time frame between the first and last (until now) purchase within one and two years
4	Risk phase	Threatened repeat customer	Repeat purchases within more than two years	Time frame between the first and last (until now) purchase more than two years

Source: Own illustration

Based on the classical illustration (Bruhn 2001, Stauss 2000) of the customer relationship lifecycle, the illustration of the communication lifecycle is accomplished. The communication lifecycle is hence also separated into four phases, starting with the socialization phase at the beginning of the relationship. Then, the growth phase follows, where the relationship is increasing in terms of its intensity. With regards to the communication, the willingness of customers to receive communication, attention and interest is arising. Hence, the C.A.L.I. is increasing correspondingly to the intensity of the relationship. The third phase is the maturity phase, where the relationship intensity as well as the communication lifecycle is at its peak. The final phase, the risk phase, starts with a slow decrease in intensity of the relationship. Also the communicational adhesion lifetime index is assumed to decrease. With the help of communication, the decrease is supposed to slow down to delay a final defection of customers. The following empirical work is conducted to analyse the assumed dynamics in reality.

4 Research results and discussion

4.1 Data Source and Analysis Design – methodology

To analyse the dynamics in different phases of the customer communication lifecycle, a questionnaire was used. The questions concerning marketing were integrated in an existing guest questionnaire of a European hotel group with about 30 hotels. Most of the hotels are also located in Austria, followed by Italy, Croatia, Czech Republic, Serbia and Slovakia. The portfolio of hotels is separated into wellness hotels (14 hotels), a luxury premium collection (three hotels), family hotels (8 hotels) and city hotels. The main focus is on leisure guests, but especially in the city hotels (four hotels in sum), business travellers play an important role¹. All transactional information concerning the hotel stay is stored in a multi-property management system. If a guest makes a reservation, this information is stored in the system, including all available information concerning name, postal address, email address, arrival date, depart date, number of guests, room type etc. The information stored in the operative reservation system is transferred in an extra database for marketing purposes. Within the import process, data is cleaned and structured to be ready and appropriate for marketing communications. Two days after the departure, guests get a post-stay email. This email contains a "Thank you for your stay" message and the possibility to evaluate the hotel group and the previous hotel stay itself. If the hotel guests clicks on the link in the newsletter to open the questionnaire website, a personalized ID (alphanumeric) is transferred to link the questionnaire to the guest who fills it in. This enables a link between the questionnaire and the guest profile in the marketing database. After the guest has filled in the

¹ Falkensteiner.com, Date of insight: 28.10.2012

questionnaire and has clicked on “send”, the results are saved and written back into the database. Hence, the information about the guest’s evaluation of the stay and the hotel group can be linked to the guest’s profile with segmentation and transaction information. To answer the research questions and to examine the postulated hypotheses, questions regarding the interest for marketing communication, the perceived importance of marketing communication as well as the desired content of marketing communication, were added to the post-stay guest questionnaire of the hotel group. An own part in the questionnaire, labelled “Marketing” was created, were all questions concerning marketing communication are stored. The questionnaire version including the marketing communication questions was sent out at the beginning of July 2012 for the first time. To have a representative time frame with a sufficient amount of responses, questionnaire responses were used from July to the middle of October 2012. Overall, about 24,140 guests arrived in total during this time frame in all hotels of the hotel group and had a correct email address available, were the questionnaire could be sent. A total amount of 2,816 questionnaires were filled in. This represents a response rate of 11.7%, which represents a relatively high quota. Since the hotels are located in different European countries and customers are rather international, the questionnaire was sent out in different language versions. It was available in English, German, Italian and Croatian. Corresponding to the language, which was saved in the reservation system of the hotels, the guests received the questionnaire. This facilitates the process, because guests did not have to choose the right language before starting to fill in the questionnaire. Based on the customer lifetime value in days, the classification of the variable was accomplished in accordance to the phase boarder definition. Hence, all guests with only one stay so far and hence, no customer lifetime in days available, are in phase 1 for single stays. 1,644 respondents, what equals 59.1%, are in phase 1. The next phase, phase 2, was defined for all repeat guests with not more than one year between their first and last stay. 352 guests are in the growth phase, what equals 12.5% of all guests, who answered the questionnaire. Phase 3, maturity phase, refers to all guests with a customer lifetime of one until two years. 294 guests are in in the maturity phase, what equals 10.4% of all guests. Phase 4, the risk phase, contains all guests with more than two years of active relationship and 506 guests are located within this phase, what equals 18.0% of all guests. The distribution contains a minimum of approximately 300 answers per phase type. Hence, the answers per phase can be regarded as representative due to a sufficient number of answers per phase.

Table 3: Overview frequencies of customer lifetime in days, classified

	Frequency	Percent	Valid Percent	Cumulative Percent
Phase 1: Single stays	1,664	59.1	59.1	59.1
Phase 2: <1 year	352	12.5	12.5	71.6
Valid Phase 3: 1-2 years	294	10.4	10.4	82.0
Phase 4: >2years	506	18.0	18.0	100.0
Total	2,816	100.0	100.0	

Source: Own calculation based on questionnaire results

The question concerning the desired content of the next marketing campaign was especially important to evaluate the changes in expectations per phase. The respondents had to decide, which marketing campaign content is the most important for them, because they were only allowed to choose one content out of three possible choices (offers and packages, exclusive news representing the emotional content or relevant information). The next table shows the absolute and relative figures for the different contents per lifecycle phase in a contingency table.

Table 4: Content of marketing campaign and customer lifetime

		Customer lifetime value in days - classified				Total
		Single Stays	<1 year	1-2 years	>2years	
No answer given	Count	231	45	24	50	350
	% within Customer lifetime	13.9%	12.8%	8.2%	9.9%	12.4%
Offers and Packages	Count	960	183	150	242	1535
	% within Customer lifetime	57.7%	52.0%	51.0%	47.8%	54.5%
Exclusive News	Count	269	82	97	178	626
	% within Customer lifetime	16.2%	23.3%	33.0%	35.2%	22.2%
Relevant Information	Count	204	42	23	36	305
	% within Customer lifetime	12.3%	11.9%	7.8%	7.1%	10.8%
Total	Count	1664	352	294	506	2816
	% within Customer lifetime	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Own calculation based on questionnaire results

The amount of respondents without an answer at all, decreases from 13.9% of guests in phase 1 (single stays) to 8.2% of guests in phase 3 and 9.9% of guests in phase four. The content “offers and packages” is constantly decreasing from phase 1 to phase 4. In phase 1, 57.7% of all respondents rate offers as the most important content. Contrariwise, only 47.8% of guests in phase 4 chose this type of content. Only 16.2% of all respondents in phase 1 chose “exclusive news”, but 35.2% of guests with a lifetime of more than two years rated this content as most desired. Relevant information has been chosen from all segments relatively seldom (10.8% on average). 12.3% of guests in phase 1 chose information, whereas only 7.1% of guests with the longest lifetime chose this content. Based on these results, a chi square test was accomplished. The results are highly significant with a p value < .0001.

Table 5: Chi Square test marketing campaign and customer lifetime

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	111,740 ^a	9	,000
Likelihood Ratio	108,709	9	,000
N of Valid Cases	2816		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 31,84.

Source: Own calculation based on questionnaire results

Due to the nominal scale of the desired content, a Cramer’s V was conducted to analyse the strength of association. With a also very high significance (p<.0001), Cramer’s V shows an existing, but weak correlation (.115).

Table 6: Cramer’s V marketing campaign and customer lifetime

	Value	Approx. Sig.
Nominal by Nominal	Phi	,199
	Cramer's V	,115
N of Valid Cases	2816	

- Not assuming the null hypothesis.
- Using the asymptotic standard error assuming the null hypothesis.

Source: Own calculation based on questionnaire results

Guests’ need for communication in terms of information, offers and emotional content changes. Since the need for information of customers about the service decreases during customer lifetime, H2a is supported. Also H2b is supported, because the illustration shows the fact that the need for cheap offers in communication decreases from phase to phase. Finally, H2c is supported, since the expectations towards exclusiveness and emotional content increases from 16.2% in the first phase until 35.2% in the final phase. “Offers and Packages” is decreasing from phase to phase as well as “Relevant Information”, whereas “Exclusive” news is increasing in a high extent from phase to

phase. Several questions regarding the importance of marketing communication were integrated into the questionnaire. The importance of information, exclusiveness and offers were asked separately. To show the overall importance and to examine the C.A.L.I. per phase, the sum of the three values for each importance was calculated. Then, in the next step, the mean for each phase was determined. The next table shows the results. The highest mean has group 3 (1-2 years), where the peak of the intensity of the relationship as well as the expectations towards communication was assumed. Furthermore, single stay guests in phase 1 have the lowest mean. This supports H1, because the expectations, needs and interests of a hotel customer in terms of marketing communication change during customer lifetime.

Table 7: Mean of overall marketing importance per lifecycle phase

Customer lifetime - classified	Mean	N	Std. Deviation
Single Stays	11,9050	1663	4,78698
<1 year	12,6648	352	4,75749
1-2 years	13,1939	294	4,08859
>2years	12,9980	506	4,48650
Total	12,3311	2815	4,68926

Source: Own calculation based on questionnaire results

The Chi square test, comparing the overall perceived marketing importance, consisting of emotions, information and offers, is significant with a significance level of 5% (p value is .027).

Table 8: Chi square test importance of marketing communication and lifecycle phases

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	75,740a	54	,027
Likelihood Ratio	78,671	54	,016
Linear-by-Linear Association	30,972	1	,000
N of Valid Cases	2815		

a. 10 cells (13,2%) have expected count less than 5. The minimum expected count is ,73.

Source: Own calculation based on questionnaire results

Since both variables are ordinal, the gamma value could be calculated. The value shows a weak association (.127) with a high significance ($p < .0001$).

Table 9: Gamma value marketing communication and lifecycle phases

	Value	Asymp. Std. Error	Approx. Tb	Approx. Sig.
Ordinal by Ordinal Gamma	,127	,020	6,321	,000
N of Valid Cases	2815			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Source: Own calculation based on questionnaire results

Conclusion

The findings presented in this paper are only an extract from the comprehensive results of the empirical work. Within customer communication lifecycle of a hotel guest, the interest, needs and expectations concerning information, offers and emotions change. Hotel marketers should take these changes into consideration in the future. During the relationship, the need for information of customers about the service becomes less important. Contrariwise, the question concerning the desired content of marketing campaigns was able to show that the importance of emotional content and the desire for exclusiveness increases. Especially very valuable guests with a high customer lifetime expect emotional messages to feel important and pampered. Another interesting finding is the fact that the importance of offers decreases during the relationship as assumed, but the overall importance is still very high. This means that all guest segments expect a certain extent of

appropriate and customized offers within their received marketing communication. This will be a prerequisite for successful customer retention in the hotel industry in the future. Furthermore, the new model offers insights regarding an integrated marketing communication concept in the hotel industry. Integrated communication is commonly considered as management process, but also requires the underlying integrated mechanics to operate effectively (Smith, 2012). The customer communication lifecycle can be considered as one mechanic towards communication integration. The conducted questionnaire was able to show that customers' expectations towards marketing communication change during the relationship. Furthermore, the intensity and interest changes accordingly to the intensity of the relationship. It is a main goal for service marketers, to design new strategies for marketing communication, which take these dynamics into consideration. Additionally, due to a better understanding of customers' wishes, an increase in efficiency and output of marketing communication campaigns is likely. The next step within this research project is an operationalization of the different strategies per phase. Furthermore, it would be interesting to accomplish a similar research product in a different service industry to compare the results. Another important fact would be the integration of the lifecycle in the whole integrated marketing communication strategy of a hotel company. Since interaction between the instruments of the communications mix, which target at the same market segments are able to create synergy, a further increase in marketing effectiveness may be possible (Prasad and Sethi, 2009).

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Primary Paper Section: A

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