

Cornell Study Highlights the 'Pitfalls' of Reliance on Frequent Traveler Programs

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Though they are widely used in all segments of the travel and tourism industry, loyalty programs are unable to increase a hotel or airline's average purchase frequency among their patrons.

Instead, a study from Cornell's Center for Hospitality Research shows that differences in average purchase frequency are related to brand penetration. The study, 'Frequency Strategies and Double Jeopardy in Marketing: The Pitfalls of Relying on Loyalty Programs,' by Michael Lynn, examines the frustrating phenomenon of marketing double jeopardy, in which small companies not only have low penetration rates, but also experience weak repeat sales. The report is available at no charge at

<http://www.hotelschool.cornell.edu/research/chr/pubs/reports/2008.html/>.

Double Jeopardy Is a Double Whammy for Small Firms

A professor of marketing at the Cornell School of Hotel Administration, Lynn analyzed sales data for twenty-three airlines operating in the United States, supplied by D.K. Shifflet Associates. What Lynn found is that small carriers suffer from both weak penetration and meager average purchase frequency, compared to large airlines. This so-called double jeopardy effect, he argues, demonstrates that efforts to increase purchase frequency cannot succeed without also expanding the customer base, even though that's what frequency programs try to do. 'These data clearly show that sales among a brand's users cannot be increased substantially without also increasing the brand's penetration,' Lynn said. 'I believe that hospitality marketers who focus only on loyalty programs for competitive advantage will be disappointed, unless they also build their brand. Having said that, I must say that airlines and hotels probably cannot abandon their loyalty programs, because they constitute a defensive strategy.'

Lynn concluded that the most effective way for marketers to increase sales is to work on building their brand and on increasing penetration by creating value in the form of a superior product and service offering, communicating that value to all users of the product category, and capturing that value through pricing.

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