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LOYALTY PROGRAMS AS A TOOL FOR THE DEVELOPMENT OF ESG PRACTICES AT HOSPITALITY ENTERPRISES IN A MARKET TRANSFORMATION SITUATION

The article is devoted to the consideration of the importance of developing loyalty programs as a tool for the development of ESG practices at a hospitality enterprise. The authors focus on the study of factors of economic instability and market volatility and note that hospitality enterprises are forced to look for new ways to attract and retain customers in order to stand out from competitors and ensure their sustainability and growth. Special attention is paid to the principles of ESG as an integral part of modern business. It is concluded that the integration of ESG practices allows enterprises to increase their attractiveness to investors, improve their reputation and reduce the risks associated with climate change and social problems.

Keywords: tourism and hospitality industry, hotel business, principles of ESG loyalty program, customer engagement.

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ПРОГРАММЫ ЛОЯЛЬНОСТИ КАК ИНСТРУМЕНТ РАЗВИТИЯ ESG-ПРАКТИК НА ПРЕДПРИЯТИЯХ ГОСТЕПРИИМСТВА В СИТУАЦИИ ТРАНСФОРМАЦИИ РЫНКА

Статья посвящена рассмотрению значения разработки программ лояльности как инструмента развития ESG-практик на предприятиях гостеприимства. Авторы акцентируют внимание на исследовании факторов экономической нестабильности и изменчивости рынка и отмечают, что предприятия гостеприимства вынуждены искать новые пути для привлечения и удержания клиентов, чтобы выделяться на фоне конкурентов и обеспечить свою устойчивость и рост. Особое внимание уделено принципам ESG как неотъемлемой части современного бизнеса. Делается вывод о том, что интеграция ESG-практик позволяет предприятиям повысить свою привлекательность для инвесторов, улучшить свою репутацию и снизить риски, связанные с изменениями климата и социальными проблемами.

Ключевые слова: индустрия туризма и гостеприимства, гостиничный бизнес, принципы ESG программы лояльности, привлечение клиентов.

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Introduction. In the modern world, hotel companies face a number of challenges and transformations related to changes in the market and social requirements for sustainability and responsibility. In conditions of economic instability, growing consumer awareness and growing interest in the principles of ESG, it becomes important for hotel companies to develop and implement appropriate practices in their activities.

The relevance of issues related to the development of loyalty programs as a tool for the

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development of ESG practices is undeniable in the light of modern requirements faced by hotel companies.

Firstly, economic instability and market volatility create uncertainty and increased competition in the hotel industry. Hospitality companies are forced to look for new ways to attract and retain customers in order to stand out from competitors and ensure their sustainability and growth.

Secondly, modern clients are becoming more conscious and demanding, they pay more attention to the principles of sustainability, responsibility and social justice. Customers want to be sure that their choice of product or service meets the high standards of the environment and social responsibility.

Thirdly, ESG principles have become an integral part of modern business. Companies, including hotel companies, are aware of the importance of taking into account environmental, social and corporate aspects in their activities. The integration of ESG practices allows enterprises to increase their attractiveness to investors, improve their reputation and reduce the risks associated with climate change and social problems.

The main trends in the development of loyalty as an ESG practice tool. In recent years, the global commitment to sustainable development has become an integral part of society and an important component of the socio-economic development of countries. In response to changing conditions and customer needs, enterprises are guided by the principles of environmental, social and managerial responsibility (ESG):

E – Environment (attentive attitude to the environment).

S – Social (social responsibility).

G – Governance (responsible corporate governance) [1].

Environmental and social issues became relevant at the end of the XX century, when the consequences of the adverse impact of human activity on the environment and society became clear. This provoked the formation of the concept of sustainable development, which is based on a balance of economic, environmental and social aspects [2].

Sustainable development and ESG are the growing trends of recent years in business and society. In 2021, this agenda has become an absolute focus for business, moving from the category of discussions and experiments to the plane of real communications and strategies. Interest in the agenda is confirmed by the growth of advertising budgets for environmental and social campaigns, the emergence of new specialized conferences, as well as the dynamics of queries on the topic in search engines [3].

Consumers are also increasingly interested in sustainable development topics. According to a global Dentsu Institute study by the end of 2021, consumers know and understand the key terms of sustainable development [4].

Drivers of the development of ESG practices in the hotel business. In the hospitality industry, attention to ESG factors began with awareness of the impact of the hotel business on the environment and social aspects. The development of this direction was stimulated by a number of factors:

1. Growing environmental awareness. With the development of the environmental movement and the increasing public awareness of the importance of preserving the environment, hotel companies began to realize their role in environmental problems and the need for a sustainable approach.

2. Consumer demand. Modern travelers are increasingly paying attention to the environmental and social responsibility of hotel enterprises. Responsible behavior of companies in relation to the environment and society can be an important factor in choosing a hotel for many customers.

3. Competitive advantage. The introduction of ESG practices can bring competitive advantages to hotel companies, including reducing operating costs, increasing customer loyalty and attracting new markets.

In recent years, hotel companies have been actively implementing sustainable development practices, including energy efficiency, waste management, social responsibility and other aspects of ESG.

The role of ESG factors in increasing brand loyalty of a hotel company. Loyalty can be considered as an important tool within the framework of ESG practices. It is the result of successful integration and application of ESG principles in the organization's activities. Loyalty plays an important role in the development of ESG in several areas:

1) Investment Loyalty: Investors can be loyal to companies that adhere to high ESG standards and demonstrate sustainable development and social responsibility. They may prefer to invest in such companies because they consider them more sustainable in the long run and potentially more profitable.

2) Consumer loyalty: Consumers increasingly prefer brands that demonstrate environmental frequency, social issues and ethical practices. Active implementation of ESG practices by companies, for example, the use of environmentally friendly materials, taking into account the needs of local communities and ensuring fair working conditions, increases consumer loyalty.

3) Employee Loyalty: Employees can be loyal to companies that maintain high ESG standards and provide a favorable working environment. Companies that actively take care of their employees and ensure equal opportunities, development and participation in decision-making can attract and retain the best employees, as well as increase efficiency and productivity.

A marketing strategy based on ESG principles gives brands a competitive advantage as a sustainable positioning. Focusing marketing efforts on strategies for the sustainable development of the organization and effective storytelling can help increase brand loyalty and its value. Sustainability marketing strives for a balance between economic benefits, benefits for society and nature. The importance of sustainability marketing is demonstrated, first, by consumer demand. 91% of respondents to the joint Dentsu and Microsoft Advertising survey replied that they would like brands to demonstrate more clearly that they are making positive choices about the planet and, in general, the environment on it. More than a third of respondents (77%) say that in the next 5 years they will buy only responsible and "green" brands [5].

Sustainability marketing, which includes communication and promotion of sustainable practices and values, can strengthen a company's reputation in the eyes of consumers. When a company clearly demonstrates its commitment to sustainability, consumers who share these values can become more loyal to the brand. Customer loyalty, in turn, can lead to increased sales, repeat purchases and positive recommendations.

ESG can attract new consumers who are actively looking for companies that match their sustainable values. Raising awareness about the sustainable aspects of the brand and products can lead to attracting a new target audience, expanding the market and increasing the company's market share.

Thus, ESG positioning means using marketing tools of sustainable development to create and strengthen the image of an organization or product based on its association with aspects of sustainable development, thereby forming a brand in the minds of the market and consumers.

Features of the development and implementation of loyalty programs in the hotel business. One of the priorities of maintaining customer loyalty is the development and implementation of appropriate loyalty programs. Loyalty programs are designed to motivate repeat purchases by providing rewards to customers based on their long-term relationship with the organization.

Loyalty programs in the hospitality industry have their own characteristics. The main purpose of loyalty in hotels is to organize long-term relationships with guests. The three key elements in creating such a program are benefits, benefits and pleasure. Advantages are additional features provided by the hotel during your stay. The benefit is considered an attractive condition for regular guests. Pleasure is the development of emotional involvement and trust [6].

Currently, there are a number of loyalty programs. Programs are classified:

1) by the number of participants:

Individual loyalty programs: programs that companies develop to attract and retain customers. These programs are unique and specially designed taking into account the characteristics and goals of a particular company;

coalition (partner) loyalty programs: involve the joint work of two or more companies in order to provide additional benefits and rewards to their customers. As part of such programs, customers can accumulate and use bonuses, discounts and other benefits when purchasing goods and services from partner companies.

2) depending on the benefits received:

Price programs: participants receive discounts on purchases or earn bonus points that can be used for future purchases or services (see the table);

non-price programs: programs aimed at establishing a strong connection with the consumer in the long term due to the emotional and social benefits of interacting with the brand.

3) by the presence/absence of entry barriers or conditions:

open: programs in which anyone can easily register without restrictions or conditions;

closed: programs that can be joined only by invitation of existing members or organizations.

These are general categories of loyalty programs, and companies can combine various aspects to create unique and customizable programs according to their needs and strategies [7].

Price loyalty programs are aimed at changing customer loyalty behavior, while non-price loyalty programs are aimed at forming emotional loyalty to the hotel brand. Brand loyalty appeals to the emotions and feelings of consumers. When customers feel emotionally attached to a company, they move to that company without considering the offers of other companies.

Table – The main characteristics of consumer loyalty programs involving material benefits for the client

Types of loyalty programs	Program characteristics	Negative aspects for the company
Discount loyalty program	It focuses on providing the customer with benefits in the form of a refund of part of the paid value of the goods at the time of purchase. Discount programs come with fixed discounts and differentiated, as well as cumulative discounts	Due to price discounts, it is difficult to form a group of truly brand-committed customers: there will always be a competitor who will offer a lower price
Cumulative discount programs	The benefit is not a fixed and unchangeable amount that does not depend on the customer's purchasing activity: it directly depends on how often and for what amount the consumer made previous purchases and reservations	Quite high maintenance costs and updating of the customer base
Bonus programs	When making a purchase, the consumer gains some points (points / bonuses / miles). When accumulating a certain number of points, the consumer gets the right to exchange them for a certain product or service. The more bonuses a consumer gets, the more expensive a gift he can purchase. The consumer gets not only a material benefit (an additional product or service), but also an emotional one – in the form of participation in the game and receiving the coveted prize	Non-standard solutions that require additional costs on the part of the company
Cashback	Cashback is a discount in the form of a refund of part of the purchase price to the card. Cashback is a new generation loyalty program. This can be a refund of bonuses to a virtual card, or maybe money to a bank card. The percentage of cashback may vary, some companies offer higher rates than others. Bonuses can be used to pay up to 100% of the cost of goods or services, depending on the conditions of the company	Does not cause consumer confidence, high competition among similar programs

It is possible to note the positive results that can be brought by loyalty programs of hotel enterprises, such as:

- the cost of retaining a regular guest is several times lower than that of attracting a "new" client;
- the loyalty program increases not only the number of room occupancy, but also the amount of sales of additional hotel services;

- a competently designed loyalty program works to establish a positive image of the hotel;
- increasing the profit that the loyalty program brings, which contributes not only to attracting customers, but also to retaining them for a long period.

Working with the loyalty program allows the hotel to form its customer base taking into account requests and preferences, which means it can react faster to their changes [8].

Customer loyalty is the key to the success of the company's future development goals. When forming customer satisfaction, hotel companies should focus on ensuring that guests have a positive impression of the services provided.

Identification of approaches to the formation of a loyalty program as a tool for the development of ESG practices. Currently, ESG positioning has become a key aspect in the business environment. Hotels are aware that taking into account environmental, social and managerial factors can have a significant impact on their long-term value and brand. A marketing strategy based on ESG principles provides the brand with a competitive advantage in achieving sustainable positioning. Focusing marketing efforts on the organization's sustainable development strategies and effectively communicating this to consumers will help strengthen brand loyalty and its value.

The strategic goal of the hotel is brand sustainability, i.e. all marketing activities should be aimed at meeting demand in such a way as to increase public goods, protect and improve natural resources for future generations. This trend is gaining momentum from the point of view of "conscious consumption", it is important for a new generation of service consumers to know how much the organization is concerned about global problems of the world. Such a new type of consumer with an active lifestyle makes up a large part of the target audience of hotels [9].

When integrating ESG aspects into the marketing strategy of a hotel company, the following steps should be considered:

1. Audit of brand values. Values underlie the brand of any organization and are especially important when defining and forming views on ESG. Based on the above, it is necessary to create and formulate values that will be authentic and organic for the organization.

2. Mission analysis. It is necessary to create a mission that reflects the principles of ESG, and can also form commitment and loyalty to the hotel.

3. Formulation of strategic goals. At this stage, it is necessary to develop a vision and a marketing plan that reflects the elements of corporate social responsibility and the vector of the organization's brand strategy to achieve ESG goals.

4. Creation of a special loyalty program. The creation of the program is one of the main tools of ESG, as the hotel can demonstrate its responsibility to society and the environment by considering its activities taking into account important aspects of society and the environment and striving for positive changes.

The creation of a loyalty program is an integral part of the development of the hotel brand. The loyalty program, based on ESG principles, promotes the demonstration of commitment to sustainable development and responsibility for environmental, social and managerial aspects.

A loyalty program based on the principles of environmental sustainability, social responsibility and resource management may include various levels of guest engagement in sustainable development initiatives. Let 's imagine variants of such levels:

1. The initial level of the program, at which the guest will receive the following privileges:

- getting bonus points for accommodation and use of additional services at the hotel;
- online lessons where guests can learn more about sustainable development, such as waste sorting, energy conservation or conscious consumption;
- access to exclusive discounts and hotel offers;
- rewards for basic sustainable development practices, such as the reuse of towels, bathrobes and bed linen;
- closed newsletter from the hotel regarding the events held by the hotel, partners in the field of sustainable development.

2. Advanced level, offering all the privileges of the first level, as well as additional benefits to guests who actively participate in sustainable development initiatives and are increasingly staying at the hotel:

- increased cashback of bonus points. These points can be exchanged for free nights, room upgrades and other benefits of the loyalty program;
- access to events organized by the hotel;

- special discounts on additional services of the hotel and partners;
- priority service;
- early check-in and late check-out (at the discretion of the hotel);
- special educational and cultural events, such as lectures, seminars and tastings to deepen their knowledge and experience in the field of sustainable development and cultural heritage.

3. A high level in the program, assuming all the privileges of the first and second levels, as well as:

- room category upgrade;
- breakfast as a gift;
- flexible cancellation conditions, change of dates of stay, etc.;
- voucher for free laundry service;
- exclusive privileges, including VIP service;
- the opportunity to participate in environmental projects organized by the hotel;
- free dinner at the hotel with a special menu of farm products;
- the opportunity to give a higher status to the person you have chosen;
- opportunity to influence the sustainability strategy: guests will be invited to private consultations and discussions where they will be able to share their ideas and suggestions for improving the sustainability strategy of the hotel.

The introduction of a special loyalty program, taking into account the ESG strategy, is an important and positive step towards achieving success and long-term sustainability of hospitality enterprises. By offering special offers, discounts and bonuses, the hotel will be able to build long-term relationships with its regular guests and strengthen communication with customers. At the same time, the integration of ESG practices allows enterprises to increase their attractiveness to investors, improve their reputation and reduce the risks associated with climate change and social problems.

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